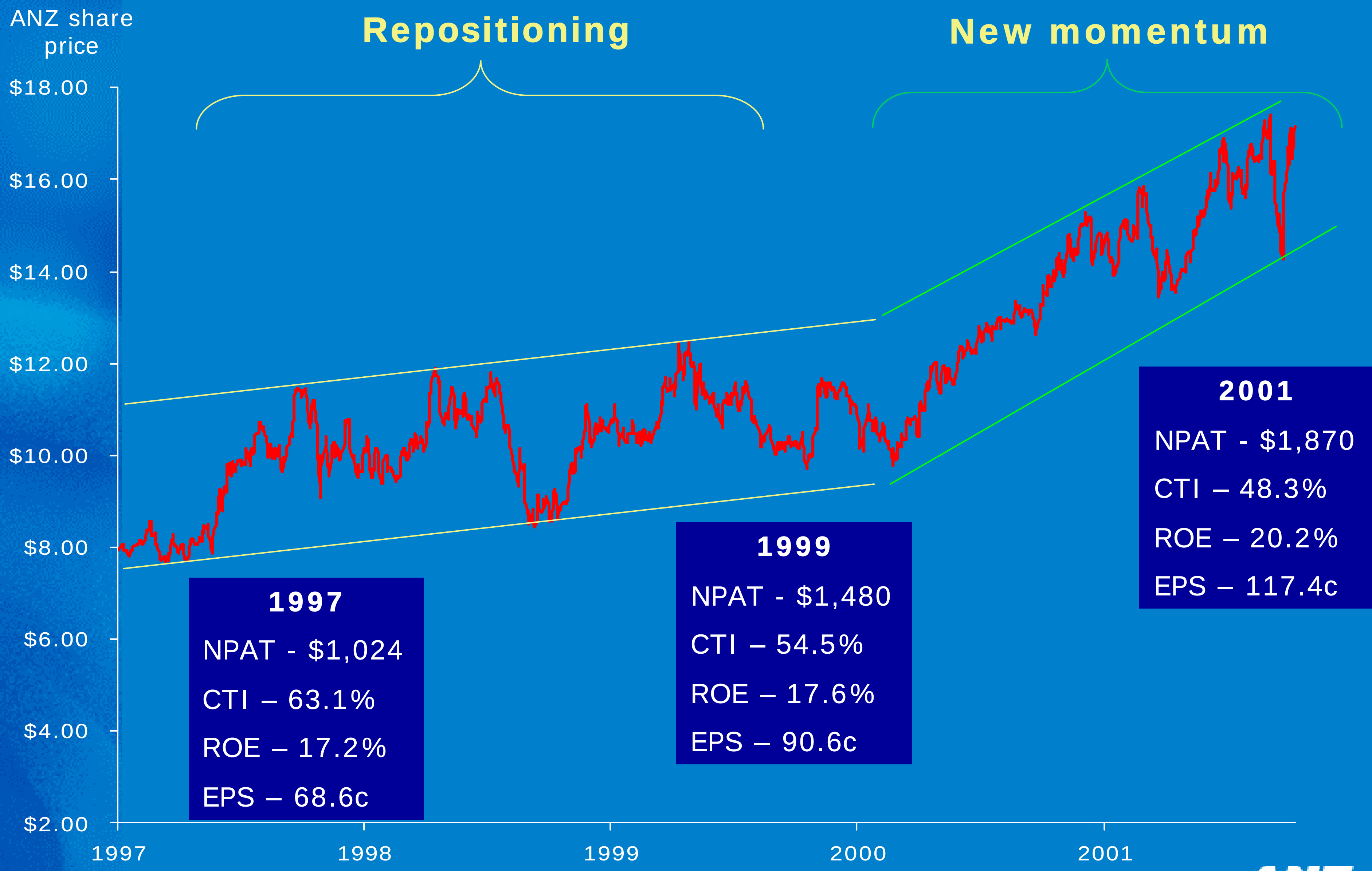
2001 Annual Results

Australia and New Zealand Banking Group Limited

25 October 2001

Repositioning, then new momentum



1997
NPAT - $1,024
CTI – 63.1%
ROE – 17.2%
EPS – 68.6c

1999
NPAT - $1,480
CTI – 54.5%
ROE – 17.6%
EPS – 90.6c

2001
NPAT - $1,870
CTI – 48.3%
ROE – 20.2%
EPS – 117.4c

Strategy is delivering strong results

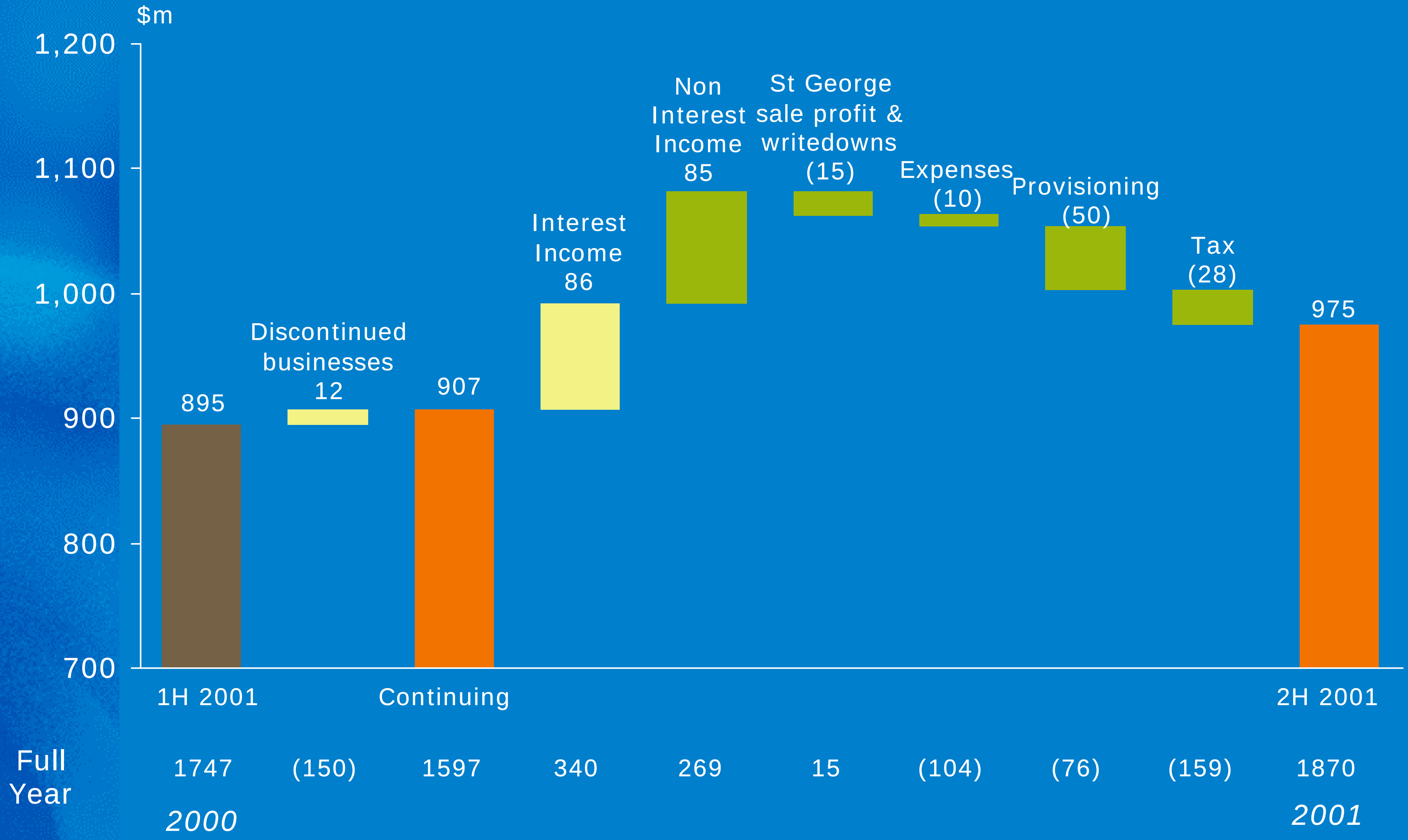
	Year on year	Continuing business
NPAT	$1,870m - up 7%	$1,882m – up 18%
Revenue	$6,445m – down 15%	$6,434m – up 11%
CTI	48.3% - down from 56.5%	48.4% - down from 51.8%
ROE	20.2% - up from 19.3%	
EPS	117.4 – up 10% **(up 13% excluding prior period abnormals)**	
DPS	73c – up 14%	

2001 Annual Results

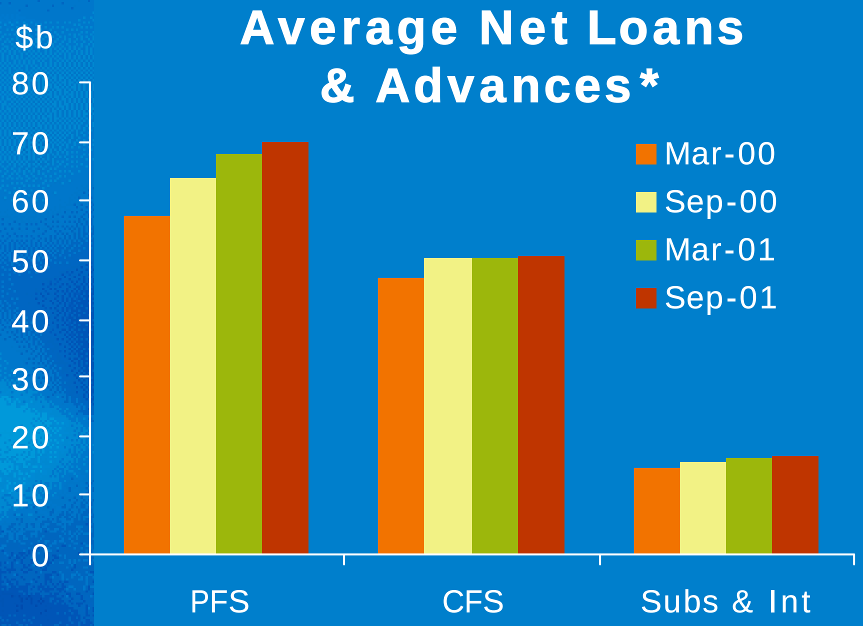
Australia and New Zealand Banking Group Limited
25 October 2001

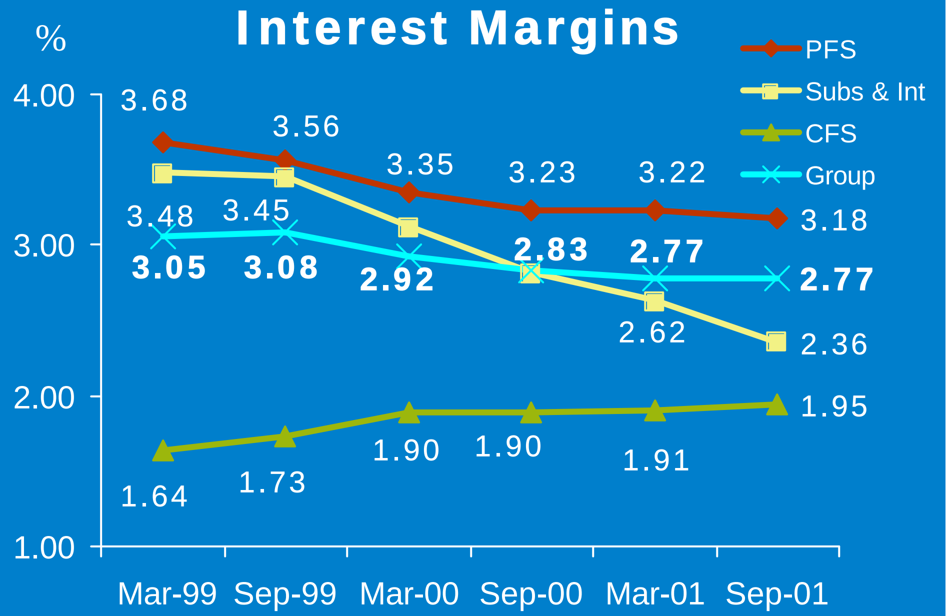
Peter Marriott
Chief Financial Officer

Strong income growth, with good progress across the board half on half



Income drivers – interest income





Personal driving lending growth

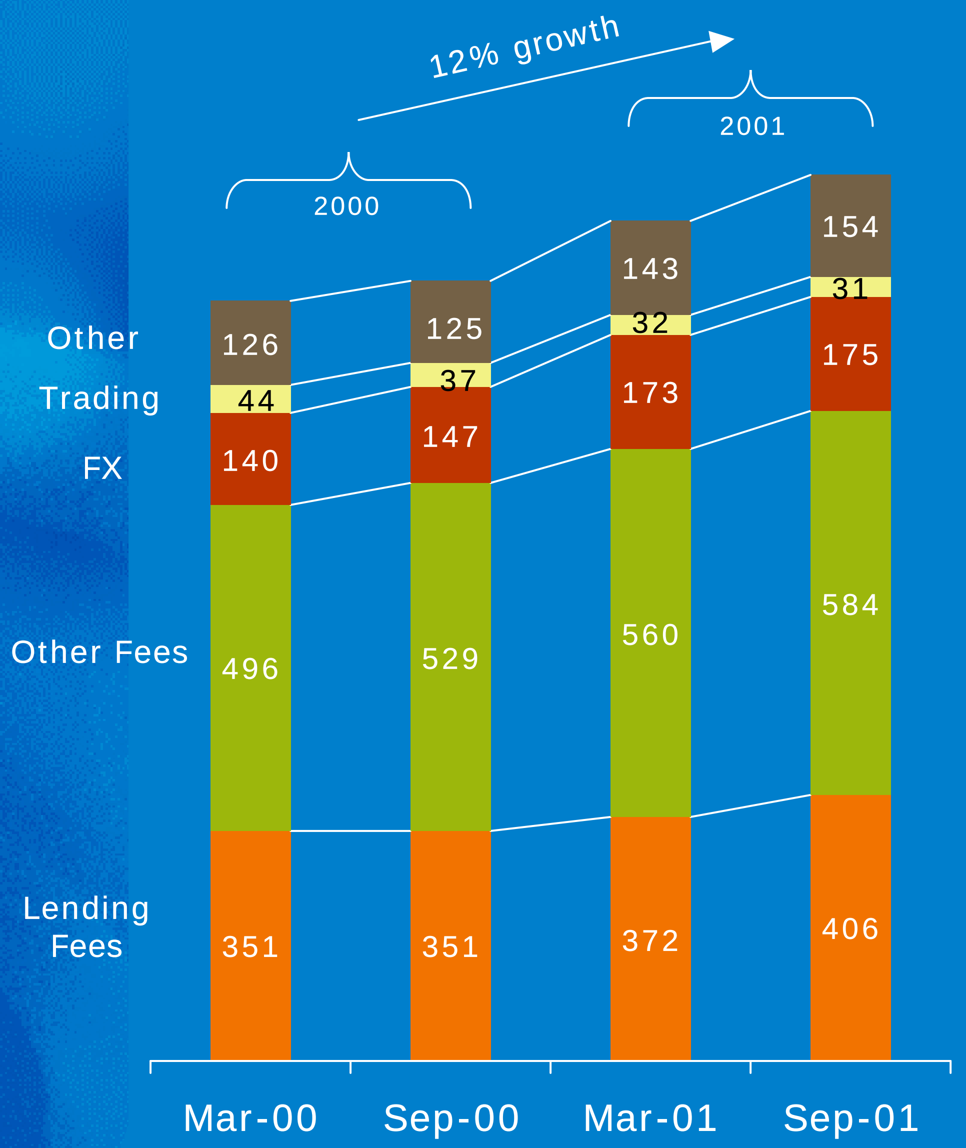
- Asset growth primarily in mortgages and credit cards
- Adjusted for securitisation, overall lending growth in 2001 was 7%
- Tighter credit standards slowed growth

Margins remain stable

- Continuing benefit from falling rates
- Repricing of corporate book

* Includes acceptances

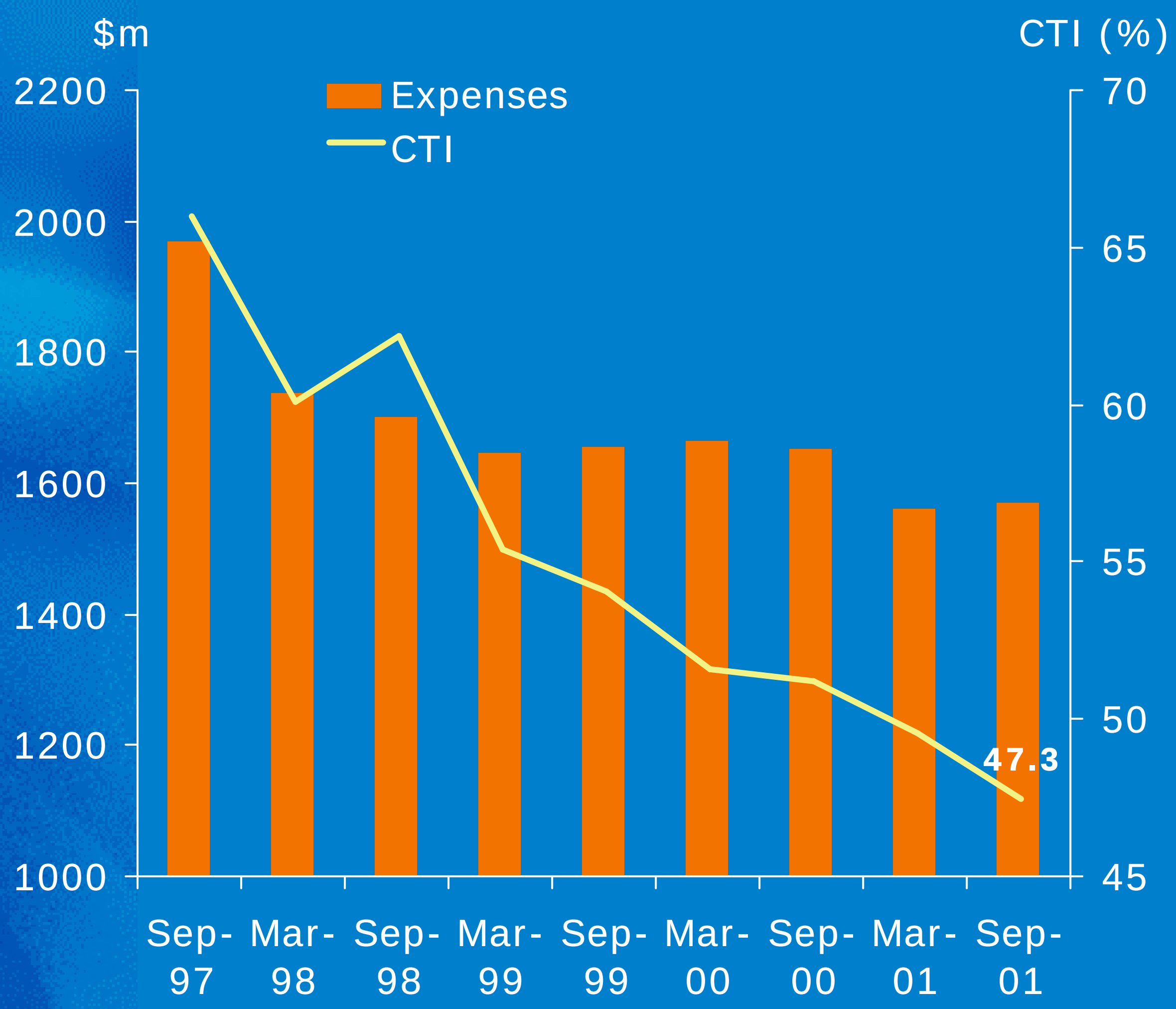
Income drivers – non interest income up 12% year on year



Strong growth momentum in non-interest income

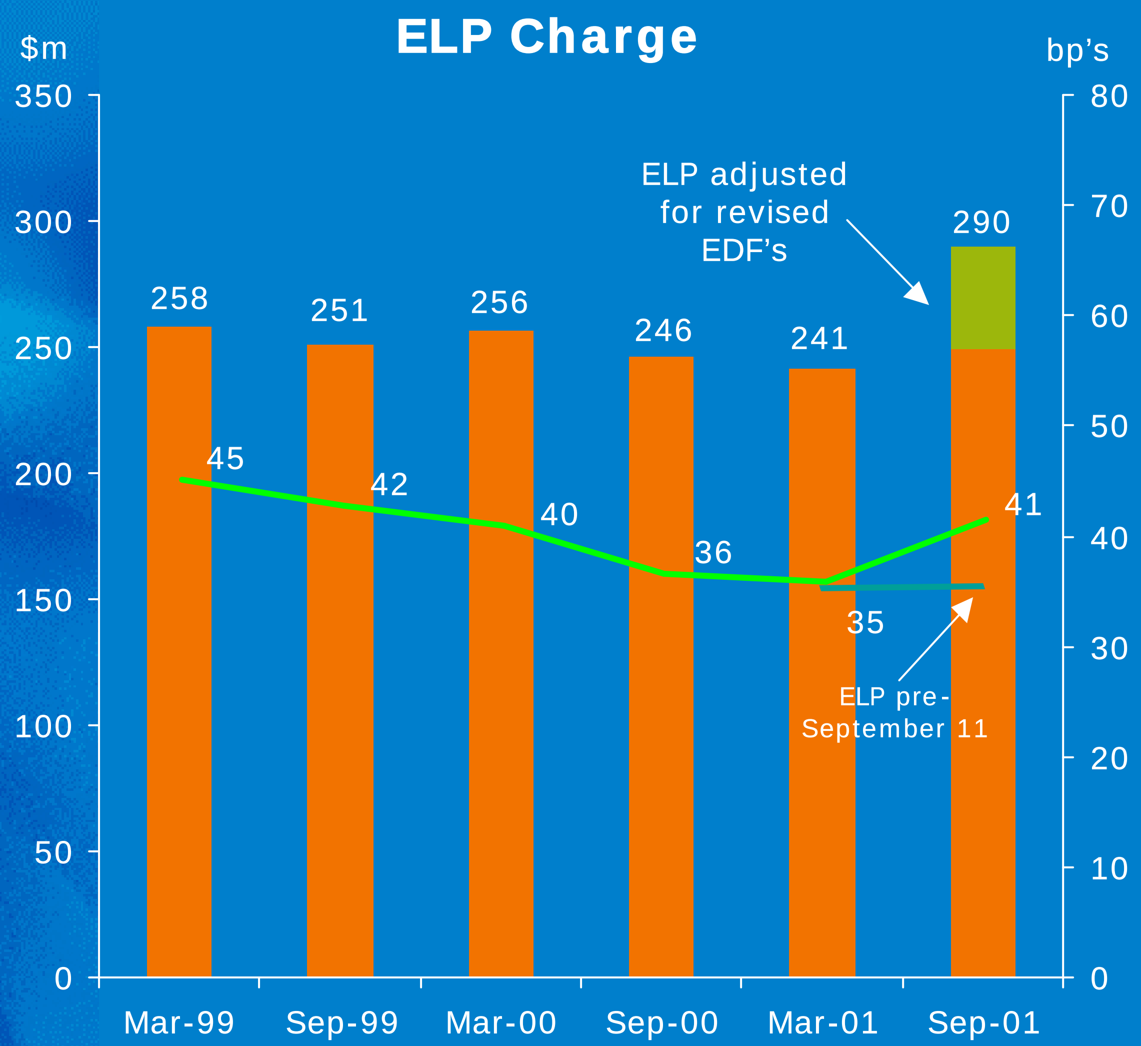
- Lending fees up 9% over the half
  - ➢ increased focus on fee income from lending based products in Institutional Banking
  - ➢ general increase in lending activity in Personal
- Increased inflows contributed to higher MOS
- FX profits flat half on half, but up strongly over the year

Cost income ratio on track to meet target of mid 40's



- Reduction in Cost Income ratio driven by revenue growth **and** cost control
- Approximately $182m of restructuring provision used
  - two year program, with benefits principally 2002 and beyond
  - Increased revenue growth focus – eg branch transformation and Cards
- Mid 40's target

Provisioning charge reflects a prudent response to September 11



- ELP charge automatically adjusts in line with changing risk profile of the book
- September 11 impact not yet reflected in Customer Credit Ratings
- Prudent to allow for potentially higher expected defaults in our provisioning
- ELP rate is a better reflection of likely 2002 levels

Derivation of additional ELP allowance

		$m
ELP Half Year ended 31 March 2001		241
ELP per existing process Half Year ended 30 Sep 2001		249
Add	Increase Risk Grades one notch* in high risk industries#	7
	Increase Risk Grades one notch* in Middle East	10
	General 10% increase in ELP charge	24
Restated ELP		290

General increase is based upon judgment having regard for metrics such as KMV Expected Default Frequencies during the month of September and overall portfolio composition

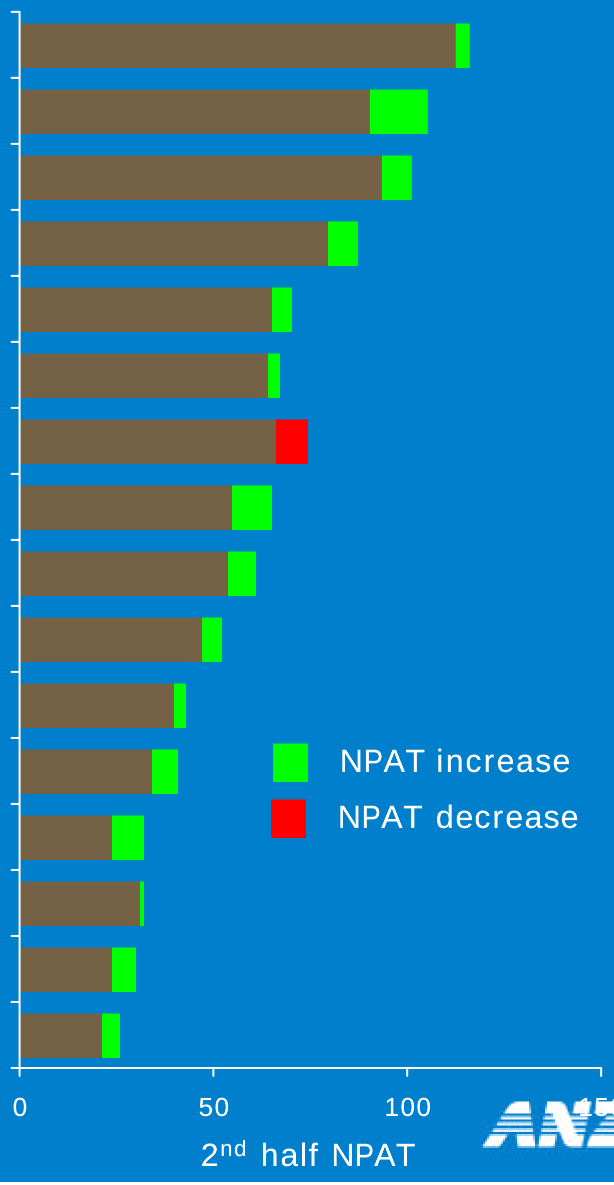
- tourism, aviation, and insurance

* - one rating step on ANZ's 10 point (two non-accrual) scale. Equivalent to an increase in expected default frequency of about 2.5 times

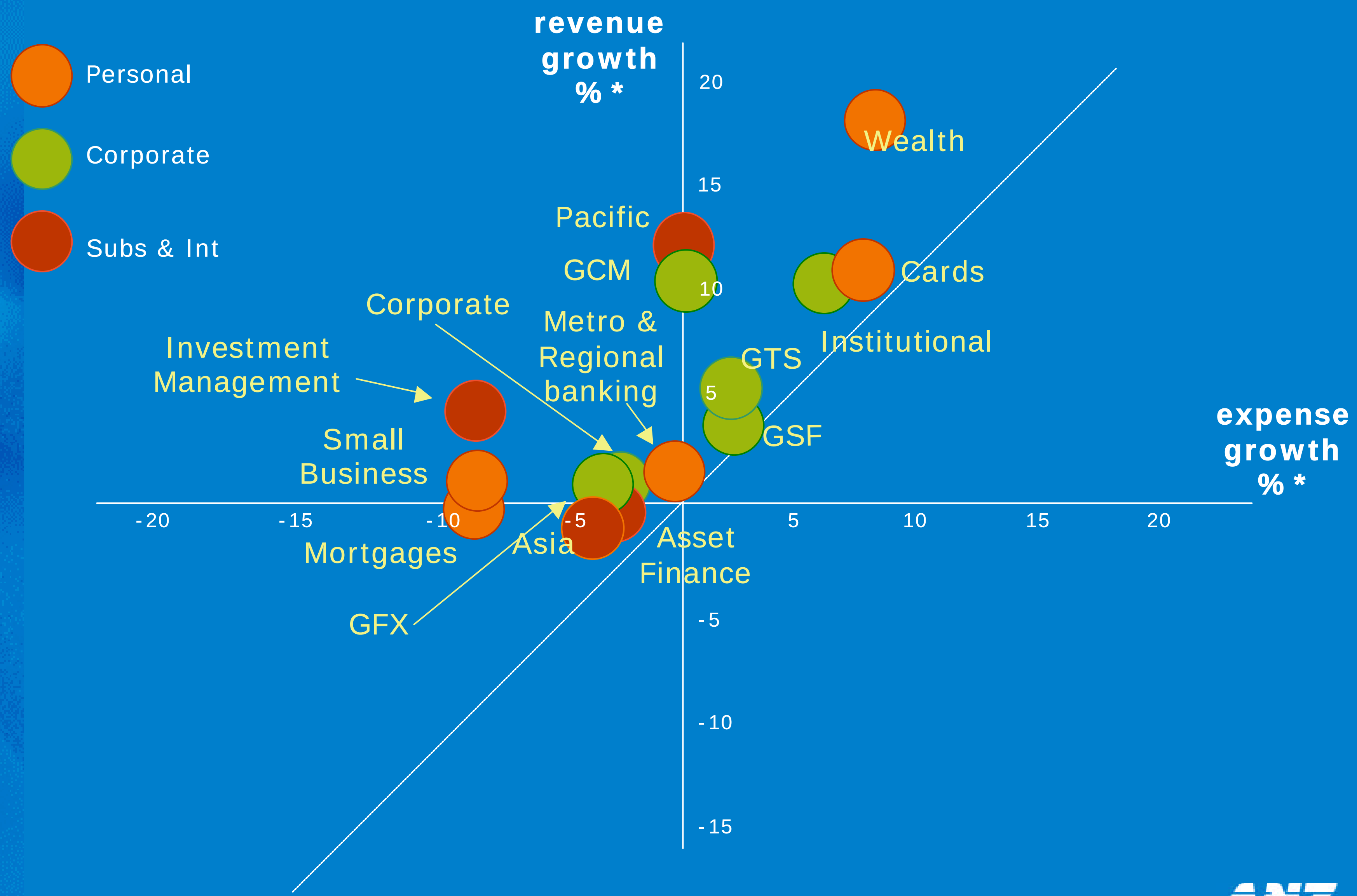
Most businesses recorded strong profit growth half on half

	Sep-01	Mar-01	Change
Mortgages	116	112	4%
Institutional Banking	105	89	18%
Metrobanking	101	93	9%
Regionalbanking	86	80	8%
Transaction Services	70	65	8%
Corporate Banking	67	64	5%
Structured Finance	66	74	-11%
Cards	65	55	18%
Small Medium Business	61	54	13%
Asset Finance	52	47	11%
Foreign Exchange	43	40	8%
ANZ Investments	41	34	21%
Wealth Management	32	24	33%
Asia	32	31	3%
Capital Markets	30	24	25%
Pacific	26	21	24%

NPAT $m

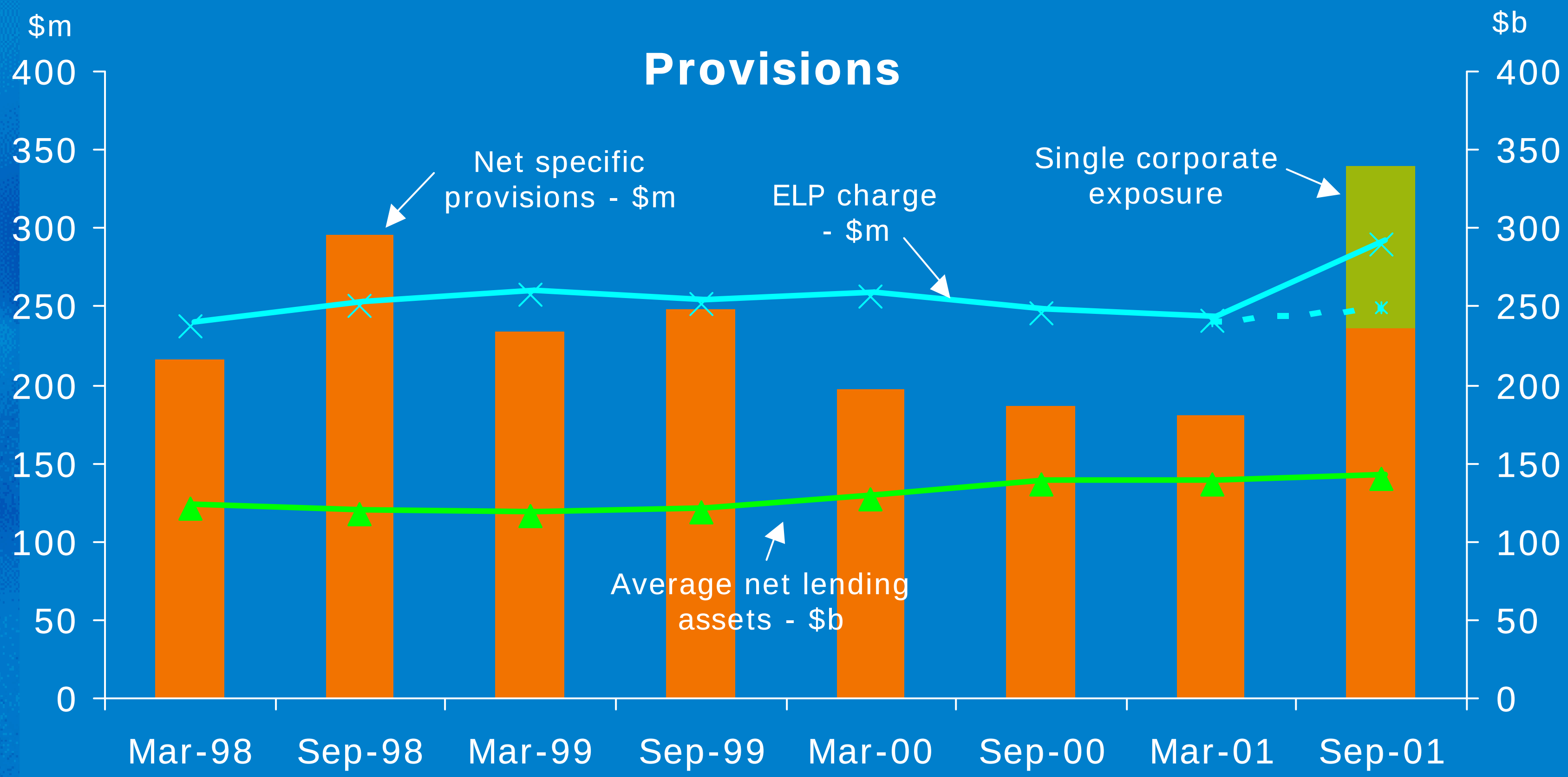


Resources are being allocated to those businesses with higher revenue growth



*based on previous half

Specific provisions are higher, primarily due to one corporate exposure

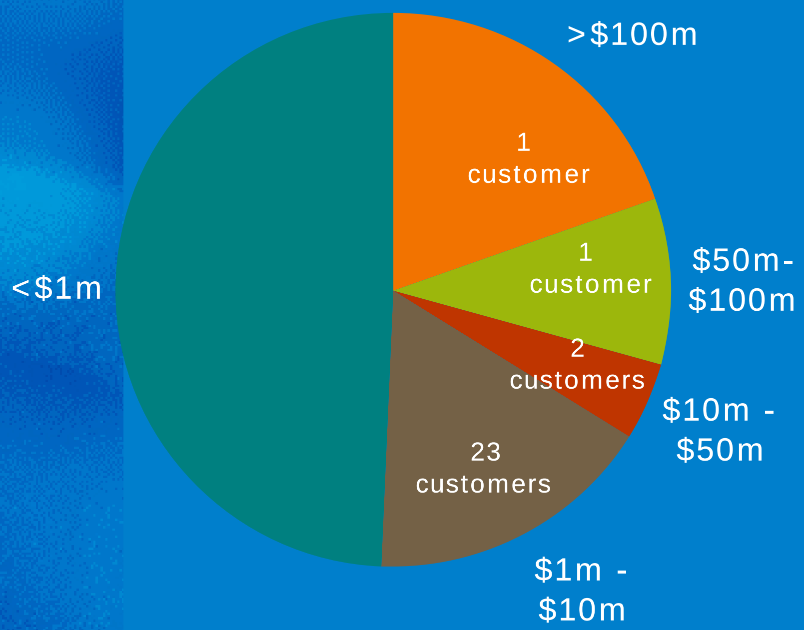


- All known problems have been specifically provided for

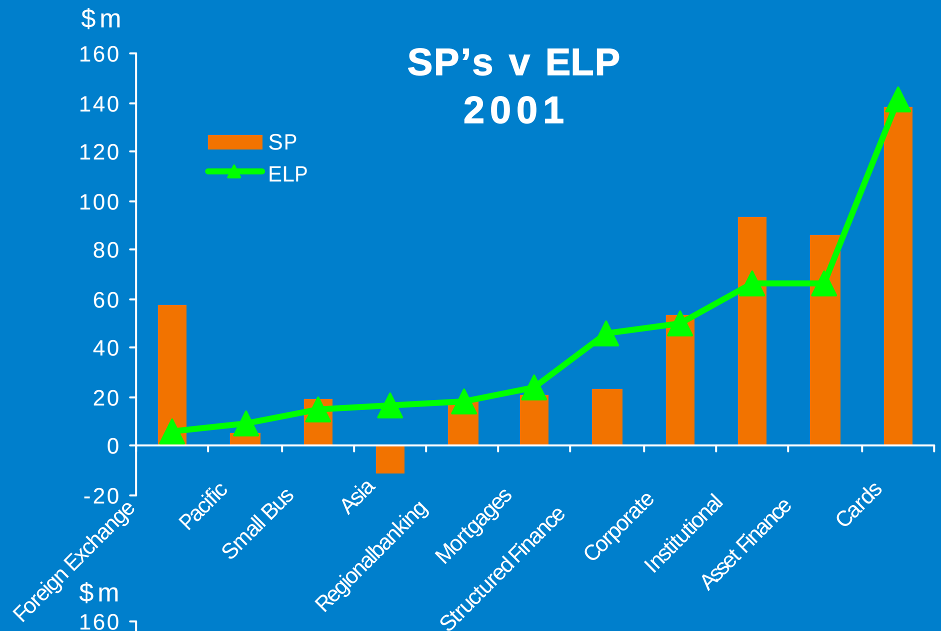
ANZ

Specific provisions dominated by a few large losses

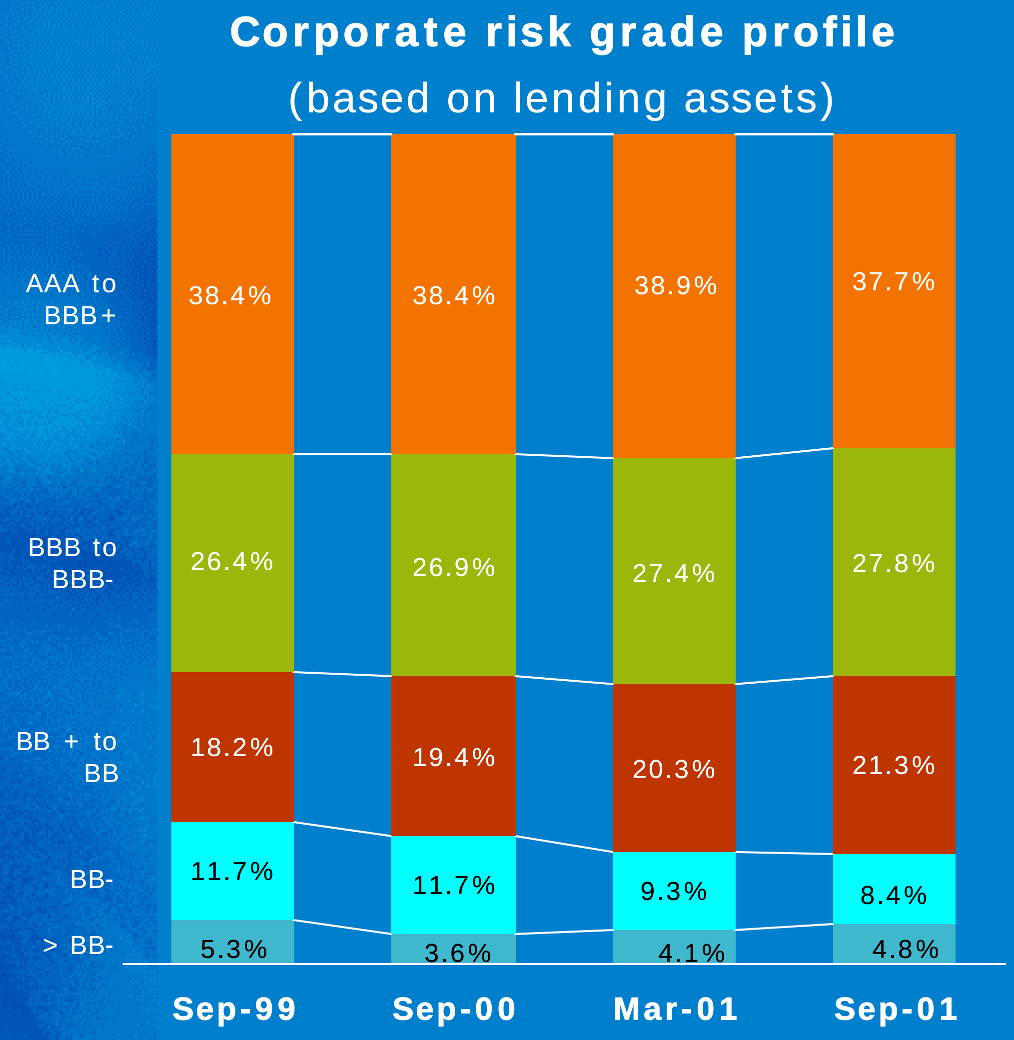
Specific Provisions by size



- Only 4 customers with specific provisions greater than $10m



Risk profile of the corporate book is within expectations and remains sound



>BB- = B+ B, B-, CCC & non-accrual

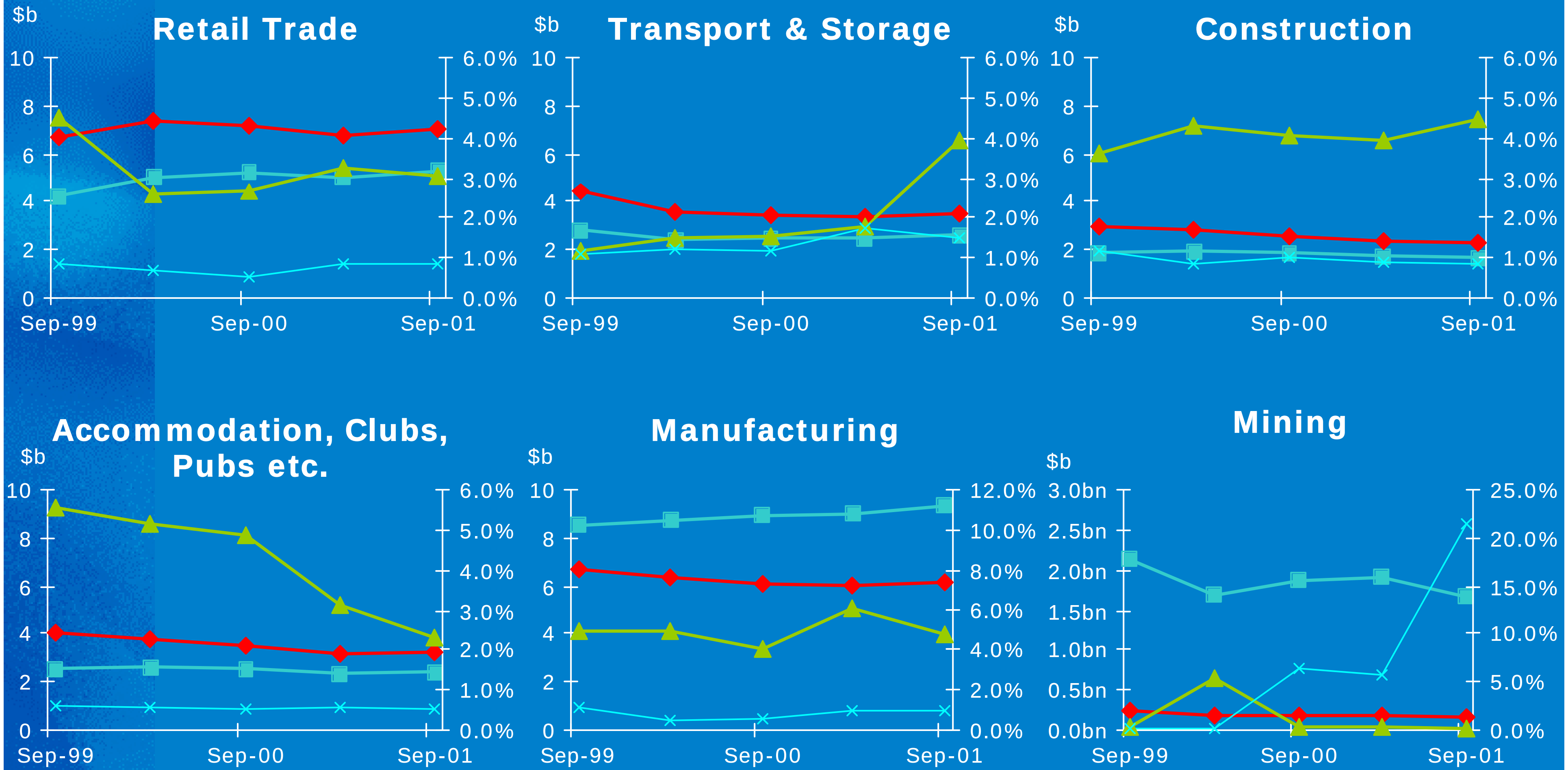
Risk actively managed

- Economic deterioration not unexpected, and remedial plans well established
- All BB rated & high risk accounts reviewed regularly
- Large number of exits achieved on high risk accounts
- Freeze on net lending growth and exposure to new relationships BB- or worse
- 20-40% reduction in single customer limits

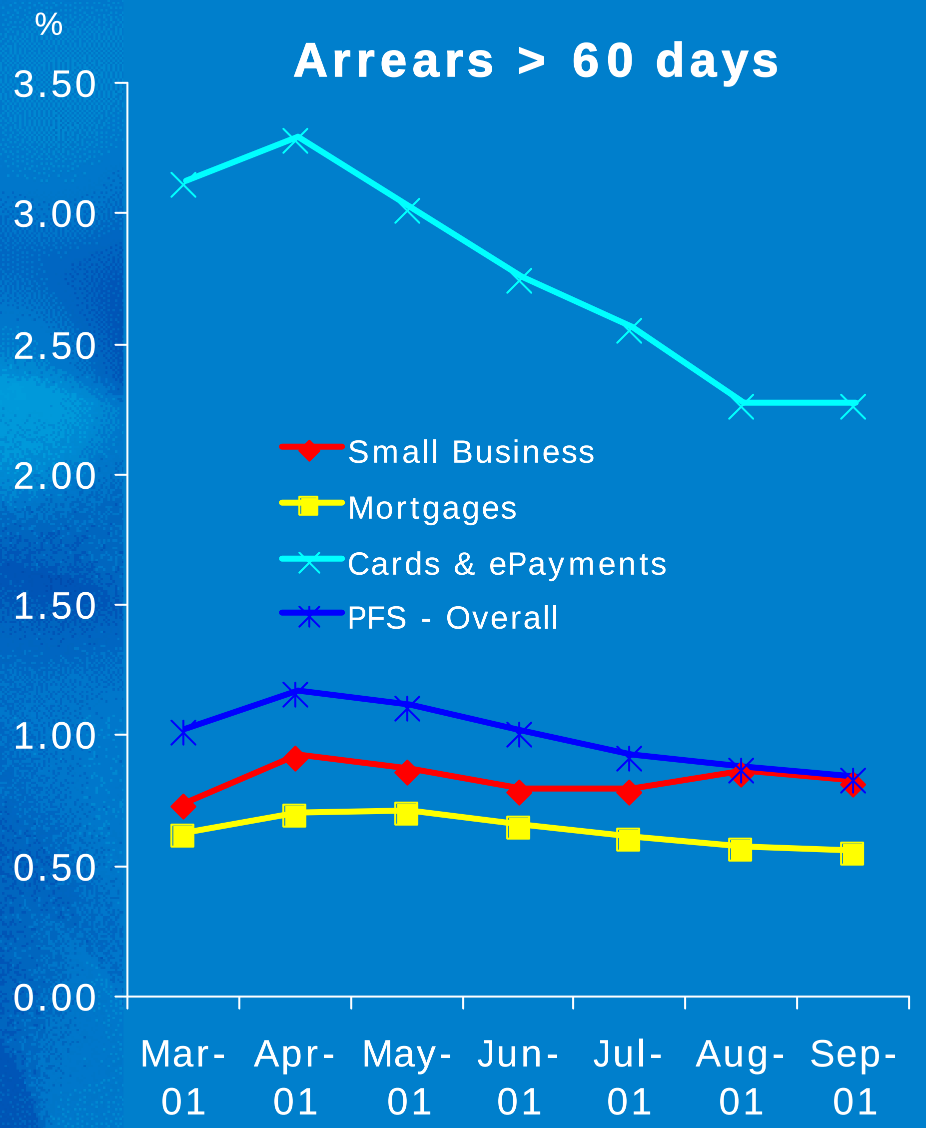
Industry exposures closely monitored

High risk sectors – Australia & NZ

Lending Assets (AUDm)
% of Portfolio (RHS scale)
% in CCR 7D-8G (RHS scale)
% in CCR 9-10 (RHS scale)



Consumer portfolio has improved



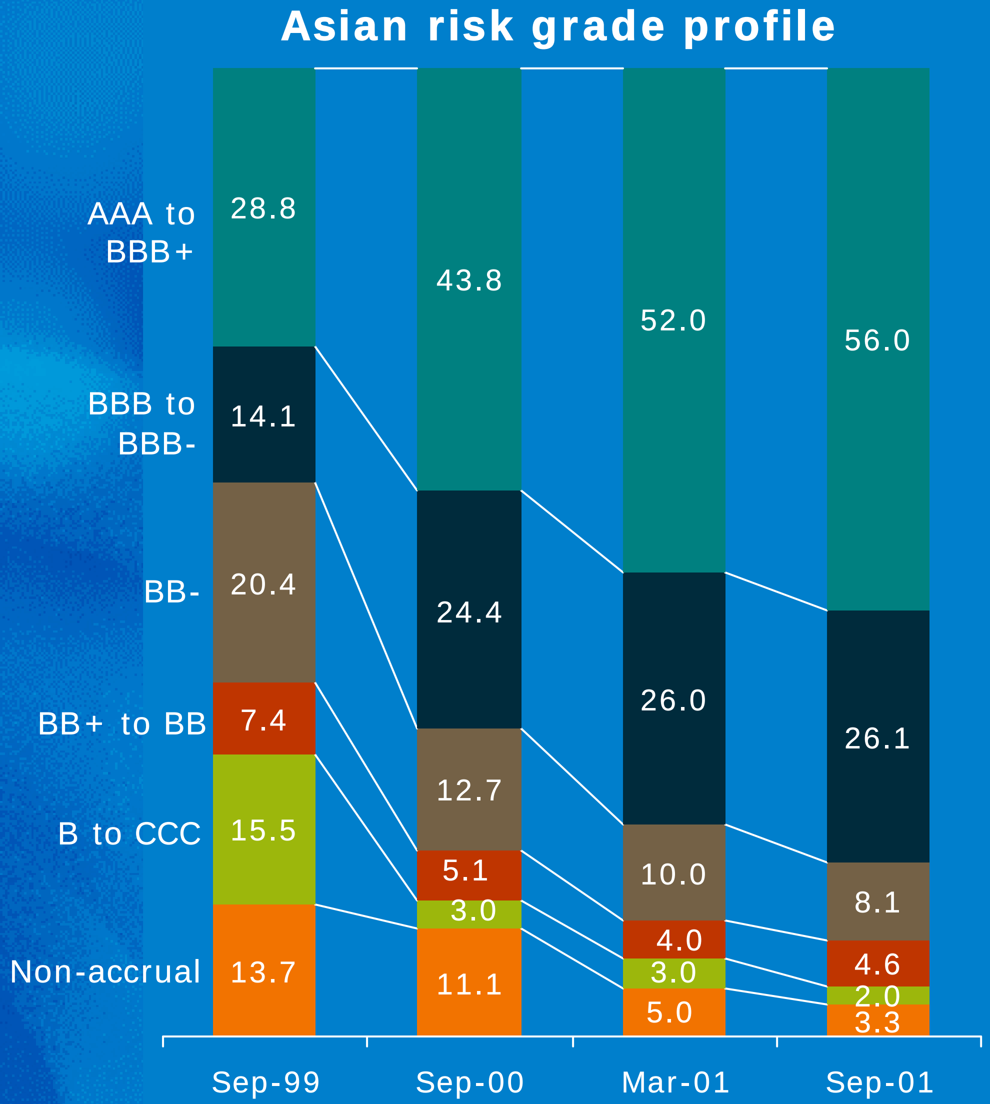
Delinquency levels have improved, driven by:

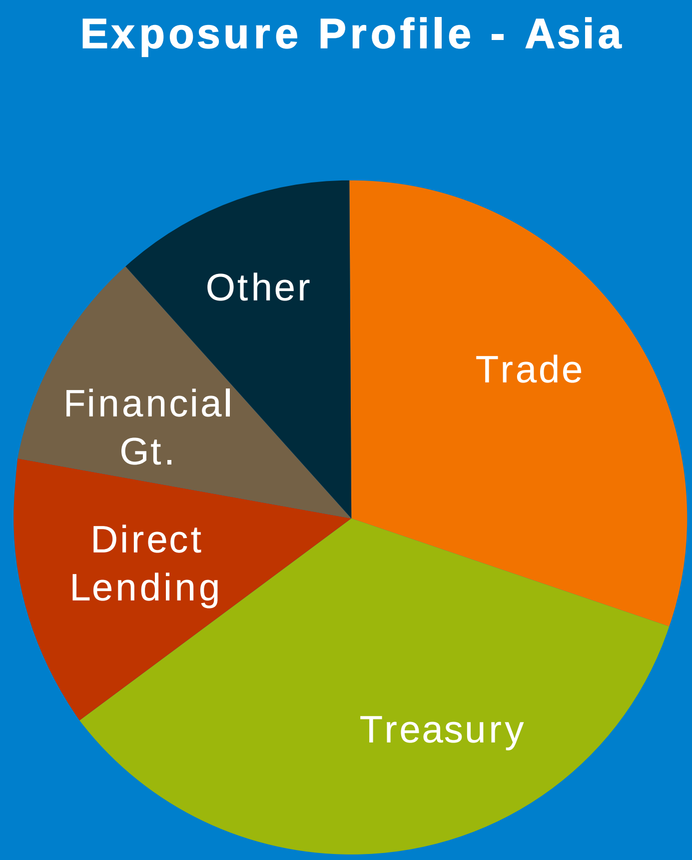
- improved collections processes
- low interest rates
- stable employment conditions (up to September)

Closely monitoring in light of recent events

- Scorecards tightened

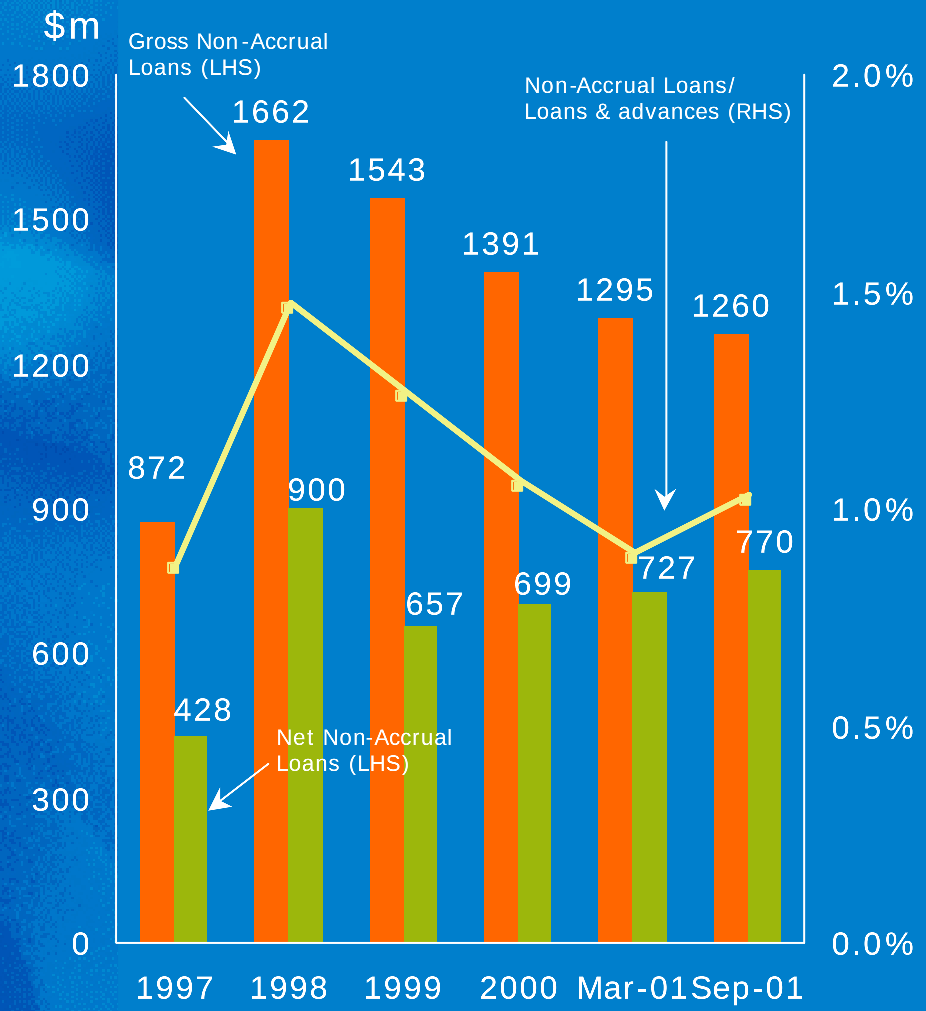
Asian risk profile has improved dramatically



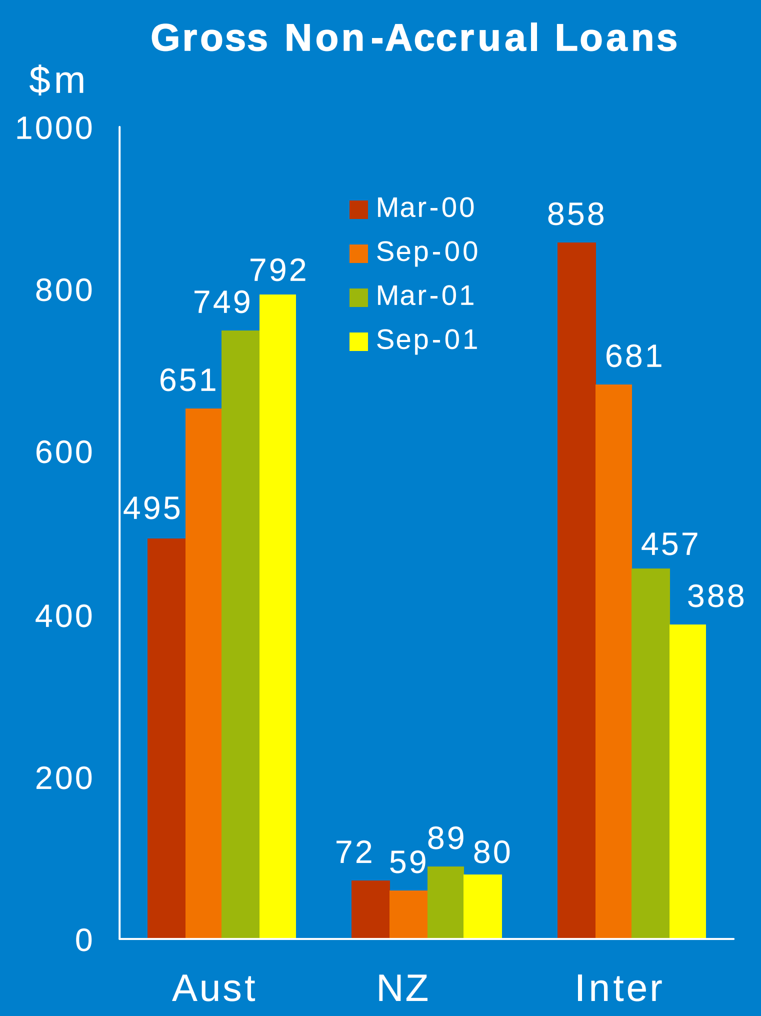


Gross non-accrual loans continue to fall, net non-accruals up 6% for the half

Historic

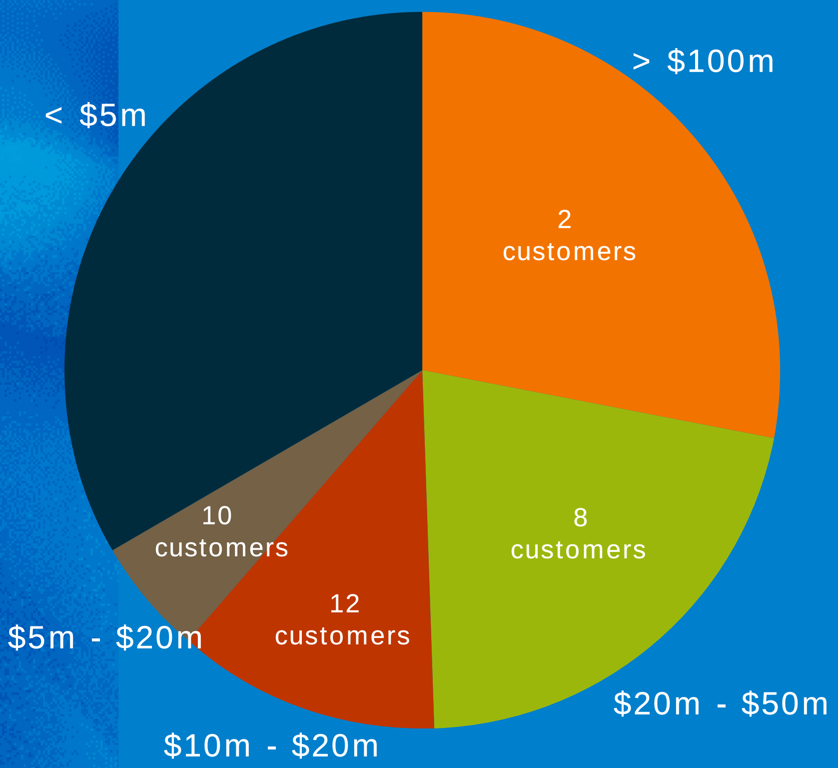


Geographic

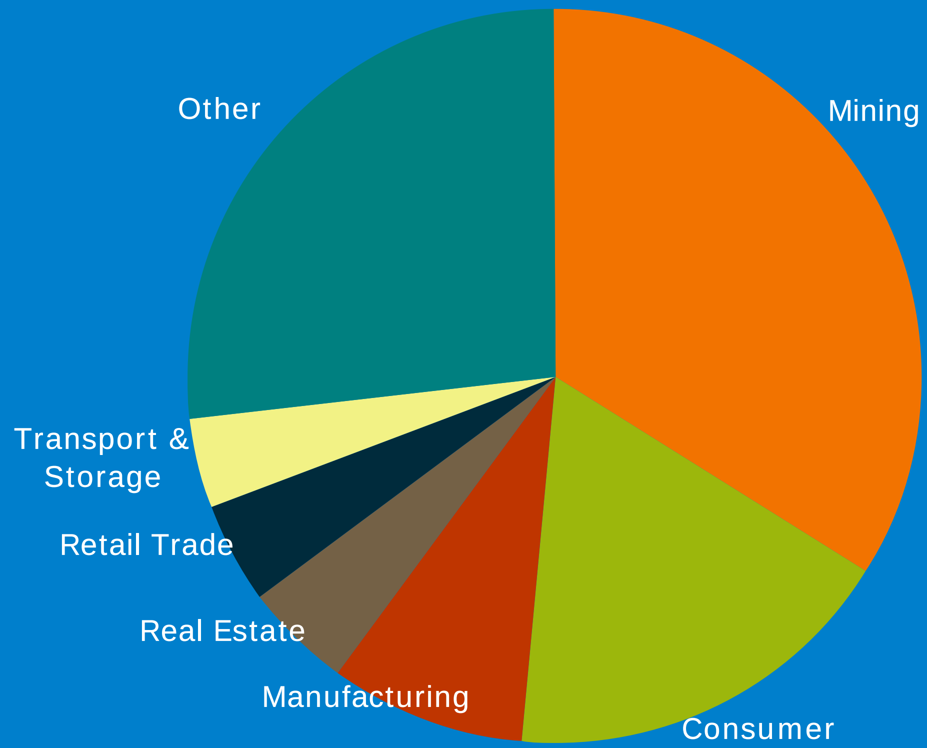


Problem loans are few, and with the exception of mining, not industry specific

Non-accrual loans by size



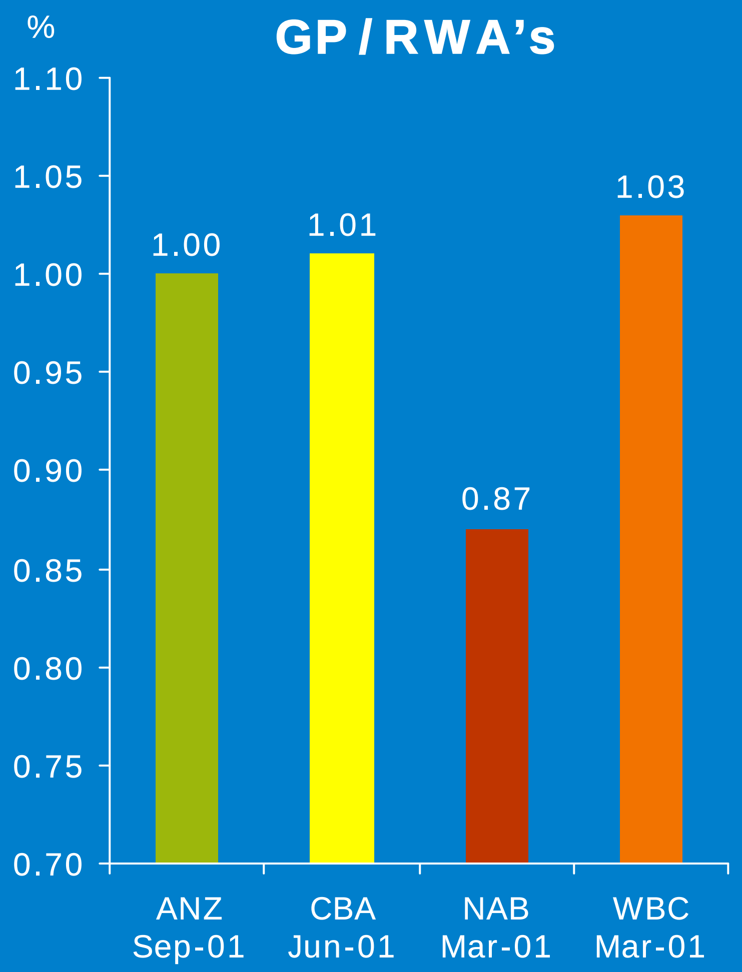
Non-accrual loans by industry*



- Two thirds of Mining non-accruals accounted for by one customer

* Australia & NZ

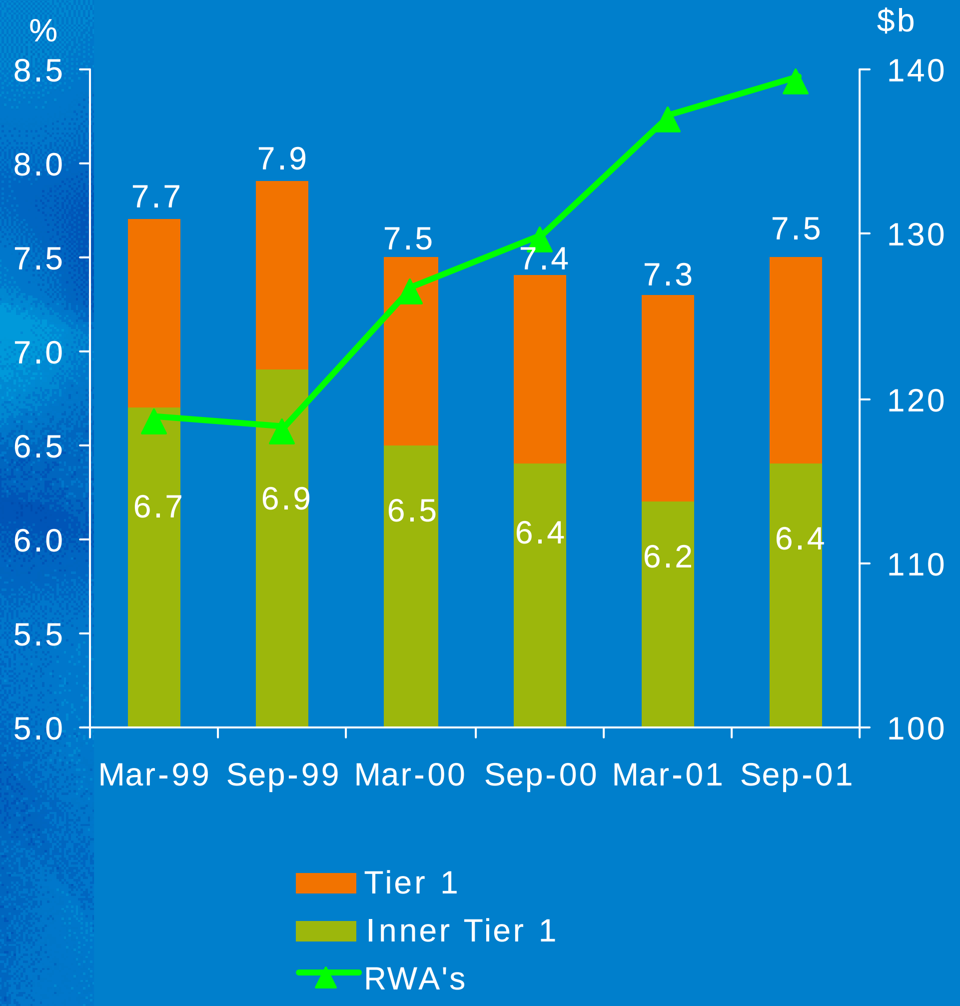
Provisioning levels remain strong



ELP - Economic Loss Provision

SP - Specific Provision

Capital management is prudent



Capital Management Philosophy:

- Maintain capital consistent with ANZ's AA status
  - Inner Tier 1 (6.0%)
  - Tier 1 (6.5 - 7.0%)
- Consider economic conditions
  - prudent to carry comfortable level of capital given uncertainty
- No AASB 1038 appraisal value accounting
- $1b buyback of capital released by Grindlays sale completed

We are well on track to deliver on our 2003 commitments

Measure	2003 Commitment	2001 Result
EPS growth	> 10%	10%
ROE	> 20%	20.2%
Cost-income ratio	mid 40's	48.3%
Inner Tier 1	6%	6.4%
Credit rating	maintain AA category	maintained

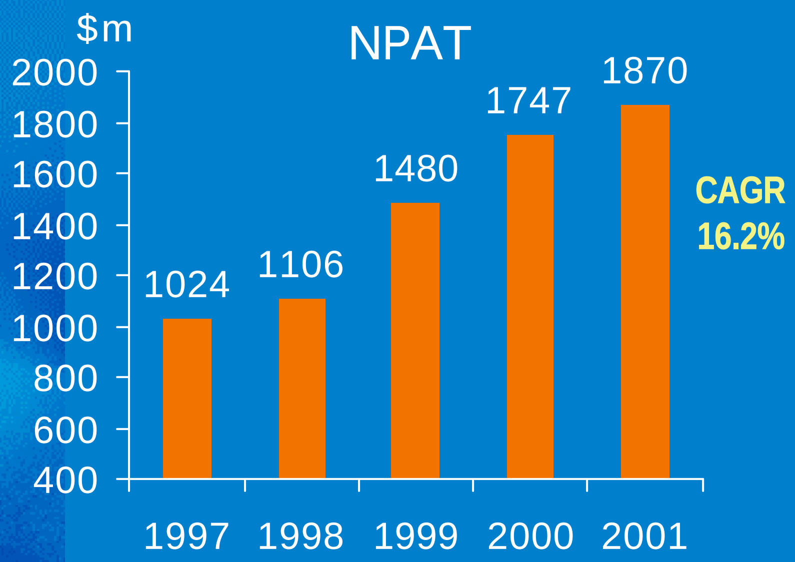
ANZ

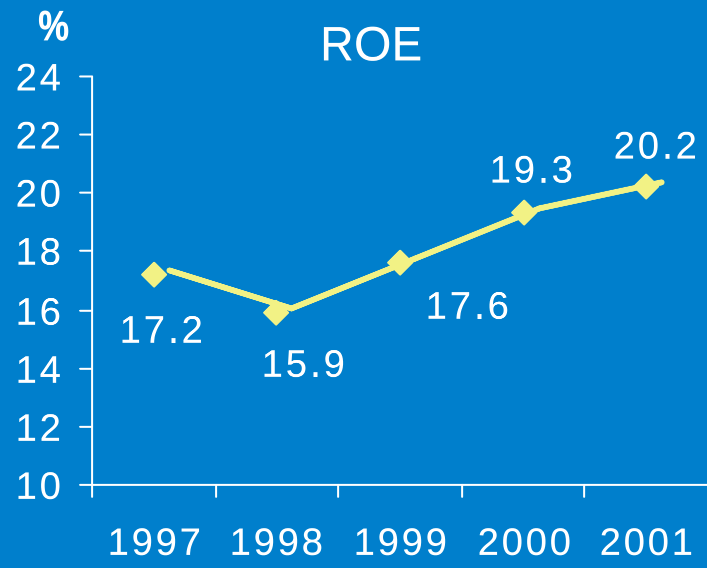
2001 Annual Results

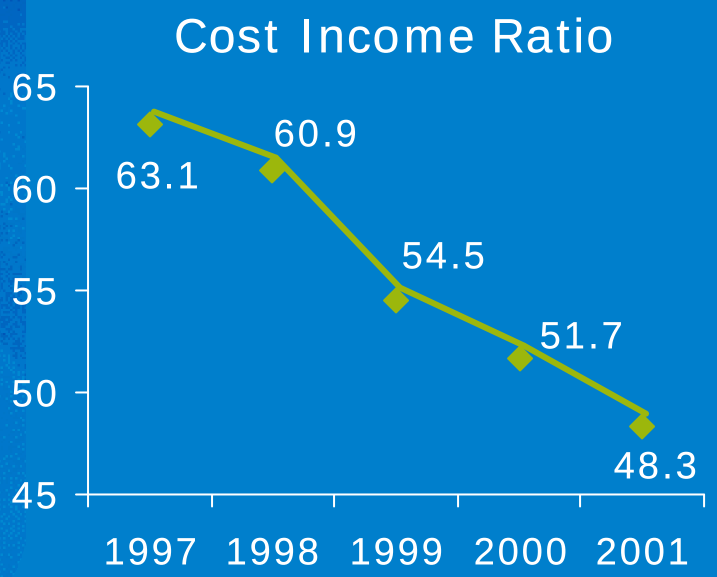
Australia and New Zealand Banking Group Limited
25 October 2001

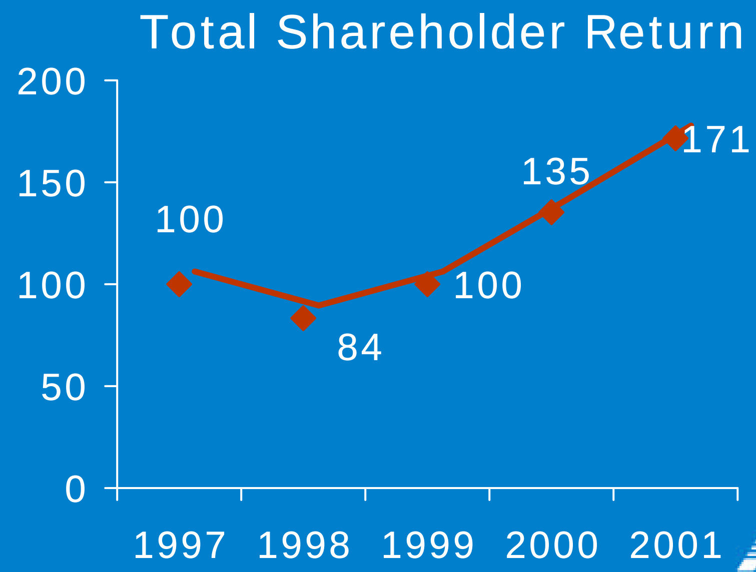
John McFarlane
Chief Executive Officer

We have delivered very strong financial performance



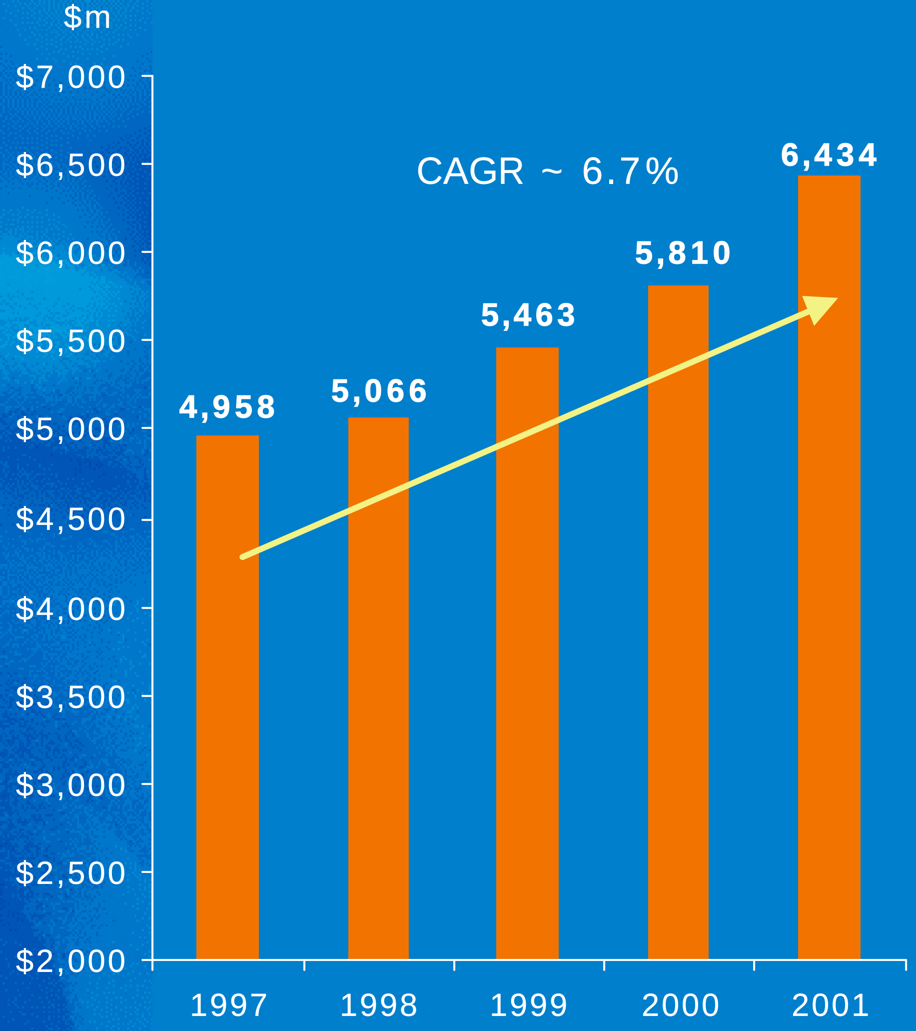




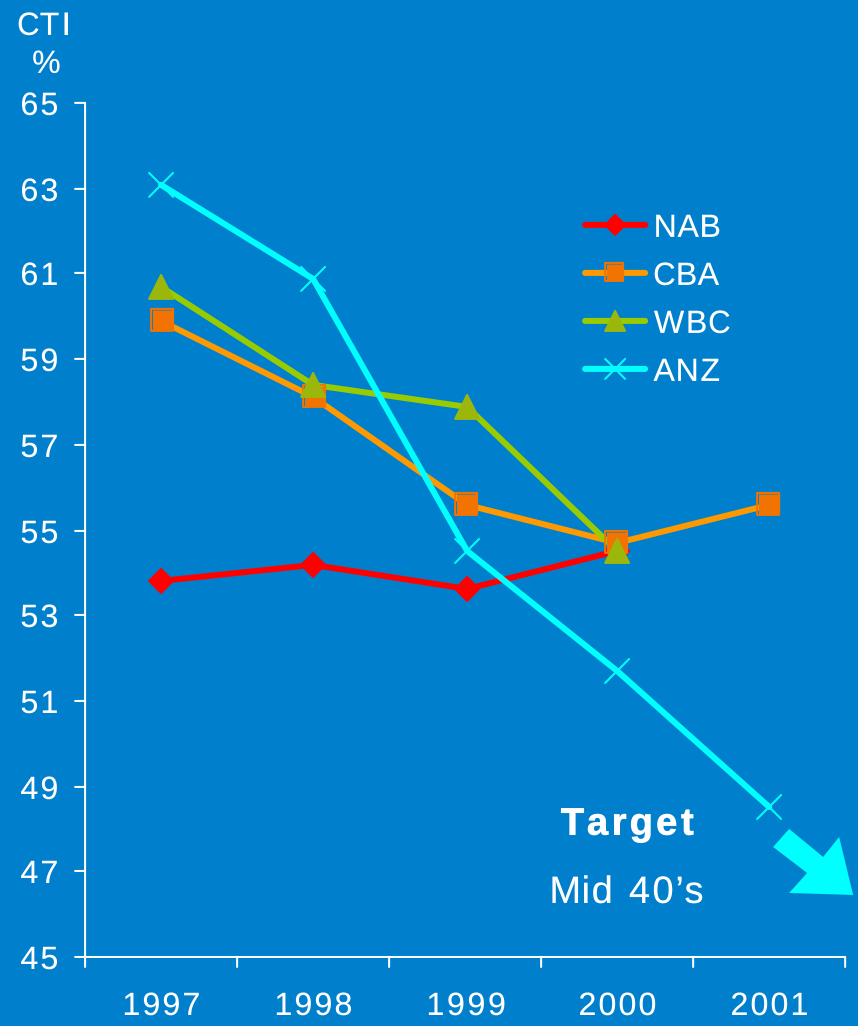


We have a strong track record of revenue growth and cost control

Revenue momentum*



Cost leadership

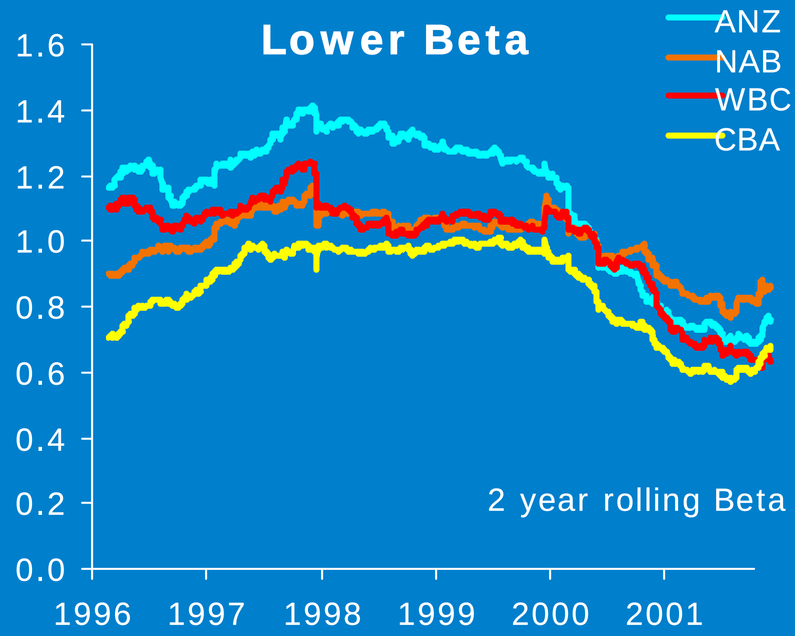


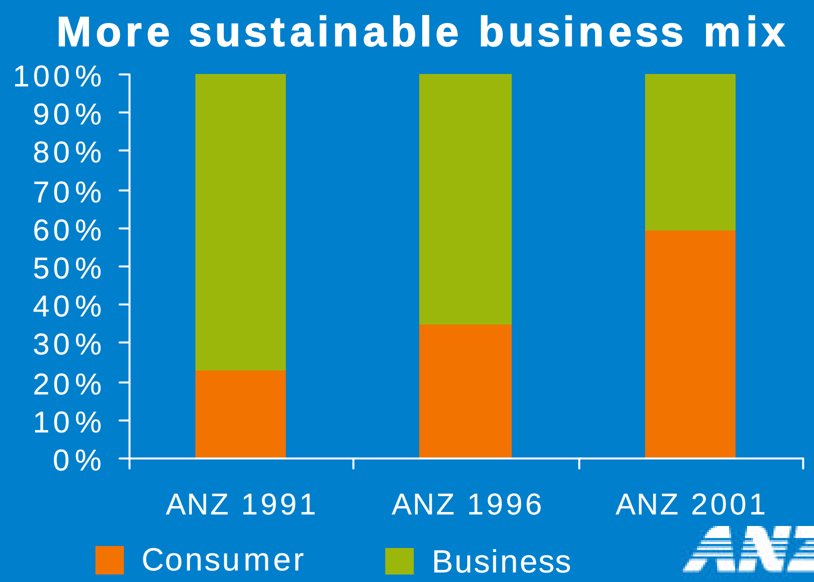
* Continuing operations

Lower risk, improved sustainability

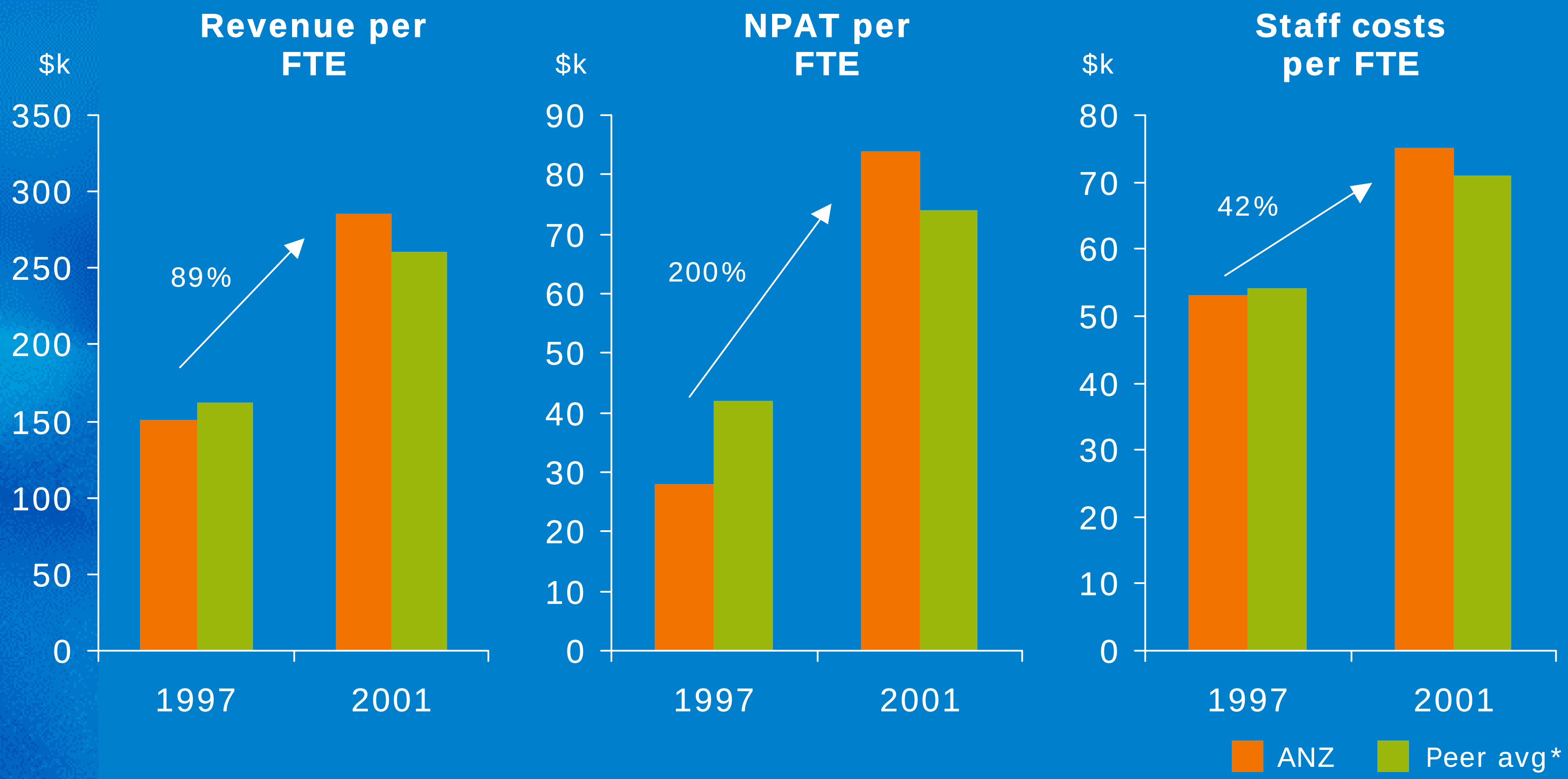
We have reduced risk

- sale of Grindlays
- exited emerging markets trading & retail stockbroking
- exited non-core Asian lending
- greater portfolio diversification
  - commercial property down from 24% in early 90's to 8% today
- early introduction of EVA/NIACC methodologies brings risk management to individual decisions
- lower reliance on corporate lending





Developing a high performance culture



Staff option holders

- Sep 98 – 427 staff
- Sep 01 – 5831 staff

Staff shareholding

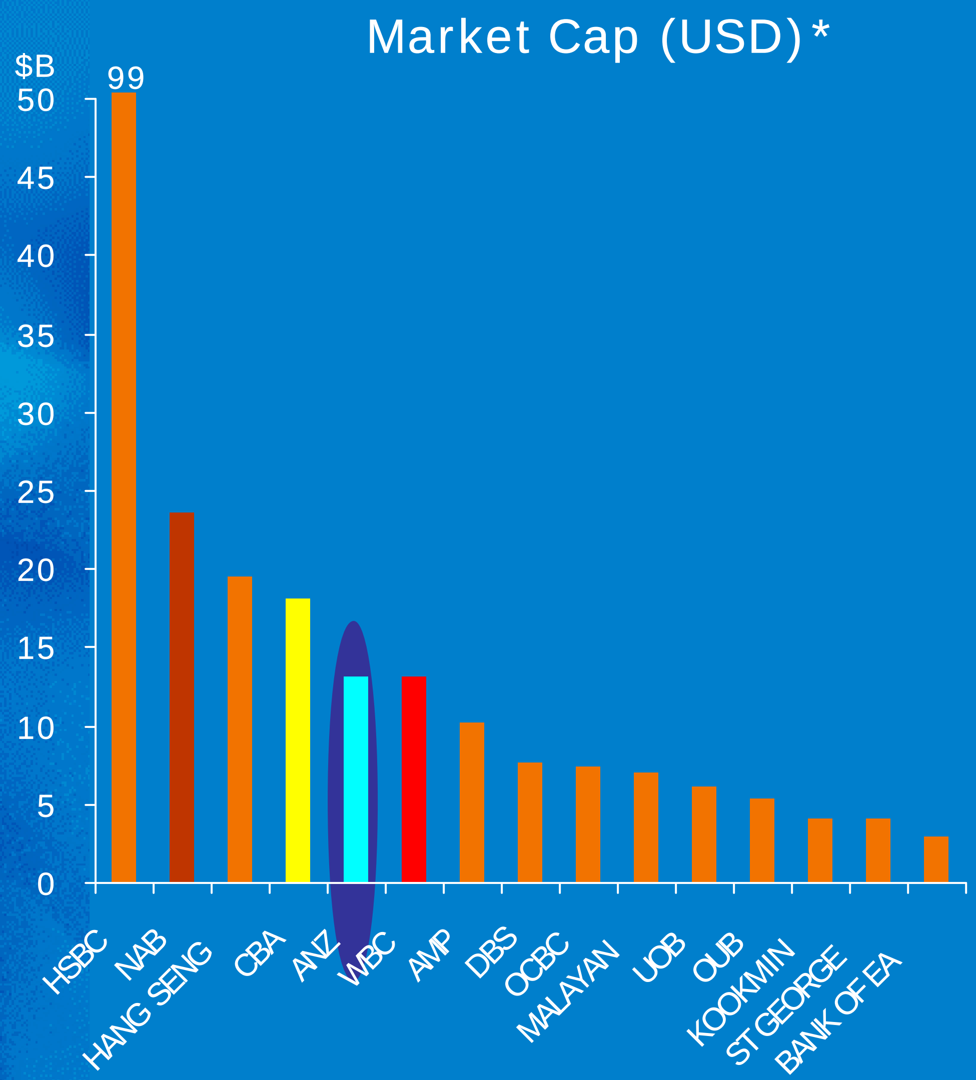
- Sep 98 – 534,000 shares
- Sep 01 – 11,063,000 shares
- 89% of staff now hold shares

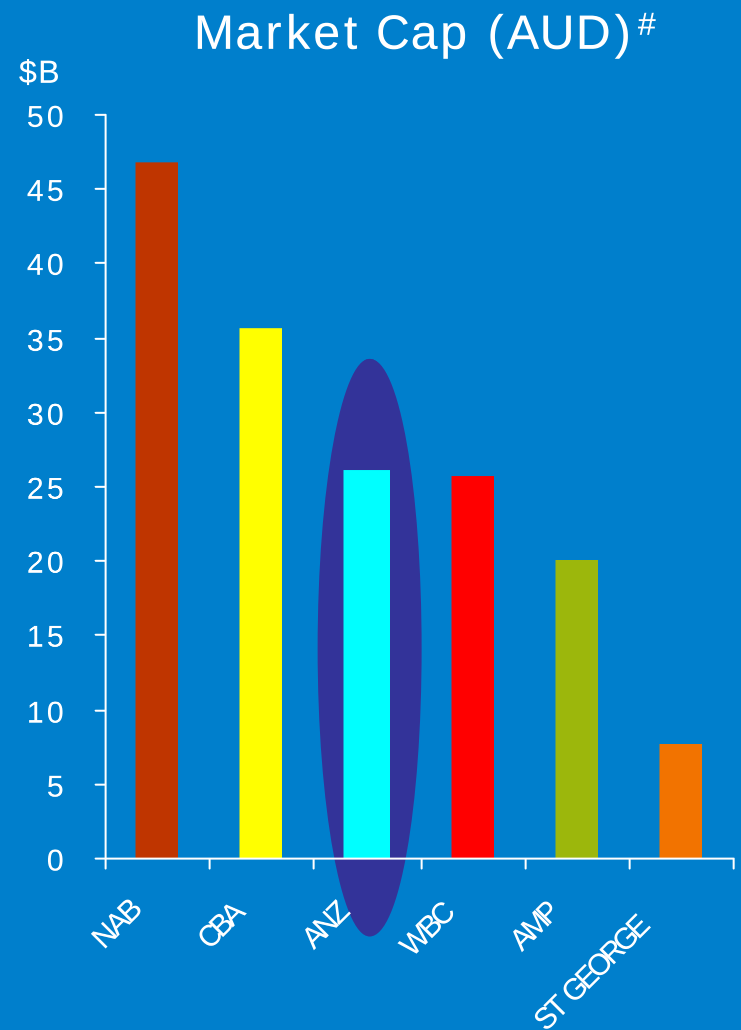
* Peer average based on CBA FY 2001, NAB & WBC – CSFB 2001 forecast

Our people are increasingly engaged

- Built a strong management team
- Substantial improvement in staff satisfaction
- Staff satisfaction a key performance indicator for management

We are now a meaningful player on a domestic & regional basis



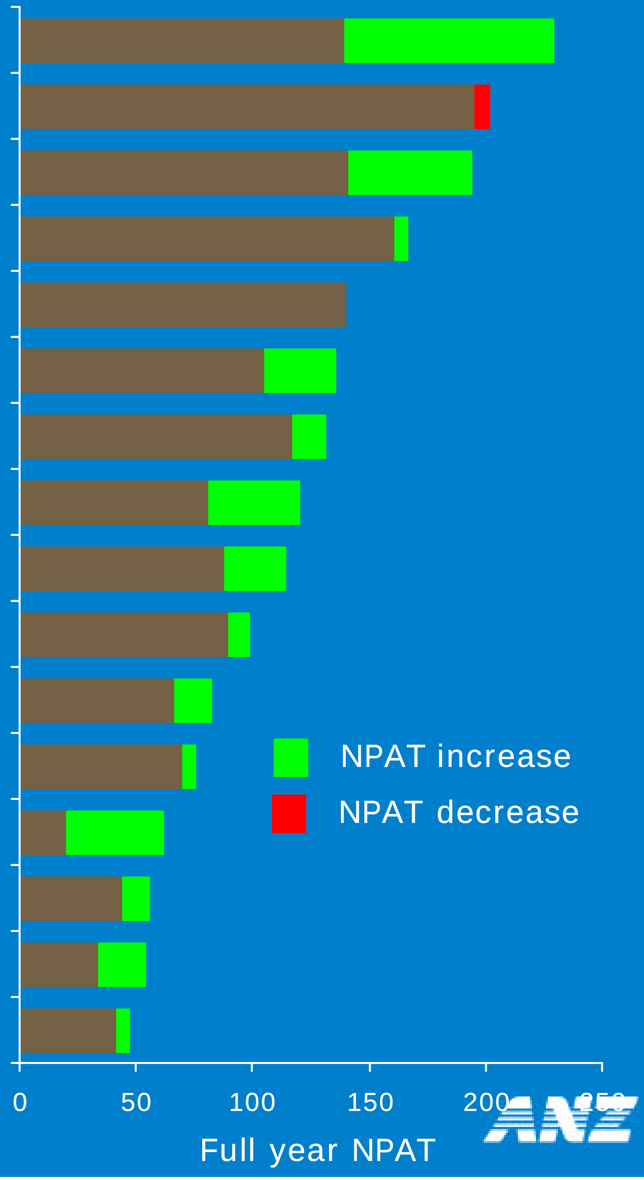


*as at 23/10/01

as at 24/10/01

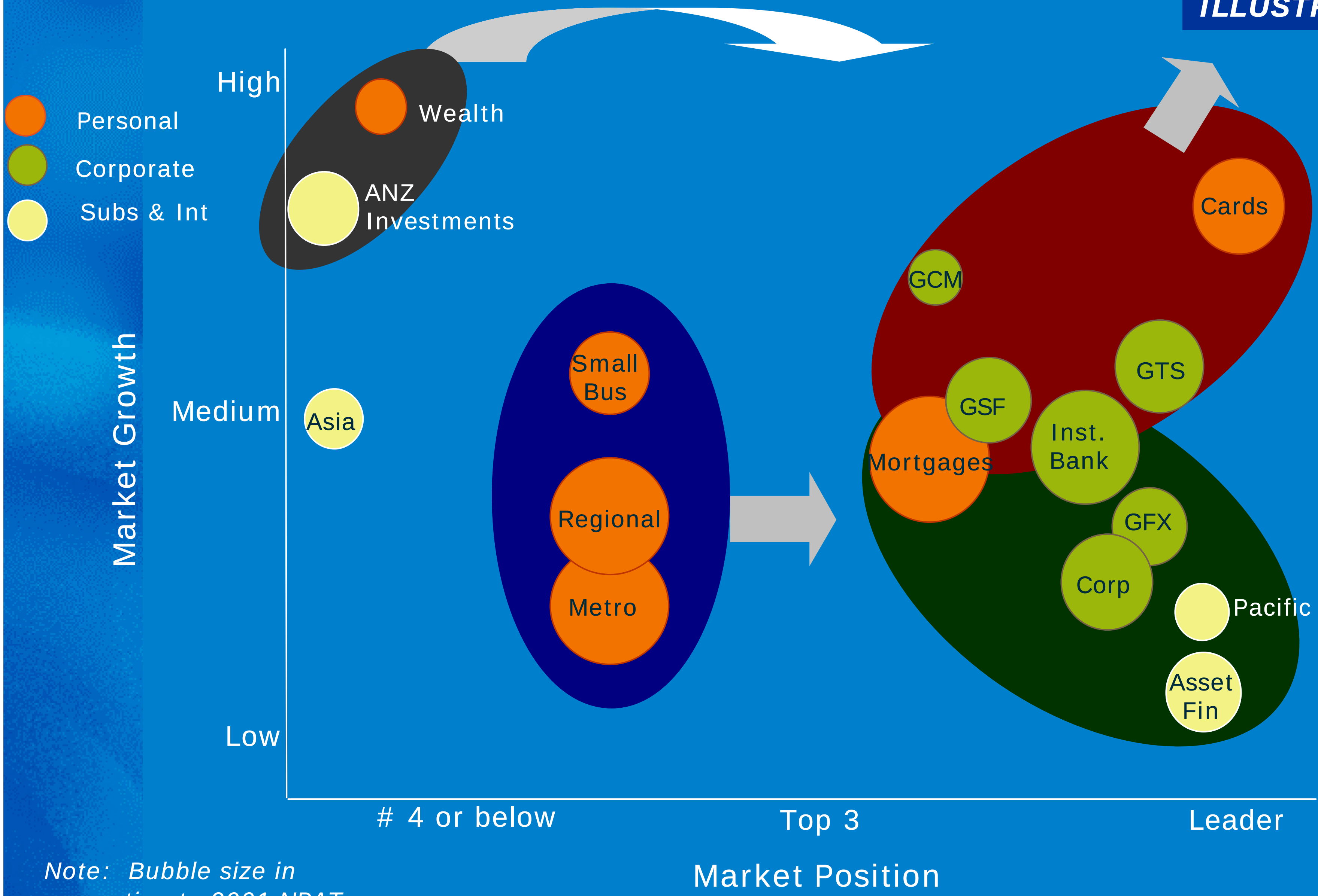
We have a diversified portfolio that is performing well

	2001	2000	Change
Mortgages	228	138	65%
Metrobanking	194	200	-3%
Institutional	194	141	38%
Regionalbanking	166	160	4%
Structured Finance	140	139	1%
Transaction Services	135	105	29%
Corporate Banking	131	117	12%
Cards	120	81	48%
Small Medium Business	115	88	31%
Asset Finance	99	90	10%
Foreign Exchange	83	66	26%
Investment Management	75	70	7%
Asia	63	19	232%
Wealth Management	56	44	27%
Capital Markets	54	34	59%
Pacific	47	41	15%



Businesses must achieve a top 3 position

ILLUSTRATIVE



Note: Bubble size in proportion to 2001 NPAT

Building on strengths, eliminating weaknesses

Strengths

- Performance culture and cost management
- Specialisation – focus, execution, flexibility
- Leading positions in consumer product businesses and corporate
- Management –accountable, open, transparent
- EVA embedded throughout the organisation
- Capital

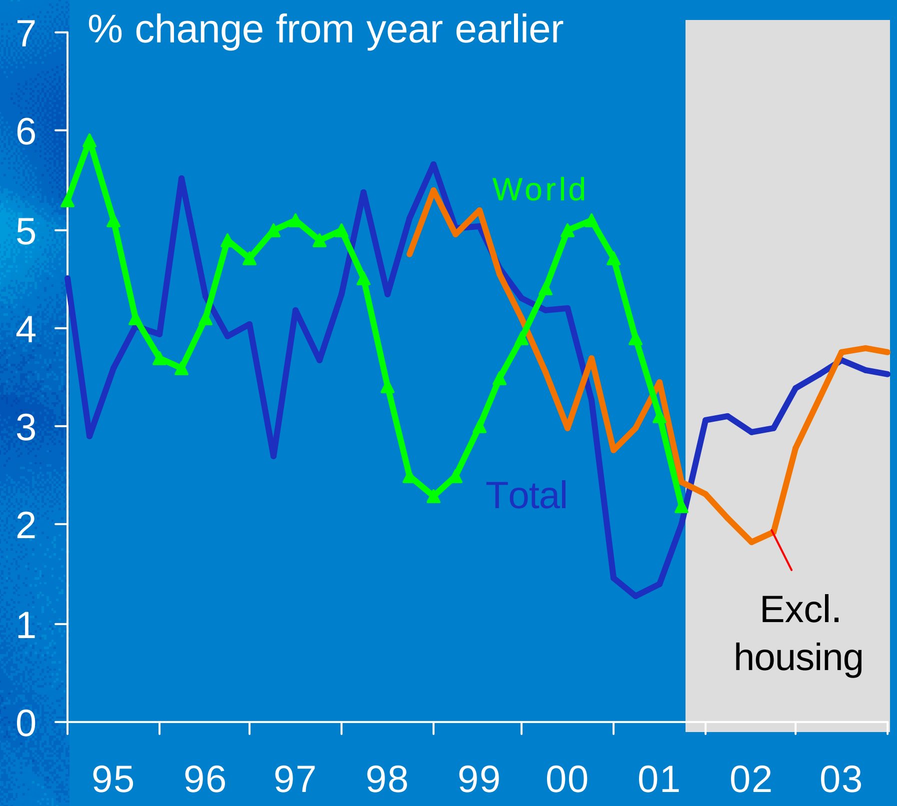
Weaknesses

- Wealth/Investment Management
- Underweight consumer franchise
- Underweight in small to medium business segment
- Limited retail funding
- Asia below critical mass
- Size in a global context

ANZ

Global economic slowdown already underway before September 11

Real GDP growth



Sources: ABS; Economics@ANZ
National agencies; Eurostat; Datastream;

- Australian economy has been counter-cyclically strong
- Outlook appears reasonable in isolation
- External issues are creating substantial uncertainty
- We are optimistic, but sensibly cautious

Strong focus on risk mitigation

Group

- **Conservative financial leverage**
- **All known credit problems dealt with**
- **Additional ELP charge for expected portfolio deterioration**

Personal

- 45 Business Unit specific initiatives including
  - Enhancing and tightening scorecards
  - Increased focus on early warning indicators
  - Move from quarterly to monthly reviews for customers exhibiting adverse behaviour

Corporate

- 12 core portfolio management initiatives in place prior to September 11
  - Reduction of single customer limits
- 14 new initiatives post September 11
  - eg establishment of exposure caps in high risk industries

Subs & International

- 9 new initiatives post September 11, including
  - Enhancing and tightening scorecards
  - More regular reporting on sectors at risk
  - Careful monitoring of large drawdowns

Radar : Active performance tracking

Click here to view the SMB Profit & Loss statement

Click here to go to the summary page

Legend
- ✓ - Looks good
- ! - Watch out
- ✗ - Trouble

Create value

Market value	ROE	xxx	✓

Perform

Financial performance

NPAT	$ 10.6m	!
EVA	$ xxx	✓
Expenses	$ 8.9m	✓

Customer first

Customer

RM scoring		
Customer satisfaction (rolling survey)??		
New CLG	137	!
Closed CLG	59	!

Community trust

Facilitated sessions held	5 (Sth)	✓
Survey - would you recommend ANZ?		

Well managed

Risk

Specific provision (SMB)	$ 1.0m	✗
ELP	$ 1.6m	✓
Non lending losses	$ 0.09m	✓
Completed Compliance training		

Productivity

CTI	33.6%	✓

Lead, Inspire and Breakout

Organisational health

Staff satisfaction (survey)	66/13	✓
Tertiary qualified		

Growth and innovation

Market share - lending		
Share of wallet (NIACC growth ratio)	1.30	!
NIACC or NPAT from growth areas		
New product income ratio		

ANZ

Momentum in supporting customers and communities

Time

Commitment not to withdraw from rural communities

Staff Volunteering

50,000 hr commitment to community

Seniors Privilege

Fee-free banking for customers aged 60 & over

Basic bank account

for benefit recipients & Health Care Card holders

Customer Charter

- Simple, fast account opening
- Access to services
- Privacy
- Plain language communication
- Complaint resolution

Outlook – optimistic but cautious

- Good momentum in our business
- Economy in reasonable shape but greater uncertainty from external pressures
- Revenue growth more subdued until upturn
- Credit environment difficult but containable
- Approaching business cautiously – constraining costs and credit
- Selective investment in growth
- Focus on restoring customer/community faith
- Building on our distinctive strategy

Our targets are unchanged

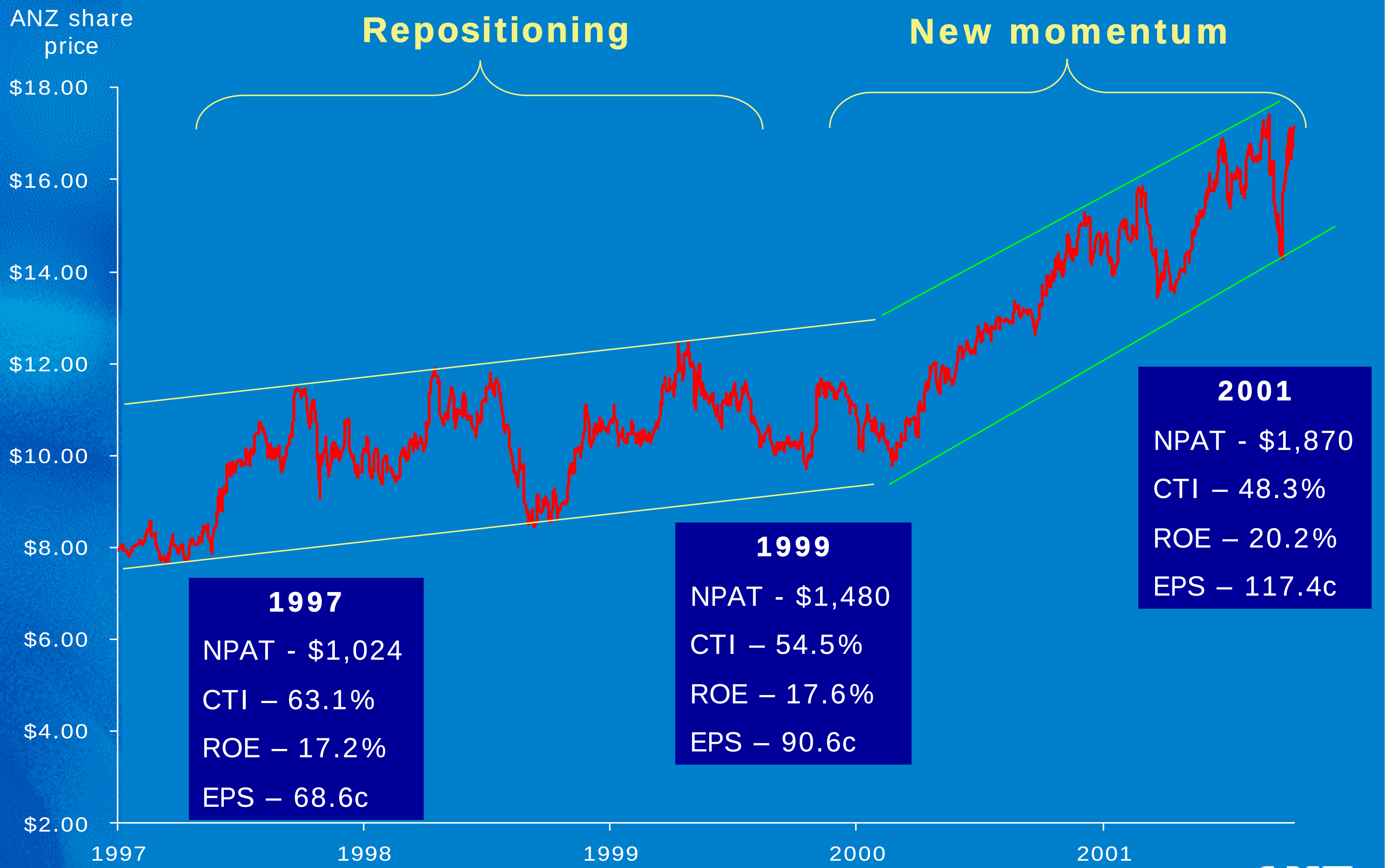
The essence of our strategy

Specialise	• Building a portfolio of stand-out businesses with distinctive business leadership and a sustainable top 3 position that work as one ANZ
eTransform	• Embracing technology to drive radical change, boost productivity, accelerate innovation and dramatically improve service and value
Perform	• Ensuring “best in class” performance for shareholders, customers, staff and the community
Grow	• Demonstrating strong growth momentum in core businesses and positioning ourselves in attractive new high growth categories
Breakout	• Being bold and different, a high performance culture with a human face, technological leadership and a strong domestic and regional strategic position

Our top 10 priorities

1. Build standout performance – lift the bar
2. Continue to lower risk and improve sustainability
3. Take all businesses into the Top 3
4. Create a leading position in Wealth Management
5. Restore customer & community faith
6. Create a world class technology platform
7. Continue to build a high performance breakout culture
8. Do what we need to do and partner or outsource the rest
9. Take what we do well into new markets
10. Capture strategic opportunities in the weaker economy

Repositioning, then new momentum



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For further information visit

www.anz.com

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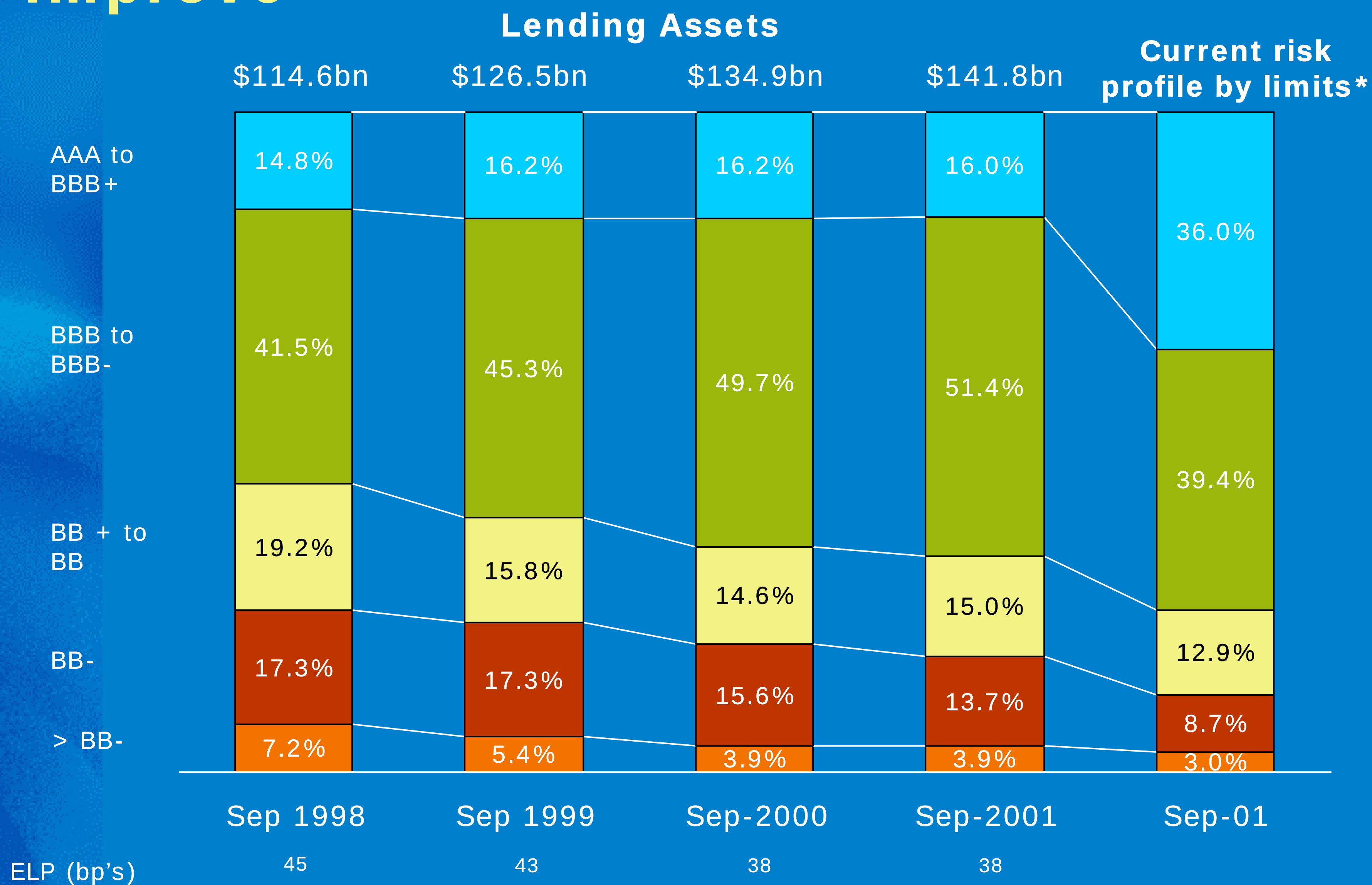
ph: (613) 9273 4185 fax: (613) 9273 4091 e-mail: gentryp@anz.com

Group risk grade profile continues to improve

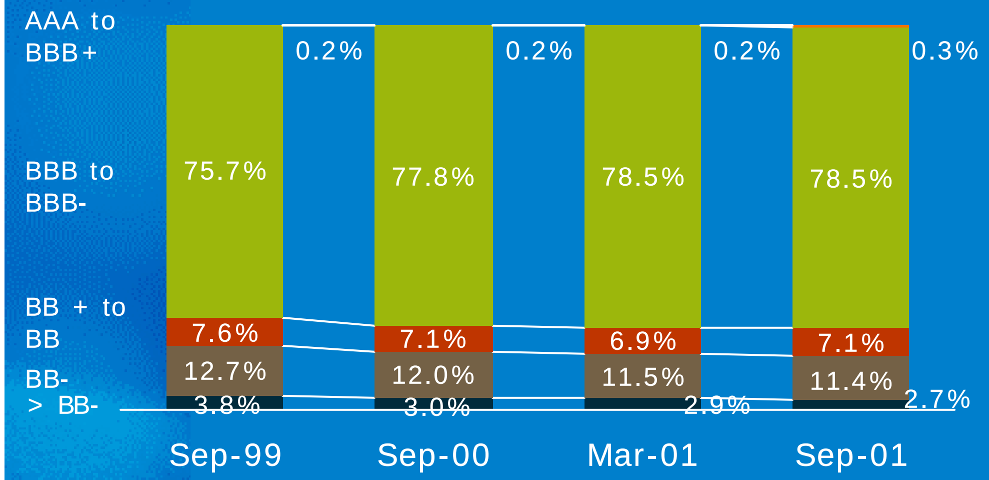


>BB- = B+ B, B-, CCC & non-accrual

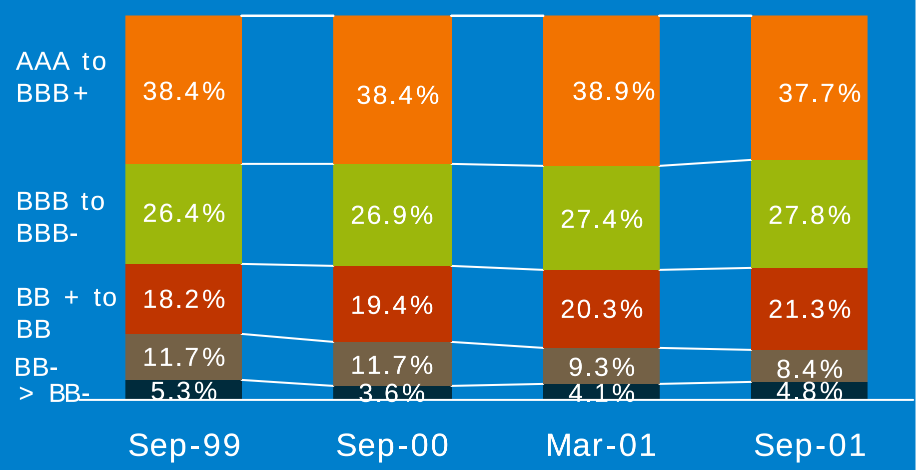
* Excluding bank limits

Risk grade profile by division

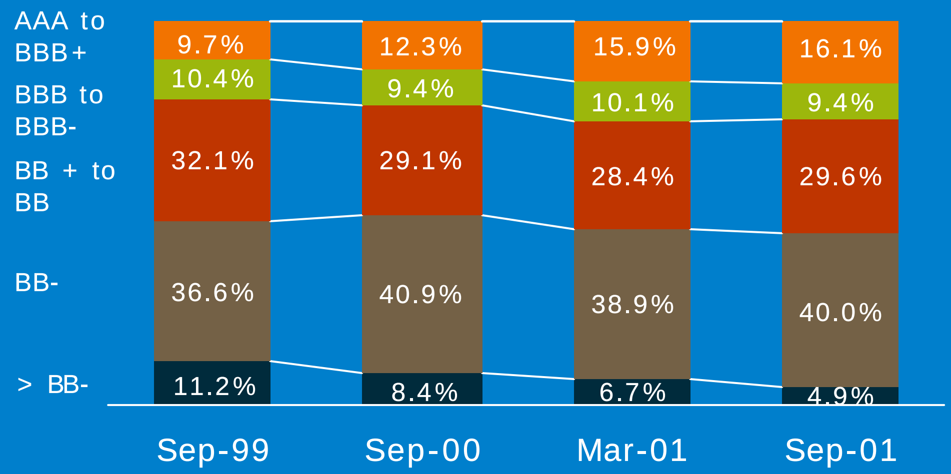
Personal



Corporate



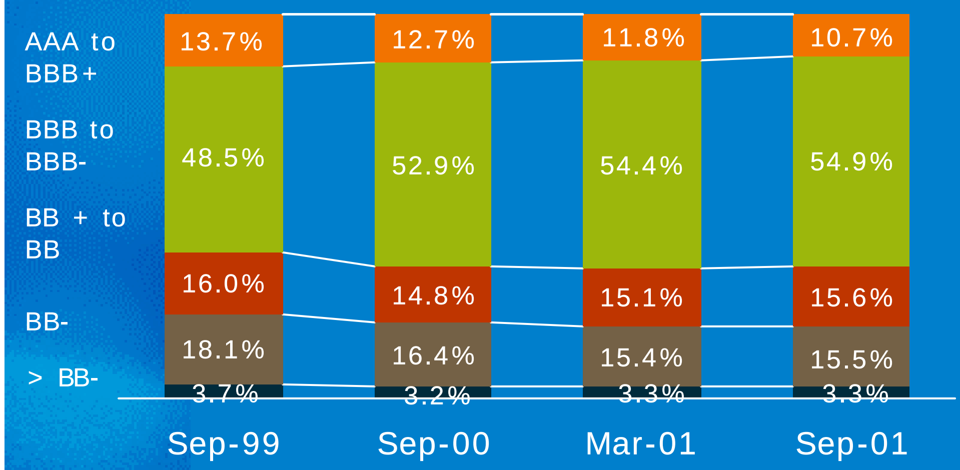
International & Subsidiaries



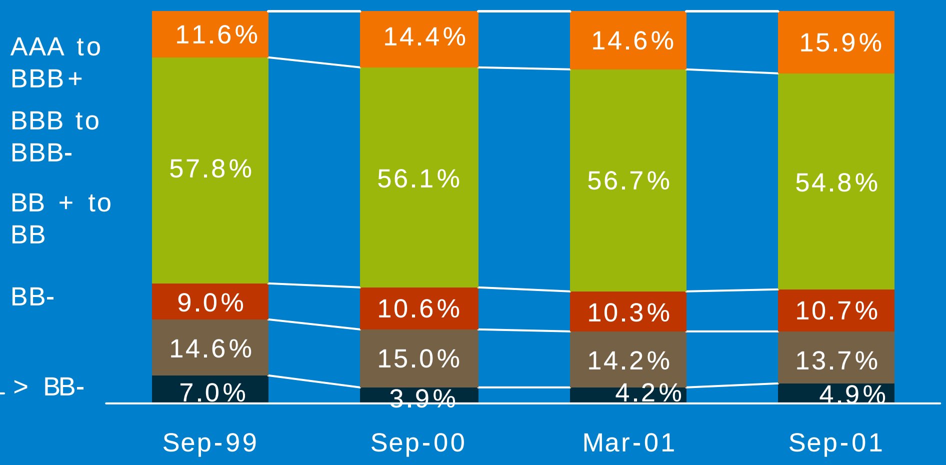
>BB- = B+ B, B-, CCC & non-accrual

Risk grade profile by geography

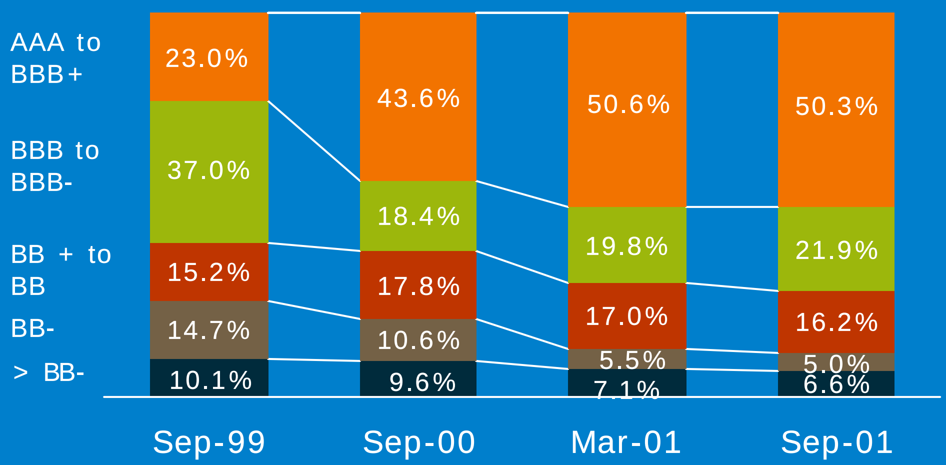
Australia



New Zealand



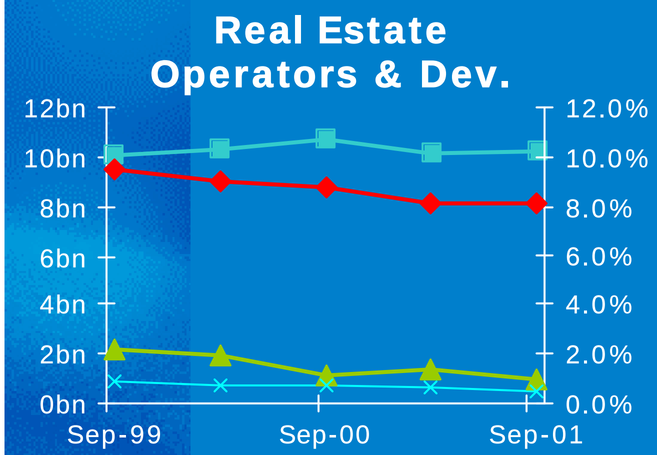
International

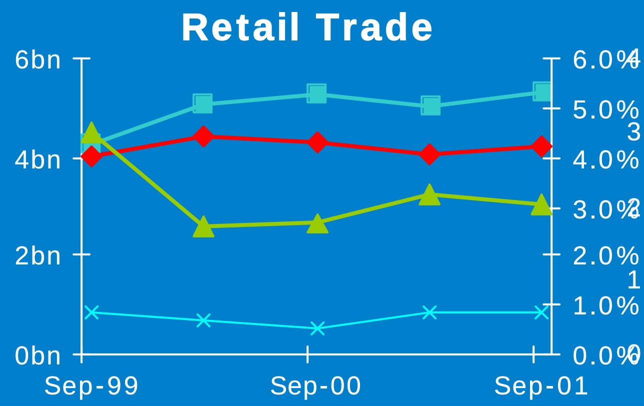


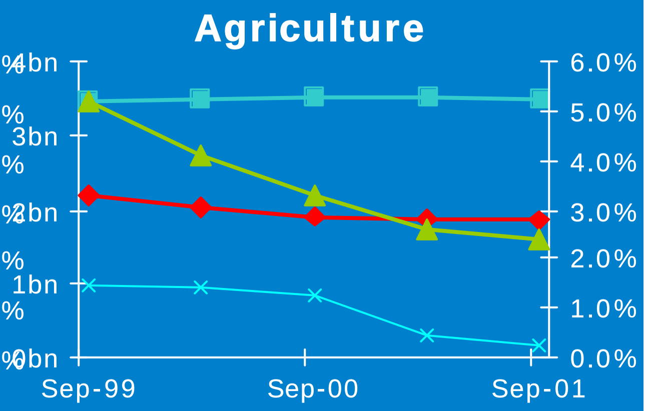
>BB- = BB+, B, B-, CCC & non-accrual

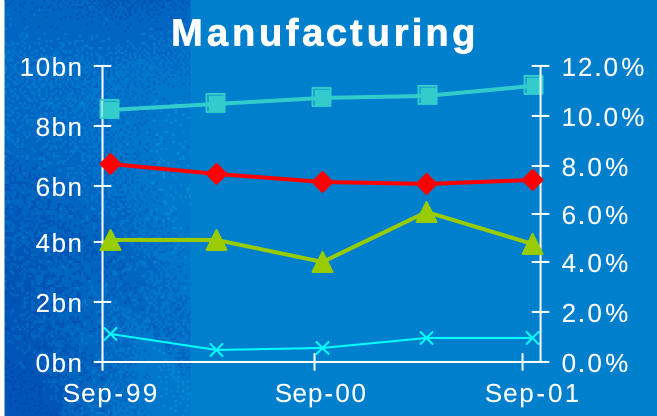
Industry profiles – Australia & NZ

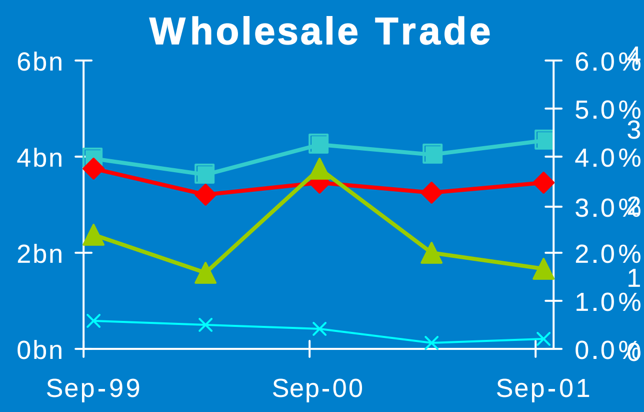
Lending Assets (AUDm)
% of Portfolio (RHS scale)
% in CCR 7D-8G (RHS scale)
X % in CCR 9-10 (RHS scale)

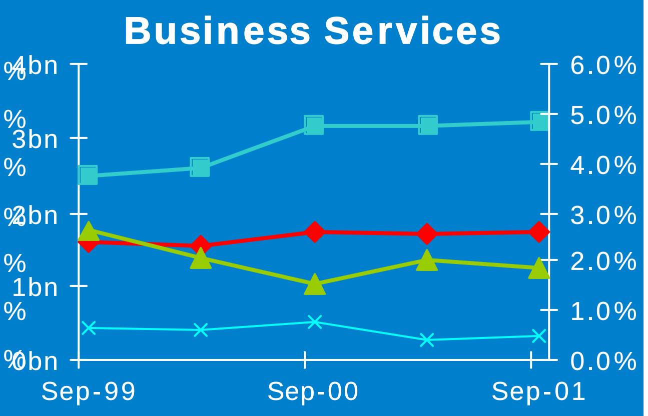




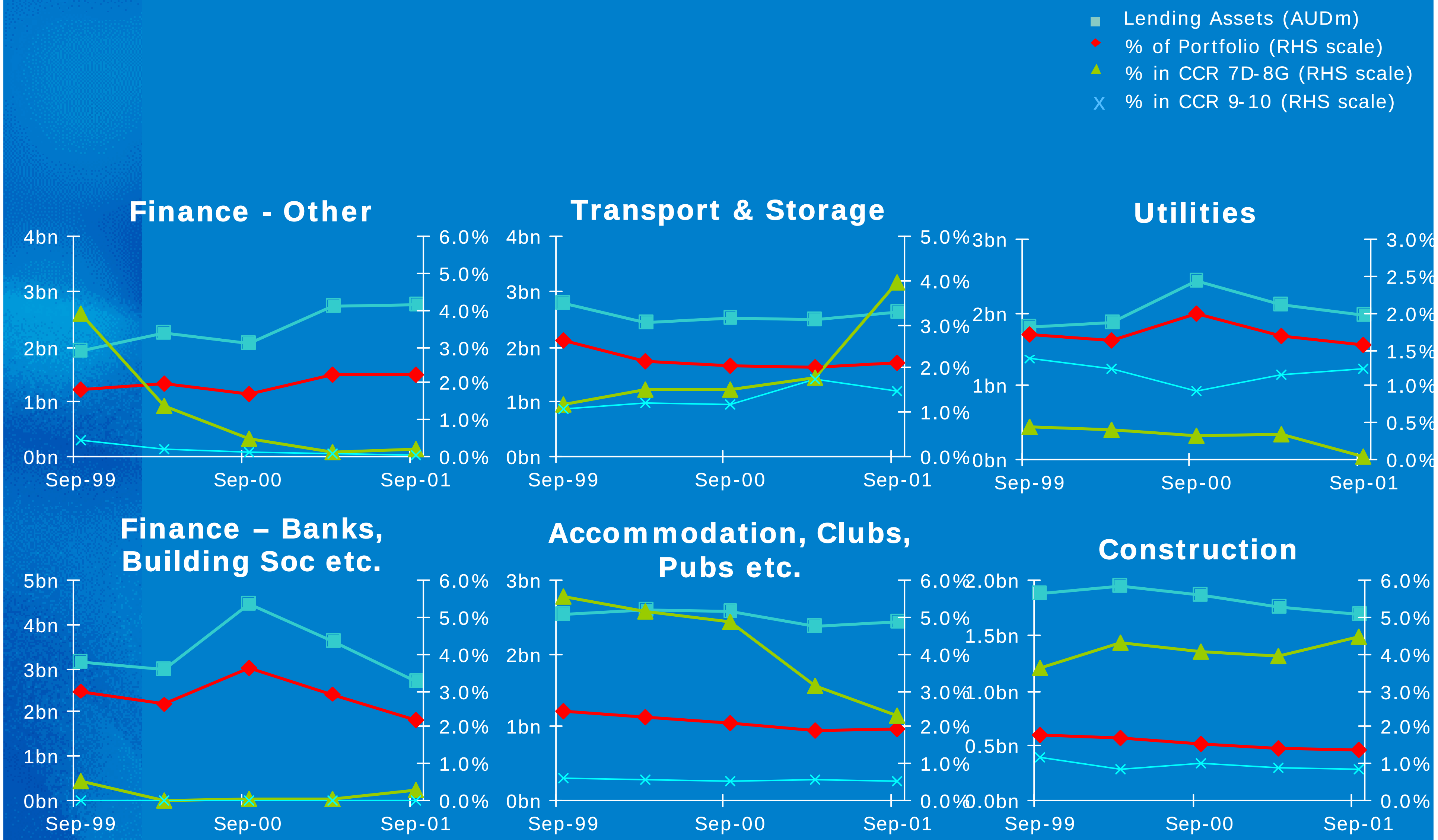




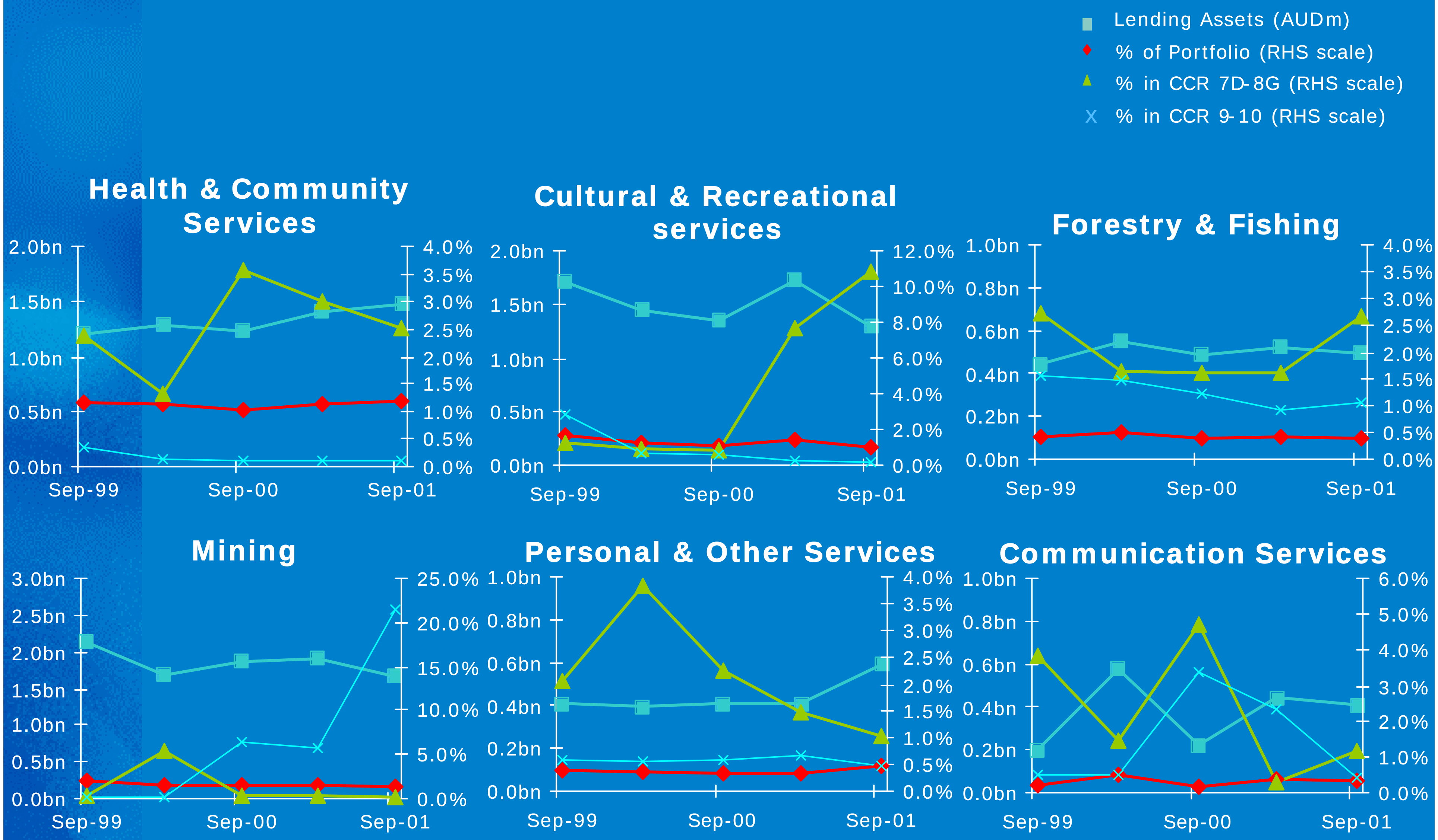




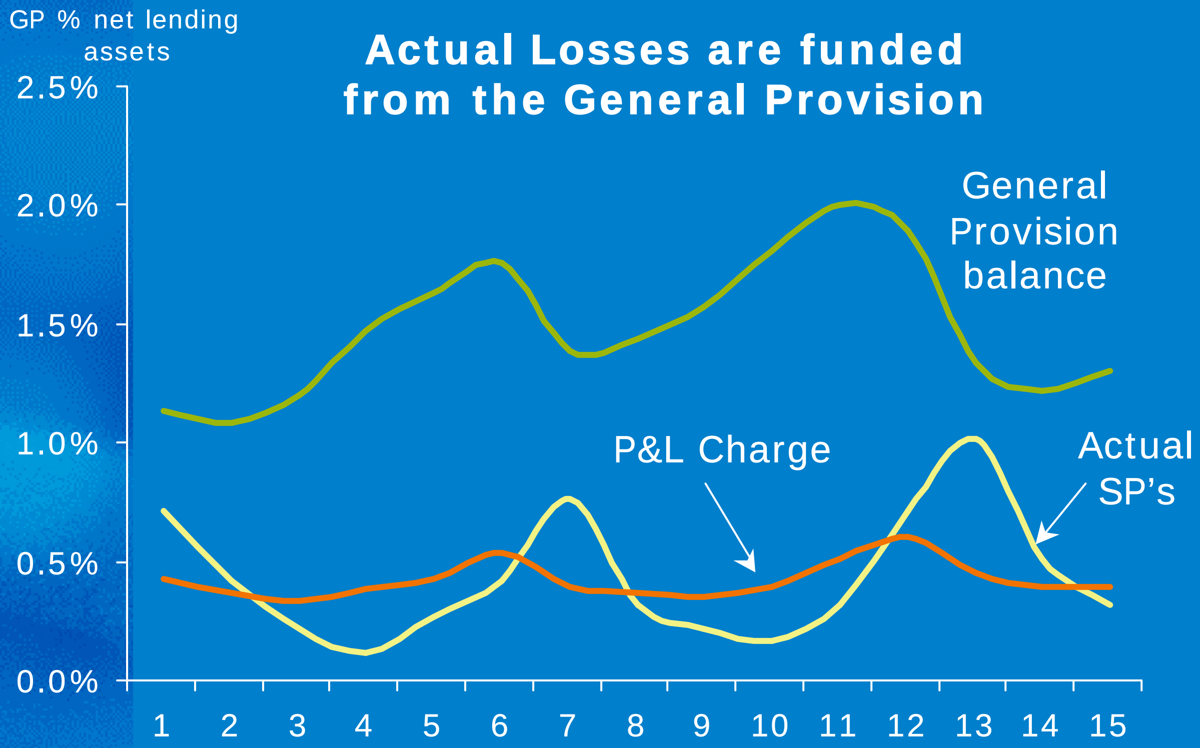
Industry profiles – Australia & NZ



Industry profiles – Australia & NZ



Economic Loss Provisioning



ELP charge will vary from year to year based on:

- changes in lending volumes
- change in risk grade profile
- security levels
- product and geographic mix

ELP Charge

= Loan Amount x

Probability loss x

Loss Given default

Plus

An adjustment to ensure the GP balance is sufficient to cover:

- Volatility around expected loss (using statistically quantified variance)
- Remaining term of loan portfolio
- Balance sheet growth

ANZ