

The background is a solid blue color with a grid of small white dots. A faint line graph is visible in the center, showing an upward trend. There are also some horizontal lines and a rounded rectangular shape on the left side.

Investor Presentation

Australia and New Zealand Banking Group Limited
November 2002



Outline

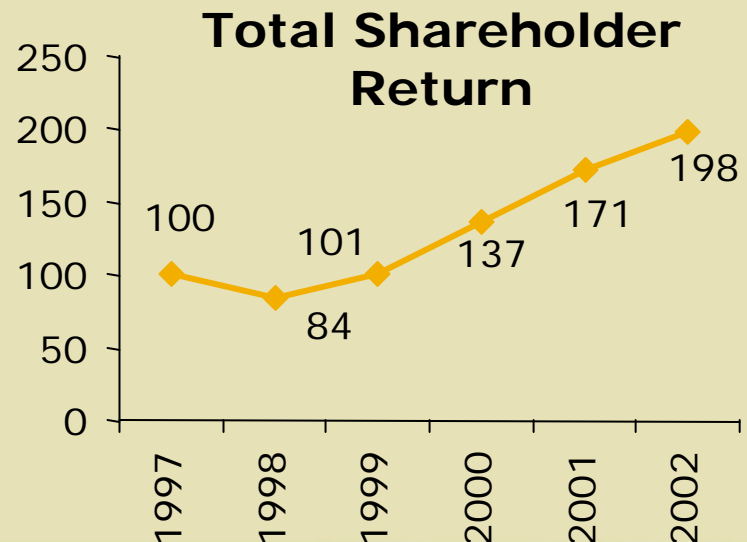
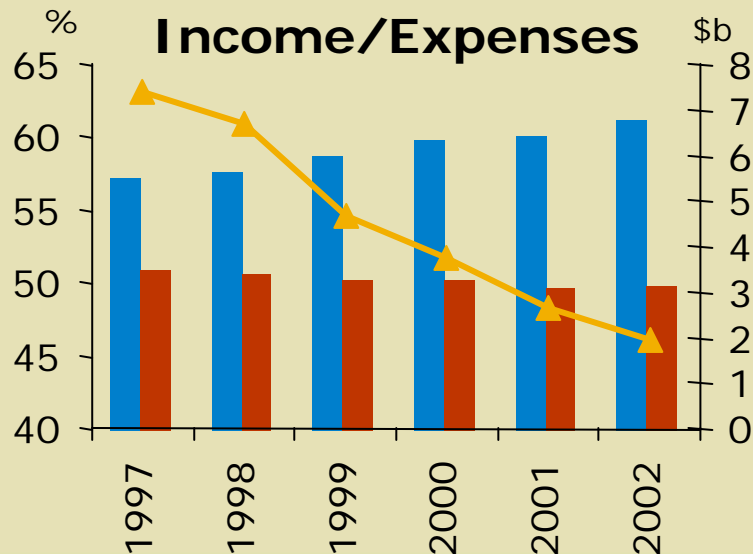
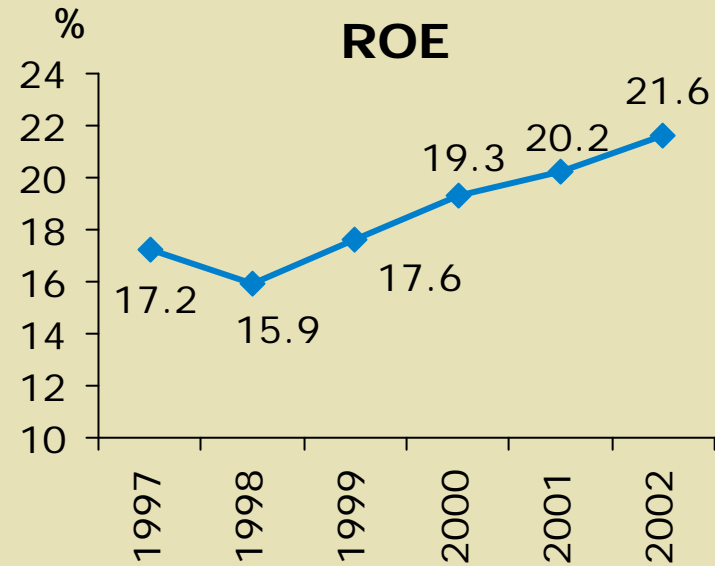
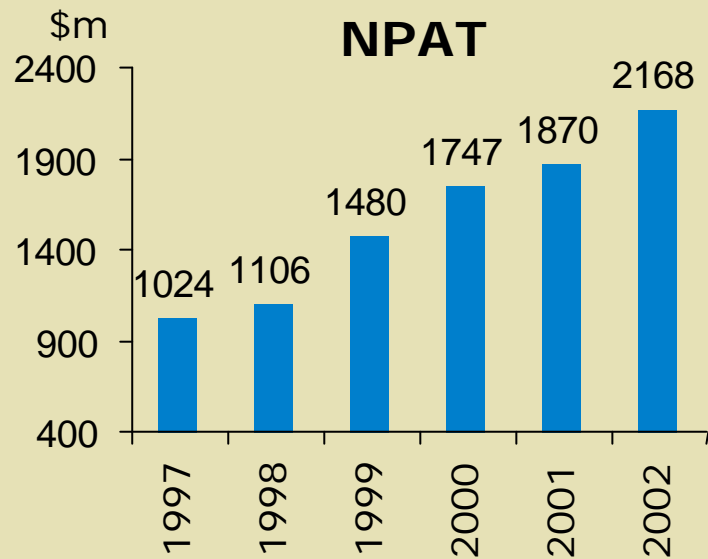
- Result review
 - Overview
 - Revenue/Costs
 - Credit Quality
- Delivering for all stakeholders
- Strategy
- Outlook

Delivering on our commitments

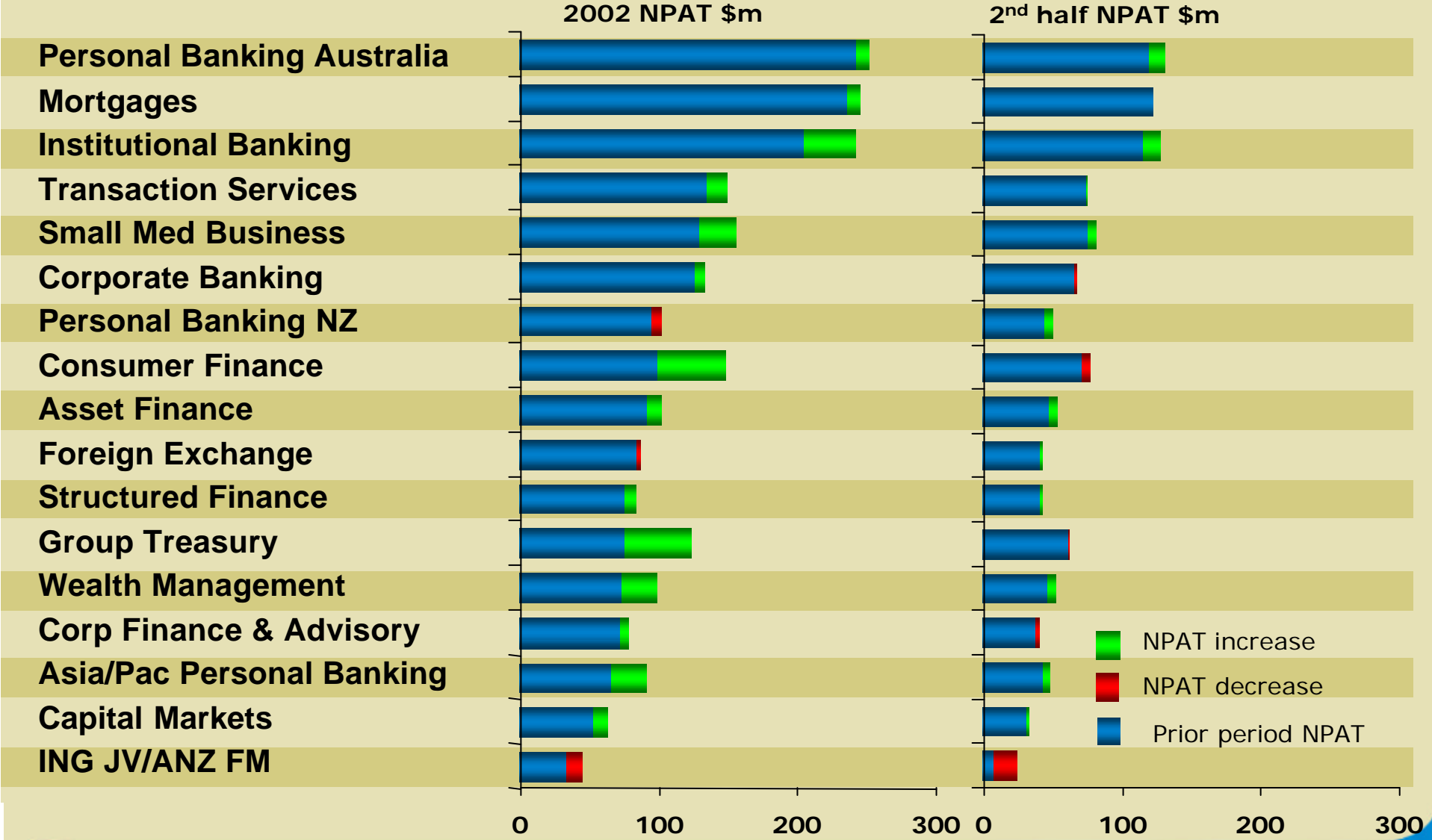
- Performing well - record profit of \$2,168m*
- Exceeded all targets*
 - EPS Growth 17%
 - ROE 21.6%
 - Cost Income ratio 46.0%
- Strong capital position, well provisioned
- Record staff satisfaction – up 16% to 78%
- Exciting Restoring Customer Faith pilot
- Specialised business strategy operating well
- Stretch target for 2003 of 10% EPS growth

* Before significant transactions

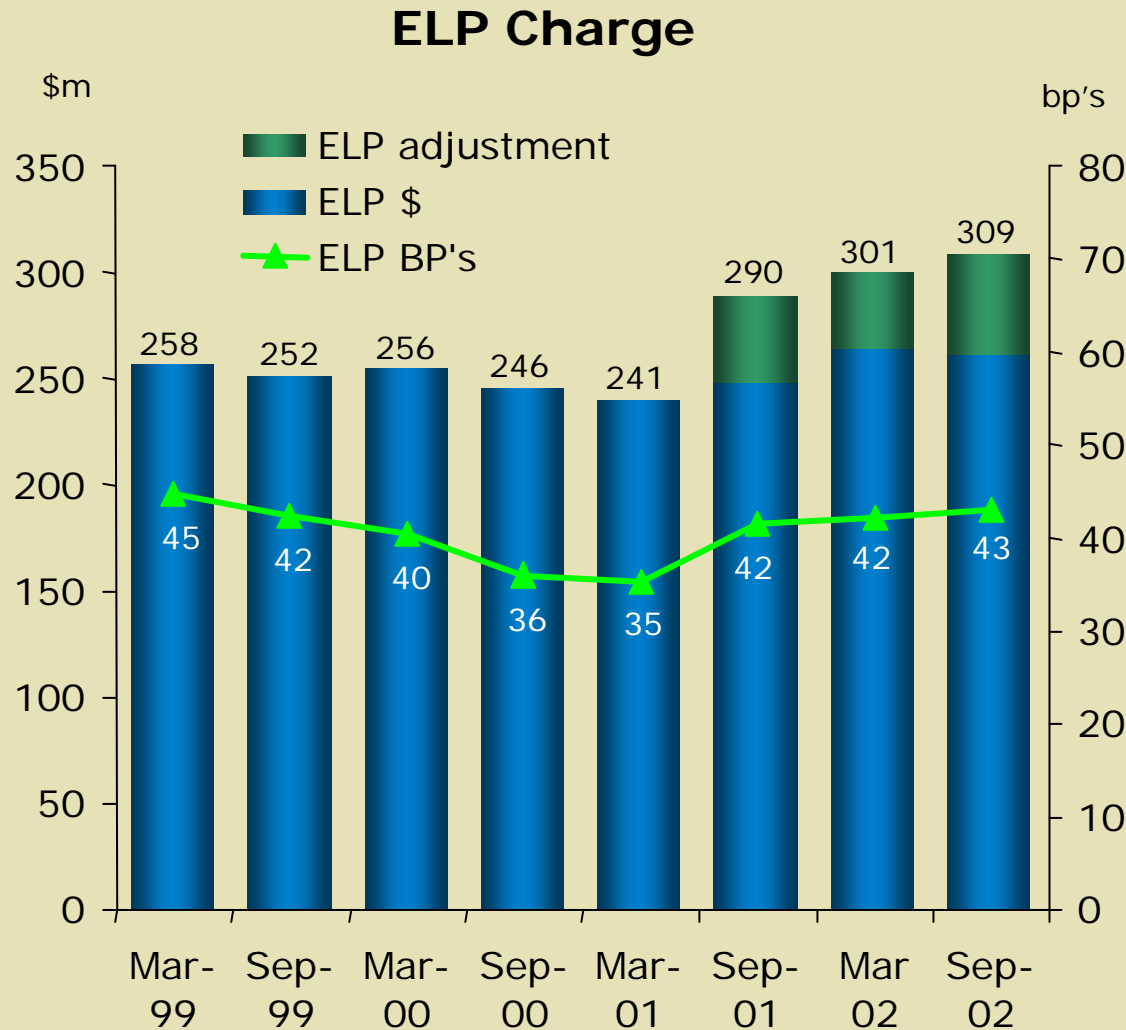
Building a credible track record



A diversified portfolio performing well

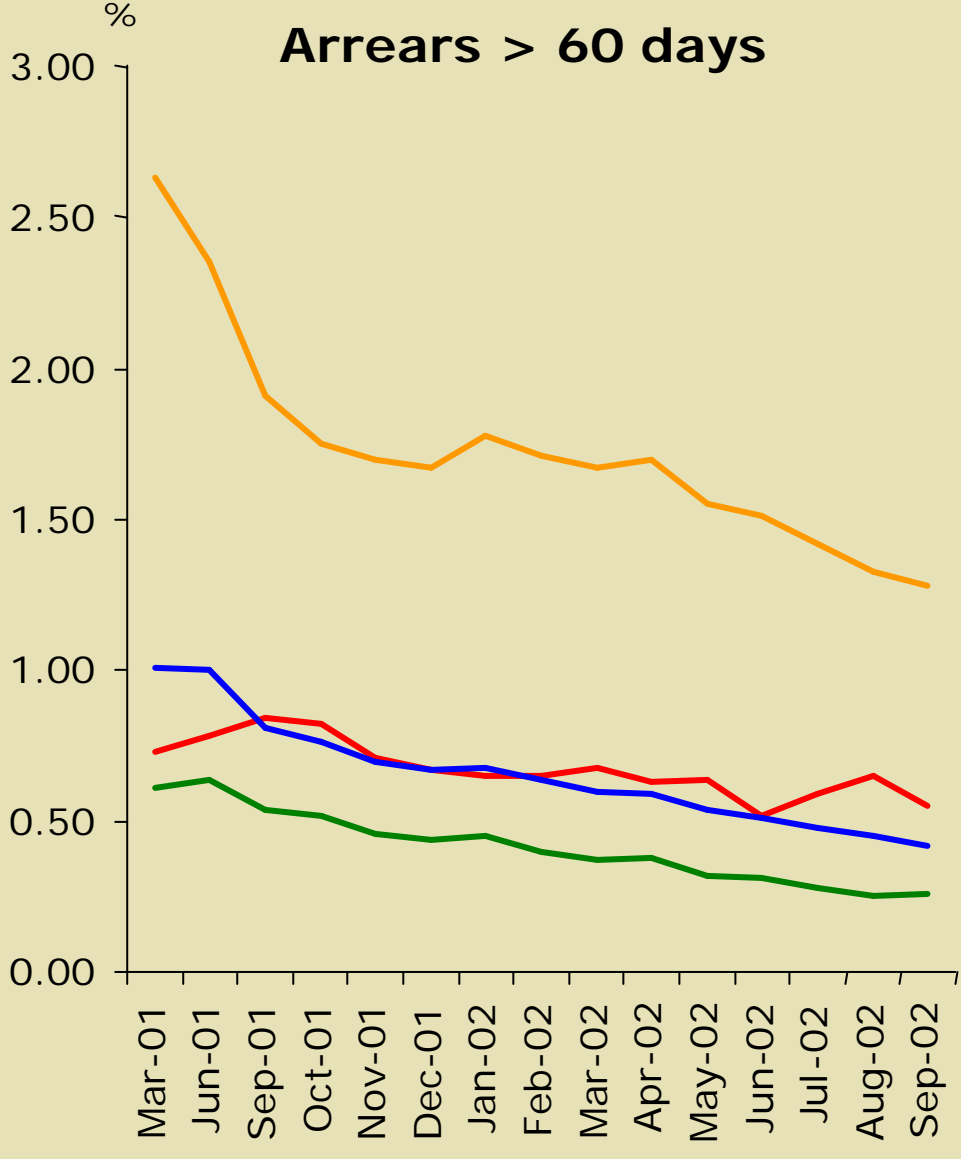


Provisioning charge reflects conservative management



- ELP portfolio level adjustment continued
 - reflecting ongoing global economic uncertainty
 - calculated as one notch downgrade across GSF portfolio
- Domestic ELP rate declining
- ELP adjustment likely to continue until international defaults stabilise

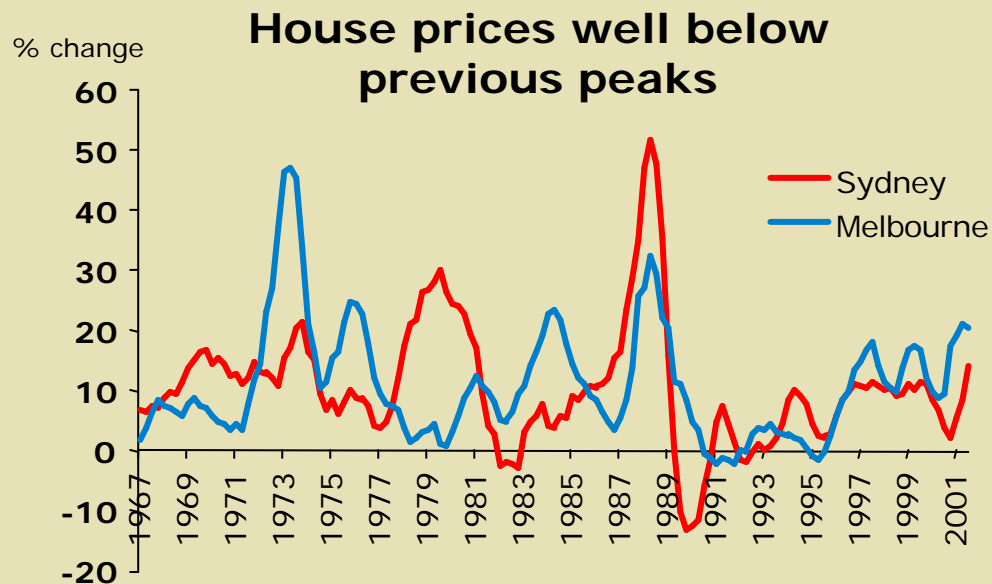
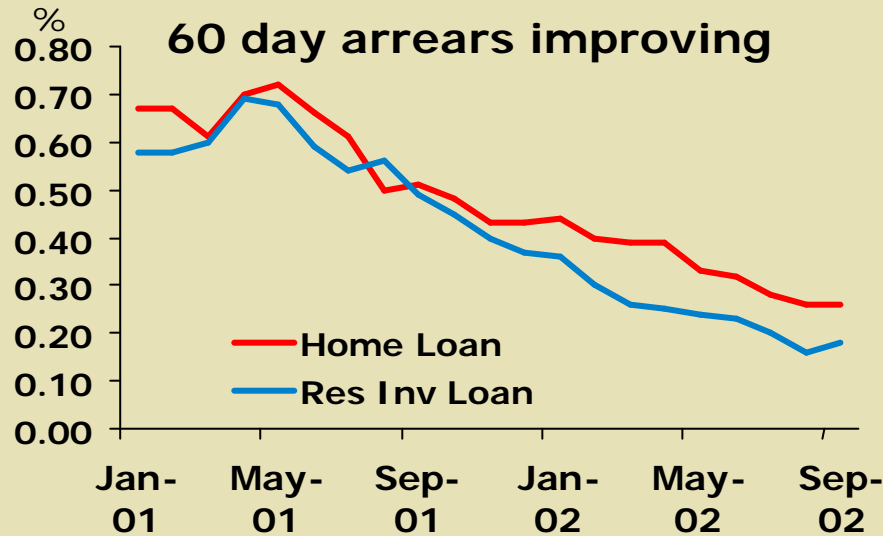
Consumer portfolio continues to improve



- Consumer sector in good shape, with continuing low levels of unemployment
- Mortgage arrears at record lows – unlikely to be sustainable
- Ongoing focus on collections management
- Scorecards remain “tight”

— Small Business
— Mortgages
— Cards & Personal Loans
— Personal & SME Businesses - Overall (excl Asset Finance, Pacific, Asia)

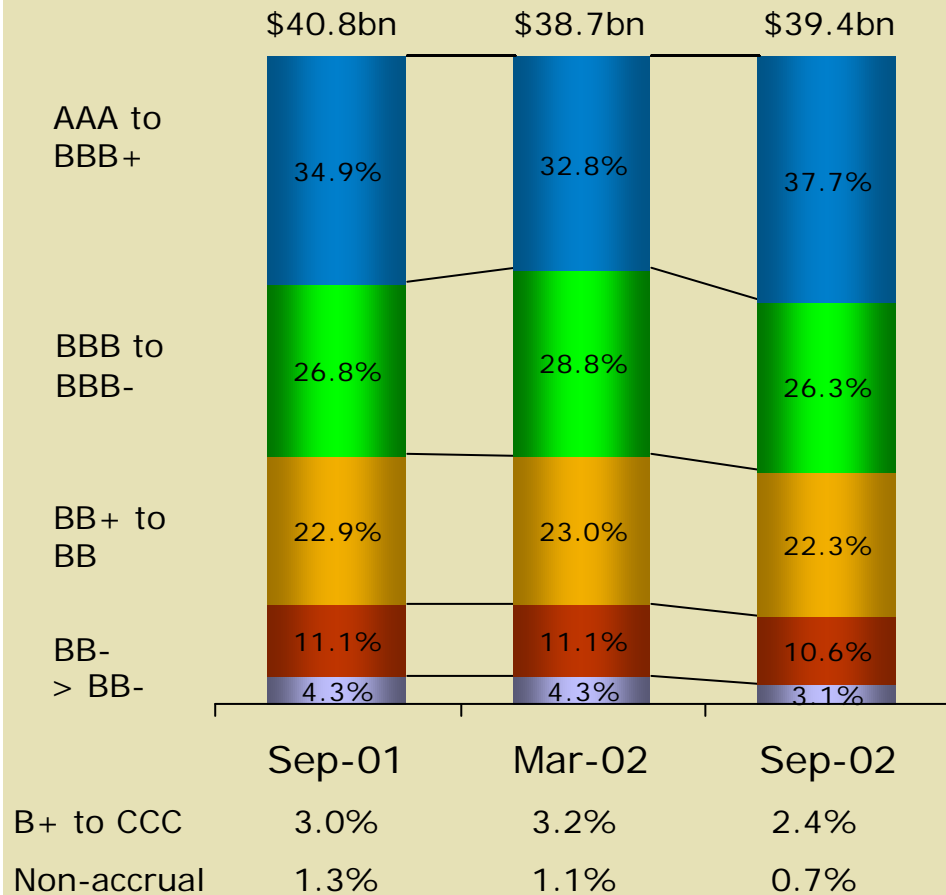
Mortgage outlook – slight deterioration



- ANZ has not allowed FHOG to be the source of minimum equity requirement
- Behavioural scores remain stable
- Scorecards tightened in 2001, resulting in higher quality borrowers
- Unemployment, a key driver of default, continues to trend downwards
- Scenario analysis at 95% confidence suggests loss not exceeding 4-6 bp over next 12 months, compared with ELP of 5 bp
- Based on uncommitted monthly income at time of application, 100% of customers could meet a 1% rise in interest rates, and 97.2% could meet a 2% increase without rearranging affairs

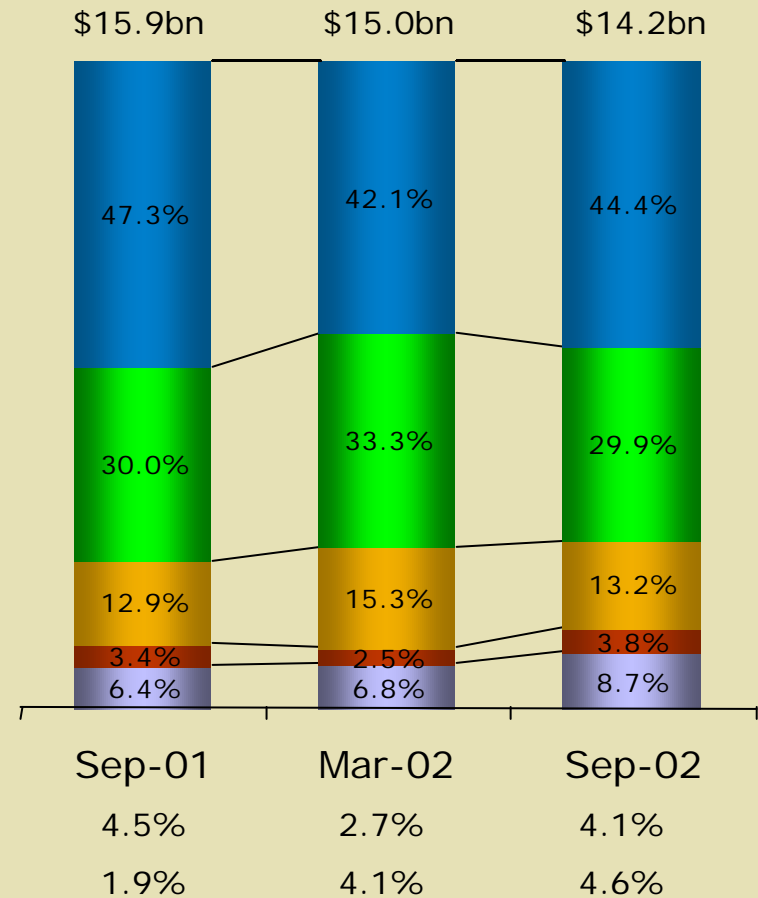
Domestic corporates in good shape, some concerns in ANZIB offshore

C&IB, Asia & GTS Risk Grade Profile*



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

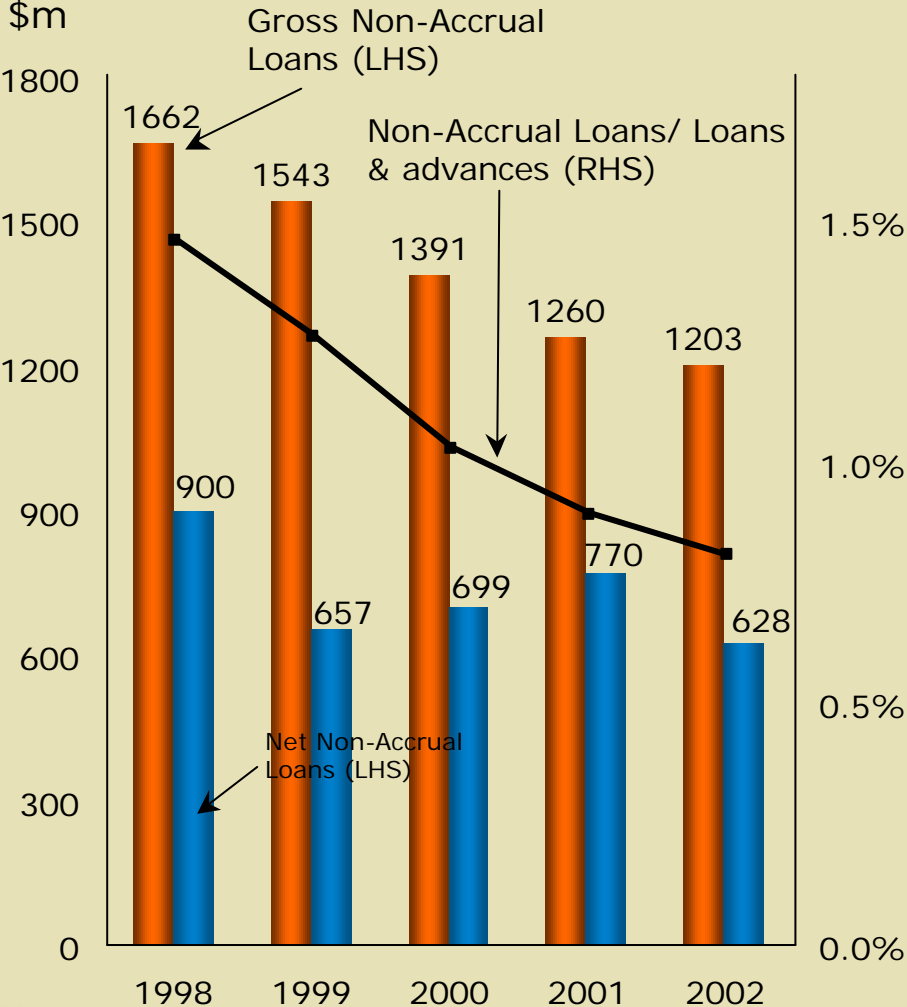
ANZIB Risk Grade Profile*



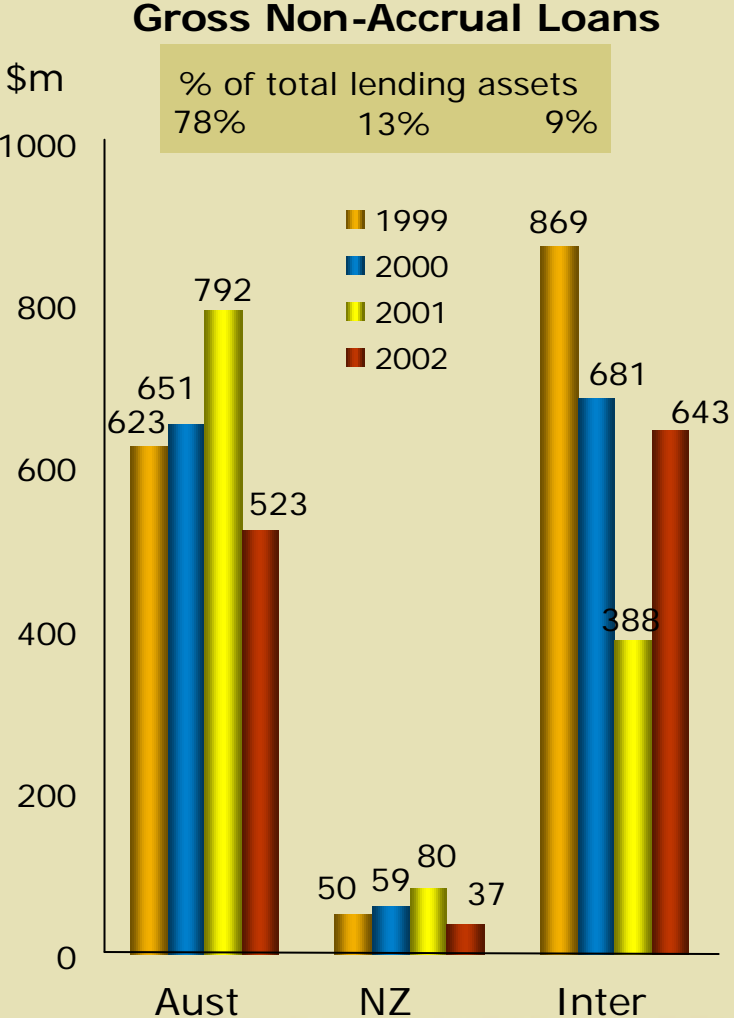
* Risk grade profile by outstandings

Non-accrual loans have decreased due to domestic reductions

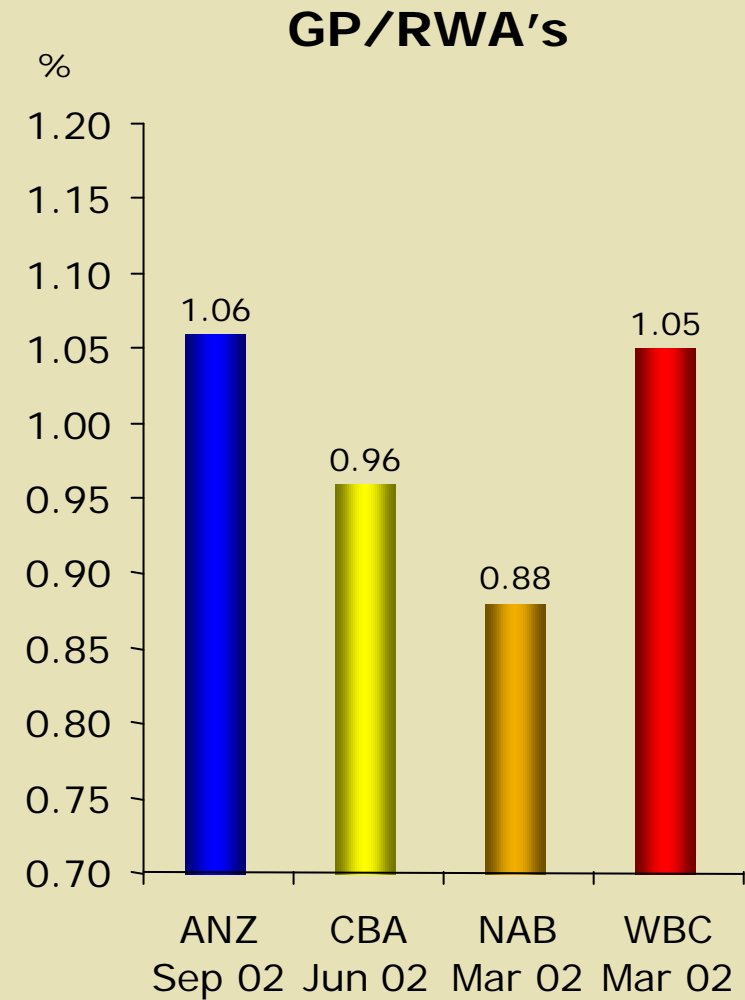
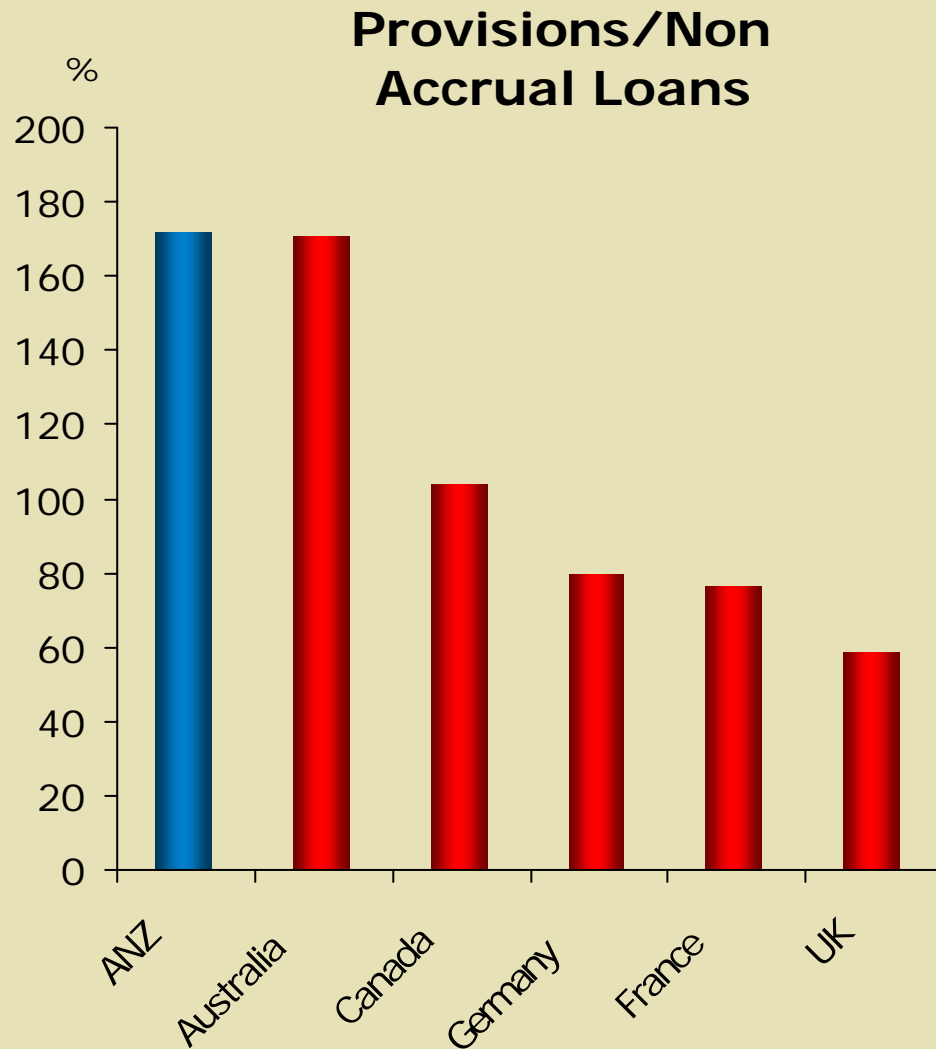
Historic



Geographic



Overall - provisioning levels strong



Source: CSFB

Outline

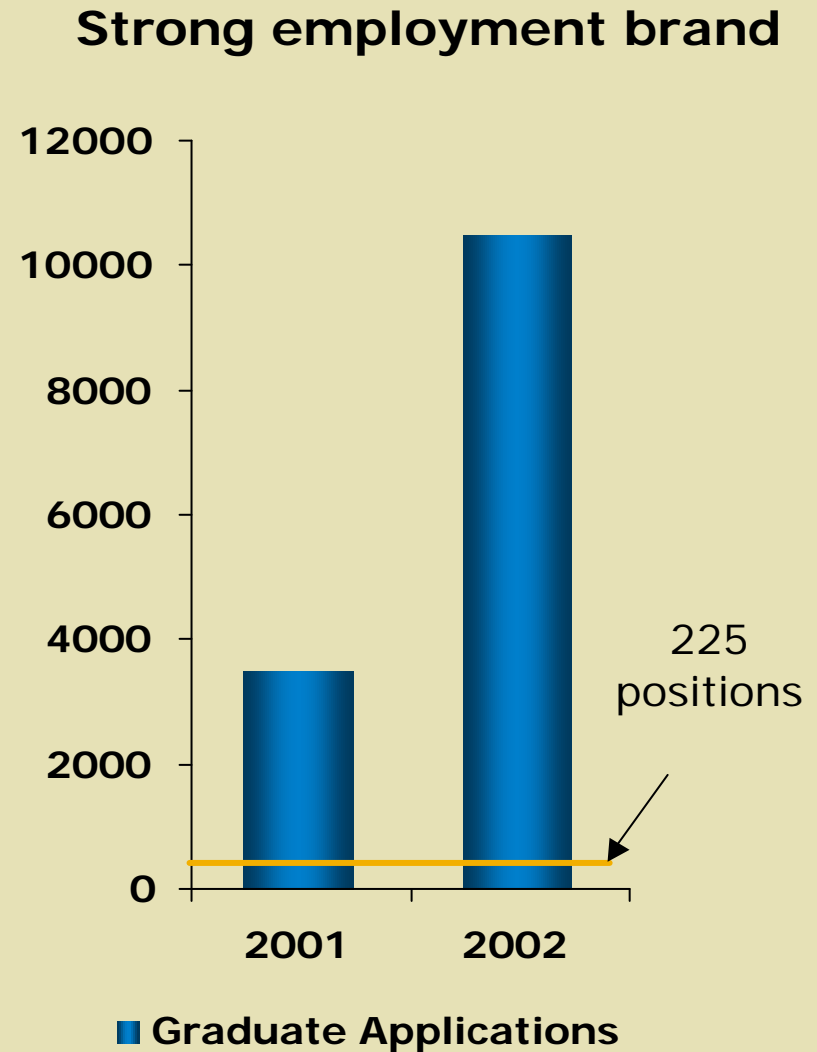
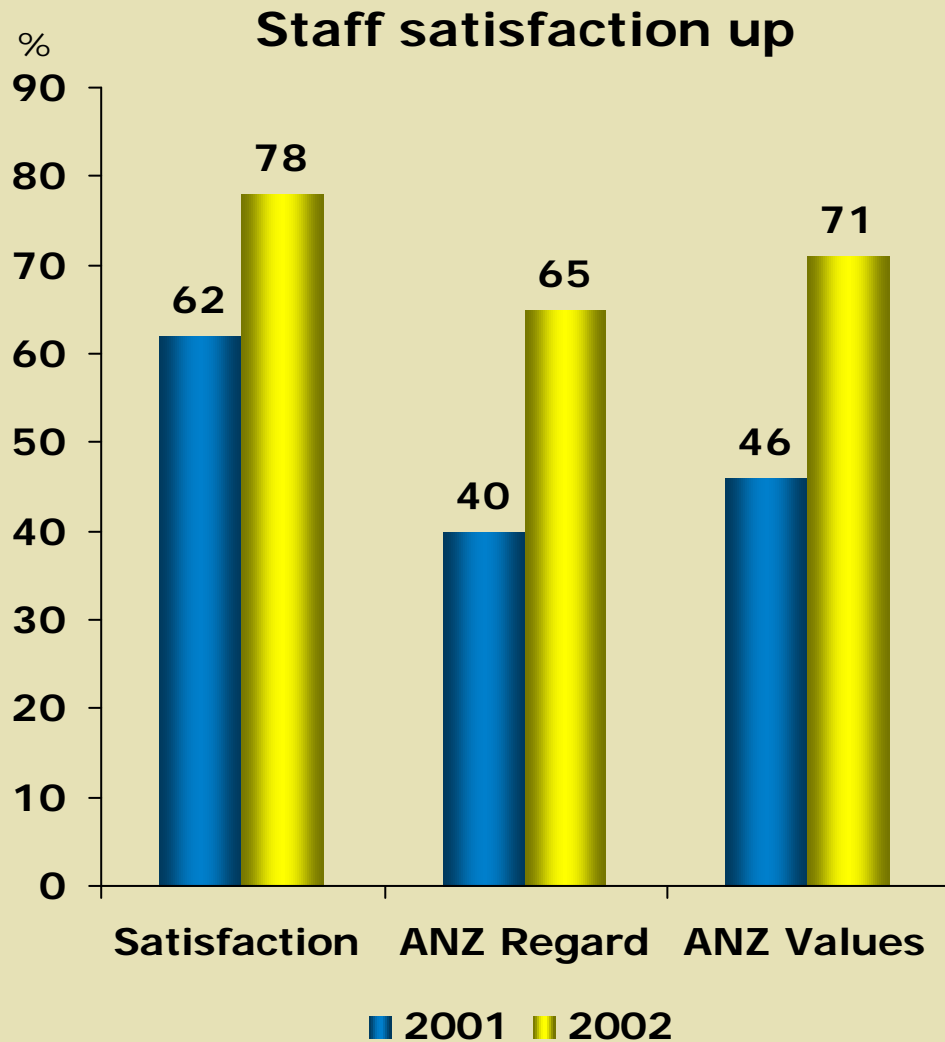
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- Delivering for all stakeholders
- Strategy
- Outlook

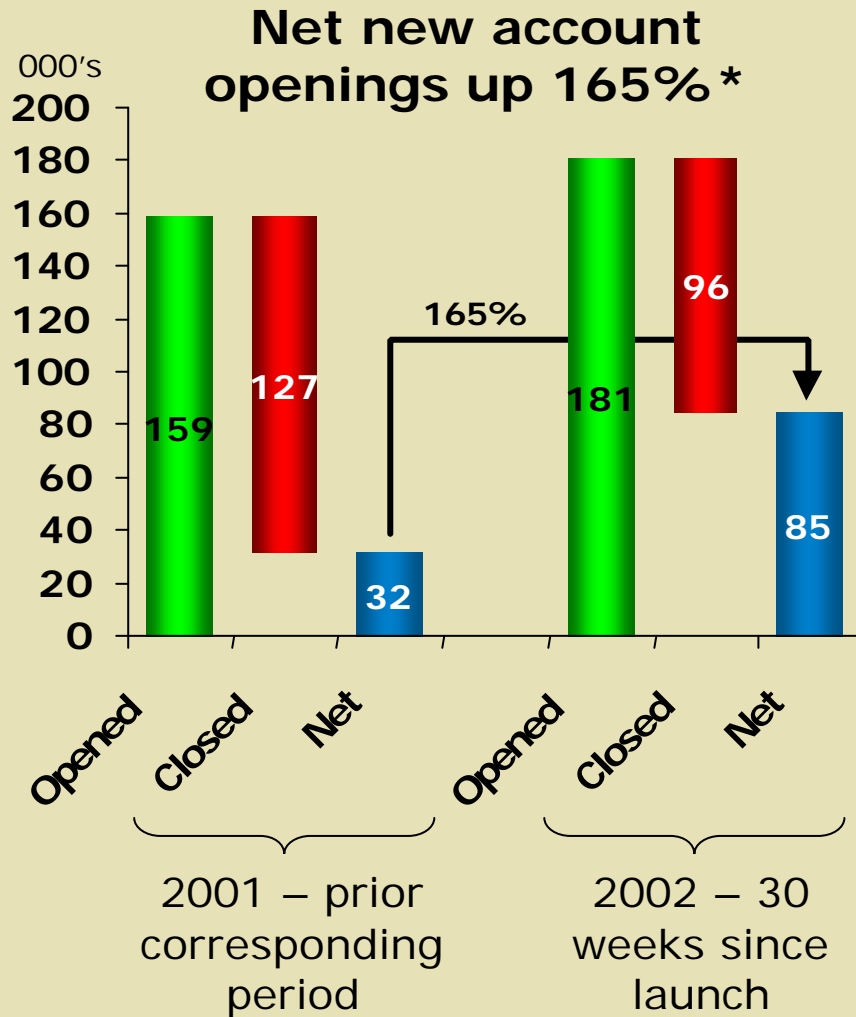
Delivering on our commitments to shareholders

- **Specialised business units performing well**
 - 14 of 16 recorded higher profits year on year
- **Specific provision unusually high, but cumulative specifics well covered by cumulative ELP from inception in 1997**
- **Major new governance and transparency initiatives**
 - Substantially enhanced disclosure on capitalised expenses, asset quality, options expense, compensation
 - Upgraded audit policy introduced
 - Recognition for disclosure and transparency
 - Remuneration practices substantially reformed

Delivering for staff, and increasingly a preferred employer



New customer initiatives getting real traction



Key indicators show Restoring Customer Faith program is beginning to deliver

Indicators	2H 2002	
	Vic	Other States
Revenue growth	5.1%	4.0%
Staff advocacy	65%	62%
Customer satisfaction	6.8	6.6
FUM growth	8.0%	6.2%

* Victoria RCF pilot

Current performance issues addressed

Issue

Response

Offshore credit losses



- Reductions in credit limits
- Re-focus strategically

NZ consumer satisfaction



- Greater local autonomy and resourcing
- Roll out Restoring Customer Faith

Consumer Finance 2nd half



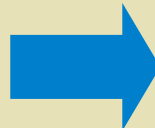
- Management reorganisation
- Restructure programs

Technology project benefits



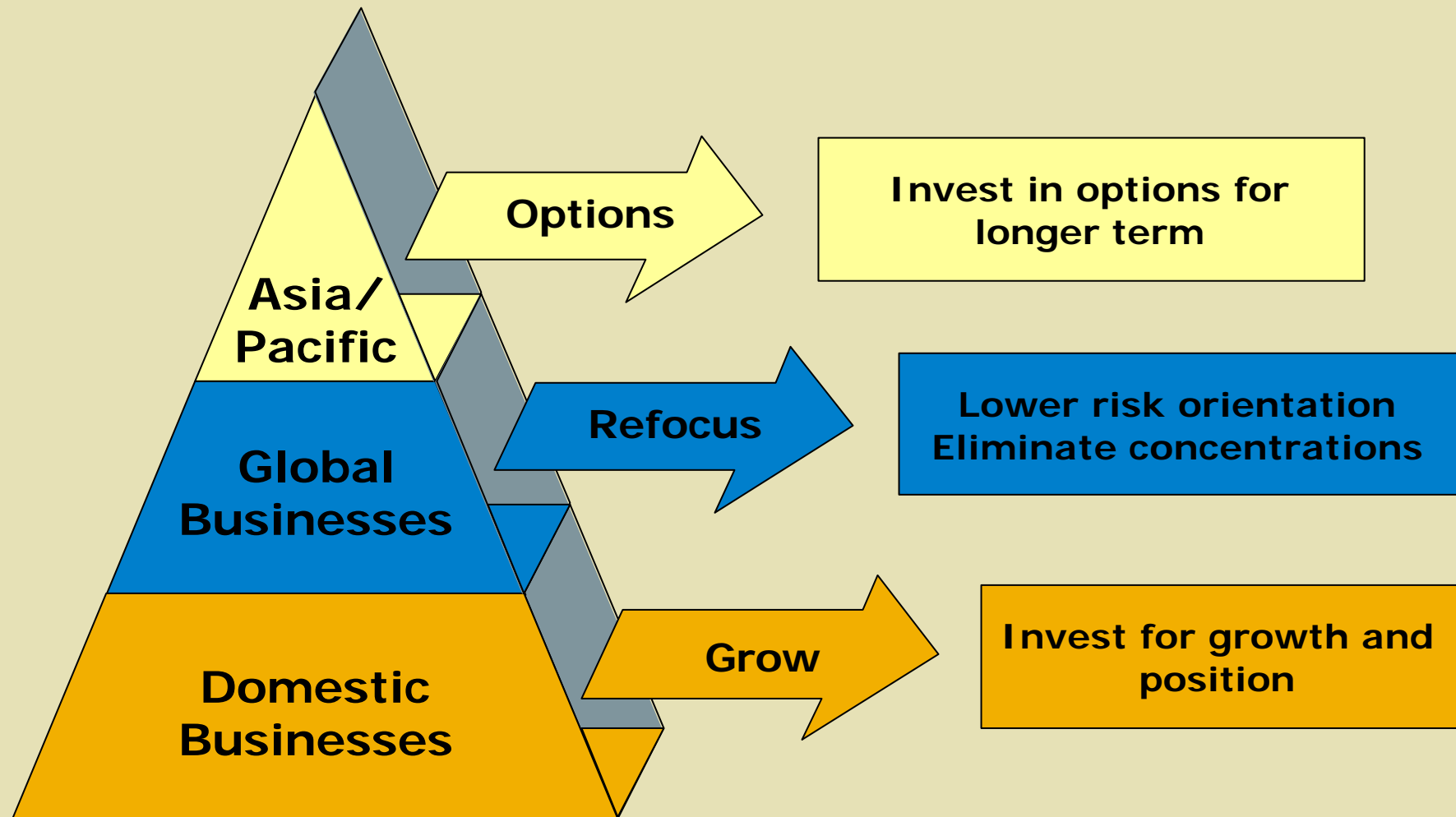
- Wind down of major projects
- Appointed MD major programs

JV performance below plan



- Accelerate integration
- Capital return hedged

Clear strategic investment priorities

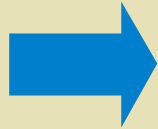


Opportunities for growth

Opportunity

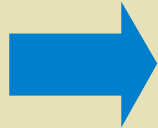
Approach

Personal Banking



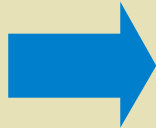
- Full rollout Restoring Customer Faith
- Expand network in growth locations

Corporate & SME



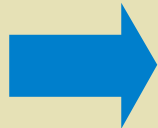
- Investment spending budgeted
- Leverage business integration synergies

New Zealand



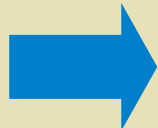
- Autonomous customer organisation
- Rollout Restoring Customer Faith

Wealth Management



- Maintain high investment spending
- Lower profit volatility from JV

Institutional & ANZIB



- Leverage leading relationship position
- Leverage business integration synergies

Key priorities for 2003

- **Rollout Restoring Customer Faith, reconnect with community**
- **Complete JV integration. Leverage distribution opportunity**
- **Reposition cards and mortgages for tougher environments**
- **Narrow focus of offshore activities to reduce risk**
- **Capture share of cyclical upswing in corporate lending and SME**
- **Implement three major strategic cost programs, fewer projects**
- **Accelerate shift in performance culture and identify and develop the next generation of leaders**

2003 targets stretching but unchanged

	2001	2002*	2003 Target
EPS growth	10%	17%	10%
ROE	20.2%	21.6%	20%
Cost-income ratio	48.0%	46.0%	45%
ACE Ratio	5.9%	5.7%	5.25% - 5.75%
Credit rating	AA-	AA-	AA-

*excluding significant transactions

Summary – delivering on our commitments

- Exceeded targets in a difficult year
- Specialisation strategy working
- Becoming employer of choice
- Increasingly delivering for customers and the community
- Risks being addressed
- Moving from “perform” to “perform and grow”



**2003 target 10%
EPS growth**

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Supplementary Information Pack

Australia and New Zealand Banking Group Limited
November 2002



Additional information on strategy

Our growth philosophy unchanged – but primary focus on organic out-performance

Organic out-performance

- Extend specialisation
- Grow customer numbers
- Increase share of wallet
- Drive productivity

Portfolio reshaping

- Invest in high growth areas
- Build specialist capabilities
- Exit weak positions
- Risk reduction

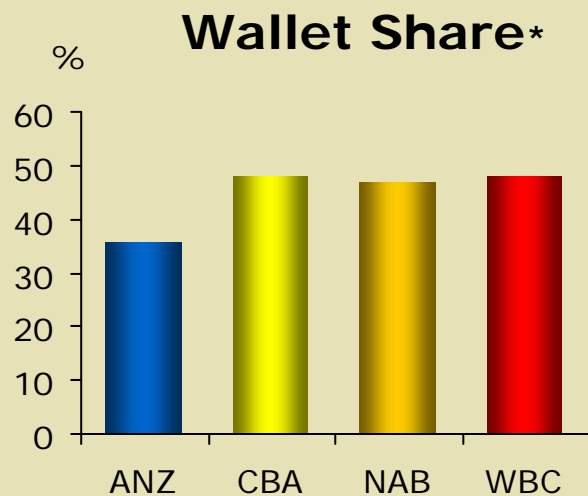
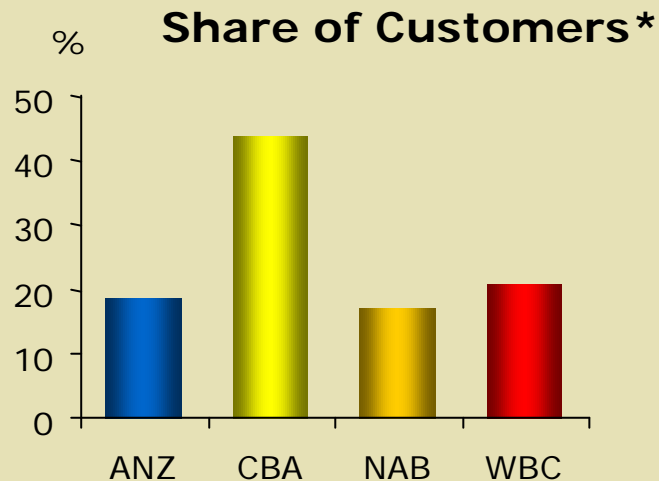
Transformational moves

- Step changes in positioning
- Creating new growth options
- Proactively shaping industry

Our targets

- Revenue growth materially higher than expense growth
- Take business units to sustainable leadership positions
- Build a range of strategic options

Consumer portfolio – significant opportunity for ANZ in domestic markets



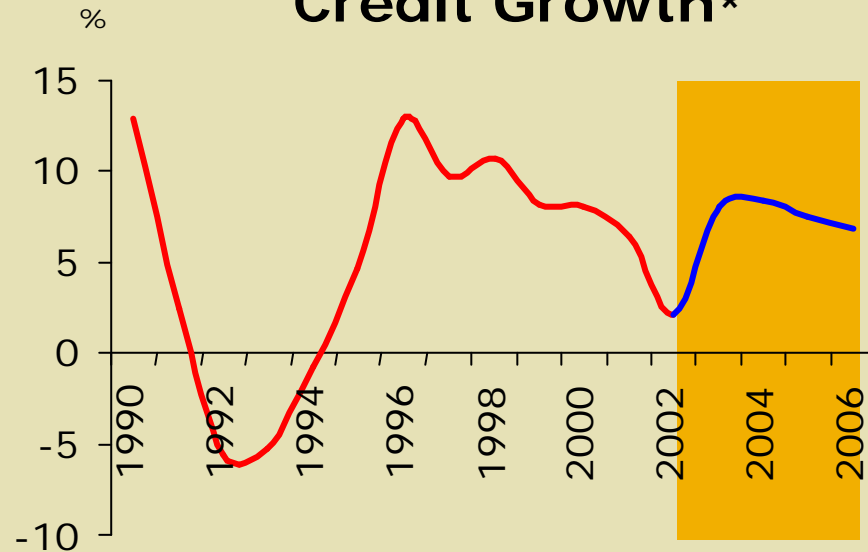
Priorities

- Deliver on promise of Restoring Customer Faith
- Improve community perceptions
- Deliver on JV
- Continue product innovation
- Utilise CRM capabilities
- Target market share growth of 1% pa in key markets

* source: Roy Morgan Research

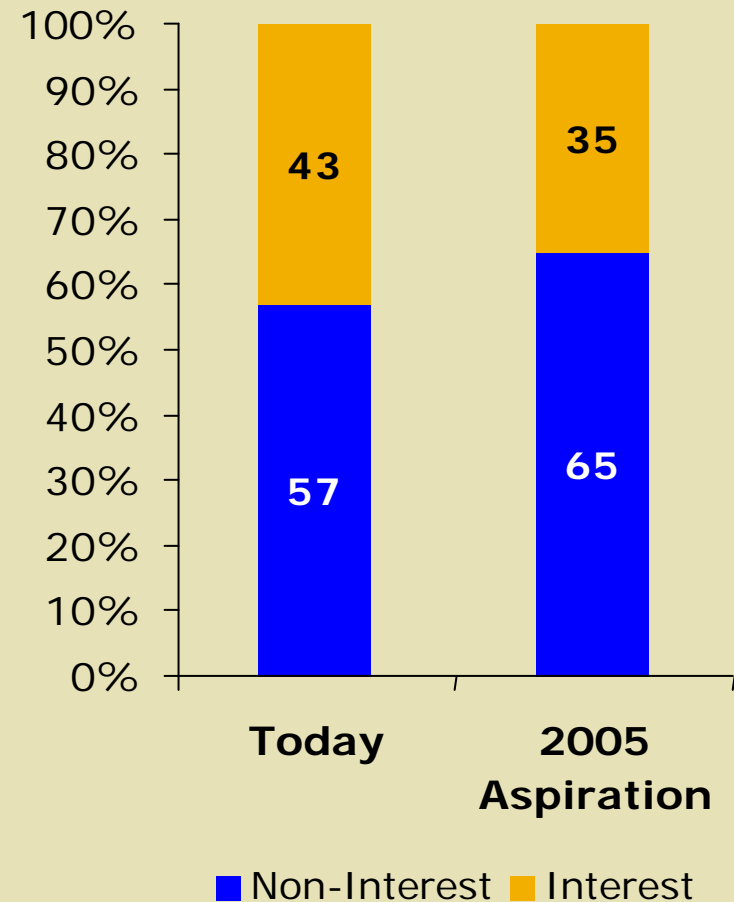
Corporate portfolio – positioned for upturn, targeting fee income

System Business Credit Growth*



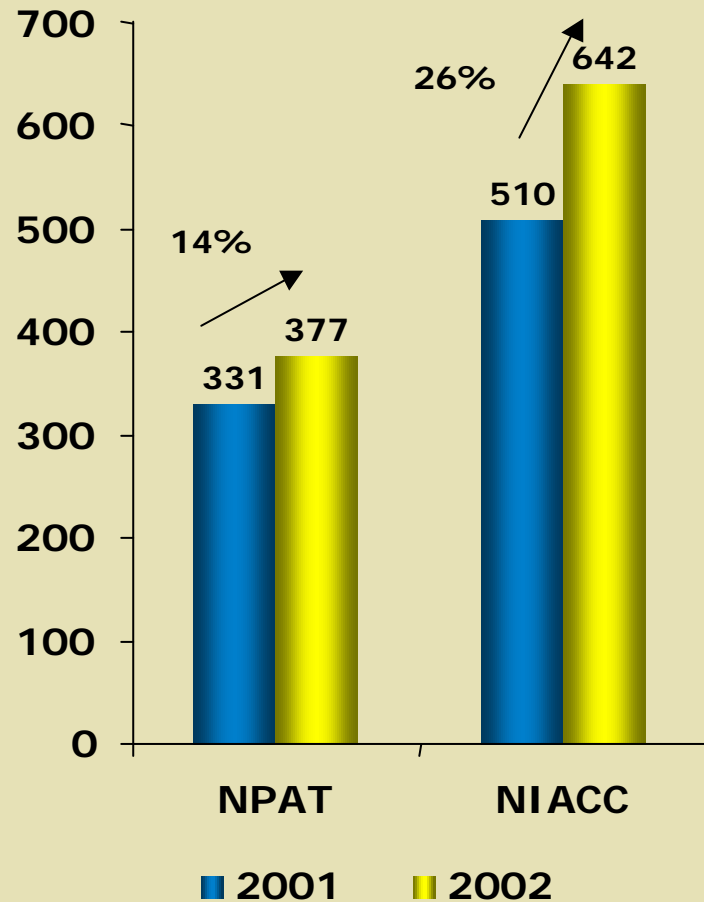
- Capture expected stronger lending growth from SMB and middle market corporates
- Focus on fee income in institutional business

Corporate Portfolio Revenue Mix

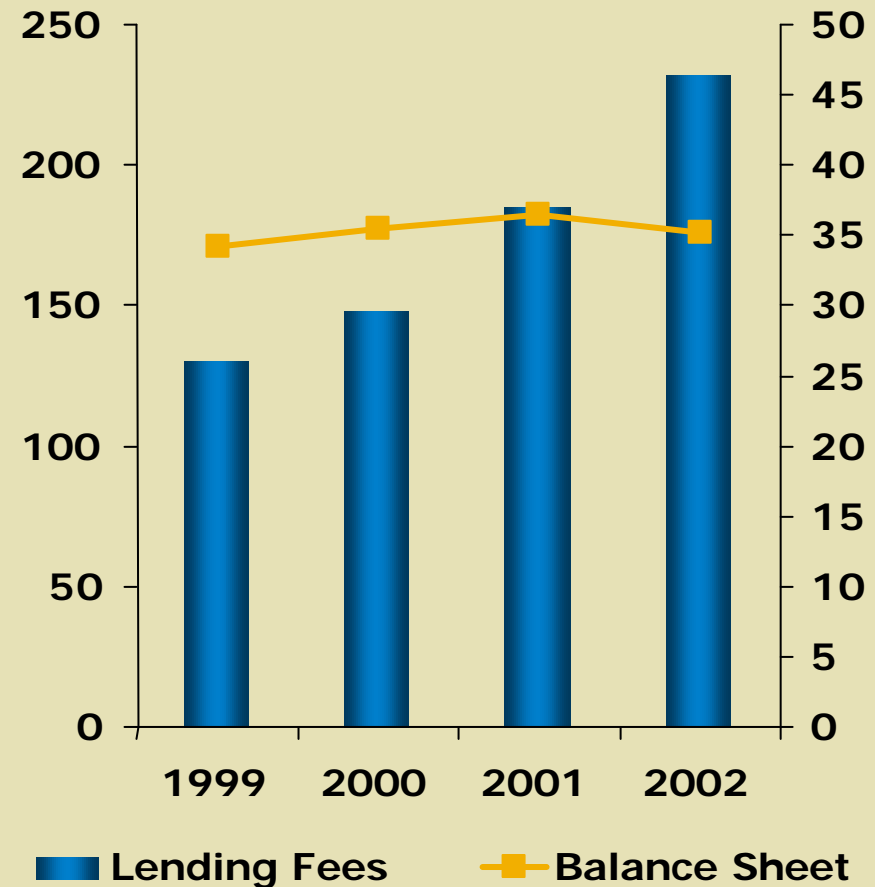


C&I B successfully managing the transition to lower balance sheet intensity

NIACC growth greater than profit growth

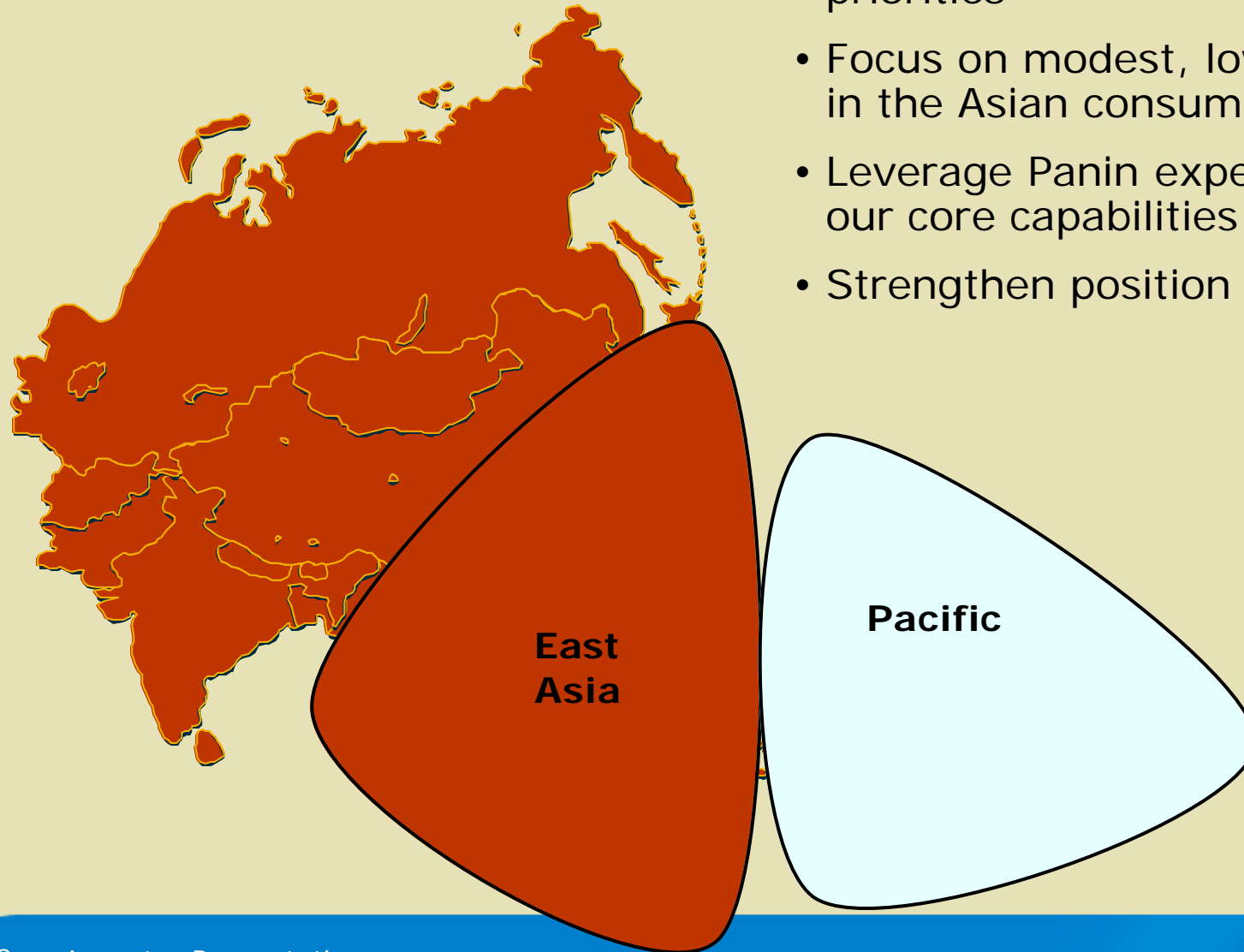


Higher lending fees, flat balance sheet

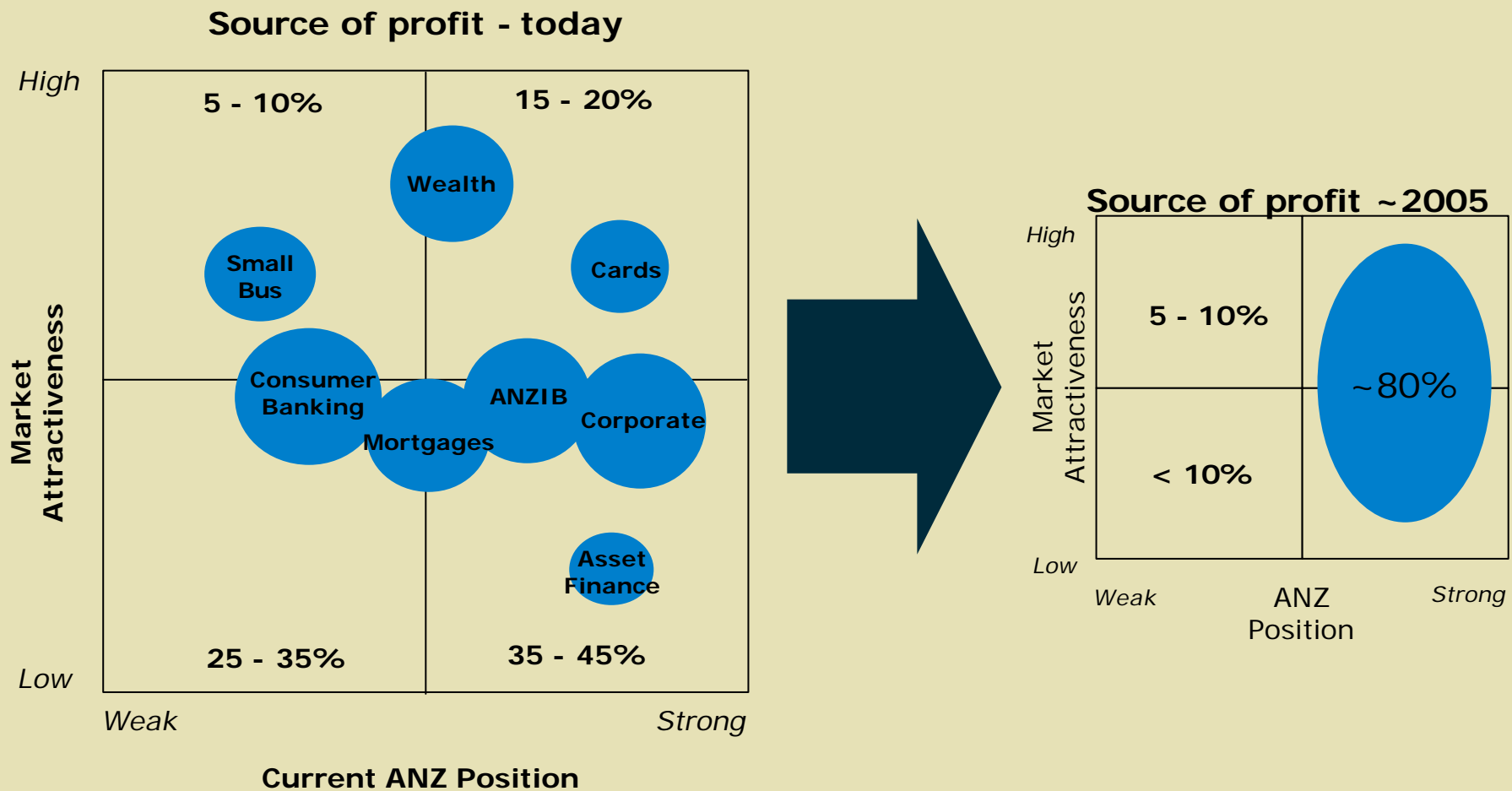


Asia/Pacific – create low risk growth options

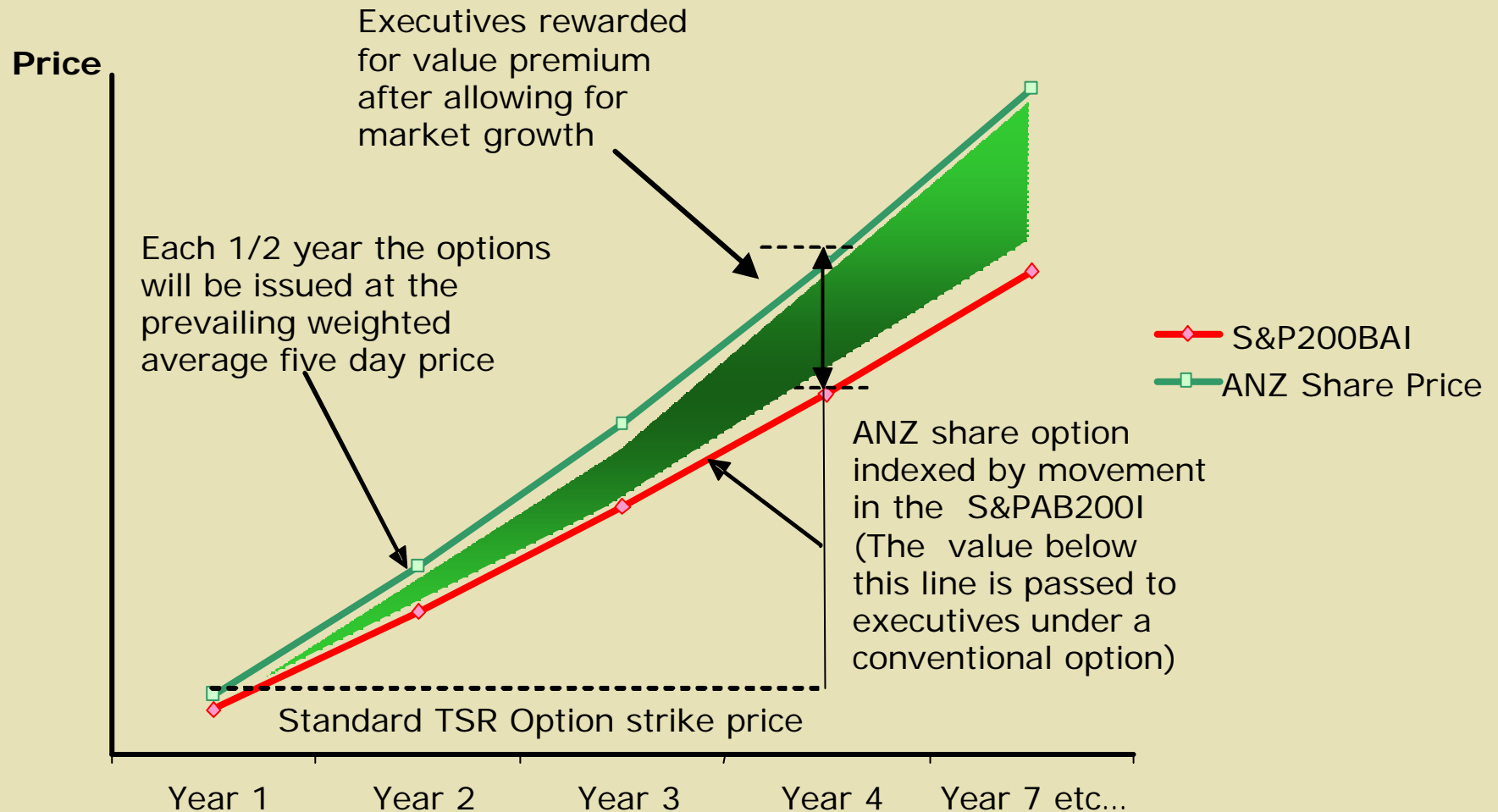
- East Asia and the Pacific are our priorities
- Focus on modest, low risk options in the Asian consumer sector
- Leverage Panin experience and our core capabilities
- Strengthen position in the Pacific



We will continue to shift the portfolio towards more attractive segments

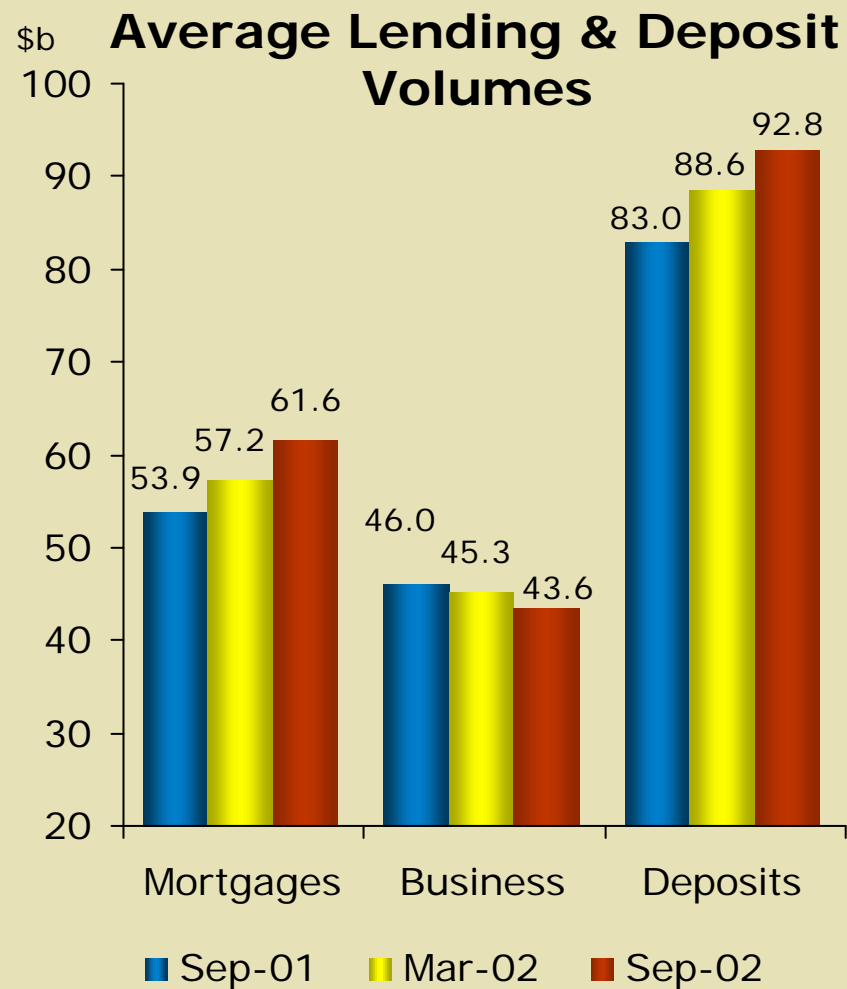
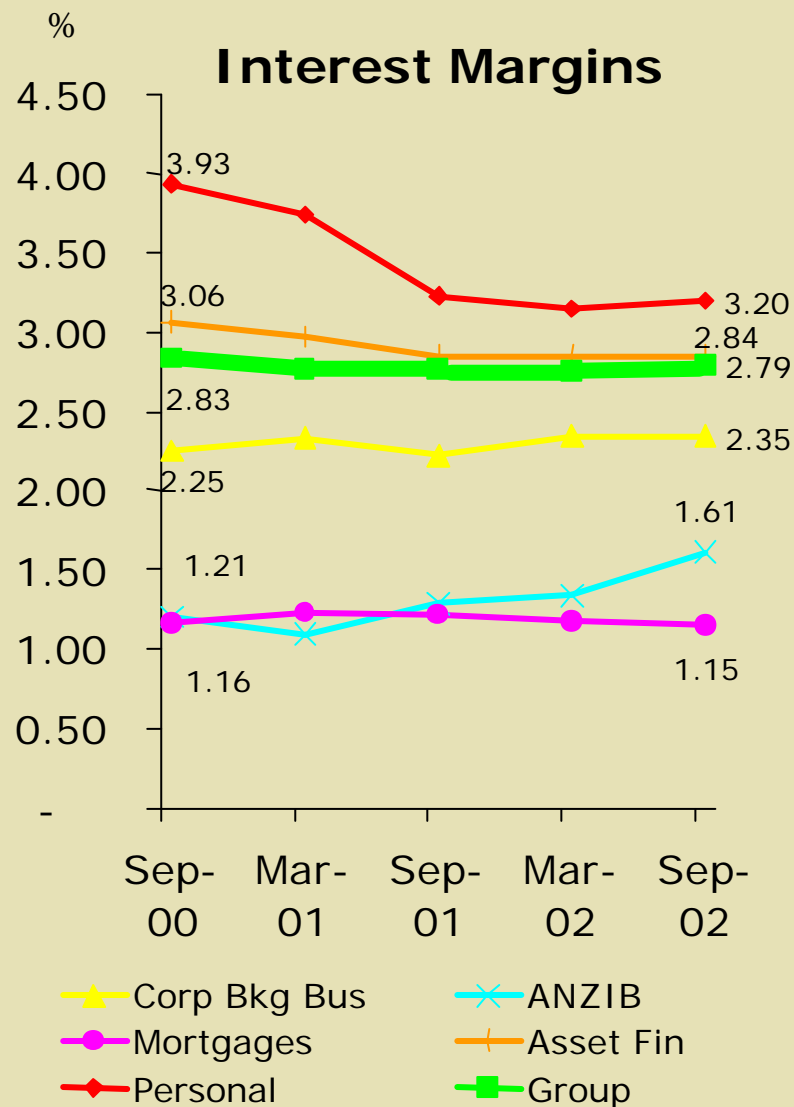


Executive options will only reward out-performance against market



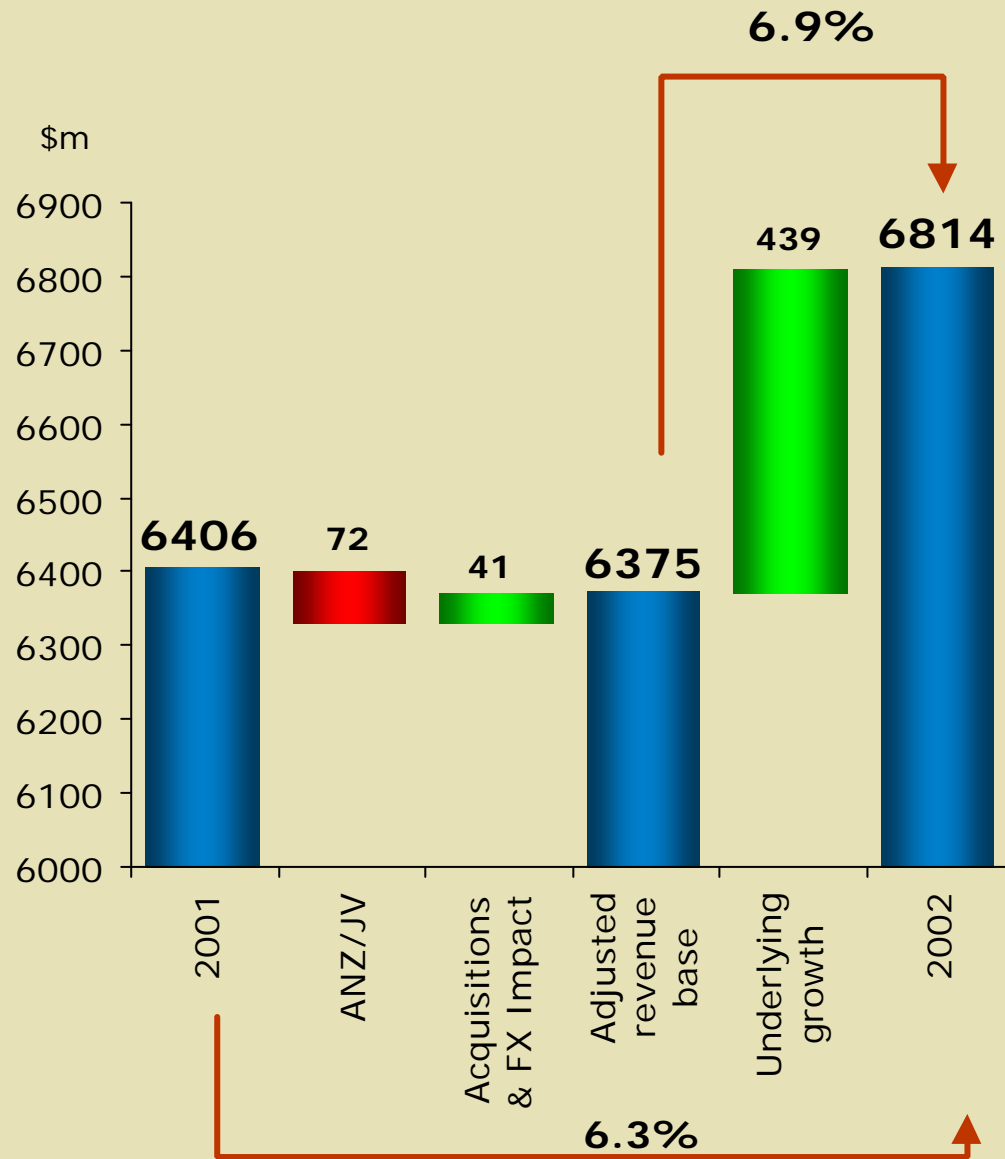
Additional information on 2002 results

Interest margins stable, lending and deposit volumes up



* Business Lending includes Corporate, ANZIB and Small Business Segments

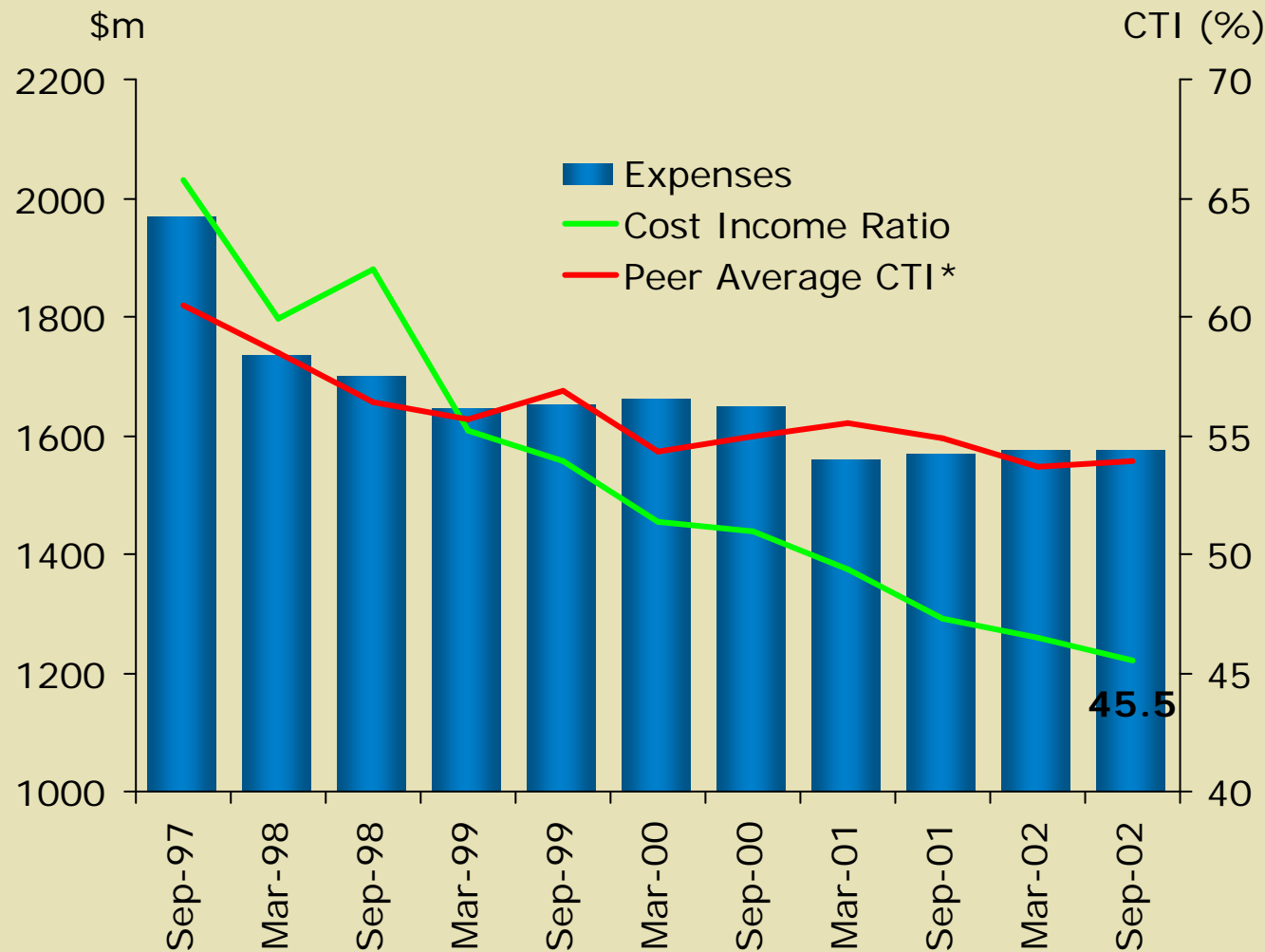
Healthy underlying income growth



Income Drivers

- Mortgage outstandings up \$8.9b, partly offset by \$2.7b decline in Corporate lending assets
- Deposits up \$8b, with an equal increase in both Personal and Corporate
- Margins were flat over the year at 2.77%, although second half slightly higher than first half
- Lending fees up 11%, principally driven by corporate businesses
- Non lending fees up 8%, with strong transaction volumes in consumer finance a major contributor

Cost income ratio on track to meet target of 45



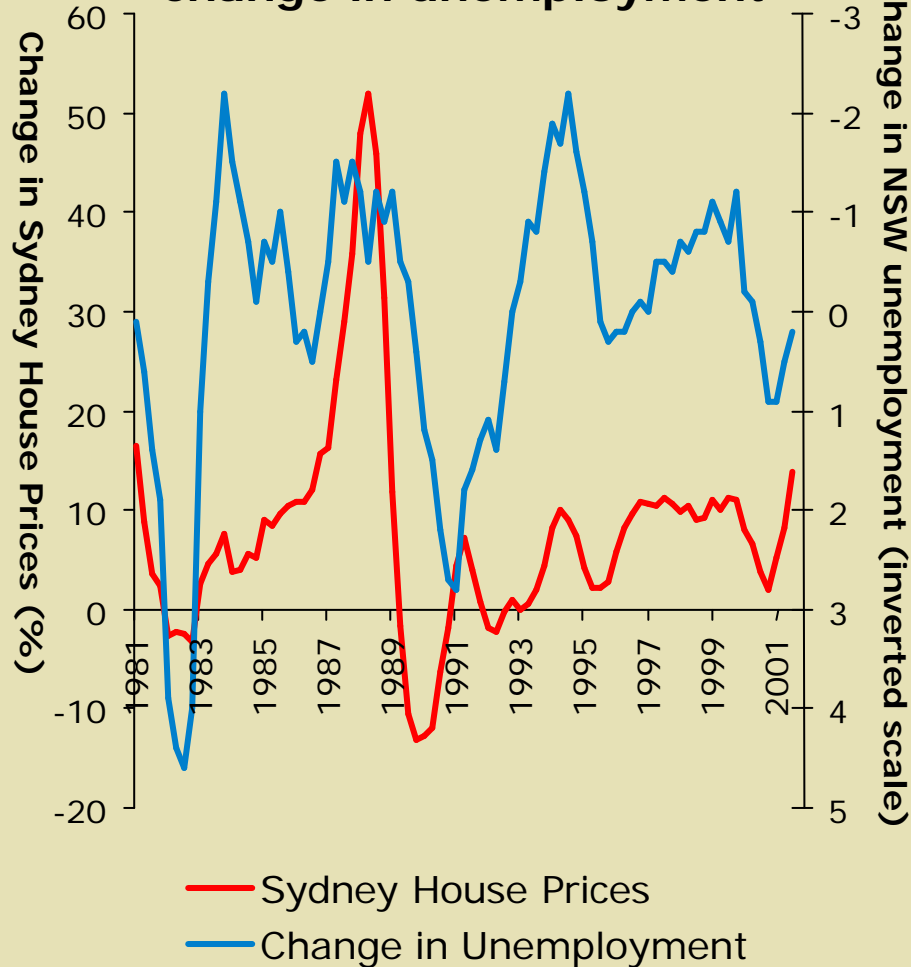
- Peer average impacted by funds management acquisitions
- \$31m expense reduction from sold businesses
- Effective half on half cost growth of 1.8%
- We will invest more in growth areas, particularly personal businesses
- 2000 \$361m restructuring provision fully utilised, ongoing \$60m+ charge likely

* Source: CSFB

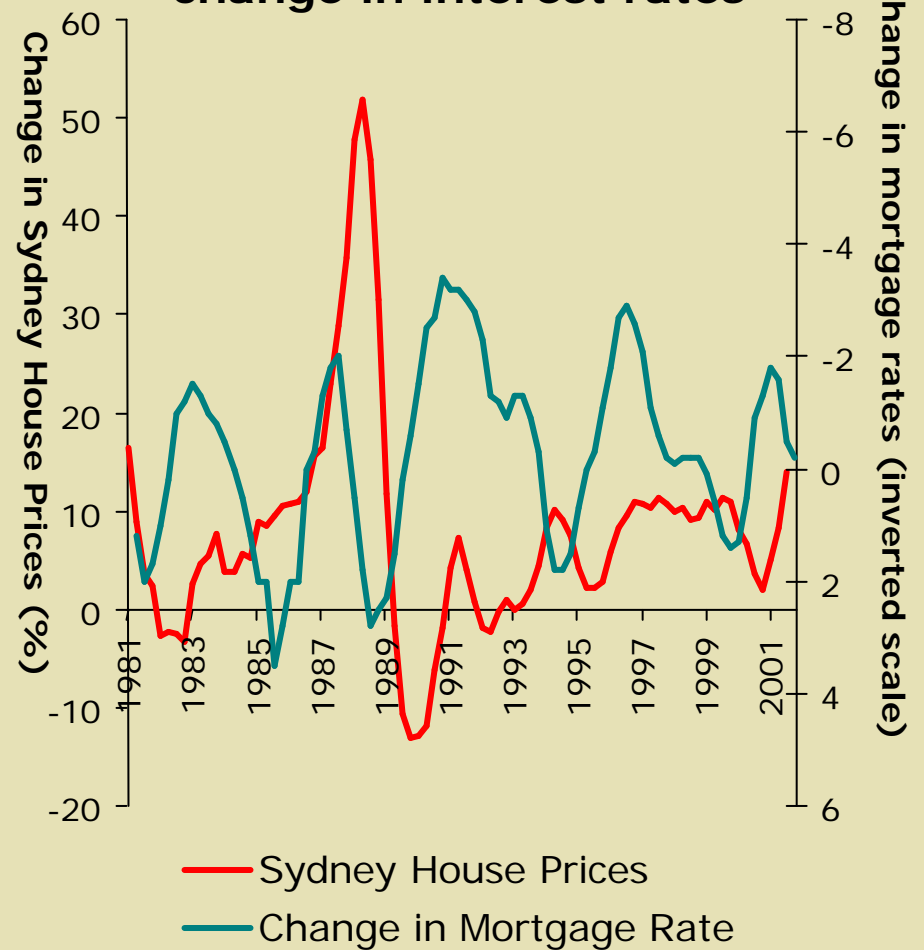
Additional credit quality information

House prices – unemployment a key driver

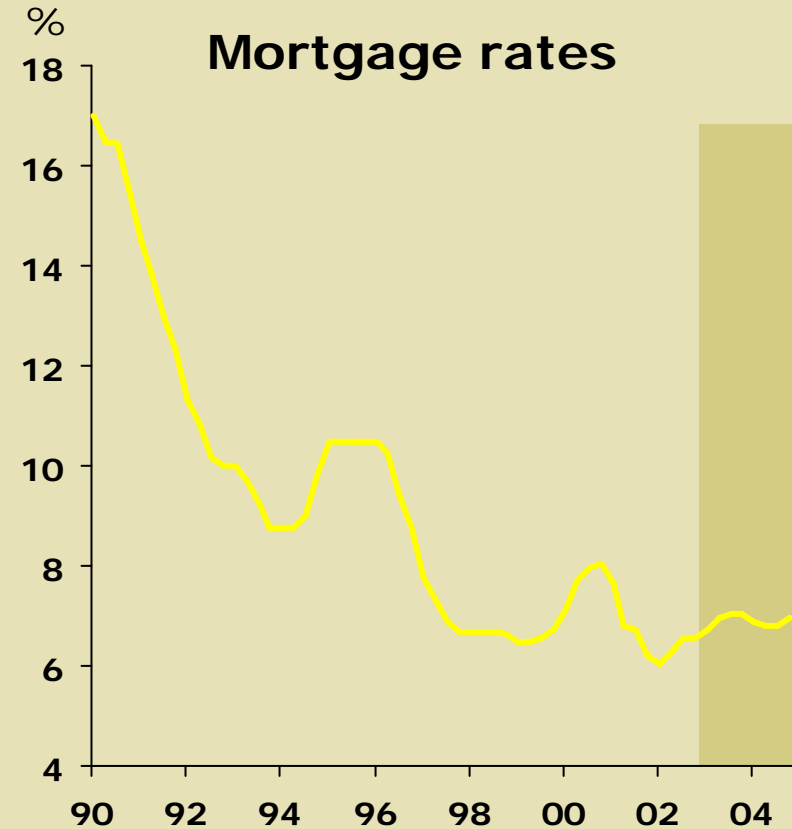
Sydney house prices v change in unemployment



Sydney house prices v change in interest rates



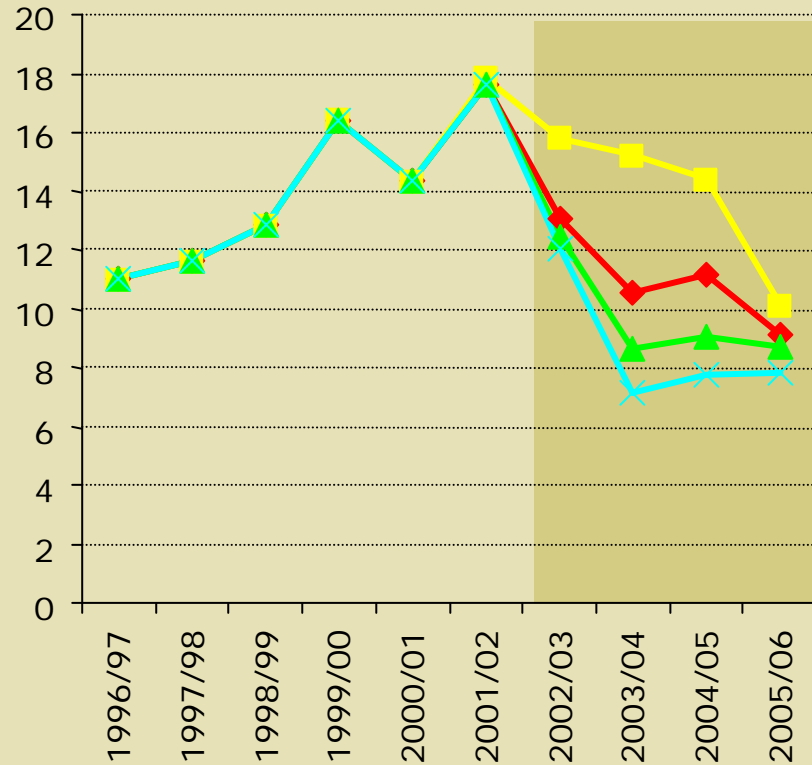
Key drivers of house prices expected to remain benign



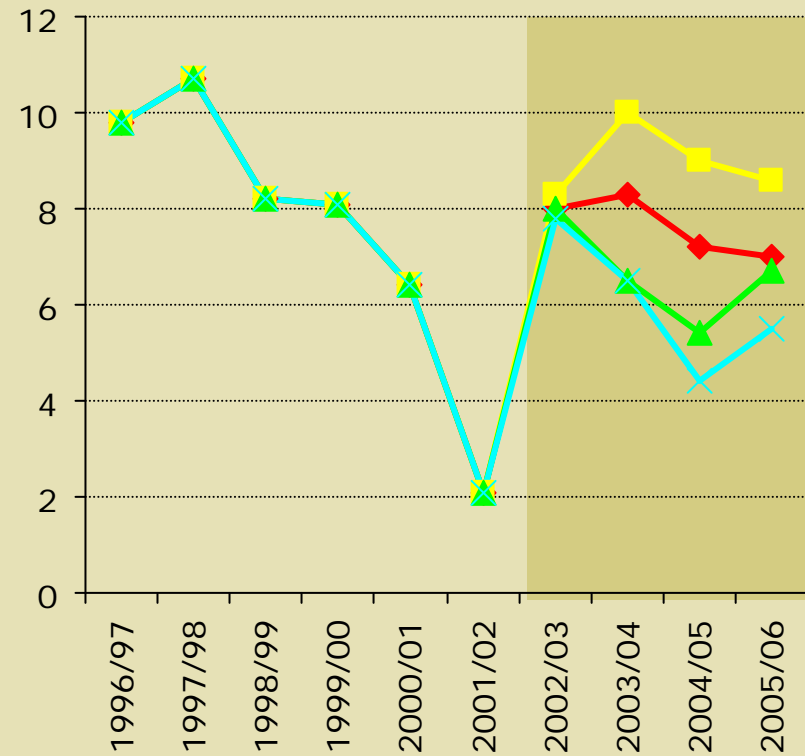
Source: economics@anz

Scenario analysis from ANZ economics

Housing credit growth



Business credit growth



◆ Main Case
 ■ Stronger Case
 ▲ Weaker Case - Domestically Driven
 ✕ Weaker Case - Globally Driven

Assumptions underlying scenario analysis

Main case

- Global economy: moderate rebound in global economy
- Moderate tightening in policy - 50 bps over the next 12 months
- Moderating house price gains (3-5%)
- Housing investment falls, consumption slows, but business investment picks up

Weaker case - domestically driven

- Global economy: as per main case
- 3x50bp interest rate rises up to Mar quarter 2003
- Negative 3% house prices
- Flow through to weaker employment, business investment and housing construction and turnover which in turn feed through to Credit and deposit volumes

Stronger case

- Global economy: as per main case
- Monetary policy as per main case
- Ongoing house price gains (8-12% growth)
- Consumption & business investment continue to grow firmly
- Credit growth strong

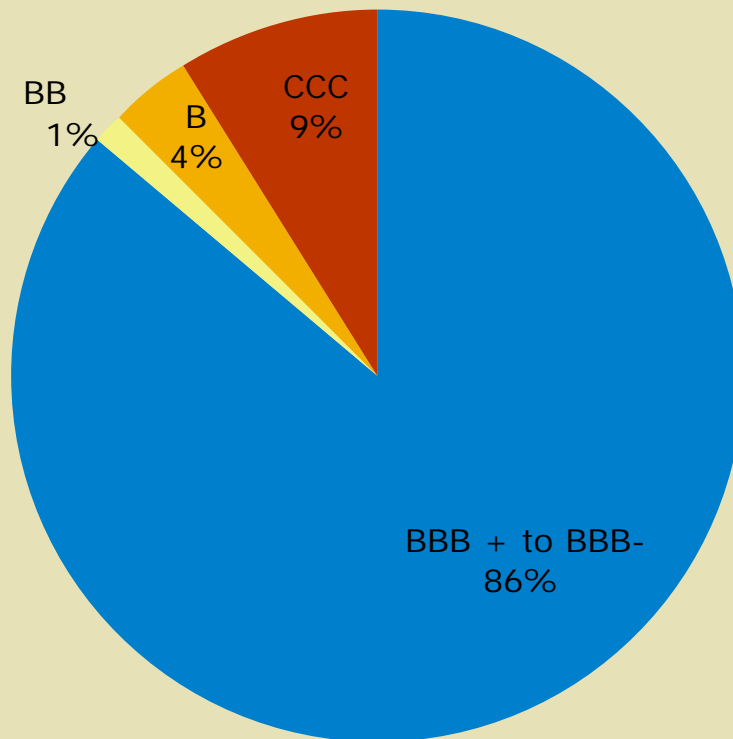
Weaker case – globally driven

- Global economy sharply weaker - double dip US recession
- Interest rates cut to 4.00%
- Negative 6% house prices (peak to trough)
- Negative employment growth, mild recession, much weaker business investment which in turn feed through to Credit and deposit volumes

Source: economics@anz

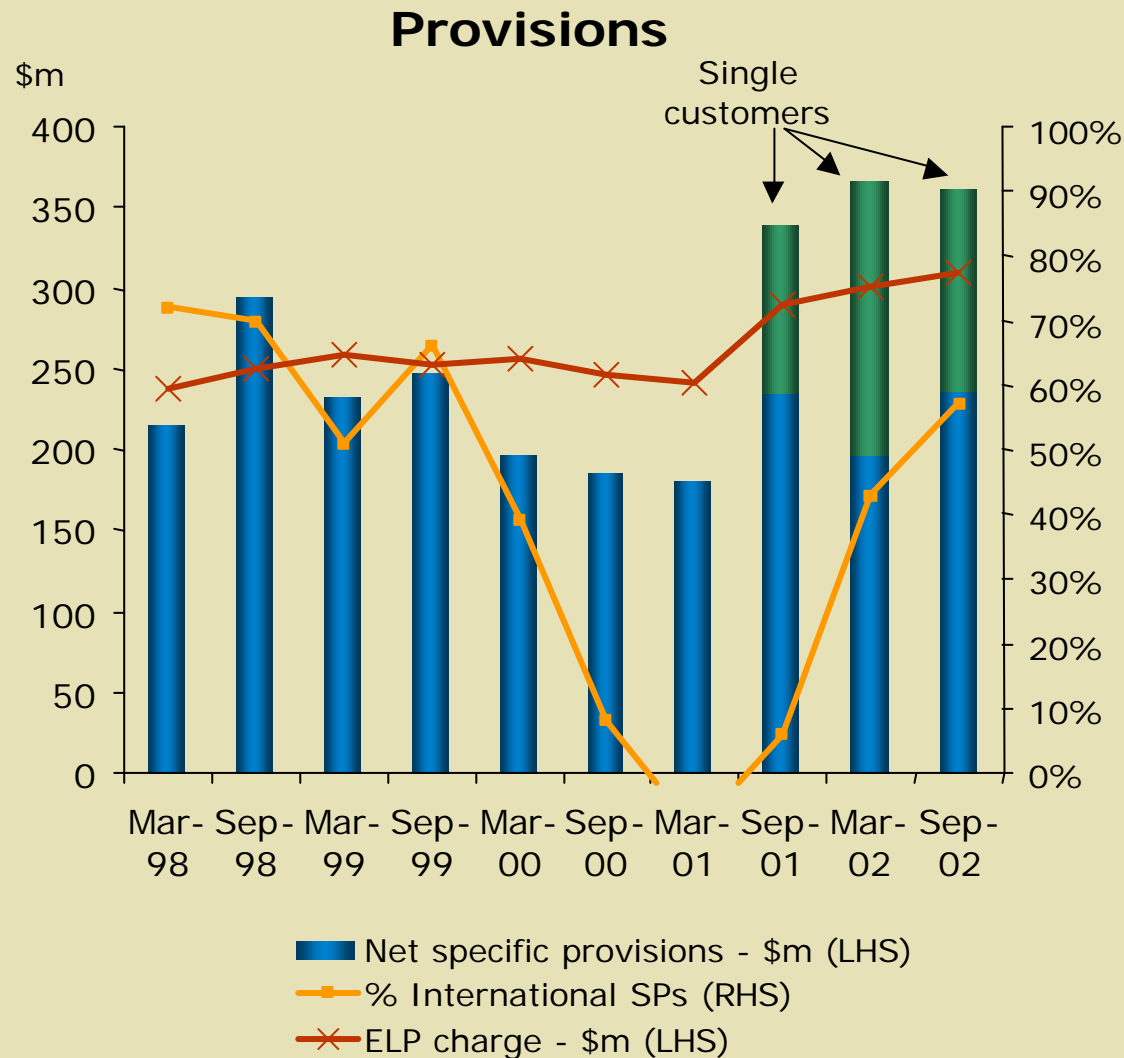
Fallen Angels phenomenon continues

March 2001 ratings for Full Year
2002 new non accrual loans

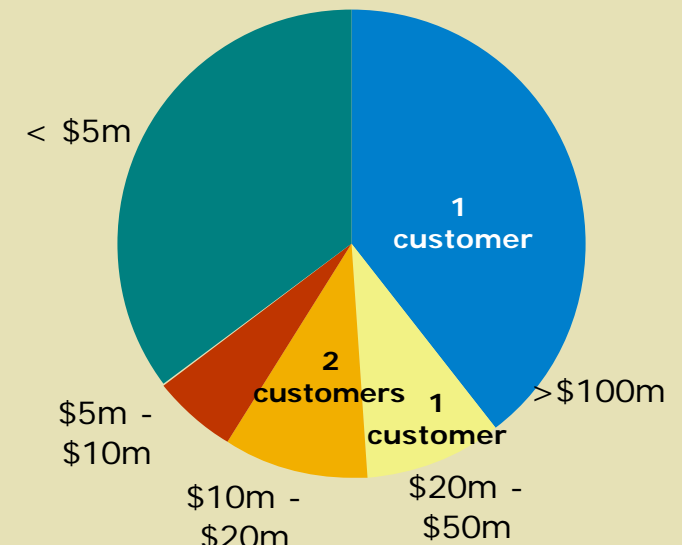


- Speed of collapse difficult to model
- We continue to diversify the portfolio
- SCCL's further reduced and refined

Specific provisions again impacted by large corporate collapse



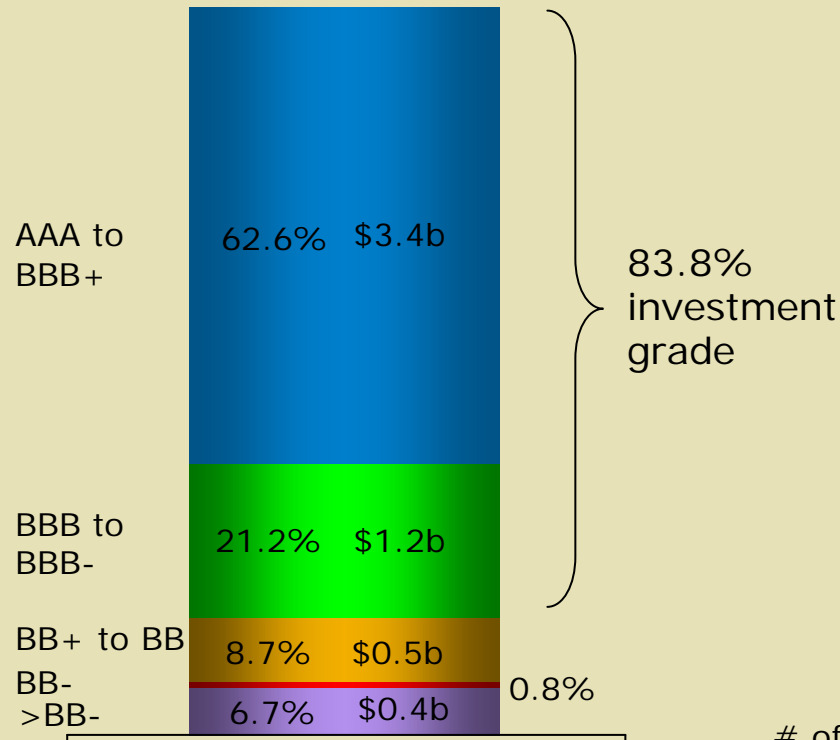
2nd half Specific Provisions by size



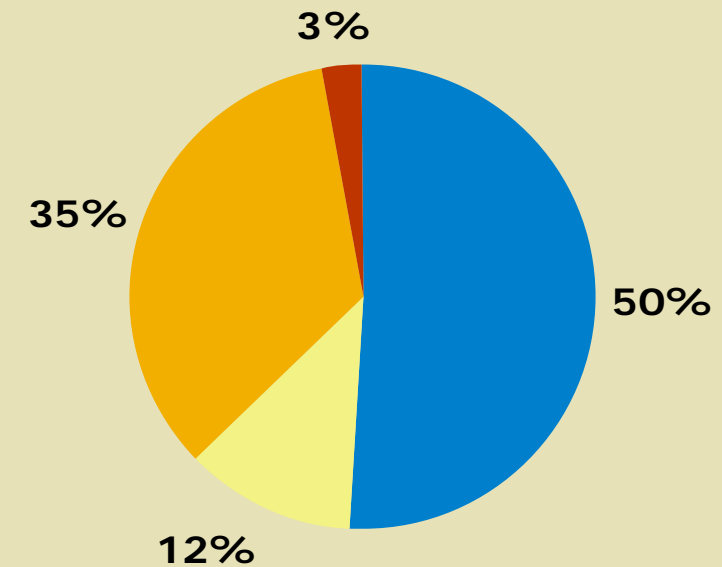
- Only 4 customers with specific provisions greater than \$10m

Global telecommunications portfolio in reasonable shape

Telco Risk Grade Profile*



Exposure by geography



- Aust/NZ (97.6% Investment Grade)
- Americas (69.3% Investment Grade)
- UK/Europe (71.1% Investment Grade)
- Asia (34.5% Investment Grade)

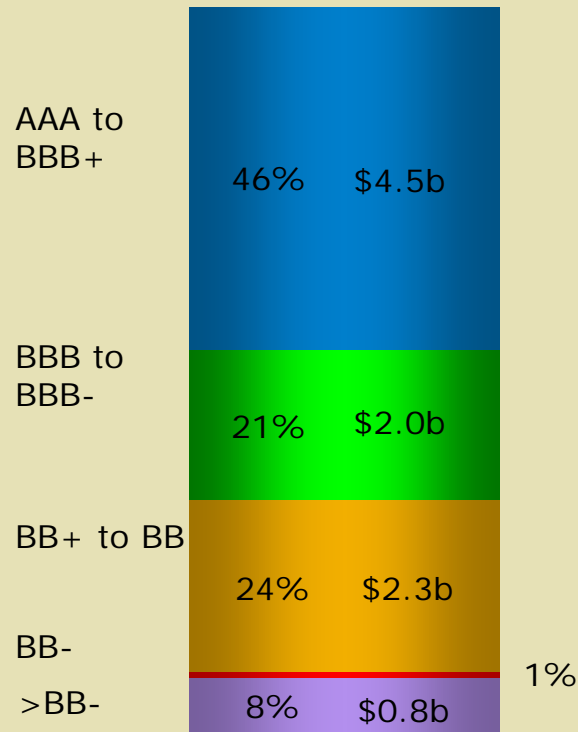
Sep-02		# of customers
Total Limits (AUD)	\$5.5b	49
B+ to CCC	1.9% \$0.1b	4
Non Accrual	4.8% \$0.3b	3

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

*Risk grade profile by limits

Global energy portfolio – some issues, but containable

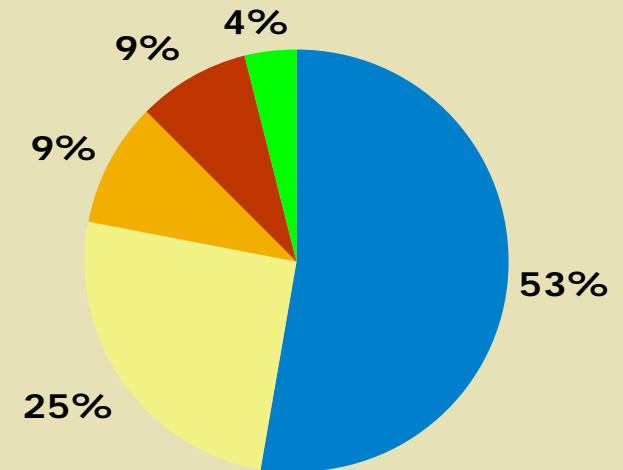
Global Energy Portfolio*



US Energy Portfolio



Exposure by geography



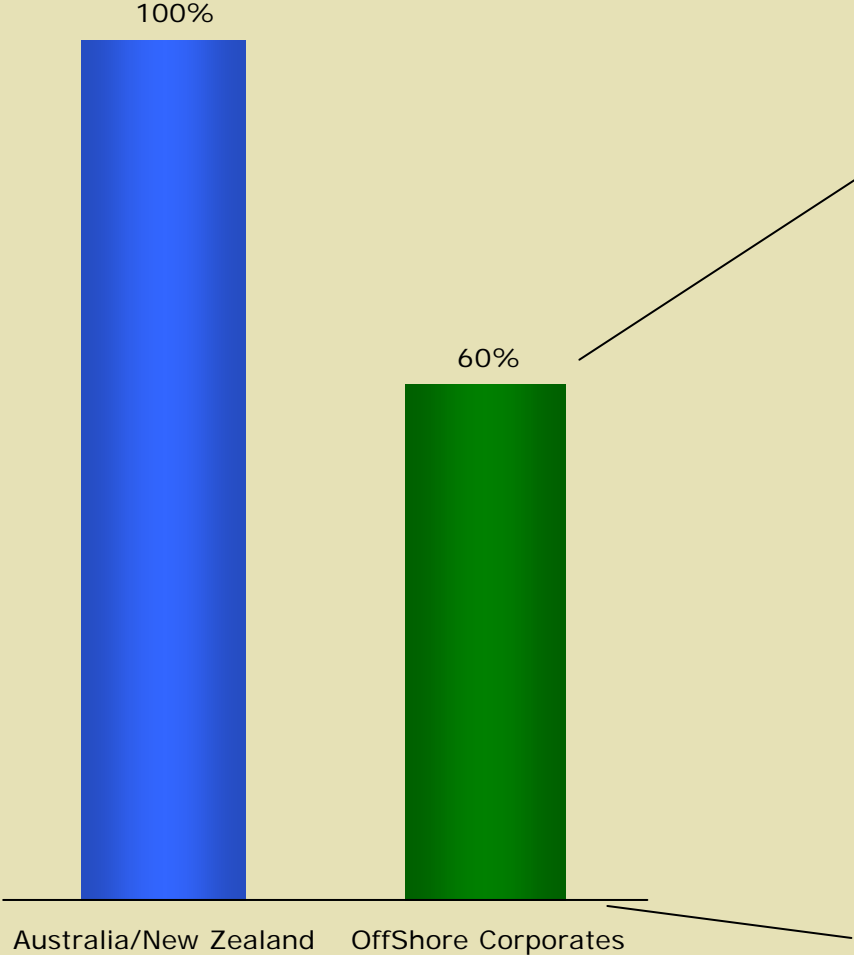
- Aust/NZ (77.5% Inv Grade)
- Americas (43.5% Inv Grade)
- UK/Europe (64.6% Inv Grade)
- Asia (61.0% Inv Grade)
- Middle East (98.0% Inv Grade)

(AUDm)	Sep-02	# of customers	Sep-02	# of customers
Total Limits	\$9.6bn	78	\$2.2bn	26
B+ to CCC	4.8% \$0.46b	12	12.2% \$0.27b	5
Non Accrual	3.2% \$0.3b	5	4.0% \$0.09b	2

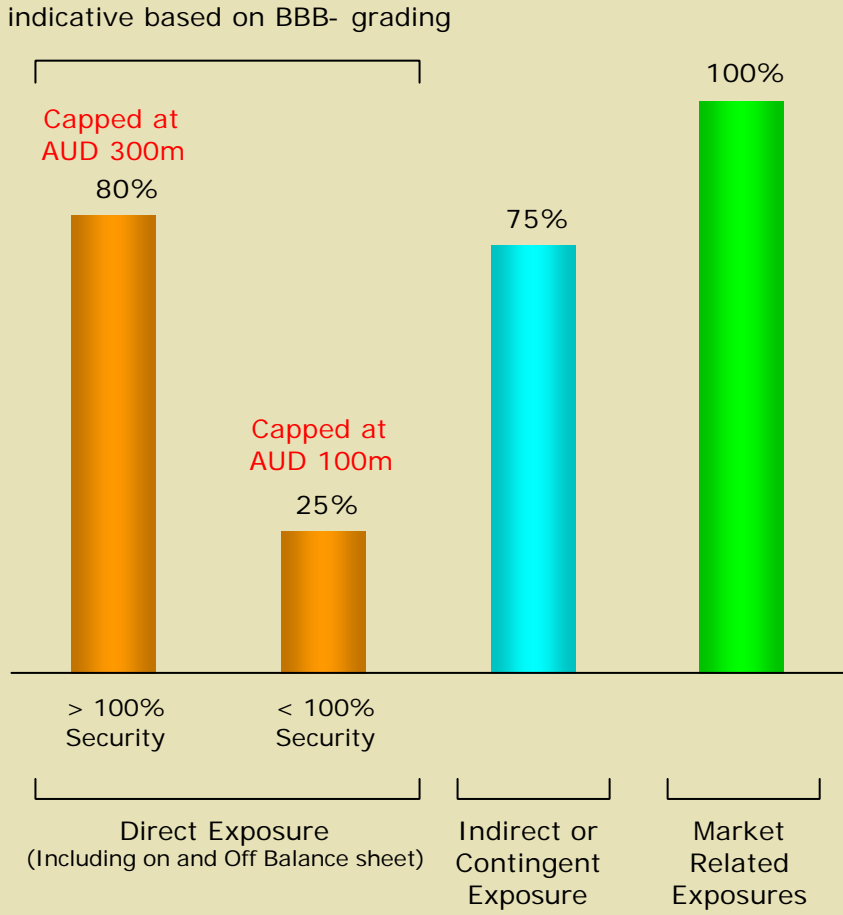
>BB- = B+, B, B-, CCC & non-accrual

Offshore SCCLs now in place

Comparative SCCL Customer Limits



Lending type SCCL % for offshore Corporates (excl. GSF)



GSF Direct Exposures capped at AUD 450m for > 100% Security and AUD 200m for < 100% Security

Cumulative ELP well above specific provisions

