Australia and New Zealand Banking Group Limited

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January 2003

ANZ

Outline

1. Group Overview
2. Strategy and Business Overview
3. Financial/Operating Performance Overview
4. Term Debt Funding Strategy
5. Summary
6. Supplementary Information

ANZ Group Overview

- One of the four major Australian banks
- Established in 1835
- Full range financial service provider
- Distinctive specialist business strategy – 17 separate businesses

• Assets (as at FYE 2002)	A$183.1bn.(US$102.8bn.)
• Market Cap. (as at 31/12/02)	A$26.1bn.(US$14.7bn.)
• Tier 1 Capital Ratio	7.9%
• Credit Ratings	AA-/Aa3 (Stable)

Highlights

- **Performing well - record profit of $2,168m***
  - 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 gains from “significant transactions”

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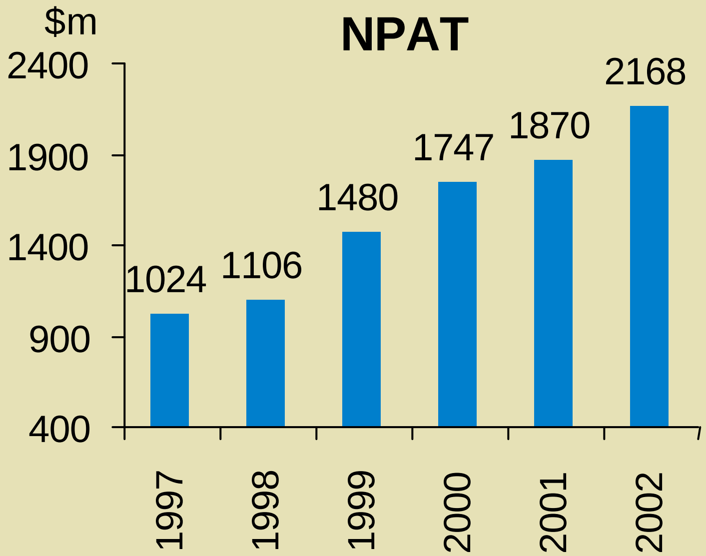
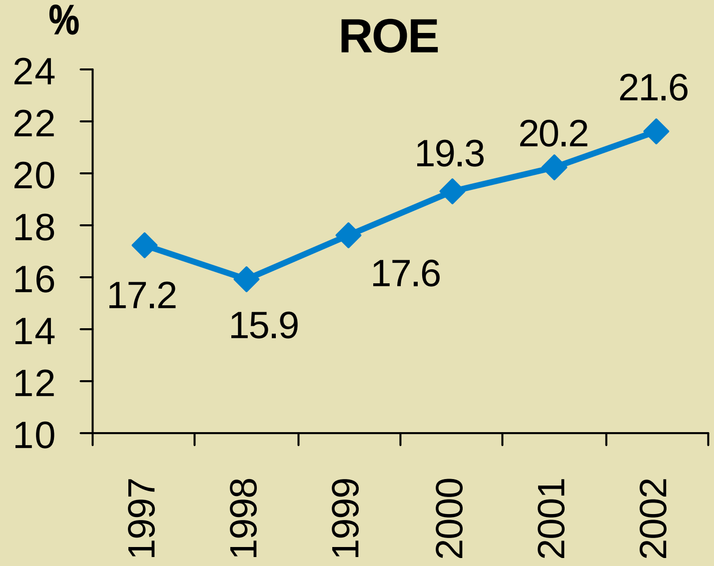
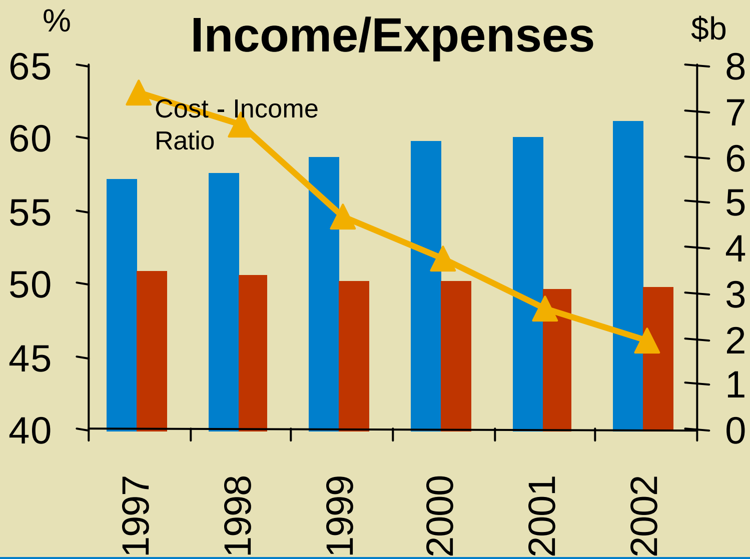
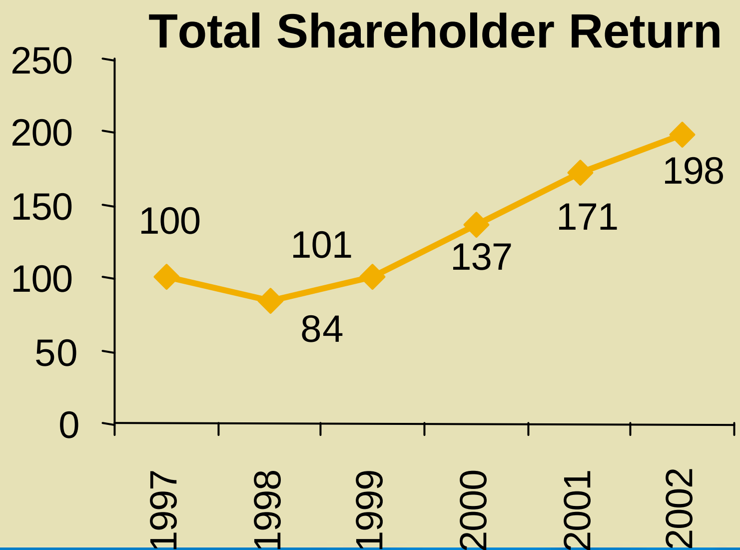
Building a credible track record









Leading reputation for disclosure and transparency

- Profit and Loss statements for all 17 Business Units
- Enhanced disclosure on :
  - Critical accounting policies
  - Special purpose and off balance sheet vehicles
  - Deferred acquisition costs, software assets, and deferred income
  - Accounting for derivates and hedging
- Excellent disclosure on credit quality
- External recognition, including awards for:
  - Best communication of shareholder value
  - Best management of continuous disclosure
  - Best results/analyst briefings

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

Organic out-performance

- Extend specialisation
- Restoring Customer Faith
- 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

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 ING ANZ JV
Institutional & ANZIB	• Leverage leading relationship position • Leverage business integration synergies

2003 Targets : EPS growth target is stretching

	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 gains from "significant transactions"

** on 13 December 2002 ANZ indicated the first two months were weak falling short of our target primarily due to challenges in our credit card business. Action has been taken to improve performance over the remaining months of the year, although ANZ's 10% earnings per share target is now more stretching. ANZ however remains broadly comfortable with the consensus of market expectations for 2002-03 earnings of circa 8%.

ANZ

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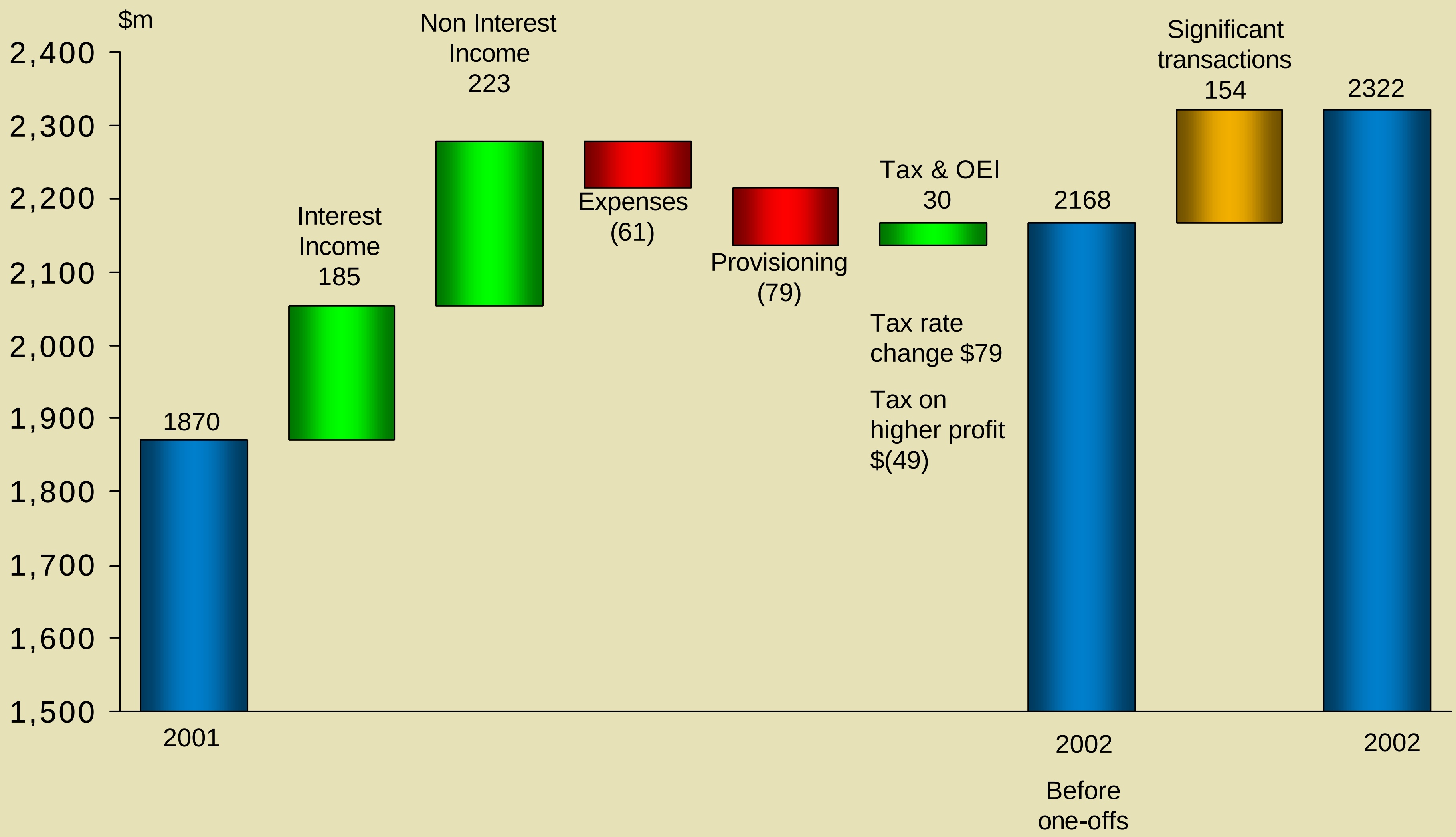
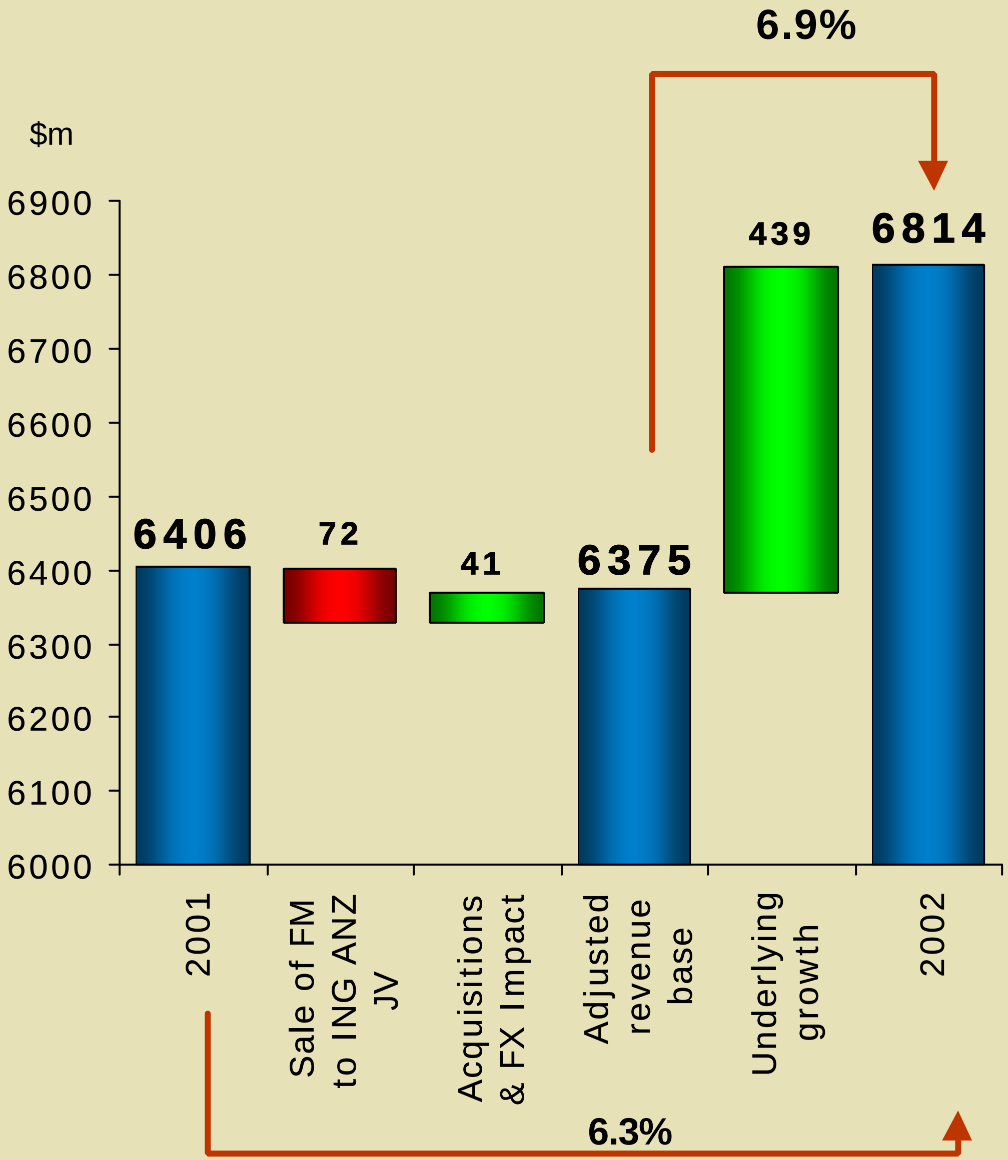
A solid result, driven primarily by revenue growth



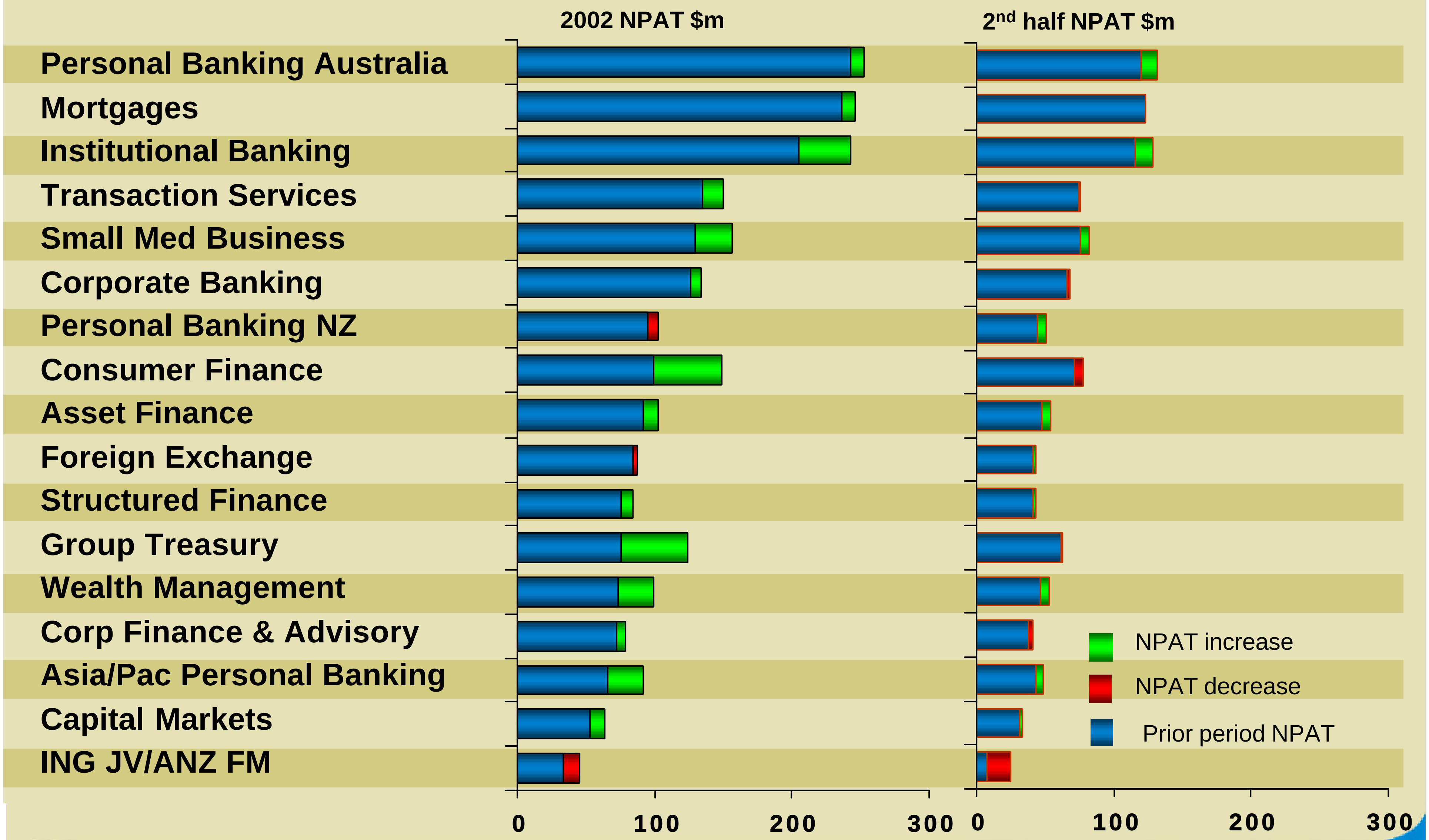
Healthy underlying income growth



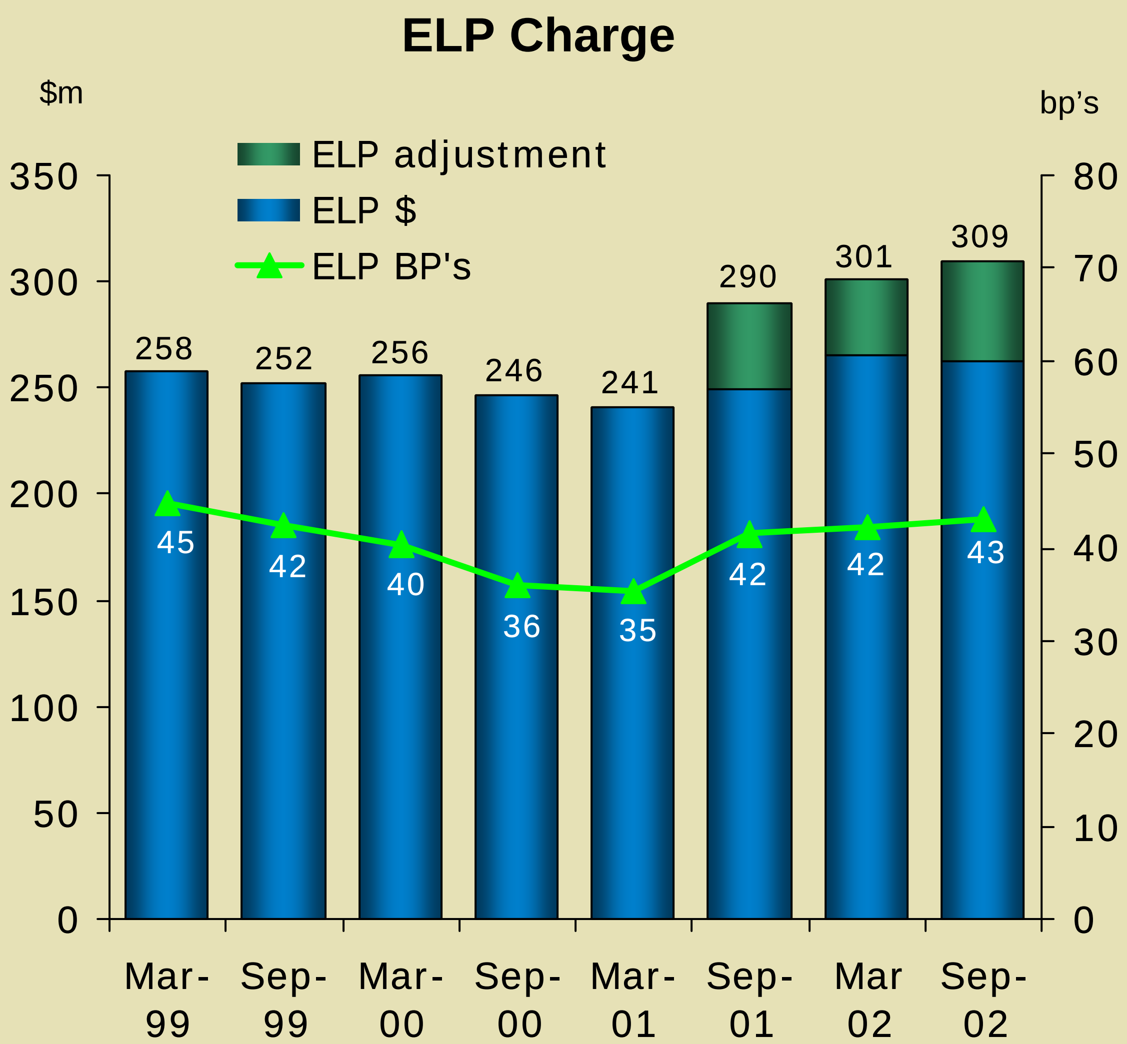
Income Drivers

- 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

A diversified portfolio performing well

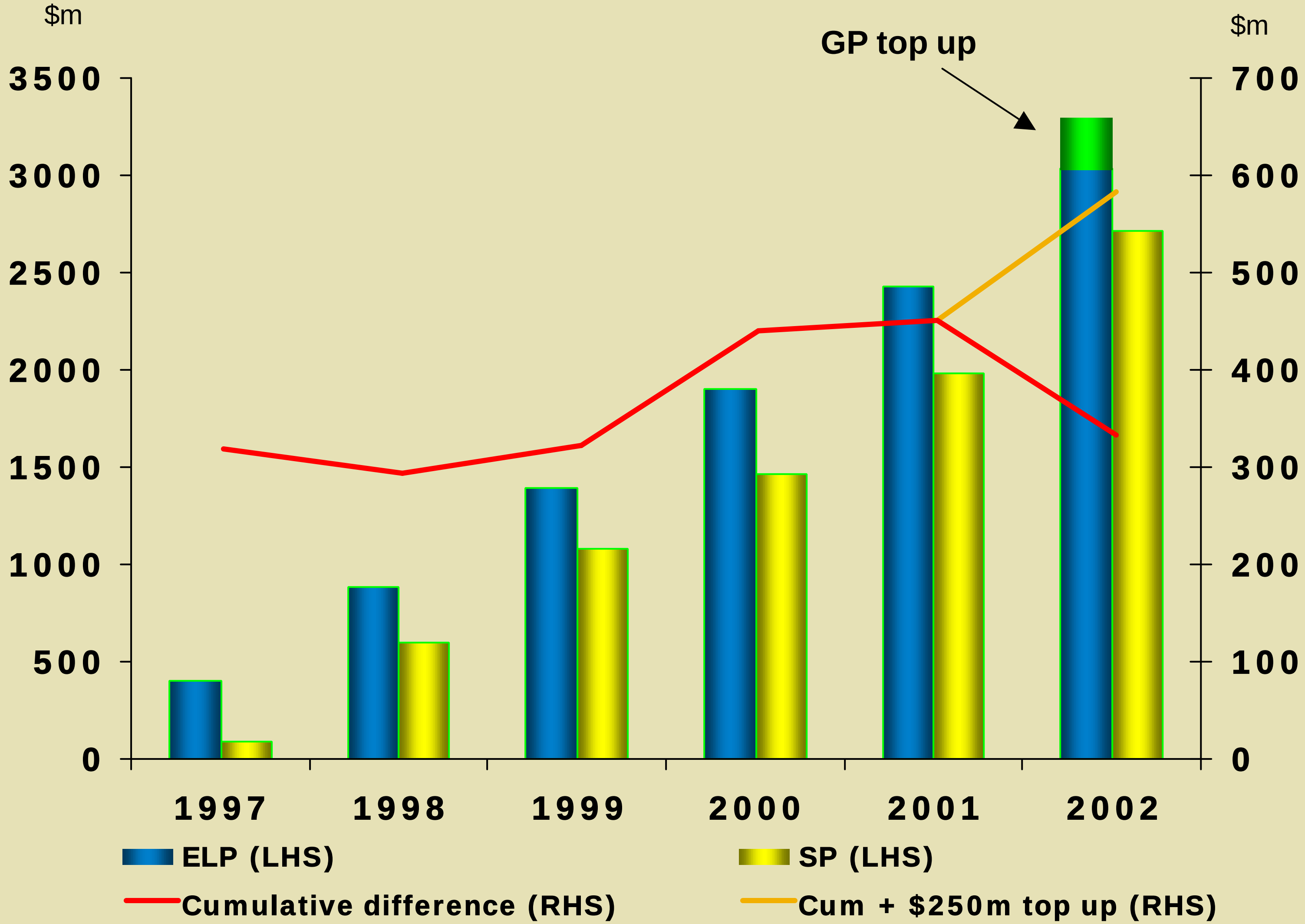


Provisioning charge reflects conservative management

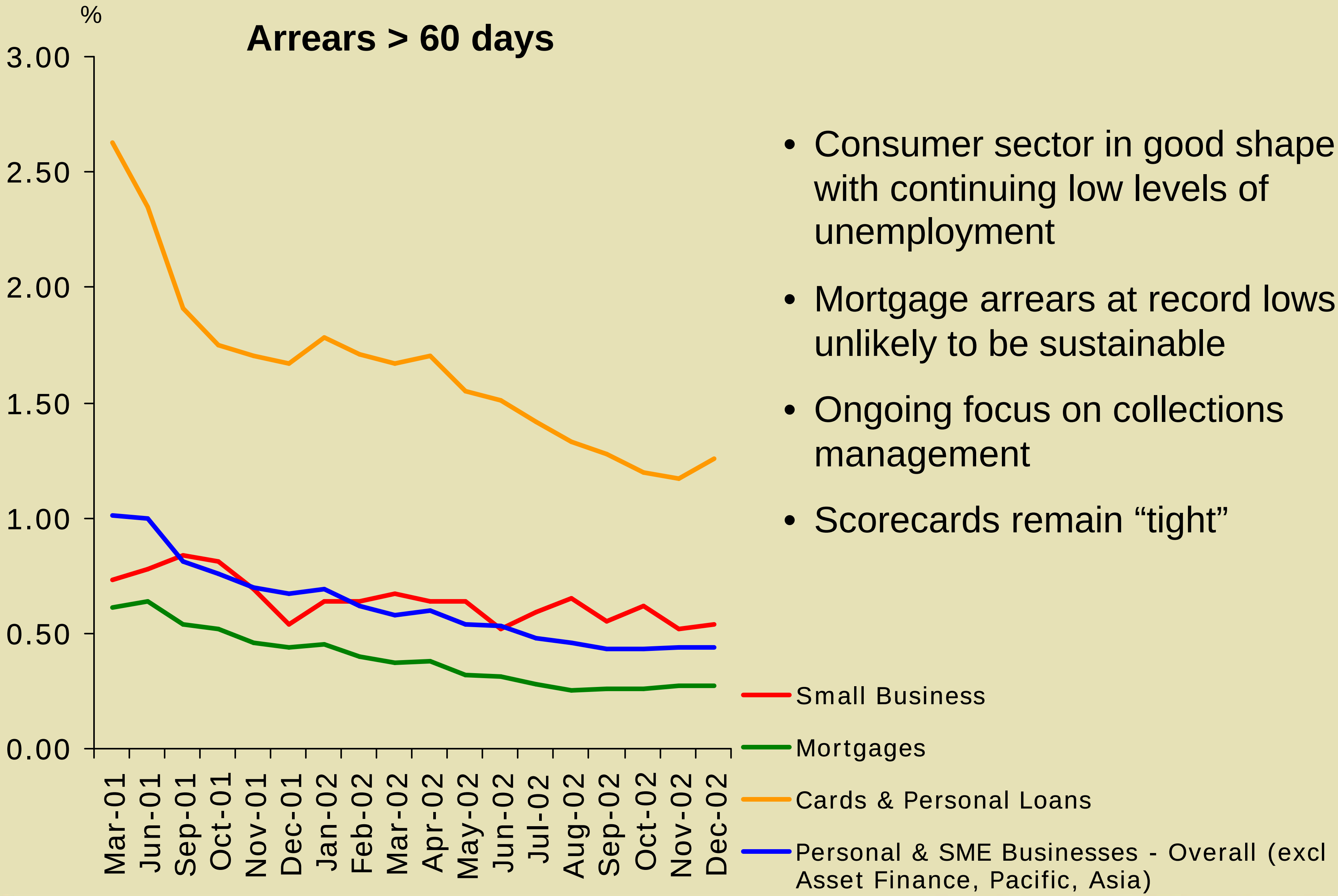


- ELP portfolio level adjustment continued
  - reflecting ongoing global economic uncertainty
  - calculated as one notch downgrade across GSF portfolio
- Domestic ELP rate declining
- ELP adjustment likely to continue until international defaults stabilise

Cumulative ELP well above specific provisions

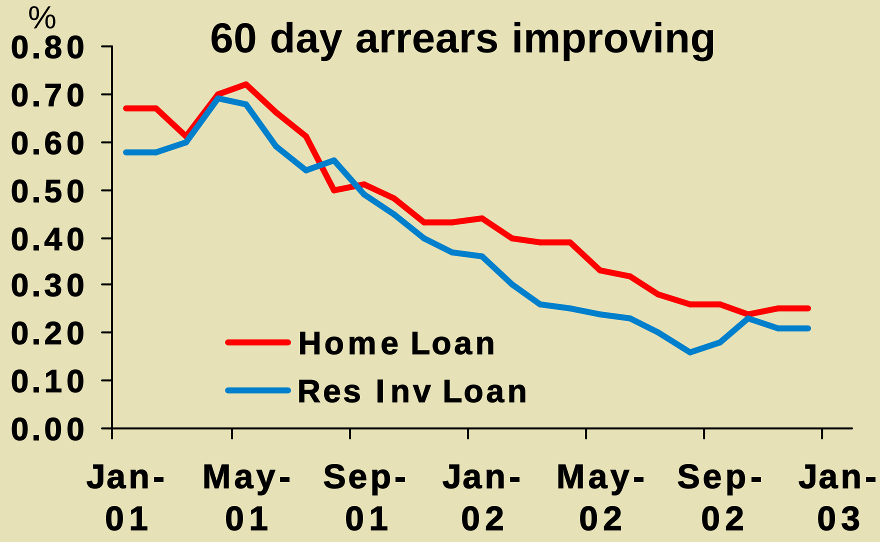


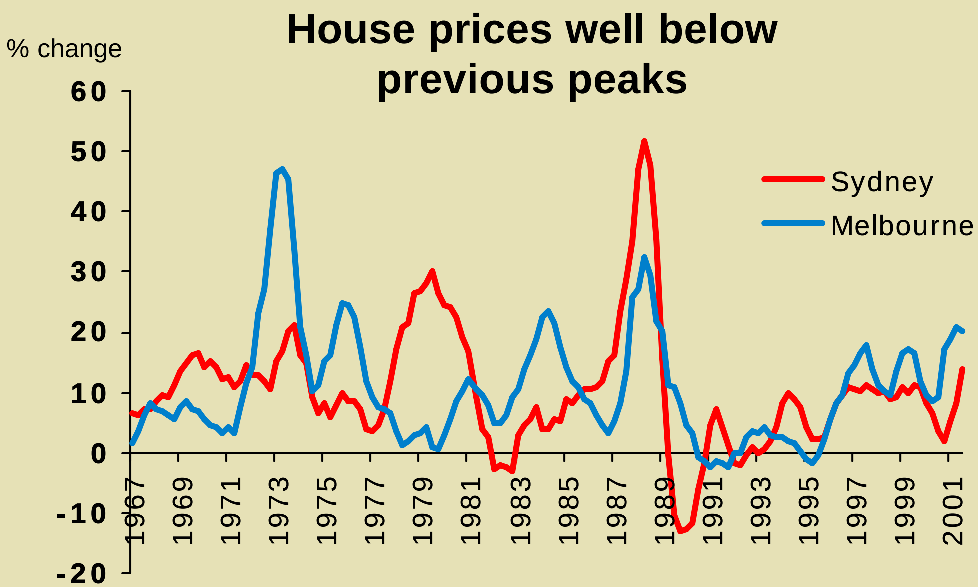
Consumer portfolio continues to improve



- 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”

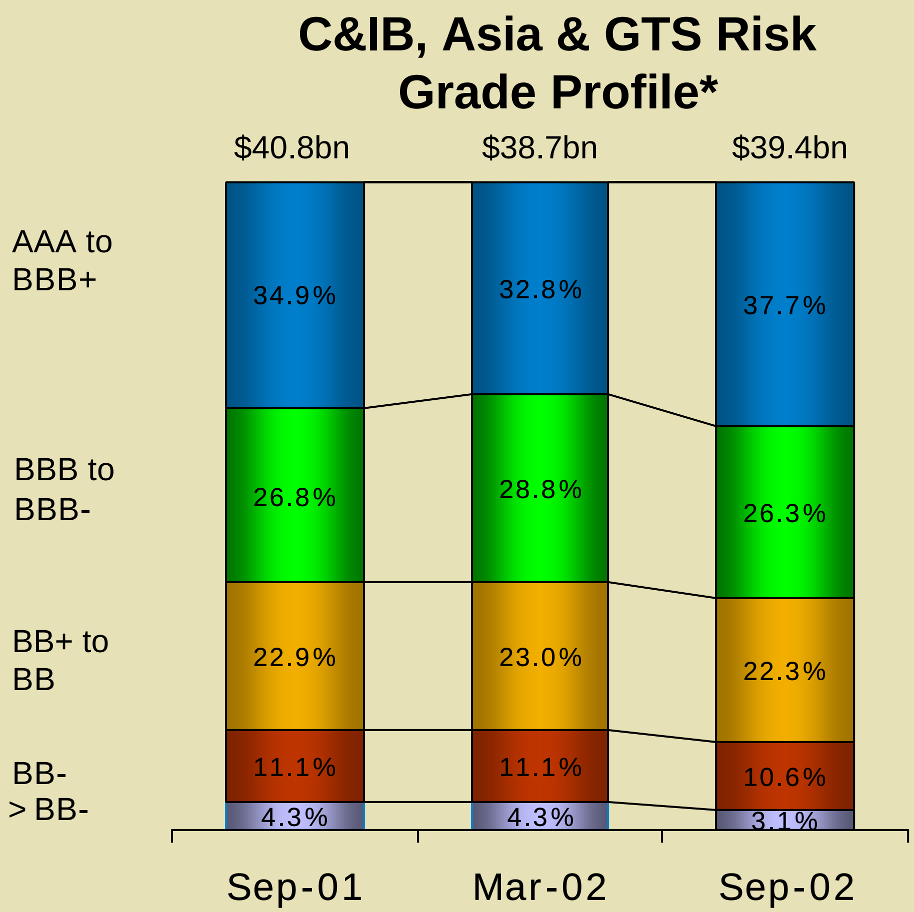
Mortgage outlook – slight deterioration

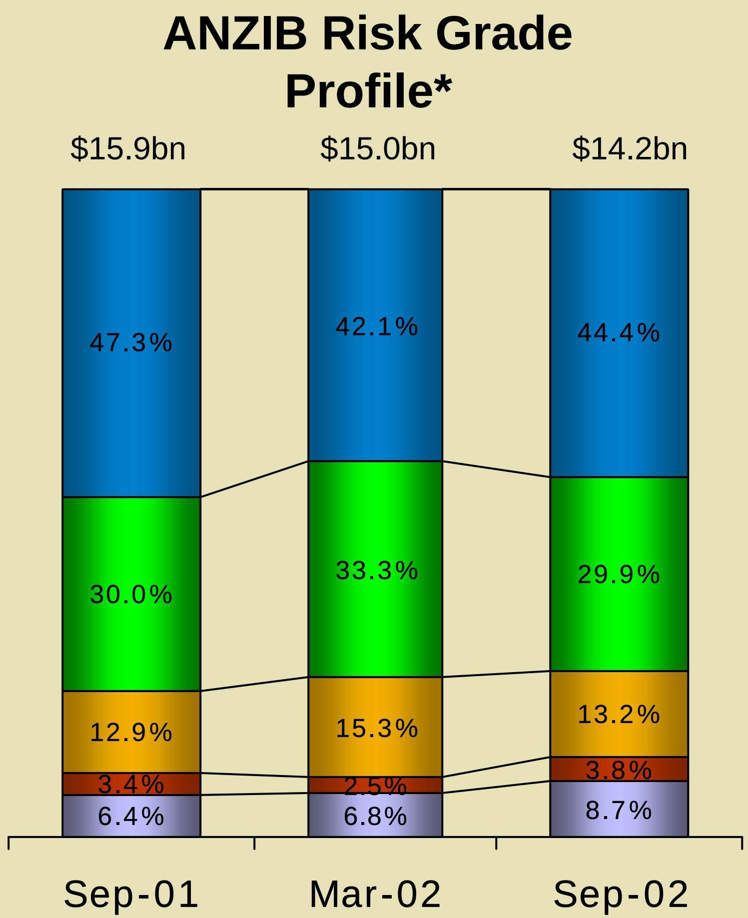




- ANZ has not allowed FHOG to be the source of minimum equity requirement
- Behavioural scores remain stable
- Scorecards tightened in 2001, resulting in higher quality borrowers
- Unemployment, a key driver of default, continues to trend downwards
- Scenario analysis at 95% confidence suggests loss 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



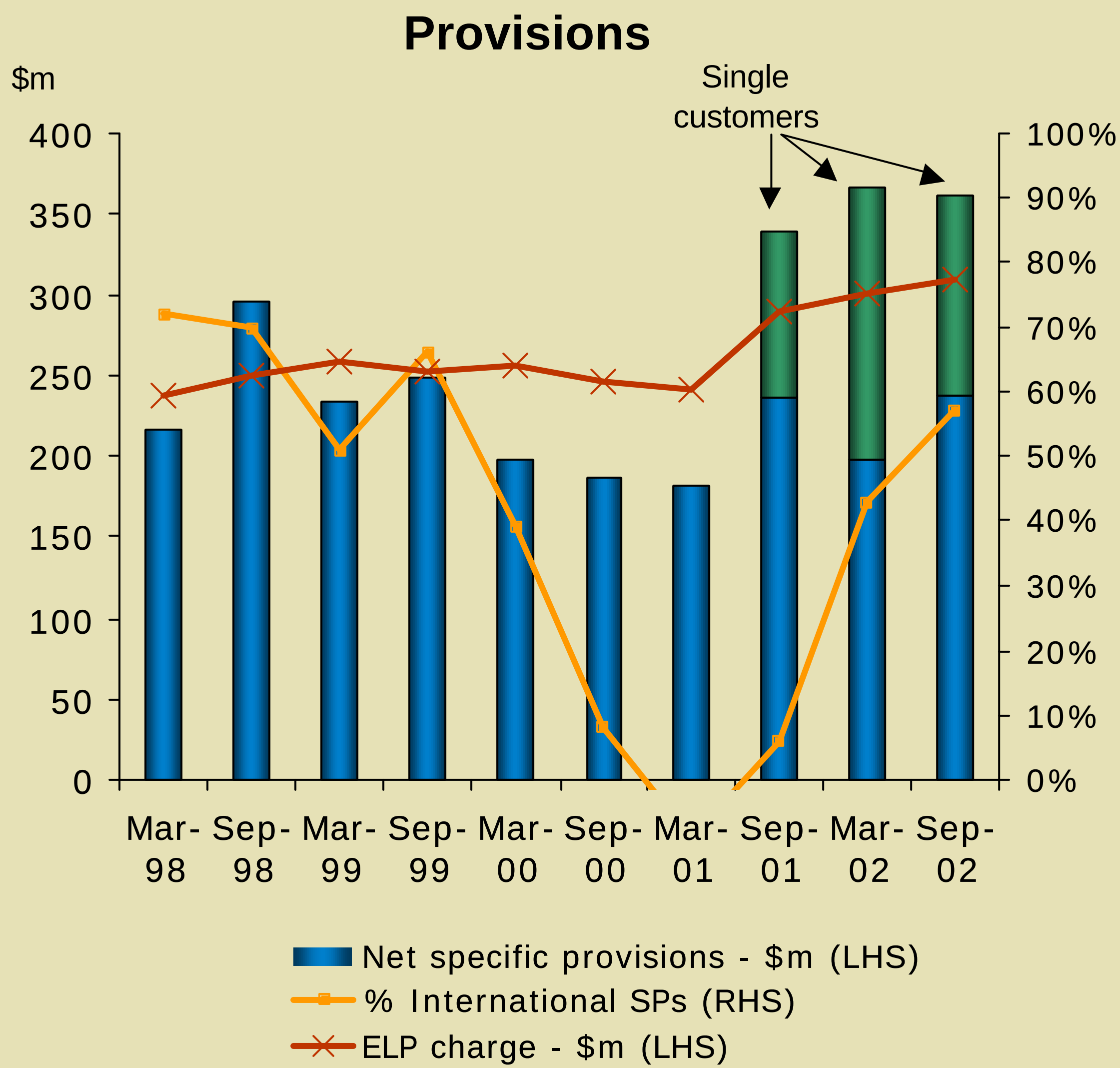


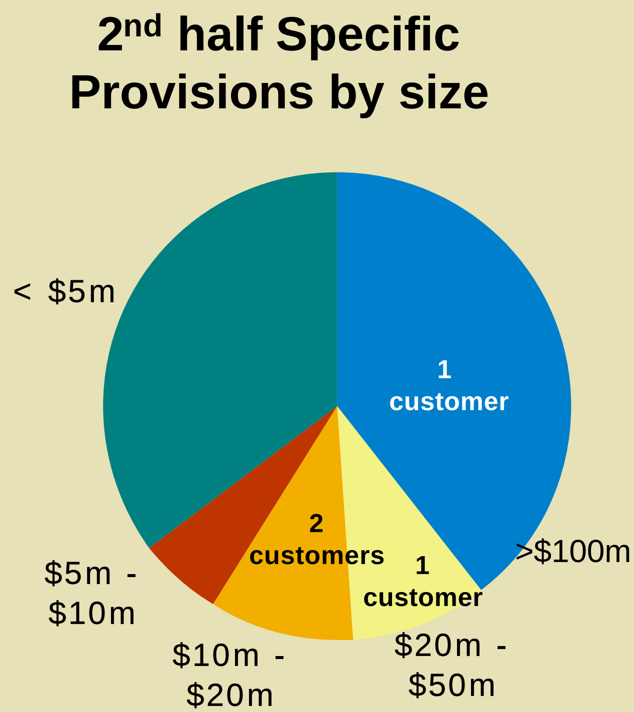
	Sep-01	Mar-02	Sep-02	Sep-01	Mar-02	Sep-02
B+ to CCC	3.0%	3.2%	2.4%	4.5%	2.7%	4.1%
Non-accrual	1.3%	1.1%	0.7%	1.9%	4.1%	4.6%

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

*** Risk grade profile by outstandings**

Specific provisions again impacted by large corporate collapses

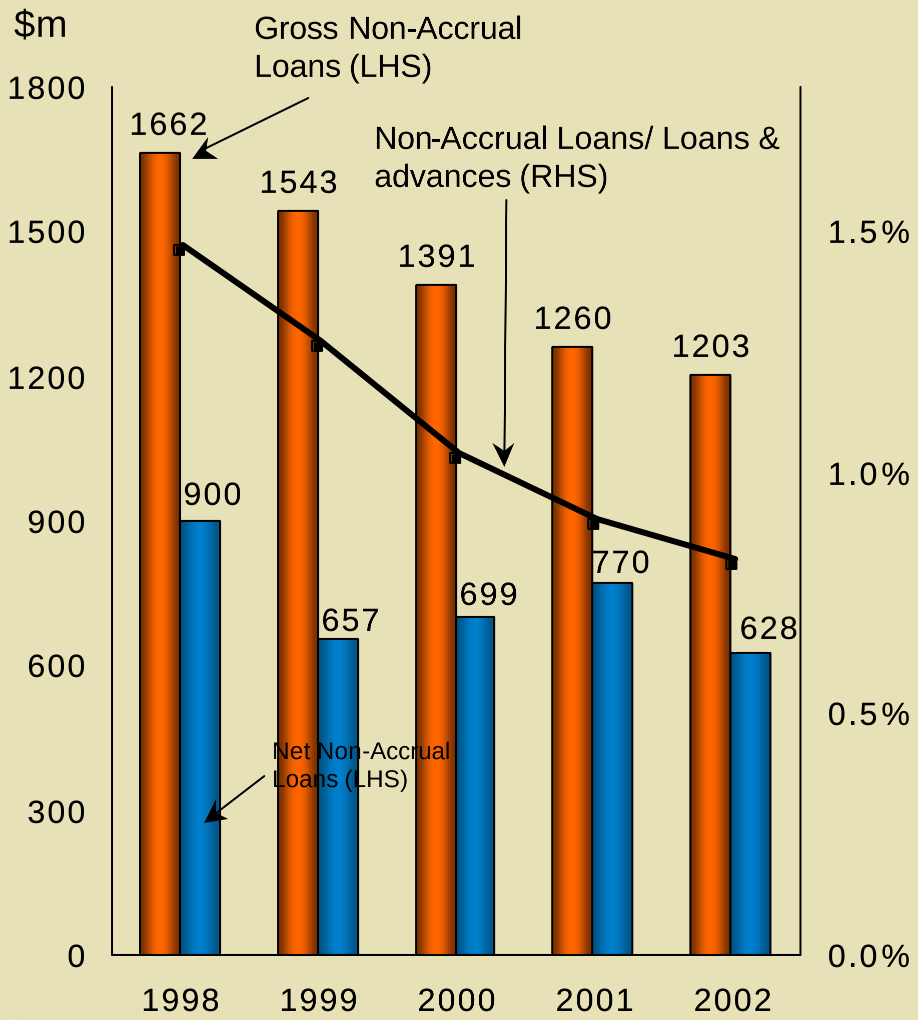




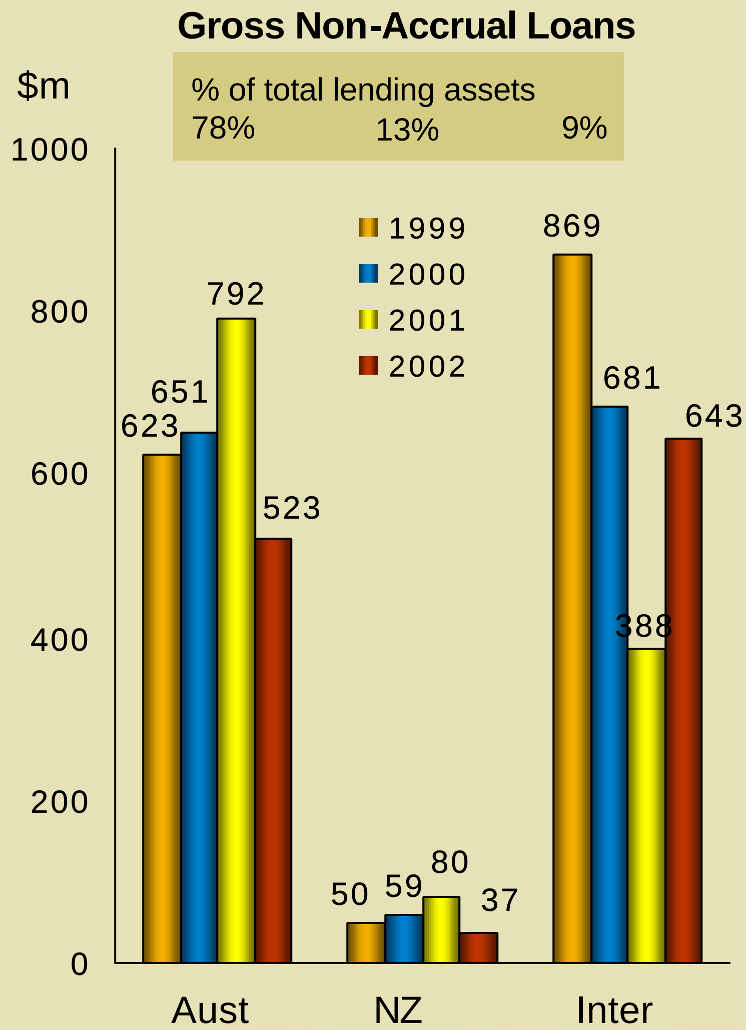
- Only 4 customers with specific provisions greater than $10m

Non-accrual loans have decreased due to domestic reductions

Historic

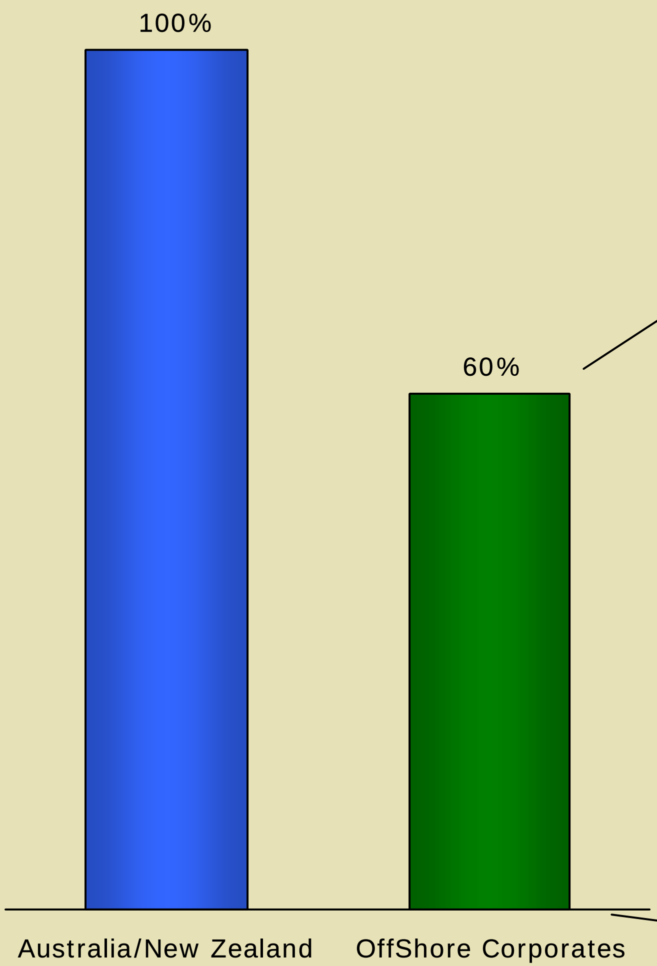


Geographic

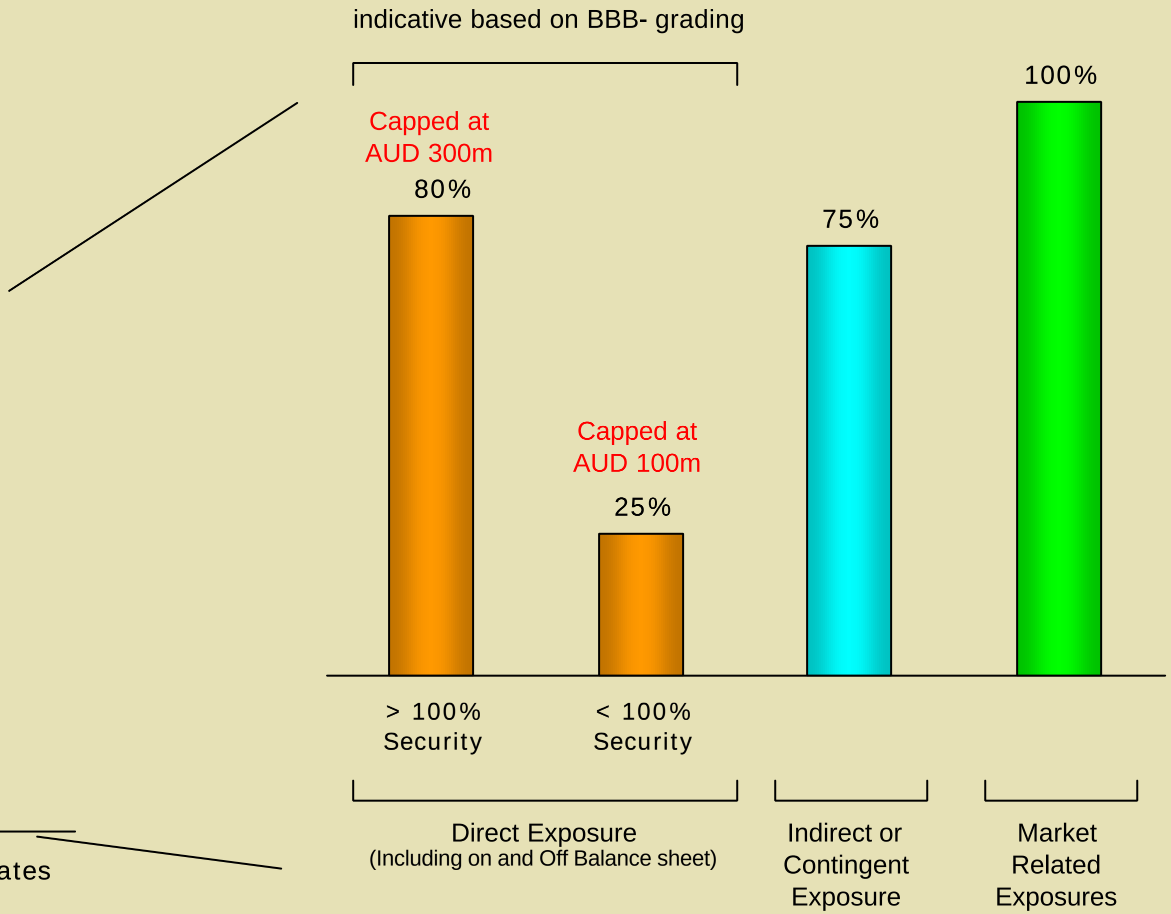


Offshore SCCLs now in place

Comparative SCCL Customer Limits

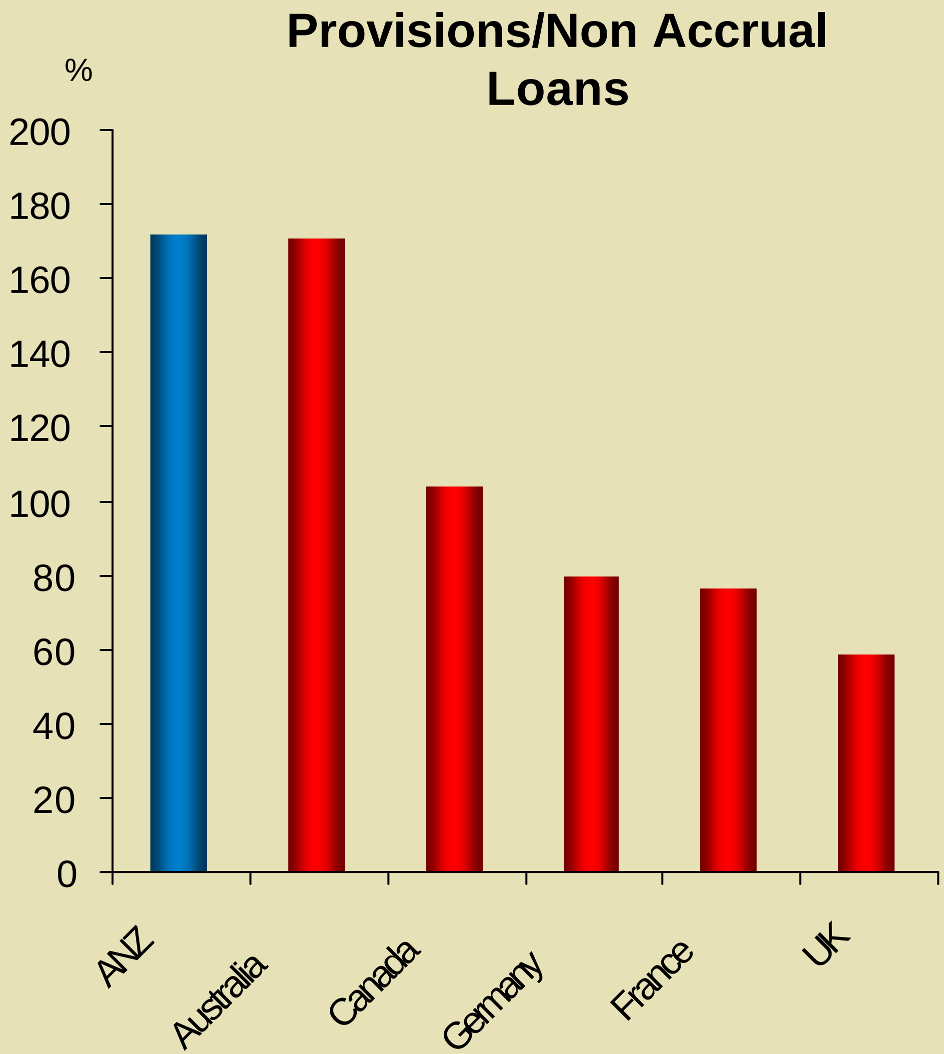


Lending type SCCL % for offshore Corporates (excl. GSF)

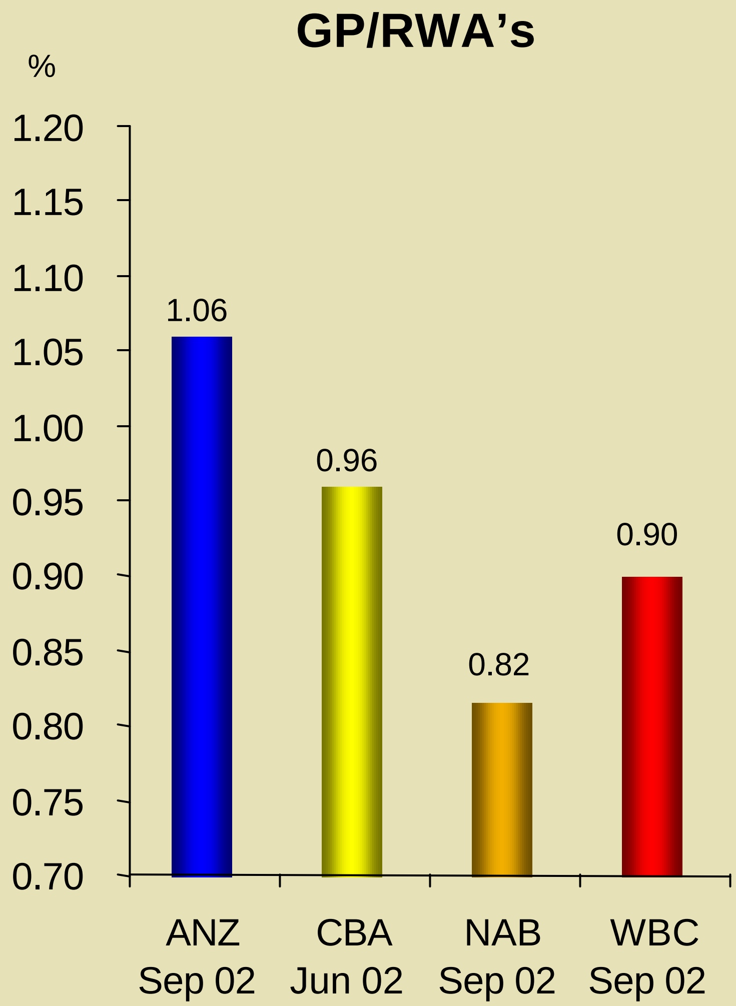


GSF Direct Exposures capped at AUD 450m for > 100% Security and AUD 200m for < 100% Security

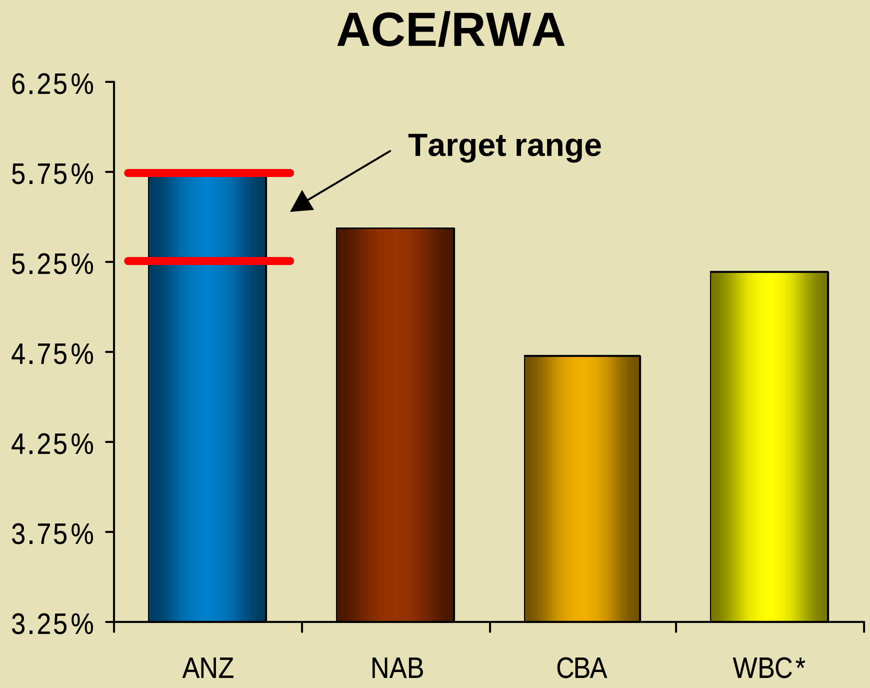
Overall - provisioning levels strong



Source: CSFB



ANZ's adjusted common equity to RWA in line with peer average



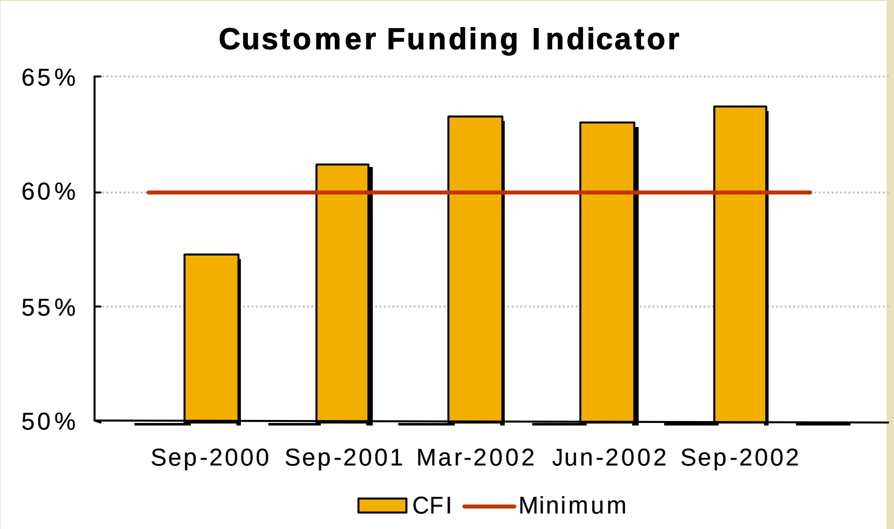
Tier 1	7.9%	7.8%	6.8%	6.5%

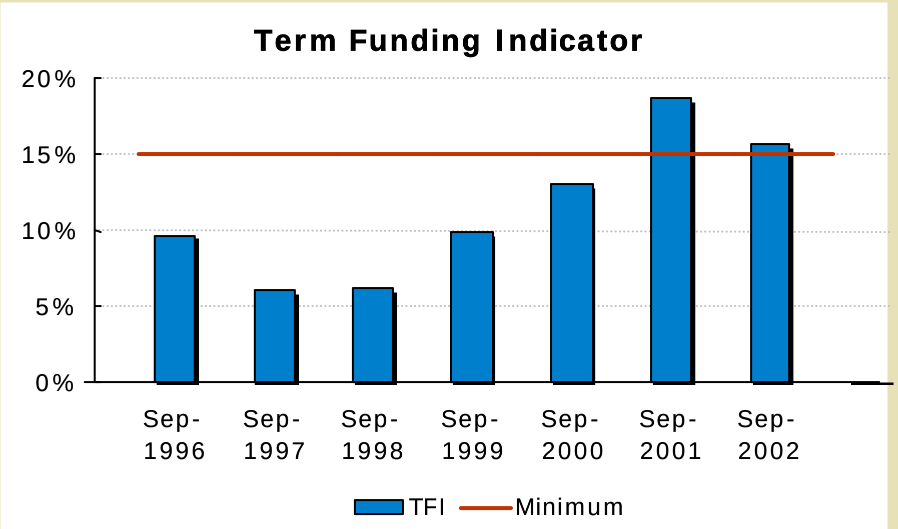
- ACE ratio at top end of target range
- Increasing possibility of buybacks over the next 12 months
- Valuable resource to be managed effectively and efficiently
- Commitment to maintaining AA-/Aa3 credit rating
- Maintain close dialogue with both rating agencies

Notes
- Excludes mortgage servicing rights.
- Calculation excludes the fact that the Australian banks' GP/RWAs is approx. 40bp higher than the average of the UK and Canadian banks.
- * WBC adjusted for acquisitions and buyback

Outline

Determining the term debt funding requirement





- **Importance of stable funding base**
- **Analysed domestic and offshore peer group**
- **Businesses required to meet a self funding ratio – CFI (customer to total funding)**
- **Wholesale funding ratio – TFI (term wholesale funding to term lending)**
- **Securitisation as a balance sheet tool**

Term wholesale funding objectives

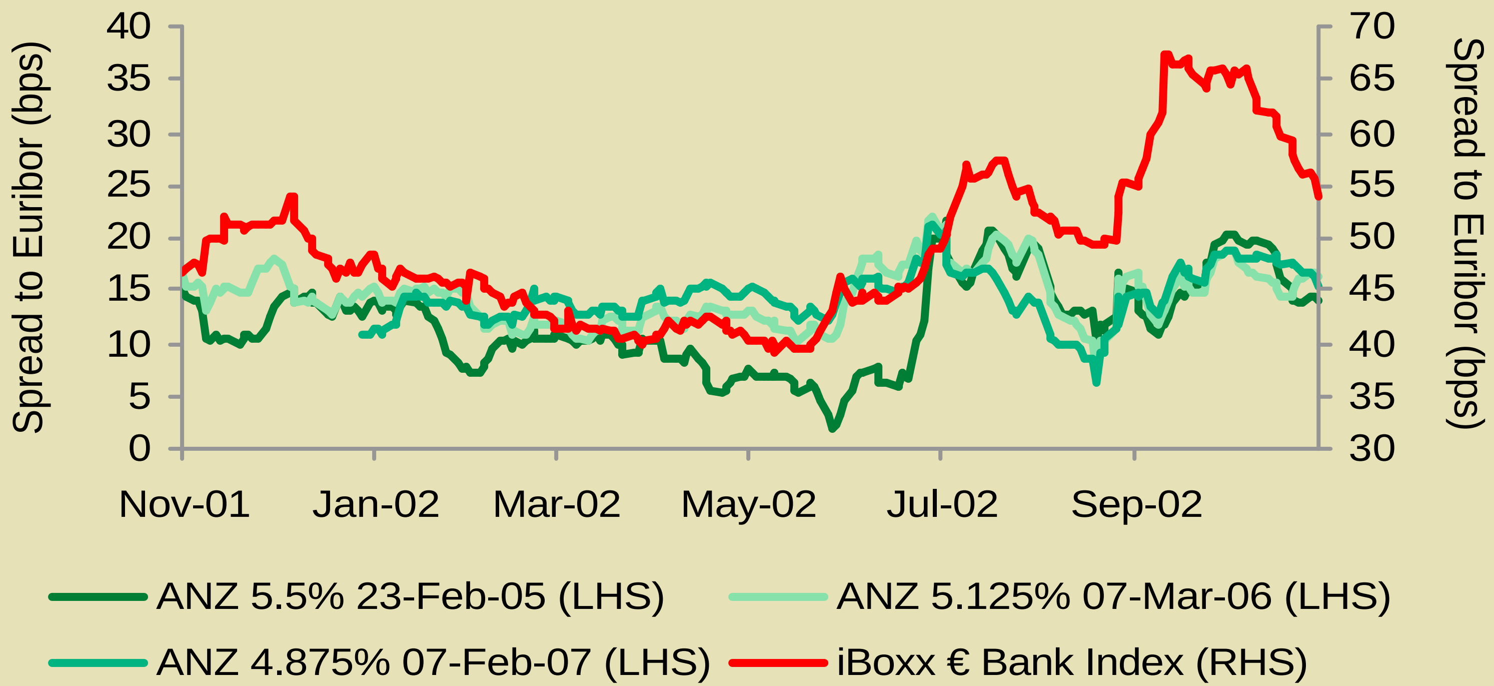
- **Maintain continued access to major international debt capital markets**
- **Continue diversification by markets, investors, currency and structures**
- **Promote recognition of the ANZ's credit credentials through regular debt investor presentations**
- **Periodic benchmark issues**
- **Build liquid yield curves**
- **Promote transparency of issuance**

The strategy to date has worked

- Highest penetration of € investors of any of our domestic peers
- Diverse investor base
- Strong correlation between successfully executed public issuance and reverse enquiries received
- Most proactive of Australian major banks to regularly update domestic and offshore debt investors
- Access during difficult market conditions
- Credit line availability
- Rating agencies focus on liability management

Benefits of a consistent and widely communicated strategy

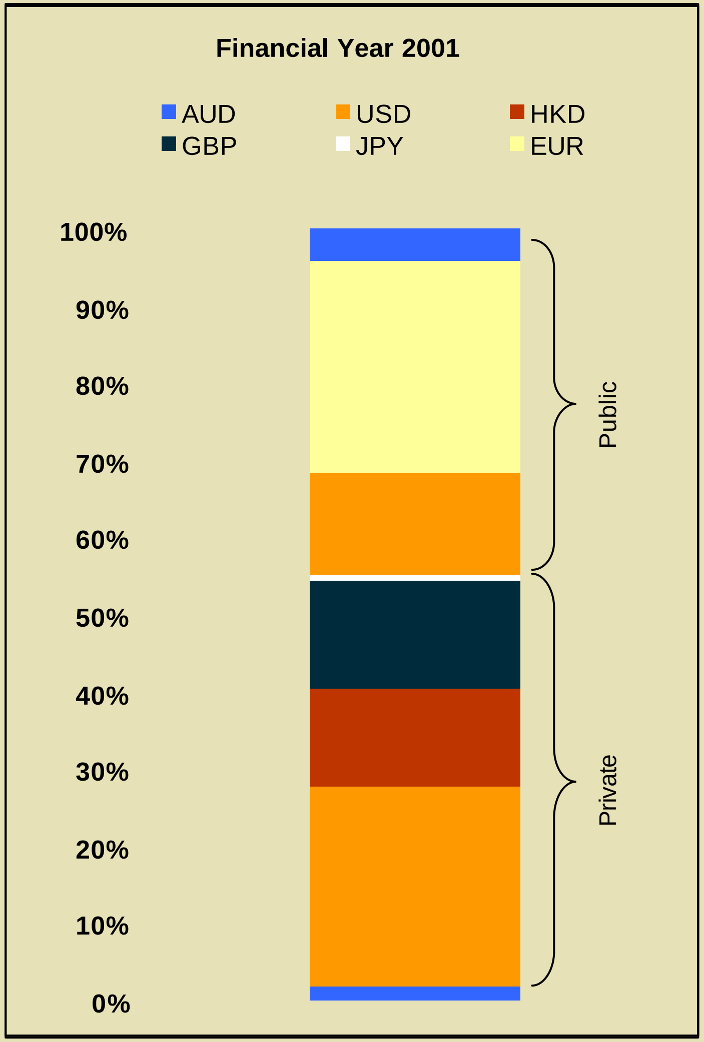
- **Presented to in excess of 200 investors over three years**
- **More than 90 new investors in ANZ fixed rate € debt**
- **Creditable spread performance despite volatile markets**

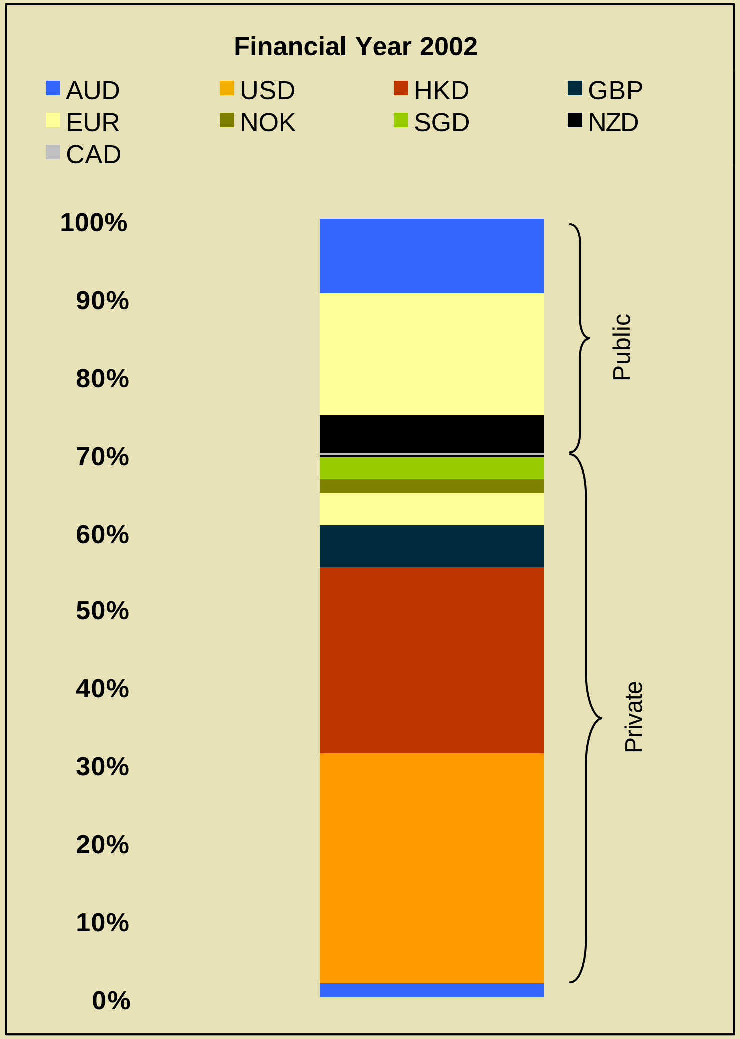


ANZ's term funding requirement and strategy for 2003

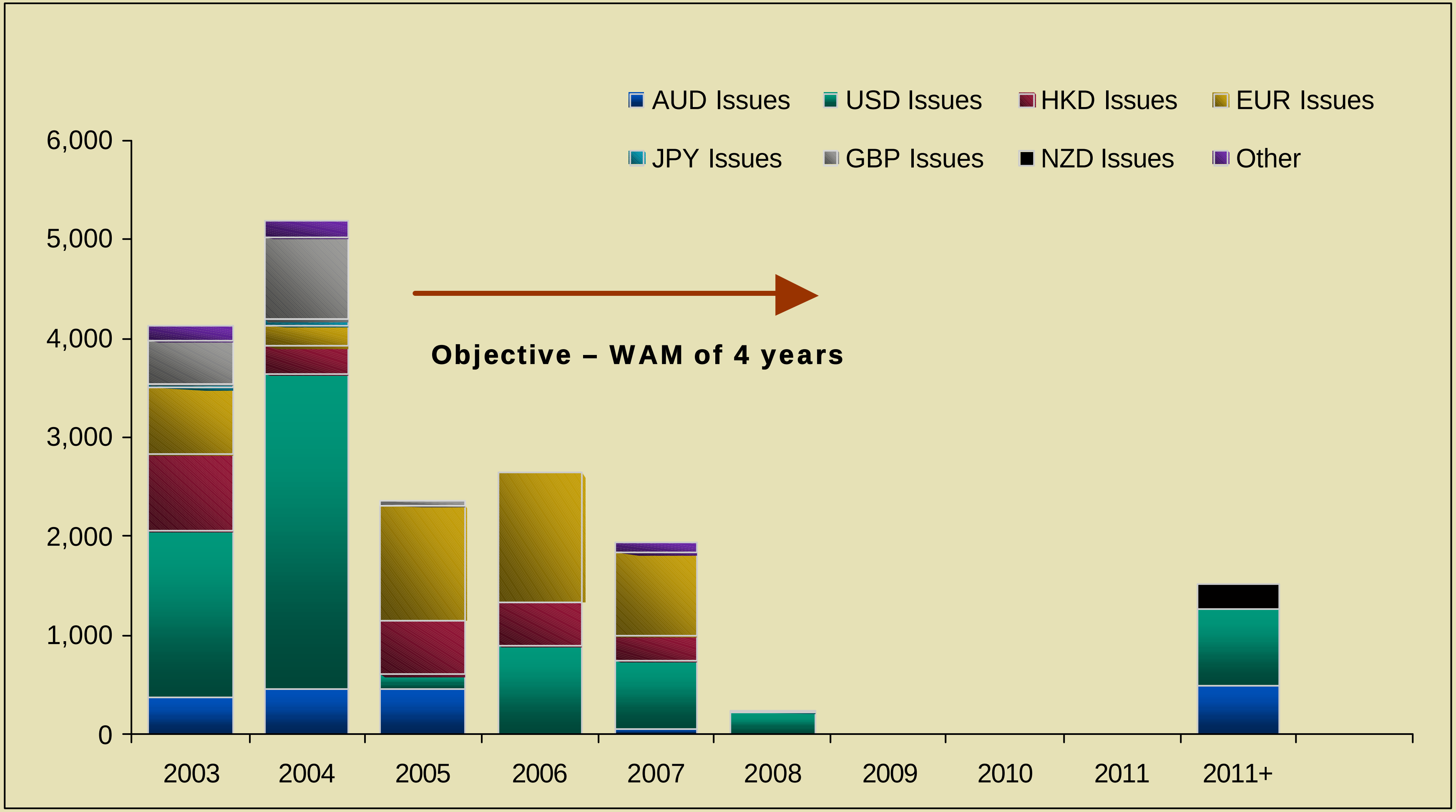
- A$7 billion term debt funding requirement
  - subject to global economic activity
  - predominantly senior debt
  - will consider subordinated debt
  - securitisation dependent on maintenance of CFI targets
- A$2 billion raised since 1st October 2002
- Maintain a prudent approach to management of the liability portfolio
  - avoiding maturity concentration and roll over risk
- Issuance preference for senior debt
  - one to five year maturities
  - aim to achieve a weighted average maturity of four years
- Focus on reverse enquiry MTNs
  - 50/50 mix between private placement and public issuance
  - willingness to meet investor needs
  - timely response

Achievable, based on previous experience



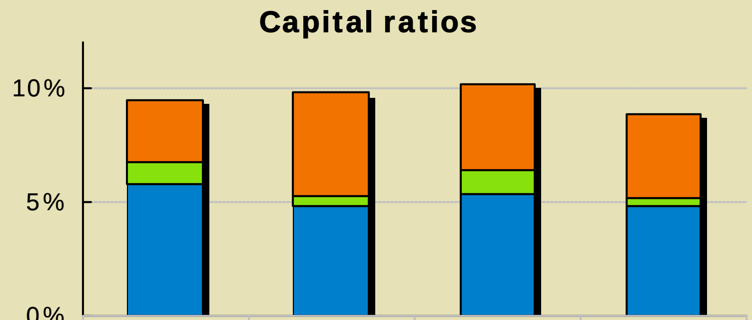


Well diversified profile to avoid maturity concentration and roll over risks

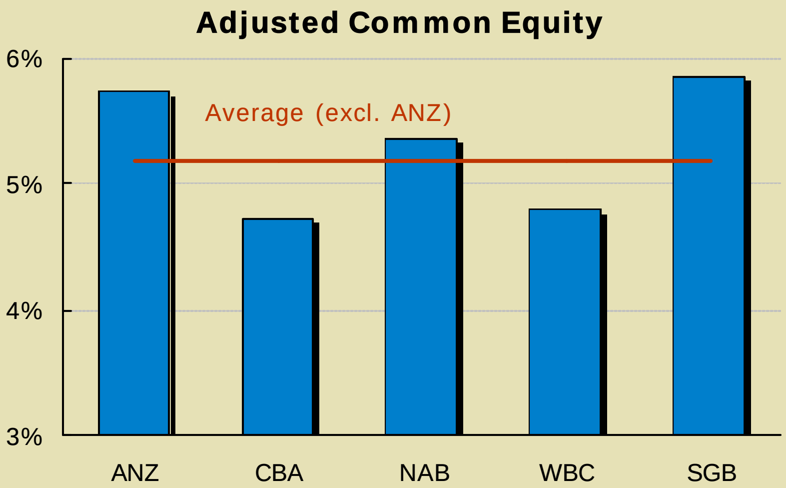


[1] Other currencies include CHF, SGD, NOK and CAD

Potential to issue Lower Tier II



	ANZ	CBA	NAB	WBC
Tier 2	2.78%	4.58%	3.76%	3.72%
Hybrid	0.97%	0.49%	1.08%	0.36%
ACE	5.74%	4.73%	5.37%	4.80%



- **Opportunity to restructure capital composition**
- **Underweight Lower Tier II relative to domestic peer group**
- **Amortisation of subordinated debt portfolio under APRA guidelines**
- **Last issued Lower Tier II in Europe in 1997**

Outline

Summary

- Solid result in more challenging times, driven by healthy income growth and leading efficiency levels
- Credit quality strong in Australia, but some offshore issues we are dealing with
- Remain well provisioned
- Responsible capital management philosophy
- Leadership in disclosure and transparency
- Commitment to regular and disciplined wholesale term debt issuance

The material in this presentation is general background information about the Bank's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

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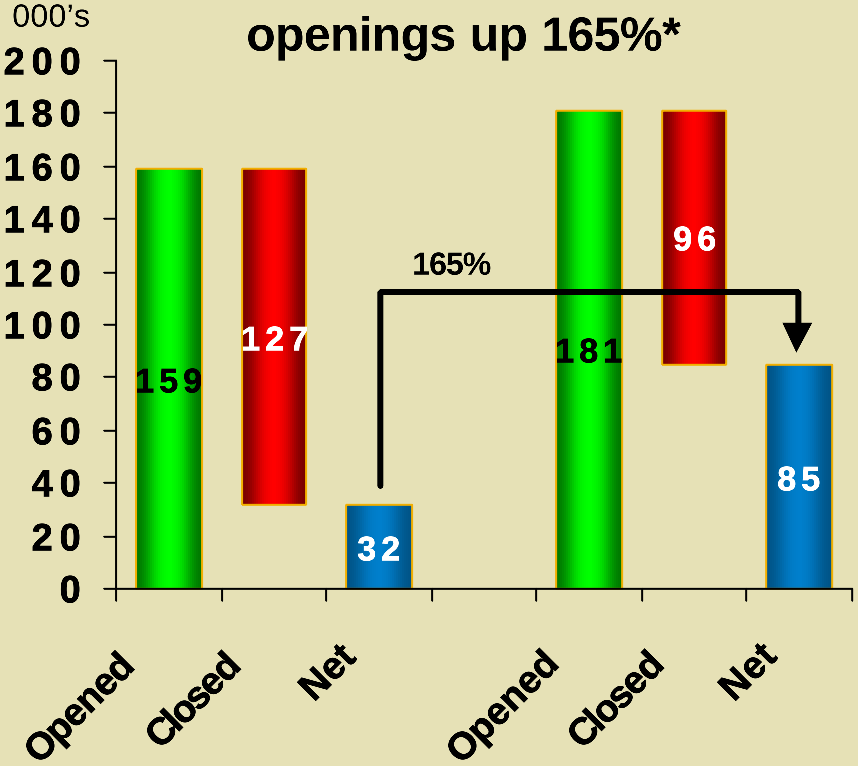
Additional information on strategy

New customer initiatives getting real traction

Net new account openings up 165%*



2001 – prior corresponding period

2002 – 30 weeks since launch

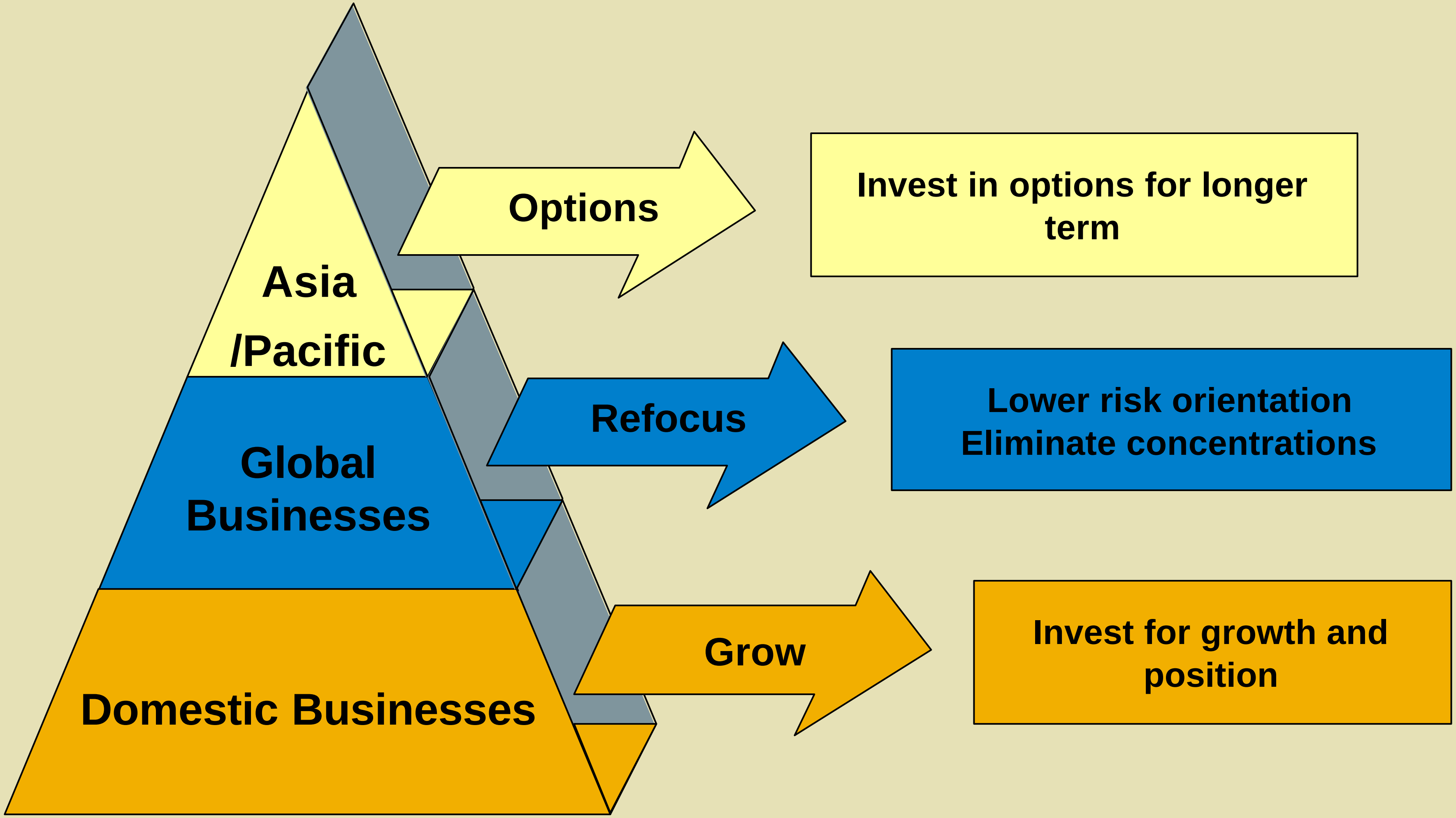
Key indicators show Restoring Customer Faith program is beginning to deliver

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

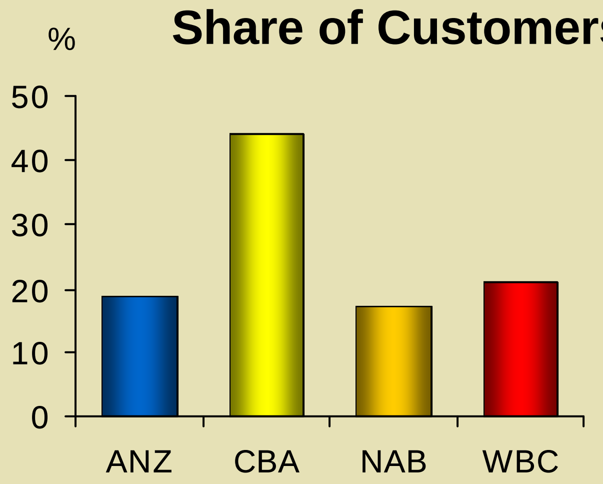
* Victoria RCF pilot

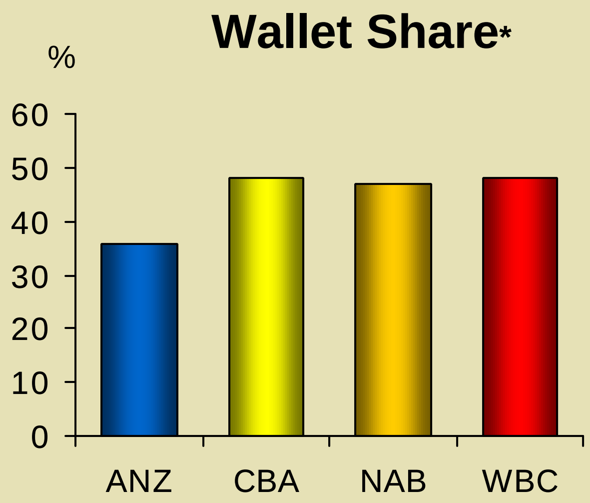
ANZ

Clear strategic investment priorities



Consumer portfolio – significant opportunity for ANZ in domestic markets



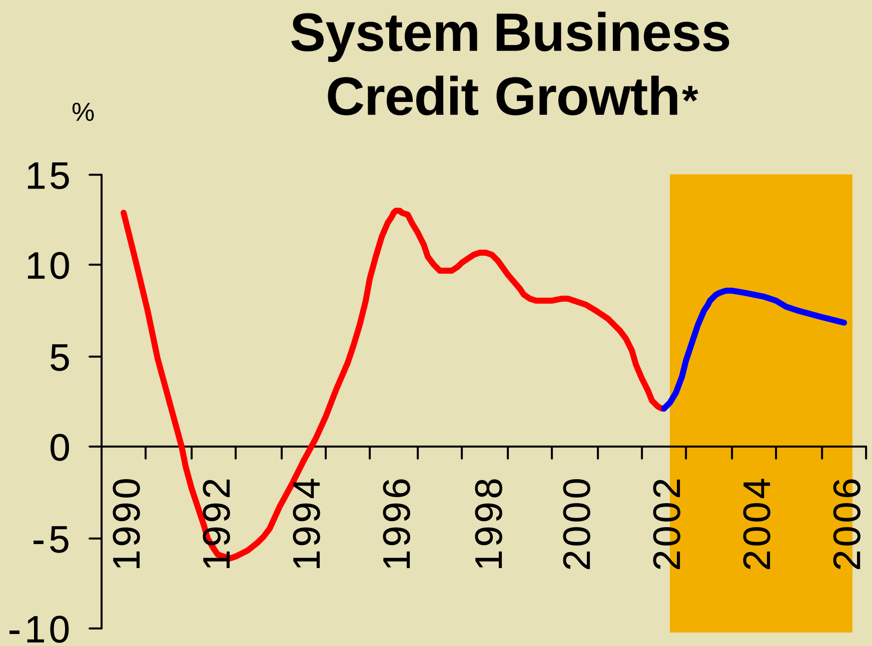


Priorities

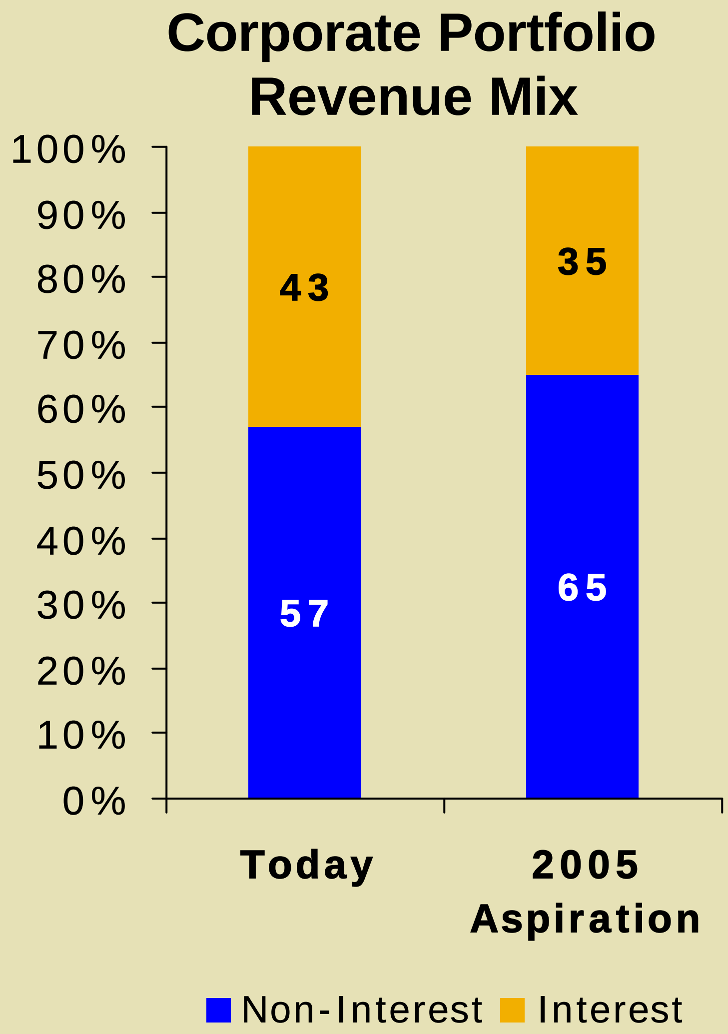
- Deliver on promise of Restoring Customer Faith
- Improve community perceptions
- Deliver on ING ANZ JV
- Continue product innovation
- Utilise CRM capabilities
- Target market share growth of 1% pa in key markets

* source: Roy Morgan Research

Corporate portfolio – positioned for upturn, targeting fee income



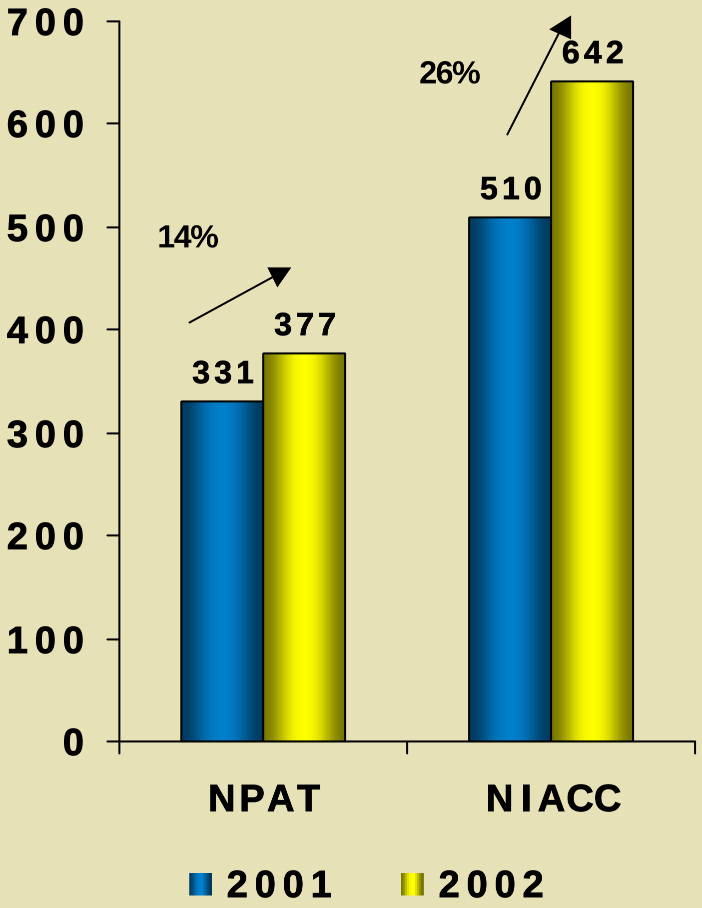
- Capture expected stronger lending growth from SMB and middle market corporates
- Focus on fee income in institutional business



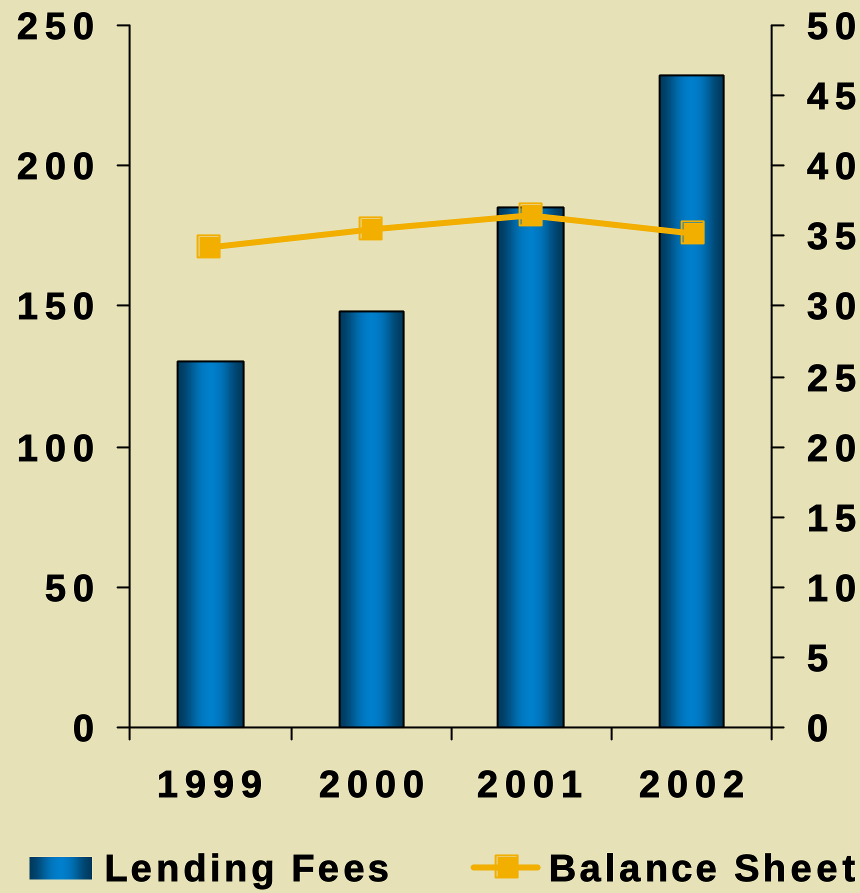
* Forecasts – economics@anz

C&IB successfully managing the transition to lower balance sheet intensity

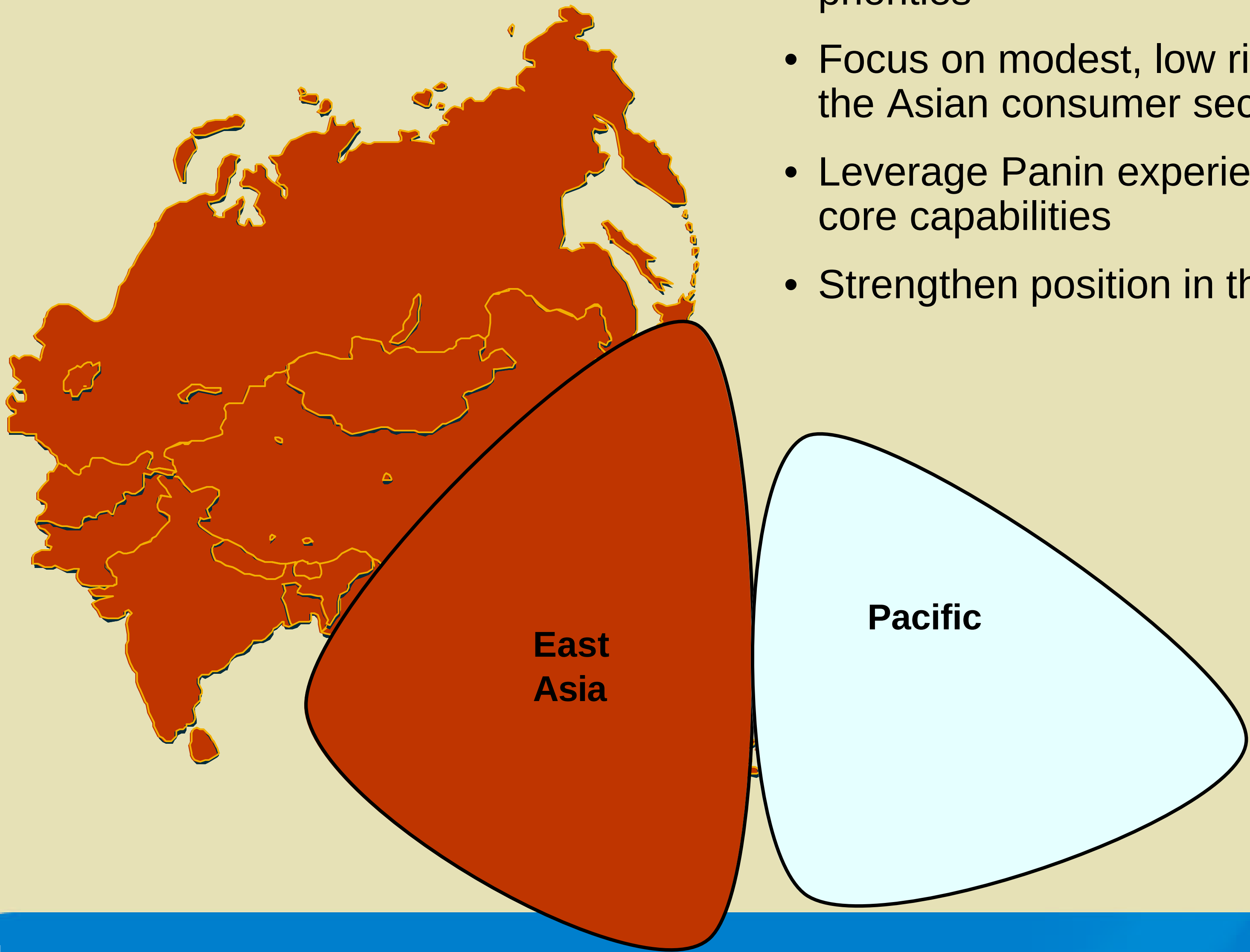
NIACC growth greater than profit growth



Higher lending fees, flat balance sheet

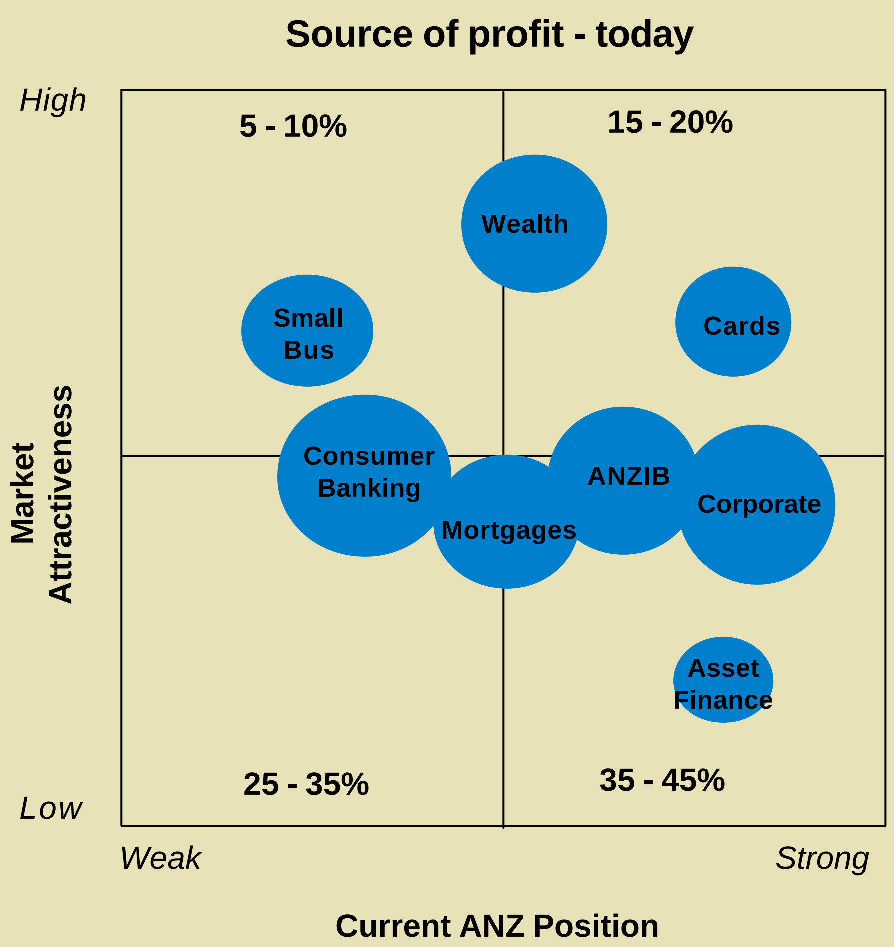


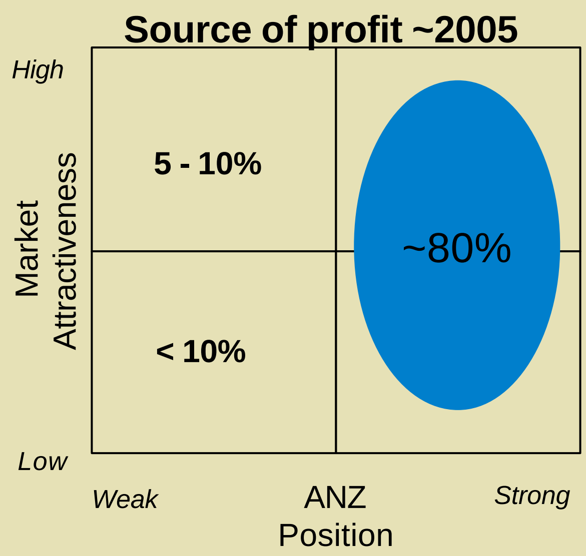
Asia/Pacific – create low risk growth options



- 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

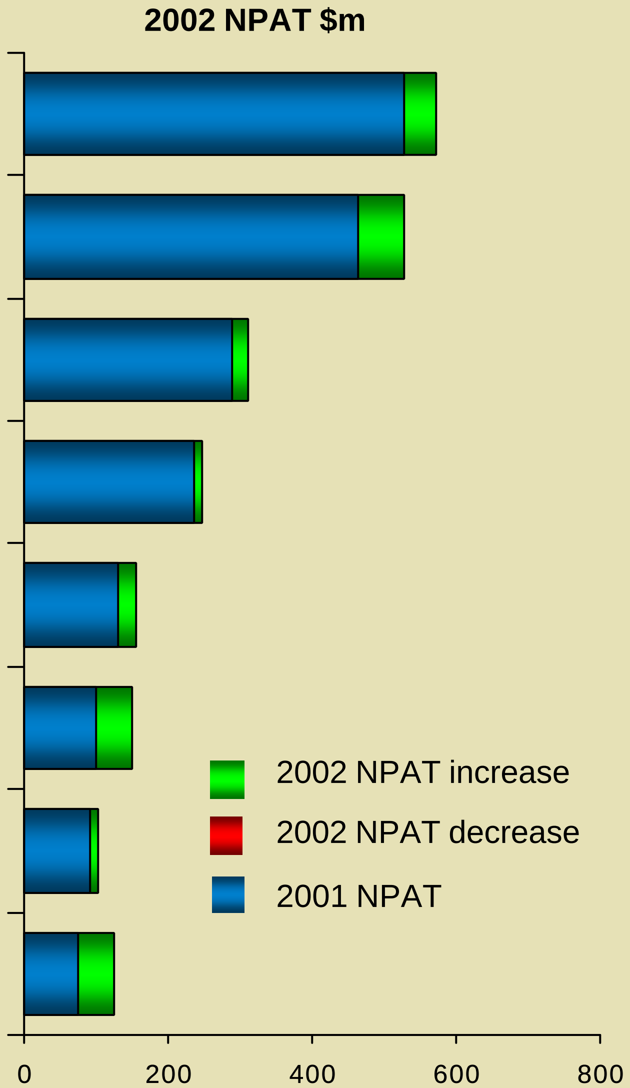




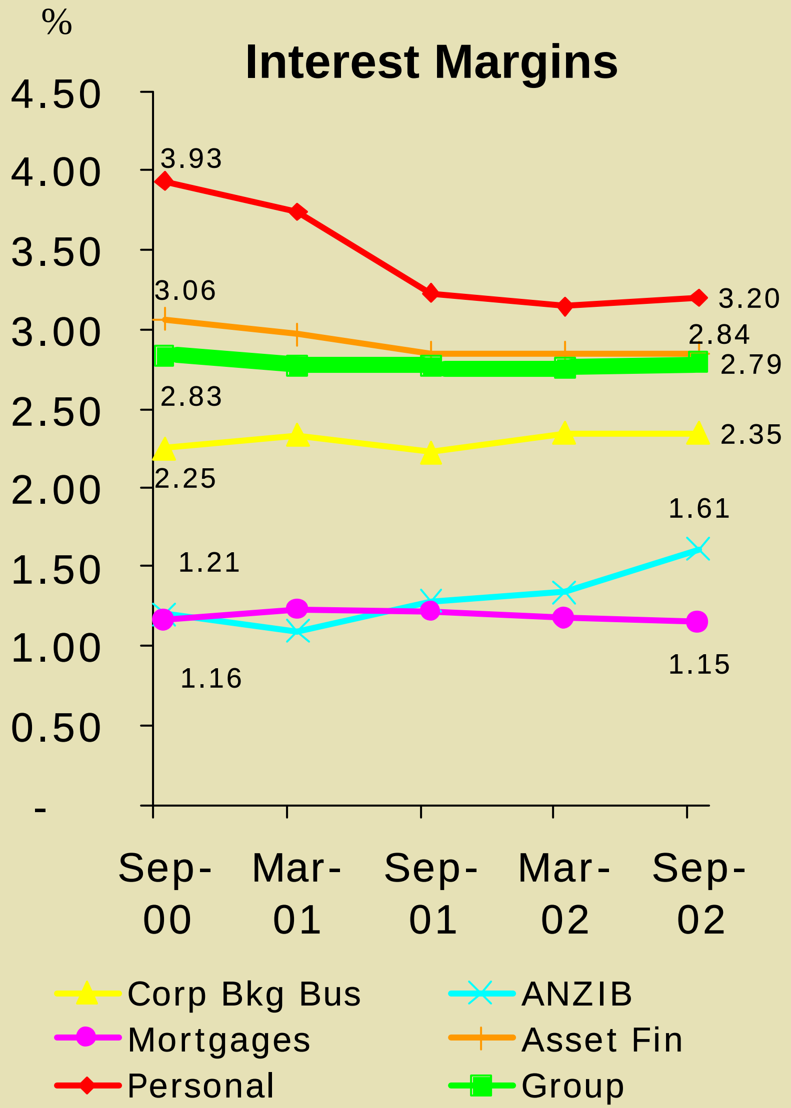
Additional information on results

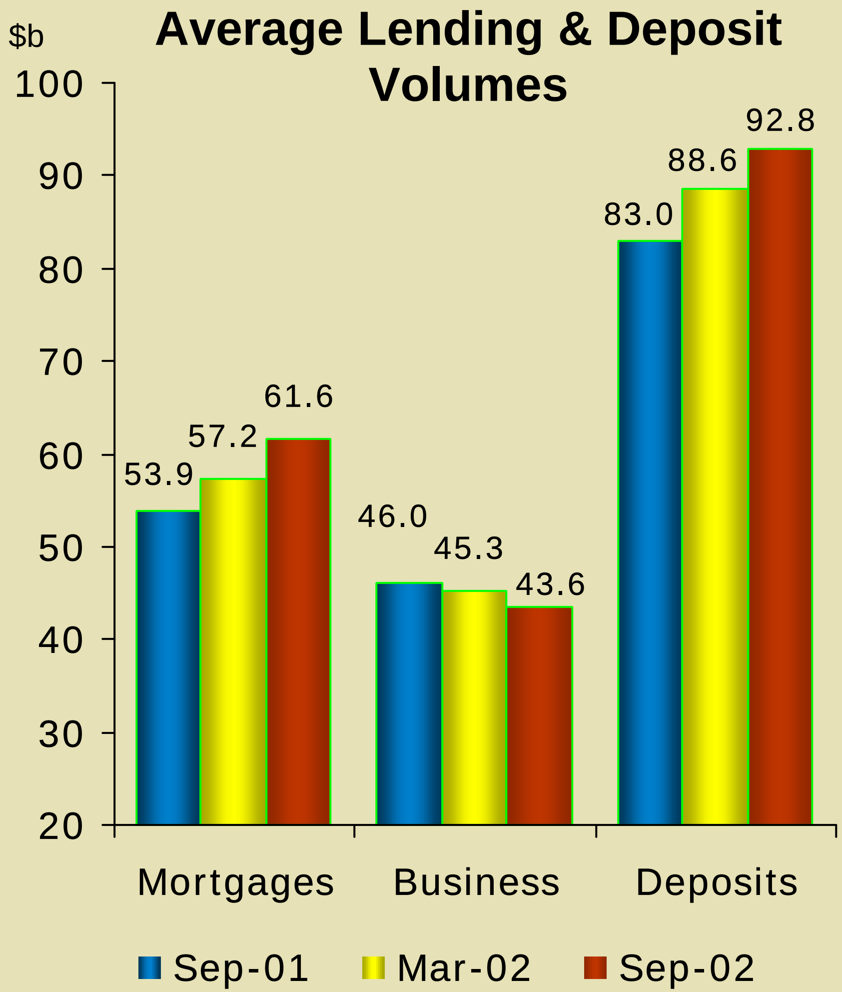
A diversified portfolio performing well

	2002 NPAT	Change from 2001	
Personal Customers	**573**	47	9%
Corporate Businesses	**527**	61	13%
ANZIB	**311**	23	8%
Mortgages	**246**	10	4%
Small Med Business	**157**	27	21%
Consumer Finance	**149**	50	51%
Asset Finance	**102**	10	11%
Group Treasury	**124**	49	65%



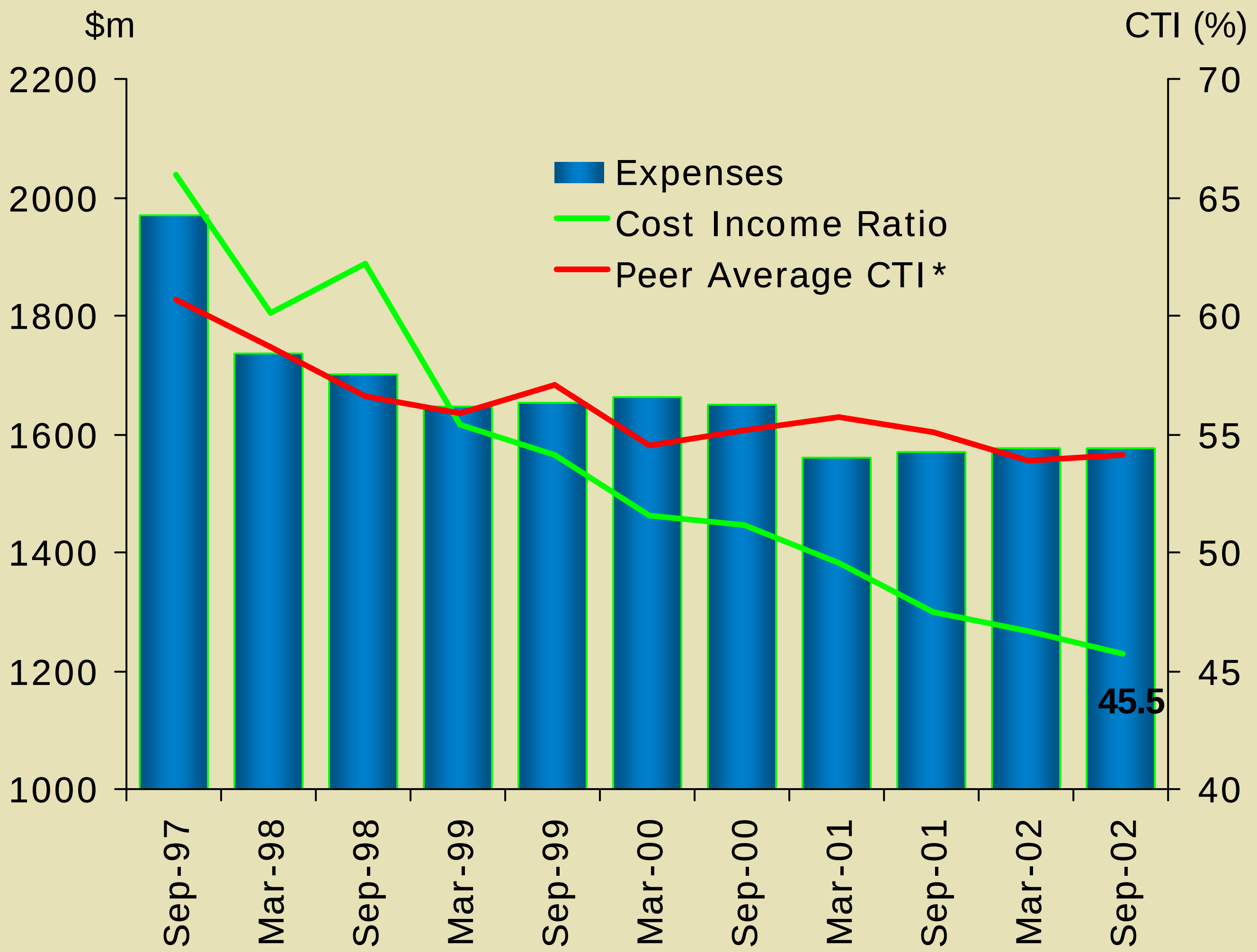
Interest margins stable, lending and deposit volumes up





* Business Lending includes Corporate, ANZIB and Small Business Segments

Cost income ratio on track to meet target of 45

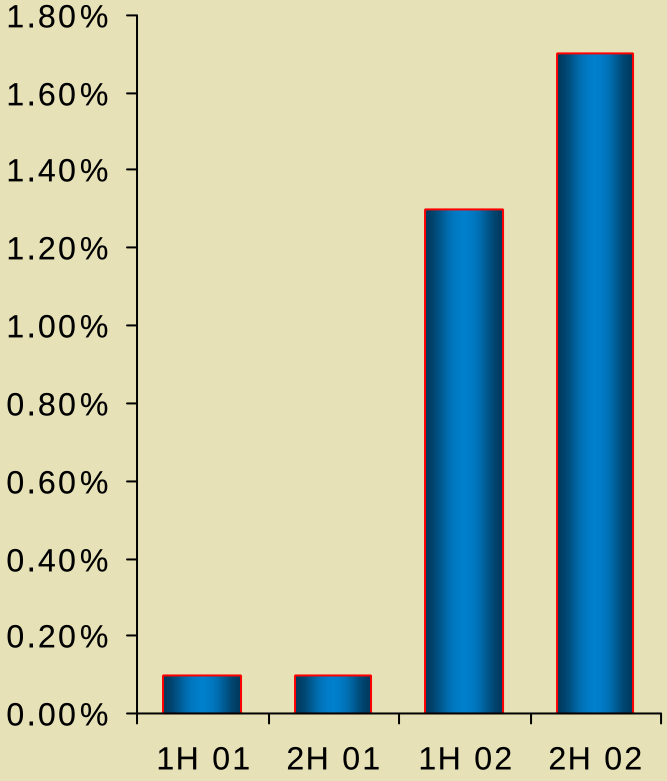


- Peer average impacted by funds management acquisitions
- $31m expense reduction from sold businesses
- Effective half on half cost growth of 1.8%
- We will invest more in growth areas, particularly personal businesses
- 2000 $361m restructuring provision fully utilised, ongoing $60m+ charge likely

* Source: CSFB

We will continue to carefully manage cost growth relative to revenue growth

Underlying cost growth trending upward

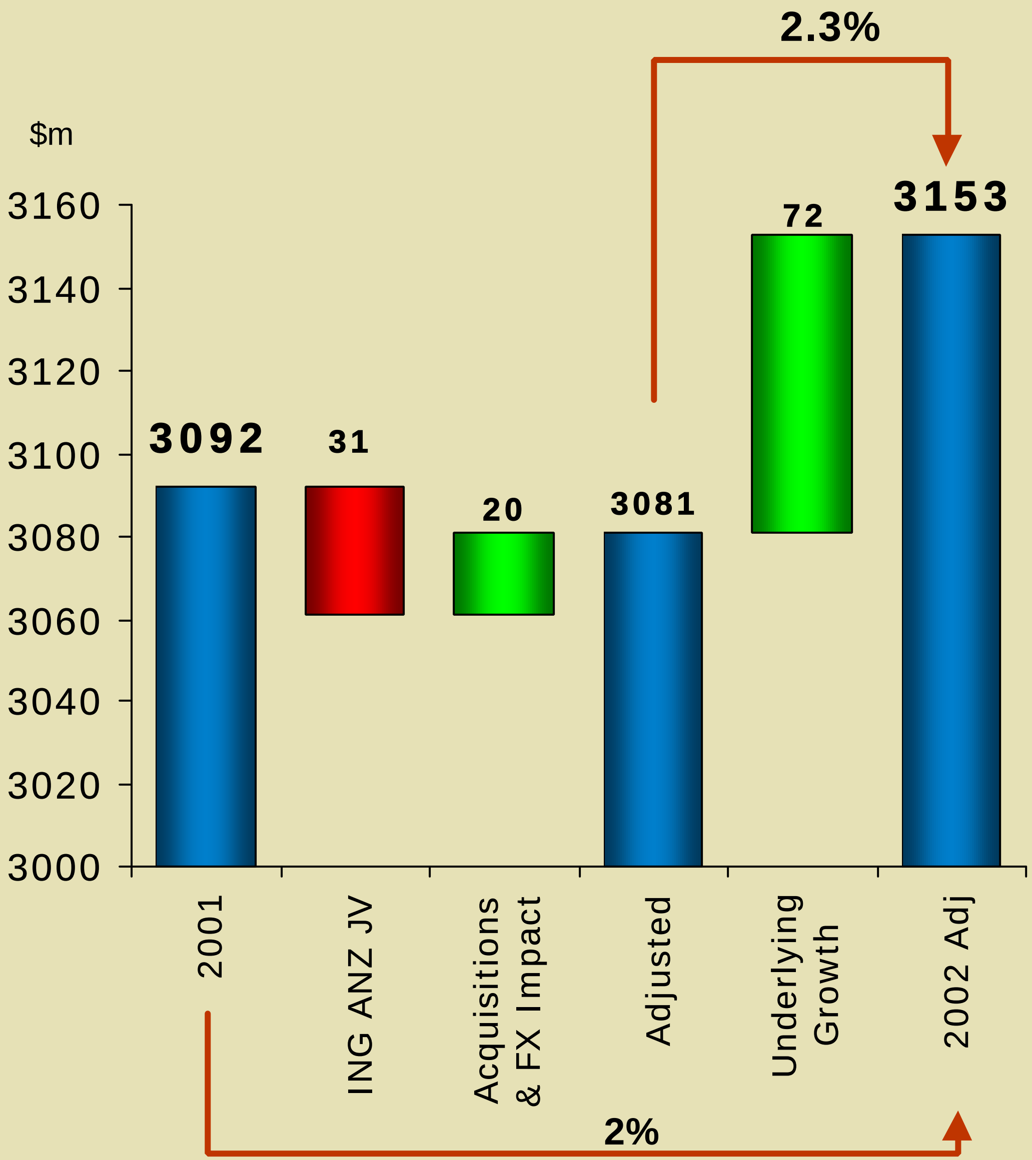


+

- Higher amortisation and depreciation
- Increasing growth investment

- Balancing earnings outcomes with investment in growth
- "Surplus" earnings targeted for investment
- Cost-income ratio to trend downward

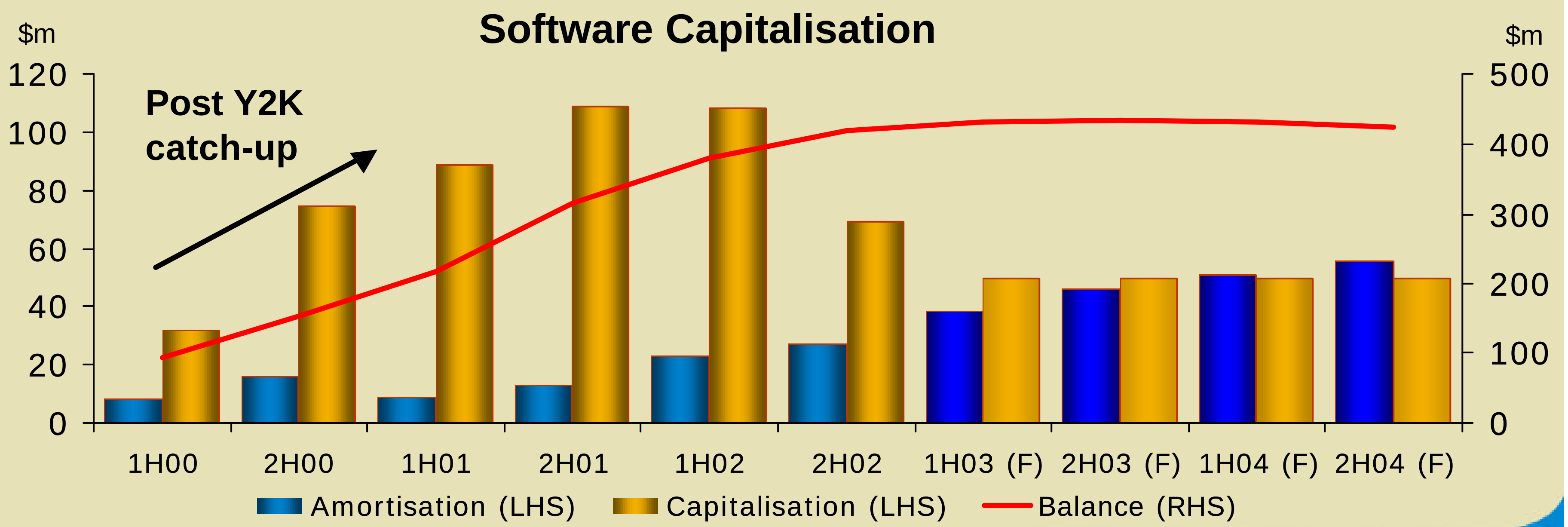
Underlying expense growth of 2.3%



- Computer expenses increased by 16%, reflecting:
  - depreciation and amortisation charges up 30%
  - software purchases up 28%

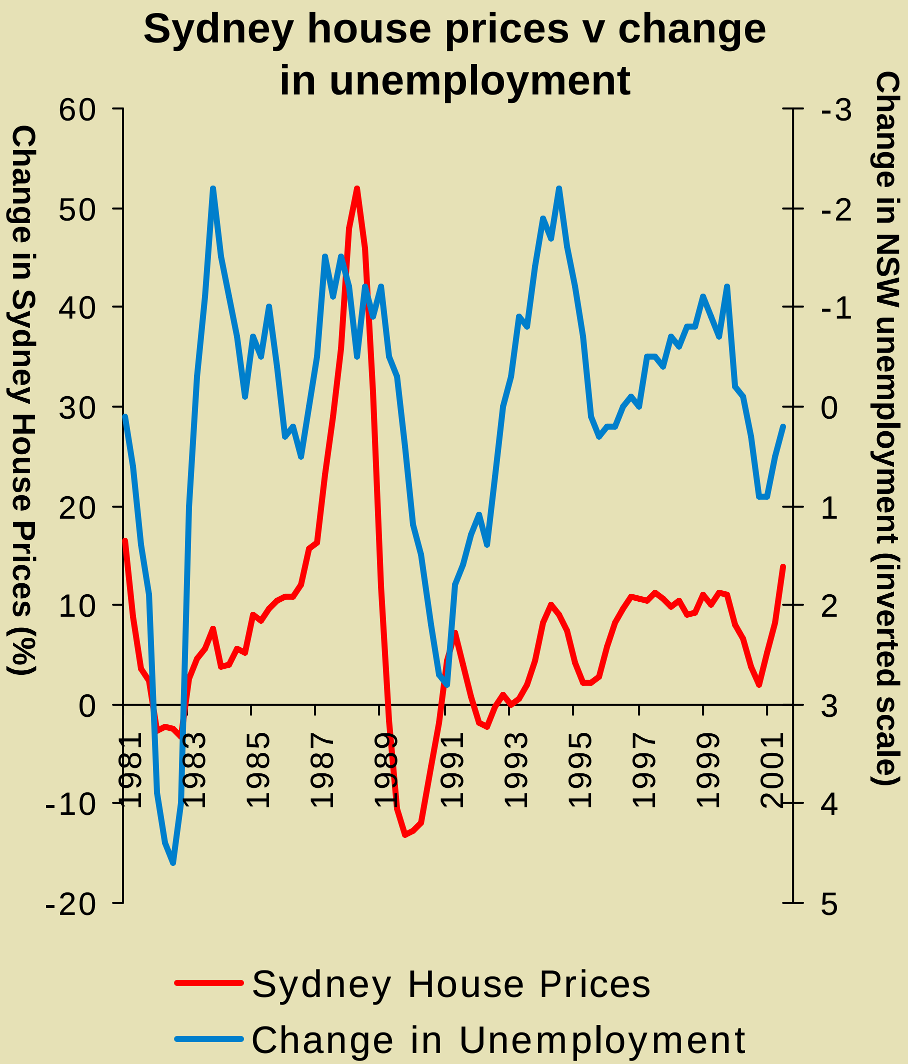
Software capitalisation – generational change in core infrastructure

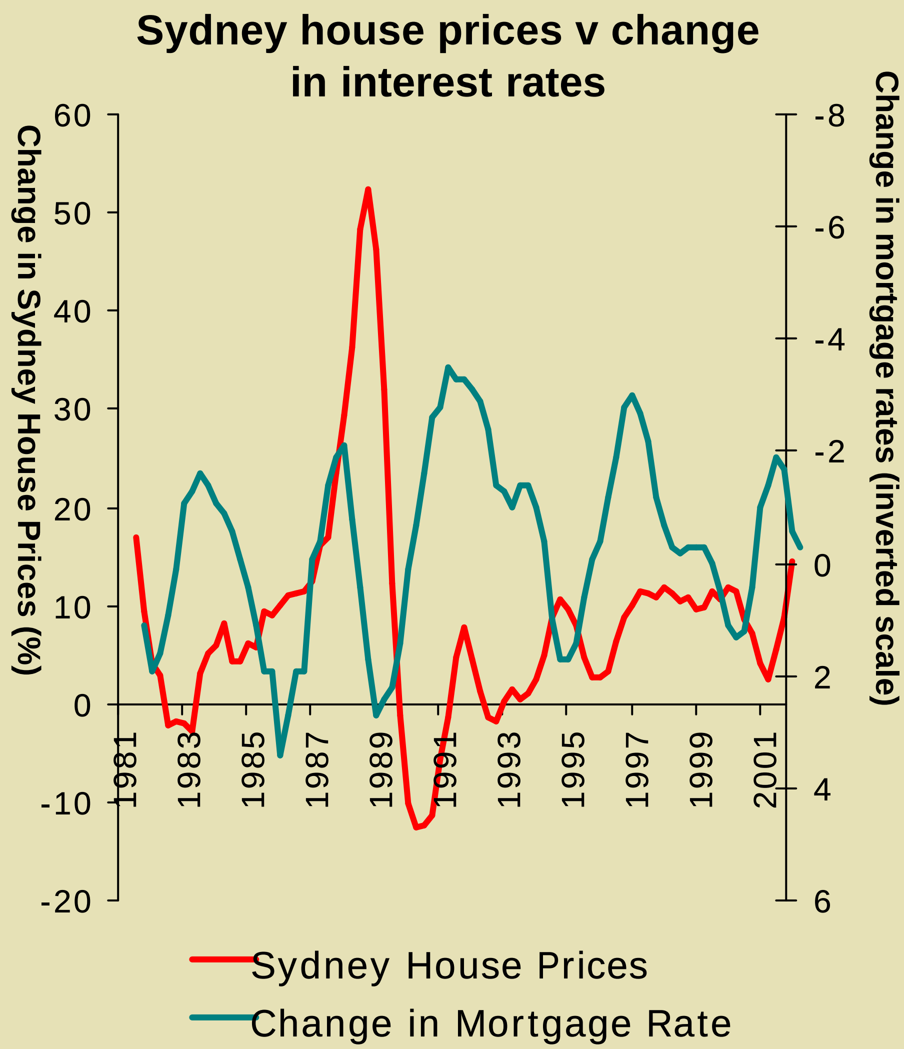
- Sales and Service Platform (SSP)
  - Replaces telling system from early ‘80s
- Common Administration System (CAS)
  - Replaces GL, HR, payroll, fixed asset register, accounts payable, procurement
- Vision Plus
  - Replaces existing card system in operation since the mid 80’s



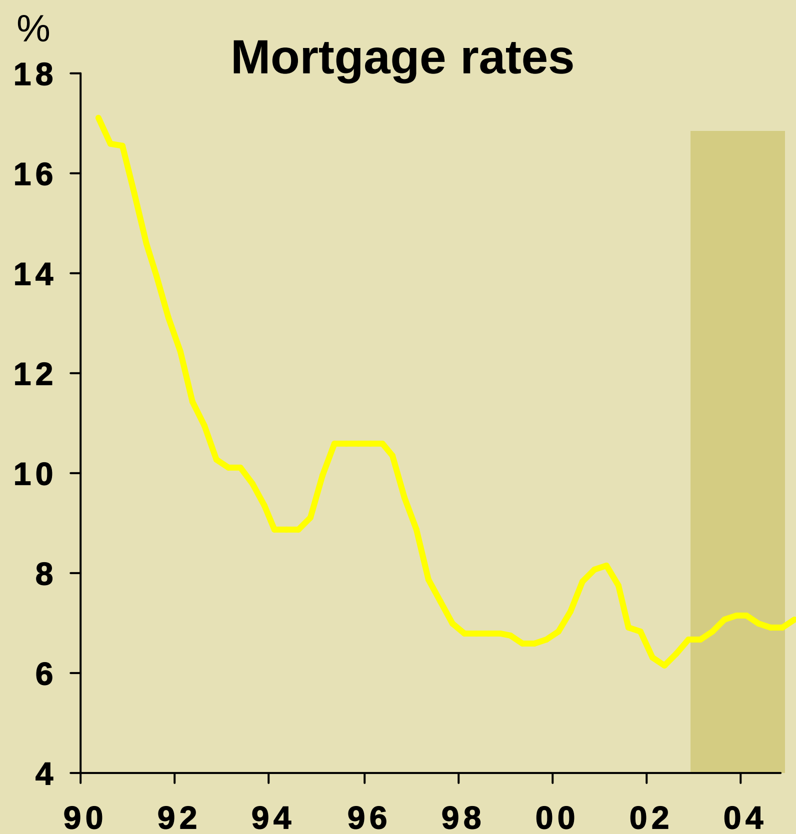
Additional credit quality information

House prices – unemployment a key driver



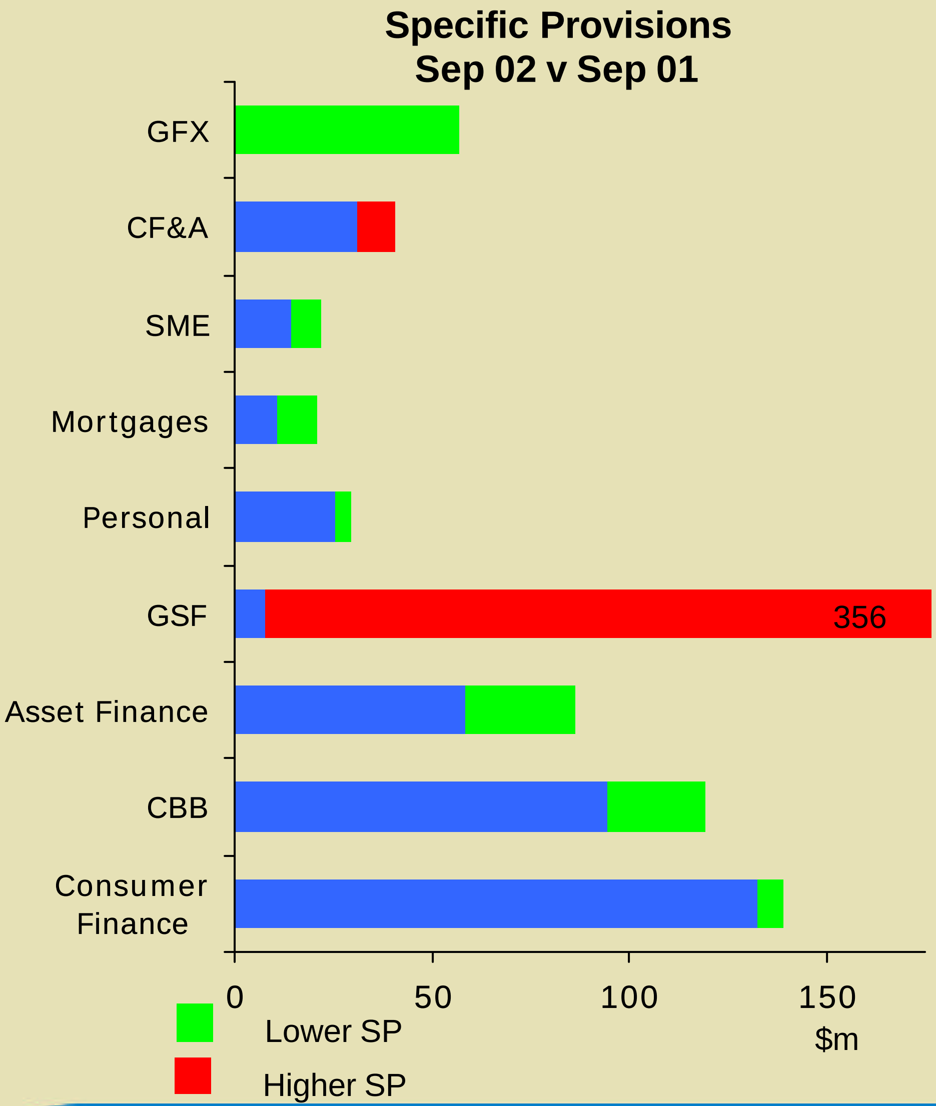


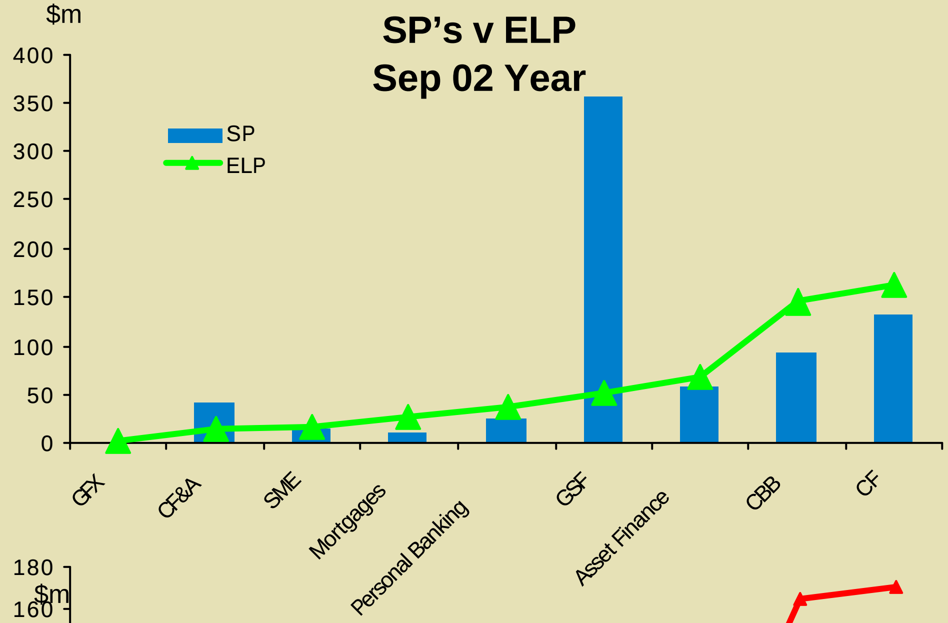
Key drivers of house prices expected to remain benign

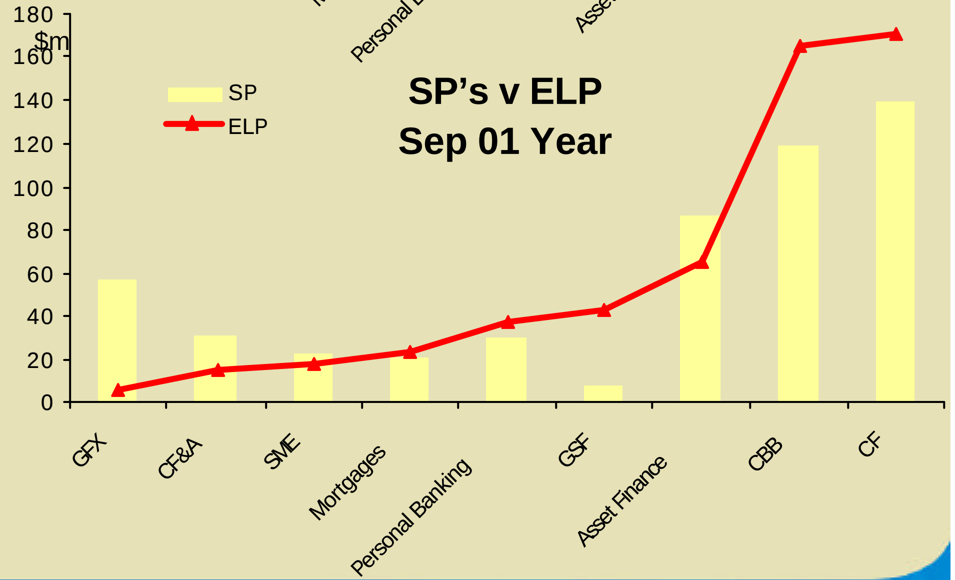


Source: economics@anz

Specific provisions in most businesses lower than expected losses

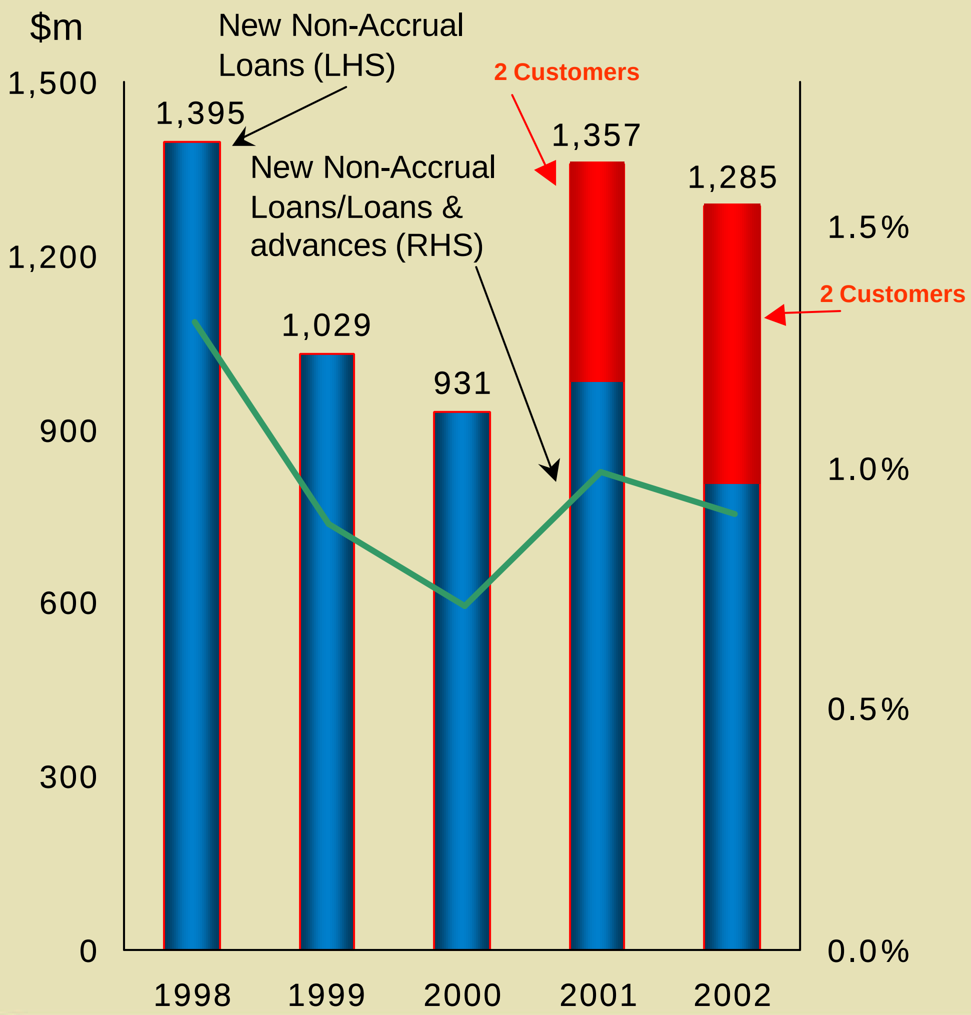




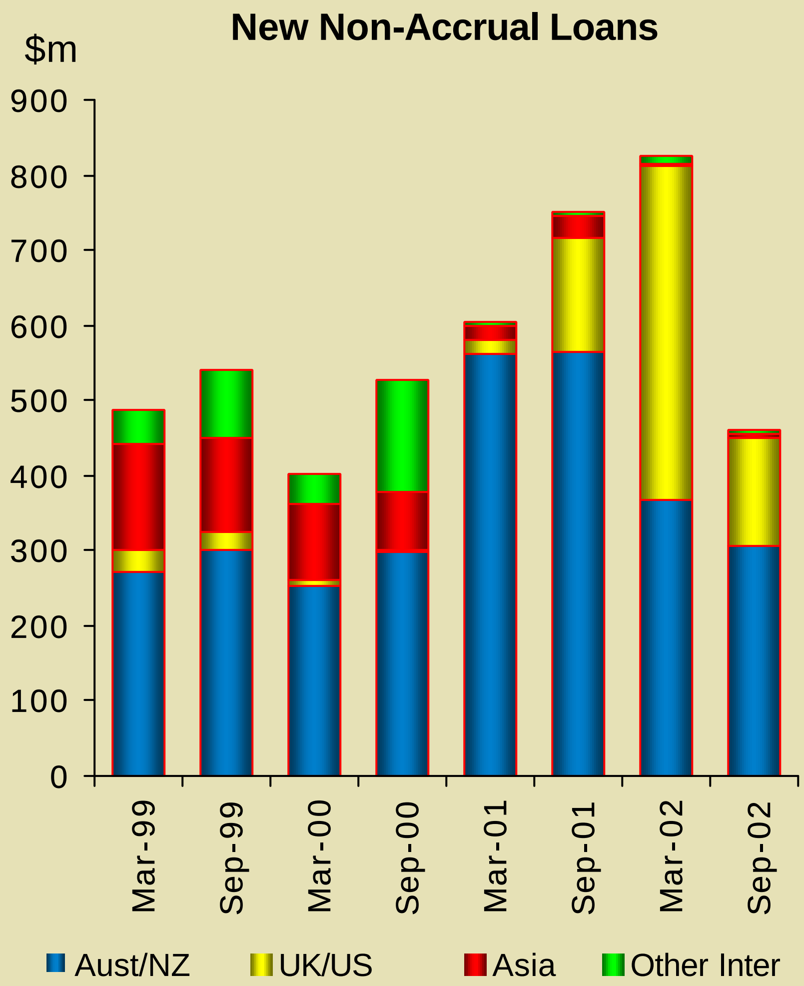


New non-accruals dominated by 2 large customers over each of the past 2 years

Historic

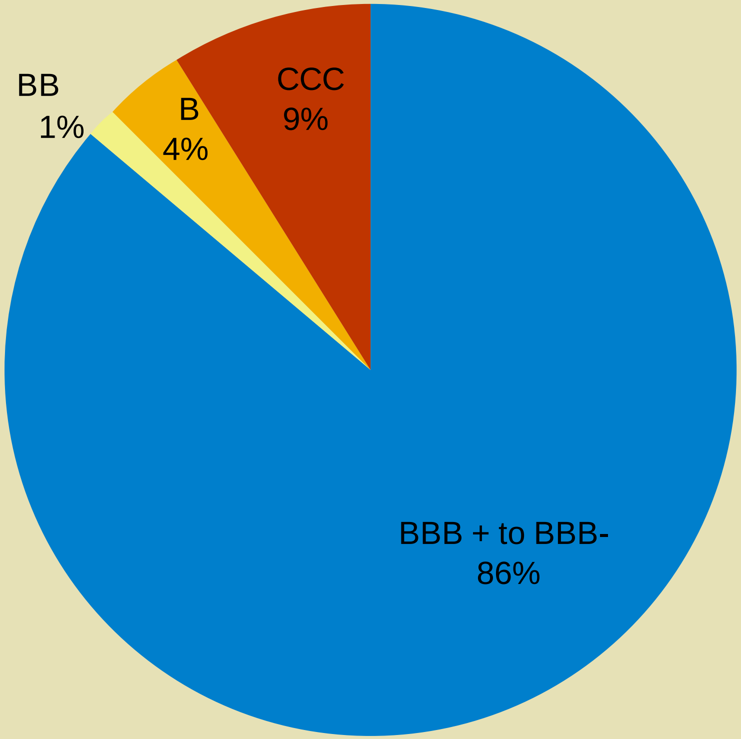


Geographic



Fallen Angels phenomenon continues

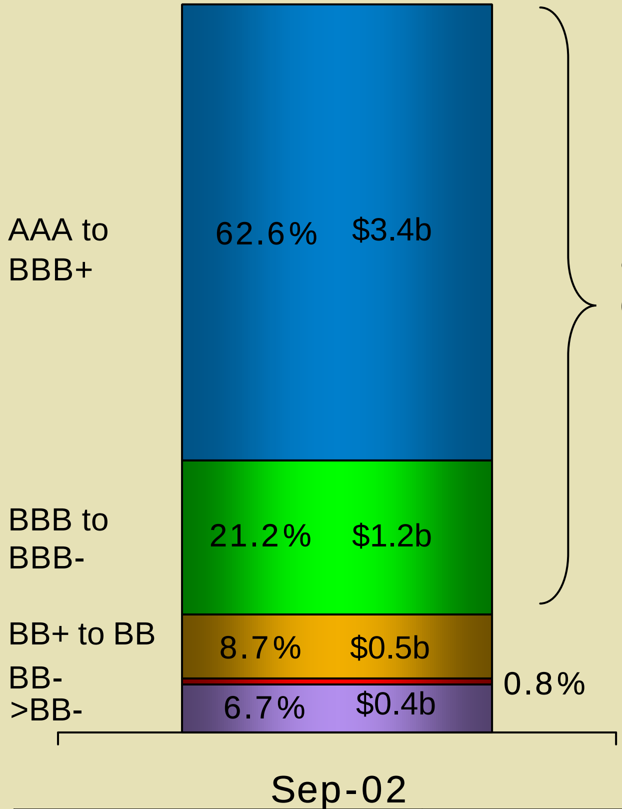
March 2001 ratings for Full Year 2002 new non accrual loans



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

Global telecommunications portfolio in reasonable shape

Telco Risk Grade Profile*

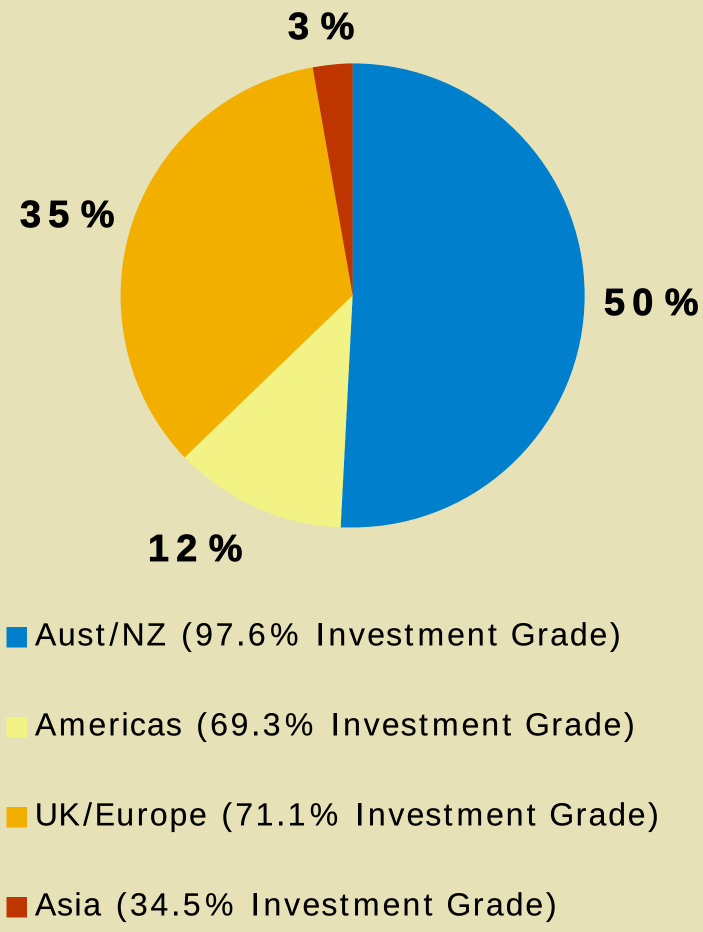


		# of customers
Total Limits (AUD)	$5.5b	49
B+ to CCC	1.9% $0.1b	4
Non Accrual	4.8% $0.3b	3

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

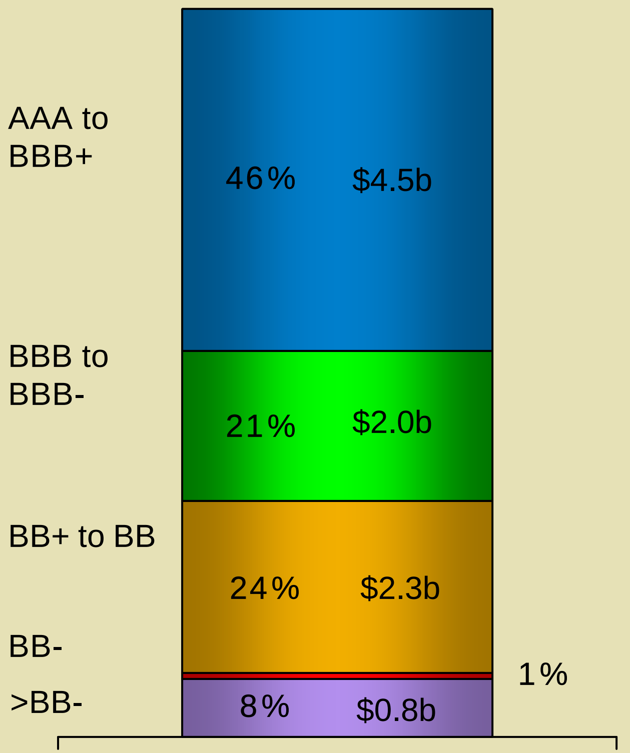
*Risk grade profile by limits

Exposure by geography

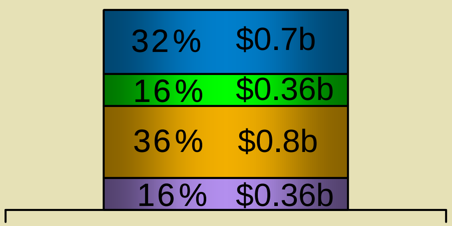


Global energy portfolio – some issues, but containable

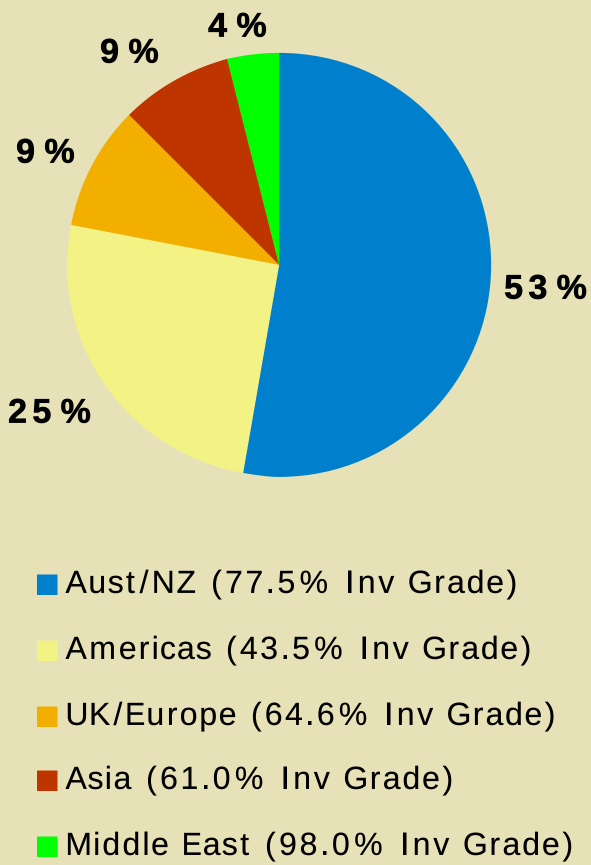
Global Energy Portfolio*



US Energy Portfolio



Exposure by geography

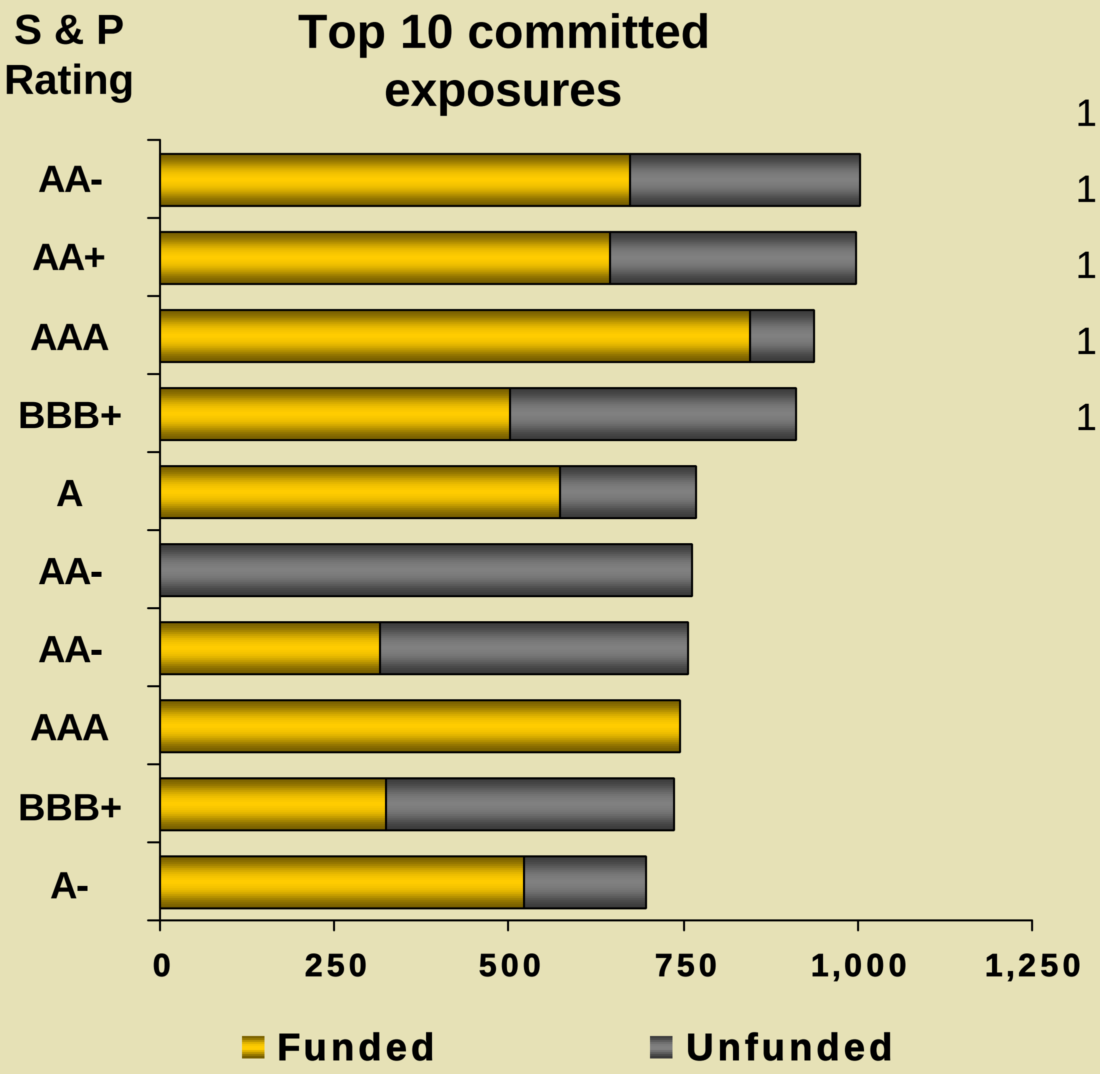


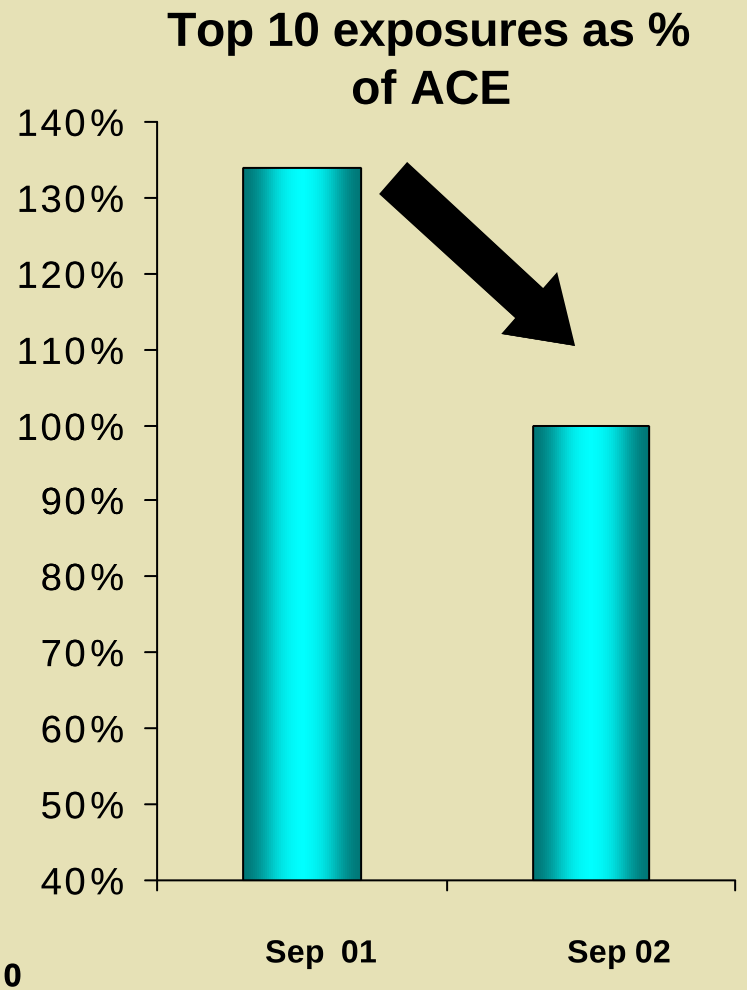
(AUDm)	Sep-02	# of customers	Sep-02	# of customers
Total Limits	$9.6bn	78	$2.2bn	26
B+ to CCC	4.8% $0.46b	12	12.2% $0.27b	5
Non Accrual	3.2% $0.3b	5	4.0% $0.09b	2

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

*Risk grade profile by limits

Top 10 exposures significantly reduced

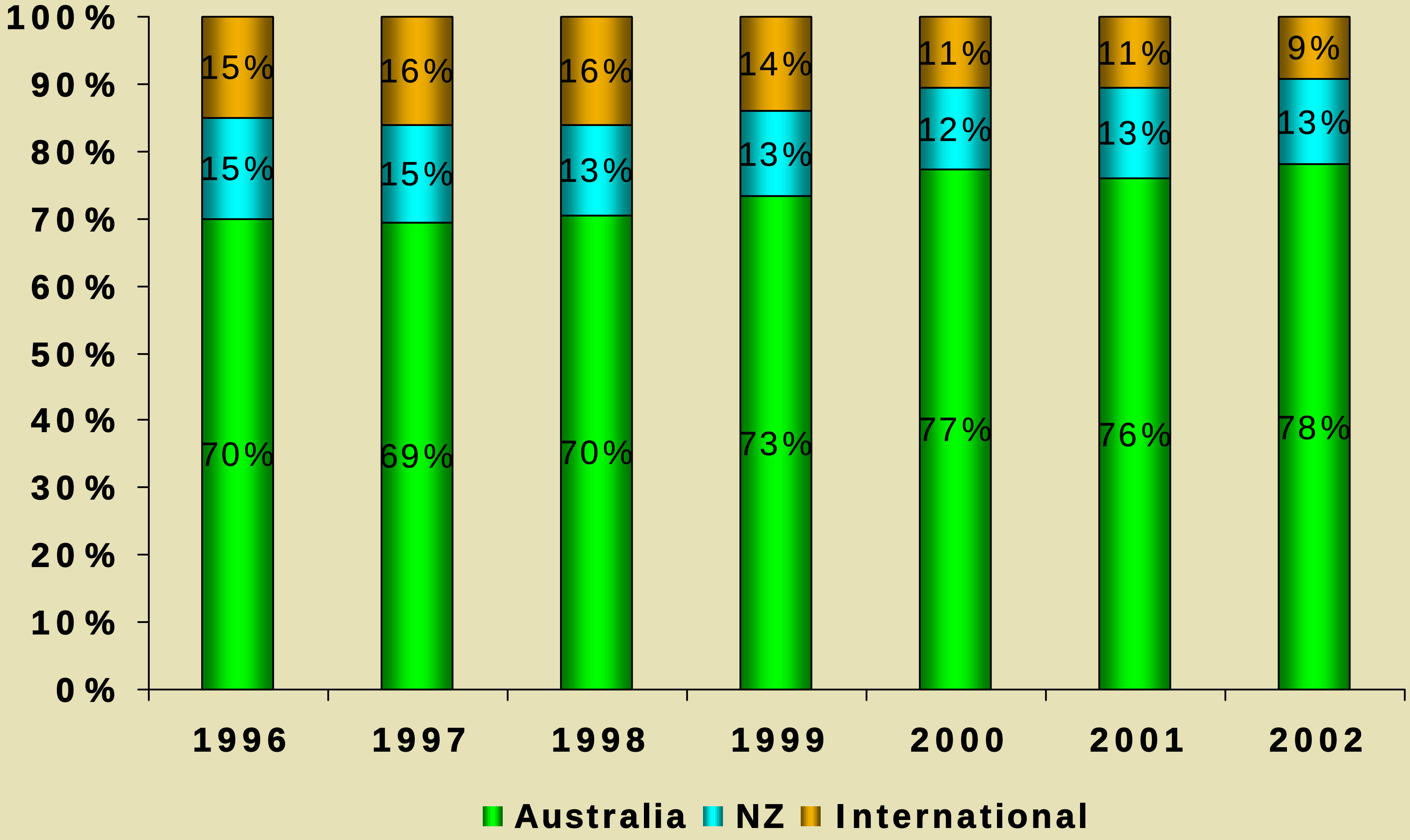




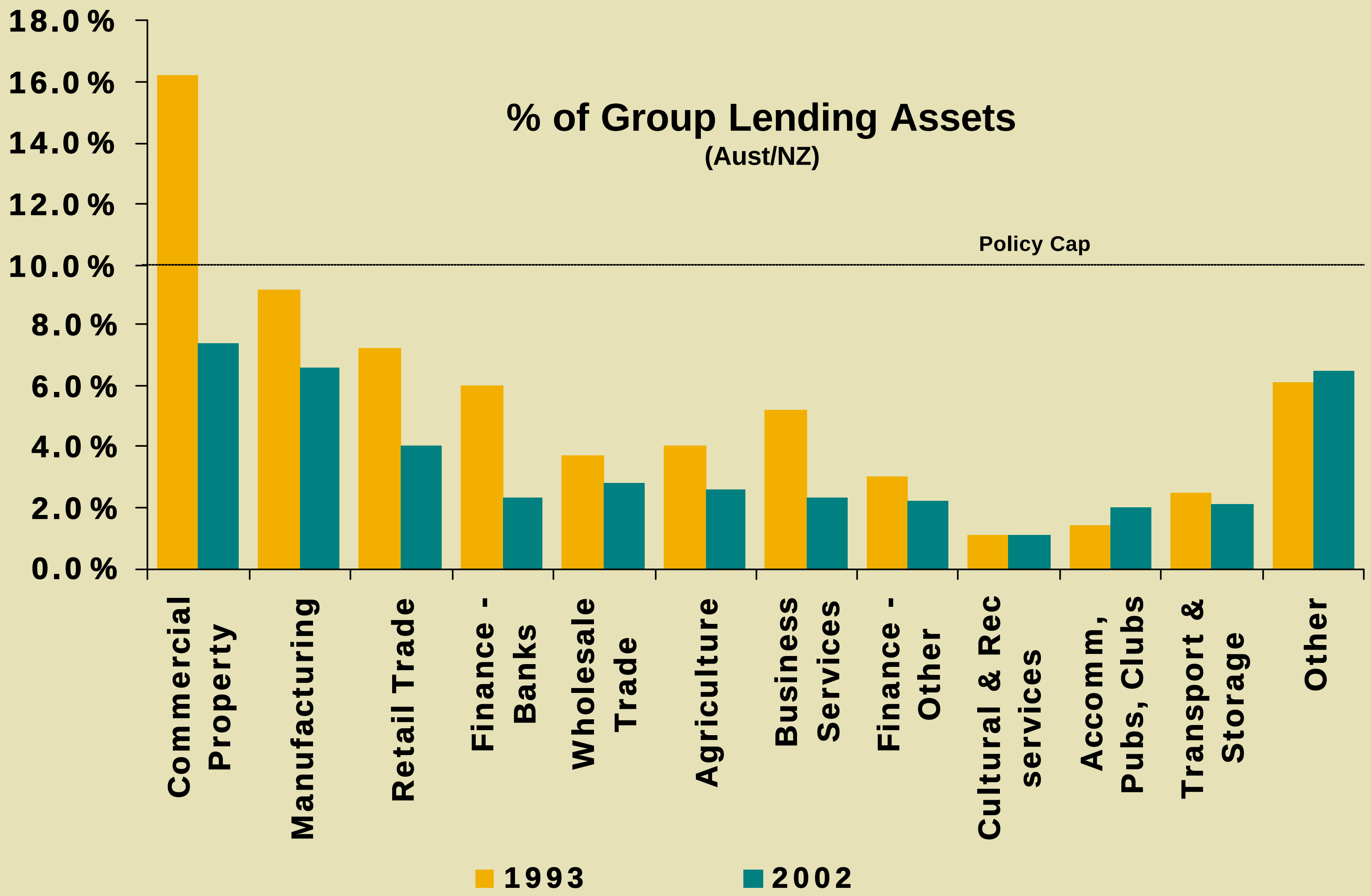
excludes non-recourse and uncommitted facilities

Limits represent total 7 month limits excluding uncommitted and non-recourse, net of credit derivatives

Offshore lending assets decreasing as a proportion of total lending assets



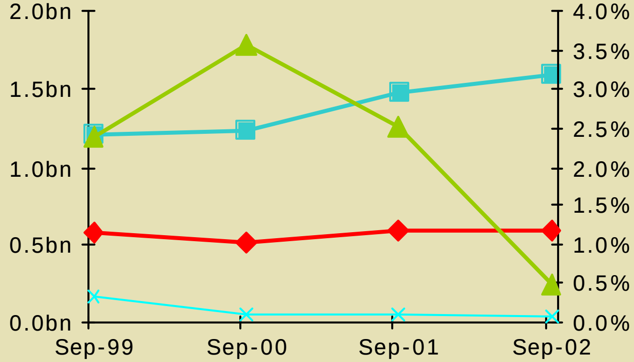
Increased industry diversification



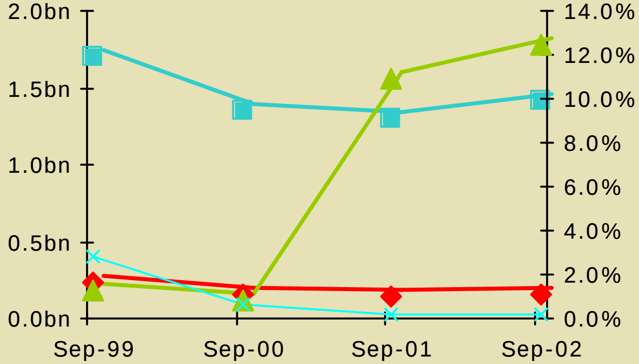
Industry exposures – Australia & NZ

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

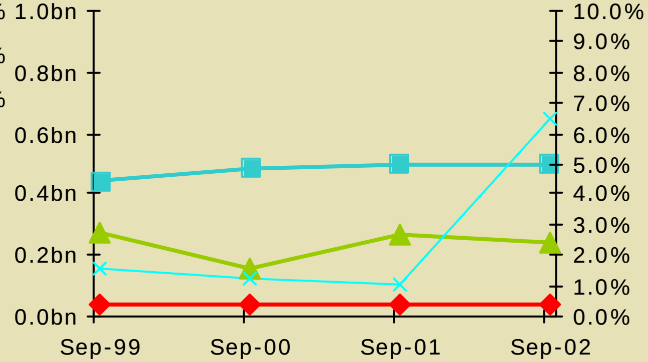
Health & Community Services



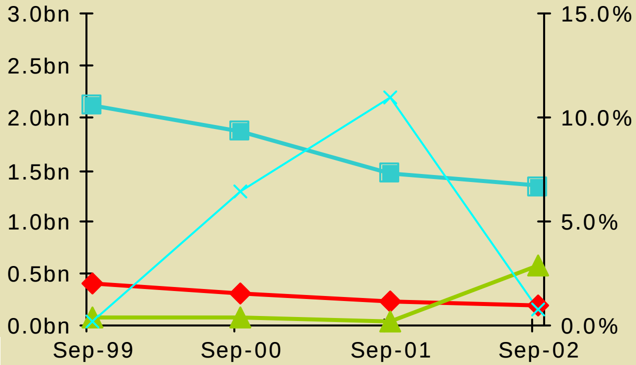
Cultural & Recreational Services



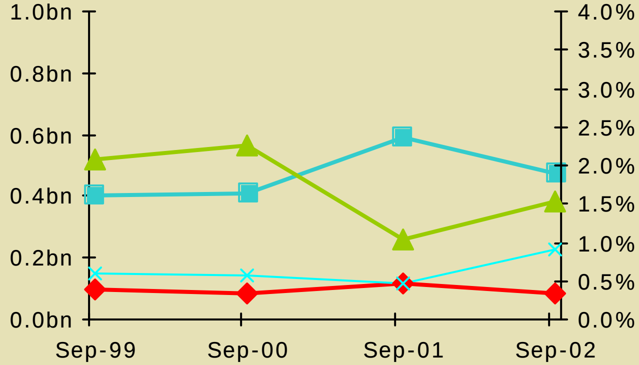
Forestry & Fishing



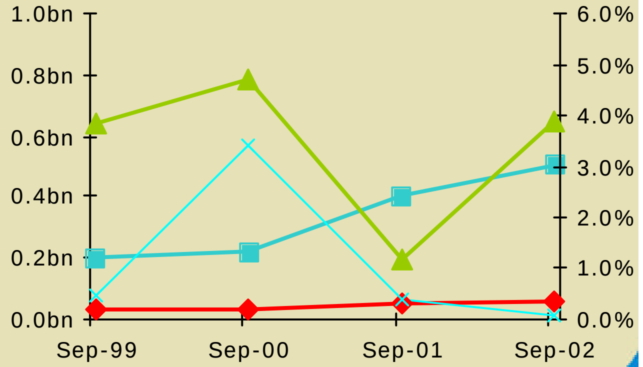
Mining



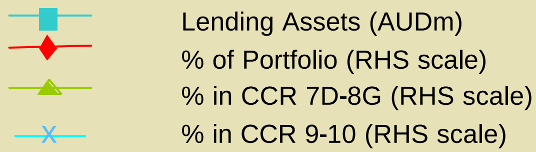
Personal & Other Services



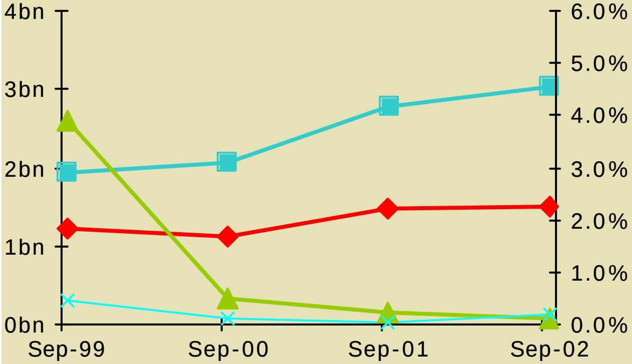
Communication Services



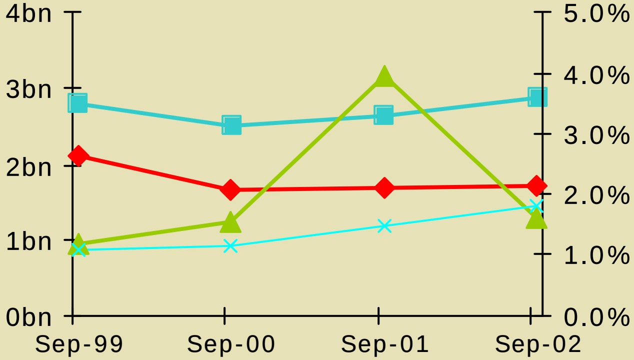
Industry exposures – Australia & NZ



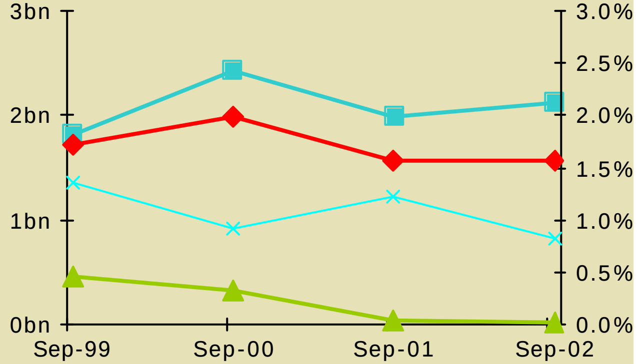
Finance - Other



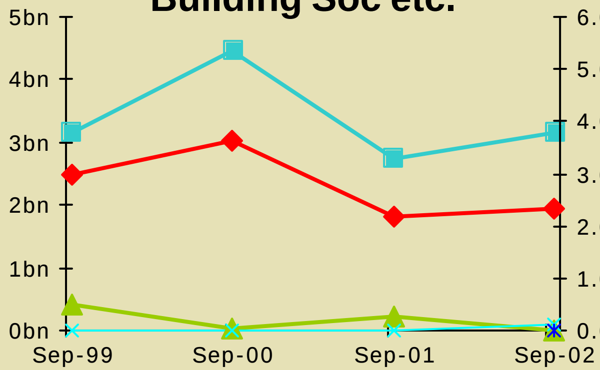
Transport & Storage



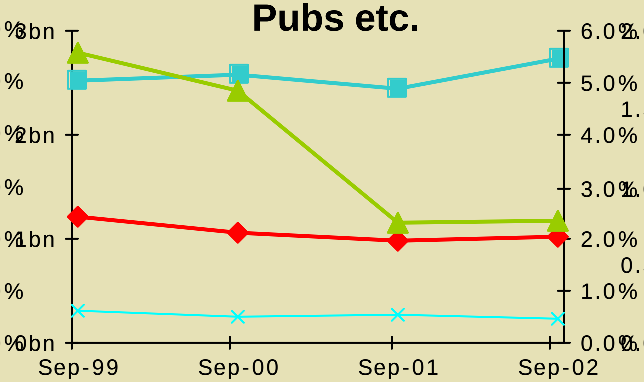
Utilities



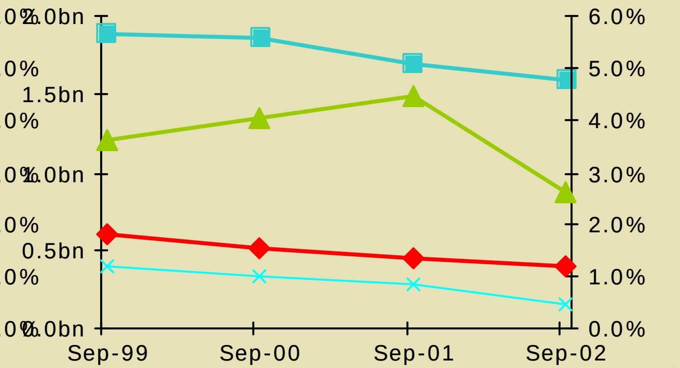
Finance – Banks, Building Soc etc.



Accommodation, Clubs, Pubs etc.



Construction



Industry exposures – Australia & NZ