

Investor Discussion Pack

Mike Smith
Chief Executive Officer

**AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED**

January 2011



ANZ has established a strong business foundation

A clear company wide focus on our super regional strategy:

- Organised our business around three key geographies and our customers p. 3-16
- Maintaining strong businesses in our home markets:
 - Australia p. 17-22
 - New Zealand p. 33-37
- Investing for strong organic growth in Asia p. 23-32
- A redefined and clear focus in our global institutional business p. 38-51
- Supported by a strong capital and funding position p. 52-61
- Strengthened governance and risk systems and an improving credit outlook p. 62-69
- Economic updates p. 70-90

Investor Discussion Pack

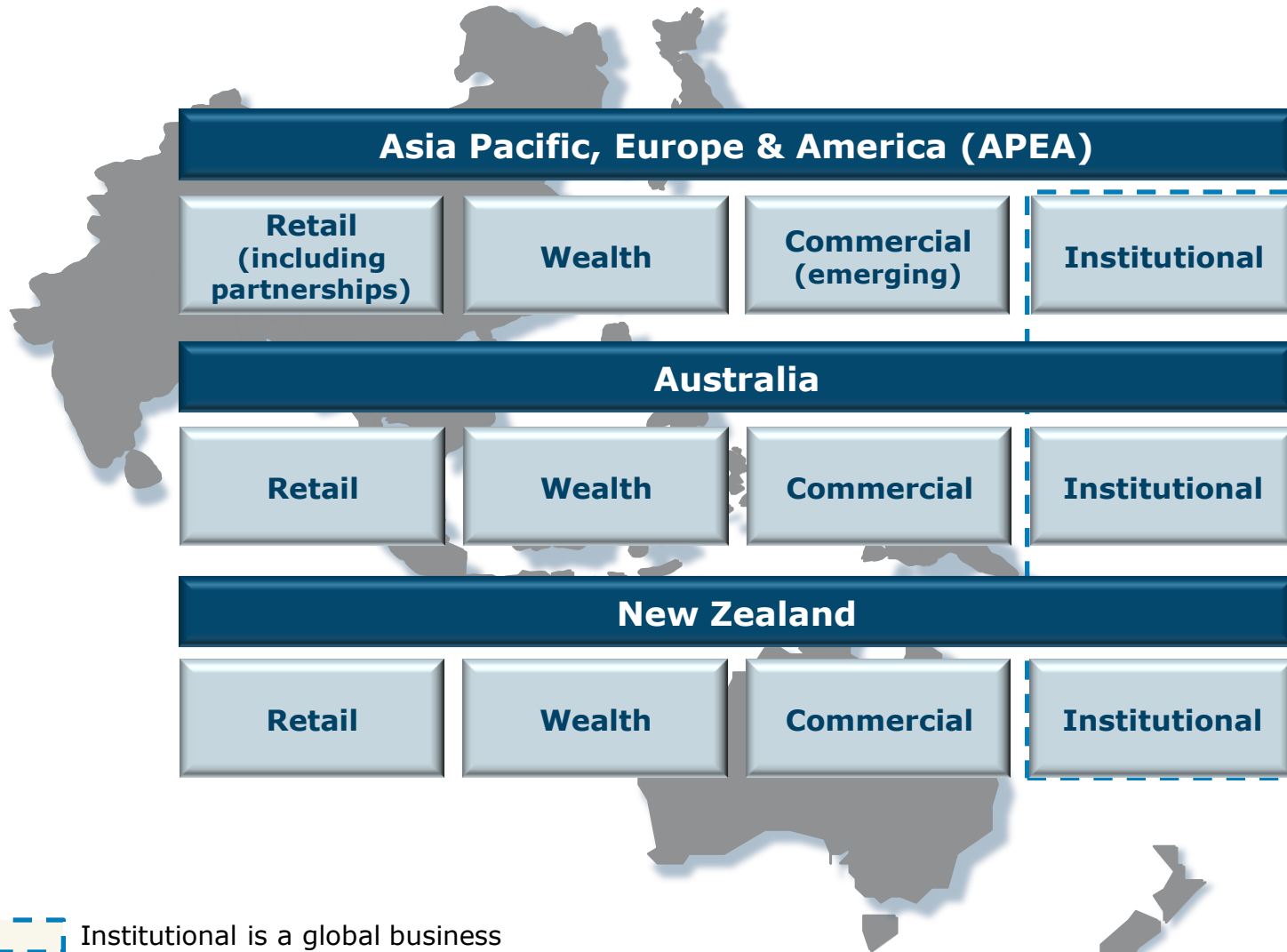
AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED


January 2011

Overview and strategy



ANZ is structured by Geography & Segment



 Institutional is a global business

Super Regional strategy progressing well



Launched December 2007

ANZ target 2012



Super Regional Strategy

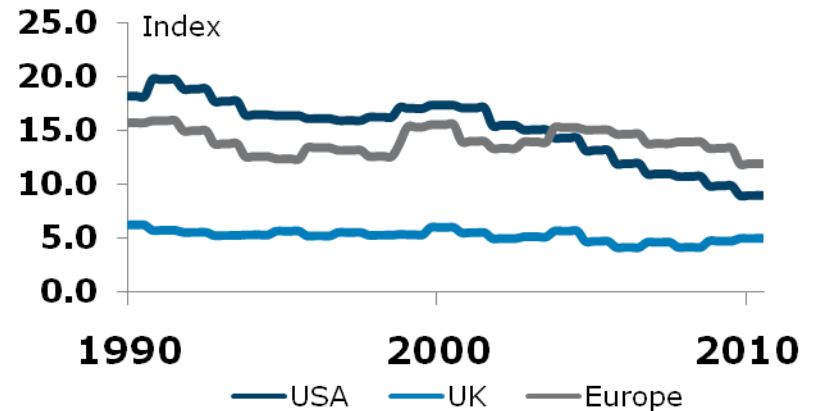
Asian, Australian & New Zealand interconnectedness increasing:

- Following and supporting our customers to the region, developing relationships to work both ends of the trade flows.
- Trade flows between Asia and Australia and New Zealand continue to grow.
- Significant intra-Asia trade flows are also growing

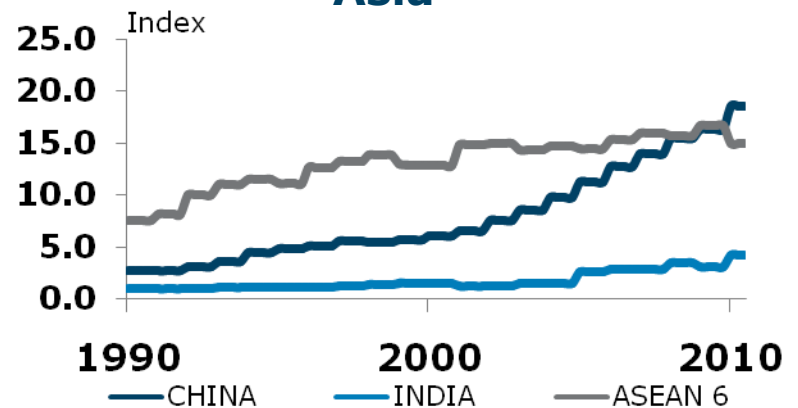
Strengthens and broadens the Group balance sheet:

- Leveraging deep liquidity pools within Asia where there is a higher propensity to save
- Diversifies the balance sheet

Australian 2 way trade weights US & Europe¹

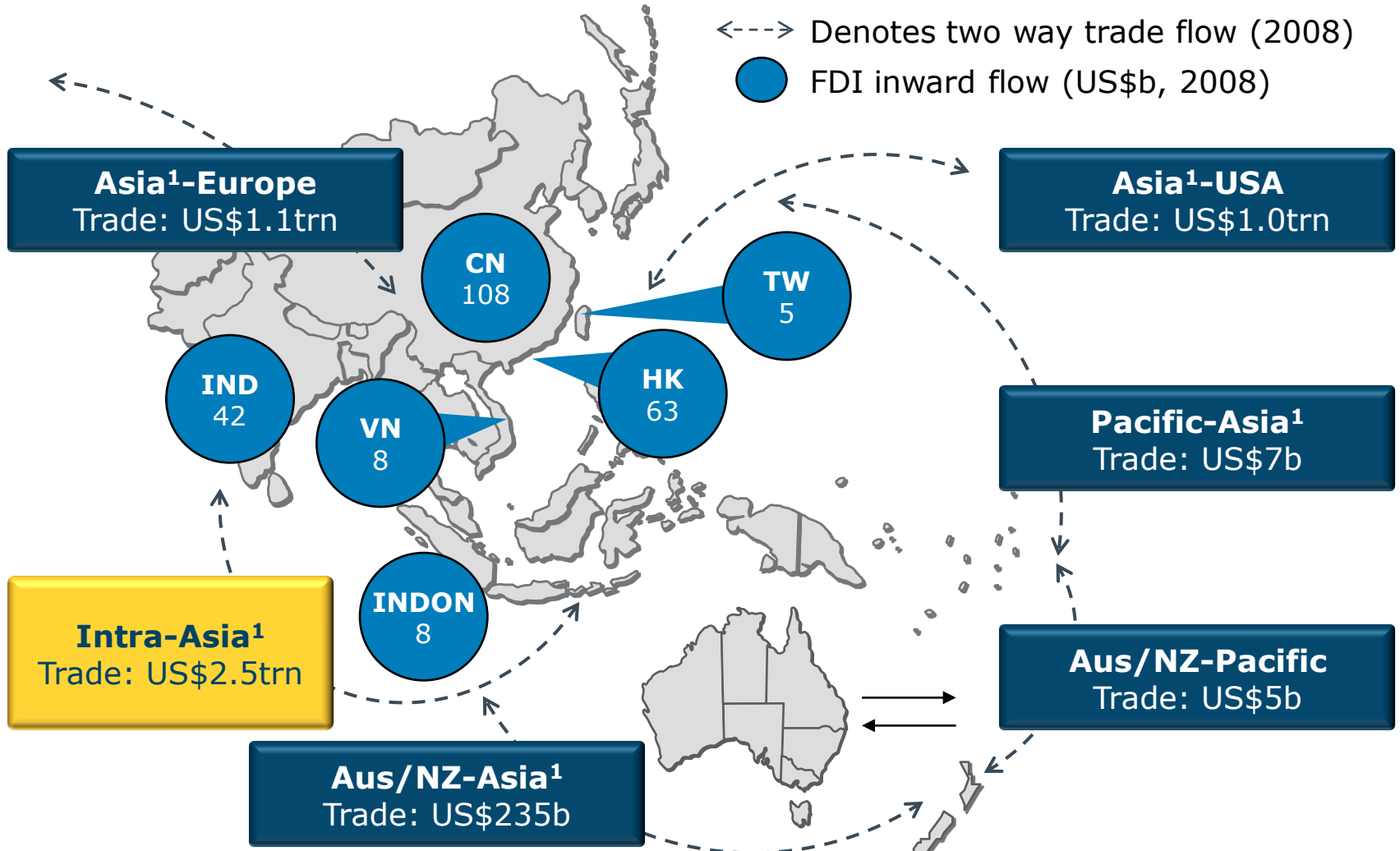


Asia¹



1. Source: ANZ, RBA. ASEAN 6: Singapore, Indonesia, Malaysia, Thailand, Philippines, Vietnam

Regional and intra-regional trade and investment flows are substantive



1. Asia includes China, Cambodia, India, Indonesia, Hong Kong, Japan, Korea, Laos, Malaysia, Philippines, Singapore, Taiwan and Vietnam
 Data source: UN Comtrade database; country statistics; ADB website; press searches; Datamonitor, McKinsey Global Banking Pools, APRA, CEIC

Building a genuinely pan regional business - connectivity provides a competitive advantage

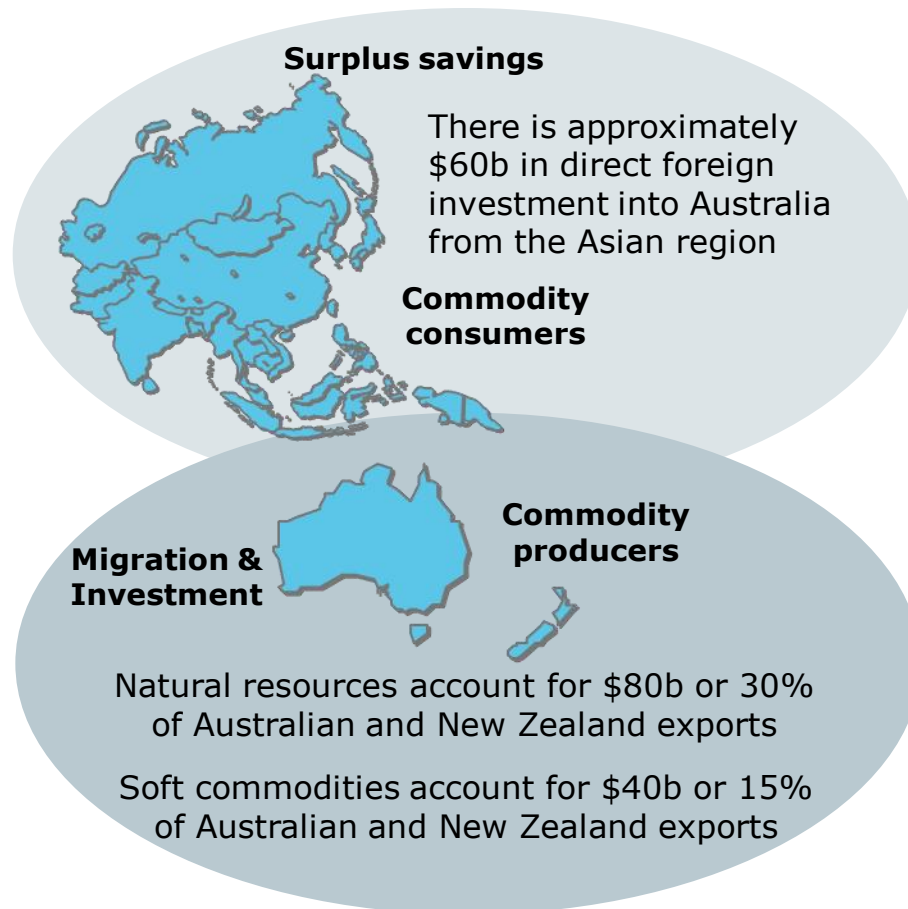
Linked through flows of trade, capital and population

Key focus is to bridge gaps across the region: Asia generates surplus liquidity, Australia and NZ generate hard and soft commodities

Over 50% of domestic customers depend on Asia for over 25% of their business

Strategy extends beyond banking Australia / NZ customers into Asia, we are actively facilitating intra-Asia cash management, trade and markets transactions for Asian customers







Growth in trade and capital flows between Asia and Australia are tracking 17% to 25% pa



Strategy is supported by a disciplined approach to M&A

– RBS Asia acquisition

- Acquired RBS¹ businesses in six countries, aligned with current strategy:
 - Retail, wealth & commercial businesses in Taiwan, Singapore Indonesia² and Hong Kong;
 - Institutional businesses in Taiwan, the Philippines and Vietnam
- Purchase price US\$50m (~A\$60m) premium to fully provided recapitalised net tangible book value³. Equates to ~1.1 x net tangible book value⁴
- Transaction includes ~US\$7bn (A\$9bn) deposits, ~US\$3bn (A\$4bn) loans, ~2m affluent and emerging affluent customers, 49 branches

Country	Business	Branches	Customers	Deposits
Taiwan 	Retail Commercial Institutional	21 & 16 licenses	~1.3m	~US \$2.5b
Hong Kong 	Retail Commercial	5	~30k	~US\$1.4b
Singapore 	Retail Commercial	5	~350k	~US\$1.8b
Indonesia 	Retail Commercial	18	~450k	~US\$700m
Vietnam 	Institutional	-	~60	~US\$20m
Philippines 	Institutional	-	~100	~US4m

- Transaction is largely a sale of assets and liabilities, not companies, of businesses held by ABN-AMRO mainly through branches, RBS will retain a presence in some countries.
- The Indonesian retail, wealth and commercial businesses will be acquired through ANZ's 99% owned subsidiary ANZ Panin.
- Based on RWA calculated by ANZ under a Basel II standardised approach as at 31 May 2009.
- On a fully provided recapitalised basis

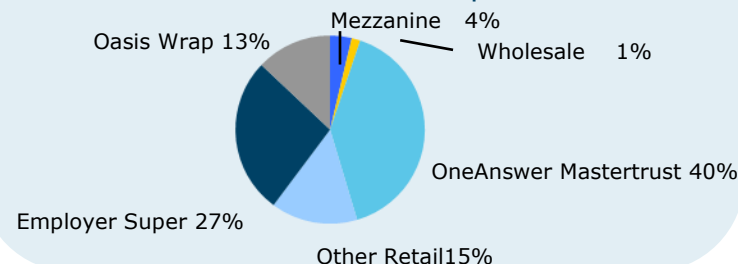
Strategy is supported by a disciplined approach to M&A - ING Australia and New Zealand Joint Ventures

- Acquired ING Groep's (ING) 51% interest in ING Australia and ING NZ (the JVs) for \$1,760m¹
 - ~11x multiple of normalised 2008 earnings²
 - 1.2x multiple of embedded value (EV)³
- Cash EPS accretive in FY10⁴
- Delivered immediate scale – FUM, In-force premiums, and distribution
 - ~\$42b of FUM, \$1.3b of in-force premiums
 - ~1,700 aligned dealer group advisers (Aus)
 - Historically around 2/3rd of operating income from wealth management, one third from risk
 - Australia – No. 3 in life insurance⁵, No. 5 in retail funds mgt, largest aligned adviser force
 - New Zealand – No. 5 in life insurance⁵ largest KiwiSaver provider, No. 2 funds manager
- Funded from existing resources, capital impact ~ (70)bps, pro forma Tier 1 post acquisition 9.5%⁶
- Transaction completed 30th November 2009
- Announced OnePath branding August 2010

Australia

Acquired ING's 51% in ING Australia manufacturing and distribution of investment life & GI products, the Equity owned advisor networks and administration platforms

Australia FUM: \$39b



New Zealand

Acquired ING's 51% in ING New Zealand: Wealth Management and Retail, Wholesale and Property Investment Management

1 Purchase price. Separately ANZ made a payment of \$55m to acquire ING's share of the NZ Diversified Yield Fund (DYF) & Regular Income Fund (RIF) redeemable preference shares 2 Earnings for the year to 30 September 2008 incorporating normalised long term expectations 3 As at 31 December 2008 4 Based on current share price 5 By in-force premium share 6 As at 30 June 2009 adjusted for \$2.2b SPP and impact of RBS acquisition

Strategy is supported by a disciplined approach to M&A

- Landmark Loan and Deposit book

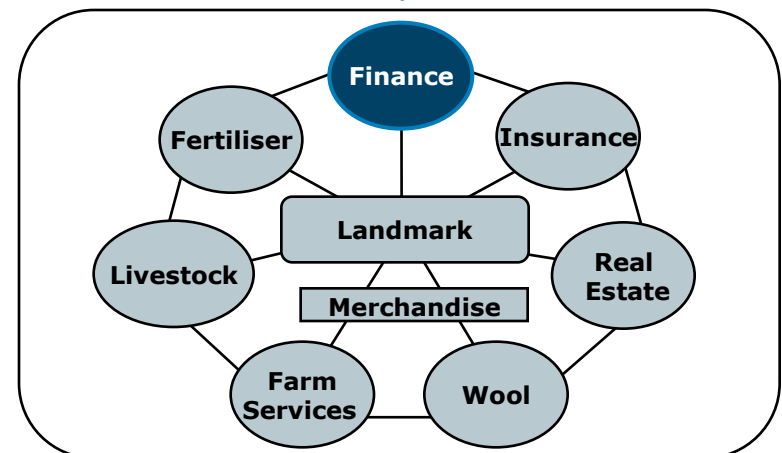
Overview of transaction

- Acquisition of Landmark Financial Services (LFS) loan and deposit book from AWB's rural service business Landmark:
- Net book value on fully provided, nil premium basis
- ~\$2.2b lending assets & ~\$0.4b deposits
- ~10,000 banking customers
- ~100 Relationship Management Staff
- ~45 Support staff
- ANZ / Landmark to enter exclusive customer referral agreement:
- Access to ~100,000 Landmark rural service customers (~85% of Australian farming entities)
- Access through extensive network

Overview of Landmark

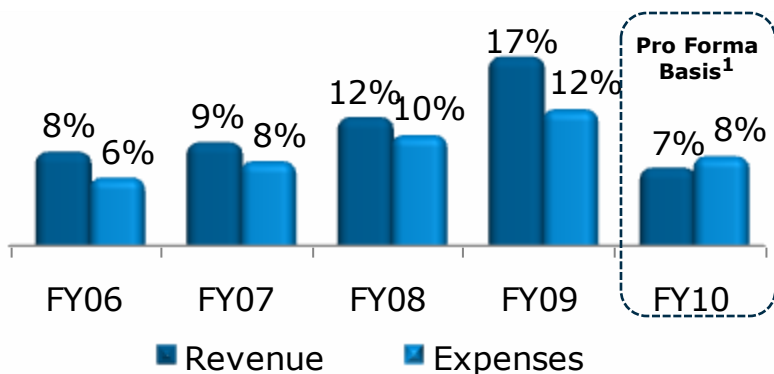
- Leading Australian agribusiness company, offering merchandise, fertiliser, farm services, wool, livestock, finance, insurance and real estate
- Largest distributor of merchandise and fertiliser, with ~2,000 employees servicing ~100,000 clients across over 400 outlets

Acquired the LFS loan and deposit books, the lending and deposit taking divisions of Landmark

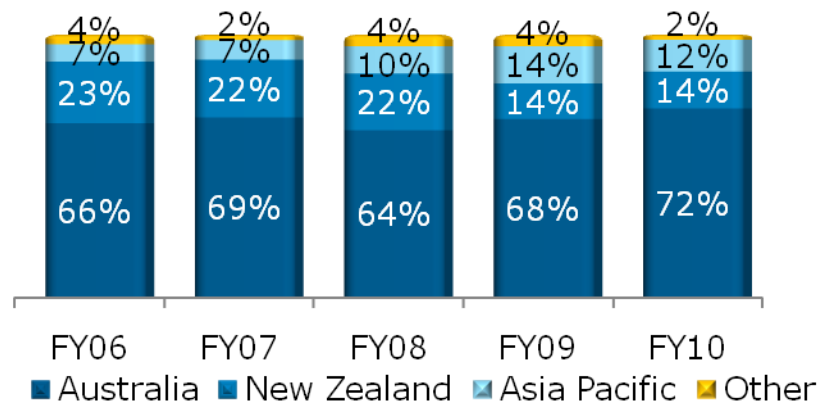


ANZ has continued to invest for growth notwithstanding recent tougher economic conditions

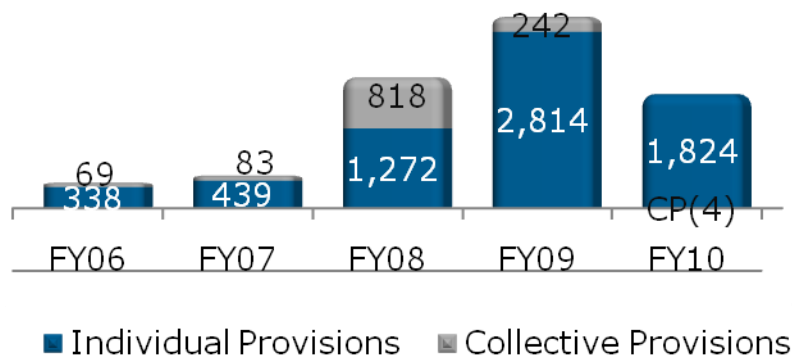
Revenue and Expenses



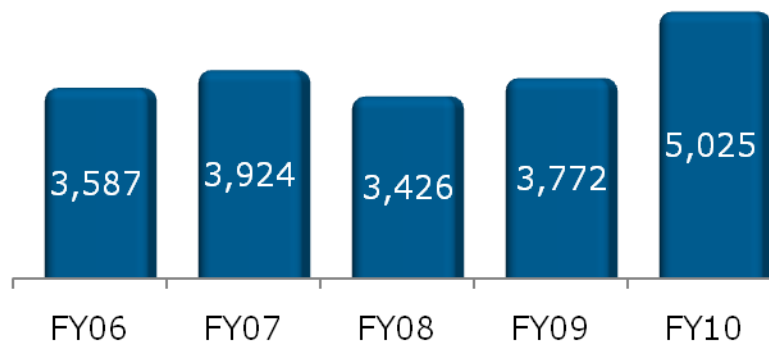
Net Profit by region



Provision charges



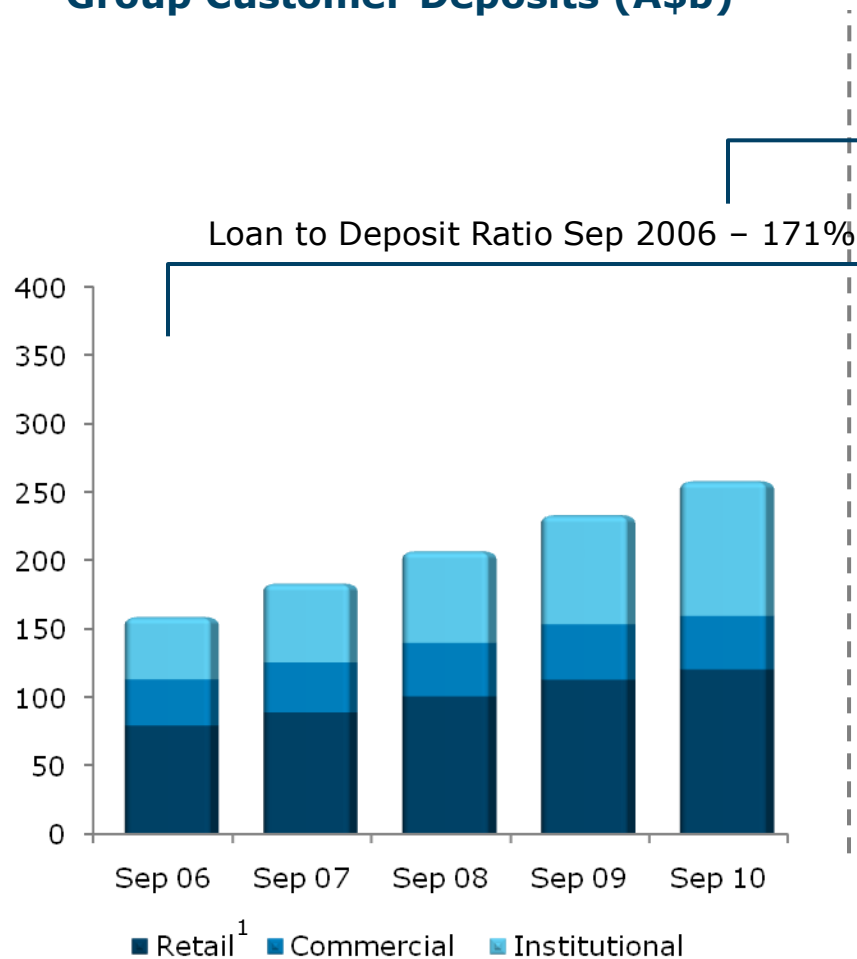
Net Profit after tax²



1. Pro forma basis assumes ING Australia and New Zealand, Landmark and Royal bank of Scotland Asia acquisitions took effect from 1 October 2008 and also adjusts for exchange rate movements which have impacted the FY10 results.
2. FY06-07 presented on a cash basis, FY08-10 presented on an underlying basis adjusted to reflect the ongoing operations of the Group.

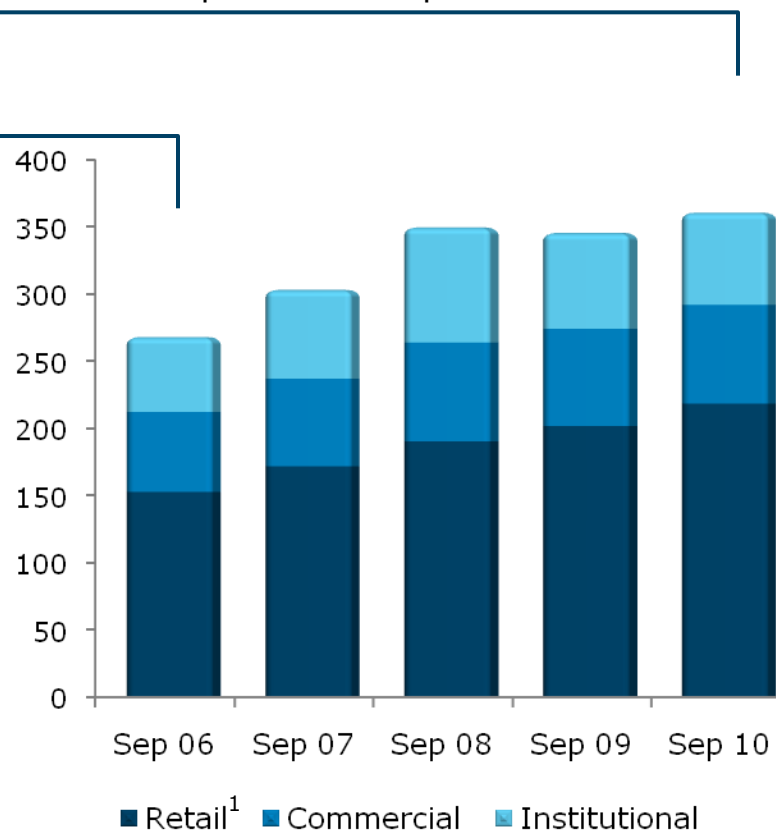
Group loans and deposits

Group Customer Deposits (A\$b)



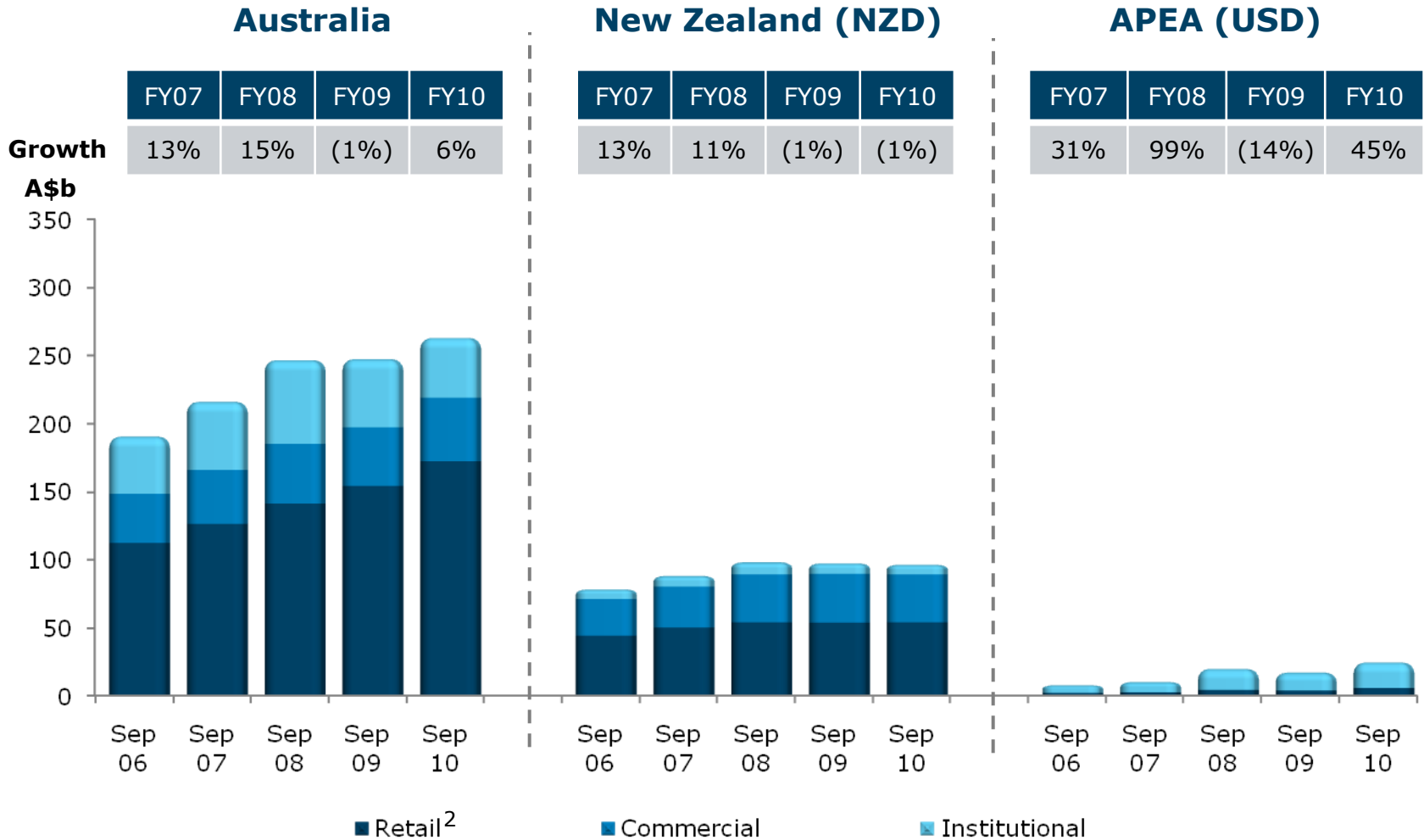
Group Net Loans and Advances (including acceptances) (A\$b)

Loan to Deposit Ratio Sep 2010 – 140%



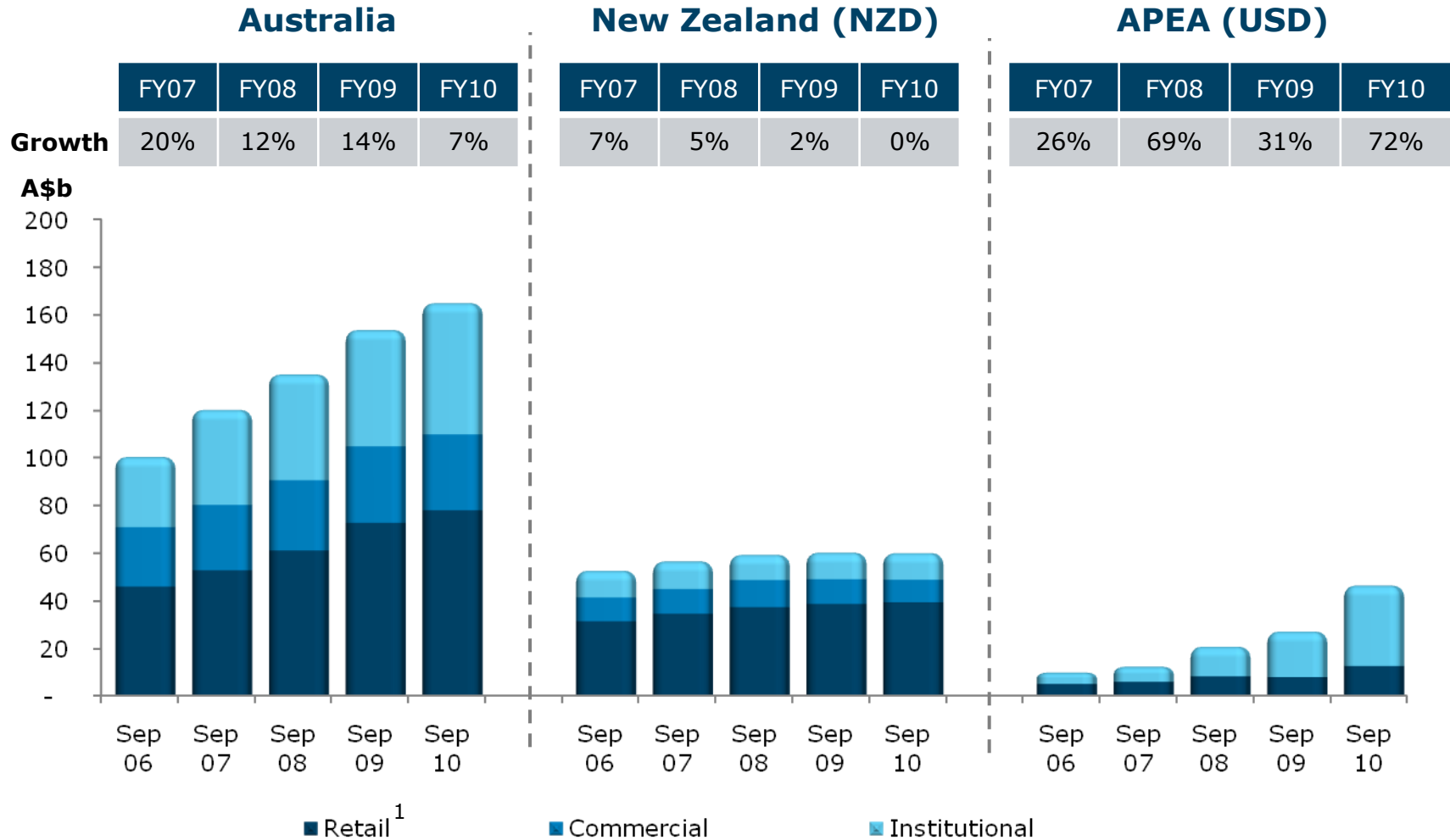
1. Includes Wealth and Other

Net loans and advances¹ by geography



1. NLAs include acceptances 2. Retail includes Wealth and Group Centre

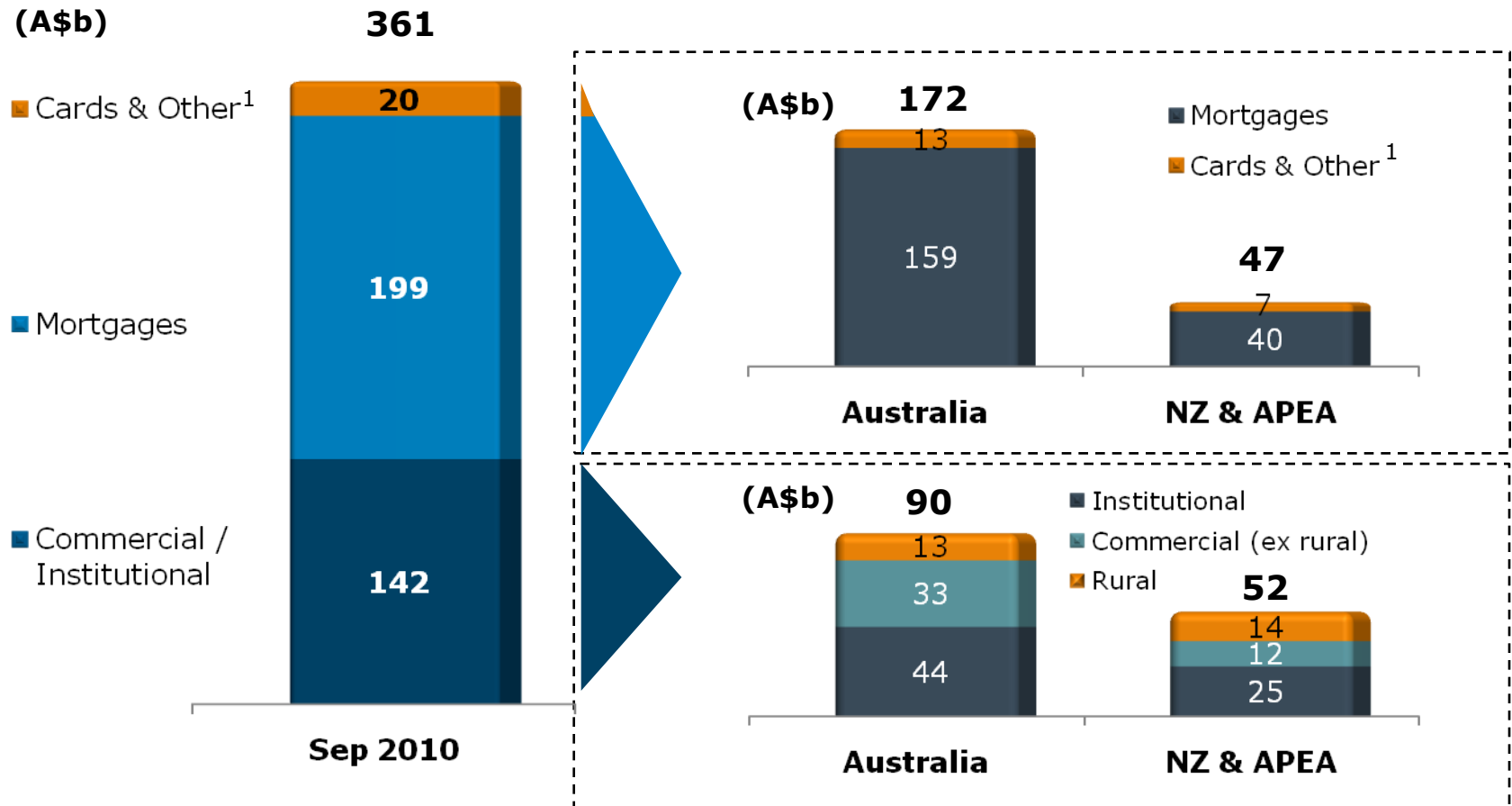
Customer deposits by geography



1. Retail includes Wealth and Other

Diversified lending portfolio, weighted to secured mortgage portfolio

Net Loans and Advances (including acceptances) by product line



1. Includes Wealth.

Investor Discussion Pack

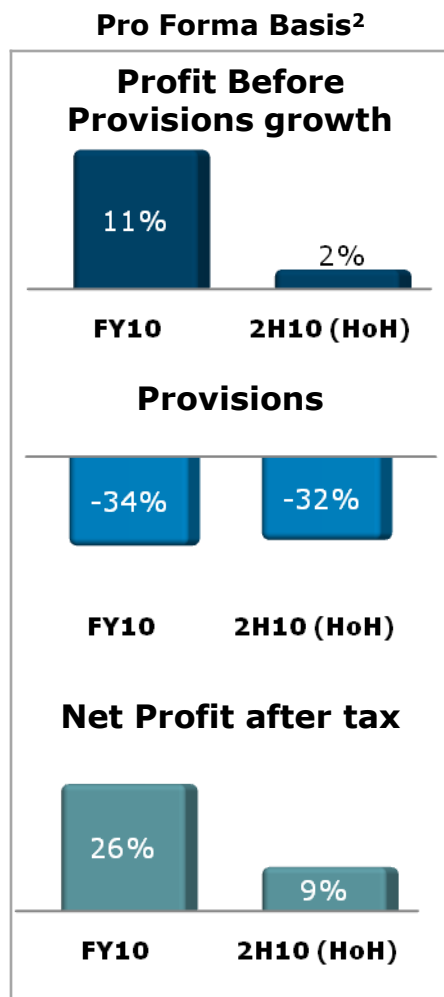
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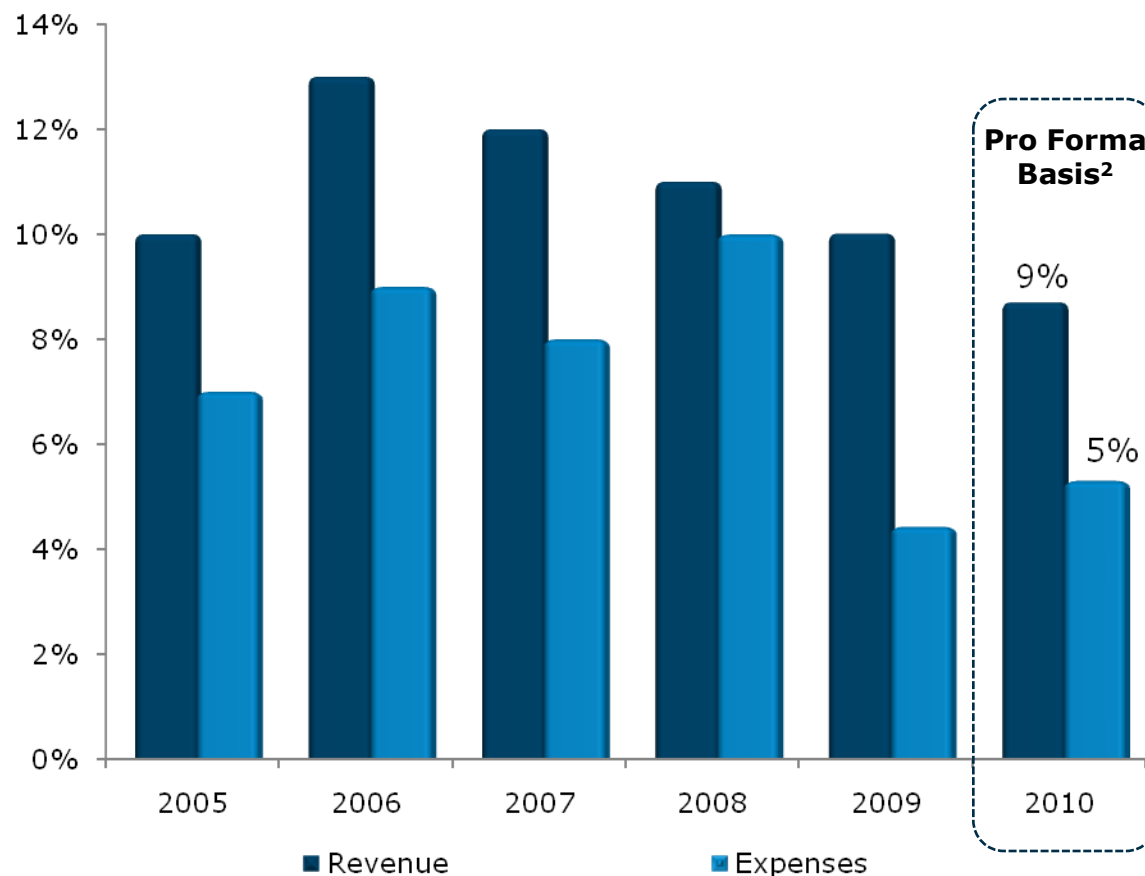
Australia Division



Australia Division – high value strategy has delivered



Australia Division Revenue & Expense growth¹



1. 2005 to 2008 based on "Personal Division" structure, 2009 and 2010 based on "Australia Division" structure,
 2. Pro forma basis assumes ING Australia and New Zealand and Landmark a acquisitions took effect from 1 October 2008.

ANZ's Super Regional strategy provides opportunities across our Australian business

Retail

- By 2015 15% of the Australian population will be of Asian origin
- Student volume is driving much of the in-flow from Asia (particularly China, India and Korea)
- Implementation of a global retail operating model coupled with supporting infrastructure

Wealth

- Differentiated services for Asian customer segments linked to our regional proposition and product offer including the Private Bank

Commercial

- Over 50% of domestic customers depend on Asia for over 25% of their business
- Links into our Institutional strategy – supported by investment in trade, cash and markets products
- Customer insight in particular around resources, agriculture and infrastructure

Migrant banking platforms

In-country Business Development Managers

Asian banking specialists across major capital cities

Cultural competency education programs

Regional product propositions

Private Bank

Building Common products & platforms

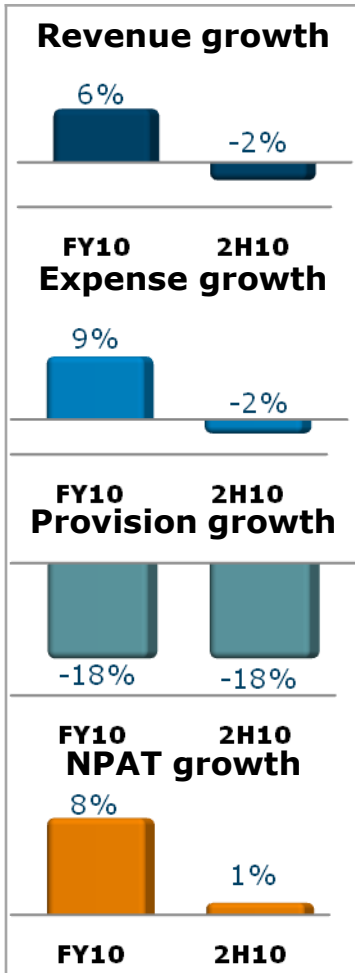
Building Common strategic disciplines

Regional customer proposition

Regional talent pool

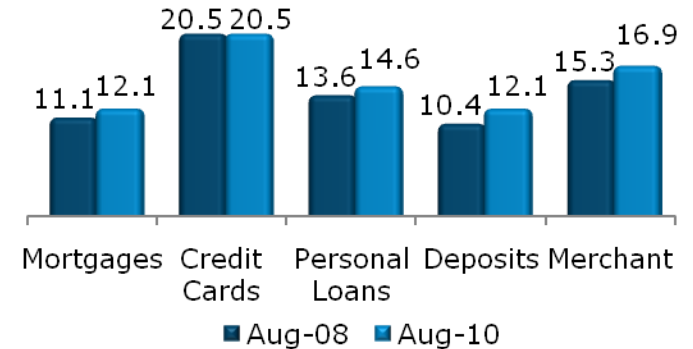
Retail building on a strong customer franchise, revenues impacted by fee changes and higher cost of funds

Pro Forma Basis³

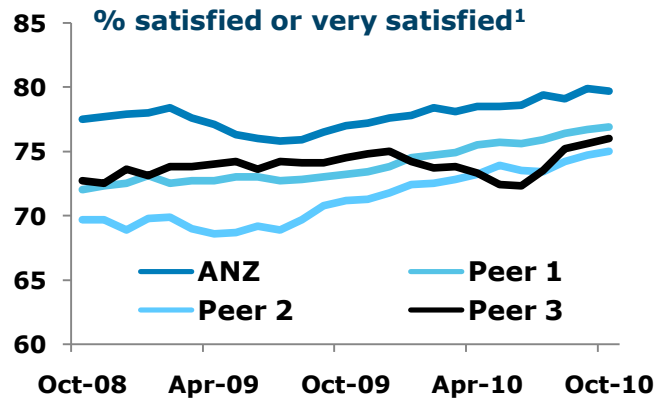


- iKnow platform providing frontline staff with improved customer insights and support
- Renewed focus on customer service and execution in Mortgages. More in-branch and Mobile Managers and increased investment in back office support
- Deposit growth delivered through disciplined strategy
- New products and packages including Merchant EPOS, GoMoney iPhone app, ANZ Extras package and prepaid cards

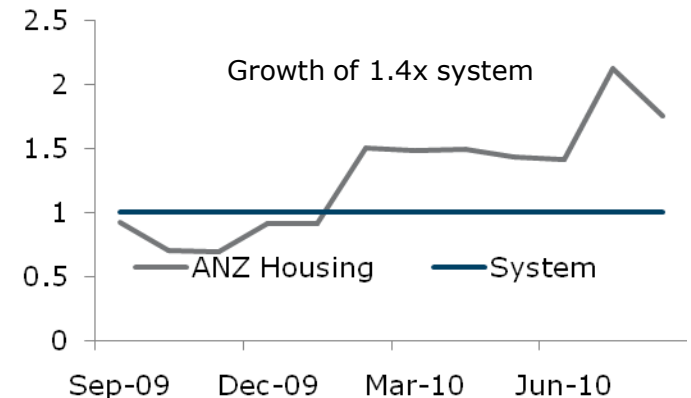
Market share² (% of market share)



Leader in customer satisfaction amongst the major Australian banks¹



2010 mortgage growth (Multiple of system)³



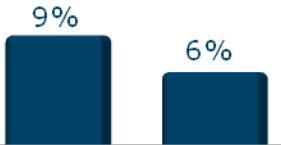
1. Roy Morgan Research ; Aust Main Financial Institution Pop'n aged 14+, % satisfied (very or fairly satisfied), rolling 6 months
 2. APRA / RBA statistics, Cannex. 3. APRA statistics
 3. Pro forma basis assumes ING Australia and New Zealand and Landmark a acquisitions took effect from 1 October 2008.



Australia: Commercial

Pro Forma Basis³

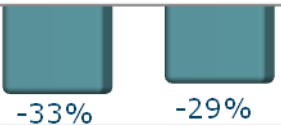
Revenue growth



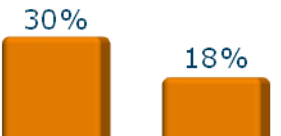
Expense growth



Provision growth



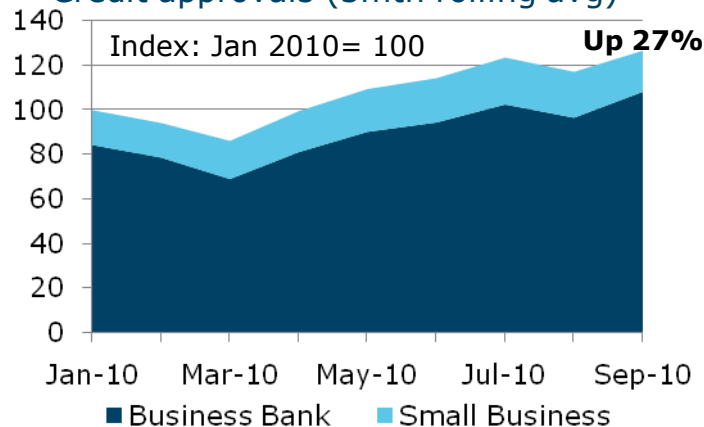
NPAT growth



- Acquired Landmark Financial Services (\$2.2bn lending, \$400m deposits)
- Invested in more small business specialists.
- Esanda transitioned to a purely auto financier with business equipment asset finance now in ANZ Commercial channels
- Commercial Banking lending growth of 10% (5% ex. Landmark)
- Deposits relatively flat, impacted by debenture run-off in Esanda (\$1.5bn from FY09)

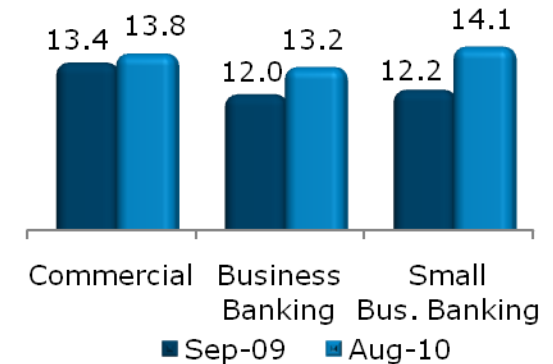
Credit approvals increasing

Credit approvals (3mth rolling avg)³

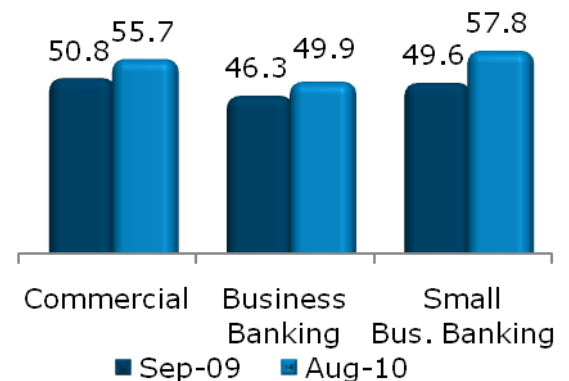


Growing market share¹

(% of market share)



Growing share of wallet²



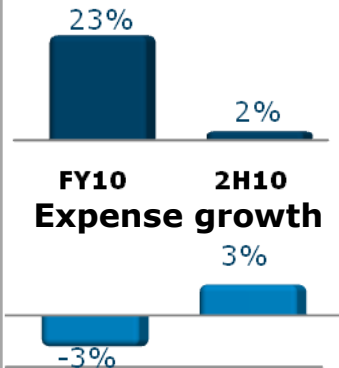
1. DBM Business Financial Services Monitor, overall lending and deposit FUM,
 2. Finance industry statistics, 3. Business Bank and Small Business Banking.
 3. Pro forma basis assumes ING Australia and New Zealand and Landmark a acquisitions took effect from 1 October 2008.



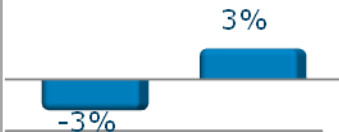
Australia: Wealth

Pro Forma Basis¹

Revenue growth



Expense growth

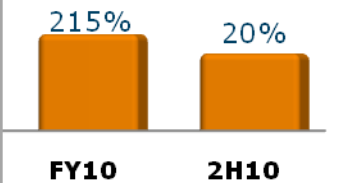


Provisions

FY10: 36m credit vs FY09 charge of 67m

2H10: 33m credit vs 3m credit in 1H10

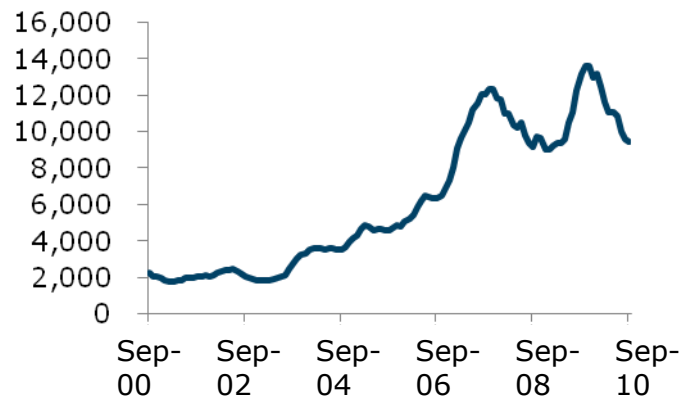
NPAT growth



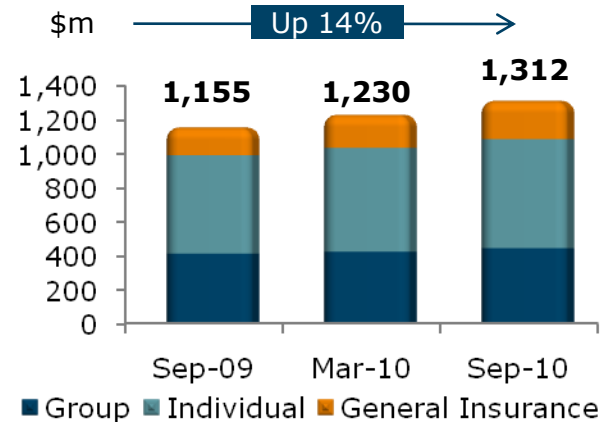
- ANZ assumed full ownership of ING's superannuation, investment and insurance businesses
- Combined with ANZ Private and Investment & Insurance businesses to form a single Wealth unit
- Strengthened customer proposition, offering manufacturing and distribution of investment and insurance products and advice, private banking, trustees, investment lending and E*TRADE broking.

E*Trade volumes

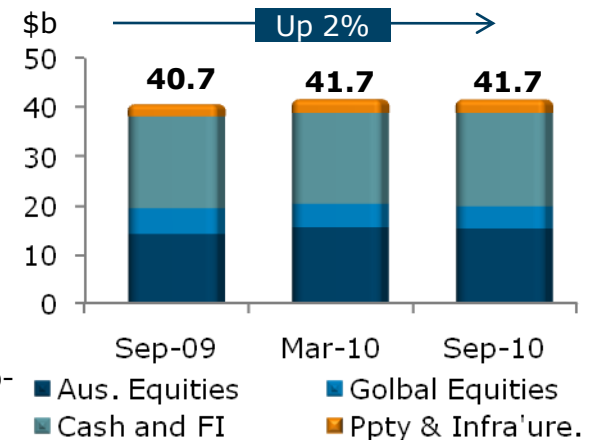
contract notes per day (6 month avg)



Insurance in-force premiums



Funds under Management



1. Pro forma basis assumes ING Australia and New Zealand acquisition took effect from 1 October 2008.

Investor Discussion Pack

**AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED**

January 2011

**The Asia Pacific Europe & America
Division**



Deep onshore presence and strong network model delivers connectivity to clients

Franchise Markets

Core markets for Institutional, Commercial, Retail & Wealth

- Greater China
- Greater Mekong¹
- India
- Indonesia
- Malaysia
- Pacific

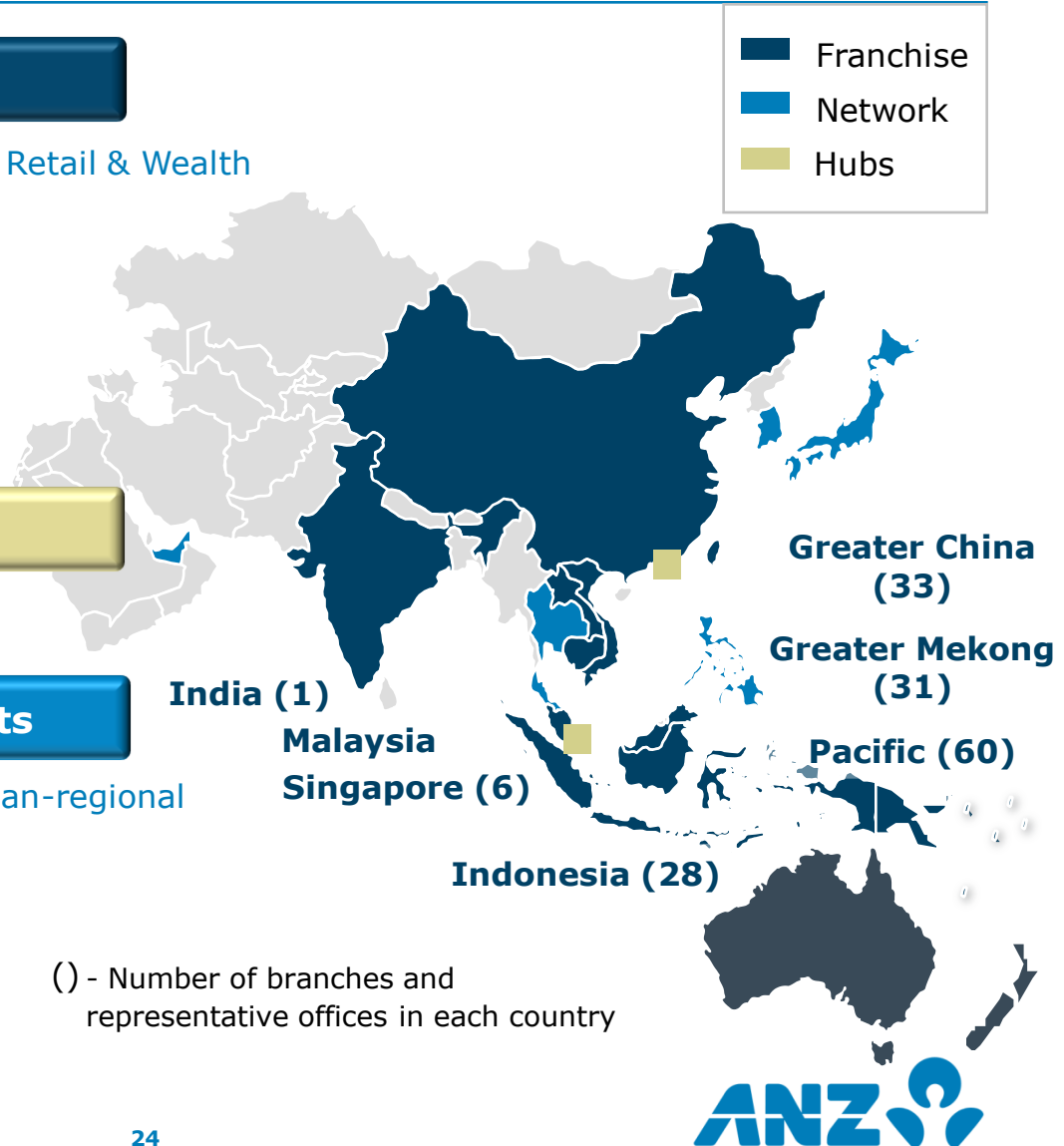
Regional Business Hubs

- Singapore
- Hong Kong

Institutional Network markets

Network markets are crucial to delivering pan-regional integrated solutions to clients

- Korea
- Japan
- Philippines
- Thailand
- UAE
- Europe
- America



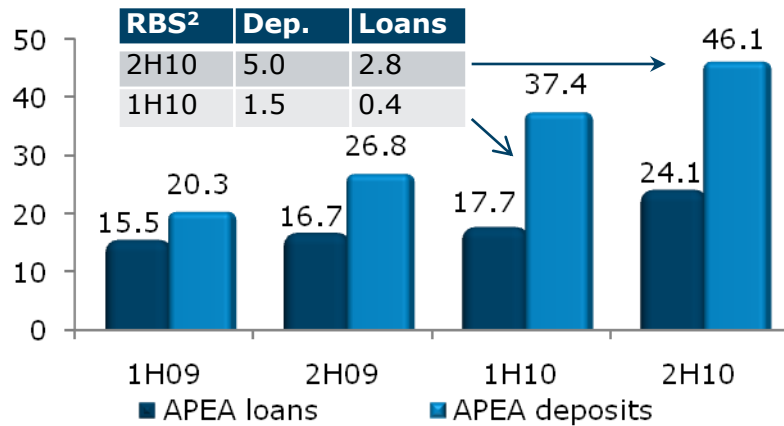
1. Focus on Vietnam

Since 2008, we have prioritised our build out, enabling us to become a credible competitor

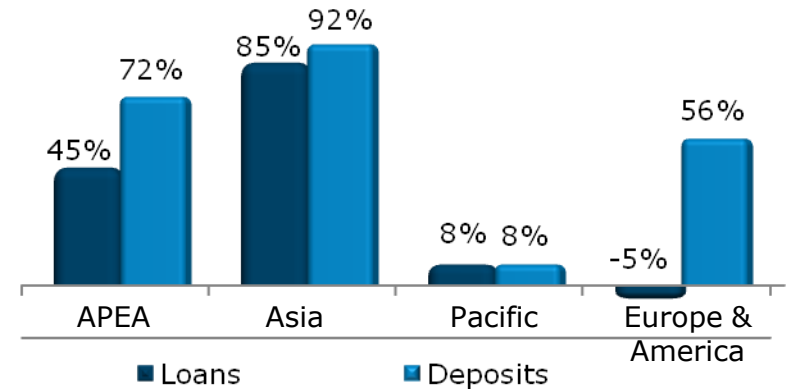
	1H 2008	Today
South and South East Asia	<ul style="list-style-type: none"> • Institutional network • Formed partnership with AmBank 	<ul style="list-style-type: none"> • Pan-regional Institutional/commercial business • Top 4 foreign bank in Indonesia • Largest foreign bank franchise in Greater Mekong • Pre-approval for Indian banking licence • AmBank an outperformer
North East Asia, Europe & Americas	<ul style="list-style-type: none"> • Limited Institutional business • Two branches in China • Stand alone Europe & America business 	<ul style="list-style-type: none"> • Pan-regional institutional banking network and customer base • Taiwan –full franchise • China – Branches in top 4 cities + rural bank • Europe & America - Interconnectivity
Hubs	<ul style="list-style-type: none"> • Limited institutional business with few customers • Ex-pat focused Private Bank 	<ul style="list-style-type: none"> • Deep on shore Institutional capability • Full Retail and Wealth, Private Bank and Commercial businesses • Full banking license in both Hubs

APEA: Balance sheet momentum¹

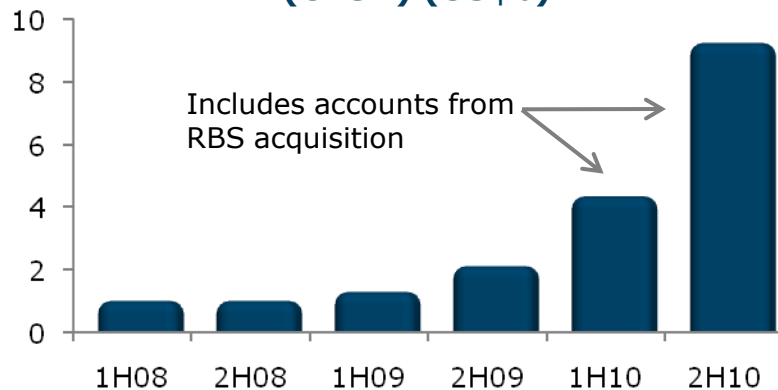
APEA loans & deposits (US\$b)



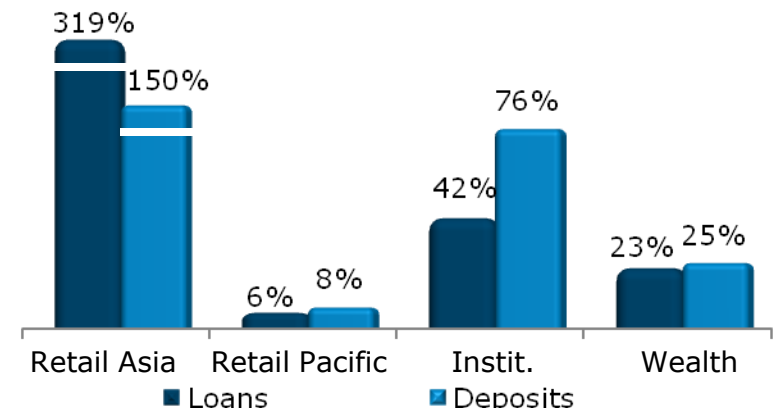
2010 loan and deposit growth by region



APEA Current & Saving accounts (CASA) (US\$b)



2010 loan & deposit growth by segment



1. All figures based on USD financial information. 2. loans and deposits (in US\$b) for the RBS acquisition, includes Vietnam, Philippines & Hong Kong in 1H10, Taiwan, Singapore & Indonesia in 2H10

Business strategy allows for efficient use of APEA's liquidity surplus

Business Strategy

- Focus on affluent and emerging affluent client segments
- Building a substantive DCM and Cash Management capability and investor client base

Efficient use of APEA Liquidity surplus

This focus allows us to:

- Fund our own regional growth in a less expensive and sustainable way
- Take Australian and New Zealand clients to the Asian debt markets
- Opportunity to provide Australian and New Zealand clients with diversified funding structures, through assets written in Asia
- Access deep pools of liquidity throughout the region in particular in North East Asia (e.g. Japan, Taiwan)
- Contribute positively to the Group balance sheet

Becoming a top four Institutional bank in Asia Pacific

Customer Segments

Institutional
MNC / Regional Corporate

Commercial
Emerging Corporate / SME

Financial Institution
& **Public Sector**

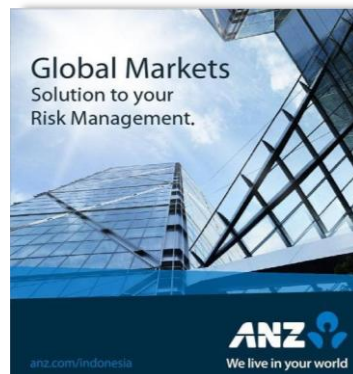
ANZ. Your natural
resources bank.



Value Proposition

- Be a core wholesale bank to our clients
- Leveraging our strengths:
 - Regional network and connectivity
 - AA rating
 - Deep insights – geographic, industry, client
 - Experienced Asian bankers
- Out-deliver on service and speed
- Focused and deep product capabilities – Cash, Trade, Rates and FX, Commodities and Debt Capital Markets



Global Markets
Solution to your
Risk Management.



Trade & Supply
Chain Services
Financing solutions that fit
your business needs.



We are delivering for Institutional and our clients across Asia and the Pacific

Regional Connectivity	Examples
European and US Multinational companies accessing Asia	 <ul style="list-style-type: none"> • Mandated Lead Arrangers with BNP and HSBC • US\$411m (2.7x launch size)-maiden Asian syndication bond
Asia Funding for Australian and New Zealand institutional clients	 <ul style="list-style-type: none"> • Raised US\$1,100m (3.7x launch size), most investors new to client • Demand driven by companies with strong Asian business links
Asian migration into Australia and New Zealand – trade, investment and people	  <ul style="list-style-type: none"> • Lead arranged the 3-year club syndication refinancing facility for LaSalle Investment Management Asia's 50% stake in Westfield Doncaster Retail Mall.
Intra-Asia trade and investment flows	 <ul style="list-style-type: none"> • Joint lead managers for NZD225m Kauri bond issuance • Demand from New Zealand (59%) and Asia (37%)
Intra Pacific and Asia deals	 <ul style="list-style-type: none"> • Lead arranger of US\$14b financing for PNG LNG project • Largest debt raising in Asia Pacific

Our Retail & Wealth and Private Bank will deliver local and regional banking to the affluent in each market

Customer segments

- HNW, Affluent & Emerging Affluent
- Owners, management and staff of our institutional and commercial clients

Retail and Wealth



Position and Value Proposition

- Three critical value proposition themes – “Understands and recognises me”
- Based upon relationships, customer advice not product led
- Accessible across the region – Pan regional Signature Priority Banking branches
- Banking the family
- Meeting the holistic financial needs – savings, protection to credit

Private Bank



- A trusted advisor with an understanding of personal, professional and business needs
- Leveraging ANZ’s Institutional and Commercial business to attract customers

Five key partnerships expand our organic agenda

Partnership Model

- Significant influence
 - Exposure to growth markets and segments we can't currently access
 - ANZ adds value through
 - leadership & management,
 - product development,
 - technical expertise and
 - two way customer flows
- 
- Solid financial returns for ANZ
 - Potential for long term strategic positioning



- ✓ Double play in high growth, high return market
- ✓ Focus on our key segments (Commercial, Affluent & Emerging Affluent)



AmBank Group

- ✓ Scale (Number 5 by assets & deposits) in a closed market
- ✓ ANZ significant driver of leap in performance (market cap increase 56.4% 2008 – 2010)



- ✓ Exposure to Shanghai – Top Commercial / Wealth City in China
- ✓ Focus in Commercial & Retail segments complements our organic focus

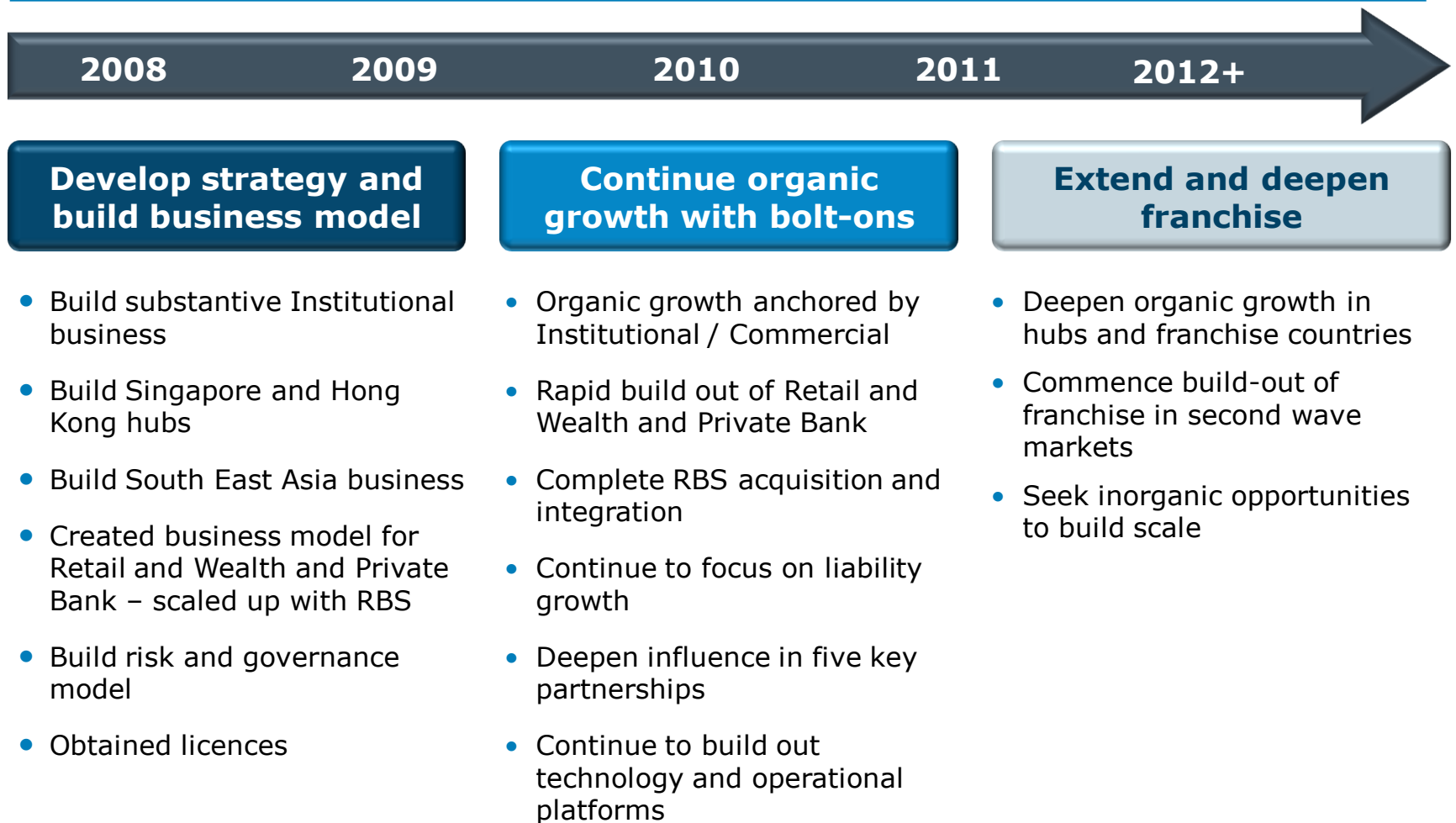


- ✓ Play on fourth largest city Commercial Centre in China
- ✓ Provides exposure in a market in which we do not have a branch presence



- ✓ Fourth largest credit card issuer
- ✓ Provides access to profitable segment of retail market

Organic growth a key driver of strategy



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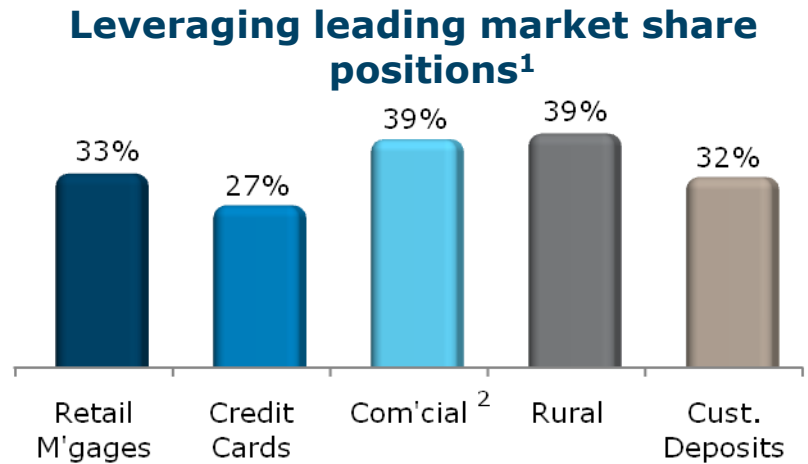
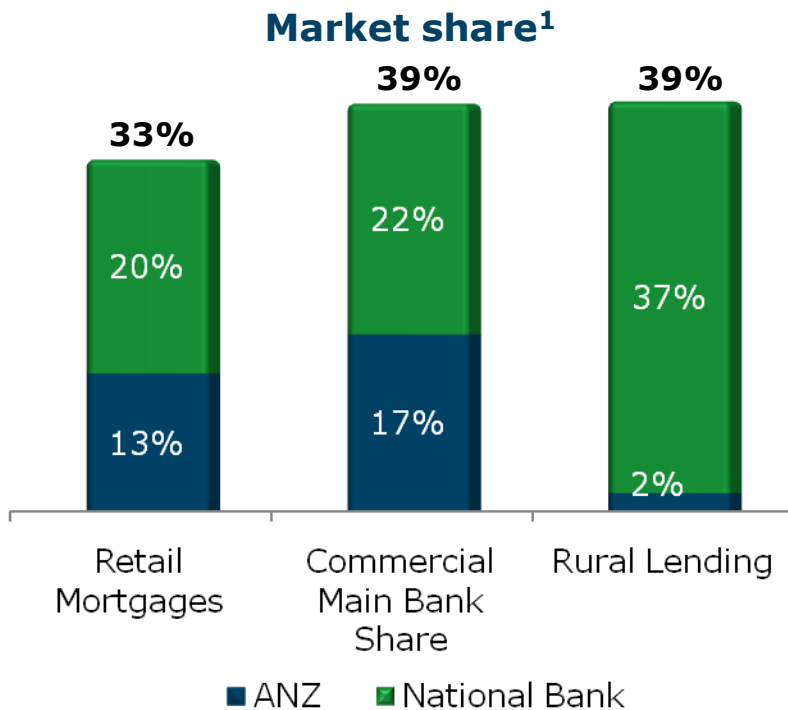
January 2011

The New Zealand Division



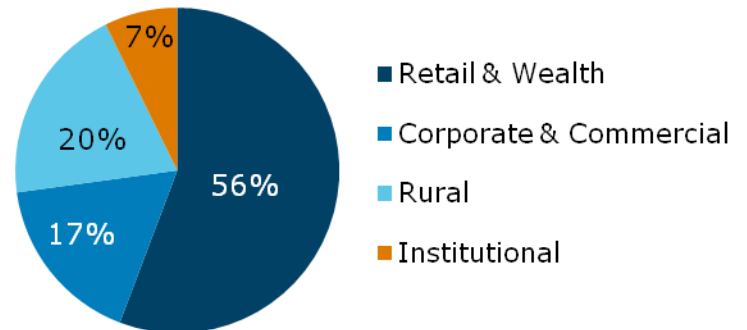
Our strategy is to fully leverage ANZ's leading market position to deliver superior growth and returns

Two strong banking brands with a powerful market presence



Well diversified portfolio, weighted to Residential Property

Net Loans & Advances including Acceptances
March 2010

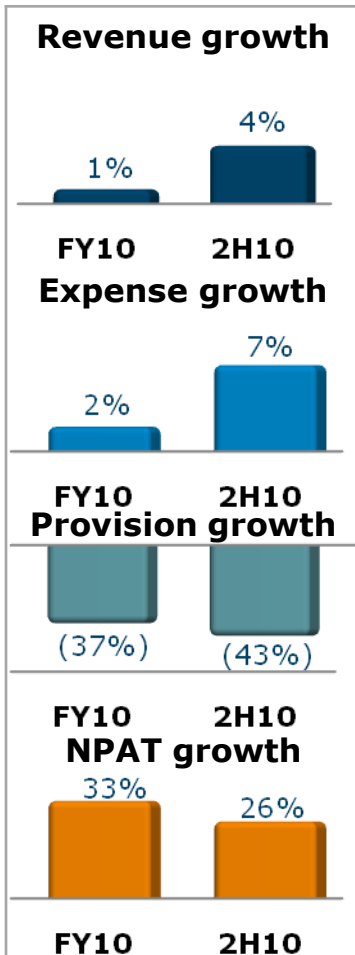


1. RBNZ and TNS New Zealand Ltd Business Finance Monitor 2. Commercial Main Bank Share



New Zealand - Retail & Wealth

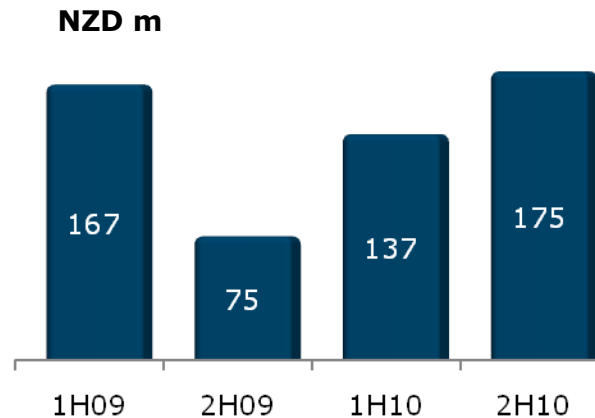
Pro Forma Basis²



Retail

- Asset growth flat, system growth rates subdued
- Income impacted by removal of exception fees, margins improving, costs impacted by marketing phasing
- Share of new mortgage business increasing in the <80% LVR market and overall mortgage growth in the later part of 2010

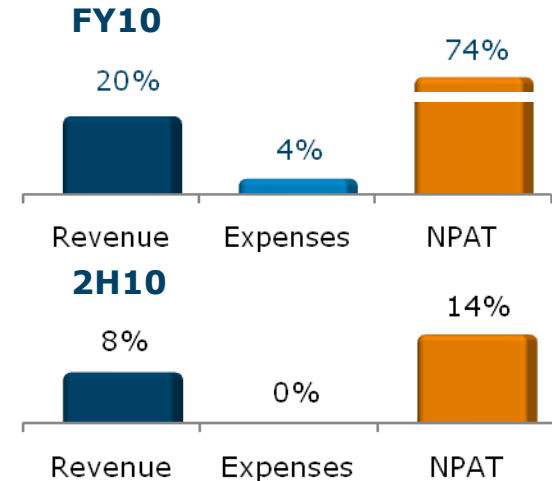
Retail Net Profit after Tax



Wealth

- Wealth profitability favourably impacted by ING NZ full ownership
- \$1.5 billion KiwiSaver FUM with over 360,000 customers, #1 with growing market share (24.1%)
- 19.4% growth in ING Life Businesses InForce book
- ANZ Private Bank named Best Private Bank in New Zealand¹

Wealth growth rates

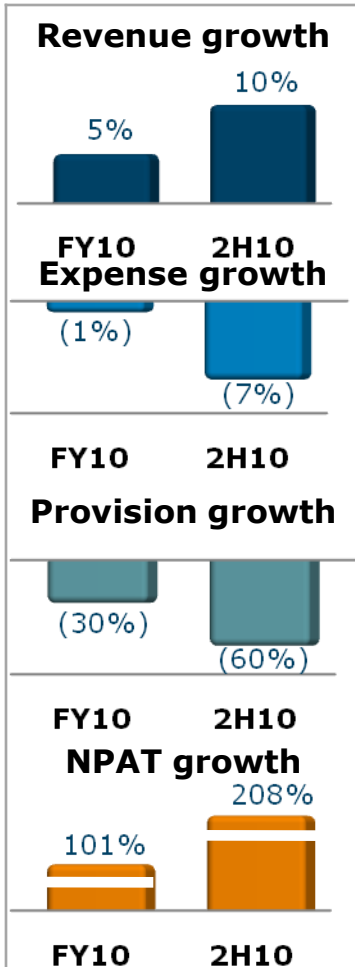


1. 2010 Euromoney Private Banking Survey

2. Pro forma basis assumes ING Australia and New Zealand, Landmark and Royal bank of Scotland Asia acquisitions took effect from 1 October 2008 and also adjusts for exchange rate movements which have impacted the FY10 results.

New Zealand - Commercial

Pro Forma Basis¹



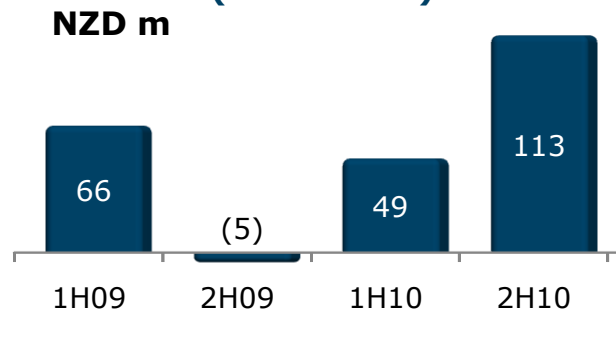
Commercial

- Leveraged Shanghai Expo as an opportunity to connect customers to Asia and demonstrate regional capabilities
- Privately Owned Business Barometer consolidates thought leadership and customer connections as market leader
- Strong UDC performance taking advantage of relative strength in finance company sector
- Clear improvements in customer satisfaction, with ANZ score increasing from 58% to 69%

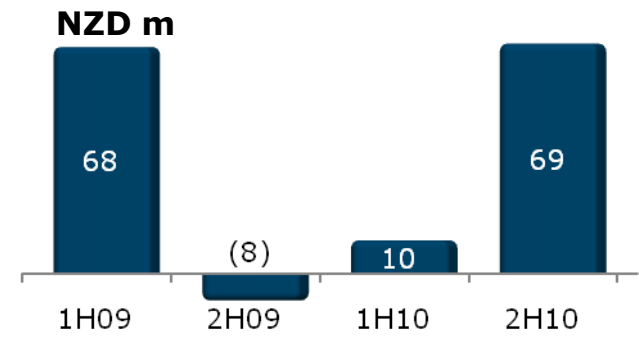
Rural

- Higher Rural incomes with Fonterra forecasting the third highest dairy payout on record
- ANZ continues to support customers through this period of increased volatility in product prices
- Greater focus by borrowers on cash returns and liquidity with many using increased incomes to reduce debt
- Provisions are expected to improve as farmers de-leverage
- Seminars conducted across the industry covering topics such as governance, large business management and financial understanding for young farmers

Commercial NPAT (excl. Rural)



Rural NPAT

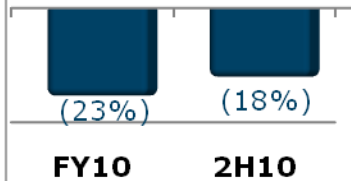


1. Pro forma basis assumes ING Australia and New Zealand, Landmark and Royal bank of Scotland Asia acquisitions took effect from 1 October 2008 and also adjusts for exchange rate movements which have impacted the FY10 results.

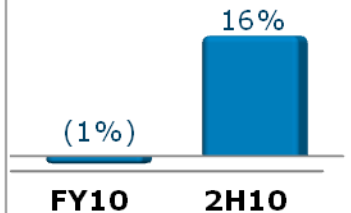
New Zealand - Institutional

Pro Forma Basis²

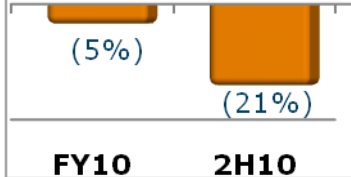
Revenue growth



Expense growth

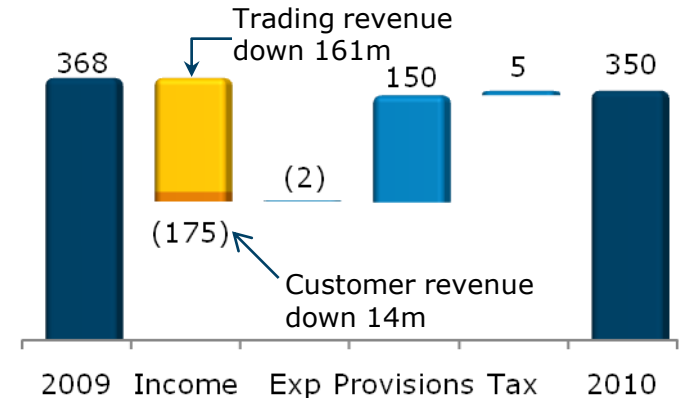


NPAT growth



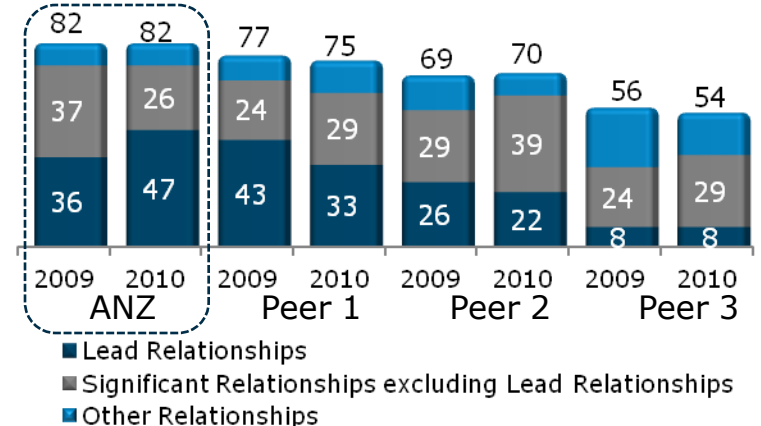
- ANZ continues to dominate the NZ institutional segment
- Second half expense growth driven by investment in payments systems
- Connecting customers to Asia and demonstrating ANZ regional capability with Shanghai World Expo and Kiwi Day roadshows in Asia
- Awarded INFINZ bank of the year for focus on customers and developing growth opportunities for NZ
- Extending its position as clear market leader with customers (outstanding results across 5 Peter Lee Associate surveys)
- Leadership of Debt Capital Markets and Syndication loan league tables
- Market leading innovative client solutions, e.g. 1st HKD bond issue, ECA financing

Institutional NZ 2010 Financial Performance



Strong Customer Relationships

New Zealand Relationship Market Penetration¹ (%)



1. Source: Peter Lee Associates Relationship Banking survey, New Zealand, 2010. Sample size 2009 N=132, 2010 N=135
 2. Pro forma basis assumes ING Australia and New Zealand, Landmark and Royal bank of Scotland Asia acquisitions took effect from 1 October 2008 and also adjusts for exchange rate movements which have impacted the FY10 results.

Investor Discussion Pack

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED

January 2011

The Institutional Business



Global Institutional business focus redefined

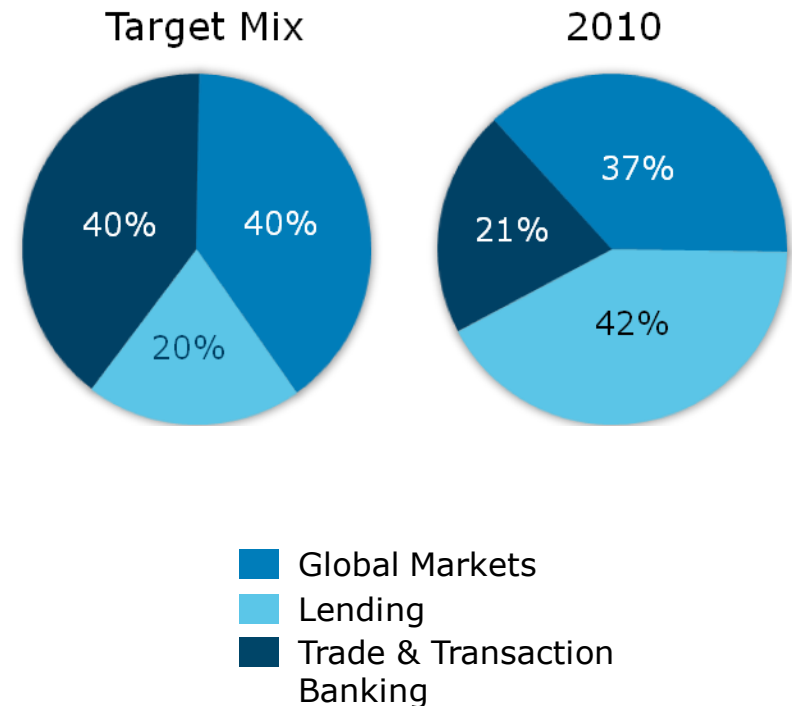
Foundations laid

- Strengthened the Institutional Leadership Team, additional team members with international experience
- Starting to execute the technology and operations roadmap
- Improving capital discipline
- Exiting non-core businesses
- Delivering record pre provision profits
- Substantive progress in remediation completion

Clear goals set

- To become the bank of choice for Resources and Infrastructure in the region
- Building leading cash, trade and markets platforms with capabilities across Australia, NZ and Asia
- Targeting significant growth in customer relationships
- Generating well balanced and sustainable earnings across geographies and segments

Revenue Contribution by Product



Increased focus on core customers and geographies

Over 3,500 active Institutional and Corporate customers supported by over 5,000 staff

- Corporate banking customers: t/over \$40-400m
- Institutional customers: t/over >\$400m

Customer relationship sectors

- Banking a full range of customers
- Building dominance in a limited number of segments

Global lines

- Natural resources
 - Infrastructure
 - Agribusiness
- } Priority segments
- Financial institutions & public sector

Other lines

- Property
- Diversified industrials
- Consumer and services
- Telco's, media, entertainment and technology
- Corporate Banking

A single global team services customer needs across the network

- Global representation supports customers based in Australia, New Zealand, Asia Pacific, Europe and America geographies
- Domestic presence in Australia and New Zealand for over 170 years
- Asian representation commenced over 40 years ago and we now have a presence in 15 Asian markets
- Institutional regional hub established in Hong Kong (centralised support functions for APEA institutional business)
- Branches in Europe and North America ensure global network coverage

Regional networks, superior insights & service underpin the competitive advantage

Regionally Networked Model

Offering

- A lead regional bank servicing clients with pan regional needs
- A strong regional branch footprint
- Single platforms for Cash, Trade and Markets offering fully networked seamless platforms across the region
- Deliver insight through industry sector and regional specialisation

Why?

- Have a sound network through Asia Pacific to build upon
- Uniquely placed to offer better insight to region

How?

- Invest in technology and product development
- Grow relationship teams in key geographies
- Focus on lead sectors and products

Competing globally requires superior insights and service

- Building platforms offers viable alternatives

- Offering a global service proposition and setting clear service expectations

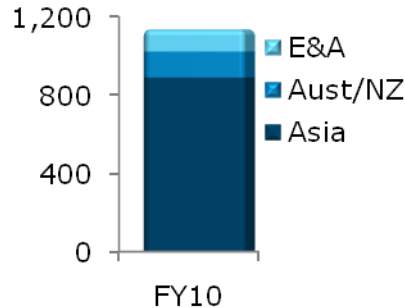
- Research and innovation at the core provides a competitive advantage over scaled and standardised models

- Drawing on insights into customer industries, the region and the financial markets adds significant value

Global Institutional – a focus on growing core customer relationships supporting income performance

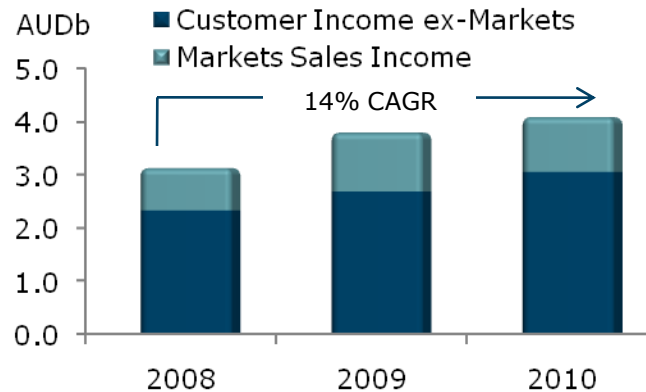
Customer Growth

>1,100 new relationship managed customers ex-acquisitions



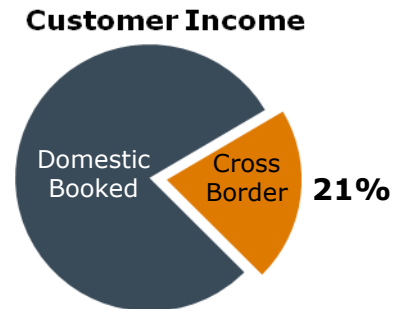
Customer Income¹

AUDb



Cross Border Income

Super Regional strategy increasingly capturing cross border revenue flows



Strong Customer Relationships

- Peter Lee Associates survey of corporate and institutional clients in Australia ranked ANZ:
 - First, or equal first, on 14 of the 26 qualitative relationship categories (up from 8 in FY09)
 - First in "overall penetration" (domestic plus offshore)
- Peter Lee Associates survey of corporate and institutional clients in New Zealand ranked ANZ first on overall satisfaction, relationship strength, penetration and a further 17 measures
- These results reflect the strength and quality of our client relationships

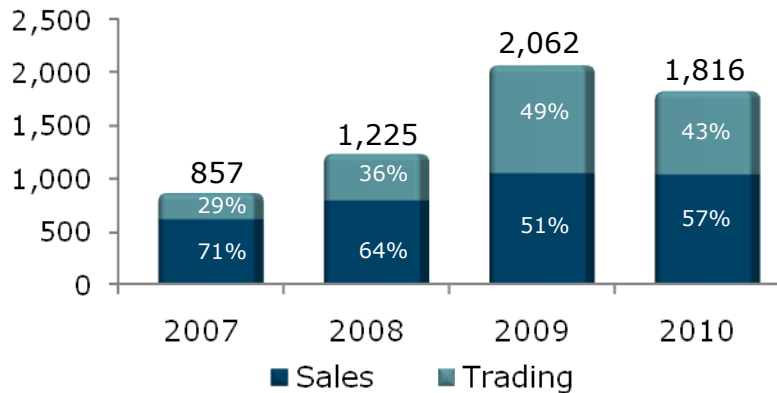
Debt Capital Markets a key strength

- #1 Bookrunner in Australia/NZ for Q1-Q3 2010 in terms of volume and number of transactions
- #1 Mandated Lead Arranger in Asia-Pacific (ex Japan) for Q1-Q3 2010 in terms of number of transactions
- #1 Arranger of syndicated loans in Asia-Pacific (ex Japan) over the last five years in terms of total loan volume on a cumulative basis
- #1 on the A\$ Corporate Bond League Table (INSTO)
- #1 in the utilities & infrastructure sector - ANZ has led over half of all Australian utility and infrastructure transactions and raised over A\$2.3bn in this sector

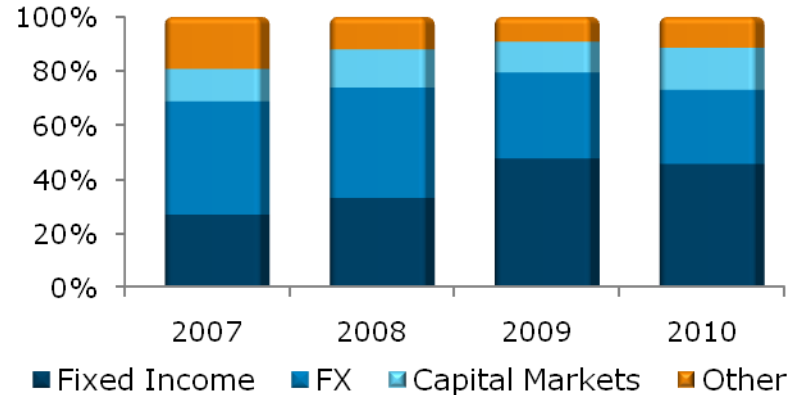
1. Total income adjusted for Global Markets trading income.

Global Markets

Global Markets Income Sales & Trading Mix (A\$m)¹

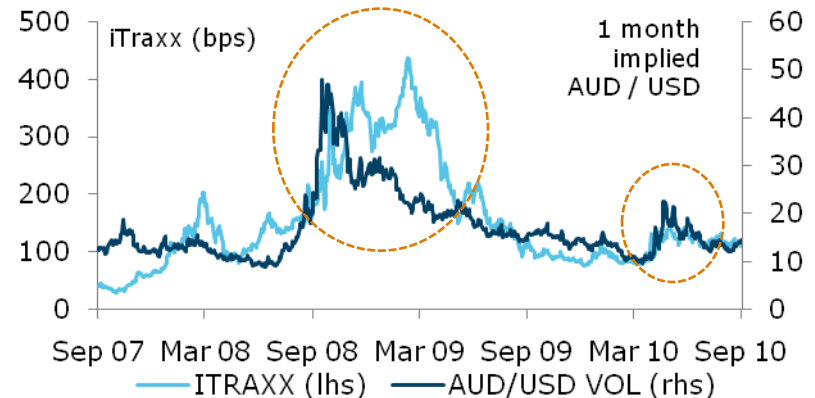


Product Contribution % Total Income



- Capital Markets growth underlines the benefits of Asian network expansion, ensuring we are well placed to connect our institutional customers with Asian liquidity pools.
- Income diversification by geography and product line helping to offset revenue normalisation as volatility recedes.
- 2H10 investment in Global Markets management team to deliver scalable growth in coming years.

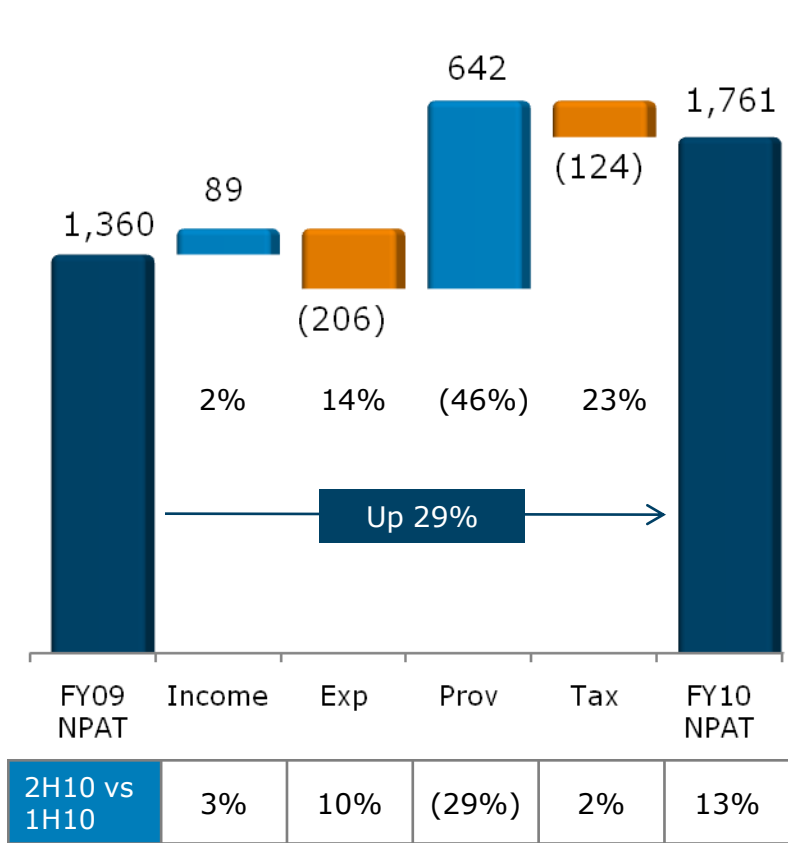
Whilst lower than 2009, market volatility evident in 2010



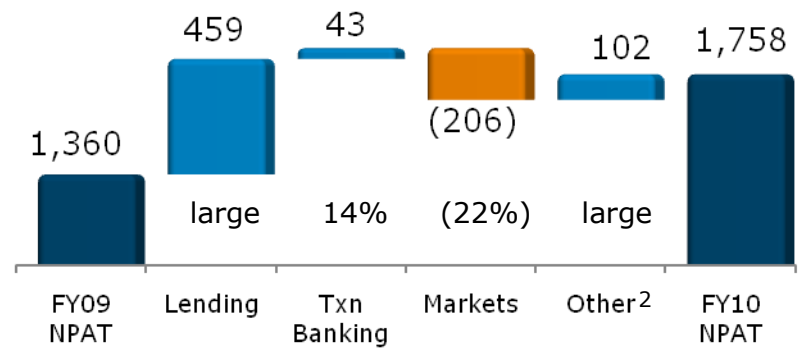
1. FX Adjusted.

Global Institutional P&L drivers

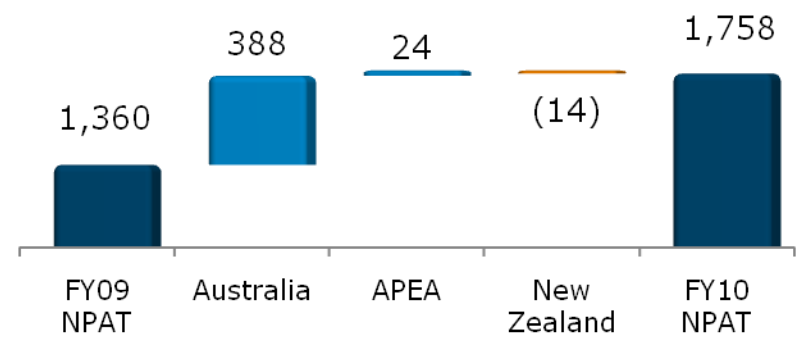
Underlying Performance¹
YOY Movement (FY10 vs. FY09) A\$m



Business Segment Performance¹
YOY Movement (FY10 vs. FY09) A\$m



Geographic Performance¹
YOY Movement (FY10 vs. FY09) A\$m

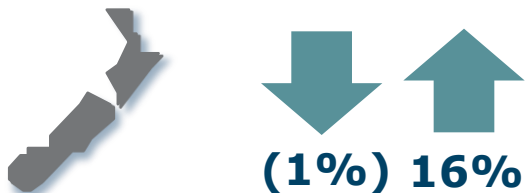
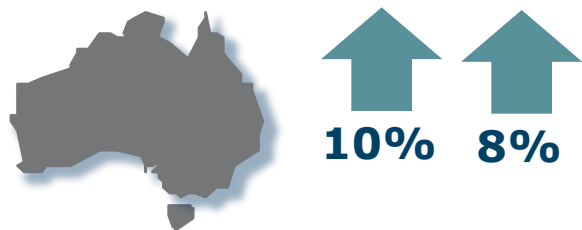
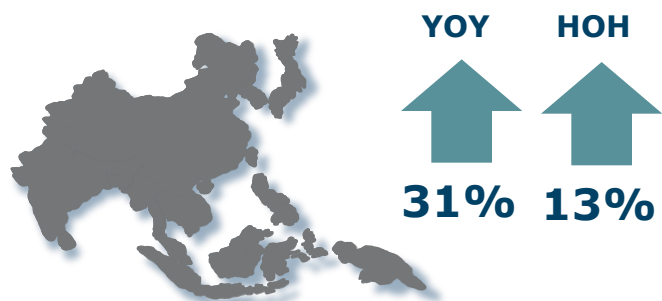


1. Pro forma basis assumes Royal bank of Scotland Asia acquisition took effect from 1 October 2008 and also adjusts for exchange rate movements which have impacted the FY10 results. .
 2. Increase largely due to provisions in FY09 related to divested custody business.



Investing across the business in systems and people

Expense Growth¹



Asia Pacific, Europe & America

- Continued investment in growing the Asia franchise and driving customer acquisition
- Investment in support infrastructure to underpin revenue growth

Australia

- Investment in frontline capability - people and CRM tools - to drive revenue uplift
- Rollout of cash management platform (Transactive) - with in excess of 2,500 Institutional clients now on boarded.
- Investment in systems to enhance process automation and integrated work flow management and in enablement staff to ensure an efficient, well controlled environment

New Zealand

- Strong cost management led to a YoY reduction in expenses
- HoH increase reflects investment in payments systems (including settlement before interchange) and in cash management platform

1. Pro forma basis assumes Royal bank of Scotland Asia acquisition took effect from 1 October 2008 and also adjusts for exchange rate movements which have impacted the FY10 results.

Predicated on disciplined execution

Implementation priorities

Sustained customer growth

- Deepening relationships with existing 3500 active clients
- Targeting a significant number of new customer relationships already identified:
 - Over 50% of customer growth expected from APEA, 25% from Corporate

Process redesign

- Simplifying operating platforms and standardising procedures

Risk management

- Effectively partnering with risk and introducing industry specialists in priority markets

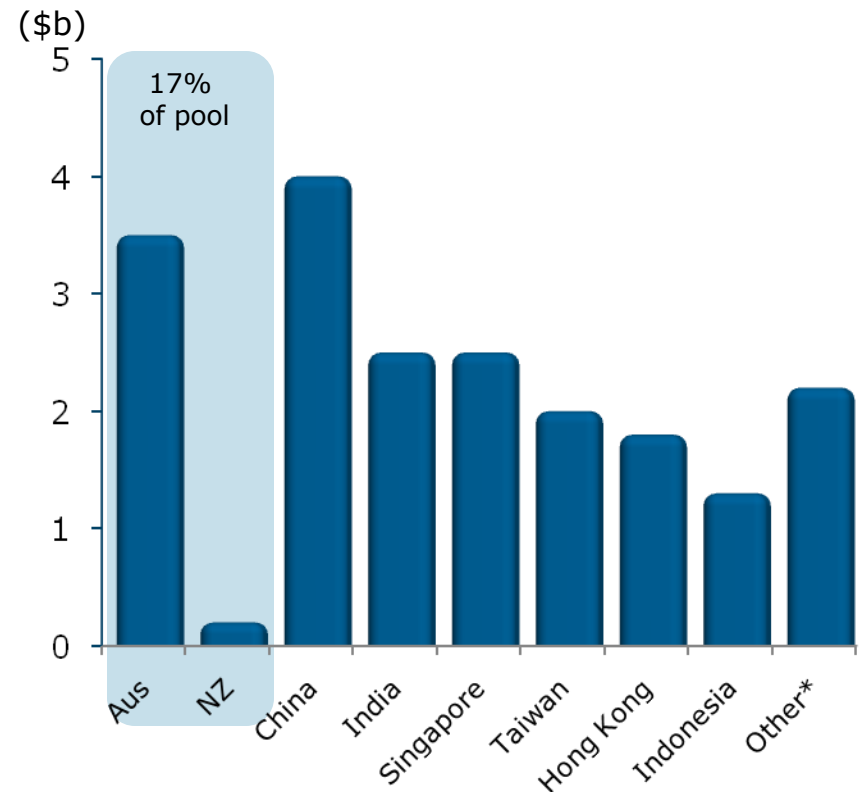
Equipping the team

- Building a high performance culture
- Recruiting and training across Asia, Operations, Relationships, Cash, Markets and Trade
- Investing heavily in institutional banking executive leadership and product expertise
- Significantly expanding research capabilities within priority segments

* Korea, Thailand, Vietnam

Significant growth opportunities

Estimated addressable Cash Management Revenue pools



Priority segments – Natural resources & Agriculture

Natural resources

- Well positioned to develop a super regional natural resources business linking Australian producers with Asian processors and consumers
 - > Clients and representation in all major domestic cities, major financial centres globally and 15 Asian markets
- Strong Australian natural resources client base and an established and growing network in Asia
- Revenues exceed that of the other 3 major domestic banks combined
- Specialists mineral mining, oil & gas, mineral and oil and gas processing, commodity trading, primary services segments

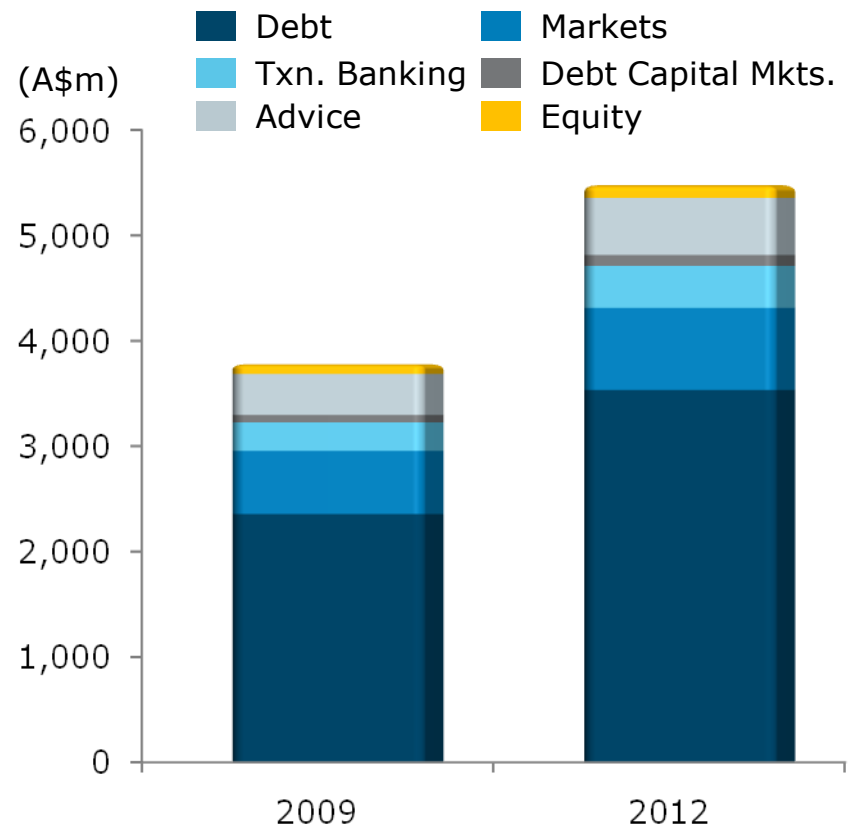
Agriculture

- Growing soft commodity demand from Asia
- Well positioned for Australian and NZ Corporate and Institutional agriculture clients
- Primary emphasis on providing Markets, Working Capital and supply-chain solutions to clients
- Revenue streams centred on trade and FX which are already core competencies
- An organic growth strategy with increasing wallet penetration of existing clients as well as capturing identified targets.
- Markets include cereals & sugar, protein cotton, Dairy and Oil Seeds

Priority segments – Infrastructure

- Goal to become a leading commercial Infrastructure Bank in the Asia Pacific Region
- Maintain dominant position in Australia and NZ and invest selectively in Asia
- Infrastructure specialists, by adding Advisory, Equity placement, underwriting and DCM to lending and markets capabilities.
- Focus on power and utilities corresponding with Asia demand in this category
- ROE enhancing by reduced requirement of balance sheet
- Segments include Power & Utilities, Economic Infrastructure (roads, airports etc) and Availability Infrastructure
- The New Zealand Government has announced a significant National Infrastructure Plan and we are uniquely positioned to assist

Addressable revenue in APAC Infrastructure market set to grow to \$5.5b



Priority products – Cash Management & Trade

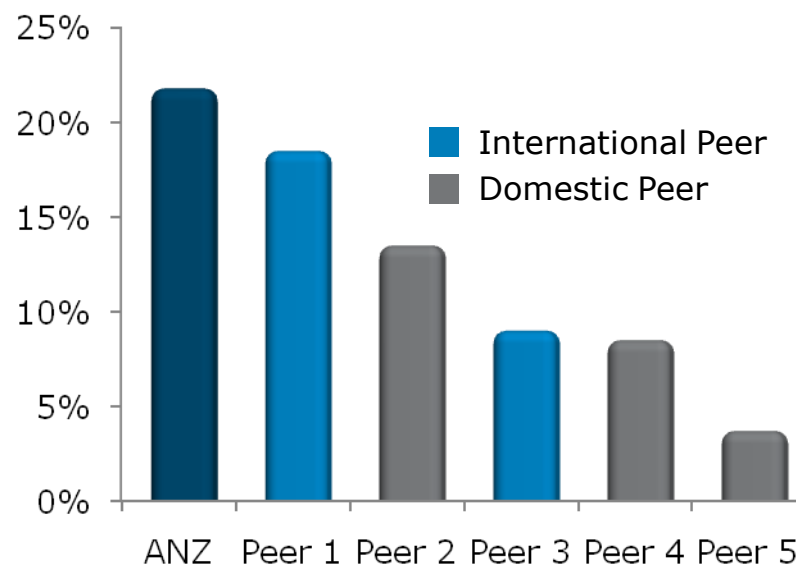
Cash Management

- Vision to be a lead provider of pan-regional cash management solutions via a single transactional interface
- Estimate the Asia Pacific wallet for cash management services at \$20b
- A significant driver of cross-sell revenue
- Investment agenda centred around people and technology and designed to accommodate substantial growth in customer numbers and transaction volume
- Rolling out ANZ Transactive, a web-based cash management platform purpose-built for institutional, corporate and large business clients

Trade

- Support trade flows between our core operating geographies
- Build on strong market position in Australia and established presence and reputation as a trade bank in Asia

Estimated market share of Australian Institutional Trade Business



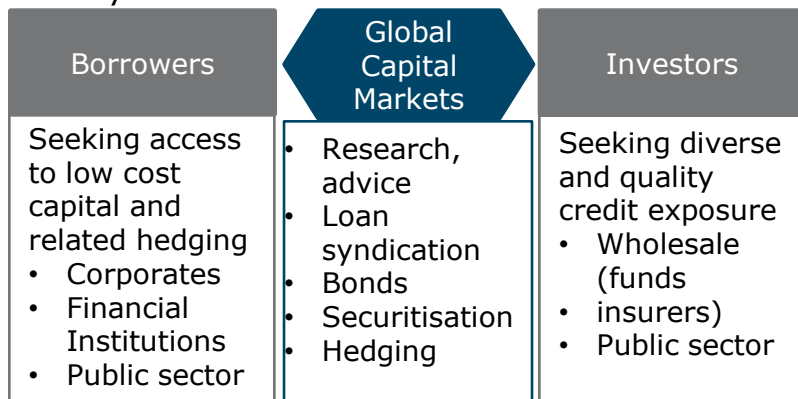
Priority products – Regional Rates and FX; Commodities and Debt Capital Markets

Commodities

- Commodity revenue split:
 - Hedging exposures of commodity producers and consumers ~ 60% of revenue
 - Trading for customers ~ 40%
- Growth opportunities include capturing hedging opportunities in domestic agri/ middle market and commodity consumers in Asia

Debt Capital Markets

- Uniquely positioned with Super Regional strategy, with significant Asian Capital Market revenue pools
- Borrower / investor multiplier effect
- We raise more debt capital in Asia for Australian and New Zealand borrowers than anyone else



Regional Rates and FX

- Largest domestic markets business
- FX revenues growing at 40% pa since 2007,
- Aus/NZ/Pacific Niche, opportunity to expand into Asian currencies & clients (to become Asian USD specialist)
- Rates revenues growing at 75% pa since 2006
- 5 key rates components, natural growth opportunity as Institutional expands:
 - Hedging client interest rates
 - Hedging client currency futures and swaps (as driven by rate differentials)
 - Selling investors Gvt. and Semi Gvt. bonds
 - Rates and credit trading
 - Managing ANZ's balance sheet

Our Institutional client transactions tell the story

Debt Capital Markets



USD 600mn

Senior Unsecured Bonds


Melco Crown Entertainment
Joint Lead Manager and Bookrunner
2010



SGD 1bn

Senior Unsecured Bonds

Temasek
Joint Lead Manager and Bookrunner
2010



PHP 2bn

Senior Unsecured Bonds

Metrobank Card Corporation
Joint Lead Manager and Bookrunner
2010




SGD 500mn

Senior Unsecured Bonds

Singapore Airlines
Joint Lead Manager and Bookrunner
June 2010

Syndication



USD 1.1bn

Syndicated Term Loan Facility

Woodside Petroleum Ltd
Mandated Lead Arranger and Bookrunner
2010



AUD 2.3mn & USD 200mn

Syndicated Term Facility

Origin Energy
Mandated Lead Arranger and Bookrunner
2010



AUD 430mn

Syndicated Term Loan Facility

Qantas Airways Limited
Mandated Lead Arranger, Underwriter and Bookrunner
2010



USD 1.0bn

Syndicated Term Facility

Sinochem Hong Kong (Group) Company Limited guaranteed by Sinochem Group
Term Loan Facility Mandated Lead Arranger & Bookrunner
August 2010

Project, Asset & Export Financing



AUD 1.75bn

Acquisition of CSR Limited's sugar and renewable energy business, Sucrogen Limited


Wilmar International
Financial Advisor
2010



USD 600mn

Term Facilities to refinance **Hope Downs 1** & fund development of **Hope Downs 4** iron ore projects in Western Australia

Hope Downs Iron Ore Pty Ltd
Mandated Lead Arranger
November 2010



USD 263.7mn

Finance for deliveries from Nokia Siemens Network

ECA: Finnvera

Telkomsel
Lender
2010



AUD 1.179bn

Finance of the acquisition of **Port of Brisbane** by Q Port Holdings Consortium


Mandated Lead Arranger, Facility Agent and Security Trustee
November 2010



AUD 3.1bn

Structuring and arranging for expansion of coal export terminal to 53Mtpa

Newcastle Coal Infrastructure Group
Financial Advisor
2010



AUD 461.572mn

Project Financing of Collgar Wind Farm

ECA: EKF/ELO

Collgar Wind Farm
Managed Lead Arranger, ECA Arranger & Advisor
June 2010



AUD 478mn

Construction and Term Facilities for the 206MW **Collgar Wind Farm** in Western Australia

Mandated Lead Arranger, ECA Arranger and Agent, Facility Agent and Security Trustee
March 2010



NZD 150mn

Finance for Meridian's purchase of Siemens wind turbines for the Te Uku wind farm

ECA: ELO/EKF

Meridian Wind Farm
Arranger & ECA Agent
April 2010

Transaction Banking



INTEGRATED AUD 65mn SOLUTION

Cash & transaction management, FX/Interest rate hedging and secured financing

Starhill Global REIT
Acquisition of David Jones Building in Perth
2010



USD 200mn

Financing and working capital for palm oil plantation interests

New Britain Palm Oil
Mandated Lead Arranger
2010



GBP 75mn
USD 150mn

Bi-lateral Letter of Credit Facility to meet regulatory requirements in UK and US

QBE Group
Letter of Credit Facility
November 2010



TRANSACTION BANKING

Internet banking platform for regional hub

CMC Markets Singapore
2010



CASH MANAGEMENT

Sole Provider of Transaction Banking and Merchant Services in Australia

Vodafone Hutchison Australia
December 2010



SGD 223mn

Securitisation warehouse - credit card receivables

Card Centre Asset Purchase Company
September 2010

Investor Discussion Pack

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED

January 2011

Treasury



ANZ's strong capital ratios are fully reflected when measured consistently across various jurisdictions

	Sep 09	Mar 10	Sep 10	FSA Sep 10
Core Tier 1 ⁽¹⁾	9.0%	8.5%	8.0%	11.3%
Tier 1	10.6%	10.7%	10.1%	13.5%
Total Capital	13.7%	13.0%	11.9%	15.2%

Capital Update:

- ANZ's capital strength reflects ongoing economic and regulatory uncertainty and the Group's aim to maintain flexibility
- Net organic Tier-1 generation +22bps:
 - Underlying earnings net of dividends +119bps;
 - RWA growth -48bps (principally non traded market risk);
 - Profit retention in Insurance and banking associates (-23bps) and software (-11bps)
- Impact of acquisitions reduced Tier-1 by 131bps, partly offset by net Tier-1 hybrid issuances (+63bps)
- 74 cent Final Dividend up 32% PCP (FY10 \$1.26 up 24% PCP)
- 1.5% DRP discount retained to provide capital flexibility and continuity for shareholders

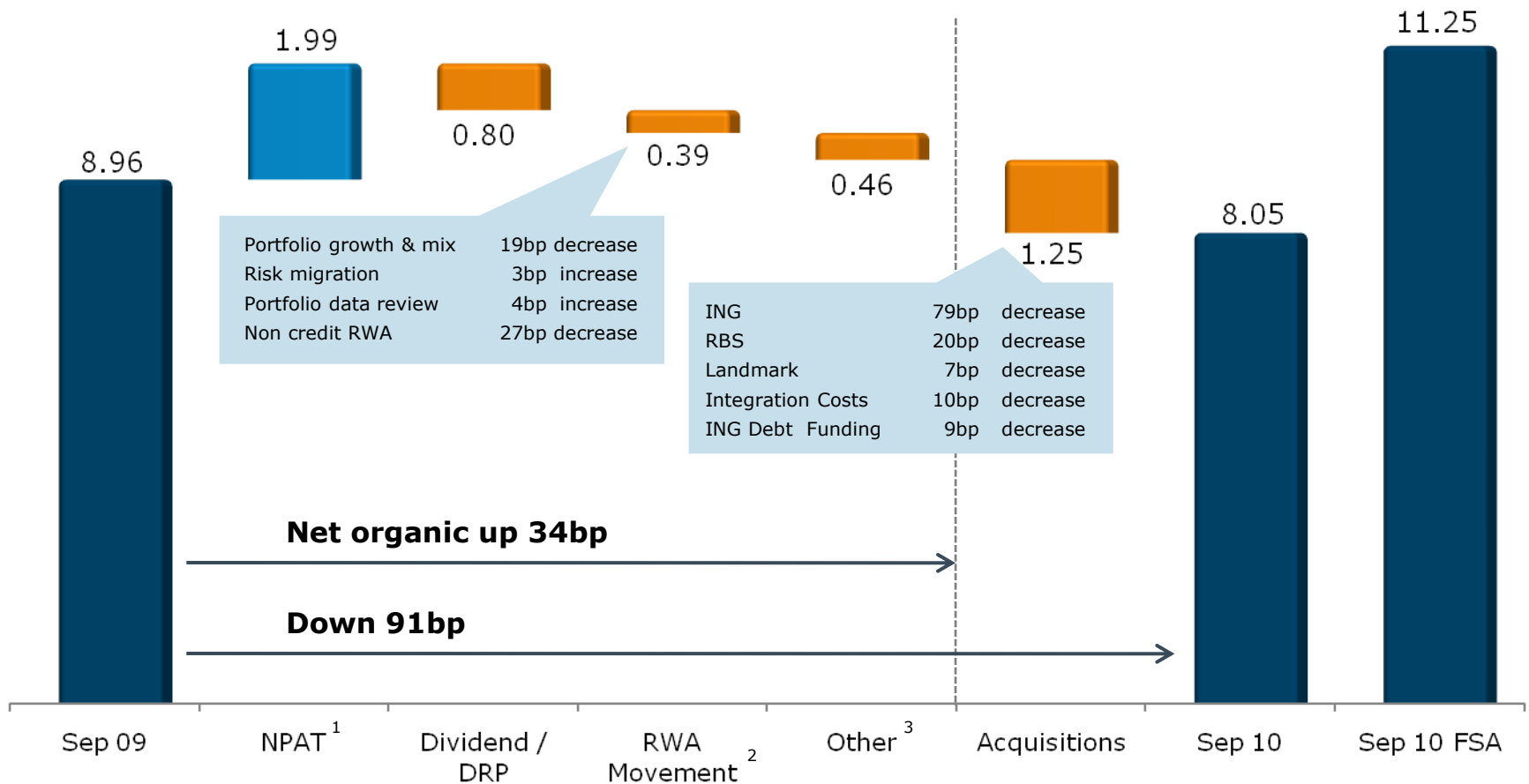
Capital Agenda:

- Continue to be well capitalised and consistent with "AA" long term credit rating category
- Manage Basel 3 implementation:
 - Final Basel 3 regulations on capital deductions, minimums and buffers, and Tier-1 and Tier-2 regulations expected Dec-10
 - Engage APRA throughout FY11 on interpretation and implementation of these changes
 - Full alignment to proposed Basel 3 guidelines would result in an increase in Core Tier-1 ratio from current levels
 - However, APRA have indicated the Basel 3 rules are likely to be viewed as a minimum standard

1. 'Core Tier 1' = Tier 1 excluding hybrid Tier 1 instruments

Core Tier-1 level remains strong and well positioned

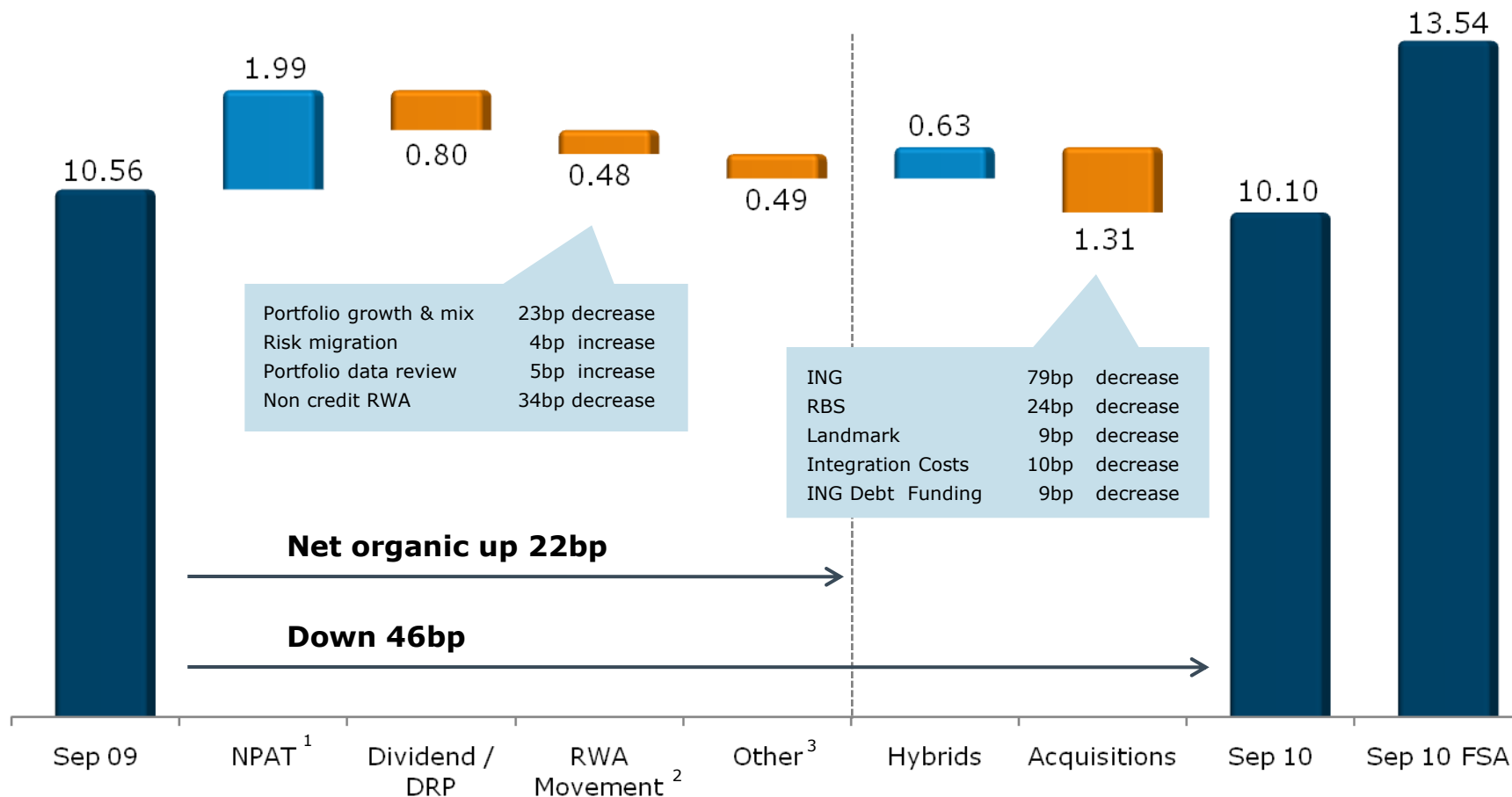
Capital Position (Core Tier-1 Ratio)



1. Underlying NPAT. 2. Includes impact of movement in Expected Loss versus Collective Provision shortfall, 3. Includes ING Insurance Business, Asian Banking Associates, Capitalised Costs and Software, FX, Net Deferred Tax Assets, Pensions, MTM gains on own name included in profit

Tier-1 position reduced during FY10 due to recent acquisitions partially offset by Hybrid issuance

Capital Position (Tier-1 Ratio)



1. Underlying NPAT. 2. Includes impact of movement in Expected Loss versus Collective Provision shortfall. 3. Includes ING Insurance Business, Asian Banking Associates, Capitalised Costs and Software, FX, Net Deferred Tax Assets, Pensions, MTM gains on own name included in profit

Reconciliation of ANZ's capital position to FSA Basel 2 guidelines

APRA regulations are more conservative than current FSA regulations, in that APRA requires:

- A 20% Loss Given Default floor for mortgages (FSA: 10% floor)
- Interest Rate Risk in the Banking Book (IRRBB) included in Pillar I risks (FSA: Pillar II)
- Capital deductions for investments in funds management subsidiaries (FSA: RWA assets)
- Insurance subsidiaries to be a mixture of Tier 1 and Tier 2 deductions (FSA: transitional regulations permit Total Capital deductions under certain circumstances)
- Expected dividend payments (net of dividend reinvestments) to be deducted from Tier-1 (FSA: no deduction)
- Collective Provision to be net of tax when calculating EL v CP deduction (FSA: tax effect difference between EL and CP on gross basis)
- Associates to be a mixture of Tier-1 and Tier-2 deductions (FSA: permits proportional consolidation under certain circumstances)

	Core Tier-1	Tier 1	Total Capital
Sep-10 under APRA standards	8.0%	10.1%	11.9%
RWA (Mortgages, IRRBB)	1.2%	1.4%	1.6%
ING Funds Management and Life Co. businesses	0.8%	0.8%	0.3%
Final dividend accrued net of DRP & BOP	0.5%	0.5%	0.5%
Expected Losses v Collective Provision	0.2%	0.2%	0.3%
Insurance subsidiaries (excluding ING businesses)	0.2%	0.2%	0.0%
Investment in associates	0.2%	0.2%	0.4%
Other ¹	0.2%	0.1%	0.2%
Total adjustments	3.3%	3.4%	3.3%
Sep-10 FSA equivalent ratio	11.3%	13.5%	15.2%

1. Other includes Net Deferred Tax Assets, Capitalised Expenses, Deferred Income and roundings.

Basel 3 & APRA Regulatory reform - Capital

Basel Committee Announcements

To date, the Basel Committee has announced:

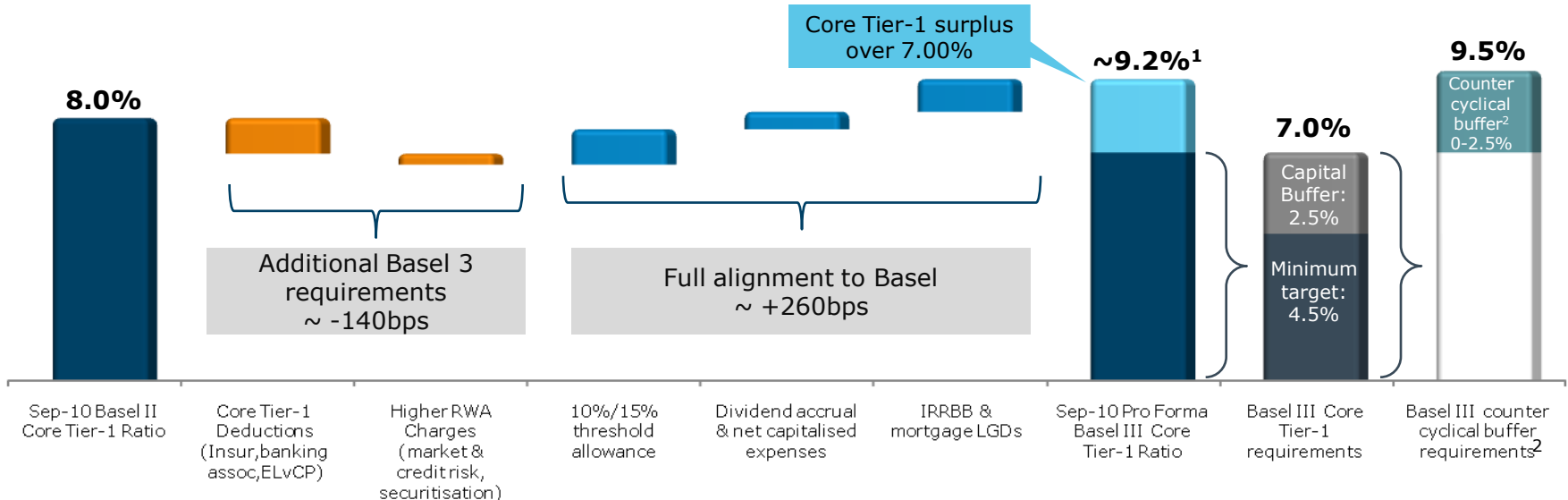
- New capital targets and buffers
- Timetable and transition rules for implementation of Basel 3 from 2013 – 2019
- Higher Core Tier-1 capital deductions: insurance businesses, banking associates, and shortfall of EL v CP, partly offset by 10/15% threshold allowance for insurance/banking associates and deferred tax assets
- Higher RWA charges for market & credit risks and securitisation assets
- Leverage ratio based on Tier-1 capital

What remains outstanding under B3?

- Methodology for determining countercyclical buffer
- Final requirements for Tier-1 & 2 instruments
- Contingent and 'bail-in' capital requirements
- Capital overlays for systematically important banks

ANZ position under B3 rules:

- ANZ's estimated Core Tier-1 position under full B3 rules is above the proposed 7.0% min.
- Position will remain uncertain until APRA finalises domestic rules and re-calibration. Recent indications are that local rules will at least meet the proposed new global standards
- Leverage ratio unlikely to be a binding constraint

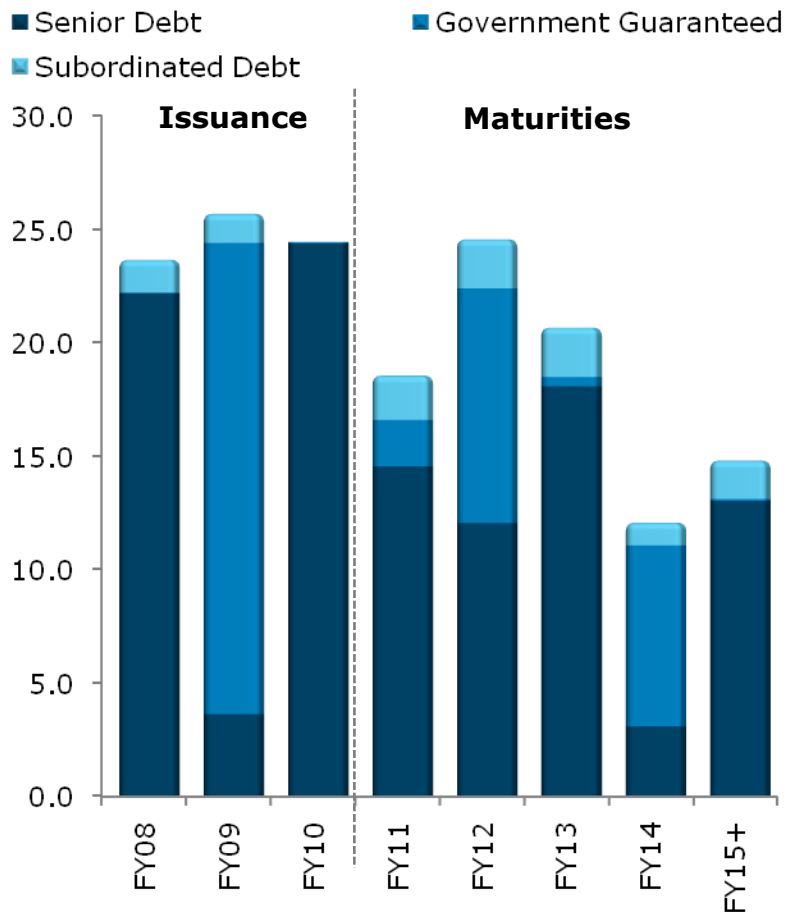


1. Subject to change pending final form of regulations

2. Counter-cyclical buffer expected to be comprised of Core Tier-1, Tier-1 Hybrids and contingent capital.

Improved funding profile achieved, stable term debt issuance

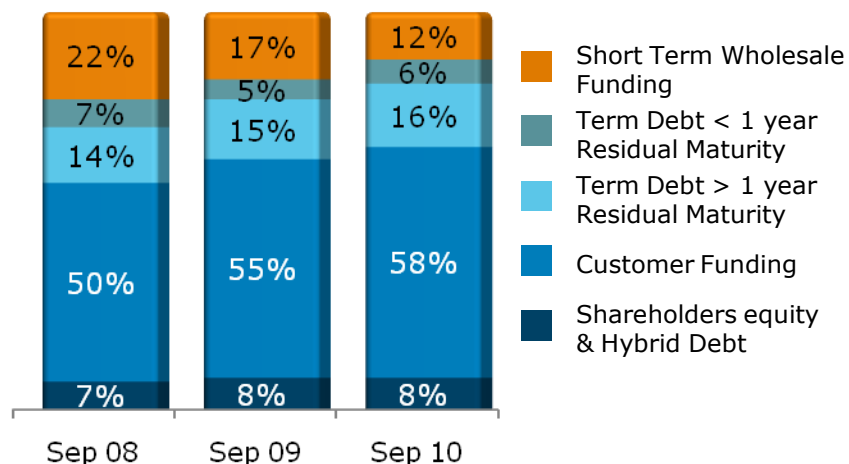
Stable term funding profile



Key Funding Metrics

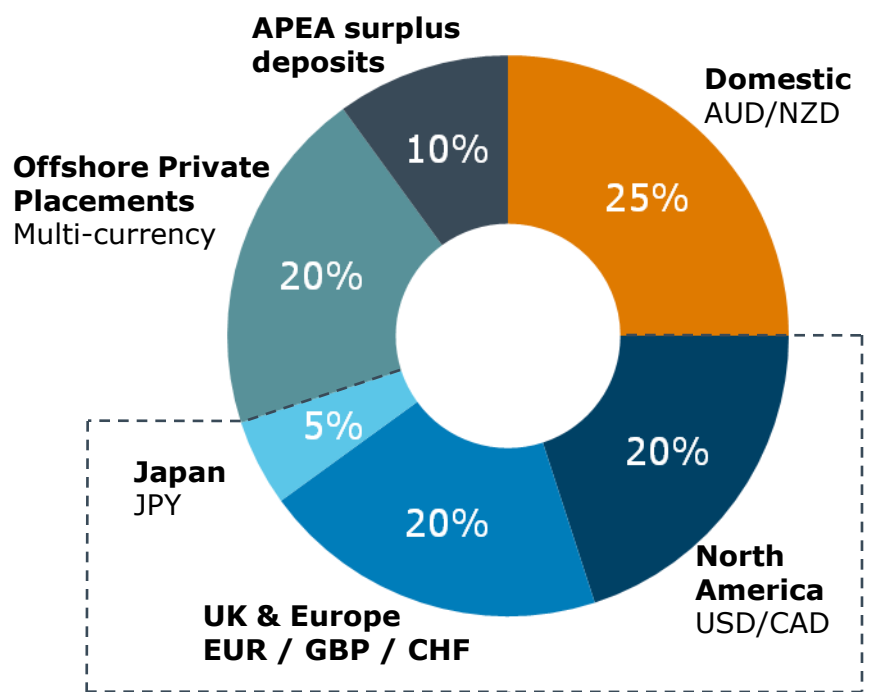
- 82% of all funded assets financed by equity, deposits & LT debt (was 78% as at Sep '09 & 71% Sep '08)
- \$26.4b of term funding (including \$2.4b of pre funding and \$2b CPS2 hybrid) issued in 2010
- Weighted average term of new issuance was 4.7yrs
- Similar term funding task for FY11 of ~\$25bn; 10% of which has been pre funded
- \$13.5b of surplus APEA funding provided to Aus/NZ
- Offshore short-term wholesale debt makes up 2% of total funding for the Australian & NZ geographies

Funding Composition Improved



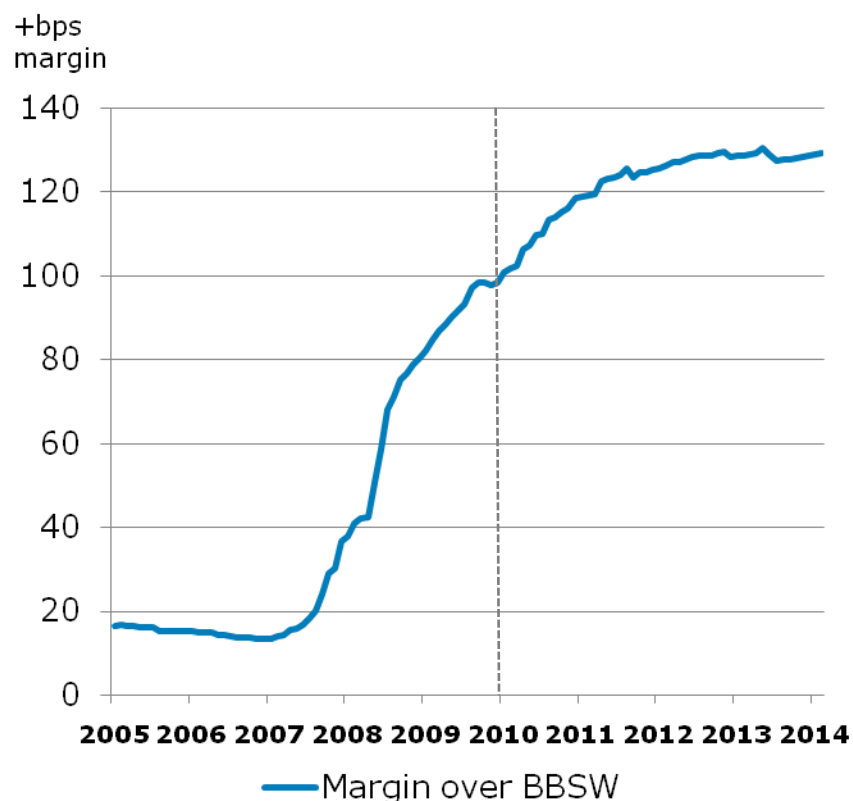
ANZ's term debt issuance consistent and well diversified

APEA funding benefit reduces term debt issuance by ~10%



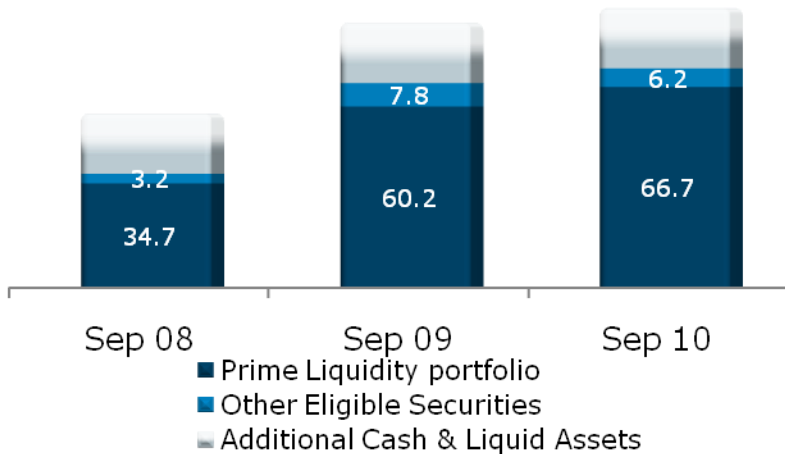
Offshore public benchmarks account for less than half of ANZ's annual term debt issuance

Marginal term funding costs have stabilised but average costs continue to increase as portfolio reprices

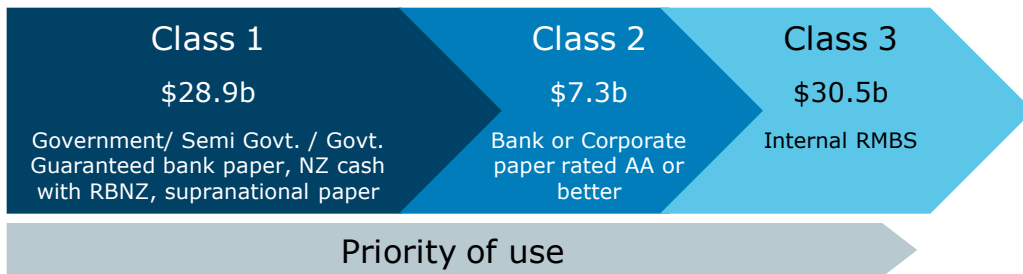


Strong Liquidity Position leading into proposed B3 changes

Maintaining post GFC liquidity position (\$b)



Composition of liquid asset portfolio (\$66.7b)



Basel III Liquidity Developments

- Reduction in required core funding of mortgages from 100% to 65%
- Improved treatment of 'Retail' and 'SME' deposits
- Allowance for high grade corporate and covered bonds as liquid assets
- Recognition of jurisdictions (incl. Australia) that have insufficient qualifying liquid assets. Allowance for a committed liquidity facility from a central bank to be used – at a fee
- Extended transition period

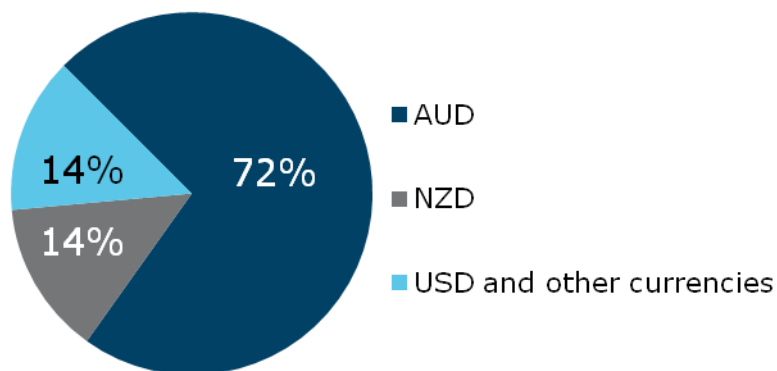
Impacts

- Liquidity Coverage Ratio will require additional liquid assets (where available) to be held resulting in higher core funding requirements (remaining deficit meet via central bank facility)
- This is primarily driven by non-operational deposits from Corporates and Financial Institutions, and short term wholesale debt
- Australian bank's no longer discouraged from holding mortgages on-balance sheet
- Given the lack of eligible liquid assets in Australia, APRA will allow banks to meet their LCR requirements through a committed liquidity facility at the RBA backed by repo eligible stock
- The banks will pay a fee for this facility in line with cost of holding BIII eligible liquid assets

AUD strength presents a headwind for future earnings

- ~1.2% negative impact, including current hedging positions, on FY11 EPS growth expected if the AUD maintains current levels
- NZD remains the most significant single currency revenue exposure
- USD and Asian local currency earnings expected to grow as a proportion of total Group revenue as Super Regional Strategy gains momentum
- Hedging approach remains to put in place macro and specific currency hedges only when the \$A is perceived to be significantly below fair value

FY10 profit before tax by currency



	NZD earnings	USD & Asian currency earnings
FY10 earnings: effective average translation rate	1.221	0.899
FY10 EPS impact	(0.3%)	(2.7%)
Hedging in place for FY11	~40% @ 1.20	~40% @ 0.91
EPS sensitivity to 5c move inc hedging	~0.1%	~0.5%

- In addition there is typically A\$500m–750m of secondary FX risk due to non AUD & NZD revenues generated primarily by Markets business in Australia and New Zealand.

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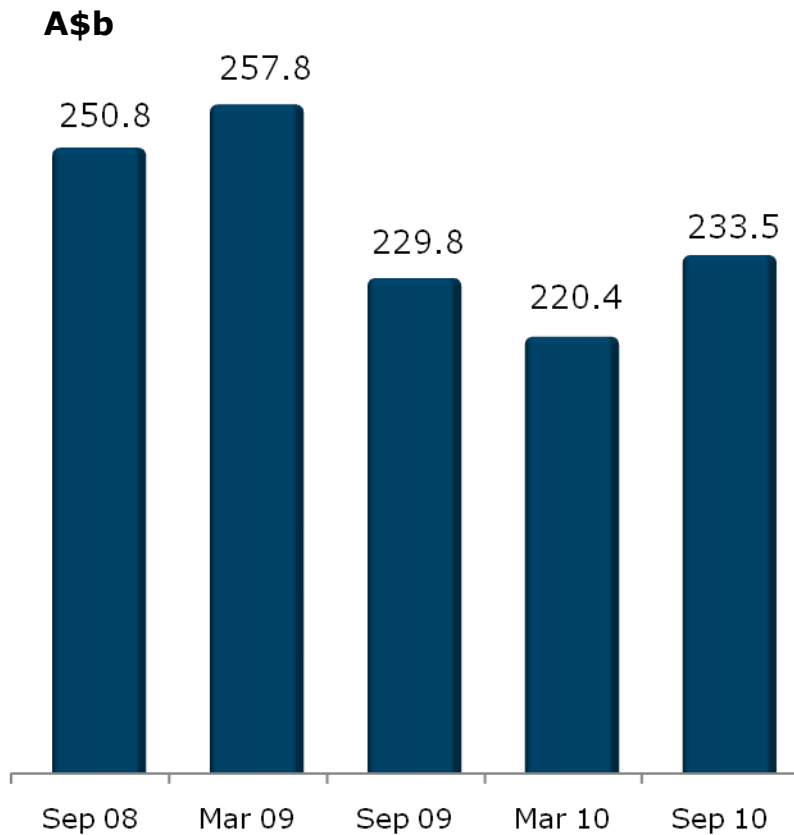
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Risk Management

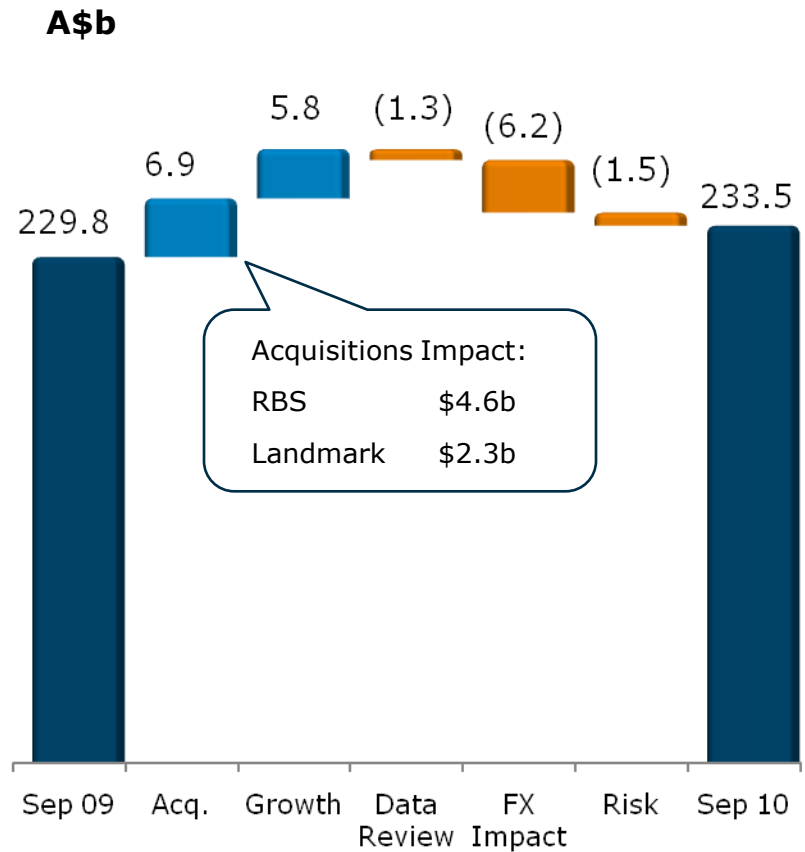


Credit Risk Weighted Assets

Total Credit Risk Weighted Assets

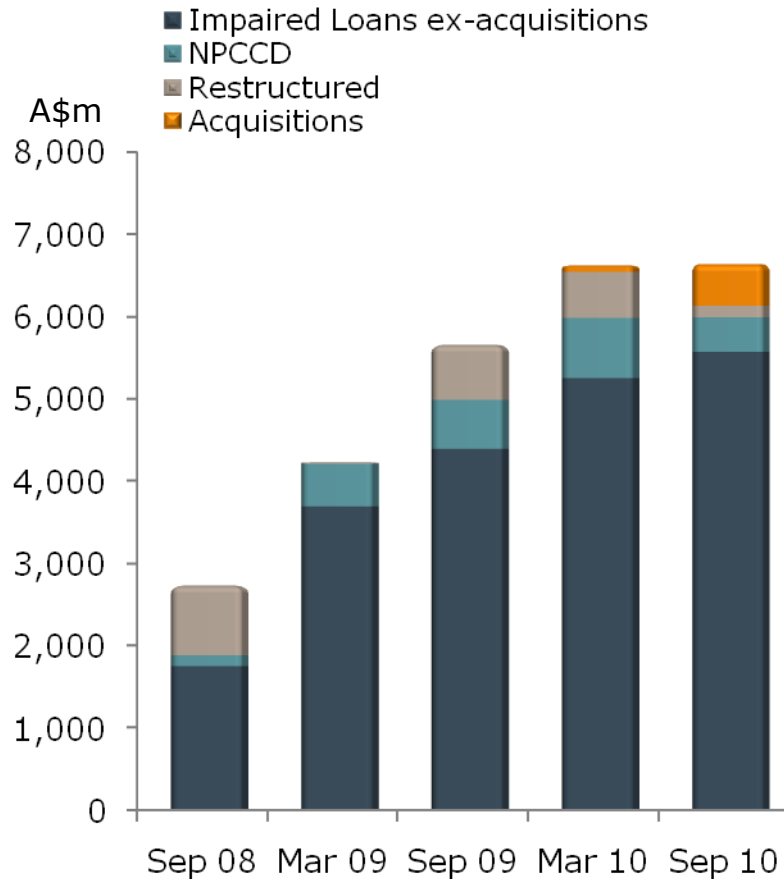


Credit RWA Movement FY10 vs. FY09

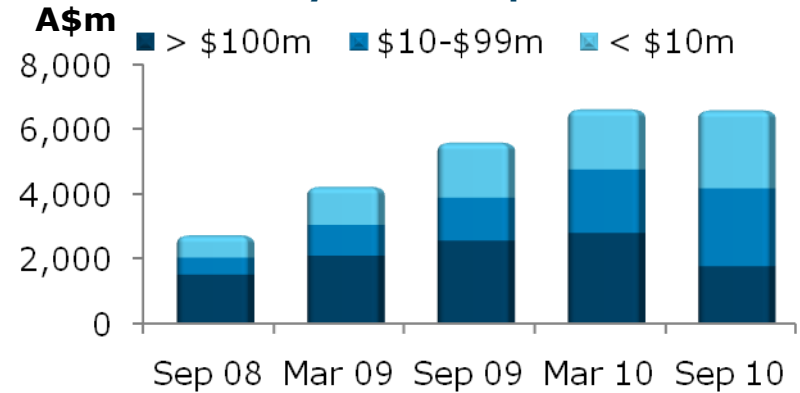


Impaired Asset balance has reduced ex-acquisitions

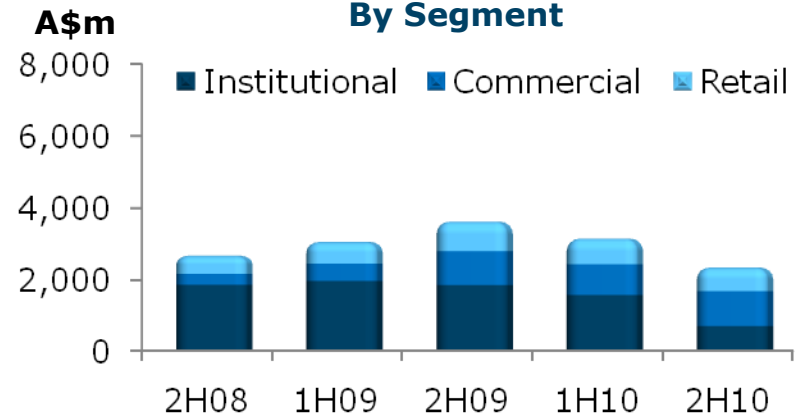
Gross Impaired Assets By type



Gross Impaired Assets By size of exposure



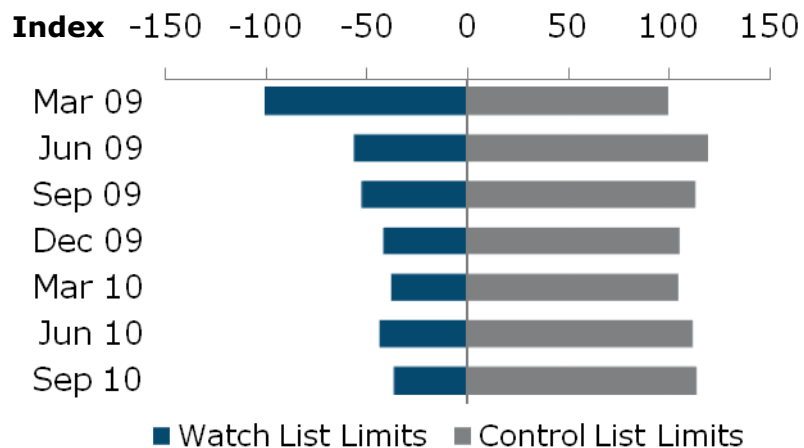
New Impaired Assets By Segment



NPCCD – Non Performing Credit Commitments and Contingencies

Watch & Control Lists and Risk Grade Profiles

Watch & Control List by limits (Mar 2009 Watch List index = 100)



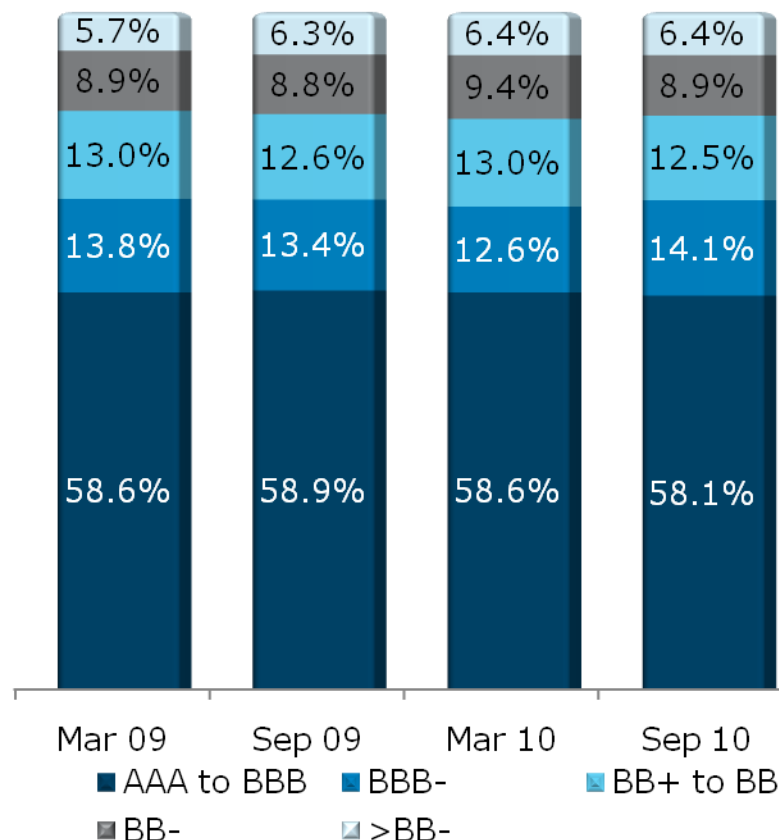
Top 5 Watch List Industries

By Exposure	By No. Groups
Agriculture, Forestry & Fishing	Agriculture, Forestry & Fishing
Mining	Property Services
Finance & Insurance	Manufacturing
Property Services	Wholesale Trade
Manufacturing	Construction

Watch List - An alert report of customers with characteristics identified which could result in requirement for closer credit attention

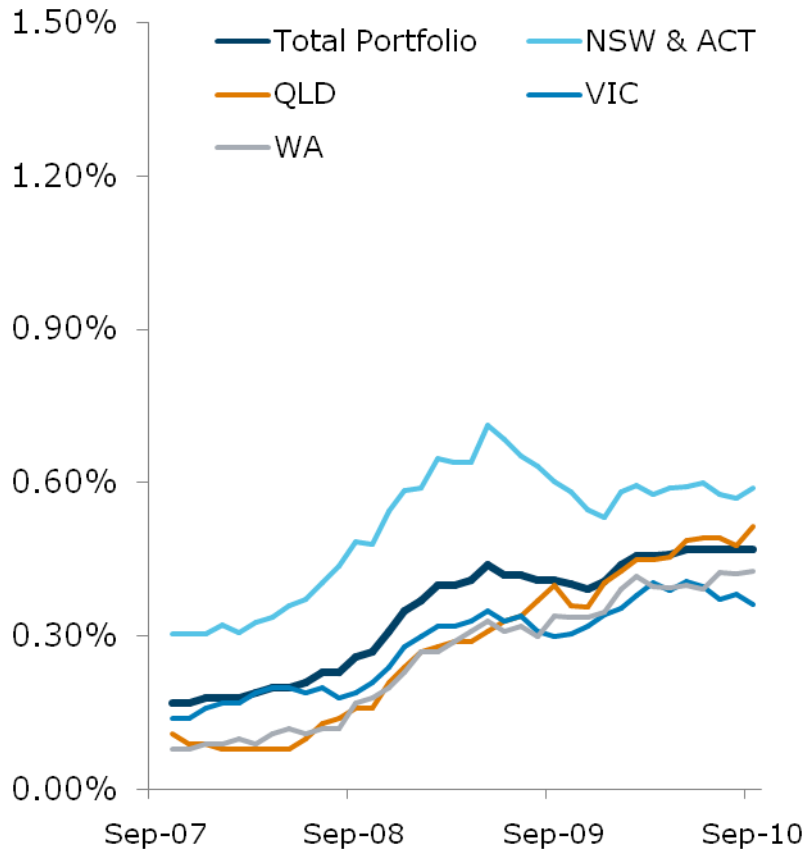
Control List - A report of high risk accounts which may or may not have defaulted

Group Risk Grade profile by Exposure at Default

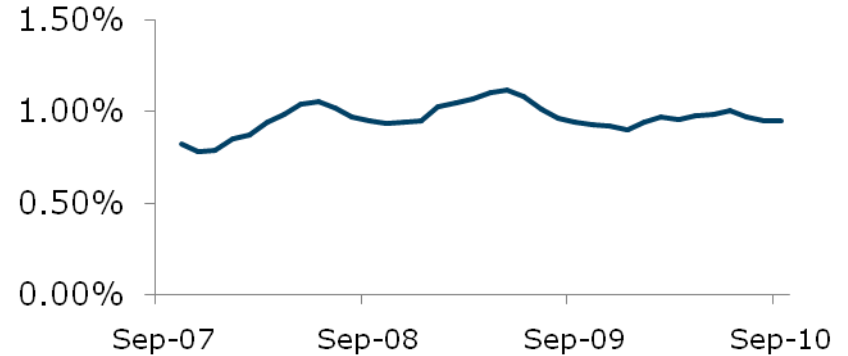


90+ days past due Australia

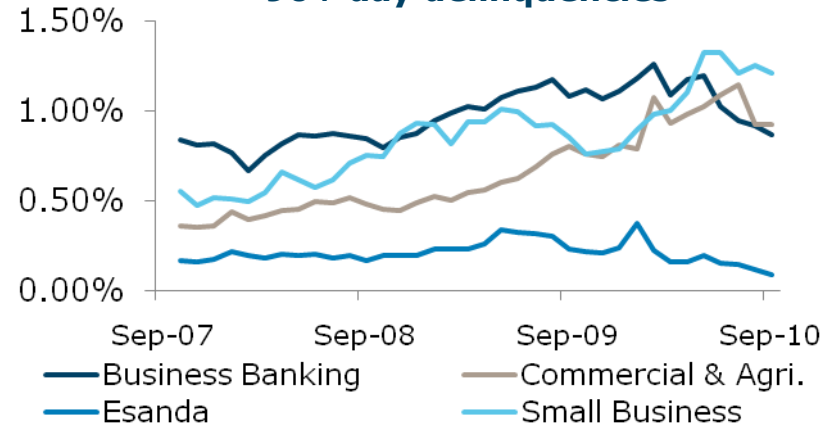
Australia Mortgages 90+ day delinquencies



Australia Cards 90+ day delinquencies



Australia Commercial 90+ day delinquencies

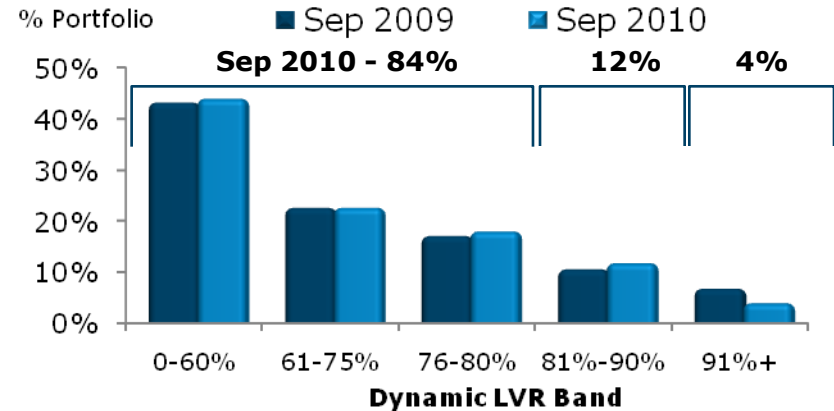


Australia Mortgages

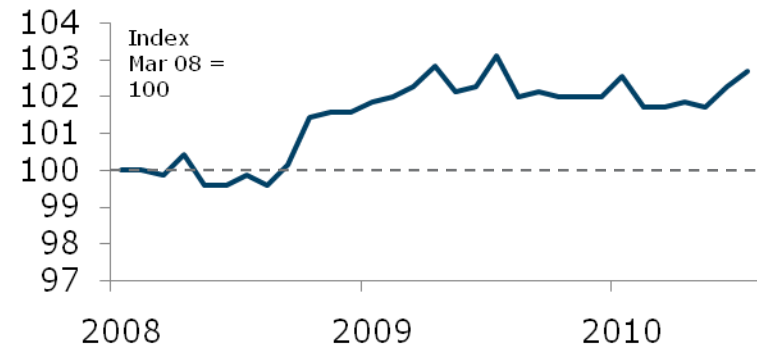
Portfolio Statistics

- All lending is on a full recourse basis
- Approvals require demonstrated serviceability
- ~830,000 loans on book
- 65% of portfolio owner occupied lending
- Average loan size at origination ~\$226k
- Average LVR at origination - 63%
- Average dynamic LVR – 46%
- No subprime mortgages
- LoDoc 80 loans (80% LVR) make up less than circa 1.3% of portfolio and closed to new flows

Dynamic Loan to Valuation Ratio

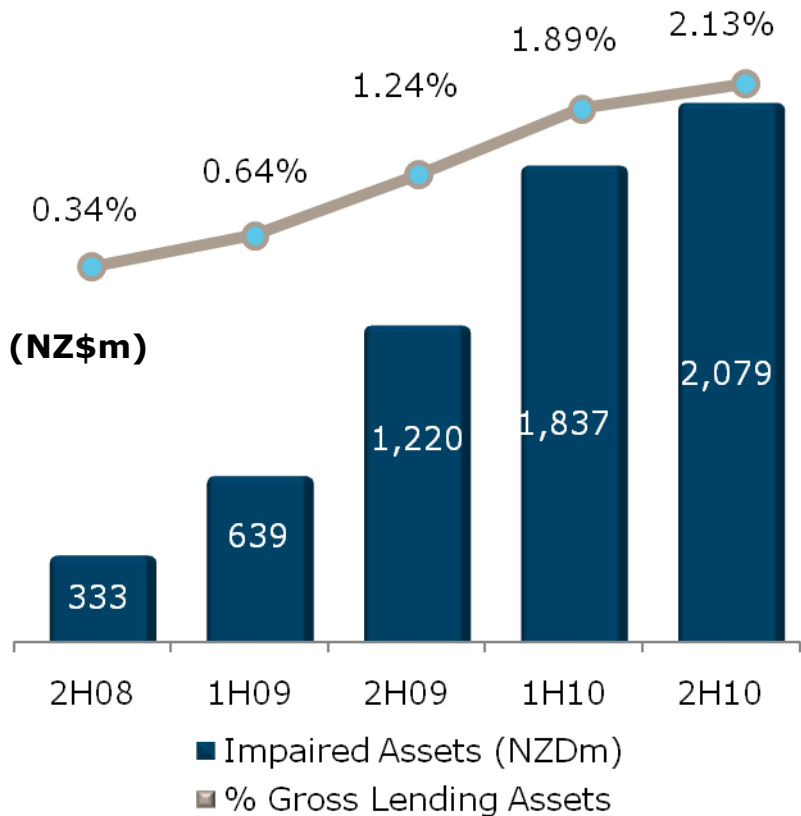


Application Quality Average Score New Applications

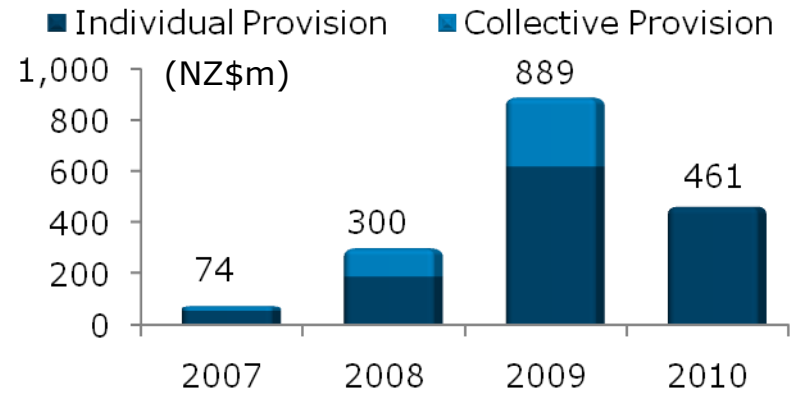


New Zealand – Risk Performance

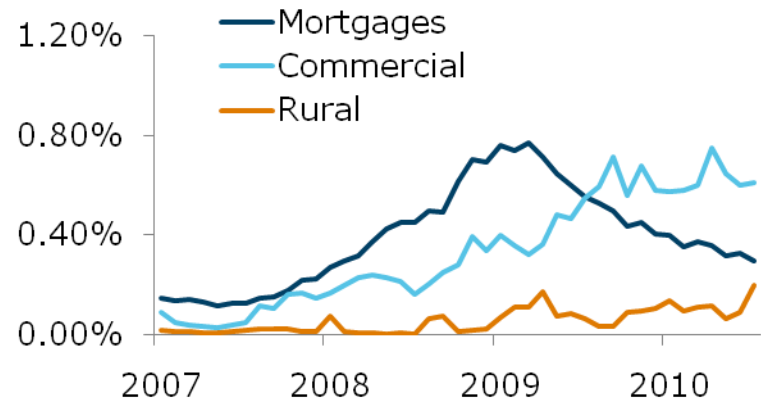
Total Impaired Assets and as % Gross Lending Assets



Total Provision Charge

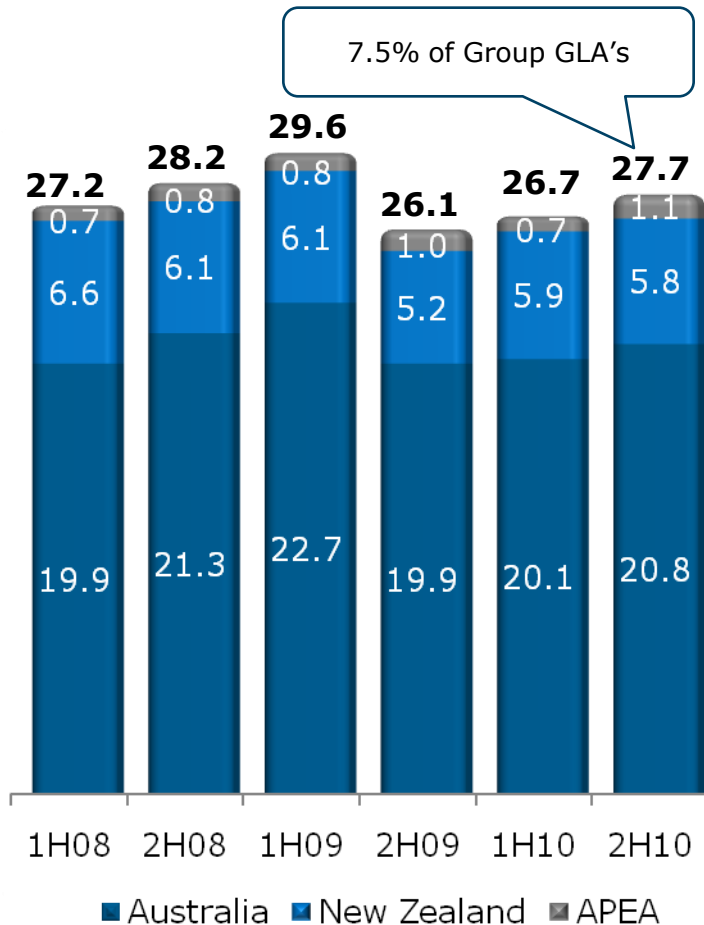


90+ Days Arrears



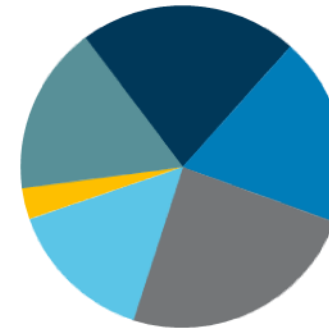
Commercial Property Credit Exposure

Commercial Property Exposure GLA by Region (A\$b)



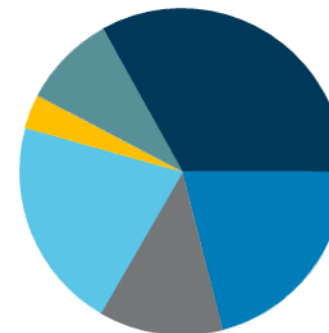
Commercial Property Exposure by Sector

Australia



- Offices
- Retail
- Residential
- Industrial
- Tourism
- Other

New Zealand



- Offices
- Retail
- Residential
- Industrial
- Tourism
- Other

Investor Discussion Pack

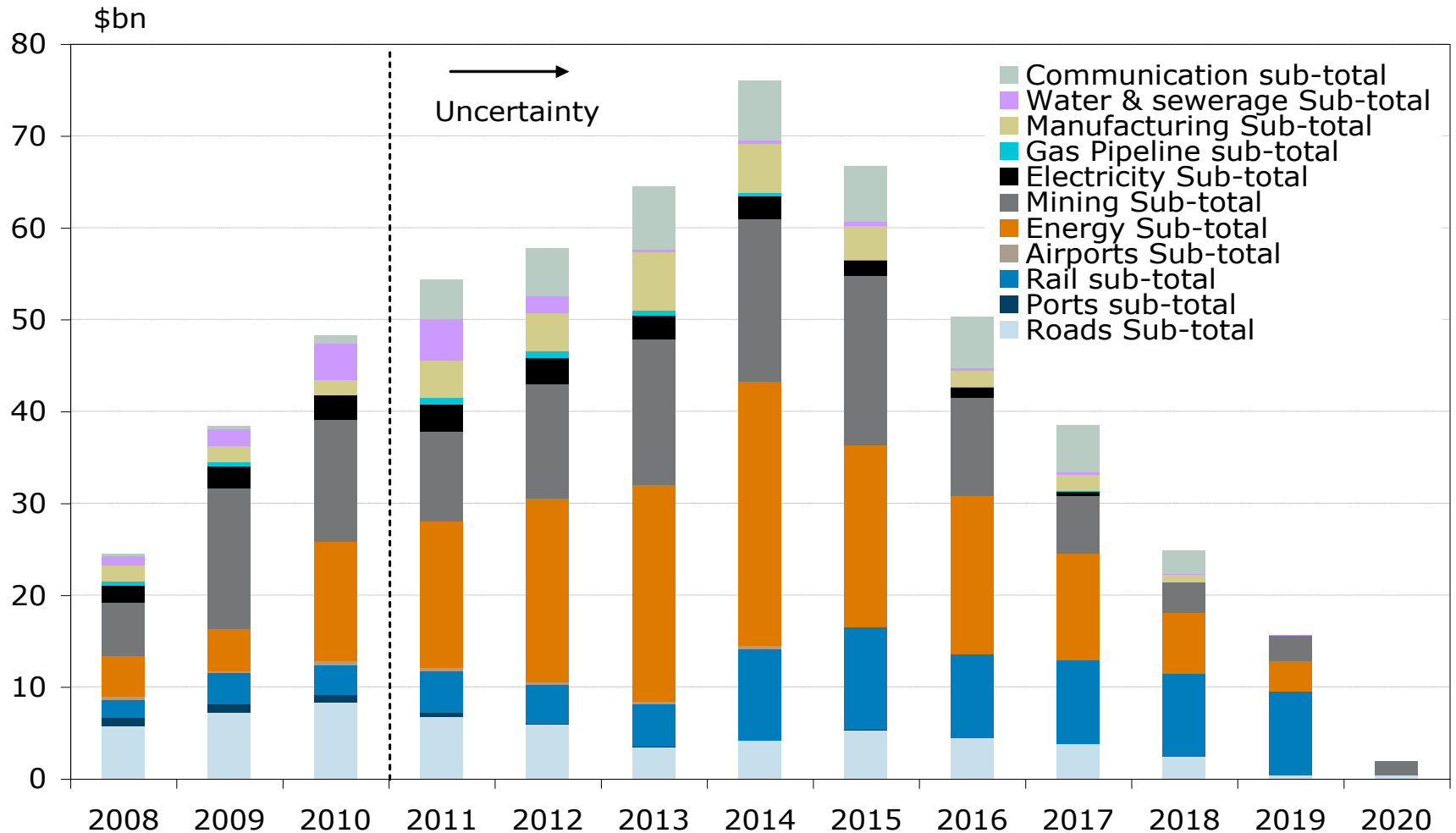
AUSTRALIA AND NEW ZEALAND
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Economics



Exceptionally strong investment outlook over next few years



Sources: Access Economics and ANZ

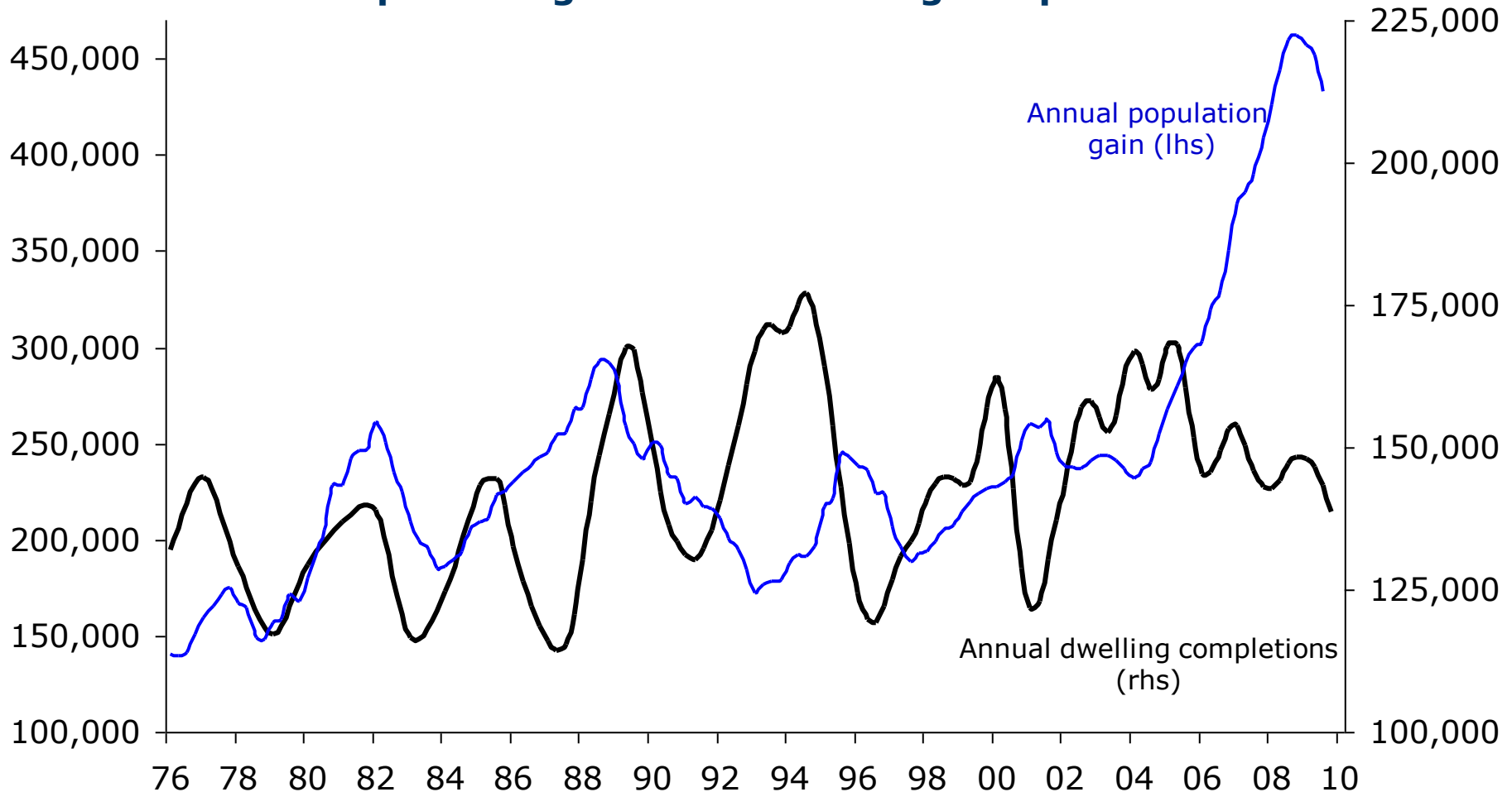
The outlook for mining investment has rarely been stronger

ABARE Advanced Mining Projects, June 2010



Record population growth coupled with undersupply

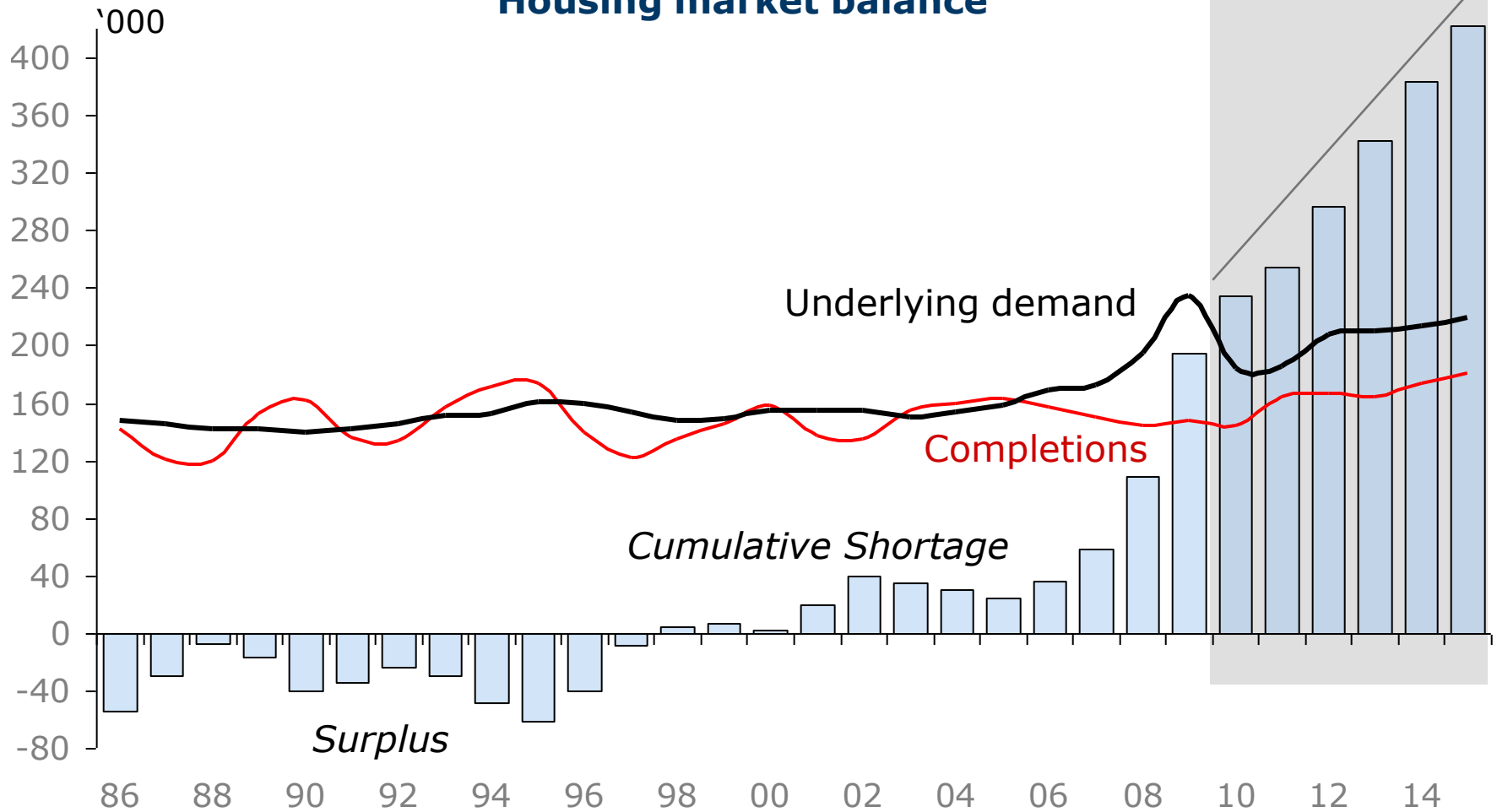
Population growth vs. dwelling completions



Sources: ABS, ANZ Economics and Markets Research

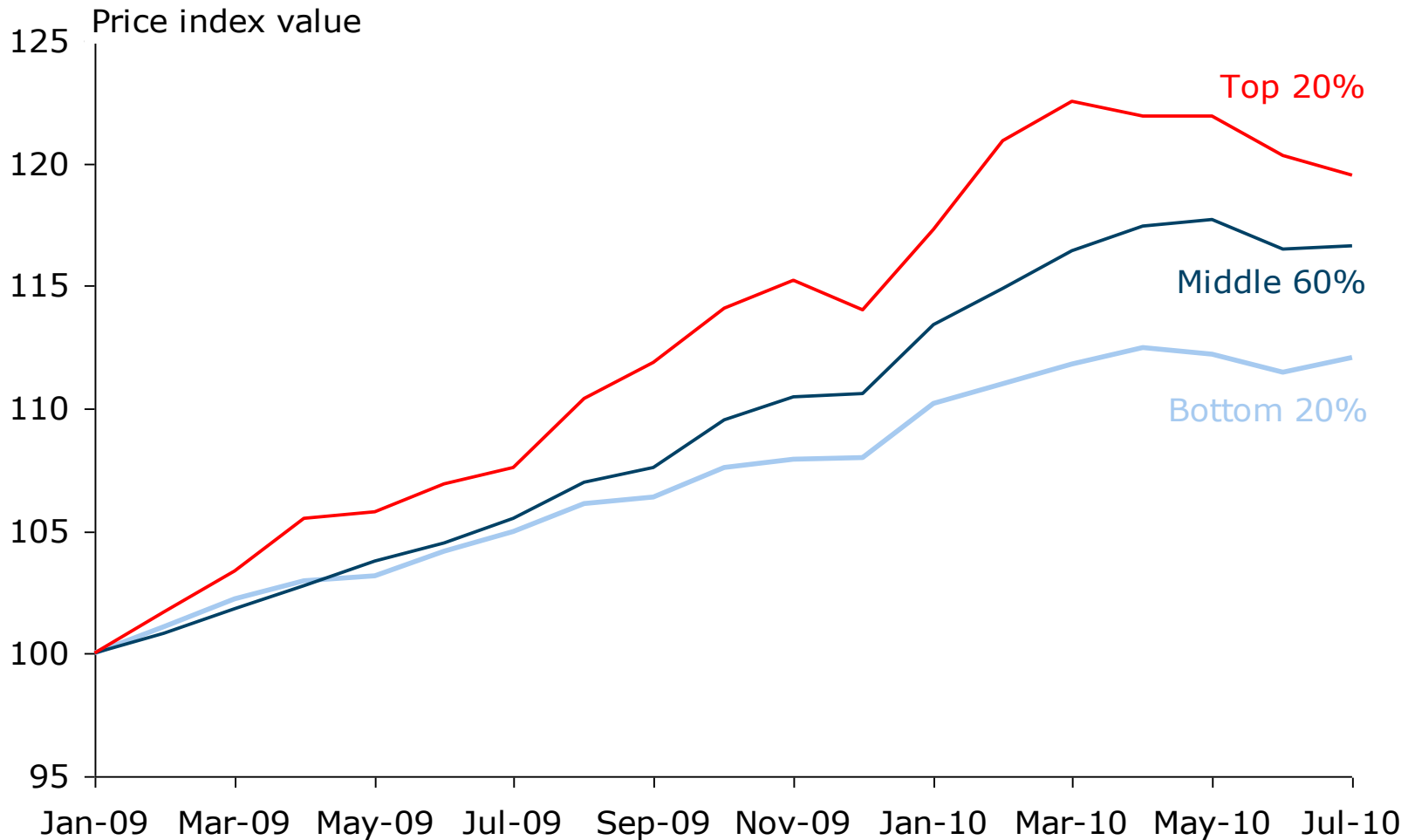
Housing shortage has reached unprecedented levels

Housing market balance



Recovery in dwelling prices has been broadly-based

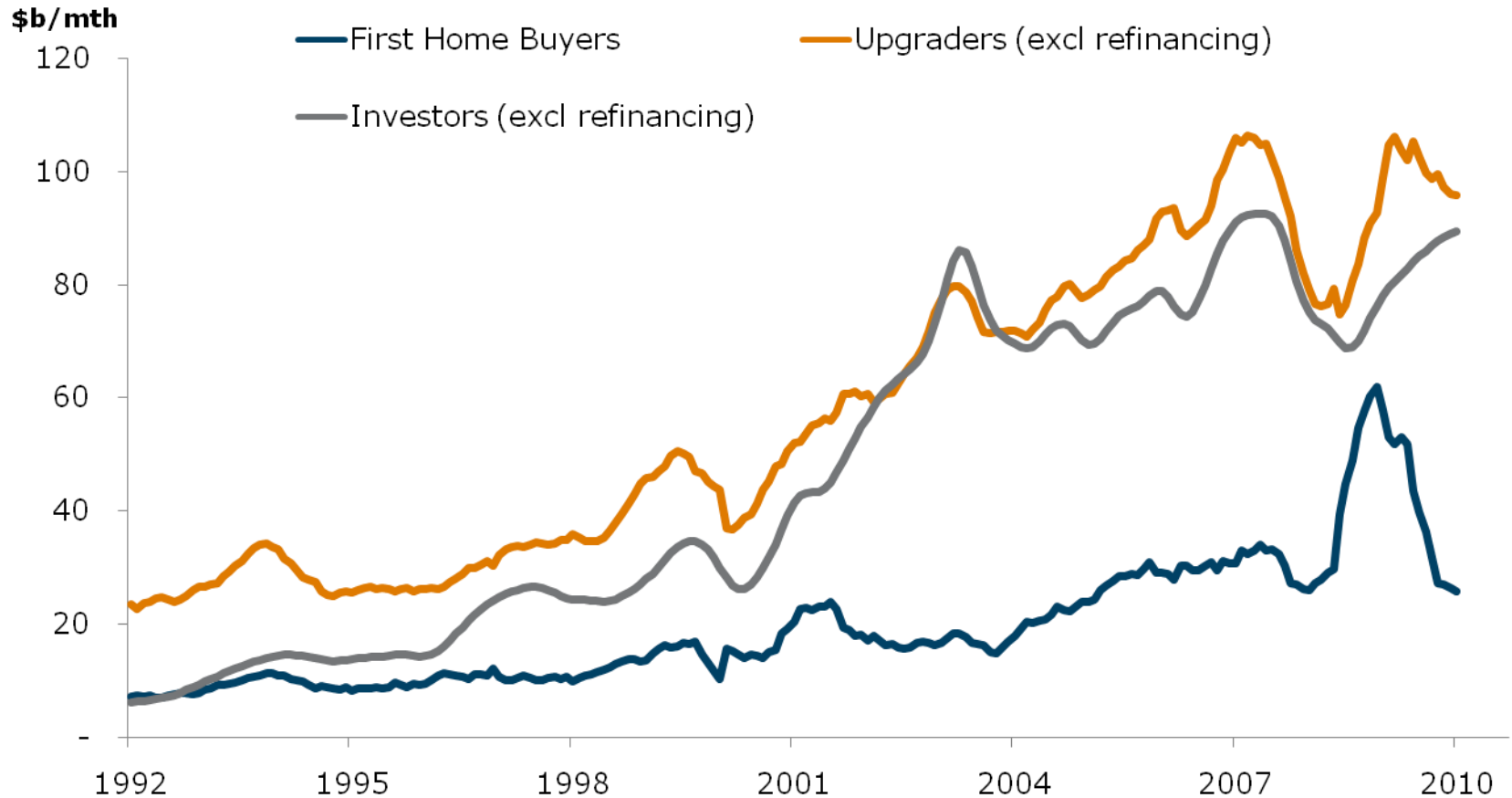
Australian dwelling prices



Source: RP Data Rismark

Changing composition in those seeking finance approvals

Housing finance approvals (value)



Sources: ABS, RBA, ANZ Economics and Markets Research

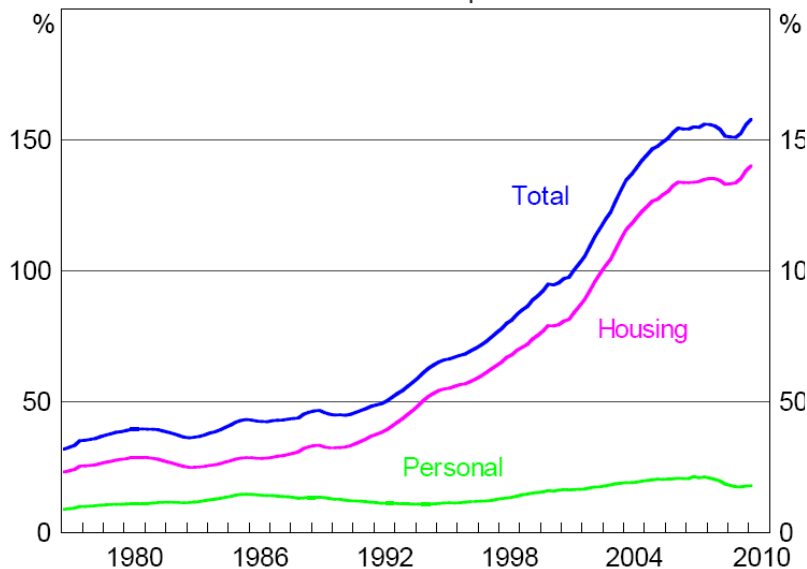
Distribution of debt rather than the aggregate debt is a key factor...

Increased household debt has been directed towards residential property, not personal consumption

And has been taken up by higher income households with the capacity to service

Household Debt

Per cent of household disposable income*

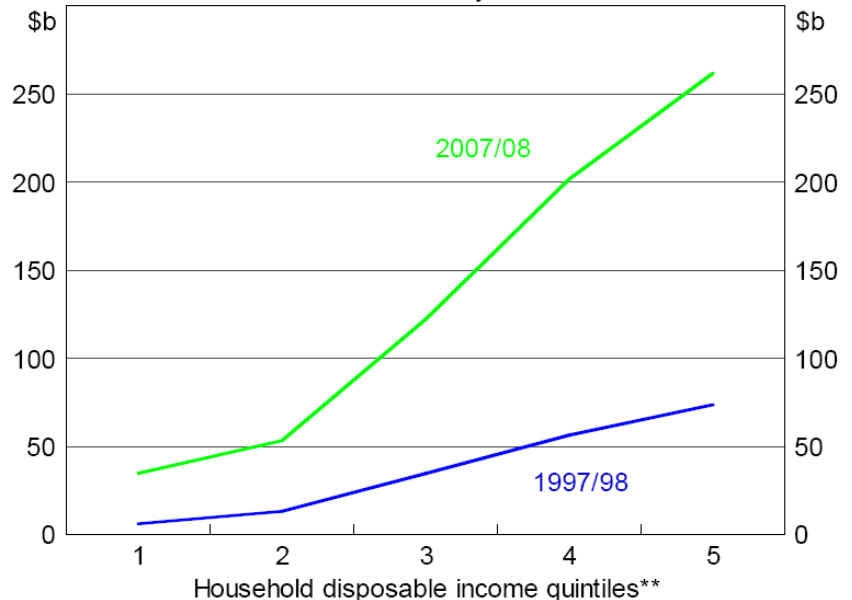


* Household sector excludes unincorporated enterprises. Disposable income is after tax and before the deduction of interest payments.

Sources: ABS; RBA

Owner-Occupier Debt*

Value of debt held by households



* Average debt over the year

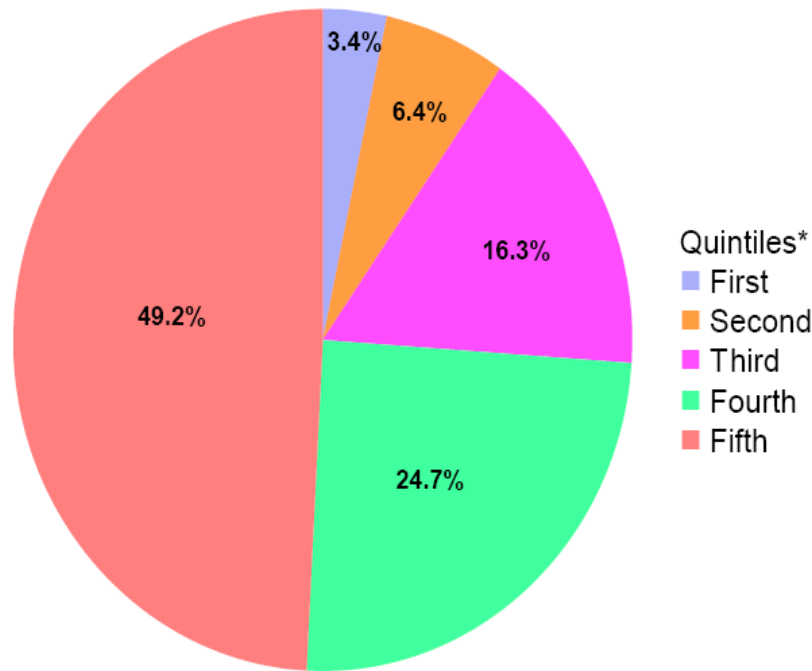
** Quintiles include all households

Sources: ABS; RBA

Complexion of household debt

Indebted Households

Share of household debt held by income quintiles, 2006



* Income quintiles include all households
Sources: HILDA Release 6.0; RBA

- Household debt up but also total assets held by households
- Debt largely used to acquire assets
- Financial assets (i.e. ex housing) now equivalent to 2.75 years of income up from 1.75 years of income in the early 1990's
- Increased debt mostly taken on by households in the strongest position to service it (high income quintile)
- Households in the top two quintiles account for 75% of all outstanding debt
- Bottom two income quintiles account for 10% of household debt

Australian house prices

Fundamentals are sound

- Nominal house prices and ratio to income elevated
- House price to income ratio ignores interest rates / debt servicing
- Fundamentals are currently very supportive
- Housing shortage worsening
- Cyclical upturn underpinned by resources boom and authorities well placed to respond to any future crisis

Household sector well placed

- Economy/labour market solid, unemployment falling – few forced sales (historically a pre-requisite for significant price falls)
- Low delinquencies reflect comfortable debt servicing
- Lending standards critical to sustainability

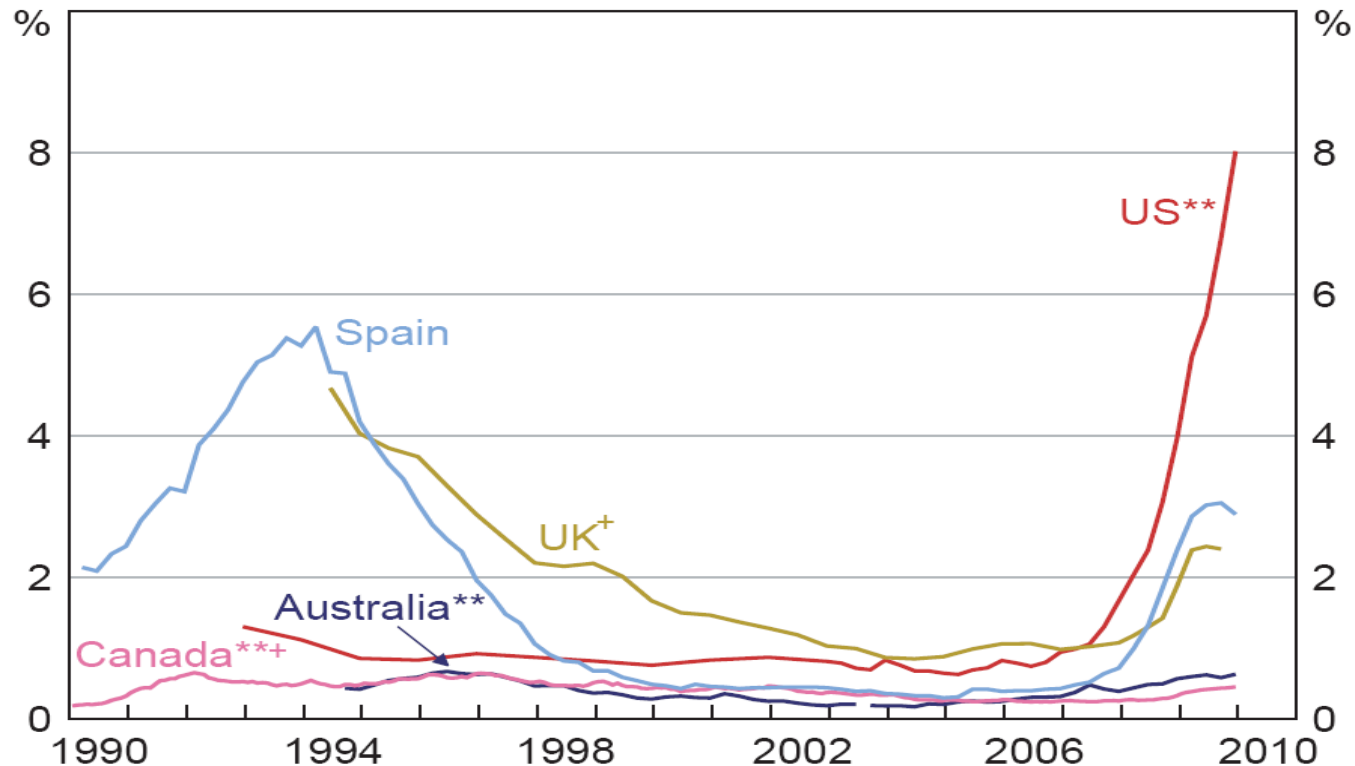
Financial system solid

- On balance sheet lending = incentives re. sustainable serviceability
- Conservative lending = low delinquencies
- Full recourse lending cf. US = less incentive to default
- Variable interest rate policy works

Conservative lending, supportive policy and strong economy has meant a very resilient housing market

Non-performing Housing Loans

Per cent of loans*



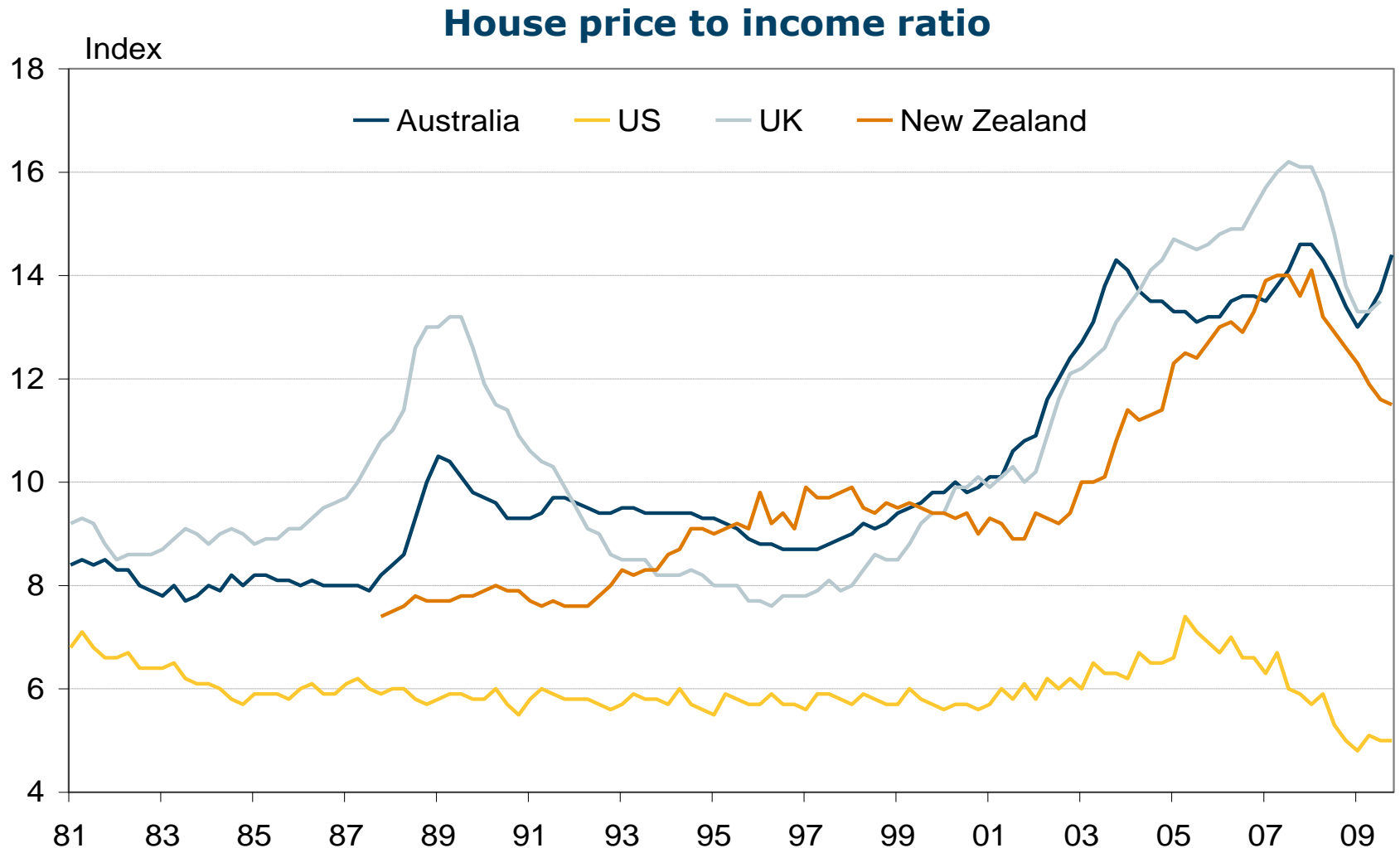
* Per cent of loans by value. Includes 'impaired' loans unless otherwise stated.
For Australia, only includes loans 90+ days in arrears prior to September 2003.

** Banks only.

+ Per cent of loans by number that are 90+ days in arrears.

Source: RBA

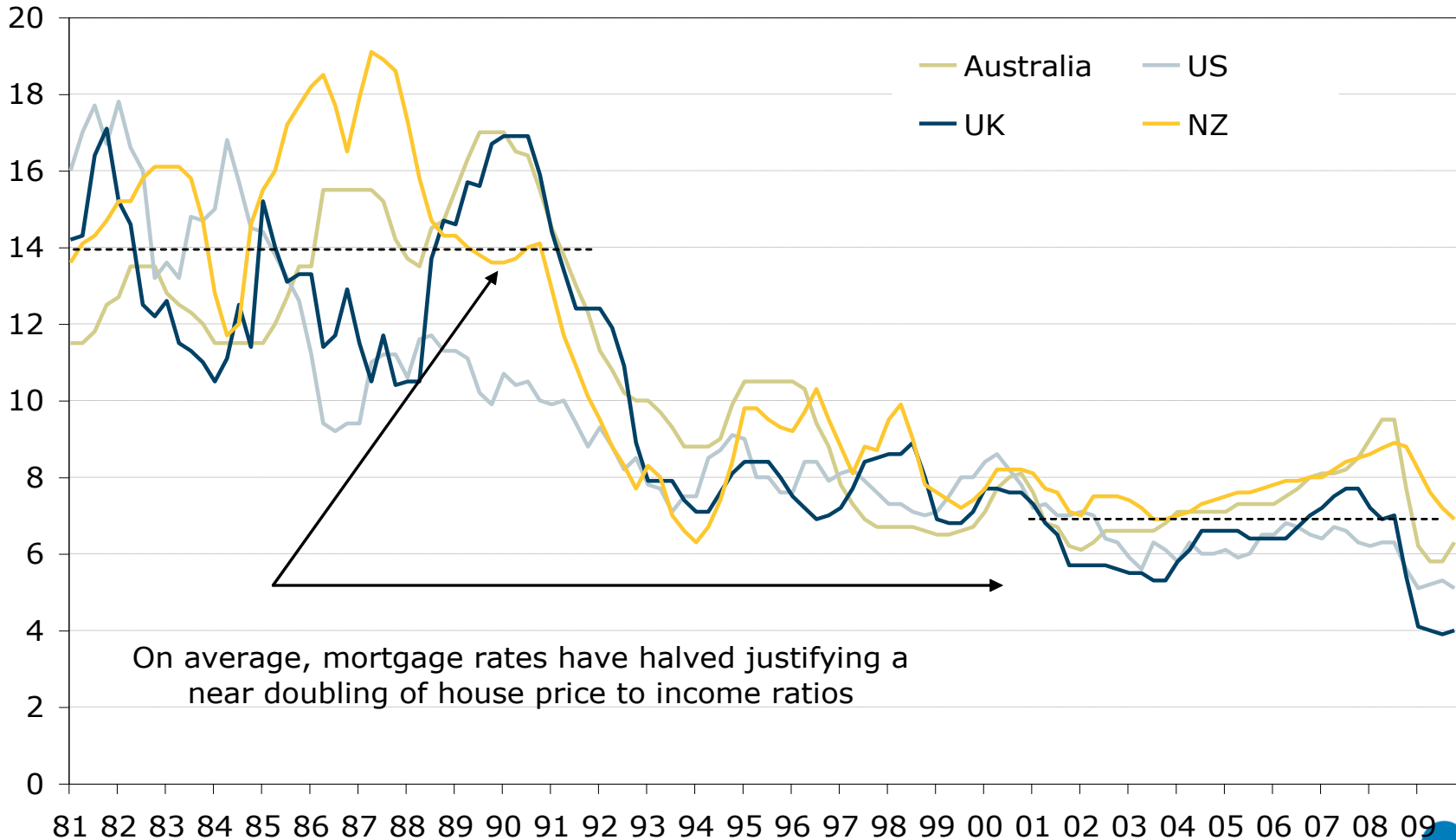
Australian house prices have broadly tracked incomes since 2004 (incomes rising strongly due to terms of trade)



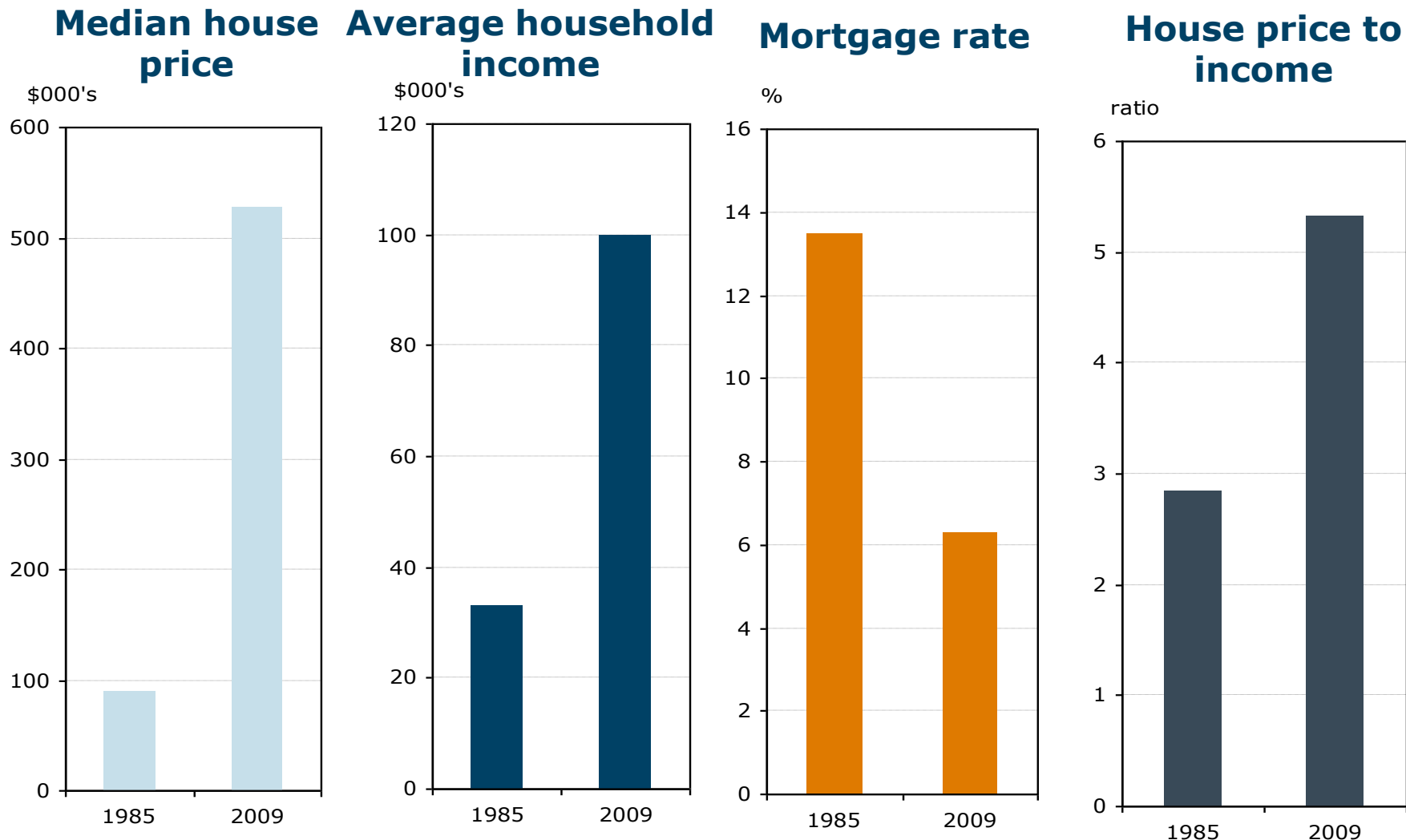
Sources: RP Data-Rismark, RBA, ANZ Economics and Markets Research

A structural lowering (halving) of mortgage rates has significantly improved debt serviceability

Mortgage interest rates



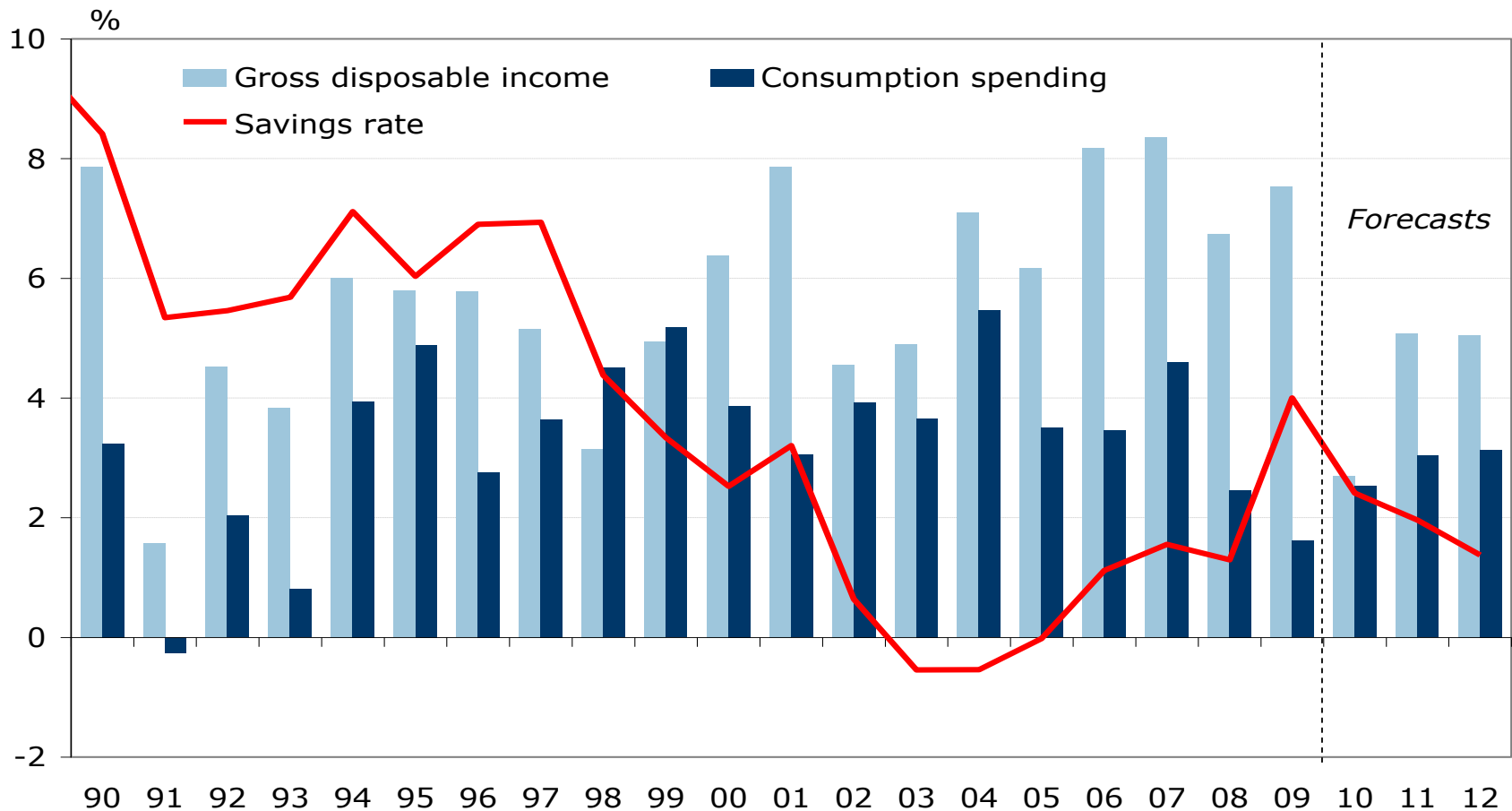
Increase in house price to income ratio almost fully accounted for by the halving of mortgage rate



Sources: ABS, RBA, ANZ Economics and Markets Research

Household incomes and consumption

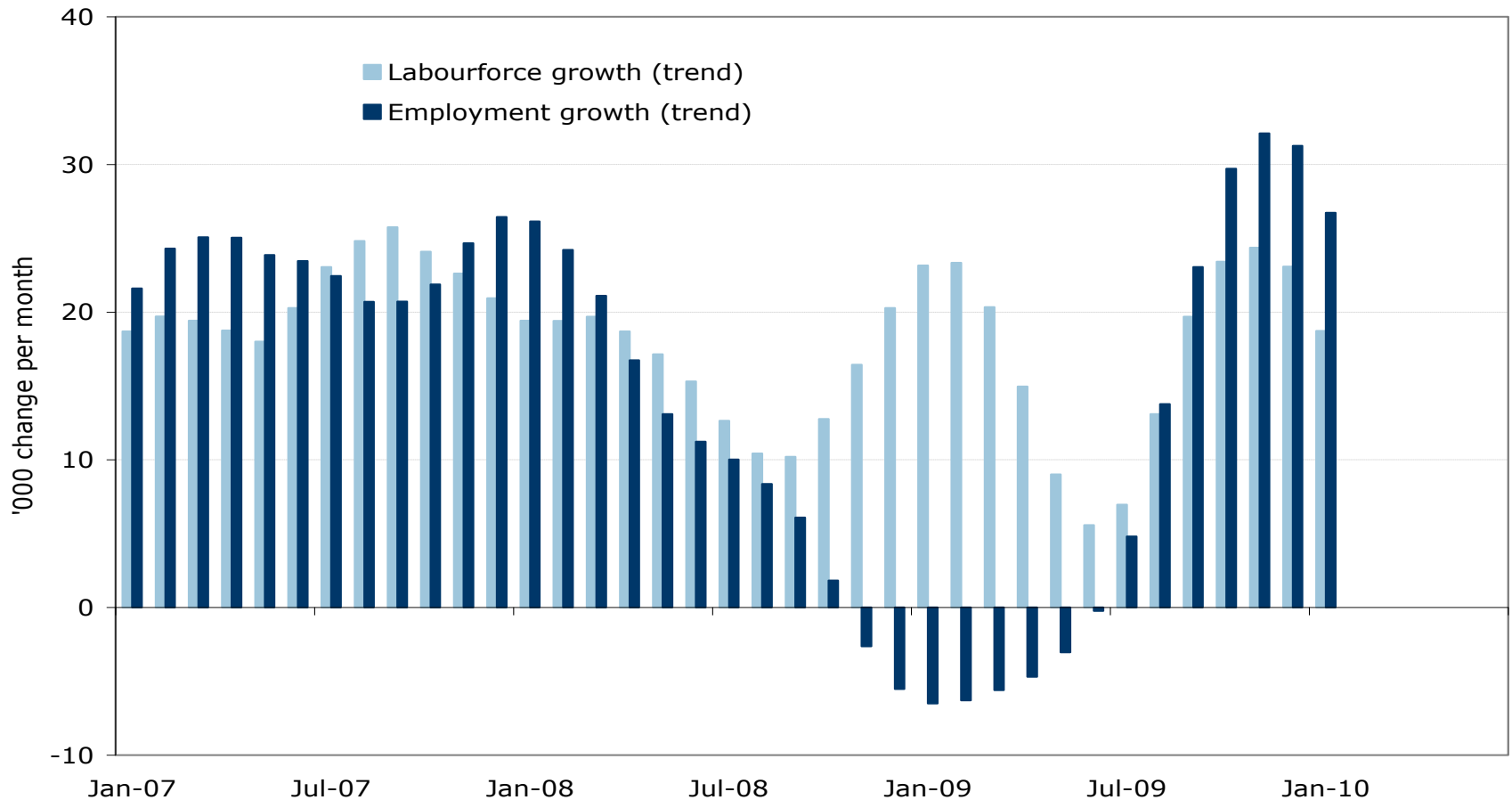
Household disposable income & consumption



Source: ANZ, RBA, ABS

Labour market is strong and supporting household confidence

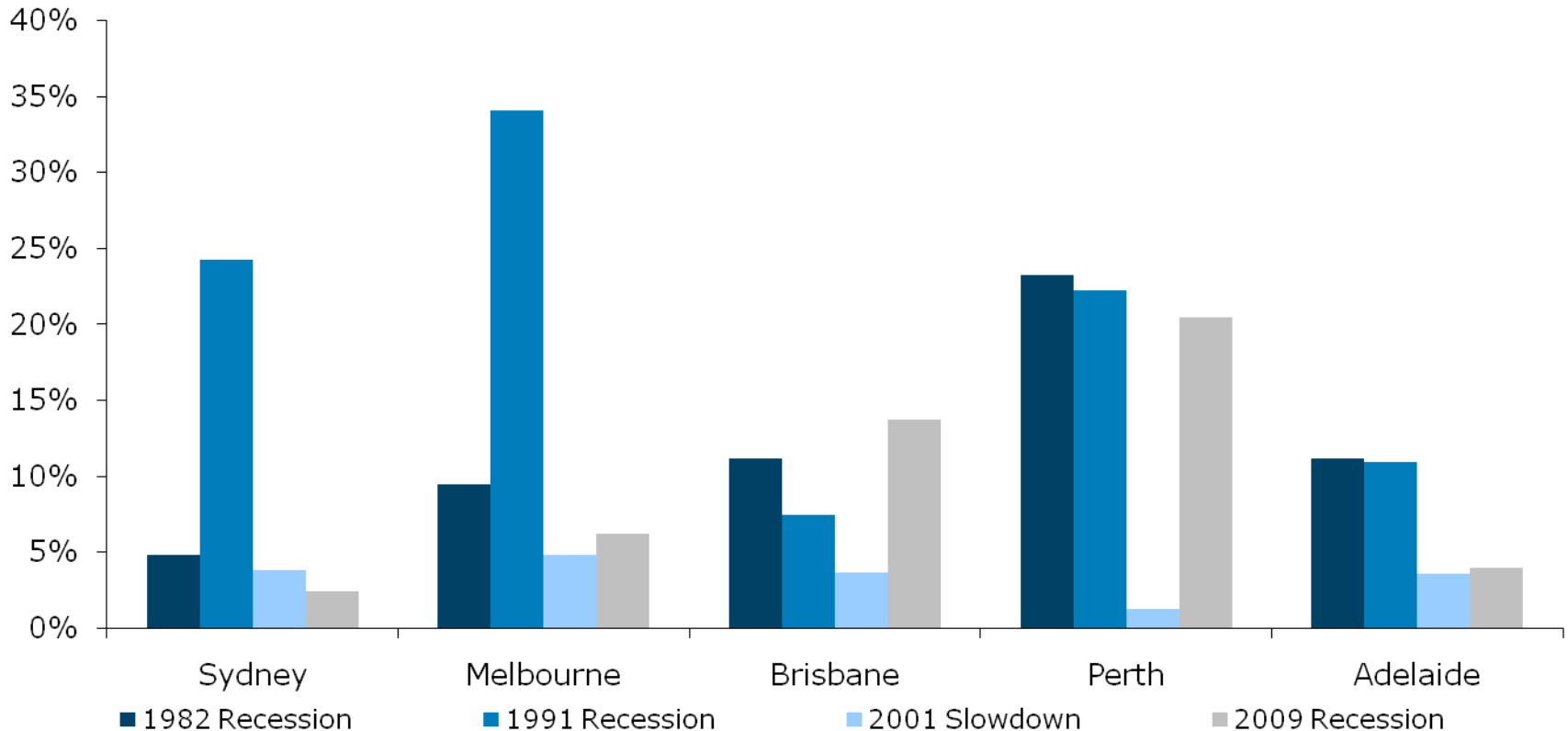
Monthly employment and labour force growth, '000 people (trend)



Source: ABS

1990's commercial property downturn characterised by significant oversupply vs other downturns¹

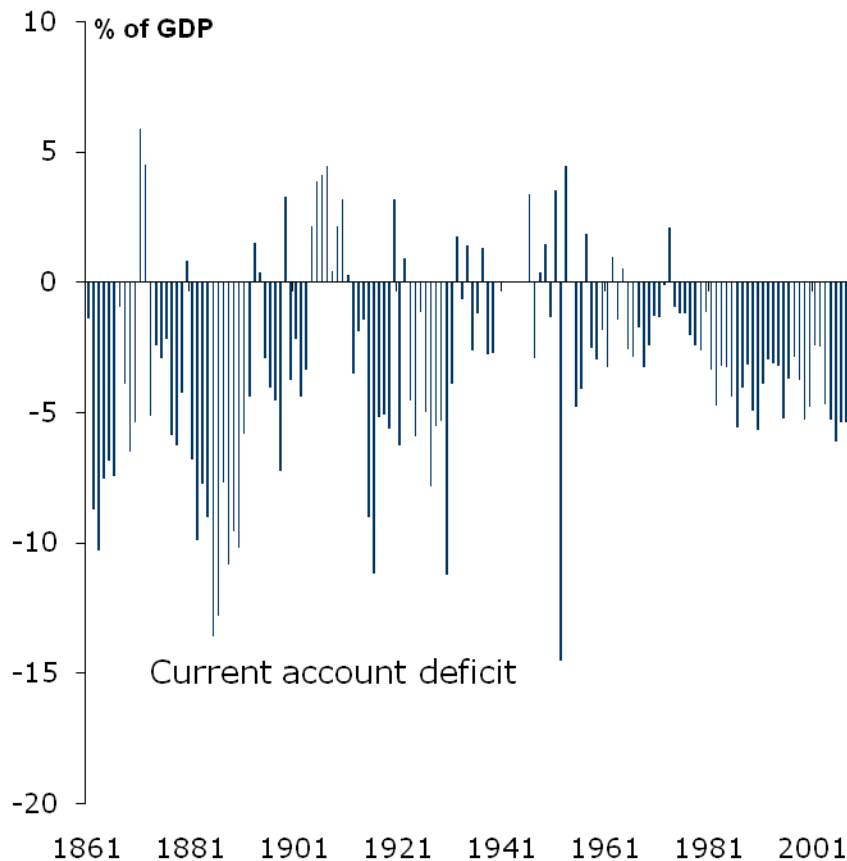
Supply Pipeline as a % of Total Stock Australian CBD Office Market



Source: Jones Lang LaSalle. 1. with the exception of WA & QLD

Australia has run a current account deficit for most of the past 150 years

Current account deficit



- The current account deficit is the gap between national saving and national investment
- That Australia has run a deficit for such a long period suggests the country has more investment opportunities than it can fund out of domestic saving
- By running such deficits and capitalising on these investment opportunities, Australia has been able to grow its economy and labour market at a much faster rate than if it had relied solely on domestic saving. Our living standard will have been considerably lower on domestic saving alone.
- A natural consequence of running continual current account deficits (flow) is a build up in net foreign liabilities (stock) – from 40% of GDP in 1989 to 60% of GDP in 2009.

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January 2011

Economics – Forecasts



Economic updates

	Australia				New Zealand			
	2009	2010	2011	2012	2009	2010	2011	2012
GDP	0.9	2.7	3.2	4.1	-2.5	1.5	2.3	4.3
Inflation	1.3	2.8	3.0	3.2	2.0	1.5	4.9 ¹	2.3
Unemployment	5.8	5.2	5.2	4.9	7.1	6.4	5.5	5.5
Current A/C (% GDP)	-3.3	-3.6	-2.6	-4.0	-3.3	-3.8	-3.7	-3.9
Cash rate	3.00	4.50	5.25	5.75	2.50	3.00	3.75	4.75
10 year bonds	5.36	4.96	5.80	5.70	5.8	5.0	5.9	5.8
AUD/USD	0.88	0.97	1.02	0.95	N/A	N/A	N/A	N/A
AUD/NZD	1.22	1.32	1.36	1.34	1.22	1.32	1.36	1.34
Credit	1.7	3.3	3.8	4.7	3.6	0.6	4.5	5.7
- Housing	7.6	8.0	5.3	5.6	3.9	3.0	3.5	5.1
- Business ²	-4.6	-3.7	1.1	3.3	3.6	-2.8	5.9	6.5
- Other	-5.5	2.8	5.2	4.5	-1.8	2.2	4.1	4.9

Source - ANZ economics team estimates. Based on 30 September bank year.

1. Impacted by an increase in the Goods and Services tax rate from 12.5% to 15% effective 1 October 2010

2. NZ Business includes Rural lending

Growth Forecasts – Asia

Emerging Asia GDP Growth Forecasts

	2007	2008	2009	2010	2011	2012
China	13.0	9.6	9.1	10.1	9.6	9.5
India	9.5	7.3	6.8	9.2	8.4	9.3
NIEs						
Hong Kong	6.4	2.4	-2.7	6.5	5.0	5.2
Korea	5.1	2.3	0.2	6.2	4.3	4.6
Singapore	8.5	1.8	-1.3	14.5	4.2	5.9
Taiwan	5.9	1.1	-1.9	10.6	5.9	5.7
ASEAN						
Indonesia	6.4	6.0	4.5	5.9	6.3	6.3
Malaysia	6.5	4.7	-1.7	6.5	3.5	5.6
Philippines	7.1	3.7	1.1	6.9	4.5	6.8
Thailand	5.0	2.5	-2.3	7.8	3.4	4.5
Vietnam	8.5	6.3	5.3	6.6	6.5	6.8
Total						
Total	10.3	7.3	6.1	9.1	8.0	8.3
Total (ex. China & India)	6.1	3.3	0.4	7.4	4.9	5.5
Sources: CEIC, ANZ Economics.						

Based on calendar year.

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When used in this presentation, the words

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