



14 August 2003

ANZ Shareholder Information Meeting

Adelaide Town Hall
128 King Street
Adelaide

Address by: Charles Goode, Chairman, ANZ
John McFarlane, Chief Executive Officer, ANZ

Good morning, ladies and gentlemen. My name is Charles Goode and I have the pleasure of chairing our meeting today.

I know I speak for our Chief Executive Officer, John McFarlane and our Chief Financial Officer, Peter Marriott when I say we are very pleased to be back in Adelaide. However, I would have been even more pleased, if we could have had the meeting two weeks later to coincide with the opening of the Royal Adelaide Show.

As most of you know ANZ has very old and very strong links to South Australia. In fact, through the Bank of Australasia and later the Union Bank of Australia, we have operated continuously in South Australia, for 167 years.

We remain strongly committed to and confident in the State's future.

We employ 950 people working from 79 branches throughout the state. Each of them does an important job, in servicing the needs of individuals and helping small and large business develop and expand.

Through those 950 staff we work hard to be a vital part of the community. For example through membership of the ANZ Staff Foundation, ANZ staff contribute to several local community organisations. The funds come from ANZ staff members making weekly donations and ANZ matching them dollar for dollar. The provision of volunteer leave for our people has seen ANZ staff volunteering for a number of community projects. We also financially support the Royal Flying Doctor Service and Foodbank among other organisations.

However the main contribution we can make to South Australia, as with any other state, is to be an efficient and effective partner in developing a strong and dynamic business sector.

Strong economic growth is critical to delivering full employment and improving important public and community services.

General Meeting of Shareholders - Overview

Many of you will be aware that yesterday ANZ held a General Meeting of shareholders in Melbourne to consider three resolutions in relation to ANZ's capital management strategy.

I will not go through the details of the resolutions as I trust you have all seen the relevant correspondence. Suffice to say, shareholders voted resoundingly in favour of the three resolutions.

Basically the vote at yesterday's meeting was to allow greater flexibility in our capital management and to enable us to access lower cost capital. As a result of that approval, this morning ANZ announced a new issue of hybrid securities which will form part of the bank's Tier One capital. Tier One capital is the capital we as a bank are required to maintain under prudential standards set by the Australian Prudential Regulation Authority. You will see from the announcement that we intend to offer up to 10 million preference shares with a value of \$1 billion.

Over the next few days we will mail all ANZ shareholders a form regarding the offer. If you are interested in investing in the securities, simply complete the form, mail it to ANZ and we will send you a copy of the prospectus and an application form. You will be eligible for a priority allocation of these securities over applicants from the general public. If you are interested in investing in these securities, I would urge you to read the entire prospectus carefully.

Should you have any further questions you should consult your stockbroker, accountant or other professional adviser. You may also call the ANZ StEPS Information Line – that telephone number will be in the prospectus.

Moving on to the business of this meeting: this morning I would like to briefly cover three issues I think are important to shareholders.

The first is to discuss the corporate governance of the bank. Then I will give you an update on our financial performance and finally comment on the prospects for the Australian economy. I will then hand over to John McFarlane to talk to you about our strategy and then we will open the meeting up for questions.

At the end of that discussion we would like you to join us and members of our South Australian staff for a cup of tea or coffee.

Governance

The first issue I wish to discuss today is governance.

Around the world investor confidence has been shaken by the collapse of a number of high profile, formerly investment grade companies, and concerns about the integrity of some aspects of the financial market. We have seen our fair share of these events in Australia. As a result investors and regulators are placing an increasing emphasis on corporate governance and disclosure standards.

At ANZ, our belief is that good corporate governance is not only the right thing to do but that it can give us a strong advantage. We believe being a leader in governance and transparency, combined with delivering on our promises, will make ANZ both more attractive to investors and a more sustainable business.

At a practical level corporate governance comes down to three key steps. The first is that a Board is made up of ethical, competent and experienced directors. The second is that a Board undertakes active monitoring of the company's activities and, the third is that the board ensures integrity prevails within the company.

For these steps to be effective there needs to be an environment which encourages well-informed, challenging and constructive discussion. It also means a commitment to transparent reporting, timely and accurate disclosures and management accountability.

For some years now ANZ has been a leader in the level of transparency and disclosure to investors, not only in Australia, but also from a global standpoint. For example:

- We report our interim and annual results some three and a half weeks after balance date. This is particularly timely.
- Equally as important we provide shareholders and the market with details of the profit and loss for each of our 17 specialist businesses. We did this for the second year in 2002.

For the first time, in that same report, we also reported the profits of the banks internal treasury operation. I am not aware of any other bank in the world doing this. We also regularly report on a range of non-financial, but none-the-less critical indicators of success. For example, in last year's annual report we showed how our customers and staff rated their satisfaction with us in each of our major businesses.

However, while we have made good progress on governance, we know we have to continue to raise the bar. So, over the last year, your Board reviewed all of our governance procedures. Some of the key changes from that review include:

A new committee structure with four main Board committees - the Audit Committee; the Risk Management Committee; the Nominations and Corporate Governance Committee; and the Compensation Committee. Each of these four main committees is made up of independent directors and each has its own committee chairman.

We have also introduced a new policy, covering ANZ's relationship with its auditor. This new policy limits and controls the provision of services by ANZ's auditor. It does this by ensuring that any engagement undertaken by the external auditor does not compromise its audit responsibilities. ANZ's Head of Internal Audit now reports directly to the Chairman of the Audit Committee.

While these steps will help ensure governance at ANZ remains at the highest standard we are committed to a continual review of governance to ensure we remain at the leading edge.

Performance

The second issue I want to discuss this morning is “performance”. There is no doubt 2002 was a strong year for ANZ. The financial results are one measure of our progress.

We lifted after tax profit by 15.9% to a record \$2.1 billion excluding significant transactions. Our return on equity was 21.6%. Another important measure is the cost to income ratio. This is a measure of our productivity. In 2002 our cost to income ratio was 46%. This put us among the top five of the world’s 100 largest banks on this measure.

In the six months to March 2003 ANZ again improved its performance. We increased after tax profit by nearly seven per cent excluding significant transactions. And you would have been pleased to see, we lifted the dividend by over 12 per cent, to 44 cents a share fully franked.

Looking ahead, I am pleased to say that ANZ is on track to achieve around eight per cent growth in Net Profit After Tax for the 2003 financial year.

But as I said earlier, financial results are only one measure of our progress. Any organisation that wants to be successful over the long term has to align the interests of its staff with its shareholders. So, I am pleased to be able to report to you that more than 90 per cent of our 22,000 employees own shares in ANZ. I want to take the time, to thank on your behalf, all our staff for the commitment, contribution and hard work to serve our customers.

Another measure of our progress is to look at the management actions taken to ensure continued growth over the coming years. Let me mention some of the key initiatives from the last financial year and some we are considering.

In May last year, we established a joint venture in funds management and life insurance with ING. ING is one of the world’s largest investment, banking and insurance groups. The joint venture fits with the Bank’s specialization strategy, and takes advantage of the respective strengths of ANZ and ING. It improves our ability to serve customers in the important area of funds management and life insurance in Australia and New Zealand.

We also strengthened our position in the Pacific, with the acquisition of the Bank of Hawaii’s Papua New Guinea, Vanuatu and Fijian operations. As we have carefully expanded in the Pacific we are taking a similar, cautious look at developing a portfolio of modest growth options in East Asia.

In April this year we established a co-operation agreement with the Shanghai Rural Credit Cooperative Union in China. This builds on our shareholding in Panin Bank in Indonesia and a number of other successful businesses in Asia.

At the same time we have not lost our focus on small business and our individual customers in Australia and New Zealand. For example, in the past six months we have introduced simplified small business accounts and introduced a new banking package for home buyers who consolidate their banking with ANZ.

Before I move to briefly discussing the economic prospects for Australia let say that over the last five years, our objective at ANZ has remained the same. We want to achieve stable, sustainable growth, by building growth businesses with real competitive advantage and by continually working at lowering risk across the bank.

Economic Prospects for Australia

The final theme I wish to touch on is the economic prospects for Australia

The world economy has had to absorb a number of significant shocks during the past few years - the collapse of the 'dot-com' bubble, and a substantial decline in share market valuations more generally; the terrorist attacks of September 11 2001 and their aftermath; the loss of confidence in corporate governance practices, particularly in the United States; and the war in Iraq.

All of these have taken a severe toll on investor, business and household confidence. Appropriately, economic policies around the world have sought to overcome these blows by imparting substantial stimulus.

After being buffeted by significant headwinds over the last two years, there are now some encouraging signs that the growth in the world economy may be starting to pick up again - share prices have risen from their lows in March and geopolitical uncertainties have eased – while the already highly expansionary stance of economic policy has become even more supportive, following further cuts in interest rates in the US and Europe in June, and another round of tax cuts in the United States last month.

Some improvement in the pace of global economic growth is likely to become evident in the second half of this calendar year. While the sluggish global economy combined with the drought have adversely affected the pace of growth in Australia, the domestic economy has held up remarkably well. Some moderation in the pace of growth in private sector spending is expected over the course of this year as the housing boom levels off and subdued institutional borrowing demand.

Overall, we expect growth in the Australian economy to improve from just below 3% in the last financial year to around three and a half % in the current financial year.

Strong growth in household spending has seen the South Australian economy outperform the Australian average over the past year, with a fall in the unemployment rate to a twenty-five year low. Business sentiment has also been positive, with confidence in the State economy reflected by strong investment over the last year, while robust car sales across Australia have benefited South Australia's vehicle manufacturers.

Nevertheless, South Australia has not been immune from the effects of the weak world economy and drought although in the near-term, growth in the South Australian economy will be underpinned by the significant amount of residential and commercial construction work.

It is encouraging to see the issues facing the state being addressed by the state government in partnership with the private sector and other parts of the community.

I would now like to invite John McFarlane, ANZ's CEO, who will provide a more detailed overview of the Group's strategy.

John McFarlane

Thank you Charles. Good Morning. Let me echo the Chairman's comments and say how pleased I am to be back in Adelaide.... I am a big fan of this state ...particularly the Barossa.

We have a very good business here and if you are not an ANZ customer I know our staff will be happy to tell you why you should be over a cup of coffee after the meeting.

(Strategy presentation spoke to slides)

Now as you know we don't normally say anything about our full year result this close to the end of the year ... but ... in light of yesterday's meeting and today's shareholder information meeting here in Adelaide we have issued a shareholder update. In that update we confirmed our earnings outlook for the year remained unchanged.

We said our earnings for the 2003 financial year would be around 8 per cent higher than last year, excluding last year's one-off profit on the sale to the ING joint venture of ANZ Funds Management. The recent overall momentum at ANZ has been broadly consistent with expectations and this has enabled us to stay on track.

Mortgage demand has remained strong, offset by a difficult interest rate climate and low institutional loan demand.

Strong asset growth in the April to July period saw our Consumer Finance business back on track after a difficult first half. Consumer Finance takes in our credit card and personal loan operations. While the business faces a challenging period in 2004 associated with the reduction in interchange we are increasingly confident the impact of the changes is unlikely to be greater than our earlier estimates.

In line with the surprising strength in the Australian housing market, mortgage drawdowns by value were up 32 per cent in the April to July compared with the same period last year.

Through our ESANDA and UDC businesses we have a significant share of the motor vehicle and equipment leasing markets in Australia.

In strong markets they experienced good new business growth and together with a continuing focus on productivity have seen positive earnings performance.

Our personal banking business has continued to grow deposits and I'm particularly pleased to say it has grown its market share in rural Australia. This improved performance has been eroded to some extent by continuing margin pressure in retail banking generally and the increased investment in our restoring customer faith and bank with a human face programs. These programs are still in their early days

ANZ 's joint venture with ING continues to perform reasonably well in a difficult market. In the June quarter, independent research showed ING Australia had established a solid top four position with \$27.8 billion of retail assets under management.

In New Zealand our overall performance has been relatively flat although asset growth has been solid.

Fee and loan growth in our Institutional Business has been modest in Australia and New Zealand, against expectations that we would have had higher business loan demand. This has been offset by higher contributions from foreign exchange and a strong performance from our capital markets group.

A particular focus of ANZ has been small to medium sized business. I'm pleased to say we have seen a strong performance from our corporate and small business group who service this segment. Lending is up 13 per cent and deposit growth up 9 per cent.

Overall domestic credit quality remains sound. We do though, continue to be cautious about parts of the offshore investment banking portfolio, including the US energy sector. While there have been some minor developments, these don't affect our previously stated view of potential losses and we continue to believe these are containable. As a result we expect specific provisions from our international investment banking businesses to have peaked and for specific provisions in 2003 to be lower than 2002. In general the overall quality of our loan portfolio continues to improve.

We will provide guidance on the year ahead when we release our 2003 full year results on the 24th of October.

Early indications are that 2004 will be more challenging for the industry as a whole than 2003. Credit card interchange reform, a difficult interest rate environment, the strong Australian dollar and a softening outlook for housing will all increase the challenge. Having said that we expect 2004 earnings per share growth to remain reasonable.

Thank youlet me hand back to Charles.

Charles Goode

Thank you John. I trust this mornings presentations have given you a better understanding of both ANZ's performance and our plans for the future. I would now like to open the floor for any questions or comments on any of the matters relating to our business. Before I do that, could I remind you that this is a shareholder meeting and so it is not appropriate to raise individual customer issues? If you do have any customer related queries, we will have ANZ staff available after the meeting to assist you. Now let me open the meeting for questions.

(Questions)

I want to thank you for taking the time to join us here today and invite you to join us in the foyer for light refreshments. Thank you.

(ends)