

2003 Interim Results

Australia and New Zealand Banking Group Limited

24 April 2003



Agenda

John McFarlane

- Introduction

Peter Marriott

- Result review
- Portfolio performance
- Credit quality
- Other issues

John McFarlane

- Strategy
- Outlook

John McFarlane

Chief Executive Officer

24 April 2003



2003 Interim Results

v Mar 02

| | | | |
|---------------------------|----------|---|-------|
| • NPAT | \$1,141m | ↑ | 8.7% |
| • EPS | 72 cents | ↑ | 8.6% |
| • Cash EPS | 74 cents | ↑ | 10.4% |
| • Interim Dividend | 44 cents | ↑ | 12.8% |
| • Net Specific Provisions | \$259m | ↓ | 29% |

Before Significant Items

| | | | |
|------------|----------|---|------|
| • NPAT | \$1,141m | ↑ | 7.0% |
| • EPS | 72 cents | ↑ | 6.8% |
| • Cash EPS | 74 cents | ↑ | 8.7% |

A reasonable result

- **Good underlying business performance**
- **Cards issue cost \$27m after tax**
- **Risks down**
 - **Specific provisions down 29%**
 - **New non-accruals down 50%**
 - **Net non-accruals down 28%**
- **Significant historical tax issue settled**
- **1st half normally cyclically lower than 2nd**
- **On track for 8% full year NPAT result***

* Excluding significant transactions



Peter Marriott

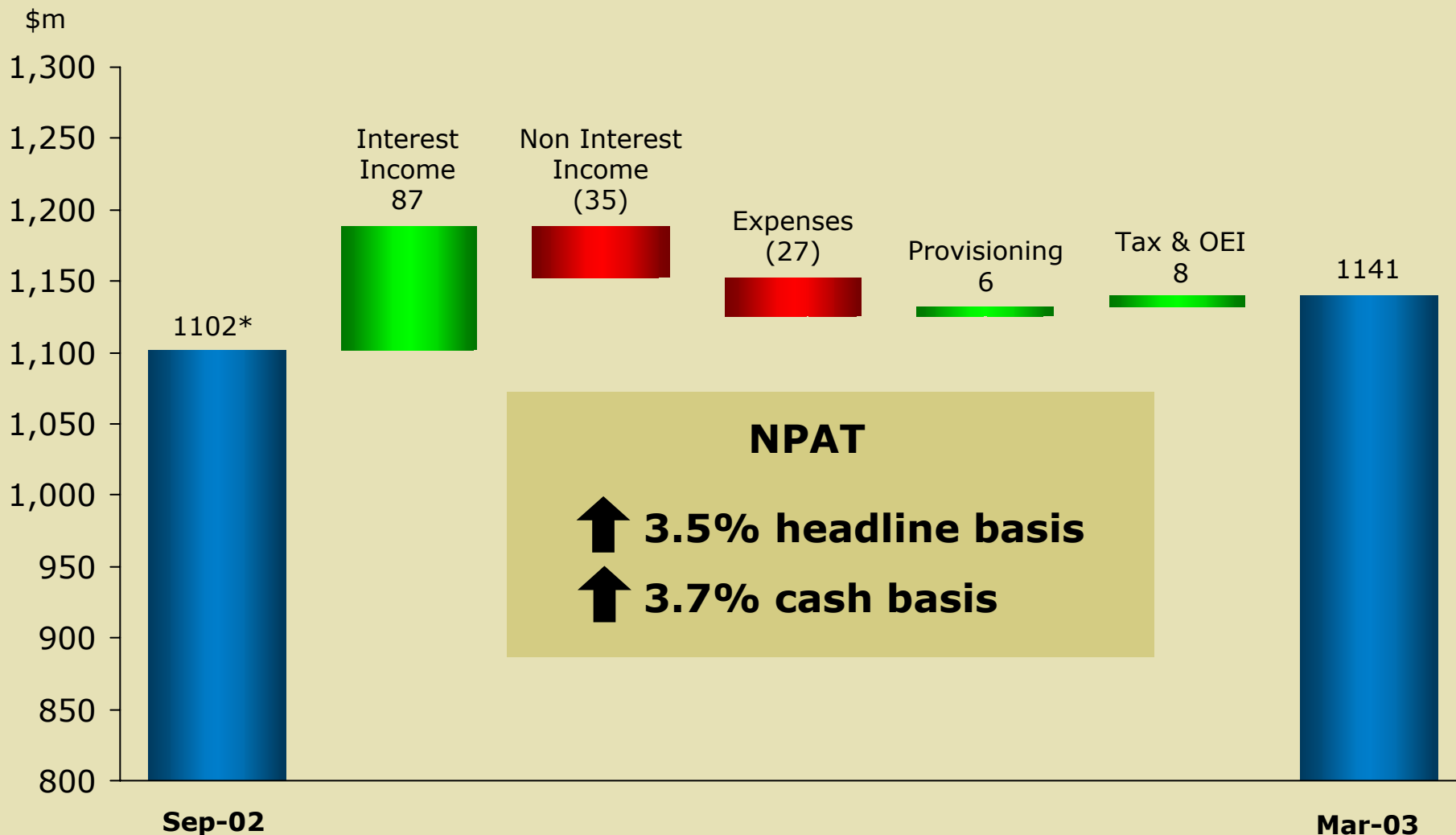
Chief Financial Officer

24 April 2003

Outline

- Result review
 - 1H03 Overview
 - Revenue
 - Expenses
 - Doubtful debt provisions
- Portfolio performance
- Credit Quality
- Other issues

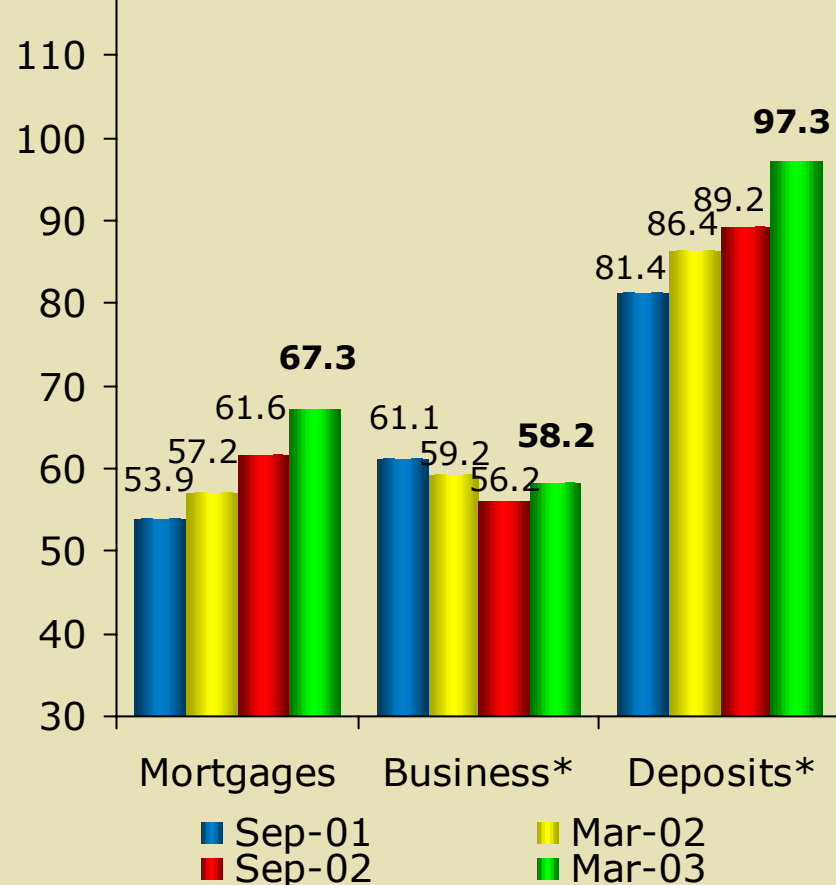
Result driven by asset & deposit growth, non-interest income impacted by one offs



* Sep-02 excludes significant items

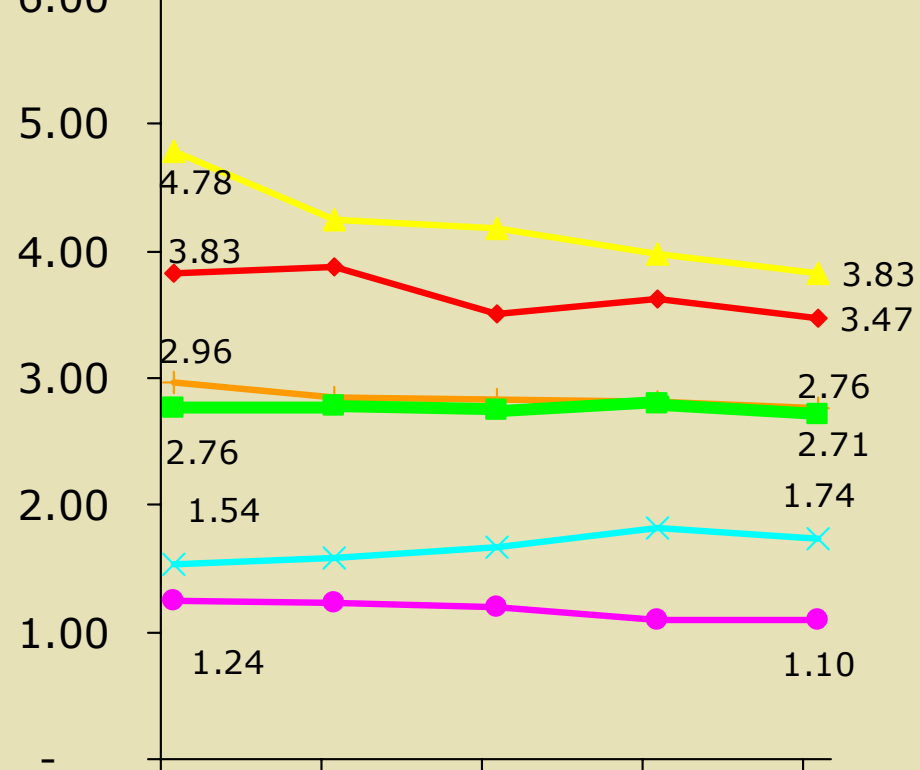
Higher interest income, driven by strong asset growth

Average Lending & Deposit Volumes



*Business Lending includes Corporate & Small Business, and Institutional Segments. Deposits includes Esanda retail debentures

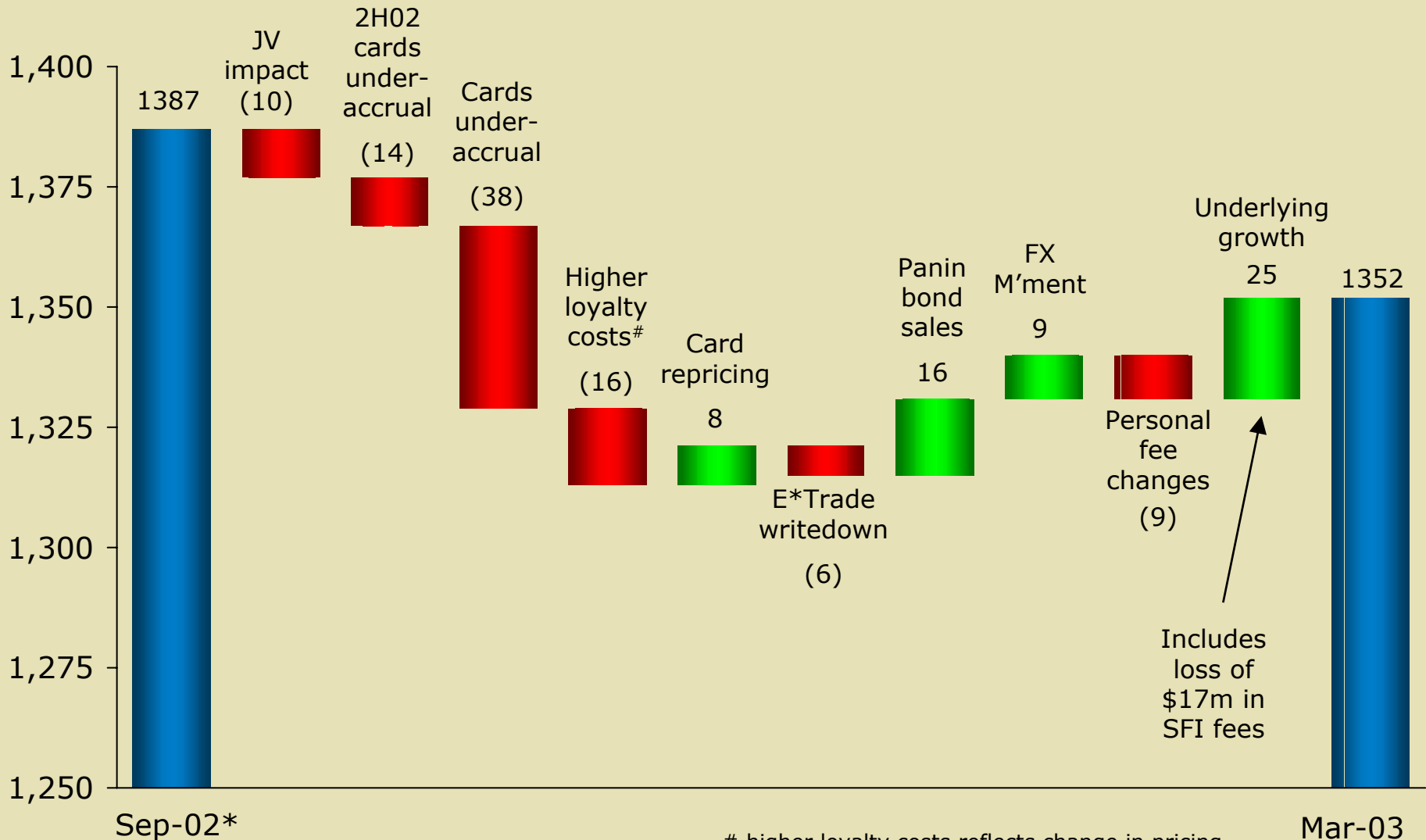
Interest Margins



Mar-01 Sep-01 Mar-02 Sep-02 Mar-03

- ▲ Corp & Small Bus
- Mortgages
- ◆ Personal
- ✕ IB
- + Asset Fin
- Group

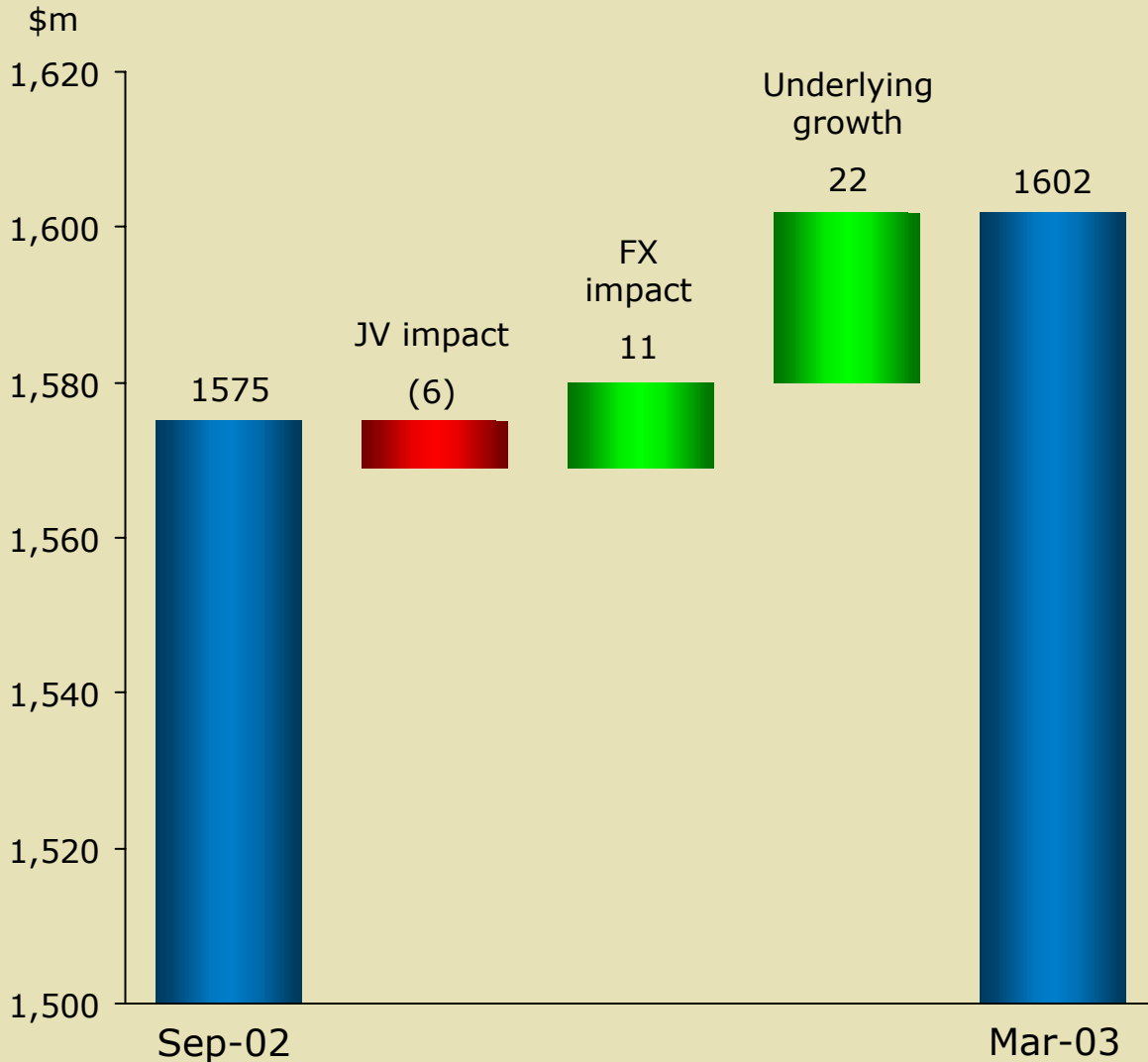
Underlying non-interest income reasonable, but dominated by one-offs



* Sep-02 excludes significant items

higher loyalty costs reflects change in pricing, and does not include higher volume impact

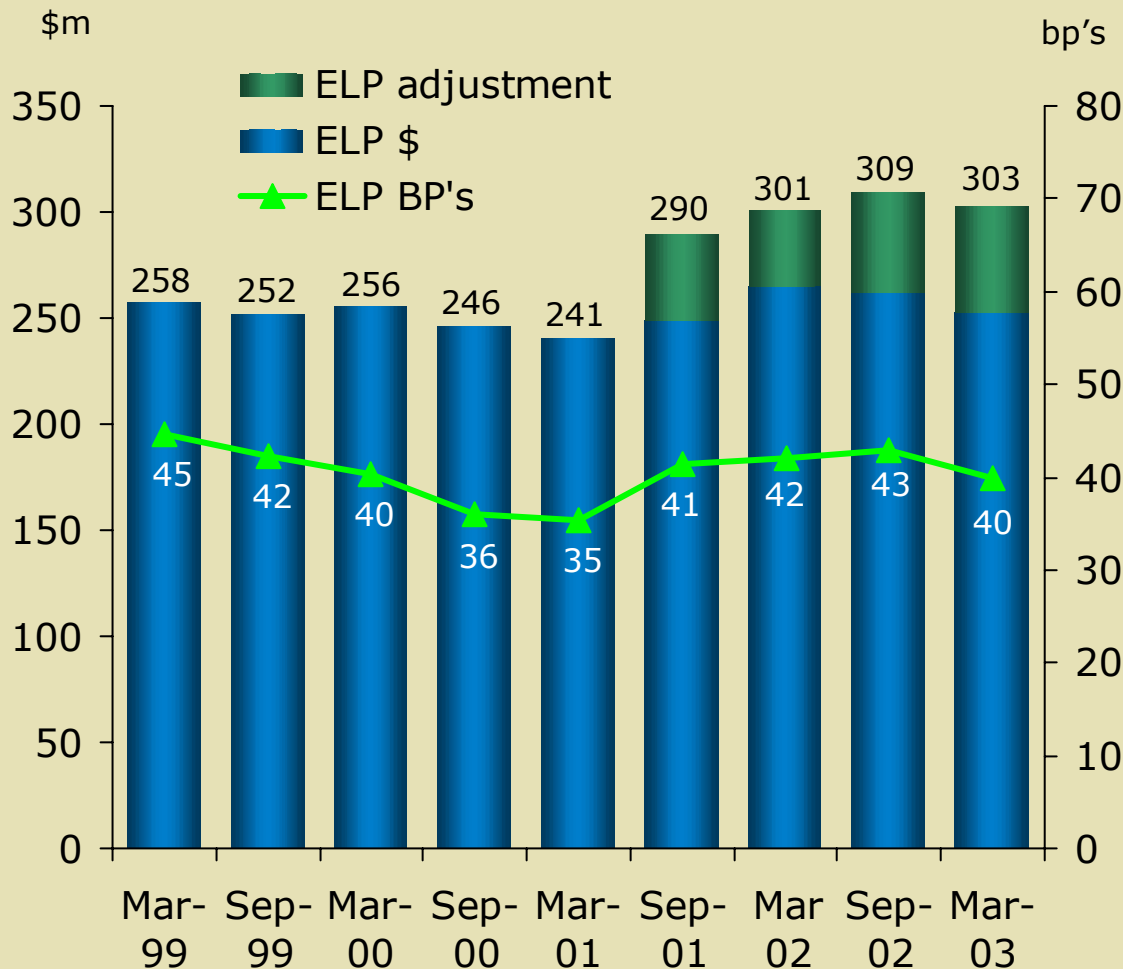
Expenses well controlled, cost income ratio flat



- Growth spend held back due to lower income growth
- Underlying half on half cost growth of 1.4%
- Includes \$10m increase in software amortisation
- Restructuring costs of \$32m taken, in line with previous half
- Continued focus on re-engineering "business as usual" costs

Provisioning charge reflects conservative management

ELP Charge

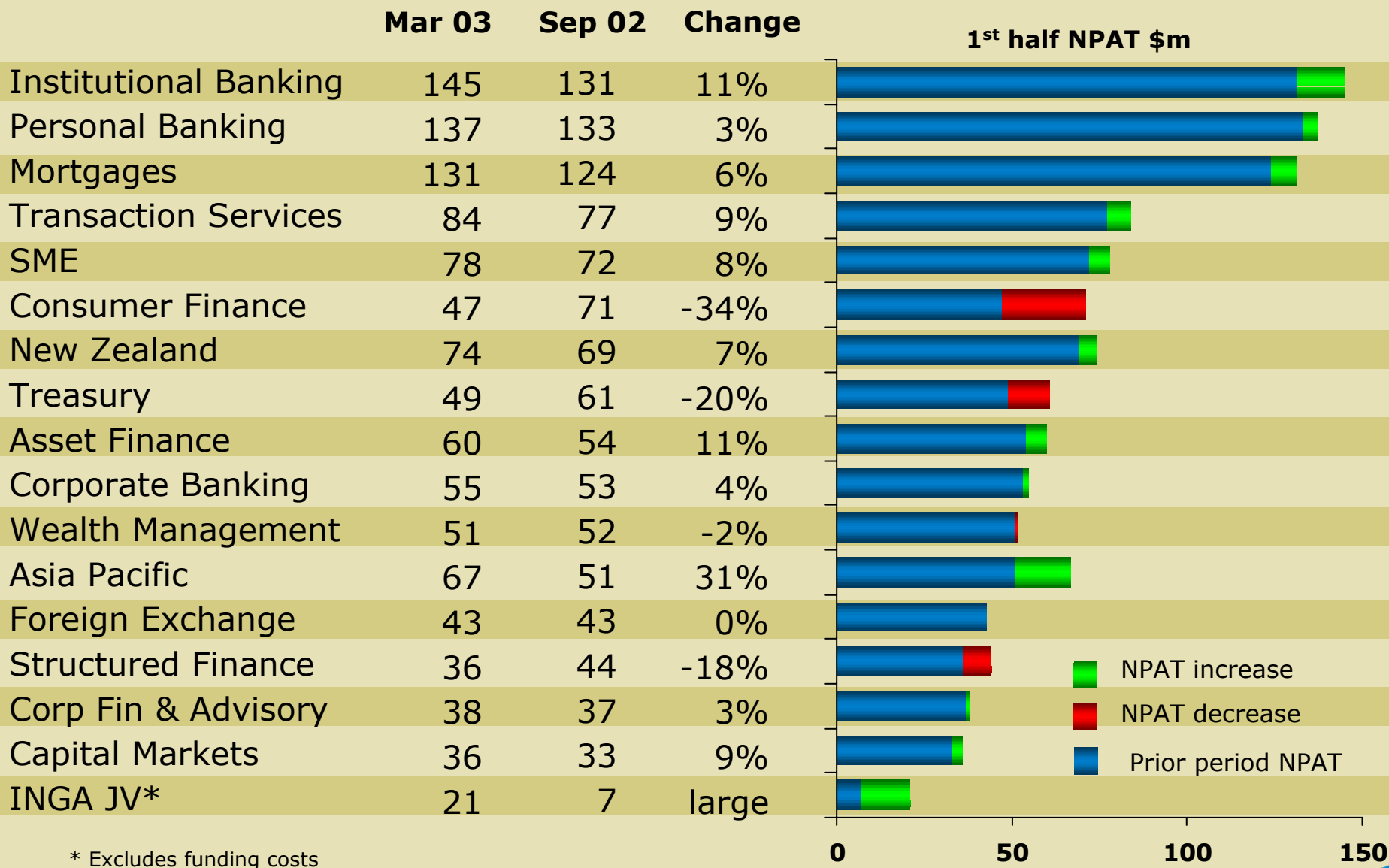


- ELP rate down 3bps – reflecting strong mortgage growth & improved risk profile
- ELP Portfolio adjustment continued
 - accruing higher level of ELP, reflecting ongoing global economic uncertainty

Outline

- Result review
- Portfolio performance
- Credit Quality
- Other issues

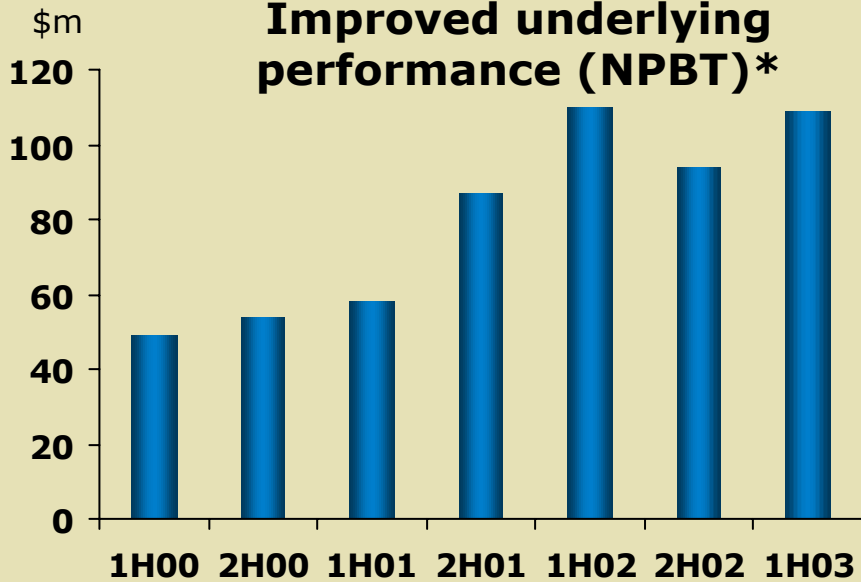
A diversified portfolio performing well



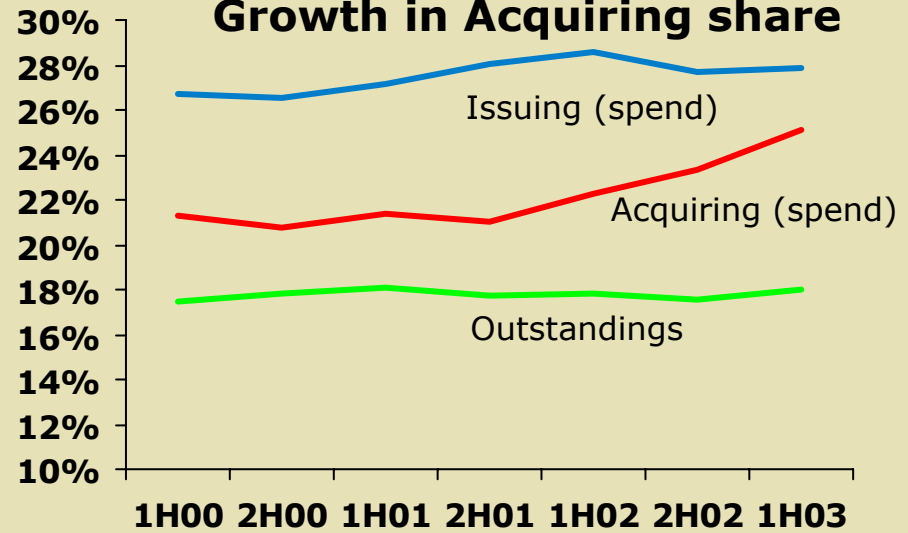
* Excludes funding costs

Consumer Finance – challenges, but good underlying performance

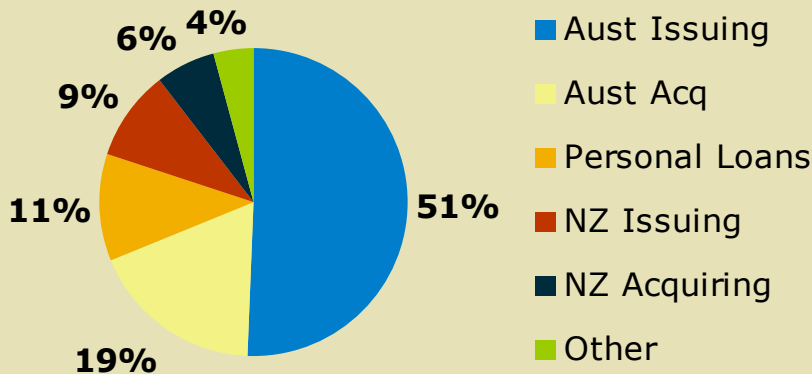
Improved underlying performance (NPBT)*



Growth in Acquiring share



Diversifying revenue*



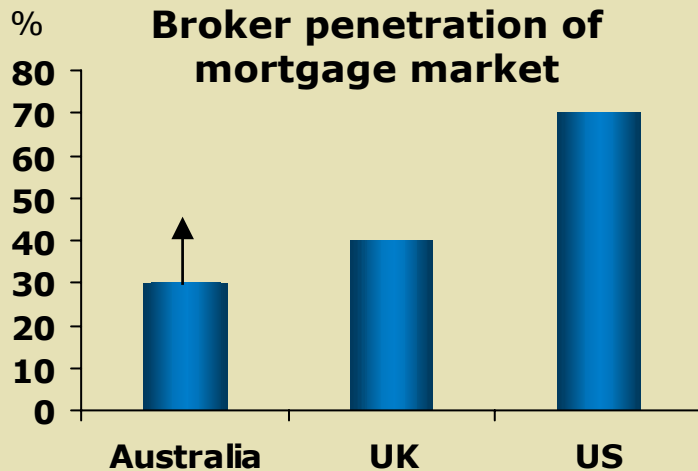
Issues

- Loyalty schemes increasingly costly to operate
- Reduction in interchange and loyalty costs likely to impact 2004 NPAT by not more than \$40m

* Adjusted for under-accrual of loyalty points

Mortgages – well placed to benefit from shift to mortgage brokers

Growing presence



- 80% of broker originated customers new to ANZ
- 92% purchase additional ANZ products (89% for network originated customers)

And we are well placed to participate

Low cost income ratio – efficient processing platform

+

Leading broker distribution model, with high quality MIS

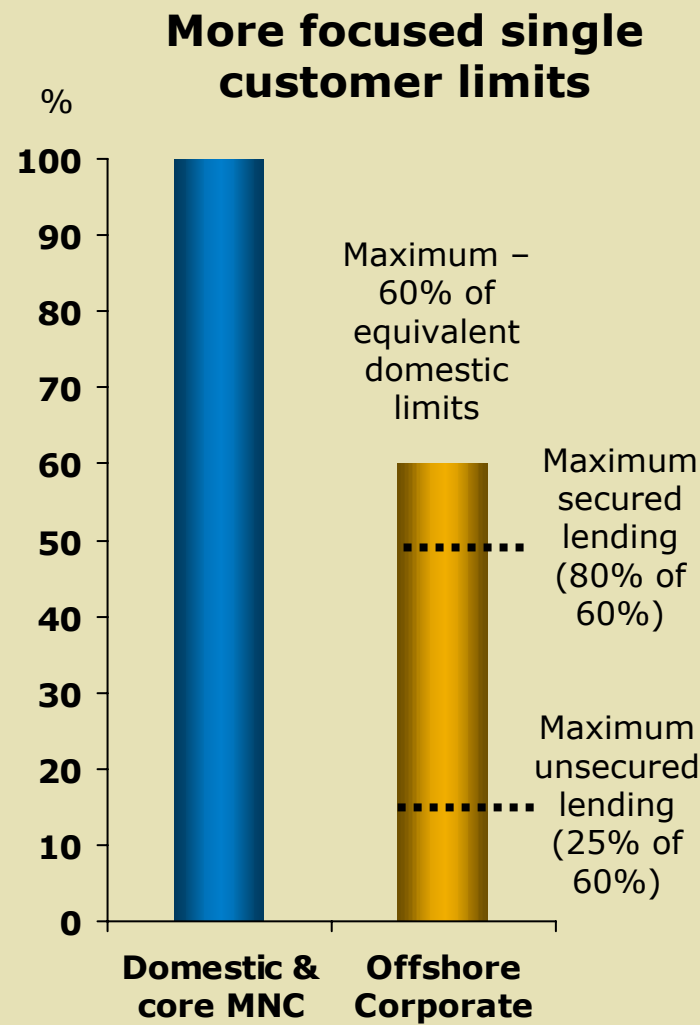
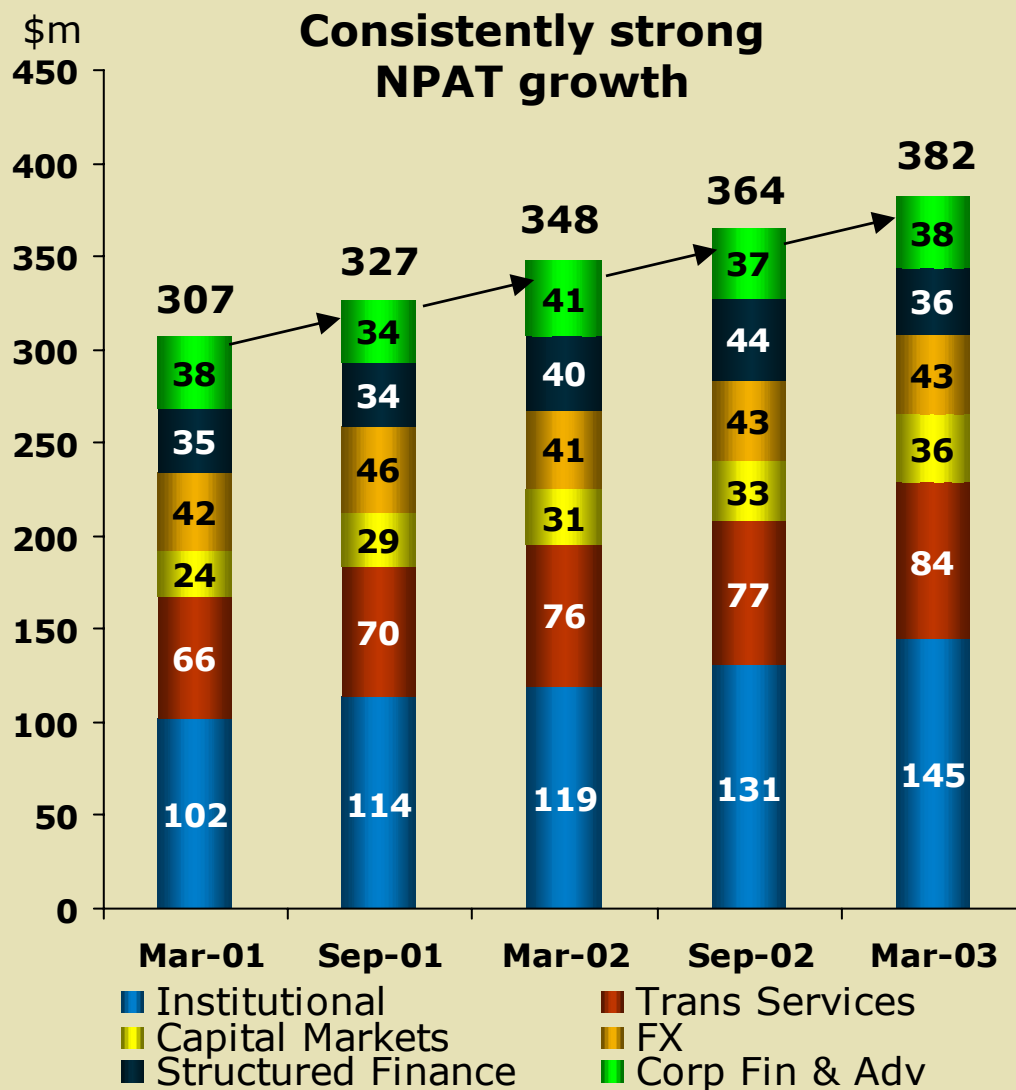
+

Award winning products

+

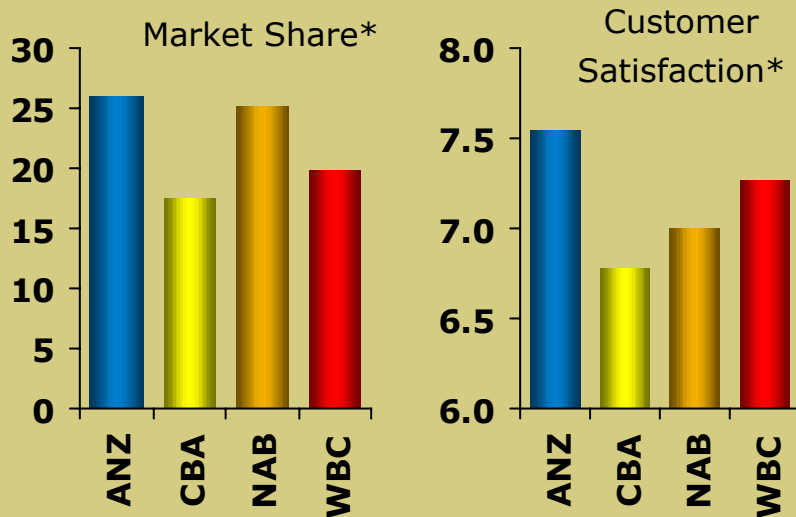
Brokers strongest in states where ANZ has weaker branch presence

Institutional & Investment Banking – a leading franchise



Corporate and SME – well positioned for upswing in business lending

A very strong Corporate franchise

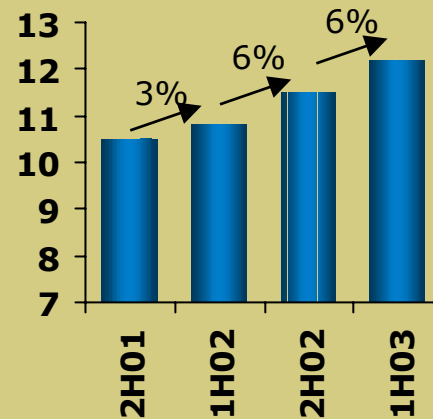


- Market advantage with “Wall St to Main Street” capability
- Strong cross selling
- Focus around total customer value to Group

* Roberts Research 2002 (customers with turnover between \$10m-\$100m)

Investment in SME has yielded strong balance sheet growth without loss of credit standards

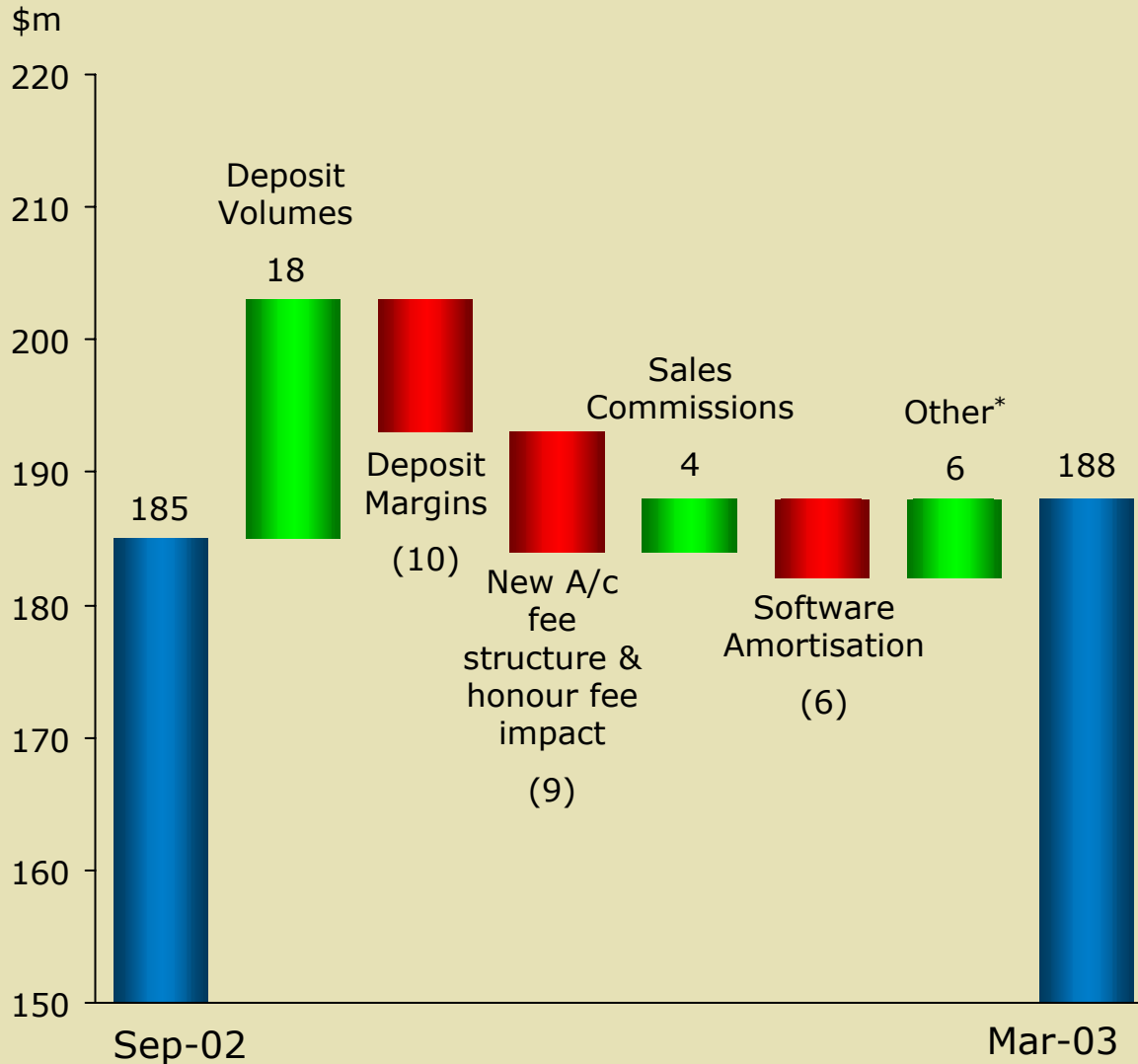
\$b FUM (loans & deposits)



- Risk grade profile has improved over past 6 months
- 80% of portfolio fully secured

- Enhanced customer service proposition
- Disciplined business execution and a stronger performance culture
- Investment in an expanded business ‘footprint’ – customer facing staff up 10%

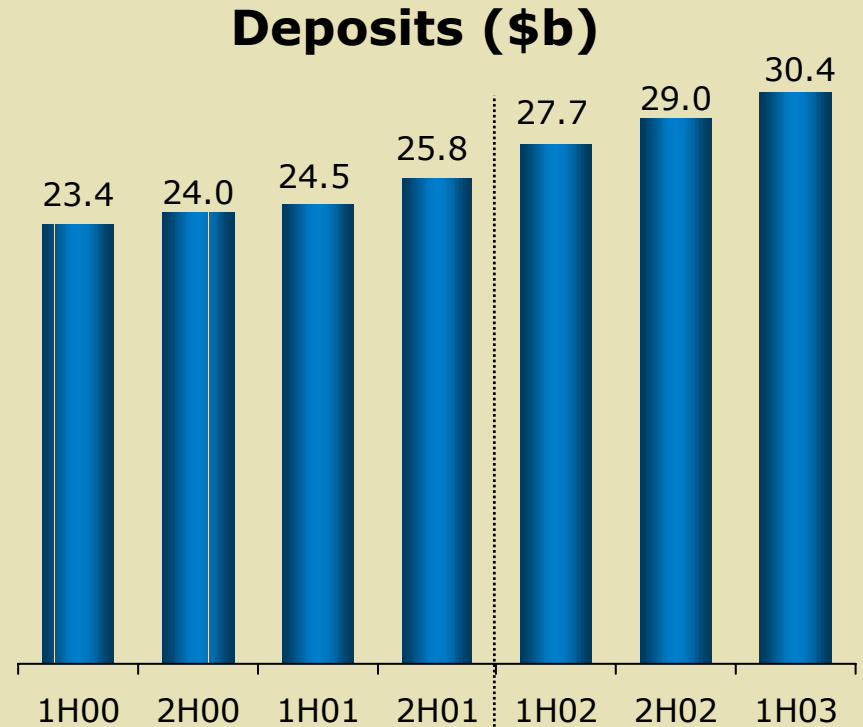
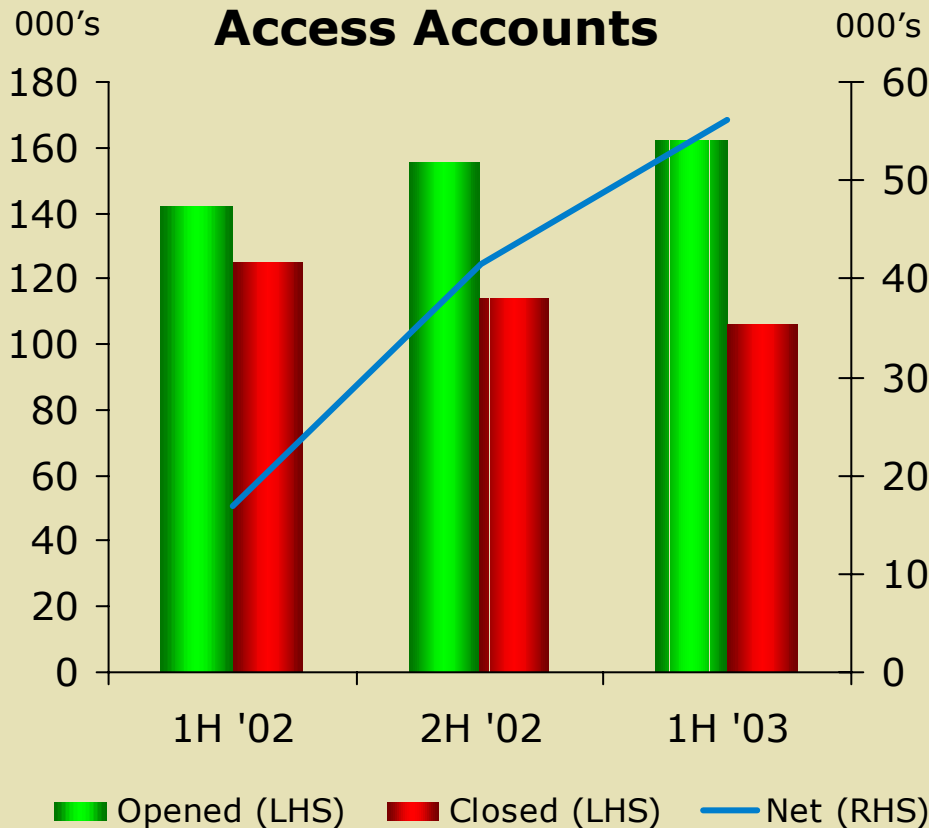
Personal banking – impacted by margin squeeze on deposits and fee changes



* Includes tax impact

- Overall 16 bp decline in margins due to
 - Lower interest rates over the half
 - Increased flows to higher rate deposit products such as TDs
- Fees lower due to new transaction account fee structure and lower honour fees
- RCF rolled out in NSW & Vic, remainder of States over calendar 2003

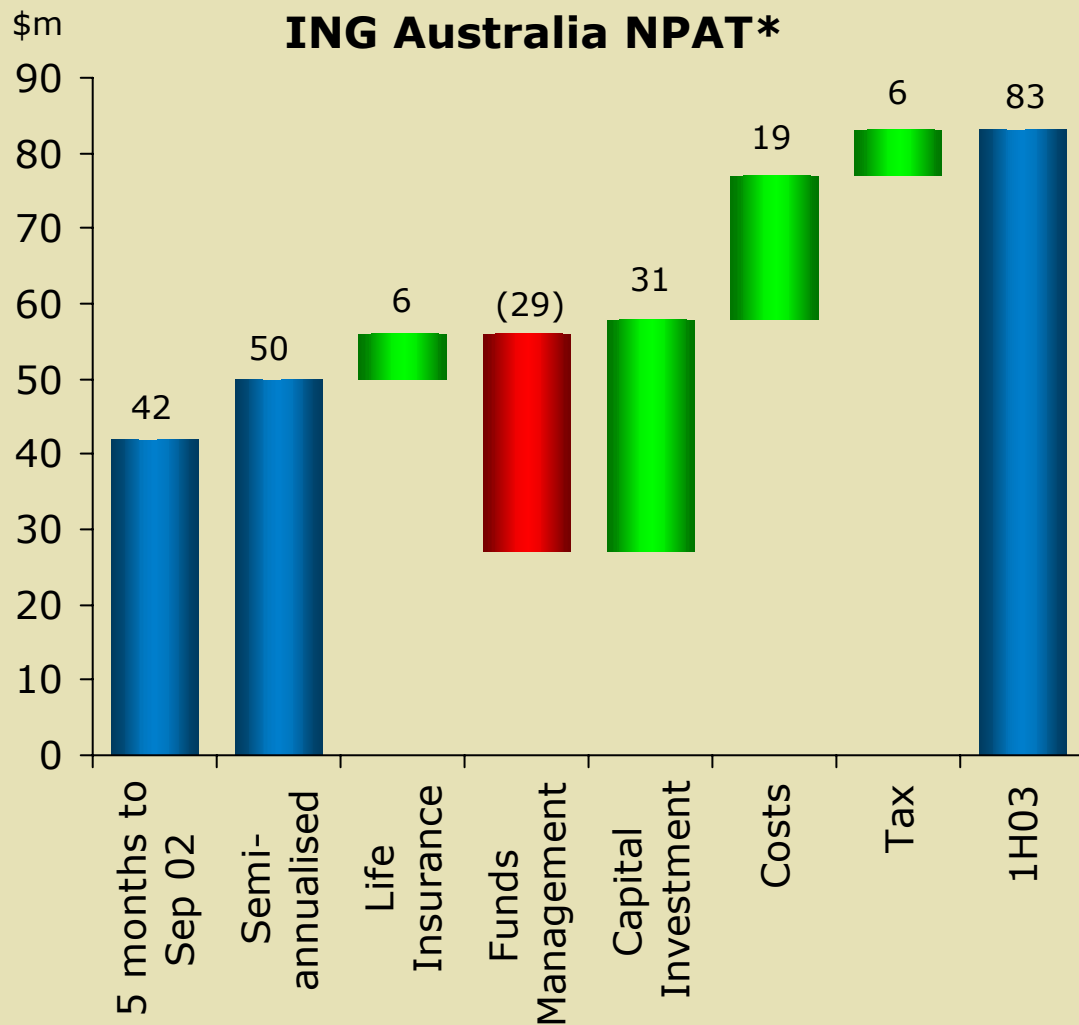
...but strong account and deposit growth



New deposit strategy launched in Aug 01

New accounts up **14%**
Closed accounts down **15%**
Net new accounts up **229%**

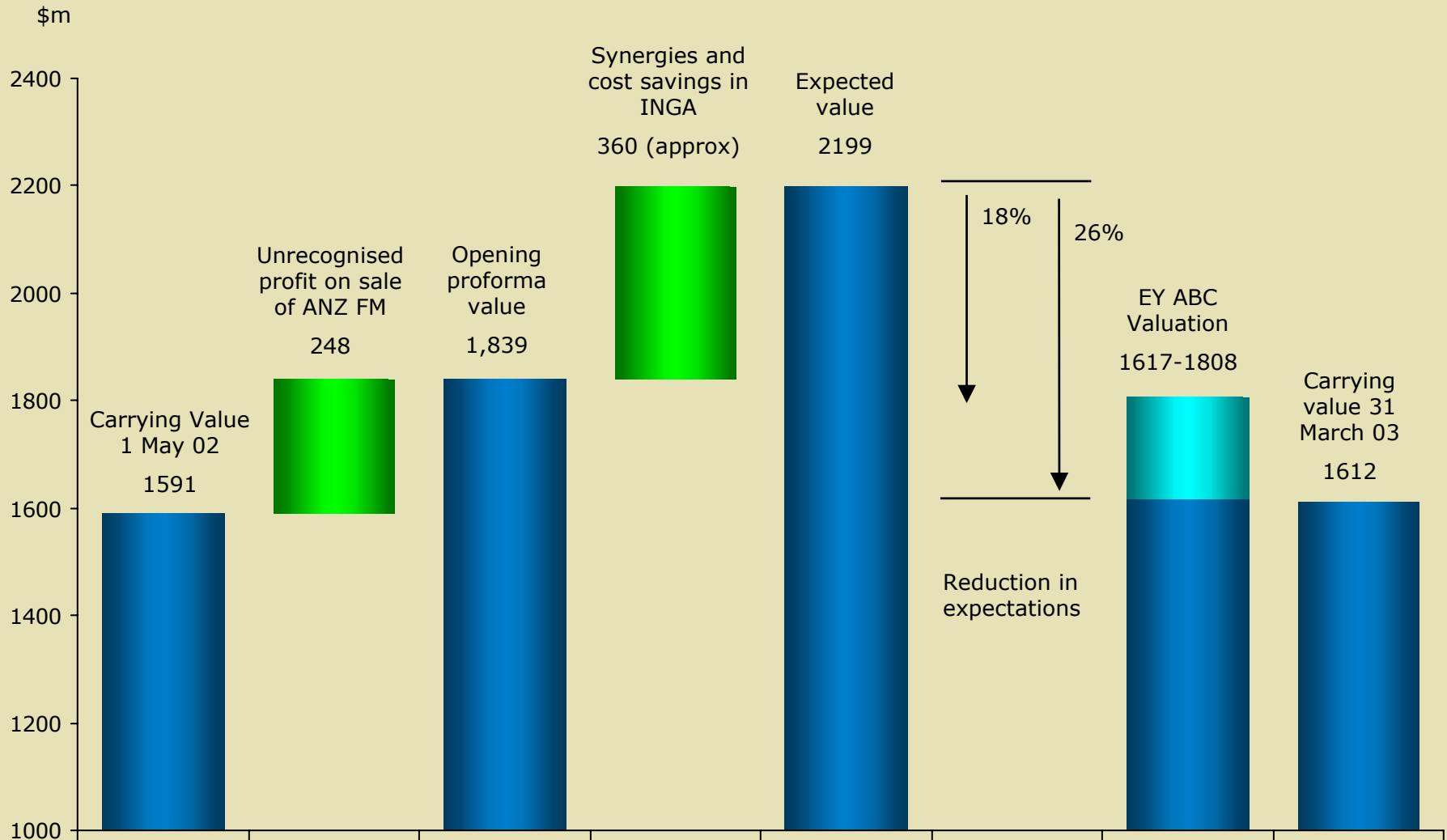
JV performance – good insurance and expense performance, offset by FM



- Life Insurance business performing well due to improved service, efficiency, and claims management
- Subdued equity market conditions continue to impact Funds Management business
- Improved capital investment returns, combined with hedge delivering cash rate of return
- Synergies being extracted in line with expectations

* Movements on a semi-annualised basis

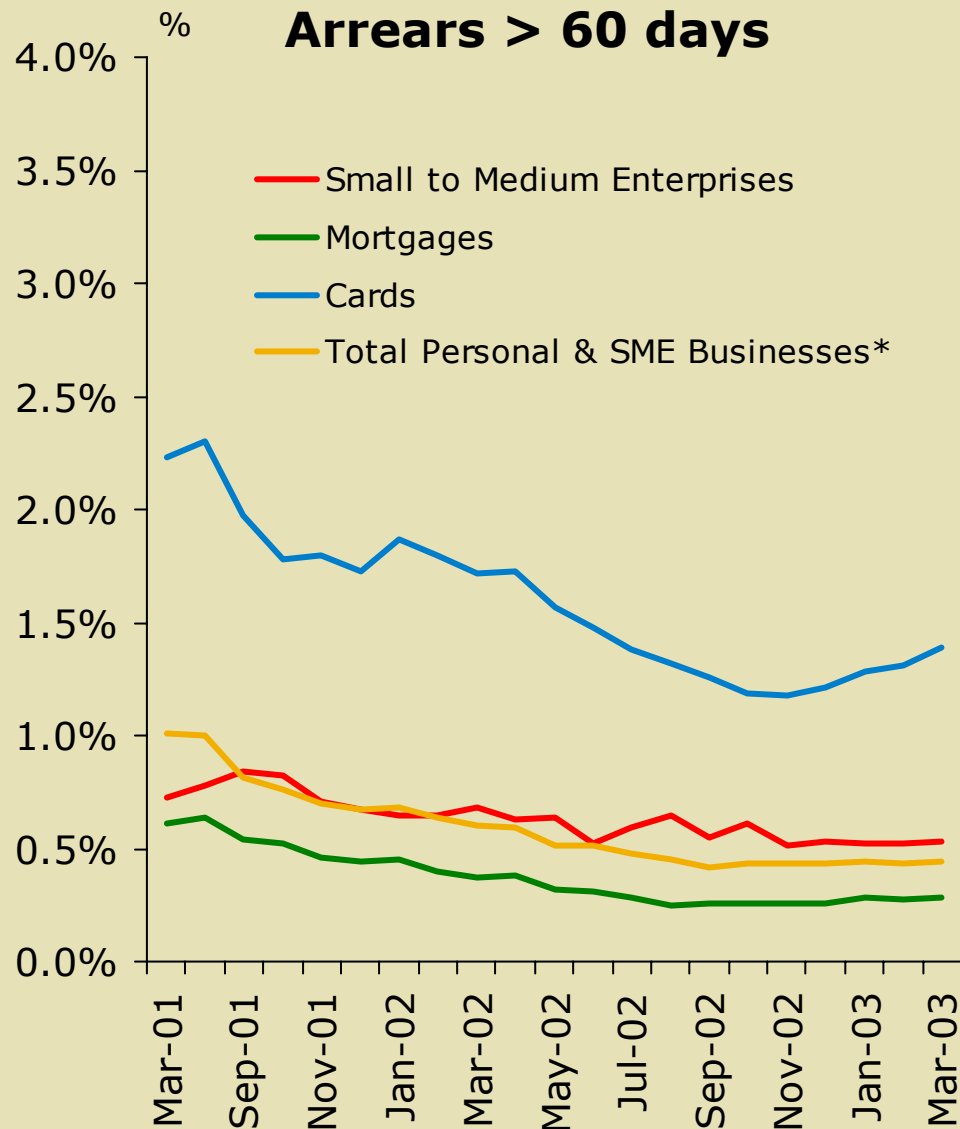
Valuation supports carrying value of investment in INGA JV



Outline

- Result review
- Portfolio performance
- Credit Quality
 - Consumer
 - > Arrears
 - > Mortgages
 - Corporate
 - > Domestic
 - > US Energy portfolio
 - > Global Telco portfolio
 - > Top 10 exposures
 - Specific provisions
 - Non-accrual loans
 - Provisioning coverage
- Other issues

Arrears profile close to historical lows

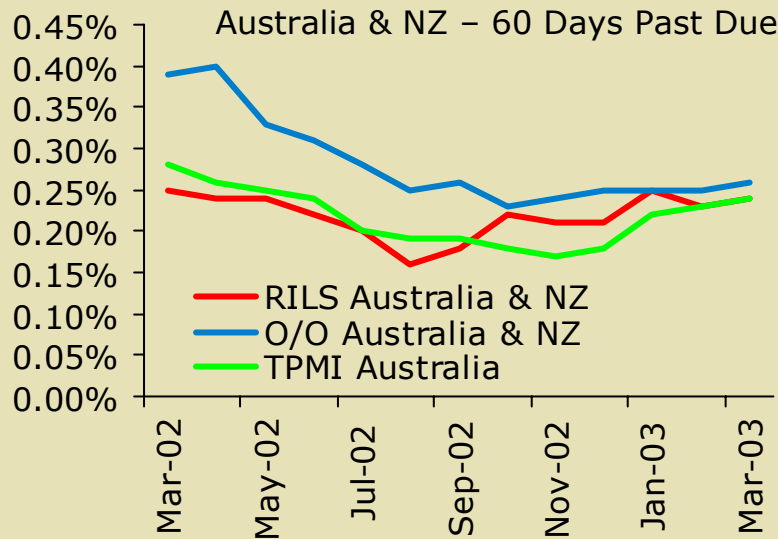


- Consumer sector in good shape, with continuing low levels of unemployment and low interest rates
- Mortgage arrears remain very low
- Ongoing focus on collections management
- Upwards movement in cards arrears expected, will be carefully managed
- Scorecards remain “tight”

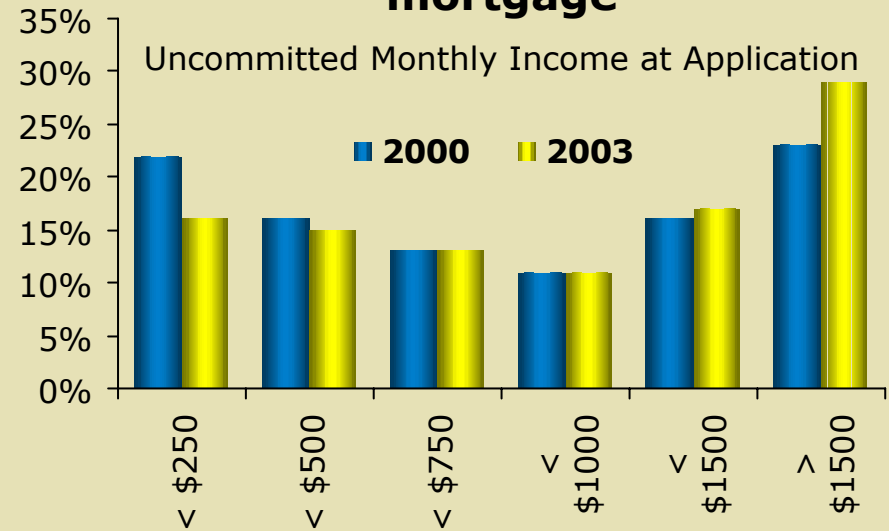
* excl Asset Finance, Pacific, Asia

Mortgages portfolio healthy*

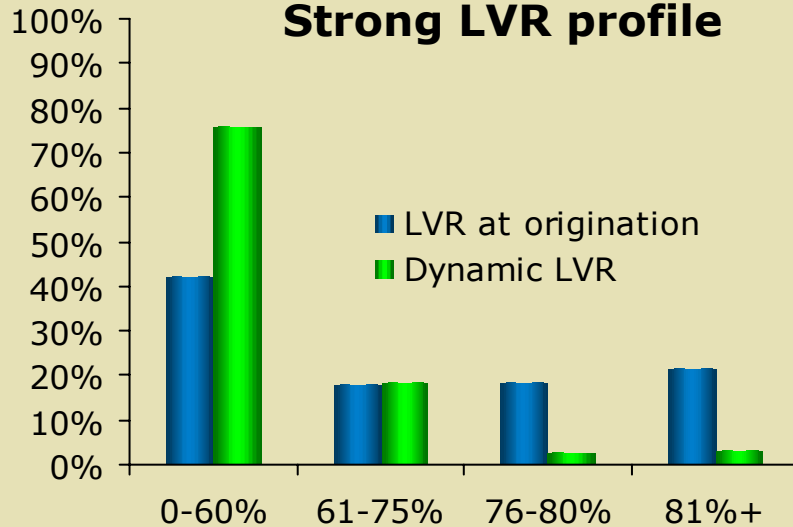
High quality arrears profile



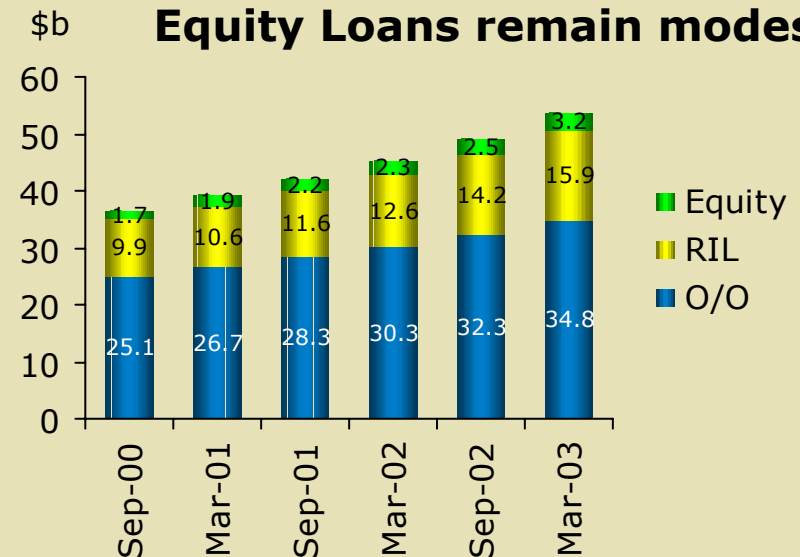
Increasing flexibility to service mortgage



Strong LVR profile

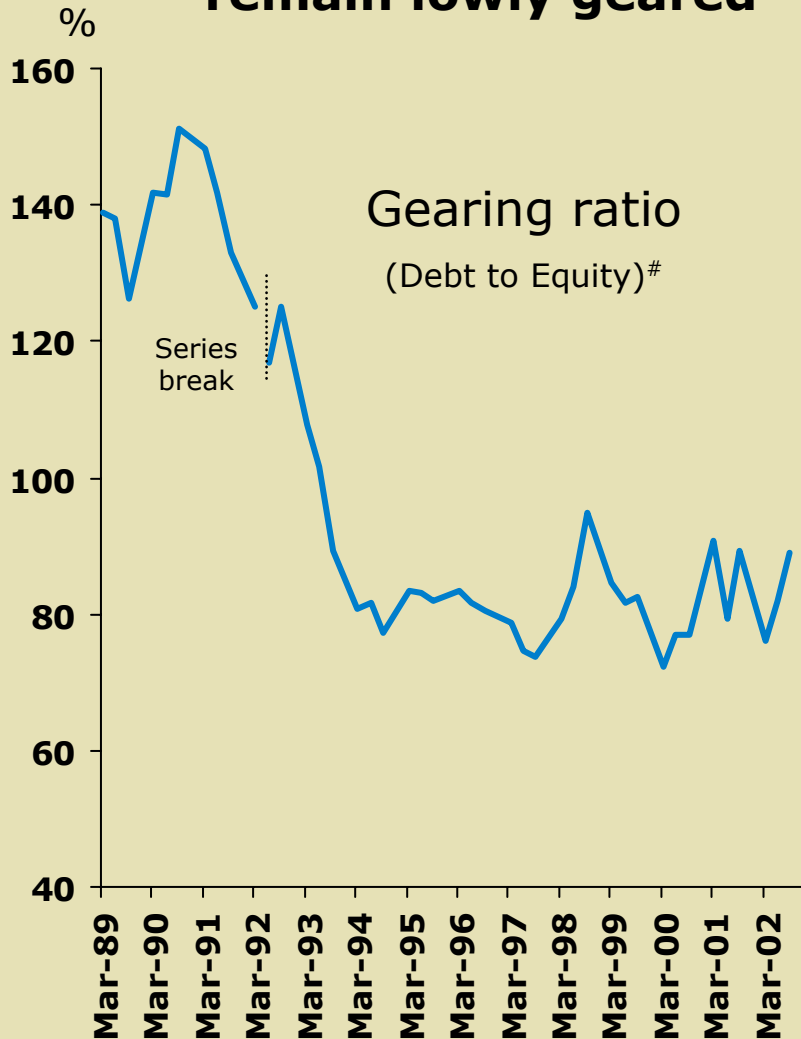


Equity Loans remain modest



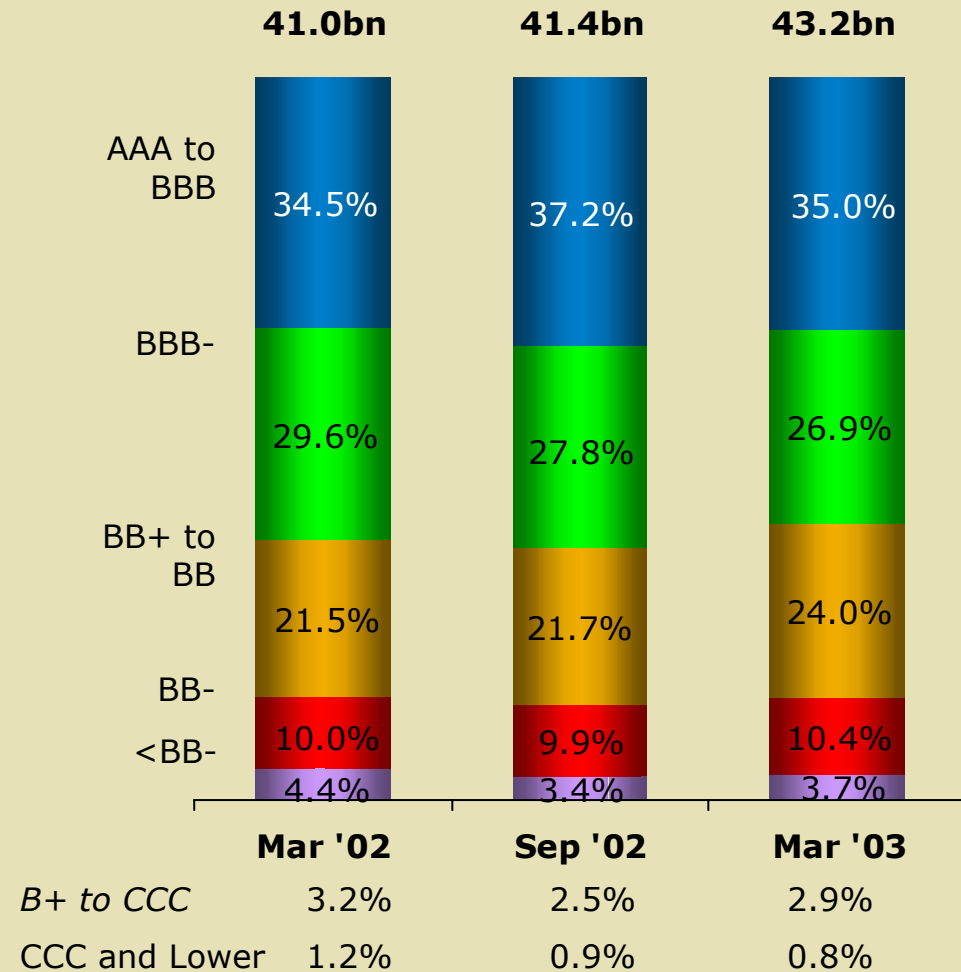
Domestic corporates well placed

Domestic corporates remain lowly geared



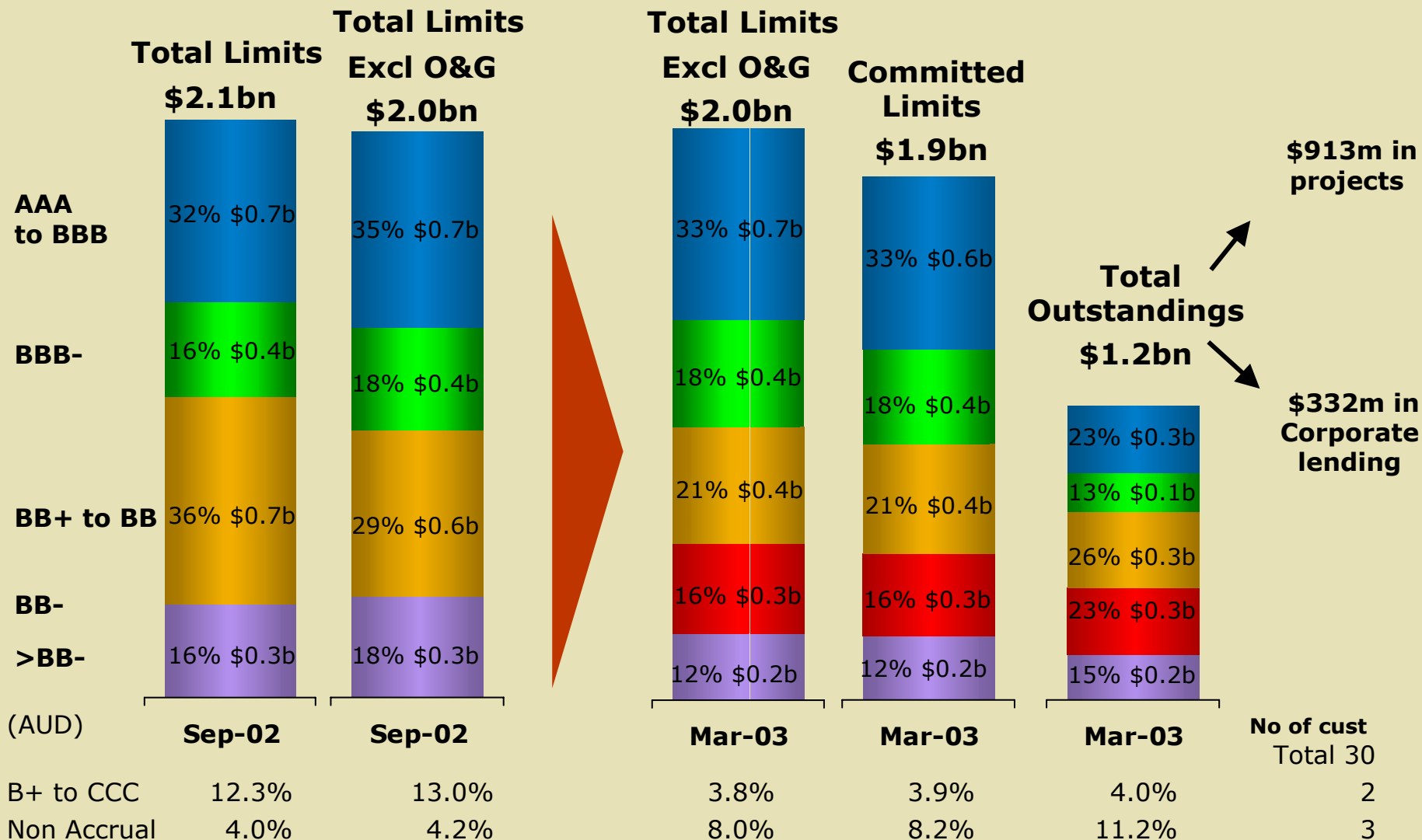
source: ABS

Reflected in healthy risk grade profile*



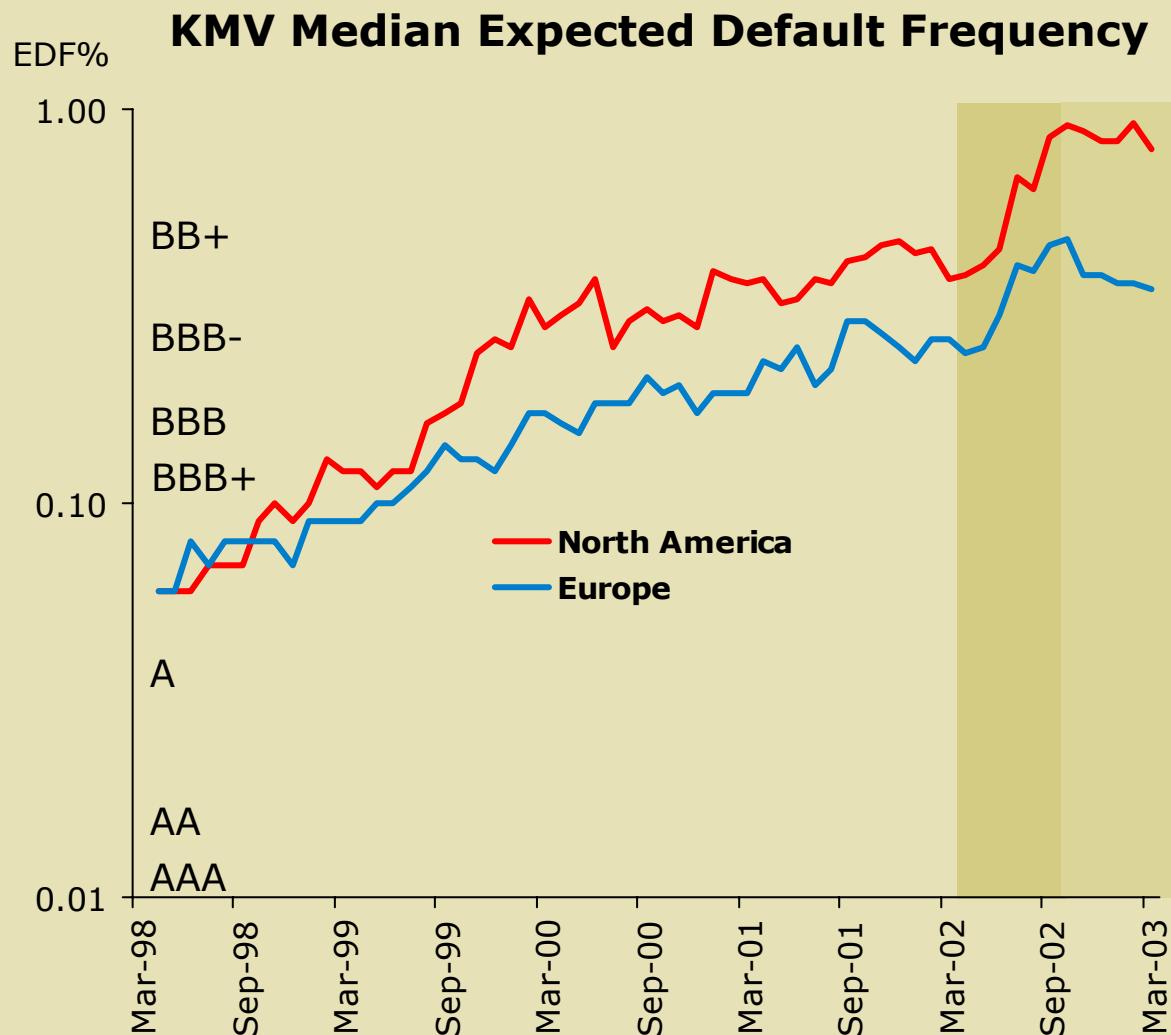
* Institutional & Corporate Australia & NZ

US energy portfolio – some issues, remains containable



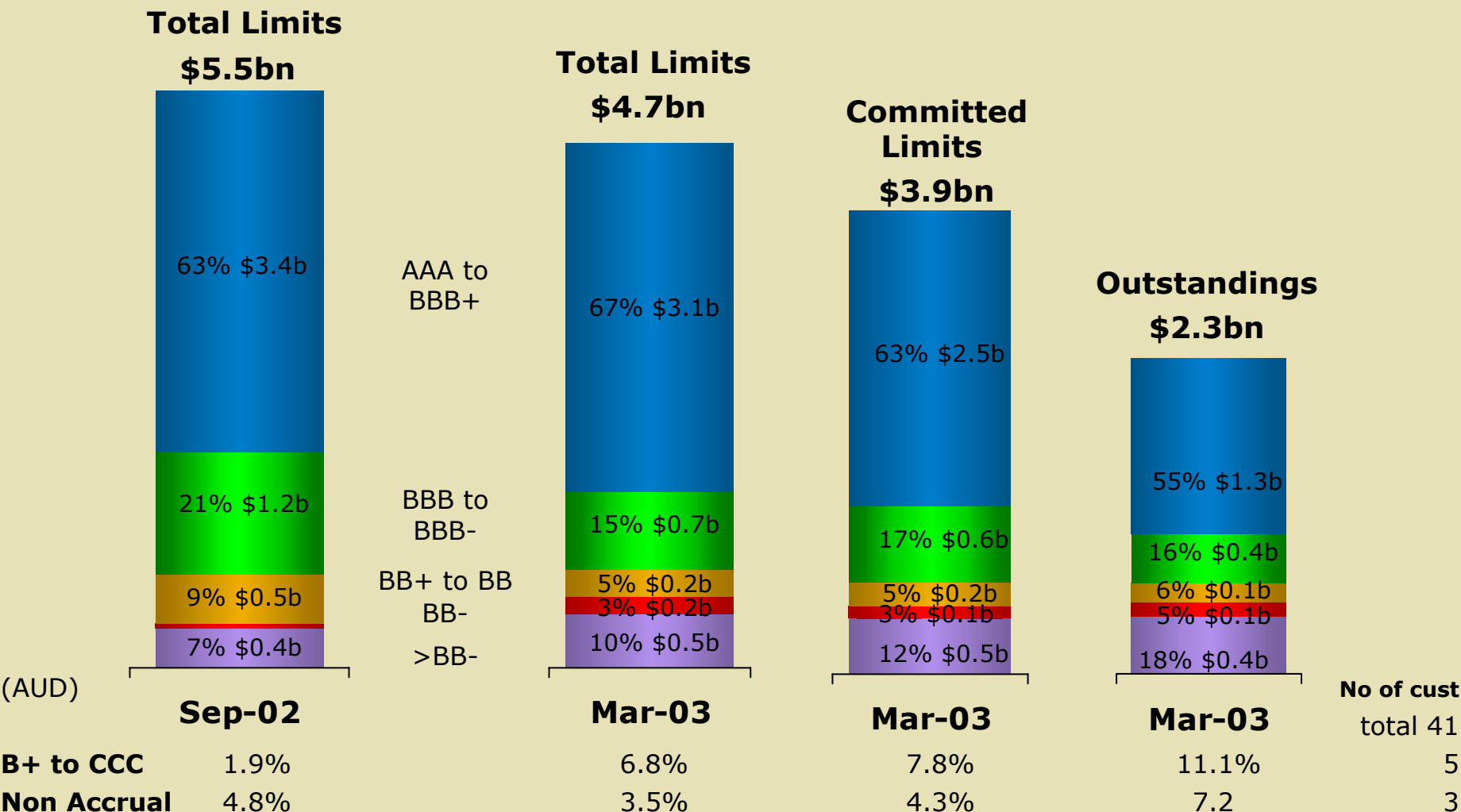
>BB- = B+ B, B-, CCC & non-accrual

Deterioration in global electricity sector has stabilised



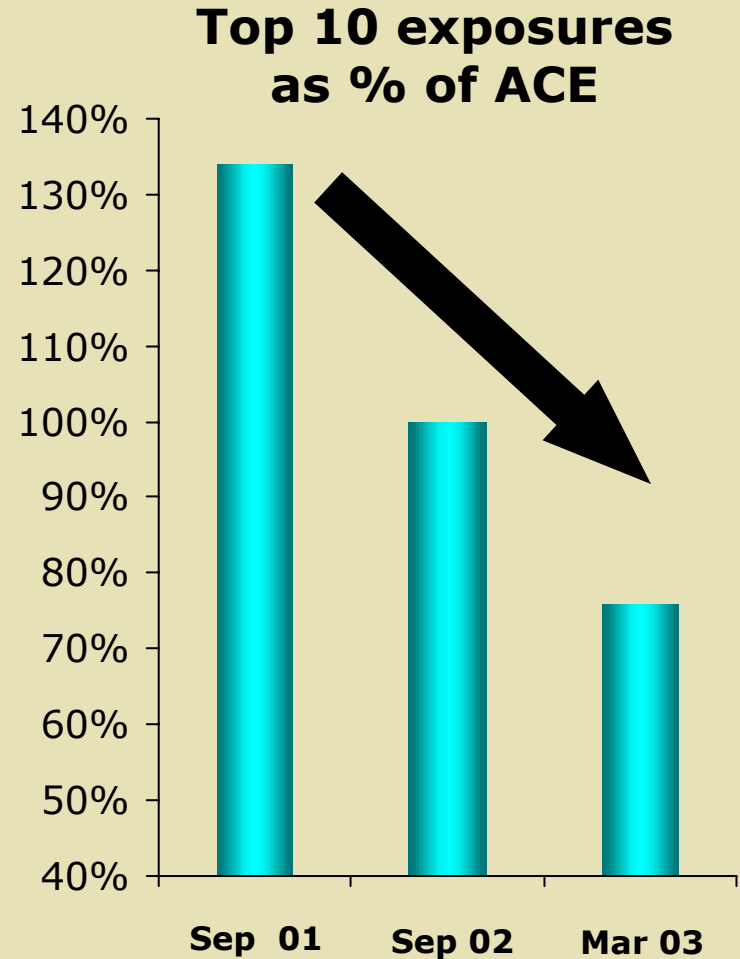
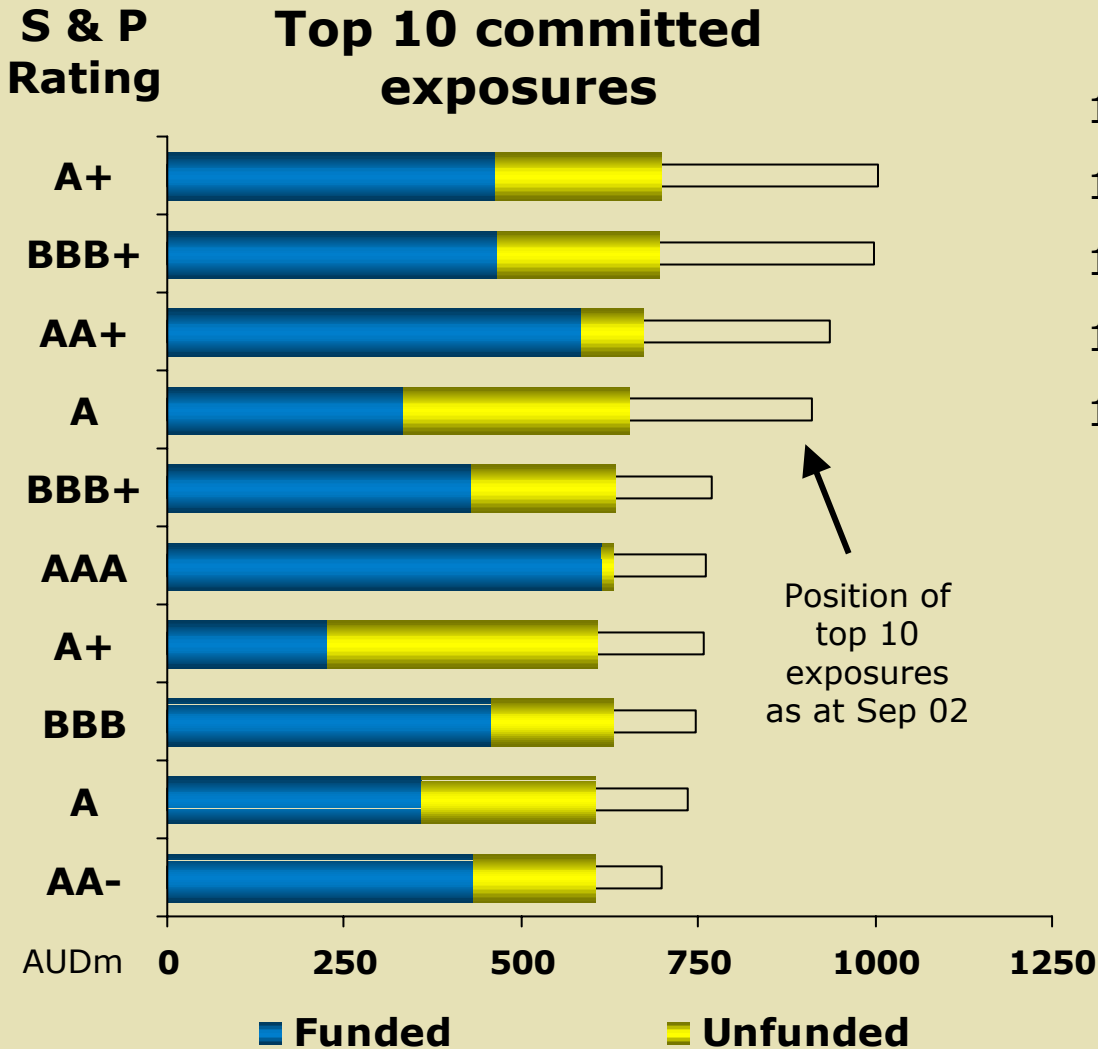
- Deterioration in US and European utility sectors largely occurred prior to our 2002 Annual Results announcement
- In 2002, S&P ratings actions in US power industry resulted in 182 downgrades, against 15 upgrades
- First half 2003 has seen some evidence of stabilisation

Global Telco portfolio – no material issues expected



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

Top 10 exposures further reduced

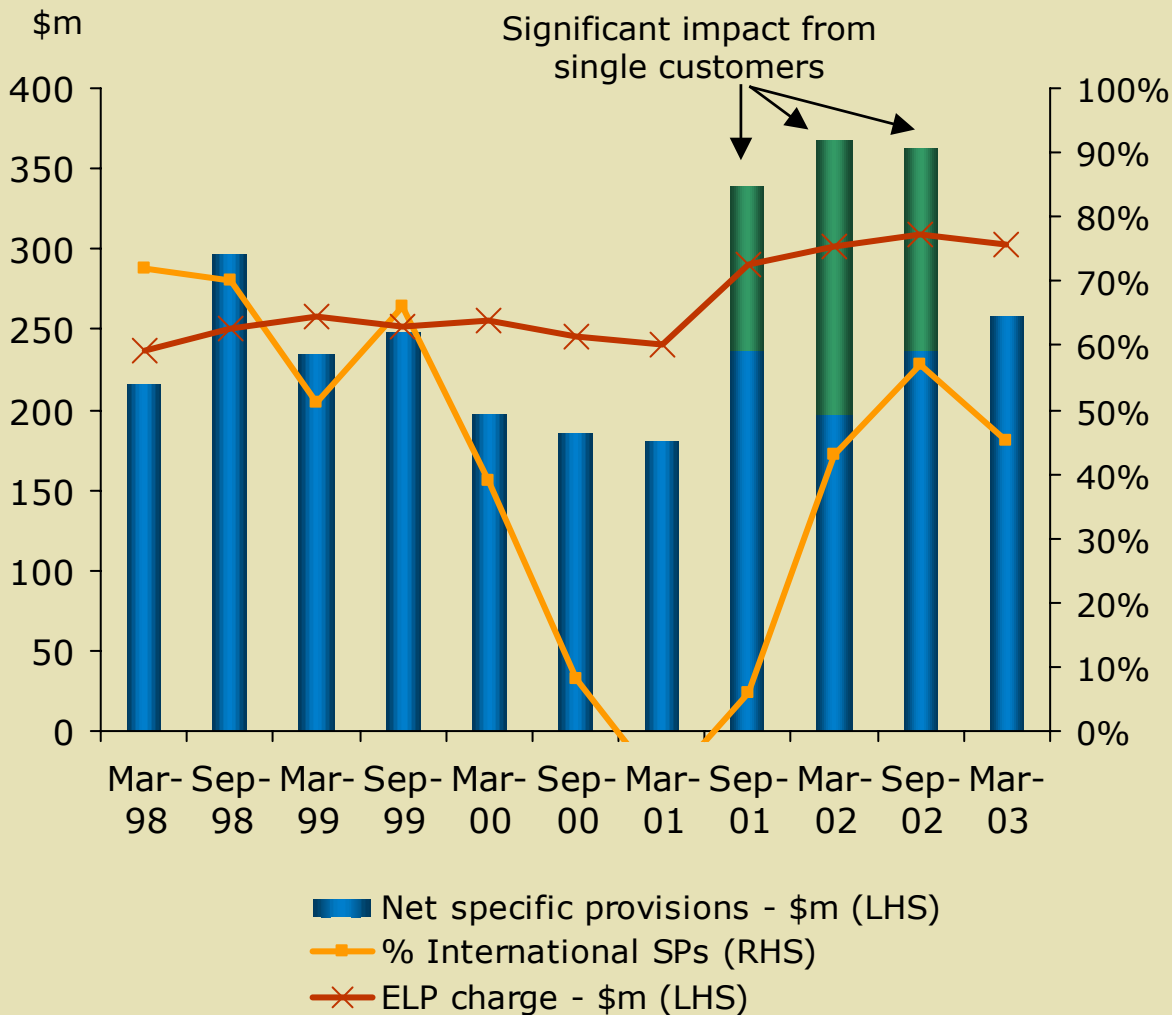


excludes non-recourse and uncommitted facilities

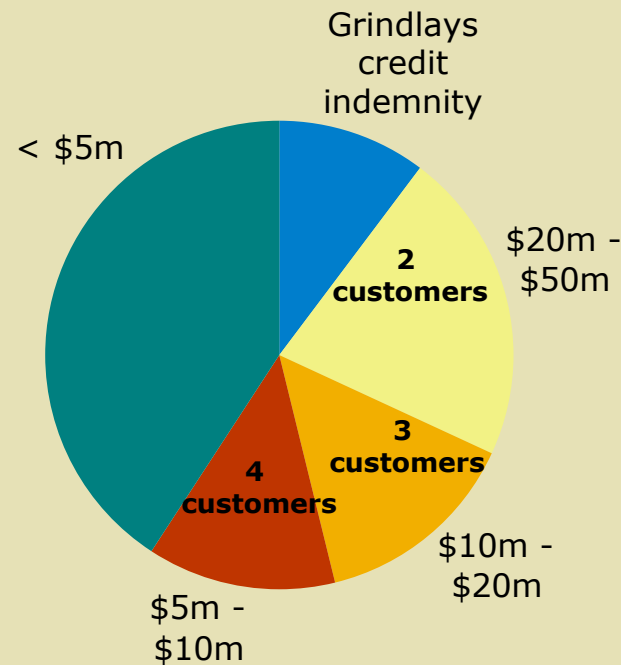
Limits represent total 7 month limits excluding uncommitted and non-recourse, net of credit derivatives

Specific provisions down 29% – no large single provisions

Provisions



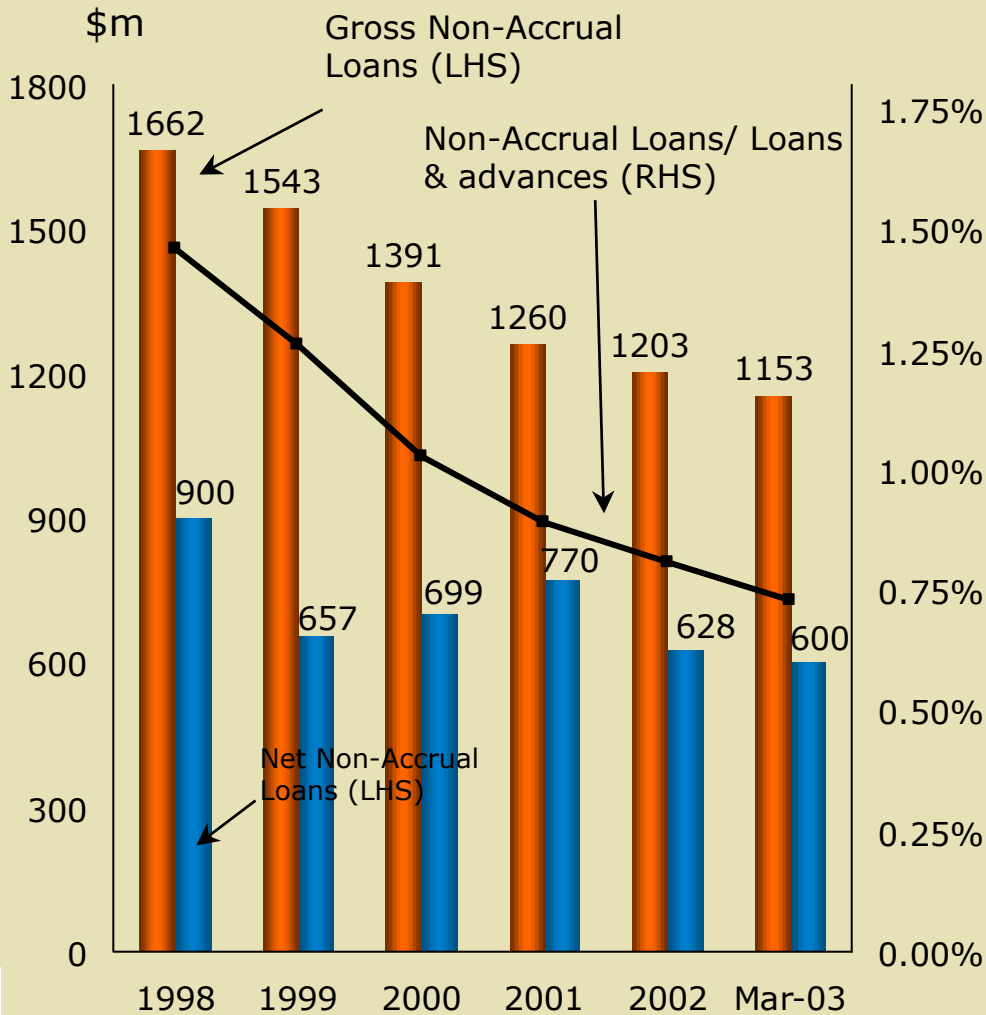
1st half Specific Provisions by size



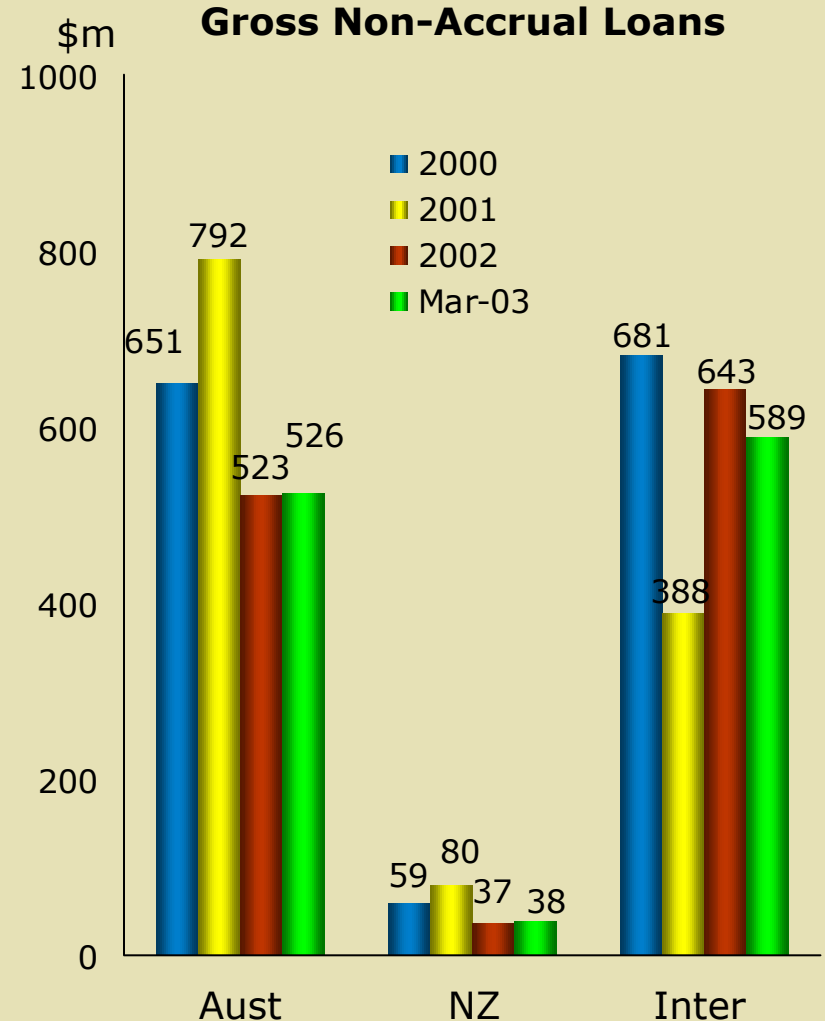
- No major individual specific provisions during the half

Non-accrual loans continue to fall, reflecting overall health of portfolio

Historic



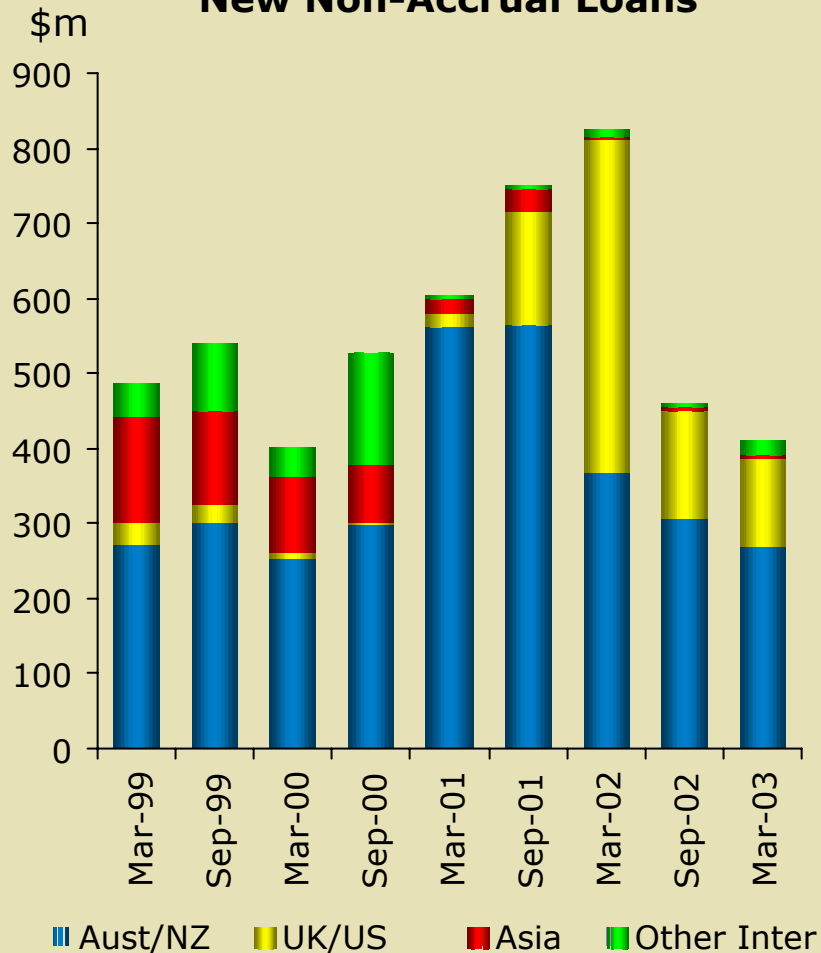
Geographic



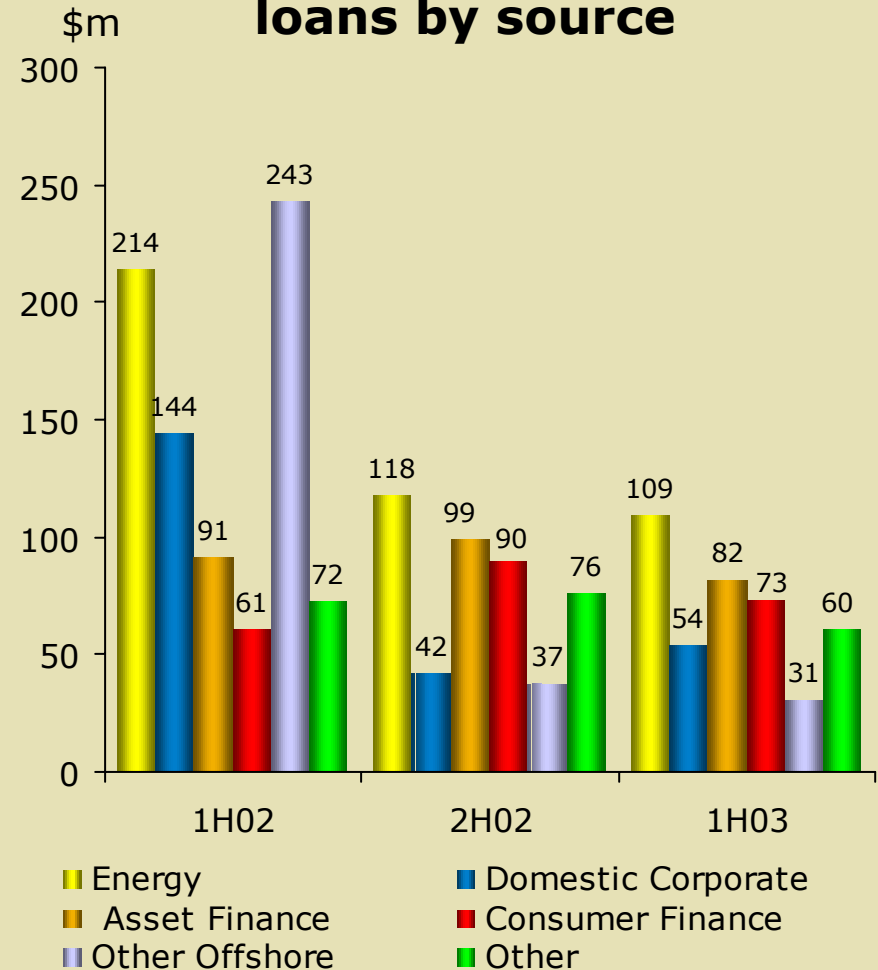
New non-accruals down 50% on March 2002

Geographic

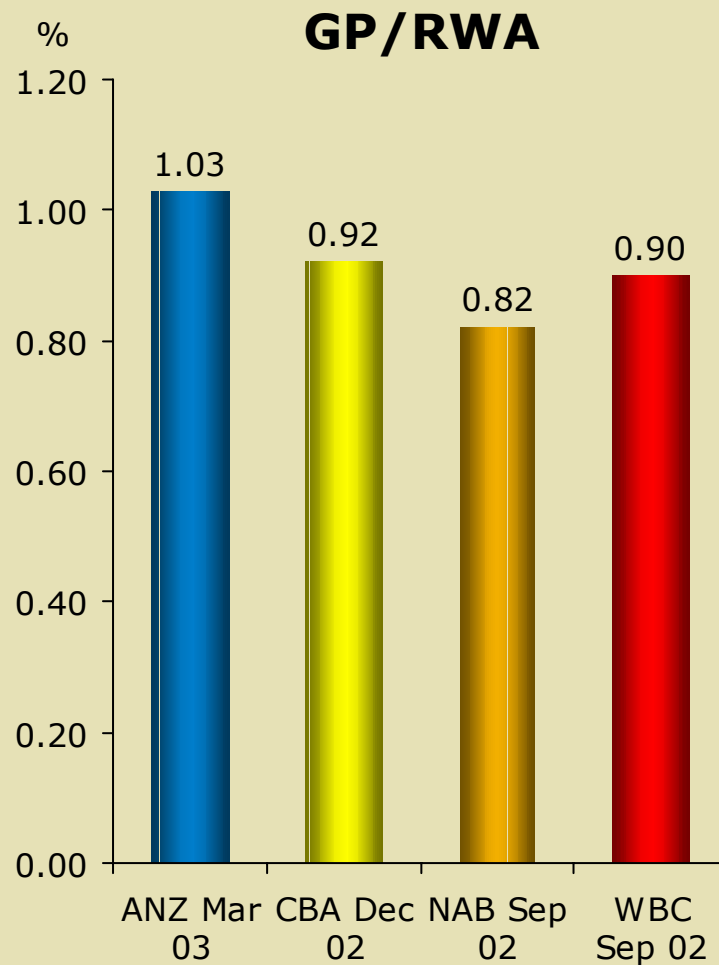
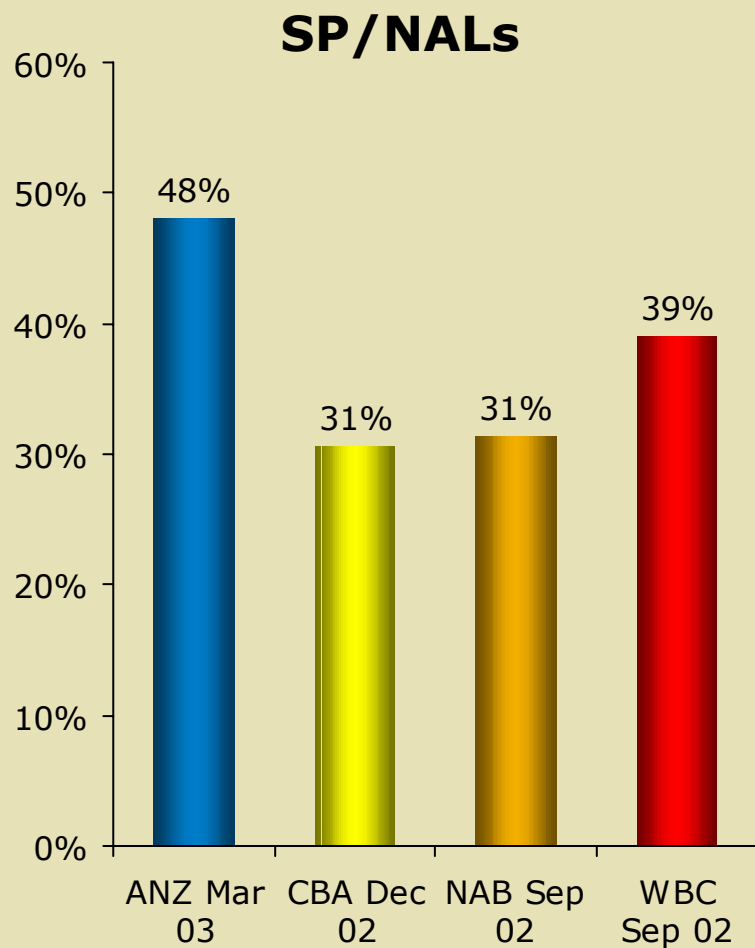
New Non-Accrual Loans



New non-accrual loans by source



Existing and future problem loans well provided for



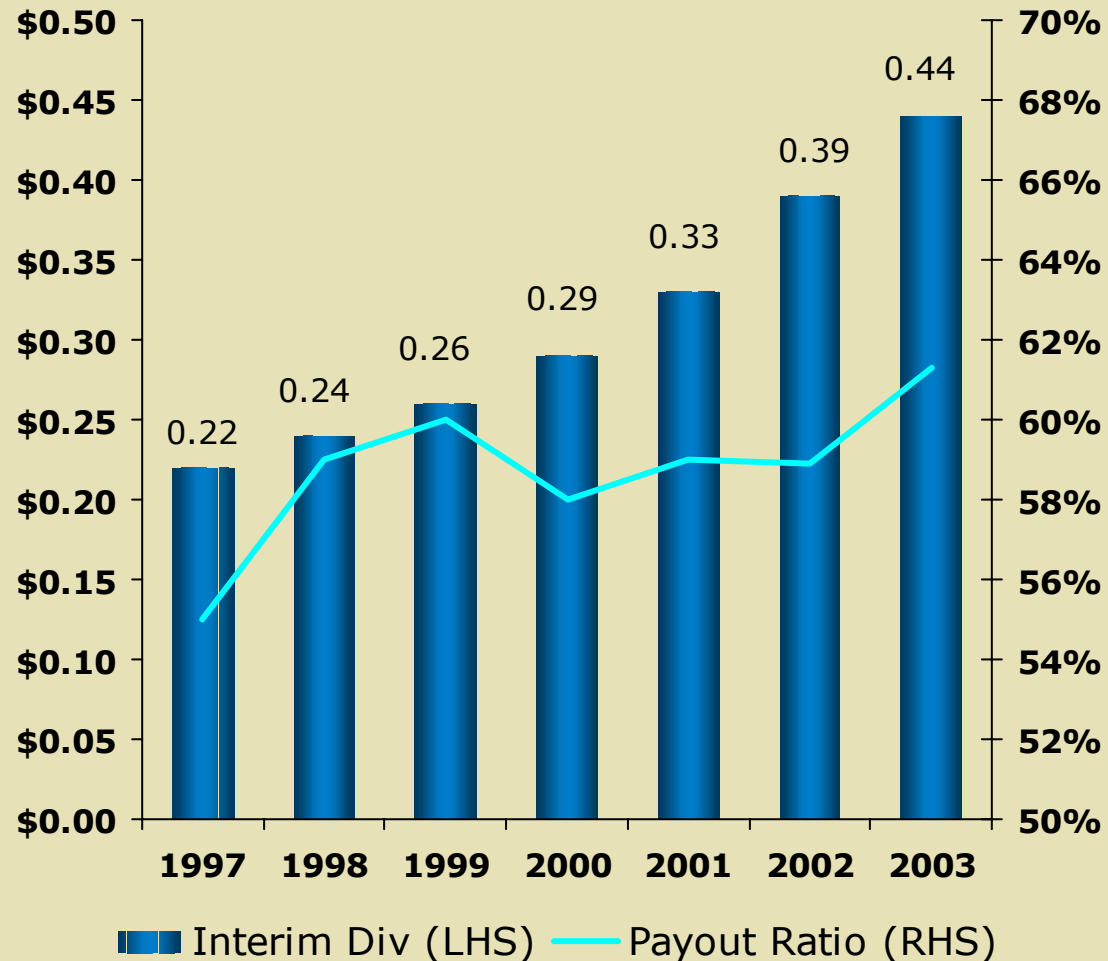
Outline

- Result review
- Portfolio performance
- Credit Quality
- Other issues
 - Dividend policy
 - Capital levels
 - Outlook

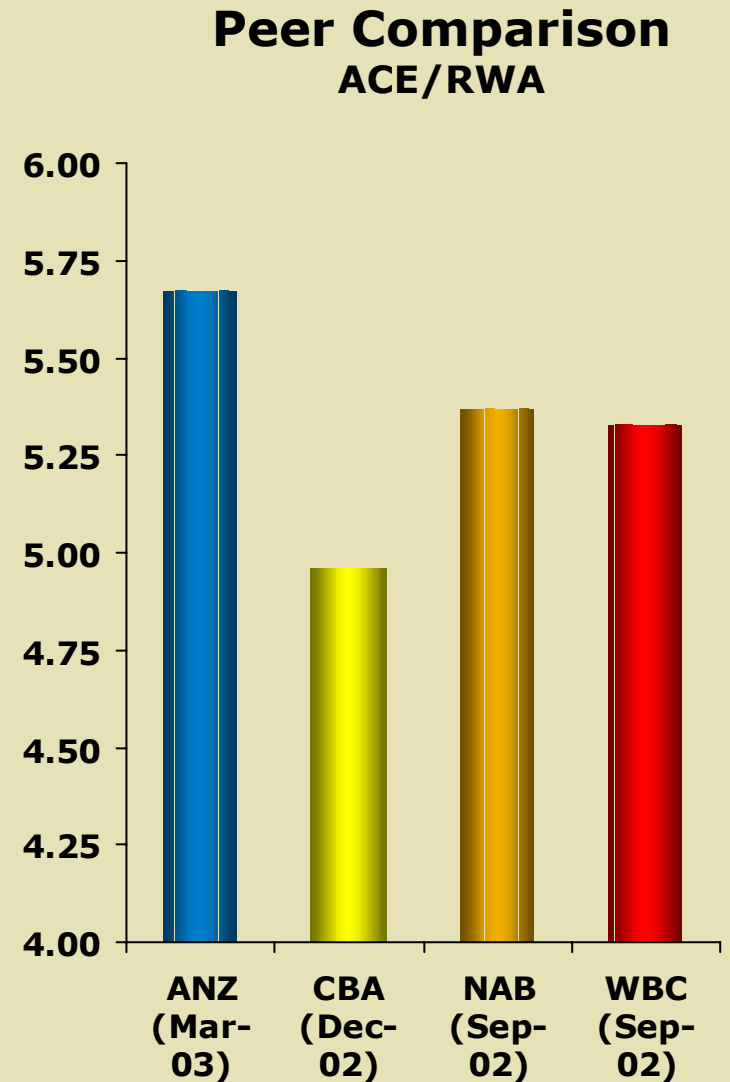
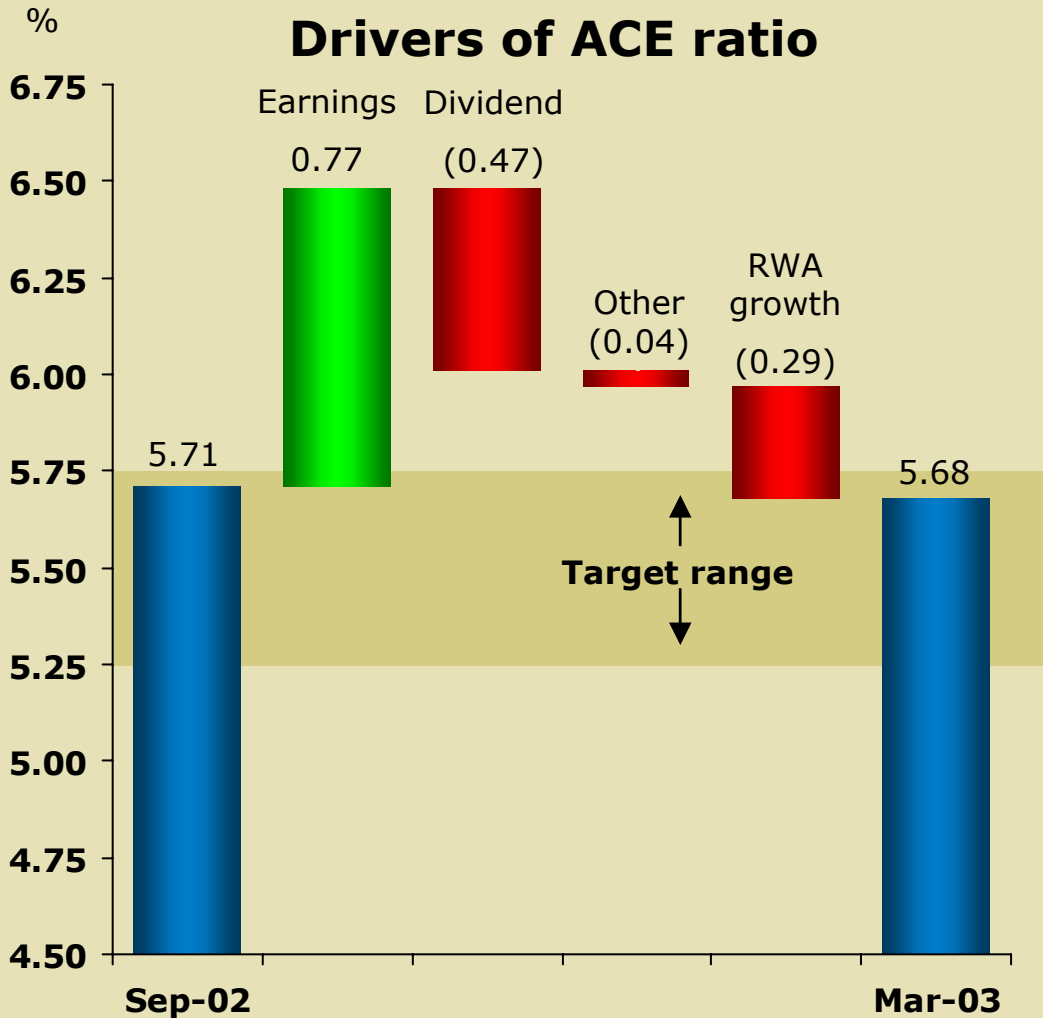
Dividend payout ratio likely to trend upwards

- A progressive lift in the payout ratio likely over next three years towards high 60's
- Expect to maintain 100% franking

Interim Dividend has doubled in six years



ANZ's capital position remains strong



- Buybacks likely if ACE ratio above target range

Outlook for second half

- **Australian & NZ economies to perform relatively well, despite weakness in offshore markets**
- **Mortgage growth to be more subdued, moving towards 8-12% pa growth rate, offset by moderate rebound in business lending**
- **Specific provisions below ELP**
- **Cost growth rate to increase, but remain lower than revenue growth rate with resultant improvement in cost-income ratio**
- **Second half outlook favourable, delivering approximately 8% full year NPAT growth**

Summary

- **A respectable result, with good underlying momentum**
 - **Strong interest income driven by asset growth**
 - **Non-interest income impacted by one-offs**
 - **Expenses well controlled**
 - **Majority of portfolio performing well**
- **Credit quality strong in Australia, offshore issues containable**
- **Remain well provisioned, with strong capital position**
- **Payout ratio likely to increase over next three years, with DPS growth greater than EPS growth**
- **On target for approximately 8% full year NPAT growth**

John McFarlane

Chief Executive Officer

24 April 2003



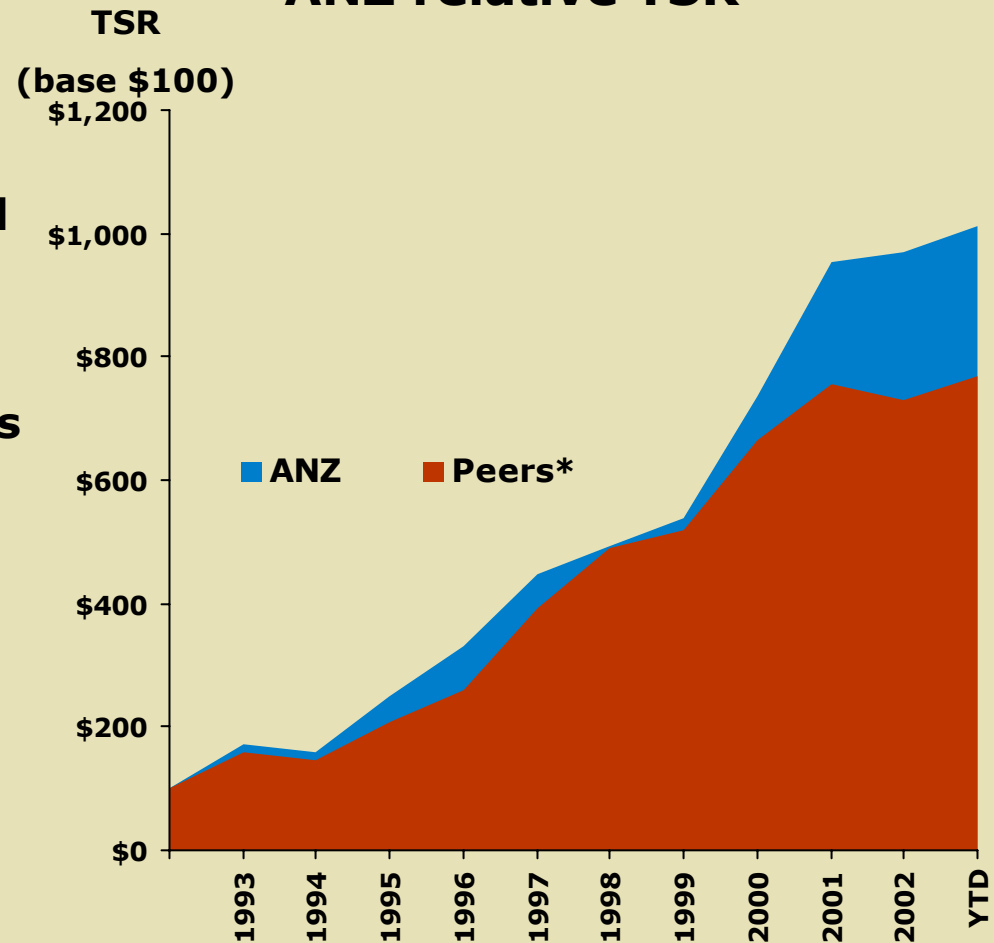
Distinctive strategy and track record

4 clear themes going forward

Core themes

- Leverage real capabilities to build sustainable strategic position
- Grow value by creating a rich portfolio of specialised businesses
- Become one of the most efficient and best-managed banks in the world
- Bold and different, leveraging a unique performance culture and business approach

ANZ relative TSR

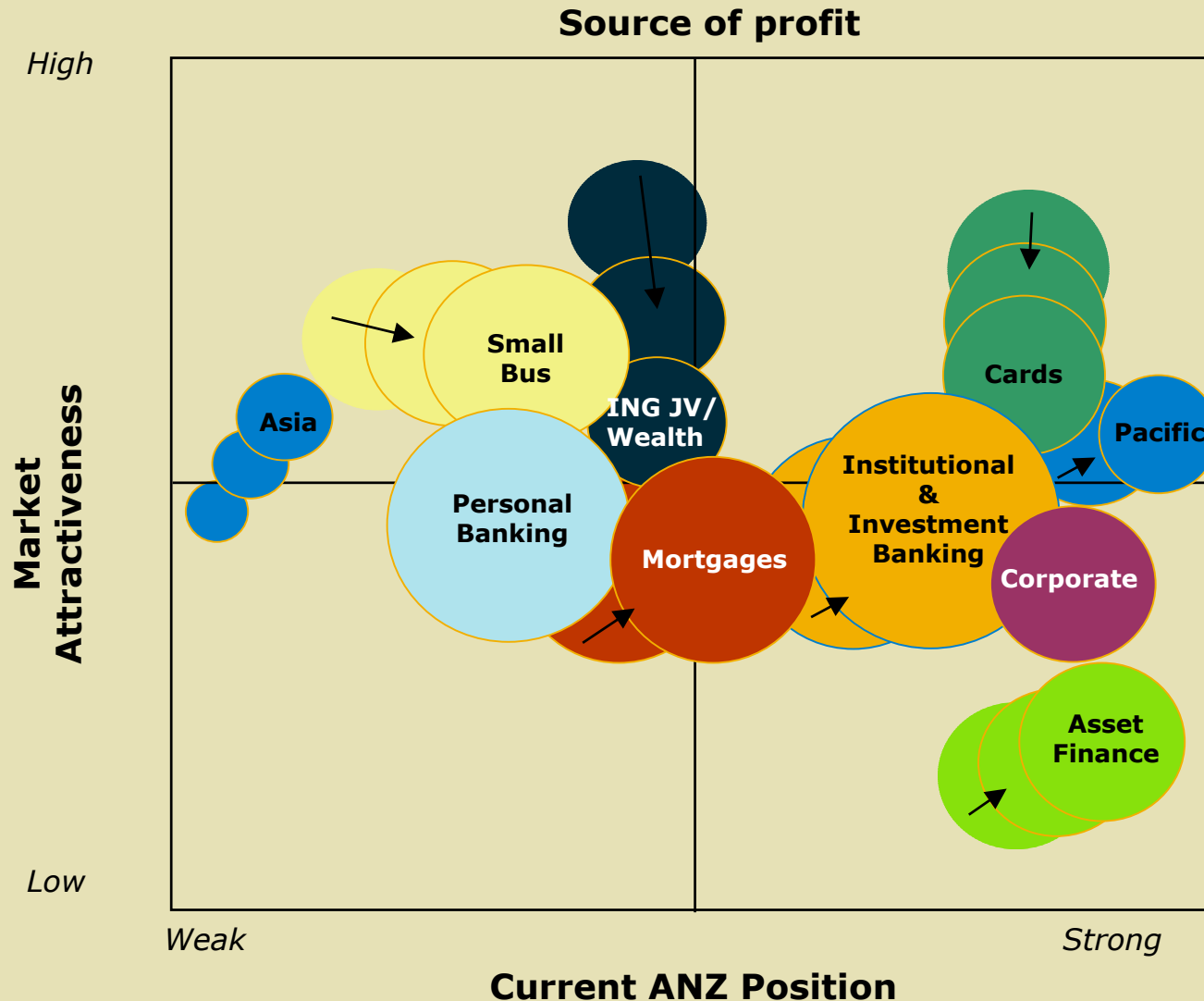


* CBA, NAB, WBC

Leverage real capabilities to build sustainable strategic position

- Leverage *specialisation* as distinctive strategy
- Leverage leading *product* capability to increase share
- Leverage superior *cost* position
 - *To give customers the best deal*
 - *To give shareholders sustainable and growing returns*
- Leverage ANZ's emerging and distinctive "*human face*"
 - *Unique positioning against peers*
 - *Gain traction in earning the trust of the community*

A rich portfolio of specialised businesses - material improvement in last 2 years



- More sustainable portfolio foundation
- Each business has clear differentiated approach
- Systematically building capabilities to establish future growth options

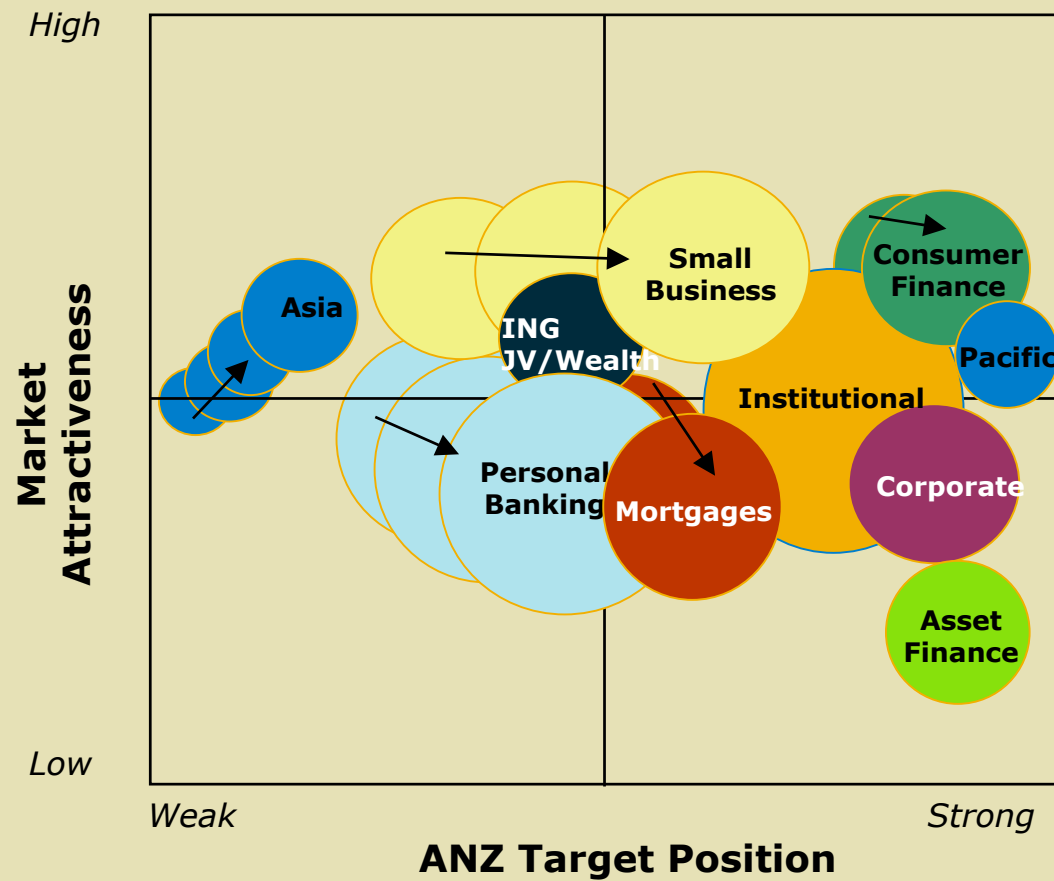
Grow value by creating a rich and diversified portfolio of specialised businesses

Optimise portfolio for sustainability, growth and return

- **Raise revenue productivity in Personal Banking**
- **Lift performance and productivity in Wealth Management**
- **Develop sustainable post-interchange cards strategy**
- **Regain position in Small Business**
- **Develop Institutional while reducing risk concentrations**
- **Leverage specialised distribution in Mortgages**
- **Advance customer franchise in NZ through local approach**
- **Turn Asset Finance into a sustainable growth proposition**

Create a portfolio of growth options

- **Invest in high growth domestic franchises**
- **Leverage capabilities with partners in Asia-Pacific**



Applying the lessons from Grindlays - a distinctive Asian strategy is emerging

Asia is important

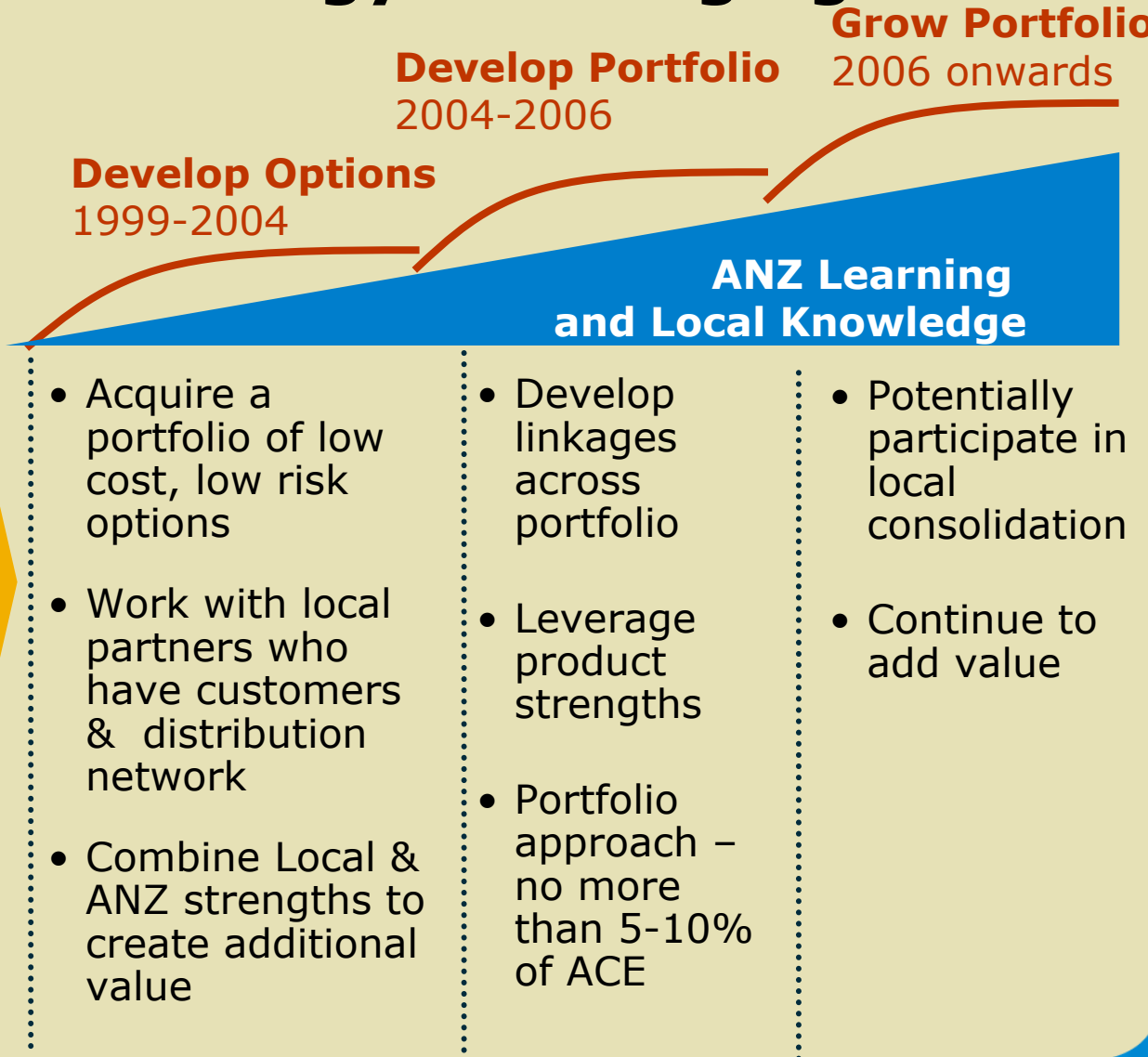
Geographic proximity

Growing political and economic linkages

Represents

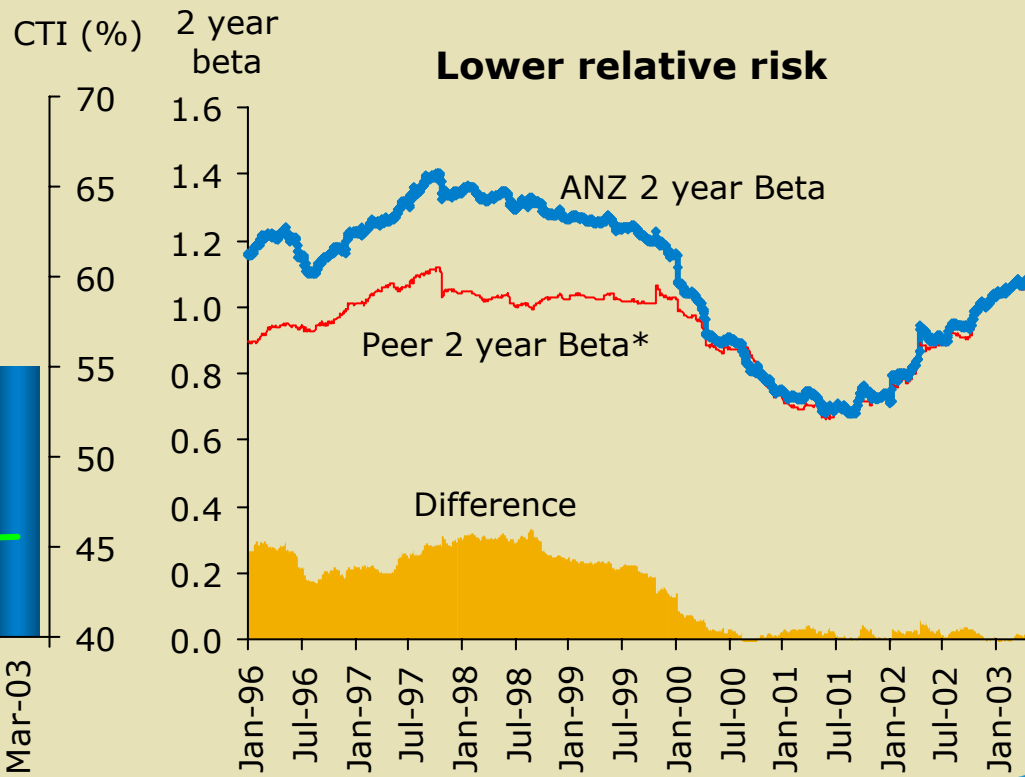
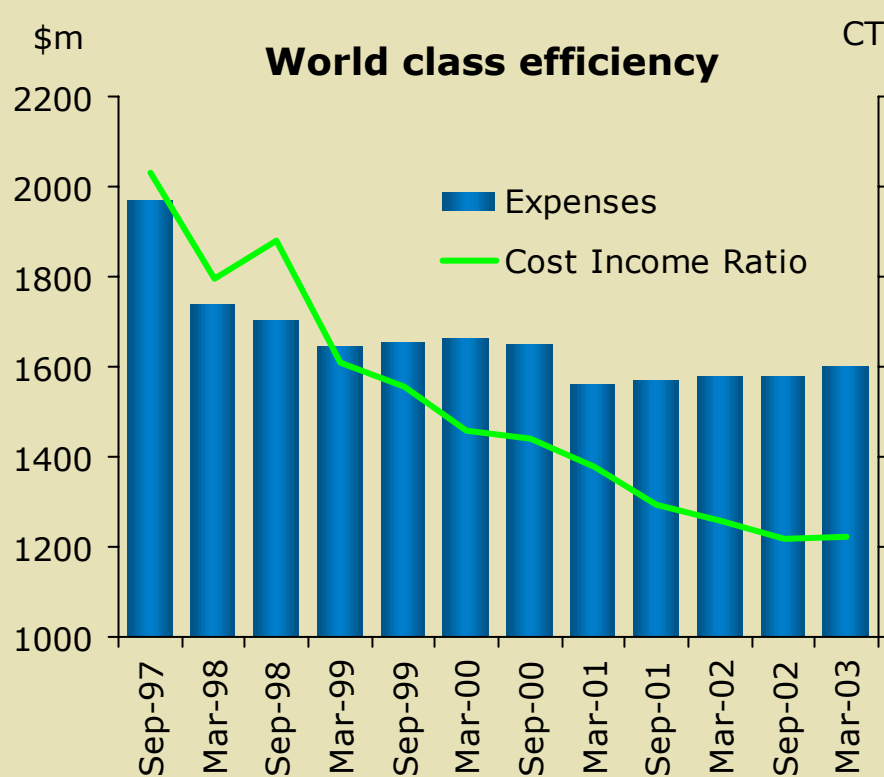
- 49% of Australia's merchandise trade
- 34% of Australia's services trade
- Substantial capital flows

ANZ already has a network in Asia



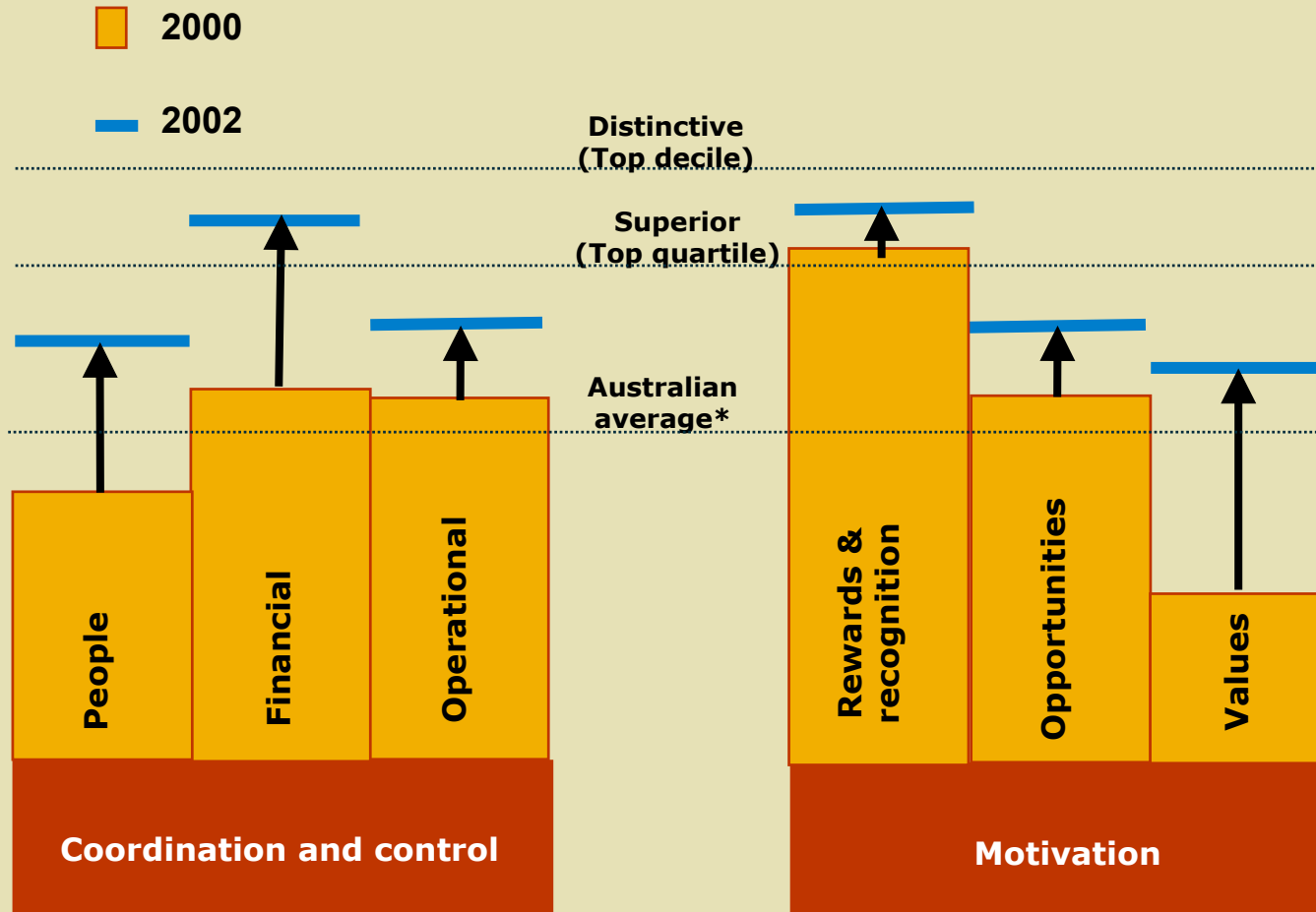
Aim to make ANZ one of the best managed and most efficient banks in the world

- Make execution a distinctive capability
- Accelerate revenue and productivity momentum in businesses
- Rebalance higher risk segments
- Simplify operations and technology infrastructure



* CBA, NAB, WBC

Bold and different, leveraging a unique performance culture and business approach



- **Systematic improvement**
- **Aim to be distinctive**
 - financial
 - values
- **Build on preferred employer status**
- **Gain shareholder and community recognition**
- **Raise our game in execution to minimise surprises**

A reasonable result

Headline earnings up 8.7%

Cash EPS pre-significant items up 8.7%


Interim dividend up 12.8%

**Good underlying business performance
offset by \$27m Cards issue**

Major progress in resolving risk issues

- **Specific provisions down 29%**
- **Tax settlement achieved**

Clear and distinctive strategic approach

- 
- **On track for 8% full-year NPAT***
 - **Comfortable with similar 2004 outlook**
 - **Dividend growth higher than earnings**

*excluding significant transactions

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For further information visit

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2003 Interim Results

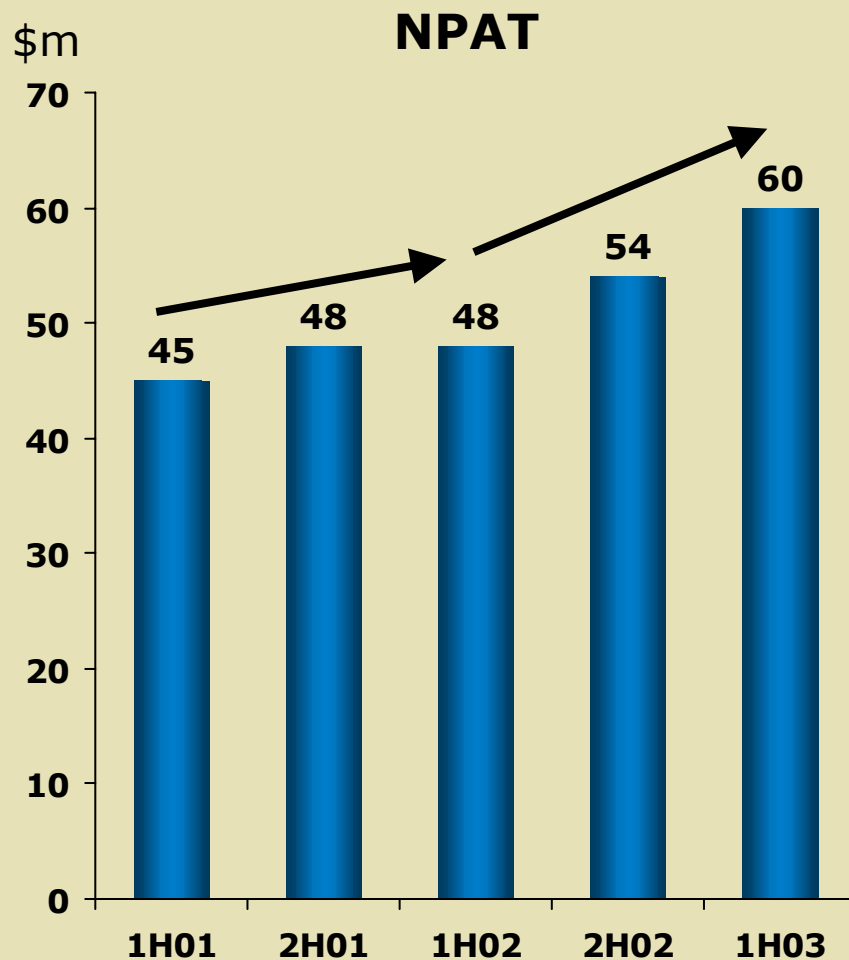
Supplementary Information Pack

Australia and New Zealand Banking Group Limited
24 April 2003

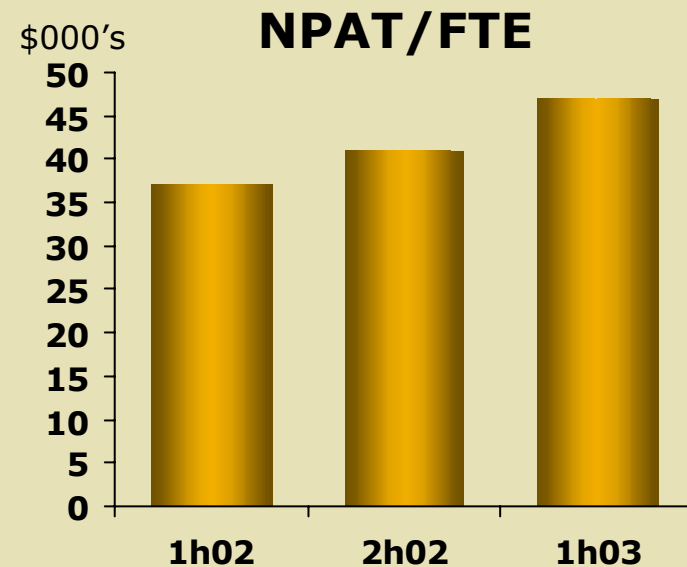


Additional information on businesses & strategy

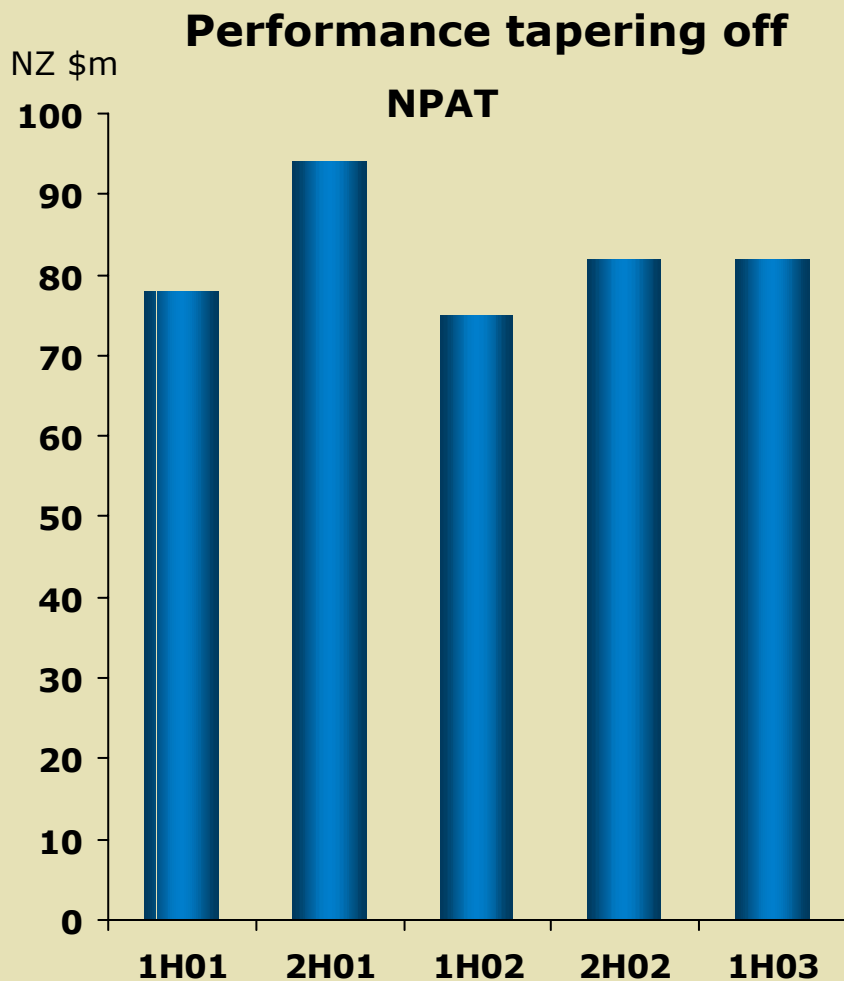
Asset Finance – a leading position, & developing new momentum



- Reengineering undertaken in recent years now paying off
- Significant reductions in unit processing costs achieved delivering strong competitive position



New Zealand – greater autonomy and a mandate to reinvest

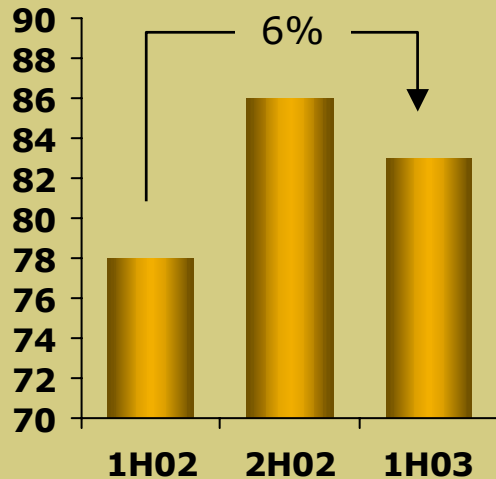


Greater investment required

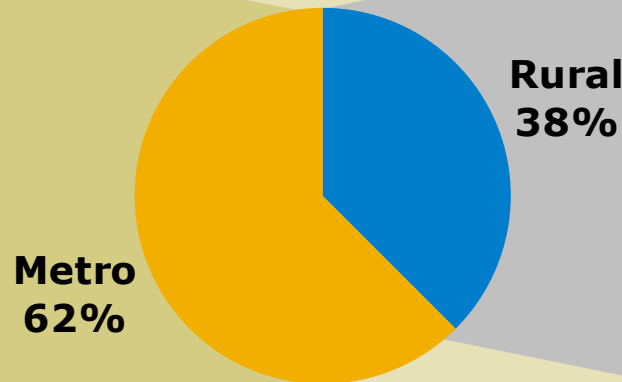
- Increased training, and greater number of sales specialists
- Strengthen brand and increase community involvement
- Upgrade branch network, and open new branches in key geographic growth centres

Personal – significant opportunity, but clear challenges remain

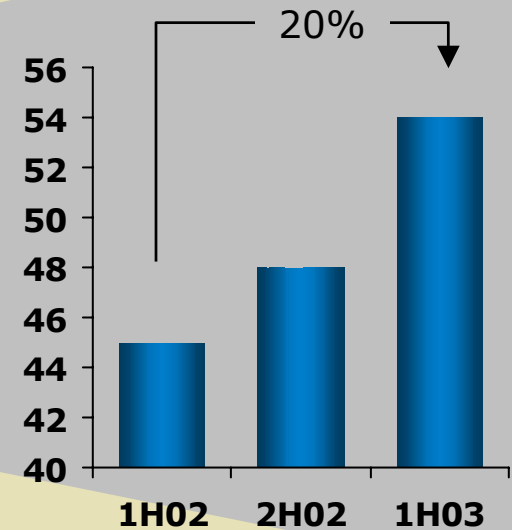
Metro NPAT



Personal Banking Australia NPAT



Rural NPAT



- Underweight position
- RCF rolled out to Victoria & NSW, to roll out to other states
- Strong product capability
- More traction required on improving customer proposition

- Rural Banking completed roll out of local market model
- Good progress in devolving responsibility to front line
- Strong focus on community involvement
- Increased focus on agribusiness

Asia - circa 450 lending relationships with 85% investment grade

ANZ BEIJING & SHANGHAI, CHINA

- One of a small group of fully licensed foreign banks
- Restricted transactions with locals expected to be lifted gradually with WTO membership
- 40 Lending Relationships, 95% Inv Gr

ANZ HONG KONG

- Leading Australian/NZ bank
- Focus to expand Trade Finance business
- Excess liquidity driving margins down to dangerously low levels
- 60 Lending Relationships, 82% Inv Gr

ANZ HANOI & HO CHI MINH, VIETNAM

- Leading foreign bank in Vietnam
- Only Australian/NZ bank
- Fastest-growing Asian operation
- 50 Lending Relationships, 72% Inv Gr

ANZ MALAYSIA & THAILAND

- Representative offices
- Regional Trade Finance support
- FI & correspondent banking

ANZ SINGAPORE

- Centre for GSF operations in ANZ Asia
- Striving to carve a niche in the market amongst global banks operating here
- 4,000 customers/deposit base of \$2b
- 60 Lending Relationships, 87% Inv Gr

ANZ REGIONAL OFFICE, SINGAPORE

- Product Support
- Finance & Planning
- Credit/Risk
- Corporate Portfolio Management
- Human Resource

ANZ SEOUL, KOREA

- Strategic for Asia & network Trade
- 34 Lending Relationships, 52% Inv Gr

ANZ TOKYO & OSAKA, JAPAN

- Largest Australian/NZ Bank
- 14,000 customers with deposit base of \$700m
- 38 Lending Relationships, 83% Inv Gr

ANZ TAIPEI, TAIWAN

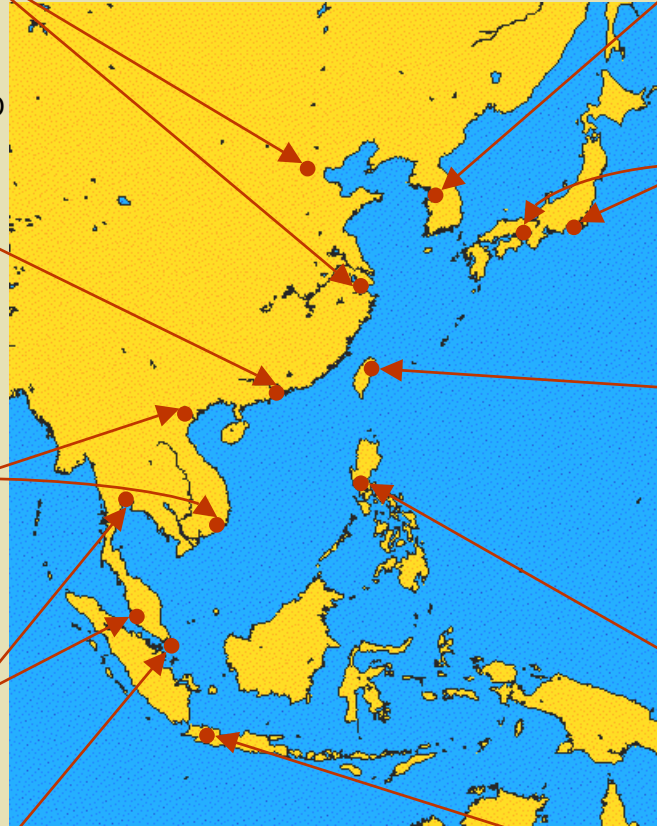
- Only Australian/NZ bank
- Highly regulated/competitive environment
- Largest number of corporate relationships in Asia
- 60 Lending Relationships, 68% Inv Gr

ANZ MANILA, PHILIPPINES

- Top Ten foreign bank
- Only Australian/NZ bank
- 50 Lending Relationships, 53% Inv Gr

ANZ JAKARTA, INDONESIA

- Leading JV bank
- 130,000 cards issued
- 26 Lending Relationships, 69% Inv Gr



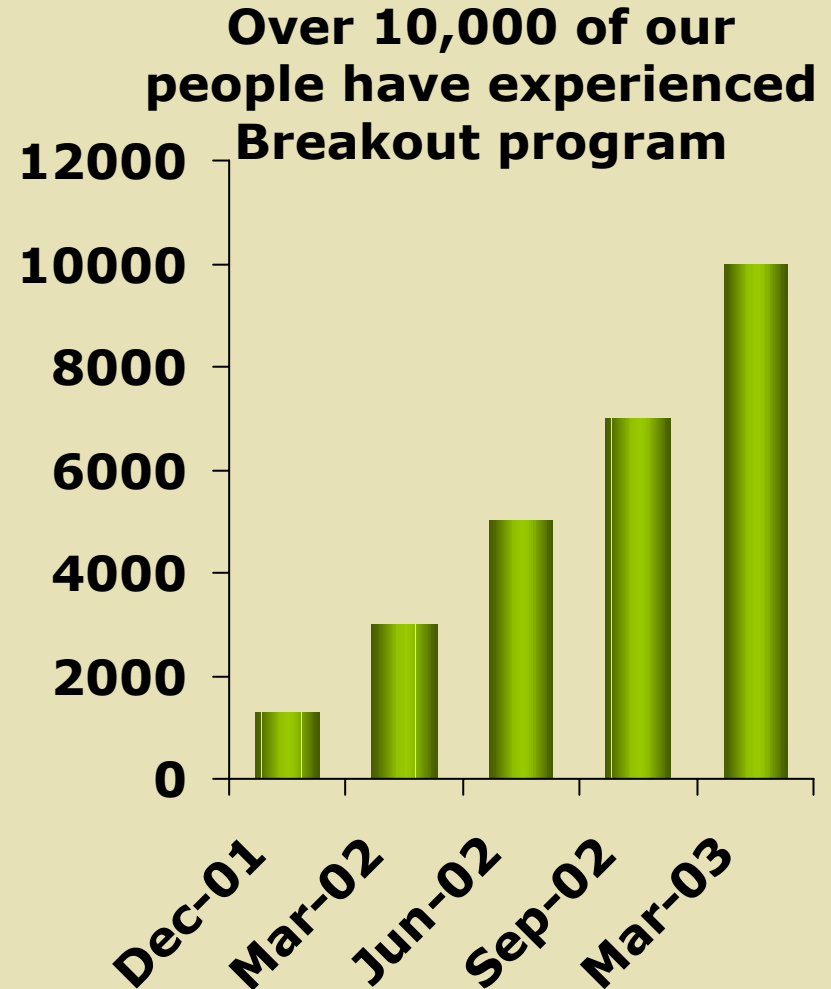
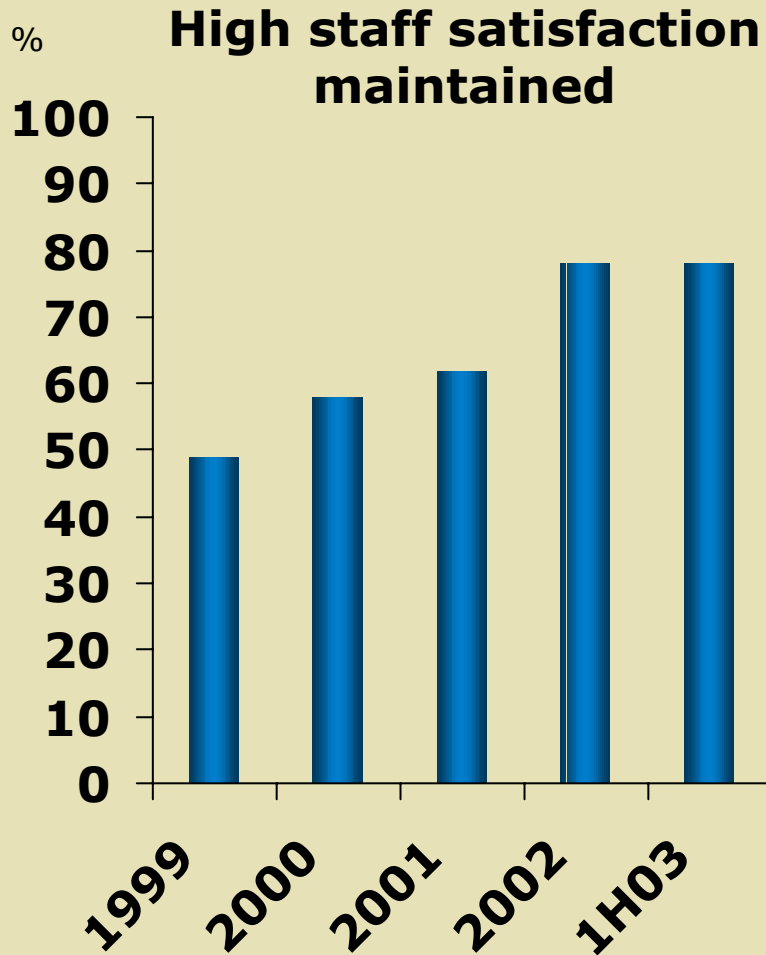
A selective asset writing strategy in Asia

| Customer Category | Customer Description |
|----------------------------------|--|
| Global MNCs | Parent – Investment Grade Typically listed on local exchange Subsidiaries in network countries per Cross Border Risk Policy (10/99) |
| Regional MNCs | Parent – Investment Grade Typically listed on local exchange (Top 50 'blue chip') Typically externally rated |
| Financial Institutions | Well-established and high quality FIs In top 20 FIs in country Strong correspondent banking relationships |
| Major Local Corporates | Top ranking, typically listed on local exchange and recognised as 'blue chip' Investment Grade Significant foreign currency earnings in freely negotiable currencies Market capitalisation typically in excess of USD200m. Potential for significant non interest income, deposit, trade, FX or network opportunities |
| Middle Market Corporates SMEs | Not target market Not target market } <i>Small exceptions for Trade where collateralised, eg. Vietnam</i> |

Current/Target customer list represents:

- established high quality names/groups, including Asian conglomerates, that have survived Asian crisis; recent CPM 'shadowing' review has validated this;
- core relationships;
- network business for Australia/NZ and Asia;
- good product penetration potential;
- leveraging relationships across Asia network.

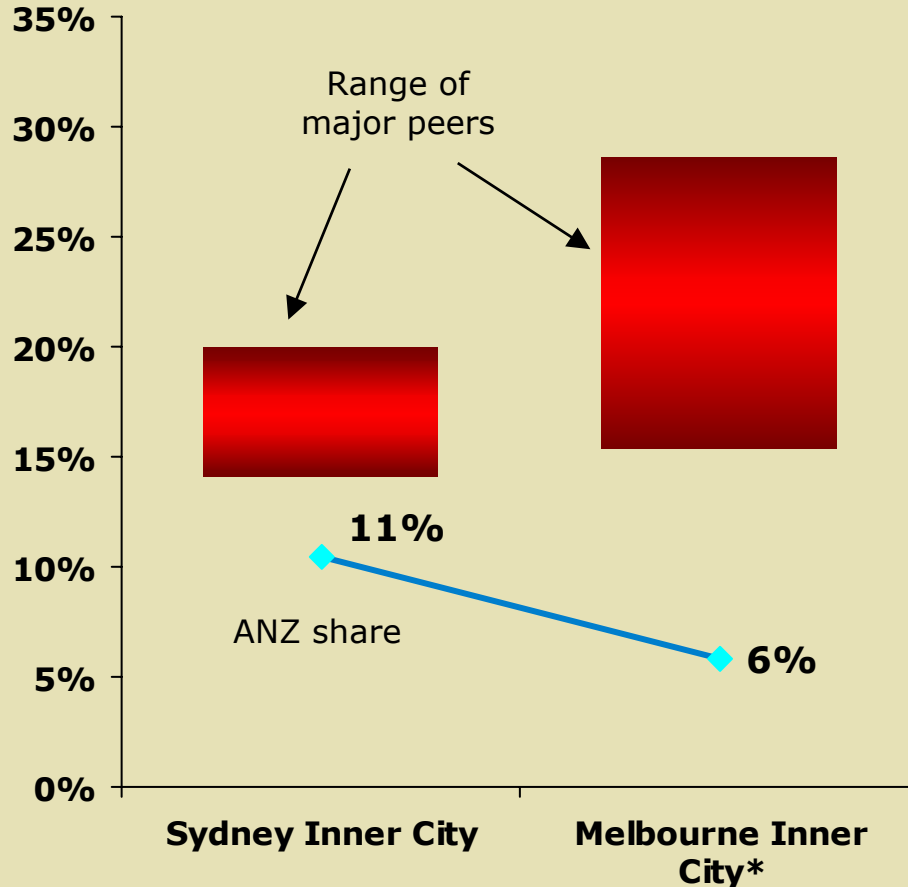
Continuing to develop our culture



Additional credit quality information

Mortgages – low representation in inner city Sydney and Melbourne

Market Share by location

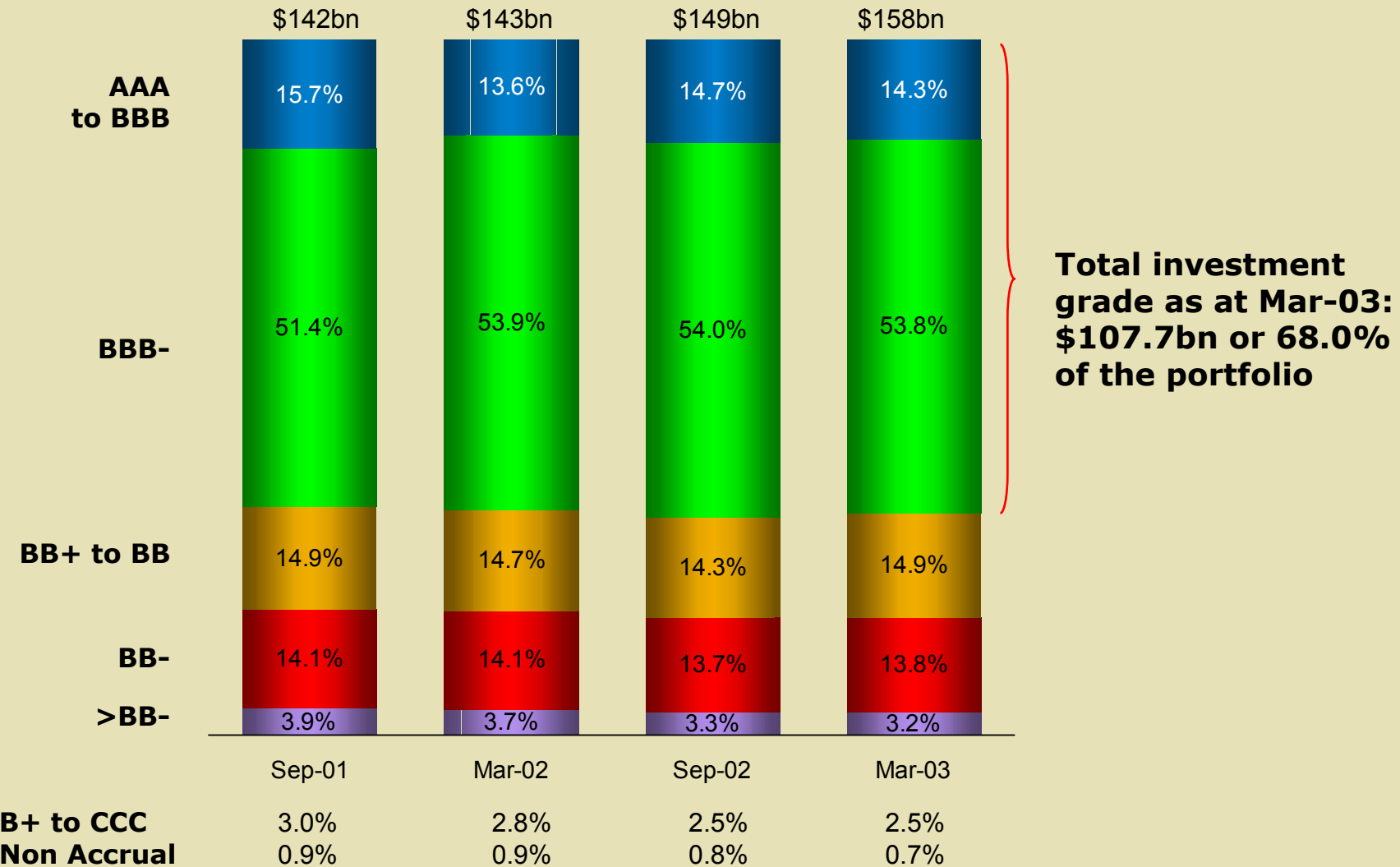


- Tightened assessment criteria for inner city investment properties
- Delinquency profile of inner city borrowers in line with average

* limited sample size
source: Roy Morgan

Group risk grade profile

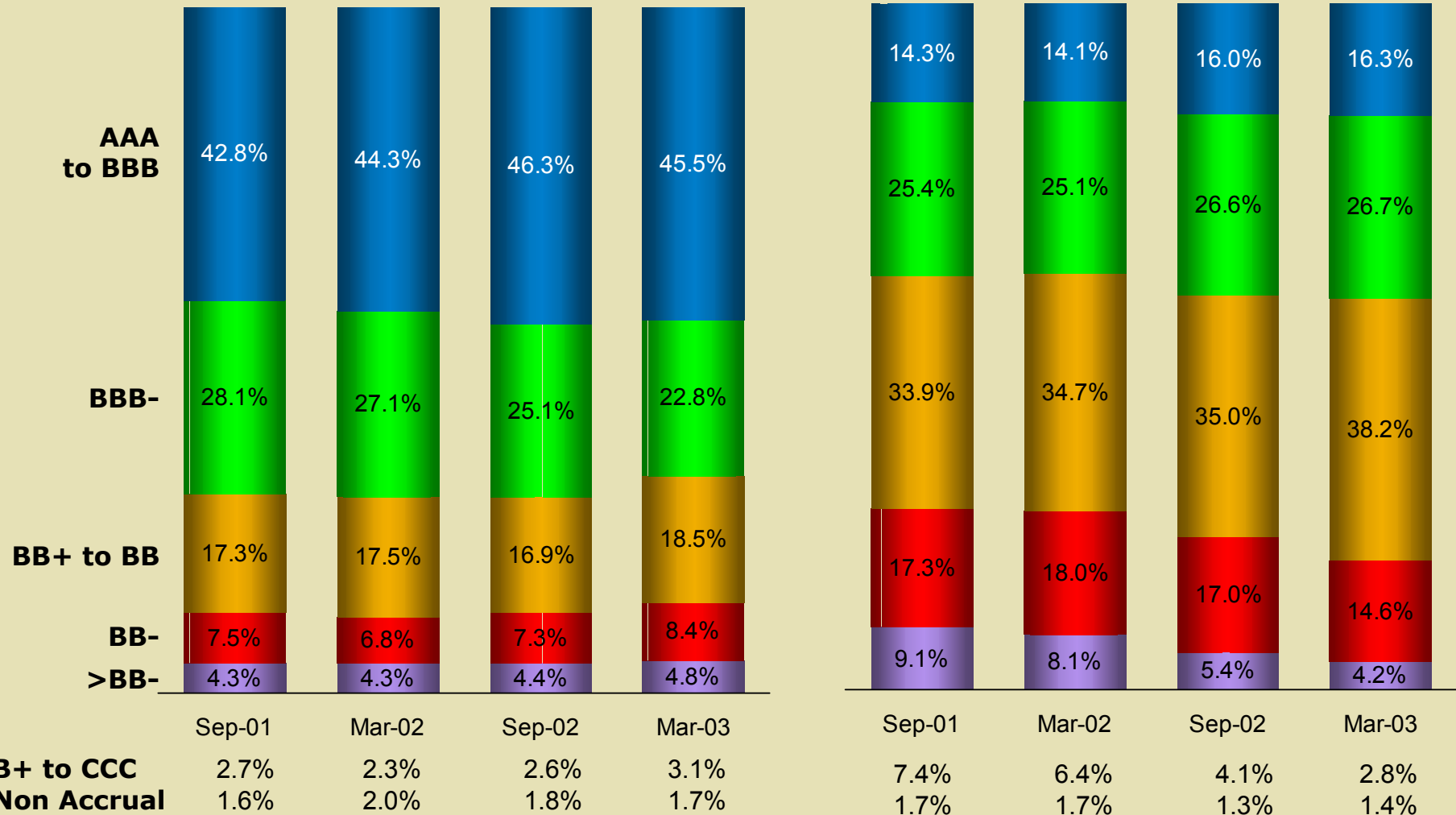
ANZ Group - Outstandings



Institutional & Corporate Risk Grade Profiles

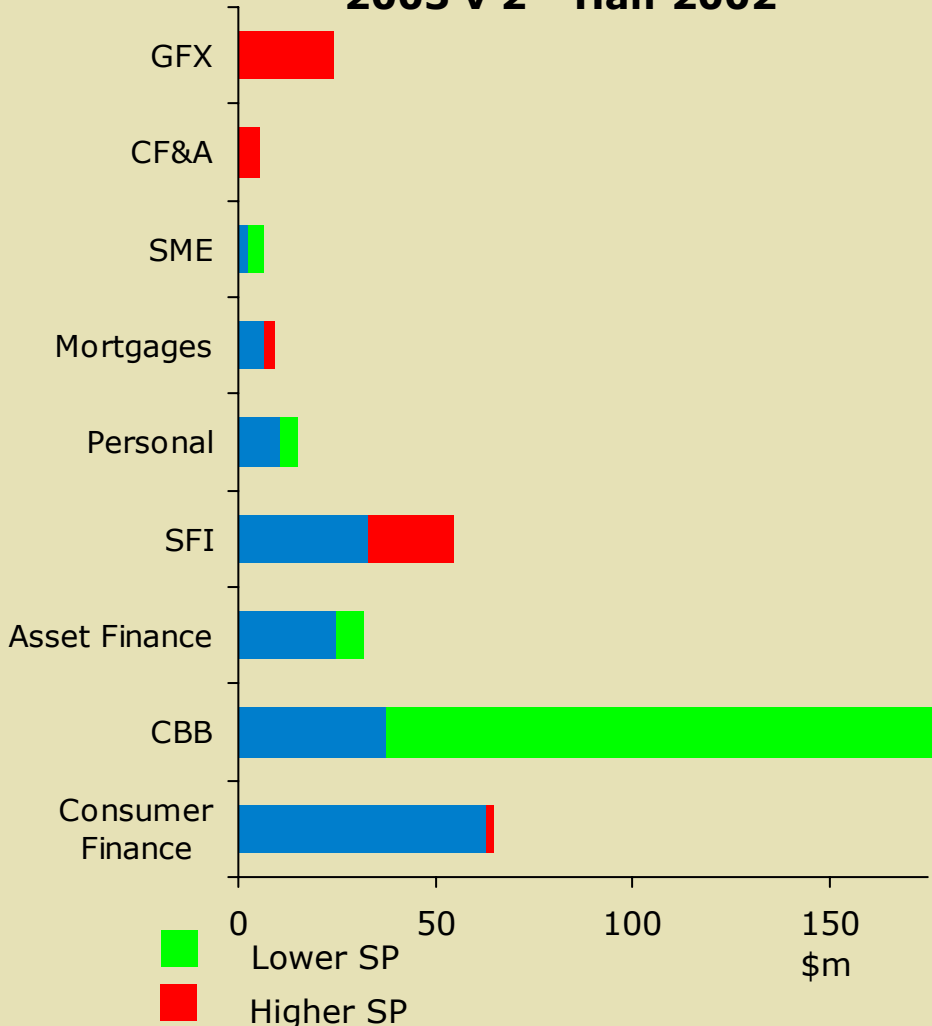
Institutional Banking (Outstandings)

Corporate Banking Aust. (Outstandings)

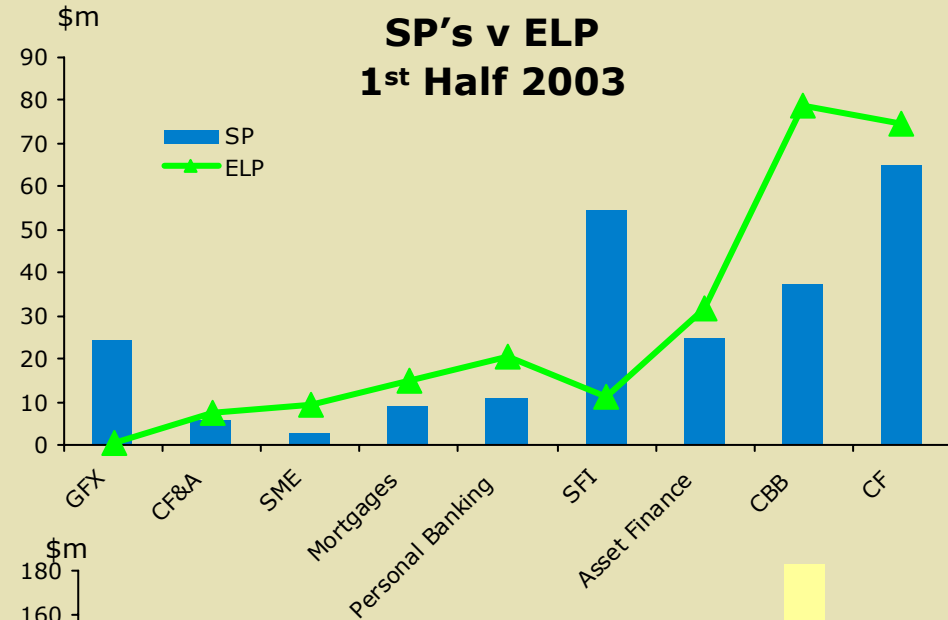


Specific provisions in most businesses lower than expected losses

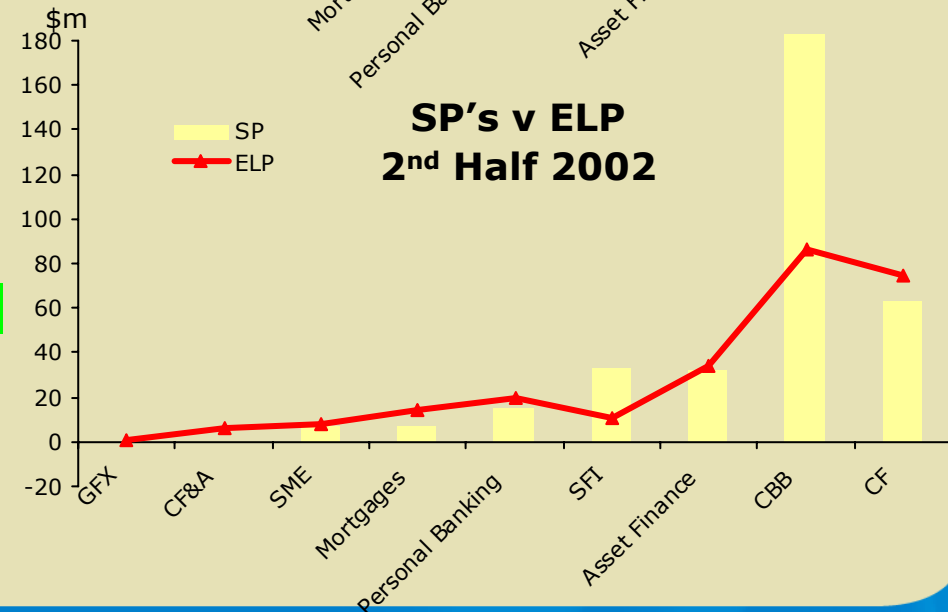
Specific Provisions 1st Half 2003 v 2nd Half 2002



SP's v ELP 1st Half 2003

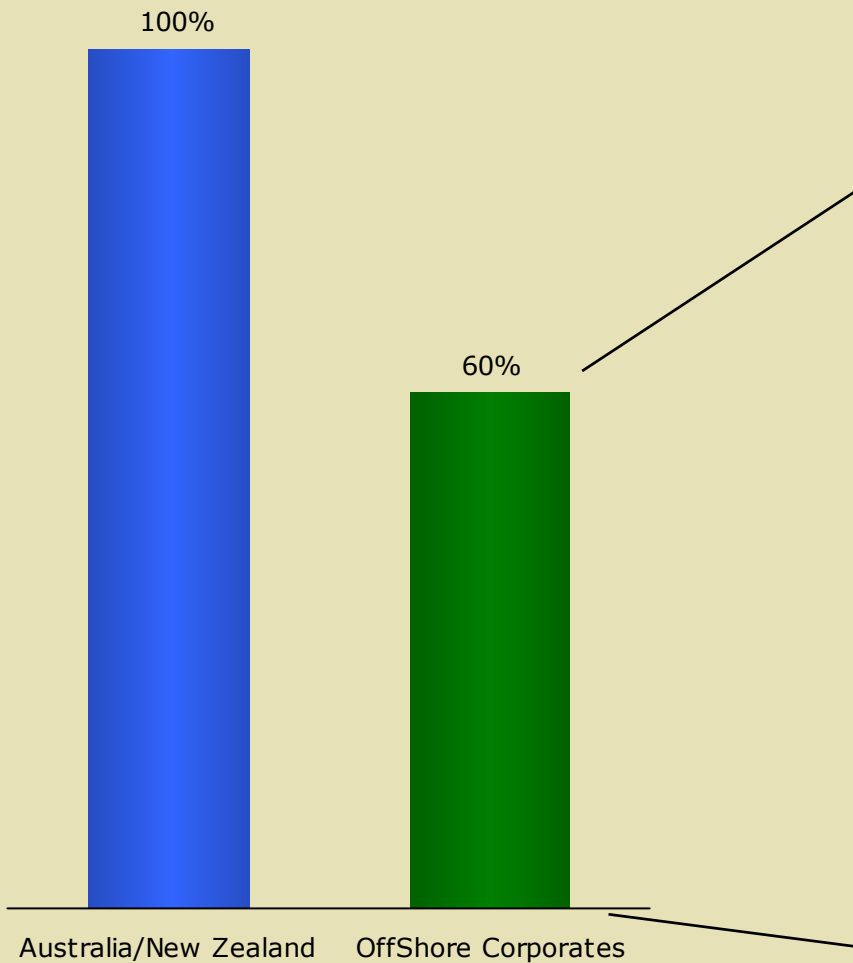


SP's v ELP 2nd Half 2002



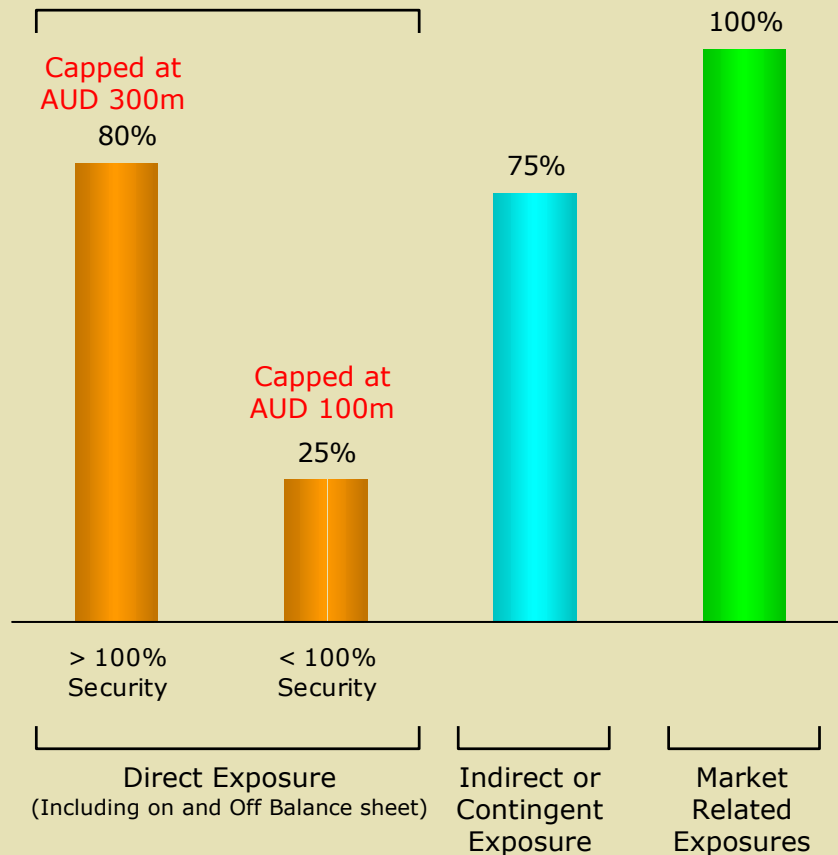
Offshore SCCLs now in place

Comparative SCCL Customer Limits



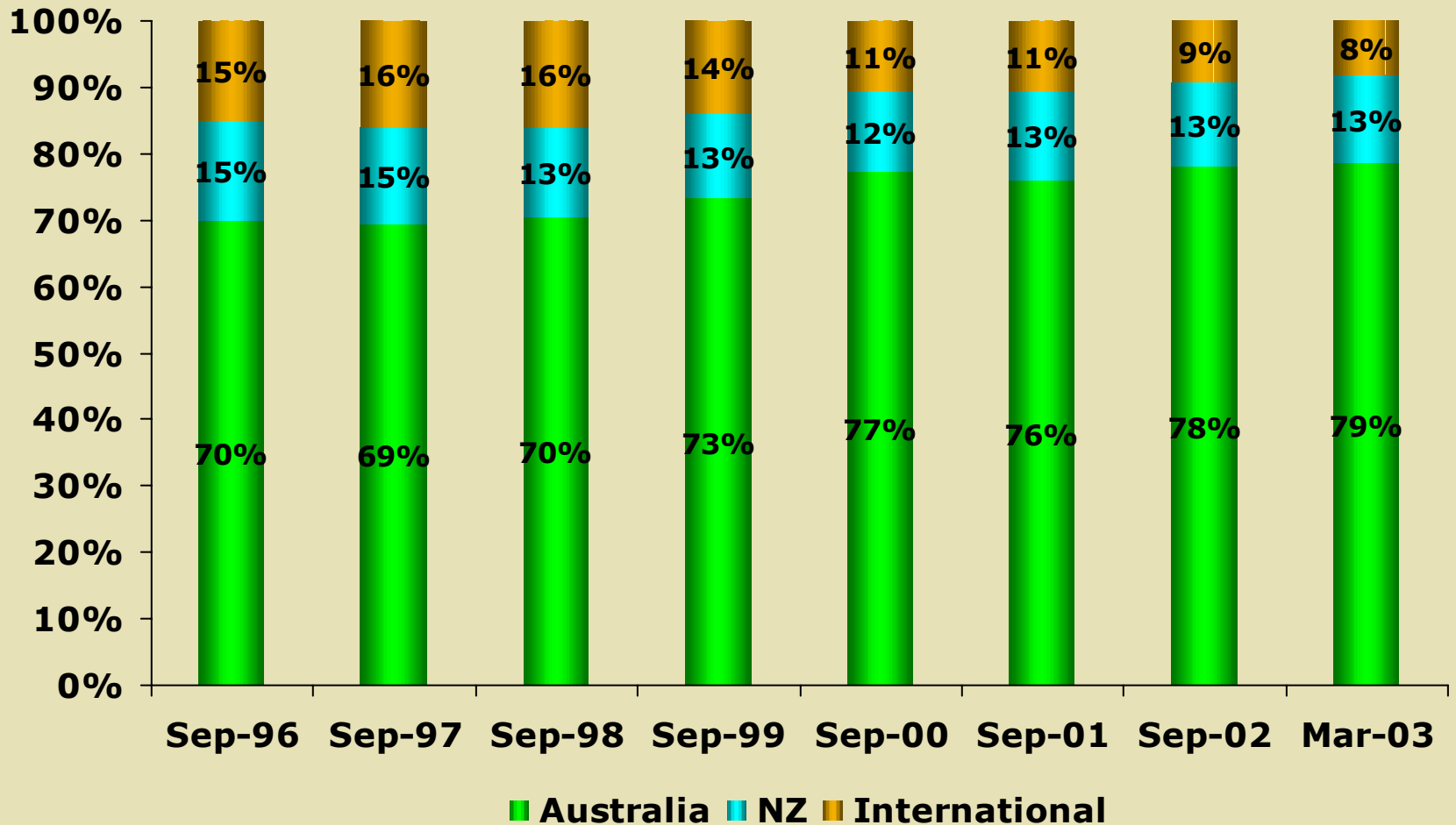
Lending type SCCL % for offshore Corporates (excl. GSF)

indicative based on BBB- grading

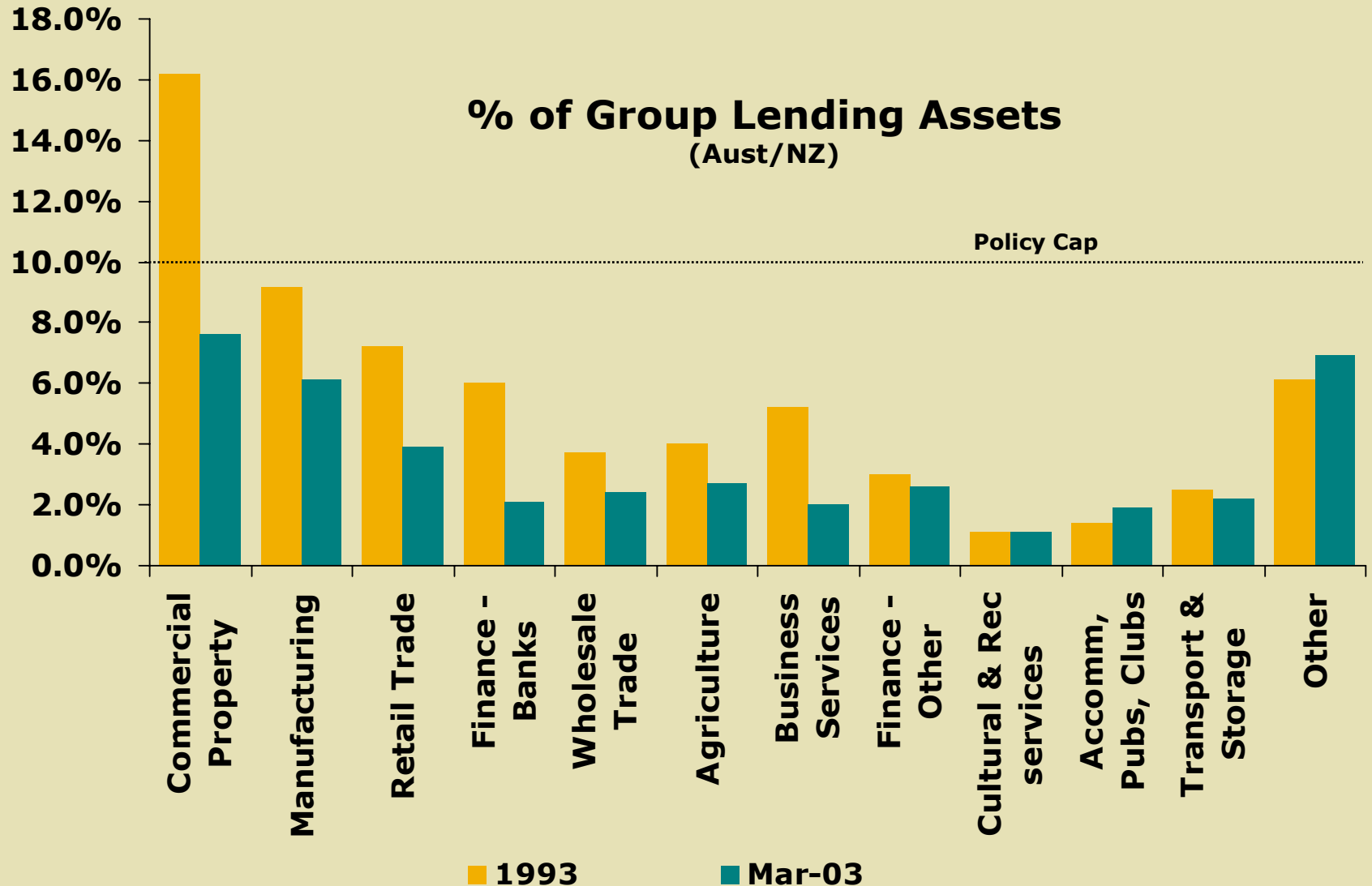


GSF Direct Exposures capped at AUD 450m for > 100% Security and AUD 200m for < 100% Security

Offshore lending assets decreasing as a proportion of total lending assets



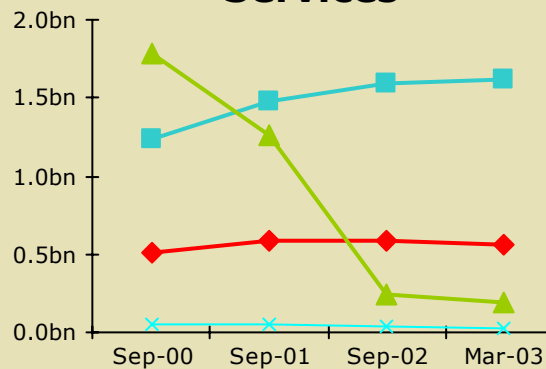
Increased industry diversification



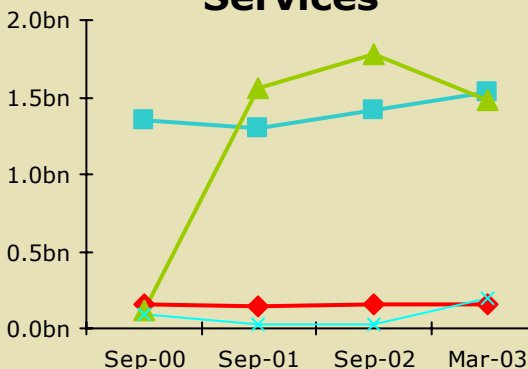
Industry exposures – Australia & NZ

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

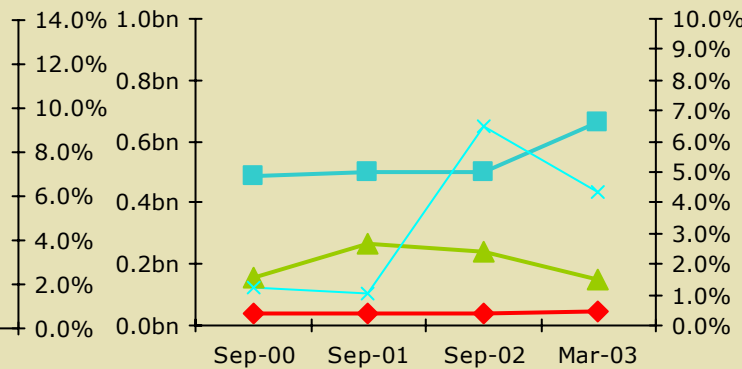
Health & Community Services



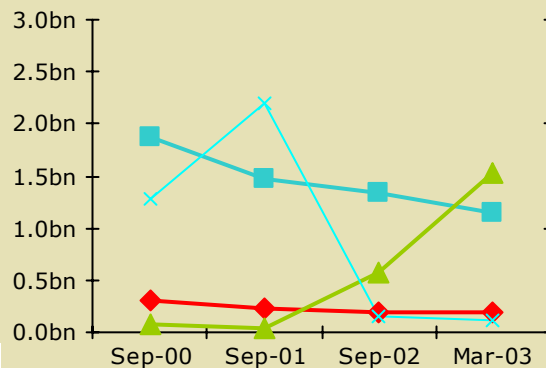
Cultural & Recreational Services



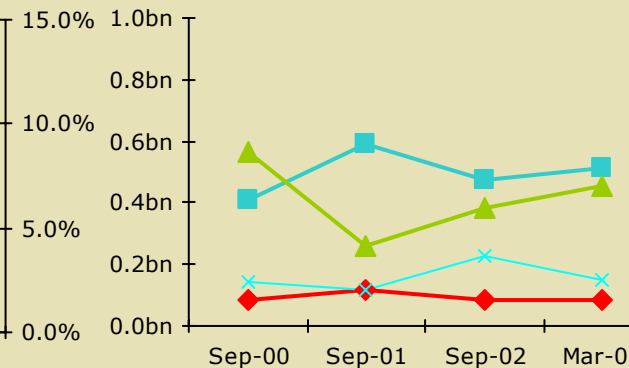
Forestry & Fishing



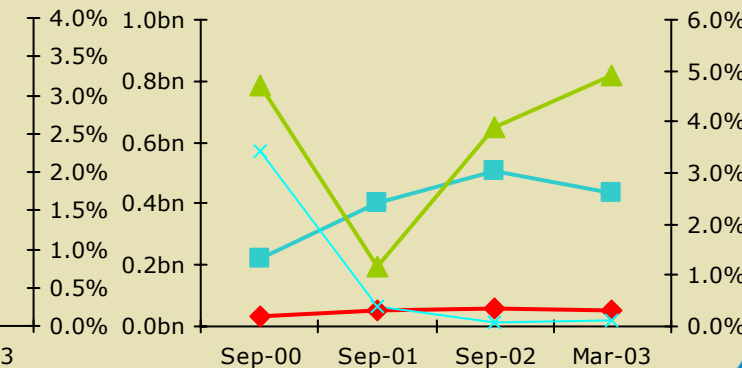
Mining



Personal & Other Services



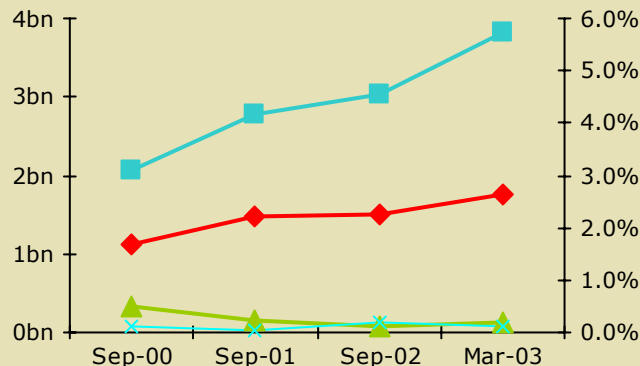
Communication Services



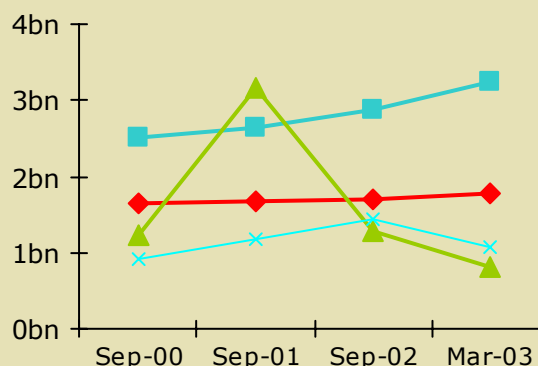
Industry exposures – Australia & NZ

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

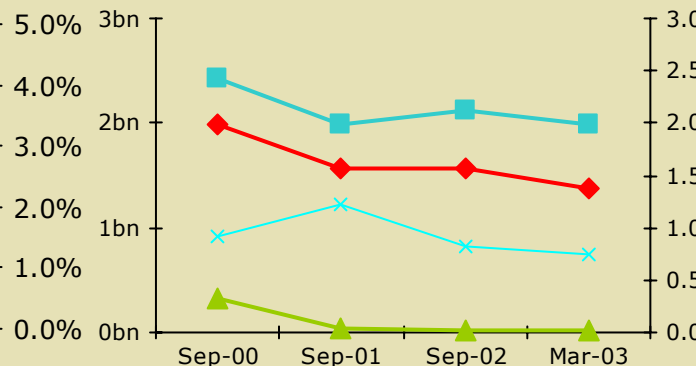
Finance - Other



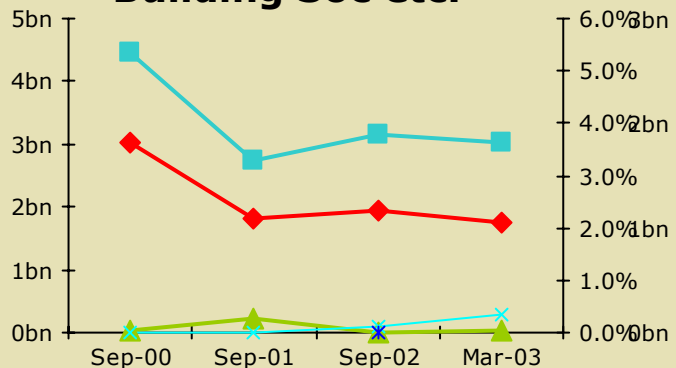
Transport & Storage



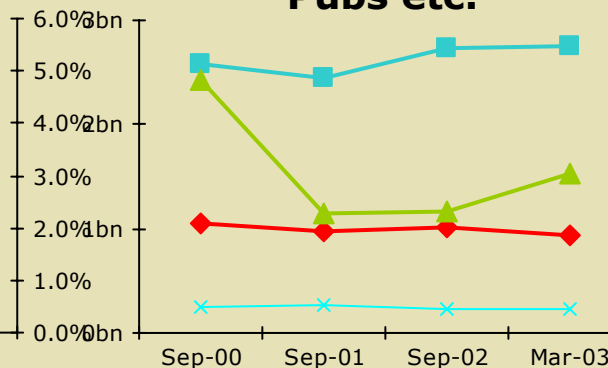
Utilities



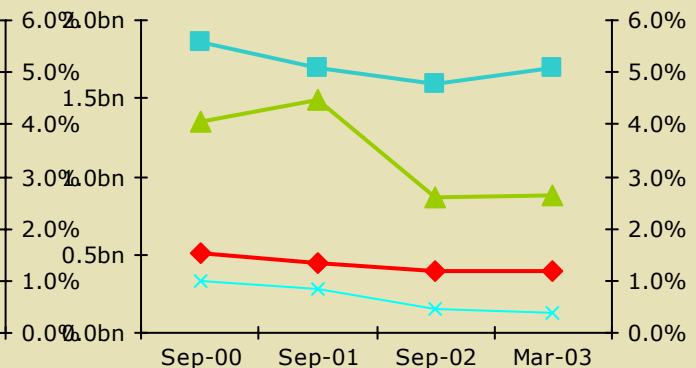
Finance – Banks, Building Soc etc.



Accommodation, Clubs, Pubs etc.



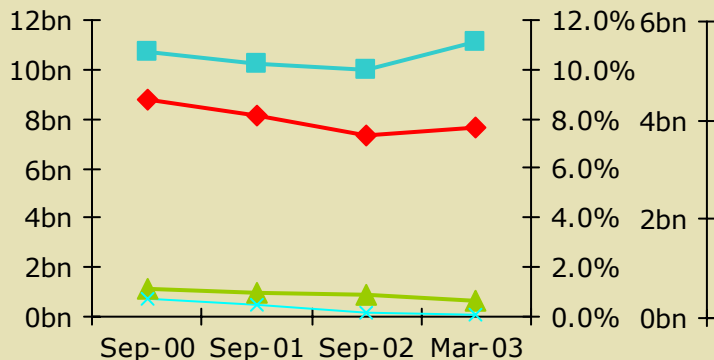
Construction



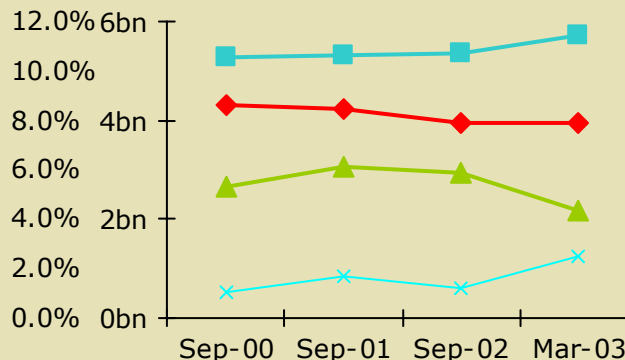
Industry exposures – Australia & NZ

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

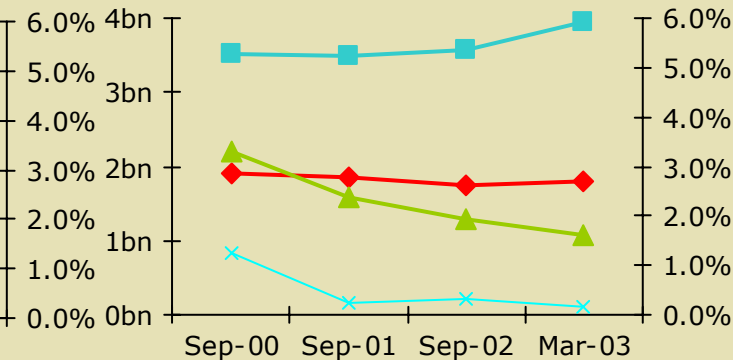
Real Estate Operators & Dev.



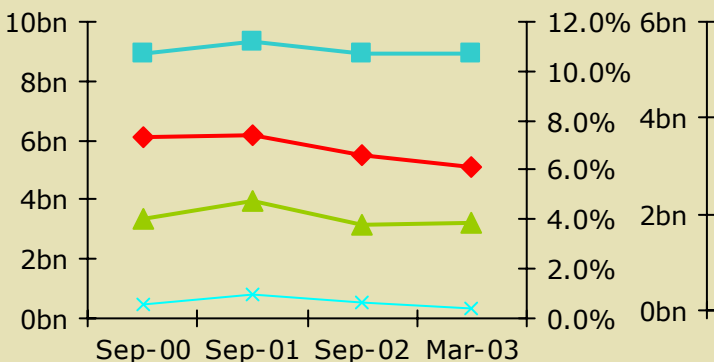
Retail Trade



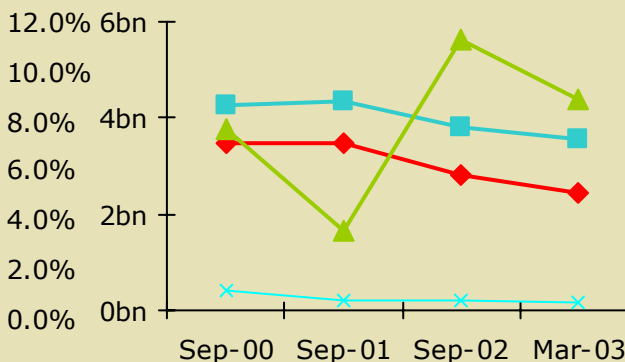
Agriculture



Manufacturing



Wholesale Trade



Business Services

