

Australia and New Zealand Banking Group Limited

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16 June 2003

Outline

- Group overview
- Result review
- Portfolio performance
- Credit Quality
- Other issues
- Term debt funding
- Supplementary information

Group Overview

- One of the four major Australian banks
- Established in 1835
- Full range financial service provider
- Distinctive specialist business strategy – 17 separate businesses
- Assets
(as at 1H2003) A\$190.5bn. (US\$115bn.)
- Market Cap.
(as at 10 June 2003) A\$28.7bn. (US\$18.8bn.)
- Tier 1 Capital Ratio 7.7%
- Credit Ratings AA-/Aa3 (Stable)

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%

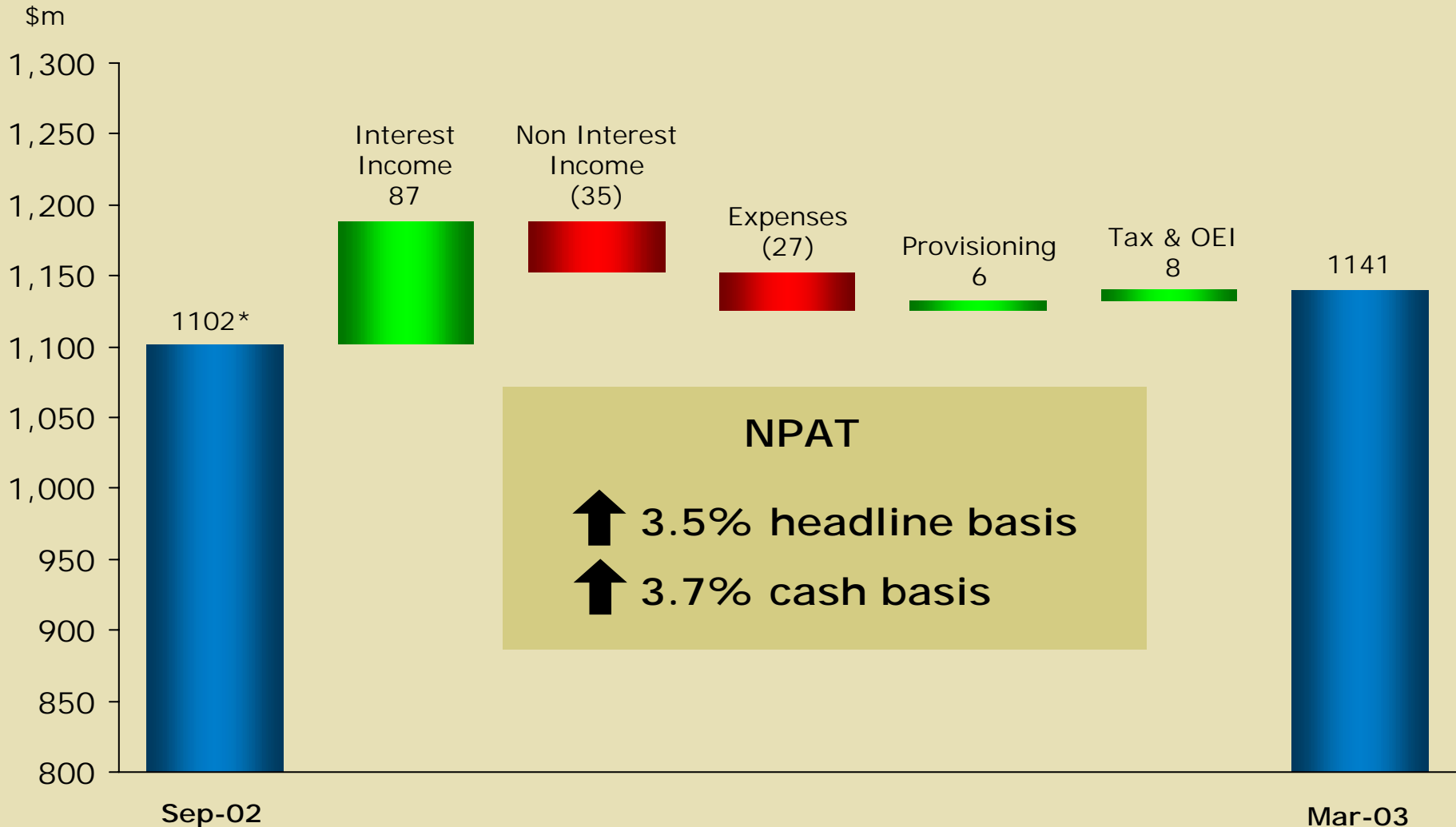
A respectable result

- 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
- On target for approximately 8% full year NPAT growth

Outline

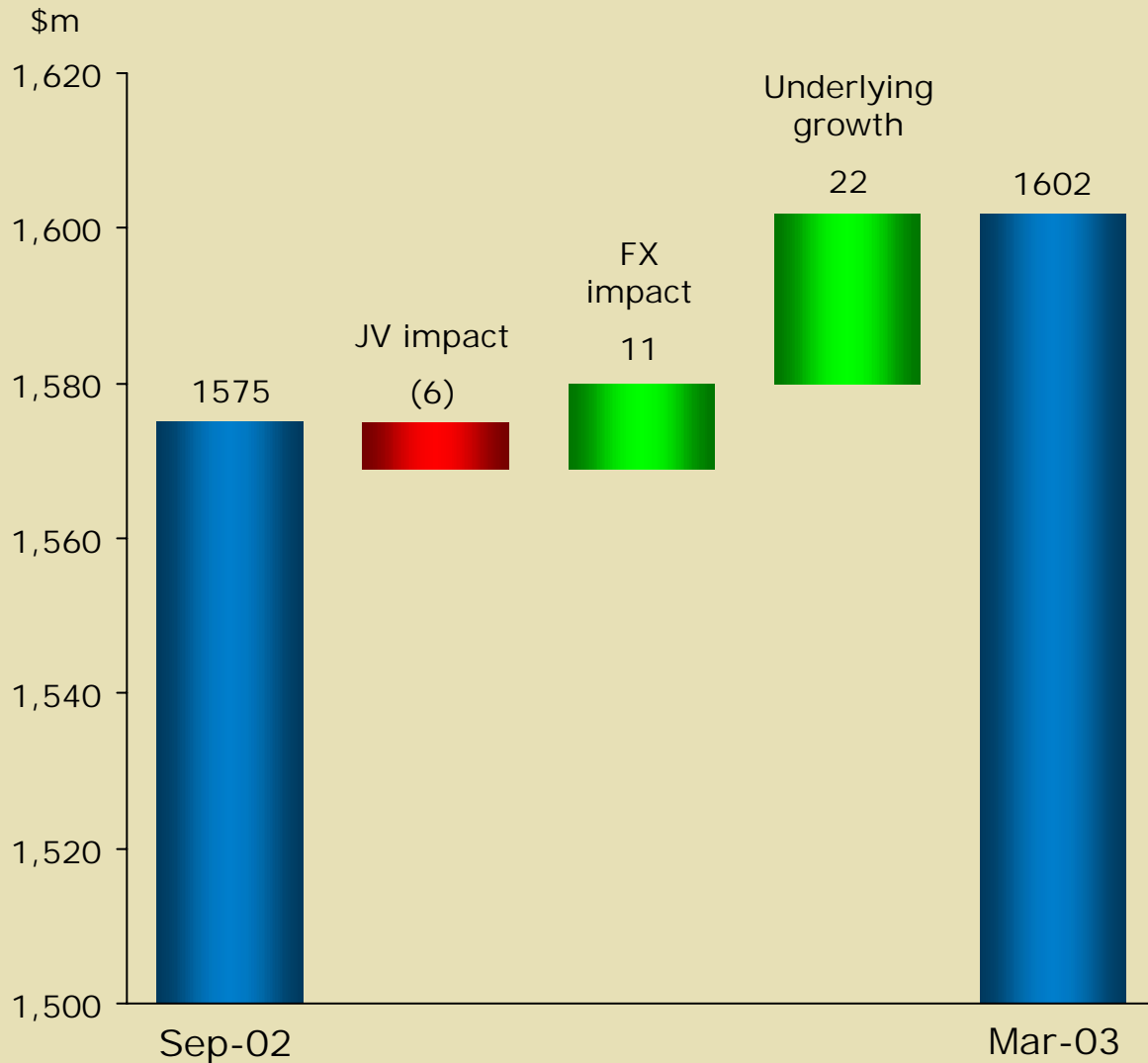
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Result driven by asset & deposit growth, non-interest income impacted by one offs



* Sep-02 excludes significant items

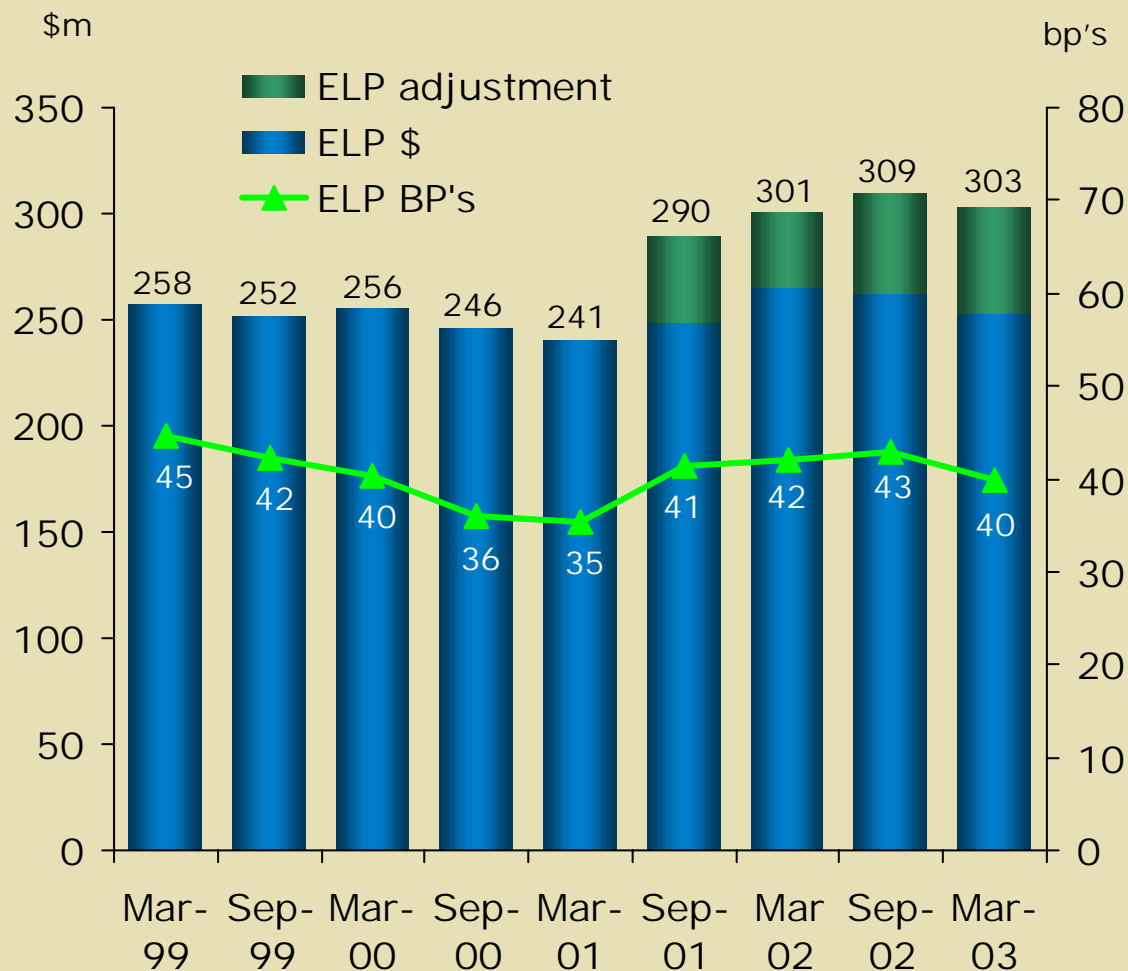
Expenses well controlled, cost income ratio flat



- 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

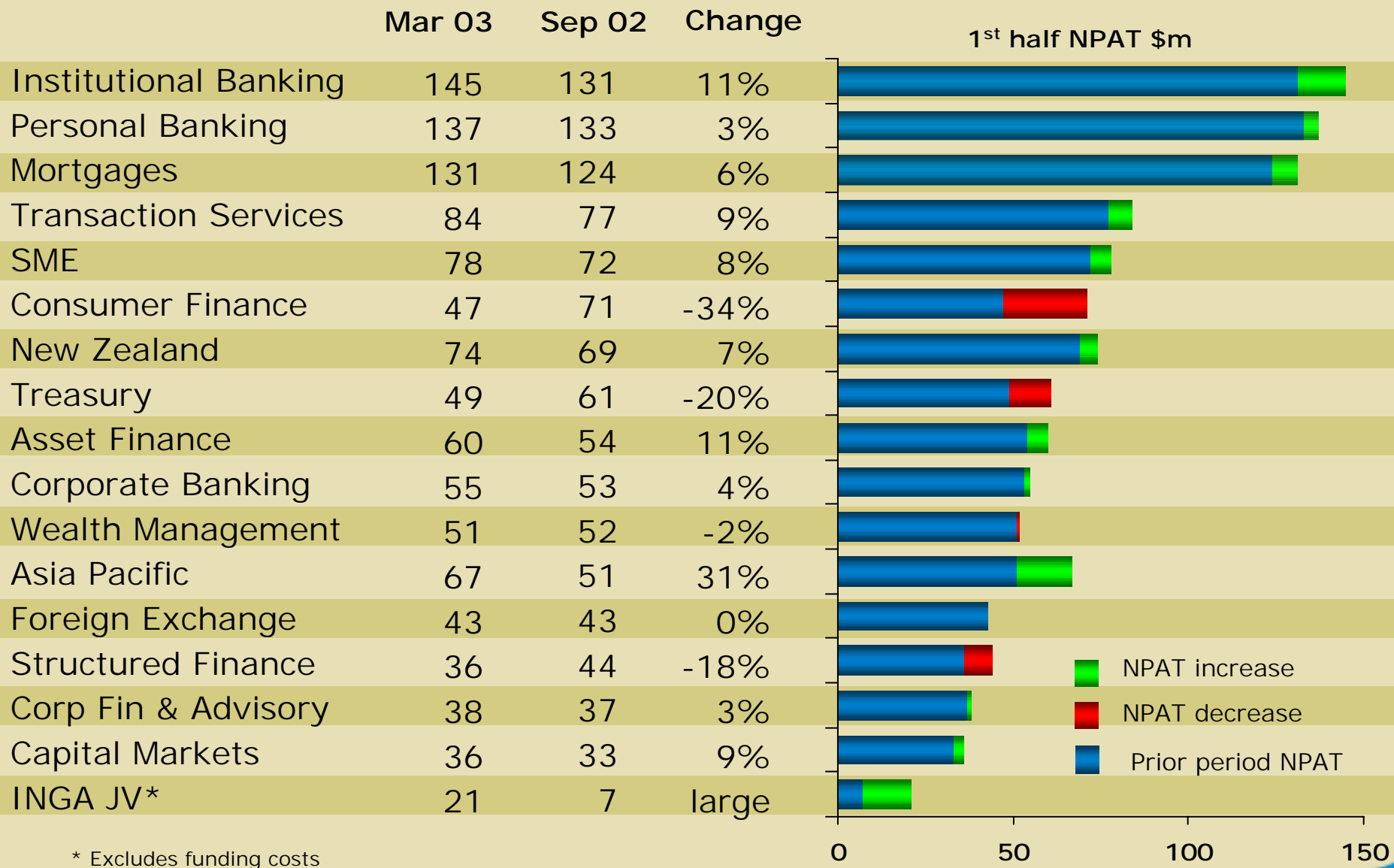


- ELP rate down 3bp's – reflecting strong mortgage growth & improved risk profile
- ELP Portfolio adjustment continued
 - accruing higher level of ELP, reflecting ongoing global economic uncertainty

Outline

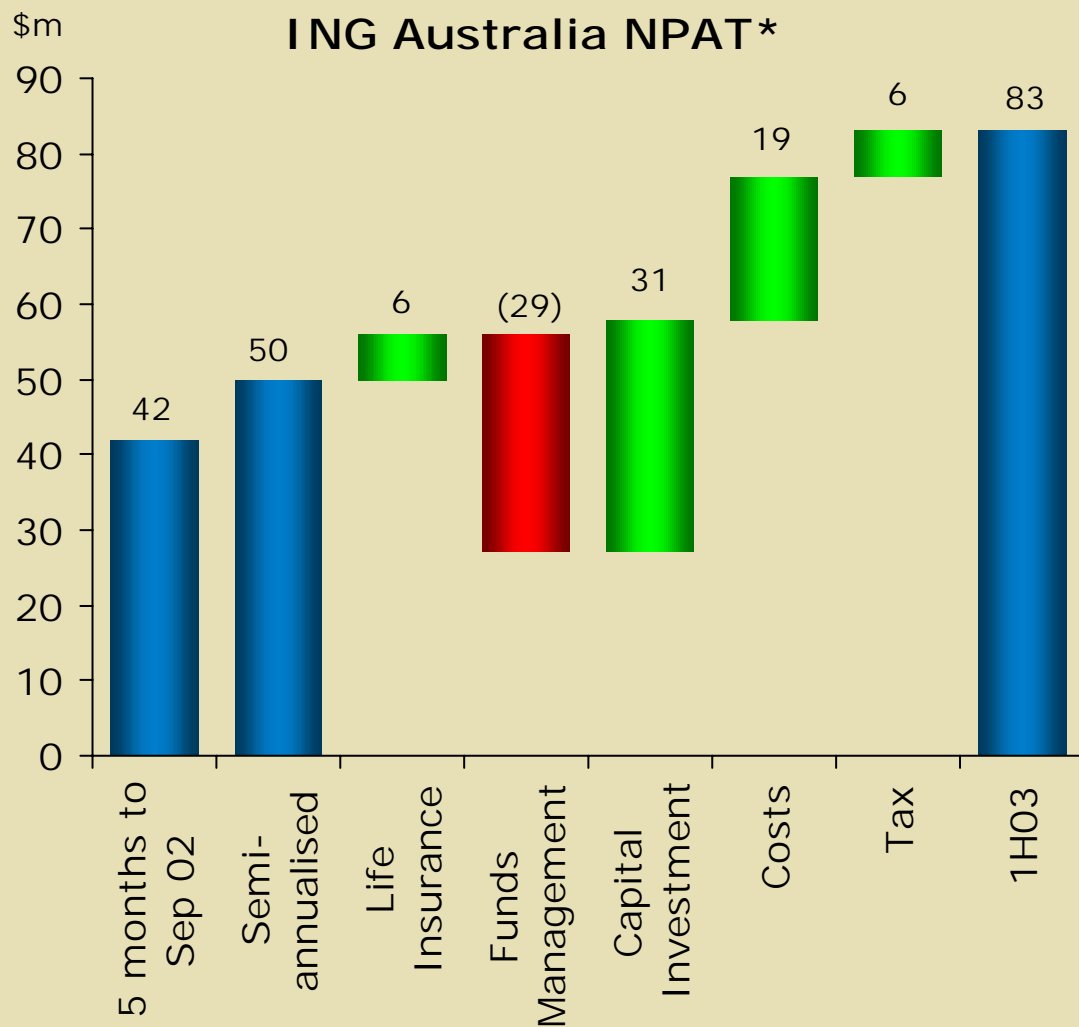
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A diversified portfolio performing well



* Excludes funding costs

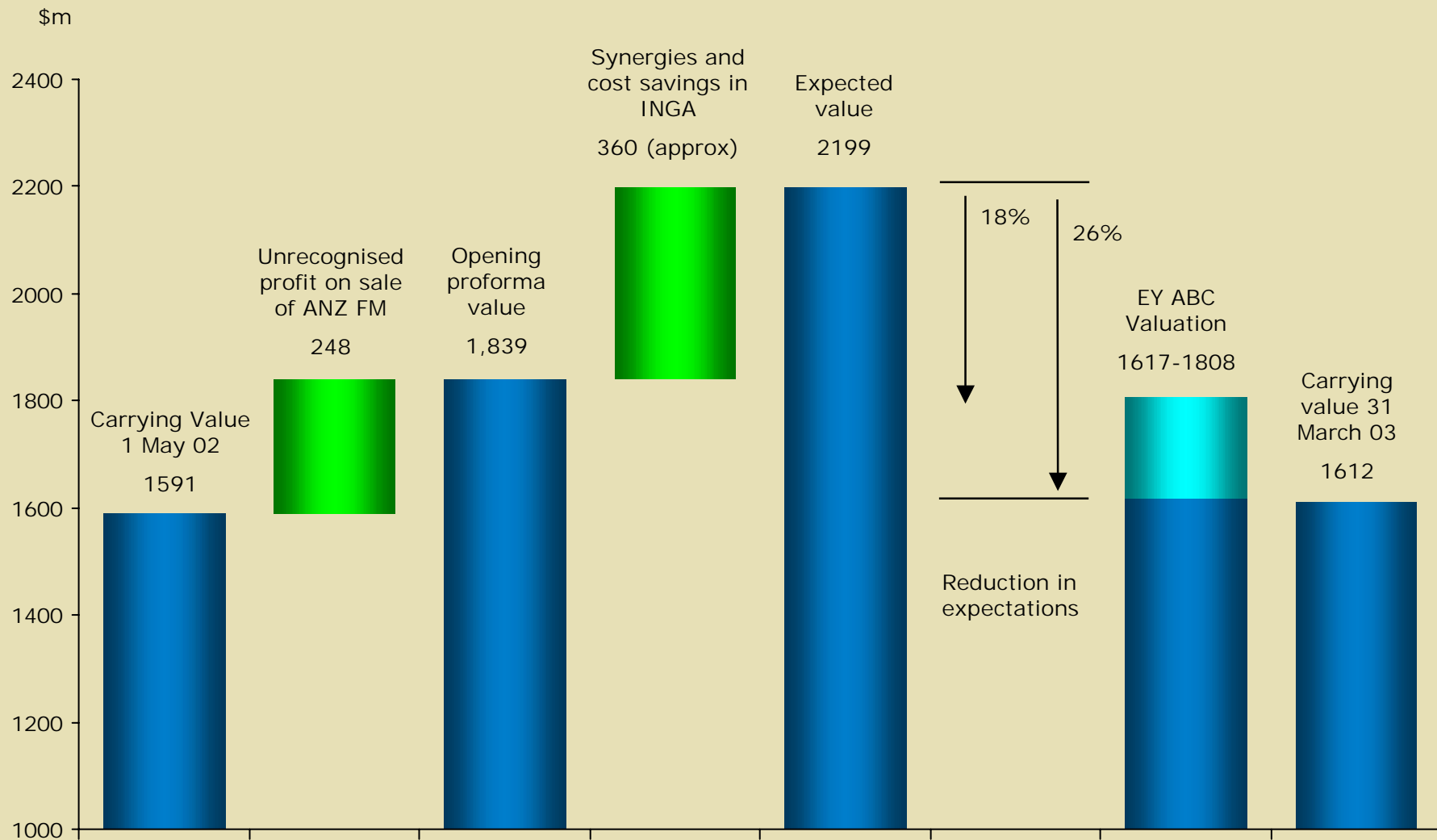
JV performance – good insurance and expense performance, offset by FM



- 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

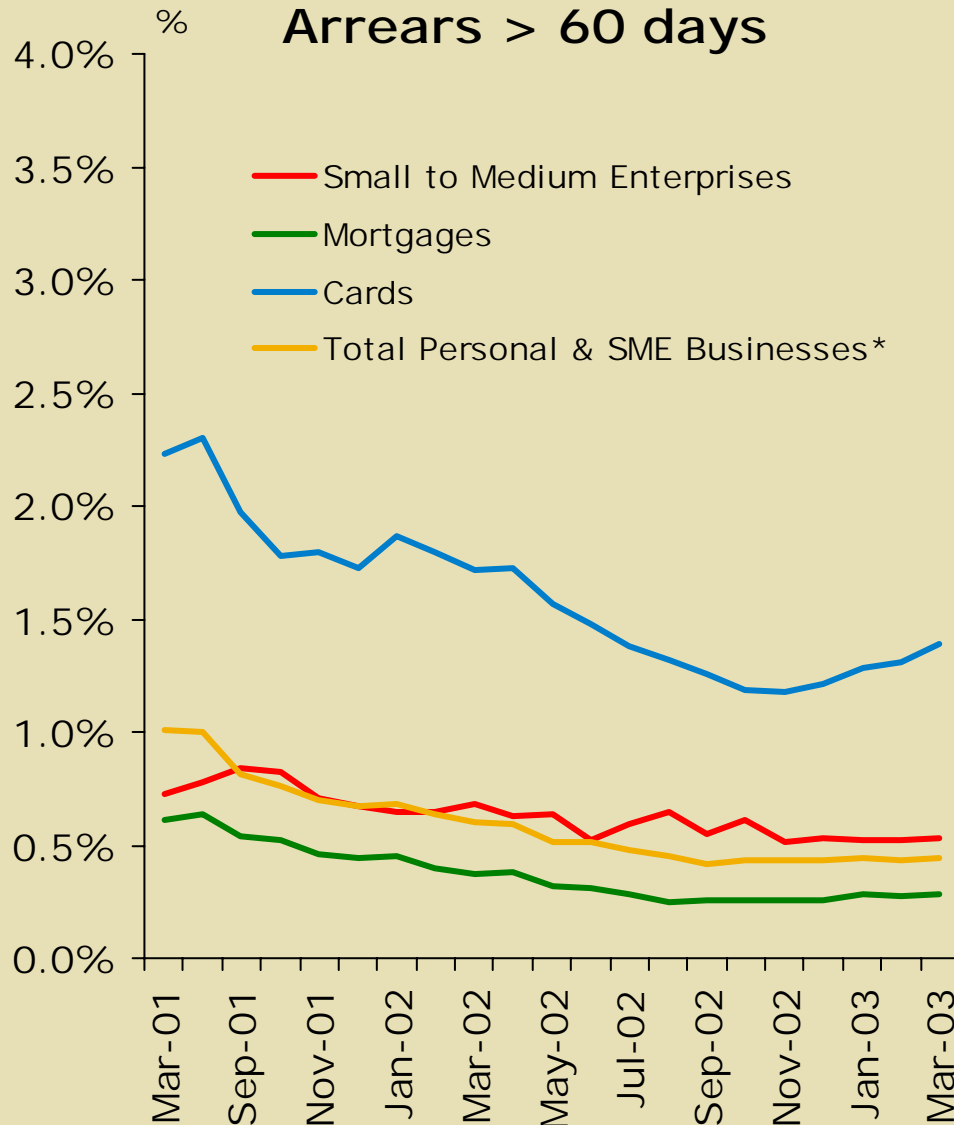
Valuation supports carrying value of investment in INGA JV



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Arrears profile close to historical lows

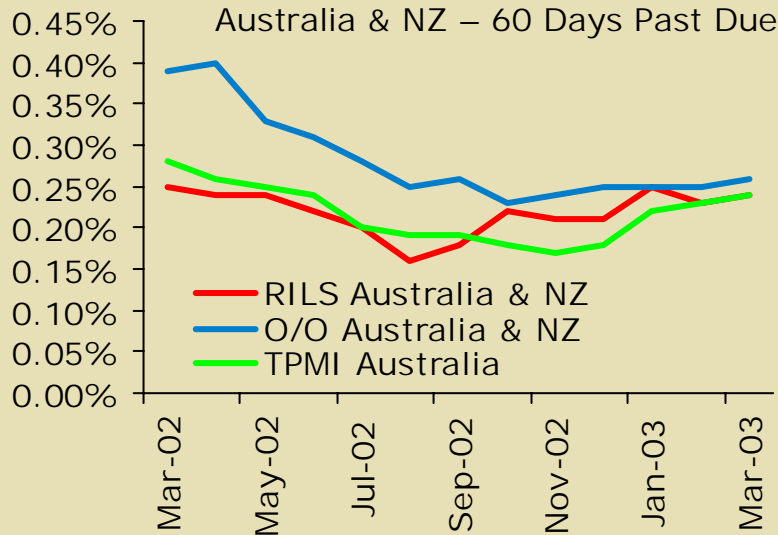


- Consumer sector in good shape, with continuing low levels of unemployment and low interest rates
- Mortgage arrears remain very low
- Ongoing focus on collections management
- Upwards movement in cards arrears expected, will be carefully managed
- Scorecards remain "tight"

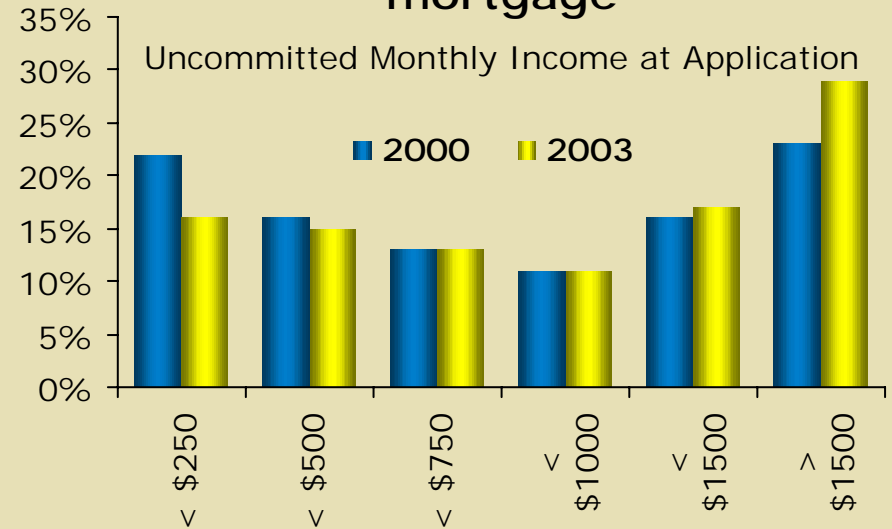
* excl Asset Finance, Pacific, Asia

Mortgages portfolio healthy*

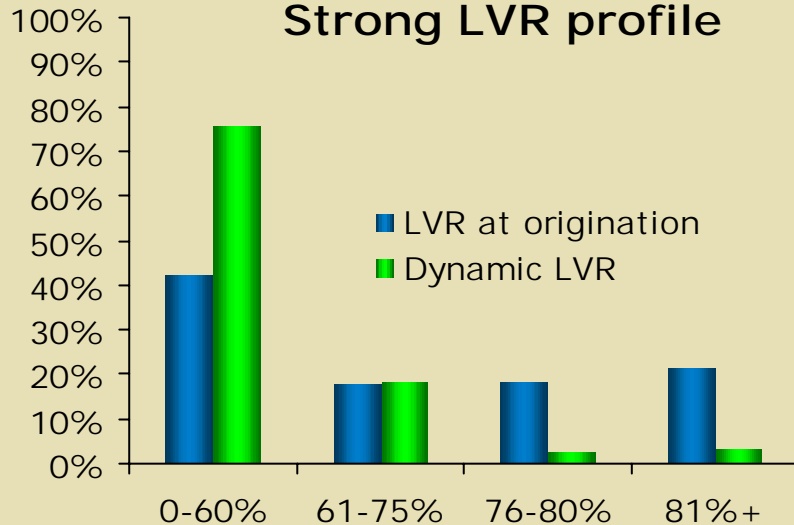
High quality arrears profile



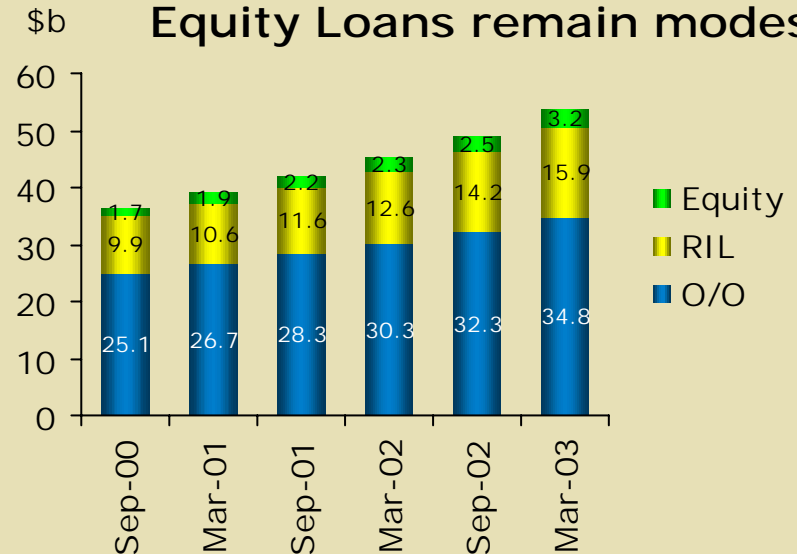
Increasing flexibility to service mortgage



Strong LVR profile

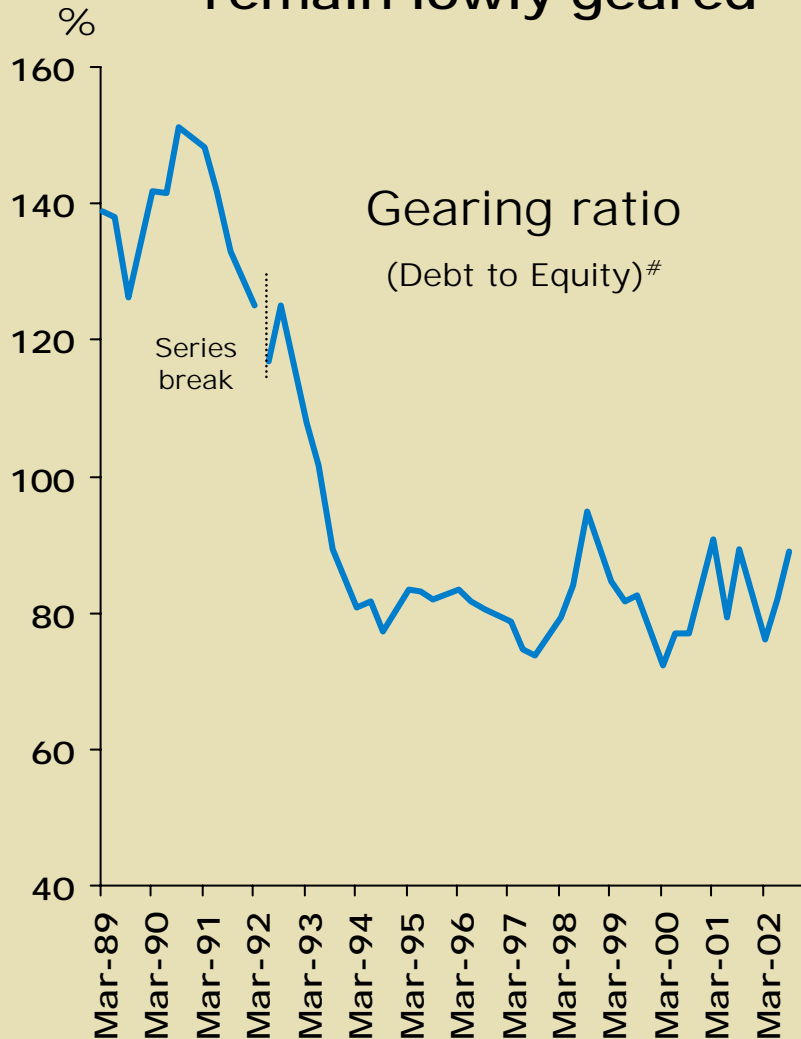


Equity Loans remain modest



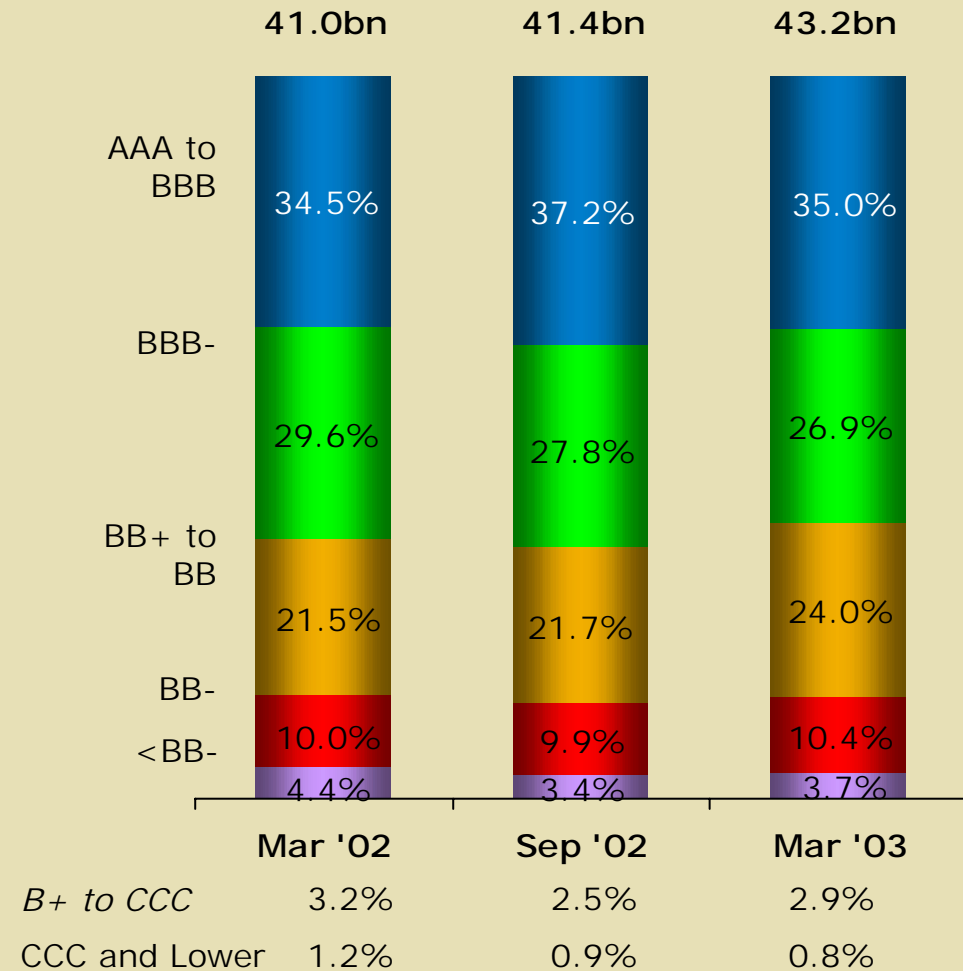
Domestic corporates well placed

Domestic corporates remain lowly geared



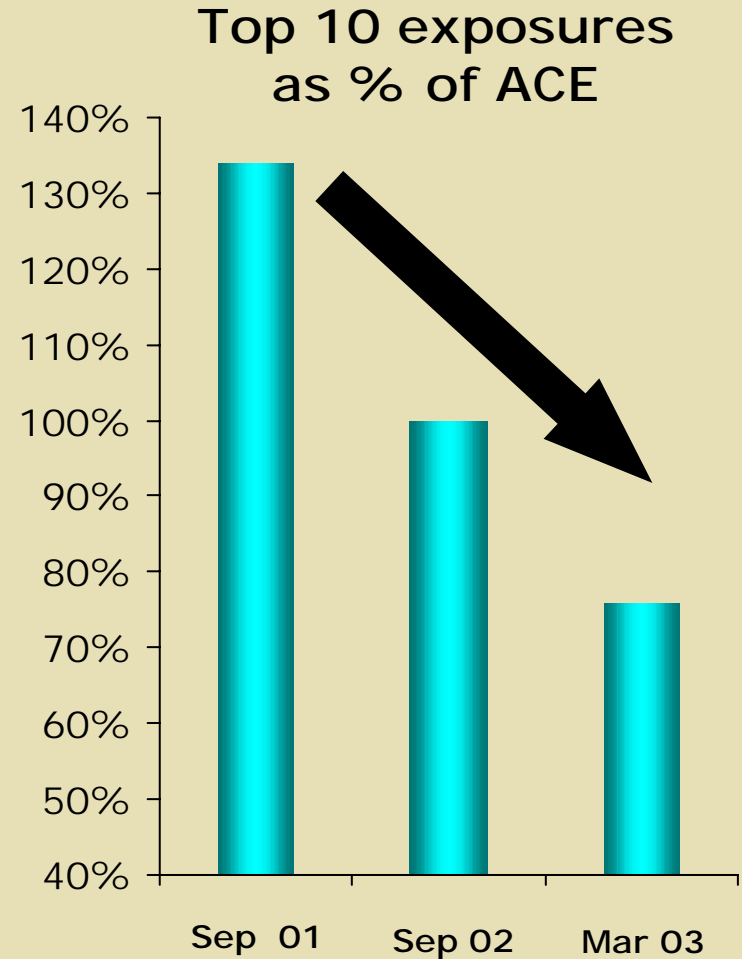
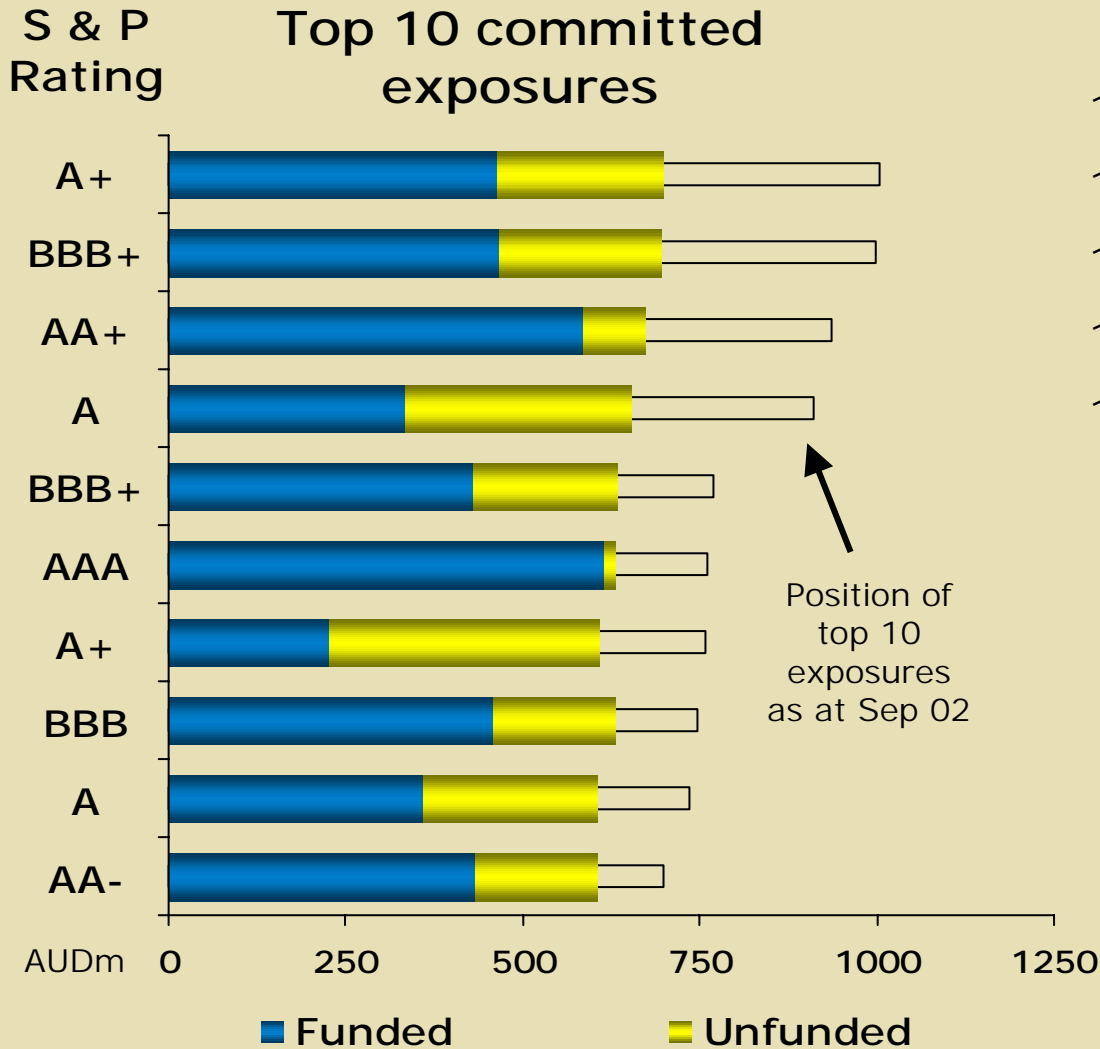
source: ABS

Reflected in healthy risk grade profile*



* Institutional & Corporate Australia & NZ

Top 10 exposures further reduced

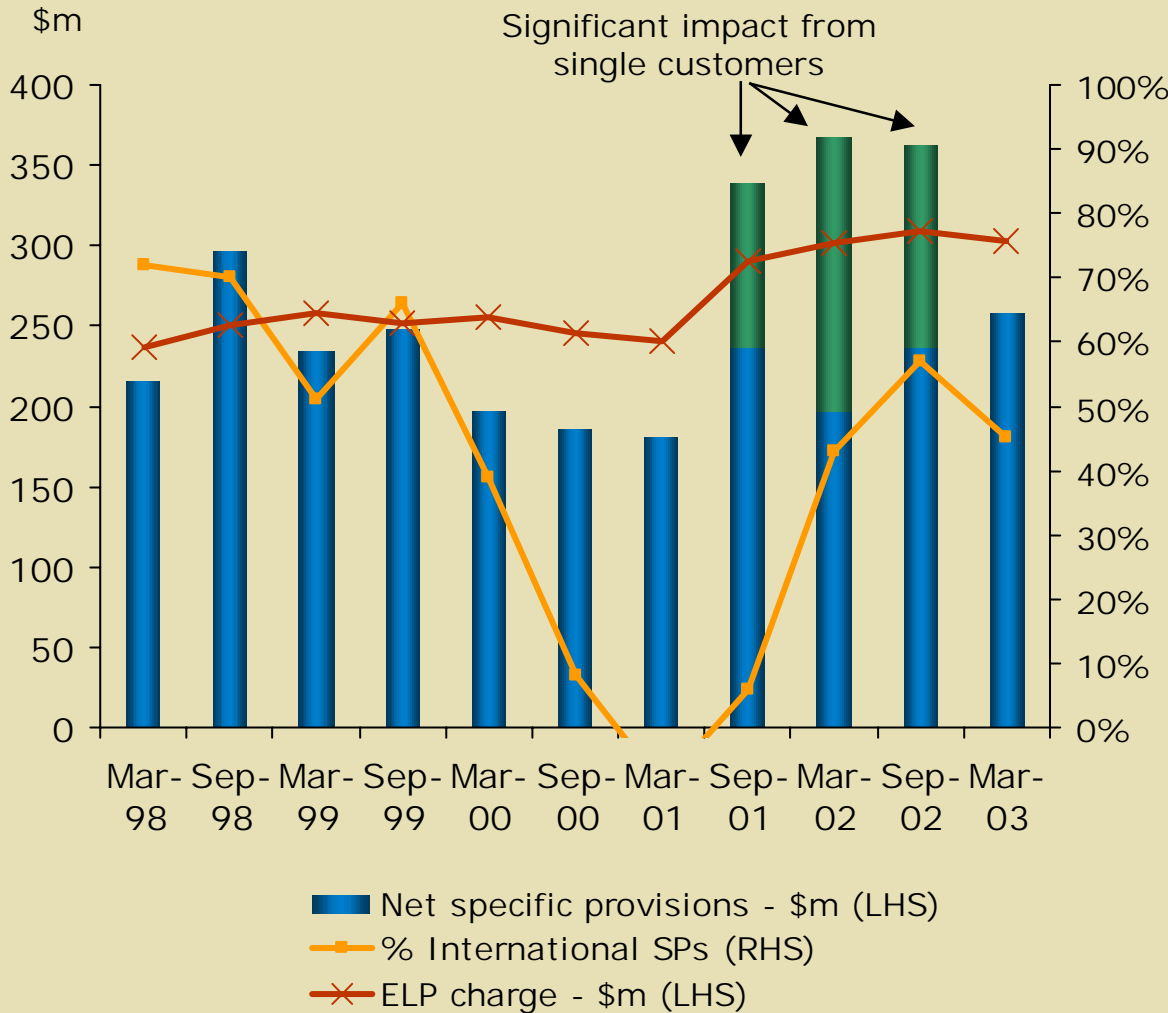


excludes non-recourse and uncommitted facilities

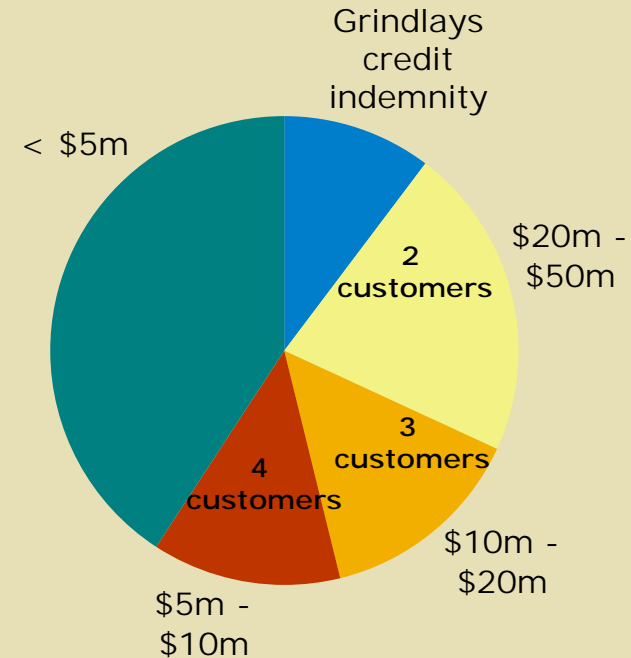
Limits represent total 7 month limits excluding uncommitted and non-recourse, net of credit derivatives

Specific provisions down 29% – no large single provisions

Provisions



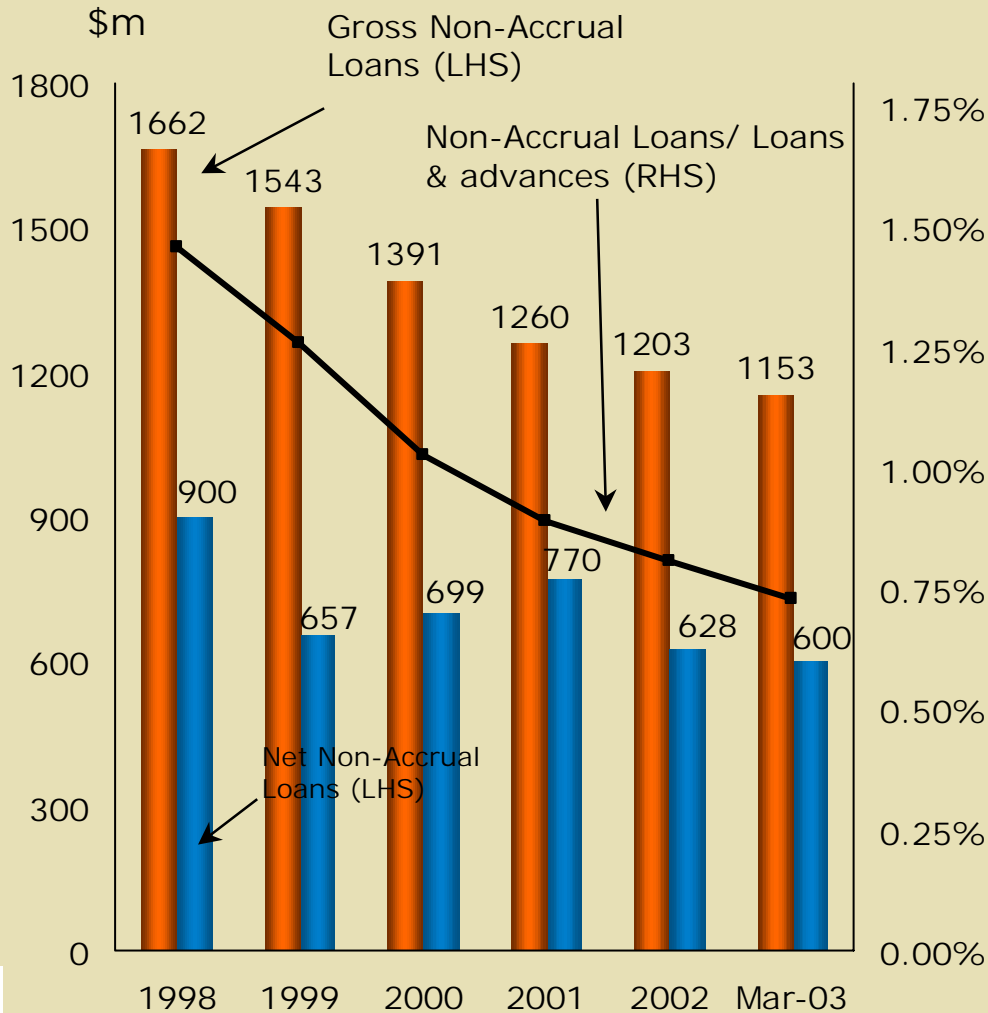
1st half Specific Provisions by size



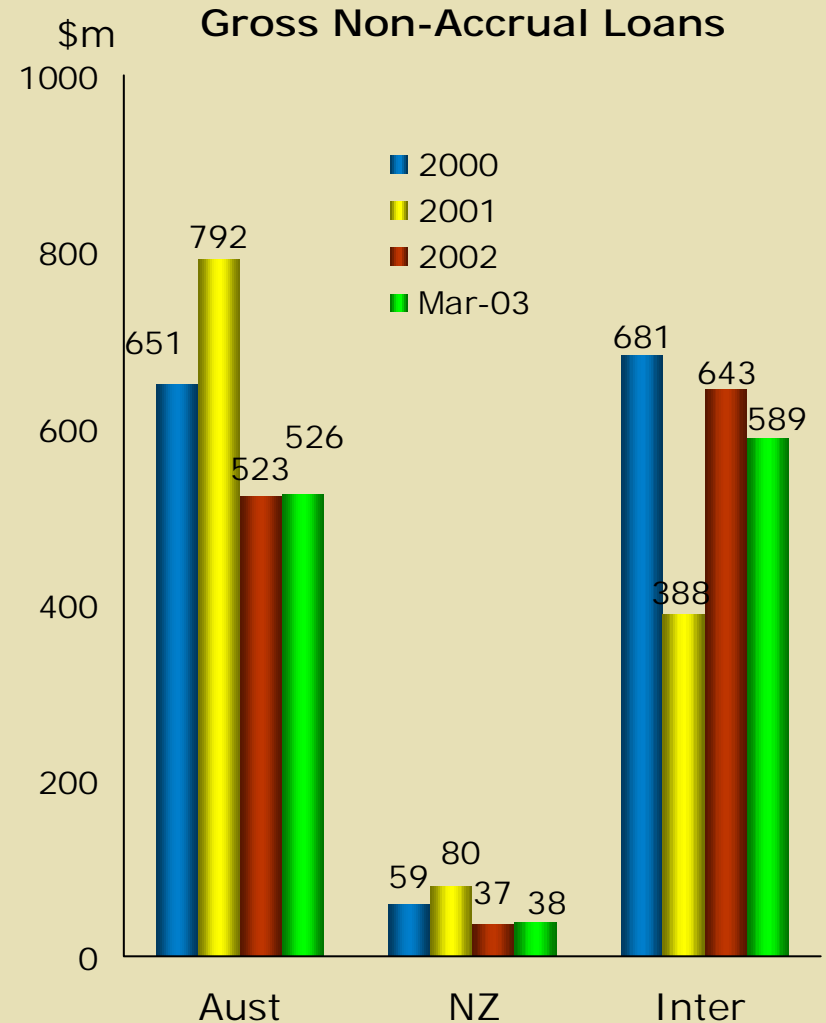
- No major individual specific provisions during the half

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

Historic



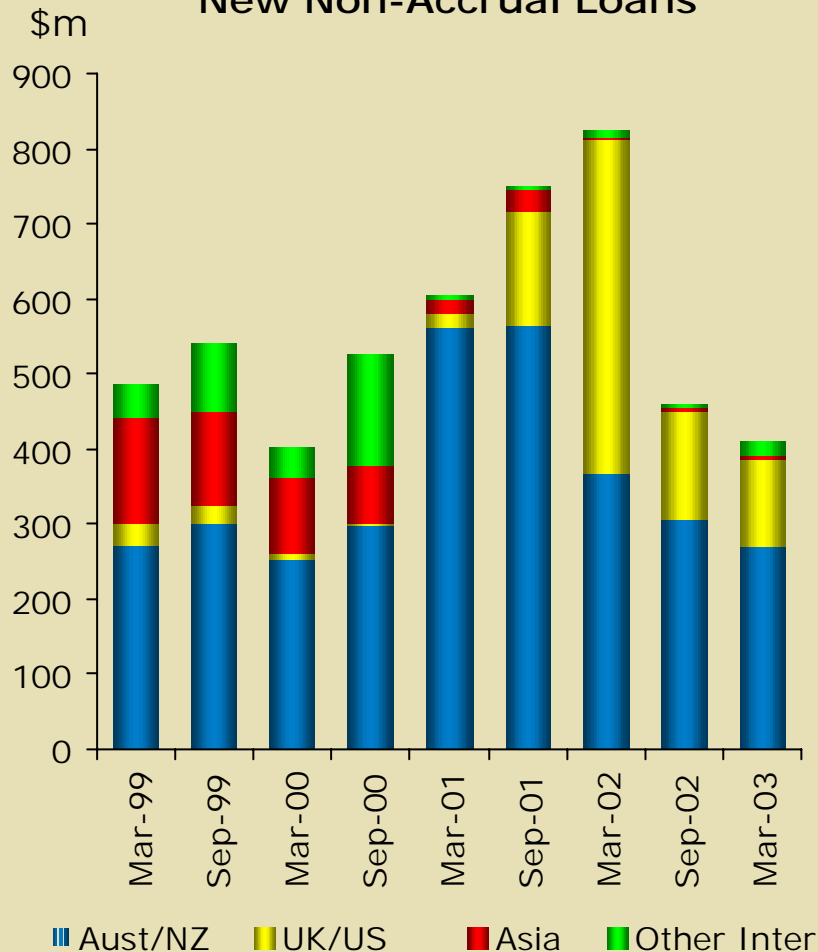
Geographic



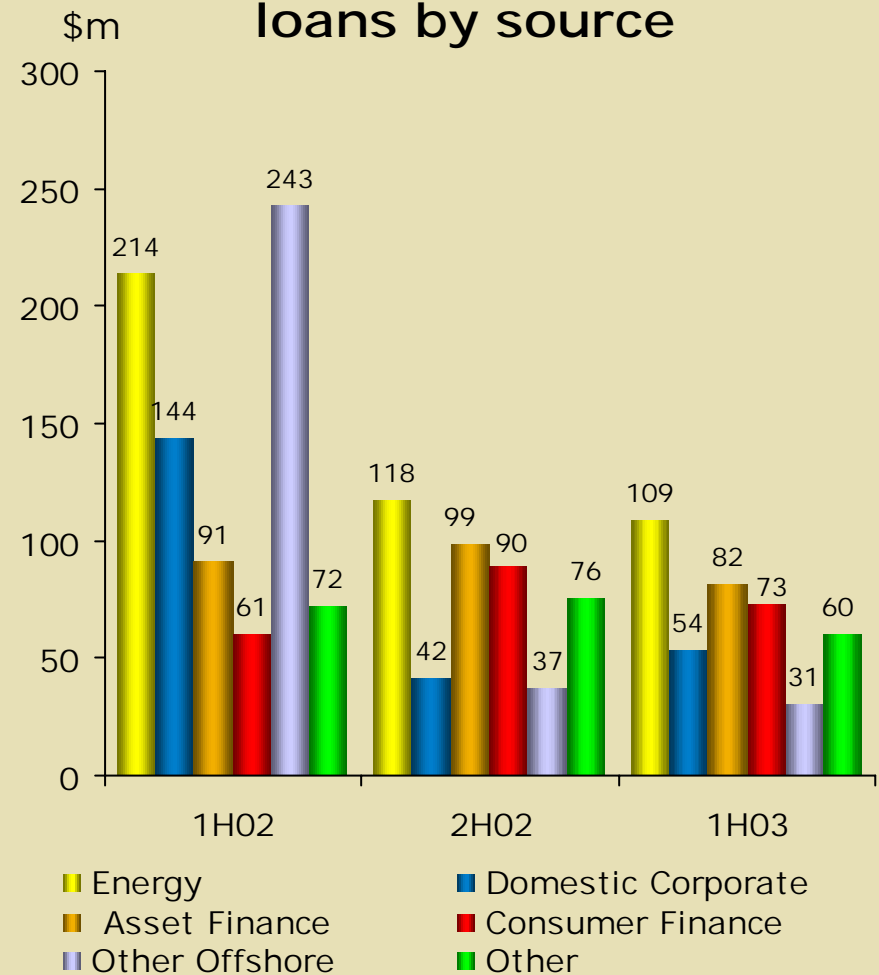
New non-accruals down 50% on March 2002

Geographic

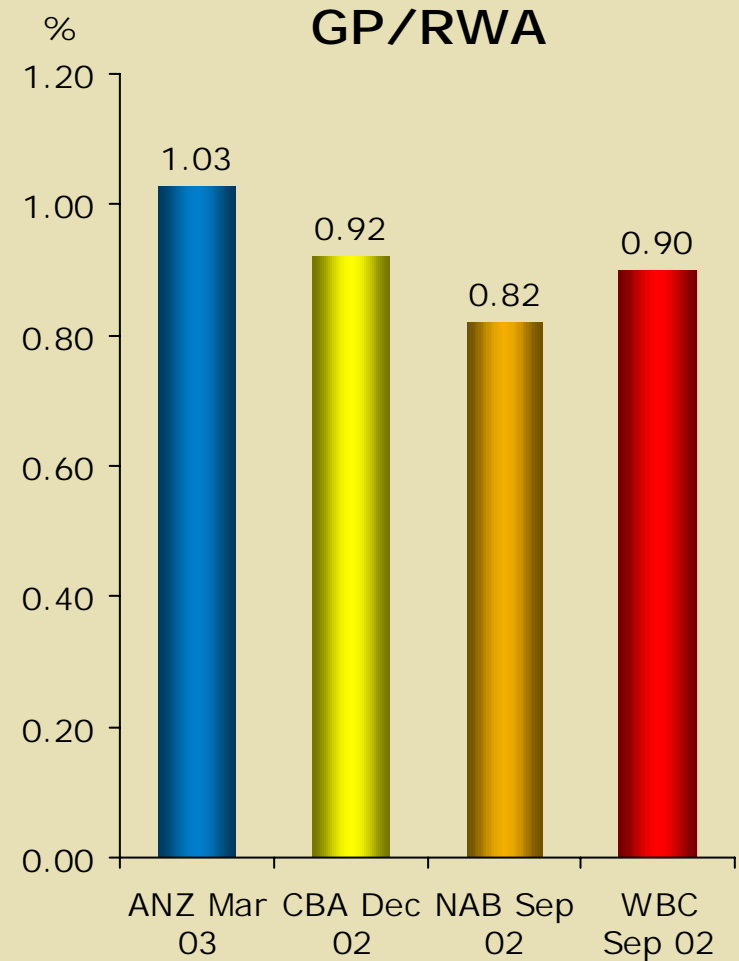
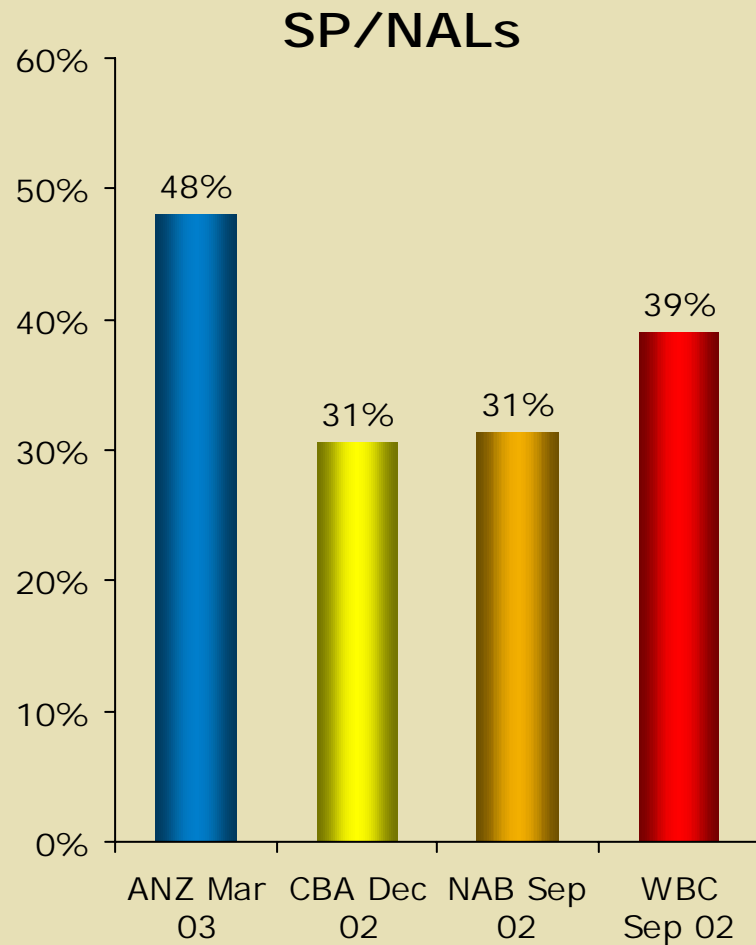
New Non-Accrual Loans



New non-accrual loans by source



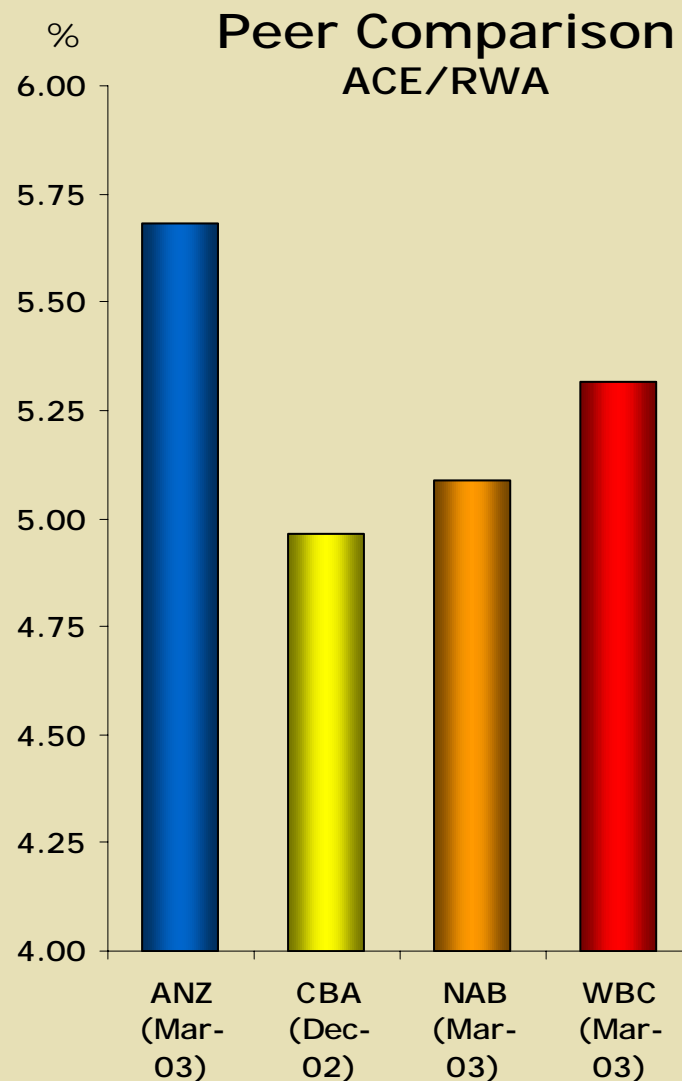
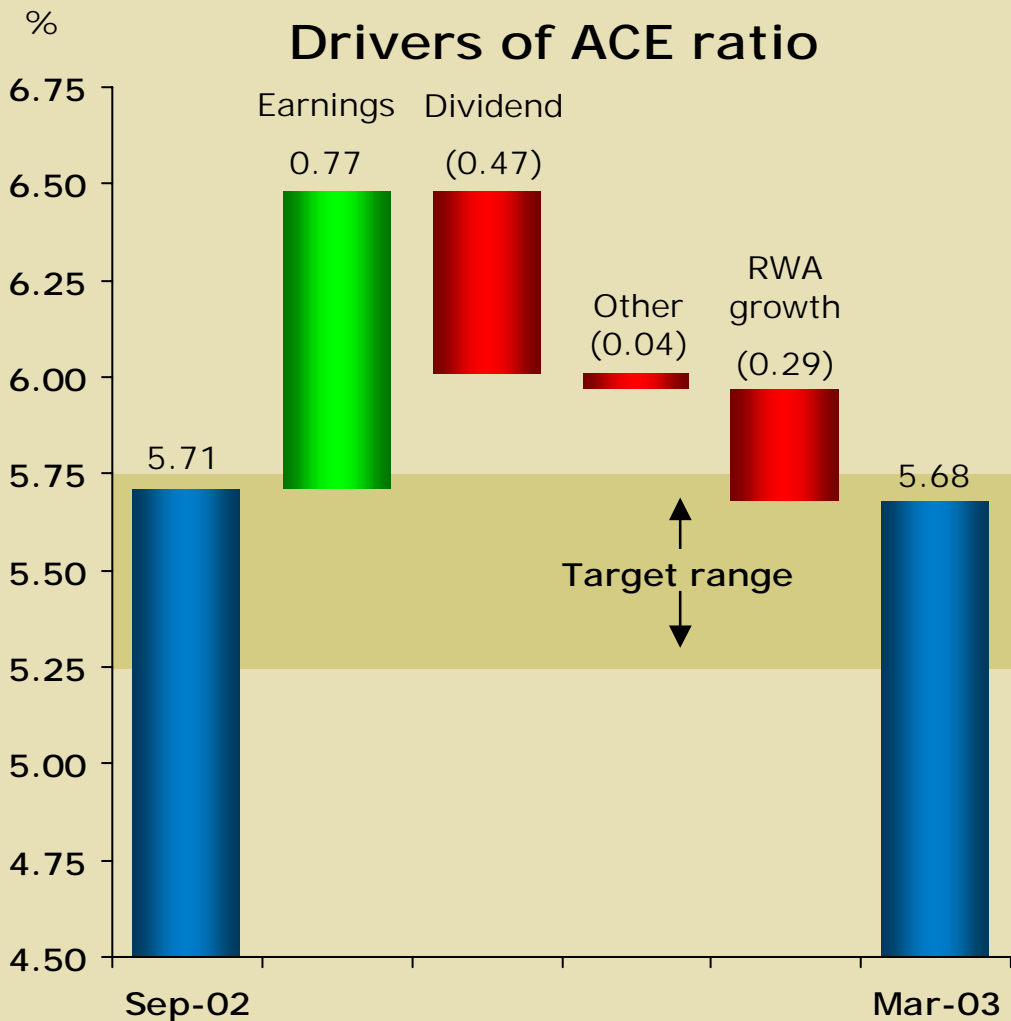
Existing and future problem loans well provided for



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ANZ's capital position remains strong



- Buybacks likely if ACE ratio above target range

Outlook for second half

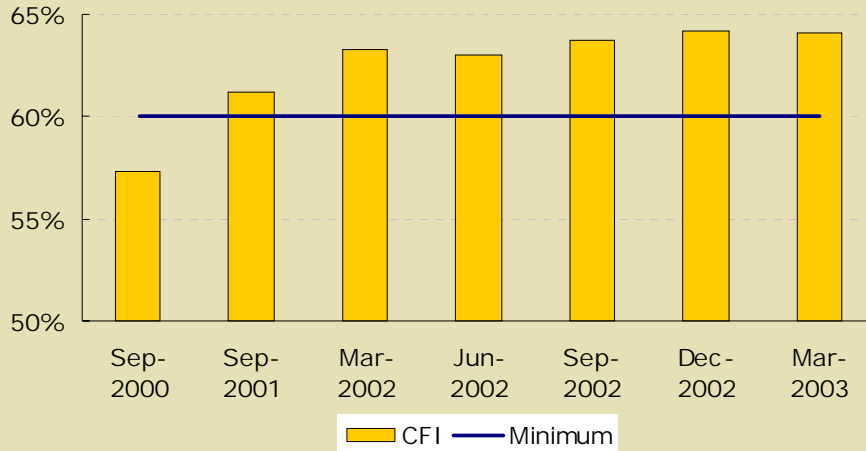
- Australian & NZ economies to perform relatively well, despite weakness in offshore markets
- Mortgage growth to be more subdued, moving towards 8-12% pa growth rate, offset by moderate rebound in business lending
- Specific provisions below ELP
- Cost growth rate to increase, but remain lower than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

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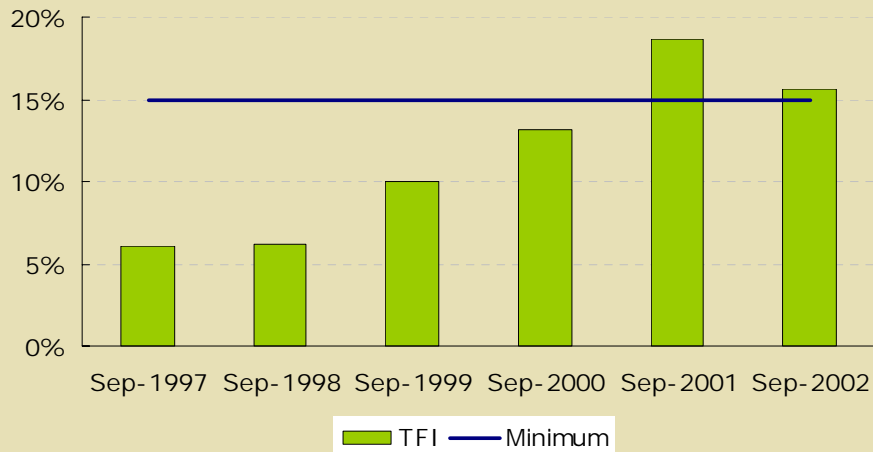
Determining the term debt funding requirement

Customer Funding Indicator



- Importance of stable funding base
- Analysed domestic and offshore peer group
- Businesses required to meet a self funding ratio – CFI (customer to total funding)

Term Funding Indicator



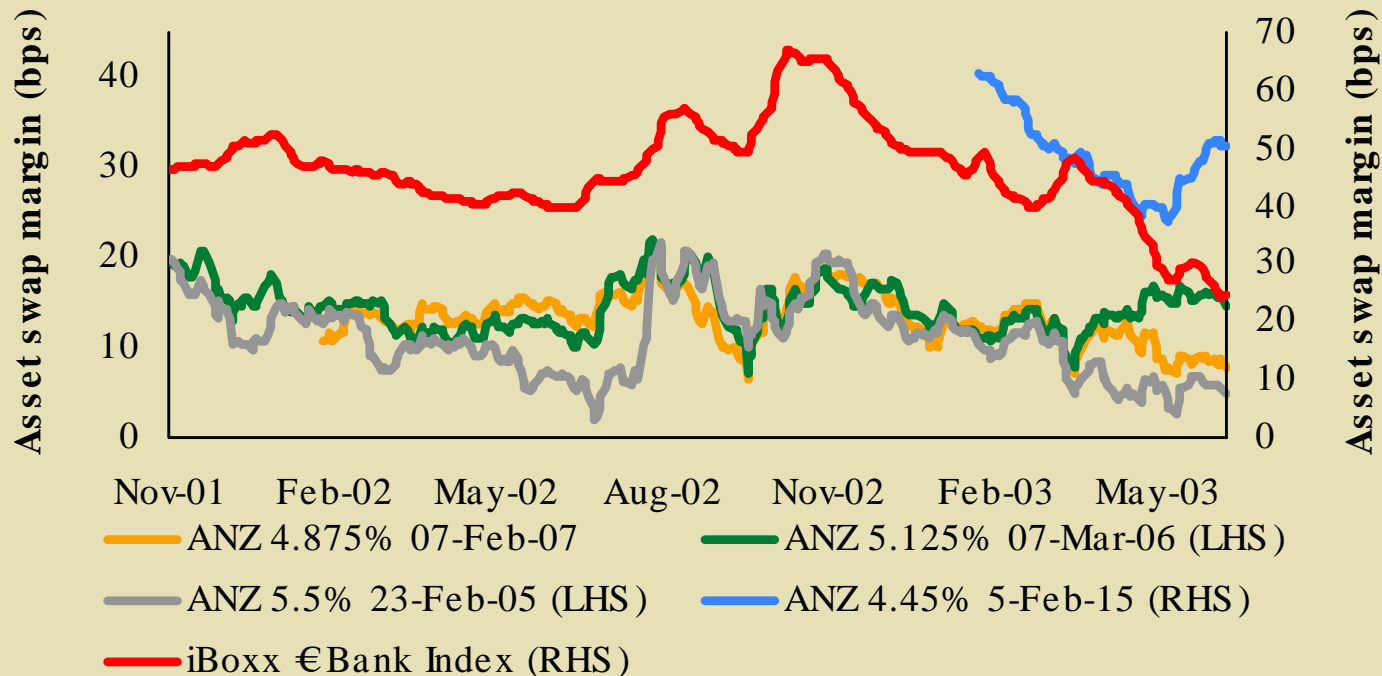
- Wholesale funding ratio – TFI (term wholesale funding to term lending)
- Securitisation as a balance sheet tool

ANZ's term funding requirement and strategy for 2003

- A\$7 billion term debt funding requirement, since revised to A\$12 billion
 - a mix of senior debt, subordinated debt and securitisation dependent on maintenance of CFI targets
- A\$8 billion raised since 1st October 2002
- Maintain a prudent approach to management of the liability portfolio
 - avoiding maturity concentration and roll over risk
- Issuance preference for senior debt
 - one to five year maturities
 - aim to achieve a weighted average maturity of four years
- Focus on reverse enquiry MTNs
 - 50/50 mix between private placement and public issuance
 - willingness to meet investor needs
 - timely response

Benefits of a consistent and widely communicated strategy

- Presented to in excess of 200 investors over three years
- More than 100 new investors in ANZ fixed rate € debt at primary issuance, substantially more in secondary market
- Creditable spread performance despite volatile markets

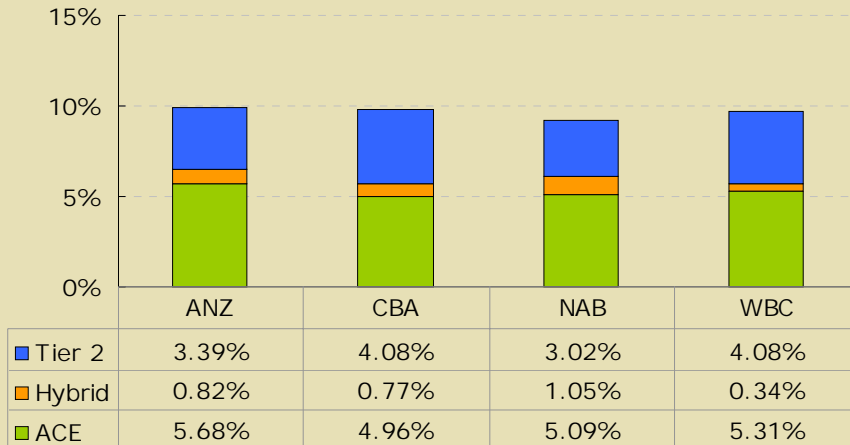


The strategy to date has worked

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

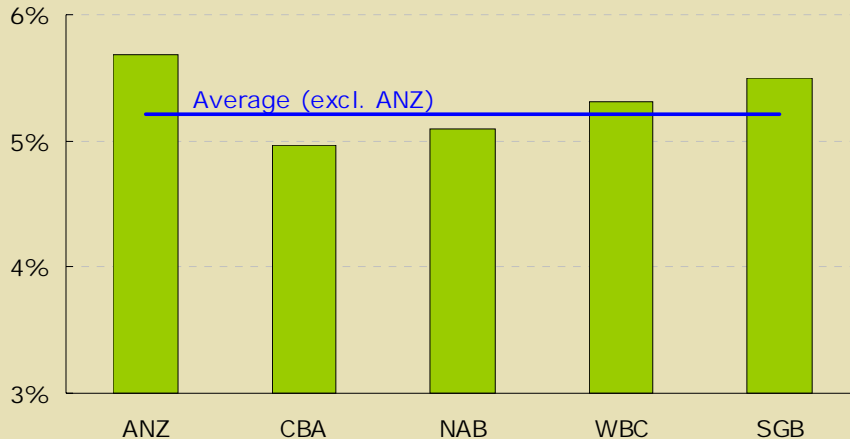
Potential to issue Lower Tier II

Capital ratios



- Opportunity to restructure capital composition
- Underweight Lower Tier II relative to domestic peer group

Adjusted Common Equity



- Amortisation of subordinated debt portfolio under APRA guidelines

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Additional information on businesses & strategy

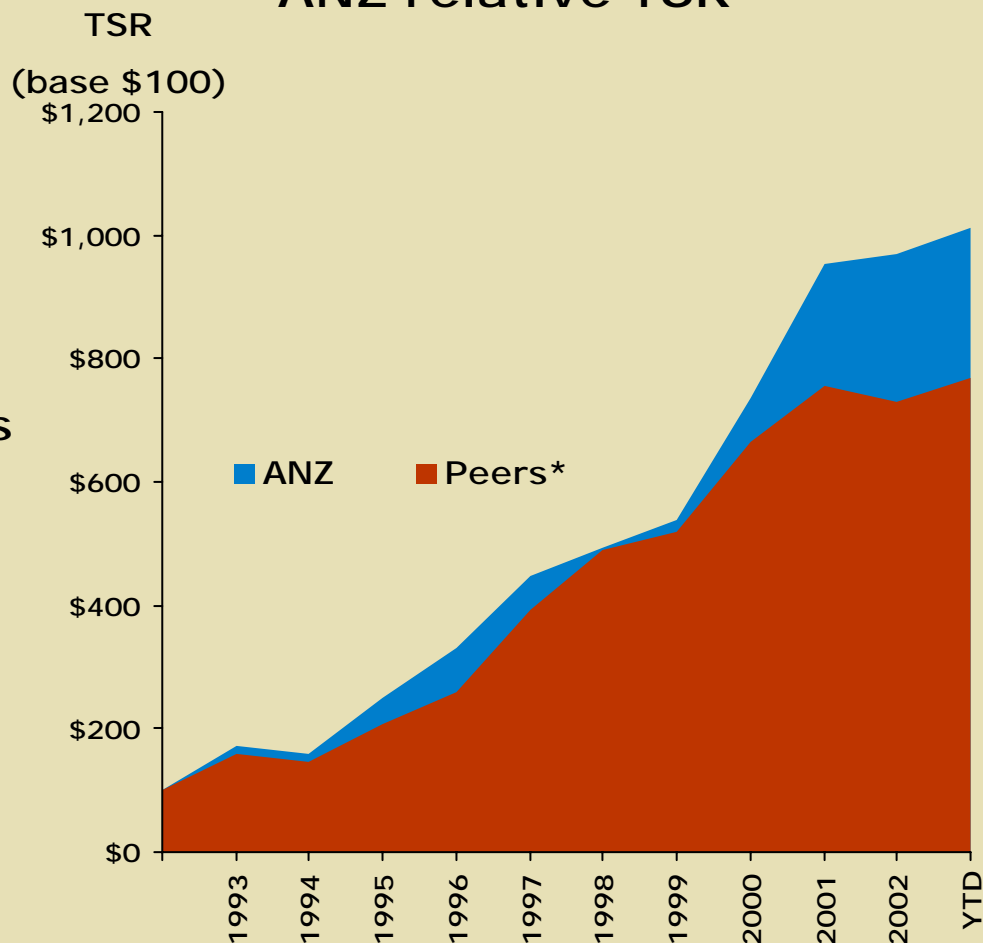
Distinctive strategy and track record

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

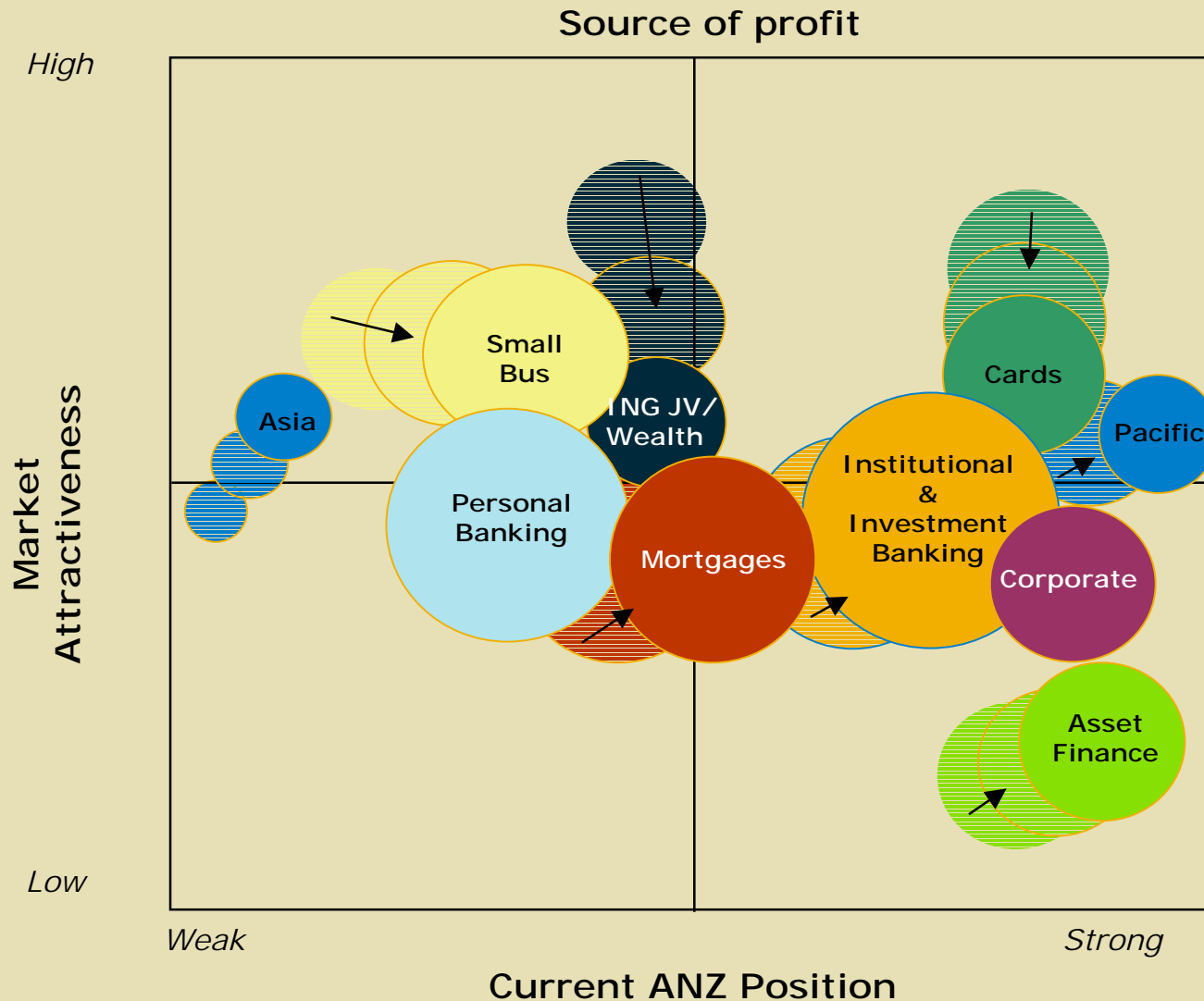


* CBA, NAB, WBC

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

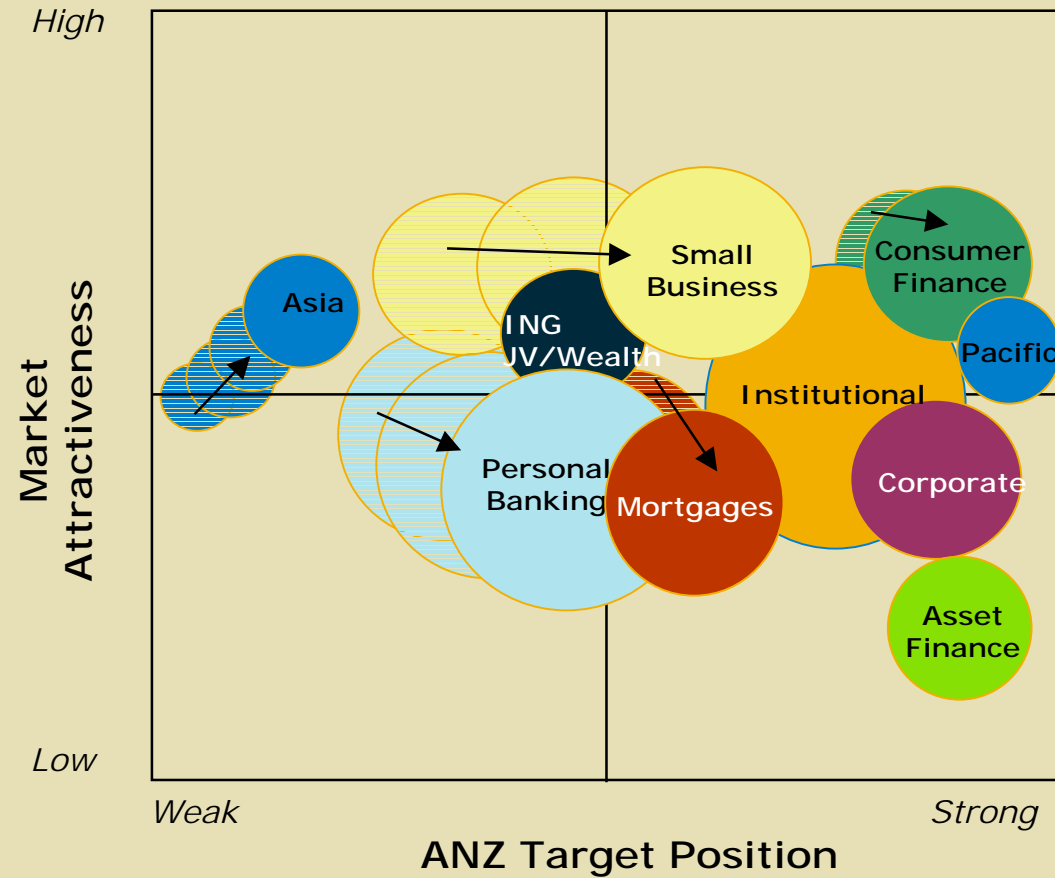
Grow value by creating a rich and diversified portfolio of specialised businesses

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*

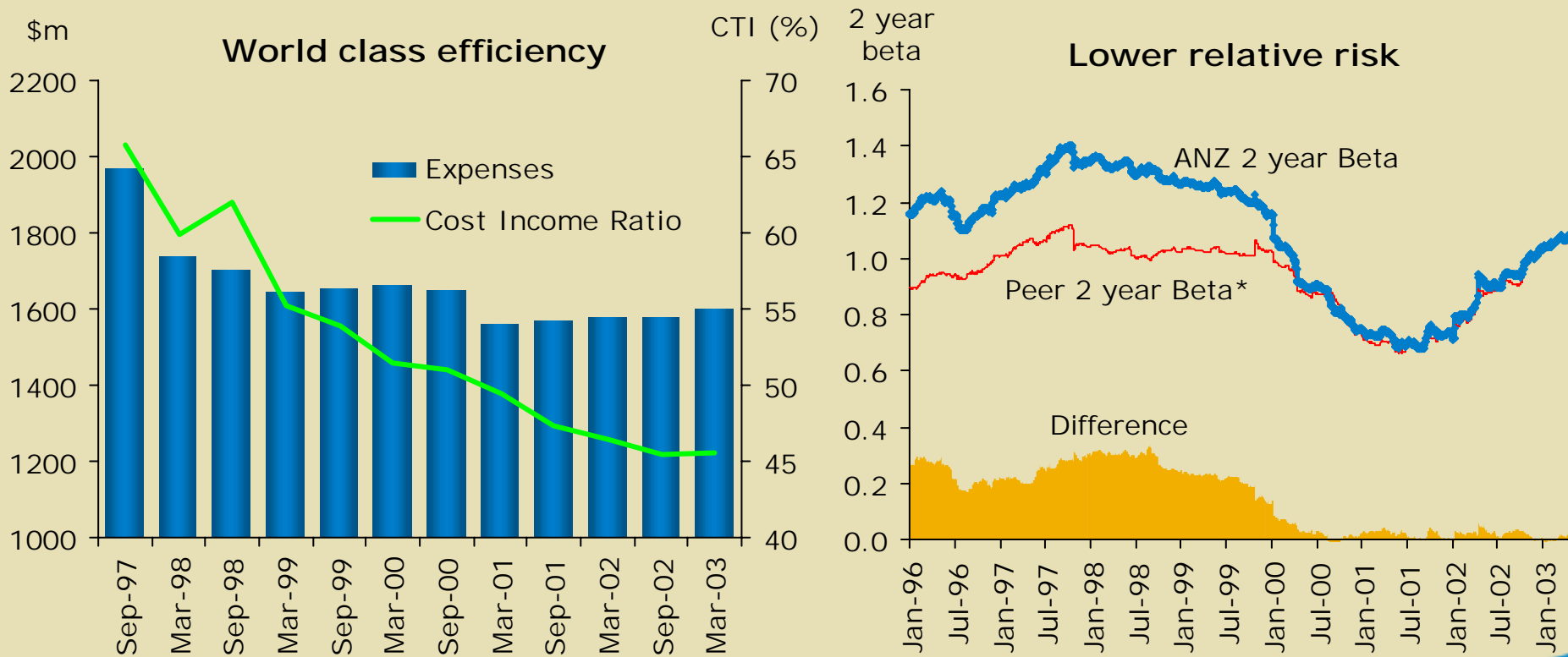
Create a portfolio of growth options

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



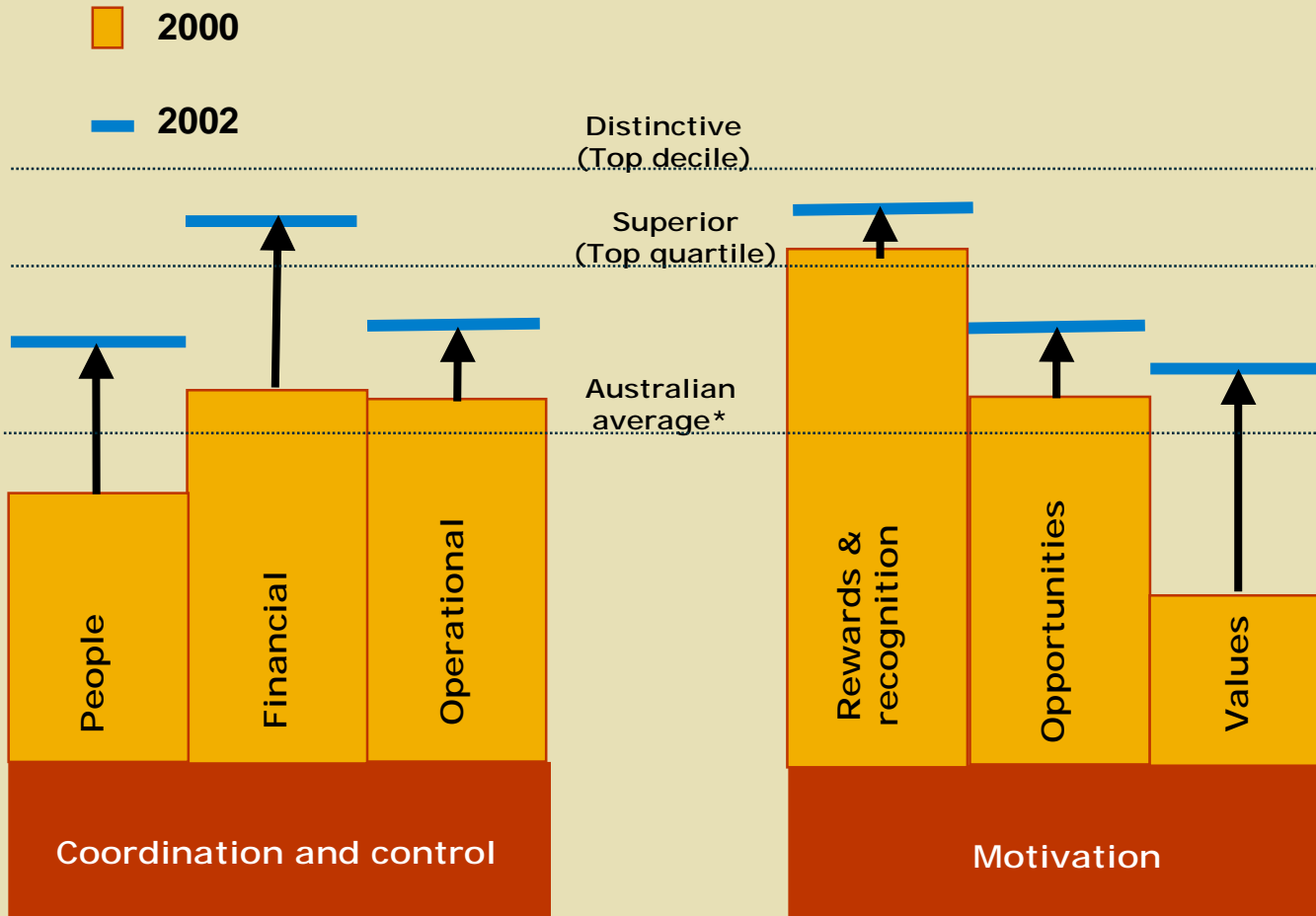
Aim to make ANZ one of the best managed and most efficient banks in the world

- 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

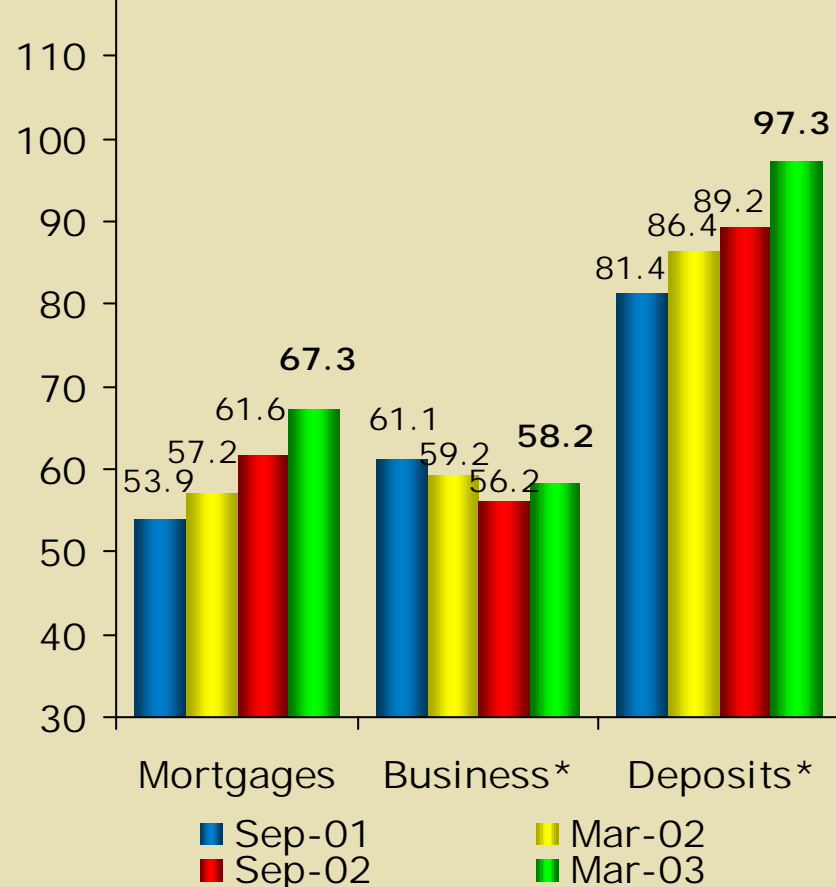


- Systematic improvement
- Aim to be distinctive
 - financial
 - values
- Build on preferred employer status
- Gain shareholder and community recognition
- Raise our game in execution to minimise surprises

* Benchmark comprises 33 of Australia's Top 50 companies

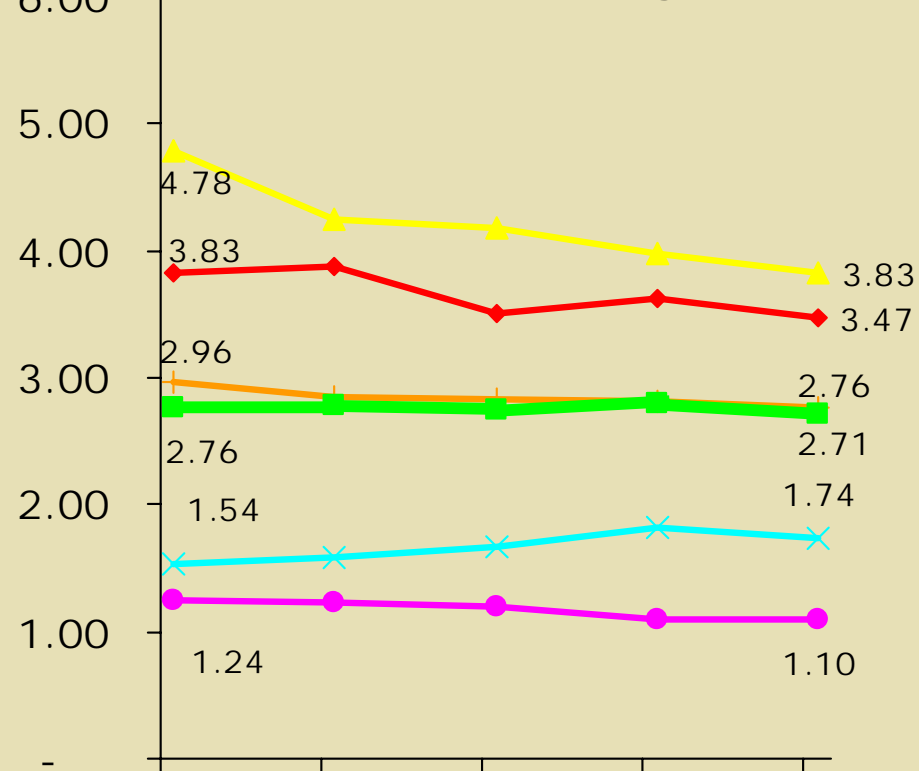
Higher interest income, driven by strong asset growth

Average Lending & Deposit Volumes



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

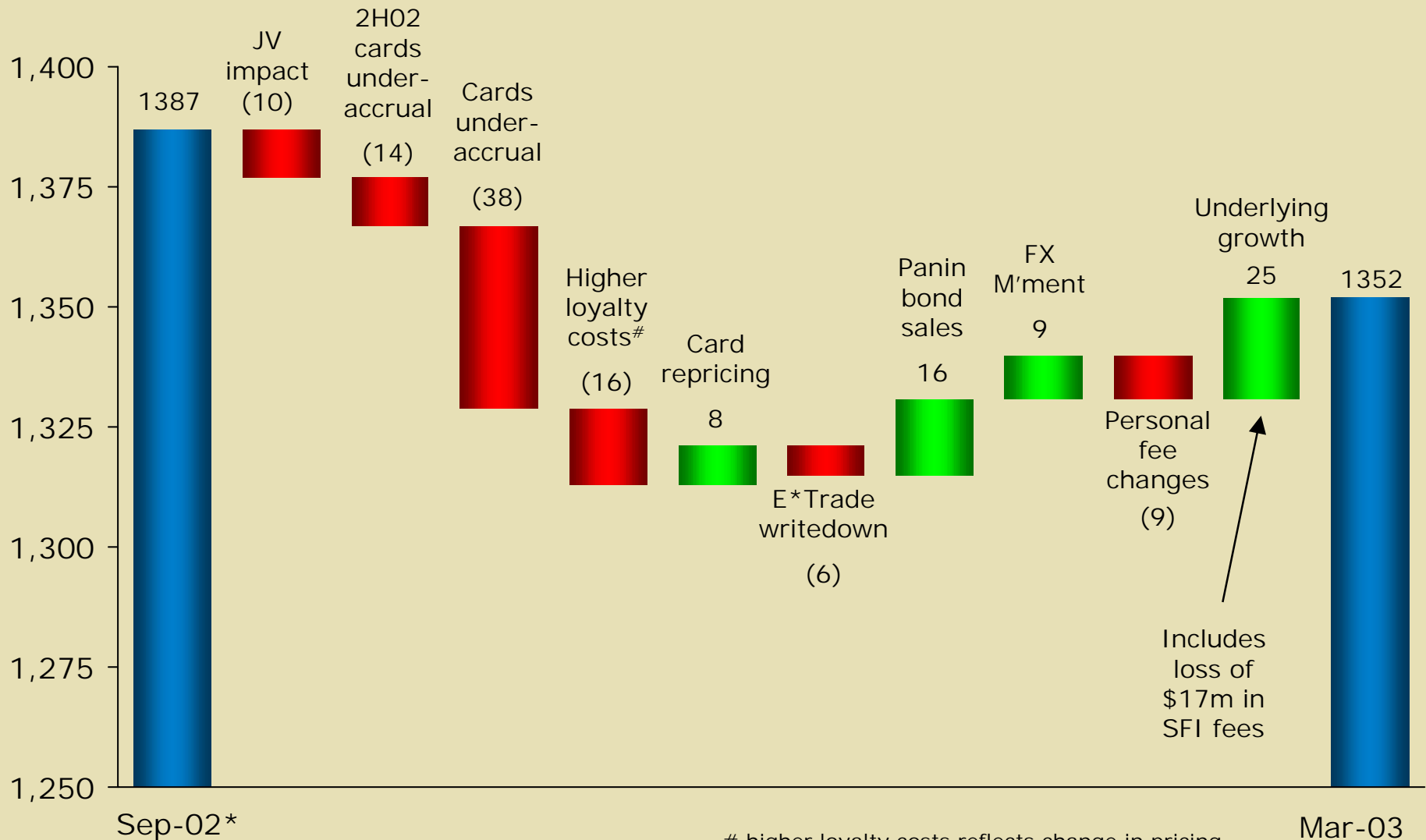
Interest Margins



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

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

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

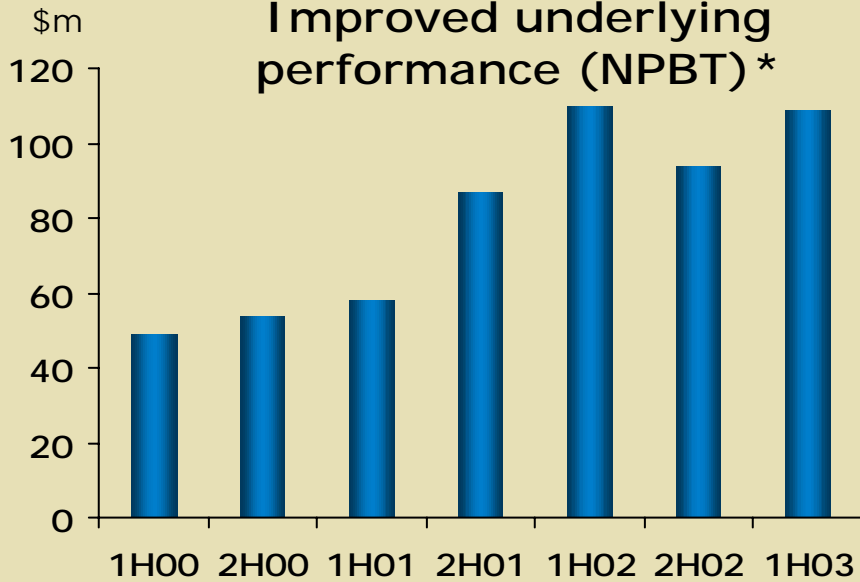


* Sep-02 excludes significant items

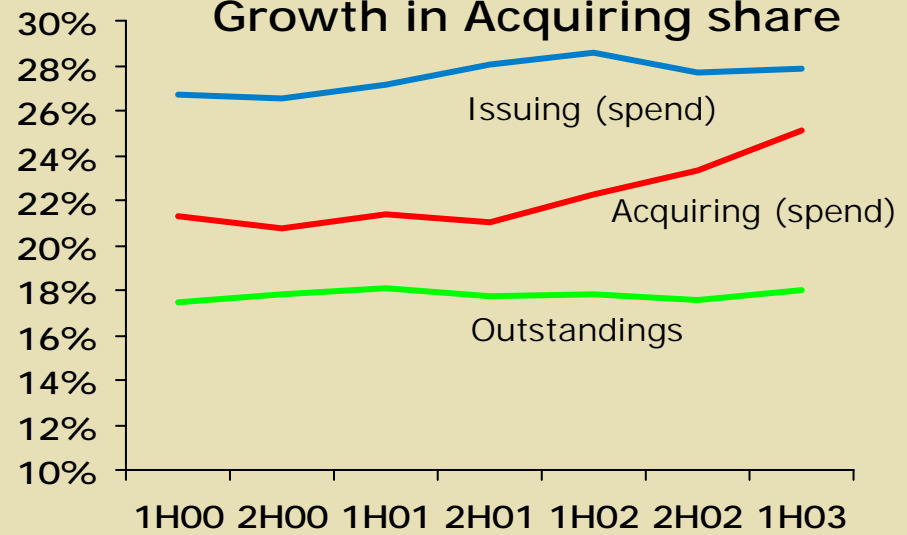
higher loyalty costs reflects change in pricing, and does not include higher volume impact

Consumer Finance – challenges, but good underlying performance

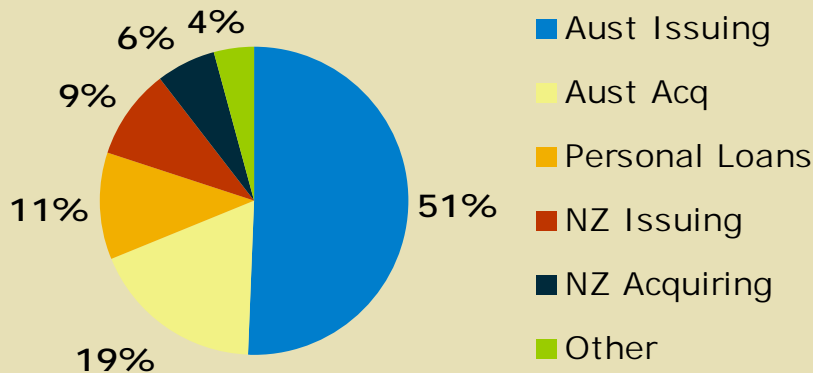
Improved underlying performance (NPBT)*



Growth in Acquiring share



Diversifying revenue*



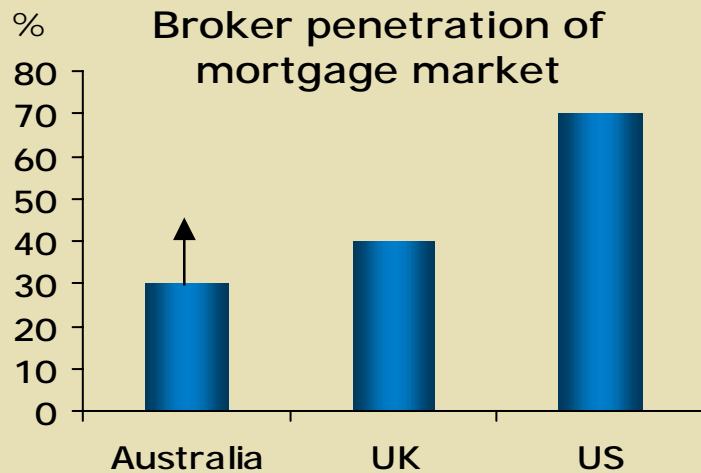
Issues

- 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

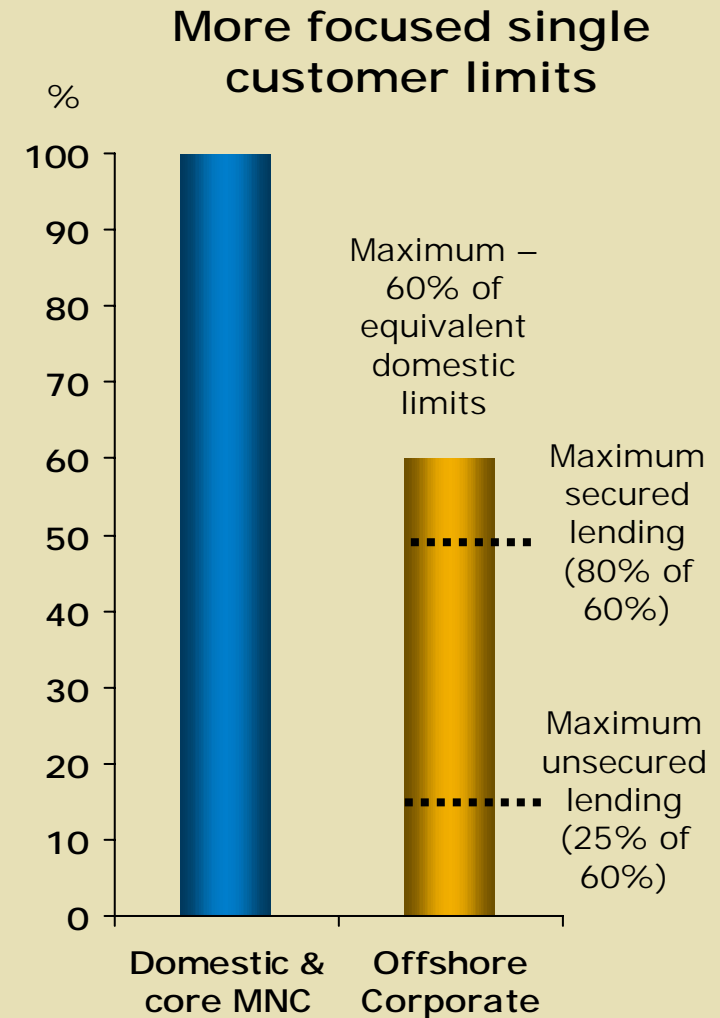
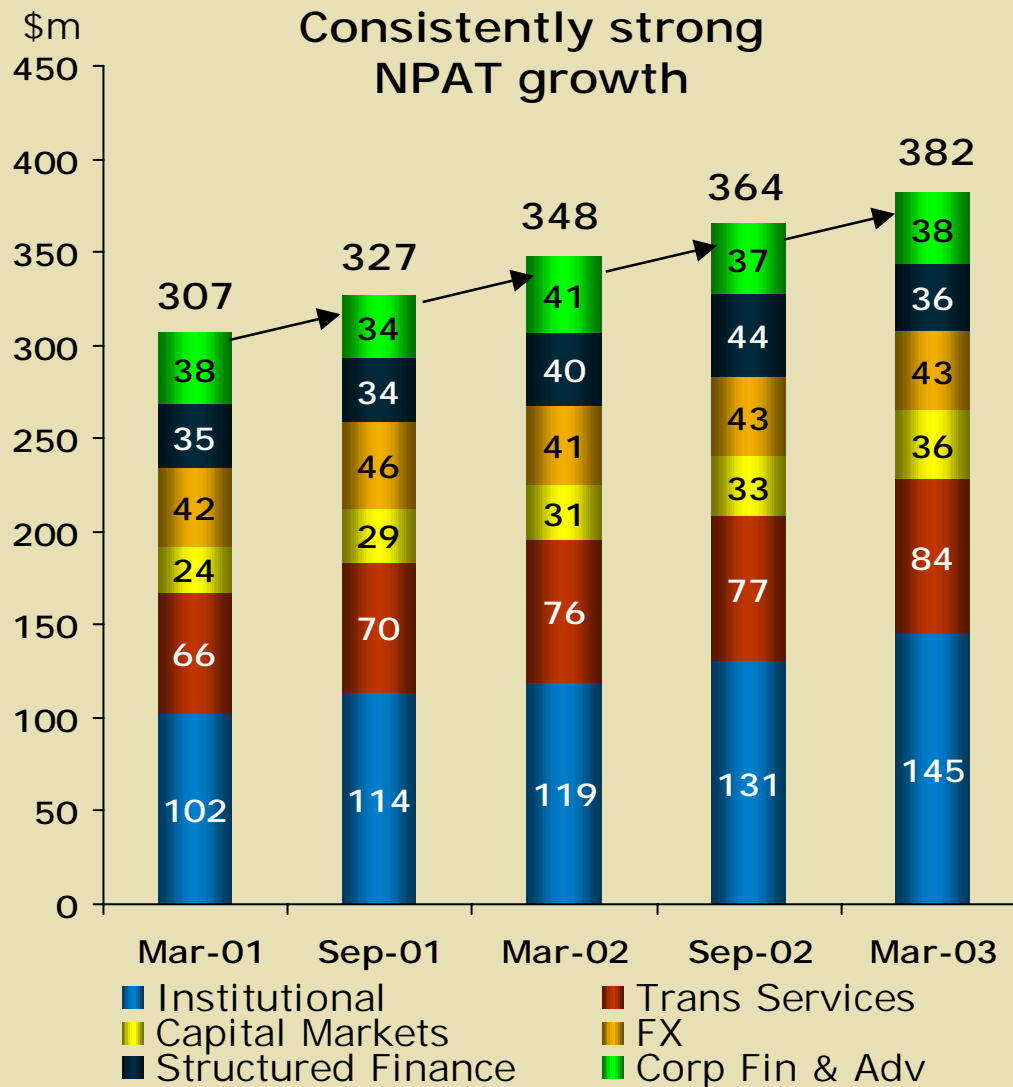
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Award winning products

+

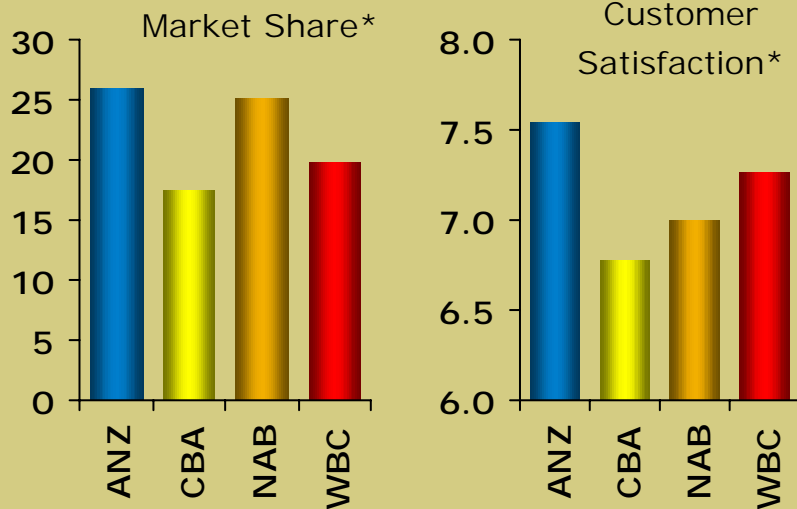
Brokers strongest in states where ANZ has weaker branch presence

Institutional & Investment Banking – a leading franchise



Corporate and SME – well positioned for upswing in business lending

A very strong Corporate franchise

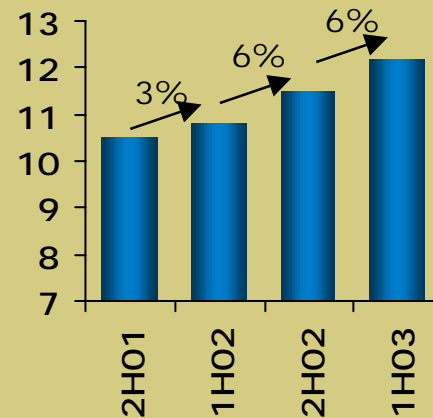


- Market advantage with “Wall St to Main Street” capability
- Strong cross selling
- Focus around total customer value to Group

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

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

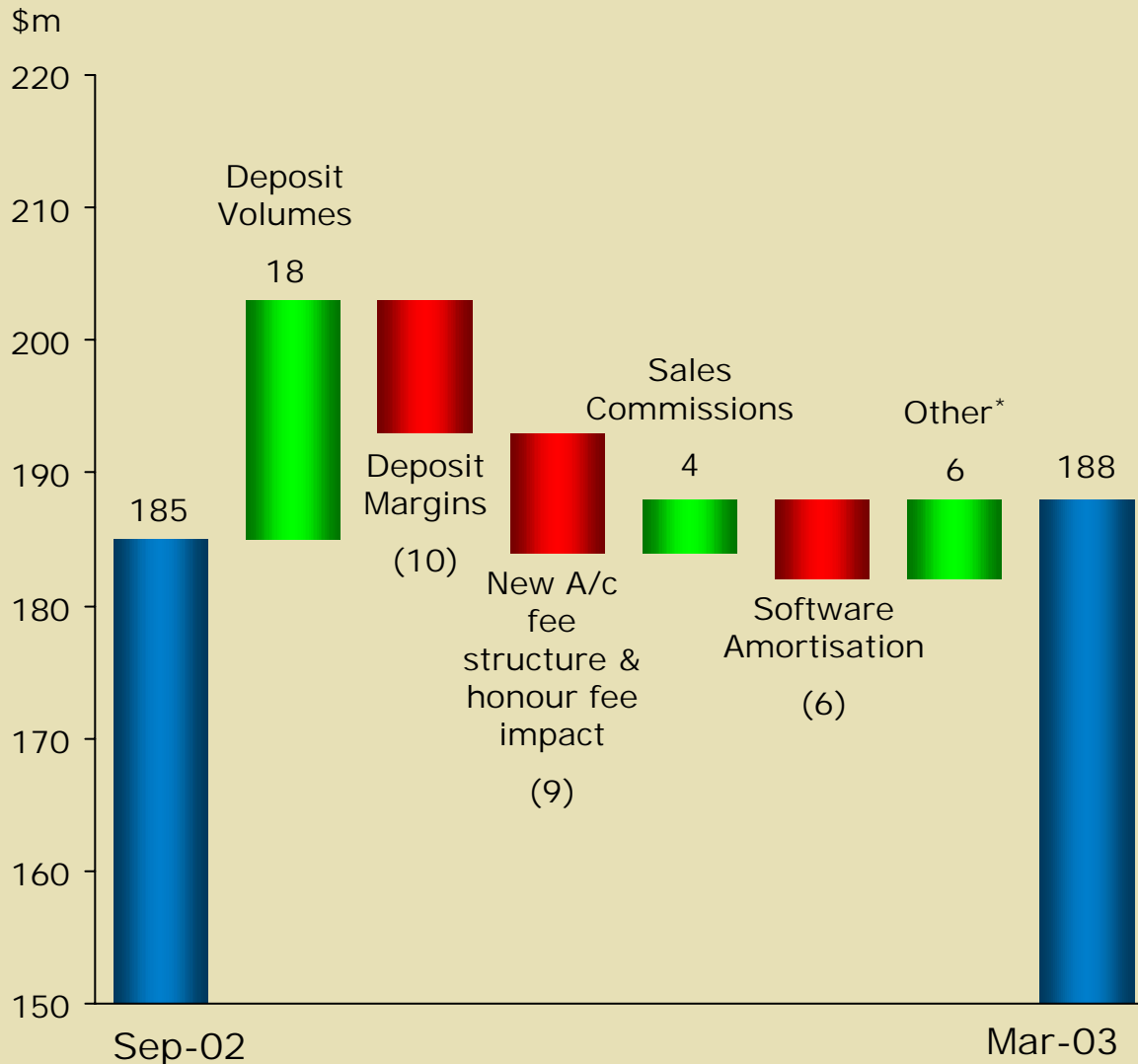
\$b FUM (loans & deposits)



- 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%

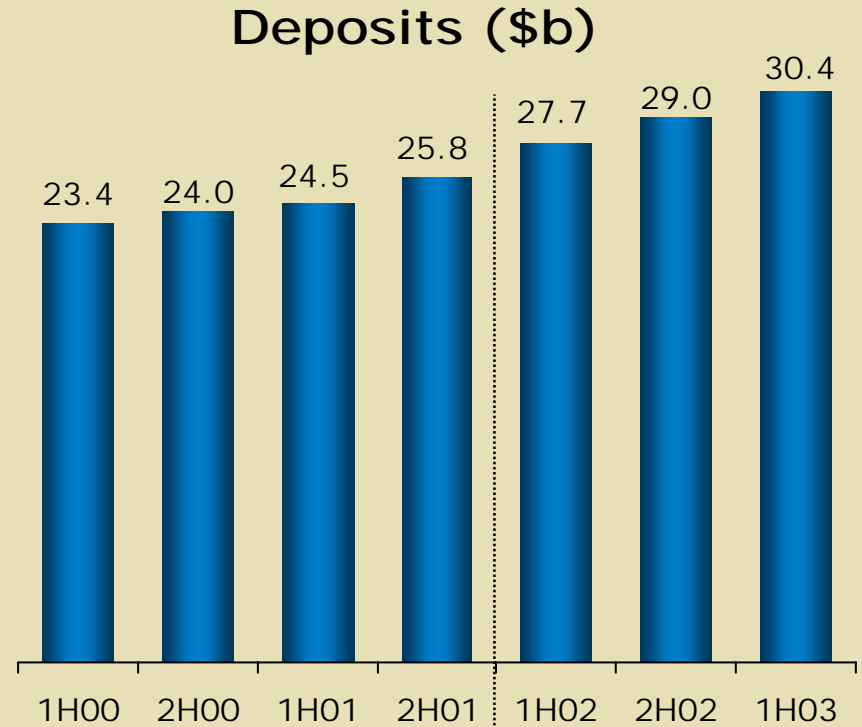
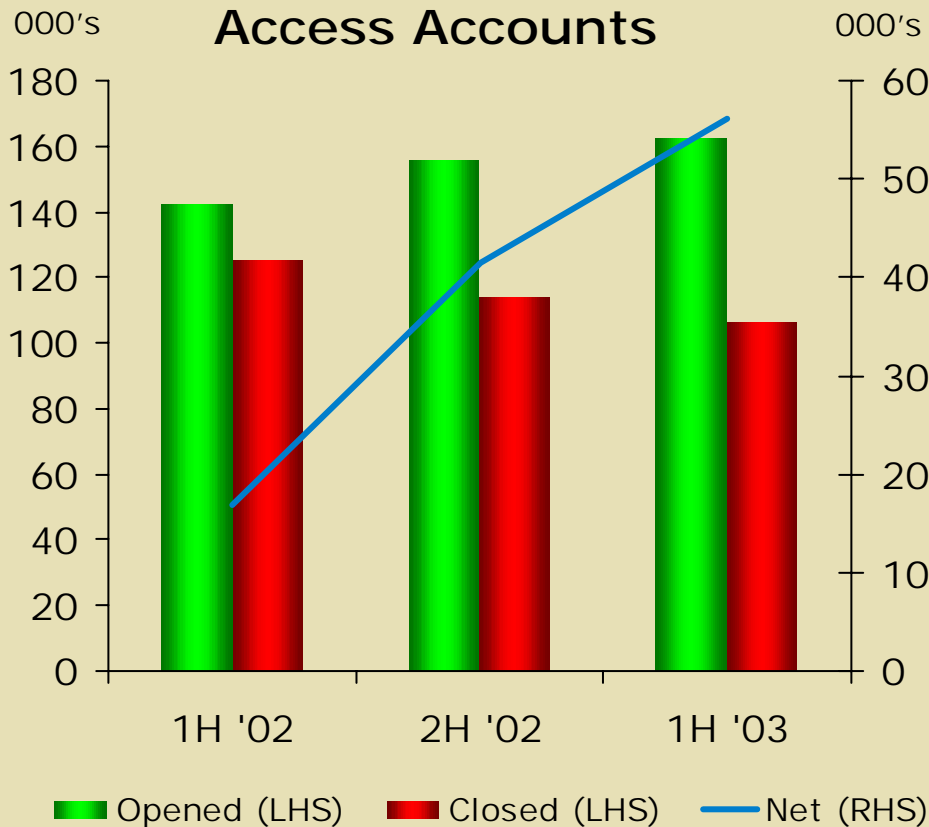
Personal banking – impacted by margin squeeze on deposits and fee changes



* 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

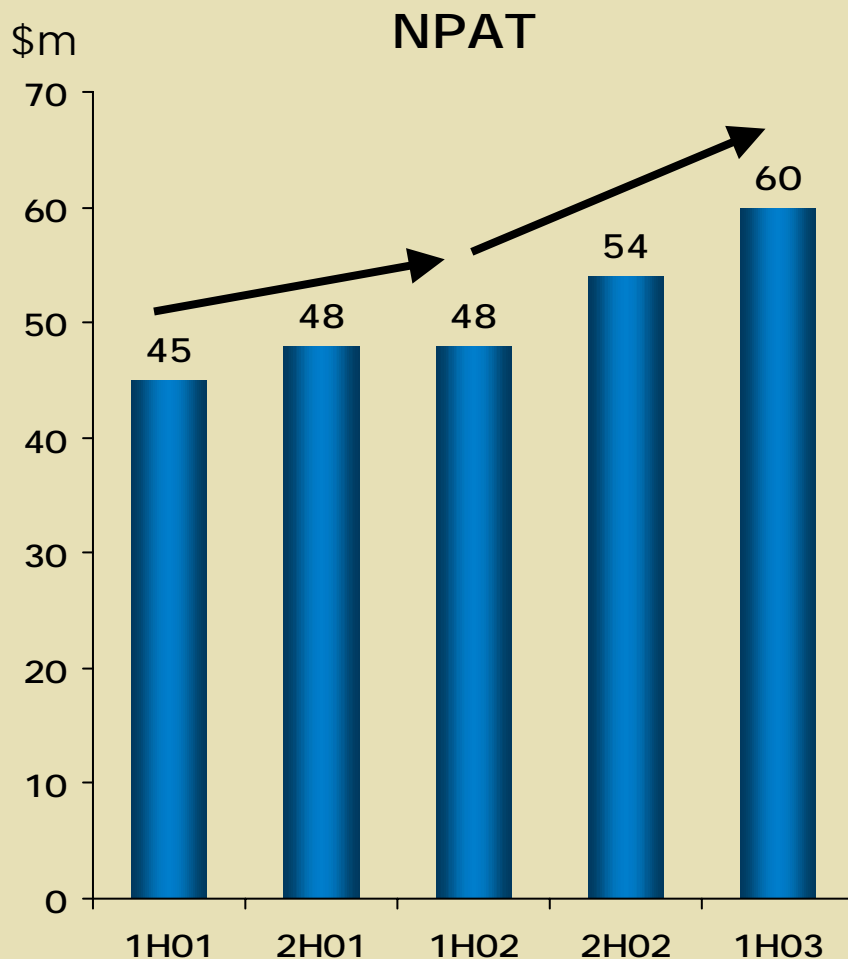
...but strong account and deposit growth



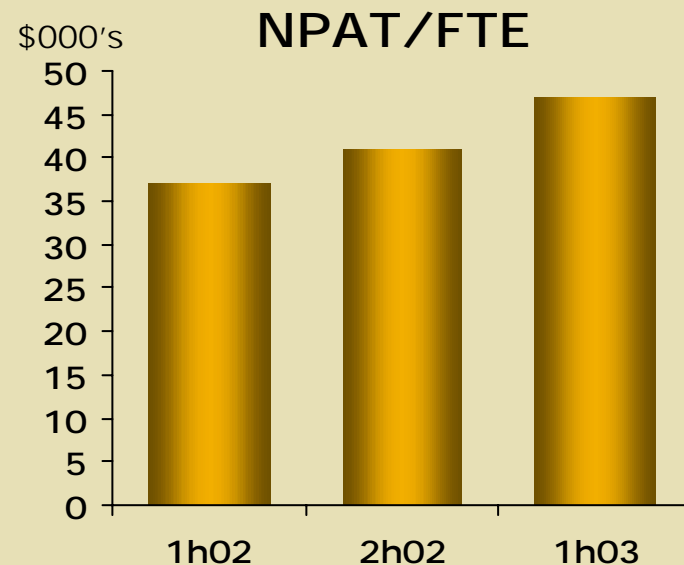
New deposit strategy launched in Aug 01

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

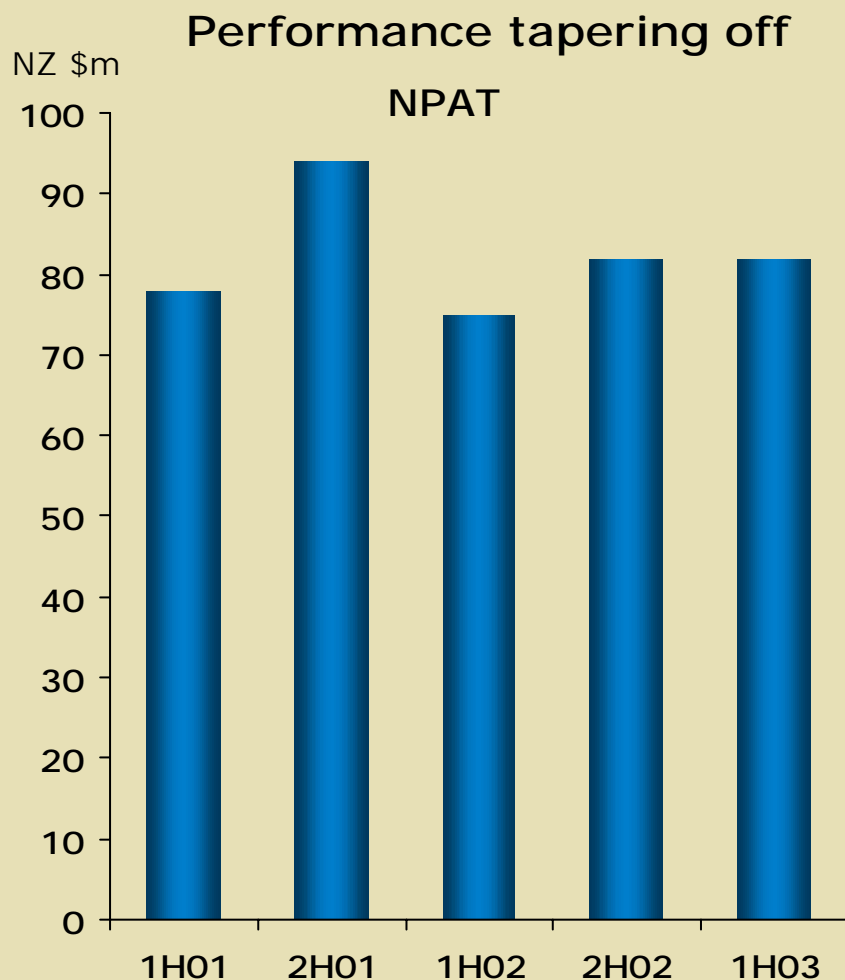
Asset Finance – a leading position, & developing new momentum



- 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

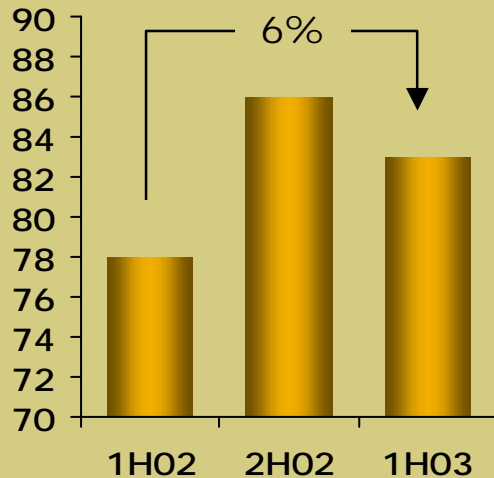


Greater investment required

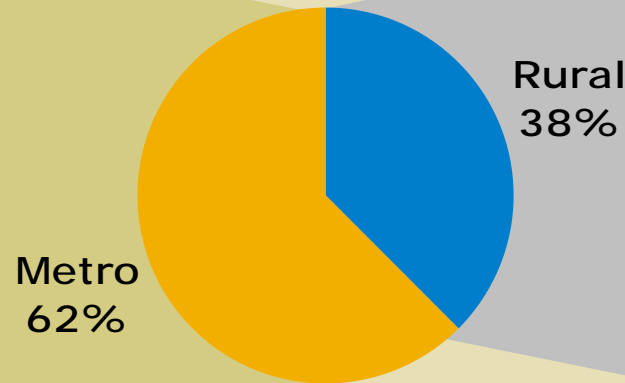
- Increased training, and greater number of sales specialists
- Strengthen brand and increase community involvement
- Upgrade branch network, and open new branches in key geographic growth centres

Personal – significant opportunity, but clear challenges remain

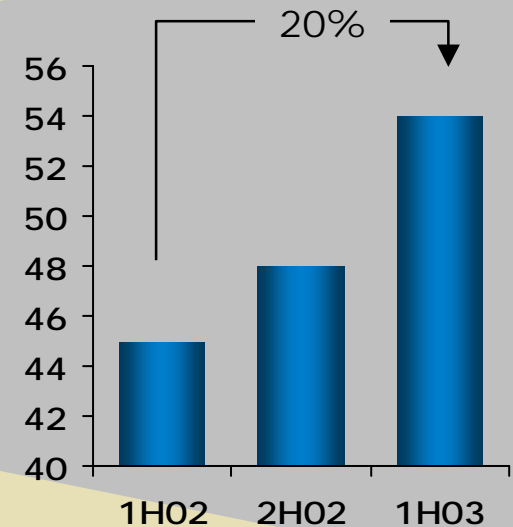
Metro NPAT



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

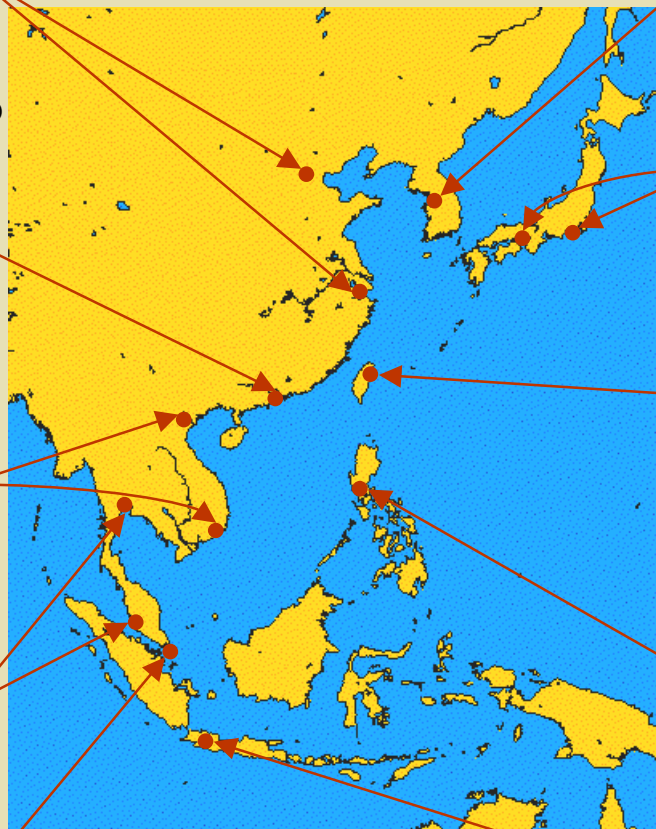
- Only Australian/NZ bank
- Highly regulated/competitive environment
- Largest number of corporate relationships in Asia
- 60 Lending Relationships, 68% Inv Gr

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

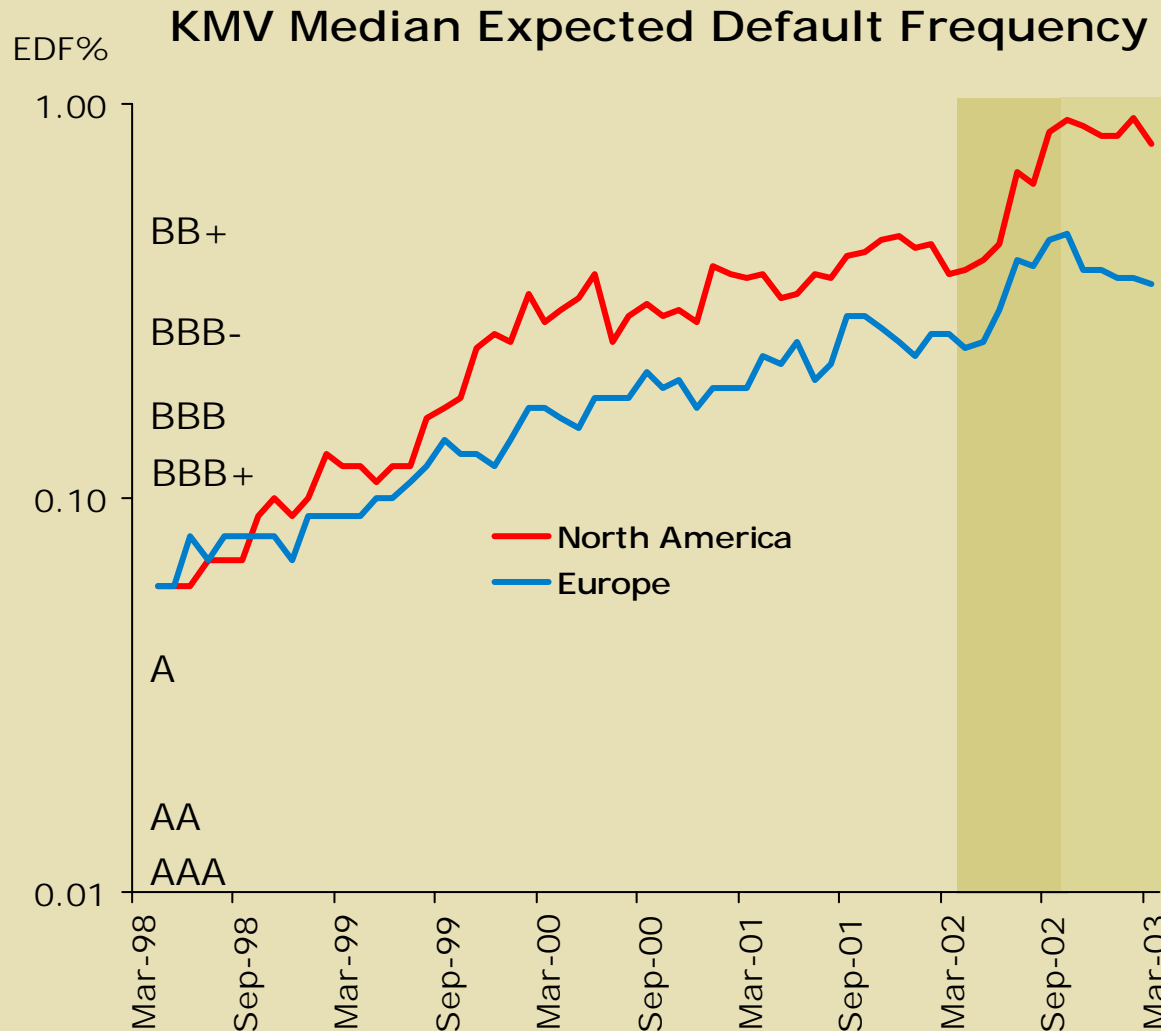
Customer Category	Customer Description			
Global MNCs	Parent – Investment Grade Typically listed on local exchange Subsidiaries in network countries per Cross Border Risk Policy (10/99)			
Regional MNCs	Parent – Investment Grade Typically listed on local exchange (Top 50 'blue chip') Typically externally 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	<table border="0"> <tr> <td>Not target market</td> <td rowspan="2">} <i>Small exceptions for Trade where collateralised, eg. Vietnam</i></td> </tr> <tr> <td>Not target market</td> </tr> </table>	Not target market	} <i>Small exceptions for Trade where collateralised, eg. Vietnam</i>	Not target market
Not target market		} <i>Small exceptions for Trade where collateralised, eg. Vietnam</i>		
Not target market				
SMEs				

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.

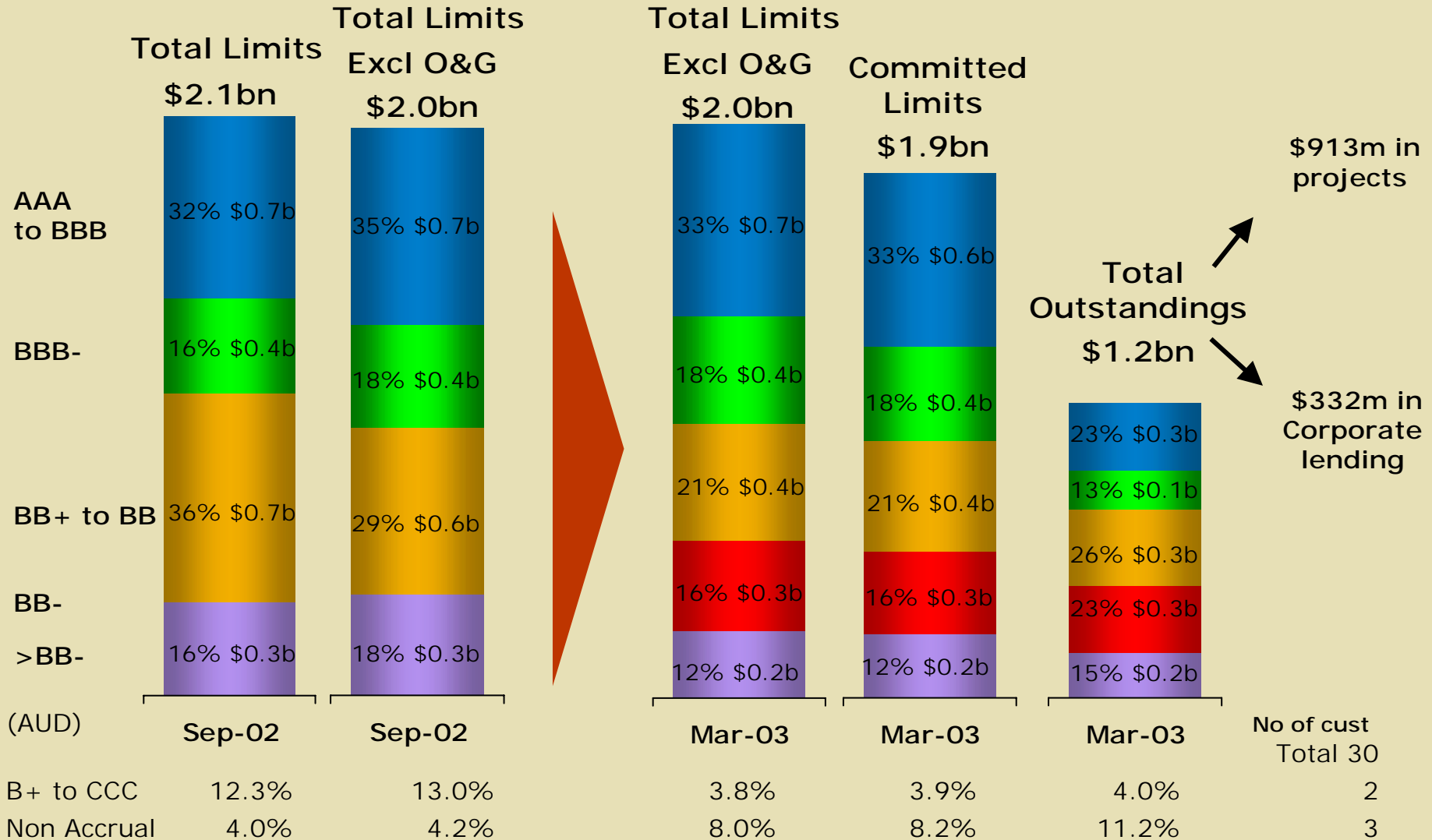
Additional credit quality information

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

US energy portfolio – some issues, remains containable

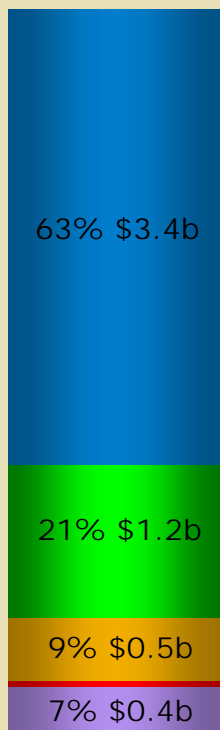


>BB- = B+ B, B-, CCC & non-accrual

Global Telco portfolio – no material issues expected

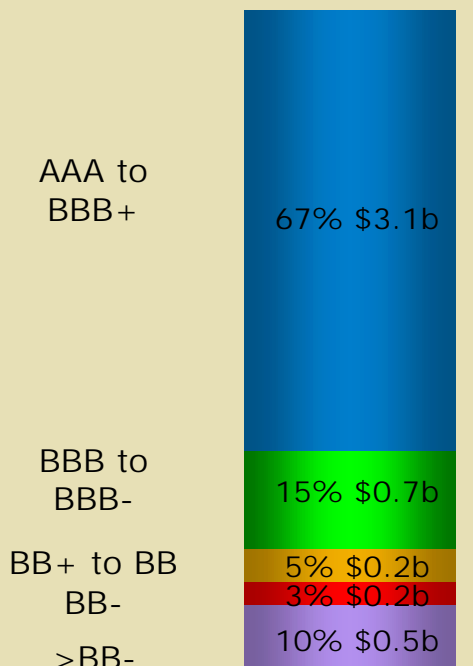
Total Limits

\$5.5bn



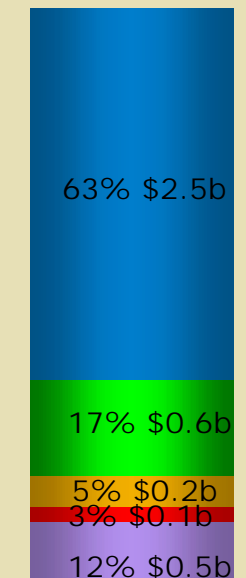
Total Limits

\$4.7bn



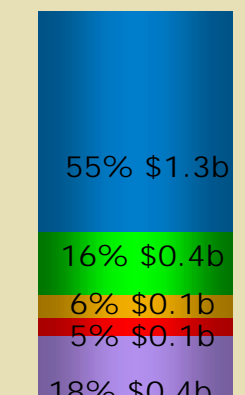
Committed Limits

\$3.9bn



Outstandings

\$2.3bn



No of cust
total 41

(AUD)

Sep-02

Mar-03

Mar-03

Mar-03

B+ to CCC 1.9%

6.8%

7.8%

11.1%

5

Non Accrual 4.8%

3.5%

4.3%

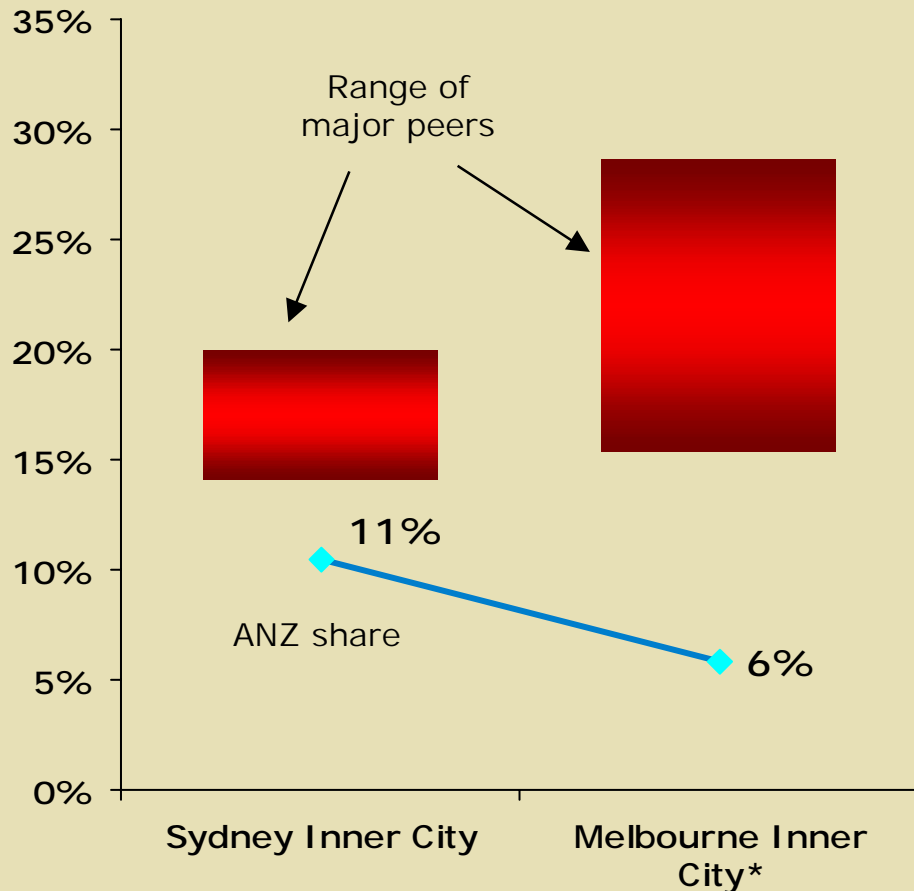
7.2

3

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

Mortgages – low representation in inner city Sydney and Melbourne

Market Share by location

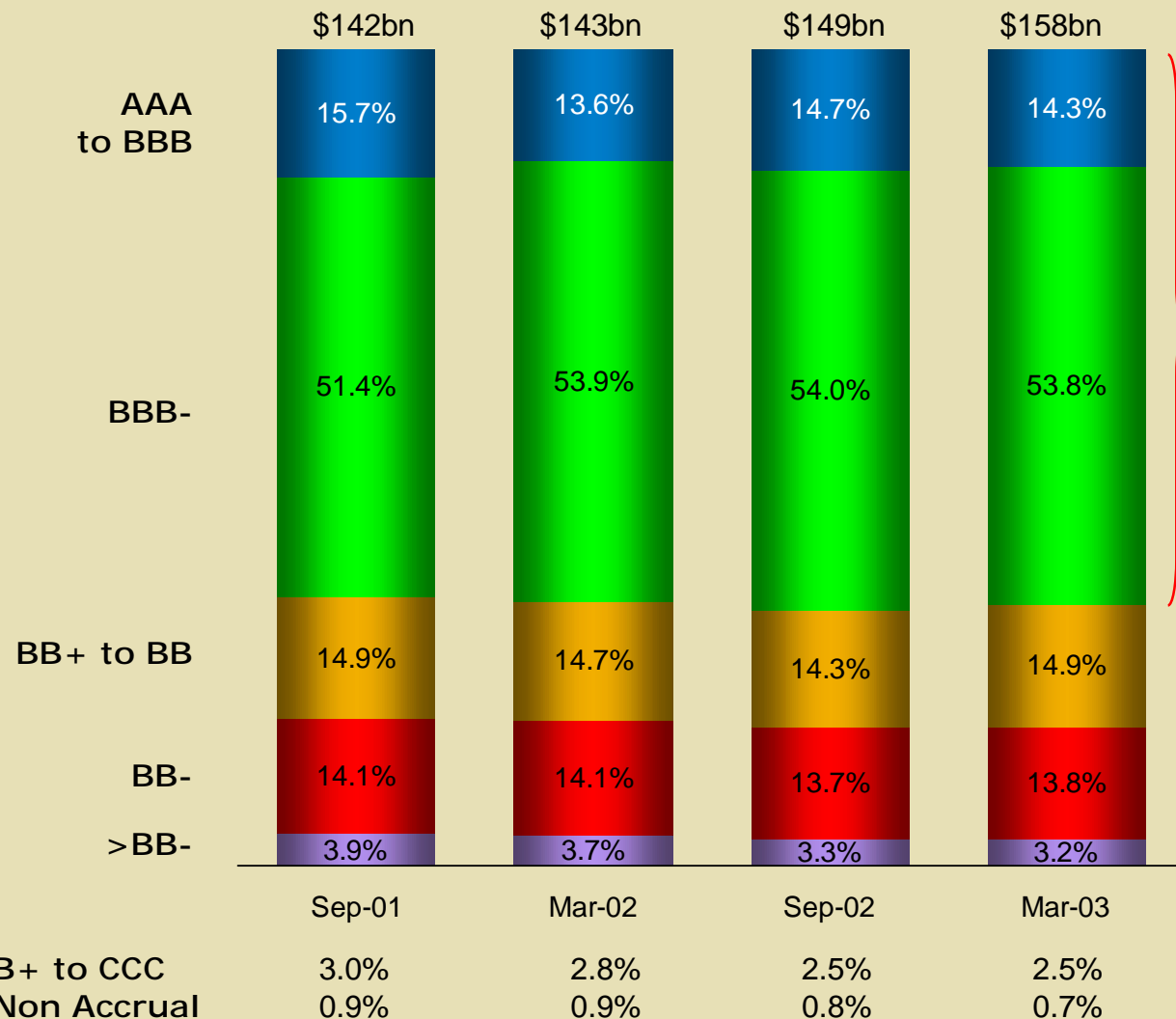


- Tightened assessment criteria for inner city investment properties
- Delinquency profile of inner city borrowers in line with average

* limited sample size
source: Roy Morgan

Group risk grade profile

ANZ Group - Outstandings

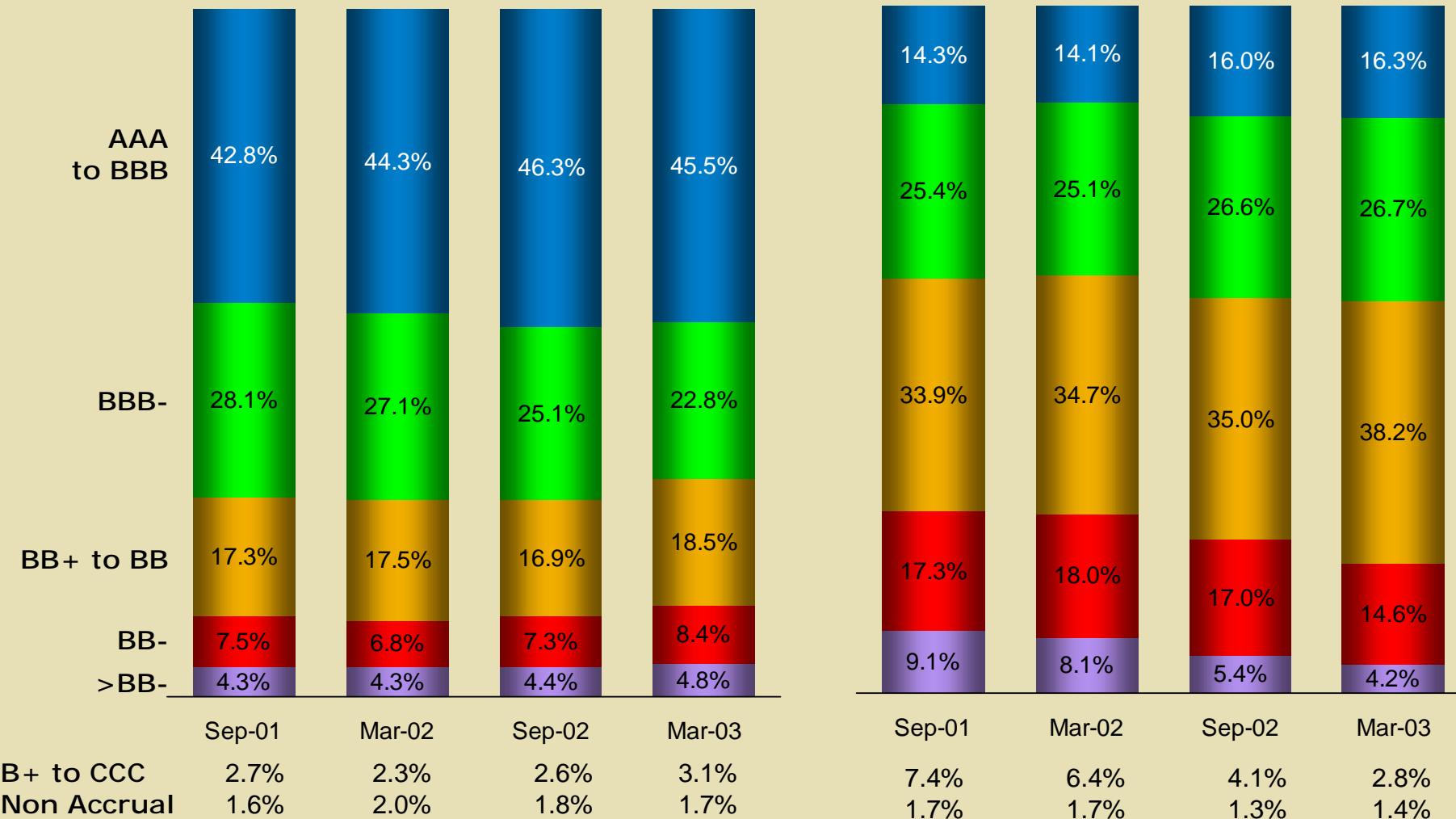


Total investment grade as at Mar-03: \$107.7bn or 68.0% of the portfolio

Institutional & Corporate Risk Grade Profiles

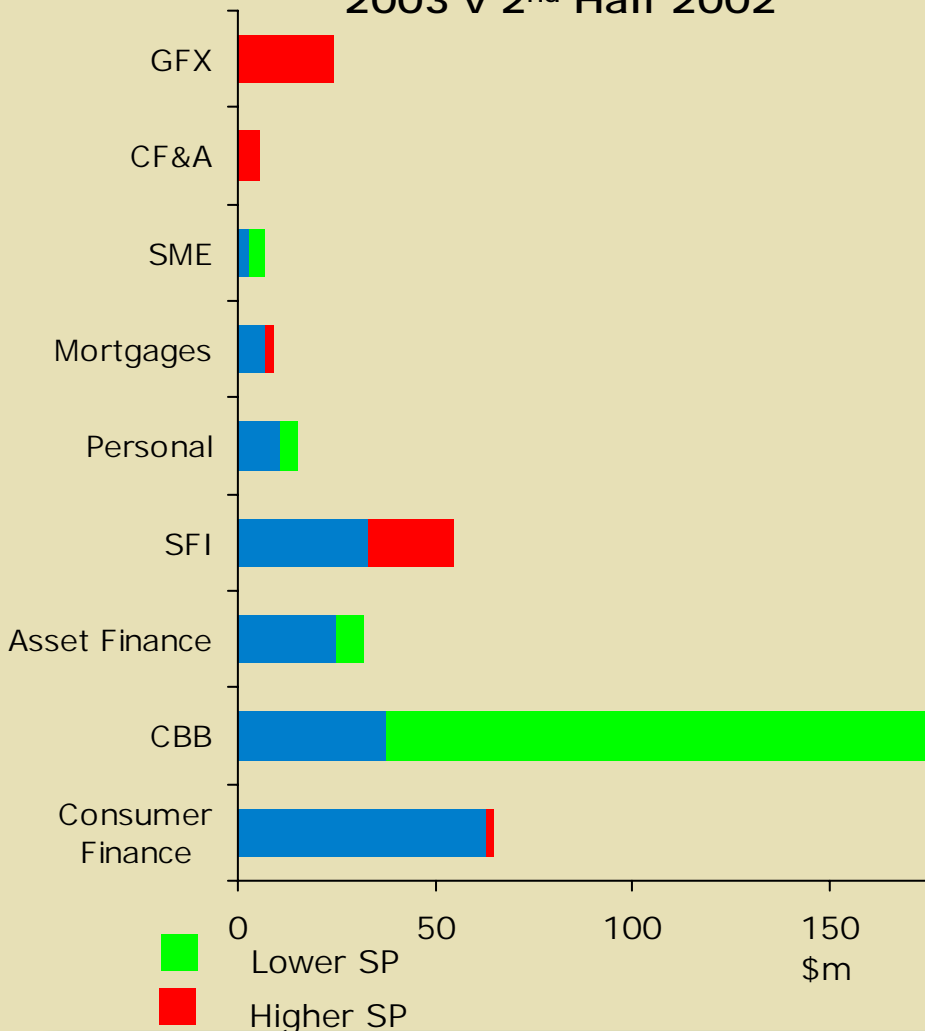
Institutional Banking (Outstandings)

Corporate Banking Aust. (Outstandings)

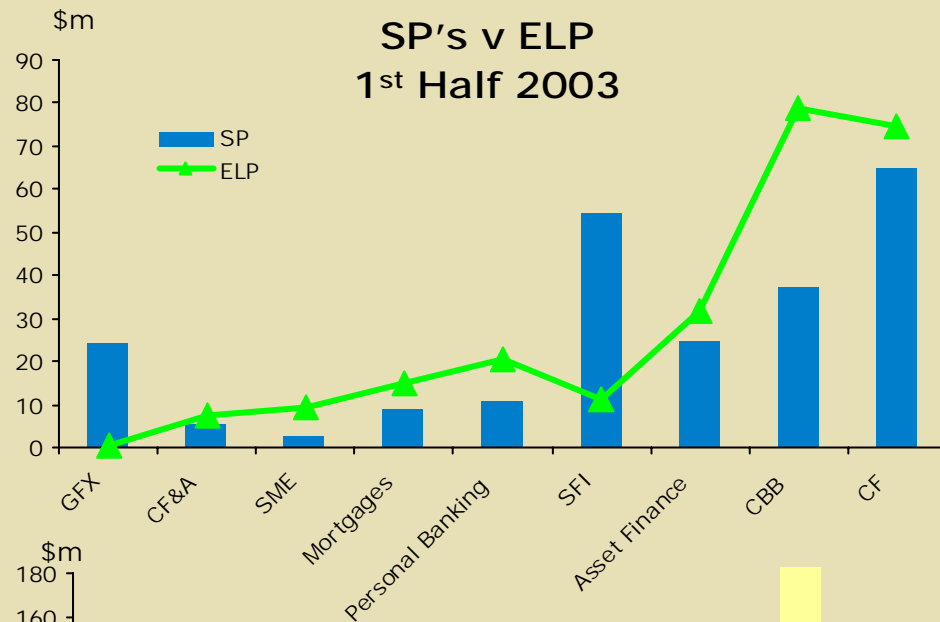


Specific provisions in most businesses lower than expected losses

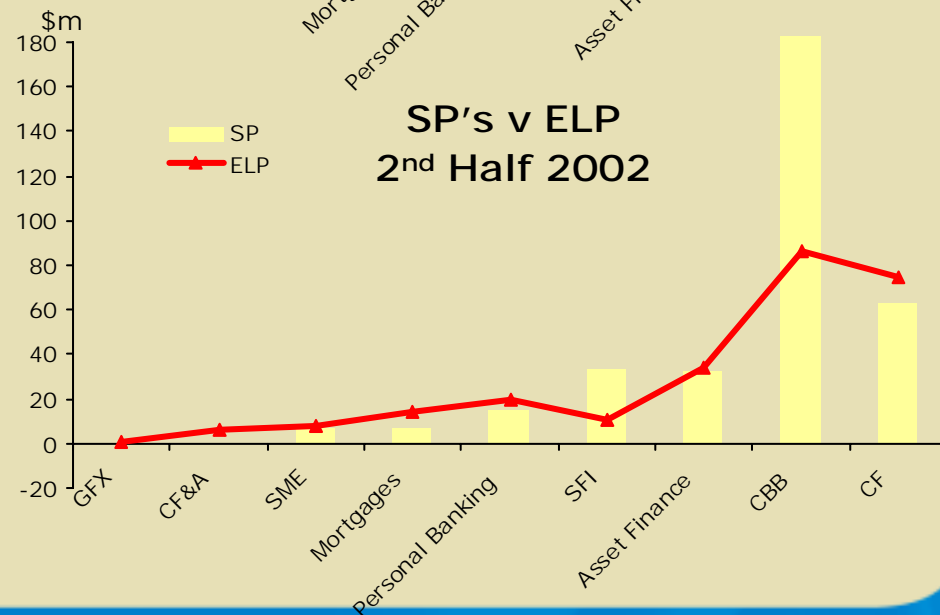
Specific Provisions 1st Half 2003 v 2nd Half 2002



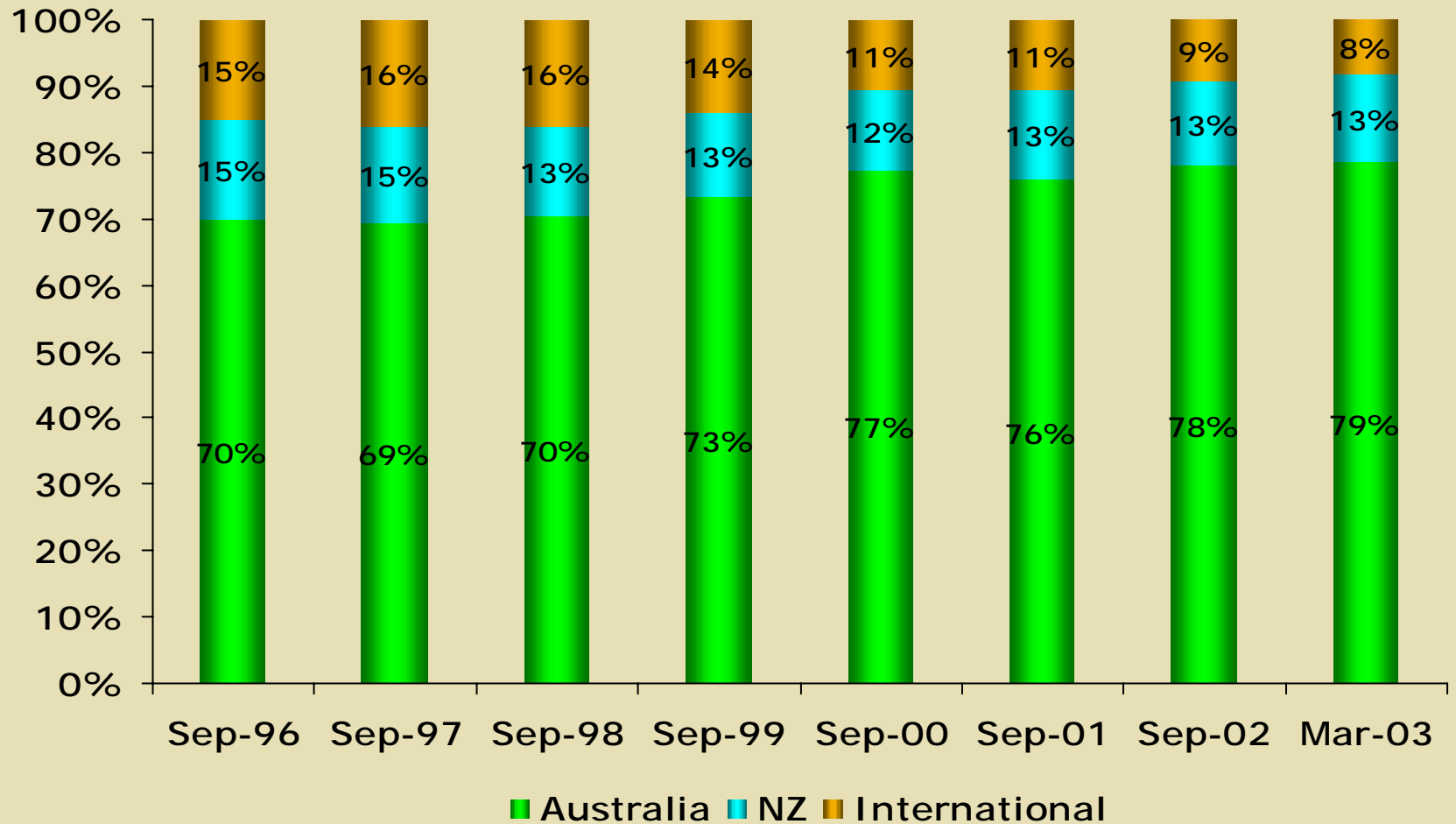
SP's v ELP 1st Half 2003



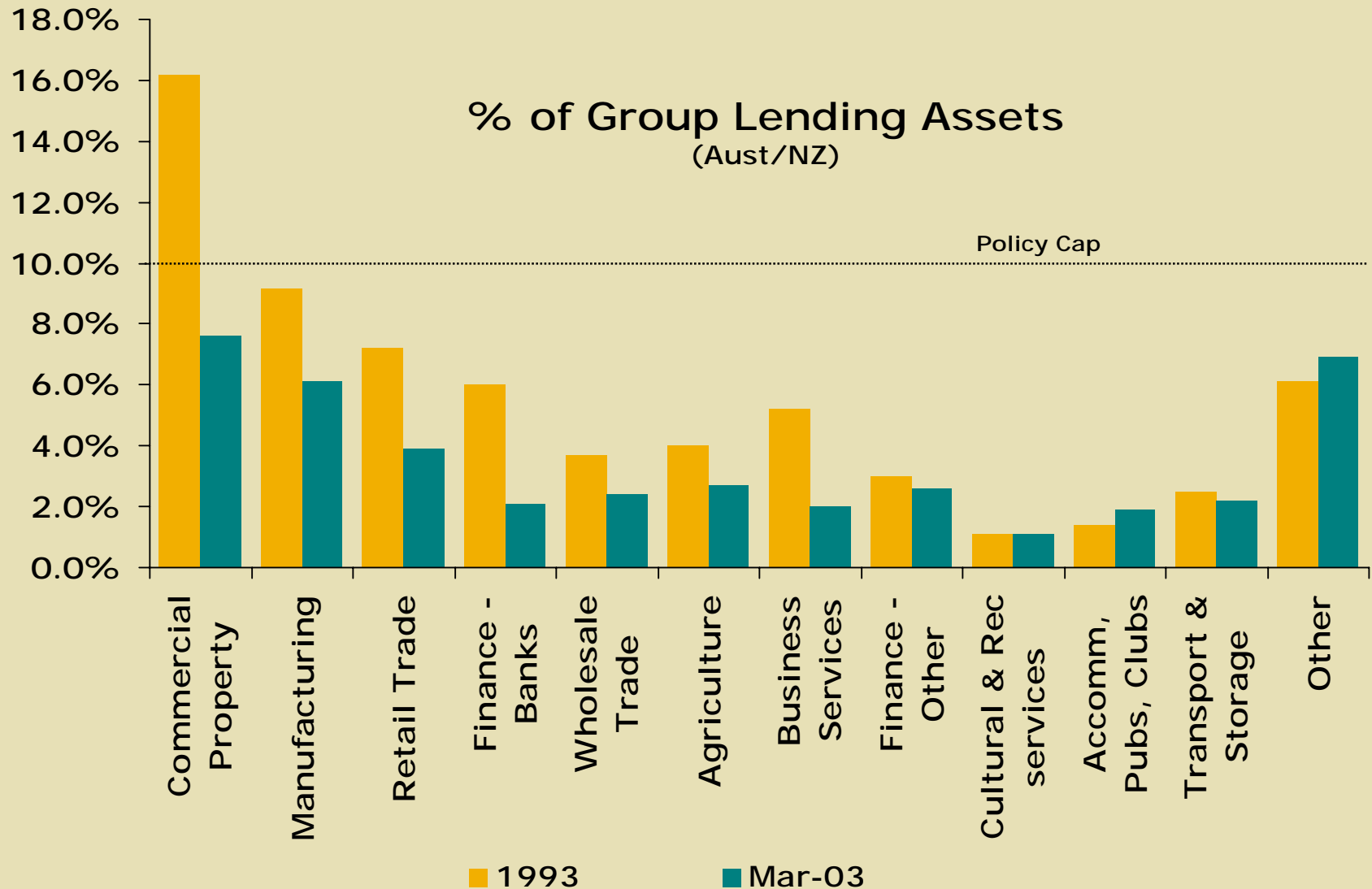
SP's v ELP 2nd Half 2002



Offshore lending assets decreasing as a proportion of total lending assets



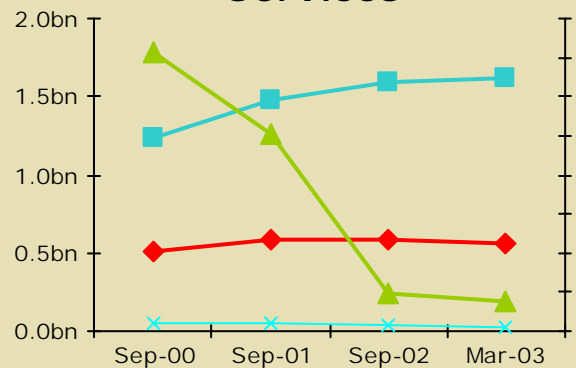
Increased industry diversification



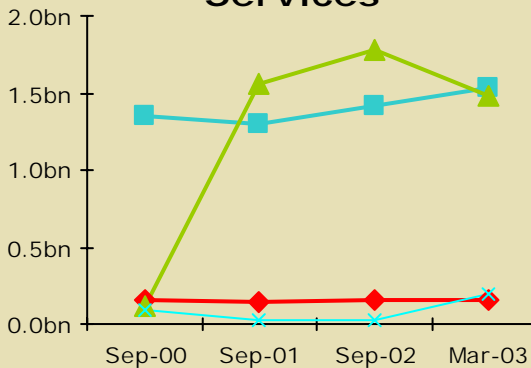
Industry exposures – Australia & NZ

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

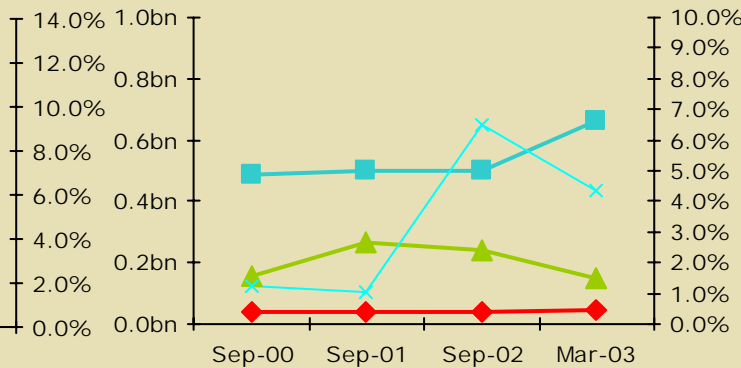
Health & Community Services



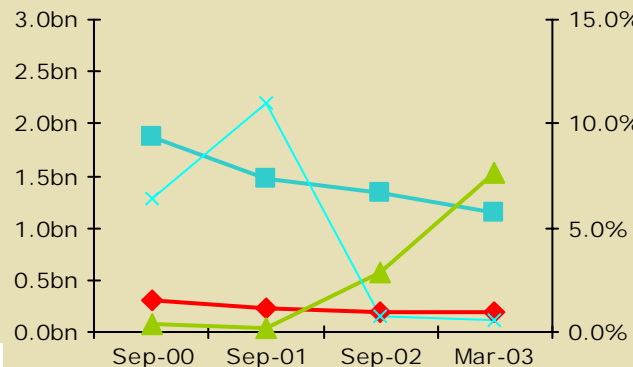
Cultural & Recreational Services



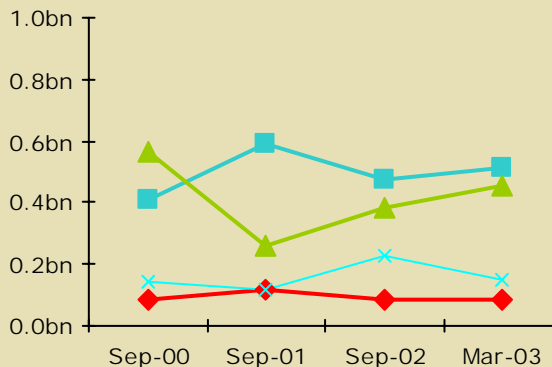
Forestry & Fishing



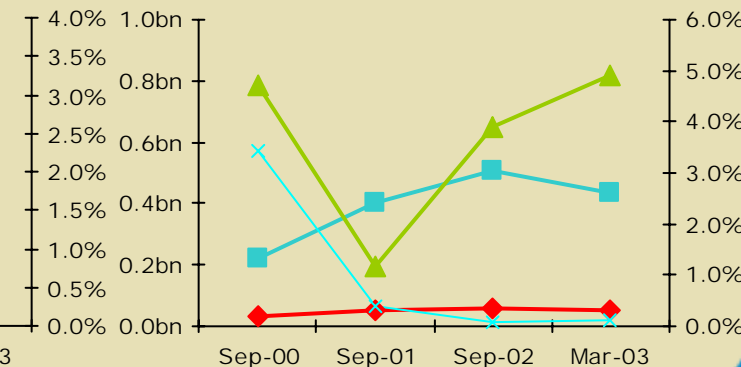
Mining



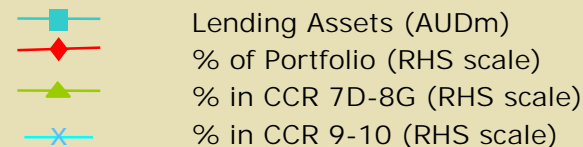
Personal & Other Services



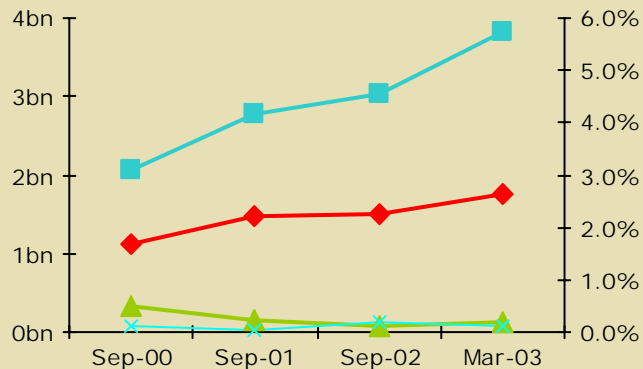
Communication Services



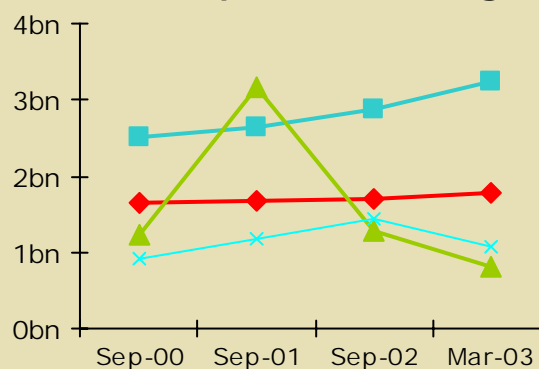
Industry exposures – Australia & NZ



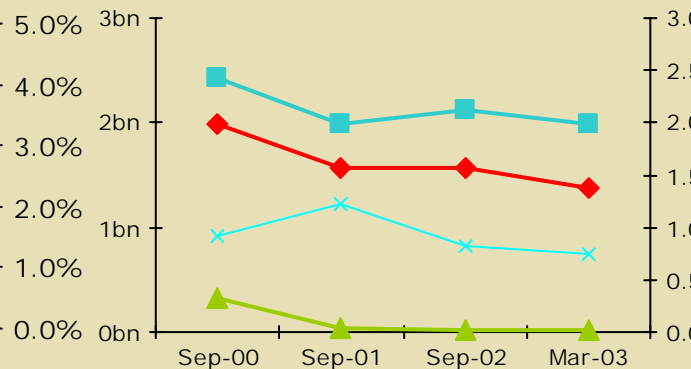
Finance - Other



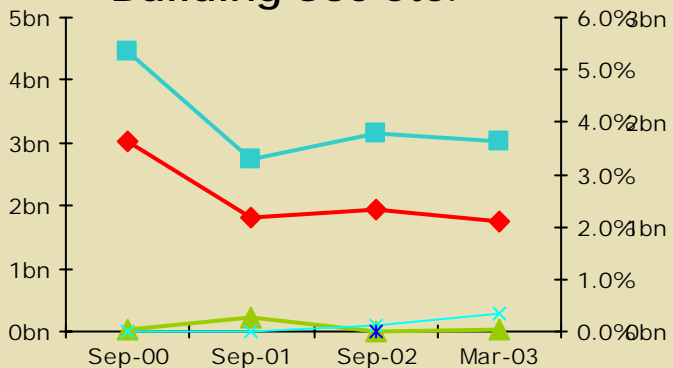
Transport & Storage



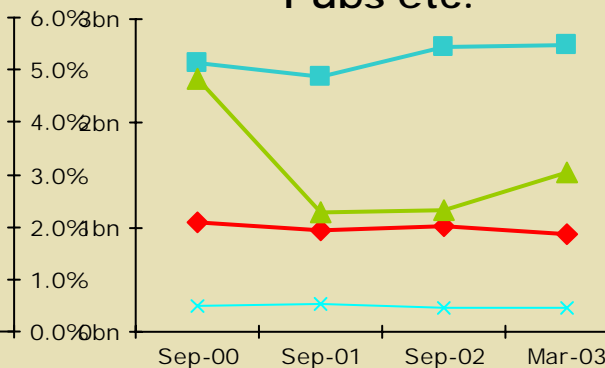
Utilities



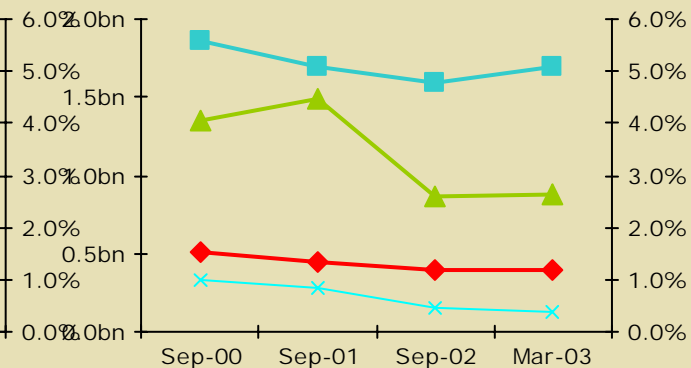
Finance – Banks, Building Soc etc.



Accommodation, Clubs, Pubs etc.



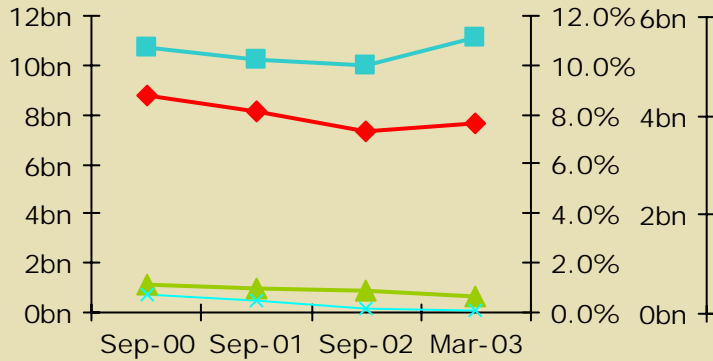
Construction



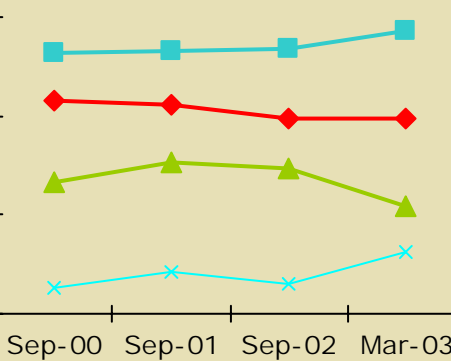
Industry exposures – Australia & NZ

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

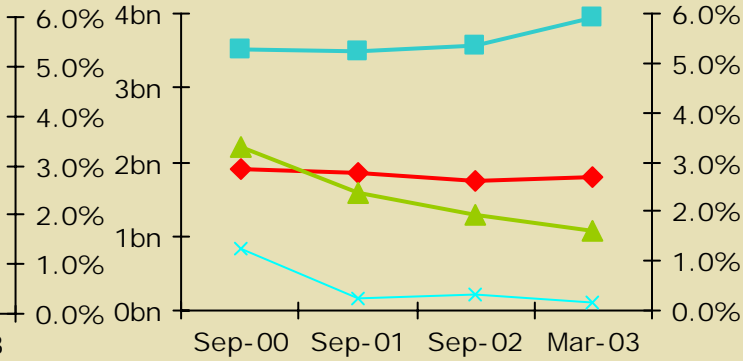
Real Estate Operators & Dev.



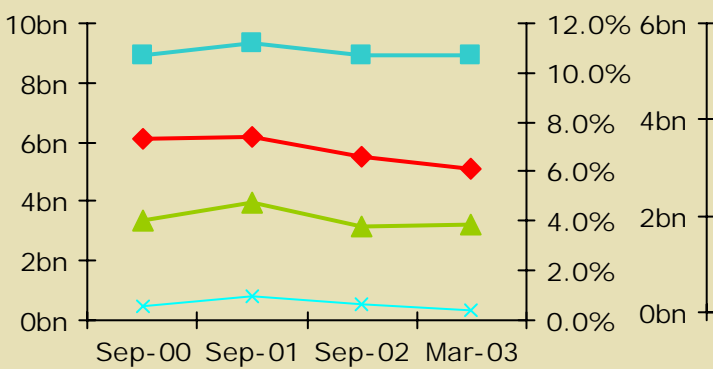
Retail Trade



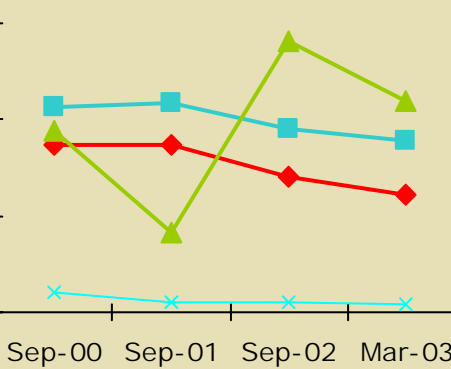
Agriculture



Manufacturing



Wholesale Trade



Business Services

