

2001 Interim Results

Australia and New Zealand Banking Group Limited
26 April 2001

Results highlights

- **NPAT** from continuing operations \$907m - up 18%
- **EPS** up 13% to 55.8 cents
- **ROE** of 19.6%, up from 17.8%
- Costs flat - cost income ratio down to 49.4%
- Credit quality sound:
 - ELP charge down to 35 bp's
 - Total non-accruals down
 - Specific provisions flat
- Profit on sale of holding in St George \$99m (\$65m after tax), offset by write downs in investments (\$84m)
- Improved disclosure - financial information provided for each business unit

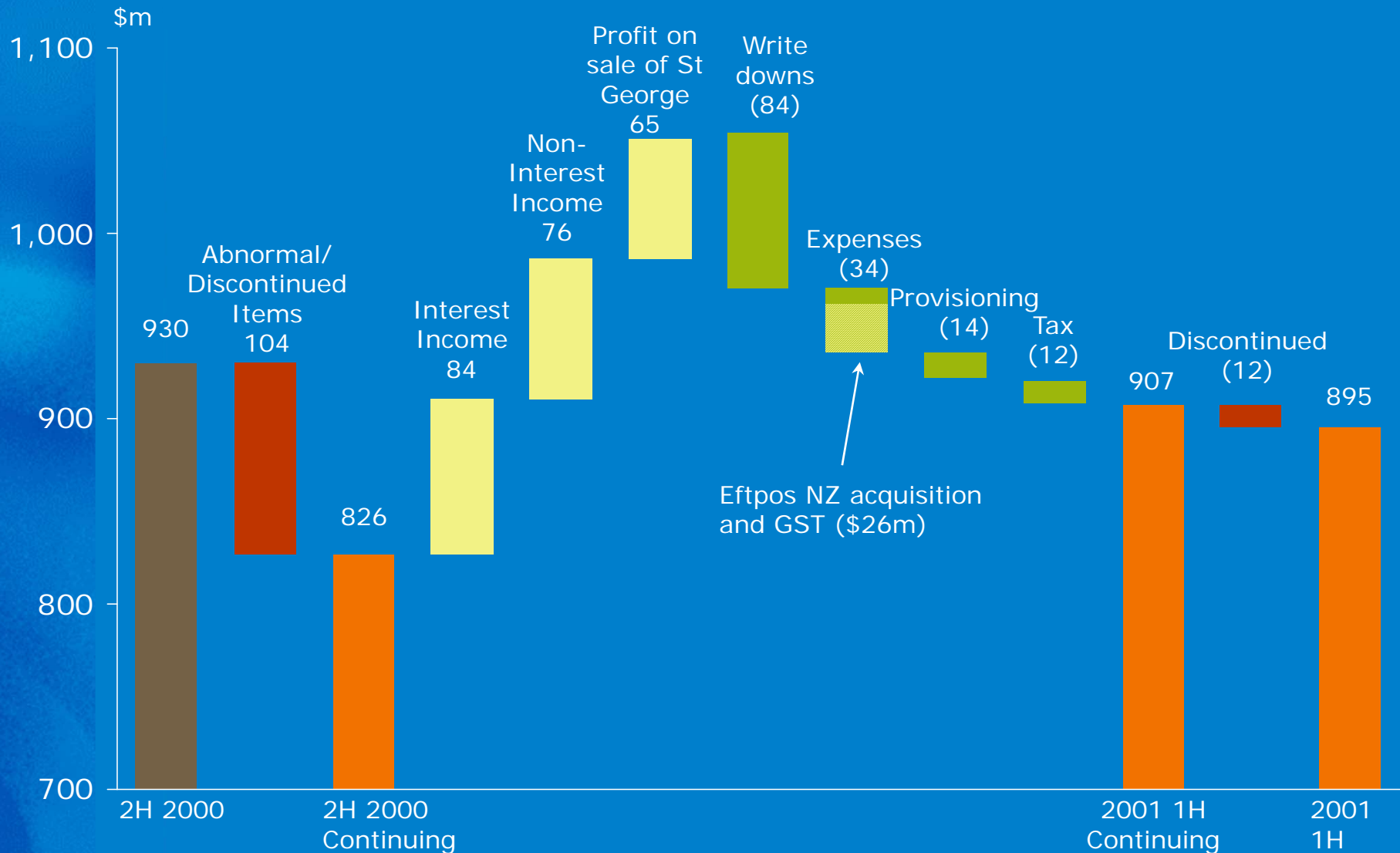
Note: Comparisons are against half year ended March 2000 (including Grindlays)

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Peter Marriott
Chief Financial Officer

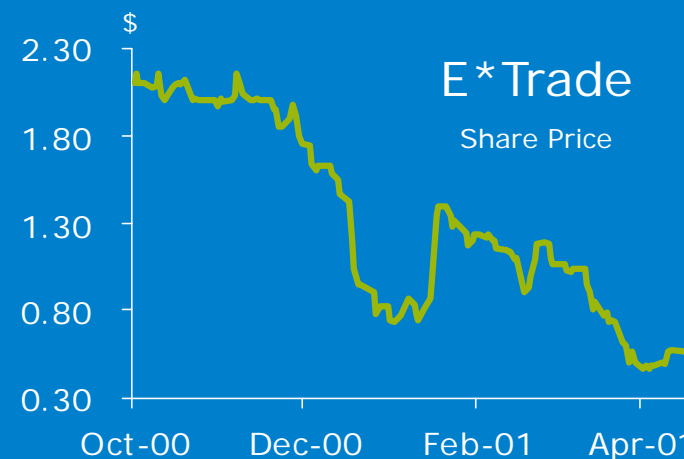
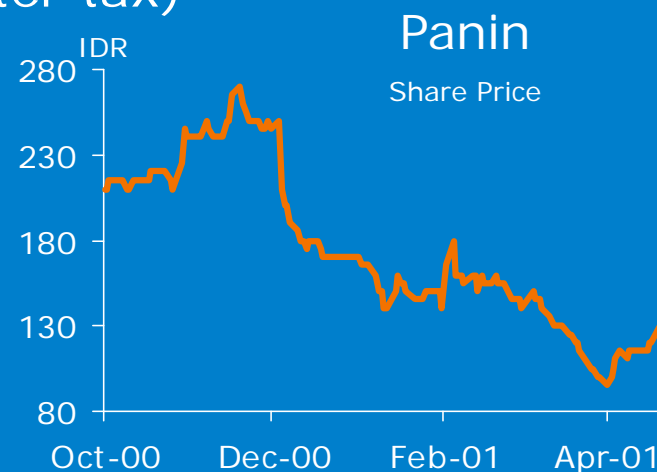
Strong income growth, with good progress across the board



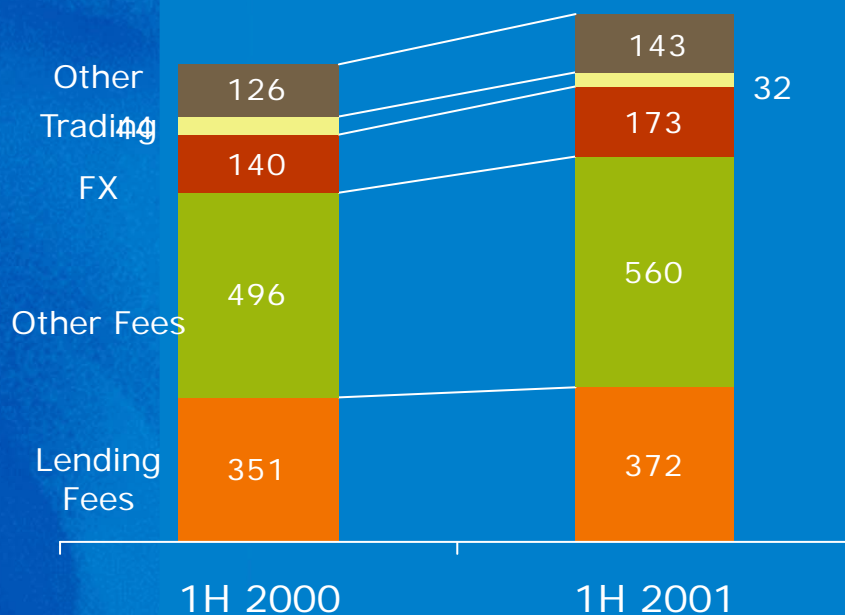
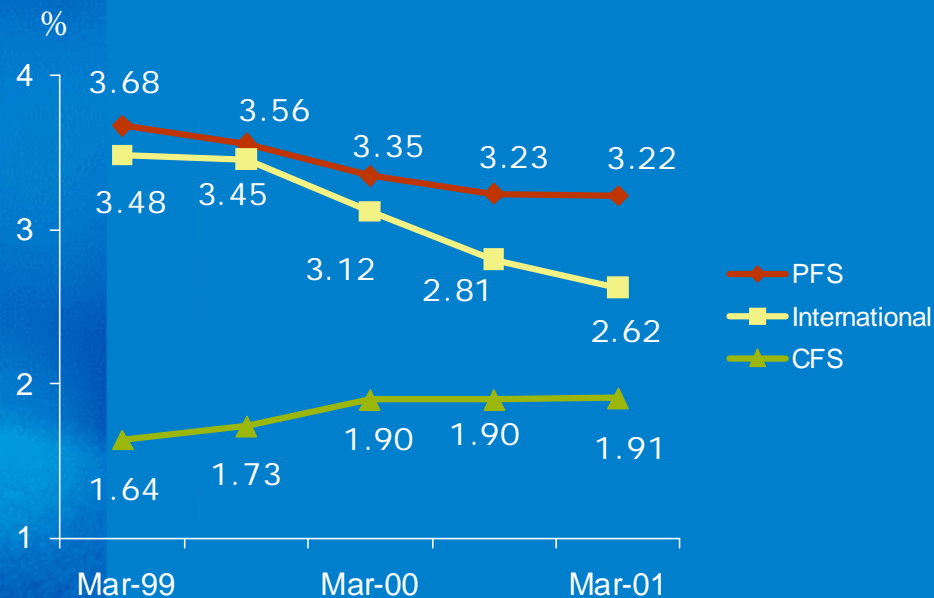
“Unusual” items – St George profit offset by write downs in investments

- **St George** - \$99m profit (\$65m after tax)
 - regulatory issues
 - not critical to strategy
 - attractive price
- **Panin** - \$43m writedown#
 - long term growth prospects remain positive
- **E*Trade** - \$21m writedown#
 - online broking service provides core customer offering
- **Other** - \$20m writedown#
 - a number of small eCommerce related investments

- no tax relief on these writedowns



Income drivers*



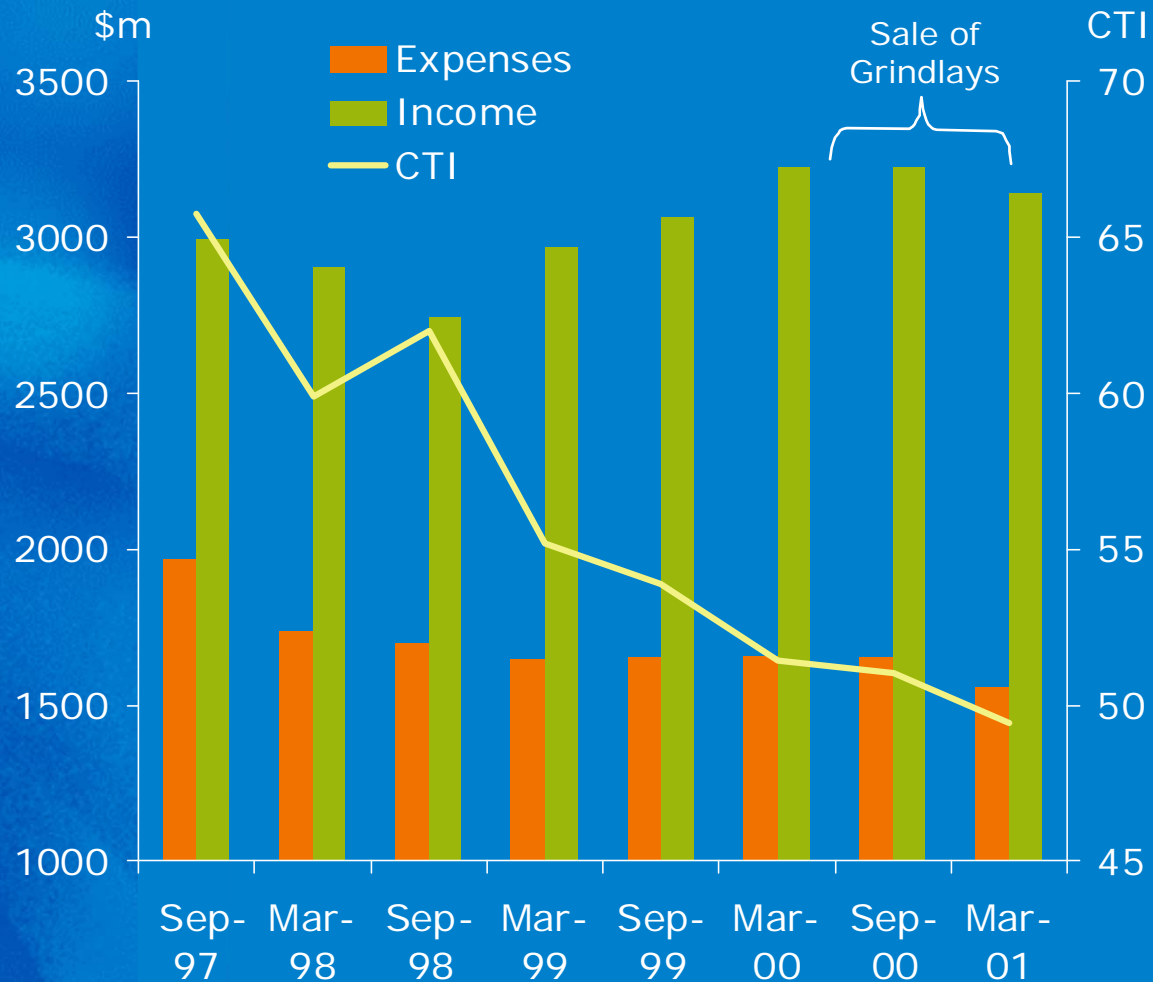
Margins stabilised in first half

- Benefit from differential between 90d BBSY and cash rate
- Greater focus on improving margins

Non-interest income continues to grow

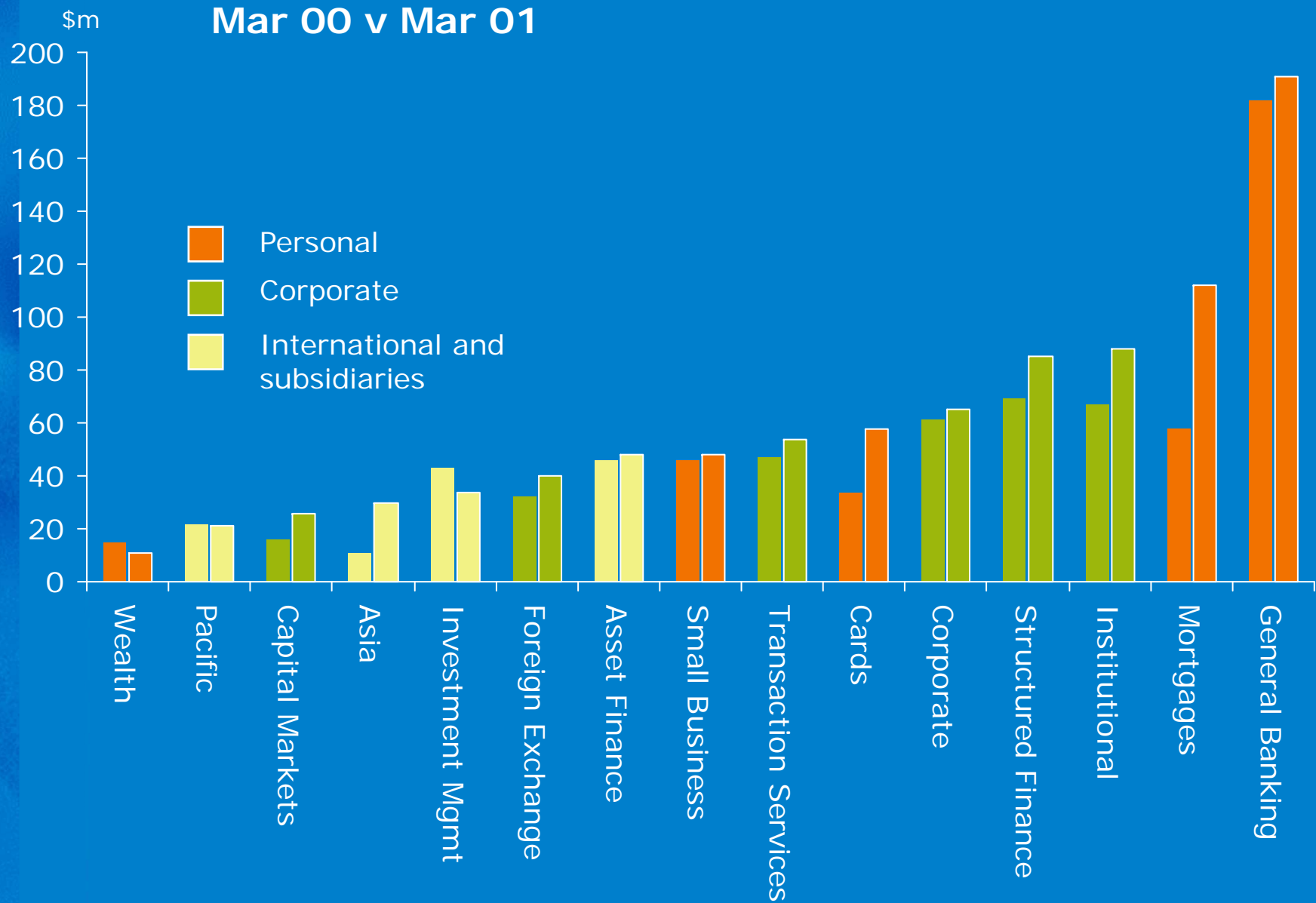
- Driven by higher non-lending fee income
- FX profits higher, reflecting AUD volatility

Cost-income ratio on track to meet target of mid 40's

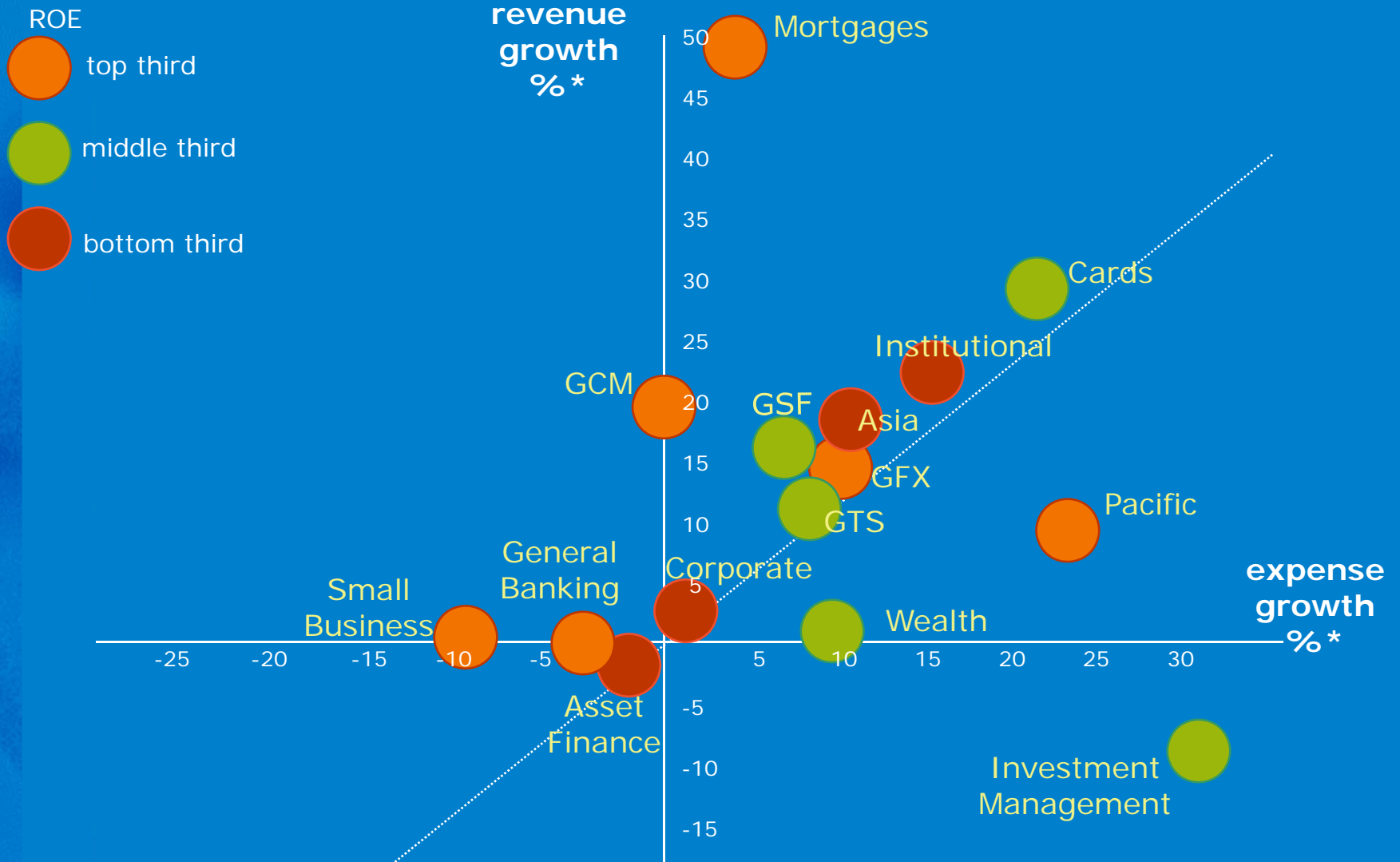


- Reduction in Cost Income ratio driven by revenue growth **and** cost control
- Approximately \$65m of restructuring provision used
 - two year program, with benefits principally 2002 and beyond
- eTransformation will continue to drive costs down

Good profit growth across most businesses



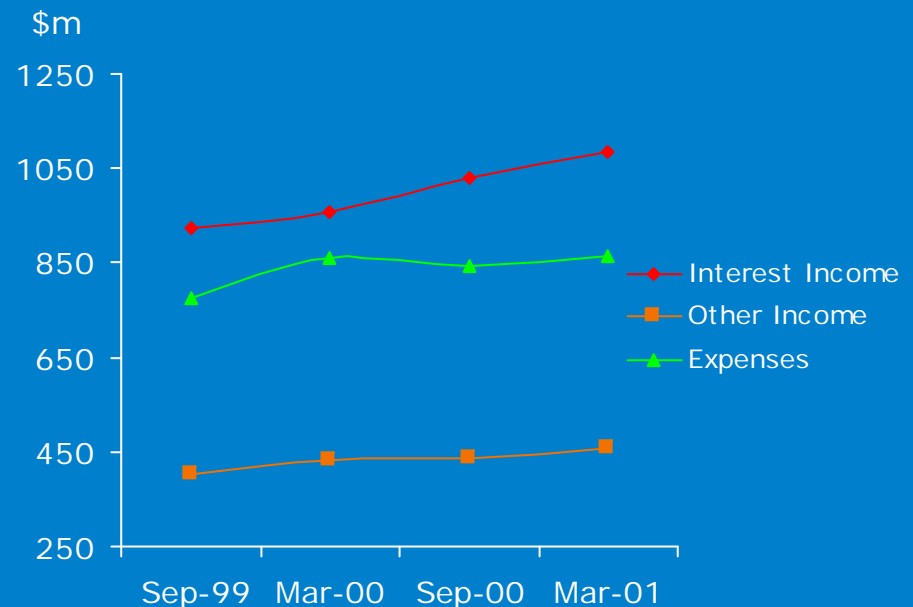
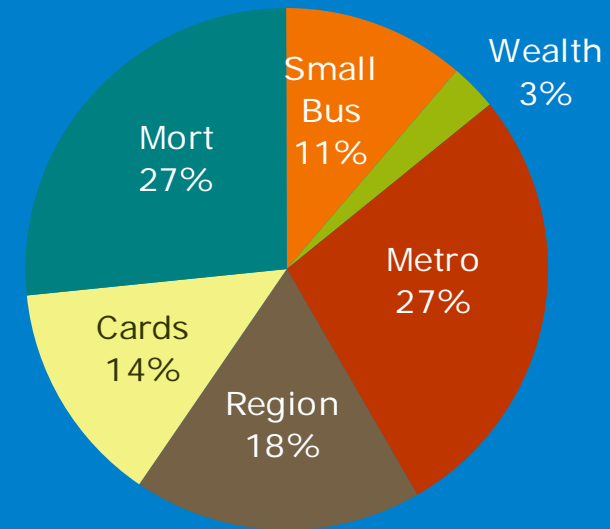
80% of businesses delivered revenue growth greater than expense growth



Personal portfolio

- Mortgages and Cards reinforce value of our specialisation strategy
- Clear opportunities for customer businesses to replicate success of product businesses
- Significant market share growth opportunities remain
 - creation of Metrobanking and Regionalbanking
 - a 1% increase in market share for customer businesses worth \$100m+ revenue

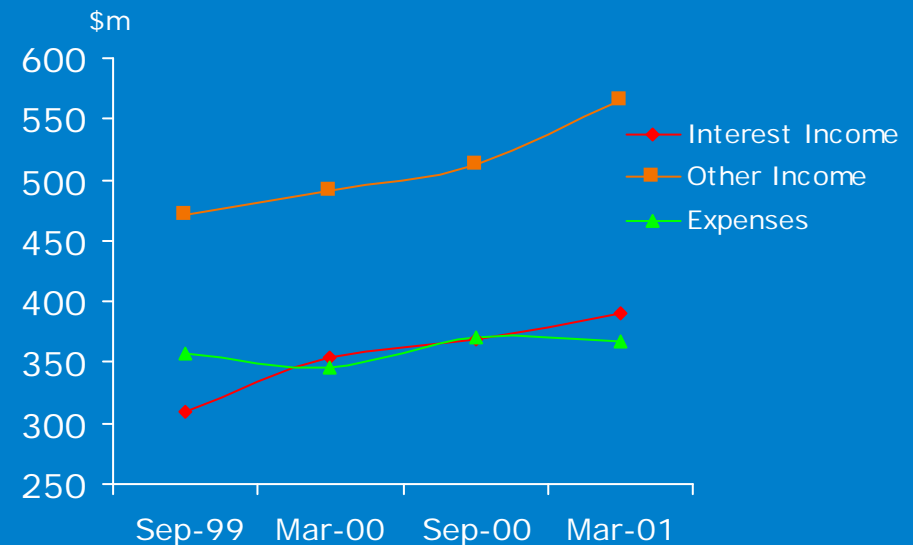
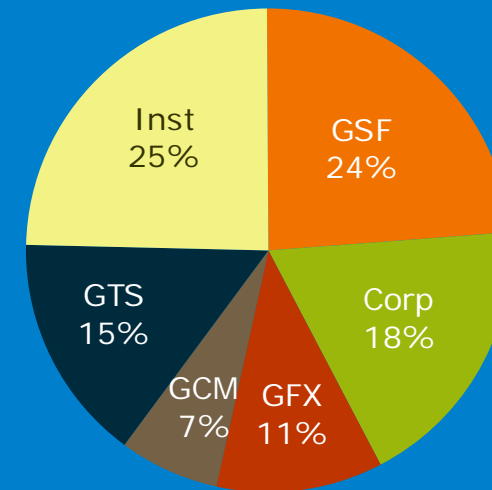
Profit Breakdown



Corporate portfolio – fee income driving profit growth

- Five of six businesses delivered profit growth greater than 10%
- “Non-traditional” income for Corporate Banking grew 40%+ on annualised basis, largely by executing Wall St to Main St strategy

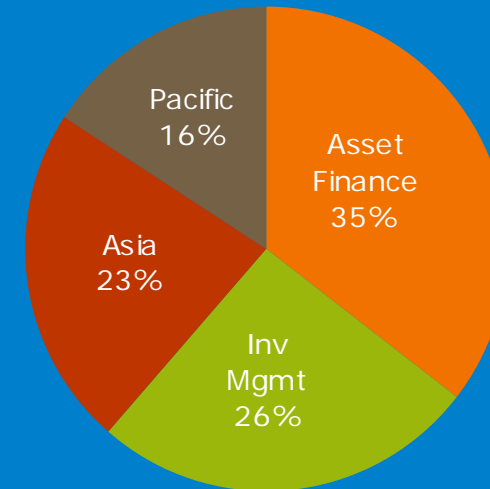
Profit Breakdown



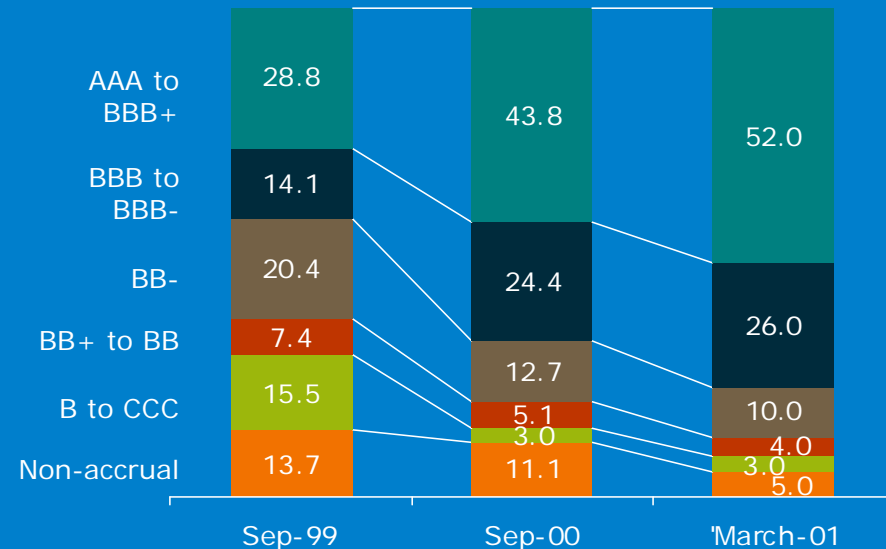
International & Subsidiaries – risk reducing, profits up

- Asset Finance reconfiguring back office platform to deliver substantial efficiencies
- Negative profit growth for Investment Management due to tax changes and increased growth spend
- Asia showing positive signs, on track to record significant profit growth for the full year

Profit Breakdown

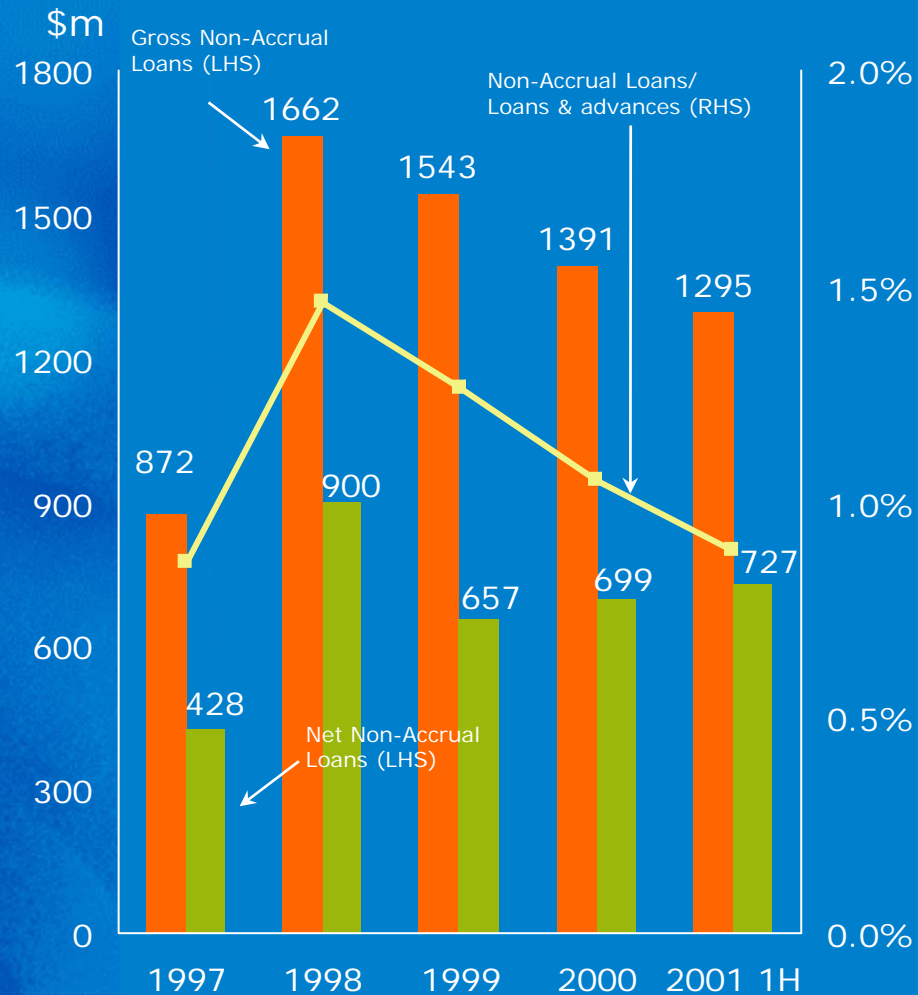


Asian Credit Quality



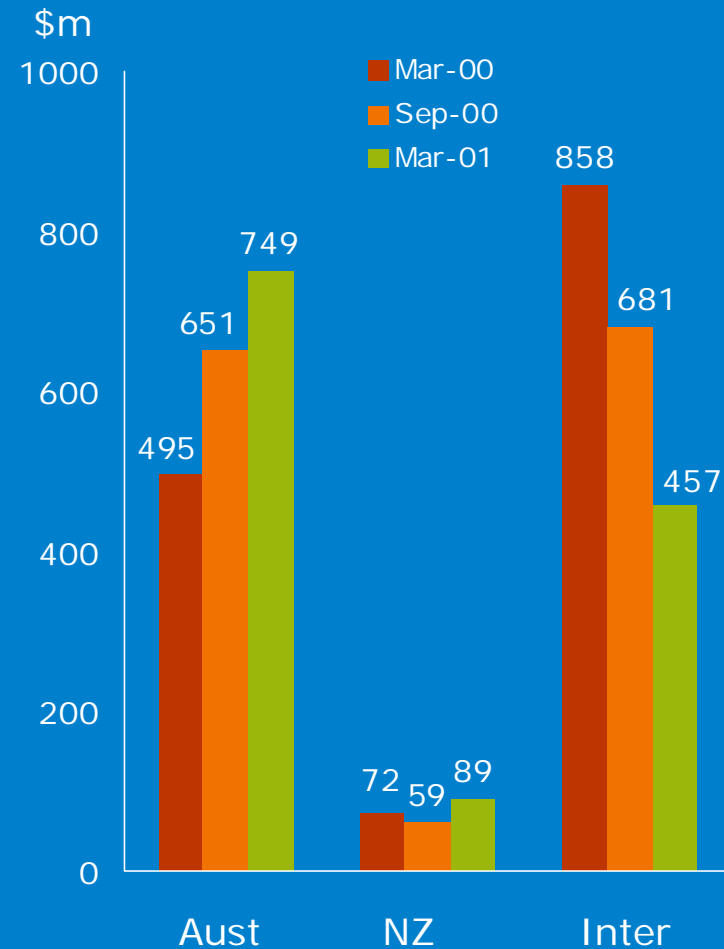
Total non-accrual loans continue to fall, but increase in Australia

Historic

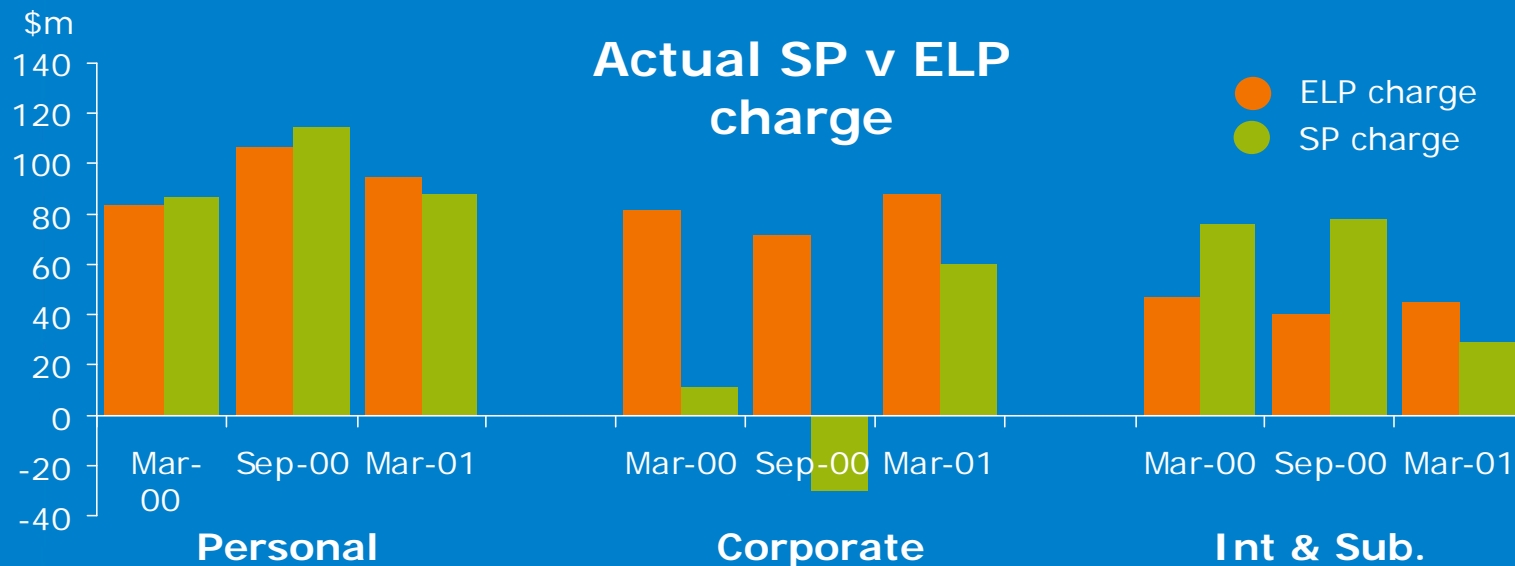


Geographic

Gross Non-Accrual Loans



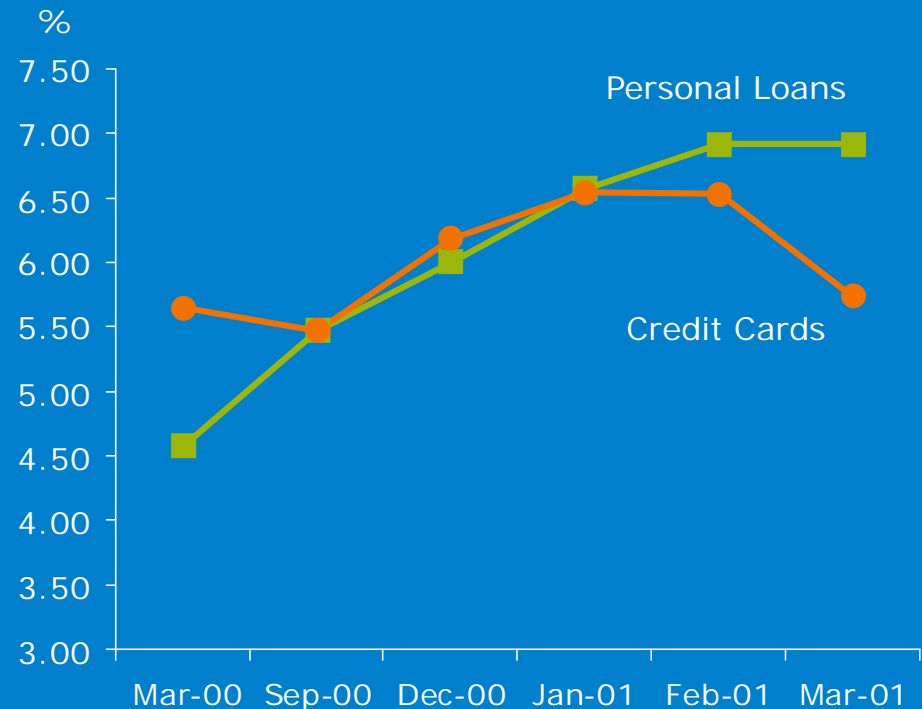
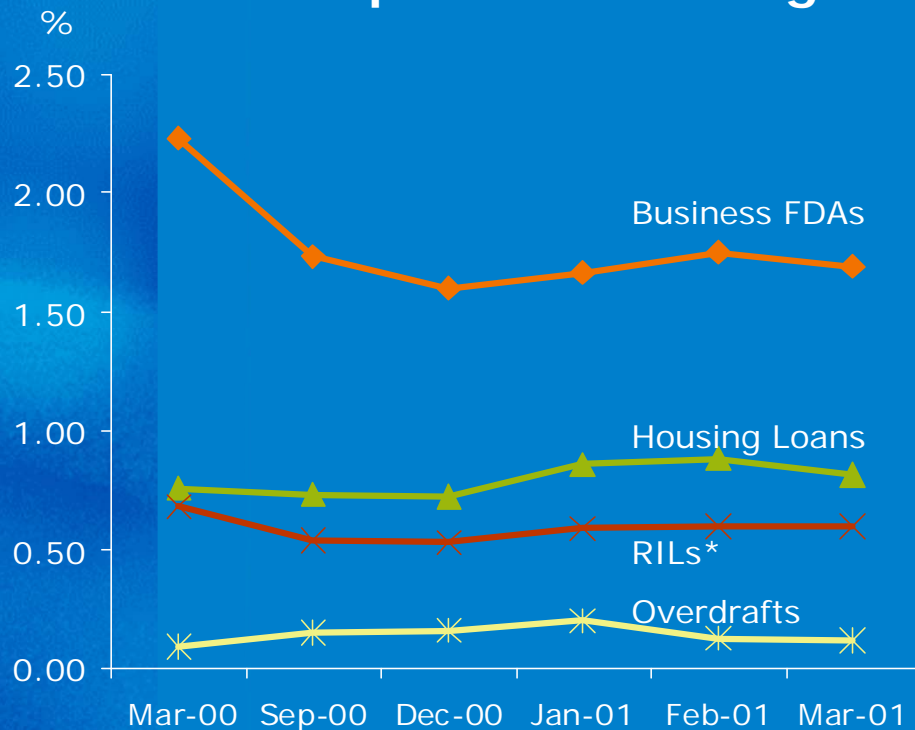
Current provisioning in line with expectations



- ELP is a function of volume (on and off balance sheet), risk grade profile, and level of security
- Specific Provisions tend to be less volatile in Personal businesses and track more closely to ELP

Arrears analysis indicates no systemic deterioration

% personal lending assets over 60 days in arrears

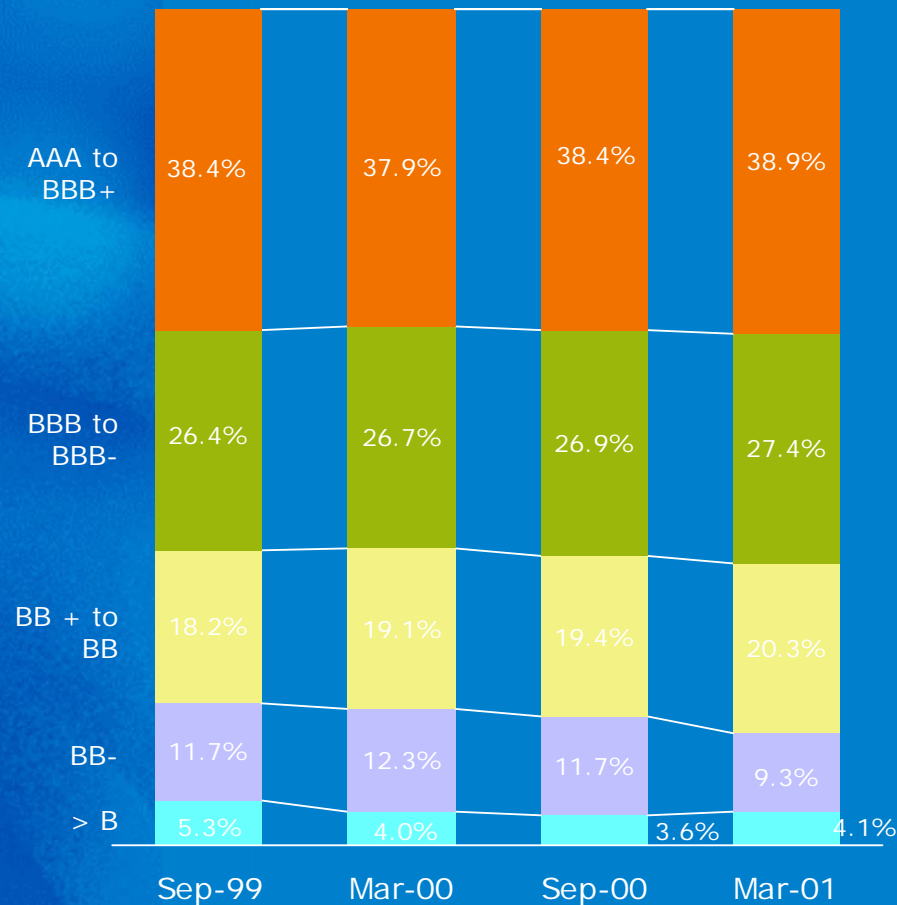


- Small upturn in arrears in Jan-Feb largely reversed during March
- Arrears broadly in line with same period last year

- Increase in credit card arrears reflects seasonal influences
- Personal loan arrears continue to increase in % terms due to reducing book

Corporate book holding up well, despite a few one off "issues"

Corporate risk grade profile

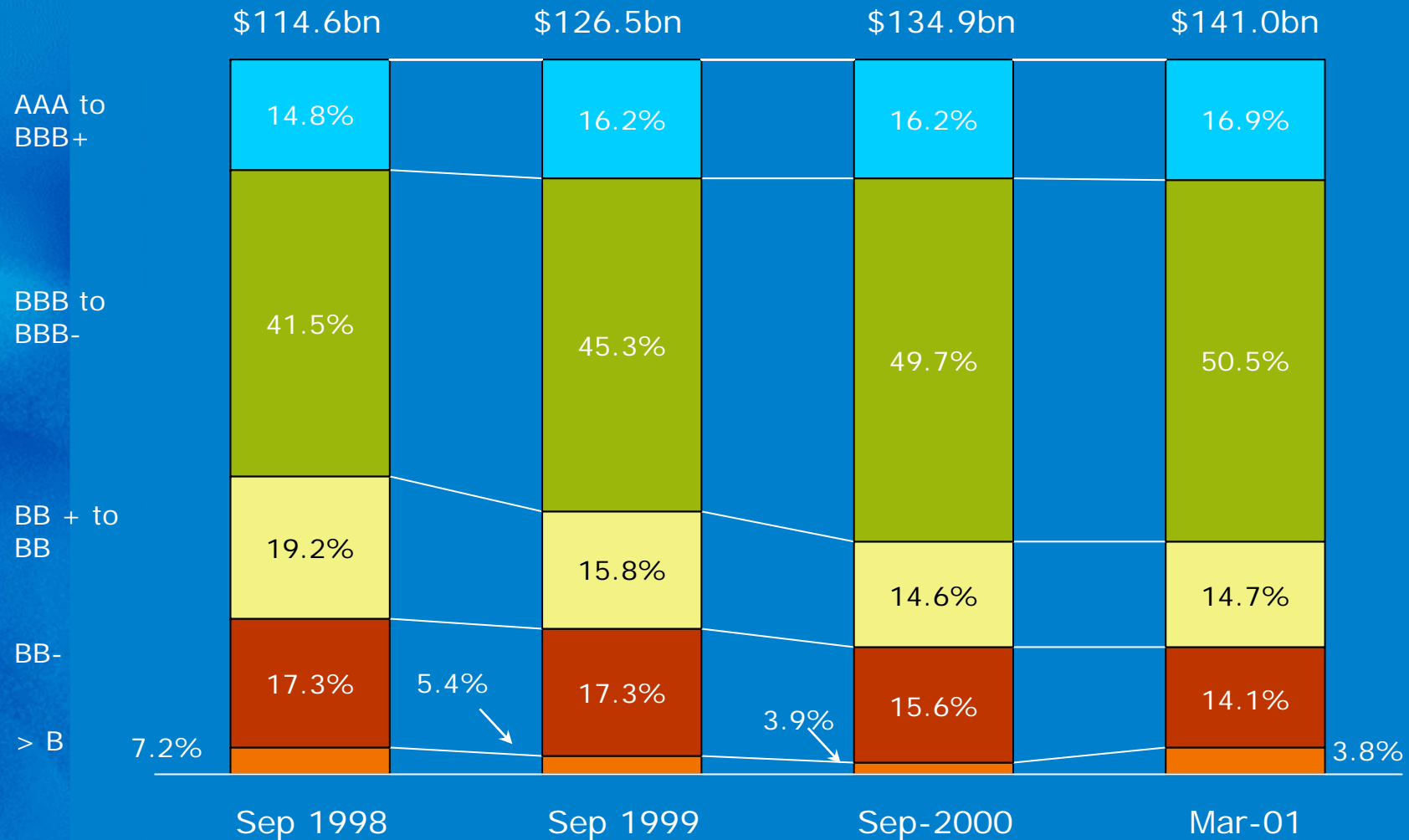


>B = B, B-, CCC
& non-accrual

Risk actively managed

- Quarterly strategy reports prepared for all high risk accounts
- June to October 2000 - all BB rated accounts within Corporate reviewed in expectation of downturn
- New accounts > \$3m to be referred "one level higher"

Group risk grade profile continues to improve



ELP (bp's)

45

43

38

35

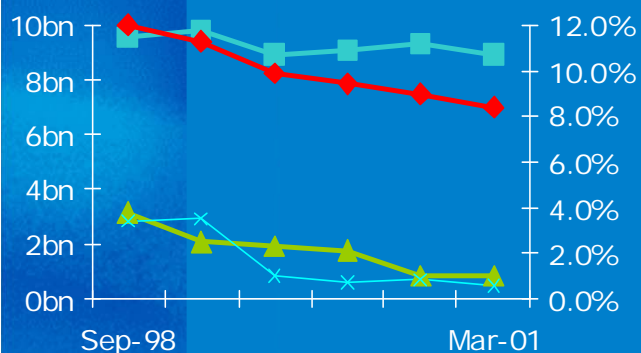
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- Risk grade profiles by division and geography in appendix

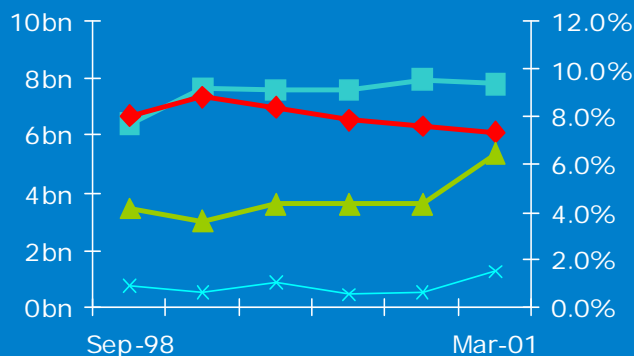
Credit quality is sound in some of our larger industry exposures - Australia

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

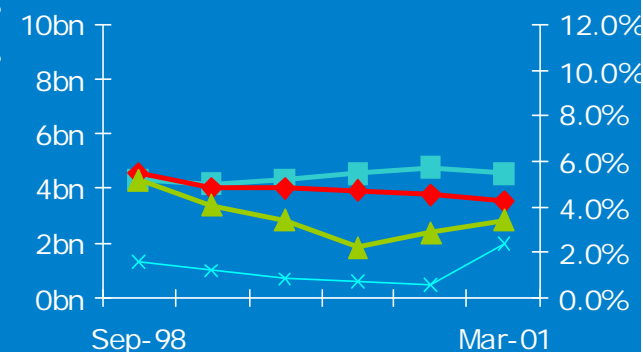
Real Estate Operators & Dev.



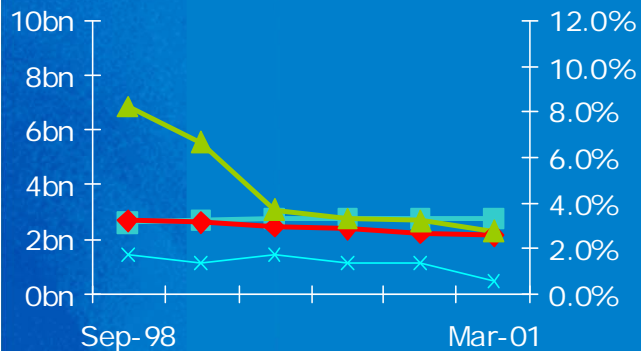
Manufacturing



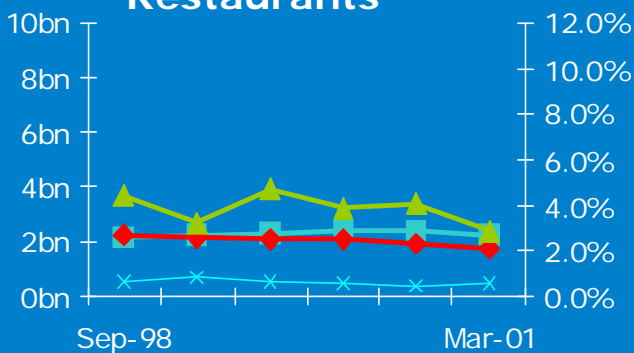
Retail Trade



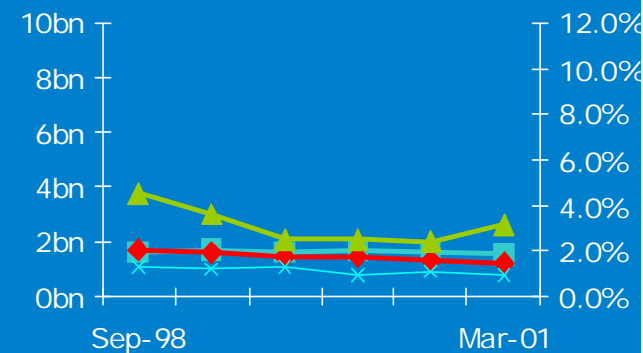
Agriculture



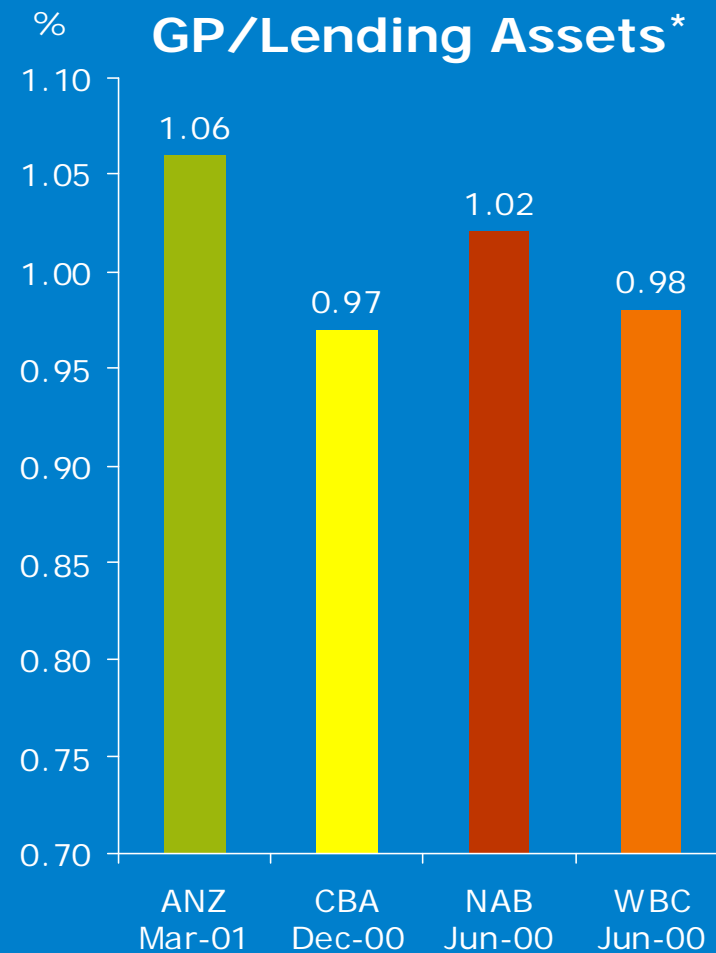
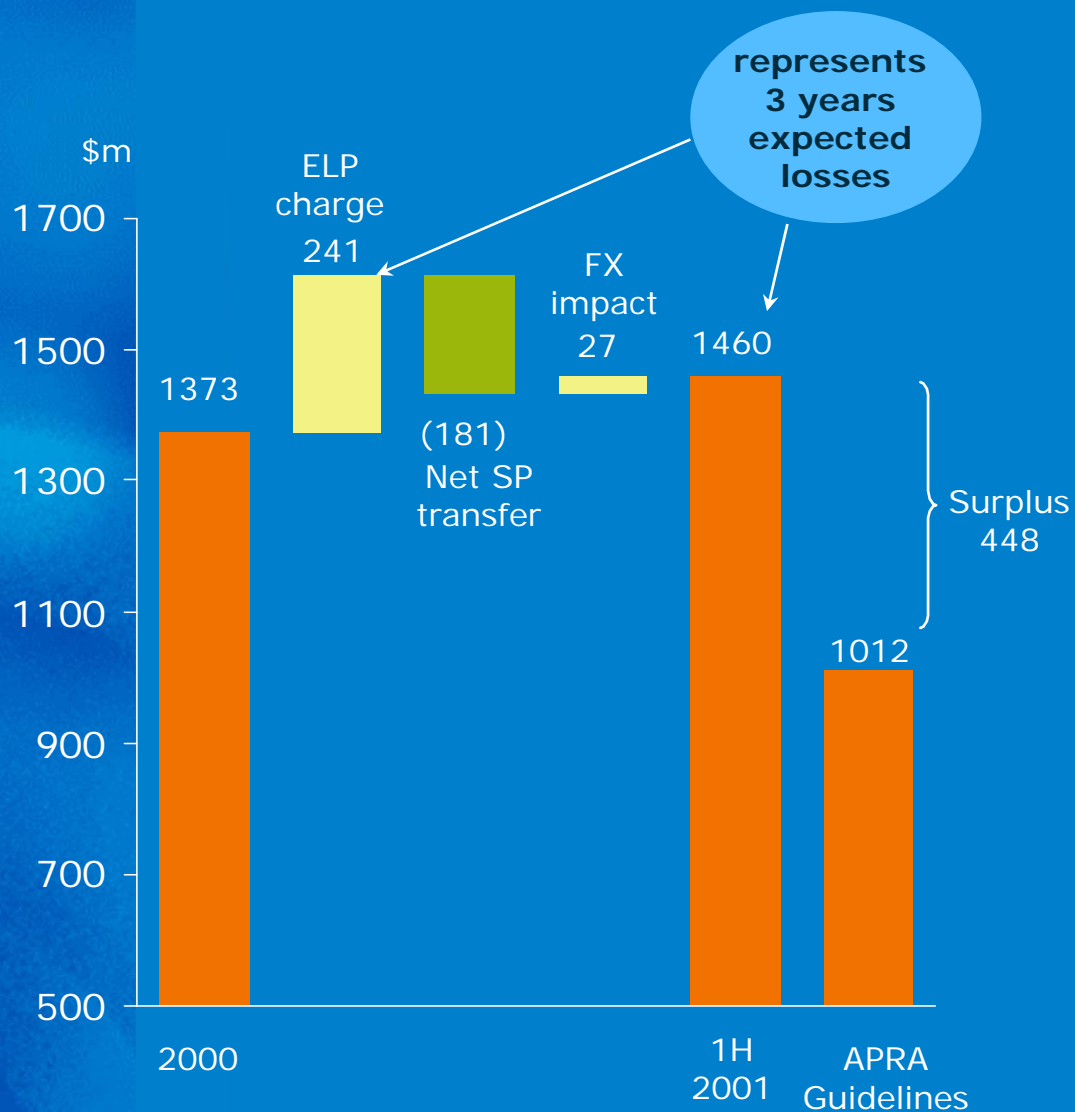
Accomm. Cafes & Restaurants



Construction



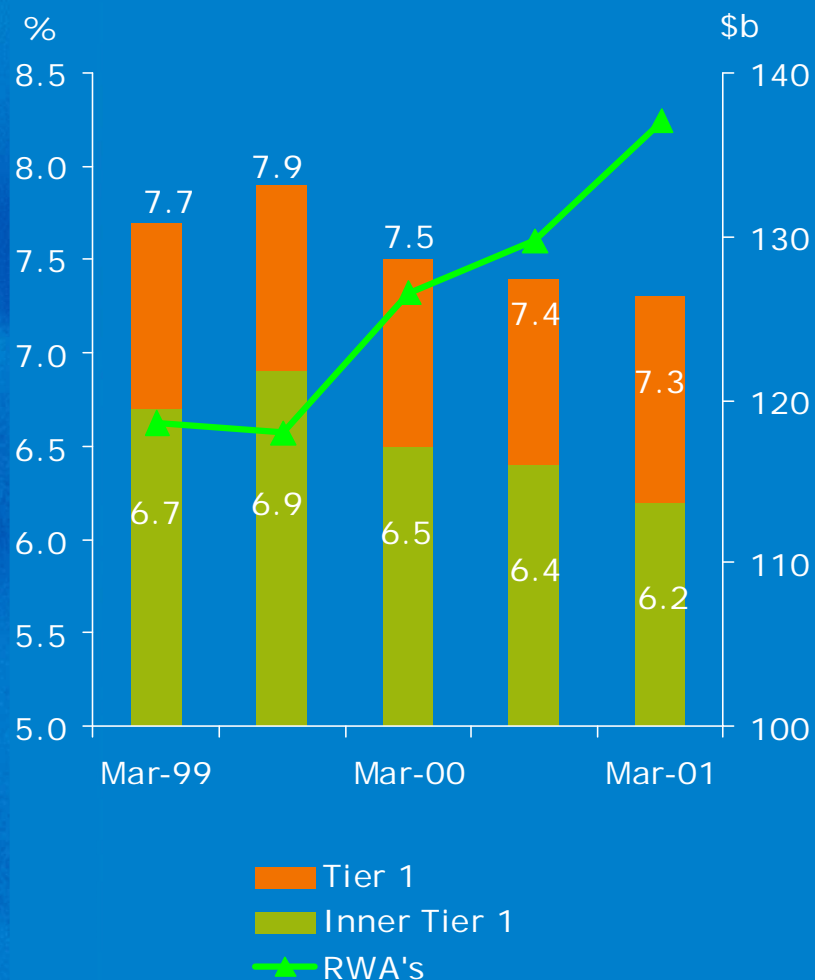
Provisioning levels remain strong



ELP - Economic Loss Provision

SP - Specific Provision

Capital management will continue



Capital Management Philosophy:

- Maintain capital consistent with ANZ's AA status and peer group ratings
 - Tier 1 (6.5 - 7.0%)
 - Inner Tier 1 (6.0%)

Progress

- \$413m in share buybacks in the half year
- New framework for allocating capital for operating risk implemented
- Capping of DRP/BOP

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Australia and New Zealand Banking Group Limited
26 April 2001

John McFarlane
Chief Executive Officer

We are performing well and on track to deliver on our 3 year commitments

Measure	3 Year Commitment	Achievement
EPS growth	> 10%	13%
ROE	> 20%	19.6%
Cost-income ratio	mid 40's	49.4%
Inner Tier 1	6%	6.2%
Credit rating	maintain AA category	maintained

- We have also committed to improving customer satisfaction, and will publicly report our progress

Implementation of our strategy is progressing well

- **Specialisation**

- 16 Business Units within 3 portfolios, plus corporate centre
- Separate financial reporting for each Business Unit

- **eTransformation** - the eBank with a human face

- Leading internet banking penetration
- Highest profit per employee

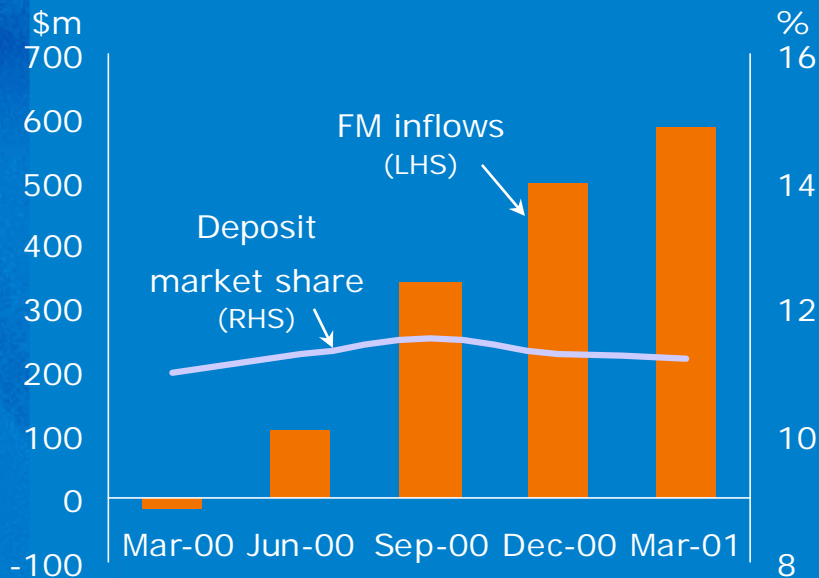
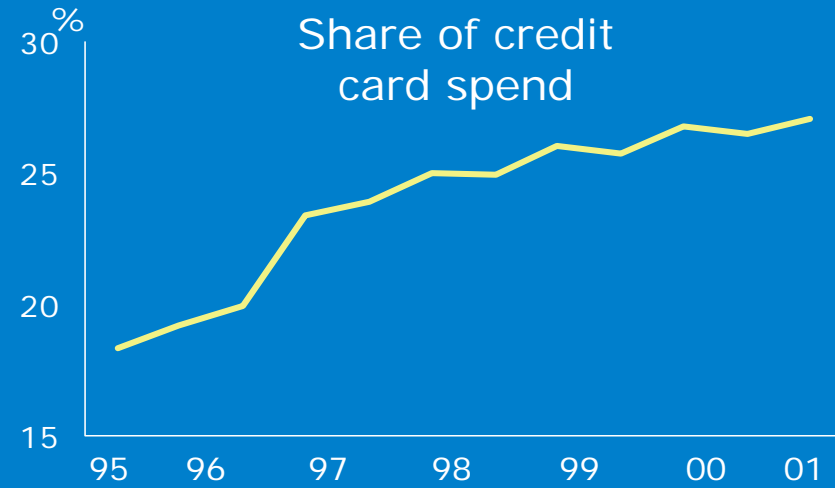
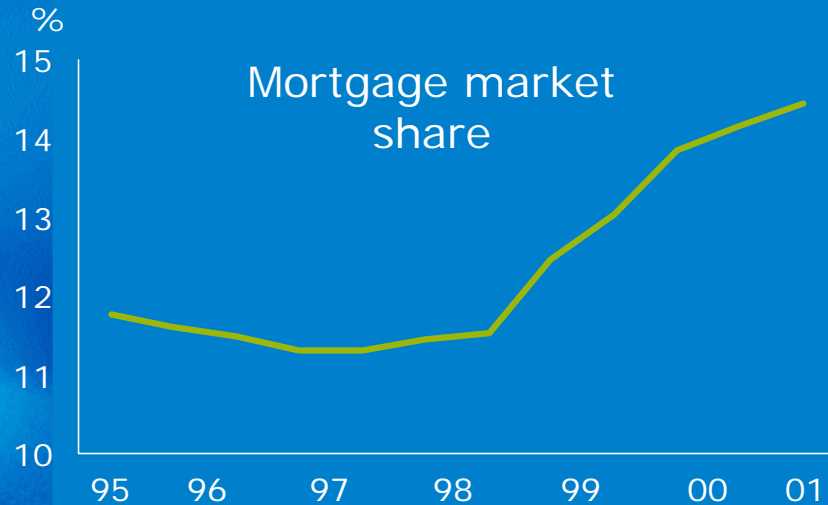
- **Perform Grow and *Breakout***

- Active resource allocation - Expenses, Capital, Balance Sheet, Talent
- Investment focused on lower risk, higher growth activities

New strategy delivering value - majority of businesses with double digit earnings growth

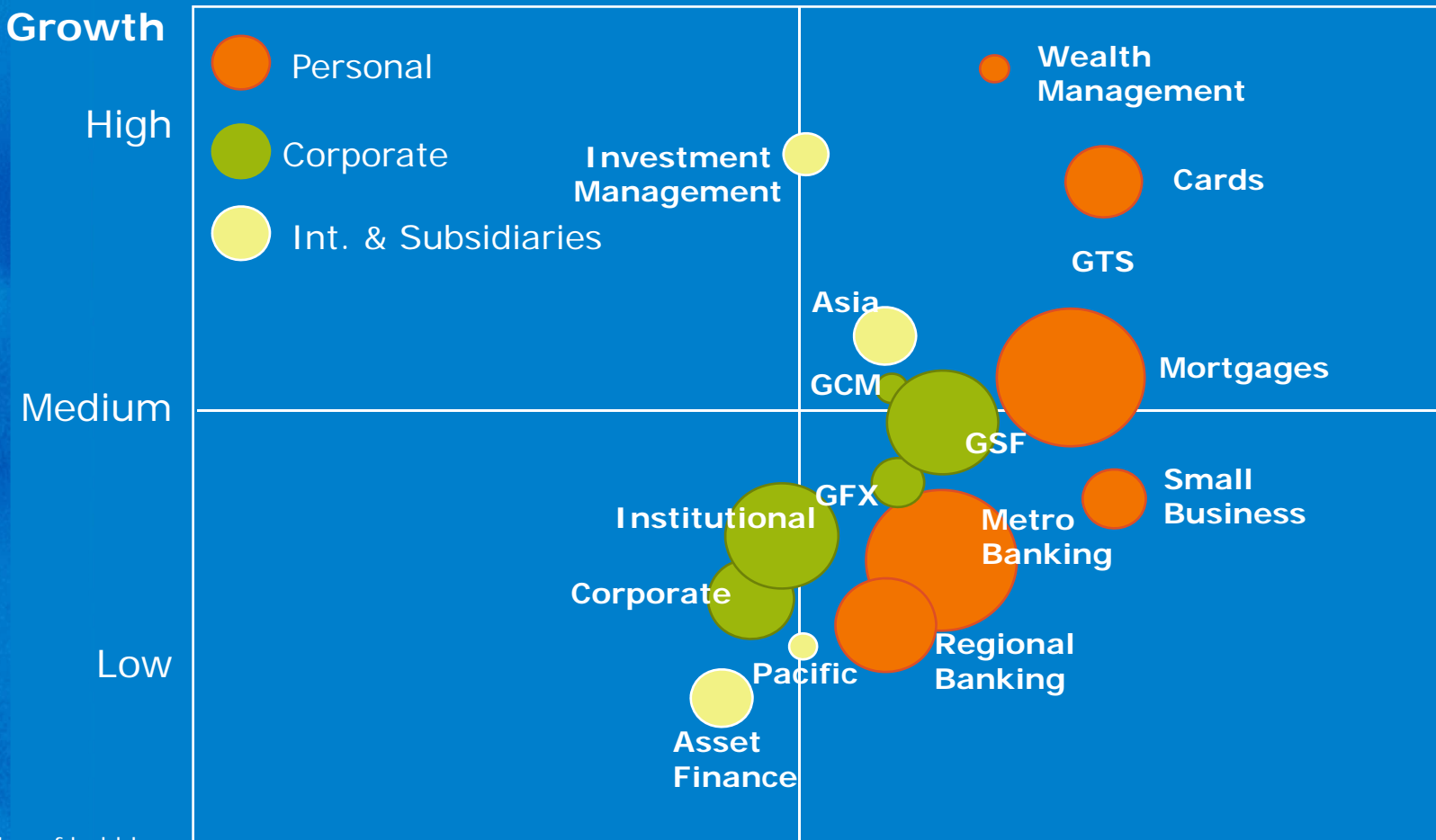
Business Unit	1H 2001 \$m	1H2000 \$m	Change \$m	Change %
Mortgages	112	58	54	93
Cards	58	34	24	71
Institutional	88	67	21	31
Asia	31	11	20	181
Structured Finance	85	69	16	23
General Banking	191	181	10	6
Capital Markets	24	16	8	50
Foreign Exchange	40	32	8	25
Transaction Services	54	46	8	17
Corporate Banking	65	61	4	7
Small Business	48	45	3	7
Asset Finance	47	46	1	2
Pacific	21	22	-1	-5
Wealth Management	11	15	-4	-27
Investment Management	34	43	-9	-21

We are developing a track record for building growth businesses



Most businesses expected to grow above market over next 2-3 years

Market Growth



Note: Size of bubble approximates relative profit contribution

Below Market

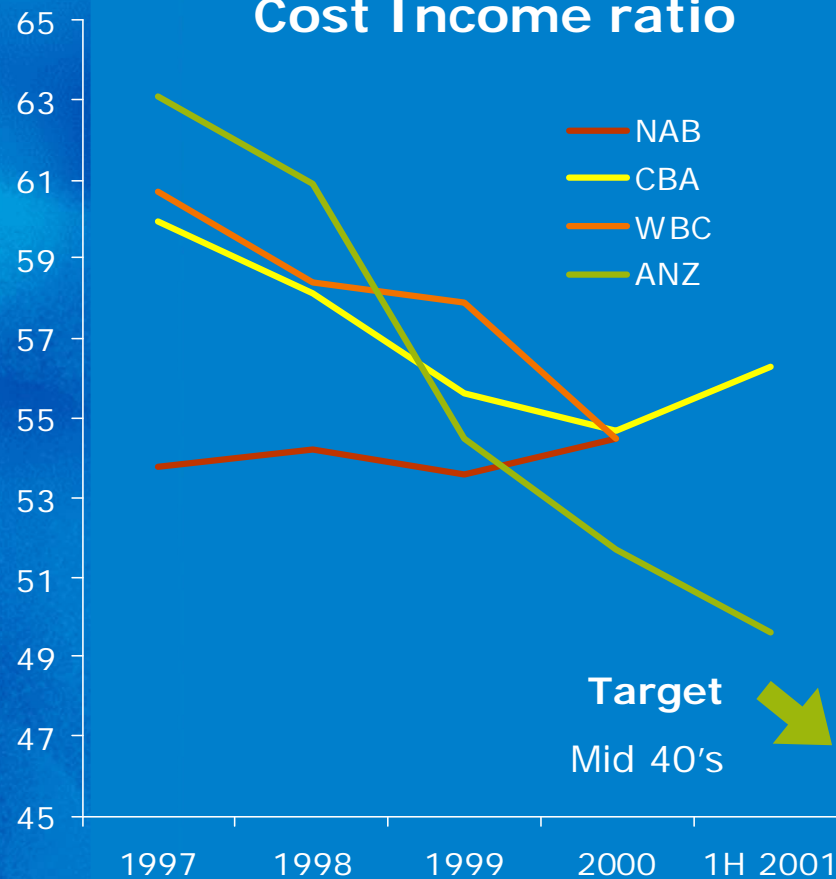
At Market

Above Market

BU Growth

Cost management delivers competitive advantage and funds to invest in growth businesses

Clear leadership on Cost Income ratio



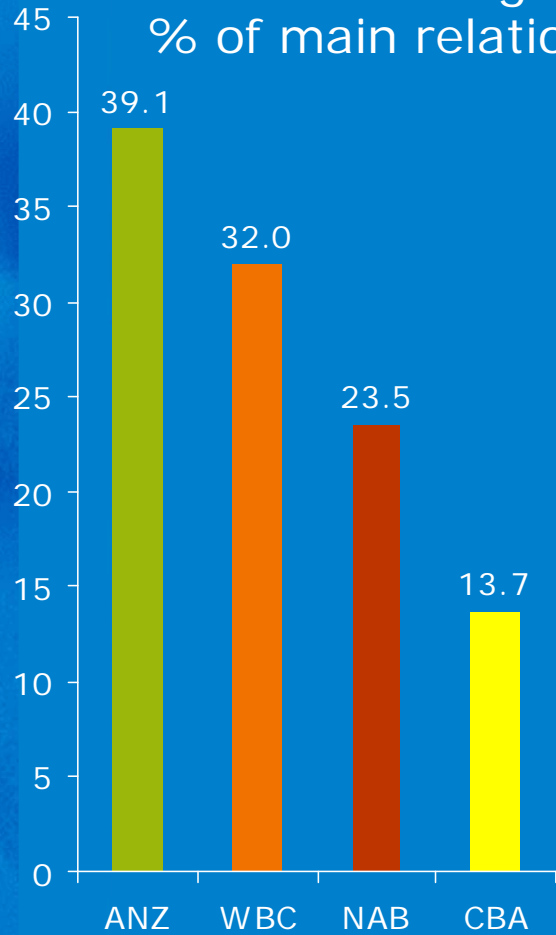
lower costs/AVA
higher productivity

eTransformation

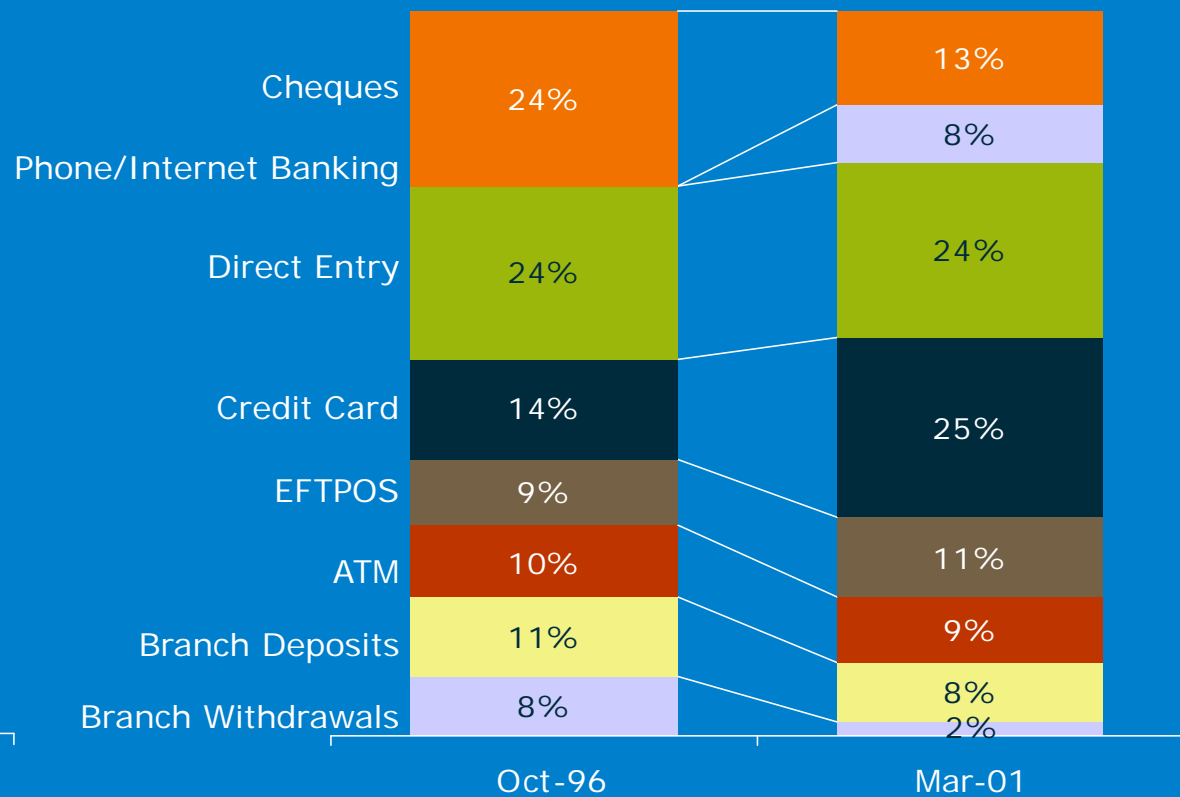
- competitive advantage
- capacity to invest in growth

eTransformation - enhancing the customer experience

Internet banking users as % of main relationships



Transaction activity



Source: JP Morgan & Roy Morgan Research

eTransformation – examples of real, tangible benefits internally

Project

Benefits

“Manage my leave”



95% reduction in processing costs

Web enablement - rollout of IP network to all points of representation



Cost neutral, but 100 times capability increase

Common Administration System



Estimated benefits ~\$40m

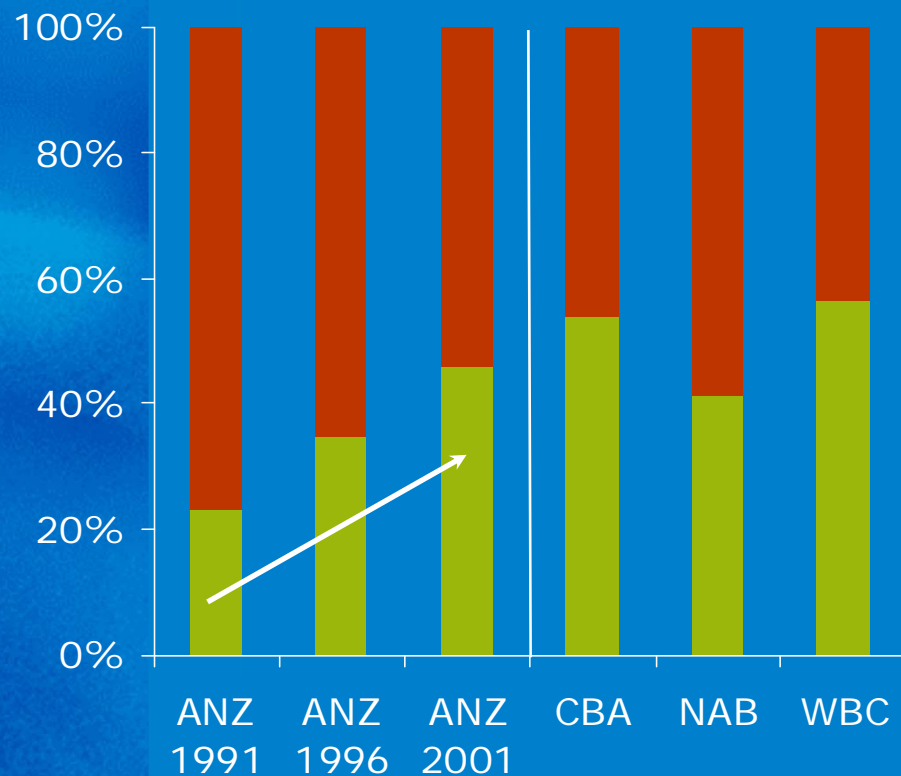
eTrain - online training



Provides staff with online access to training courses, including an eMBA

We continue to actively manage and reduce risk

Lending Profile by Asset Type*



- business
- consumer

* CBA as at 31/12/00, NAB & WBC as at 30/9/00

- Exiting higher risk businesses
- More emphasis on lower risk businesses
- Corporate balance sheet deliberately constrained – focus on fee income
- Risk based approach embedded through EVA

Being the eBank with a human face



- Put our customers first with an experience that delights
- Focus on creating value for our shareholders
- Lead and inspire our people
- Breakout, be bold and have the courage to be different
- Earn the trust of our people and the community

Our breakout approach is differentiating us

Strategy

- Specialised businesses
- First class execution (no surprises)

Staff

- 86% of managers on individual contracts
- 12% rise in staff satisfaction

Customers

- Establishment of Customer Charter, Customer Advocate and distinctive customer and community initiatives

eTransformation

- Leading cost income ratio
- Highest internet banking penetration

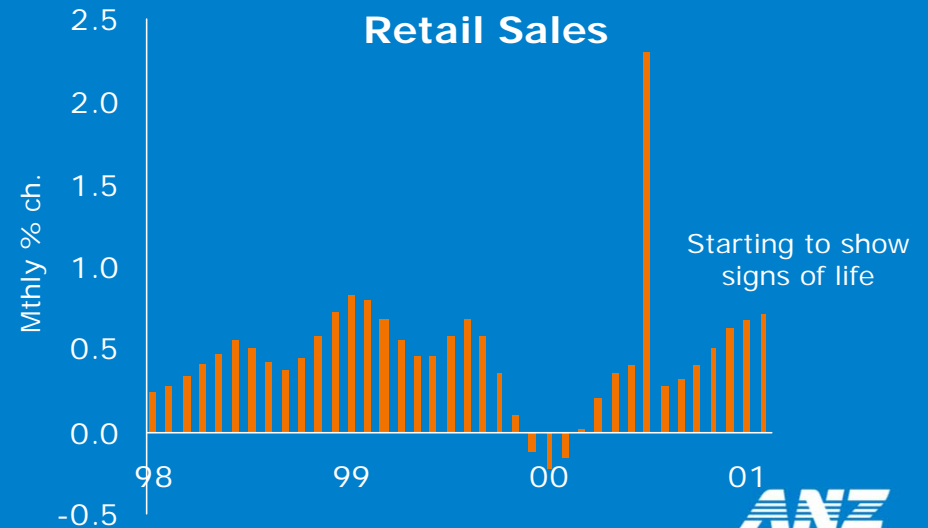
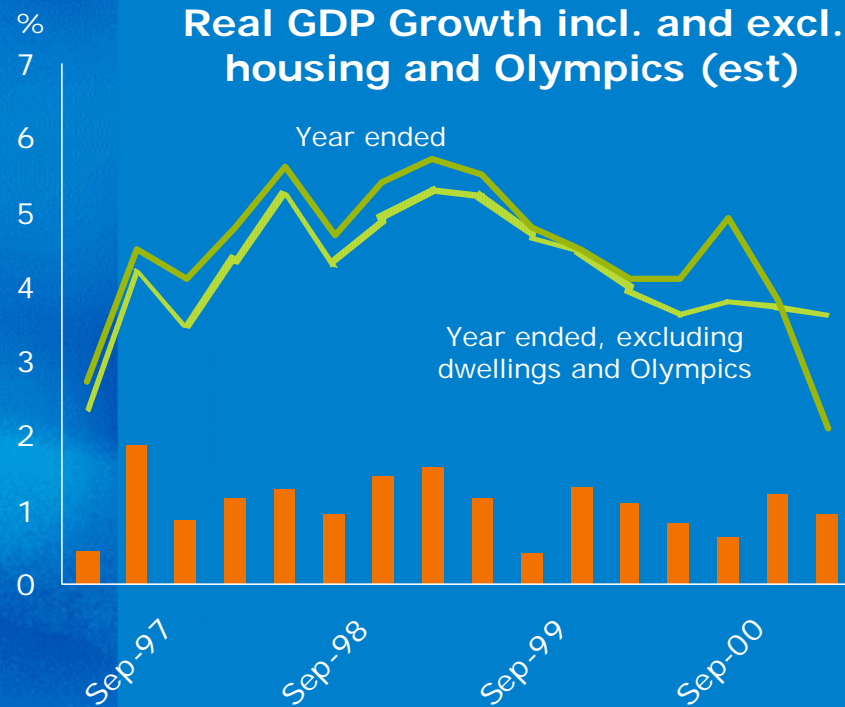
Risk

- Leading financial disclosure & transparency
- EVA embedded in culture

New customer and community initiatives

- Fee free, over-the-counter services for older customers (aged 60+)
- A new Customer Charter setting out clear service standards effective from 1 October 2001. A key feature of the Charter will be a financial donation payable by ANZ to a charity of the customer's choice if ANZ does not meet its complaint resolution standards
- Appointment of a senior Customer Advocate to ensure the satisfactory resolution of customer issues and complaints.
- Improvements and greater funding for ANZ's community relations program
- Paid leave for staff who volunteer for community service

The economy - signals are mixed....



.... but we are cautiously optimistic

- **Sharp slowdown in H2 2000**
 - overstates weakness of underlying economic activity - we continue to expect a solid cyclical rebound in 2001-02
- **Fundamentals remain healthy**
 - usual preconditions for recession in Australia (rising inflation and interest rates) notably absent
- **Risks remain**
 - weakened global growth, rising inventory levels, subdued business sentiment and falling job advertisements
- **But monetary and fiscal conditions remain supportive**
 - after slowing to only 2% in 2000-01, growth forecast to rebound to 3.2% in 2001-02

Outlook

- System credit growth forecasts*
 - housing 12.4%
 - personal 11.1%
 - business 6.5%
- Personal to exceed system credit growth
- Corporate credit growth - continuing higher quality focus
- Margin compression will continue
- Costs flat
- Challenges ahead, however we are well placed to continue to perform well, and achieve our targets over the medium term

Summary

- We are **performing well**
- **Cost management** momentum – **eTransformation** has just begun...
- **Risk reduction** continues
- Our new strategy is **creating value** and better positioning us for **growth**
- We are differentiating ourselves through our **Breakout** program



We are
on track
to achieve
our goals

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

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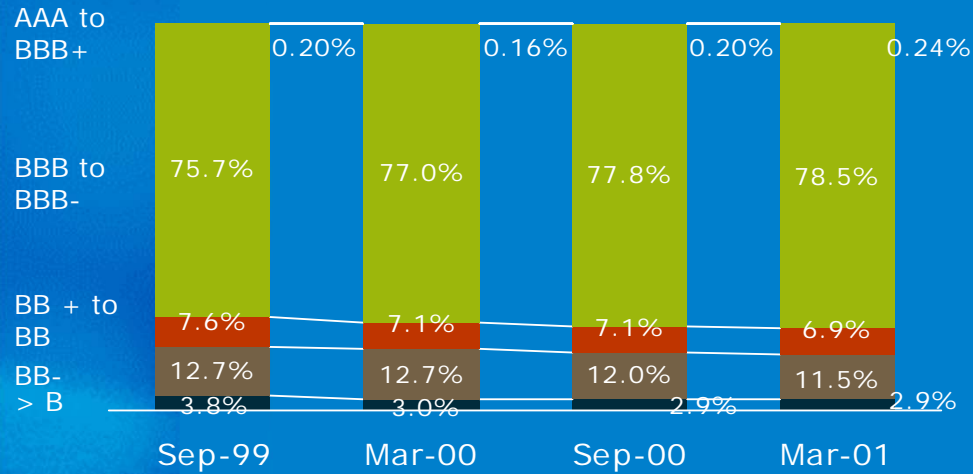


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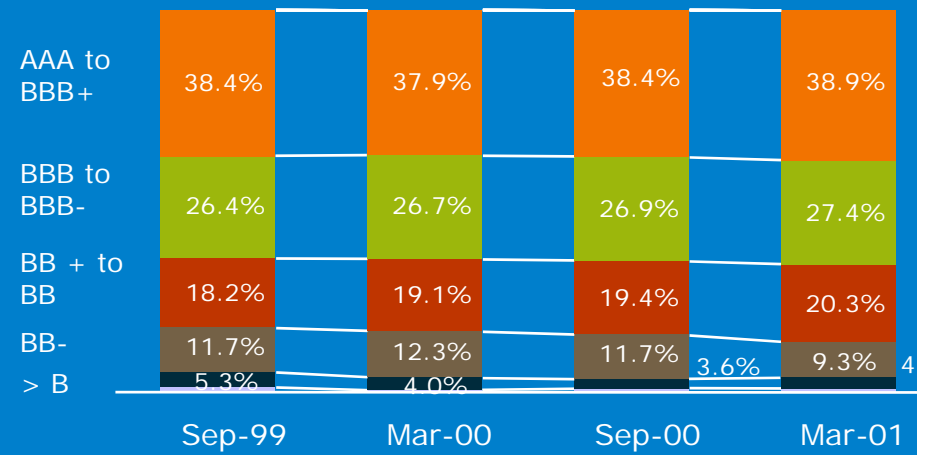
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Risk grade profile by division

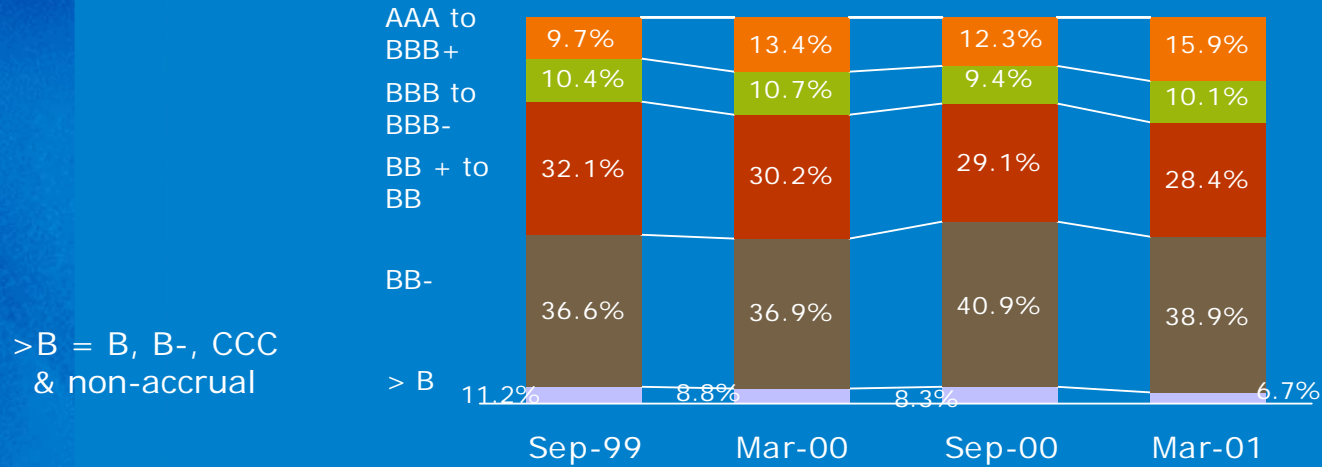
Personal



Corporate



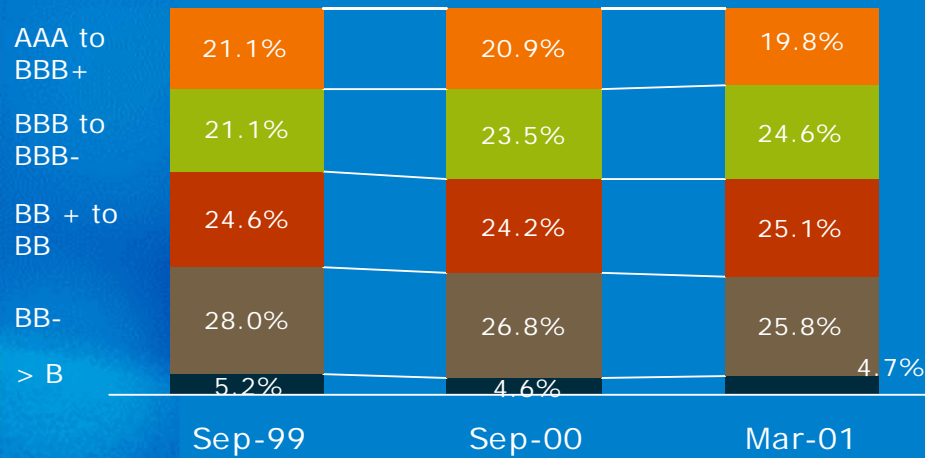
International & Subsidiaries



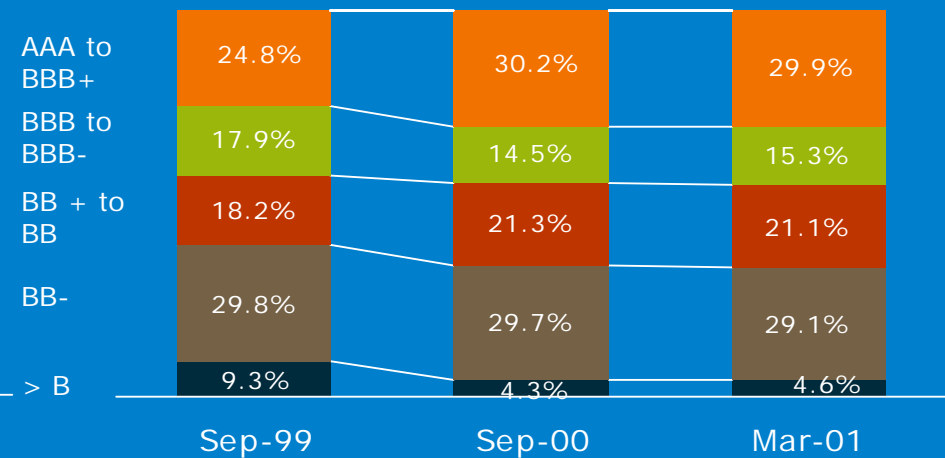
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Risk grade profile by geography*

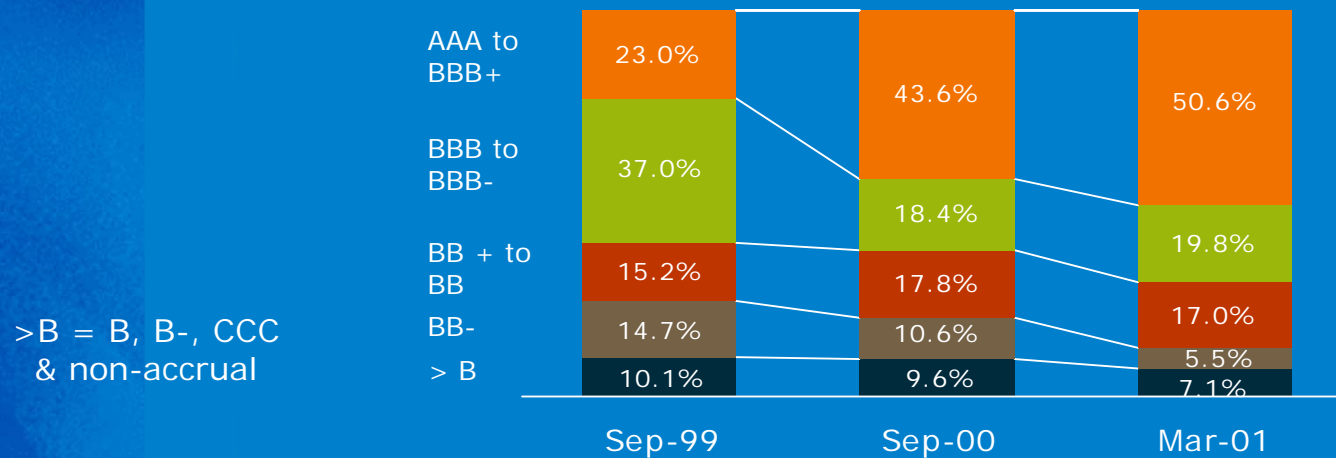
Australia



New Zealand



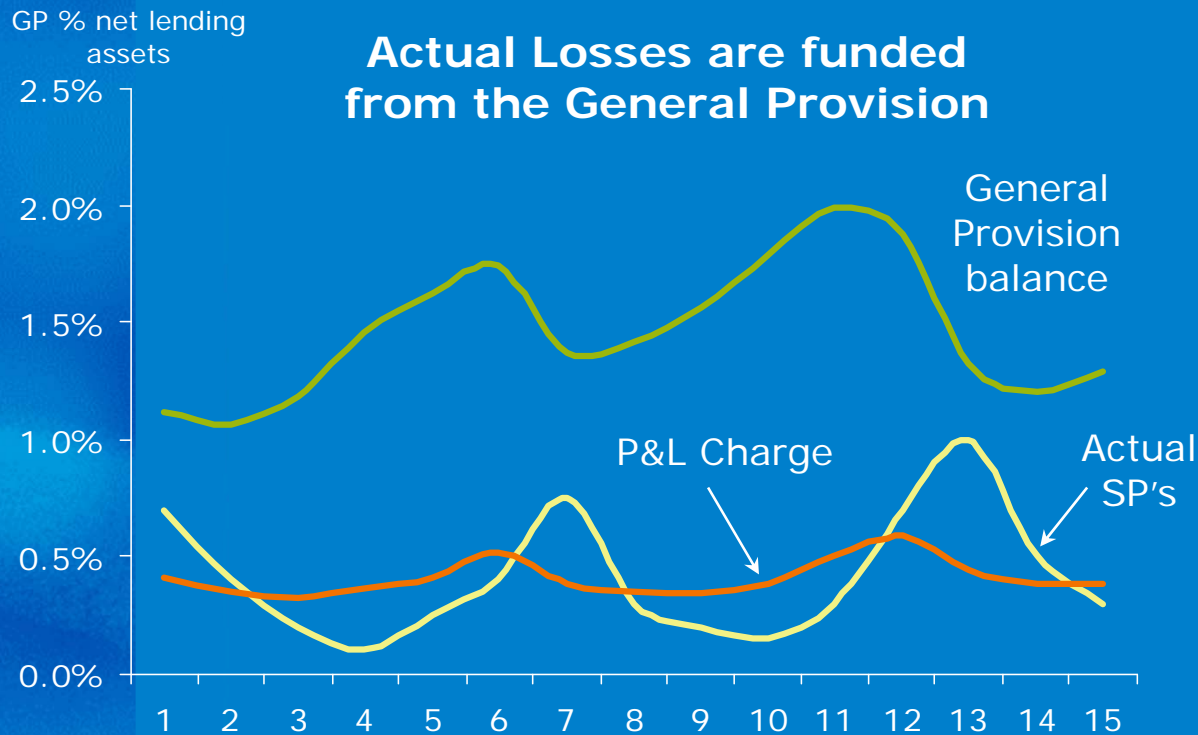
International



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

* Excludes housing

Economic Loss Provisioning



ELP charge will vary from year to year based on:

- changes in lending volumes
- change in risk grade profile
- security levels
- product and geographic mix

ELP Charge

$$= \text{Loan Amount} \times \text{Probability loss} \times \text{Loss Given default}$$

Plus

An adjustment to ensure the GP balance is sufficient to cover:

- Volatility around expected loss (using statistically quantified variance)
- Remaining term of loan portfolio
- Balance sheet growth

System credit growth forecasts



Summary of forecasts - Australia

	Calendar years			
	1999	2000	2001	2002
Real GDP growth	4.7	3.7	2	3 ³ / ₄
Inflation	1.5	4.5	3 ³ / ₄	1 ¹ / ₂
Unemployment (Dec)	7.0	6.6	7 ¹ / ₂	6 ¹ / ₂
Current account deficit (%GDP)	-5.8	-4.0	-2.3	-3.3
Housing starts ('000)	157	148	116	136
90-day bill yield (% pa, Dec)	5.48	6.20	4.75	5.1
10-year bond yield (% pa, Dec)	6.64	5.50	5.4	6.1
A\$ (US cents, Dec)	65.8	55.8	52.0	60.0

Sources: ABS; RBA; Economics@ANZ.