2000 Annual Results

Australia and New Zealand Banking Group Limited
26 October 2000

John McFarlane
Chief Executive Officer

2000 Annual Result

- Strong result – better than expectations
  - $1,703m up 15%
  - $885m second half up 8.2% on first half
- We delivered on all our commitments
  - Financial performance
  - Rebalancing the portfolio
  - Reducing risk
- Restructuring program accelerates strategy
  - Sensible application of surplus capital
  - EPS accretive
  - Superior to buyback alternative

Results summary

- Operating profit after tax before abnormals:
  - Full year: $1,703 million, up 15%
  - Second half: $885 million, up 15.8% on 1999, and 8.2% on first half 2000
- Earnings per ordinary share up 15% to $1.04
- Return on ordinary shareholders' equity of 18.3%, up from 17.2%
- Final dividend 35 cents, up 5 cents with 100% franking. Full year dividend 64 cents, up 14%
- $361m restructuring charge to accelerate new strategy
- Net abnormal profit $44 million - Grindlays profit largely offset by restructuring and other provisions
- Costs flat. Cost income ratio down to 51.7% from 54.4%

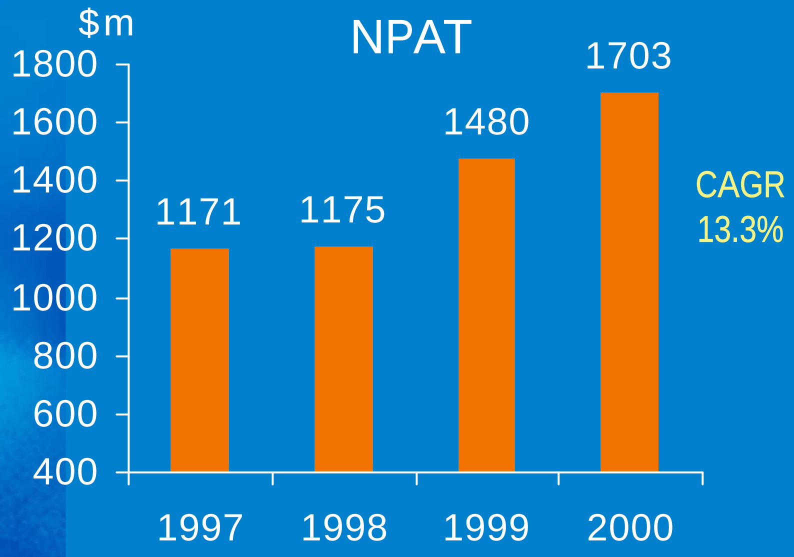
Our three year commitments to shareholders

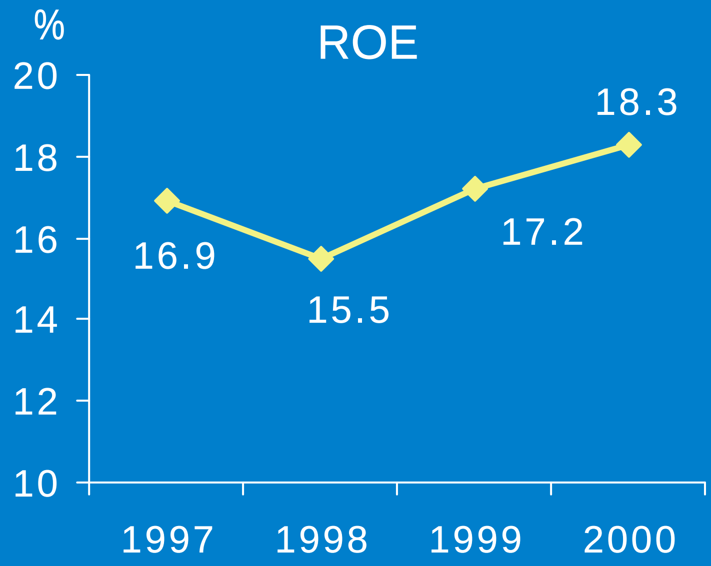
- **Achieve superior financial performance**
  - Deliver double-digit earnings growth
  - Improve return on equity
  - Bring down our cost income ratio to 53%

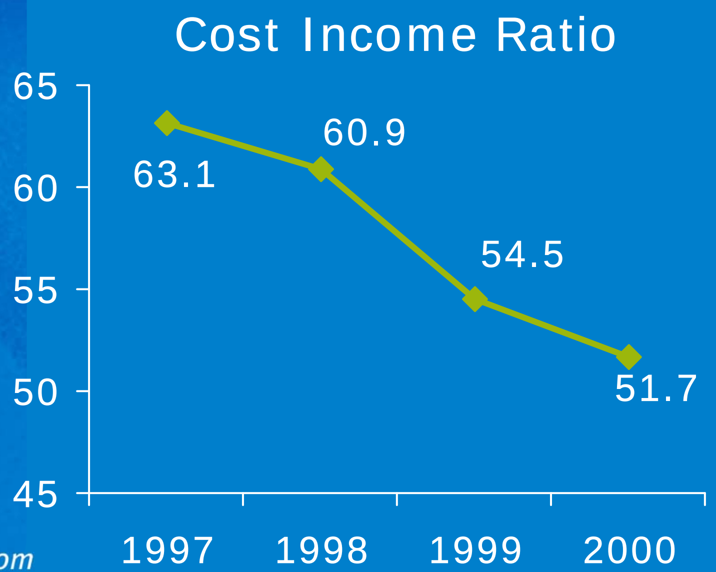
- **Re-balance our portfolio**
  - Increase proportion of Personal business
  - Enhance leadership position of Corporate
  - Simplify and focus our International business
  - Build momentum in eCommerce

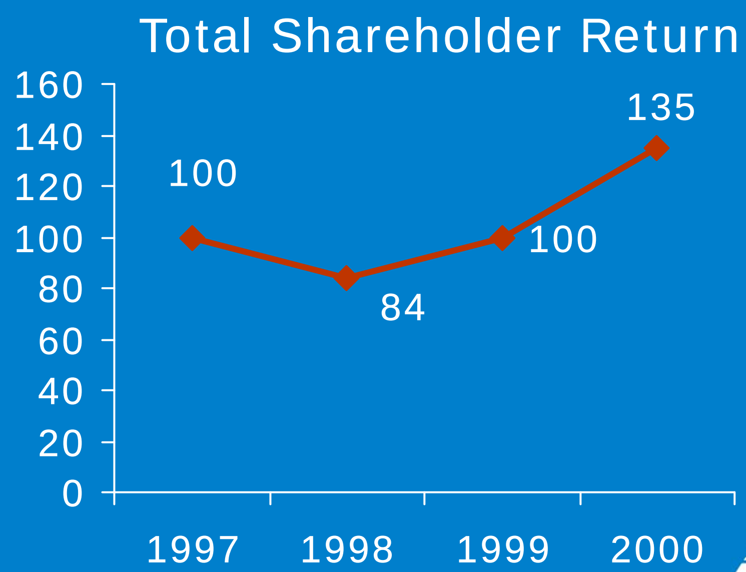
- **Reduce risk**

We have delivered superior financial performance

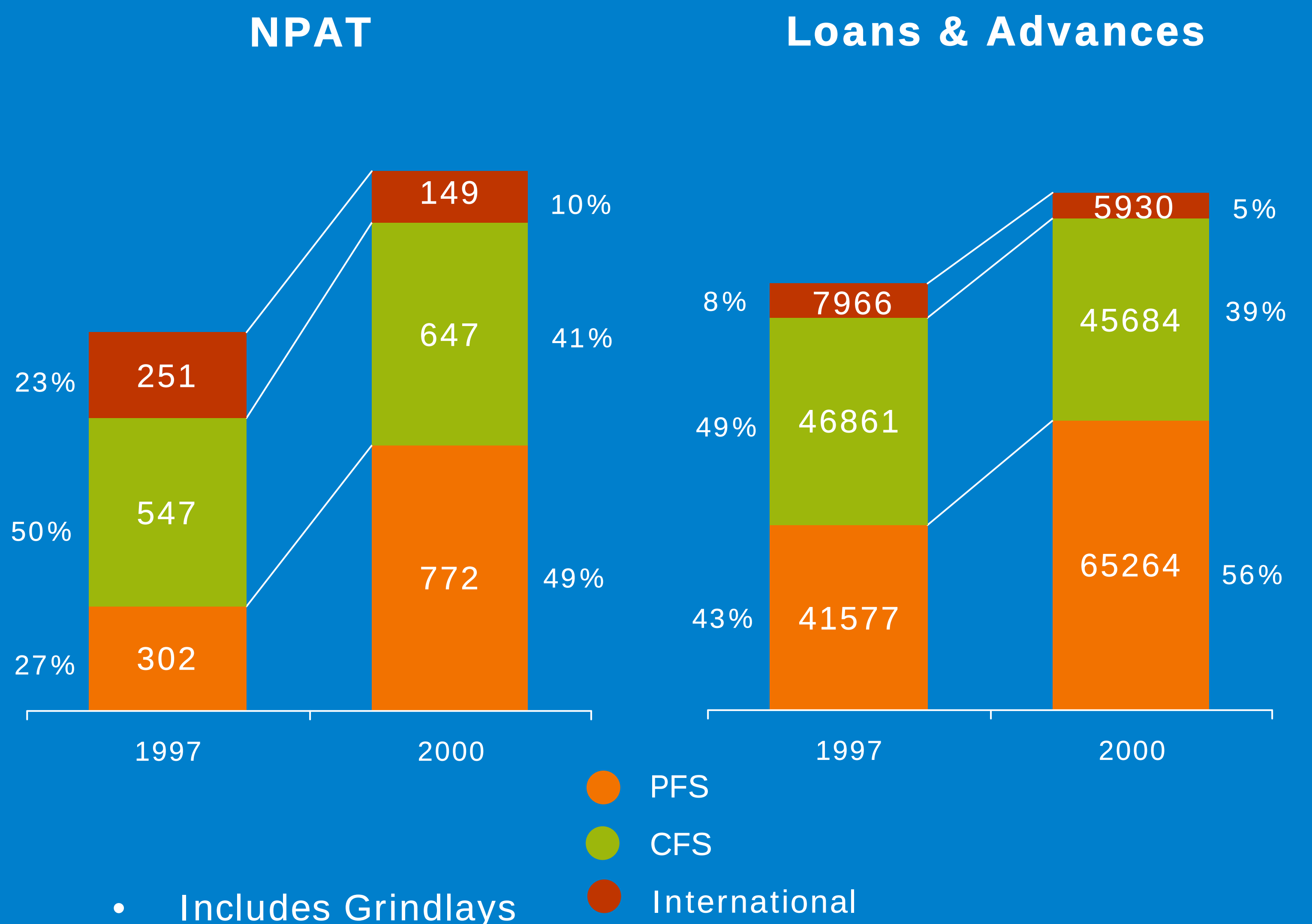






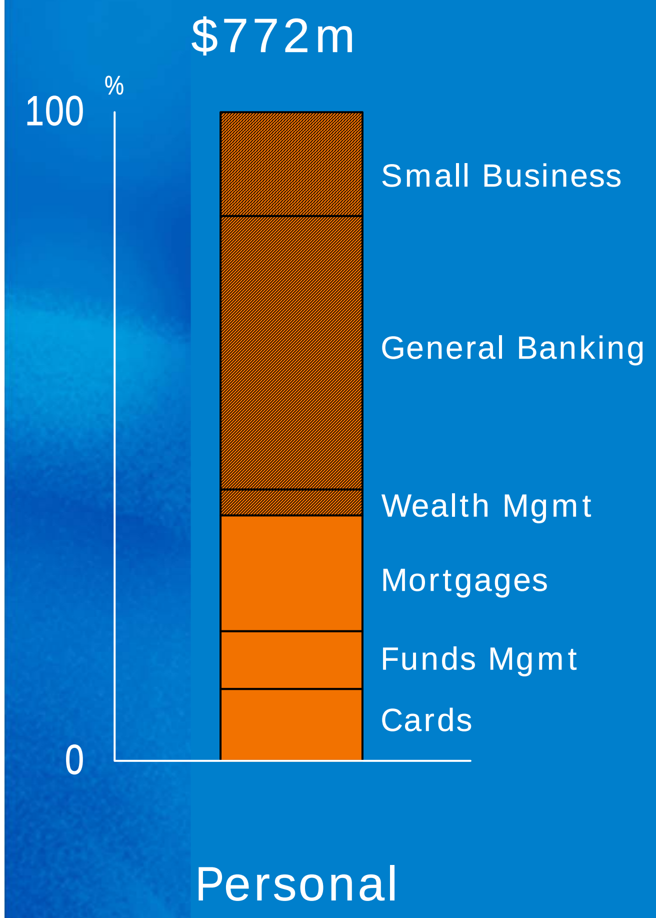


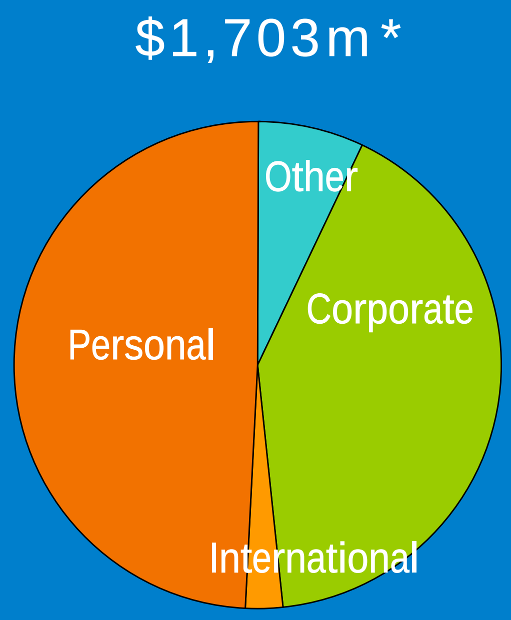
We have re-balanced our portfolio

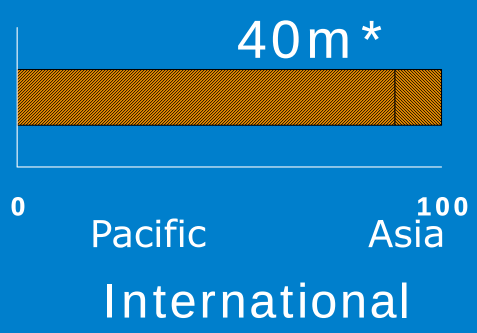


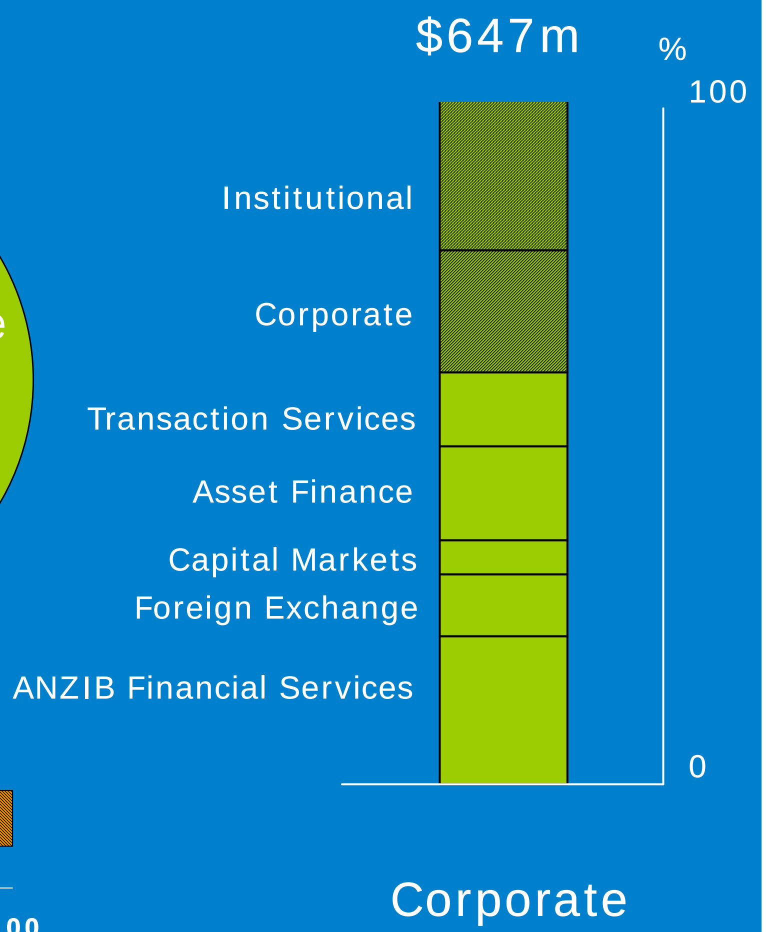
- Includes Grindlays
- Excludes Group

Portfolio breakdown - indicative



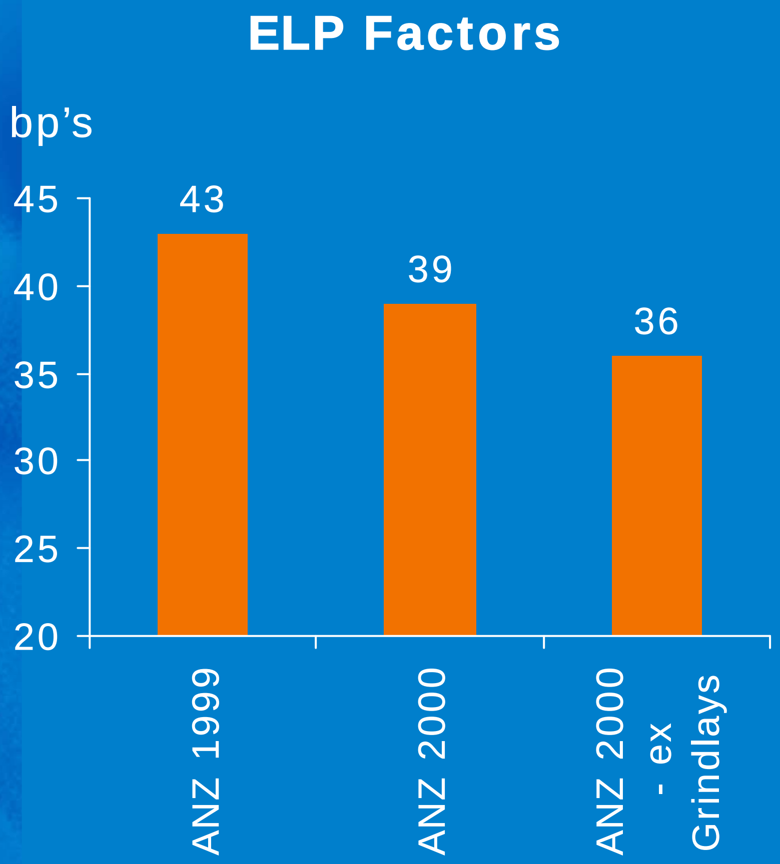


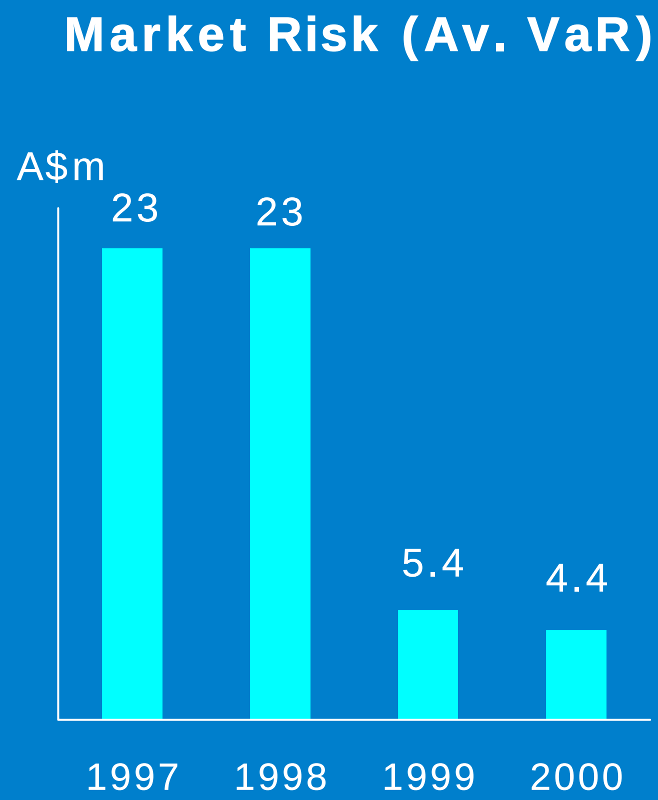




* Excluding Grindlays ($127m)

We continue to reduce risk





- Beta reducing towards 1.0, in line with peer average

We didn’t get everything right – firm action taken

- Personal loan portfolio
- International provisioning from historical book
- Panin writedown to market
- Took action to put historical Grindlays issues behind us

Accelerating our transformation program

35 Initiatives across our portfolio of businesses including:

- Standardisation and rationalisation of IT and processing platforms
- Rationalisation and upgrading of EFTPOS network
- Transformation of Branch Network
- Improving efficiency in Asia/Pacific by rationalising IT platforms and centralising back office processing
- Establishing new business platform for Esanda

Expected cost reduction

$300m

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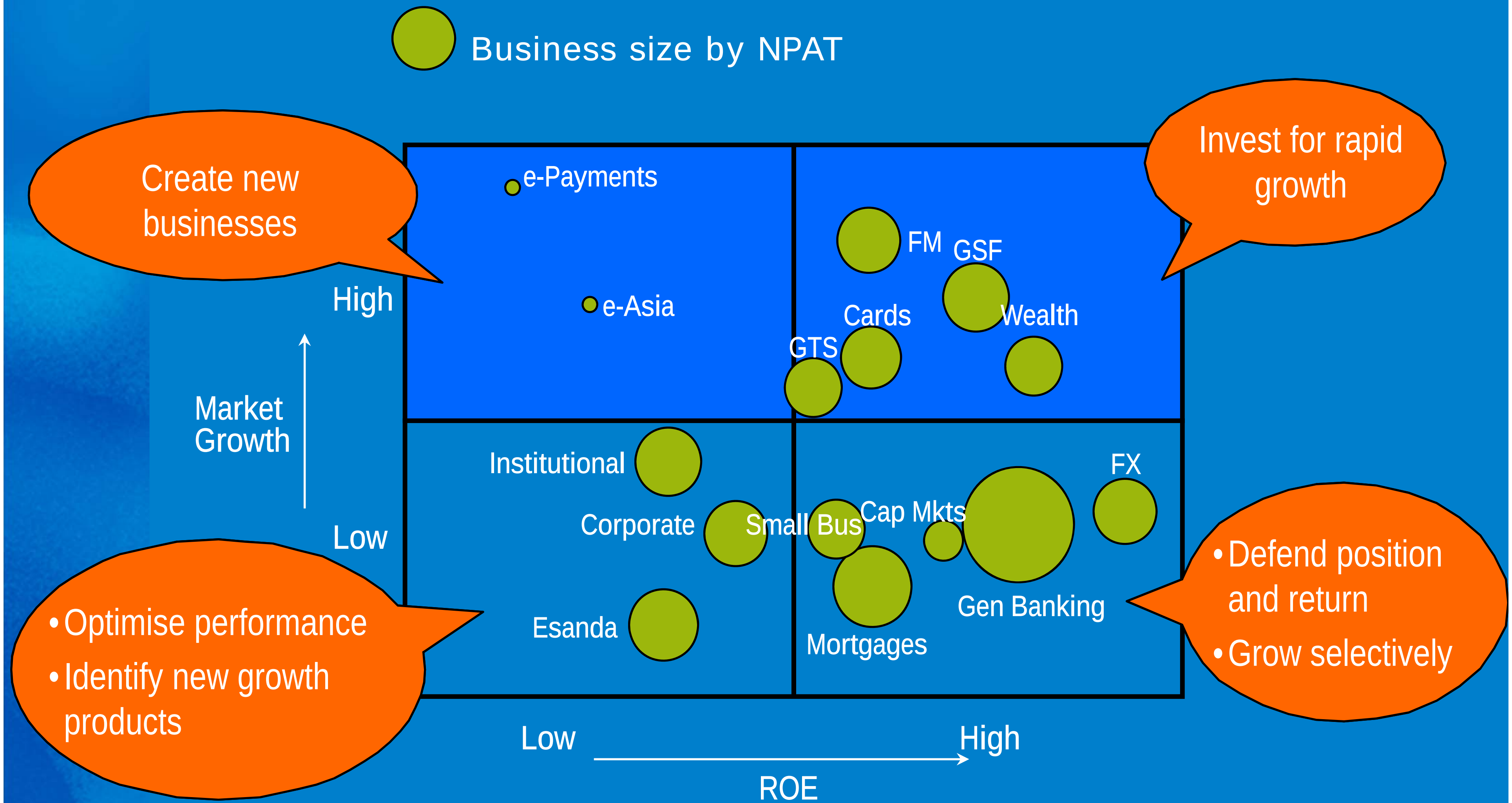
Building for the future - recap on our strategy

	Proposition	Strategy	Implications
Specialise	• Specialists will win over conglomerates	• Reconfigure ANZ as a portfolio of 21 specialist businesses	• Specialist approach to customer and product businesses
e-Transform	• Corporations need to embrace new technologies	• An e-Bank with a human face	• Transform the way we do business by using IP technology
Perform and Grow	• Value depends on performance and growth	• Drive results whilst investing in growth businesses	• Meet expectations, fund growth by cost reduction

Portfolio strategy should reflect degree of globalisation and leverage real capabilities

Different businesses need different strategies



Balancing the autonomy of each business with strong leadership from the centre

Business Unit

- Prime accountability for profit and value
- Freedom to pursue opportunities within agreed boundaries
- Operate using agreed set of platforms, systems and shared services
- Transfer pricing based on market - no cross subsidisation

Corporate Centre

- Drive group strategic direction and set policy
- Portfolio management and resource allocation
- Cross-Business Unit synergies
- Control and oversight of risk, brands and technology

Accountabilities
PFS 50%
Group 50%

Personal Financial Services

Peter Hawkins

	General Banking	Wealth Management	Small Business	Mortgages	Cards	Funds Management
Theme	Drive sales and efficiency	Invest to grow	Aggressively rebuild	Maintain profitable growth	Accelerate growth	Reinvigorate and grow
Priorities	• Advanced marketing/ segmentation • Straight through processing • Lower cost to serve	• Expert advice • Open architecture • “Wrap” facility • Seamless access	• Build profitable market share • Relationship based proposition • Redesign end-to-end processes	• Maintain distribution strength • Straight through processing	• “Best of breed” delivery platform • Data mining • Exploit growth opportunities	• Leverage distribution channels • Optimise products/ capabilities • Double FUM by 2003

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systems CRM SSP brand risk management

ANZ in the medium term

ANZ in 1 - 2 years

- Material reallocation of resources
- Substantial e-transformation reducing costs and focused service
- Performance optimised
  – EPS, ROE, investment
  – capital management
- Transformational cultural change

ANZ in 3 - 7 years

- Substantial portfolio shifts
- Narrower, more focused portfolio with leading positions
- Increased investment in high growth business
- Modern performance culture
- Higher stock rating

Goals going forward

- EPS growth above peer average (target 10+%)
- ROE over 20%
- Cost-income ratio comfortably in the 40's
- Inner Tier 1: 6%
- Maintain AA category credit rating

2000 Annual Results

Australia and New Zealand Banking Group Limited
26 October 2000

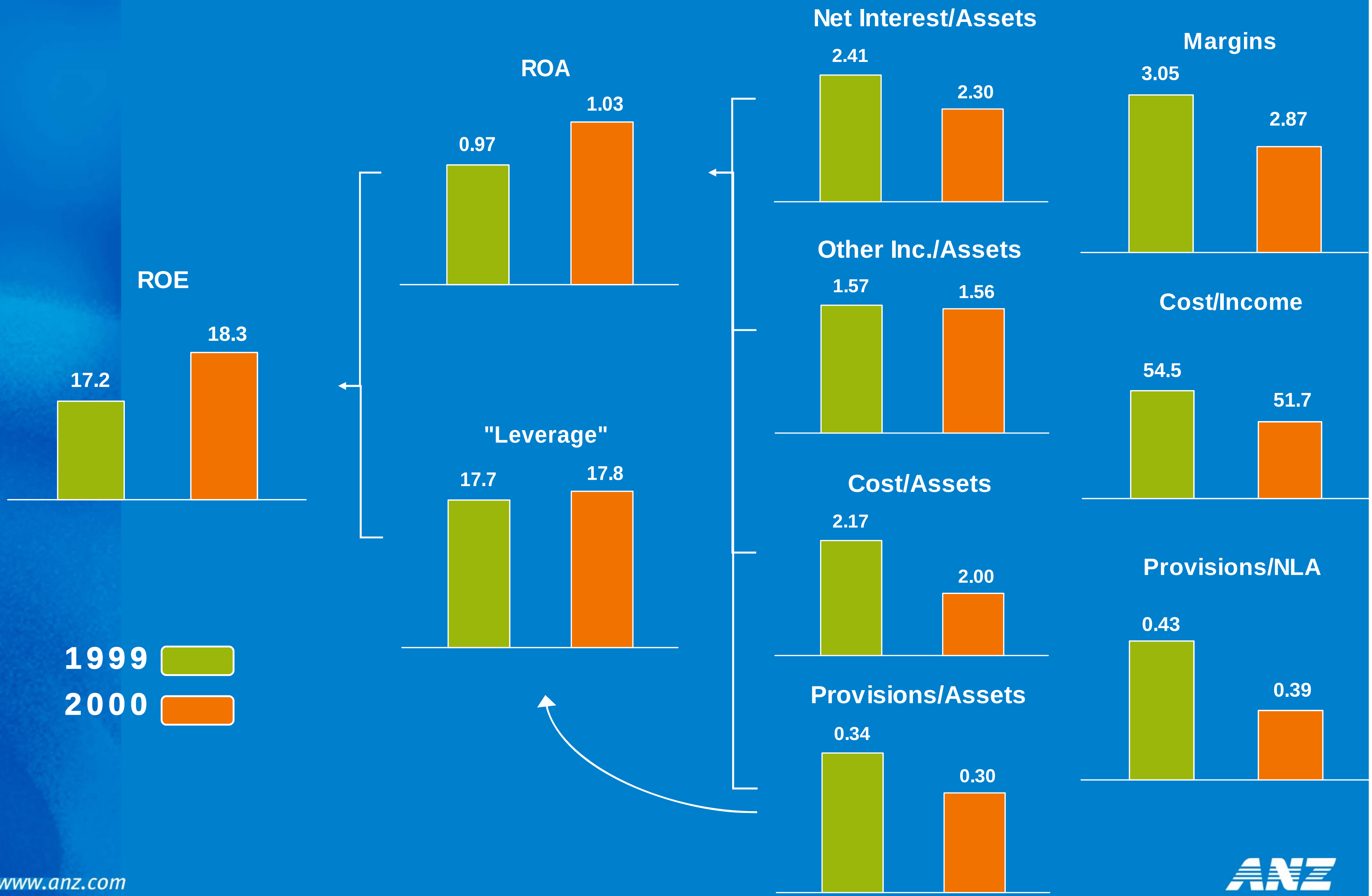
Peter Marriott
Chief Financial Officer

Highlights

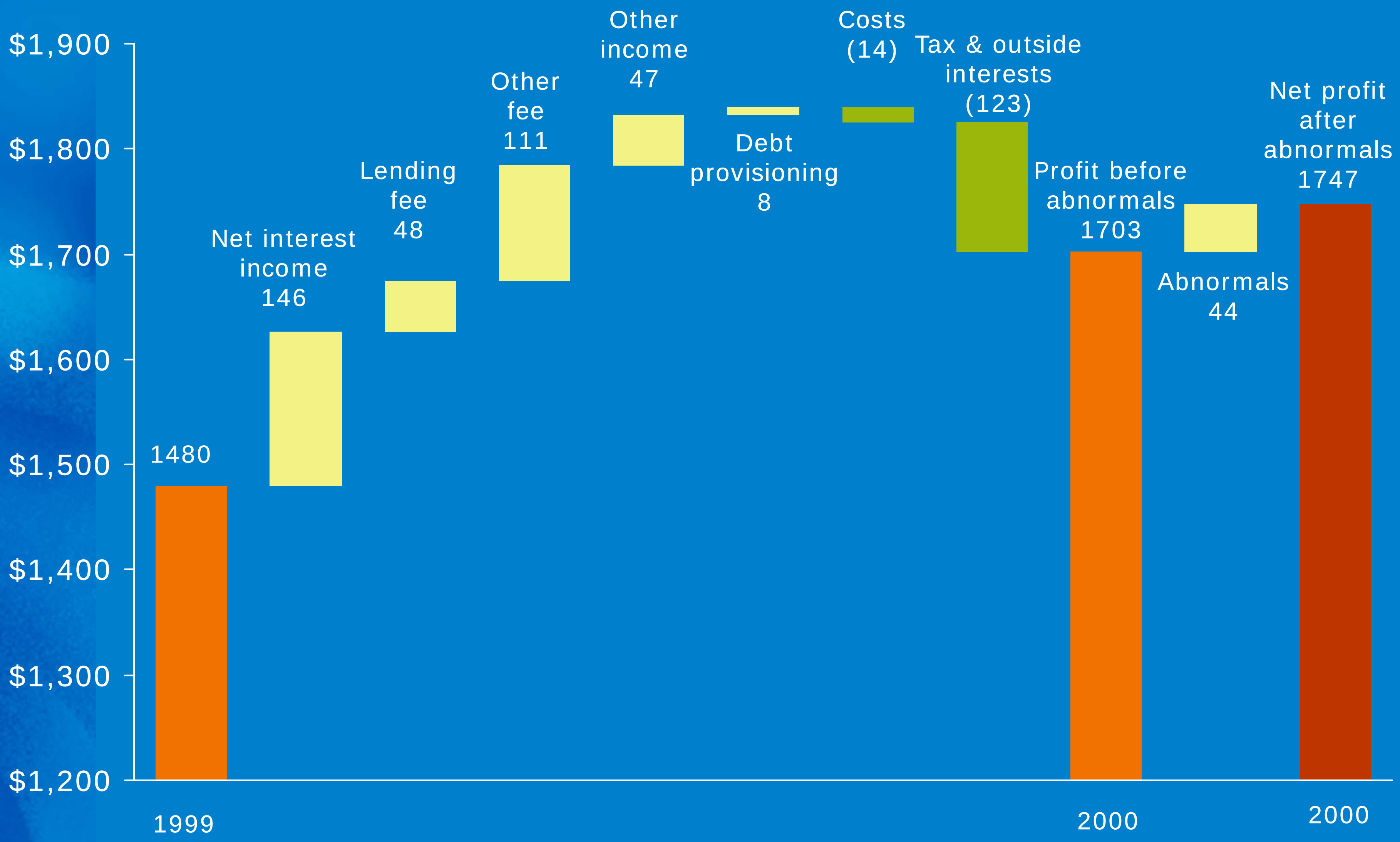
- ⇨ Earnings growth of 15% (13.3% compound)
- ⇨ Return on equity 18.3% (17.2%)
- ⇨ Cost income ratio 51.7% (54.5%)

- ⇨ Grindlays sold, realising net profit after tax of $404m after related provisions
- ⇨ Income up 6%, costs flat, ELP down 4bp's to 39bp's
- ⇨ $2bn returned to shareholders in the form of dividends and share buyback
- ⇨ Dividends returned to 100% franking
- ⇨ Restructuring charge to accelerate transformation program

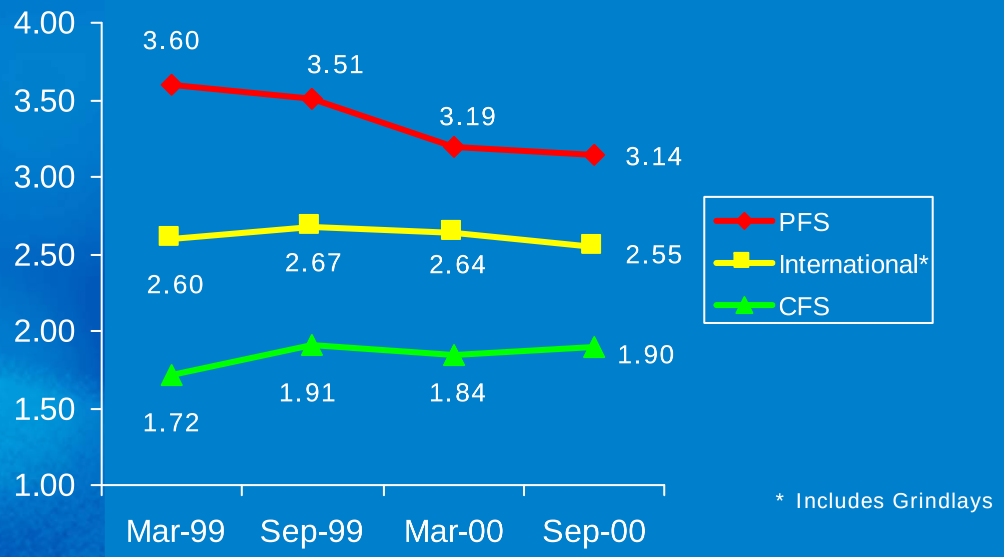
Drivers of performance (excluding abnormals)



Good progress across the board

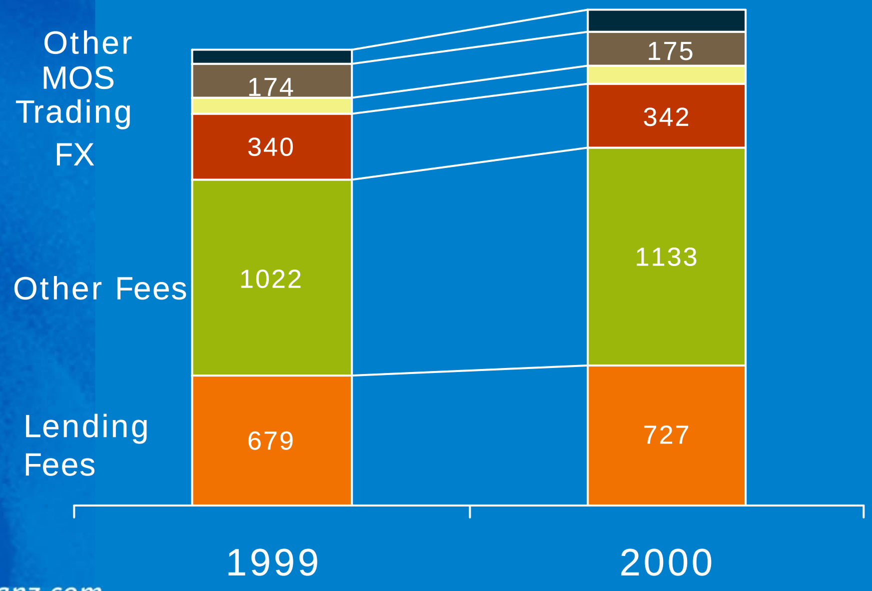


Income drivers



Margins stabilised in second Half

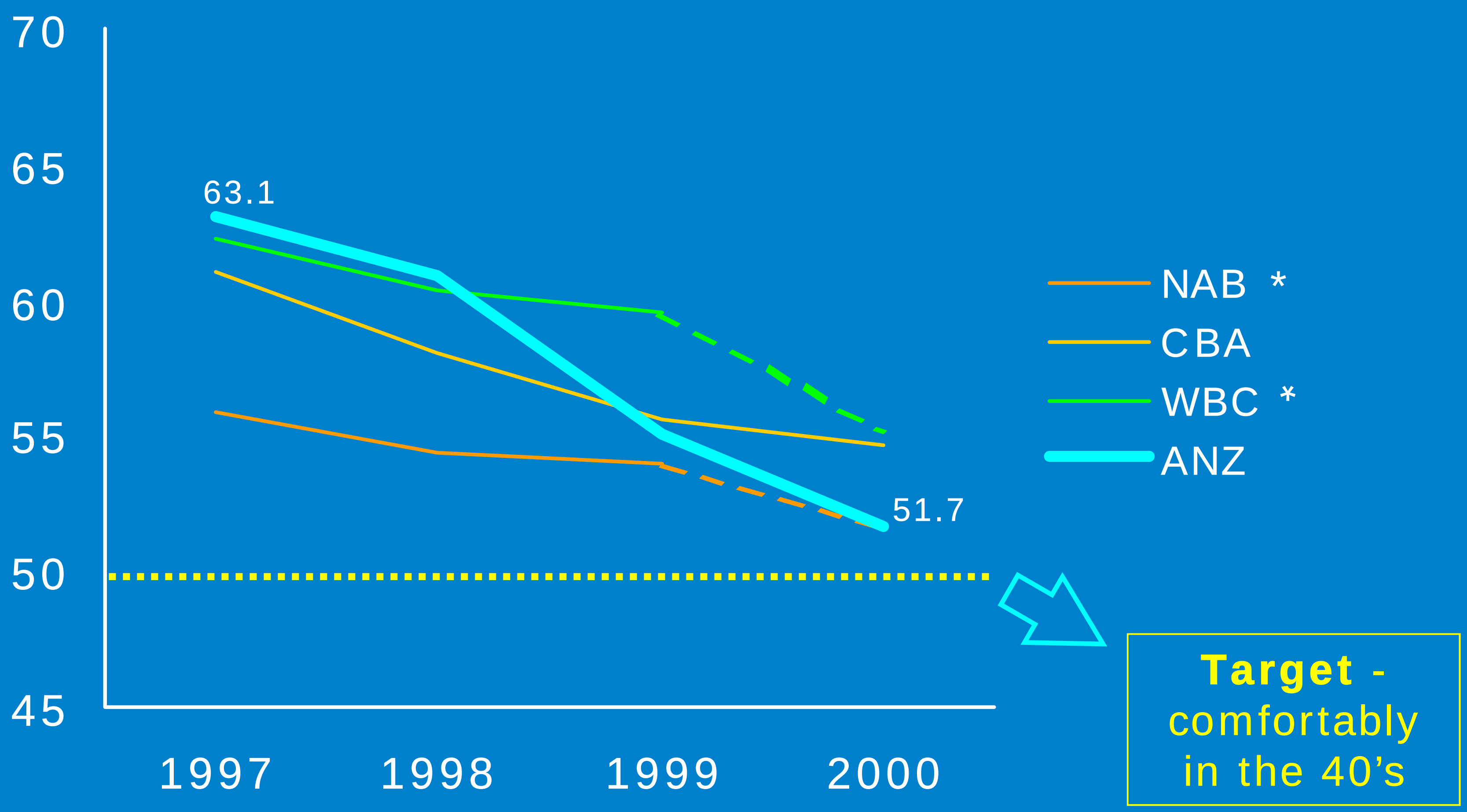
- Smaller differential between 90d BBSY and Cash Rate
- Greater focus on improving margins



Non-interest income showed healthy improvement

- Driven by higher fee income
- FX and trading profits lower, reflecting lower volumes

Cost-income ratio continues to decline



* estimate of market expectations for 2000

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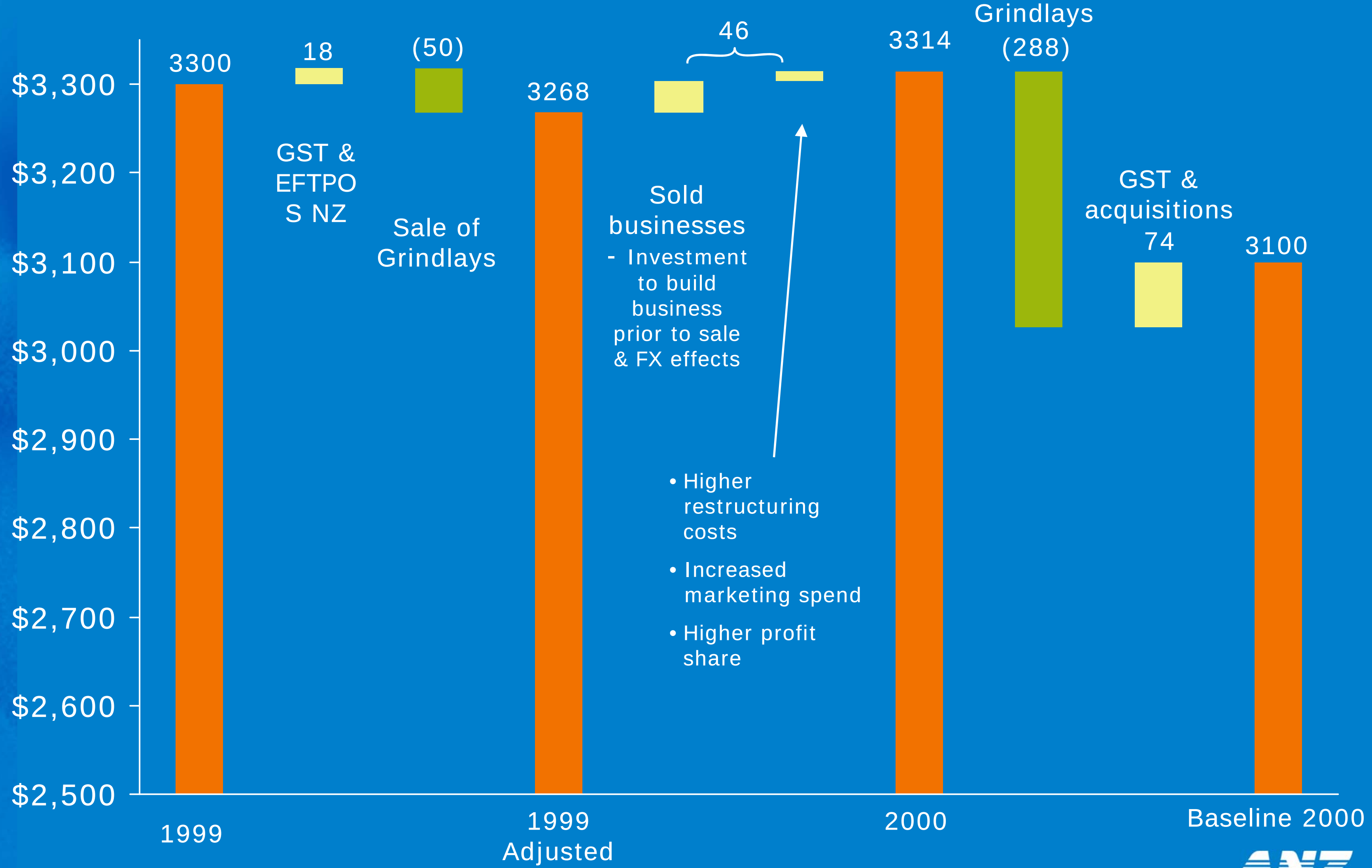
Costs are flat and a new baseline is established for 2001



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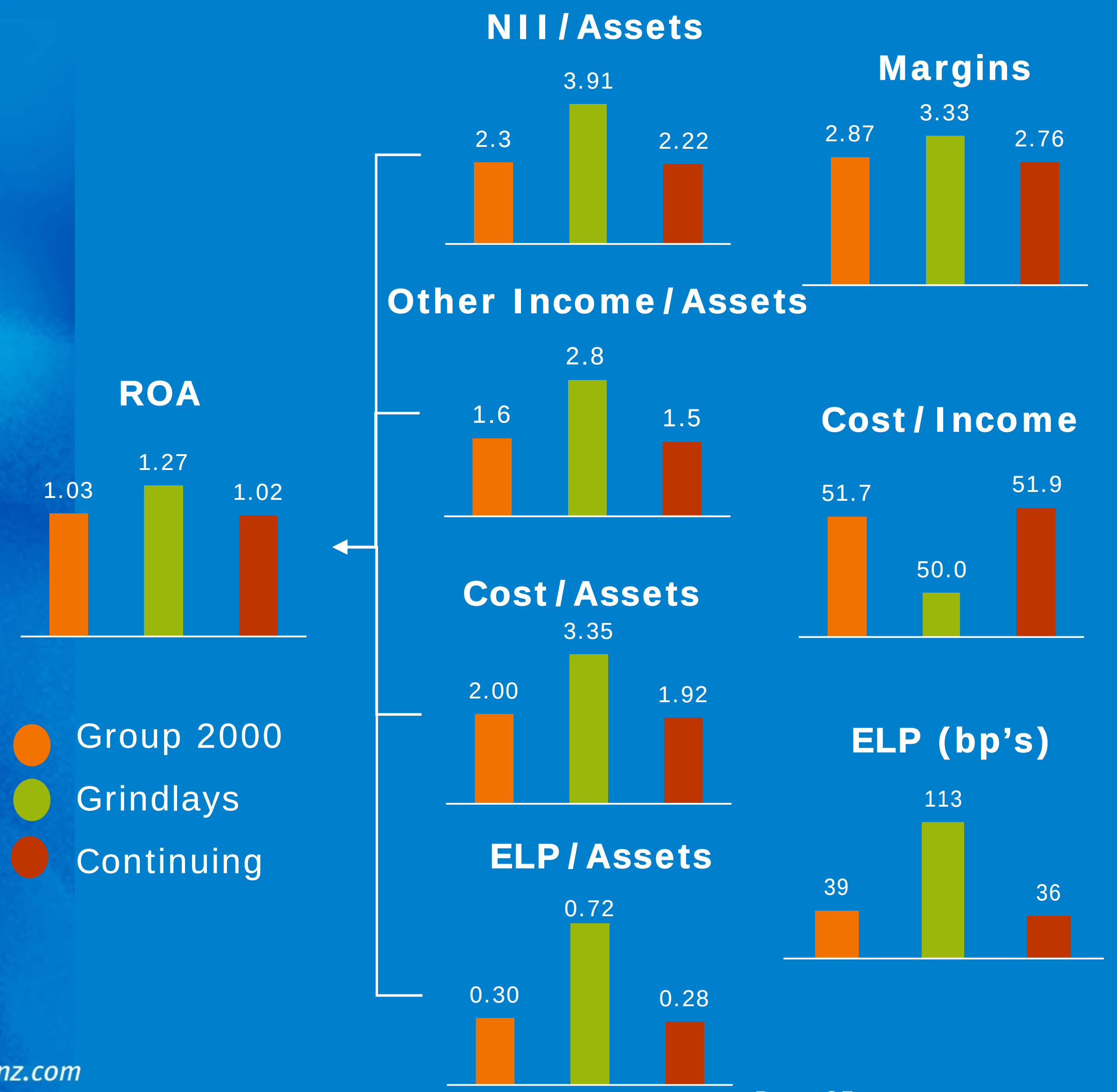
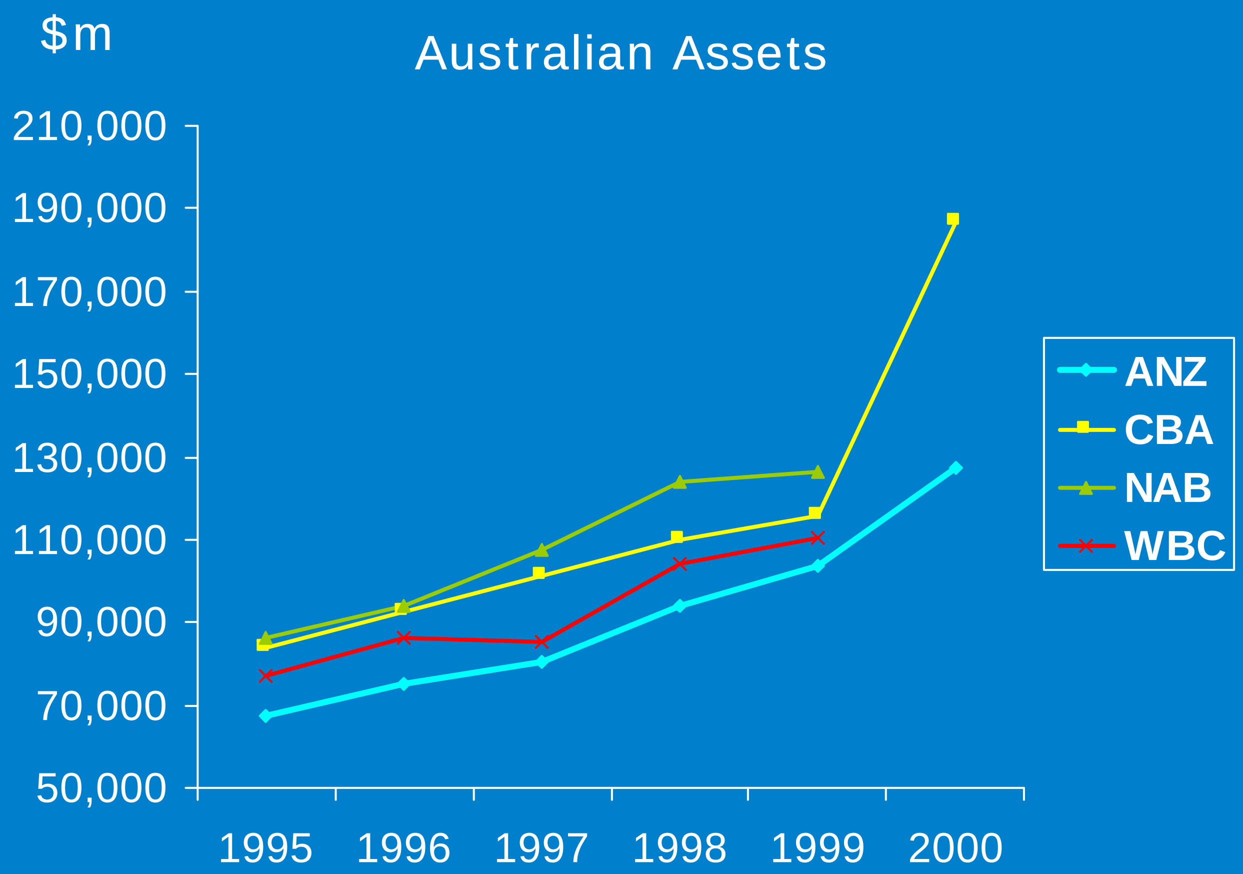
Sale of Grindlays re-balances the Group's portfolio



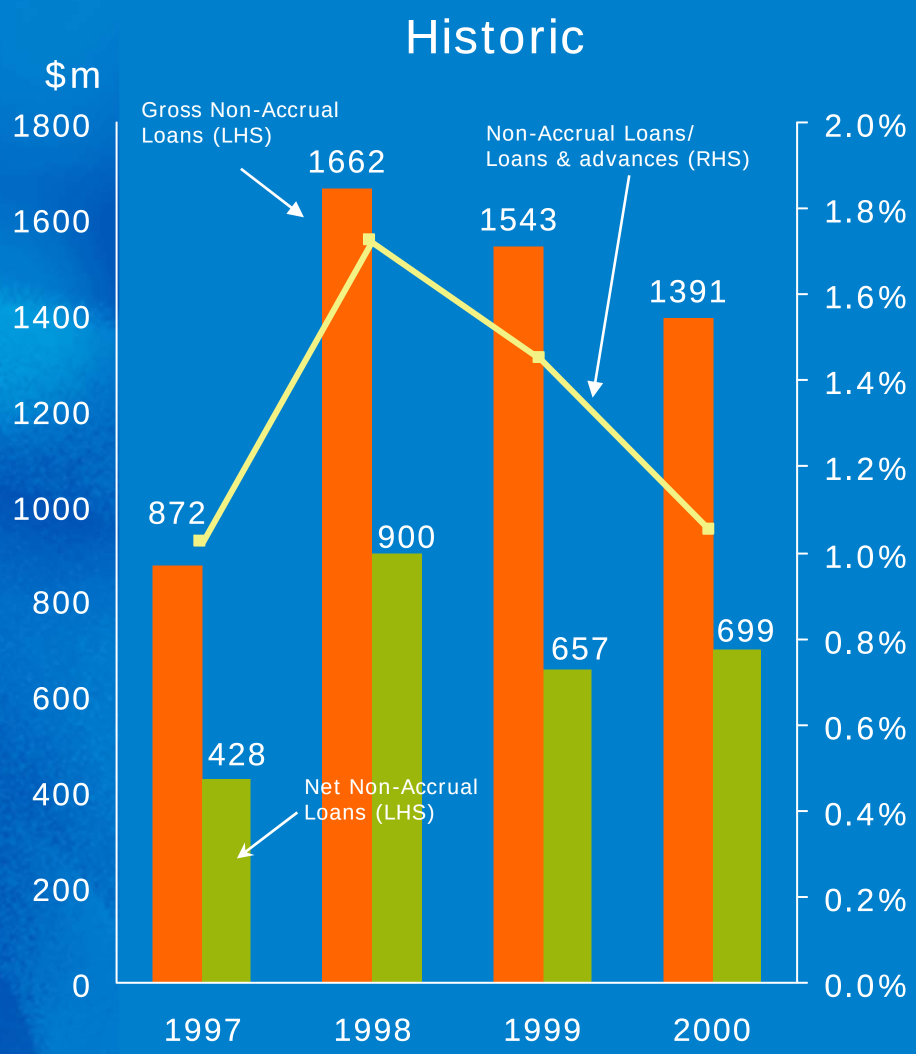
- Reduces lending in Middle East and South Asia by $4.8b
- Reduces loans by 3.9% but reduces non-investment grade loans by 6.8%
- Exposure to countries rated below A reduced by $8.5b
- Capital released being addressed by current buyback

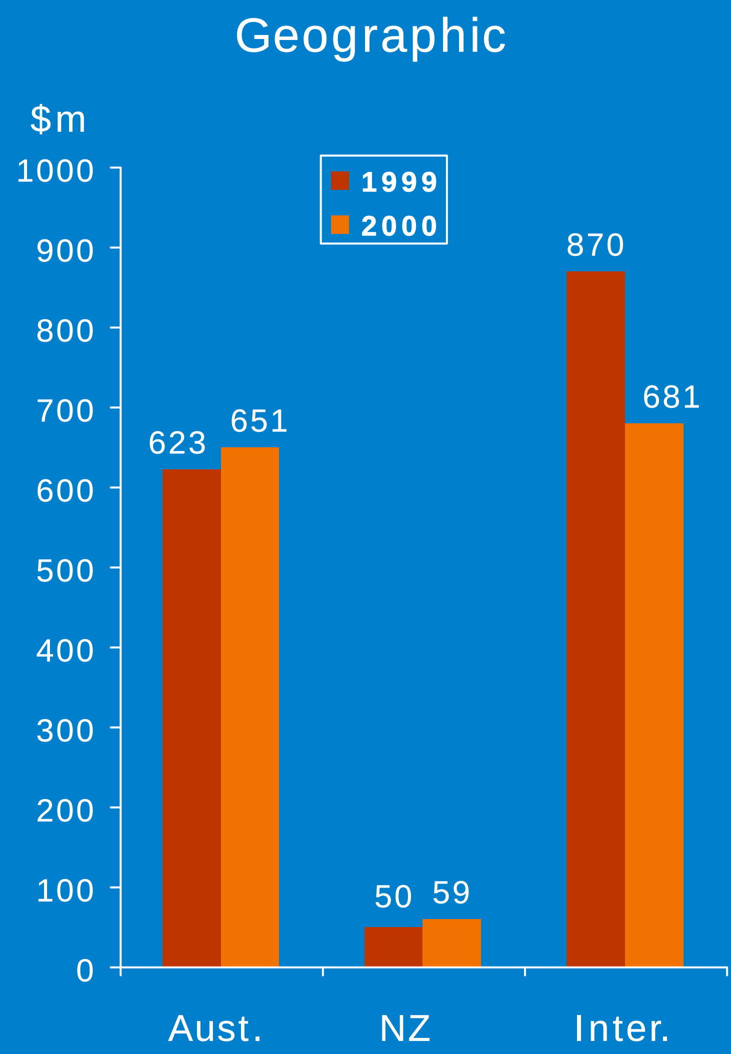
Strong organic asset growth



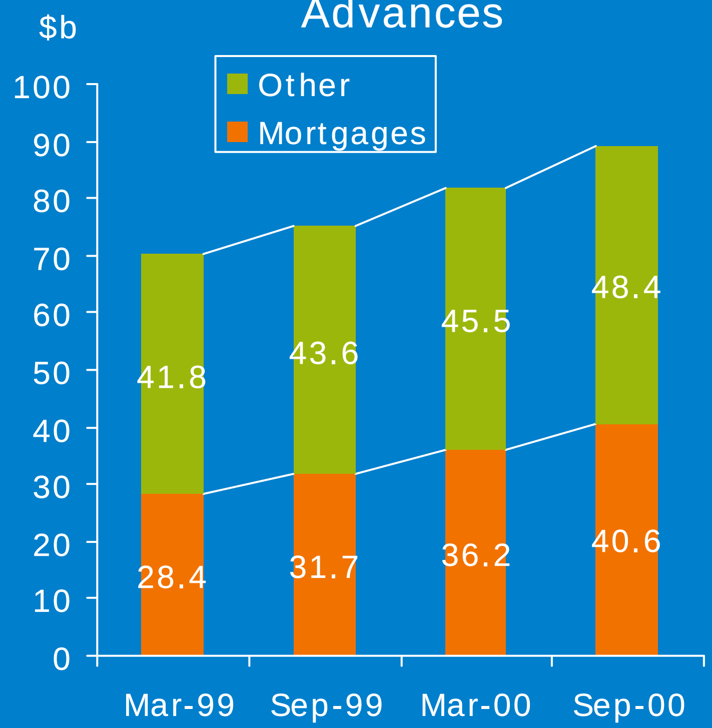
Asset growth has been strong without material acquisitions

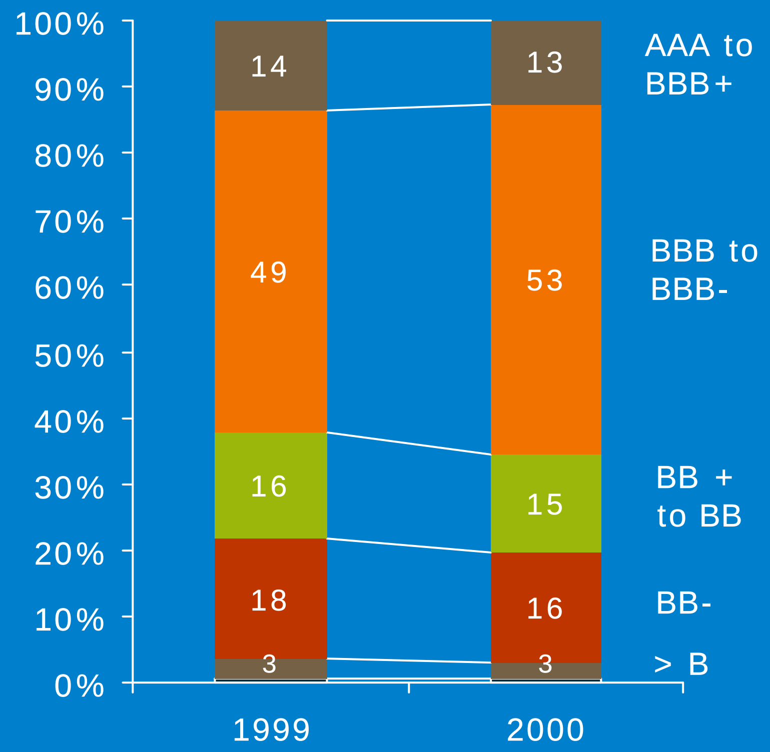
Non-accrual loans stable despite asset growth





Overall book continues to improve





- Mortgages now represent 46% of book, up from 40% in March 1999

- Investment grade 66% of book
- Diversified portfolio
- Minimal exposure to media/telco's

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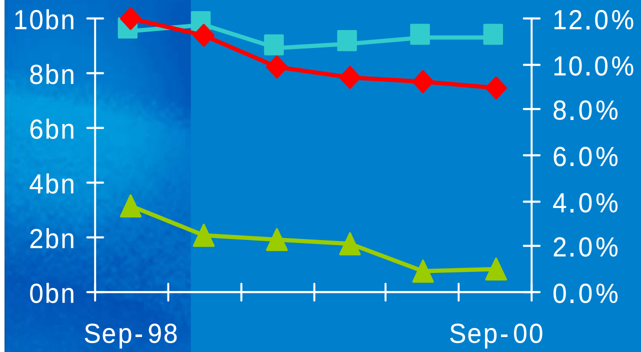
ANZ

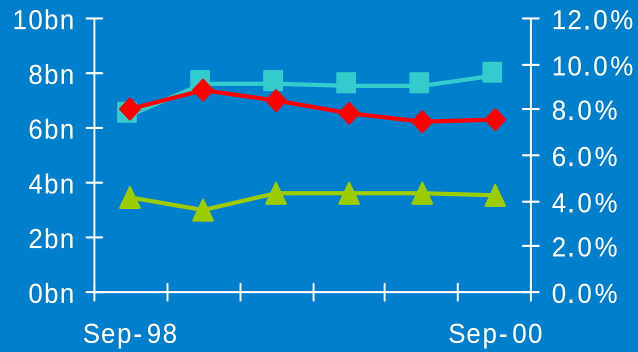
Credit quality is sound in our largest industry exposures - Australia

Lending Assets (AUDm)
% of Portfolio (RHS scale)
% in CCR 7D-8G (RHS scale)

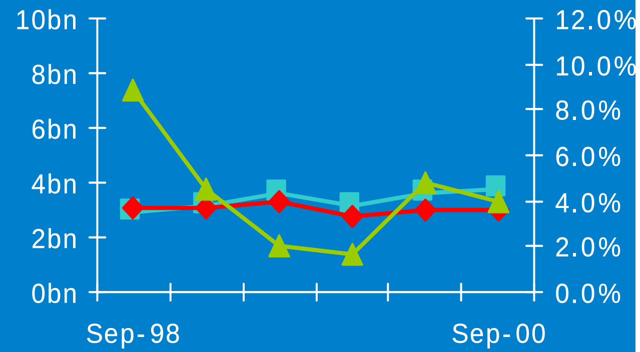
Real Estate Operators & Dev.



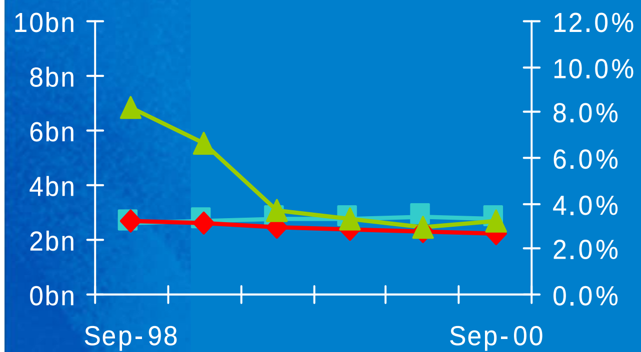
Manufacturing



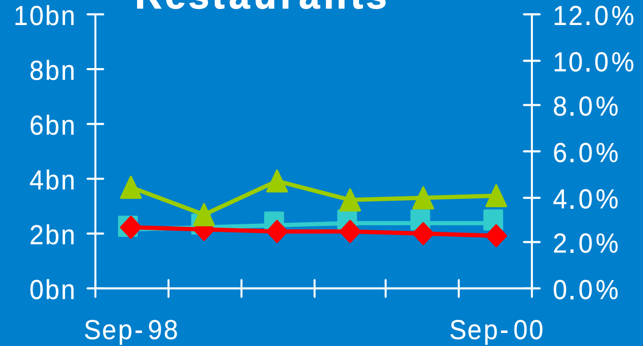
Wholesale Trade



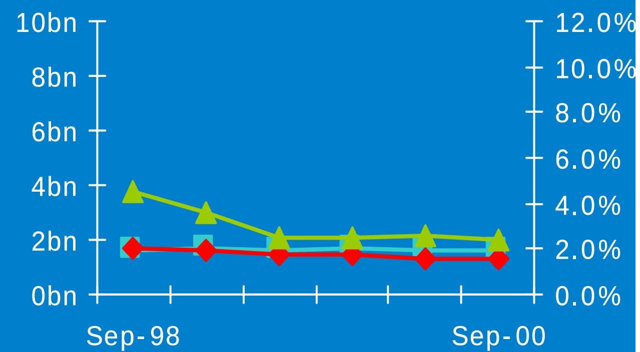
Agriculture



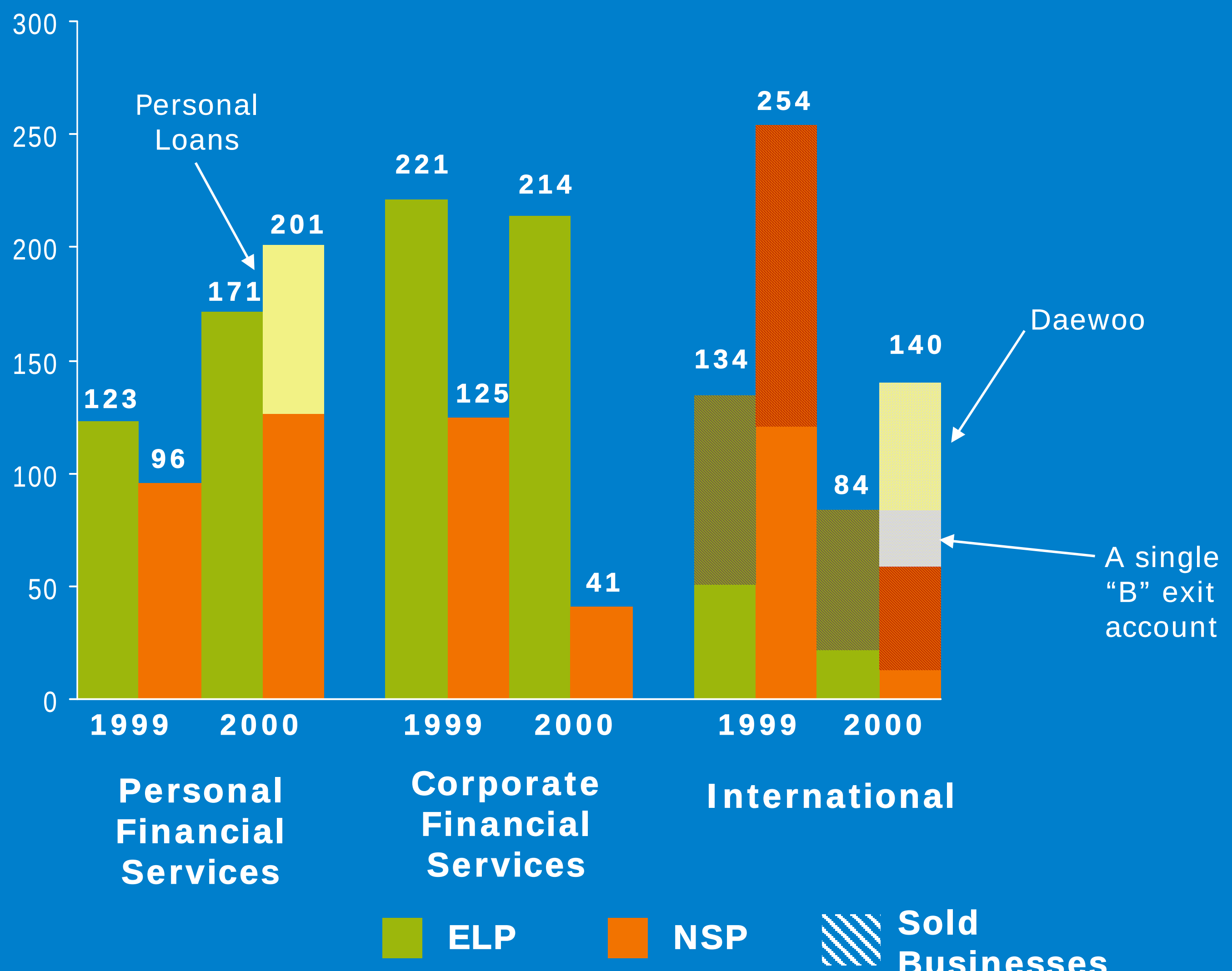
Accomm. Cafes & Restaurants



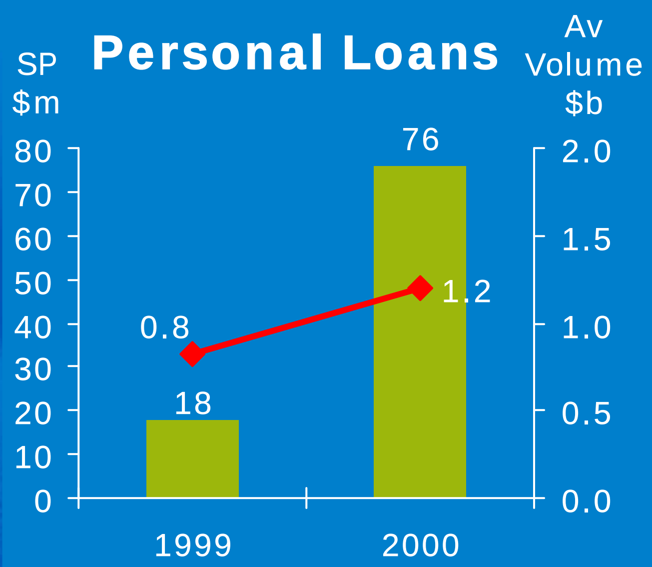
Construction

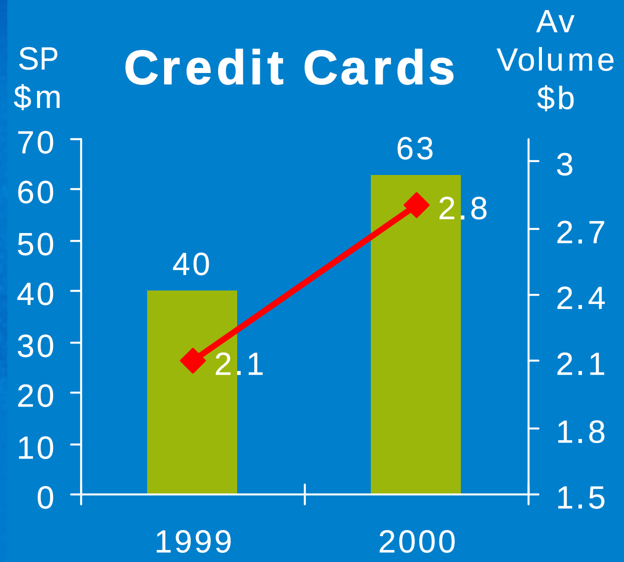


Specific provisions: Corporate offsets personal loans problem



PFS specific provisions were driven by personal loans and credit cards

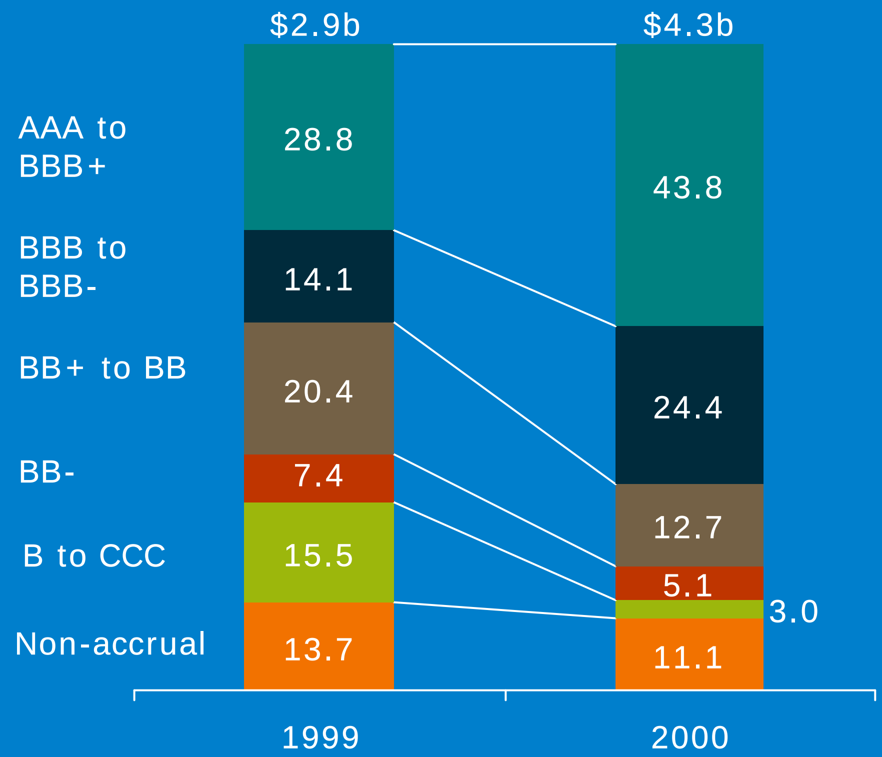




- Loss rate approximately 6% against expected loss rate 3.5%
- Average margin 5-6% (excludes fees which cover approval costs)
- Loss on product ~ $15m after tax
- Hence specific provisions largely offset by margin but product design and controls upgraded to bring losses back in line with expectations

- Loss rate 2.3%
- Average margin >5%

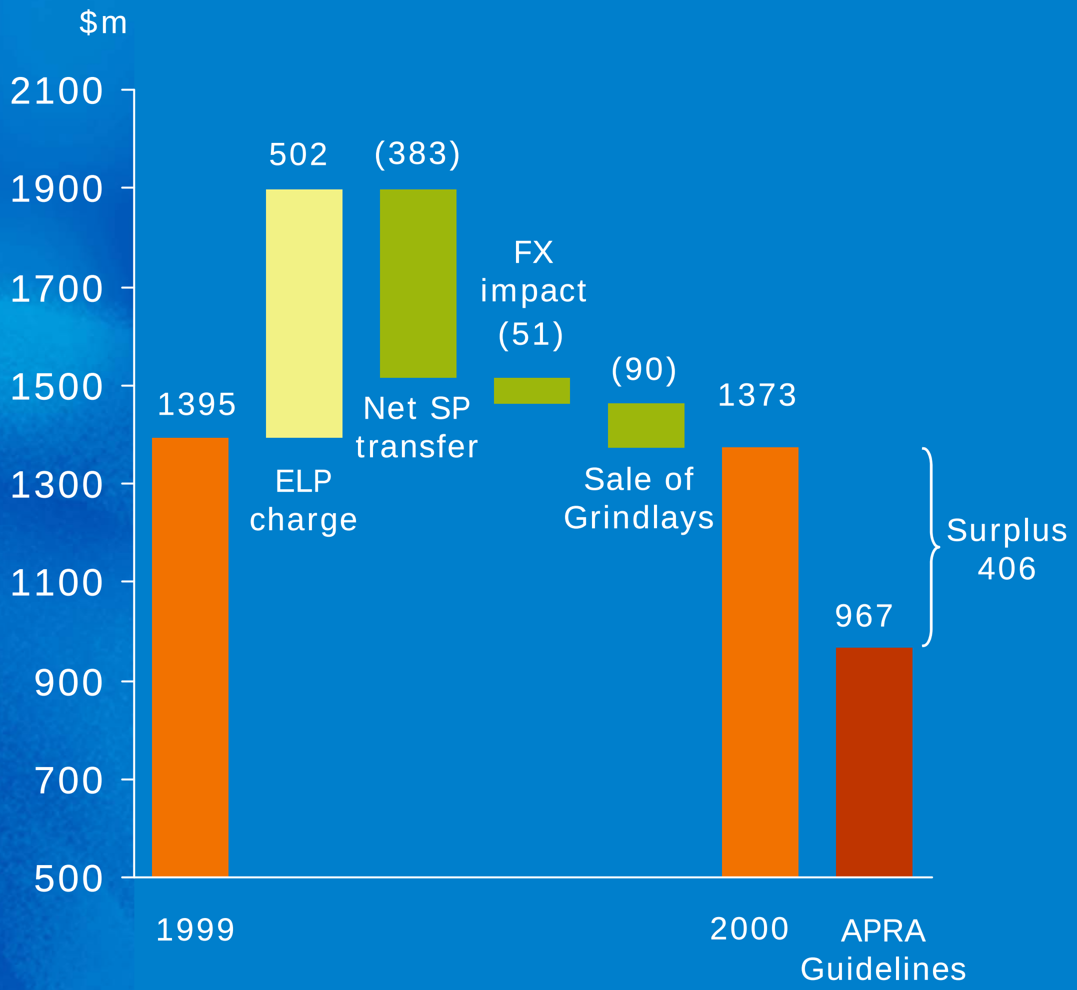
Asian credit quality improves significantly despite two large specific provisions

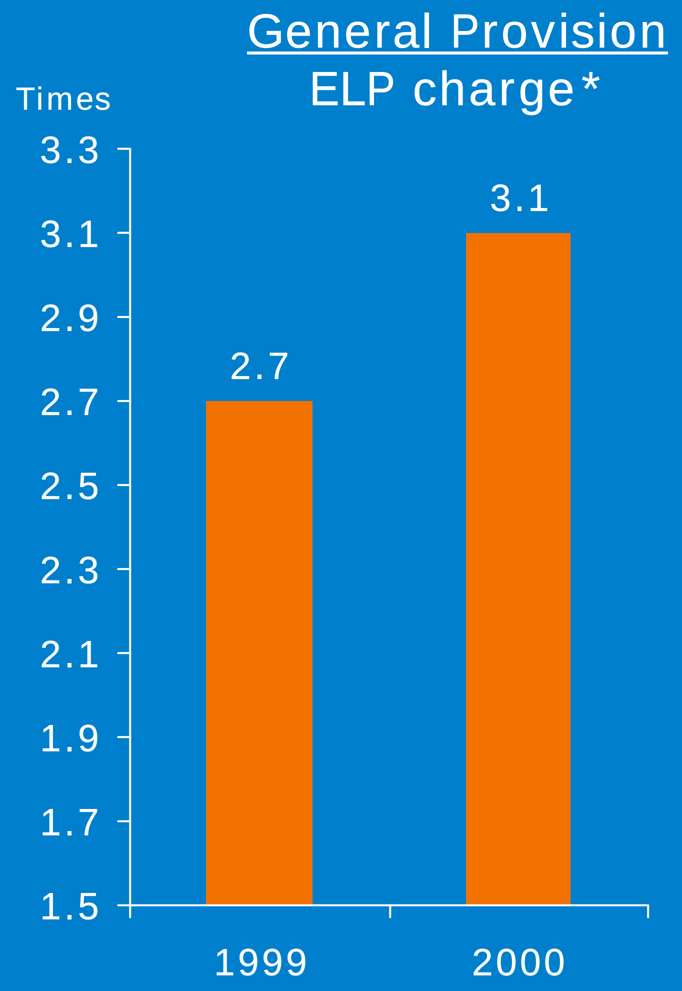


- Specific Provisions relate to two unusual losses

- 'B' exposures now only $130m
- Investment grade 68% of book
- Expected losses declined significantly from 1.4% to 0.5%

Provisioning levels strengthen





ELP - Economic Loss Provision

SP - Specific Provision

* ex Grindlays for 2000

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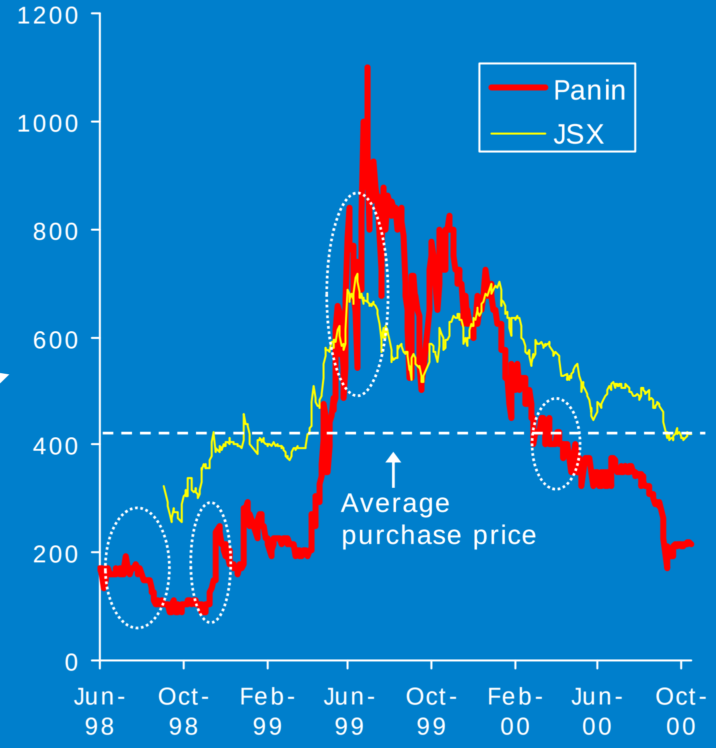
The result incorporated several abnormal items

	$m After tax
Net gain on sale of Grindlays businesses	404 Cr
Strategic business and transformation restructuring provision	245 Dr
Panin writedown	81 Dr
Litigation provision	33 Dr
Tax rate change	64 Dr
Revaluation of property	30 Cr
Sale of Colonial shares	33 Cr
Net abnormal gain	44 Cr



Abnormals - Grindlays transaction

	$m
Net sales proceeds	1,225
Provisions raised on sale	575
Income tax	246
Net profit	404

Indemnities

- ‘Indian scam’ matters
- US$80m Pakistan cross border risk for 12 months
- US$186m indemnity covers 80% of losses on certain customer accounts. Receive fee equal to ELP
- Standard tax indemnities

We have used the financial capacity from the Grindlays sale to accelerate restructuring programs spread across 35 separate initiatives

Drivers

- Specialist businesses, eTransformation, and funding growth
- Cost income ratio comfortably in the 40's

Selected Programs

- Reconfigure metropolitan branch network in line with needs and demographics
- Re-engineer Esanda operation
- Simplify Asian business platform & operations
- IT platform rationalisation for eWorld
- General Banking sales and service platform

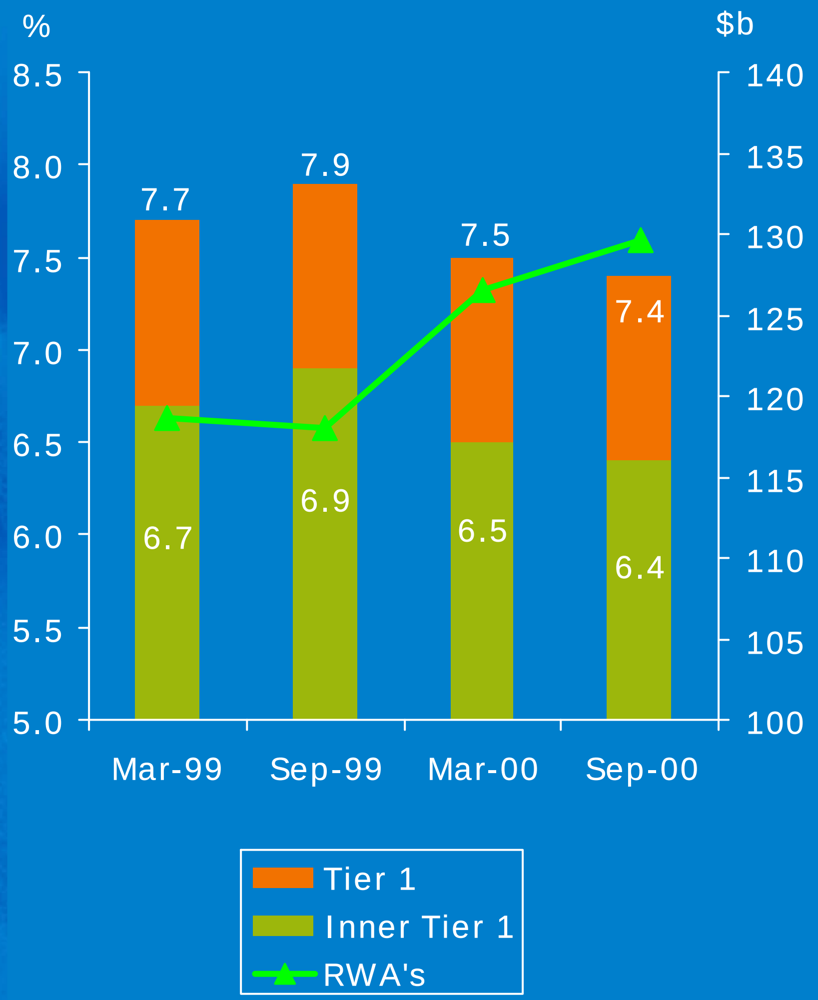
Two year program

- Provision relates to costs of 'dismantling the old' and investment spend will be covered by normal operations

Benefits

- Approximately $300m lower costs
- Enhance customer service and revenue
- Greater flexibility
- Platform for further eTransformation
- Invest savings in growth businesses subject to EPS growth targets
- Leaves capacity in routine $80-100m pa restructuring for further programs

Capital management will continue



Capital Management Philosophy:

- Capital scarce resource to be managed effectively and efficiently
- Maintain capital consistent with ANZ's AA status and peer group ratings
  - Tier 1 (6.5 - 7.0%)
  - Inner Tier 1 (6.0%)

Progress

- $1014m of buyback
- Capping of DRP/BOP to reduce dilution
- Remaining $500m buyback in progress
- Restructure more EPS accretive than buyback

Goals going forward

- EPS growth above peer average (target 10+%)
- ROE over 20%
- Cost-income ratio comfortably in the 40's
- Inner Tier 1: 6%
- Maintain AA category credit rating

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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