

04

# *2004 Annual Roadshow*

Australia and New Zealand Banking Group Limited

November 2004

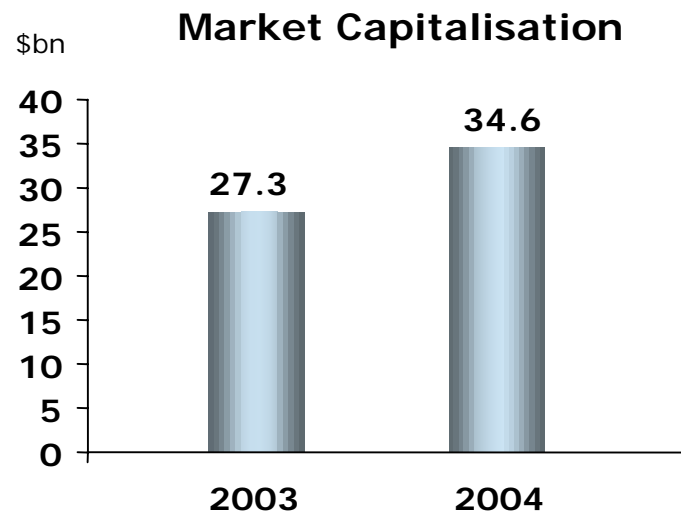
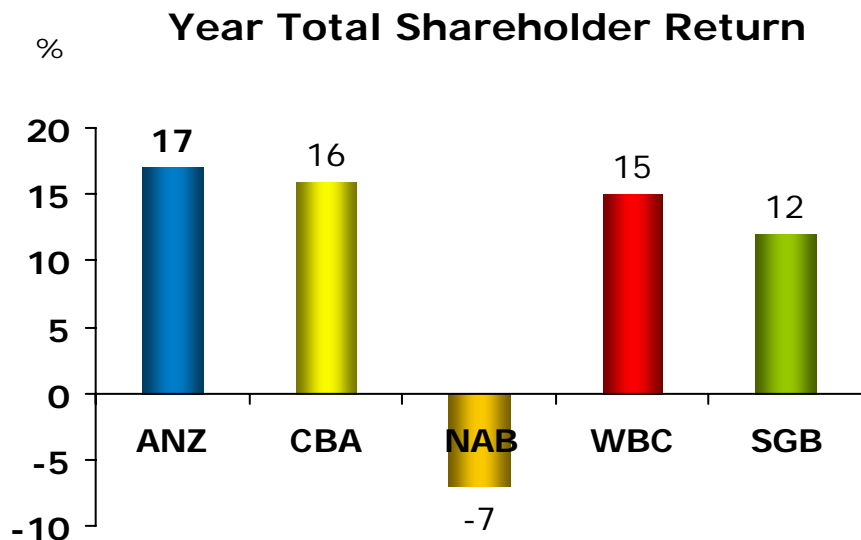
# A good 2004 result

## Strong financial performance

|            |             |         |
|------------|-------------|---------|
| ■ NPAT     | \$2,815m    | ↑ 19.9% |
| ■ Cash EPS | 161.1 cents | ↑ 10.1% |

## Shareholders rewarded

|   |           |         |
|---|-----------|---------|
| ■ Dividend  | 101 cents | ↑ 10.8% |
| ■ Total shareholder return                                  | 17%       |         |
| ■ On-market share buyback of at least \$350 million planned |           |         |



## ANZ has come a long way this year

---

Strong momentum in Personal businesses in Australia

With NBNZ acquisition, ANZ now dominant in New Zealand and Pacific

\$4.9b acquisition of NBNZ: \$3.6b rights issue

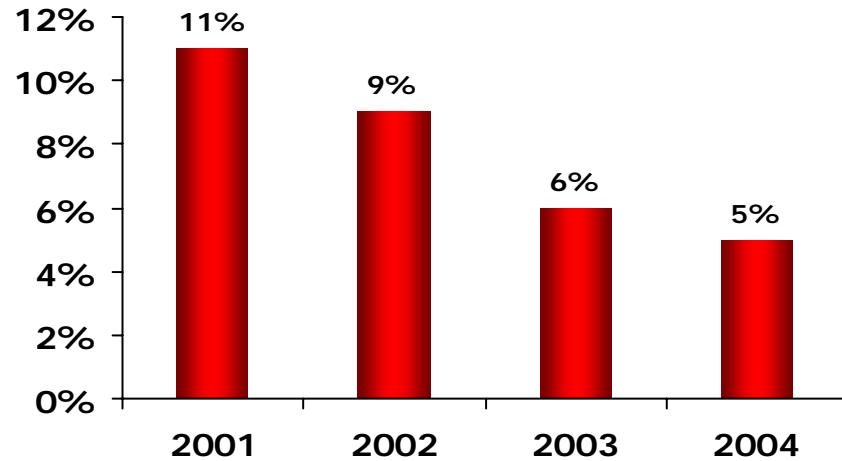
ANZ now 5<sup>th</sup> on ASX by market capitalisation

ANZ recognised for community, staff and cultural development

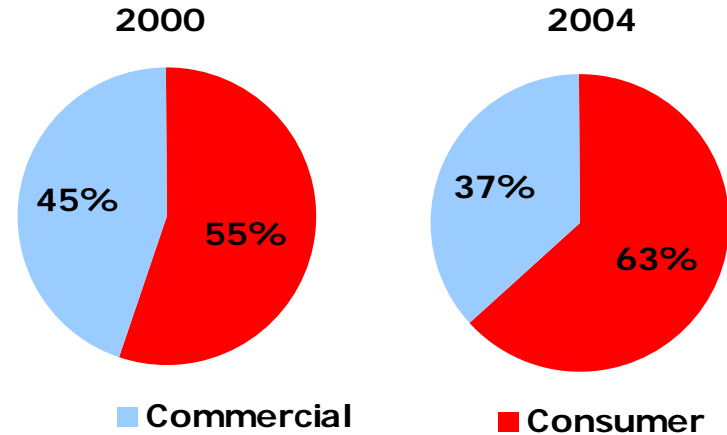
Sale of International Project Finance completes international restructuring

# Improved sustainability: Structural de-risking largely complete

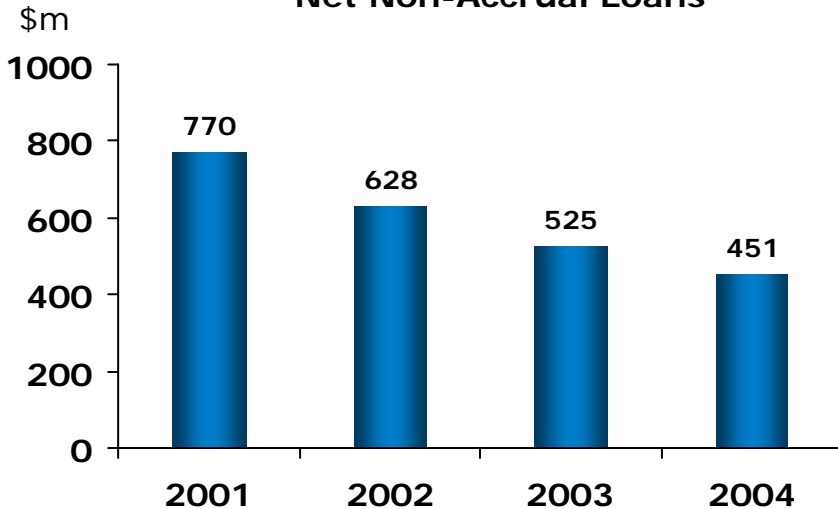
**Offshore lending assets significantly reduced**  
(% of group NLA\*)



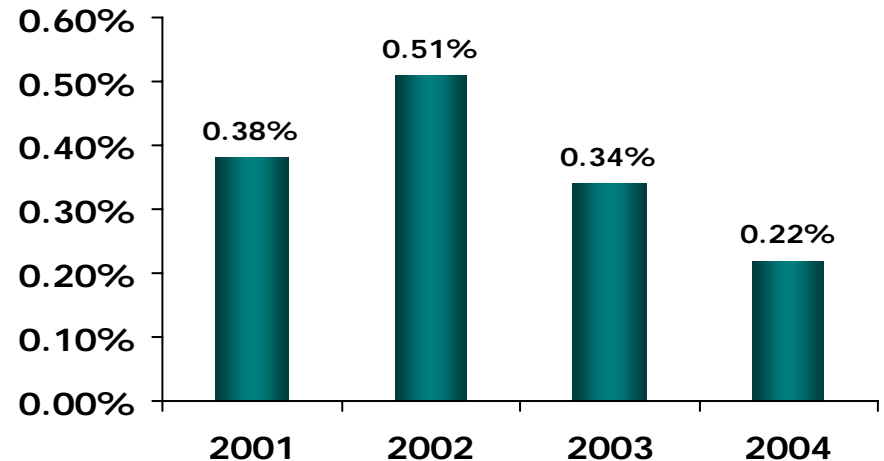
**More sustainable business mix**  
(lending assets)



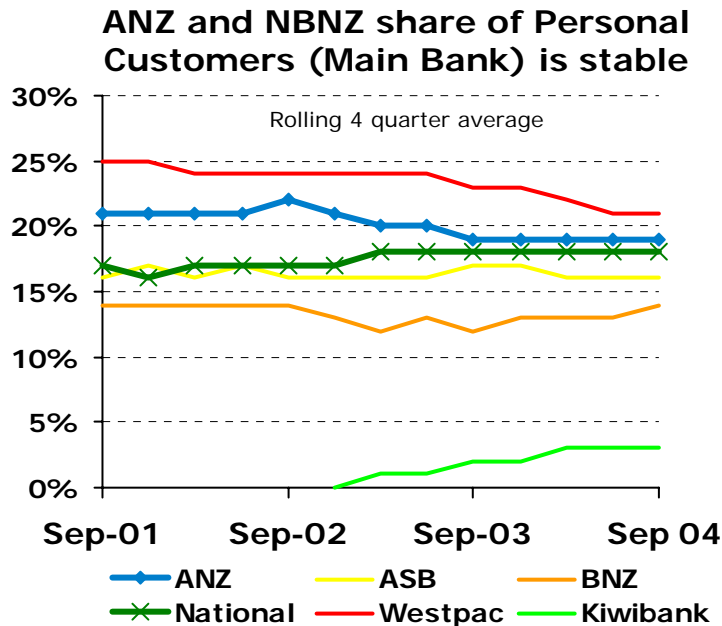
**Net Non-Accrual Loans**



**Net specific provision rate**  
(% of average NLA\*)



# NZ integration complete end 2005 – low risk approach adopted



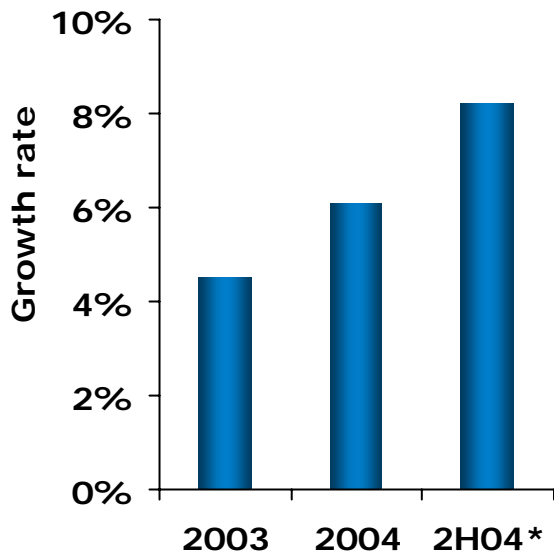
Source: ACNielsen Consumer Finance Monitor

- A good acquisition; 2.3 cents cash EPS accretive in year 1
- Integration has made good progress since regulatory approval obtained
- Levels of attrition well below expectations and comparable acquisitions
- However potential risk of retail integration demanded a more conservative approach:
  - Two brand strategy
  - Existing retail systems retained
- This has changed mix of costs and benefits, but at lower risk

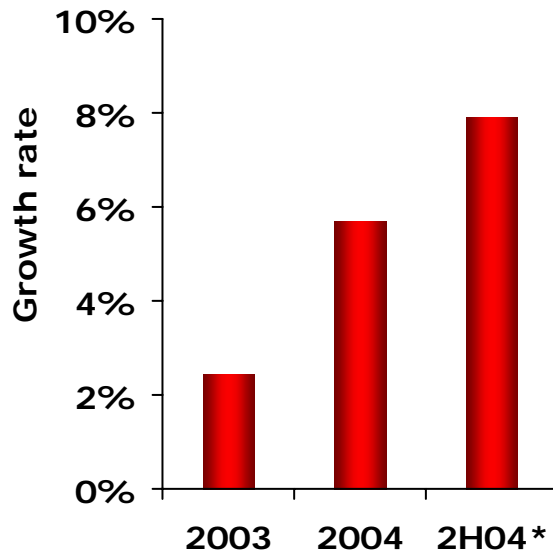
# Carefully balancing investment and producing current returns

Strong revenue growth; absorbed highest margin contraction in recent years

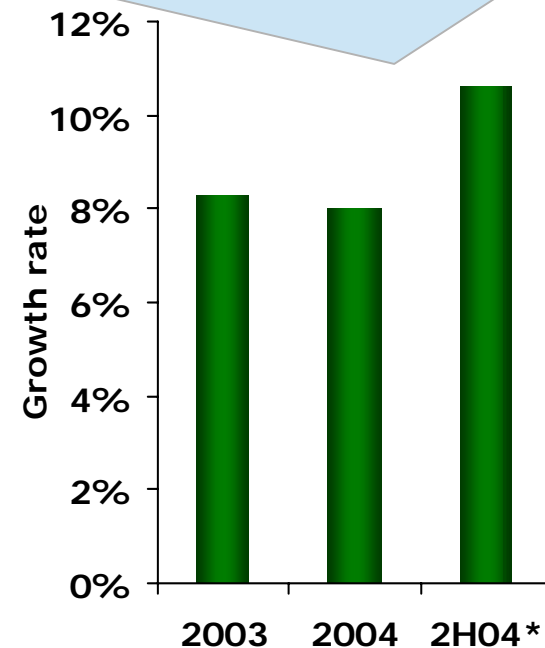
Higher revenue has increased our capacity to invest and produce future growth and return



■ Income



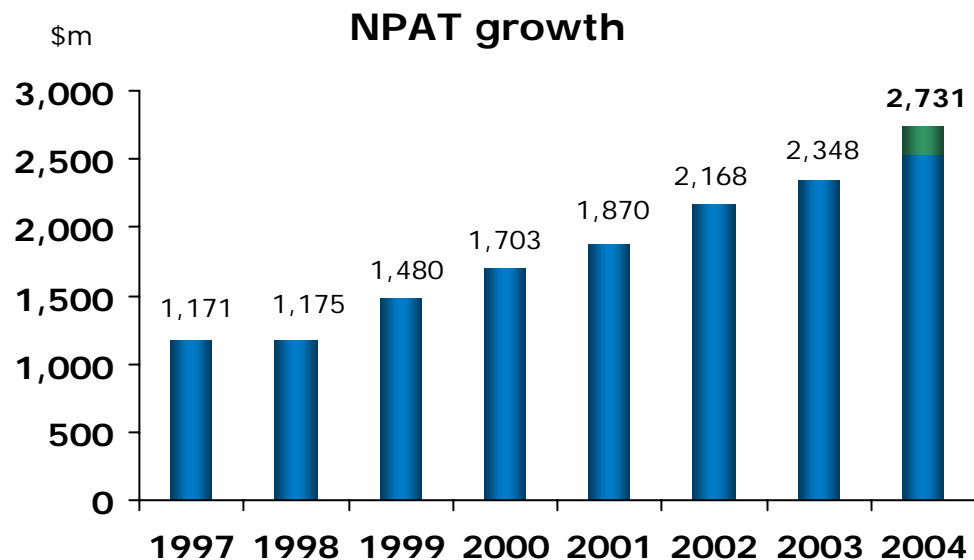
■ Expenses



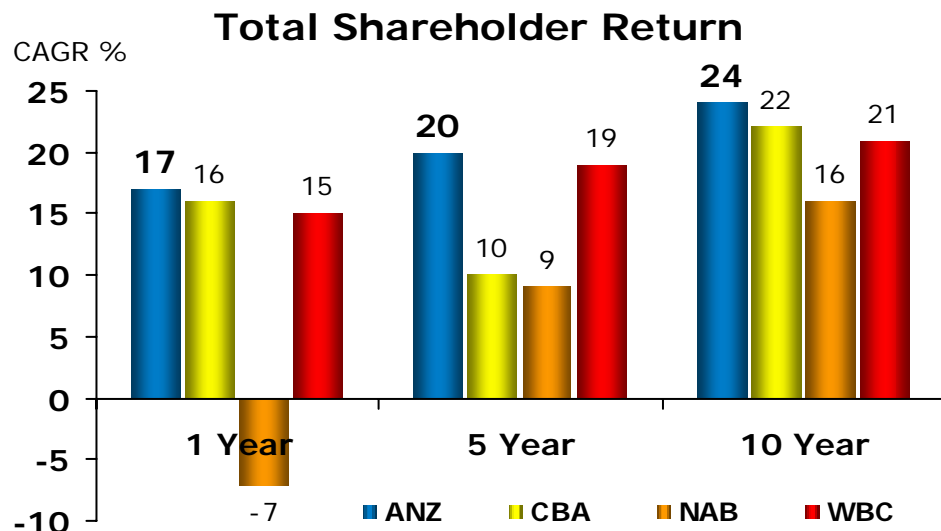
■ NPAT

Focused investment creating more sustainable business

## 2004 result part of a series of consistent performances



- 161.1 cents cash EPS a good result
- ANZ has come a long way in 2004
- Focus and discipline again delivered strong performance
- Shareholders rewarded - ANZ has outperformed major peers TSR over last 10 years
- Balanced outlook – investing for medium-term growth while producing acceptable short-term returns

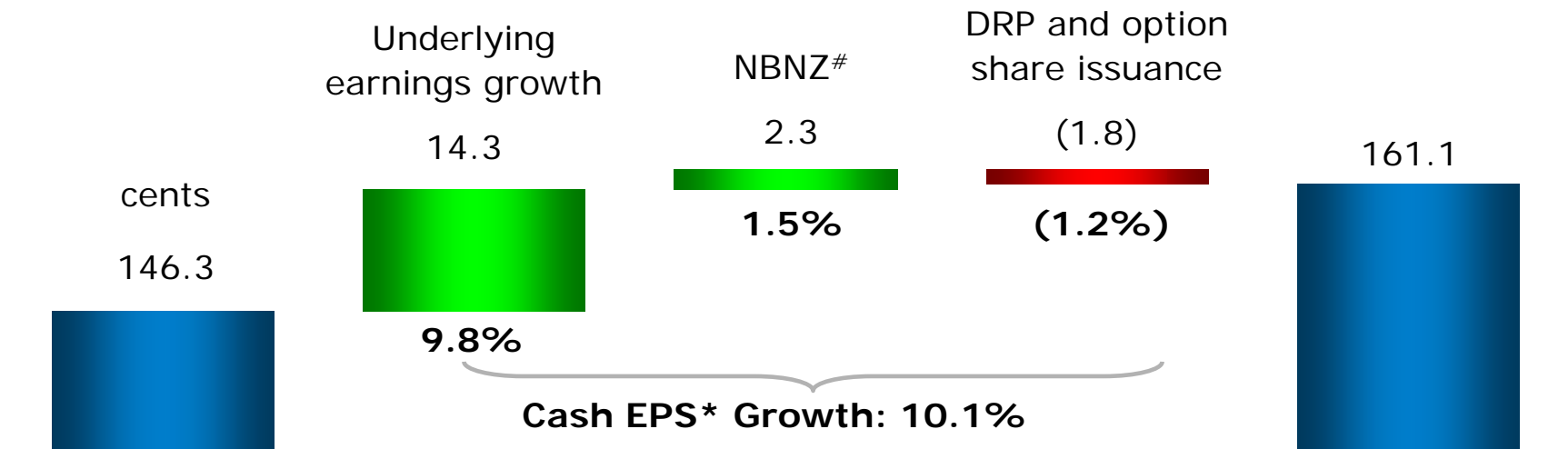


---

## Result Details



# Cash EPS growth driven by strong underlying performance



Sept-03

Sept-04

## Drivers:

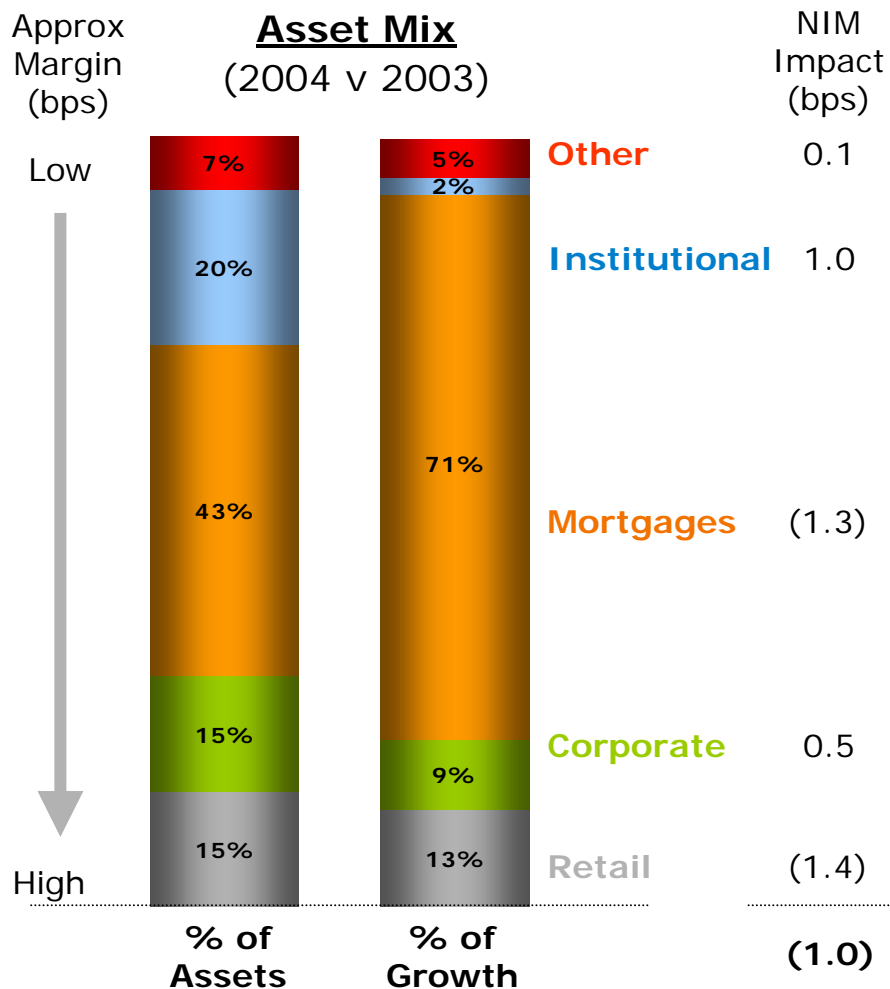
- Margin decline
- Strong volume growth
- Non interest income growth
- Increased investment
- Improved risk profile
- Acquired at an attractive P/E
- Good core business growth
- Low risk integration approach
- Dividend policy
- Capital management initiatives

## Margin decline is predominantly structural/cyclical

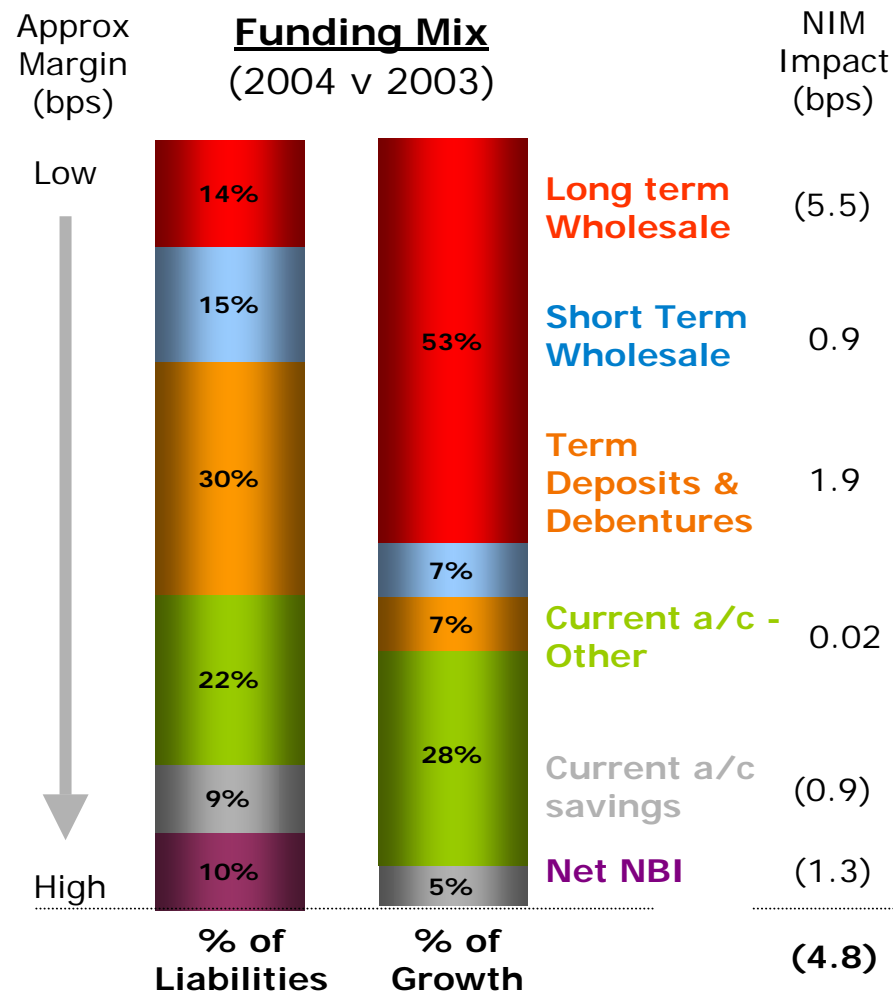
| Drivers                               | 2004 v 2003 | 2H04 v 1H04 | Outlook |
|---------------------------------------|-------------|-------------|---------|
|                                       | bps         | bps         |         |
| NBNZ                                  | (3)         | (2)         | ↔       |
| Asset Mix                             | (1)         | (1)         | ↔       |
| Funding Mix                           | (5)         | (2)         | ↓       |
| Asset/Liability Wholesale Rate Impact | (6)         | (3)         | ↑       |
| Competition                           | (3)         | (1)         | ↓       |
| Brokerage Impact                      | (2)         | 0           | ↓       |
| Other                                 | 2*          | 1           |         |
| <b>Total</b>                          | <b>(18)</b> | <b>(8)</b>  |         |

# Increasing Mortgages business has reduced NIM through lower asset yields and increased wholesale debt issuance

Increase levels of lower risk, lower yielding assets have reduced NIM



Increased long term wholesale debt required to fund asset growth



# The changing shape of the domestic yield curve has impacted earnings

- The shape of the curve in FY04 has negatively impacted the funding of mortgages as well as income from the interest rate mismatch position and investment in replicating portfolios.

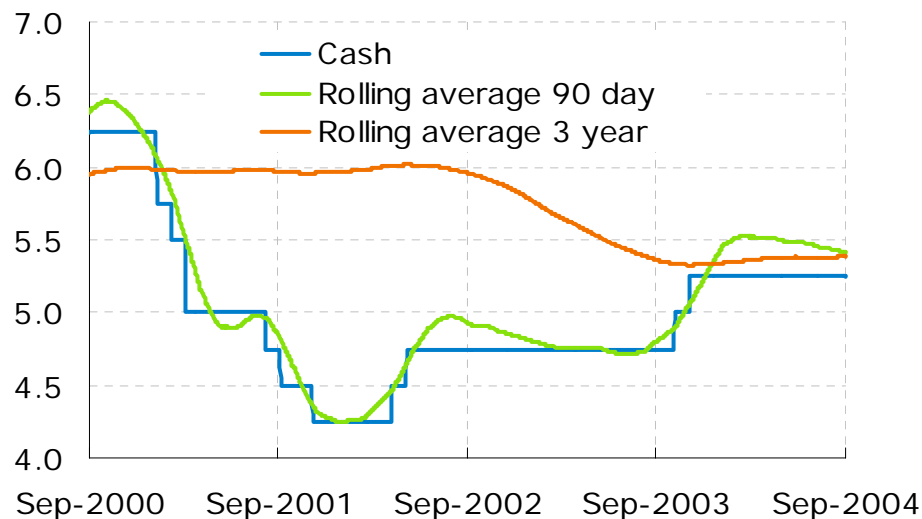
## Asset wholesale rate impact

|  | NIM Impact (bps) |
|--|------------------|
| • Change in Group Treasury mismatch earnings | (3.2)            |
| • Mortgages and Cards basis risk impacts     | (3.4)            |
| <b>Total Impact</b>                          | <b>(6.6)</b>     |

## Liability wholesale rate impact

|  | NIM Impact (bps) |
|--|------------------|
| • Replicated & rate insensitive deposits | 1.1              |
| • Investment income on Group SHE         | (0.2)            |
| <b>Total Impact</b>                      | <b>0.9</b>       |

Australian yield curve history



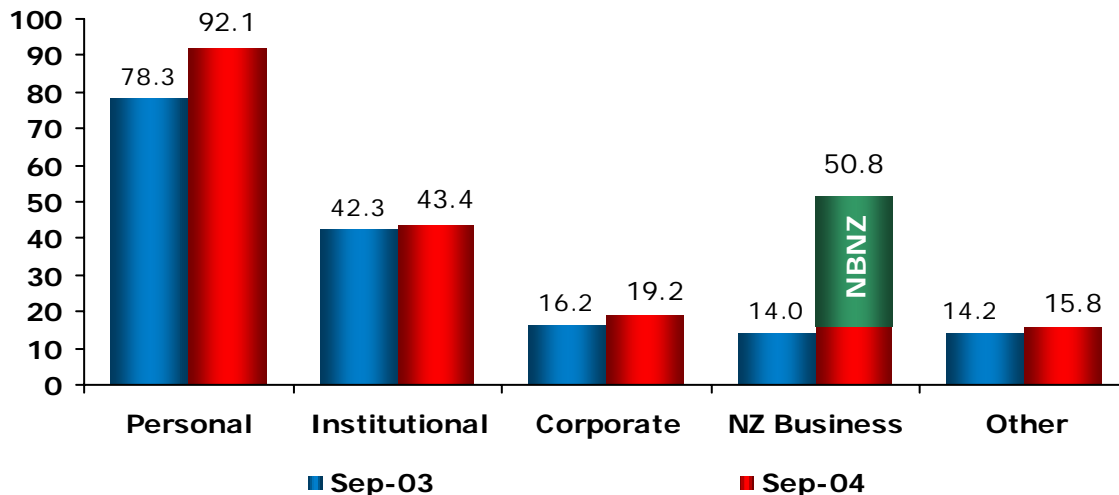
### Rolling average rates (%)

|             | Cash | 90 Day | 3 Year |
|-------------|------|--------|--------|
| <b>FY01</b> | 5.52 | 5.61   | 5.98   |
| <b>FY02</b> | 4.48 | 4.56   | 5.99   |
| <b>FY03</b> | 4.75 | 4.79   | 5.66   |
| <b>FY04</b> | 5.18 | 5.34   | 5.36   |

# Strong balance sheet growth across most businesses

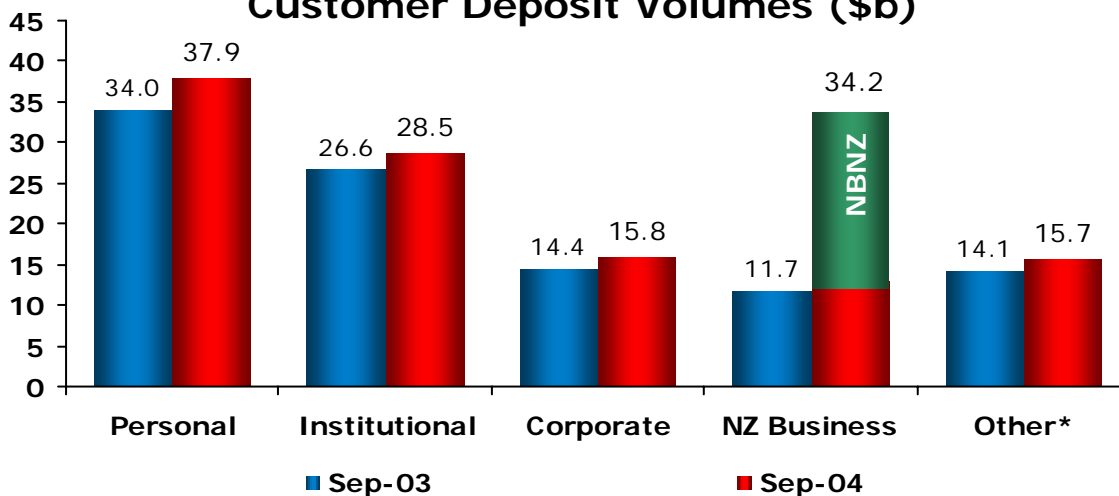
- Continued strong volume growth in mortgages, FUM up 18%
- Institutional lending up marginally with good growth in 2H04
- Continued strong growth in Corporate

## Net Lending Volumes (\$b)

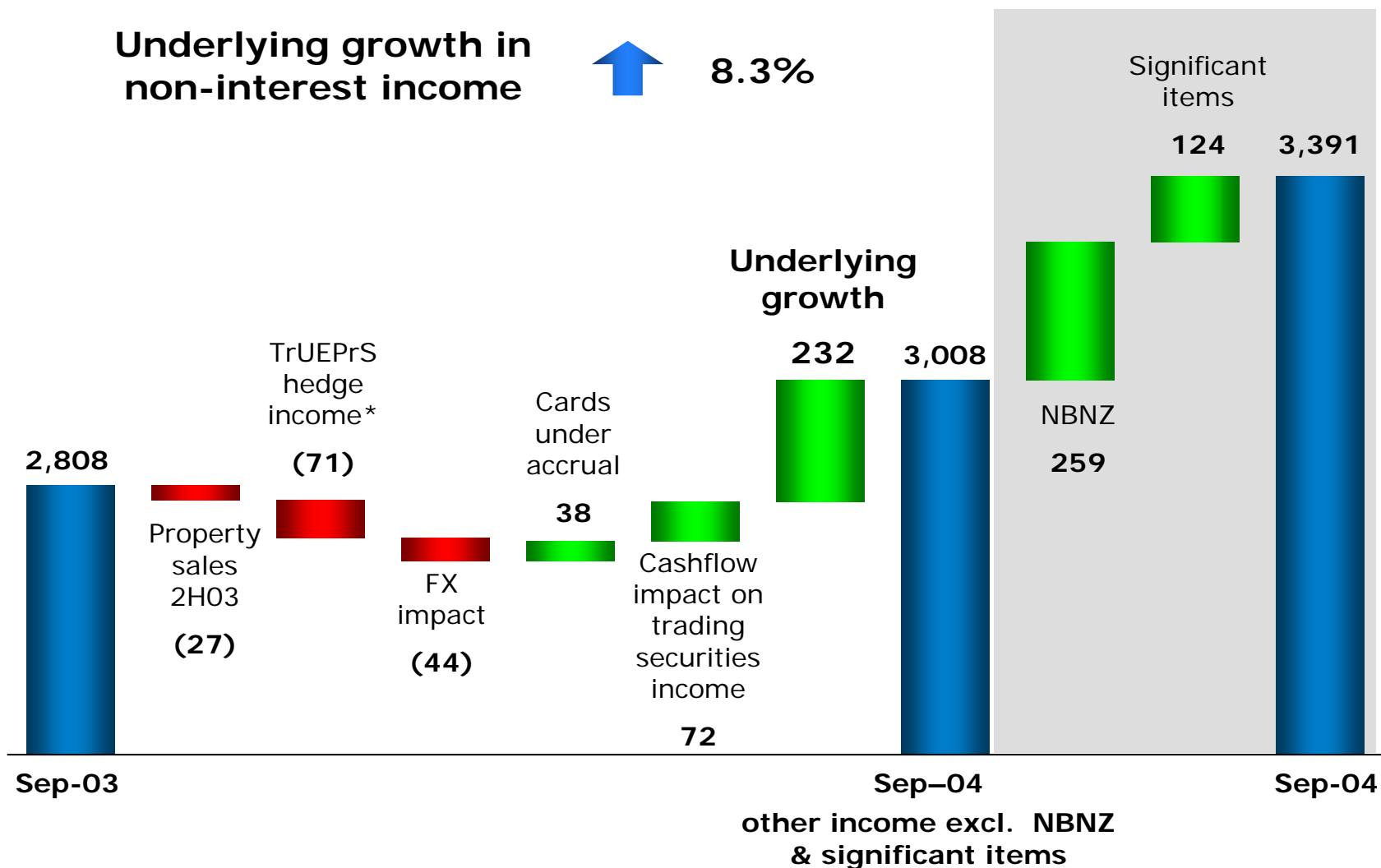


- 10% increase in Banking Products deposit FUM reflected in strong Personal growth
- Institutional & Corporate both experience solid growth
- Strong growth in NZ retail deposits

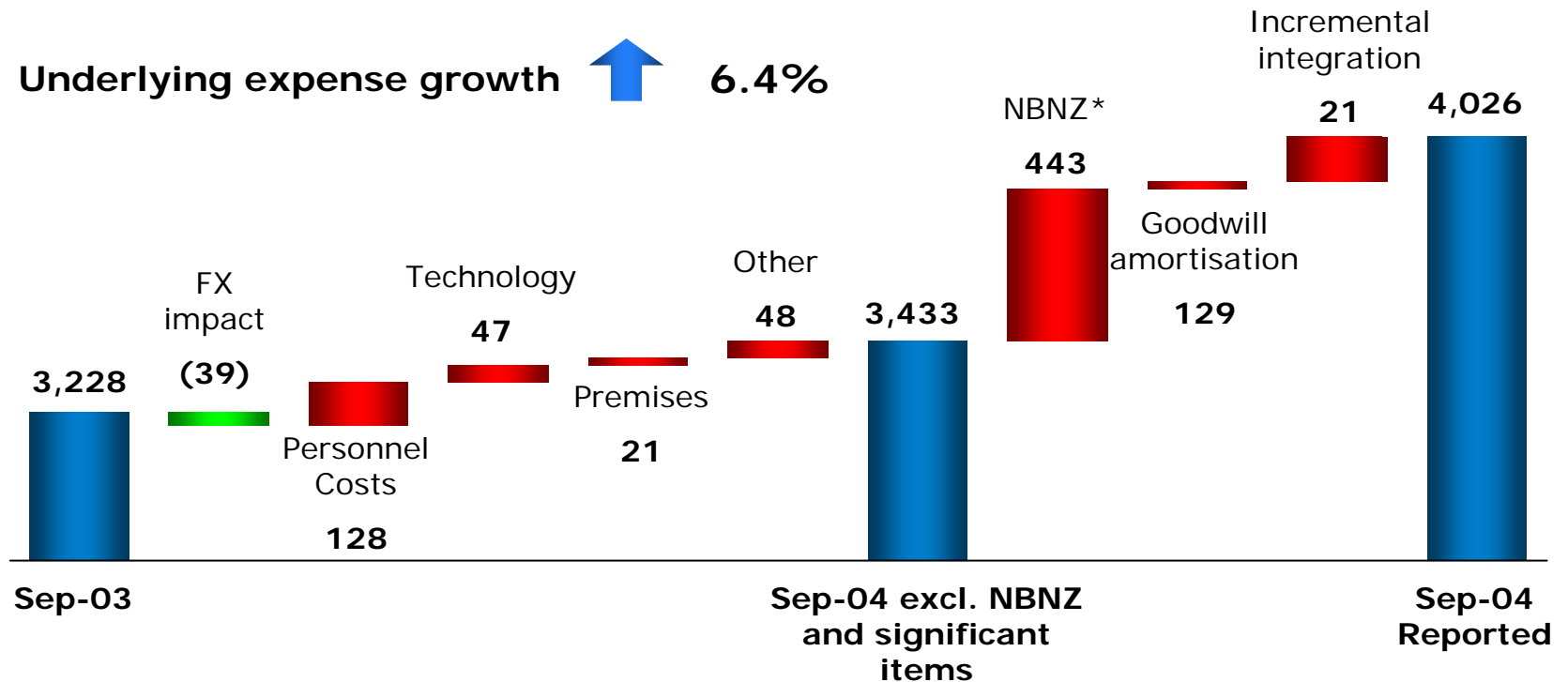
## Customer Deposit Volumes (\$b)



# Non-interest income growing well



# Expenses - investing for sustainable growth

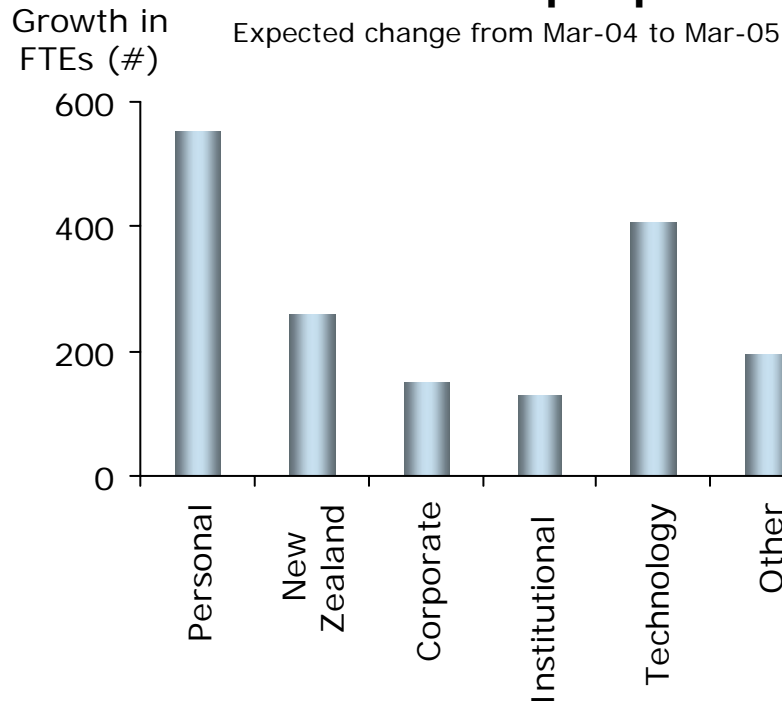


## Key drivers of growth

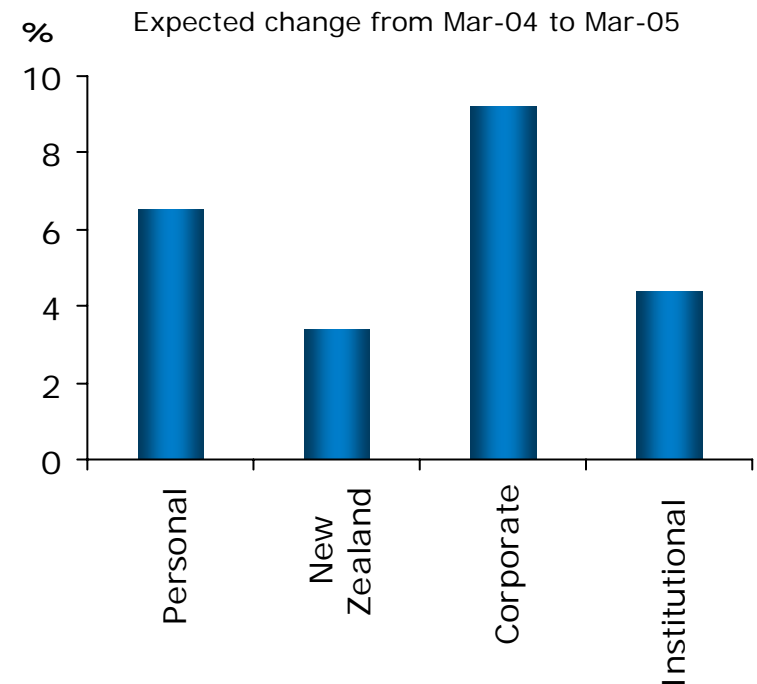
- Increased FTE (829 in 2H04) and wage rises
- Investment and increased amortisation in Retail telling platform
- Investment in branch network - new openings and refurbishment of existing branches
- Increased compliance costs of ~ \$25m
- Higher UK superannuation charges (\$7m), insurance costs (\$10m), marketing spend (\$14m)

# Cost management still a core capability; now a strategically sensible time for measured investment in growth

## Where we are putting additional people



## Growth in FTEs (% of existing Division FTEs)

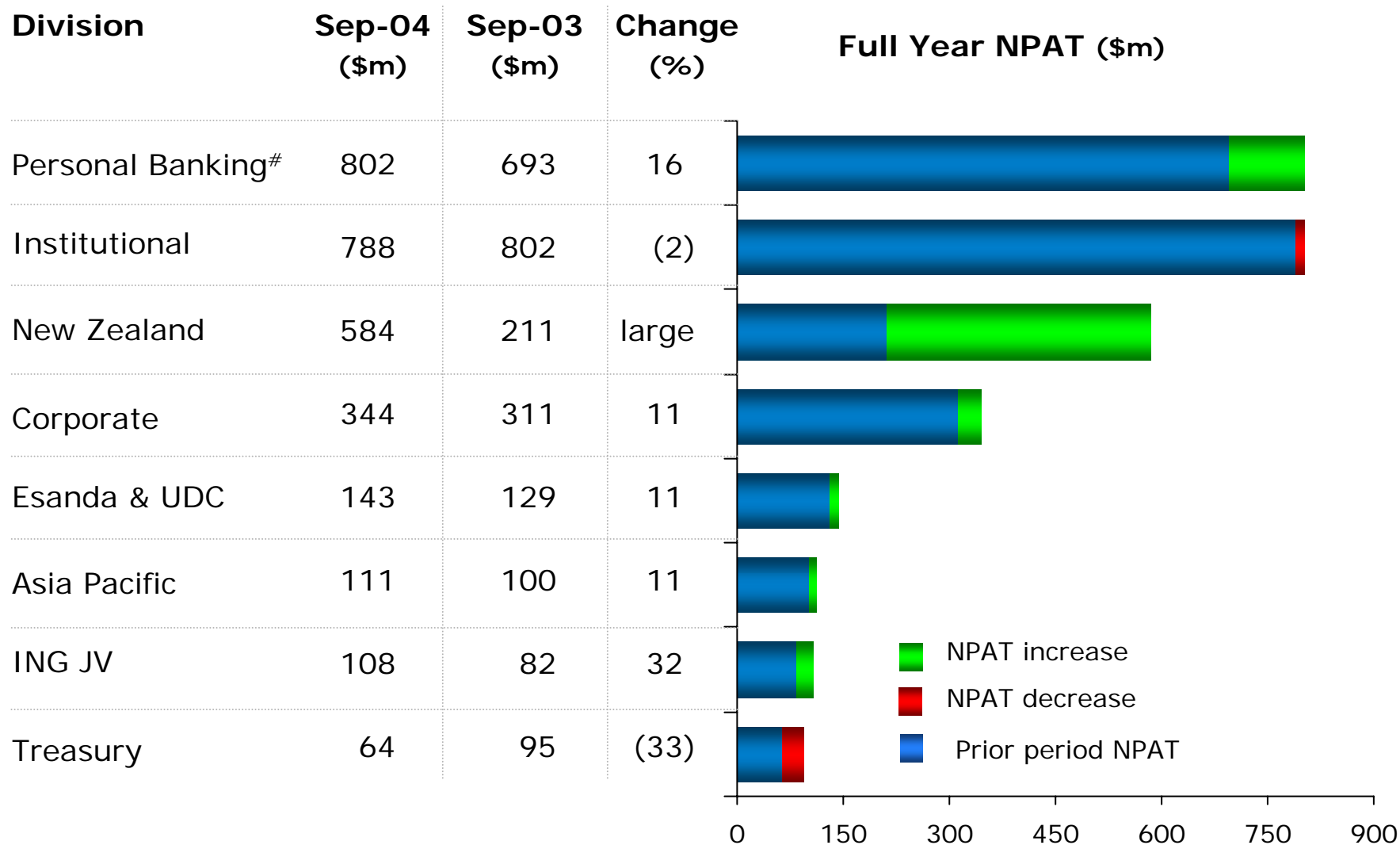


- Increasing frontline capabilities in our businesses
- Increased technology resources to assist in NBNZ integration and compliance requirements

- Investment in frontline Small Business personnel driving growth in Corporate
- Continued growth in retail frontline resources



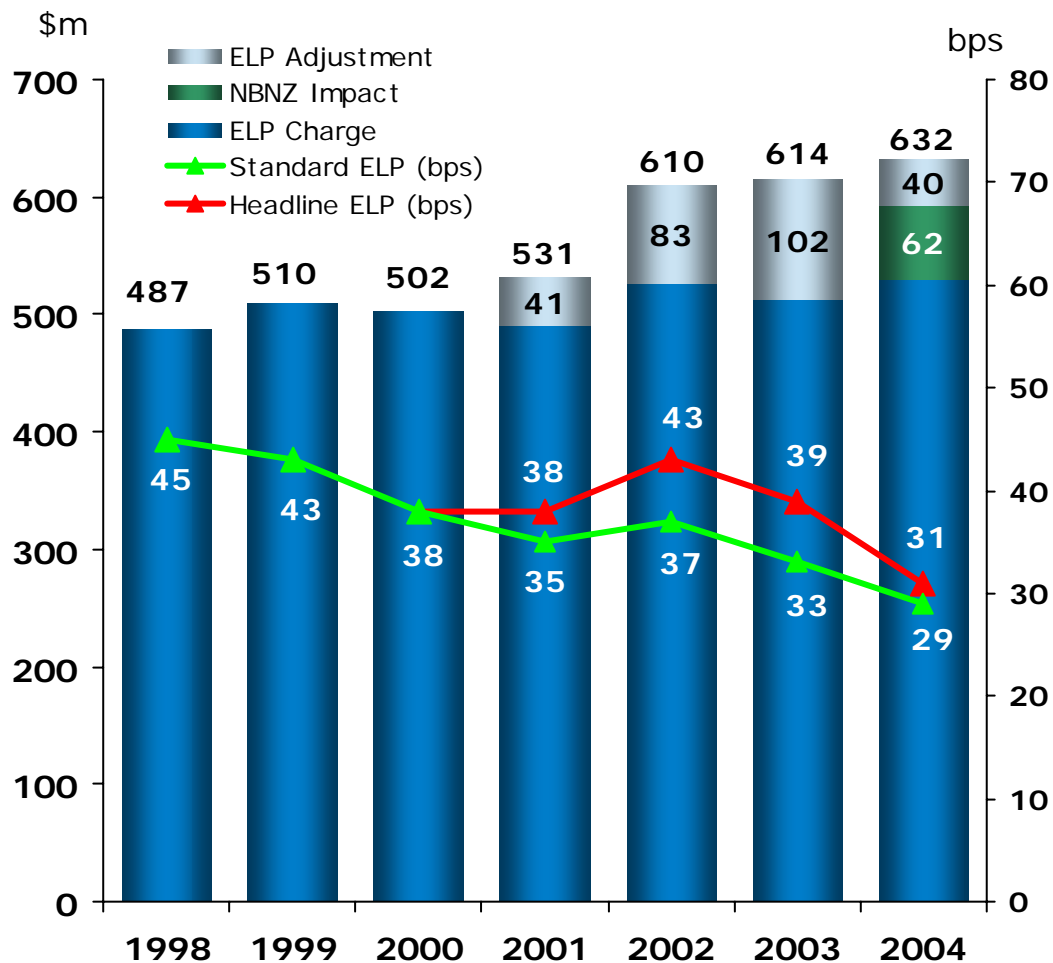
## Previous growth investments in Personal/Corporate paying off



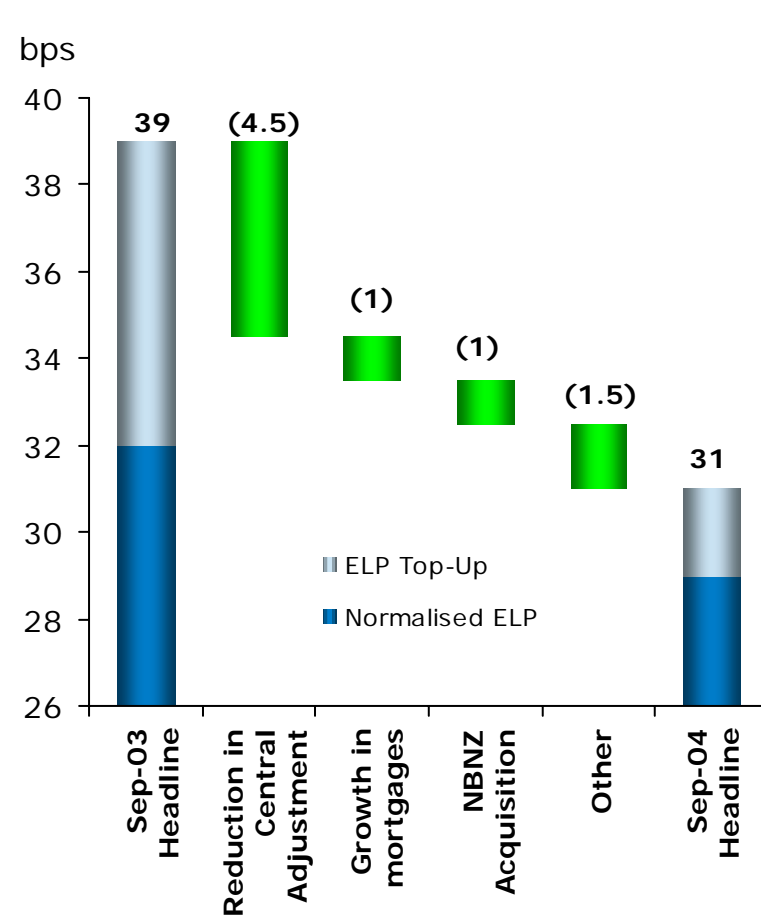
#not adjusted for 1H03 Cards under Accrual

# Doubtful Debts charge higher due to lending growth, partly offset by improved risk profile

## Bad Debt charge higher due to volume growth, ELP Rate lower



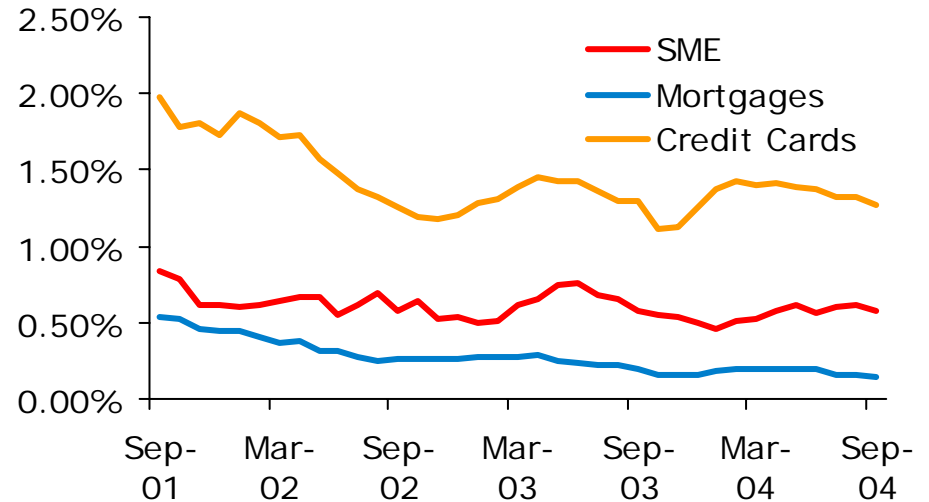
## Decline in ELP Rate driven by improved risk profile



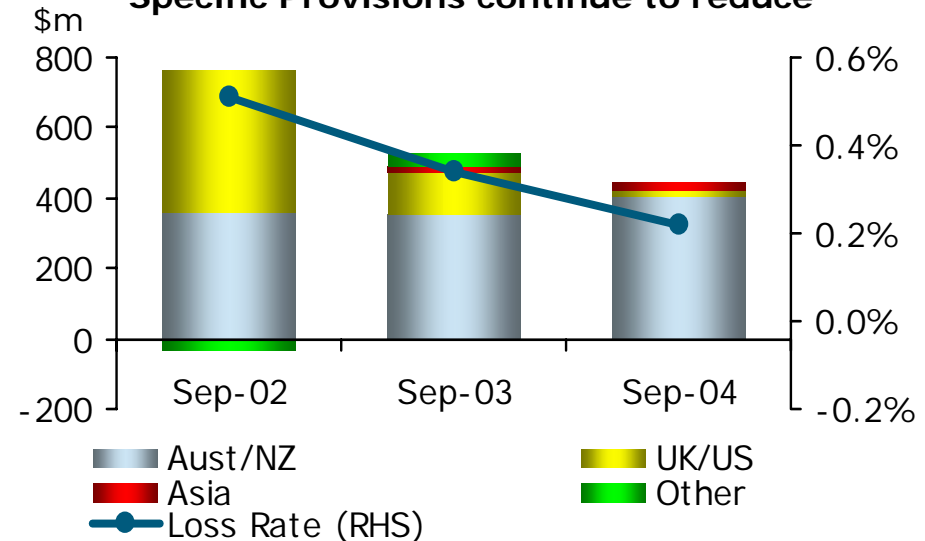
# Credit quality in good shape

- Risk has markedly improved in our international portfolios
- Housing market headed for soft landing, consumer arrears remain at low levels
- Domestic corporates in good shape
- Specific provisions and non accruals lower, despite impact of Telstra's Reach joint venture
- Some lagged effects from Energy & Telco portfolios, but largely yesterday's story
- Well provisioned

**Delinquencies remain low**

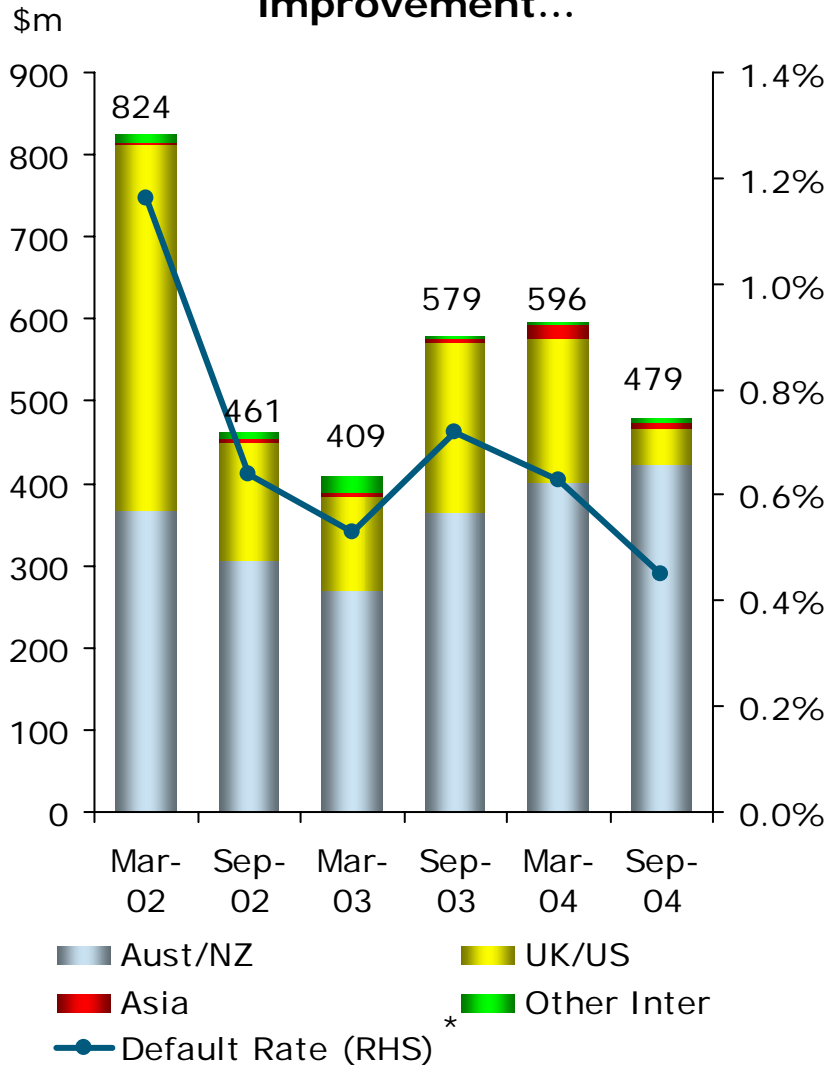


**Specific Provisions continue to reduce**

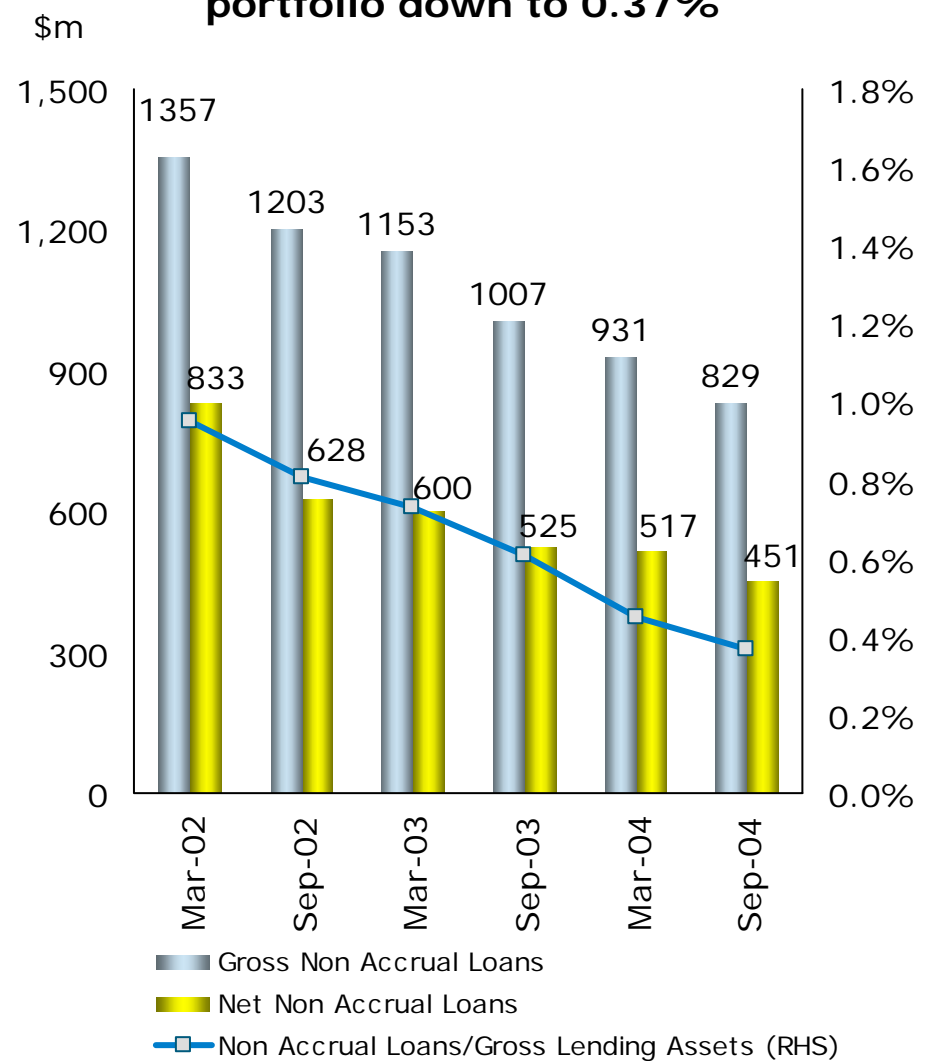


# Non-accrual loans to Loans & Advances well down

Default rate continued to show improvement...



...Non-Accrual Loans as a % of the portfolio down to 0.37%



# New Zealand businesses delivering sound results

## NBNZ performance slightly ahead of proforma (NZ\$)

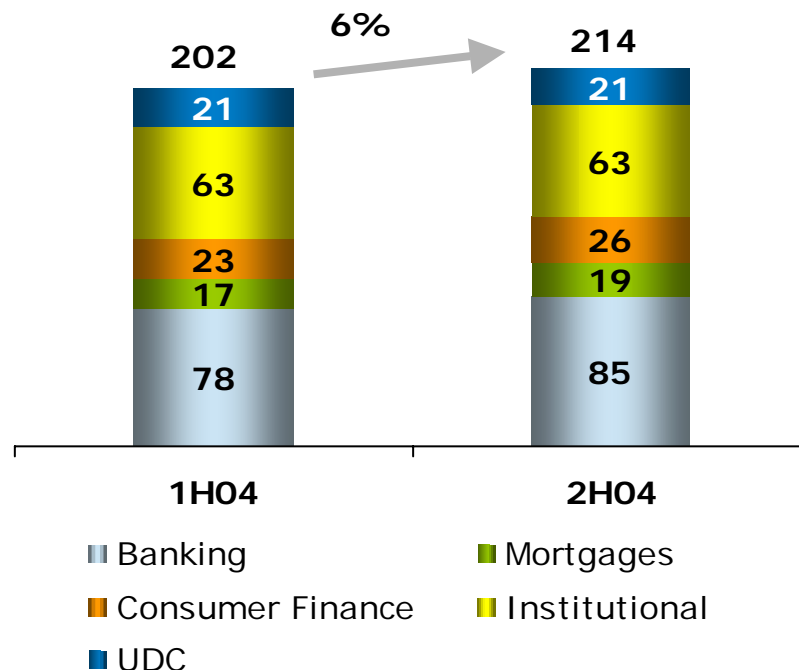
| Item                | NBNZ Actual* | NBNZ Proforma | Variance  |
|---------------------|--------------|---------------|-----------|
| Net Interest Income | 885          | 841           | 5%        |
| Other Income        | 291          | 290           | -         |
| Operating Expenses  | (498)        | (487)         | 2%        |
| PDD                 | (70)         | (74)          | (5%)      |
| Income Tax & OEI    | (186)        | (163)         | 14%       |
| <b>NPAT</b>         | <b>422</b>   | <b>407</b>    | <b>4%</b> |

NPAT comparison distorted by following one-offs

- FY03 includes NZ\$18m one-off structured finance transactions
- Amalgamation and integration of NBNZ reduced FY04 NPAT by NZ\$4m
- Various other factors

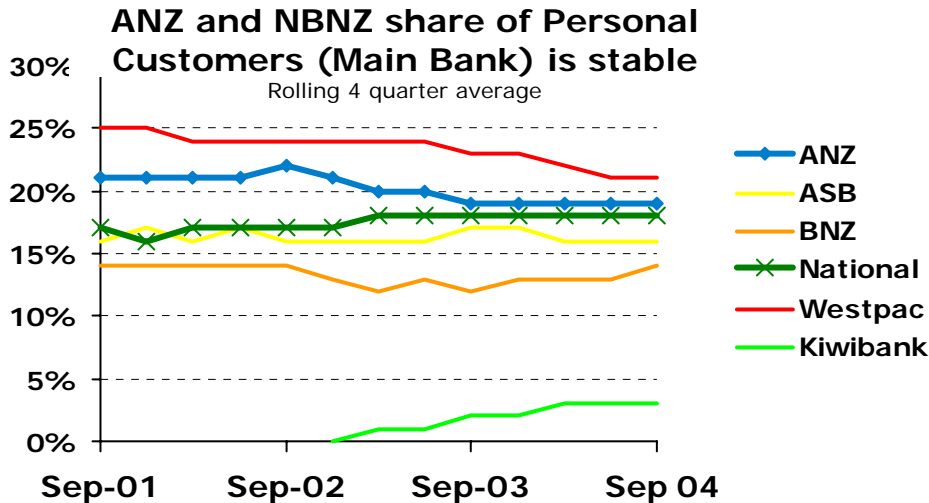
Excluding impact of one-offs, Actual performance up 8% on Proforma

## Good underlying NPAT momentum in ANZ (NZ) businesses (NZ\$m)

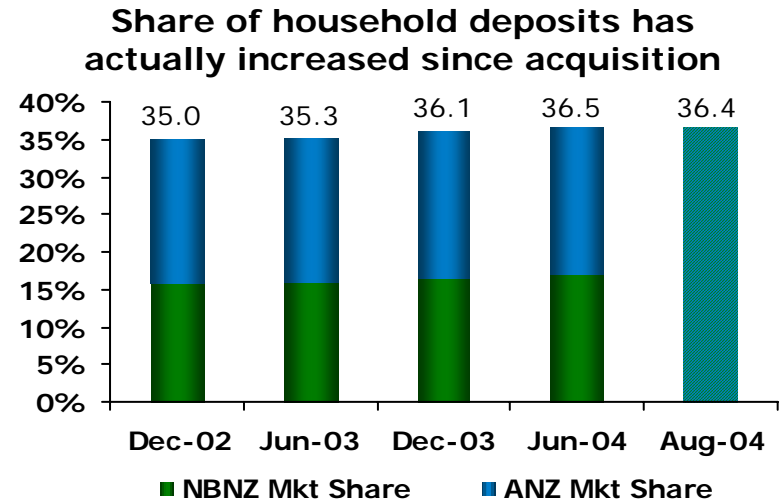


- Solid performance by Banking reflecting increased deposit margins and continued growth in deposit FUM

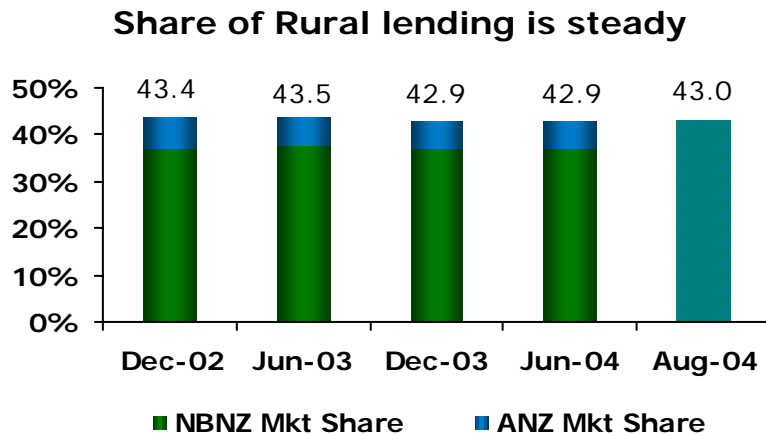
# Market share in New Zealand holding up well, particularly in the context of an acquisition



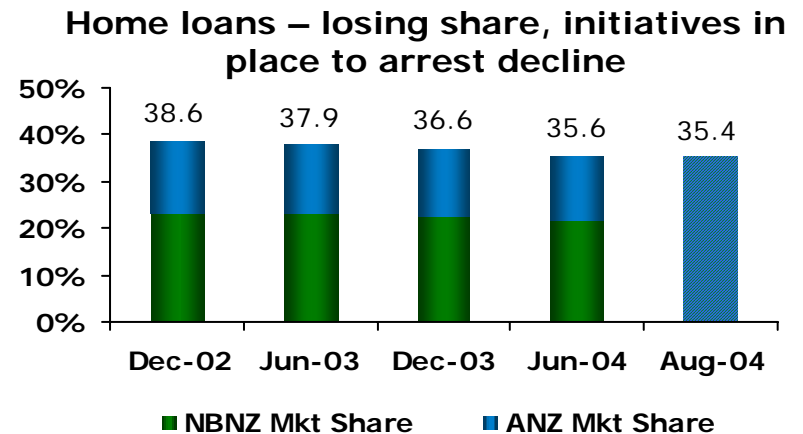
Source: ACNielsen Consumer Finance Monitor



Source: RBNZ Table C8, ANZ National









Source: RBNZ Table C7, ANZ National



Source: RBNZ Table C6, ANZ National 50% risk weighted assets

# Integration economics, adjusted for risk, compare favourably to previous estimates

| Costs & Benefits                 | Prospectus* / Business case   | 2004 Interim Results  | September 2004  |          |                 | Comment  |
|----------------------------------|---|---|---|----------|-----------------|--|
|                                  |   |   | Core program  | RBNZ     | Infra-structure |  |
| <b>Total Integration Costs</b>   | NZ\$265m  | NZ\$265m  | NZ\$175m  | NZ\$31m  | NZ\$14m         | RBNZ requirements increase costs by NZ\$31m. Retail systems integration costs saved  |
|                                  |   |   | = NZ\$220m  |          |                 |  |
| <b>Revenue Benefits 2007 pa</b>  | NZ\$31m   | NZ\$45m   | NZ\$47m   |          |                 | Detailed reviews have identified further benefits, particularly with Institutional. Retail still delivers 50% of original benefits |
| <b>Cost Synergies 2007 pa</b>    | NZ\$126m  | NZ\$126m  | NZ\$75m   | -NZ\$12m | -               | Dual systems significantly limits opportunities for synergies plus RBNZ has a negative impact                                      |
|                                  |   |   | = NZ\$63m   |          |                 |  |
| <b>Revenue Attrition 2007 pa</b> | NZ\$88m   | NZ\$42m   | NZ\$34m   |          |                 | Exclusion of Retail reduces attrition.   |
| <b>Risk</b>                      |  |  |  |          |                 | Integration risk significantly reduced under current option  |

-  Lower risk
-  Medium risk
-  Higher risk

## Timing of integration costs and benefits

| NZ\$m                                | 2004 | 2005 | 2006 | 2007 |
|--------------------------------------|------|------|------|------|
| Total Integration costs              | 49   | 153  | 18   | 0    |
| <i>Incremental Integration costs</i> | 29   |      |      |      |
| Cost synergies                       | 6    | 33   | 53   | 63   |
| Revenue synergies                    | 1    | 24   | 39   | 47   |
| Attrition                            | 20   | 32   | 34   | 34   |

Likely to be approximately

- 10% costs capitalised,
- 15% covered by restructuring provision, and;
- 10%-20% from existing resources

### 30% of integration activities were completed in 2004 including:

- Amalgamation on 26 June 2004
- Business and organisational structures in place
- Systems platforms for all businesses agreed and integration proceeding
- Central Head Office and functional units integrated
- ERP systems implementation proceeding to plan
- Institutional and Corporate integration underway
- Rural integration well progressed – to complete by end 2004
- Initial IT and payments infrastructure in place
- RBNZ requirements agreed and solutions underway

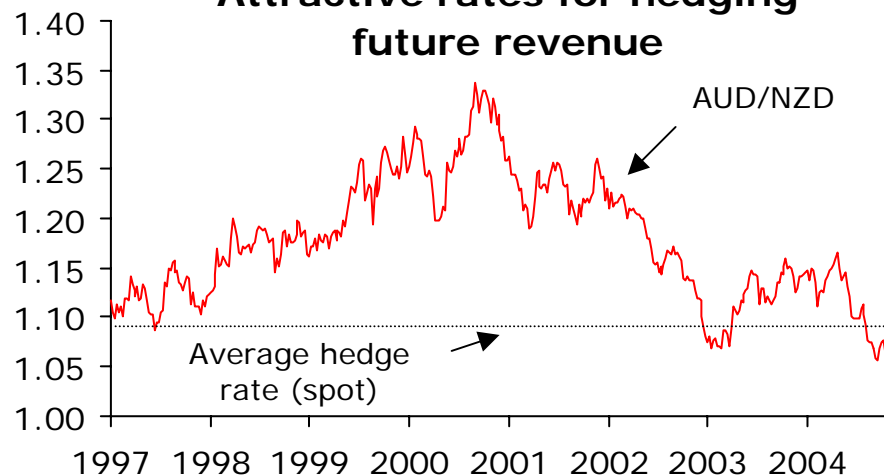
### Integration is well placed for practical completion in 2005



# New Zealand currency risk actively managed

- Revenue hedging undertaken when currency is believed to be outside its normal trading range and inconsistent with their value.
- Revenue from FX hedges is reported as Interest Income within the Group Centre.

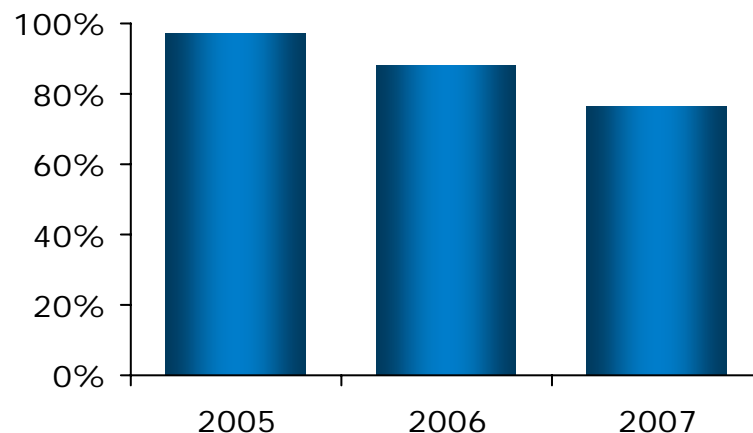
**Attractive rates for hedging future revenue**



**NZD revenue hedging position\* (A\$m)**

|                                     | Sep-04 | Sep-03 |
|-------------------------------------|--------|--------|
| Notional Principal                  | 3,349  | 1,126  |
| Income from hedge                   | 14     | 8      |
| Unrealised gain/(loss)              | (58)   | 53     |
| Exchange rate (spot)                | ~ 1.09 |        |
| Exchange rate (with forward points) | ~ 1.11 |        |

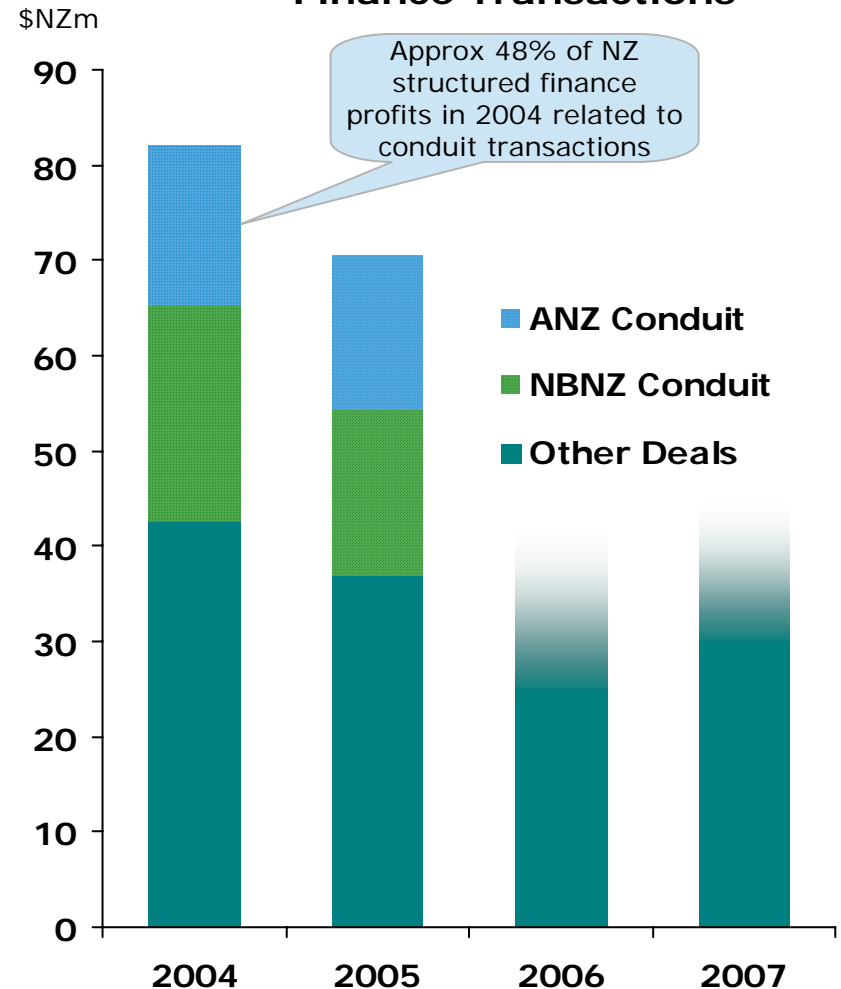
**Estimated proportion of NZ earnings hedged**



# New Zealand structured finance transactions

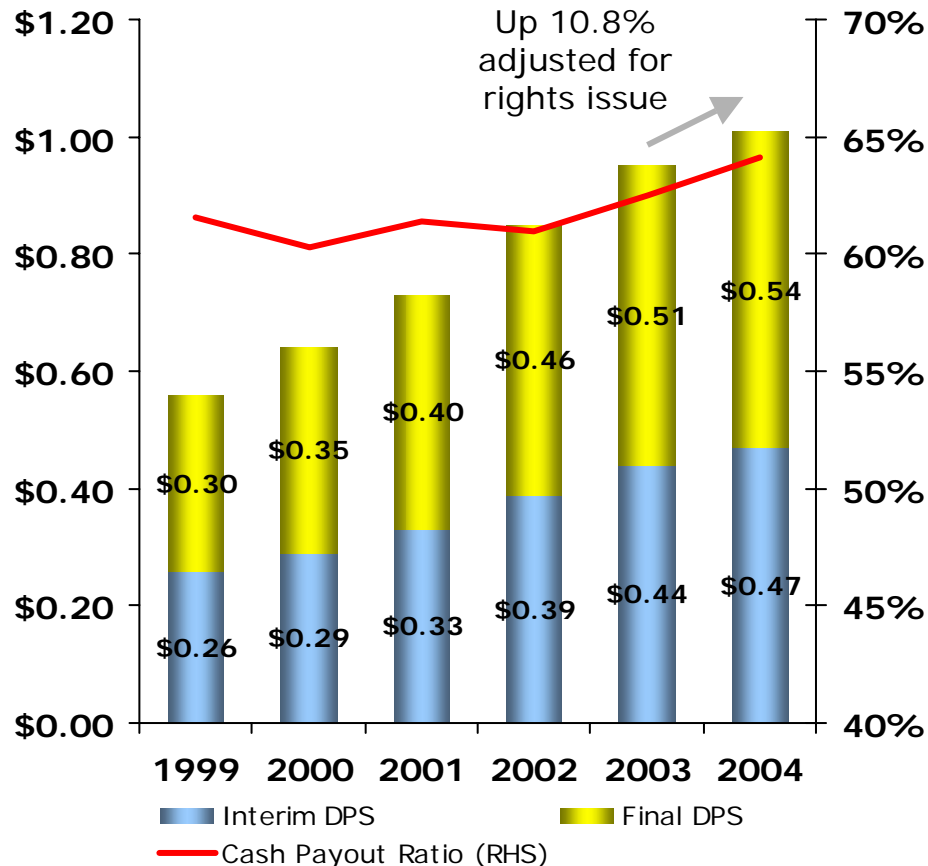
- IRD audit focused on so called “conduit” transactions
  - Notices of Proposed Adjustment received on 30 September 2004
  - Net potential liability on all similar transactions \$NZ232m\*
  - Do not currently expect to raise additional provisions
- Legislative change to ‘thin cap’ rules in NZ will make these transactions economically unviable after 2005
  - No new conduit transactions entered into for almost 2 years
  - Expect that remaining conduit transactions will cease before 2006
  - Likely to see more capital held in NZ – negligible profit impact, but may impact franking position

**NPAT from NZ Structured Finance Transactions**

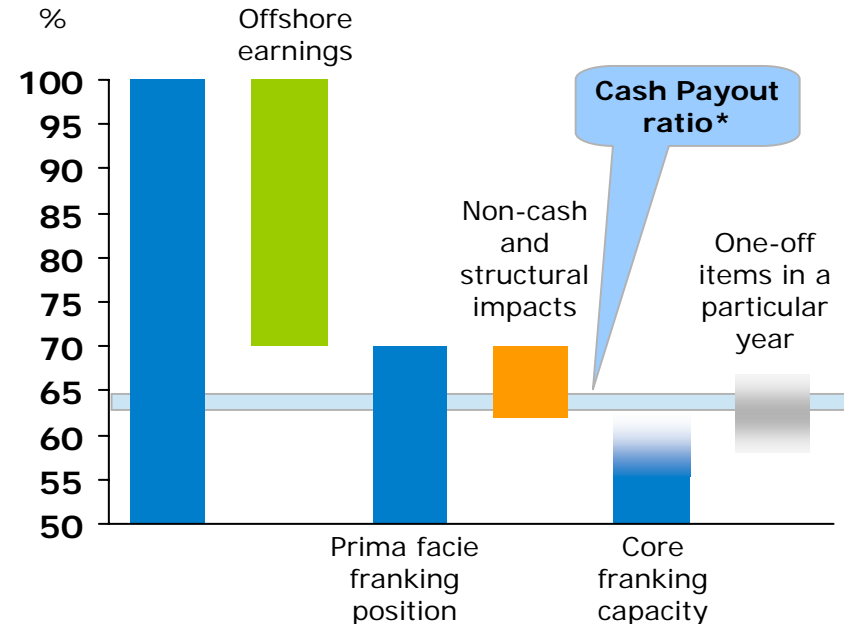


# Dividend growth in line with cash EPS growth

## Dividend growth in line with cash EPS growth



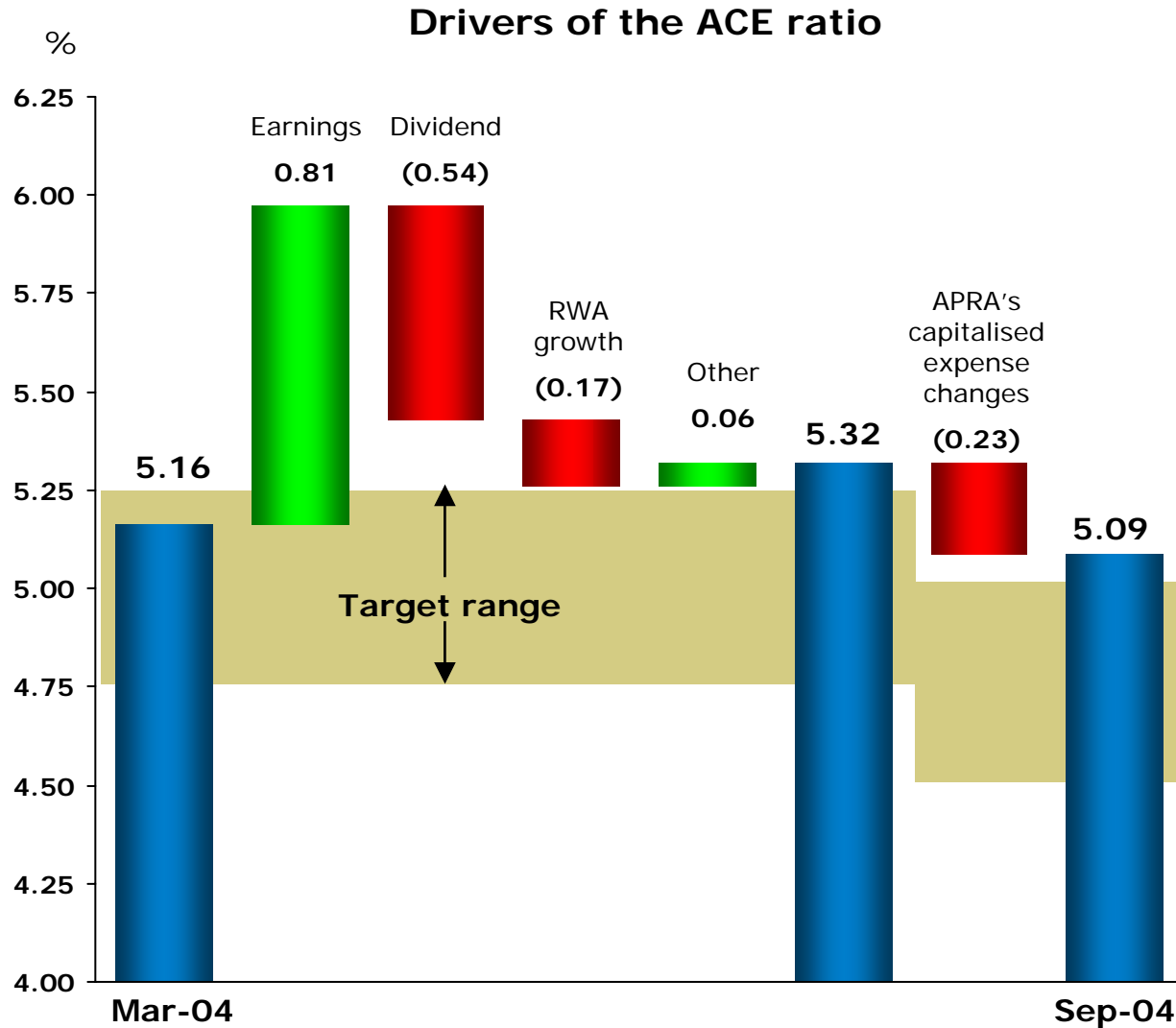
## Payout ratio slightly above long term sustainable ratio



## Based on current payout policy

- expect dividend growth in line with cash earnings per share growth
- expect to be able to fully frank the dividend for foreseeable future due to timing differences generating future franking surpluses

# Capital position strong, above the top end of our range



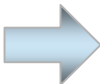
**Target range reduced by 25bp**

APRA's changes to capitalised expenses did not change the substance of our financial position.

As a result, Ratings Agencies have allowed a corresponding adjustment to our target

## Capital management initiatives likely in first half

---

Capital Management Philosophy  Capital is a scarce resource to be managed efficiently

- Currently above target range
- Continue to generate surplus capital
- Sale of London based structured finance business to free up ~USD1.3b RWA









but

- Uncertainty regarding negative ACE impact of IFRS
- Retain flexibility to make small 'in-fill' acquisitions

### Our Response

- Conservative approach pending Regulatory and Rating Agency response to IFRS
- Hybrid Tier 1 raising in Europe of ~A\$700 million
  - Will increase Tier 1 but little ACE impact
- Capacity for \$350m+ buyback to offset dilution from current year's DRP and Group Share Schemes – likely execution following completion of Hybrid Tier 1 capital raising and APRA approval

## Divisional Outlook for 2005

| Division         | Outlook   | Drivers   |
|------------------|---|---|
| Personal Banking |    | <ul style="list-style-type: none"> <li>• Solid growth in all product business. Continued investment in the franchise. Improvement in margin decline anticipated</li> </ul>    |
| Institutional    |    | <ul style="list-style-type: none"> <li>• Return to modest growth following de-risking. Improved environment anticipated particularly in Markets business</li> </ul>           |
| New Zealand      |    | <ul style="list-style-type: none"> <li>• Solid underlying growth offset by impact of NBNZ structured deal run-off, and continued restructure of ANZ (NZ) franchise</li> </ul> |
| Corporate        |    | <ul style="list-style-type: none"> <li>• Strong performances in Corporate and Business Banking offset by significant investment in Small Business Banking</li> </ul>          |
| Esanda & UDC     |    | <ul style="list-style-type: none"> <li>• Continued strong growth in higher return markets. Benefits from brand and growth investment anticipated</li> </ul>                   |
| Asia Pacific     |    | <ul style="list-style-type: none"> <li>• Declining Panin contribution, due to reduced one-offs and provision adjustments, offsetting solid underlying performance</li> </ul>  |
| ING              |  | <ul style="list-style-type: none"> <li>• Capital investment earnings uncertainty</li> </ul>   |
| Treasury         |  | <ul style="list-style-type: none"> <li>• Continued drag on group earnings due to unfavourable rates at the long end of the yield curve</li> </ul>                             |



High single digit and above



Low to Mid single digit



Profit decrease

## Group Outlook for 2005

| Item                         | Outlook (normalised for NBNZ and excl. integration costs)   |
|------------------------------|---|
| Revenue                      | <ul style="list-style-type: none"><li>• 6.5% - 8% growth:<ul style="list-style-type: none"><li>• Lending growth to remain robust; Improving margin environment</li><li>• Benefit from growth investments, weighted towards second half</li><li>• Weighed down by Panin and Group Treasury</li></ul></li></ul> |
| Expenses                     | <ul style="list-style-type: none"><li>• 5% to 7% growth:<ul style="list-style-type: none"><li>• Expense growth weighted towards first half</li><li>• Investing for sustainable growth, with a focus on increasing frontline capabilities in growth markets</li></ul></li></ul>                                |
| Provision for Doubtful Debts | <ul style="list-style-type: none"><li>• ELP Rate 28bps to 30bps :<ul style="list-style-type: none"><li>• Lending growth partly offset by mix effect (likely to moderate)</li><li>• Reduction in ELP top-up</li></ul></li></ul>  |
| Taxation                     | <ul style="list-style-type: none"><li>• Tax rate slightly above FY04</li></ul>  |
| Cash EPS Growth              | <ul style="list-style-type: none"><li>• Stretch target of 8%, but facing headwinds – around 7% more realistic</li></ul>   |

04

# *Supplementary Information*

Australia and New Zealand Banking Group Limited

26 October 2004

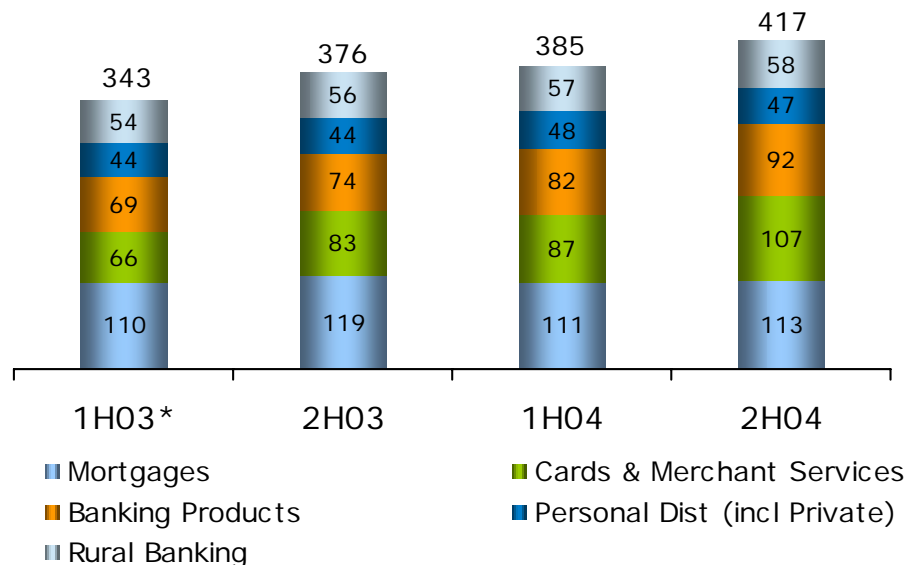


---

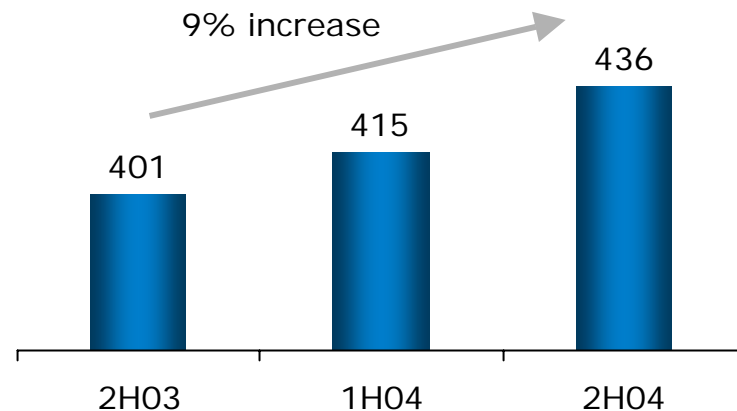
## Business Unit Performance

# Personal Banking Australia – strong momentum

## Solid NPAT growth...



## ...despite significant investment in the franchise (expenses \$m)



NPAT growth of 11%\* for the year, up 8% in 2H04:

- Strong growth in Cards & Merchant Services, up 30%\* reflecting reduction in “transactors” following RBA interchange reform and increases in merchant numbers
- Banking Products performing well following 10% increase in average deposit volumes and favourable margin trends due to increases in the cash rate during the year
- Growth in mortgages average FUM of 21% was offset by reduced net interest margin

Significant investment in FY04 reflecting:

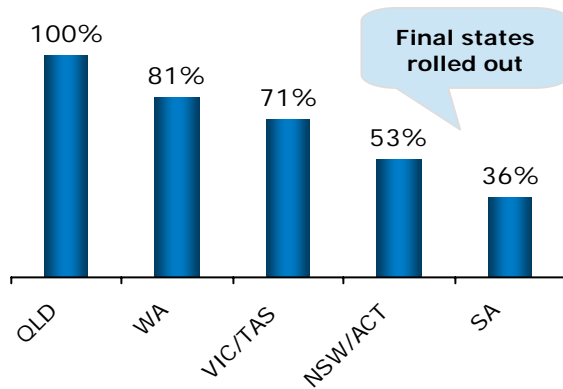
- Costs associated with new telling platform
- Increased frontline personnel
- Significant investment in staff training, particularly in sales skills

FY05 investment forecast to be in line with FY04, key areas of focus include:

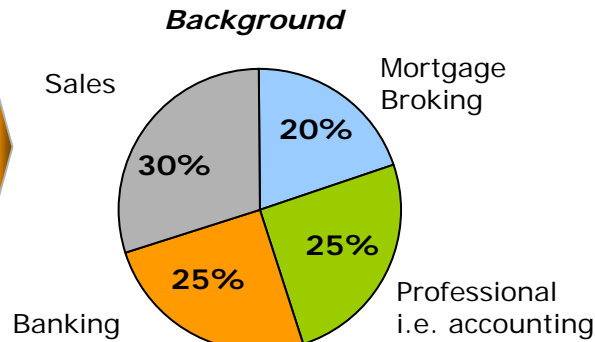
- Further increases in frontline personnel and financial planners in the network
- Increase in points of representation
- Ongoing refurbishment of existing branch network

# Mortgage distribution

Mortgage franchises selling ahead of schedule (% sold)...



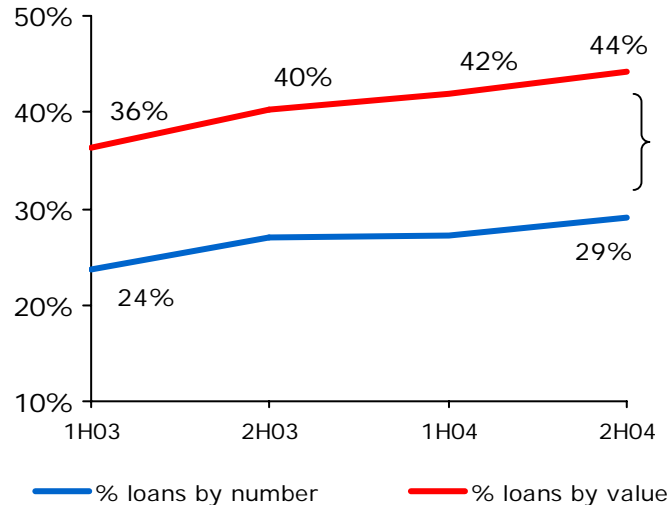
...and we are attracting skilled applicants



...driven by an attractive proposition

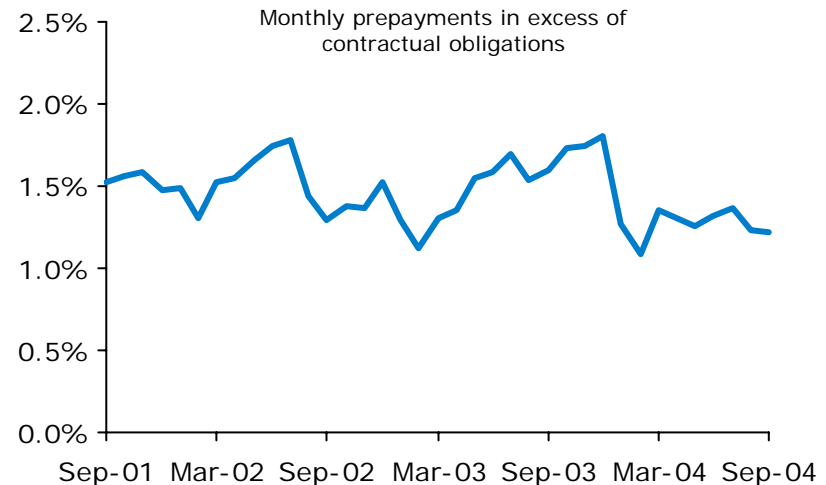
- No "middle man" in the commission structure
- Sales leads and technical support provided by ANZ
- Market leading products

Brokers continue to be an important distribution channel



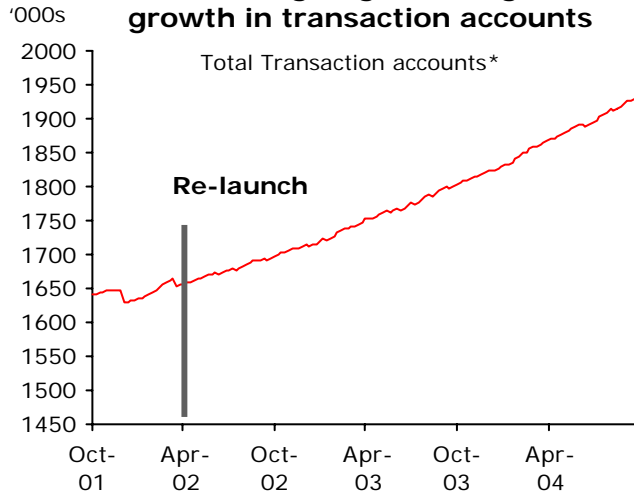
Reflects higher proportion of supplementary loans through ANZ network, and higher proportion of broker loans from urban areas

Mortgage prepayment level falling

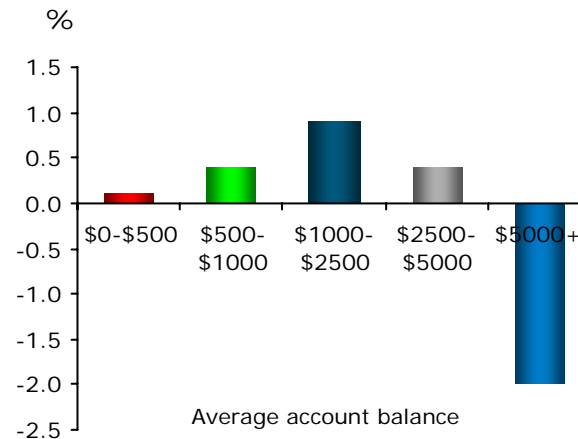


# Retail deposits: good growth, changing customer behaviour

**Continuing to generate good growth in transaction accounts**



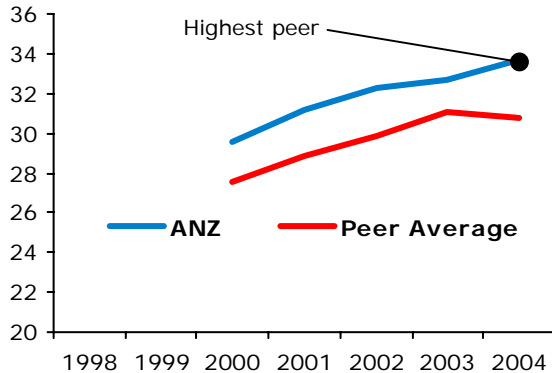
**Change in FUM distribution of low interest retail accounts**



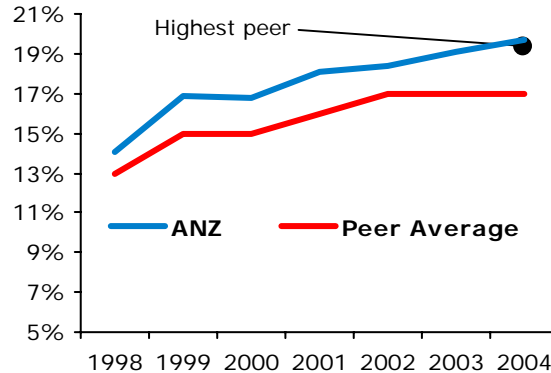
- Customers with high balances self selecting to higher rate products
- New account structures delivering good growth in \$500-\$5000 balance range
- ~2%/3% of ANZ account holders transfer funds to ING Direct

## Socio-economic profile of transaction account customers increasingly attractive

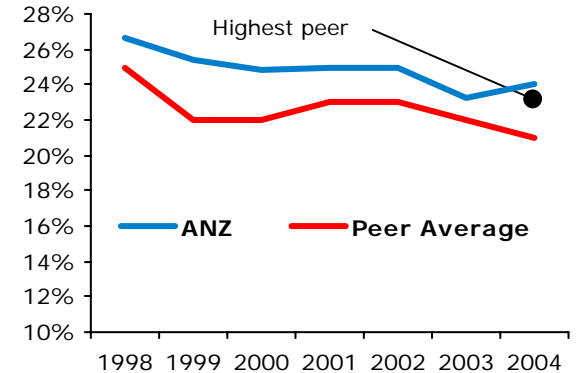
**Mean Income of Transaction Account Holders aged 14+ (\$000's)**



**Of Transaction Account Holders - % that are Managers/Professionals & Small Bus Owners**



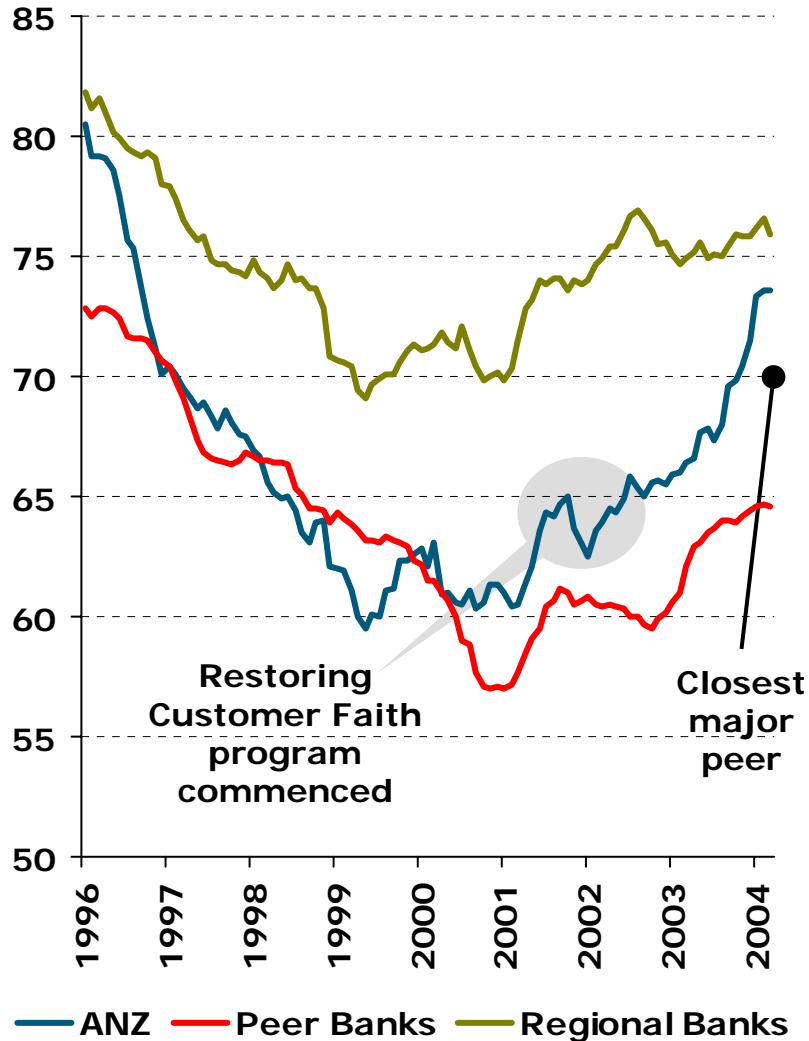
**Of Transaction Account Holders - % that are in the AB Socio-Economic Quintile aged 14+\***



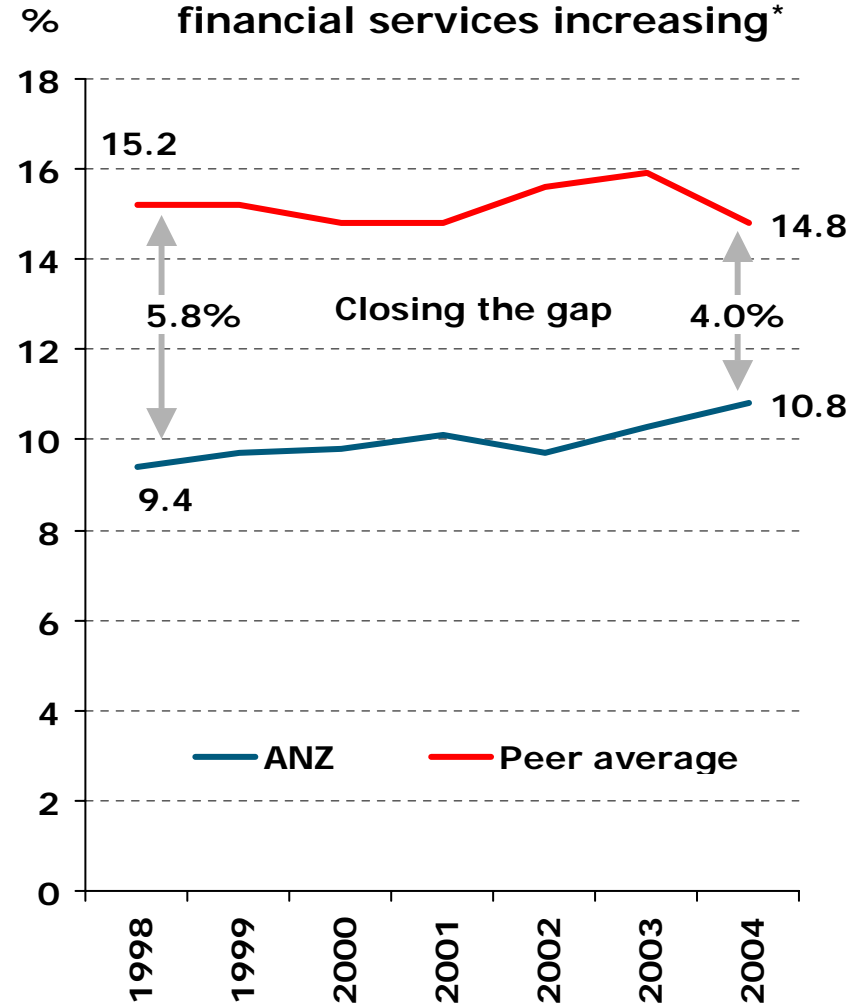
Note - Peer average is defined as the arithmetic average of peers

# Focus on the customer is closing the market share gap

## Customer Satisfaction# with Main Financial Institution

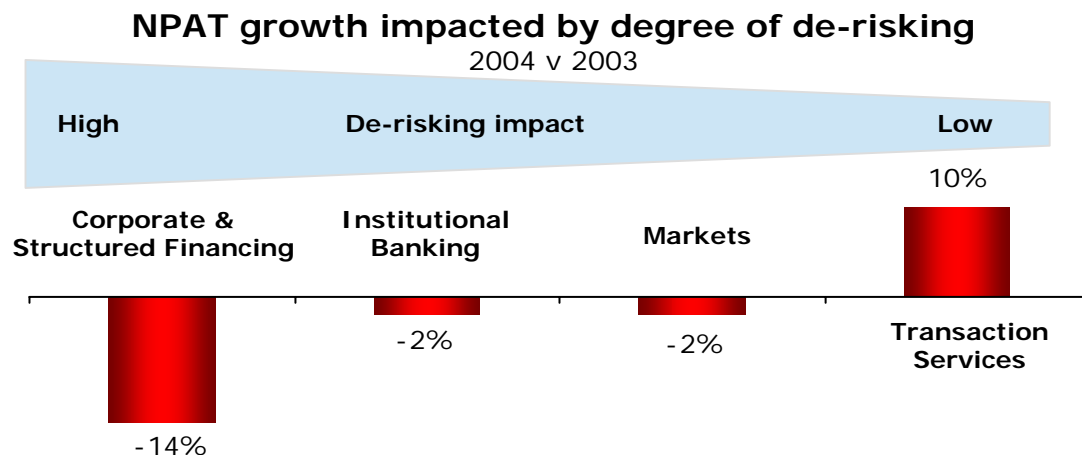


## Market share of "traditional banking" financial services increasing\*

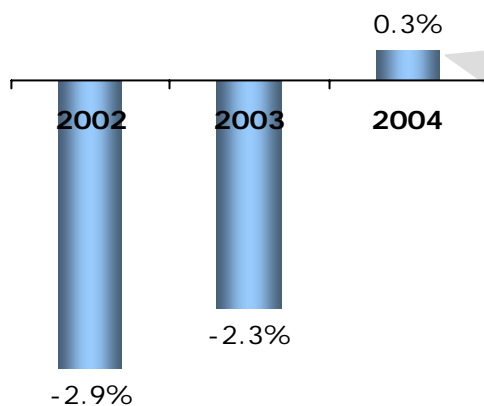


# Institutional: we have largely completed a structural de-risking program that has been underway for a number of years

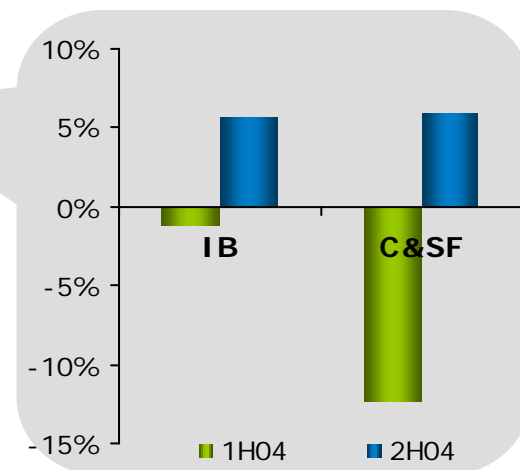
- Underlying business momentum adversely impacted by
  - Strategy to lower risk which has significantly reduced offshore assets
  - \$10m NPAT foregone through run-off of structured transactions
- While de-risking has been a priority, we have also invested in growth
  - Transaction Services NPAT up 10% reflecting recent investment and management focus in the business
- Focus is now upon re-shaping the business to deliver future growth
  - Integration of Foreign Exchange and Capital Markets businesses delivering integrated customer focus and cost savings
  - Refocus of offshore business following completion of de-risking
  - Increased specialisation in Institutional Banking and revised business model



## Positive trend in Institutional lending growth ...

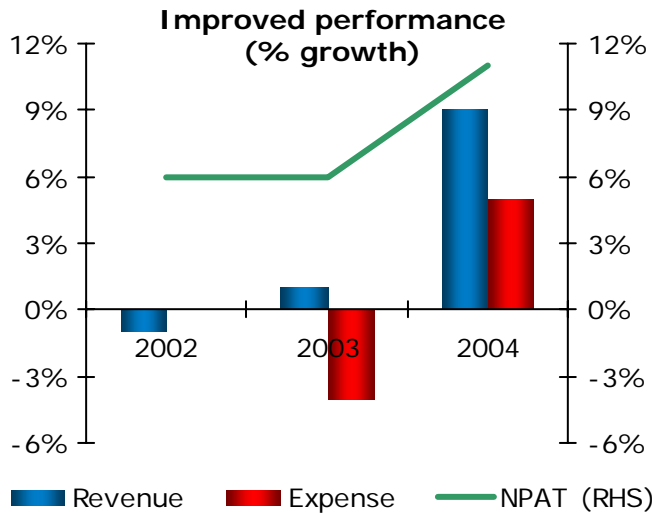


## .. as de-risking is largely completed



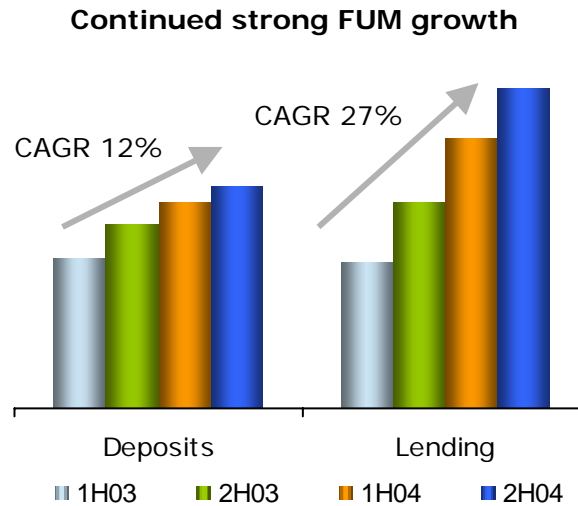
# Corporate: increased momentum in Corporate Banking, continued strong investment and growth in Business Banking

## Corporate Banking Australia



- NPAT up 11% for the year
- Strong lending and deposit growth up 17% and 13%
- Wall Street to Main Street continues to deliver solid revenue growth - 19 deals completed in FY04 vs 5 deals in FY03
- Revenue growth opportunities include:
  - Expanding business footprint in key geographies
  - Increased cross sell of ANZ product suite
  - Continued investment in specialist teams and products

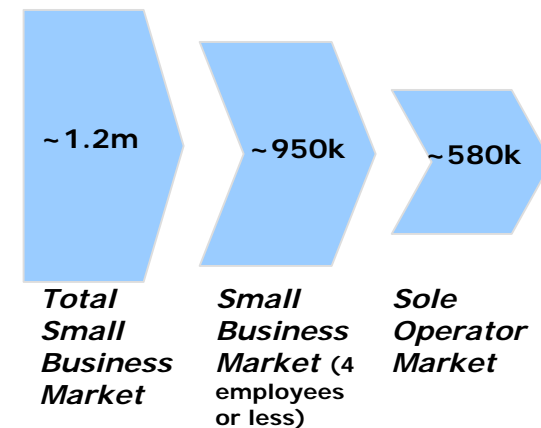
## Business Banking Australia



- NPAT up 11% for the year
- Revenue increased 14% driven by 27% lending and 13% deposit growth
- Expenses up 17%, reflecting:
  - 70 new frontline FTE employed
  - Continued focus on industry specialisation – e.g. pharmacy model performing strongly
- Revenue growth opportunities include:
  - Further investment in footprint and industry specialisation
  - Strong presence in third party origination
  - Research and investment in new product opportunities

## Small Business Banking

**Significant opportunity to grow market share (# of customers)**



- Nearly 1 million businesses with less than 4 employees and more than half of those are sole operators
- ANZ estimated to have links to around 20% of customers and 15% of FUM; we have a significant opportunity to increase both
- Focus in FY05 is upon growing the business through
  - Significant investment, particularly in skilled frontline personnel
  - Developing specialist capabilities

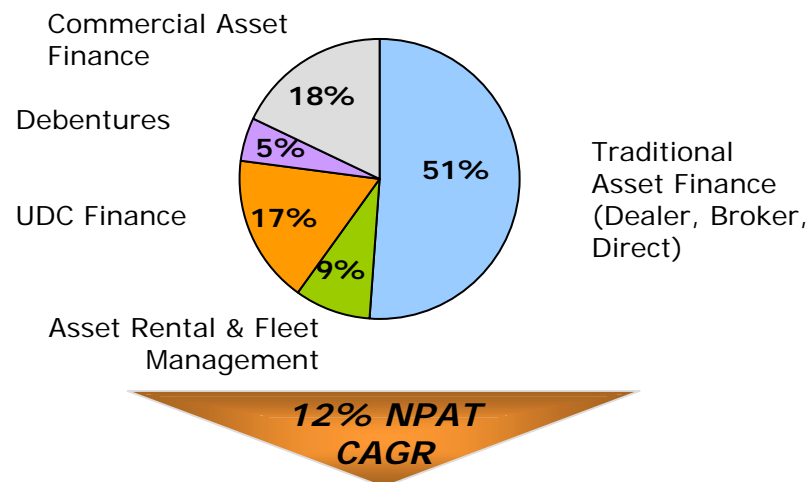
# The Esanda Group has reshaped its business and is focused on growth

Esanda including UDC, have reshaped its business, increasing its focus on higher growth markets, whilst maintaining its commitment to traditional businesses.

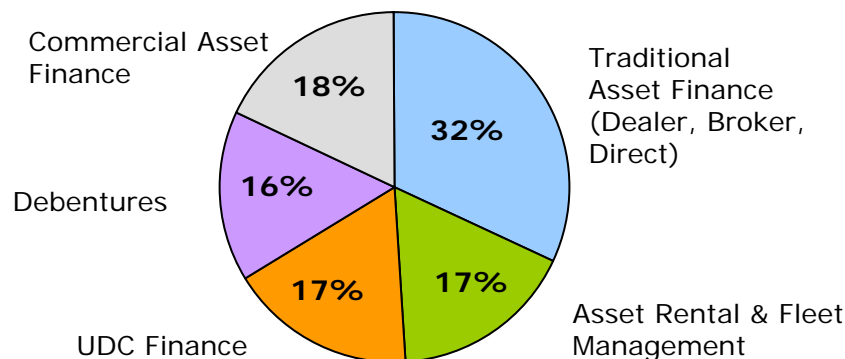
This is being achieved through the following initiatives:

- **Restructure:** In May 2004 Esanda restructured its internal business model by:
  - creating a new division which brings together Operations, Dealer and Broker channels allowing much closer co-ordination between the business, its customers and those that provide support
  - creating a new business segment focused exclusively on growth markets, products and services
- **Growth Funding:** Funds have been set aside in FY05 for new revenue growth initiatives including the appointment of 15 additional staff in growth segments in Australia
- **NZ Franchise restructure:** 25 Relationship Managers have been employed in UDC (NZ) following the winding up of the franchise model during 2004. The managers will be located in ANZ and National Bank branches
- **Brand Development:** In 2004 an additional 30% was spent on the re-launch of the Esanda and UDC brands. In FY05 we plan to invest further in promoting both brands

**Esanda & UDC NPAT % - 2000**



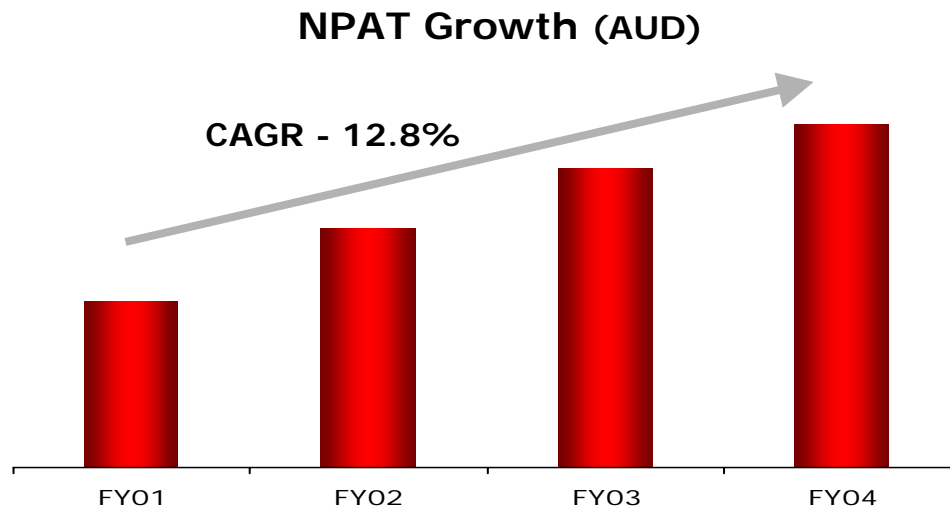
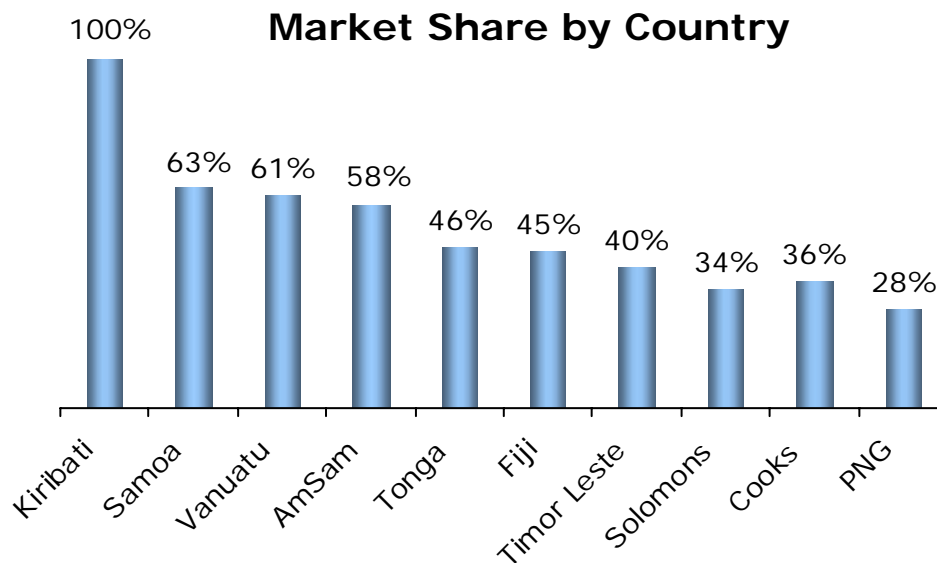
**Esanda & UDC NPAT % - 2004**





## Pacific – strong performance in most markets

- NPAT grew 15.5% (17.6% excluding impact of exchange rate movements) driven by solid lending growth, up 12%
- Expenses grew 4.9% reflecting increased investment in the region:
  - Mobile rural banking model rolled out in Fiji, offering banking services to ~ 300k “unbanked” Fijians
  - Increased compliance costs and spend upgrading key front-end systems.
- Key areas of focus:
  - Improved efficiency through greater use of our centralised support facility in Fiji (Quest)
  - Gaining greater share of wallet by improving cross sell and adding new products and services
  - Exploring opportunities in new markets



# Asia – retail partnerships delivering solid underlying growth

## ANZ Asian Network (geographic)

- Strong performance by Personal Banking, NPAT up 5%
- IFS subdued with NPAT down 1.3%. Continued de-risking of the business, now largely completed
- Increased investment in Trade Finance and Capital Markets resources to support future growth

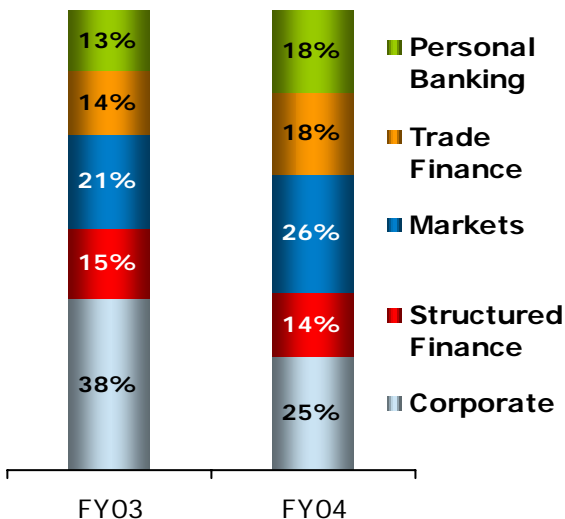
## ANZ Retail Partnerships

- Panin NPAT contribution down 10%. Strong underlying profit growth was offset by a change in equity accounting policy.
- International Cards continued to perform well, with a 23% increase in cards on issue during the year
- Continuing to work with Shanghai Rural Credit Cooperatives Union to formalise partnership
- Focus is on developing additional relationships through the region to leverage ANZ's skills base with local partners

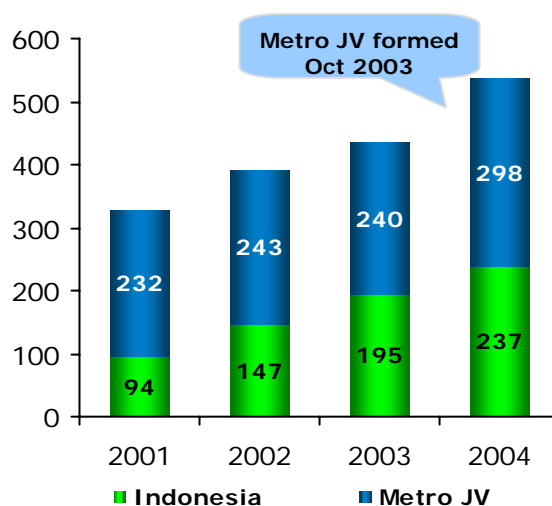
## Panin Partnership

- Book value of \$160m against market value of \$224m at 30 Sep 2004
- Equity profit booked by ANZ is adjusted for excess provisions held by Panin. As this the provision balance approaches more reasonable levels, profit adjustments are being reduced
- One-off profit of \$23m from bond sales in 2003 and \$17m from withholding tax write-backs and tax credits in 2004
- Outlook for underlying earnings growth remains positive

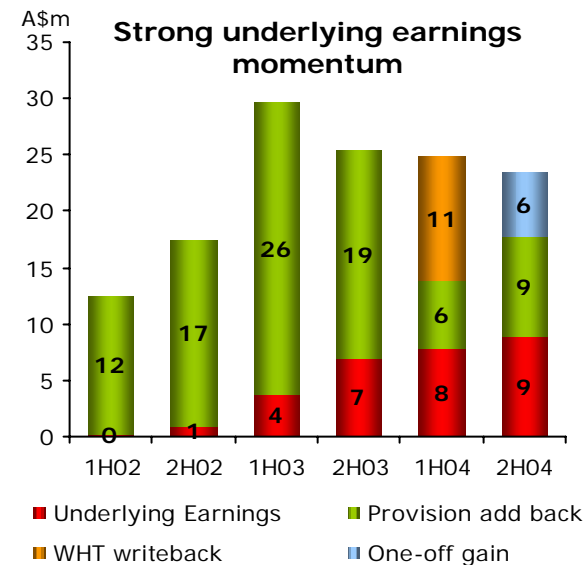
Contribution to NPAT (%)



Strong growth in cards on issue



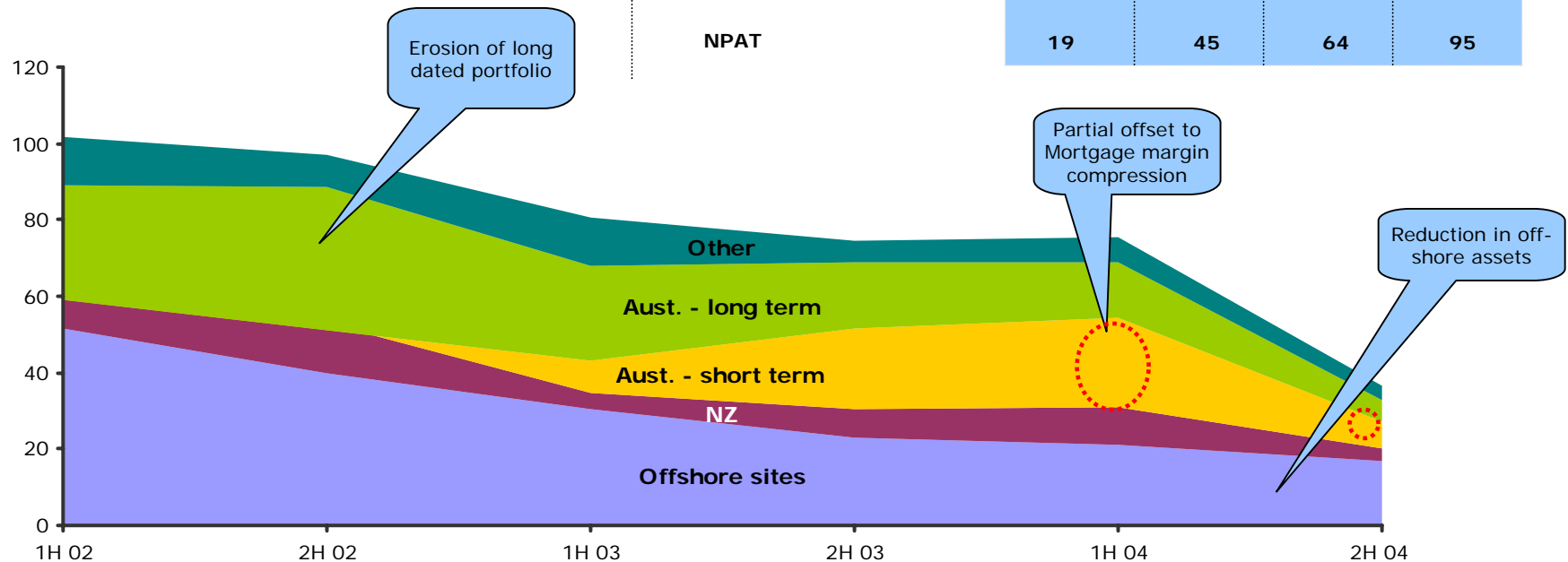
Strong underlying earnings momentum



# Treasury - mismatch earnings significantly reduced

## Composition of Treasury Income \$m

|                              | Group Treasury |           |           |            |
|------------------------------|----------------|-----------|-----------|------------|
|                              | 2H04           | 1H04      | 2004      | 2003       |
| Revenue                      | 37             | 75        | 112       | 155        |
| Operating Expenses           | (10)           | (10)      | (20)      | (19)       |
| Provision for Doubtful Debts | 0              | 0         | 0         | 0          |
| <b>PBIT</b>                  | <b>27</b>      | <b>65</b> | <b>92</b> | <b>136</b> |
| Income Tax Expense           | (8)            | (20)      | (28)      | (41)       |
| <b>NPAT</b>                  | <b>19</b>      | <b>45</b> | <b>64</b> | <b>95</b>  |



# Improving INGA returns reflect strengthening investment markets

NPAT increased 39% driven by:

- Funds management income increased 13%, driven by strong investment markets
- Risk income up 15% with increased sales of life insurance products through the ANZ network
- Higher capital investment earnings, up 93% due to strong equity & property trust markets which were partially offset by ANZ's capital hedge losses.
- Costs increased 11% due to
  - certain investment management fees included in costs in 2004
  - increased investment in product systems and process improvements

INGA maintained its number four Retail FUM position as measured by ASSIRT

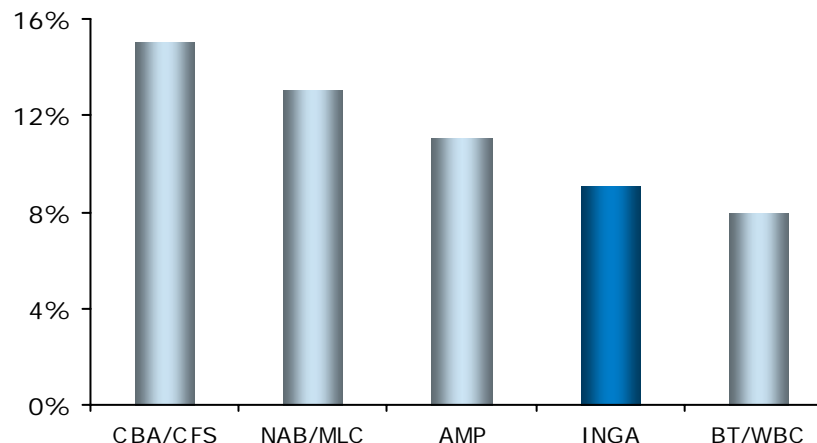
## Good Retail FUM growth\*

| Period | A\$b   |
|--------|--------|
| Mar-03 | 26,896 |
| Jun-03 | 27,842 |
| Sep-03 | 28,255 |
| Dec-03 | 29,126 |
| Mar-04 | 29,807 |
| Jun-04 | 31,596 |

## Current JV Valuation

|                                 | \$m          |
|---------------------------------|--------------|
| <b>Carrying value at Mar-04</b> | <b>1,690</b> |
| Completion accounts adjustments | (11)         |
| 2H04 dividend                   | (38)         |
| 2H04 Equity accounted profits   | 56           |
| <b>Carrying value at Sep-04</b> | <b>1,697</b> |

## INGA maintains its number four ASSIRT ranking (market share of Retail FUM)

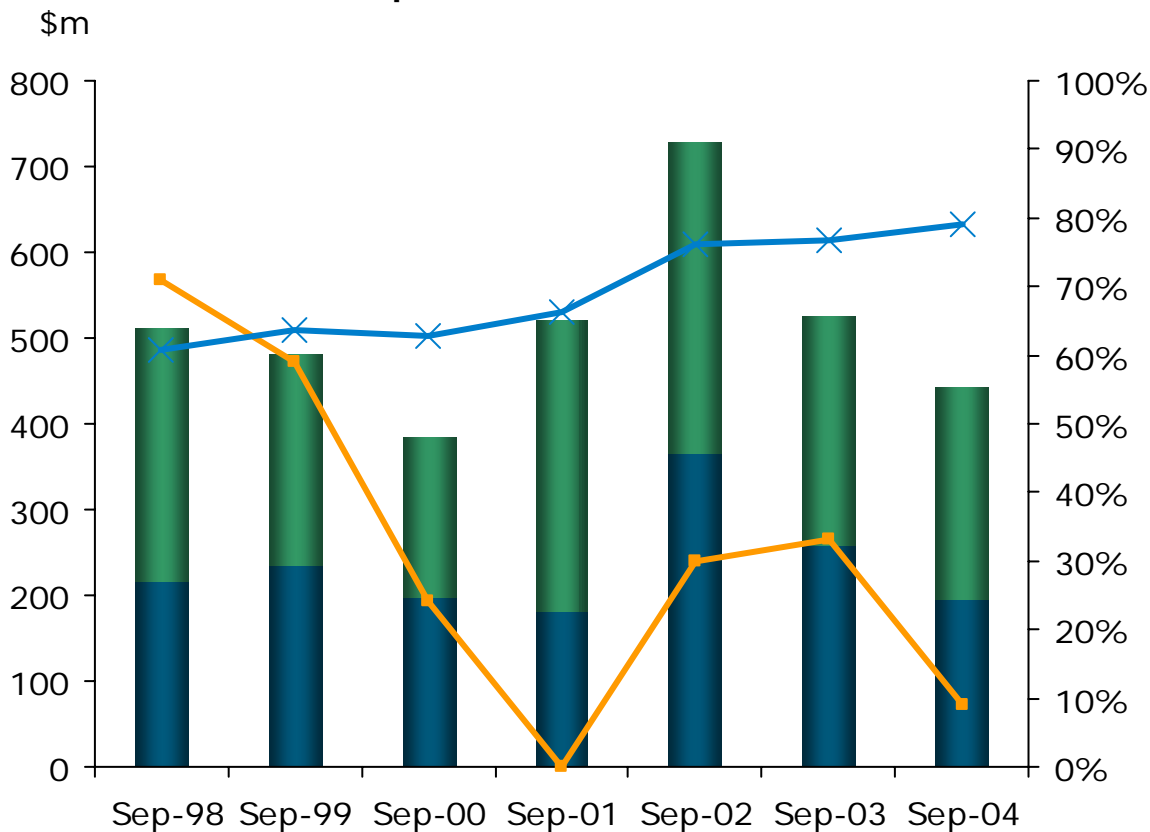


---

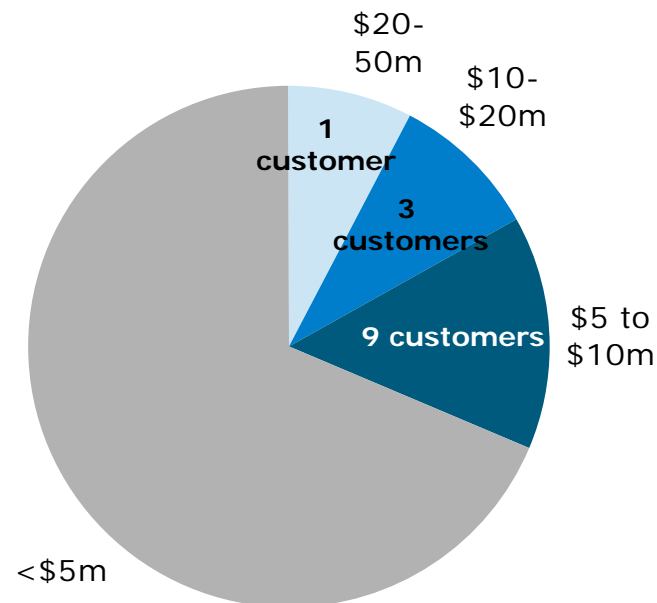
## Additional Risk Information

# Specific Provisions lower, despite impact from our exposure to Telstra's Reach Joint Venture

## Net Specific Provisions

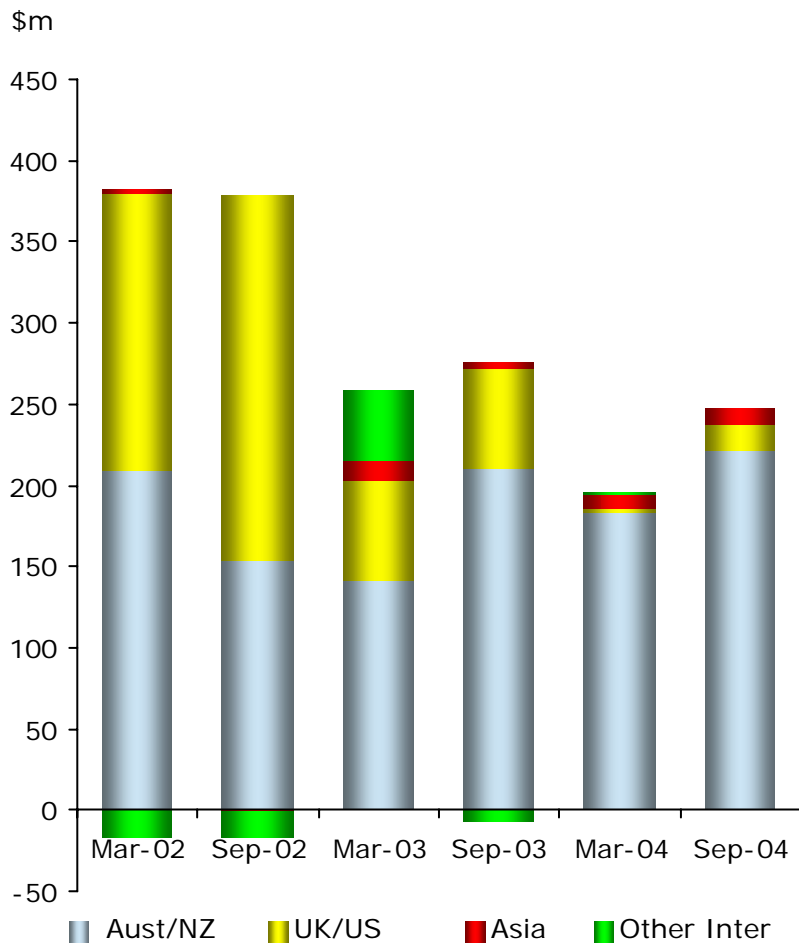


## Specific Provision Balance by size

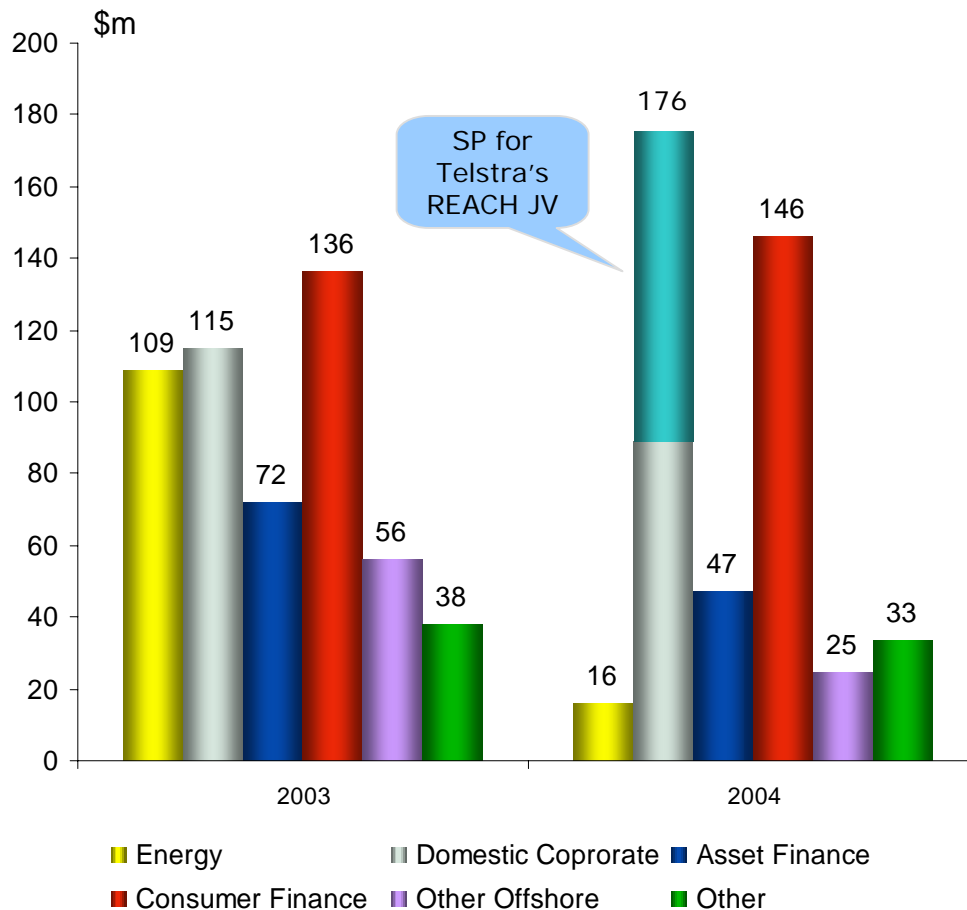


# New Specific Provisions down 7% on FY 2003

## Geographic Specific Provisions



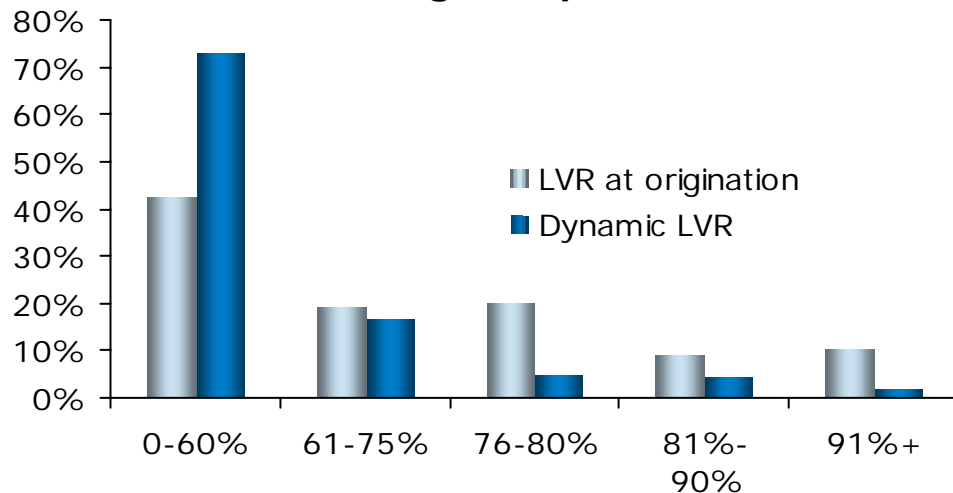
## Specific Provisions by Source



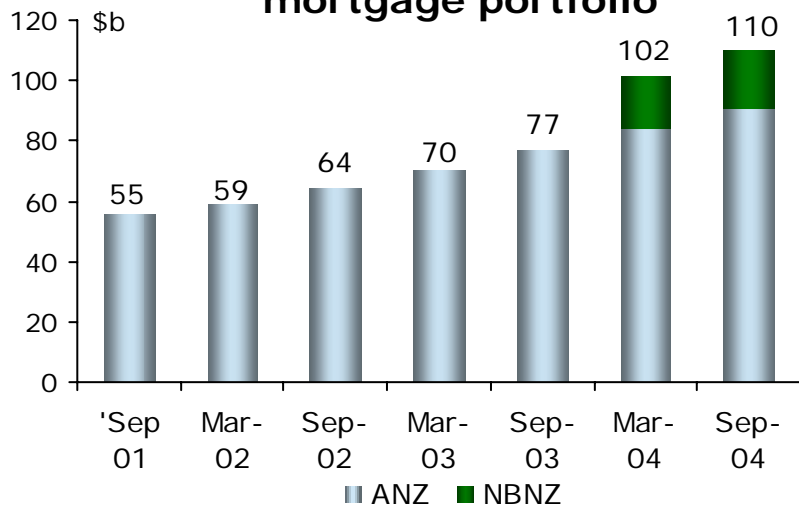
# Mortgages growth strong, albeit some slowing in second half

- Mortgages Portfolio continues to experience strong growth off the back of excellent products and strong distribution networks
- Growth has been strongest in owner occupied and equity products, whilst some slowing has been noted in investment lending

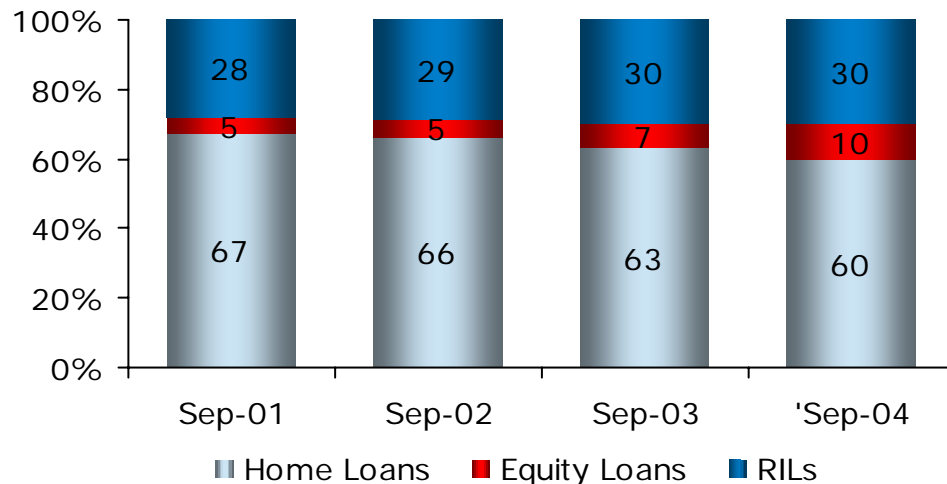
### Strong LVR profile\*



### Strong growth in the mortgage portfolio



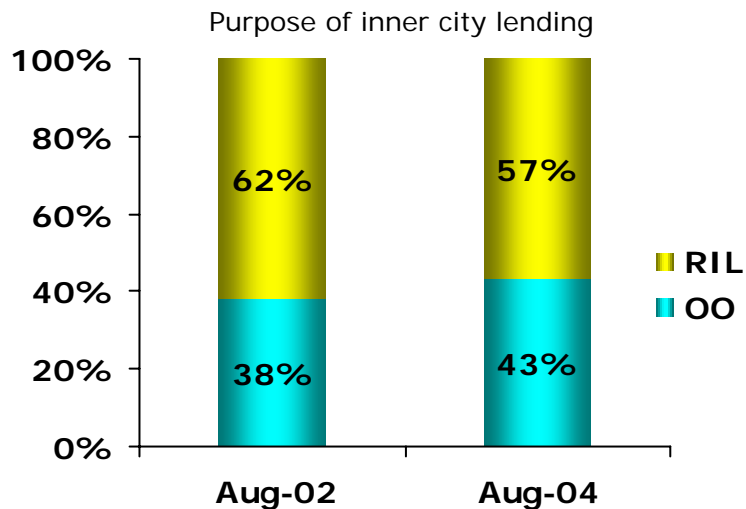
### Portfolio by product\*



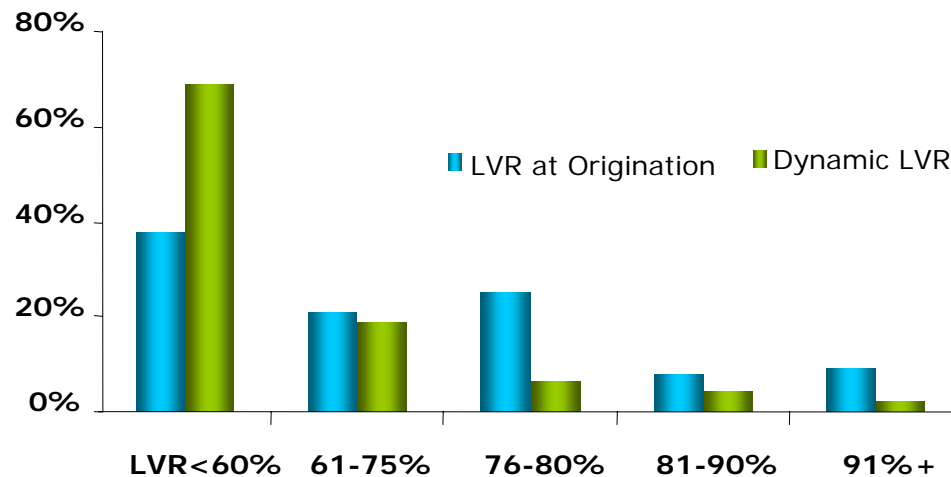


# Low exposure to Inner City residential mortgage lending

## Lending policies driving shift from investment loans to owner occupier loans



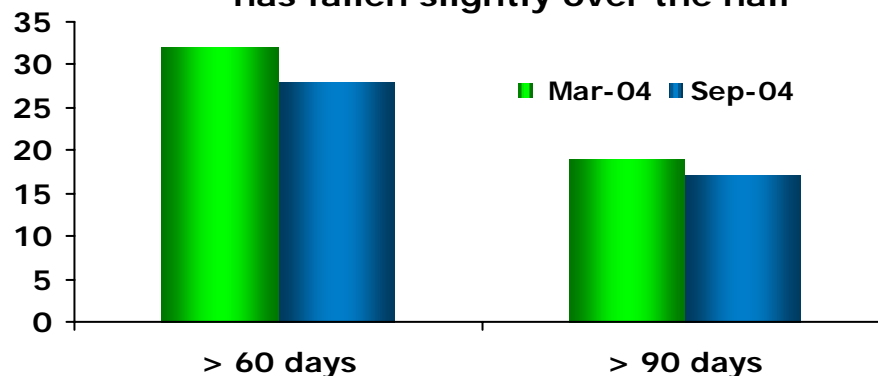
## Inner City Dynamic LVR - August 2004



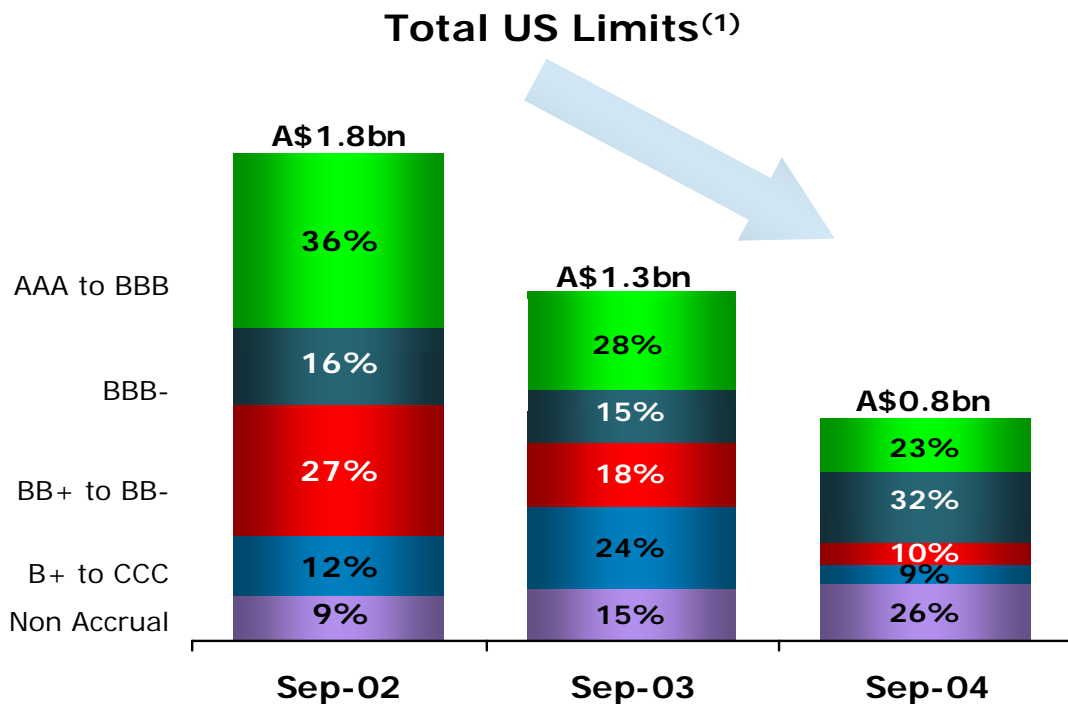
Detailed analysis has been completed on Docklands, Southbank and Zetland/Waterloo (NSW) given a focus in these areas. There are no delinquencies in these postcodes >60 days. Exposure to each area as at August 04 were:

|                        |                     |
|------------------------|---------------------|
| Docklands              | \$51.1m (128 loans) |
| Southbank              | \$74.0m (330 loans) |
| Zetland/Waterloo (NSW) | \$55.9m (184 loans) |

## The number of inner city delinquencies has fallen slightly over the half



# US power exposures continue to reduce



## US: September 2004

- Outstandings: \$0.6bn (75%)
- Other Committed: \$0.2bn (19%)
- Uncommitted: <\$0.1bn (6%)

## Customers

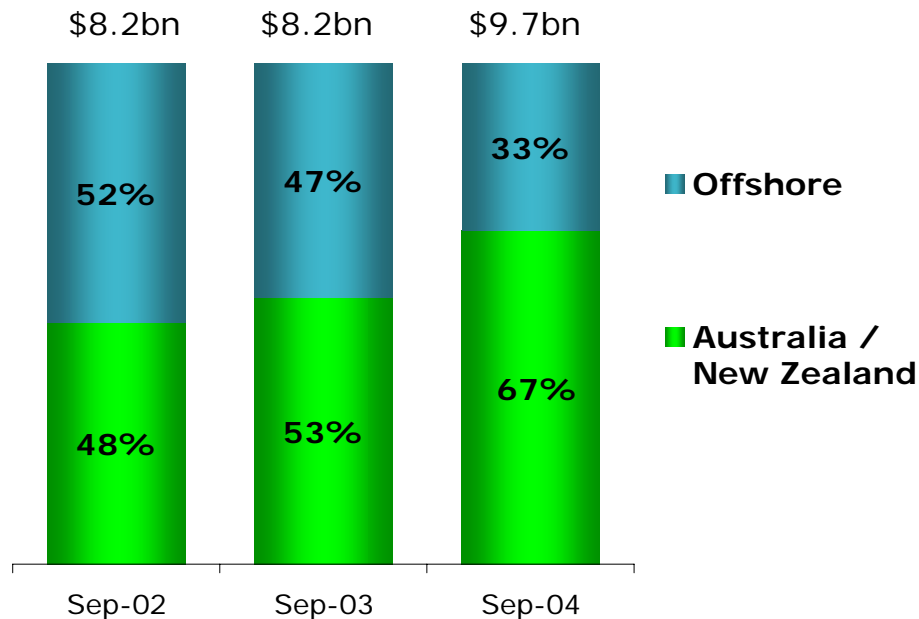
- Non Accrual: 4 [\$0.2b]
- Total: 16

- We continue to actively manage our exposure to the US power sector
- Over the past two years, exposure to the merchant energy sector and other non-core segments has reduced substantially through repayments, sell-downs and restructuring
- During 1H04, non accrual loans increased in the US portfolio due to lagged credit effects from previously identified high risk exposures, however any future losses are expected to be lower and readily absorbed within existing General Provision levels.
- New non-accrual loans in 2H04 of just AUD5m

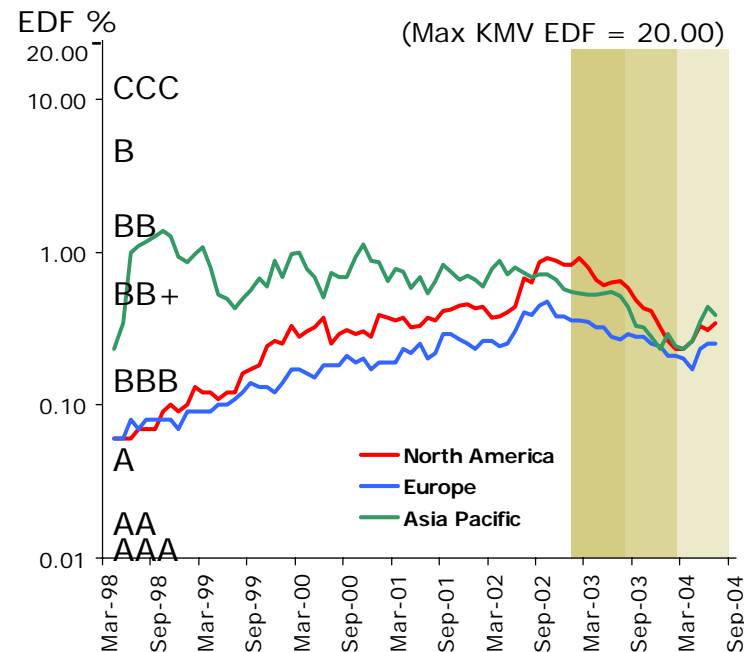
1. Excludes Settlement Limits but includes Contingent and Market-Related products domiciled in the US.

# Power markets improving & offshore power exposures reducing

## Total Limits Split by Geography



## KMV Median Expected Default Frequency



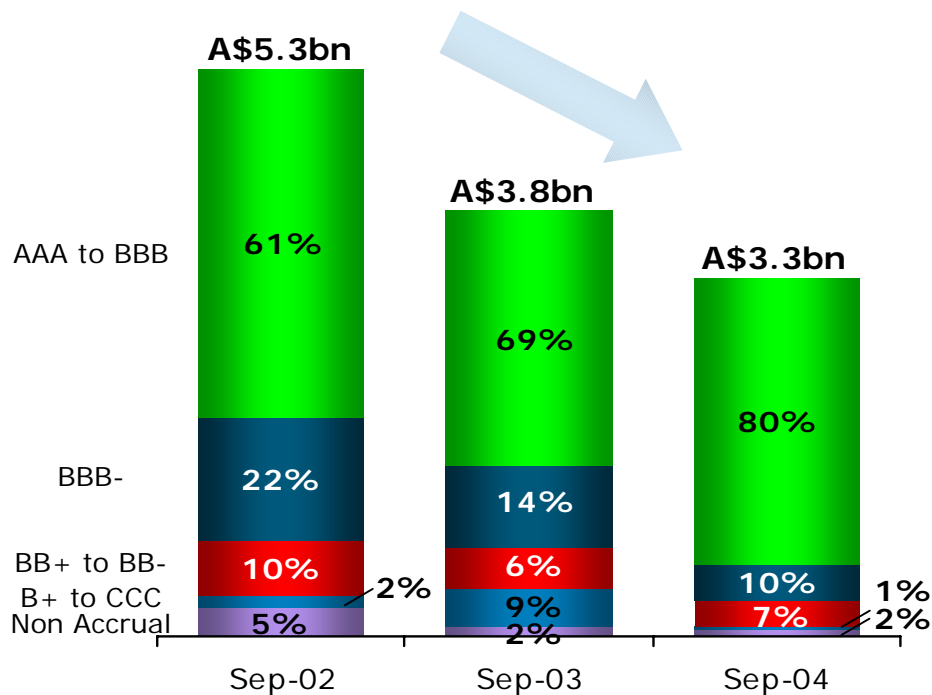
- ANZ's exposure to offshore power companies has reduced by 23% since since 2002, with the portfolio becoming increasingly Australasian-centric. Domestic markets will continue to be buoyed by traditional regulated businesses.

**Note:**

1. Excludes Settlement Limits but includes Contingent and Market-Related products.

# The quality of the Telcos book has continued to improve

Total Telcos Limits<sup>(1)</sup>



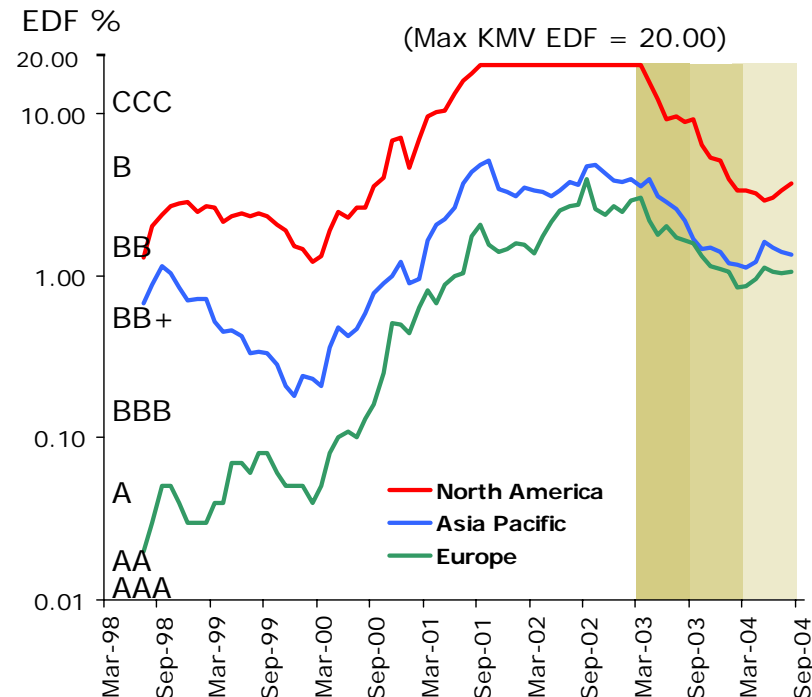
## September 2004

- Outstandings: \$1.4bn (43%)
- Other Committed: \$1.1bn (33%)
- Uncommitted: \$0.8bn (24%)

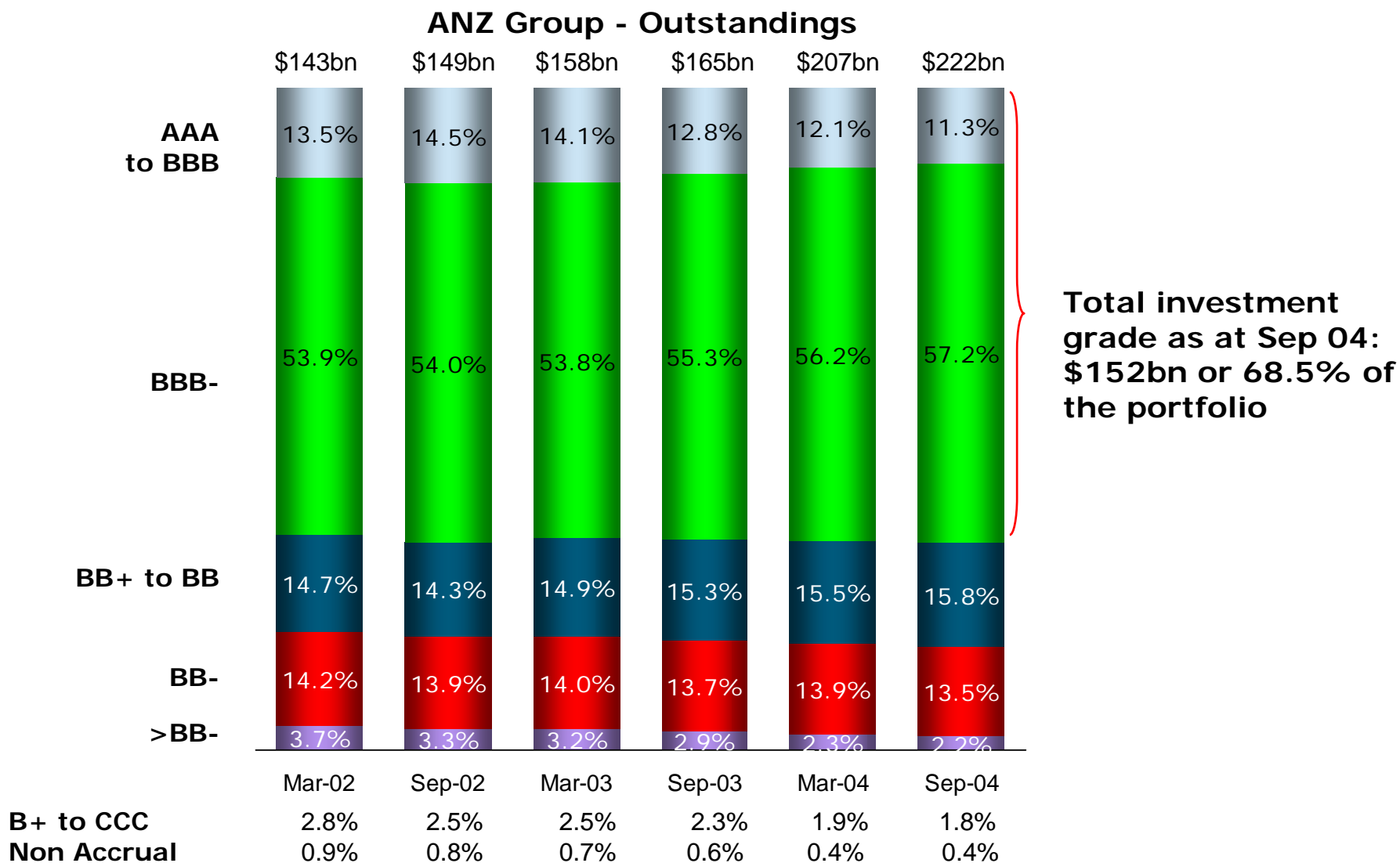
**Note:**

1. Excludes Settlement Limits but includes Contingent and Market-Related products.

KMV Median Expected Default Frequency



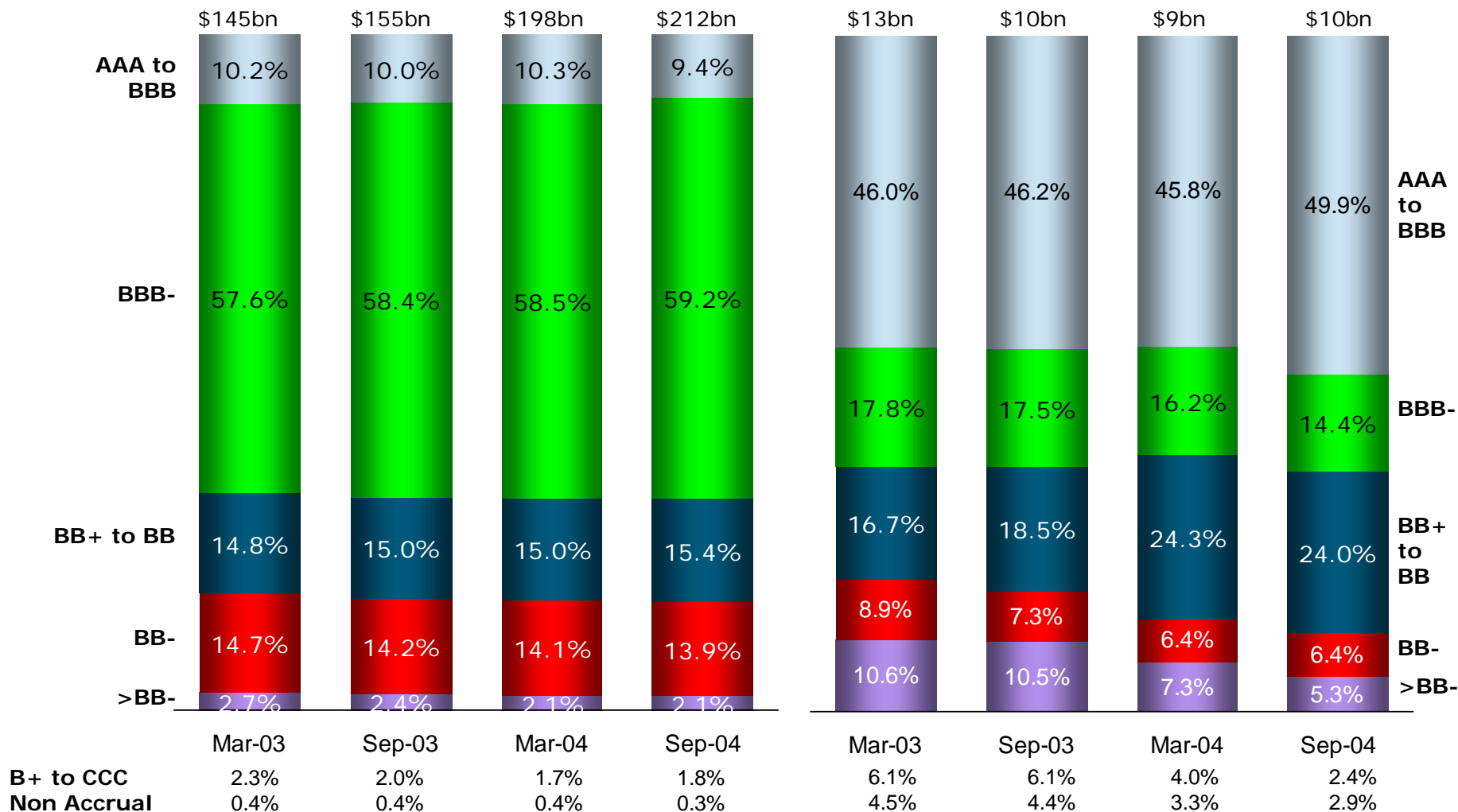
# Group risk grade profile



# Geographic risk profiles

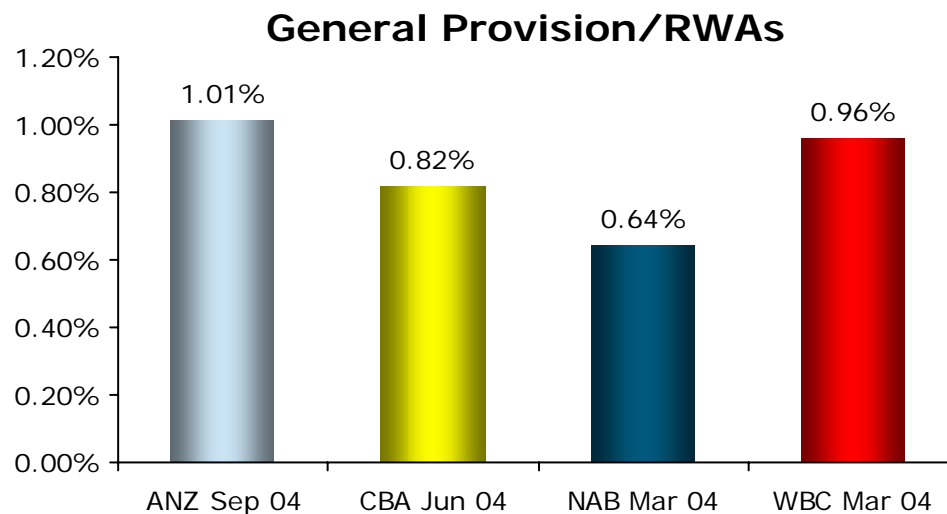
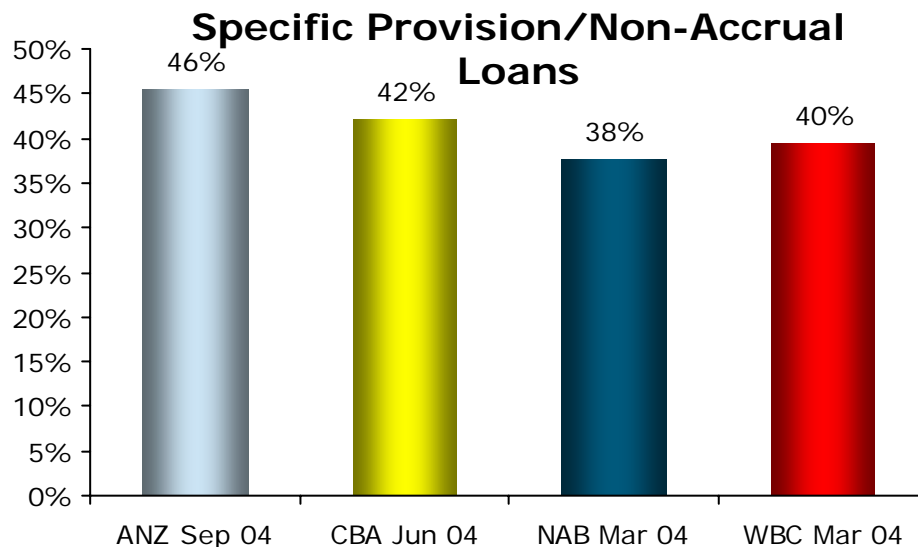
## Australia & New Zealand

## International



# ANZ maintains the largest safety net for both expected and unexpected losses

- The continued high level of our General Provisioning reflects the lower level of actual losses in 2004.
- The ELP methodology that drives the General Provision is different to other Bank's Dynamic Provisioning and takes a conservative longer term view of the economic credit risk cycle
- In 2004, profit and loss charge of \$632m was 30% higher than the actual loss experience.



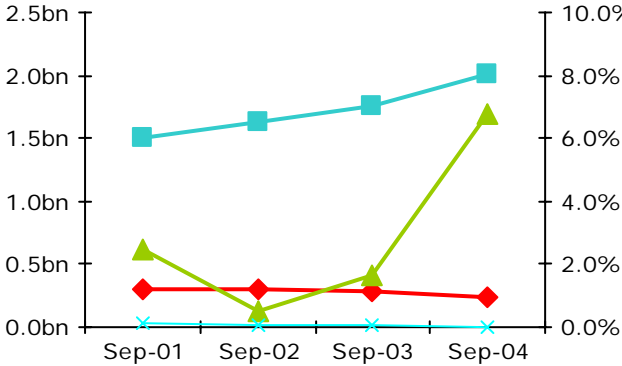
**Note:**

1. As per most recent company financial reports for CBA, NAB and WBC

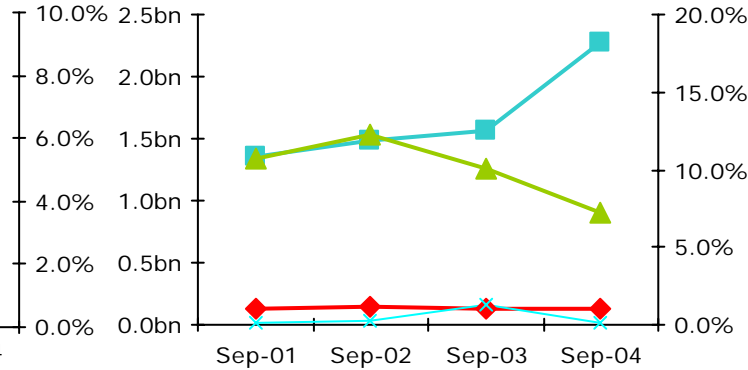
# Industry exposures – Australia & New Zealand

■ Lending Assets (AUD)  
◆ % of Portfolio (RHS scale)  
▲ % in High Risk – excl NBNZ (RHS scale)  
× % in Non Accrual – excl NBNZ (RHS scale)

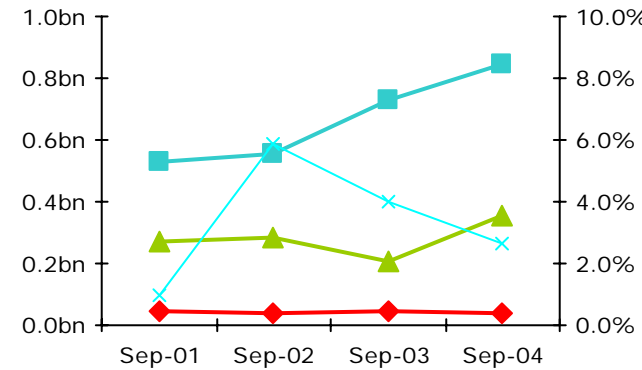
## Health & Community Services



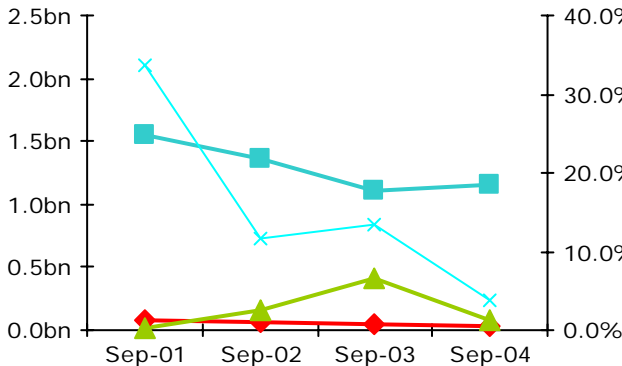
## Cultural & Recreational Services



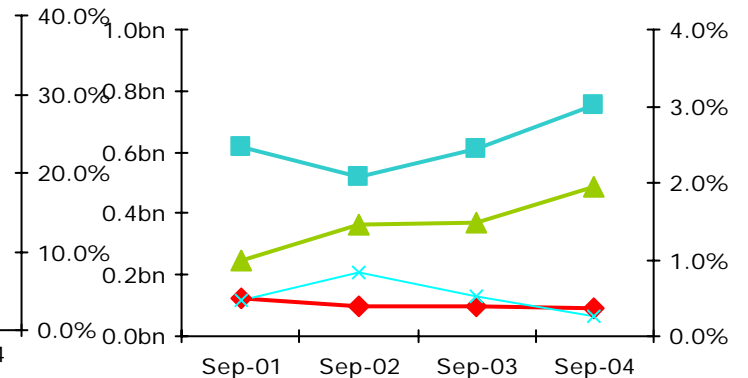
## Forestry & Fishing



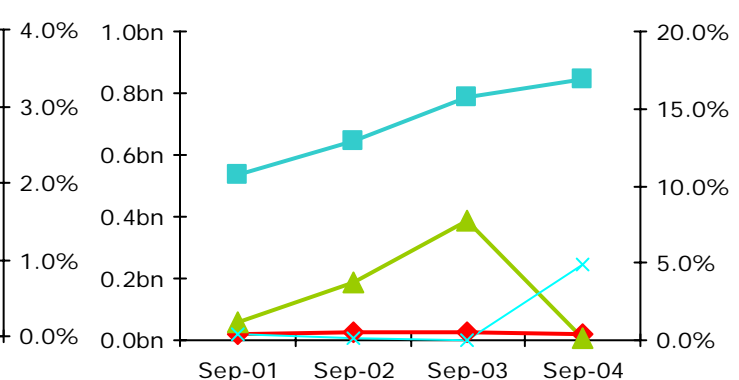
## Mining



## Personal & Other Services



## Communication Services



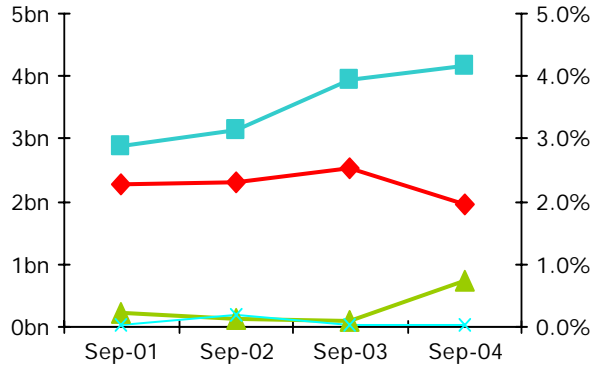
\* Sep 04 includes NBNZ



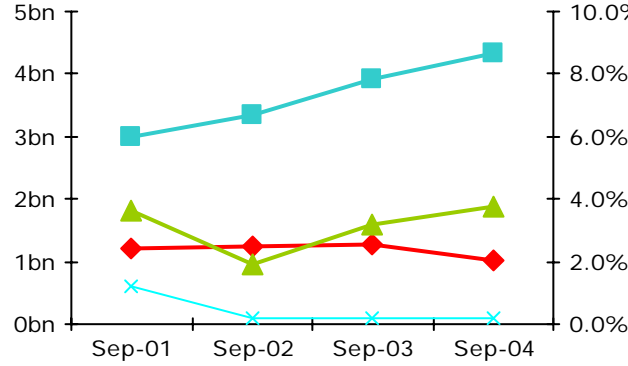
# Industry exposures – Australia & New Zealand

- Lending Assets (AUD)
- ◆ % of Portfolio (RHS scale)
- ▲ % in High Risk – excl NBNZ (RHS scale)
- × % in Non Accrual – excl NBNZ (RHS scale)

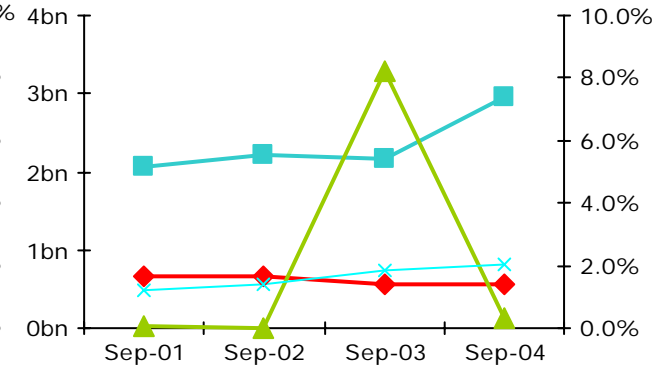
## Finance - Other



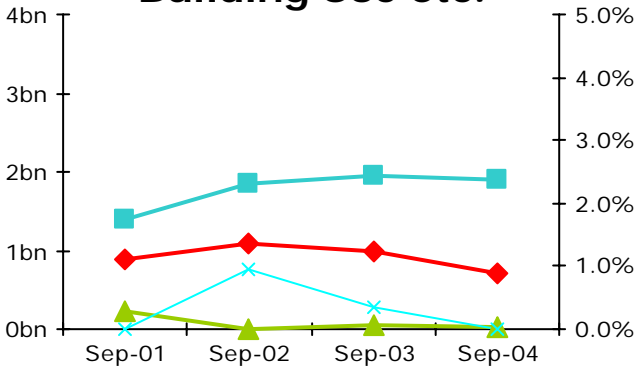
## Transport & Storage



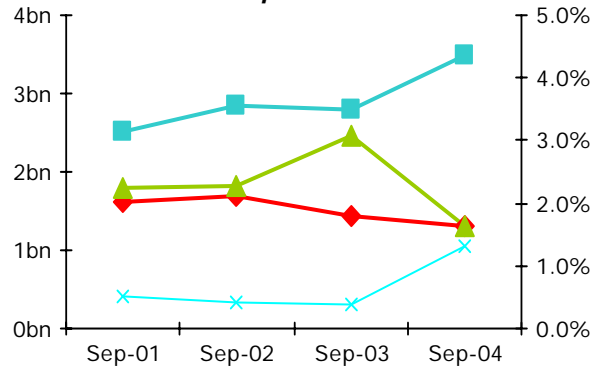
## Utilities



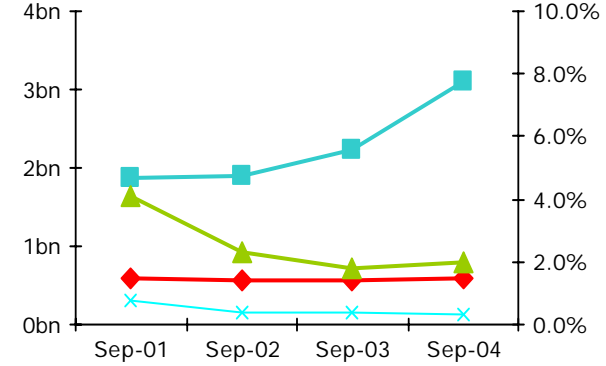
## Finance – Banks, Building Soc etc.



## Accommodation, Clubs, Pubs etc.



## Construction

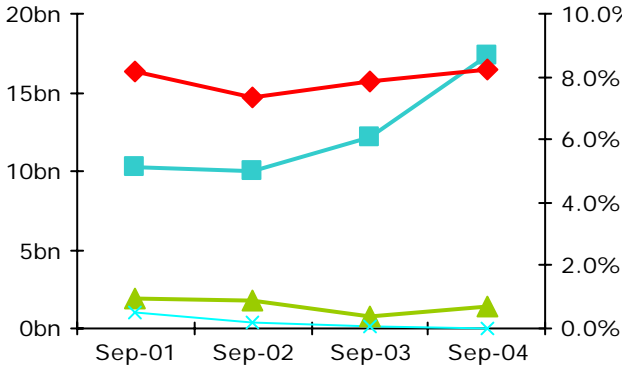


\* Sep 04 includes NBNZ

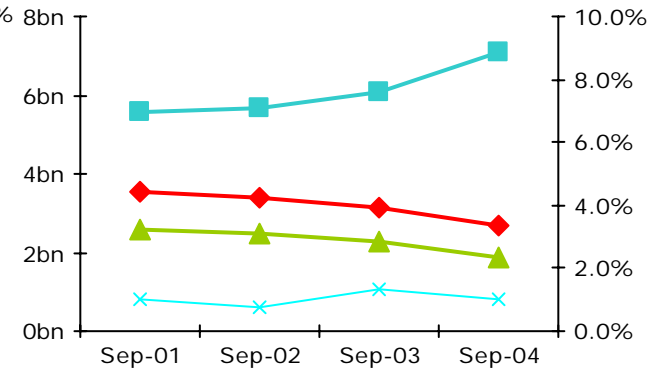
# Industry exposures – Australia & New Zealand

■ Lending Assets (AUD)  
◆ % of Portfolio (RHS scale)  
▲ % in High Risk – excl NBNZ (RHS scale)  
× % in Non Accrual – excl NBNZ (RHS scale)

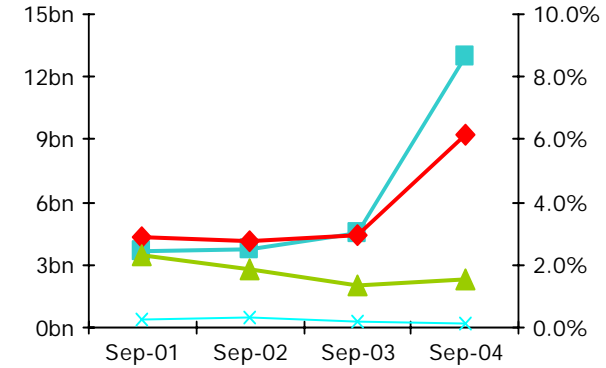
## Real Estate Operators & Dev.



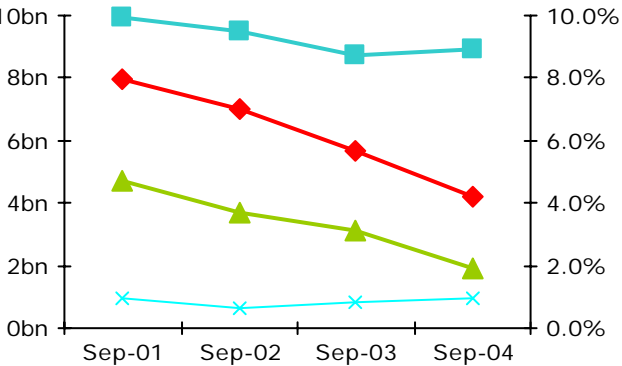
## Retail Trade



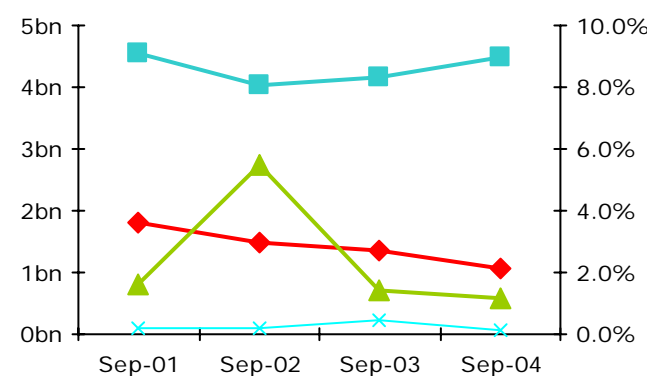
## Agriculture



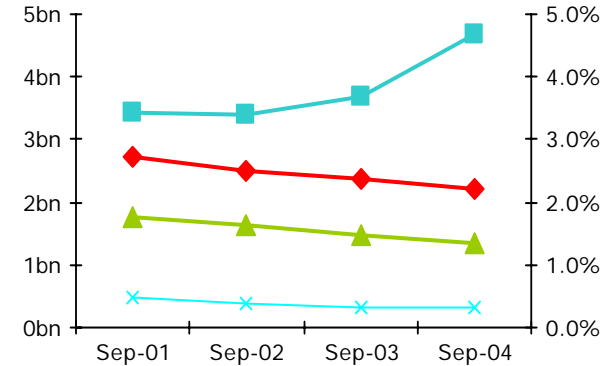
## Manufacturing



## Wholesale Trade



## Business Services



\* Sep 04 includes NBNZ

---

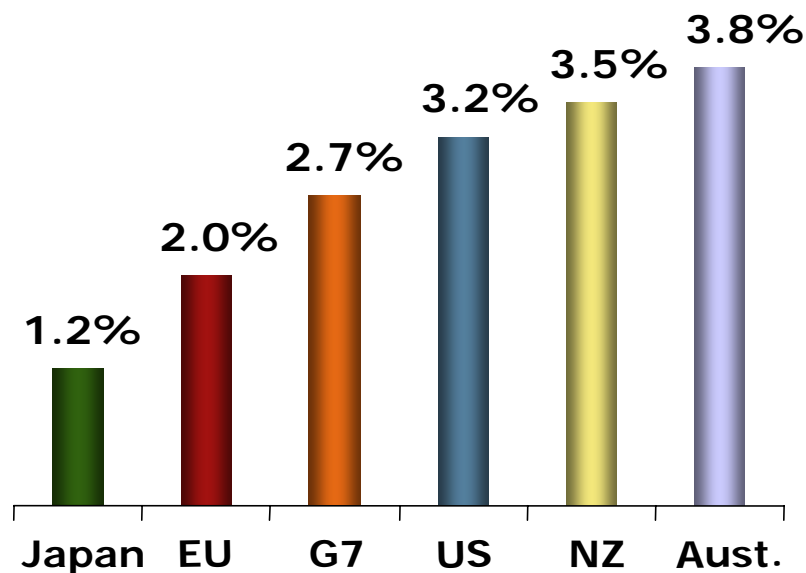
## Other Information

# Australia and New Zealand are attractive low-risk markets

## High Return

- Australia and NZ have had high returns compared to other developed markets

Average Real GDP Growth (1993-2003)\*

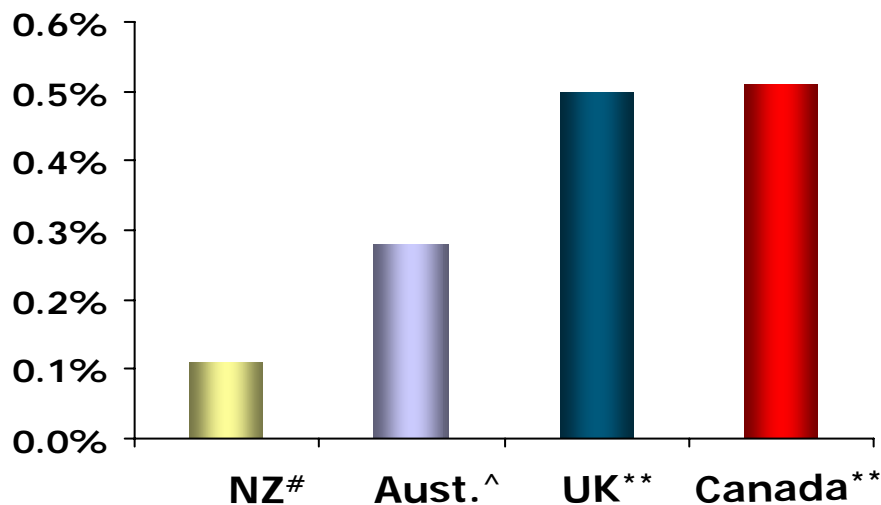


Source: \*International Monetary Fund

## Low Risk

- The New Zealand banking market has a lower credit risk history

Doubtful debts expense/Average Loans and Advances (%)



# 5 top NZ banks for 2002

^ 4 top Australian banks for 2003

\*\* Source – Citigroup Smith Barney top 5 banks

## Profit & Loss impact TrUEPrS versus StEPS

*This analysis excludes the impact of the TrUEPrS buy-back which has been reported as a significant item*

### ***Interest Income***

- TrUEPrS invested in USD, StEPS in AUD\*

### ***Non Interest Income***

- Income from interest rate swap

### ***Income Tax***

- Tax on income

- Tax credit on dividend

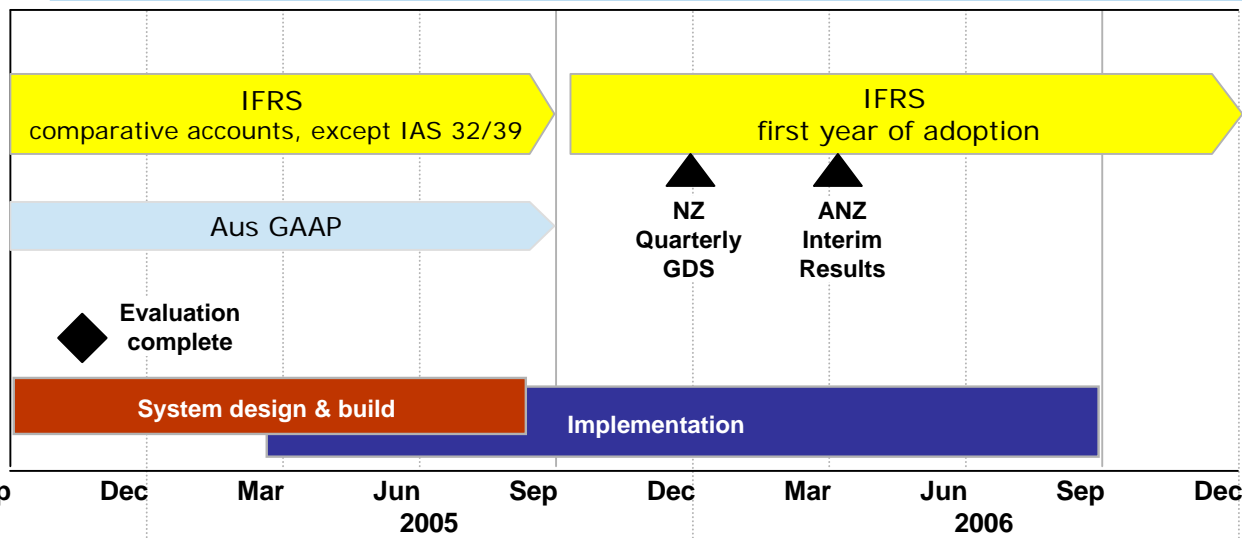
### ***NPAT Impact (pre distributions)***

Distributions

### **EPS Impact**

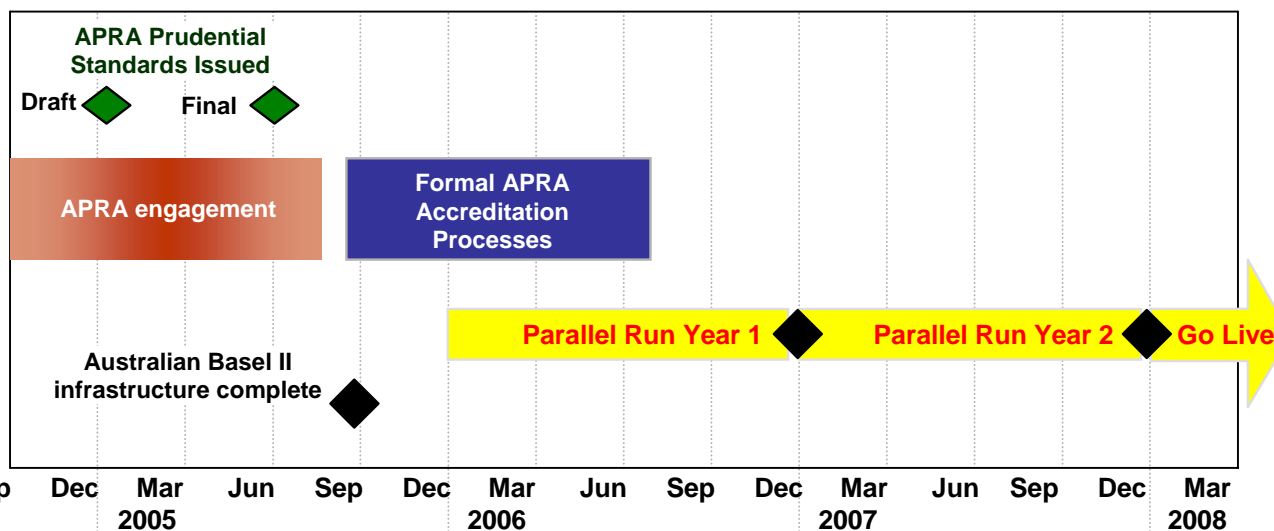
|  | Impact (A\$m)   |               |             |
|--|-----------------|---------------|-------------|
|  | TrUEPrS<br>FY03 | StEPS<br>FY04 | Movement    |
|  | 16              | 53            | 37          |
|  | 72              | 0             | (72)        |
|  | (28)            | (16)          | 11          |
|  | 31              | 19            | (12)        |
|  | <b>91</b>       | <b>56</b>     | <b>(35)</b> |
|  | (102)           | (62)          | 40          |
|  | <b>(11)</b>     | <b>(6)</b>    | <b>5</b>    |

# Update on Basel II and IFRS



## IFRS Project

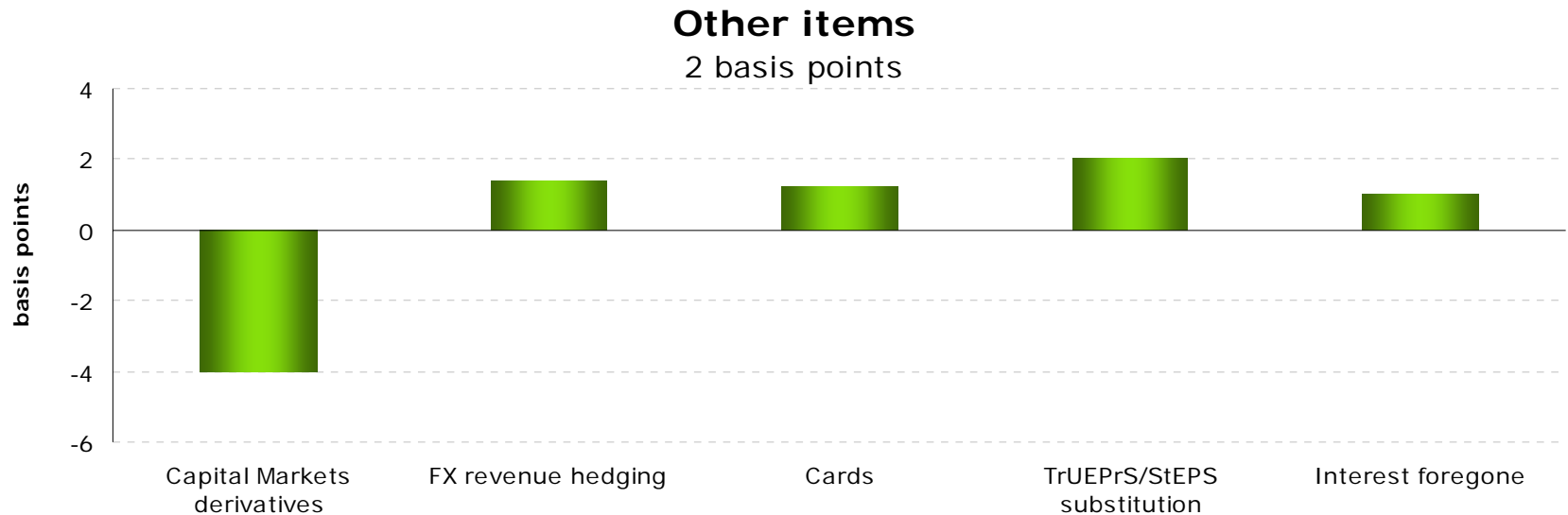
- Project on track
- Estimated project cost ~\$20m
- Work effort is structured around specific streams
- Further commentary is given in the Financial Results and Dividend Announcement (pages 33 to 34)



## Basel II Project

- ANZ aiming to achieve Advanced Status
- Project on track
- Estimated project cost ~\$43m, which incorporates enhancements to a number of corporate systems
- Additional cost of ~NZ12m to bring ANZ National to Advanced status

## Composition of "other" in the high level margin analysis (pcp)



- Cashflow mismatch on Capital Markets cross currency swaps negatively impacted the Group's NIM.
- The following items improved NIM:
  - Increased earnings from FX revenue hedging.
  - Increases in the proportion of credit card volumes earning interest.
  - Higher investment earnings from the substitution of USD TrUEPrS with AUD StEPS.
  - Improvements in interest foregone.

## Summary of forecasts – Australia (bank year)

---

|                     | 2004 | 2005 | 2006 |
|---------------------|------|------|------|
| GDP                 | 3.7  | 3.6  | 3.0  |
| Inflation           | 2.4  | 2.4  | 2.7  |
| Unemployment (Sep)  | 6.2  | 5.6  | 5.8  |
| Cash rate (Sep)     | 5.25 | 5.75 | 5.75 |
| 10 year bonds (Sep) | 5.5  | 6.7  | 5.5  |
| \$A/\$US (Sep)      | 0.71 | 0.77 | 0.71 |
| Credit              | 14.5 | 12.0 | 11.0 |
| - Housing           | 19.9 | 14.7 | 13.6 |
| - Business          | 7.6  | 8.2  | 7.1  |
| - Other             | 14.3 | 11.3 | 10.1 |



## Summary of forecasts – New Zealand (bank year)

---

|                    | 2004        | 2005       | 2006       |
|--------------------|-------------|------------|------------|
| GDP                | 4.1         | 3.0        | 2.0        |
| Inflation          | 2.7         | 2.9        | 2.2        |
| Unemployment (Sep) | 4.1         | 4.1        | 4.6        |
| Cash rate (Sep)    | 6.25        | 6.50       | 6.0        |
| \$A/\$NZ (Sep)     | 1.07        | 1.15       | 1.16       |
| Credit             |             |            |            |
| - Housing          | 15.5        | 8.0        | 7.5        |
| - Business         | 7.3         | 5.0        | 4.5        |
| - <b>Total</b>     | <b>11.4</b> | <b>6.6</b> | <b>6.2</b> |

---

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.

For further information visit

**[www.anz.com](http://www.anz.com)**

or contact

Stephen Higgins  
Head of Investor Relations

ph: (613) 9273 4185 fax: (613) 9273 4899 e-mail: [higgins@anz.com](mailto:higgins@anz.com)