08

China & HK Debt Investor Update

Australia and New Zealand Banking Group Limited

December 2008

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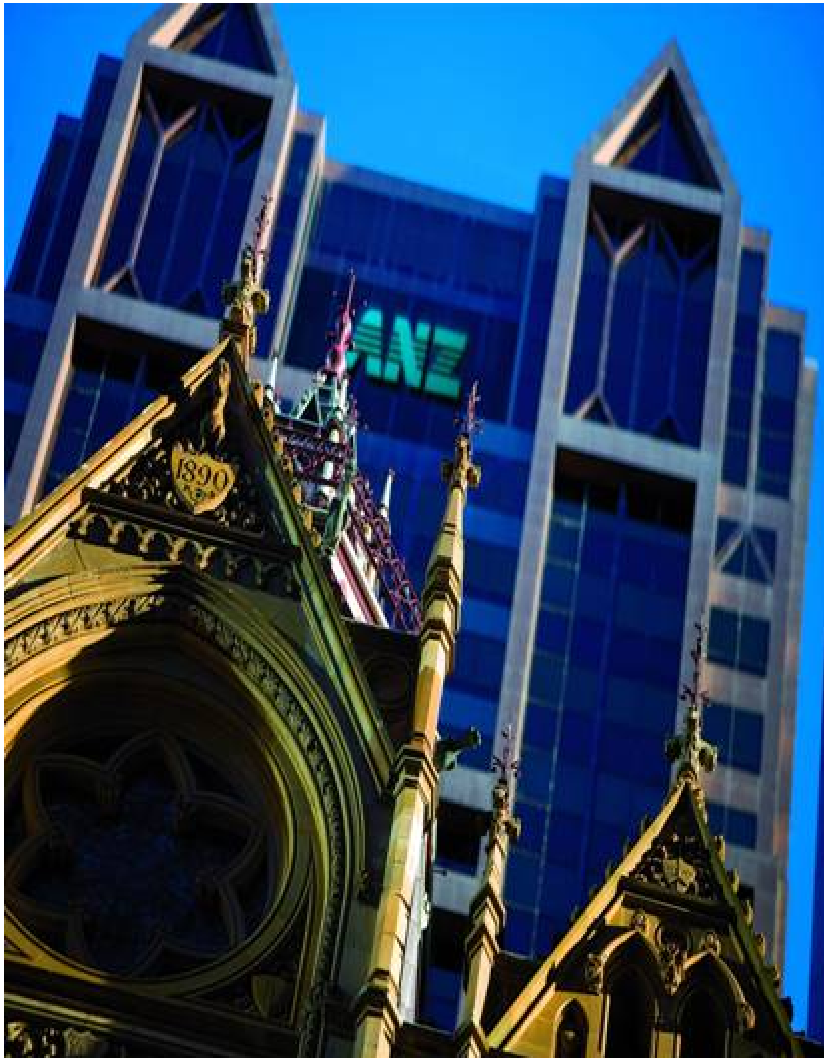
ANZ

www.anz.com

Agenda

- ANZ – overview & strategy
- Australian & NZ economic overview
- Capital, Funding, Liquidity & Government Guarantee
- 2008 FY Results summary
- Conclusion
- Appendices



ANZ overview & strategy

ANZ Snapshot

- Proud banking heritage spanning 170 years
- A top 10 listed company on the ASX (market cap ˜A$36b), with 376,813 shareholders
- Largest listed company in NZ, largest Australian bank in Asia and a leading bank in the Pacific
- One of only 14 AA rated banks in the world
- Well capitalised with a strong liquidity position
- Over 250 years of banking experience on our management board
- 36,925 staff

We are actively managing for new reality: Balance sheet, capital, lower risk

Balance Sheet

- Collective provisions set above 1% of credit RWA's

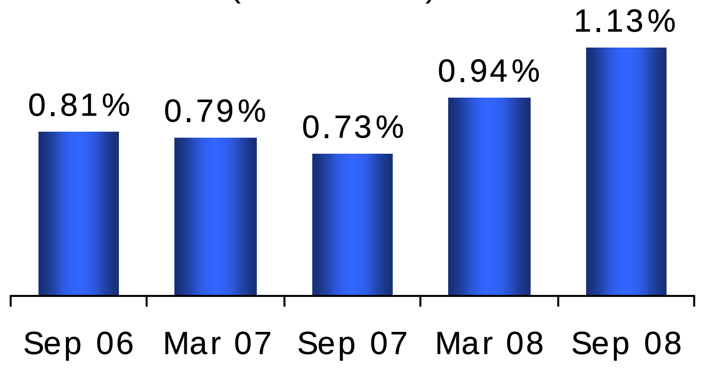
Capital – Tier One 8.1%*

- Proactive in raising capital
- Increased liquidity

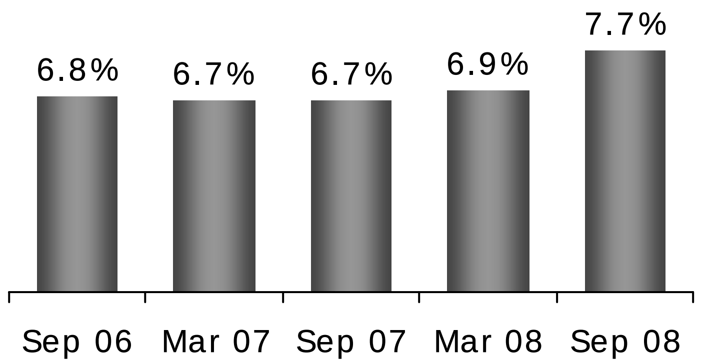
Company Structure – "One ANZ"

- Driving efficiency improvements
- Flatter more responsive structure
- Specific re-engineering of Institutional
- Led by highly experienced team

Strengthened collective provision balance
(CP/CRWA#)

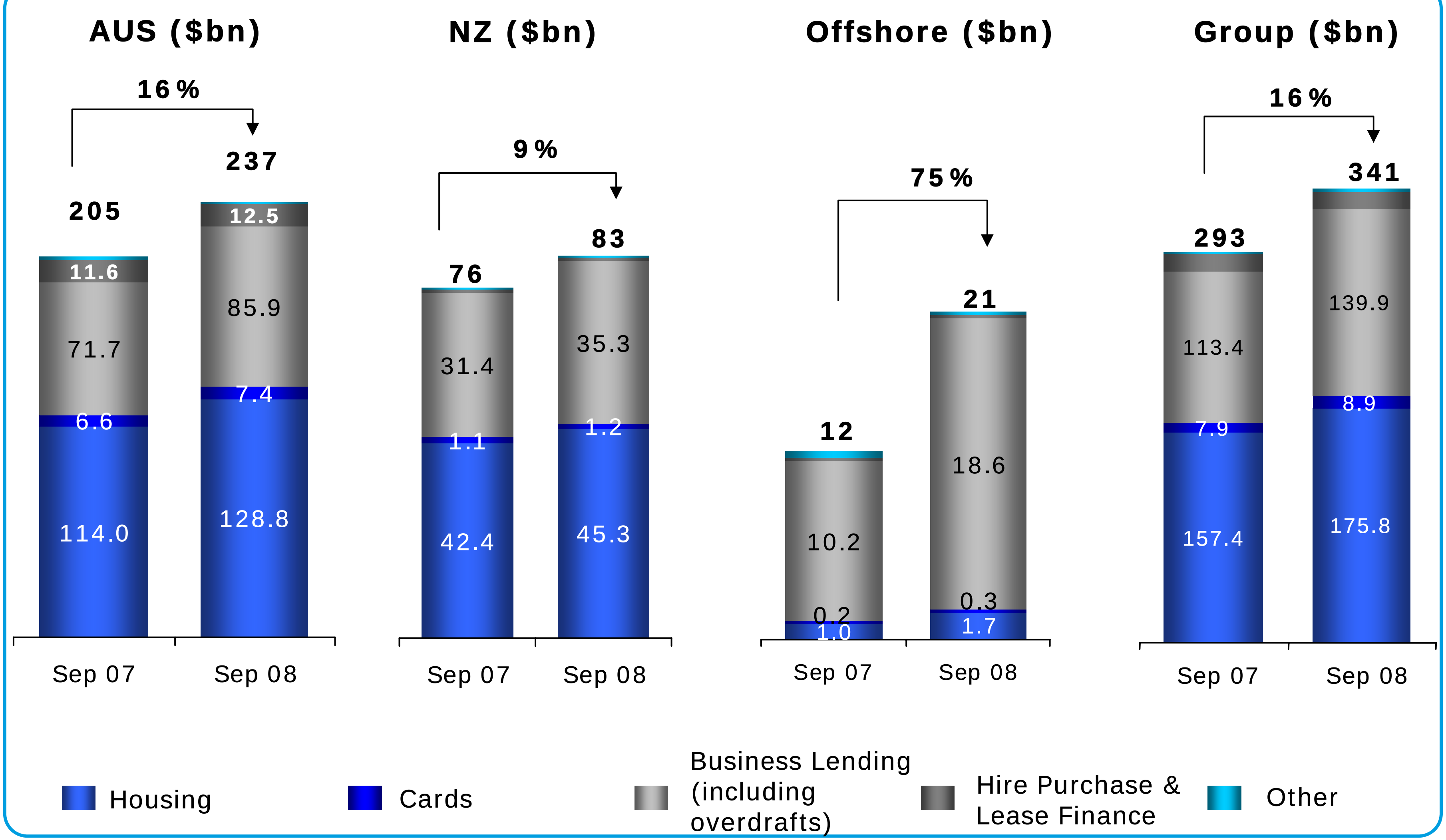


Strengthened capital position
(Tier 1 ratio)



#2008 Risk Weighted Assets calculated using Basel II methodology; prior period numbers reflect Basel I methodology
**Adjusted tier 1 proforma includes DRP underwrite*

Composition of Net Loans & Advances



Group strategy - Our journey to become a Super Regional Bank

RESTORE

- Institutional back to system
- Restore “jaws” – increase revenue faster than costs
- Drive Asia profit
- Capture existing opportunities
- Strategic cost management

1 to 2 years

OUT PERFORM

- Quality on par with global leaders in our markets
- Best of breed customer experience
- In-fill mergers and acquisitions in Asia (core geographies)
- Unlock the value of our franchise

2 to 5 years

TRANSFORM

Create a leading Super Regional bank

Global quality, regional focus

5+ years

Group strategy launched December 2007

ANZ by 2012

Where our profits will come from …

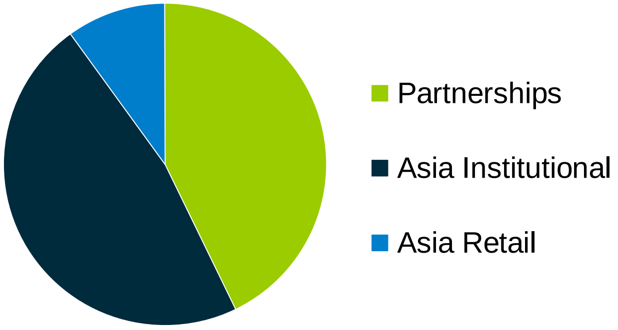
High Asian growth will result in more balanced geographic contribution as we seek to double our profit over 5 years

What will drive domestic growth

- **Personal** – great track record, opportunity to deepen customer relationships
- **Institutional** – getting back in the game
- **New Zealand** –strong position, but can further grow share and exploit cost synergies

What will drive Asian growth

- Main focus on **organic growth** supplemented with in-fill mergers and acquisitions



Focused approach to Super Regional Strategy

Strategic Imperative

Top 4 foreign bank

- **Greater China, India**

Franchise Significant

Major bank (top 4)

- **Vietnam, Malaysia, Indonesia**

Network Enhancement

Network clients, product and liquidity hubs

- **Singapore, Tokyo, Hong Kong**

Next Wave

Hold position in short-term

- **Indochina: Cambodia, Laos**
- **Philippines, Korea, Thailand**

Australia & NZ economic overview

Summary of economic forecasts

	2007	2008f	2009f	2010f
	World economy			
Oil prices (US$ per barrel)	72	101	43	55
US GDP growth (%)	2.0	1½	-¾	1
Euro area GDP growth (%)	2.5	1	-¼	¾
Japan GDP growth (%)	2.1	¼	-½	1
China GDP growth (%)	11.6	9½	8	9
World GDP growth (%)	4.7	3½	1¾	2¾
	Australian economy			
Real GDP growth (%)	4.3	2¼	½	2
Unemployment rate (year-end, %)	4.3	4½	6	6½
'Underlying' inflation (year-end, %)	3.6	4¼	3½	2¾
Current account deficit (% of GDP)	-6.3	-4¼	-5½	-6½
Credit growth (calendar year-end %)	16.3	7	6	6½
	New Zealand economy			
Real GDP growth (%)	3.2	½	-1	2¼
Unemployment rate (year-end, %)	3.4	4¾	6	6½
'Underlying' inflation (year-end, %)	3.2	3½	2½	2½
Current account deficit (% of GDP)	-7.9	-7¼	-6	-6½
Credit growth (%)	14.0	10	2	3

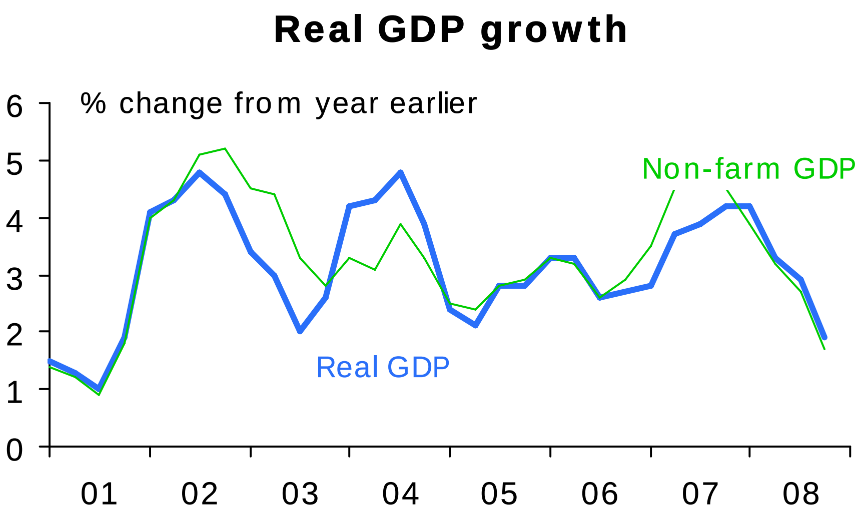
Summary of financial market forecasts

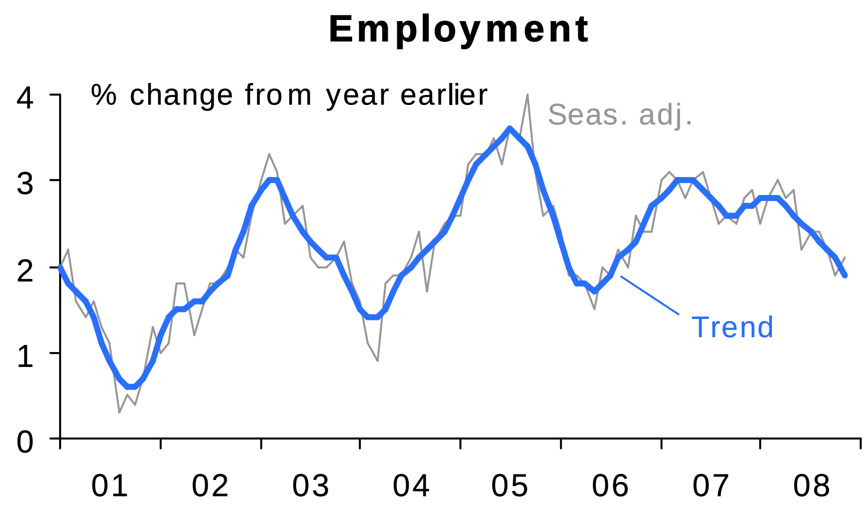
	Dec 08	Jun 09	Dec 09	Jun 10	Jun 10
	International markets				
US Fed funds rate (% pa)	1.00	0.50	0.50	1.00	2.25
US 10-year T-note yield (% pa)	2.50	2.15	2.85	3.60	4.10
ECB refi rate (% pa)	2.50	1.75	1.75	2.25	2.75
€ - US$	1.27	1.16	1.08	1.09	1.13
US$ - ¥	96	99	102	107	111
£ - US$	1.54	1.49	1.41	1.43	1.55
Yuan – US$	6.84	6.85	6.84	6.77	6.64
	Australian markets				
RBA cash rate (% pa)	4.25	3.50	3.50	3.50	4.25
90-day bill yield (% pa)	4.50	3.75	3.75	3.75	4.70
10-year bond yield (% pa)	4.30	4.25	4.70	4.90	5.30
A$-US$	0.65	0.60	0.55	0.55	0.60
	New Zealand markets				
RBNZ cash rate (% pa)	5.00	3.50	3.50	5.00	6.00
10-year bond yield (% pa)	5.50	4.95	5.63	5.90	6.15
NZ$-US$	0.54	0.47	0.44	0.46	0.50
AS-NZ$	1.22	1.23	1.23	1.22	1.20

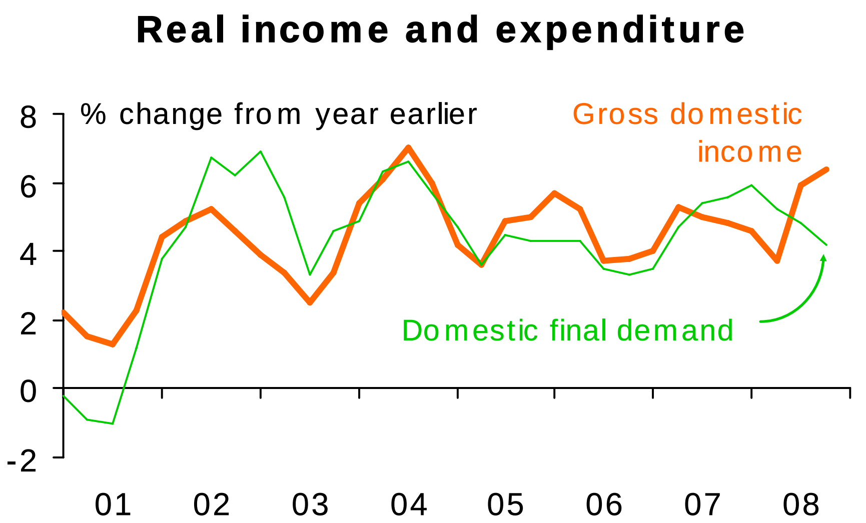
Australia's economy had slowed significantly before the global downturn began in earnest

- The most recently released national accounts show that Australia's economy had already slowed significantly before the latest stage of the global financial crisis and ensuing economic downturn, reflecting the impact of the tightening of monetary policy up to March this year and rising fuel prices. Real GDP grew by just 0.1% in the September quarter (and non-farm GDP actually contracted by 0.3%) – although real gross domestic income (GDI, which captures the impact of changes in relative export and import prices) rose by 1.4% (for annual growth of 6.4%), supporting continued growth in domestic demand (4% from a year earlier).
- The sharp turnaround in commodity prices will detract significantly from Australian national income growth, especially once bulk commodity (iron ore and coal) export prices fall sharply in the June quarter of next year. Real GDI may fall by 2% in 2009, even though real GDP growth is expected to remain marginally positive (at ½% on average).
- Australian house prices have softened, but have not fallen (and are not expected to fall) at anything like the rates experienced in the US or UK. Nonetheless, Australian households appear to be seeking to lift their saving and consumer spending is therefore likely to remain weak well into next year. The most recent surveys of business investment intentions (taken in October and November) were surprisingly robust, although capital spending plans are likely to be scaled back during 2009.
- Australia is likely to avoid recession, if defined as consecutive quarters of negative real GDP growth. This reflects the "automatic stabiliser" of the 40% fall in the A$ plus the actions of the authorities to stimulate the economy through fiscal and monetary policy.
- Despite the sharp fall in the A$, inflation is likely to fall back into the RBA's 2-3% target range more quickly than previously foreseen.
- The RBA has responded decisively to the dramatic shifts in economic prospects, reversing in three months the tightening of monetary policy implemented over the preceding six years. The cash rate is likely to fall further, to 3½% or lower, over the first half of 2009.
- The A$ will likely depreciate further (to ~ US55¢) during 2009 as commodity prices fall further and the interest rate premium on A$ assets erodes.

The Australian economy had been slowing since late 2007



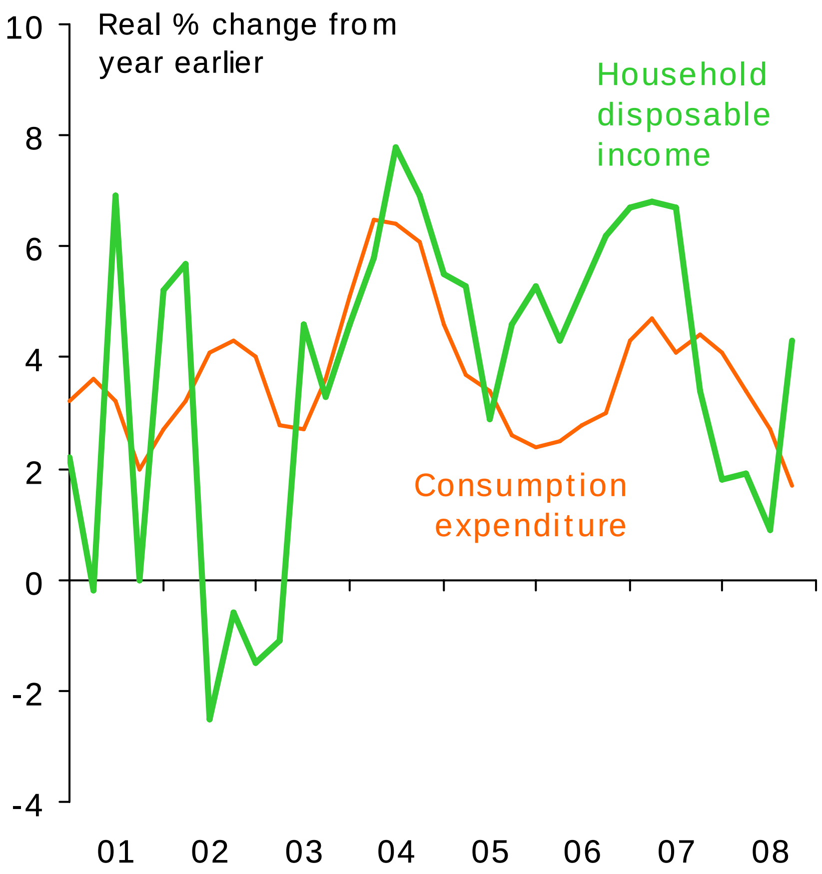




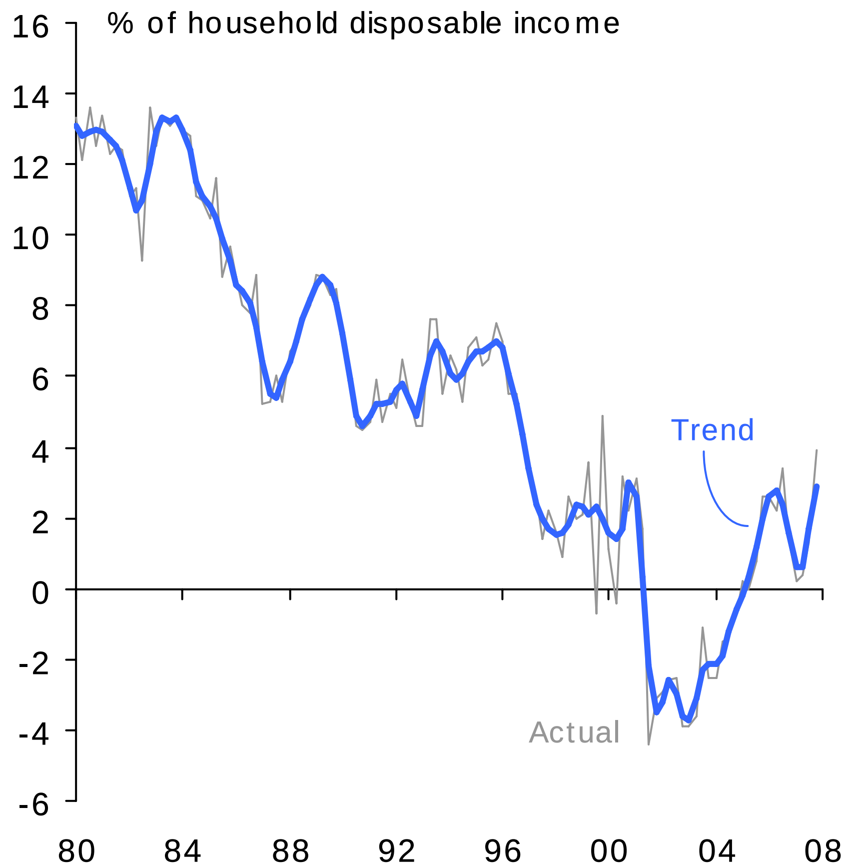
Note: real gross domestic income (GDI) is real GDP adjusted for changes in the terms of trade; it measures the 'purchasing power' of the income associated with producing the GDP. *Sources:* ABS; ANZ.

Households are responding to declining wealth by lifting saving to the highest level in a decade

Household income and spending



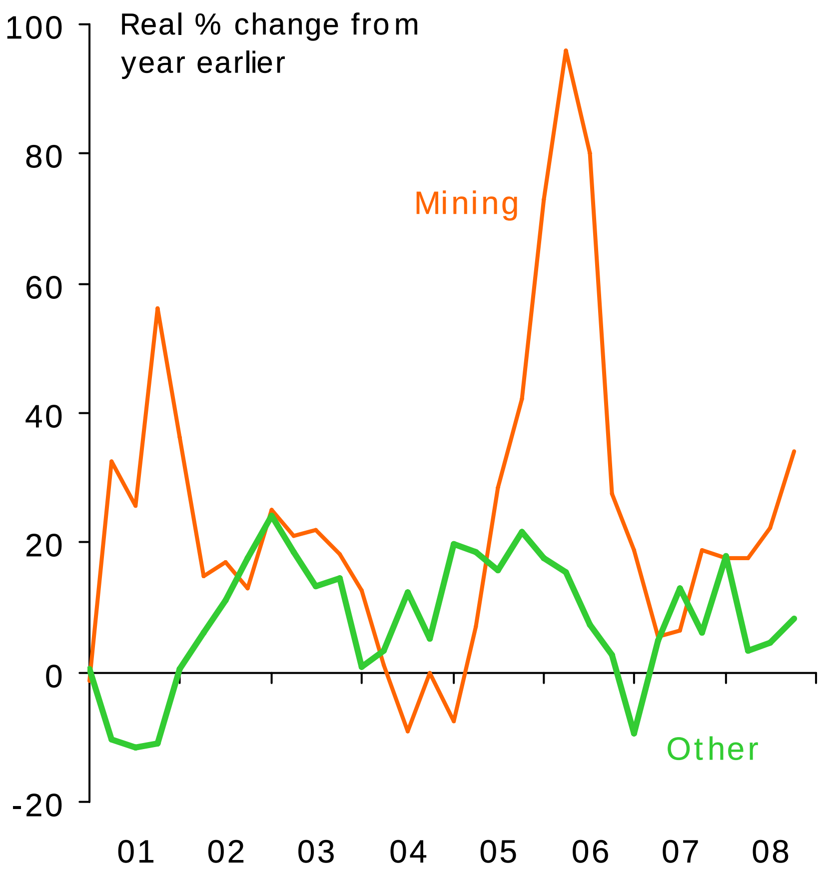
Household saving



Sources: Australian Bureau of Statistics; ANZ.

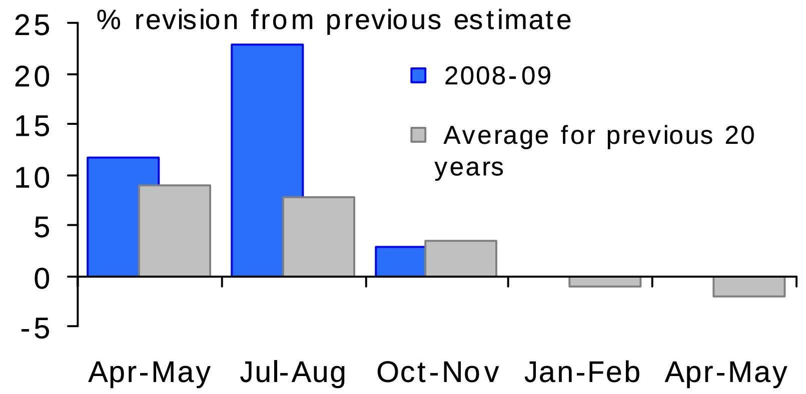
Business capital expenditure expectations have remained remarkably strong

Business new fixed capital expenditure

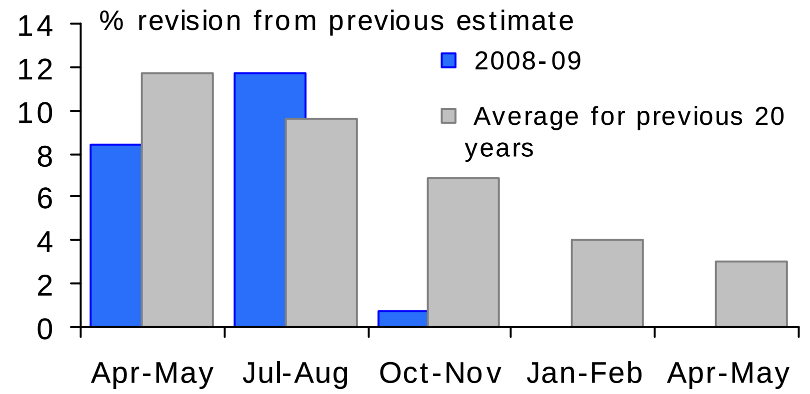


Capital expenditure expectations

Mining

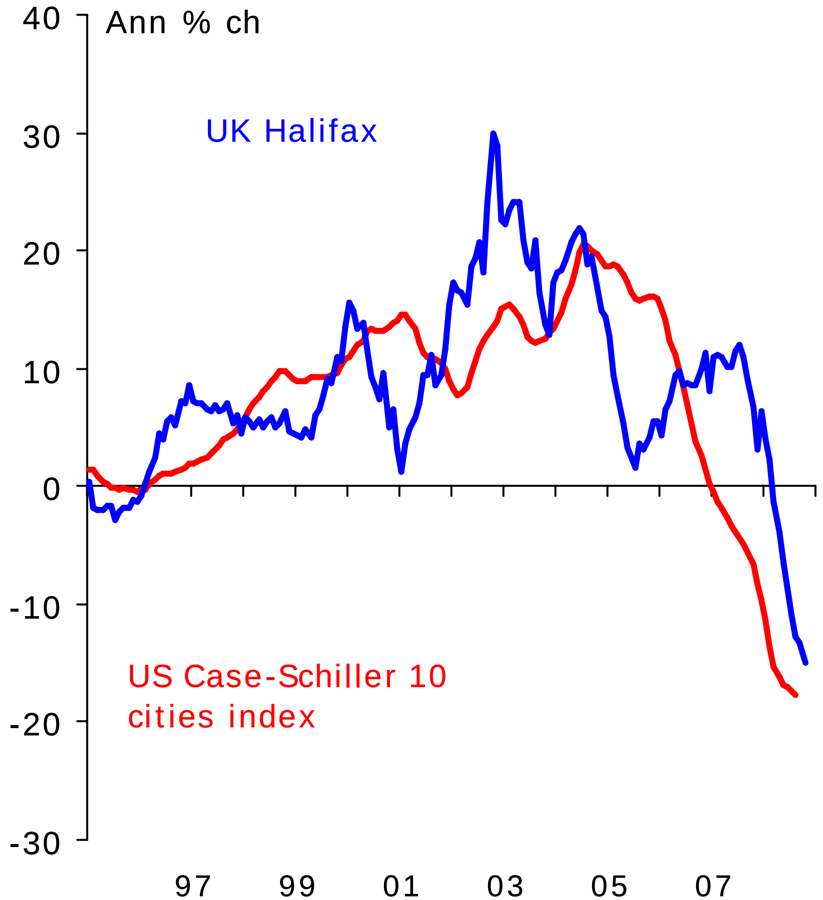


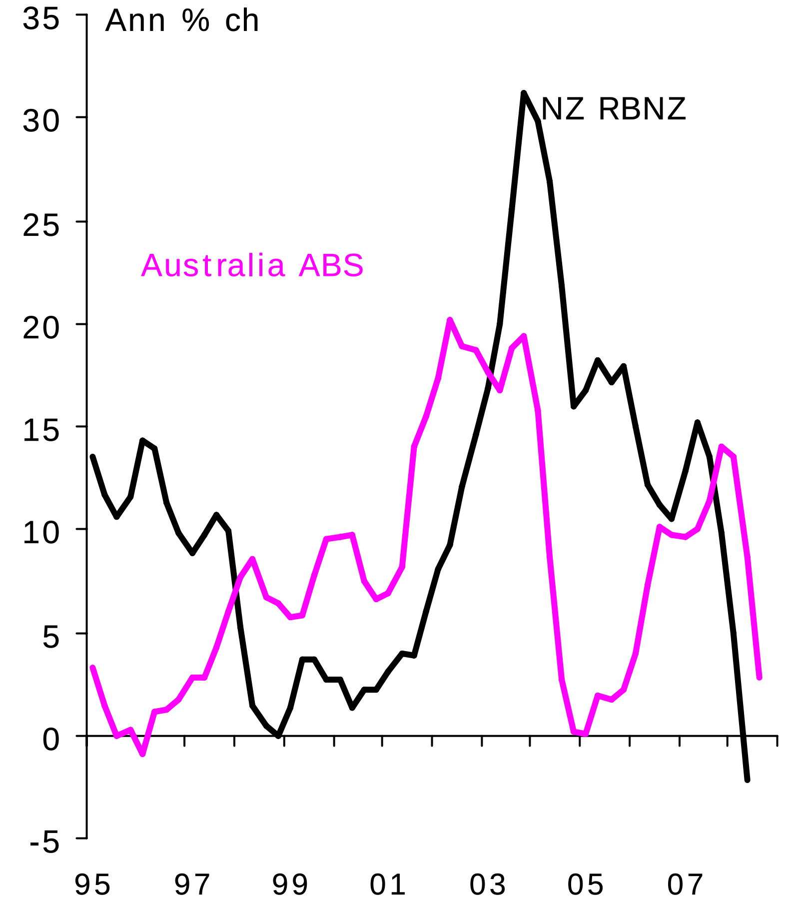
Other



Note: The ABS survey of business capital expenditure expectations taken after the end of each quarter produces six sets of expectations for each financial year. The charts on the right show the extent to which these estimates have been revised in successive surveys, in 2008-09 and on average over the past 20 years.
Sources: ABS; ANZ.

House prices in key economies now falling

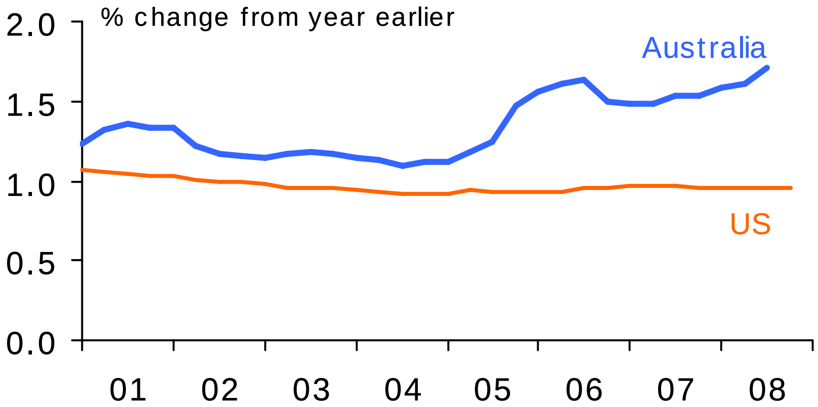




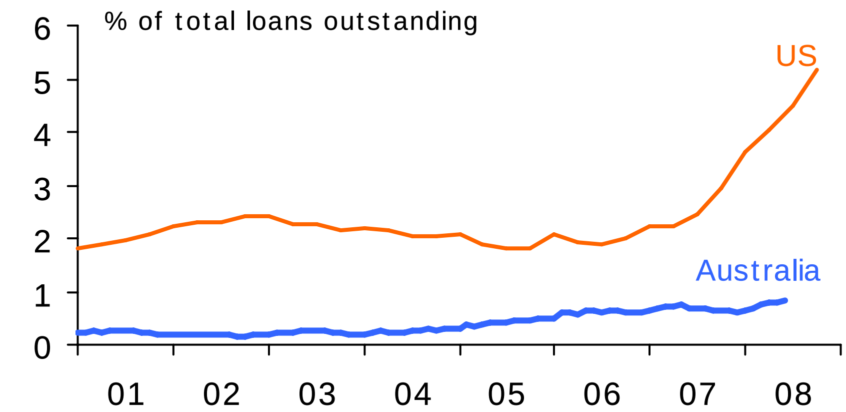
Sources: Google, Case-Schiller, HBOS, RBNZ, ABS

Australia's housing market has clearly softened

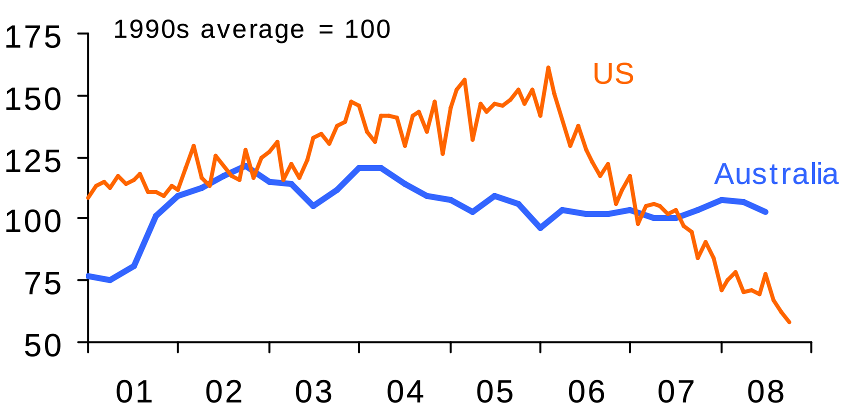
Population growth



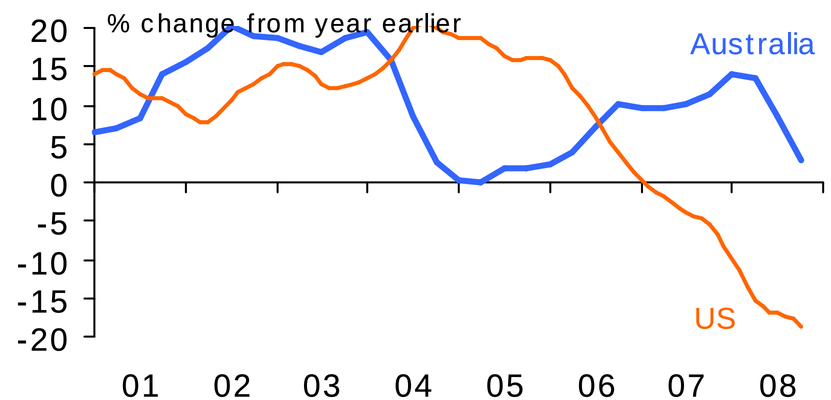
Mortgage delinquency rates*



Housing commencements



House prices

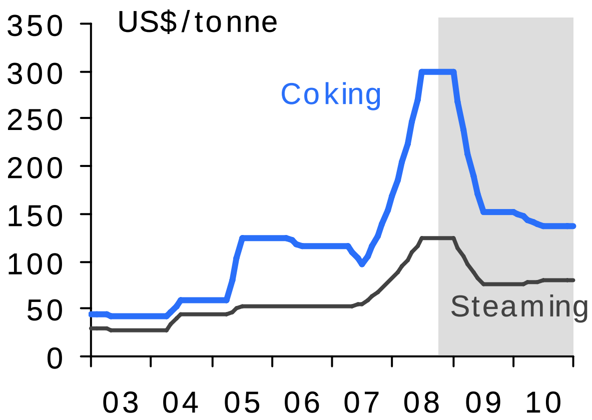


* 90 days or more past due. For Australia, securitized mortgages only (including on-balance sheet mortgages would result in a lower figure). *Sources:* ABS; US Commerce Department; S&P; Mortgage Bankers' Association of America.

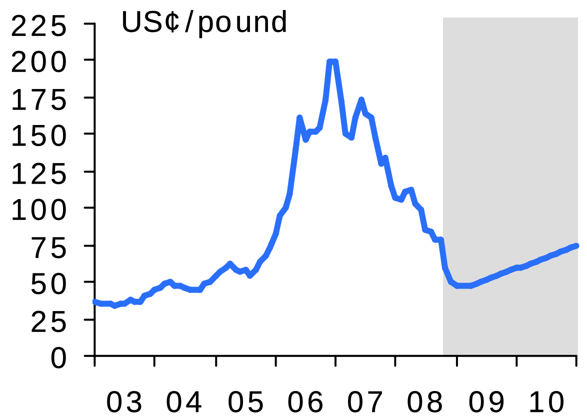
Commodity prices will fall further over the next 6-12 months though should remain strong by historical standards

Resource commodity prices

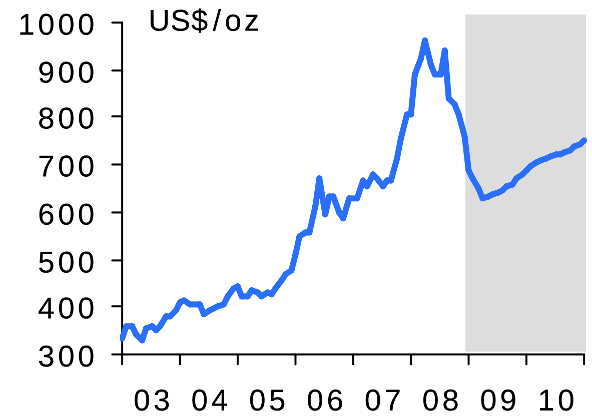
Coal



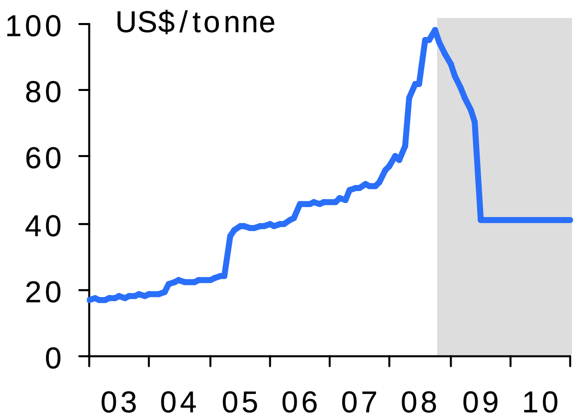
Zinc



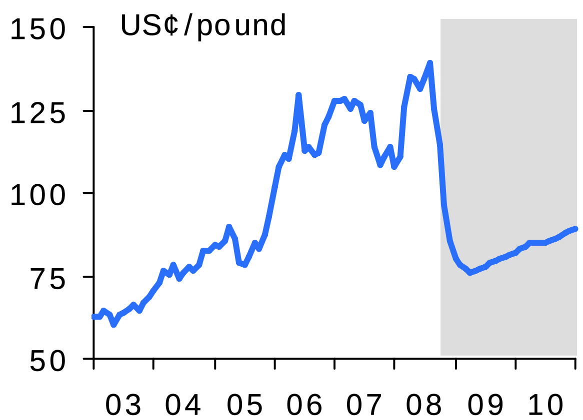
Gold



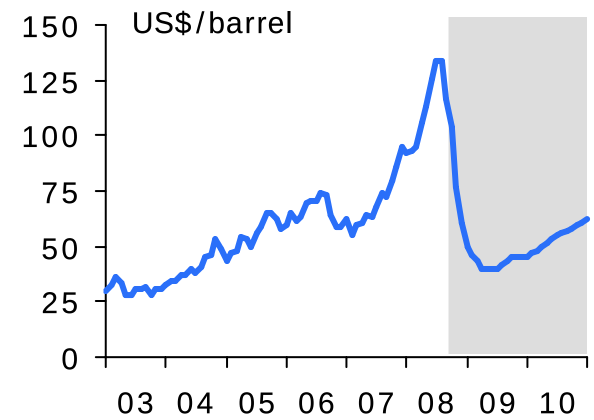
Iron ore



Aluminium

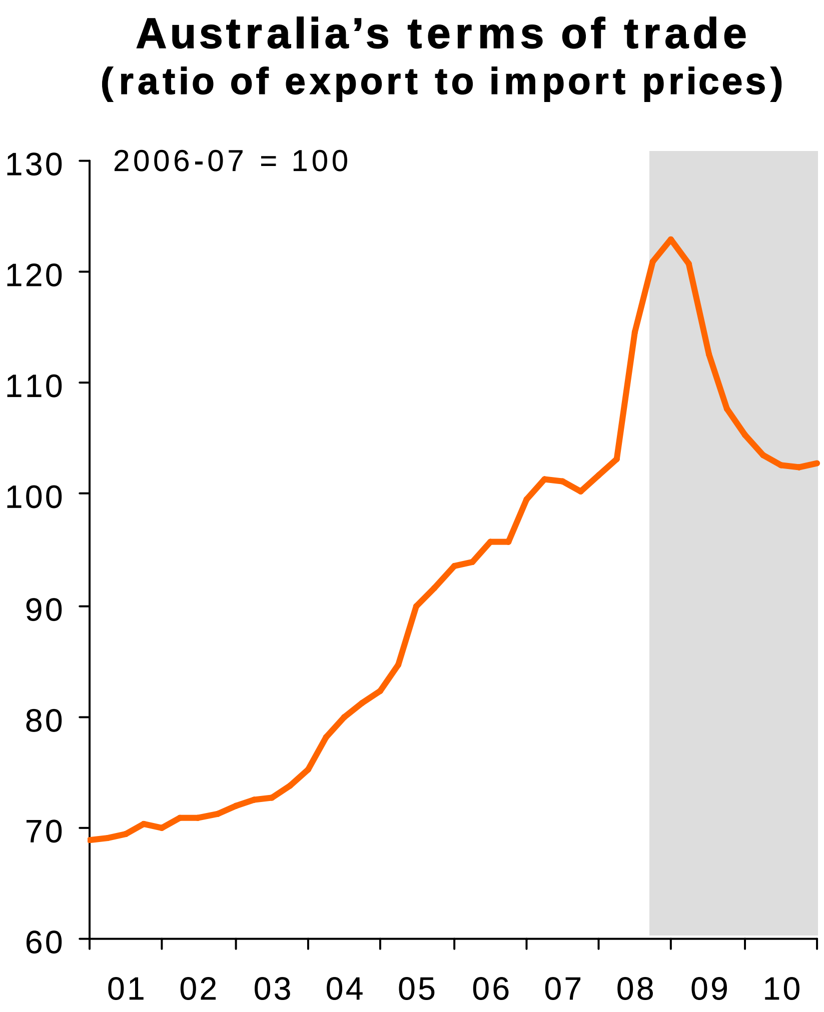


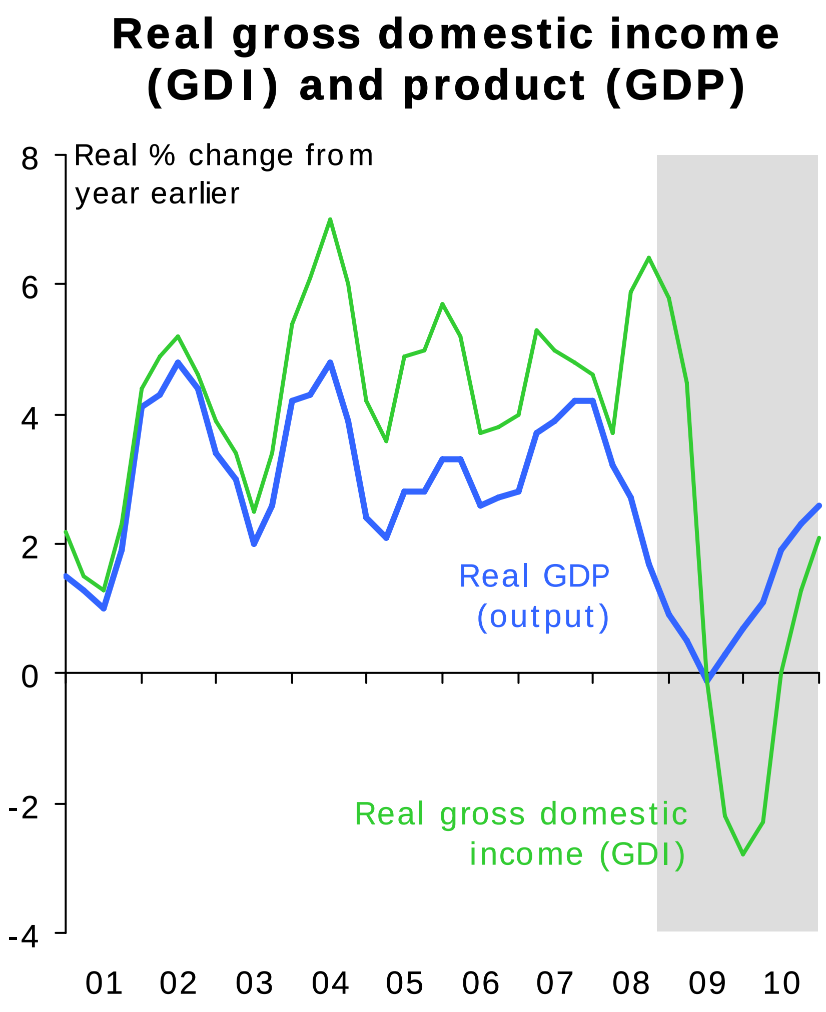
Oil



Sources: Thomson Financial; ANZ.

The sharp fall in commodity prices will detract substantially from Australian national income in 2009

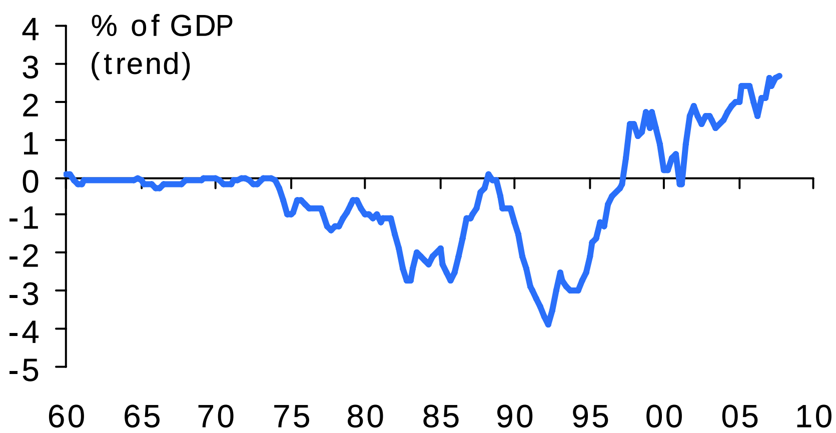




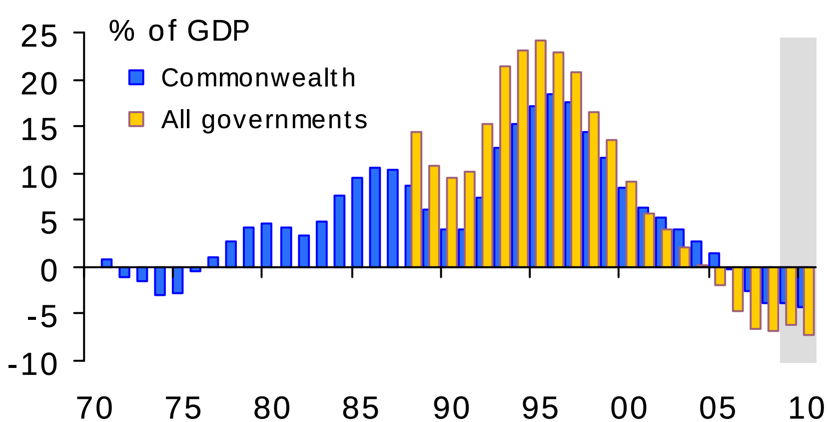
Note: real gross domestic income (GDI) is real GDP adjusted for changes in the terms of trade; it measures the 'purchasing power' of the income associated with producing the GDP. *Sources:* ABS; ANZ.

There is considerable scope for government borrowing to moderate the impact of household sector de-leveraging

General government net lending



General government net debt

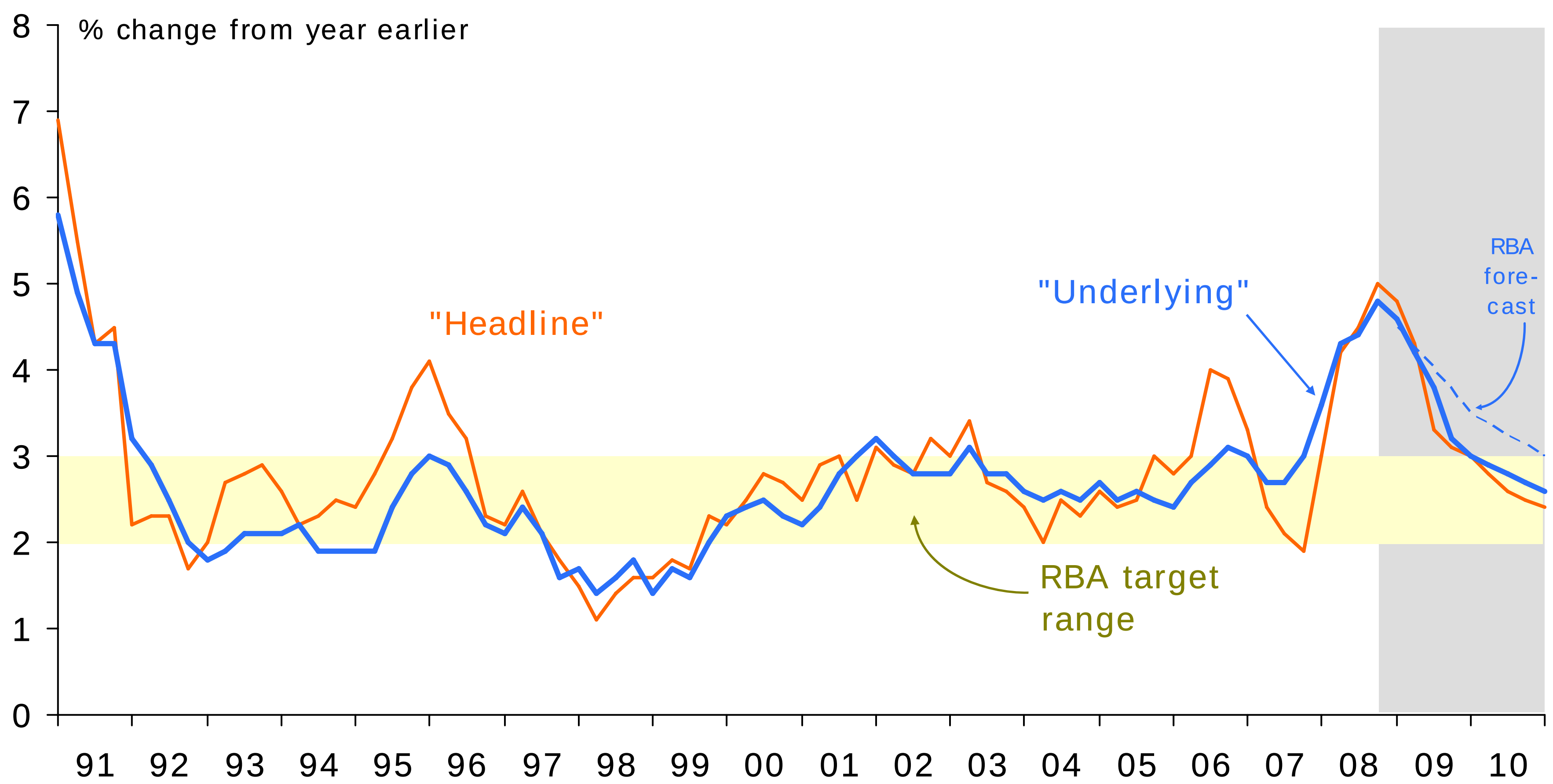


Sources: ABS; Commonwealth Government, *2008-09 Budget Paper No. 3* (Table C.7) and *Mid-Year Economic and Fiscal Outlook 2008-09* (Table D.4).

- Australia's general government sector has been running surpluses, on average, since 1998 (apart from a brief interlude in 2001-02), allowing the elimination of its net debt and the accumulation of net financial assets equivalent to ~7% of GDP at the end of the 2007-08 fiscal year
- The recent mid-year review of the Commonwealth Budget lowered the projected surplus for 2008-09 from 1.8% of GDP to 0.4%, and for subsequent years from 1.3-1.5% of GDP to 0.2-0.5%, reflecting the A$10.4bn 'Economic Security Strategy' announced in October and downward revisions to revenues
- State & Territory Governments are revising up estimates of their deficits for 2008-09 and beyond
- Further fiscal measures are both likely and warranted, notwithstanding that the result is likely to be budget deficits of the order of 1-2% of GDP; Australia has more scope than most Western countries for expansionary fiscal policy

Inflation will likely fall more quickly than the RBA expects, despite the fall in the A$

Consumer prices

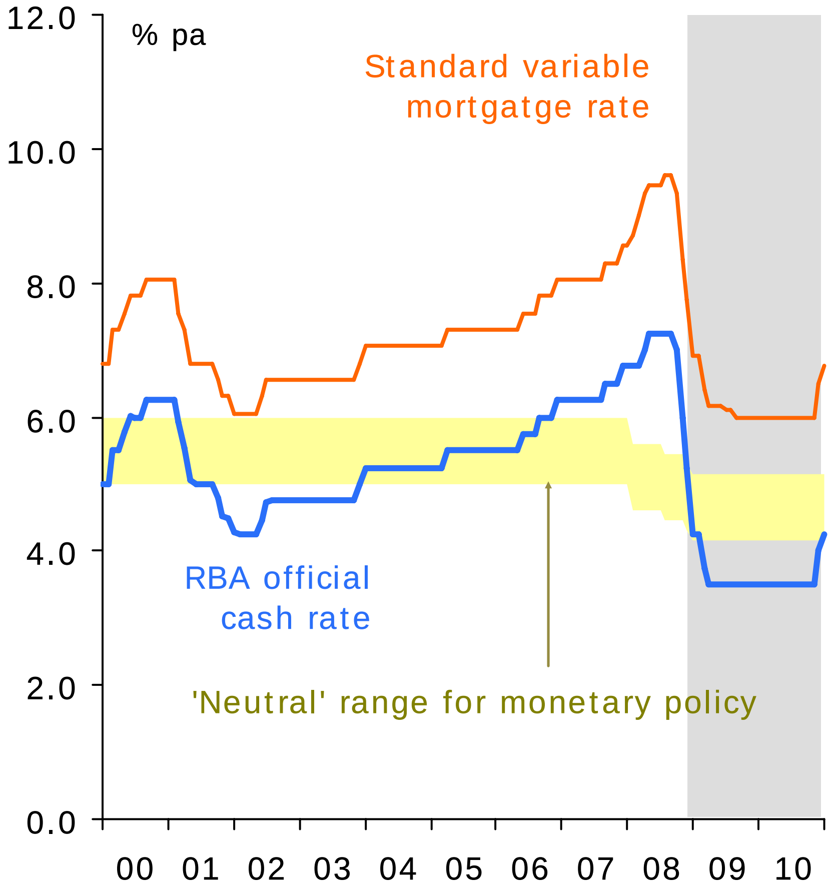


Note: excludes impact of introduction of GST and major health policy changes and proposed commencement of emissions trading scheme in mid-2010. *Sources:* ABS; RBA *Statement on Monetary Policy* (November 2008); ANZ Economics & Markets Research.

The RBA's cash rate is likely to be lowered further, to 3 ½ % (or even less) during the first half of 2009 …

ANZ

Short-term interest rates

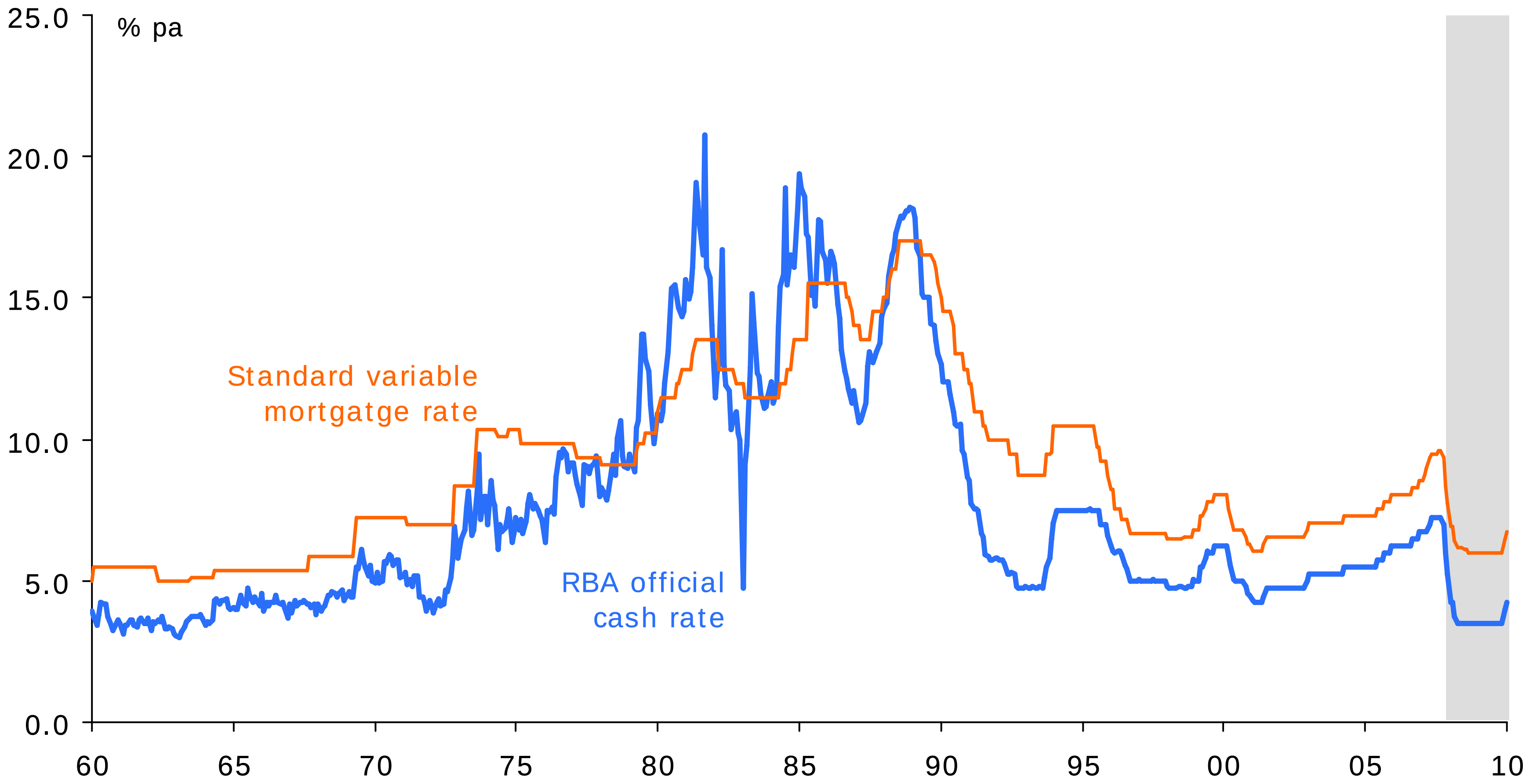


Sources: RBA; ANZ Economics & Markets Research.

- The RBA has cut its cash rate by 3 pc points over the past three months – entirely reversing the increase¼s over the previous 6¼ years
- Over the past two decades, the RBA has come to regard a cash rate in the range 5-6% as consistent with 'neutral' policy settings, ie neither stimulating or restraining economic activity
- This view has been premised on a stable margin between the cash rate and the rate which borrowers actually pay
- However with the spread between the cash rate and the standard variable mortgage rate having widened by ~80bp this year (and that between the cash rate and business lending rates by even more), the range consistent with 'neutral' must have moved down to somewhere around 4¼-5¼%
- Moreover, the economic outlook surely warrants monetary policy settings significantly on the 'easy' side of 'neutral'

… implying that official interest rates will be at their lowest since the late 1950s, and mortgage rates since the early 1970s

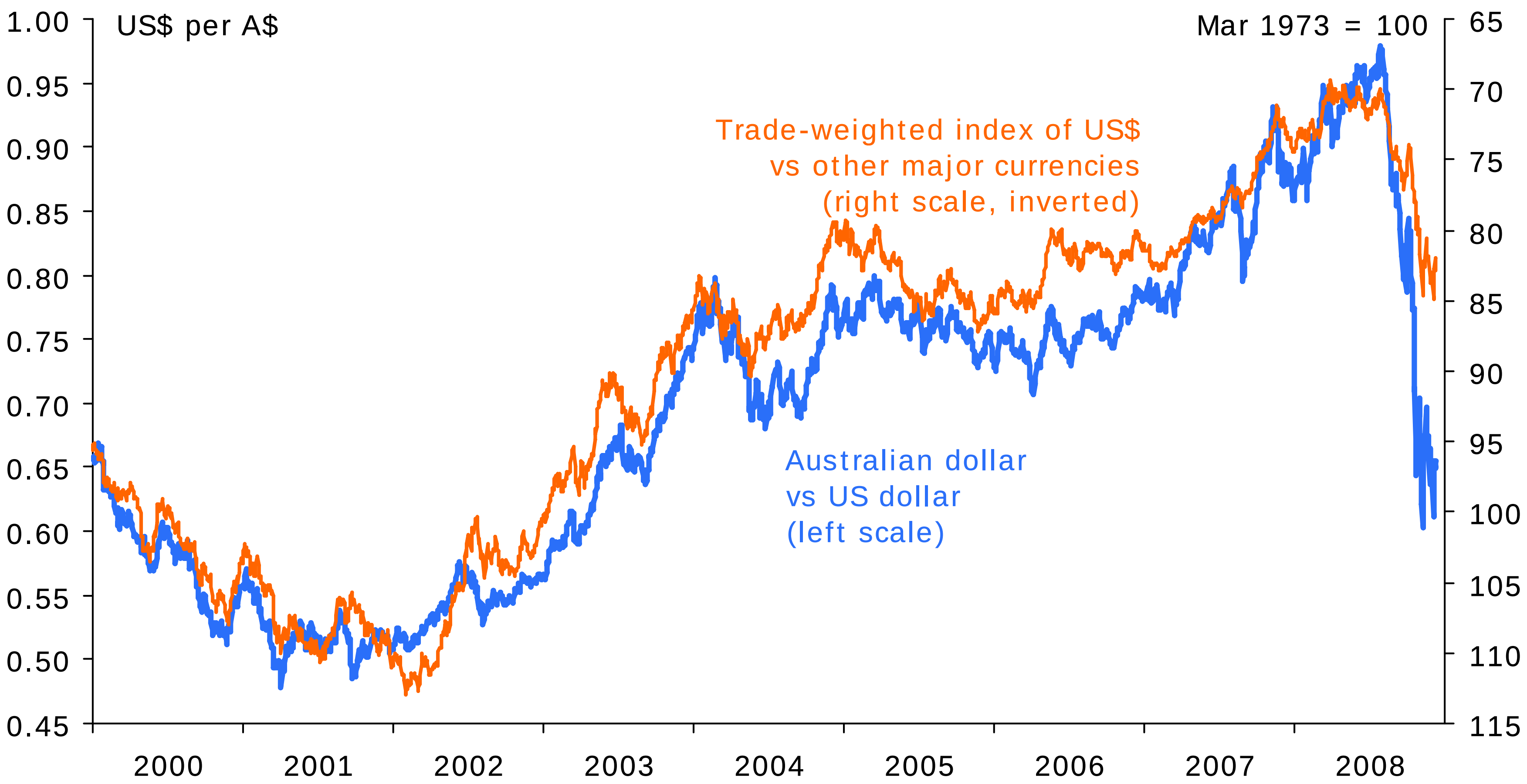
Short-term interest rates



Note: 'neutral' range for monetary policy defined as a cash rate of between 5 and 6%, adjusted since January 2008 for the widening in the spread between the cash rate and the standard variable mortgage rate.
Sources: RBA; ANZ.

The recent sharp drop in the A$ is partly a reflection of the rebound in the US$ …

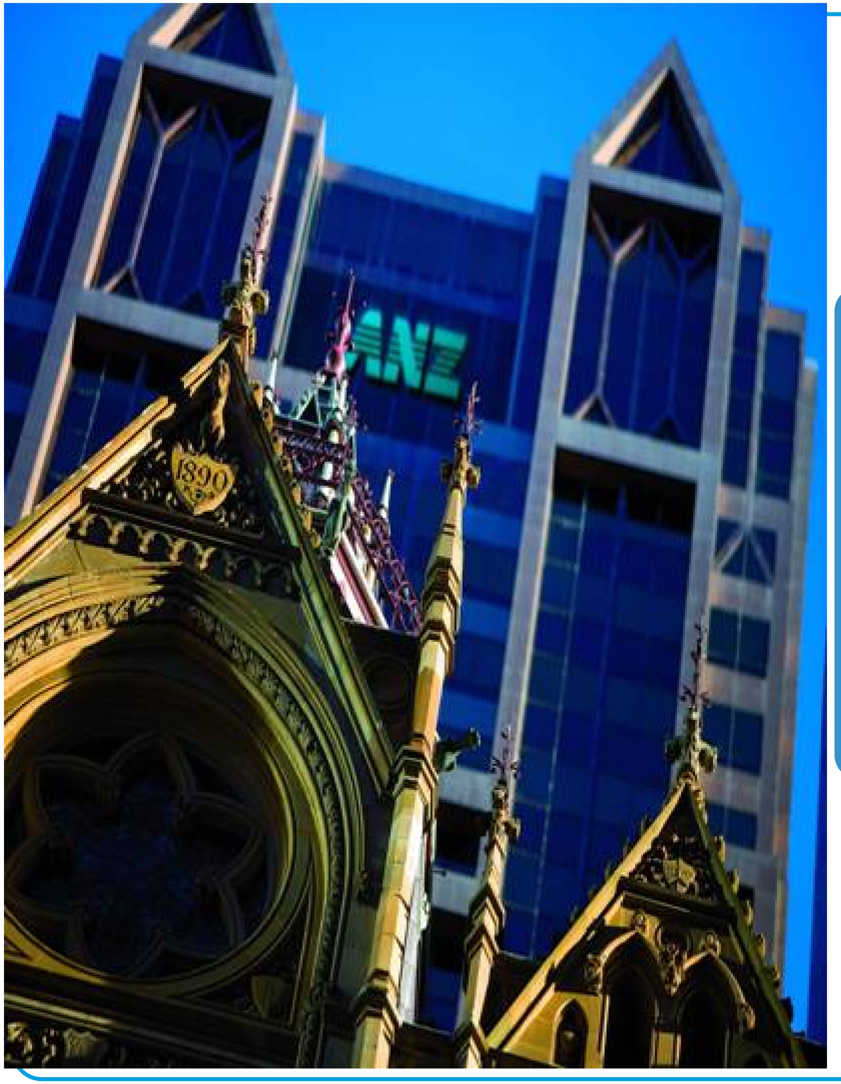
A$ vs US$ and US$ vs other major currencies



Source: US Federal Reserve Board; Datastream.

Outlook for the New Zealand economy

- The New Zealand economy is in recession, having contracted by 0.3% in the March quarter and 0.2% in the June quarter, and in all likelihood by ½% in the September quarter. Our own business conditions survey and anecdotal evidence point to ongoing and significant weakness in economic activity. Further declines in real GDP are expected in the first half of 2009. The unemployment rate has risen from 3.4% to 4.2% so far this year, and is likely to reach 6% by the end of 2009. New Zealand's trade account remains in deficit (unlike Australia's), so the current account adjustment process is likely to be more severe.
- NZ house prices have fallen by 6% so far this year (cf. an average of about 2% in Australia) while the volume of transactions is down almost 60% from its early 2007 peak. Residential construction activity is also declining sharply, with building consents (approvals) falling to a record low in October. Underlying demand for housing (derived largely from population growth) is weaker in NZ than in Australia, while the predominance of fixed-rate mortgages means that whatever benefit might be provided by reductions in official interest rates takes longer to be felt.
- Despite the sharply lower NZ$ and lingering pressures in 'non-contestable' sectors, consumer prices are likely to fall in the current and following quarters, pulling the annual 'headline' inflation rate down from 5.7% to 3.1% by the March quarter of 2009, with a further decline to 1.5% (and possibly to the bottom of the 1-3% target band) by the September quarter of next year.
- The RBNZ has cut its official cash rate by 325 basis points (to 5%) since July, including an unprecedented reduction of 150 basis points earlier this month. A further 50 bp cut is likely in January, with the cash ultimately falling to 4% and perhaps even lower.
- The newly-elected government of Prime Minister John Key is likely to deliver a significant fiscal stimulus package before Christmas.
- Given the poor NZ economic outlook and the likelihood of further declines in NZ commodity prices and interest rates, the NZ$ is likely to remain on a generally downward trajectory against both the US$ (dropping below US50¢ during the first half of 2009 with a trough of ~US44¢) and, to a rather lesser extent, against the A$ (with the cross-rate reaching NZ$1.23 during the first half of 2009).



Capital, Funding, Liquidity & Government Guarantee

ANZ capital position strengthened - compares favourably with UK FSA and Canadian OSFI regulation

	Sep 07 Basel II	Mar 08 Basel II	Sep 08 Basel II	Sep 08** pro forma	ANZ FSA Basel II	ANZ OSFI Basel II
Core Tier 1*	**5.2%**	**5.3%**	**5.9%**	**6.3%**	**8.0%**	**8.7%**
Tier 1	**6.9%**	**6.8%**	**7.7%**	**8.1%**	**10.0%**	**10.7%**
Total Capital	**10.3%**	**10.1%**	**11.1%**	**11.5%**	**~13.0%**	**~13.0%**

Capital Position strengthened:

- FY08 Basel II Tier-1 ratio (+86bps)
- Underwrite of 2 dividends (+63bps)
- Issuance of Tier 1 hybrids (+63bps)
- Converting ANZ StEPS to ordinary equity
- New Tier 1 minimum target of 7% established
- Proposed underwrite of Final 08 dividend (+38bps)

Capital ratios stronger under FSA & OFSI equivalent basis

Capital Management Agenda:

- Continue to strengthen capital profile including building capital buffer
- Increased modelling of different economic scenarios on capital ratios
- Focus on risk/rewards within Basel II environment

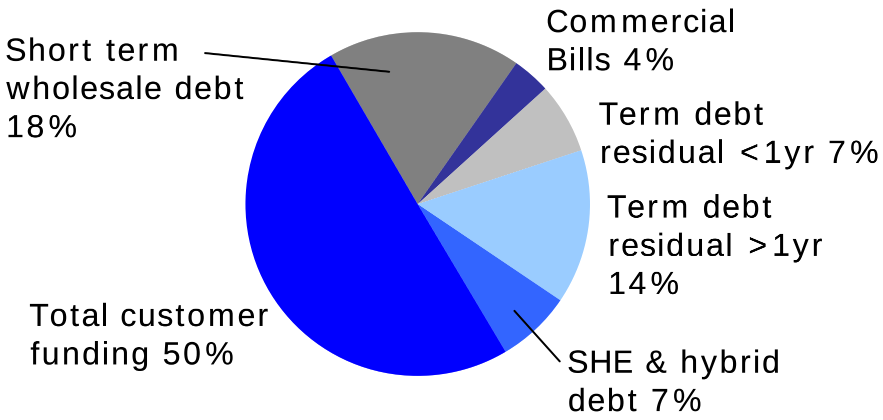
** 'Core Tier 1' = Tier 1 excluding hybrid Tier 1 instruments*

*** Includes DRP underwriting*

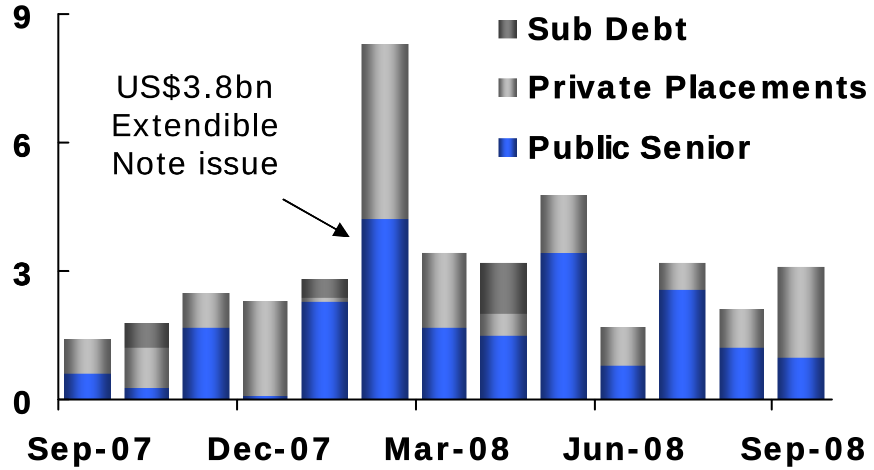
Well placed to manage 2009 - conservative funding strategy and strong liquidity position

Stable and diversified funding base

Group Funding profile* – September 2008



($bn) **Borrowed consistently over 2008**



Wholesale term funding

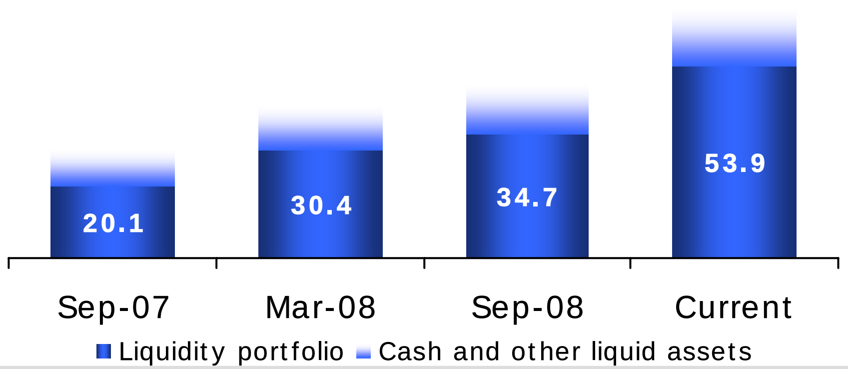
Year	Volume		Cost (bp)
	>1yr	~1Yr^	
2007	$19bn	$5bn	8
2008	$24bn	$15bn	72
2009 f'cast	$21bn	$9bn	-

- Total term debt costs have increased to $216m in FY08 from $109m in FY07.

*Percentage of net external assets (i.e. ALL funded asset incl. non-core assets)
^ 1 year, structured and extendable notes

Strong Balance Sheet management

Significant increase in liquid assets ($bn)
>12 months of offshore wholesale funding maturities



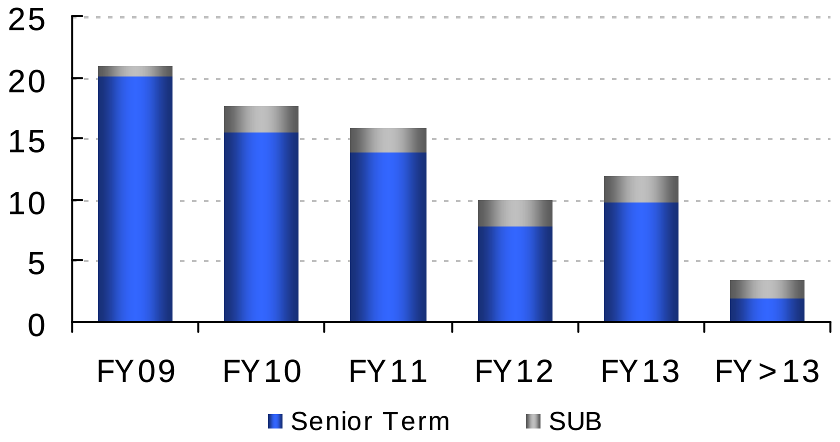
Prime liquid asset portfolio increased to nearly 3 times Sep 2007 levels

All liquid assets eligible for repo with a central bank and held in major treasury sites

Provides a very strong buffer against adverse funding conditions. Portfolio covers:

- 10 weeks of all short and long wholesale funding maturities
- >12 months of total offshore wholesale funding maturities

Balanced term debt maturity profile ($bn)



- Term debt issuance across maturity buckets achieves balanced maturity profile, avoids near-term maturity concentrations
- 74% of term debt portfolio matures beyond 1 year
- Portfolio diversified by geographic location, investor type, currency, product and tenor

Australian Government Guarantee

Deposit Guarantee :

- Available for a period of 3 years, applying to deposits denominated in any currency.
- No cost for accounts holding less than $1m. For accounts holding in excess of $1m, a fee applies.

Wholesale Funding Guarantee :

- Available until “market conditions have normalised”.
- Applies to senior unsecured vanilla debt securities for a maximum tenor of 5 years.
- Guarantee is irrevocable & unconditional.
- Australian Government will pay on demand in a timely manner.
- Expected to be AAA / Aaa rated by S&P and Moodys
- APRA risk weighting is 0% (same as Government exposures) confirmed 24/11/08.
- Certificates of deposit and bank bills will be covered under the WFG (not the DG).
- Visit the website for further details : www.guaranteescheme.gov.au

Fee Structure :

Credit Rating	Debt Issues Up to 60 Months
AA	70bp
A	100bp
BBB and Unrated	150bp

RESULTS SUMMARY
FY 2008

Results overview

		Growth 2007 to 2008
NPAT	$3,319m	-21%
Cash Earnings*	$3,029m	-23%
Underlying Revenue*^	$12,343m	+12%
Expenses*	$5,444m	+10%
Cash EPS*	155.3c	-26%
Dividend	136c	unchanged

*Adjusts headline numbers for significant items & fair value hedge gains/losses
^Adjusted for impact of credit risk on derivatives and structured transaction

Business performance overview

Australia (Personal Division)

- Strong result from lending and customer deposits
- Continued investment in personnel and premises

New Zealand (Businesses)

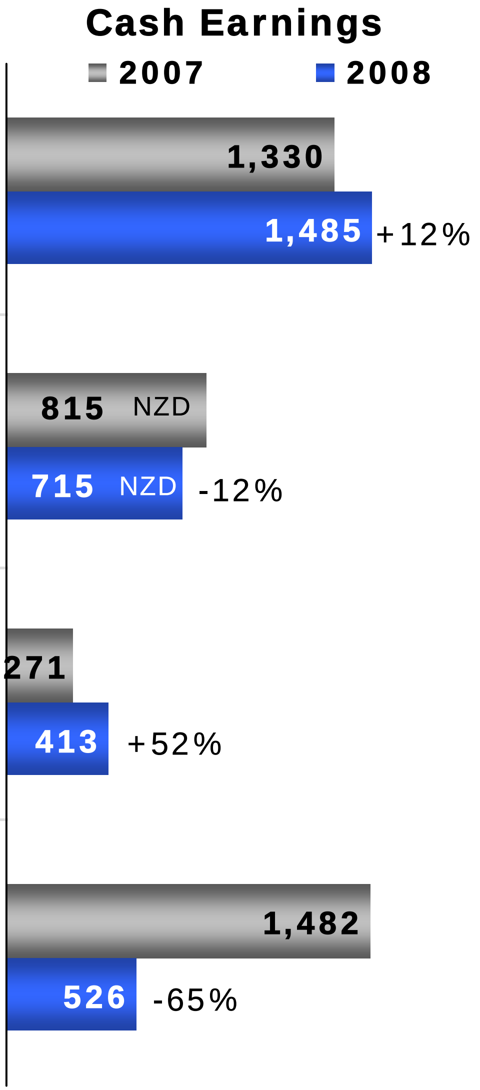
- Solid balance sheet growth, market share gains
- Impacts from slowing economy and higher provisions

Asia Pacific

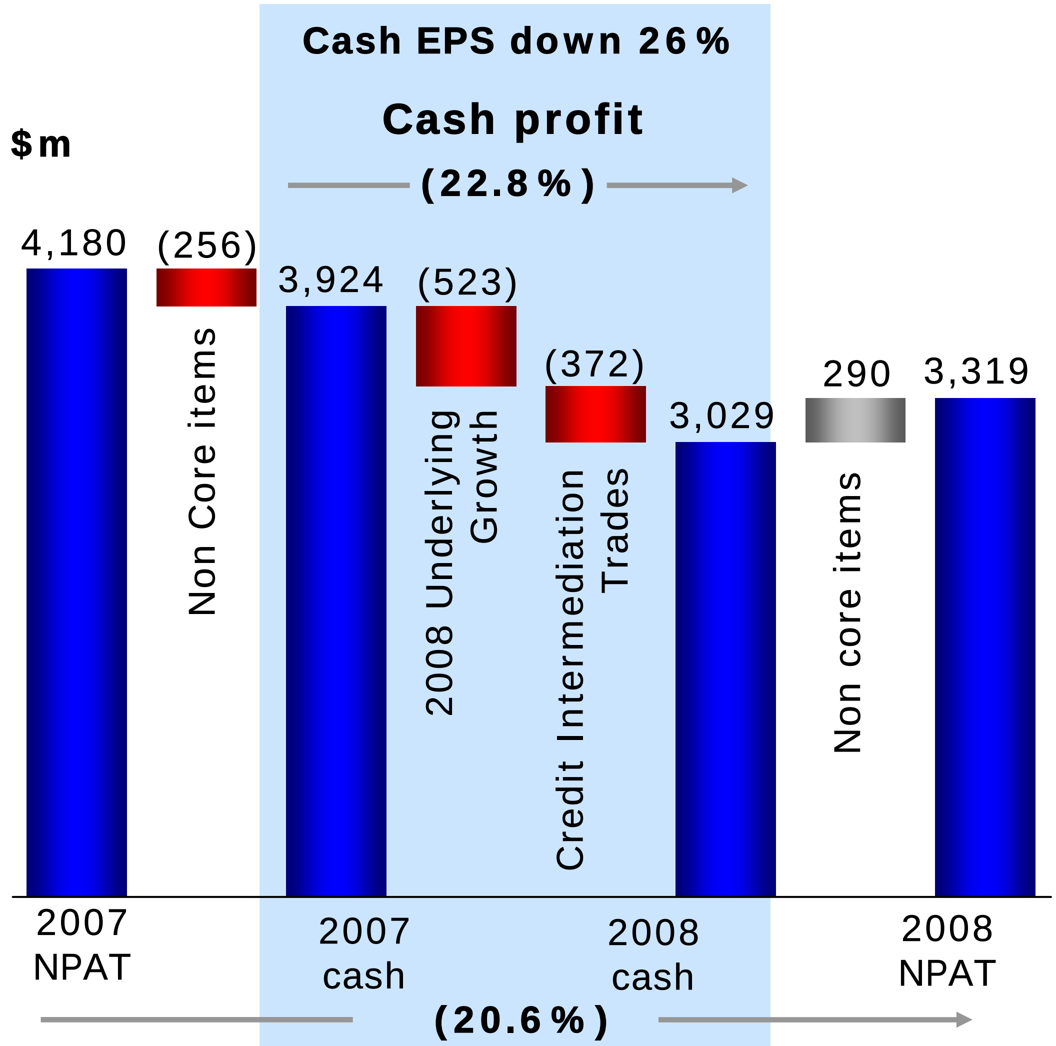
- Excellent performance driven by investment in the business
- Strong revenue growth - increased customer, product penetration

Institutional

- Improved underlying revenue momentum
- Significant negative provision impact from global financial market dislocation and small number of large individual losses



$3 billion cash profit down on prior year due to significantly higher credit impairments



Reconciliation to July Trading update

(excluding the reclassification of credit risk on derivatives to income)

Income

- Lower due to higher credit risk on derivatives from Credit Intermediation Trades and Corporates

Expenditure

- Slightly higher from a consolidation and higher remediation costs

Provisions

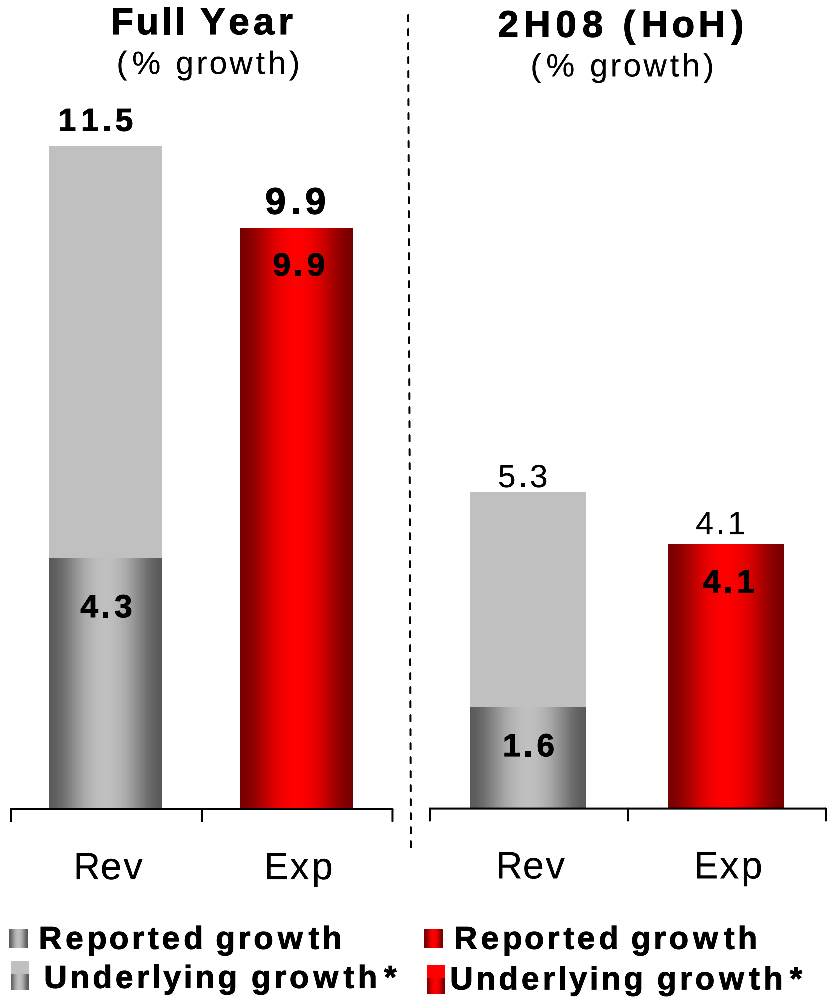
- Essentially unchanged with higher CP offset by lower IP

Cash NPAT

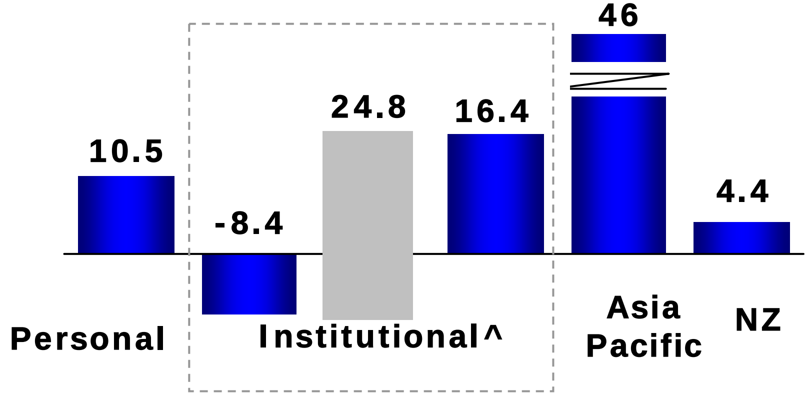
- Still >$3bn although lower than expected

Strong underlying PBP and revenue growth
Costs paced with revenue

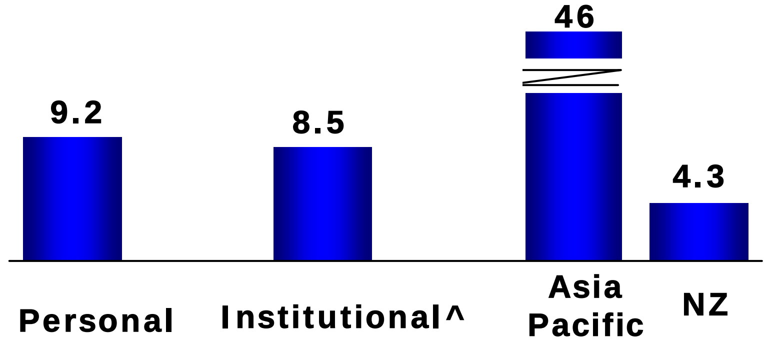
Full year revenue expense jaws



Income growth (% growth)



Expense growth (% growth)



Jaws	1.3%	7.9%	0%	0.1%

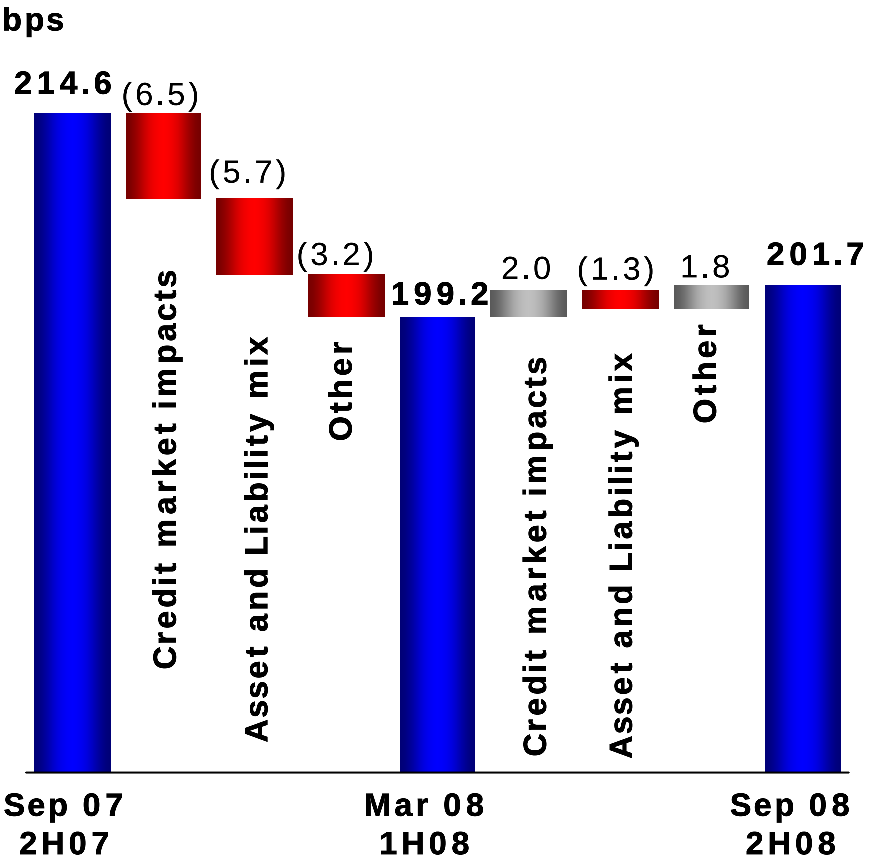
Institutional adjustments*

** Adjusted for credit risk on derivatives and structured transaction (matching offsetting tax credit)*

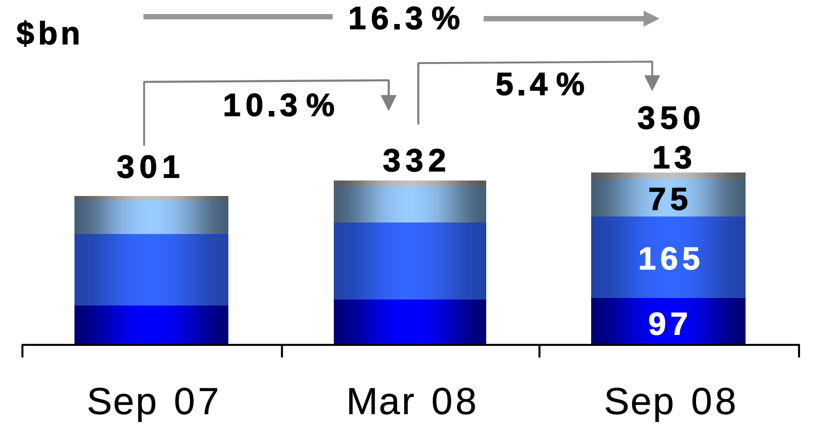
^ Excludes Institutional Asia Pacific, included in Asia Pacific division

Volume growth slowing in the second half while margins have stabilised

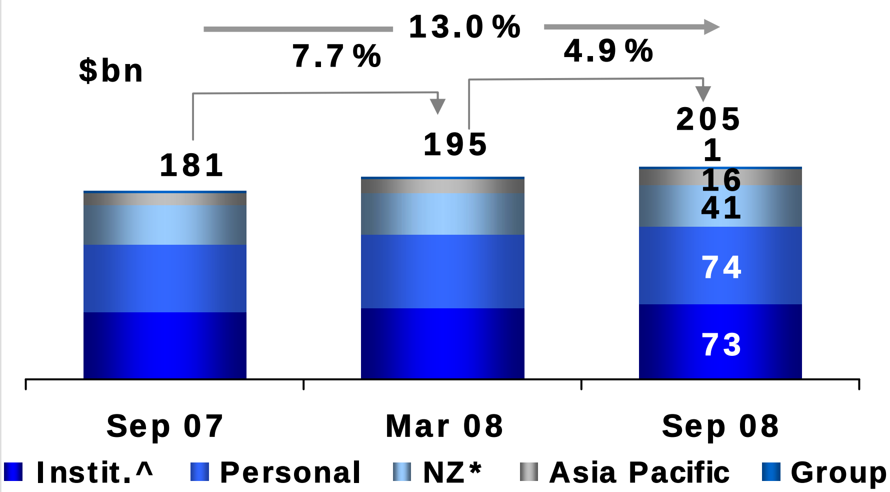
Margin trend improvement from managing impacts of credit crisis



Strong lending growth



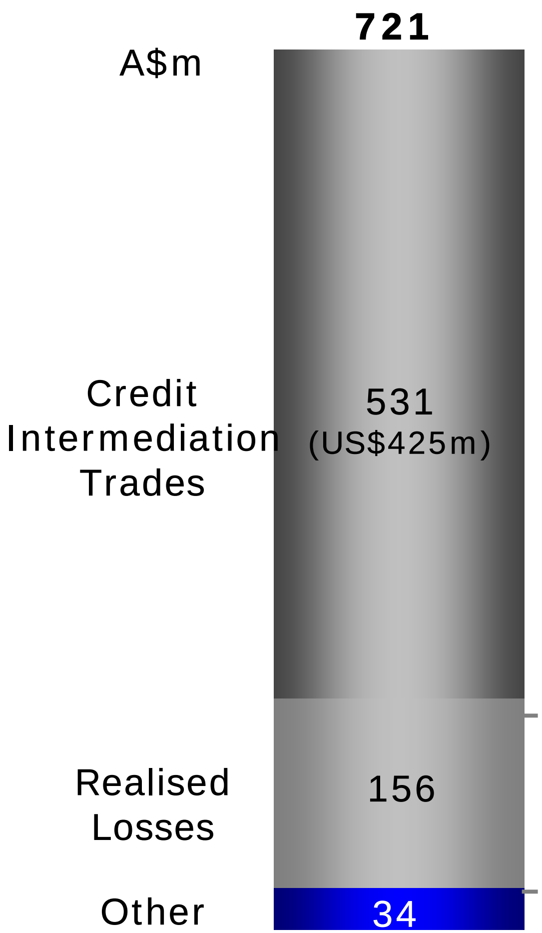
Strong deposit growth



^Excluding Institutional Asia (included in Asia Pacific)
* Removing the impacts of exchange rate movement

Composition of "Credit Risk on Derivatives" charged to Non interest income

Credit risk on derivatives



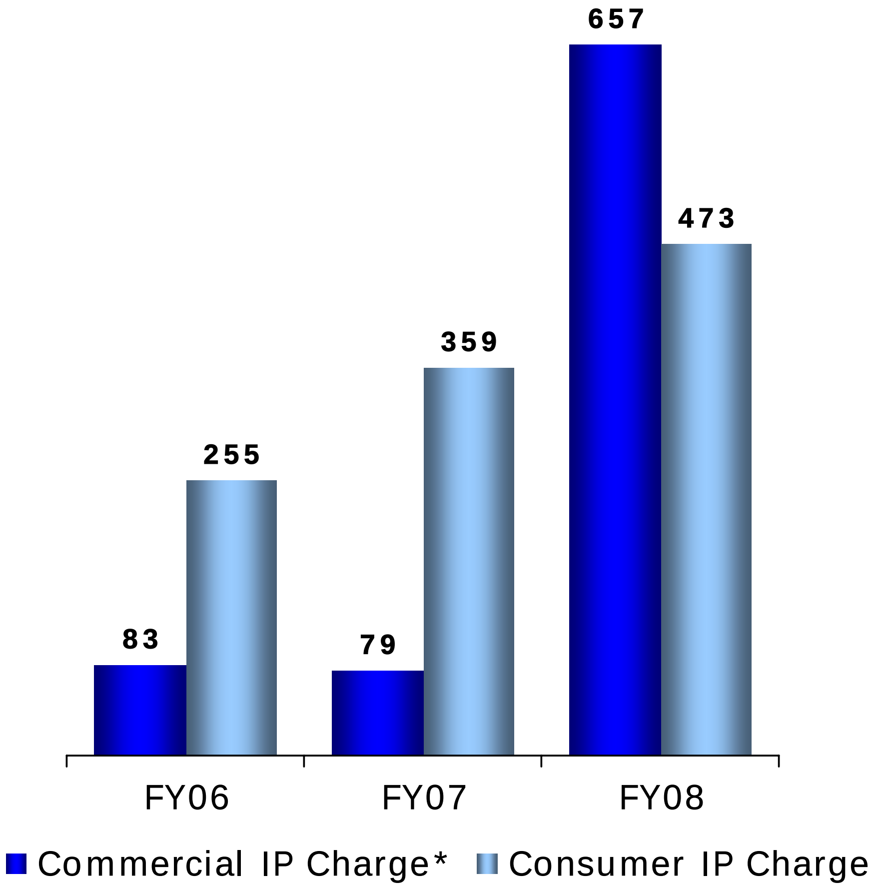
- Back-to-back sold and bought credit protection trades
- Mark-to-market on trades does not fully offset as one financial guarantor has defaulted and the valuation of the remaining counterparties reflects widening of their credit spreads
- Arises from requirement to mark to market derivatives even though cash losses are expected to be low

Expect to substantially write back

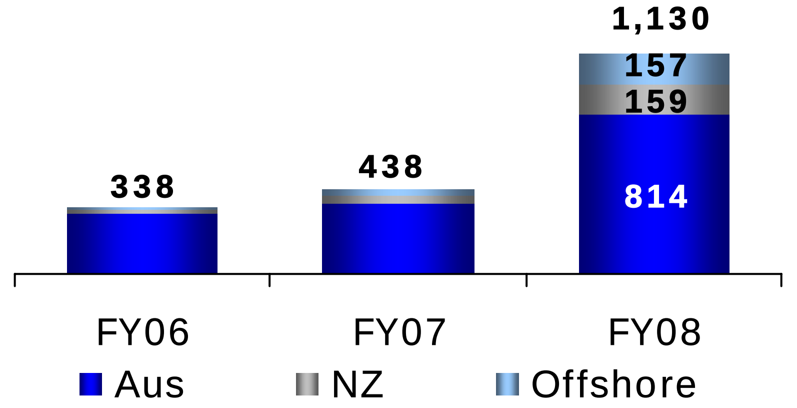
- Includes losses related to two mining companies and a financial services company
- Previously in Collective Provision

Higher Individual Provisions from Institutional large names and NZ portfolio

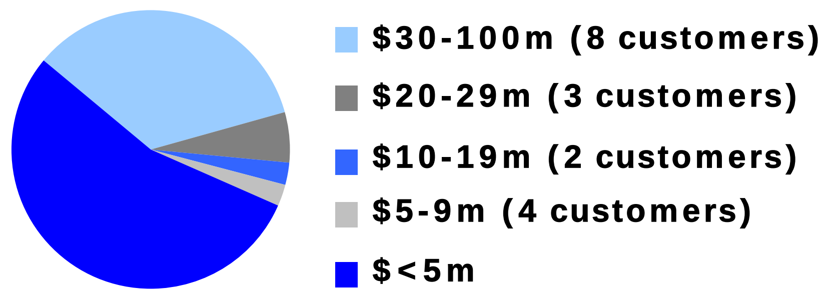
Significant increase in commercial Provisions off a low base, consumer upward trend from NZ ($m)



Higher individual provisions across regions ($m)



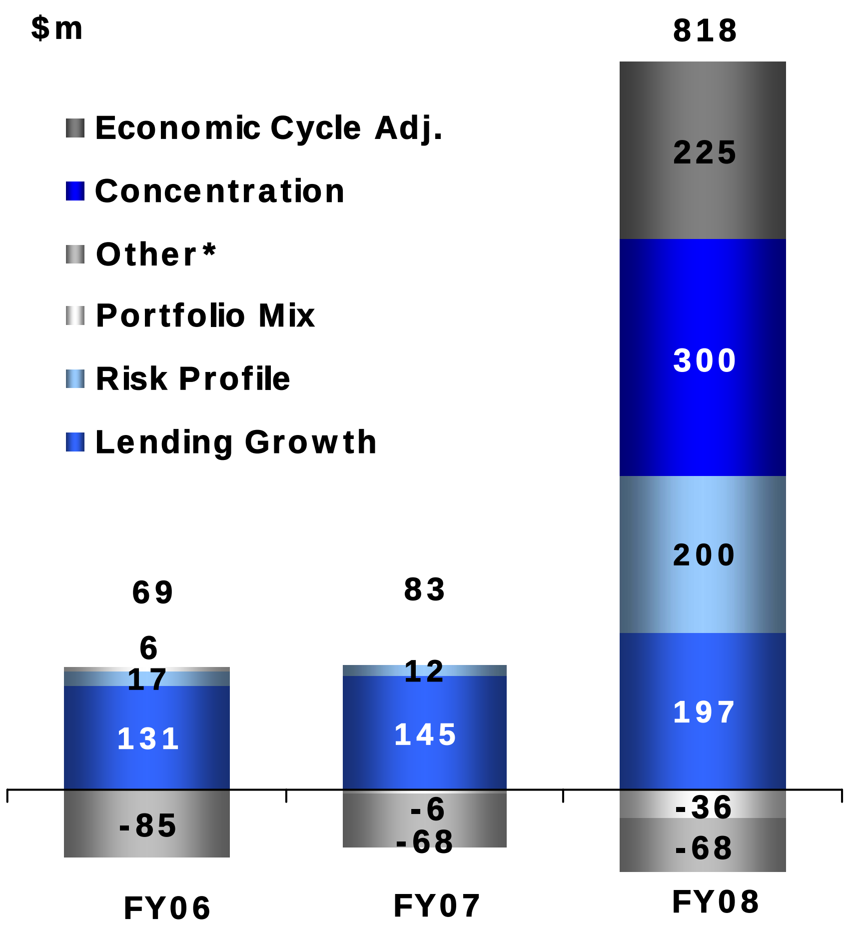
Small number of exposures dominating IP growth ($m)



** Excludes 1H08 impact from Monoline insurer, restated to credit risk on derivatives (negative adjustment to income)*

Collective Provision increase reflects changes to the credit environment

Collective Provision (CP)



Economic cycle adjustment

- For deterioration in global credit markets and slowing NZ economy (includes Inst. $180m, NZ $36m)

Concentration risk

- Higher single name risk for Financial Institutions and property portfolios within Institutional

Risk Profile

- Downgrades in Institutional, portfolio movements New Zealand

Volume Growth

- Increase across all divisions

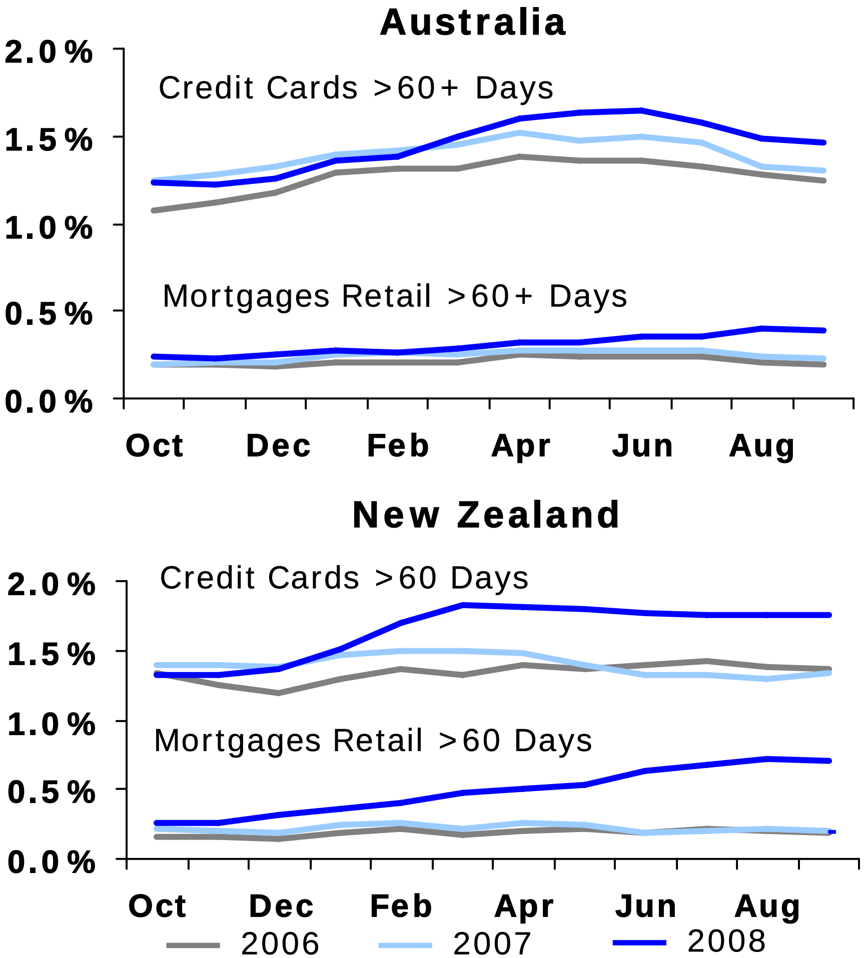
Portfolio mix & Other

- Includes oil shock roll-off

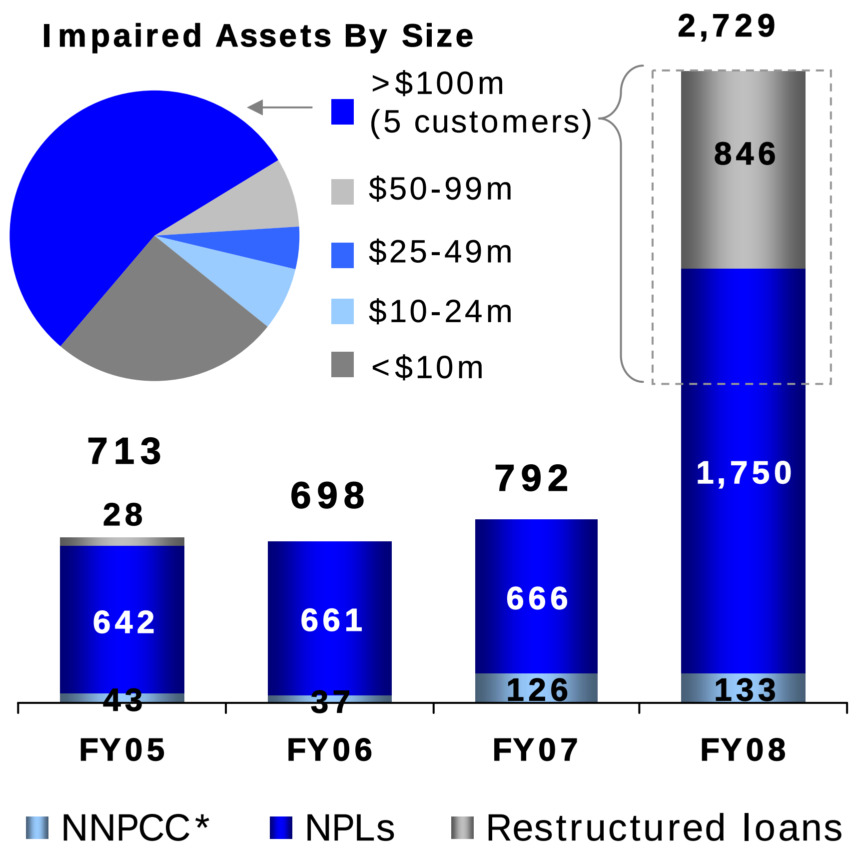
** Other comprises Group Items, scenario impact including the modelled unwind of the oil price shock provision (raised in 2005) and non continuing businesses*

Higher arrears and impaired assets from single name exposures and some increase in consumer stress

Consumer arrears being closely managed



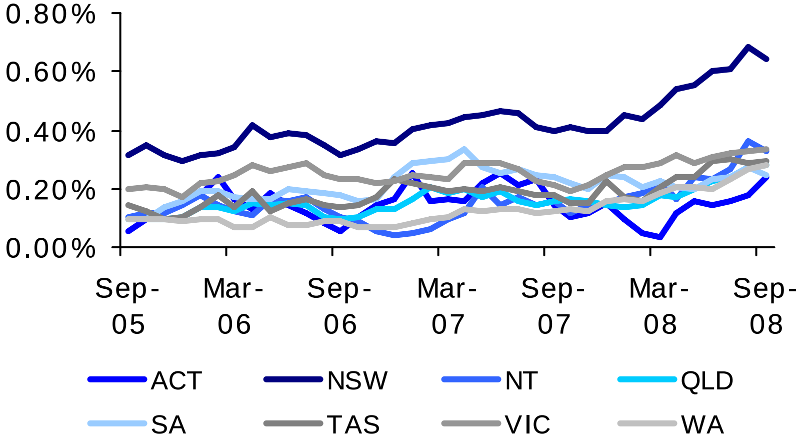
Impaired loans impacted by large single name Institutional customers (Impaired Assets ($m))



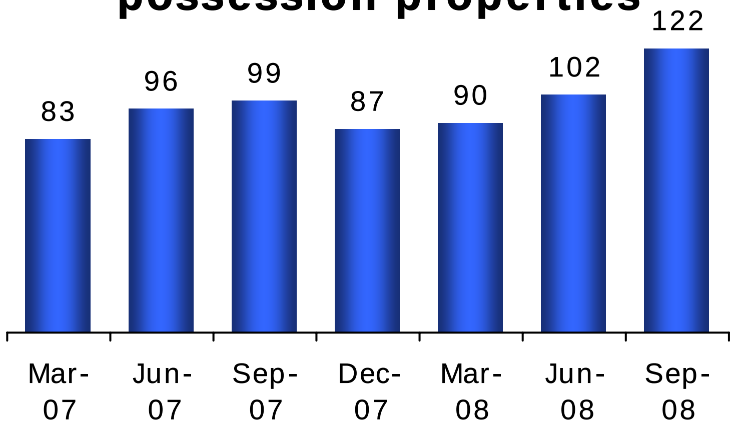
*NNPCC: Net Non Performing Commitments and contingents

ANZ's strong underwriting standards illustrated in LVR & arrears trends

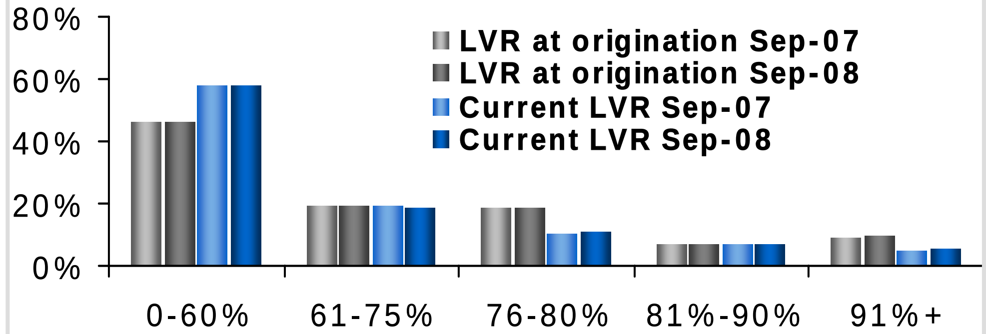
Mortgages^ 60+ Day Delinquencies by State (% of GLA)



Number of mortgagee in possession properties



Mortgages Australia (Retail)



Average LVR last 12mths
- By No of Accounts = 65.5%
- By Outstanding Balance = 69.5%

Average LVR for Australian Retail Portfolio based on Origination
- By No of Accounts = 62.3%
- By Outstanding Balance = 67.8%

Average Dynamic LVR for Australian Retail Portfolio
- By Outstanding Balance = 42.9%

^ANZ Retail excludes Wholesale

Conclusion & Appendices

Conclusion

- ANZ is 1 of 14 AA rated banks globally
- Good underlying performance in Australia and Asia offset by higher credit charges in Institutional & NZ.
- Addressed legacy institutional issues and simplified business structure for the new economic environment.
- Very strong liquidity levels and lower funding requirements for 2009.
- Conservatively provisioned with Collective Provision increased to > 1.1% of CRWA's.
- Tier 1 capital > 8% post current DRP underwrite.
- Lower domestic growth environment partially offset by Super Regional Strategy.

Appendices

- **Australian mortgage markets**
- **New Zealand exposure**
- **Property market exposures**
- **Credit Intermediation Trades**

Australian mortgage market

Australian mortgage industry continues to benefit from excess demand and strong underwriting standards

Demand / Supply

- Under-development in housing and rising immigration levels continues to drive excess demand
- Lower delinquencies and lower forced sales relative to the US and UK, resulting in less pressure on the Australian property sector

Underwriting Standards

- Strong underwriting standards for Australian mortgage lending compared with US & UK
- Around 1% non conforming and 7% “low doc” or “no doc” loans across the Australian sector. ANZ below sector average with no sub prime and around 2% low doc.
- Maximum 95% LVR on existing ANZ Australian mortgage loans (reduced to 90% for new lending)
- Lenders mortgage insurance required for >80% LVR lending

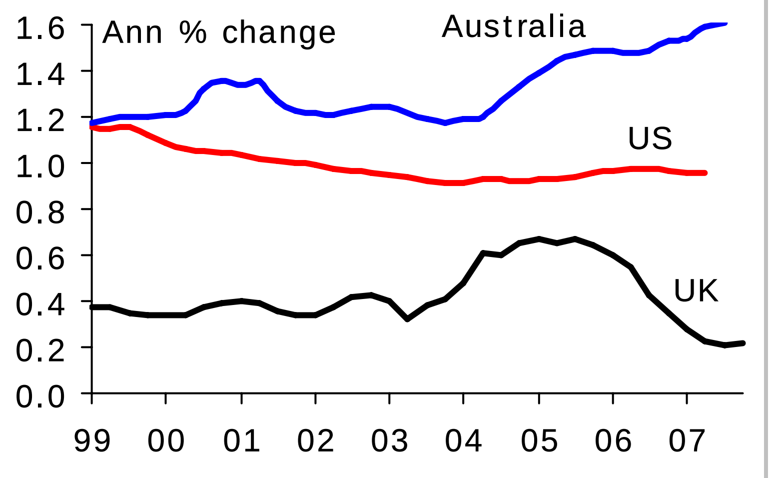
Household Debt levels

- Australia debt to assets (~19%) compares favourably to the US (~26%)
- Only one third of adult Australian population have borrowings

Regulatory and policy differences

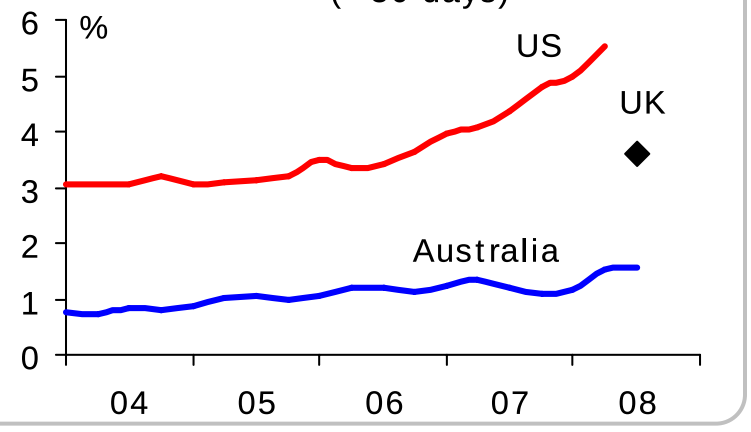
- Australia mortgages typically full recourse with ability to pursue debtor’s other assets
- Flexibility with monetary policy and fiscal policy

Population growth

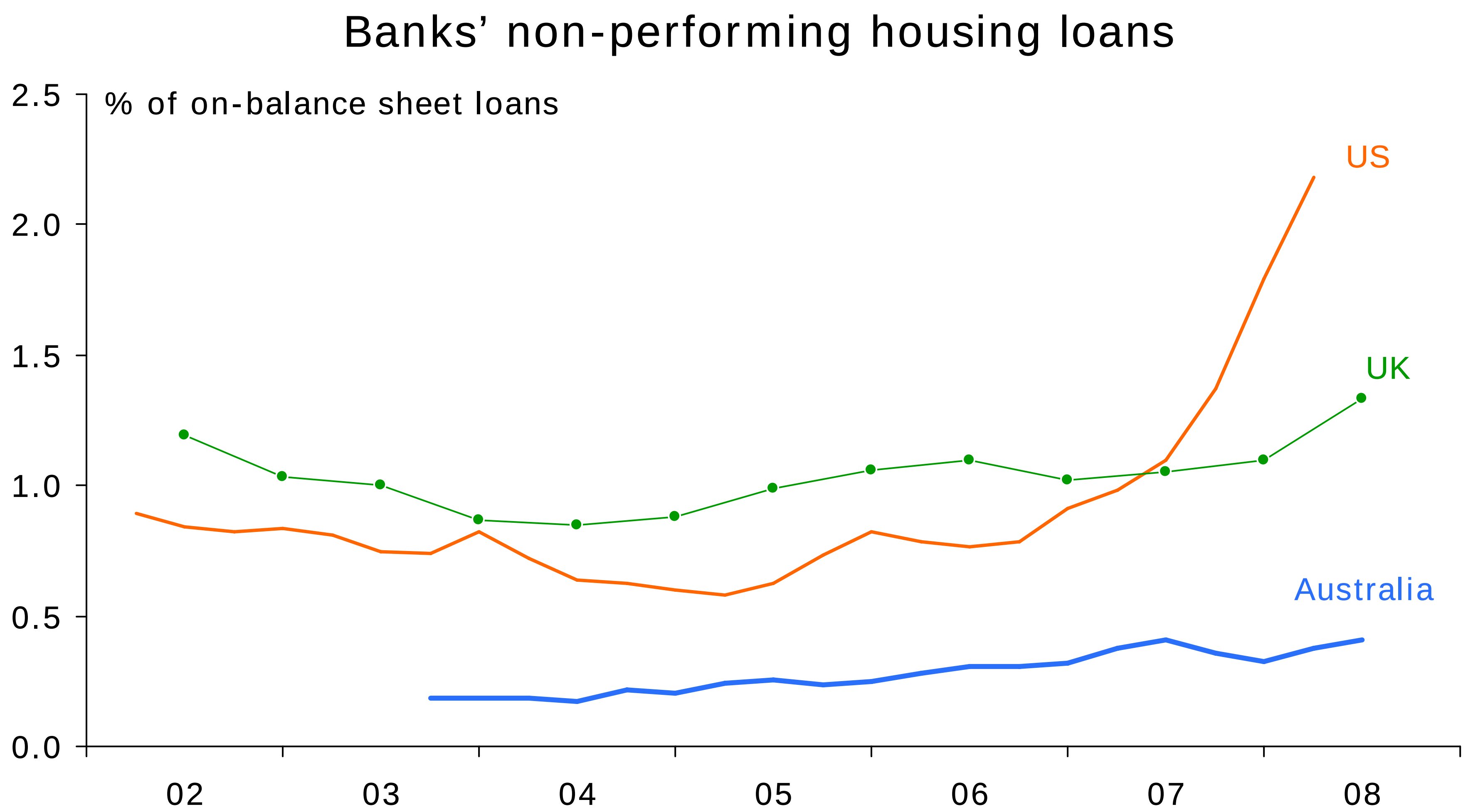


Mortgage Delinquencies

(+30 days)

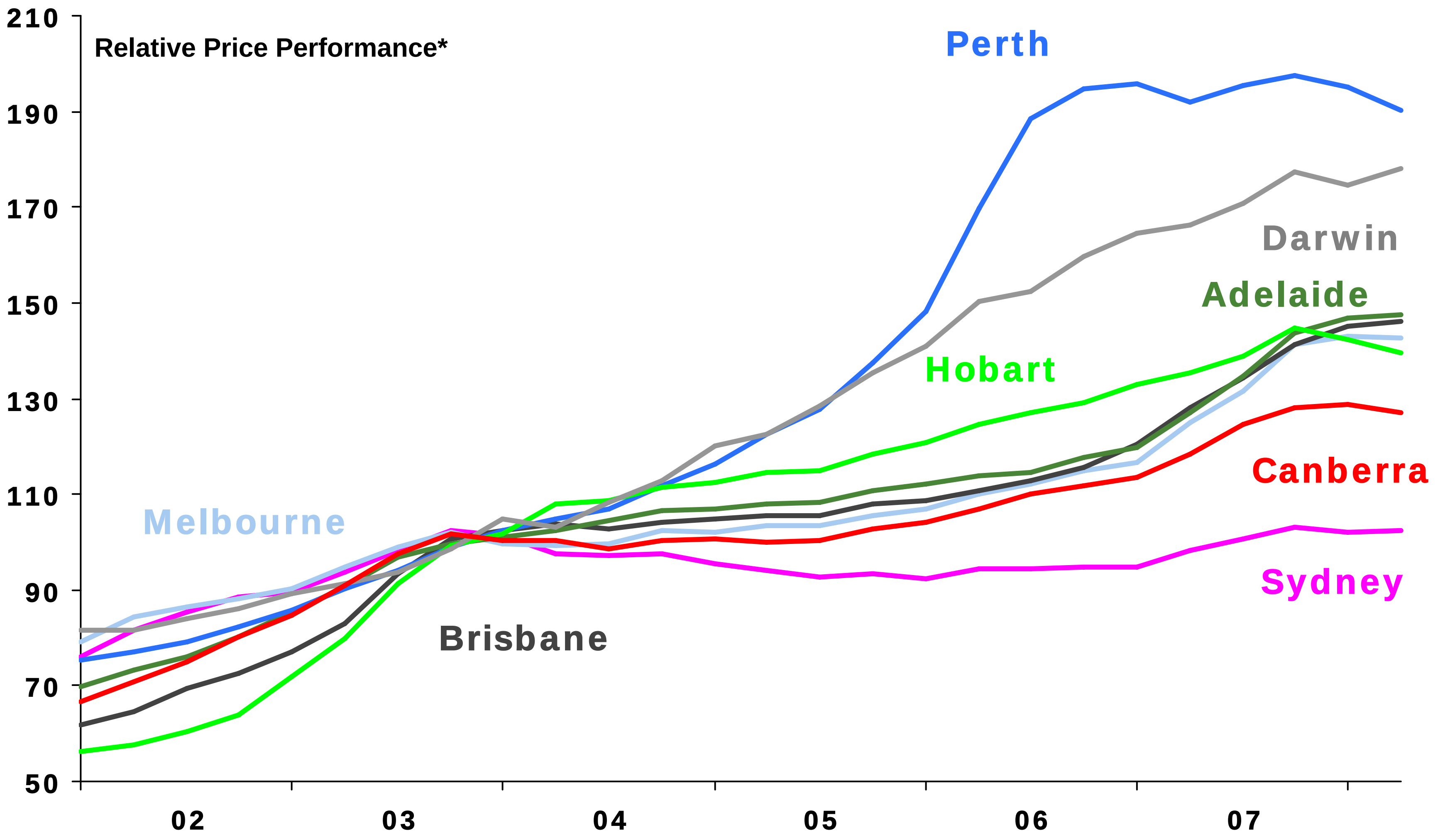


Australian housing loan delinquencies are significantly lower than in the US or the UK…



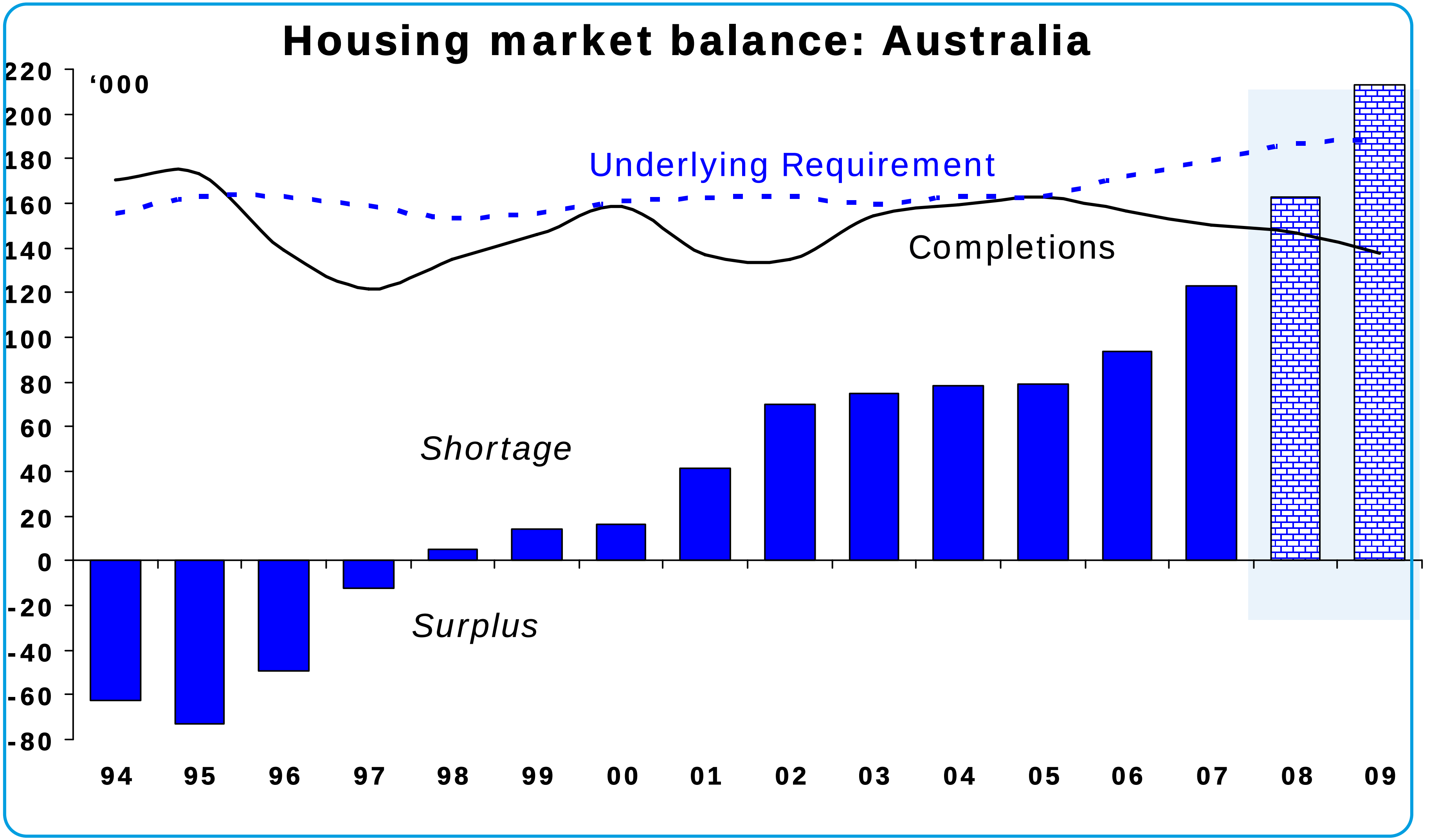
Source: Philip Lowe, *The Financial System and Recent Developments in the Australian Financial System*, Speech to 6th Annual Retail Financial Services Forum, 13th August 2008; APRA; UK Council of Mortgage Lenders; US FDIC.

Individual property markets in Australia have contracted particularly in Sydney



** Chart uses price index levels . All cities have been set to a common base of 100 in 2003 to illustrate relative performance. Source ANZ.*

Coupled with weaker construction approvals this is driving housing demand



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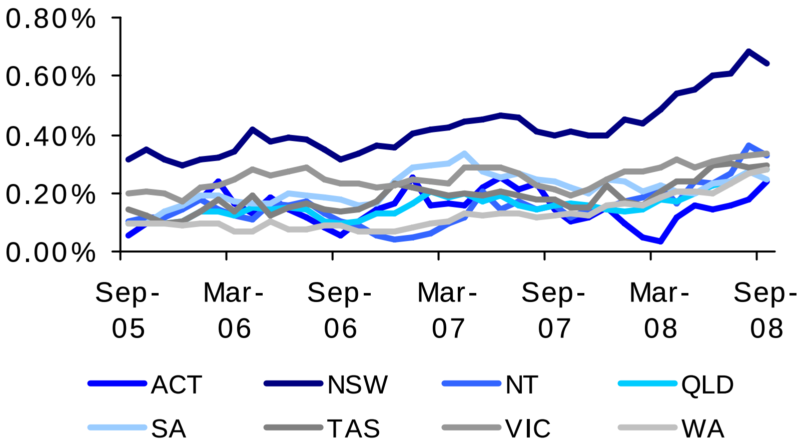

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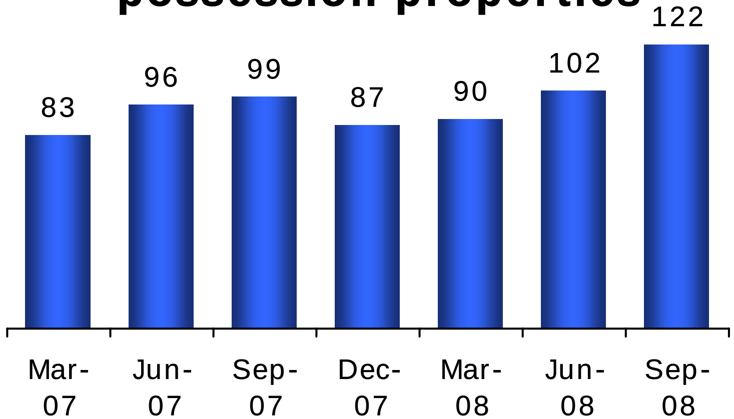
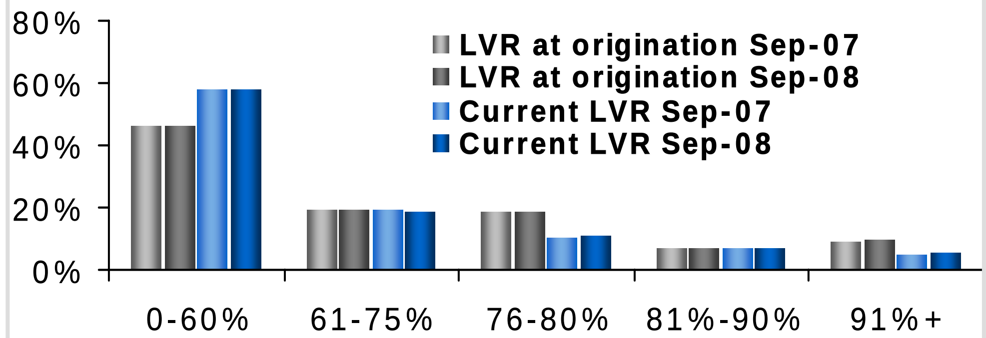


Mortgages Australia (Retail)



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Average Dynamic LVR for Australian Retail Portfolio
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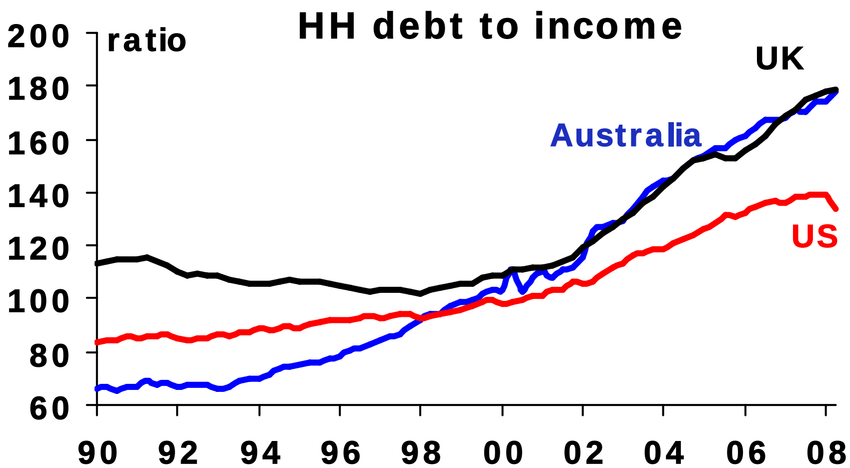
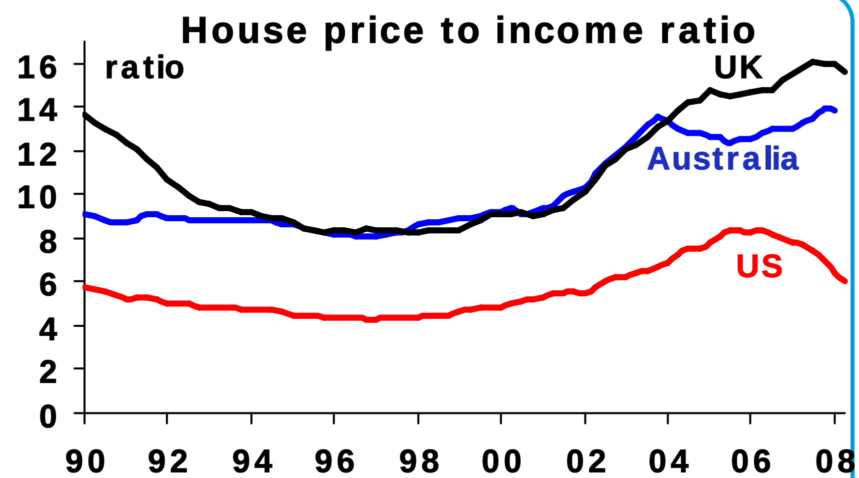
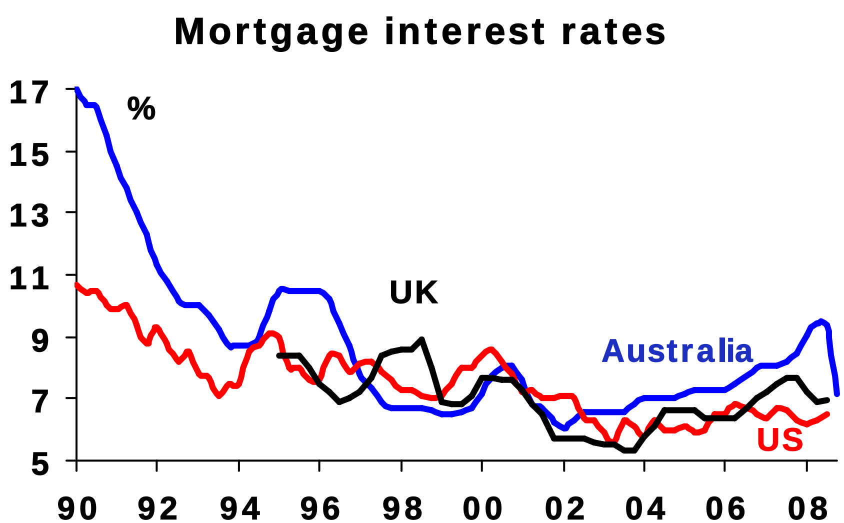
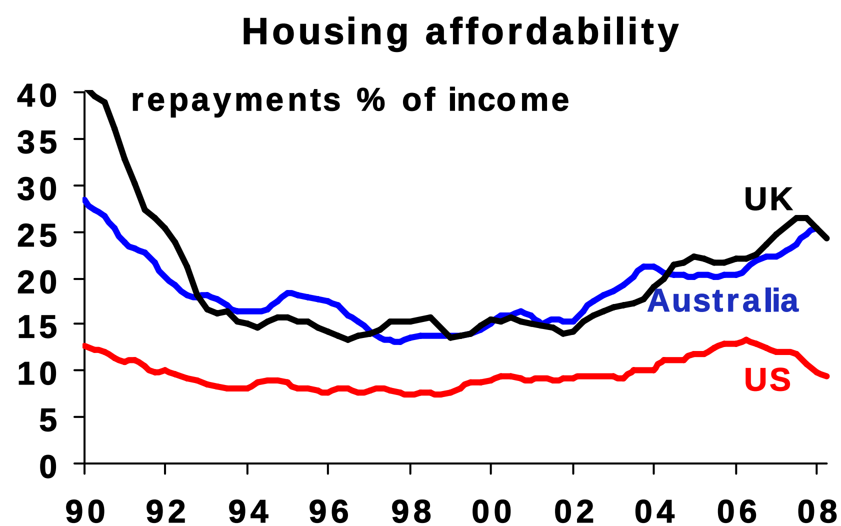
^ANZ Retail excludes Wholesale

Simplistic metrics could suggest Australian household sector faces similar risks to the UK





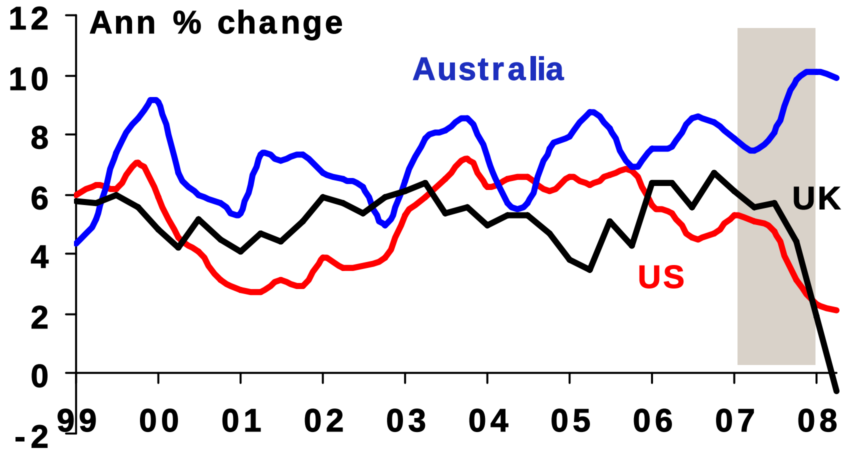




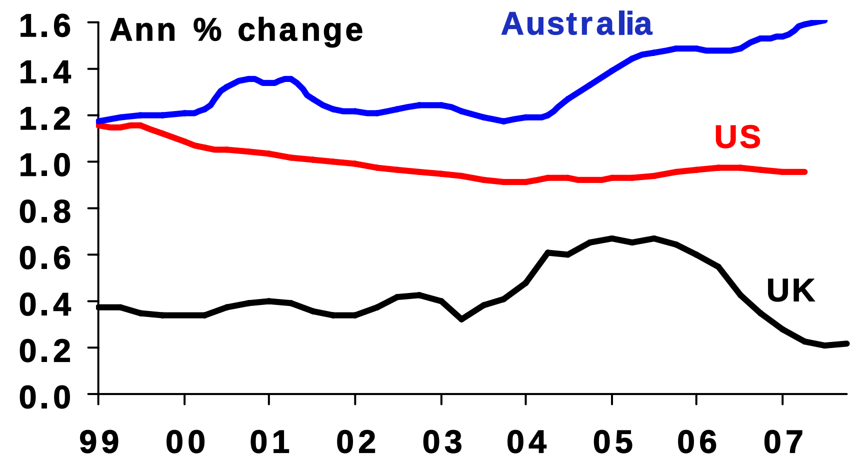
Sources: S&P, MBA, Datastream, ANZ

However the Australian, US and UK residential property market fundamentals have little in common

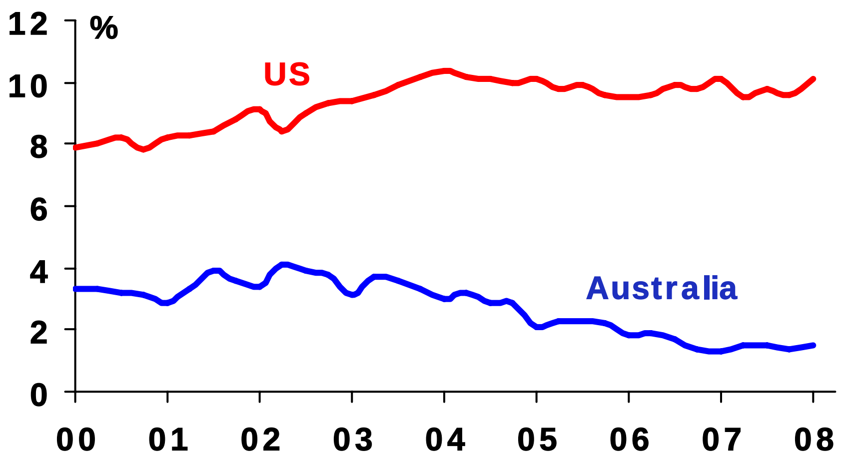
Nominal GDP growth



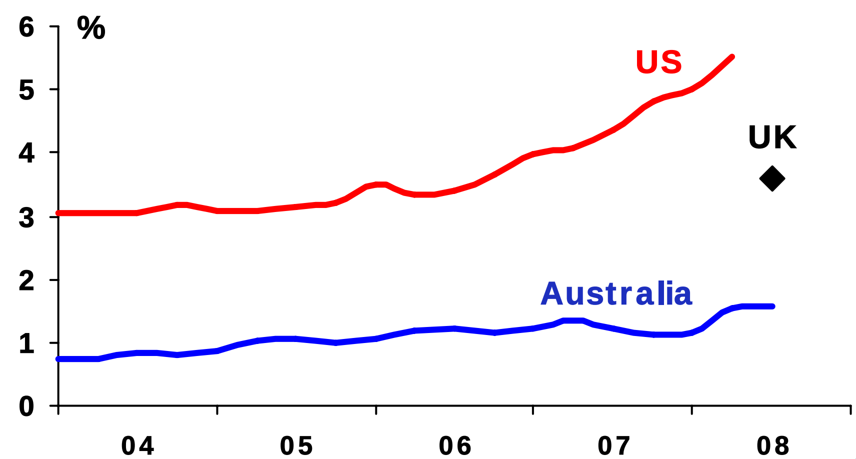
Population growth



Rental vacancy rates

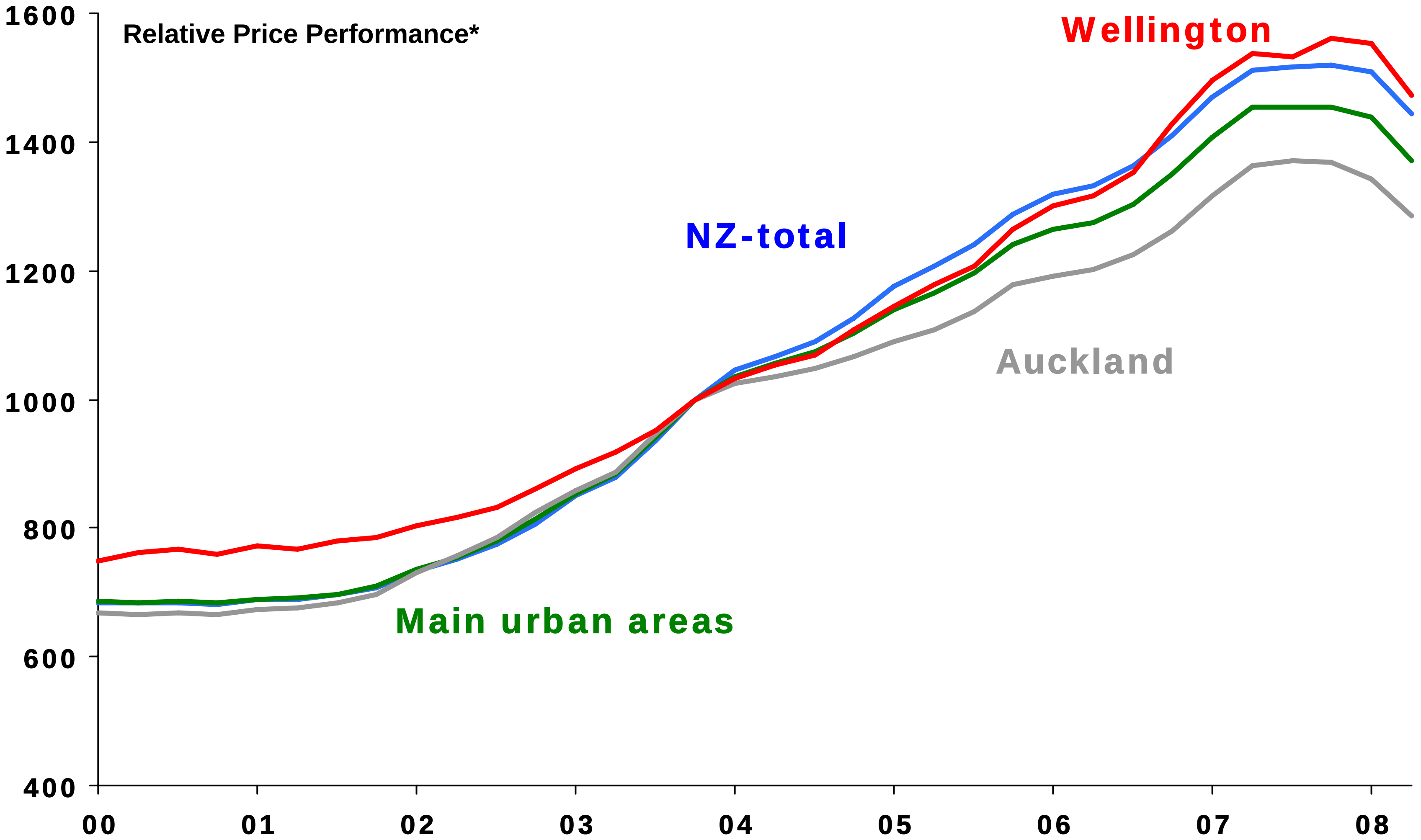


Mortgage delinquencies (+30 days)



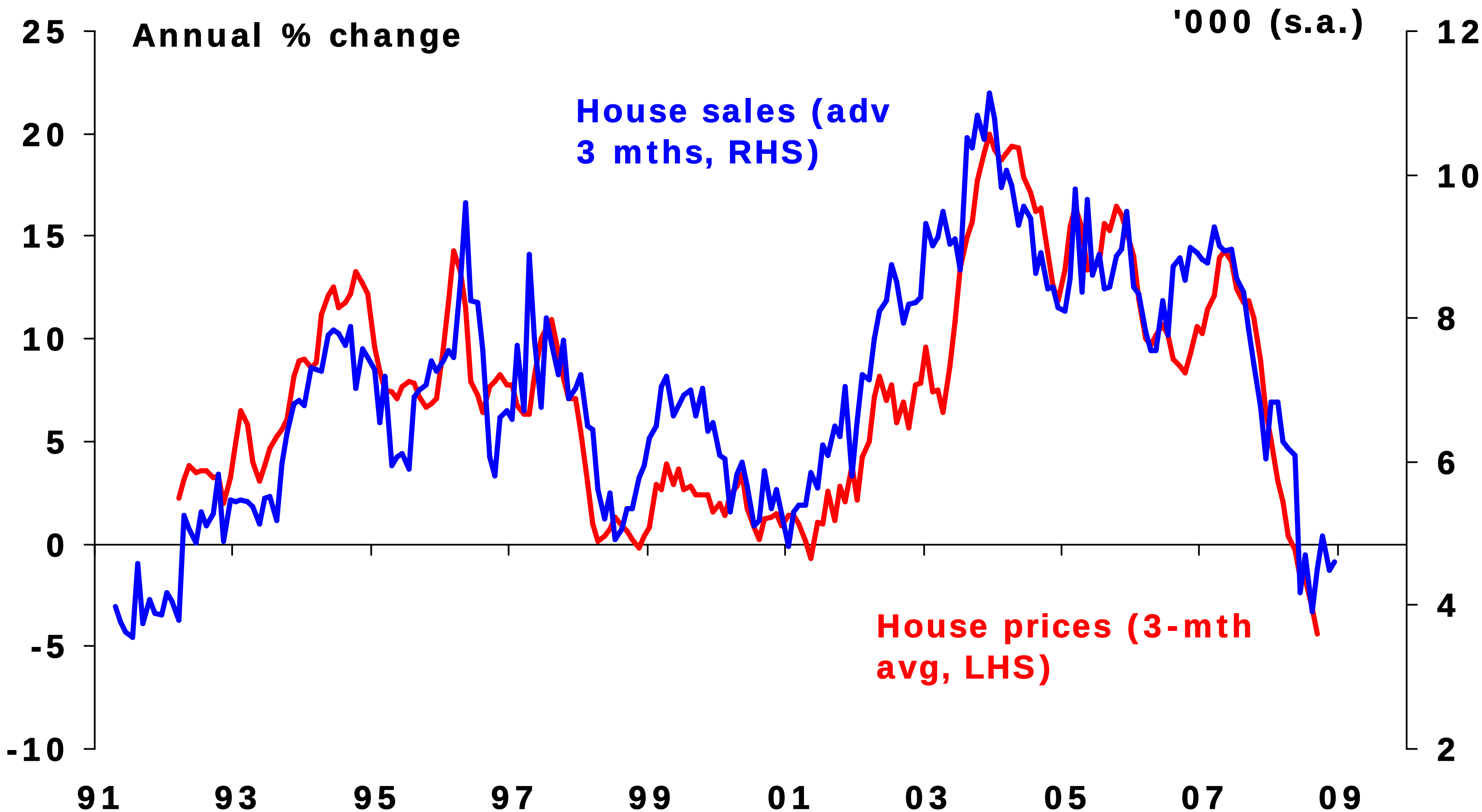
New Zealand

Individual property markets began to contract in 2007



* Chart uses price index levels . All cities have been set to a common base of 100 in 2003 to illustrate relative performance . Source: ANZ, Quotable Value NZ

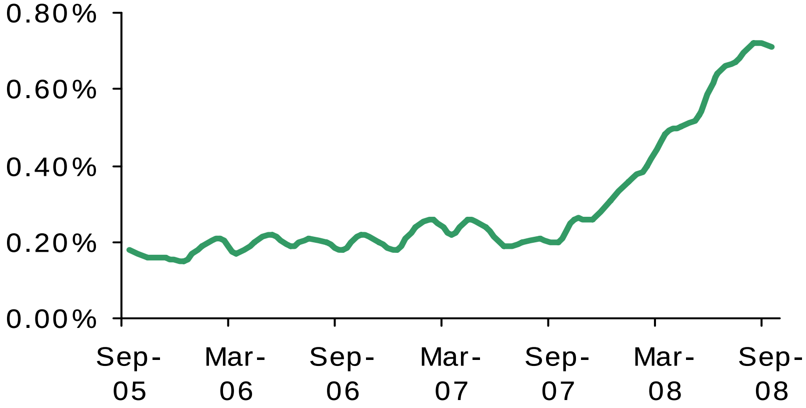
New Zealand housing market



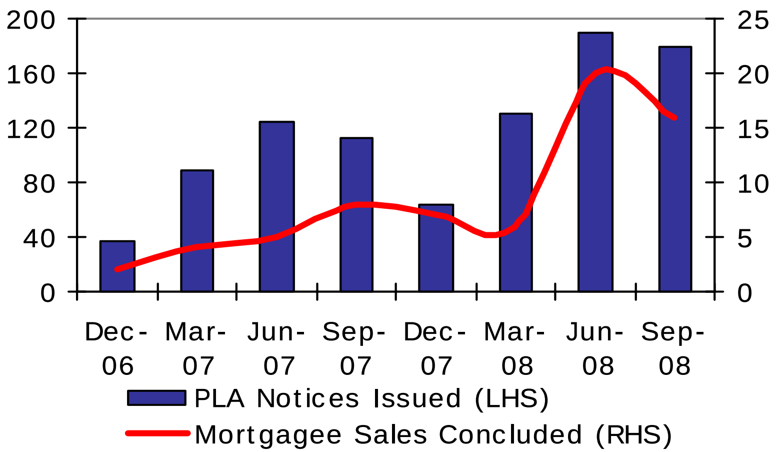
Source: ANZ, Real Estate Institute of NZ

New Zealand Mortgage portfolio profile

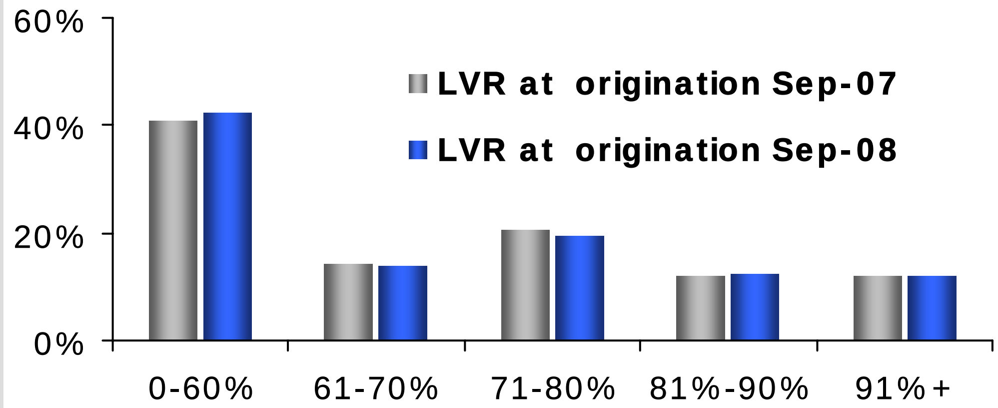
New Zealand Mortgages^ 60+ Day Delinquencies (% of GLA)



Number of PLA Notices issued* and mortgagee sales concluded



New Zealand Mortgages



Average LVR for New Zealand Mortgages based on Origination

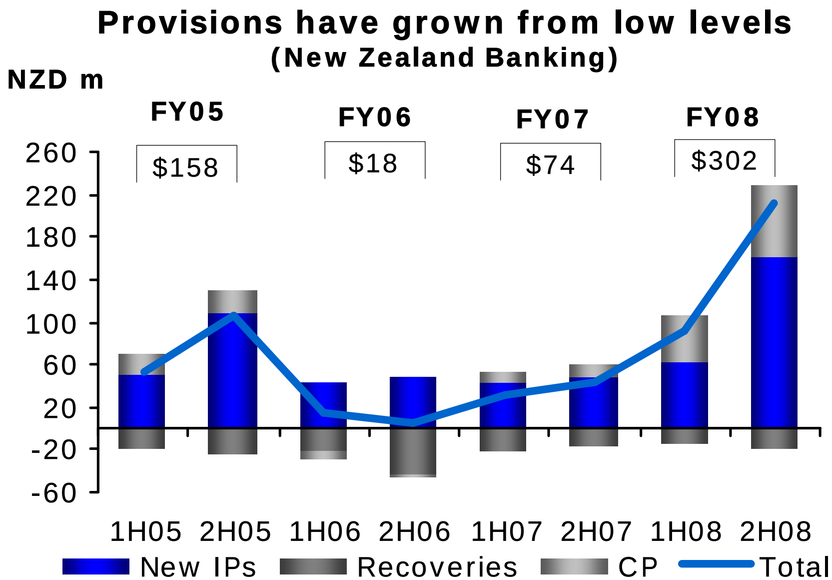
- Sep-08 By Outstanding Balance = 65.21%
- Sep-07 By Outstanding Balance = 65.60%

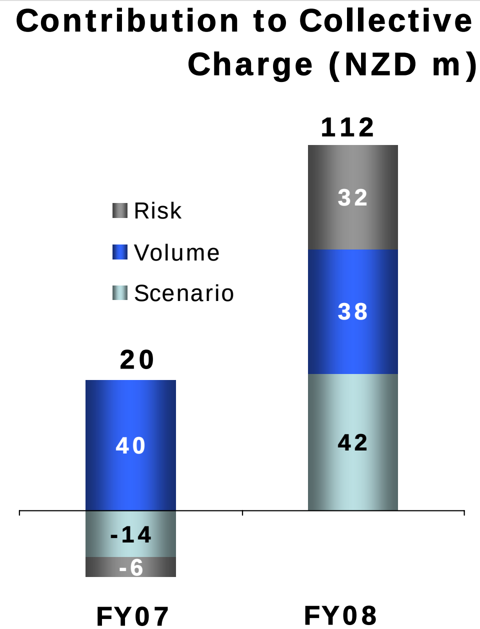
Average LVR of New Zealand Retail Mortgages for the last 12 months

- By Outstanding Balance = 65.47%

*^ANZ Retail excludes Wholesale * PLA notice = property law action notice. Customer has 45 days to repay arrears owing after which bank can proceed to mortgagee sale. NZ has no equivalent to the Australian mortgagee in possession process*

New Zealand - Provisioning charges increasing with change in economic cycle





Provision increases have been driven by the significant downturn in the economy and resultant stress in the household sector and a weakening property market.

IP charge increase of NZD136m (by 14bp to 21bp), largely reflecting increasing arrears in the household and small-to-medium business sectors.

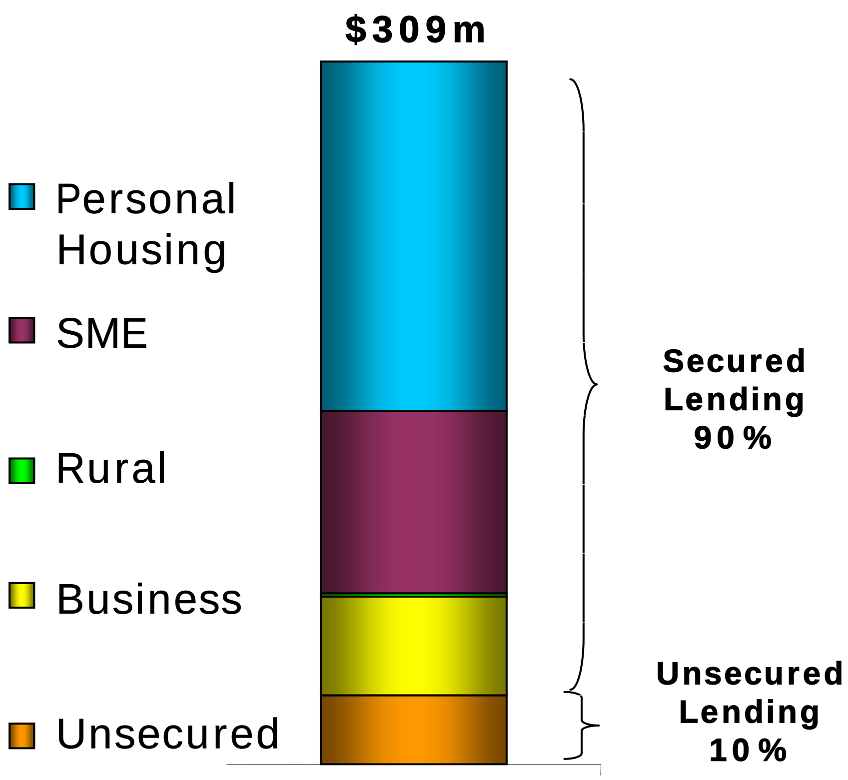
The CP charge increase of NZD92m (by 10bp to 12bp) mainly reflects modest weakening in credit quality (4bp) of consumer and small-to-medium size business books and a cycle adjustment of NZD54m (6bp), spread across the wholesale and retail businesses.

Individual Provision Charge Analysis

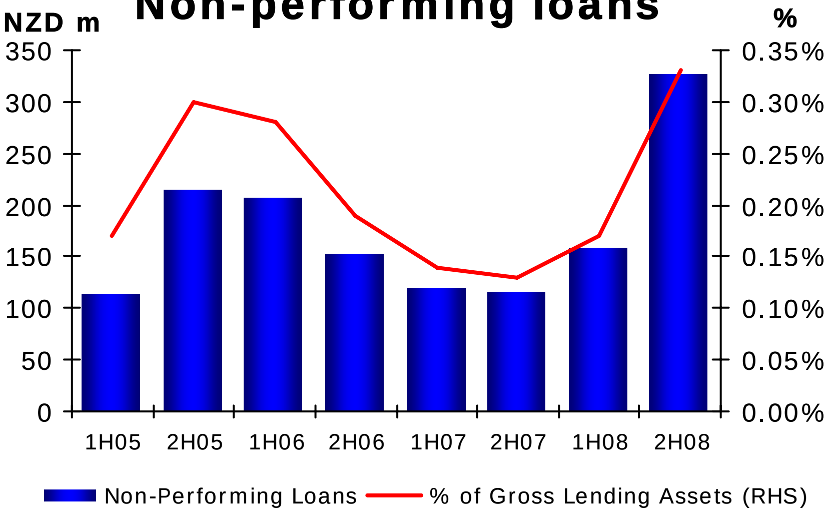
Category	IP Charge		Net Write-off	
	NZDm	bps	NZDm	bps
Personal Housing	24.7m	7	5.7	2
SME	35.5	24	11.9	8
Rural	3.8	2	0.4	0
Business	60.4	24	16.6	7
Unsecured	65.6	259	61.5	244
Total	190.0	21	96.1	10

New Zealand - arrears and impaired assets increased from historical lows with household cashflow pressures

90 days past due largely secured



Non-performing loans



Arrears and non-performing loans have increased largely in the secured portfolios with consumer (personal mortgages) and small business arrears having experienced the largest lift

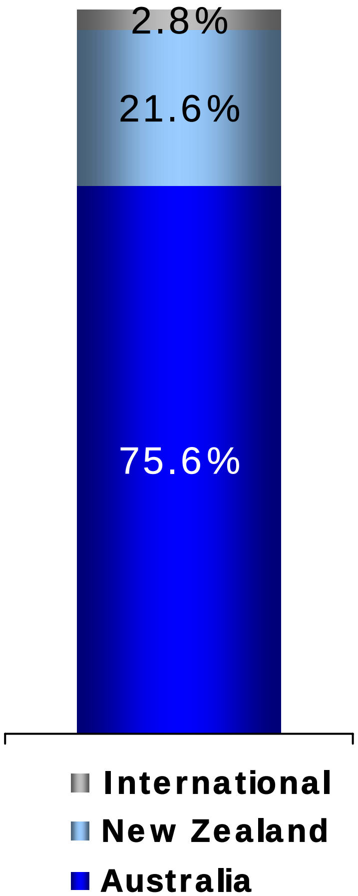
This rise reflects financial stress in the household sector due to higher costs of living and higher interest repayment costs

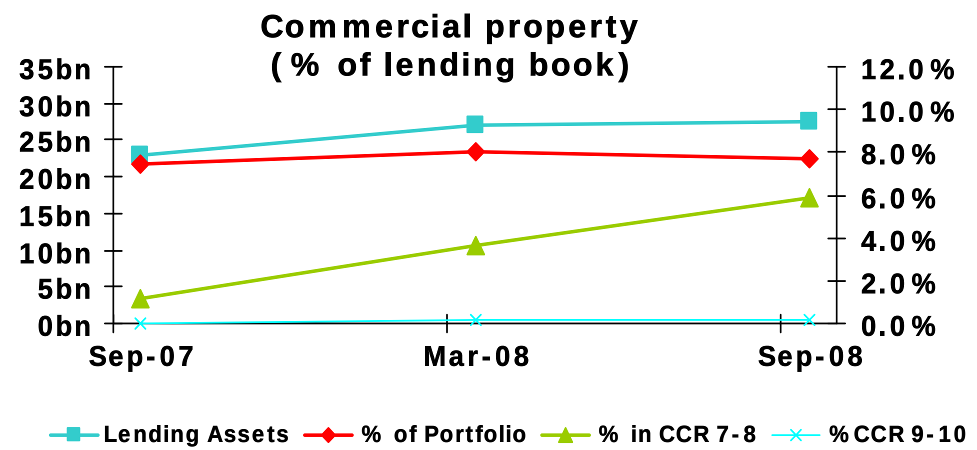
Household cashflow pressures are expected to moderate in the coming year with the fixed rate repricing step-up having peaked in April 2008. Rising unemployment will continue to impact credit quality

Commercial property

Commercial Property exposure

Geographic split of Commercial property portfolio

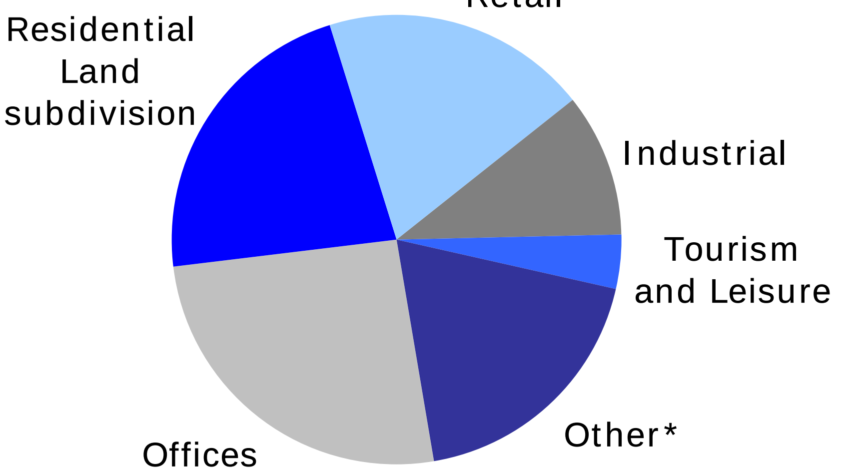




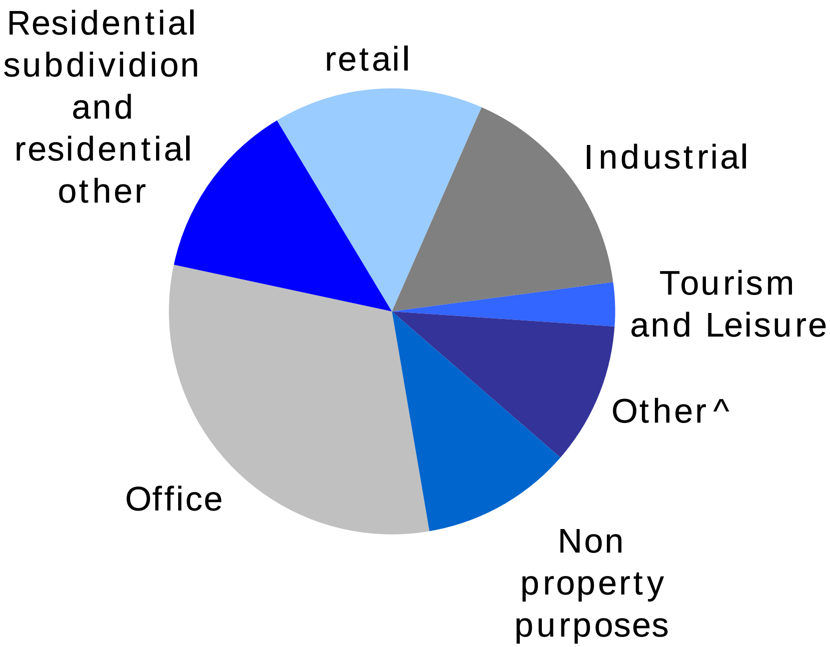
- Commercial property exposure is approximately $27bn or 8% of total lending book
- Commercial property lending cap of 10% of Gross Lending Assets is in place on Australian, New Zealand and combined books
- Australian LPTs make up less than 25% of Commercial property exposures
- Overall gearing to the LPT sector is typically sub 50%

Commercial Property exposure by sector

Australian property portfolio by Sector - Aug 08



New Zealand property portfolio by Sector - Aug 08



*** Major categories of "other" includes high rise, retirement villages, vacant land, non property, other residential**

^ Major categories of "other" includes Land – Commercial, High Rise Residential and non classified

Securitisation and property market

Asset Backed Securities

- $318m in Alt-A RMBS assets in the liquidity portfolio, largely eligible for repo at the US Federal Reserve
- Limited holdings in trading portfolios
  - Total Australian RMBS of $125m – $121m AAA rated, A$3m AA rated
  - Total Australian CMBS of $35m – only $2m not rated AAA

Collateralised Debt Obligations (CDOs)

- No exposure to CDO's outside ANZ's structured CDS trades (previous $5.5m CDO exposure since liquidated)

Property market exposures

- Commercial property exposures are currently ~$27bn or 8% of the total book

Conduits

- $1.7b in Commercial Paper outstanding, with $1.2b in drawn liquidity (reduced from $5.5bn in September 2007)
- All are Australian assets with no concerns over asset quality (no sub prime exposure or CDOs)

Credit Intermediation Trades

Credit Intermediation Trades

Sold Protection

- Credit intermediation trades entered into between 2004 & 2007
- No mortgages as reference assets
- Significant subordination (first loss protection)
- CDS protection was sold to bank counterparties
- Reference Assets – 38 structures, mix of CDO, CLO and Bonds/ FRNs

Bought Protection

- All CDO and CLO structures are highly subordinated, NO first loss to ANZ on any structure
- CDS protection purchased over the same structures to mitigate risk
- 8 counterparties (some of which are monolines)
- One financial guarantor defaulted during FY 08. Credit spreads increased on the remaining guarantors reducing the market value of the protection

Net cover

Difference between market value of sold and bought protection is reflected as Credit Risk on Derivatives. At 30 September this was US$425m.
This is expected to be substantially recovered over time

Credit Intermediation Trade Structures

Type of structure	Portion of Notional	Mark to Market	No. of structures	No of names	Average Remaining Life (Years)	Attach / Detach Average
Synthetic CDO	$8.9bn	$1,105m	20	~ 650	6	Attach Avg 19% Detach Avg 43%
CLO	$1.3bn	$105m	10	~ 700	11	Attach Avg 29% Detach Avg 100% (Super Senior)
Other (bonds)	$1.0bn	$143m	8	4	-	-
Total	**$11.2bn**	**$1,353m**	**38**	**-**	**-**	**-**

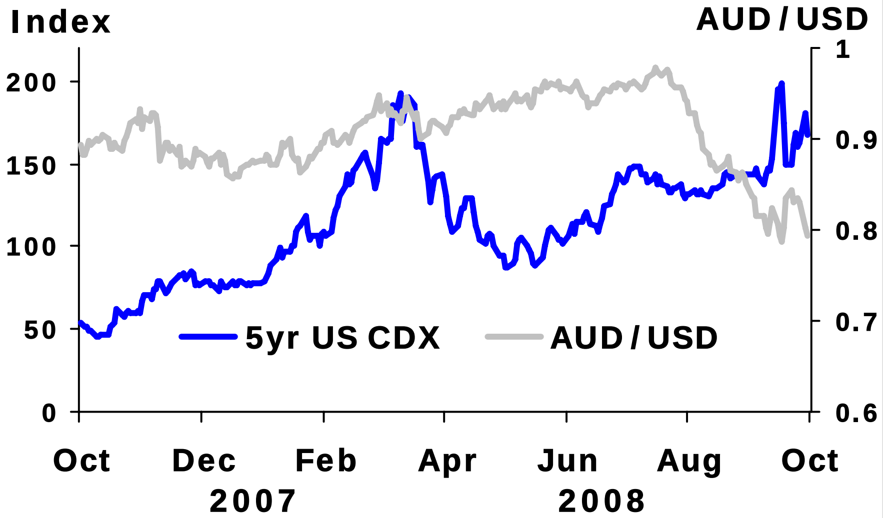
CDOs - 20 transactions that reference synthetic, all of which are rated investment grade . 75% of the underlying reference assets are investment grade corporates with concentrations (approximately 30% each) in consumer goods/services and financials, with the remainder diversified across 8 other industry sectors.

CLOs – 10 transactions that reference CLO trades, all structures are super-senior (i.e. detach at 100%). The underlying assets largely are largely senior-secured loans issued by corporates with high concentrations (approximately 25% each) in consumer goods/services and industrial sectors with the remainder diversified across 10 sectors.

Negative mark to market on sold protection not fully offset by value of purchased protection

Counterparty (Bought protection)				
Rating	**No.**	**Notional Principal Amount** (USD m)	**Mark to Market** (USD m)	**Credit risk on derivatives** (USD m)
AAA/Aaa	4	9,033	1,092	269
B/Ba2	1	433	46	
BBB+/A3	1	86	5	
BBB-/B2	1	356	54	
Defaulted monoline	1	1,333	156	156
	8	**11,241**	**1,353**	**425**
Position at 28 July update		11,630	1,140	369

MtM impacted by volatility in CDS spreads* and US currency



Measurement of Credit Risk on Derivatives

- One financial guarantor has defaulted
- Valuation then considers receivables from the remaining financial guarantors based on appropriate credit spread for each counterparty
- Valuation adjustment can be likened to a collective provision

** US5 Yr CDS index shown as an example of CDS trends. Mark to market impacted by actual underlying* corporate CDS spreads

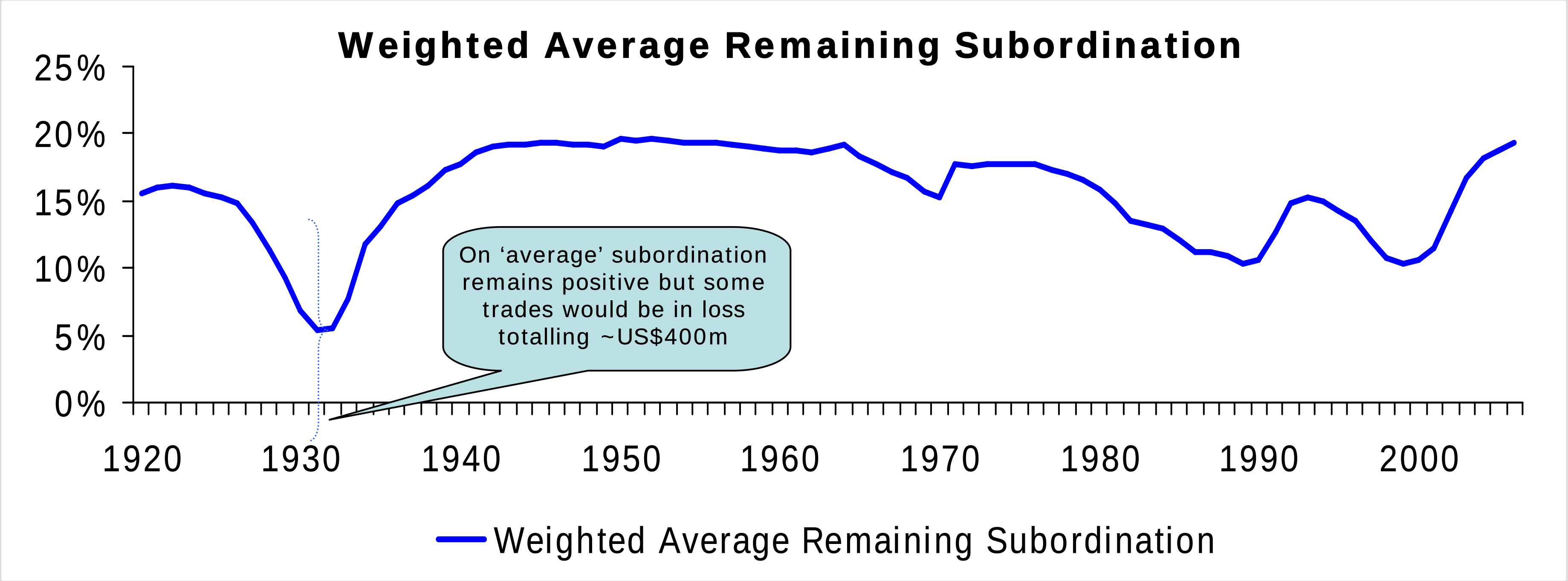
Stress test on Credit Intermediation trades analysing likelihood of cash losses

Data used in stress test

- Moody's historical corporate default rates going back to 1920*
- Analysed cumulative default rates and likelihood of breaching attachment point for each CDO & CLO

Conclusion

- Only in Great Depression scenario did any tranches breach attachment points
- Even using that scenario majority of trades still remained safe
- Total realised cash losses approx ~US$400m under the stress scenario and only if financial guarantors default as well (i.e. double default event)



* *Data set included all companies analysed/rated by Moody's*

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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