

# 1999 Annual Results

Australia and New Zealand Banking Group Limited  
3 November 1999



# Shareholder Highlights

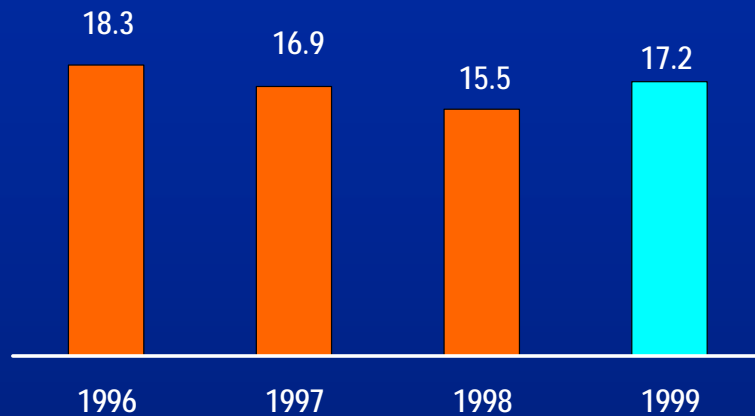
- Earnings per ordinary share 90.6c (77.2c) up 17%
- Dividend 56 cents, up 8%
- Franking increased to 75% interim, 80% final (60%)
- Total shareholder return 19.6% (-15.6%)
- \$500 million share buy-back

# Financial Highlights

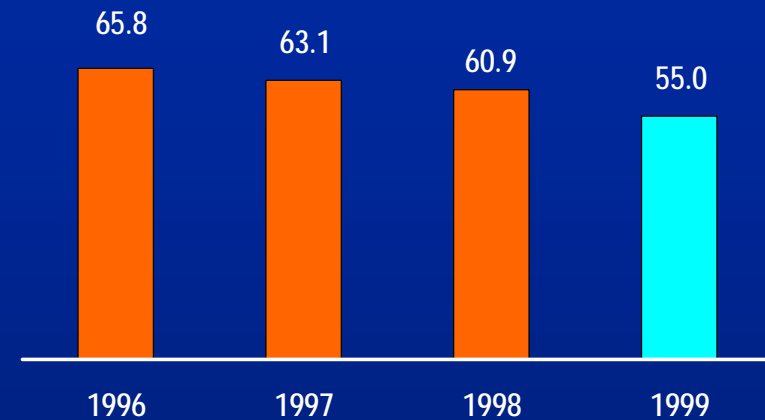
- NPAT \$1,480 million versus \$1,106m (\$1,175 before abnormals)
- Income up 6%, costs down 4%, ELP up 5% (SP down 6%)
- Return on Equity 17.2% (15.5%)
- Cost income ratio 55.0% (60.9%)
- ROA 1.0% (0.8%)
- Risks reduced. Gross non-accruals down 7%, net down 27%
- Earnings quality improved. No Abnormals. No Surprises

# Significant Improvement Achieved

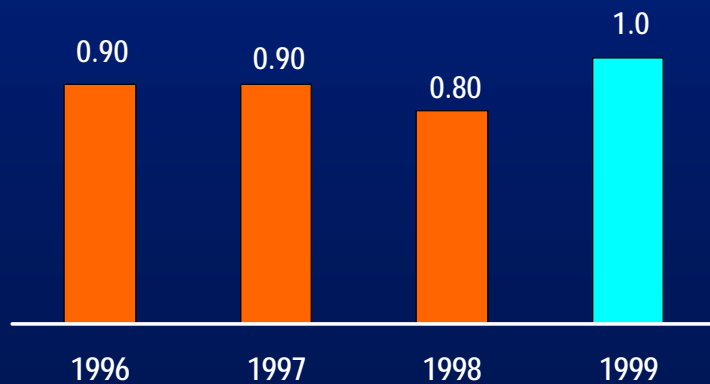
## ROE %



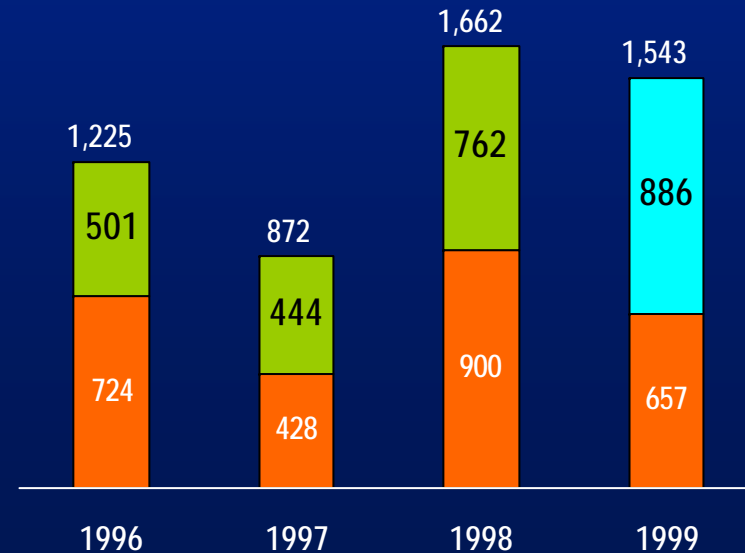
## Cost Income Ratio %



## ROA %



## Gross and Net Non-Accruals \$m



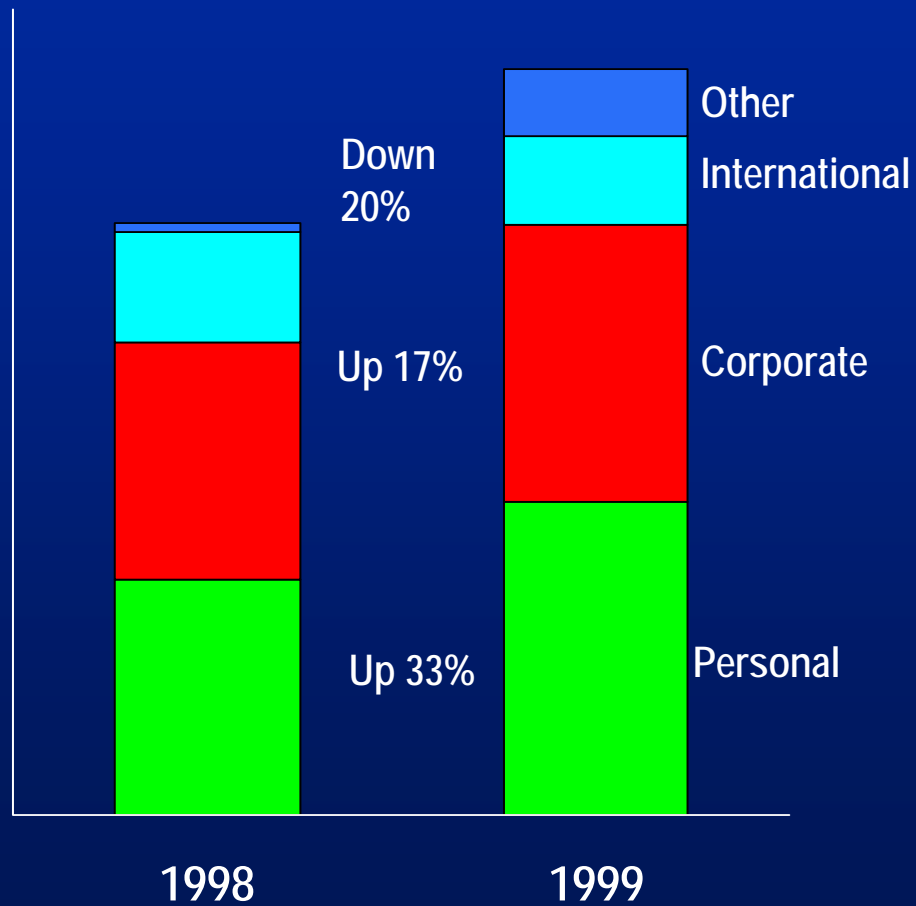
# Business Highlights

- Strategic re-positioning on track in all segments
- Good earnings growth in Australia and NZ
- Business mix substantially improved. High risk businesses exited
- Domestic market share up notwithstanding cost focus
- 105,000 internet banking customers (8,000). ANZ E\*TRADE launched
- Major technology projects completed on time

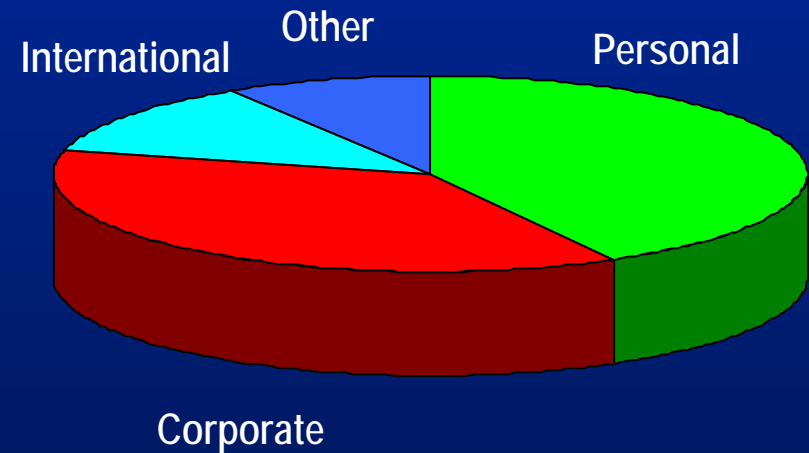


# Improving Business Mix

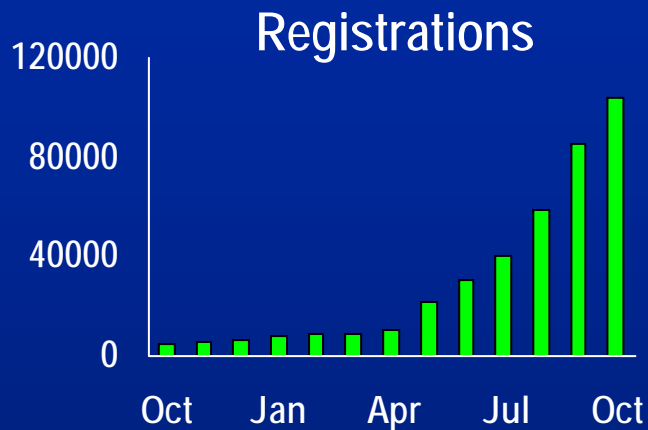
## Business Segment Profit After Tax



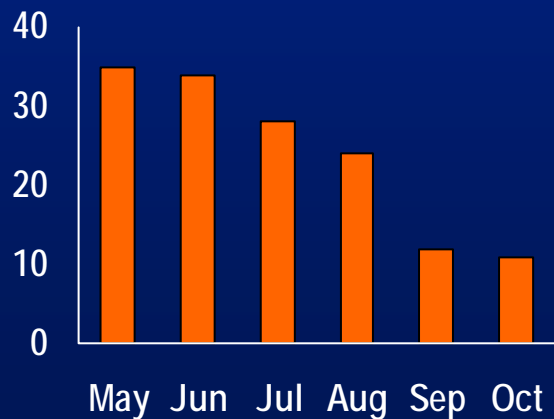
## Business Segment Proportion



# Leveraging Technology: anz.com



Days Required to Add 10,000 Customers



- Online application for all major products
- ePos service for merchants
- New Edify Internet Banking platform
- Alliances with Excite & Yahoo
- ANZ e\*TRADE alliance
- Esanda 10% stake in Autogroup
- "Pay Anyone" open payments
- eGate business payments platform
- Internet Banking launched in NZ



# Business Strategy

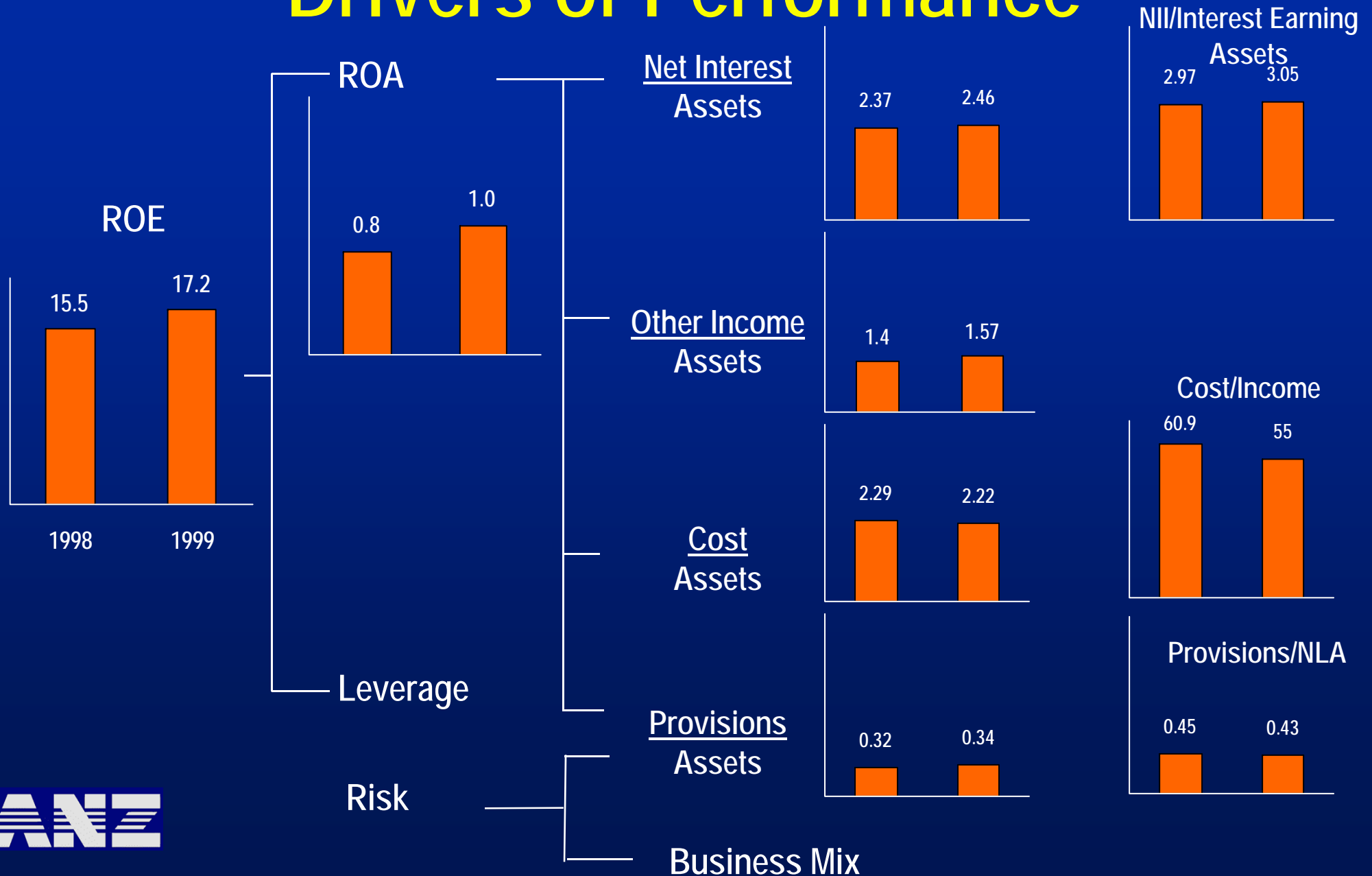
- Achieve growth in Personal and Business Banking
- Enhance focus on Premier, Small Business, Retail Funds
- Improve asset mix and return in Corporate
- Complete re-positioning of International, turn around sub-optimum businesses
- Build anz.com market position to domestic leadership



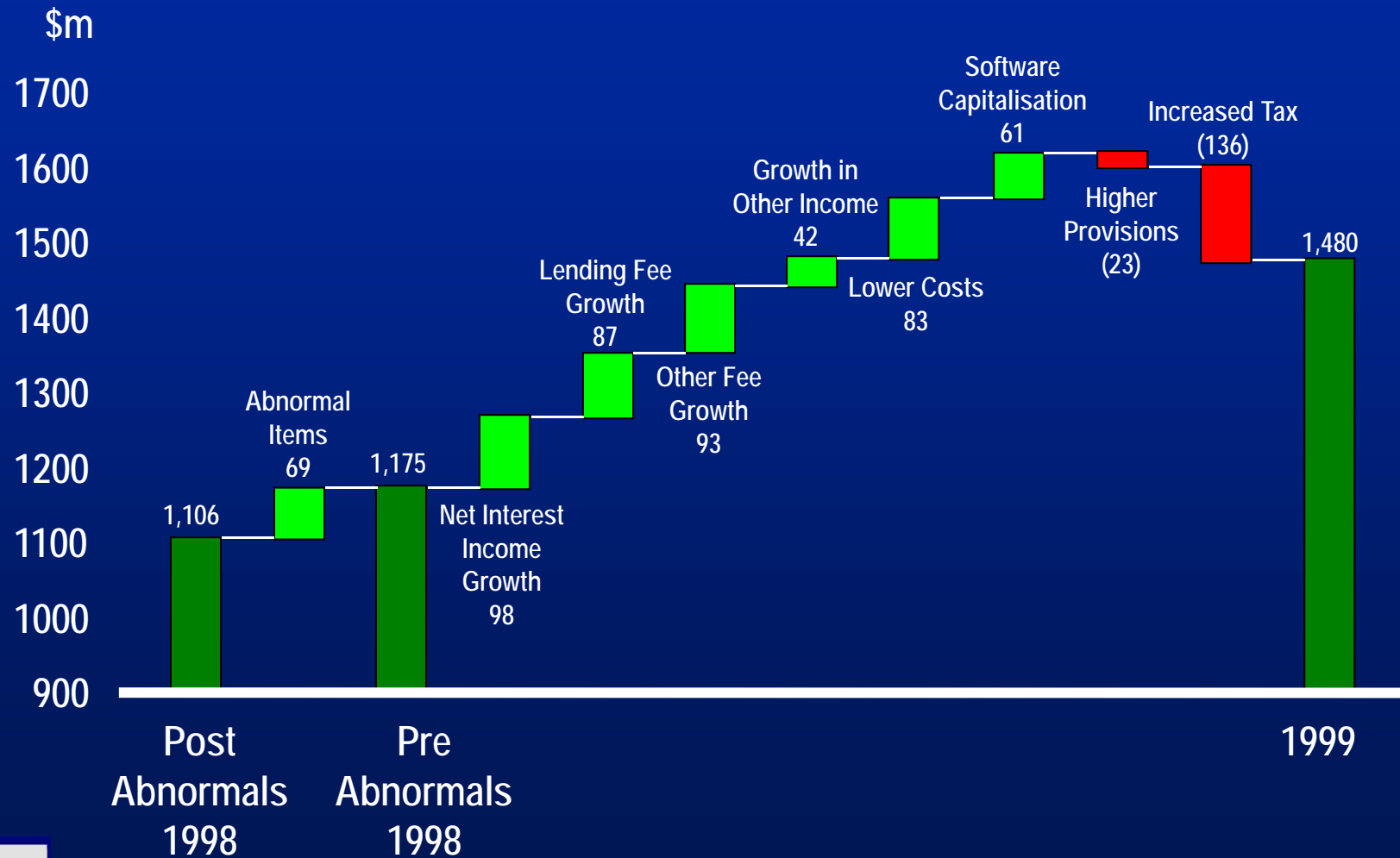
# Continue to Deliver in 2000

- Increase ROE. Add RORWA to EVA as key measure
- Target flat costs. Lower cost income ratio
- Improve asset quality, particularly International
- Achieve an optimal capital structure
- Set stretch performance targets and linked incentives
- Successfully manage the Y2K transition
- Target highest increase in e-Commerce customers
- No surprises

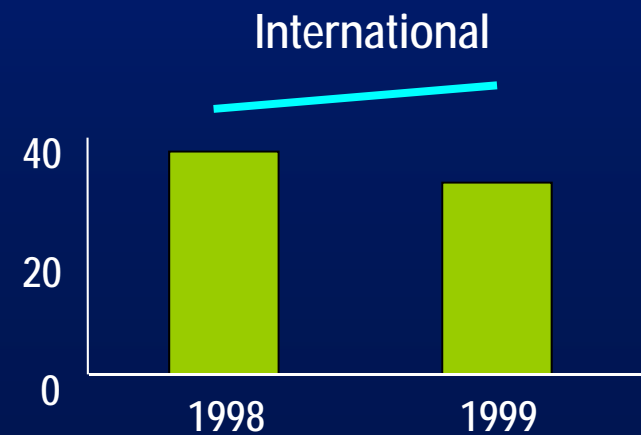
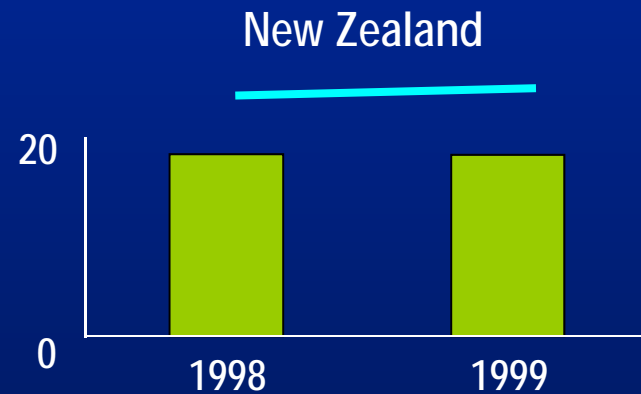
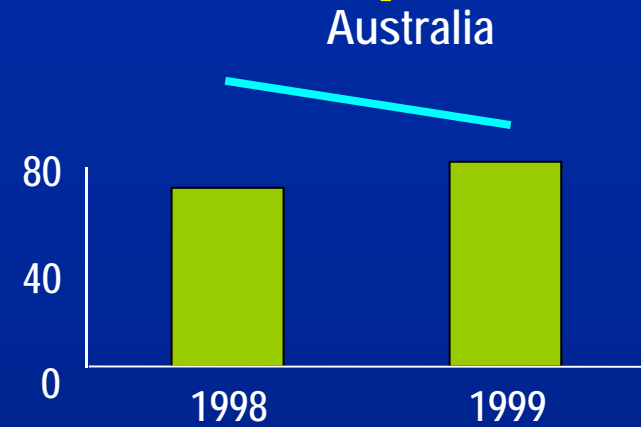
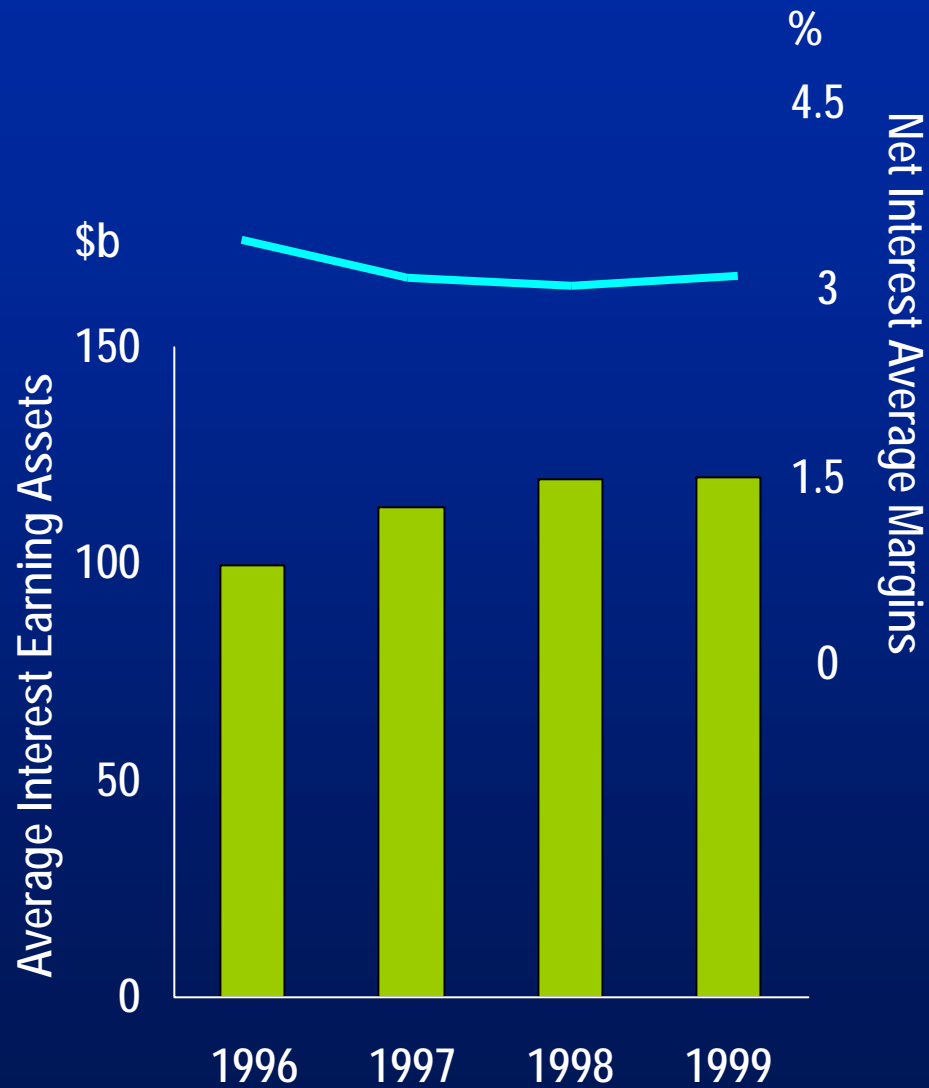
# Drivers of Performance



# Good Progress Across the Board

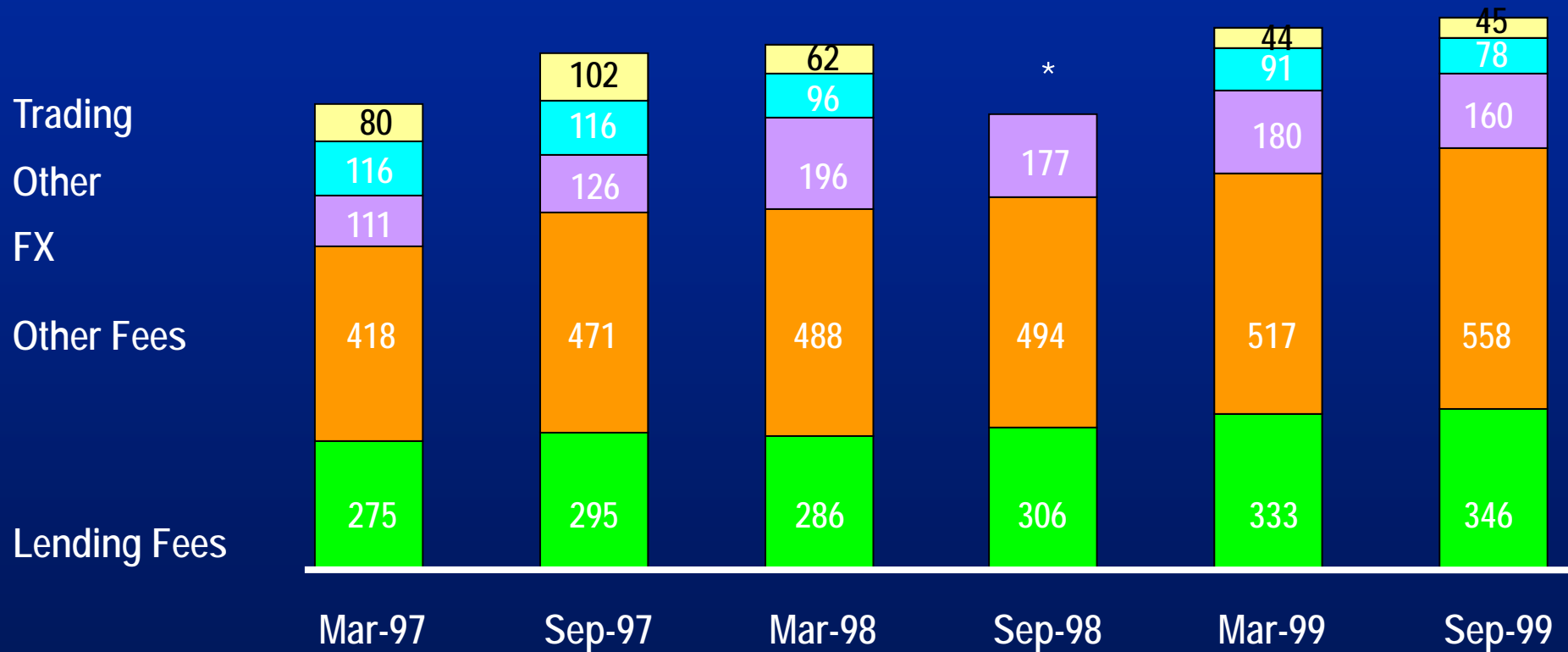


# Margins Stable as Balance Sheet Re-positioned



# Non Interest Income

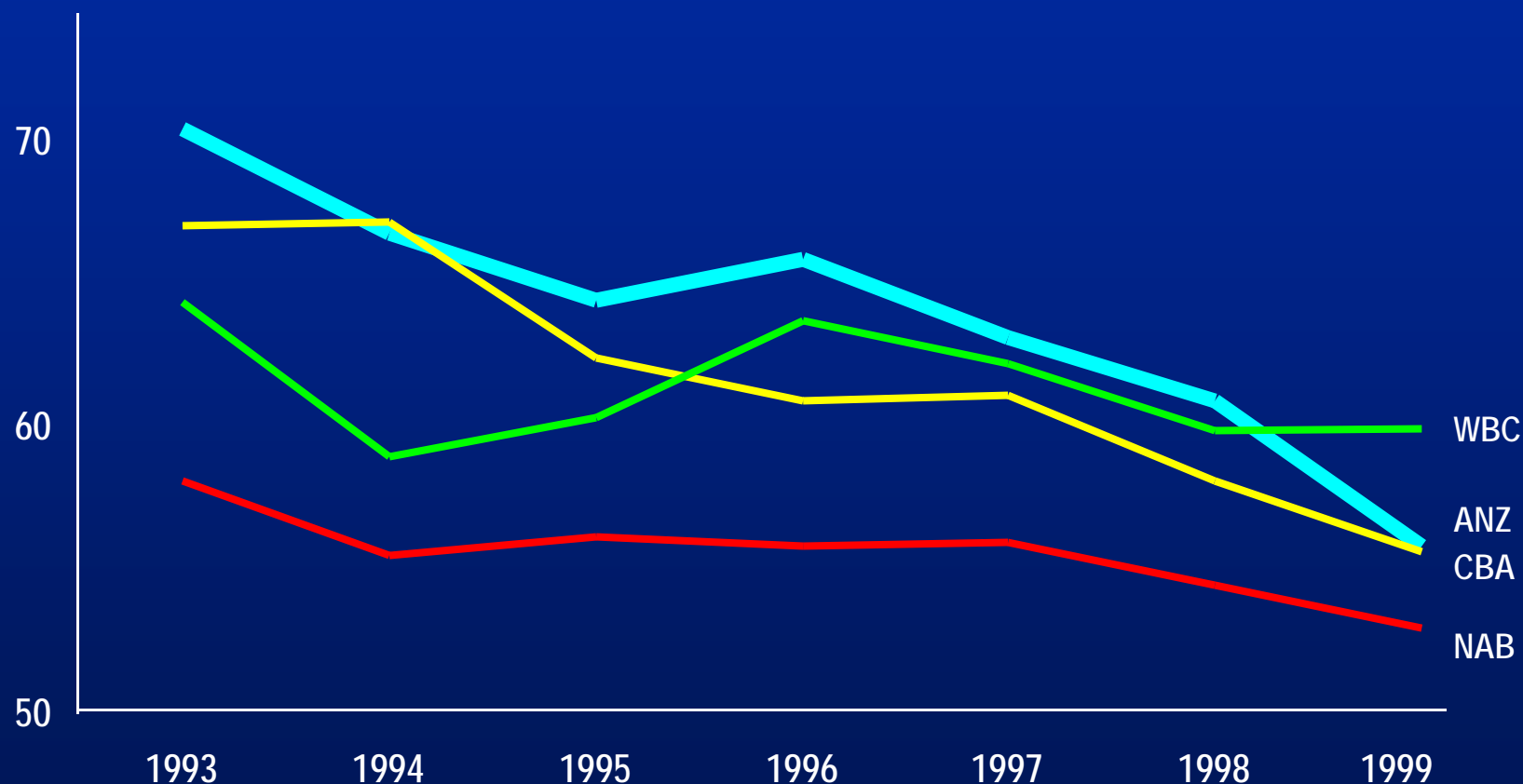
## Steady Growth, Better Quality



\* Sept 98 trading loss of 145m, Other income of 139m

# Costs and Cost Income Ratio Lowered

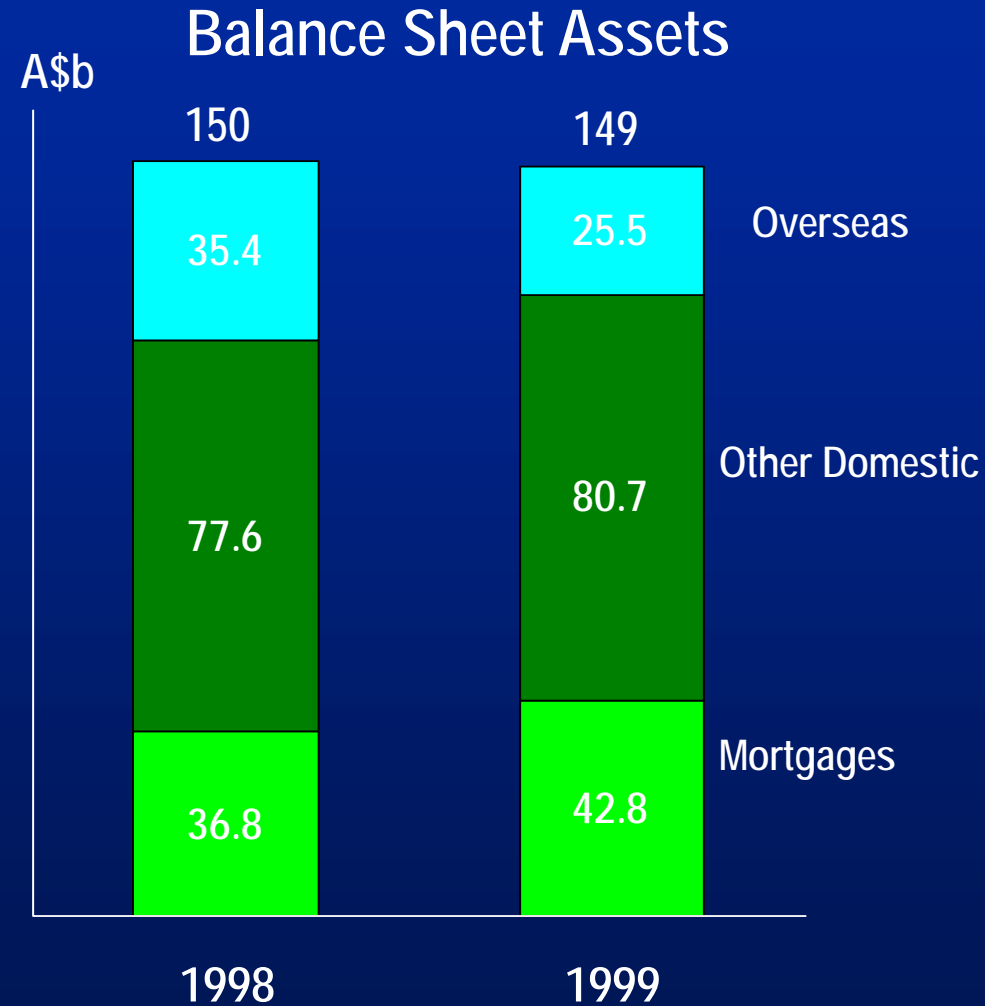
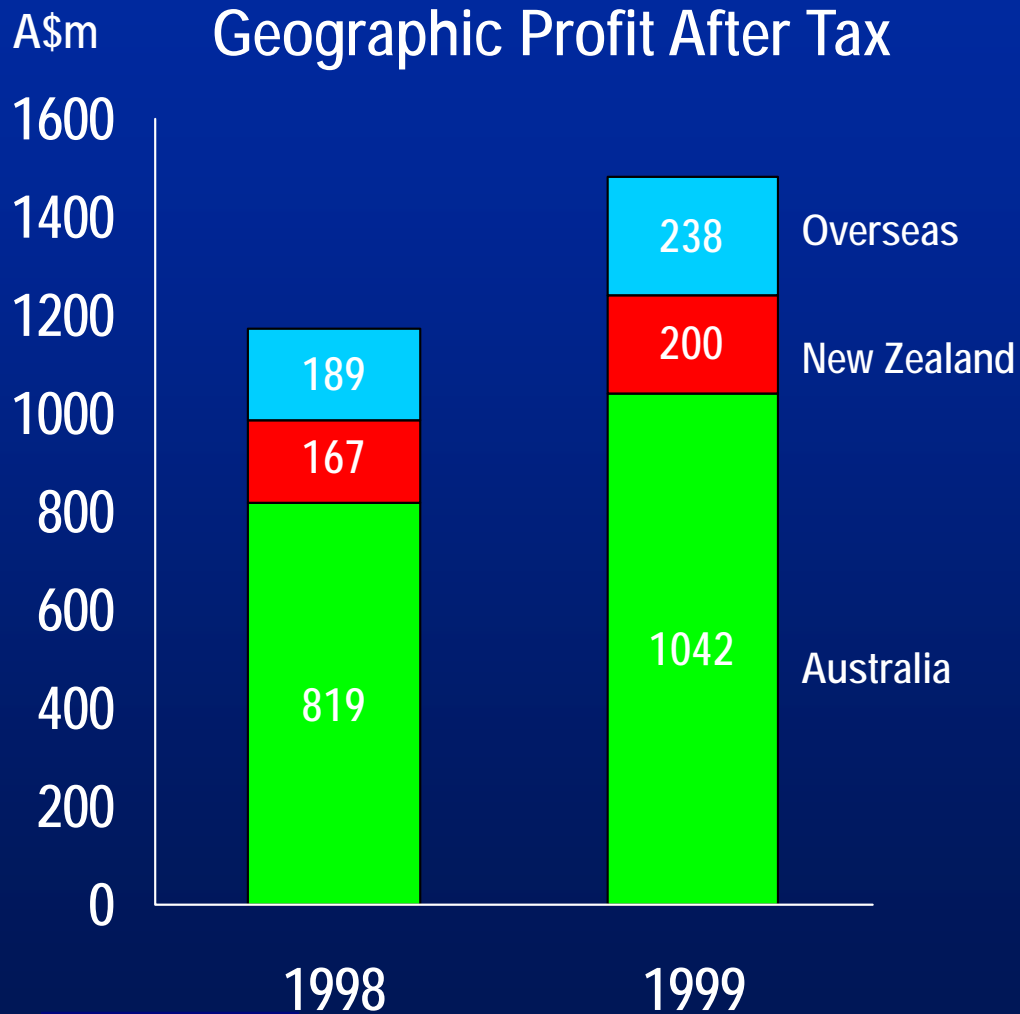
Cost Income Ratios %



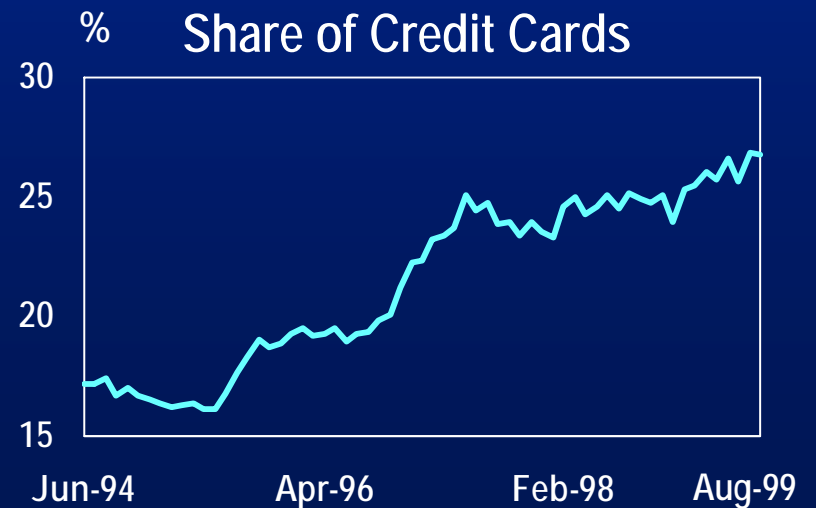
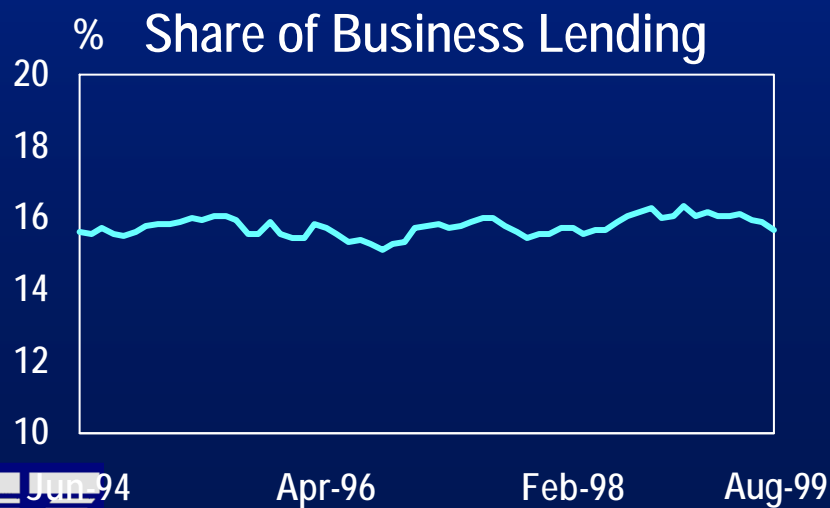
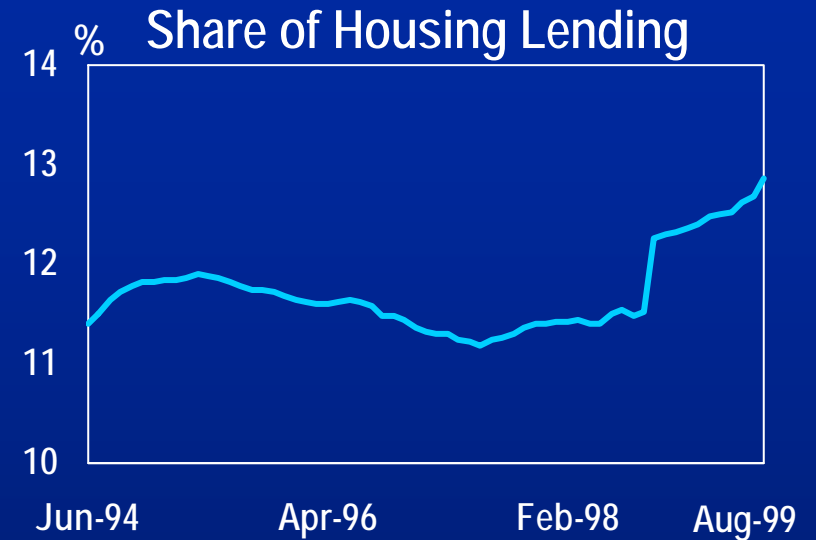
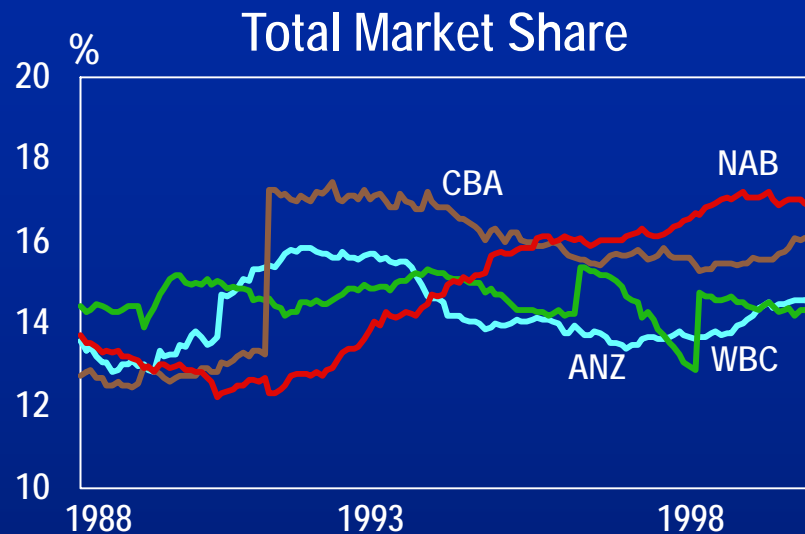
\*NAB & WBC first half



# Improving Business Mix

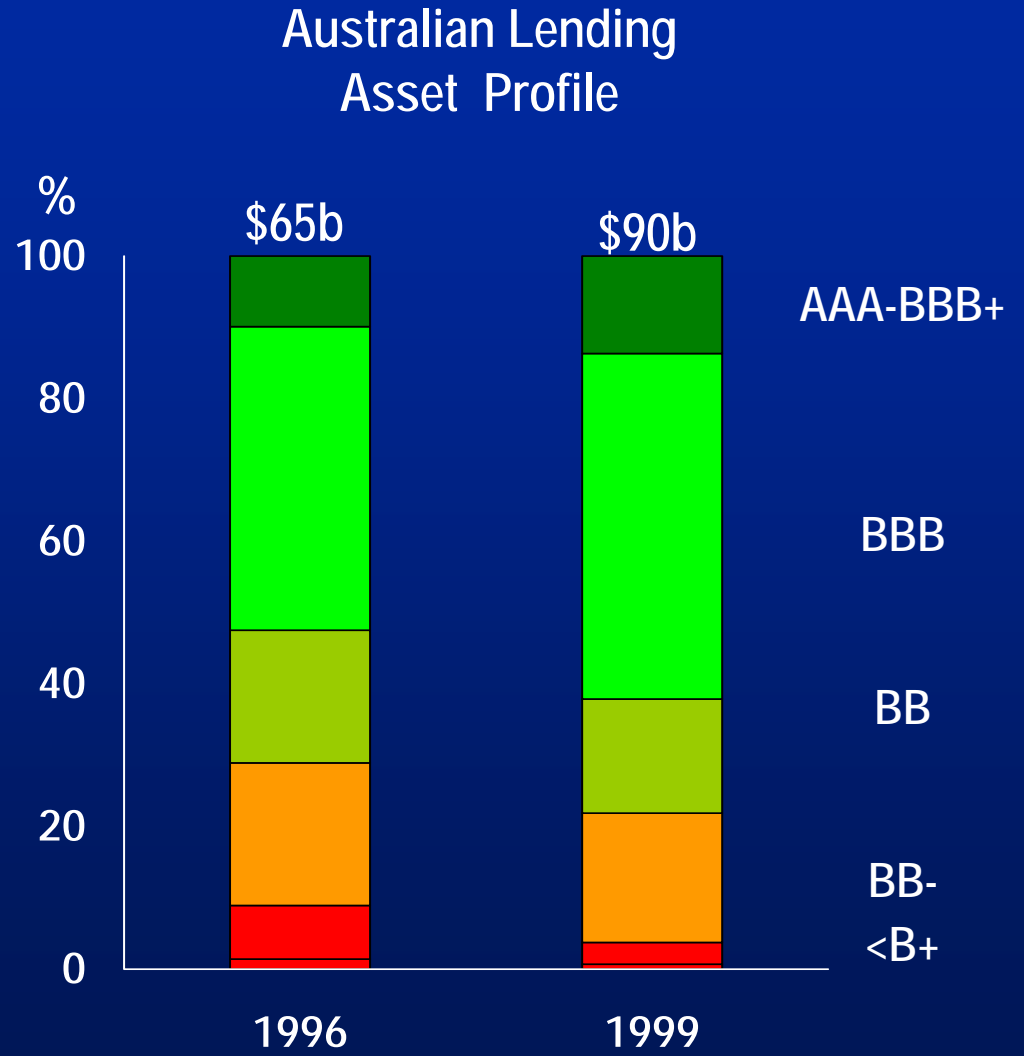
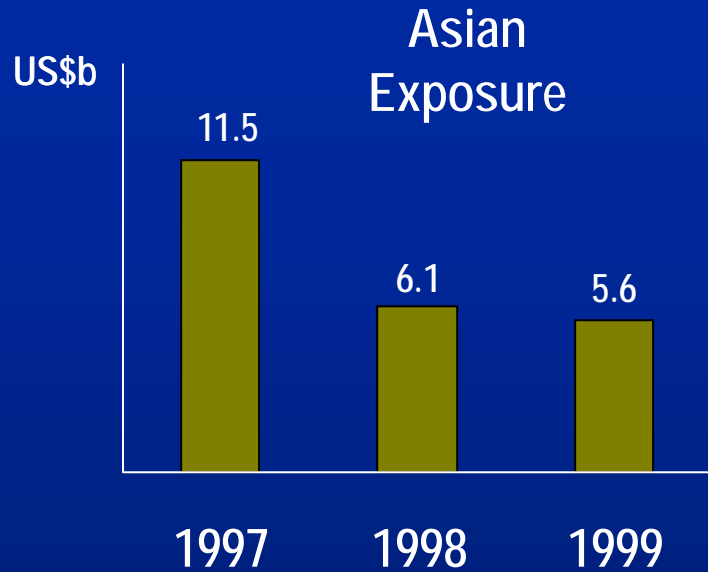


# Gains in Australian Market Share



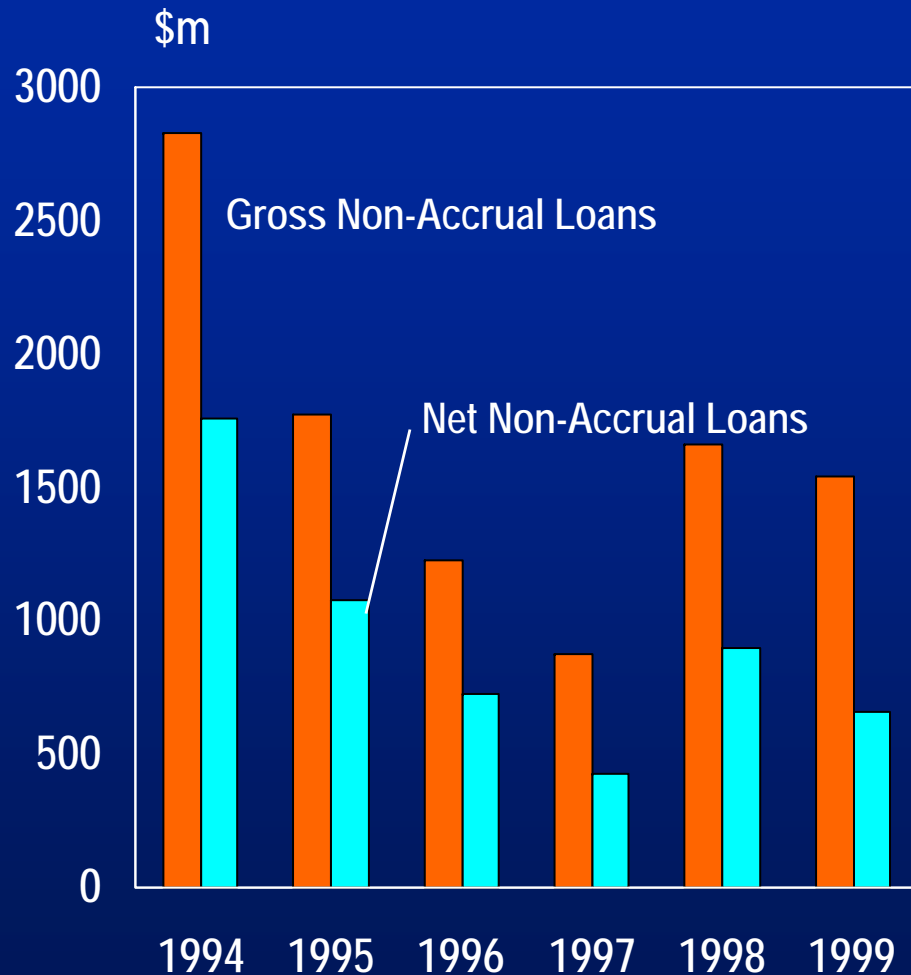


# Reducing Risk



1997 1998 1999

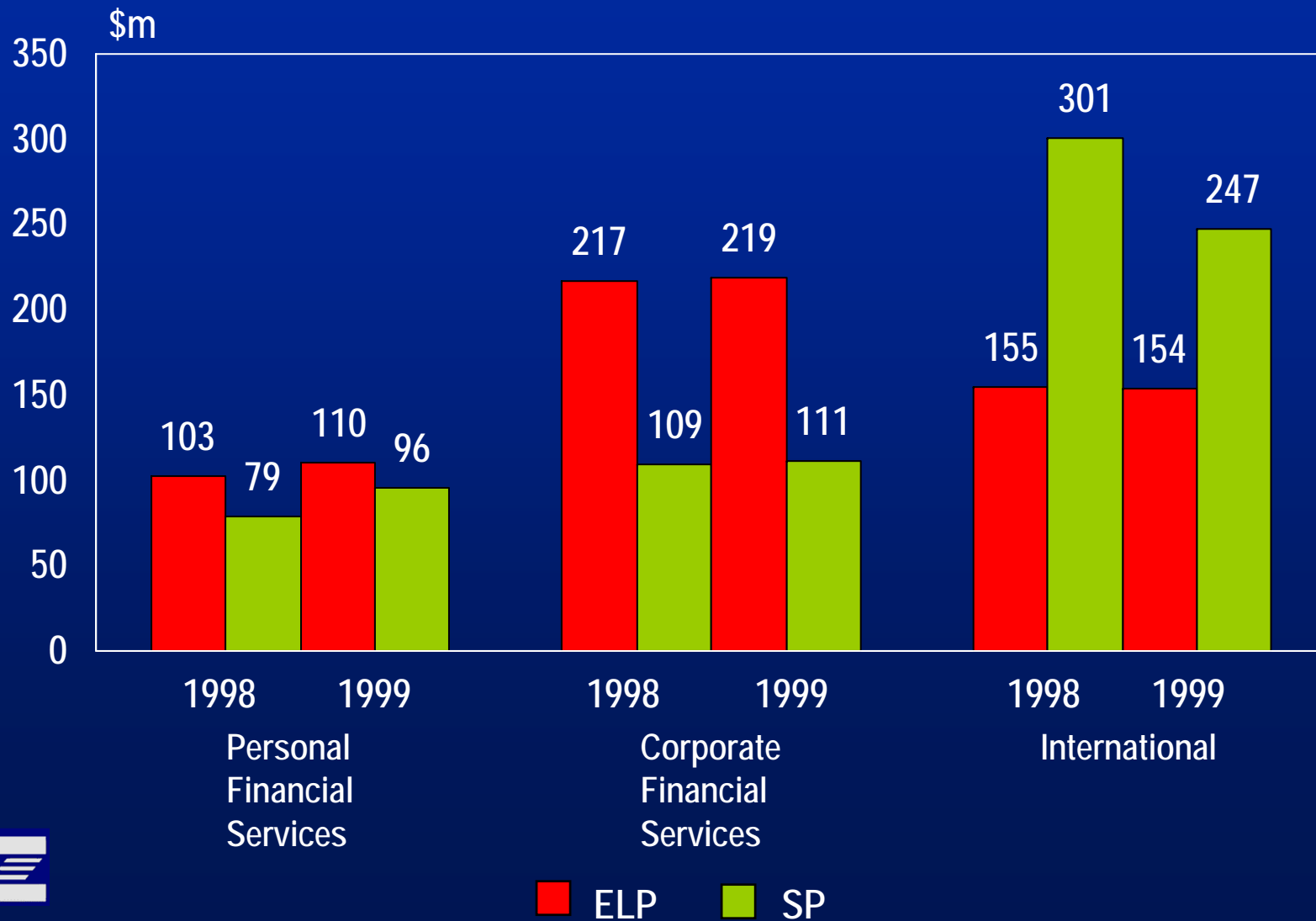
# Non-Accrual Loans



As at 30 September \$m

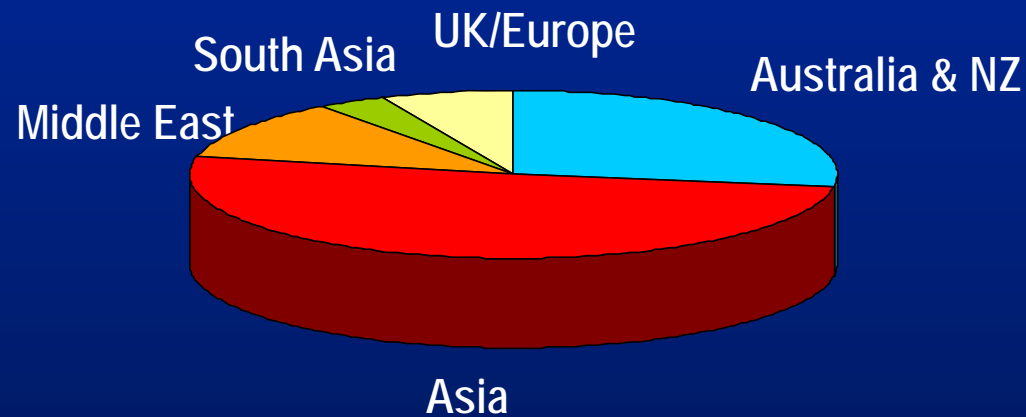
	Gross	Net	Cover
Australia	623	345	44%
New Zealand	50	30	40%
International	870	282	65%

# Provisioning: Personal & Corporate Offset International

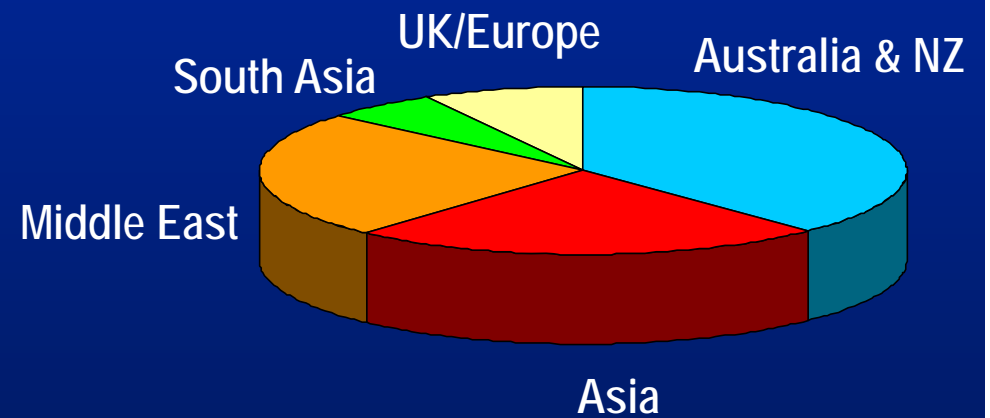


# Specific Provisions by Region

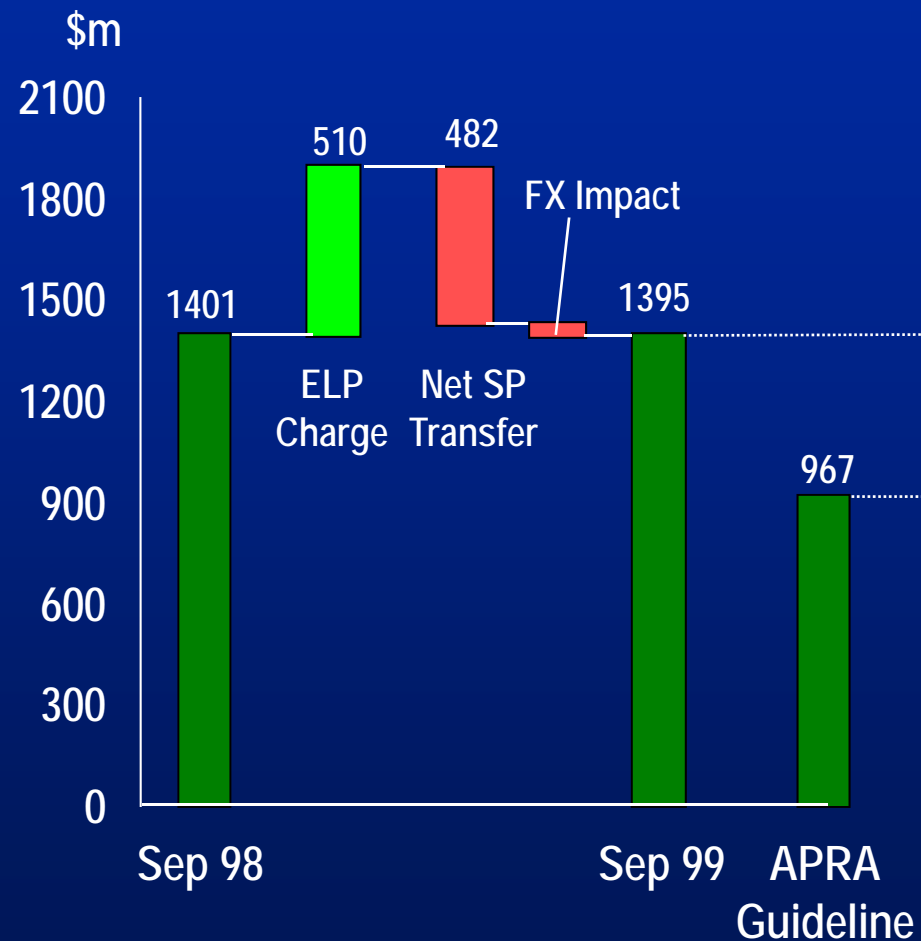
1998  
\$512m



1999  
\$482m



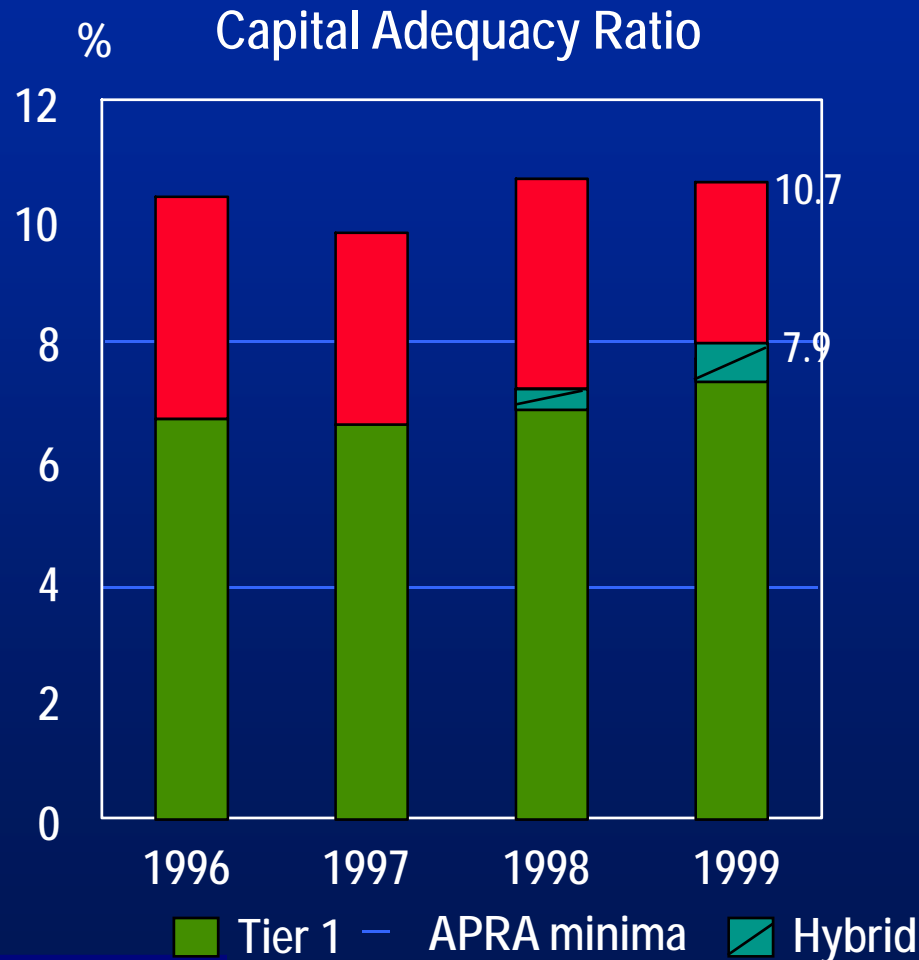
# Provisioning: ELP > SP at Group Level



ELP - Economic Loss Provision  
SP - Specific Provision



# Buyback to Reduce Capital Surplus



## Capital Management Philosophy:

- Capital scarce resource to be managed effectively and efficiently
- Maintain capital consistent with ANZ's AA status and peer group ratings
  - ⌞ Tier 1 (6.5 - 7.0%)
  - ⌞ Inner Tier 1 (6.0% - 6.5%) aligned to Economic Capital
- \$500 million buyback



# Economic Value Added (EVA)

	\$ million
Net Income	5,966
Operating Expenses	(3,294)
ELP Charge	(510)
Tax	(676)
Franking & Other Adjustments	<u>352</u>
Adjust Profit	1,838
Cost of Capital* @ 11%	<u>(1,004)</u>
<u>EVA</u>	<u>834</u>

\* Hurdle of 15% used in internal models



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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# Profit & Loss

A\$M		Sep-97	Sep-98	Sep-99
Net Interest Income		3,437	3,547	3,645
	Fees	1,459	1,574	1,754
	FX	237	373	340
	Trading Securities	182	<83>	89
	Other	232	235	138
Non Interest Income		2,110	2,099	2,321
Net Income		5,547	5,646	5,966
Expenses	Personnel	1,949	1,854	1,732
	Premises	362	347	314
	Computer	330	341	344
	Other	771	776	813
Restructuring Costs		90	120	91
Total Expenses		3,502	3,438	3,294
Profit Before Provisions		2,045	2,208	2,672
Doubtful Debts		400	487	510
Tax		466	537	676
NPAT Before Abnormal Items		1,171	1,175	1,480
Abnormal Items		<147>	<69>	-
NPAT and Abnormal Items		1,024	1,106	1,480



# Profit & Loss

A\$M		Mar-97	Sep-97	Mar-98	Sep-98	Mar-99	Sep-99
Net Interest Income		1,718	1,719	1,773	1,774	1,811	1,834
	Fees	693	766	774	800	850	904
	FX	111	126	196	177	180	160
	Trading Securities	80	102	62	<145>	44	45
	Other	116	116	96	139	60	78
Non Interest Income		1,000	1,110	1,128	971	1,134	1,187
Net Income		2,718	2,829	2,901	2,745	2,945	3,021
Expenses	Personnel	954	995	972	882	860	872
	Premises	184	178	172	175	157	157
	Computer	173	157	168	173	186	158
	Other	383	388	385	391	391	422
Sub Total		1,694	1,718	1,697	1,621	1,594	1,609
Restructuring Costs		-	90	40	80	49	42
Total Expenses		1,694	1,808	1,737	1,701	1,643	1,651
Profit Before Provisions		1,024	1,021	1,164	1,044	1,302	1,370
Doubtful Debts		197	203	237	250	258	252
Tax		243	223	298	239	324	352
NPAT Before Abnormal Items		580	591	625	550	716	764
Abnormal Items		<31>	<116>	-	<69>	-	-
NPAT and Abnormal Items		549	475	625	481	716	764



# Strong Management Team

- |                      |                  |                                 |
|----------------------|------------------|---------------------------------|
| ○ John McFarlane     | CEO              | Citibank, Standard Chartered    |
| ○ David Boyles       | CIO              | AMEX, BOA                       |
| ○ Roger Davis        | Corporate        | Citibank                        |
| ○ Peter Hawkins      | Personal         | ANZ                             |
| ○ Peter Marriott     | CFO              | ANZ, KPMG                       |
| ○ Greg Camm          | Mortgages        | ANZ                             |
| ○ Larry Crawford     | Distribution     | First Bank Systems, Wells Fargo |
| ○ Bob Edgar          | Business Bank    | ANZ                             |
| ○ Kathryn Fagg       | Banking Products | McKinsey & Co                   |
| ○ Brian Hartzer      | Cards            | First Manhattan                 |
| ○ Elmer Funke Kupper | International    | McKinsey & Co                   |
| ○ Mark Lawrence      | Risk             | Soc Gen New York                |
| ○ Peter McMahon      | Asset Finance    | ANZ, Costain                    |
| ○ Grahame Miller     | ANZIB            | ANZ                             |
| ○ Elizabeth Proust   | People           | Victoria Public Service         |
| ○ Alison Watkins     | Strategy         | McKinsey & Co                   |

