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# ***ANZ National Bank Market Update***

Presentation by:

Sir John Anderson – Chief Executive Officer

Michael Rowland – Chief Financial Officer

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***ANZ National Bank integration is scheduled for completion by 31 December 2005 – low risk approach adopted***

- 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 different approach:
    - Two brand strategy
    - Existing retail systems retained
  - This has changed mix of costs and benefits, but at lower risk
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## New Zealand businesses delivering sound results

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

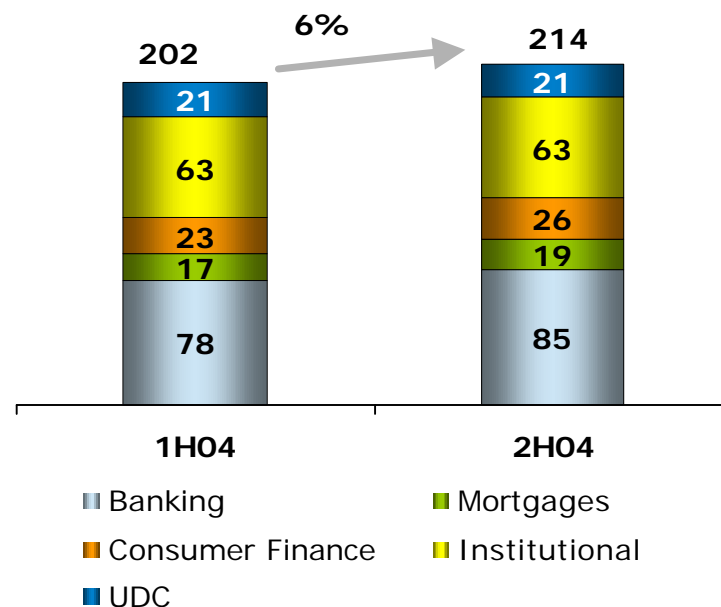
Item	NBNZ Actual*	NBNZ Proforma	Variance
Net Interest Income	885	841	5%
Other Income	291	290	-
Operating Expenses	(498)	(487)	2%
PDD	(70)	(74)	(5%)
Income Tax & OEI	(186)	(163)	14%
<b>NPAT</b>	<b>422</b>	<b>407</b>	<b>4%</b>

#### 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)



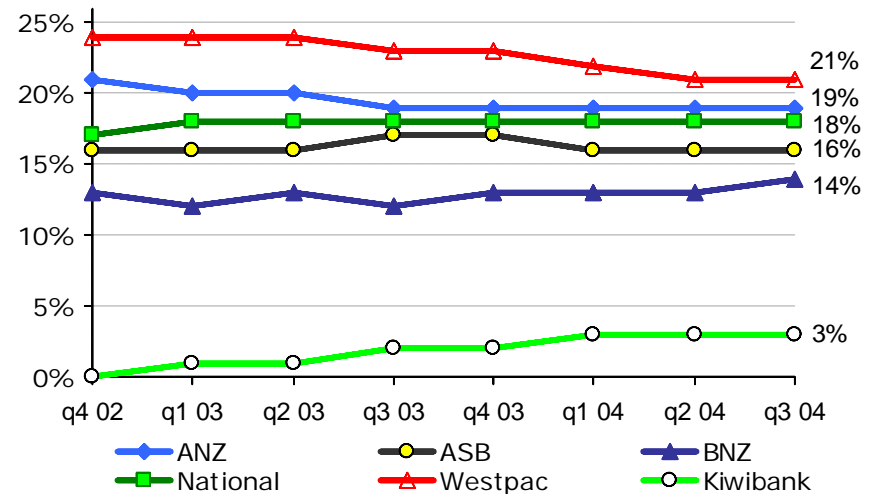
- Solid performance by Banking reflecting increased deposit margins and continued growth in deposit FUM

\*10 months to 30 September 2004 annualised

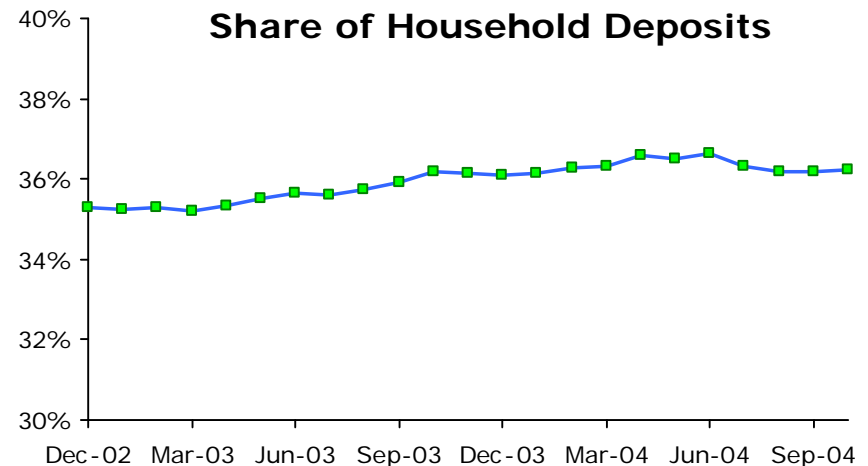
## Market Share in the Retail Segment remains stable

- ANZ's and NBNZ's share of customers has remained stable over the last year, as has ANZ National's share of Household Deposits.
- The emergence of Kiwibank has had an impact on share of customers for all banks over the last two years.
- ANZ share of customer acquisition is a key focus of current initiatives and will be the primary driver of achieving market share parity.

### Share of Personal Customers\*



### ANZ National Bank Share of Household Deposits



**Sources:** Share of Customers: ACNielsen Consumer Finance Monitor. Sample size is 10,000 pa. Household Deposits: RBNZ C8 Table & ANZN Standard Statistical Returns.

\*12 month rolling average

# Lending Market Share in the Retail Segment shows signs of growth

## Home Lending

- ANZ and NBNZ have been losing share of Home Lending but there are strong indications of a turnaround in growth commencing in October and November as a result of the new Spring campaigns and other growth initiatives. NBNZ grew at system in October ie. held market share, reversing previous sub-system growth
- November net growth is up for ANZ National with more than double the FUM growth that was achieved in August.

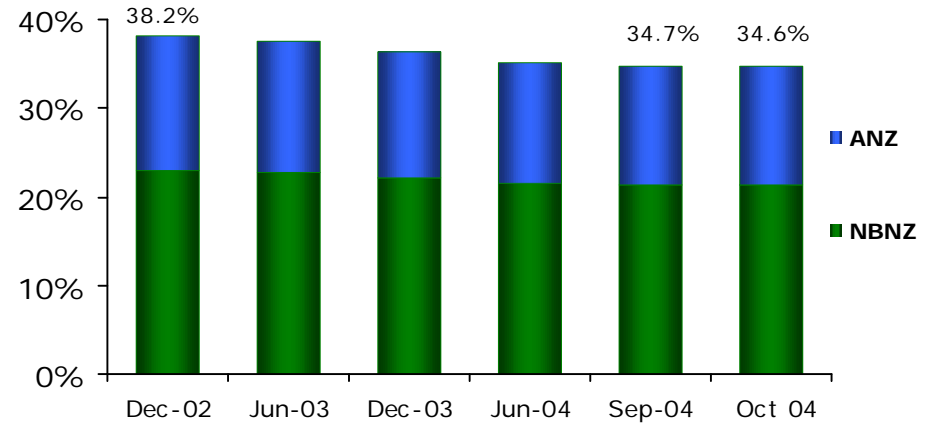
## Personal Lending (non-housing)

- ANZ National's share of Non-Housing Personal Lending has been stable over the last 18 months.

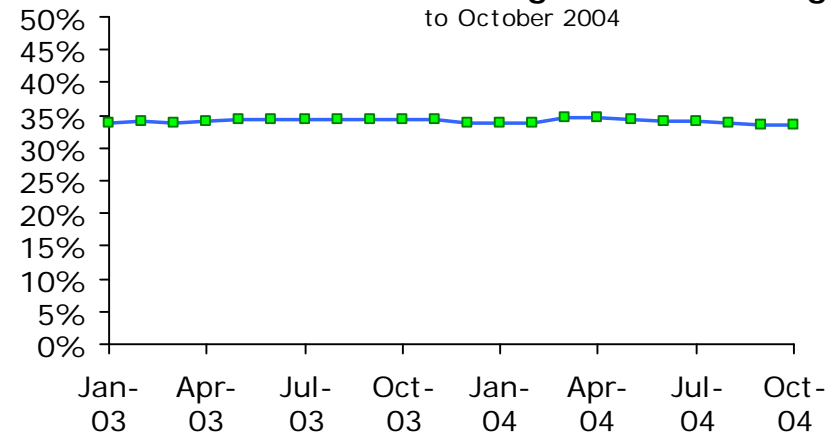
## Business Banking

- NBNZ Business Banking's lending growth was 12.4% for the year to September 2004.

Share of Home Lending



Share of Non-Housing Personal Lending\*  
to October 2004



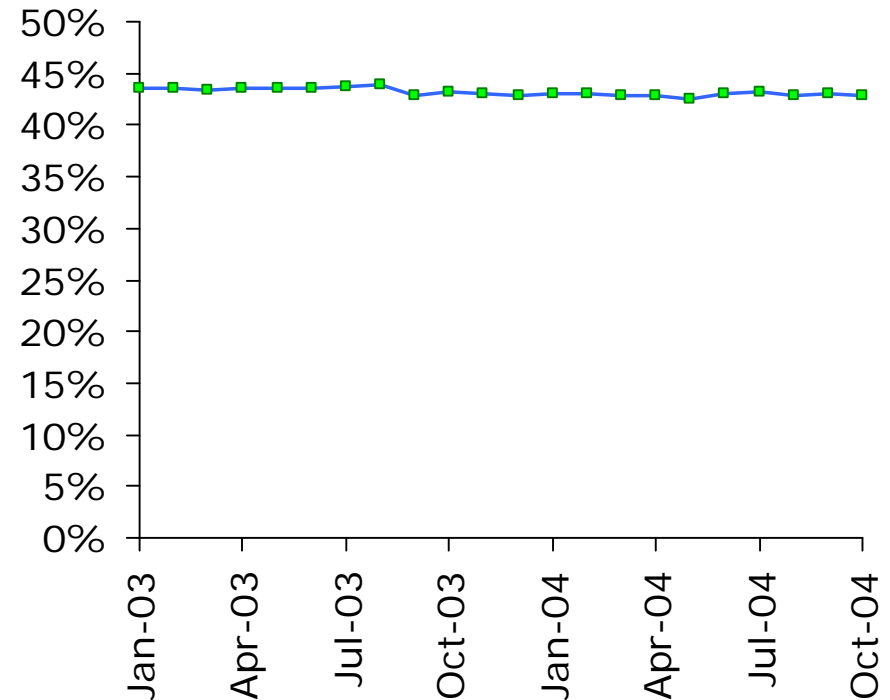
Sources: Home Lending - RBNZ C6 Table, ANZN 50% risk weighted assets.  
Other Personal Lending: RBNZ Aggregate SSR CC1.14

\*includes Personal Loans, Credit cards, ODs

## Market Share in Rural lending remains stable

- ANZ National's share of rural lending remains stable at approximately 43%
- ANZ National is now operating under one brand in the Rural market
- No significant customer attrition whilst integrating brands

ANZ National Share of Rural Lending



**Sources:**

Rural Lending: RBNZ C7 Table, monthly data series

# Corporate & Commercial Banking continues to grow

ANZ and National Bank brands have been maintained in both the Corporate & Commercial markets:

- respects customer choice
- broadens range of business opportunity
- creates clear focus on the differing needs of corporate & commercial customers.

Collaboration at strategic and regional management levels

No significant customer attrition over integration period

## Segmentation:

Commercial

- \$5- \$20 m turnover
- customers are generally owner/family based structures with simpler needs

Corporate

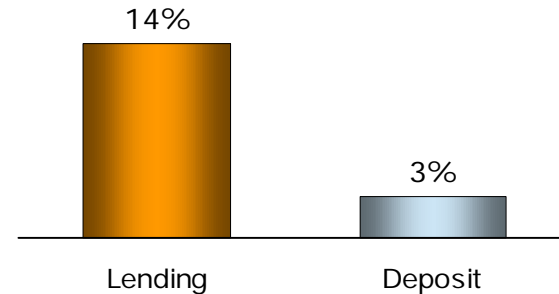
- \$10-100m turnover
- customers have more sophisticated corporate structures & needs

Note: Historical data is not available for ANZ Commercial growth as the focus on Commercial customers is newly created.

ANZ National continues to grow strongly in both deposits and lending.

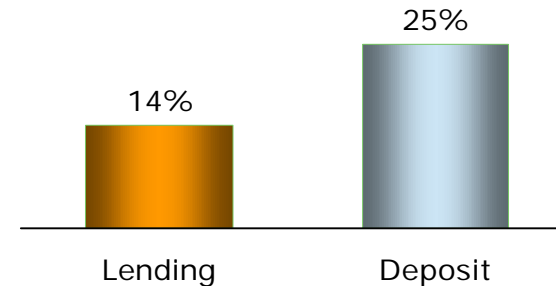
## ANZ Corporate Banking

FUM growth FY04



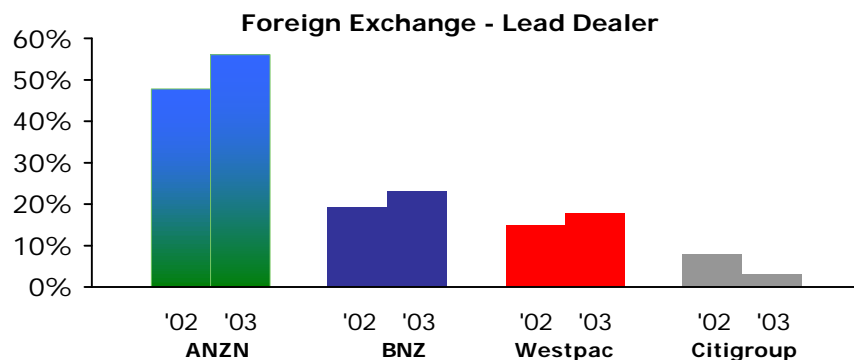
## NBNZ Corporate & Commercial Banking

FUM growth FY04



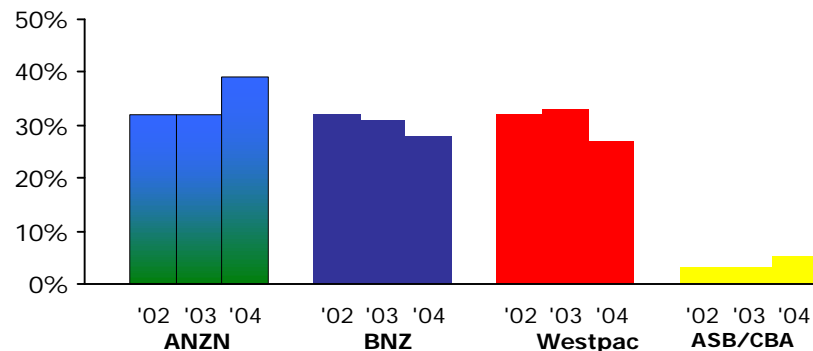
## Institutional maintains strong position

- Both National Bank and ANZ have strengthened market share in terms of Transactional lead bank and FX lead dealer in the latest research results. This is consistent with revenue trends.
- Relationship Banking market shares are stable for both brands
- Whilst relationship market shares have remained stable, volumes have fallen due to concentration issues as previously highlighted
- Share of derivatives 'Lead Dealer' shows a significant increase for National Bank in the latest results, reflecting significant effort in 2003. There is a corresponding decline for ANZ

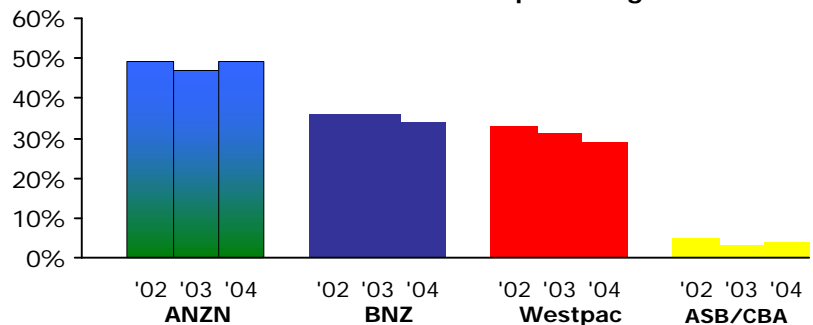


**Source:** Peter Lee Associates target approximately 160 senior financial executives in NZ. Criteria are companies > \$200 m in sales, plus organisations specifically requested. Survey completed annually, although business is won and lost throughout the year. 2004 update of Lead dealer share for FX and Interest Rate Derivatives will not be available until early 2005.

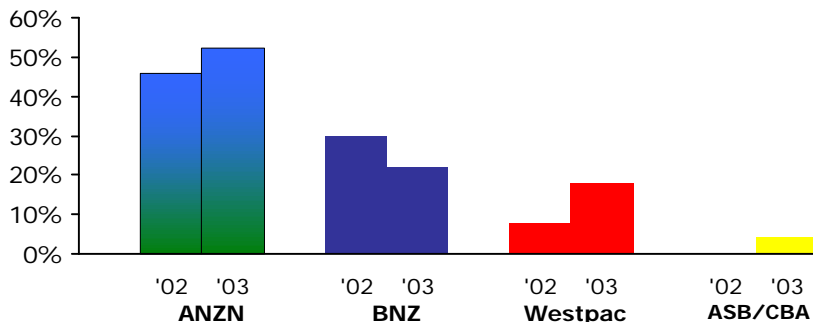
**Transactional Banking - Domestic Lead Bank**



**Institutional Relationship Banking**









**Interest Rate Derivatives - Lead Dealer**





## ***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

\*ANZ renounceable rights issue prospectus page 56: Integration costs A\$230m, Cost synergies A\$110m.

## 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

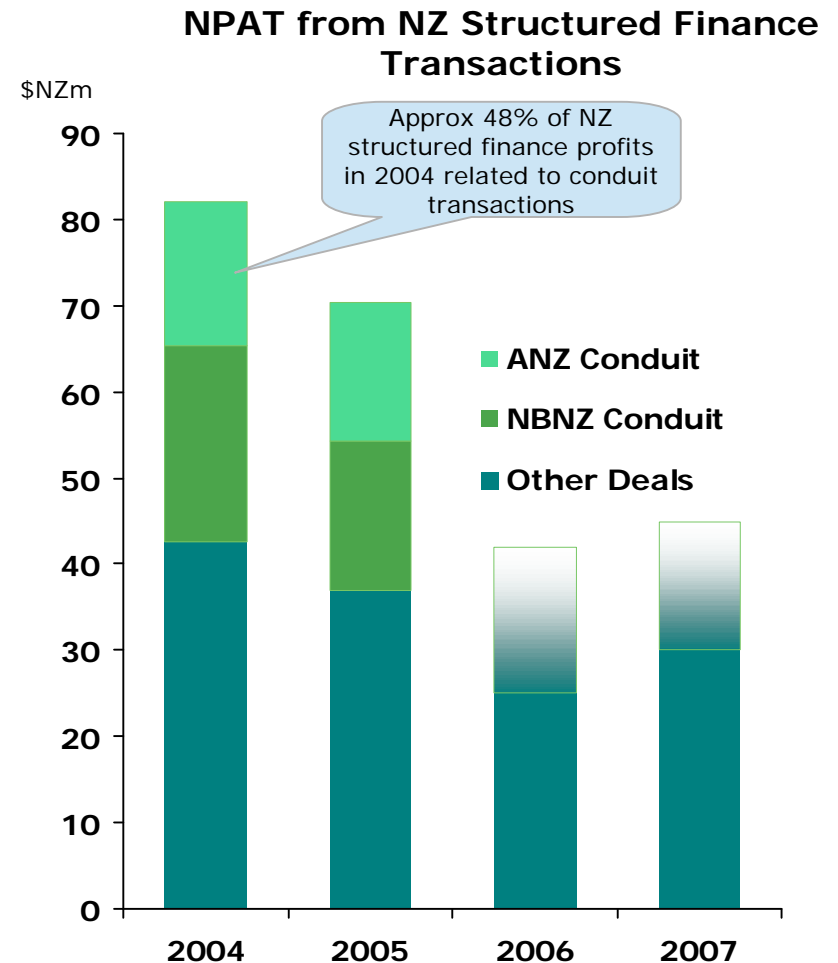
### 30% of integration activities were completed in 2004 including:

- 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 structured finance transactions are being managed down***

- 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



\* including interest which is tax effected, up to 30 September 2004

## 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>

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**[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)

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