

# ***UBS Conference – Critical Success Drivers***

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**Australia and New Zealand Banking Group Limited**

**June 2004**

**Dr Bob Edgar**  
**Chief Operating Officer**

## A solid performance in the first half...





		<u>v Mar 03</u>	<u>v Sept 03</u>
<b>NPAT</b>			
•Headline	\$1,396m	↑ 22%	↑ 16%
•Excluding significant transactions	\$1,312m	↑ 15%	↑ 9%
•Underlying excl NBNZ <sup>3</sup>	\$1,241m	↑ 10%	↑ 4%
<b>EPS</b>	<b>76.8 cents</b>	<b>↑ 11%</b>	<b>↑ 5%</b>
<b>Cash EPS<sup>1</sup></b>	<b>78.9 cents</b>	<b>↑ 11%</b>	<b>↑ 5%</b>
<b>Dividend fully franked<sup>2</sup></b>	<b>47 cents</b>	<b>↑ 11%</b>	<b>↑ n/a</b>

1. EPS excluding significant transactions and goodwill amortisation

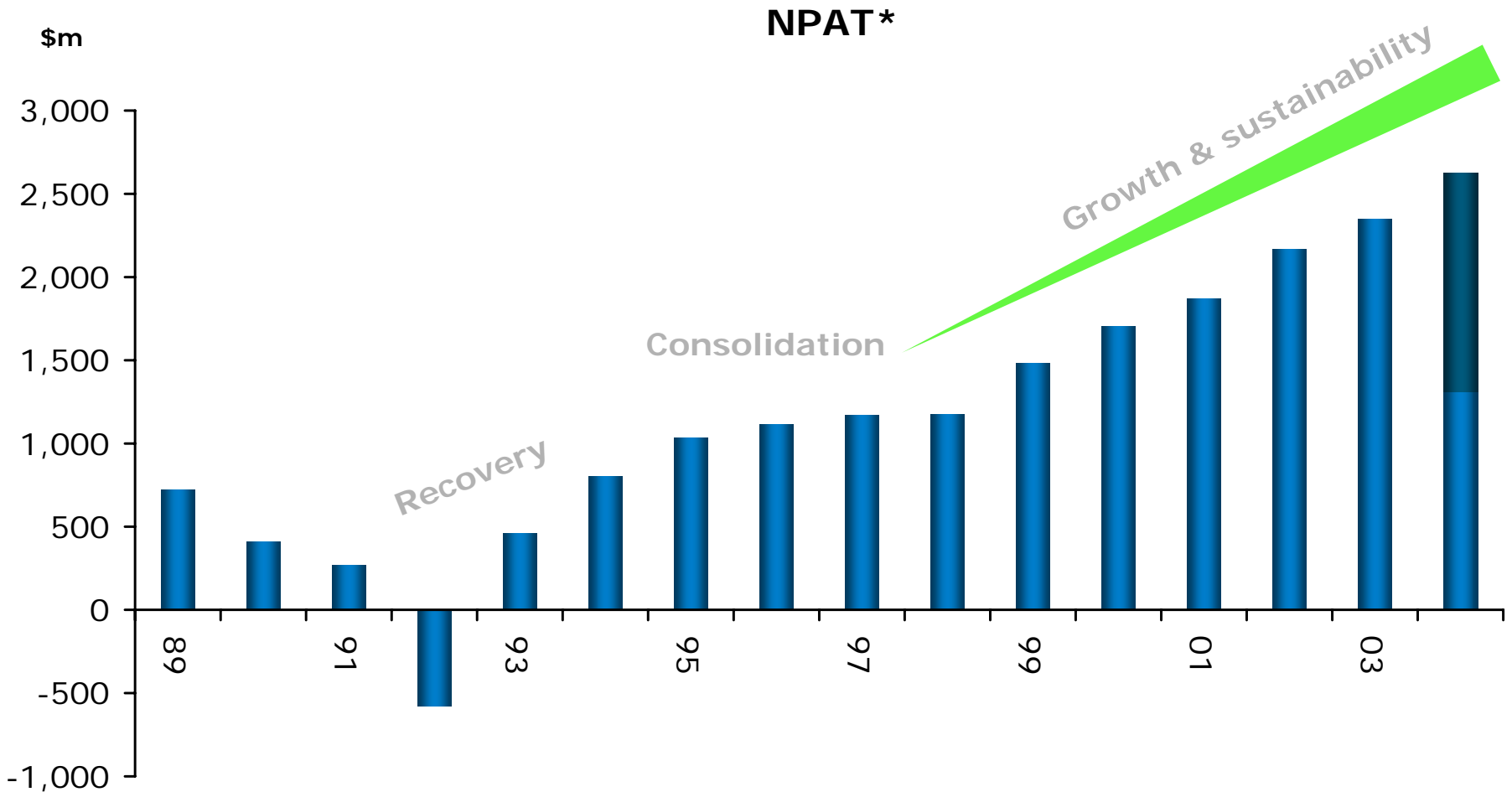
2. March 03 dividend of 44c adjusted for bonus element of rights issue (@0.9597)

3. Excludes significant items, NBNZ and adjusts base for TrUEPrS swap

## ...across most divisions...

Division	PCP Growth	Key Drivers
Consumer	\$81m  23%	<ul style="list-style-type: none"> <li>• Underlying profit up 15%*</li> <li>• Australia distribution up 13%</li> <li>• Mortgages flat - 22% asset growth offset by rising rate basis squeeze and wholesale funding costs</li> <li>• Consumer Finance up 116%, underlying* up 39%</li> </ul> <p><i>*after adjusting for cards under accrual in 1H03</i></p>
Institutional	\$(4)m  1%	<ul style="list-style-type: none"> <li>• Assets reduced 8% due to portfolio de-risking</li> <li>• Appreciation of the AUD on USD earnings</li> </ul>
Corporate	\$16m  12%	<ul style="list-style-type: none"> <li>• Strong lending growth in both Corporate and SME</li> <li>• Expenses up 12% to expand SME footprint</li> </ul>
New Zealand	\$136m  large	<ul style="list-style-type: none"> <li>• Acquisition of NBNZ makes comparison difficult</li> <li>• Underlying profit squeezed by exchange rates and rising rate environment</li> </ul>
Other	\$(1)m	<ul style="list-style-type: none"> <li>• 11% growth in Esanda due to buoyant car market</li> <li>• Asia Pacific down 6%, mainly exchange rate</li> <li>• Treasury down 8% due to rate environment</li> <li>• ING wealth JV up 18%</li> </ul>

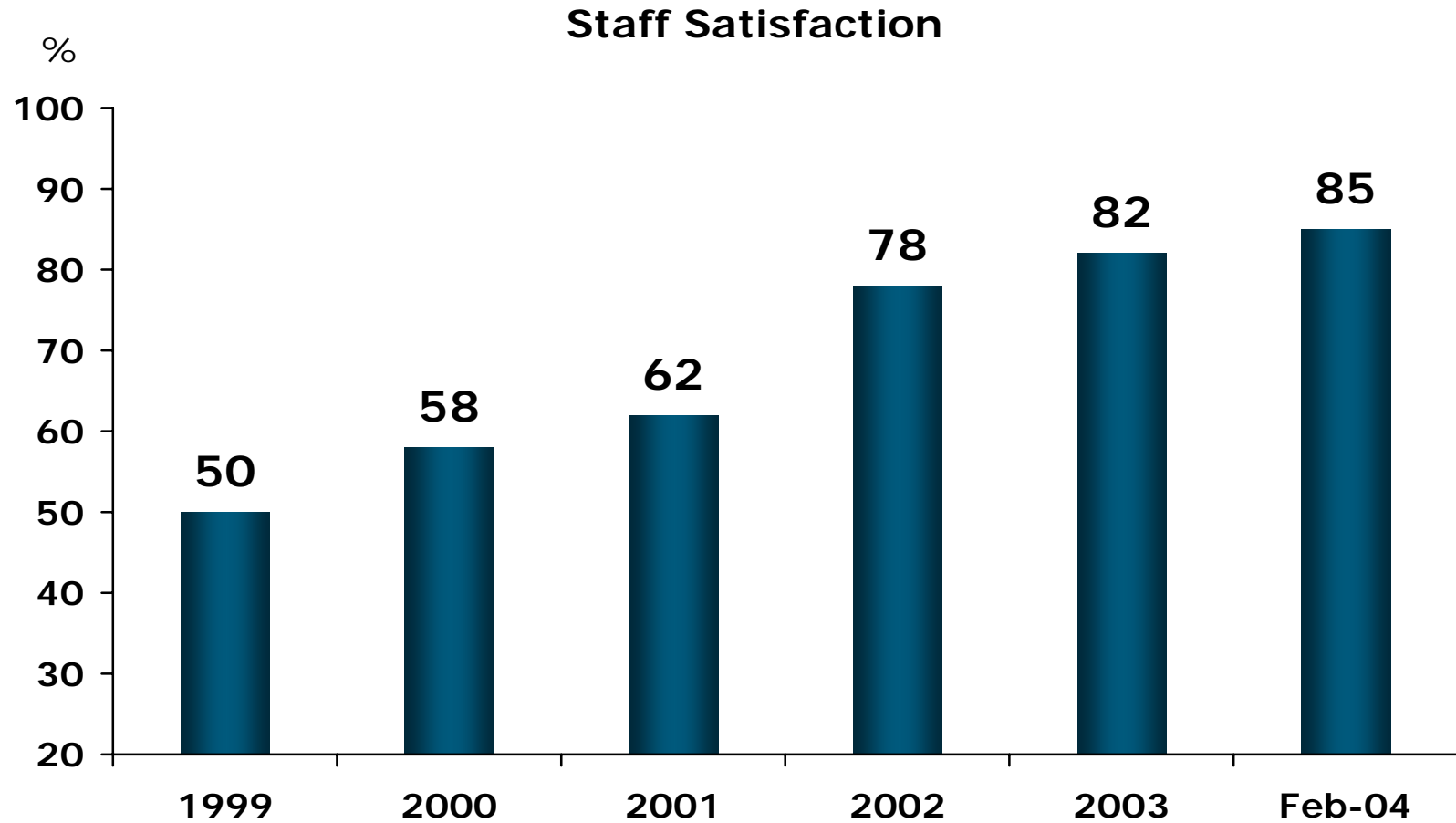
# ...continuing an enviable track record



\* before abnormal items and significant transactions

The key long term success drivers include an engaged workforce...

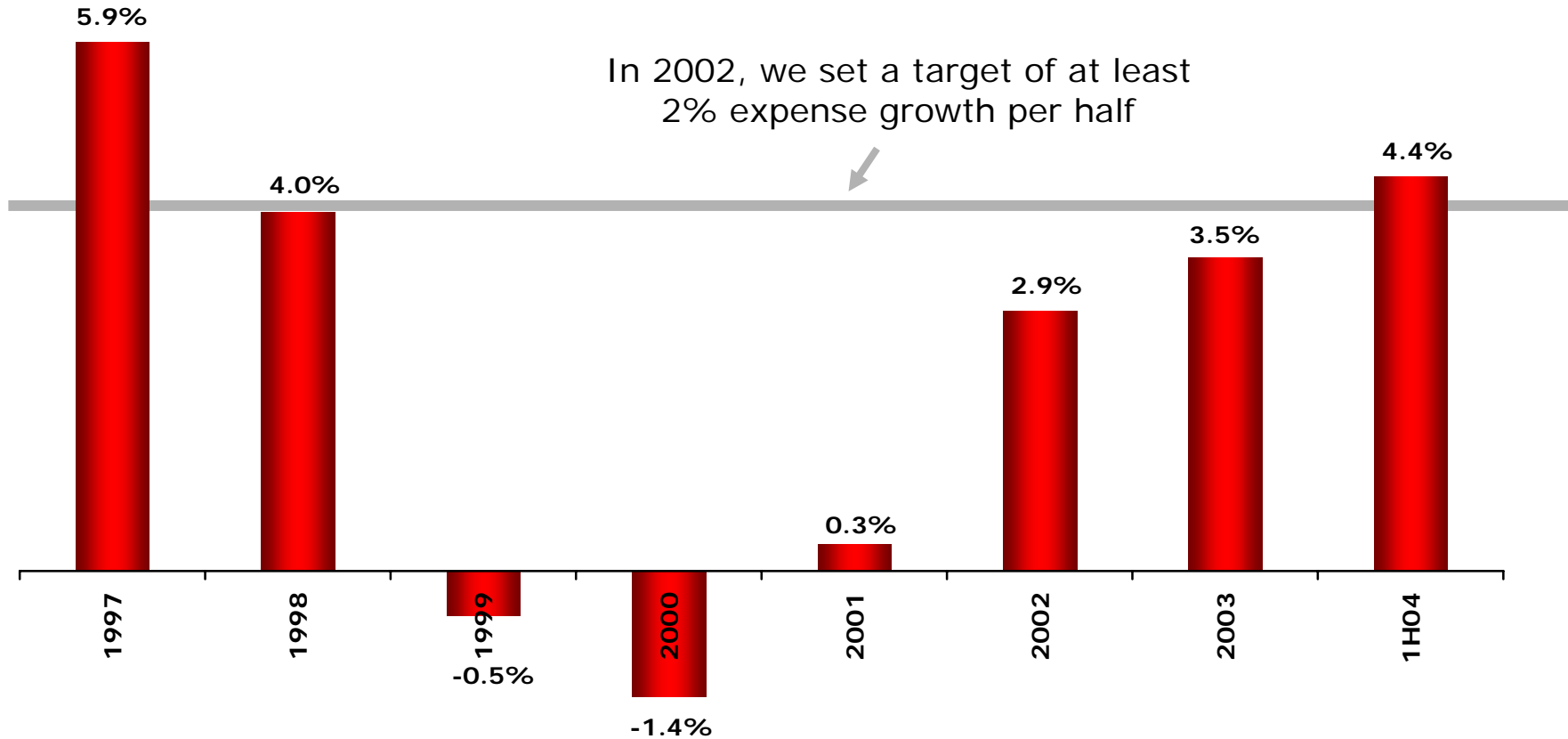
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## ...and sustained investment in the business

Following efficiency drive, ANZ has already moved to investment phase

### Expense Growth – 3 year Moving Average



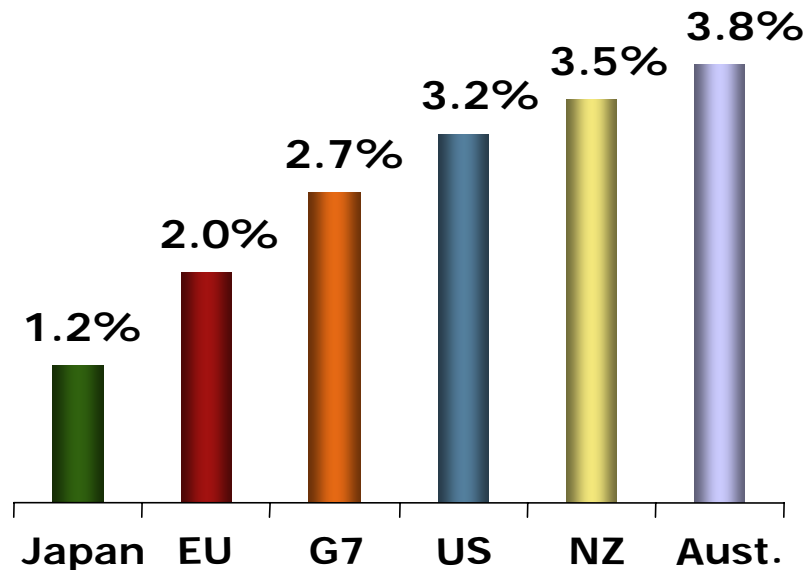
*\*Growth rates adjusted for abnormal items, significant transactions, discontinued business, TrUEPRs swap income, ING Australia and NBNZ acquisition*

# Helped by an attractive high growth, low risk market

## High Return

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

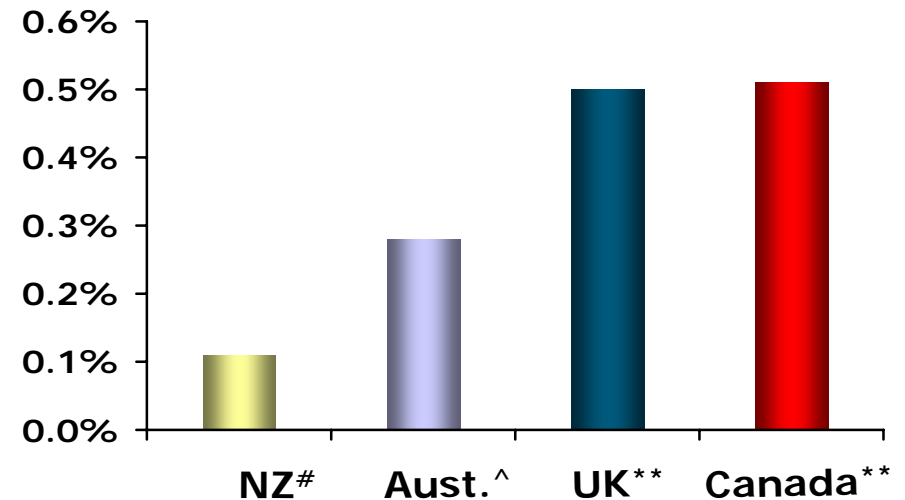
Average Real GDP Growth  
(1993-2003)\*



## Low Risk

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

Doubtful debts expense/Average  
Loans and Advances (%)



Source: \*International Monetary Fund

# 5 top NZ banks for 2002

^ 4 top Australian banks for 2003

\*\* Source – Citigroup Smith Barney top 5

## Some specific drivers of success

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➔ **Consumer Banking** – building a strong position

➔ **New Zealand** - delivering a successful integration

➔ **Corporate/SME** – continuing to invest & grow

➔ **Institutional** – risk profile transformed, return to growth

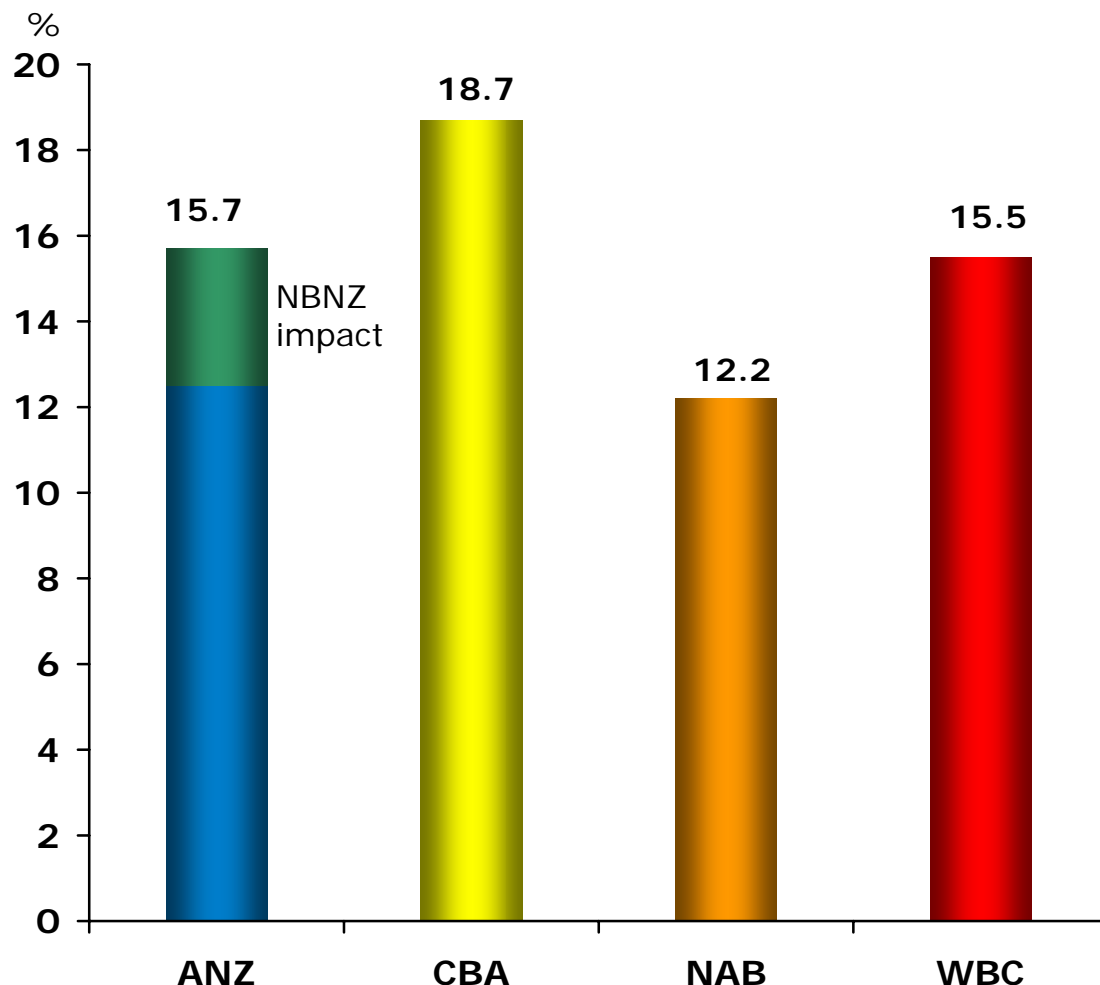


## Building a strong position in the low fade domestic consumer market

Retail Market Share in Australia & New Zealand\*

We now have a combined retail customer base across Australia & New Zealand of approximately 5.1m customers

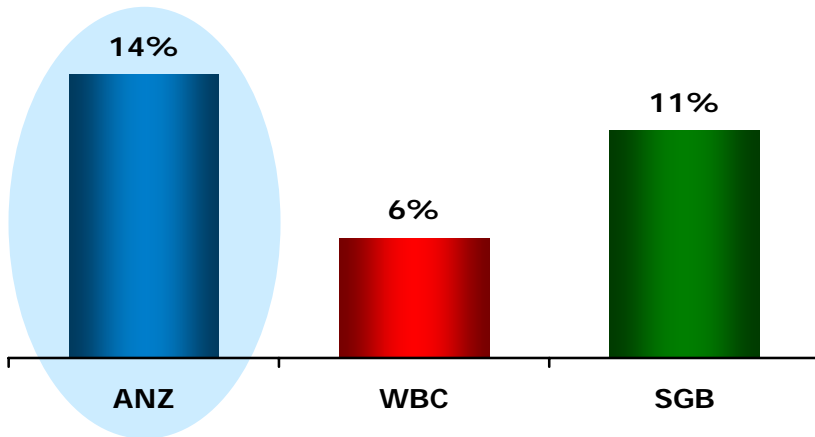
- We have a scale position
- Relative market shares indicate the capacity to derive profit from retail banking



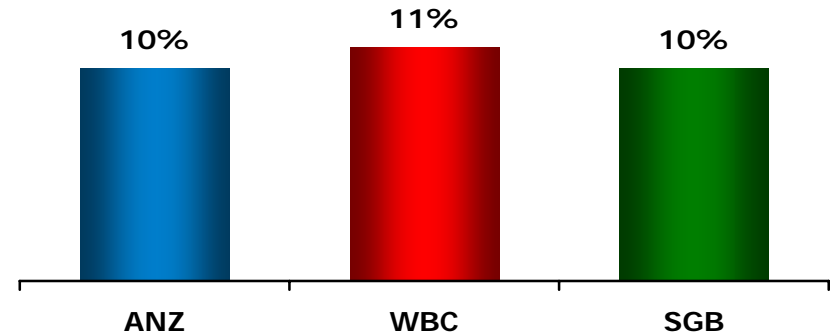
\* source: ANZ - weighted average of Australian and New Zealand market shares, based on Roy Morgan data in Australia (share of traditional banking) and ACNelson data in NZ (share of main bank customers)

# We have already started to deliver good performance

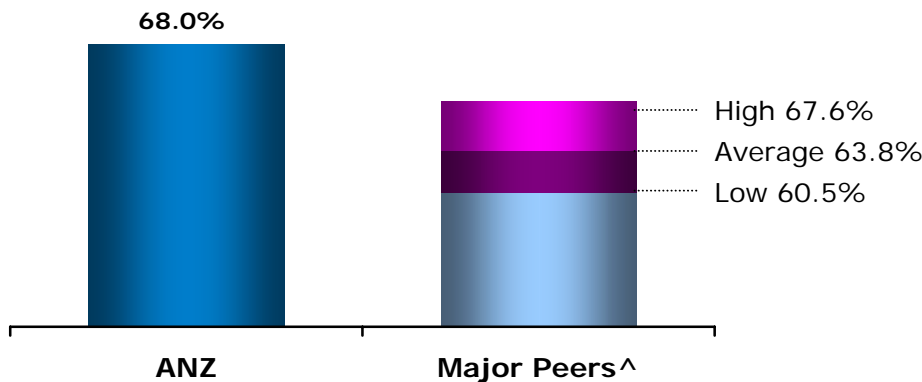
**Consumer NPAT growth superior to peers (1H04 v 1H03)**



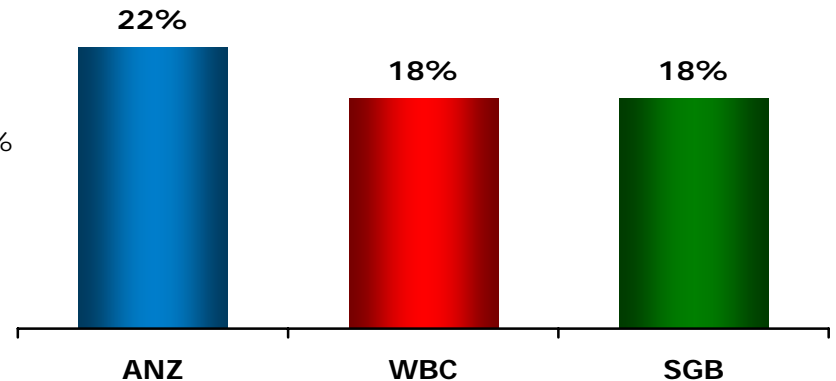
**Deposit volume growth on par with peers (1H04 v 1H03)**



**Customer satisfaction at top of major peer group**



**ANZ mortgage FUM growth superior to peers (1H04 v 1H03)**



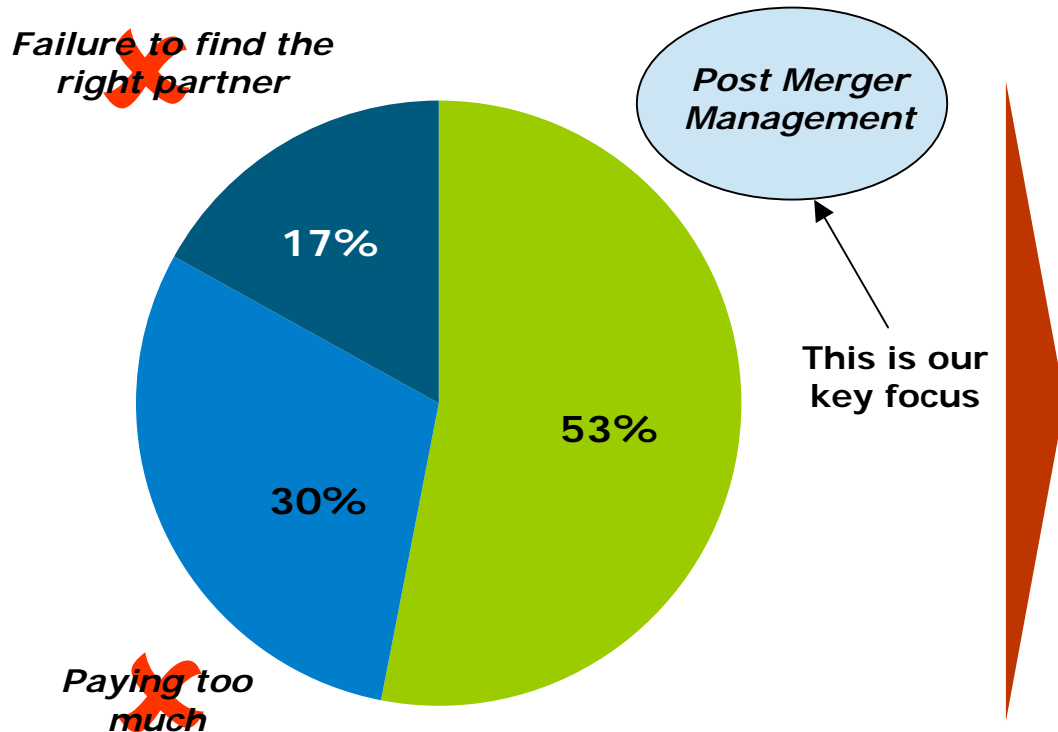
Source: Roy Morgan Research for the 12 months ended Feb 2004. Peer average includes Westpac only, CBA and NAB. Data based on rolling 12 month averages. Respondents hold transaction account at their nominated main financial institution. Satisfaction is defined as "very" or "fairly" satisfied. "Can't says" are included in the base.

\*ANZ includes PBA, Consumer Finance and Mortgages, NPAT adjusted for cards under accrual  
 WBC includes Consumer Distribution and Consumer Products  
 SGB includes Personal Customers (excludes BankSA)

# NBNZ integration is focused on creating the leading bank in New Zealand

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## Three key reasons for mergers not succeeding



- We have found the right partner at an attractive price
- Post merger management is our key focus
- A 1% change in revenue is equivalent to ~20% of cost synergies\* – protecting and building the franchise is critical
- Our integration objectives reflect this, with a very strong focus on the customer

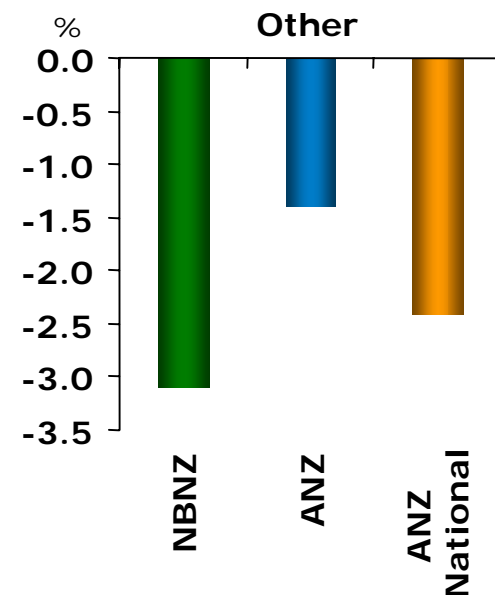
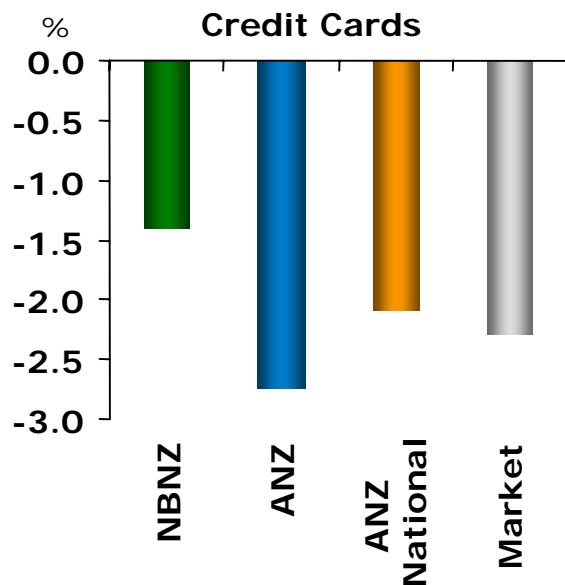
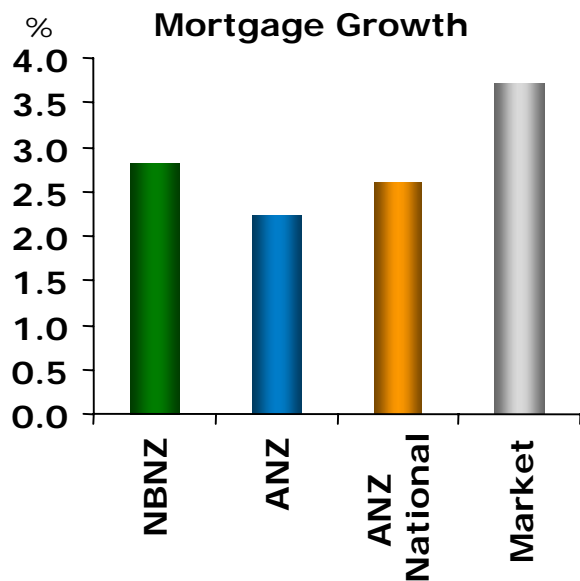
Source: A.T. Kearney Global PMI Survey (1998)

\* Based on prospectus cost synergies

## NZ market share – long term goal to grow share, but may be some adverse impact in short term

- Although customer attrition built into business case, customer numbers have actually grown since date of acquisition
- NZ GDS reports for March provide mixed evidence regarding market share of lending

### Credit Growth – March Quarter



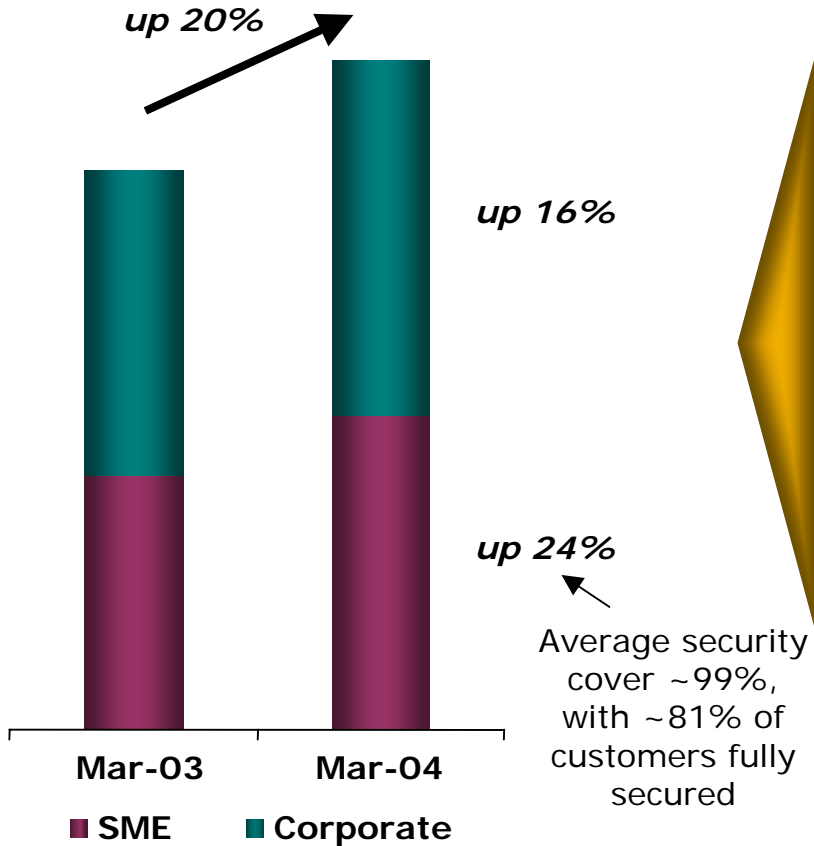
- Partly reflects underweight position in high growth Auckland market
- Below market growth results in ~0.2% fall in market share for NBNZ
- ANZ growth rate compares well to previous ANZ performance

- ANZ National performed better than market, with increased market share
- Seasonal decline following Christmas spending

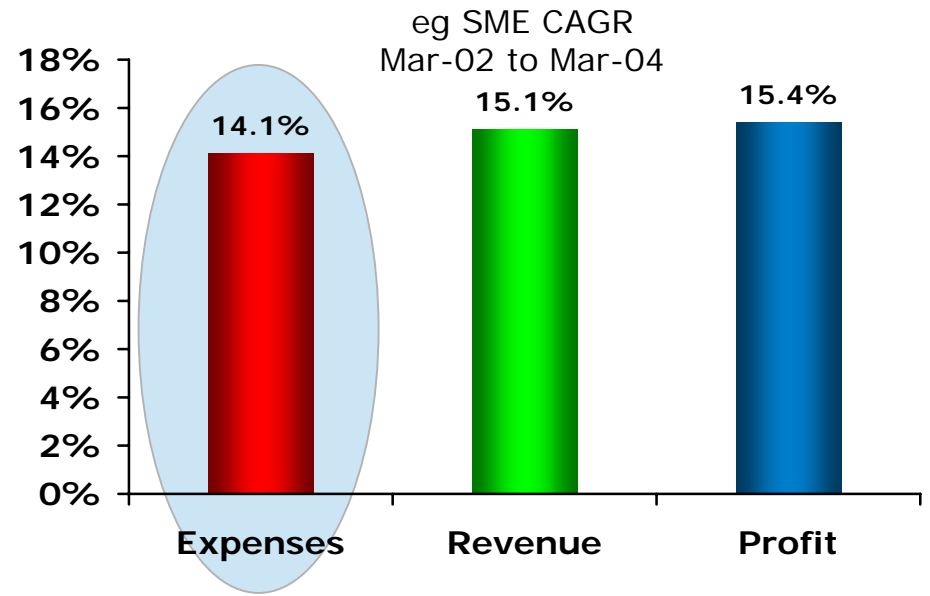
- Largely driven by a small number of large corporates
  - For example, in NBNZ three "interbank & other finance company" customers paid down facilities by \$0.5b
- NBNZ's mid market "Commercial" **grew 3%** in the quarter

# Corporate & SME – continuing to invest and grow

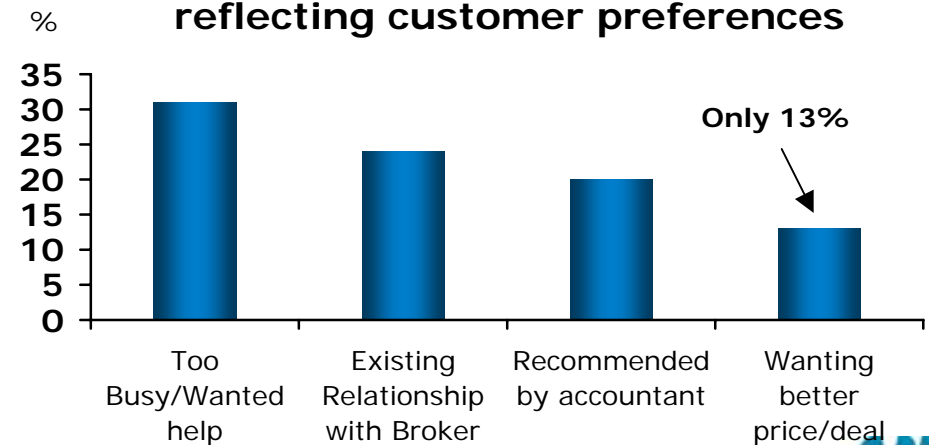
## Corporate & SME Lending Growth



## Investing heavily in the business including footprint expansion

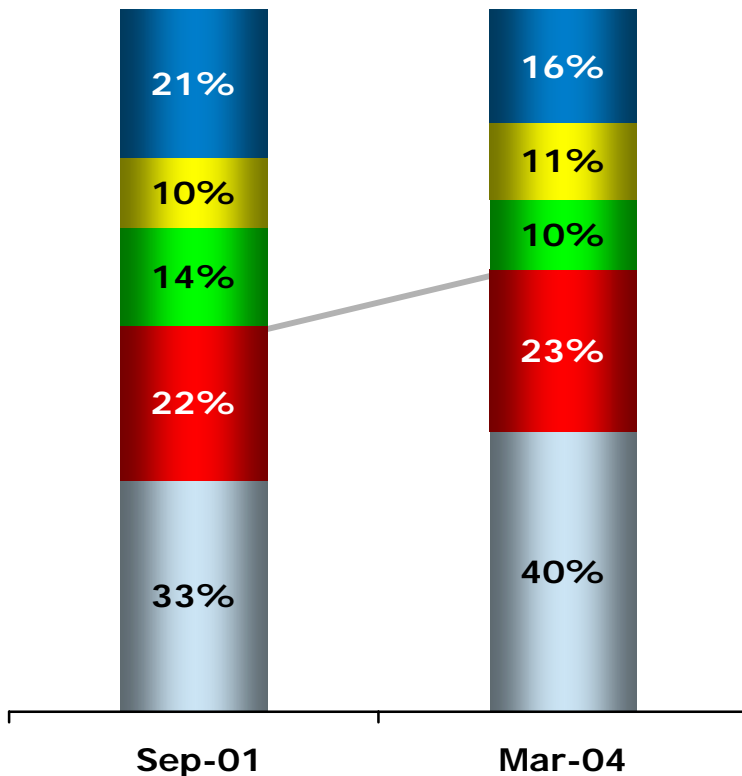


## Supported by variable cost brokers, reflecting customer preferences



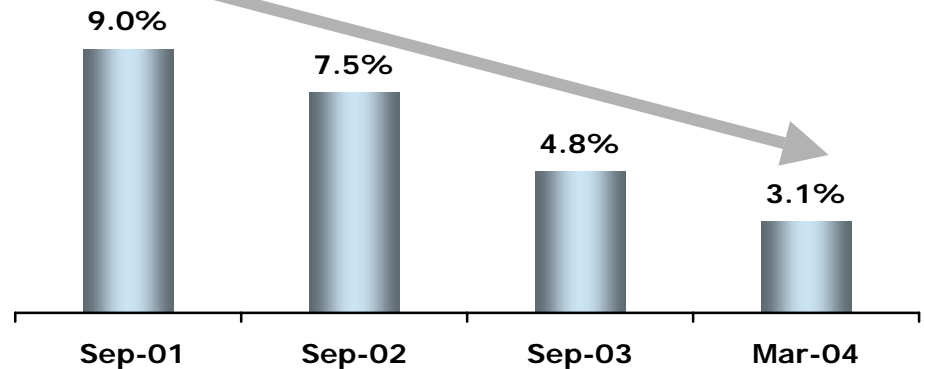
# IFS risk profile transformed, at a cost to profit growth

NPAT composition shifted towards less volatile and more sustainable earnings

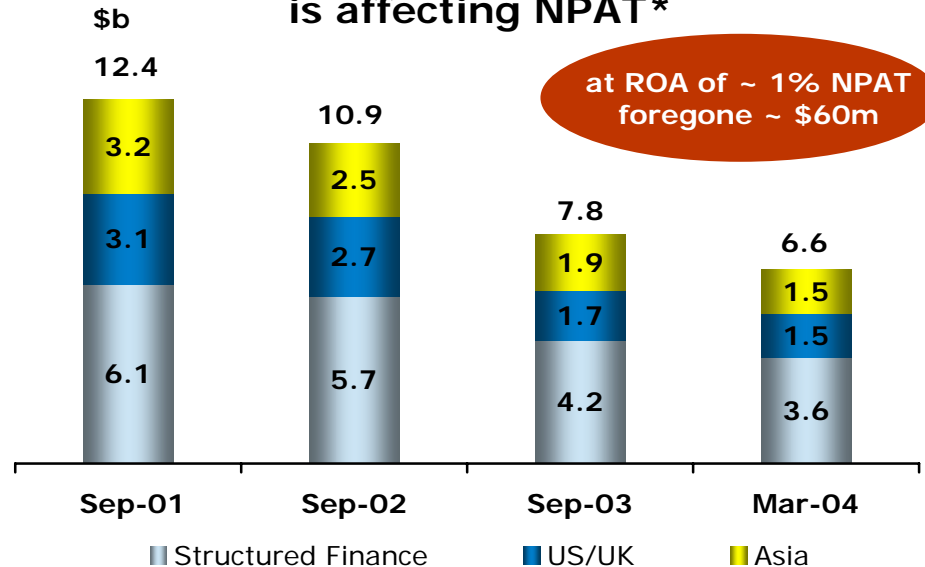


- Corp & Struc Fin
- Cap Mkts
- FX
- Trade & Transactions
- Institutional

IFS Offshore assets as % of Group assets substantially reduced

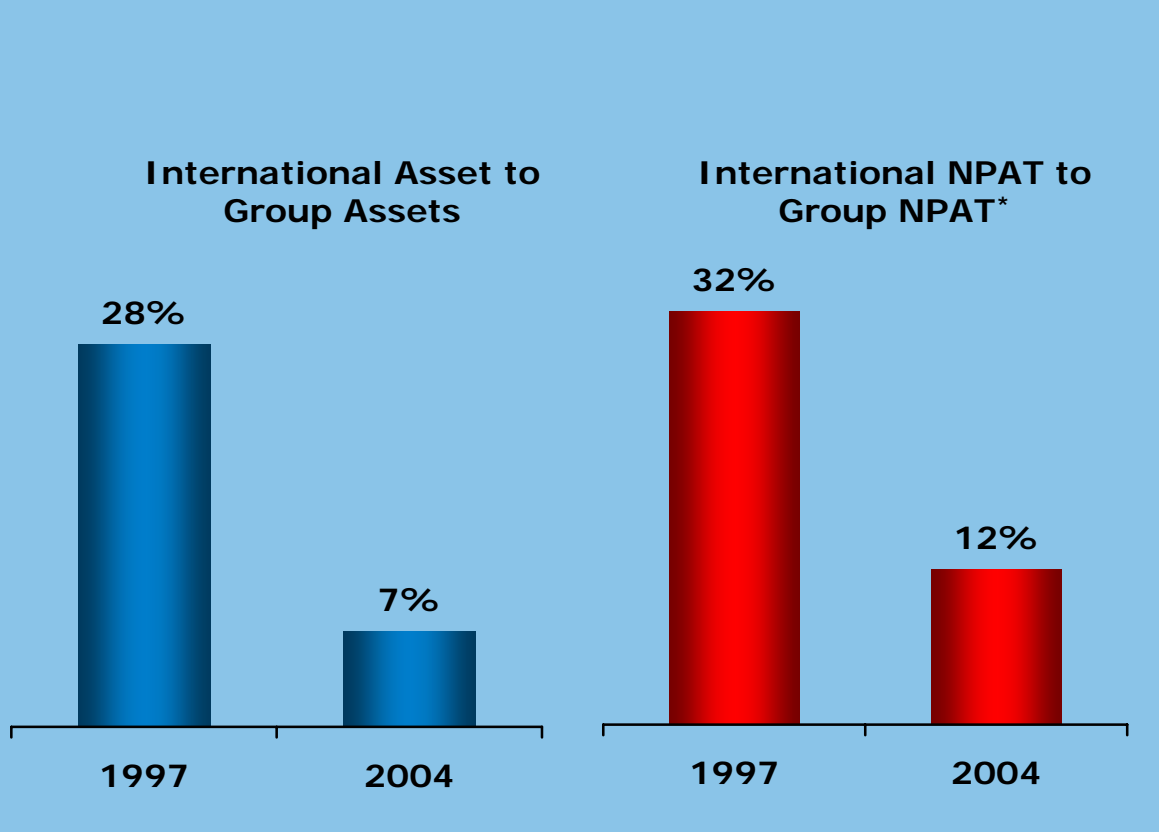


Reduction in lending assets is affecting NPAT\*

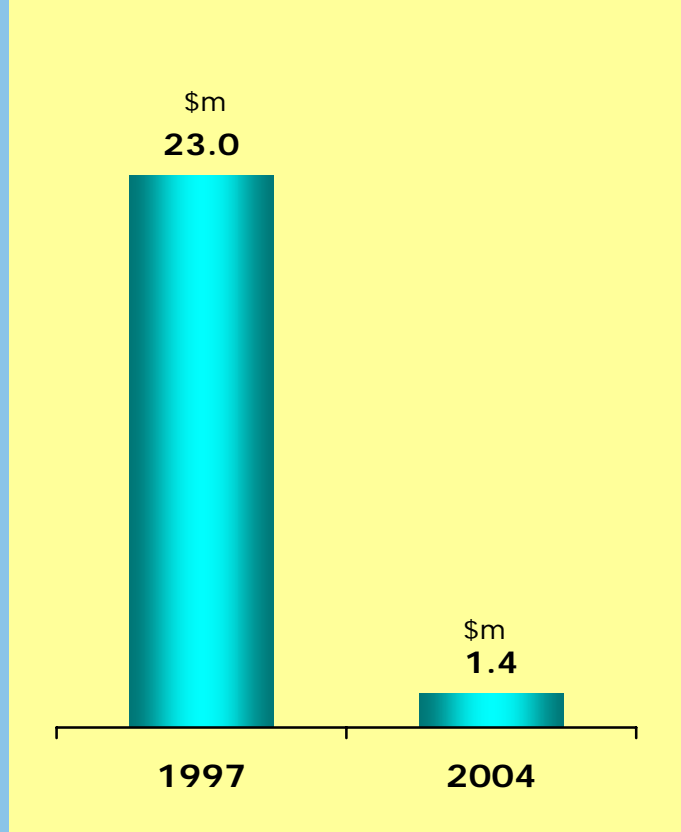


# After six years of risk reduction we are now approaching optimal levels

## Offshore exposure



## Trading Value at Risk#



\*excludes significant and abnormal items

# Average daily Value at Risk at 97.5% confidence interval

## Focus on critical success drivers has delivered a solid result and good prospects

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- A solid first half, building on a strong track record
- Consistent focus on risk reduction and sustainability has created:
  - more domestically focussed portfolio
  - a more sustainable business mix, with higher proportion of consumer business
  - less volatile earnings stream
- Gaining traction in consumer businesses with recent restructuring designed to deliver next phase of growth
- NBNZ the right partner at the right price:
  - Immediately accretive
  - Strong focus on delivering a successful integration
- Specialisation focus continues to deliver growth in key areas such as SME and Corporate



**Guidance for the  
year unchanged**

**We remain  
confident about  
prospects**



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

or contact

Simon Fraser

Head of Investor Relations

ph: (613) 9273 4185 fax: (613) 9273 4091 e-mail: [simon.fraser@anz.com](mailto:simon.fraser@anz.com)