

Investor Discussion Pack
Business Banking
July 2005

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Corporate Division – Business Unit overview

CORPORATE BANKING

Business Profile

- **Segment:** turnover between \$10-\$150M
- Traditional relationship banking to sophisticated financial solutions
- 16 Corporate Regions; approx 3,000 customers
- Product, Risk & Solutions Specialists co-located
- Approx 45% of total customer profit in other business units' NPAT
- Annual NPAT ~\$128m*

Key Priorities

- Maintain profit momentum
- Increased focus on winning new customers and execution of 'Wall St' strategy
- Improving people strength in key front-line roles
- Keeping a strong focus on risk management & compliance

BUSINESS BANKING

Business Profile

- **Segment:** \$50K business FUM to \$10M turnover
- Traditional relationship management
- 23 Business Districts; approx 38,000 customers
- Manage end-to-end for customer
- Approx 20% of customer profit in other business units' NPAT
- Annual NPAT ~\$184m*

Key Priorities

- Maintaining a balance between growth and effective risk management
- Meeting requirements of the new regulatory framework
- Identifying and phasing new investments in the business
- Increase the focus on cross-selling a wider suite of products (leasing, FX, FP, risk, etc)

SMALL BUSINESS BANKING

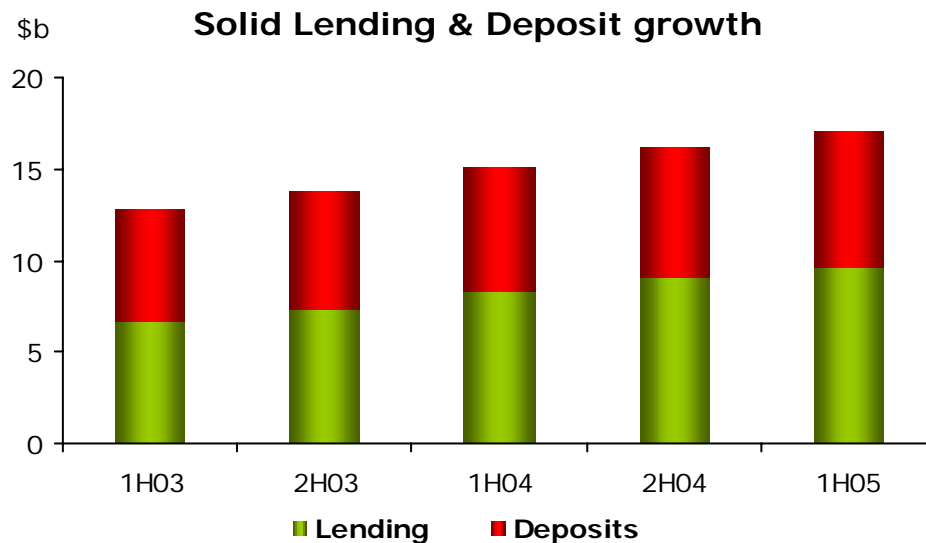
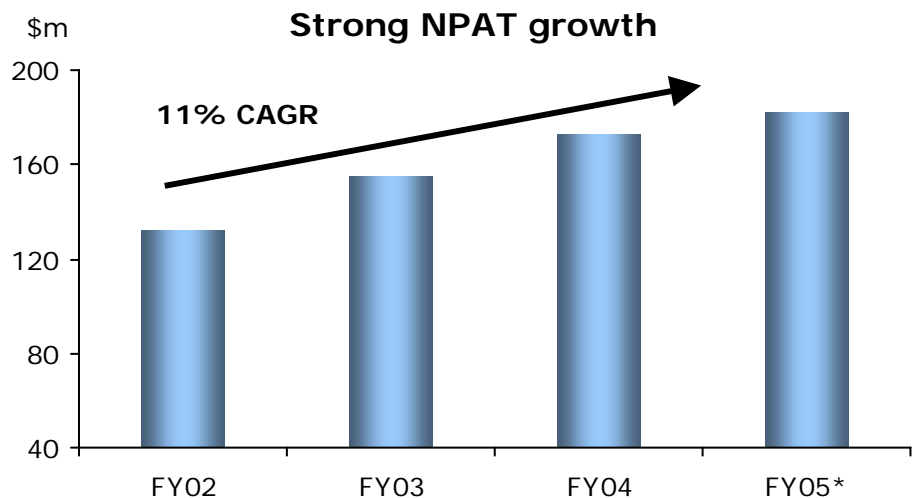
Business Profile

- **Segment:** customers with business product FUM <\$50K
- Customers have a strong reliance on the Branch network
- Business structure includes small business specialists located in branches working with centralised customer management teams
- Approx 170,000 customers
- Annual NPAT ~\$52m*

Key Priorities

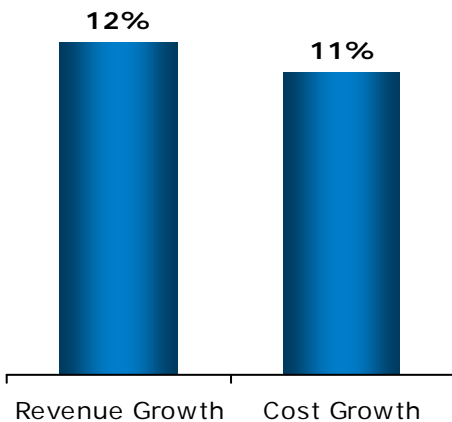
- Effective integration of strategy into branch activities and priorities
- Locate local business specialists into branches
- Focus product/marketing efforts
- Develop centralised platform
- Simplify processes and risk management to suit segment needs

Business Banking – a good track record of financial performance and balance sheet growth...

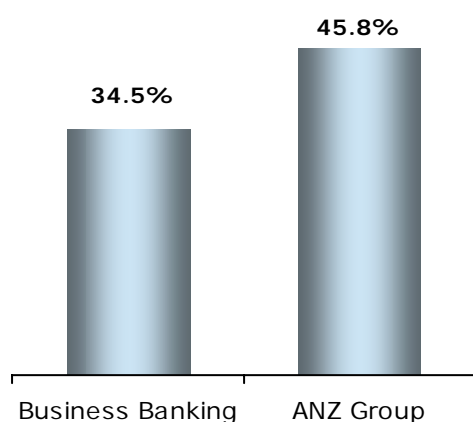


Strong revenue and controlled cost growth delivering good NPAT and CTI performances

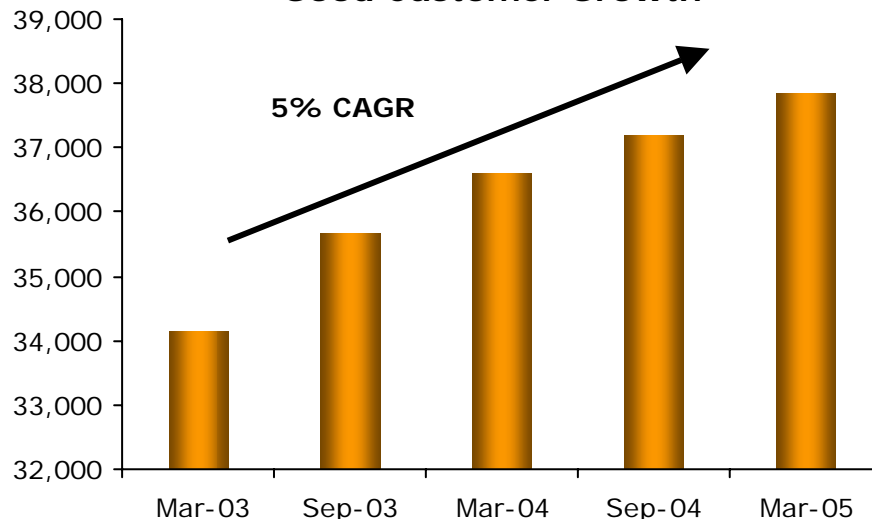
Ave. annual growth 2002-2005*



Cost to Income 1H05



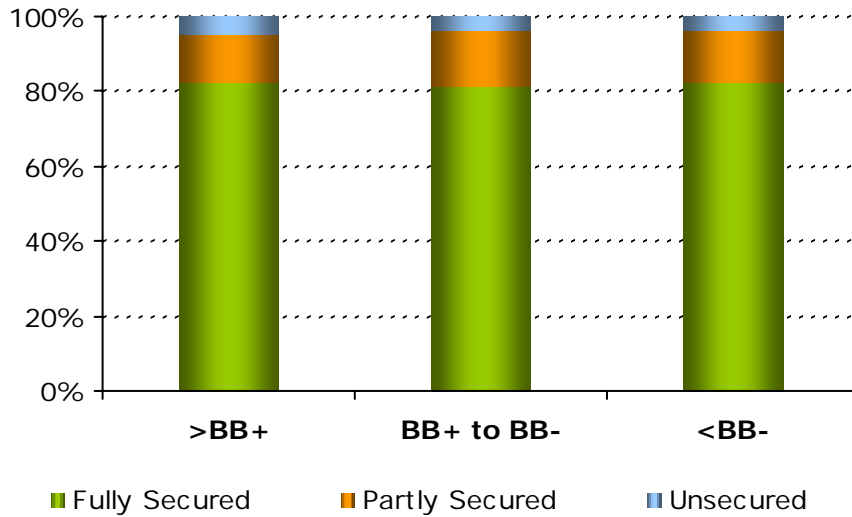
Good Customer Growth



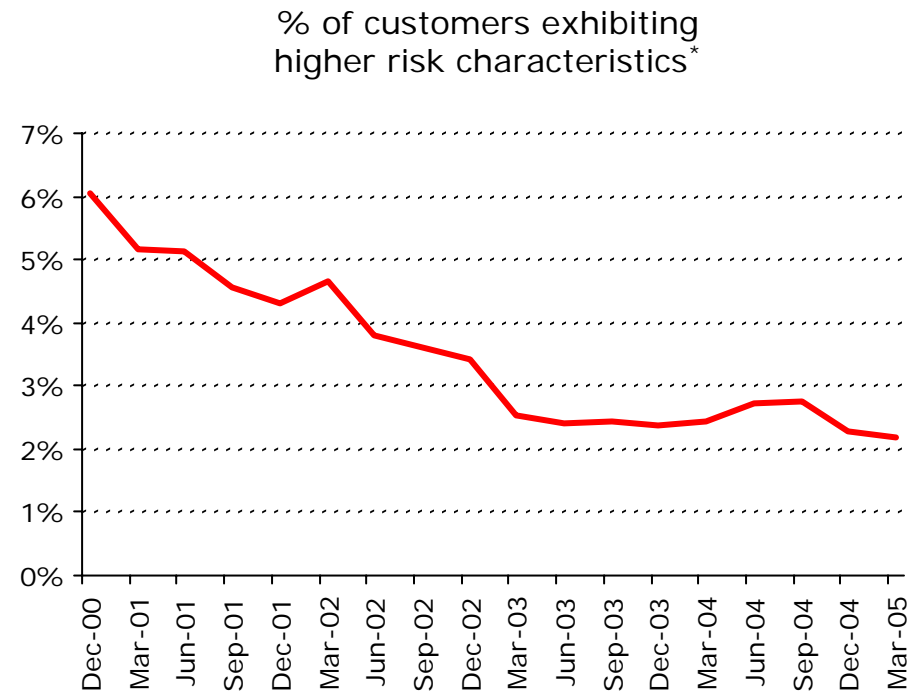
*1H05 Annualised

...while maintaining strong credit quality

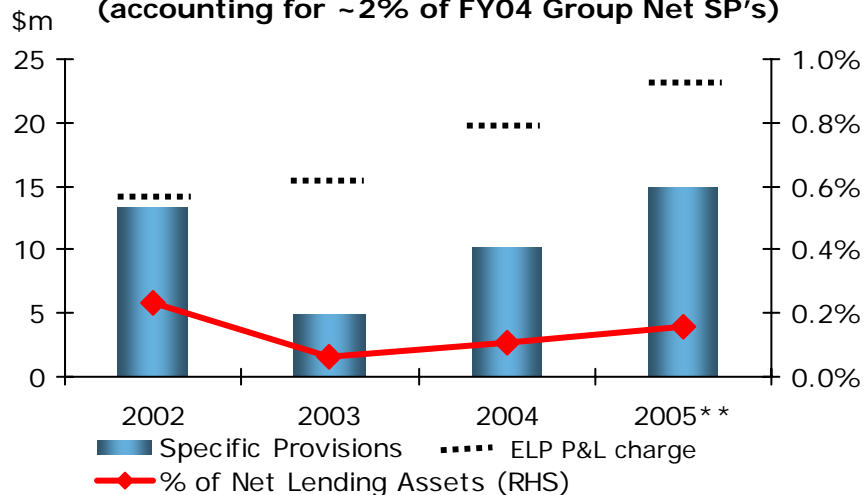
Portfolio is well secured across different risk bands



Behavioural risk profiles remain low



Driving low Specific Provisions (accounting for ~2% of FY04 Group Net SP's)



- Portfolio reviewed dynamically via behaviour scoring on quarterly basis
- New business of equivalent credit standard to existing business

*Drop in Mar '03 partly due to scorecard enhancement
 **1H05 annualised

Simple growth strategy in Business Banking - key is execution

Business Banking has followed a structured and sustainable approach to achieving organic growth. Its core components are outlined in the stylised model shown below:

- Geographic 'footprint' expansion has been a key plank in overall growth
- A strong customer proposition is important for both driving new customer acquisition and high retention
- Product mix and share of wallet (SOW) are key factors in profitability and investment decisions
- Set 'leverage' (cust. per RM set) is a key to maintaining our customer proposition and positioning for growth
- Specialist business strategies have proven very effective in winning new customers



REACH **QUALITY** **FUM** **PRODUCT & SOW** **LEVERAGE** **SPECIALISATION** **BOLT ON GROWTH**

$$\text{Growth} = f \left\{ \begin{array}{l} \text{Footprint} \\ \text{(No. of RMs)} \end{array} \right. ; \begin{array}{l} \text{Quality of} \\ \text{People} \end{array} ; \left(\begin{array}{c} \text{New} \\ \text{FUM} \\ - \\ \text{Run-off} \\ - \\ \text{Losses} \end{array} \right) ; \left(\begin{array}{c} \text{No. of products} \\ \text{per customer} \\ \\ \text{X} \\ \text{Product Mix} \\ \\ \text{X} \\ \text{Margin} \end{array} \right) ; \begin{array}{l} \text{Leverage} \\ \text{(customers per} \\ \text{RM)} \end{array} + \begin{array}{l} \text{Specialisation} \\ \\ \end{array} + \begin{array}{l} \text{Acquisition} \\ \\ \end{array} \left. \right\}$$

People strategies drive longer-term success

Talent pipeline

- Identification of key roles within the business & establishment of high quality candidate lists
- Established Junior Mgt Board

Learning & development

- Curriculum established for front line roles with current focus on Sales Leadership and Origination

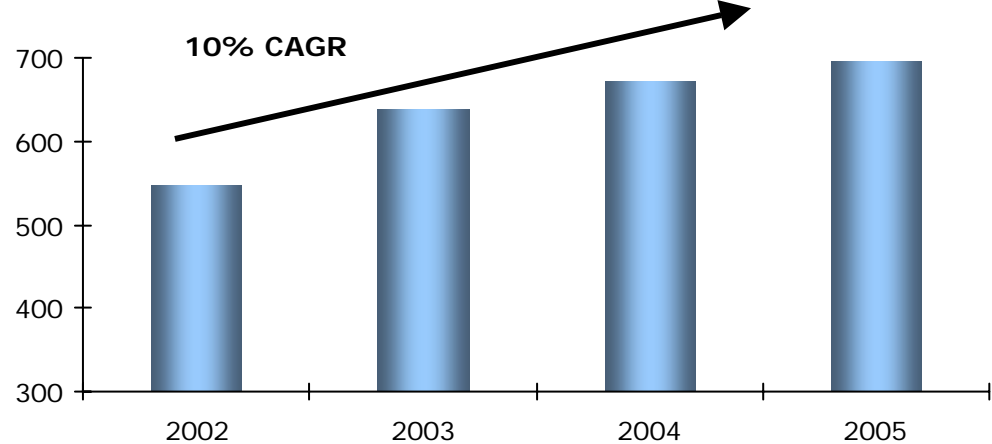
Operational Excellence

- Well managed, strong risk capability, focus on business execution

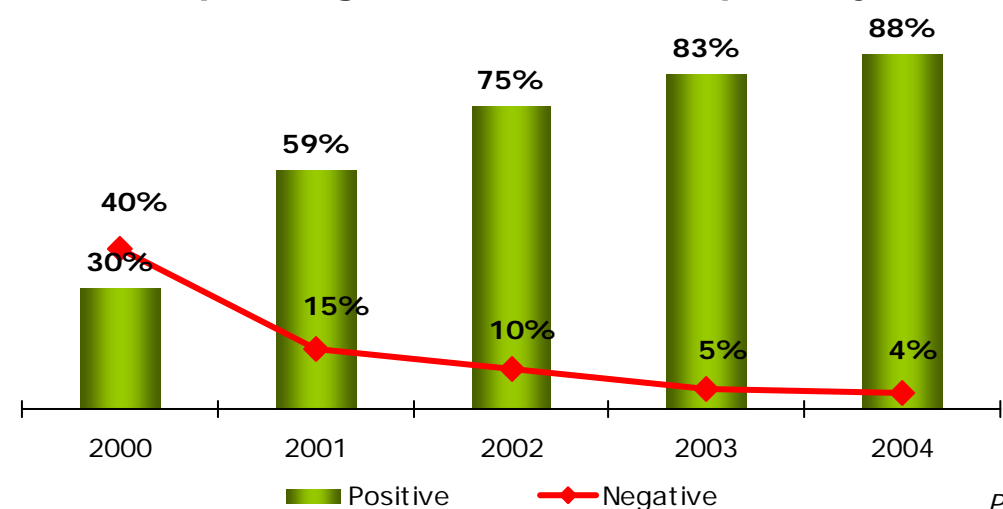
Our culture

- Progressing from surveying staff satisfaction to staff engagement
- Building culture of business ownership

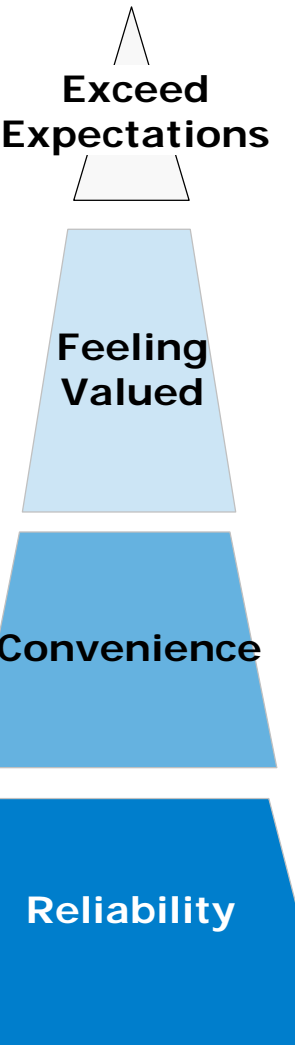
Significant investment in frontline capabilities (frontline FTE)



A dramatic change in staff satisfaction, improving our execution capability*

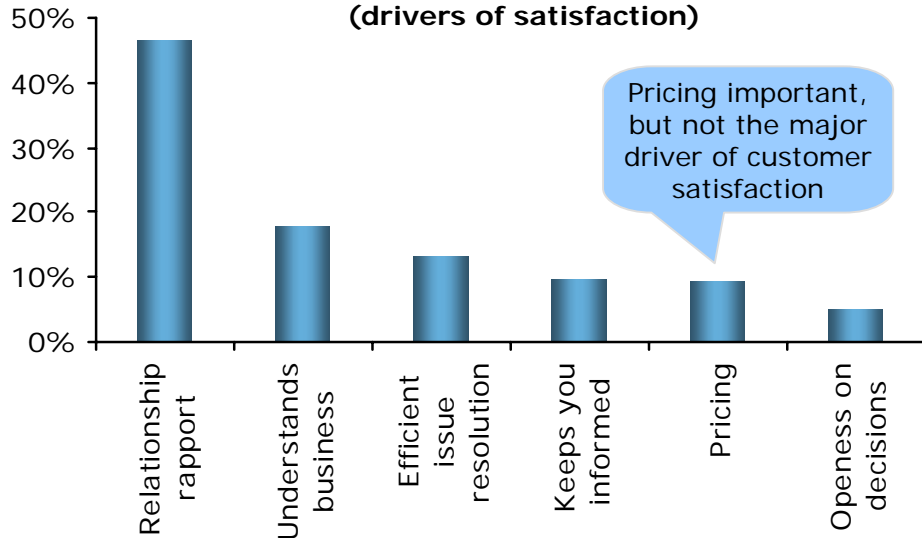


A service proposition based on understanding customer needs

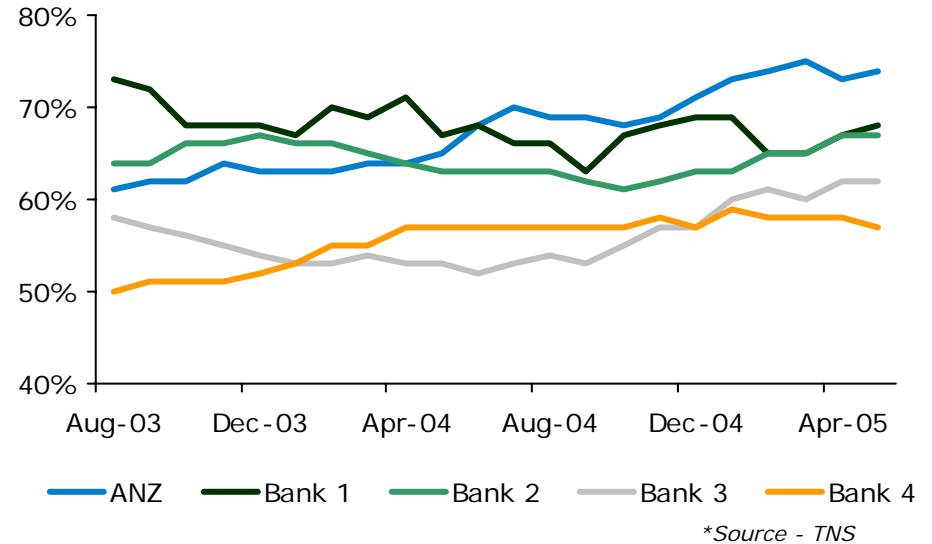
Service Pyramid	What Customers Want	Initiatives
 <p>Exceed Expectations</p>	<ul style="list-style-type: none"> • Proactive • Innovative & tailored solutions • Trusted advisor 	<ul style="list-style-type: none"> • Outbound contact calling • Development Capital • Start up guide
<p>Feeling Valued</p>	<ul style="list-style-type: none"> • Personal touch • Professional service • Understand client & their business • Regular contact • Needs based solutions • Eager to do business 	<ul style="list-style-type: none"> • “Your Team” / structured call program • Annual customer survey • Industry Specialisation • Esanda & FM specialists • Invoice Finance • Product Partner Survey
<p>Convenience</p>	<ul style="list-style-type: none"> • Accessible • Know who to contact • Seamless interaction across BU’s • Geographic coverage 	<ul style="list-style-type: none"> • Footprint strategy (People and Business Centres) • Broker proposition • Simplify statements • Inbound calling
<p>Reliability</p>	<ul style="list-style-type: none"> • Competent & motivated staff • Consistent performance • Sound systems • Deliver service as promised • Prompt issue resolution 	<ul style="list-style-type: none"> • Refining service proposition • Dorcas St. Business Centre • 4 hour project • Training • Graduate recruitment • Development Sets for new staff

Meeting customer needs drives higher customer satisfaction

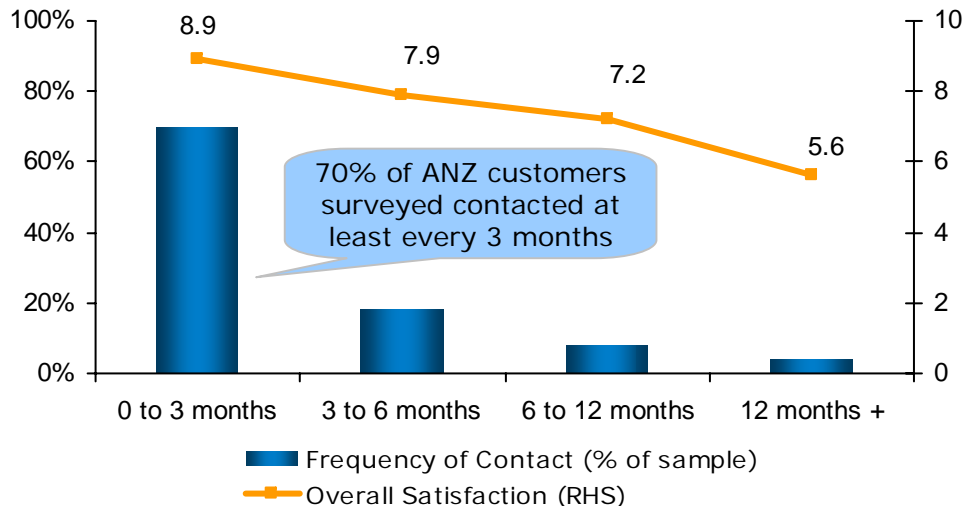
Our Business Banking relationship proposition focuses on customer needs... (drivers of satisfaction)



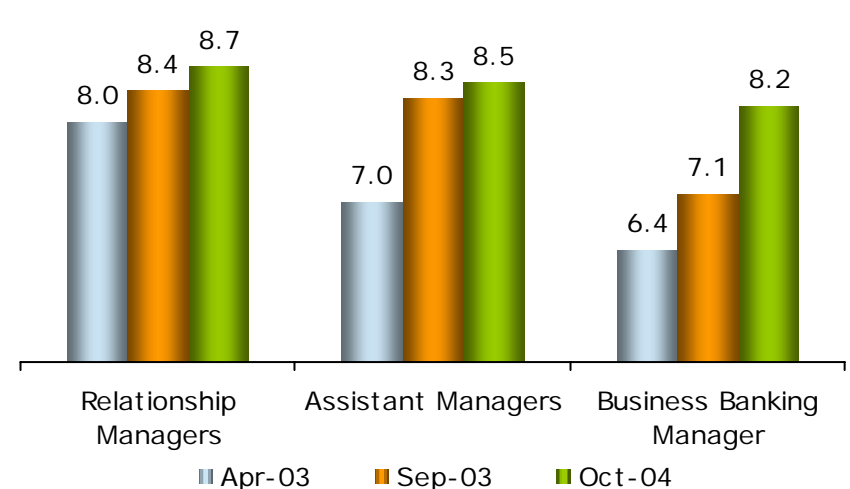
..driving leading customer satisfaction*



Regular contact key to customer satisfaction

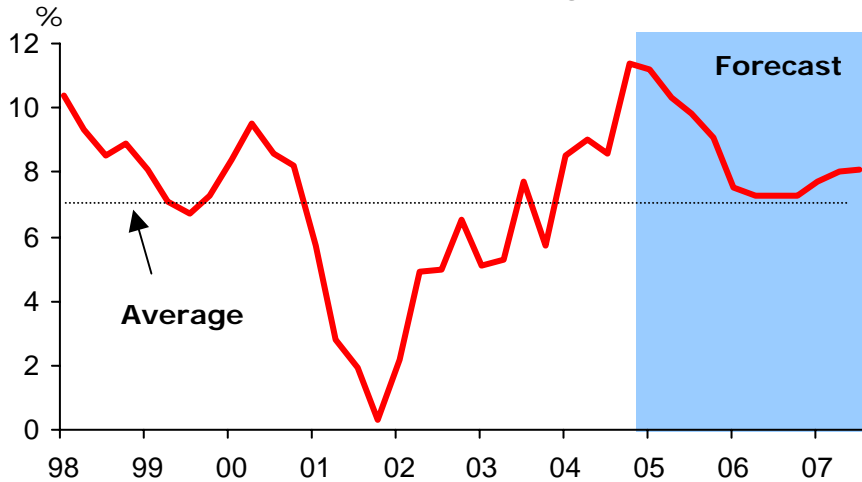


Increased satisfaction with frontline supports our relationship proposition

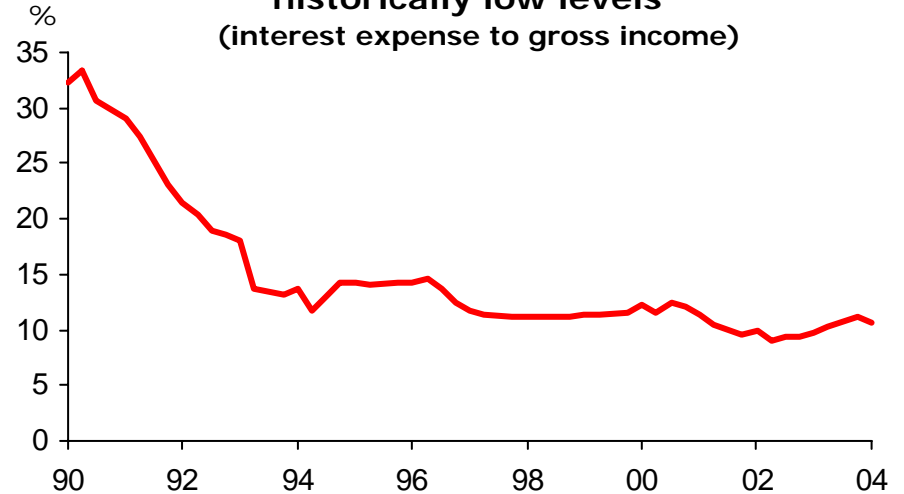


Market indicators support continued growth

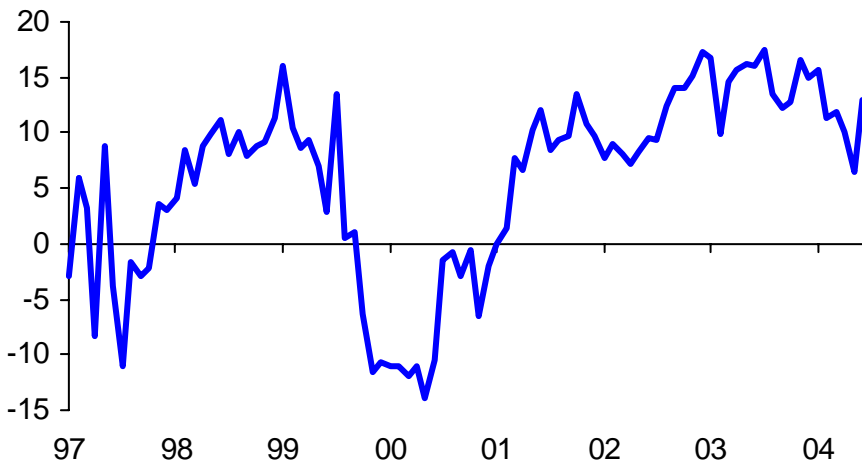
Robust Business Credit Growth Forecast*
(% annual change)



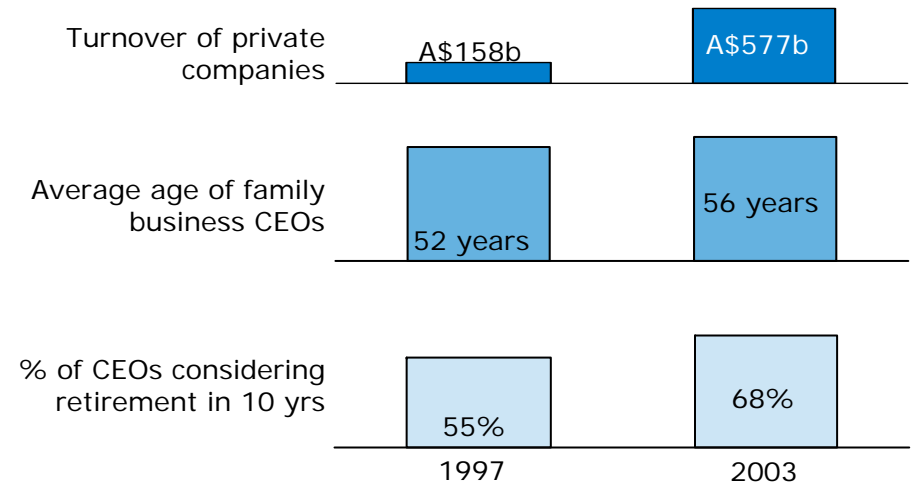
Corporate Debt Service Ratios at historically low levels*
(interest expense to gross income)



Business conditions remain buoyant#



Demographic trends highlight continued growth opportunities^



Source - *ANZ Economics, #NAB Survey

^ATO, Australian Family and private business survey, 1997, 2003

Market trends and challenges – medium/long term

Some trends emerging which could provide significant threats or opportunities:

Emergence of New Players

Commoditisation of Credit Product

Squeeze on 'Full Service' R/ship Model

Threat to 'security based' SME Lending Model

Business Ownership (generational) change

Customer Management Tools



Possible Responses

- Maintain and develop market leading relationship staff
- Disciplined use of customer segmentation
- Greater use of industry specialisation and specialist customer solutions
- Innovative product offers to offset power of single product providers
- Investment in best in class platforms or channels

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