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# Business Banking – a snapshot

Australia and New Zealand Banking Group Limited

19 June 2007

**James Flintoft**  
Managing Director

# Business Banking – a snapshot

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**Historically strong franchise**

- 'Old' business banking traditionally a good performing business, 1H07 impacted by restructure and margin decline
- Customer satisfaction above the other Australian majors
- Good staff engagement
- Lower propensity to switch

**Restructured to drive longer term profit growth**

- Historic under-servicing of 'old' Corporate Banking
- Bringing the cash flow proposition to our business banking clients

**Already seeing quick wins**

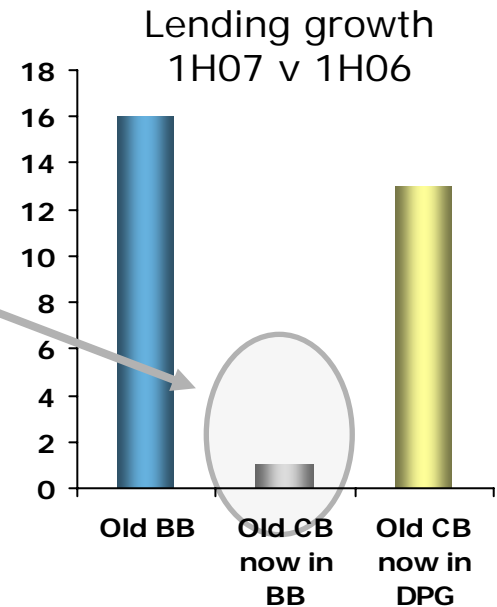
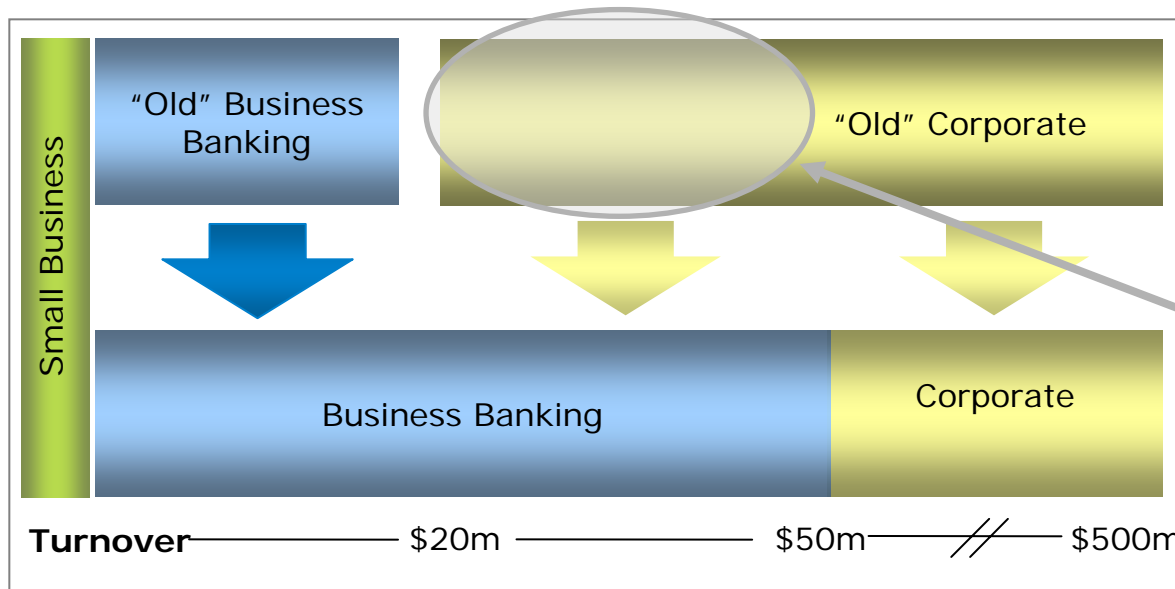
- Calling rates have improved
- Deal pipeline is strong with increased credit approvals
- Drawdowns are increasing

**Positioning the Business for the future**

- Increasing sales force effectiveness
- Streamlining the way we do business
- Capturing the growth
- Deepening share of customer wallet

# Restructure to drive long term profit growth

## Business Banking segment realigned to drive growth



## The new structure has a more complete Business Banking proposition

### 'Old' Business Banking:

Geographic reach

Secured lending

330 Relationship Managers

+

### 'Old' Corporate Banking:

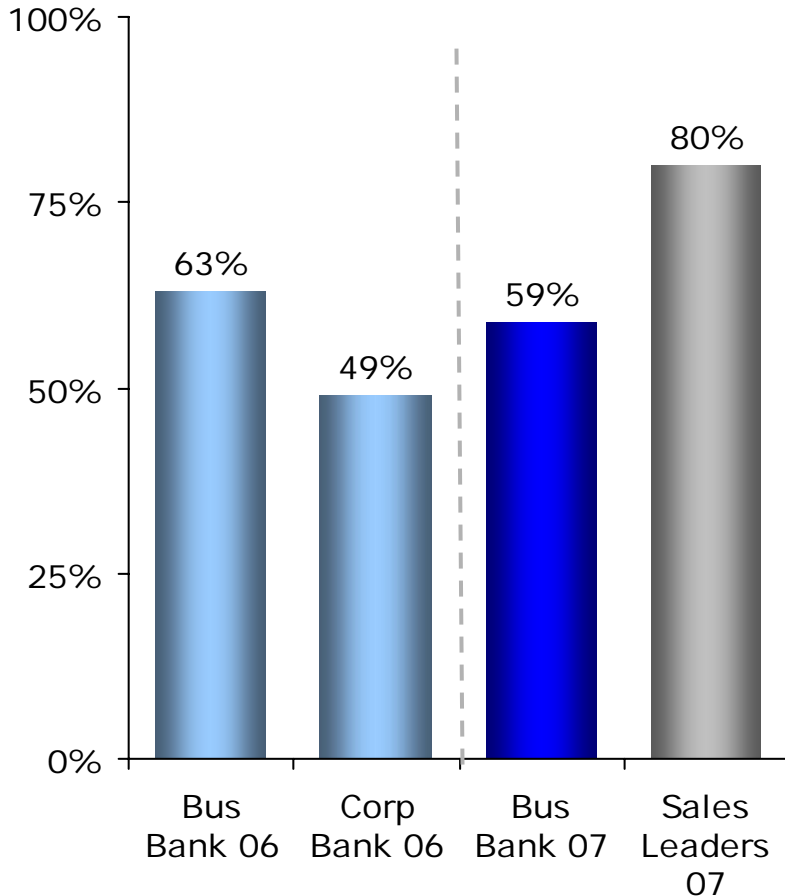
Cashflow capability

Less focus on \$10-40m turnover segment

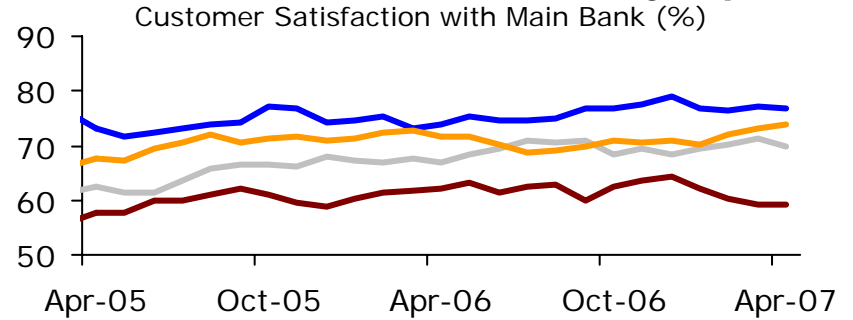
50 Relationship Managers

# Franchise metrics remained strong through transition period

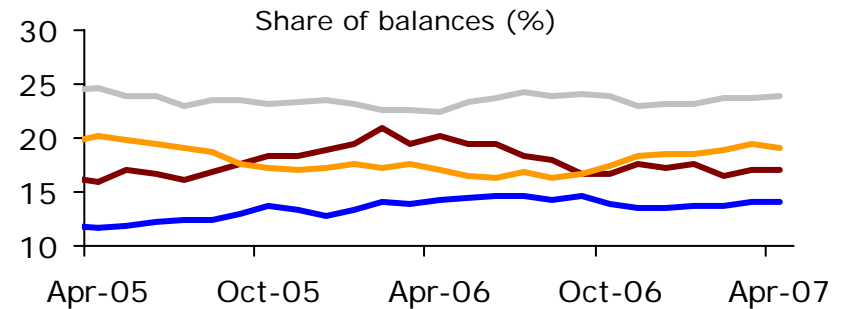
## Our staff engagement has been maintained



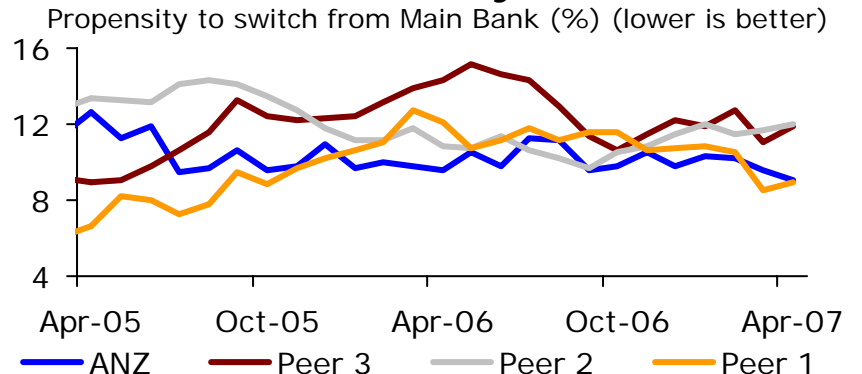
## Customer satisfaction above major peers\*



## Market share has remained stable\*



## Our clients are less likely to switch banks\*



Source\*: TNS Business Finance Monitor

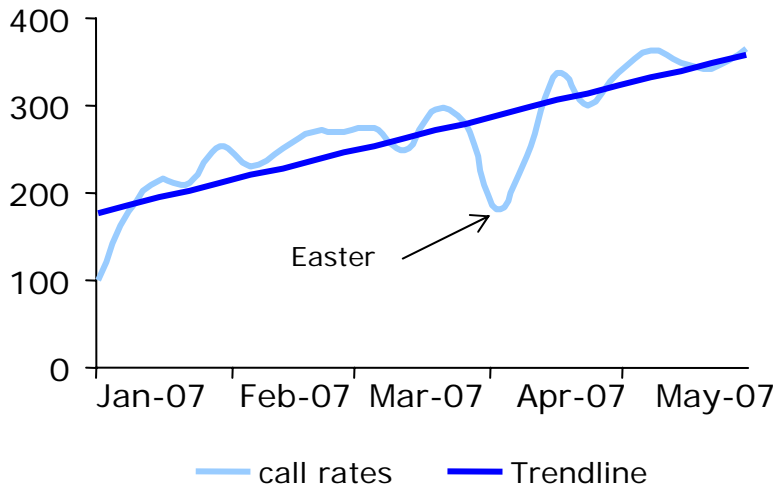
Base\*: Metropolitan based businesses with annual turnover \$1m<\$40m. 12 month rolls updated monthly.

Share of balances Definition\*: Market share percentages are based on the bank's share of the total balances. This is calculated across six balance products, with the exclusion of vehicle and equipment finance.

# We are already seeing "quick wins" from the new structure with momentum rebuilding

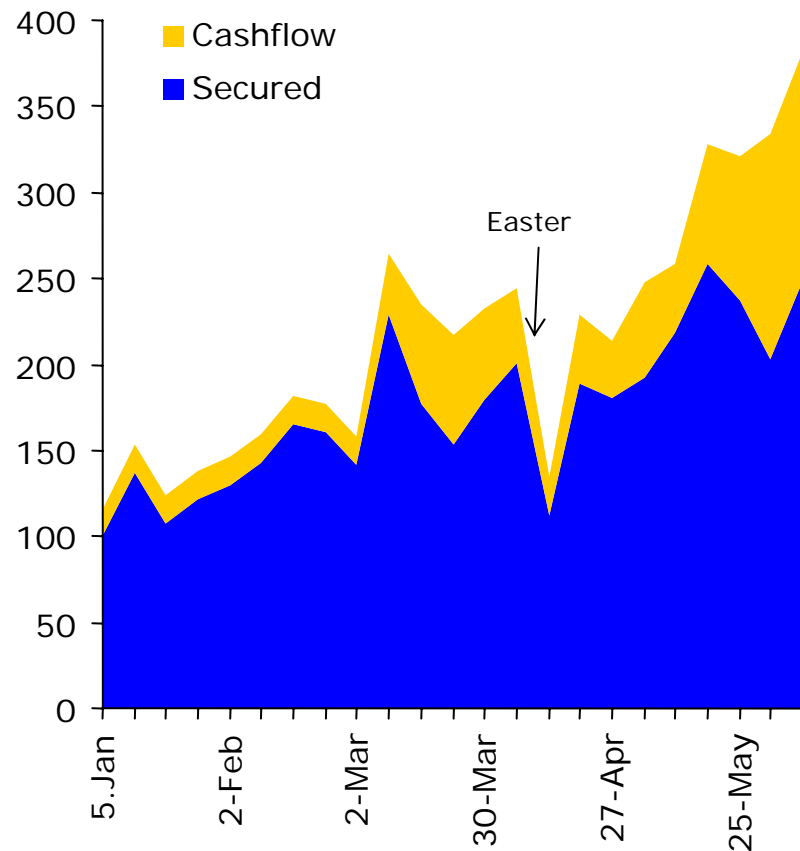
## Calling rates have improved

2007 Call Rates (Jan-07 index = 100)



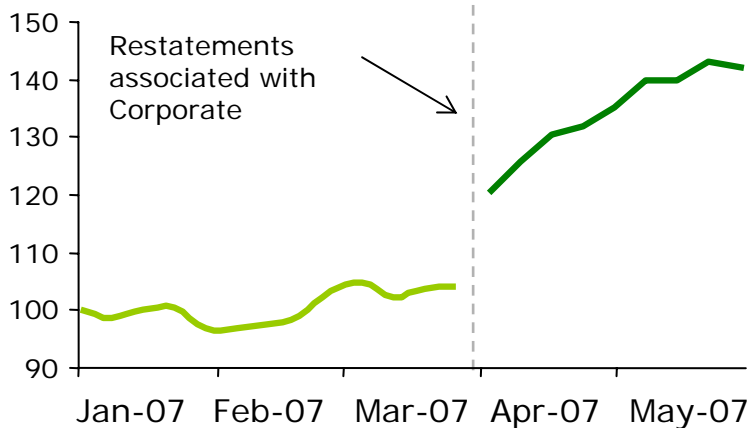
## Credit approvals are on the rise

Credit approvals (Week commencing 5 Jan index = 100)



## Our pipeline of deals is increasing

2007 Deal pipeline (Jan-07 index = 100)



# Our core customer proposition is the focus of our growth strategy

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## Understanding

### *We Learn More About Our Customers*

- Understand our customers, their businesses, industry & local market
- Understand linkages between our customer's businesses & personal wealth
- Passionate about their businesses

## Responsiveness

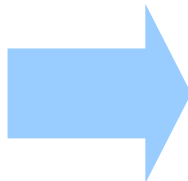
### *And We Respond Faster To Customer Needs*

- Convenient and easy to use
- Simple /clear processes
- Return calls same day
- Fewer mistakes, problems resolved quickly

# We are positioning the franchise well to capture growth in FY08 and beyond

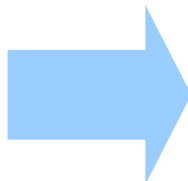
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**Increasing sales force effectiveness**



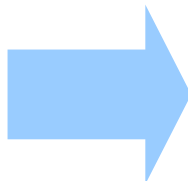
**'Relationship Manager of the Future'** (sales processes, sales management, training, coaching, incentives, culture)

**Streamlining the way we do business**



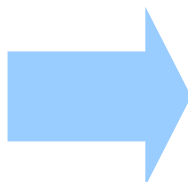
**'District of the Future'** (policy and process simplification and automation)

**Capturing the growth**



**Footprint** (WA, Qld, Western Sydney)

**Deepening share of customer wallet**



**Embedding cross-selling** (Risk management products to mid-market, Invoice Finance, etc)

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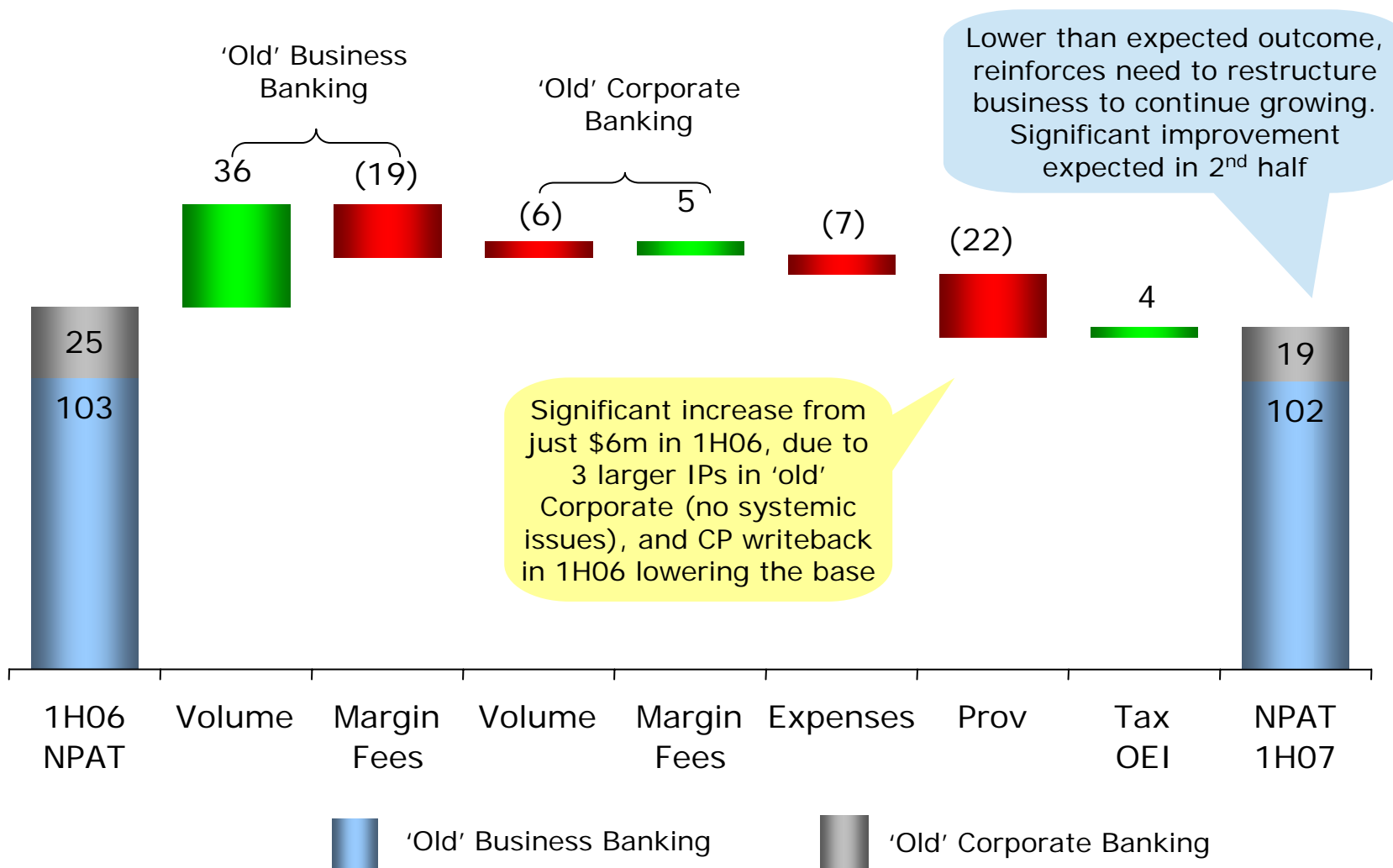
## **Additional information**



# A quick recap on the first half

## Business Banking performance

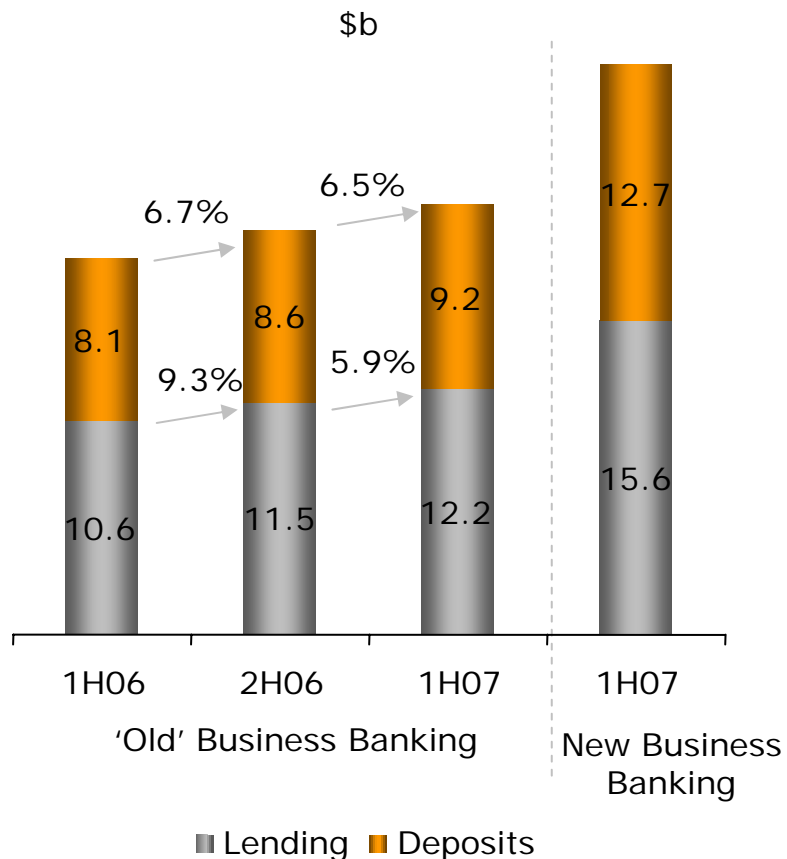
1H07 vs 1H06



# A quick recap on the first half

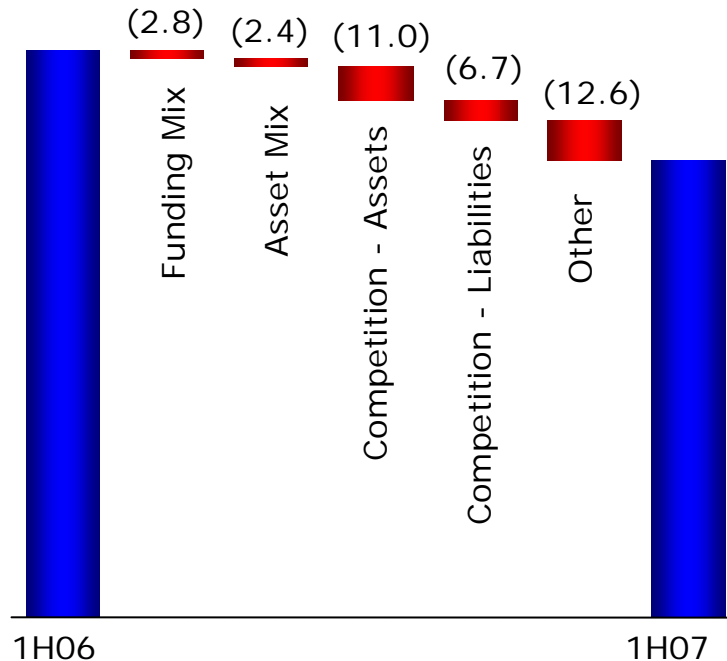
## Good performance in volume growth for 'old' Business Banking

(Index 1H06 = 100)



## Offset by increased margin pressure

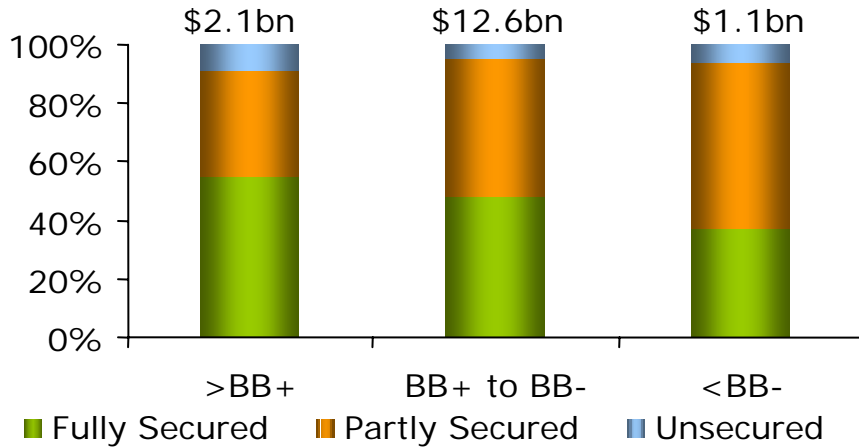
('Old' Business Banking Margin position)



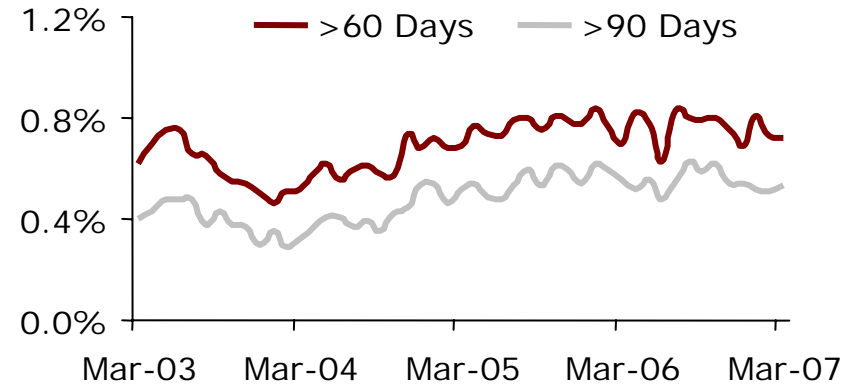
- Asset competition primarily from Variable and Fixed Rate Term Lending
- Other includes movement in wholesale rates and accounting changes for fee income

# Credit quality remains sound, some losses in 1H07 but no systemic issues

## Portfolio is well secured across different risk bands

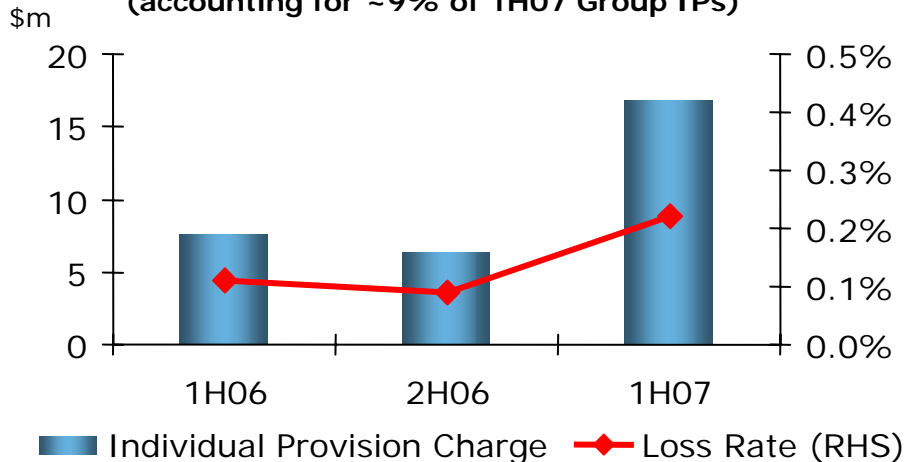


## Delinquency trends steady\*



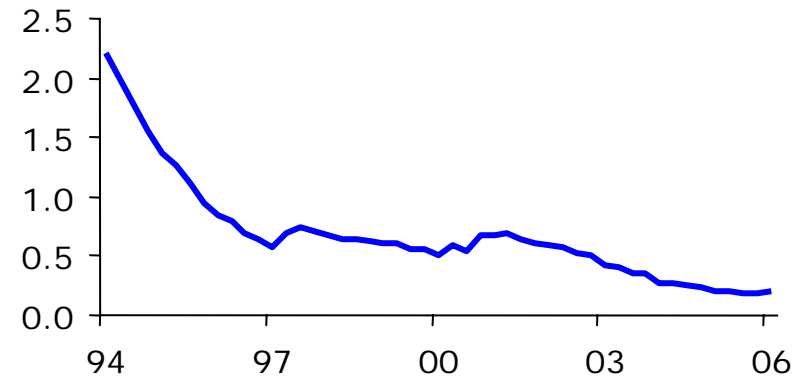
## Increase in Individual Provisions impacted by 3 customers

(accounting for ~9% of 1H07 Group IPs)



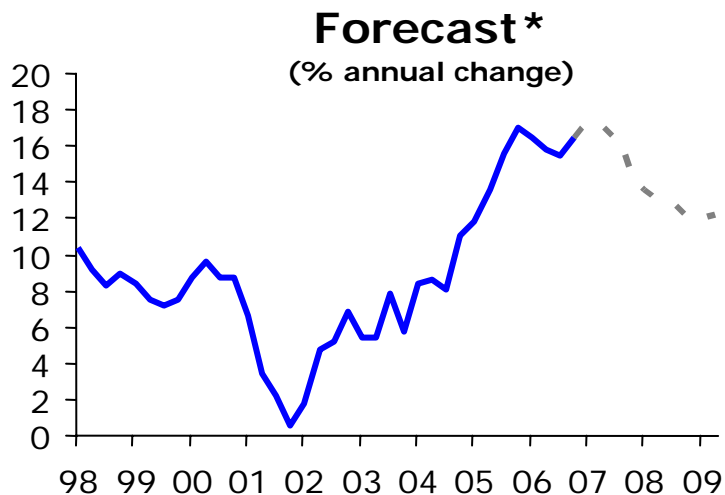
## Very low levels of banking sector impaired assets^

(% of total assets)

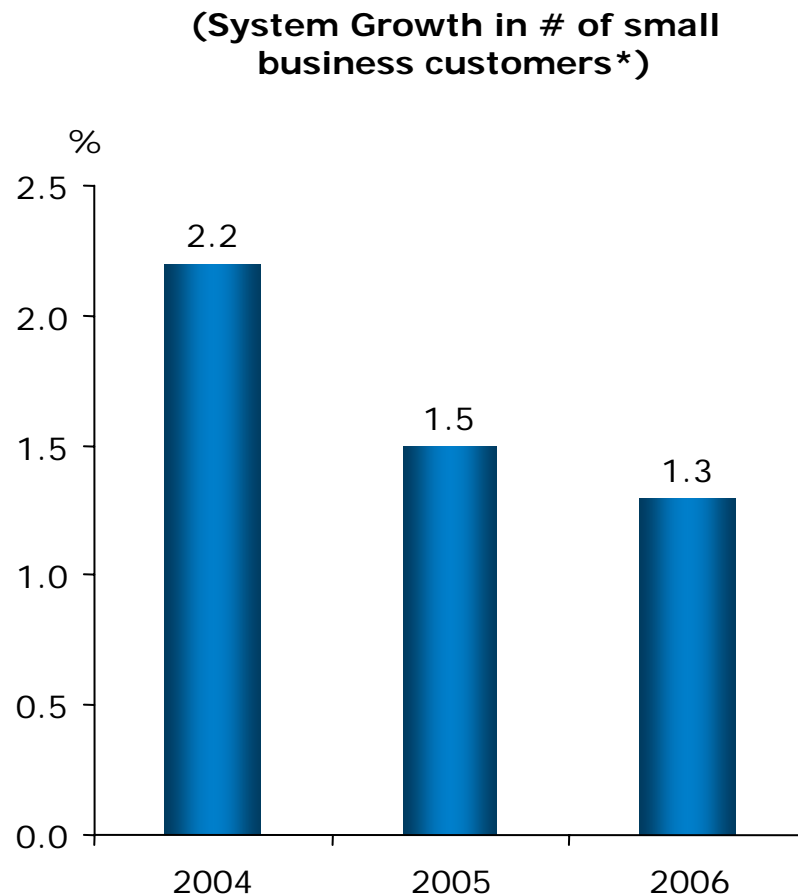


# Credit growth still strong, but slowing customer numbers are contributing to competitive pressure

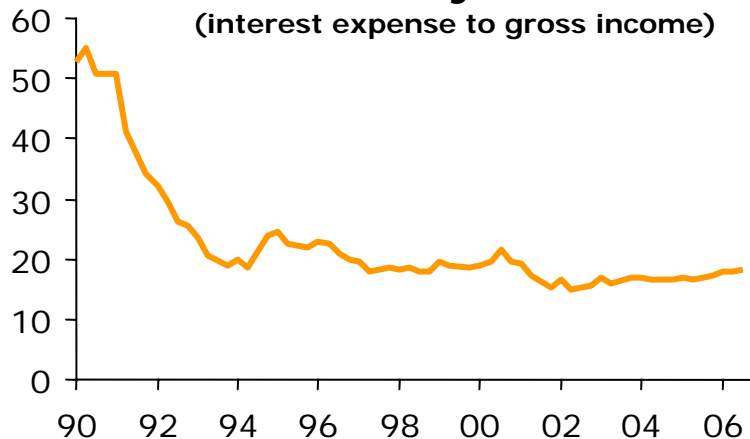
## Solid Business Credit Growth



## System growth in customers slowing

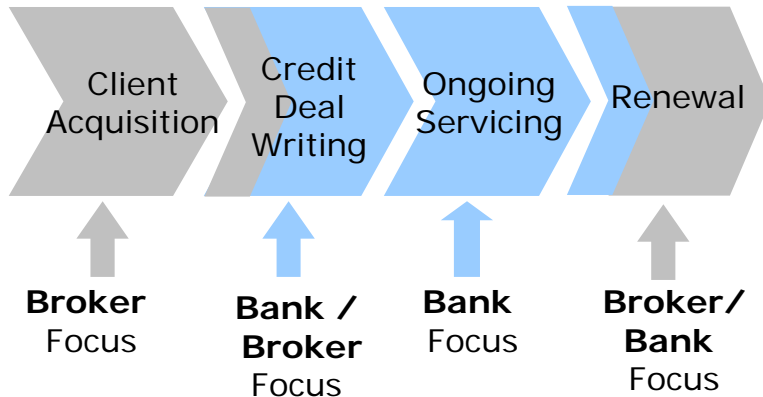


## Corporate Debt Service Ratios at historically low levels\*

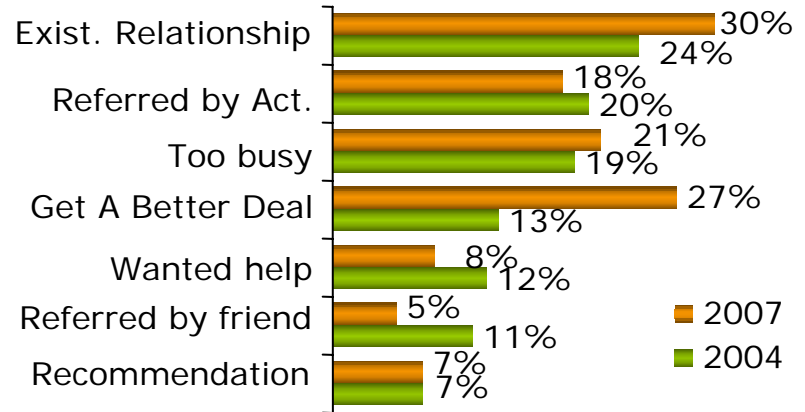


# Brokers a necessary part of doing business

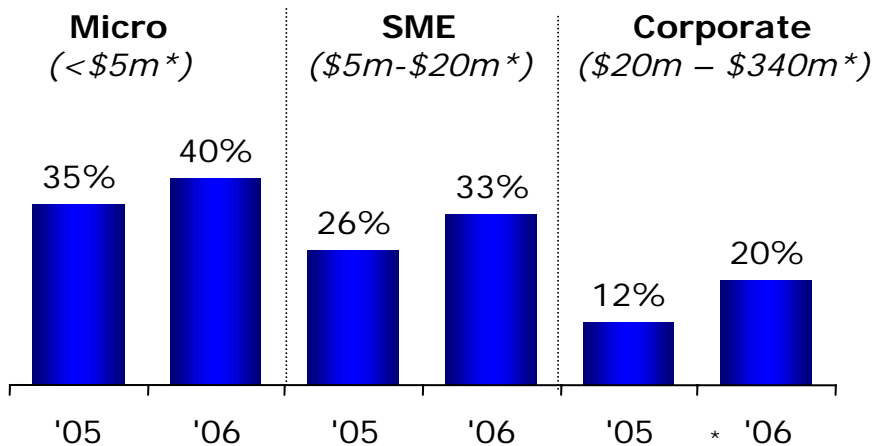
## Role of the Broker in the Lending Value Chain



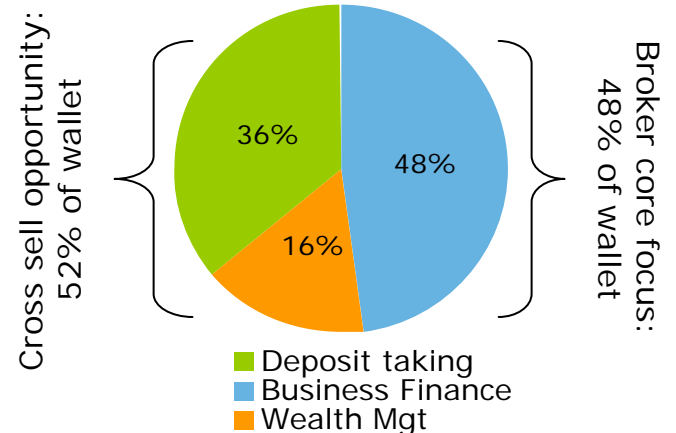
## Customers choose brokers for expertise & convenience before price\*



## Brokers capture approximately 33% of the market<sup>^</sup>



## Volume and cross sell opportunities (Business Banking Customer Portfolio)



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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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