



**Esanda**

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**Managing Director Esanda**

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# Esanda - Australia's leading provider of asset finance

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## Auto Finance

- Number 1 automotive financier in Australia
- Most extensive Dealer Network – over 650 car dealerships
- Total Loans \$7.4b
- Number of contracts ~ 295,000

## Esanda Business Equipment Finance

- Extensive Business Equipment Financing including agricultural, industrial, medical, computing, transportation.
- Total Loans \$7.0b
- Number of contracts ~ 15,000

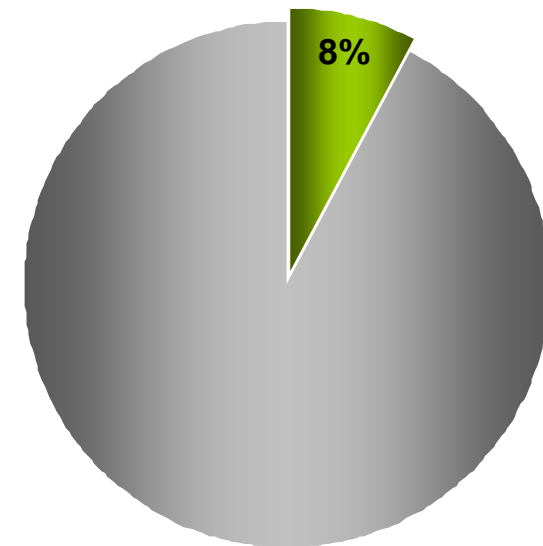
## Esanda Debentures

- Largest provider of debentures in Australia
- Funds Under Management \$8.0b
- Customers ~ 150,000

## UDC

- New Zealand's leading asset finance company
- Total Loans (AUD) \$1.7b
- Number of Contracts ~ 40,000
- UDC debentures (AUD) \$1.7b

## Contribution to Personal Division NPAT (1H07 Esanda only)



# Strategy

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**Building a reputation based on our expertise**

- where we play
- assets we write
- price we write at

**Dealer Auto Finance**

- **ANZ business with a #1 market position**
- **revitalising our proposition, improving returns**
  - leadership bench-strength improved
  - delivery speed
  - product features
  - pricing requirements

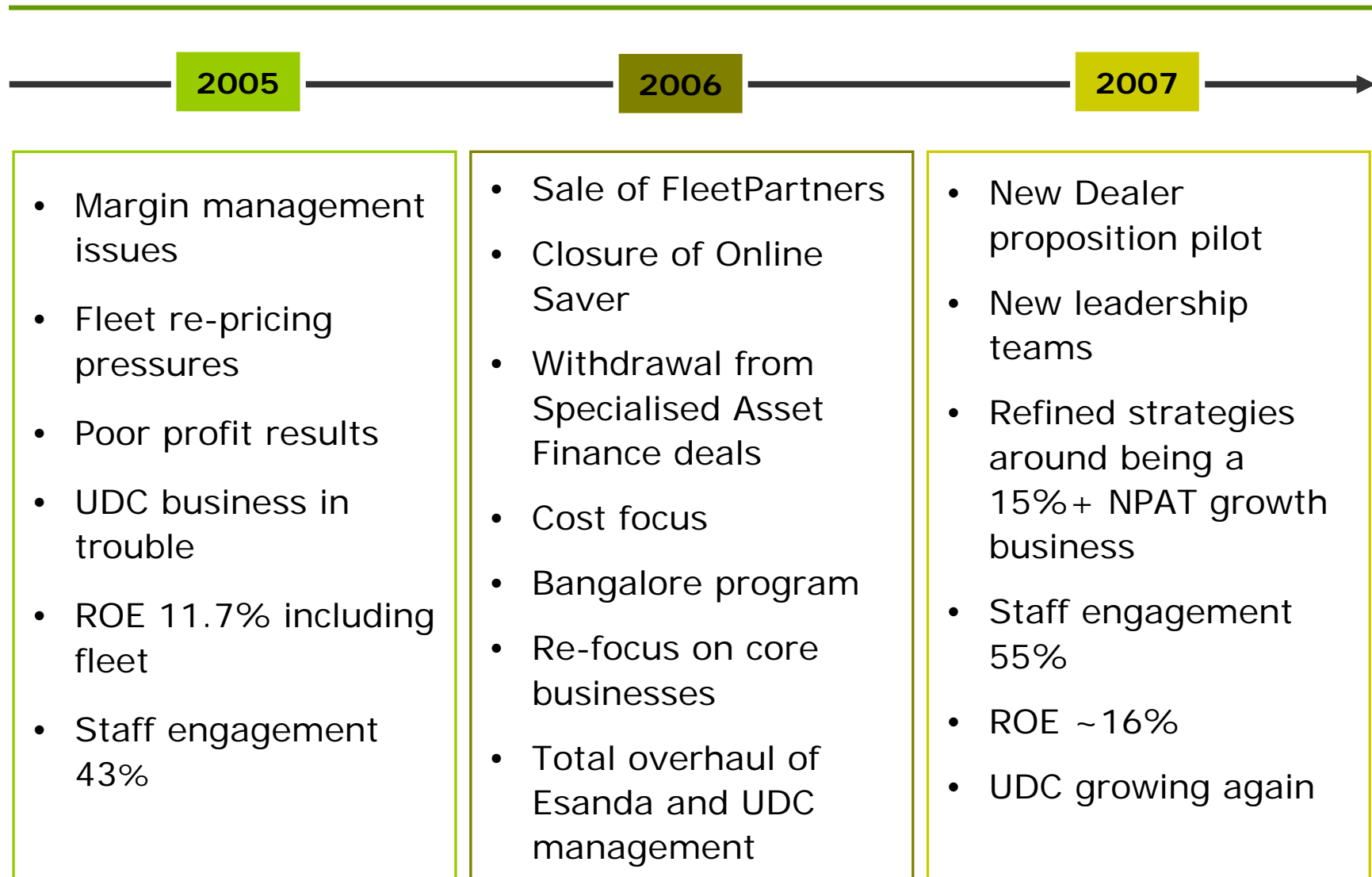
**Business Equipment**

- leadership bench-strength improved
- greater ANZ penetration
- sharpened focus on target asset types
- reviewing product opportunities

**Positioning**

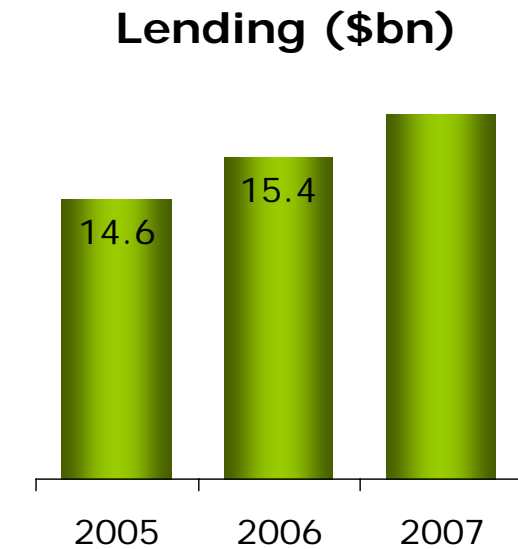
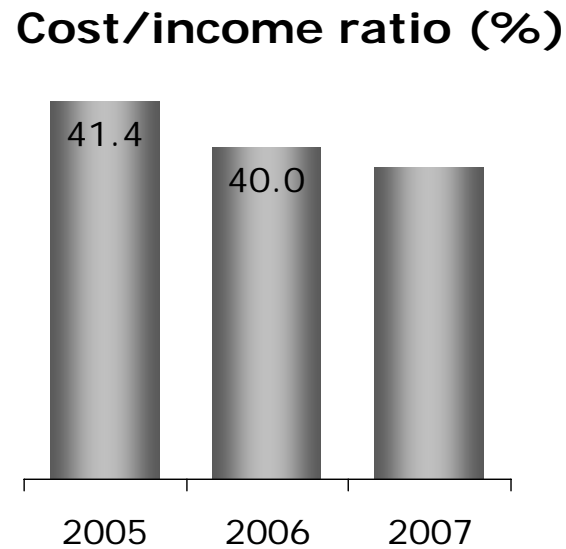
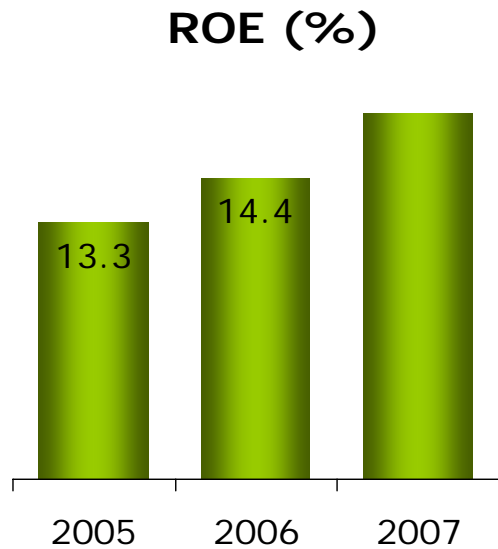
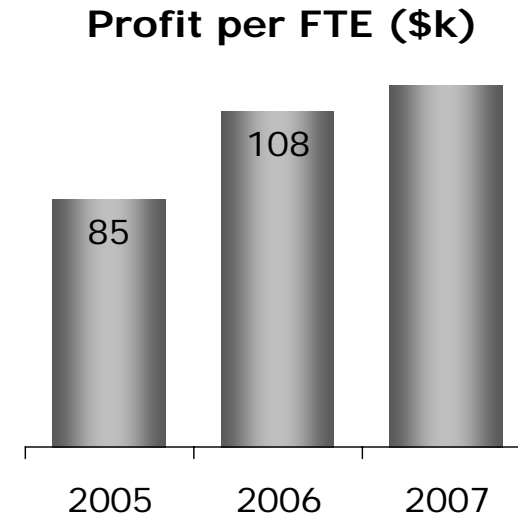
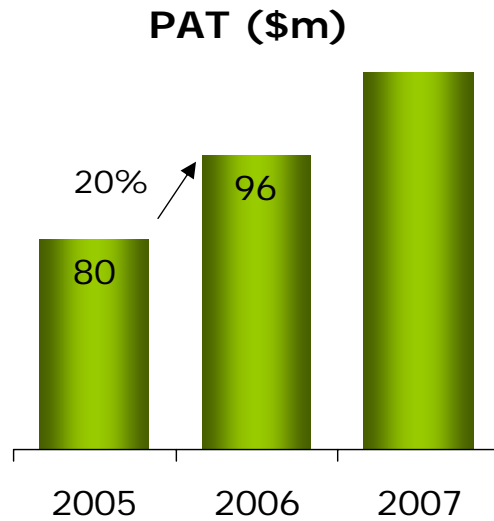
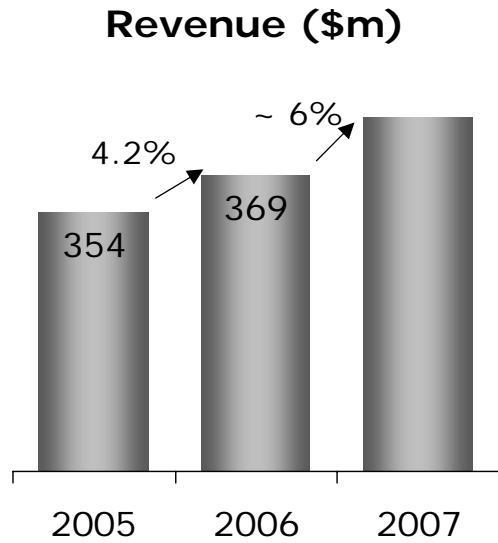
- Australia's Finance Company
- New Zealand's Finance Company

# Business Evolution and Overhaul

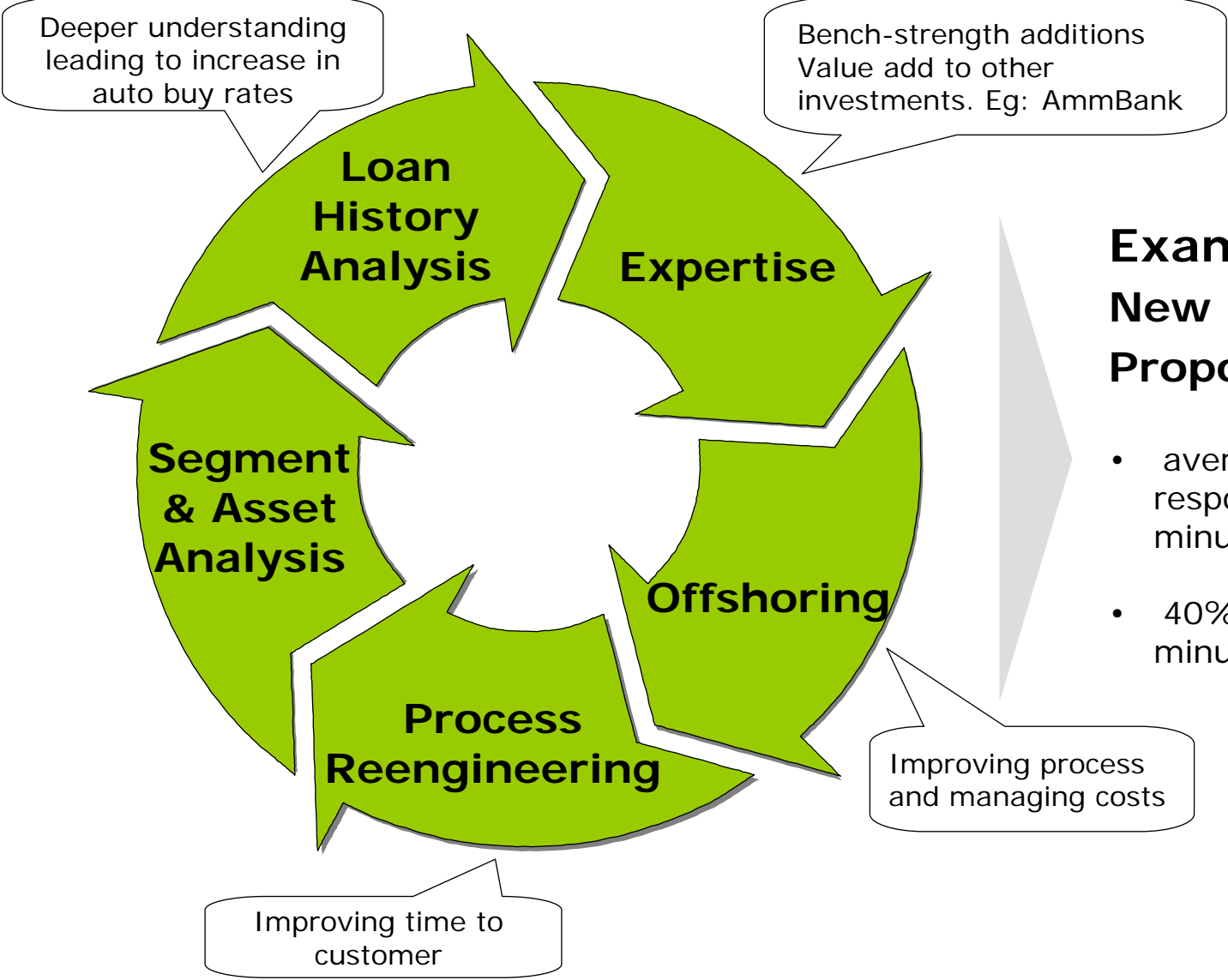


# Leading to Stronger Performance

Esanda Australia



# 2007 – advancing capabilities



## Example: New Dealer Proposition Pilot

- average approval response time < 30 minutes
- 40% approved in < 15 minutes

# Advancing Capabilities: Dealer Finance case study

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## Situation

- Base interest rates charged to dealers did not vary with loan risk
- Commission plans paid to dealers significantly more for low quality loans
- Low quality loans grew as a percentage of book
- Losing money on loans to lower-credit customers (even in good credit environments)

## Action

- Pricing model developed to address dealer and direct channel loans
- Targeted a consistent economic value for each loan written
  - Created different base rates by customer risk grading
  - Applied science in calculating the new base rates:
    - Probability of default (PD)
    - Loss given default (LGD)
    - Total cost by customer risk grade type
    - Capital attraction of each risk type
    - Cost of capital calculations (applied to each loan)

## Outcome

- Based on pilot results the new approach will yield the following results:
- Dealer volume will remain the same or improve
  - Dealers will make at least as much commission
  - Esanda 's NPAT will increase and returns will better reflect risk

# No 1 dealer finance position provides strategic advantages

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- A well respected and recognisable brand
- Large volumes processed offer scale advantages
- Participating in dealer consolidation
  - Our share of large dealers means we are more often on the buy side
- Reputation
  - helped secure Ford Credit's New Zealand business for UDC Finance
- Expertise
  - Leveraged in other markets eg: Ammbank Malaysia, UDC Finance
- The channel originates over 9,000 new accounts every month, enabling opportunities for cross-sell:
  - Esanda Corporate Card – higher take-up than similar ANZ card offered
  - Insurance cross-sales in direct channel at best practice levels now





## UDC – example of a successful transition

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- Management team completely restructured in 2006
- Staff engagement up significantly
- Sales focus and experienced leadership driving a 25% increase in new business writings
- Balance sheet growing again after 3 years of decline
- 4 below standard audits now re-graded to acceptable
- Investment in dealer automated scoring to enable fast response times
- Successful tender for business of Primus (Ford Credit)
- Launched new advertising campaign



# Innovative ways and award winning products enhancing our finance company offering

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## Personal Loan pilot

- Over 40 inbound calls per day received from existing customers
- Consumer credit expertise (sourced from Consumer Finance) assisted to develop pilot product
- Leveraged off risk based pricing experience to introduce risk based pricing for this product

## Esanda Debentures

- 50 years of investment issuances
- Australia's largest supplier of fixed-term debentures,
- Strongest rating for any debenture provider in Australia (S&P rating A1+ & AA)



**Best 2 year debenture (\$10,000)**  
**Best 5 year debenture (\$20,000)**