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# Morgan Stanley Investor Conference

Australia and New Zealand Banking Group Limited

November 2007

**Peter Marriott**  
Chief Financial Officer

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

**ANZ**

# ANZ - major bank in Australia and New Zealand, expanding rapidly into Asia



- Established 1835
- Represented in 31 countries
- Market capitalisation ~ \$53b
- Largest Australian bank in Asia
- Assets of ~ \$392b
- FY07 profit \$4.18b (Cash profit \$3.92b)
- Cost to income ratio 44.8%
- 1327 branches / representation offices
- Over 34,000 employees (FTE) worldwide
- Highest staff engagement of Australian companies
- Highest customer satisfaction of major Australian banks

# Our 2007 Annual Result

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Sep 07 v Sep 06

Headline profit - \$4,180m

↑ 13.3%

Cash\* profit - \$3,924m

↑ 9.4%

Revenue Growth

↑ 12.1% (10.1%\*)

Cash\* Profit Before Provisions (PBP)

↑ 11.5%

Cash\* EPS

↑ 8.1%

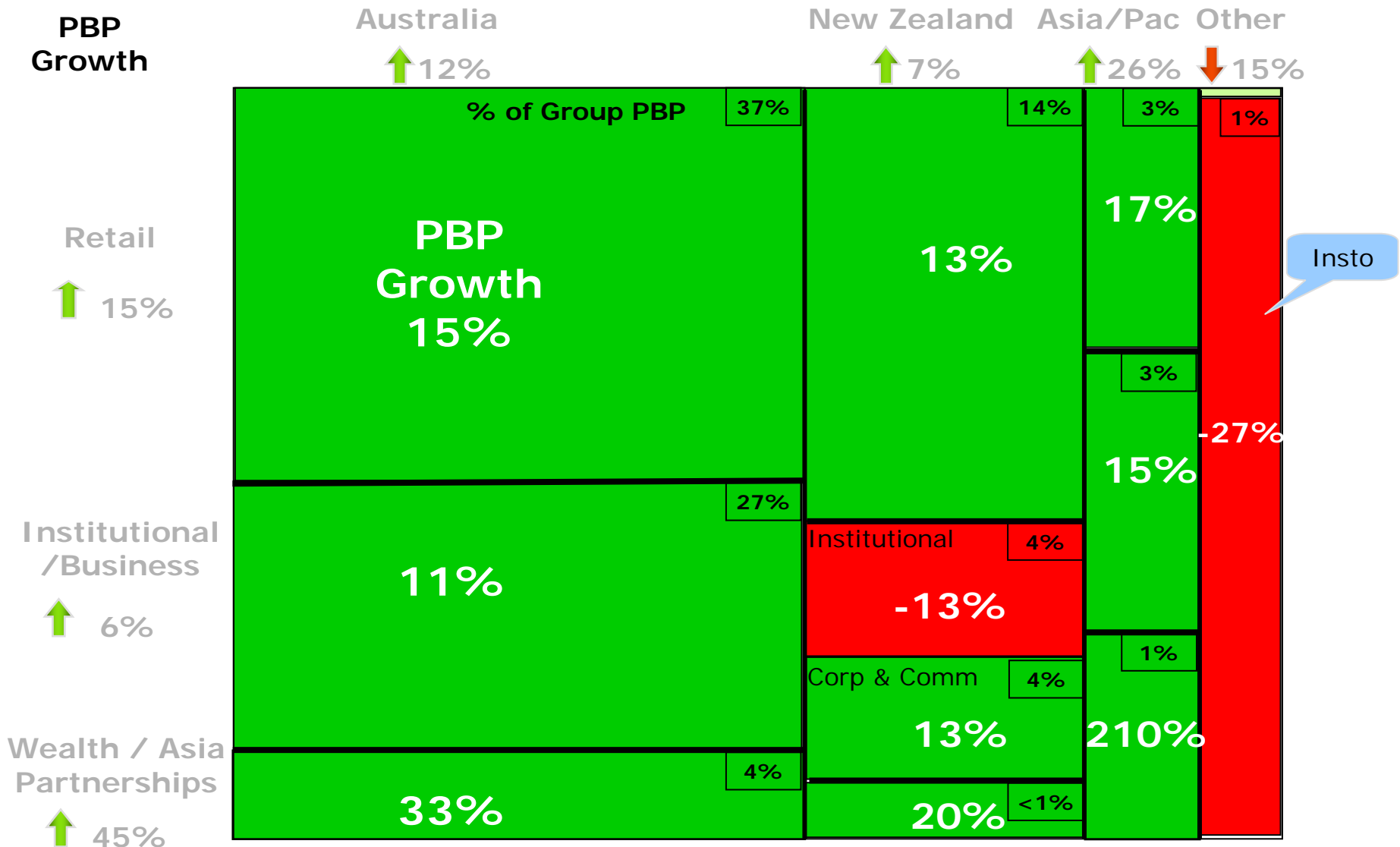
Dividend

↑ 8.8%

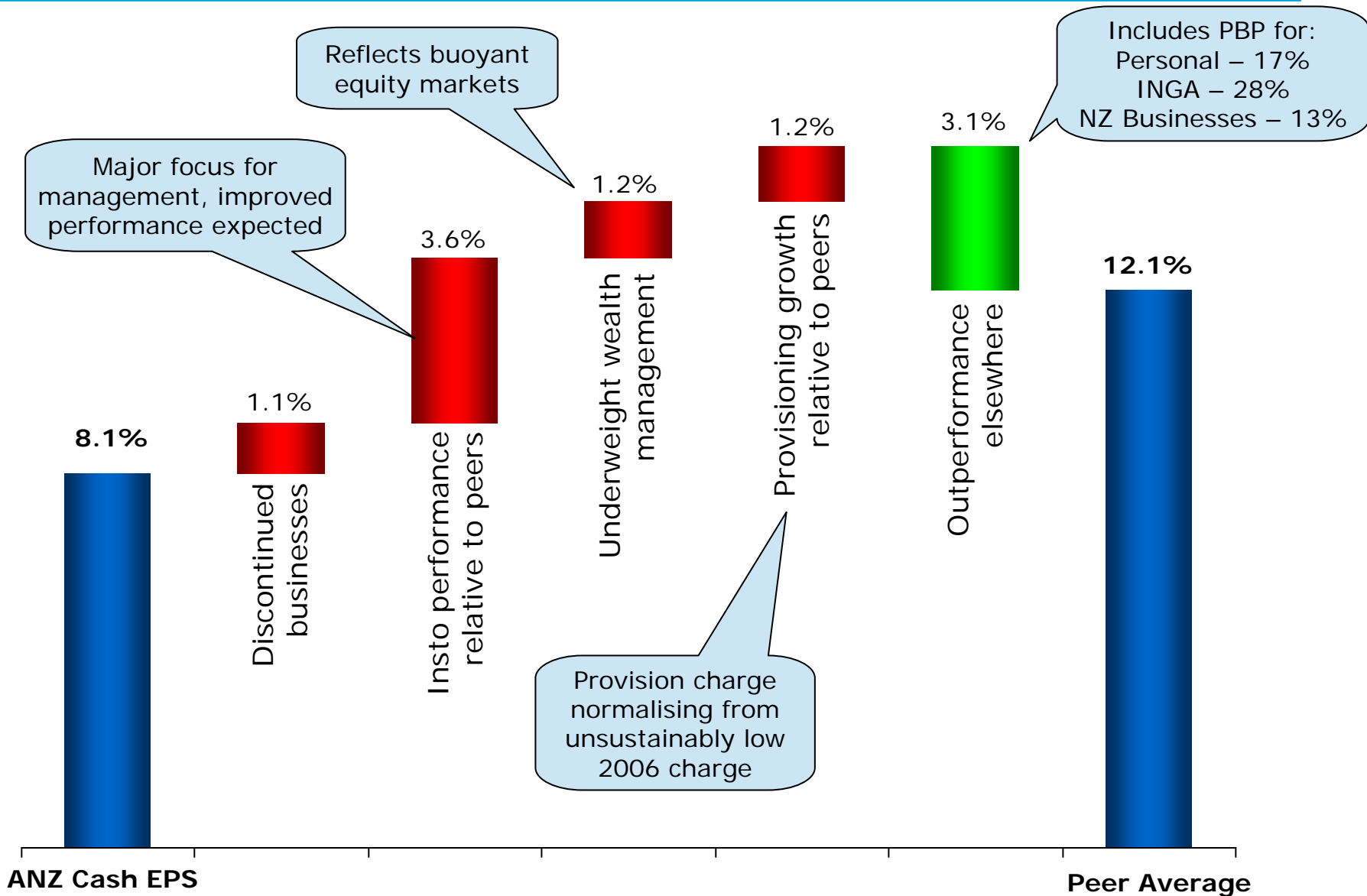
Highest growth in revenue and PBP for many years

\$1b DRP underwrite reinstates capital ratios for recent acquisitions and enhances flexibility at low cost

# Most businesses delivered excellent results...

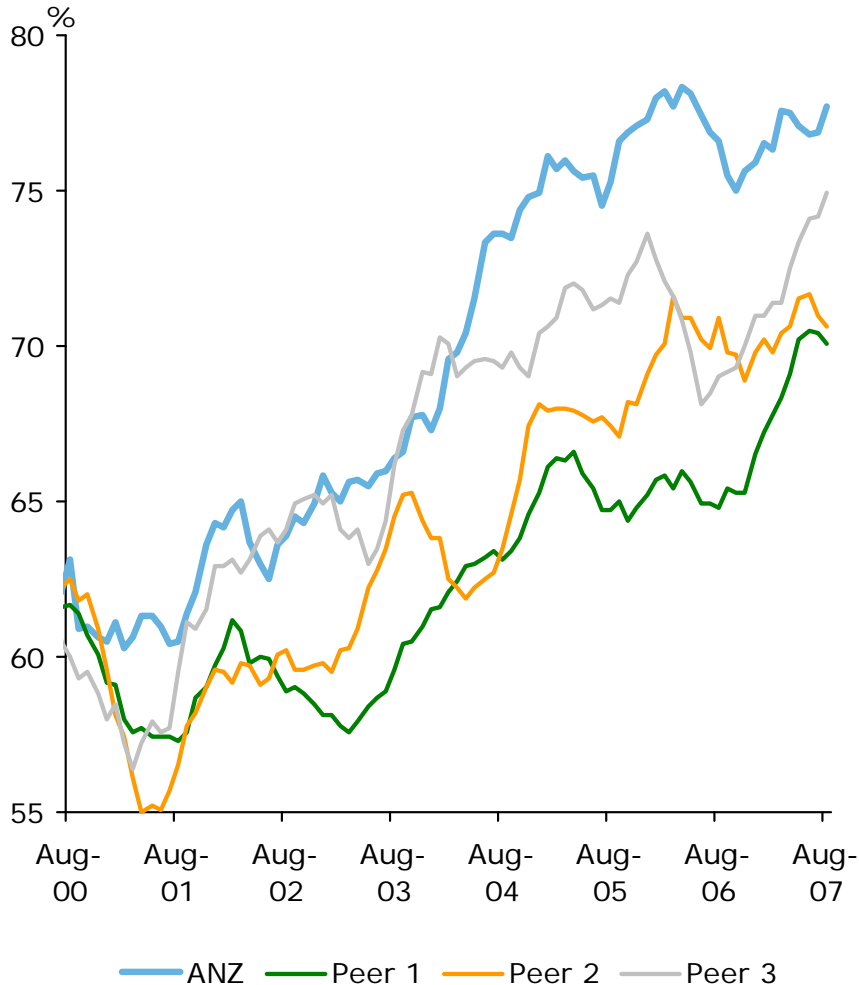


# ....but bottom line was below peers

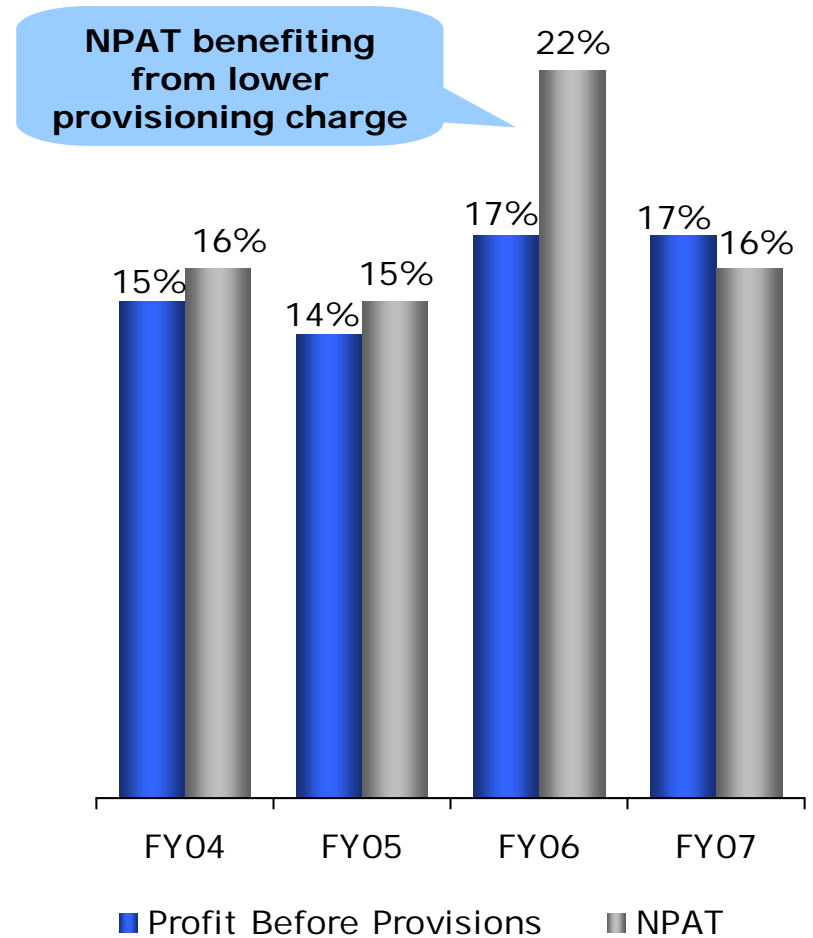


# Personal – continues to provide superior performance

## A leader in customer satisfaction (Main Financial Institution: 6 months rolling\*)



## And a track record of strong financial performance



# Institutional – a good franchise, needing to lift financial performance

## Institutional No. 1 Relationship bank status maintained

### Large Corporate & Institutional Relationship Banking survey<sup>^</sup>

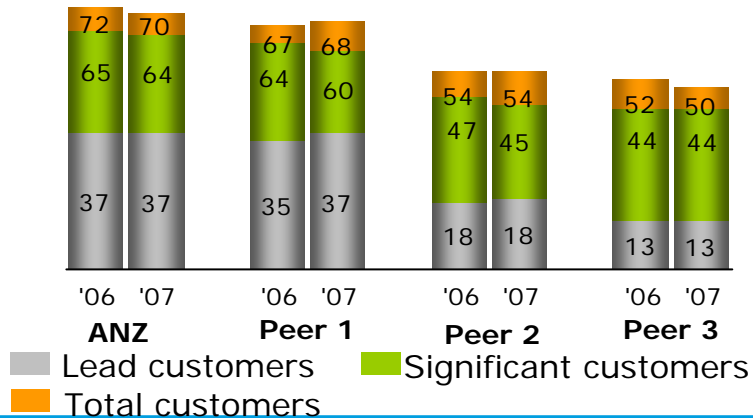
No.1 in 11 categories including:

- Most Trusted Adviser
- Knows Company's Industry Best
- Understands Offshore Banking\*

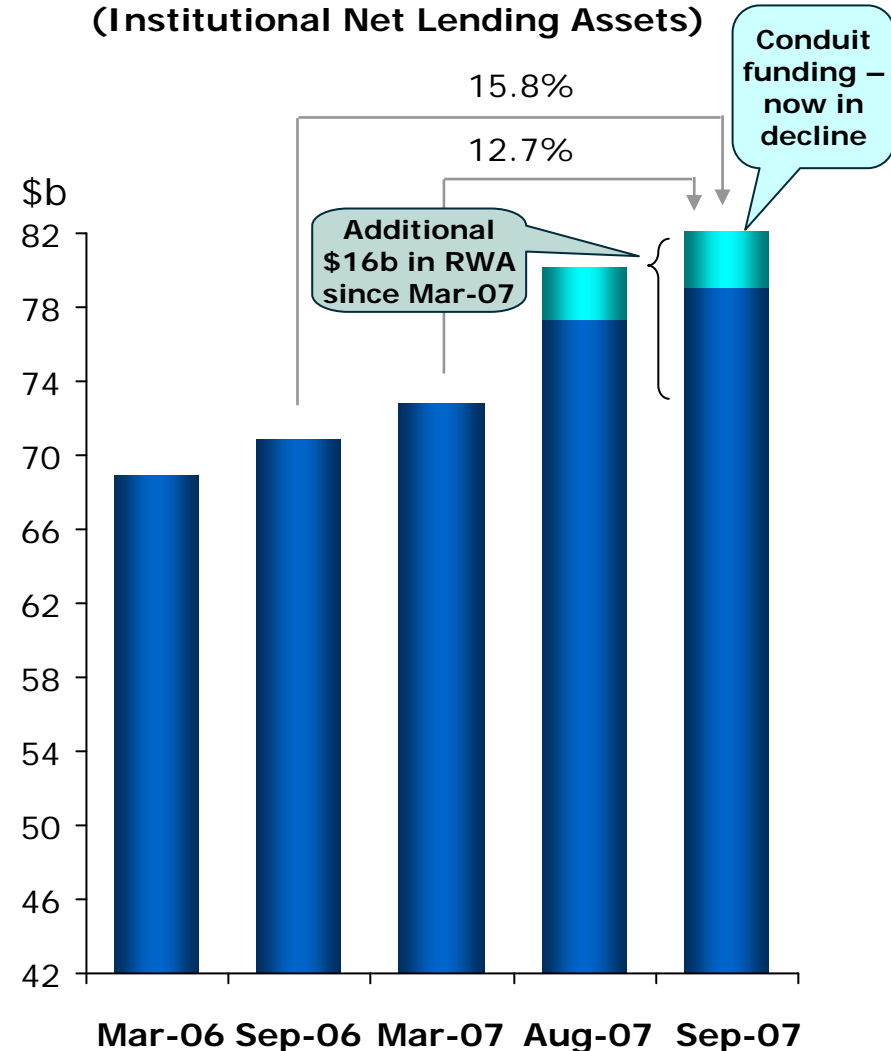
### Transaction Banking survey<sup>^</sup>

- No.1\* in 9 categories including:
- Transaction banking relationship strength\*
- Overall customer service
- Trade Services lead relationship

## Relationship Market Penetration (%)

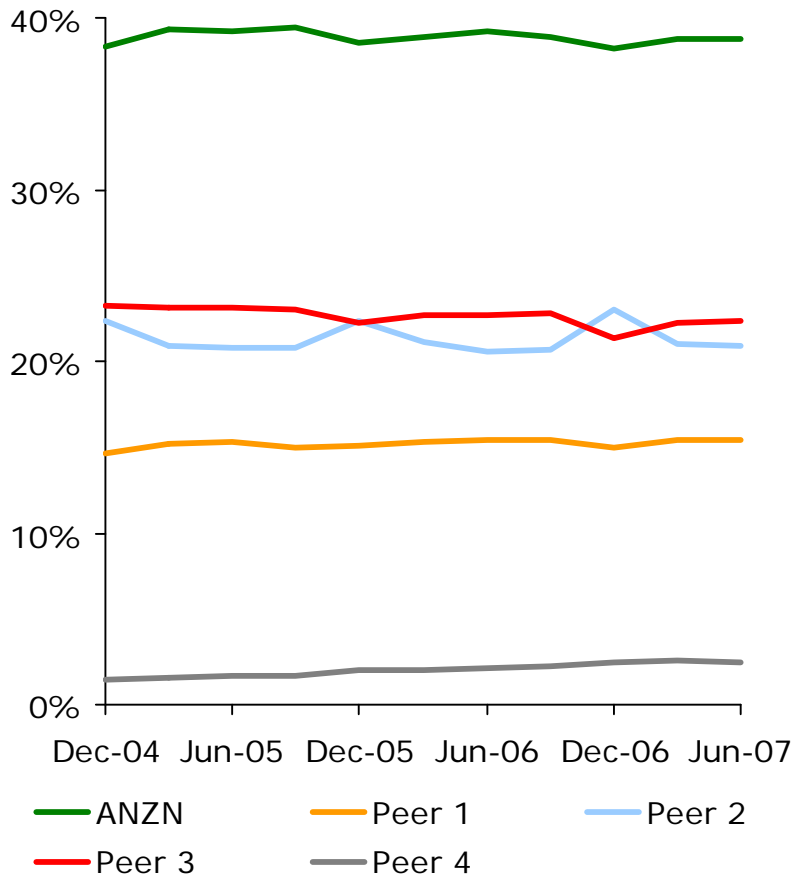


## Institutional lending growth (Institutional Net Lending Assets)

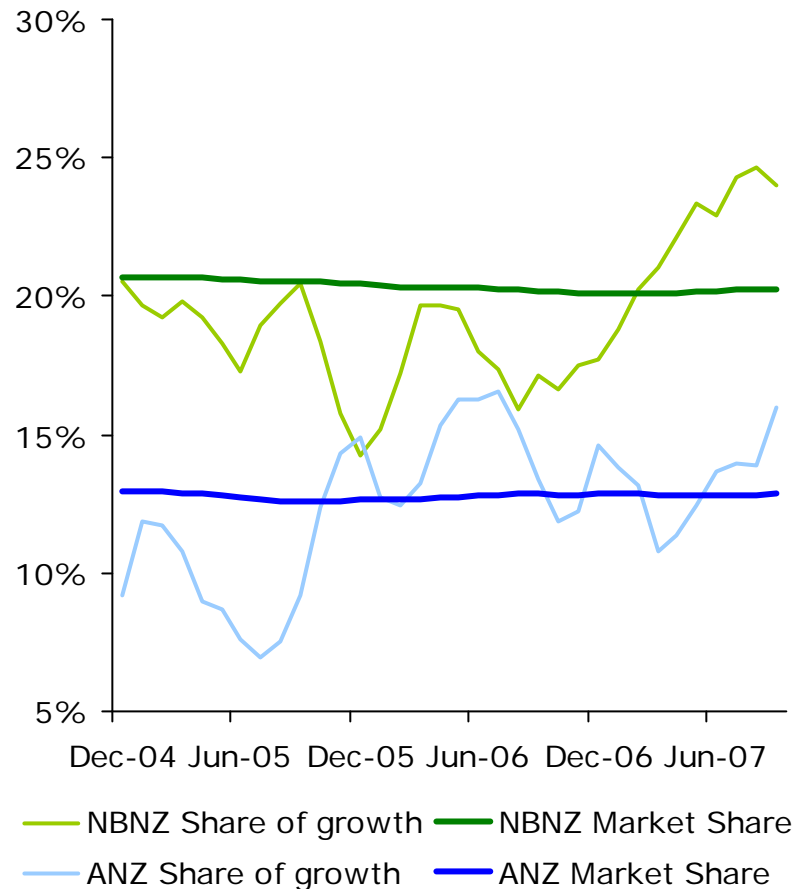


# New Zealand – very strong market position

**Continuing to generate revenue at almost twice that of major peers**  
(Share of Revenue\*)



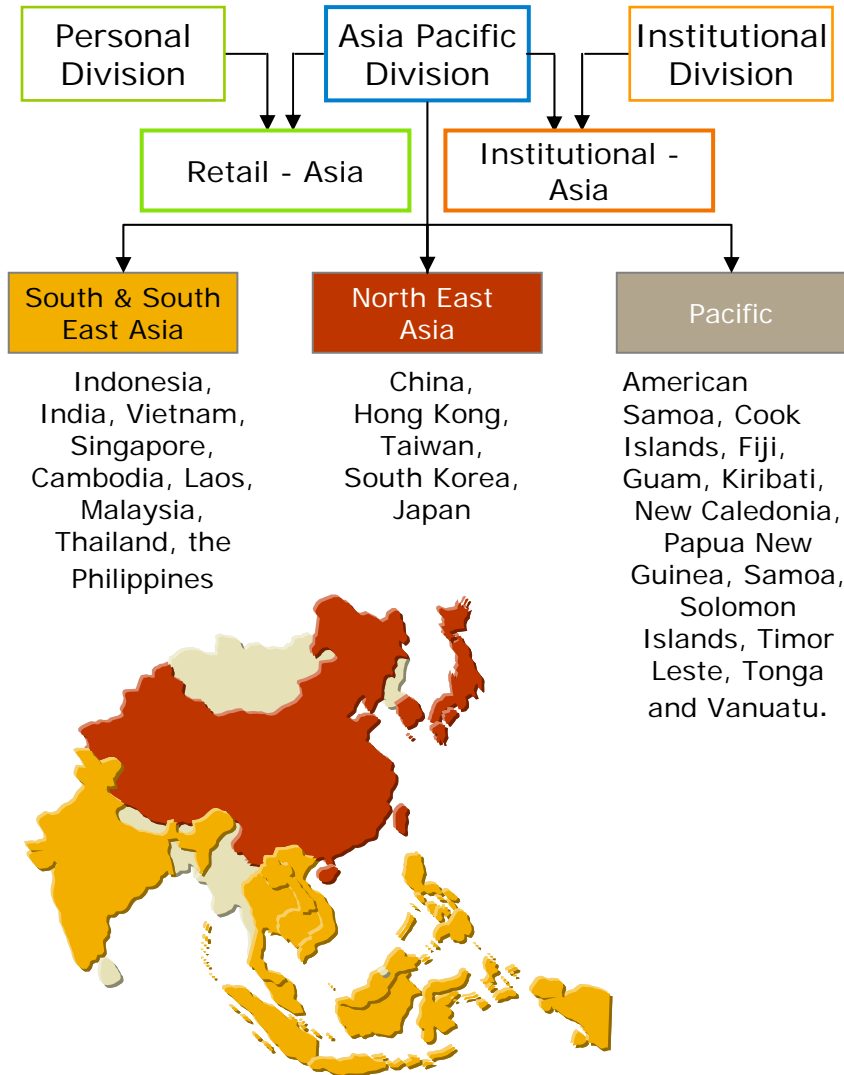
**Mortgage market share now growing**  
(Mortgages market share\*\*)



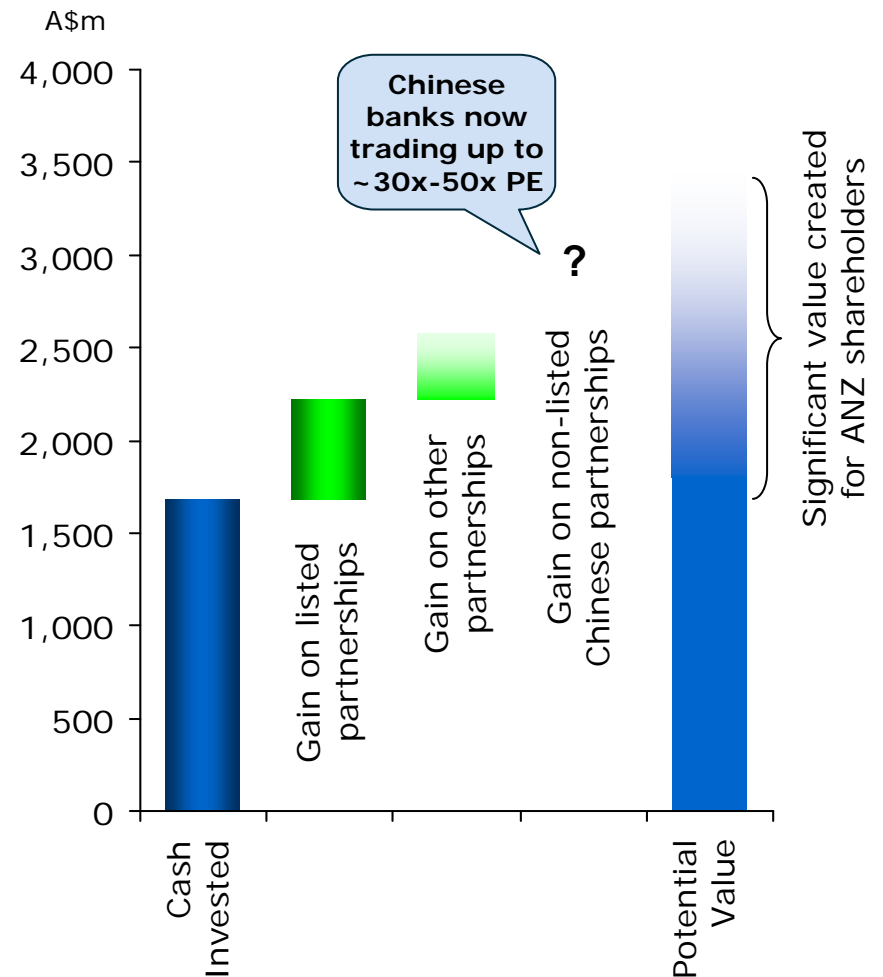


# Asia – key growth business over 3-5 year time horizon

## New Asia Pacific Structure

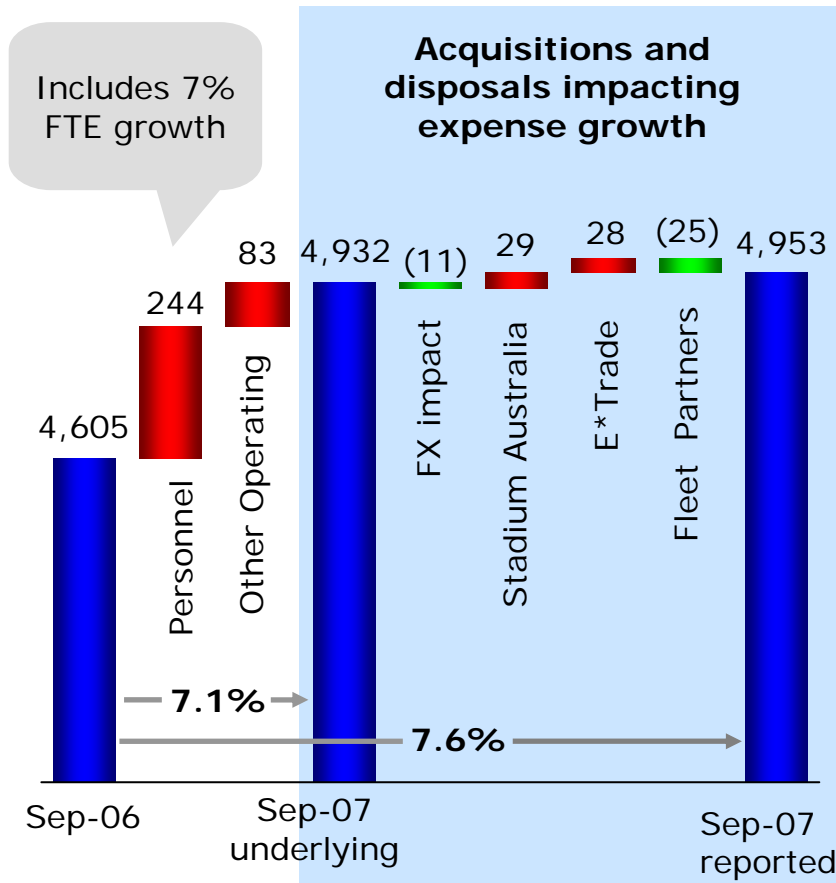


## Unrealised gains on Asian partnerships



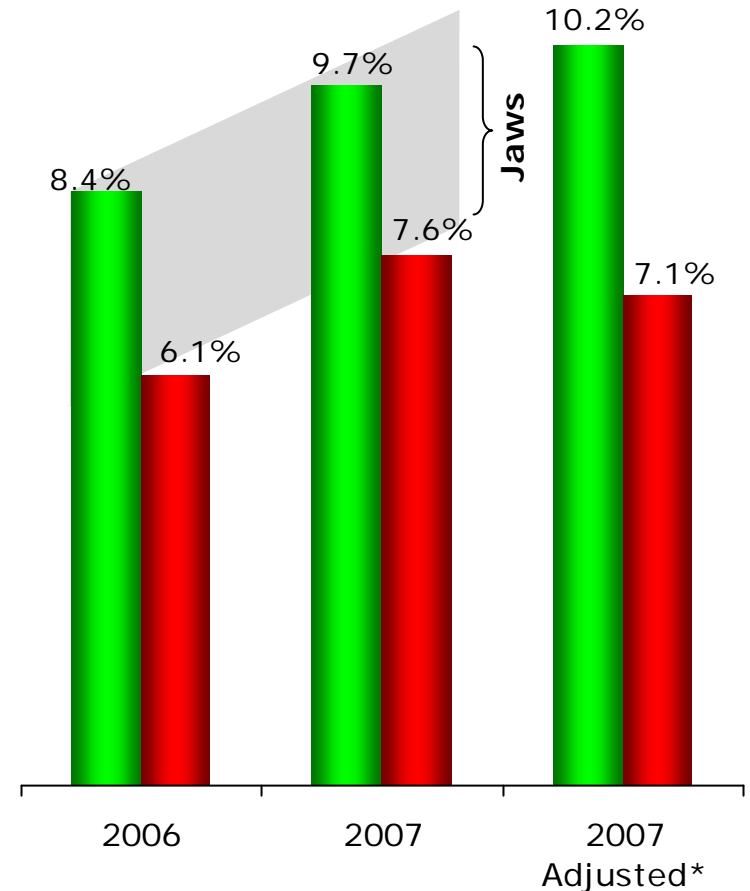
# We'll continue to invest while managing the jaws

## Still investing heavily, directed mainly to frontline



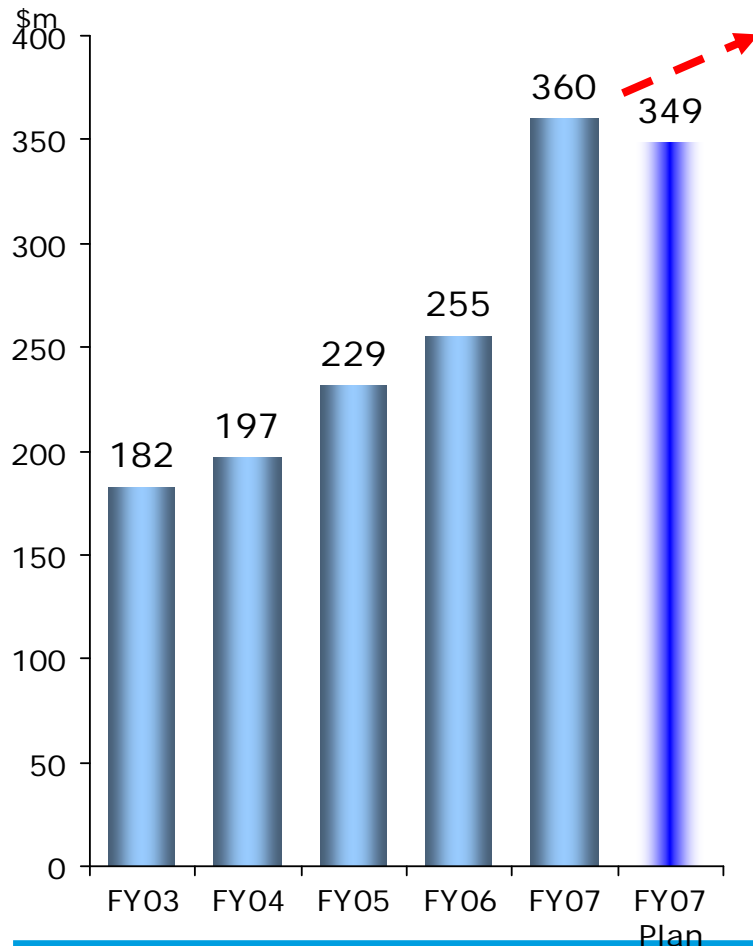
## Maintaining Revenue/Cost jaws

■ Revenue Growth ■ Cost Growth

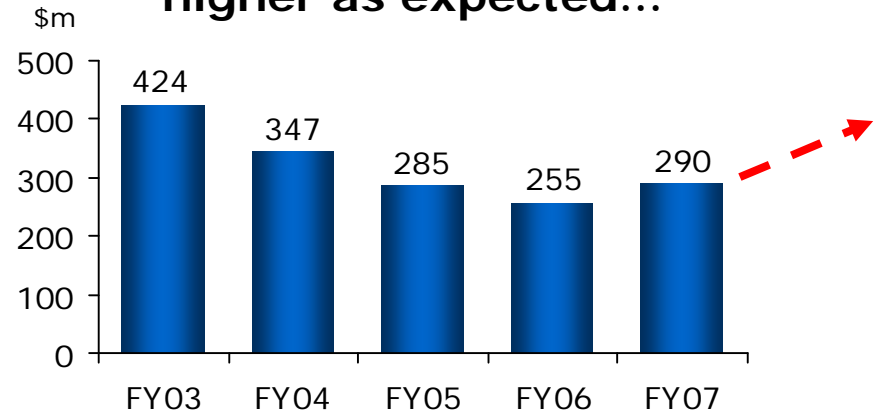


# Individual Provisions increased in line with expectations

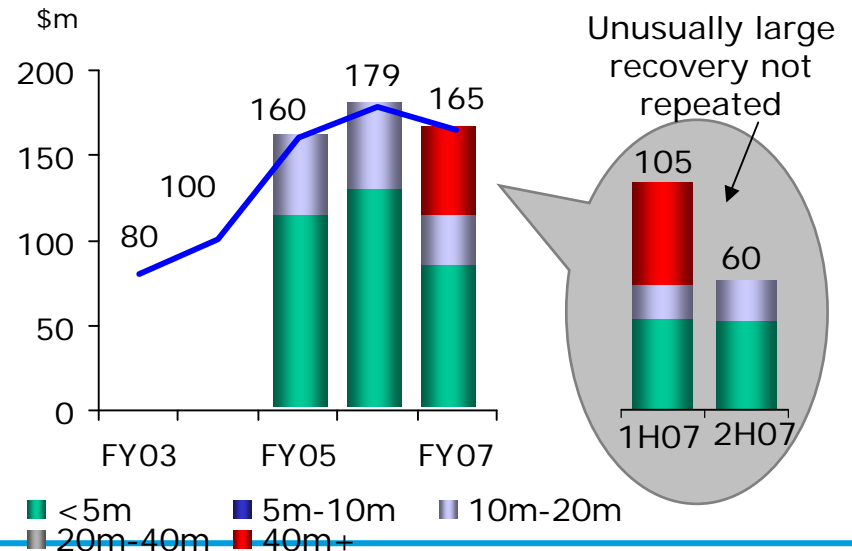
Consumer IPs trending up with volume growth



"New & Increased" commercial IP's higher as expected...



With more normalised levels of commercial writebacks and recoveries



# Well positioned with liquidity and funding

## Funding

- Limited impact on ability to access short or long term wholesale funding
- However cost of term wholesale debt has increased materially
- Focus on customer deposits maintained:
  - Growth rate in Personal deposits approaching 20% annualised in Aug/Sep-07
  - Strong Institutional deposit inflows (\$14.8b, ~27% pa growth)

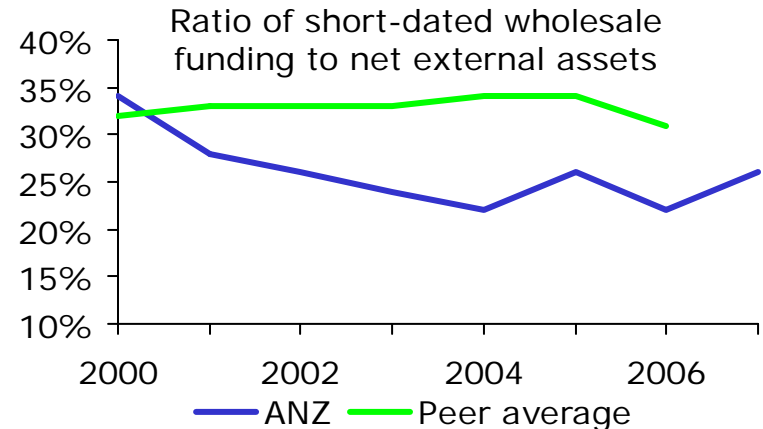
## Liquidity

- Strong Liquidity Portfolio ~\$22b
- Sufficient cover against maturing short dated wholesale debt and increased asset growth

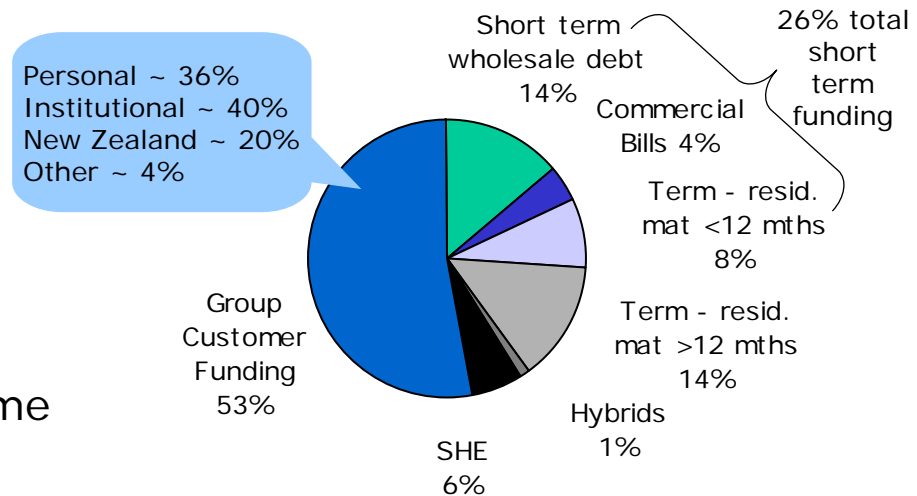
## US Sub-Prime crisis

- **No** direct impact from the US sub-prime crisis

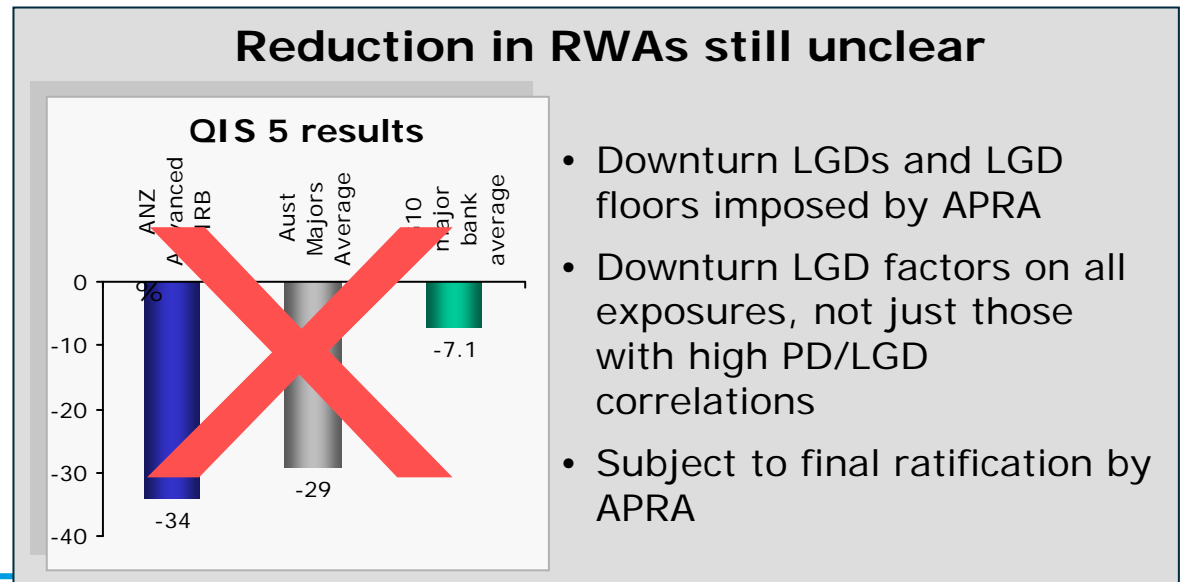
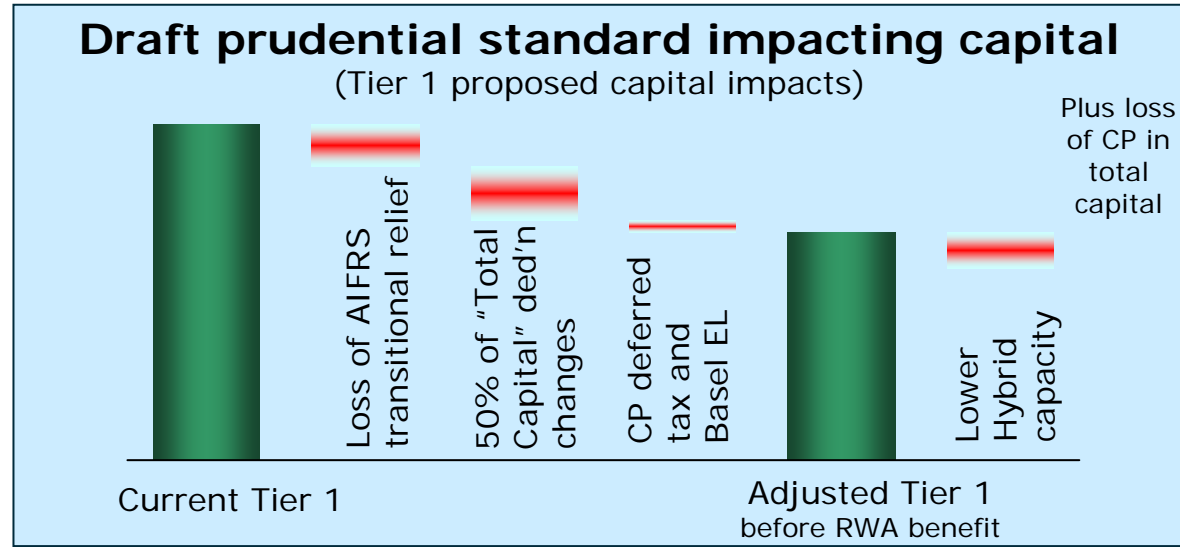
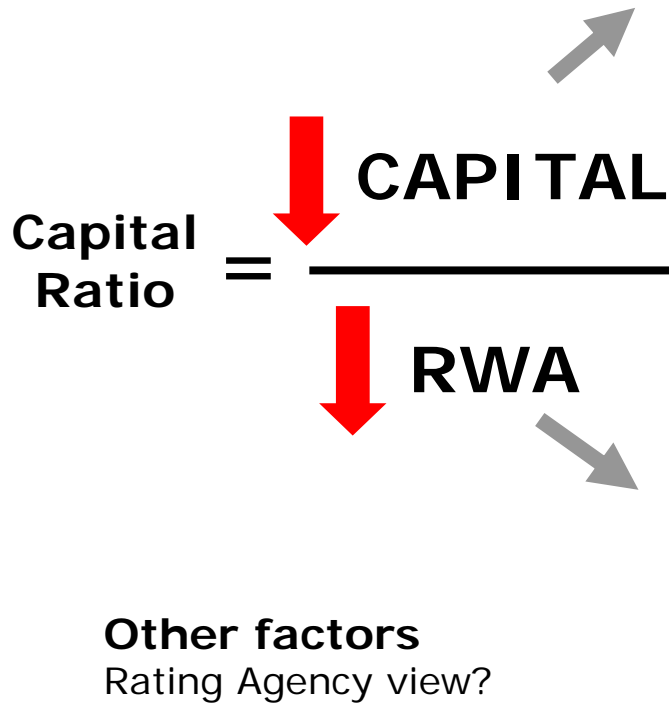
## ANZ has progressively reduced reliance on short term wholesale funding



## Stable and diversified funding base (Group funding profile September 2007)



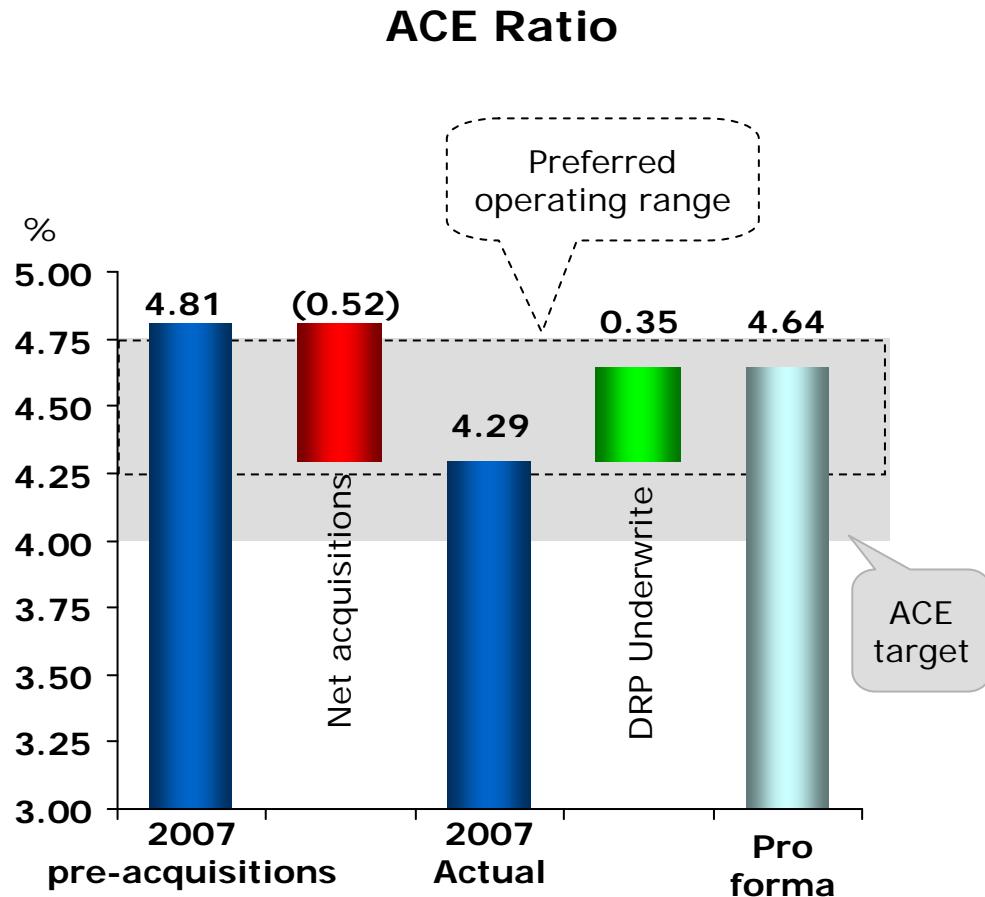
# Basel II impacts – reduction in RWA expected in 2008, but how much benefit offset by capital changes?



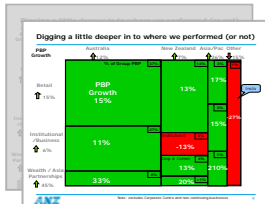
# DRP underwrite – reinstates capital ratios for recent acquisitions and enhances flexibility at low cost

## The rationale

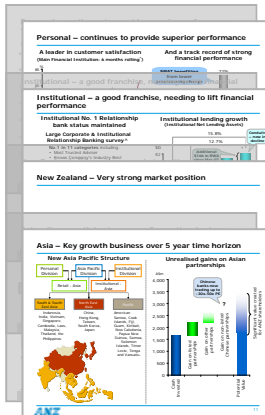
- \$1.5b investments in past 12 months funded internally
- +
- Stronger than expected growth in RWA towards end of year (~\$8b above expectations in past 6 months)
- +
- Lower expected benefits from Basel II
- +
- Enhances strategic flexibility
    - Ability to make modest infill acquisitions if opportunities arise (eg E\*TRADE & Saigon Securities Incorporation)
    - Ability to take advantage of lending opportunities presented by market disruption



# Summary



**Majority of businesses performing very well - underperformance in isolated pockets**

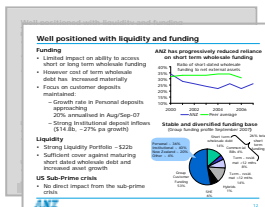


**Personal** – great franchise, positive outlook

**Institutional** – good franchise, upside ahead

**New Zealand** – very strong position, solid performance

**Asia/Pacific** – performing well, expected to accelerate



**Well positioned with capital, liquidity and funding**  
**No direct impact from the sub-prime crisis**

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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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