



A very  
different bank

# Morgan Stanley Investor Conference

Brian Hartzler  
Group Managing Director, Personal

## A good year – met our targets again

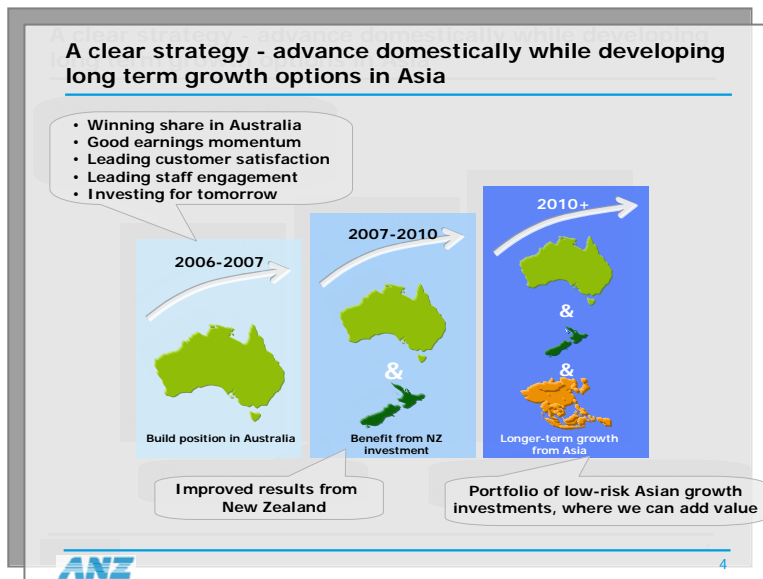
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Headline profit	↑	16.2%
Cash* profit	↑	13.8%
Revenue Growth	↑	8.4%#
Profit Before Provisions	↑	10.4%
Cash* EPS	↑	13.2%
Dividend	↑	13.6%

Return on equity back above 20%

Cost-Income ratio improved by 1.0%

# Different strategy delivering results



## Australia

- Personal outstanding, engine of Group revenue, high customer satisfaction
- Institutional regained #1 position

## New Zealand

- Good operational momentum
- Financial results earlier than expected

## Asia/Pacific

- Asia – 26% revenue growth
- Pacific – 15% revenue growth
- Partnerships creating value
  - Sacombank & Panin valued well above book
  - 1m credit cards now on issue in Asia

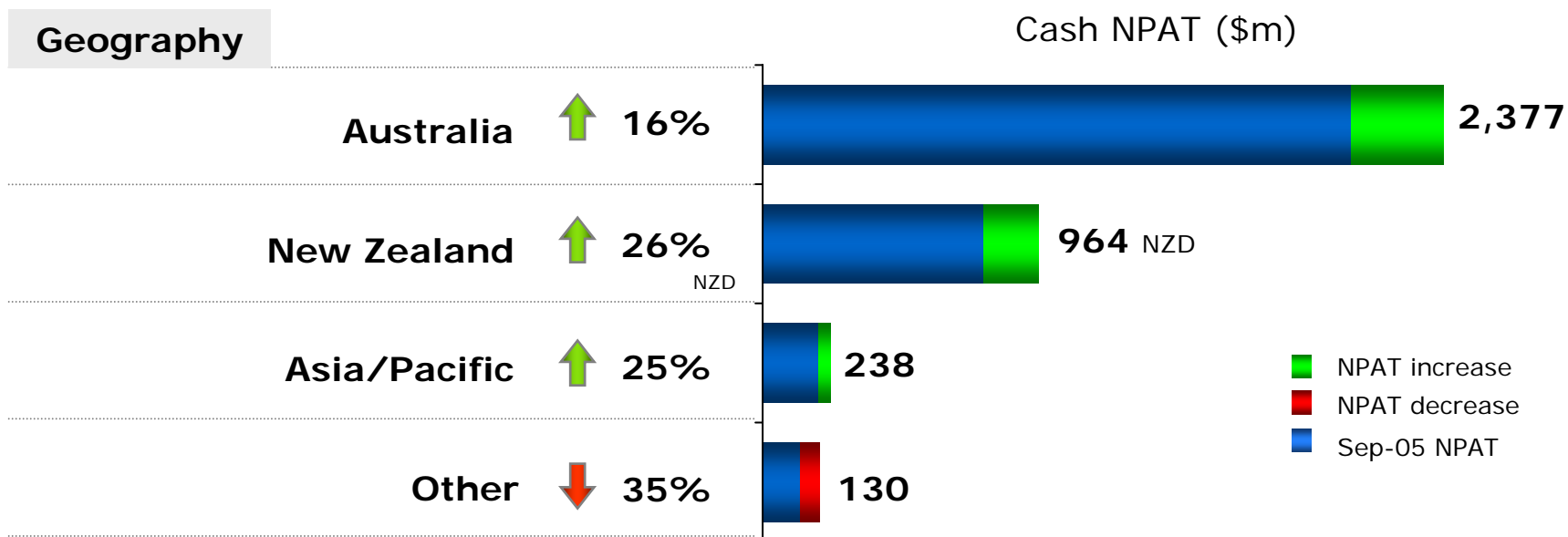
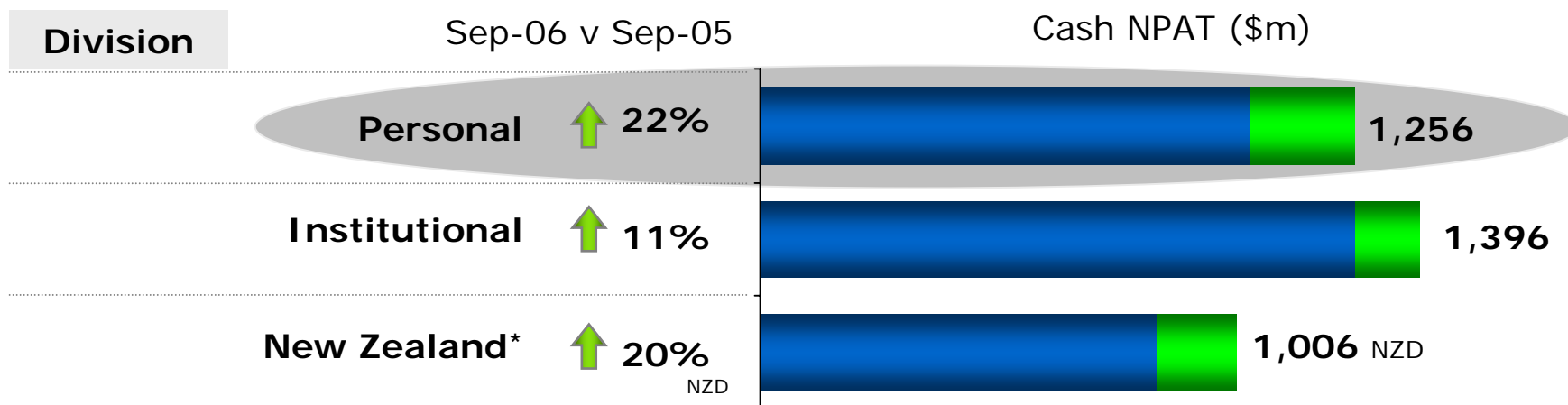
## But some areas where we need to do more

- Speed up Asian expansion
- Advance wealth and private banking

## Invested against the trend

- Now seeing the payback
- Accelerated investment spend in 2nd half
- Considerable investment in de-risking contributing to lower provisions

# Good performance from Divisions, particularly Personal

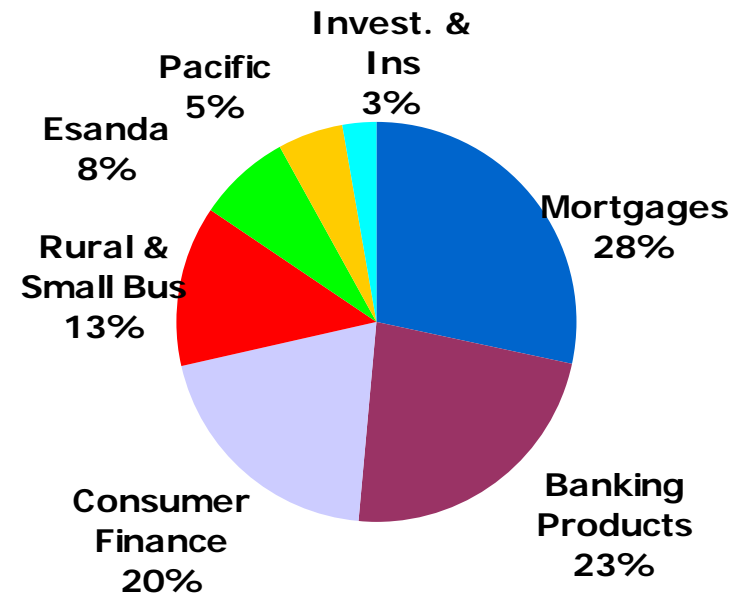


# Overview of Personal Division

Good growth across each of our businesses

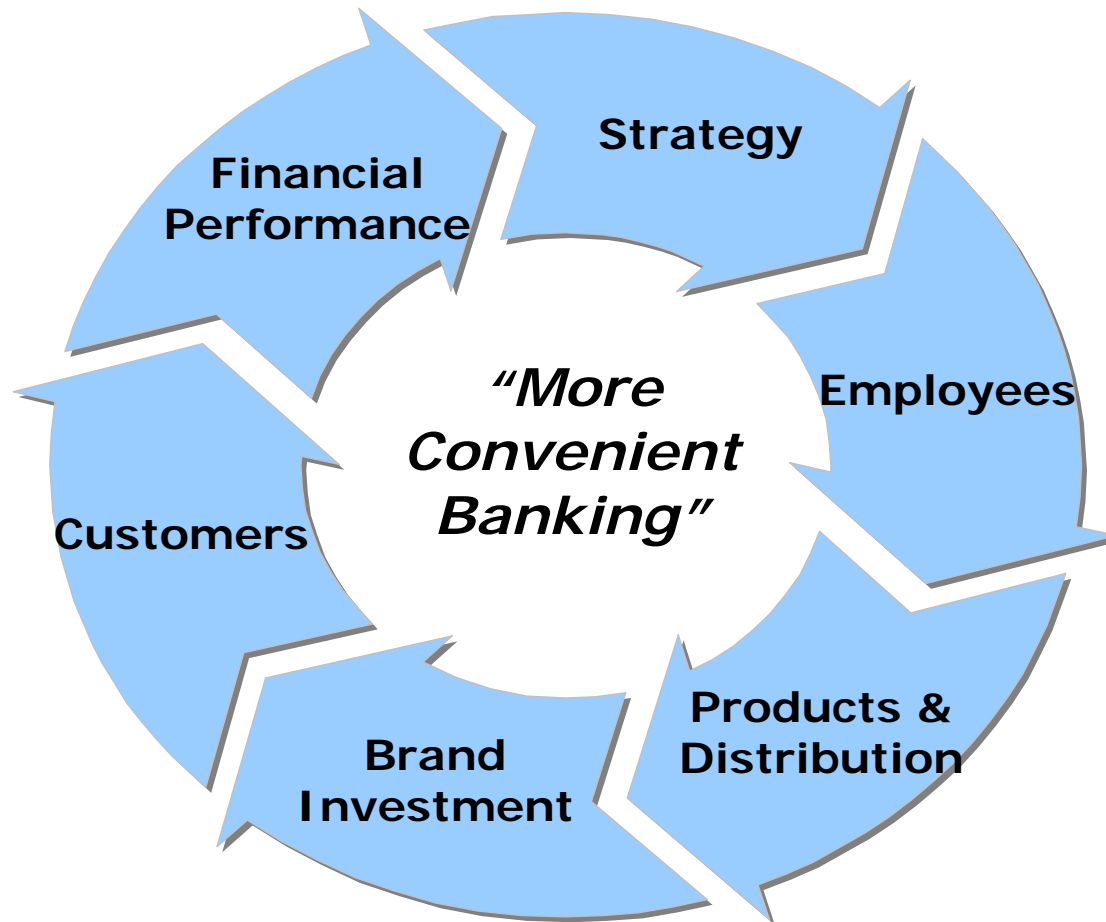
Business	NPAT Growth
Pacific	67%
Investments & Insurance	48%
Consumer Finance	25%
Mortgages	21%
Banking Products	17%
Regional, Rural & Small Bus.	18%
Esanda	11%

Diverse sources of earnings

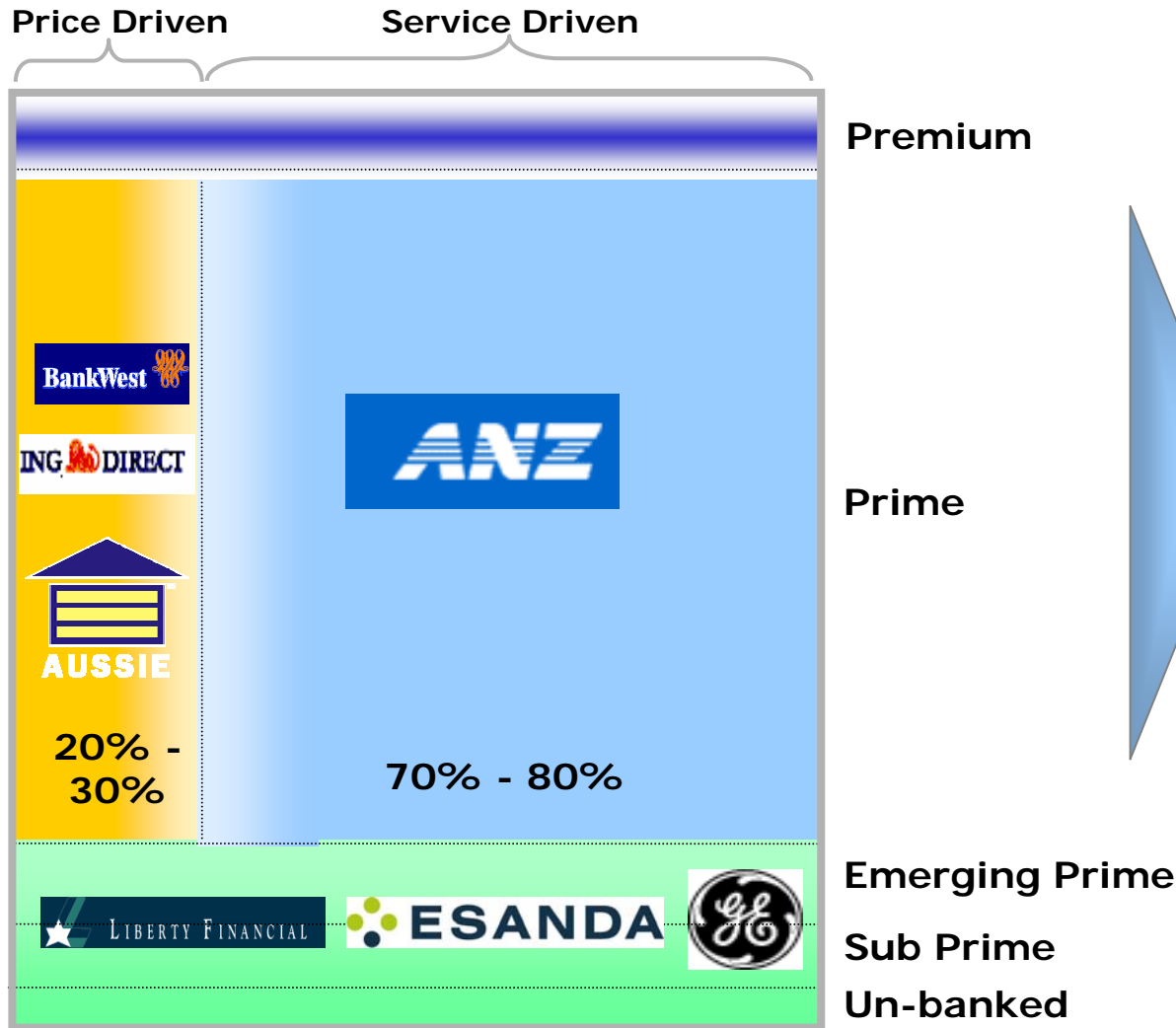


# Success in Personal due to an effective business system

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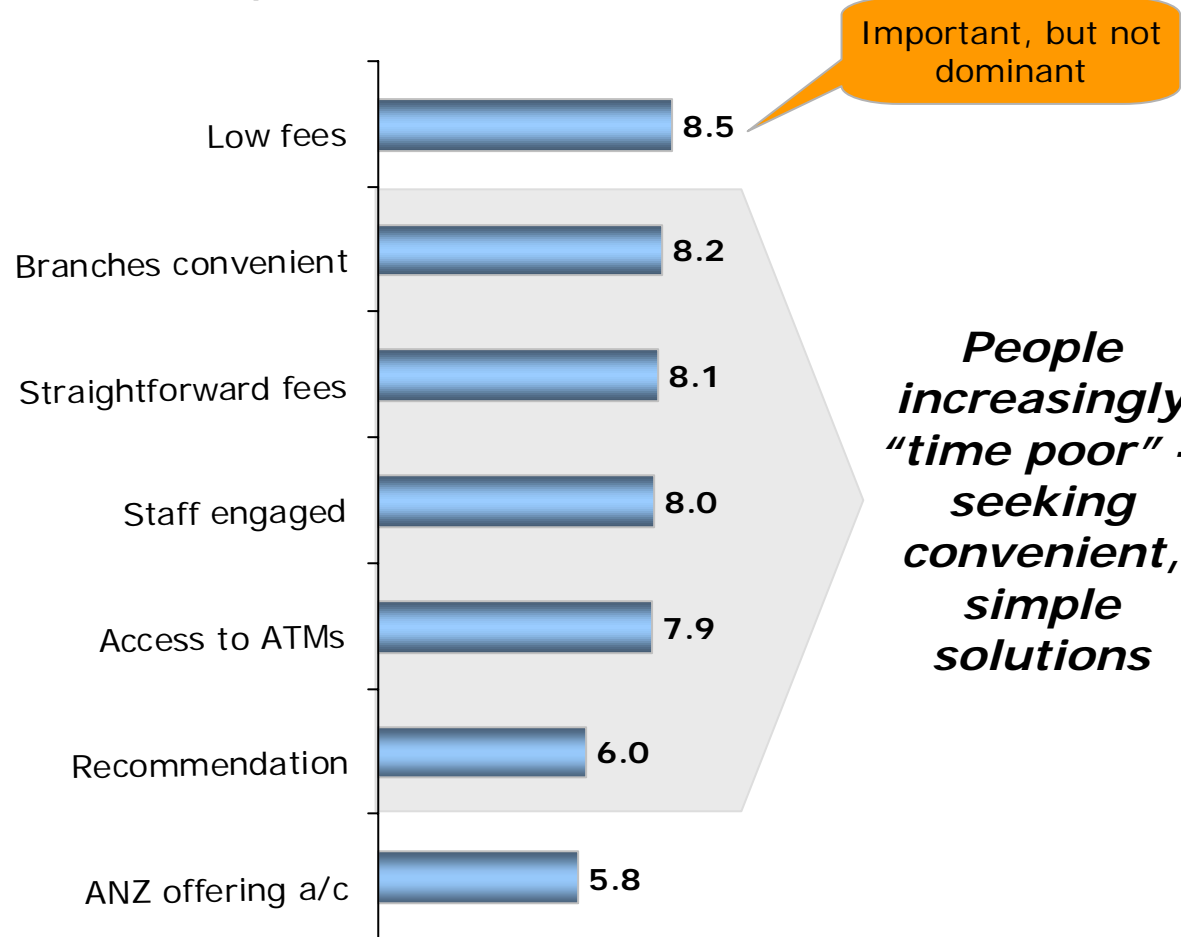
# Strategy starts with clear segmentation



- ANZ brand for non price-driven segments
- Other brands for other segments
- Defend share via price where necessary

# Customer insights led to “More Convenient Banking”

Key Decision Factors for Customers  
(importance out of 10)



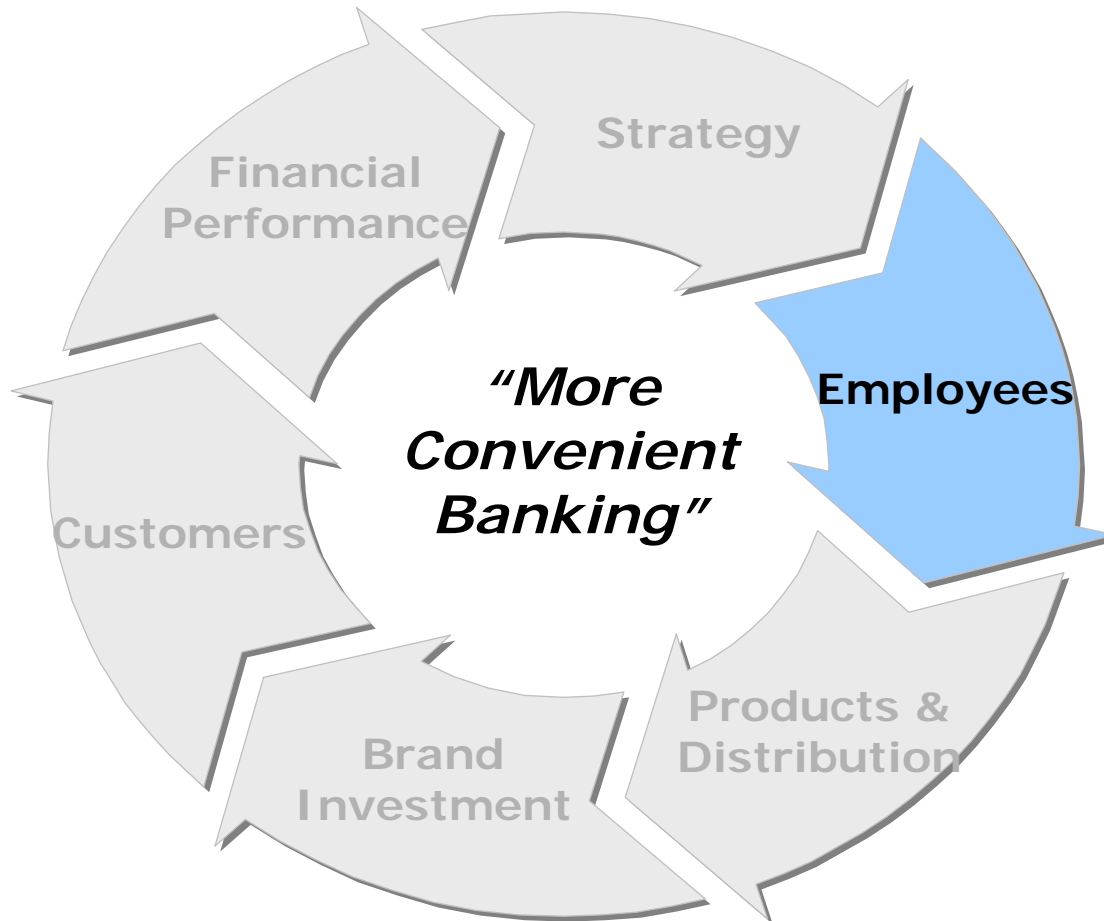
***Why should customers bank with ANZ (and not somebody else)??***

Important, but not dominant

***People increasingly “time poor” – seeking convenient, simple solutions***

# Success in Personal due to an effective business system

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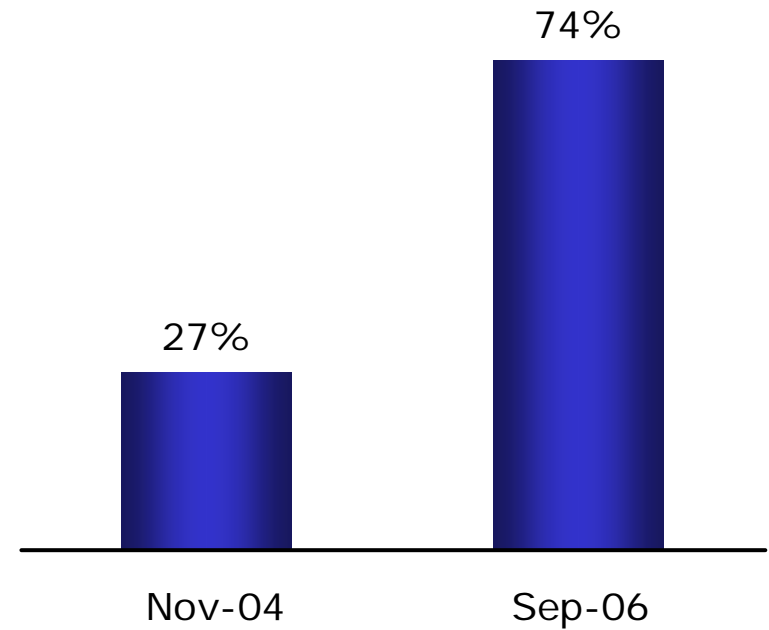
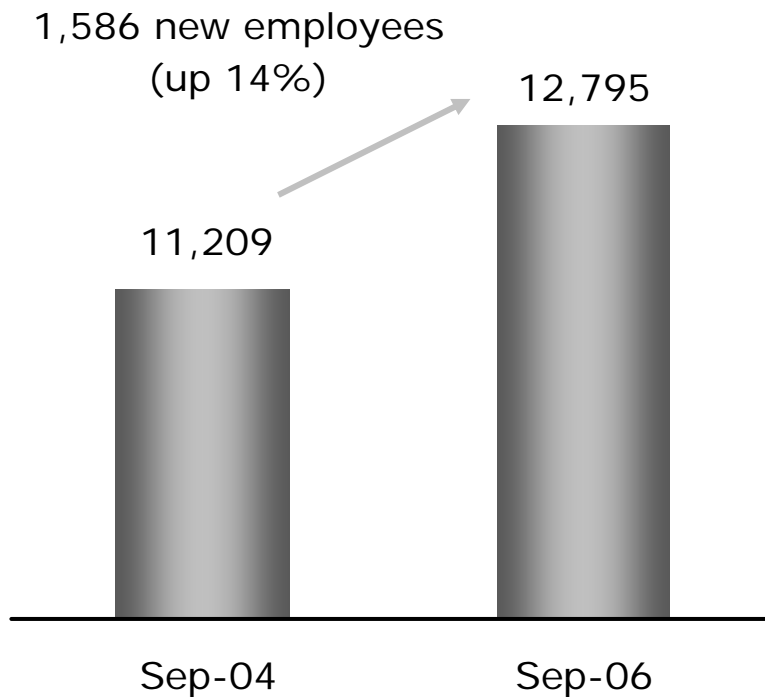
# We have invested in our employees and our culture...

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## Significant investment in employees, largely frontline

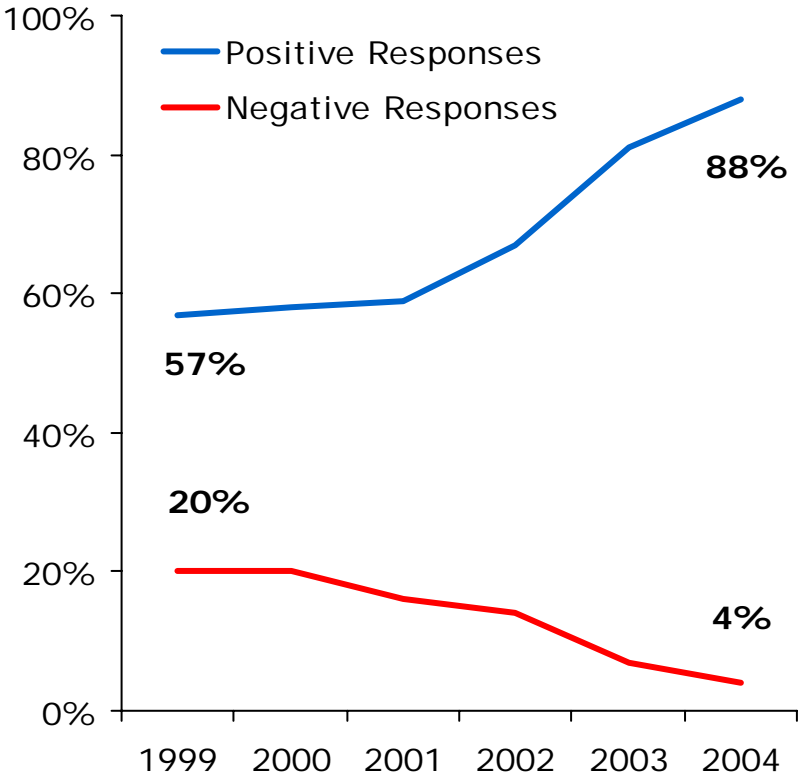
## Delivering on our commitment to cultural change

(% Personal\* employees completed "Breakout" program)



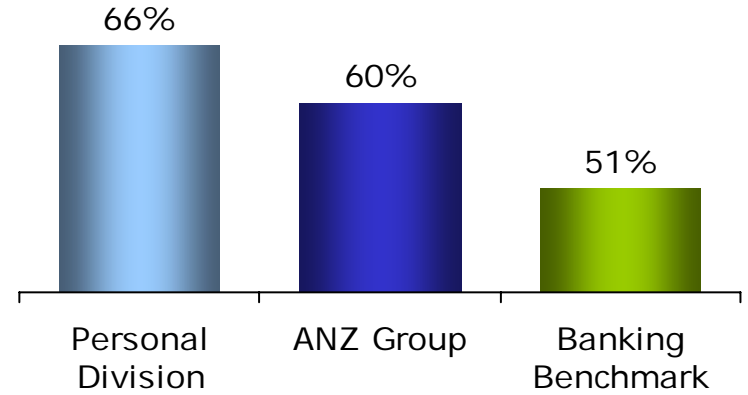
# ...resulting in a highly engaged workforce

## Dramatic shift in staff satisfaction ("am I satisfied working at the ANZ?")

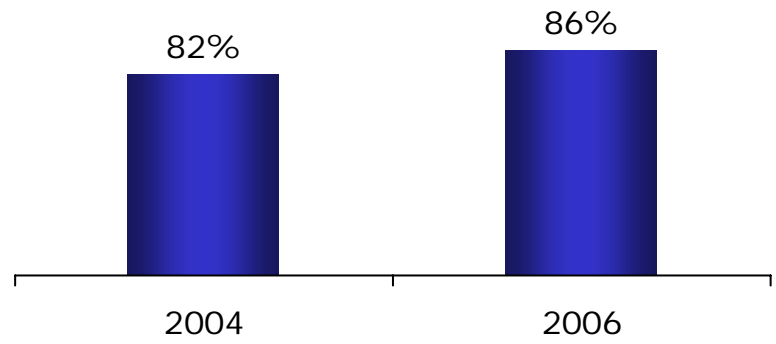


Shift to  
"engagement"

## High levels of engagement across Personal

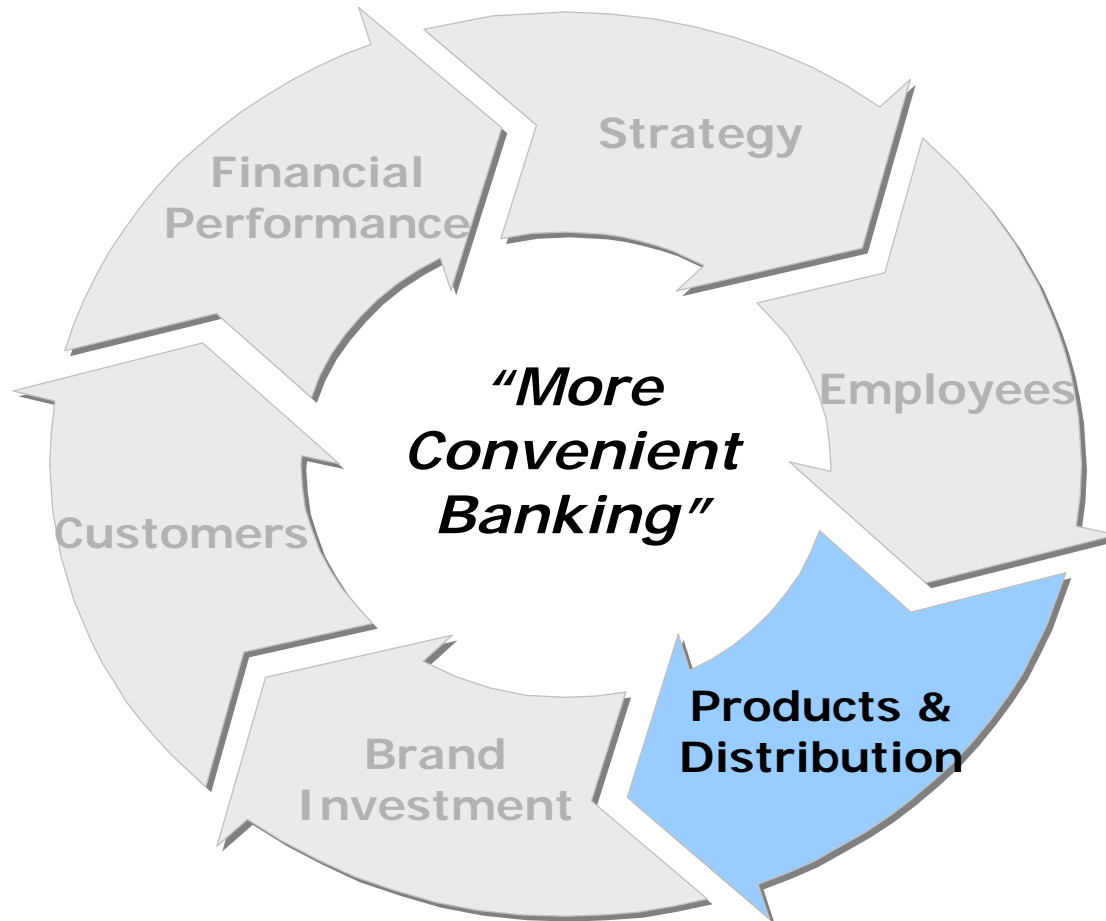


## Branch Manager engagement



# Success in Personal due to an effective business system

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# Specialisation has delivered product and service excellence

**ANZ. Best  
Call Centre  
in Australia,  
3 years in a row.  
And we're here  
to stay.**

Thanks to all the dedicated staff at our local call centres, ANZ has once again been awarded the best call centre in Australia. And Australia is where we plan to stay. ANZ call centres are conveniently open 24 hours a day, seven days a week. To switch call 13 13 14 anytime. That's ANZ now.

**ANZ**  
*More Convenient Banking* **NOW**

International Customer Service Professionals Large Business Customer Service Award 2006, 2005 and 2006. Australia 24/7 Now 2006 Banking Group Limited ABN 11 005 357 512. MCGMCA/ANZ 07/06/06

Money Magazine Awards 2006  
\* Home Loan Lender of the Year  
\* Readers' Choice Award for Service Excellence

Australian Service Excellence Awards 2006  
\* Winner of the Large Business category - Best Call Centre in Australia

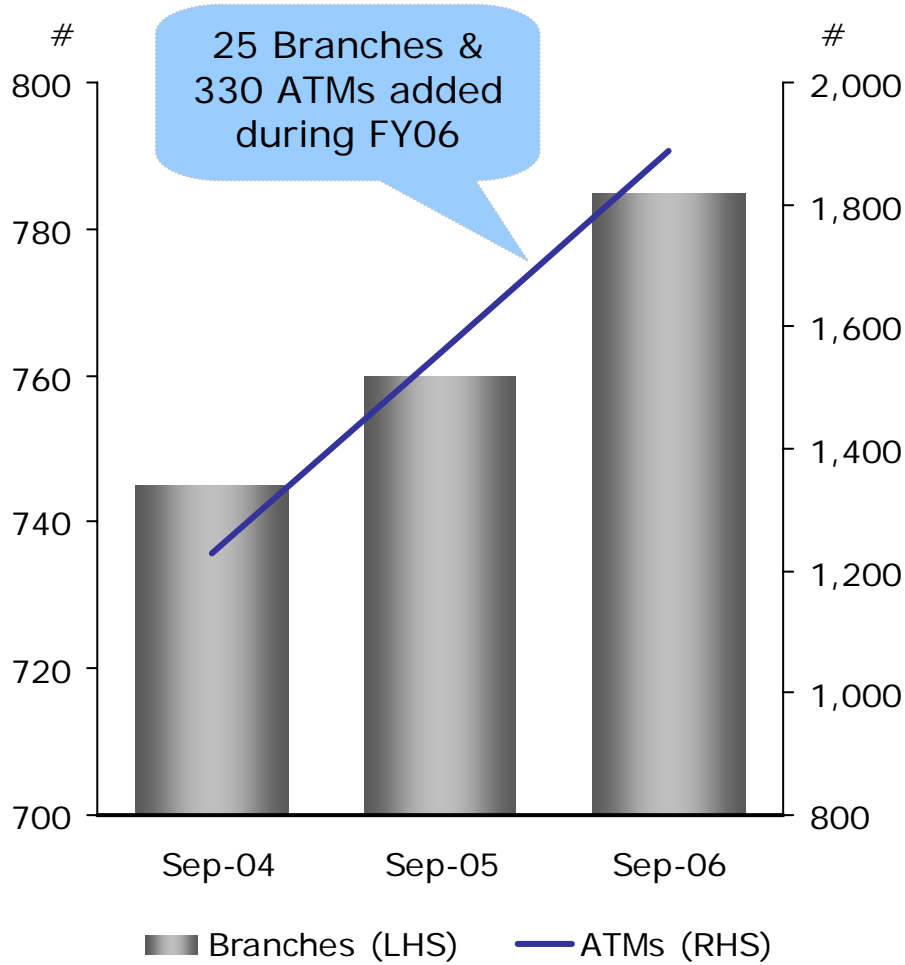


**ANZ**  
*More Convenient Banking* **NOW**

ANZ is the leader in banking innovation in Australia. © 2006 ANZ

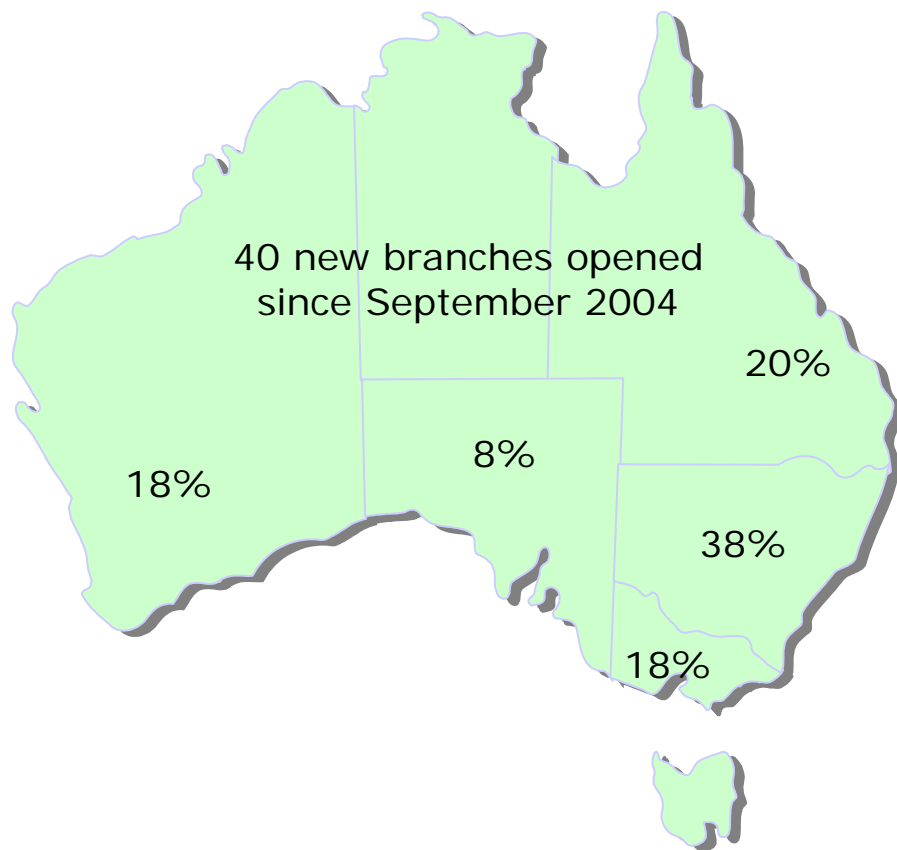
# Expanding distribution to improve convenience

## New Branches and ATMs



# Branch investment largely in 'growth corridors'

## Location of new branches aligned to growth corridors



## Economics of new branches

- Avg fit-out per Branch ~\$900K
- Avg Running Costs ~\$60K pa
- Avg breakeven period ~18 mths

*Some branches in growth corridors breaking even within 12 months*

## Branch Location Category

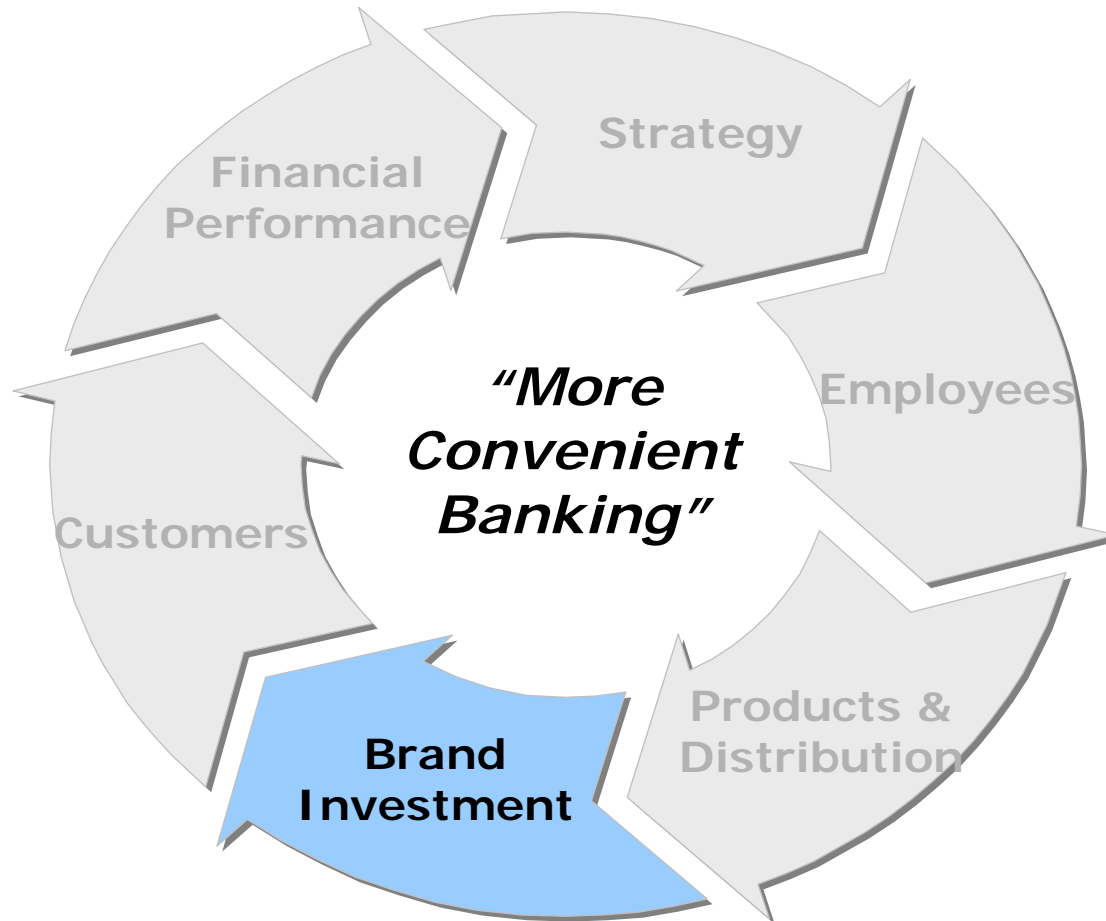
Representation Gap	16	40%
Growth Location	24	60%

**Target;**

**~ one branch per week  
in FY 07**

# Success in Personal due to an effective business system

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# “Proof points” starting to differentiate ANZ brand...

More ATM locations in key areas

Welcome to the Blue Coast.

The most ATM locations on the GC.

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

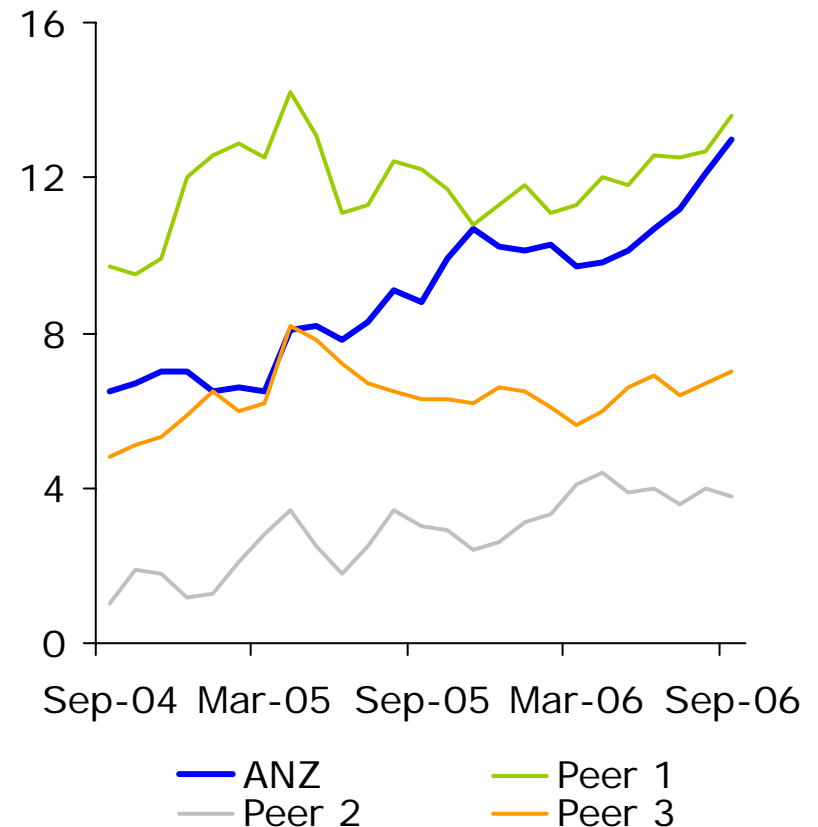
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**ANZ  
NOW**

First major bank to launch  
Visa Debit card

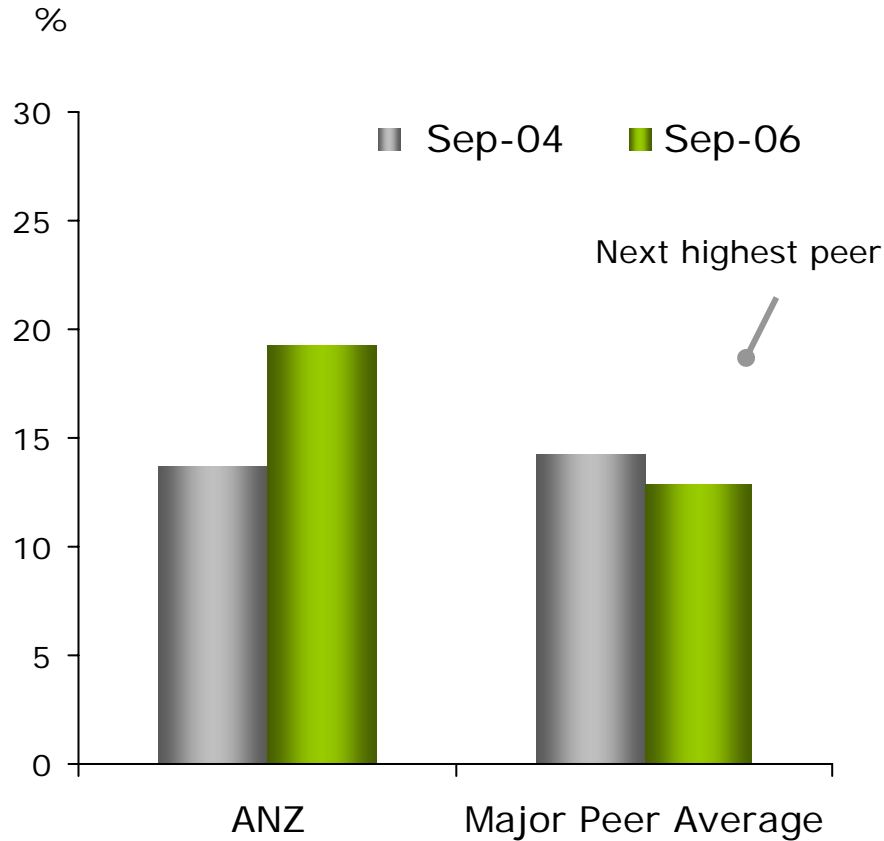


Investment in the franchise  
reflected in improved brand image\*

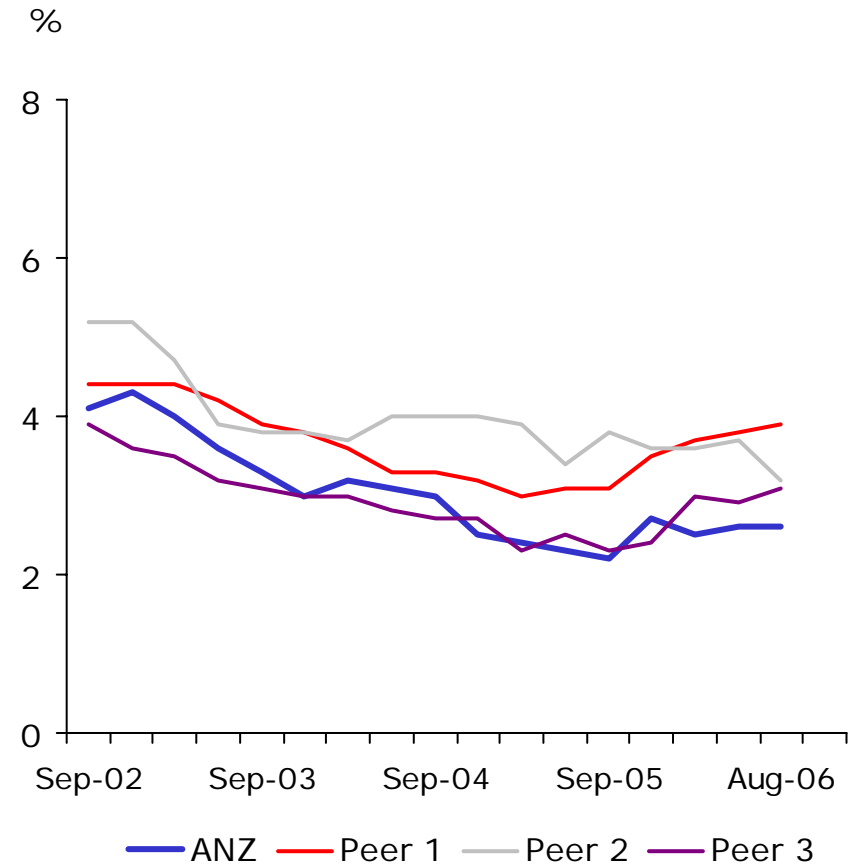


# ...which drives future acquisition and retention

## Improved "Trial Intention" (Day to Day Transaction Accounts\*)

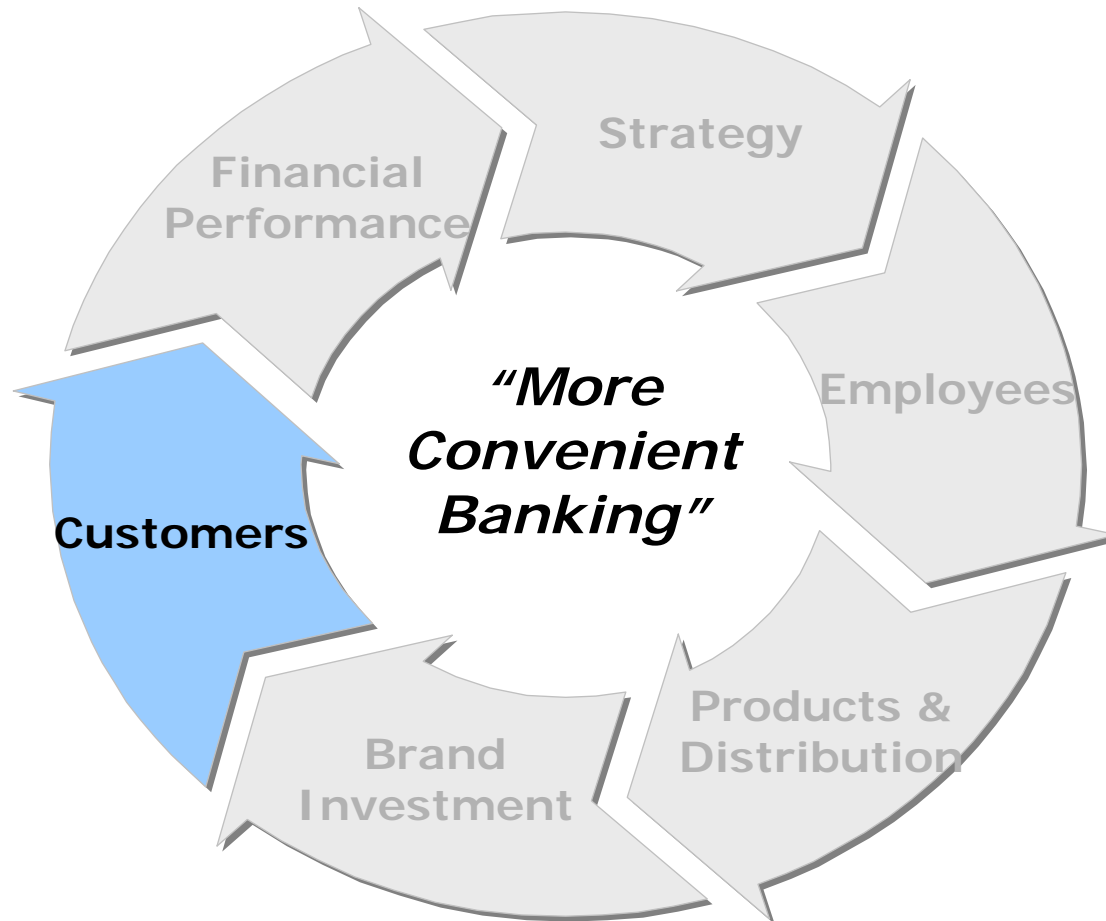


## Lowest propensity to defect# (Intend to switch main bank in next 12 months)



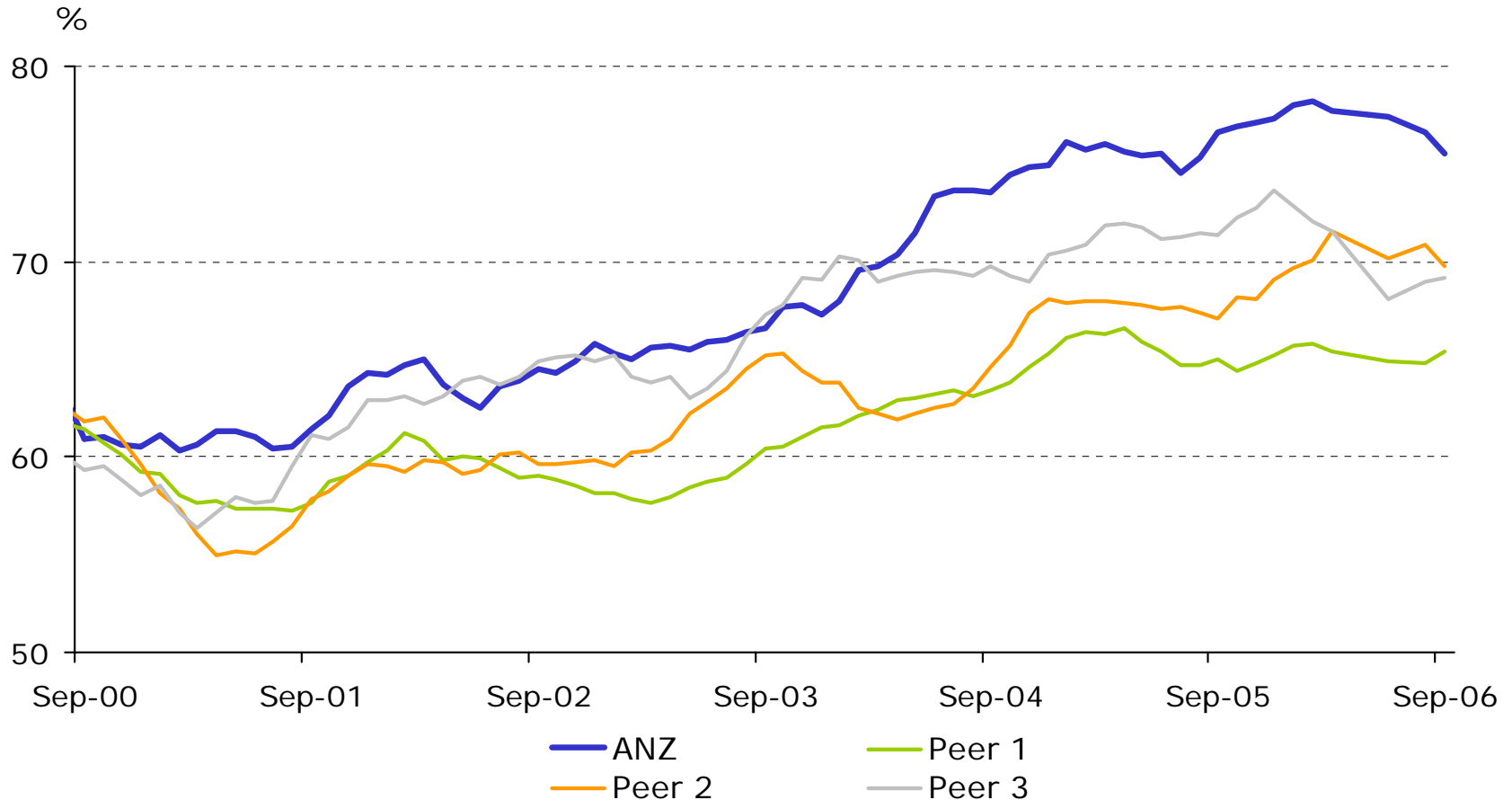
# Success in Personal due to an effective business system

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# Customer satisfaction at top of major banks...

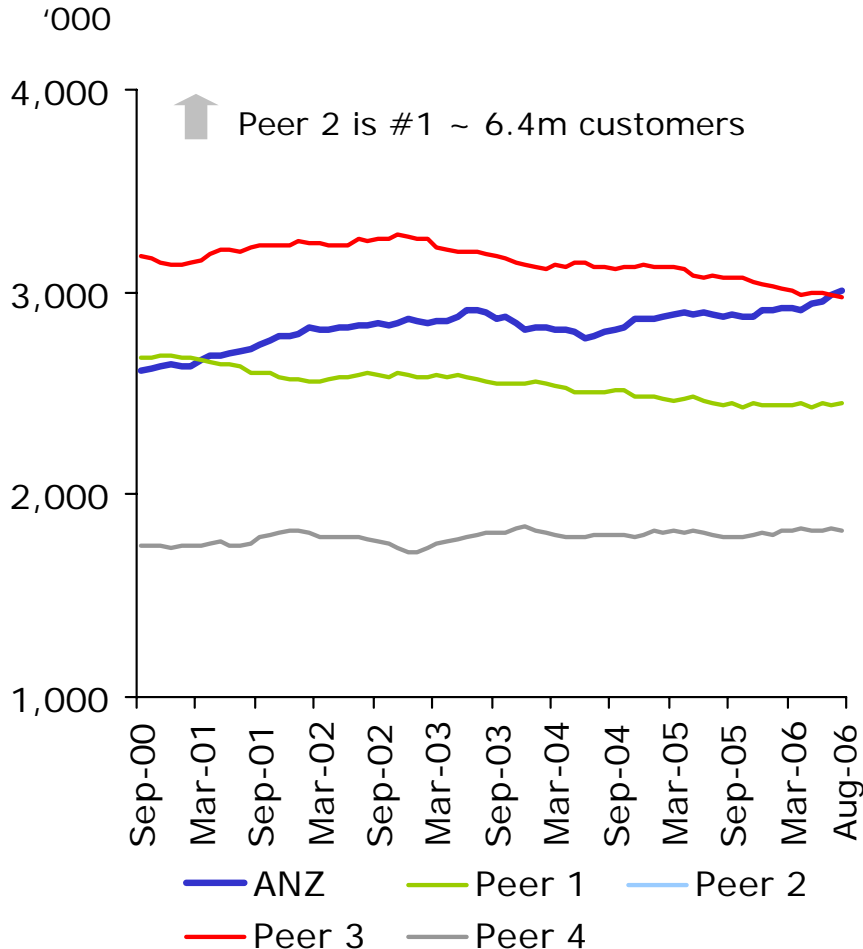
**ANZ customer satisfaction\* at top of major peers despite recent softening across the industry**



# ...leading to more customers and higher share of wallet

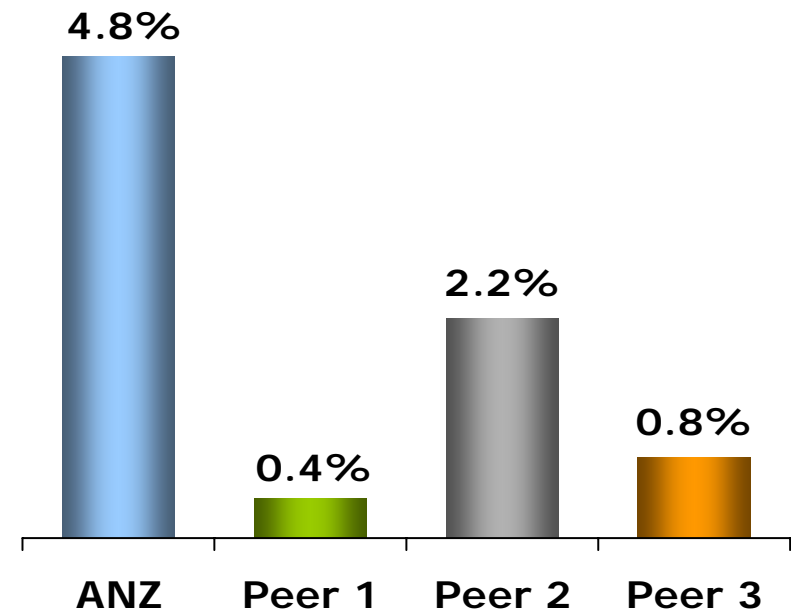
## Now #2 in customer numbers

(# traditional banking customers to Aug-06\*)



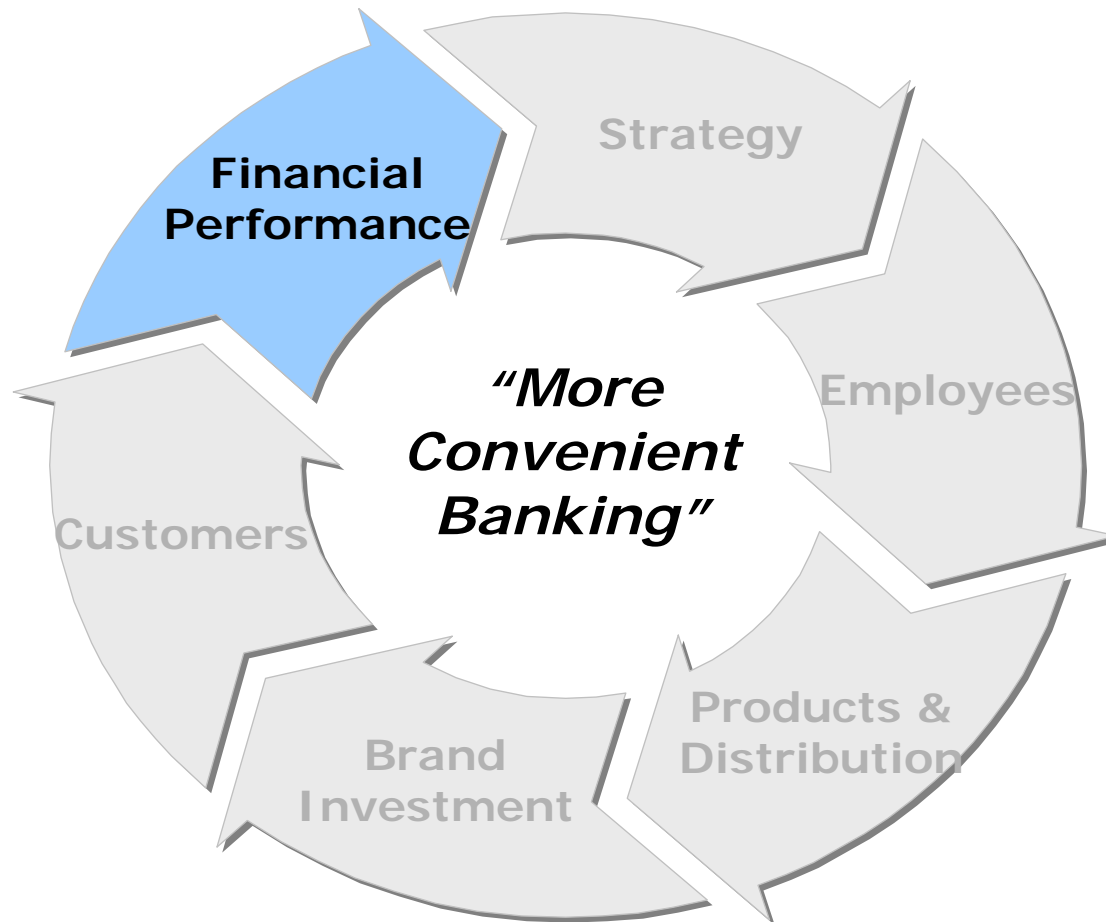
## Increasing share of wallet

(% increase traditional banking products Sep-04 to Aug-06\*)



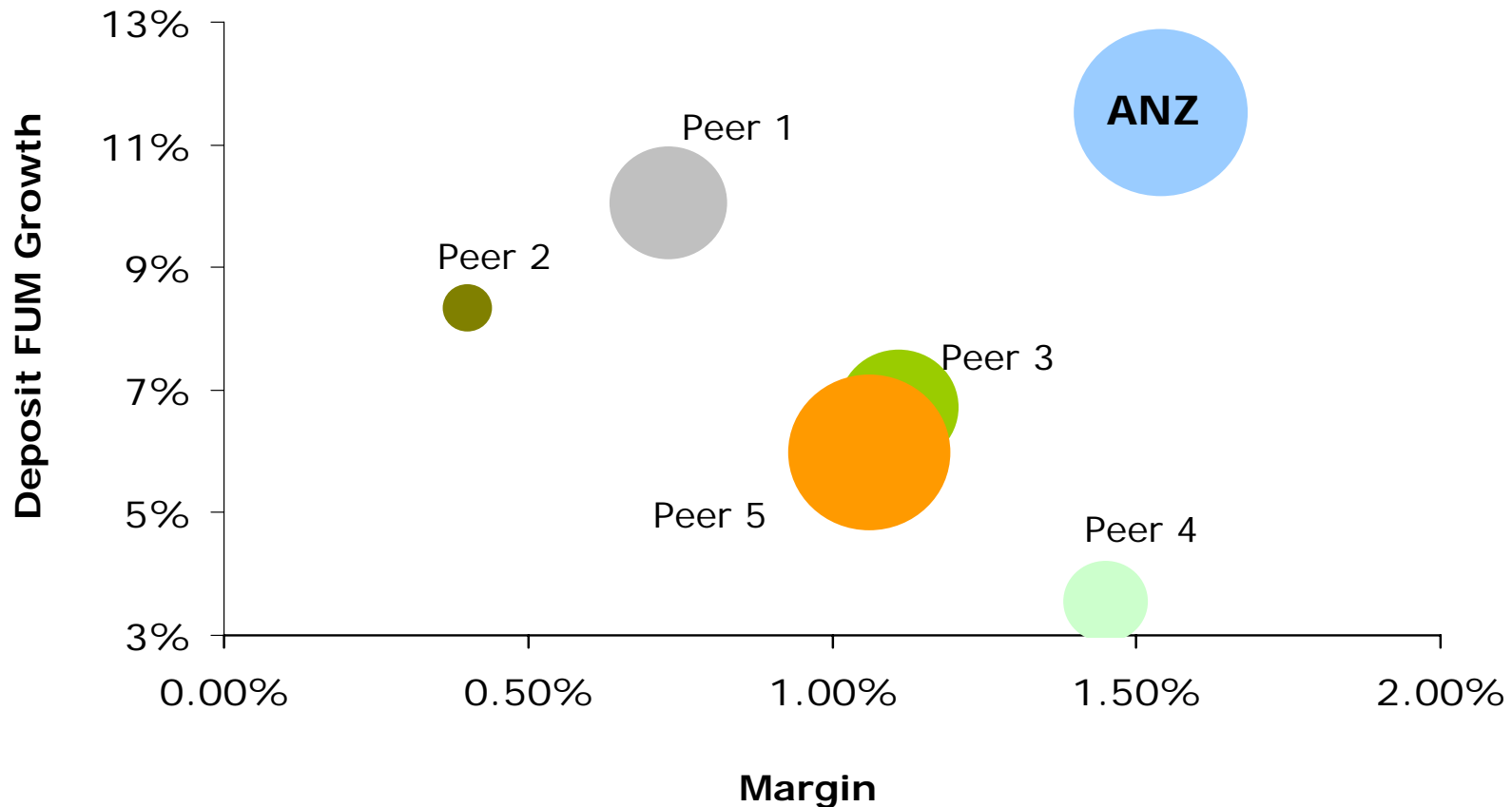
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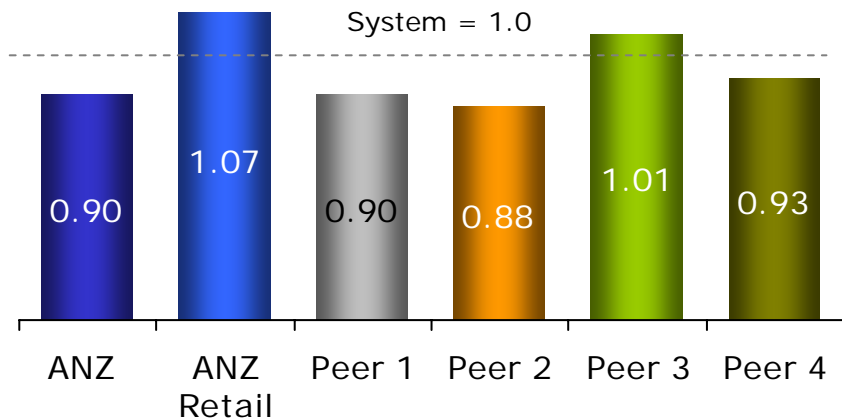
# Strategy delivering attractive deposit growth...

Non price-led strategy delivering strong growth  
*and* margin performance<sup>^</sup>

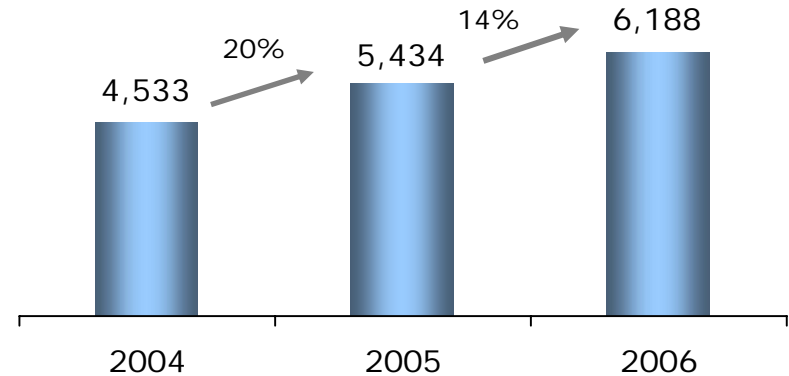


# ...and attractive Mortgages and Credit Card growth

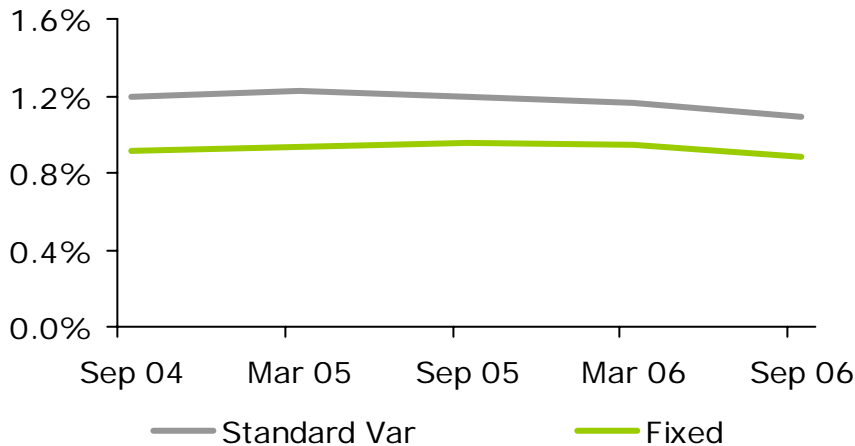
**ANZ Retail\* channels growing above system**



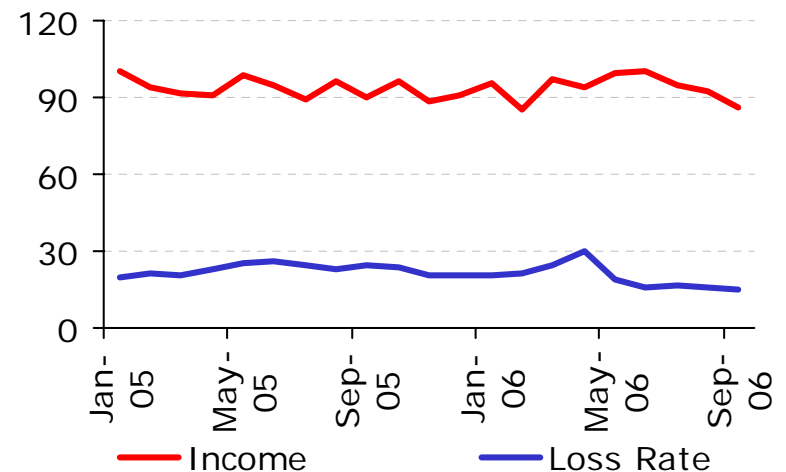
**Strong Credit Card FUM growth**



**Mortgage margin stable**



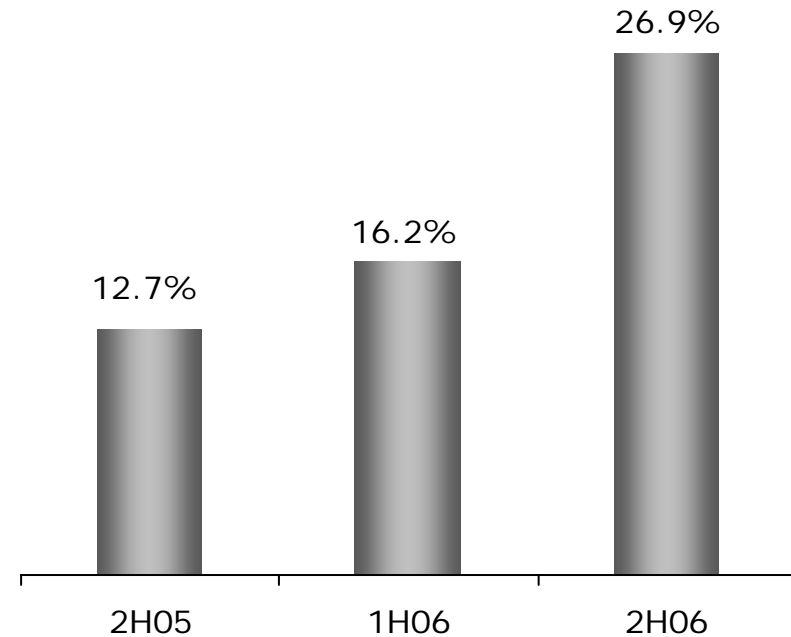
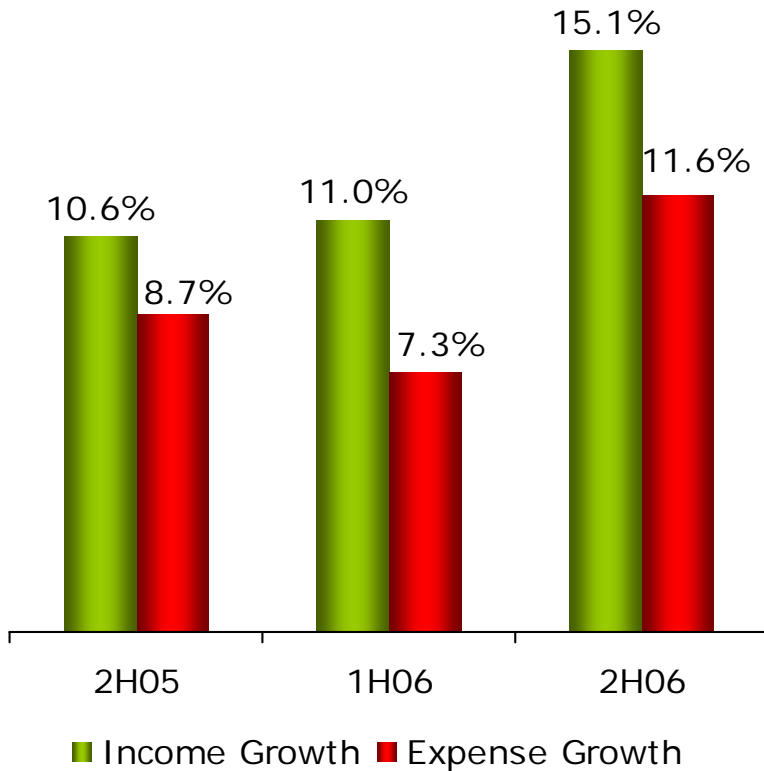
**Cards Margins and Loss Rates Stable**  
(index Jan-05 Income = 100)



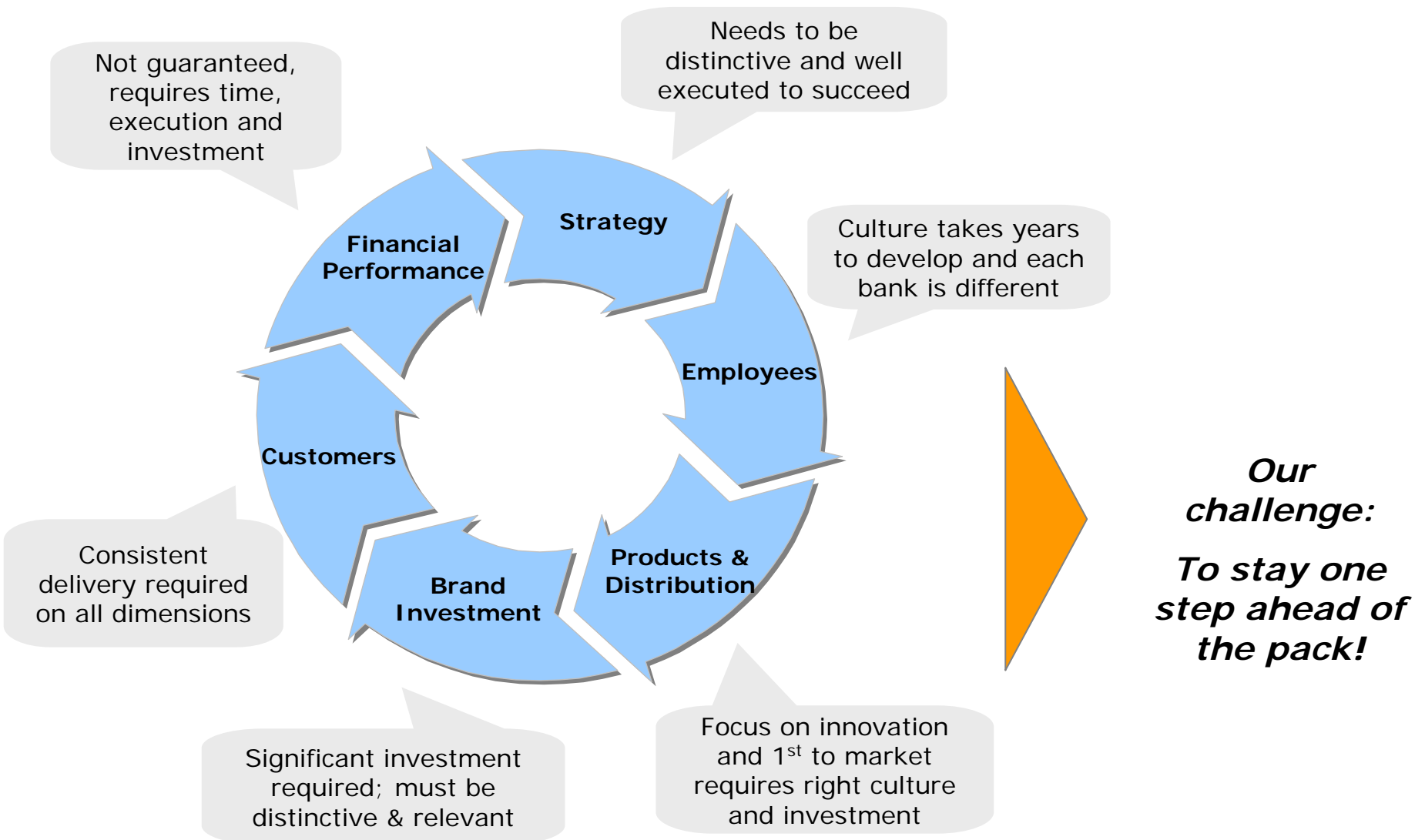
# Strong revenue growth driving out-performance

Revenue growth in part determines level of cost growth\*

Strong profit momentum (pcp)



# Parts of the formula can be copied, yet success is not guaranteed



# Summary

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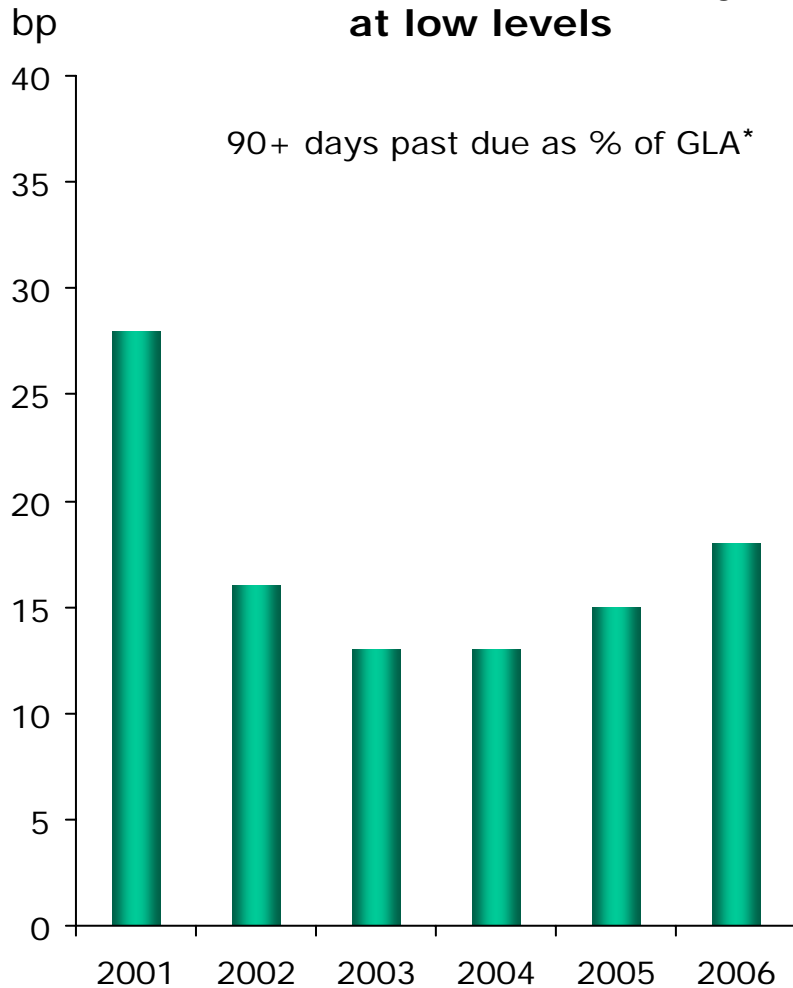
- No “silver bullet” explains ANZ’s Retail Banking success
- Our business system is delivering strong, sustainable growth
- We will continue to invest in “More Convenient Banking”
- Lots more upside in customer #s, wallet share, and efficiency

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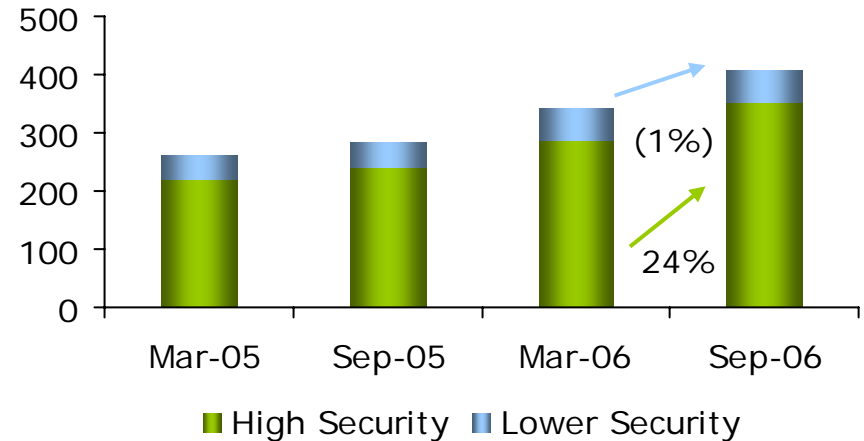
## Additional Information

# Early signs of a slight deterioration in credit quality

The cycle has turned with higher interest rates & fuel costs impacting some consumers, but 90+ days still at low levels

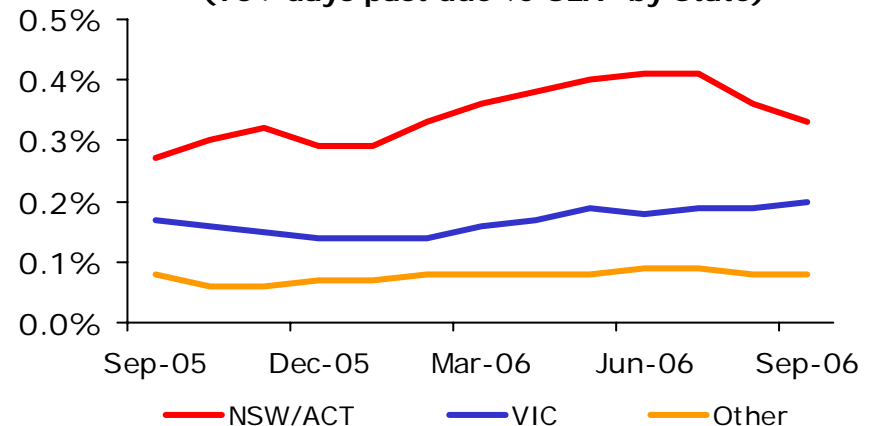


Growth has mainly been in the Australian highly secured portfolio (90+ days past due loans Aust.)



Mortgage concerns have largely been in NSW

(90+ days past due % GLA\* by State)



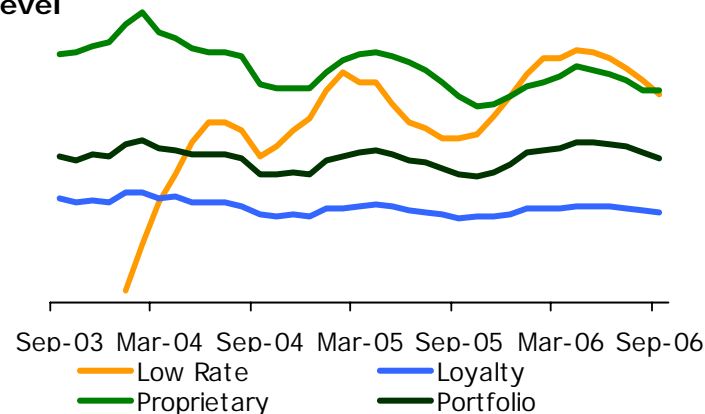
# Credit card losses result from four key drivers aside from outstandings growth

**1** 1Cut-off scores are set to maximise risk adjusted revenue (RAR)

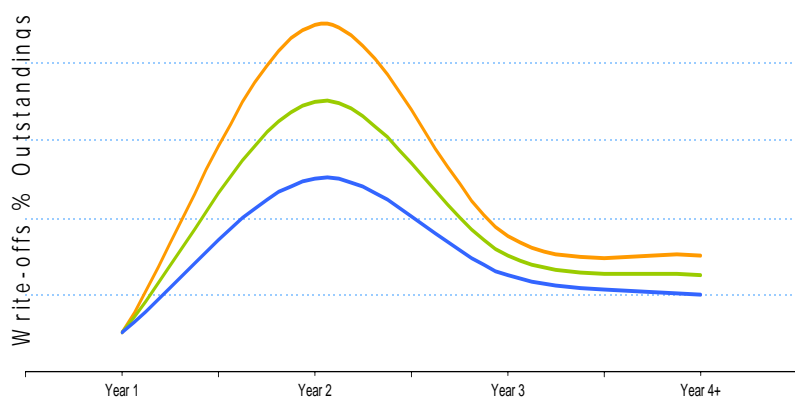
	(A)	(B)	(C)	(D) = C-B
	Population Decile	Total Credit Provisions Rate	Revenue (Interest + Fees)	Risk Adjusted Revenue
	10%	5%	9%	4%
	10%	4%	7%	3%
	10%	5%	8%	3%
	10%	6%	9%	3%
	10%	8%	11%	3%
	10%	11%	11%	0%
	10%	15%	12%	(3%)
	10%	45%	24%	(21%)
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↑ Cut-off

**3** Credit cards 60+days arrears stable at portfolio level



**2** 1Age of accounts: Credit costs generally peak around 18 to 24 months after an account is opened



Outstandings (\$m)	100	200	250
Annual growth	100	100	50
Year 1 Loss	1%	1	0.5
Year 2 Loss	3%	-	3
Year 3+ Loss	2%	-	2
<b>Net Losses</b>	<b>1</b>	<b>4</b>	<b>5.5</b>
<b>Net Losses % O/S</b>	<b>1.0%</b>	<b>2.0%</b>	<b>2.2%*</b>

**4** Source and channel:

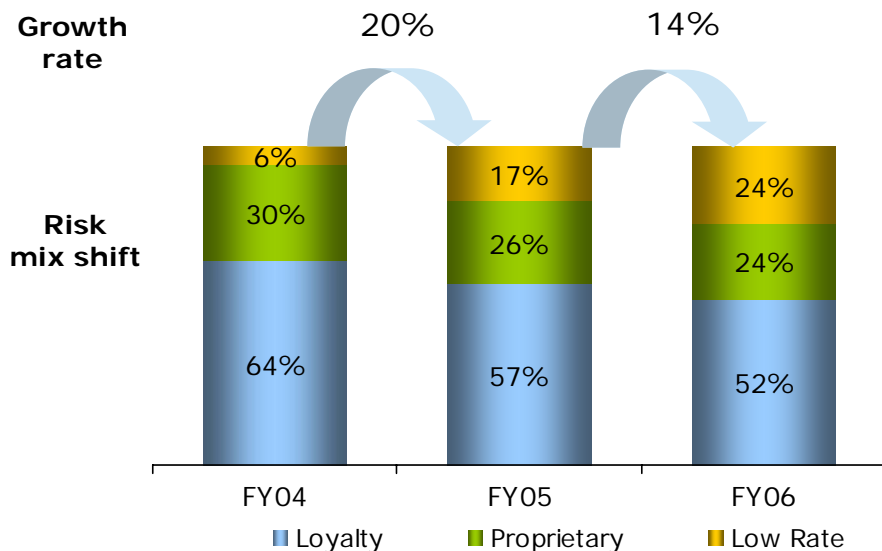
Existing customers have lower losses than new customers

Branch-originated accounts have lower losses than phone and internet-originated accounts

— Revolver - Higher Credit Costs — Medium Credit Costs — Transactor - Low Credit Costs

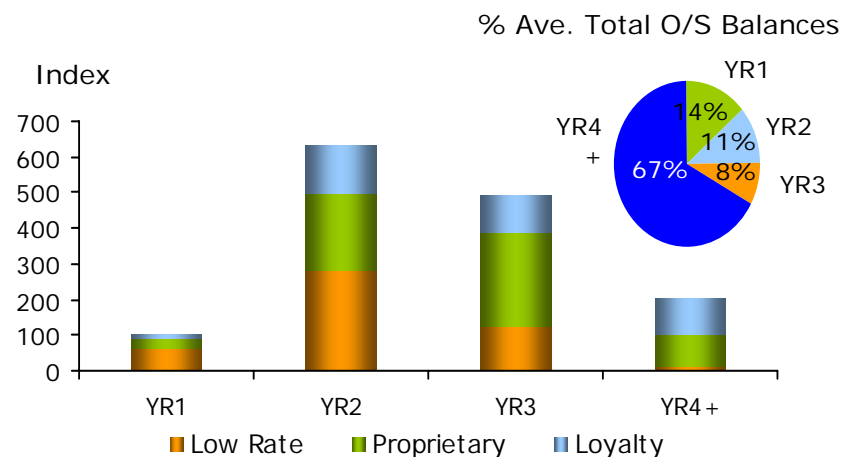
Note: Inherent credit card losses are in turn inflated/deflated by the economic cycle and the effectiveness of collections activity.

# ANZ's losses driven by product mix shift and prior years' outstandings growth



## Loss rates likely to increase as low rate balances 'season'

(Loss Rates by Vintage by Product Index YR1 = 100)



## SUMMARY

- Credit card loss growth due to shift to higher-revolving, low rate products and portfolio seasoning
- Credit quality remains sound. There is no deterioration of loss rates within product segments, year of booking, cut-off score, or channel/source
- To offset the expected impact of a the economic cycle, we are increasing collector numbers and refining collections strategies/tactics

# Australian personal bankruptcy differs from UK

Key factors for increasing UK losses:

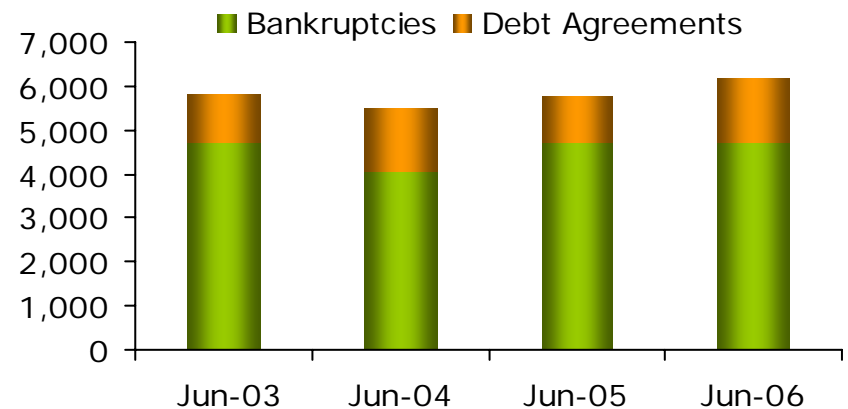
- aggressive competition
- weakening credit standards
- relaxation of bankruptcy laws in 2004

ANZ experienced above system unsecured lending growth & slight increase in bankruptcies:

- growth achieved with minimal change to credit standards
- no changes in Australian bankruptcy laws
- enhanced risk management strategies implemented

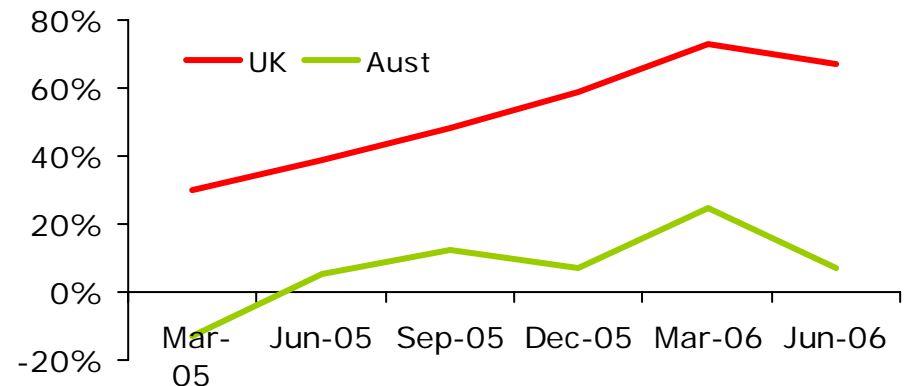
## Slight increase in Australian bankruptcies/debt agreements...\*

(Aust. Non Business Bankruptcies and Debt Agreements)



## ...rate of growth significantly below UK\*

(Personal bankruptcies and debt agreements, quarterly data yoy growth)



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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.

For further information visit

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