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Asian Strategy Update 2007

Australia and New Zealand Banking Group Limited

28 March 2007

Owen Wilson

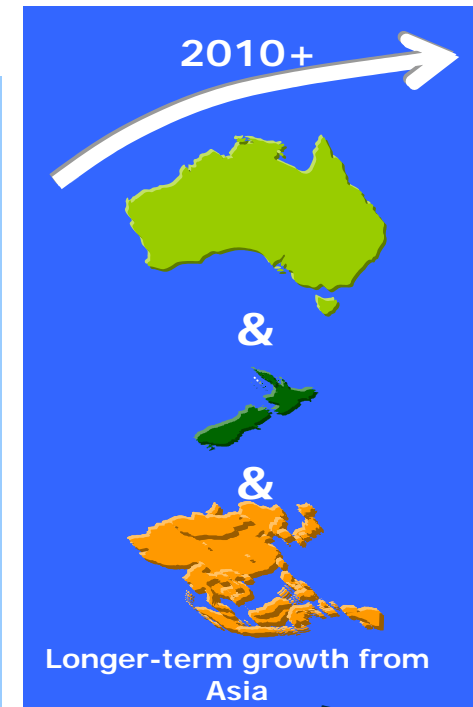
Managing Director
International Partnerships

A clear strategy - advance domestically while developing long term growth options in Asia

- Winning share in Australia
- Good earnings momentum
- Leading customer satisfaction
- Leading staff engagement
- Investing for tomorrow



Improved results from New Zealand



Portfolio of low-risk Asian growth investments, where we can add value

Asia's growth paradigm creates three very large opportunities

1 Trade

Asia driving global trade, particularly China

24% of global trade, regional trade US\$1 trillion

- Trade Finance
- Foreign Exchange

Asia Network

2 Infrastructure

Intensive Investment

US\$1 trillion in new infrastructure investment

- Project Finance
- Advisory Mandates

3 Retail

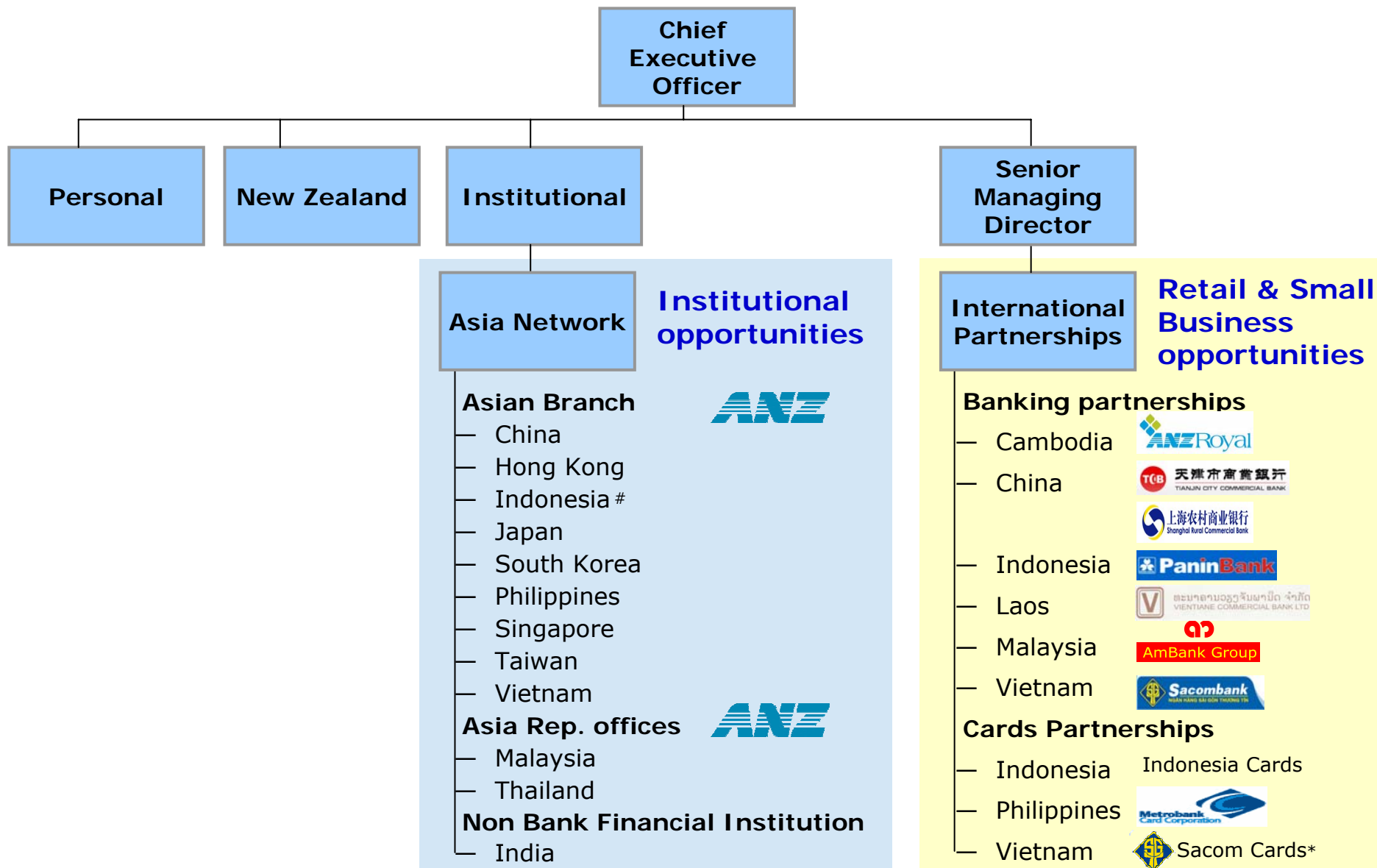
Growth in Personal Saving and Spending

US\$2 trillion in potential new deposits by 2009

- Retail/SME Banking
- Credit Cards
- Mortgages

Partnerships

Our two businesses target the large opportunities in Asia



85% of joint venture owned by ANZ

* Memorandum of Understanding signed June 2006 for the development of a credit card joint venture with Sacombank

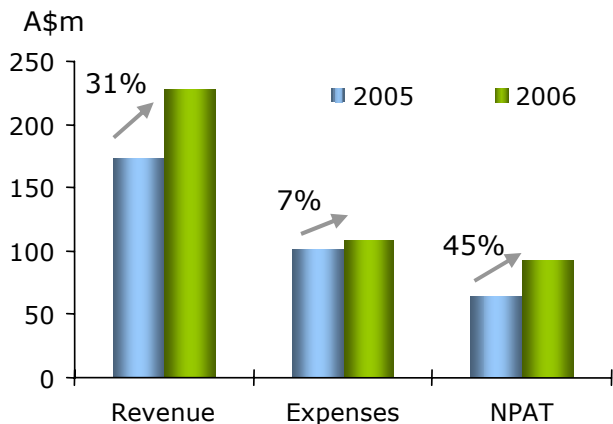
ANZ is Australia's leading bank in Asia with a presence in 14 markets



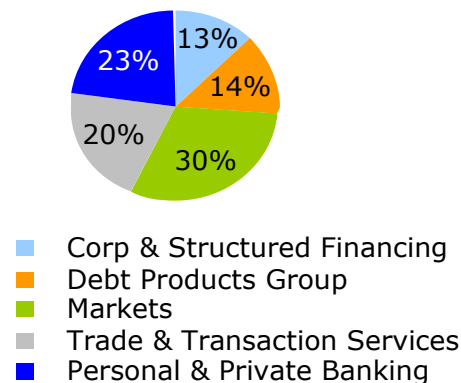
* Memorandum of Understanding signed June 2006 for the development of a credit card joint venture with Sacombank

The Asian Network is performing very well

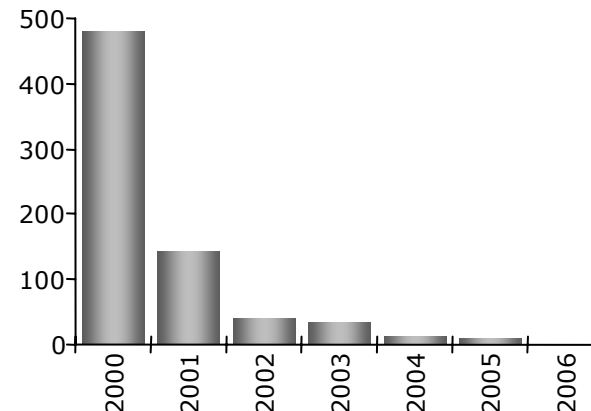
Revenue growth delivering strong NPAT



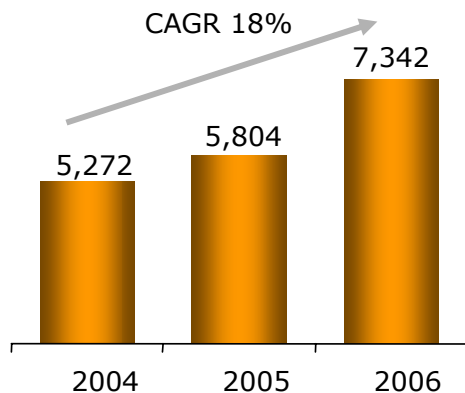
Source of Revenue by business



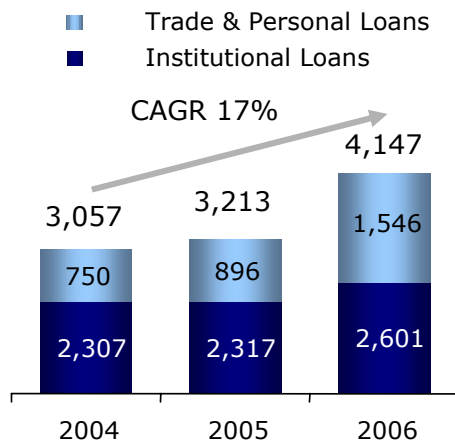
Non Performing Loans reduced to zero in FY06



Strong deposit Growth... (\$m)



... supporting lending growth with a shift towards lower risk exposure (\$b)



We continue to carve a regional niche in our business...

Awards include:

The Best for Australian Dollar

FX Week 2006

The Best Customer Oriented Bank 2006

Vietnam Economic Times

Best Bank in Asia

Global Finance, World's Best Project Finance Bank 2005

Project Finance Deal of the Year

Infravest Wind Power, Euromoney Deal of the Year 2005

Best Project Finance Deal

Nam Theun 2, FinanceAsia Achievement Awards 2005

Asia-Pacific Project Adviser of the Year

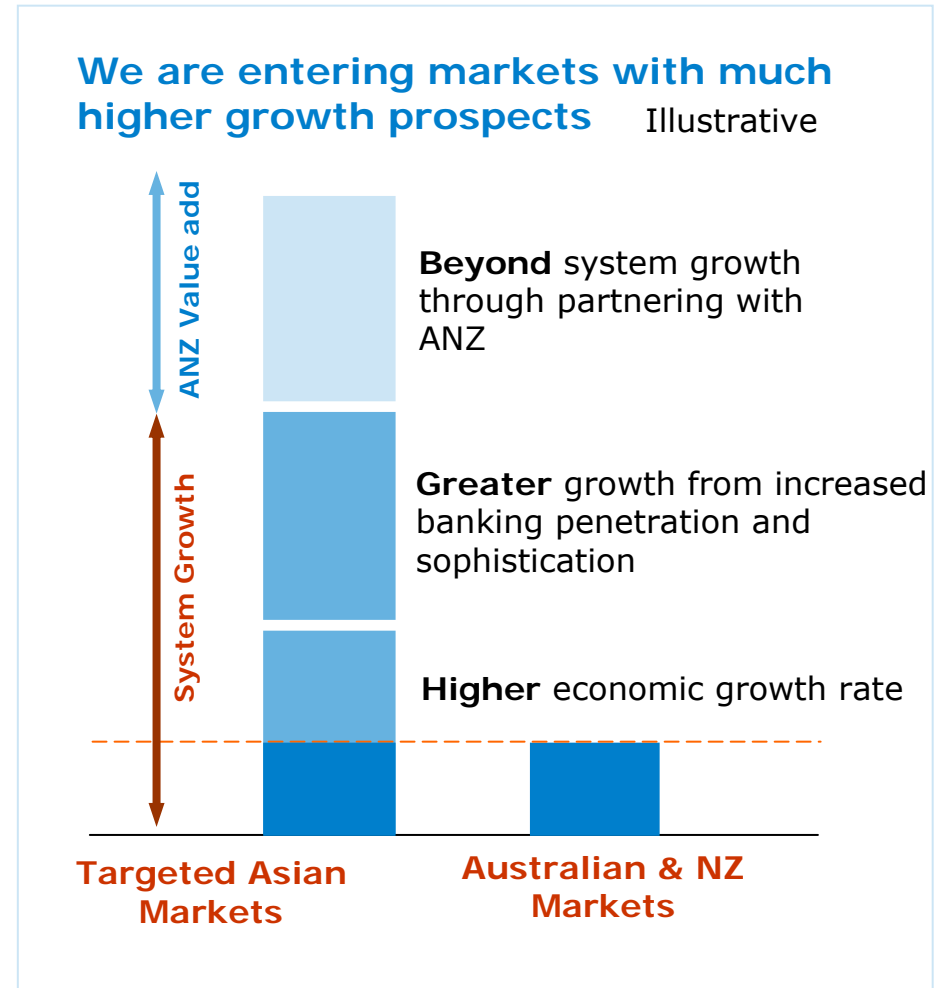
Nam Theun 2, Project Finance International PFI Awards 2005

Partnership strategy creates a new high growth business...

Core Elements

- 1 Markets with higher economic growth rates than Aust/NZ
- 2 Markets interconnecting strongly with Aust/NZ
- 3 Markets which are underbanked & less developed*
- 4 Partners with good footprints in their markets
- 5 Opportunities for ANZ to add value

Prospective Growth



**focus on Consumer & SME Banking*

...targeting rapidly growing Asian markets...

Asia's Retail Banking Opportunity

- Good potential for more developed banking services
- Low penetration of personal/SME banking
- Strong savings
- Strong aspirations for home ownership
- Growing demand for consumer goods
- Emerging use of debt for personal dwellings, vehicles etc

Priority Asian Markets

China

- Central (SRCB, Shanghai)
- North (TCCB, Tianjin)

S.E. Asia

- India, Indonesia, Malaysia, Vietnam

- Higher priority markets
- Relatively lower risk profile
- Attractive size

S.E. Asia

- Philippines, Thailand

- High growth upside
- High reliance on strong partner

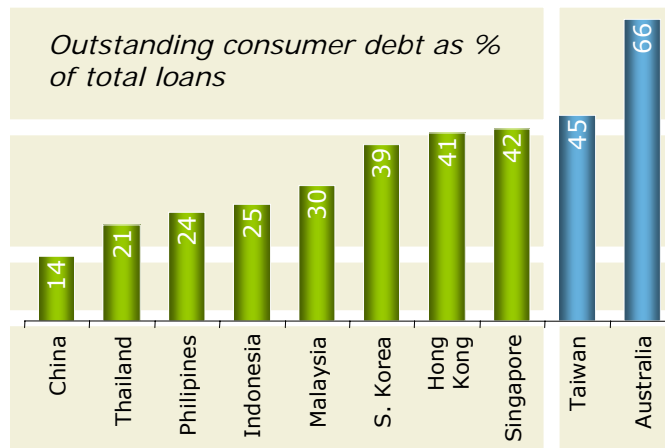
Ground Floor

- Cambodia, Laos

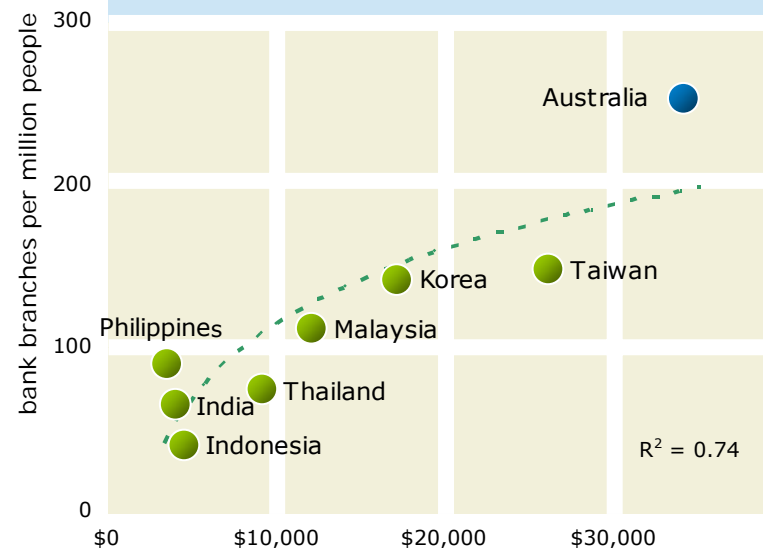
- Less developed bank markets
- Small investments, first mover

Consumer Debt

Outstanding consumer debt as % of total loans

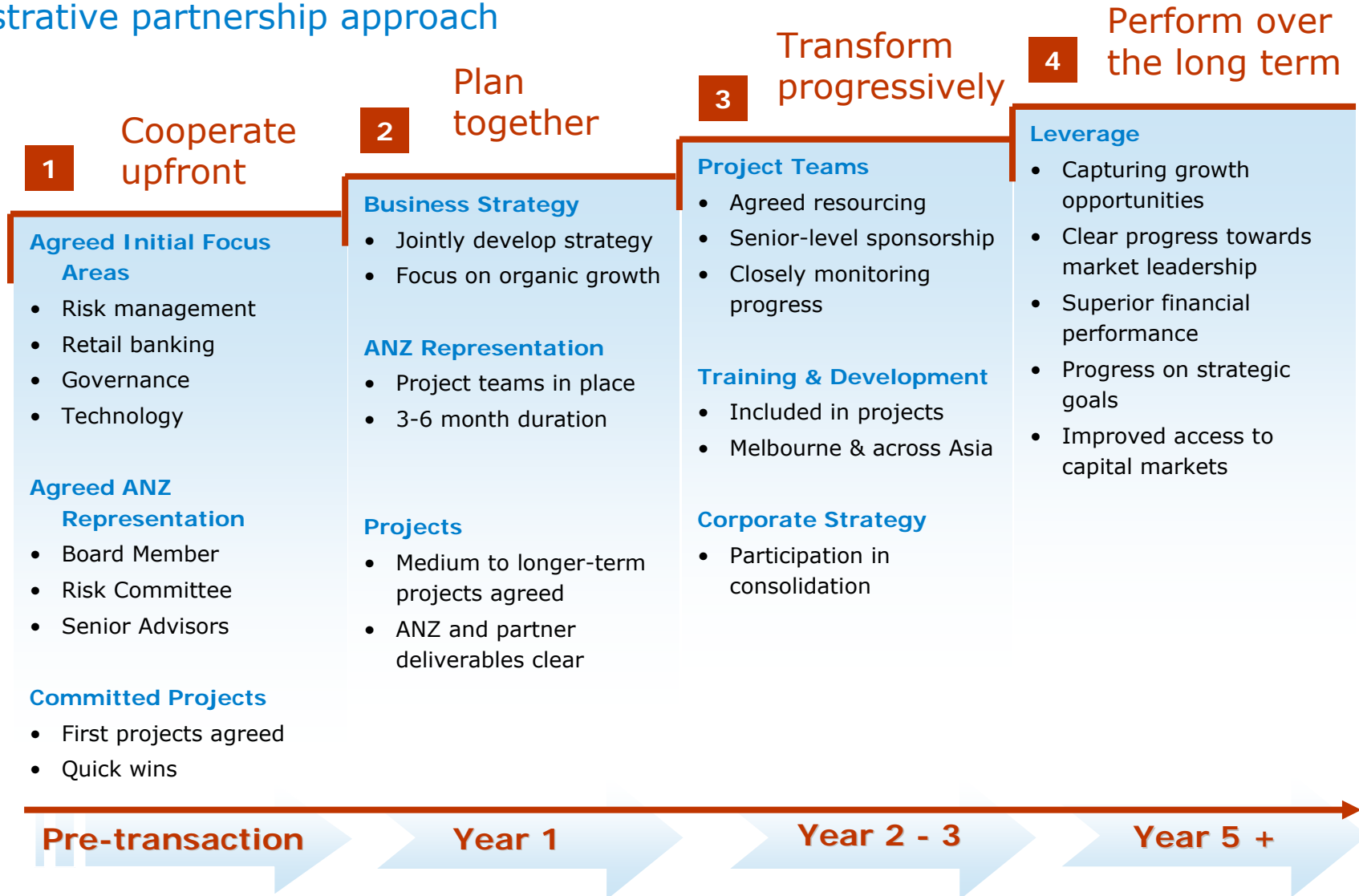


Penetration of Bank Branches



...and taking a longer-term perspective

Illustrative partnership approach



The Business Co-operation Agreement (BCA) sets out key areas of focus and contributions of each party - EXAMPLE

Retail		Corp/SME (non Gov't)		Trade		Markets	
Partner Action	ANZ value add	Partner Action	ANZ value add	Partner Action	ANZ value add	Partner Action	ANZ value add
<ul style="list-style-type: none"> • Product managers • Branch redesign • Split sales/service • Split back office • Train & Recruit 	<ul style="list-style-type: none"> • Permanent Vice President at Retail • <i>Product</i> • <i>Sales training</i> • <i>Local CEO</i> 	<ul style="list-style-type: none"> • Policy of tangible collateral or self-liquidating loans • Dedicated credit processes • Build sales-oriented culture 	<ul style="list-style-type: none"> • Permanent Senior Advisor • <i>Product</i> • <i>Credit risk</i> • <i>Back office</i> • <i>M.I.S.</i> 	<ul style="list-style-type: none"> • Product manager • Train sales team • Increase trade licenses • Cross-sell FX 	<ul style="list-style-type: none"> • Short-term advisor • <i>Product</i> • <i>Sales</i> • <i>ANZ trade system</i> 	<ul style="list-style-type: none"> • New leadership • Risk framework • Improve FTP • Improve reporting 	<ul style="list-style-type: none"> • Project role (3-6m) • <i>Product & Research</i> • <i>Risk models</i> • <i>Trading skill</i> • <i>ALCO</i>

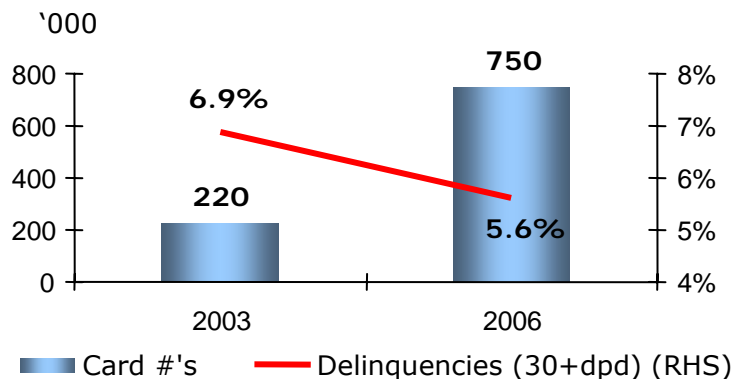
Credit / Operating Risk		Governance	
Partner Action	ANZ value add	Partner Action	ANZ value add
<ul style="list-style-type: none"> • Agree/implement risk framework • Segregate sales, approval, draw-down • Staff training/recruit talent • Build risk culture • Enhance management/Board reporting 	<ul style="list-style-type: none"> • Permanent Senior Advisor • <i>Full risk diagnostic</i> • <i>Risk frameworks</i> • <i>Policy/process guidance</i> • <i>Portfolio management</i> 	<ul style="list-style-type: none"> • Amend company articles • Recruit internal audit skill • Expand internal audit scope/reporting • Appoint internationally accredited auditor 	<ul style="list-style-type: none"> • ANZ Board members • <i>Board/Committee protocols</i> • <i>Board & Committee role membership</i> • <i>Risk-based auditing methodologies</i>

The strategy is delivering real value – two recent examples

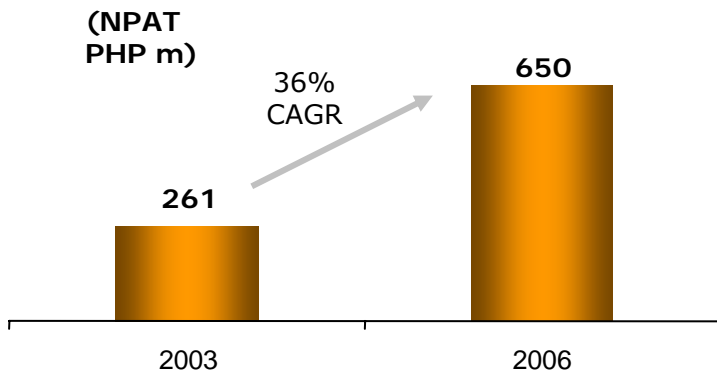
Philippines

- Credit Card partnership formed with Metrobank in 2003

Card numbers increased whilst delinquencies reduced



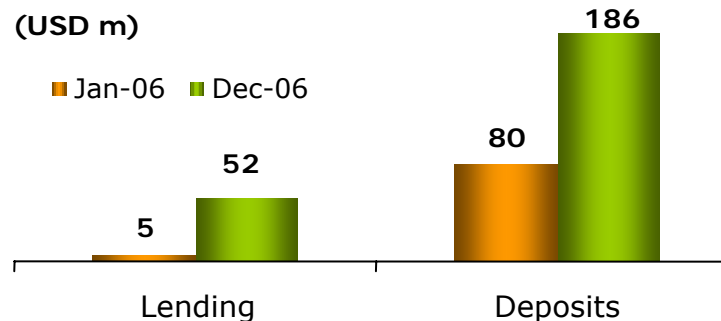
Profit dramatically improved



Cambodia

- Banking partnership formed with Royal Group in 2005

Significant FUM growth over short period



Cambodia's leading Bank within 12 months and recognised for market development initiatives

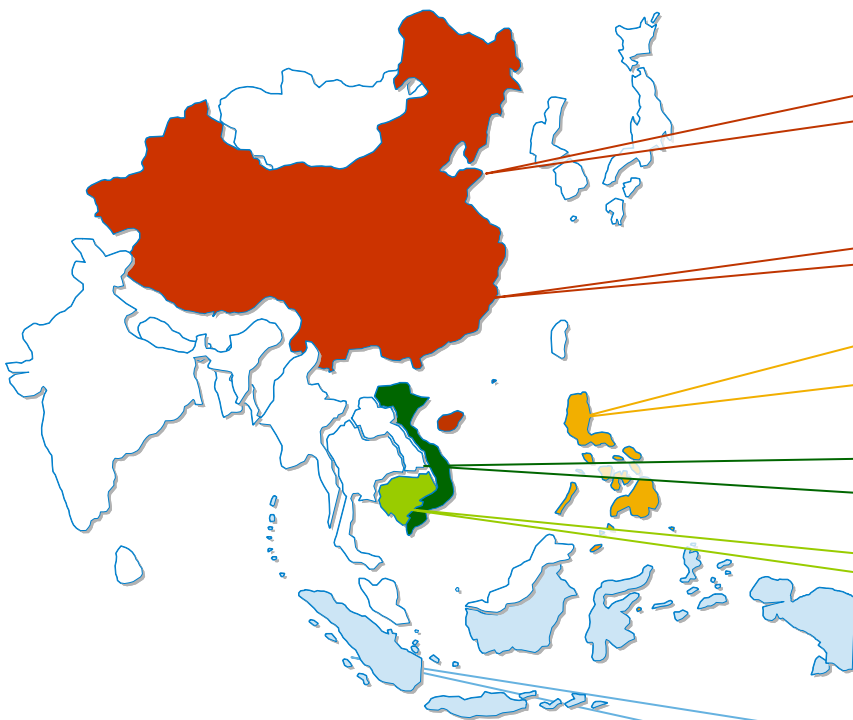


Resource planning is central to the partnerships strategy

- **ANZ has developed an extensive people strategy to provide resourcing to our partnerships**
- **ANZ has a large pool of executives to fill the required roles – senior resources are in place across all our existing partnerships**
- **ANZ has a number of initiatives underway to continue to grow and sustain our talent pool:**
 - Succession plans in place for key roles
 - Growing talent bank of relevant, engaged managers eager to work in partnerships
 - Recruitment of senior bankers of Asian backgrounds and experience to work in Australia and New Zealand
 - Appointment of functional experts to the head office team to leverage and support in-country resources and prepare for assignments into partnerships
 - Recruitment of graduates - ANZ's Australia/New Zealand graduate intake includes an increasing number of Asian language speakers

All existing partnerships have been resourced

International Partnerships value-add



Tianjin City Commercial Bank

- 6 ANZ executives and staff now operating within TCCB
- Initial focus on risk management, retail banking, trade finance, governance and IT

Shanghai Rural Commercial Bank

- 6 ANZ executives and staff identified to be seconded to SRCB; all Mandarin speaking; experienced across a range of functional expertise

Metro Cards Corporation

- ANZ managed; 2 ANZ executives: CEO and First VP Acquiring
- ANZ Risk Head recently appointed to regional Risk role

Sacombank

- 3 ANZ executives; seconding ANZ resource to run Treasury/Markets
- ANZ managing Sacombank's credit card division

ANZ Royal

- ANZ managed; 7 ANZ executives: 217 local staff
- Opened in September 2005 - strong support from ANZ HQ in establishing the bank, with project teams seconded as necessary

Australia HQ: Leadership & support (46 FTE)

- Regional risk management team
- Regional Cards development and support
- Functional experts – Retail and Corporate/SME
- Strategy development / execution
- Project & operational support
- People Capital

Panin Bank

- 4 ANZ executives, including Management Board representation

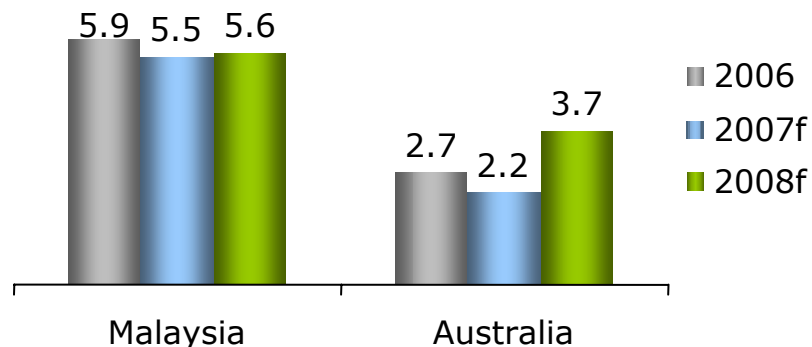
Indonesia Cards

- Managed by ANZ; 93 staff in total, 840 contractors – largely local skills

AMMB presents an exciting opportunity...

Malaysia is an attractive market

Regional GDP growth forecasts[^]
(% of prospective growth)

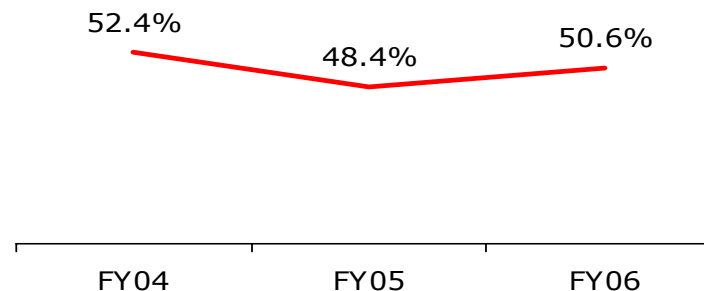


AMMB has a good footprint in Malaysia

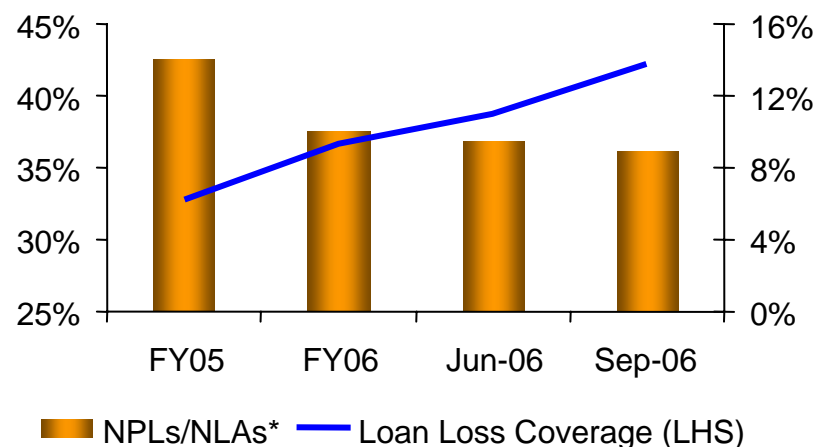
Financial Service Group / Ranking on market Cap	Total Assets (US\$b)	FY06 NPAT (US\$b)	Branches / ATMs	FTE
1 st Maybank	61.4	768	354 / 1,000	21,147
6 th AmBank Group	19.8	100	174 / 248	9,280
9 th AFFIN HOLDINGS	8.5	65	81 / 121	3,906

There are many areas where ANZ can add value. For example ...

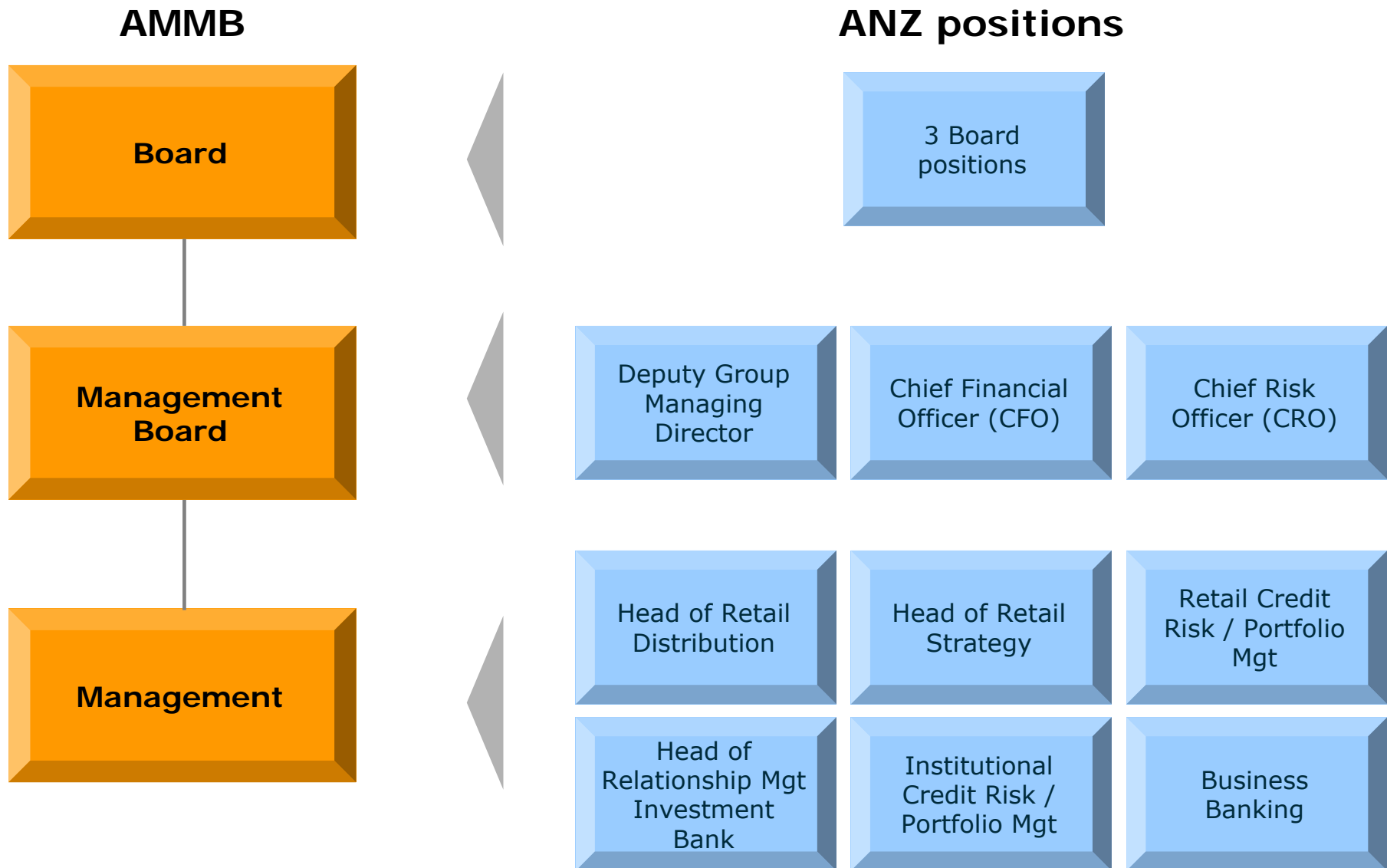
Significant scope to improve efficiency... (cost to income ratio*)



... and scope to further improve NPL and coverage ratios



...and the level of ANZ involvement will be significant










Summary




- ✓ Developing long term growth options in Asia through our Asia Network and International Partnership strategies
- ✓ Partnership focus is on rapidly growing and developing consumer and small business markets
- ✓ Creating value with our well recognised domestic and international banking experience and technical expertise
- ✓ Key management involvement in retail banking, small business, credit cards and risk management – existing partnerships are fully resourced
- ✓ We continue to look at opportunities in existing countries with our partners and in high population, fast growing developing countries

Additional information on Partnerships

ANZ's portfolio of Asian Banking Partnerships

	Indonesia	Cambodia	Vietnam	China		Malaysia	Laos
							
ANZ entered country	1973	2005	1993	1986		1971	2007
Partnership began	1999	2005	2005	2005	2006	2006	2007
Partnership type	Banking	Banking	Banking	Banking	Banking	Banking	Banking
Profile	8 th largest bank by assets	2 nd largest bank	Over 11% of loans market share	4 th largest city commercial bank	Largest rural commercial bank	5 th largest financial services group	Only privately owned commercial bank
Investment size	A\$232m	A\$16m	A\$41m	A\$159m	A\$328m	A\$833m ¹	A\$12m
ANZ stake	29%	55%	10%	20%	19.9%	Up to 24.9%	60%
Key business metrics ¹	<ul style="list-style-type: none"> • 247 branches • 9,800 ATMs & ATM alliances • 4 ANZ staff 	<ul style="list-style-type: none"> • 10 branches • 51 ATM • 7 ANZ staff • 217 local staff 	<ul style="list-style-type: none"> • 148 branches • 57 ATMs • 3 ANZ staff • 50,000 debit cards 	<ul style="list-style-type: none"> • 180 branches • 96 ATMs • 6 ANZ staff 	<ul style="list-style-type: none"> • 330 branches • 380 ATMs • up to 8 ANZ staff 	<ul style="list-style-type: none"> • 174 branches • 233ATMs • 9,280 staff • Up to 12 ANZ staff 	<ul style="list-style-type: none"> • One main branch • Small affluent customer base • ~ 50 staff

ANZ's portfolio of Asian Cards Partnerships

	Indonesia	Philippines		Vietnam	
					
ANZ entered country	1973	1990		1993	
Partnership began	1999	2003		2006*	
Profile	65% share of Platinum Mastercard	4th largest credit card issuer		Vietnam's fastest growing and most progressive joint-stock Bank	
Investment size	A\$6m ¹	A\$14m		A\$8-10m	
ANZ stake	85% ¹	40%		40%	
Partnership Type	Issuing	Issuing	Acquiring	Issuing	Acquiring
Key business metrics	<ul style="list-style-type: none"> • 332,000 cards • 1 branch • 93 local staff • 943 contractors 	<ul style="list-style-type: none"> • 755,000 cards • 3 ANZ staff • 570 local staff • 112 contractors 	<ul style="list-style-type: none"> • Six pilot merchants • High profile merchant partners • Chip card ready 	<ul style="list-style-type: none"> • Launched January 2007 • Credit cards 2,000 • 73 local staff 	<ul style="list-style-type: none"> • Merchants 1,000

Additional information on AMMB

AMMB transaction & partnership background

Deal specifics

- ANZ acquiring up to 24.9% for A\$833m[#]
 - 13.5% acquired through 164m converting preference shares and convertible bond at a cost of A\$379m
 - 11.4% acquired from AmCorp (300m existing shares) at cost of A\$454m
- Price to Book 1.5 times*
- Transaction subject to shareholder, legal and regulatory approval
- Transaction to be funded internally









Malaysia is an attractive market

- Malaysia has 25 million people, Asia's fifth fastest growing economy
- Forecast 2006 GDP growth of 5.6%

AMMB is an attractive bank with significant opportunity

- AMMB is Malaysia's fifth largest financial services group
 - Total assets US\$19.8b
 - Market capitalisation US\$1.9b
 - Over 2.5m customers, 174 branches, 233 ATMs , 9,280 staff
- Transformed asset mix to Consumer & SME banking, comprising 78% of lending assets in 2006 versus 32% in 1999
- Reported non performing loans to gross lending assets reduced to 8.9% at Sep 2006

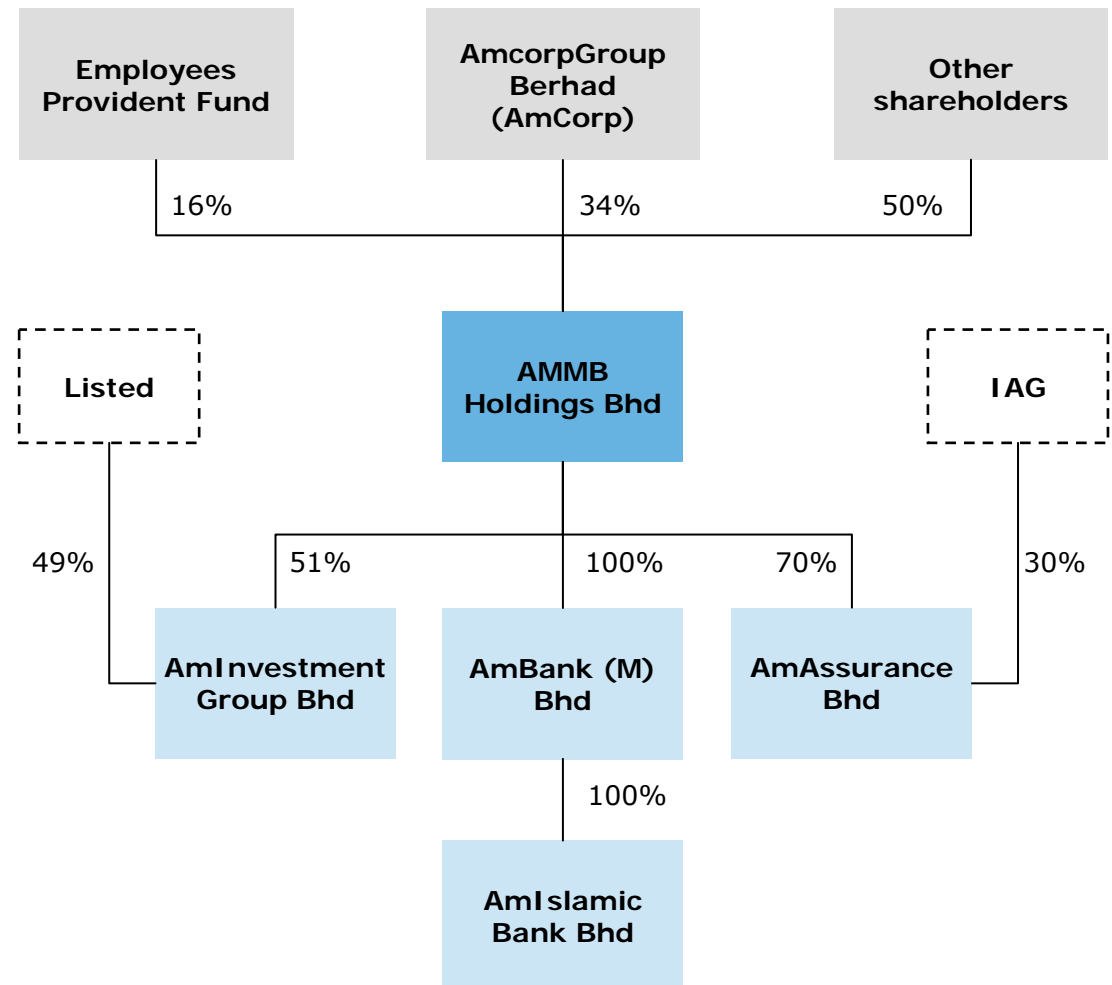
AMMB is the 6th largest financial services group in Malaysia

	Market cap (US\$b)	Total assets (US\$b)	FY06 NPAT (US\$m)	Cost to income (%)	NPL (%)	Branches/ ATMs	FTE
 Maybank	14.1	61.4	768	43.8	3.8%	354/1,000	21,147
 PUBLIC BANK	8.9	30.6	397	38.2	1.7%	251/357	12,800
 CIMB GROUP	8.9	31.1	227	55.1	5.8%	350+/900+	18,335
 Hong Leong Bank	2.7	16.6	151	40.0	3.1%	180+/200	5,378
 RHB RHB CAPITAL BERHAD	2.5	24.6	87	54.6	5.1%	194/470	10,356
 AmBank Group	2.1	19.8	100	40.4	9.6	174/248	9280
EON BANK GROUP	1.3	9.8	78	52.4	5.3%	125/NA	4,980
 ALLIANCE BANK	0.9	6.5	-55	59.7	9.5%	81/108	3,676
 AFFIN HOLDINGS	0.9	8.5	65	49.0	14.2%	81/121	3,906

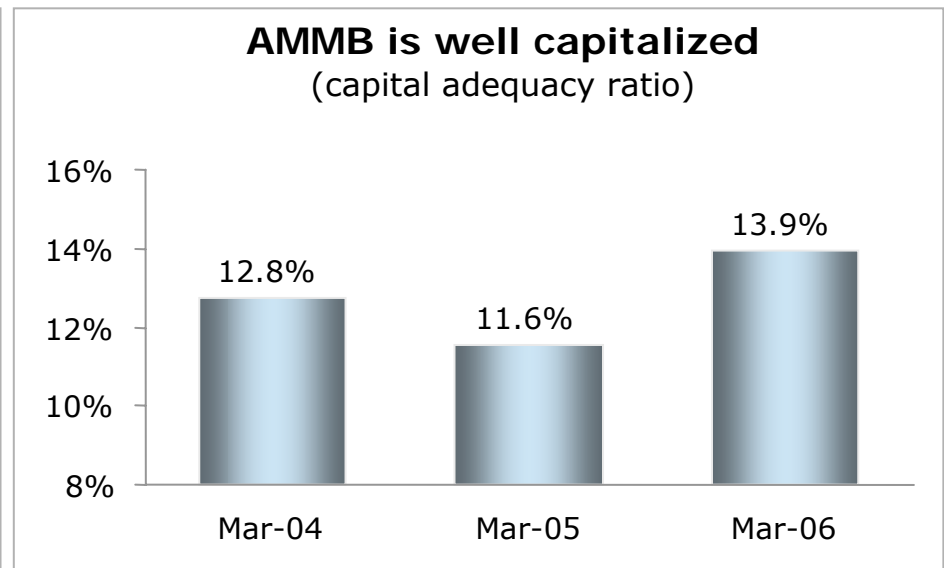
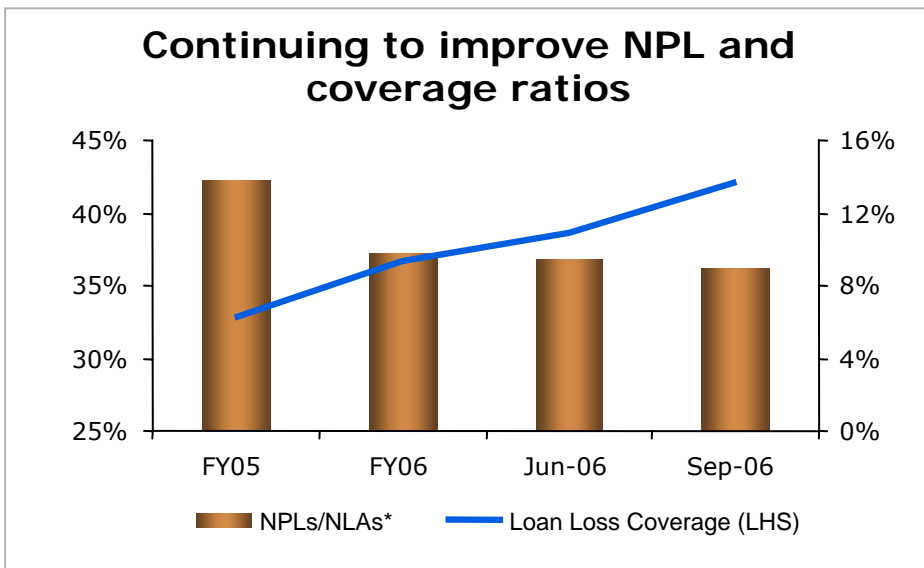
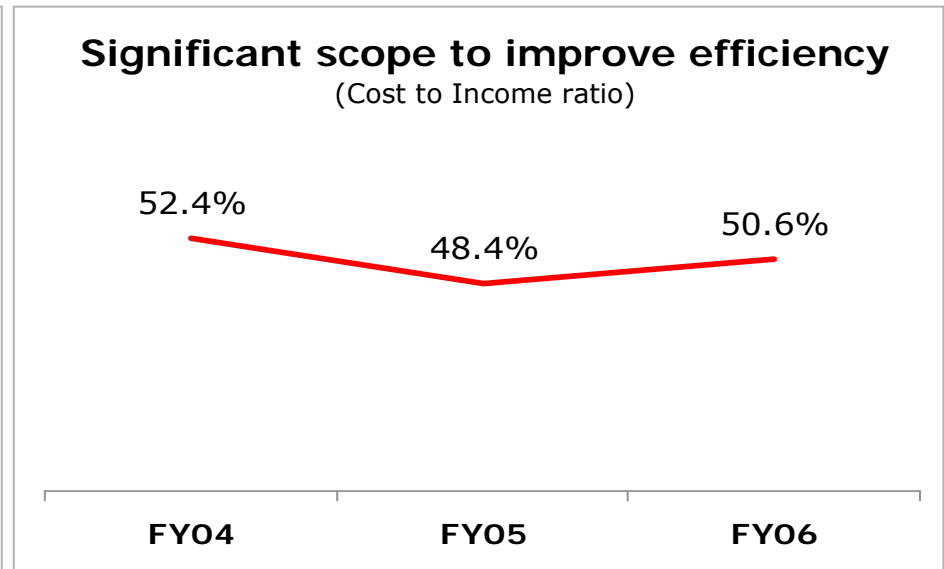
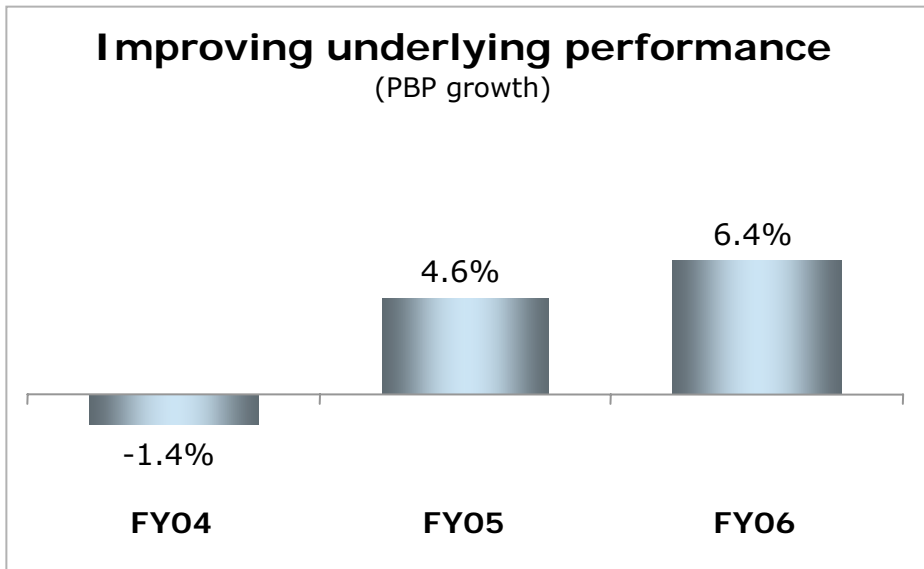
AMMB offers a full financial services proposition

- AMMB has three major businesses:
 - **AmBank** operates retail, business and Islamic banking businesses. It was formed following the merger of the commercial banking and consumer finance arms of AMMB in 2005
 - **AmInvestment Group** is focused on investment banking. It offers corporate finance and advisory services, stockbroking, asset management and financial planning
 - **AmAssurance** manufactures life and general insurance. IAG acquired a 30% shareholding in March 2006

AMMB Organisational structure

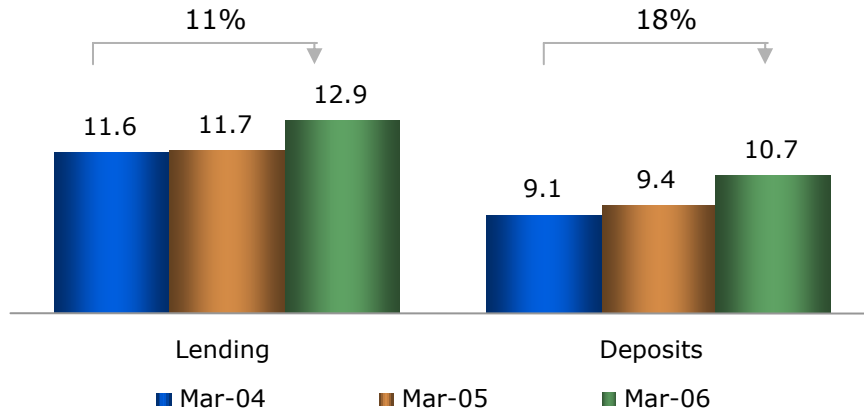


Improving underlying earnings and credit quality, significant scope for further improvement

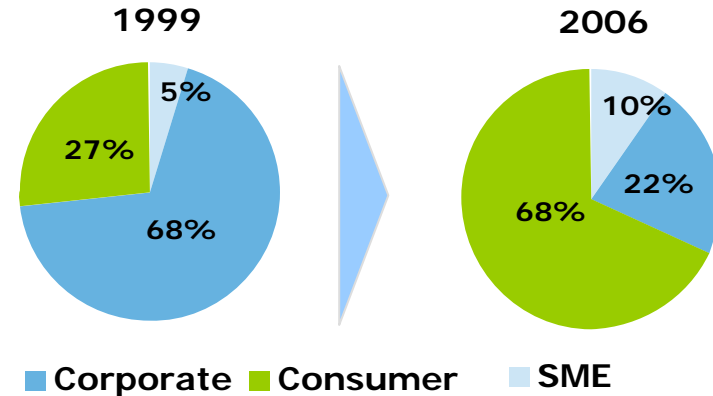


Increased focus on Consumer Banking

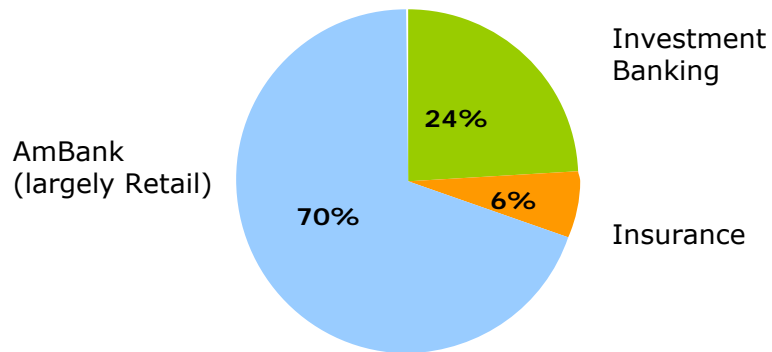
Strong Consumer lending growth offset by declining Non Consumer lending
(FUM US\$b)



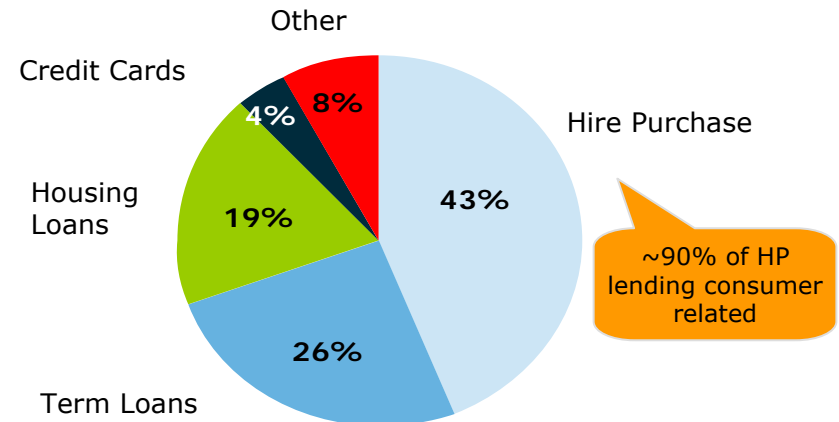
Significant shift in asset mix to Consumer Banking



Majority of profit generated by Retail Banking
(Contribution to PBT)

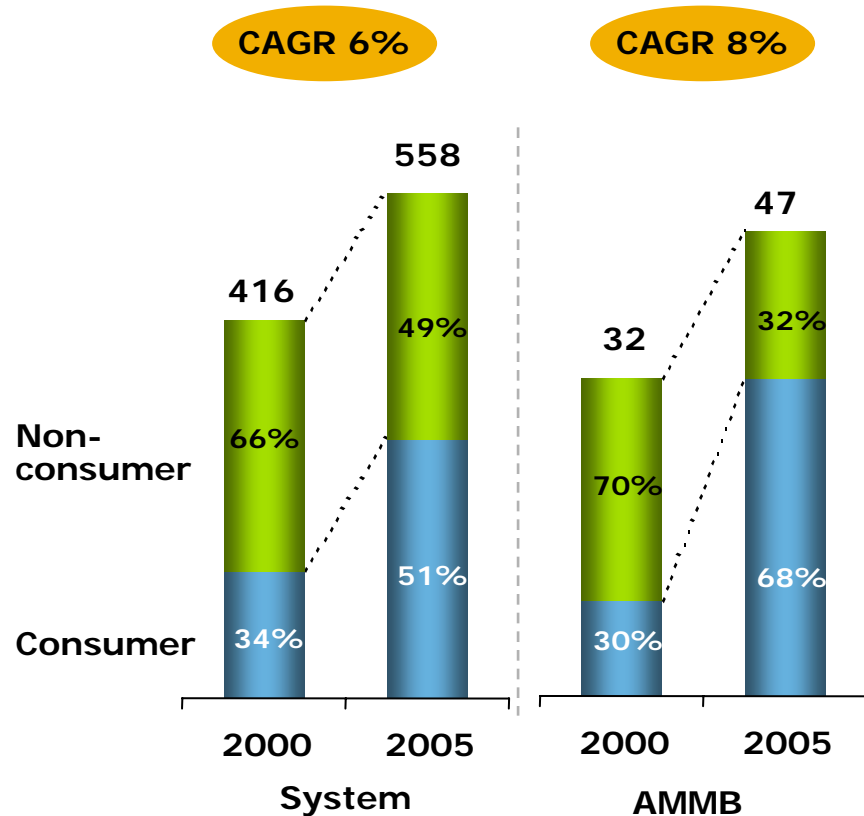


Consumer lending is weighted to Hire Purchase and Housing

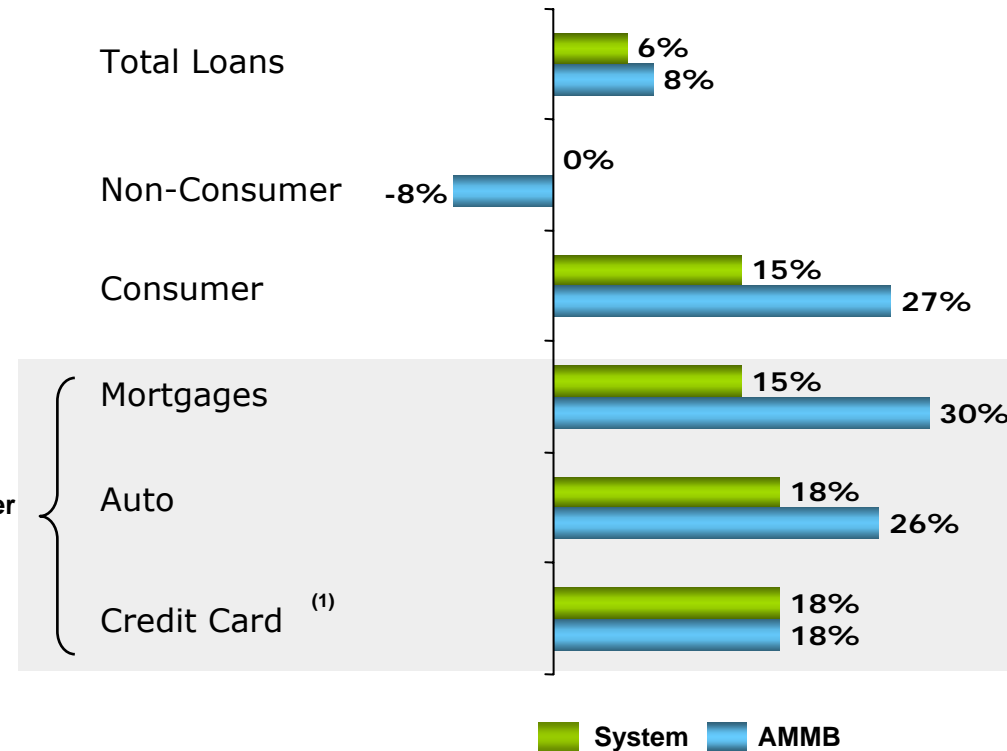


Strong Consumer lending growth offset by declining Non-Consumer lending

Focus on Consumer delivering above system Lending growth (RM bn)



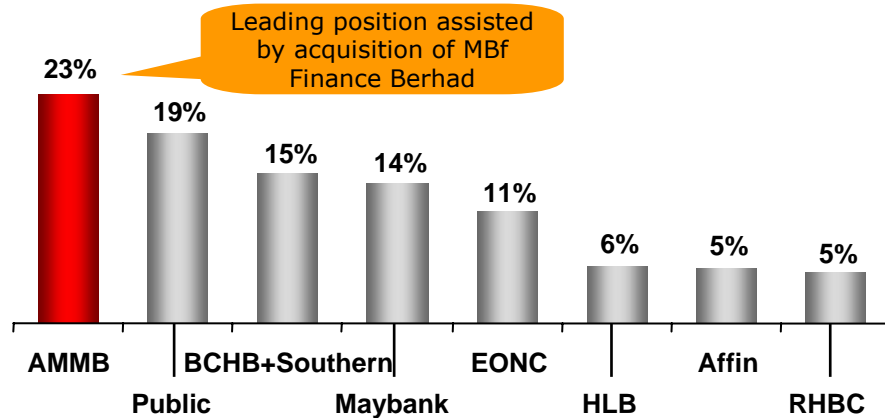
Above system Mortgage and Auto Finance lending driving out performance (CAGR 2000-05)



AMMB holds leading Auto Finance and Credit Card positions

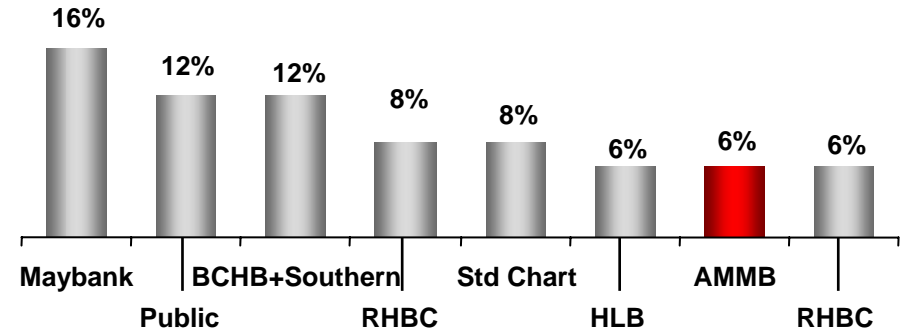
Auto Finance Market Share

(Dec 2005)



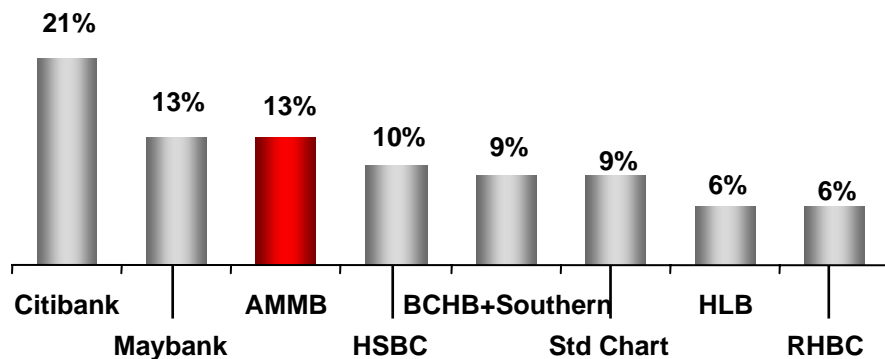
Mortgages Market Share

(Dec 2005)



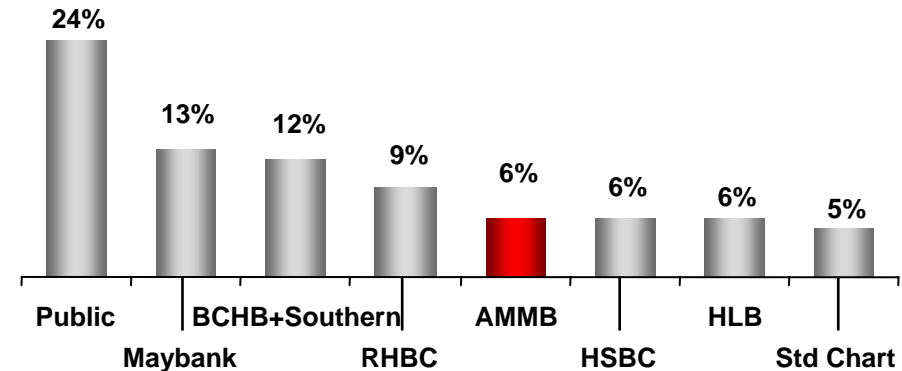
Credit Card Market Share

(Dec 2005)



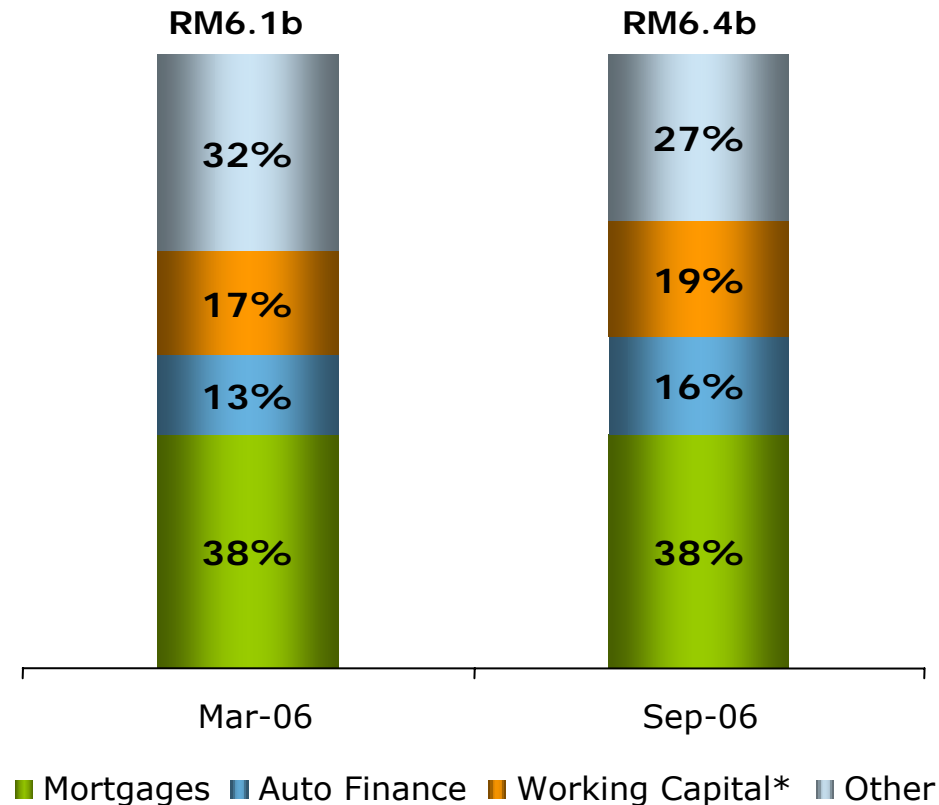
Personal Loans¹ Market Share

(Dec 2005)



High levels of NPLs a key focus of due diligence and potential value creation

Majority of NPL's Consumer Lending related



- Key focus throughout Due Diligence placed on NPL balances
- Significant improvement in NPLs in recent periods – reduced from 14% (Mar-05) to 9% (Sep-06) of Net Lending Assets
- Acquisition of MBf Finance in 2001 with subsequent significant increase in NPLs, largely consumer related
- Consistent with existing partnerships, value creation anticipated through improving risk management lending & collection processes

Investment provides ANZ with significant management and operational influence

The following subscription and relationship terms are planned as part of ANZ's investment (subject to completion):

✓ Relationship rights

- ANZ will have the right to nominate agreed senior management positions, representatives on key Board and management committees, and directors on key subsidiaries
- ANZ's core policies, procedures, practices and codes of conduct will, to the extent appropriate in Malaysia, be adopted by AMMB in relation to the conduct of its banking & related business

✓ Consultation requirements

- AMMB will consult with ANZ prior to approving, processing or undertaking the appointment of its Group Managing Director or the approval of its annual business plan or any material revision

✓ Prior agreement

- AMMB will obtain ANZ's prior agreement before undertaking significant actions such as material related party transactions, major disposal, mergers, acquisitions or changes in its capital structure, or major changes in its overall strategic direction

ANZ seeks to mitigate five key investment risks...

Key investment risks

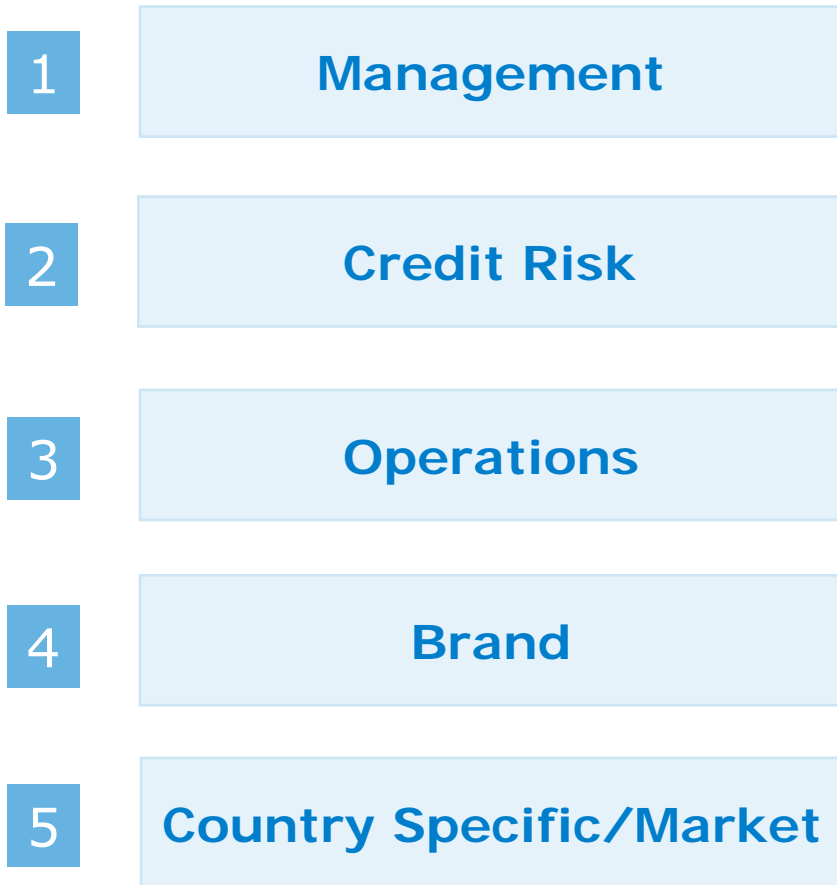
1	Transaction
2	Financial
3	Business
4	Governance
5	Specific/Political/Country

Managing these risks

- Transaction experience
 - Minority investments
 - Due diligence
-
- Partner's agreement on upside (targets)
 - Involvement in capital/financial decisions
 - Ensuring ANZ can add value
-
- Partner selection/agreement on strategy
 - Secondments/involvement in management
 - HQ resources actively support execution
-
- Board and Board Committee membership
 - Independent relationships with regulators
 - Public listing
-
- In-country experience
 - Relationships with local government
 - Diversification; through portfolio of investments

...whilst taking a longer term view on specific business risks

Key Business risks



Managing these risks

- Existing in-house expertise
- ANZ approach to governance
- Partner's agreement on Board seats, Board Committee
- ANZ appointments to key credit risk roles
- Training and development resources tailored to local conditions
- ANZ credit risk methodology adapted to local conditions
- Secondments/involvement in management
- Training & development programs to identify and develop talent for partnership executive roles
- Risk control/management process
- Proactive IP control
- Strategic plan
- In-country experience

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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