



# 06

## **International Partnerships**

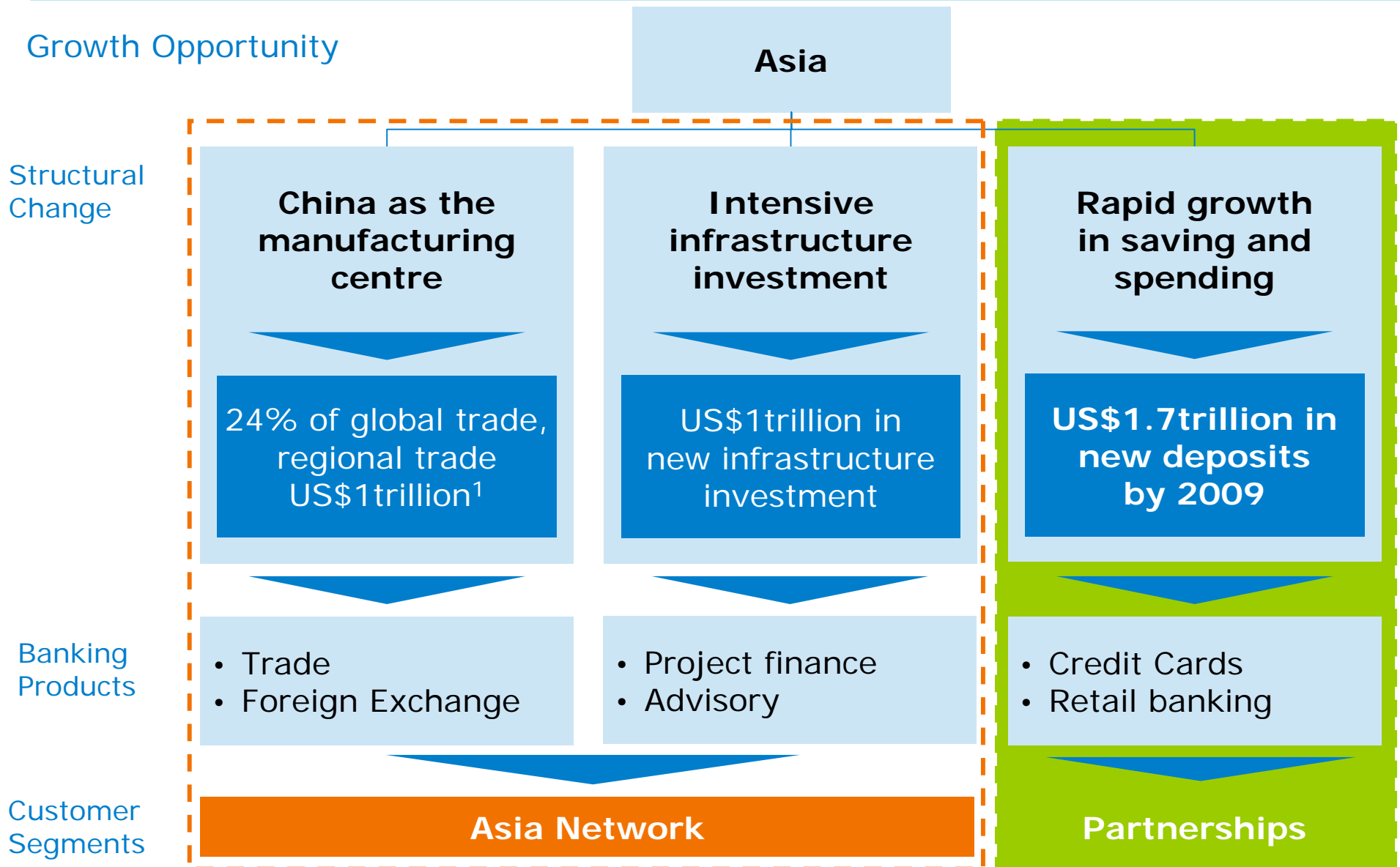
Australia and New Zealand Banking Group Limited

8 March 2006

**Owen Wilson**

Managing Director, International Partnerships

# In Asia, ANZ sees three large growth opportunities ...





## **International Partnership Strategy**

How do we deliver the Strategy

Current Profile

Challenges facing the business

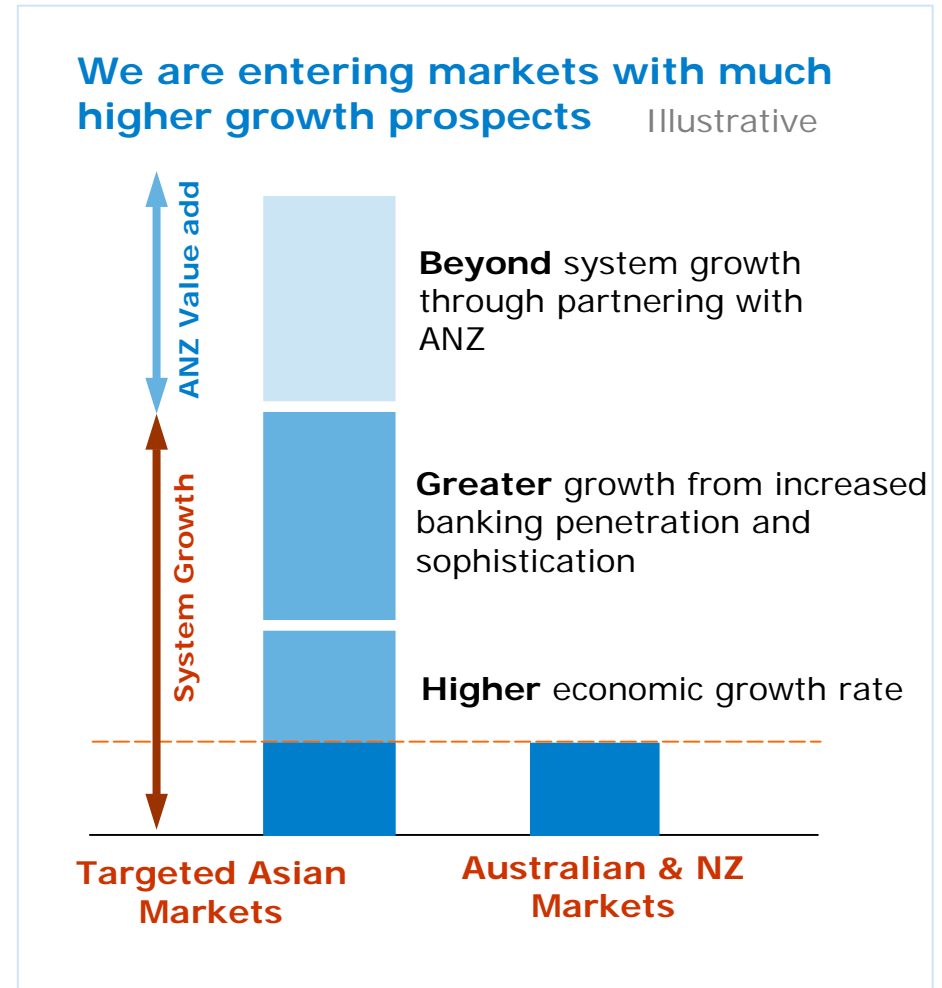
What does success look like

# ANZ International partnership strategy creates a new high growth business for the future

## Core Elements

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

## Prospective Growth





## International Partnership Strategy

- Markets with higher economic growth rates
- Markets interconnecting strongly with Aust/NZ
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- Clear value add opportunity from ANZ

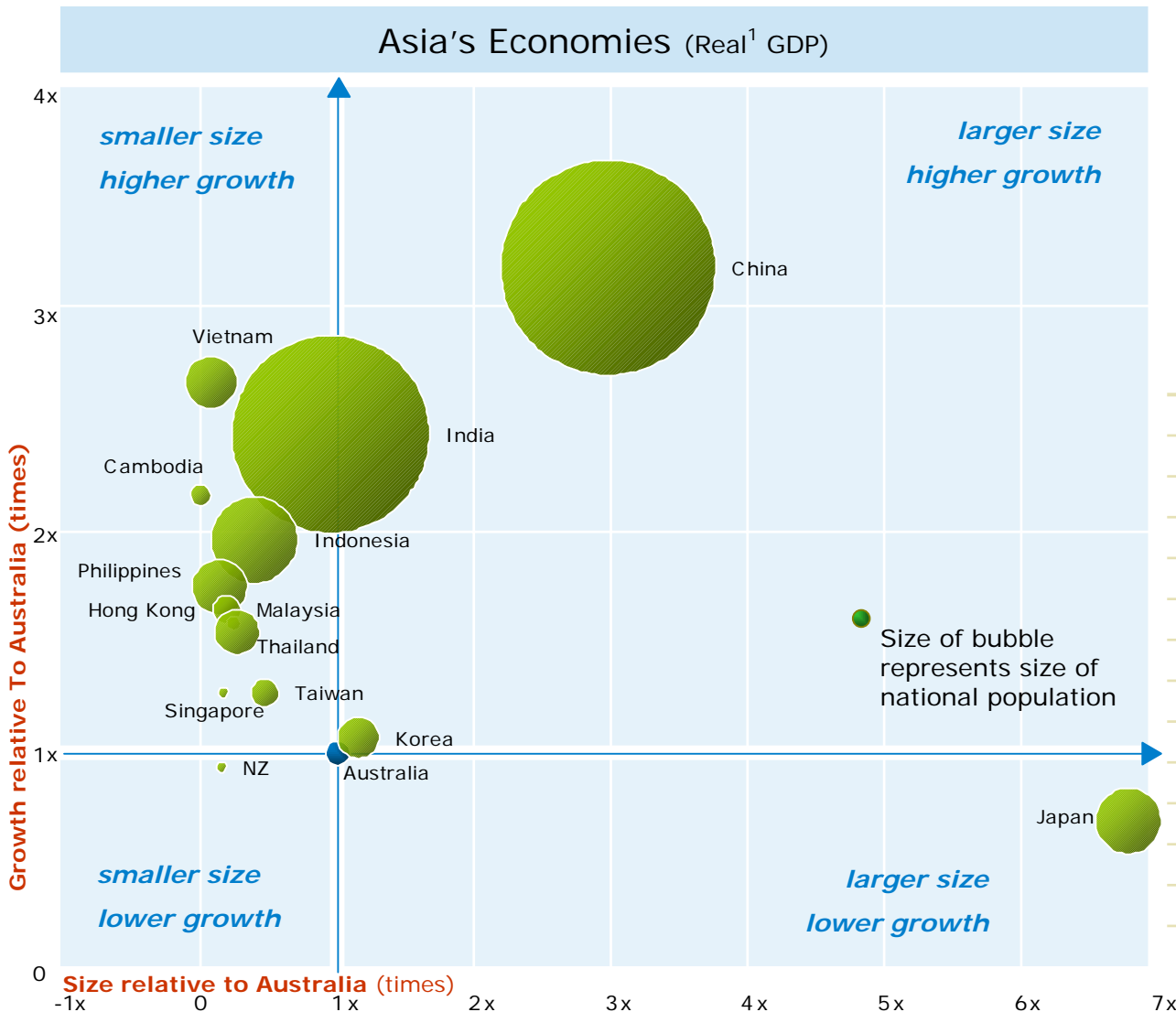
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# Relative to Australia, the economies in Asia are larger and faster growing, particularly China and India



- ANZ is pursuing new markets for its strong capabilities in both retail and institutional banking
- Several Asian economies are large and growing faster than Australia

## Asia's Markets 2005F

	GDP (Real) US\$b	GDP Growth %	Pop. m	GDP/ Capita US\$k
<b>Australia</b>	<b>692</b>	<b>2.9</b>	<b>20.2</b>	<b>34.3</b>
China <sup>2</sup>	2,061	9.3	1,299.8	1.7
Vietnam	51	7.8	82.6	0.6
India	659	7.1	1,080.3	0.6
Indonesia	271	5.7	223.8	1.2
Philippines	98	5.1	86.2	1.1
Malaysia	135	4.8	25.5	5.3
Hong Kong	172	4.6	6.9	24.9
Thailand	188	4.5	64.6	2.7
Taiwan	330	3.7	22.5	14.7
Singapore	116	3.7	4.2	27.7
South Korea	803	3.1	48.2	16.7
Camodia	5	6.3	14.0	0.4
Japan	4,694	2.0	127.3	36.9
New Zealand	109	2.7	4.0	27.2

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## International Partnership Strategy



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How do we deliver the Strategy

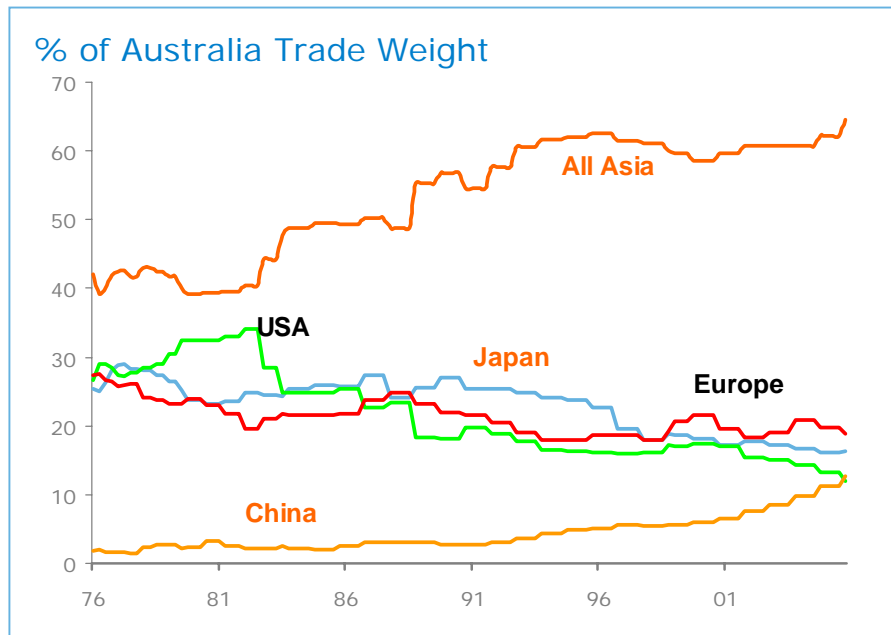
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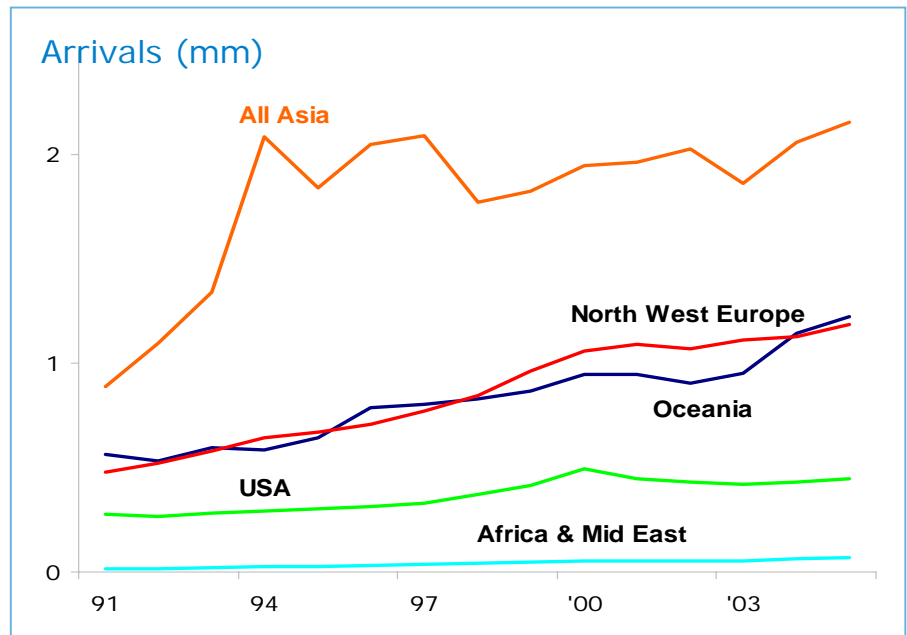
# Asian markets interconnect closely and strongly with Australia/NZ

## Trade



- In 2005 imports and exports with Asia accounted for almost 70% of total Australia Trade
- China is progressively taking over US, becoming the 2<sup>nd</sup> largest trading destination for Australia

## Tourists, immigrants & Overseas students



- Asian tourists, immigrants, and overseas students topped in-bound arrivals into Australia

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## International Partnership Strategy



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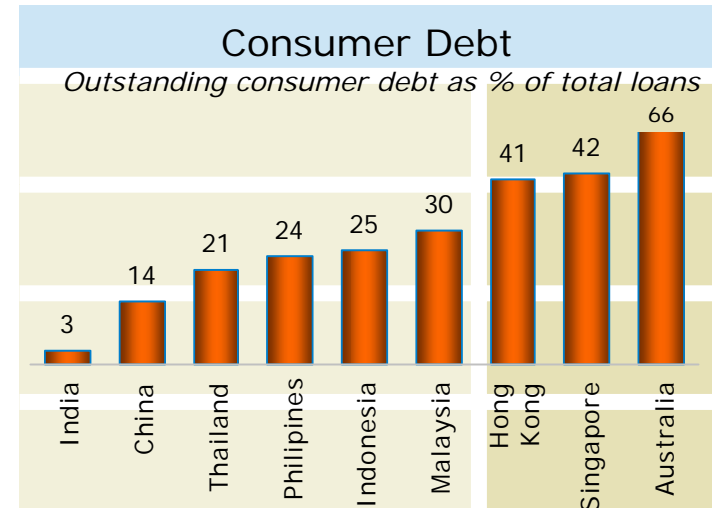
Challenges facing the business

What does success look like

# ANZ is targeting banking markets which are currently under-developed and growing more rapidly than Aust. and NZ

## Asia's Retail Banking Opportunity

- Low penetration of personal/SME banking
- Relatively low financial market sophistication
- Strong savings
- Learning to borrow for personal dwellings, vehicles etc.
- Strong aspirations for home ownership



### Countries

### Priority

#### China

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

#### S.E. Asia

- India, Indonesia, Vietnam, Malaysia

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

#### S.E. Asia

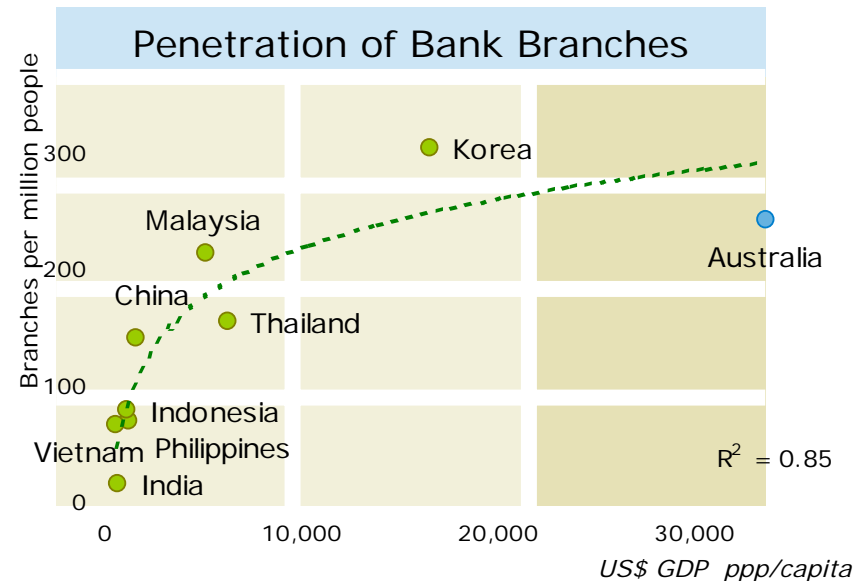
- Thailand, Philippines

- High growth upside
- High reliance on strong partner

#### Ground Floor

- Cambodia, Laos

- Under-developed bank markets
- Small investments, first mover



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## International Partnership Strategy



- Markets with higher economic growth rates
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How do we deliver the Strategy

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# We target partners which have strong footprints in their respective markets

## Market Ranking

			Branches	ATMs
❖ Philippines		Largest by loans and deposits	713 <sup>1</sup>	852 <sup>1</sup>
❖ Indonesia		8 <sup>th</sup> largest by total assets	220	9,800 <sup>2</sup>
❖ Vietnam		Largest joint stock bank	105	44
❖ Cambodia		4 <sup>th</sup> largest in market share	7 <sup>3</sup>	27
❖ China		4 <sup>th</sup> largest City Commercial Bank	180	90

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## International Partnership Strategy

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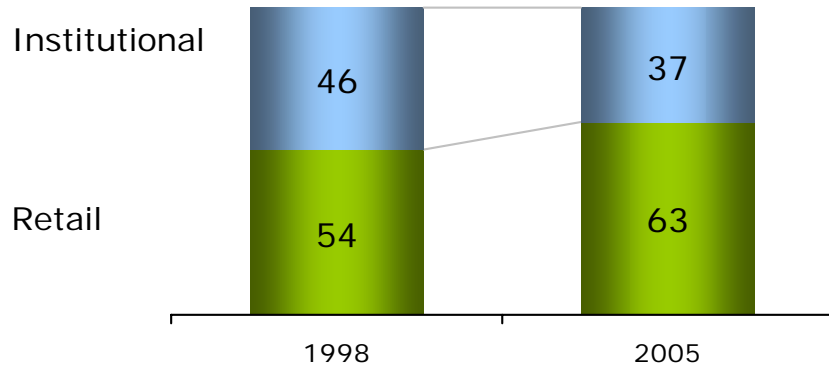
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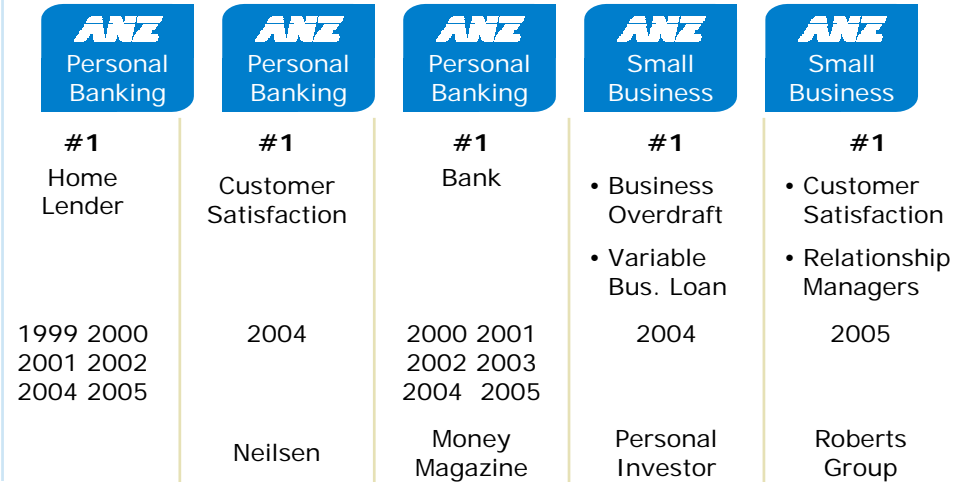
# ANZ's proven track record and strong expertise in consumer banking provides numerous value-add opportunities

## Transition to retail risk

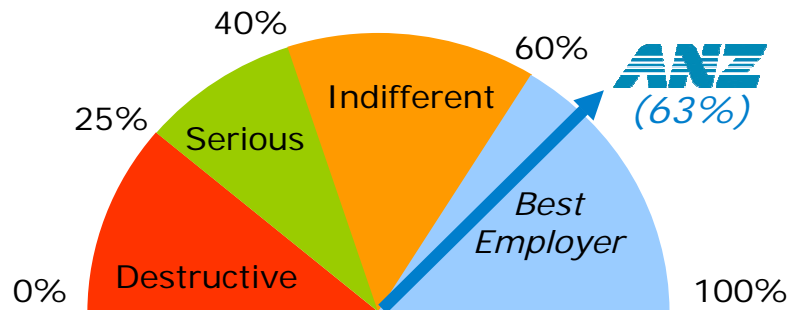
### ANZ Loans (%)



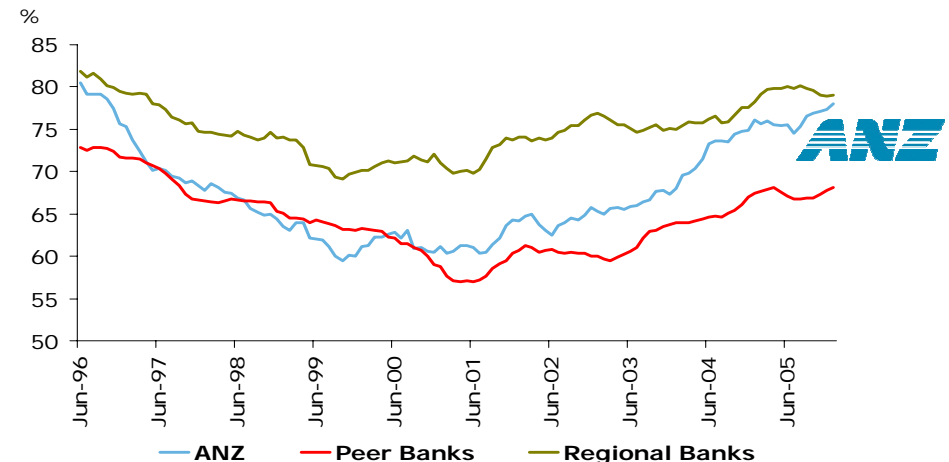
## Retail and small business awards



## Staff engagement



## Customer satisfaction



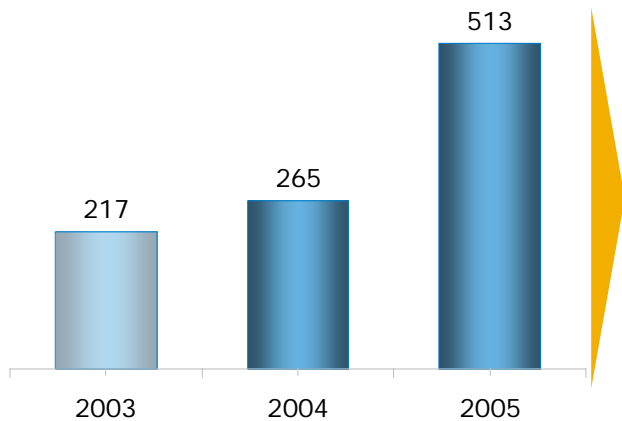
# Our partnerships are not passive investments. ANZ adds value by leveraging our capabilities and working closely with partners

## Metro Card Corporation

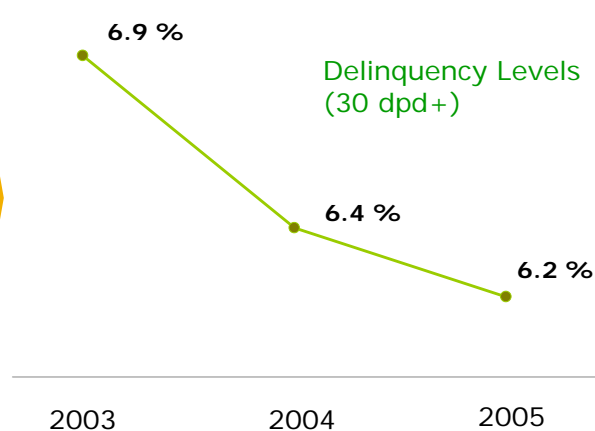
### ANZ value added

- Redefined risk management particularly credit risk
- Enhanced financial control and management
- Provided ANZIT technology resources
- Sourced card expertise within management group – especially Board
- Implemented a new approach to distribution through branches and direct sales agent

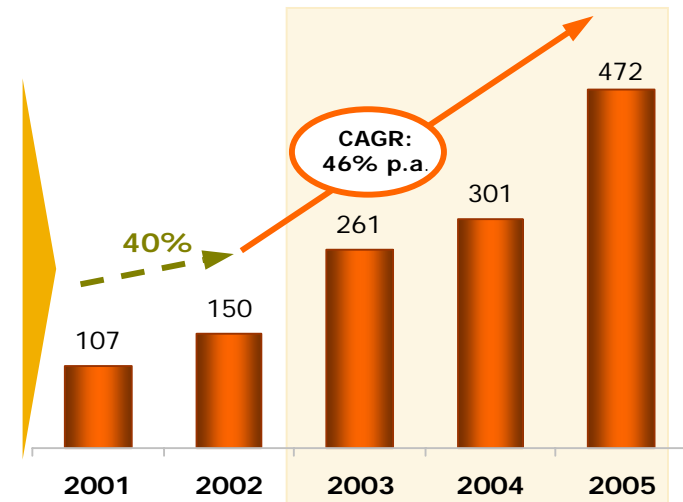
Card Numbers ('000)



Delinquency Level (%)



NPAT (PHP, mm)



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International Partnership Strategy



**How do we deliver the Strategy**

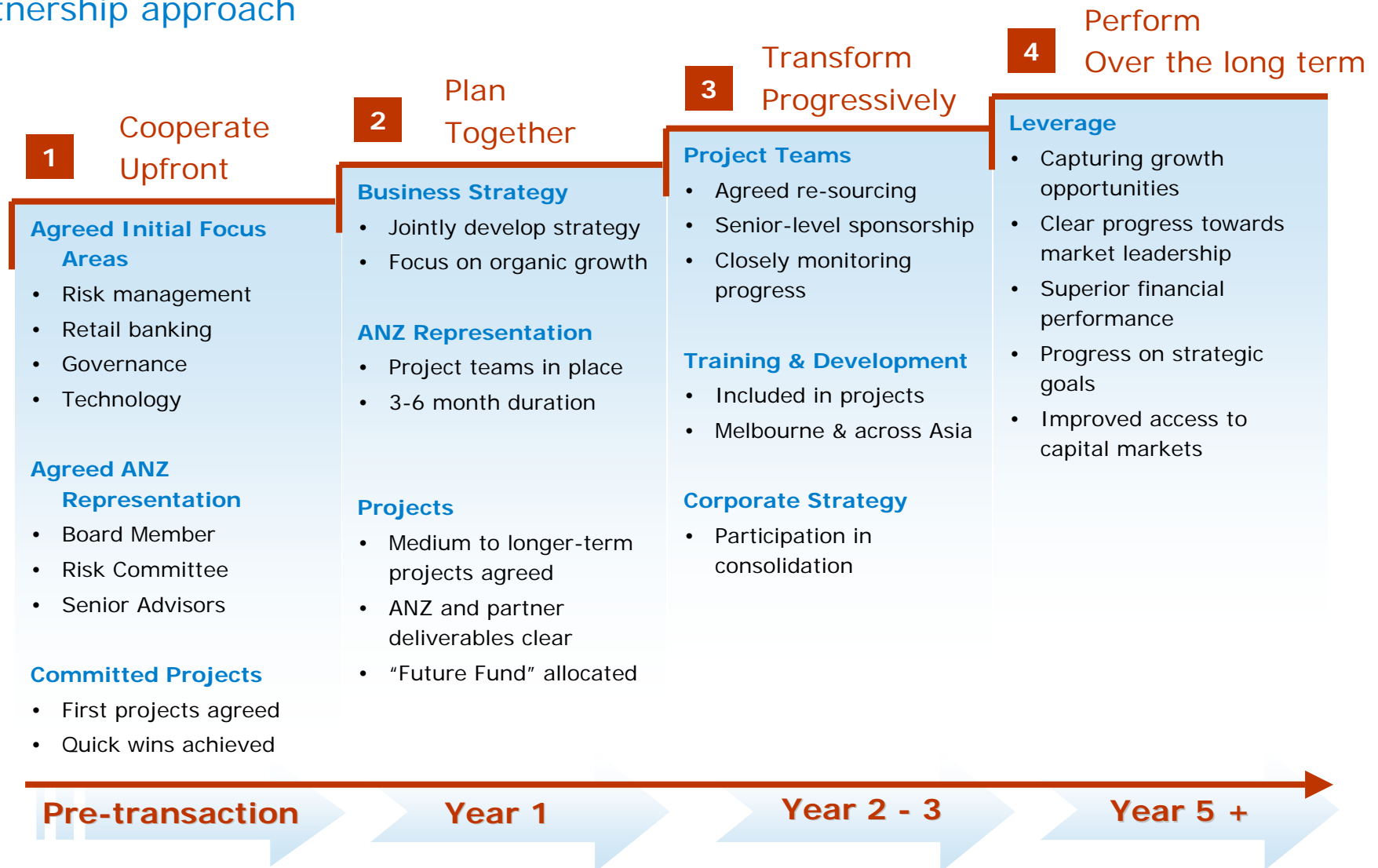
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# ANZ's partnership approach across Asia takes a longer-term perspective

## Partnership approach



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

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"> <li>• Product managers</li> <li>• Branch redesign</li> <li>• Split sales/service</li> <li>• Split back office</li> <li>• Train &amp; Recruit</li> <li>• 3<sup>rd</sup> party sales</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Permanent Senior Advisor</b></li> <li>• <i>Product</i></li> <li>• <i>Sales training</i></li> <li>• <i>Local CEO</i></li> <li>• <i>Broker channels</i></li> </ul>	<ul style="list-style-type: none"> <li>• Policy of tangible collateral or self-liquidating loans</li> <li>• Dedicated credit processes</li> <li>• Build sales-oriented culture</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Permanent Senior Advisor</b></li> <li>• <i>Product</i></li> <li>• <i>Credit risk</i></li> <li>• <i>Back office</i></li> <li>• <i>M.I.S.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Product manager</li> <li>• Train sales team</li> <li>• Increase trade licenses</li> <li>• Cross-sell FX</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Short-term advisor</b></li> <li>• <i>Product</i></li> <li>• <i>Sales</i></li> <li>• <i>OTL trade system</i></li> </ul>	<ul style="list-style-type: none"> <li>• Merge RMB/foreign</li> <li>• New leadership</li> <li>• Risk framework</li> <li>• Improve FTP</li> <li>• Improve reporting</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Project role (3-6m)</b></li> <li>• <i>Product &amp; Research</i></li> <li>• <i>Risk models</i></li> <li>• <i>Trading skill</i></li> <li>• <i>ALCO</i></li> </ul>
Credit / Operating Risk				Governance			
Partner Action		ANZ value add		Partner Action		ANZ value add	
<ul style="list-style-type: none"> <li>• Agree/implement risk framework</li> <li>• Segregate sales, approval, draw-down</li> <li>• Staff training/recruit talent</li> <li>• Build risk culture</li> <li>• Enhance management/Board reporting</li> </ul>		<ul style="list-style-type: none"> <li>• <b>Permanent Senior Advisor</b></li> <li>• <i>Full risk diagnostic</i></li> <li>• <i>Risk frameworks</i></li> <li>• <i>Policy/process guidance</i></li> <li>• <i>Portfolio management</i></li> </ul>		<ul style="list-style-type: none"> <li>• Amend company articles</li> <li>• Recruit internal audit skill</li> <li>• Expand internal audit scope/reporting</li> <li>• Appoint internationally accredited auditor</li> </ul>		<ul style="list-style-type: none"> <li>• <b>2 ANZ Board members</b></li> <li>• <i>Board/Committee protocols</i></li> <li>• <i>Board &amp; Committee role membership</i></li> <li>• <i>Risk-based auditing methodologies</i></li> </ul>	

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International Partnership Strategy

How do we deliver the Strategy








**Current Profile**

Challenges facing the business

What does success look like

# 2005 saw strong focus & progress in Vietnam, Cambodia and China, and 13 other opportunities were examined but passed up

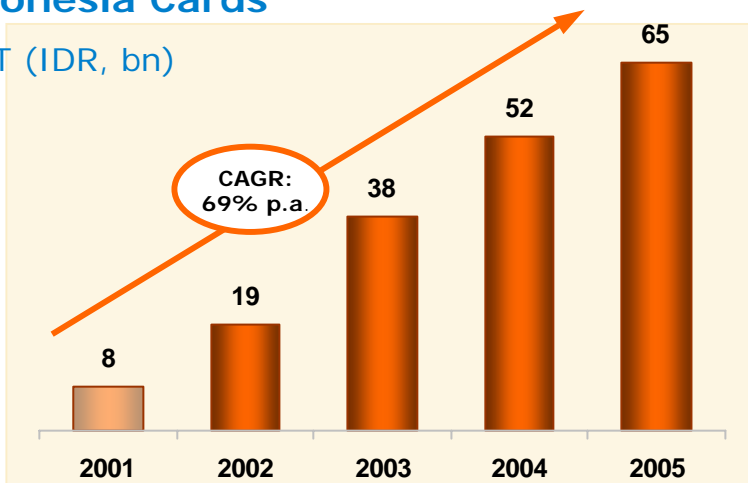
## International Partnerships

	Indonesia	Philippines	Cambodia	Vietnam	China	
					 <i>pending regulatory approval</i>	
ANZ entered country	1973	1990	2004	1993	1986	
Partnership began	1999	1993	2003	2004	2005	
Partnership type	Banking	Cards	Cards	Banking	Banking	
Investment size	A\$174m	A\$ 93m	A\$14m	A\$16m	A\$150m	
ANZ stake	29%	85%	40%	55%	19.9%	
Key business metrics <sup>1</sup>	<ul style="list-style-type: none"> <li>• 220 branches</li> <li>• 9,800 ATM's <sup>2</sup></li> <li>• Loan growth ~30% +pa</li> </ul>	<ul style="list-style-type: none"> <li>• 293,000 cards</li> <li>• A\$156 m outstanding</li> </ul>	<ul style="list-style-type: none"> <li>• 401,000 a/c's</li> <li>• 513,000 cards</li> <li>• A\$174 m outstanding</li> </ul>	<ul style="list-style-type: none"> <li>• Opened Sep 05</li> <li>• ~US\$80m depos</li> <li>• #4 market share of 17</li> </ul>	<ul style="list-style-type: none"> <li>• 105 branches</li> <li>• 44 ATM's</li> <li>• Loan growth ~39 % pa</li> </ul>	<ul style="list-style-type: none"> <li>• 180 branches</li> <li>• 90 ATM's</li> <li>• Loan growth ~27% pa</li> <li>• 4<sup>th</sup> largest CCB</li> </ul>

# Key performance metrics demonstrated solid growth of Partnerships portfolio

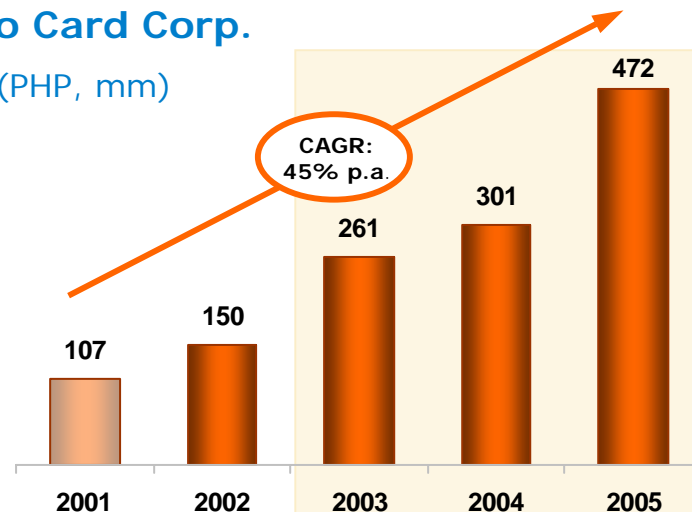
## Indonesia Cards

NPAT (IDR, bn)



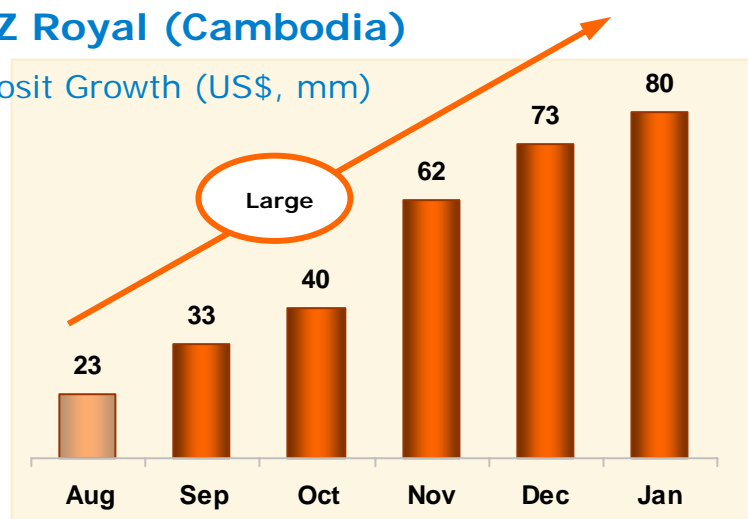
## Metro Card Corp.

NPAT (PHP, mm)



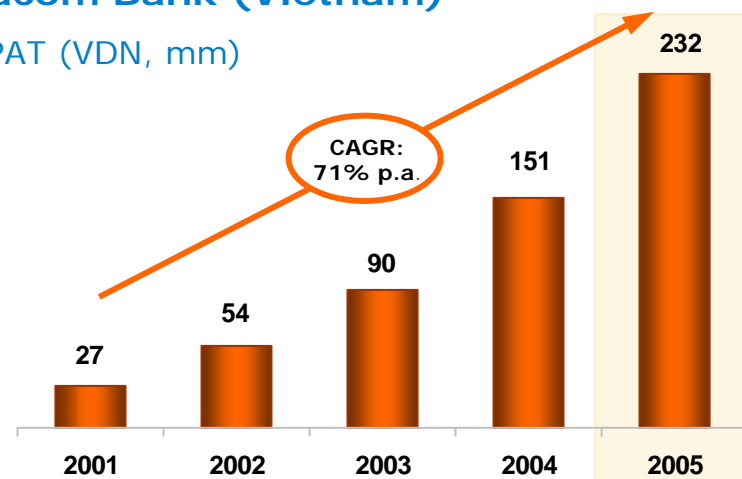
## ANZ Royal (Cambodia)

Deposit Growth (US\$, mm)



## Sacom Bank (Vietnam)

NPAT (VDN, mm)



# China is an important market for ANZ. We are concentrating on the key regions of Tianjin and Shanghai

## China

**Provincial  
Deposits + Loans**

- over US\$170b
- from US\$94b to 170b
- from US\$50b to 94b
- below US\$50b



### Tianjin

- Population 10.2m
- Loans US\$51b
- Deposits US\$89b
- GDP growth 16%

### Shanghai

- Population 16.7m
- Loans US\$186b
- Deposits US\$247b
- GDP growth 14%

PROVINCE/CITY (2005e)	Tianjin	Shanghai	Beijing
<b>Population (m)</b>	10.2	16.7	13.9
<b>GDP (US\$b)</b>	36.3	92.0	53.0
- <b>Growth (%)</b>	+15.7	+13.6	+13.2
- <b>per Capita (ppp, US\$'000)</b>	3.6	5.5	3.8
<b>Loans (US\$b)</b>	51	186	156
- <b>Growth (%)</b>	+16.1	+15.1	+13.1
<b>Deposits (US\$b)</b>	89	247	268
- <b>Growth (%)</b>	+16.0	+15.3	+18.2

# TCCB has strong prospects, driven by a renewed focus on retail and small business banking

## Tianjin City Commercial Bank

### Profile

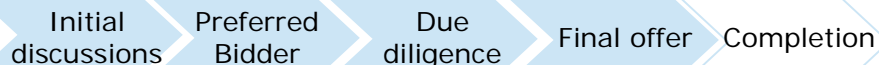
- 4<sup>th</sup> largest city commercial bank (by assets)
- No. 5 market position by deposit in Tianjin
- 180 branches, 90 ATM's within an area equivalent to Greater Melbourne
- 3,641 employees
- 5 million customer accounts

### Investment size

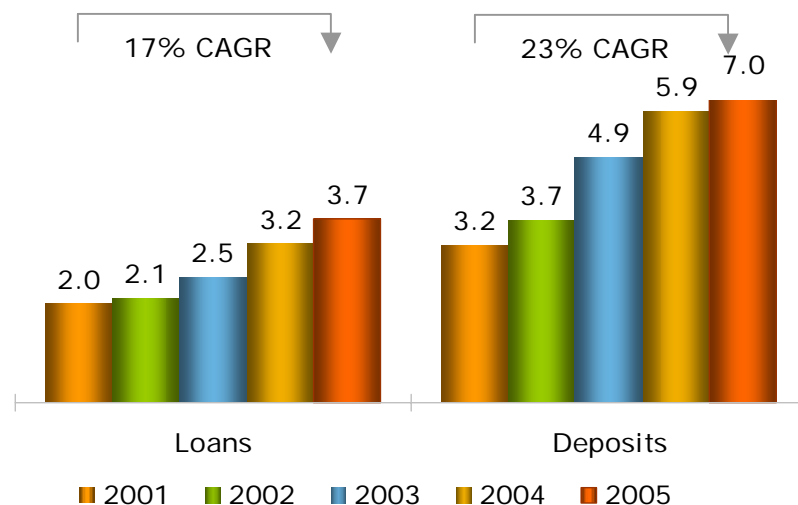
- 19.9% stake
- ~ A\$150m
- Purchasing P/E ('04): 7.2x
- Purchasing P/B ('04): 0.8x

### Timeline

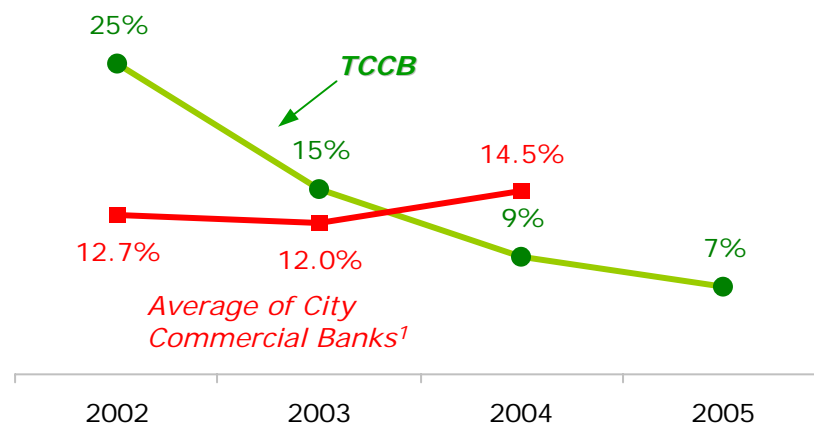
- Contract signed 6/12/05
- BCA Dec 2005
- Completion targeted April 2006



## Strong FUM growth (US\$bn)



## Significant reduction in Non Performing Loans



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International Partnership Strategy

How do we deliver the Strategy

Current Profile



**Challenges facing the business**

What does success look like

# The development of equity partnerships with local banks in Asia focuses on mitigating five key investment risks...

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## Key investment risks

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

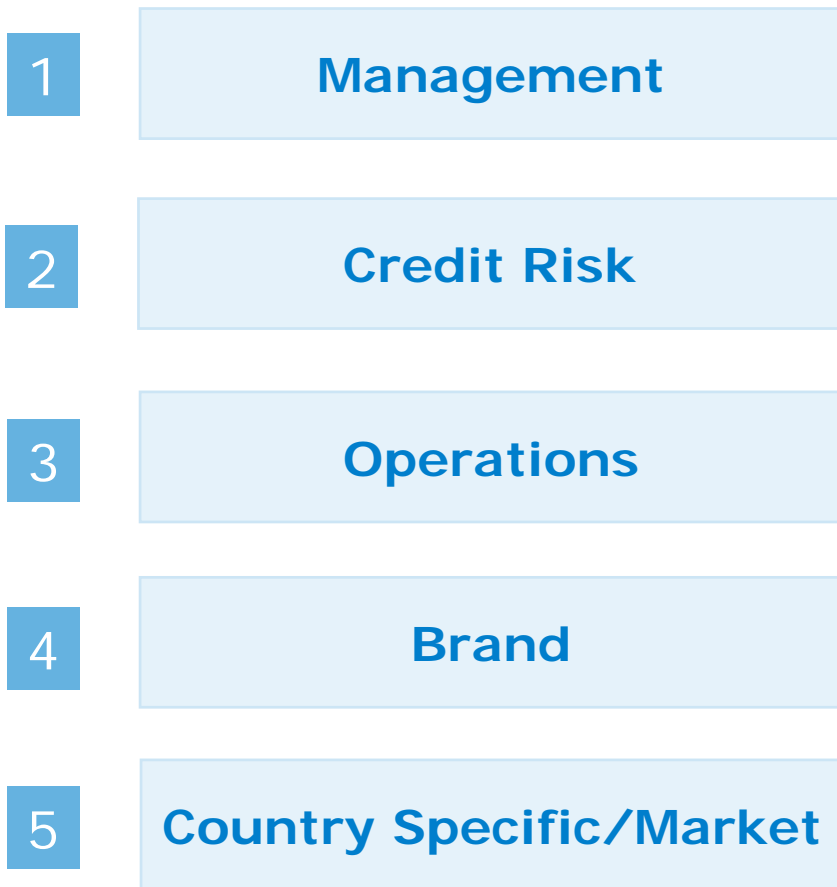
## Managing these risks

- Transaction experience
  - Modest initial investments
  - Due Diligence
- 
- Partner's agreement on upside (targets)
  - Involvement in capital/financial decisions
  - Ensuring ANZ "value-add" adds value
- 
- Partner selection/agreement on strategy
  - Secondments/involvement in management
  - HQ resources actively support execution
- 
- Board seat, Board Committee membership
  - Independent relationships with regulators
  - Public listing/strong liquidity
- 
- In-country experience
  - Relationships with local government

# ...and management of equity partnerships takes a longer term view on specific business risks

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## Key Business risks



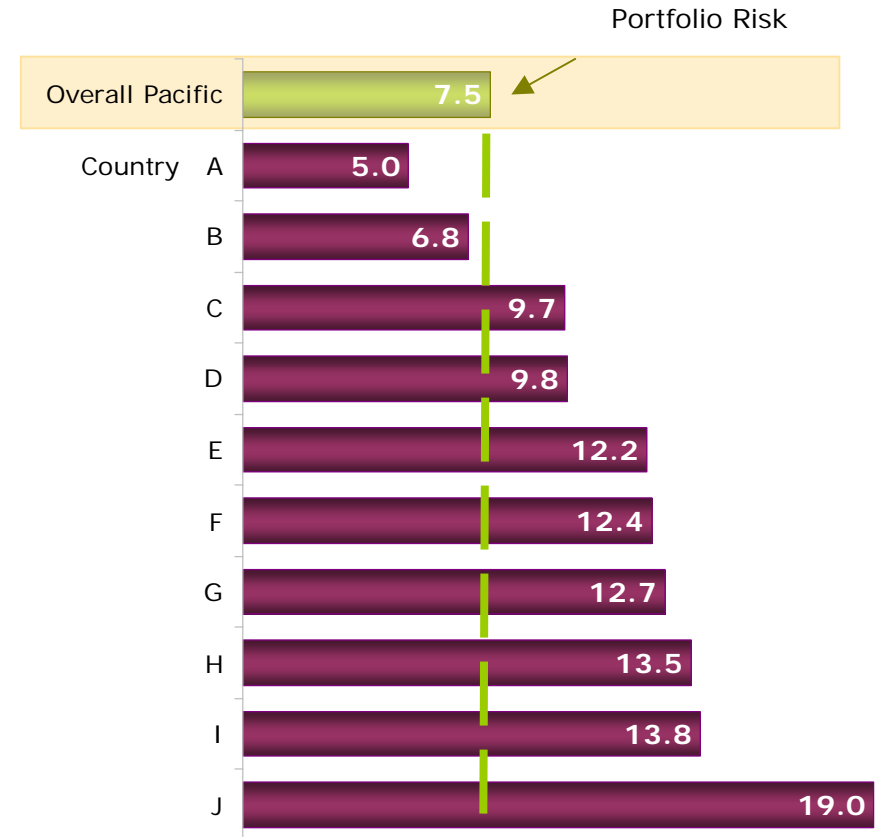
## Managing these risks

- Existing in-house expertise/mechanism
- ANZ approach to best practice governance
- Partner's agreement on Board seats, Board Committee
- ANZ appointments to key credit risk roles
- Training + development resources tailored to local conditions
- ANZ credit risk methodology adapted to local conditions
- HQ actively resources support
- Secondments/involvement in management
- Training & development programs to identify and develop talent for partnership executive roles
- Centralised risk control/management mechanism
- Proactive IP control
- 5 years + business strategic plan
- In-country experience

# Our strategy is to build a portfolio of investments that is expected to have a reduced risk profile

## ANZ Pacific NPAT Volatility (%) <sup>1</sup>

- We recognize that partnership investments have a different risk profile than our existing markets. And, our strategy reflects this
- Across a range of investments, the overall risk profile of the portfolio can be managed down through diversification
- ANZ Pacific is a good example of how individual investments can be combined to reduce overall volatility and create a portfolio with relatively lower risk



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**What does success look like**

# The vision for a successful International Partnerships business in 2010 has a number of compelling attributes...

success	▶ <b>Brand</b>	<ul style="list-style-type: none"><li>• <b>Successful banking partnerships</b> in up to ten countries plus up to eight cards JV's</li><li>• Partners that are <b>leaders in their own markets</b>, growing faster than system</li><li>• <b>Pan-Asian specialisation</b> (eg: credit cards, consumer banking)</li></ul>
	▶ <b>Performance</b>	<ul style="list-style-type: none"><li>• <b>Growing faster</b> than the rest of the Group</li><li>• Substantial <b>value contributions</b> to the Group/shareholders</li><li>• <b>Improved profitability</b> of our partners</li><li>• <b>Leverage scale and business opportunity</b> across Asia and with ANZ (eg: remittances, correspondent banking etc.)</li></ul>
	▶ <b>Skills/People</b>	<ul style="list-style-type: none"><li>• <b>Cadre of talented international executives</b> across partners and with ANZ</li><li>• Runs <b>effective training/Management exchange program</b></li><li>• Offers <b>leadership/global mobility</b></li></ul>
	▶ <b>Leveraging the opportunities</b>	<ul style="list-style-type: none"><li>• Potential participation in 2<sup>nd</sup> round in-country <b>consolidation</b></li><li>• <b>Pan-Asia alliances</b> with our partners (eg: <b>"Chief Executives"</b> forum for partners)</li></ul>

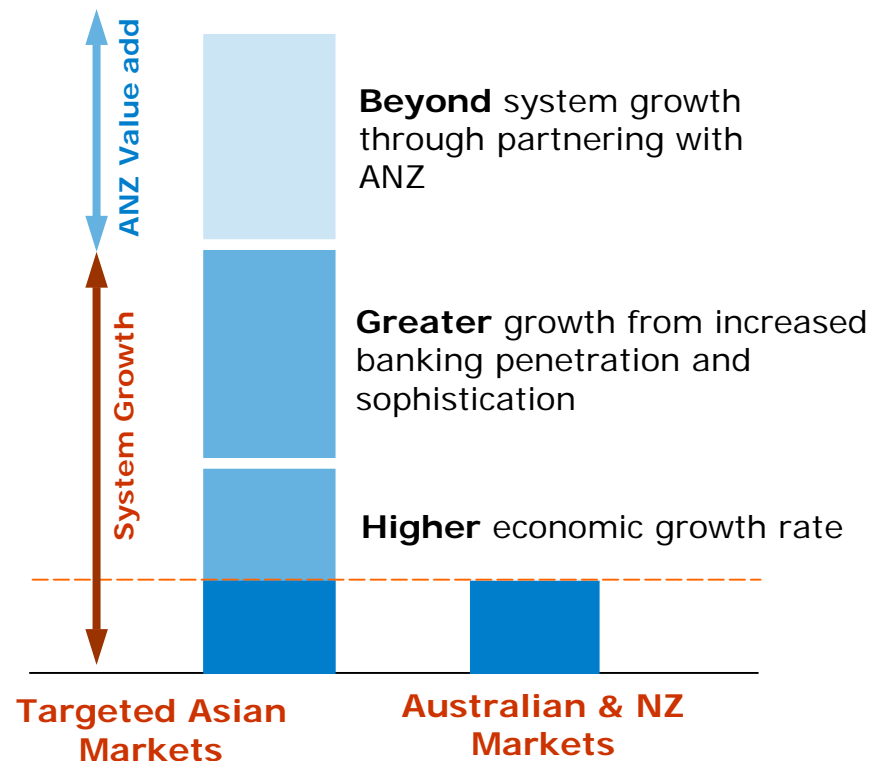
# ANZ International partnership strategy creates a new high growth business for the future

## Core Elements

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## Prospective Growth

We are entering markets with much higher growth prospects Illustrative



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## **Additional Information**

# Much of our strategy delivering is agreed up front

## Typical transaction flow

1	Mutual agreement that the performance of our partner will be better with ANZ than without	<ul style="list-style-type: none"><li>• On site visits</li><li>• Extensive meetings in Melbourne with partners – see what ANZ can offer</li></ul>
2	Agree opportunities for value add and priority	<ul style="list-style-type: none"><li>• Business Co-operation Agreement (BCA)</li><li>• Obligations for both partners</li></ul>
3	Agree the basis of provision for services	<ul style="list-style-type: none"><li>• Technical Support Agreement (TSA) explore</li><li>• “Future Fund”</li></ul>
4	Document ANZ’s rights and responsibilities	<ul style="list-style-type: none"><li>• Subscription agreement<ul style="list-style-type: none"><li>- <i>board seats</i></li><li>- <i>Management positions</i></li><li>- <i>Veto rights</i></li></ul></li></ul>
5	Agree price and exchange contracts outlined above	<ul style="list-style-type: none"><li>• Share Subscription agreement (SSA)</li><li>• Due Diligence</li></ul>

# ANZ International Partnership



Panin Bank

Indonesia

## Profile

- Established 1971, through the merger of 3 private banks
- “A” categorized bank & the only Indonesian bank exempted from the Gov’t recapitalization program through Asian Crisis
- Twice ranked Top Domestic Bank in Indonesia by Global Finance Journal
- 220 branches and 200 ATMs (plus 9,600 ATM alliances) national wide & 2 offshore branches in Cayman & Cook Islands
- Domestic strengths in SME and personal/retail customers
- Strong growth across major business lines:
  - Consumer loans: +60% ('04/05)
  - SME loans: +100% ('04/05)

## ANZ's Investment

- Commenced 1999
- 29% share (29% public, 42% Gunawan family interests)
- A\$174m initial investment

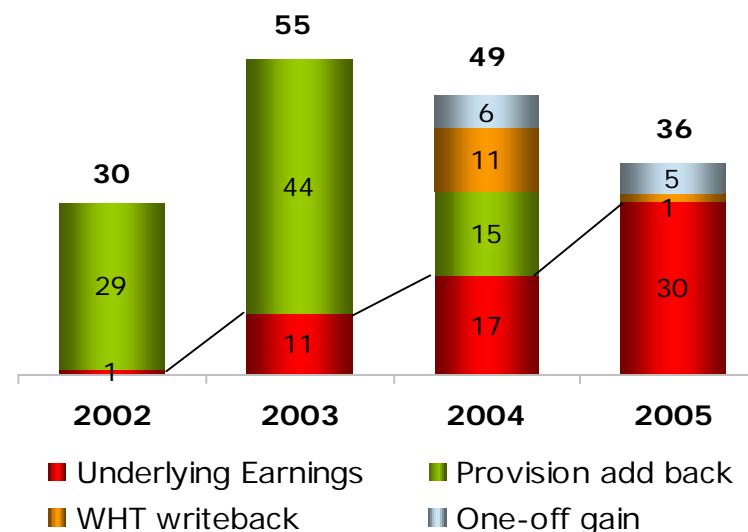
## Issues/Challenges

- Market consolidations

## Key Market Data (as at 14/2/2006)

Market cap (USD\$ m)	734.2
P/E (x) trading	8.24 x

Underlying Earnings (AUD, mm)



# ANZ International Partnership



## Indonesia Cards

Indonesia

### Profile

- Operates within license of ANZ Panin Bank (85% owned), with ANZ branding
- Indonesia's 10<sup>th</sup> largest, fastest growing credit card business
- 5% market share (Citibank largest issuer, with 30% share)
- 273,000 accounts, and 293,000 cards on issue
- 1,400 Sales Agents
- Strong brand. Marketing focused on Platinum market
- Strong financial performance

### ANZ's Investment

- Commenced 1993
- 85% share (15% Panin PT)
- A\$93m initial investment

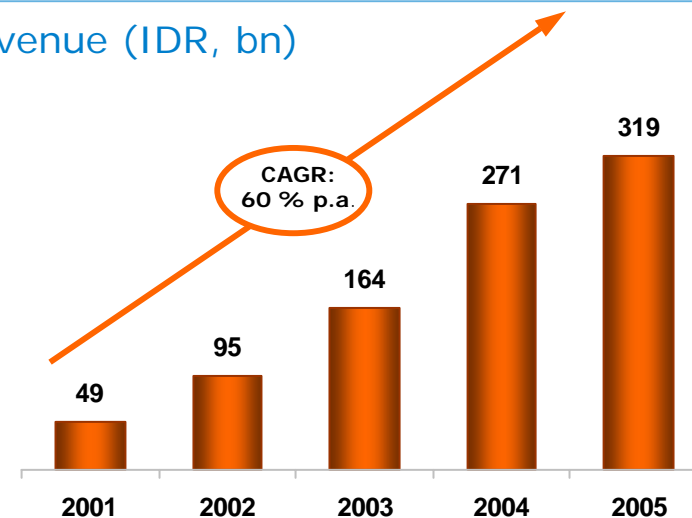
### Issues/Challenges

- New regulatory rules
- Uplifted Reserve Bank's interest rate

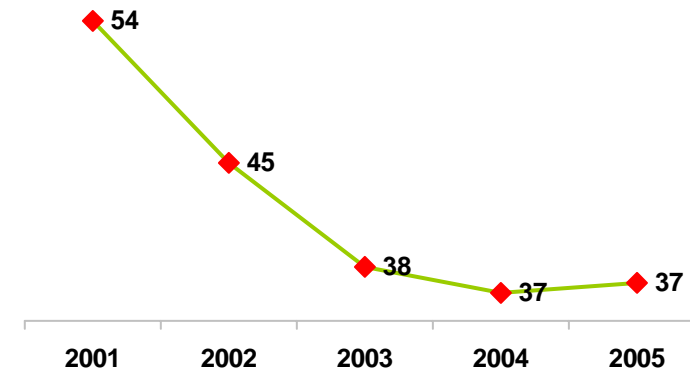
### Next Steps

- Enforcing & expanding current market share
- Exploring potential partnership strategy

### Revenue (IDR, bn)



### Cost to income (%)



# ANZ International Partnership



## Metrobank Card Corporation

Philippines

### Profile

- Philippines' 4<sup>th</sup> largest, fastest growing credit card business
- 11% market share (Citibank largest issuer, with 23% share)
- Since 2003 commencement, card numbers CAGR +50%, outstandings +45%
- 401,000 accounts and 513,000 cards on issue
- Distribution via Metrobank branches, Direct Sales Agents
- Strong brand. Marketing focused on mass market and niches
- Strong risk management disciplines. Leading risk profile

### ANZ's Investment

- Commenced 2003
- 40% share (60% Metrobank)
- A\$14m initial investment

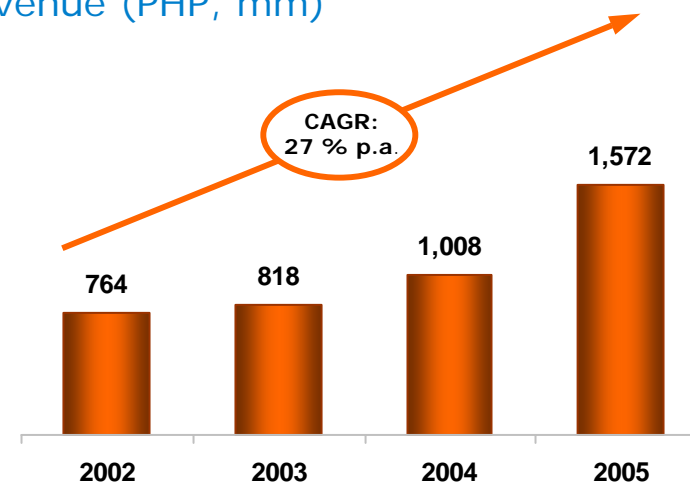
### Issues/Challenges

- Funding rules
- Technology upgrades

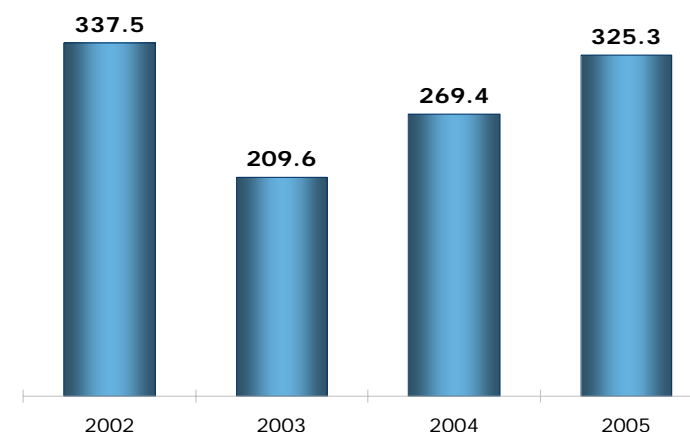
### Next Steps

- Expanding product base:
  - White label
  - Debit card
  - Business cards
  - Gift cards
  - Call centre
  - Telesales centre

### Revenue (PHP, mm)



### Provisions (PHP, mm)



# ANZ International Partnership



ANZ Royal

Cambodia

## Profile

- USD80M in deposits, 5,683 debit cards, with 6,136 accounts
- Ranked number 4 of 17 in deposit market share
- 5 branches, 27 ATMS as at 12/05, a further 2 branches to be opened by end of 2006

## ANZ's Investment

- Commenced business September 2005
- 55% share (45% Royal Group of Cambodia)
- AUD\$16m initial investment

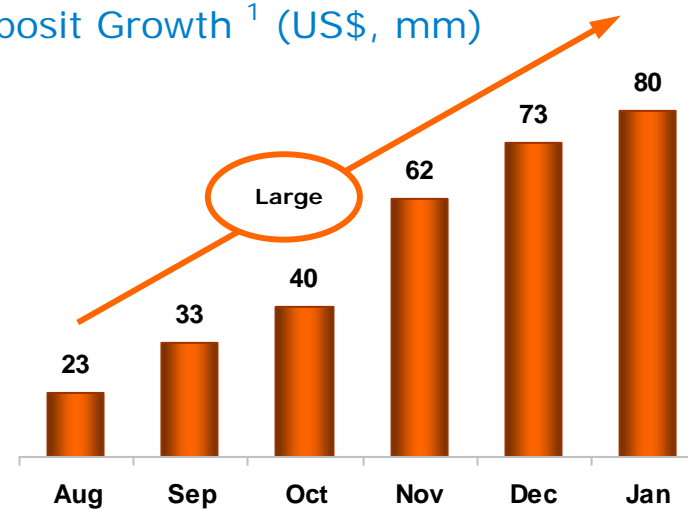
## Issues/Challenges

- Competing for local talents
- Competency improvement
- Managing Industry and Environment Dynamics

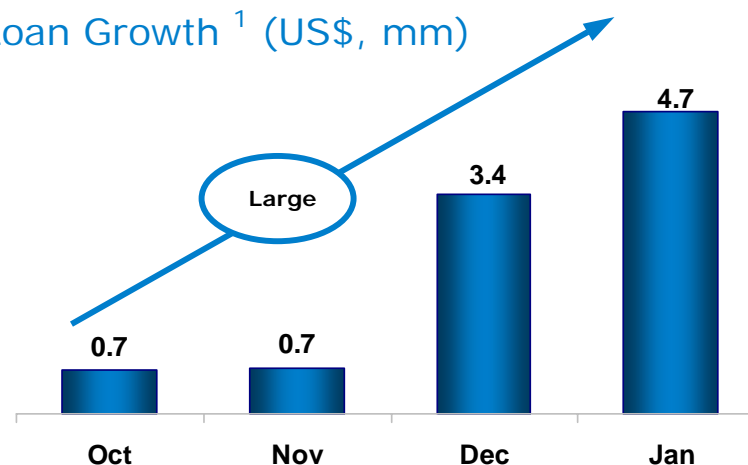
## Next Steps

- 2006 Strategic Plan: revenue generating initiatives
- Risk framework

Deposit Growth <sup>1</sup> (US\$, mm)



Loan Growth <sup>1</sup> (US\$, mm)



# ANZ International Partnership

Sacom

Vietnam

## Profile

- Largest joint stock bank by branch network (105 branches, 44 ATMs, 400 POSs)
- Strong retail banking focus: 215K customers (retail: 95%)
- Strong growth, with 5-year CAGRs:
  - Loans (net) : +39% p.a.
  - total asset: +48% p.a.
  - Deposits: + 47% p.a.

## ANZ's Investment

- Commenced Oct. 2005
- 10% share
- A\$35m initial investment
- Purchasing P/B ('05): 1.6 x
- Purchasing P/E ('05): 15.4 x

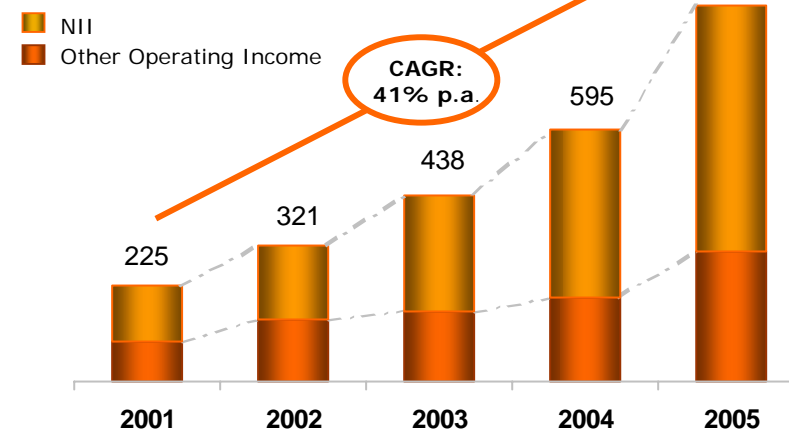
## Issues/Challenges

- Continual development and evolution in corporate regulatory landscape
- Progressively increasing ANZ stake holding
- Pre-WTO regulatory changes

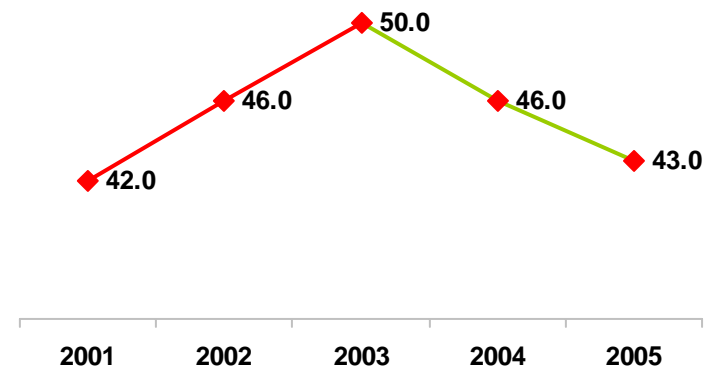
## Next Steps

- Continuous Technical Assistance
- Exploring Cards JV potentials

## Revenue (VDN, mm)



## CTI (%)



# China is an important target country for ANZ. We are concentrating on the key provinces of Tianjin and Shanghai

## ANZ's potential Chinese partner banks



天津市商业银行

TIANJIN CITY COMMERCIAL BANK

*pending regulatory approval*

- 4<sup>th</sup> largest city commercial bank by assets
- focussing on growth in retail banking
- Deposits growing 19% in line with local GDP/capita growth
- 2004 loan growth 27%, higher than 17.5% market growth
- NPLs down to 8.5% from 2002 high 24.6%
- 180 branches, sub-branches and savings offices
- 90 ATM's within an area equivalent to Greater Melbourne
- Loans: # 7 in Tianjin, (6.4% share)
- Deposits: #5 in Tianjin, (9.3% share)
- 3,641 employees, 5 million customer accounts
- Strong linkages to local communities

### Tianjin Economy

- China's 5<sup>th</sup> highest GDP at US\$35b
- 2001-04 GDP growth 15%pa
- 2004 growth at 18%, higher than Shanghai and Beijing
- 2004 GDP per capita of US\$3,812 higher than Thailand, Indonesia and the Philippines, just behind Malaysia
- China's 4<sup>th</sup> largest port, trade growth 19%pa, 2<sup>nd</sup> to Shanghai
- Home to China subsidiaries/JVs of 106 of world's top 500 firms
- Principal commercial centre for north China's Bohai Bay region:
  - China's 3<sup>rd</sup> development region after Shenzhen, Pudong
  - population around 300 million
  - 27% of China's GDP, 19% of trade, 27% of FDI
- Satellite of Beijing - 2008 bullet train will see 30min commute



上海农村商业银行  
Shanghai Rural Commercial Bank

*cooperation agreement*

- Commenced operation as a rural commercial bank Sep 2005
- Previously Shanghai Rural Credit Cooperatives Union
- Sixth largest deposit taking institution in Shanghai
- Top 2 by deposits, transactional banking in suburban Shanghai
- Targeting growth in SME and consumer
- Protracted restructure and management change now complete
- Dates back to credit cooperatives formed in 1951
- 326 branches, around 4,000 employees
- 140,000 corporate customers, 900,000 individuals

### Shanghai Economy

- China's largest province/city, GDP US\$92b
- Industrial, financial, and commercial center:
  - 2% of national population
  - 5% of national real GDP
  - 10% of China's contracted FDI
  - 13% of China's Trade
- 2004 GDP per capita of US\$5,500 (ppp adj.) approaching more developed countries in Asia
- Strongly growing demand for all levels of retail-lending products such as car loans, credit cards and mortgages

# Tianjin – Centre of the BoHai Bay Economic Rim

## Regional Economy – Bohai Bay Economic Rim

- Bohai rim:
  - is China's 3rd key development region after Shenzhen and Shanghai's Pudong
  - economic hub for an area with total population approx 300m
  - has 6 of China's 16 cities larger than 2m people
  - is 27% of China GDP / 19% of trade / 27% of FDI
- Tianjin is the principal distribution & commercial centre for North China and key gateway to Bohai Economic rim
- Tianjin fast becoming satellite of Beijing / govt. policy has industry exiting Beijing as it converts to showcase capital and Tianjin region benefiting.
- Forthcoming Beijing/Tianjin bullet train, with travel time of 30mins, will further enhance connectivity to capital
- Direct trading links to key North Asia centres / major investments in Tianjin by Japanese, Korean and US MNC's

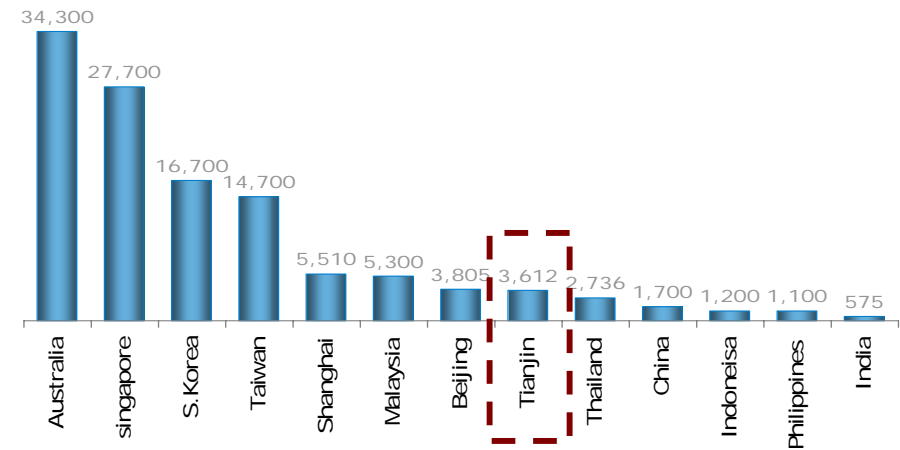
## Bohai Bay Economic Rim



## Tianjin

- Tianjin is one of 4 municipalities under direct jurisdiction of the Central Chinese Government
- Grew from 1400 as a garrison/port following transfer of capital to Beijing, celebrated 600th anniversary in 2004
- Lengthy history as a trading port; significant foreign presence in late 1800's / early 1900's due to Tianjin being a treaty port
- Tianjin Economic Development Area; Tianjin Port, Tianjin Economic and Development Area (TEDA) and Tianjin Port Free Trade Zone. > 2,000 sq. kms and 1.35m population.

## 2005e GDP per capita (US\$)



# SRCB operates in a cooperative structure with a strong market niche in the metropolitan areas of Shanghai

## Shanghai Rural Commercial Bank

### Profile

- 3<sup>rd</sup> largest (and last) Shanghai-based bank
- Ranked 1<sup>st</sup> and 2<sup>nd</sup> by deposit and transactional banking in suburban Shanghai
- A strong footprint in Shanghai:
  - ⇒ 305 former cooperatives
  - ⇒ 900,000 consumer/SME accounts
  - ⇒ 8,000 SME/Corporate borrowers
- 4,000 employees

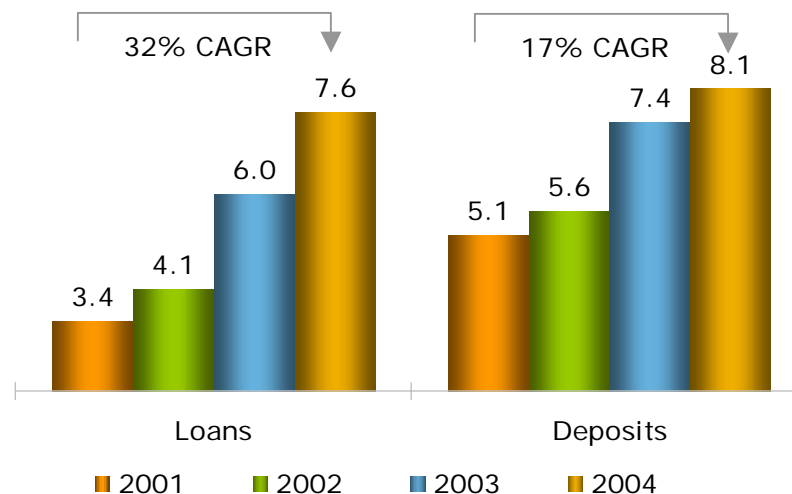
### Issues/Challenges

- Regulatory restrictions on % holding in rural banks
- Gov't ownership consolidation

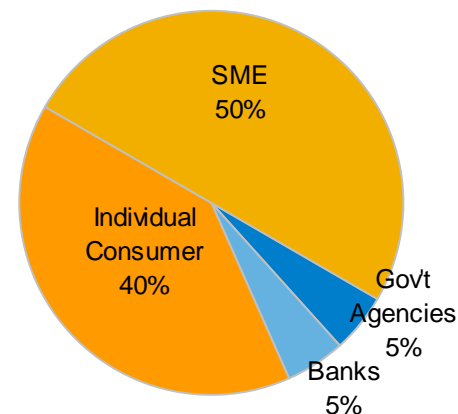
### Timeline

- Strategic Alliance MOU
- Due Diligence targeted Mar. 2006
- Completion targeted Dec. 2006

## Strong FUM growth (US\$bn)



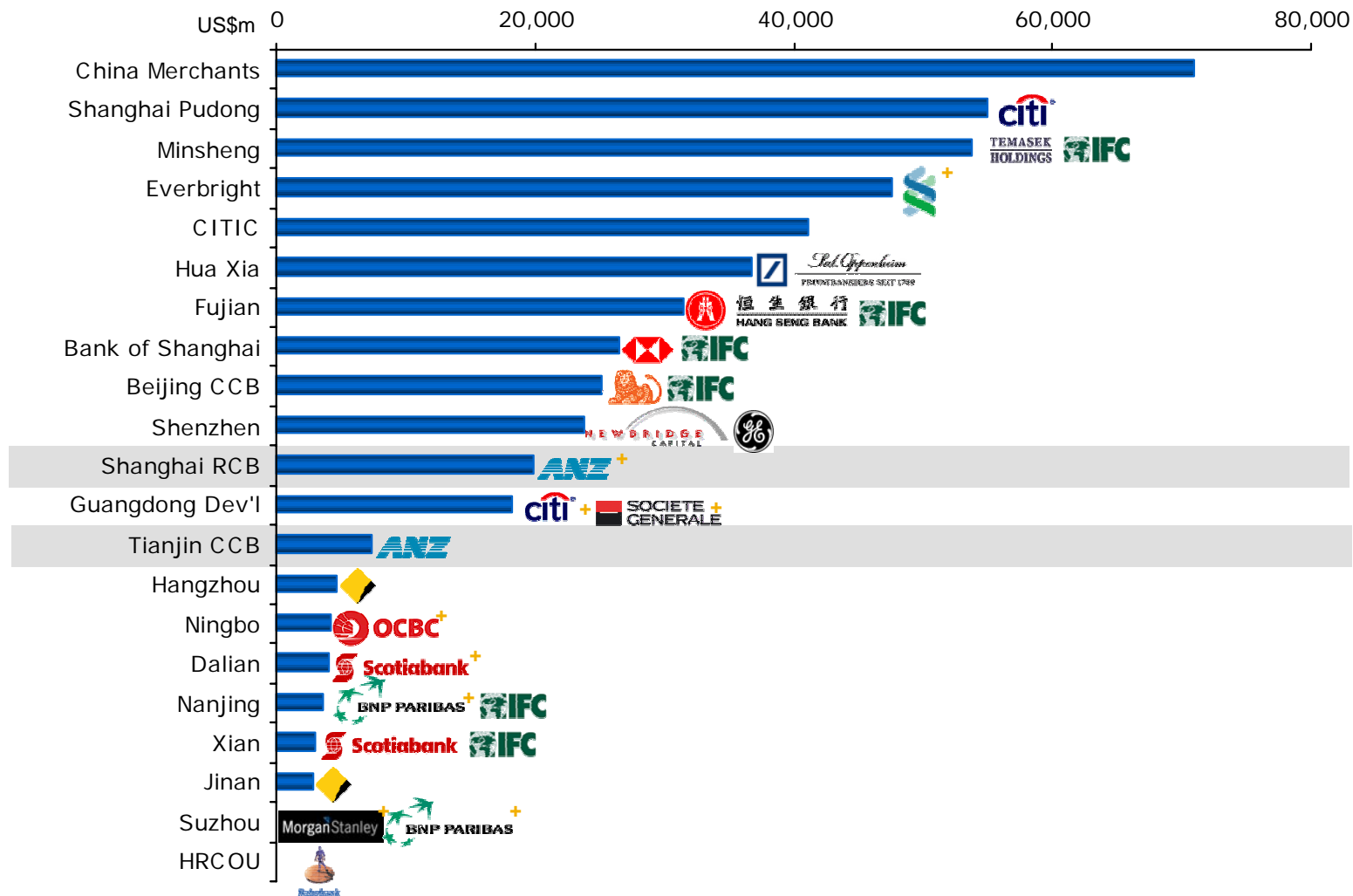
## Significant retail & SME banking



# China's mid-sized banks are actively partnering with foreign banks...

## Actual and Prospective China/Foreign Bank Partnerships













- by 2004 total assets<sup>1</sup>



+ Possible equity association

1. Bankscope, NB: Everbright and Xian CCB are 2003, Guangdong Development Bank is 2000

# ... and China's big 4 are now also attracting foreign equity and actively pursuing share-market listing

China's Big 4 Banks	Foreign Ownership			
China Construction Bank	Jun 2005	8.67%	 Bank of America	US\$3b <i>BOA call option up to 19.9%</i>
	Jun 2005	5.99%	 TEMASEK HOLDINGS	US\$1.4b <i>IPO raised US\$8b for 12%</i>
Bank of Communications		19.9%		US\$2.25b
Bank of China	Dec 2005	5%	 TEMASEK HOLDINGS	US\$1.5b <i>Seeking extra 5% from 1H06 IPO</i>
	Oct 2005	5%		US\$1.5b
		2%		n.a
		3%		n.a
	Oct 2005	1.60%	 UBS	US\$0.5b <i>Share lock-up, 3 years min.</i>
	Oct 2005	0.24%		US\$0.08b
Industrial and Commercial Bank of China	Jan 2006	~7%		US\$2.58b
		2.5%		US\$1b
		n.a		US\$0.2b

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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

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

or contact

Stephen Higgins  
Head of Investor Relations

ph: (613) 9273 4185 fax: (613) 9273 4091 e-mail: [higgins@anz.com](mailto:higgins@anz.com)