

# Acquisition of Selected RBS Businesses

4 August 2009



\* See slide 22 ( disclaimer) regarding methodology and applicable dates

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# Transaction Overview and ANZ's Super Regional Objective

**Mike Smith**  
**Chief Executive Officer**

# Overview of Transaction

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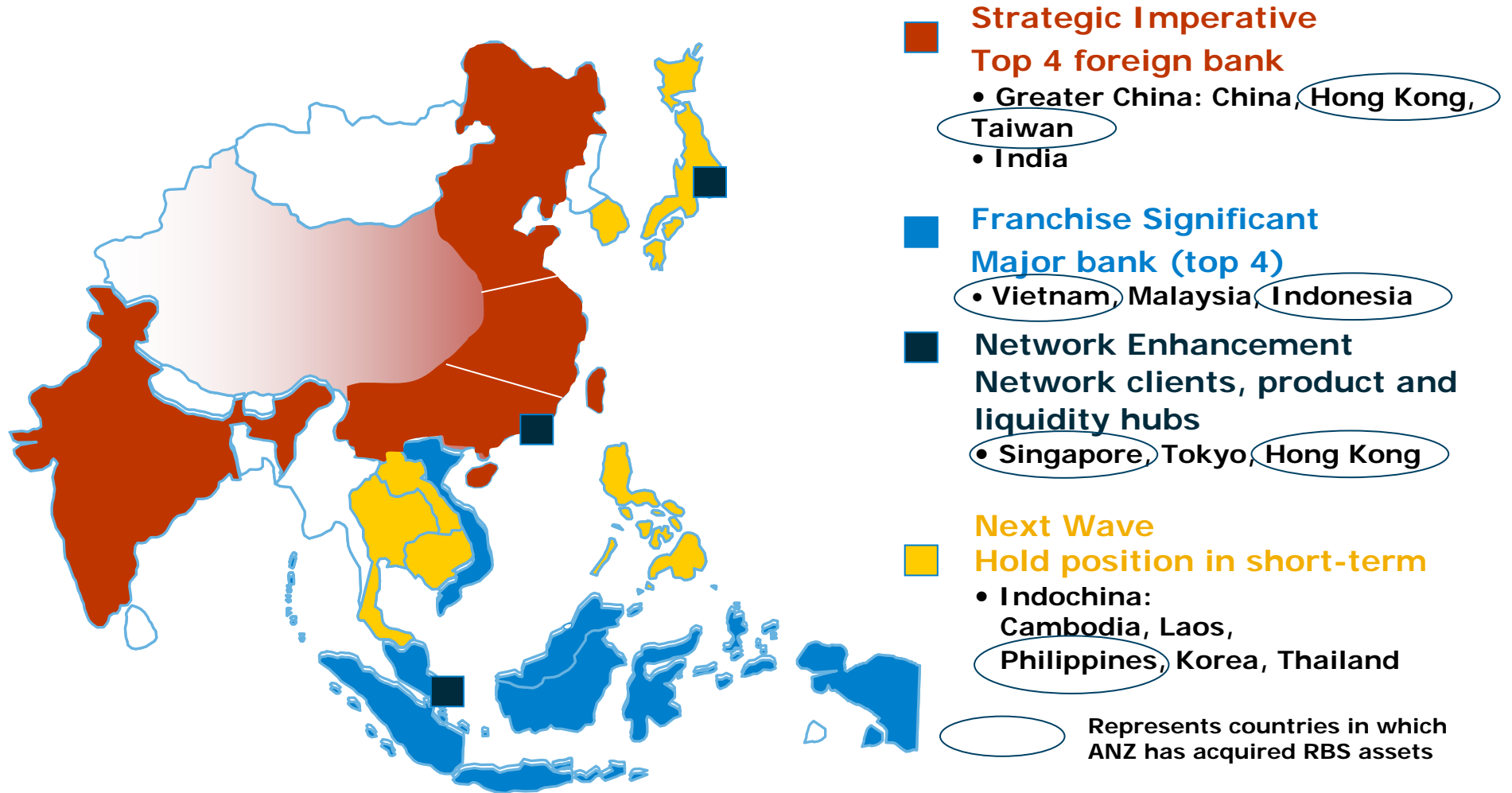
- ANZ has agreed to acquire the RBS<sup>1</sup>
  - Retail, wealth & commercial businesses in Taiwan, Singapore, Indonesia<sup>2</sup> and Hong Kong;
  - Institutional businesses in Taiwan, the Philippines and Vietnam
- Purchase price of ~US\$550m (~A\$685m) being a US\$50m (~A\$60m) premium to fully provided recapitalised net tangible book value<sup>3</sup>. Equates to ~1.1 x net tangible book value<sup>4</sup>
- Transaction includes ~US\$7bn (A\$9bn) deposits, ~US\$3bn (A\$4bn) loans, ~2m affluent and emerging affluent customers, 54 branches
- Acquiring only those RBS businesses that are compatible with our Asia Pacific strategy and for which we have appropriate execution ability
- ANZ has exercised a unique window of opportunity to acquire this portfolio of attractive, low risk banking assets at a reasonable price. Expected to be cash EPS positive within 2 years post acquisition
- Transaction is subject to a range of regulatory approvals including local prudential regulatory approvals and license transfers or issuance

<sup>1</sup> Transaction is largely a sale of assets and liabilities, not companies, of businesses held by ABN-AMRO mainly through branches, RBS will retain a presence in some countries. <sup>2</sup> The Indonesian retail, wealth and commercial businesses will be acquired through ANZ's 85% owned subsidiary ANZ Panin 85%. <sup>3</sup> Based on RWA calculated by ANZ under a Basel II standardised approach as at 31 May 2009. Final purchase price will be based on net tangible book value at completion. <sup>4</sup> On a fully provided recapitalised basis

# Strategy launched in late 2007 is clear and on track



# RBS acquisition aligns well with our Asia Pacific strategy



# Super Regional ambitions even more compelling today

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- Global economy stabilising - large developed economies not expected to show real growth until 2011
- Asia recovering more quickly – regional GDP expected to grow at an annual of 5.6% in 2010<sup>1</sup>. Demand for financial services is increasing
- Asian, Australian and New Zealand interconnectedness increasing:
  - Trade flows between Asia and Australia and New Zealand continue to grow. Australian trade flows with East Asia (inc Japan) were worth A\$250bn in 2008 (double 2003)<sup>2</sup>
  - Intra-Asian trade of US\$4.3tr in 2008<sup>3</sup>
  - Emergence of affluent Asian customers
  - Australia & New Zealand seen as an investment opportunity in the Asian region
- Current environment provides opportunity for value added expansion

<sup>1</sup> ANZ economics forecasts for GDP growth All Asia including Japan. Compound growth rate 2005-2010 is 5.7%

<sup>2</sup> Australian merchandise trade (imports plus exports) with East Asia (including Japan).

<sup>3</sup> IMF data Asia Pacific (exc Aust and NZ). Intra Asian trade has grown at an average of 20% pa for the last 7 years (2002-2008).

# Asia platform strengthened during 2008 & 2009

## Financial

- Profit from Asia equivalent to ~10%<sup>1</sup> of Group underlying profit
- Institutional and partnerships strong contributors to profit growth

## People

- Increased staff from ~5,500 to ~8,000 FTE<sup>2</sup>
- Increased management bench strength with significant Asian experience

## Standardisation/ Hubs

- Build out of network business hubs in Singapore and Hong Kong
- Centralised operations & building standard technology platforms well underway

## Franchise Building & Licenses

- Substantial build-out of institutional banking business
- Retail and wealth product, channel and policy infrastructure in place
- Vietnam local incorporation & branch network in Ho Chi Minh City and Hanoi completed
- Indonesia branch build out in Jakarta and Surabaya well underway
- China local incorporation application and India banking license application in progress
- Well advanced with organic strategy in China including regional license approval and build out of branches in Shanghai, Beijing & Guangzhou

<sup>1</sup> Asia Pacific underlying profit was 16% of ANZ Group. Asia portion of Profit after tax by geography 1H09 was 10% of Group underlying profit. <sup>2</sup> Staff numbers are for Asia Pacific + Bangalore FTE

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# Transaction Detail and ANZ's Asia Pacific Strategy

**Alex Thursby**  
**CEO Asia Pacific**

# Summary of the RBS Asia businesses being acquired

## Greater China



### Taiwan

- Retail, Commercial & Institutional
- Branches: 21 (+16 licenses)
- Customers: ~1.3m
- Deposits ~US\$2.7bn (~A\$3.4bn)



### Hong Kong

- Retail & Commercial
- Branches: 6
- Customers: ~30k
- Deposits ~US\$1.6bn (~A\$2.0bn)

## South East Asia



### Singapore

- Retail & Commercial
- Branches: 5
- Customers: ~350k
- Deposits ~ US\$1.9bn (~A\$2.4bn)



### Indonesia

- Retail & Commercial
- Branches: 20
- Customers: ~450k
- Deposits ~US\$0.8bn (~A\$1.0b)



### Vietnam

- Institutional
- Branches: 1
- Customers: ~60
- Deposits ~US\$45m (~A\$55m)



### Philippines

- Institutional
- Branches: 1
- Customers: ~100
- Deposits ~US\$40m (~A\$50m)

# Acquisition boosts Asia Pacific strategy particularly in retail and wealth



- Accelerates build out of Greater China and strengthens our business in SE Asia
- Accelerates build out of wealth and retail platform (includes credit cards) to balance institutional growth
- Significant client acquisition
- Gives ANZ a sizeable network to capture transaction banking & market flows and provides a baseline to build out our commercial business
- Delivers access to large liquidity surplus
- RBS team members further strengthen ANZ's Asian expertise
- Enhances platform for both organic growth and further acquisitions

# Attractive assets at an attractive price

## Price

- Premium of US\$50m (~A\$60m) to the fully provided net tangible book value<sup>1</sup> on closing. Equivalent to 1.1x recapitalised book value
- ANZ to acquire the businesses on a fully provisioned basis

## Base

- Operating income of ~US\$460m<sup>2</sup> (~A\$630m), Deposits of ~US\$7bn (~A\$9bn), Loans of ~US\$3bn (~A\$4bn). Significant increase in Asia Pacific contribution to Group

## Synergies

- Expected to be Cash EPS positive within 2 years post completion<sup>3</sup>
- Synergies achieved through improved customer focus and cross-selling, increased productivity and business model improvement program

## Capital

- Pro forma capital requirements of ~US\$650m (~A\$810m), as at 31 May 2009, recapitalising acquired businesses to 8% Tier 1
- Capital requirements fully met by ANZ's recent capital raising
- Post transaction ANZ Group Tier 1 capital ratio of 9.5% on pro forma basis<sup>4</sup>

## Timing

- Closing progressively from end 2009, aiming to complete by second quarter calendar 2010, subject to various regulatory approvals including local prudential approvals in each market

<sup>1</sup> ANZ will purchase the business (predominantly through asset and liability transfers) on a fully provisioned basis. Based on RWA calculated by ANZ under a Basel II Standardised approach as at 31 May 2009. Final purchase price will be based on net tangible book value at completion. The Indonesian retail, wealth and commercial businesses will be acquired through ANZ's 85% owned subsidiary ANZ Panin <sup>2</sup> Income is 2H08 plus 1H09, basis for calculation see slide 22 <sup>3</sup> Excludes impact of restructuring and development costs <sup>4</sup> Pro forma at 31 March 2009

# Delivery of synergies will create significant value

## Business Model transformation

- Transform sale and service model in Retail and Wealth to drive profitability
- Adopt liability led model for SME
- Change Commercial to a regional-based relationship model

## Productivity improvements

- Achieve cost savings from centralisation and IT infrastructure consolidation
- Strengthen performance management

## Customer

- Move from a product led to a customer led business
- Deepen existing customer wallet share via cross-sell
- Drive customer acquisition with roll out of new customer proposition for affluent and high net worth

## New business

- Build feeder from acquired affluent customer base to expand high network business
- Leverage larger combined distribution network to builds a regional cash and transaction banking proposition
- Distribute ANZ markets products into larger customer base

## De-risking

- De-risk retail & commercial loan book
- Tighten underwriting policies to lower provisioning costs

# Detailed, early planning to mitigate integration complexity

## Integration Philosophy

1. Adopt and adapt the best of both organisations
2. Clear accountability for execution and timing and tight cost control
3. Execution by joint integration team

### Action Plan

- Integration teams staffed
- Country 100 day integration plans developed
- Regulators engaged
- RBS and ANZ employee road shows underway
- Clear transition services agreed & being operationalised
- Customer migration & retention a key focus
- Rapid re-branding post-closing



### Goal

- Maintain & build business momentum in both ANZ and acquired businesses
- Minimise customer attrition
- Engage employees

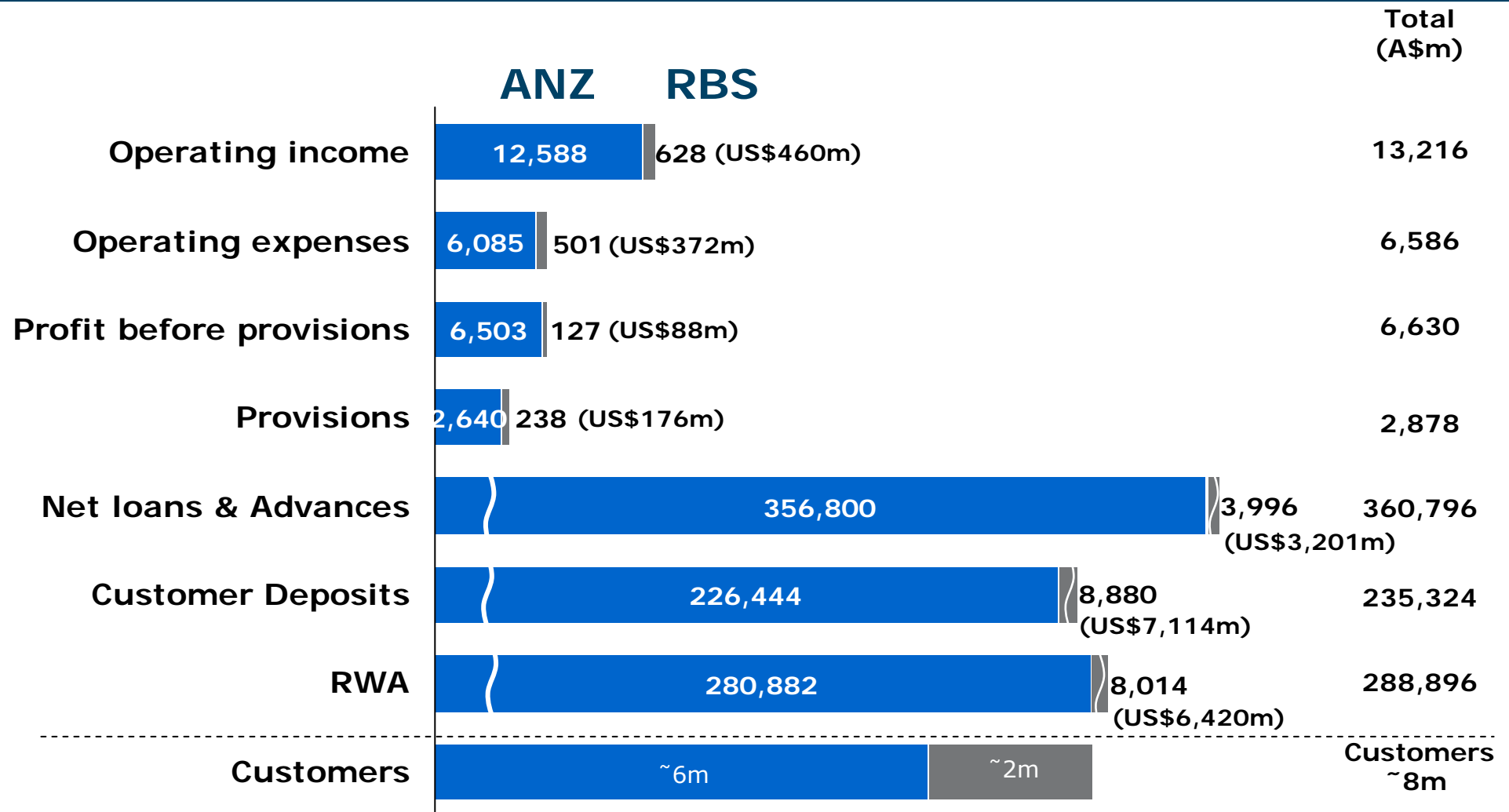
# Summary

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- Acquisition is a strong fit with ANZ's Asia Pacific strategy
- Provides a meaningful boost for our Greater China retail and wealth businesses
- Attractive assets at an attractive price
- Cash EPS accretive within 2 years post acquisition
- Significant synergy opportunities available
- Detailed integration plans, including teams, in place

# Appendices

# Snapshot of combined operation (ANZ Group + RBS Asia)

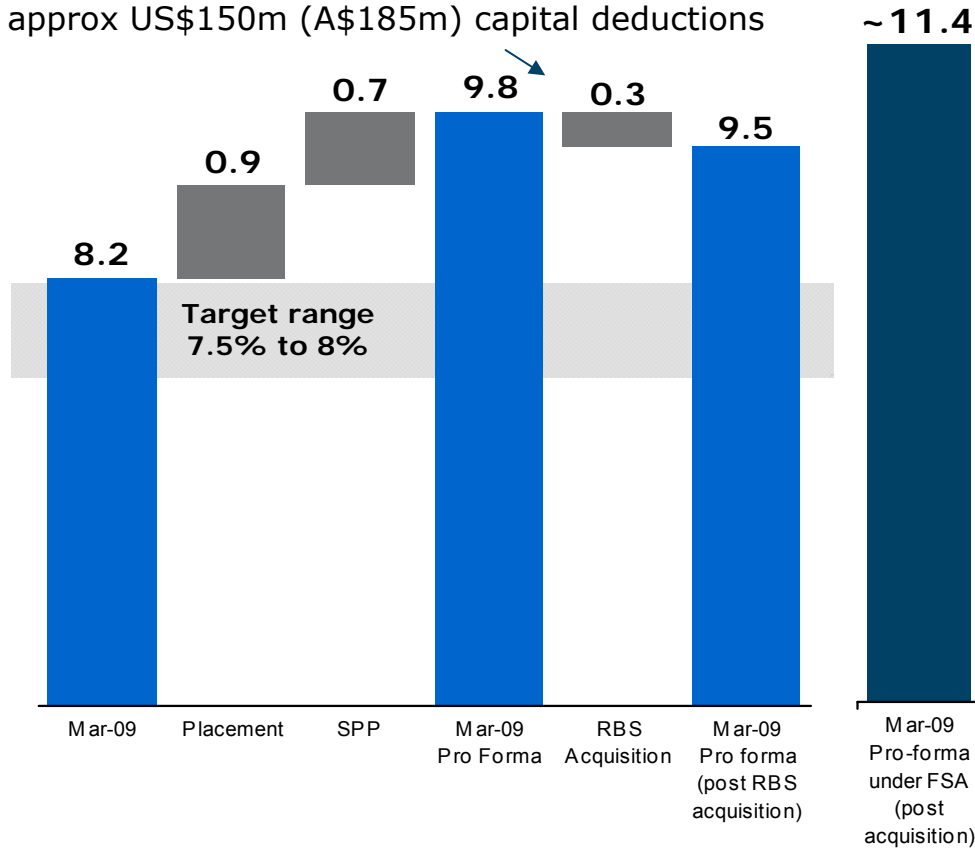


\* P&L numbers for both ANZ and RBS are 12 month figures using the two most recent halves, for RBS 1H09 has been derived see slide 22. Balance sheet data for ANZ is as at 31 March 2009. Expense number includes indirect costs

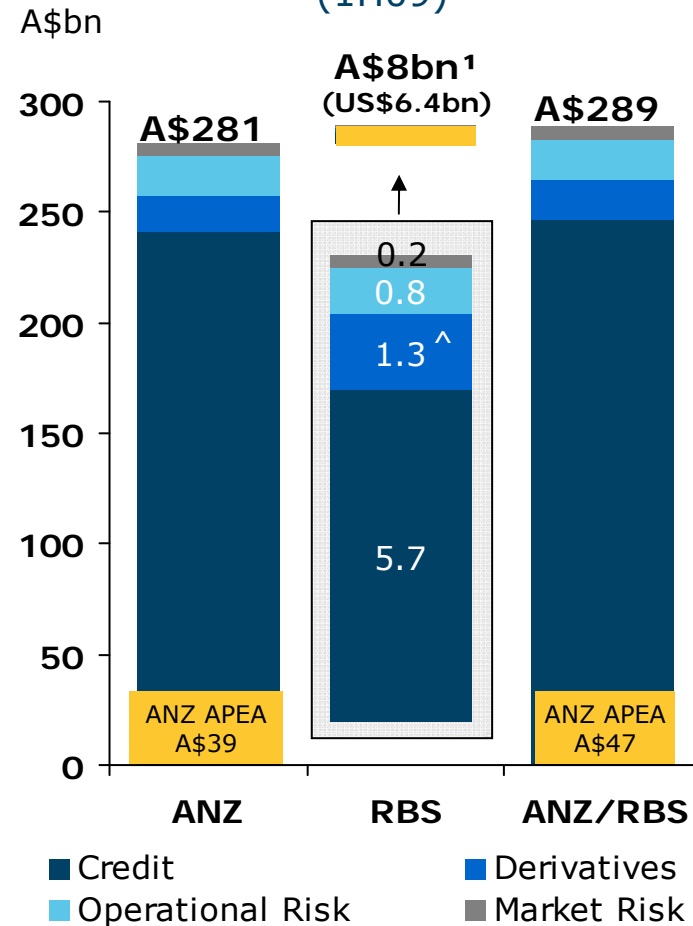
# Strong group capital position maintained post acquisition

## Basel II Capital Position (Tier 1 ratio)

US\$6.4bn (A\$8.0bn) RWAs acquired and approx US\$150m (A\$185m) capital deductions

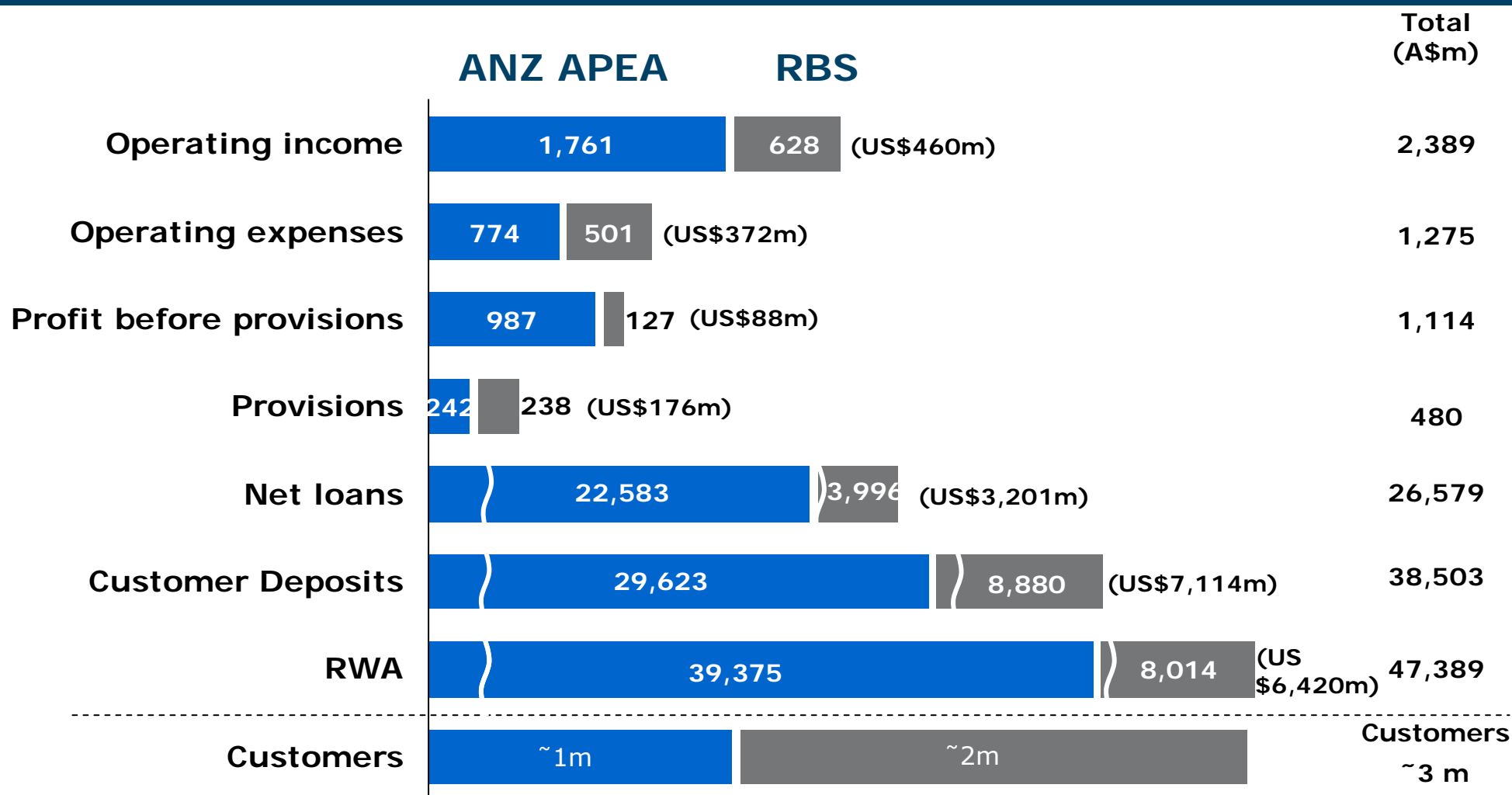


## ANZ Group Risk Weighted Assets Impact (1H09)



<sup>1</sup> RBS position as at 31 May 2009. <sup>^</sup> Derivative Portfolio - comprised of ~15,000 transactions mainly in Taiwan. Majority are vanilla customer trades fx, spot forwards, currency options. Due diligence was conducted on the portfolio

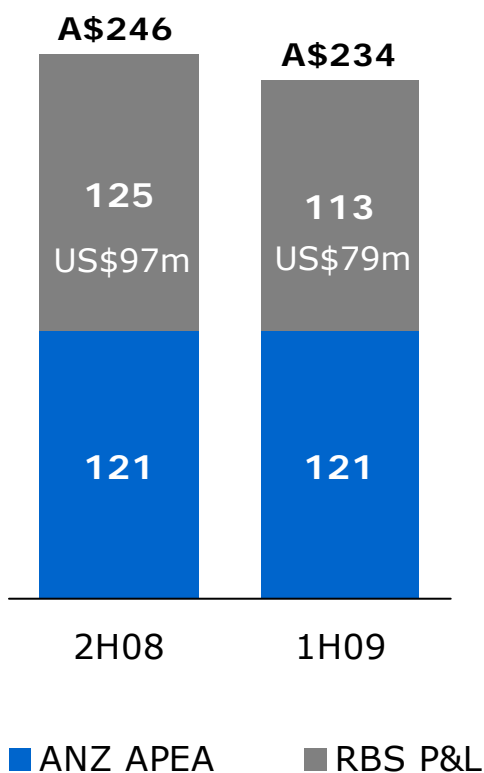
## Snapshot of combined operation (ANZ Asia Pacific + RBS Asia)



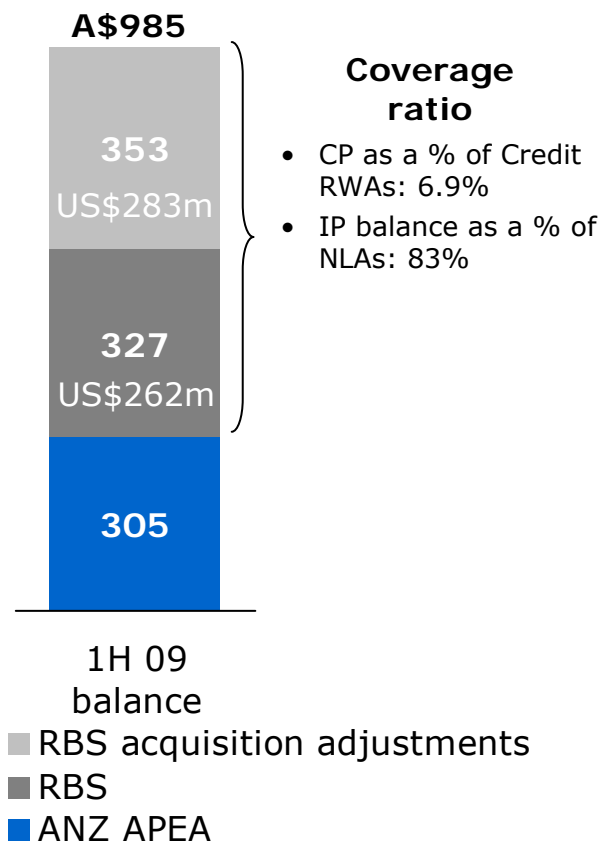
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# Proforma – APEA provisioning position

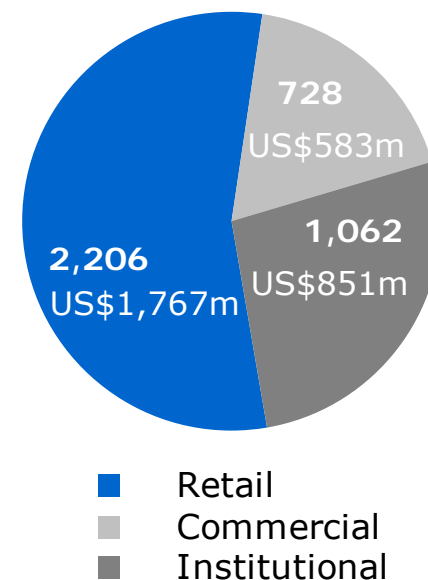
**Provisions charge**  
(A\$m)



**Provisions balance**  
(A\$m)



**RBS loans and advances by customer type**  
(A\$m)



**Non Performing Loans**

- Non Performing Loans as a % of Net Loans & Advances: 8.5%

# ANZ's Asian business pre-acquisition

## MAINLAND CHINA

- Established 1986. Well advanced organic strategy. Branches in Beijing, Shanghai & Guangzhou
- China local incorporation application progressing
- 270+ staff\*
- Shanghai Rural Commercial Bank since 2007 (ANZ 19.9% stake) Bank of Tianjin since 2005 (ANZ 20% stake)

## HONG KONG

- Established 1970; ~220 staff\*
- Full licence – corporate and personal banking, including domestic & foreign currency lending, private banking Fx, trade finance
- Hub for NE Asia regional business and APEA institutional

## VIETNAM

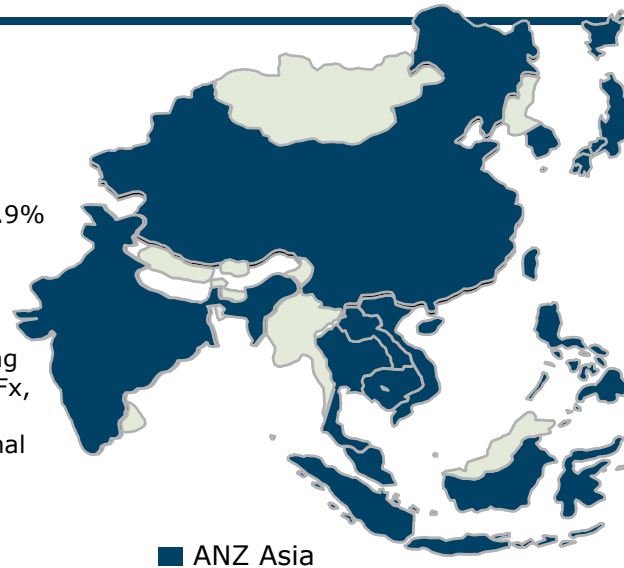
- Commenced 1993. 9 branches & transaction offices in Hanoi & Ho Chi Minh City, & rep office in Can Tho
- 580+ staff\*
- Local incorporation complete. Leading foreign bank in Vietnam
- Sacombank since 2005 (ANZ 10% stake)
- Saigon Securities Inc since 2007 (ANZ 17.6%)

## INDIA

- Established 1984; Indian banking license application underway
- Non-bank financial company – trade finance and corporate banking
- Bangalore technology and back office operation
- 3,500+ staff

## MALAYSIA & THAILAND

- KL established 1971, Bangkok established 1985
- Network support for companies doing business in Malaysia & Thailand
- AmBank since 2006 (ANZ ~20% stake)



## KOREA

- Established 1978. Branch in Seoul
- ~50 staff\*
- The only Australian commercial bank in Korea

## JAPAN

- Commenced 1969. Branches in Tokyo & Osaka
- ~80 staff\*
- The first, and still the only Australasian based bank with a branch in Osaka

## TAIWAN

- Established 1980. Branch in Taipei
- ~60 staff\*
- Wide variety of individual, corporate and commercial, trade finance and foreign exchange services

## PHILIPPINES

- Established 1990. Branch in Manila
- ~60 staff\*
- Full service commercial bank specialising in corporate banking, trade finance, international remittances and treasury
- Metrobank Card Corporation since 2003 (ANZ 40% stake)

## INDONESIA

- Established 1973
- Subsidiary PT ANZ Panin since 1993 (ANZ 85% owned)
- 9 Branches in Jakarta, Surabaya, Medan & Semarang
- ~480 staff\*
- PT Panin Bank (ANZ ~38% stake)

## SINGAPORE

- Established 1974 & hold a full wholesale banking licence
- 520+ staff\*
- Hub for S&SE Asia regional business, Retail & Wealth Asia Pacific, Operations & Technology

## CAMBODIA & LAOS

- Cambodia: presence since 2005
- ANZ Royal – full service bank (ANZ 55% stake)
- 560+ staff\*
- Laos: presence since 2007
- ANZV (Vientiane Commercial Bank) (60% ANZ owned)
- ~75 staff

\* Data includes permanent employees only

# Value to ANZ - acquisition brings both distribution and customers to accelerate targeted growth segments

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- Springboard for institutional growth
- Base to build Greater China commercial business proposition (second leg in Greater China)
- Scaleable credit card base
- Substantial wealth and retail business focused on Taipei
- Significant Taipei branch network supports build-out of wealth and affluent retail business



- Enlarged Hong Kong regional hub, third leg in Greater China commercial proposition
- Branch and distribution network
- Provides base for wealth business
- Broadens and provides liquidity support for institutional growth



- Opportunity to apply for a Qualifying Full Bank license which would enhance offshore retail and wealth proposition
- Delivers substantial onshore wealth business
- Broadens and provides liquidity support for institutional growth



- Significant scale up of credit card business
- Additional branches accelerate retail and wealth offering
- Substantial productivity improvements



- Modest expansion of institutional client base

# ANZ - Summary integration process

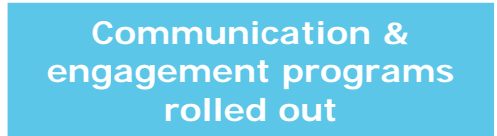
## Regional planning

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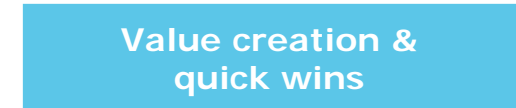


## Country execution

2



3



# Disclaimer

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**Note: Basis of financial information contained within this document:**

<b>ANZ Second Half results 2008 (2H08):</b>	<b>1 April 2008 to 30 September 2008</b>
<b>ANZ First Half results 2009 (1H09):</b>	<b>1 October 2008 to 31 March 2009</b>
<b>RBS Second Half results 2008 (2H08):</b>	<b>1 July 2008 to 31 December 2008</b>
<b>RBS First Half results 2009 (1H09):</b>	<b>Profit and Loss 1 January 2009 to 31 May 2009 plus June 2009 calculated using one month average of January 2009 to May 2009. Balance sheet details as at 31 May 2009</b>

**ANZ underlying financial numbers provided unless otherwise stated**

**AUD/USD FX conversion rates:**

<b>RBS Profit and Loss 2H08</b>	<b>0.7803 (1 July 2008 to 31 December 2008 average)</b>
<b>RBS Profit and Loss 1H09</b>	<b>0.6964 (1 January 2009 to 31 May 2009)</b>
<b>RBS Balance Sheet 1H09</b>	<b>0.8011 (31 May 2009 spot rate)</b>

**For further information visit**

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

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