



06

# Shanghai Rural Commercial Bank

Australia and New Zealand Banking Group Limited

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# ANZ agrees to acquire 19.9% shareholding in China's Shanghai Rural Commercial Bank ("SRCB")

- ANZ and Shanghai Rural Commercial Bank have agreed to enter into a strategic long-term partnership
- ANZ has agreed to acquire 19.9% of SRCB for approximately US\$252m, subject to regulatory approval
- SRCB is an attractive bank
  - Shanghai is China's commercial and financial centre with 17 million people
  - SRCB is China's largest rural commercial bank and ranked 7<sup>th</sup> in Shanghai in terms of market share
  - SRCB has 2.5 million customers, operates 330 branches and over 380 ATMs and employs over 5,000 staff
  - Reported Non Performing Loans to Gross Lending Assets reduced to 3% at June 2006
- ANZ and SRCB have agreed the key areas for cooperation
  - ANZ will provide technical resources and access to its intellectual property
  - Primary focus will be on Risk Management, SME Lending and Retail Banking
  - The partners will work closely together, with ANZ contributing two Board Directors, management and project resources
  - The cooperation will be supported by a US\$5m "Technical Support Fund" to finance resources and skill building programs
- The partnership with SRCB adds to ANZ's growing portfolio of retail partnerships, both in China and across Asia, including Indonesia, the Philippines, Vietnam and Cambodia.

# ANZ's investment provides opportunity to share in China's significant retail & SME banking growth

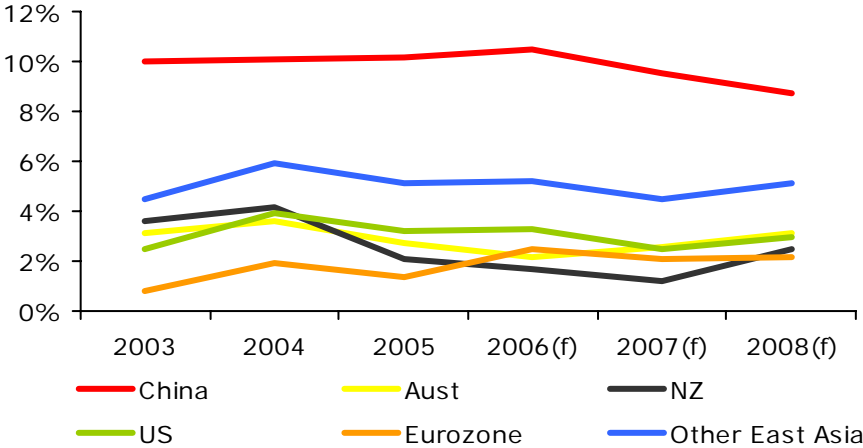
## Significant Retail Banking opportunities

- Large population
- Strong, sustained economic growth
- Ongoing bank deregulation
- Increased consumer activity
- Ongoing restrictions on market access/competitive environment

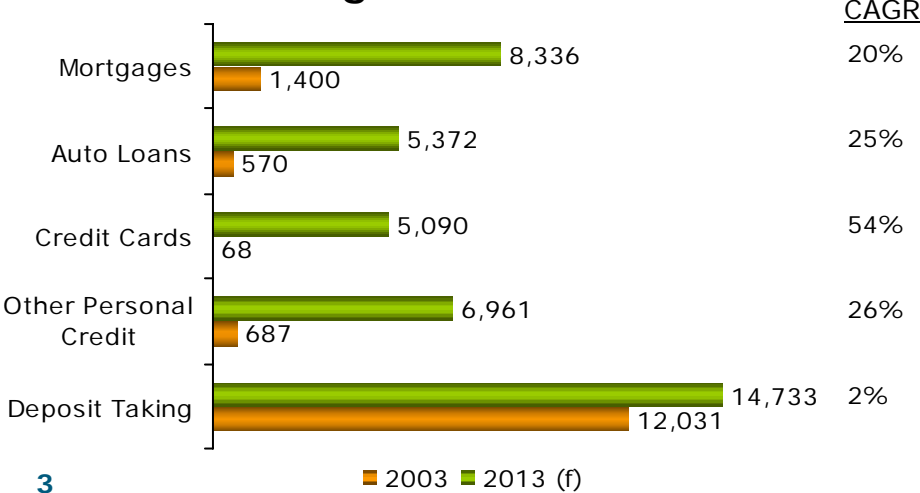
## Re-positioning economy to SME/ Retail focus is key opportunity

- National and provincial economy being re-positioned to SME/Retail focus
- Strong asset and deposit growth
- Banking penetration close to lowest in Asia – significant growth opportunity

China's strong economic growth forecast to continue<sup>1</sup>  
(real GDP growth)



Significant growth in retail banking revenues forecast (\$m)<sup>2</sup>



1. Economics@ANZ  
2. McKinsey & Co.

# SRCBs focus on Retail and SME banking in Shanghai provides significant opportunity



SRCB is well represented in both central and suburban Shanghai (Branch & Sub Branch locations)

## Business overview

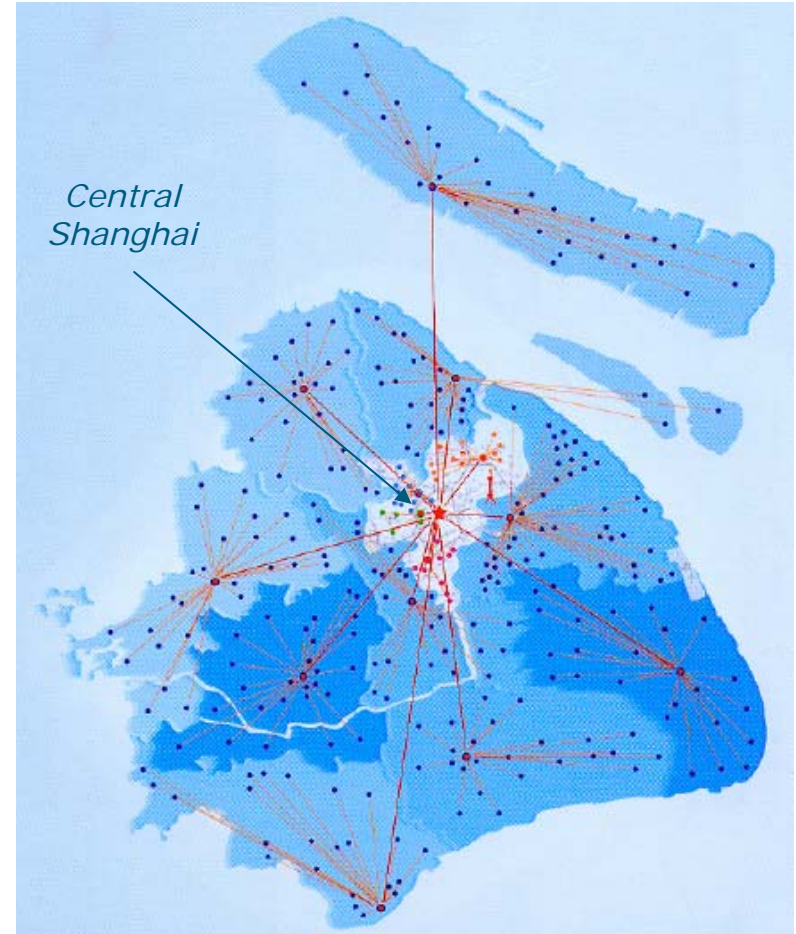
- Licensed as a bank mid 2005, currently restricted to Shanghai region
- Amalgamation of 234 credit unions
- China's largest rural commercial bank, 7<sup>th</sup> largest bank in Shanghai by market share
- 330 branches, over 380 ATMs and 5,000 staff

## Performance

- Strong underlying earnings – FY05 Lending growth 19%, Deposit growth 11%
- Resolution of legacy NPLs has impacted reported earnings, NPLs at 3%\* in Jun-06
- Capital position strong - Capital Adequacy Ratio 8.1% at Dec-05

## Technical assistance/value-add

- ANZ to hold 2 (of 19) board positions and a number of managerial positions
- Joint Technical Support Board to be established to plan and implement IP transfer programs



# Evolution of SRCB and key milestones

*First credit union within Shanghai Rural Credit Co-operatives Union commenced operations*

*14 Credit Unions united and creation of Head Office*

*Relationship with ANZ commenced, signing of Letter of Intent, MOU and Cooperation Agreement*

*New management team installed*

*Licensed as Shanghai Rural Commercial Bank*

1951

2001

2003

2004







2005

*1 'Municipal' Credit Cooperative, 14 'Regional' Credit Cooperatives, 234 'Rural' Credit Cooperatives created*

*ANZ cooperation commenced focused on risk management, including credit lending practices & credit risk modelling*



# SRCB accelerates ANZ's existing portfolio of Asian retail investments

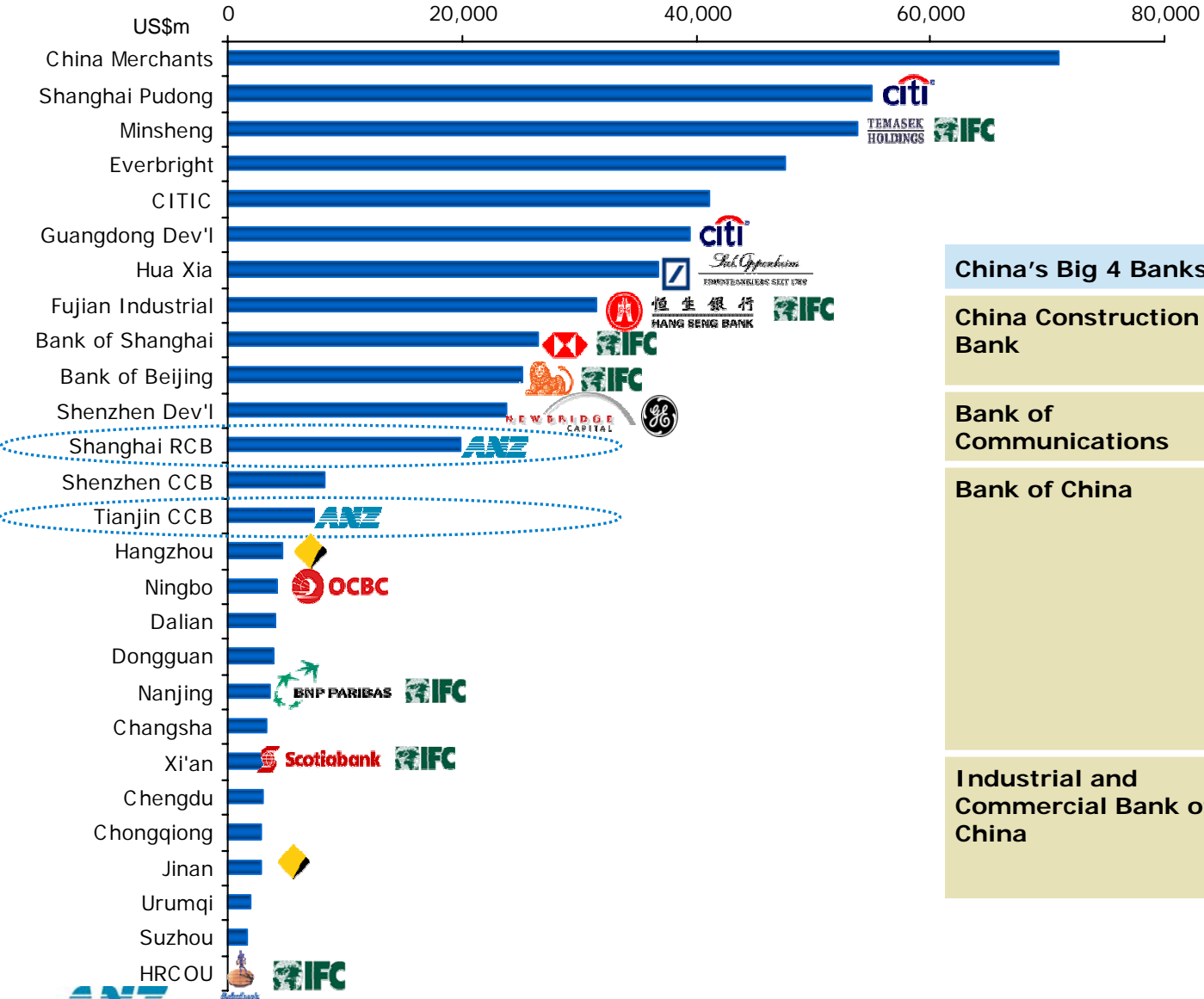
	Indonesia		Philippines	Cambodia	Vietnam	China	
							
	Panin Bank	ANZ Panin					
ANZ entered country	1973		1990	2004	1993	1986	
Partnership began	1999	1999	2003	2004	2005	2005	2006
Partnership type	Banking	Cards	Cards	Banking	Banking	Banking	Banking
Investment size	A\$232m	A\$6m <sup>1</sup>	A\$14m	A\$16m	A\$41m	A\$159m	A\$328m
Current value	A\$546m <sup>2</sup>	n.a. <sup>1</sup>	n.a.	n.a.	A\$96m <sup>2</sup>	n.a.	n.a.
ANZ stake	30%	85% <sup>1</sup>	40%	55%	10%	20%	19.9%
Key business metrics <sup>1</sup>	<ul style="list-style-type: none"> <li>• 275 branches</li> <li>• 9,800 ATMs &amp; ATM alliances</li> <li>• 4 ANZ staff</li> </ul>	<ul style="list-style-type: none"> <li>• 318,000 cards</li> <li>• 1 branch</li> <li>• 87 local staff</li> <li>• 840 contractors</li> </ul>	<ul style="list-style-type: none"> <li>• 667,000 cards</li> <li>• 2 ANZ staff</li> <li>• 476 local staff</li> <li>• 158 contractors</li> </ul>	<ul style="list-style-type: none"> <li>• 7 branches</li> <li>• 51 ATM</li> <li>• 7 ANZ staff</li> <li>• 137 local staff</li> </ul>	<ul style="list-style-type: none"> <li>• 127 branches</li> <li>• 56 ATMs</li> <li>• 3 ANZ staff</li> </ul>	<ul style="list-style-type: none"> <li>• 180 branches</li> <li>• 90 ATMs</li> <li>• 6 ANZ staff</li> </ul>	<ul style="list-style-type: none"> <li>• 330 branches</li> <li>• 380 ATMs</li> <li>• up to 8 ANZ staff</li> </ul>



1. Business contained within joint-venture bank ANZ Panin; 85% acquired in 1993 for A\$93m  
 2. As at 3<sup>rd</sup> November 2006

# Update on foreign partnership with Chinese banks

Actual and Prospective China/Foreign Bank Partnerships  
 – by 2004 total assets<sup>1</sup>



China's Big 4 Banks	Foreign Ownership	
China Construction Bank		8.5%
		6.0%
Bank of Communications		19.9%
Bank of China		9.6%
		2.0%
		3.0%
		4.8%
		1.5%
		0.2%
Industrial and Commercial Bank of China		} 10.0%



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For further information visit

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