# ANZ 2003 Results

# NBNZ Acquisition Highlights

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**John McFarlane**

# NBNZ Acquisition creates the leading bank in New Zealand

- **Purchase price A$4.915 billion**
- **ANZ and The National Bank when combined will create:**
  - The leading bank in New Zealand
  - One of New Zealand's top three companies
  - Market leadership in all major market segments
- **A very different acquisition:**
  - Based on customer and growth - leveraging the best of both banks
  - Sir John Anderson invited to head the combined company
  - The ANZ and The National Bank brands and branch networks to be maintained
  - No change intended in the total number of branches
  - Built on the foundation of the oldest bank and company in New Zealand
- **Head office in Wellington with major office presence in Auckland and other cities**
- **ANZ may consider partial listing on the NZ Stock Exchange post integration**

# NBNZ acquisition is transforming for ANZ

- **Acquisition an important step in a broader strategy. ANZ is now:**
  - **The leading bank in New Zealand**
  - **The leading bank in the South Pacific**
  - **The leading Australian Bank in Asia**
  - **Leading positions in Australia**:
    - Institutional
    - Corporate
    - Cards
    - Esanda
  - **With renewed focus on non-traditional areas of potential:**
    - Small to medium business
    - Mortgages
    - Personal Banking
    - Wealth management

# NBNZ Acquisition

Peter Hawkins

# Key financial highlights

**Purchase price equivalent to A$4.915 billion at current exchange rates**

- Excludes a NZ$575 million dividend to be paid to Lloyds TSB prior to completion from NBNZ's retained earnings

**Total funding by means of:**

- 2 for 11 renounceable rights issue at A$13 per share raising A$3.570 billion
- A$1.370 billion of various debt funding

**Purchase price equates to 11.2x NBNZ adjusted cash earnings for the year to June 2003**

**ANZ's current 2003 price / cash earnings multiple around 12x**

**ANZ's strong capital and AA- / Aa3 credit rating preserved**

**NBNZ's credit rating to be equalised with ANZ upon completion of acquisition**

# Estimated operating cost synergies and integration costs

## Operating Cost Synergies

**Estimated at ~A$110m pa (before tax) within 3 years**

- Expected cost synergies represent around 20% of NBNZ's cost base
  - Cost synergies to be fully phased in by end 2006
- Key areas of cost synergies:
  - Technology
  - Back office functions
  - Head office integration
- Synergies reflect no net branch closures in New Zealand
- Minimal impact in 2004

## Integration Costs

**Estimated at ~A$230m (before tax) over 3 years**

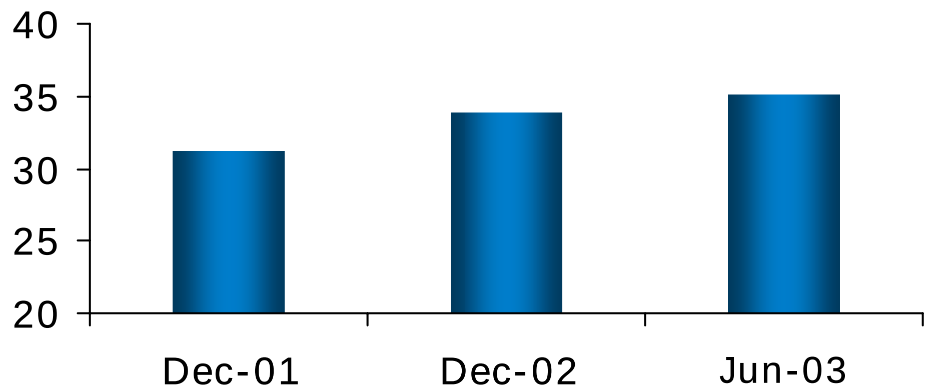
- Key integration cost components:
  - Core and subsidiary IT systems integration
  - Non-branch premises integration
- NBNZ senior management team has a strong track record in managing banking integrations

# Managing key integration risks

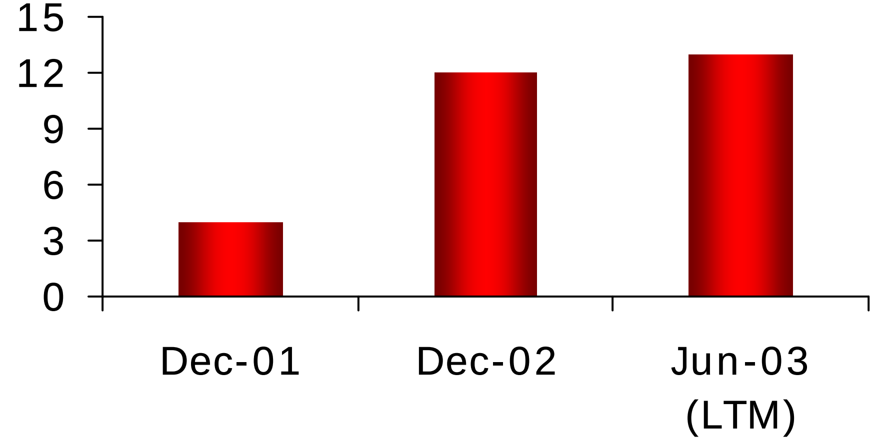
| Consideration | Mitigant |
|---|---|
| **Minimise Impact on Customers** | • Maintain both brands and both branch networks<br>• New Zealand centric retail business model leveraging NBNZ “client-facing” systems for retail, rural and SME<br>• Manageable concentration issues in corporate and institutional |
| **People** | • Retain the best people from both organisations<br>• Maintain headcount in “client-facing” roles |
| **Technology** | • A common core technology platform<br>• Two year integration period for core systems conversion<br>• Leverage expertise in IT integration |

# NBNZ Group strong track record

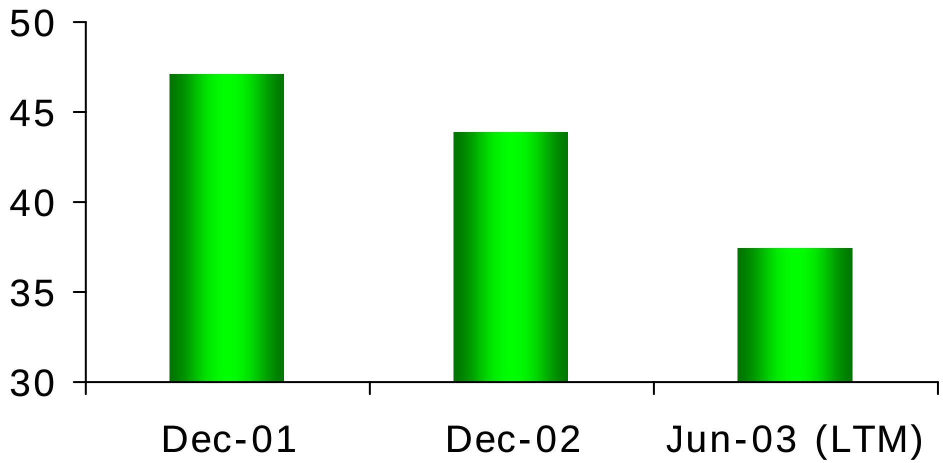
### Strong growth in loans and advances



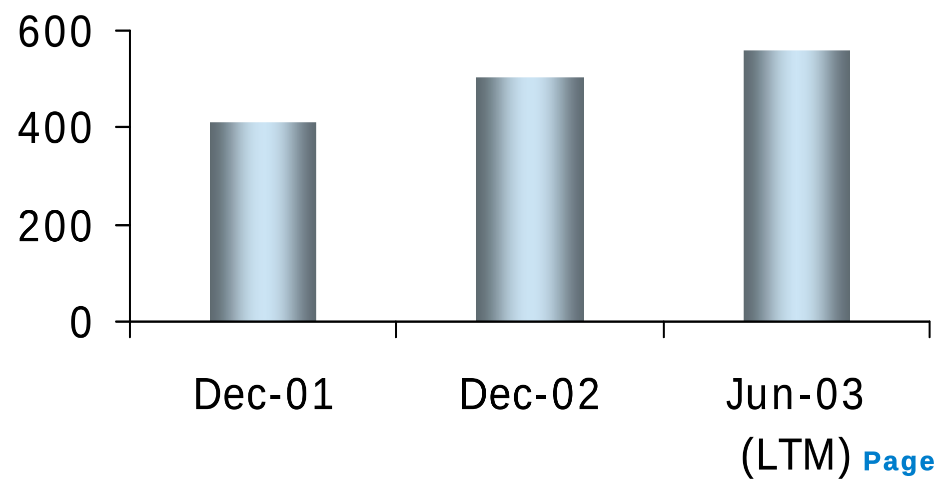

### High asset quality – Provisioning charge as % of loans and advances




### Declining cost-to-income ratio

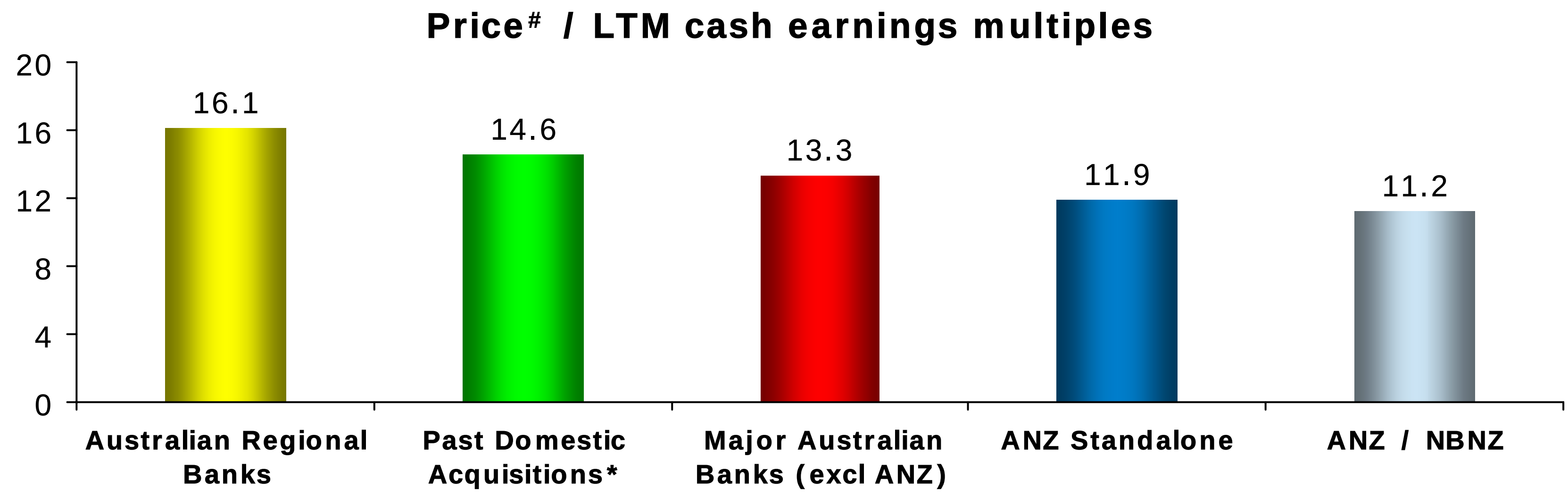


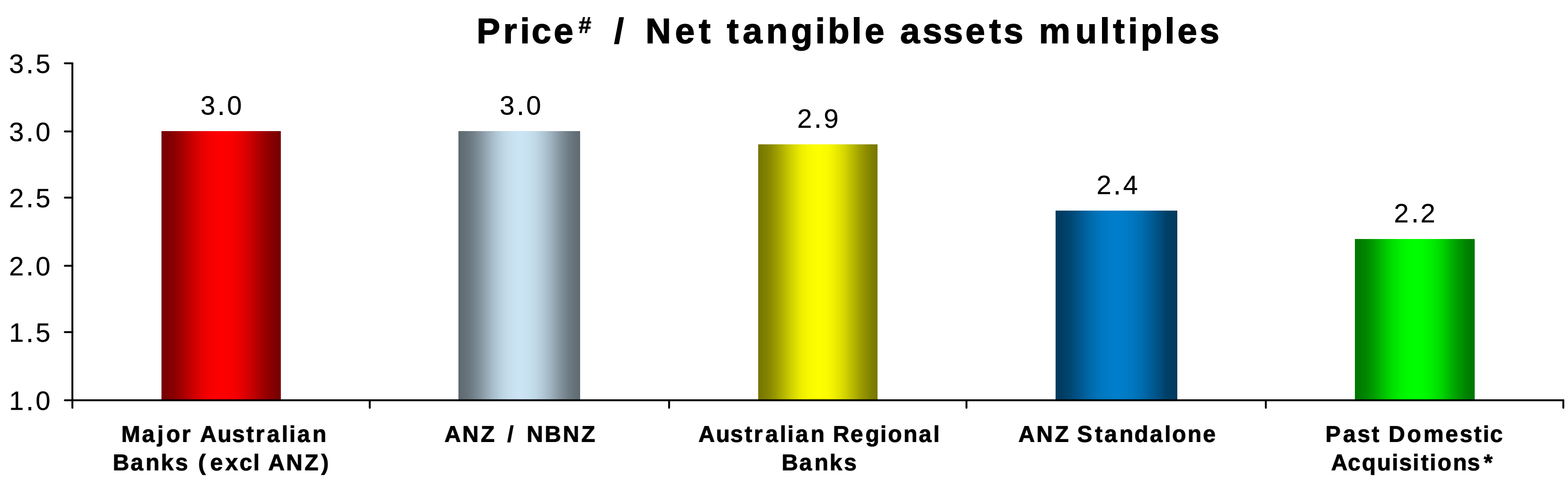

### Consistent growth in NPAT




**Source:** NBNZ Group Financial Reports

# NBNZ purchased at attractive multiple




* - Average of 10 past Australian and New Zealand transactions

# - Price used in calculating LTM cash earnings multiples and NTA multiples for the major Australian banks and the Australian regional banks are 30-day volume weighted average prices as at 23 October 2003

# Funding the NBNZ acquisition

Target ACE/RWAs ratio range lowered to 4.75-5.25%

The transaction is to be funded via the following sources:

- Net proceeds of A$3.570 billion from a 2 for 11 deeply discounted rights issue
- A$1.370 billion in Hybrid, subordinated and wholesale funding

The size of the equity raising is a function of the goodwill arising on acquisition*

**Upon completion:**

- ACE ratio of approximately 5.0%
- Tier 1 ratio of approximately 6.7%
- Total capital ratio of approximately 10.2%

**Source of Funds**

| | A$m |
|---|---|
| **Rights issue net proceeds** | **3,570** |
| **Debt** | **1,370** |
| ***Total*** | ***4,940*** |

**Use of Funds**

| | A$m |
|---|---|
| **Proceeds to Lloyds TSB** | **4,915** |
| **Transaction costs** | **25** |
| ***Total*** | ***4,940*** |

**Goodwill on Acquisition**

| | A$m |
|---|---|
| **Purchase consideration** | **4,915** |
| ***LESS*** **NTA on acquisition** | **(1,657)** |
| ***Goodwill on acquisition*** | ***3,258**** |

* - Goodwill will be amortised in line with Australian Accounting Standards

# ANZ 2003 Results

# NBNZ Acquisition Highlights

# Results Overview

**John McFarlane**

**Chief Executive Officer**

# Another Solid Result for ANZ, up 8.3%

| | | v Sep 02 |
|---|---|---|
| NPAT | $2,348m | ⇧ 1.1% |
| EPS | 148.3 cents | ⇧ 0.7% |

**Before Significant Items**

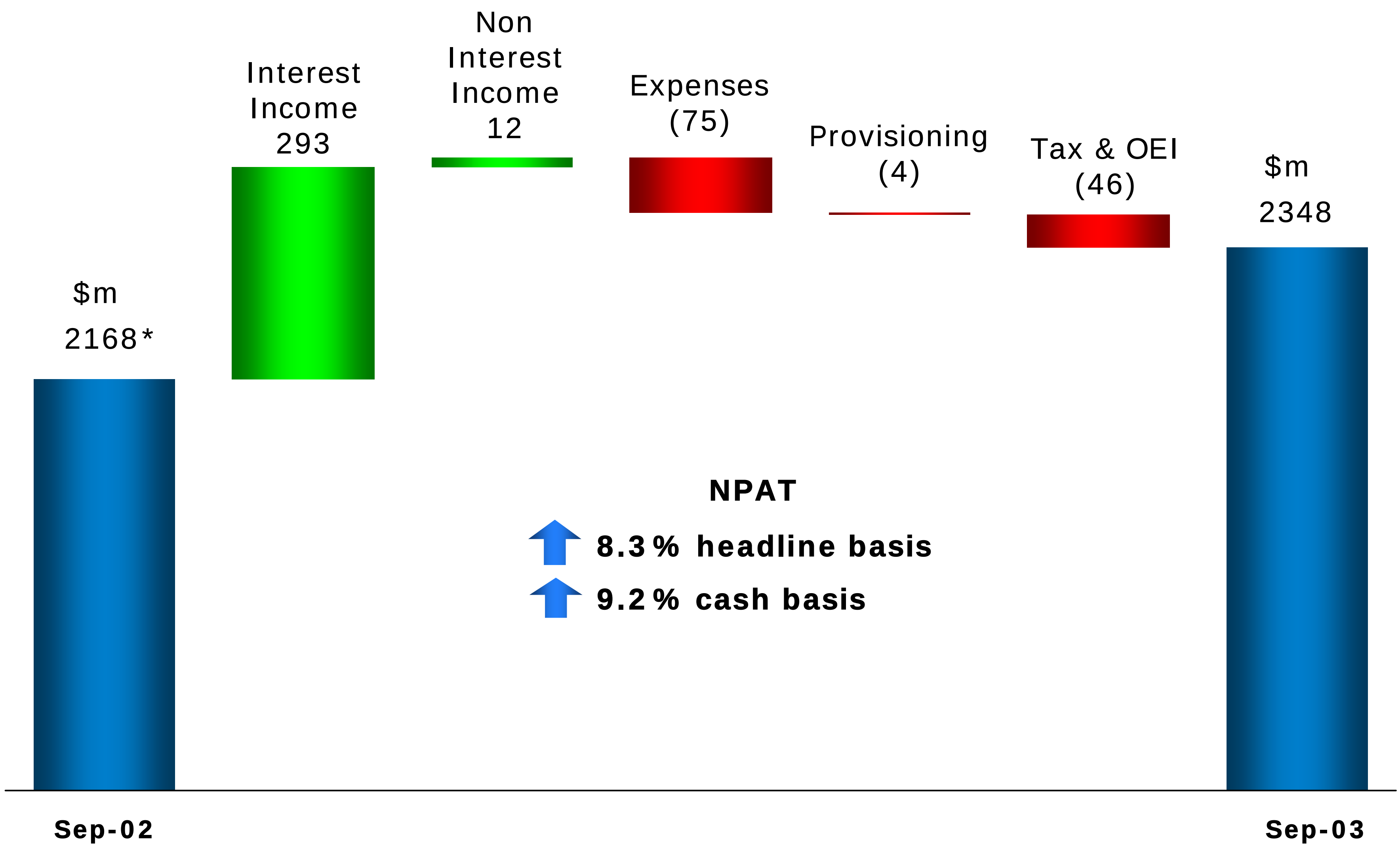
| | | |
|---|---|---|
| NPAT | $2,348m | ⇧ 8.3% |
| EPS | 148.3 cents | ⇧ 8.2% |
| Cash EPS | 152.4 cents | ⇧ 9.2% |
| Dividend | 95 cents | ⇧ 11.8% |
| Net Specific Provisions | $527m | ⇩ (27.6%) |

# Results Review

**Peter Marriott**

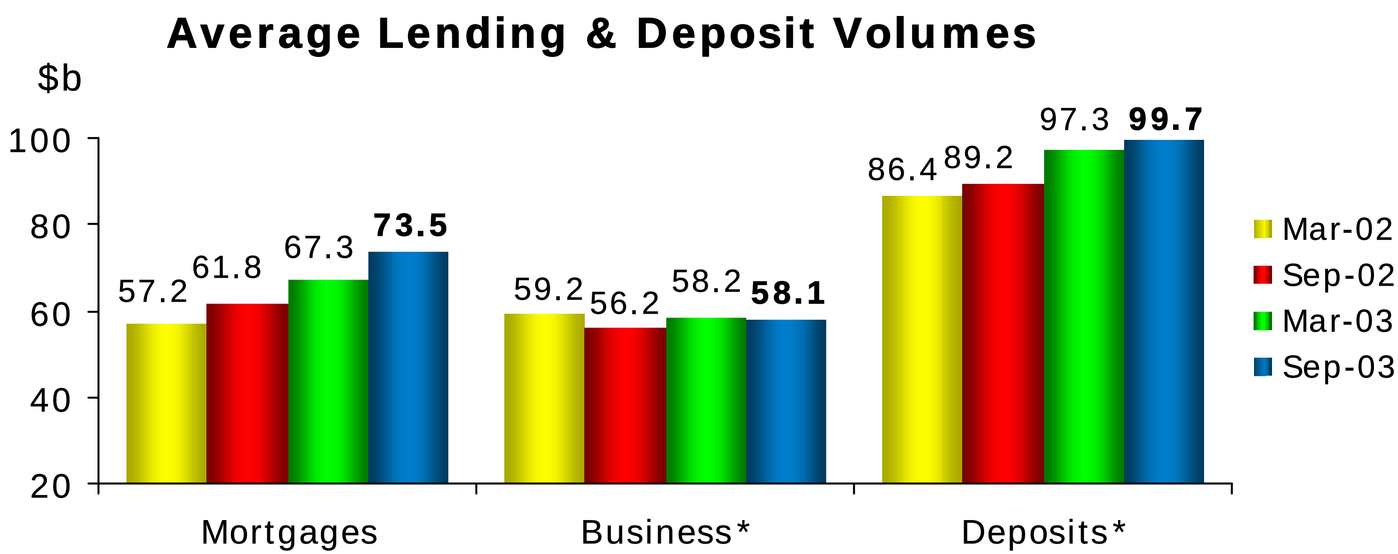
**Chief Financial Officer**

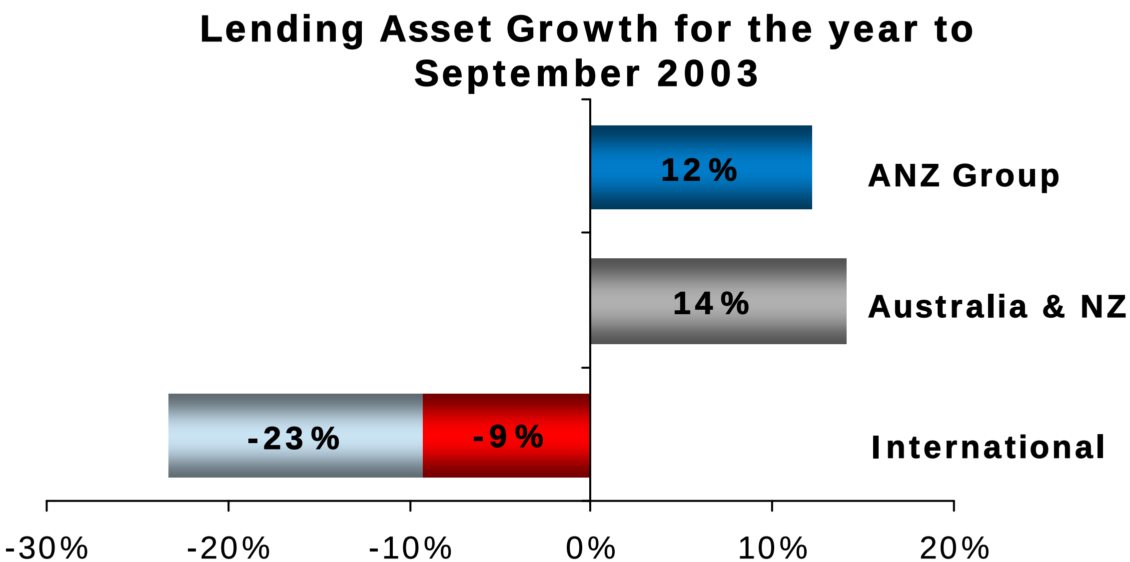
# Full year result driven by asset and deposit growth

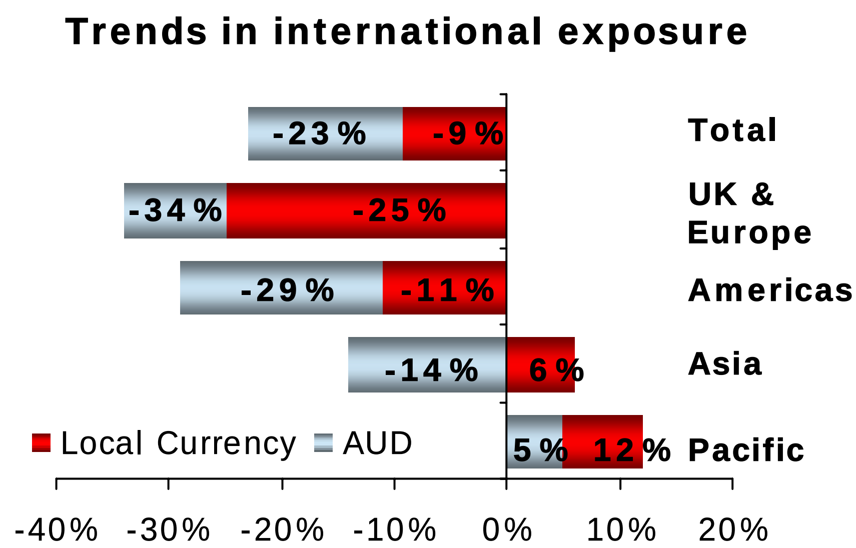



* *Sep-02 excludes significant items*

# Higher interest income, driven by strong mortgage and deposit growth

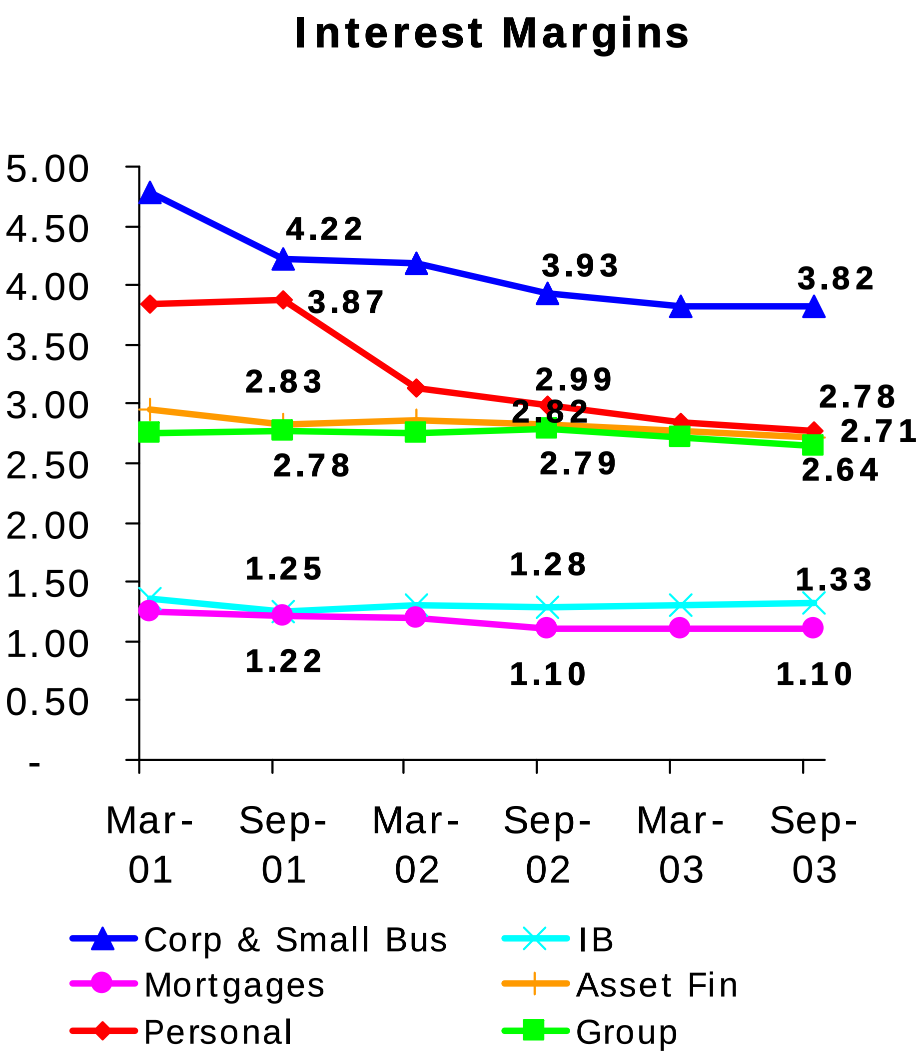


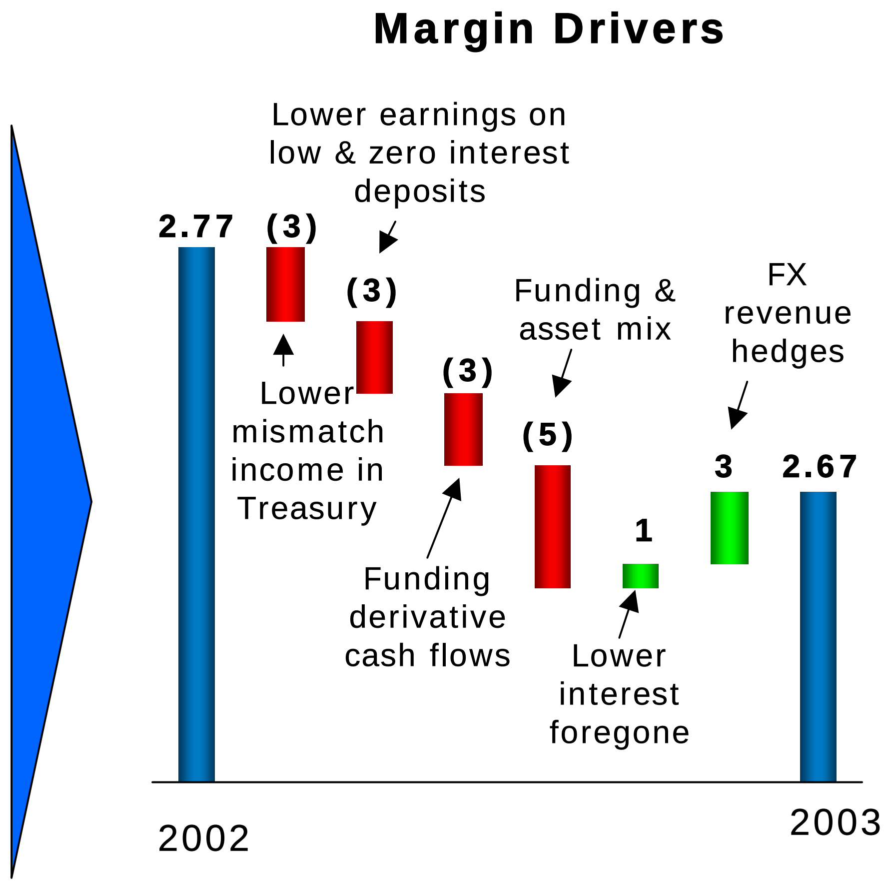



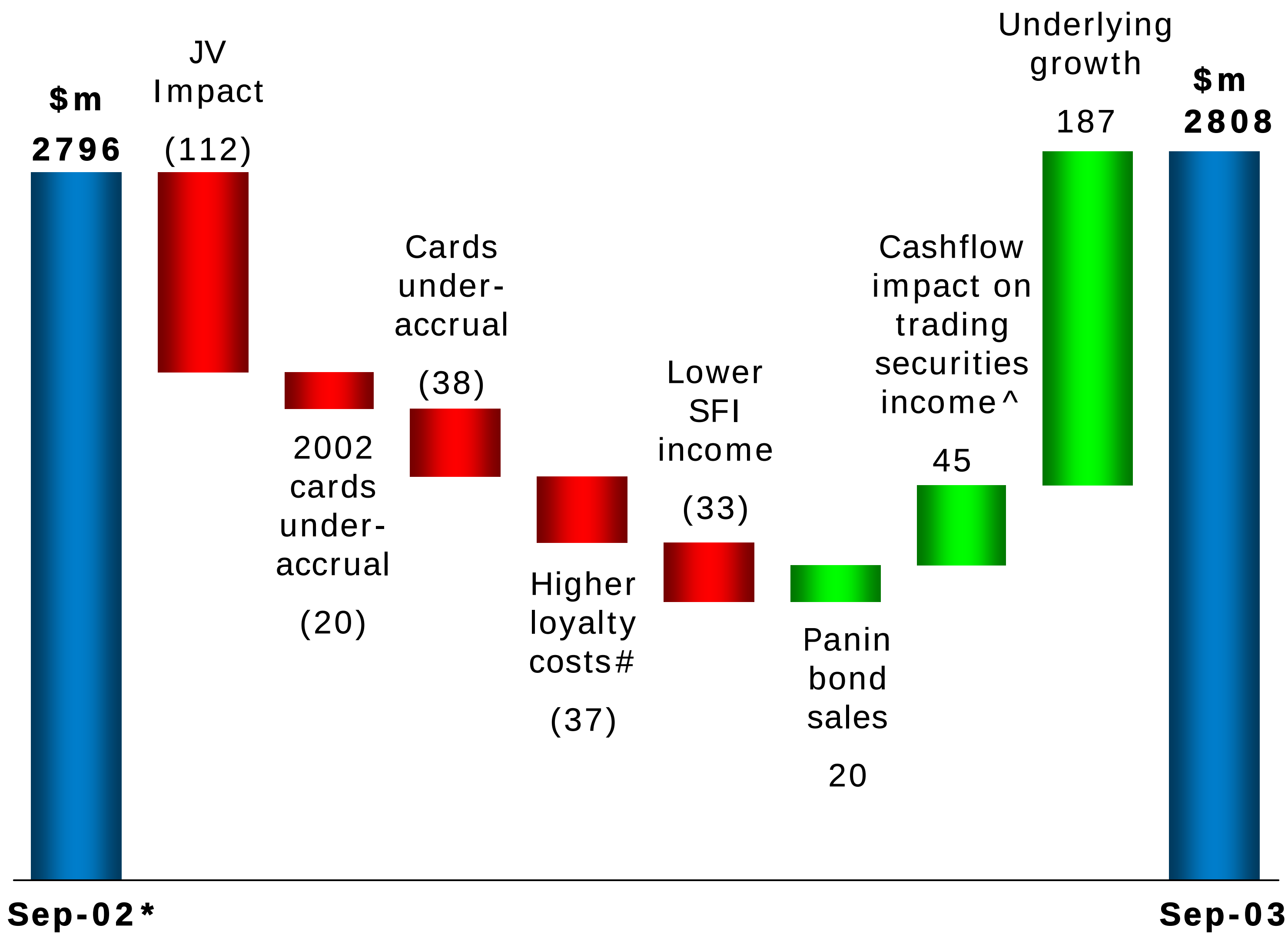

*Business Lending includes Corporate & Small Business, and Institutional Segments. Deposits includes Esanda retail debentures

# Margins down, primarily due to yield curve and mix effect



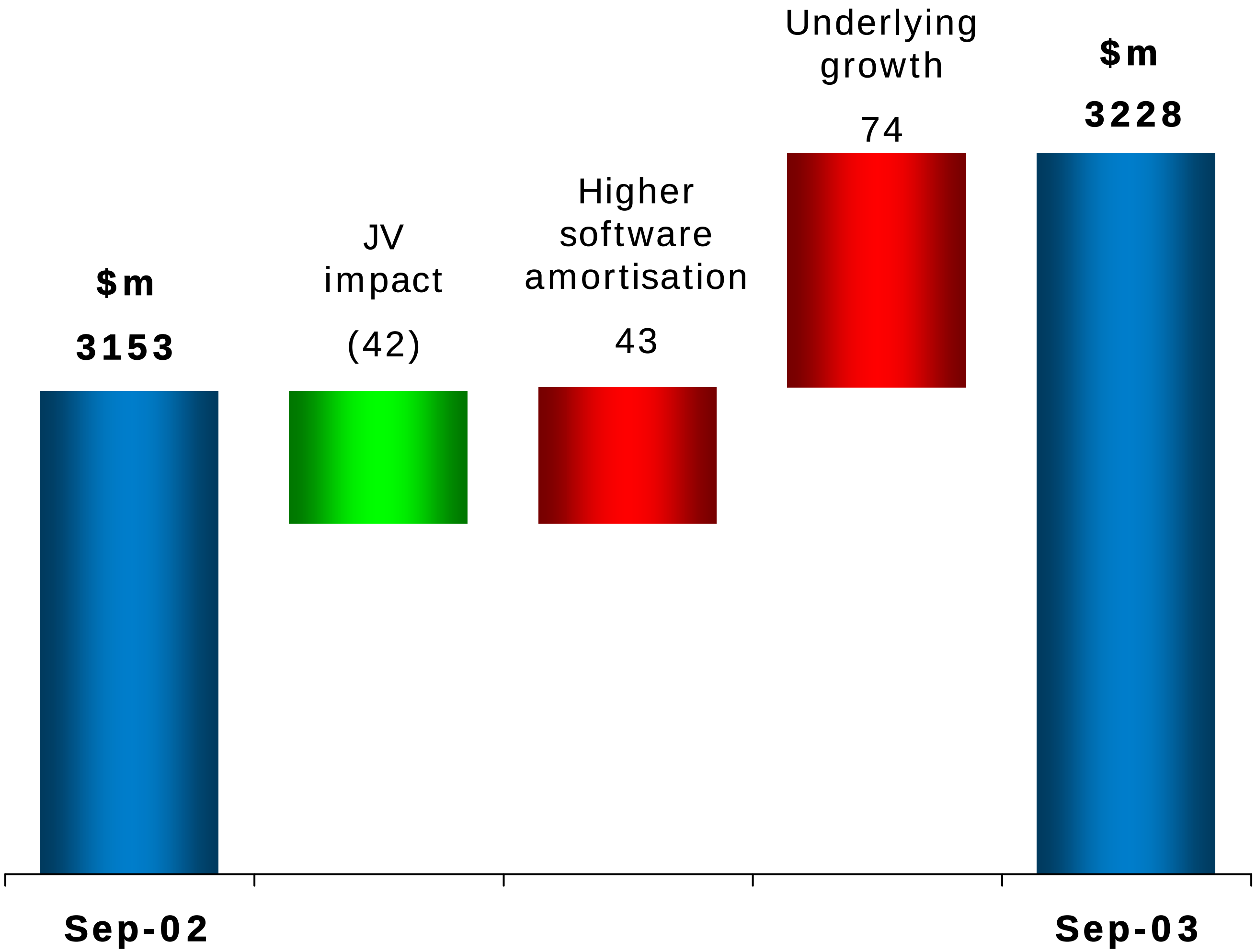



# Non interest income impacted by Cards under-accrual and loyalty costs, underlying growth strong

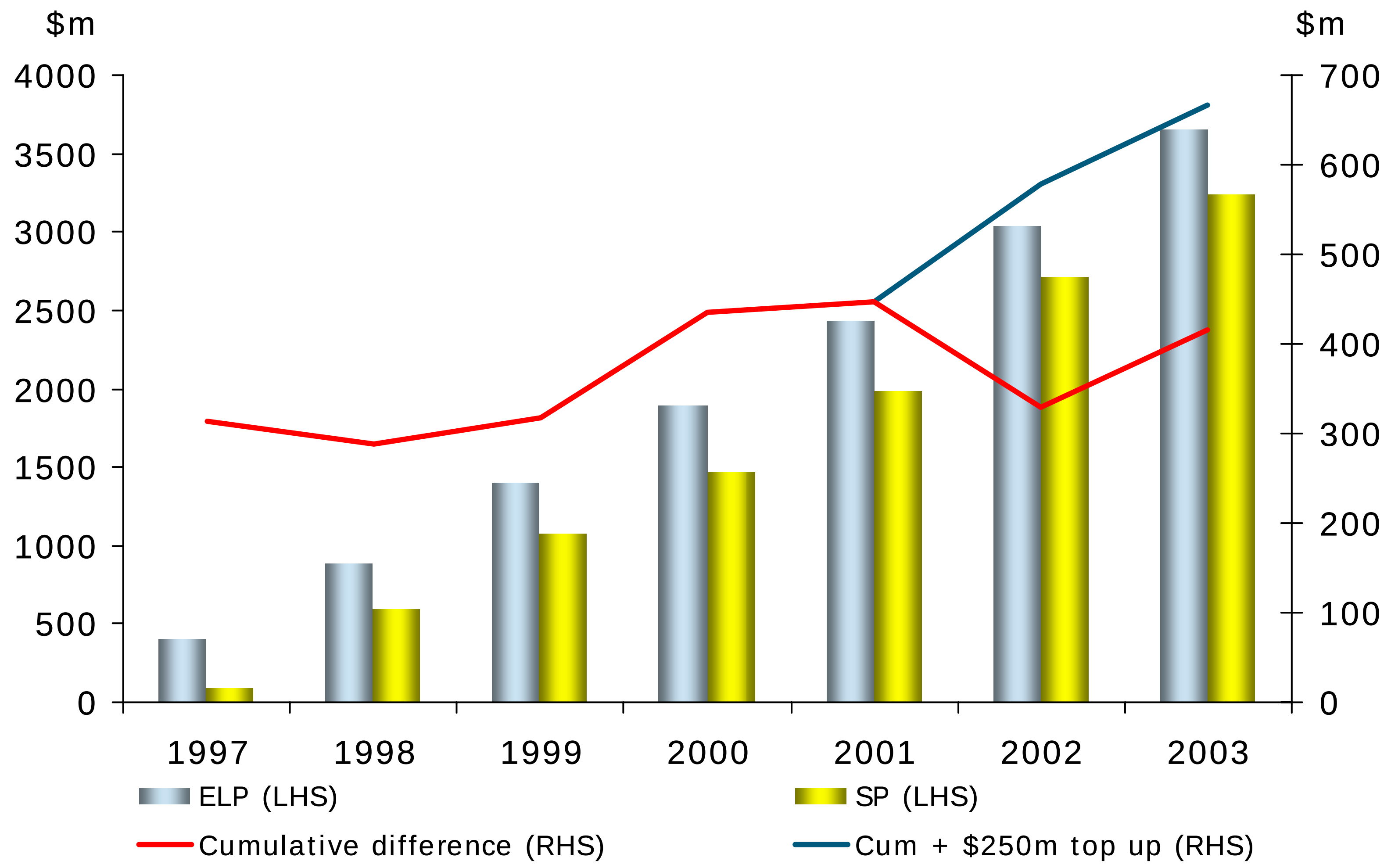



* Sep-02 excludes significant items
\# excludes volume impact and benefits from repricing
^ refer also Margin Drivers (p8)

# Expense growth well controlled

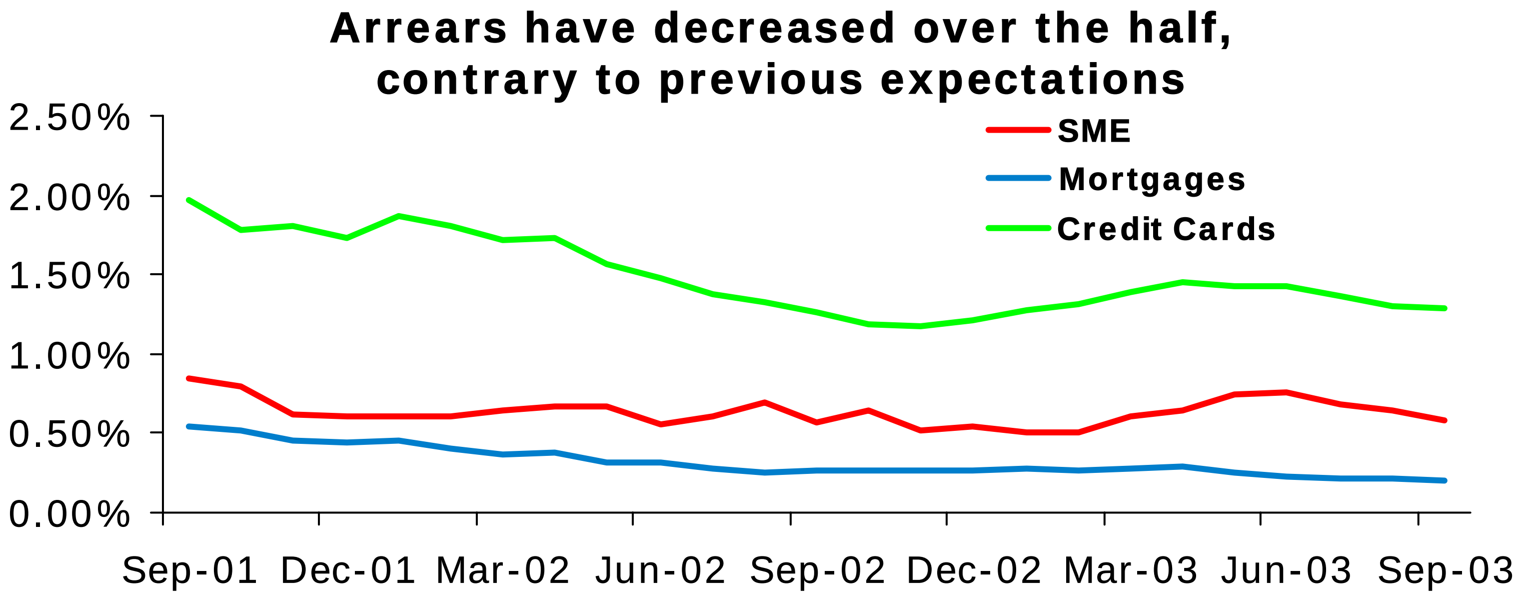


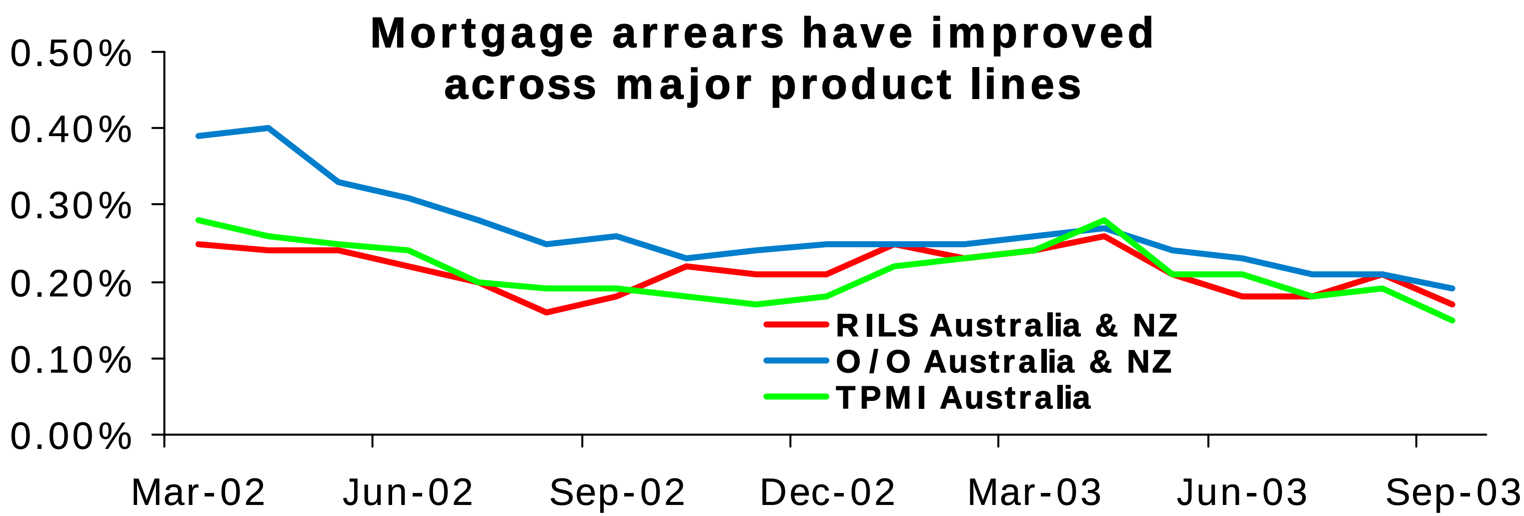
# Cumulative ELP balance is well above the specific provision balance



# Credit Quality

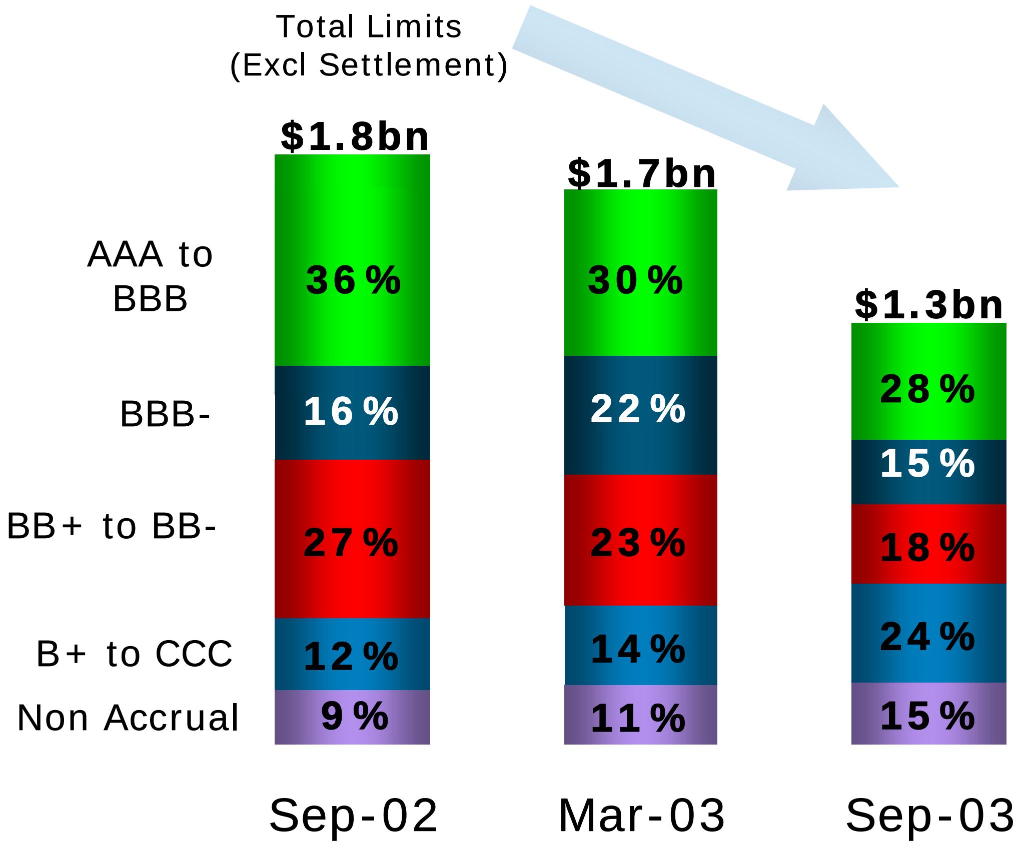
# Consumer & SME portfolios in good shape




TPMI – third party mortgage introducers
O/O – owner occupied

# US Energy Portfolio – issues remain, but exposure continues to reduce



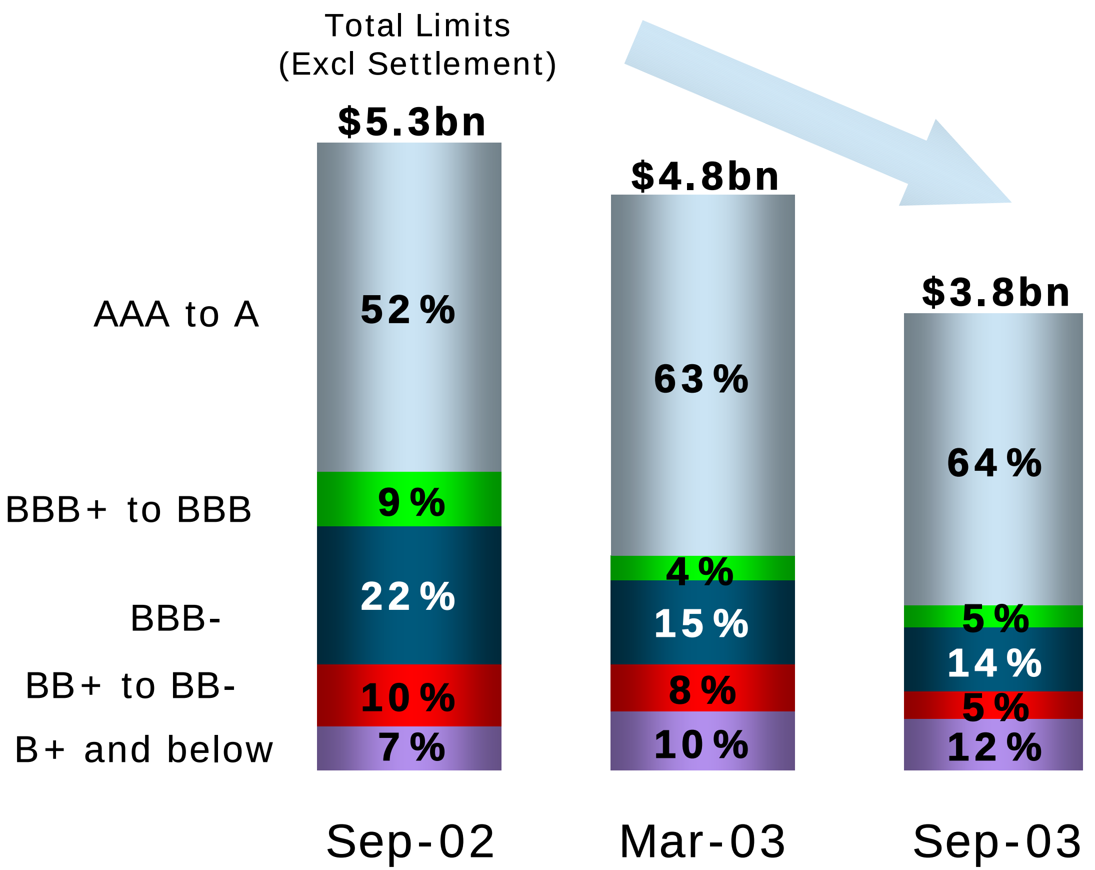

- **Outstandings $0.9bn (65%)**
- **Other Committed $0.4bn (30%)**
- **Uncommitted <$0.1bn (5%)**

| | Sep-02 | Mar-03 | Sep-03 | No of Cust (Total 20) |
|---|---|---|---|---|
| **Investment Grade** | 51.6% | 51.5% | 43.0% | 9 |
| **Non Accrual** | 9.2% | 10.8% | 14.8% | 4 |
| **Specific Provisions (AUD) (six months)** | 9.7m | 9.1m | 46.1m | n/a |

**Note**:

1. Includes utilised guarantees and market related products
2. Includes US domiciled exposures only (Excludes Mexico)

# Quality of Group Telco lending book has also improved

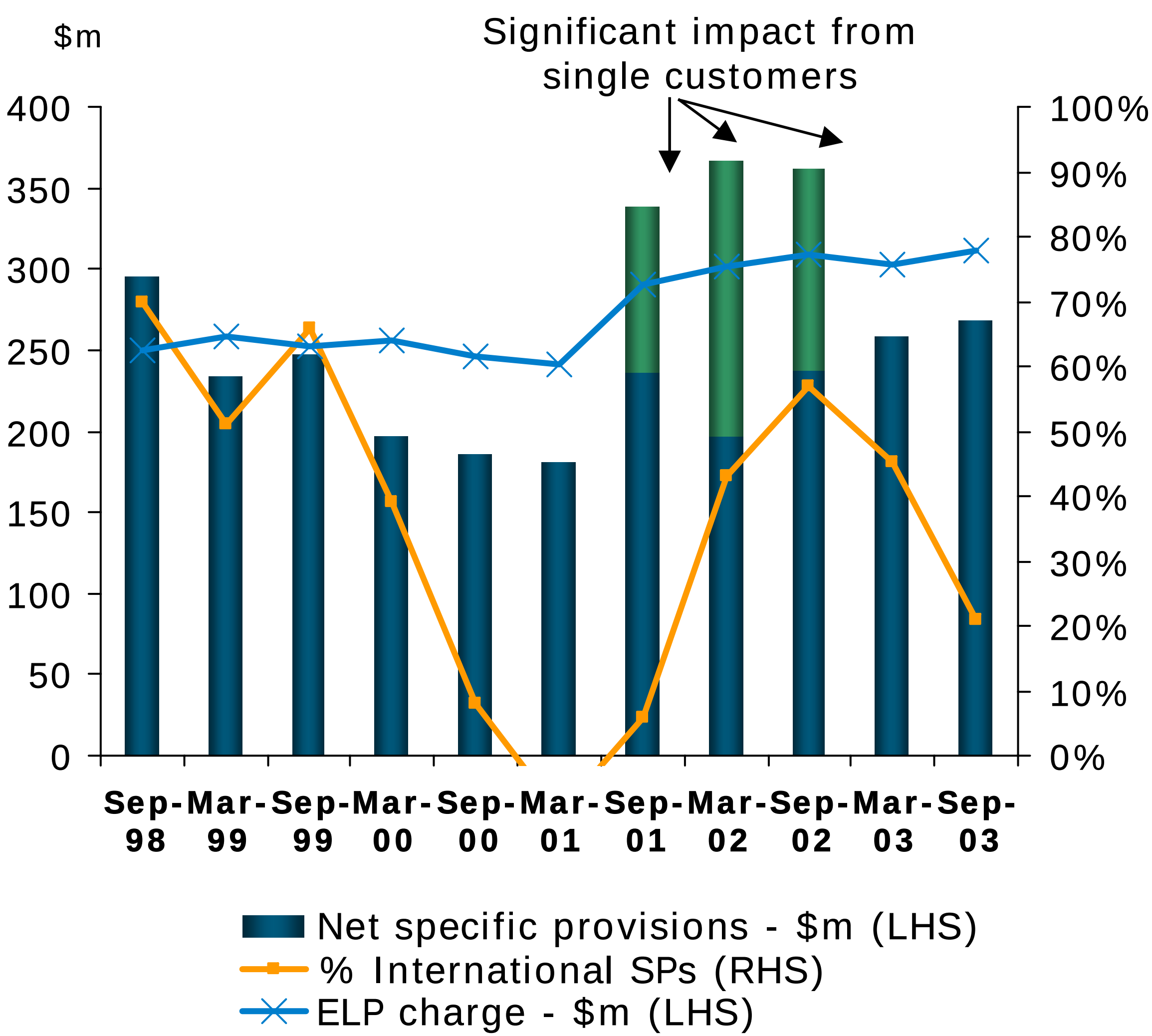



- **Outstandings $2.1bn (56%)**
- **Other Committed $1.2bn (30%)**
- **Uncommitted $0.5bn (14%)**

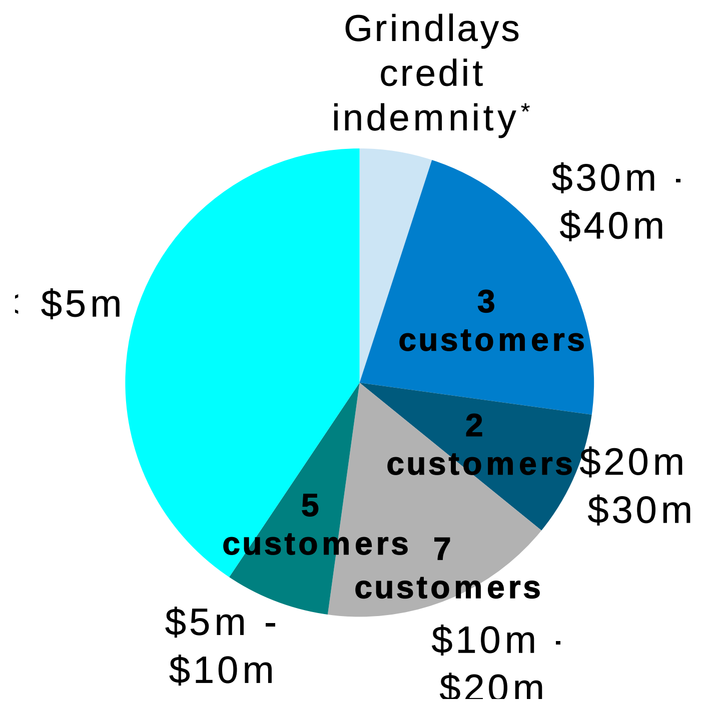
| | Sep-02 | Mar-03 | Sep-03 | **No of Cust** (Total 39) |
|---|---|---|---|---|
| **Investment Grade** | 83.1% | 81.7% | 82.8% | 19 |
| **Non Accrual** | 5.0% | 3.4% | 2.1% | 3 |

# Specific provisions down 28% on 2002– no large single provisions

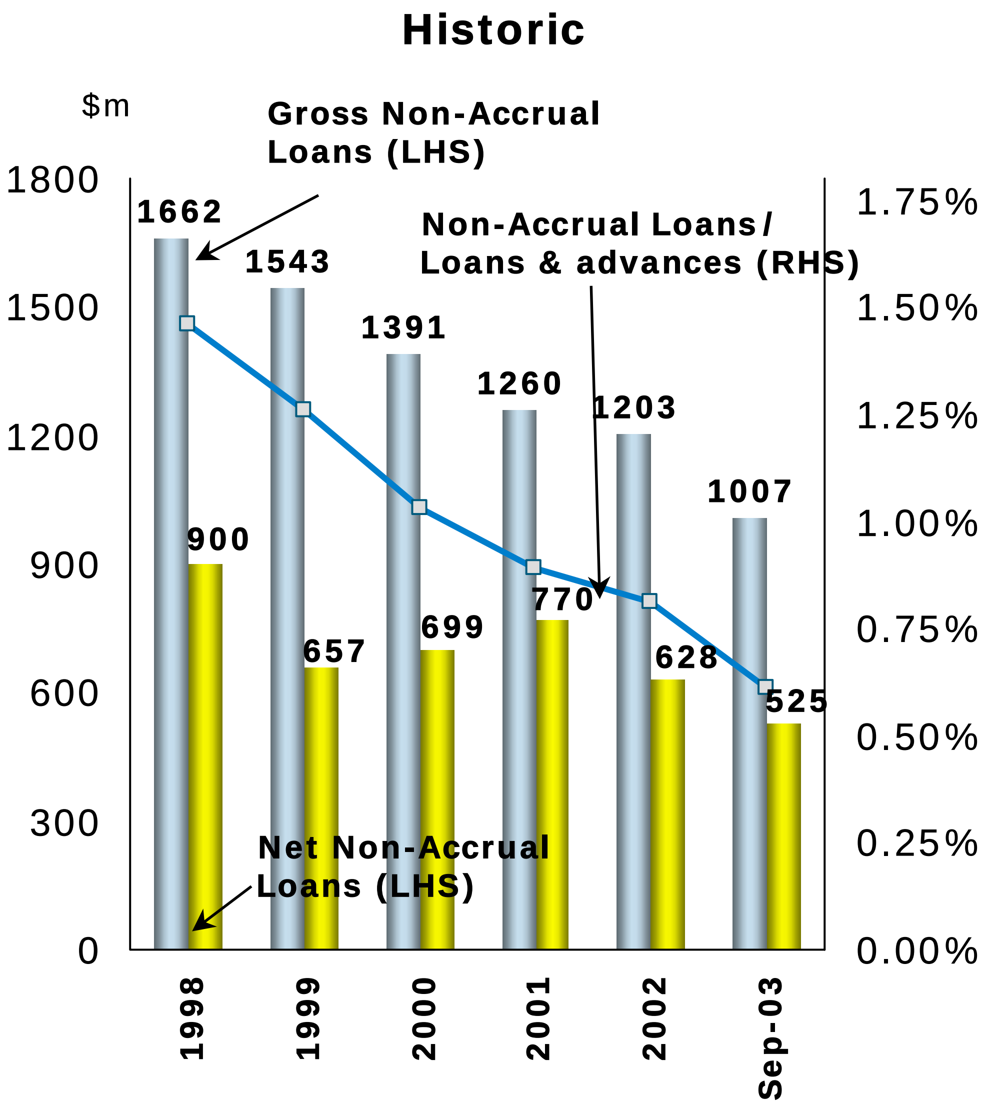
## Specific Provisions

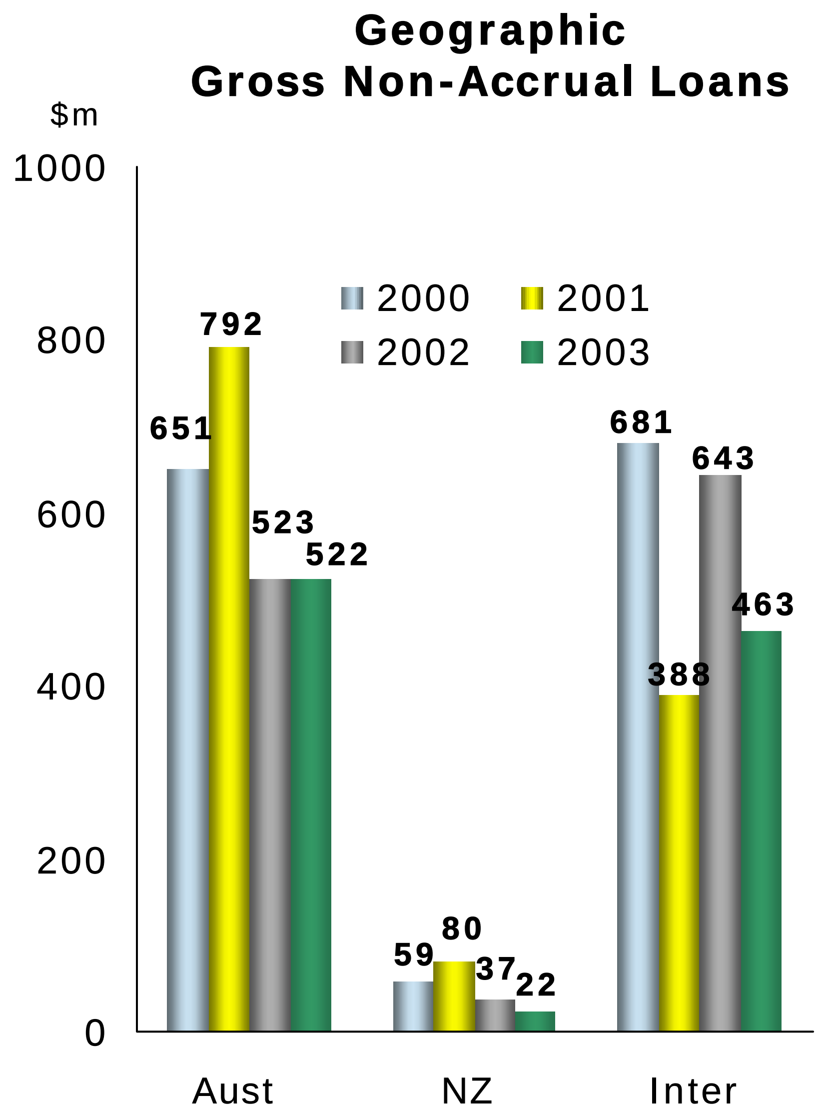



## Full Year Specific Provisions by size

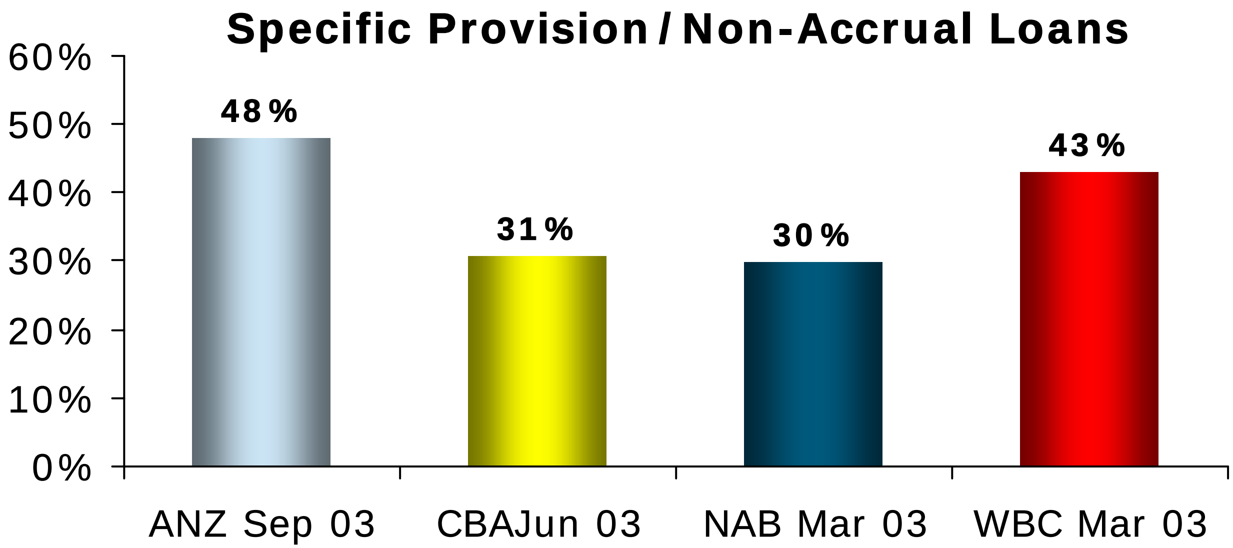


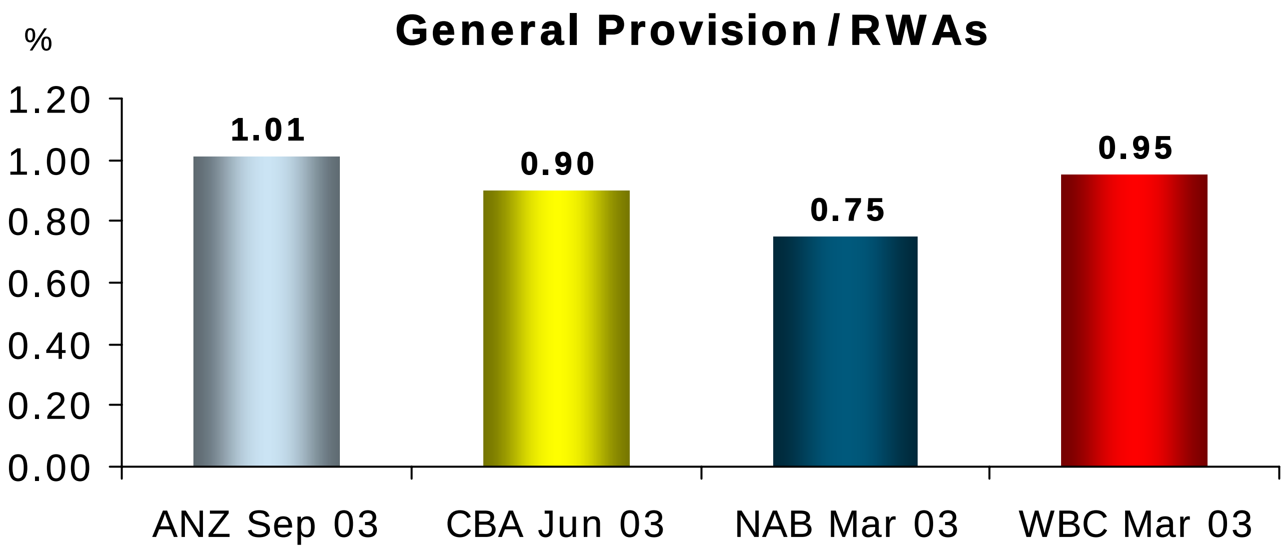
# Non-accrual loans continue to fall



# Existing and future problem loans are well provided for

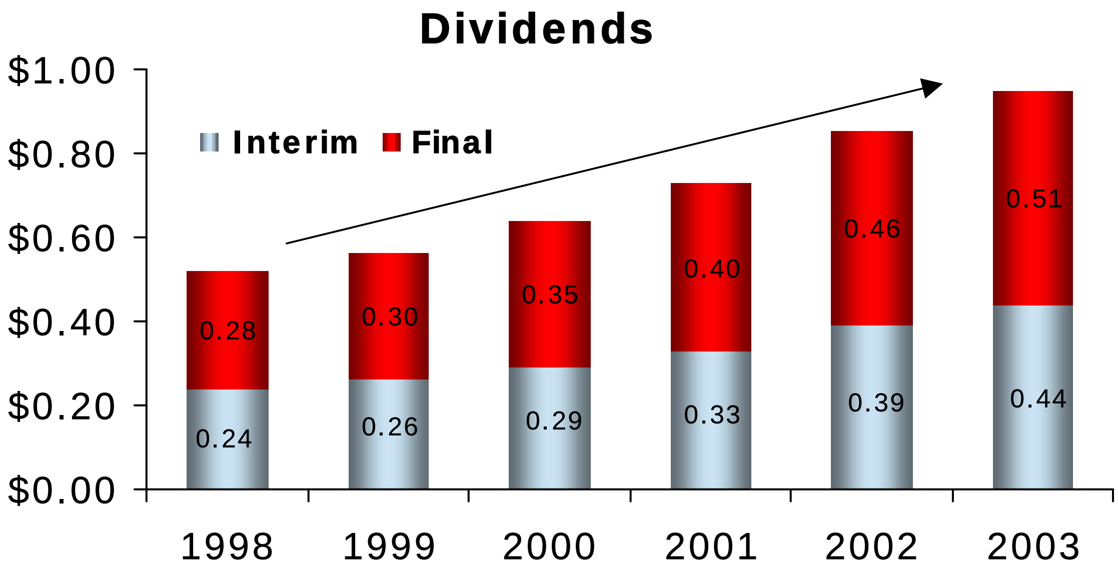


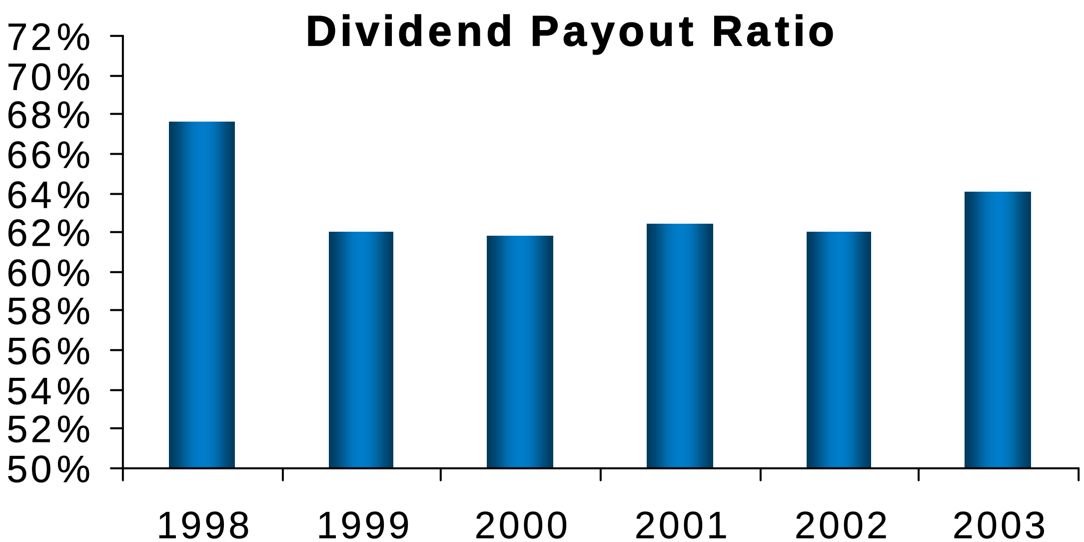




**Note**:

1. As per most recent company financial reports for CBA, NAB and WBC

# Healthy dividend growth underlines our commitment towards increasing the payout ratio



# Outlook

- We expect ANZ will continue to perform well in a tougher industry environment in 2004
- Growth in net profit after tax for existing ANZ and NBNZ will be moderately below ANZ's growth in 2003 (excluding significant items) based on current economic conditions
- Negative impact on EPS from bonus element of rights issue and integration of NBNZ in 2004
- Adjusting for bonus element of rights issue, in 2004 we expect moderate EPS growth (excluding goodwill, amortization and significant transactions)
- ANZ expects to maintain a dividend of at least 95 cents per share in 2004
- 2004 dividend policy to be fully franked, despite an increasing proportion of the Group's earnings being derived from New Zealand

# ANZ 2003 Results