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# Presentation of Full Year Results for period ended 30 June 2004

David Murray  
Chief Executive Officer

Michael Cameron  
Chief Financial Officer

11 August 2004



# Disclaimer

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The material that follows is a presentation of general background information about the Bank's activities current at the date of the presentation, 11 August 2004. It is information given in summary form and does not purport to be complete. It is not financial product advice and is not intended to be relied upon as advice to investors or potential investors. It does not take into account the investment objectives, financial situation or needs of any particular investor.

Speaker's notes for this presentation are attached below each slide.

To access them, you may need to save the slides in PowerPoint and view/print in "notes view."

# Agenda

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- **Full Year Results - Michael Cameron (30 mins)**
  - Overview
  - Banking
  - Funds Management
  - Insurance
  - Capital Management
  
- **Which new Bank update – David Murray (15 mins)**
  
- **Questions**



# Overview - Highlights

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- Underlying profit growth of 15%
- Solid profit contributions from each business
- Improved productivity
- Which new Bank achieved year 1 targets
- 19% dividend per share increase in 2004

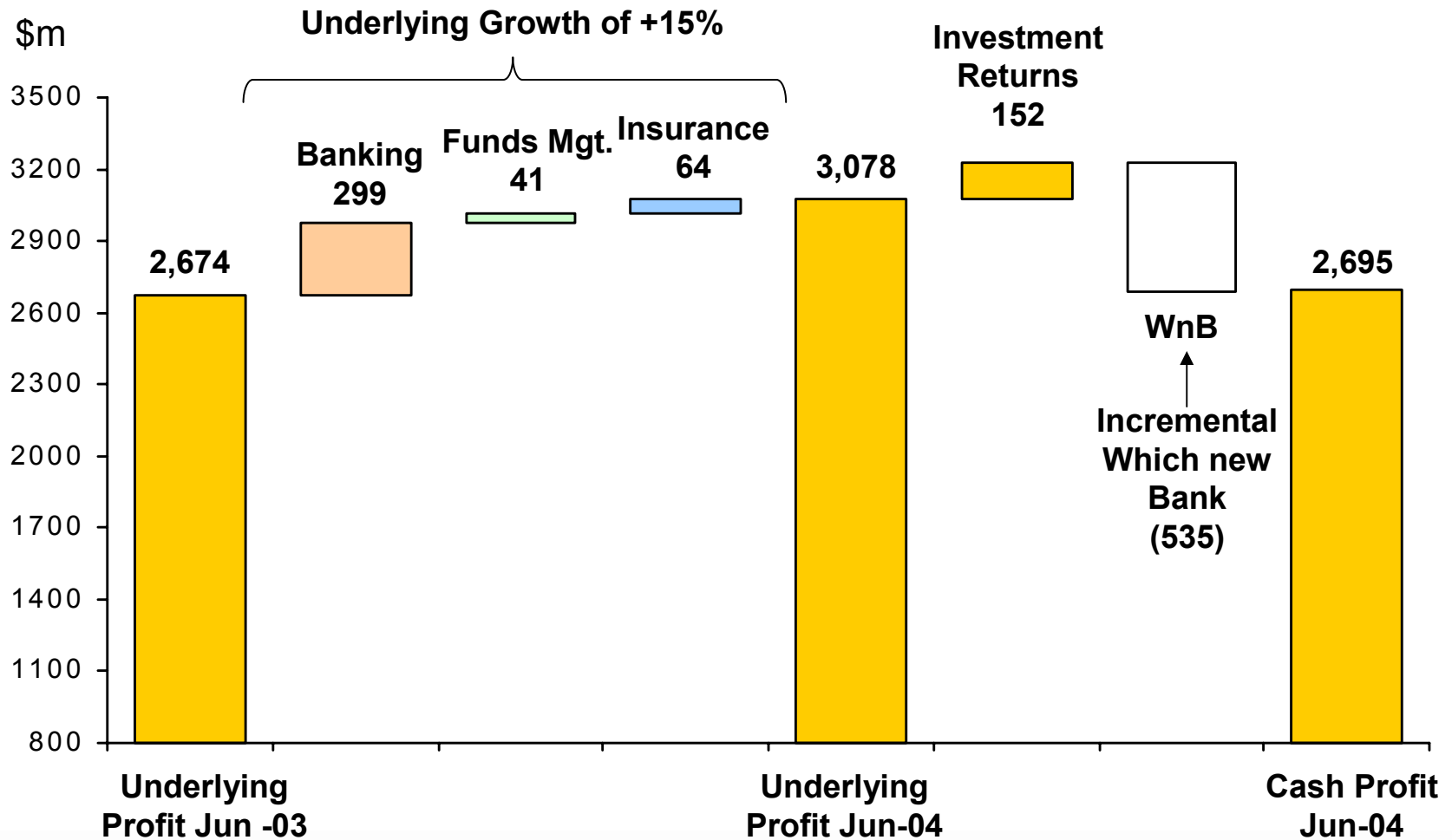
# Overview - 15% growth in underlying cash profit

	30/06/04 \$m	30/06/03 \$m	Change
<b>Statutory NPAT</b>	<b>2,572</b>	<b>2,012</b>	<b>+27.8%</b>
Goodwill amortisation	324	322	
Appraisal value movement	(201)	245	
<b>Cash NPAT*</b>	<b>2,695</b>	<b>2,579</b>	<b>+4.5%</b>
Which new Bank	535	168	
Shareholder investment returns	(152)	(73)	
<b>Underlying Cash NPAT</b>	<b>3,078</b>	<b>2,674</b>	<b>+15.1%</b>

\* Prior to preference dividend distribution

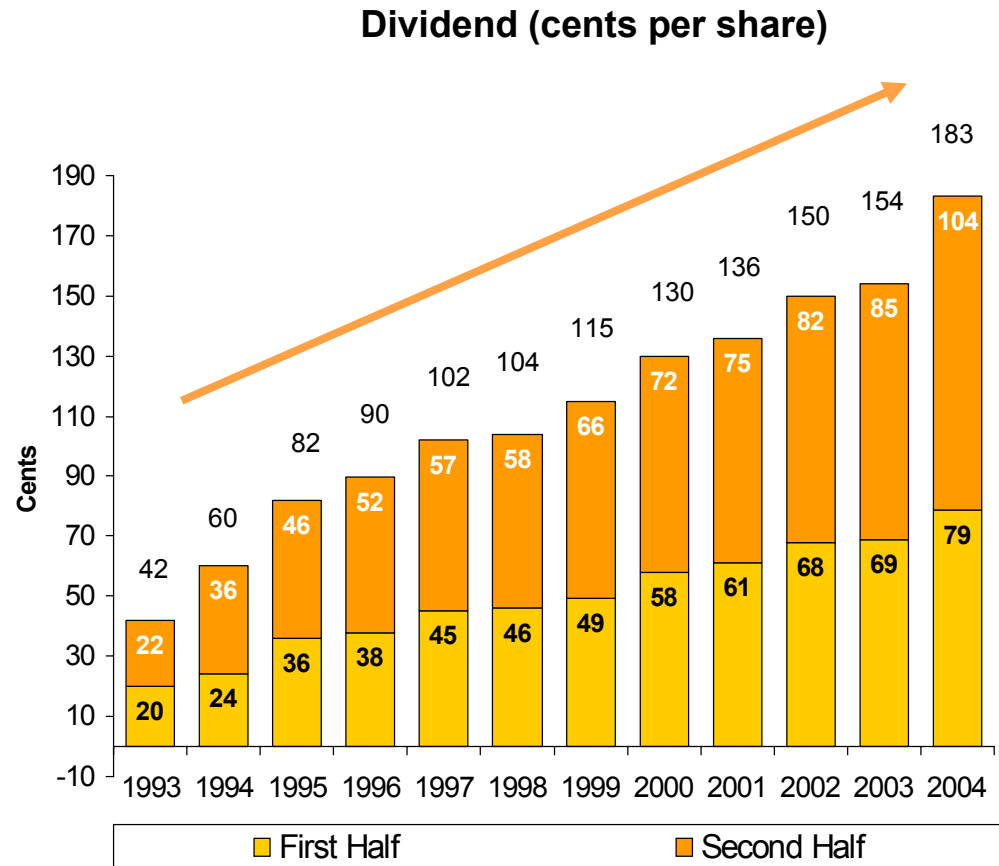


# Overview - Strong contributions from each business



# Overview - Another record dividend

- Final dividend of 104 cps, total dividend 183 cps (+19% on 2003)
- Payout ratio of 89.1% reflecting commitment to add back the WnB costs in determining the 2004 dividend



# Overview - Key shareholder ratios

	2004	2003	Change
<b>Shareholder Ratios<sup>(1)</sup></b>			
■ <b>Earnings Per Share<sup>(2)</sup></b>	<b>207 cents</b>	203 cents	+2%
■ <b>Return on Equity</b>	<b>13.2%</b>	13.3%	-0.1%
■ <b>Dividends Per Share</b>	<b>183 cents</b>	154 cents	+19%
■ <b>Payout Ratio</b>	<b>89.1%</b>	75.9%	

**Underlying<sup>(3)</sup> EPS was 237 cents (+13% v. 2003)**

**Underlying<sup>(3)</sup> ROE was 15.1% (+1.3% v. 2003)**

(1) Based on Cash NPAT pre preference share dividends

(2) EPS figure is post preference share dividends of \$101m for the year ended 30/06/2004

(3) Underlying figures use Cash NPAT excluding shareholder investment returns and Which New Bank initiatives.



# Which new Bank financial update Reminder – what are our goals

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Subject to current market conditions continuing

## Over the three year period we will:

- Redirect the normal project spend of \$600m
- Spend an additional \$620m
- Invest a further \$260m in our branch network

## Over the three year period this will result in:

- Cash EPS growth exceeding 10% CAGR
- 4-6% CAGR productivity improvements
- Profitable market share growth across major product lines
- Increase in dividend per share each year



# Which new Bank financial update

## Year 1 investment spend and benefits

Investment spend (\$m)

Themes	2004 Actual	FY04 Estimate*
Customers	268	270
Processes	266	280
People	12	10
	546	560
Branch refurbishment	88	100
<b>Total</b>	<b>634</b>	<b>660</b>

- Investment spend of \$634m, below estimate of \$660m

Benefits  
2004 Actual (\$m)

	Revenues	Costs	Total
Gross benefits	152	145	297
Additional operating exp.	(60)	-	(60)
<b>Net benefits</b>	<b>92</b>	<b>145</b>	<b>237</b>

- Total net benefits of \$237m exceeded estimated benefits of \$200m
- Benefits split: 40% revenue and 60% costs

\* As per Which new Bank announcement, September 2003



# Which new Bank financial update

## Total estimates unchanged

### Which New Bank estimates updated for 2004 actuals

- Our estimate of investment and benefits of the total programme remain unchanged
- Expected split of revenue and expense benefits to be approximately 50:50

Investment spend	2004 Act.	2005 Est.	2006 Est.	Total
Original	660	510	310	1,480
<b>Revised</b>	<b>634</b>	<b>620</b>	<b>226</b>	<b>1,480</b>

Benefits	2004 Act.	2005 Est.	2006 Est.
Original	200	620	900
<b>Revised</b>	<b>237</b>	620	900



# Which new Bank financial update

## Expenditure – FY2004

Incremental Which new Bank expense:	Actual 30/06/04 \$m	Full Year Estimated Financial Impact * \$m
Investment Spend for the period (gross)	634	660
+ Provision for Future Costs	208	210
- Investment Capitalised	(112)	(180)
= Gross Which new Bank expense	730	690
- Normal project spend	(200)	(200)
+ Expensing of previously capitalised software	219	215
= Incremental Which new Bank expense before tax	749	<b>705</b>
- Tax effect	(214)	(205)
<b>Incremental Which new Bank expense after tax</b>	<b>535</b>	<b>500</b>

\*As per Which new Bank announcement, September 2003

# Overview - underlying expenses reflect business growth

## Underlying expenses 2003 (\$m)

**5,312**

■ Initiatives including WnB		
- Full year benefits of 2003 strategic initiatives (\$125m - \$69m)	(56)	} (141)
- Year 1 benefits of WnB	(145)	
- WnB revenue based operating expenses	60	
■ CPI and Salary increases		185
■ Volume related increases		103
■ One off costs		21
■ Software capitalisation policy		
- Expenses not capitalised	87	} 20
- Reduced amortisation	(67)	

## Underlying expenses 2004

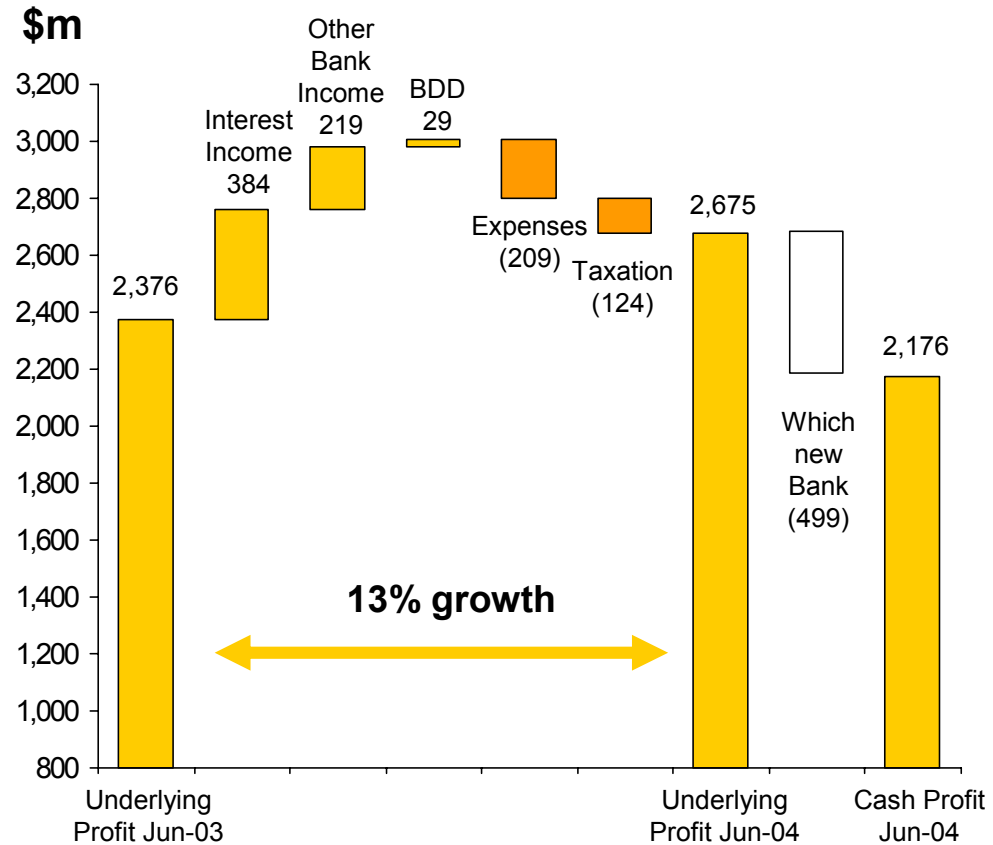
**5,500**



# Banking Highlights

- Continued strong demand for owner occupied and investment loans
- Maintained position as leading home loan provider and maintained share
- Business lending market share stable
- Excellent results in NZ

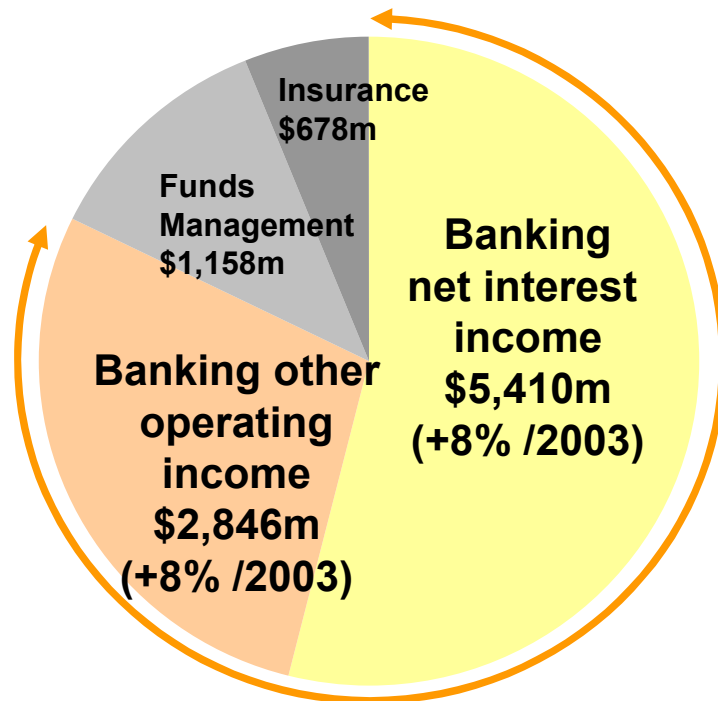
## Total underlying banking profit



# Banking income

Banking Income: \$8,256m  
(82% of Group Income)

By income type



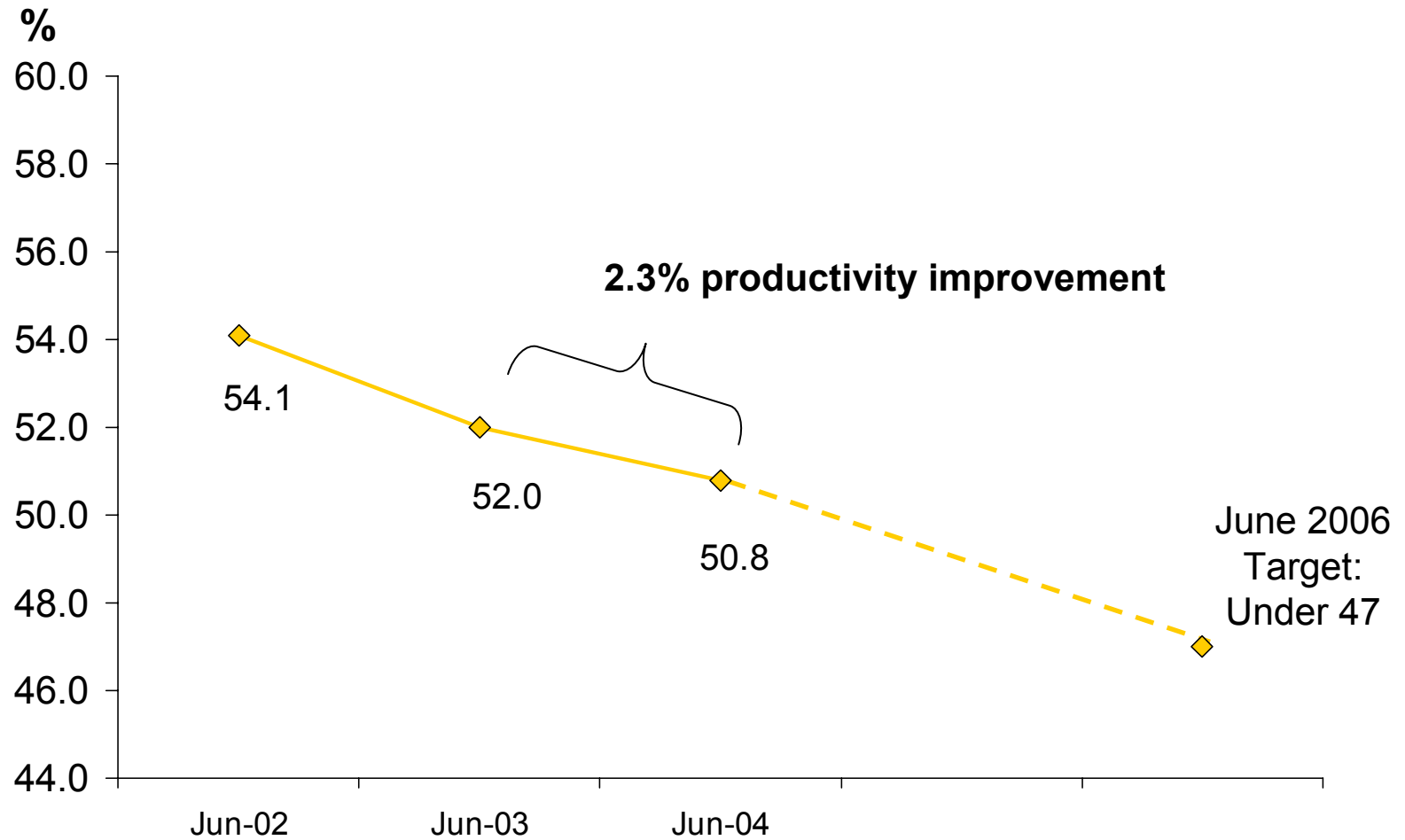
By line of business

	\$M	%
Retail Banking	4,298	52%
Premium Business Services*	3,140	38%
ASB + Other Asia Pacific	818	10%
<b>Total Banking Income</b>	<b>8,256</b>	<b>100%</b>

\* Includes Premium Financial Services and Institutional and Business Services.

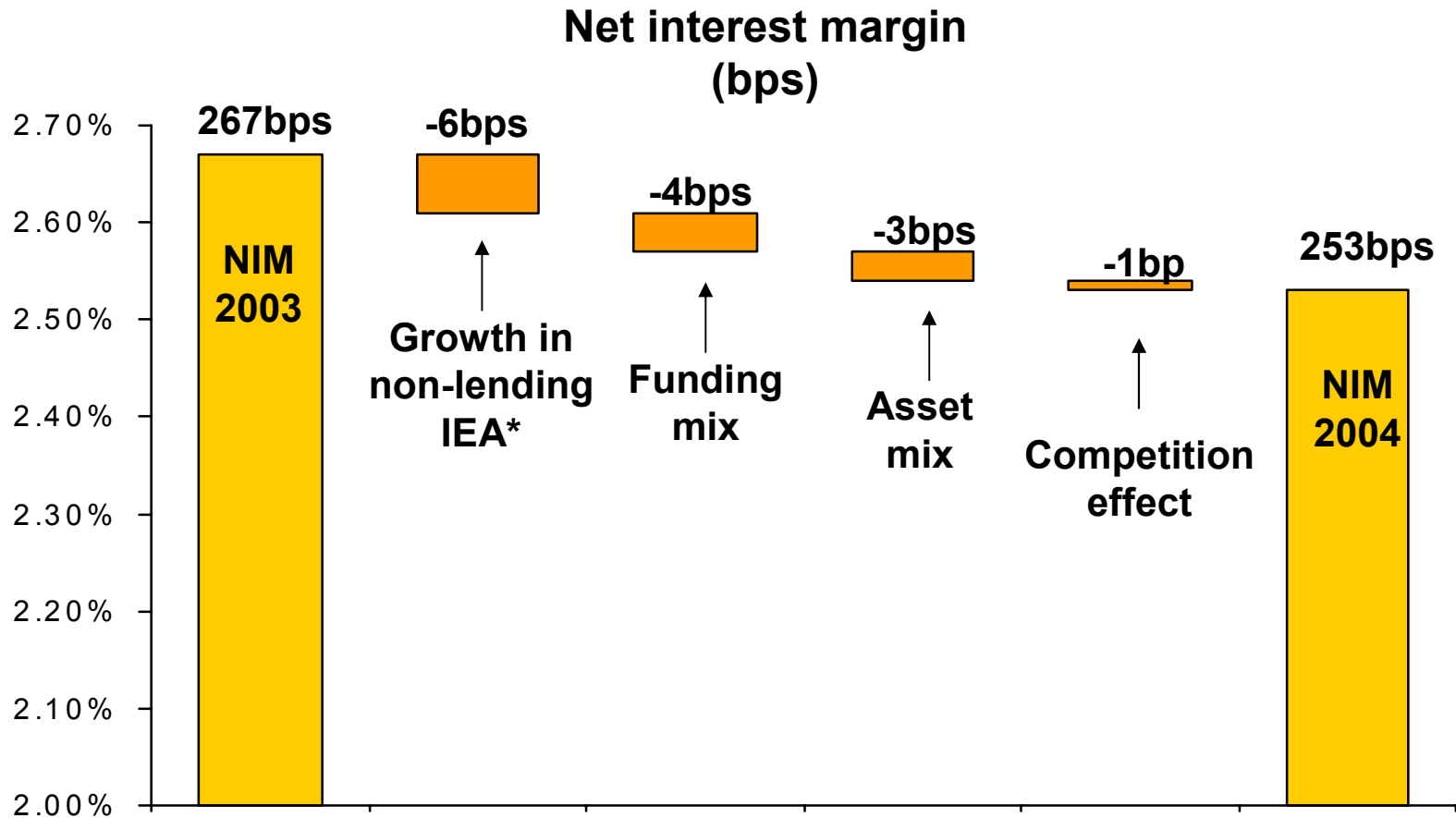


# Banking Productivity improving





# Banking - non pricing factors make up most of the NIM change

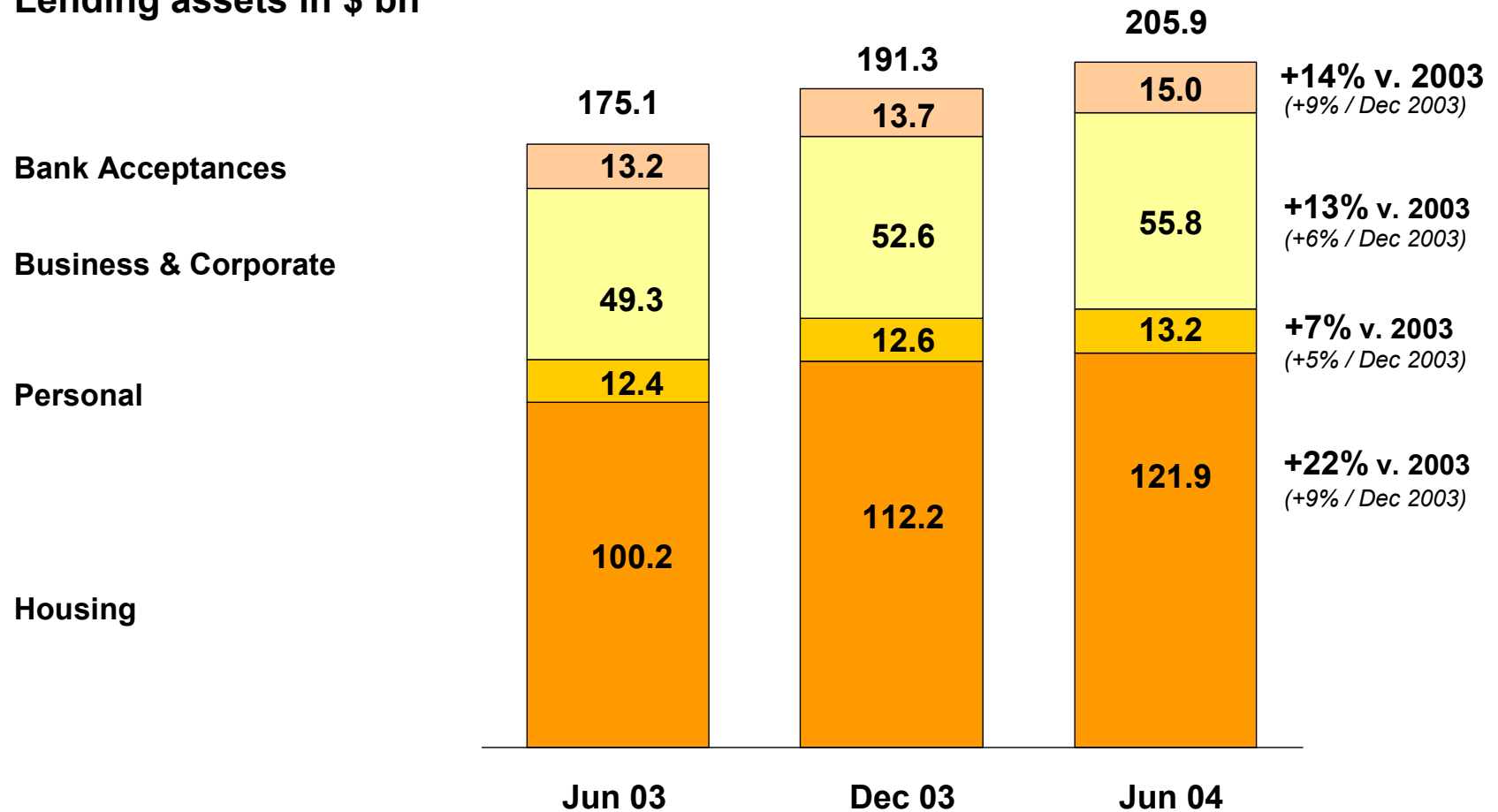


\* Interest Earning Assets

# Banking

## +18% growth in lending assets\*

Lending assets in \$ bn

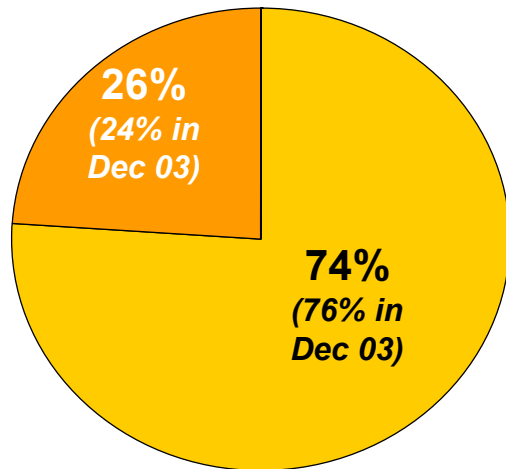


\*Lending assets excludes securitised housing loan balances \$7.6bn (Jun 04), \$5.3bn (Dec 03), \$6.5bn (Jun 03)

# Banking

## Home lending growth profile<sup>(1)</sup>

### Origination of home loans funded 2003/2004<sup>(2)</sup>



- Proprietary
- Third Party

### Growth represented by:

(\$bn)	2003	2004
Loans funded	36.9	43.2
Reductions	24.9	25.2
<b>Net Growth</b>	<b>12.0</b>	<b>18.0</b>

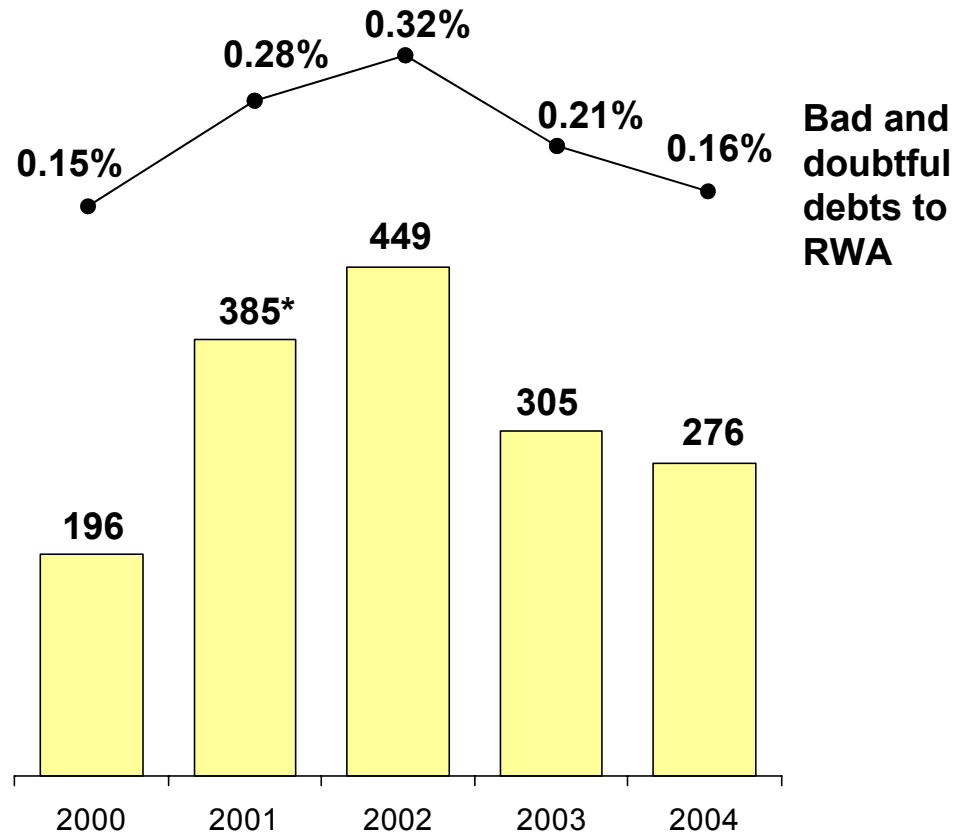
<sup>(1)</sup> Data relates to the Bank's Australian home lending business



# Banking

## Prudent risk provisioning

Bad and doubtful debts expense  
(in \$m)



- Continued low charge for bad debts:
  - Sound credit management
  - Good management of outstandings
  - High % of home loans in overall portfolio
- Over the credit cycle expect 25 – 30 bps
- Robust levels of general provisions
- Gross impaired assets net of interest reserved improved from \$639m in 2003 to \$340m in 2004

\* In 2001 Colonial was included for the first time.



# Banking

## Sustained portfolio quality

	2004	2003
Charge for Bad & Doubtful Debts	<b>\$276m</b>	\$305m
Charge for Bad & Doubtful Debts to RWA* (annualised)	<b>0.16%</b>	0.21%
Gross Impaired Assets (net of interest reserved)	<b>\$340m</b>	\$639m
Specific Provisions	<b>\$143m</b>	\$205m
General Provision	<b>\$1,393m</b>	\$1,325m
General Provision to RWA	<b>0.82%</b>	0.90%

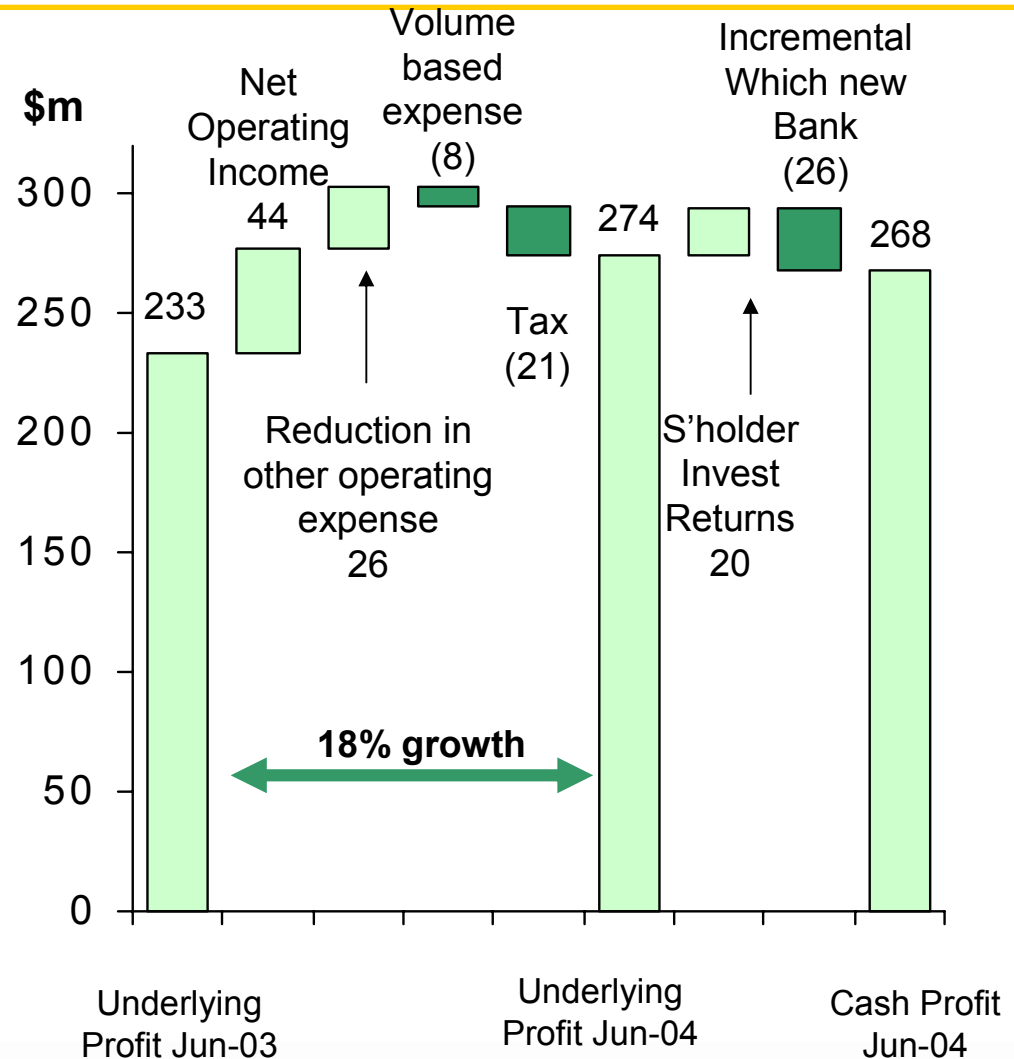
\*Risk Weighted Assets



# Funds Management

## 18% growth in underlying profit

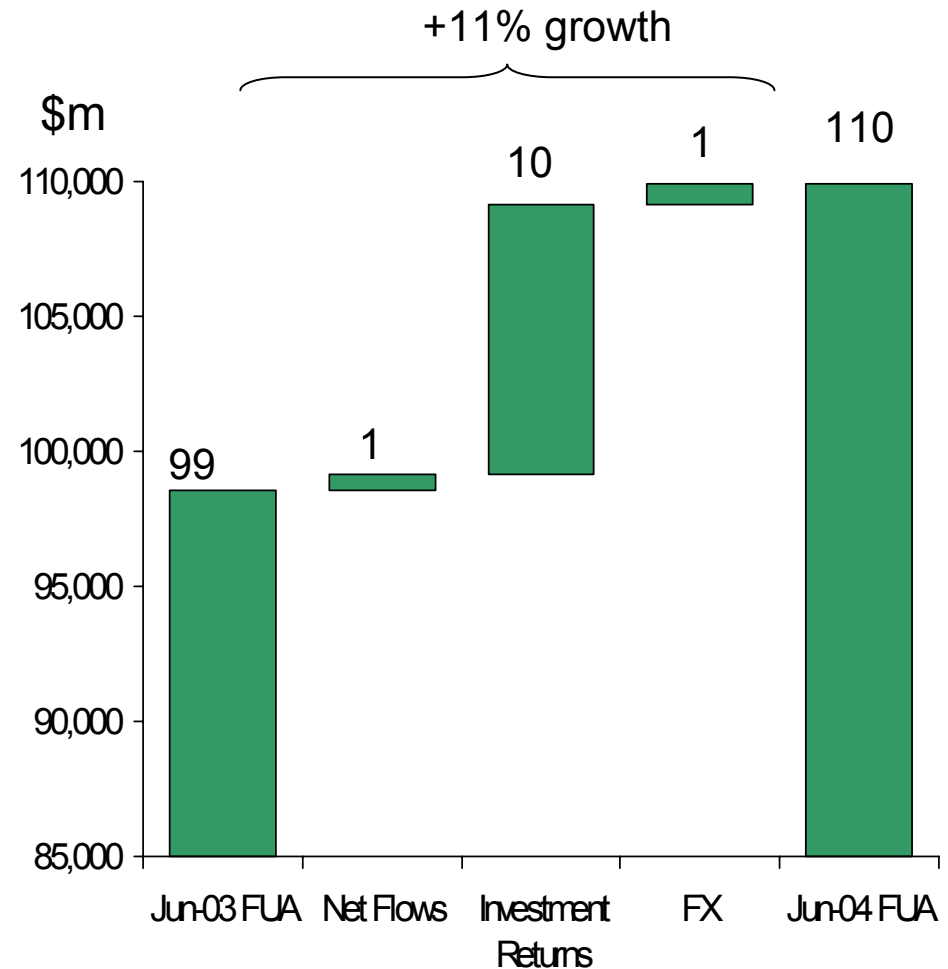
- Strong investment markets underpinned revenue growth
- Income to average FUA ratio maintained
- Focus on tight cost control resulted in operating expenses falling 2% year on year
- Revenue growth negatively impacted by FX movements and sale of custody business



# Funds Management

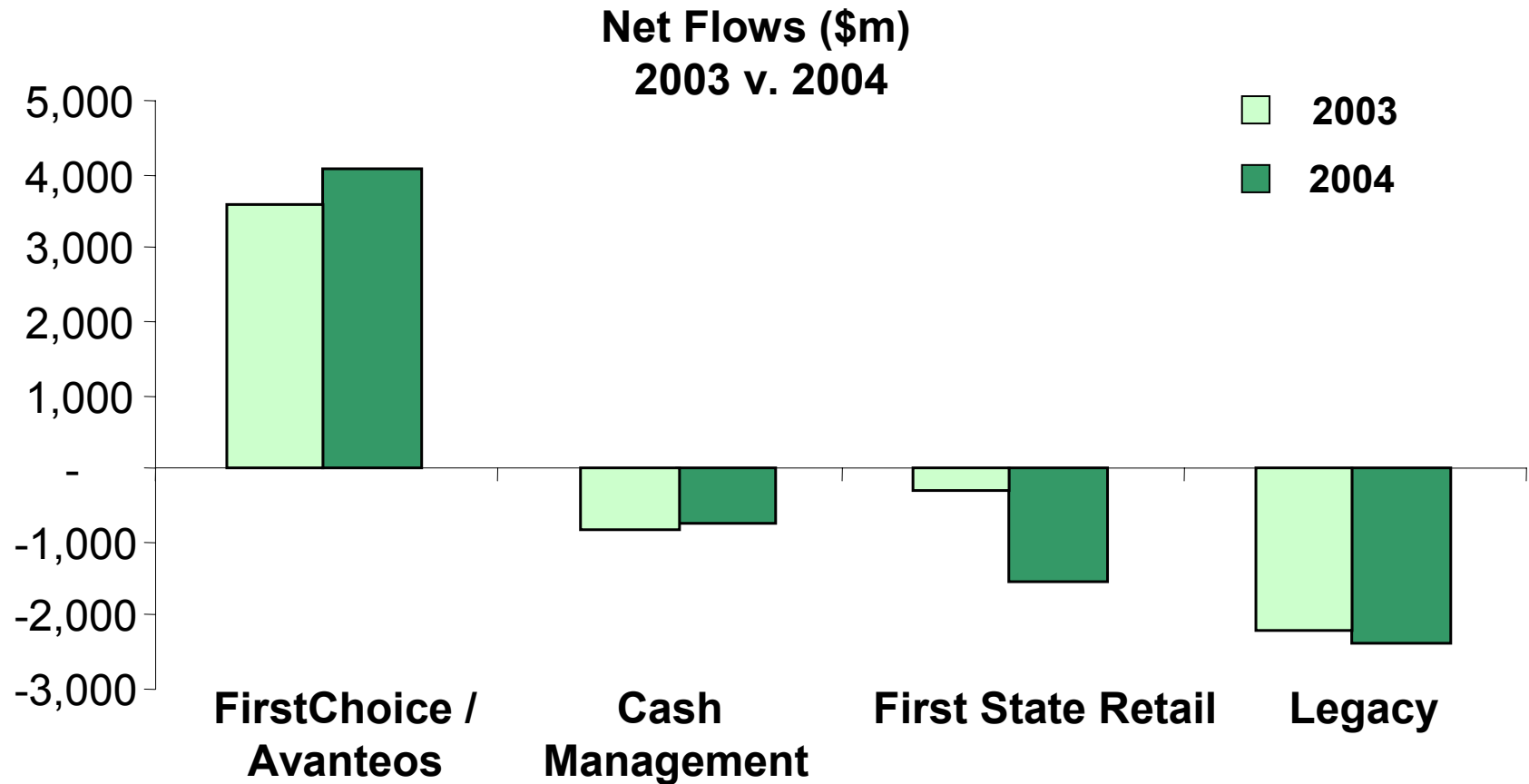
## +11% Growth in FUA

- Strong turnaround in net flow position from 2003 underpinned by FirstChoice and International flows.
- Outflows driven by:
  - ⇒ Legacy products
  - ⇒ Fund closures
  - ⇒ Performance of flagship funds
  - ⇒ Industry shift to platforms



# Funds Management

## FirstChoice v. Other retail



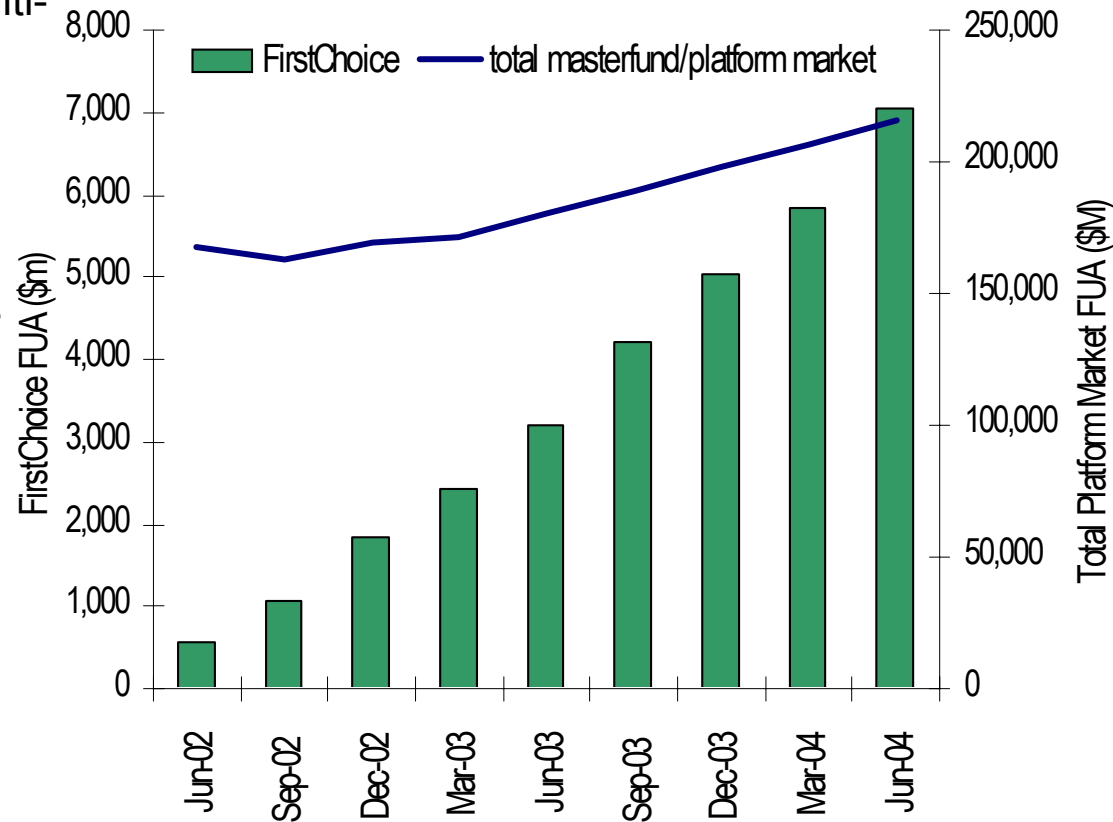


# Funds Management

## FirstChoice continues to grow rapidly

- Strong market growth
  - ⇒ Movement from single to multi-manager
- FirstChoice Success
  - ⇒ \$7bn FUA – 30 June 2004
  - ⇒ Leading industry flows
  - ⇒ Most used platform Advisers
- Enhancements include:
  - ⇒ Innovative alliances with boutique fund managers
  - ⇒ Better tools for Advisers
  - ⇒ Wholesale offer

### Growth in FUA vs. Market\*

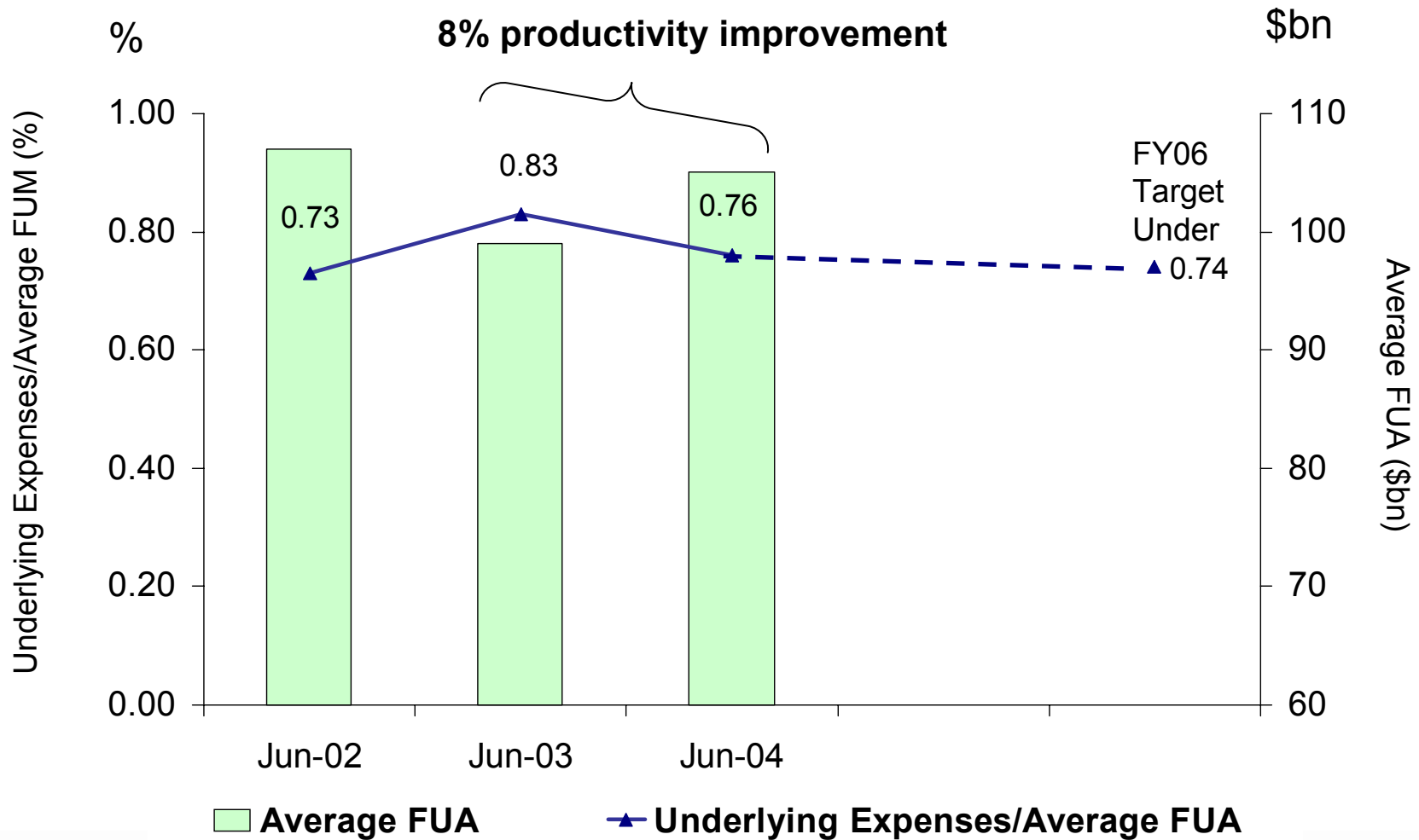


\* Source: Plan for Life



# Funds Management

## 8% productivity improvement v. June 03



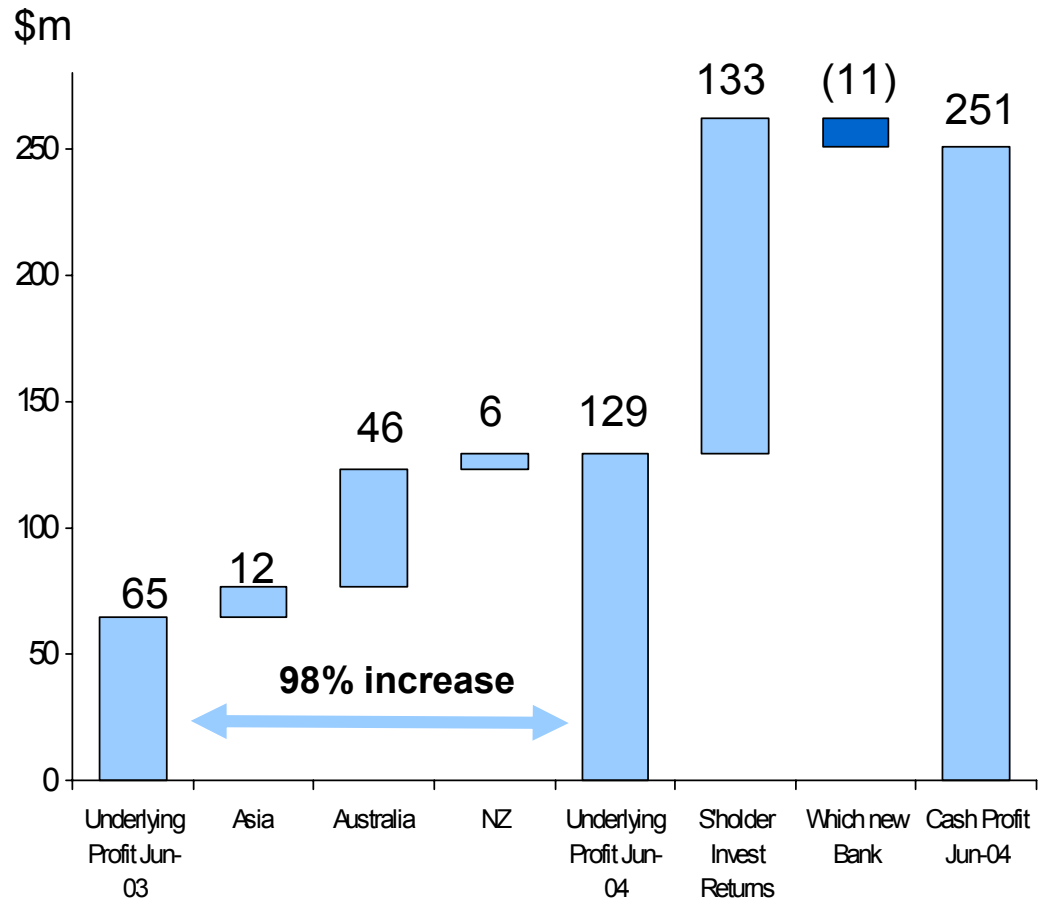
# Insurance - improved operating margins and strong investment returns

## Australia

- Market leader in life insurance in Australia – 14.8%
- 8% growth in risk inforce premiums
- Improved General Insurance claims ratio
- Tight expense controls – expenses flat
- Strong improvement in shareholder investment returns

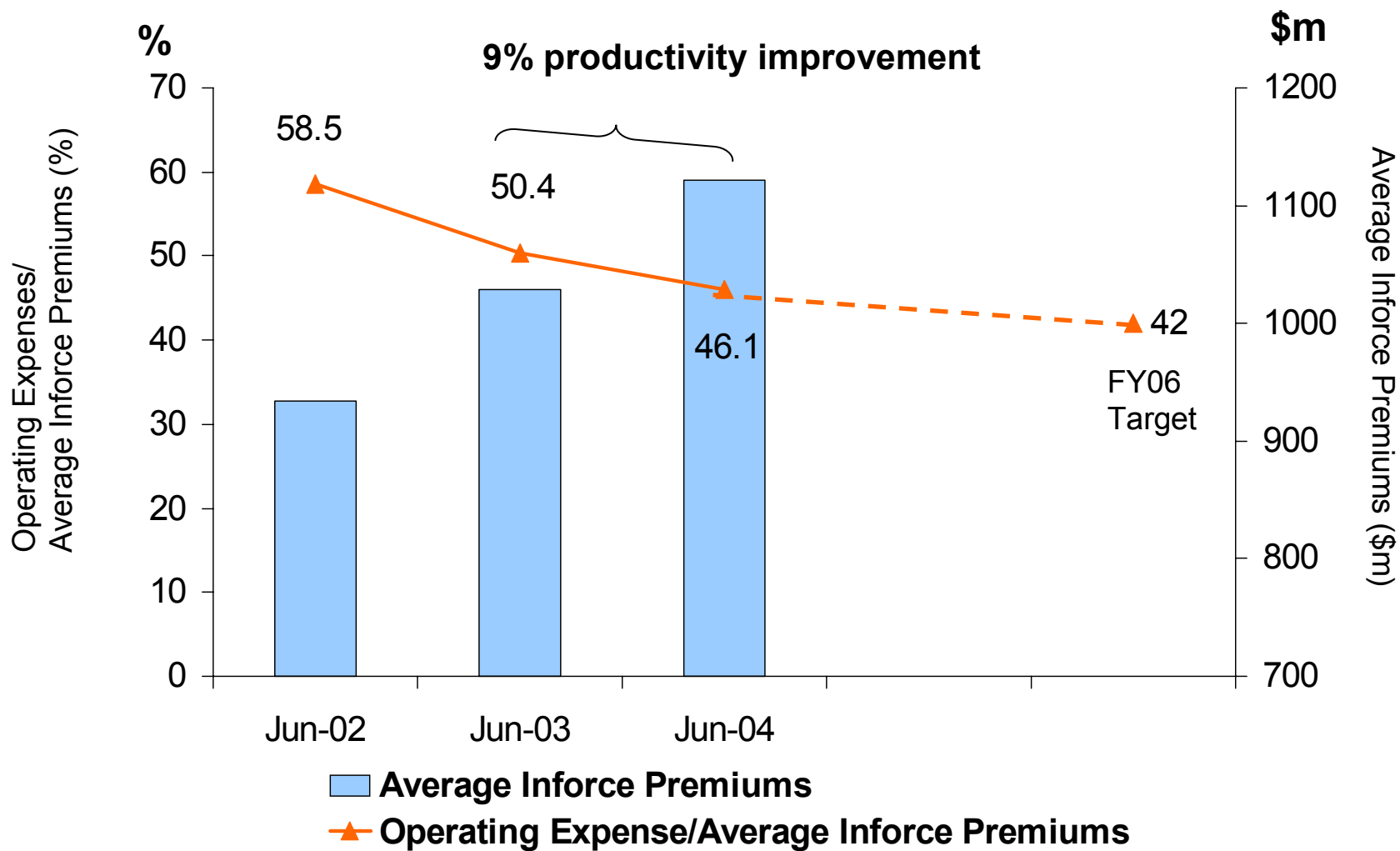
## New Zealand

- NZ profit up 20% on 2003



# Insurance

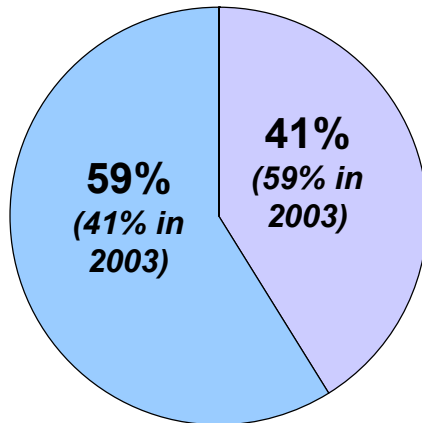
## 9% productivity improvement v. June 03



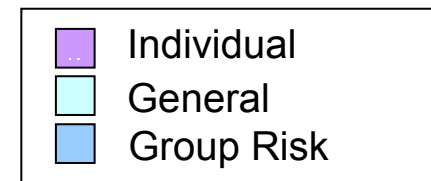
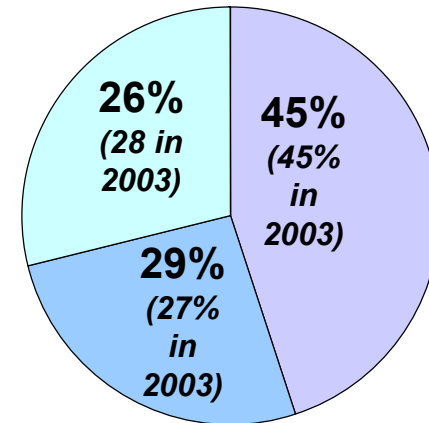
# Insurance

## Australian Insurance business

Distribution by Channel<sup>^</sup>



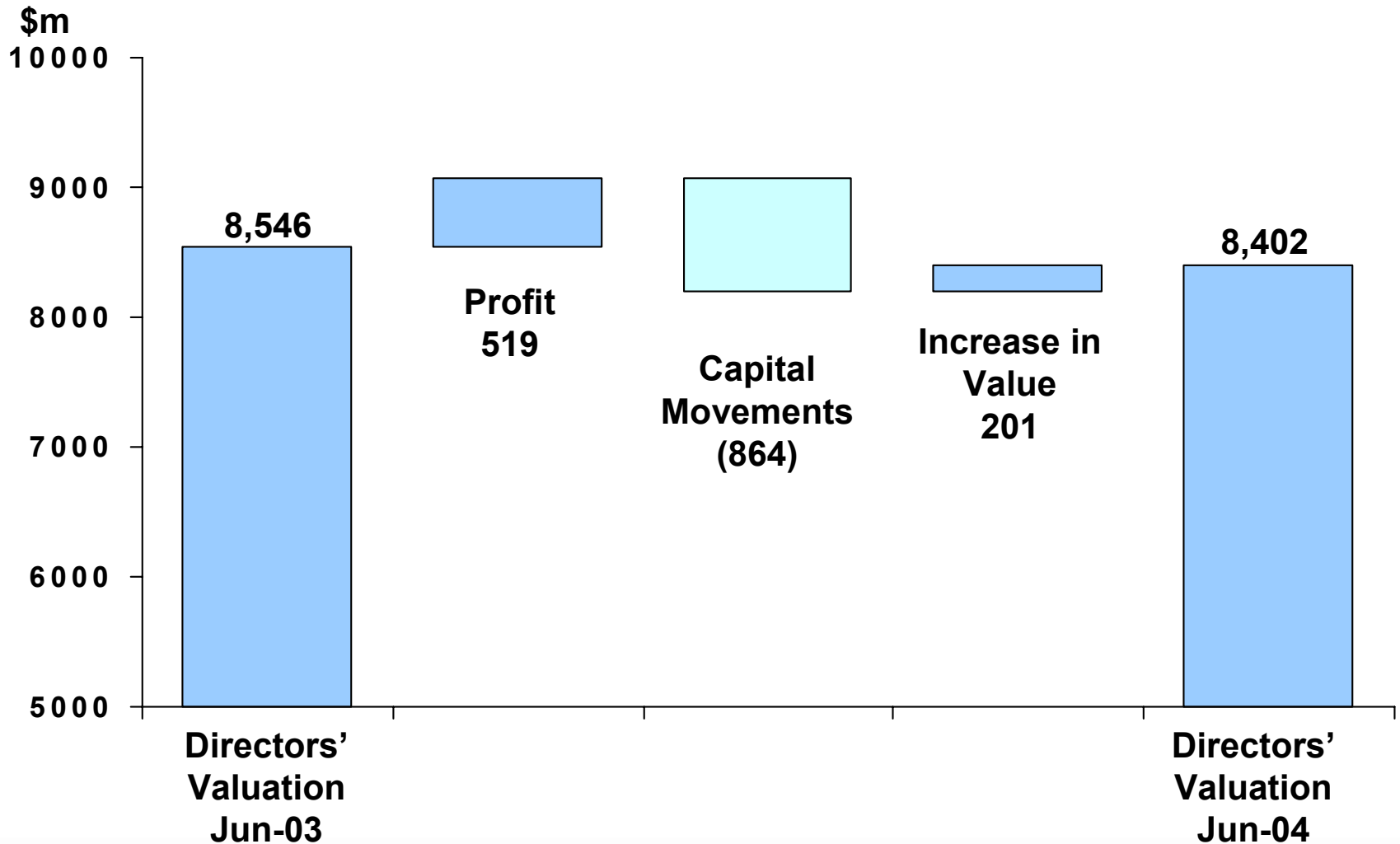
Product Sales



<sup>^</sup> Excludes Group Risk and Masterfunds



# Value of Insurance and Fund Management Business increased \$201m



# Active Capital Management

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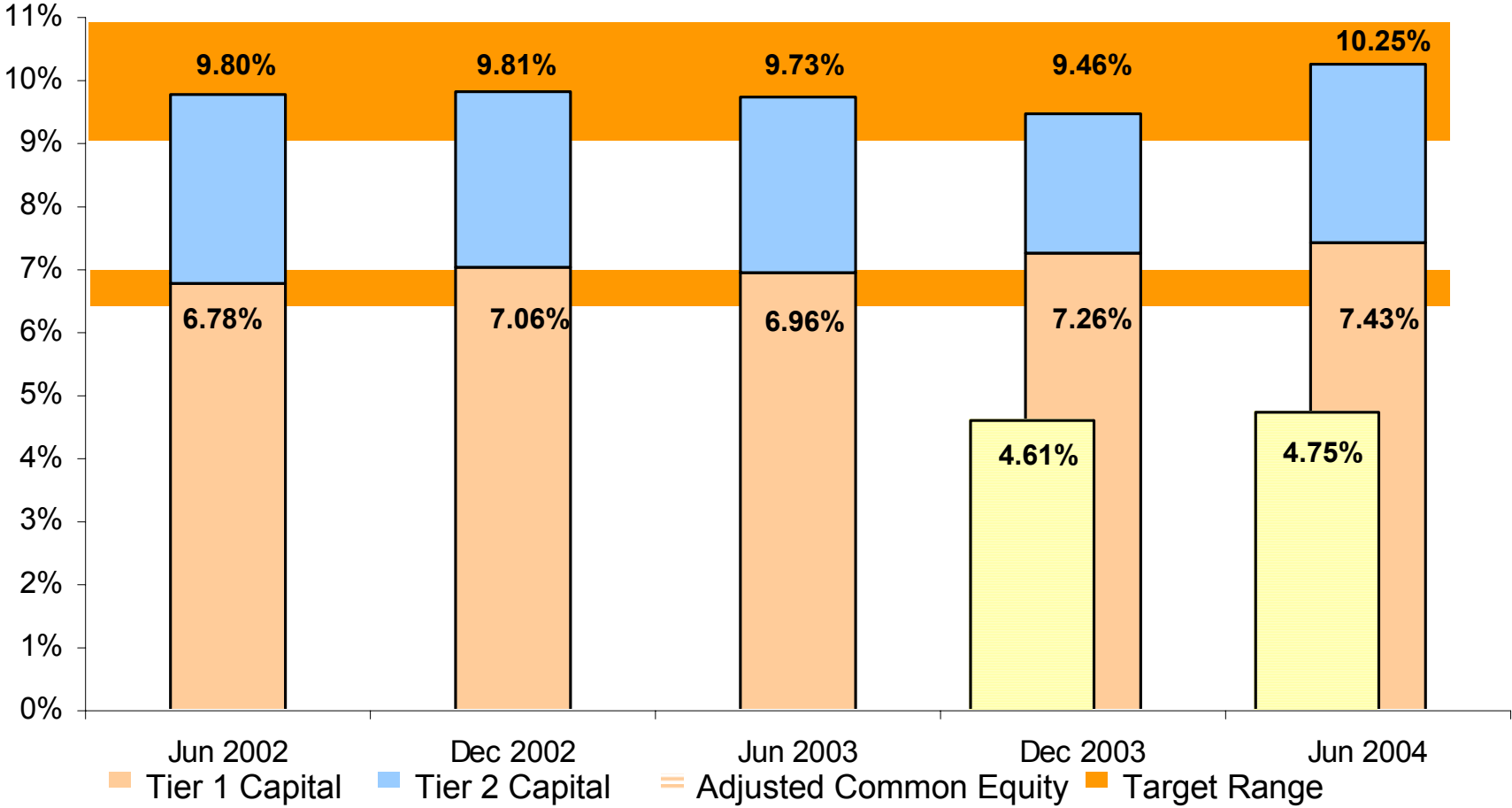
- Creating capital flexibility - executed initiatives

- Tier 1 Hybrid	US\$550m (A\$832m)
- PERLS II	\$750m
- Off-market share buy-back	\$532m
- Share Purchase Plan	\$467m
- DRP 2H03	\$201m
- DRP 1H04	\$188m
- Life & FM Special Dividend	\$194m

- Existing ratings are stable:

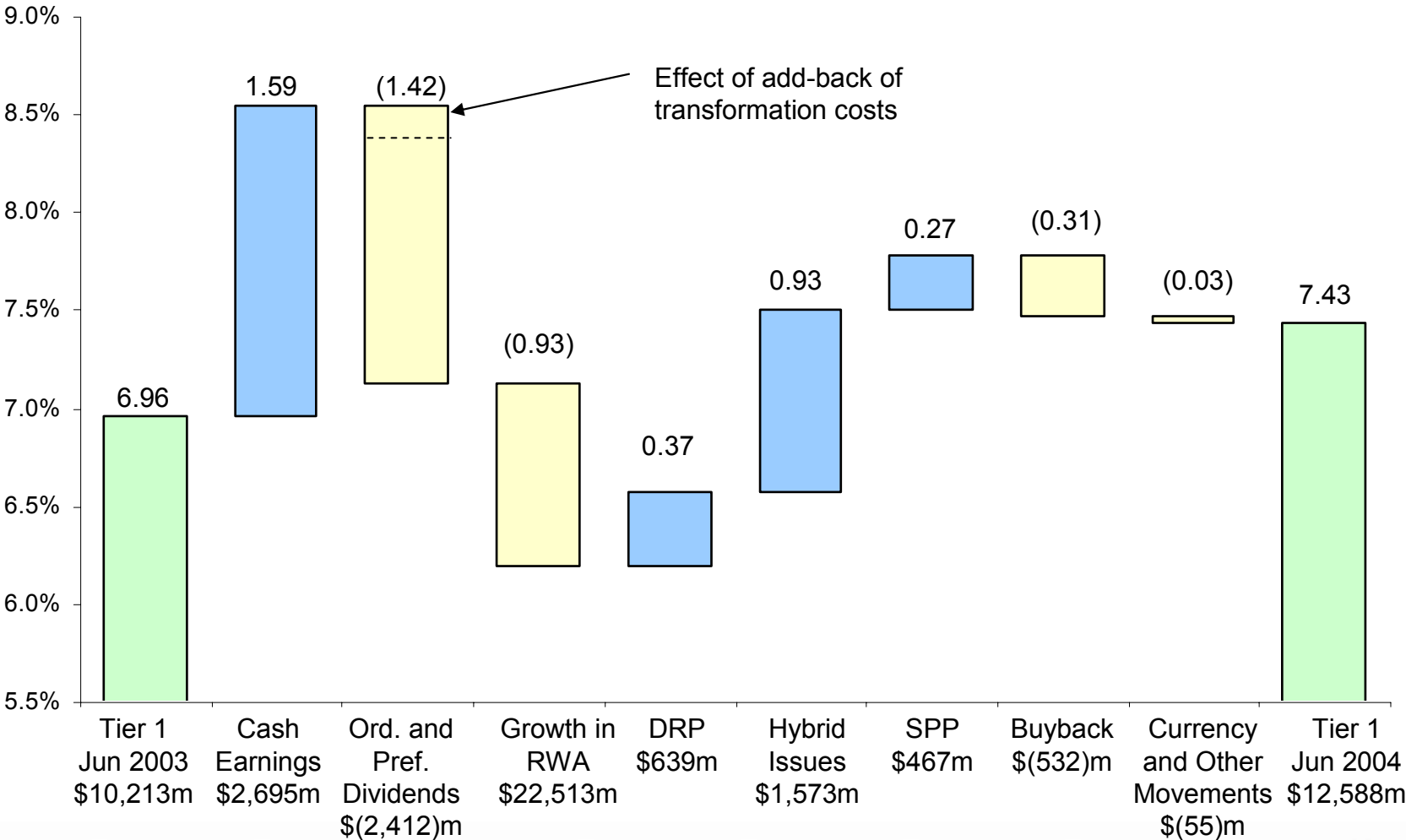
S&P	AA-
Moodys	Aa3
Fitch	AA

# Capital ratios remain strong





# Generation and use of Tier 1 capital



# Highlights

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- Underlying profit growth of 15%
- Solid profit contributions from each business
- Improved productivity
- Which new Bank achieved year 1 targets
- 19% dividend per share increase in 2004



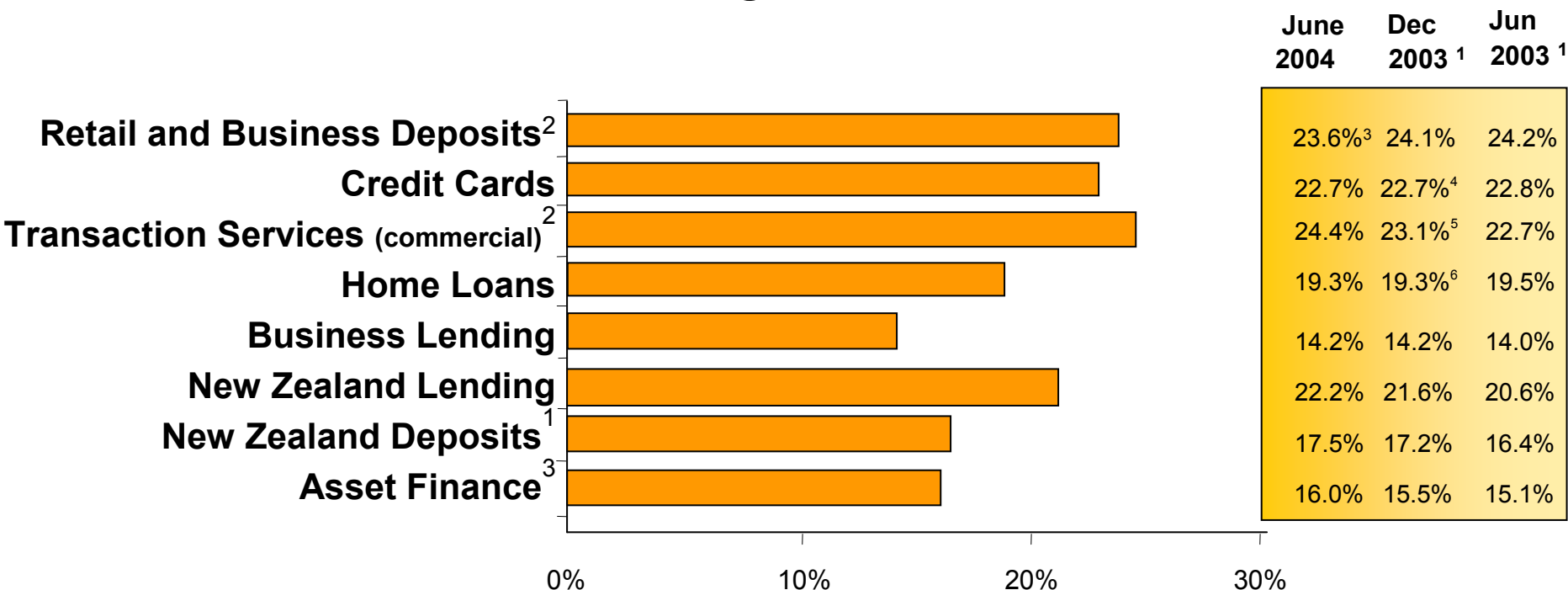
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# Supplementary material

# Market Shares

## Strong banking market share positions

### Banking Market Shares



Notes:

(1) –As reported in the Dec-2003 Profit Announcement

(2) – Source: Reserve Bank of Australia

(3) – as at May 2004

(4) - November Data

(5) - August Data

(6) - September Data

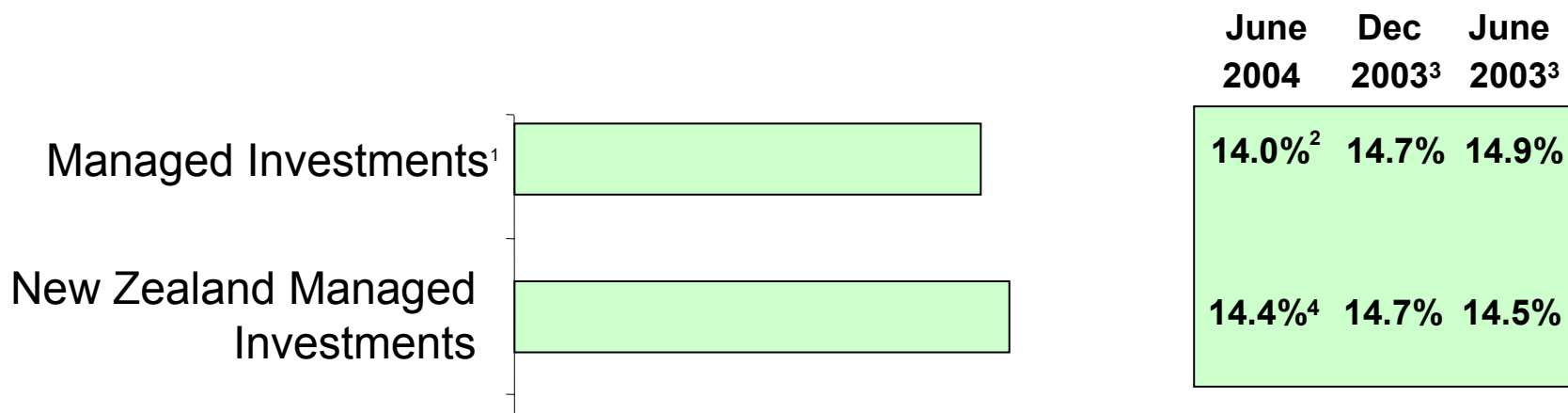
(7) - March Data

Source: RBA, APRA, East and Partners, AELA, Reserve Bank of NZ

# Market shares

## Funds Management

### Funds Management Market Shares



Notes:

(1) Retail Only

(2) May 2004 Data

(3) As reported in the Dec-2003 profit announcement

(4) March 2004 data

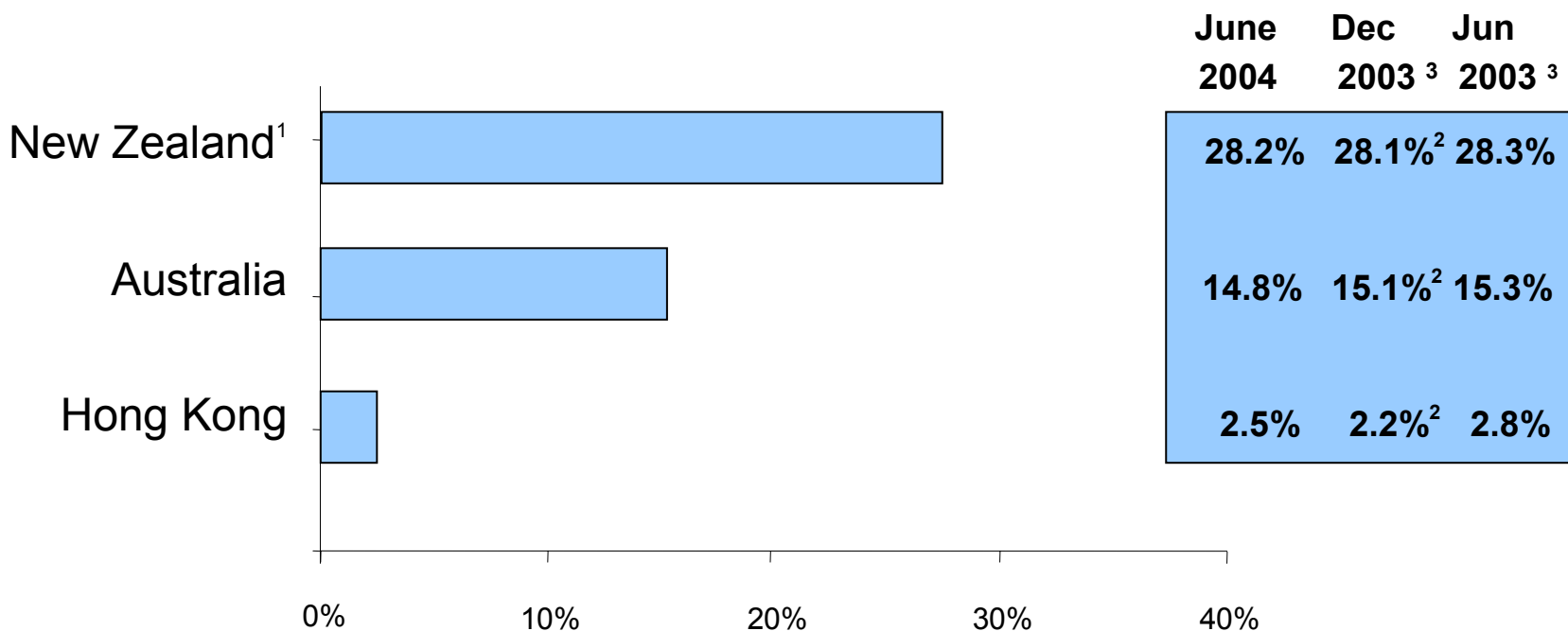
Source: Plan for Life, Fund Source Research



# Market shares

## Life Insurance

### Life Insurance Market Shares



Notes:

(1) In-force Business

(2) September Data

(3) From December 2003 Profit Announcement document

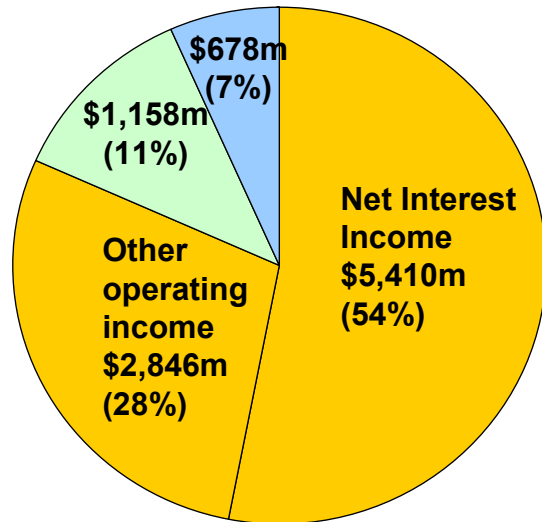
Source: ISI Statistics, Plan for Life, HK Insurance Association



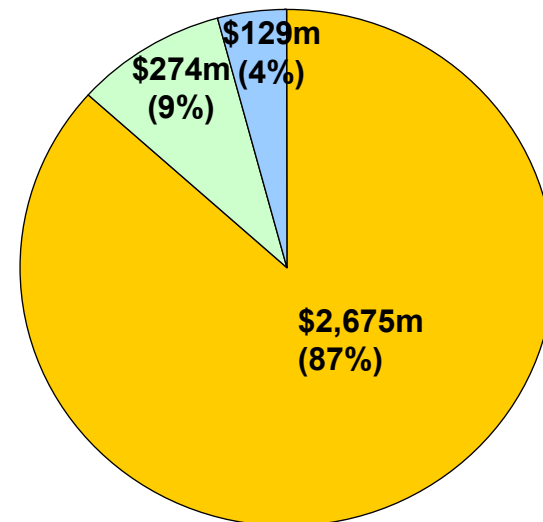
# Overview of results

## Total income and NPAT

Group total Income: \$10,092m



Group Underlying Cash NPAT: \$3,078m



- Banking
- Insurance
- Funds management

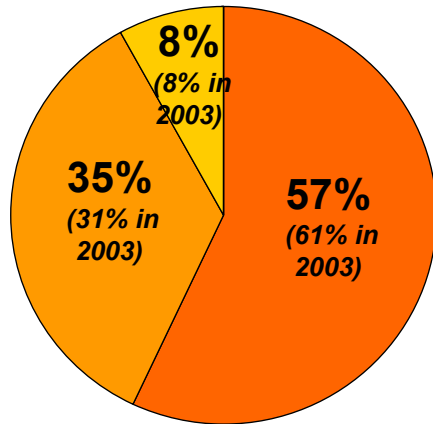
Income excludes investment returns on shareholders funds and any valuation appraisal uplift or decrease



# Banking

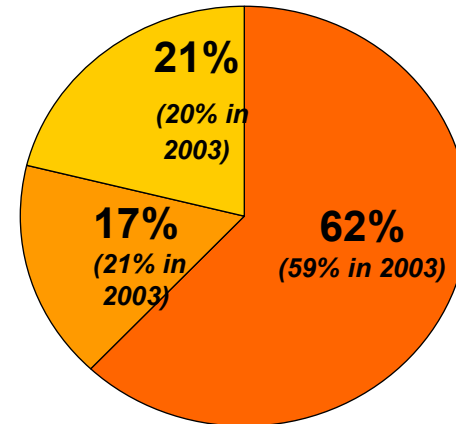
## \$113bn in Australian Home lending\*

Product Balances Outstanding



- Owner occupied
- Investment Home Loan
- Line of credit

Balances by Loan Type



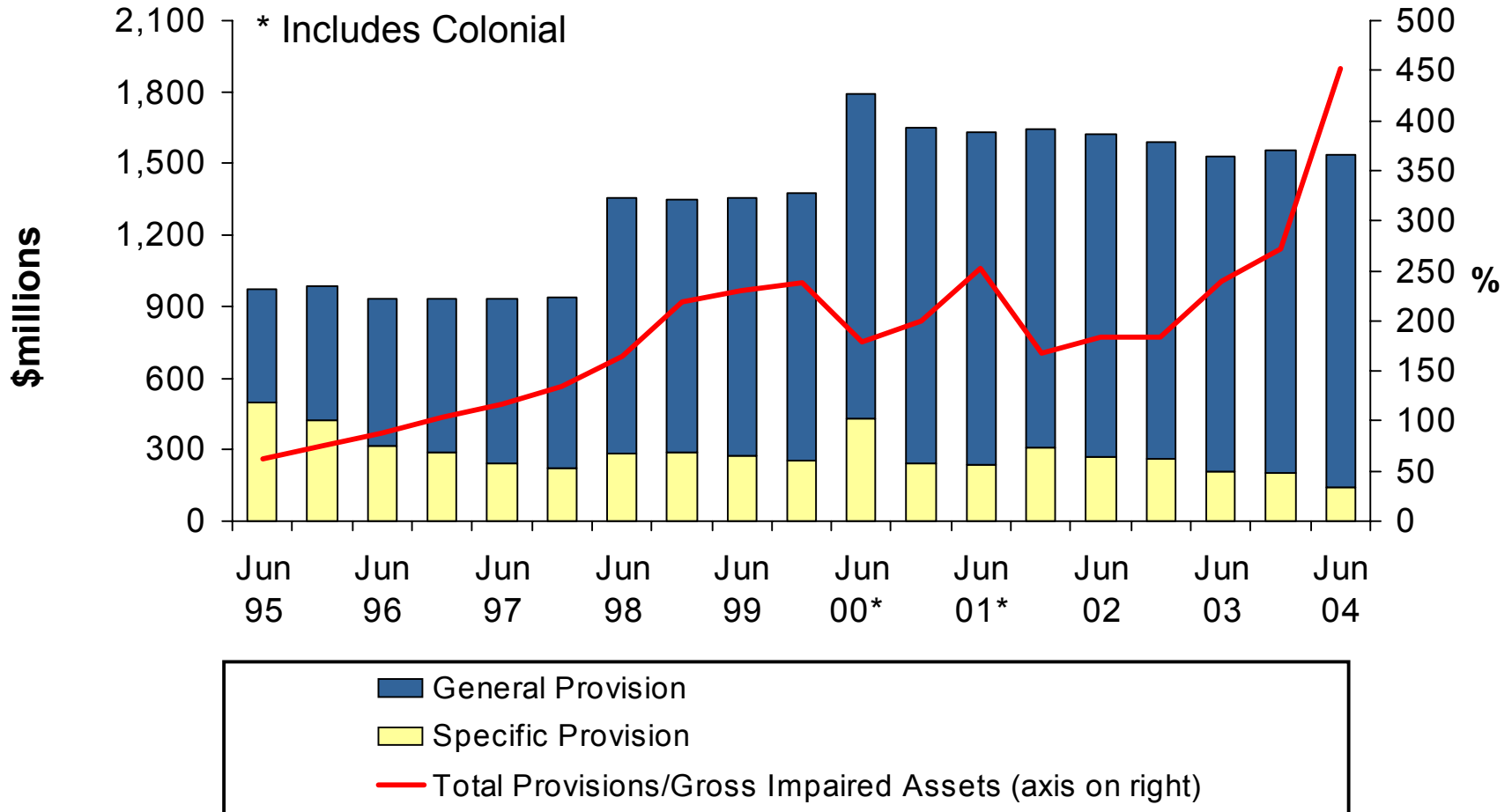
- Variable
- Fixed Rate
- Honeymoon

\* Data relates to the Bank's Australian home lending business gross of securitisation



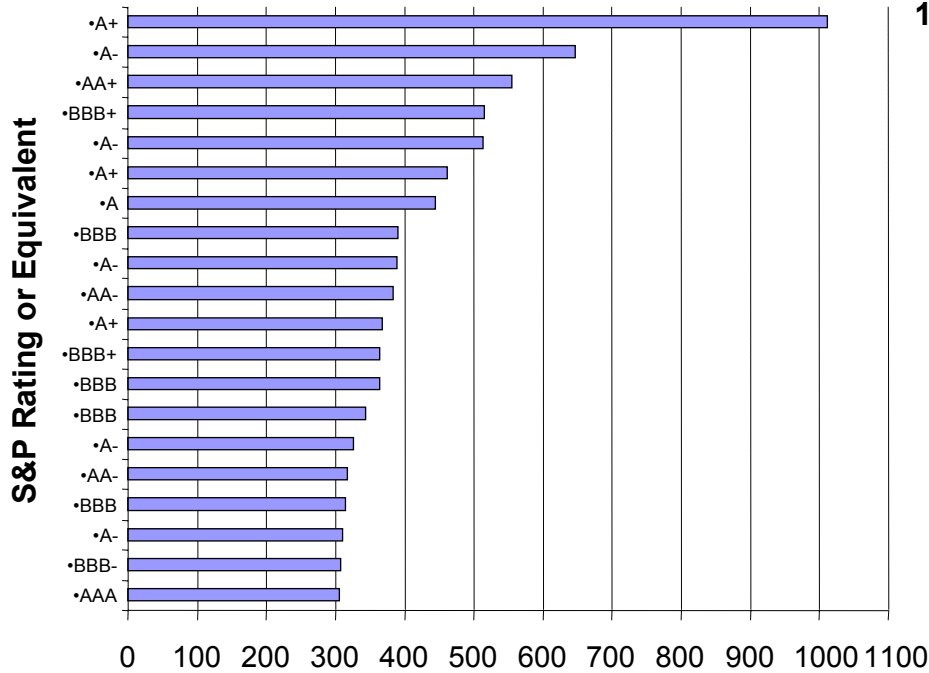


# The Bank remains well provisioned



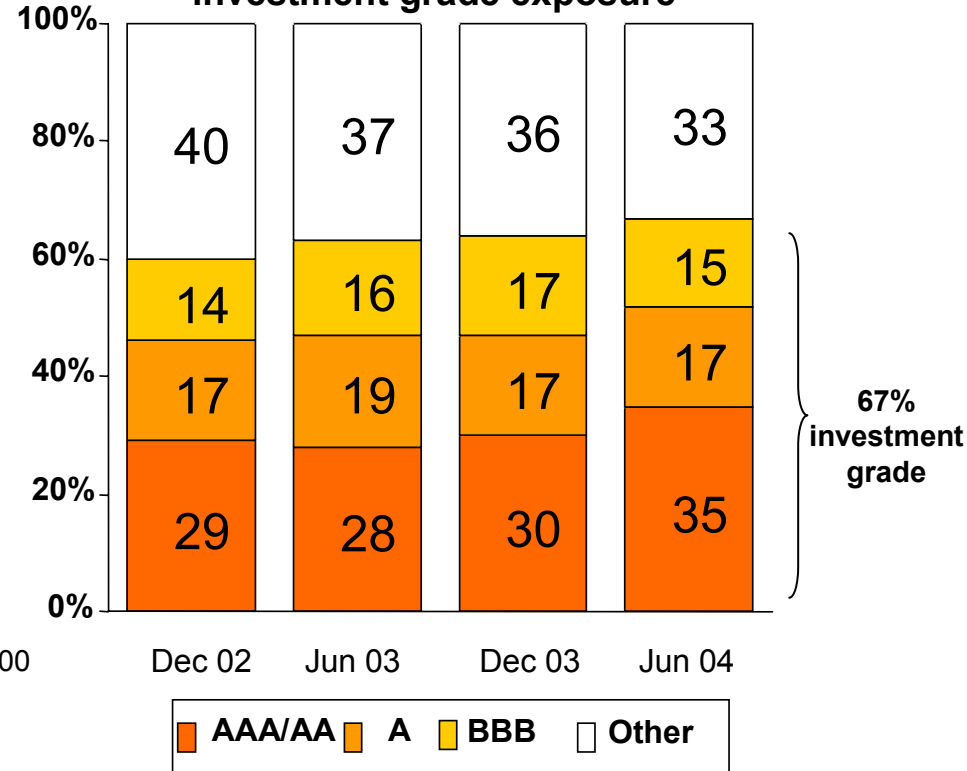
# Banking - Top 20 exposures to Corporates and quality of total exposure

## Top 20 Exposures to Corporates (\$m)



(Top 20 exposures – excludes finance and government – comprise 3.4% of committed exposures of \$253 billion)

## Quality of total exposure: There is security over 79% of the non-investment grade exposure



# Banking

## Arrears in consumer book remain low

	30/06/2004	31/12/2003	30/06/2003	31/12/2002
	\$m	\$m	\$m	\$m
Housing Loans	168	147	157	136
Other Loans	78	66	91	75
<b>Total</b>	<b>246</b>	<b>213</b>	<b>248</b>	<b>211</b>

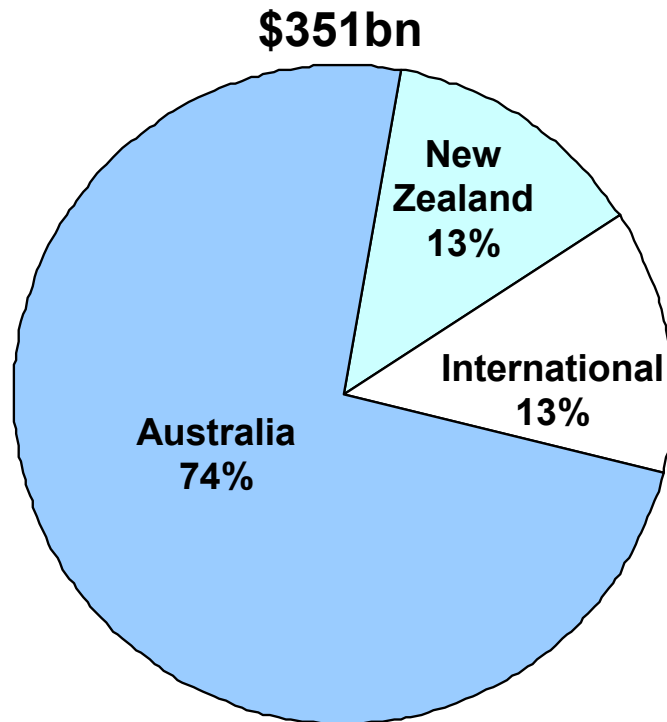
### Housing loans arrears rate

	30/06/2004	31/12/2003	30/06/2003	31/12/2002
Housing Loans accruing 90 days or more \$m	168	147	157	136
Housing Loan Balances \$m	121,850	112,228	100,203	93,545
<b>Arrears rate %</b>	<b>0.14%</b>	<b>0.13%</b>	<b>0.16%</b>	<b>0.15%</b>

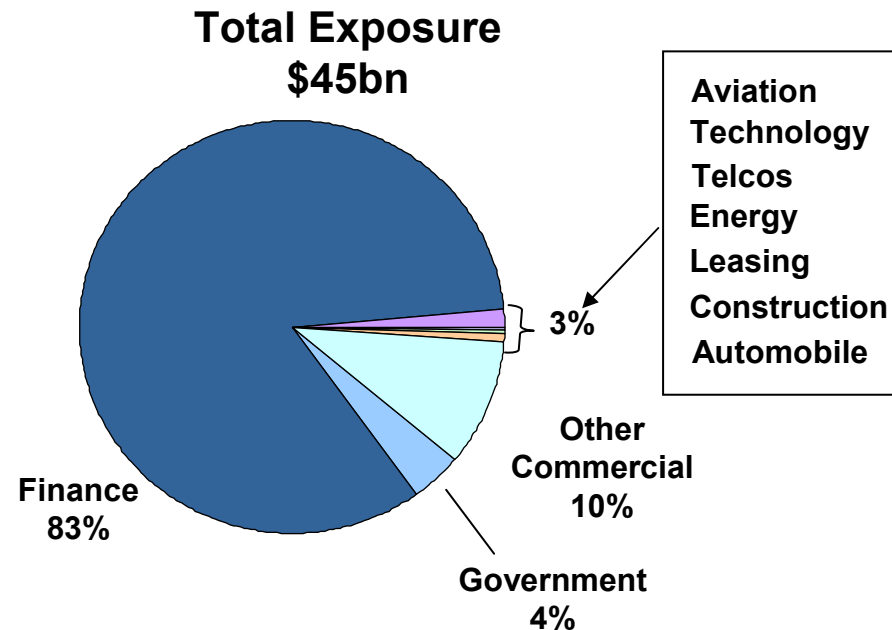


# Banking - Total and Offshore credit risk concentration

Total Commercial exposure\*  
by location



Offshore Commercial exposure by Industry\*\*



Total non-finance off-shore outstandings = \$7.6bn of which over 90% are investment grade

\*Total exposure = balance for uncommitted, maximum of limit or balance for committed. Includes consumer exposures.

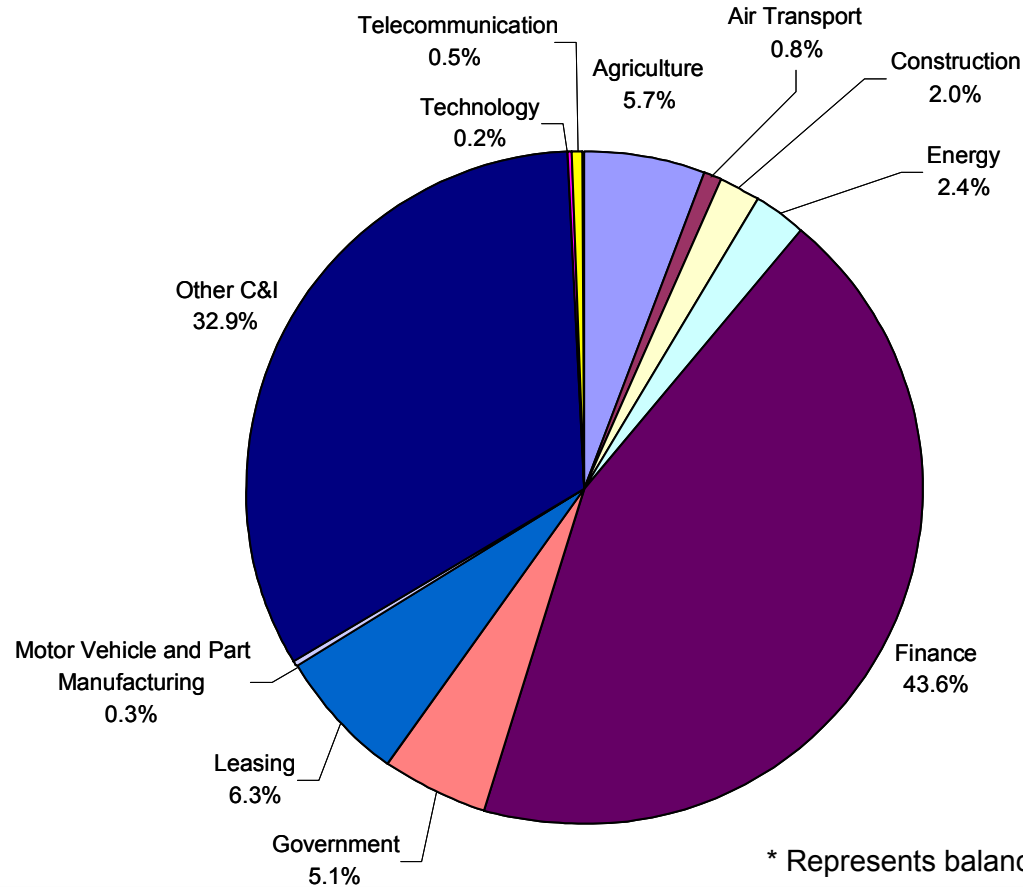
\*\*Excludes consumer exposures.



# Banking

## A well diversified portfolio by industry

Total Outstandings\*  
\$138.6 bn



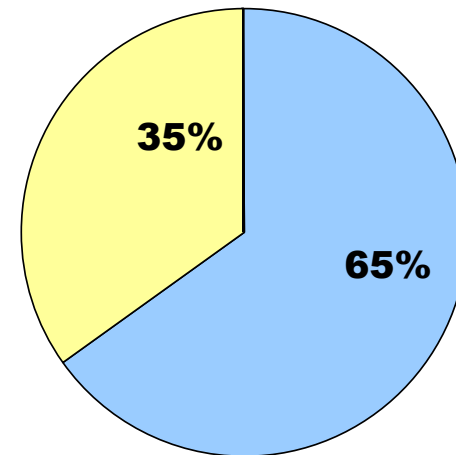
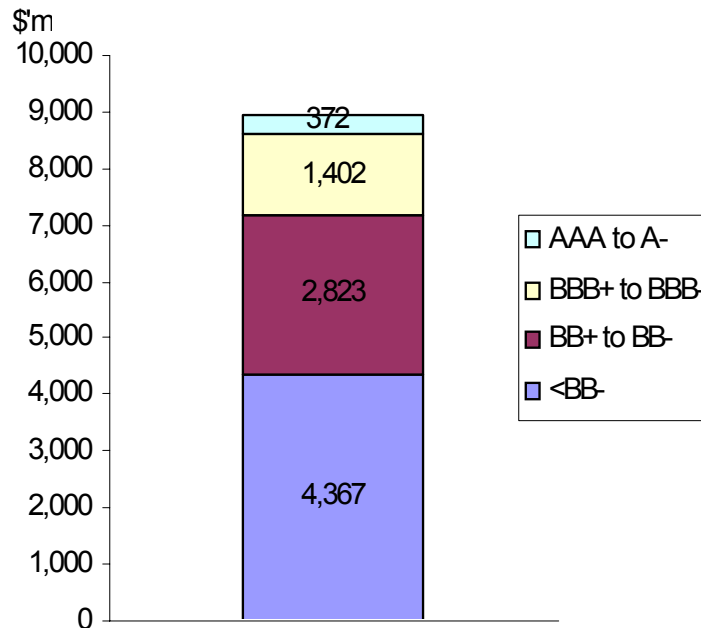
\* Represents balances actually utilised.



# Banking

## Credit Exposure - Agriculture Sector

Total exposure: \$8,963m



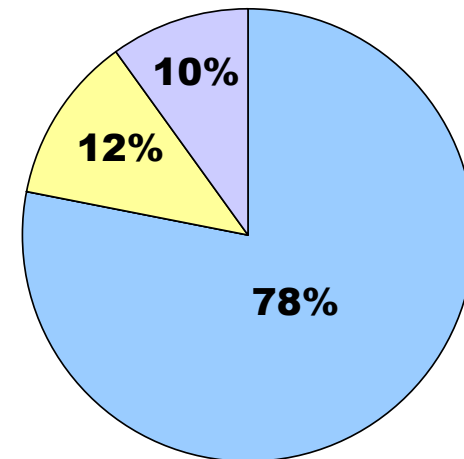
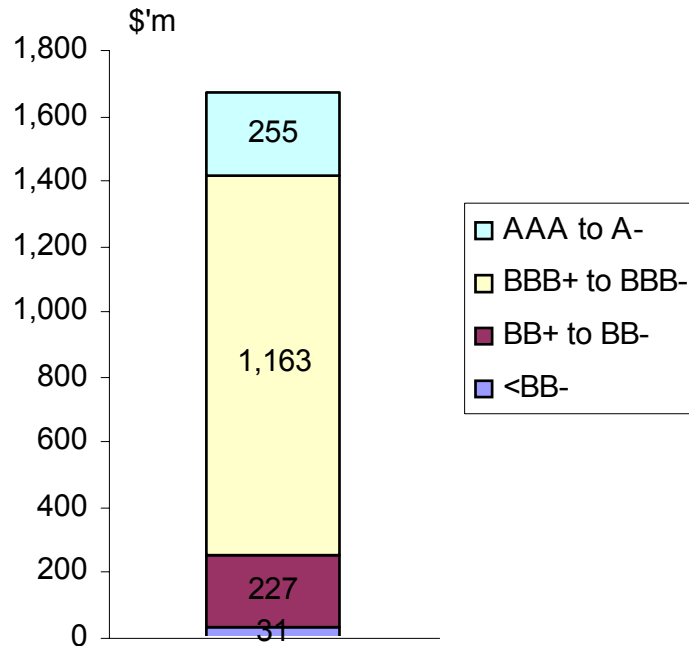
Credit Exposure is measured as the higher of limit or credit equivalent balance for committed exposures and credit equivalent balance for uncommitted exposures

- Australia (11% investment grade)
- New Zealand (36% investment grade)

# Banking

## Credit Exposure - Aviation Sector

Total exposure: \$1,676m



- Australia (89% investment grade)
- New Zealand (99% investment grade)
- Europe (27% investment grade)

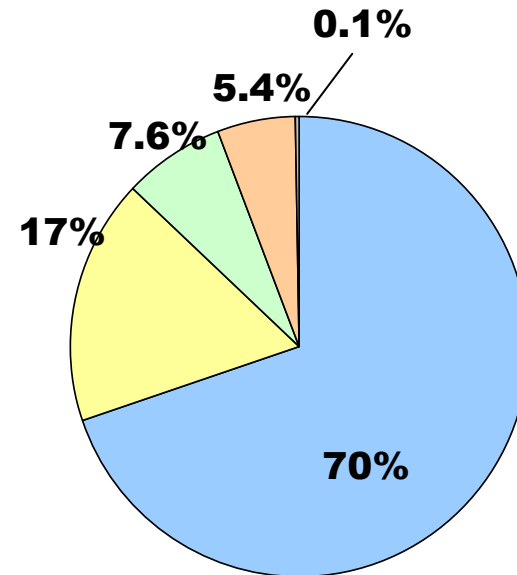
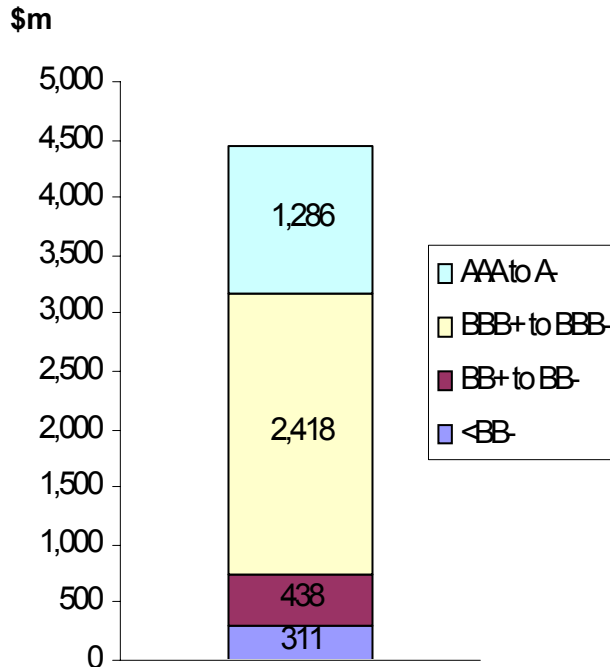
Credit Exposure is measured as the higher of limit or credit equivalent balance for committed exposures and credit equivalent balance for uncommitted exposures



# Banking

## Credit Exposure - Energy Sector

Total exposure: \$4,453m



Credit Exposure is measured as the higher of limit or credit equivalent balance for committed exposures and credit equivalent balance for uncommitted exposures

- Australia (77% investment grade)
- New Zealand (100% investment grade)
- Asia (93% investment grade)
- Europe (100% investment grade)
- Americas (100% investment grade)

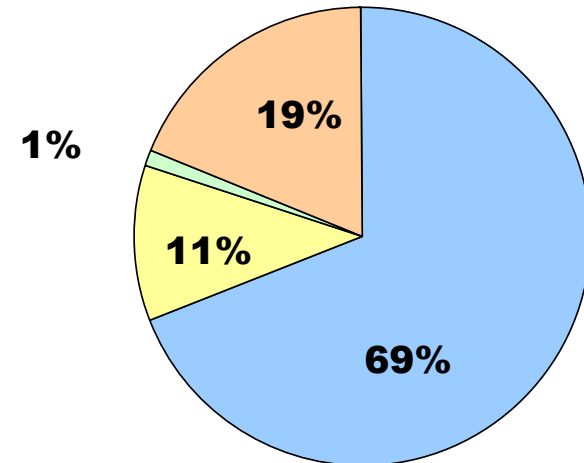
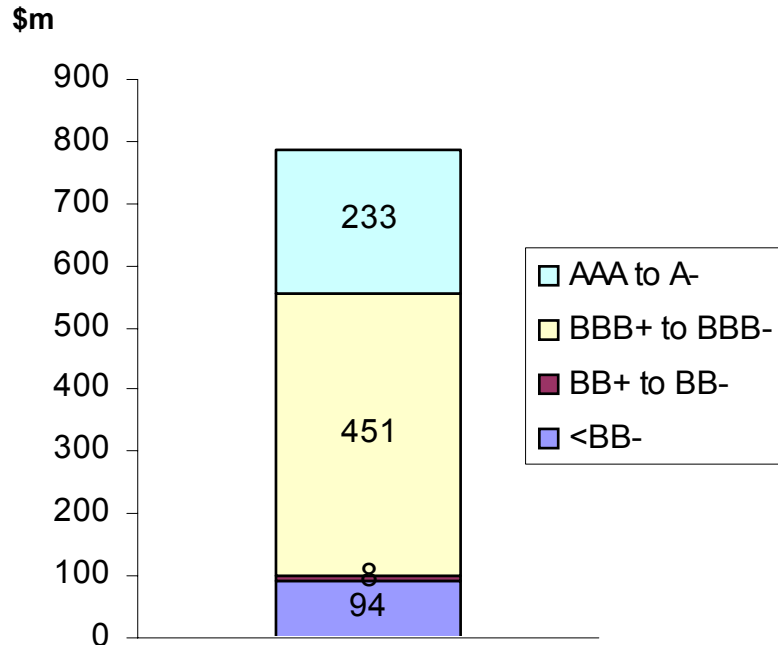




# Banking

## Credit Exposure - Telcos Sector

Total exposure: \$786m



- Australia (75% investment grade)
- Europe (100% investment grade)
- New Zealand (100% investment grade)
- Asia (97% investment grade)

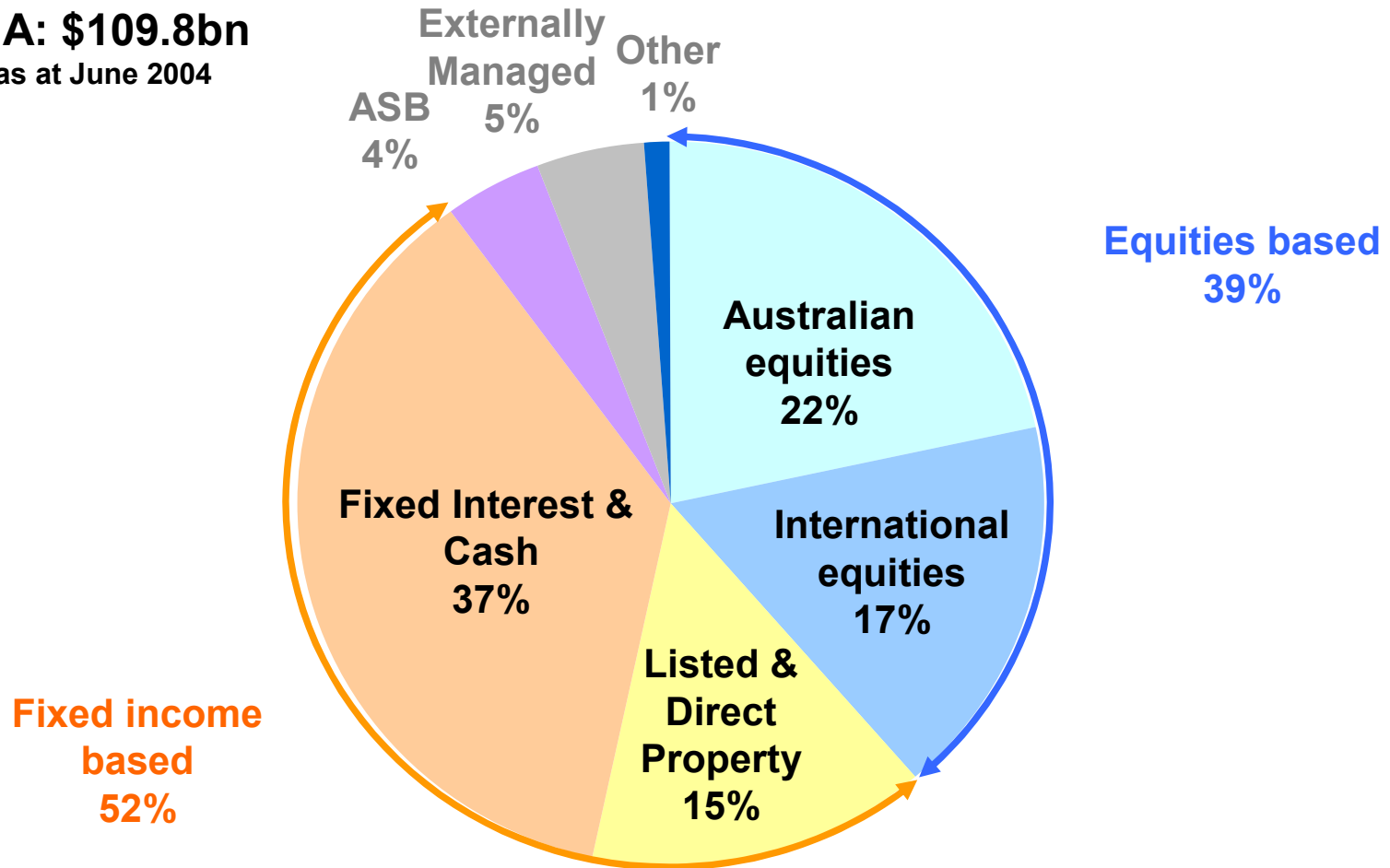
Credit Exposure is measured as the higher of limit or credit equivalent balance for committed exposures and credit equivalent balance for uncommitted exposures



# Funds Management

## Asset class breakdown

FUA: \$109.8bn  
as at June 2004

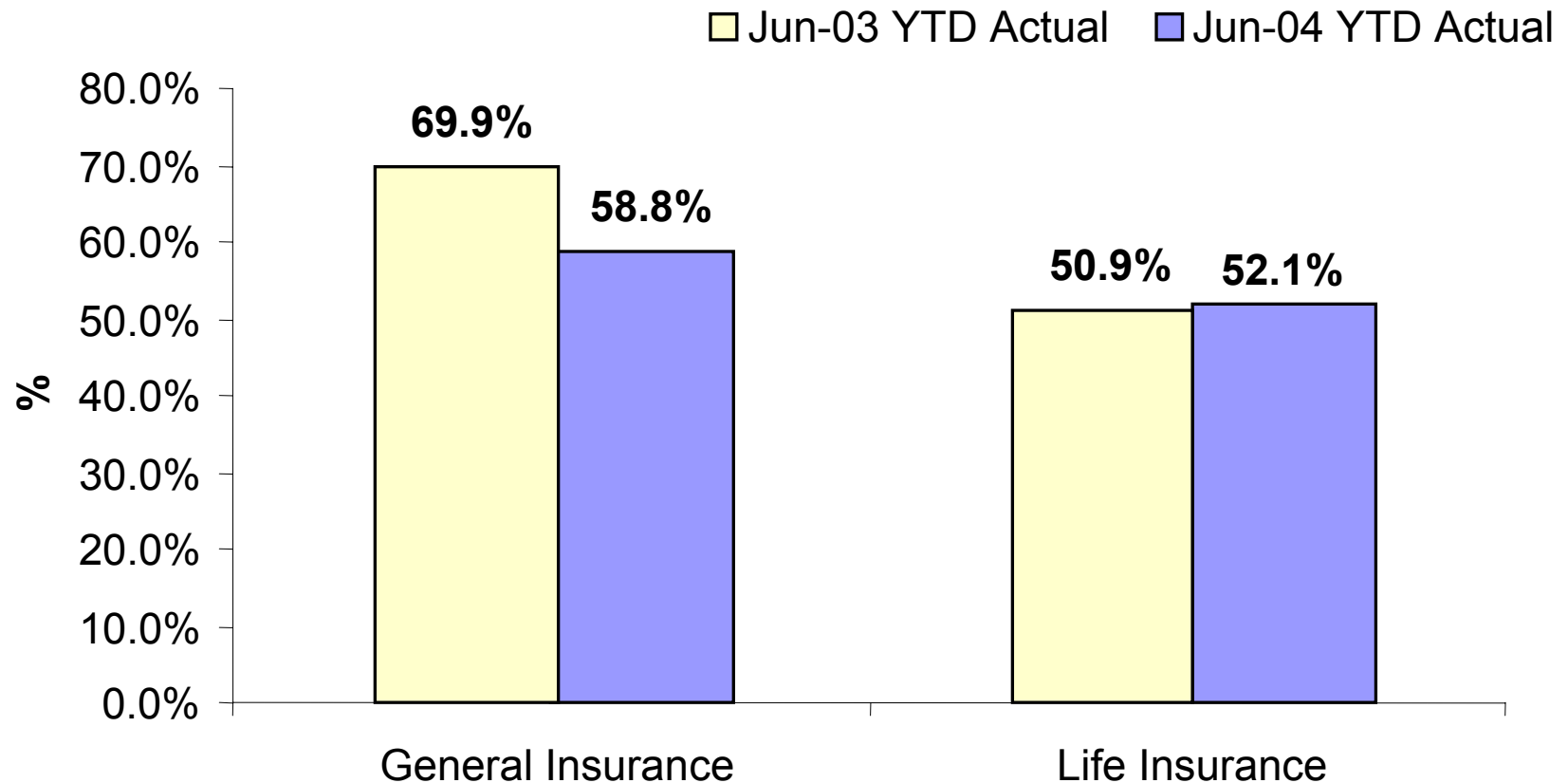


# Funds Management & Insurance Investment Mandate Structure

The Bank has \$2.7bn of shareholders funds across its insurance and funds management business, which is invested in:

	Australia	New Zealand	Asia	Total
Local Equities	10%	1%	4%	7%
International Equities	4%	6%	6%	5%
Property	22%	4%	0%	14%
Other Growth	0%	3%	4%	1%
<b>Sub Total</b>	<b>36%</b>	<b>14%</b>	<b>14%</b>	<b>27%</b>
Fixed Interest	39%	38%	61%	44%
Cash	25%	35%	7%	23%
Other Income	0%	13%	18%	6%
<b>Sub Total</b>	<b>64%</b>	<b>86%</b>	<b>86%</b>	<b>73%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

# Claims ratios\* are consistent with prior years. GI was impacted in 03 by the Canberra bushfires.



\* Claims ratio = claims expense as a % of net earned premium



# International Accounting Standards

## Outlining our approach

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- Qualitative comments in the profit announcement document
- Timeline:
  - 1 July 2004 – start accounting internally according to IAS
  - Feb 2005 (half year '05 profit announcement) – further qualitative and some quantitative statements
  - 1 July 2005 – adoption of all standards