

CAI International, Inc.
Form 8-K
May 02, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

April 14, 2011

Date of Report (Date of earliest event reported)

CAI International, Inc.
(Exact Name of Registrant as Specified in Charter)

Delaware (State or Other Jurisdiction of Incorporation)	001-33388 (Commission File No.)	94-3109229 (IRS Employer Identification No.)
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Steuart Tower, 1 Market Plaza, Suite 900, San Francisco, California (Address of principal executive offices)	94105 (Zip Code)
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(415) 788-0100(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

(b) On April 29, 2011, CAI International, Inc. (the "Company") was informed that Masaaki (John) Nishibori will retire as the Company's President and Chief Executive Officer, effective June 3, 2011. The Company anticipates that Mr. Nishibori will continue to serve on the Company's Board of Directors (the "Board"). On April, 29, 2011, the Company and Mr. Nishibori entered into a Continuing Services Agreement that will become effective June 3, 2011 upon Mr. Nishibori's retirement. Pursuant to the Continuing Services Agreement, among other things, (i) as long as Mr. Nishibori continues as a member of the Board, he and his spouse will be eligible to participate in the Company's health insurance plans to the extent permitted under such plans, (ii) Mr. Nishibori's continued service as a Director of the Company will be deemed to constitute "continuous service" such that the stock option grants that have been previously granted to Mr. Nishibori pursuant to the Company's 2007 Equity Incentive Plan will continue to vest so long as he remains a Director, and (iii) following vesting in full of Mr. Nishibori's currently-held stock options, Mr. Nishibori will be eligible to receive annual stock option grants that may be awarded to other outside members of the Board. The Continuing Services Agreement will terminate upon ninety days advance notice from either Mr. Nishibori or the Company.

On April 29, 2011, the Board appointed Victor M. Garcia to the position of President and Chief Executive Officer effective June 3, 2011, and as a result Mr. Garcia will no longer serve as the Company's Senior Vice President and Chief Operating Officer and the Company does not intend to fill the Chief Operating Officer position. In addition, on April 29, 2011, the Board determined that Gary M. Sawka will resign as the Company's Interim Chief Financial Officer, effective upon the starting date of the Company's new Chief Financial Officer, Timothy B. Page, as discussed below.

(c)

Victor M. Garcia

As stated above, on April 29, 2011, Victor M. Garcia, 43, was appointed to the position of President and Chief Executive Officer, effective June 3, 2011. Mr. Garcia has served as the Company's Senior Vice President and Chief Operating Officer since September 2010 and before that as the Company's Senior Vice President and Chief Financial Officer since November 2006. From July 1990 to October 31, 2006, he was employed by Banc of America Securities, the investment banking subsidiary of Bank of America, where he was a Managing Director and senior banker in the Transportation Group within the Global Corporate and Investment Bank. Mr. Garcia holds a B.S. from Babson College. The Company and Mr. Garcia entered into an Amended and Restated Employment Agreement dated April 29, 2011, which, other than certain immediately effective provisions, including provisions regarding the incentive stock option grant discussed below, will be effective upon the Board's acceptance of Mr. Nishibori's retirement in connection with his promotion to the position of the Company's President and Chief Executive Officer (the "Garcia Employment Agreement"). The material terms and conditions of the Garcia Employment Agreement were approved by the Board's Compensation Committee at a meeting held on April 29, 2011. The Garcia Employment Agreement is effective until May 1, 2014 and will automatically renew for an additional 36 months if not terminated by pursuant to its own terms earlier.

Under the terms of the Garcia Employment Agreement, Mr. Garcia will receive an annual base salary of \$520,000. Mr. Garcia will also be eligible for an annual bonus that will be determined in accordance with an annual bonus plan to be adopted by the Board. For the 2011 fiscal year, Mr. Garcia will be eligible to earn an annual bonus of up to 60% of his base salary, with one-half of the bonus to be based on the Company's achievement of its budgeted pre-tax net profits (subject to certain adjustments) and the other half to be based on a subjective evaluation of Mr. Garcia's performance, based on certain criteria as approved by the Board.

In connection with his promotion, on April 29, 2011, Mr. Garcia received an incentive stock option grant for 150,000 shares of Common Stock of the Company. The stock options are subject to the Company's 2007 Equity Incentive Plan and will vest over a four-year period commencing on April 29, 2011 with 1/4th of the shares vesting after the first year and 1/48th of the shares vesting on a monthly basis over the following three years. The Board anticipates making annual grants of stock options to Mr. Garcia, which are currently expected to be based on a target grant value of 60% of his base salary. All unvested equity awards granted to Mr. Garcia will automatically become fully vested and exercisable immediately prior to the date of a "change in control."

In the event Mr. Garcia's employment is terminated without "cause" or as a result of his death or disability or in the event of termination of employment by Mr. Garcia for "good reason," Mr. Garcia will be entitled to receive the following severance payment pursuant to the Garcia Employment Agreement:

An amount equal to 150% of the greater of: (1) one year of his initial base salary of \$520,000 per annum; or (2) base salary for the twelve months immediately preceding his date of termination;

His annual cash bonus earned during the fiscal year prior to his year of termination if it has not been previously paid;

Except in the case of death, continued health, dental, life and disability insurance for a period the greater of (1) 18 months after termination (including dependents if dependents were covered prior to termination) or (2) the remainder of the term of Mr. Garcia's employment agreement as of the date of termination; and

If termination occurs more than one month after the end of the prior fiscal year, a pro-rated cash bonus based on the number of days of employment during the fiscal year in which termination occurs.

Subject to his insurability, Mr. Garcia will be named beneficiary to a long-term disability insurance policy covering 60% of his base salary, which policy will be maintained by the Company. Additionally, Mr. Garcia will be reimbursed for the cost of life insurance equal to \$1 million. Mr. Garcia will also be eligible to participate in the employee benefit plans and executive compensation programs made available by the Company to its executive officers generally.

Mr. Garcia is also subject to certain non-solicitation and non-disparagement provisions pursuant to the Garcia Employment Agreement.

Timothy B. Page

On April 29, 2011, Timothy B. Page, 59, was appointed as the Company's Chief Financial Officer effective mid-May, 2011 (the "Effective Date"), concluding the Company's search for a permanent Chief Financial Officer. Since 2008, Mr. Page was Chief Financial Officer of Port Logistics Group, Inc., a logistics services company formed through the acquisition of three other port logistics providers in 2008, where his responsibilities included developing a financial and administrative team and establishing financial controls, procedures, and management reporting systems to support the company's growth. From 2004 until 2008, Mr. Page was the Chief Financial Officer of Quality Distribution, Inc., a NASDAQ-listed bulk chemical transportation company (NASDAQ: QLTY), with over 100 locations in the U.S., Mexico and Canada. Mr. Page's responsibilities while at Quality Distribution, Inc. included leading two public debt offerings, restructuring finance group and implementing new financial accounting, budgeting and planning systems. From 2001 to 2004, Mr. Page was the Chief Financial Officer of Perry Ellis International, Inc., a NASDAQ-listed global apparel company (NASDAQ: PERY), where, among other responsibilities, he negotiated, structured and closed several acquisitions, which more than doubled the size of the company. Mr. Page holds an M.B.A. from the University of Wisconsin-Milwaukee.

The Company has entered into a letter agreement with Mr. Page dated April 14, 2011 and accepted by the Board on April 29, 2011 in connection with his appointment as the Company's Chief Financial Officer (the "Page Employment Letter"). The material terms and conditions of the Page Employment Letter were approved by the Board's Compensation Committee at a meeting held on April 12, 2011. Under the terms of the Page Employment Letter, Mr. Page will receive an annual base salary of \$350,000. Subject to the approval of the Board, Mr. Page will be eligible for an annual bonus targeted to 40% of his base salary. For the 2011 calendar year, Mr. Page will receive a minimum guaranteed bonus of 40% of his base salary prorated for his time of service in 2011. In connection with his appointment, Mr. Page will receive a one-time incentive stock option grant for up to 30,000 shares of Common Stock of the Company, subject to the approval of the Board in accordance with the Company's option grant policy. The stock options will be subject to the Company's 2007 Equity Incentive Plan, including customary vesting requirements. In the event that Mr. Page is terminated without cause (i) within 18 months from the Effective Date, the Company will pay him an amount equal to 100% of his base salary for the nine months immediately preceding the date of his termination or (ii) within 24 months following a "change in control" that takes place within two years of the Effective Date, the Company will pay Mr. Page an amount equal to 100% of his base salary for the 12 months immediately preceding the date of his termination.

The Company will pay Mr. Page a \$25,000 signing bonus on the Effective Date, as well as reasonable relocation expenses for his move from Texas to the San Francisco Bay Area. The Company will reimburse Mr. Page for his COBRA premium, if any. Mr. Page will also be eligible to participate in the employee benefit plans and executive compensation programs made available by the Company to its executive officers generally.

Other than the Garcia Employment Agreement and the Page Employment Letter, there is no understanding or arrangement between either Mr. Garcia or Mr. Page and any other person or persons with respect to each of their respective employment by the Company and there are no family relationships between either Mr. Garcia or Mr. Page and any director or other executive officer or person nominated or chosen by the Company to become a director or executive officer. There have been no transactions, nor are there any currently proposed transactions, to which the Company was or is to be a participant in which either Mr. Garcia or Mr. Page or any member of either of their immediate family had, or will have, a direct or indirect material interest.

Item 8.01 Other Events.

On May 2, 2011, the Company issued a press release announcing the promotion of Mr. Garcia as President and Chief Executive Officer, the retirement of Mr. Nishibori, the resignation of Mr. Sawka and the hiring of Mr. Page as Chief Financial Officer. A copy of the Company's press release is attached hereto as Exhibit 99.1 and is furnished herewith.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release dated May 2, 2011

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CAI INTERNATIONAL, INC.

Dated: May 2, 2011

By: /s/ Gary M. Sawka
Name: Gary M. Sawka
Title: Interim Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
<u>99.1</u>	Press Release dated May 2, 2011

ets upturn

NPAT increased 5% over the half driven by:

Higher fee income arising from growth in funds under management (FUM)

Higher capital investment earnings, up 7% due to strong equity markets and rising interest rates. These were partially offset by ANZ s capital hedge losses.

Costs remained flat due to tight expense control

INGA maintained its number four Retail FUM position as measured by ASSIRT

Most recent review of valuation model and assumptions performed by Ernst & Young at September 2003 confirmed current carrying value.

Valuation will be performed at least once a year and more often if there is a significant change in circumstances that is likely to impact the value

Current JV Valuation

	\$m
ANZ Contribution to JV	879
Equalisation payment	960
Unrecognised profit on sale of ANZ FM	(248)
Equity accounted profit since inception	100

Carrying value ay Mar-04

1,691

**Strong Retail FUM growth
since JV inception**

[CHART]

**INGA NPAT and ANZ net return
improving with market conditions**

[CHART]

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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

or contact

Simon Fraser

Head of Investor Relations

ph: (613) 9273 4185 fax: (613) 9273 4091 e-mail: simon.fraser@anz.com

2004 Interim Results

Australia and New Zealand Banking Group Limited

27 April 2004

Table of contents

1. CEO review
2. Result review
3. Credit Quality
4. Other Financial Issues
5. Business performance
6. Strategy
7. Supplementary information

SECTION 1

ANZ 2004 Interim Results

John McFarlane
Chief Executive Officer

ANZ Interim Results Summary

			v Mar 03	v Sept 03
NPAT				
Headline	\$	1,396m	22%	16%
Excluding significant transactions	\$	1,312m	15%	9%
Underlying(3)	\$	1,241m	10%	4%
EPS				
		76.8cents	11%	5%
Cash EPS(1)		78.9cents	11%	5%
Dividend fully franked(2)		47cents	11%	n/a

-
1. *EPS excluding significant transactions and goodwill amortisation*
 2. *March 03 dividend of 44c adjusted for bonus element of rights issue (@0.9597)*
 3. *Excludes significant items, NBNZ and adjusts base for TrUEPrS swap*

ANZ now has a strong foundation

Successful specialist business model

Model now enhanced by clustering around customers;

Personal - Key driver of future growth

Institutional - A leading business with lower risk

Corporate - Strong organic growth

Risk reduced and sustainability improved

Credit concentrations almost to optimal levels

International risk exposure contained

Business mix now more domestic and sustainable

Trading risk modest

NBNZ acquisition brings New Zealand leadership

NBNZ acquisition cash EPS accretive

Two-phase implementation plan

Integration and cost synergies are on track

Revenue attrition better than expected

Customer numbers are now growing

A low risk approach to NBNZ integration

Phase one: quick wins

RBNZ approval expected early May

Legal amalgamation into ANZ National, targeted for 30 June 2004

Maintain both brands to enhance customer retention

Rapidly integrate activities that are not systems dependent

Idea sharing already begun for franchise growth

Phase two: full integration

Full plans already submitted to RBNZ. Discussions well progressed

Systems strategy:

Domestic NZ stand-alone

International Group systems

Common systems suite in both Australia and New Zealand

Full systems integration expected by end 2005

SECTION 2

Results Review

Peter Marriott
Chief Financial Officer

A good underlying result, driven by strong income growth and improved credit quality

[CHART]

Cash EPS	Cash EPS	EPS growth	11% / 5%	EPS
71.0	75.2			78.9
				Including
				NBNZ

** Reflects StEPS being reinvested in AUD whereas TrUEPrS was invested in USD*

Reflects loss of earnings on TrUEPrS hedge

NBNZ acquisition and TrUEPrS-related significant transactions further increased profit

[CHART]

	NBNZ 4 months NZ\$m	NBNZ Pro Forma NZ\$m
NBNZ Earnings (NZD)*		
Interest	347	338
Non Interest	120	116
Operating Income	467	454
Expenses	(192)	(195)
Profit before debt provisions	275	259
Provisions	(31)	(30)
Profit before tax	244	229
Tax	(74)	(65)
NPAT	170	164

	\$m
Significant transactions	
Swap Income & interest	112
Tax expense	28
P&L Impact	84
Cash Dividend (EPS impact only)	(35)

* *excludes integration costs*

Strong balance sheet growth across most businesses

End of period lending assets grew by \$41.4b (25%) for the half. Excluding NBNZ, lending grew \$8.8b (5%)

Excluding NBNZ, growth was largely in Mortgages \$6.8b (10%) and Corporate \$1.7b (11%) for the half, reflecting favourable market conditions for both businesses

Lending Volumes (\$b)

[CHART]

End of period deposits increased to \$128.4b (29%) for the half. Excluding NBNZ deposits volumes grew to \$104.9b (5%)

Strong growth was seen across the board, with Personal Banking & Wealth up \$1.7b (5.3%), Institutional up \$1.5b (5.8%), and Corporate up \$0.7b (5.5%)

Deposit Volumes (\$b)

[CHART]

* Other deposits include Esanda retail debentures

partly offset by margin pressure, particularly in 2nd quarter

Reduction in mortgage margins the key driver of margin decline this reduction driven primarily by interest rate environment

Mix impact of 5bp includes 4bp for increased wholesale funding and 1bp for mortgage mix

Margin Drivers

[CHART]

Mortgage margins were down 12bp over the half, driven principally by the cyclical impact of wholesale rates moving up ahead of the cash rate during the half

Average spread between Cash rate and rolling 30 day rate: Jun-03 6bp, Sep-03 6bp, Dec-03 8bp, Mar-04 21bp

Mortgage broker costs accounted for just 1bp of the 12bp mortgage margin decline

Interest rate environment adversely impacting mortgage margins

[CHART]

Growth in underlying non-interest income reflects volume growth

[CHART]

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Expenses well controlled, providing scope for re-investment

Underlying operating expenses increased by 2.8% over the half. Key drivers were:

Operating costs were up 4% in Personal Banking as a result of increased staff training, the cost of rolling out the new telling platform, and increased depreciation resulting from further investment in technology and branch refurbishments

SME expenses up 8% over the half, reflecting substantial investment in this business as we expand the footprint

Volume related costs in the mortgages business drove expenses up 8% over the half

Expenses: Investing for growth

[CHART]

The cost to income ratio remains comfortably within our stated target range of mid 40 s .

Both the NBNZ acquisition and TrUEPrS redemption impacted the ratio in the half

The ratio was also impacted by investment in the franchise in the first half

Cost to Income within mid 40 s target

[CHART]

** includes Acquisition, Funding & Integration Costs*

Doubtful Debts Provision reflects improved underlying portfolio

Standard ELP charge (as a % of average lending assets) has remained stable at 31bps (32bps September 2003)

inclusion of higher quality NBNZ portfolio reduces ELP rate by ~1bp

reduction in headline ELP charge due to 4bps reduction in ELP central adjustment

ELP top up is being unwound in line with the improved credit quality of the offshore lending book, driven by the de-risking strategy

ELP Rate Drivers

[CHART]

ELP Charge

[CHART]

SECTION 3

Credit Quality

Quality of Consumer & SME portfolios again better than expected

Mortgage delinquencies (60 days) improved over the half

Delinquency for customers new to SME since September 2002 is in line with delinquency on legacy SME portfolio

Strong economic conditions and prudent credit practices have continued to see our Retail delinquency and loss rates remain very low

Delinquencies down on March 03

[CHART]

Delinquency for Mortgage products have flattened over the half

delinquencies on RILs and Broker introduced loans have remained in line with the wider portfolio

Australia's low unemployment rate should continue to help maintain the quality of the portfolio

Mortgage delinquencies remain low across each category*

[CHART]

TPMI - third party mortgage introducers

OO - Owner Occupied

* Excludes NBNZ

Low exposure to Inner City residential mortgage lending

Inner City

Total Lending for inner city property at 3.7% of Australian Mortgages portfolio, with 2.1% for investment purposes. Tight policies to control emerging risks include:

valuations required on all new properties

rental income allowable in debt servicing calculation 60%

non-inclusion of negative gearing benefit in serviceability calculation for first time investors

inner city is broadly defined, and extends well beyond CBD

Exposure to Melbourne Docklands area ~0.06% of the Australian mortgages portfolio, or <2% of the inner city lending portfolio

Mortgages Australia

[CHART]

Delinquencies

only 19 customers nationally with arrears >90 days

no delinquencies in the Melbourne Docklands book

Location of inner city lending

[CHART]

OO - Owner Occupied

RIL - Residential Investment Loan

US power exposures continue to reduce, although lagged credit effects continue to affect the portfolio

Total US Limits(1)

[CHART]

US: March 2004

Outstandings: \$0.6bn (70%)

Other Committed: \$0.2bn (25%)

Uncommitted: \$0.1bn (5%)

Customers

Investment Grade: 10

Non Accrual: 4

Total: 19

We continue to actively manage our exposure to the US Energy sector.

Over the past 18 months, exposure to the merchant energy sector and other non-core segments has reduced substantially through repayments, sell-downs and restructuring.

Whilst Non Accrual Loans have increased in the US portfolio as a result of the lagged credit effect, prudent management has resulted in a lower level of expected losses from the portfolio. Any further losses can be readily absorbed within existing ELP levels.

(1). Excludes Settlement Limits but includes Contingent and Market-Related products domiciled in the US.

New Specific Provisions down 16% on 2H03

Geographic Specific Provisions

[CHART]

Specific Provisions by Source

[CHART]

Non-accrual loans to Loans & Advances less than half the level of two years ago

New Non-Accrual Loans relatively stable, default rate down

[CHART]

Non-Accrual Loans as a % of the portfolio down to just 0.45%

[CHART]

RWA to Total Assets not an accurate measure of risk

RWA/Total Assets under the existing accord is a simplistic measure of risk

RWA/Total Assets is distorted by Life company assets not appearing within RWA

does not consider the default risk of individual lending assets, or security profile

peer banks have higher levels of on-balance sheet derivative revaluations and trading securities which reduce their ratios relative to ANZ

RWA to Total Assets

(ex life investment & intangibles)*

[CHART]

More relevant is the impact of Basel II, which takes a more sophisticated and granular approach

Based on QIS3 results, ANZ is likely to receive a benefit greater than peers, reflecting the underlying quality of our book

Notwithstanding this, APRA unlikely to allow significant capital reductions

Change in RWA under Basel II(1)

QIS 3 results

[CHART]

1. *The reduction in RWAs using Advanced IRB outcomes (excluding operational risk) when compared with current accord capital requirements can be used as an indicator of the relative riskiness of a bank's assets.*

2. *RWA calculations were performed using the capital functions used in QIS 3.0 These may change upon the finalisation of Basel II*

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** Information as at CBA - 30/6/03, WBC - 30/09/03, NAB - 30/09/03*

SECTION 4

Other Financial Issues

Revenue Hedging

Tax Risk

Capital Position

Dividends

Outlook

Revenue hedging undertaken when appropriate

Revenue hedging only undertaken when currency is believed to be outside its normal trading range and inconsistent with their value

Revenue from FX hedges are reported as Interest Income within the Group Centre

	Notional Principal	Income from hedge	Unrealised gain/loss	Exchange Rate	Expiry date
March 2004					
USD Revenue Hedges	78	15	35	~0.55	September 2005
NZD Revenue Hedges	1,138	14	51	~1.09	September 2008
September 2003					
USD & GBP Revenue Hedges	151	12	37		
NZD Revenue Hedges	1,126	8	53		

Estimated Proportion of NZ earnings hedged

(rolling 12 months basis)

[CHART]

Tax risk substantially lowered

Tax risk is an ongoing business risk

We have established a constructive working relationship with the ATO and the IRD

Some higher risk aspects of the operations of the multi-jurisdictional ANZ Investment Bank have been substantially wound back in recent years

NBNZ Structured Finance book will be substantially reduced, with the focus going forward on more sustainable business. NBNZ pre-acquisition tax risk is covered by an indemnity from Lloyds TSB

Projected NPAT impact from NBNZ Structured Finance book

[CHART]

Proportion of NZ 1H04 NPAT from Structured Finance Deals*

[CHART]

* Geographic profit adjusted for goodwill and funding costs

Capital position remains strong, and towards the top end of our range

With the acquisition of NBNZ further reducing the risk in the balance sheet, the Group lowered its ACE target range by 50bps in the half to 4.75% to 5.25%

Capital position is strong, but will be impacted by new APRA treatment of intangibles

this is likely to reduce ACE by approximately 20bp from June onwards

Drivers of ACE ratio

[CHART]

A record interim dividend

The record interim dividend of 47 cents per ordinary share represents an 11.1% increase on the 2003 interim dividend adjusting for the bonus element of the rights issue*

Policy is to increase dividend in line with cash earnings per share growth

Cash payout ratio is calculated against core cash earnings (defined as earnings after hybrid distributions, but before goodwill and significant items)

Expect to sustain full franking capacity for the foreseeable future, despite the lower percentage of Australian profits

Interim Dividends

[CHART]

* 2003 interim dividend discounted by 0.9597 representing the dilution impact of the bonus element of the rights issue

Short term outlook

We expect ANZ will continue to perform well in 2004

Margin pressures likely to subside in the second half due to lower gap between 90 day rate and cash rate

Lending growth likely to remain robust, but with moderating mortgage growth offset by increased business lending

Expenses will continue to be well managed and focus on growth

Credit quality expected to remain in good shape

Integration costs higher in the second half

SECTION 5

Business Performance

Dr Bob Edgar
Chief Operating Officer

Our consumer and corporate businesses were the key driver of underlying profit growth, offsetting de-risking impact in IFS

Cluster		PCP Growth		Key Drivers
Consumer Businesses	\$	62m*	15%	<p>Personal Banking Australia up 13% due to growth in consumer deposits, lending and sales commissions</p> <p>Consumer Finance up 21%* due to strong customer growth and turnover in the merchant business</p> <p>ING JV up 18%</p>
<i>*after adjusting for cards under accrual in 1H03</i>				
Institutional Financial Services	\$	(4)m	1%	Fall in NPAT reflects de-risking within the lending portfolio and the impact of the appreciation of the AUD on USD earnings
Corporate	\$	16	12%	<p>Strong lending growth in both Corporate and SME driving profit</p> <p>Revenue offset by the cost of expanding the geographic footprint in SME franchise</p>
New Zealand Business	\$	136m	large	<p>Strong lending growth in NBNZ offset reduced volumes in Corporate & Institutional</p> <p>ANZ (NZ) down largely due to margin pressure and continued investment in the franchise</p>
Other	\$	(1)m		<p>11% growth in Esanda resulting from buoyant new car market and efficiency gains</p> <p>4% contractions in both Asia Pacific and Treasury</p>

driven by exchange and interest
rate environments respectively

We now have a strong position in the domestic consumer market

We now have a combined retail customer base across Australia & New Zealand of approximately 5.1m customers

We have a scale position

Following the NBNZ integration, all retail customers will be on a Hogan platform

Relative market shares indicate the capacity to derive profit from retail banking

Retail Market Share in Australia & New Zealand*

[CHART]

** source: ANZ - weighted average of Australian and New Zealand market shares, based on Roy Morgan data in Australia (share of traditional banking) and ACNeilson data in NZ (share of main bank customers)*

Our Australian consumer businesses have improved their position

In 2002, we set out to revitalise our branch network, with the aim of growing our market share and our share of wallet

We have grown market share by more than each of our peers. Specialisation has helped with this.

We have grown our share of wallet, but remain well below peers. Clustering of consumer businesses will help grow share of wallet going forward

Australian Market Share Traditional Banking*

[CHART]

Change in Market Share Jun 2002 - Jan 2004

[CHART]

Share of Customer Wallet*

[CHART]

Change in Share of Wallet Jun 2002 - Jan 2004

[CHART]

Source - Roy Morgan Research

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* traditional consumer banking is defined as transactions, deposits, personal/other loans, mortgages and credit cards, rolling 12 months. Peers include CBA, NAB, WBC

Personal Banking Australia: strong foundation delivering results

A continued commitment to investing in our franchise has seen strong growth in the half with NPAT up 8%. The result was built upon:

Strong revenue growth up 5% on the half driven by robust deposits growth up 5%, solid growth in Rural lending up 8%, and continued growth in our margin lending business up 39%.

Net interest margin increased 4bps following increases in the cash rate, but was partly offset by growth in lower margin deposits

Increase in non interest income reflecting 4% growth in sales and retention payments received from sale of ANZ products.

Expenses increased 4% largely due to our continued investment in the franchise, including:

Continued investment in sales training

The successful roll out of the new telling platform to the entire branch network

Ongoing commitment to branch refurbishments and improving the risk profile of our branch network.

Opening of four new branches in the half

The investment in our franchise is delivering results

Staff satisfaction

[CHART]

Customer satisfaction

[CHART]

Source: Roy Morgan Research very or fairl satisfied

[CHART]

Source: Nielsen Media Research overall satisfaction

Driving solid growth in NPAT

[CHART]

** Peers include CBA, NAB, WBC*

Consumer Finance: interchange impact well managed; offset by growth initiatives

Strong profit growth, up 9% for the half driven by:

Well managed changes to credit card programs following Interchange Reform

Significant reduction in loyalty expense following the restructuring of our product suite

Customer attrition minimised; concentrated in high transacting customers

Leading loyalty product - ANZ Frequent Flyer (AFF) -remains attractive

Majority (52%) of customers not impacted

Only Big 4 Bank still offering \$1 spend to earn 1 QFF point on standard and Gold VISA/MasterCards

New products/services- Diners; Low Rate MasterCard -have been successful; on-line Personal loan approval

Strong growth in the merchant customer base with 6% increase in the half year

Increased merchant turnover over the Christmas period

Strong expense control: up 1% on prior half

Our merchant base has grown Customer numbers (000s)

[CHART]

NPAT

[CHART]

\$ spend to earn 1 QFF point for standard and Gold VISA/MasterCards

[CHART]

Mortgages: strong volume growth more than offset by interest rate environment

NPAT reduced 7% for the half despite continued strong volume growth, key drivers included:

A 10% increase in mortgage volumes during the half resulting from record sales volumes being written through all key channels was offset by a 12 basis point reduction in margin due to higher funding costs following two interest rate increases.

Sales and retention commissions paid to personal Banking increased due to growth in sales through the branch network

Operating expenses increased 8% largely driven by volume growth, along with costs associated with the business investing for the future

In the half the Mortgages business has significantly improved customer and staff satisfaction, maintained product leadership in Cannex Awards (independent mortgage analysts), and continued to focus on channel diversity, including development of the ANZ Mortgage Solutions franchises

Cannex Product Awards March 2004

[CHART]

Margin impact on NPAT substantial

[CHART]

Australian Retail Mortgage sales remain strong

[CHART]

IFS: subdued result driven by focus upon de-risking

The IFS profit was adversely affected by revenue constraints imposed by the de-risking strategy, and the strength of the AUD affecting offshore earnings. Positive aspects of the result include:

Specific provision charge has decreased A\$32m (34%) to A\$62m for the half, reflecting the improving quality of the portfolio and AUD appreciation

Continued underlying cost discipline was evident across the business with operating expenses up 3% for the half, largely attributable to increased pension costs in the UK and increasing our FX and Capital Markets capabilities in the UK and Asia.

Maintained our leading domestic market position

IFS offshore lending reduced by 47% since September 2001. At March 2004 IFS offshore lending comprise ~ 3% of Group balance sheet

NPAT composition shifted towards less volatile and more sustainable earnings

[CHART]

IFS Offshore assets as % of Group assets substantially reduced

[CHART]

Reduction in lending assets is affecting NPAT*

[CHART]

Corporate: continued strong growth and investment in the business

Continued growth in Corporate NPAT with the half year result up 5%, key highlights include:

Corporate Banking Australia

4% revenue growth driven by growth in average lending volumes of 10%, coupled with solid growth in average deposit volumes of 8%

Wall St to Main St activity increased, with revenue from these deals up over 50% in the half

46% of total profit generated from Corporate customers is recorded in other business units results

Operating expenses were up 4% as we invested for growth, including increased frontline FTE

Net specific provisions down significantly from 2H03.

Small to Medium Enterprises Australia

7% revenue growth driven by 14% average lending growth, and 9% increase in average deposit volumes

Continued growth reflecting effective investment in the business and a focus on delivering a superior customer proposition, including:

expanding our geographic business footprint: frontline FTE up ~ 200 in last two years

more FTE committed to industry specialisation

effective use of 3rd party originated loans to ensure full capacity utilization of relationship teams and continuing introduction of quality customers to ANZ

Operating expenses up 8% reflecting the above mentioned investments and on-going business infrastructure

Sound credit quality, which is closely monitored

Strong, low risk lending growth

Corporate

[CHART]

SME

[CHART]

** Non accrual loans as % of net loans and advances*

Price is not a key driver in customers using brokers in SME market

[CHART]

Esanda: operational excellence and improved business economics, partly offset by margins pressure

Esanda's profit grew 3% for the half, key drivers and initiatives included;

Operational excellence and improved economics

Esanda has made substantial progress in improving the efficiency of its business

Expenses continue to be well managed, CTI down to 40%

Other operating income increased by 9% due mainly to changes in the fee structure for business lending

Our Australian debenture portfolio grew by 5% in 1H04, reaching \$7b

Signed an alliance with Pratt Water, allowing Esanda to provide funding for irrigators seeking to convert to water saving drip and sprinkler irrigation - valued at \$10m per year for 10 years

Strong growth in the equipment leasing segment in particular in IT and mining equipment

Interest Margin

Net Interest Margin declined by 4 basis points due to run off of higher yielding loans during the half

Branding & Advertising

Esanda promoted as easy to deal with, progressive and forward thinking

New ad campaign launched in March 2004 to position Esanda = Car Finance

3 year sponsorship deal agreed with *Wheels Magazine* Car of The Year

[LOGO]

[LOGO]

New Business Writings per FTE (\$m)

[CHART]

Cost to Income Ratio

[CHART]

Debentures on issue - \$m ^{Up} (20)%

[CHART]

Pacific & Personal Banking Asia: a strong franchise adversely affected by strengthening AUD

Solid underlying NPAT performance up 3% (pre exchange rates) reflective of our strength in the region:

ANZ holds either number 1 or 2 market position in all the Pacific markets in which we operate

The Pacific's income is dominated by our Fiji and PNG businesses.

Notwithstanding our dominant position growth opportunities remain in existing and new markets

Our centralised Pacific processing hub in Fiji, Quest, continues to develop its capacity and provision of services to the region.

The strengthening AUD reduced NPAT by \$A4m over the half, key drivers included:

Panin has strong momentum in Indonesia.

Solid growth in Personal Banking Asia due to strong focus on customers requiring Australia and New Zealand related transactions.

Strong NPAT growth in PNG due to increase in foreign exchange earnings

Fiji earnings adversely affected by the suspension of forward foreign exchange trading by the Reserve Bank of Fiji

Pacific Market Share

[CHART]

1H04 NPAT impacted by strengthening AUD

[CHART]

ANZ New Zealand (ex NBNZ): result affected by inclusion of mortgage business, margin pressure and exchange rates

ANZ (NZ) result was adversely affected by reduced net interest income from mortgages business (mortgage business included for the first time which was previously reported in ANZ's specialist Mortgages business) and exchange rates. As a result, NPAT was down 3% for the half, however excluding Mortgages, NPAT increased 1%

Personal - strong growth in deposit FUM offset by a decline in fee income, due partly to the removal of non-ANZ ATM fee for NBNZ customers, and lower punitive fee income. The half also saw continued re-investment in the franchise, with the opening of two branches and increased spend on brand image. This increased investment offset net interest income growth of 2% resulting in a flat profit for Personal in the half.

Mortgages - after several halves of stable margins, an adverse yield curve in the current half resulted in a 13bp margin contraction in the mortgages business, more than offsetting the good volume growth.

Other - solid performance principally from Corporate, driven largely by strong interest income from robust lending and deposit growth and growth in fee income

ANZ (NZ) NPAT adversely impacted by Mortgages

[CHART]

**includes Business, Rural and Corporate Banking*

Interest rate environment adversely impacting mortgage margins

[CHART]

Integration update

1. Integration Planning

Detailed integration planning for 41 workstreams virtually completed, common management structure in place

Integration is on track

2. Systems

ANZ National to adopt common systems largely based around ANZ's core systems with selected best of breed front office NBNZ applications

3. Synergies

To meet RBNZ requirements, more technology processing than expected will be undertaken in NZ. The cost of this has been offset by the identification of additional synergies, with overall cost synergies in line with prior forecast of A\$110m pa (within 3 years)

RBNZ focus is industry wide not ANZ and NBNZ specific

Customer attrition rate is better than originally forecast, and expected revenue synergies have been upgraded

4. Integration Costs

Integration costs remain in line with prior estimate of A\$230m.

Net customer acquisition rebounding well

NBNZ Personal

acquisition of customers continues to rebound from 2003, and continues to be a net acquirer

ANZ Personal

net outflow continues, but at a much lower level in March compared to February 2004 and March 2003

NBNZ Business & Rural

net acquisitions remain positive, however down on year earlier levels

ANZ Business & Rural

net outflow continues but at a substantially reduced rate compared to twelve months prior

ANZ Corporate

maintains a net inflow

Personal Net Customer Acquisition rebounding well

3 month moving average*

[CHART]

* 3 month moving average removes impact of monthly volatility

Current integration plans project a positive outcome from 2006

Net Integration Position (pre-tax)

[CHART]

Cost synergies in line with business case, however newly identified synergies offset by increased processing costs in NZ

Revenue attrition improved modestly on business case

Revenue synergies substantially upgraded from business case

Integration costs \$230m

~10% will be met by restructuring charge included in the calculation of goodwill

~10% relates to equipment that will be capitalised

~10%-15% relates to the cost of existing resources

Integration Costs: where we will spend \$230m

[CHART]

Cost Synergies*: where we will save \$110m p.a.

[CHART]

Revenue Synergies*: where we will create revenue benefits

[CHART]

* Synergies are based on percentage of 2007 benefits

Integration timetable*

[CHART]

* selected business units

Business summary

Consumer & Corporate businesses performing well

Institutional Financial Services de-risking strategy progressing well

New Zealand business and integration on track

A strong foundation for growth

SECTION 6

CEO Review

John McFarlane
Chief Executive Officer

ANZ systematically optimises variables to create value

[CHART]

46

After six years of risk reduction we are now approaching optimal levels

Offshore exposure

International Asset to Group Assets

[CHART]

International NPAT to Group NPAT*

[CHART]

** excludes significant and abnormal items*

Trading Value at Risk#

[CHART]

Average daily Value at Risk at 97.5% confidence interval

Our strategy is to grow sustainable earnings at low volatility

NZ makes our earnings less volatile

Although NZ alone is more volatile than group, diversification results in NZ creating lower overall volatility at a group level

Volatility in ANZ 6 monthly NPAT growth over past 10 years*

[CHART]

Wealth management's susceptibility to globalisation and rapid fade likely to impact future returns

Wealth management earnings are more volatile than banking

Global scale base is important to develop systems, platforms, and brands

The ING JV delivers a sustainable position with scale, with low volatility to ANZ, particularly with equity risk hedged

Volatility in 6 monthly NPAT growth significantly higher in Wealth Management#

[CHART]

**as measured by one standard deviation from mean half yearly profit growth (or exchange rate movement) over past 10 years*

Wealth management includes listed wealth management companies and WM operations of major banks, and excludes AV uplift and goodwill

We have transformed ANZ into a more sustainable, lower risk business

**Reduction in risk and movement
towards domestic consumer businesses**

**Has significantly reduced earnings
volatility**

**And has not had a material impact on
earnings**

[CHART]

** Standard deviation in six monthly NPAT growth for ANZ, excluding abnormal/significant items*

Value of focus and specialisation

Specialisation and focus yields better return than generalisation from the perspective of individual challenges and tasks, as this Olympic example demonstrates

[GRAPHIC]

The Generalist Mens Decathlon Gold Medal Winner Sydney 2000	65.8m	Specialist premium 37%
The Specialist Mens Individual Event Gold Medal Winner Sydney 2000		90.2m

Event	The Specialists	The Generalists	Specialist Premium	
100m	9.87 s	10.68 s	8%	
110m Hurdle	13.00 s	14.48 s	10%	
400m	42.84 s	46.71 s	8%	
1500m	3 m 32.07 s	4 m 29.48 s	21%	Average out-performance
Discus	69.3 m	43.66 m	59%	
Shotput	21.29 m	15.11 m	41%	23%
Long Jump	8.55 m	7.76 m	10%	
High Jump	2.35 m	2.00 m	18%	
Pole Vault	5.90 m	5.00 m	18%	

Coherence already achieved in Institutional by clustering businesses

Businesses established as distinct units to unleash energy & innovation

In 2002, businesses brought together under Institutional

Very high levels of cross sell achieved, with deep engagement with the customer

Low reliance on trading income

[GRAPHIC]

as it has been in both our Corporate and New Zealand businesses

[GRAPHIC]

[GRAPHIC]

now our focus is on building coherence with personal customers

Retail not a traditional strength for ANZ. Creation of specialist businesses necessary:

brought focus to this area

unleashed energy and innovation

prevented smaller network constraining growth through third-party and specialist distribution

Product businesses have grown strongly and achieved scale

Businesses now have sufficient strength and momentum that synergies and growth are possible, but coherence against customer now vital

[GRAPHIC]

ANZ has successfully mastered each stage from performance through to specialisation. Focus now on coherence, growth and sustainability

THE ANZ JOURNEY

[CHART]

A solid result with good foundation and prospects

Solid first half, clean result

Accretive New Zealand acquisition. Market leadership in all segments. Integration and synergies on track

Business mix inherently domestic, more sustainable

Businesses now clustered around customers for revenue enhancement with emphasis on growthEconomic environment positive with global upturn. Housing and consumer segments softer, institutional, corporate and SME stronger

Businesses now clustered around customers for revenue enhancement with emphasis on growthRisk radically reduced towards optimal

Businesses now clustered around customers for revenue enhancement with emphasis on growthANZ s execution capability a strength

Businesses now clustered around customers for revenue enhancement with emphasis on growth

**We remain
confident about
our prospects
for the year as a
whole**

SECTION 7

Supplementary Information

Impact of unwinding TrUEPrS and issuing StEPS

	TrUEPrS	StEPS
Background		
Issued	Sept/Nov 1998	27 Sep 2003
Amount	USD0.775b	AUD1b
Cost of dividend	8% Fixed	BBSW Floating
Called	1H04	
P&L impact		
Income	Swap (<i>difference between 8% fixed and BBSW plus margin</i>)	No impact
Tax	Tax on swap income Credit for dividend paid	Credit for dividend paid
NPAT	Net swap income	No impact
EPS Impact		
Preference Dividend	8% Fixed	BBSW
Net Cost	BBSW + Margin	BBSW + Margin

Mortgages portfolio remains sound

Mortgages Portfolio continues to experience strong growth.

ANZ Lo Doc policy requires a maximum LVR of 60%, maximum loan size \$450k and is only available for standard residential and minimum credit standards.

Strong growth in the mortgage portfolio

[CHART]

Strong LVR profile

[CHART]

Portfolio by product

[CHART]

Specific provisions down 27% on 2H03 - no large single provisions

Specific Provisions

[CHART]

1H04 Specific Provisions by size

[CHART]

Offshore power exposure reducing, with markets showing signs of improvement

Total Limits Split by Geography

[CHART]

KMV Median Expected Default Frequency

[CHART]

ANZ's exposure to offshore Power companies has reduced by 23% in the past six months, with the portfolio becoming increasingly Australasian-centric. Domestic markets will continue to be buoyed by traditional non-diversified, regulated, investor-owned businesses.

Furthermore, KMV Median Expected Default Frequencies indicate that offshore power markets are recovering. Credit quality erosion is now abating, with the liquidity crunch faced by merchant energy companies in 2002/03 from the backlog of debt rescheduling now largely alleviated.

The quality of the Telcos book continues to improve

Total Telcos Limits(1)

[CHART]

March 2004

Outstandings: \$1.69bn (49%)

Other Committed: \$1.01bn (29%)

Uncommitted: \$0.78bn (22%)

KMV Median Expected Default Frequency

[CHART]

Note:

1. *Excludes Settlement Limits but includes Contingent and Market-Related products.*

Group risk grade profile

ANZ Group - Outstandings

[CHART]

Geographic risk profiles

Australia & New Zealand

[CHART]

International

[CHART]

	Sep-02	Mar-03	Sep-03	Mar-04	Sep-02	Mar-03	Sep-03	Mar-04
B+ to CCC	2.8%	2.3%	2.3%	1.7%	4.3%	4.9%	6.0%	4.1%
Non Accrual	0.7%	0.4%	0.4%	0.4%	2.4%	4.6%	4.6%	3.3%

Existing and future problem loans are well provided for

The period 1998 through March 2004 has seen Group GP trend down to 98bps, consistent with the sustained de-risking of the Group lending book.

As at March 2004, gross non-accrual loans were 45bps of GLAs. Of this, 44% was covered by specific provisioning.

Group levels of general provisioning and specific provision cover compare favorably with Australian banking peer group.

Specific Provision/Non-Accrual Loans

[CHART]

General Provision/RWAs

[CHART]

Note:

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

Proactive reduction in volume of Top 10 client committed exposures

Implementation of credit management policies to diversify the loan book exposure, has resulted in reducing the client concentration risk, despite the inclusion of NBNZ exposures. This has been achieved through reducing the volume of Top 10 client committed lending.

Sustained management of client exposures has reduced the sensitivity of the capital base of Top 10 clients (to 68% of ACE in March 2004 from 75% of ACE September 2003).

Top 10 Committed Exposures

[CHART]

Top 10 Lending Exposures as % of ACE(1)

[CHART]

Note:

(1). March 2004 derivative exposures were calculated using a Monte Carlo model to calculate ANZ's potential credit loss. The impact in moving to this methodology reduced the above ratio by 4.4 percentage points in comparison to ANZ's previous methodology.

Concentration risk addressed in business and corporate lending book through management cap on industry exposure

Management has reduced concentration risk in ANZ's business/corporate loan book by limiting industry exposure to 10% of ANZ Group GLAs

Increased diversification of business/corporate lending portfolio across industry segments since 1993 has been accompanied by reallocation of business/corporate lending capacity to retail lines of business

% of ANZ Group Lending Assets

(Australia and New Zealand)

[CHART]

Industry exposures Australia & NZ (excl. NBNZ)

**Health & Community
Services**

[CHART]

Cultural & Recreational Services

[CHART]

Forestry & Fishing

[CHART]

Mining

[CHART]

Personal & Other Services

[CHART]

Communication Services

[CHART]

Finance - Other

[CHART]

Transport & Storage

[CHART]

Utilities

[CHART]

Finance Banks, Building Soc etc.

[CHART]

Accommodation, Clubs, Pubs etc.

[CHART]

Construction

[CHART]

**Real Estate
Operators & Dev.**

[CHART]

Retail Trade

[CHART]

Agriculture

[CHART]

Manufacturing

[CHART]

Wholesale Trade

[CHART]

Business Services

[CHART]

ANZ Group Structure 2004

[CHART]

70

ANZ Specialist Business Structure 2004

[CHART]

**Matrix*

ING JV benefits from markets upturn

NPAT increased 5% over the half driven by:

Higher fee income arising from growth in funds under management (FUM)

Higher capital investment earnings, up 7% due to strong equity markets and rising interest rates. These were partially offset by ANZ s capital hedge losses.

Costs remained flat due to tight expense control

INGA maintained its number four Retail FUM position as measured by ASSIRT

Most recent review of valuation model and assumptions performed by Ernst & Young at September 2003 confirmed current carrying value.

Valuation will be performed at least once a year and more often if there is a significant change in circumstances that is likely to impact the value

Current JV Valuation

	\$m
ANZ Contribution to JV	879
Equalisation payment	960
Unrecognised profit on sale of ANZ FM	(248)
Equity accounted profit since inception	100
Carrying value ay Mar-04	1,691

**Strong Retail FUM growth
since JV inception**

[CHART]

**INGA NPAT and ANZ net return
improving with market conditions**

[CHART]

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

or contact

Simon Fraser

Head of Investor Relations

ph: (613) 9273 4185 fax: (613) 9273 4091 e-mail: simon.fraser@anz.com