

# *Perform Grow and Breakout*

Australia and New Zealand Banking Group Limited  
May 2002

# Outline

## Perform

- Interim result highlights

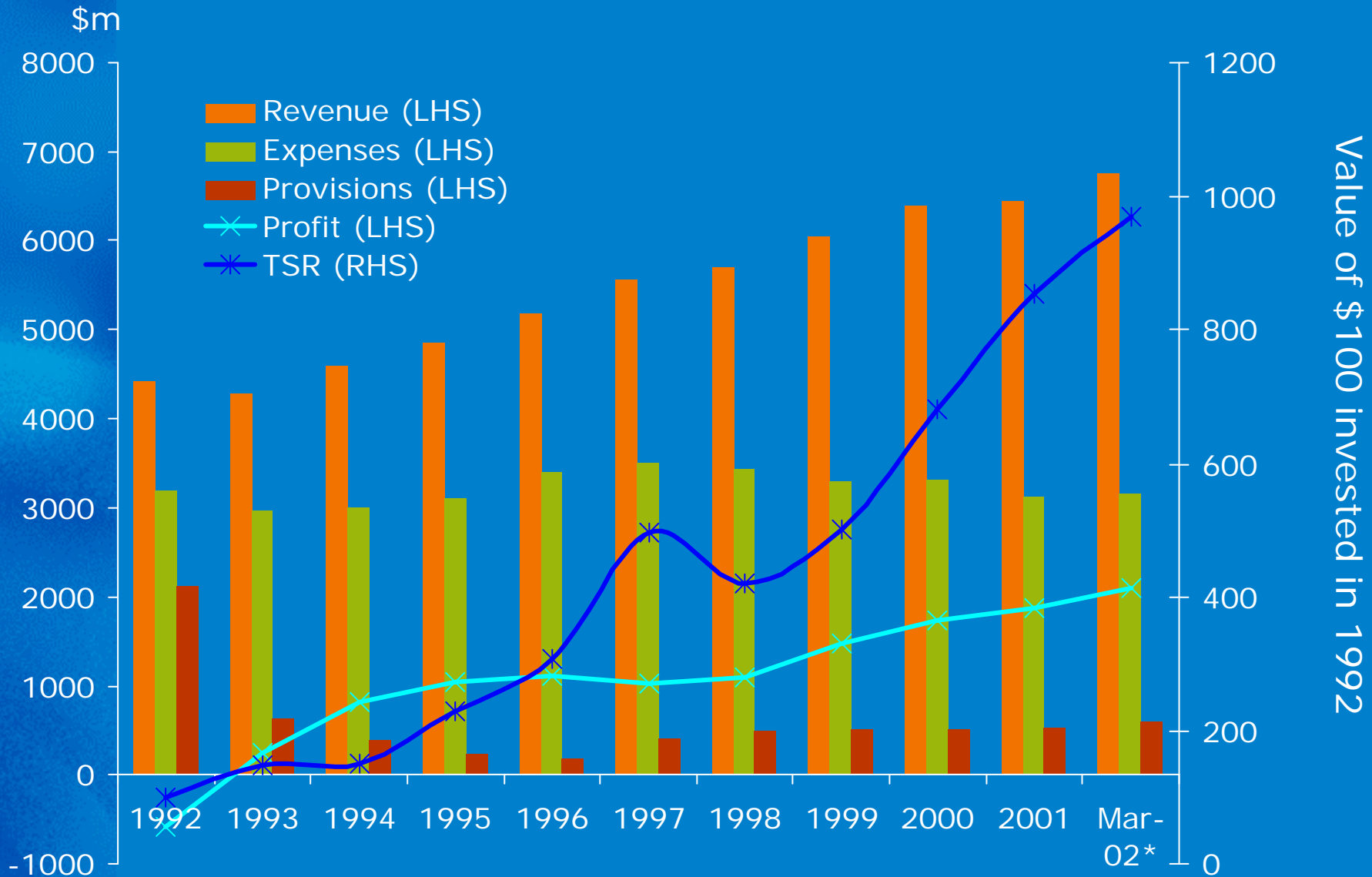
## Grow

- Organic out-performance
- Portfolio reshaping
- Transformational moves

## Breakout

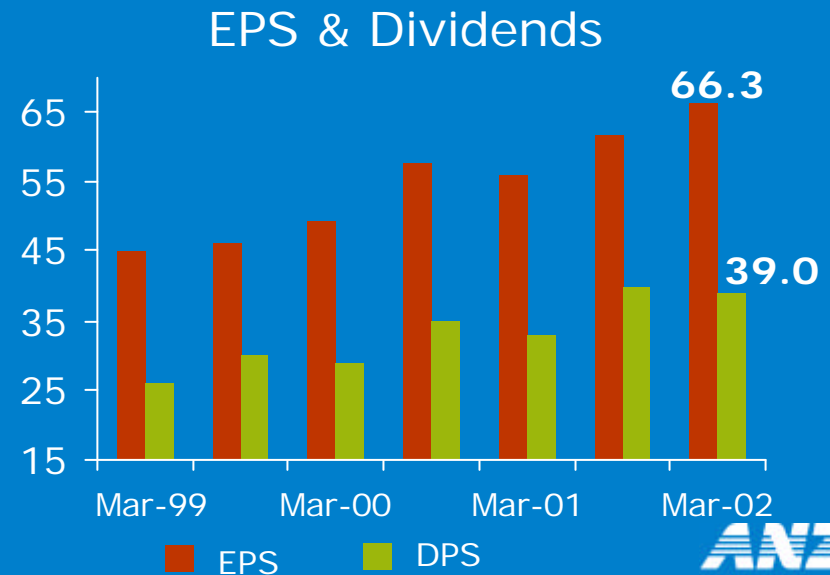
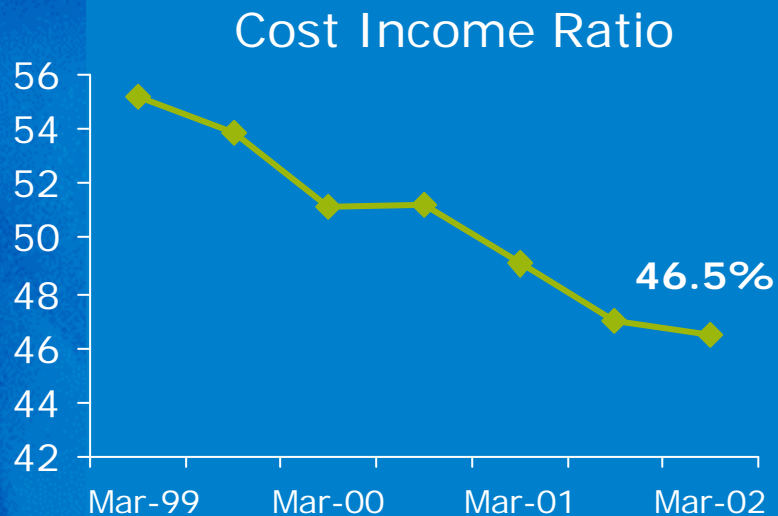
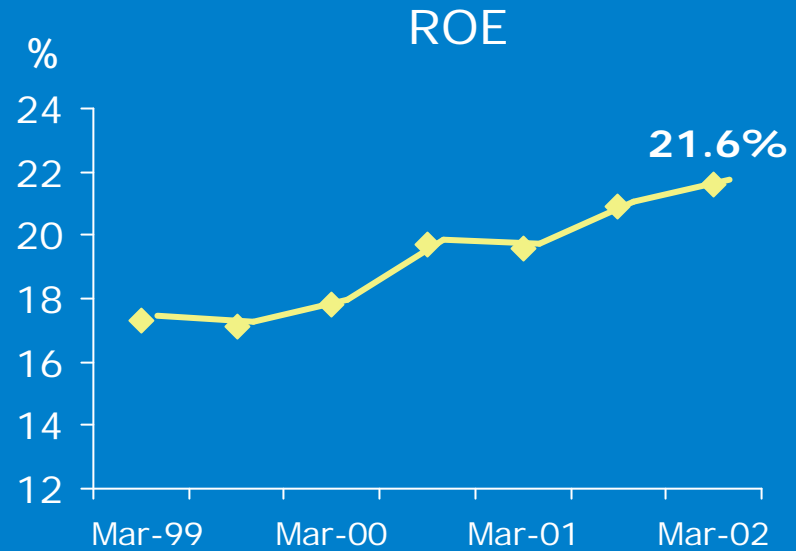
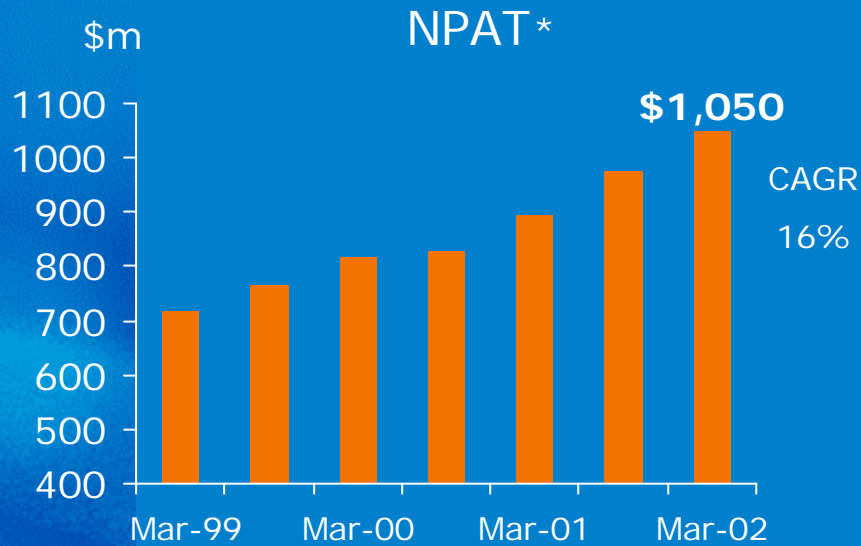
- Cultural change

# Repositioning, then new momentum



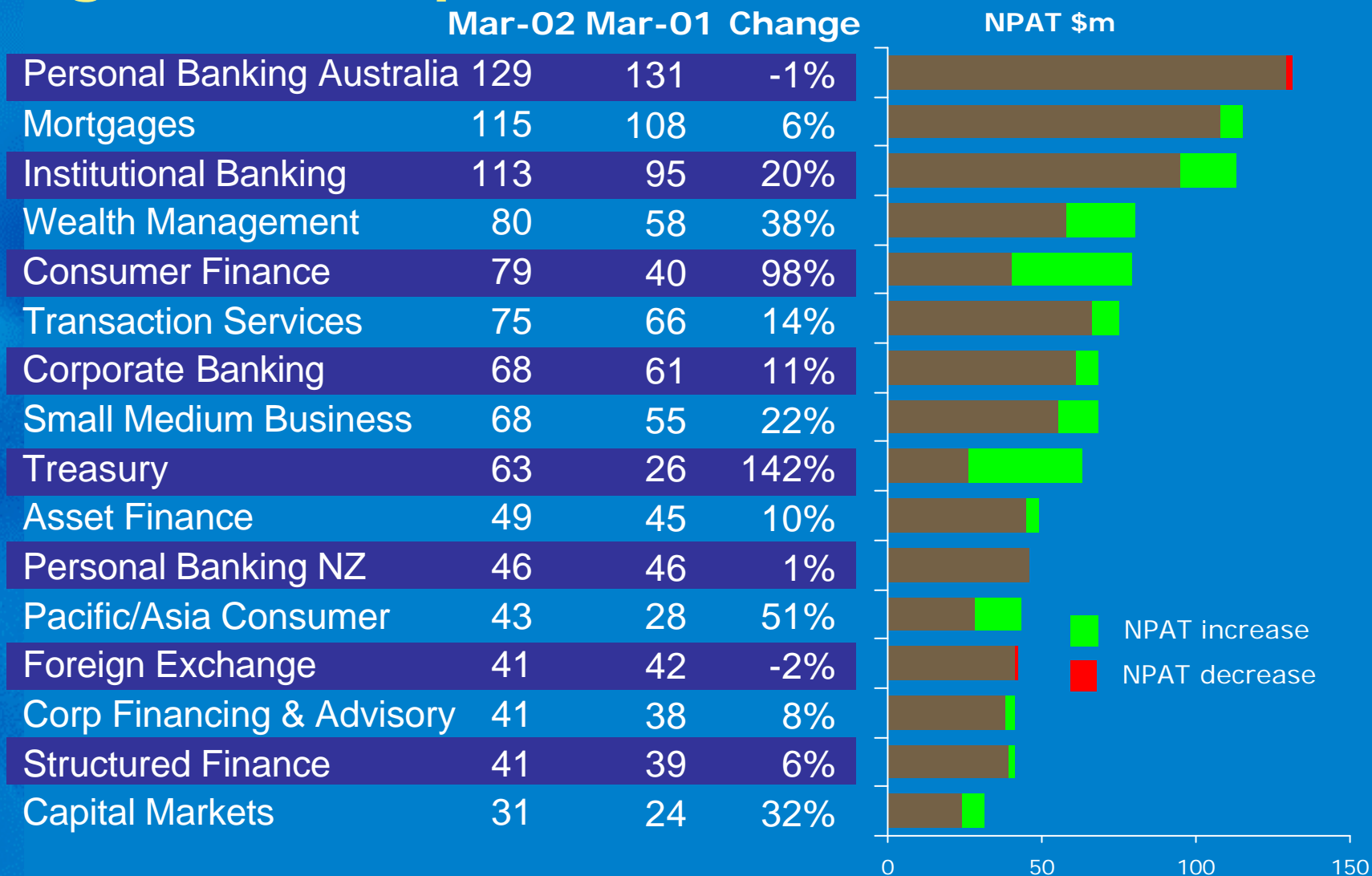
\* Mar-02 annualised

# We are building a track record of delivering strong financial performance

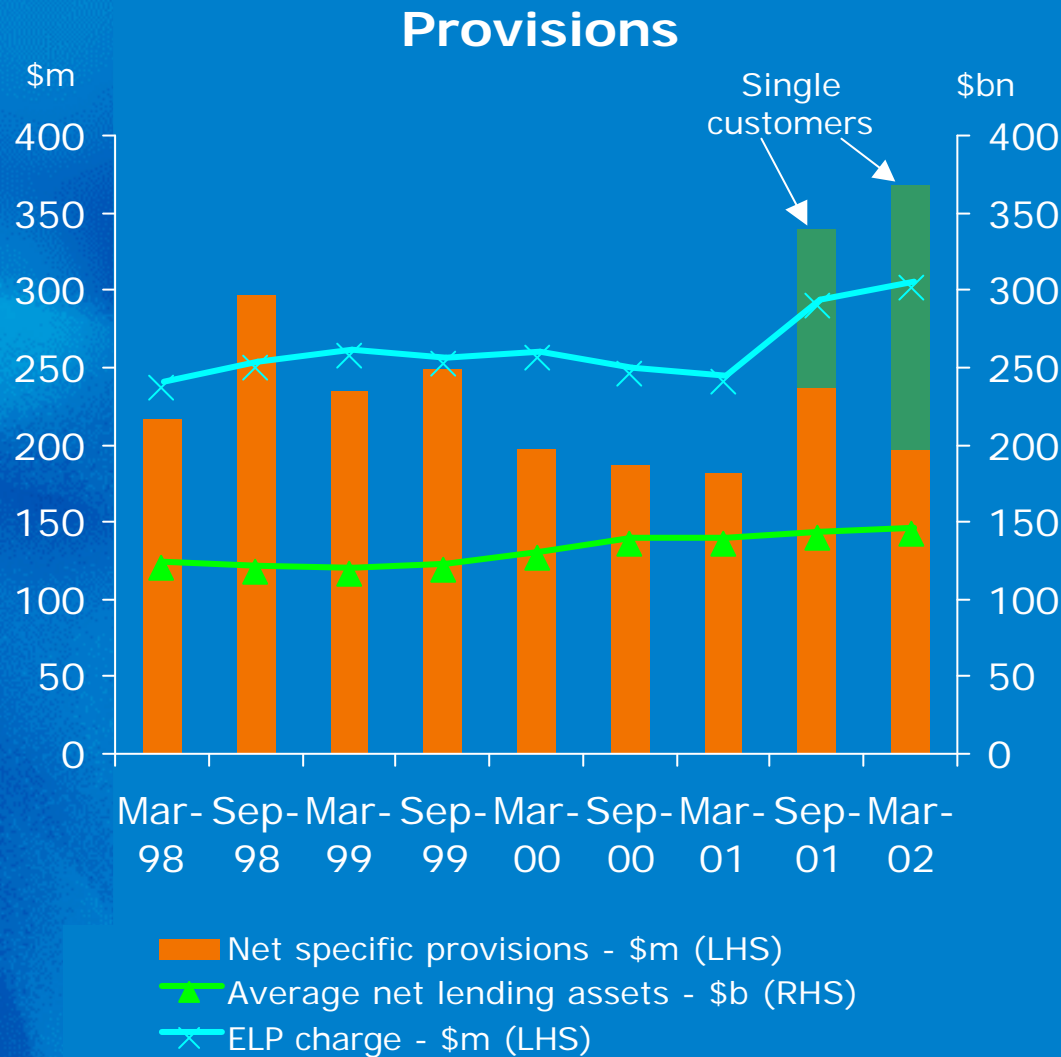


\*Sep 00 – adjusted for discontinued businesses

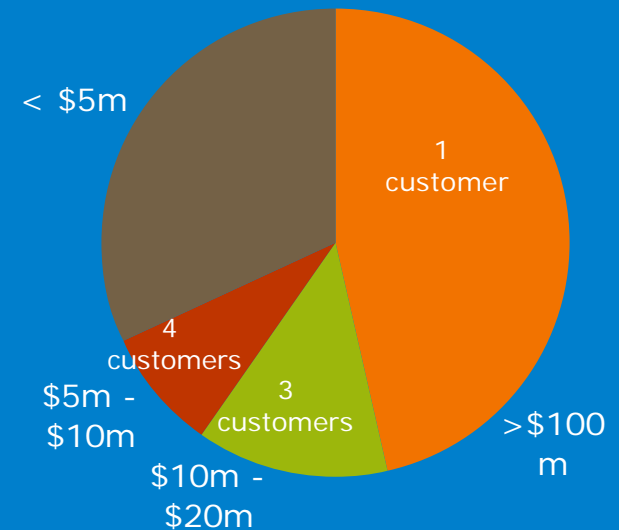
# Most businesses recorded good profit growth on prior March half



# Specific provisions impacted by a single corporate collapse

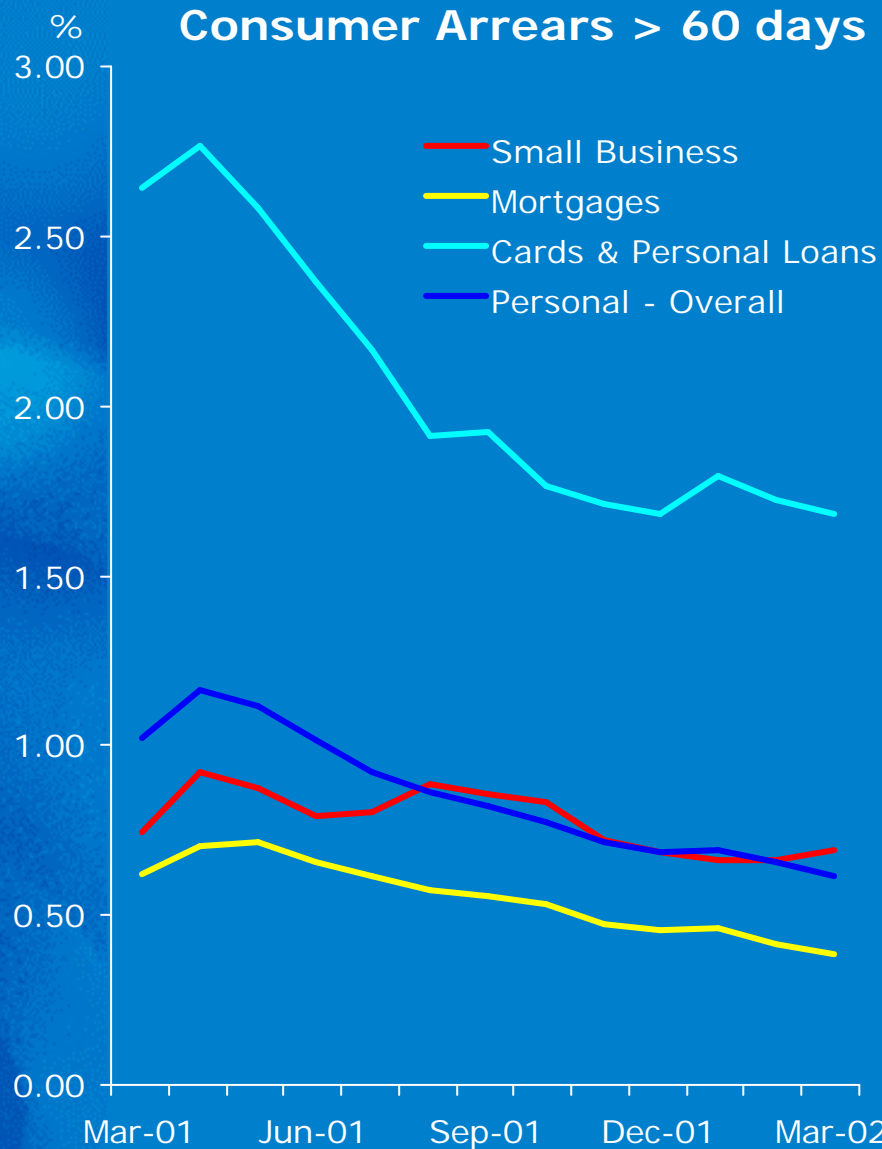


### Mar-02 Specific Provisions by size

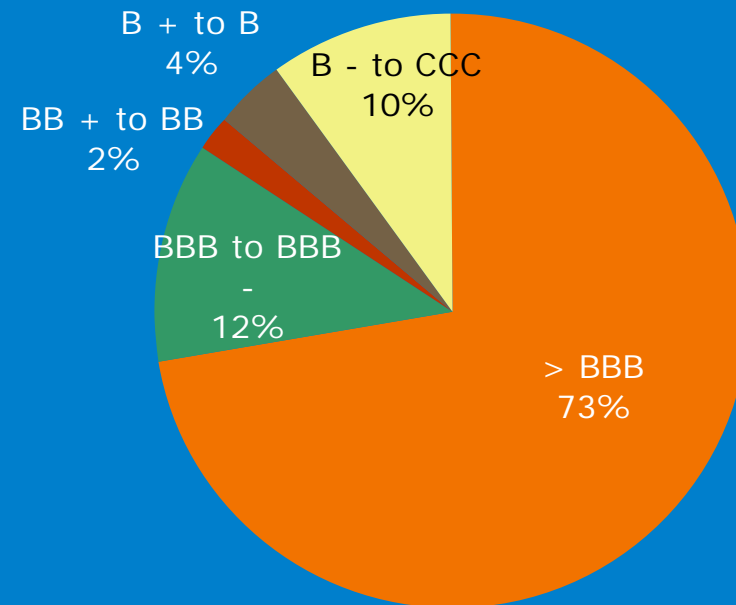


- Only 4 customers with specific provisions greater than \$10m
- Excluding Enron, specific provisions declined 42%

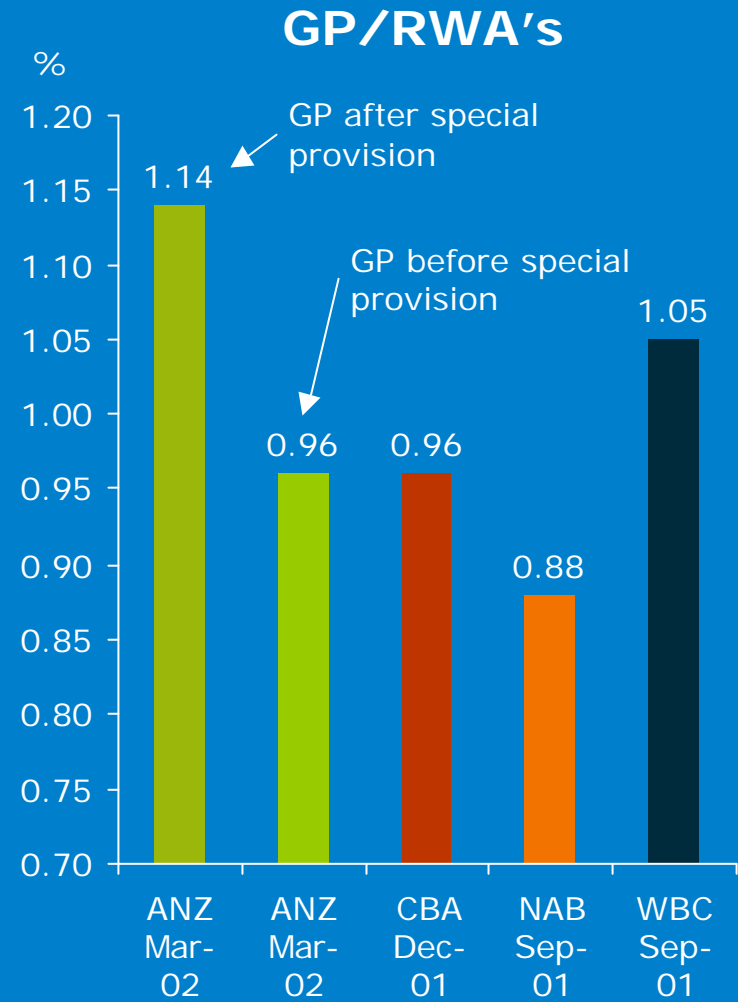
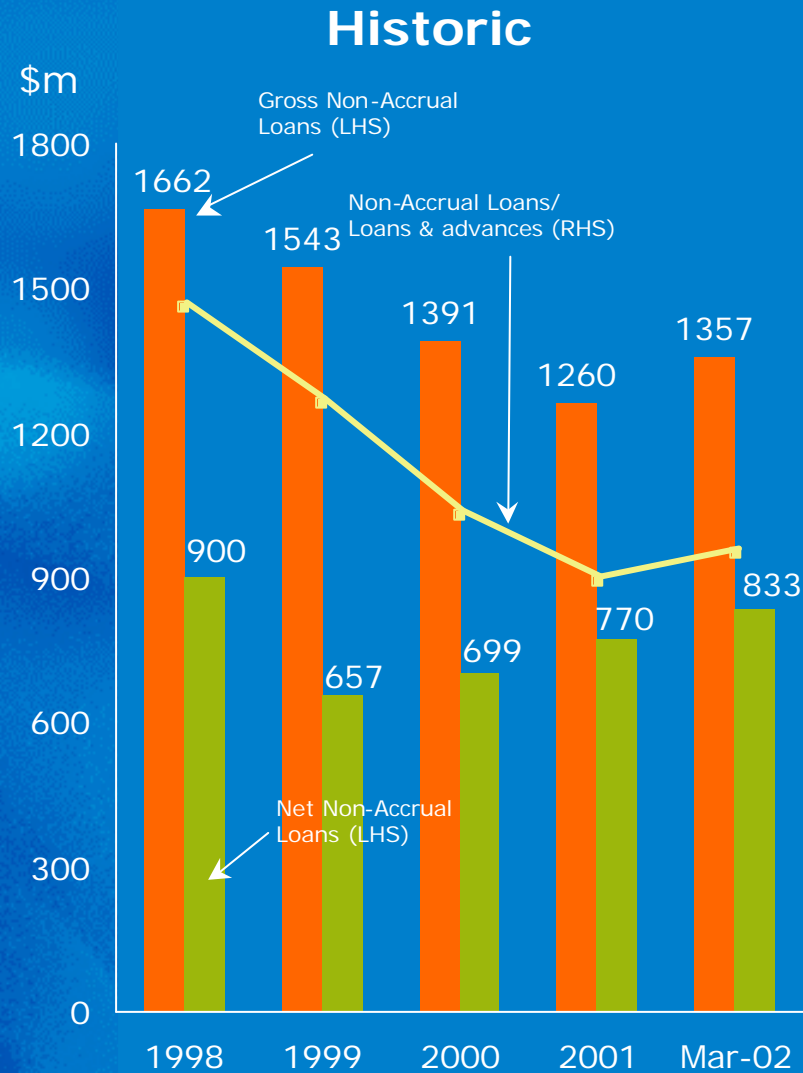
# Consumer portfolio healthy, corporate portfolio impacted by fallen angels



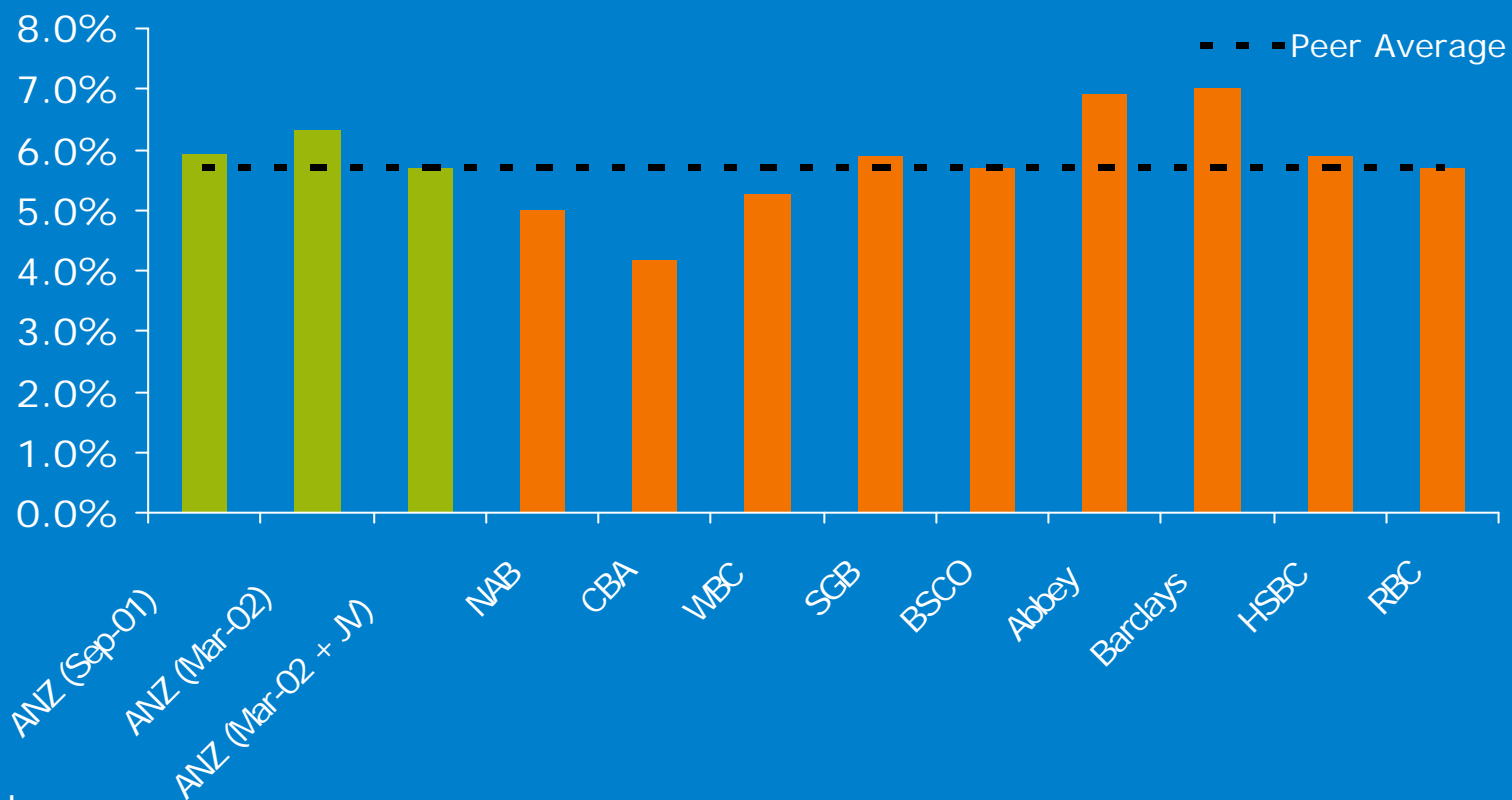
**March 2001 ratings for First Half 2002 new corporate non accrual loans**



# Overall credit quality position is sound



# ANZ's adjusted common equity to RWA in line with peer average



## Notes

- Excludes mortgage servicing rights.
- Calculation excludes the fact that the Australian banks' GP/RWAs is approx. 40bp higher than the average of the UK and Canadian banks.

# *Our Growth Agenda*

# Our growth agenda – three drivers for sustainable growth

## Organic out-performance

- Extend specialisation
- Grow customer numbers
- Increase share of wallet
- Drive productivity

## Portfolio reshaping

- Invest in high growth areas
- Build specialist capabilities
- Exit weak positions
- Risk reduction

## Transformational moves

- Step changes in positioning
- Creating new growth options
- Proactively shaping industry

## Our targets

- Revenue growth materially higher than expense growth
- Take business units to sustainable leadership positions
- Build a range of strategic options

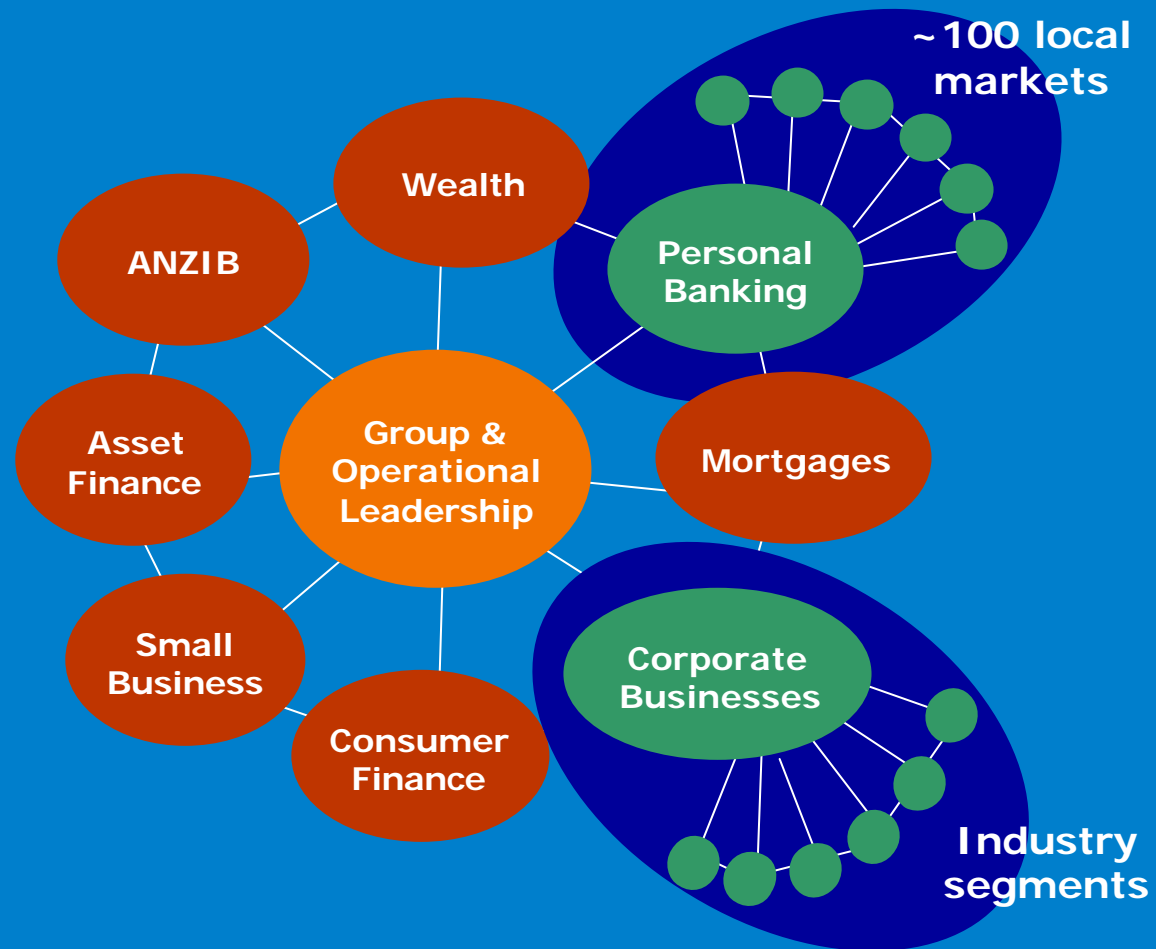
# Taking specialisation deeper into the portfolio

Further specialisation will unleash substantial energy

- 200 businesses, 200+ terrific jobs
- Strategic corporate centre
- Flatter organisation, less bureaucracy



4 people between the CEO and the front line



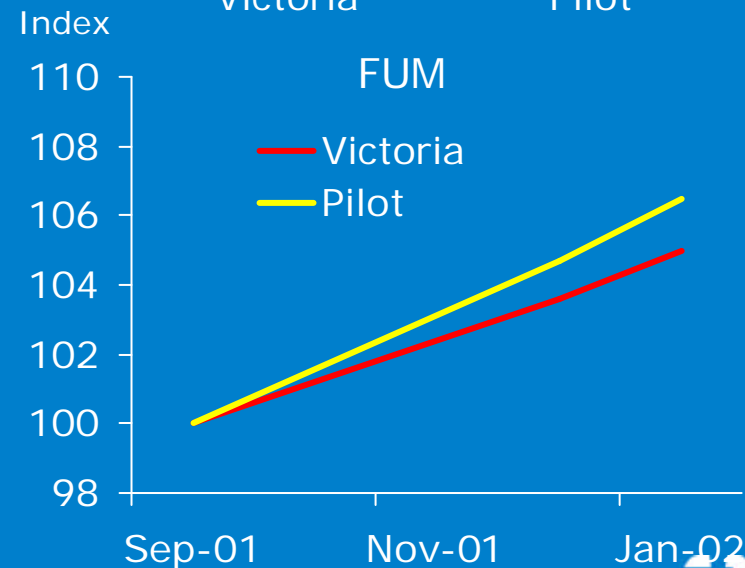
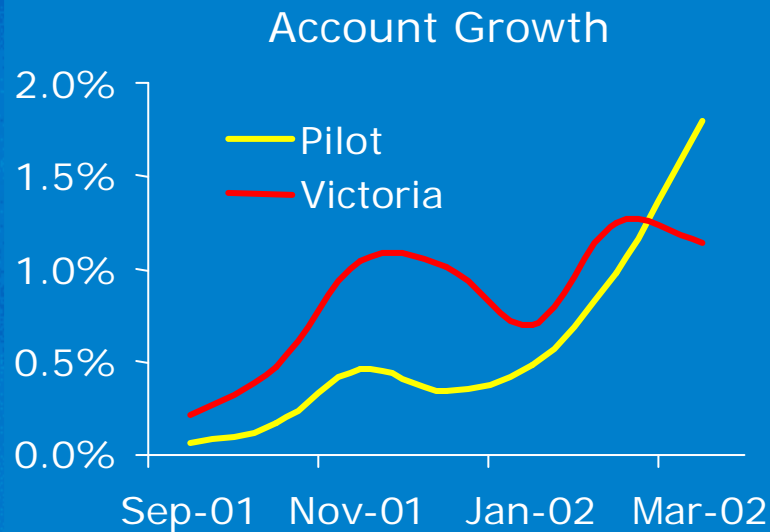
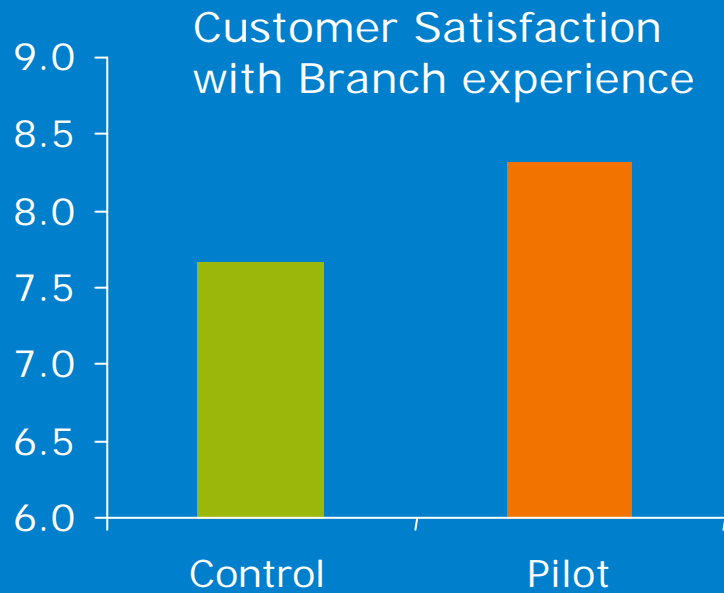
# Transforming the personal customer experience

## Taking Specialisation to the Frontline

- Approximately 100 local market-based businesses
- Local Market Managers - Local CEOs
- Create autonomy to set local strategies
- An ownership culture among staff – 'Think like a customer, act like an owner'

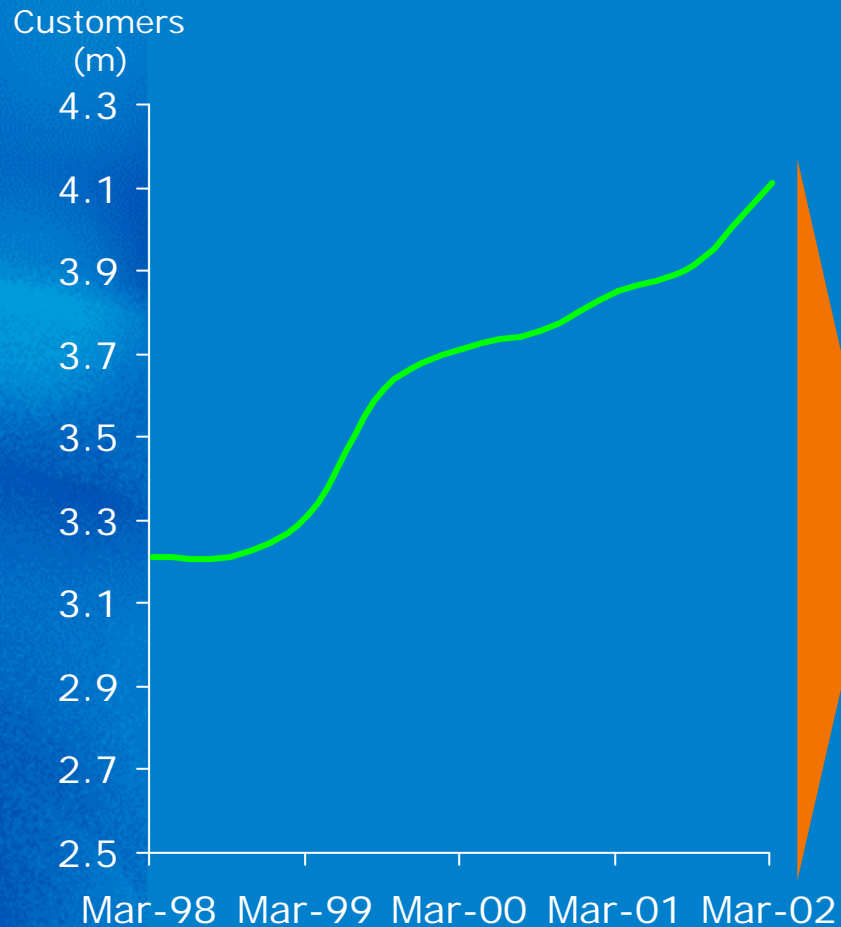


# Encouraging results from Restoring Customer Faith pilot



# Acquiring more customers...

## Initial product success has driven customer growth



- **Cards account for more than 50% of new customers**

## Broadening sources of customer acquisition

- **Restoring Customer Faith delivering a distinctive experience for customers**
  - Reduce churn
  - Attract customers
- **Leveraging ING JV in Wealth**
- **Whilst enhancing leadership in Cards and regaining momentum in Mortgages**

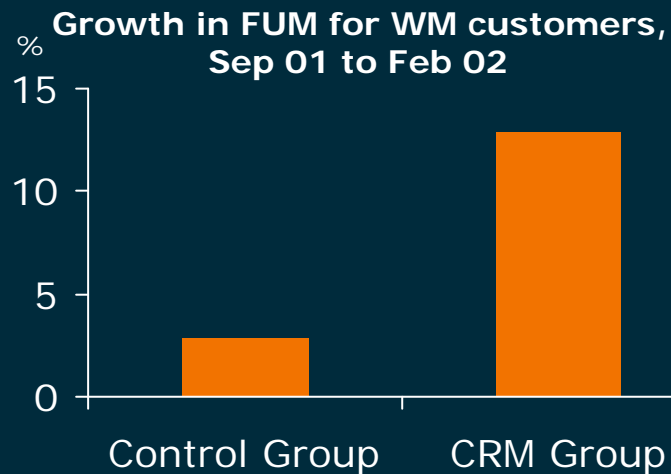
**Target**  
**1 million**  
**new**  
**customers**

# ...and winning more business from each customer

## Personal Businesses

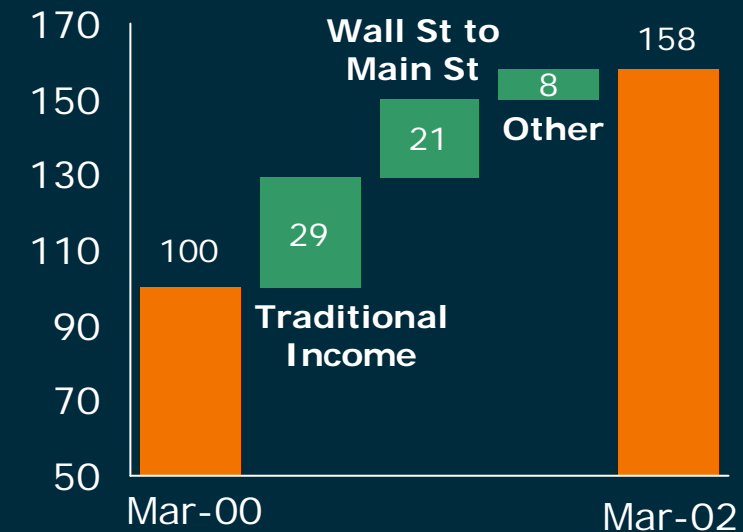
### Leveraging CRM

#### Example



## Corporate Businesses

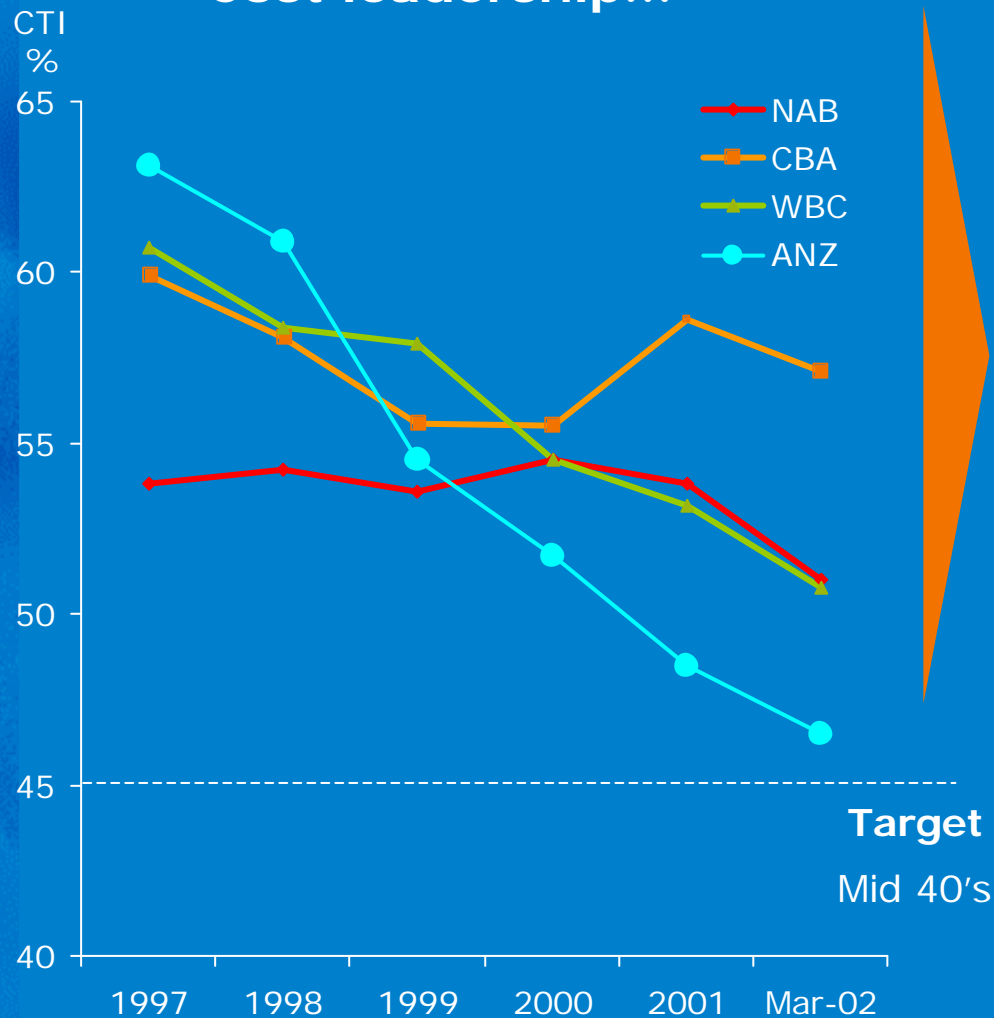
### Wall Street to Main St\*



- Extend our NIACC expertise into our personal businesses and small business
- Leverage our JV with ING to grow sales of wealth products
- Increasing sales force numbers and effectiveness

# Continuous productivity improvement provides capacity to reinvest in growth

## Cost leadership...



## ...with more to come

- Further expansion of straight through processing
- Re-engineering processes from a customer perspective
- Outsourcing or partnering with best practice providers

# Our growth agenda – three drivers for sustainable growth

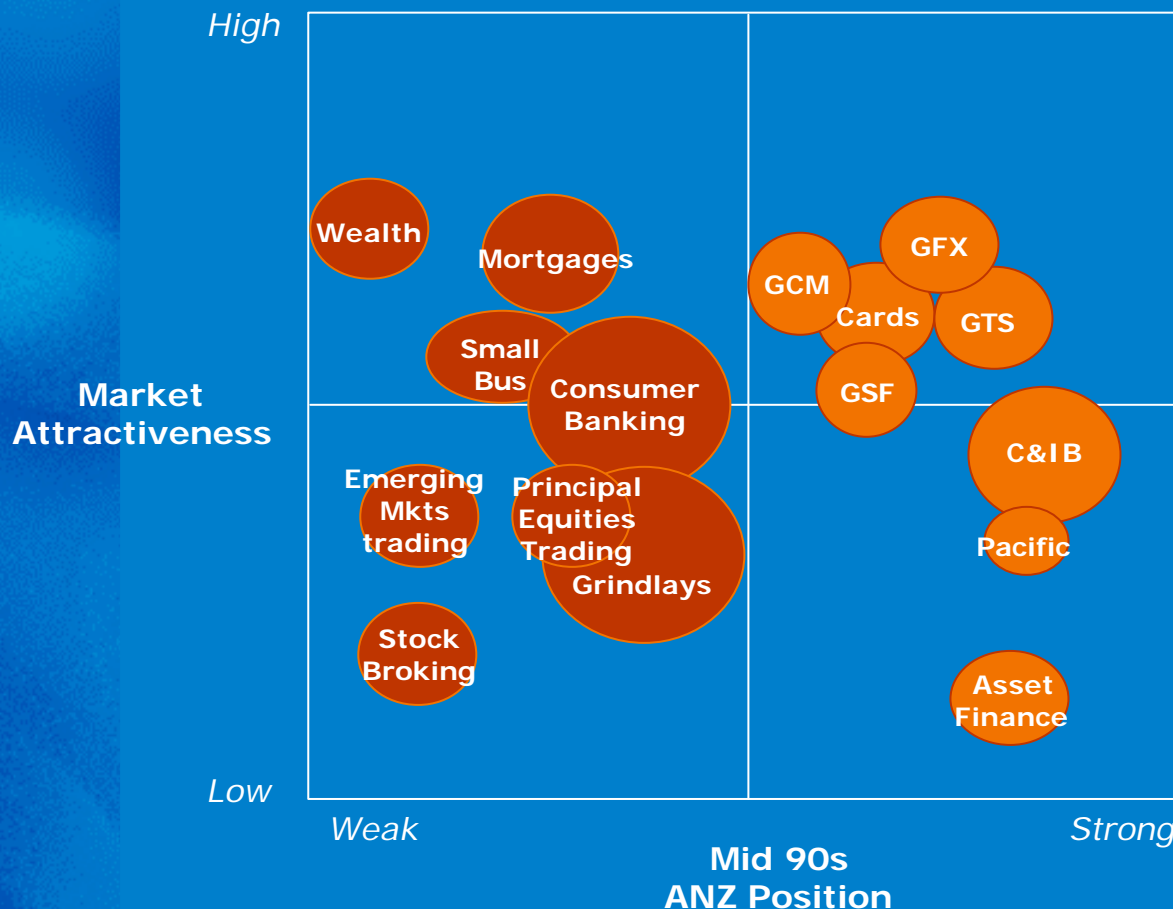
**Organic  
out-performance**

**Portfolio  
reshaping**

- Invest in high growth areas
- Build specialist capabilities
- Exit weak positions
- Risk reduction

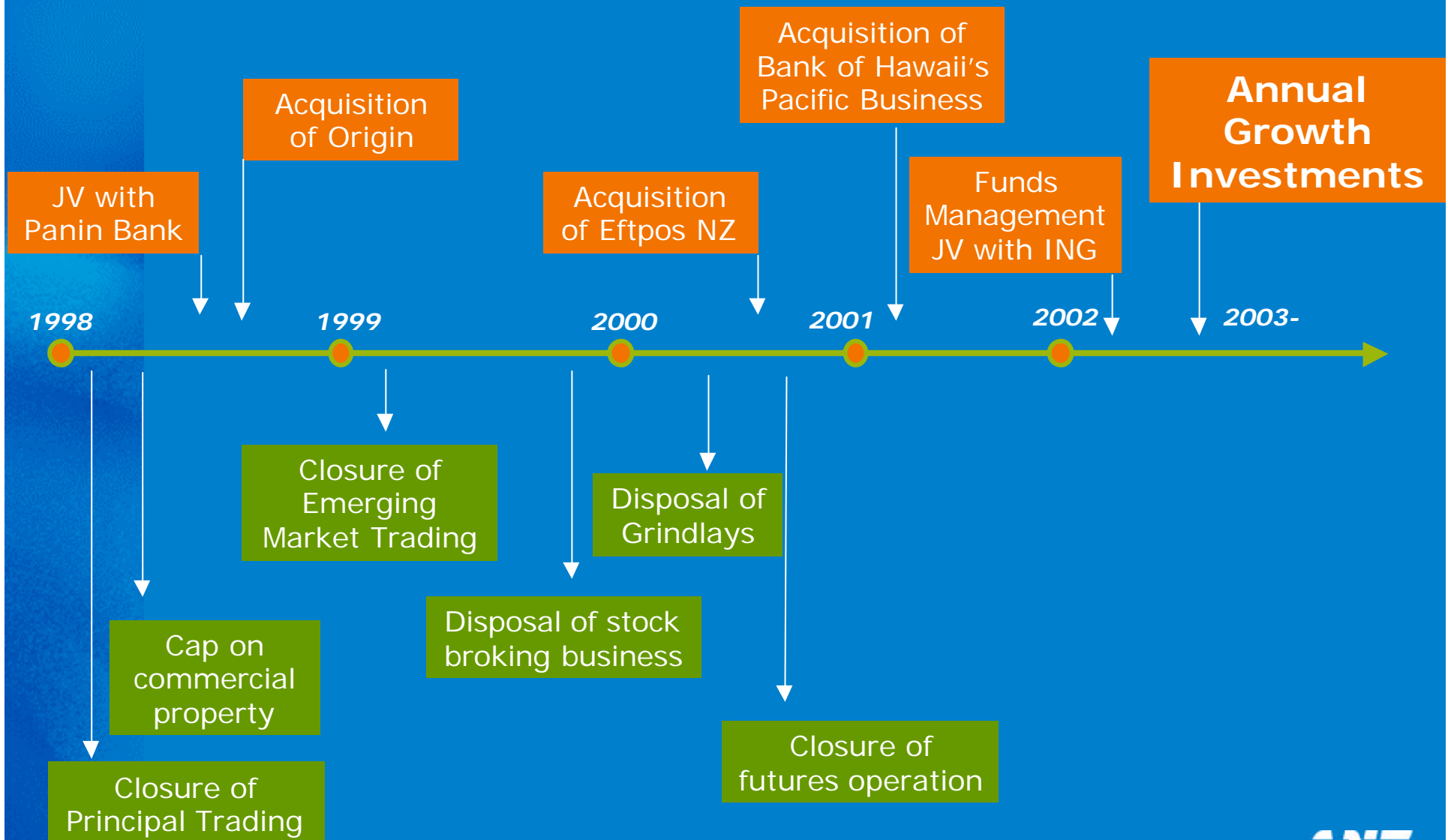
**Transformational  
moves**

# Historically, we had a number of weak positions

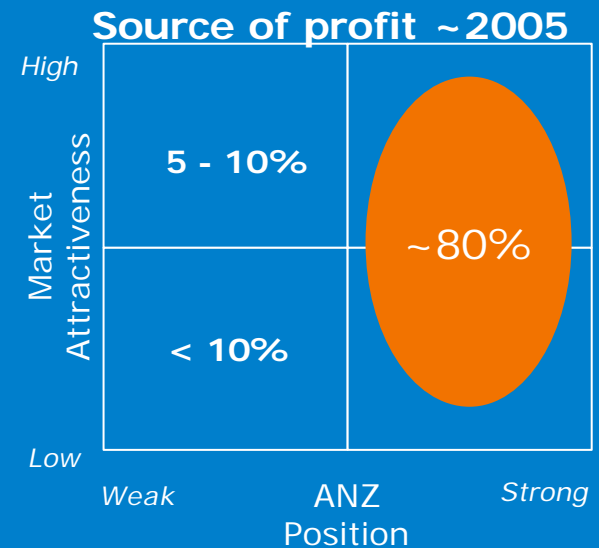
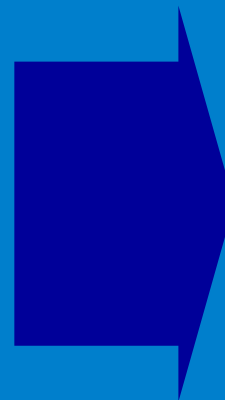
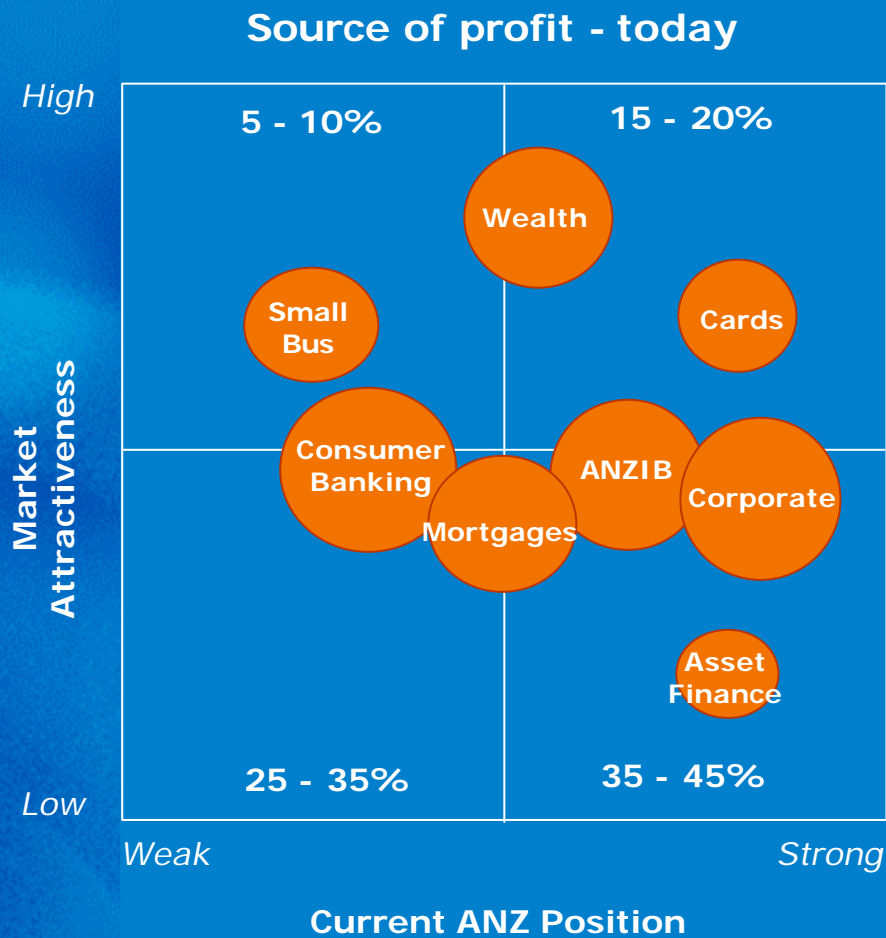


- Earnings from volatile country markets
- Exposure to non-core business with limited capability
- Poor understanding of risk positions
- Poor capabilities in some core domestic markets
- Strong corporate business, resulting in portfolio being skewed toward corporate assets

# We are actively reshaping the business mix and investing for growth...



# ...to build an improved, more sustainable portfolio



# Our JV with ING creates a unique strategic position in a high growth sector

Bringing together complementary strengths

## ANZ

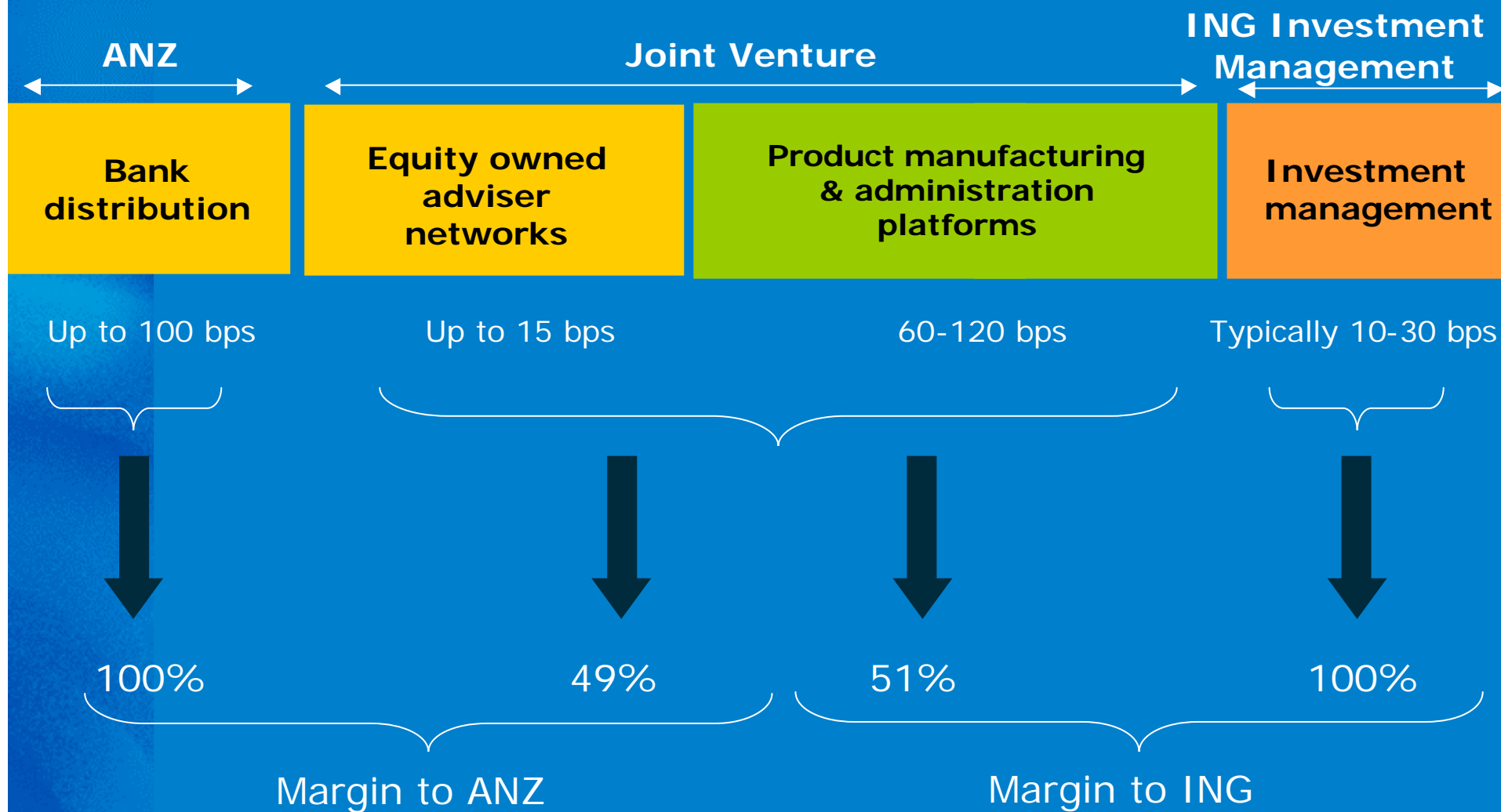
- Large distribution network
- High value customer base
- Untapped opportunity
- Specialist approach

## ING

- Global capabilities
- Brand & investment strength
- Strong adviser networks
- Bancassurance, JV expertise

- Outstanding customer proposition
- Top 4 position in retail FUM
- Top 5 position in life insurance
- Strong platform for growth

# Sources of FM revenue to JV partners



Note: principle of arms length/market based pricing for all commissions

Margins are indicative only and vary by product



# Our growth agenda - driving sustainable growth on three fronts

Organic  
out-performance

Portfolio  
reshaping

Transformational  
moves

## Our targets

- Revenue growth materially higher than expense growth
- Take business units to sustainable leadership positions
- Build a range of strategic options

# *A Breakout Culture*

# Three critical enablers distinguish ANZ

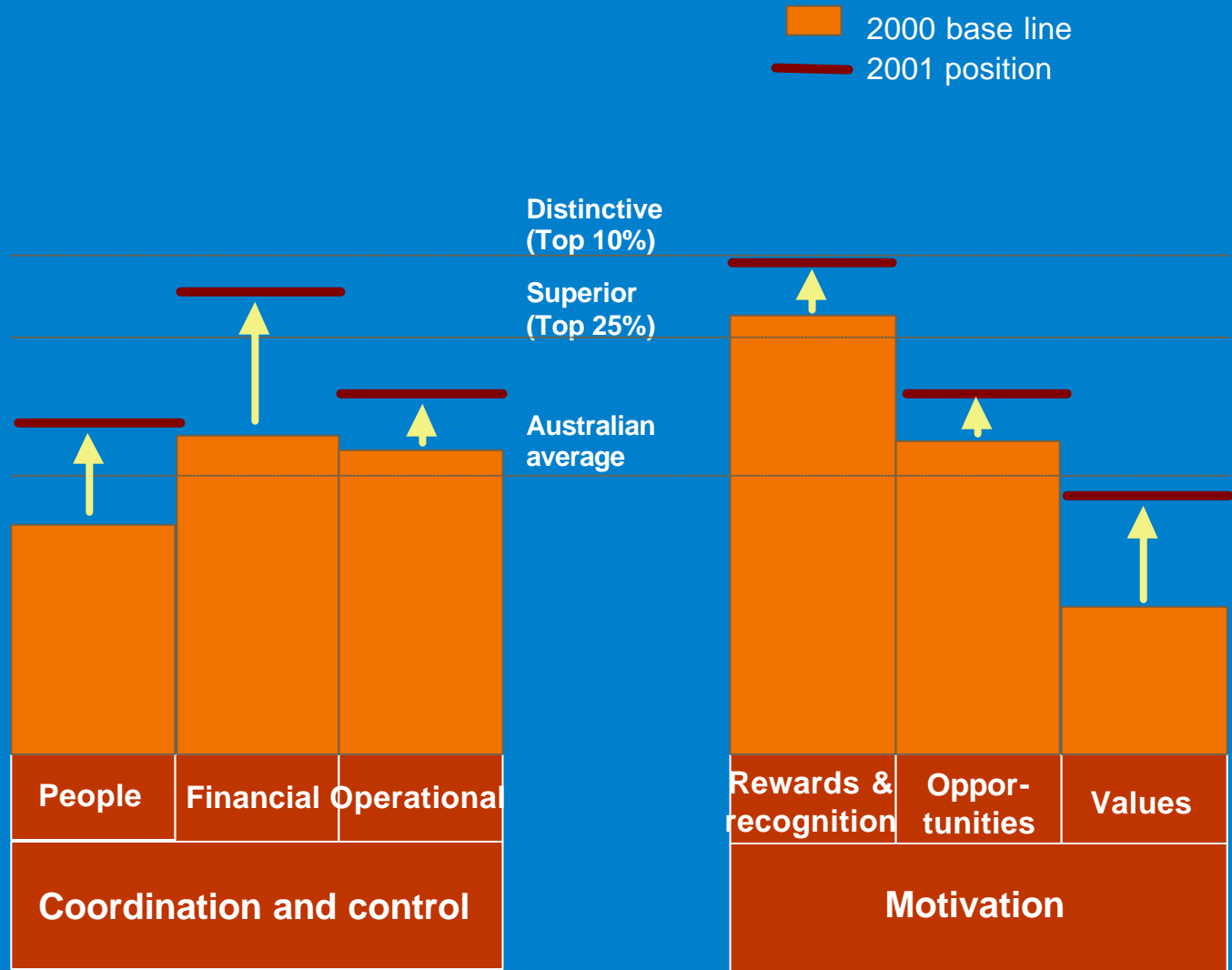
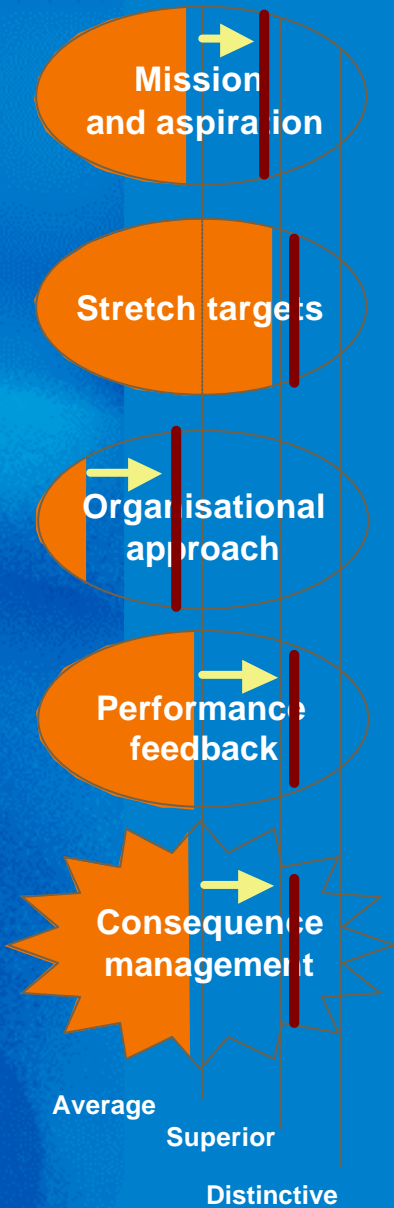
Specialisation Execution Culture

Organic out-performance

Portfolio reshaping

Transformational moves

# Improvement on all fronts in 1 year



\* Benchmark comprises 33 of Australia's Top 50 companies



# Our culture is changing dramatically - improvement in ANZ Values

Accountability  
Achievement  
Customer focus  
Continuous improvement

**In**

**Out**

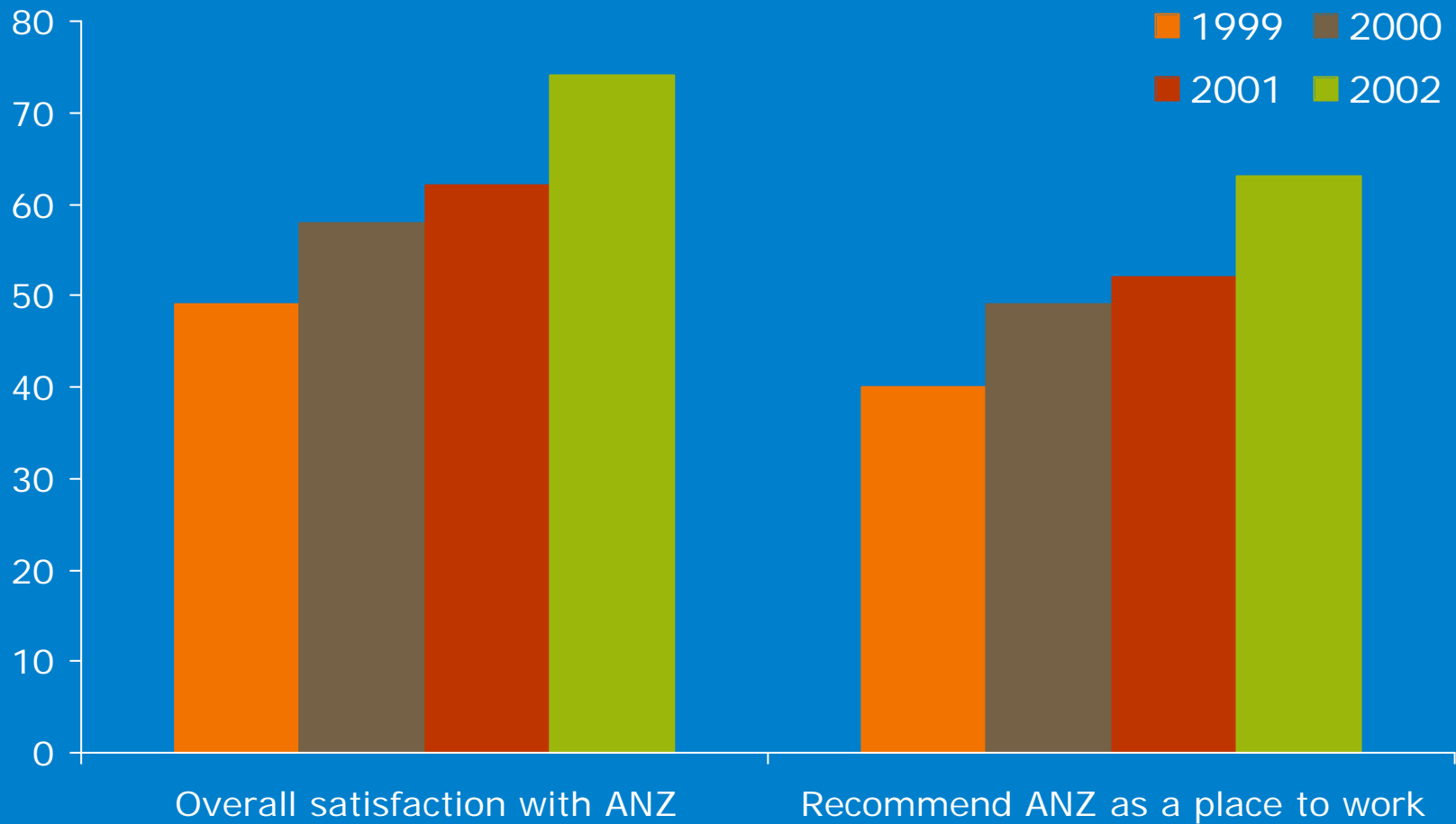
Bureaucracy  
Hierarchy  
Control  
Short-term focus

## **Maintained**

Cost reduction  
Shareholder value  
Results driven  
Profit  
Low risk  
Goals orientation

# Our people are engaged

## Staff satisfaction survey



# All stakeholders key to value creation

## Community

- Maintaining rural branches
- Seniors and welfare banking
- ANZ Community Fund

## Shareholders

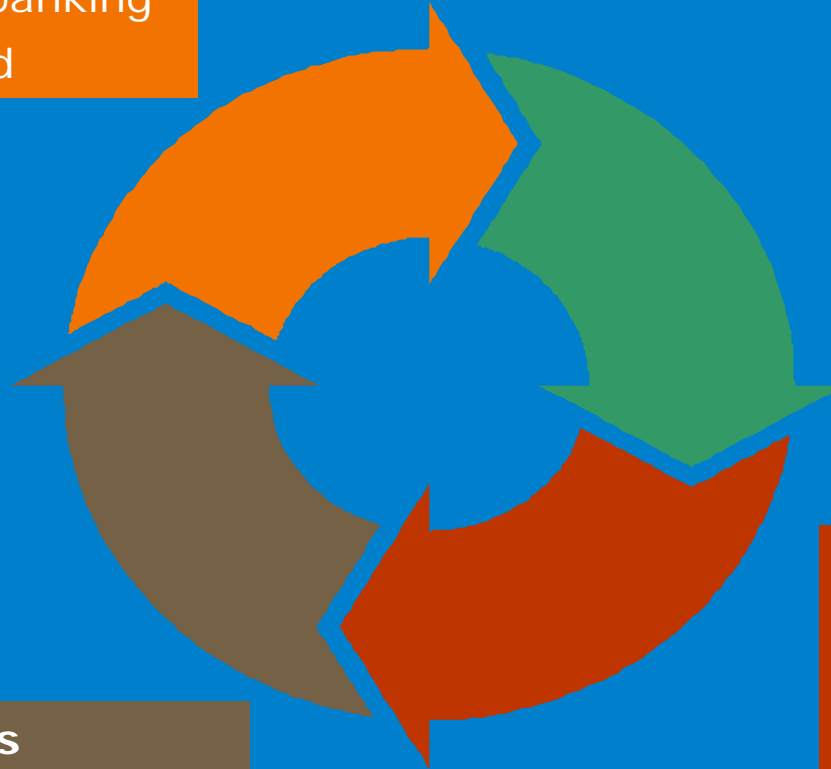
- EPS double-digit
- Cost-Income mid 40's
- ROE above 20%
- Intangible value
- Distinctive disclosure

## Our People

- Performance ethic
- Breakout transformation
- Freedom with accountability
- Stretch incentives

## Customers

- Restoring customer faith
- Simplified accounts and fees
- Ten charter promises



# Results overview

- Strong result in challenging environment
- Clear growth agenda
  - Organic out-performance
  - Portfolio reshaping
  - Transformational moves
- Distinctive strategy
  - Specialisation
  - Superior execution
  - Breakout culture
- Positive second half outlook

## Targets affirmed

- EPS growth > 10%
- ROE > 20%
- CTI – mid 40's
- Maintain AA category



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