

Delivering Operations Excellence

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Agenda

- Progress to date
- Outsource or not?
- Next wave productivity opportunities:
 1. Continuous improvement
 2. Componentisation of technology
 3. Straight Through Processing – through reengineering and simplification
- Conclusion

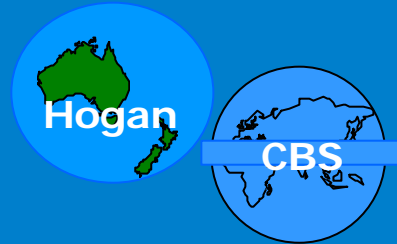
We have rationalised and standardised our infrastructure

Core Systems

1998:
6 major systems



2001



- Simpler systems & platforms reduce cycle times

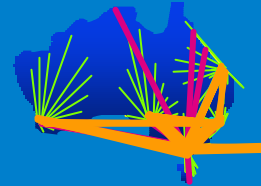
Internet Protocol (IP) network

1998

Multiple data networks



2000



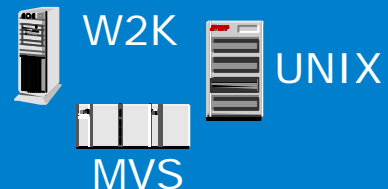
- Single IP Network provides universal connectivity

Platforms

1998:
8+ major platforms



2002



- Greater ability to leverage new technologies
- Lower hardware, software licence fees & support costs

Servers & Desktops

1998

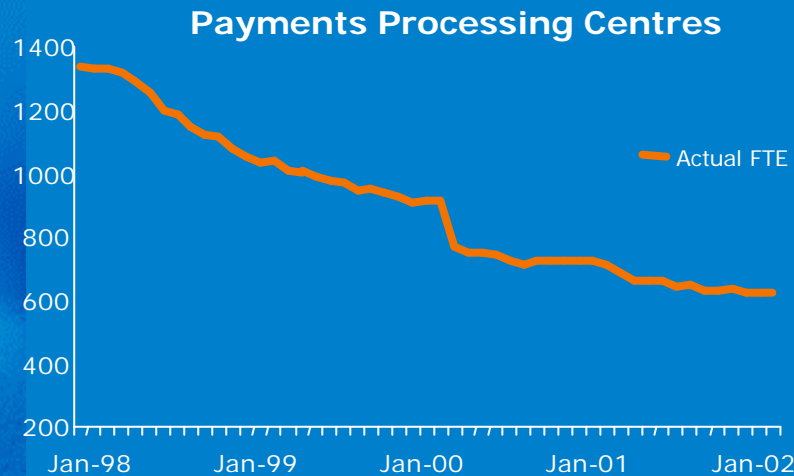


2002

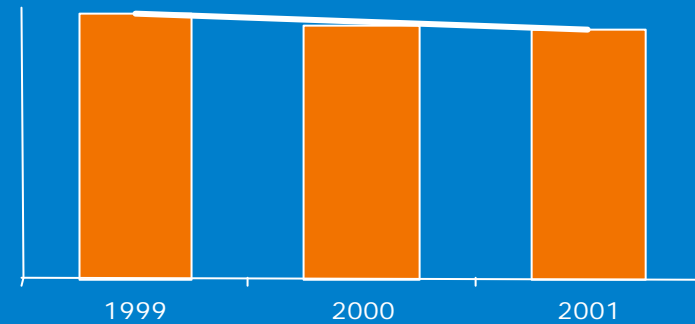


- Provide all staff with best tools possible
- Low cost of ownership through standard solution

Significant business volume growth absorbed as expenses have reduced

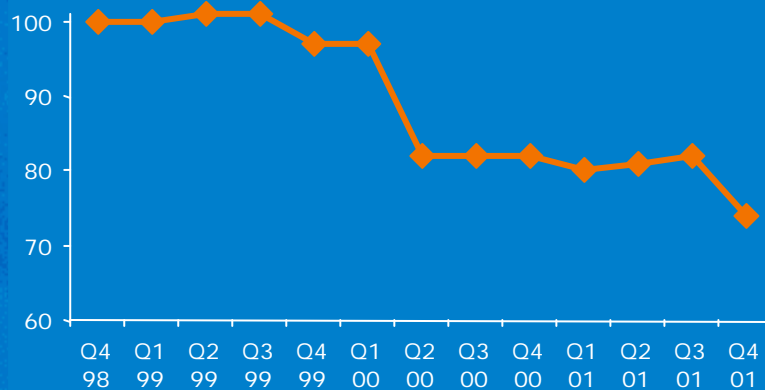


Technology* spend: 3-year trend



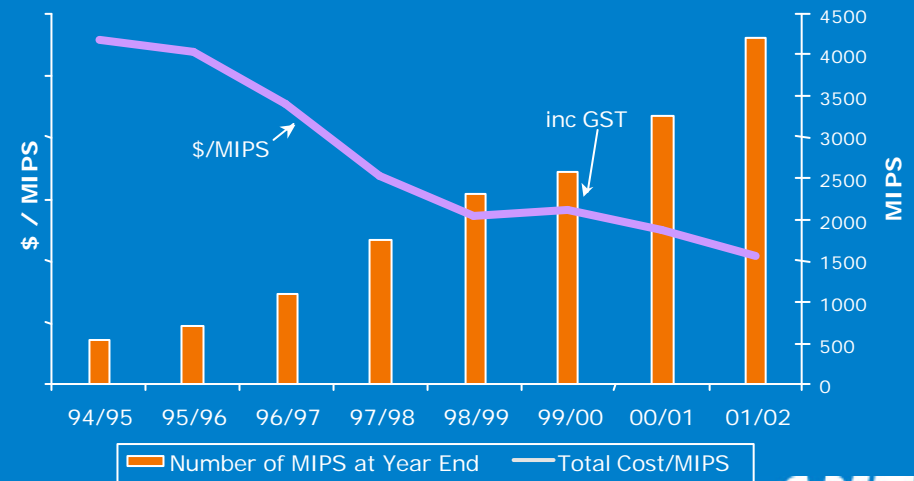
*Central IT costs, excluding ancillary Business Unit spend

Total ANZ telecommunications spend trend



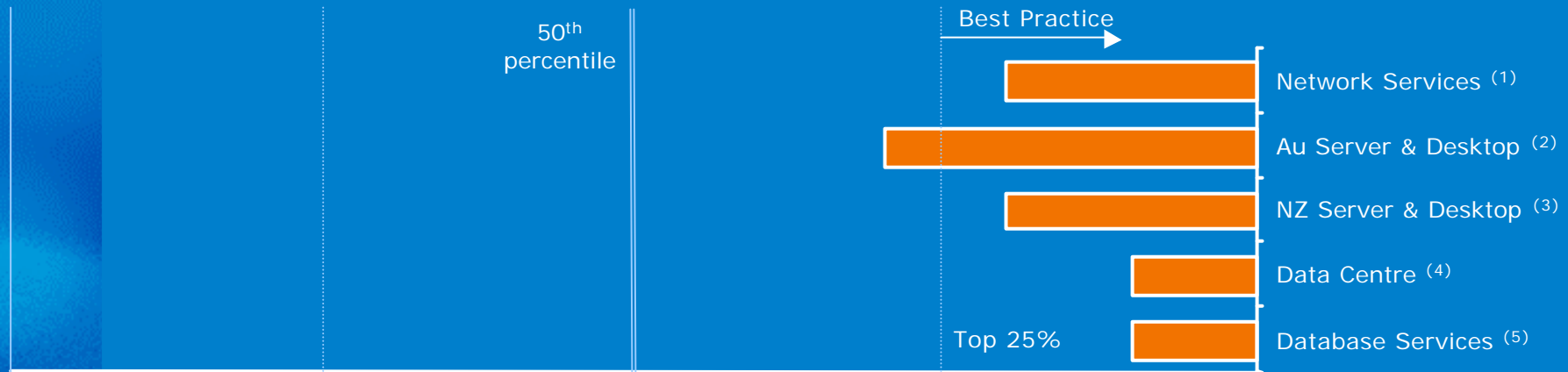
*Using an Index = 100 as of Q4 1998, based on annualised spend data

Total Mainframe Unit Cost

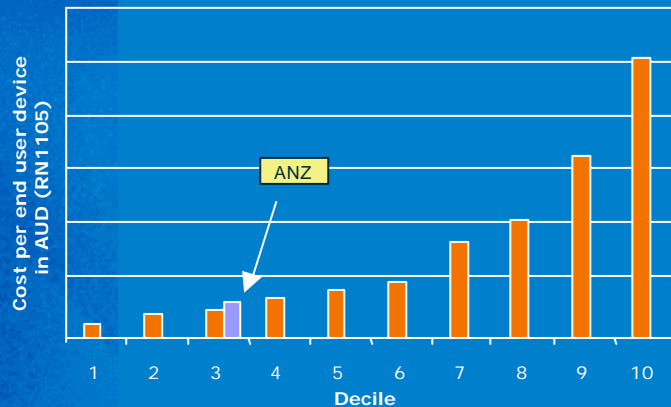


Continued focus on IT benchmarks sets our targets

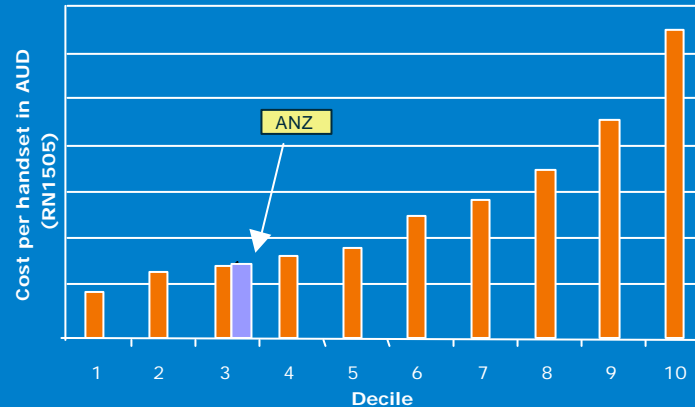
Global performance benchmarks



Decile Distribution - Data Network Cost



Decile Distribution - Voice Network Cost



- Unit costs without telecommunications carrier costs
- Dataset grouped in deciles
- Shows ANZ position versus Database average (1)

Sources: (1) Compass Consulting
(2) Compass Consulting

(3) Gartner
(4) META

(5) META
ANZ

Continued focus on execution capability



Project in a Box

- Enhanced project execution capability with 'best of breed' project management tools
- Central repository of standard performance reports & risk register for all projects with open access to all users



Reengineering in a Box

- Standard tools, templates & process for fundamental re-design of business processes



Capability Maturity Model

- Significant productivity & quality improvements
- First Australian bank to attain CMM level 2 certification
- Bangalore, India level 4 certification

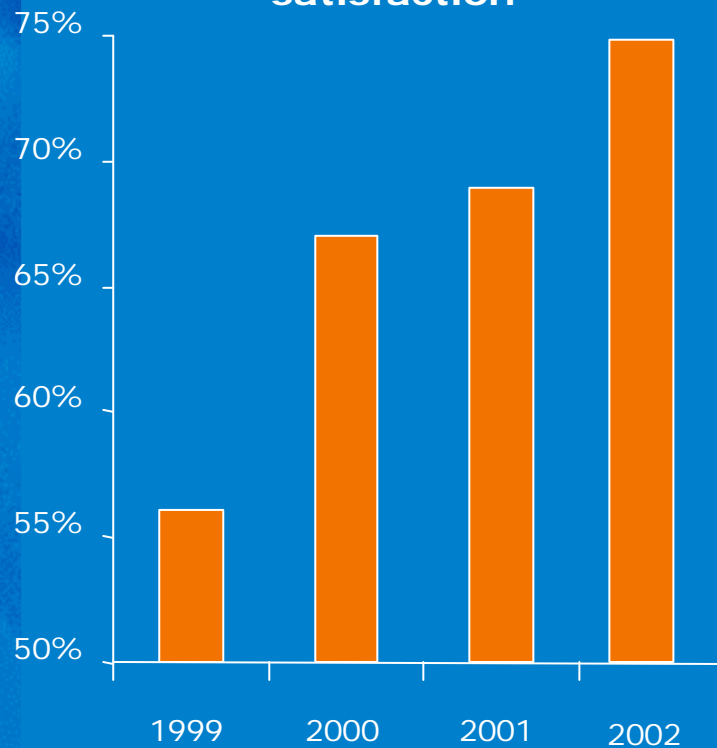


Project management training

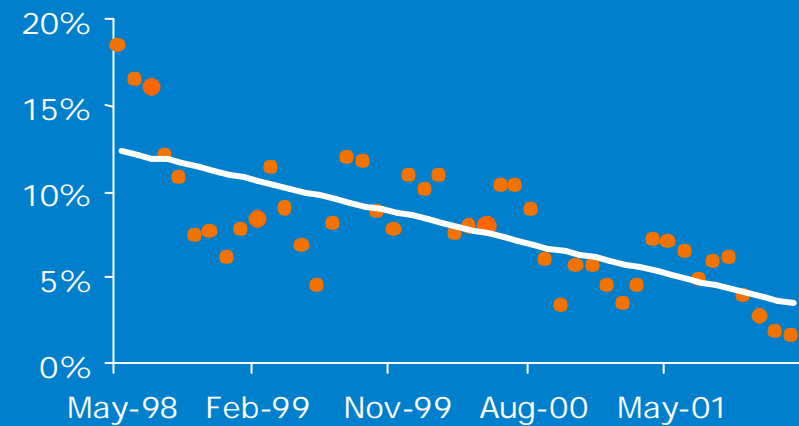
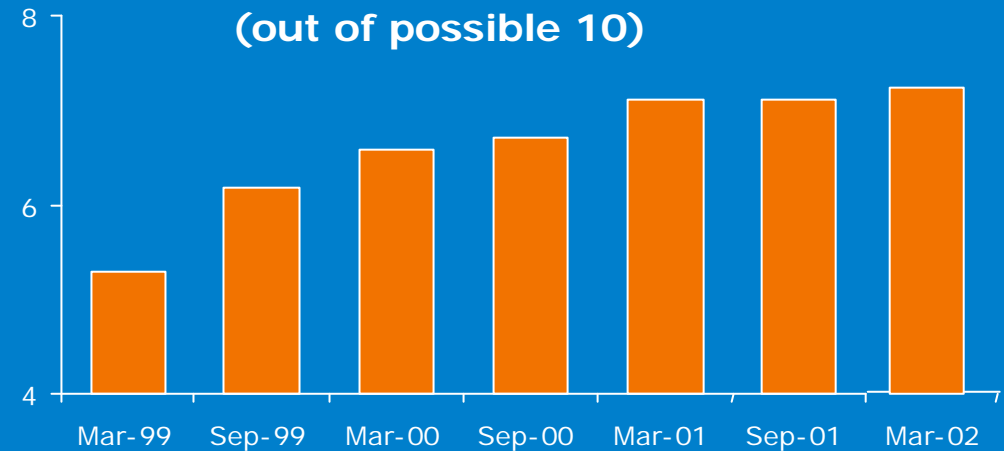
- Generic training courses with ANZ specific content & latest PiaB tools

Continued focus on a 'Great Place to Work'

Operations, Technology & Shared Services staff satisfaction



Internal Customer Satisfaction (out of possible 10)



Monthly turnover trend (post 1998 initiatives)



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Core & context* - a framework for outsourcing decisions

CORE

Any process that contributes directly to competitive advantage in target markets

CONTEXT

All other processes required to fulfill commitments made to one or more stakeholders in the enterprise

Objectives

- Extend or create competitive advantage
 - Existing markets
 - New opportunities

Execution Control

- Internal
 - In-house
 - Strategic joint venture
 - External
 - Outsource
 - New venture
- Minimise disadvantage
 - Find someone else to do it for you
 - Look to create new opportunities & advantages
 - Make a context process core

*Source: Geoffrey Moore, The Chasm Group

Three other important considerations when making an outsourcing decision

Cost:

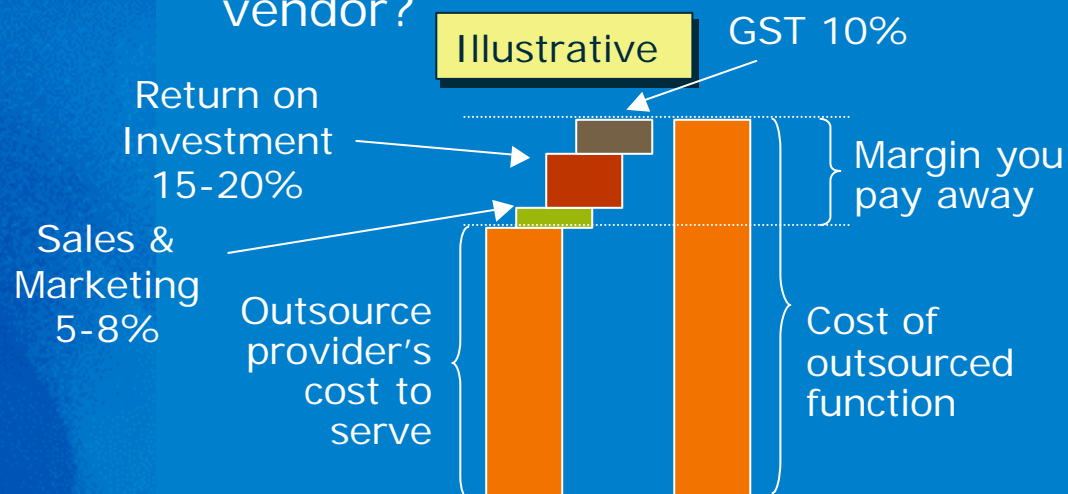
- Can you achieve at or near world class best practice?
- Can you achieve efficient & reliable services?
- Are you willing to pay away a margin to an outsource vendor?

Alignment, collaboration & teamwork:

- Does outsourcing enhance alignment with BU customers?
- What is the partnership model with Business Units?

Innovation:

- How will outsourcing achieve competitive advantage?
- What will be the impact on the ability to create innovative solutions?
- How will open architectures & new technologies be funded & deployed?



Our outsourcing experience

What we have we outsourced

- Property Management
- Components of procurement
- Components of telecommunications
- Desktop Support/Help Services
- Training & Development Support
- Components of Legal Services

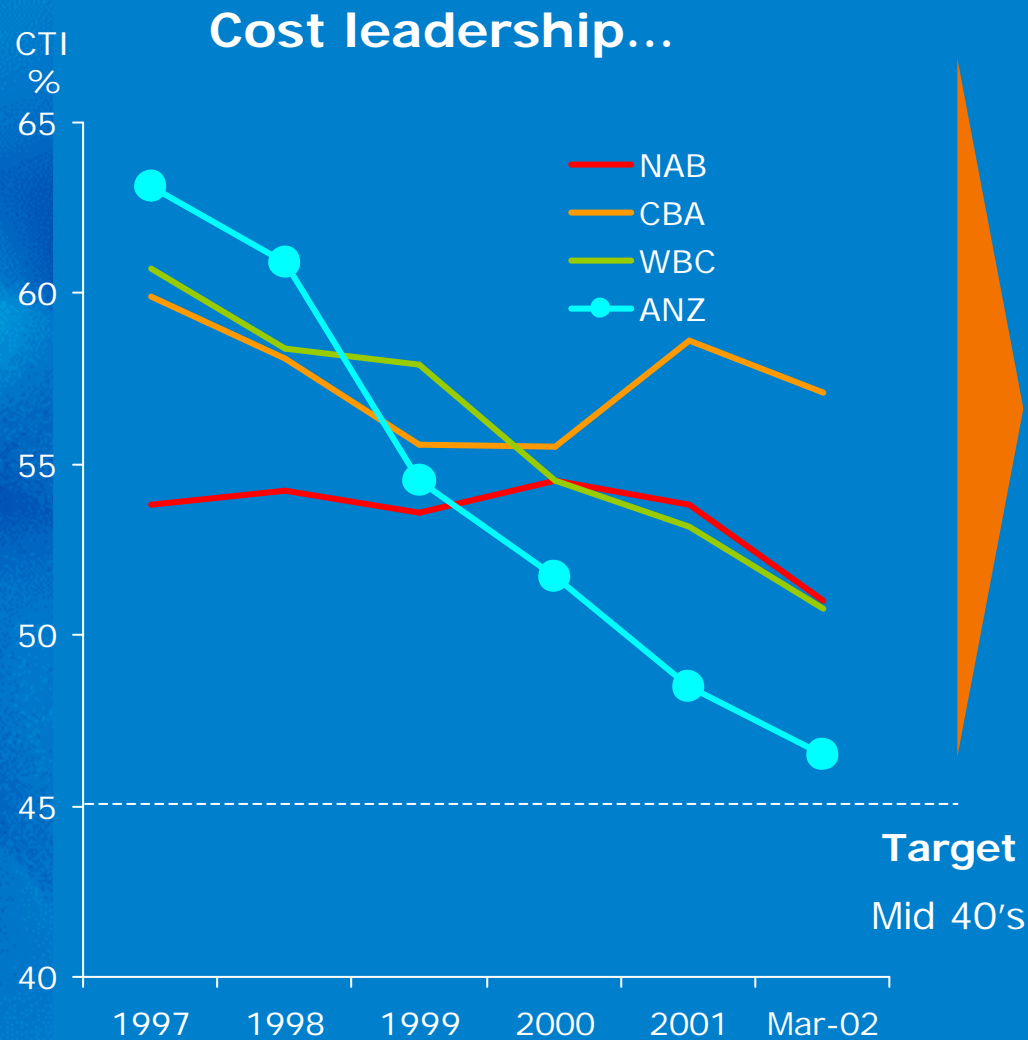
Majority of functions are not outsourced, but are under periodic review. To date, no compelling opportunities have been identified for:

- Major operations
- Data centres and IT operations
- IT development
- Cheque processing
- Cards Back office

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Continuous productivity improvement provides capacity to reinvest in growth



...now next wave productivity improvements...

- Continuous improvement
- Componentisation of Technology
- Straight Through Processing – through reengineering and simplification

Continuous improvement – one division delivered \$67m cost savings since 1999

Definition/Approach

- Develop ANZ group-wide quality and continuous improvement mindset
- Rewards based on outcomes, not ideas
- Stocktake and share best practices: intra/inter BU – including tools, techniques, & skills
- Create a standard set of quality measures across the group
- Large number of small “wins”

Deployed Examples

- **AS400 rationalisation** - \$14m savings p.a.
- **Bar-coding at Output Services** – Increased productivity by 20%, \$2.4M postal saving p.a.
- **Improvement of inbound telecommunication costs** – \$11M over 3 years
- **ANZ Common Disk Platform Review** – \$2.3M cost reduction

Componentisation of technology

Definition/Approach

- Similar processes across Business Units can use exactly the same infrastructure & software components
- Components are assembled rather than built & shorten the time to deliver at a lower overall cost
- Flexible customer-centric solutions assembled from these independent components

Targeted Opportunities

- Customer
 - Profitability management
 - Customer Relationship Management
 - Credit Decision Support
 - Risk management
 - Collections
 - Lending systems
 - Channels
- Internal
 - Peoplesoft ERP solution
 - Intranet (Max)
 - Procurement

Common Component Technology – deployed example

Component approach is not new and is already successful at ANZ

Typical Approach

- Duplicated effort and cost
- Individual, non-standard point solutions
- Inconsistent look & feel
- Funded and executed by each BU individually
- Different identity schemes, security, databases and protocols



Process Component Approach

- Common processes & infrastructure
- Each BU develops its own content & BU specific services
- Increasing BU specific applications are delivered (about 190 new applications)
- Innovative publishing & self service offerings
- Available to 19,000 staff

Awarded 'best communication & information service in a large organisation' - ATUG

Straight Through Processing - using Reengineering & Simplification

Definition/Approach

- Automate manual processes to improve customer experience
- Standardise processes across BU's, such as product origination
- Leverage "best in class" processes through organisational learning
- Focus on technology driven solutions that eliminate re-entry of information

Targeted Opportunities

- Establish single customer registration
- Develop common customer facing processes
- Create single customer data entry
- Develop one common form
- Standardise appropriate cross-BU practices

Straight Through Processing - using reengineering & simplification – examples

Small Business

- STP for assessing and originating new customer business
- Targeting a significant increase in new applications per relationship manager, & a 30% increase in automatic approval rate

Cards

- STP for over the phone credit scoring

Corporate and Institutional

- Redesigned processes to increase capacity to process more new business and enhance turnaround times
- Increased available Relationship Manager selling time by 15%

What these initiatives can deliver

Initiative	Area of impact	Targeted benefit
• Continuous Improvement	Operations/Processing	5-10% pa
• Componentisation	Software development and maintenance	10%-25%
• Re-engineering & STP	Sales, service, and processing	15%-35%

Conclusion

- Good progress to date
- Rationalised and simplified infrastructure
- Now focusing on next wave of productivity drivers
 - Continuous improvement
 - Technology componentisation
 - Re-engineering and STP

These will deliver:

- substantial productivity improvements, allowing us to achieve 45% CTI and re-investment in our growth agenda
- Improved and more consistent customer service
- Improved staff satisfaction



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