

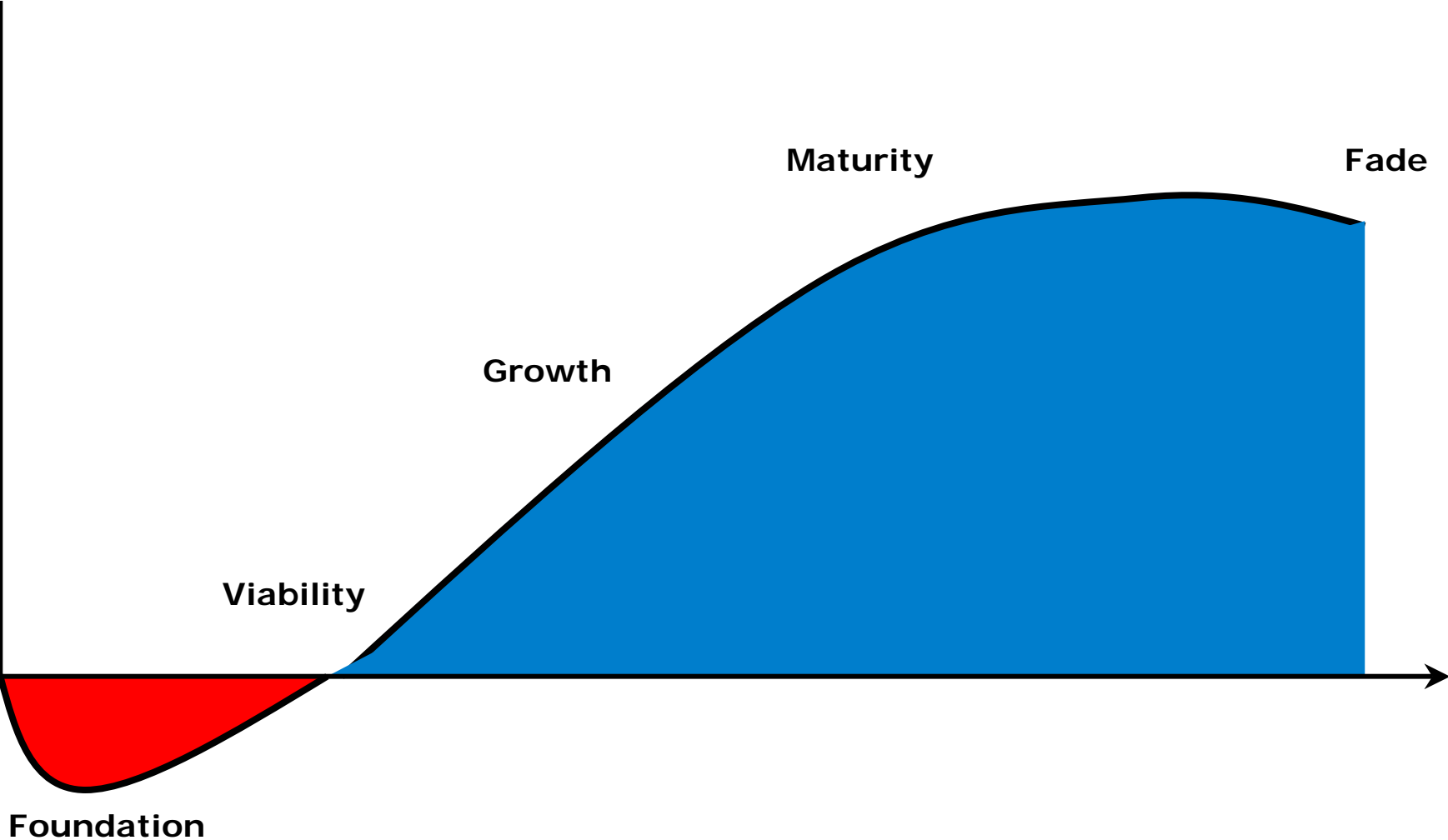
Corporate Evolution *The ANZ Journey*

John McFarlane

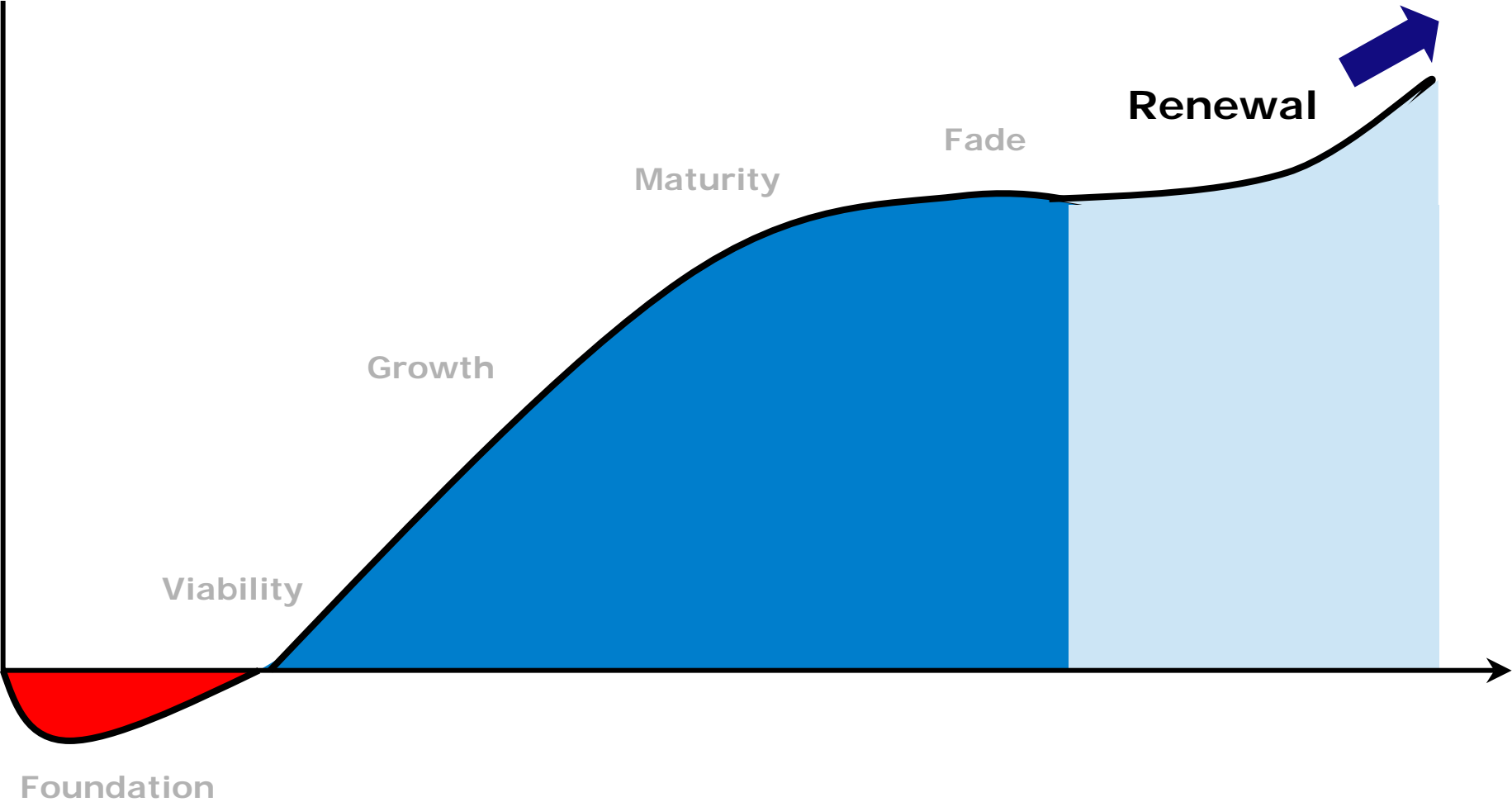
Chief Executive Officer
March 2004



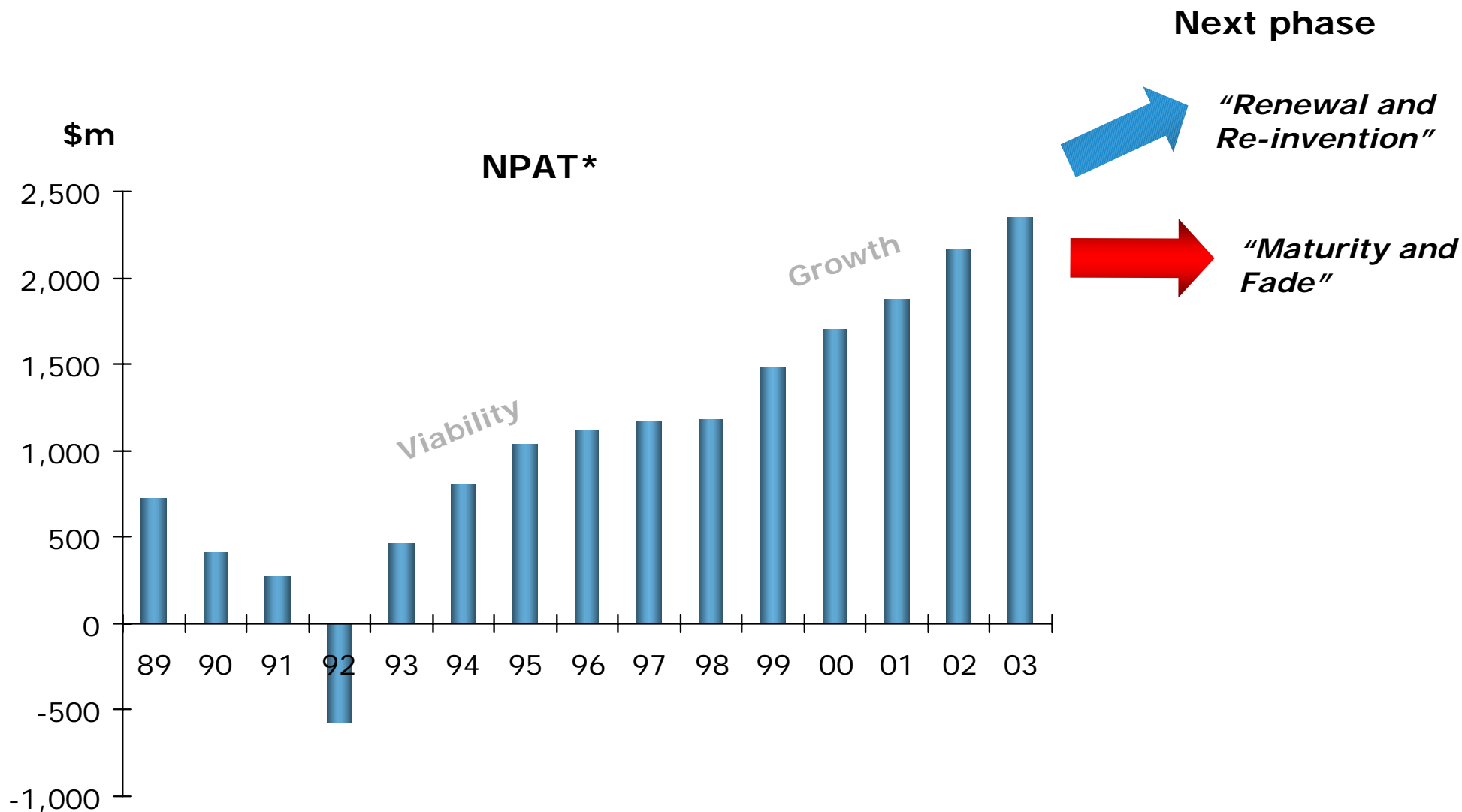
Companies and industries have life cycles



Companies and industries have life cycles

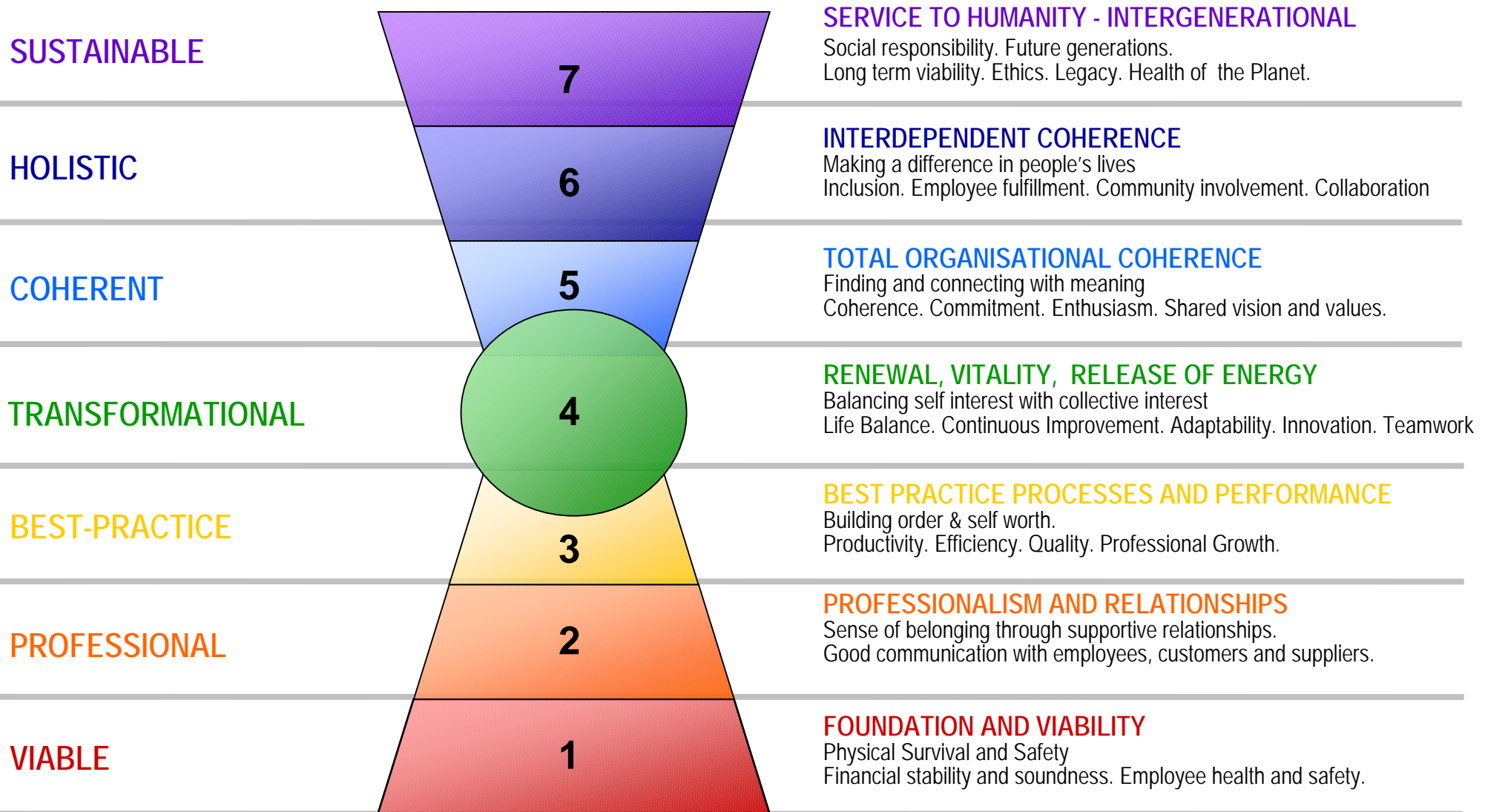


Australian banking conforms to the life cycle – ANZ experience

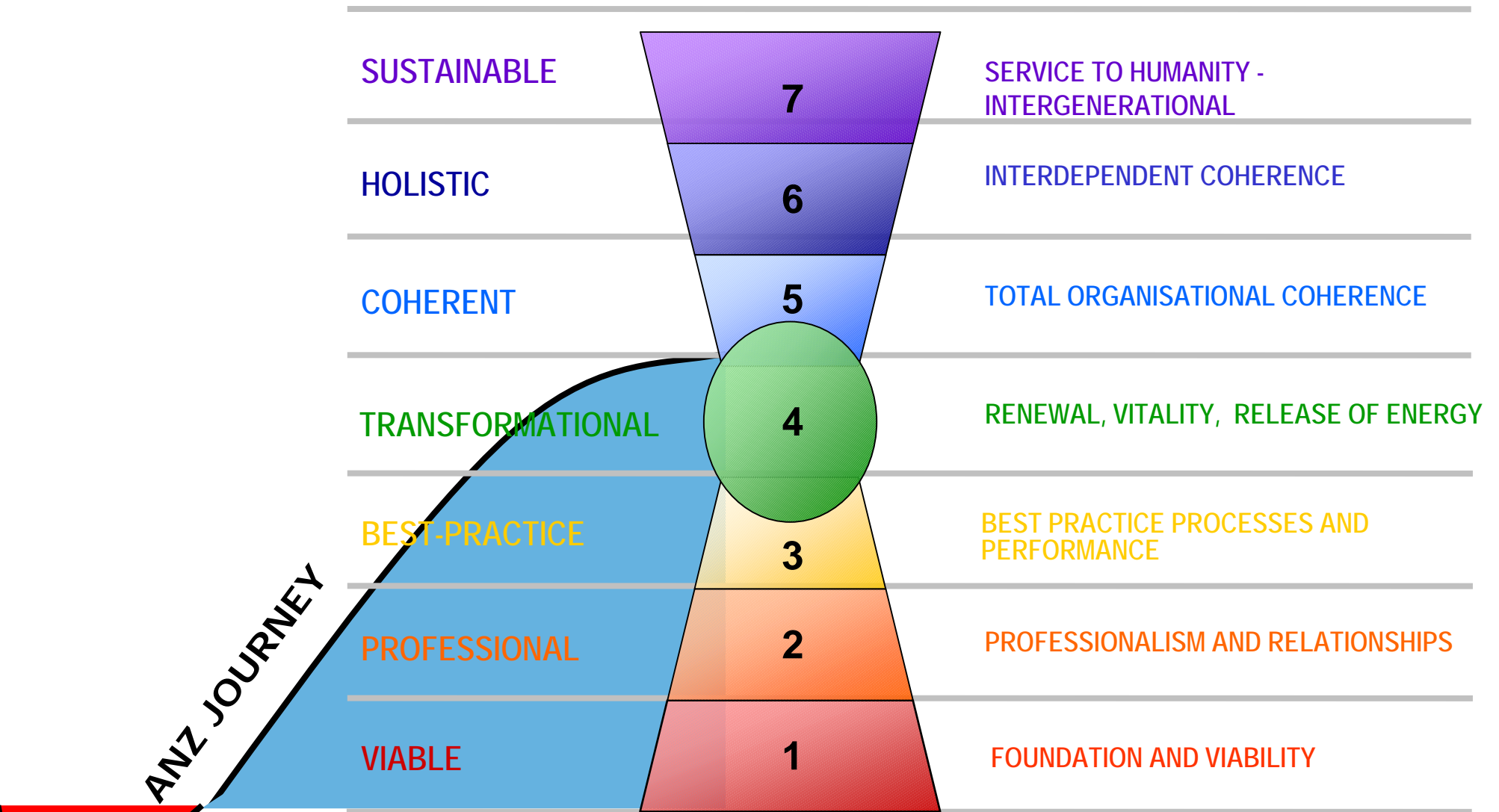


* before abnormal items and significant transactions

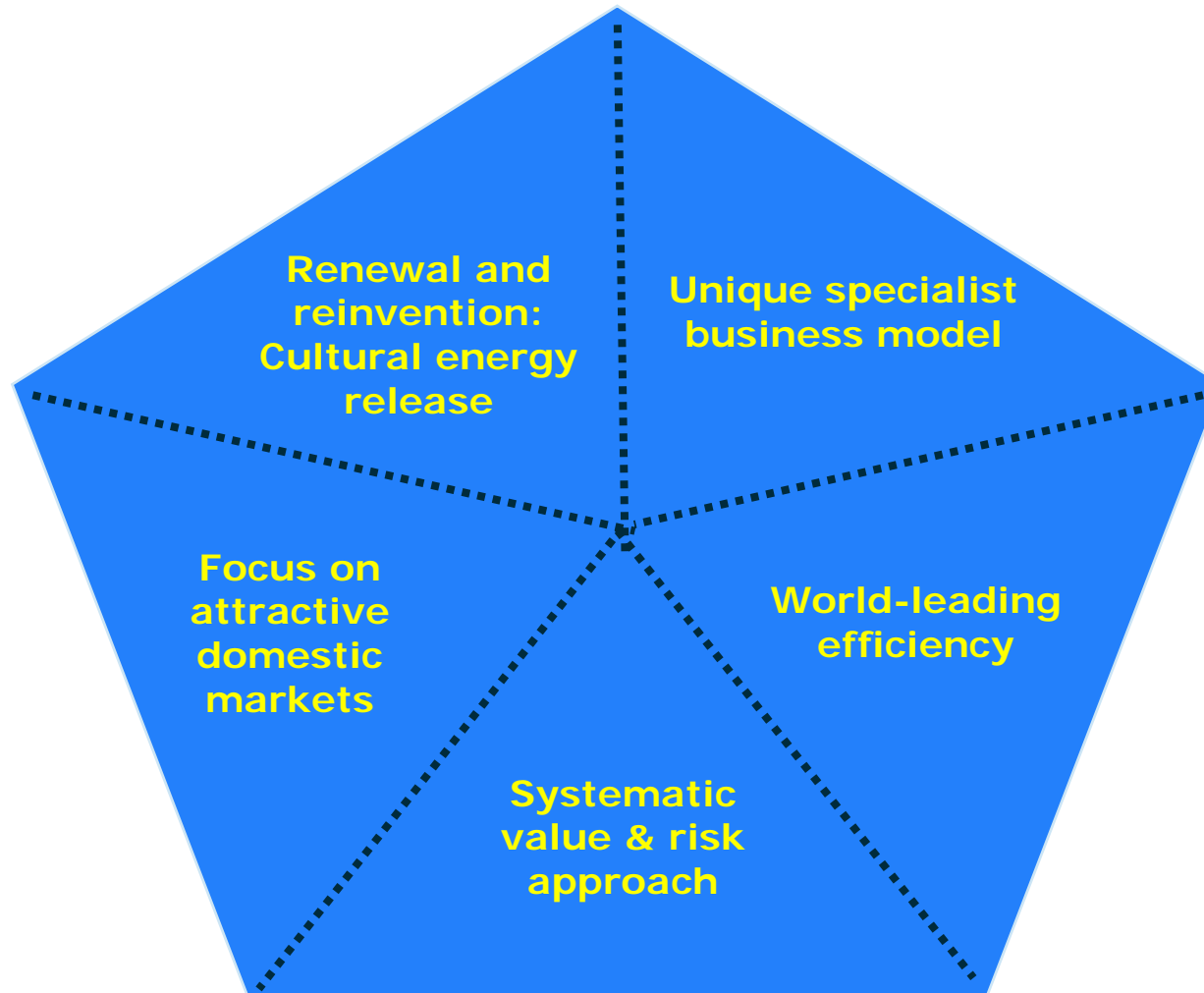
The Seven Levels of Corporate Evolution



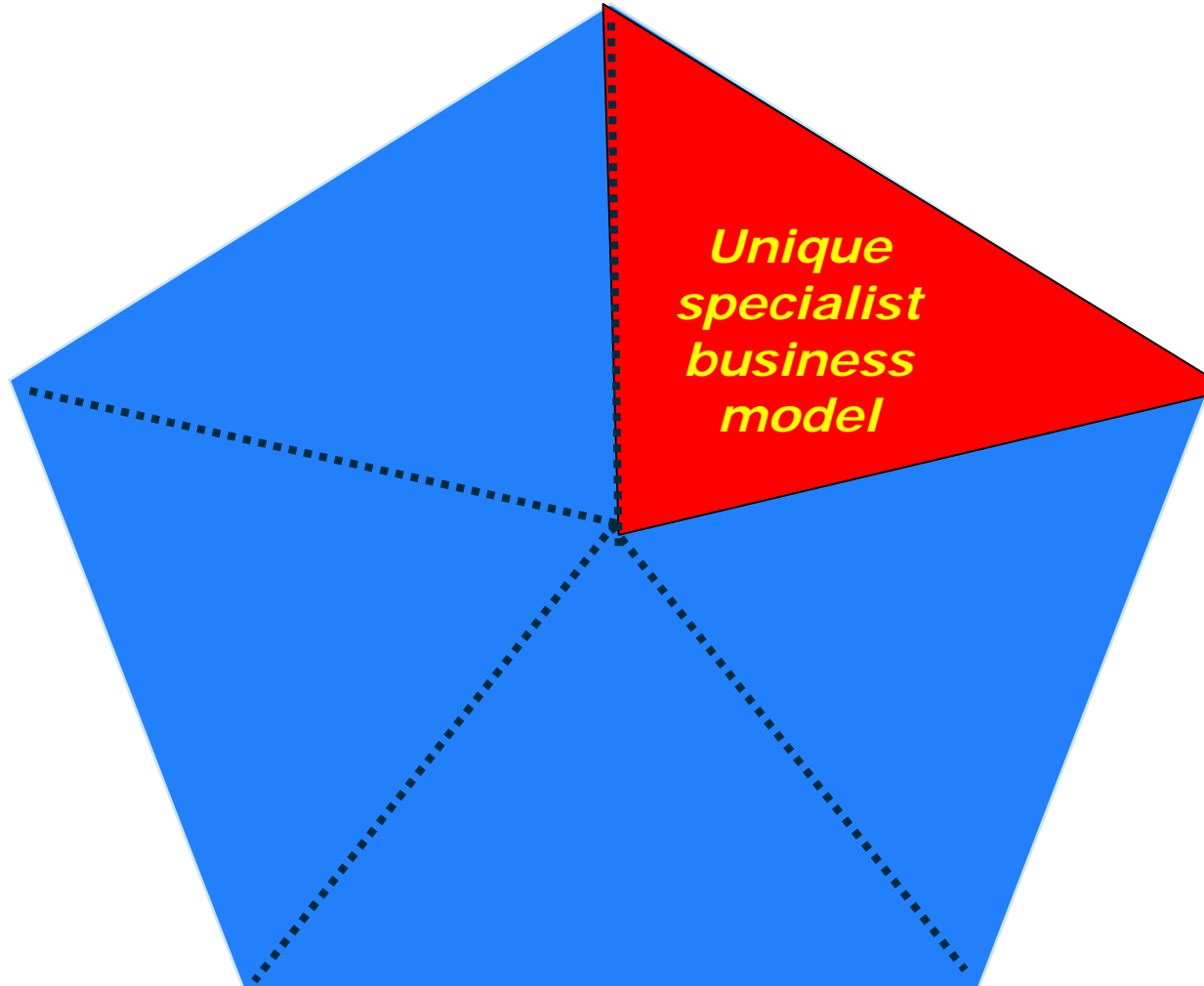
ANZ has journeyed from Viable through Transformational



Five steps in the ANZ journey



Five steps in the ANZ journey – Unique specialist business model



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



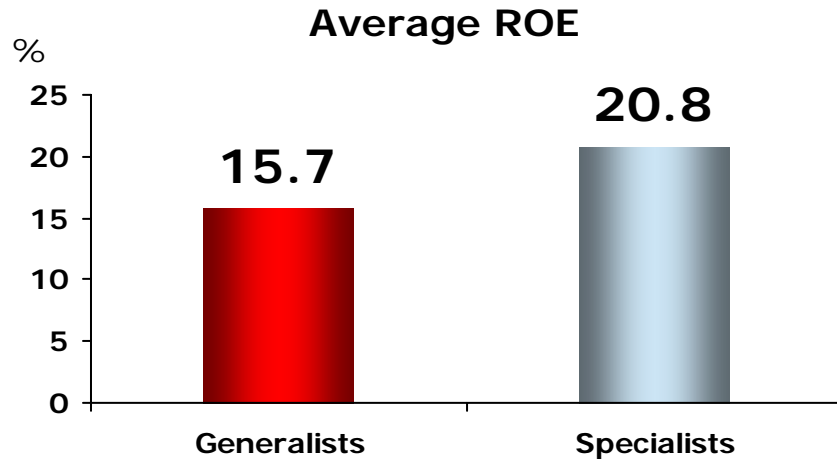
Event	The Specialists	The Generalists	"Specialist Premium"
100m	9.87 s	10.68 s	8%
110m Hurdle	13.00 s	14.48 s	10%
400m	42.84 s	46.71 s	8%
1500m	3 m 32.07 s	4 m 29.48 s	21%
Discus	69.3 m	43.66 m	59%
Shotput	21.29 m	15.11 m	41%
Long Jump	8.55 m	7.76 m	10%
High Jump	2.35 m	2.00 m	18%
Pole Vault	5.90 m	5.00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

Average out-performance

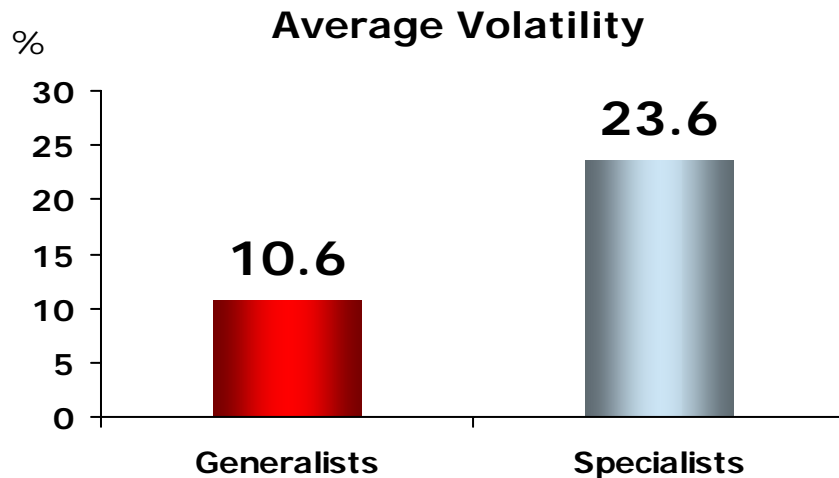
23%

Specialists win over generalists...but returns are more volatile

(Boston Consulting Group Study)



- *Generalists focus on size and scale as the basis of competition*
- *Specialists insight is on speed, focus and flexibility*
- *Specialist business units encourage product and process innovation*

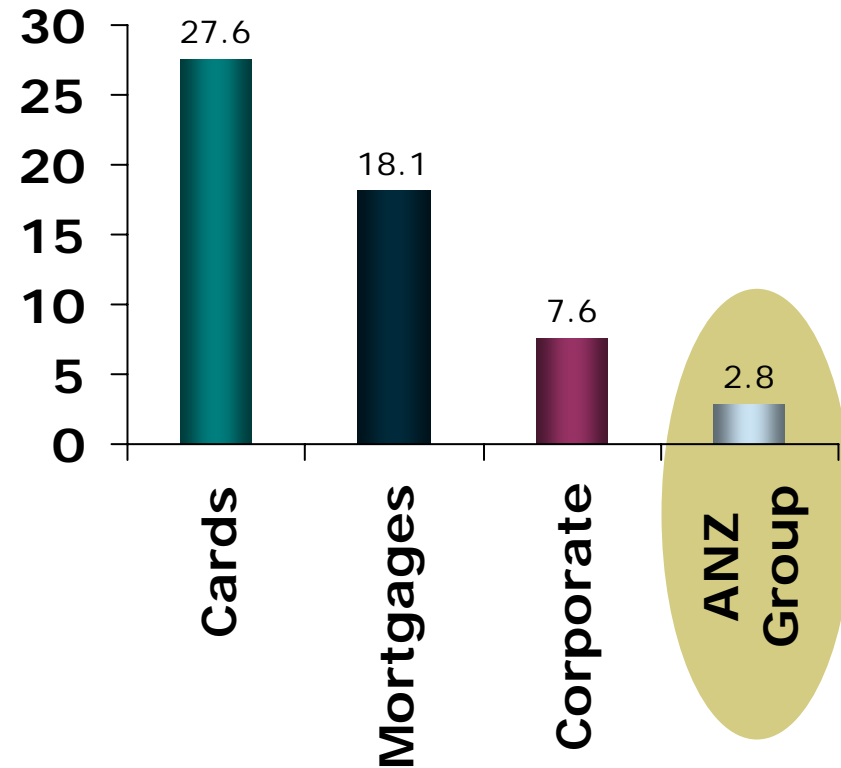
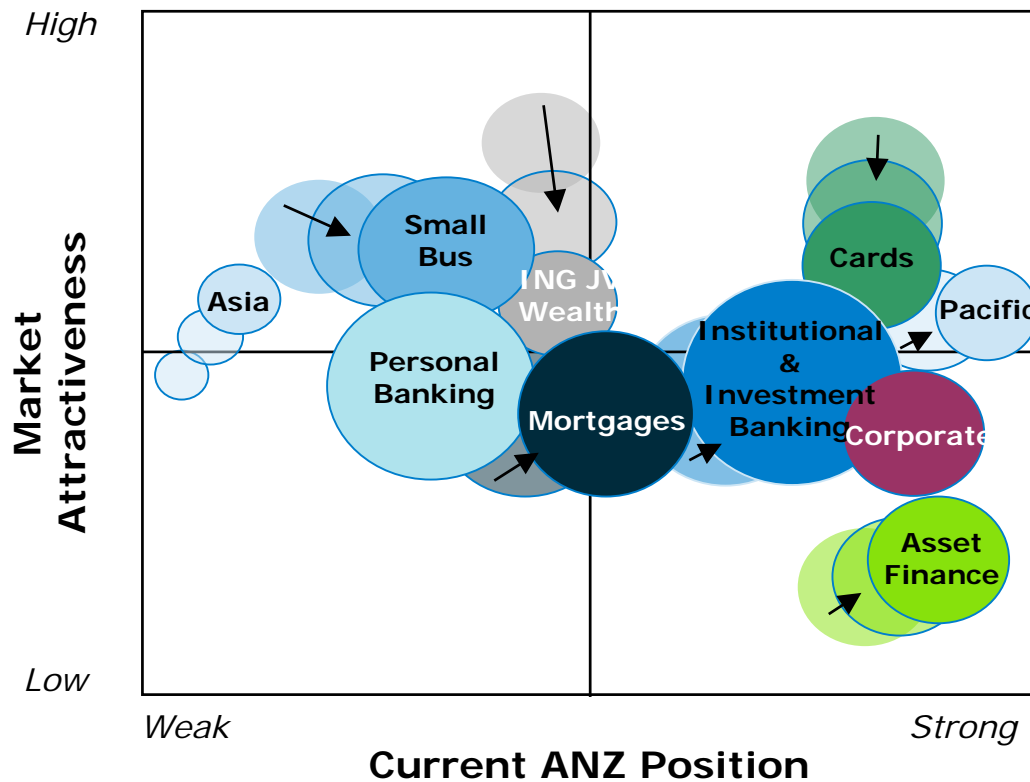


- *Specialists are more volatile*
- *A portfolio of specialist businesses reduces total volatility*

ANZ has developed a rich portfolio of specialised businesses

A specialist portfolio, each with a distinctive strategy

Portfolio approach reduces volatility

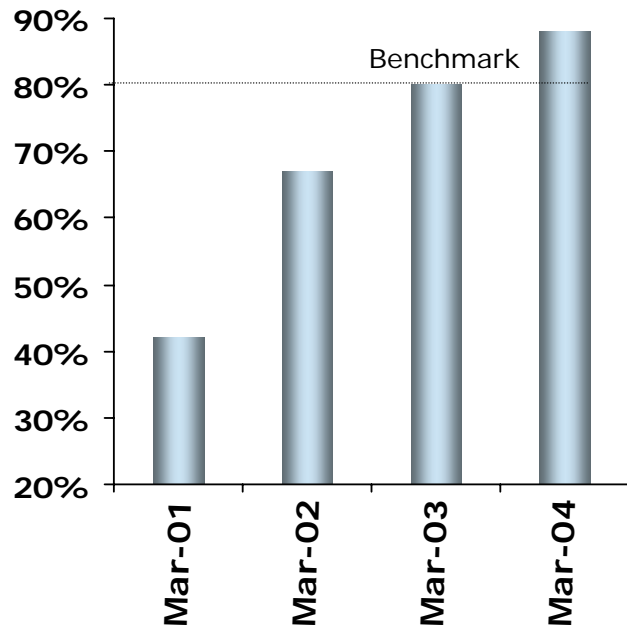


Size of bubble representative of contribution to group performance

SME Banking – a specialisation success story

Staff Satisfaction

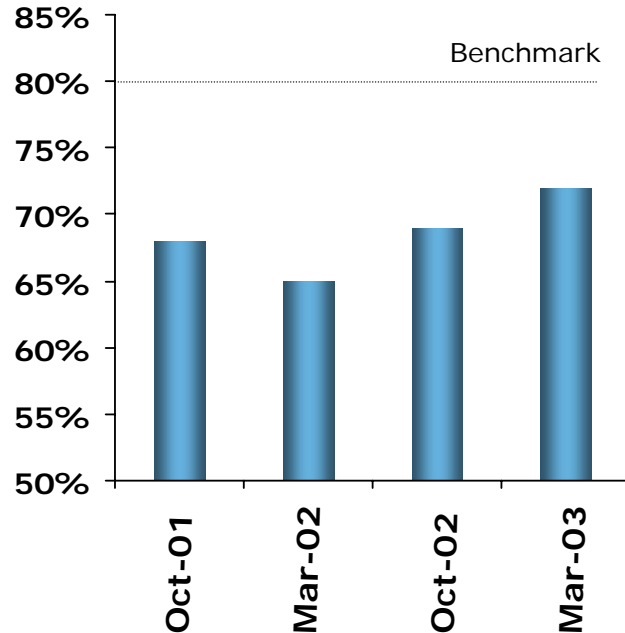
Significant improvement achieved...



- *First business to put all staff through the cultural change program*
- *Shift from administration to sales focus*
- *Increased commitment to human capital - new graduates growth from 4 in 2000 to 39 in 2004*

Customer Satisfaction

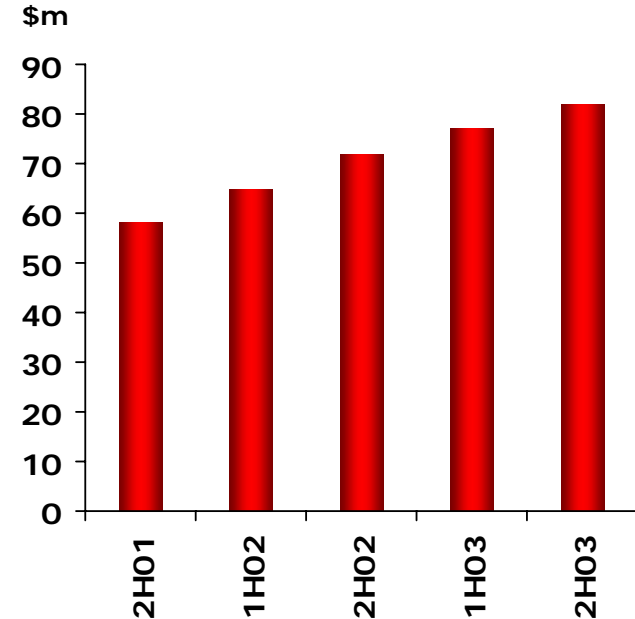
...driving improved customer satisfaction



- *Cultural mind shift to "customer first"*
- *Customers benefiting from clear and accountable business/customer ownership*
- *Competitive customer proposition*

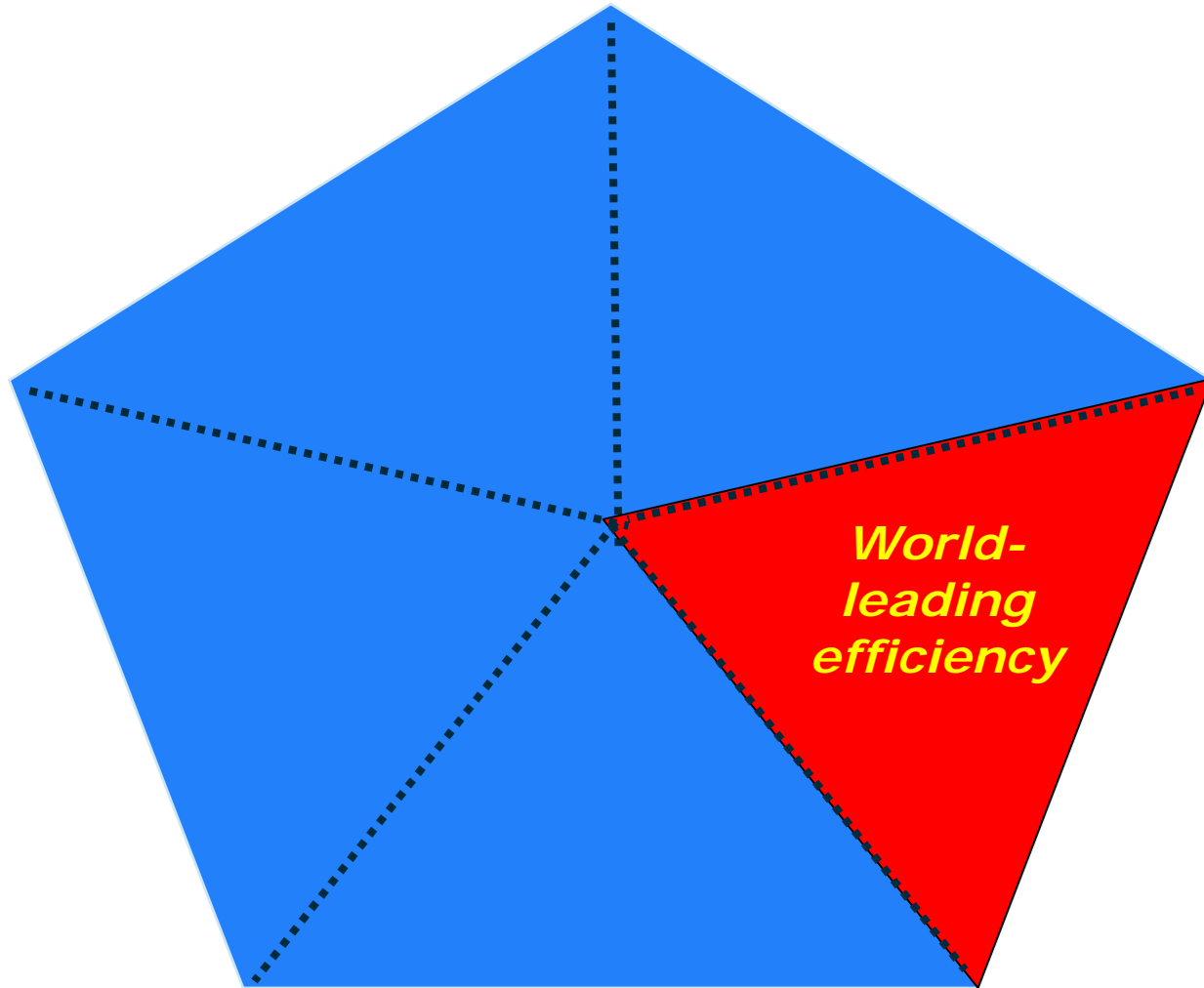
NPAT

...and increased profits



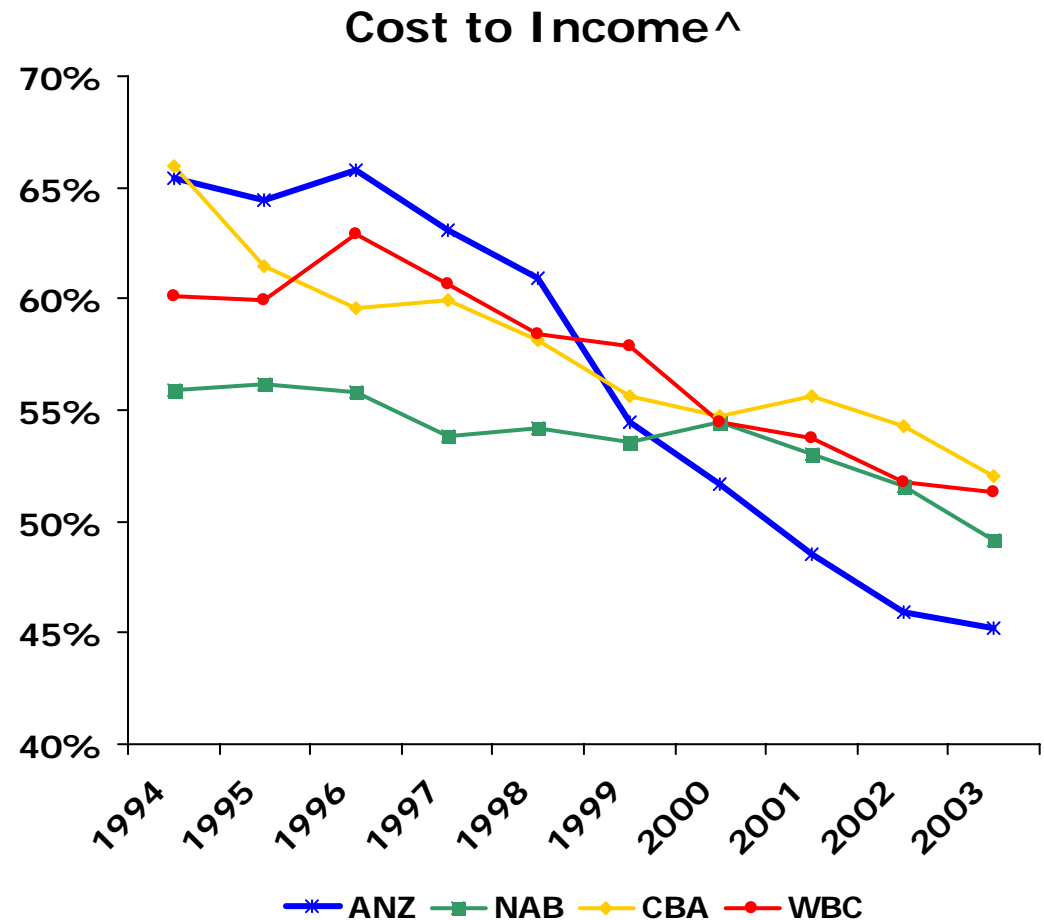
- *Strong growth from both existing and new customers*
- *Achieved 15%+ NPAT growth in each of the last 3 years*

Five steps in the ANZ journey – World-leading efficiency



ANZ has materially outperformed peers in efficiency

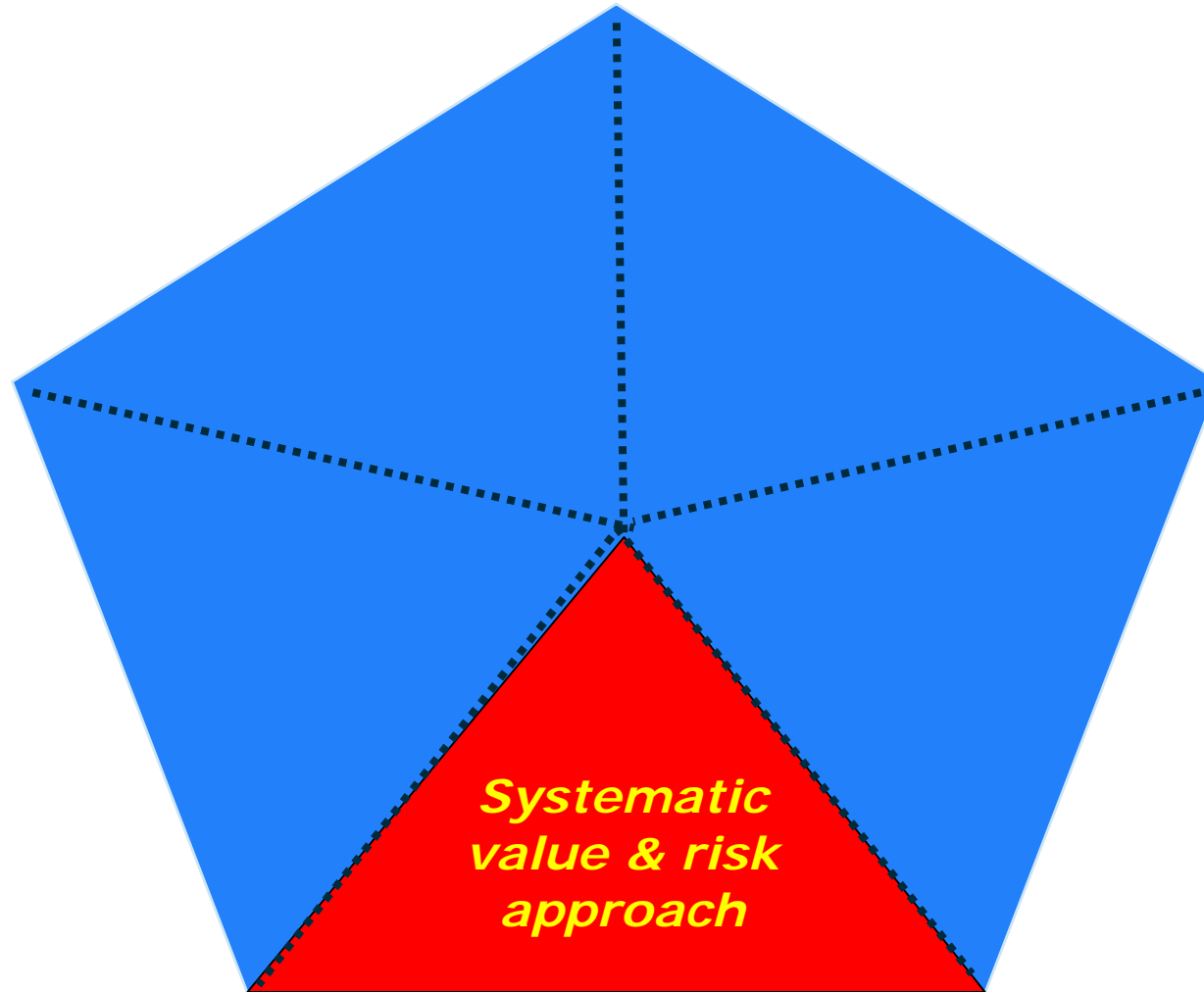
- *The Australian banking sector has enjoyed a decade of efficiency gains*
- *ANZ has outstripped its competitors and has achieved world class efficiency*
- *ANZ was in the top 5 banks in the world in terms of efficiency, TSR and risk-adjusted relative shareholder return over the five years to 2003*



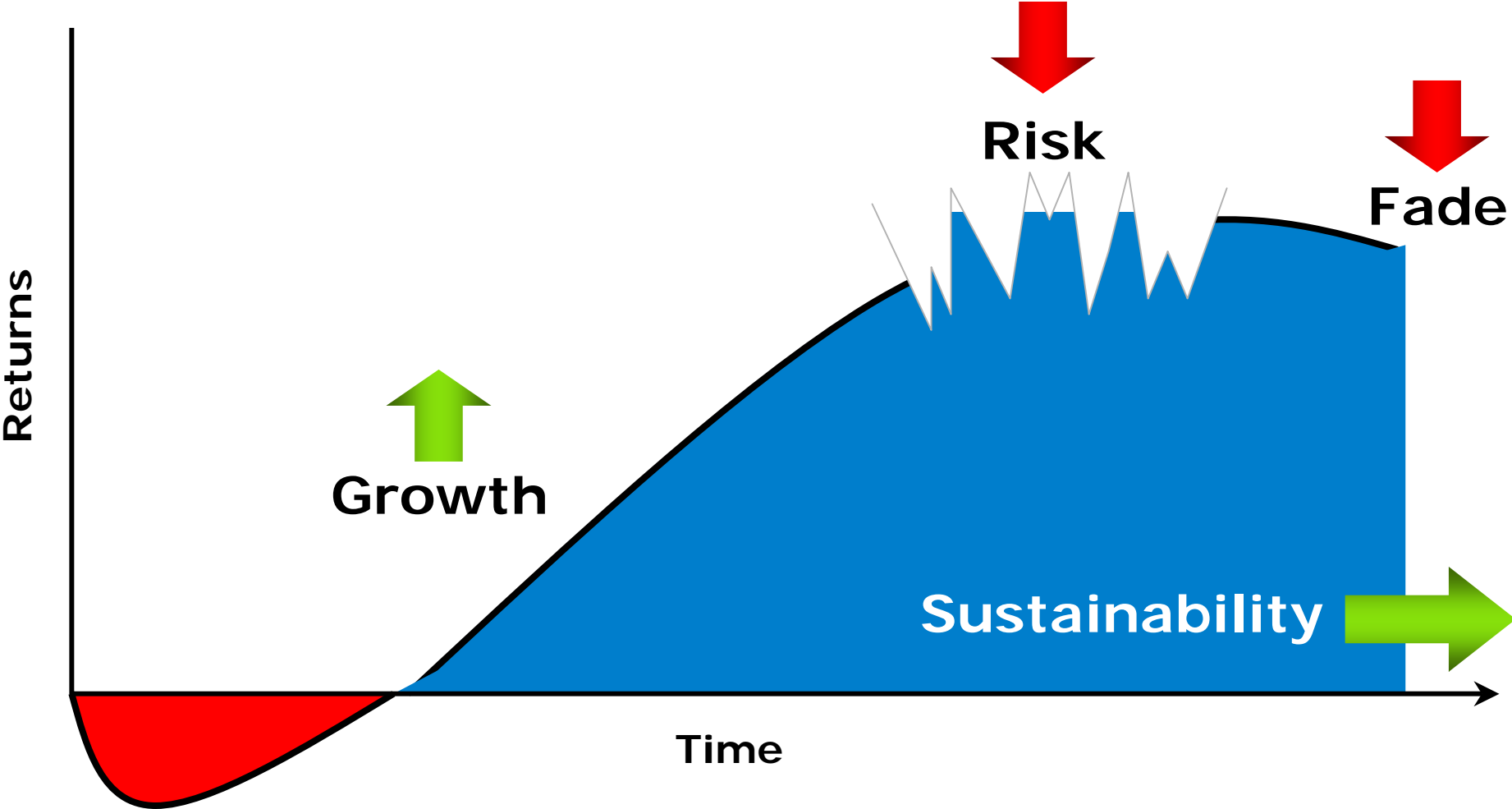
Source: Published financial reports



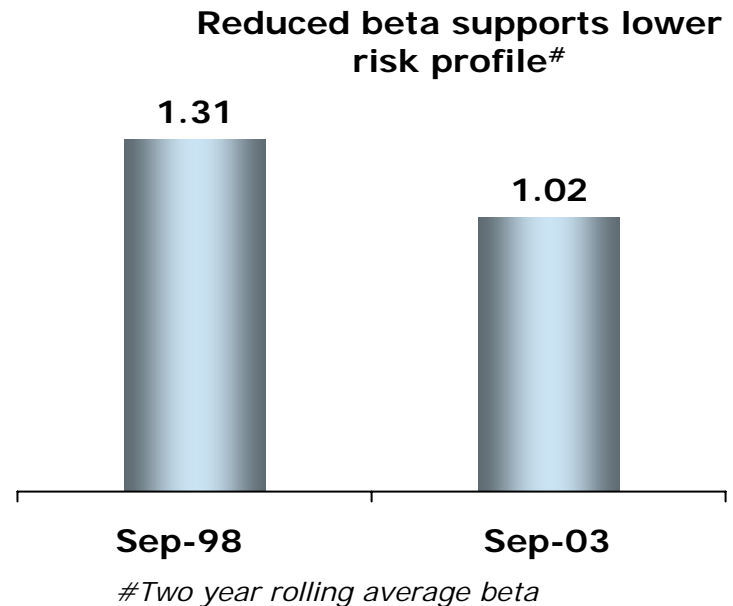
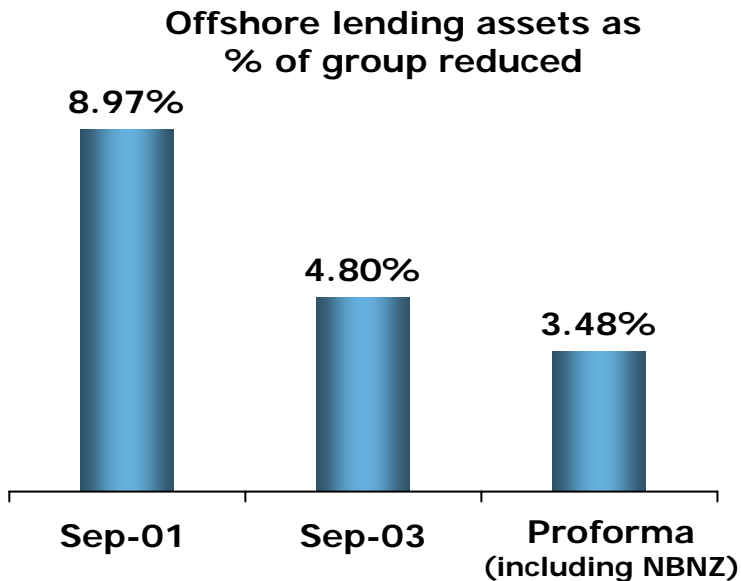
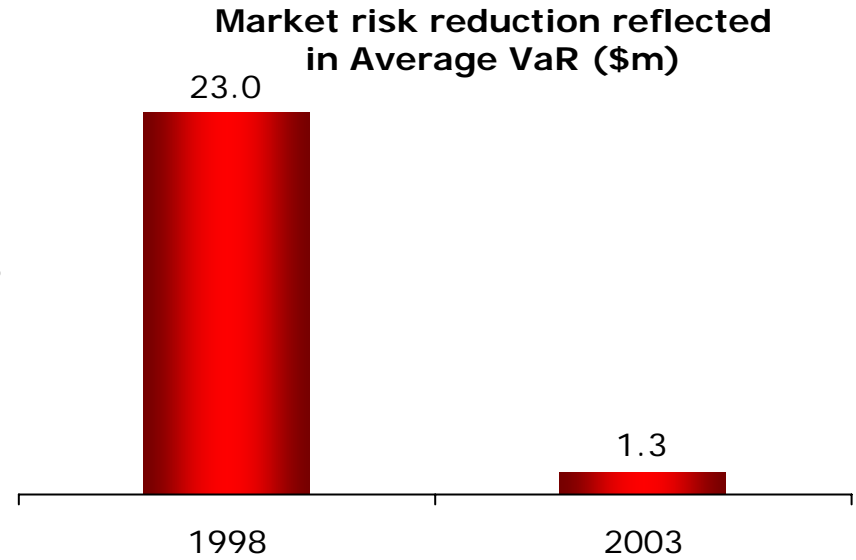
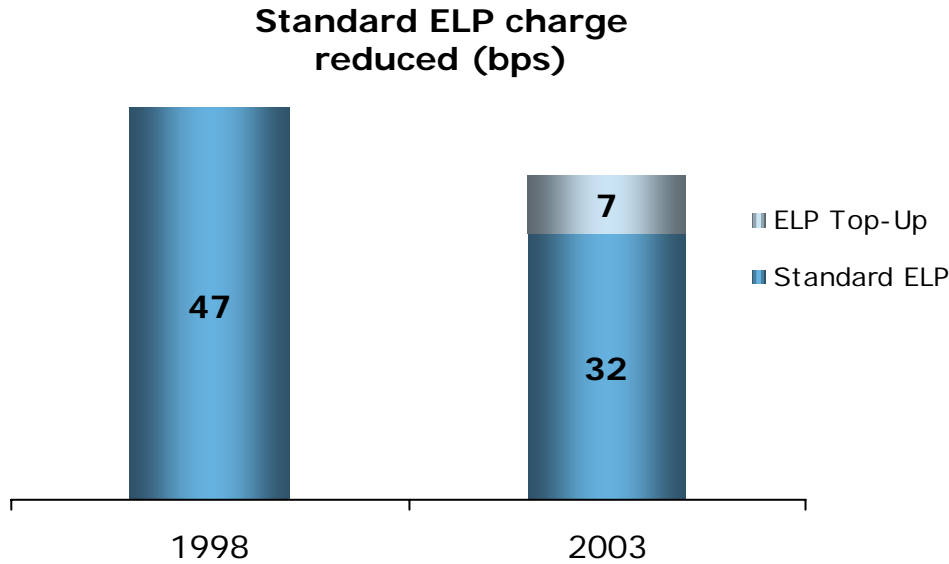
Five steps in the ANZ journey – Systematic value & risk approach



ANZ systematically optimises variables to create value



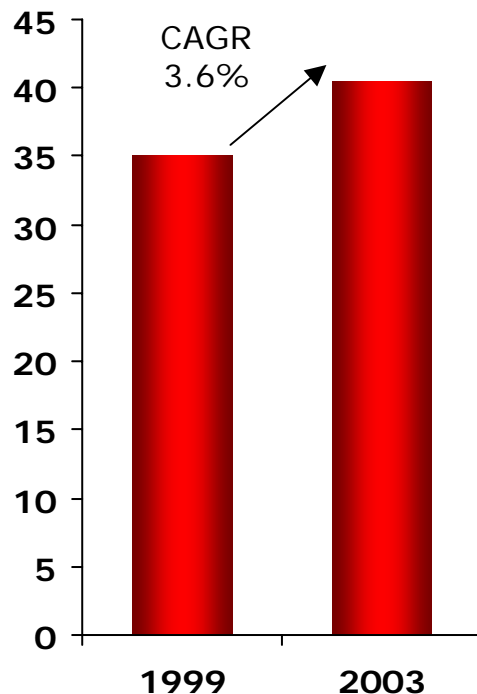
ANZ has systematically reduced risk



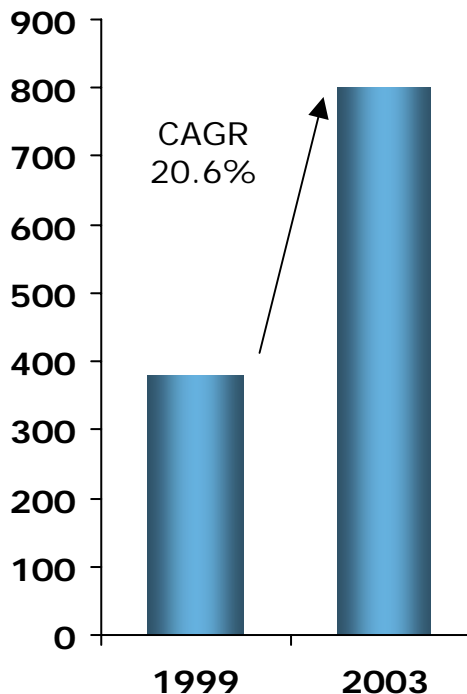
Institutional Financial Services – a case study

- No sustainable competitive advantage in simply lending money - as a result ROE from IFS in '99 below group average
- Management constrained IFS balance sheet, and significantly reduced offshore lending (from ~9% of NLA* in 2001 to ~3.5% today)
- By focusing on where we can add value to customers' using distinctive capabilities, we have created a more sustainable & low fade business, which has a lower risk, but higher than average returns

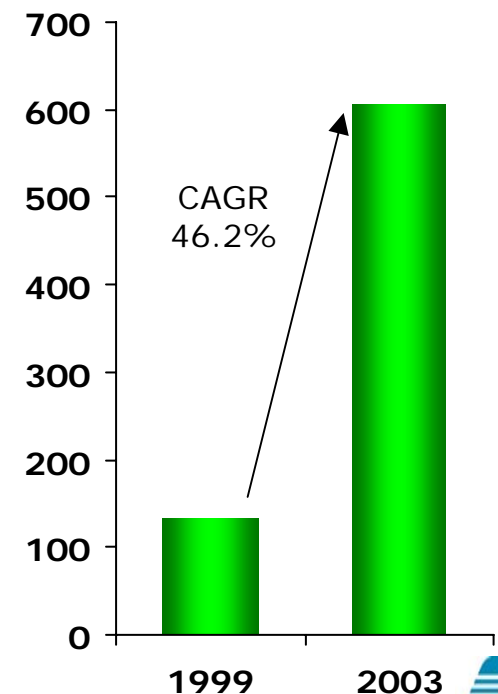
Lending assets



NPAT



EVA

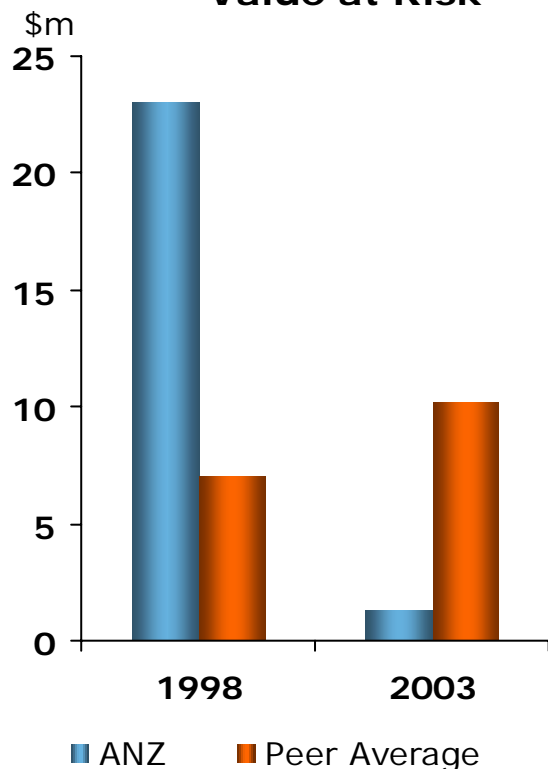


* Net lending assets for ANZ group

Trading income represents a sustainable income stream

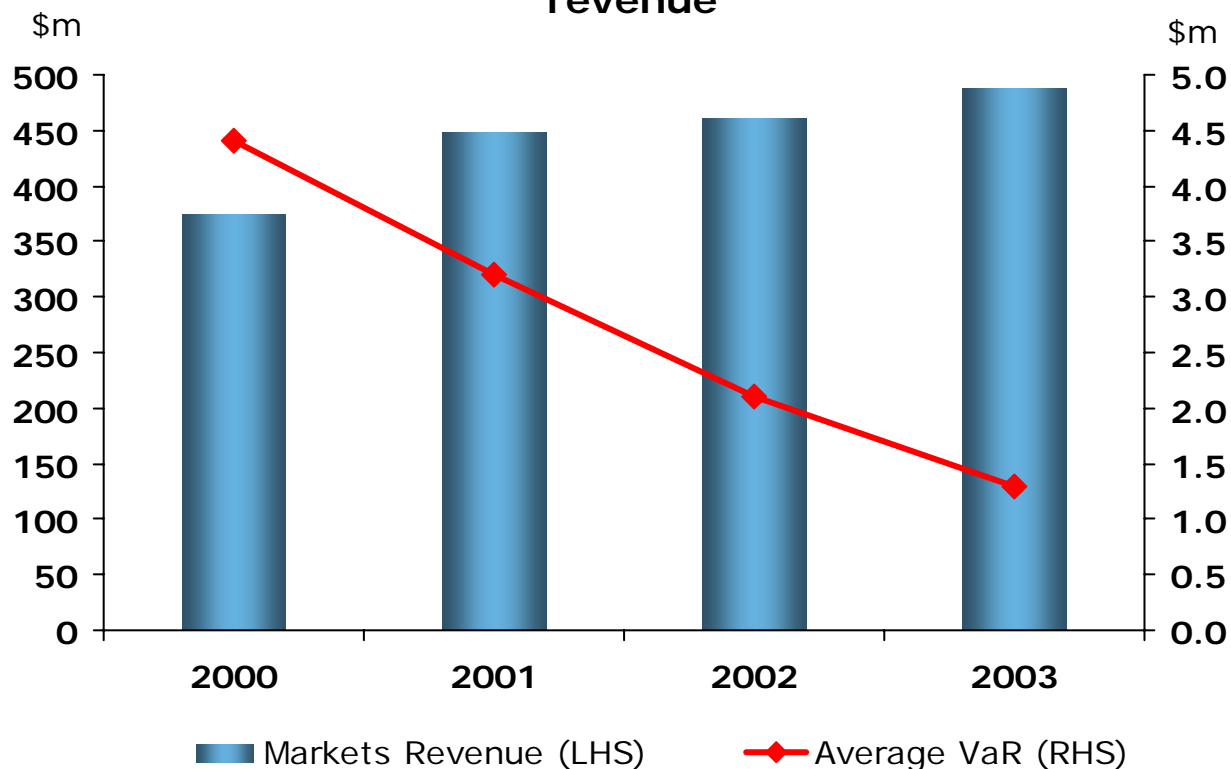
- Despite significantly reducing Value at Risk levels, we have consistently grown trading revenues at a CAGR of 7% since 2000
- Volatility in this earnings stream is low, with a focus on customer driven trading rather than proprietary trading

Significantly lower Value at Risk*

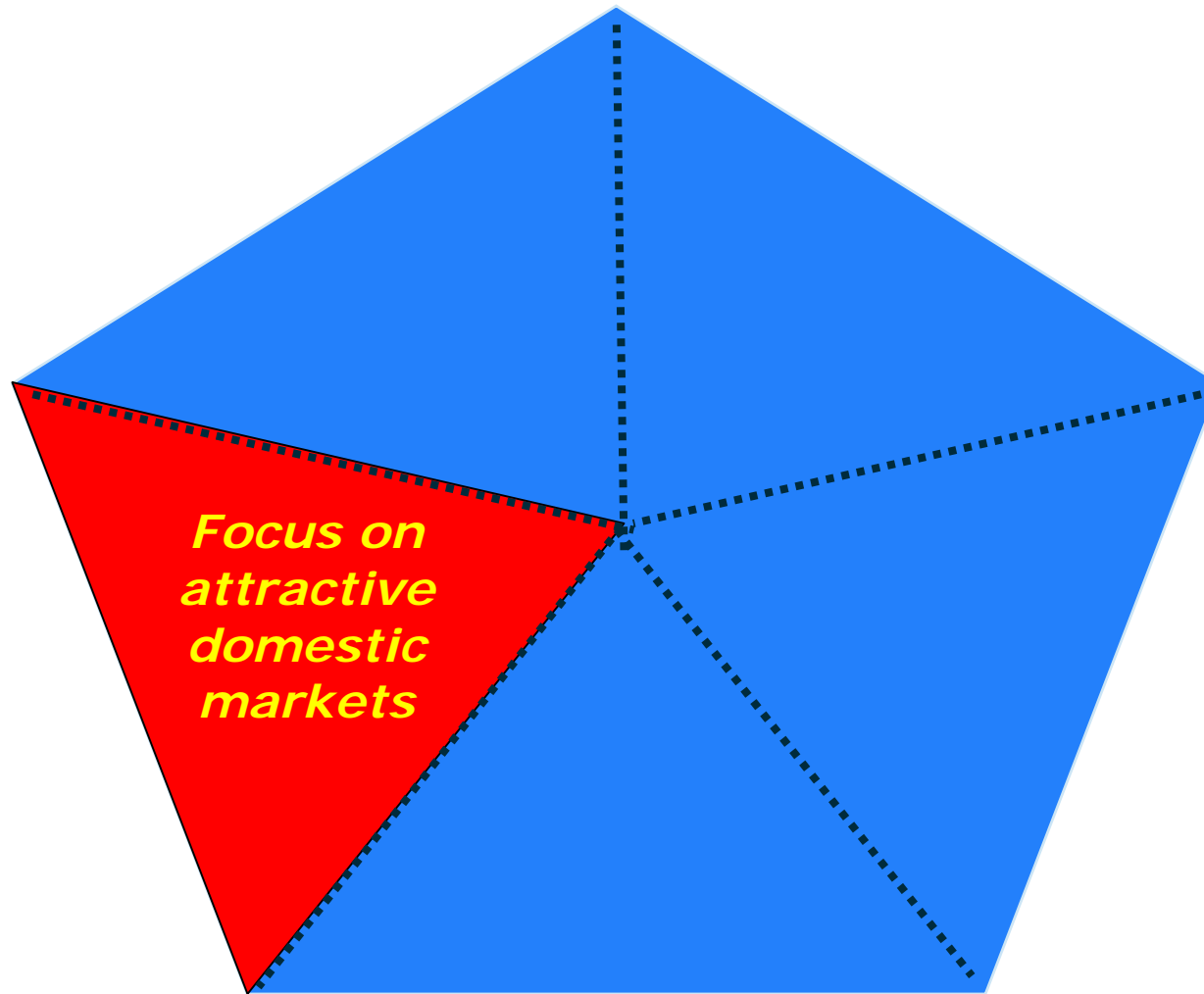


* Average Value at Risk

Leading to higher quality trading revenue



Five steps in the ANZ journey – Focus on attractive domestic market

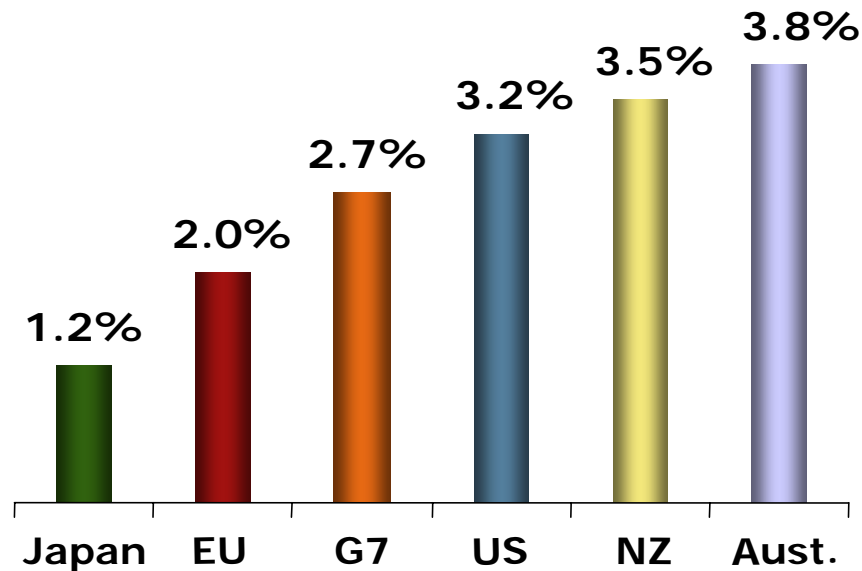


Australia and New Zealand are attractive low-risk markets

High Return

- Australia and NZ have had high returns compared to other developed markets

Average Real GDP Growth (1993-2003)*

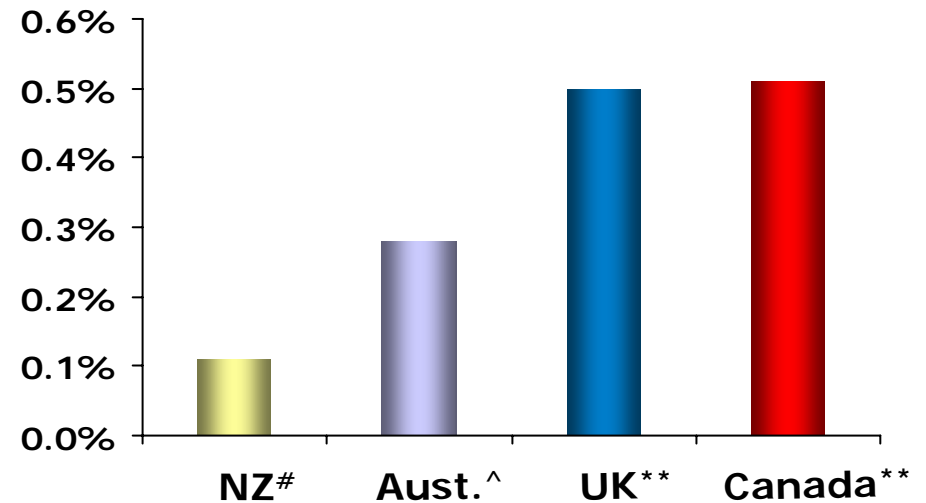


Source: *International Monetary Fund

Low Risk

- The New Zealand banking market has a lower credit risk history

Doubtful debts expense/Average Loans and Advances (%)



5 top NZ banks for 2002

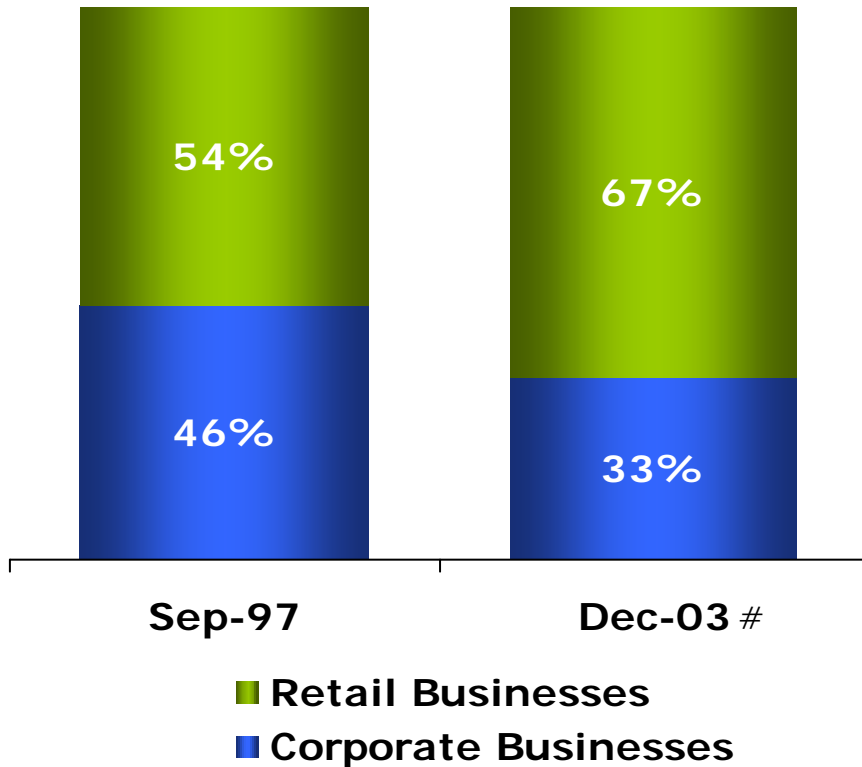
^ 4 top Australian banks for 2003

** Source – Citigroup Smith Barney top 5 banks



The portfolio shift and acquisition of NBNZ are transformational

Corporate versus Retail Lines of Business*



Shift driven by:

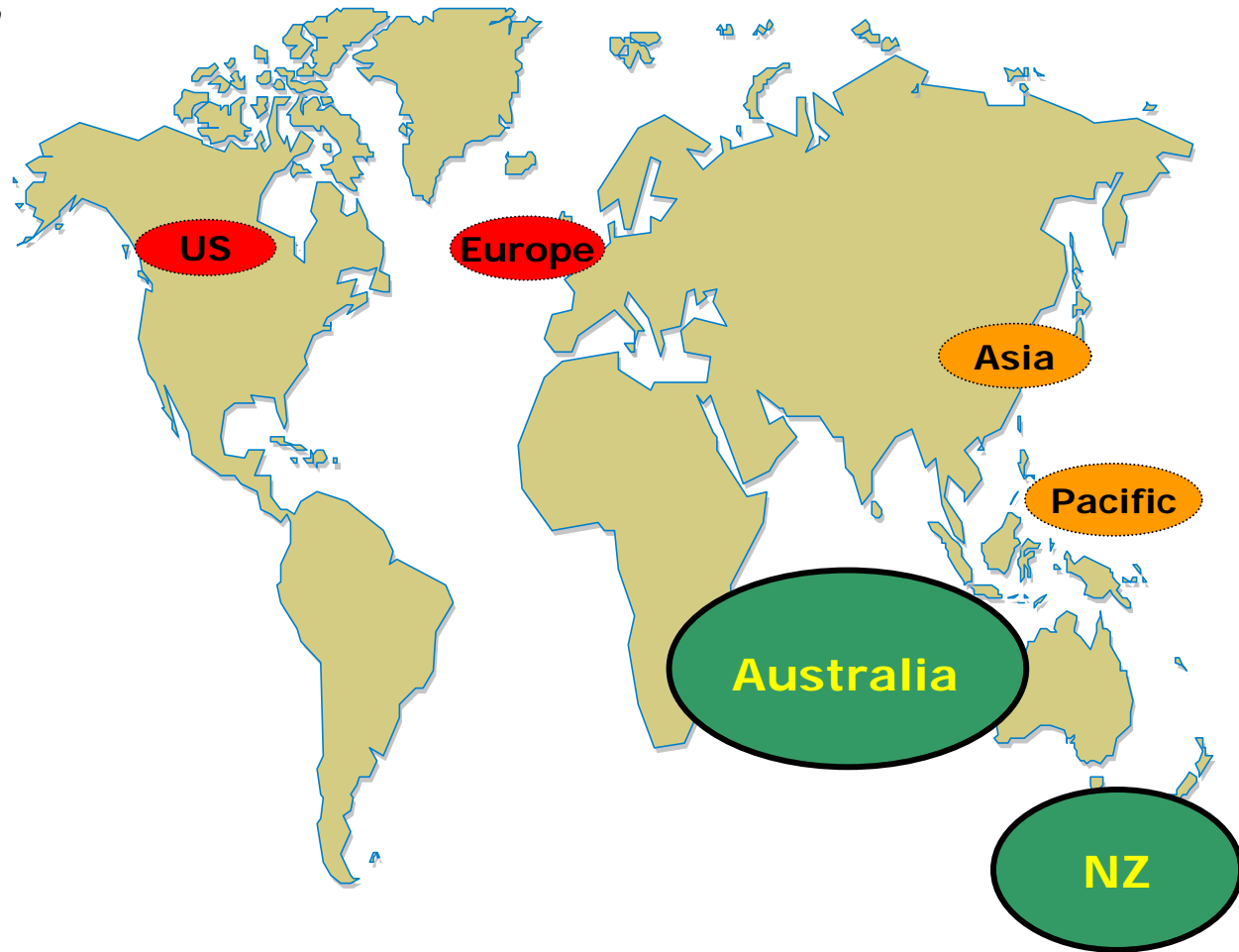
- Growth in retail franchise, particularly in mortgages
- De-risking of corporate book
- Concentration on core geographic markets

*based on net lending assets

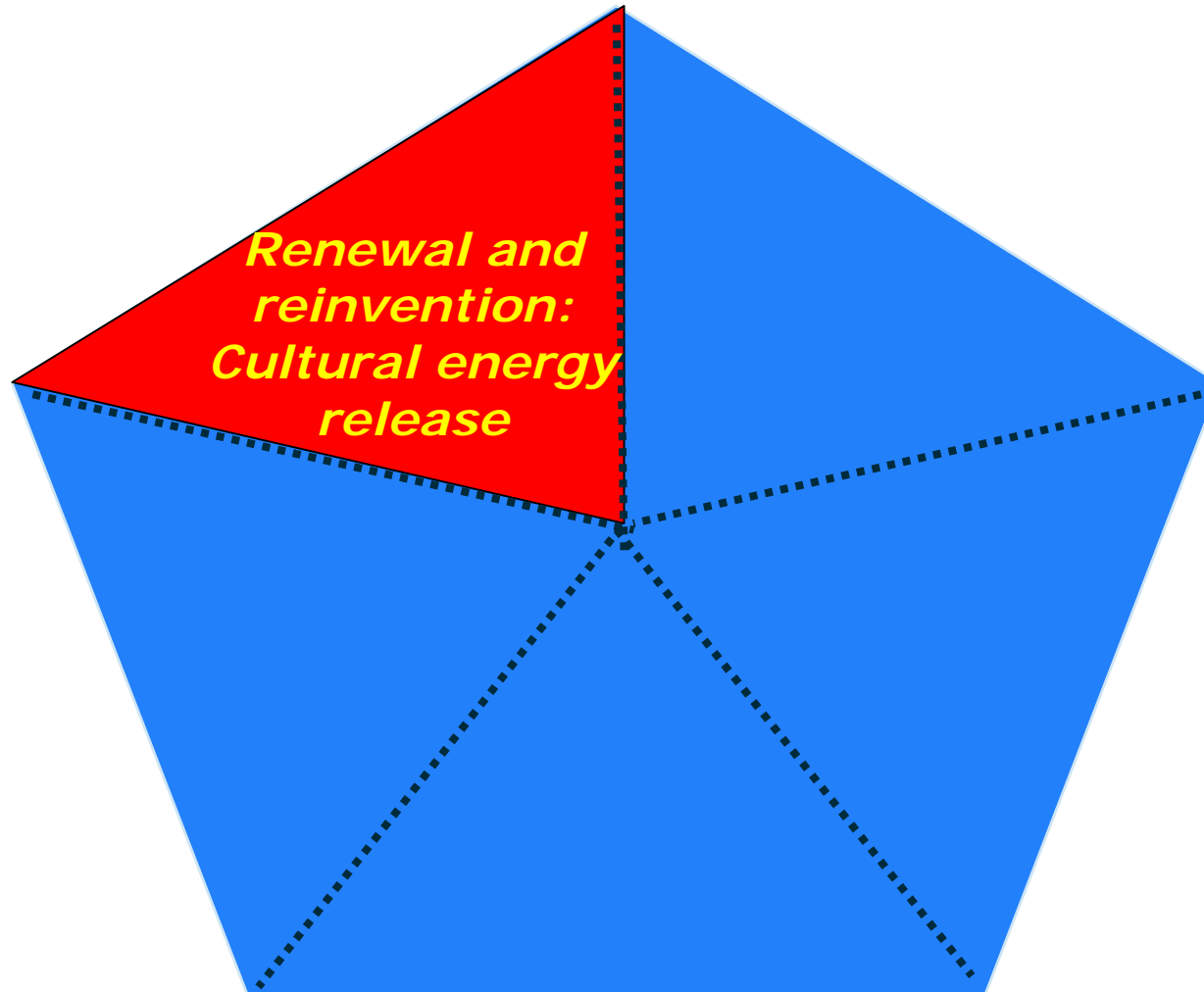
post NBNZ acquisition

One of the largest and most respected companies in Australia and New Zealand

- ***Market Capitalisation - A\$34bn***
- ***Full spectrum banking in Australia - some leading positions and need to build consumer and small business segments***
- ***The leading bank in New Zealand and the largest company in New Zealand (value circa NZ\$10.5bn)***
- ***The leading bank and largest company in the South Pacific***
- ***Australia's bank in Asia***
- ***The leading bank with Australasian companies internationally***



Five steps in the ANZ journey – Renewal and reinvention: Cultural energy release



The bank with a human face

- *Put our customers first*
- *Perform and grow to create value for our shareholders*
- *Lead and inspire each other*
- *Earn the trust of the community*
- *Breakout, be bold and have courage to be different*



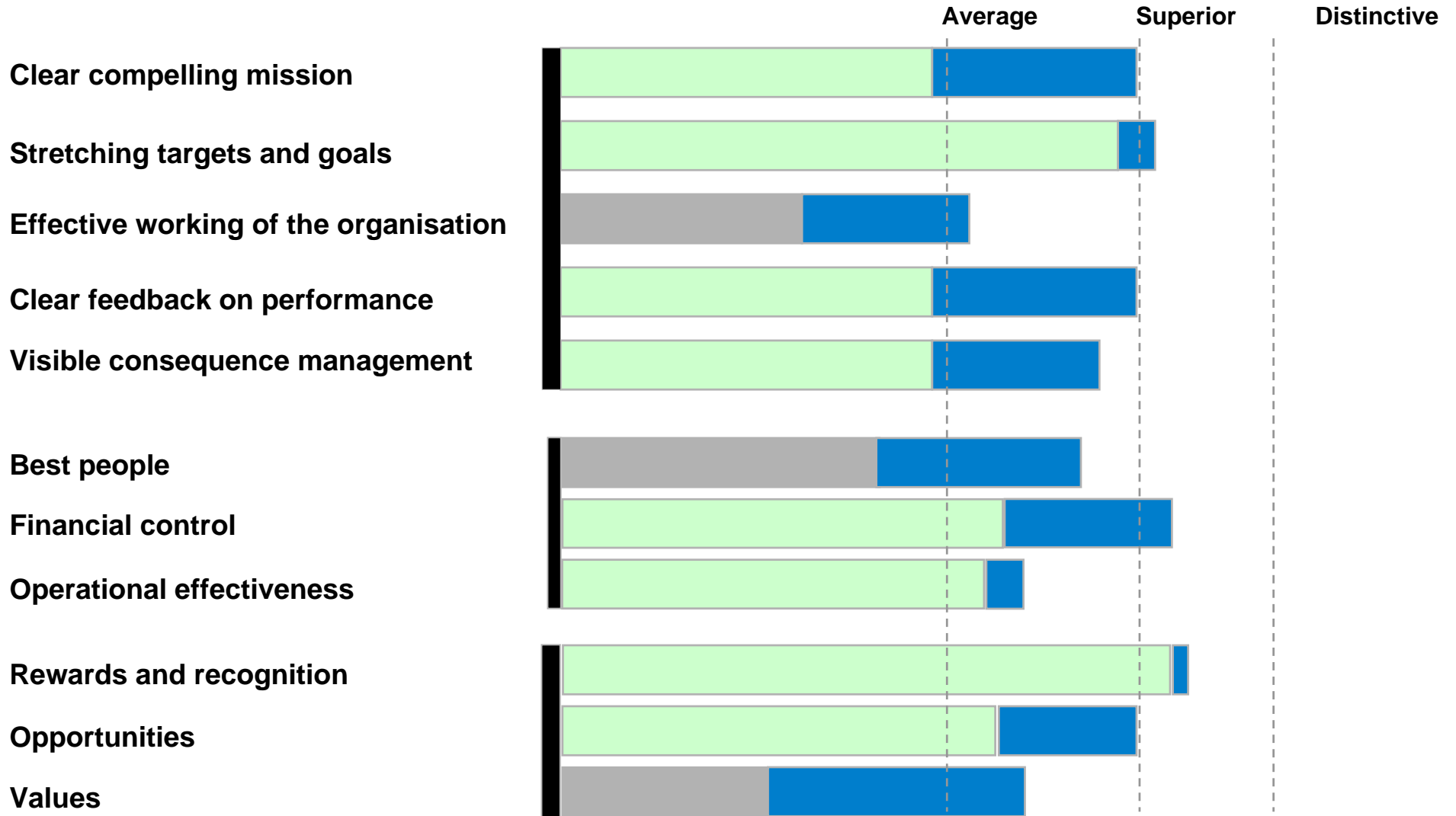
Breakout projects to create a high performing organisation



...and an engaged and satisfied workforce



Performance Ethic Shift 2000-2003

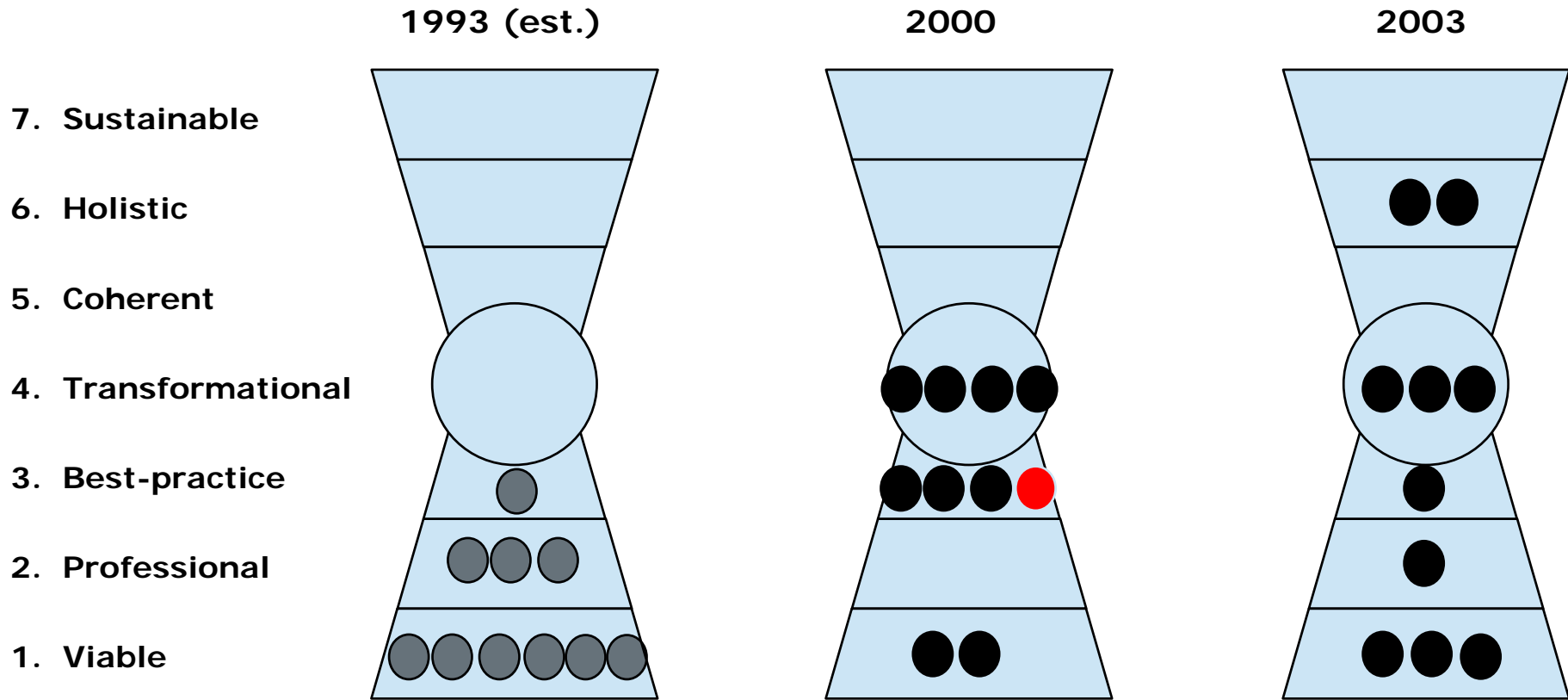


2000
 2003

Benchmark comprises 33 of Australia's Top 50 companies

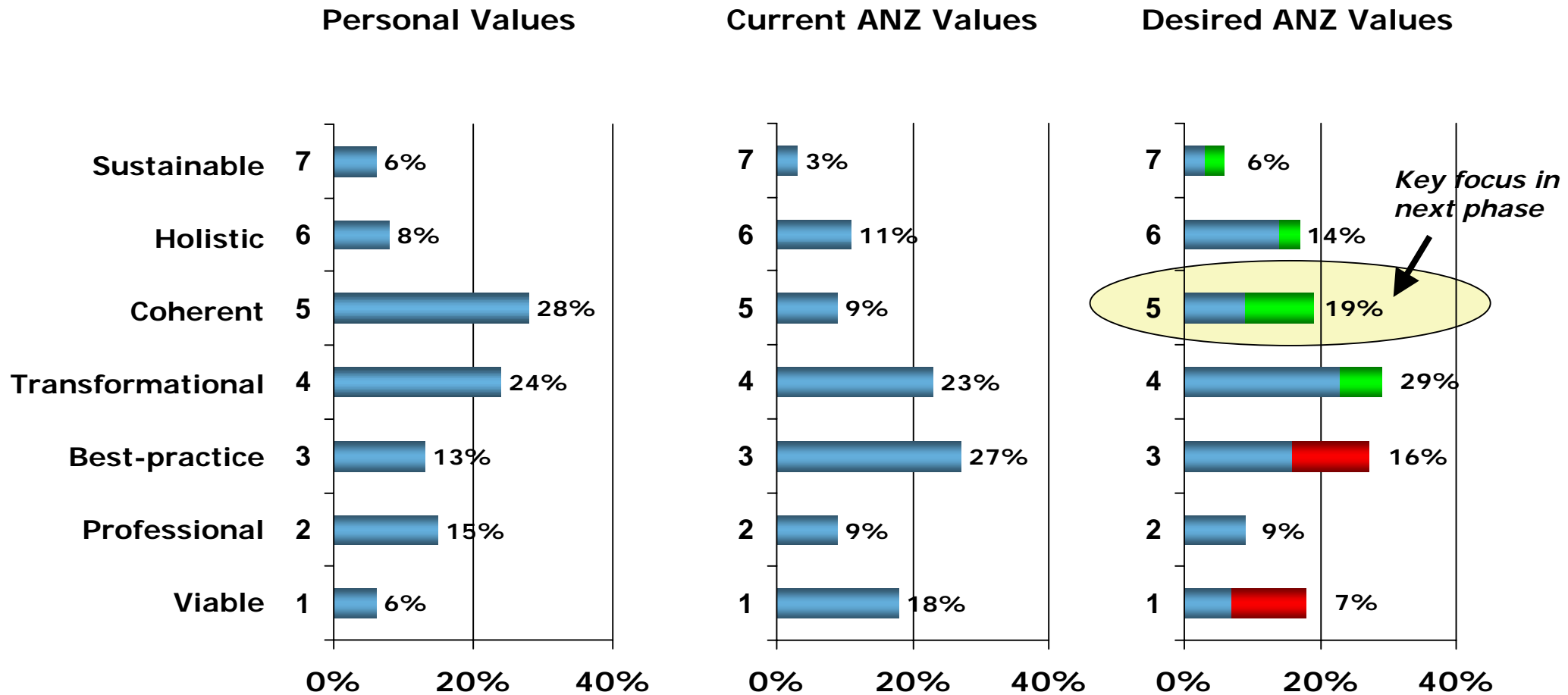


ANZ has successfully moved to the transformational stage



● Positive value
● Limiting value

...and is positioning for stage 5 – Total Organisational Coherence



Five key steps in ANZ journey

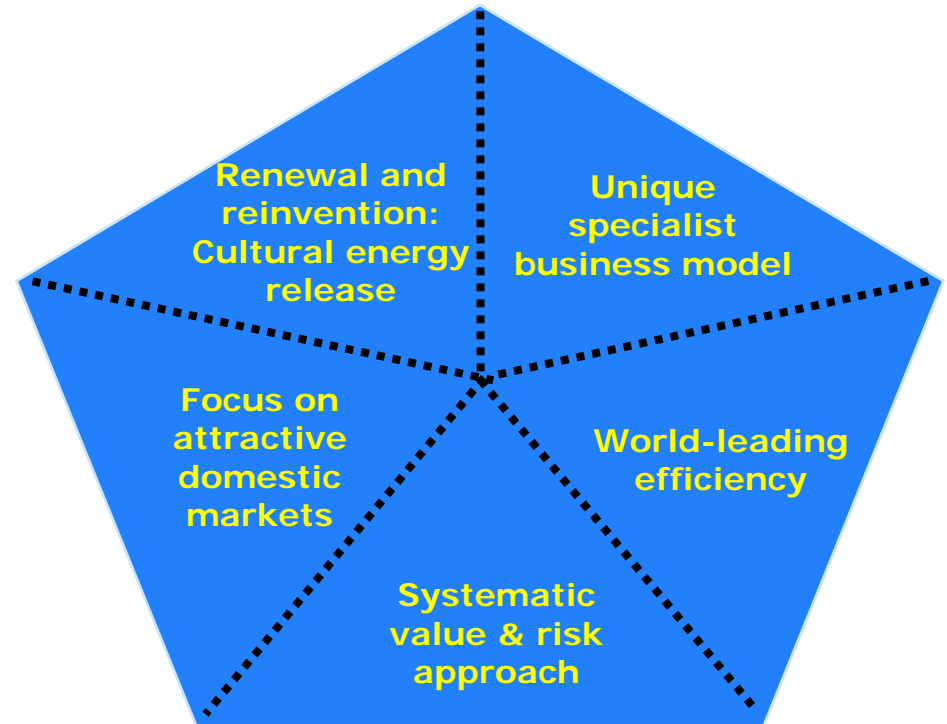
Our specialist businesses model is distinctive in its focus, energy empowerment, and speed to market

Superior management execution is well-recognised in ANZ being one of the best-managed and most-efficient banks in the world

Pervasive Economic Value Added systems combined with systematic risk reduction

A stable and inspired leadership team together with first mover cultural change is a sustainable advantage:

- High staff satisfaction - an employer of choice
- Open communication and strong values
- A coherent approach combined with a culture of accountability, freedom and energy



ANZ's focus is on growth and sustainability

ANZ's mission is to be the leading, most successful and most respected bank in Australia and New Zealand and Australia's international bank

ANZ has established the foundation for growth
Growth and sustainability are now the main focus



- Advance coherence by evolving specialist business clusters around customers
- Channel business segment energy towards corporate purpose and customer business synergy
- Continue focus on ANZ's cultural journey, performance ethic and world leading efficiency
- Make it easy for customers to do business with us

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