



# Aspirations and Directions

Australia and New Zealand Banking Group Limited

18 December 2007

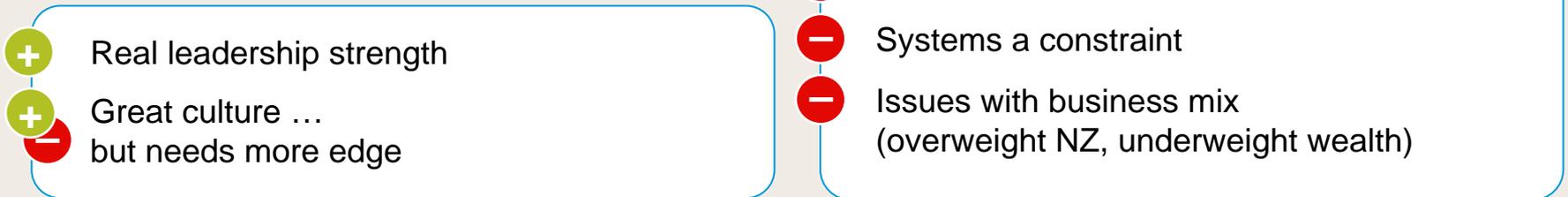
**Michael Smith, CEO**

# My early impressions

## Divisional level



## Group level



## Overall impression: Call to action

**Aim higher**  
**Drive growth and out-performance**

# Our journey to becoming a Super Regional bank



# Growth based on 4 core capabilities

Restore • Out-perform  
**TRANSFORM**



FROM

TO

Product based

**Customer centric**

**Customer/segment focused**

Marketing is for Retail

**Sales/marketing focused**

**Sales/marketing core skills for everyone**

Technology a constraint

**Technology based**

**Technology a core source of advantage**

Meeting expectations

**Performance driven**

**Out-performing**



## FROM

### **Too internally focused**

- Customer relationship disruption
- Reduced lending to core customers
- Insufficiently agile

### **Under-invested in technology**

### **Conservative** risk approach

### **Below system performance**

## TO

### **Customer focused**

- Specialisation
- Relationship lending
- Growing deposits
- Rebalance staff mix to front office

### **Technology a critical enabler**

- Cash management, Markets Risk

- **Double** Markets revenue
- **Accelerate Asian** growth
- Increase **distinctive funds capability**

**Back to system and beyond** - lending growth above system over last 4 months



FROM

**Strong growth in new customers**

Avg 7% pa over last 3 years

**“Product of the month”** sales focus

Bottom-up **product focused** direct marketing

**In the pack on technology**

**Strong profit out-performance**

TO

Maintain customer acquisition and **deepen relationships**, especially mortgages and wealth

**Needs based selling**

Top down, **segment prioritised** direct marketing

**Clear leader in online and sales tools**

**Continued profit out-performance**



## FROM

**Defending share** post NBNZ acquisition, and **repositioning ANZ** business

**Incremental** cost improvement  
- cost to income ratio 44 per cent

Duplicate retail systems

Stable performance in line with market

## TO

**Grow by customer acquisition, and targeted segments**

Fully leveraging scale to drive **cost to income below 40%**

**Single system**

**Sustained out performance**



FROM

**Maintaining** our network franchise

Focus on **Australia/New Zealand-linked Clients**

Establish Asian platform  
**via Partnerships**

**7 per cent of Group** net profit after tax

TO

**Deepening franchise, customer base and capabilities**

Broaden focus to **mass affluent retail and local corporate customers**

**Focussed** on core geographies:

- Top tier domestic bank in Malaysia, Vietnam and Indonesia
- A leading foreign bank in Greater China and potentially India
- Grow ANZ branded presence

**Big as NZ** by 2012 (~20%)



## Margins declining, particularly in Admin and Product Design\*



### Our response – focus on distribution

Margins are more sustainable at the distribution end of the value chain

Significant growth in planner numbers. Together with INGA we are now top 2 in planner numbers

We plan to double profit and gain 50% more customers in I&I by 2010

Supported by continued growth from INGA

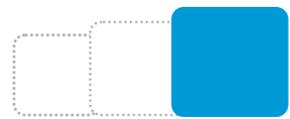
### Why we will succeed

We control the distribution

Investment and Insurance business delivered average profit growth > 50% pa last 3 years

E\*TRADE market share now at record 27%

\* source: Boston Consulting Group



## Where our profits will come from ...

High Asian growth will result in more balanced geographic contribution as we seek to double our profit over 5 years

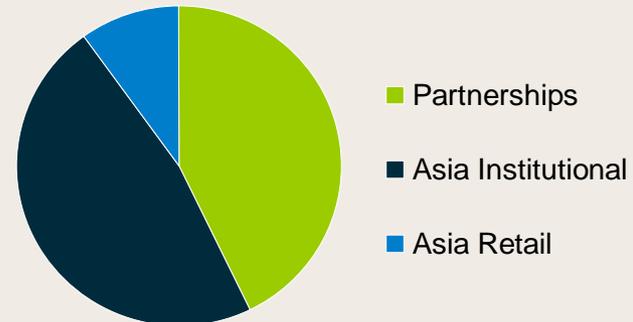


## What will drive domestic growth ...

- **Personal** – great track record, opportunity to deepen customer relationships
- **Institutional** – getting back in the game
- **New Zealand** – strong position, but can further grow share and exploit cost synergies

## What will drive Asian growth ...

- Main focus on **organic growth** supplemented with in-fill mergers and acquisitions



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