

Aspirations and Directions

Australia and New Zealand Banking Group Limited
18 December 2007

Michael Smith, CEO

My early impressions

Divisional level

Personal

- + Great shape
- = Share of wallet opportunity

Institutional

- + Strong franchise
- Underperforming peers

New Zealand

- + Performing well
- Constrained by economy

Asia/Pacific

- + Only Australian with meaningful presence in Asia
- + High potential
- Missed opportunities

Group level

- + Real leadership strength
- + Great culture ...
- but needs more edge

- Sights set too low
- Systems a constraint
- Issues with business mix (overweight NZ, underweight wealth)

Overall impression: Call to action

Aim higher

Drive growth and out-performance

Our journey to becoming a Super Regional bank

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RESTORE

- Institutional back to system
- Restore “jaws” – increase revenue faster than costs
- Drive Asia profit
- Capture existing opportunities
- Strategic cost management

1 to 2 years

OUT PERFORM

- Quality on par with global leaders in our markets
- Best of breed customer experience
- In-fill mergers and acquisitions in Asia (core geographies)
- Unlock the value of our franchise

2 to 5 years

TRANSFORM

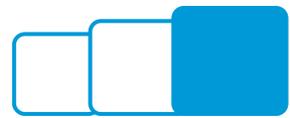
Create
a leading Super
Regional bank

Global quality,
regional focus

5+ years

Growth based on 4 core capabilities

Restore • Out-perform
TRANSFORM



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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

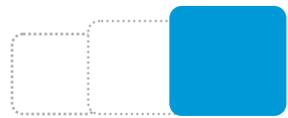
Why we will succeed

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

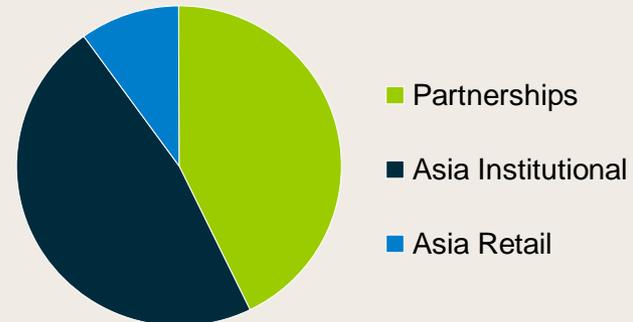


What will drive domestic growth ...

- **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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