

Banks and Wealth Management – Will they make it pay?

Elmer Funke Kupper
Managing Director, Personal Banking and Wealth Management
Australia and New Zealand Banking Group Limited
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ANZ

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- ☐ **Banks have invested to make Wealth Management a core part of their capability**
 - Growth, margins and valuations are lower today**
 - Retirement needs have not changed**
- ☐ **Banks are well placed to extract value from their customer base**
 - Footprint and touch**
 - Product range and diversity**
 - Customer knowledge**
- ☐ **ANZ's approach is different – shared ownership of scale business**
 - Specialisation as a core part of its strategy**
 - Unique and strong relationship with ING**
 - Distribution model**

Banks are now the largest players

Top 10 March 2003

Manager	Size \$B
Commonwealth/Colonial	45.5
National/MLC	32.4
AMP	27.3
ANZ/ING	26.5
BT/Westpac	23.7
AXA Asia Pacific Holdings	13.8
Macquarie	11.1
Perpetual Investments	6.60
UBS Global Asset Mgt	4.34
Tower Holdings Australia	4.03

Retail Inflows Dec 2002

Manager	Inflow \$m
ANZ/ING	645.3
UBS Global Asset Mgt	478.8
Commonwealth/Colonial	337.7
AMP	323.9
Platinum Asset Mgt	269.8
Sandhurst Trustees	142.3
AXA Asia Pacific Holdings	140.5
National/MLC	126.7
Perpetual Investments	121.0
APN Funds Mgt	91.69

Retail Inflows March 2003

Manager	Inflow \$m
UBS Global Asset Mgt	469.5
ANZ/ING	197.7
Platinum Asset Mgt	133.3
AXA Asia Pacific Holdings	123.5
Challenger International	116.2
APN Funds Mgt	79.3
Sandhurst Trustees	70.7
Deutsche Asset Mgt	62.4
Citicorp Investment	54.0
State Super Financial	44.5

Source: Assirt

The world has changed its views

From Mid 1990s...

RAMPAGING BULL MARKET

**DOTCOMS DRIVE
RECORD NASDAQ**

DOW JONES BREAKS 10,000

ALL ORDS AT RECORD HIGH

**BANKS WEIGH IN TO WEALTH
MANAGEMENT**

...To Today

THE BEARS ARE BACK

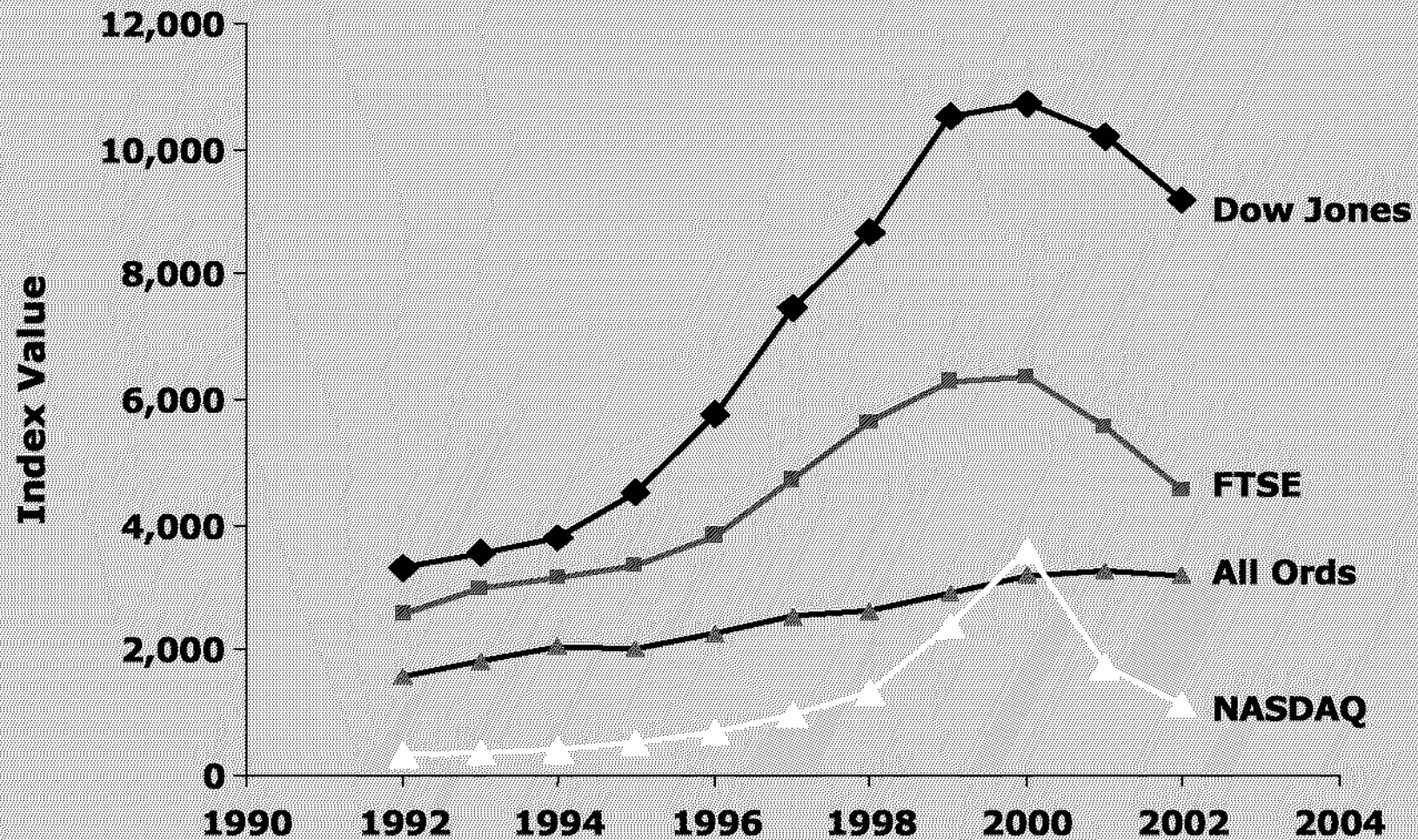
**UNCERTAINTY WEIGHS
ON MARKETS**

**NEGATIVE RETURNS
SPOOK INVESTORS**

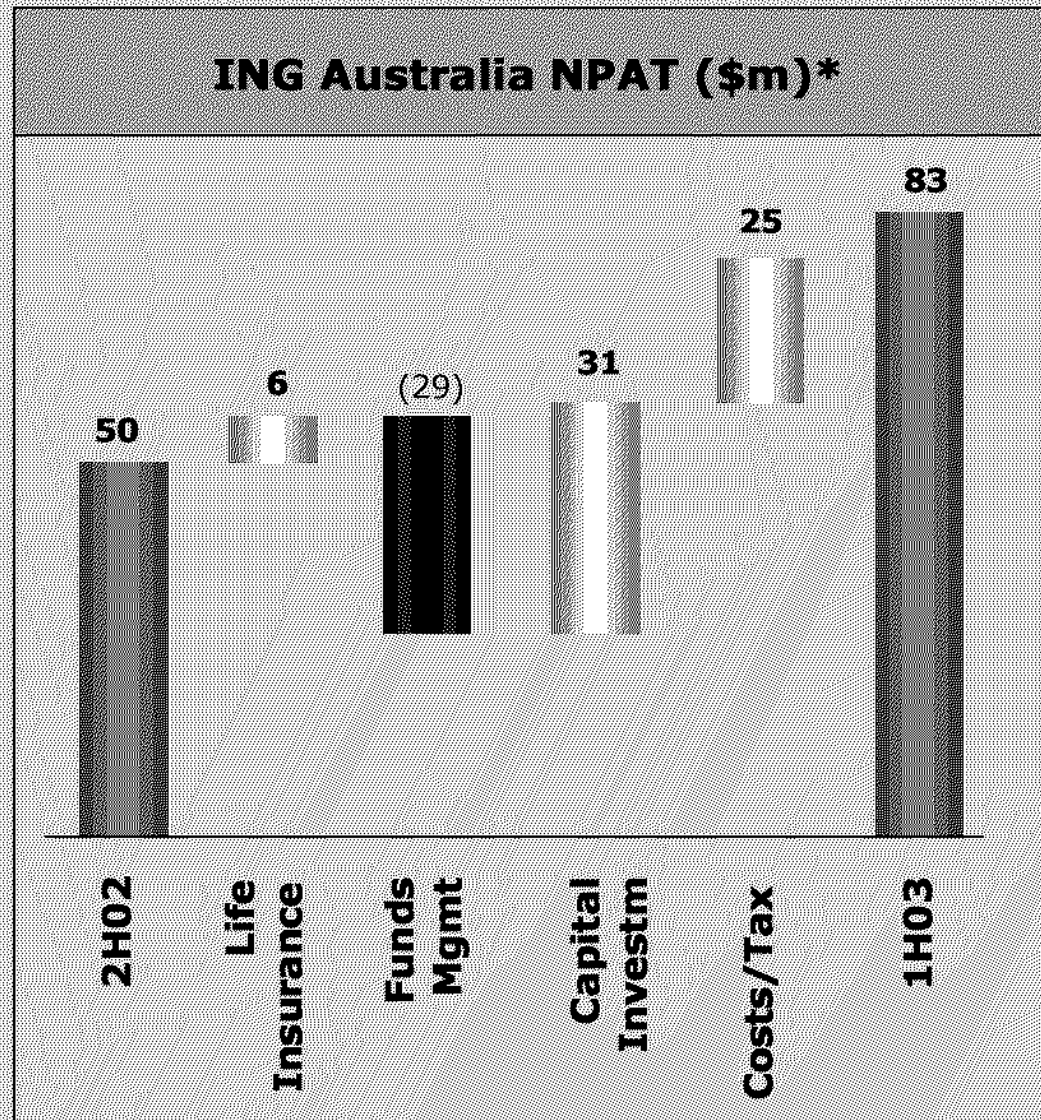
**NEGATIVE RETURNS PUT
FUNDS UNDER PRESSURE**

**BANKS YET TO MAKE WEALTH
MANAGEMENT WORK**

Correction towards normal returns



INGA Performance

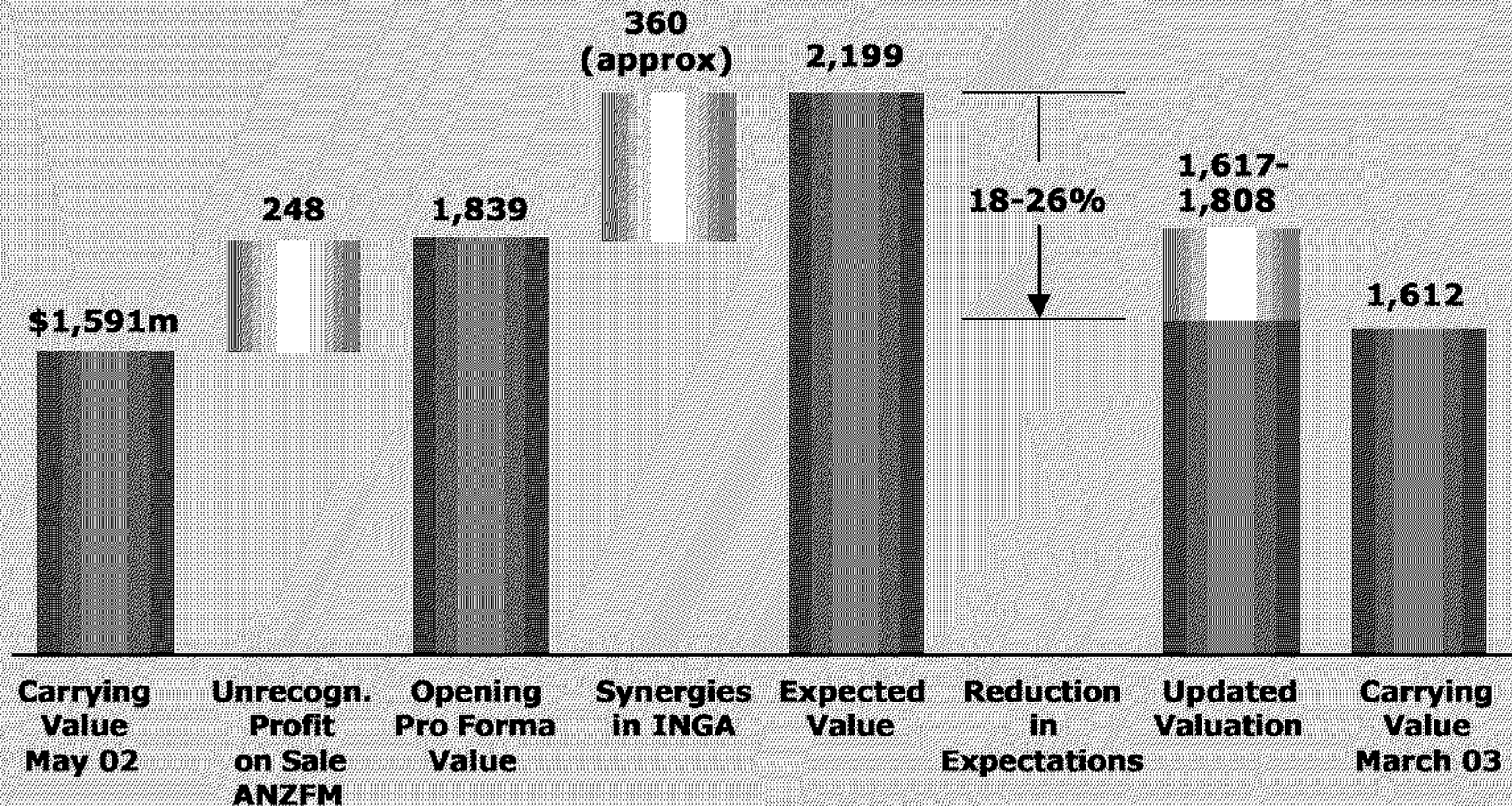


Comments
▪ Life Insurance business performing well ▪ Subdued equity markets continue to impact Funds Management ▪ Improved capital investment returns, combined with hedge ▪ Synergies in line with plan; costs well managed

* All data semi-annualised

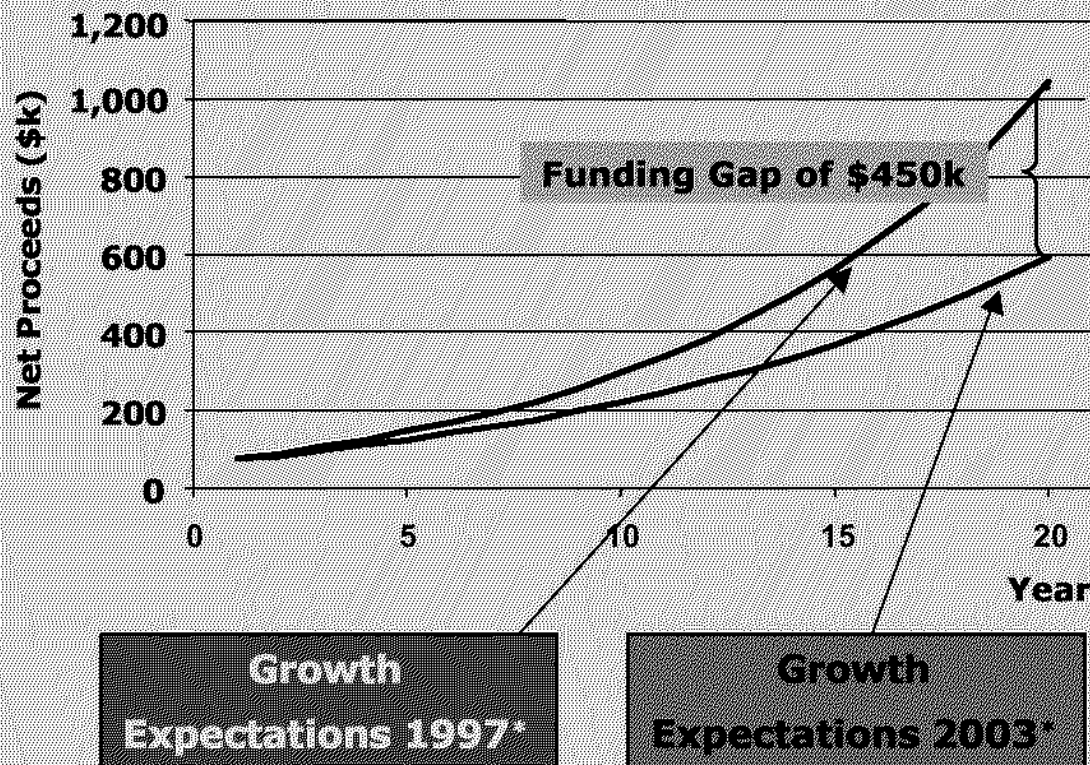
Valuations have come down

Carrying Value of ANZ Share in ING Australia (\$m)



Changed environment – not changed needs

- 37 Year Old
- Salary started at \$50K; now \$100K
- 9% Super Contribution



Options

Public policy:

- Increase contributions
- Reduce input/output taxes

Personal decisions:

- Increase personal savings rate
- Accept volatility
- Delay retirement

* Typical growth expectations held by investors

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Banks are well placed to play in Wealth Management

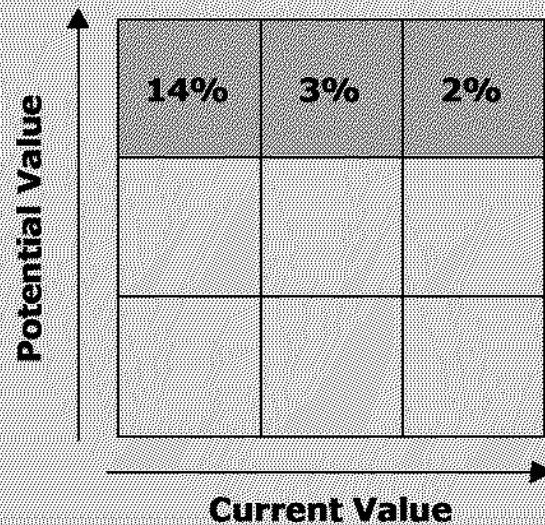
Trust and Security



Footprint and Touch



Customer Knowledge



Product Diversity

Deposits

Lending

Investments

Protection

Large foot print and high touch

Scale Distribution

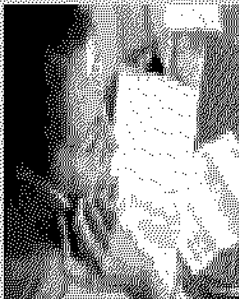
Branches
747



ATMs
1,171



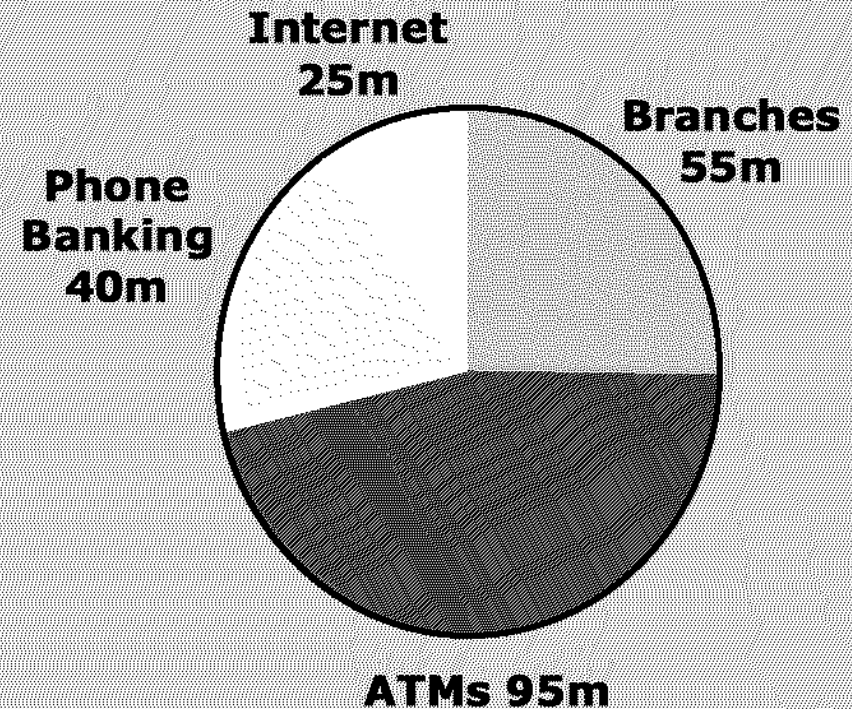
Phone
1.1m users



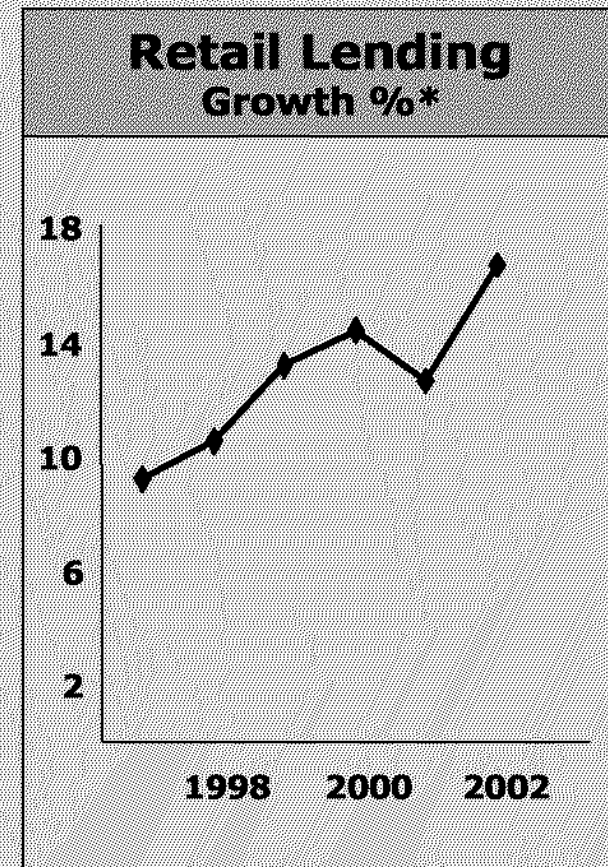
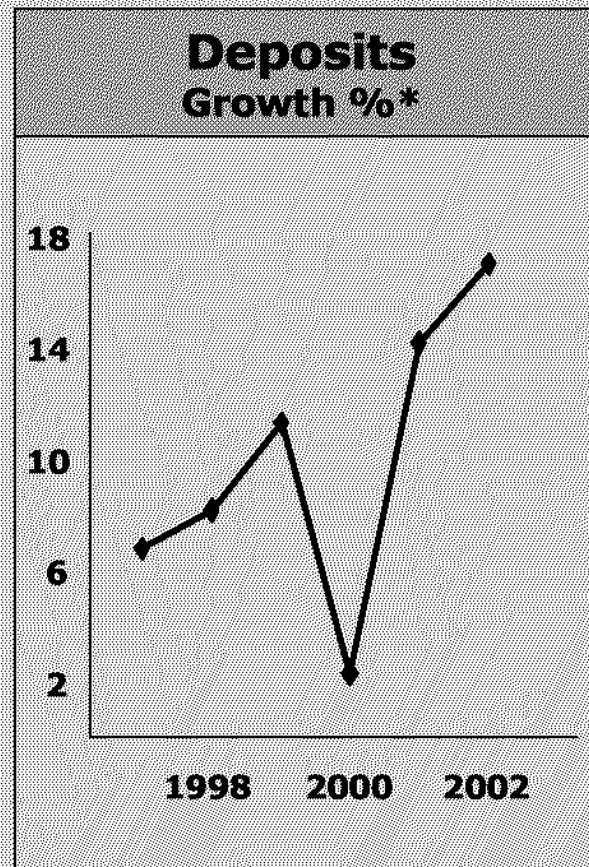
Internet
1.2m users



High Touch Relationships No of Transactions



Product diversity across the cycle



Deposits

Investments

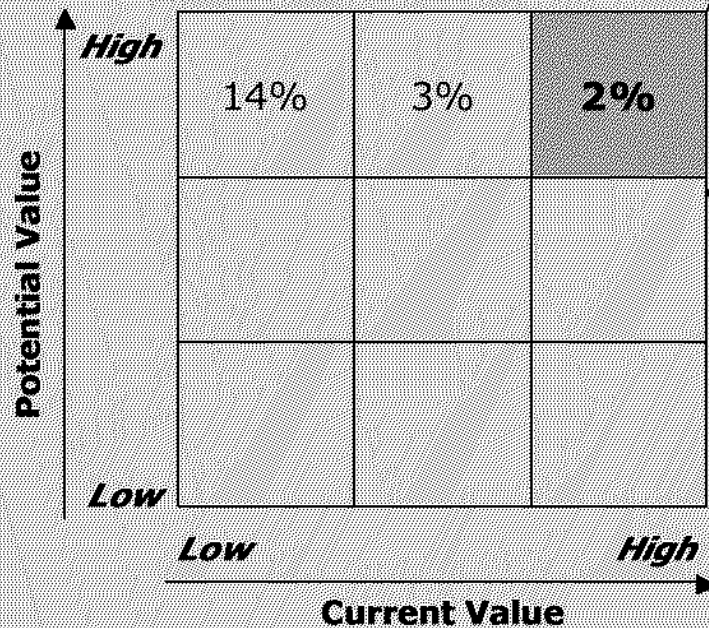
Lending

Protection

* Source: RBA; Plan for Life. Market growth from Dec. month to Dec.

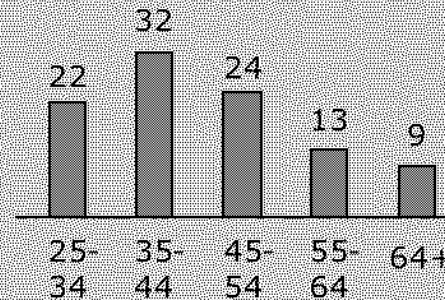
Using CRM to understand needs

Customer Profile at Branch Level*

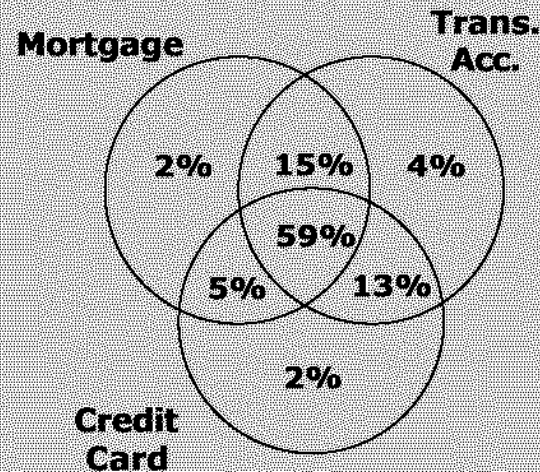


* Data for one branch in Victoria

Age Distribution (%)



Product Mix



Net Income (\$)

min 48,120
max 296,628

FUM (\$)

min 75,546
max 1,171,362

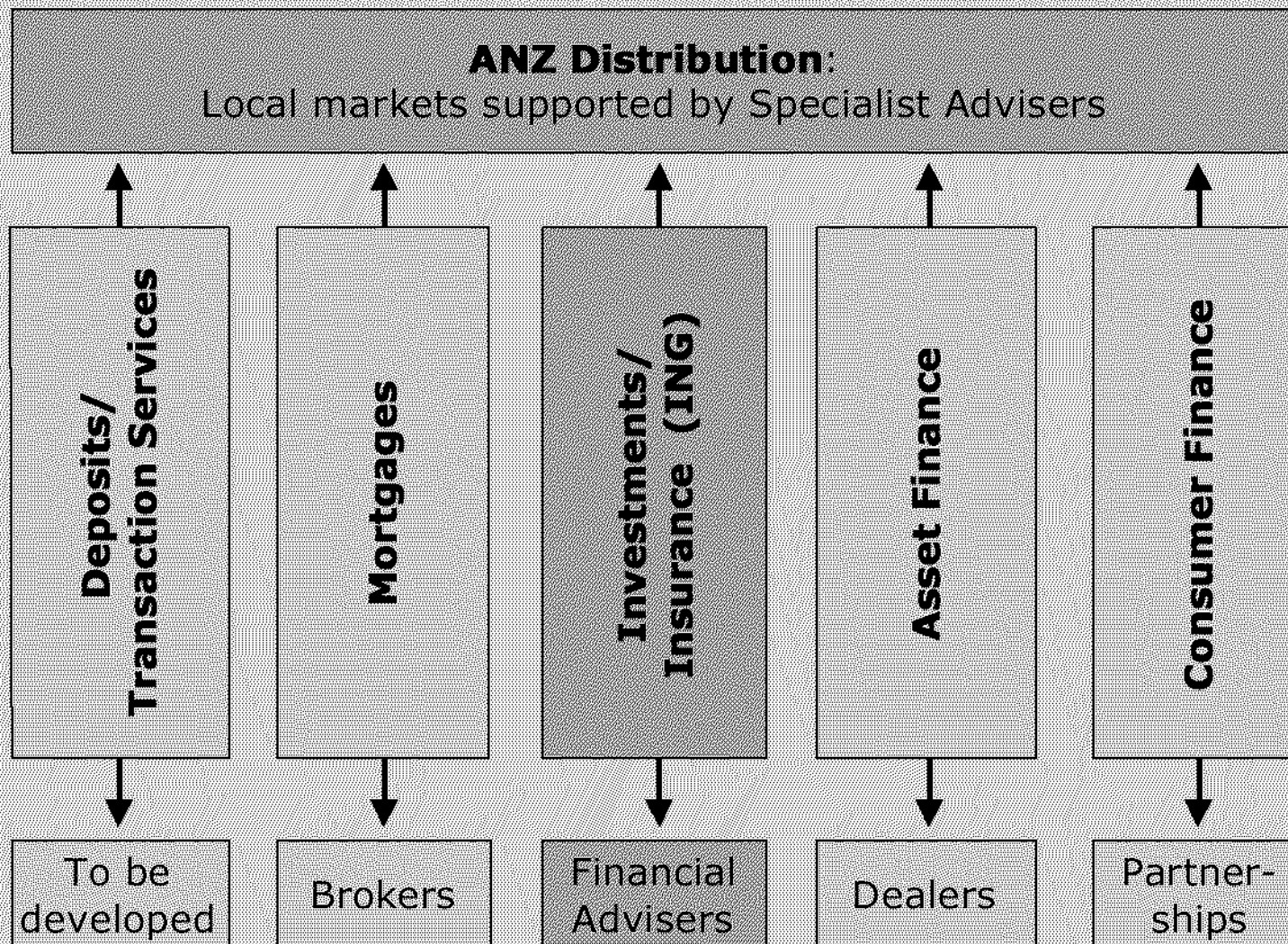
of Products

accounts 4.7
categories 2.9

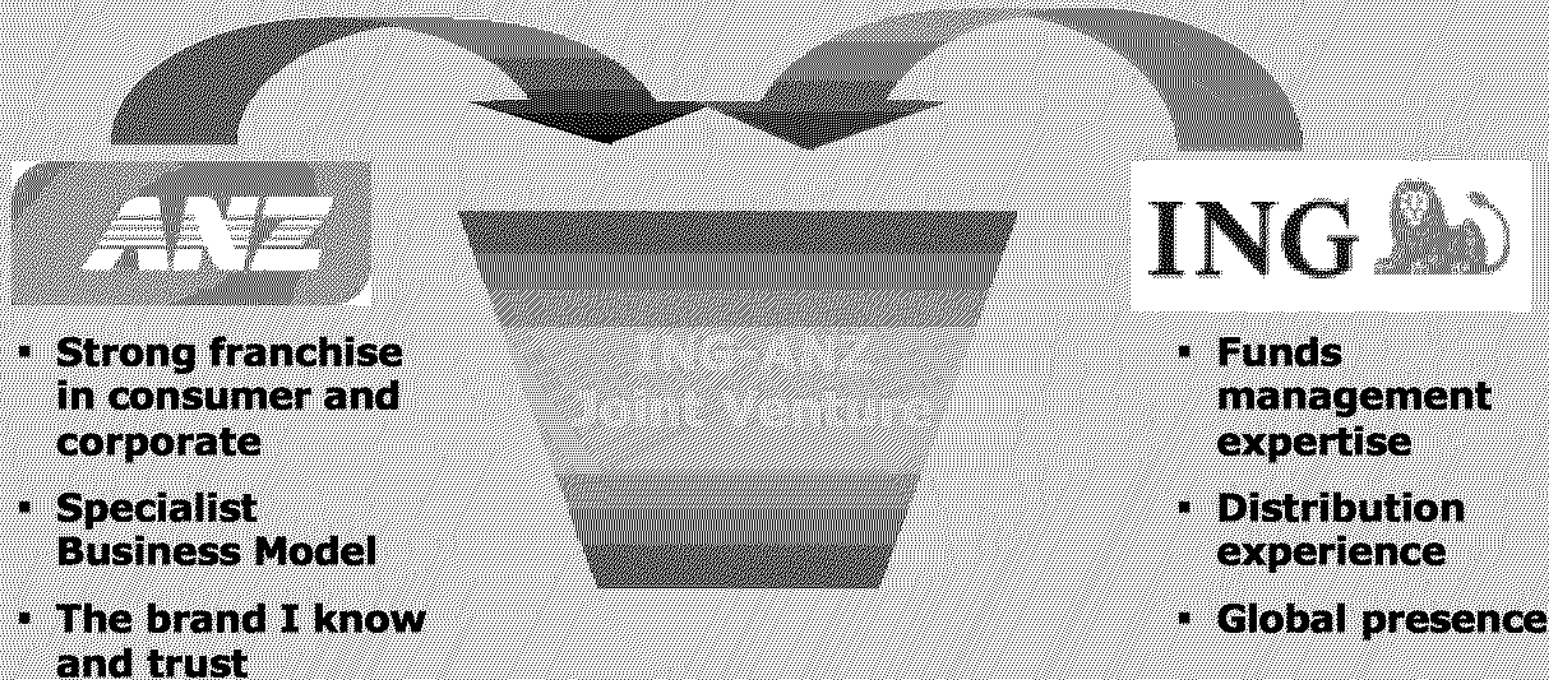
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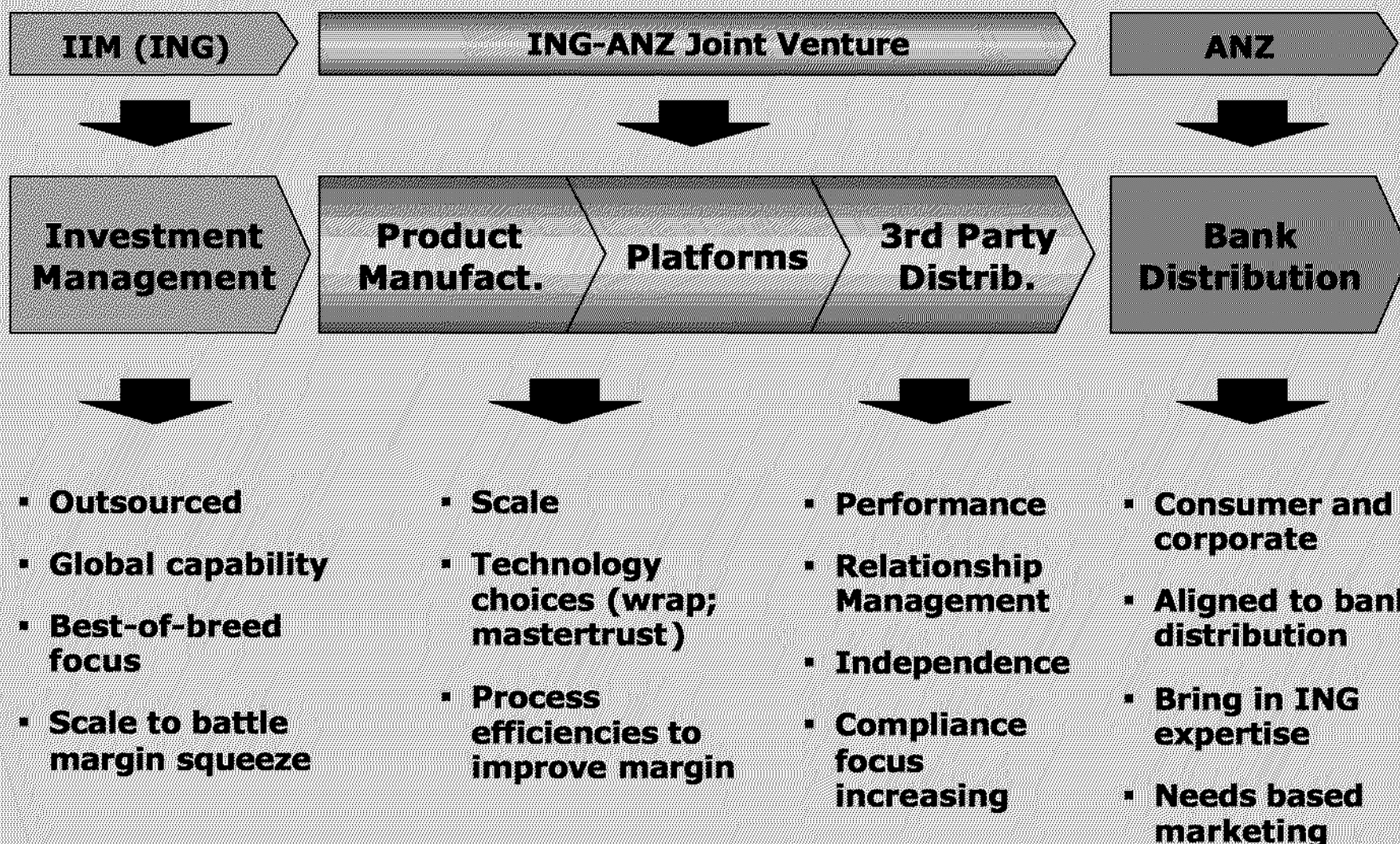
ANZ's specialist business model



Shared ownership of scale business



Unique and strong relationship with ING



Benefiting from the JV in distribution

Current performance

- Increasing contribution to Joint Venture. Driven by:
 - New products
 - Joint Venture platforms
- Strong cash performance

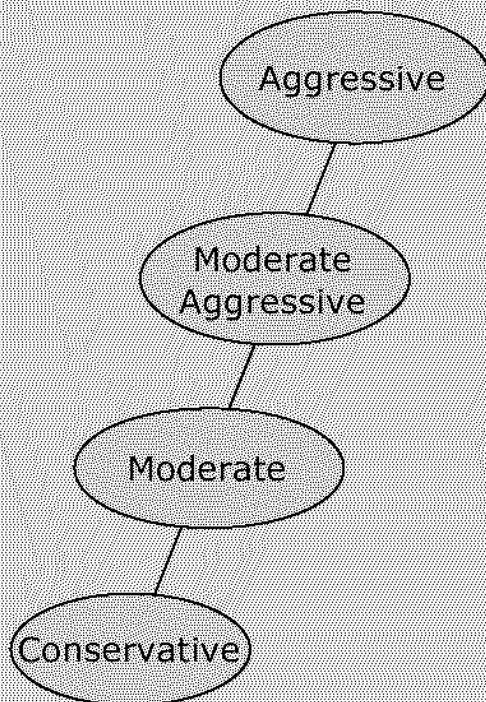
Link to the Joint Venture

- Build consumer business
 - Leverage branch distribution expertise
 - Launch platform - ANZ OneAnswer
 - Continue business development focus
- Leverage corporate franchise
 - Dedicated channel
 - Relationship model

ANZ OneAnswer will be launched in May

'Science'

Placing the investor
on the efficient
frontier



'Art'

Tailoring investment
strategies around
lifestage and need

21 Core Strategies

Retirement Planning

- Retirement Planning - Lump Sum
- Retirement Planning - Regular Savings Plan

Taxation Planning - General

- Taxation Planning - Non Resident
- Taxation Planning - Superannuation

Wealth Creation - Lump Sum

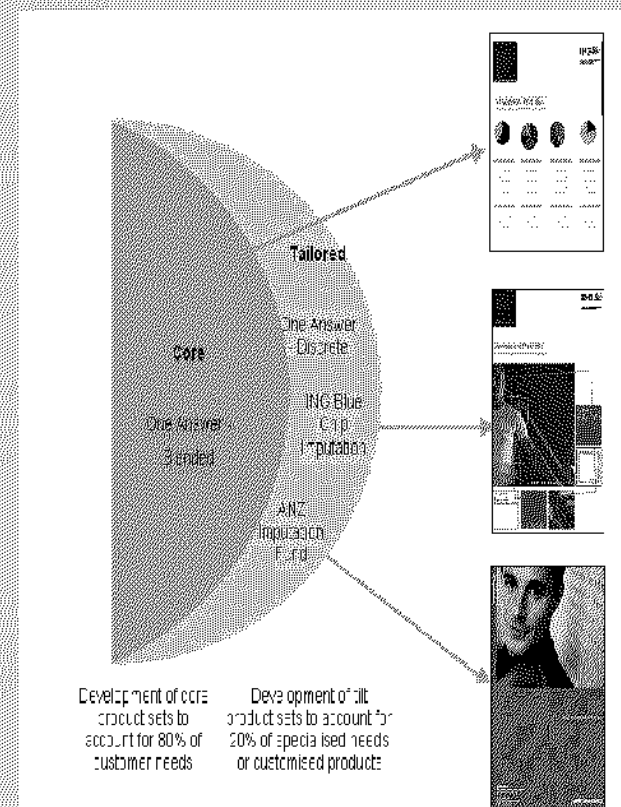
- Wealth Creation - Regular Savings
- Entities - Company Trusts

Strategy Options

- Super as a pension
- Pension as a lump sum
- Dividend Imputation
- Margin Lending
- Instalment gearing
- Instalment warrants

ANZ OneAnswer

Delivering solutions
and choice



Key messages

- ❑ **Banks are now the biggest players in Wealth Management**
 - **Market conditions have changed – impact valuations**
 - **ING-ANZ Joint Venture performing well in relative sense**
- ❑ **Long term customer needs have not changed – Banks are well placed to meet them**
- ❑ **ANZ has taken a unique approach**
 - **Shared ownership of scale business**
 - **Specialisation as core part of strategy**
 - **JV gives sustainable position without being overweight**

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www.anz.com**



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For further information visit

www.anz.com

or contact

Philip Gentry
Head of Investor Relations

ph: (613) 9273 4185 fax: (613) 9273 4091 e-mail: gentryp@anz.com