

# 2024

# INSTITUTIONAL MARKETS BUSINESS

**PRESENTATION / INVESTOR DISCUSSION PACK**

**22 March 2024**



# IMPORTANT INFORMATION – FORWARD-LOOKING STATEMENTS

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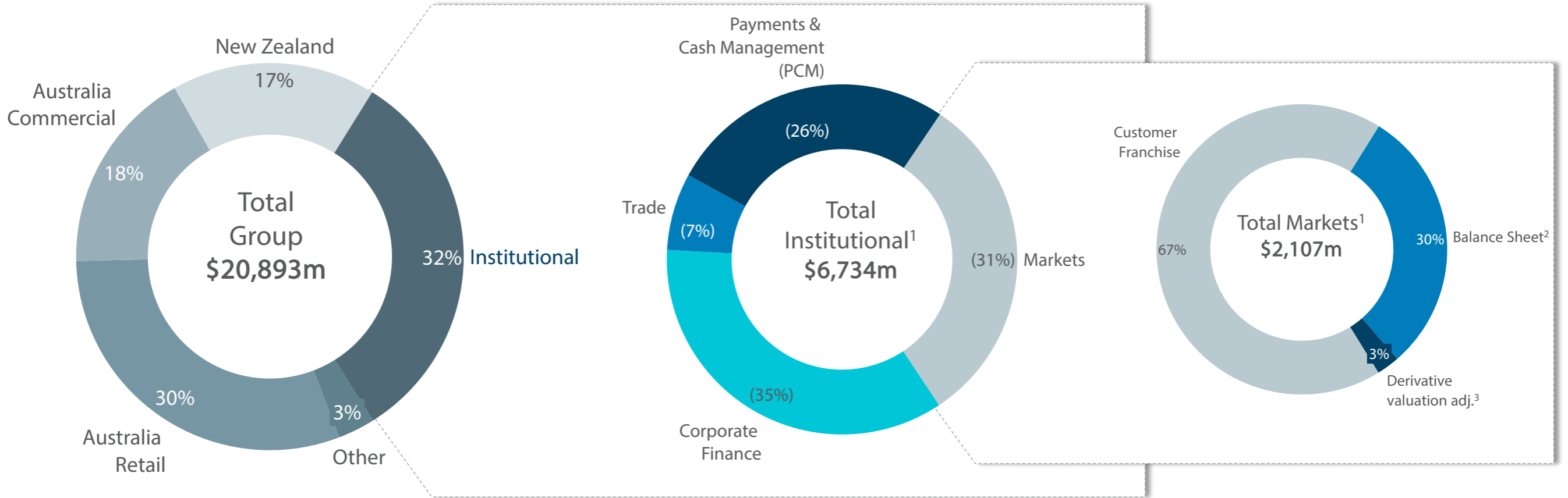
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# ANZ REVENUE COMPOSITION - FY23

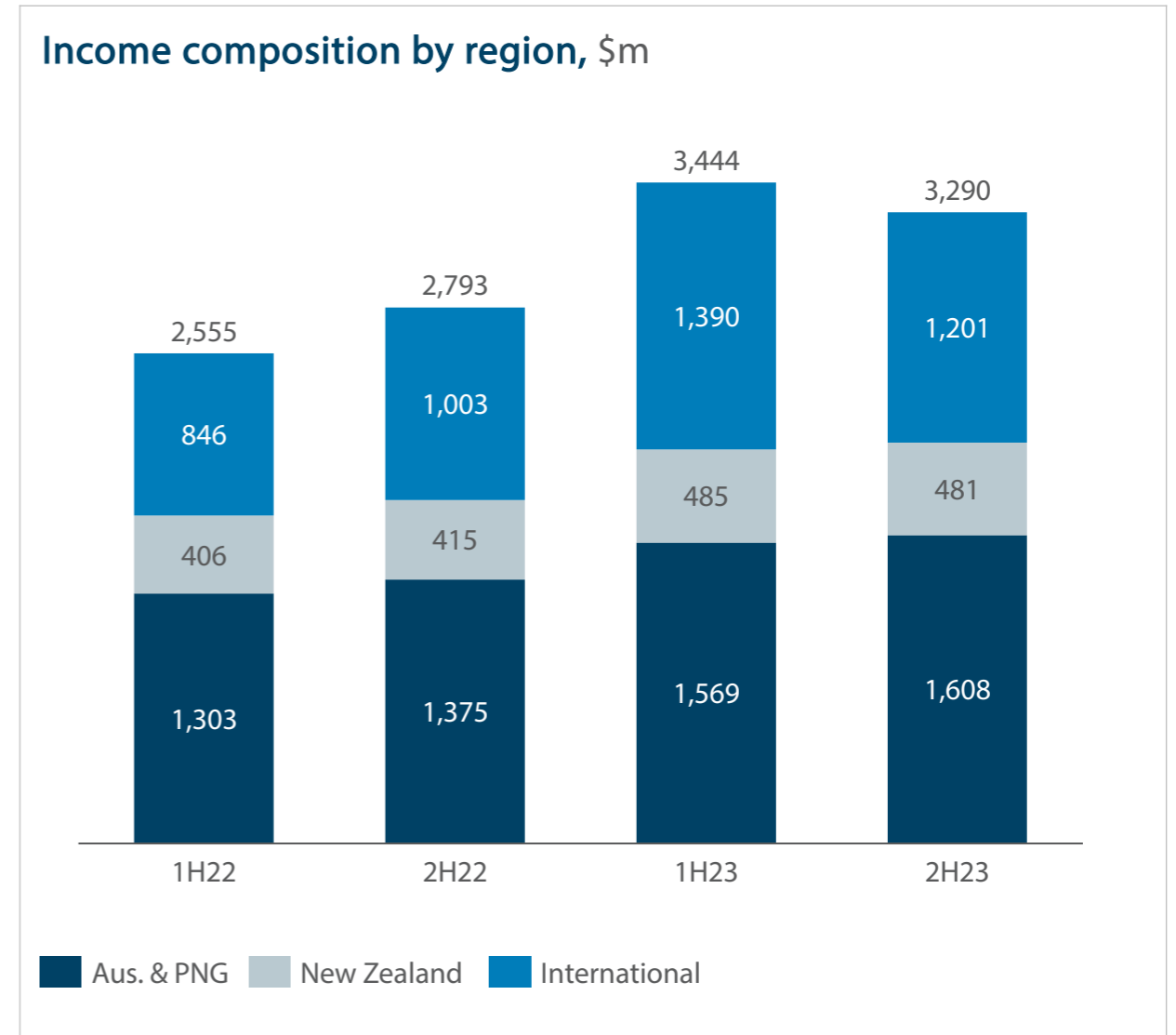
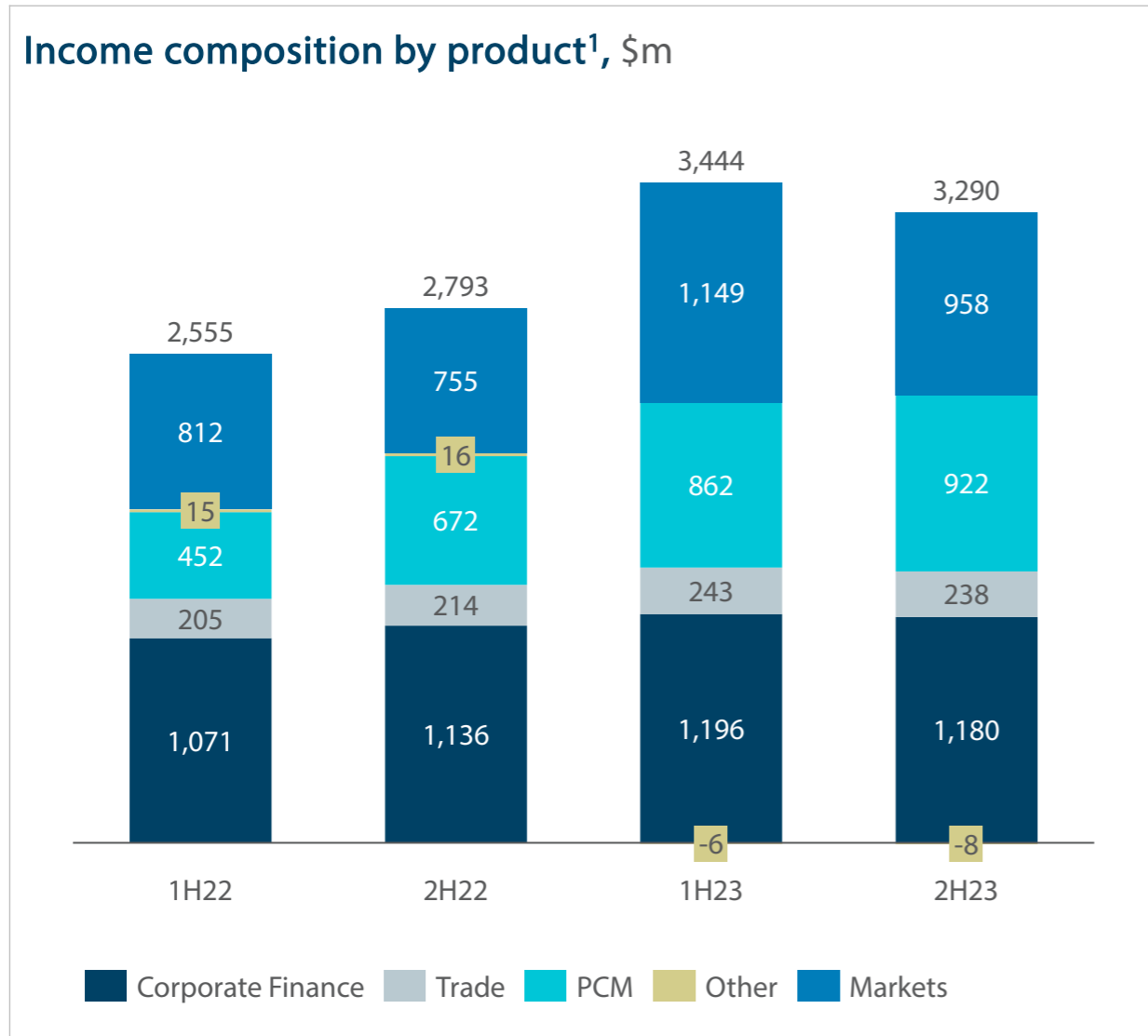
Group revenue (FY23), \$m



1. Includes -14m in 'Other' not shown on chart  
 2. Balance Sheet represents hedging of interest rate risk on the Group's loan and deposit books and the management of the Group's liquidity portfolio  
 3. Includes funding and credit valuation adjustments



# INSTITUTIONAL - DIVERSIFIED BUSINESS



1. Trade: Trade and Supply Chain; PCM: Payments and Cash Management



# 2024

# INSTITUTIONAL MARKETS BUSINESS

**INSTITUTIONAL OVERVIEW**

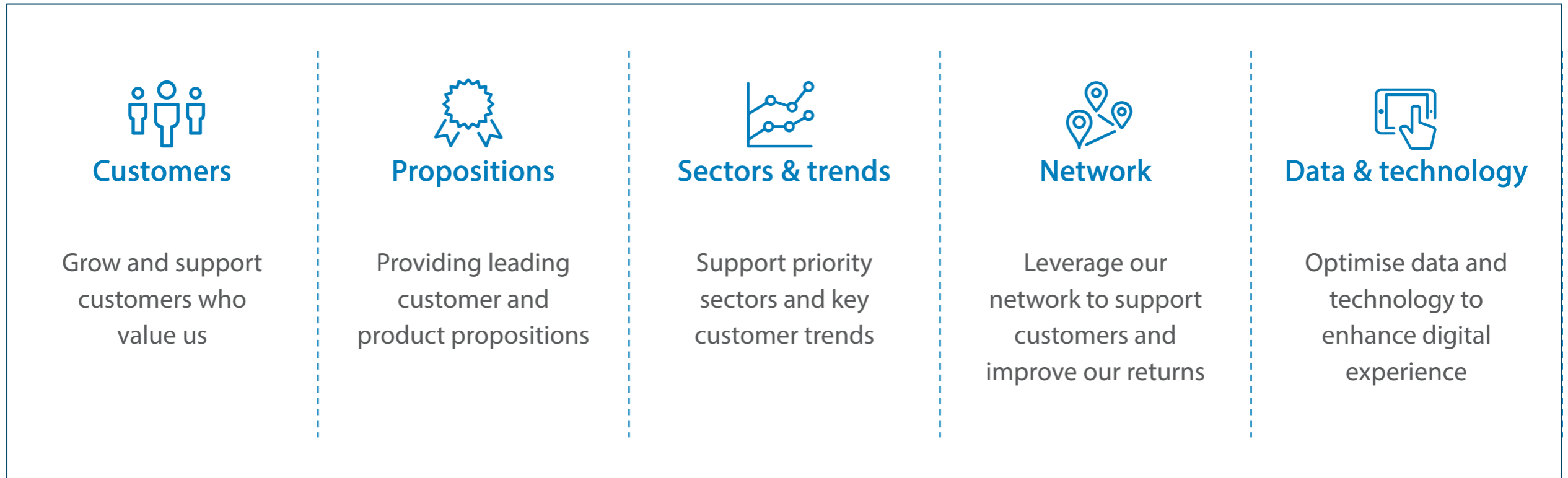
**Mark Whelan**

**Group Executive, Institutional**



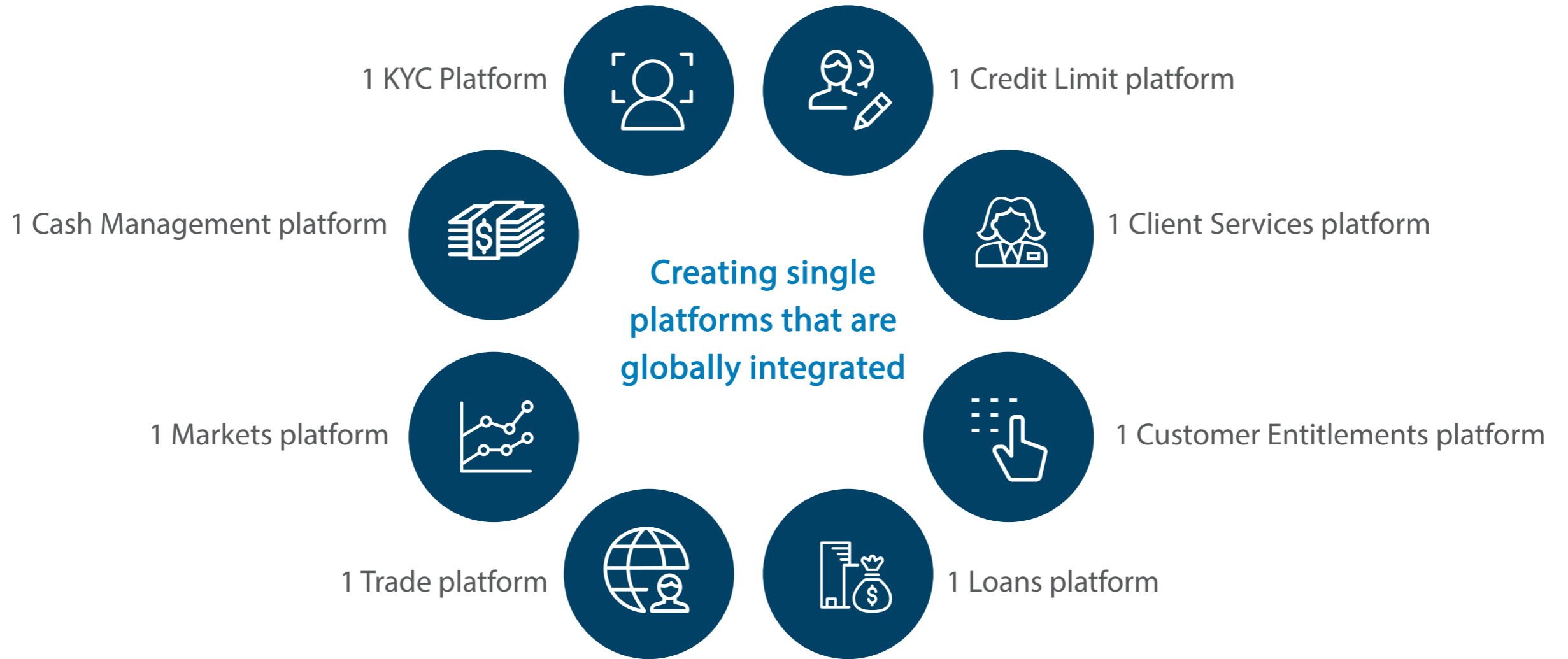
# INSTITUTIONAL FOCUS

Guided by ANZ's purpose, culture and values, we're building the best bank for customers that move goods and capital across the region to sustainably grow their business





# SIMPLIFIED NETWORK AND TECHNOLOGY SUPPORTING OUR BUSINESS





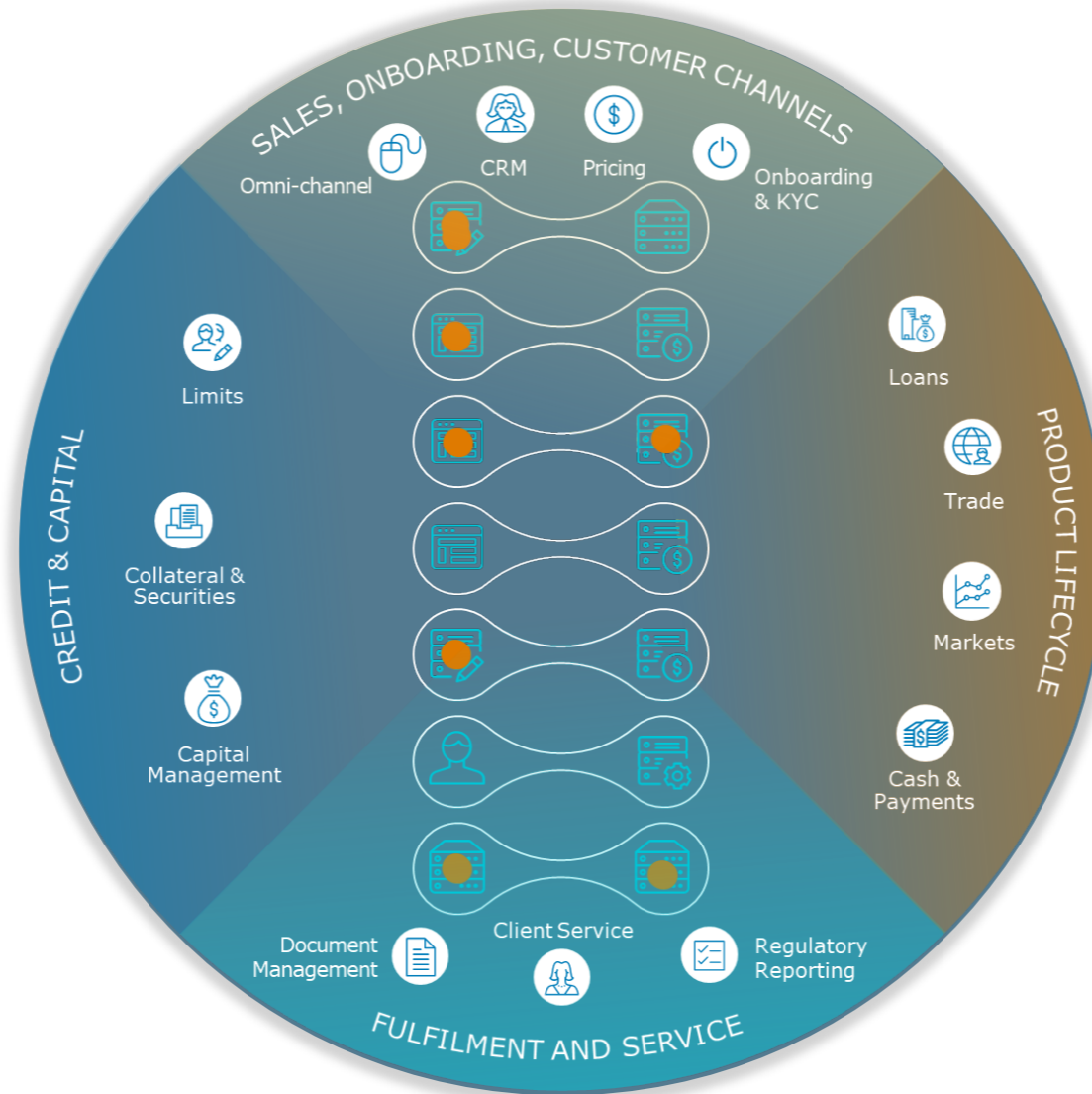


# STREAMLINED NETWORK OF DIGITAL AND DATA CAPABILITIES

Digital backbone: Simplifying and connecting systems and data to enhance customer experience, better decision making and automation

## Key principles<sup>1</sup>

- Single source of truth
- Use of the GoldTier ID
- Publish data at scale



## Resulting in



Real time integration & Networked data flow;  
On demand, highly available; High data quality sources;  
Reduced operational and regulatory compliance risk



# SUMMARY



## High quality customer base

Deep, long-term relationships, ~80% of customers are investment grade<sup>1</sup>



## Customers value us

Our networks, our platforms, our banking experience



## Invested in technology & systems

Invested >\$1.2b in technology & payment systems<sup>2</sup>



## Unique network is a differentiator

Network of 29 markets, particularly focused on the Asia Pacific region

1. Institutional, excluding Markets, based on Exposure at Default (EAD)  
2. Total investment over ~7 years in technology & payment systems supporting Institutional customers



# 2024

# INSTITUTIONAL MARKETS BUSINESS

**Markets Overview**

**Anshul Sidher**

**Managing Director, Markets, Institutional**



# ANZ GLOBAL PRESENCE

Institutional has a significant international footprint which enables it to connect clients to opportunities globally





# STRATEGIC IMPERATIVES: CAPABILITY-LED GROWTH IN MARKETS FRANCHISE



**1** **SCALE - Deeper customer penetration in FX, Rates in AU and NZ, network presence in Local Markets**

**75%+** of Franchise revenue from Rates and FX<sup>1</sup>

**#1** FX Penetration and Market Share with Au Corporates  
*Source: Peter Lee Associates*

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**3** **GROW - Add capability for 'through-the-cycle' consistency**

**#1** Cyclical like Commodities outperform in higher rates environment  
*Source: India Gold Conference*

**2** **MAINTAIN - Capability in Lower Interest Rates Environment**

Bond inventories – Government, Semi-Government and investment grade Credit outperform in lower interest rate environments

**#1** Dealer and Arranger of AUD bonds  
*Source: Bloomberg*

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**4** **FUTURE PROOF Capabilities**

**#1** Digitised platforms – best in class propositions for ANZ to serve customers of tomorrow

1. 5 Yr Avg Revenue based on FY19-FY23



# ANZ MARKETS POSITION OF STRENGTH

## Customer Franchise

Strong global footprint: Supporting customers across 29 markets



Diversified: Markets accounts for ~1/3 of Institutional revenue with a diversified revenue base (~40% Aus/NZ & ~60% International)



Customer Driven: Solutions provided to >50% of Insto customers, providing a consistent stream of revenue



Digital Led: Foreign Exchange Digital Trading comprises ~90% of FX volume



## Market position

Peer Leading: Largest Markets Franchise across Peers  
*Source: Markets & Treasury revenue disclosures from major bank results*



Leading Market Maker in AUD/NZD FX & Rates  
*Source: Peter Lee Associates*  
#1 FX Penetration and Market Share with Au Corporates



#1 Dealer and Arranger of AUD bonds  
*Source: Bloomberg*



Commodities: ANZ is a provider of bullion in Asia





# CUSTOMER FRANCHISE INCOME

## FY23 Markets Customer Franchise income \$1,427m

### Foreign exchange

- Trading in key global currencies
- Providing spot to longer term solutions
- Local Market FX: Asia focused
- Largest single eFX dealer in AU

#### Linking to ANZ client segment (example)

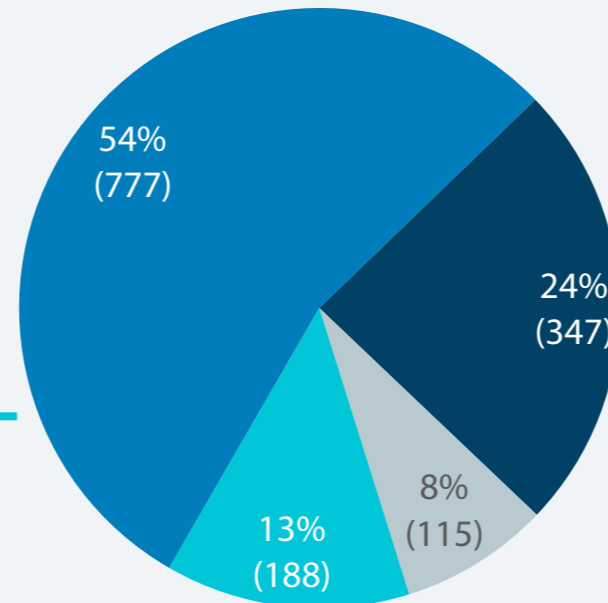
- Financial Institutions Group – FX hedging

### Credit & Capital Markets

- Debt capital markets
- Securitisation
- Secondary market trading

#### Linking to ANZ client segment (example)

- Diversified industries – debt placement



### Rates

- Largest AU/NZ rates business
- Providing bonds, swaps and cross-currency
- Local Market rates: Asia focused, network value to MNCs

#### Linking to ANZ client segment (example)

- Utilities & Infrastructure – AU / NZ interest rates

### Commodities

- Oil & Gas hedging
- Carbon trading
- Precious metals trading and lending

#### Linking to ANZ client segment (example)

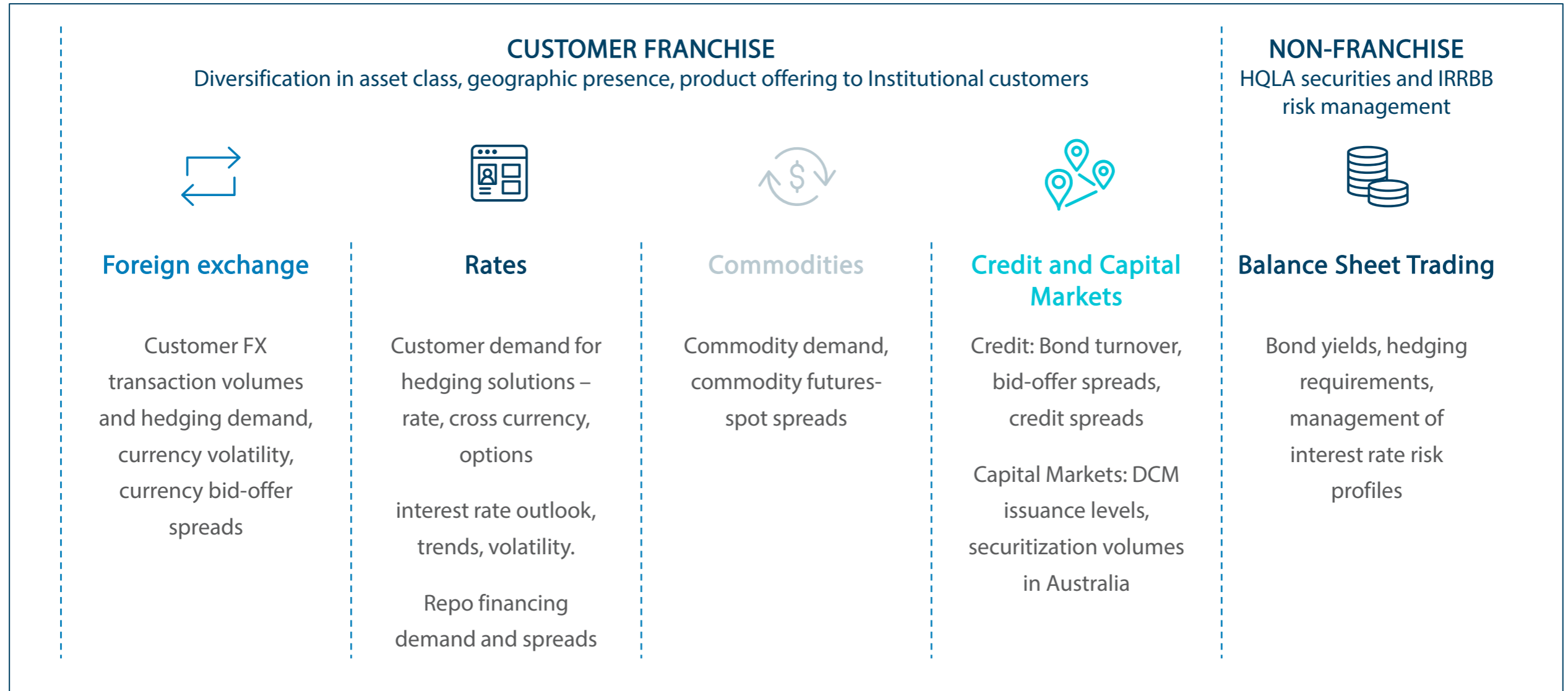
- Resources, Energy & Infrastructure – Energy hedging



# ANZ MARKETS - PROPOSITION

Delivering sustainable risk adjusted returns in cyclical and counter-cyclical environments via a diversified customer business

## Drivers of Markets Income:



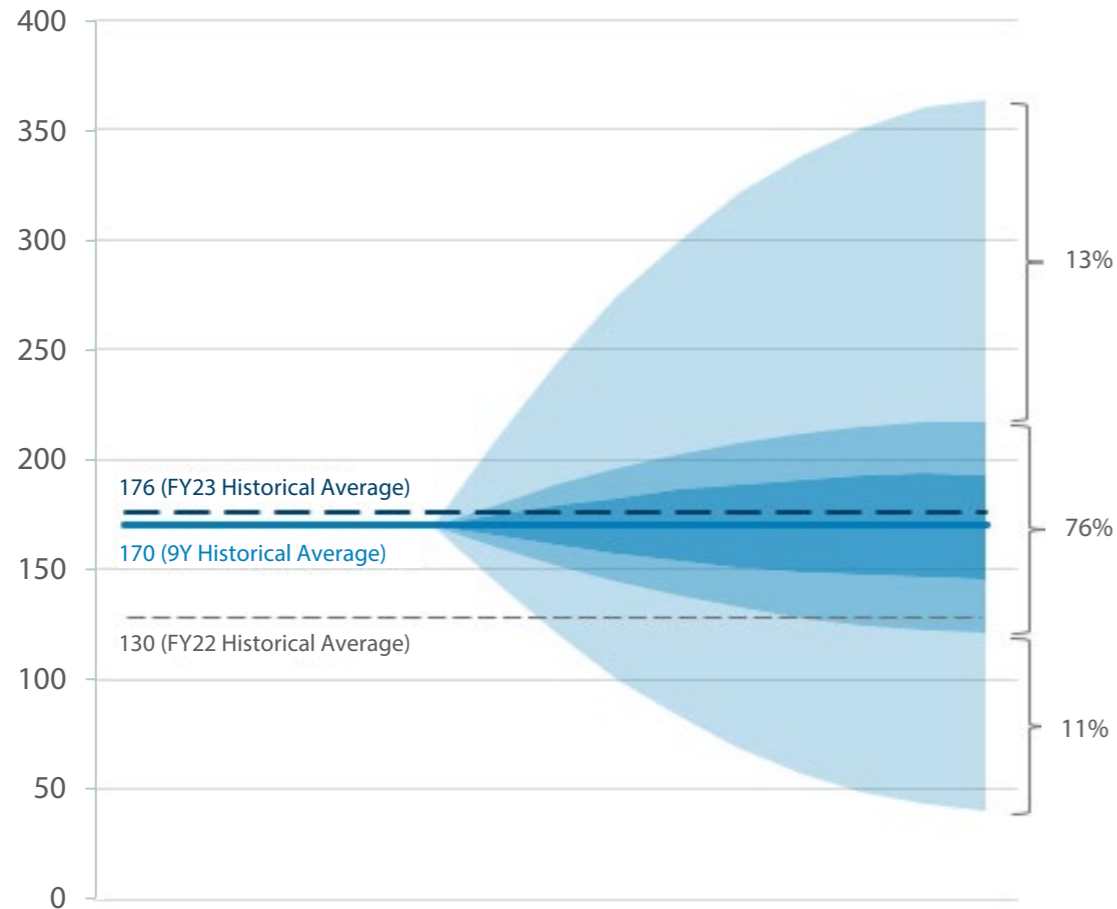




# CONSISTENCY OF MARKETS INCOME

## Markets historical monthly income, \$m

Historical monthly revenue distribution (FY15-FY23)



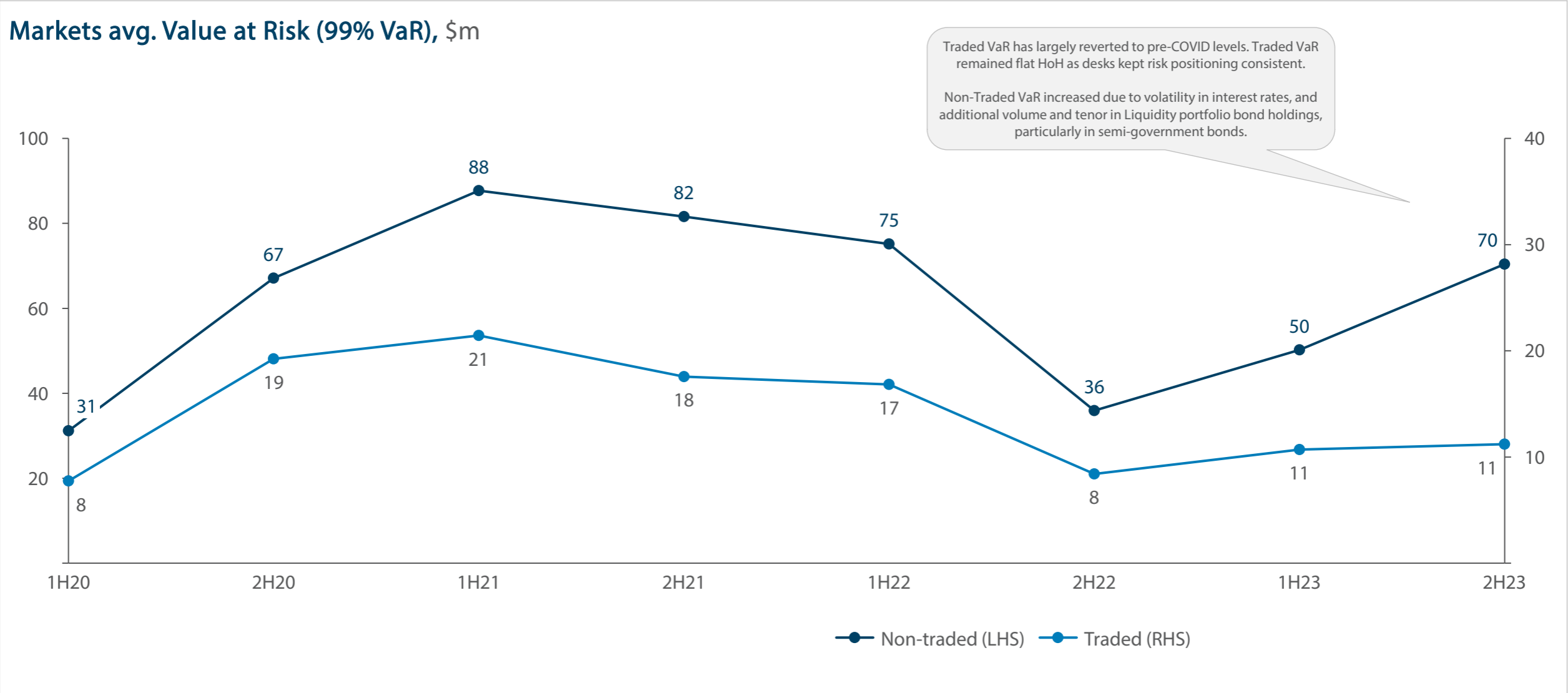
## Characteristics of monthly income distribution

- FY23 revenues were consistent with long run through-the-cycle performance expectations for the Markets business.
- Over the last 9 years, monthly revenue has followed close to a normal distribution, with average monthly income of ~\$170m and a standard deviation of ~\$48m.
- This stability is driven by a set of "core" customers who deal with ANZ Markets on a regular basis and across multiple geographies and products. This provides important diversification benefits to Group revenues.
- Franchise Income tends to be higher during periods that exhibit moderate levels of market volatility, and where market risks broadly follow directional trends. Moderate volatility encourages customer activity, while directional trends provide opportunities from more consistent trading revenues.
- Such conditions typically arise in traditionally "risk off"<sup>1</sup> environments but can also arise in the context of more positive sentiment as was generally the case in 1H23.
- The positive sentiment and directional trends of 1H23 were partially offset by less-directional trading conditions and plateauing interest rates in 2H23.

1. A risk-off environment is broadly defined as one where credit spreads widen, risk-free bond yields fall, equities sell off, volatility increases, and USD strengthens



# MARKETS INCOME COMPOSITION

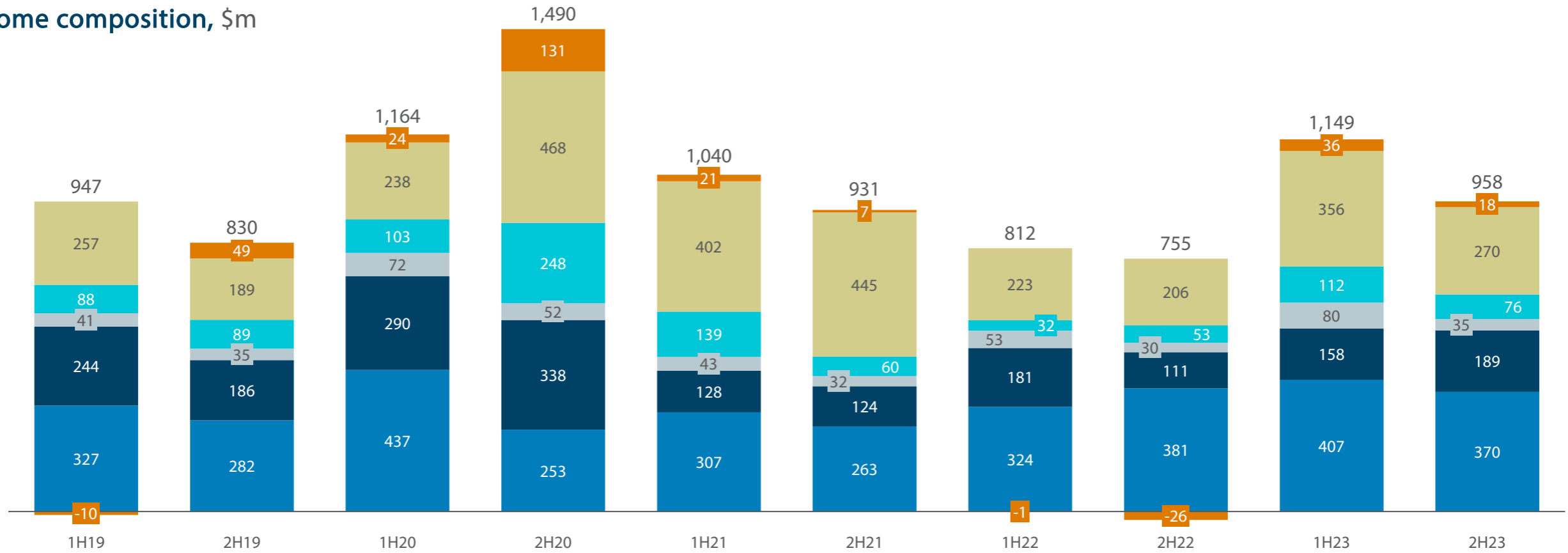


Basis: Continuing Operations including Large / Notable items



# MARKETS INCOME

Income composition, \$m



■ Foreign Exchange 
 ■ Rates 
 ■ Commodities 
 ■ Credit and Capital Markets 
 ■ Balance Sheet 
 ■ Derivative val/n adj.

NII	30%	25%	34%	25%	39%	47%	51%	39%	14%	2%
OOI	70%	75%	66%	75%	61%	53%	49%	61%	86%	98%

Basis: Continuing Operations including Large / Notable items



**2024**

# **INSTITUTIONAL MARKETS BUSINESS**

**Accounting for Markets Income**

**Romesh Curtis,  
Chief Financial Officer, Institutional**



# ACCOUNTING FOR MARKETS INCOME - OVERVIEW

## Markets is managed on a total revenue and returns basis

The OOI-NII composition of revenue is an accounting outcome rather than an indicator of returns or business performance.

Markets	1H22		2H23
Revenue \$m	812	For example, from 1H22 to 2H23, Markets Revenue and Rev/RWA improved	958
Rev/RWA	3.2%		3.4%
OOI \$m	396	However, the composition of OOI – NII shifted, in large part due to the impact of short-term interest rates on this accounting classification	938
NII \$m	416		20
NII/AIEA	0.33%		0.01%
Ave Fed Funds rate	0.1%		5.1%



# ACCOUNTING FOR MARKETS INCOME - OVERVIEW

## Group's Net Interest Margin (NIM) disclosures (NIM 'walks') reflect ANZ's approach to managing margins

- The Markets business is managed on a returns and revenue basis, with the composition of income (NII, OOI) merely an outcome of business activity. Markets operations and Liquidity portfolio impacts are not typically indicators of business performance.
- NIM excluding Liquidity and Markets activities is a better reflection of ANZ's business performance and drivers

## Markets activities do have a *reporting* impact on the headline Group NIM, consisting of:

### 1. Mix impact: AIEA growth on the Markets balance sheet relative to AIEA growth in the rest of the Bank's balance sheet:

- Franchise Trading activity (reverse repurchase agreements, trading securities). Volumes impacted by changes in customer activity as well as trading opportunities.
- Liquid Asset holdings in Balance Sheet Trading (cash and cash equivalents- cash we place with central banks, and bonds – trading or investment securities). Volumes will vary with changes in Liquidity Management requirements.

Any adverse impact is offset by higher revenue from the higher Average Interest Earning volumes and higher returns due to the low capital intensity of these assets.

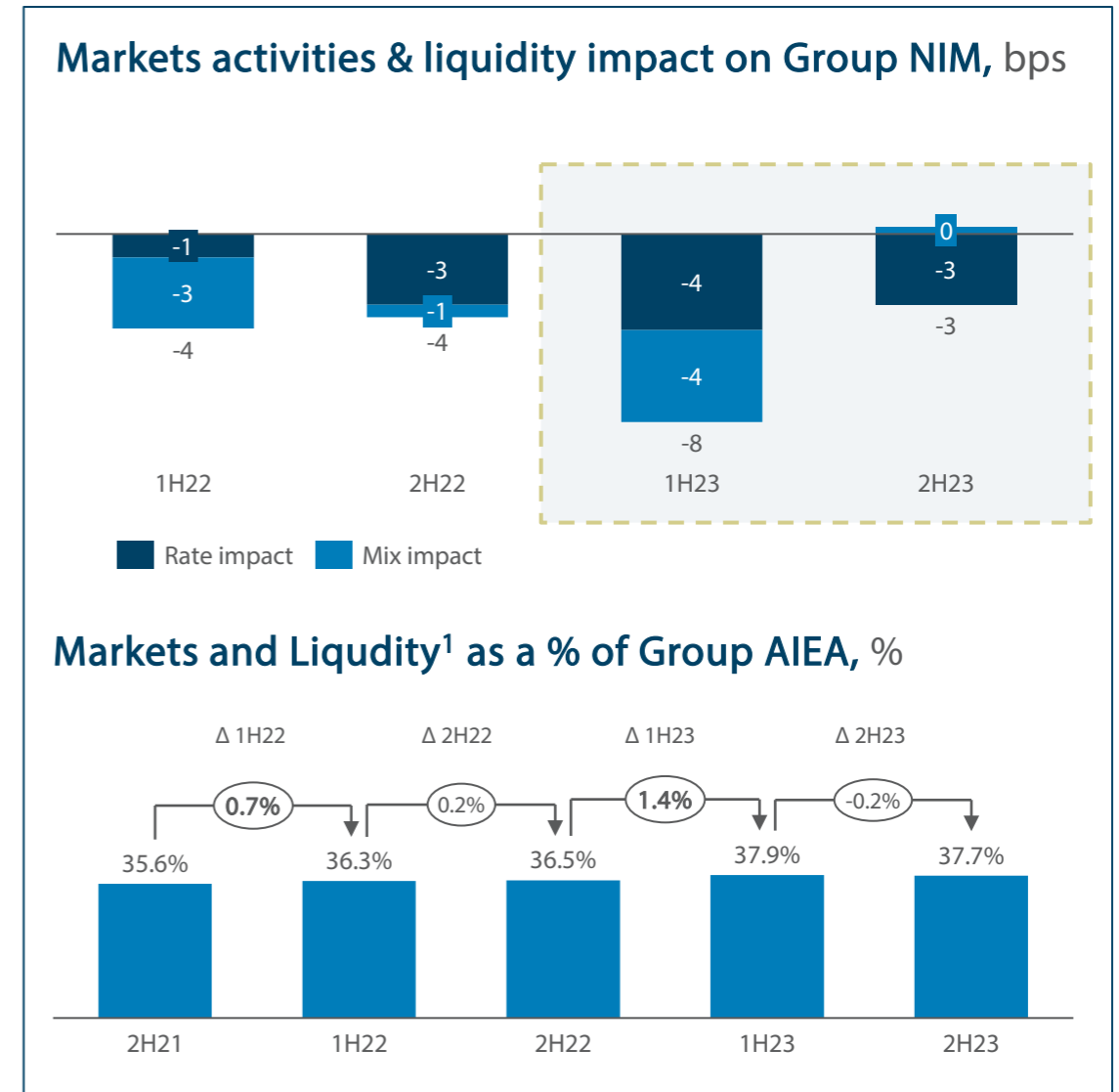
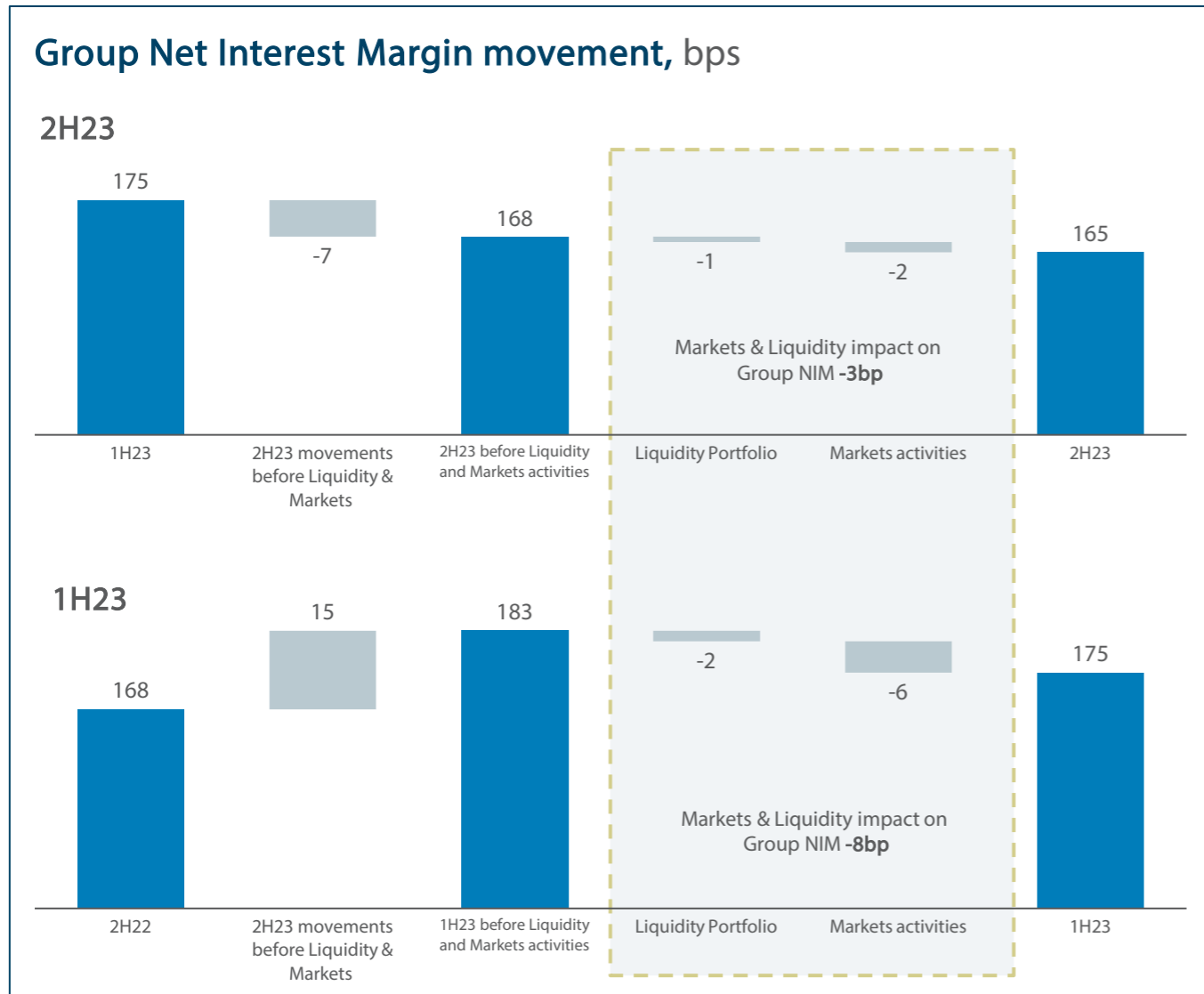
### 2. Rate impact: an increase or decrease in the ratio of Markets NII to AIEA. This can be impacted by:

- An increase or decrease in interest rates, increasing or decreasing the costs of funding the Franchise book
- Changes in product mix, such as an increase or decrease in the size of the Commodities book

Any adverse impact is offset by higher revenue, reflected primarily in OOI. This asymmetry is a function of accounting requirements only, and is more pronounced in a higher rate environment



# MARKETS IMPACT ON GROUP NET INTEREST MARGIN

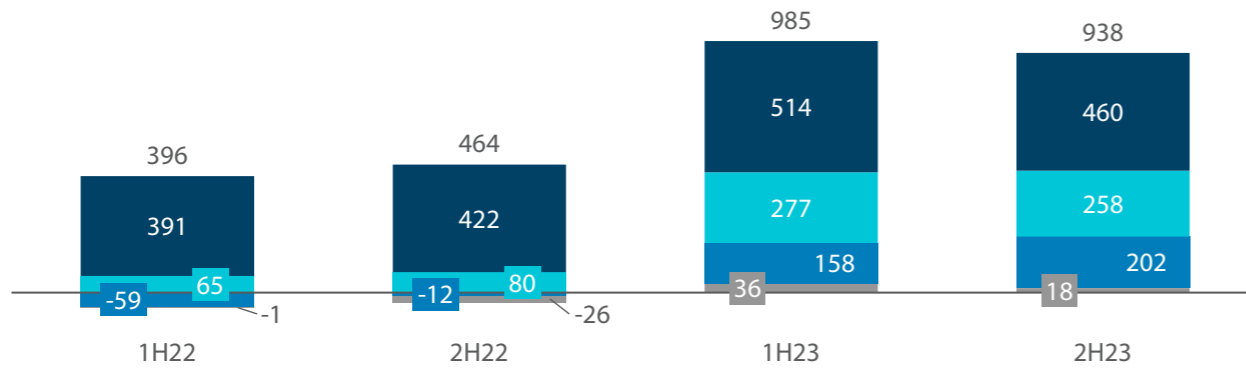


1. includes liquids held in Treasury

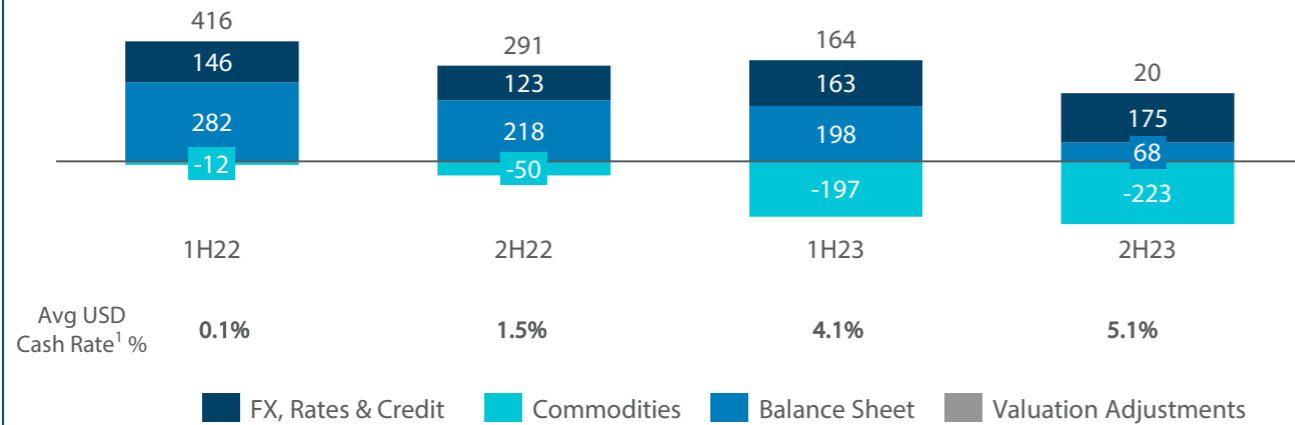


# MARKETS INCOME COMPOSITION

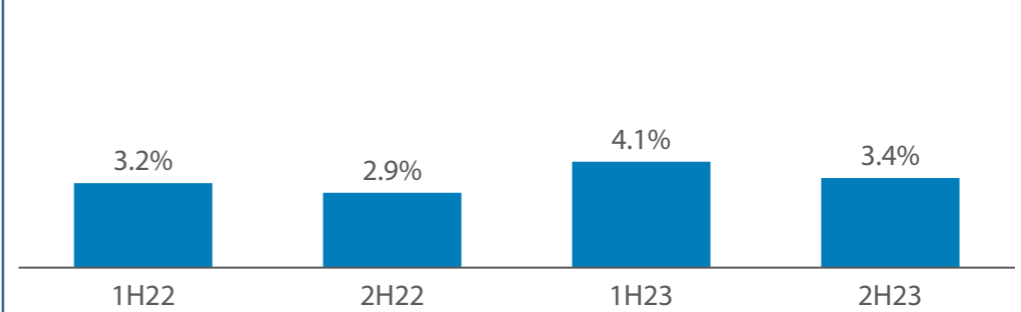
Markets Other Operating Income, \$m



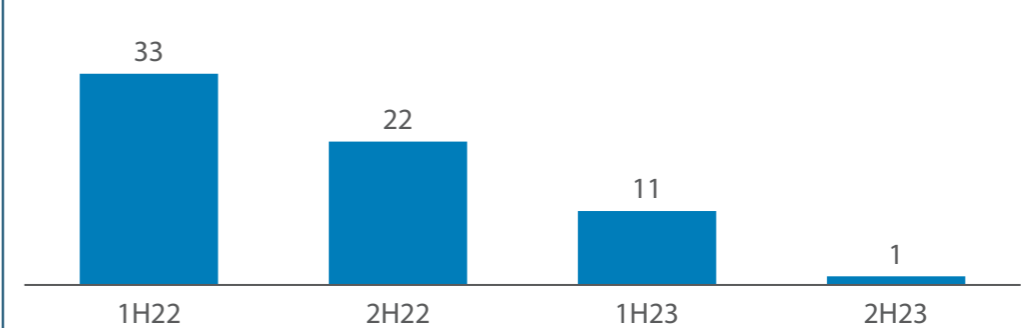
Markets Net Interest Income, \$m



Markets Revenue / Average RWA, %



Markets NII/AIEA, bps



**'Gold Lending' in Commodities**

- Largely driven by demand from Asia-based customers for gold. Revenue and returns generated from these transactions are **locked in at origination**.
- Funding the position (borrowing upfront) drives an interest expense (in NII), although revenue on the customer trade is primarily reflected in OOI (via an FX derivative).
- The transaction is **revenue and returns accretive** to ANZ, with OOI more than offsetting the negative NII from funding the original position.

1. Effective Federal Funds Rate (Source: Federal Reserve Bank of New York)





**2024**






# **INSTITUTIONAL MARKETS BUSINESS**

**INSTITUTIONAL MARKETS - FY23 FINANCIAL SUMMARY**



# ANZ DIVERSIFICATION

## ANZ Group structure & contribution (FY23 continuing operations)<sup>1</sup>

	 Aus. Retail	 Aus. Commercial	 Institutional	 New Zealand	 Pacific
Loans \$707b	44%	9%	30%	17%	0%
Deposits \$647b	25%	18%	41%	15%	1%
RWA \$433b	29%	11%	40%	16%	1%
Revenue \$20,893m	31%	17%	32%	17%	1%
Cash NPAT \$7,405m	26%	19%	40%	21%	1%

1. Divisional contribution as a percentage of Total Group. Table columns exclude Group Centre: Loans 0%, Deposits 0%, RWA 3%, Revenue 2%, Cash Profit -7%



# INSTITUTIONAL DIVERSIFICATION

## Institutional – coverage (FY23)<sup>1</sup>

	<u>Australia &amp; PNG</u>	<u>New Zealand</u>	<u>International</u>
<b>Loans</b> \$210b	56%	8%	36%
<b>Deposits</b> \$266b	38%	9%	53%
<b>RWA</b> \$175b	51%	13%	36%
<b>Revenue</b> \$6,734m	48%	14%	38%
<b>Cash NPAT</b> \$2,963m	45%	17%	38%

## Institutional – product (FY23)<sup>1,2</sup>

<u>Corporate Finance</u>	<u>Markets</u>	<u>Transaction Banking (TB)</u>
70%	21%	9%
0%	42%	58%
53%	31%	15%
35%	31%	34%
43%	24%	36%

1. Contribution as a percentage of Total Institutional.

2. Table columns exclude Central Functions Loans 0%, Deposits 0%, RWA 1%, Revenue 0%, Cash Profit -3%

3. PCM: Payments and Cash Management



# SHAREHOLDER CENTRE & INVESTOR RELATIONS CONTACTS

## ANZ Shareholders Centre

### Calendar and events



### Financial calendar

Key financial dates for the ANZ.  
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### Financial results

Information pertaining to the latests financial results.  
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### Annual General Meeting

Latest AGM information including notice of meeting.  
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### ESG briefing

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