

ANZ ASIA INVESTOR TOUR 2014

AUSTRALIA AND
NEW ZEALAND
BANKING GROUP
LIMITED

23 JULY 2014

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International & Institutional
Banking

洞悉先機



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ANZ



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ANZ remains focused on building the best connected, most respected bank across Asia Pacific

SUPER REGIONAL STRATEGY

STRONG
CORE
MARKETS

PROFITABLE
ASIAN
GROWTH

ENTERPRISE
APPROACH

STRONG LIQUIDITY AND CAPITAL MANAGEMENT

DISCIPLINED AND EXPERIENCED MANAGEMENT

Improving
Customer
Experience

Diversifying
Revenue

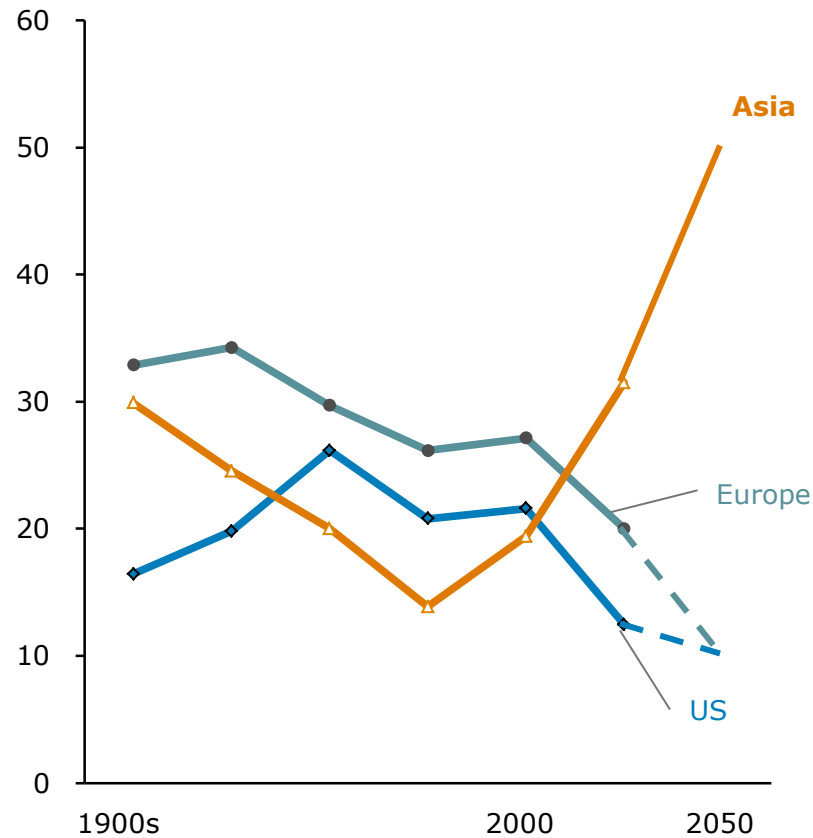
Improving
Productivity

Improving
Returns

Macro fundamentals remain compelling across Asia

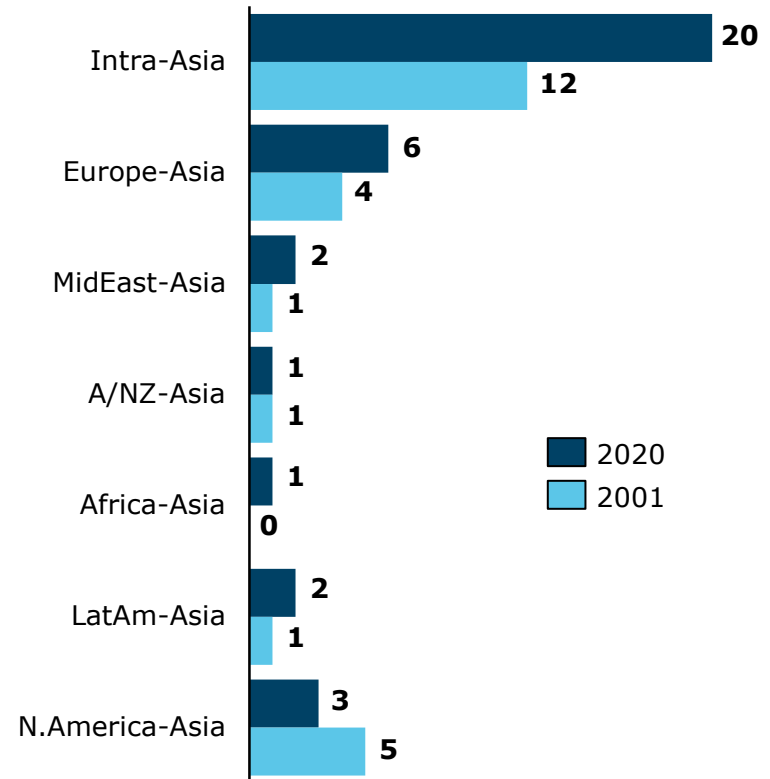
The economic centre of the world is shifting back to Asia

Share of world GDP¹
%



By 2020 Asia will account for 35% of world trade with the majority being Intra-Asia

Share of total world trade²
%

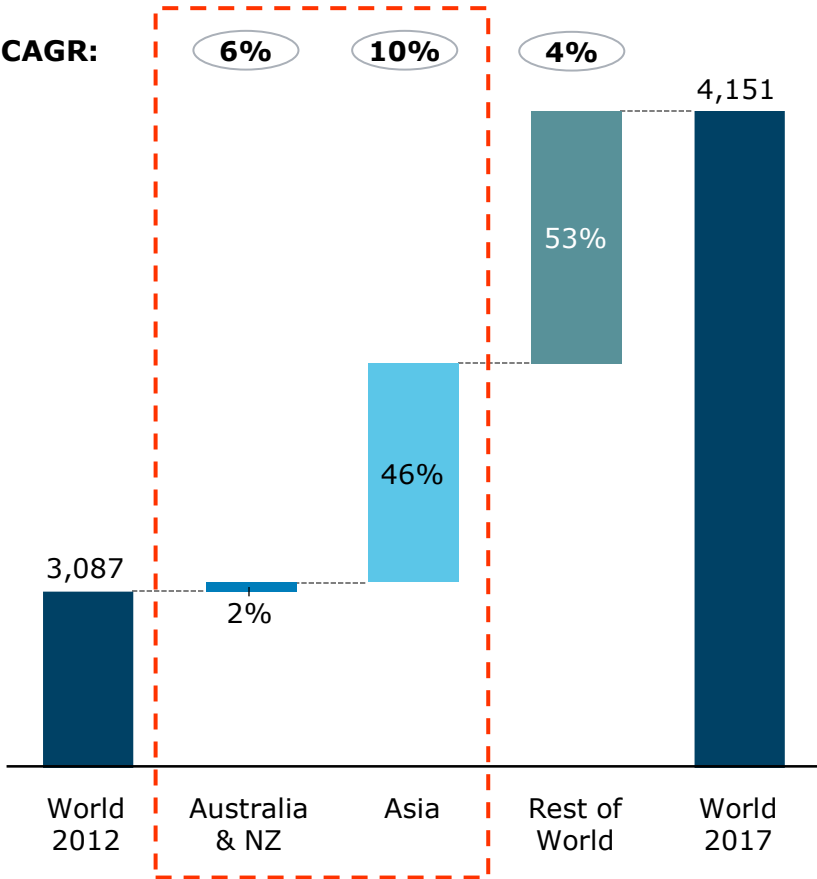


1. Source: Economist Intelligence Unit, 2013
2. Source: ITC, EIU, BCG Analysis, 2013

These macro fundamentals propel Asian banking revenue pool growth

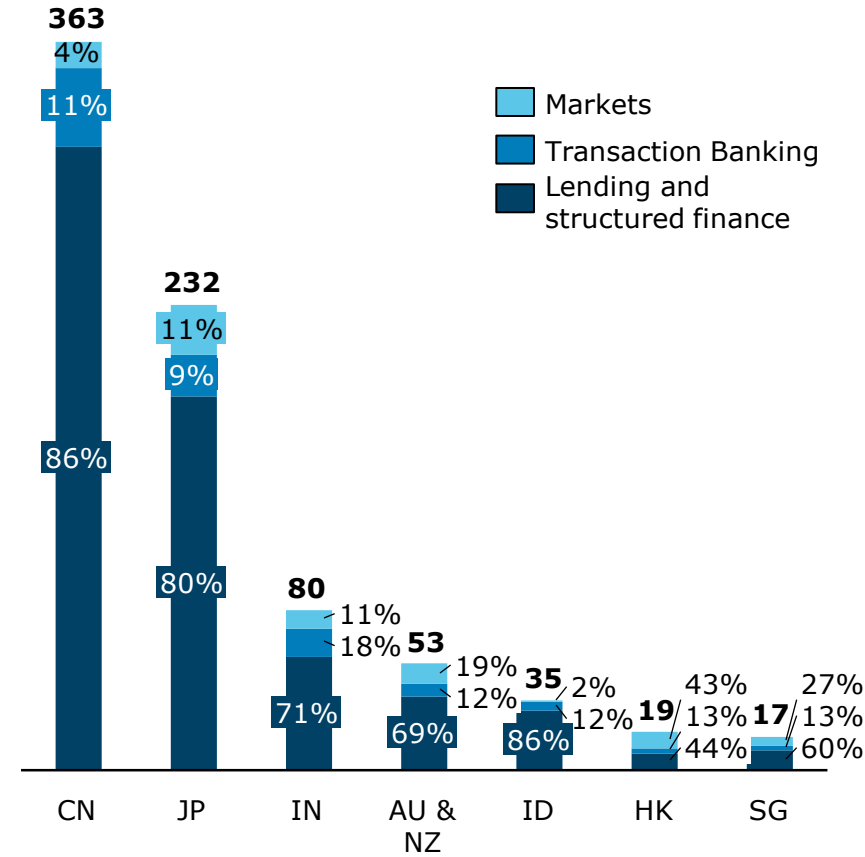
ANZ's markets are expected to deliver ~50% of growth in banking revenue pools

Forecast absolute growth in Global Banking revenues US\$b, 2012-17¹



Key Asia Pac markets will represent ~US\$800b in revenues by 2017

Forecast revenue pools for key Asia Pacific markets by product US\$b, 2017¹



1. Source: BCG Banking Pools 2013

ANZ has quickly established itself in Asia

	In 2009	In 2014
REPUTATION WITH CLIENTS	<ul style="list-style-type: none"> • Top 12 Corporate Bank in Asia¹ • Institutional Brand awareness in HK – 20%² 	<ul style="list-style-type: none"> • Top 4 Corporate Bank in Asia¹ • Institutional Brand awareness in HK – 79%²
FOOTPRINT	<ul style="list-style-type: none"> • Operated in 13 countries³ • ~6,500 employees • ~1,800 Corporate customers, ~900,000 including Retail 	<ul style="list-style-type: none"> • Operates in 15 countries • ~16,800 employees • ~4,000 corporate active Asia customers, >2 million including Retail
PRODUCT BREADTH	<ul style="list-style-type: none"> • #52 in FX market share⁴ • No Asian based Trade awards • #3 Mandated Lead Arranger, Asia ex-Japan⁶ 	<ul style="list-style-type: none"> • #20 in FX market share⁴ • Best Trade bank in Australasia, Vietnam⁵ • #1 Mandated Lead Arranger, Asia ex-Japan⁶
FINANCIAL CONTRIBUTION	<ul style="list-style-type: none"> • \$1,184m operating income • <\$300m revenue generated from cross-border business (FY10) 	<ul style="list-style-type: none"> • Operating income has almost doubled to \$2,277m (FY13) • >\$500m generated in cross border activity • Current ROE exceeds the cost of capital

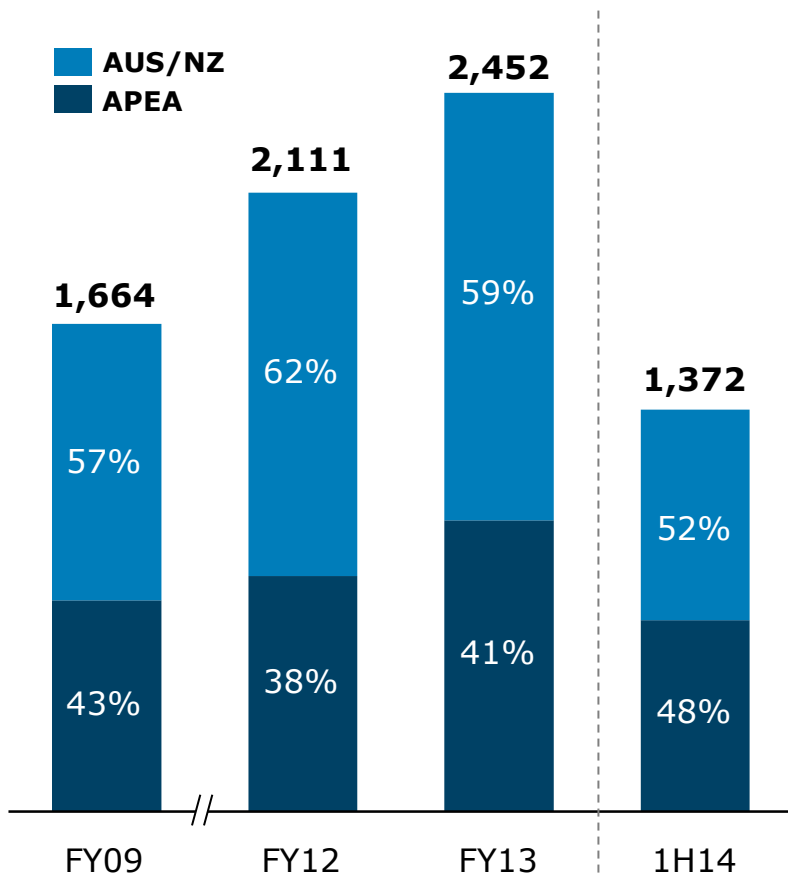
1. Greenwich Associates 2009 and 2013 Asian Large Corporate Banking Study; 2. Total ANZ Asia Institutional Brand Awareness survey; 3.Pre-RBS acquisition in 2008; 4.Euromoney FX Market Share League Table, 2009 & 2014; 5.Trade Finance, Award for Excellence 2012; 6.Asia, ex-Japan, Thompson Reuters 2009 & 31st March 2014

We have steadily diversified earnings as the Business has grown

Asia now represents 36% of IIB's NPAT, up from 28% in 2013

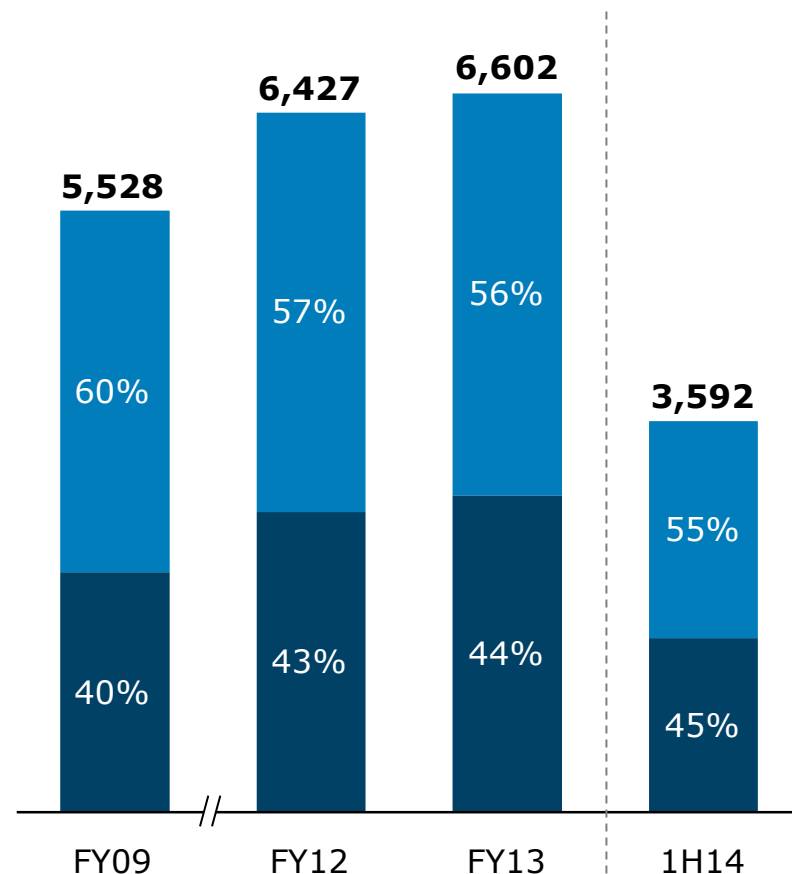
Non-lending income is growing steadily relative to NII

IIB NPAT by Region
\$m



IIB Revenue mix
\$m

Net interest income
Other operating income



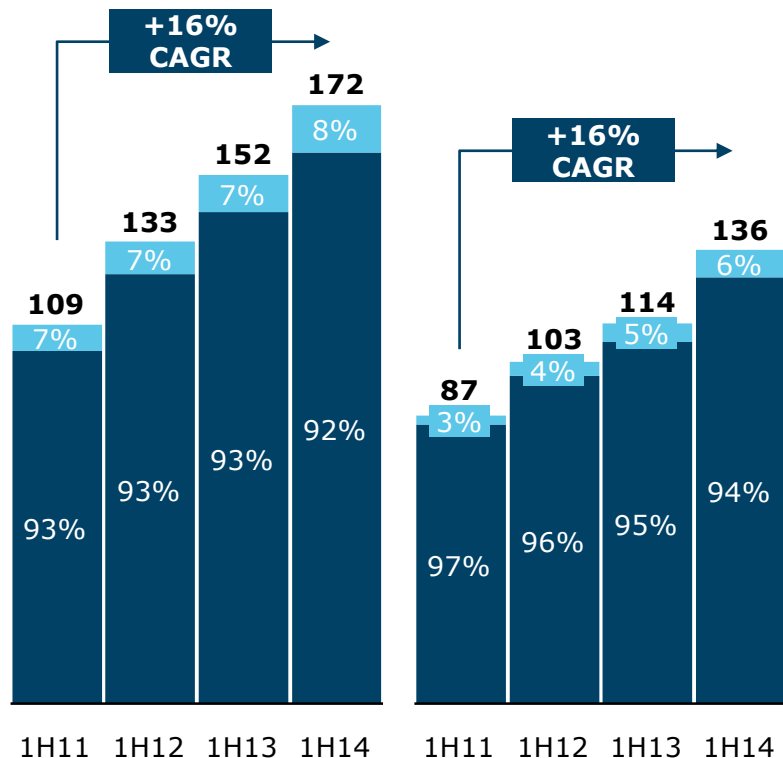
IIB has achieved these outcomes while maintaining a well funded and low risk balance sheet

We continue to be well funded with deposits, enabling strong lending growth...

IIB Balance sheet – Deposits & Loans

\$b

■ Retail ■ Corporate & FIG



Customer Deposits

Net Loans & Advances

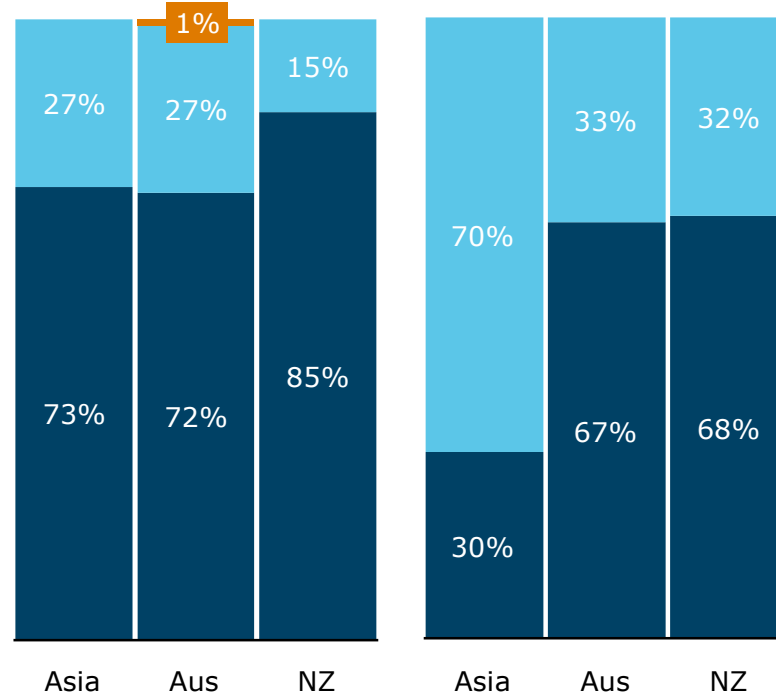
...while maintaining superior credit quality in Asia

Regional Risk Grade Profile by Total Exposure (%)¹

Regional Risk Grade Profile by Tenor (%)¹

■ Investment Grade
■ Sub-Investment Grade ²
■ Default

■ Tenor <1 year
■ Tenor >1 year



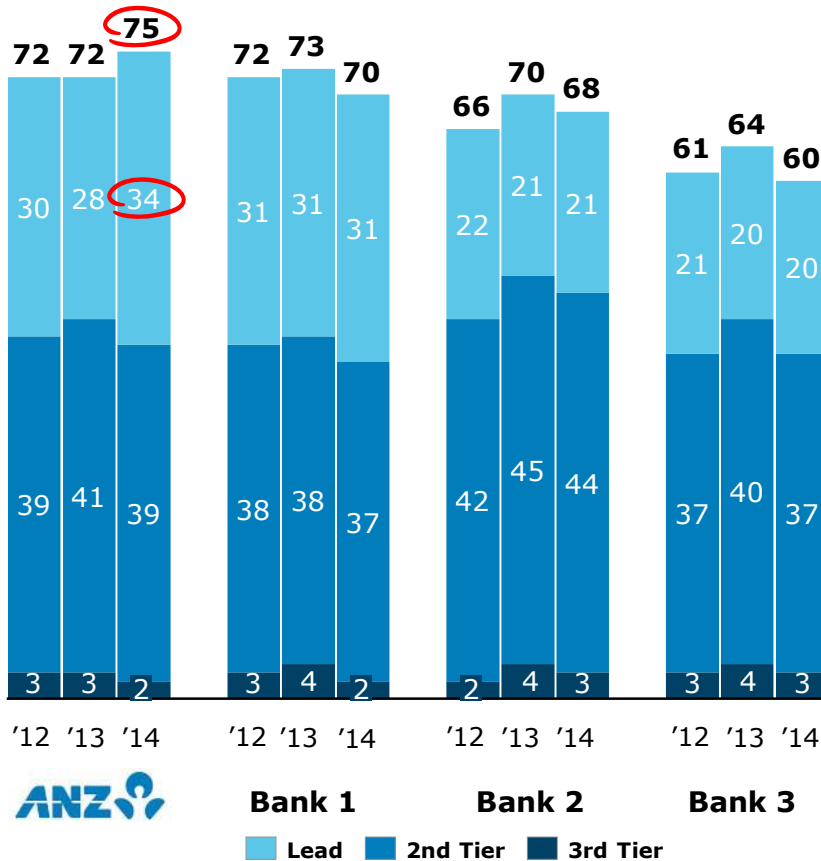
1.As at Mar-14

2.Sub-Investment Grade defined as exposures with a rating below BBB-

And we have strengthened our leadership position in home markets

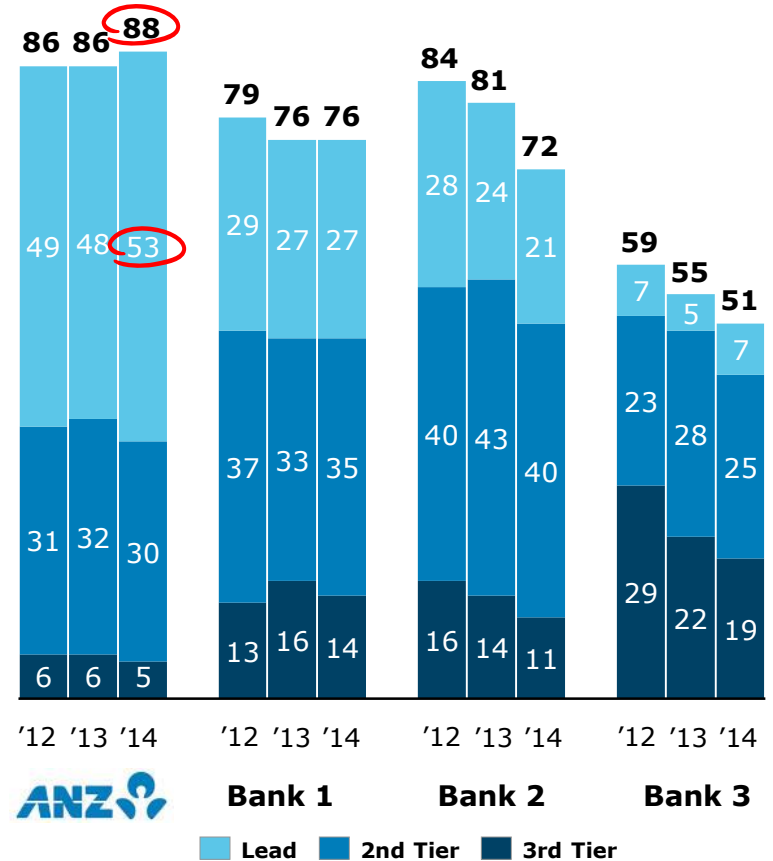
ANZ is a market leader in Australia for both overall and lead penetration

Australia - Domestic Banking Relationships Market Penetration and Competitive Position¹



We continue to be #1 in New Zealand with a substantial and widening gap

New Zealand - Domestic Banking Relationships Market Penetration and Competitive Position¹



1. Peter Lee Associates Large Corporate and Institutional Relationship Banking surveys, Australia and New Zealand 2014; 2nd tier includes 'top 3' relationships but not lead; 3rd tier includes all relationships outside 'top 3' relationships, up to a maximum of 8 relationships

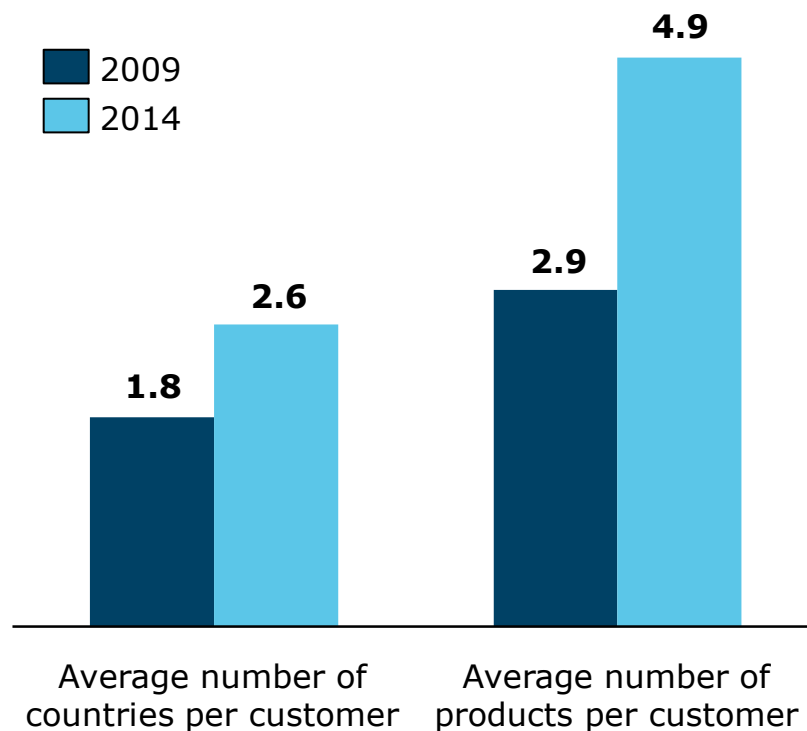
We are now able to provide more products to more customers in more geographies

Number of countries with presence vs number of distinct products¹

	2009	2014
Singapore	16	32
Hong Kong	13	31
Indonesia	12	22
China	11	22
India	1	20
Greater Mekong	10	22
Australia	36	36

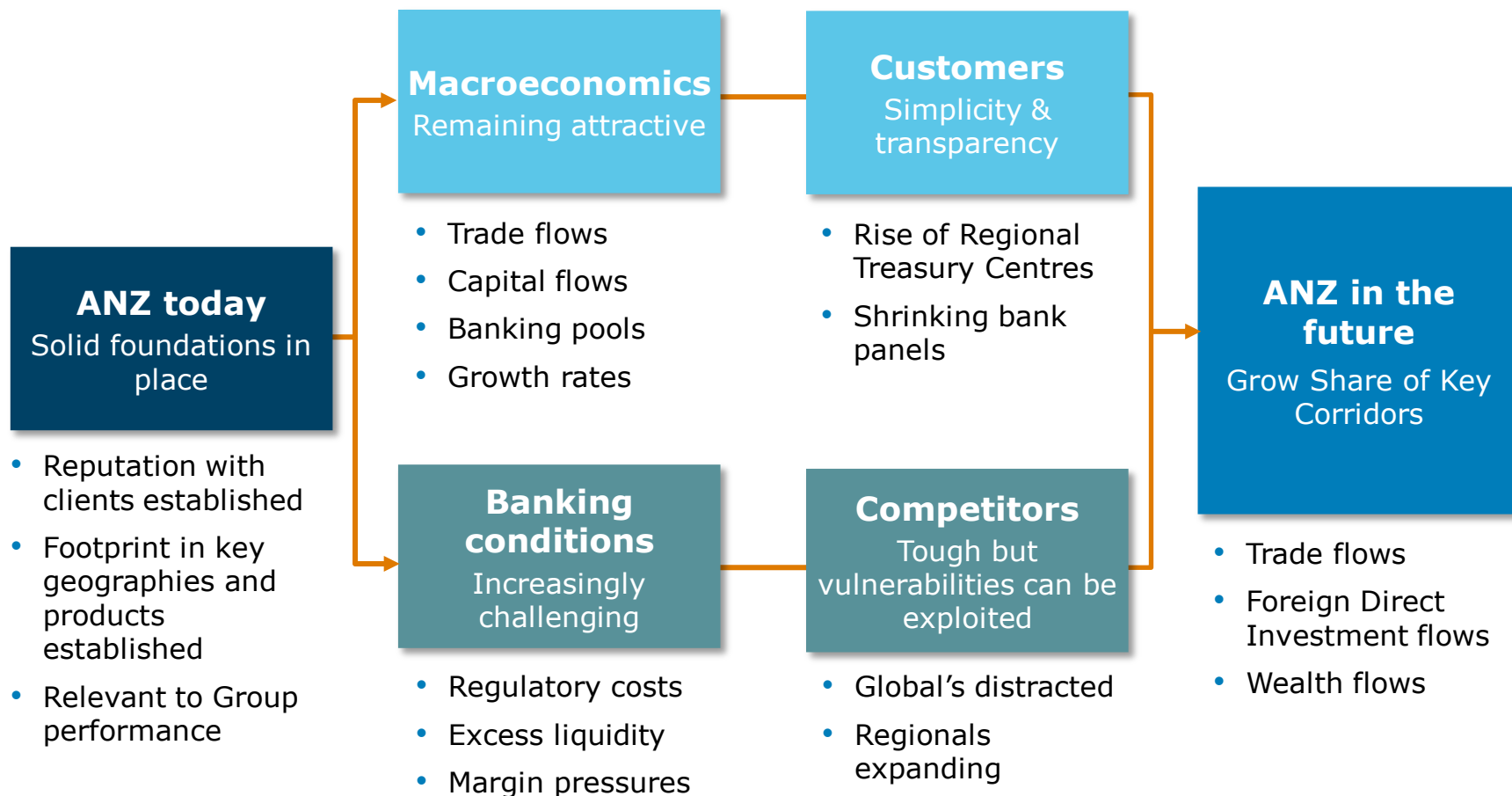
Our ability to serve our clients and expand our wallet potential has grown

Product and geographic penetration of our international customers (2009-14)



1. Based on number of 36 distinct product classifications offered

The next 5 years will provide notably different conditions to the last 5 – we are well positioned

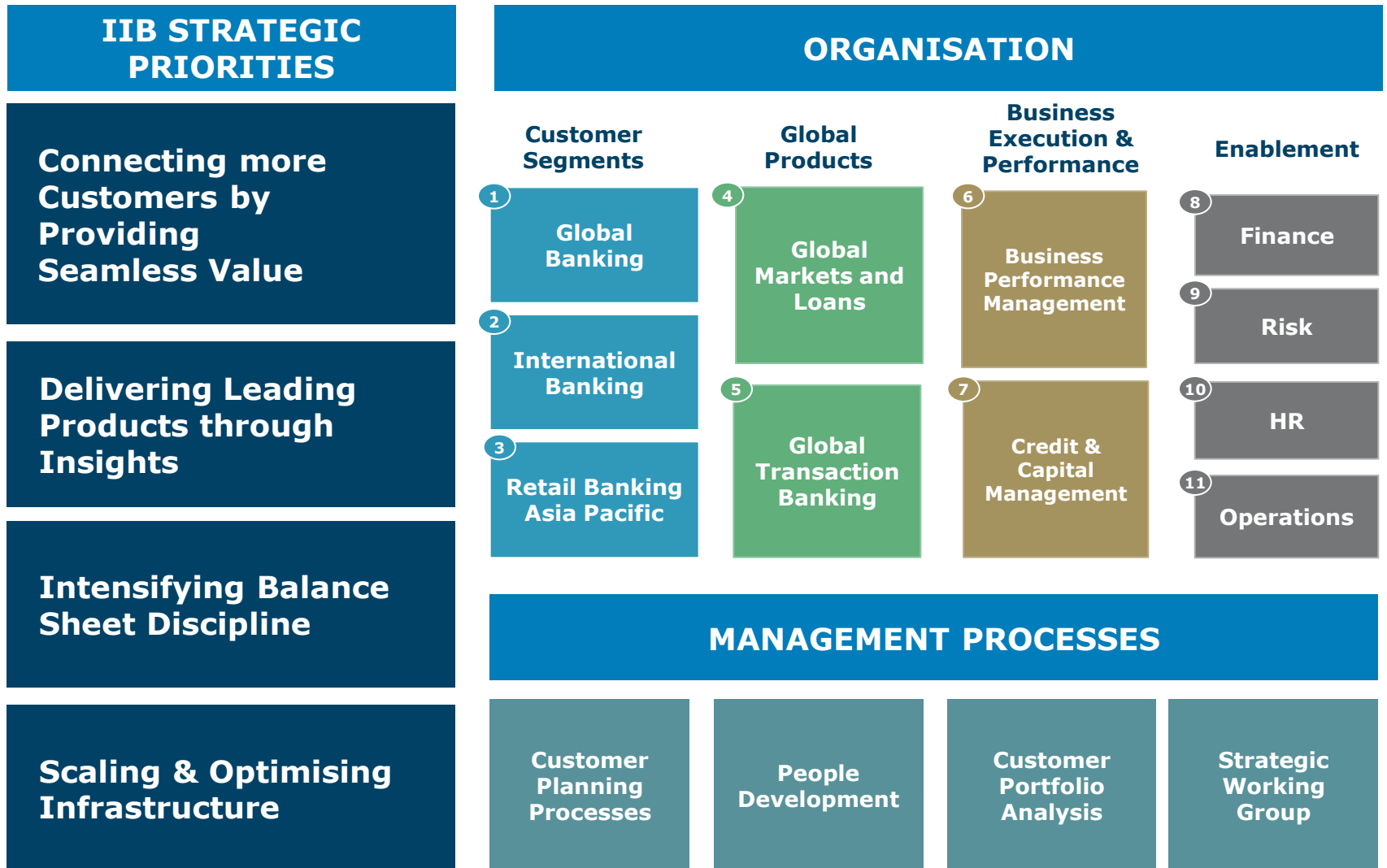


Against this backdrop, our overarching objective is to deliver growth while *also* improving returns

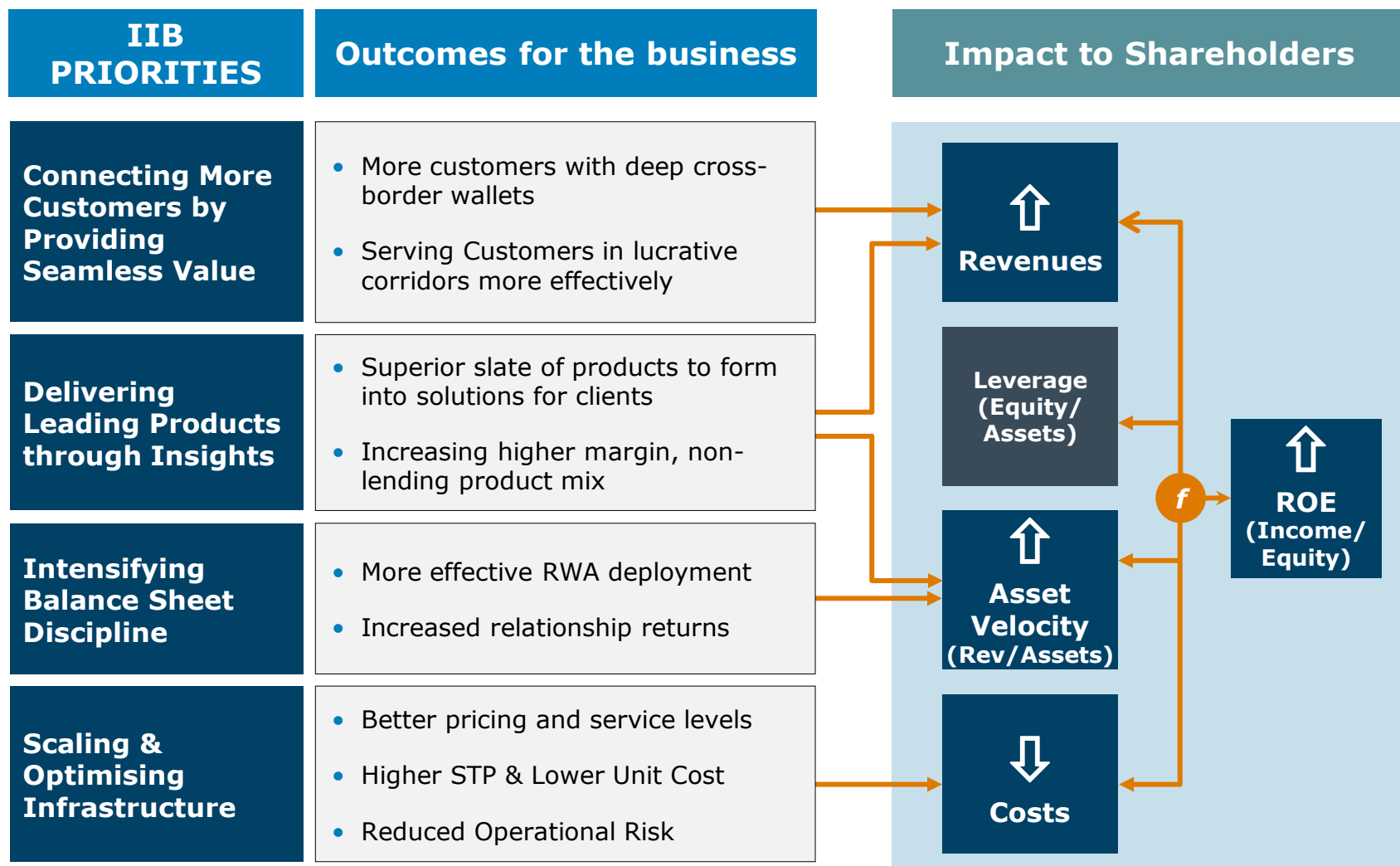
Strategic Imperatives

- ✓ Leverage product positions we have built in the region to **insight-driven solutions** for clients
- ✓ Convert clients on-boarded post GFC to increasingly profitable **multi-product** and **multi-country** relationships
- ✓ Change how we think of “markets” from a traditional country basis to a **corridor** focus
- ✓ Achieve more productive use of our RWAs as a Division
- ✓ Continuously **reduce unit cost** and **increase STP rates**

We have focused on four strategic priorities to address these imperatives and taken steps to sharpen our delivery



Our priorities should drive improved Divisional ROE and allow IIB to contribute to Group commitments



Our fundamental competitive strength: connecting newly built Asia with historically strong Australia/NZ

Use Home Market Heritage

- #1 Institutional Player
- Deep Industry Expertise

Grow Share of Key Corridors

- Asia-Australia
- Intra-Asia
- Investors-Issuers

Leverage Newly Built Asia

- Maturing Client Relationships
- Established Country Franchises
- Competitive Product Footprint

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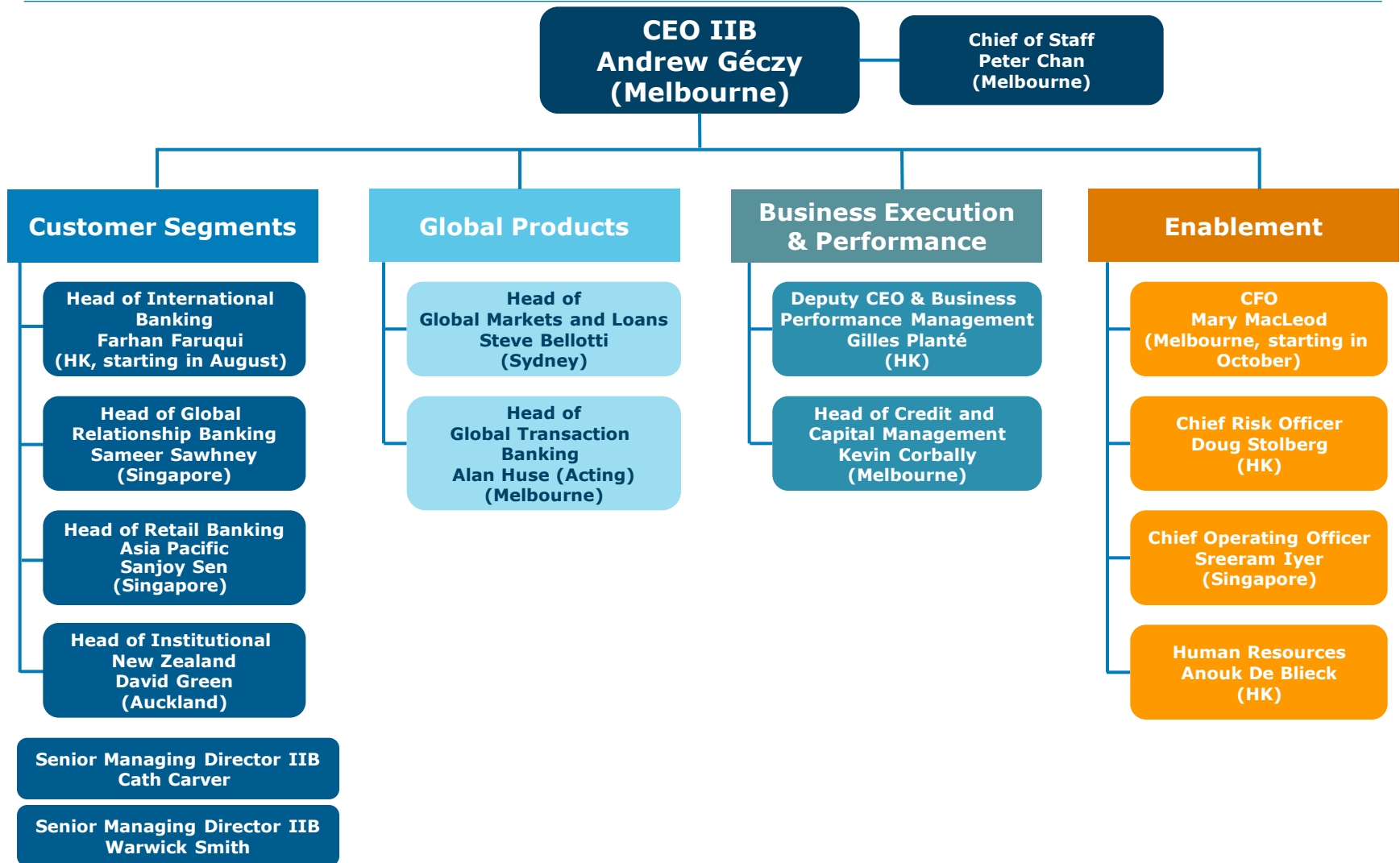
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IIB Organisation Structure

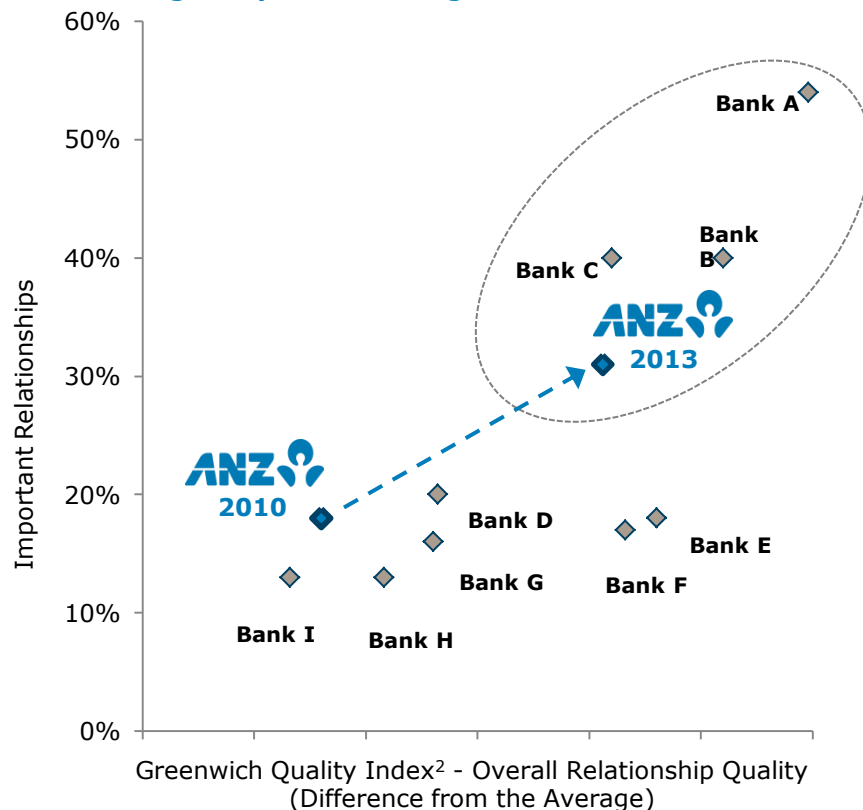


Greenwich Associates Large Corporate Banking Study, Asia

- ANZ's upwards momentum over a short period of time has been significant
- **The bank has grown to now occupy its current position of Top 4 Corporate Bank in Asia, based on market penetration**
- In addition, the bank has deepened its relationship with its client base into 'core' and 'lead' status, which leads to product diversification and higher cross-sell
- **Our on-going growth and success will continue to be driven by clients seeing ANZ as a strategic partner to its business**

A top 4 Corporate Bank in Asia¹ by Market Penetration

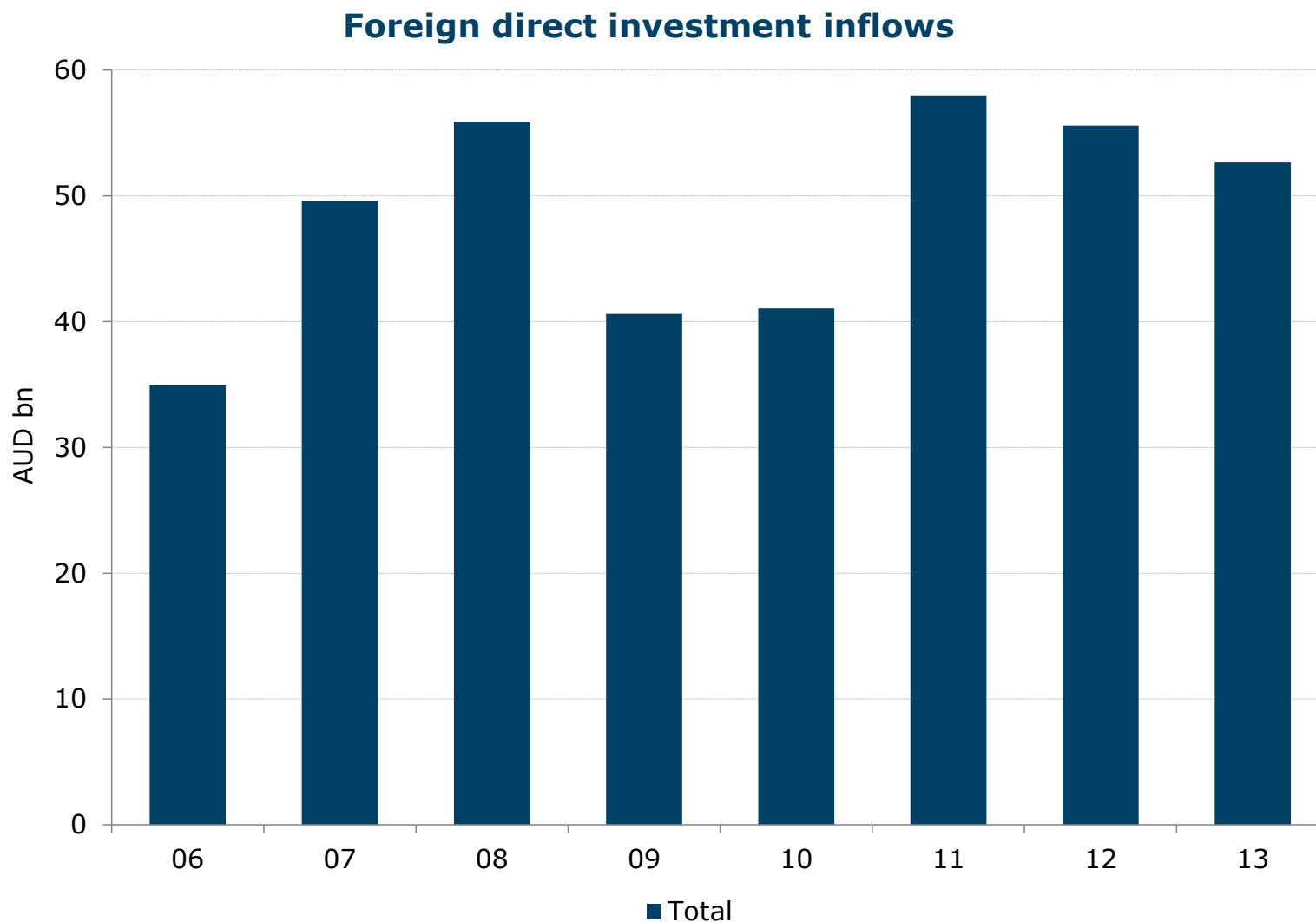
Greenwich Associates Large Corporate Study Asian Large Corporate Banking Market Penetration



---> Represents the momentum of growth and quality improvement achieved by ANZ Bank over the past 4 years

1. As defined by Total Relationships Market Penetration In Asia
 2. The Greenwich Quality Index score is based upon a normalized composite of all qualitative evaluations transformed to a scale of 0 to 1,000 with the difference from the average shown. Note: Cross-hairs are calculated by the average of the banks shown in graph.

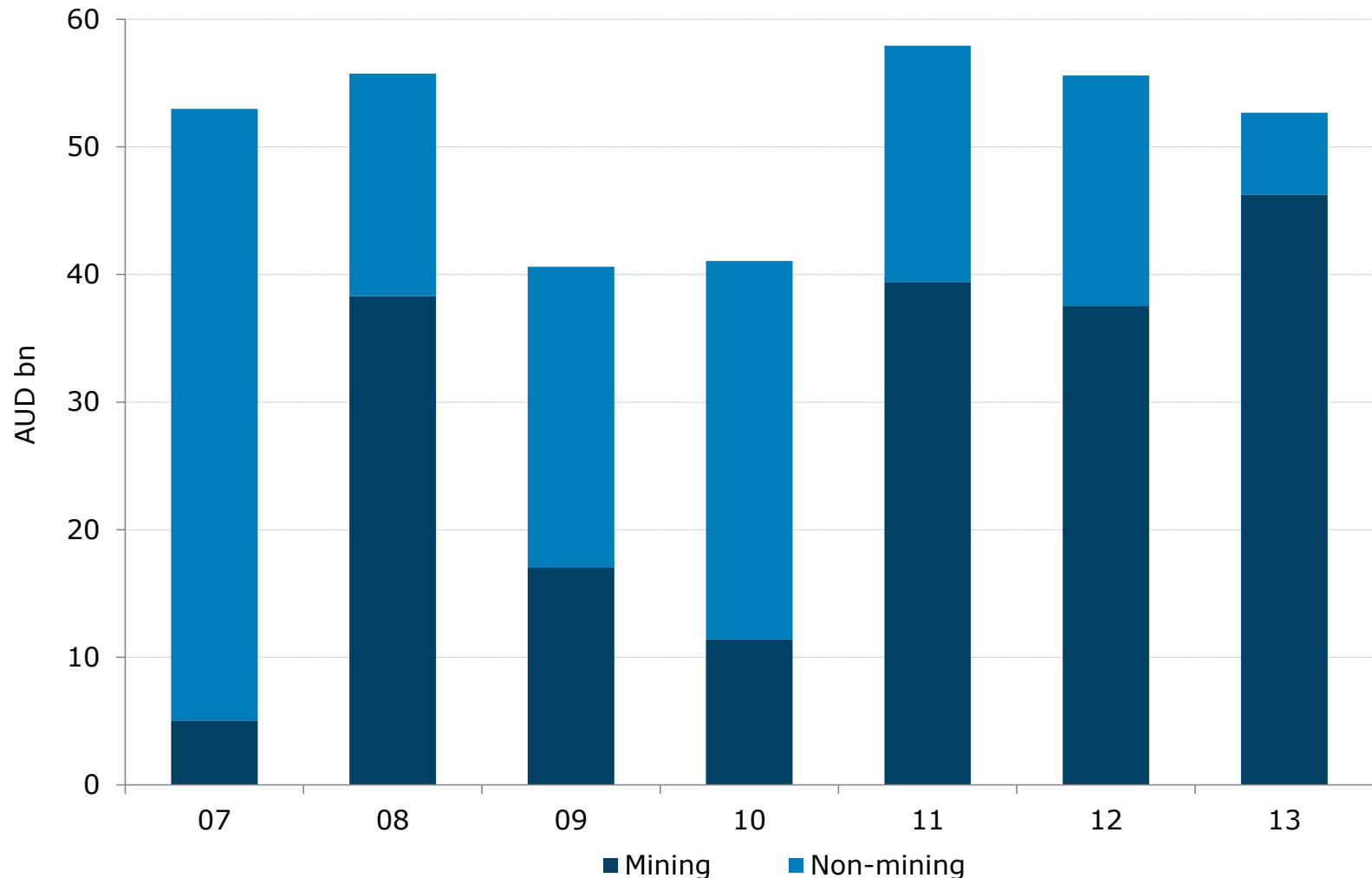
Foreign direct investment inflows to Australia recovered following the GFC due to investment in the mining sector



Source: NAB, ANZ Research

Foreign direct investment in the Australian mining sector has become much more important in recent years

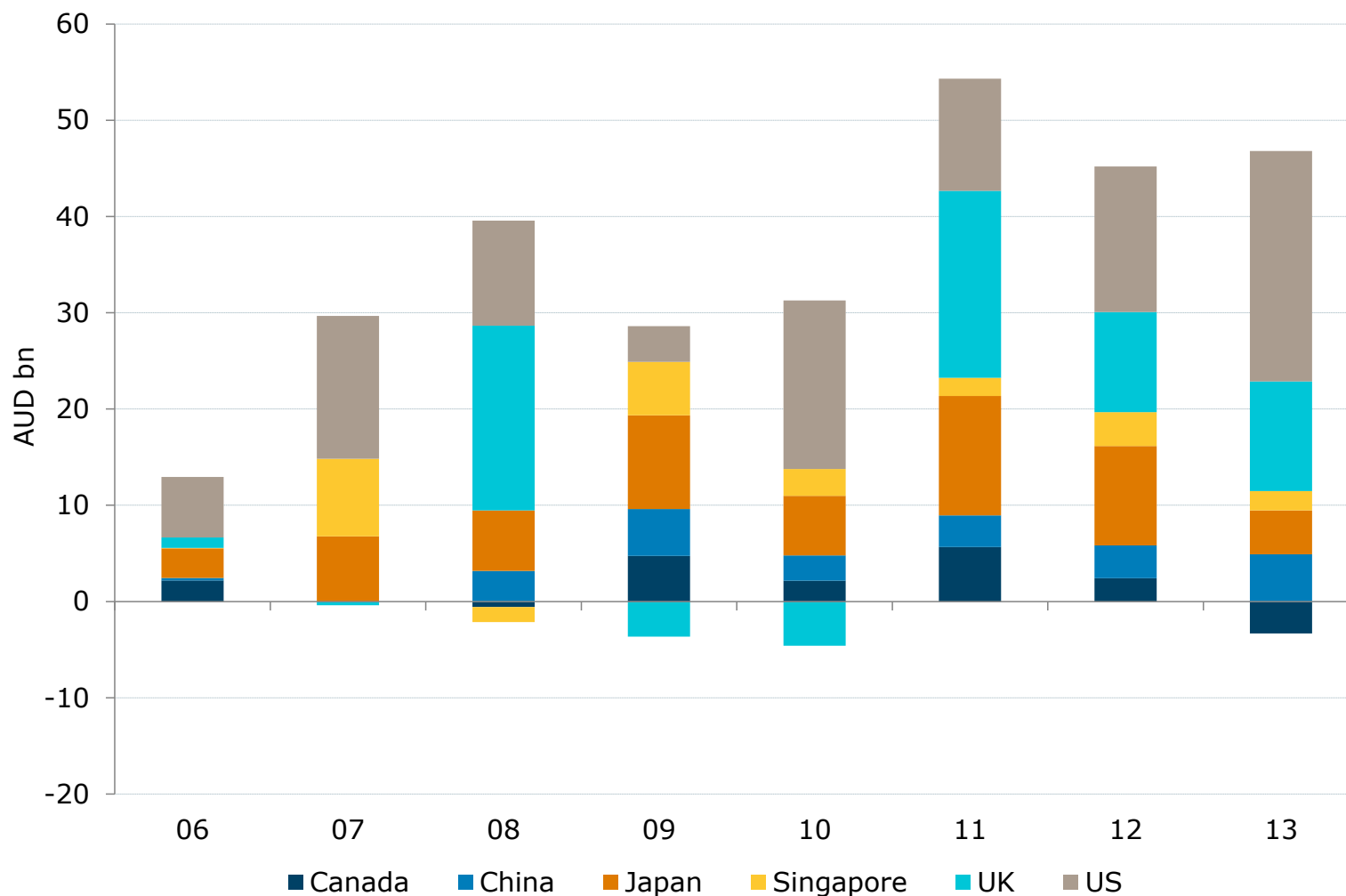
Foreign direct investment inflows by industry



Source: NAB, ANZ Research

The US, Japan and the UK remain the most important sources for foreign direct investment, although investment from China has grown in importance

Foreign direct investment inflows by major countries



Source: NAB, ANZ Research

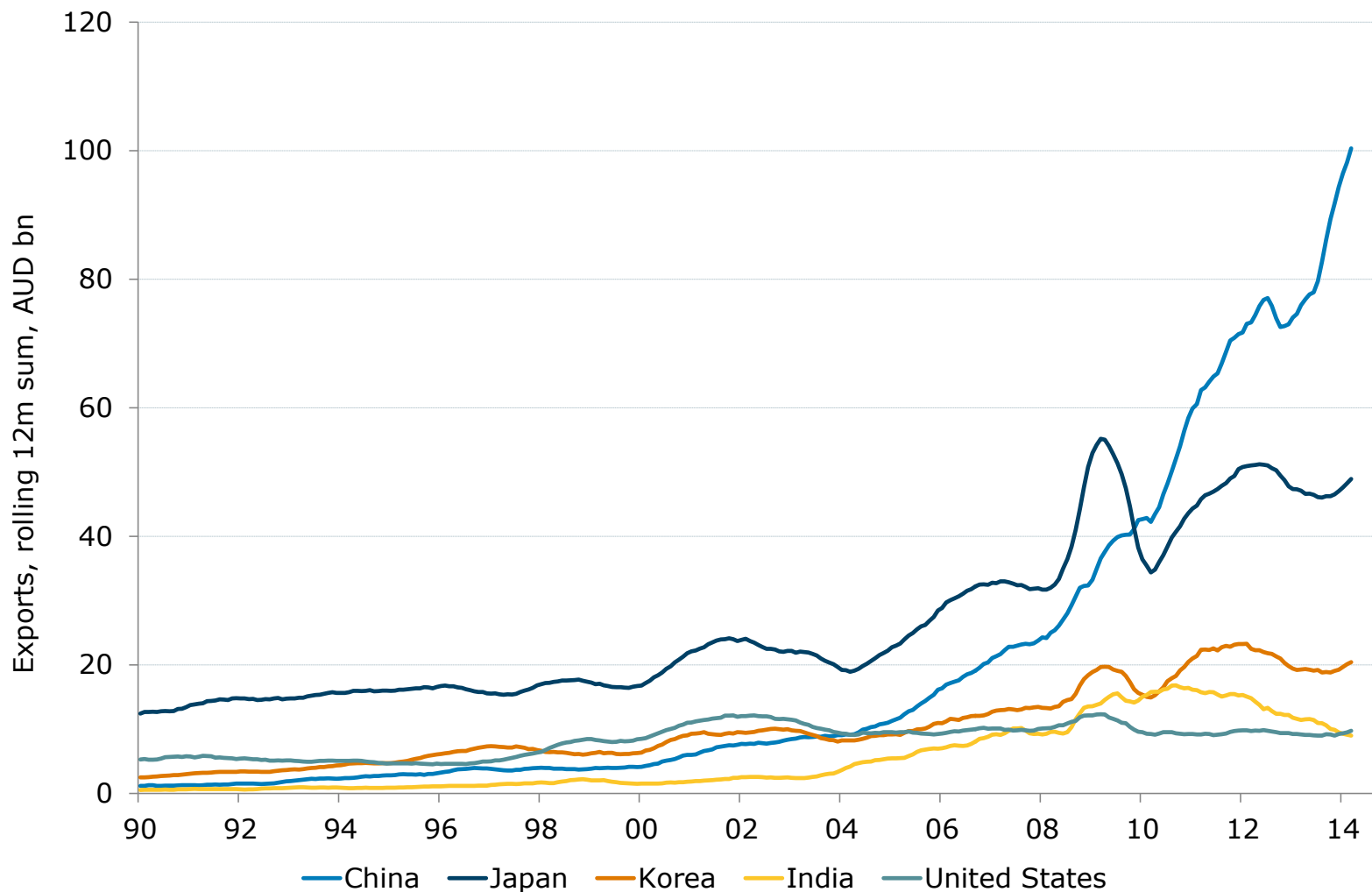
What are the key trade corridors and how have they grown?

We are devoting management attention to key corridors particularly those to and from our home markets

	Source of opportunity	How we are relevant to clients	Key market corridors	Positive for ANZ and shareholders
Trade flows	Converting physical flow to cash (e.g. Exports, Imports)	<ul style="list-style-type: none"> We aspire to be a leading regional Trade Bank across Asia Pacific Our home markets (Australia & NZ) are the key drivers for trade across Asia Pacific 	Australia China Japan Korea	<ul style="list-style-type: none"> Only regional bank with Australia as its anchor market Flow product cross-sell (e.g. FX) driving higher ROEs
Capital flows	Foreign Direct Investment flows (e.g. Infrastructure)	<ul style="list-style-type: none"> We have established strong relationships with FDI sources (e.g. infrastructure assets) Ongoing investments into our home markets where our strengths lie 	Australia EMEA Japan Korea	<ul style="list-style-type: none"> Only regional bank with Australia as its anchor market Complements our focus on our FIG business
Wealth flows	Financial Institutions managing financial assets	<ul style="list-style-type: none"> Our focus on originate-to-distribute directly aligns to the investor clients We now have track record in key products (e.g. Debt Capital Markets, Syndicated Loans) 	Australia Hong Kong Singapore Japan Korea	<ul style="list-style-type: none"> Complements our focus on our FIG business Less capital intensive products driving higher ROEs

Over 35% of Australia's merchandise exports now go to China, reflecting a sharp increase in bulk commodity exports

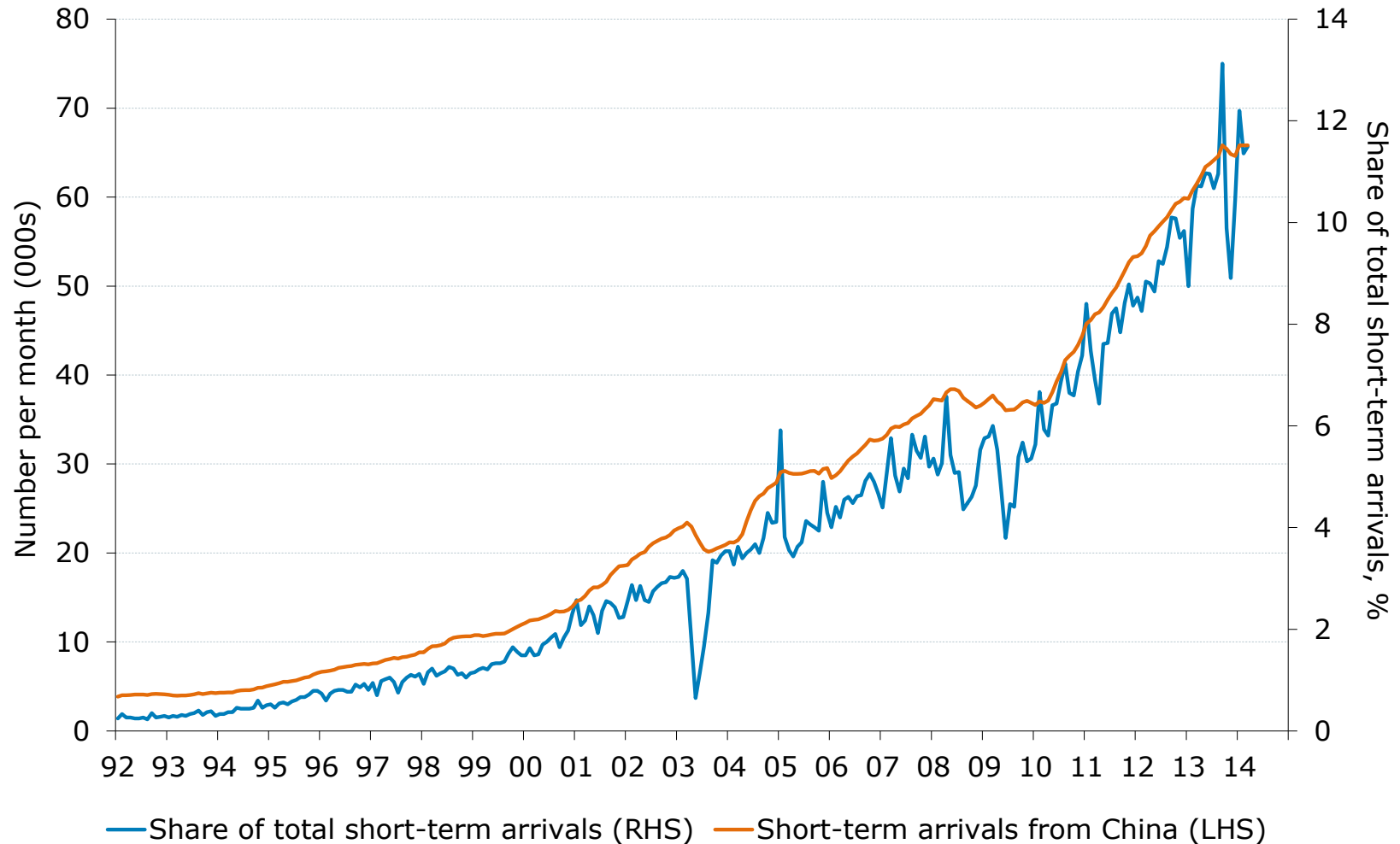
Australian merchandise exports by country



Source: NAB, ANZ Research

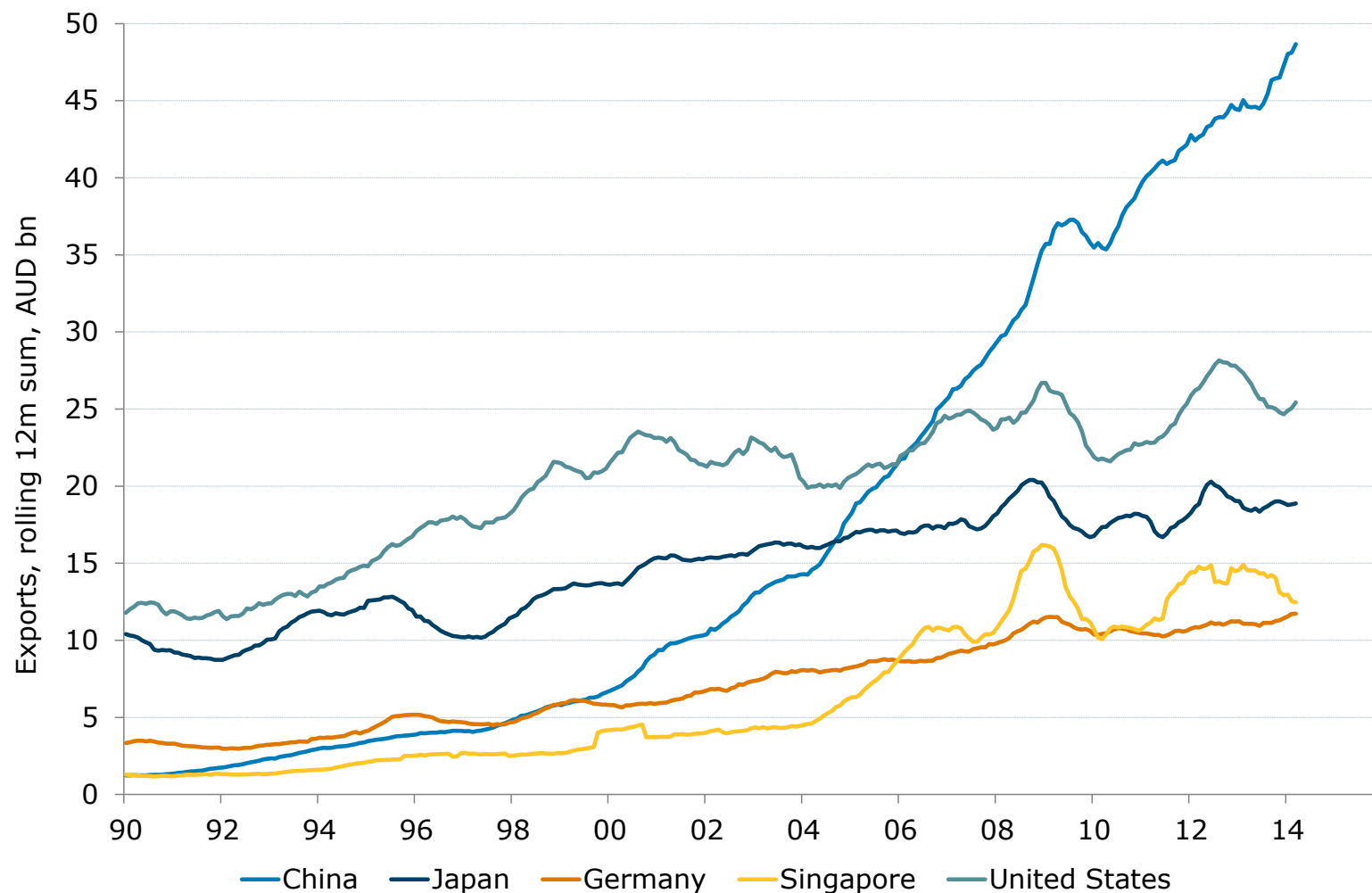
The rise in short-term Chinese tourist arrivals has been driven by higher incomes and the emergence of a large middle class

Short-term Chinese arrivals



There has also been a sharp increase in imports from China

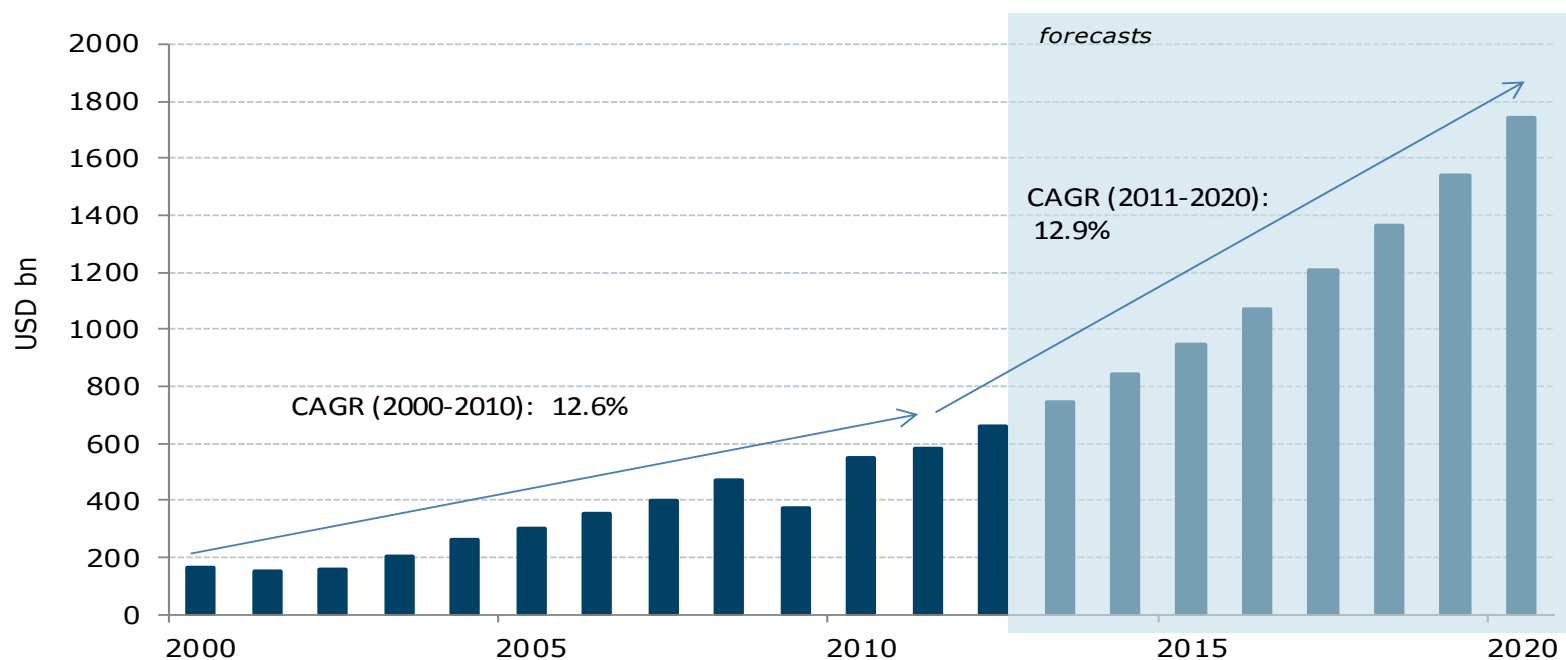
Australian merchandise imports by country



Source: NAB, ANZ Research

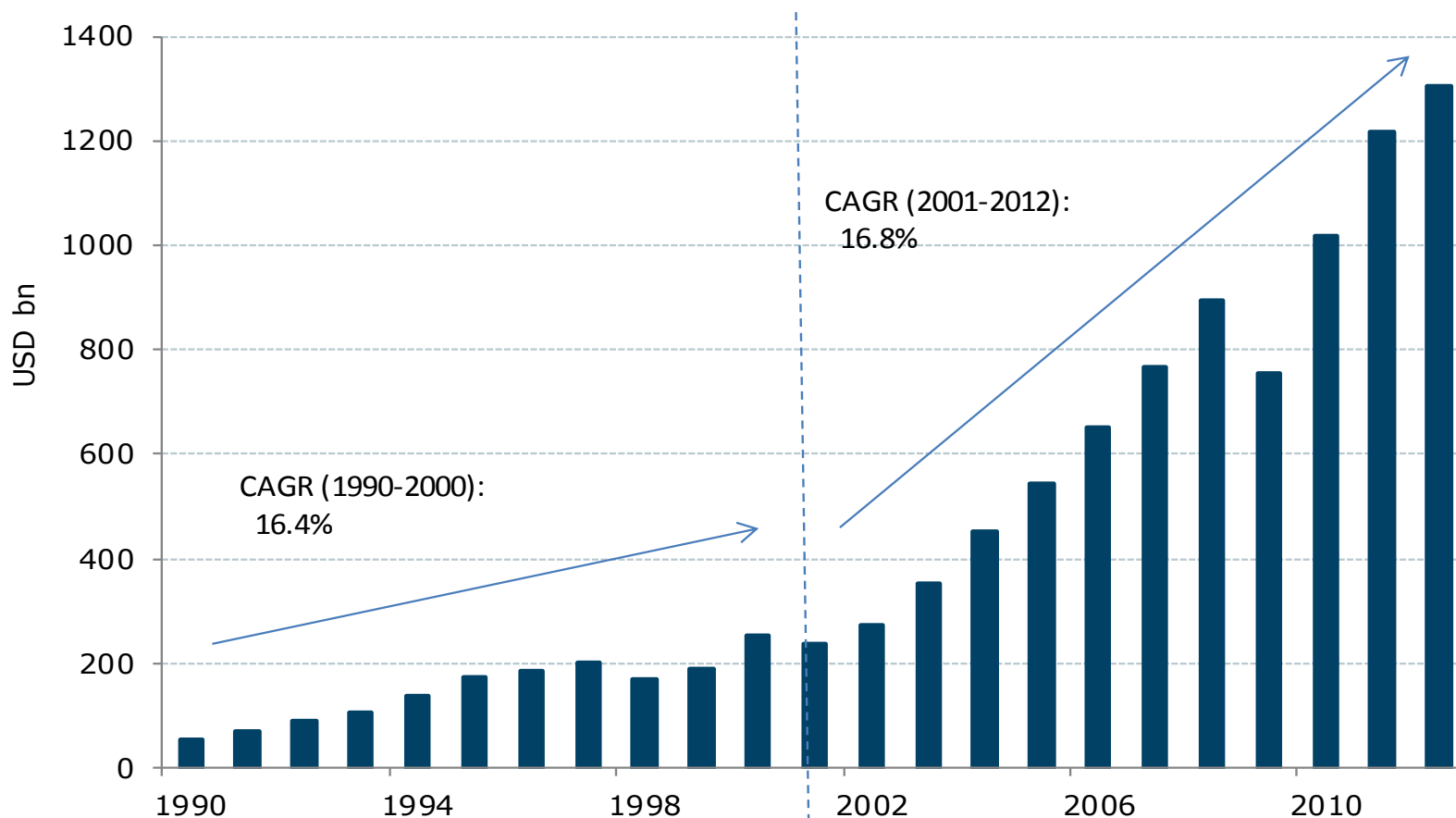
What is the growth rate in intra-regional trade?

ASEAN intra-regional trade to expand with the commencement of ASEAN Economic Community in 2015



- Over the coming decade, Asian production is expected to migrate south, away from the mature-aged expensive labour markets of Japan, China and South Korea to the demographically young and low labour cost economies of the ASEAN
- The launch of the ASEAN Economic Community (AEC) will usher in a period of higher intraregional trade growth as powerful synergies across the region unlocked, facilitating more mobile movement in goods and services across the region
- Specifically, the AEC will draw upon the abundant and cheap labour of Myanmar, Laos and Cambodia and combine it with the production sophistication of economies such as Singapore and Malaysia
- Hence ANZ forecasts intra-regional trade growth to be structural faster in the coming decade

Similar to the surge in intra-regional trade following China's WTO ascension

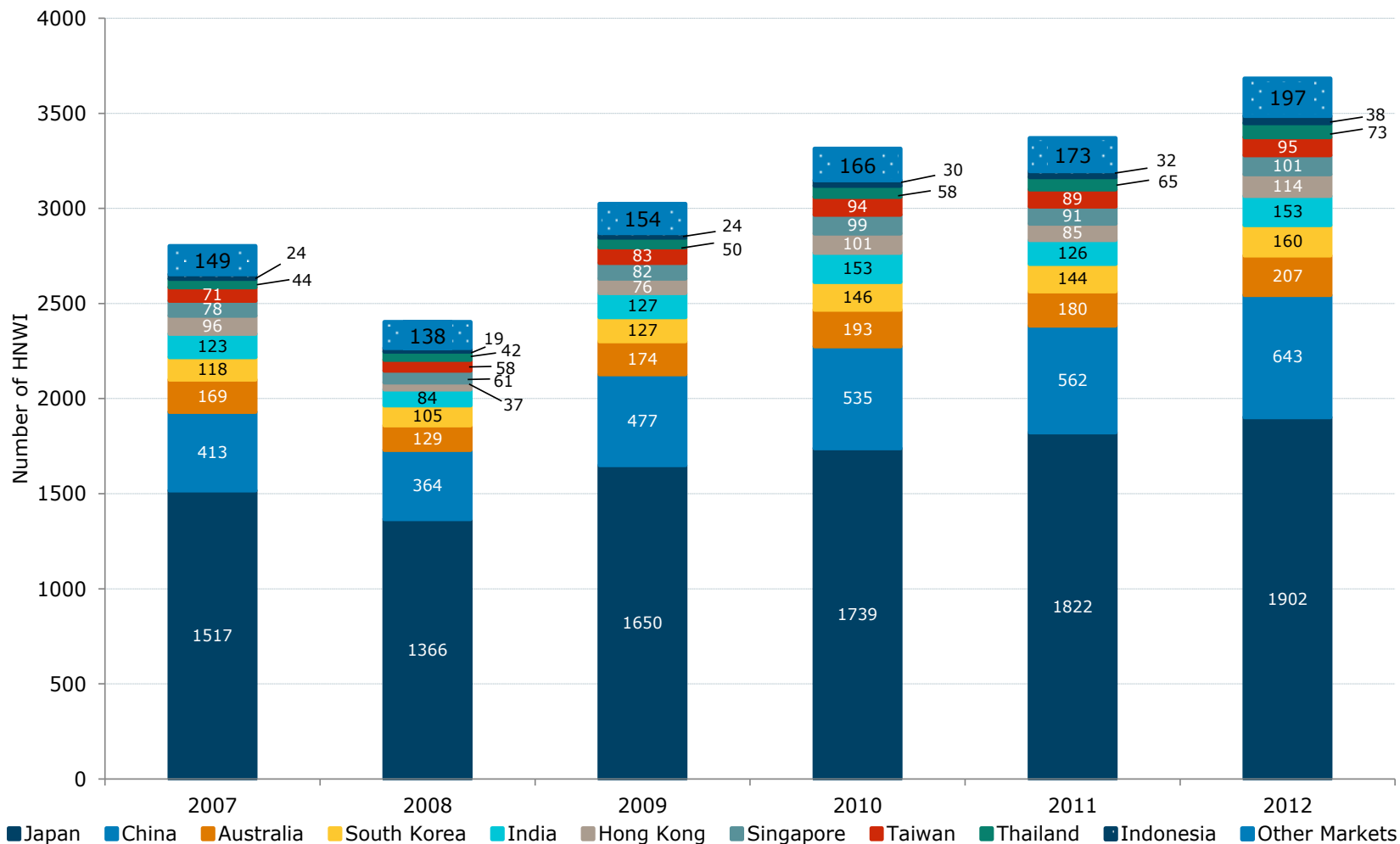


- The creation of the ASEAN economic community is likely to be a positive supply side shock similar to China's WTO ascension in 2000. As production platforms migrate south to the ASEAN, trade should pick up significantly

How is the Retail Affluent segment growing?

Asian high net worth individuals growing strongly

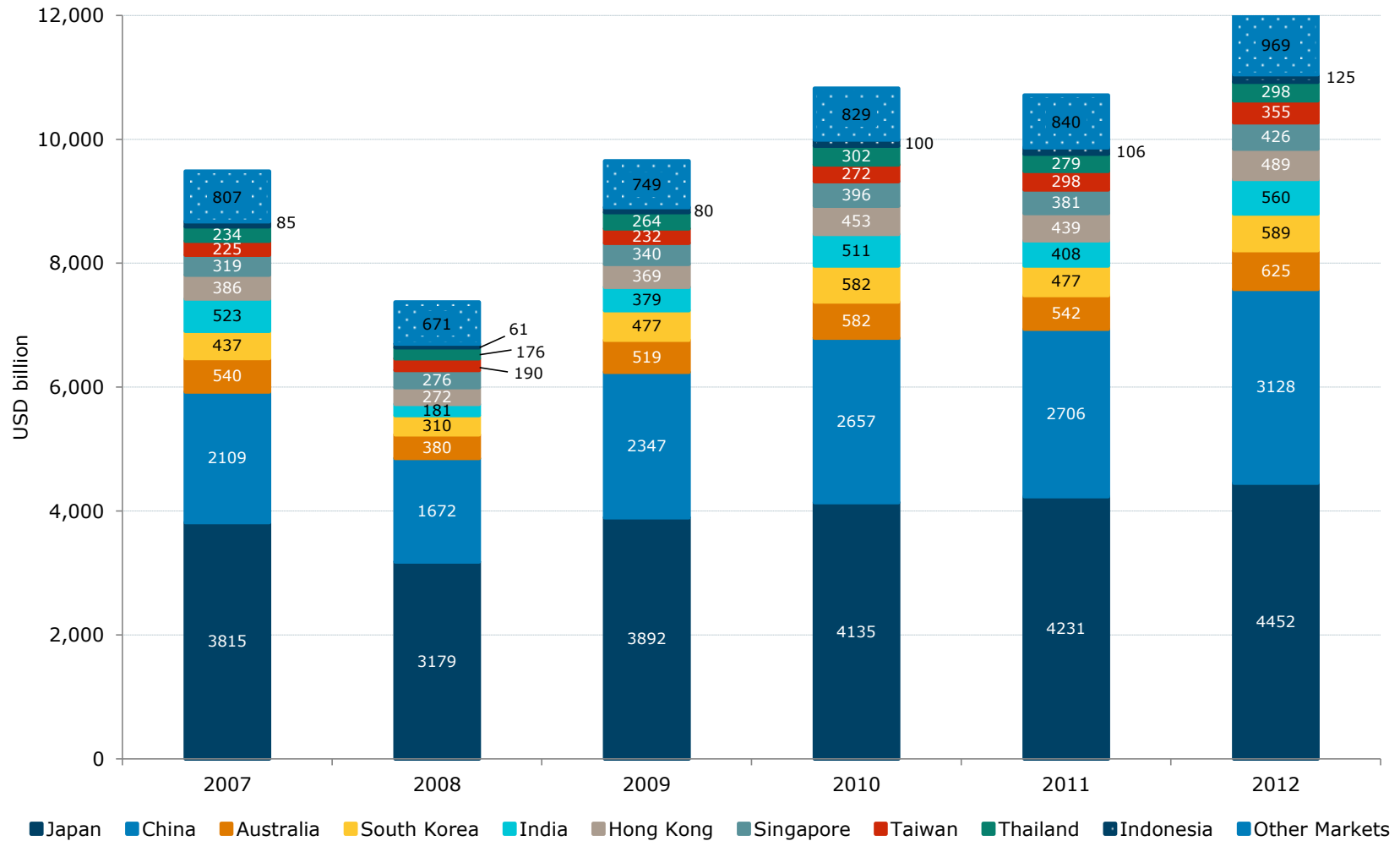
Asia-Pacific HNWI Population, 2007-2012 (by Market)



Source: Capgemini Global Wealth Report 2013, ANZ Research

High Net Worth Individual Wealth continues to grow strongly, led by China and Japan

Asia-Pacific HNWI Wealth, 2007-2012 (by Market)



Source: Capgemini Global Wealth Report 2013, ANZ Research

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Client Value Proposition &
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Business Performance Management supports Global Products & Customer Segments through a range of centralised functions



ANZ's Asia Pacific network coupled with depth of product capability and strong risk discipline is unique

Leveraging leadership in domestic markets to drive offshore growth

- Deep presence in Asia coupled with strategic expansion rounds out our network footprint
- Connecting clients to growth opportunities in key corridors, winning regional cross-border deals
- Network presence in Europe and America links customers into the Asia Pacific corridors

Strong product capabilities

- ROE accretive, capital-light products
- Product leadership in key categories (e.g. Cash & Trade, FX, Loans & Syndication & Commodities)
- Competitive product platforms (e.g. Transactive, Markets)

Disciplined execution to complement growth

- Targeted customer segments developing deeper, more profitable relationships
- Risk discipline - AA rated bank with strong reputation
- Centralised optimisation of capital allocation and business performance

ANZ will compete via insights-led, deep customer relationships

- Insights-driven relationships and comprehensive product suite
- Diverse network to facilitate corridor flows for priority customer segments and industries
- Enhancement of customer platforms

Clear market leadership in Australia and NZ is a competitive advantage in facilitating cross border deals

Leading bank in Australia and New Zealand...



Ranked #1¹:

- Overall Lead Bank Penetration
- Relationship Strength Index
- Overall Satisfaction with Products and Services
- Most Trusted Advisor
- Knowledge of Customers' Industry

Other awards:

- Best Trade Finance Bank in Australia (2012 – 2013, The Asian Banker)
- Australia/New Zealand Loan House of the Year (2013, IFR Asia Awards)

...with a leading global brand

- Amongst the top 55 global brands²
- Brand value up 15% in 2014, ahead of Citi, Westpac, Standard Chartered, DBS and NAB

and a top 4 Corporate Bank in Asia by market penetration³...

Greenwich Associates Large Corporate Study Asian Large Corporate Banking Market Penetration

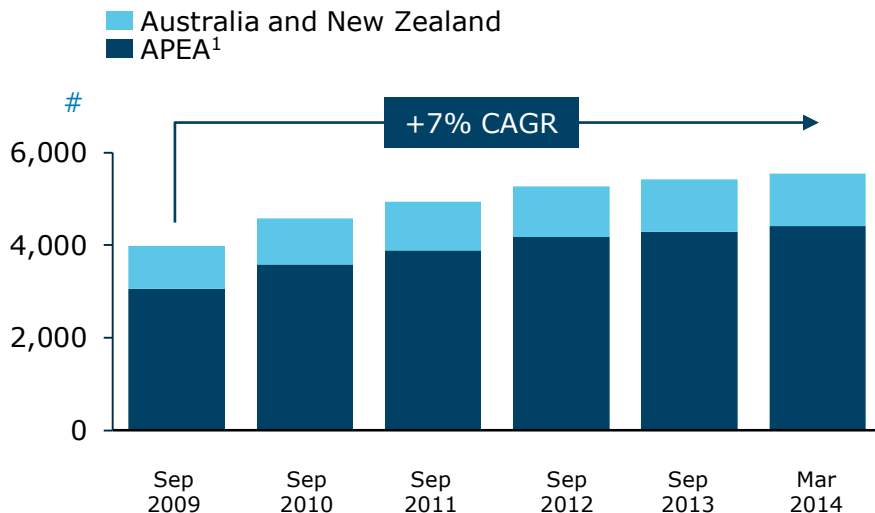


---> Represents the momentum of growth and quality improvement achieved by ANZ Bank over the past 4 years

1. Peter Lee Associates Large Corporate and Institutional Relationships Banking surveys, Australia and New Zealand 2014. Ranked against the Top 4 competitors. 2. BrandZ Top 100 Most Valuable Global Brands study (2014) 3. As defined by Total Relationships Market Penetration In Asia 4. The Greenwich Quality Index score is based upon a normalized composite of all qualitative evaluations transformed to a scale of 0 to 1,000 with the difference from the average shown. Note: Cross-hairs are calculated by the average of the banks shown in graph.

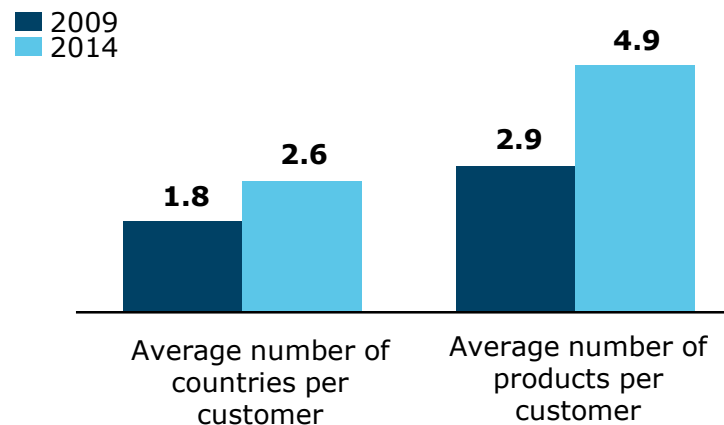
ANZ has demonstrated great customer momentum in becoming a regional player

Well managed growth in Institutional customers...



... and deepened wallet share of strategic clients

Product and geographic penetration of international customers²



... to deliver strong growth in ANZ's priority segments and industries

- 329 Institutional clients have an active relationship with ANZ in 5 or more countries, representing an 8% annual increase³
- Cross-border revenue is up 6% year-on-year³
- Steady customer growth in priority segments; Local Diversified Industries up 8%, Natural Resources up 7%, Agribusiness up 6%, Utilities and Infrastructure up 4% year-on-year³

1. Pre-2011 Pacific individual customer data not captured historically; extrapolated based on FY11 Pacific customer growth rate

2. Based on customers outside of Australia and New Zealand and existed between 2009 and 2014

3. As at 1H14

Our expanded footprint assists us to differentiate our client offerings

Rounding out ANZ footprint to support clients' needs across the network

- Representative Office in Myanmar
- Full banking license in Thailand
- Sub-branch in Shanghai FTZ
- Regulatory approval obtained to open two branches in India and one Paris branch

Comprehensive product capabilities

- Leading Australasian bank with full suite of onshore and offshore RMB products
- Comprehensive DCM offerings with strong global cross-border distribution capabilities

Steady growth in key corridor flows:

From	To	Growth ¹
Asia	Australia	+6%
Asia	Pacific	+13%
EMEA	Asia	+4%

Our unique corridors connect clients more effectively

- Only regional bank with Australia as anchor markets:
 - Support 100% of all significant Asia (ex. Japan) Agri investment deals into Australia
 - Manage 35% of all iron ore flows from Australian producers into Asia
- Support 100% of all significant FDI transactions from China into New Zealand
- Leading foreign bank in Greater Mekong, allowing us to bank supply chains of global names
- Dominant corporate bank in Pacific
- EMEA contributes half of IIB's cross border throw

1. FY13 year on year growth

IIB will win by driving insight-led, deep customer relationships with targeted customer segments

IIB STRATEGIC PRIORITIES	KEY AREAS OF FOCUS FOR CLIENT COVERAGE
Connecting more Customers by Providing Seamless Value	<ul style="list-style-type: none">• Tailored customer segment value propositions to deepen relationships• Strengthening relationships with International businesses requiring cross-border banking• Attack key corridors across Asia, Australia and New Zealand
Delivering leading products through Insights	<ul style="list-style-type: none">• Generate proprietary insights to drive solution dialogue with clients• Deep dives on regional corridor flows to identify value add opportunities• Systematically commercialise solutions to targeted clients
Intensifying balance sheet discipline	<ul style="list-style-type: none">• Less capital intensive and shorter tenor products• ROE discipline core to execution• Optimise capital allocation via centralised approach
Scaling & optimising infrastructure	<ul style="list-style-type: none">• Increase volumes in flow products to drive down unit cost• ROE accretive products to increase customer relevance• Enhance digital platforms to improve customer experience

IIB is focused on developing deeper, more profitable relationships with GB, IB and Retail segments by delivering targeted value propositions

Segments	What we offer	How we serve	Our target
Global Banking	<ul style="list-style-type: none"> Bespoke products covered by product specialists and customised operations Intense coverage by Senior Bankers and Industry Heads 	<ul style="list-style-type: none"> Invest to deliver bespoke banking insights and solutions Global Account Management leveraging on global footprint 	<ul style="list-style-type: none"> Top 3 regional bank
International Banking	<p>Local Corporates</p> <ul style="list-style-type: none"> Partial product customisation covered by in-country relationship teams Sophisticated product range 	<ul style="list-style-type: none"> Insight-driven solutions provided by in-country teams Comprehensive client coverage leveraging on domestic market leadership and regional footprint 	<ul style="list-style-type: none"> Lead bank with full-service offering in Aus/NZ Top 3 Asian bank for flow products
	<p>Emerging Corporates</p> <ul style="list-style-type: none"> Standardised products (i.e. Trade Finance, FX and hedging) Local and offshore multi-currency funding 	<ul style="list-style-type: none"> Selective industry insight-driven solutions In-country coverage leveraging local footprint 	<ul style="list-style-type: none"> Top 3 international bank for flow products (cash, markets and trade)
Retail Banking	<ul style="list-style-type: none"> End-to-end financial solutions (deposit services, credit/debit cards, secured & unsecured lending facilities, investment & insurance) 	<ul style="list-style-type: none"> Dedicated Relationship Managers supported by product specialists (investment & insurance, treasury and mortgage) to serve Affluent segment Regional network and local specialists via branches, ATMs, call centres, e-banking and mobile banking 	<ul style="list-style-type: none"> Top 3 foreign bank offering / Leading foreign bank providing full suite of banking, investment products, and advisory services

Insight capabilities create a more compelling client offering by delivering superior customer outcomes

Origination and delivery of insights-led customer solutions through:

Using proprietary data to generate high-value cross-border solutions

Example: Landmark cross-border deal - Formosa Plastic Group

- End-to-end solution to facilitate a significant Taiwanese investment in an Australia iron ore project
- Insights delivered world-class country, product and industry advisory that gave ANZ the edge to win exclusive mandate

Collaborating with Relationships and Products to accelerate product sales

Example: Designed the first Basel III compliant Additional Tier 1 issue in Asia - UOB

- Design issuance structure and guided client through regulatory change
- Cross-jurisdictional engagement differentiated our DCM sales approach
- Replicating approach led to more bank Joint Lead Manager roles in the regulatory capital space

Systematically commercialising solutions to targeted clients

Example: Unlocked value in Australia Retail supply chain

- Analysis on Australia Retailers' direct sourcing trends led to development of FX solutions in anticipation of increasing FX volatility exposure
- Led discussions with 120 Retailers
- Generated A\$1m incremental revenue

Comprehensive flow products and platforms in key corridors

	Current Capability (2014)	Target Capabilities (2016) With key focus on flow products	Benefits
Cash & Trade	<ul style="list-style-type: none"> • Payment and Cash management • Full trade products across Documentary Credits, Guarantees Supply Chain and Trade Finance 	<ul style="list-style-type: none"> • Enhance Supply Chain and Trade Finance capabilities • Sophisticated Structured Trade Finance • Network Cash Management (pooling) • Enhance wholesale digital channels across web, mobile/tablet and host-to-host 	<ul style="list-style-type: none"> • Shorter tenor deals • Less capital intensive • Increase volume to drive down unit cost
Markets	<ul style="list-style-type: none"> • Global Syndication/Bonds • FX, Rates and Commodities spot and derivatives 	<ul style="list-style-type: none"> • Integrated segment sales and service • E-channel capability at competitive speeds • Increase transactional capacity to trade in commodities markets • Agency and Asian currency clearing • Specialised/high yield bonds and cross border debt 	<ul style="list-style-type: none"> • Capture greater cross-sell opportunities • Increase non-interest income
Retail Products	<ul style="list-style-type: none"> • Insurance and investment products (i.e. bonds, mutual funds, dual currency deposits) • Mortgages • Consumer Finance products (i.e. credit cards and personal loans) 	<ul style="list-style-type: none"> • Alternative investments: collateralised FX, equity and bond financing; unique commodities offerings • Full suite of transaction capability for payment channels (e.g. e-banking, mobile banking) • Foreign and business property mortgages and unsecured loans • Consumer finance products 	<ul style="list-style-type: none"> • Increase fee-based income • Deepen customer relationships through cross-sell • Drives greater customer acquisition

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23 JULY 2014

DOUG STOLBERG
CHIEF RISK OFFICER,
INTERNATIONAL &
INSTITUTIONAL BANKING

Risk & Regulatory

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ANZ Risk Framework supports the achievement of IIB's Strategic Objectives within the Group's Risk Appetite

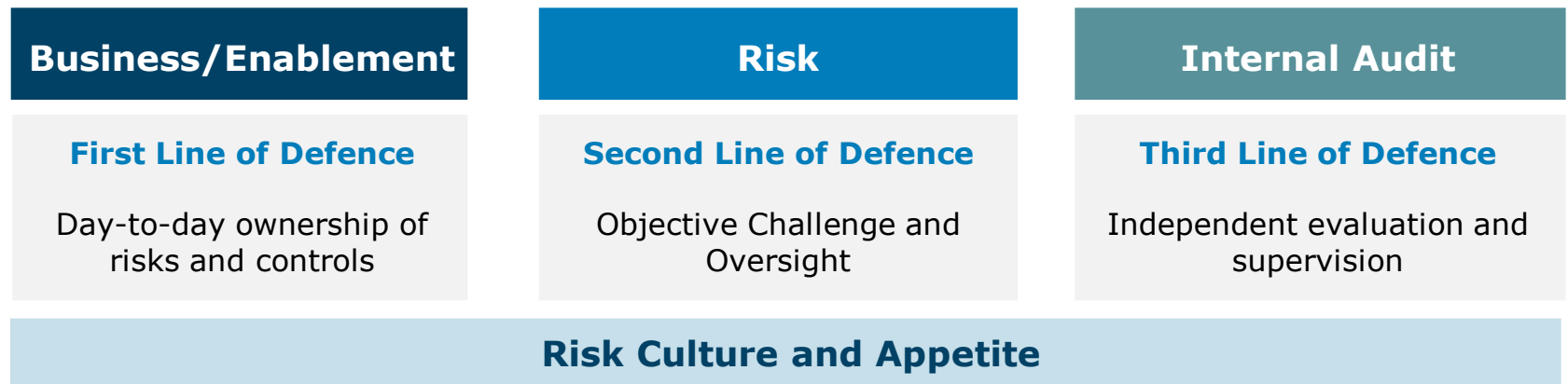


IIB governance mirrors Group governance model to ensure robust end-to-end risk management framework

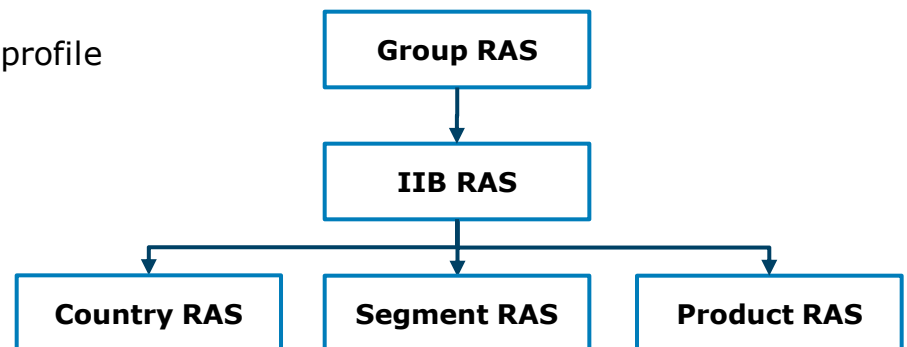
	Credit Risk	Market Risk	Operational Risk	Compliance	Reputational Risk	Liquidity & Balance Sheet Risk (chaired by CFO)
Board	Risk Committee					
			Technology Committee		Governance Committee	
Group (members including CEO IIB, Andrew Géczy & CRO IIB, Doug Stolberg)	Credit and Market Risk Committee (CMRC)		Operational Risk Executive Committee (OREC)		Reputational Risk Committee (RRC)	Group Asset & Liability Committee (GALCO)
	Credit Rating Systems Oversight Committee (CRSOC)					
Divisional (chaired by IIB CRO, Doug Stolberg)	Risk Management Committee (RMC)					Asset & Liability Committee (ALCO)
	Product Committees					
Country (chaired by Country CROs)	Risk Management Committee (RMC)					Asset & Liability Committee (ALCO)

Risk Culture and Appetite are Fully Integrated and Aligned

“Risk is the guardian of the Balance Sheet, Reputation and Strategy”



- Risk is included within Business Unit and Individual performance metrics
- Risk has input into Remuneration
- Effective challenge from second line of defence and oversight via governance model
- Group Risk Appetite Statement (RAS) is approved by the Board and cascaded across the Divisions / Business Units (country, client segment and product)
 - Used by management teams to monitor risk profile
 - End-to-end coverage of all risk types
 - Qualitative and quantitative
 - Monthly dashboard reporting and escalation framework



Global approach to risk management executed locally

“Setting the bar high”

ANZ operates a Global Risk Framework which specifies stringent standards required to be consistently met across the globe. The Risk Operating Model is based on global expertise for specialised and technical areas of Risk, executed locally by experienced jurisdictional management and Risk teams

Subject Matter Expertise

- Specialist and technical expertise include Market Risk, Wholesale Credit, Product specialisation (e.g. project and structured financing), Client Segment specialisation (e.g. Natural Resources, Financial Institutions and Government, etc.), Compliance

Local Execution

- Global frameworks and policies are implemented through the local Risk teams
- Local in-country Risk teams are capable of and accountable for managing all risk disciplines in their specific jurisdiction and they hold primary accountability for Compliance and Operational Risk

Global Consistency

- Scale, knowledge sharing and DRP/BCP are enabled through centres of excellence in Melbourne, Wellington, Bangalore, Manila and Chengdu

Comprehensive risk management processes and controls ensure global consistency and disciplined execution

Credit & Country Risk

- Consistent global credit principles and policies
- Dual credit approval process ensures Business and Risk support for transactions
- Early Alert process in place to proactively manage deteriorating credits and emerging risks
- Deep-Dive portfolio reviews directed by Risk Management Committee
- Exposures to countries are managed by a specialist team through a country limit framework which takes into consideration various factors including macro economy, jurisdictional enforcement, product types, tenor, etc.
- Deep in-country experience across the region (Asia is not one country). Country CRO's have right of veto on decisions impacting their balance sheet and portfolio
- China example - Customer selection, jurisdictional selection, Trade beneficiary and applicant selection, exposure diversification

Market Risk

- Value at Risk limits authorised and monitored globally for both traded and non-traded market risk. We are driving uncorrelated / diversification of our market risk
- Fit for purpose systems for more granular measurement and reporting: Market Risk Engine, Counterparty Credit Risk Engine, Derivative Valuation Rebuild – Credit Valuation Adjustment, Funding Valuation Adjustment. All new business investment plans include Risk Technology and resourcing requirements
- Conduct risk / risk culture – rogue trader controls, Trade systems and communication surveillance framework, Customer suitability framework, training
- The Markets Risk team based in APEA has increased 28% since 2012 and now represent 53% of the Global Markets Risk team

Comprehensive risk management processes and controls ensure global consistency and disciplined execution

Liquidity & Balance Sheet Risk

- Policy and framework established by Group ALCO and Group Treasury including standard minimum liquidity and funding parameters tested under different scenarios
- Compliance with the metrics is overseen by the Market Risk team and ALCO
- Stress testing methodology ensures that asset portfolios are structured for both credit and liquidity characteristics e.g. Trade Finance – short term and self-liquidating with favourable liquidity characteristics
- Proactively managing capital efficiency and productivity

Operational Risk

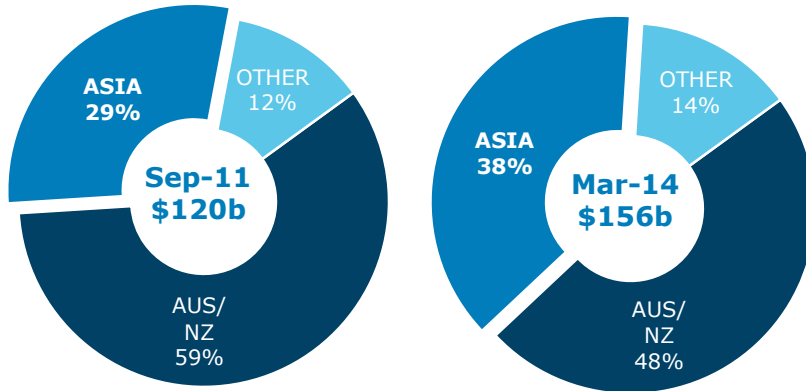
- A standardised Operational Risk Measurement and Management Framework ensures global consistency in identification of key risks and controls across all functional business lines
- All in-country High residual risks are escalated to the Divisional IIB RMC for review and acceptance of Treatment Plans. Local execution of these Treatment Plans is centrally monitored
- Quality Assurance and Key Control Testing embedded within all Business Units
- In-country Business Unit Risk Forums have been established to enable management to identify emerging risks, resolve issues and track remediation plan implementation
- In addition to Group standard controls, unique local controls are implemented to address specific jurisdictional risks
- Strong emphasis on documentation risk and enforceability

Compliance

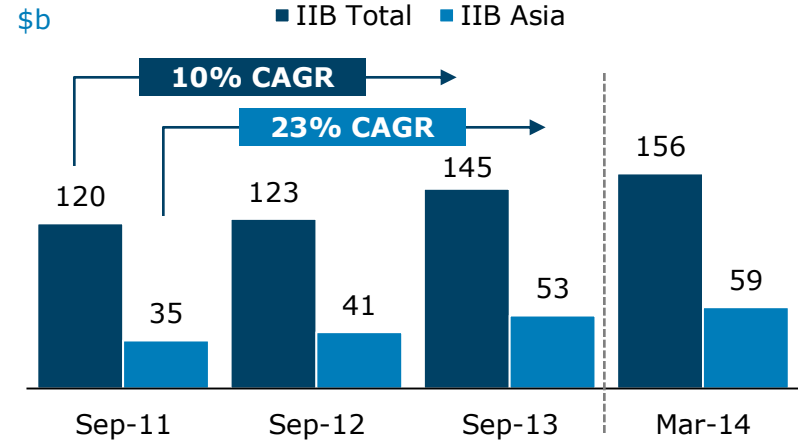
- Global compliance framework ensures consistently high compliance standards in all the jurisdictions in which we operate – default to the most stringent jurisdictional standard wherever possible
- Conduct: Clear expectations set and reinforced for all staff, particularly in Global Markets
- Customer suitability / sales governance frameworks closely monitored and regularly enhanced
- Established a global Centre of Excellence for AML/CTF compliance support
- Regulatory risk: We are committed to strict compliance given the number of jurisdictions we operate in and the changing regulatory landscape

High quality credit risk profile maintained through growth phase “We will not compromise our standards”

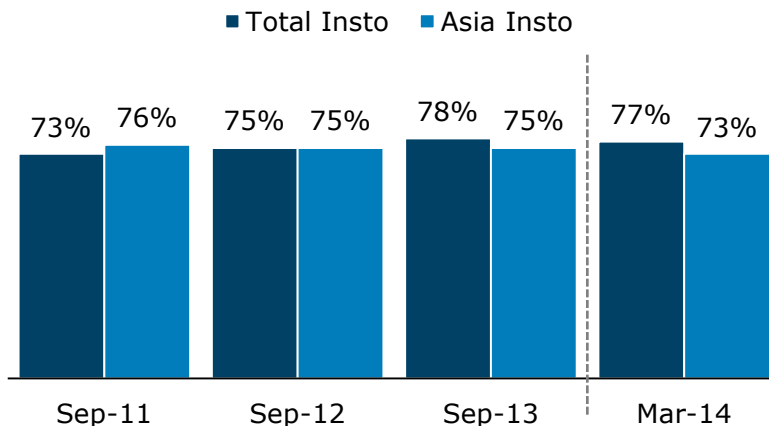
IIB portfolio composition Credit Risk Weighted Assets (CRWA)¹



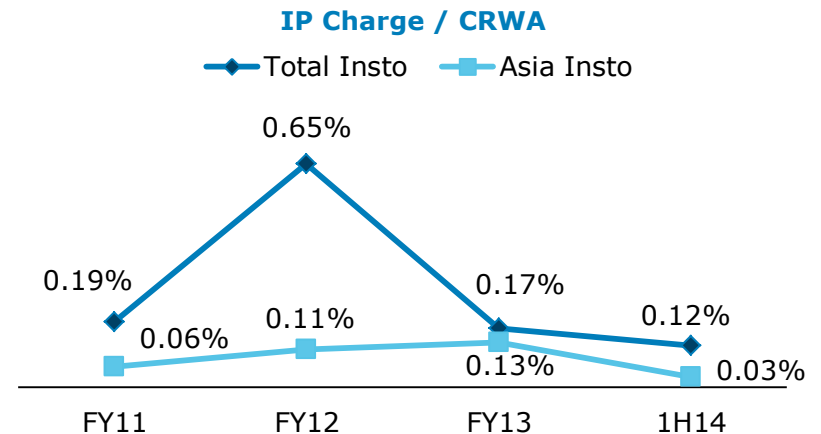
CRWA Trend



Portfolio Quality Investment Grade as % Exposure at Default



Low credit provision charges



1. "Other" comprises of Europe, America and Pacific.

IIB's strategic priorities have clear implications for our areas of focus over the coming two years

IIB STRATEGIC PRIORITIES	KEY AREAS OF FOCUS FOR RISK
Connecting more Customers by Providing Seamless Value	<ul style="list-style-type: none">• Simplify Risk processes to streamline decision making and ensure consistency• Establishment of Peak Credit Appetite globally to enable effective and timely responsiveness to customer requirements• Extend target client appetite into key business corridors and supply chains – banking our customer's customer• Connecting the global Risk team in alignment with global Relationship teams driving multi-jurisdictional client relationships – consistency in appetite
Delivering Leading Products through Insights	<ul style="list-style-type: none">• Drive greater alignment between specialised Risk resources and Business growth / priorities – investing in specialist Risk expertise• Deploy Risk resourcing / expertise globally in alignment with Business leadership
Intensifying Balance Sheet Discipline	<ul style="list-style-type: none">• Improve capital efficiency through active business / portfolio reviews and enhanced data management
Scaling & Optimising Infrastructure	<ul style="list-style-type: none">• Increase and enhance the use of Centres of Excellence to drive global efficiency, scalability and Best Practice• Adopt Global Risk systems, processes and policies wherever possible (do things one way globally)

Proactive relationships with our Regulators

ANZ recognises that our relationships with regulators need to be strong and well managed to sustain respect and trust. Our objective is to be open, transparent, and collaborative in our regulator interactions, and demonstrate our ongoing commitment to strict regulatory compliance

	Responsibility	Areas of focus
Group	Oversees a global regulator engagement approach	<ul style="list-style-type: none">• Provides global insights to support local engagement• Identifies matters relevant to multiple regulators• Performs consolidated reporting of regulatory obligations and engagement
Country CEO and CRO in conjunction with Head of Compliance	Manages local regulator engagement	<ul style="list-style-type: none">• Communicates summary of local regulator interactions to Group• Escalates issues to Group as necessary• Performs local regulatory reporting

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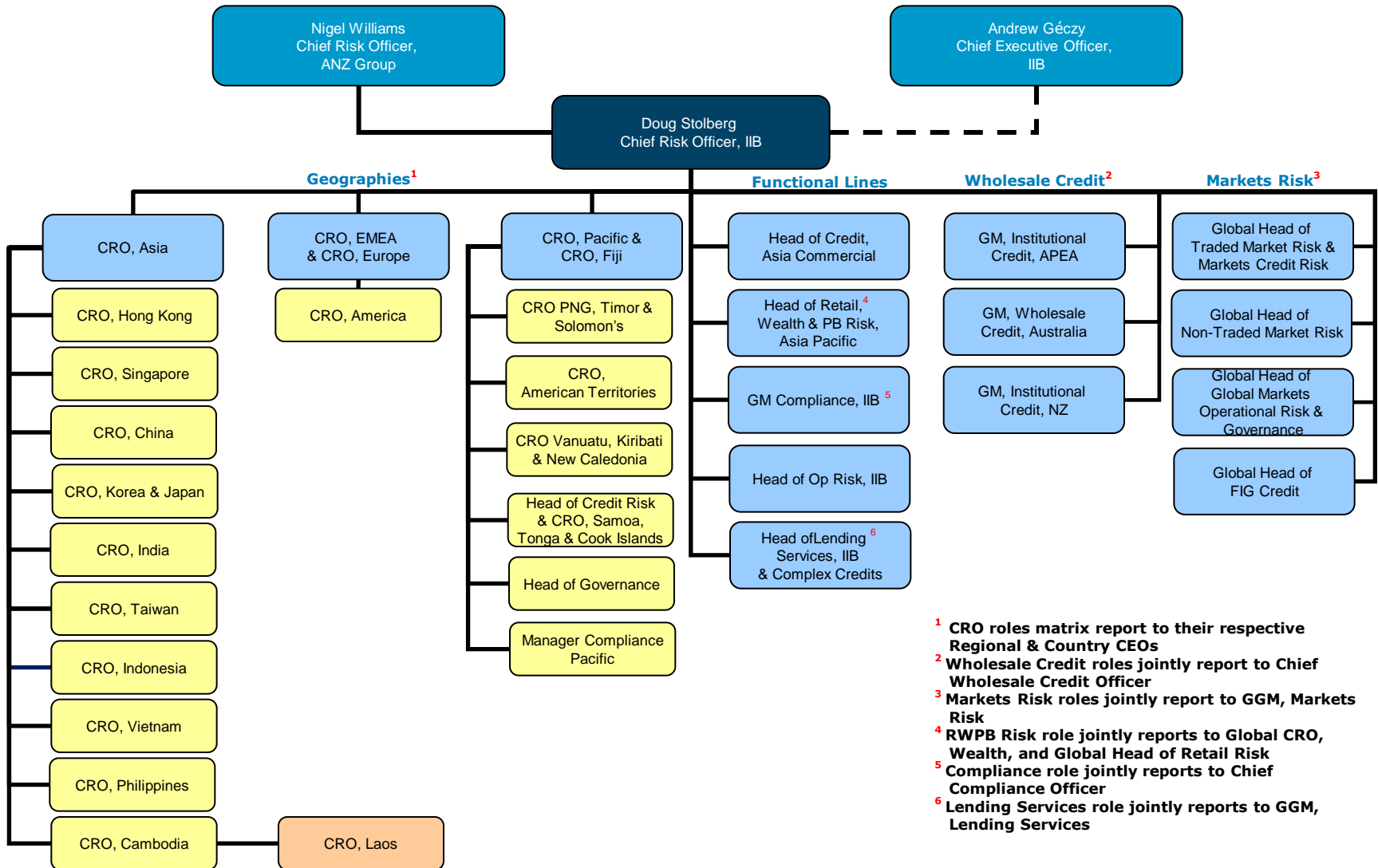
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IIB Divisional Risk Management Structure



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Global Markets & Loans

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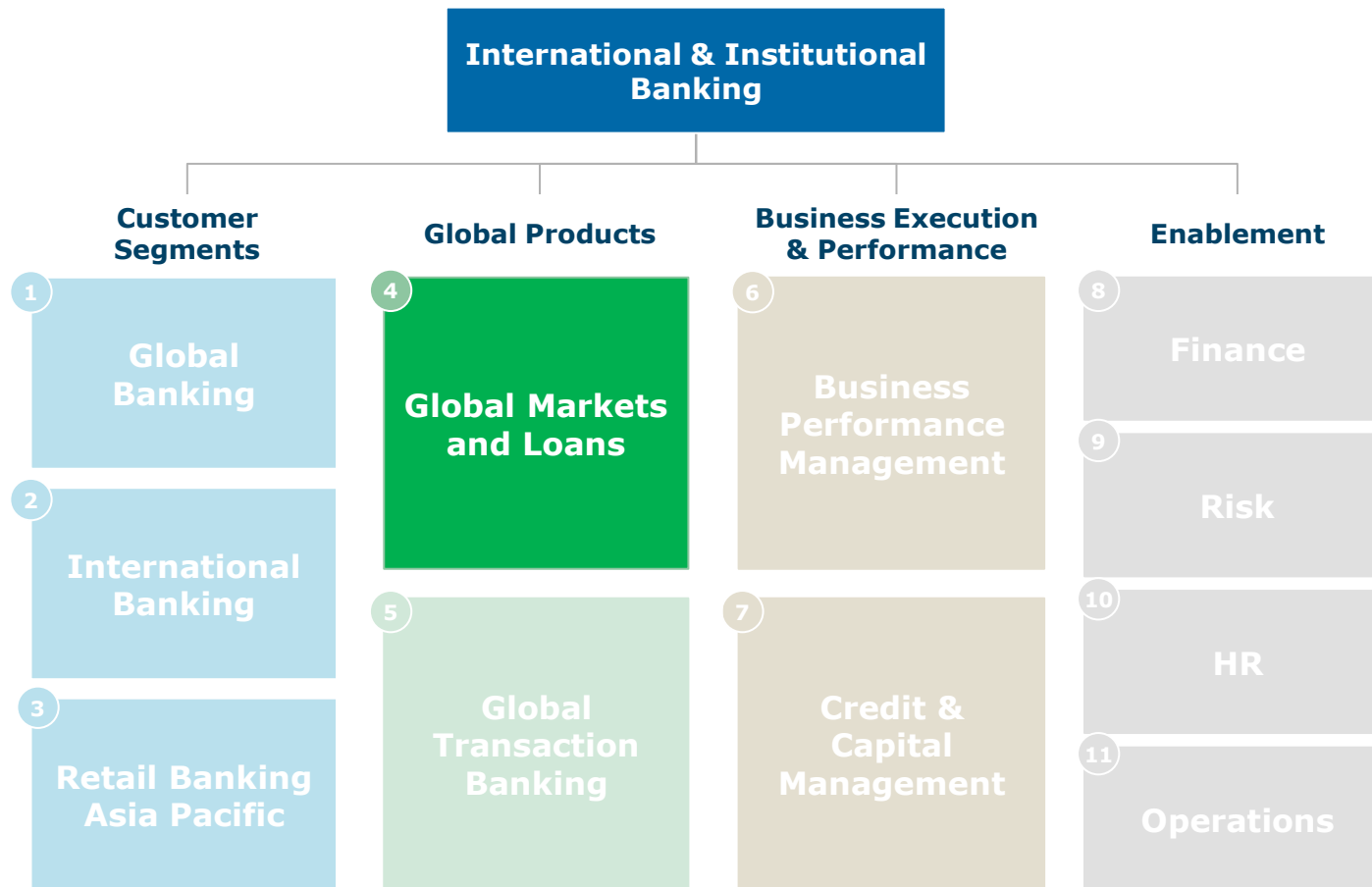
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Global Markets and Global Loans are two of the three product lines within IIB



Global Markets is integral to the success of ANZ's super regional strategy, servicing clients in all key markets

Australia & New Zealand

- Well established and leading Markets business
- Predominantly FX and Rates delivered by an efficient cost-to-serve model to Institutional, Corporate and Commercial clients

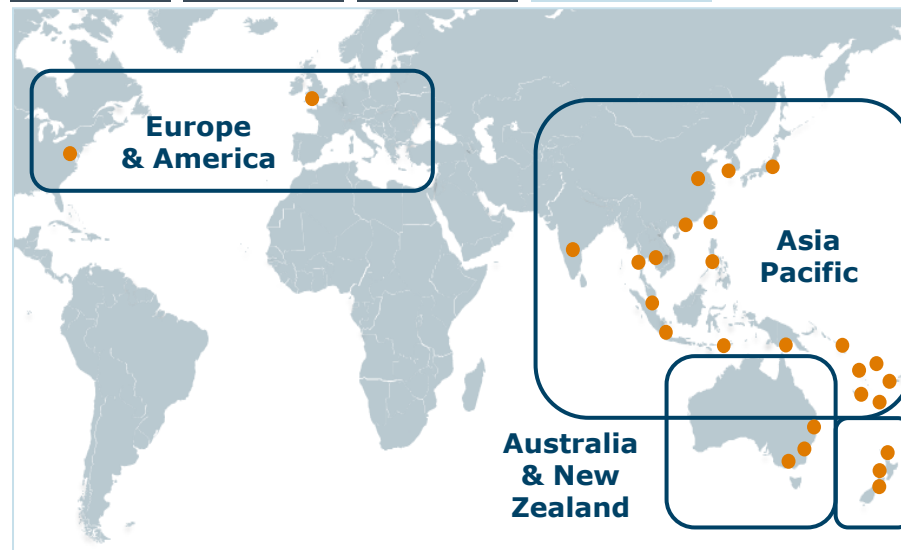
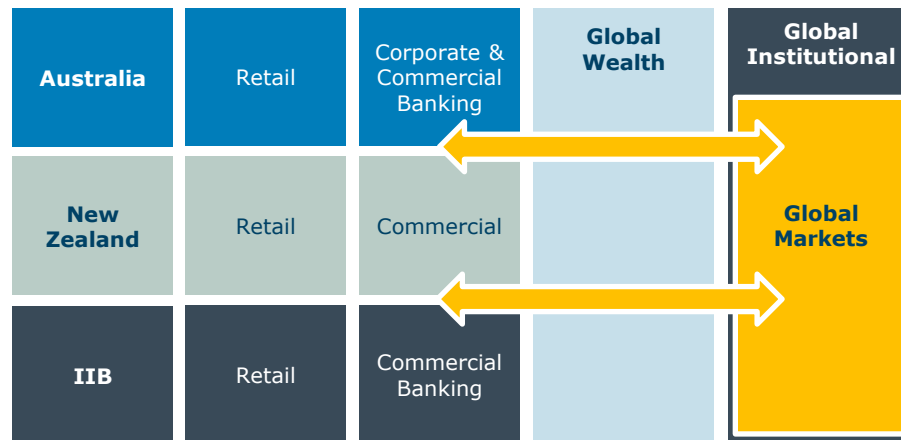
Asia Pacific

- Growth market serving a broad client base, competing against regional and global players
- **Corporate/Institutional:** Multi-currency flow platform (FX, Rates, Credit) and Debt Capital Markets (DCM) delivering liquidity and access to global capital markets
- **Commercial:** Preferred bank for clients with cross-border needs

Europe & America

- Niche market focused on Investor clients doing business in Asia Pac
- Offer access to Asian names via top tier regional credit platform with capability to "originate and distribute"

Global Markets support a number of ANZ's key customer segments



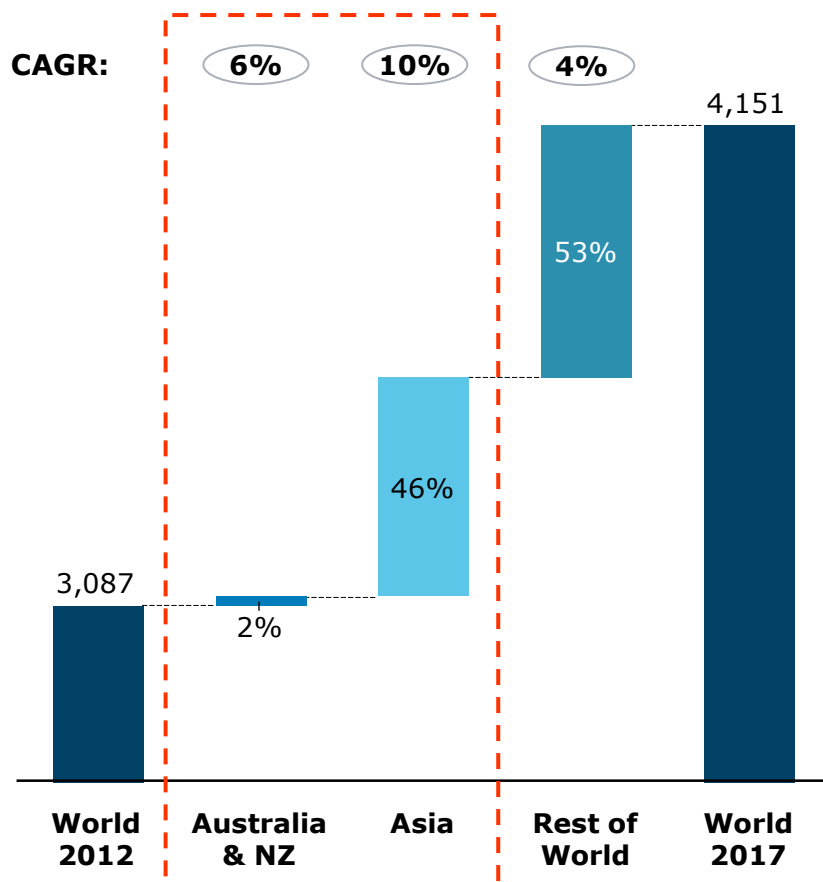
Macro fundamentals shows that Asia will enjoy the highest growth in banking revenue pools to 2017

Asia Pac is expected to deliver almost 50% of growth in banking revenue pools

Asia Pac markets will represent ~US\$800 billion in revenues by 2017

Forecast absolute growth in Global Banking revenues US\$b, 2012-17¹

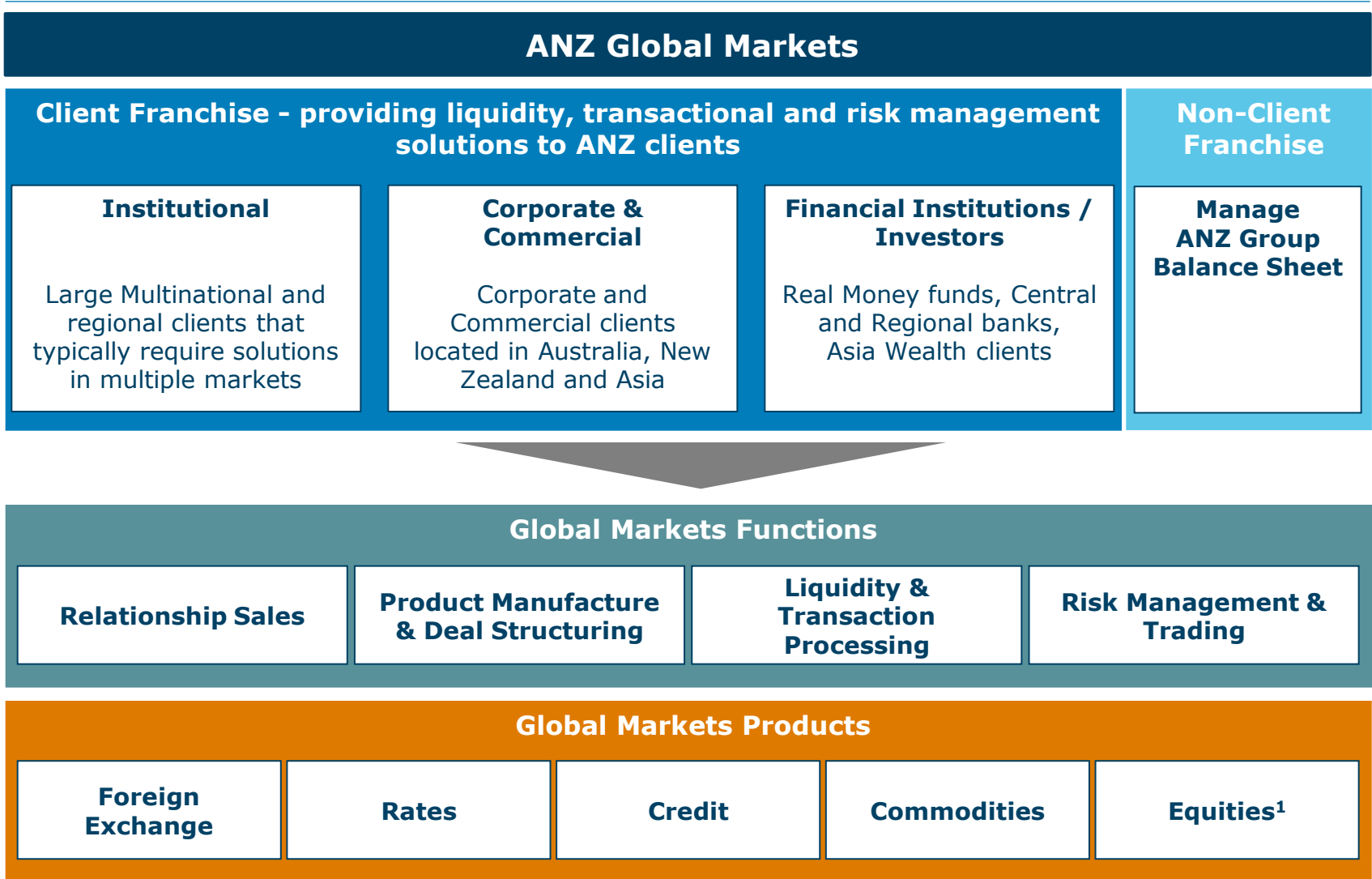
Forecast revenue pools for key Asia Pacific markets by product US\$b, 2017¹



	Lending	Transaction Banking	Markets
Australia & NZ	36.9	6.3	10.0
Singapore	10.0	2.1	4.5
Hong Kong	8.5	2.5	8.2
Indonesia	29.9	4.2	0.6
China	310.7	39.2	13.1
Japan	186.4	20.6	25.0
India	56.6	14.1	9.0

1. Source: BCG Banking Revenue Pools Database, 2013

Global Markets operates a full service business model



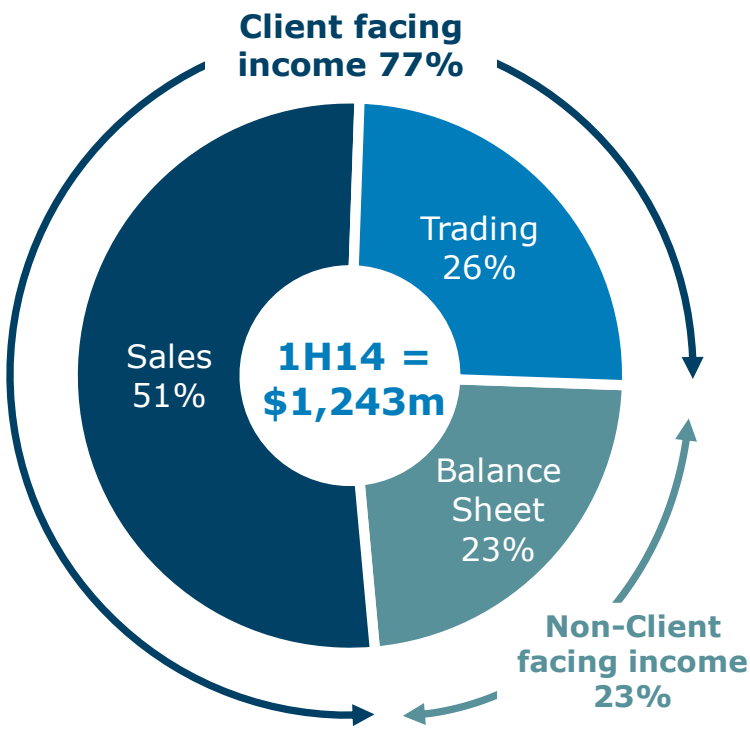
1. Equities offering represented by a niche equity derivative origination and sales capability and limited ECM capability

The Global Markets business model is built around supporting the needs of ANZ clients

Global Markets income is generated through three principal sources

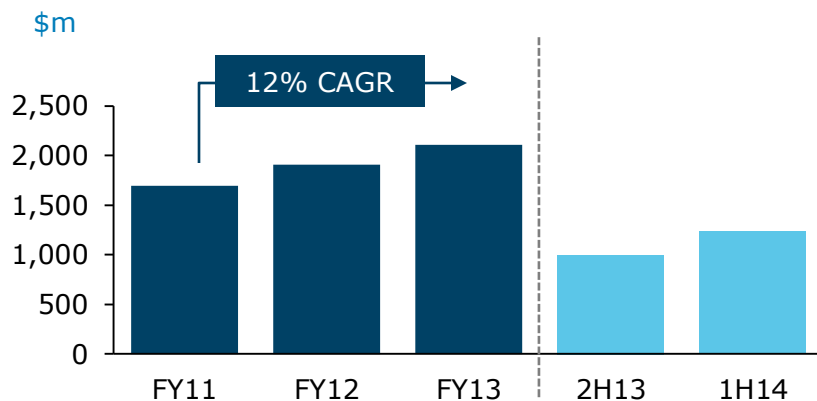
ANZ Global Markets income composition

<p>Sales</p>	<ul style="list-style-type: none"> • Direct client flow business on core products such as Fixed Income, Foreign Exchange, Commodities and DCM • Focused on increasing the mix of sales income through client acquisition and greater penetration
<p>Trading</p>	<ul style="list-style-type: none"> • Trading represents management of positions taken as part of direct client sales flow and strategic positions • Trading in the rates and credit product, in line with balance sheet trading
<p>Balance Sheet</p>	<ul style="list-style-type: none"> • Management of interest rate risk for the loan and deposit books • Management of the bank's liquidity position

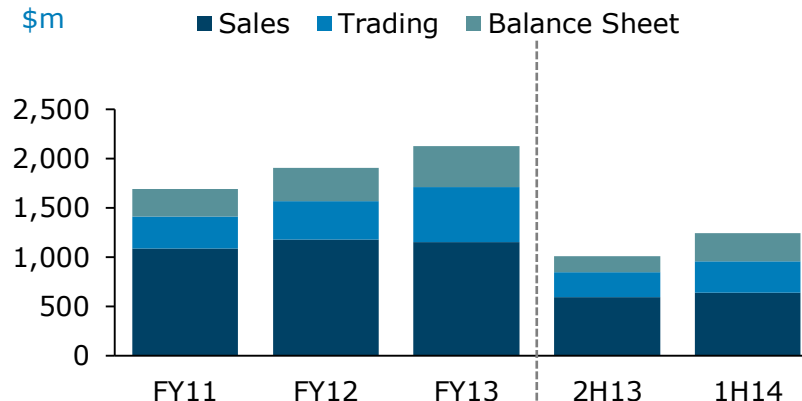


Global Markets' stable earnings growth has been achieved by diversifying across client, product and geography

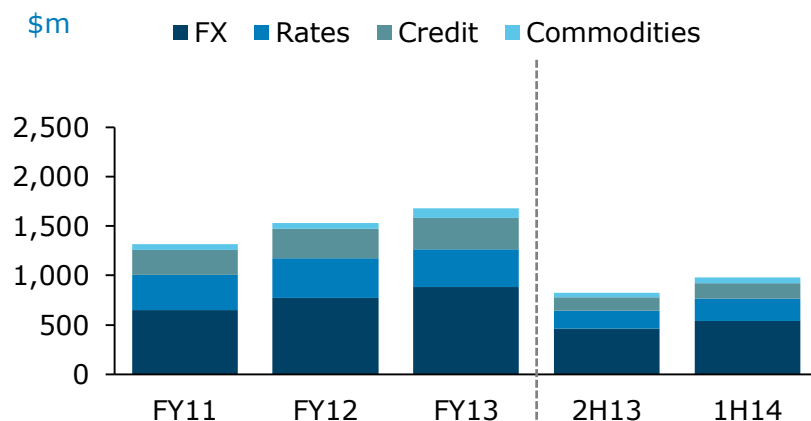
Global Markets income



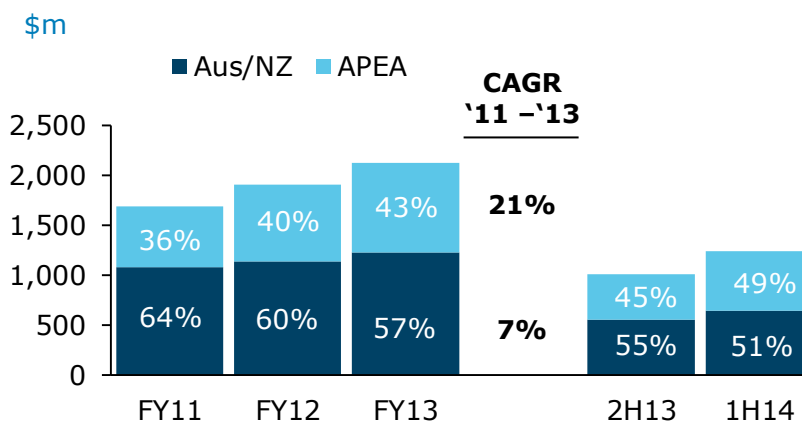
Global Markets income by type



Global Markets income by product¹



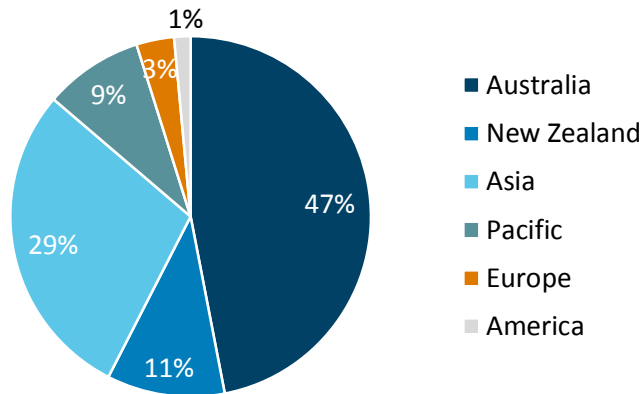
Global Markets income by geography



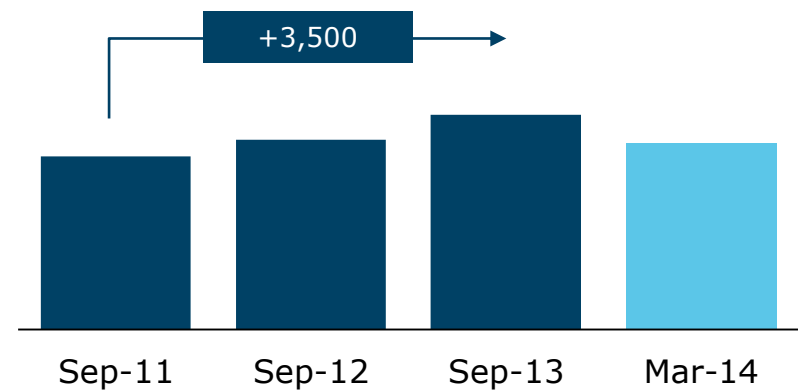
1. Excludes balance sheet income

Global Markets has strengthened the business through diversification of its client franchise

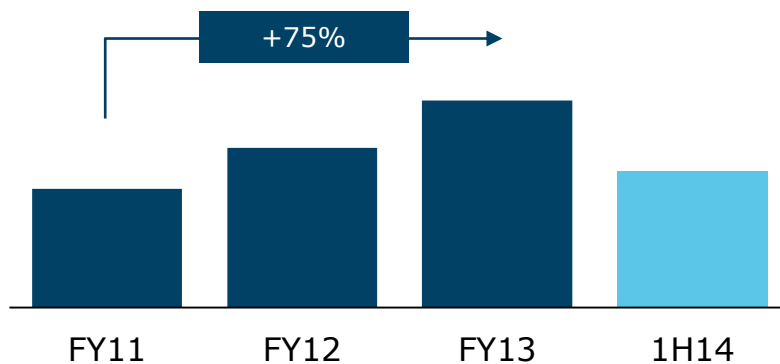
Global Markets has built a regionally diverse client base



The client franchise is increasing in size

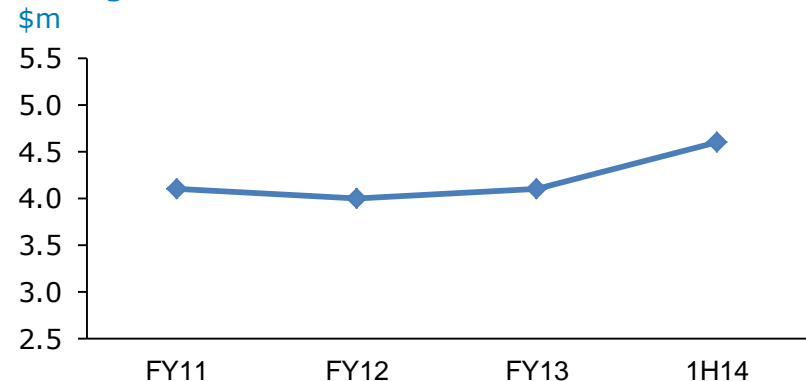


Delivering increased client flow to our core businesses e.g. FX Vanilla Sales



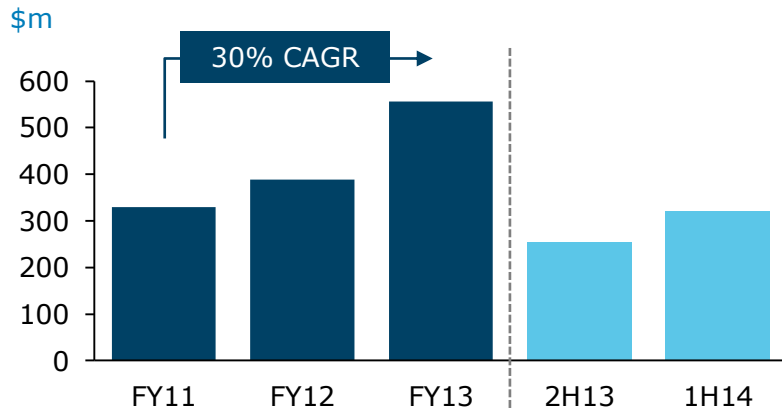
Meaning more client deals at an average deal size that remains relatively stable

Average Deal Size

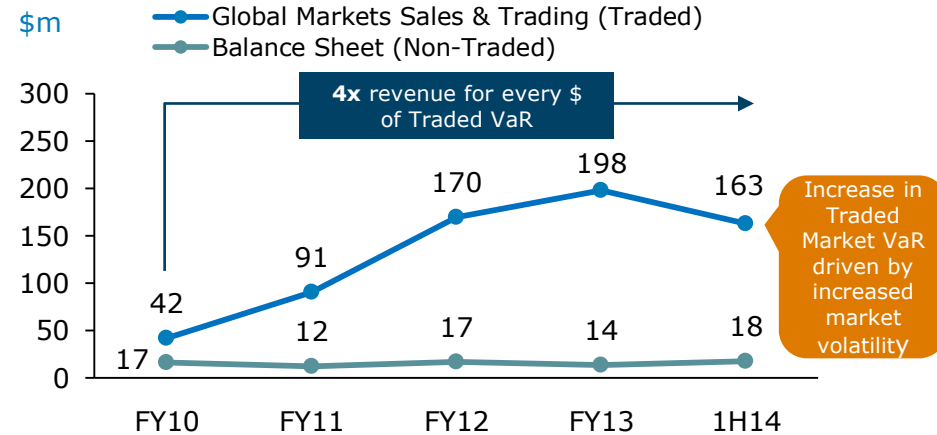


Business diversification is delivering an uplift in trading revenue for Global Markets with an improved risk profile

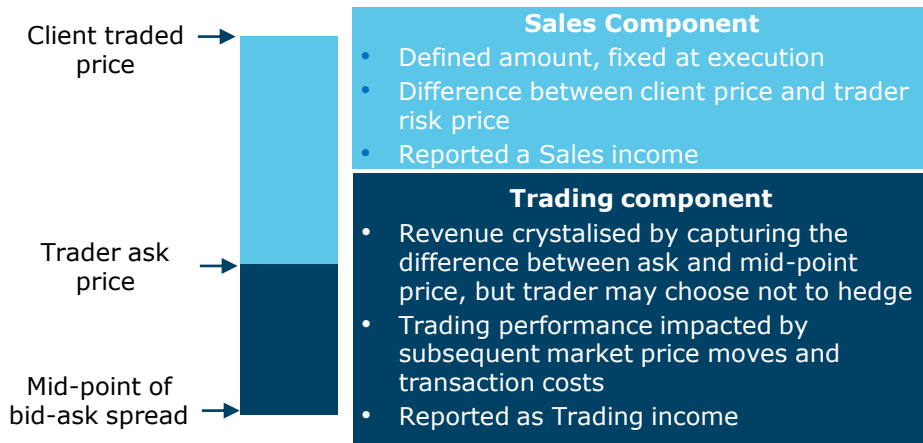
Global Markets trading income



Global Markets revenue per \$ Value at Risk¹



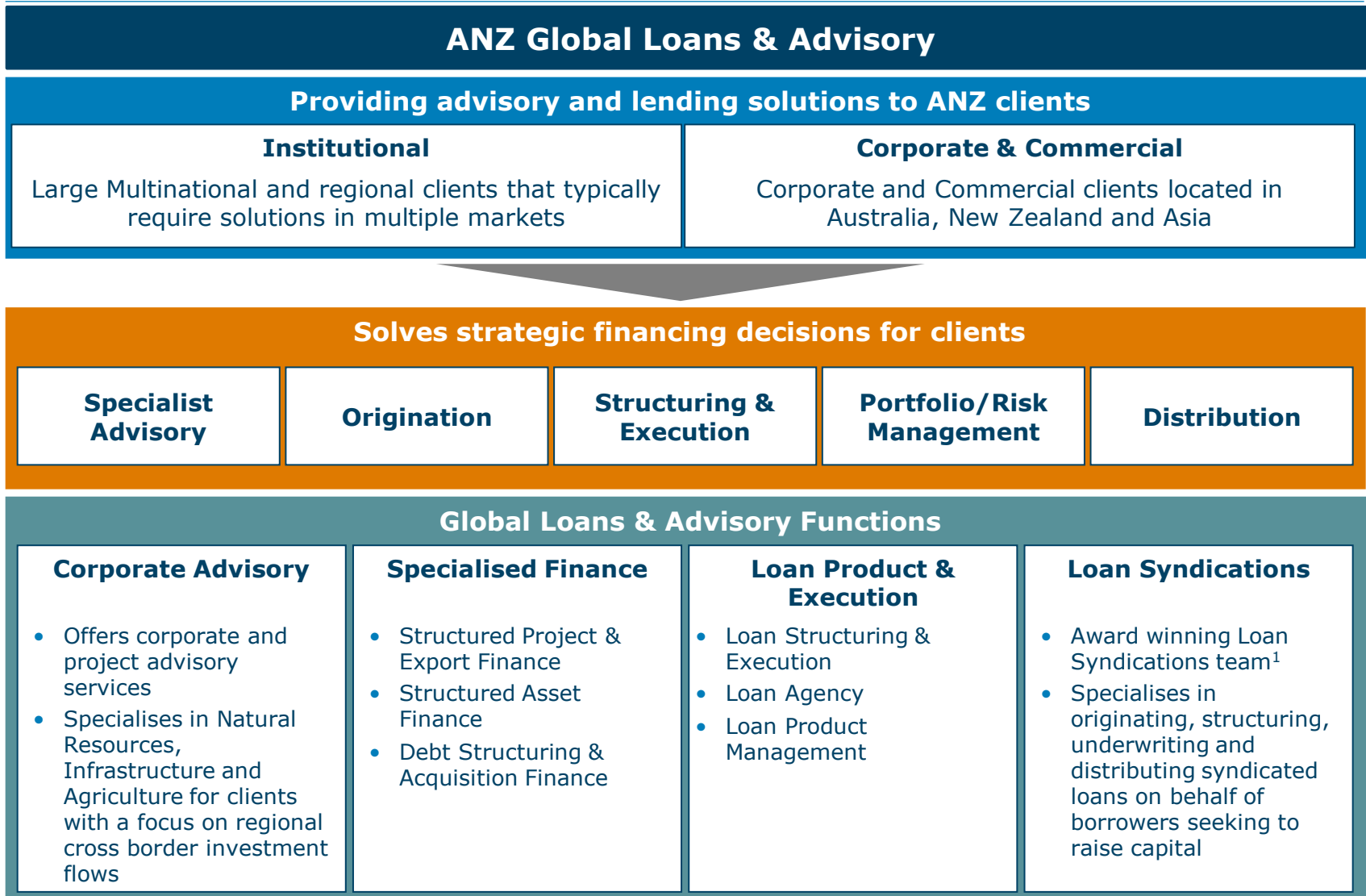
Revenue from a typical client transaction



- Price making, the provision of liquidity and risk management solutions are all critical to supporting the client franchise
- The majority of trading revenue is generated by client related activity with a small proportion attributable to strategic positioning or macro hedging
- In a typical client transaction there is a trading and sales component to the revenue generated by the deal
- Sales component is a "hard" dollar amount whereas trading revenue is "at risk" over the life of the deal so traders aim to capture, and add to, product margins.

1. Average 1-day 99% VaR

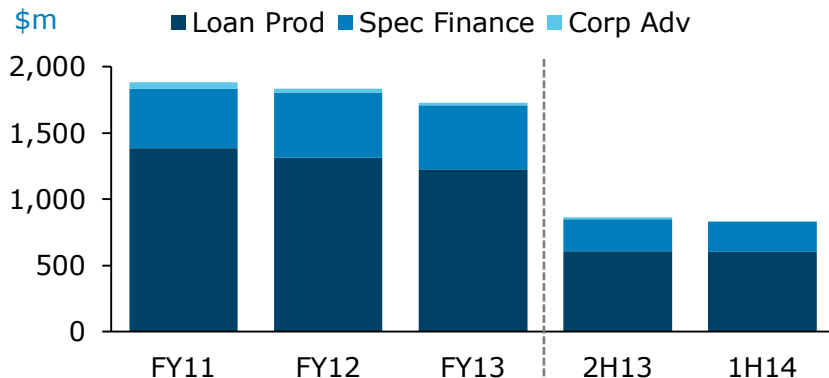
Global Loans & Advisory operates a full service business model



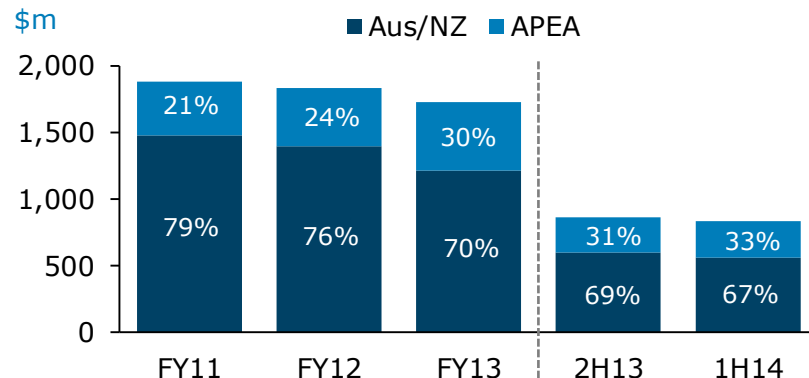
1. AsiaMoney Best Banks Awards 2014 – Best Domestic Debt House Australia

Global Loans & Advisory is growing a profitable and geographically diverse business

Global Loans & Advisory Income

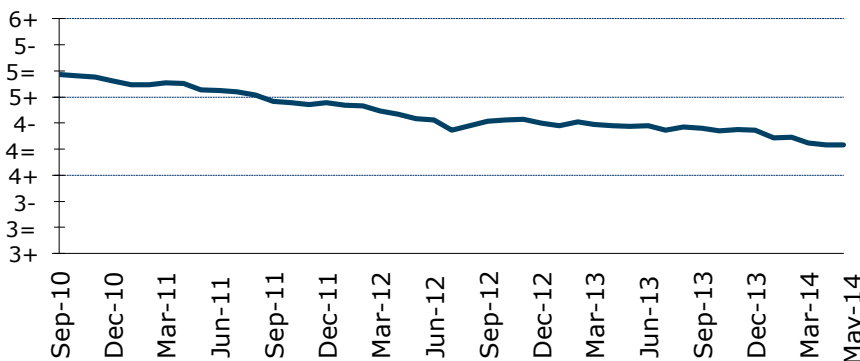


Global Loans & Advisory Income by Geography



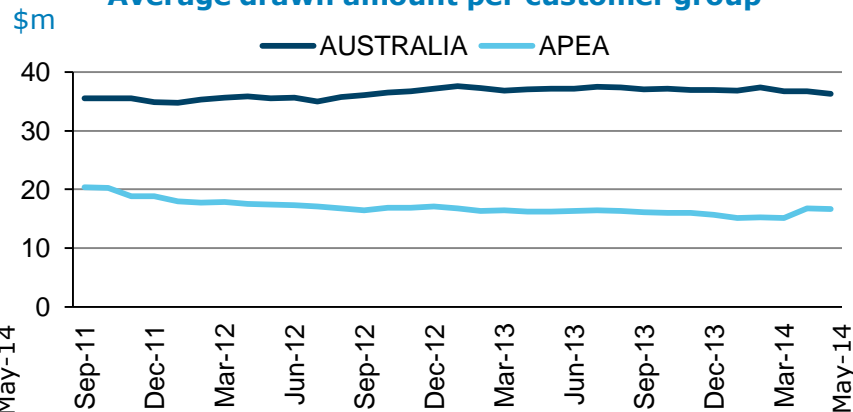
Global Loans & Advisory is building a higher quality loan book

Probability of Default Weighted Average Customer Credit Rating Trend



Asian exposures are on average lower than those against Australian clients

Average drawn amount per customer group



Global Loans & Advisory is leading with its expertise to drive adjacent revenue opportunities

Almost half of the Project Finance deals financed in Asia by ANZ now include an advisory role



AUD 361,000,000

Financial Advisor
 ADVISOR TO CONTINENTAL WIND PARTNERS & GE ON THEIR 100% EQUITY DIVESTMENT AND PARALLEL DEBT FINANCING OF THE BOCO ROCK WIND FARM

2013



AUD 251,400,000

Mandated Lead Arranger
 CONSTRUCTION AND TERM FACILITIES FOR THE 113MW BOCO ROCK WIND FARM

2013



INVESTOR AWARDS

ANZ #1 MLA IN ASIA PAC AND #1 BOOKRUNNER

2014



BEST BANK AWARDS

BEST DEBT HOUSE AUSTRALIA

2012 - 2013



BANK OF THE YEAR

BANK OF THE YEAR – ASIA PACIFIC

2013



USD 787,000,000

Financial Advisor
 ADVISOR TO CNOOC, BG, CHINA LNG, TEEKAY LNG AND BW GAS FOR THE FINANCING OF THE CHINESE LNG SHIPPING PROJECT

2013 - 2014



USD 787,000,000

Mandated Lead Arranger
 TERM LOAN FACILITIES FOR THE PROCUREMENT OF 4 CHINESE BUILT LNG VESSELS TO BE CHARTERED BY BG

2014



IFR ASIA AWARDS

AUSTRALIA / NEW ZEALAND LOAN HOUSE OF THE YEAR

2013



INFRASTRUCTURE INVESTOR AWARDS

INFRASTRUCTURE BANK OF THE YEAR IN ASIA PACIFIC

2013

IIB's strategic priorities have clear implications for Global Markets & Loans over the coming two years

IIB STRATEGIC PRIORITIES	KEY AREAS OF FOCUS FOR GLOBAL MARKETS & LOANS
<p>Connecting more Customers by Providing Seamless Value</p>	<ul style="list-style-type: none"> • Capitalising on regional trade and investor flows to connect producers with consumers • Adoption of the “originate to distribute” model in order to distribute risk from Corporate clients to Investor clients • Development of digital channels to facilitate client self service and a more efficient client on-boarding process.
<p>Delivering Leading Products through Insights</p>	<ul style="list-style-type: none"> • Enhancing the credit origination, trading and distribution platform across the capital markets business to fully leverage the Asian franchise • Providing integrated financing, risk management and treasury product solutions for Corporate clients • Building Asian product expertise for Investor clients globally
<p>Intensifying Balance Sheet Discipline</p>	<ul style="list-style-type: none"> • Improving interlock with Relationship Banking to drive cross-sell and capture higher ROE opportunities • Managing to client returns objectives • Active tail management
<p>Scaling & Optimising Infrastructure</p>	<ul style="list-style-type: none"> • Ongoing enhancement of front office pricing, risk management and valuation platforms • The automation of middle and back office processes to deliver an increase in Straight Through Processing (“STP”) rates • The implementation of a new Global Loans Management System

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23 JULY 2014

ALAN HUSE
MANAGING DIRECTOR

Global Transaction Banking

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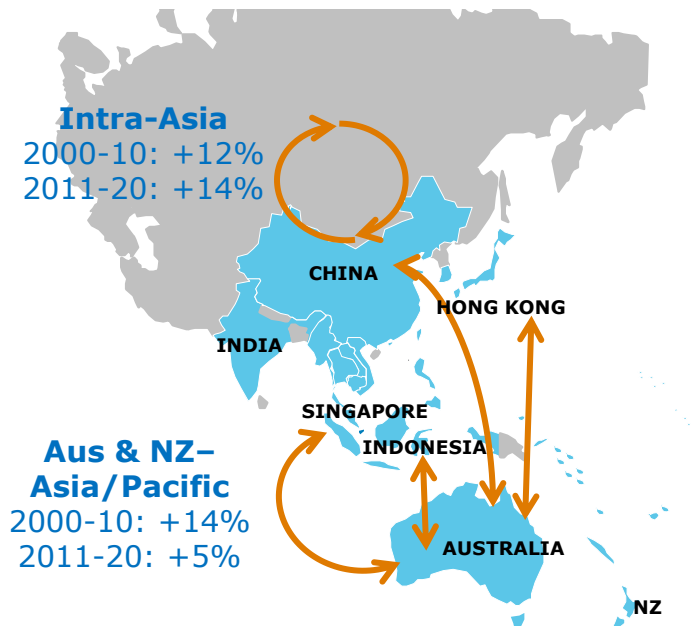
Trade and Supply Chain is part of our Global Transaction Banking business



Market landscape is changing towards higher Asian and Chinese trade flows, Rise in Emerging Corporates and Open Account usage

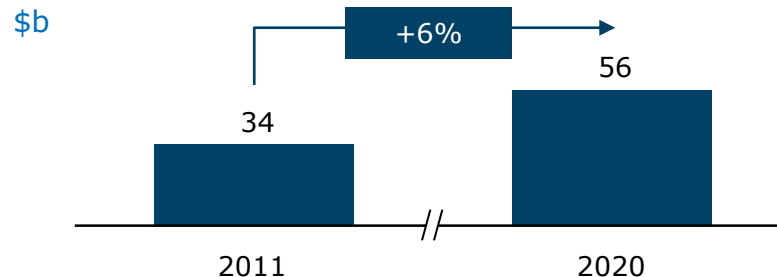
Asia Trade Flows¹

Growth in Intra Asia, Aus-Asia and China trade flows



- China's commodity demand will increasingly outpace its supply, while ASEAN supply will remain high for coal and LNG
- India's commodity demand has just started while China is only half way to peaking
- Australia/New Zealand to Asia-Pacific Trade to grow at >5%

Asia Pacific Trade revenue pool²



Includes Trade Financing for Corporates and FI Refinancing

Changing market landscape

- Increasing intra-Asia Trade flows and trade corridors
- Heightened corporate focus on working capital management (across Trade, Cash, FX)
- Growing complexity of supply chains and importance of commodities
- Higher usage of open account
- Growth through megatrends in middle class, liberalised world trade, Free Trade Agreements
- Regulatory pressures

1. **Source:** ASEAN RIEDS, ANZ Research, ABS, SNZ, 2014

2. **Source:** BCG, 2012

Our strengths comprise the super-regional franchise, consistent product proposition, strong risk management and global platform

Strengths and points of differentiation

Strong heritage in trade in home markets

- Trade has been a core business at ANZ for decades
- We have been leveraging our reputation, experience and leadership in our home markets of Australia and New Zealand to build out our regional business

Genuine Regional Franchise

- Currently servicing over 6,000 customers and 56,000 documentary credits annually across 28 markets
- Trade team in every single location that makes the difference – ‘the dots on the map count’

Consistent and Superior Product Proposition

- Across all markets with trade operations support via hub and spoke model
- Highly skilled trade operational support

Strong risk management

- Framework with portfolio and transactional controls at global and country levels

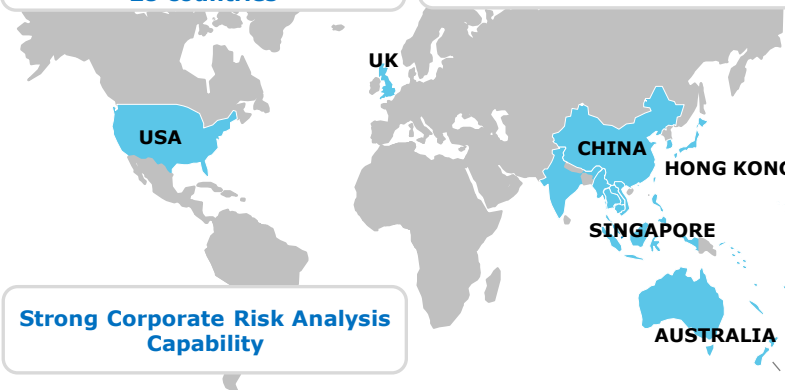
Global platform

- Online Trade portal provide consistent execution for our customers globally

Strong ‘on the ground’ presence

Scale business with 1000+ Transaction Banking FTE across 28 countries

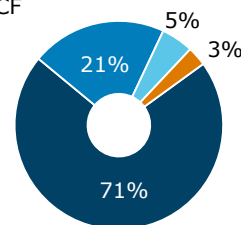
Efficient Hub & Spoke Operational Model



Strong Corporate Risk Analysis Capability

Product capability build across segments

- Documentary Trade
- Guarantees
- STF
- SCF

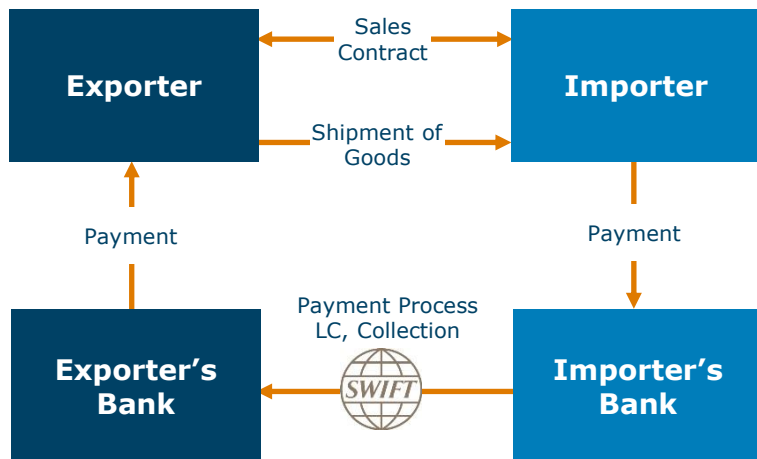


Current Revenue Mix (1H14)

- Documentary trade (including open account) contributes majority of the revenue
- Strong growth of 45% in Supply Chain Finance (SCF) and Structured Trade Finance (STF) since 2011 expected to continue

Trade Finance solutions are core to client needs and include Documentary Trade, Supply Chain, Guarantees and Structured Trade

'Typical' Trade transaction flow



Why clients use Trade Finance

- ✓ Liquidity management for large corporates and funding source for smaller customers
- ✓ Financing supply chains upstream and downstream
- ✓ Risk management
- ✓ Process improvement

Product Offering

Documentary Trade

- LCs, Collections, Trade loans including refinancing for Financial Institutions (FI)

Supply Chain Finance

- Receivables & Payables Finance

Guarantees

- Financial guarantees, Performance Bonds, Bid Bonds

Structured Trade Finance

- Commodity Finance: Pre-shipment / Performance Based
- Inventory Finance

	Corporate Trade	FI Trade
Client	Importer/Exporter	Bank
Nature of transaction	Financing trade, Risk management	Financing Bank client, with visibility of underlying trade

Trade is attractive as it is short tenor with high visibility, deepens customer relationships and drives cross-sell

Short tenor / Transaction visibility	Customer relationships	Driver of cross-sell income ¹
<p>Tenor profile of the Funded Trade Portfolio of \$31b (Mar-14)</p> <p>Short tenor and visibility into underlying trade flows lowers risk</p>	<ul style="list-style-type: none"> • Driver of Lead bank relationship • Cements deeper client relationships as trade flow management is deeply aligned with their strategic agenda • Helps deepen client wallet through other Transaction Banking products such as Payments and Cash Management • Builds entry barrier for competition • Potential clients at the other end of a trade transaction • Builds insights into clients business 	<p>1H14: \$1 of Trade income = \$0.96 of Cross-Sell into Cash & Markets¹</p>

Importance to ANZ

The Trade and Supply Chain business is strategic to ANZ as it enables us to leverage and build on the regional client franchise for businesses across the bank

1. Trade clients using Markets and Payments & Cash Management Products. Global Markets products include FX, Commodities and Capital Markets

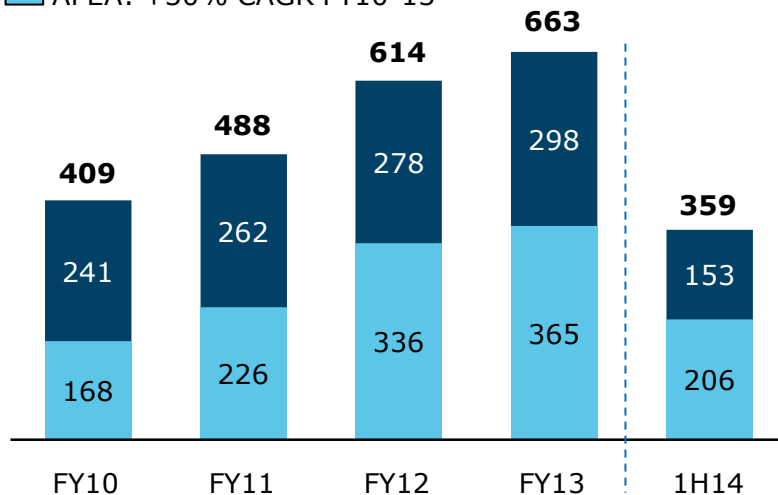
Trade has been an important part of ANZ's Super Regional strategy with increasing success from Asia

Increasing Revenue share from Asia

\$m

■ Australia / New Zealand: +7% CAGR FY10-13

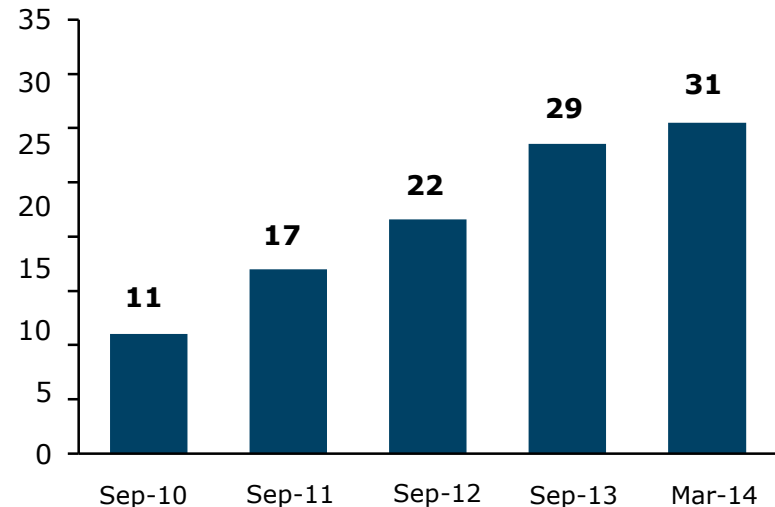
■ APEA: +30% CAGR FY10-13



Strong growth in Global Asset Volumes

Funded Asset Value

\$b



Trade & Supply Chain represents ~ 40% of overall Transaction Banking revenue

APEA:

- Majority of the revenue driven by the traditional documentary trade business backed by funded assets
- Our Super Regional Strategy gives us the ability for deeper trade penetration in Asia

Australia / New Zealand:

- Majority of the revenue is contributed by Letters of Credit and Guarantees on an unfunded basis

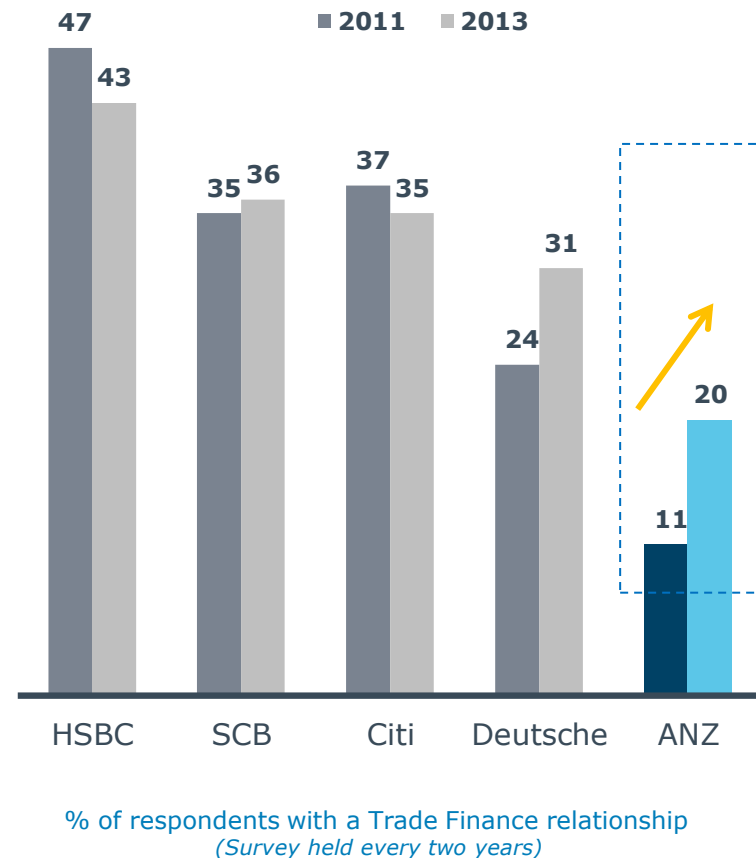
We hold a strong position against competitors as a regional Trade Bank

Our competitive edge

- ✓ Dominant position in Australia/New Zealand and associated trade corridors
- ✓ Related expertise and brand commodity trade flows
- ✓ Superior operational capability delivering insights in addition to processing
- ✓ Regional presence to support both sides of the transaction
- ✓ Delivered an integrated global portal

Closing the gap to Top 4 Global Banks in Asia

Large Corporate Trade Finance Survey Asia¹

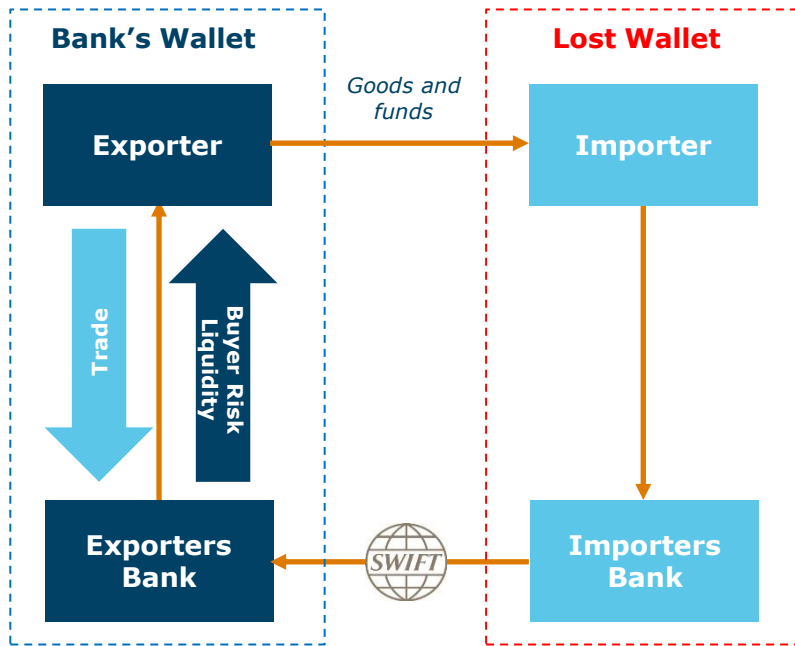


1. **Source:** Greenwich Associates 2013 Large Corporate Trade Finance Survey, Asia. Excludes Australia, Indonesia. Heavier weightage of respondents from India and Korea would have positioned ANZ lower than otherwise

The future of Trade business lies in driving strategic client relationships

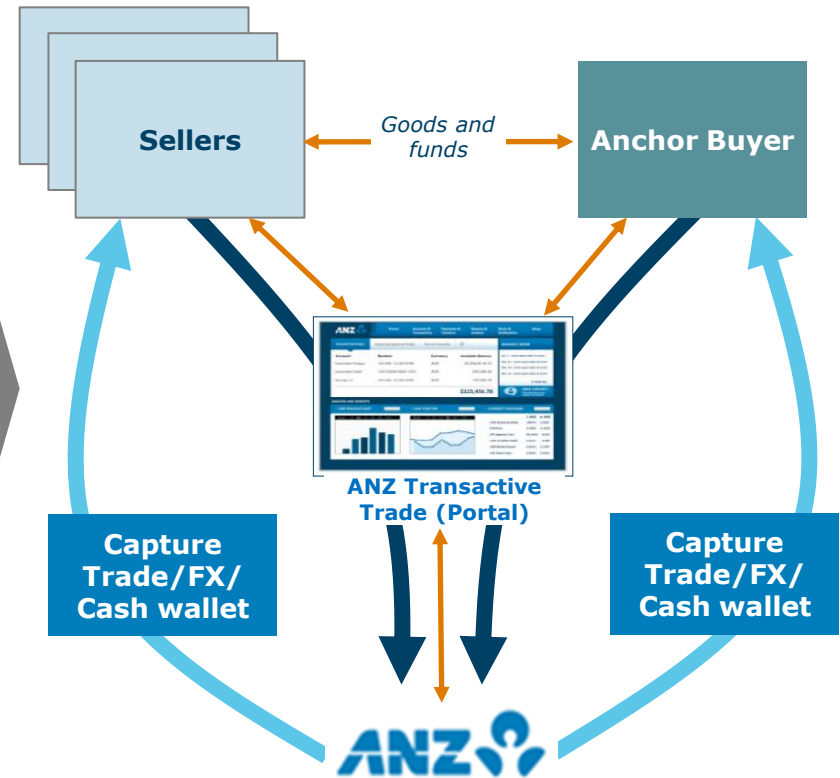
Traditional Trade (Transactional Client Engagement)

Many banks, especially the domestic ones have this view



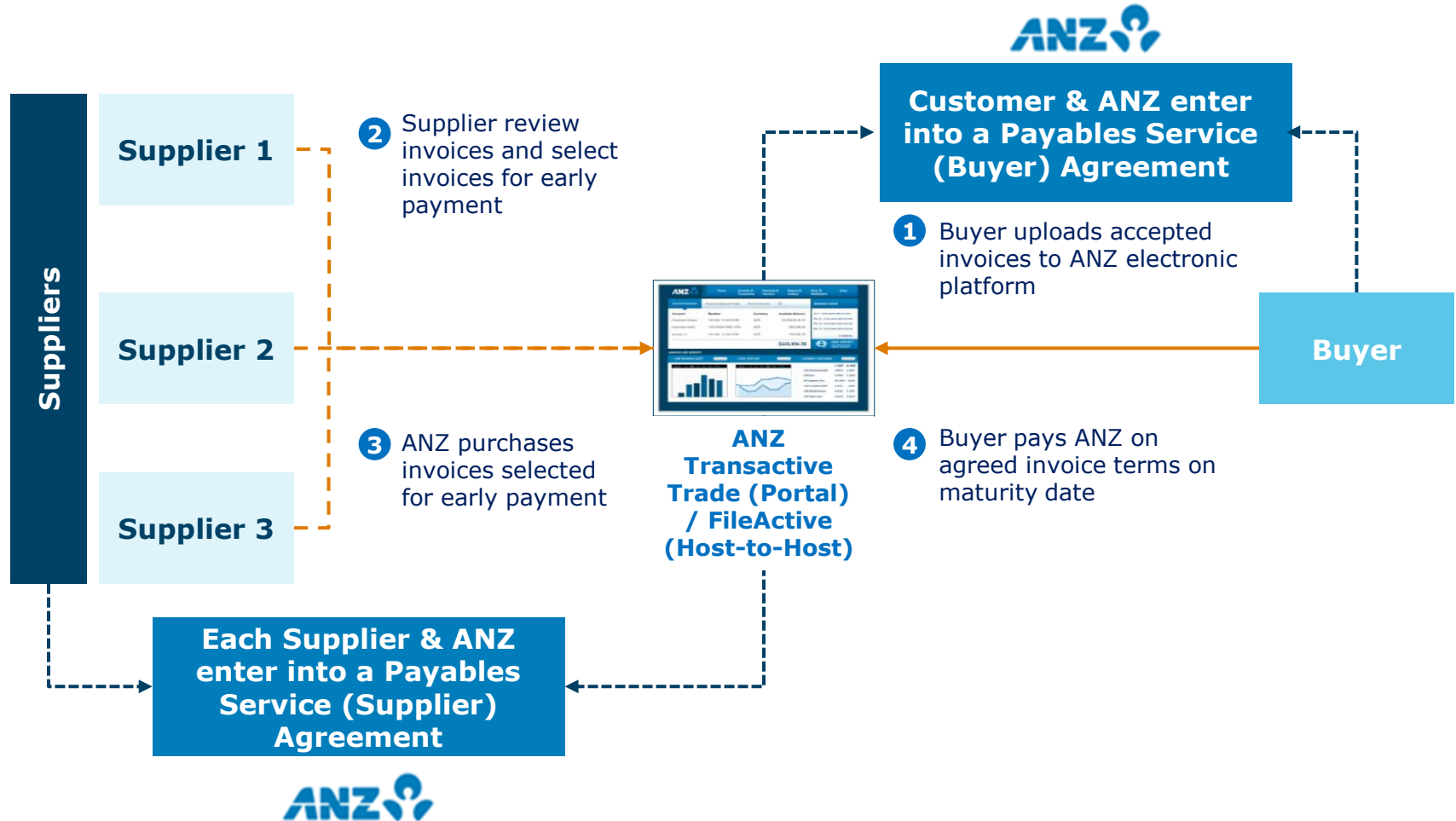
"New" Trade (Strategic Client Engagement)

ANZ will continue to engage with clients at both ends of the trade including Cross Sell of Cash and Markets products



Supply Chain Finance: Building strategic relationship with clients at both ends of the trade transaction

Sample Supply Chain Finance transaction (Payables Finance)



How to win: Leverage on our franchise and scale, provide holistic solutions and ensure comprehensive risk management

Franchise	<ul style="list-style-type: none">• Drive a multi geographic, segment, product approach to serve customers across the Super-regional franchise• 'End to end management' of client needs• Tight alignment with coverage teams and ANZ's client strategy
Scale	<ul style="list-style-type: none">• Continue to expand our scale with efficient operational capability• Single global digital channel for Cash, Trade and Markets to provide a seamless experience to customers across products
Solutions & Insights	<ul style="list-style-type: none">• Understand clients' trade flows, supplier relationships, operational insights across Trade & Supply Chain, Cash, FX, Structured Trade Finance• Operational insights in addition to processing capability• Build new product capability across RMB, BPO (ANZ is the First Australian Bank)
Risk Management	<ul style="list-style-type: none">• Ensure complete and comprehensive risk analysis on underlying trade and counterparties with portfolio and transactional controls at global and country levels

IIB's strategic priorities have clear implications for Trade & Supply Chain over the coming two years

IIB STRATEGIC PRIORITIES	KEY AREAS OF FOCUS FOR TRADE & SUPPLY CHAIN
Connecting more Customers by Providing Seamless Value	<ul style="list-style-type: none">• Connect customers to their counterparties: Exporters to importers as we follow and support our customer's trade flows• Offer seamless transaction capability for customers through our Transactive platform• Continue Transaction Banking Product Simplification initiatives:<ul style="list-style-type: none">➢ Shorten paperwork, days of processing➢ Enable quick and easy onboarding of new customers
Delivering Leading Products through Insights	<ul style="list-style-type: none">• Deliver country and operational risk insights through our 'on-the-ground' resources• Penetrate deeper into Supply Chain Finance through insights on anchor-supplier relationships as well as achieve win-win for clients through more efficient capital management with STF
Intensifying Balance Sheet Discipline	<ul style="list-style-type: none">• Manage returns at overall client level to ensure any balance sheet lending is supported with high value products• Increase number of clients with meaningful revenue in Trade & Cash along with active tail management
Scaling & Optimising Infrastructure	<ul style="list-style-type: none">• Leverage the super regional Operational Hub & Spoke model keeping cost efficiencies• Increase volumes in flow products with the help of operational insights while processing trade documents and underlying details

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