

ANZ MARKETS INCOME

PROPOSED CHANGES TO DISCLOSURES FOR 2021

25 MARCH 2021

OVERVIEW – MARKETS INCOME DISCLOSURES

Rationale for change

- ANZ's Markets business is fundamentally a customer franchise, supported by risk management – not proprietary trading
- Markets sales and risk management activities have become more integrated








Benefits

- Markets' income disclosures will better reflect the underlying nature of the business
- Better insight as to how the solutions Markets provides to its customers contributes to ANZ's financial performance

Proposed disclosure changes

- From 1H21, Markets customer franchise income will be reported across four business / product lines: FX, Rates, Credit & Capital Markets and Commodities
- No change to disclosure of Balance Sheet, Derivative Valuation Adjustments or VaR
- As a transitional measure, we will provide Markets income under both approaches for 1H21
- Categorisation of Markets customer franchise income into Sales and Trading will cease from 2H21

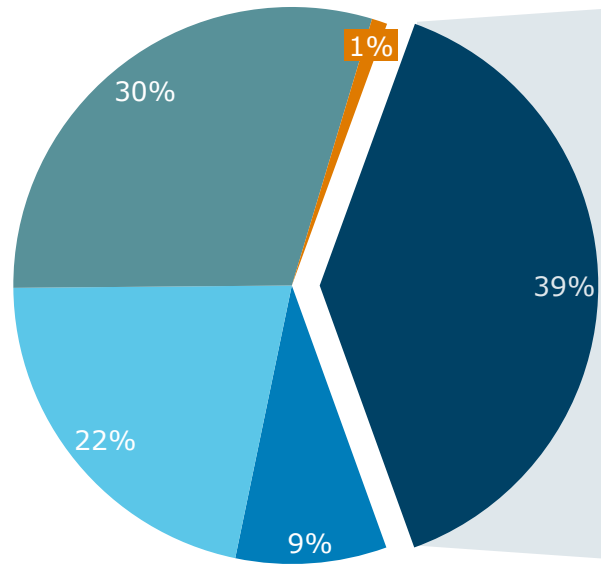
ANZ MARKETS IN CONTEXT

Institutional Customer Activities 	Manage cash flow 	Undertake global activities 	Expand business 	Manage financial risk 	Undertake sophisticated risk management 	Interact with an intermediary 
Solutions offered by ANZ Institutional	<ul style="list-style-type: none"> • Payments & cash management: cards, merchants, liquidity management, payments • Domestic trade 	<ul style="list-style-type: none"> • Payments & cash management: international payments • Trade finance • Supply chain finance 	<ul style="list-style-type: none"> • Loans • Syndicated lending expertise • Advisory • Structured finance: asset, project, leveraged 	<ul style="list-style-type: none"> • Payments & cash management: connectivity, reconciliation 		<ul style="list-style-type: none"> • Correspondent banking • Clearing for smaller Financial Institutions
Solutions offered by ANZ Institutional - Markets	<ul style="list-style-type: none"> • Repurchase agreements 	<ul style="list-style-type: none"> • Foreign exchange conversion 	<ul style="list-style-type: none"> • Capital Markets: Debt underwriting and distribution 	<ul style="list-style-type: none"> • FX, Rates, Credit, Commodities Derivatives (e.g. FX forwards, interest rate swaps) 	<ul style="list-style-type: none"> • Tailored solutions • Options & hybrids 	<ul style="list-style-type: none"> • Market making • Provide liquidity in difficult-to-access markets, e.g. emerging markets

MARKETS INCOME CONTRIBUTION

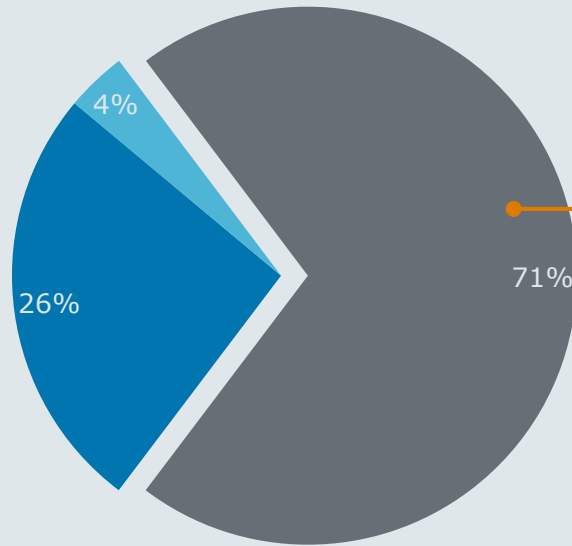
FULL YEAR INCOME BASED ON 5 YEAR AVERAGE (FY16 – FY20)¹

INSTITUTIONAL INCOME



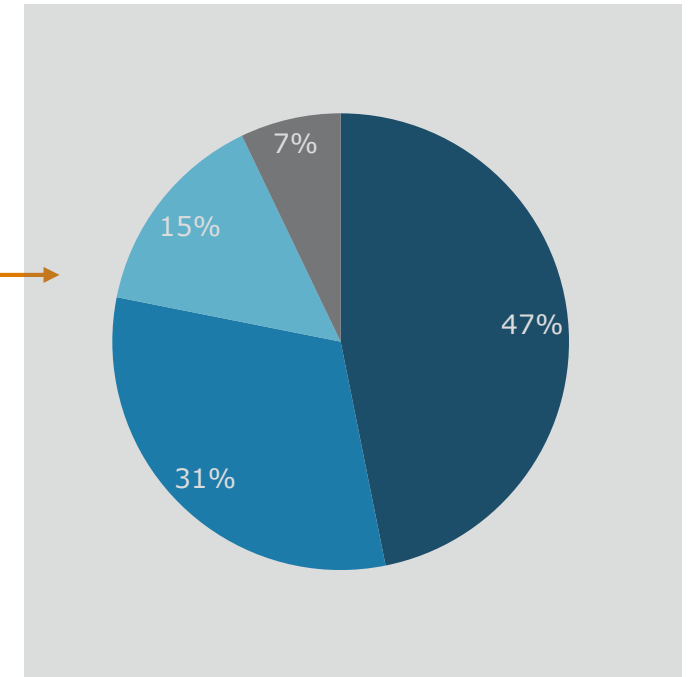
- Markets
- Corporate Finance
- Trade
- Other
- PCM

TOTAL MARKETS INCOME



- Customer Franchise income
- Balance Sheet
- Derivative Valuation Adjustments

CUSTOMER FRANCHISE INCOME



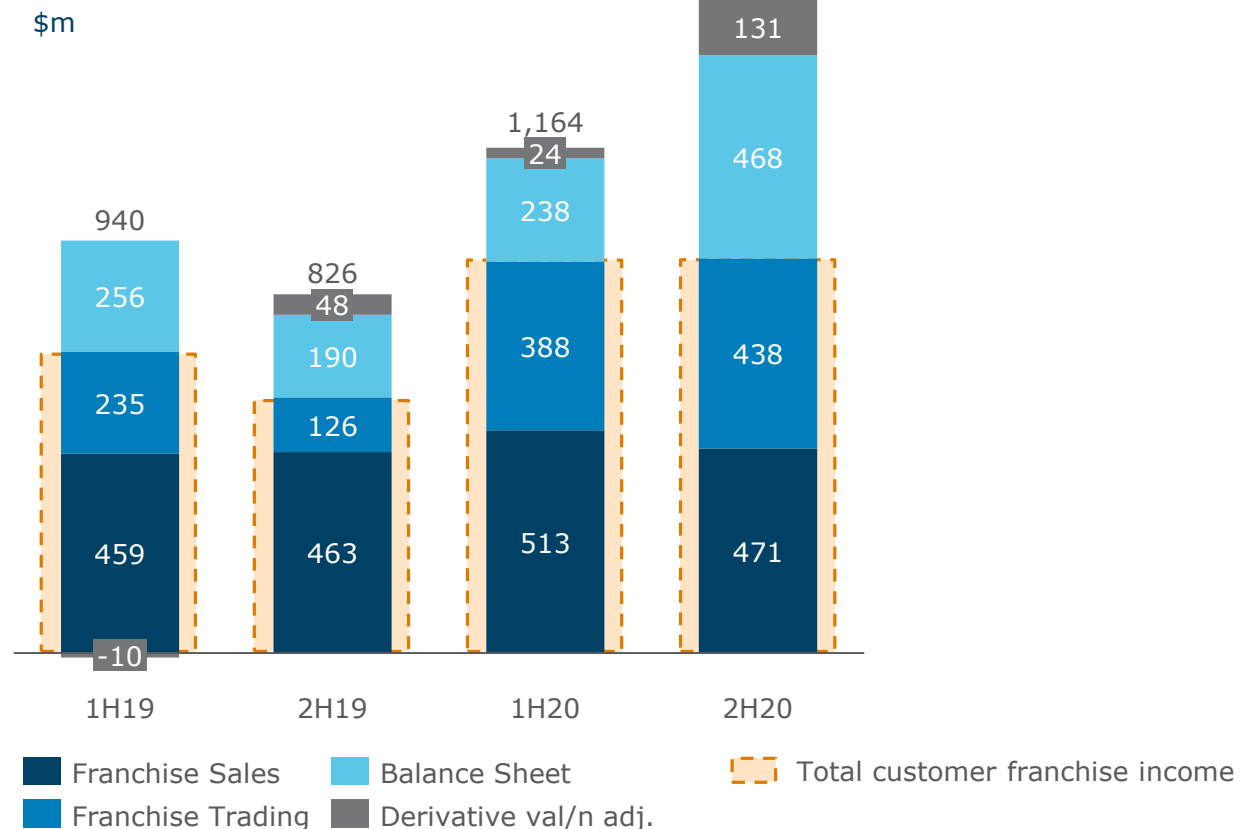
- Foreign Exchange
- Rates
- Credit & Capital Markets
- Commodities

1. Average income over 5yrs per ANZ Results Announcements, adjusted for minor structure changes and disposals

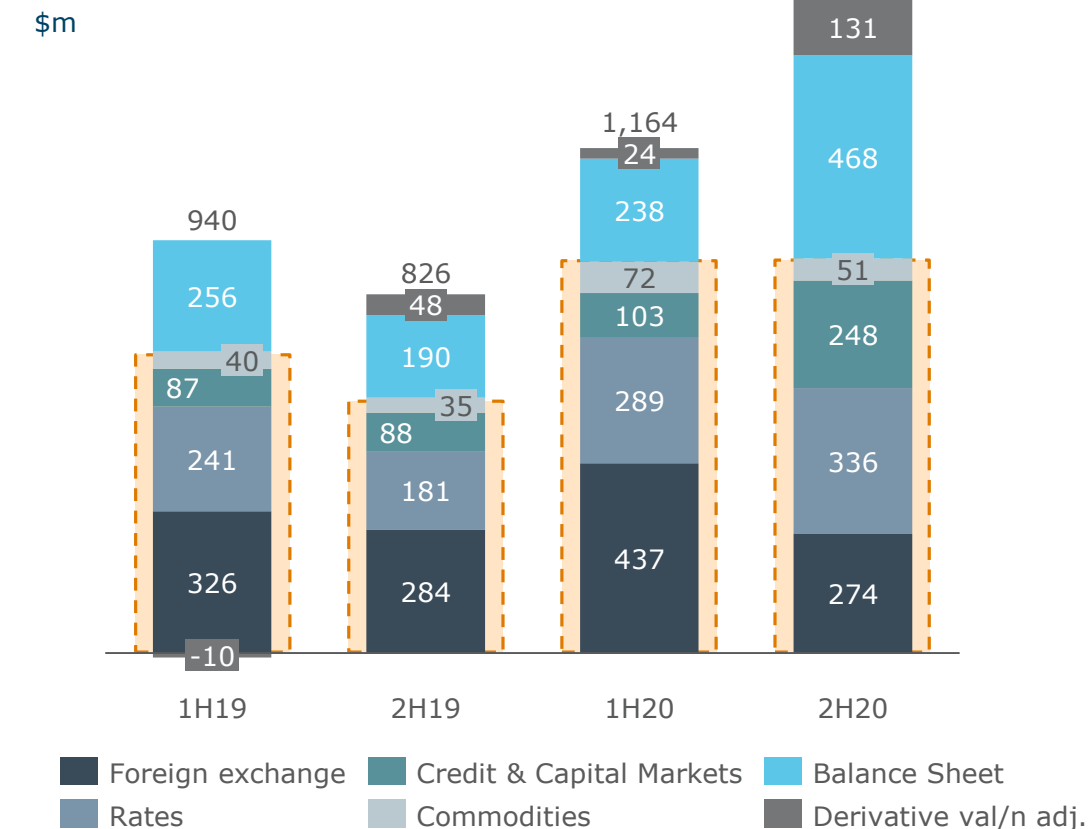
DISCLOSURE OF CUSTOMER FRANCHISE INCOME

FOUR BUSINESS UNITS IN PLACE OF SALES / TRADING

MARKETS INCOME COMPOSITION (DISCLOSURE AT FY20)¹



MARKETS INCOME COMPOSITION (DISCLOSURE FROM 1H21)¹



1. Income per ANZ Investor Discussion Pack (excl. Large & Notables items)

SUPPLEMENTARY DISCLOSURES

ADDITIONAL DISCLOSURES TO EXPLAIN DRIVERS OF PERFORMANCE

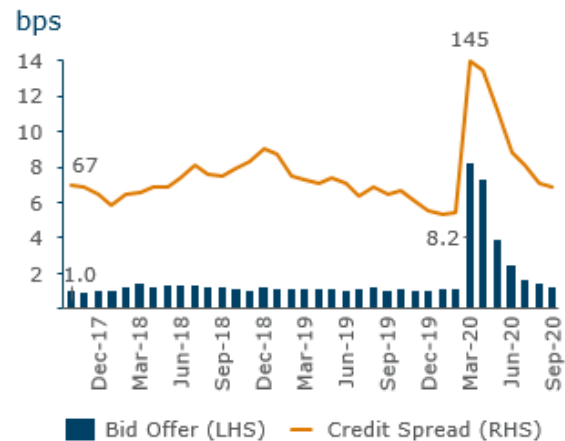
Additional disclosures on Market income / activity to be provided where appropriate to address key trends & drivers of markets performance

Extract from FY20 Results Presentation and Investor Discussion Pack – Slide 45

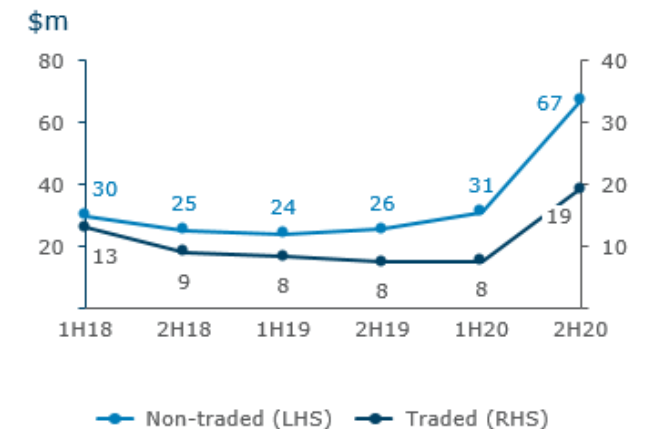
DRIVERS OF FRANCHISE TRADING REVENUE GROWTH

1. **Customer-led** revenue growth resulting from supporting customer hedging activity, while the market was trading at wider bid-offer spreads
2. **Revenue uplift was not reliant on increased risk.** VaR increase driven by COVID volatility rolling into VaR windows and higher liquid asset holdings.
3. **Supported customers by remaining 'open for business'** amidst market volatility, providing two-way pricing for customers
4. **Operational capability** to attract and clear additional volume, that was at times 20%+ above average (achieved while operating hubs were operating under Business Continuity Plan arrangements)

AUS. CORPORATE CREDIT DEFAULT SWAP & BID OFFER SPREADS



MARKETS AVG VALUE AT RISK (99% VAR)

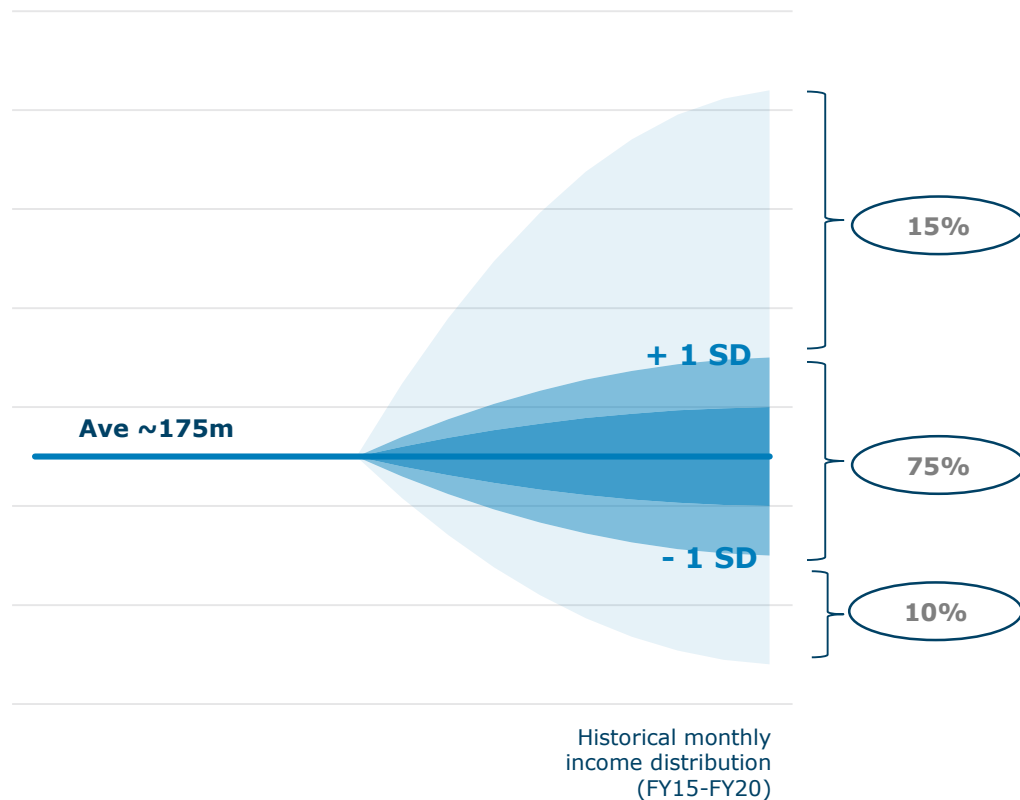


CONSISTENCY OF MARKETS INCOME

MARKETS INCOME HAS HISTORICALLY FOLLOWED CLOSE TO A NORMAL DISTRIBUTION, WITH A POSITIVE SKEW

MARKETS HISTORICAL MONTHLY INCOME

\$m



CHARACTERISTICS OF MONTHLY INCOME DISTRIBUTION

- Over the last 6 years, monthly Markets income has followed close to a normal distribution, but with positive skew:
 - Average monthly income ~\$175m with a standard deviation of ~\$50m. Stability is driven by a set of “core” customers who deal with ANZ Markets on a regular basis and across multiple geographies & products
 - Under the risk and governance framework implemented by the current management team (since March 2016), approx. 3 in 4 months have delivered income >\$150m and every month has been >\$100m
- Franchise income tends to be higher during a “risk-off¹” environment in financial markets and/or when “bid-offer spreads” widen. This income is generated mainly on the back of increased customer activity and from providing continued liquidity support to customers during market dislocations
- The historical tendency for Markets to outperform in these environments has provided important diversification benefits to group revenues

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

5 YEARS MARKETS INCOME¹

PRODUCT CONTRIBUTION TO MARKETS INCOME

Business units (\$m)	FY16	FY17	FY18	FY19	FY20
Foreign exchange	787	736	680	610	711
Rates	532	440	285	422	625
Credit & Capital Markets	235	200	130	175	351
Commodities	166	106	56	75	124
Total Franchise Income	1,721	1,481	1,151	1,282	1,810
Balance Sheet	377	625	566	446	706
Valuation Adjustments	-102	229	62	38	155
Total Markets income	1,997	2,335	1,780	1,766	2,671

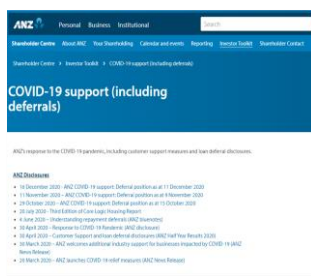
1. Total Franchise Income and Total Markets Income per the Investor Discussion Pack (excl. Large & Notables items), adjusted for minor structure changes and disposals

GLOSSARY

Term	Description
Foreign Exchange	Supports customers manage foreign exchange conversion and hedging activities, with major products including spot FX, FX forwards, FX swaps and FX options
Rates	Supports customers manage interest rate risk and liquidity requirements, with major products including interest rate swaps, cross-currency swaps, repurchase agreements and interest rate options
Credit & Capital Markets	Assists customers with debt origination, underwriting and securitised lending, and supports financial institutions with their credit portfolio management needs by making markets in investment grade bonds
Commodities	Provides price discovery and hedging solutions for customers across a limited number of precious metal, energy and agricultural commodities
Balance Sheet	The liquidity desk manages the portfolio of high quality liquid assets that are held to meet ANZ's liquidity needs The mismatch desk manages interest rate risk across the ANZ Group's balance sheet
Derivative Valuation Adjustments	Adjustments made to the fair value of derivatives contracts to take into account credit risk (CVA) and funding benefit or cost (FVA)

FURTHER INFORMATION

COVID-19 update



Latest commentary on response to COVID-19 pandemic

<https://www.anz.com/shareholder/centre/investor-toolkit/>

Corporate Overview & Sustainability



Progress against our Environment, Social & Governance (ESG) targets

<https://www.anz.com/shareholder/centre/reporting/sustainability/>

AASB 9



AASB 9 overview and stages

<https://www.anz.com/shareholder/centre/investor-toolkit/>

DISCLAIMER & IMPORTANT NOTICE: The material in this presentation is general background information about the Bank's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

This presentation may contain forward-looking statements including statements regarding our intent, belief or current expectations with respect to ANZ's business and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices. When used in this presentation, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to ANZ and its management, are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Such statements constitute "forward-looking statements" for the purposes of the United States Private Securities Litigation Reform Act of 1995. ANZ does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events.

Our Shareholder information

[anz.com/shareholder/centre/](https://www.anz.com/shareholder/centre/)

Equity Investors

Jill Campbell
Group General Manager
Investor Relations
+61 3 8654 7749
+61 412 047 448
jill.campbell@anz.com

Cameron Davis
Executive Manager
Investor Relations
+61 3 8654 7716
+61 421 613 819
cameron.davis@anz.com

Harsh Vardhan
Senior Manager
Investor Relations
+61 3 8655 0878
+61 466 848 027
harsh.vardhan@anz.com

Retail Investors

Michelle Weerakoon
Manager Shareholder
Services & Events
+61 3 8654 7682
+61 411 143 090
michelle.weerakoon@anz.com

Debt Investors

Scott Gifford
Head of Debt Investor
Relations
+61 3 8655 5683
+61 434 076 876
scott.gifford@anz.com