

ANZ ASIA INVESTOR TOUR 2014

AUSTRALIA AND
NEW ZEALAND
BANKING GROUP
LIMITED

23 JULY 2014

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MANAGING DIRECTOR

Global Transaction Banking

洞悉先機



全憑我們在亞太區29個市場的專業與卓見

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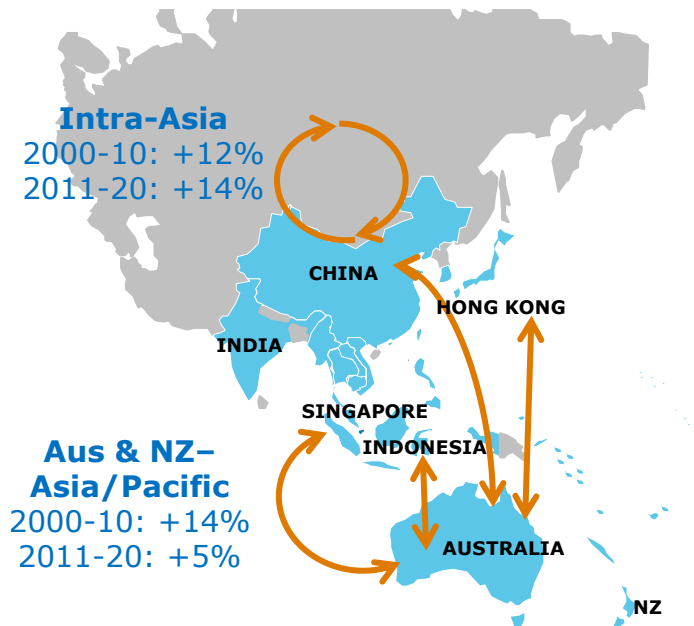
Trade and Supply Chain is part of our Global Transaction Banking business



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

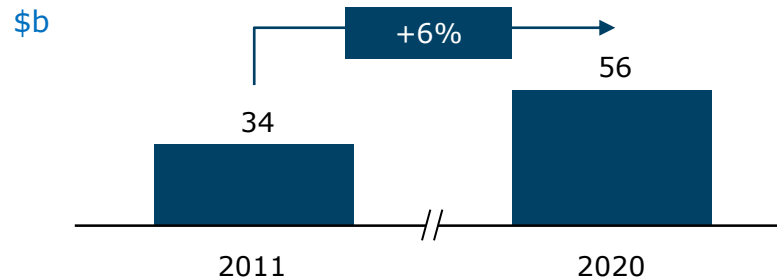
Asia Trade Flows¹

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

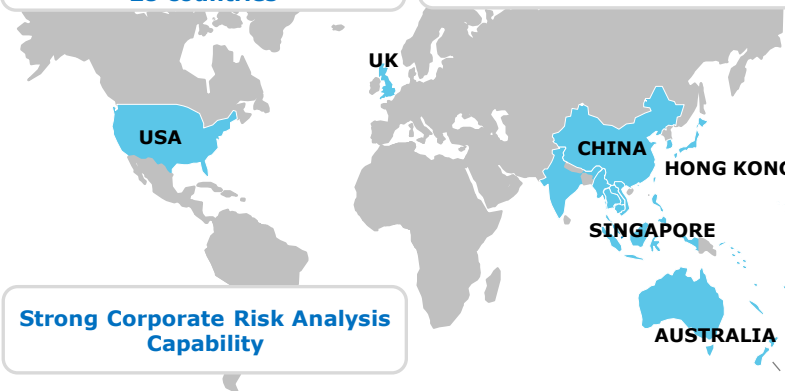
Global platform

- 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

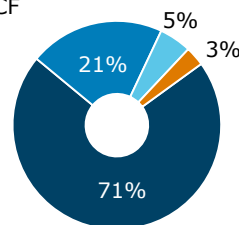
Efficient Hub & Spoke Operational Model



Strong Corporate Risk Analysis Capability

Product capability build across segments

- Documentary Trade
- Guarantees
- STF
- SCF

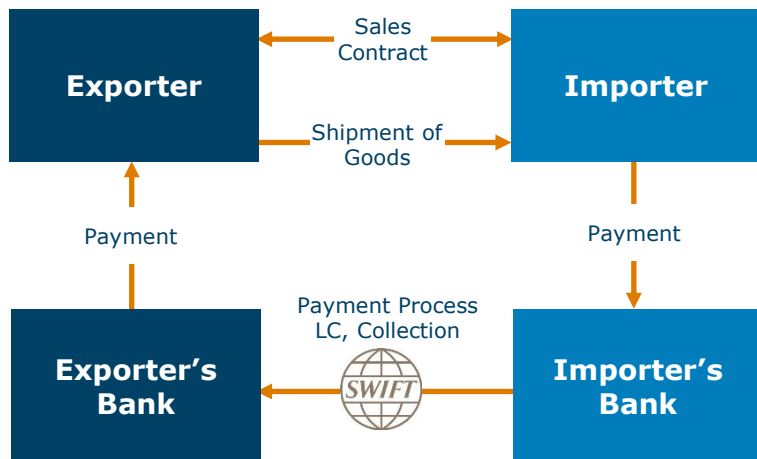


Current Revenue Mix (1H14)

- 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



Product Offering

Documentary Trade	<ul style="list-style-type: none"> • LCs, Collections, Trade loans including refinancing for Financial Institutions (FI)
Supply Chain Finance	<ul style="list-style-type: none"> • Receivables & Payables Finance
Guarantees	<ul style="list-style-type: none"> • Financial guarantees, Performance Bonds, Bid Bonds
Structured Trade Finance	<ul style="list-style-type: none"> • Commodity Finance: Pre-shipment / Performance Based • Inventory Finance

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

	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

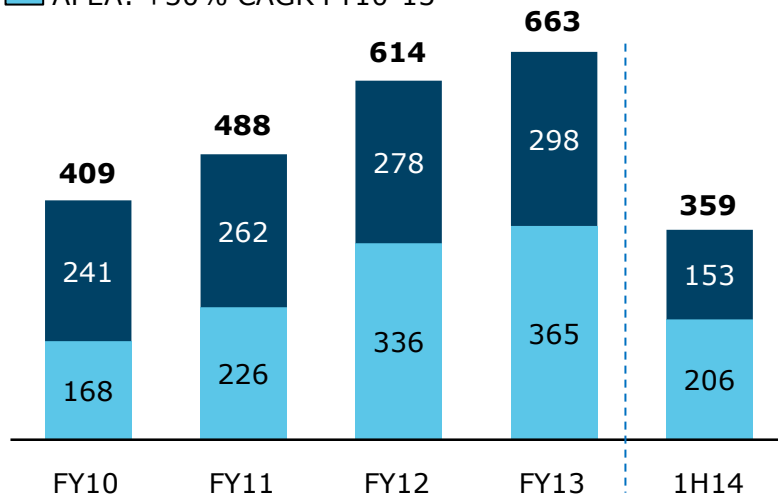
Trade has been an important part of ANZ's Super Regional strategy with increasing success from Asia

Increasing Revenue share from Asia

\$m

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

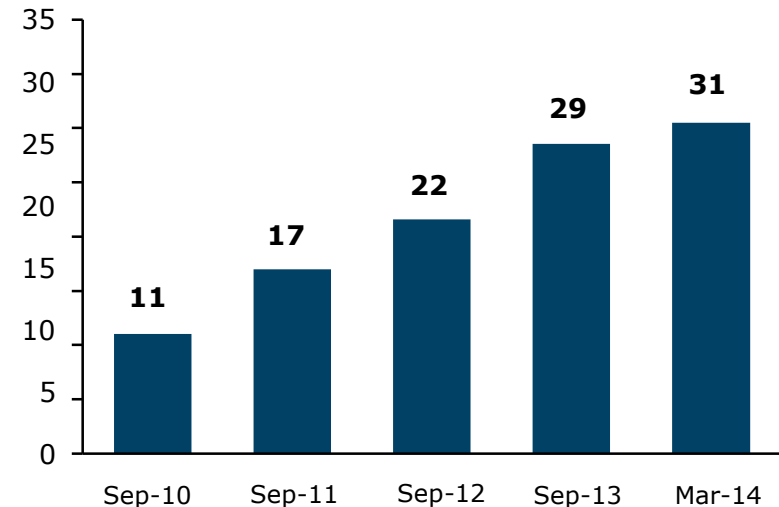
■ APEA: +30% CAGR FY10-13



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

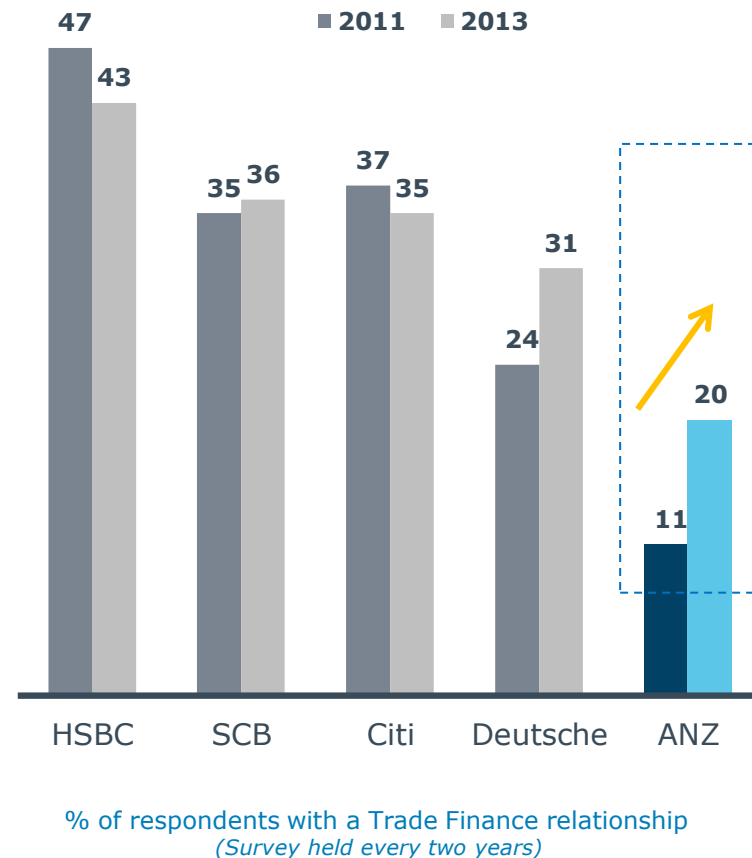
We hold a strong position against competitors as a regional Trade Bank

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

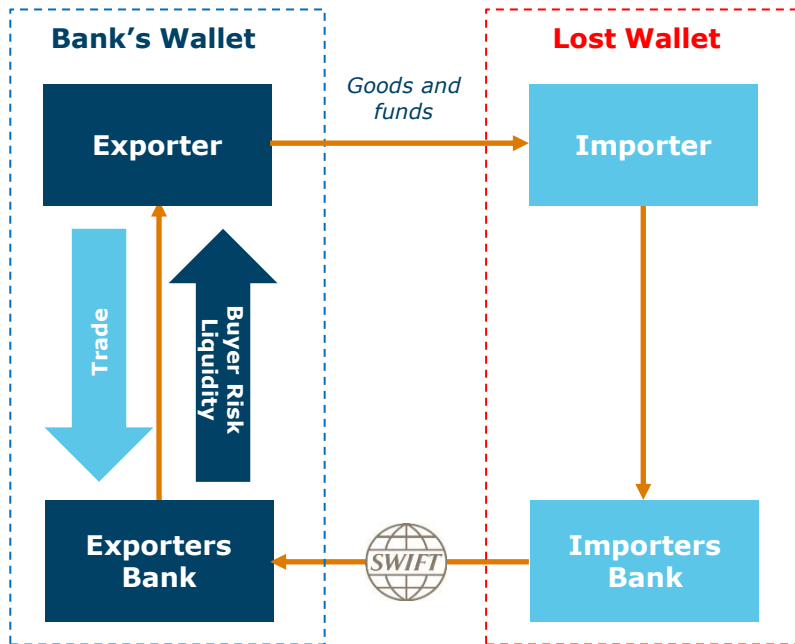


1. **Source:** Greenwich Associates 2013 Large Corporate Trade Finance Survey, Asia. Excludes Australia, Indonesia. Heavier weightage of respondents from India and Korea would have positioned ANZ lower than otherwise

The future of Trade business lies in driving strategic client relationships

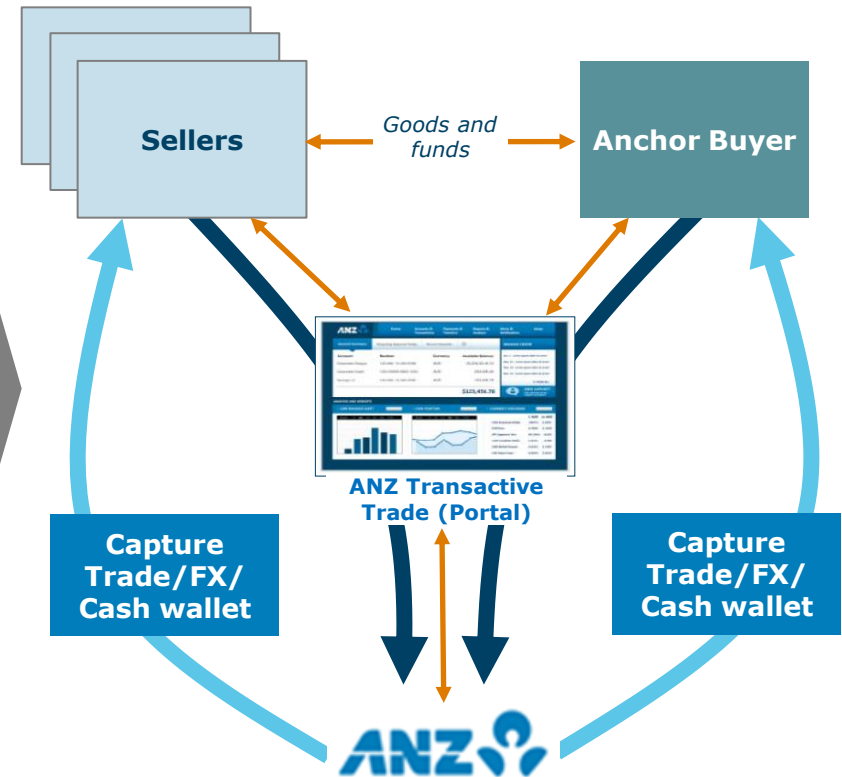
Traditional Trade (Transactional Client Engagement)

Many banks, especially the domestic ones have this view



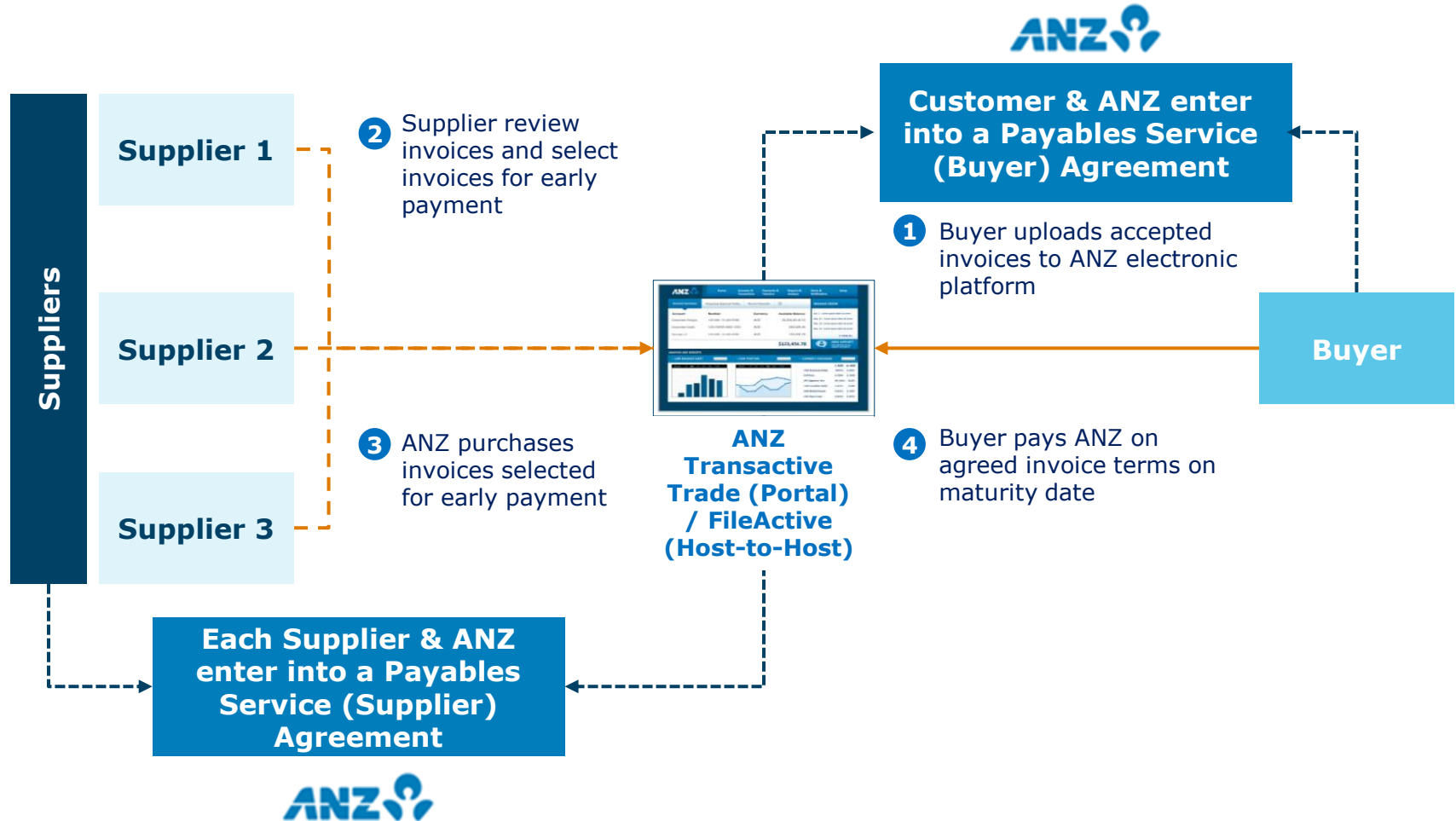
"New" Trade (Strategic Client Engagement)

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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