

# **ANZ Institutional Division Discussion Pack**

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18 March 2010**



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# **ANZ Institutional**

## **Our Business Today**



# Institutional Leadership Team and Product Focus strengthened



# Increased focus on core customers and geographies

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## Over 3,500 active Institutional and Corporate customers supported by over 5,000 staff

- Corporate banking customers: t/over \$40-400m
- Institutional customers: t/over >\$400m

## Customer relationship sectors

- Banking a full range of customers
- Building dominance in a limited number of segments

## Global lines

- Natural resources
  - Infrastructure
  - Agribusiness
- } Priority segments
- Financial institutions & public sector
  - Property

## Other lines

- Diversified industrials
- Consumer and services
- Telco's, media, entertainment and technology
- Corporate Banking

## A single global team services customer needs across the network

- Global representation supports customers based in Australia, New Zealand, Asia and Pacific geographies
- Domestic presence in Australia and New Zealand for over 170 years
- Asian representation commenced over 40 years ago and we now have a presence in 15 Asian markets
- Institutional regional hub established in Hong Kong (centralised support functions for APEA institutional business)
- Branches in Europe and North America ensure global network coverage

# Well positioned - distinguishing through customer service & product offerings

## Well positioned business

- ANZ origins are in commercial banking
- Well established customer relationships
- Cost To Income compares favourably to other major Australian banks
- Institutional strategy aligned to the ANZ Super Regional strategy

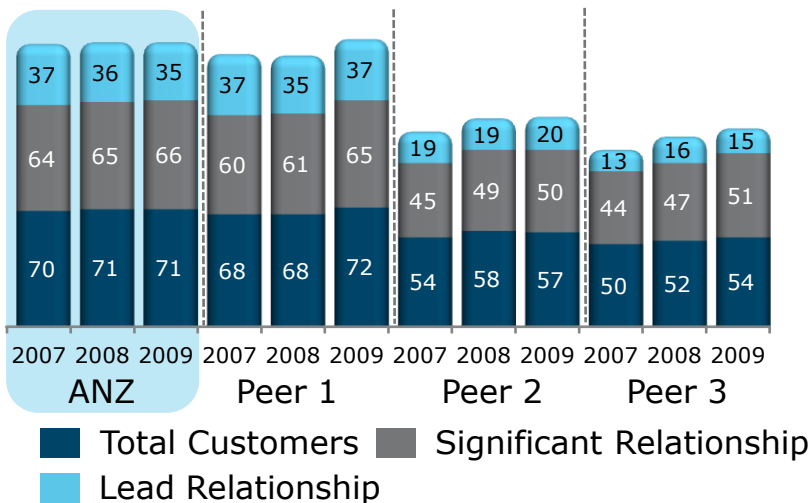
## Strong ANZ product penetration

- Customers have 5.7 products on average
- Achieves the highest overall cross-sell effectiveness (on average 61% of ANZ clients' products are ANZ products)
- Ranked as No. 1 overall provider in 6 out of 11 product categories

## Strong customer relationships

### Relationship Bank status

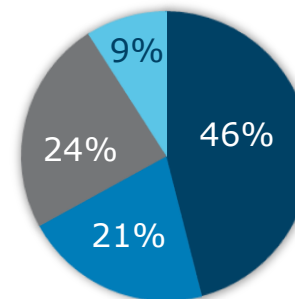
Relationship Market Penetration<sup>1</sup> (%)



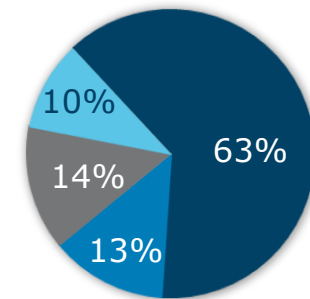
1. Peter Lee & Associates survey, 2009

## Portfolio diversification

Profit



Assets



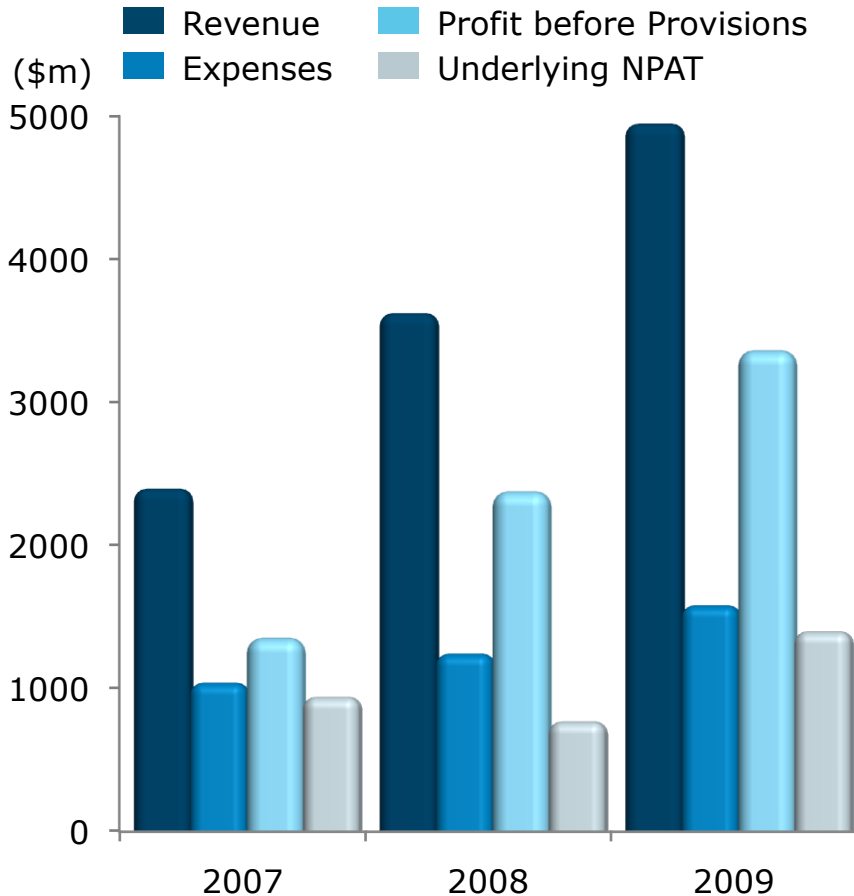
■ Australia  
■ New Zealand

■ Asia Pacific  
■ Europe & US



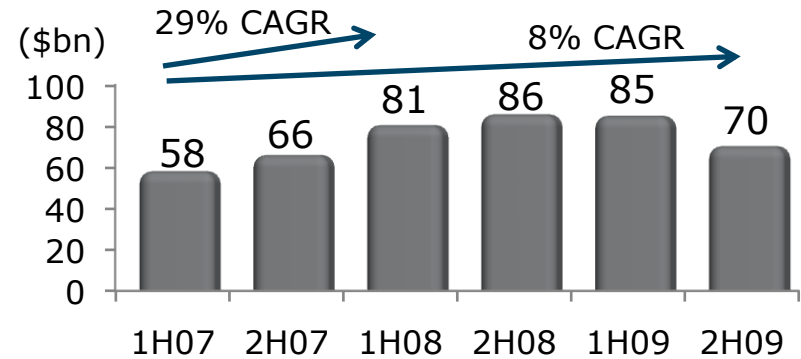
# Financial position

## Underlying Profit and Loss

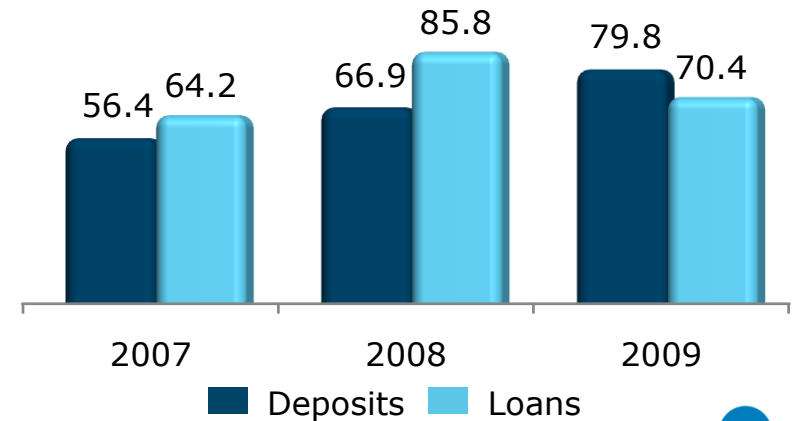


## Lending growth returned to more normalised levels in 2009

(Institutional NLA including Acceptances)



## Balance sheet mix (\$bn)



# **ANZ Institutional**

## **The direction of our business**





# Focus redefined

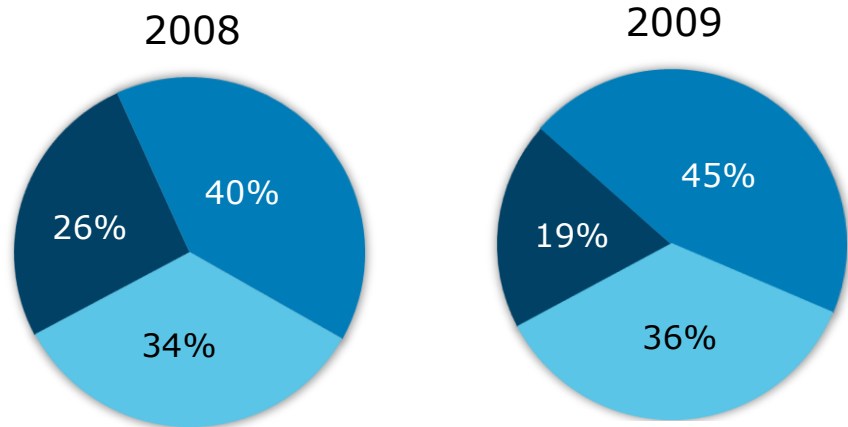
## Foundations laid in 2009

- Strengthened the Institutional Leadership Team, additional team members with international experience
- Starting to execute the technology and operations roadmap
- Improving capital discipline
- Exiting non-core businesses
- Delivering record pre provision profits
- Substantive progress in remediation completion

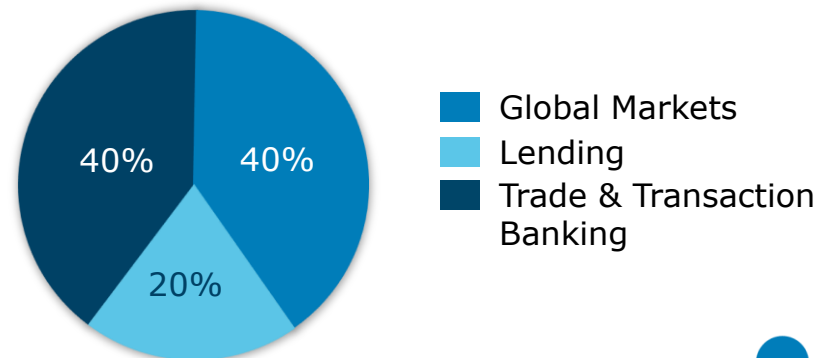
## Clear goals set

- To become the bank of choice for Resources and Infrastructure in the region
- Building leading cash, trade and markets platforms with capabilities across Australia, NZ and Asia
- Targeting significant growth in customer relationships
- Generating well balanced and sustainable earnings across geographies and segments

## Revenue Contribution by Product

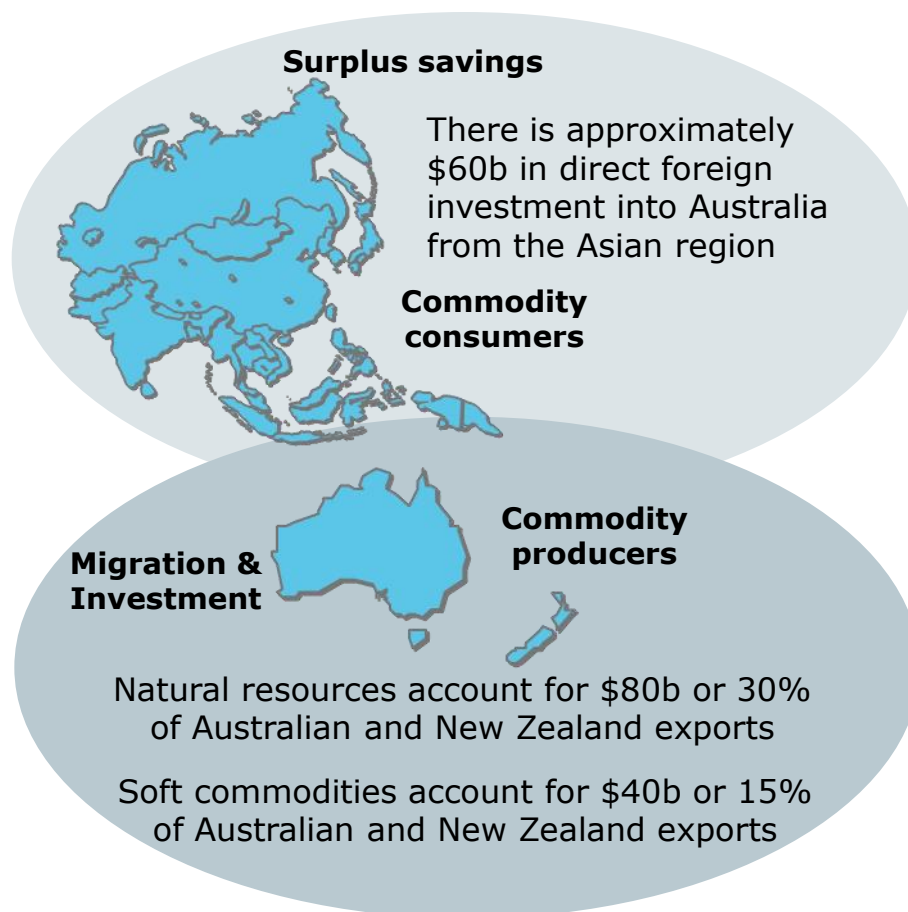


## Target Mix



# Super Regional connectivity provides a competitive advantage

**Growth in trade and capital flows between Asia and Australia are tracking 17% to 25% pa**



**Linked through flows of trade, capital and population**

**Key focus is to bridge gaps across the region: Asia generates surplus liquidity, Australia and NZ generate hard and soft commodities**

**Over 50% of domestic customers depend on Asia for over 25% of their business**

# Regional networks, superior insights & service underpin the competitive advantage

## Regionally Networked Model

### Offering

- A lead regional bank servicing clients with pan regional needs
- A strong regional branch footprint
- Single cash management platform
- Deliver insight through industry sector and regional specialisation

### Why?

- Have a sound network through Asia Pacific to build upon
- Uniquely placed to offer better insight to region

### How?

- Invest in technology and product development
- Grow relationship teams in key geographies
- Focus on lead sectors and products

## Competing globally requires superior insights and service

- Building platforms offers viable alternatives

- Offering a global service proposition and setting clear service expectations

- Research and innovation at the core provides a competitive advantage over scaled and standardised models

- Drawing on insights into customer industries, the region and the financial markets adds significant value

# Predicated on disciplined execution

## Implementation priorities

### Sustained customer growth

- Deepening relationships with existing 3500 active clients
- Targeting a significant number of new customer relationships already identified:
  - Over 50% of customer growth expected from APEA, 25% from Corporate

### Process redesign

- Simplifying operating platforms and standardising procedures

### Risk management

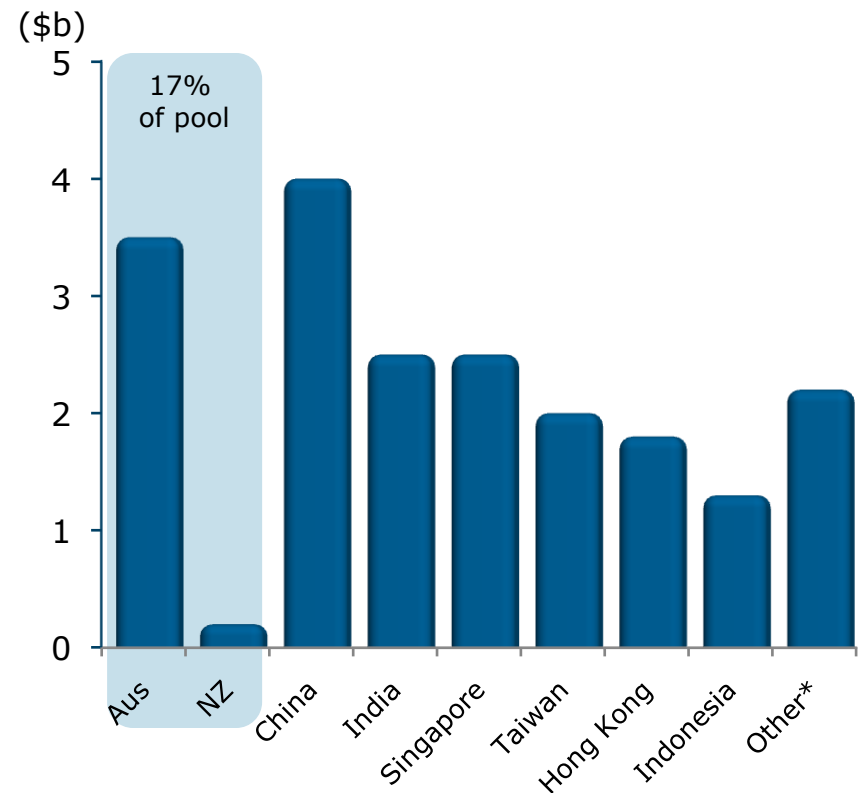
- Effectively partnering with risk and introducing industry specialists in priority markets

### Equipping the team

- Building a high performance culture
- Recruiting and training across Asia, Operations, Relationships, Cash, Markets and Trade,
- Investing heavily in institutional banking executive leadership and product expertise
- Significantly expanding research capabilities within priority segments

\* Korea, Thailand, Vietnam

## Significant growth opportunities Estimated addressable Cash Management Revenue pools



# Priority segments – Natural resources & Agriculture

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## Natural resources

- Well positioned to develop a super regional natural resources business linking Australian producers with Asian processors and consumers
  - > Clients and representation in all major domestic cities, major financial centres globally and 15 Asian markets
- Strong Australian natural resources client base and an established and growing network in Asia
- Revenues exceed that of the other 3 major domestic banks combined
- Specialists mineral mining, oil & gas, mineral and oil and gas processing, commodity trading, primary services segments

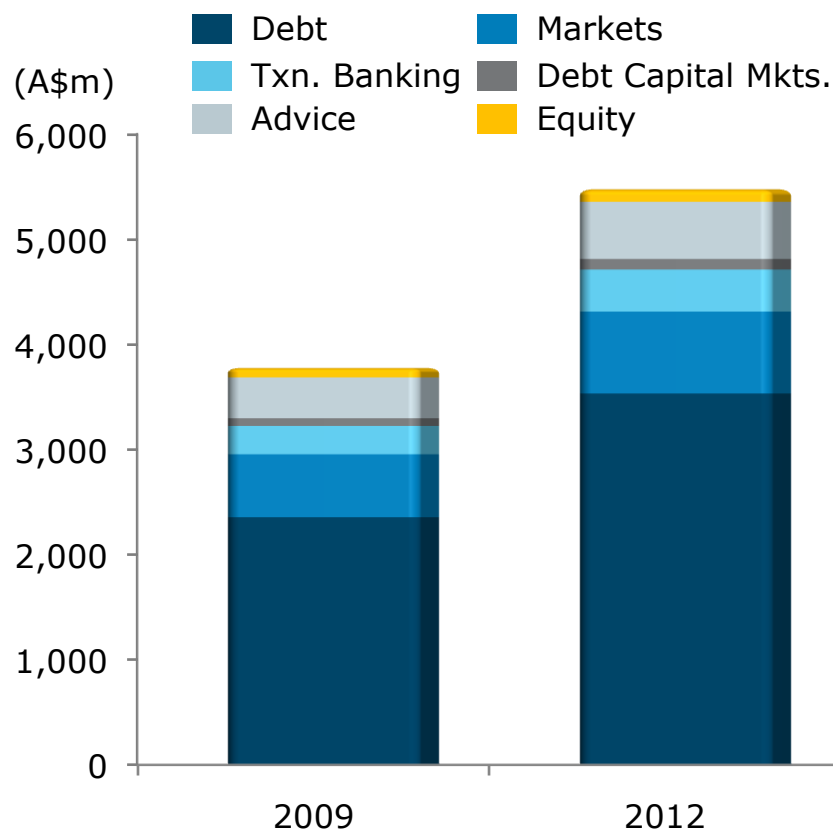
## Agriculture

- Growing soft commodity demand from Asia
- Well positioned for Australian and NZ Corporate and Institutional agriculture clients
- Primary emphasis on providing Markets, Working Capital and supply-chain solutions to clients
- Revenue streams centred on trade and FX which are already core competencies
- An organic growth strategy with increasing wallet penetration of existing clients as well as capturing identified targets.
- Markets include cereals & sugar, protein cotton, Dairy and Oil Seeds

# Priority segments – Infrastructure

- Goal to become a leading commercial Infrastructure Bank in the Asia Pacific Region
- Maintain dominant position in Australia and NZ and invest selectively in Asia
- Infrastructure specialists, by adding Advisory, Equity placement, underwriting and DCM to lending and markets capabilities.
- Focus on power and utilities corresponding with Asia demand in this category
- ROE enhancing by reduced requirement of balance sheet
- Segments include Power & Utilities, Economic Infrastructure (roads, airports etc) and Availability Infrastructure

## Addressable revenue in APAC Infrastructure market set to grow to \$5.5bn



# Priority products – Cash Management & Trade

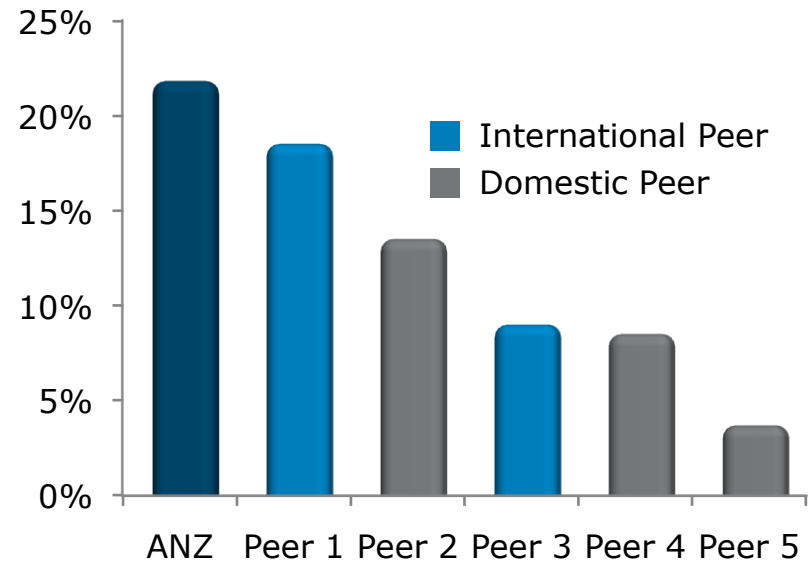
## Cash Management

- Vision to be a lead provider of pan-regional cash management solutions via a single transactional interface
- Estimate the Asia Pacific wallet for cash management services at \$20b
- A significant driver of cross-sell revenue
- Investment agenda centred around people and technology and designed to accommodate substantial growth in customer numbers and transaction volume
- Rolling out ANZ Transactive, a web-based cash management platform purpose-built for institutional, corporate and large business clients

## Trade

- Support trade flows between our core operating geographies
- Build on strong market position in Australia and established presence and reputation as a trade bank in Asia

### Estimated market share of Australian Institutional Trade Business



# Priority products – Regional Rates and FX; Commodities and Debt Capital Markets

## Commodities

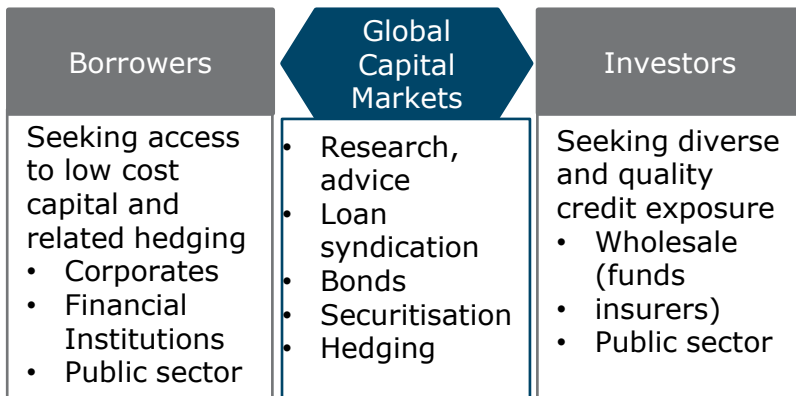
- Commodity revenue split:
  - Hedging exposures of commodity producers and consumers ~ 60% of revenue
  - Trading for customers ~ 40%
- Growth opportunities include capturing hedging opportunities in domestic agri/ middle market and commodity consumers in Asia

## Debt Capital Markets

- Uniquely positioned with Super Regional strategy, with significant Asian Capital Market revenue pools
- Borrower / investor multiplier effect

## Regional Rates and FX

- Largest domestic markets business
- FX revenues growing at 40% pa since 2007,
- Aus/NZ/Pacific Niche, opportunity to expand into Asian currencies & clients (to become Asian USD specialist)
- Rates revenues growing at 75% pa since 2006
- 5 key rates components, natural growth opportunity as Institutional expands:
  - Hedging client interest rates
  - Hedging client currency futures and swaps (as driven by rate differentials)
  - Selling investors Gvt. and Semi Gvt. bonds
  - Rates and credit trading
  - Managing ANZ's balance sheet





# APPENDICES

# ANZ #1 Syndicated Loan House In Asia-Pacific<sup>1</sup>

- Nearly one in every five syndicated loan transactions in Asia-Pacific in 2009 was led by ANZ
- #1 Mandated Lead Arranger in Asia-Pacific (ex Japan) for 2009 in terms of number of transactions
- #1 Mandated Lead Arranger in Asia-Pacific (ex Japan) over the last 5 years<sup>2</sup>
- Robust growth in Asia
  - Increasing presence in the Asian Syndicated Loan market over the last few years - our # of deals have nearly quadrupled since 2006

Asia Pacific ex Japan Mandated Lead Arranger 2009

Rank	Mandated Arranger	Amount (USD M)	Issues	Market Share
1	Bank of China	15,231.0	61	8.9%
2	ICBC	12,765.2	35	7.5%
<b>3</b>	<b>ANZ</b>	<b>11,924.2</b>	<b>126</b>	<b>7.0%</b>
4	Westpac Banking Corp	8,393.1	82	4.9%
5	CBA	8,028.9	79	4.7%
6	NAB	7,928.7	77	4.6%
7	DBS Bank	5,390.5	93	3.2%
8	Bank of Tokyo-Mitsubishi UFJ	4,745.4	72	2.8%
9	Standard Chartered Bank	4,338.4	79	2.5%
10	Calyon	4,187.3	72	2.4%
<b>Total Market</b>		<b>170,921.5</b>	<b>655</b>	

Asia Pacific ex Japan Mandated Lead Arranger (2005-2009)

Rank	Mandated Arranger	Amount (USD M)	Issues	Market Share
<b>1</b>	<b>ANZ</b>	<b>67,532.2</b>	<b>497</b>	<b>6.2%</b>
2	Westpac Banking Corp	55,614.1	365	5.1%
3	NAB	47,465.8	308	4.4%
4	CBA	46,898.9	327	4.3%
5	Bank of China	43,966.3	288	4.1%
6	RBS	33,741.9	354	3.1%
7	HSBC Banking Group	32,421.5	467	3.0%
8	SCB	32,158.5	529	3.0%
9	Citi	31,299.3	321	2.9%
10	State Bank of India	30,539.2	107	2.8%
<b>Total Market</b>		<b>1,084,295</b>	<b>4,102</b>	

Source: Reuters Loan Pricing Corporation

1. Source - Basis Point, December 31, 2009. 2. In terms of total loan volume



# Woodside Petroleum Limited Transaction Summary



SYNDICATED LOAN OF THE YEAR 2009

## Highlights

- Heavily oversubscribed;
- New Money, New Investors; vast majority of investors were new investor relationships for the client.
- Strong reception in Asian markets; Over 40 investors participated in road shows in Singapore, Hong Kong, Taiwan, generating strong momentum and support.
- Large ticket sizes; Average commitment of US\$40m per bank, with a number of banks each committing US\$50m or more.

## Features

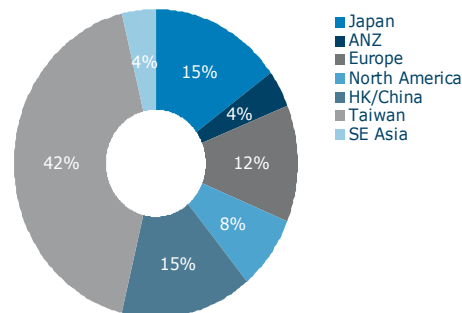
- A-/Baa1 rating.
- US\$300m launch size.
- Three-year tenor.
- Multi-currency – USD/JPY tranche flexibility to maximise liquidity

## Investor Insights

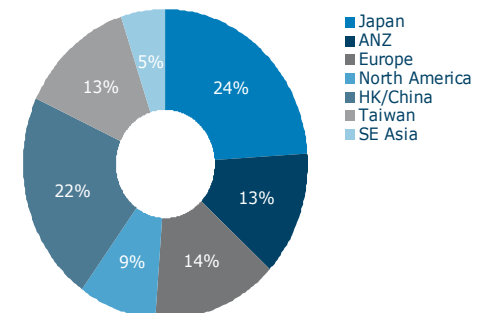
- Investor demand driven by strong Asian business linkages, major off-takers based across Asia.
- Ownership and trading linkages with Industry leaders (based in Europe) provided comfort to investors.
- Investment grade credit coupled with vanilla structure and market pricing attractive to Asian investors.
- Strong support from Greater China investors 35% by volume; of which 22% is derived from Chinese/HK banks.
- Healthy Japanese investor support with 24% volume including regional Japanese banks also evident.
- Oil & Gas still well supported sector despite volatile industry concerns.

## Distribution

NUMBER OF COMMITMENTS



VOLUME OF ALLOCATIONS



# Leighton Holdings Limited Transaction Summary

## Highlights

- Transaction closed 1.5x oversubscribed
- First Syndicated Performance Bond facility for an Australian Borrower and one of the first across Asia-Pacific.
- Rich offering – Multicurrency, multi-geography, multi-borrower and revolving facility to allow re-use of the Facility as bonds are returned.
- Innovative syndicated fronting structure unlocking bonding capacity.
- Setting a precedent - facility structure presented a long-term solution for Leighton and will be the platform from which they will issue performance bonds in the future. Other issuers set to follow in the market.

## Features

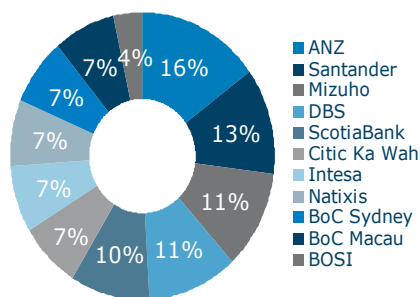
- BBB/ Baa1 rating
- Upsized post launch.
- Three-year tenor.
- Multi-currency – AUD/ USD/ HKD.

## Investor Insights

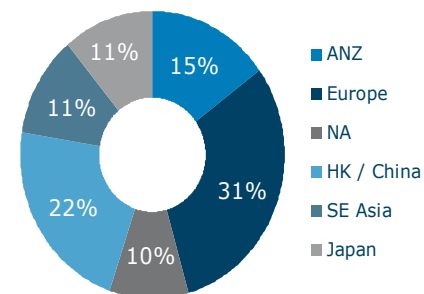
- Helped Leighton establish numerous new banking relationships with large active Asian and European banks.
- In terms of volumes, new relationships contributed ~60% of the facility.
- Widened banking relationships against the backdrop of banks looking to focus more on relationship lending.
- Eight banks joined the transaction apart from ANZ and Mizuho.

## Distribution

BANK GROUP



VOLUME OF ALLOCATIONS



# Vietnam Electricity Transaction Summary



VND Bond House of the Year

## VND3.5 trillion 5 year Floating Rate Notes “Re-opening the VDN Bond market through a landmark deal”

Deal Details	
<b>Issuer:</b>	Vietnam Electricity
<b>Issue:</b>	Senior Unsecured Floating Rate Bonds
<b>Format</b>	Issued under private placement guidelines as governed under Decree 52
<b>Issue size</b>	VND3.5 trillion
<b>Tenor</b>	5 years
<b>Maturity</b>	2014
<b>Benchmark</b>	12 month savings deposit rate of the Big 4 Vietnam State banks
<b>Coupon</b>	10.40% for 1st year. Following years applicable coupon will be average 12 month savings deposit rate of the Big 4 Vietnam State banks <sup>1</sup> plus a spread of 2.75% per annum
<b>Listing</b>	Not listed
<b>Governing law</b>	Vietnamese
<b>Mode of Distribution</b>	Best efforts and fully bookbuild
<b>Joint Lead Manager and Joint Bookrunner</b>	ANZ & EVNFC
<b>Co-Manager</b>	An Binh Securities

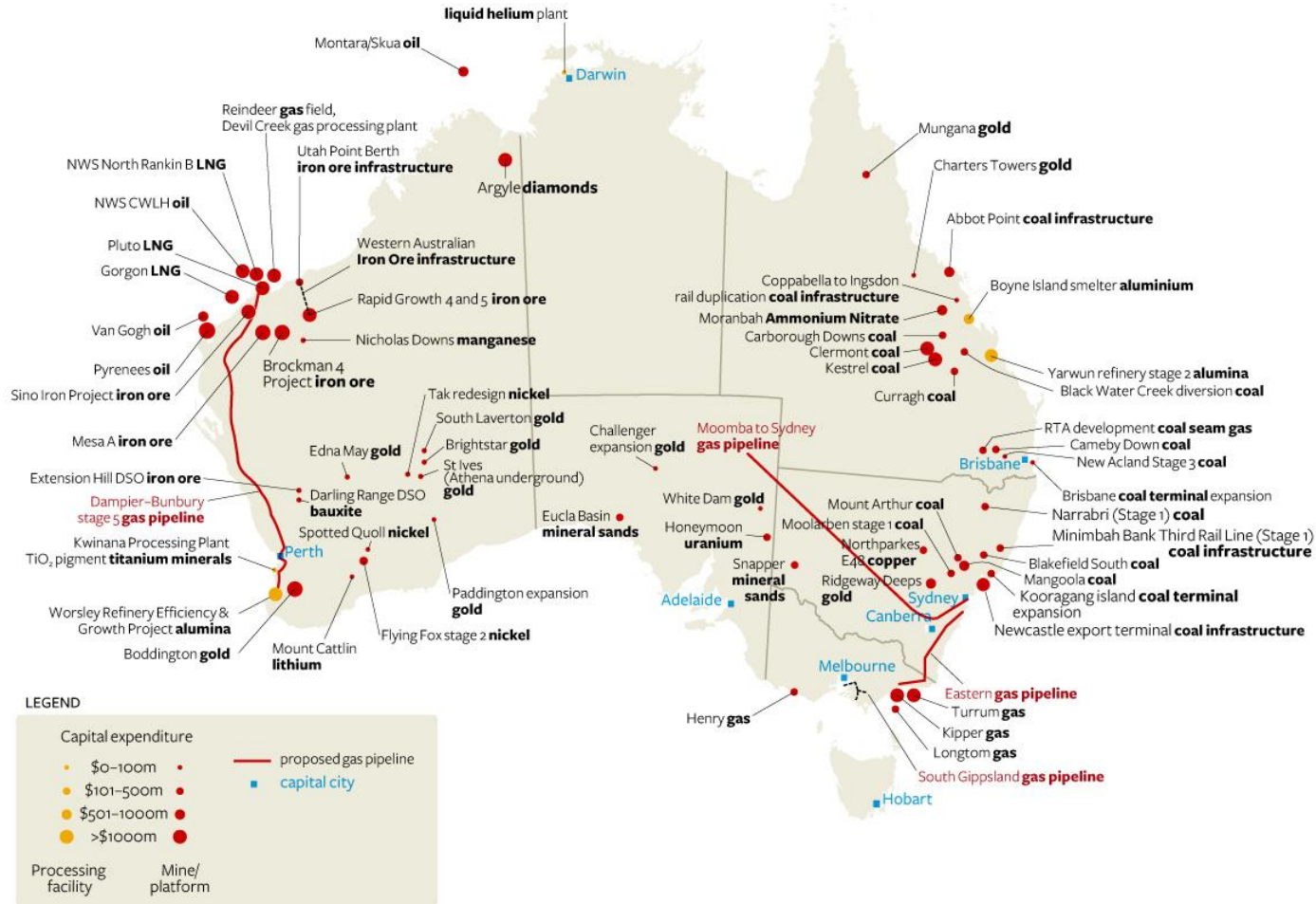
**EVN**  
**Vietnam Electricity**  
**VND 3,500,000,000,000**  
Senior, Unsecured Floating Rate  
Notes matures 2014  
*Joint Lead Manager & Joint  
Bookrunner*  
**April 2009**  
**ANZ**

1. Bank for Investment and Development of Vietnam, Joint Stock Commercial Bank for Foreign Trade of Vietnam, Vietnam Bank for Industry and Trade, Vietnam Bank for Agriculture and Rural Development



# Resources investment is entering a new 'long boom'

Advanced minerals and energy development projects  
*LNG, coal, iron ore mostly in WA & Qld*



Source: ABARE

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