

# 2019 HALF YEAR RESULTS

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HALF YEAR ENDED 31 MARCH 2019

RESULTS PRESENTATION  
& INVESTOR DISCUSSION PACK

1 MAY 2019

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED



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All figures within this investor discussion pack are presented on Cash Profit (Continuing operations) basis in Australian Dollars unless otherwise noted. In arriving at Cash Profit, Statutory Profit has been adjusted to exclude non-core items, further information is set out on page 73-77 of the 2019 First Half Consolidated Financial Report.

# 2019 HALF YEAR RESULTS

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SHAYNE ELLIOTT  
CHIEF EXECUTIVE OFFICER

1 MAY 2019

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED



# A SIMPLER, STRONGER, MORE PRODUCTIVE BANK

## 3 YEAR PROGRESS

- ❑ Absorbed inflation of ~\$550m and reduced absolute costs by over \$300m<sup>1</sup>
- ❑ Sold 23 businesses, reduced Institutional RWAs by \$50b, freed up ~\$12b of capital
- ❑ Cut number of products in Australia by 1/3
- ❑ Transferred 2 million customers to contemporary platforms
- ❑ Simplified processes, decommissioned systems, reduced branch footprint by >20%<sup>2</sup>
- ❑ Built a stronger, safer balance sheet
- ❑ Resourced a remediation team, well progressed on customer refunds
- ❑ Rebuilt senior leadership, changed the way we work

1. Cash Profit from continuing operations, excluding large / notable items  
2. Australia & New Zealand

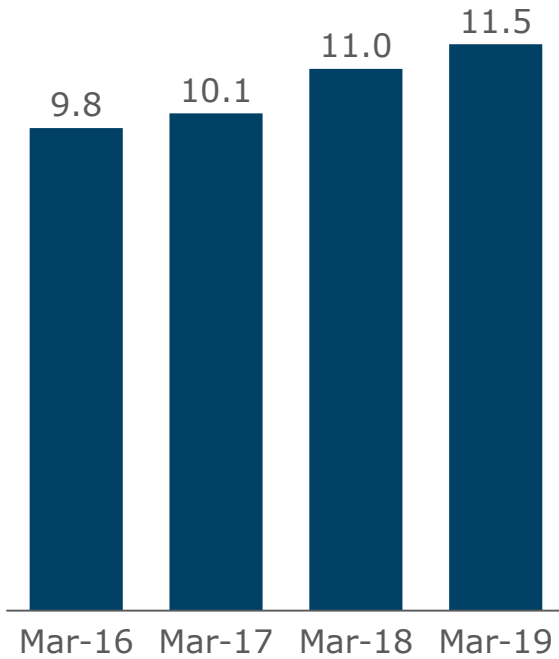
## 1H19 FINANCIAL PERFORMANCE

	<b>1H19</b>	<b>Change (v 2H18)</b>	<b>Change (v 1H18)</b>
<b>Statutory Profit (\$m)</b>	<b>3,173</b>	<b>+3%</b>	<b>-5%</b>
<b>Cash Profit (continuing operations) (\$m)</b>	<b>3,564</b>	<b>+19%</b>	<b>+2%</b>
Earnings Per Share (cents)	124.8	+20%	+5%
Return on Equity	12.0%	+193bps	+13bps
Dividend Per Share (cents)	80	Flat	Flat
CET1 Ratio (APRA)	11.5%	+5bps	+45bps
Net Tangible Assets Per Share (\$)	18.94	+3%	+4%

# CAPITAL MANAGEMENT

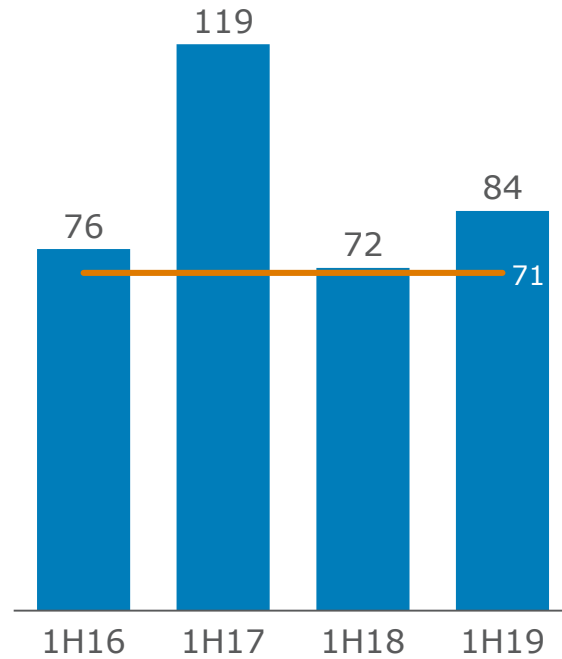
## CET1 RATIO (APRA LEVEL 2)

%



## ORGANIC CAPITAL GENERATION

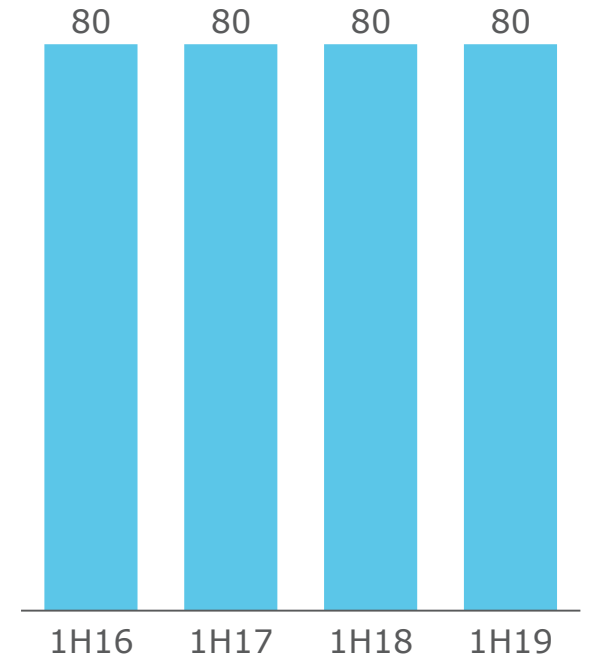
bps



■ Organic capital generation  
— First half historical avg (1H12 - 1H18)

## DIVIDEND PER SHARE

cents



# BUSINESS PERFORMANCE

CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

1H19 (\$m)	Revenue	Expenses	Profit before provisions	NPAT	RORWA	RORWA 3 year change (1H19 v 1H16)
<b>New Zealand Division (NZD)</b> 1H19 v 1H18	<b>1,756</b> 1%	<b>638</b> 2%	<b>1,118</b> 1%	<b>782</b> 0%	<b>2.5%</b> -1bps	+28bps
<b>Institutional</b> 1H19 v 1H18	<b>2,705</b> +8%	<b>1,313</b> -4%	<b>1,392</b> +22%	<b>1,017</b> +33%	<b>1.2%</b> +27bps	+55bps
<b>Australia Division</b> 1H19 v 1H18	<b>4,769</b> -6%	<b>1,787</b> -2%	<b>2,982</b> -8%	<b>1,809</b> -12%	<b>2.3%</b> -27bps	-52bps

# PRIORITIES

## FIVE PRIORITIES

- ❑ Facing into mistakes of the past
- ❑ Continuing to simplify & strengthen the bank
- ❑ Step up in re-positioning & re-tooling the Australian business
- ❑ Further work on costs
- ❑ Transforming skills, capabilities & talent for the future



# PURPOSE

AN INTEGRAL PART OF OUR STRATEGY

**Helped guide our decision to provide relief to farmers impacted by natural disasters**

**Informed our approach to sustainable and affordable housing**

- ❑ Affordable, secure & sustainable homes
- ❑ 'Healthy Home' Loan Package
- ❑ Environmentally sustainable solutions

**Rebuilding trust**

- ❑ Currently resolving issues with more than 2.6m customer accounts<sup>1</sup>
- ❑ \$928m in remediation charges taken since 1H17, \$698m on Balance Sheet (31 March 2019)



1. Retail & Commercial customer accounts

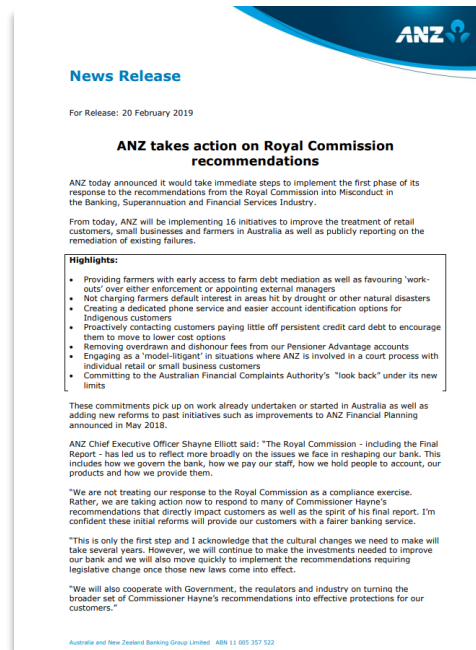
## KEY MESSAGES

1. We have prepared well for an increasingly difficult environment
2. Future success requires a different strategy
3. This is a team with a proven track record

# ROYAL COMMISSION

## FIRST PHASE OF OUR RESPONSE TO THE ROYAL COMMISSION

### 16 INITIATIVES TO IMPROVE THE TREATMENT OF CUSTOMERS



Commitment	Why we are making the commitment
<b>2.2. Giving Aboriginal and Torres Strait Islander customers in remote communities</b>	
<b>TABLE OF COMMITMENTS</b>	
<b>Retail customers</b>	
1. Make our products fairer and better matched to our customers by:	
1.1. Removing overdrawn and dishonour fees on our Pensioner Advantage account	<p>Commissioner Hayne's recommendation 1.8 was that the Australian Banking Association (ABA) should amend the Banking Code of Practice 2019 (Banking Code) to, among other things, provide that banks:</p> <ul style="list-style-type: none"> <li>• Without prior express agreement with the customer, will not allow informal overdrafts on basic accounts; and</li> <li>• Will not charge dishonour fees on basic accounts.</li> </ul> <p>Our commitment concerning overdrawn (or 'honour') fees on our Pensioner Advantage account was foreshadowed in our response to the Royal Commission's Interim Report. Removing both overdrawn and dishonour fees from this account will help us to meet the anticipated amendment of the Banking Code. Our Access Basic account does not have overdrawn or dishonour fees. Offers of informal overdrafts are not a feature of our Access Basic account and we have recently withdrawn this feature from our Pensioner Advantage accounts. We will work with the ABA on Commissioner Hayne's recommendation.</p>
1.2. Accelerating work on how we design and distribute products so that customers get products that meet their needs	<p>In response to the Royal Commission's Final Report, the Government has agreed to extend the design and distribution obligations in the Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Bill 2018 to products regulated by the National Consumer Credit Protection Act 2009 (NCCP) and the Australian Securities and Investments Commission Act 2001 (ASIC).</p> <p>Our commitment reflects our intent to step up the pace of the work we have underway and be ready for the obligations when they become law. This work looks at how we design and sell products and the use and value which customers get from our products.</p>
2. Improve our service to Aboriginal and Torres Strait Islander customers in remote communities by:	
2.1. Setting up a dedicated phone service that will help Aboriginal and Torres Strait Islander customers manage their banking	<p>Commissioner Hayne encouraged banks, at page 93 of the Royal Commission's Final Report, to develop a telephone service to assist Aboriginal and Torres Strait Islander peoples (and others living in remote areas) to access their banking.</p> <p>Our commitment responds to Commissioner Hayne's encouragement.</p>

- ❑ Commitments made within weeks of the final report
- ❑ Publicly reporting on the remediation of failures
- ❑ 16 initiatives, covering:
  - Retail customers
  - Farmers
  - Remuneration
  - Accountability, culture & governance
  - Remediation
  - Dispute resolution
  - Financial Advice

Table of commitments and FY19 half year update included in the Investor Discussion Pack

# 2019 HALF YEAR RESULTS

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MICHELLE JABLKO  
CHIEF FINANCIAL OFFICER

1 MAY 2019

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED



# OVERVIEW

## CASH PROFIT<sup>1</sup>

\$b



## CASH EPS<sup>1</sup>

cents



## ROE<sup>1</sup>

%



## CET1 RATIO (LEVEL 2)

%



1. Cash Profit from continuing operations

# AGENDA

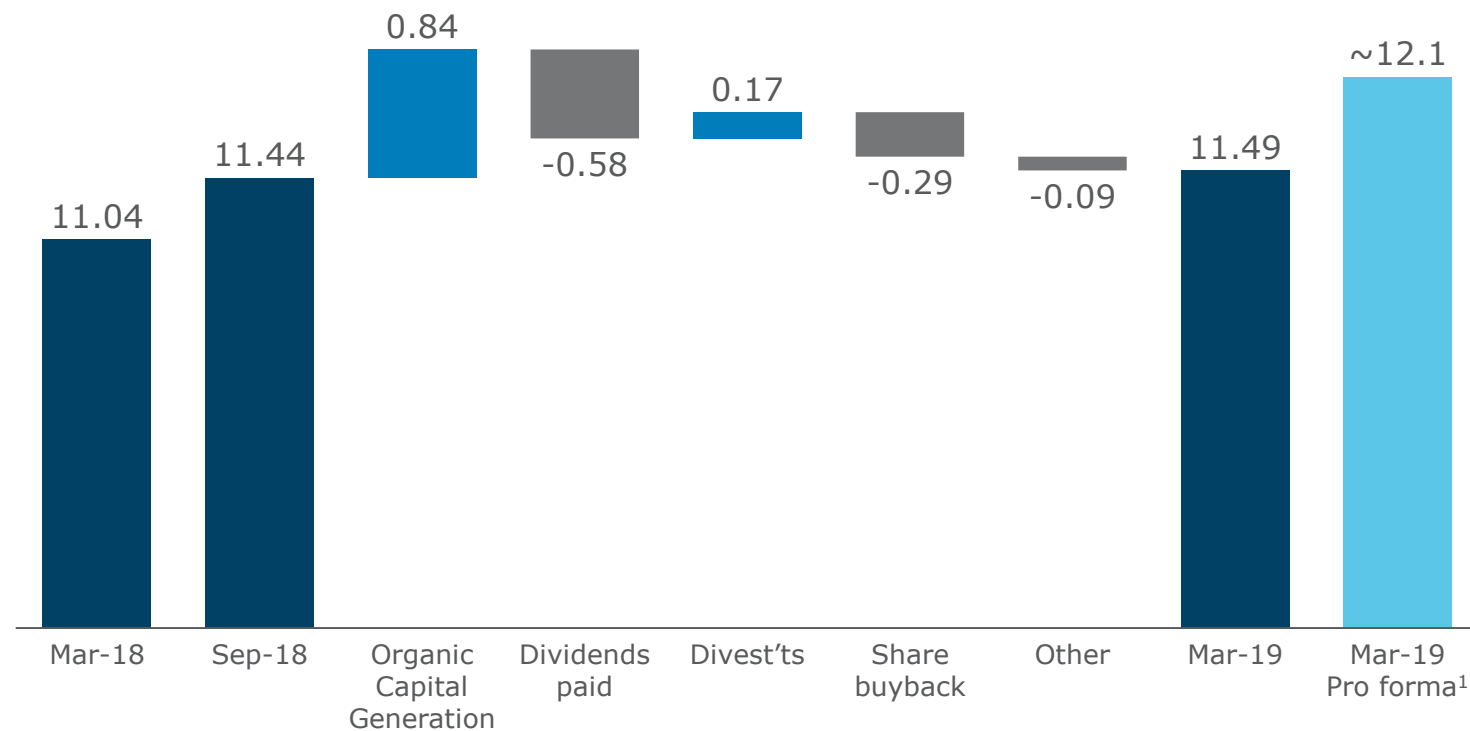
- ❑ Strong Balance Sheet
- ❑ Comparing the result to prior periods
- ❑ Group performance & drivers
- ❑ Divisional performance

# STRONG BALANCE SHEET

## CAPITAL

### APRA COMMON EQUITY TIER 1 CAPITAL (CET1) – LEVEL 2

%



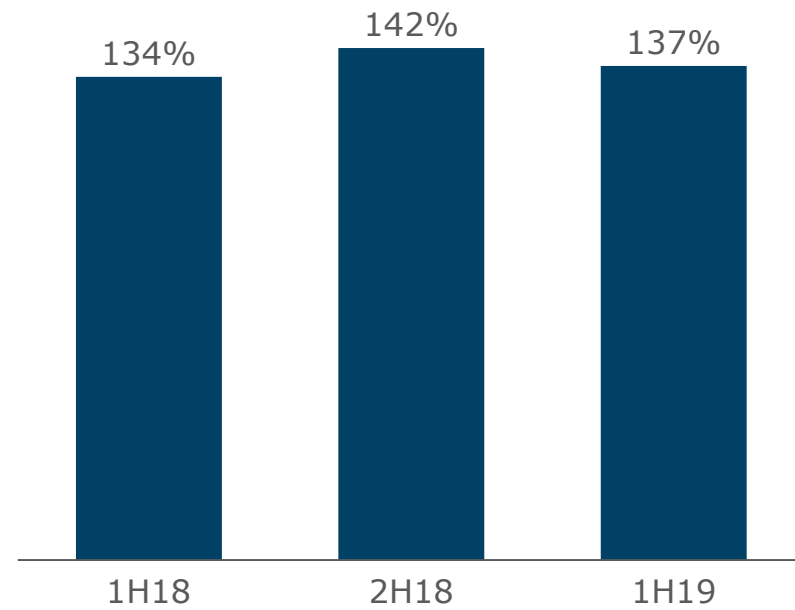
- \$3b buyback completed
- DRP neutralised, 5<sup>th</sup> consecutive half
- CET1 well above APRA's 10.5% unquestionably strong ratio
- Dividend maintained at 80 cents per share fully franked

1. Includes expected ~60bps impact of announced divestments (OnePath P&I, OnePath Life, Cambodia JV and PNG Retail, Commercial and SME business)

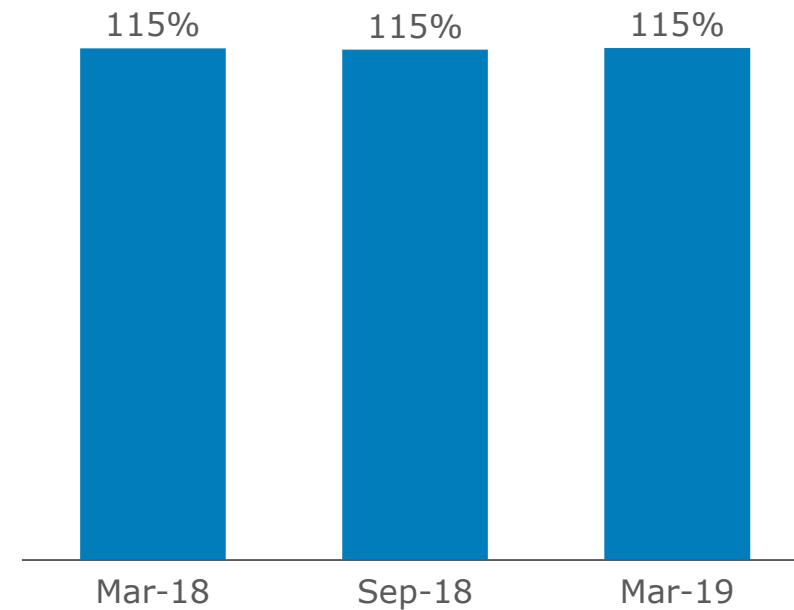
# STRONG BALANCE SHEET

## LIQUIDITY

AVERAGE LIQUIDITY COVERAGE RATIO (LCR)



NET STABLE FUNDING RATIO (NSFR)





# CAPITAL MANAGEMENT APPROACH

DECISIONS ON BUYBACKS, DIVIDENDS & FRANKING WILL DEPEND ON THREE FACTORS

- ❑ Impact and timing of regulatory requirements
- ❑ Ongoing business needs
- ❑ Earnings and growth outlook, including composition

# FINANCIAL PERFORMANCE

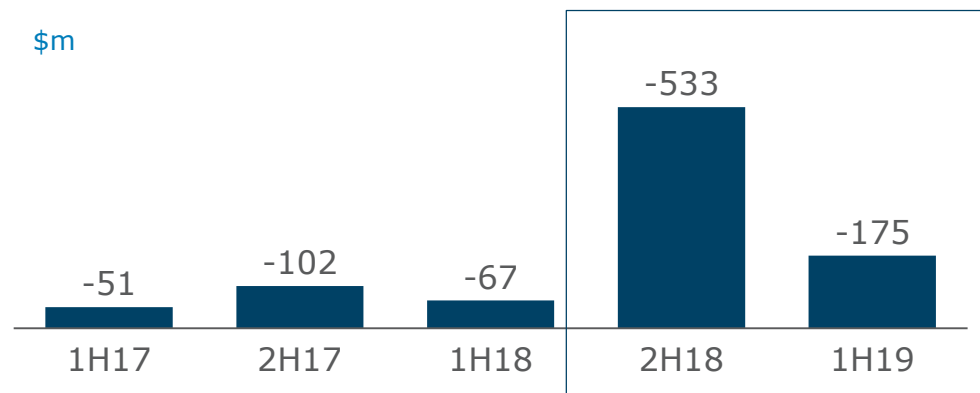
## CONTINUING OPERATIONS: IMPACT OF DIVESTMENTS & OTHER LARGE / NOTABLE ITEMS

\$m	Cash Profit Continuing	Large / Notable items within Cash Profit					Total large / notable items	Cash Profit ex large / notable items
		Divestments	Restructuring	Royal Commission legal fees	Customer Remediation	Accelerated Software Amortisation		
1H19	<b>3,564</b>	201	-36	-9	-70	-	<b>86</b>	<b>3,478</b>
2H18	<b>2,994</b>	98	-104	-27	-250	-206	<b>-489</b>	<b>3,483</b>
1H18	<b>3,493</b>	197	-55	-11	-45	-	<b>86</b>	<b>3,407</b>
PCP <sup>1</sup>	<b>+2%</b>							<b>+2%</b>
HOH <sup>1</sup>	<b>+19%</b>							<b>0%</b>

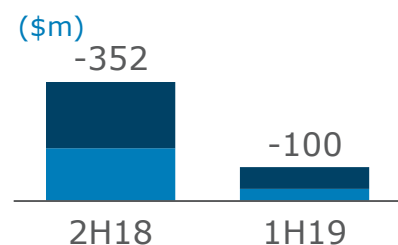
1. PCP: 1H19 v 1H18; HOH: 1H19 v 2H18

# CUSTOMER REMEDIATION

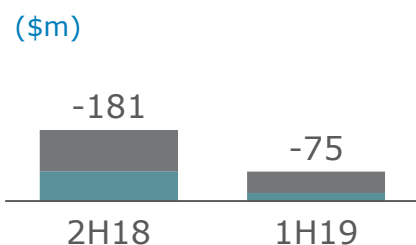
## TOTAL PRE TAX IMPACT



## CONTINUING OPERATIONS



## DISCONTINUED OPERATIONS<sup>1</sup>



■ Revenue ■ Expenses

■ Revenue ■ Expenses

## Financial impact

- \$175m (\$123m post tax) charge in 1H19
- \$928m (\$657m post tax) charges since 1H17
- \$698m provisions on balance sheet at 31 March 2019

## Progress to date

- Salaried Financial Planner<sup>2</sup> largely addressed in prior years
- Aligned Dealer Group remediation provided for in 2H18
- Retail Banking product & service review well progressed

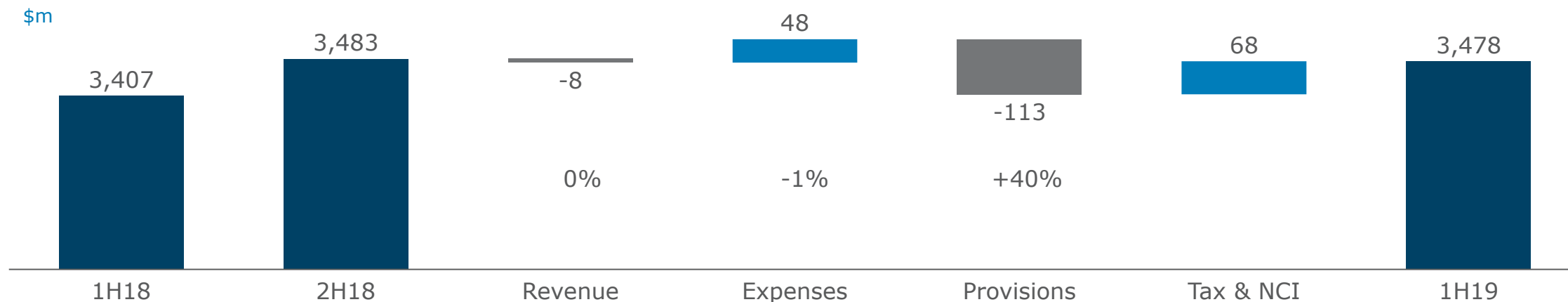
1. Primarily compensation for customers receiving inappropriate advice or for services not provided including those relating to ANZ's former Aligned Dealer Groups (ADGs). ANZ completed the sale of its ADGs to IOOF on 1 October 2018.

2. Fee for no service

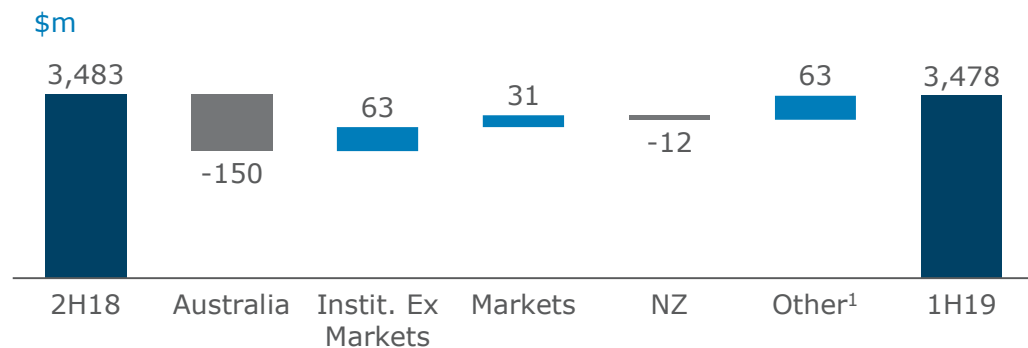
# FINANCIAL PERFORMANCE

## CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

### CASH PROFIT



### CASH PROFIT DIVISIONAL PERFORMANCE



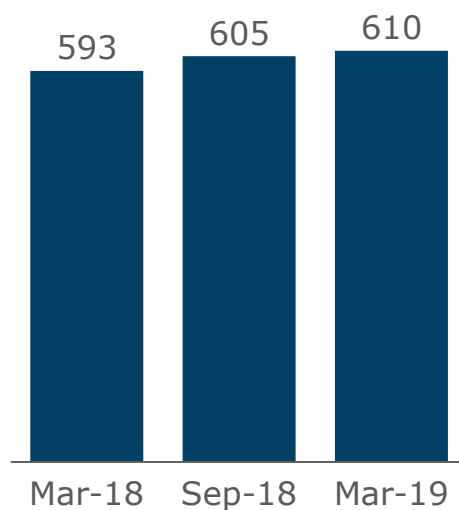
1H19 v 2H18	Australia	Institutional	NZ (NZD)
Revenue	-4%	+6%	0%
Expenses	0%	-2%	+1%
Cash Profit	-8%	+10%	-4%

1. Other divisions include Pacific, Wealth Australia, TSO & Group Centre (including Asia Partnerships)

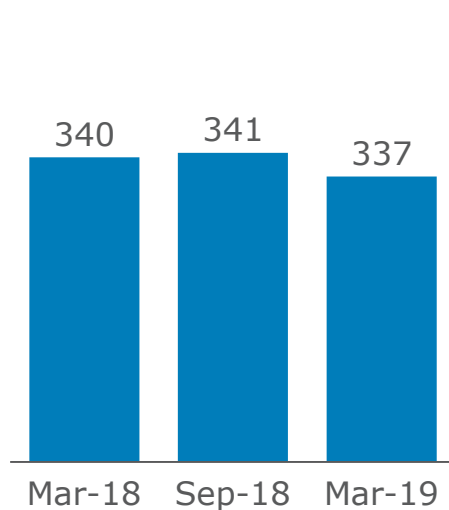
# BALANCE SHEET COMPOSITION

## NET LOANS & ADVANCES (\$b)

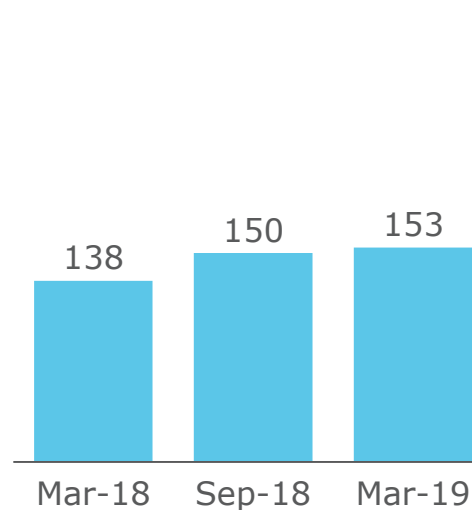
### TOTAL GROUP



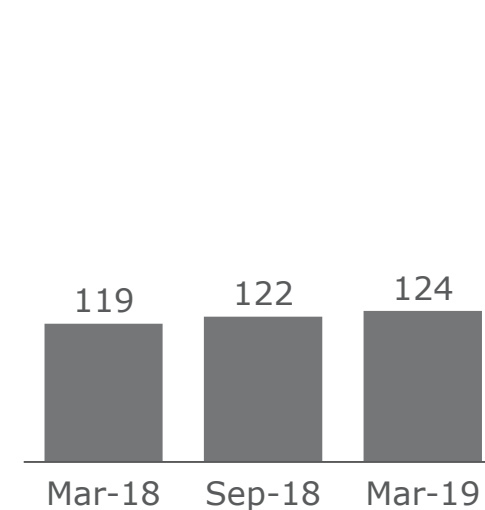
### AUSTRALIA DIVISION



### INSTITUTIONAL



### NEW ZEALAND DIVISION (NZD)



## GROWTH (1H19 v 2H18)

	NLA	Deposits <sup>1</sup>
<b>Total</b>	<b>+1%</b>	<b>+1%</b>

	NLA	Deposits <sup>1</sup>
<b>Total</b>	<b>-1%</b>	<b>0%</b>
Retail	-1%	-2%
Comm.	-2%	+4%

	NLA	Deposits <sup>1</sup>
<b>Total</b>	<b>+2%</b>	<b>0%</b>
TB <sup>2</sup>	+5%	0%
L&SF <sup>3</sup>	+7%	n/a
Markets	-17%	0%

NZD	NLA	Deposits <sup>1</sup>
<b>Total</b>	<b>+2%</b>	<b>+2%</b>
Retail	+3%	+2%
Comm.	+1%	+2%

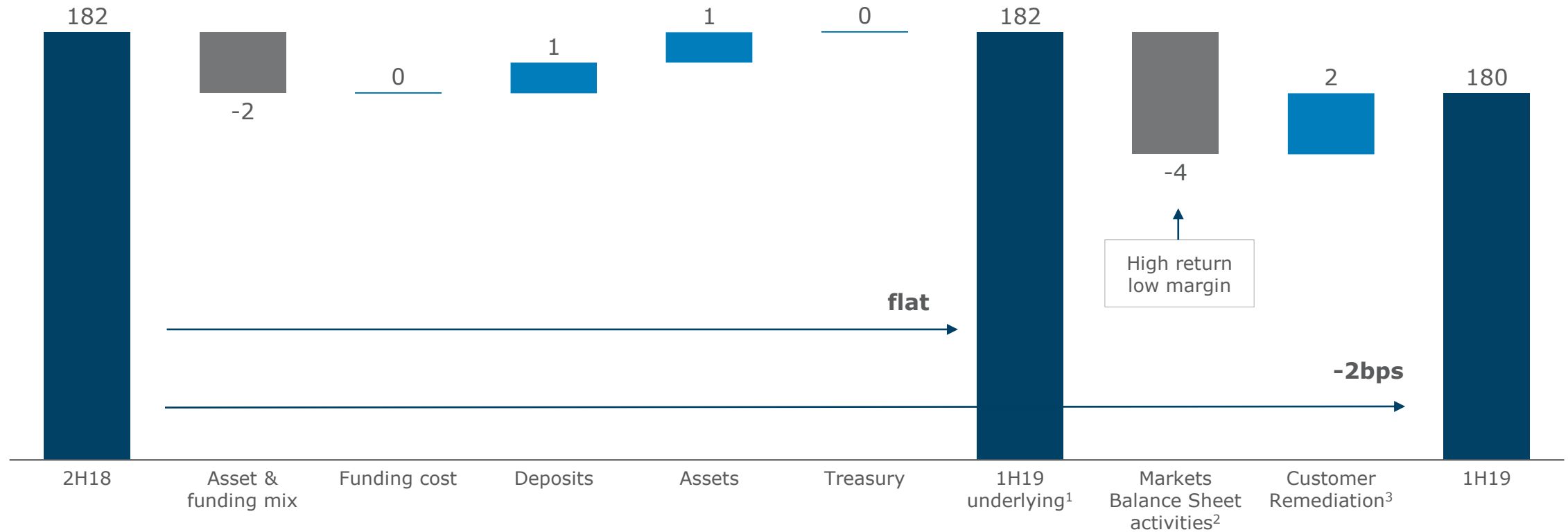
1. Customer Deposits 2. Transaction Banking (includes Payments and Cash Management, Trade and Supply Chain) 3. Loans & Specialised Finance

# NET INTEREST MARGIN

## CONTINUING OPERATIONS

### GROUP NET INTEREST MARGIN (NIM)

bps



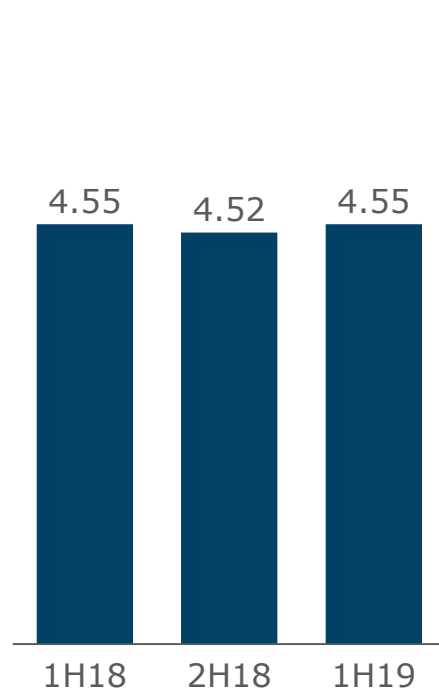
1. Excluding customer remediation and Markets Balance Sheet activities
2. Includes the impact of growth in discretionary liquid assets and other balance sheet activities
3. Included as a large / notable item

# RISK ADJUSTED PERFORMANCE

CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

## NET INTEREST INCOME / AVERAGE CREDIT RISK WEIGHTED ASSETS (%)

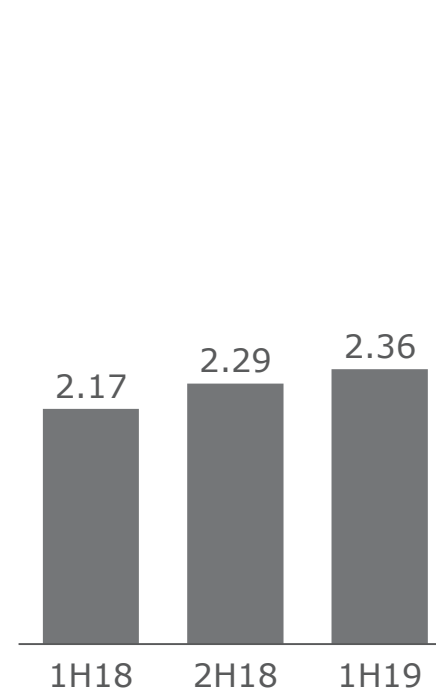
GROUP TOTAL<sup>1</sup>



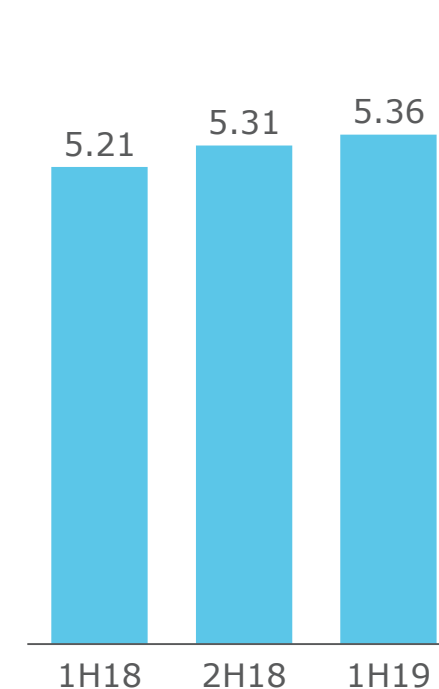
AUSTRALIA DIVISION



INSTITUTIONAL<sup>1</sup>



NEW ZEALAND DIVISION

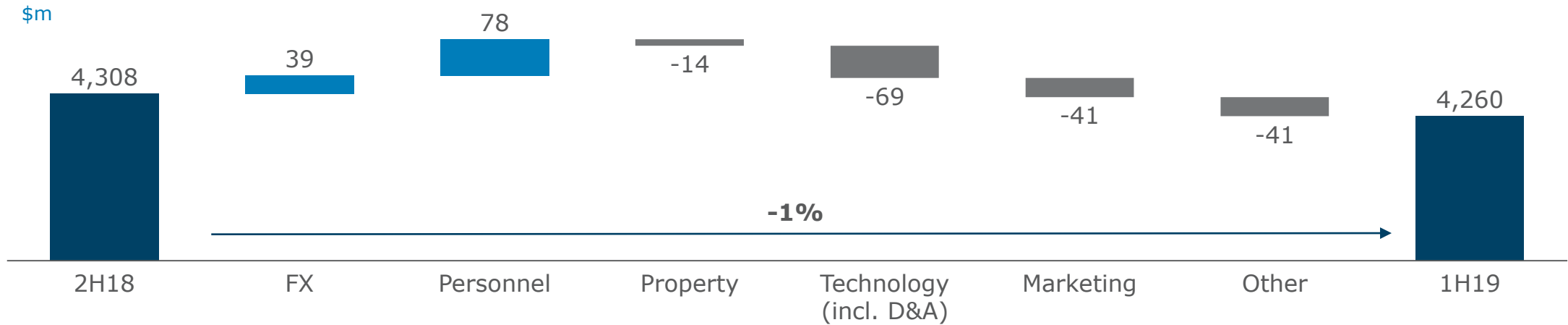


1. Excluding Markets business unit

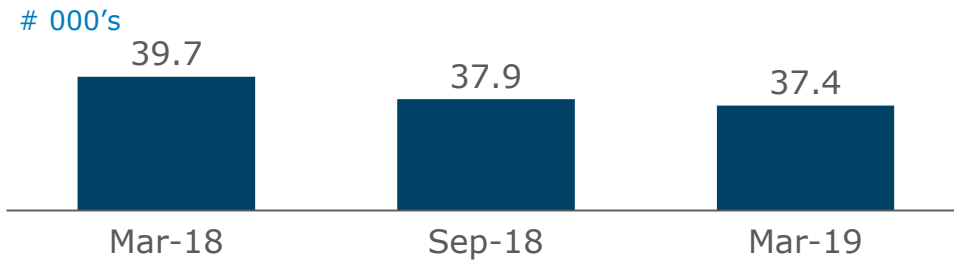
# EXPENSES

## CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

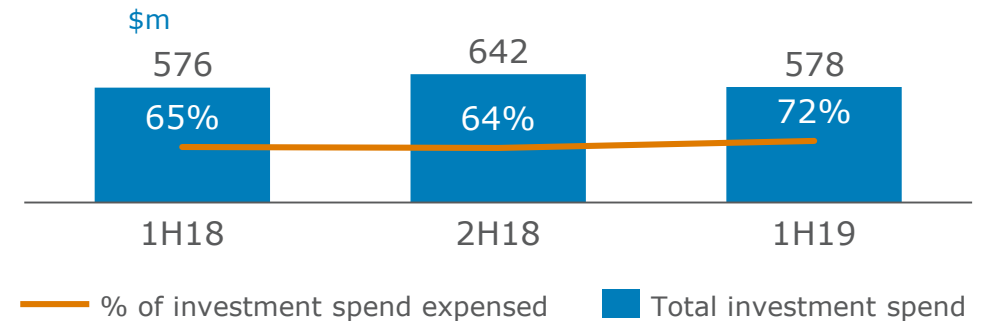
### EXPENSE DRIVERS



### FULL TIME EQUIVALENT STAFF (FTE)



### INVESTMENT SPEND<sup>1</sup>



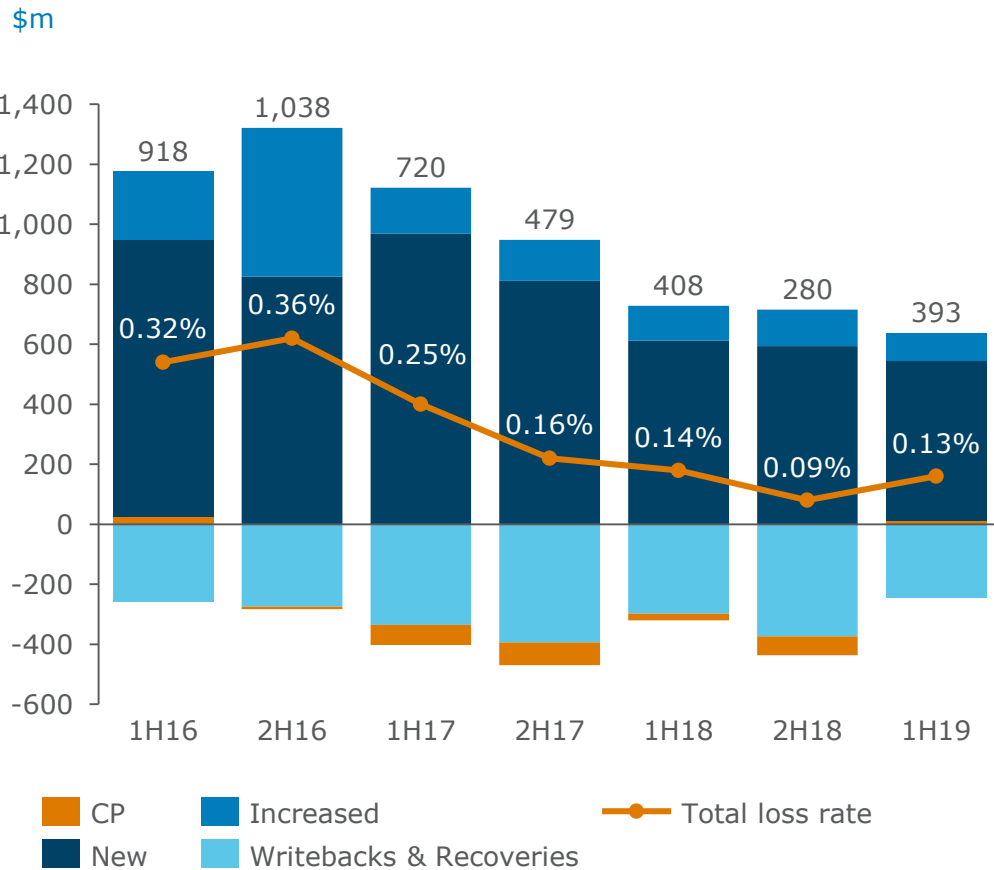
1. Inclusive of large / notable items (customer remediation). 1H18 restated from previously reported information to include technology infrastructure spend, property projects and scaled agile delivery methodology



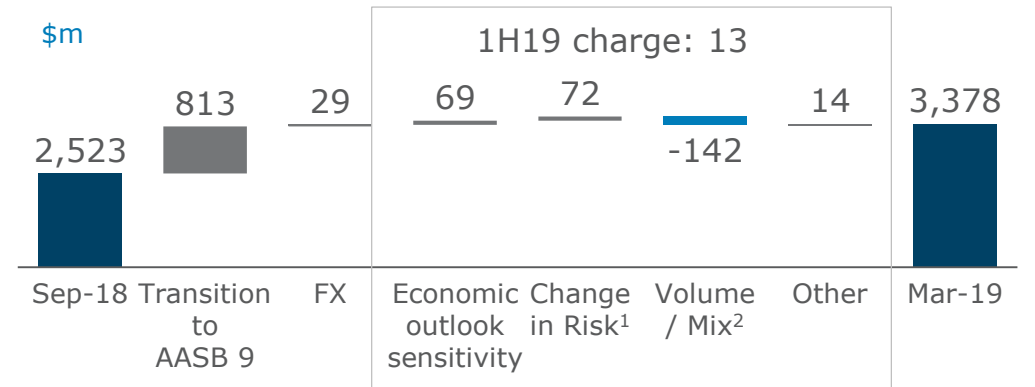
# PROVISIONS

## CONTINUING OPERATIONS

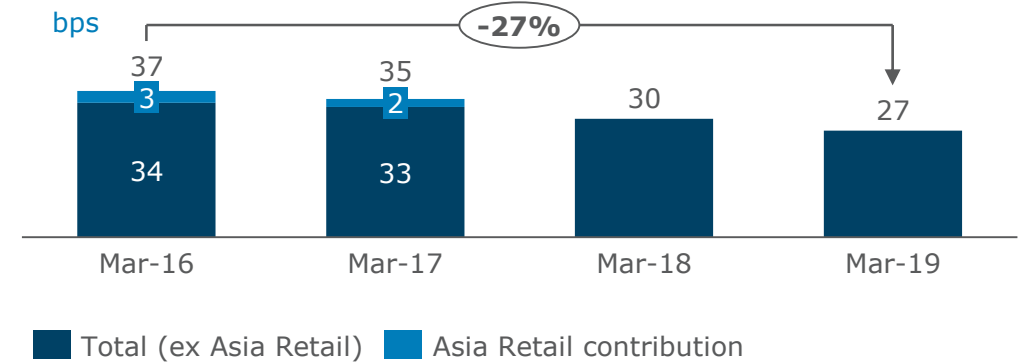
### CREDIT IMPAIRMENT CHARGE COMPOSITION



### COLLECTIVE PROVISION BALANCE & MOVEMENT



### LONG RUN LOSS RATES<sup>3</sup>

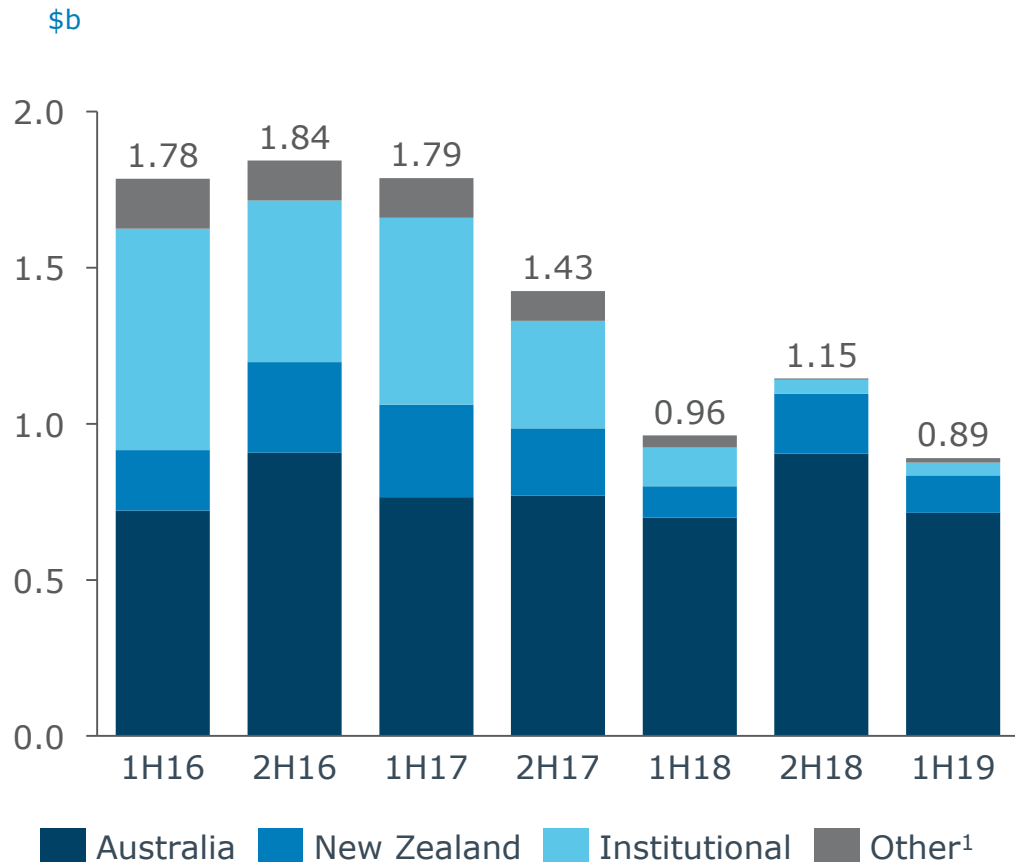


1. Measures the impact of PD or LGD migration of existing customers  
 2. Measures the impact of new and increased lending offset by maturing loans / exiting customers  
 3. Internal Expected Loss basis, not consistent with AASB 9 methodology

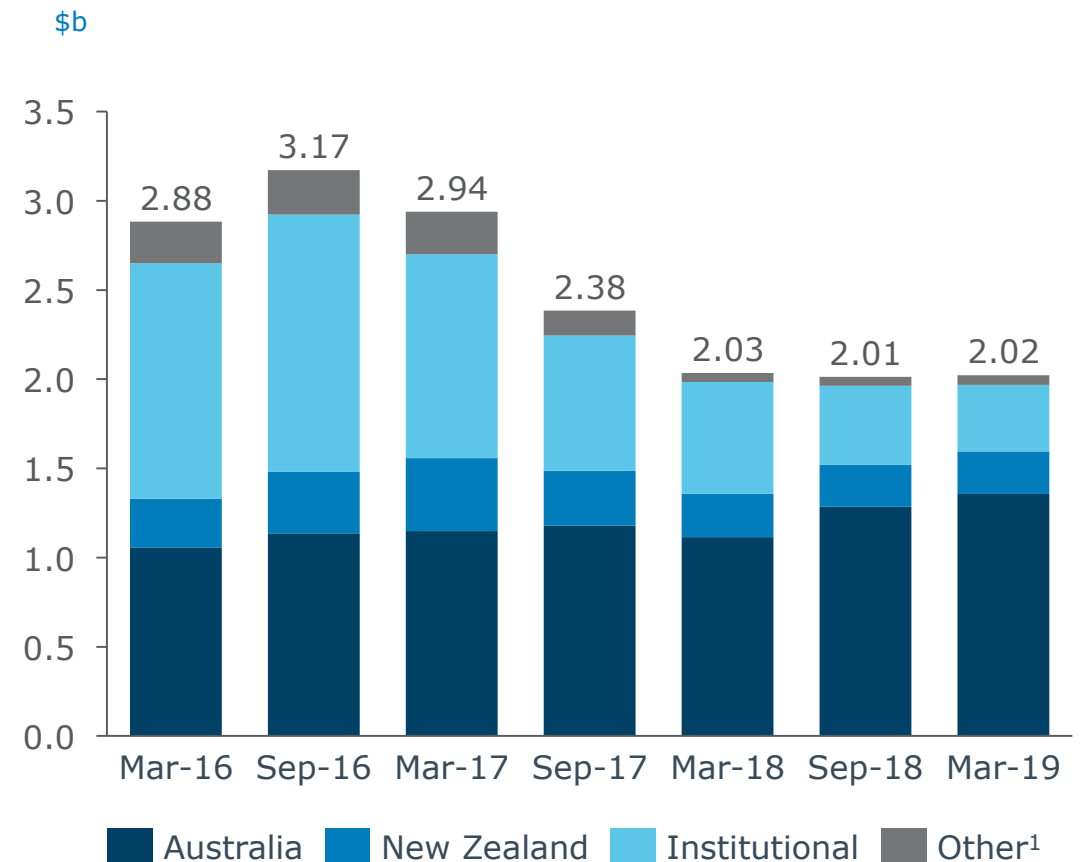
# CREDIT QUALITY

## CONTINUING OPERATIONS

### NEW IMPAIRED ASSETS BY DIVISION



### GROSS IMPAIRED ASSETS BY DIVISION

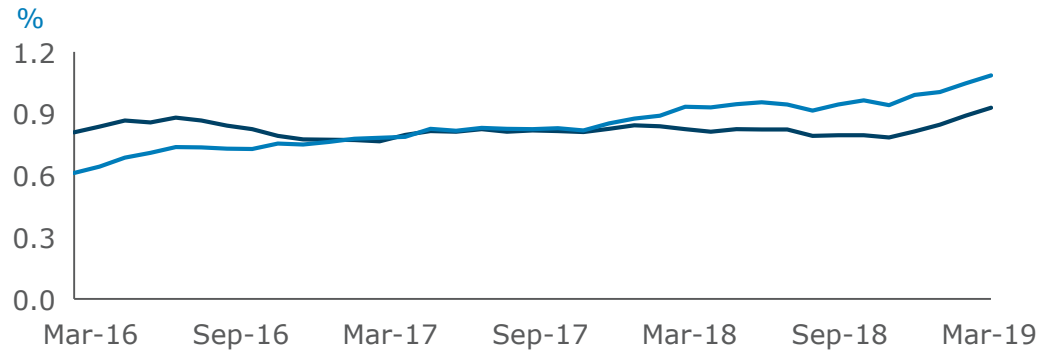


1. Includes Pacific, Wealth Australia, TSO & Group Centre

# CREDIT QUALITY

## AUSTRALIA HOUSING

### AUSTRALIA HOME LOAN 90+ DAY DELINQUENCIES<sup>1</sup>



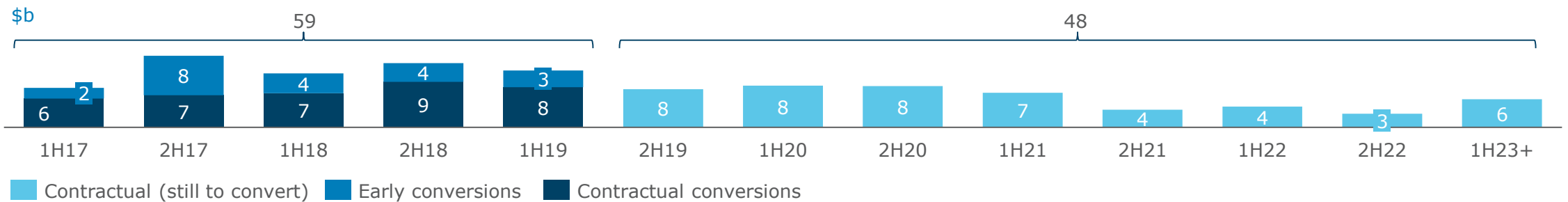
— 90+ Owner Occupied — 90+ Investor

### AUSTRALIA HOME LOAN 90+ DAY DELINQUENCIES<sup>1</sup>



■ Mar-16 ■ Mar-17 ■ Mar-18 ■ Mar-19

### SWITCHING FROM INTEREST ONLY TO PRINCIPAL & INTEREST



■ Contractual (still to convert) ■ Early conversions ■ Contractual conversions

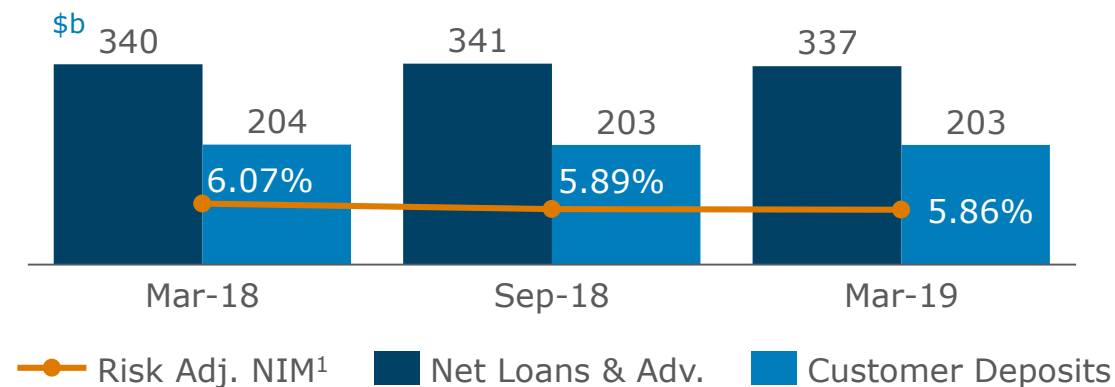
1. Includes Non Performing Loans. ANZ delinquencies calculated on a missed payment basis

# AUSTRALIA DIVISION

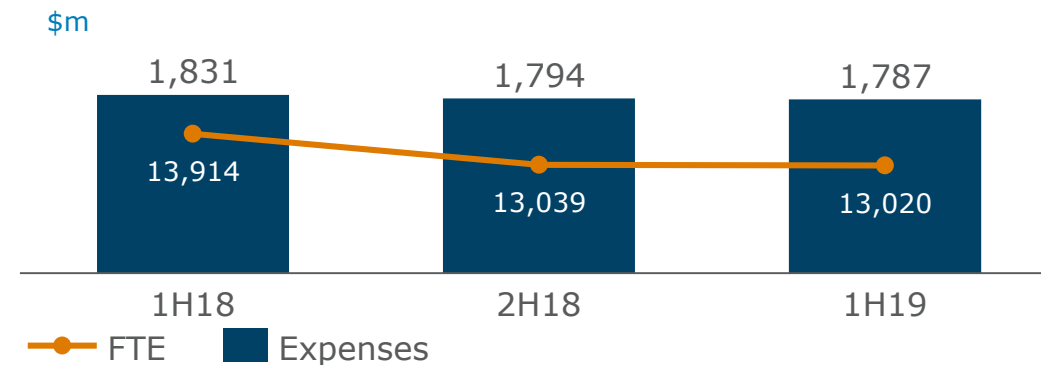
## CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

	1H19 (\$m)	1H19 v 2H18	1H19 v 1H18
<b>Income</b>	<b>4,769</b>	<b>-4%</b>	<b>-6%</b>
Net interest income	4,113	-2%	-5%
Other operating income	656	-17%	-12%
<b>Expenses</b>	<b>1,787</b>	<b>0%</b>	<b>-2%</b>
<b>Profit before Provisions</b>	<b>2,982</b>	<b>-6%</b>	<b>-8%</b>
Provisions	396	3%	27%
<b>Cash Profit</b>	<b>1,809</b>	<b>-8%</b>	<b>-12%</b>
<b>Net Loans &amp; Adv. (\$b)</b>	<b>337</b>	<b>-1%</b>	<b>-1%</b>
<b>Customer Deposits (\$b)</b>	<b>203</b>	<b>0%</b>	<b>0%</b>

### VOLUMES



### EXPENSES



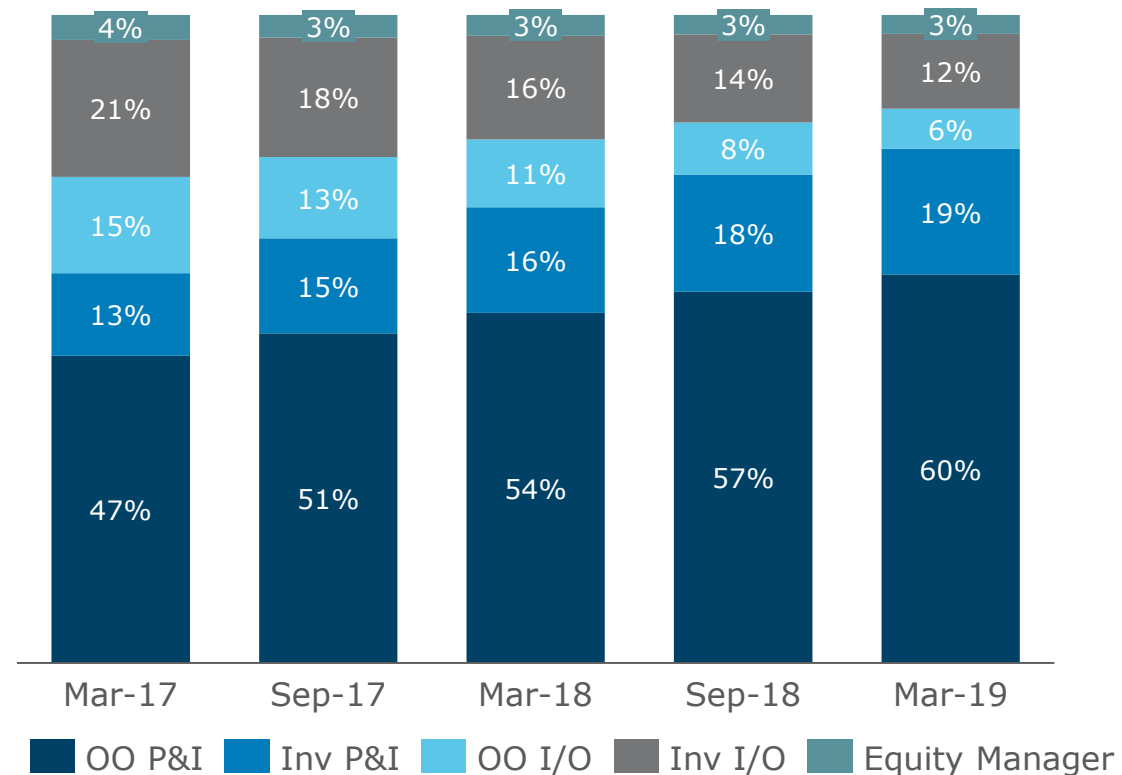
1. Net interest income divided by average credit risk weighted assets

# AUSTRALIA DIVISION - RETAIL

CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

	1H19 v 2H18	1H19 v 1H18
<b>Total Retail Income</b>	<b>-5%</b>	<b>-9%</b>
Net interest income	-2%	-8%
Other operating income	-21%	-13%
<b>Net Loans &amp; Advances</b>	<b>-1%</b>	<b>-1%</b>
Housing	-1%	-1%
Cards & Personal loans	-5%	-10%
<b>Customer Deposits</b>	<b>-2%</b>	<b>-3%</b>

## HOUSING COMPOSITION<sup>1</sup>



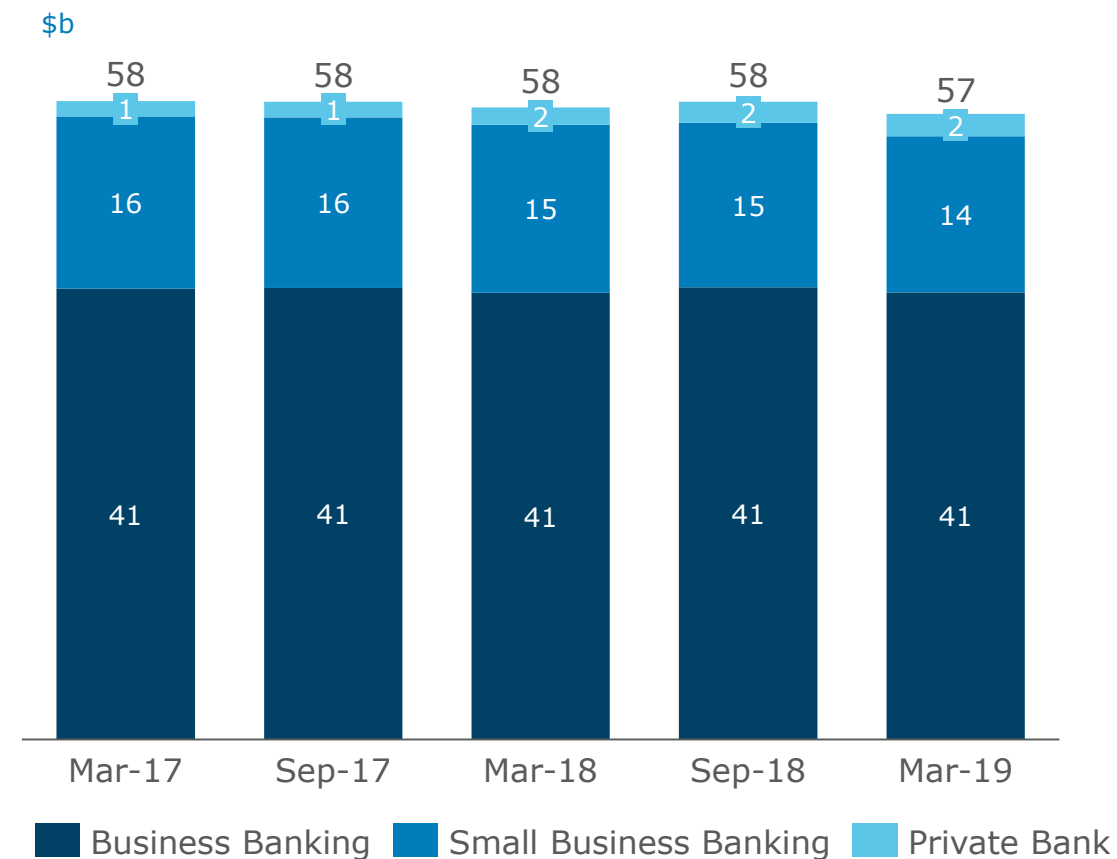
1. Includes Non Performing Loans. OO: Owner Occupier; Inv: Investor; P&I: Principal & Interest; I/O: Interest Only

# AUSTRALIA DIVISION - BUSINESS & PRIVATE BANK

CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

	1H19 v 2H18	1H19 v 1H18
<b>Total Business Income</b>	<b>-3%</b>	<b>-1%</b>
Net interest income	-2%	1%
Other operating income	-8%	-9%
<b>Net Loans &amp; Advances</b>	<b>-2%</b>	<b>-1%</b>
Small Business Banking	-5%	-7%
Business Banking	-1%	0%
Private Bank	5%	29%
<b>Customer Deposits</b>	<b>4%</b>	<b>3%</b>

## LENDING COMPOSITION

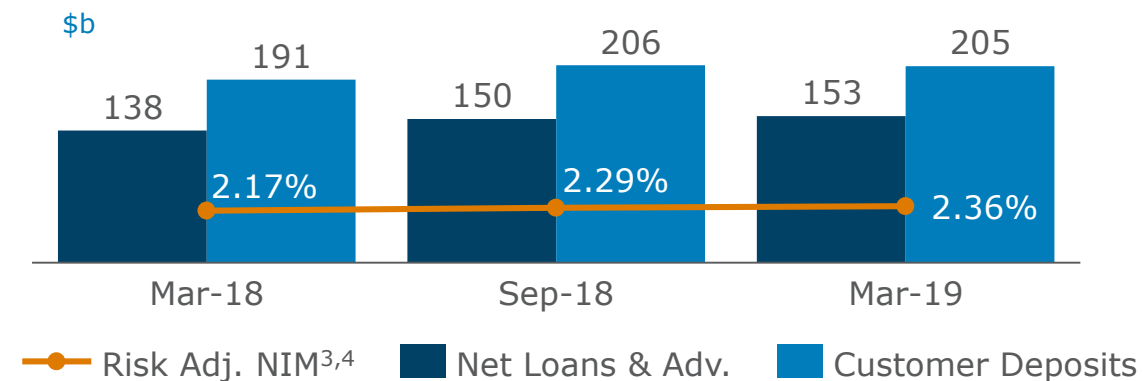


# INSTITUTIONAL

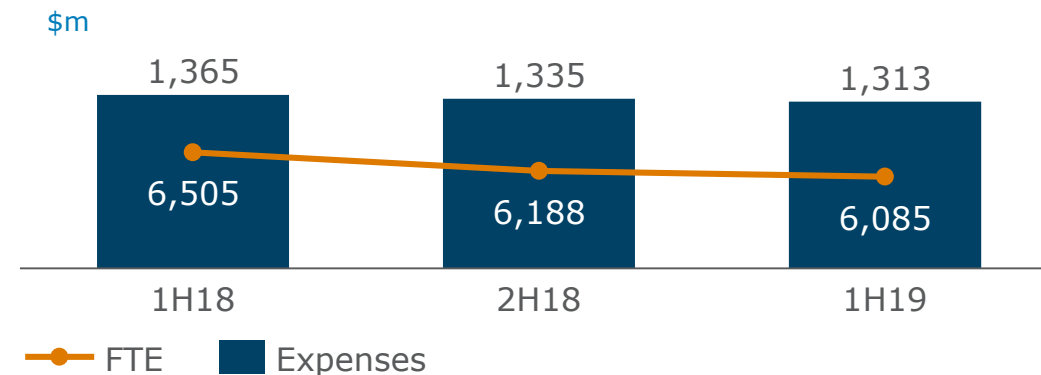
## CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

	1H19 (\$m)	1H19 v 2H18	1H19 v 1H18
<b>Income</b>	<b>2,705</b>	<b>6%</b>	<b>8%</b>
Net interest income	1,579	4%	7%
Other operating income	1,126	8%	10%
<b>Expenses</b>	<b>1,313</b>	<b>-2%</b>	<b>-4%</b>
<b>Profit before Provisions</b>	<b>1,392</b>	<b>14%</b>	<b>22%</b>
Provisions	-35	62% <sup>1</sup>	-171% <sup>2</sup>
<b>Cash Profit</b>	<b>1,017</b>	<b>10%</b>	<b>33%</b>
<b>Net Loans &amp; Adv. (\$b)</b>	<b>153</b>	<b>2%</b>	<b>10%</b>
<b>Customer Deposits (\$b)</b>	<b>205</b>	<b>0%</b>	<b>8%</b>

### VOLUMES



### EXPENSES



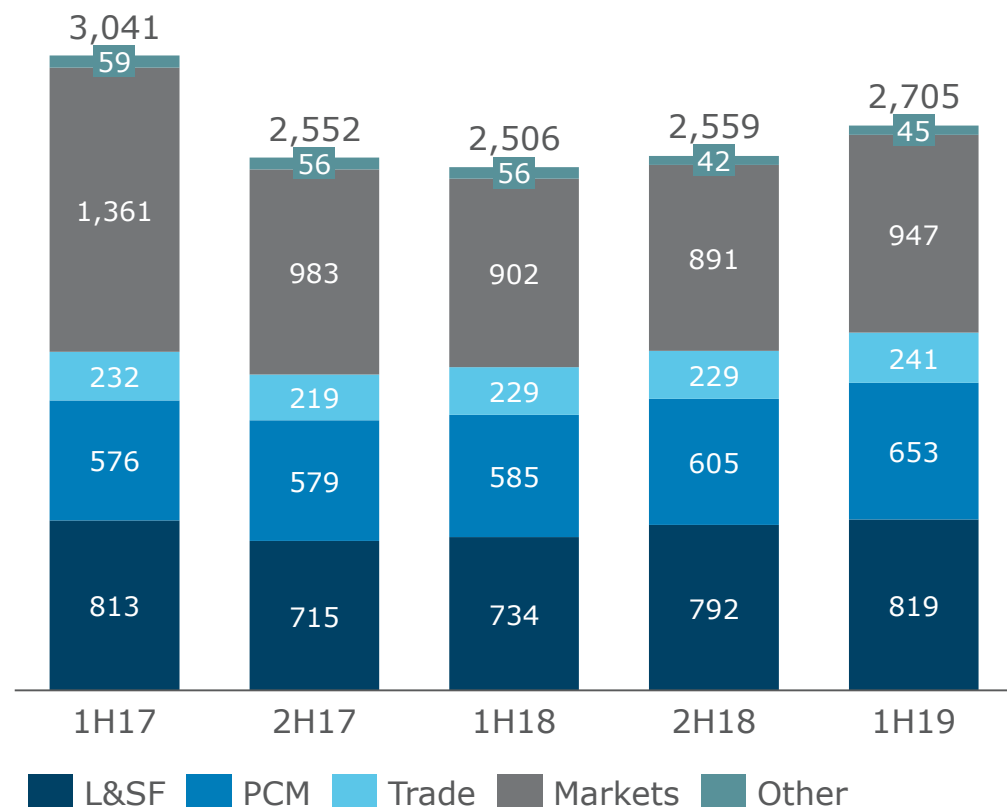
1. 1H19 release of \$35m v 2H18 release of \$93m
2. 1H19 release of \$35m v 1H18 charge of \$49m
3. Excluding Markets business unit
4. Net interest income divided by average credit risk weighted assets

# INSTITUTIONAL - INCOME PERFORMANCE

CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

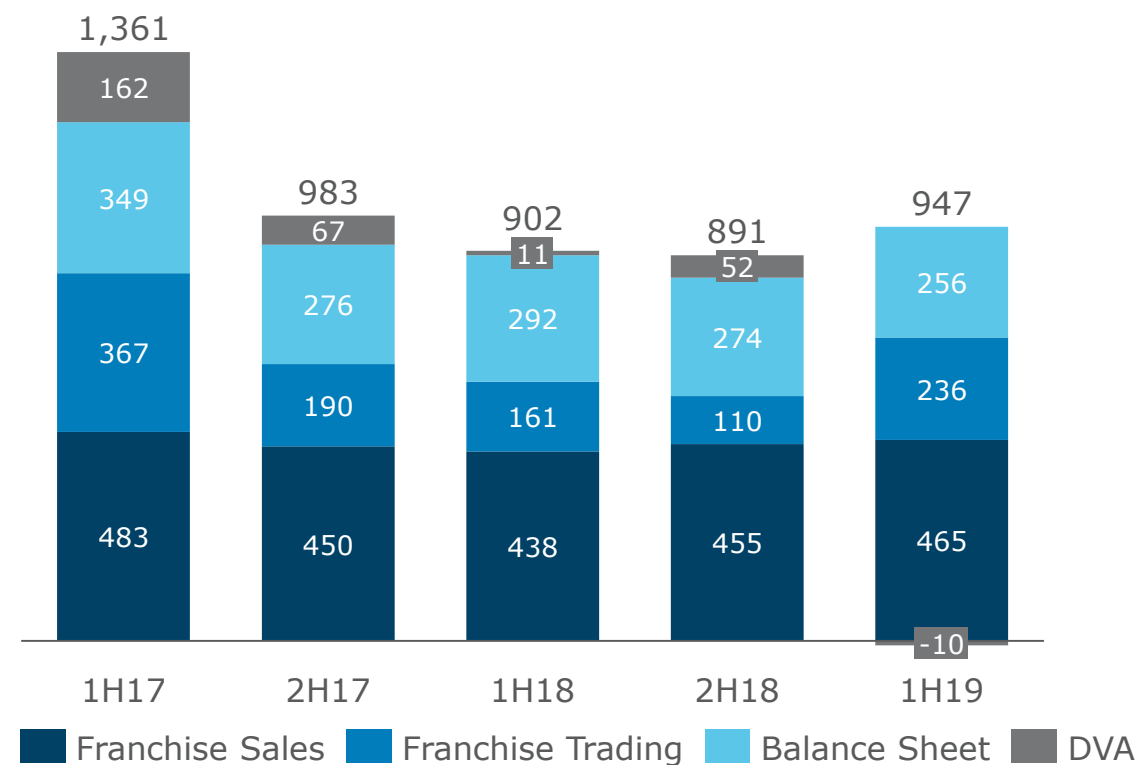
## INSTITUTIONAL INCOME COMPOSITION<sup>1</sup>

\$m



## MARKETS INCOME COMPOSITION<sup>2</sup>

\$m



1. PCM: Payments & Cash Management; Trade: Trade & Supply Chain; L&SF: Loans & Specialised Finance  
 2. DVA: Derivative Valuation Adjustment

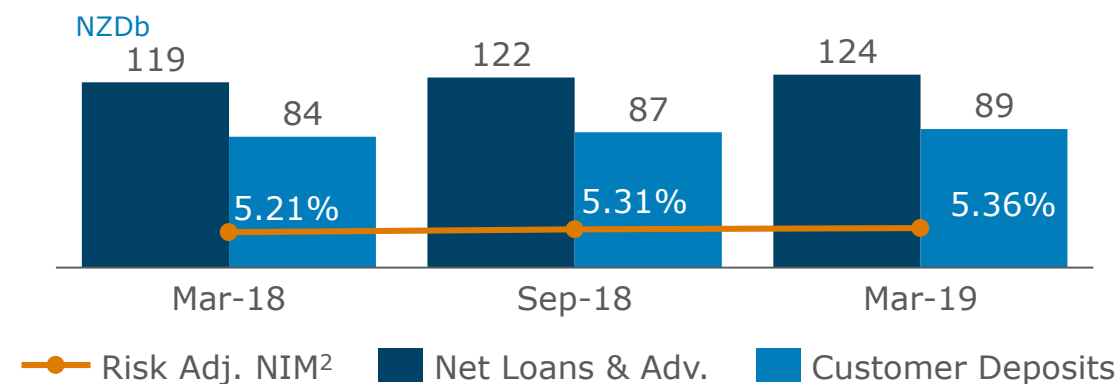


# NEW ZEALAND DIVISION

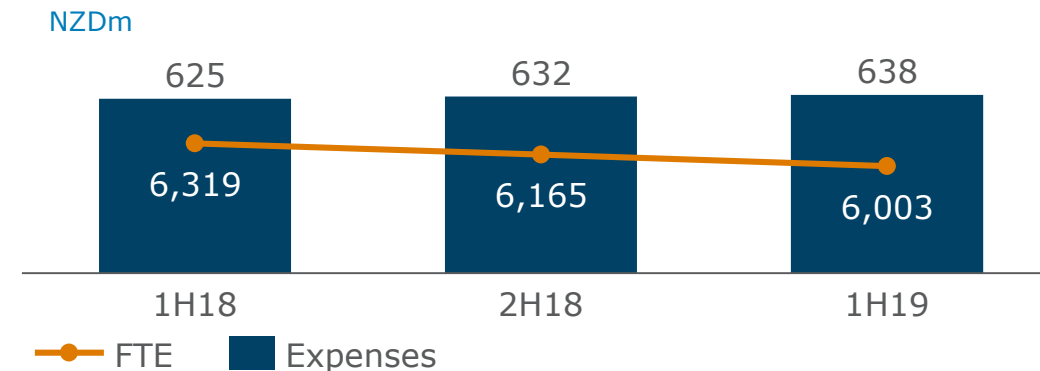
## CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

	1H19 (NZDm)	1H19 v 2H18	1H19 v 1H18
<b>Income</b>	<b>1,756</b>	<b>0%</b>	<b>1%</b>
Net interest income	1,460	0%	3%
Other operating income	296	1%	-4%
<b>Expenses</b>	<b>638</b>	<b>1%</b>	<b>2%</b>
<b>Profit before Provisions</b>	<b>1,118</b>	<b>0%</b>	<b>1%</b>
Provisions	31	294% <sup>1</sup>	41%
<b>Cash Profit</b>	<b>782</b>	<b>-4%</b>	<b>0%</b>
<b>Net Loans &amp; Adv. (NZDb)</b>	<b>124</b>	<b>2%</b>	<b>5%</b>
<b>Customer Deposits (NZDb)</b>	<b>89</b>	<b>2%</b>	<b>6%</b>

### VOLUMES



### EXPENSES



1. 1H19 charge of \$31m v 2H18 release of \$16m  
 2. Net interest income divided by average credit risk weighted assets

# 2019 HALF YEAR RESULTS

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GROUP & DIVISIONAL FINANCIAL PERFORMANCE  
INVESTOR DISCUSSION PACK

1 MAY 2019

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED



# FINANCIAL PERFORMANCE

## CONTINUING OPERATIONS

\$m

	1H18	2H18	1H19	Change (v 2H18)	Change (v 1H18)
<b>Income</b>	<b>9,870</b>	<b>9,497</b>	<b>9,746</b>	<b>3%</b>	<b>-1%</b>
Net Interest Income	7,350	7,164	7,299	2%	-1%
Other Operating Income	2,520	2,333	2,447	5%	-3%
<b>Expenses</b>	<b>(4,473)</b>	<b>(4,928)</b>	<b>(4,365)</b>	<b>-11%</b>	<b>-2%</b>
<b>Profit before Provisions</b>	<b>5,397</b>	<b>4,569</b>	<b>5,381</b>	<b>18%</b>	<b>0%</b>
Provision	(408)	(280)	(393)	40%	-4%
<b>Cash Profit Continuing</b>	<b>3,493</b>	<b>2,994</b>	<b>3,564</b>	<b>19%</b>	<b>2%</b>

## CONTINUING OPERATIONS EX. LARGE / NOTABLE ITEMS

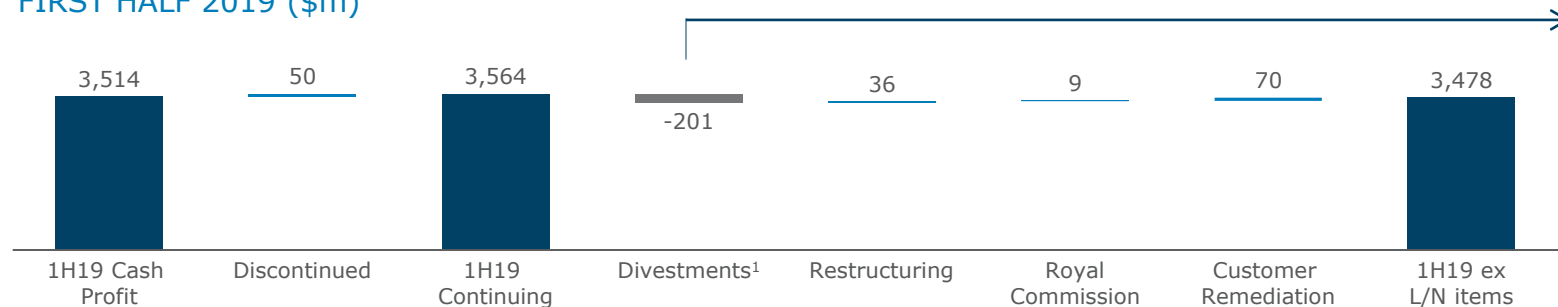
\$m

	1H18	2H18	1H19	Change (v 2H18)	Change (v 1H18)
<b>Income</b>	<b>9,510</b>	<b>9,561</b>	<b>9,553</b>	<b>0%</b>	<b>0%</b>
Net Interest Income	7,314	7,248	7,320	1%	0%
Other Operating Income	2,196	2,313	2,233	-3%	2%
<b>Expenses</b>	<b>(4,294)</b>	<b>(4,308)</b>	<b>(4,260)</b>	<b>-1%</b>	<b>-1%</b>
<b>Profit before Provisions</b>	<b>5,216</b>	<b>5,253</b>	<b>5,293</b>	<b>1%</b>	<b>1%</b>
Provision	(382)	(280)	(393)	40%	3%
<b>Cash Profit Continuing (ex. large/notable Items)</b>	<b>3,407</b>	<b>3,483</b>	<b>3,478</b>	<b>0%</b>	<b>2%</b>

# FINANCIAL PERFORMANCE

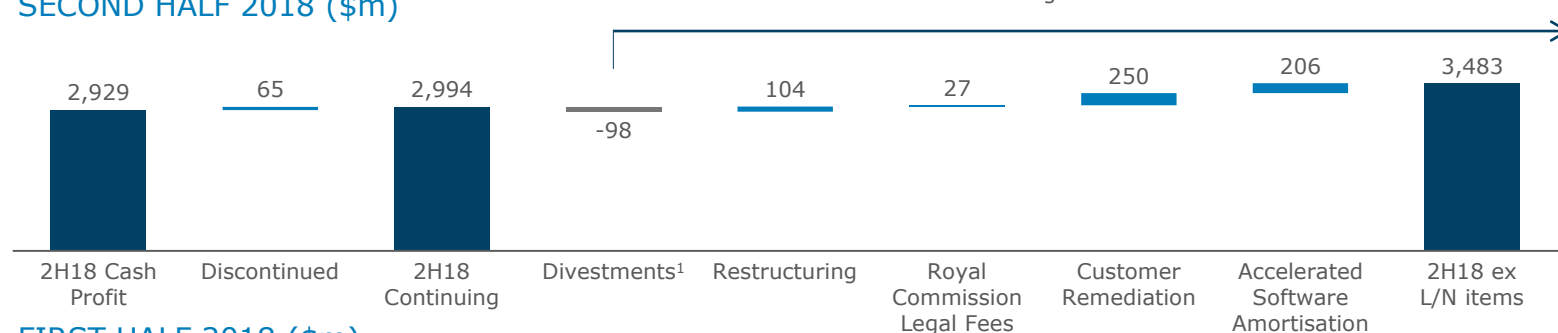
## IMPACT OF DIVESTMENTS & OTHER LARGE / NOTABLE ITEMS

### FIRST HALF 2019 (\$m)



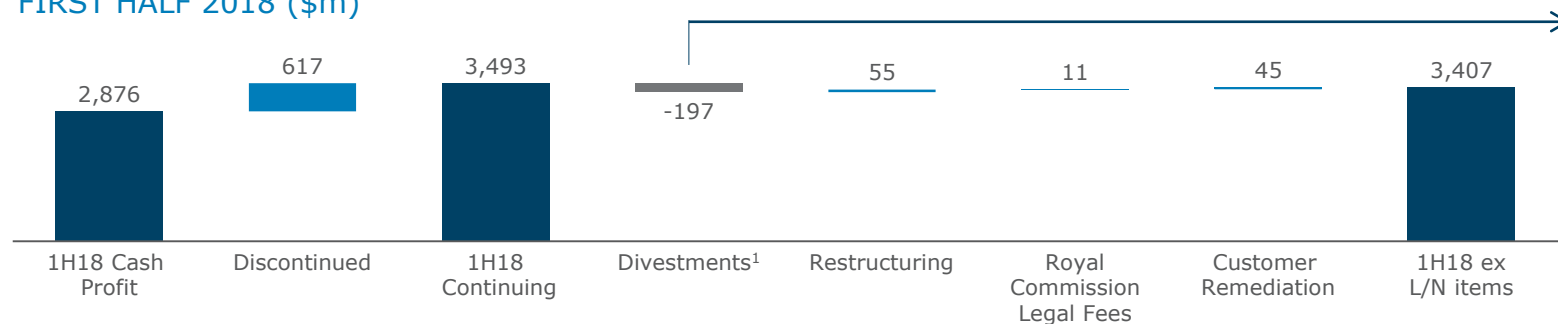
Pre-tax	Gain/(Loss) on Sale	Divested Bus. Results	Post-tax
OPL NZ	-197	-14	
Paymark	-37	-4	
<b>TOTAL</b>	<b>-234</b>	<b>-18</b>	<b>-201</b>

### SECOND HALF 2018 (\$m)



Pre-tax	Gain/(Loss) on Sale	Divested Bus. Results	Post-tax
MCC	-121	-10	
UDC	7	0	
Cambodia JV	42	0	
OPL NZ	3	-43	
PNG Retail, Com, SME	19	0	
Paymark	0	-4	
<b>TOTAL</b>	<b>-50</b>	<b>-57</b>	<b>-98</b>

### FIRST HALF 2018 (\$m)



Pre-tax	Gain/(Loss) on Sale	Divested Bus. Results	Post-tax
MCC	-119	0	
SRCB	-2	0	
Asia Retail	-99	-30	
UDC	-18	0	
OPL NZ	0	-47	
Paymark	0	-1	
<b>TOTAL</b>	<b>-238</b>	<b>-78</b>	<b>-197</b>

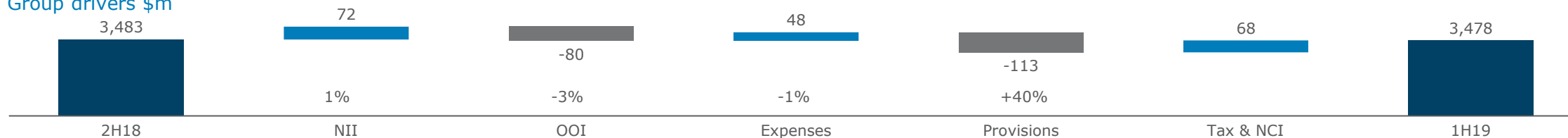
1. Divestments include Gain/(Loss) on sale and business results

# FINANCIAL PERFORMANCE

## CASH PROFIT CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

### 1H19 v 2H18

Group drivers \$m

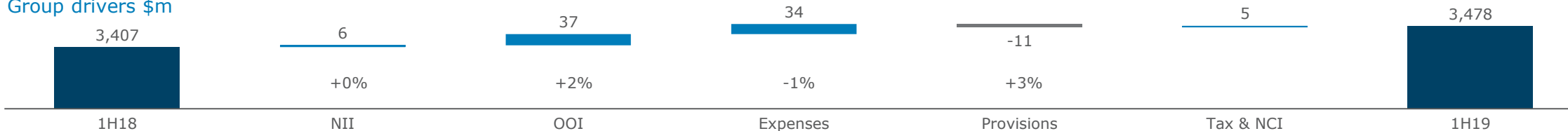


Divisional contribution to Cash Profit \$m

2H18	Australia	Institutional ex Markets	Markets	NZ	Other <sup>1</sup>	1H19
3,483	-150	+63	+31	-12	+63	3,478
1H19 v 2H18	-8%		10%	-2%		0%

### 1H19 v 1H18

Group drivers \$m



Divisional contribution to Cash Profit \$m

1H18	Australia	Institutional ex Markets	Institutional Markets	NZ	Other <sup>1</sup>	1H19
3,407	-249	+174	+76	+24	+46	3,478
1H19 v 1H18	-12%		+33%	3%		2%

1. Other divisions include Pacific, Wealth Australia, TSO & Group Centre

# FINANCIAL PERFORMANCE - DIVISIONS

## IMPACT OF DIVESTMENTS & OTHER LARGE / NOTABLE ITEMS ON DIVISIONS

\$m

Australia Division	1H19 cash continuing	Divestments	Other L/N	1H19 ex large / notable	1H18 cash continuing	Divestments	Other L/N	1H18 ex large / notable	2H18 cash continuing	Divestments	Other L/N	2H18 ex large / notable
Revenue	4,716	0	53	4,769	5,053	0	33	5,086	4,844	0	139	4,983
Expenses	1,843	0	(56)	1,787	1,905	0	(74)	1,831	1,990	0	(196)	1,794
Profit before provisions	2,873	0	109	2,982	3,148	0	107	3,255	2,854	0	335	3,189
Provisions	396	0	0	396	312	0	0	312	386	0	0	386
Cash Profit	1,733	0	76	1,809	1,983	0	75	2,058	1,726	0	233	1,959

New Zealand Division (NZD)	1H19 cash continuing	Divestments	Other L/N	1H19 ex large / notable	1H18 cash continuing	Divestments	Other L/N	1H18 ex large / notable	2H18 cash continuing	Divestments	Other L/N	2H18 ex large / notable
Revenue	1,783	(27)	0	1,756	1,804	(75)	2	1,731	1,810	(74)	16	1,752
Expenses	647	(6)	(3)	638	646	(16)	(5)	625	664	(16)	(16)	632
Profit before provisions	1,136	(21)	3	1,118	1,158	(59)	7	1,106	1,146	(58)	32	1,120
Provisions	31	0	0	31	22	0	0	22	(16)	0	0	(16)
Cash Profit	796	(16)	2	782	818	(43)	5	780	837	(43)	23	817

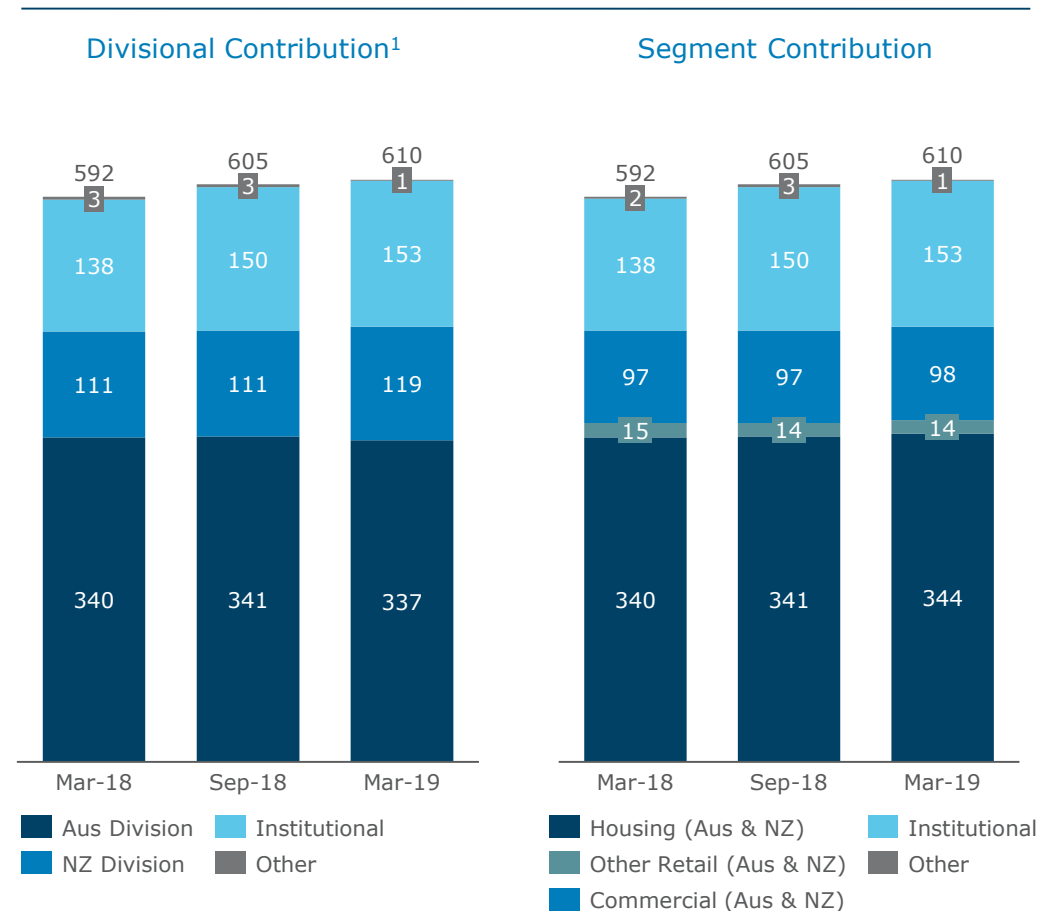
  

Institutional Division	1H19 cash continuing	Divestments	Other L/N	1H19 ex large / notable	1H18 cash continuing	Divestments	Other L/N	1H18 ex large / notable	2H18 cash continuing	Divestments	Other L/N	2H18 ex large / notable
Revenue	2,705	0	0	2,705	2,511	0	(5)	2,506	2,548	0	11	2,559
Expenses	1,320	0	(7)	1,313	1,373	0	(8)	1,365	1,575	0	(240)	1,335
Profit before provisions	1,385	0	7	1,392	1,138	0	3	1,141	973	0	251	1,224
Provisions	(35)	0	0	(35)	49	0	0	49	(93)	0	0	(93)
Cash Profit	1,012	0	5	1,017	767	0	0	767	713	0	210	923

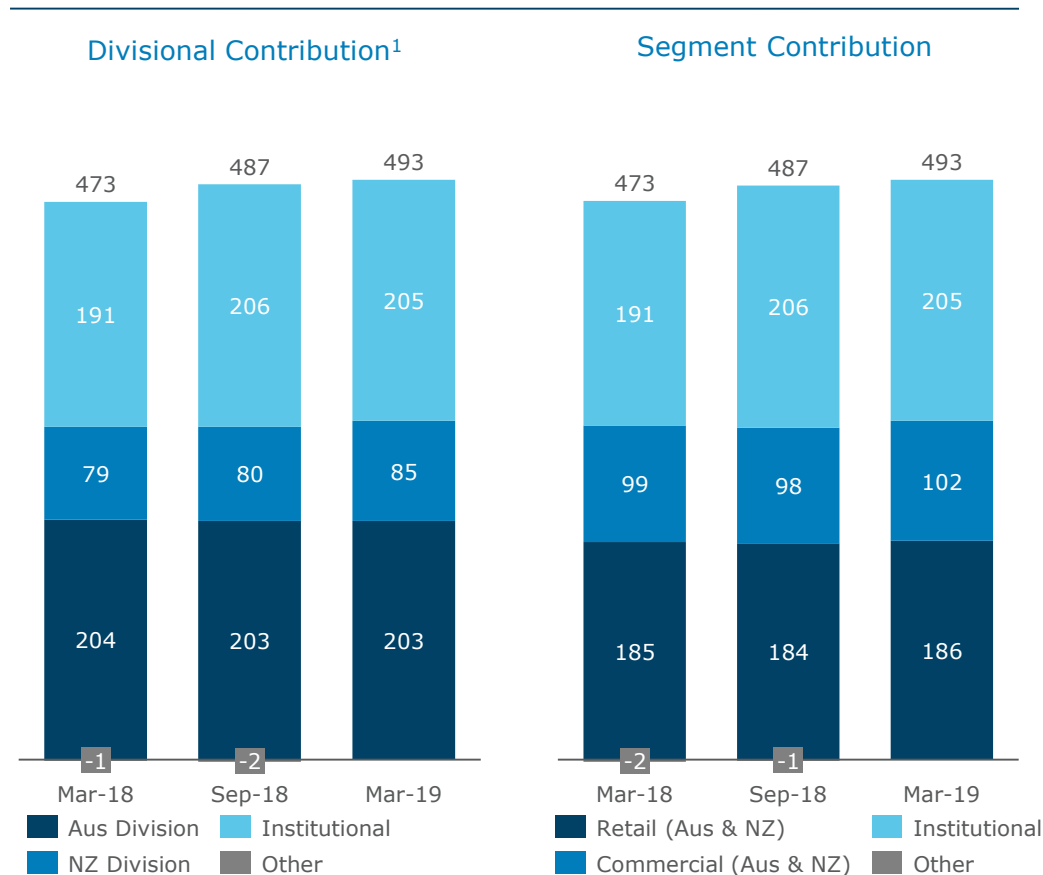
# BALANCE SHEET COMPOSITION

## BY DIVISION

### NLA (\$b)



### CUSTOMER DEPOSITS (\$b)

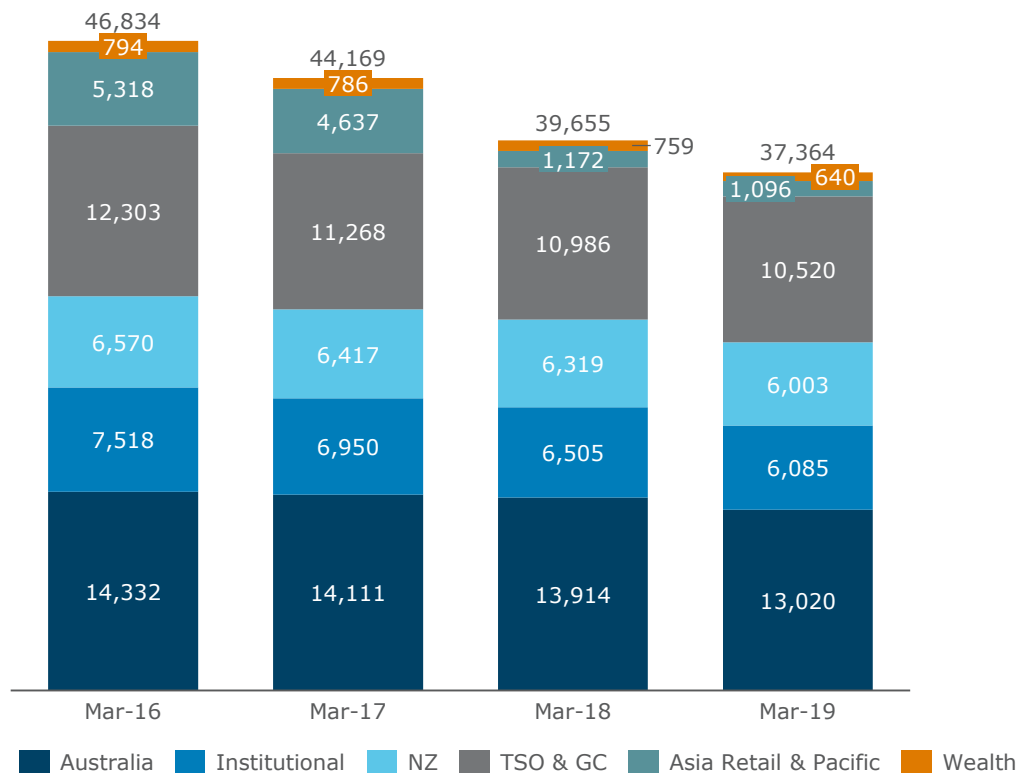


1. Other includes Wealth Australia, Pacific and TSO & Group Centre

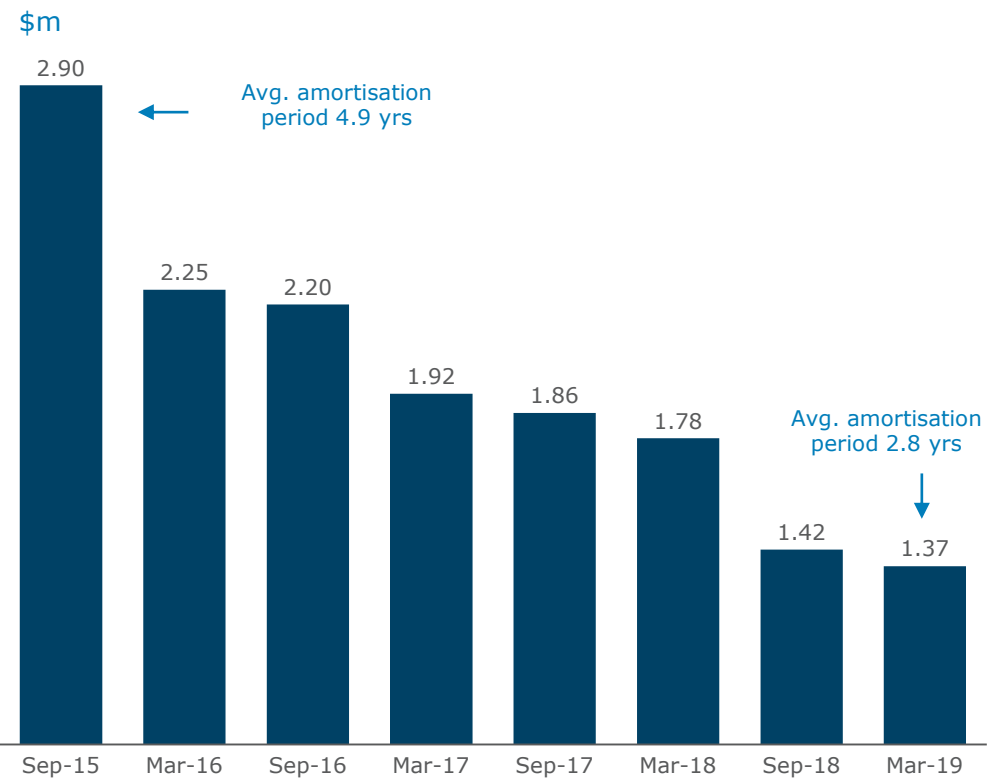
# FTE COMPOSITION & CAPITALISED SOFTWARE

## FTE MOVEMENT BY DIVISION<sup>1</sup>

FULL TIME EQUIVALENT STAFF



## CAPITALISED SOFTWARE BALANCE

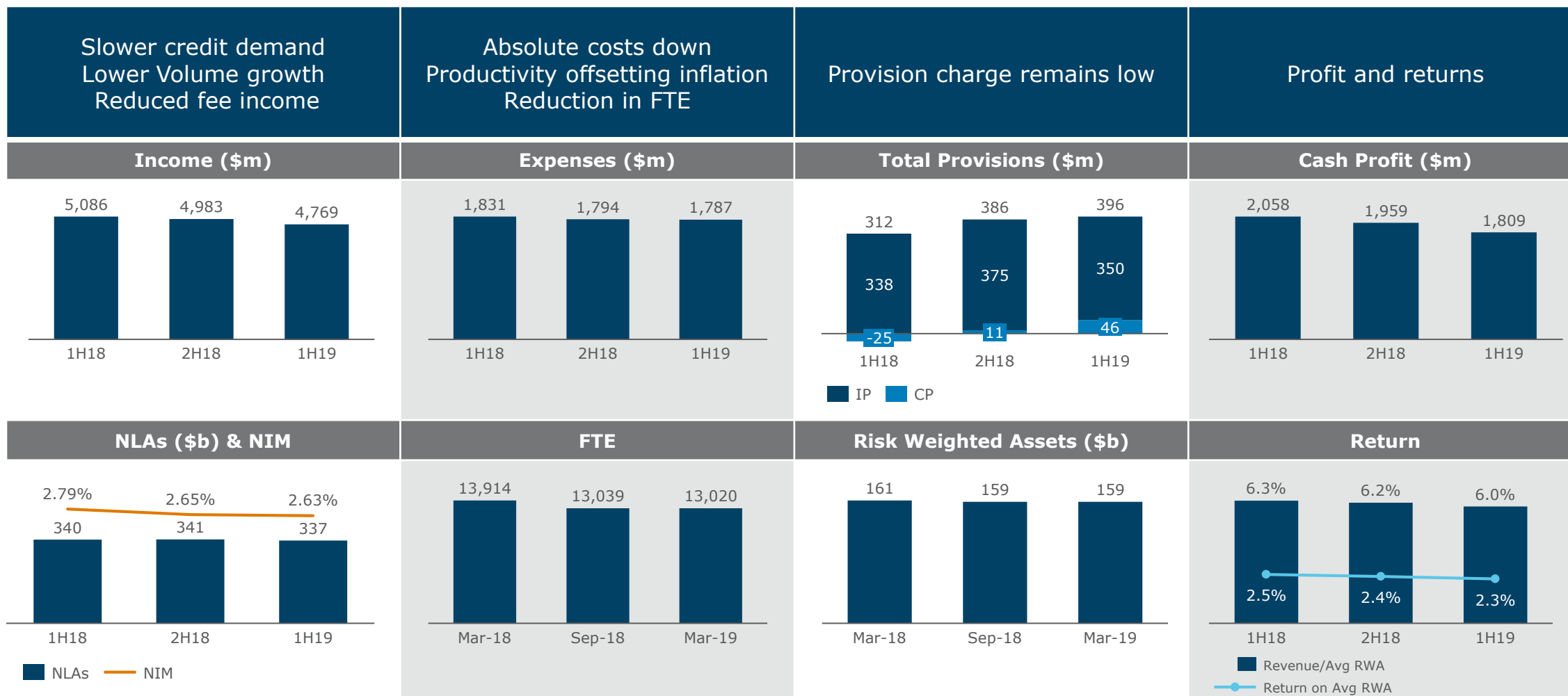


1. Continuing operations basis; End of Period



# AUSTRALIA DIVISION

## FINANCIAL PERFORMANCE: CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS



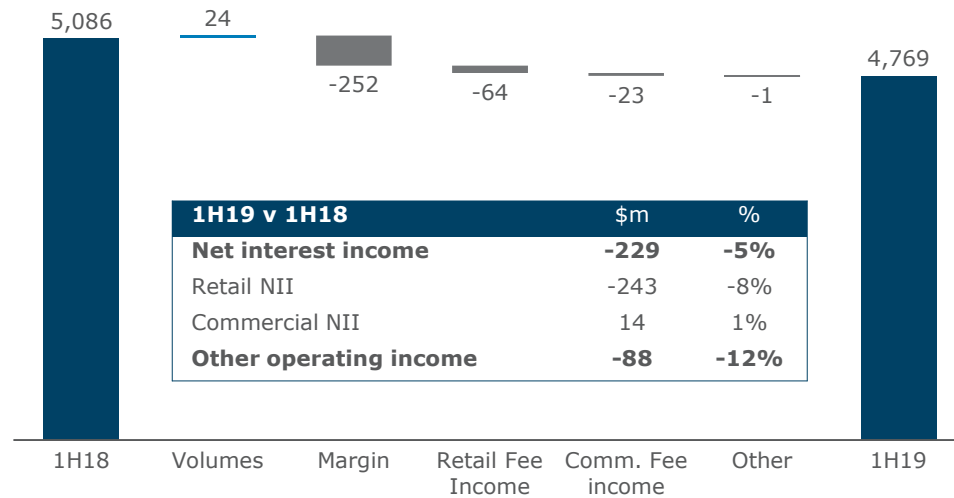
# AUSTRALIA DIVISION

## INCOME & EXPENSES: CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

### 1H19 VS 1H18 (PRIOR COMPARATIVE PERIOD VIEW)

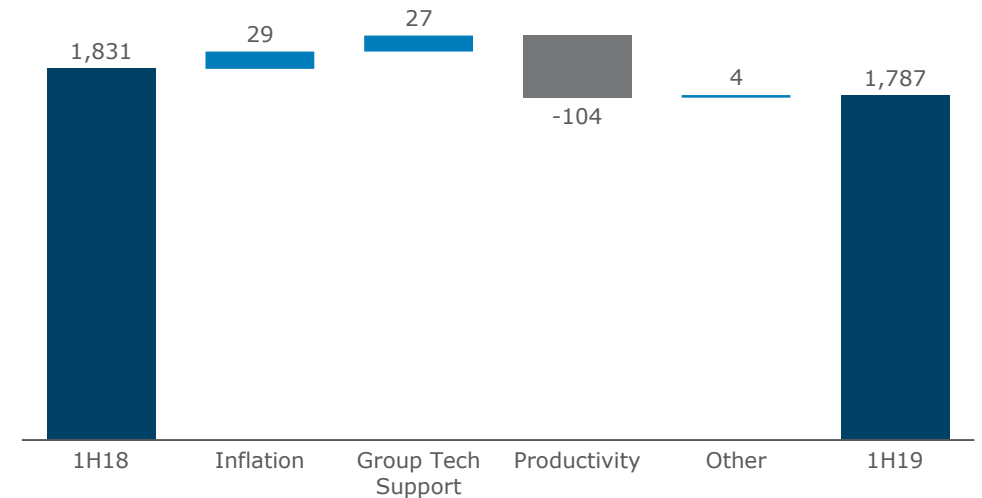
#### INCOME DRIVERS (\$m)

Revenue down 6% - Home Loan re-pricing benefits more than offset by higher funding costs, mix shifts, increased competition and discounts, regulatory changes to credit card interest calculations and fee compression.

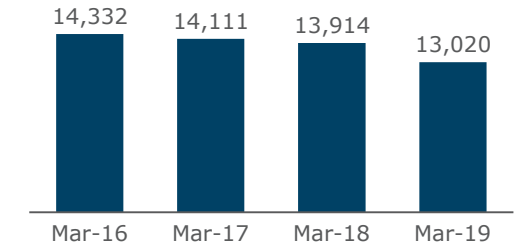


#### EXPENSE DRIVERS (\$m)

Expenses down 2% from ~900 lower FTE YOY and productivity initiatives partly offset by increases in costs from inflation and growth in technology infrastructure costs



#### Full Time Equivalent Staff (FTE)



# AUSTRALIA DIVISION

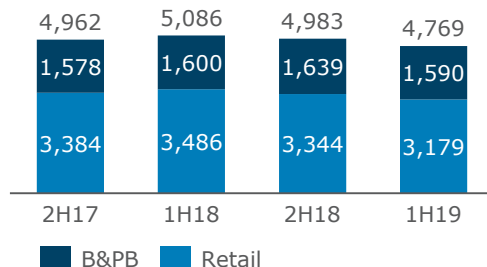
## INCOME & EXPENSES: CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

### 1H19 VS 2H18 (HALF ON HALF VIEW)

#### INCOME DRIVERS (\$m)

Revenue down 4% - home loan re-pricing benefits more than offset by product mix shifts (e.g. to P&I mortgages), increased competition and discounting, regulatory changes to credit card interest calculations and reduction of fees due to timing and compression.

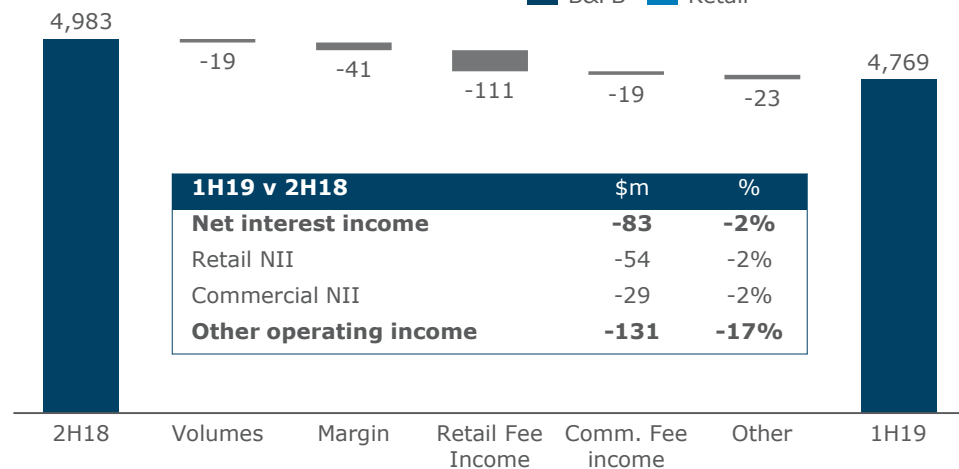
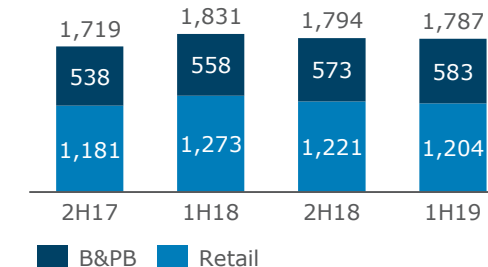
#### Revenue by business Unit (\$m)



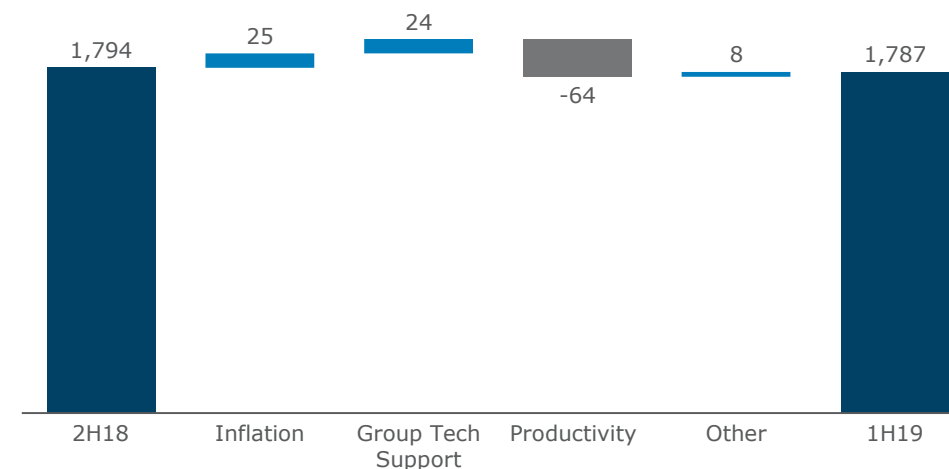
#### EXPENSE DRIVERS (\$m)

Expenses down slightly from productivity initiatives and lower average FTE offset by impact of inflation and increased technology infrastructure costs .

#### Cost by business Unit (\$m)



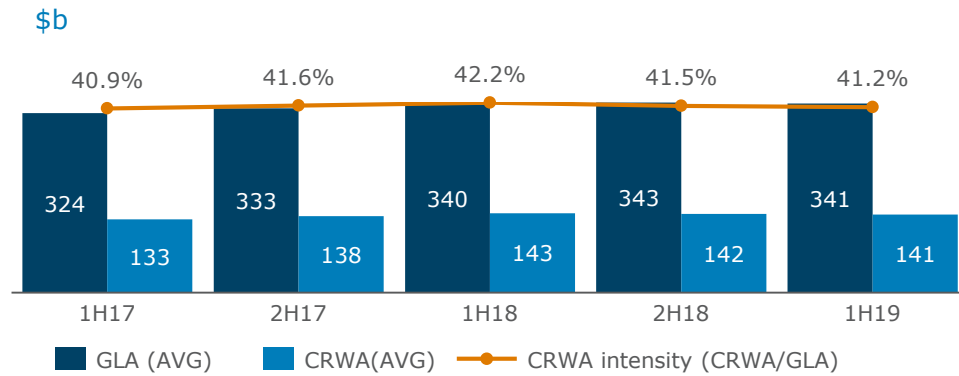
1H19 v 2H18		\$m	%
<b>Net interest income</b>		<b>-83</b>	<b>-2%</b>
Retail NII		-54	-2%
Commercial NII		-29	-2%
<b>Other operating income</b>		<b>-131</b>	<b>-17%</b>



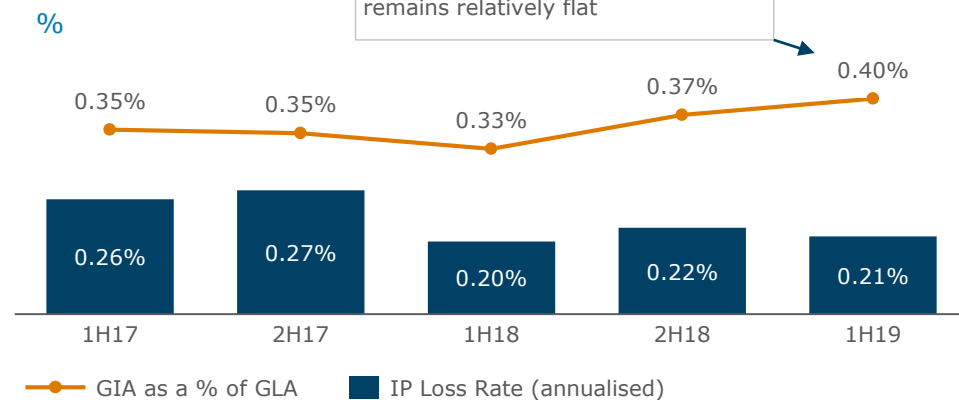
# AUSTRALIA DIVISION

## BALANCE SHEET

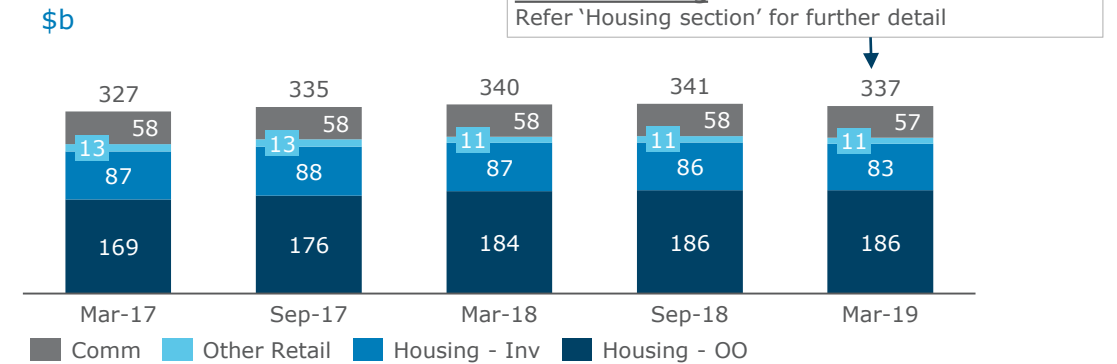
### ASSET PROFILE



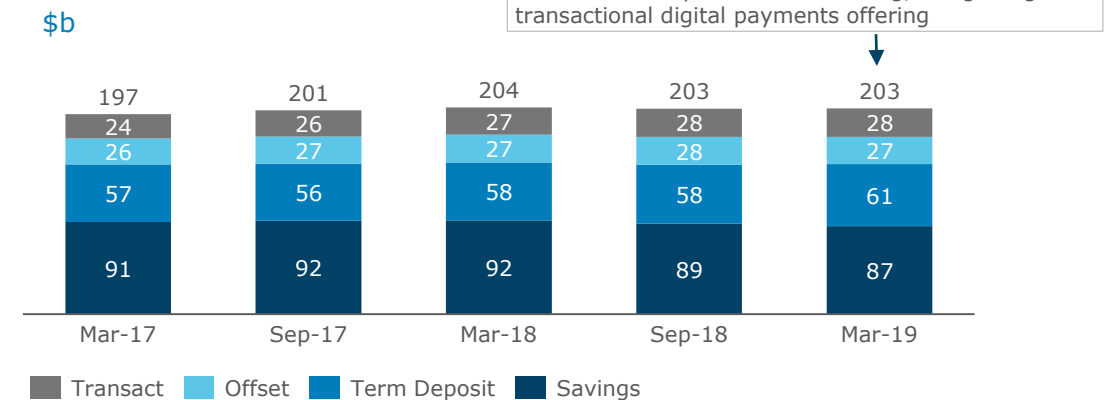
### RISK PROFILE



### NET LOANS & ADVANCES<sup>1</sup>



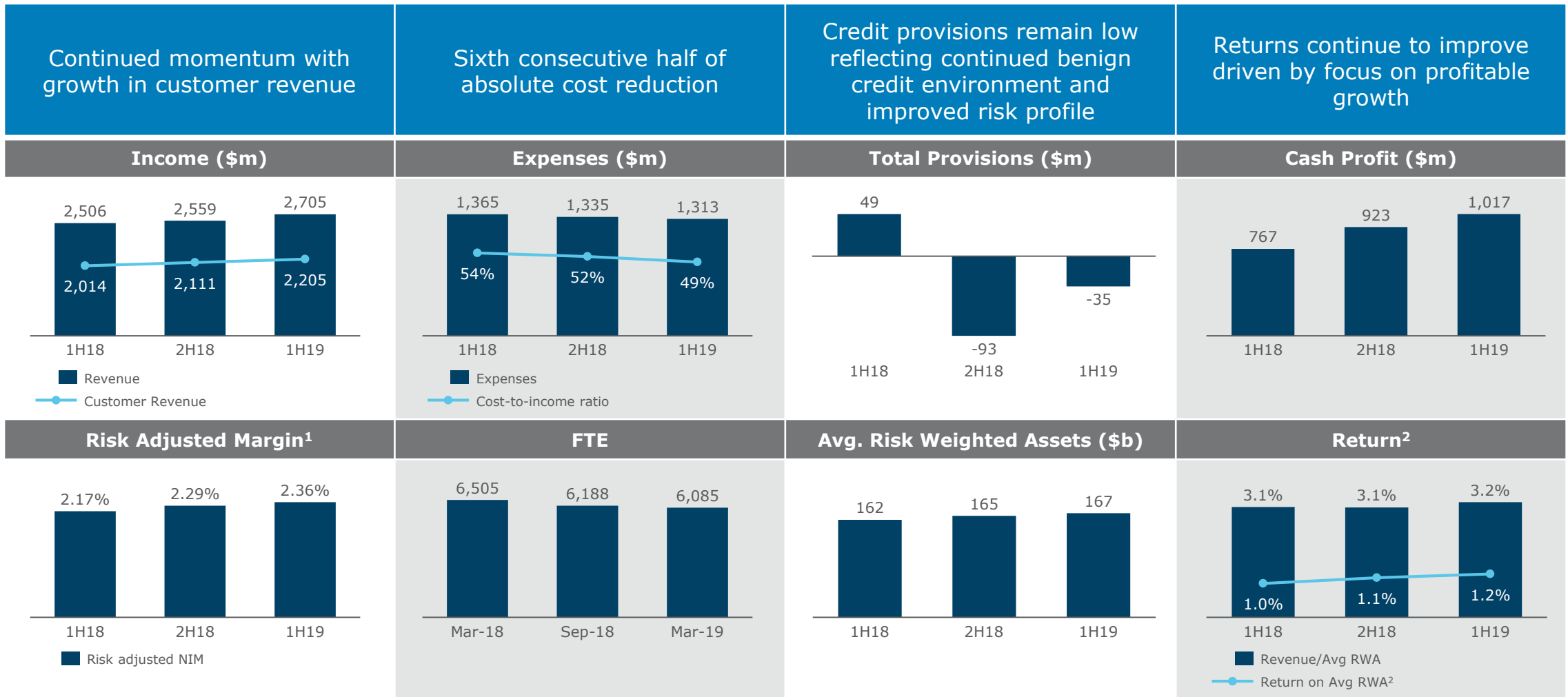
### CUSTOMER DEPOSITS



1. Housing-OO includes Equity Manager (1H18: \$8.7b, \$8.2b; 2H18); Other retail includes Australia Wealth retained

# INSTITUTIONAL

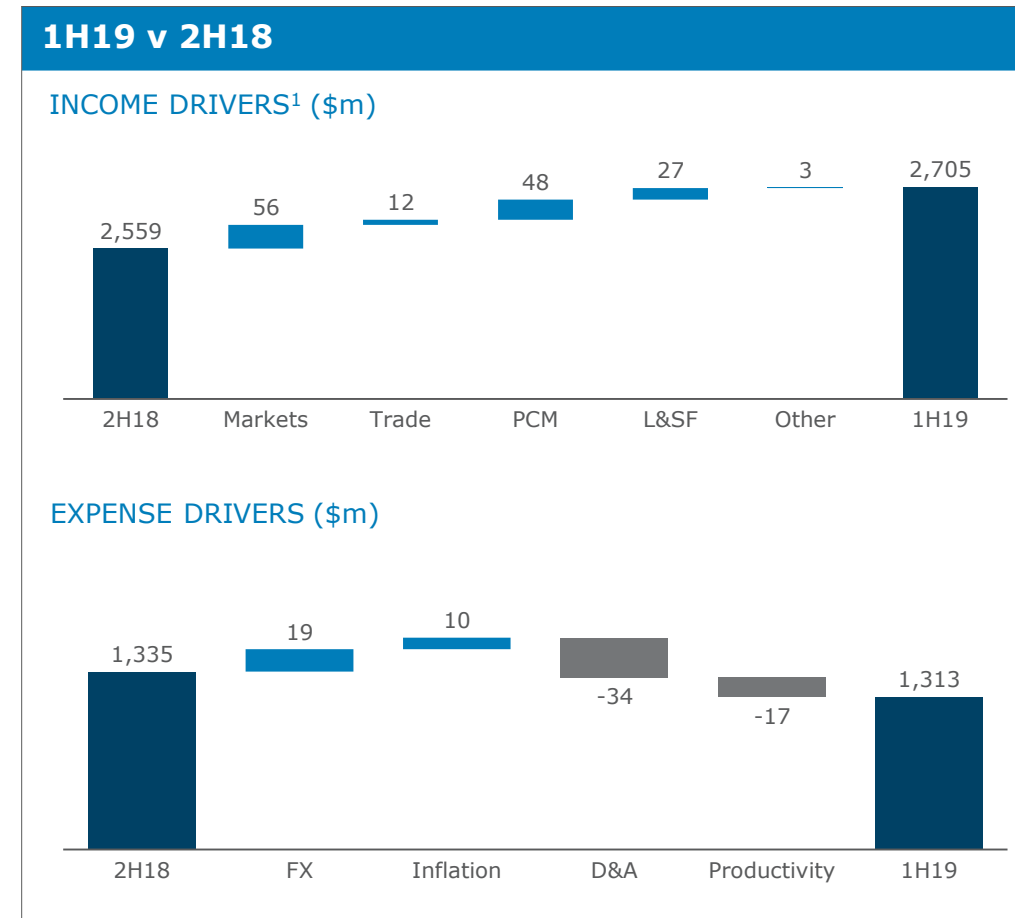
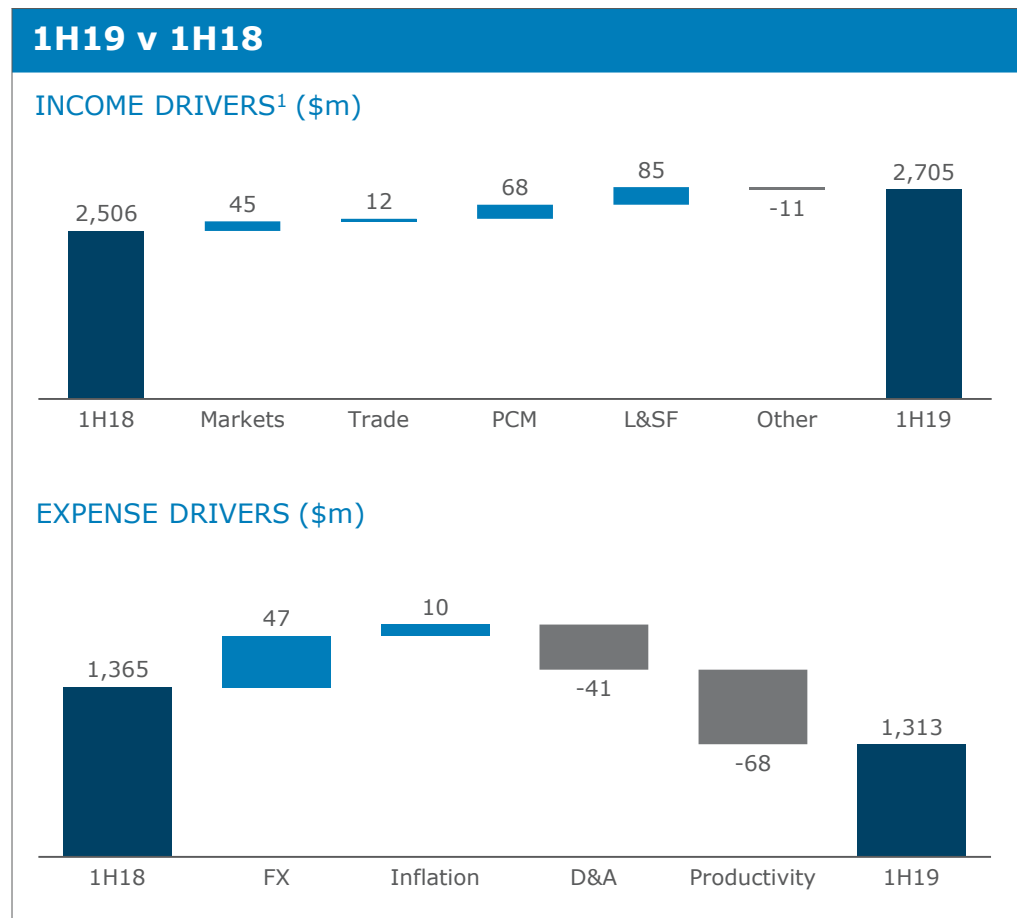
## FINANCIAL PERFORMANCE: CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS



1. Institutional ex-Markets net interest income divided by average credit risk weighted assets  
 2. Cash profit divided by average risk weighted assets

# INSTITUTIONAL

## INCOME & EXPENSES: CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

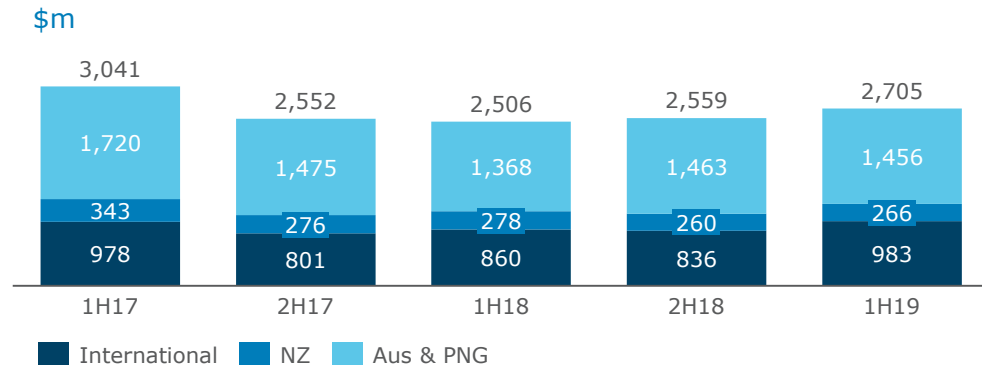


1. Trade = Trade and Supply Chain; PCM = Payments and Cash Management; L&SF = Loans and Specialised Finance

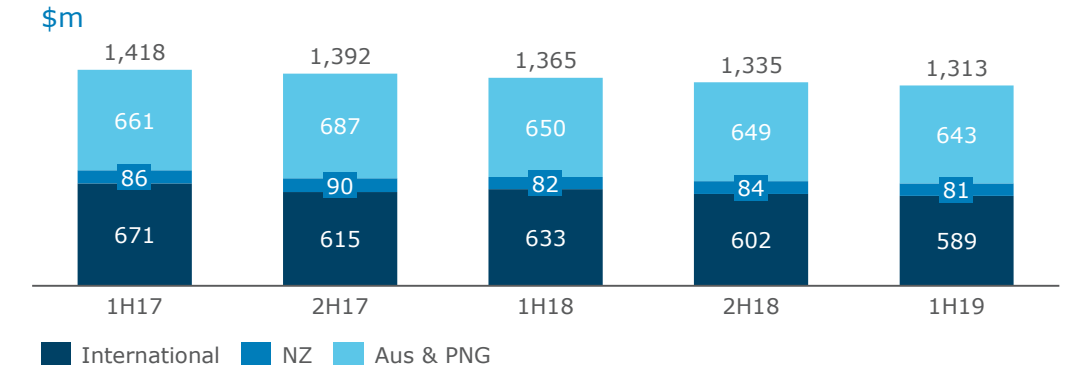
# INSTITUTIONAL

## INCOME & EXPENSES: CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

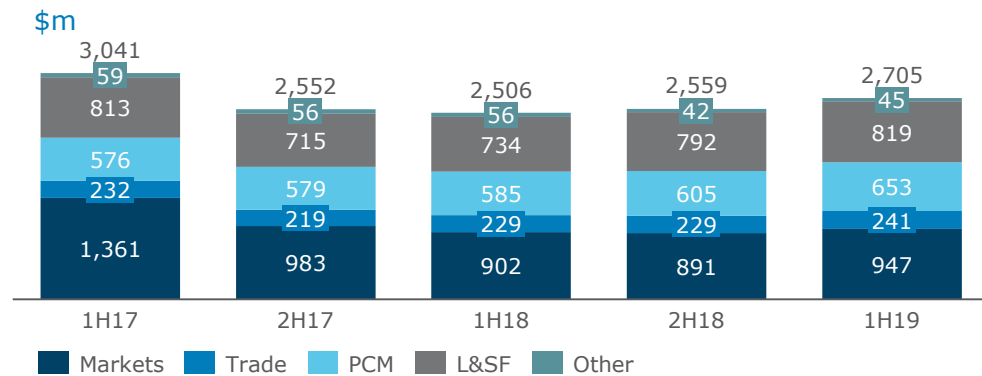
### INCOME COMPOSITION



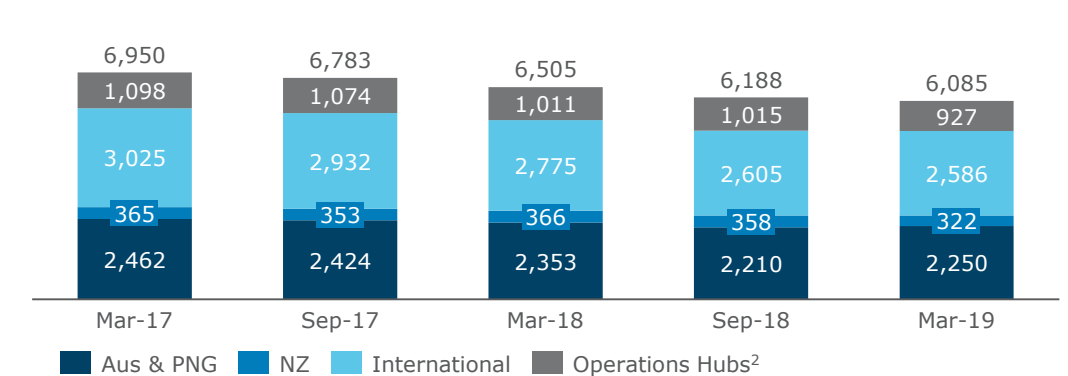
### EXPENSE COMPOSITION



### INCOME BY PRODUCT<sup>1</sup>



### FTE<sup>3</sup>

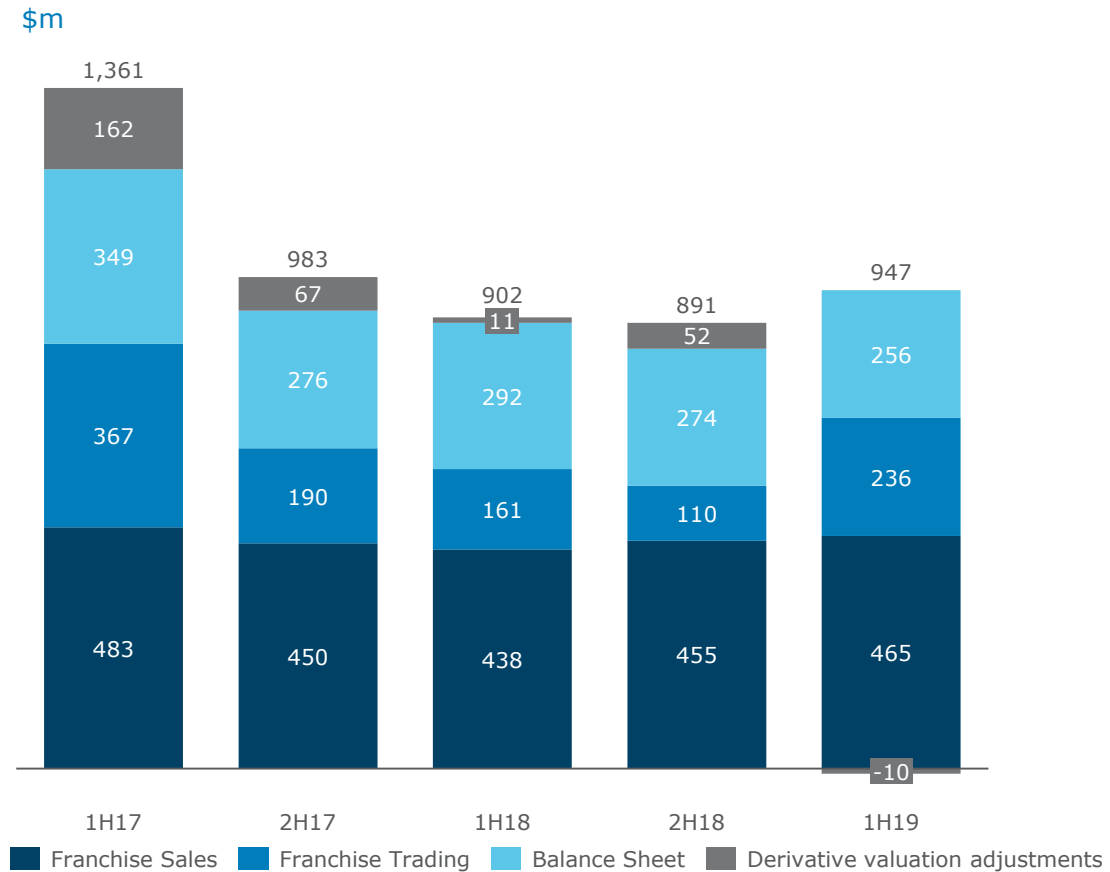


1. Trade = Trade and Supply Chain; PCM = Payments and Cash Management; L&SF = Loans and Specialised Finance  
 2. The cost associated with Operations hubs are allocated to all geographies  
 3. End of Period

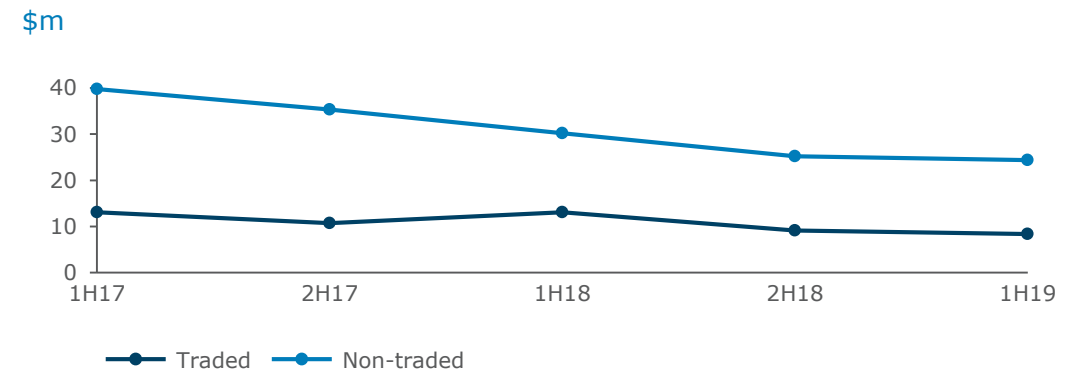
# INSTITUTIONAL

## MARKETS INCOME: CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

### MARKETS INCOME CONTRIBUTION

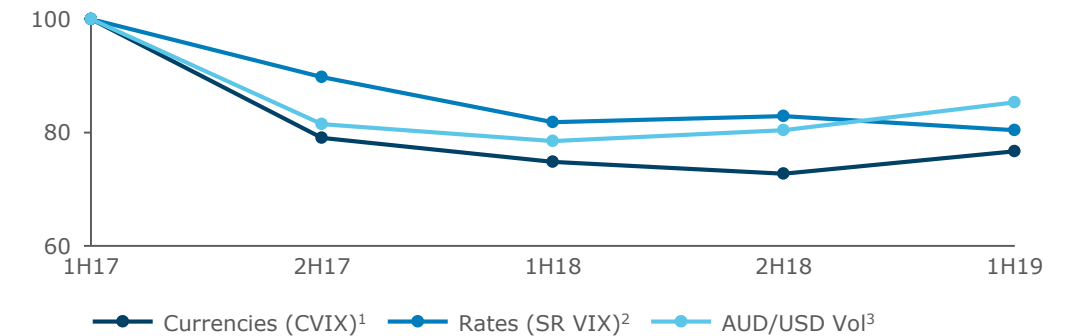


### MARKETS AVERAGE VALUE AT RISK (99% VAR)



### VOLATILITY

indexes: rebased to 100 (1H17)



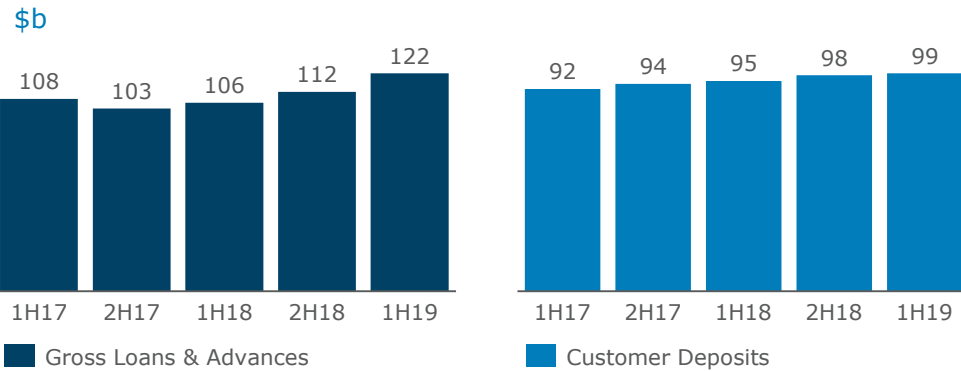
1. Deutsche Bank Currency Volatility Index – average for each period shown
2. CBOE Interest Rate Volatility Index – average for each period shown
3. AUD vs. USD 3 month at-the-money implied volatility – average for each period shown



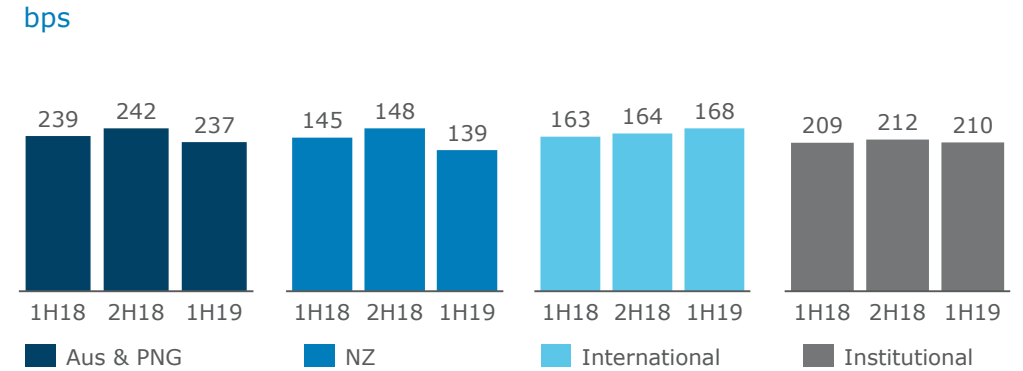
# INSTITUTIONAL

## VOLUME & MARGINS: CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

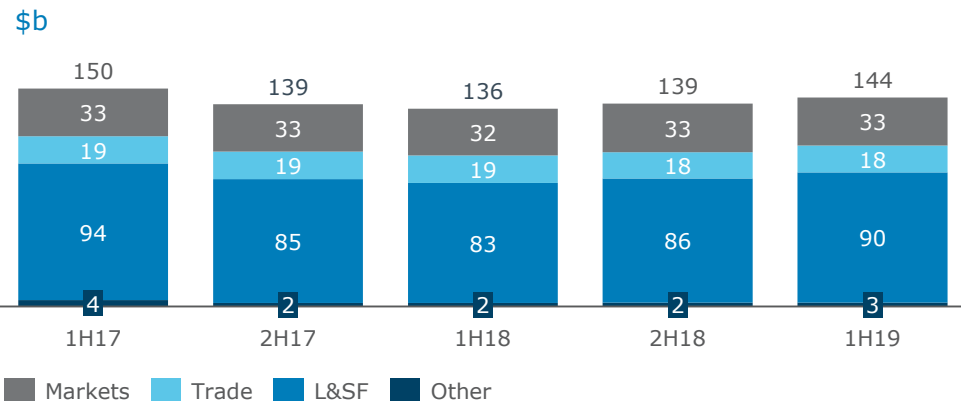
### VOLUMES<sup>1</sup>



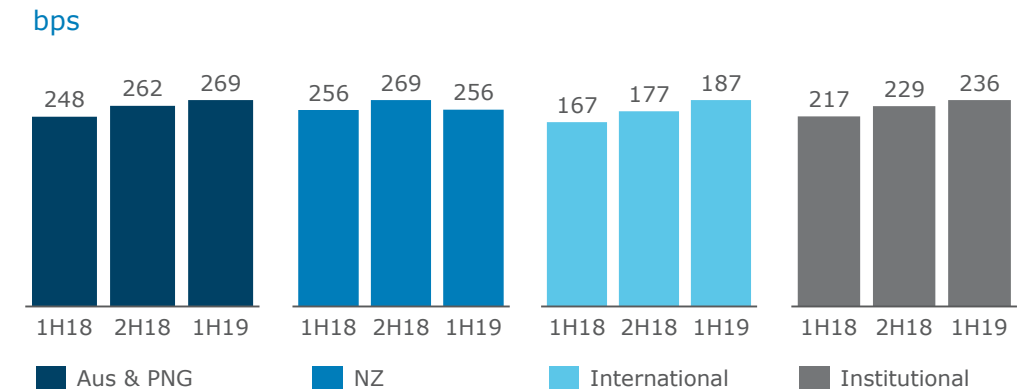
### NIM BY REGION<sup>3</sup>



### AVERAGE CREDIT RWA<sup>2</sup>



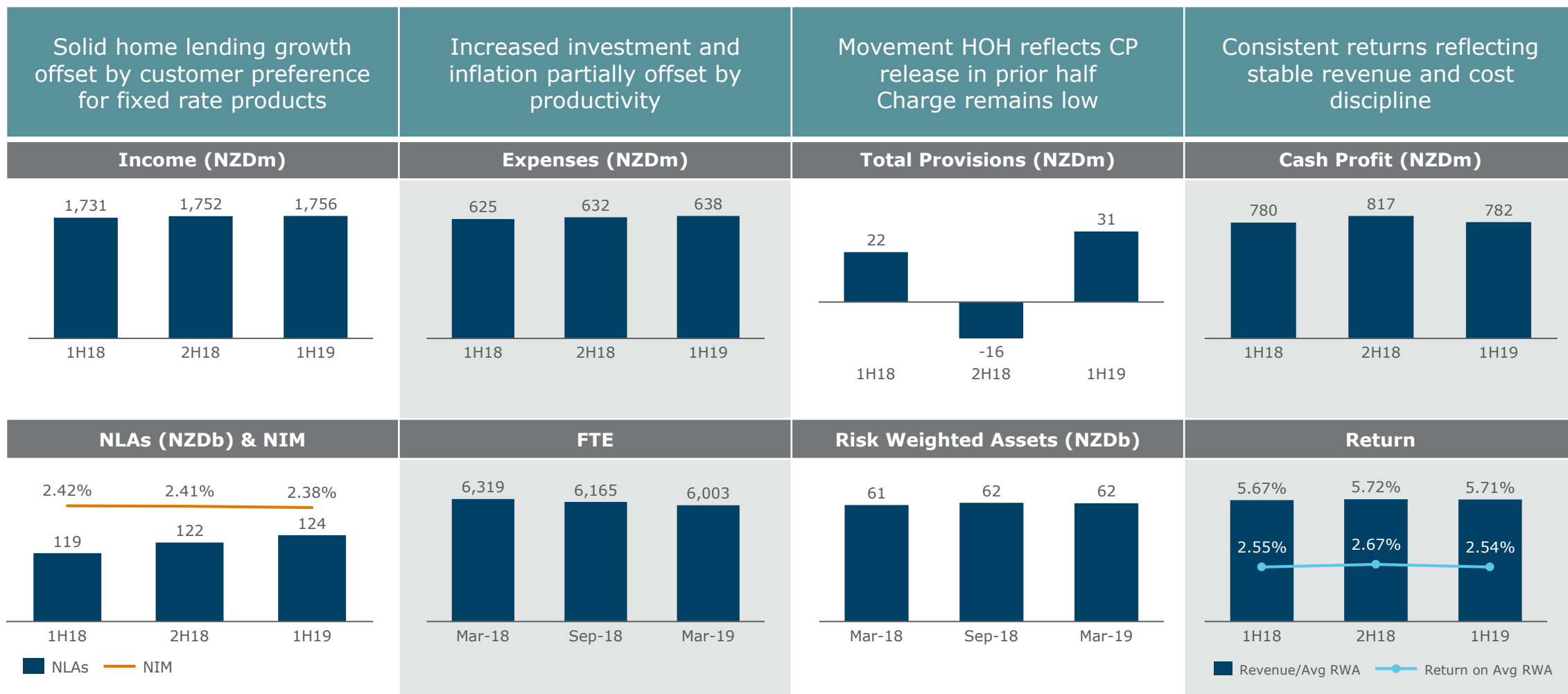
### RISK ADJUSTED NIM<sup>4</sup>



1. Average Gross Loans & Advances for L&SF and Trade, Average Customer Deposits for Payments and Cash Management; 2. Trade = Trade and Supply Chain; L&SF = Loans and Specialised Finance; 3. Institutional ex-Markets net interest margin; 4. Institutional ex-Markets net interest income divided by average credit risk weighted assets

# NEW ZEALAND DIVISION

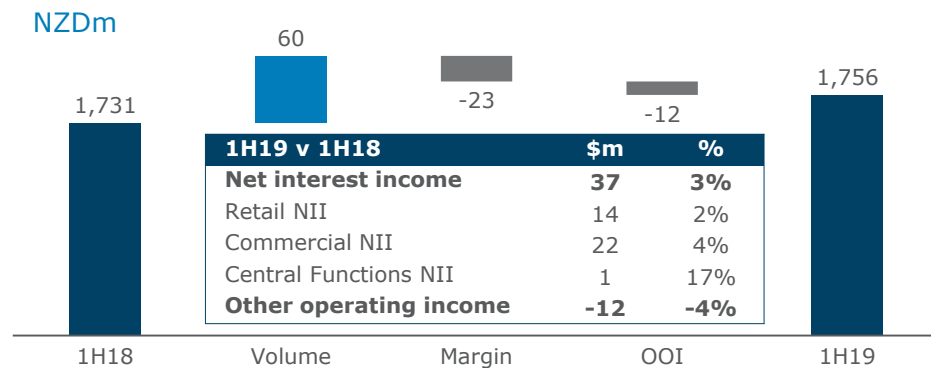
## FINANCIAL PERFORMANCE: CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS



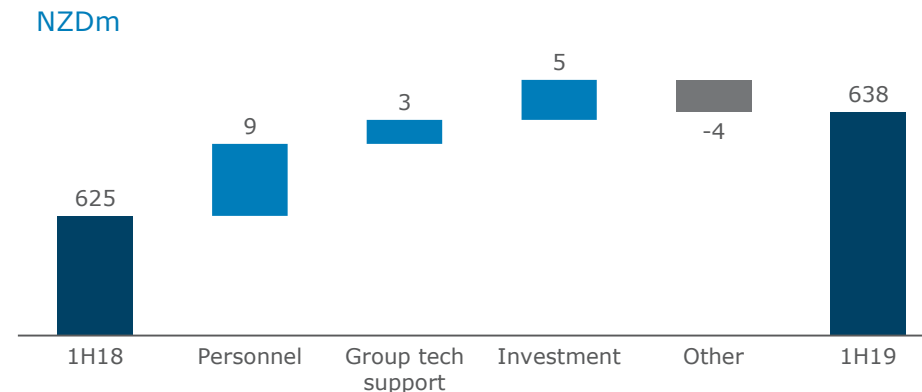
# NEW ZEALAND DIVISION

## INCOME & EXPENSES: CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

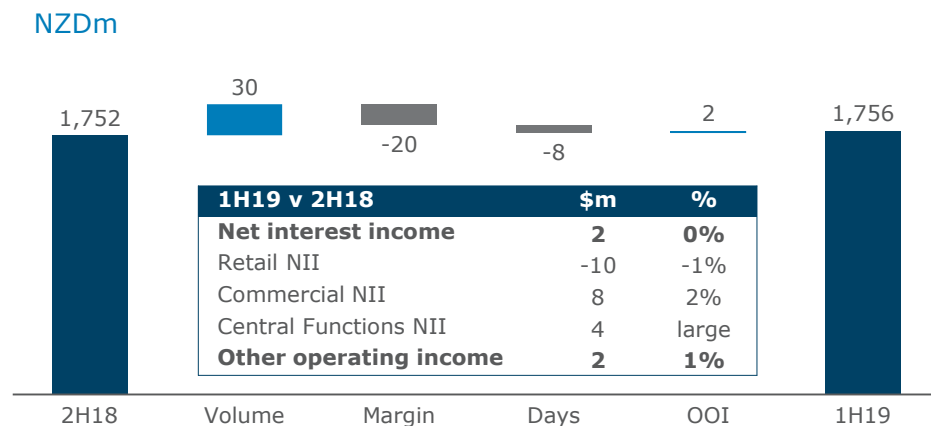
### INCOME 1H19 v 1H18 (PCP)



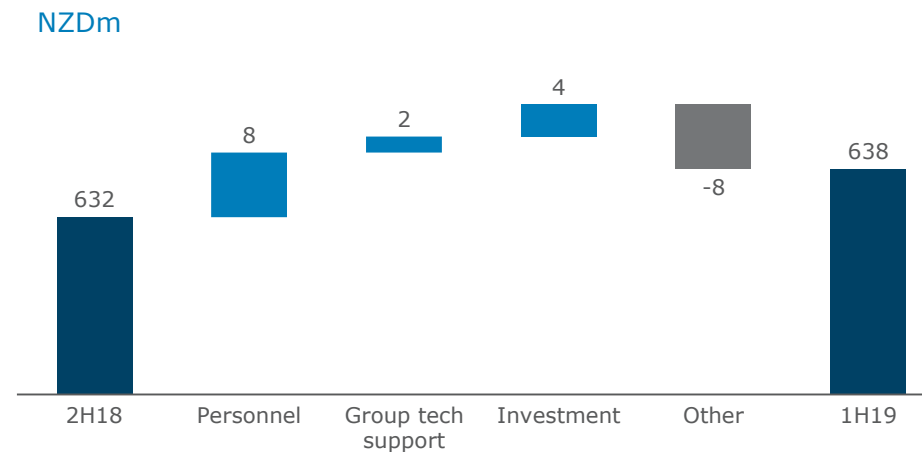
### EXPENSES 1H19 v 1H18 (PCP)



### INCOME 1H19 v 2H18 (HOH)



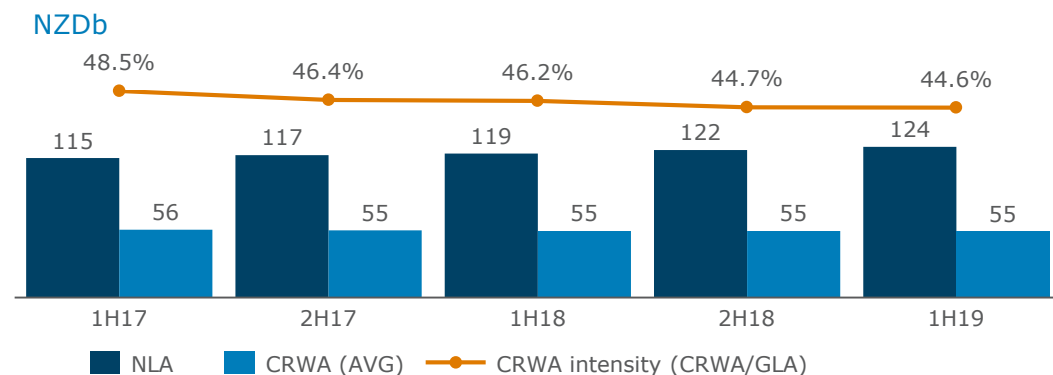
### EXPENSES 1H19 v 2H18 (HOH)



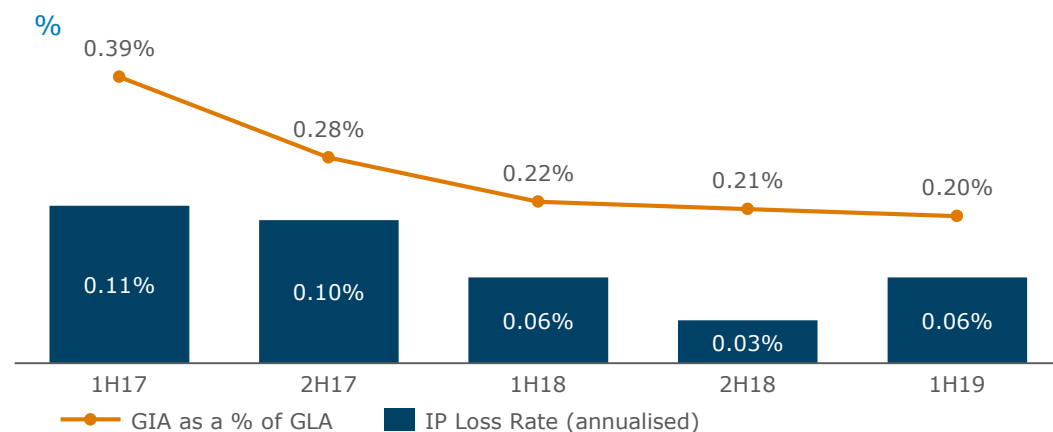
# NEW ZEALAND DIVISION

## BALANCE SHEET

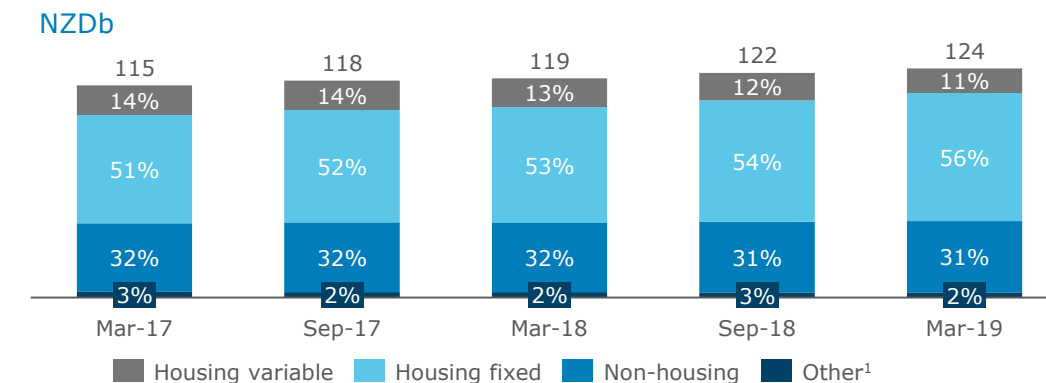
### ASSET PROFILE



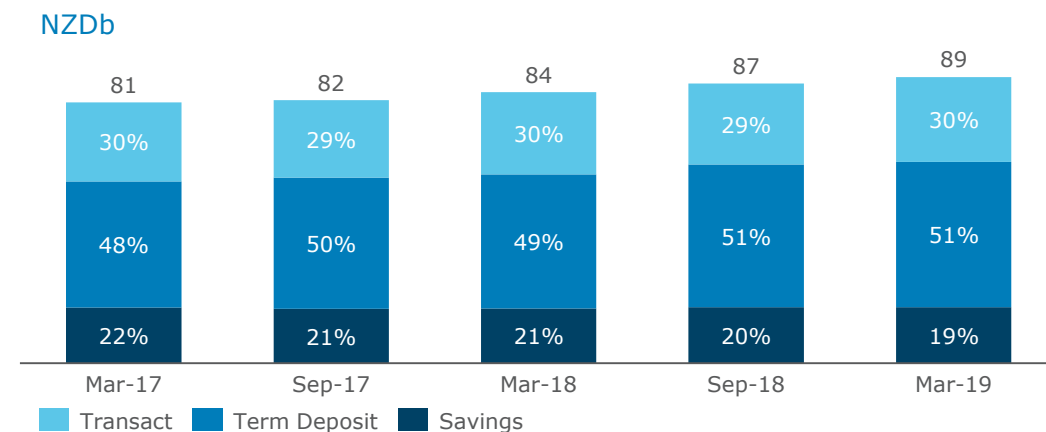
### RISK PROFILE



### GROSS LOANS & ADVANCES



### CUSTOMER DEPOSITS

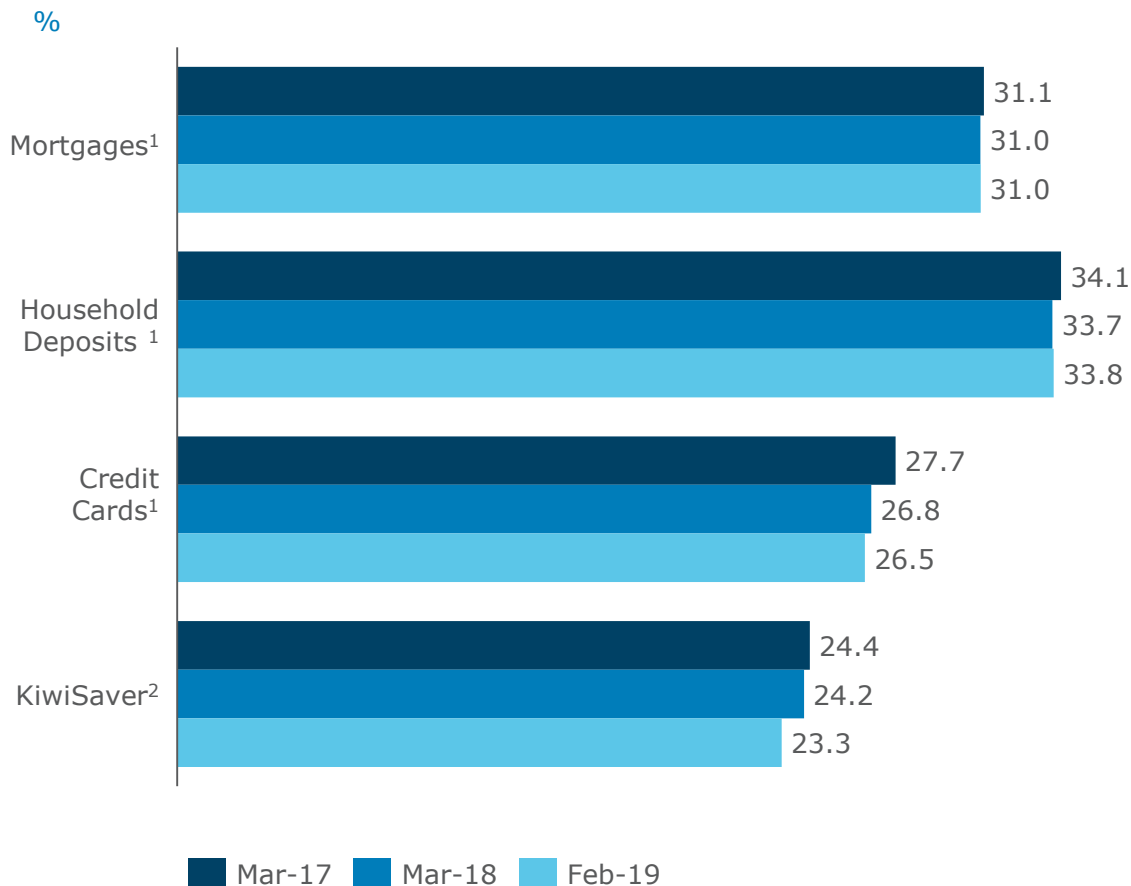


1. Other includes overdrafts, credit cards and personal loans

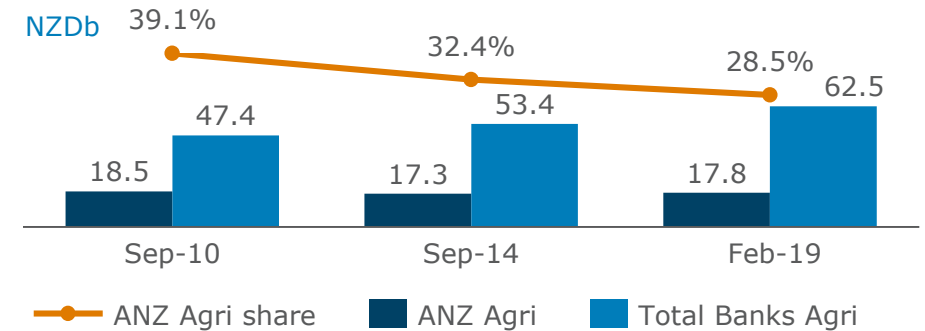
# NEW ZEALAND DIVISION

## MARKET SHARE AND BRAND STRENGTH

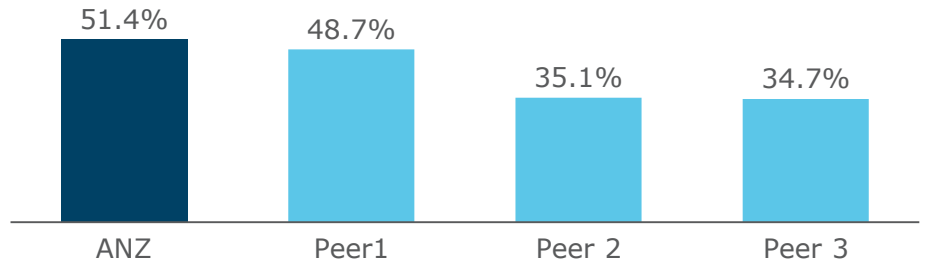
### NZ SEGMENT MARKET SHARE<sup>1</sup>



### AGRI LENDING MARKET SHARE<sup>1</sup>



### ANZ BRAND CONSIDERATION<sup>3,4</sup>

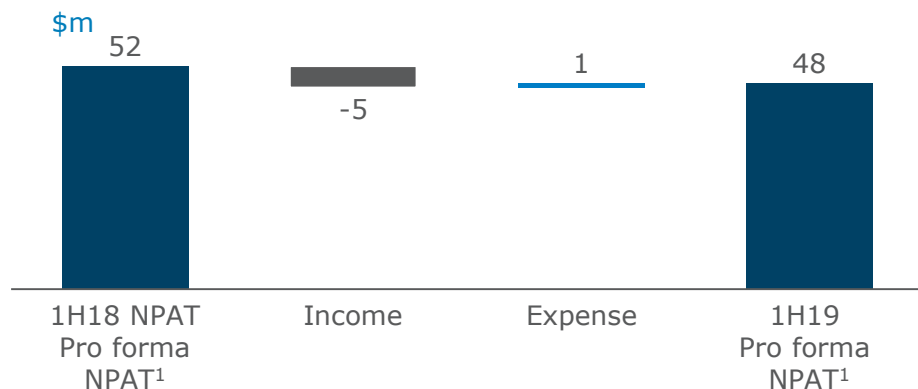


<sup>1</sup> Source: RBNZ <sup>2</sup> Source: RBNZ, FUM market share 23.3% as of December 2018; <sup>3</sup> Major four banks; <sup>4</sup> Source: McCulley Research (online survey, first choice or seriously considered); six month rolling average, March 2019.

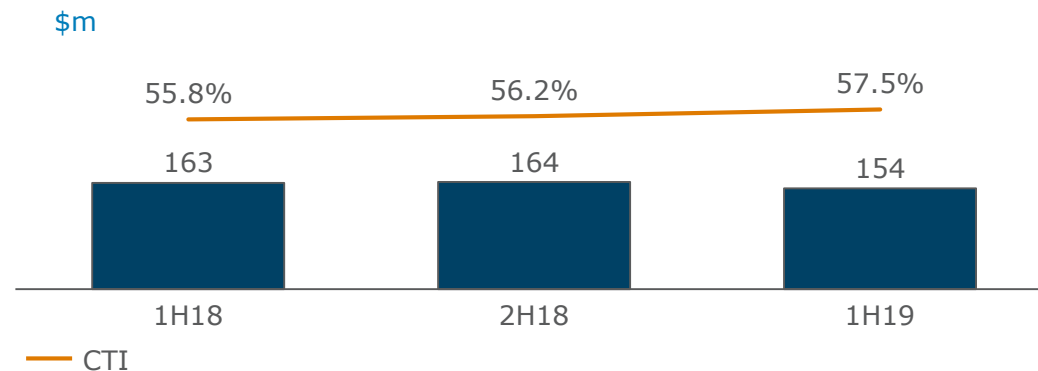
# WEALTH AUSTRALIA

## DIVESTED BUSINESSES - PENSIONS AND INVESTMENTS (P&I)

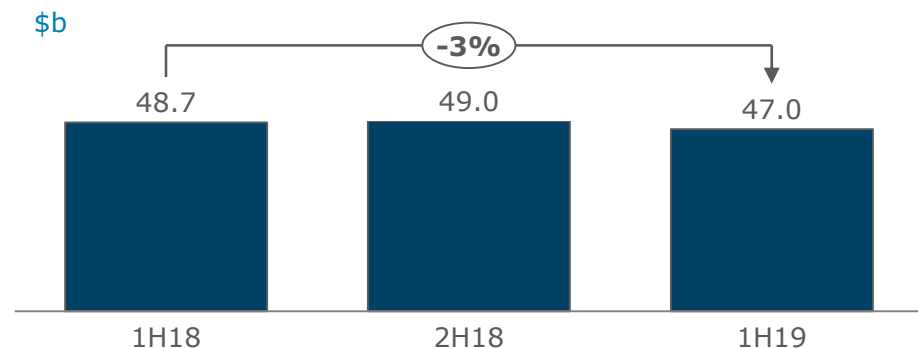
### FINANCIAL PERFORMANCE



### GROSS MARGIN<sup>2</sup>



### AVERAGE FUM<sup>3</sup>



### GUIDE TO FINANCIAL PERFORMANCE

- Prepared on a standalone pro forma basis<sup>1</sup> and excludes ANZ Group consolidation adjustments
- Is not comparable with financial performance as reported within ANZ discontinued operations
- The sale of the Aligned Dealer Groups business completed on 1 October 2018 and is excluded from the above results

1. Pro forma NPAT is prepared on a consistent basis as the UNPAT disclosed by IOOF on 17 October 2017 transaction announcement. This excludes DAC/DEF related net charges, ANZ consolidation adjustments and amortisation of acquisition related intangibles. This includes normalisation and market pricing adjustments  
 2. Gross margin excludes DAC/DEF related net charges and includes normalisation  
 3. Average FUM excludes legacy run-off portfolio of Pension and Investment products acquired by Zurich and FUM related to ANZ Private Bank trusts (Average FUM 1H18 : \$1.1b, 2H18 : \$1.4b, 1H19 : \$1.6b)

# WEALTH AUSTRALIA

## DIVESTED BUSINESSES – P&I FUM AND FLOWS

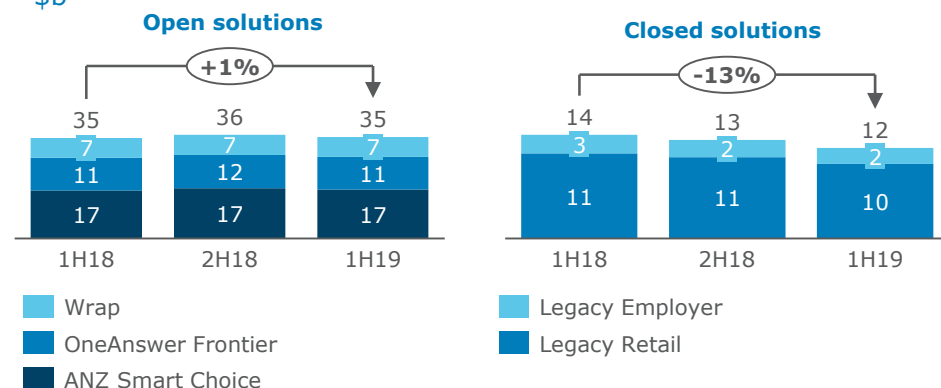
### INFLOWS AND OUTFLOWS BY SOLUTION

\$b

	1H18		2H18		1H19	
	Inflows	Outflows	Inflows	Outflows	Inflows	Outflows
<b>Open solutions</b>	<b>2.1</b>	<b>(2.0)</b>	<b>2.1</b>	<b>(2.5)</b>	<b>1.7</b>	<b>(2.3)</b>
ANZ Smart Choice	1.1	(0.8)	1.1	(1.3)	0.9	(1.0)
Wrap	0.4	(0.5)	0.4	(0.5)	0.3	(0.4)
OneAnswer Frontier	0.6	(0.7)	0.6	(0.8)	0.4	(0.8)
<b>Closed solutions</b>	<b>0.2</b>	<b>(0.9)</b>	<b>0.2</b>	<b>(1.0)</b>	<b>0.2</b>	<b>(1.0)</b>
Legacy Retail	0.1	(0.7)	0.2	(0.8)	0.2	(0.8)
Legacy Employer	0.0	(0.2)	0.1	(0.2)	0.0	(0.2)
<b>Total</b>	<b>2.3</b>	<b>(2.9)</b>	<b>2.3</b>	<b>(3.5)</b>	<b>1.9</b>	<b>(3.3)</b>

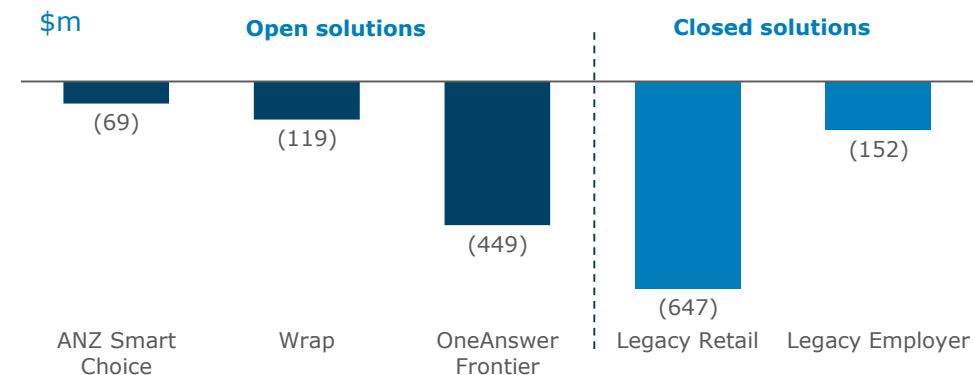
### AVERAGE FUM BY SOLUTION<sup>1</sup>

\$b



### 1H19 NETFLOWS BY SOLUTION

\$m



### GUIDE TO FUM AND FLOW DISCLOSURES

- Definition of open and closed solutions is consistent with the classification disclosed by IOOF on 17 October 2017 ASX announcement and it is not comparable with Funds Management cash flows by product historically published in ANZ results
- FUM and flows information presented herein is not comparable with industry data as it excludes products not acquired by IOOF
- FUM outflows include pension payments
- This analysis has been prepared on a standalone pro forma basis

1. Average FUM excludes legacy run-off portfolio of Pension and Investment products acquired by Zurich and FUM related to ANZ Private Bank trusts (Average FUM 1H18 : \$1.1b, 2H18 : \$1.4b, 1H19 : \$1.6b). NOTE: The sum of inflows and outflows by solution may not align to total due to rounding.

# 2019 HALF YEAR RESULTS

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TREASURY  
INVESTOR DISCUSSION PACK

1 MAY 2019

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED





# REGULATORY CAPITAL

## CAPITAL UPDATE

### Capital Position

- APRA Level 2 CET1 ratio of 11.5% (or 16.9% on an Internationally Comparable basis<sup>1</sup>), which is in excess of APRA's 'unquestionably strong' benchmark<sup>2</sup>, well ahead of the 2020 implementation timeframe.
- APRA Level 1 CET1 ratio of 11.2%. Level 1 consolidation primarily comprises ANZ BGL (the Parent including offshore branches) but excludes offshore banking subsidiaries<sup>3</sup>.
- APRA Leverage ratio of 5.4% (or 6.0% on an Internationally Comparable basis).
- Completed the \$3bn on-market share buy-back.
- Level 2 capital benefits from divestments yet to settle: OPL (~40bp) and P&I (~20bp)

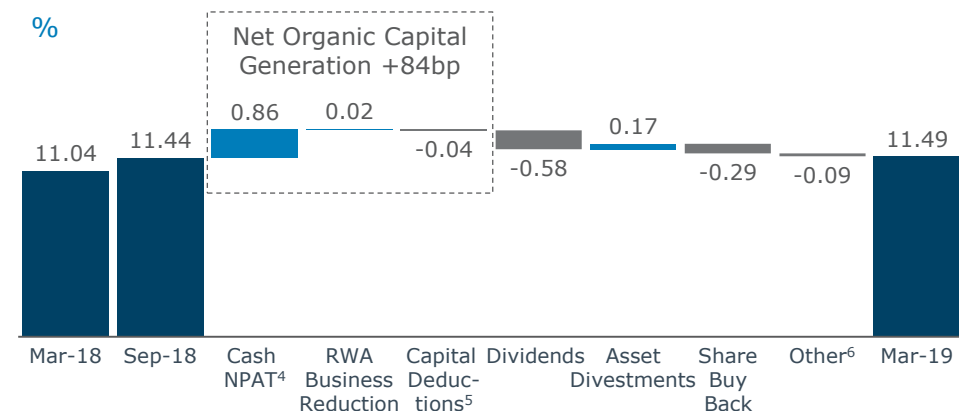
### Organic Capital Generation & Dividend

- Final dividend of 80 cents per share fully franked.
- Net organic capital generation of 84bp for 1H19 compares favourably to historical averages (60bp ex Institutional rebalancing in FY16 and FY17).

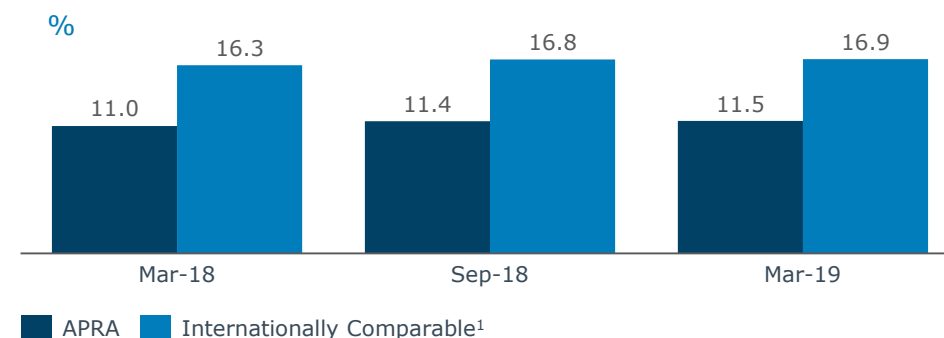
### Capital Outlook – Regulatory Development

- RBNZ capital proposal – Potential capital increase in New Zealand of NZ\$6bn to NZ\$8bn (as per ASX announcement of 14 December) although the final impact on the Group depends on the outcome of the RBNZ consultation and other reviews currently underway by APRA.
- APRA loss absorbing capacity proposal – APRA is considering feedback from the industry. The proposal requires an increase in loss absorbing capacity of between 4% and 5% of RWA.
- Other ongoing APRA regulatory reviews potentially impacting the future capital position include: Revisions to capital framework (RWA), Unquestionably Strong capital calibration, Transparency, Comparability and Flexibility proposals and Related Party Exposures.

## APRA LEVEL 2 COMMON EQUITY TIER 1 (CET1)



## LEVEL 2 BASEL III CET1



1. Internationally Comparable methodology aligns with APRA's information paper entitled International Capital Comparison Study (13 July 2015). Basel III Internationally Comparable ratios do not include an estimate of the Basel I capital floor. 2. Based on APRA information paper "Strengthening banking system resilience – establishing unquestionably strong capital ratios" released in July 2017. 3. Refer to ANZ Basel III APS330 Pillar 3 disclosures. 4. Cash NPAT excludes 'Large/notable' items'. 5. Represents the movement in retained earnings in deconsolidated entities, capitalised software, expected losses in excess of eligible provisions shortfall and other intangibles. 6. Other impacts include large/notable items affecting the March 2019 cash earnings, movements in non-cash earnings, RWA modelling changes and net foreign currency translation.

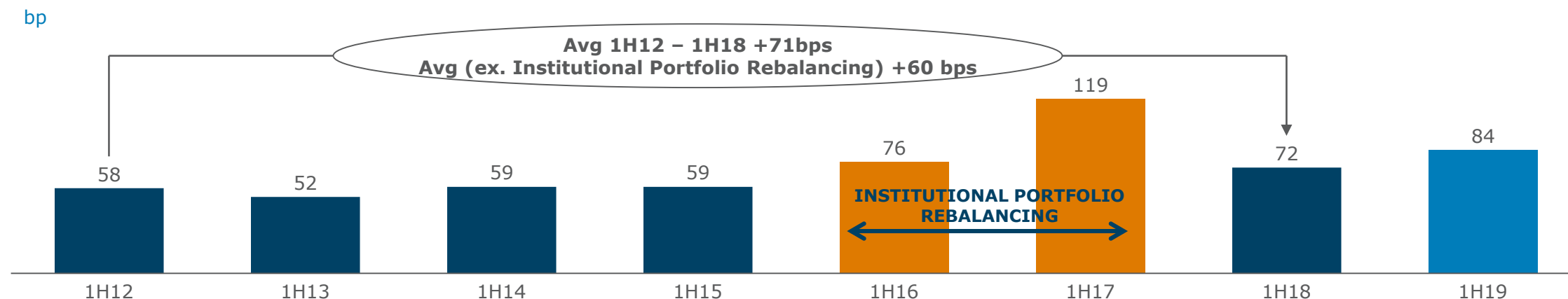
# REGULATORY CAPITAL GENERATION

COMMON EQUITY TIER 1 GENERATION (bp)	First half average 1H12-1H18	1H19
Cash NPAT <sup>1</sup>	96	86
RWA movement	(12)	2
Capital Deductions <sup>2</sup>	(13)	(4)
<b>Net capital generation</b>	<b>71</b>	<b>84</b>
Gross dividend	(67)	(59)
Dividend Reinvestment Plan <sup>3</sup>	9	1
<b>Core change in CET1 capital ratio</b>	<b>13</b>	<b>26</b>
Other non-core and non-recurring items	8	(21)
<b>Net change in CET1 capital ratio</b>	<b>21</b>	<b>5</b>

## Organic Capital Generation

- Net organic capital generation of +84bp for 1H19 is stronger than historical averages by +13bp.
- Excluding the halves with Institutional portfolio rebalancing, 1H19 net organic capital generation was +24bp stronger than prior period averages.

## HISTORICAL NET ORGANIC CAPITAL GENERATION



1. Cash NPAT excludes 'large/notable items' (which are included as "other non-core and non-recurring items").

2. Represents movement in retained earnings in deconsolidated entities, capitalised software, expected losses in excess of eligible provisions shortfall and other intangibles.

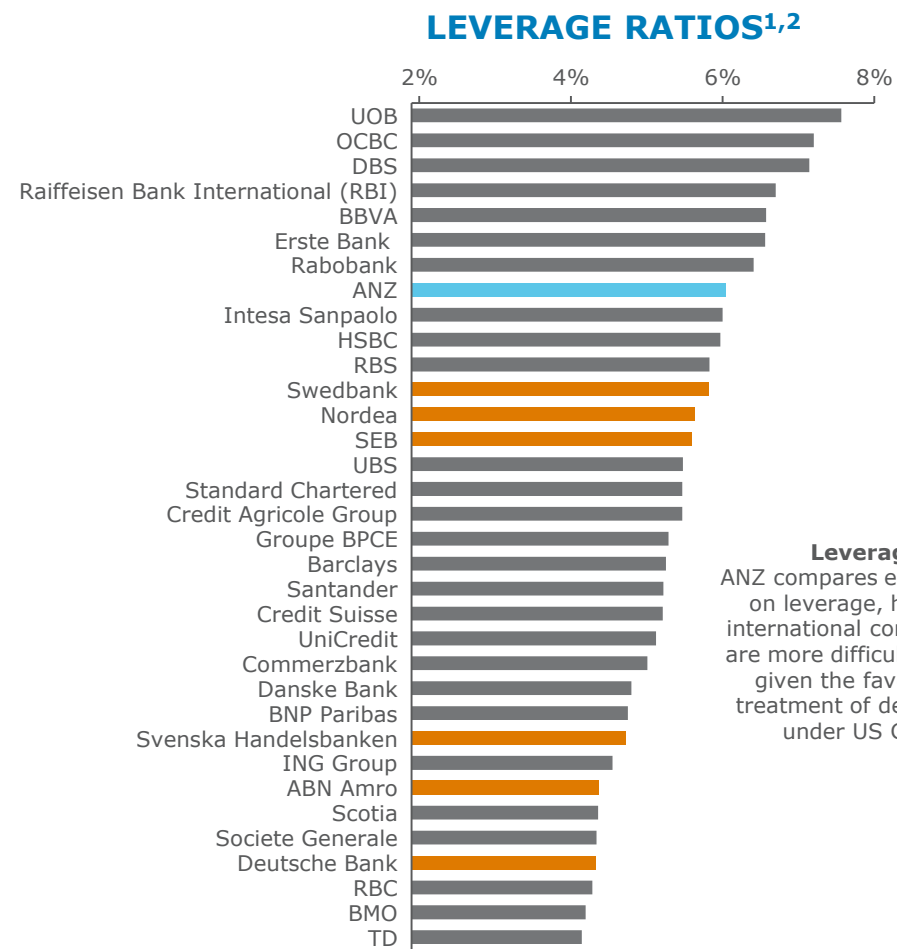
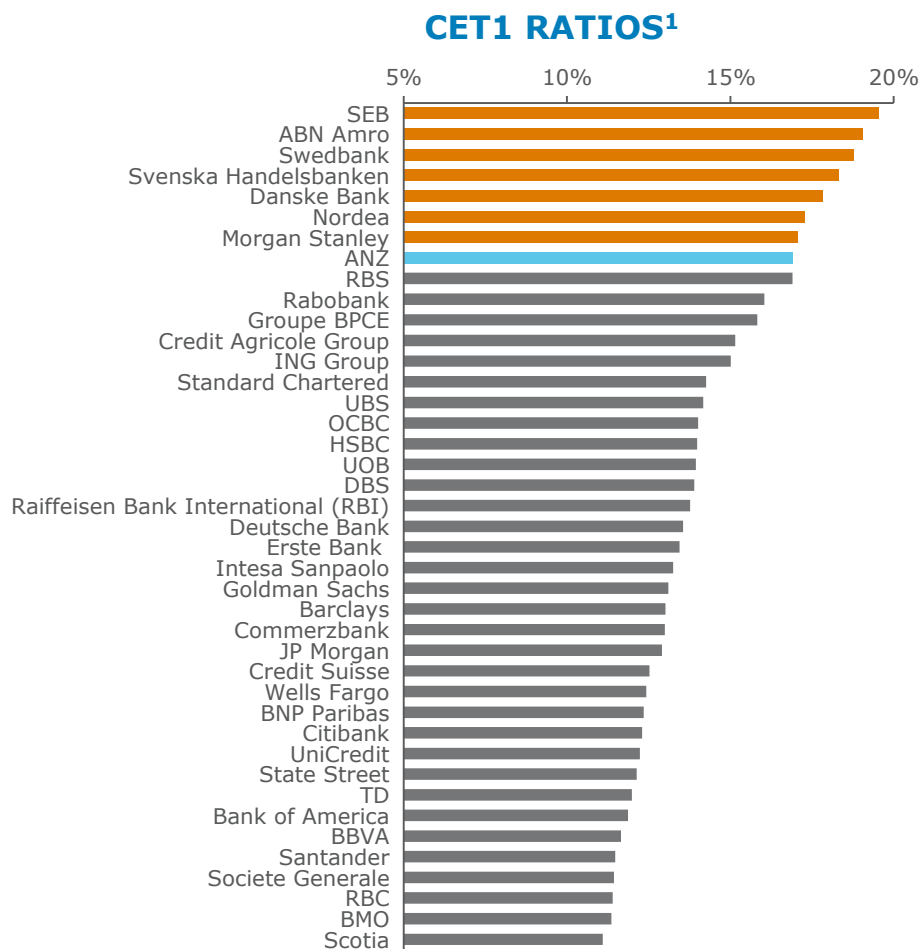
3. Includes Bonus Option Plan.

# INTERNATIONALLY COMPARABLE<sup>1</sup> REGULATORY CAPITAL POSITION

<b>APRA Level 2 CET1 – 31 March 2019</b>		<b>11.5%</b>
Corporate undrawn EAD and unsecured LGD adjustments	Australian ADI unsecured corporate lending LGDs and undrawn CCFs exceed those applied in many jurisdictions	1.7%
Equity Investments & DTA	APRA requires 100% deduction from CET1 vs. Basel framework which allows concessional threshold prior to deduction	1.0%
Mortgages	APRA requires use of 20% mortgage LGD floor vs. 10% under Basel framework. Additionally, APRA also requires a higher correlation factor vs 15% under Basel framework.	1.3%
Specialised Lending	APRA requires supervisory slotting approach which results in more conservative risk weights than under Basel framework	0.8%
IRRBB RWA	APRA includes in Pillar 1 RWA. This is not required under the Basel framework	0.2%
Other	Includes impact of deductions from CET1 for capitalised expenses and deferred fee income required by APRA, currency conversion threshold and other retail standardised exposures	0.4%
<b>Basel III Internationally Comparable CET1</b>		<b>16.9%</b>
<b>Basel III Internationally Comparable Tier 1 Ratio</b>		<b>19.3%</b>
<b>Basel III Internationally Comparable Total Capital Ratio</b>		<b>21.7%</b>

1. Internationally Comparable methodology aligns with APRA's information paper entitled International Capital Comparison Study (13 July 2015). Basel III Internationally Comparable ratios do not include an estimate of the Basel I capital floor.

# CET1 AND LEVERAGE IN A GLOBAL CONTEXT

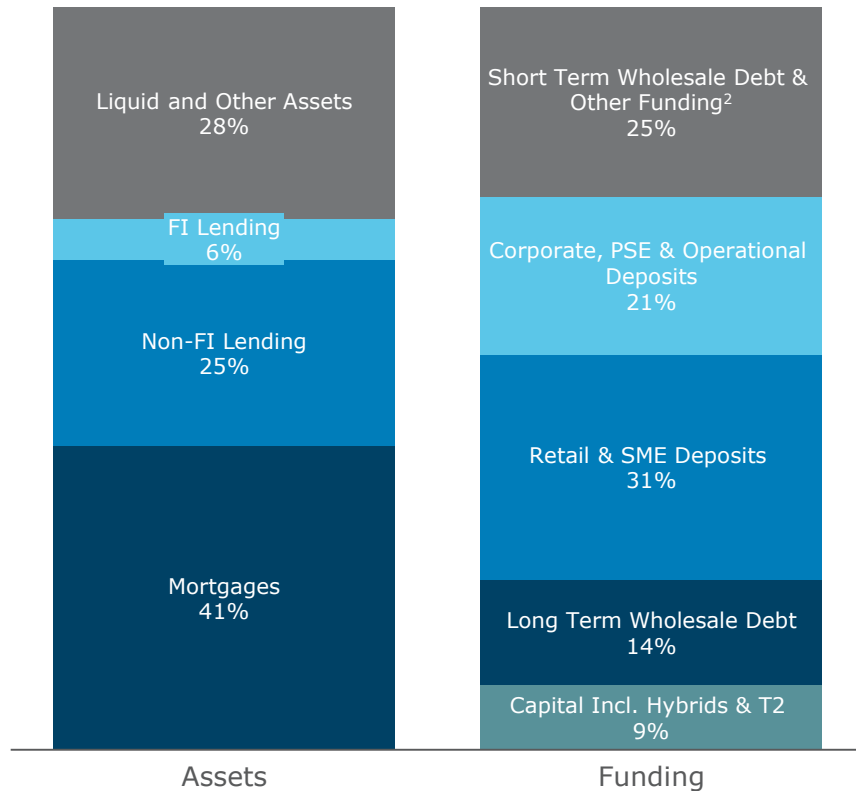


**Leverage**  
ANZ compares equally well on leverage, however international comparisons are more difficult to make given the favourable treatment of derivatives under US GAAP

1. CET1 and leverage ratios are based on ANZ estimated adjustment for accrued expected future dividends where applicable. ANZ ratios are on an Internationally Comparable basis. All data sourced from company reports and ANZ estimates based on last reported half/full year results assuming Basel III capital reforms fully implemented. 2. Includes adjustments for transitional AT1 where applicable. Exclude US banks as leverage ratio exposures are based on US GAAP accounting and therefore incomparable with other jurisdictions which are based on IFRS.

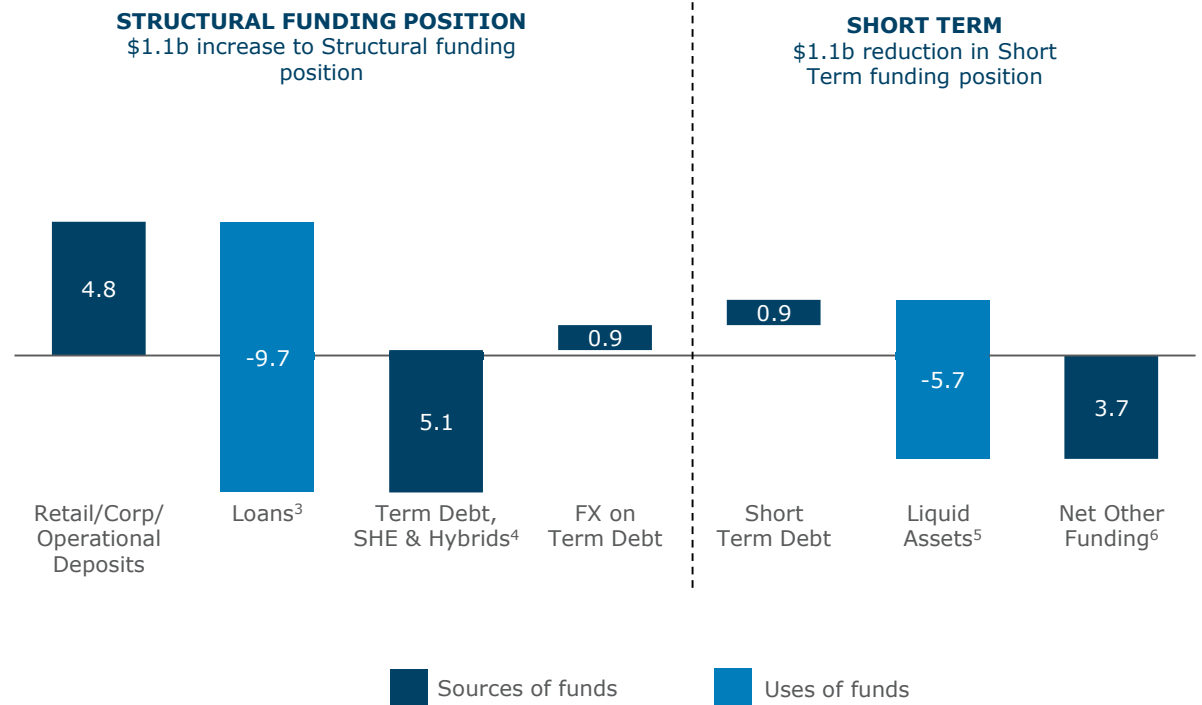
# BALANCE SHEET STRUCTURE

## FUNDED BALANCE SHEET COMPOSITION<sup>1</sup>



## SOURCES AND USES OF FUNDS

Sep 2018 to Mar 2019  
 \$b (including FX impact)

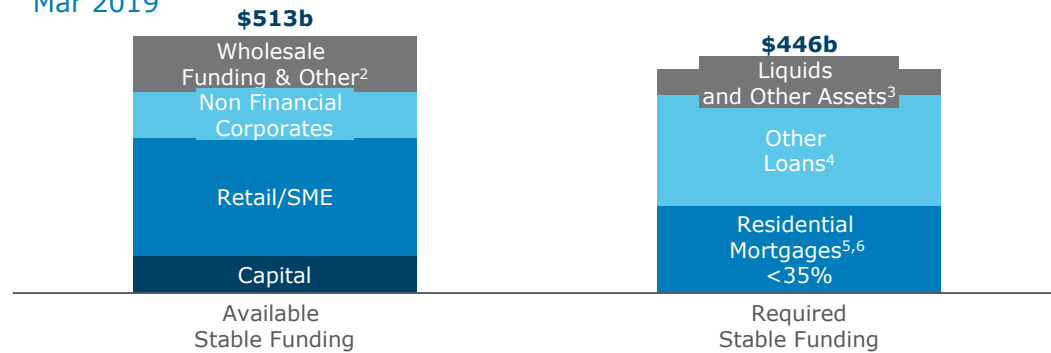


1. Based on NSFR Required Stable Funding (RSF) and Available Stable Funding (ASF) categories per APS 210. 2. Includes FI/Bank deposits, Repo funding, and other short dated liabilities. 3. Excludes interbank, repo loans and bills of acceptances. 4. Term Debt & Hybrid issuance, net of maturities. 5. Includes \$1.6bn mandatory and \$4bn discretionary liquids growth. 6. Includes bank deposits, repo funding, non-HQLA other assets, interest accruals, provisions, payables and net tax liabilities, payables and other liabilities.

# FUNDING & LIQUIDITY METRICS<sup>1</sup>

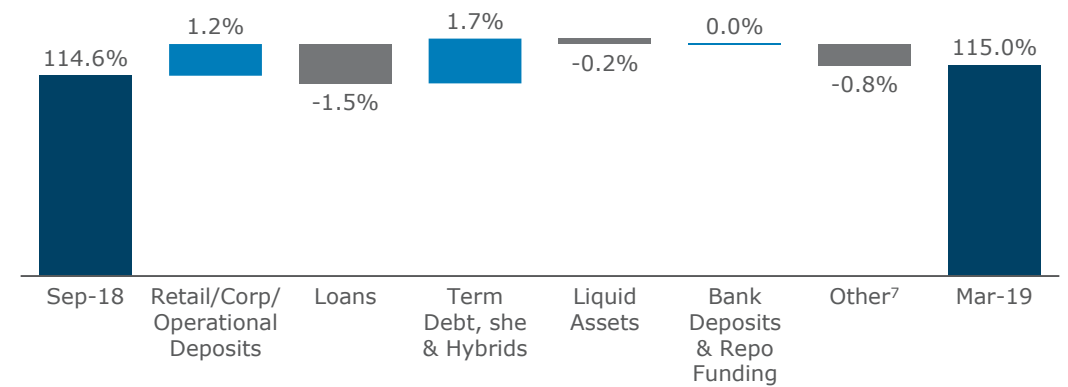
## NSFR COMPOSITION

Mar 2019



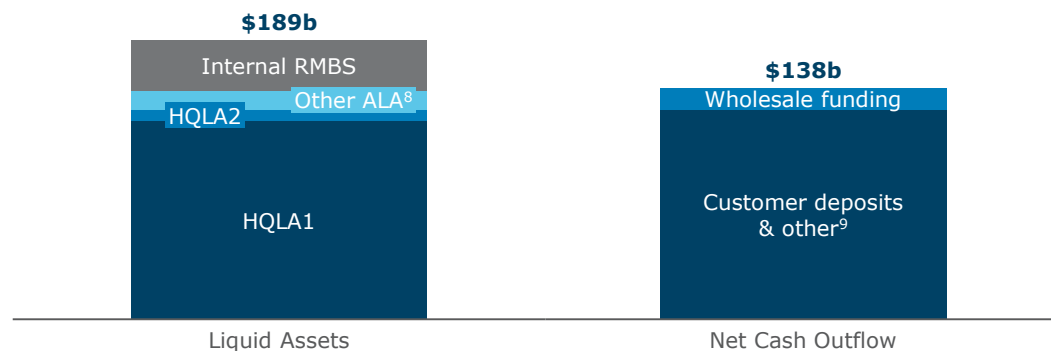
## NSFR MOVEMENT

Sep 2018 v Mar 2019



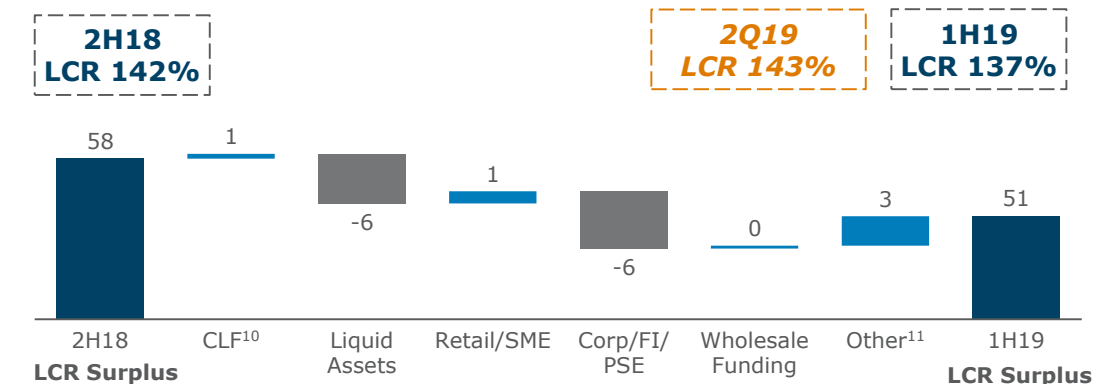
## LCR COMPOSITION (AVERAGE)

1H19



## MOVEMENT IN AVERAGE LCR SURPLUS (A\$b)

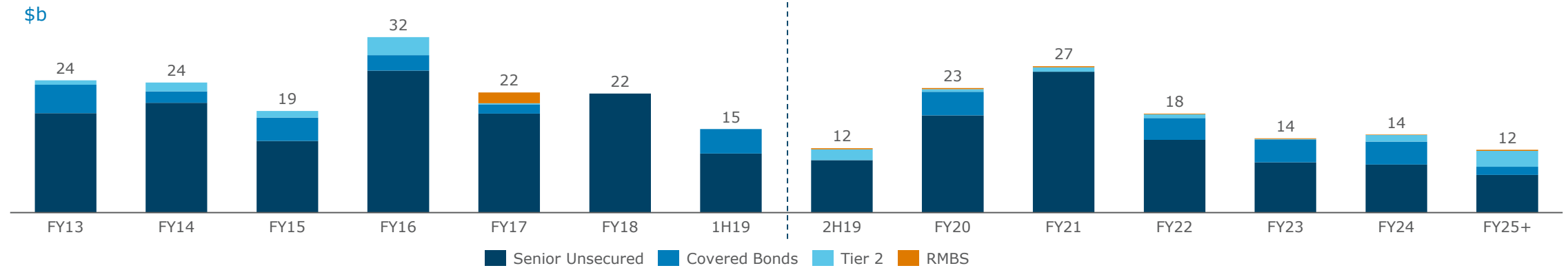
2H18 v 1H19



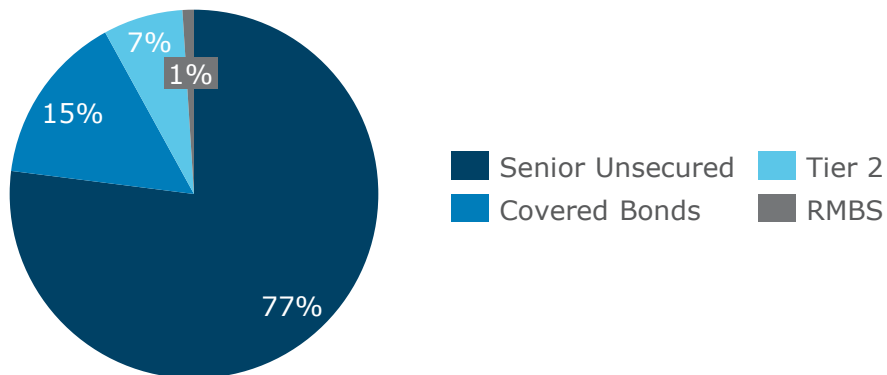
1. All figures shown on a Level 2 basis as per APRA Prudential Standard APS210. 2. 'Other' includes Sovereign, and non-operational FI Deposits. 3. 'Other Assets' include Off Balance Sheet, Derivatives, Fixed Assets and Other Assets. 4. All lending >35% Risk weight. 5. Includes NSFR impact of self-securitised assets backing the Committed Liquidity Facility (CLF). 6. <35% Risk weighting as per APS 112 Capital Adequacy: Standardised Approach to Credit Risk. 7. Net of other ASF and other RSF. 8. Comprised of assets qualifying as collateral for the Committed Liquidity Facility (CLF), excluding internal RMBS, up to approved facility limit; and any assets contained in the RBNZ's liquidity Policy - Annex: Liquidity Assets - Prudential Supervision Department Document BS13A. 9. 'Other' includes off-balance sheet and cash inflows. 10. RBA CLF increased by \$1.1b from 1 January 2019 to \$48.0bn (2018: \$46.9bn, 2017: \$43.8bn). 11. 'Other' includes off-balance sheet and cash inflows.

# TERM WHOLESALE FUNDING PORTFOLIO<sup>1</sup>

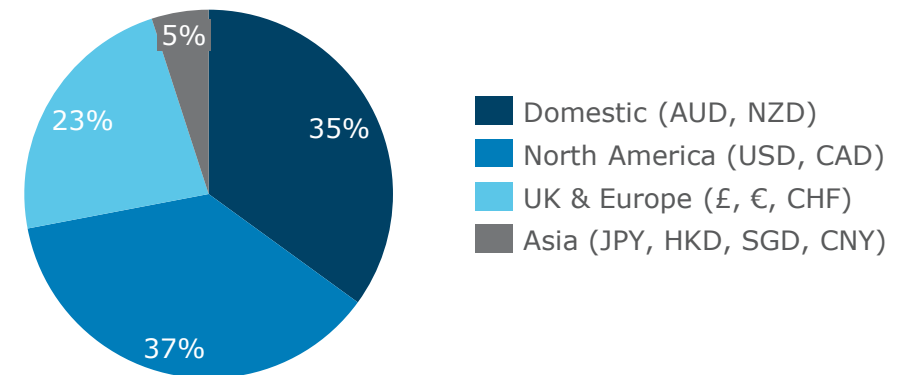
## ISSUANCE



## PORTFOLIO



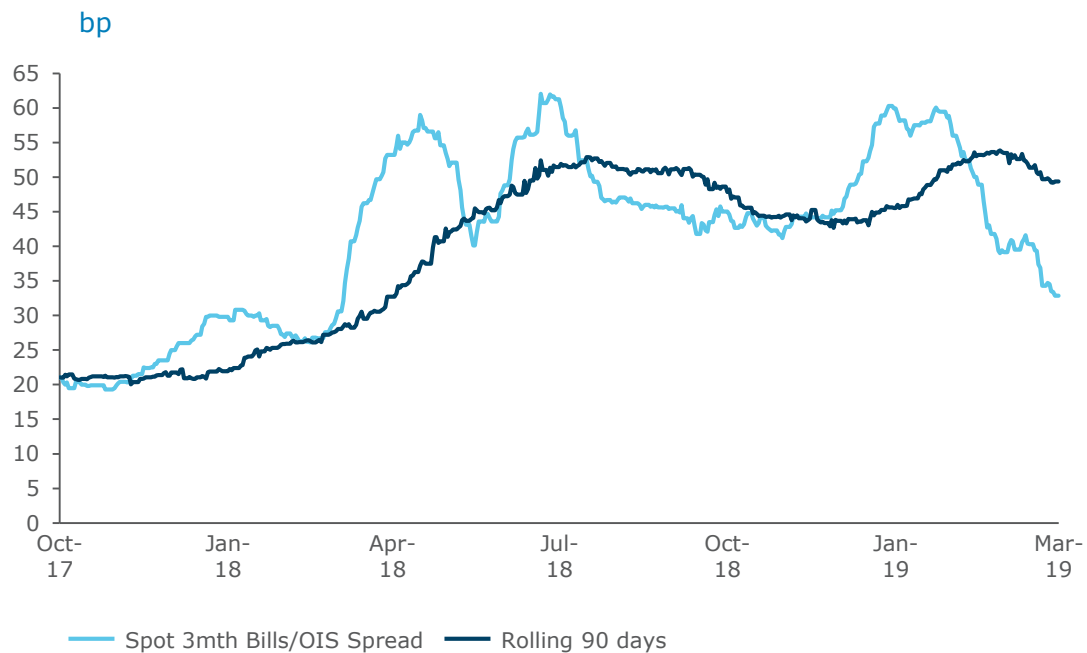
## PORTFOLIO BY CURRENCY



1. All figures based on historical FX and exclude AT1. Includes transactions with an original call or maturity date greater than 12 months as at the respective reporting date. Tier 2 maturity profile is based on the next callable date.

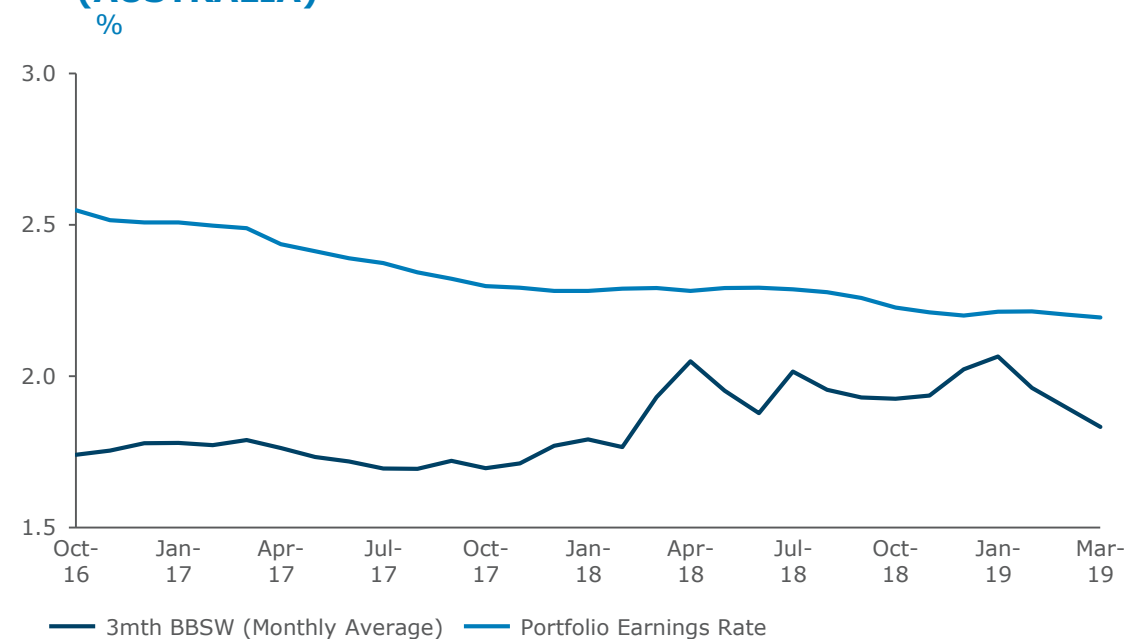
# IMPACTS OF RATE MOVEMENTS

## BILLS/OIS SPREAD



1. 90 day rolling average of spot 3mth Bills/OIS spread

## CAPITAL & REPLICATING DEPOSITS PORTFOLIO (AUSTRALIA)





# 2019 HALF YEAR RESULTS

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RISK MANAGEMENT  
INVESTOR DISCUSSION PACK

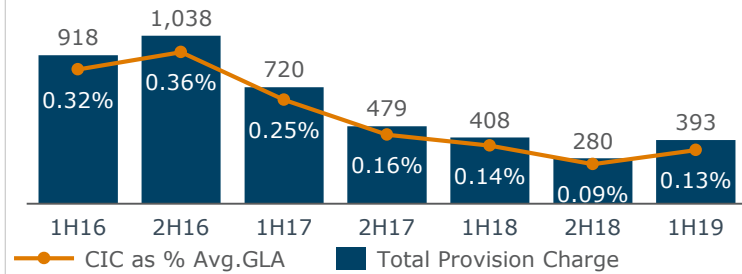
1 MAY 2019

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED

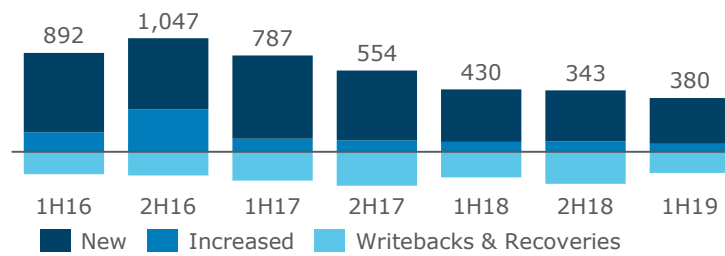


# KEY RISK METRICS

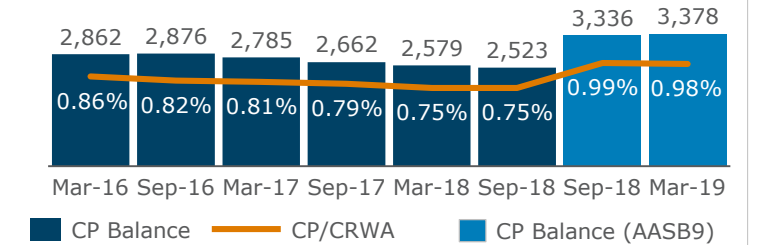
### CREDIT IMPAIRMENT CHARGE (\$m)



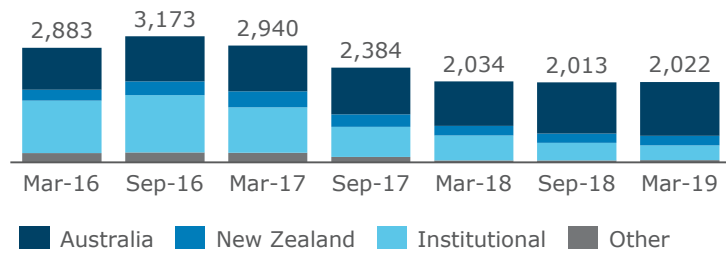
### INDIVIDUAL PROVISION (IP) CHARGE (\$m)



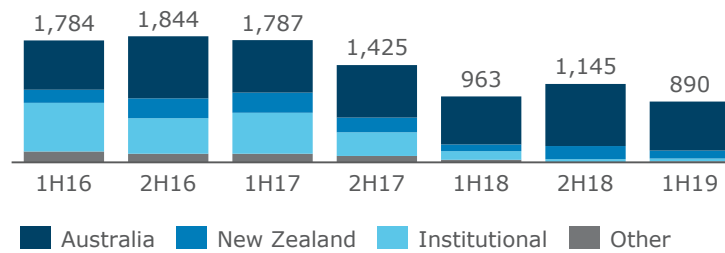
### COLLECTIVE PROVISION (CP) BALANCE & COVERAGE (\$m)



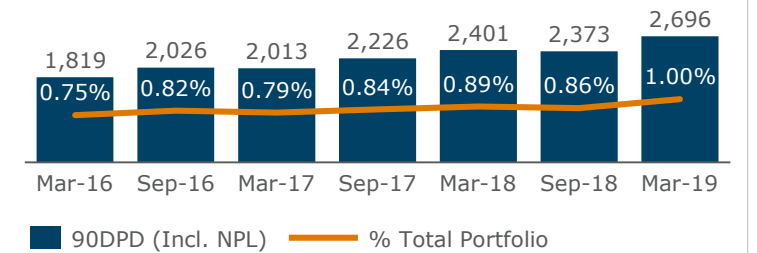
### GROSS IMPAIRED ASSETS (\$m)



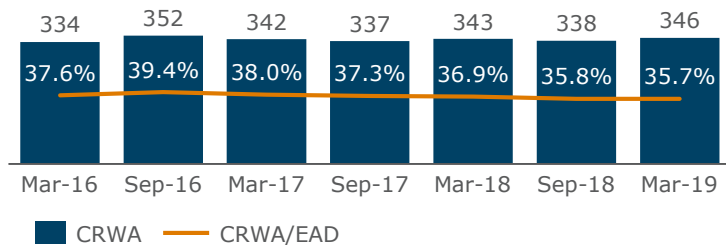
### NEW IMPAIRED ASSETS (\$m)



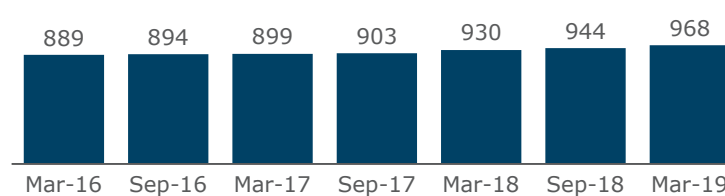
### AUSTRALIA MORTGAGES 90DPD (INCL NPL) (\$m)



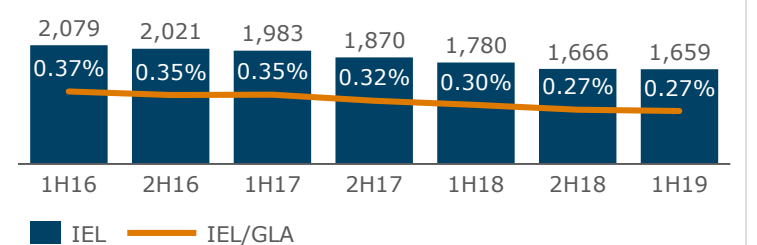
### CREDIT RWA (\$b)



### EXPOSURE AT DEFAULT (EAD) (\$b)



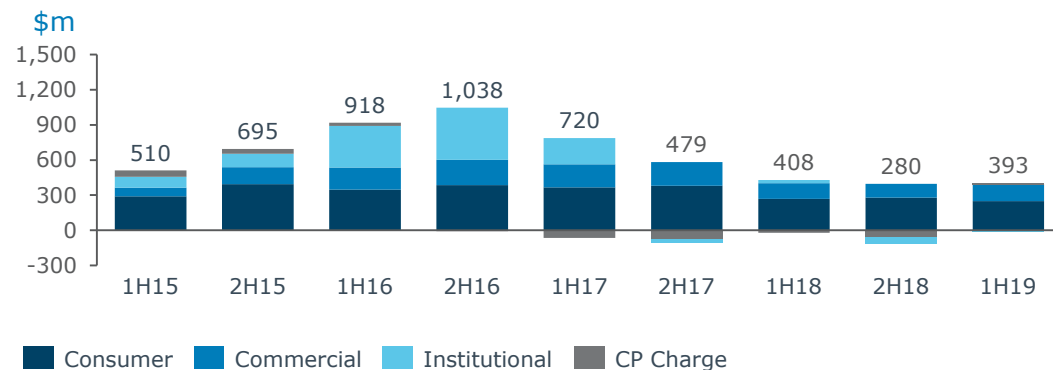
### INTERNAL EXPECTED LOSS (IEL) (\$m)



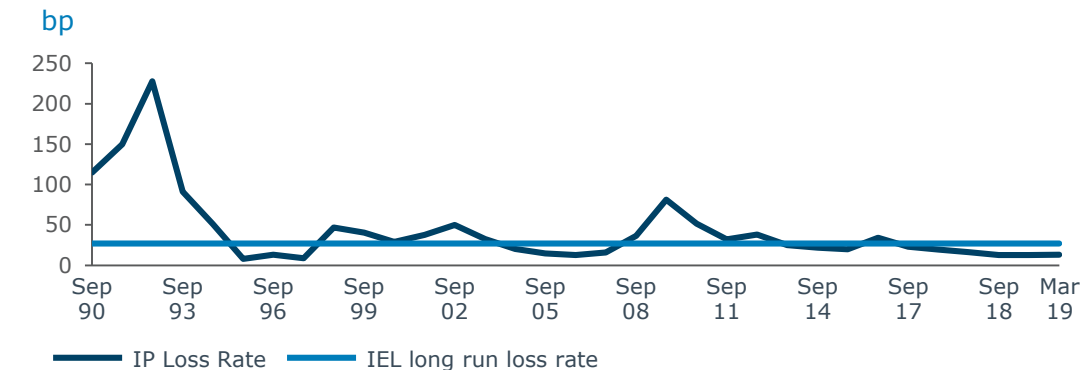
# RISK MANAGEMENT

## PROVISIONS

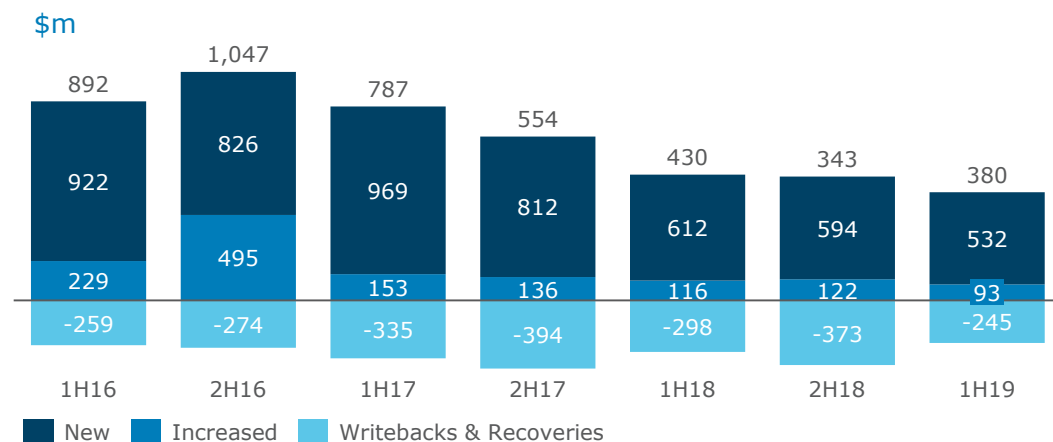
### CREDIT IMPAIRMENT CHARGE



### ANZ HISTORICAL LOSS RATES



### INDIVIDUAL PROVISION CHARGE



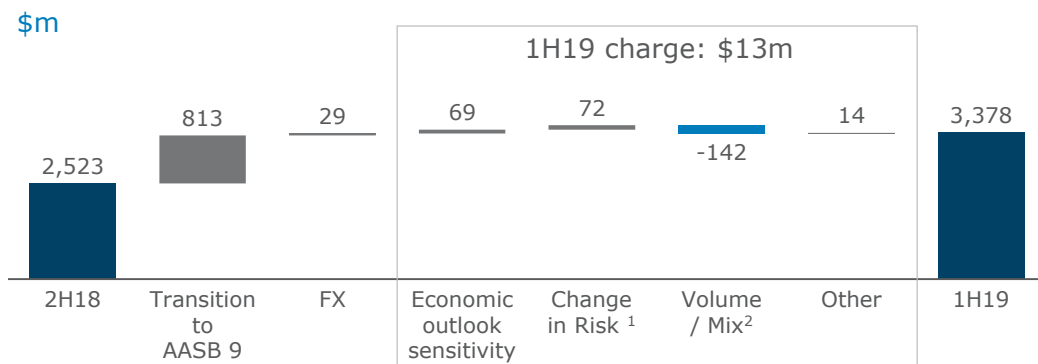
### LONG RUN LOSS RATE (INTERNAL EXPECTED LOSS)

	Mar 16	Sep 16	Mar 17	Sep 17	Mar 18	Sep 18	Mar 19
Australia Div.	0.35	0.33	0.33	0.33	0.31	0.29	0.29
New Zealand Div.	0.25	0.26	0.26	0.22	0.21	0.19	0.19
Institutional Div.	0.37	0.36	0.35	0.30	0.32	0.27	0.27
Other	1.47	1.79	1.60	1.69	1.95	1.78	1.60
<b>Subtotal</b>	<b>0.34</b>	<b>0.33</b>	<b>0.33</b>	<b>0.30</b>	<b>0.30</b>	<b>0.27</b>	<b>0.27</b>
Asia Retail	1.50	1.51	1.51	2.75	0	0	0
<b>Total</b>	<b>0.37</b>	<b>0.35</b>	<b>0.35</b>	<b>0.32</b>	<b>0.30</b>	<b>0.27</b>	<b>0.27</b>

IP: Individual Provision charge; CP: Collective Provision charge; CIC: Total Credit Impairment charge

# COLLECTIVE PROVISION

## COLLECTIVE PROVISION (CP) BALANCE & MOVEMENT



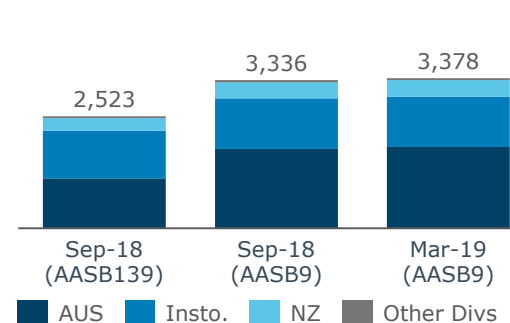
## COLLECTIVE PROVISION CHARGE

\$m

	AASB139						AASB9	
	1H16	2H16	1H17	2H17	1H18	2H18	1H19	
<b>CP charge</b>	<b>26</b>	<b>-9</b>	<b>-67</b>	<b>-75</b>	<b>-22</b>	<b>-63</b>	<b>13</b>	
Lending Growth	56	-59	-30	-18	0	-4	Volume/Mix <sup>2</sup> -142	
Change in Risk/Portfolio Mix	-30	50	-78	-91	2	-108	Change in Risk 72	
Eco Cycle	0	0	41	34	-24	49	Economic outlook sensitivity 69	
							Other 14	

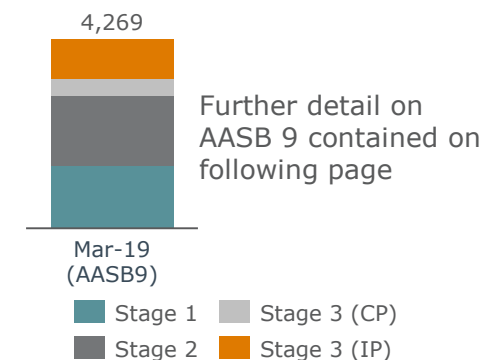
## CP BALANCE

BY DIVISION (\$m)



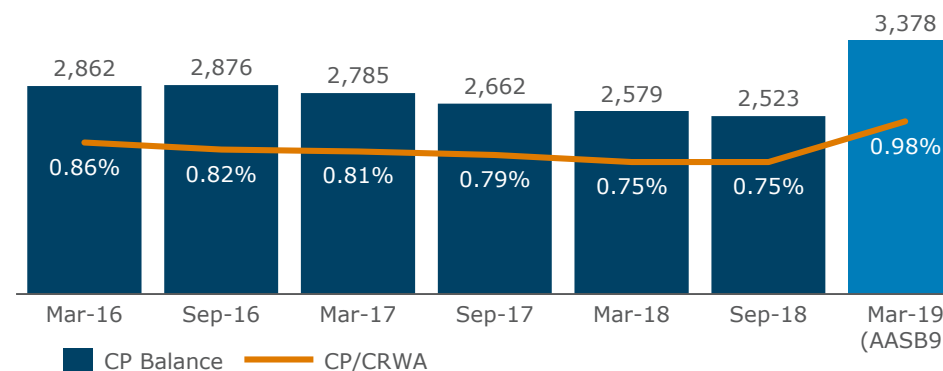
## TOTAL PROVISION BALANCE

BY AASB 9 STAGES (\$m)



## CP COVERAGE

\$m

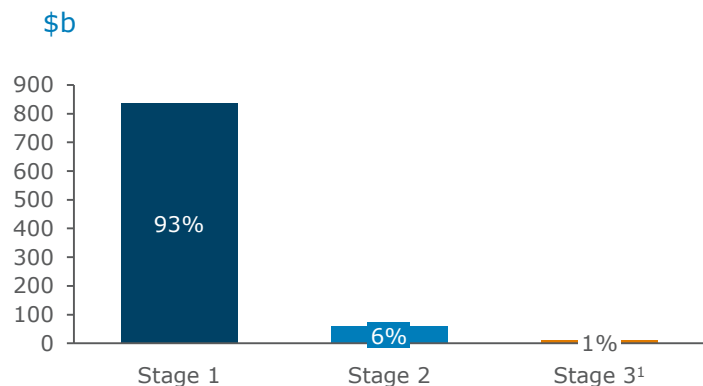


1. Measures the impact of PD or LGD migration of existing customers.
2. Measures the impact of new and increased lending offset by maturing loans / exiting customers

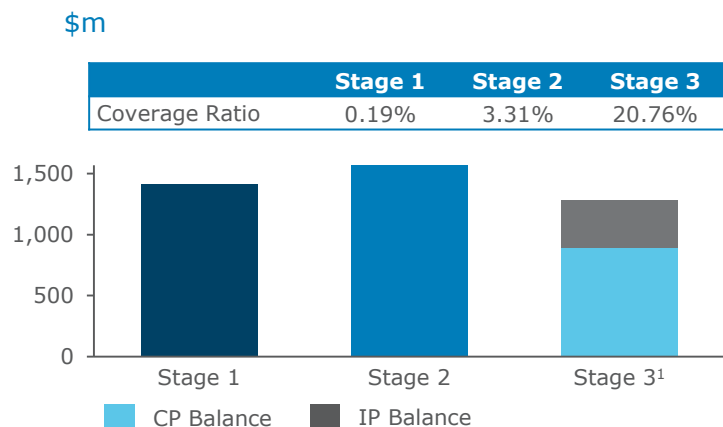
# AASB 9 PROVISIONS

TRANSITIONED TO AASB9 ON 1 OCTOBER 2018

## PORTFOLIO EXPOSURE BY STAGE



## PROVISION BALANCE & COVERAGE RATIO



1. Includes portfolios in Stage 3 that are Collectively and Individually assessed

### Stages

- Stage 1 - 12 months Expected Credit Loss (ECL)
  - On origination, Stage 1 for all facilities, remains unless significant increase in credit risk
- Stage 2 - Lifetime ECL
  - Significant increase in credit risk since origination
- Stage 3 - Non-performing: Lifetime ECL
  - Impairment provision of lifetime ECL is recognised. Includes both collectively and individually assessed provisions

### Drivers between stages

- Retail: driven by Customer Behavioural Scores and delinquency
- Institutional & Commercial: Customer Credit Rating (CCR) migration

### Total balance \$4,269

- Stage 1: Weighted towards Institutional, largely Investment Grade
- Stage 2: Greater proportion of provisions are in Aus & NZ, allocated to Retail and Business Banking
- Stage 3: Comprises of \$395m Collective Provisions and \$891 Individual Provisions

### Divers of ECL:

#### Main drivers:

- Economic outlook: A probability weighted ECL is determined by weighting the ECL outcome over 4 economic scenarios: Base Case (the Group's current economic outlook), Downside, Upside, and Stress
- Stage categorisation: Customers who have experienced a significant increase in credit risk (SICR) are subject to lifetime ECL rather than 12 months

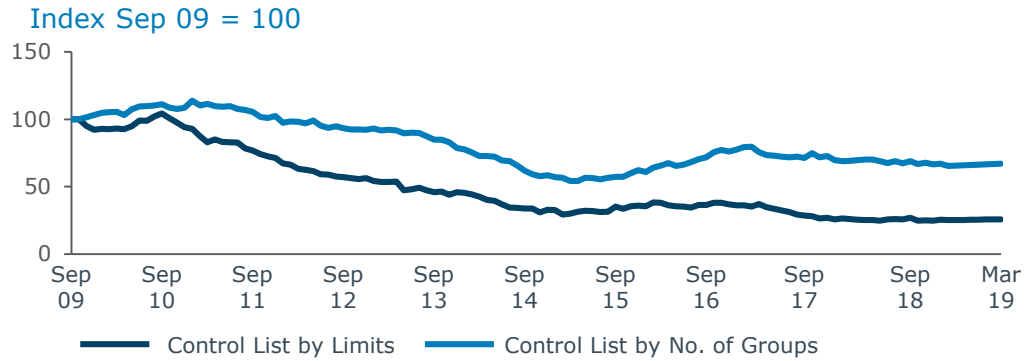
#### Other drivers:

- Temporary adjustments: relating to one-off events which may affect ECL but are not currently reflected in the modelled provision balance

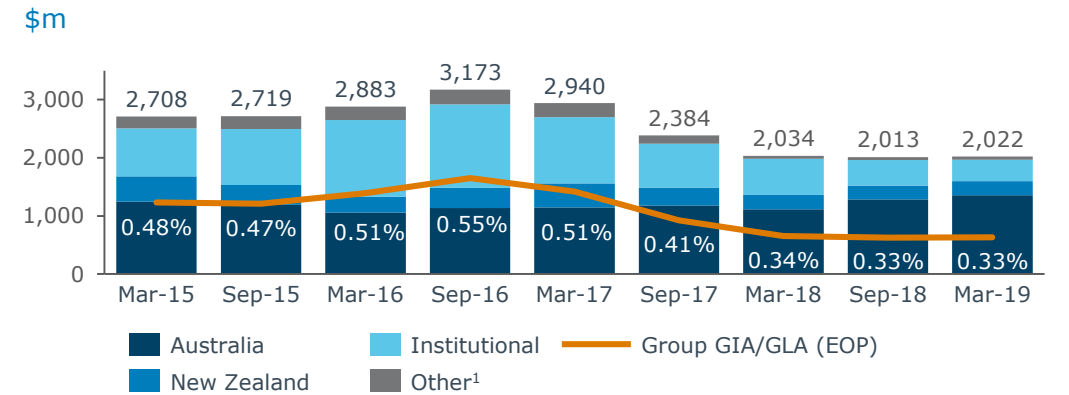
# RISK MANAGEMENT

## IMPAIRED ASSETS

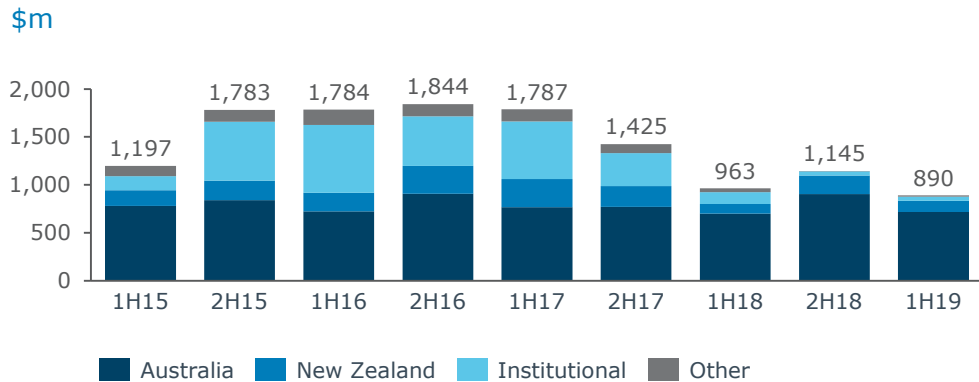
### CONTROL LIST



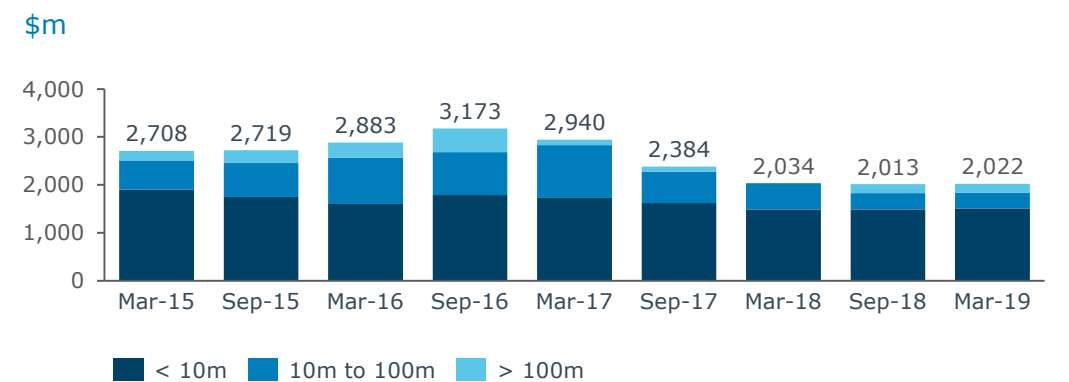
### GROSS IMPAIRED ASSETS BY DIVISION



### NEW IMPAIRED ASSETS BY DIVISION



### GROSS IMPAIRED ASSETS BY EXPOSURE SIZE



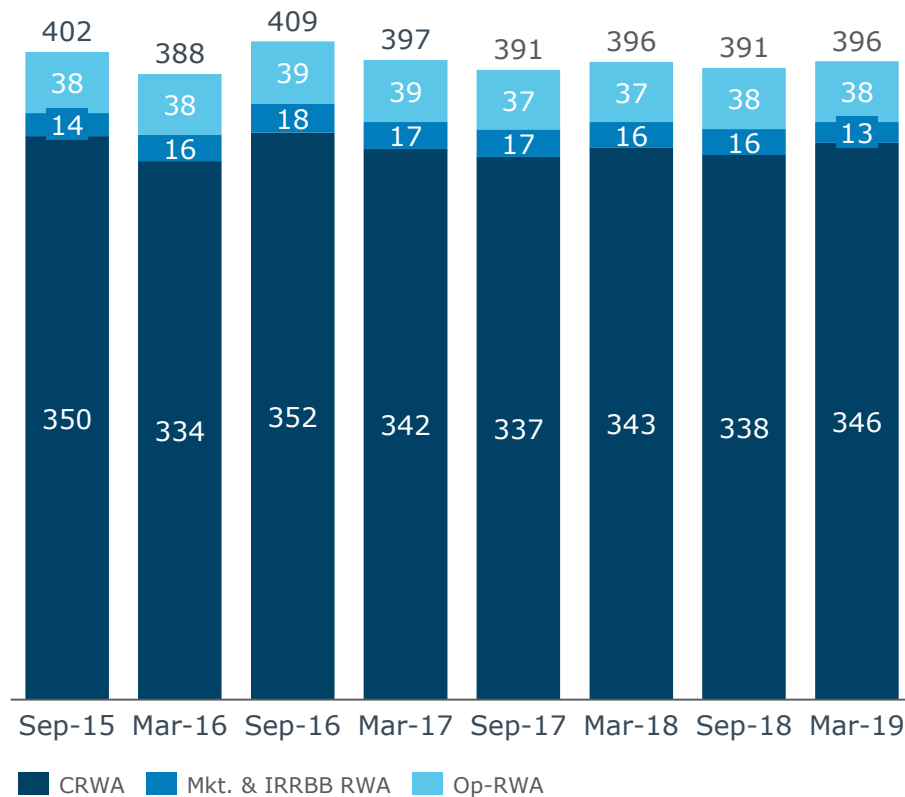
1. Other includes Retail Asia & Pacific and Australian Wealth.

# RISK MANAGEMENT

## RISK WEIGHTED ASSETS

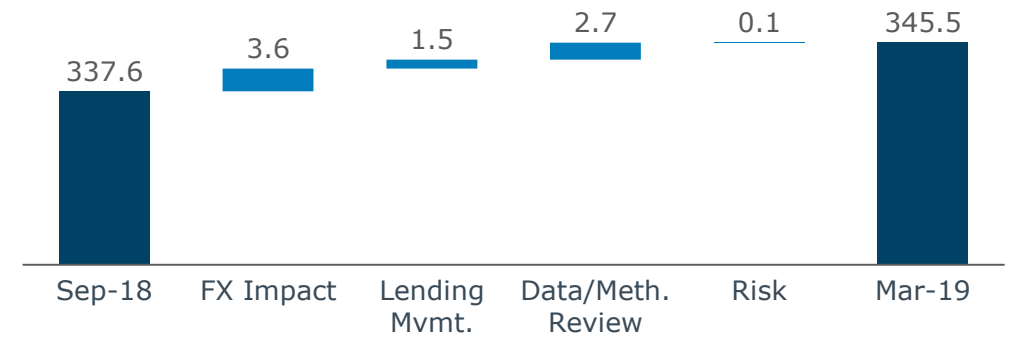
### TOTAL RISK WEIGHTED ASSETS

\$b



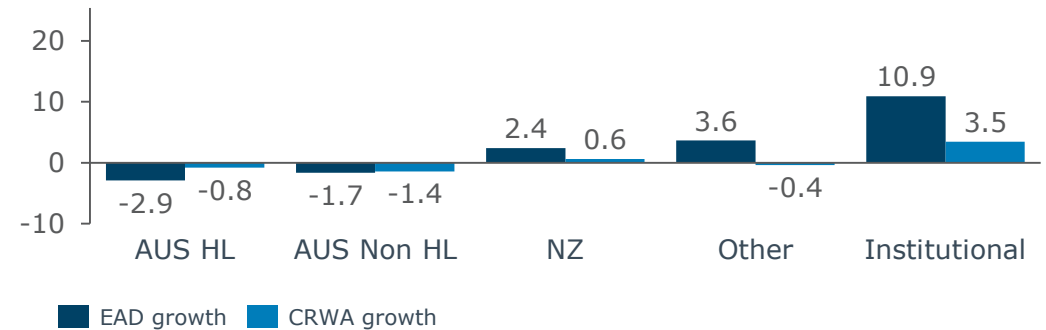
### CRWA MOVEMENT

\$b



### GROUP EAD & CRWA GROWTH MOVEMENT<sup>1,2</sup>

Mar-19 v Sep-18 (\$b)

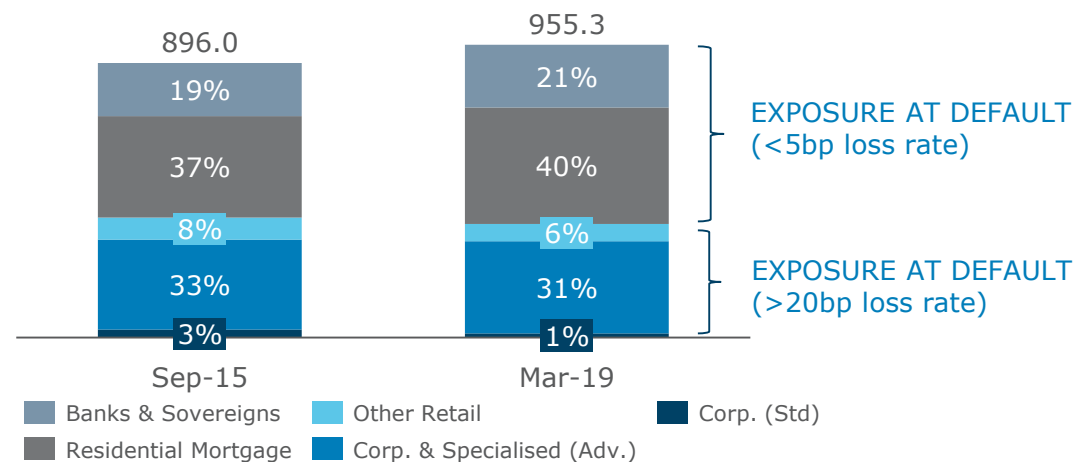


1. Post CRM EAD, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Excludes amounts for 'Securitisation' and 'Other Assets' Basel asset classes.  
 2. Refers to FX adjusted lending movement, excluding Data/Meth Review and Risk.

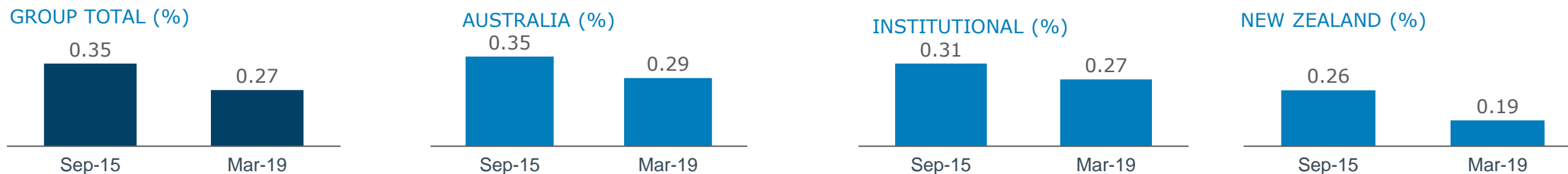
# IMPROVING PORTFOLIO RISK PROFILE

ACTIONS TAKEN TO IMPROVE RISK PROFILE	
Sold Asia Retail & Wealth businesses	(IEL 151bp) <sup>1</sup>
Sold Esanda Dealer Finance business	(IEL 100bp) <sup>2</sup>
Largely exited Emerging Corporate portfolio in Asia	(IEL 41bp) <sup>1</sup>
Restricted growth in Australia unsecured retail lending	
Increased Institutional investment grade exposures	86% (Mar 19) 81% (Sep 15)

## EXPOSURE AT DEFAULT BY ASSET CLASSES<sup>3</sup>



## INTERNAL EXPECTED LOSS (IEL) (AS A % OF GROSS LENDING ASSETS)



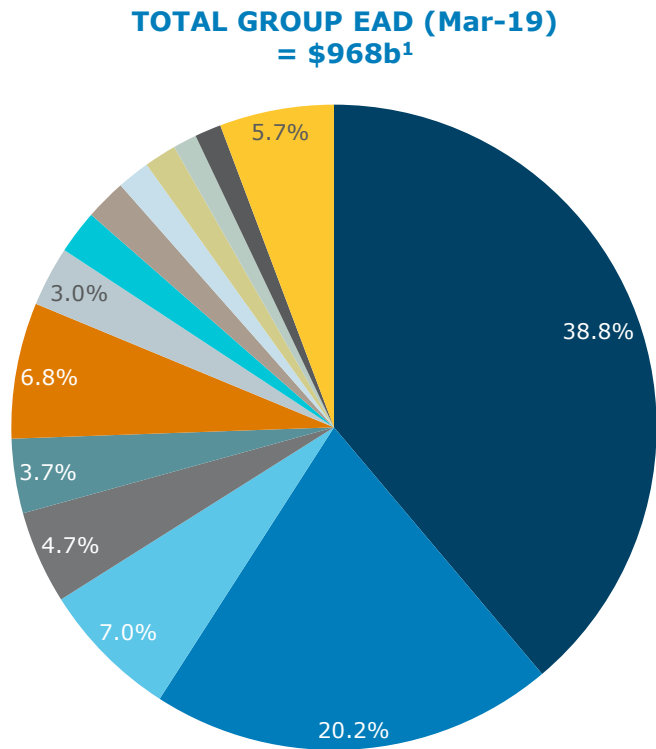
1. Internal expected loss as at September 2016  
 2. Internal expected loss as at September 2015  
 3. EAD excludes amounts for Securitisation, Other Assets, CVA and QCCP Basel classes



# RISK MANAGEMENT

## PORTFOLIO COMPOSITION

### EXPOSURE AT DEFAULT (EAD) DISTRIBUTION



Category	% of Group EAD			% of Portfolio in Non Performing			Portfolio Balance in Non Performing
	Mar-18	Sep-18	Mar-19	Mar-18	Sep-18	Mar-19	Mar-19
Consumer Lending	40.5%	39.7%	38.8%	0.1%	0.1%	0.1%	\$477
Finance, Investment & Insurance	18.5%	19.6%	20.2%	0.0%	0.0%	0.1%	\$108
Property Services	6.6%	6.8%	7.0%	0.3%	0.3%	0.3%	\$173
Manufacturing	4.5%	4.6%	4.7%	0.5%	0.4%	0.3%	\$148
Agriculture, Forestry, Fishing	3.8%	3.7%	3.7%	1.1%	1.1%	1.1%	\$387
Government & Official Institutions	7.1%	6.9%	6.8%	0.0%	0.0%	0.0%	\$0
Wholesale trade	2.9%	3.0%	3.0%	0.4%	0.3%	0.3%	\$79
Retail Trade	2.2%	2.2%	2.2%	0.9%	0.9%	0.7%	\$154
Transport & Storage	2.1%	2.0%	2.1%	0.2%	0.2%	0.2%	\$44
Business Services	1.7%	1.6%	1.6%	0.9%	0.9%	1.0%	\$163
Resources (Mining)	1.6%	1.6%	1.6%	0.9%	0.3%	0.3%	\$50
Electricity, Gas & Water Supply	1.3%	1.2%	1.2%	0.1%	0.1%	0.1%	\$16
Construction	1.4%	1.4%	1.3%	1.8%	1.7%	1.8%	\$233
Other	5.9%	5.7%	5.7%	0.4%	0.4%	0.4%	\$217
Total	100%	100%	100%				\$2,249m
<b>Total Group EAD<sup>1</sup></b>	<b>\$930b</b>	<b>\$944b</b>	<b>\$968b</b>				

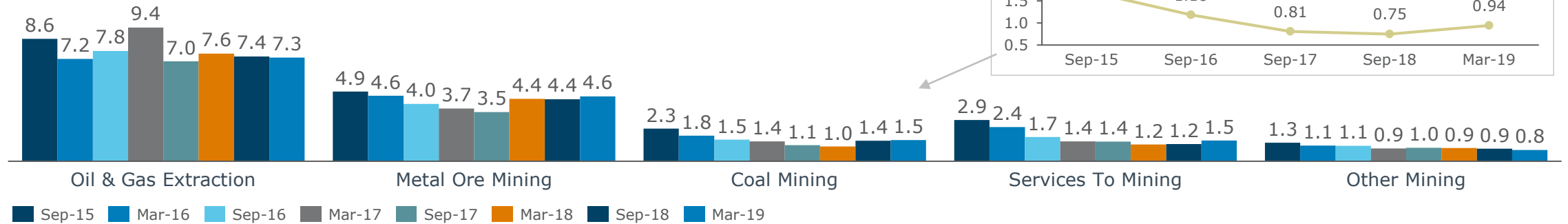
1. EAD excludes amounts for 'Securitisation' and 'Other Assets' Basel classes. Data provided is on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral.

# RISK MANAGEMENT

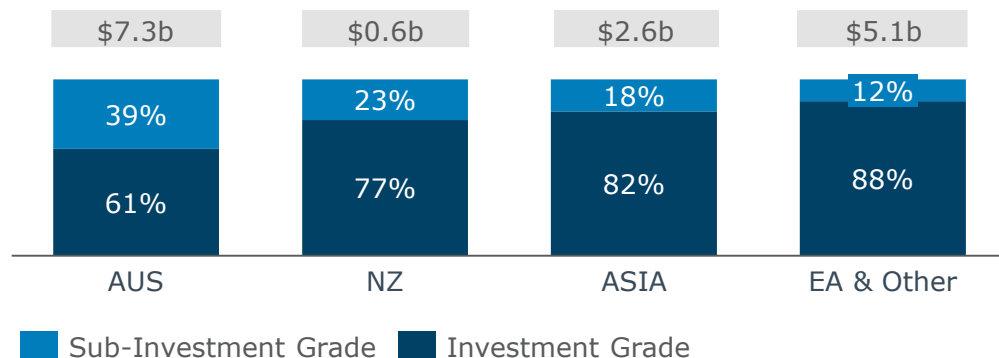
## GROUP RESOURCES PORTFOLIO

### RESOURCES EXPOSURE AT DEFAULT (EAD) BY SECTOR (\$b)

TOTAL EAD (Mar-19): \$15.6b (Resources exposures as a % of Group EAD: 1.6%)



### EAD & CREDIT QUALITY (Mar-19)



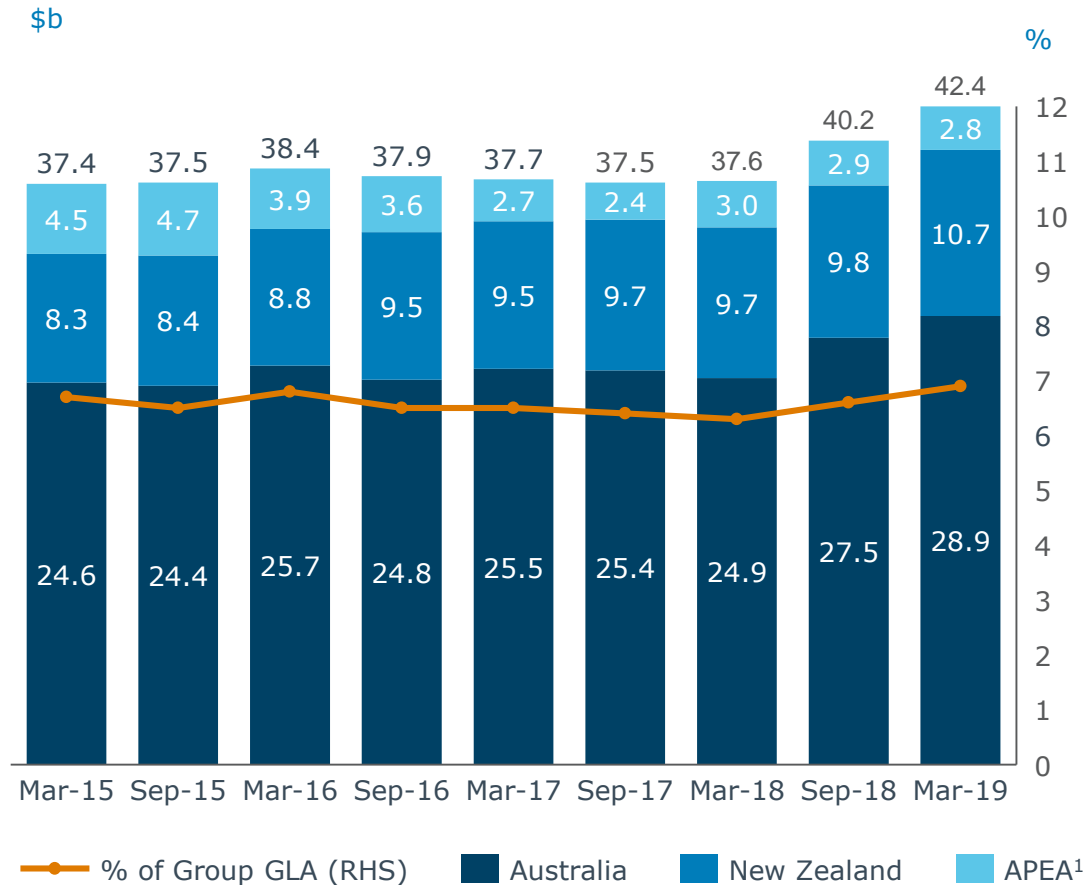
### RESOURCES PORTFOLIO MANAGEMENT

- Portfolio is skewed towards well capitalised and lower cost resource producers.
- 27% of the book is less than one year duration.
- Investment grade exposures represent 74% of portfolio vs. 67% at Mar 18 and Trade business unit accounts for 19% of the total Resources EAD.
- Mining services customers are subject to heightened oversight given the cautious outlook for the services sector.
- Increased coal mining exposure in FY18 / 1H19 primarily reflects mergers and acquisitions activity related to existing mines, i.e. predominantly metallurgical coal assets sold by diversified miners to existing customers. Financing is mainly used to support continuing operations, and not mine expansions.
- Thermal coal exposure is currently \$944m. We expect our thermal coal exposure to decline over time, as it has since 2015, though there was an increase in 1H19 due to one transaction for an existing customer and a reclassification of one exposure. Our exposures to thermal coal are primarily concentrated in a small number of Australian-based miners.

# RISK MANAGEMENT

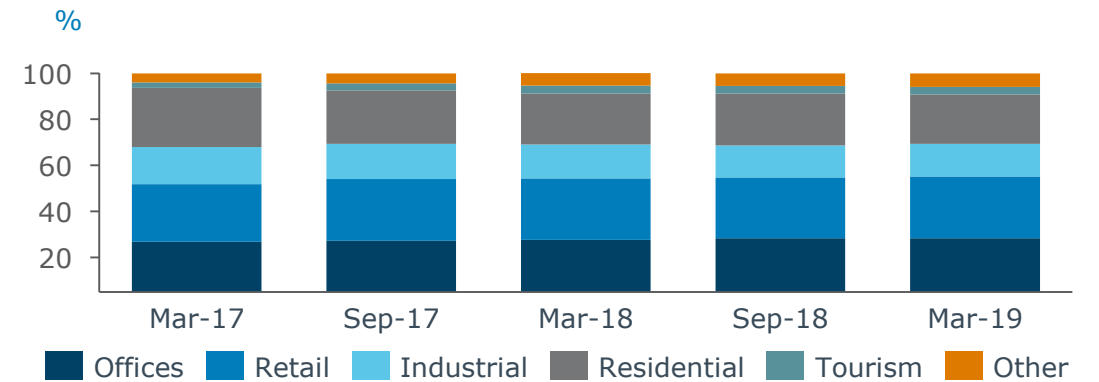
## COMMERCIAL PROPERTY PORTFOLIO

### COMMERCIAL PROPERTY OUTSTANDINGS BY REGION



1. APEA = Asia Pacific, Europe & America.

### COMMERCIAL PROPERTY OUTSTANDINGS BY SECTOR



### PROPERTY PORTFOLIO MANAGEMENT

- Australian volumes increased by 5% driven by higher lending to REITs and funds in both the Office and Retail sectors offset by a decline in Residential lending given the slowdown in the residential property market.
- Increase in New Zealand volumes was driven by exchange rate movements and investment lending growth in the Office sector.
- APEA volumes remained stable for 1H19 with the portfolio concentrated on large well rated names in Singapore and Hong Kong.

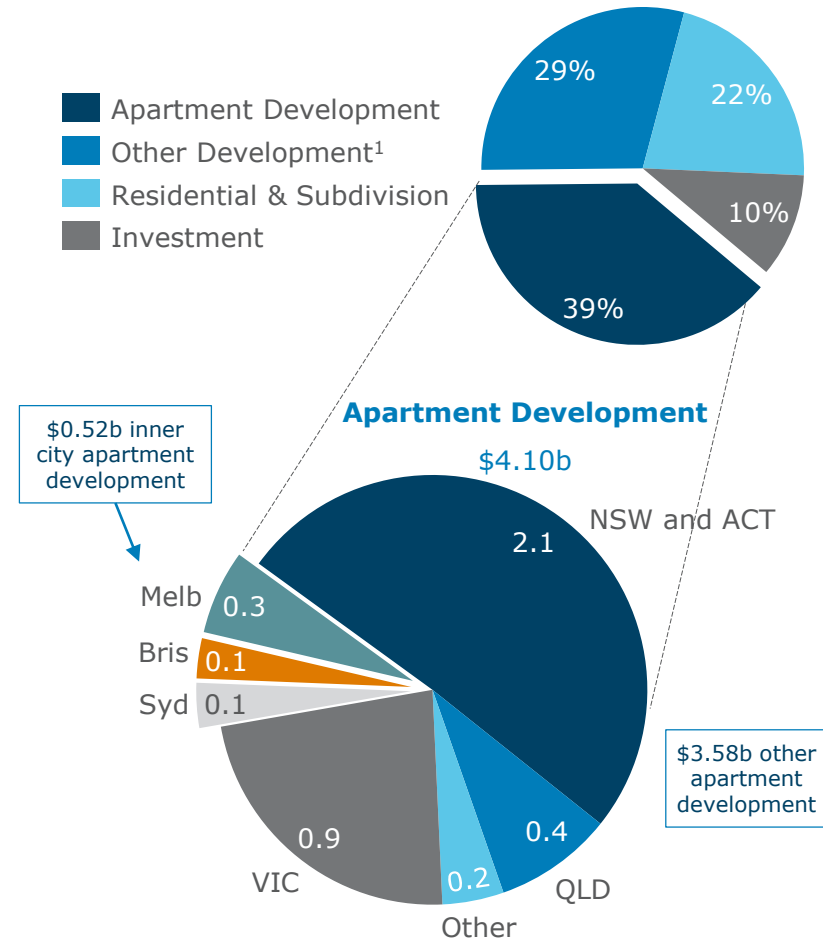
# RESIDENTIAL DEVELOPMENT

## OVERVIEW

- Overall Apartment Development limits have increased by \$0.2bn (4%) to \$4.1bn as at 1H19 and account for 39% (prior half: 39%) of total Residential limits.
- Inner City Apartment limits totalled \$0.5bn and accounted for 13% of total Apartment Development limits in 1H19 as compared to 14% in the prior half. This reduction was due to repayments from a couple of completed projects in Brisbane.
- Average qualifying pre-sales for Inner City Apartments Development loans and corresponding LVRs were 101%<sup>2</sup> and 49%, respectively as at Mar 19 (as compared to presales of 101% and LVR of 56% in Sep 18). These loans remain subject to tight parameters around LVR, presale debt cover and quantum of foreign purchaser presales.
- Outside of Inner City locations, Apartment Development limits were weighted towards the states of NSW and ACT (58%), VIC (26%) and QLD (10%) with minimal exposures in other states. These development exposures are predominantly in the suburbs of the capital cities of the above listed states.
- Residential Development projects continue to be closely monitored with level of oversight driven by progress of the project vs. plan, industry trends and emerging risks.

## PROFILE (MAR 19)

Total Residential Limits: **\$10.58b**



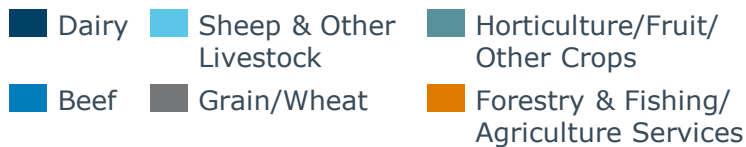
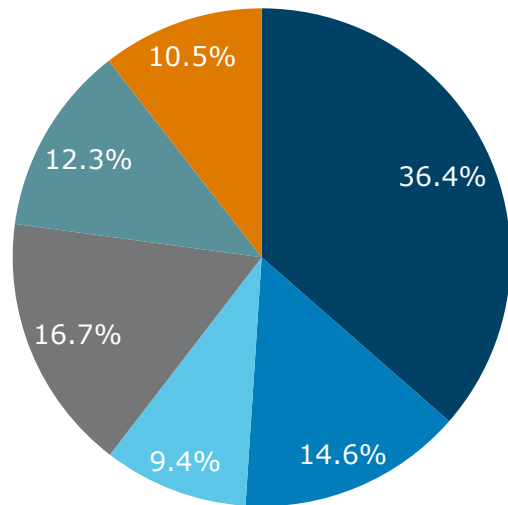
1. Other Development primarily comprises Low Rise & Prestige Residential and Multi Project Development  
 2. Percentage refers to debt coverage – dollar value of presales divided by total debt on the project

# RISK MANAGEMENT

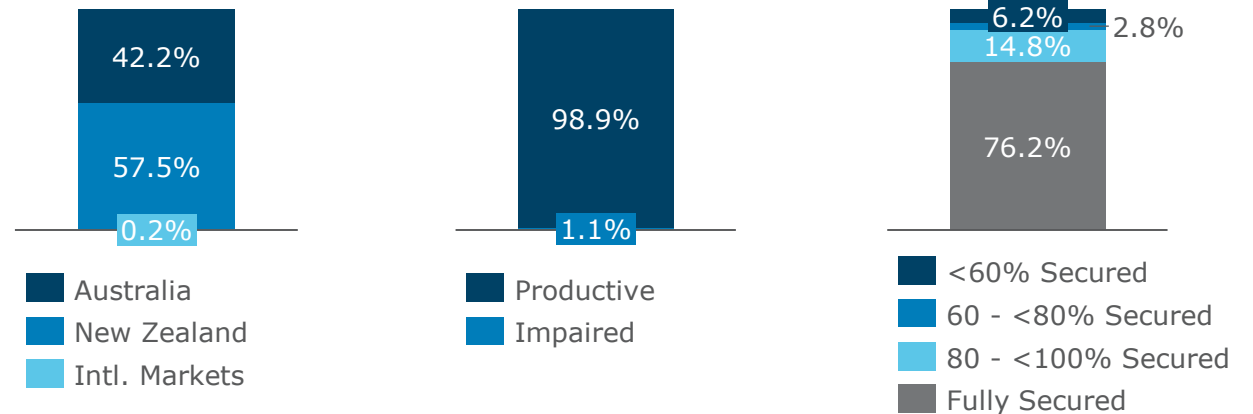
## GROUP AGRICULTURE PORTFOLIO

### AGRICULTURE EXPOSURE BY SECTOR (% EAD)

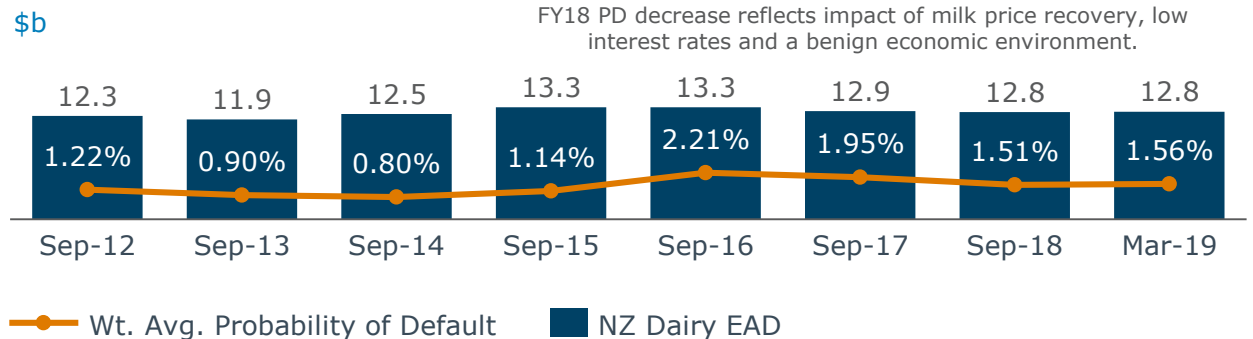
Total EAD (Mar-19)	As a % of Group EAD
A\$36.1b	3.7%



### GROUP AGRICULTURE EAD SPLITS<sup>1</sup>



### NEW ZEALAND<sup>2</sup> DAIRY CREDIT QUALITY

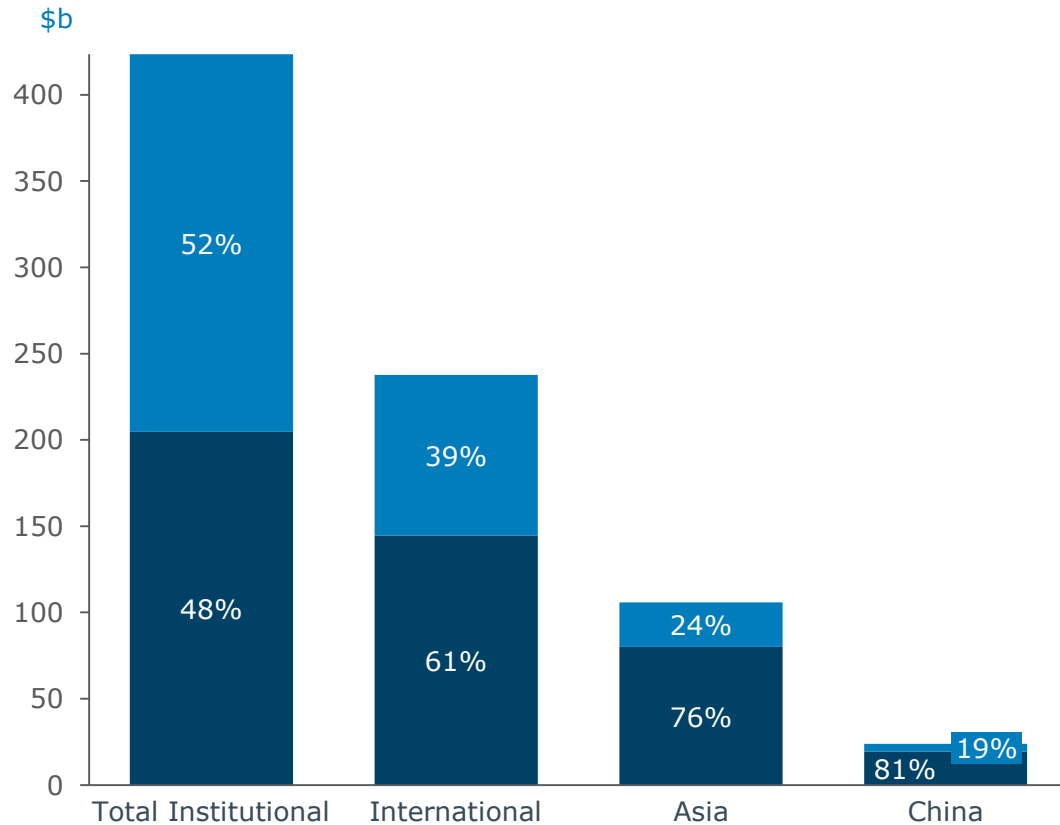


1. Security indicator is based on ANZ extended security valuations.  
 2. Dairy exposures for all of ANZ New Zealand (includes Commercial and Agriculture, Institutional and Business Banking portfolios).

# RISK MANAGEMENT

## ANZ INSTITUTIONAL PORTFOLIO (COUNTRY OF INCORPORATION<sup>1</sup>)

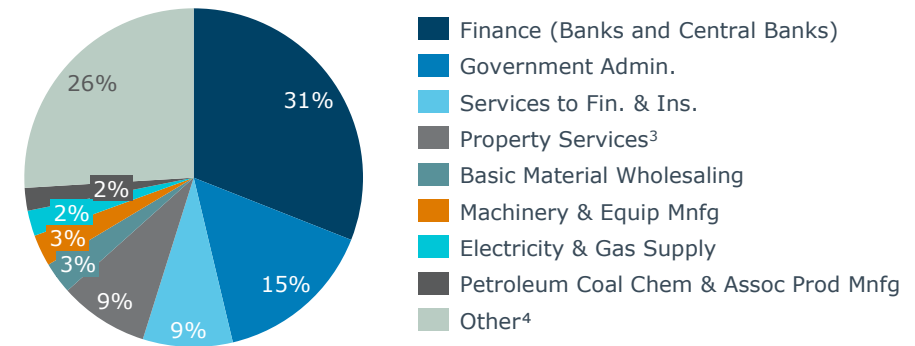
### INSTITUTIONAL PORTFOLIO SIZE & TENOR (EAD<sup>2</sup>)



■ Tenor < 1 Yr ■ Tenor 1 Yr+

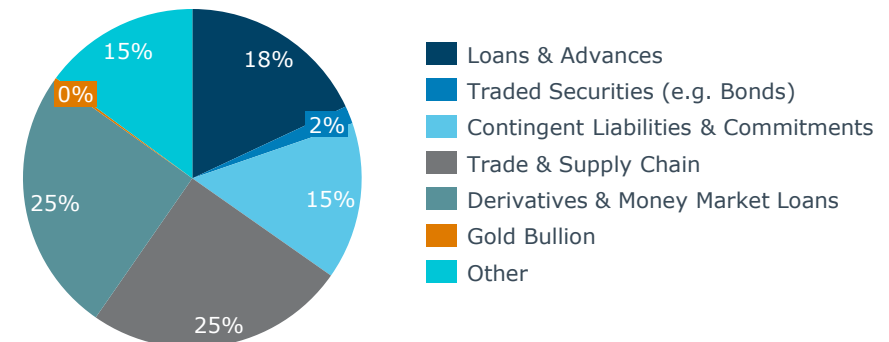
### ANZ INSTITUTIONAL INDUSTRY COMPOSITION

EAD (Mar-19): A\$423b<sup>2</sup>



### ANZ INSTITUTIONAL PRODUCT COMPOSITION

EAD (Mar-19) A\$423b<sup>2</sup>



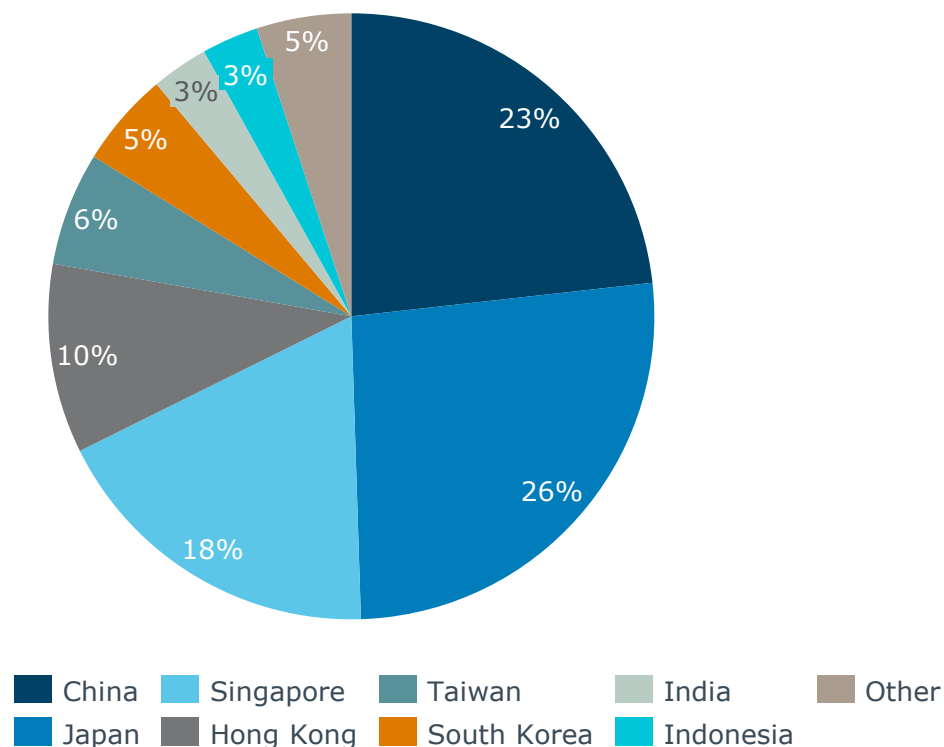
1. Country is defined by the counterparty's Country of Incorporation. 2. Data provided is as at Mar-19 on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Position excludes Basel Asset Class 'Securitisation', 'Other Assets', 'Retail' and manual adjustments. 3. ~90% of the ANZ Institutional "Property Services" portfolio is to entities incorporated in either Australia or New Zealand. 4. Other is comprised of 47 different industries with none comprising more than 2.1% of the Institutional portfolio.

# RISK MANAGEMENT

## ANZ ASIAN INSTITUTIONAL PORTFOLIO (COUNTRY OF INCORPORATION<sup>1</sup>)

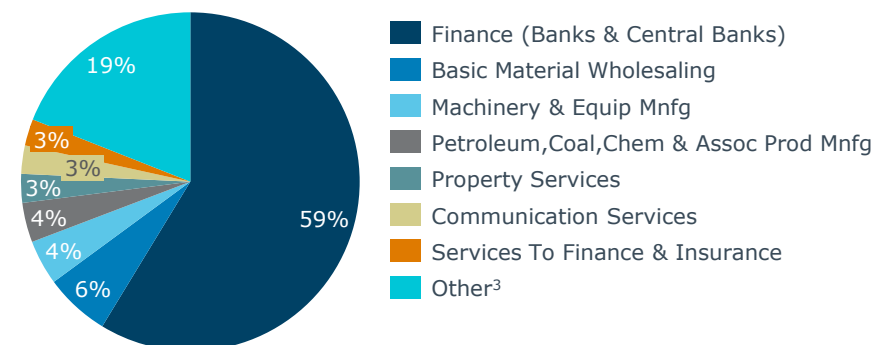
### COUNTRY OF INCORPORATION<sup>1</sup>

EAD (Mar-19): A\$106b<sup>2</sup>



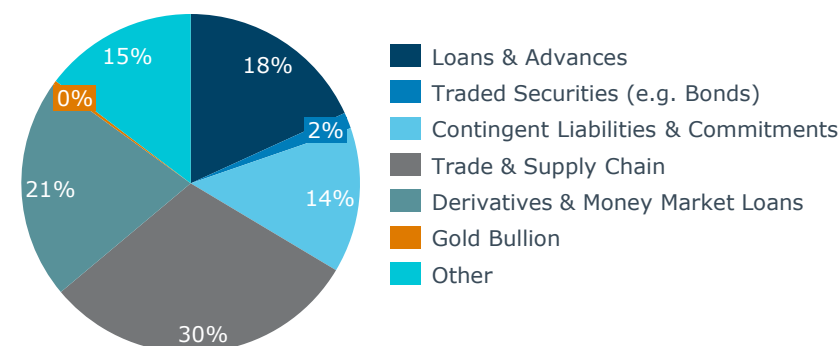
### ANZ ASIA INDUSTRY COMPOSITION

EAD (Mar-19): A\$106b<sup>2</sup>



### ANZ ASIA PRODUCT COMPOSITION

EAD (Mar-19): A\$106b<sup>2</sup>



1. Country is defined by the counterparty's Country of Incorporation. 2. Data provided is as at Mar 19 on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Position excludes Basel Asset Class 'Securitisation', 'Other Assets', 'Retail' and manual adjustments. 3. "Other" within industry is comprised of 43 different industries with none comprising more than 2.2% of the Asian Institutional portfolio; Other product category is predominantly exposure due from other financial institutions.

# 2019 HALF YEAR RESULTS

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HOUSING PORTFOLIO  
INVESTOR DISCUSSION PACK

1 MAY 2019

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED





# AUSTRALIA HOME LOANS

## PORTFOLIO OVERVIEW

	Portfolio <sup>1</sup>			Flow <sup>2</sup>	
	1H17	1H18	1H19	1H18	1H19
Number of Home Loan accounts <sup>1</sup>	992k	1,018k	1,000k	79k	64k <sup>3</sup>
Total FUM <sup>1</sup>	\$256b	\$271b	\$269b	\$31b	\$21b
Average Loan Size <sup>4</sup>	\$258k	\$266k	\$269k	\$377k	\$375k
% Owner Occupied <sup>5</sup>	62%	65%	66%	69%	73%
% Investor <sup>5</sup>	34%	32%	31%	29%	26%
% Equity Line of Credit	4%	3%	3%	2%	1%
% Paying Variable Rate Loan <sup>6</sup>	85%	83%	82%	82%	73%
% Paying Fixed Rate Loan <sup>6</sup>	15%	17%	18%	18%	27%
% Paying Interest Only <sup>7</sup>	36%	26%	18%	14%	12% <sup>8</sup>
% Broker originated	50%	51%	52%	56%	57%

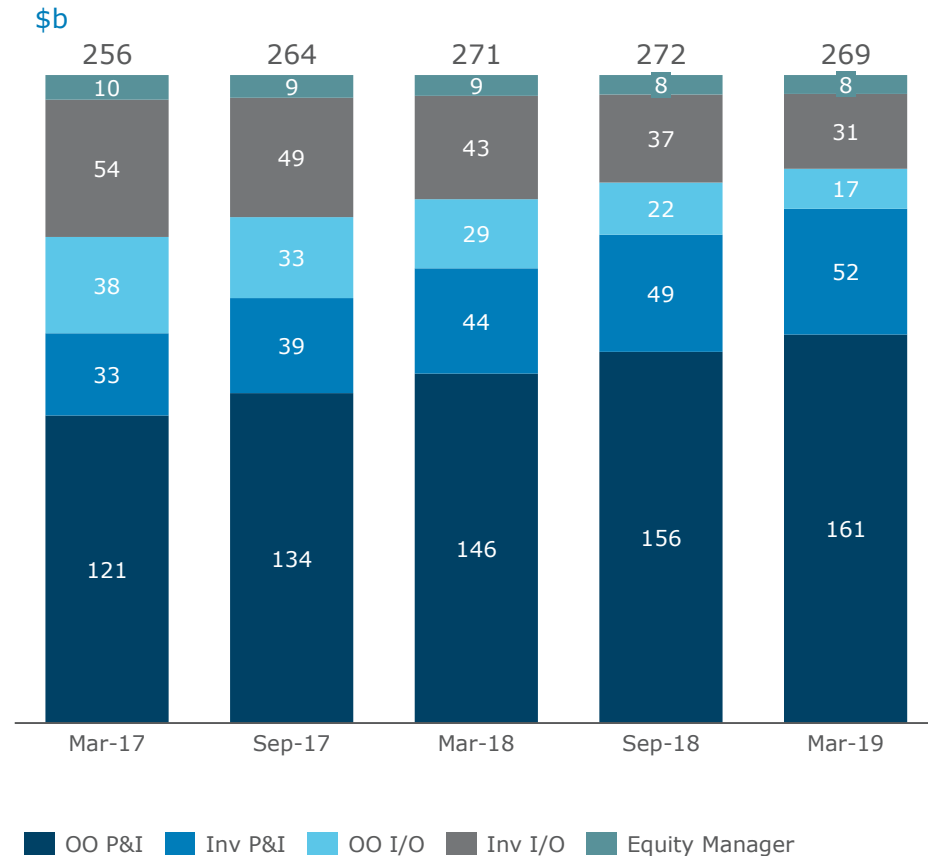
	Portfolio <sup>1</sup>		
	1H17	1H18	1H19
Average LVR at Origination <sup>9,10,11</sup>	70%	68%	67%
Average Dynamic LVR <sup>10,11,12,13</sup>	55%	54%	55%
Market Share <sup>14</sup>	15.6%	15.8%	15.1%
% Ahead of Repayments <sup>15</sup>	71%	71%	71%
Offset Balances <sup>16</sup>	\$26b	\$27b	\$27b
% First Home Buyer	6%	7%	7%
% Low Doc <sup>17</sup>	5%	4%	4%
Loss Rate <sup>18</sup>	0.02%	0.02%	0.04%
% of Australia Geography Lending <sup>19</sup>	63%	64%	63%
% of Group Lending <sup>19</sup>	44%	46%	44%

1. Home Loans portfolio (includes Non Performing Loans, excludes offset balances) 2. YTD unless noted 3. New accounts includes increases to existing accounts and split loans (fixed and variable components of the same loan) 4. Average loan size for Flow excludes increases to existing accounts (note the average loan size previously reported in 1H18 and prior included increases to existing accounts) 5. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ, and ANZ targeted activity to identify, any change in circumstances. 6. Excludes Equity Manager 7. Based on APRA definition i.e. includes Equity Manager and Construction Loans in the total composition 8. March Half to Date 9. Originated in the respective half 10. Unweighted 11. Includes capitalised premiums 12. Valuations updated to Feb'19 where available 13. Excludes Non Performing Loans 14. Source for Australia: APRA to Mar'19 15. % of Owner Occupied and Investment Loans that have any amount ahead of repayments. Includes Offset balances. Excludes Equity Manager. Includes Non Performing Loans 16. Balances of Offset accounts connected to existing Instalment Loans 17. Low Doc is comprised of less than or equal to 60% LVR mortgages primarily for self-employed without scheduled PAYG income. However, it also has ~0.1% of less than or equal to 80% LVR mortgages, primarily booked pre-2008 18. Annualised write-off net of recoveries 19. Based on Gross Loans and Advances

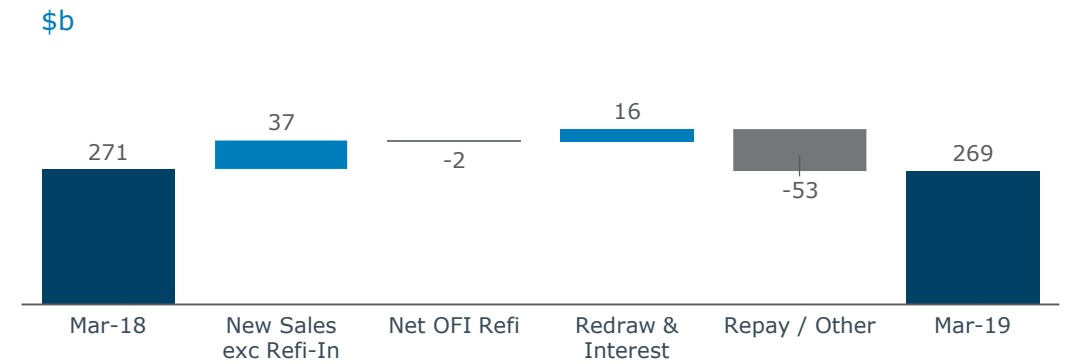
# AUSTRALIA HOME LOANS

## PORTFOLIO GROWTH

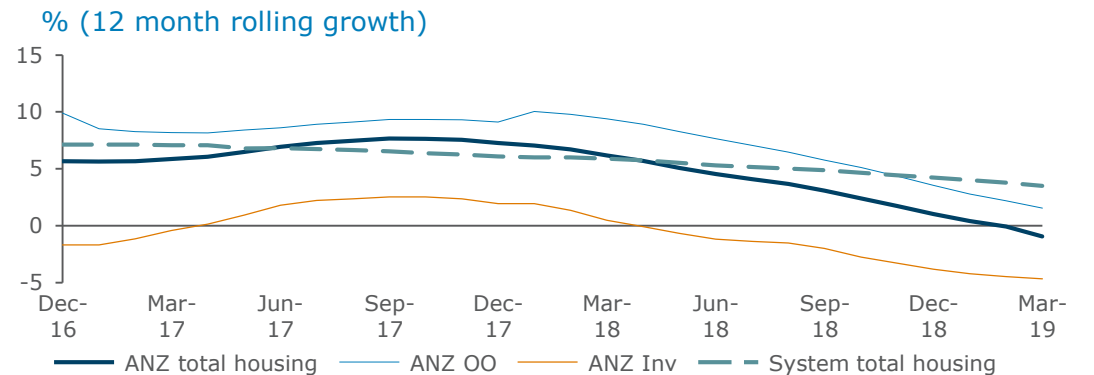
### HOME LOAN COMPOSITION<sup>1,2</sup>



### LOAN BALANCE & LENDING FLOWS<sup>1</sup>



### ANZ MORTGAGE LENDING<sup>3</sup>

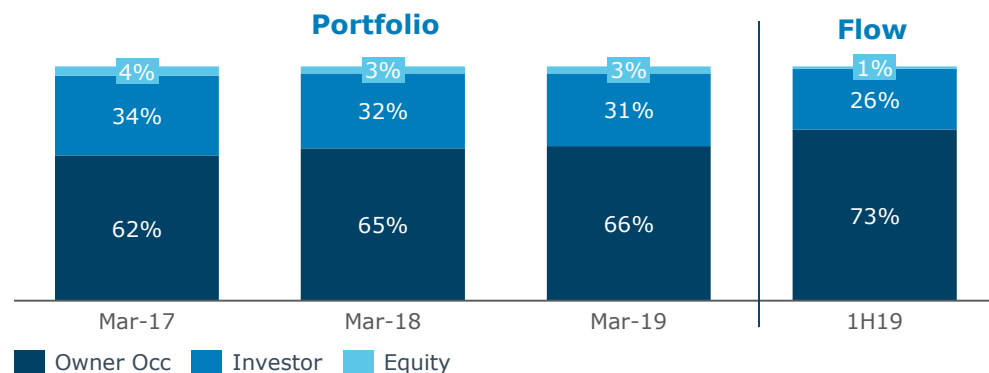


1. Includes Non Performing Loans. 2. The current classification of Investor v Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ, and ANZ targeted activity to identify, any change in circumstances. 3. ANZ analysis of APRA monthly banking statistics

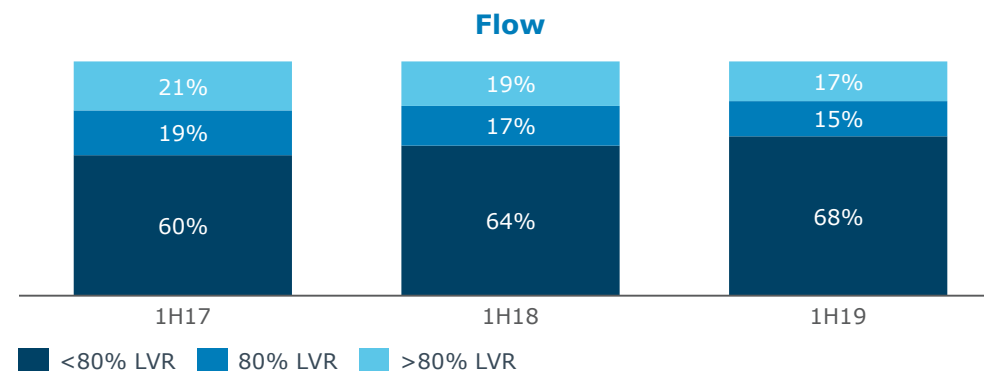
# AUSTRALIA HOME LOANS

## PORTFOLIO<sup>1,2</sup> & FLOW<sup>3</sup> COMPOSITION

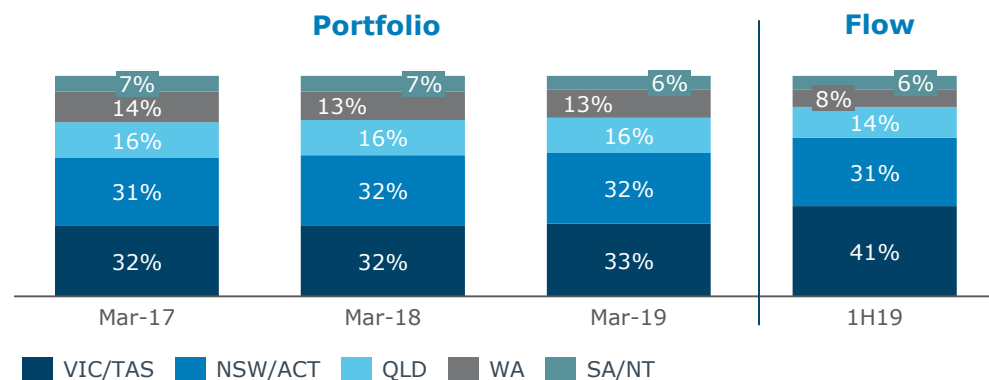
### BY PURPOSE



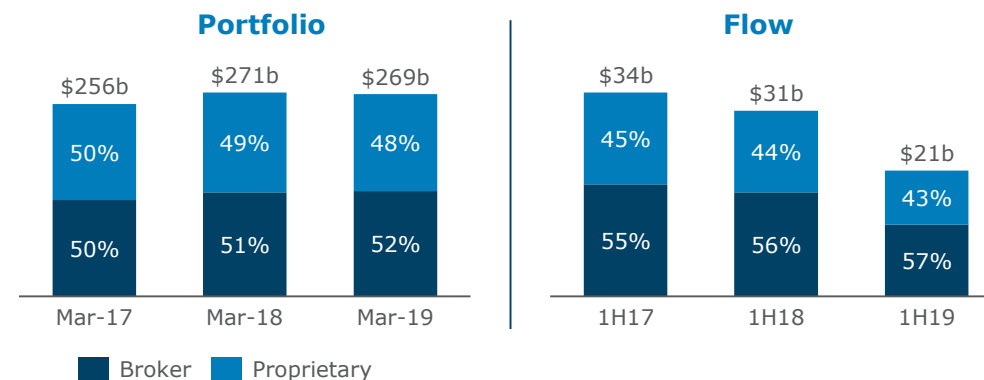
### BY ORIGINATION LVR<sup>4</sup>



### BY LOCATION



### BY CHANNEL



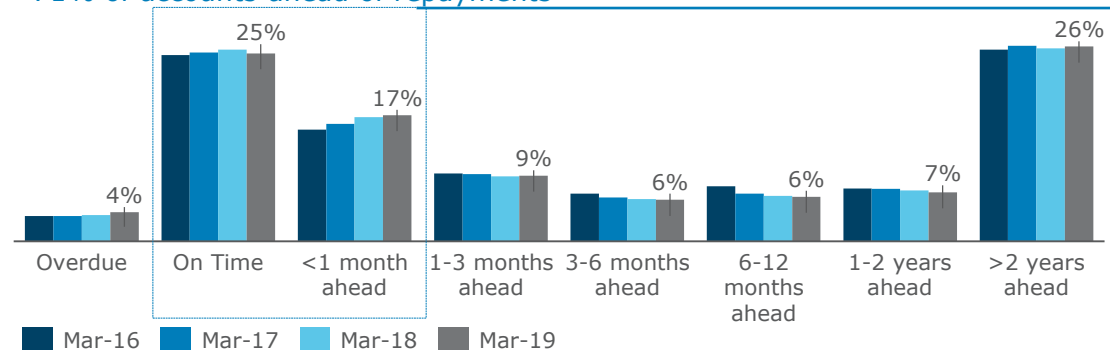
1. Includes Non Performing Loans. 2. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ, and ANZ targeted activity to identify, any change in circumstances. 3. YTD unless noted 4. Includes capitalised premiums

# AUSTRALIA DIVISION

## PORTFOLIO DYNAMICS

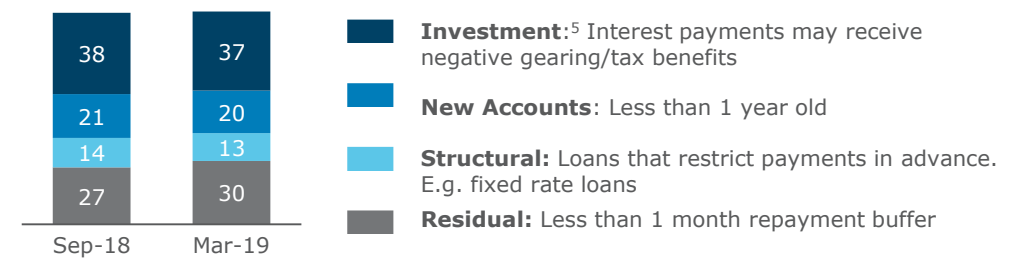
### HOME LOANS REPAYMENT PROFILE<sup>1,2</sup>

71% of accounts ahead of repayments



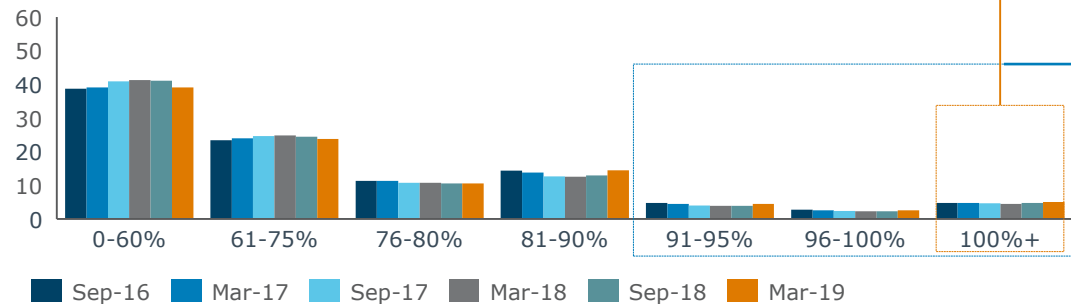
### HOME LOANS ON TIME & <1 MONTH AHEAD PROFILE<sup>1,2</sup>

% composition of accounts (March 19)

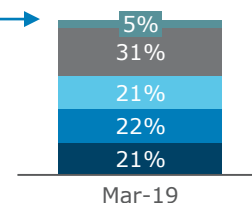


### DYNAMIC LOAN TO VALUE RATIO<sup>3,4,6</sup>

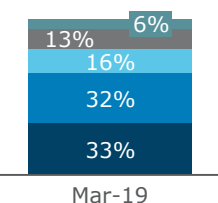
% of portfolio



91%+ DLVR by State



Total Portfolio



#### Negative Equity Mar-19

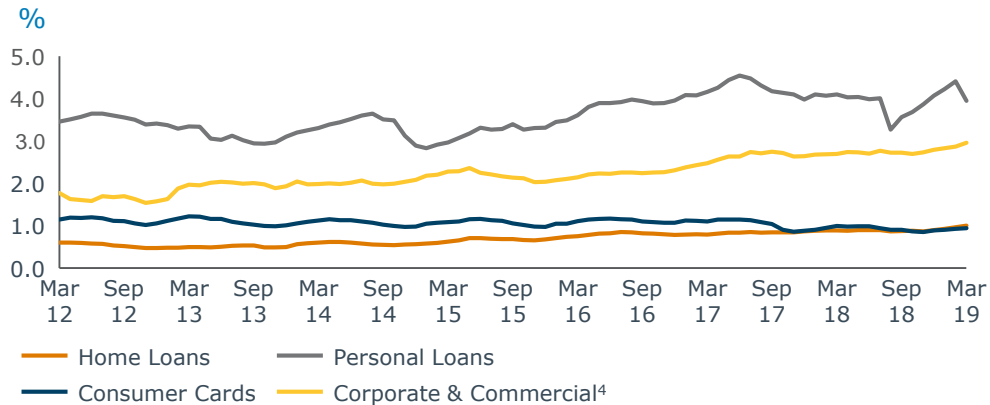
- Represents 5.0% of portfolio
- 15% of these balances have equity if offset balances are included
- Skew to mining states – WA, QLD, and NT represent 57% of negative equity mortgages
- 57% ahead of repayments

1. Includes Non Performing Loans 2. % of Owner Occupied and Investment Loans that have any amount ahead of repayments. Includes Offset balances. Excludes Equity Manager. Includes Non Performing Loans 3. Includes capitalised premiums 4. Valuations updated to Feb'19 where available 5. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ, and ANZ targeted activity to identify, any change in circumstances 6. Excludes Non Performing Loans

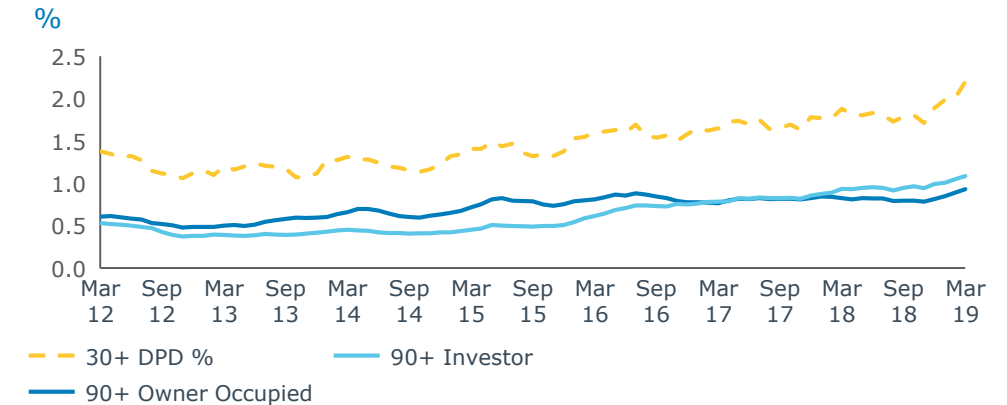
# AUSTRALIA DIVISION

## PORTFOLIO PERFORMANCE

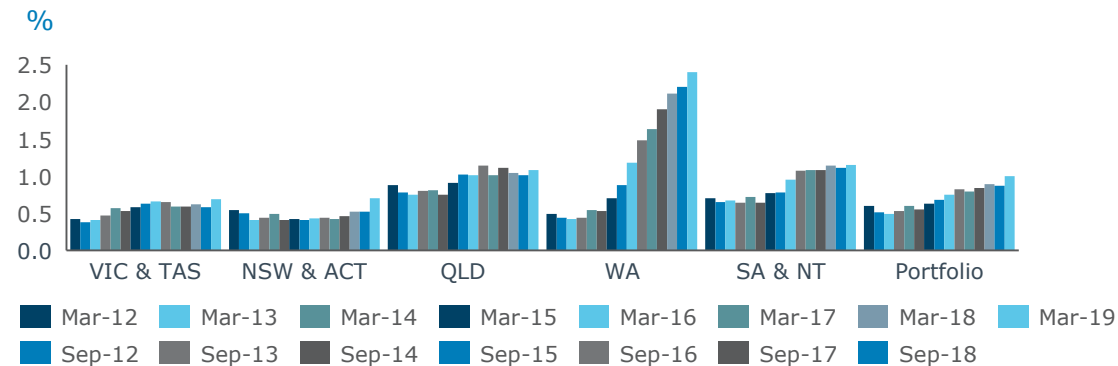
### PRODUCT 90+ DAY DELINQUENCIES<sup>1,2,3</sup>



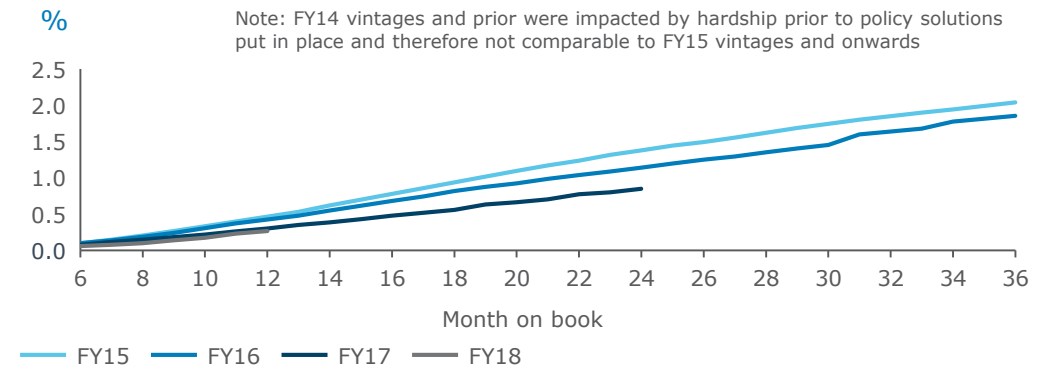
### HOME LOAN DELINQUENCIES<sup>1,2,5</sup>



### HOME LOANS 90+ DPD BY STATE<sup>1,2</sup>



### HOME LOANS - 90+ DPD (BY VINTAGE)<sup>6</sup>



1. Includes Non Performing Loans 2. ANZ delinquencies calculated on a missed payment basis 3. For Personal Loans, a new collections platform was implemented in Aug'18 enabling automated charge-off of late stage accounts. This resulted in a step change to 90+ rates. A new recoveries platform was implemented at this time however compatibility issues between these two systems resulted in an accumulation of 90+ debt not being charged-off, causing the 90+ rate to increase. This issue is now being worked through and will see the 90+ rate normalise over coming months. 4. Comprises Small Business, Commercial Cards and Asset Finance 5. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ, and ANZ targeted activity to identify, any change in circumstances 6. Home loans 90+ dpd vintages represent % ratio of ever delinquent (measured by # accounts), contains at least 6 application months of that fiscal year contributing to each data point

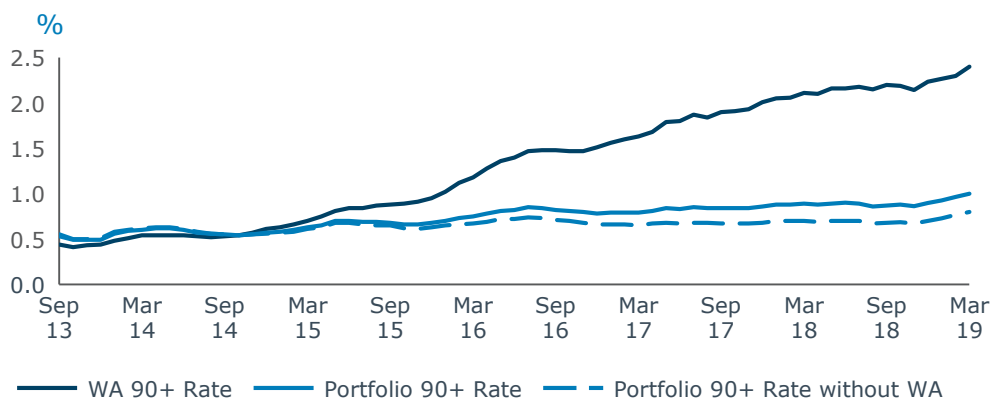
# AUSTRALIA HOME LOANS

## WESTERN AUSTRALIA

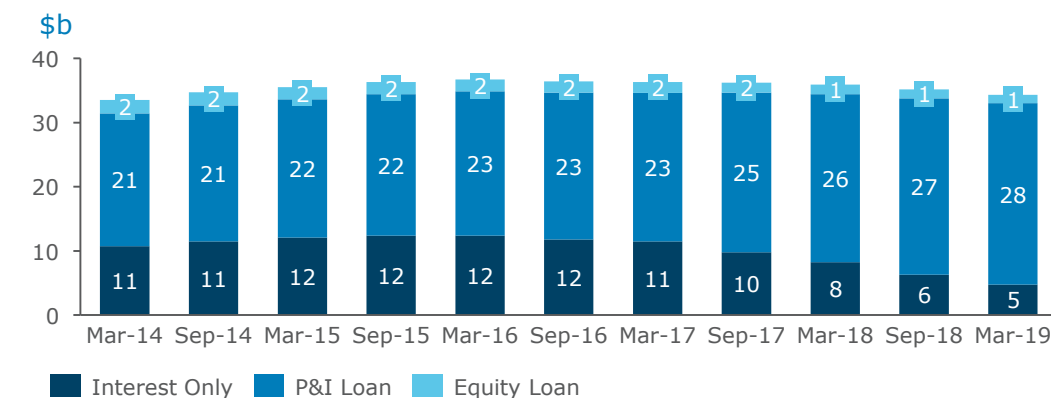
- Exposure to WA has decreased since Mar-16 driven by the economic environment and credit policy tightening (mining town lending, etc)
- Currently WA comprises 13% of portfolio FUM (and is decreasing), however it comprises 30% of 90+ delinquencies (and two thirds of portfolio losses<sup>1</sup>)
- Tailored treatment of collection and account management strategies in place

Economic indicators <sup>2</sup>	2012	2013	2014	2015	2016	2017	2018
Unemployment rate	3.9%	4.7%	5.0%	6.1%	6.3%	5.6%	6.1%
SFD <sup>3</sup> growth	13.8%	1.5%	-1.8%	-1.3%	-7.3%	-3.9%	0.3%
Population Growth	3.1%	2.2%	1.1%	0.85%	0.63%	0.71%	0.88%

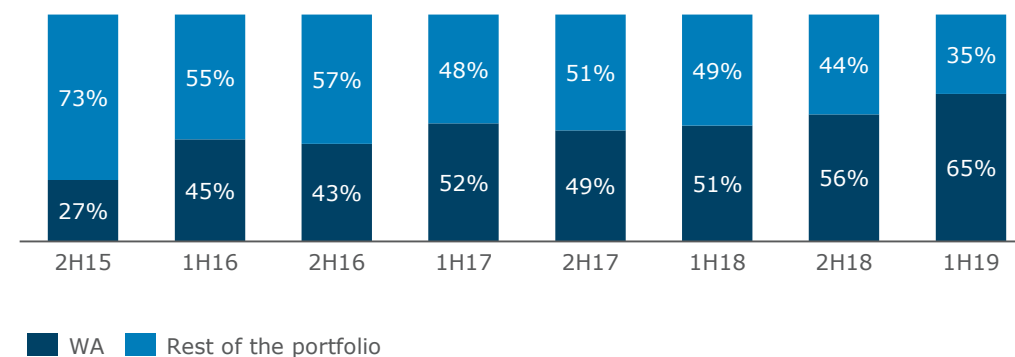
## HOME LOANS AND WA 90+ DELINQUENCIES<sup>4,5</sup>



## WA OUTSTANDING BALANCE



## HOME LOANS COMPOSITION OF LOSSES<sup>1</sup>



1. Losses are based on New Individual Provision Charges 2. Unemployment Rate as at September 3. State Final Demand (year on year growth) 4. Includes Non Performing Loans  
5. ANZ delinquencies calculated on a missed payment basis

# AUSTRALIA HOME LOANS

## NEW SOUTH WALES/ACT

### Portfolio<sup>1</sup>

- NSW/ACT makes up 32% of the portfolio FUM and 23% of 90+ days past due.
- 71% in advance of repayments which is the same as the total portfolio.
- 21% of the portfolio is Interest Only & reducing.

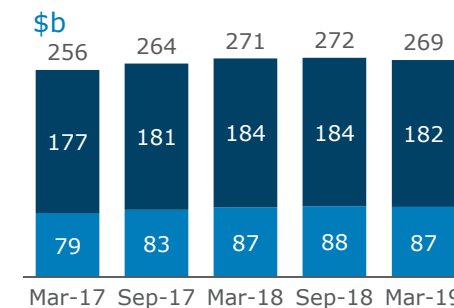
### 90+ days past due<sup>1</sup>

- NSW/ACT at 70bps is similar to VIC/TAS at 69bps & 30bps below country average.
- Increase in the past 6 months, primarily driven by older vintages
- Since FY15, credit quality has improved year-on-year, with FY17 & FY18 vintages performing better than FY15 & FY16 vintages.

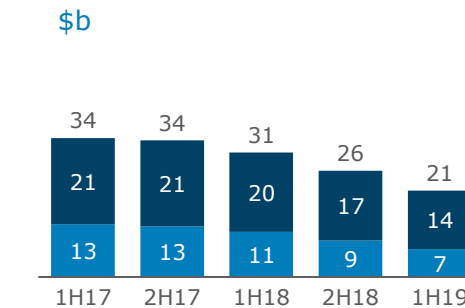
### Dynamic LVR<sup>1</sup>

- 8.2% of NSW/ACT portfolio >90% DLVR

### HOUSING PORTFOLIO<sup>2</sup>

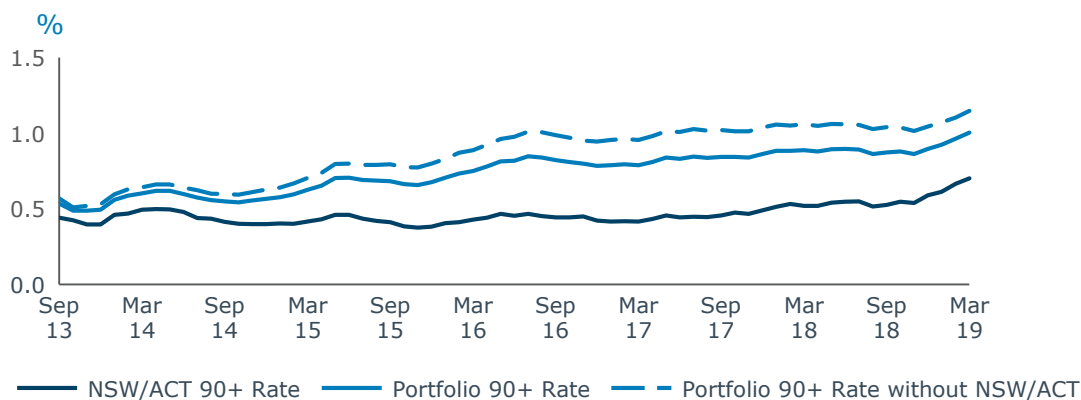


### HOUSING FLOW

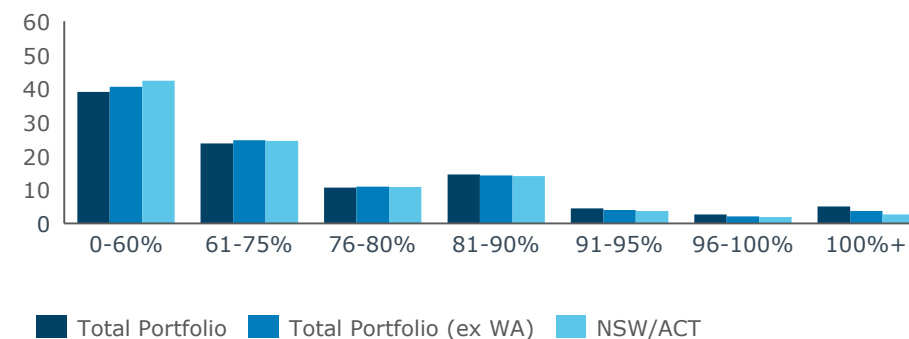


Rest of the Country NSW/ACT

### HOME LOANS AND NSW/ACT 90+ DELINQUENCIES<sup>2,3</sup>



### NSW/ACT DYNAMIC LVR PROFILE – MARCH 2019<sup>4,5</sup>



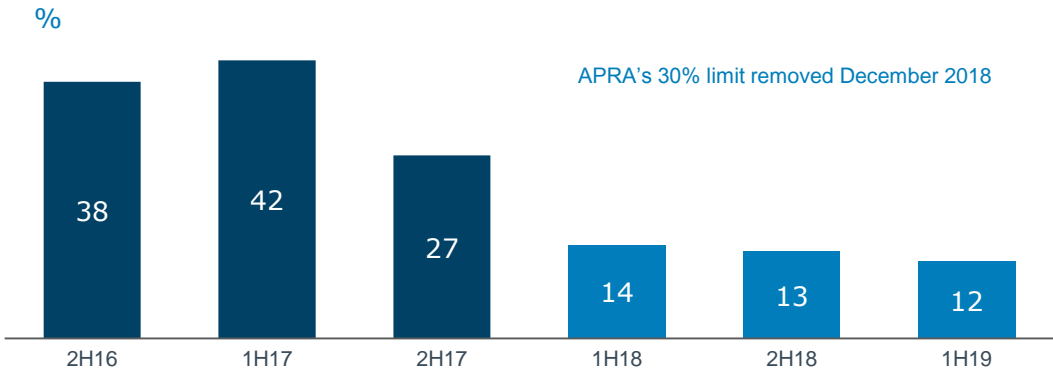
1. 31 March 2019 2. Includes Non Performing Loans 3. ANZ delinquencies calculated on a missed payment basis 4. Includes capitalised premiums 5. Valuations updated to Feb-19 where available

# AUSTRALIA HOME LOANS

## INTEREST ONLY

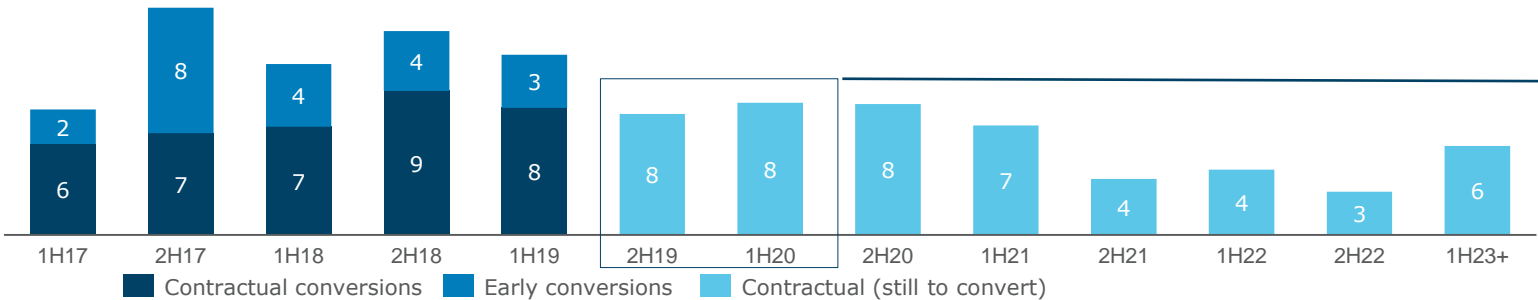
- Serviceability assessment is based on ability to repay principal & interest repayments calculated over the residual term of loan
- 84% of Interest Only customers have net income >\$100k p.a. (portfolio 65%)
- Arrears levels are lower for Interest Only vs overall portfolio
- Recent policy & pricing changes have led to a reduction in Interest Only lending. ANZ's Interest Only flow composition is 12% for 1H19.
- Proactive contact strategies are in place to prepare customers for the change in their repayments ahead of Interest Only expiry

### INTEREST ONLY FLOW COMPOSITION<sup>1</sup>

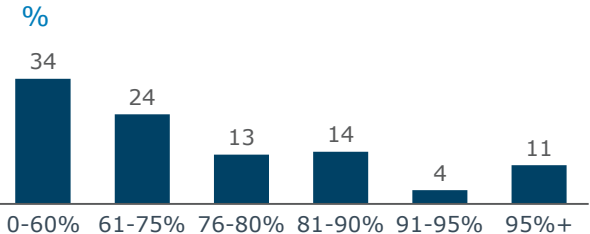


### SWITCHING INTEREST ONLY TO P&I AND SCHEDULED INTEREST ONLY TERM EXPIRY<sup>2,3</sup>

\$b



### DYNAMIC LVR PROFILE OF 12 MONTH FORWARD CONVERSIONS

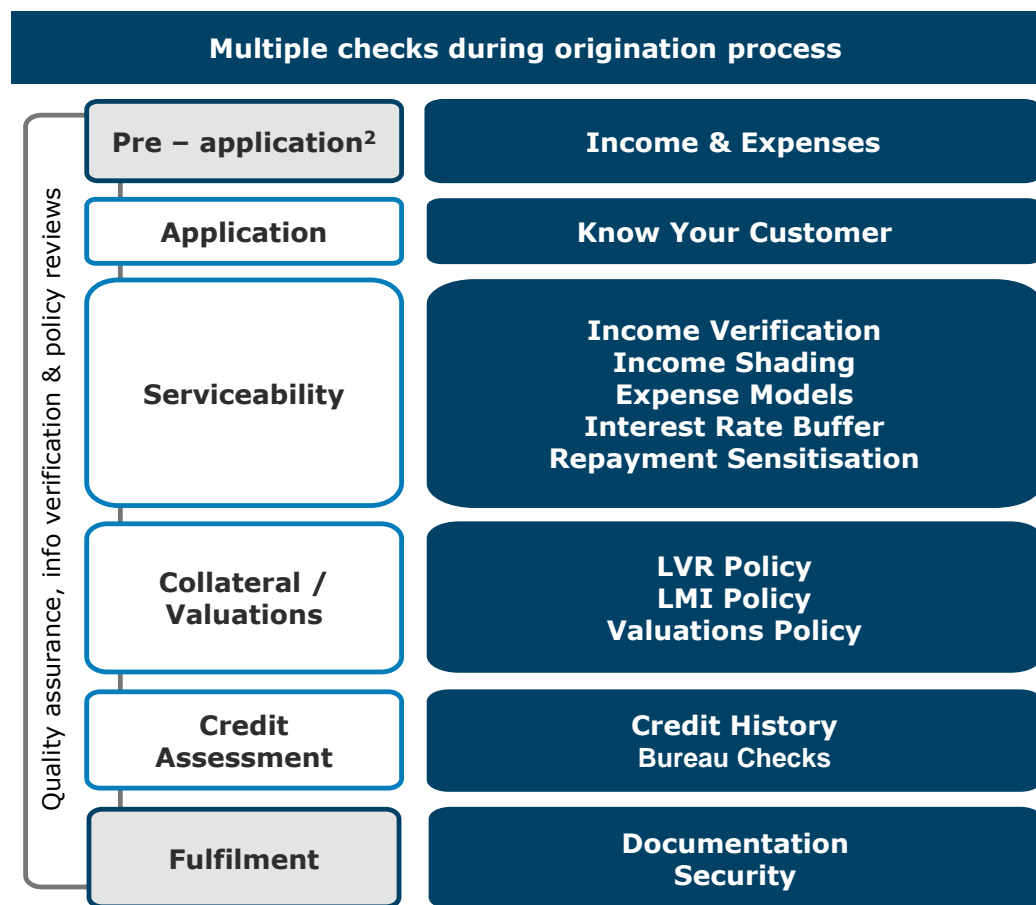


1. Based on APRA definition (includes Equity Manager)  
 2. Total portfolio including new flows. Includes construction loans  
 3. As at Mar-19



# AUSTRALIA HOME LOANS

## UNDERWRITING PRACTICES AND POLICY CHANGES<sup>1</sup>



- End-to-end home lending responsibility managed within ANZ
- Effective hardship & collections processes
- Full recourse lending
- ANZ assessment process across all channels

### Serviceability

<b>Aug'15</b>	Interest rate floor applied to new and existing mortgage lending introduced at 7.25%
<b>Apr'16</b>	Introduction of an income adjusted living expense floor (HEM*) Introduction of a 20% haircut for overtime and commission income Increased income discount factor for residential rental income from 20% to 25%
<b>Nov'18</b>	Enhanced Responsible Lending processes including additional enquiry and increase in minimum monthly credit card expense

\*The HEM benchmark is developed by the Melbourne Institute of Applied Economic and Social Research ('the Melbourne Institute'), based on a survey of the spending habits of Australian families.

1. 2015 to 2019 material changes to lending standards and underwriting  
2. Customers have the ability to assess their capacity to borrow on ANZ tools

# AUSTRALIA HOME LOANS

## UNDERWRITING PRACTICES AND POLICY CHANGES<sup>1</sup> - JUNE 2015 TO MARCH 2019

### ANZ LVR caps

- LVR cap reduced to 70% in high risk mining towns in June 2015; reduced to 90% for investment loans July 2015.
- Restricted new housing lending (new security to ANZ) to max. 80% LVR for all apartments within 7 inner city Brisbane postcodes October 2017
- Restricted investment lending (new security to ANZ) to max 80% LVR for all apartments within 4 inner city Perth postcodes October 2017

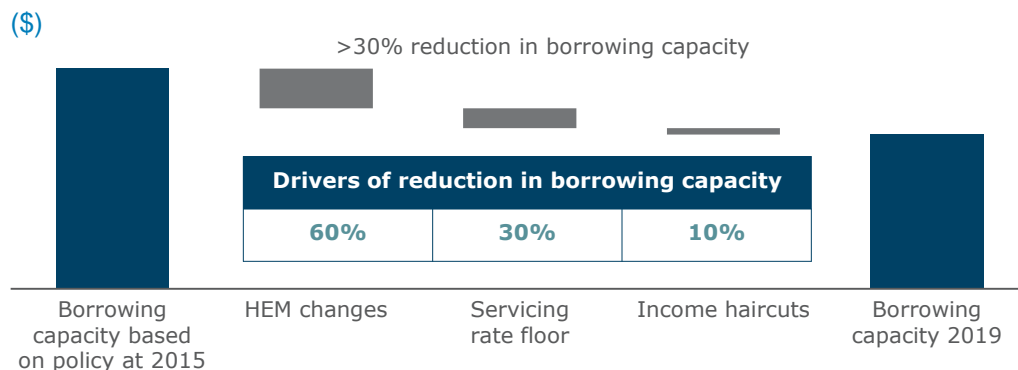
### ANZ Assessment

- Interest rate floor (new & existing lending) at 7.25% (implemented August 2015);
- Income adjusted living expense floor (HEM); 20% haircut for overtime & commission; Increased income discount factor for residential rental income from 20% to 25% April 2016
- Limited acceptance of foreign income to demonstrate serviceability and tightened controls on verification.
- Minimum default housing expense (rent/board) applied to all borrowers not living in their own home & seeking RILs<sup>2</sup> or EMAs<sup>3</sup> July 2017
- IO renewals become Credit Critical events (full income verification & serviceability test) including P&I to IO & converting to or extending IO term
- Enhanced Responsible Lending Requirements including additional enquiry and increase in minimum monthly credit card expense.

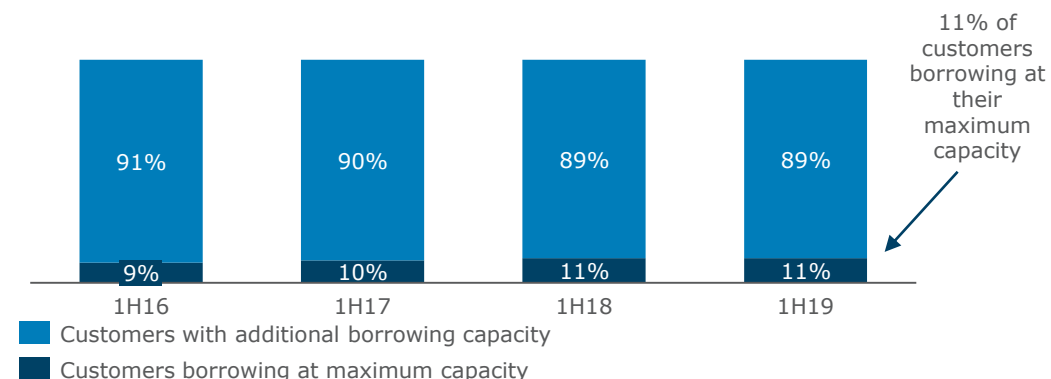
### ANZ Product and other limitations

- Decreased max. IO term of owner occupied loans to 5 years; IO lending no longer available on new Simplicity PLUS owner occupied loans
- Withdrew lending to non-residents; tightened acceptances for guarantees; clarified residential lending to trading companies is not acceptable

## CUSTOMER BORROWING CAPACITY<sup>4</sup>



## ANZ PORTFOLIO BORROWING CAPACITY SUMMARY<sup>5</sup>



1. 2015 to 2019 material changes to lending standards and underwriting 2. Residential Investment Loans 3. Equity Manager Accounts. 4. ANZ modelled outcome of 4 borrowing scenarios 2019 v 2015: i. Couple, no dependents, ii. Single, no dependents, iii. Couple 2 dependents, iv. Couple, no dependents, higher income earners, where application parameters such as income are held steady while policy components are adjusted based on 2015 and 2019 settings. 5. Based on 12 months to Mar'16, Mar'17, Mar'18 and Mar'19.

# AUSTRALIA HOME LOANS

## STRESS TESTING THE AUSTRALIAN MORTGAGE PORTFOLIO

- ANZ conducts regular stress tests of its loan portfolios to meet risk management objectives and satisfy regulatory requirements.
- Stress tests are highly assumption-driven; results will depend on economic assumptions, on modelling assumptions, and on assumptions about actions taken in response to the economic scenario.
- This illustrative recession scenario assumes significant reductions in consumer spending and business investment, which lead to eight consecutive quarters of negative GDP growth. This results in a significant increase in unemployment and material nationwide falls in property prices.
- Estimated portfolio losses under these stressed conditions are manageable and within the Group's capital base, with cumulative total losses at A\$3.2b over three years (net of LMI recoveries).
- The results are not materially different from the stress test six months ago.

Assumptions	Base <sup>1</sup>	Year 1	Year 2	Year 3
Unemployment rate	5.2%	6.3%	10.1%	10.6%
Cash Rate	1.5%	0.25%	0.25%	0.25%
Real GDP year ended growth	2.8%	-1.7%	-4.0%	2.5%
Cumulative reduction in house prices	-	-25.3%	-38.8%	-37.0%
Portfolio size (AUDb)	300	299	291	282

Outcomes	Year 1	Year 2	Year 3
Net Losses (AUDm)	179	1,535	1,474
Net losses (bps)	6	53	52

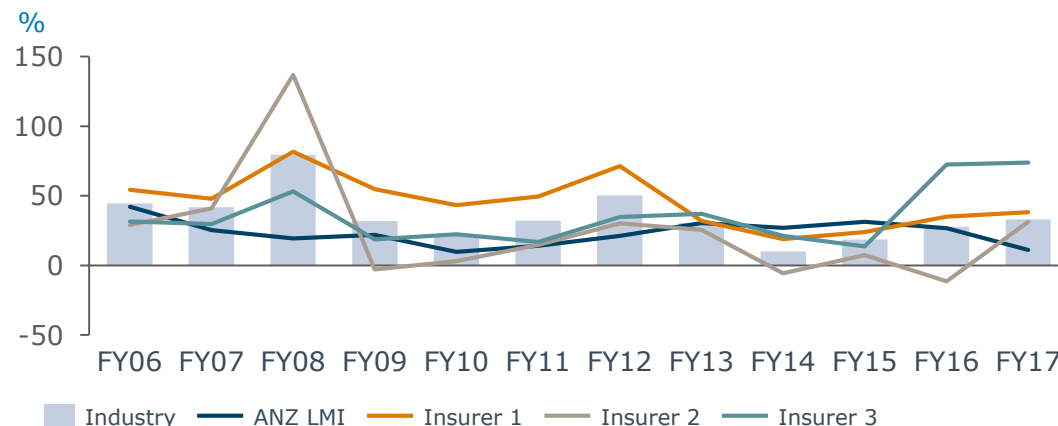
1. Based on mortgage exposure at default and conditions as at 30 September 2018

# LENDERS MORTGAGE INSURANCE

## MARCH HALF YEAR 2019 RESULTS

<b>Gross Written Premium (\$m)</b>	\$43.4m
<b>Net Claims Paid (\$m)</b>	\$17.6m
<b>Loss Rate (of Exposure - annualised)</b>	8.8bps

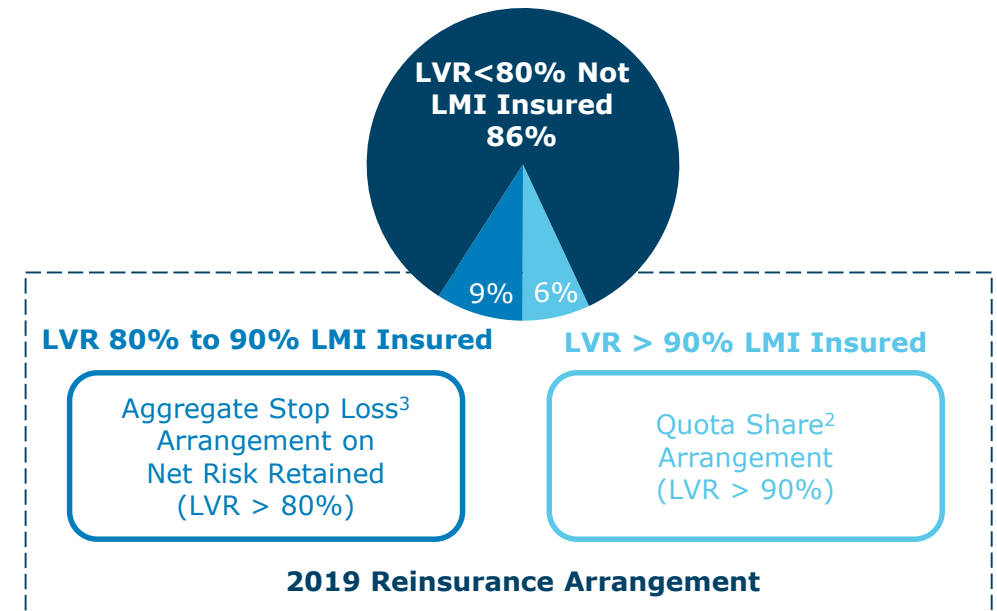
## ANZLMI MAINTAINED STABLE LOSS RATIOS<sup>1</sup>



1. Negative Loss ratios are the result of reductions in outstanding claims provisions. Source: APRA general insurance statistics (loss ratio net of reinsurance). 2. Quota Share arrangement - reinsurer assumes an agreed reinsured % whereby reinsurer shares all premiums and losses accordingly with ANZLMI. 3. Aggregate Stop Loss arrangement - reinsurer indemnifies ANZLMI for an aggregate (or cumulative) amount of losses in excess of a specified aggregate amount. When the sum of the losses exceeds the pre-agreed amount, the reinsurer will be liable to pay the excess up to a pre-agreed upper limit.

## LMI & REINSURANCE STRUCTURE

Australian Home Loan portfolio LMI and Reinsurance Structure at 31 Mar 19 (% New Business FUM Oct-18 to Mar-19)



ANZLMI uses a **diversified panel of reinsurers** (10+) comprising a mix of APRA authorised reinsurers and reinsurers with highly rated security

Reinsurance is comprised of a **Quota Share arrangement<sup>2</sup>** with reinsurers for mortgages 90% LVR and above and in addition an **Aggregate Stop Loss arrangement<sup>3</sup>** for policies over 80% LVR

# NEW ZEALAND HOME LOANS

## PORTFOLIO OVERVIEW<sup>1</sup>

	Portfolio			Flow	
	1H17	1H18	1H19	1H18	1H19
Number of Home Loan Accounts	515k	523k	527k	31k	37k
Total FUM	NZ\$75b	NZ\$79b	NZ\$83b	NZ\$8b	NZ\$9b
Average Loan Size <sup>2</sup>	NZ\$145k	NZ\$150k	NZ\$157k	NZ\$274k	NZ\$251k
% Owner Occupied	73%	74%	75%	78%	77%
% Investor	27%	26%	25%	22%	23%
% Paying Variable Rate Loan <sup>3</sup>	22%	20%	16%	18%	13%
% Paying Fixed Rate Loan <sup>3</sup>	78%	80%	84%	82%	87%
% Paying Interest Only <sup>4</sup>	23%	21%	20%	21%	19%
% Paying Principal & Interest	77%	79%	80%	79%	81%
% Broker Originated <sup>5</sup>	34%	35%	37%	38%	41%

	Portfolio		
	1H17	1H18	1H19
Average LVR at Origination <sup>2</sup>	59%	58%	57%
Average Dynamic LVR <sup>2</sup>	42%	42%	42%
Market Share <sup>6</sup>	31.1%	31.0%	31.0%
% Low Doc <sup>7</sup>	0.48%	0.41%	0.35%
Home Loan Loss Rates	-0.01%	0.00%	0.00%
% of NZ Geography Lending	61%	62%	63%

1. New Zealand Geography

2. Average data as of March 2019

3. Flow excludes revolving credit facilities

4. Excludes revolving credit facilities

5. Flow 1H19 5 months to February 2019

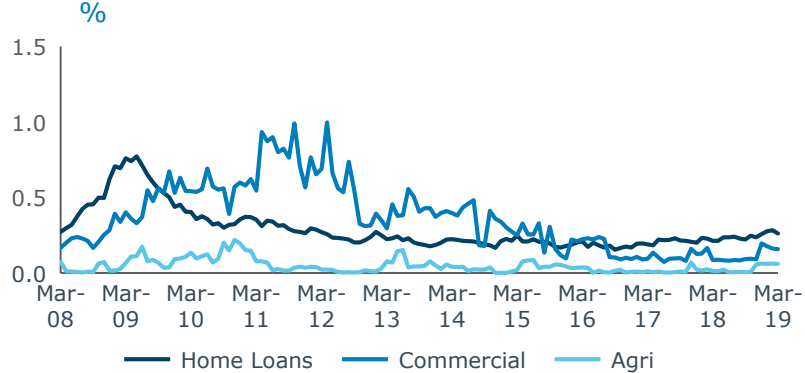
6. Source: RBNZ, 1H19 share of all banks as of February 2019

7. Low documentation (low doc) lending allowed customers who met certain criteria to apply for a mortgage with reduced income confirmation requirements. New low doc lending ceased in 2007

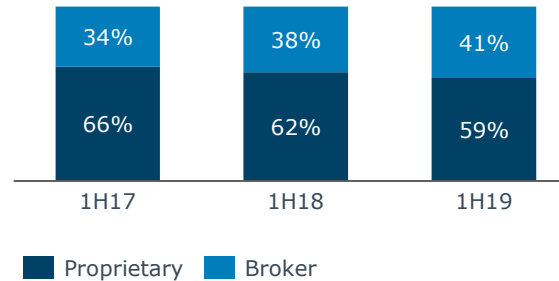
# NEW ZEALAND DIVISION

## HOME LENDING & ARREARS TRENDS<sup>1</sup>

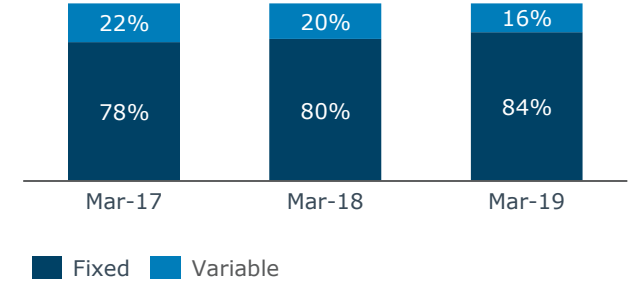
### NZ DIVISION 90+ DAYS DELINQUENCIES



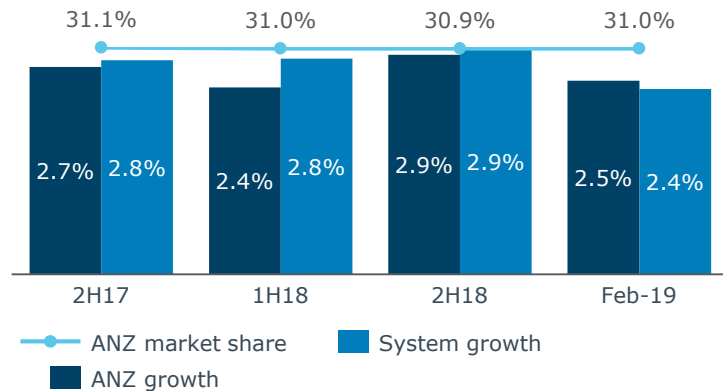
### HOUSING FLOWS<sup>2</sup>



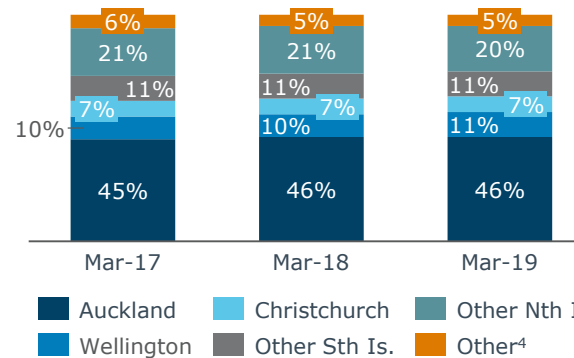
### HOUSING PORTFOLIO



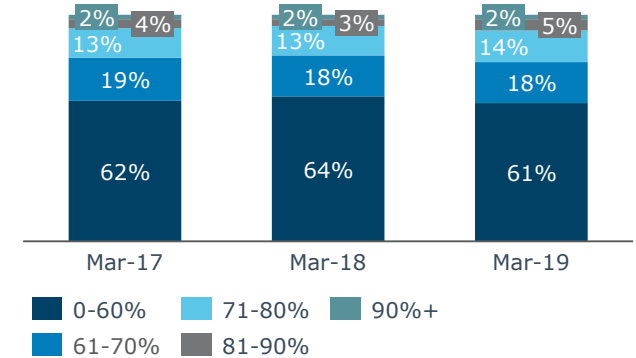
### MARKET SHARE<sup>3</sup>



### HOUSING PORTFOLIO BY REGION



### ANZ HOME LOAN LVR PROFILE<sup>5</sup>



1. New Zealand Geography; 2. Flow 1H19 5 months to February 2019; 3. Source: RBNZ; 4. Other includes loans booked centrally (Business Direct, Contact Centre, Lending Services, Property Finance); 5. Dynamic basis

# 2019 HALF YEAR RESULTS

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CORPORATE PROFILE & SUSTAINABILITY  
INVESTOR DISCUSSION PACK

1 MAY 2019

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED



# ANZ CORPORATE PROFILE

## CORPORATE PROFILE

- Top 5 listed corporate in Australia and the largest bank in New Zealand by bank market share
- Market capitalisation of AU\$74b<sup>1</sup>
- Total Assets of AU\$980.2 billion<sup>1</sup>
- ~37,000<sup>2</sup> staff serve our retail, commercial and institutional customers
- Consumer and corporate offerings in our core markets, and regional trade and capital flows across the region
- Over 500,000 shareholders, over \$2.2b in dividends announced for first half 2019 financial year
- 593 branches in Australia & 170 branches in New Zealand

## CREDIT RATING



## OUR BUSINESSES

HALF YEAR 2019 CASH PROFIT (\$m)<sup>2</sup>



1. As at 31 March 2019  
2. On a Continuing Operations basis



# CREATING VALUE FOR OUR STAKEHOLDERS

CUSTOMERS	EMPLOYEES	COMMUNITY	SHAREHOLDERS <sup>5</sup>
<p><b>8.7m</b> total retail, commercial and Institutional customers</p> <p>~<b>150,000</b> net new customers over 12 months to March 2019</p> <p><b>\$289b</b> in retail &amp; commercial customer deposits in Australia and New Zealand</p> <p><b>\$344b</b> in home lending in Australia and New Zealand</p> <p><b>Full mobile wallet offering</b>, including Apple Pay™, GooglePay™, Samsung Pay™, FitBit Pay™ and Garmin Pay™</p> <p><b>#1</b> Lead bank for trade services<sup>1</sup></p>	<p><b>39,359</b> people employed (FTE)</p> <p><b>608</b> people recruited from under-represented groups, including refugees, people with disability and Indigenous Australians since 2016</p> <p><b>32.4%</b> of women in leadership, increase from 27.9% in Sep 2014<sup>2</sup></p> <p><b>877k</b> hours of training provided in FY18</p>	<p><b>\$137m</b> contributed in community investment in FY18<sup>3</sup></p> <p><b>Disaster relief packages</b> for Qld floods; Vic and Tas bushfires; NT cyclones and NSW hailstorms</p> <p><b>\$1.5m</b> in donations across FY18 and 1H19 for drought and flood relief</p> <p><b>124,113</b> volunteering hours completed by employees in FY18</p> <p><b>\$1.5b</b> in taxes incurred; money used by governments to provide public services and amenities</p> <p><b>&gt;889k</b> people reached through target to help enable social and economic participation in FY18<sup>4</sup></p>	<p><b>&gt;500,000</b> Retail &amp; Institutional shareholders</p> <p><b>\$3.6b</b> cash profit reported</p> <p><b>124.8 cents</b> earnings per share</p> <p><b>80 cents</b> per share fully franked dividend announced for 1H19</p> <p><b>12.0%</b> return on average ordinary shareholders equity</p>

All financial metrics are as at 31 March 2019 (P&L growth metrics for the half year ended 31 March 2019) unless otherwise stated

1. Peter Lee Associates Large Corporate and Institutional Transactional Banking surveys, Australia and New Zealand 2004-2018. 2. Measures representation at the Senior Manager, Executive and Senior Executive Levels. Includes all employees regardless of leave status but not contractors (which are included in FTE 3. Figure includes foregone revenue of \$107 million. 4. Through our initiatives to support financial wellbeing including financial inclusion, employment and community programs, and targeted banking products and services for small businesses and retail customers. 5. On a cash profit continuing operations basis

# SUSTAINABILITY

## OUR APPROACH

Our Sustainability Framework supports our business strategy. We seek to shape a world where people and communities thrive through our focus on fair and responsible banking and our priority issues of environmental sustainability, housing and financial wellbeing.

**Fair and responsible banking** - keeping pace with the expectations of our customers, employees and the community, behaving fairly and responsibly and maintaining high standards of conduct.

**Financial wellbeing** - improving the financial wellbeing of our customers, employees and the community by helping them make the most of their money throughout their lives.

**Environmental sustainability** - supporting household, business and financial practices that improve environmental sustainability.

**Housing** – improving the availability of suitable and affordable housing options for all Australians and New Zealanders.

ANZ is committed to the United Nations' Sustainable Development Goals (SDGs) and our Framework, together with public targets that we set annually, supports the achievement of the SDGs. Our activities support 10 of the 17 SDGs:



# SUSTAINABILITY

## HALF YEAR PROGRESS SNAPSHOT

Sustainability target (half year progress snapshot)	Progress
<b>FAIR AND RESPONSIBLE BANKING</b>	
Continue to allocate dedicated resources to customer remediation to improve our processes (Australia Division)	<ul style="list-style-type: none"> <li>Reduced time to make customer remediation payments – in some cases by more than 50%</li> <li>Remediation payments made to ~420,000 customer accounts</li> <li>Increased specialist retail remediation team from 130 to 200 people</li> </ul>
Implement new Dispute Resolution Principles in Australia	<ul style="list-style-type: none"> <li>New Dispute Resolution Principles, incorporating model litigant guidelines, released publicly in April</li> </ul>
<b>ENVIRONMENTAL SUSTAINABILITY</b>	
Fund and facilitate at least \$15 billion by 2020 towards environmentally sustainable solutions for our customers including initiatives that help lower carbon emissions, improve water stewardship and minimise waste <sup>2</sup>	<ul style="list-style-type: none"> <li>\$14.6b</li> </ul>
Reduce the direct impact of our business activities on the environment by reducing scope 1 & 2 emissions by 24% by 2025 and 35% by 2030 (against a 2015 baseline)	<ul style="list-style-type: none"> <li>-23%</li> </ul>
<b>FINANCIAL WELLBEING</b>	
Help enable social and economic participation of 1 million people by 2020 <sup>3</sup>	<ul style="list-style-type: none"> <li>&gt;889k</li> </ul>
Increasing women in leadership to 33.1% by 2019 (34.1% by 2020) <sup>4</sup>	<ul style="list-style-type: none"> <li>32.4%</li> </ul>
Recruiting >1,000 people from under-represented groups by 2020	<ul style="list-style-type: none"> <li>608</li> </ul>
<b>HOUSING</b>	
Fund and facilitate \$1b of investment by 2023 to deliver ~3,200 more affordable, secure and sustainable homes to buy and rent (Australia)	<ul style="list-style-type: none"> <li>ANZ jointly led issue of \$315m social bond for the National Housing Finance &amp; Investment Corporation</li> </ul>
Provide NZD100m of interest free loans to insulate homes for ANZ mortgage holders (NZ)	<ul style="list-style-type: none"> <li>677 loans approved to value of NZD2.5m</li> </ul>

[An update on progress against all of ANZ's 2019 sustainability targets is available on anz.com/cs](https://anz.com/cs)

Note: This information has not been independently assured. KPMG will provide assurance over ANZ's full year performance against targets in its annual sustainability reporting to be released in November 2019.

1. Australia Retail: Roy Morgan Research Single Source, Australian population aged 14+, Main Financial Institution, six month rolling average to Sep'18. Ranking based on the four major Australian banks. 2. Including renewable energy generation, green buildings and less emissions intensive manufacturing and transport. 3. Through our initiatives to support financial wellbeing including financial inclusion, employment and community programs, and targeted banking products and services for small businesses and retail customers. Note that this is FY18 figure – full year results available November 2019. 4. FY18-FY20 target is now defined as Women in Leadership which measures representation at the Senior Manager, Executive and Senior Executive levels

# SUSTAINABILITY

## FAIR AND RESPONSIBLE BANKING

### RESPONDING TO THE ROYAL COMMISSION

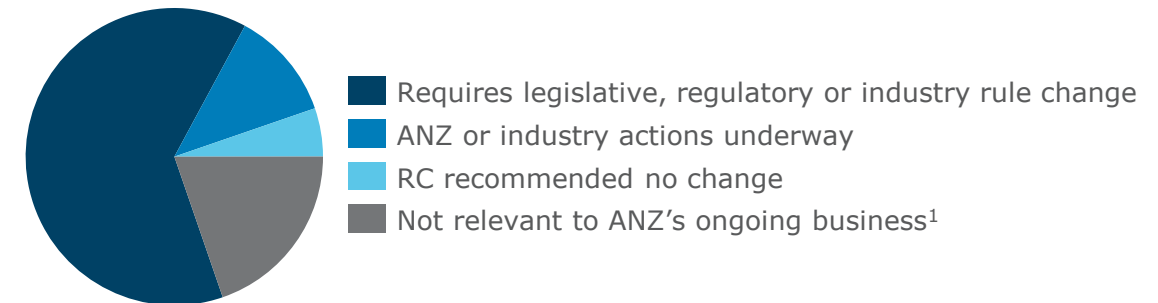
Central to our commitment to **Fair and responsible banking** is how we respond to the 'spirit and the letter' of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

Following the Commission's Final Report we have:

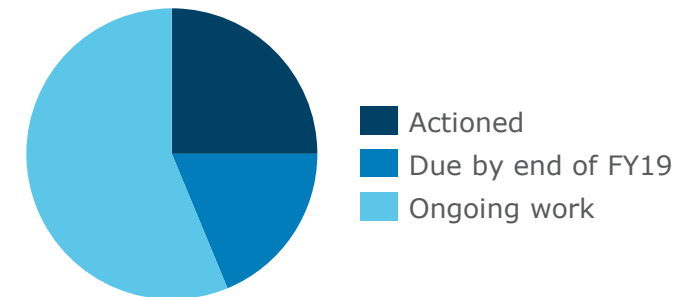
- Identified sixteen actions that we can take now (see pages 104 to 108 for actions and progress to date);
- Reviewed individual cases highlighted at the Commission and where appropriate taken action to resolve the matters;
- Developed and 'mapped' our broader response to the 'spirit' of the Commission, setting out what we have learnt and what we are doing in response (see pages 101 to 103). We are focused on:
  - **how we serve customers** – preventing harm through improving product governance and accountability and ensuring we are sensitive to customers with unique circumstances (for example, customers living in remote areas, including Indigenous customers);
  - **how we comply with the law** – identifying, reporting and fixing issues quickly; and
  - **how we run the bank** – reducing complexity and improving our governance, culture and remuneration systems to prevent failings and reduce the risk of misconduct.

### ROYAL COMMISSION & ANZ ACTIONS

ANZ analysis of Royal Commission recommendations



Sixteen actions ANZ is taking now<sup>2</sup>



1. ANZ continuing operations  
2. Progress as at 30 April 2019

# ROYAL COMMISSION

## ANZ LEARNINGS FROM THE ROYAL COMMISSION

What did we learn	Work Underway
<b>How we serve customers</b>	
<p><b>1. Product governance needs focus on customer needs and rigour in design, execution and accountability for effectiveness to prevent customer harm</b></p> <p>Commissioner Hayne set out six norms of conduct in the Final Report, including that firms should provide services that are fit for purpose and deliver those services with reasonable care and skill. Commissioner Hayne’s recommendation 1.17 for a BEAR<sup>1</sup> product responsibility and observation that the new design and distribution obligations should extend to credit products support these norms. The design and distribution obligations will apply from ~April 2021. In our January 2018 RC submission, we identified that a desire to meet changing customer needs ‘...led to an insufficient focus on whether ANZ’s systems will function as expected in all scenarios.’ In Shayne Elliott’s witness statement, the ‘disaggregation’ of the product design and distribution responsibilities contributed to insufficient investigation of whether our products were delivering what they promised.</p>	<ul style="list-style-type: none"> <li>• Focus on product suitability, including through updates to the Product Management Policy and in anticipation of the design and distribution obligation (20 February commitments)</li> <li>• Will appoint BEAR<sup>1</sup> product executive(s) (20 February commitments)</li> <li>• Enhanced capability of Responsible Banking team and Remediation Principles (20 February commitments)</li> <li>• Simplification through use of technology, removing manual processes for example: automated account linkage, consolidation of home loan origination systems, new retail workflow and document management platforms</li> <li>• On-going Asset Lifecycle Management an enterprise priority</li> </ul>
<p><b>2. There are customers with unique circumstances to which we must be sensitive</b></p> <p>Through Round 4 of the Commission’s hearings, ANZ was the subject of several case studies which highlighted the importance of being sensitive to circumstances of certain customers with the Commissioner focusing on remote customers (including ATSI), customers who are not adept at English, low income earners using basic accounts and agricultural customers. Commissioner Hayne’s recommendation 1.14 concerning distressed agricultural loans and recommendation 1.8 concerning amending the Banking Code of Practice are evidence of the expectations on this topic.</p>	<ul style="list-style-type: none"> <li>• ATSI telephone service (20 February commitments)</li> <li>• Easier options for ATSI customers to prove identity (20 February commitments)</li> <li>• Principles for farmers (20 February commitments)</li> <li>• Removing overdrawn and dishonour fees on our Pensioner Advantage account (20 February commitments)</li> <li>• Contacting customers in receipt of eligible Centrelink or Veterans’ Affairs benefits to help them move to low-cost basic bank accounts (20 February commitments)</li> </ul>

1. Banking Executive Accountability Regime

# ROYAL COMMISSION

## ANZ LEARNINGS FROM THE ROYAL COMMISSION

What did we learn	Work Underway
<b>How we comply with the law</b>	
<p><b>3. The imperative to understand and ensure compliance with the law</b></p> <p>One of Commissioner Hayne’s six norms is ‘obey the law’. This manifests in at least two ways, as described in Shayne Elliott’s witness statement. First, the implementation of systems and procedures to ensure compliance with the law, as described in the context of the breach reporting matter, the inappropriate advice matter, the processing errors matter and the unapplied funds matter. As noted in our January 2018 RC submission, this requires clear and effective supervision, and associated processes, to ensure an appropriate, organisation-wide focus on reducing the risk of non-compliant conduct. Second, obtaining a clear understanding of legal and regulatory obligations through appropriately calibrated legal advice as described in the breach reporting matter and the pre-approved overdrafts. The ‘why not litigate’ stance of ASIC, coupled with recently increased penalties and enforcement pathways for contraventions of financial sector laws, reinforce the salience of this lesson.</p>	<ul style="list-style-type: none"> <li>• Identify, Act, Monitor (I.AM) a rethinking of how we manage operational risk and compliance - creating an approach that is Simple, Flexible and Data driven, supported with education and awareness activities</li> <li>• Increased use of data analytics to identify compliance risks in manual processes, such as providing personal advice</li> <li>• Focus on speak-up culture</li> </ul>
<p><b>4. Incidents need to be identified, reported and fixed addressed quickly</b></p> <p>In the breach reporting matter described in Shayne Elliott’s witness statement, ANZ identified failings with respect to the timeliness of identifying and investigating incidents (and consequently reporting matters to ASIC) and the remediation of customers. These factors arose in the context of the breach reporting matter. A contributing factor to these failings, and to ANZ’s failings in the pre-approved overdrafts matter, processing errors matter and unapplied funds matter, was an inability to identify and act on failings and harm promptly.</p>	<ul style="list-style-type: none"> <li>• Breach reporting improvements</li> <li>• Enhanced capability of Responsible Banking team and Remediation Principles (20 February commitments)</li> <li>• Board and business remediation focus</li> <li>• Require our BEAR<sup>1</sup> executives to be open, constructive and cooperative with ASIC (20 February commitments)</li> </ul>

1. Banking Executive Accountability Regime

# ROYAL COMMISSION

## ANZ LEARNINGS FROM THE ROYAL COMMISSION

What did we learn	Work Underway
<b>How we run the bank</b>	
<p><b>5. Complexity makes it hard to prevent, identify and fix failures and, as such, should be reduced</b></p> <p>Complexity was identified as a principal cause of a number of ANZ's failings in both our January 2018 RC submission and, in Shayne Elliott's witness statement (e.g. the delay in breach reporting, the pre-approved overdrafts matter and the processing errors matter).</p>	<ul style="list-style-type: none"> <li>• Simplifying the bank</li> <li>• Simplification through use of technology, removing retail manual processes for example: automated account linkage, consolidation of home loan origination systems, new workflow and document management platforms</li> </ul>
<p><b>6. Remuneration systems should be designed to reduce the risk of misconduct</b></p> <p>Commissioner Hayne observed in the Final Report that misconduct, in almost every case, was driven by individuals' 'pursuit of gain'. The Commissioner made recommendations concerning frontline and executive remuneration systems to enhance accountability and ensure a focus not only on what staff do, but how they do it. Particular recommendations were also made to better align the remuneration of mortgage brokers and financial advisors with customer interests. In our January 2018 RC submission, we noted that our pay 'structures have not adequately discouraged, and may even have encouraged, poor conduct'. Commissioner Hayne has recommended regular reviews of remuneration and the implementation of the Sedgwick recommendations on retail pay.</p>	<ul style="list-style-type: none"> <li>• Implementing Sedgwick</li> <li>• Reimagining Reward, including an annual "rem policy" review</li> <li>• Implement strengthened Consequence Management Framework, applicable to employees in breach of ANZ's Code of Conduct, by 2019 (Sustainability target)</li> </ul>
<p><b>7. Our governance and culture must be assessed regularly</b></p> <p>Commissioner Hayne observed that because primary responsibility for misconduct lies with entities concerned, good governance and appropriate culture 'are fundamentally important'. The Commissioner recommended that all financial services entities assess, as often as reasonably possible, the entity's culture and governance, identify any problems, deal with them and determine whether the changes have been effective. He also emphasised the need for APRA to supervise culture. A continuing focus on these topics, which includes accountability, is critical.</p>	<ul style="list-style-type: none"> <li>• Annual reviews by Executive Committee</li> <li>• Annual reviews by Board</li> <li>• APRA Self-Assessment response</li> </ul>

# RESPONDING TO THE ROYAL COMMISSION

'IDENTIFIED SIXTEEN ACTIONS THAT WE CAN TAKE NOW'

## COMMITMENT

On 20 February 2019, ANZ announced it would take immediate steps to implement the first phase of its response to the recommendations from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

ANZ is implementing 16 initiatives to improve the treatment of retail customers, small businesses and farmers in Australia as well as publicly reporting on the remediation of existing failures, including:

- ❑ Providing farmers with early access to farm debt mediation as well as favouring 'work-outs' over either enforcement or appointing external managers
- ❑ Not charging farmers default interest in areas hit by drought or other natural disasters
- ❑ Creating a dedicated phone service and easier account identification options for Indigenous customers
- ❑ Proactively contacting customers paying little off persistent credit card debt to encourage them to move to lower cost options
- ❑ Removing overdrawn and dishonour fees from our Pensioner Advantage accounts
- ❑ Engaging as a 'model-litigant' in situations where ANZ is involved in a court process with individual retail or small business customers; and
- ❑ Committing to the Australian Financial Complaints Authority's "look back" under its new limits

Progress against the 16 commitments (within the below categories) is provided in the following slides

Retail customers	Farmers	Remuneration	Accountability, culture & governance	Remediation	Dispute resolution	Financial advice
Commitments 1 (1.1, 1.2) 2 (2.1, 2.2) 3 (3.1, 3.2)	Commitments 4 (4.1, 4.2, 4.3, 4.4)	Commitments 5, 6	Commitments 7, 8, 9, 10, 11	Commitments 12	Commitments 13, 14	Commitments 15, 16



# RESPONDING TO THE ROYAL COMMISSION

## SIXTEEN ACTIONS – TABLE OF COMMITMENTS & FY19 HALF YEAR UPDATE

Commitment	FY19 Half Year Update
<b>Retail customers</b>	
1. Make our products fairer and better matched to our customers by:	
1.1 Removing overdrawn and dishonour fees on our Pensioner Advantage account	<ul style="list-style-type: none"> <li>ANZ has removed the Overdrawn Fee and the Dishonour Fee on our ANZ Pensioner Advantage account.</li> </ul>
1.2 Accelerating work on how we design and distribute products so that customers get products that meet their needs	<ul style="list-style-type: none"> <li>Our work continues to look at how we design and sell products and the use and value which customers get from our products.</li> <li>Most recently, this includes the establishment of an ongoing process to contact credit card customers who are carrying persistent debt (as per commitment 3.1).</li> <li>The design and distribution obligations in the Treasury Laws Amendment Bill 2018 have now been passed through Parliament.</li> <li>An assessment is underway on the design and distribution obligations to help inform our work and commence addressing the obligations for when they become law.</li> </ul>
2. Improve our service to Aboriginal and Torres Strait Islander (ATSI) customers in remote communities by:	
2.1 Setting up a dedicated phone service that will help ATSI customers manage their banking	<ul style="list-style-type: none"> <li>ANZ has established a dedicated ATSI telephone service that will be in operation from 1 May 2019.</li> <li>The telephone service will be staffed by 20 Melbourne based bankers trained in indigenous cultural awareness and vulnerable customers training.</li> <li>It will operate Monday to Friday 8am to 8pm AEST. All other hours, ATSI customers will be serviced by existing Customer Contact Centre bankers.</li> <li>The telephone service will initially service existing ANZ customers with service enquiries and new deposit product fulfilment. Future development of the ATSI telephone service will build on learnings from the initial phase, and the scope will eventually be expanded to include on-boarding of new ANZ customers and services to inform and educate ATSI customers of value-add services within ANZ.</li> </ul>
2.2 Giving ATSI customers easier options to prove their identity when opening and using a bank account	<p>From 1 May 2019:</p> <ul style="list-style-type: none"> <li>ANZ will introduce a new Referee Form, which will make it easier for indigenous customers to prove their identity.</li> <li>The ATSI telephone service will use TextMe SMS message to provide identified ATSI customers with a dedicated telephone number.</li> <li>Manual Security Questions have been revised to make them more relevant and easily understood by ATSI customers. In formulating questions, feedback was sought from ANZ's Indigenous Advisory Group.</li> </ul>

# RESPONDING TO THE ROYAL COMMISSION

## SIXTEEN ACTIONS – TABLE OF COMMITMENTS & FY19 HALF YEAR UPDATE

Commitment	FY19 Half Year Update
<b>Retail customers</b>	
3. Help customers by:	
3.1 Contacting consumer credit card customers who are carrying persistent debt and paying little off to get them on to lower rate cards and assist them to pay their debt faster	<ul style="list-style-type: none"> <li>• In March 2019 we established an ongoing process to contact credit card customers who are carrying persistent debt. We provide these customers financial education on how credit cards work and offer assistance plans to help them to pay their debt faster.</li> <li>• Our initial focus is on contacting customers with a low rate credit card product and providing them an option to transfer to an instalment plan at a reduced rate of 7.0% p.a. We will subsequently contact customers on high rate credit card products and provide them an option to transfer to a low rate card or instalment plan.</li> <li>• Our next steps include expanding the population of customers we can help beyond credit card only customers to customers with other ANZ products.</li> </ul>
3.2 Contacting customers in receipt of eligible Centrelink or Veterans' Affairs benefits to help them move to low-cost basic bank accounts	<ul style="list-style-type: none"> <li>• Work is underway to establish an ongoing process to contact customers in receipt of eligible Centrelink or Veterans' Affairs benefits to offer them a move to low-cost basic bank accounts.</li> <li>• The target commencement date is June 2019.</li> </ul>
<b>Farming customers</b>	
4. Publish clear principles on how we help farmers including through:	<ul style="list-style-type: none"> <li>• Principles outlining our assistance to famers will be published by September 2019.</li> <li>• Key inclusions are outlined below.</li> </ul>
4.1 Not charging farmers default interest in areas declared to be affected by drought or other natural disasters	<ul style="list-style-type: none"> <li>• By September 2019 ANZ will publish principles to make clear our commitment to not charge farmers default interest in areas declared to be affected by drought or other natural disasters.</li> </ul>
4.2 Valuing farm land separately from the loan origination process	<ul style="list-style-type: none"> <li>• From 29 March 2019, ANZ has withdrawn the authority of relationship managers to approve their own internal appraisals of farm land. All such appraisals are independently approved. This change ensures independence between the valuation process and the loan approval process.</li> </ul>
4.3 Giving farmers early access to farm debt mediation if they get into difficulties and supporting a national scheme of farm debt mediation	<ul style="list-style-type: none"> <li>• ANZ is continuing our work on implementing the commitments that we have publicly made to assist our farming customers experiencing financial difficulties.</li> <li>• By September 2019 ANZ will publish principles to make clear our commitment to early access to farm debt mediation, with the aim being to provide farmers with every opportunity to explore all work out options available.</li> </ul>
4.4 Reinforcing our preference for working out difficulties over enforcing agricultural loans or appointing an external manager	<ul style="list-style-type: none"> <li>• Enforcement action is a measure of last resort only after all other options have been explored.</li> </ul>

# RESPONDING TO THE ROYAL COMMISSION

## SIXTEEN ACTIONS – TABLE OF COMMITMENTS & FY19 HALF YEAR UPDATE

Commitment	FY19 Half Year Update
<b>Remuneration</b>	
5. Redesign how we manage and reward our people to better focus on the interests of our customers, the long-term health of the bank and team, rather than individual, outcomes	<ul style="list-style-type: none"> <li>ANZ is working to launch a new approach to reward, remuneration and performance management. This is scheduled to launch in the last quarter of 2019.</li> </ul>
6. Continue to implement the recommendations of Mr Stephen Sedgwick, including by responding to any observations on how we can improve	<ul style="list-style-type: none"> <li>ANZ’s delivery of Stephen Sedgwick’s Retail Banking Remuneration Review recommendations is 75% complete.</li> <li>With the exclusion of Broker remuneration which is being managed at the industry level we are on track to deliver all recommendations by the end of 2019, ahead of October 2020 deadline.</li> </ul>
<b>Accountability, culture and governance</b>	
7. Strengthen our accountability and consequence framework so that when things go wrong, we fix them and consistently hold executives to account	<ul style="list-style-type: none"> <li>We are strengthening the principles and guidance that underpin our Accountability Framework. Developments underway include:               <ul style="list-style-type: none"> <li>Consequence Management Principles that guide a more consistent approach to consequence management across the bank, including impacts on remuneration.</li> <li>Accountability Principles that will define the various categories of accountability (e.g. direct, indirect, collective).</li> <li>Accountability Review Guidance to guide staff on when and how to undertake accountability reviews.</li> </ul> </li> <li>We are on track to implement by end 2019.</li> </ul>
8. Supplement existing culture audits and ensure we act on identified problems	<ul style="list-style-type: none"> <li>Actions addressing problems identified in the cultural reviews by Internal Audit are formally documented and tracked to completion.</li> <li>An Enterprise Culture Steering Group has been established, membership including the CEO, General Manager Talent &amp; Culture and CRO. Meeting twice yearly each Executive Committee member is required to present the current cultural strengths and concerns of their business, as well as actions taken and planned which are aimed at shifting the culture towards ANZ’s desired culture.</li> <li>A new feedback tool has been launched, aimed at enabling greater self-awareness for leaders. The tool helps track outcomes of development and also provides an additional voice for our employees that can then be acted upon.</li> <li>Our approach for measuring culture is currently under review to determine whether it is still fit for purpose and/or whether it should be supplemented to ensure we fully understand the degree to which we are moving towards our aspirational culture, the impact of actions we are taking, as well as being able to predict conduct issues.</li> </ul>
9. Allocate specific responsibility to our BEAR <sup>1</sup> executive(s) for our products and complaints about them	<ul style="list-style-type: none"> <li>ANZ’s BEAR<sup>1</sup> obligations have been documented and assigned to each relevant executive.</li> </ul>
10. Make our BEAR <sup>1</sup> executives explicitly responsible for preventing conduct that harms customers	<ul style="list-style-type: none"> <li>APRA is currently finalising its BEAR<sup>1</sup> product rules, expected by the end of 2019 calendar year. These rules will be utilised to finalise ANZ’s product based requirements.</li> </ul>
11. Require our BEAR <sup>1</sup> executives to be open, constructive and cooperative with the Australian Securities and Investments Commission	

1. Banking Executive Accountability Regime

# RESPONDING TO THE ROYAL COMMISSION

## SIXTEEN ACTIONS – TABLE OF COMMITMENTS & FY19 HALF YEAR UPDATE

Commitment	FY19 Half Year Update
<b>Remediation</b>	
12. Publicly report on how we are fixing our significant failures, including the nature of the issues and our progress on paying customers back. This will include the remediations identified at the Royal Commission. This transparency will add to our commitment to fix failures fairly and quickly in our Remediation Principles <sup>1</sup>	<ul style="list-style-type: none"> <li>ANZ has reported half year progress against FY19 Fair and Responsible Banking sustainability targets in respect of remediations.</li> </ul>
<b>Dispute resolution</b>	
13. Commit to public principles on managing complaints and disputes from retail and small business customers and acting as a model litigant if we end up in court with them individually	<ul style="list-style-type: none"> <li>New Dispute Resolution Principles, incorporating model litigant guidelines, were released publicly on 15 April 2019.</li> <li>The principles apply to our people and our representatives (e.g. external law firms) when managing individual retail and small business customer complaints, disputes and litigation in Australia.</li> </ul>
14. Commit to the Australian Financial Complaints Authority's 'look back' under its new limits, appoint our Customer Advocate to lead this work and fully cooperate with AFCA as it resolves disputes	<ul style="list-style-type: none"> <li>ANZ has appointed our Customer Advocate to lead this work and has written to AFCA confirming its consent to consider 'look back' disputes.</li> <li>ANZ will continue to fully cooperate with AFCA as it resolves disputes and is currently scoping work and staffing requirements in preparation to commence resolving these disputes from 1 July 2019.</li> <li>ANZ has also participated in industry consultation regarding the draft AFCA Rule changes and supplementary Operational Guidelines that set out how the program will operate.</li> </ul>
<b>Financial Advice</b>	
15. Focus on how we provide ongoing financial advice to customers so they always get the service they pay for and value	<ul style="list-style-type: none"> <li>ANZ already allows customers to opt in annually to ongoing fee arrangements and is well placed to leverage existing processes and controls to implement these changes on a compulsory basis.</li> <li>We are currently focussed on delivering a new model over the next 12 months where advice is delivered to existing customers and then fees are only charged after the delivery of the advice. In this model there will be no ongoing fee arrangements requiring annual review.</li> </ul>
16. Tell our customers in writing of areas where our financial advisors may not be independent, impartial or unbiased	<ul style="list-style-type: none"> <li>ANZ will make amendments to our disclosure documents by July 2019.</li> </ul>

1. ANZ's Remediation Principles are set out on page 9 of ANZ's 2018 Annual Review. The 2018 Annual Review is available at: [https://shareholder.anz.com/sites/default/files/anz\\_2018\\_annual\\_review\\_final.pdf](https://shareholder.anz.com/sites/default/files/anz_2018_annual_review_final.pdf)

# WE MEASURE WHAT MATTERS

## RECOGNITION



Highest ranked Australian bank on the Dow Jones Sustainability Index, scoring 83/100 in 2018



We achieved a CDP climate disclosure score of A- in 2018



FTSE4Good

Member of the FTSE4Good Index



2018-19 leader in workplace gender equality



Recognised as Australian Workplace Equality Index (LGBTI) Employer of Choice Gold Status (2018)

## FRAMEWORKS



Our sustainability reporting is prepared in accordance with the Global Reporting Initiative Standards (Comprehensive level)



We have been a signatory to the United Nations Global Compact since 2010



We report in line with using the recommendations of the Financial Stability Board's (FSB) Task Force on Climate-Related Disclosures (TCFD)



As an Equator Principles Financial Institution signatory we report on our implementation of the Principles in our Sustainability Review

# FURTHER INFORMATION

## Our Shareholder information

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