

14 HALF YEAR RESULTS

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED

Debt Investor Update
June 2014



SUPER REGIONAL STRATEGY

STRONG
CORE
MARKETS

PROFITABLE
ASIAN
GROWTH

ENTERPRISE
APPROACH

STRONG LIQUIDITY AND CAPITAL MANAGEMENT

DISCIPLINED AND EXPERIENCED MANAGEMENT

CEO PRIORITIES FY14-16

Improving
customer
experience

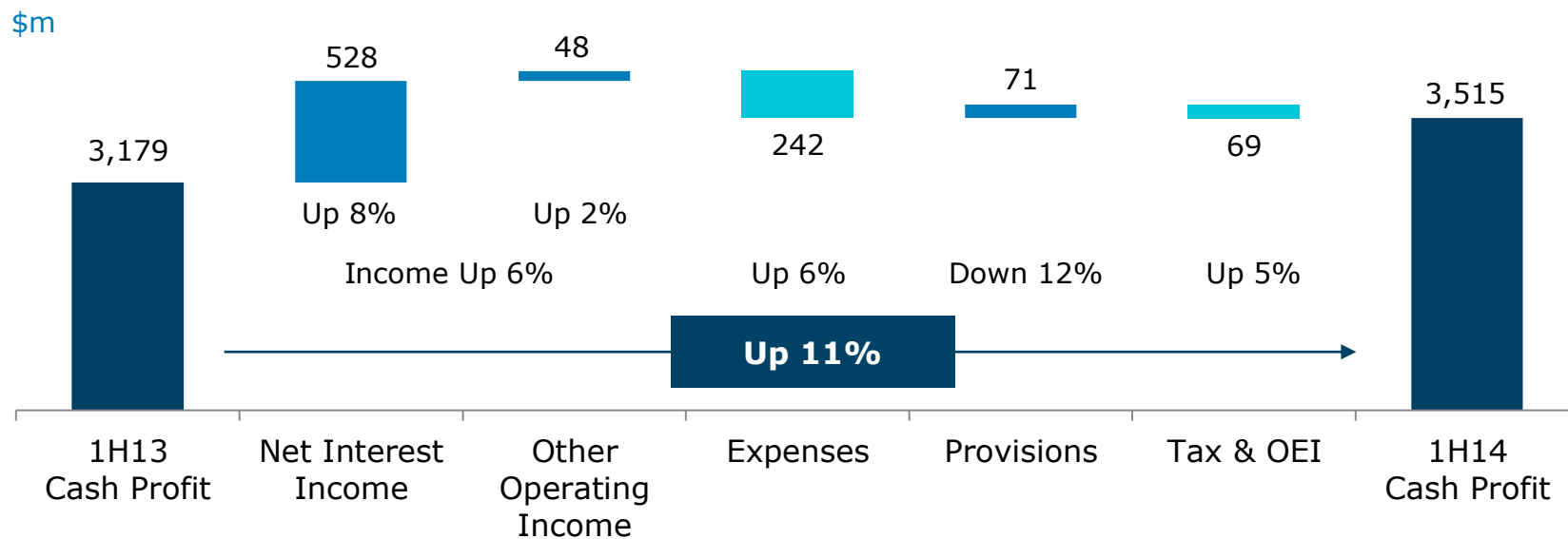
Diversifying
revenue

Improving
productivity

Improving
returns

1H14 Financial Performance

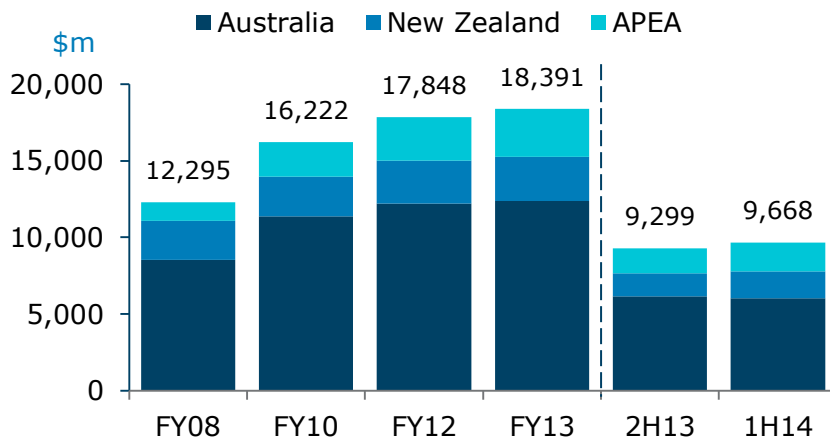
Cash Profit Movement 1H14 v 1H13



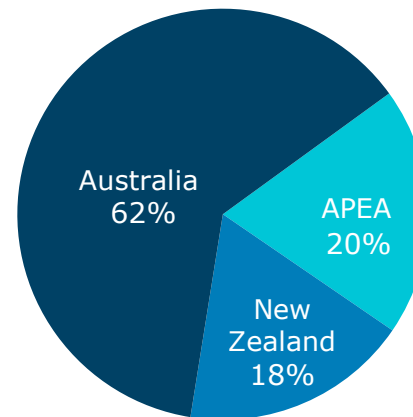
	1H14	1 Year	3 Year
Earnings per Share (cents)	128.7	+10%	+22%
Dividend per Share (cents)	83	+14%	+30%
Total Shareholder Return	10.4%	22.0%	65.8%
Return on Equity	15.5%	15.5%	16.1%

ANZ Results overview

Operating Income

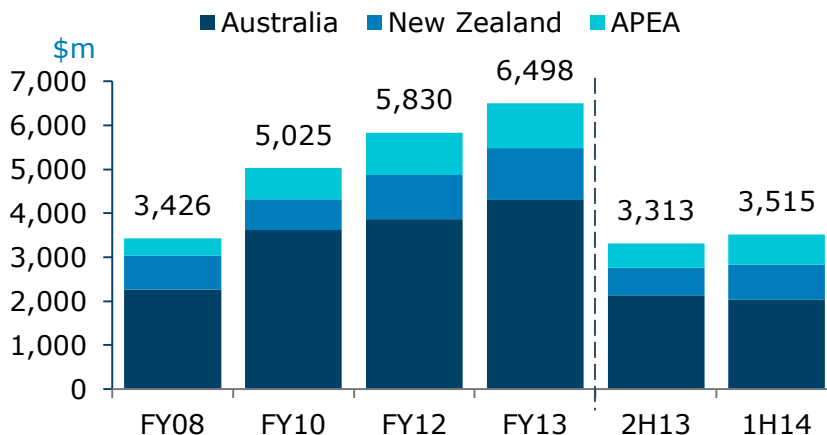


Operating Income 1H14

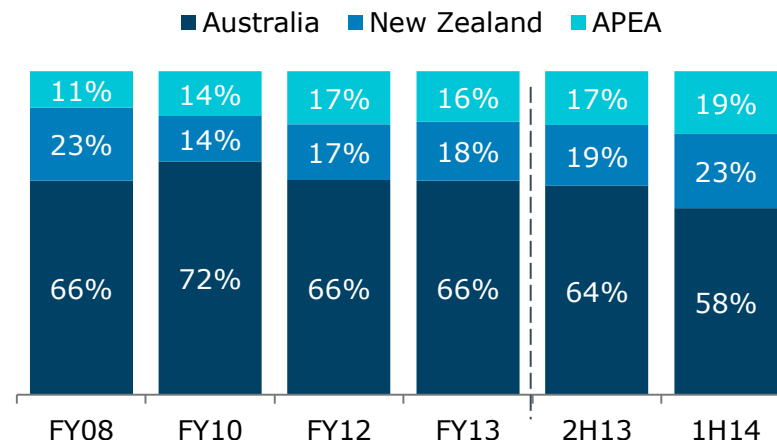


1H14 APEA Network Revenue¹ represented 24% of Group Operating Income and 25% of Group Profit

Net Profit after Tax



Net Profit after Tax



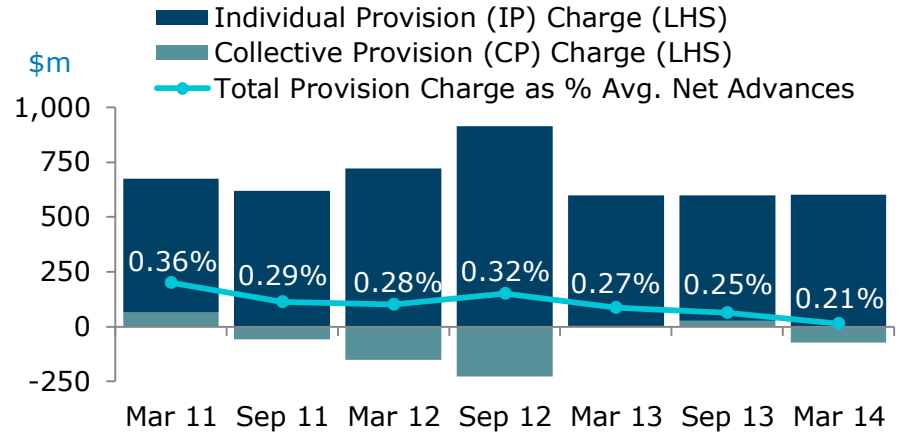
1. APEA Network Revenue represents income generated in Australia & New Zealand as a result of referral from ANZ's APEA network

Credit Quality – ongoing improvement

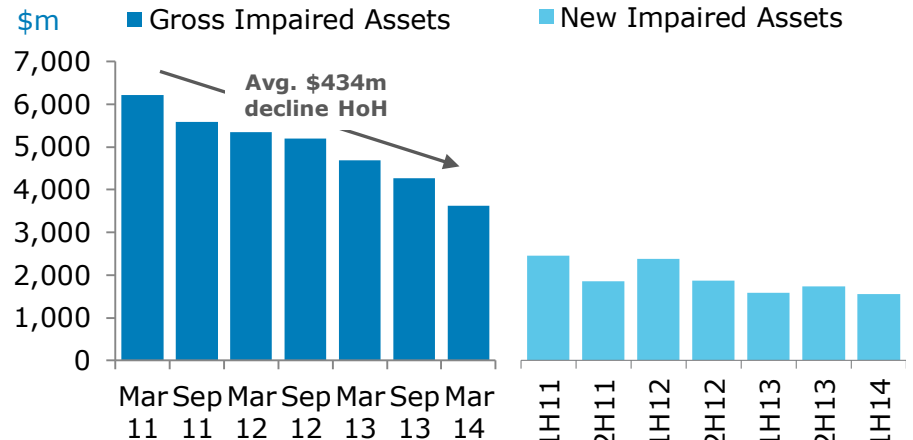
Credit Quality Trends 1H14 v 2H13

93bps	Collective Provision Coverage ¹
↓12%	Total Provision Charge
↓15%	Gross Impaired Assets
↓10%	New Impaired Assets
39%	Credit RWA Rate (CRWA/EAD)

Provision Charge



Impaired Assets



Growth rates reflect 1H14 v 2H13

1. This ratio is the Collective Provision balance as a proportion of Credit Risk Weighted Assets

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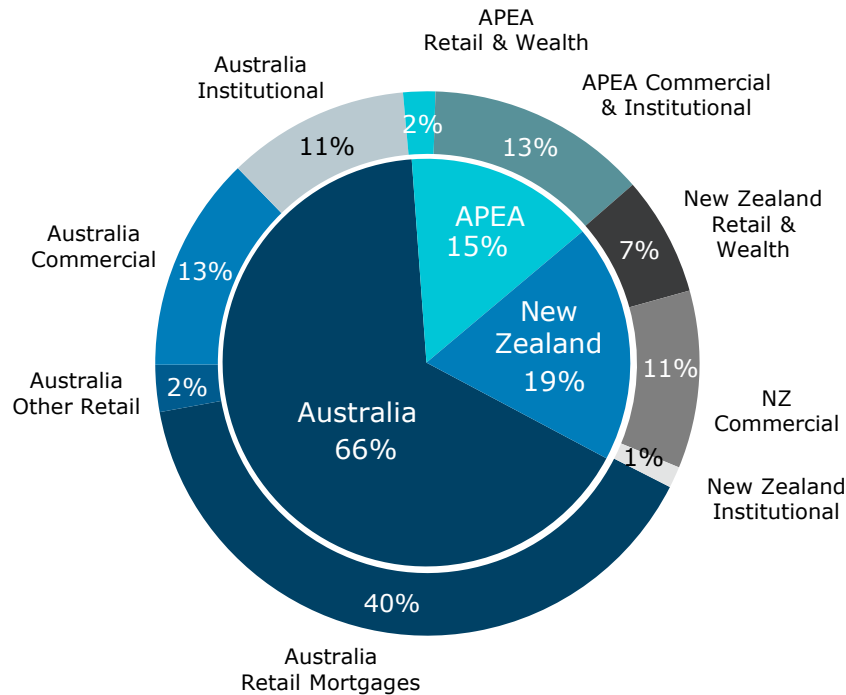
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Balance Sheet, Capital,
Funding & Liquidity

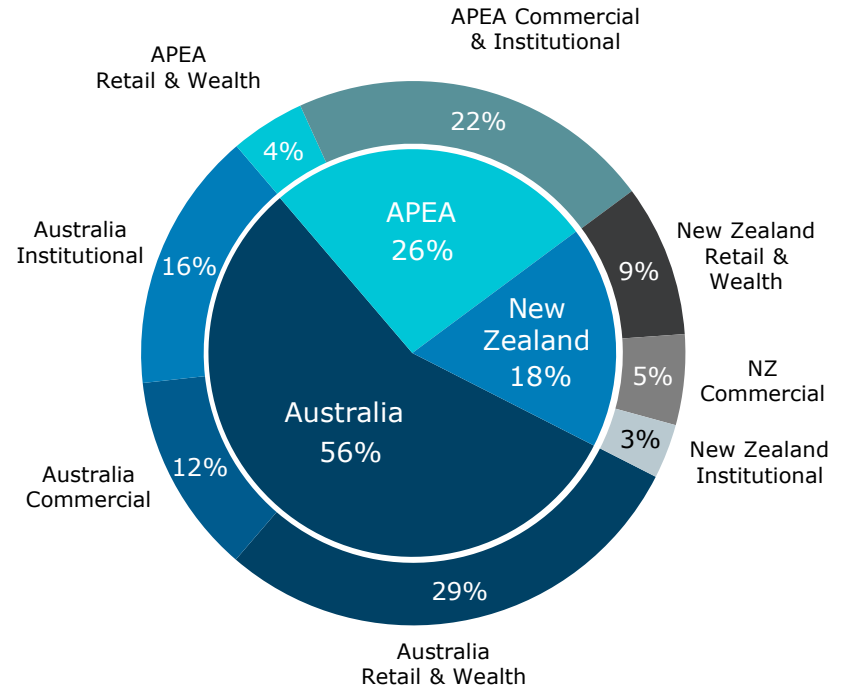


Customer loans and deposits by Geography

Customer Lending¹



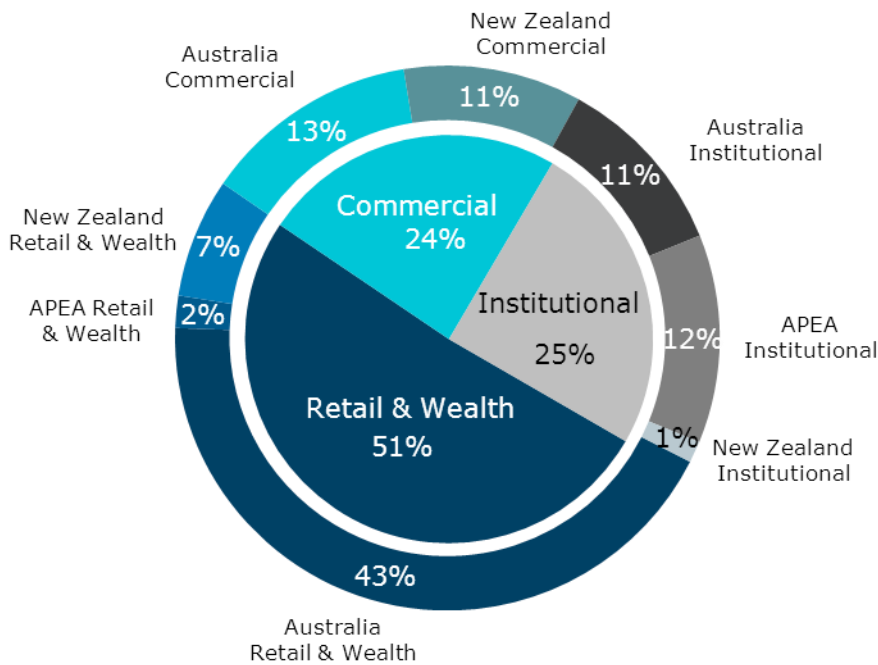
Customer Deposits



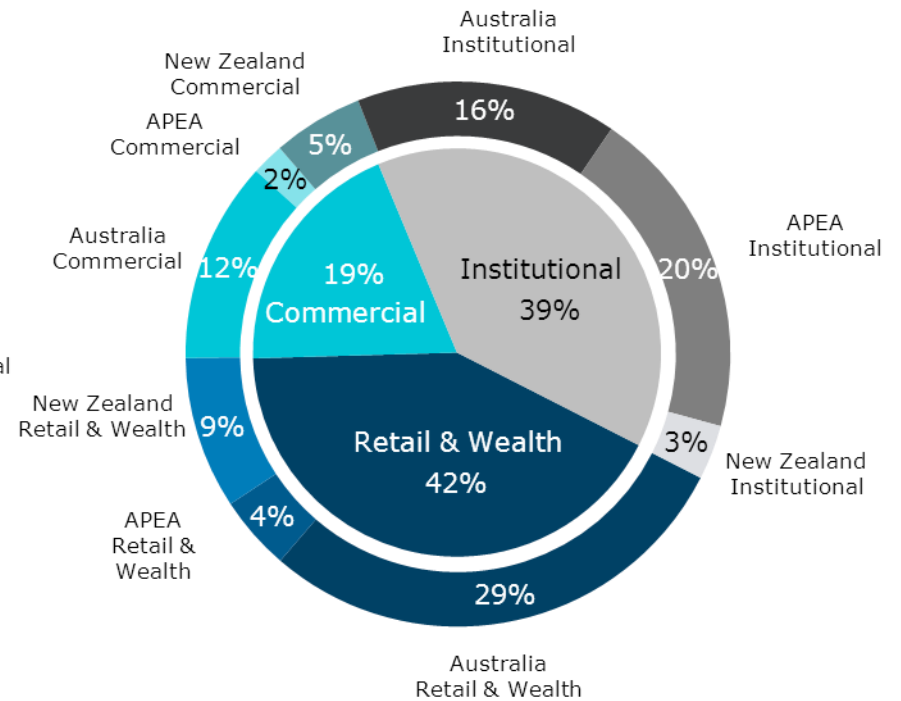
1. Customer lending represents Net Loans & Advances including acceptances

Customer loans and deposits by client segment

Customer Lending¹

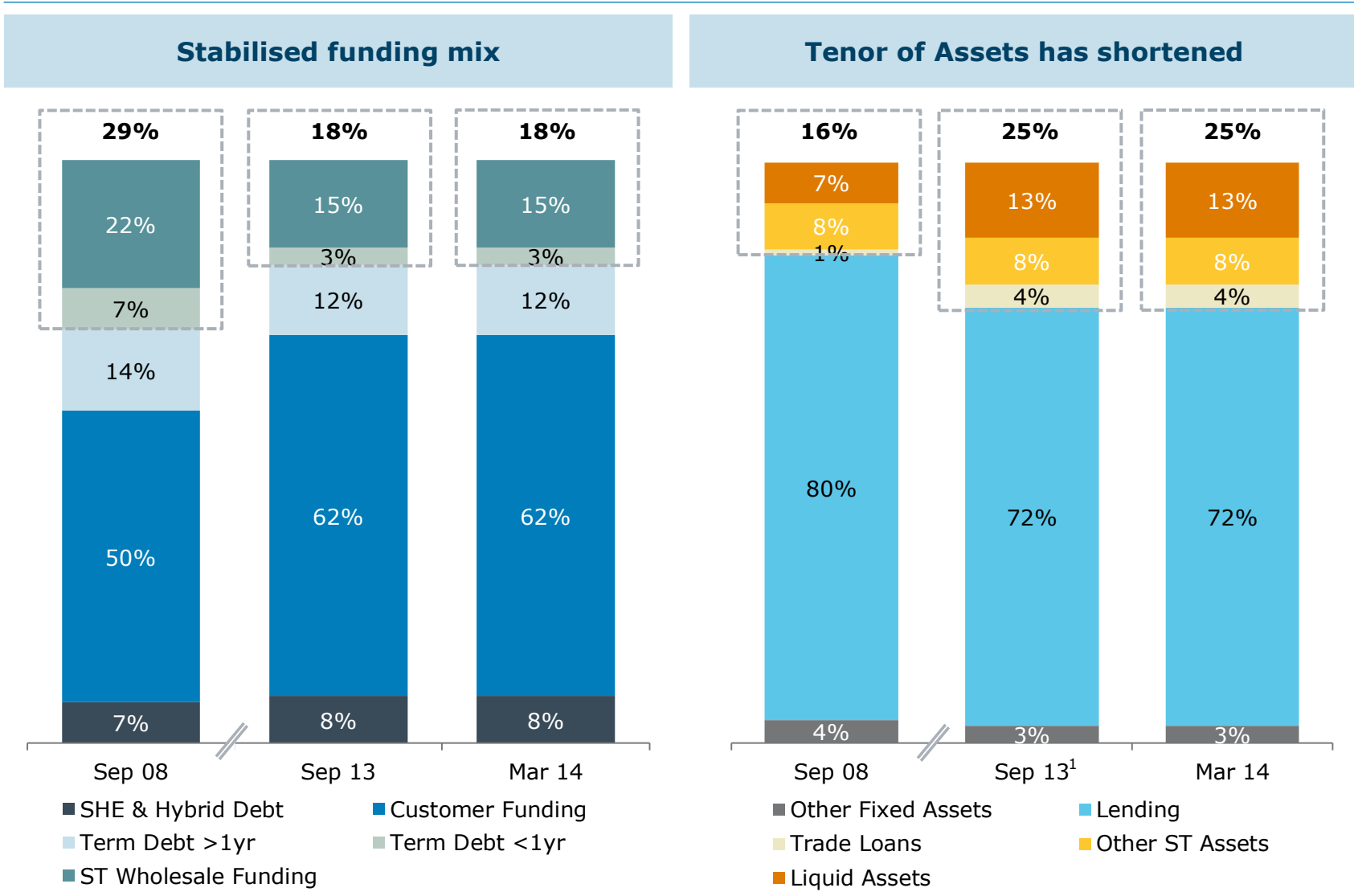


Customer Deposits



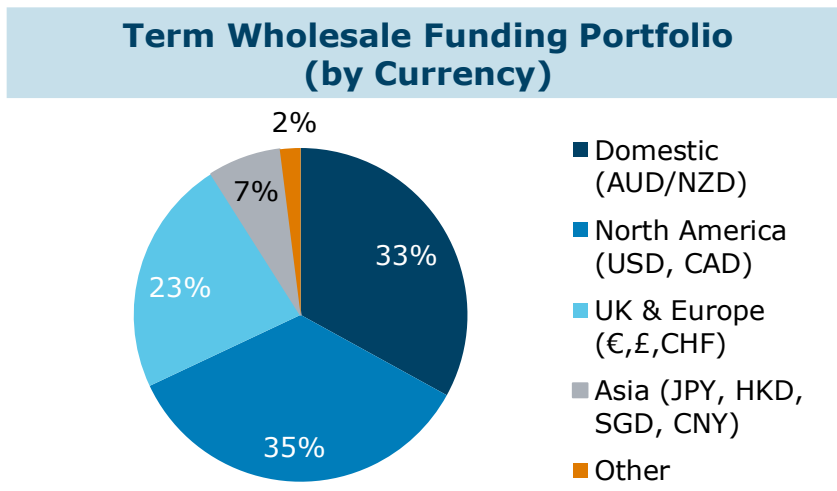
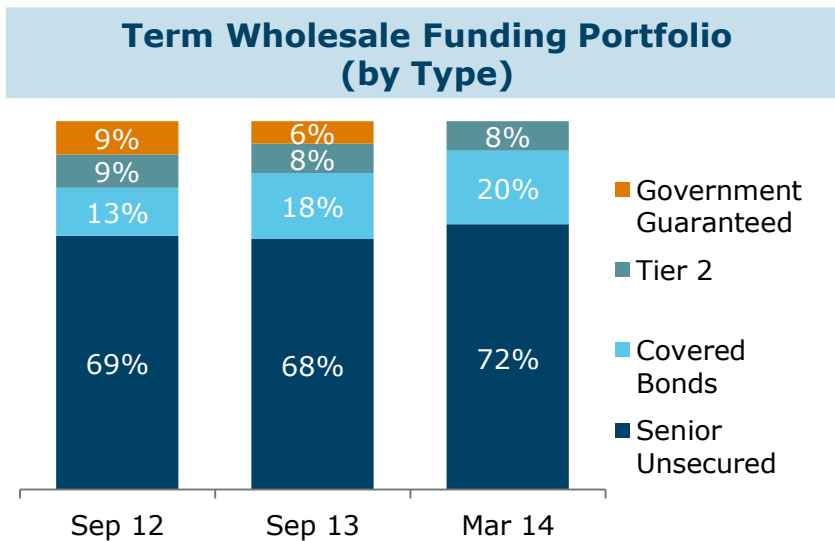
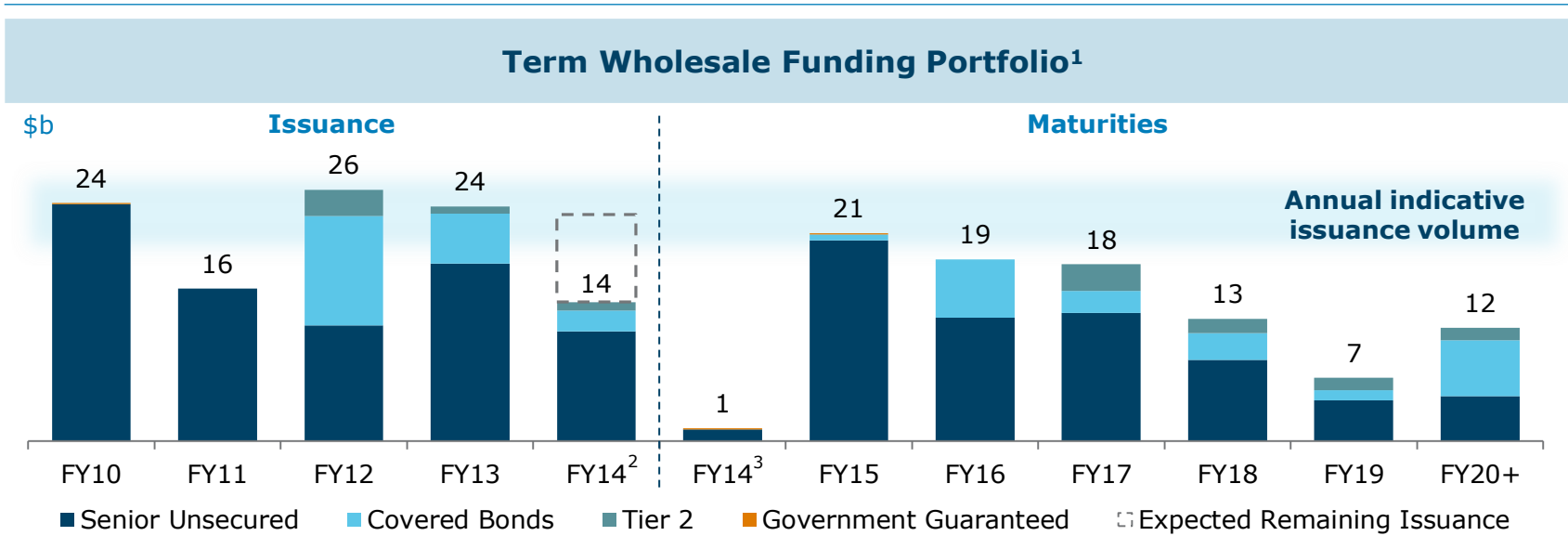
1. Customer lending represents Net Loans & Advances including acceptances

Stable Balance Sheet composition



1. Sep 13 includes a minor reclassification of lending into trade loans (<0.5%)

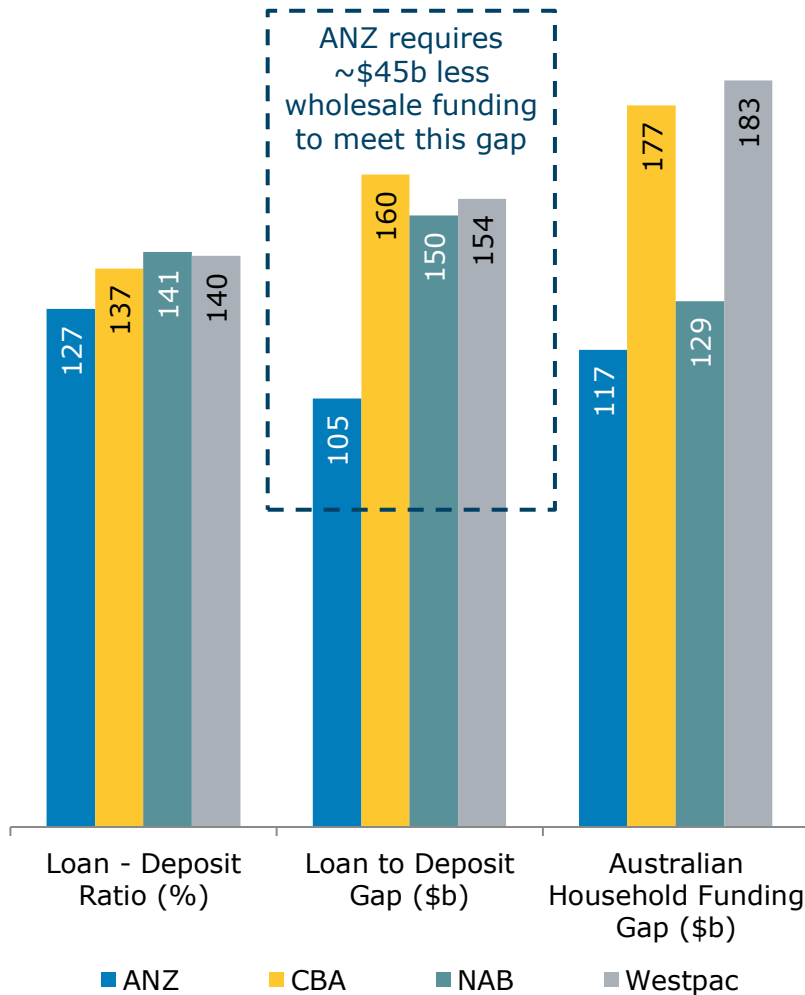
A well diversified term wholesale funding portfolio



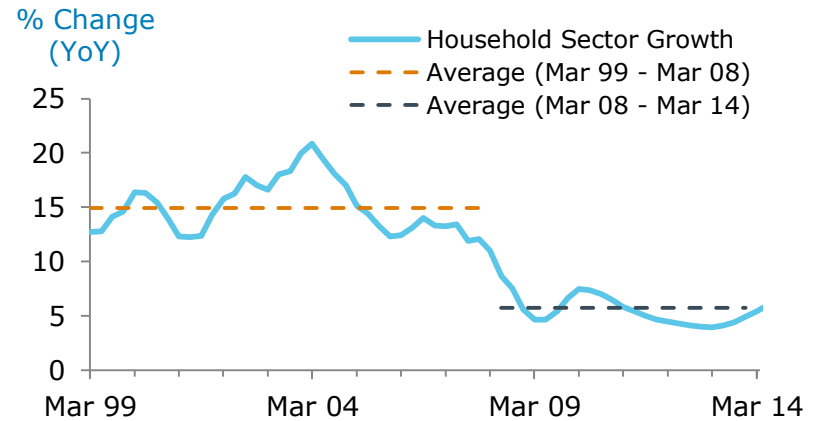
1. Includes transactions with a call or maturity date greater than 12 months as at 30 September in the respective year of issuance
 2. Approximately \$1b of funding has been issued post 31 March 2014
 3. Remaining FY14 maturities

Structural funding gap

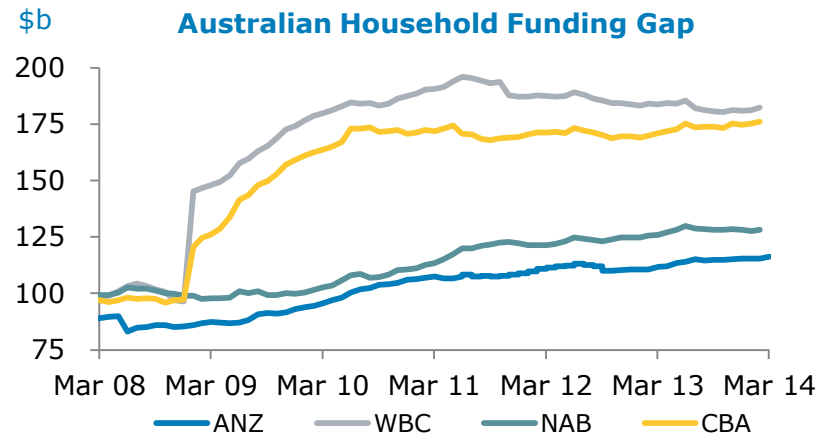
Peer Funding Comparison



Australian household credit growth not expected to return to previous levels

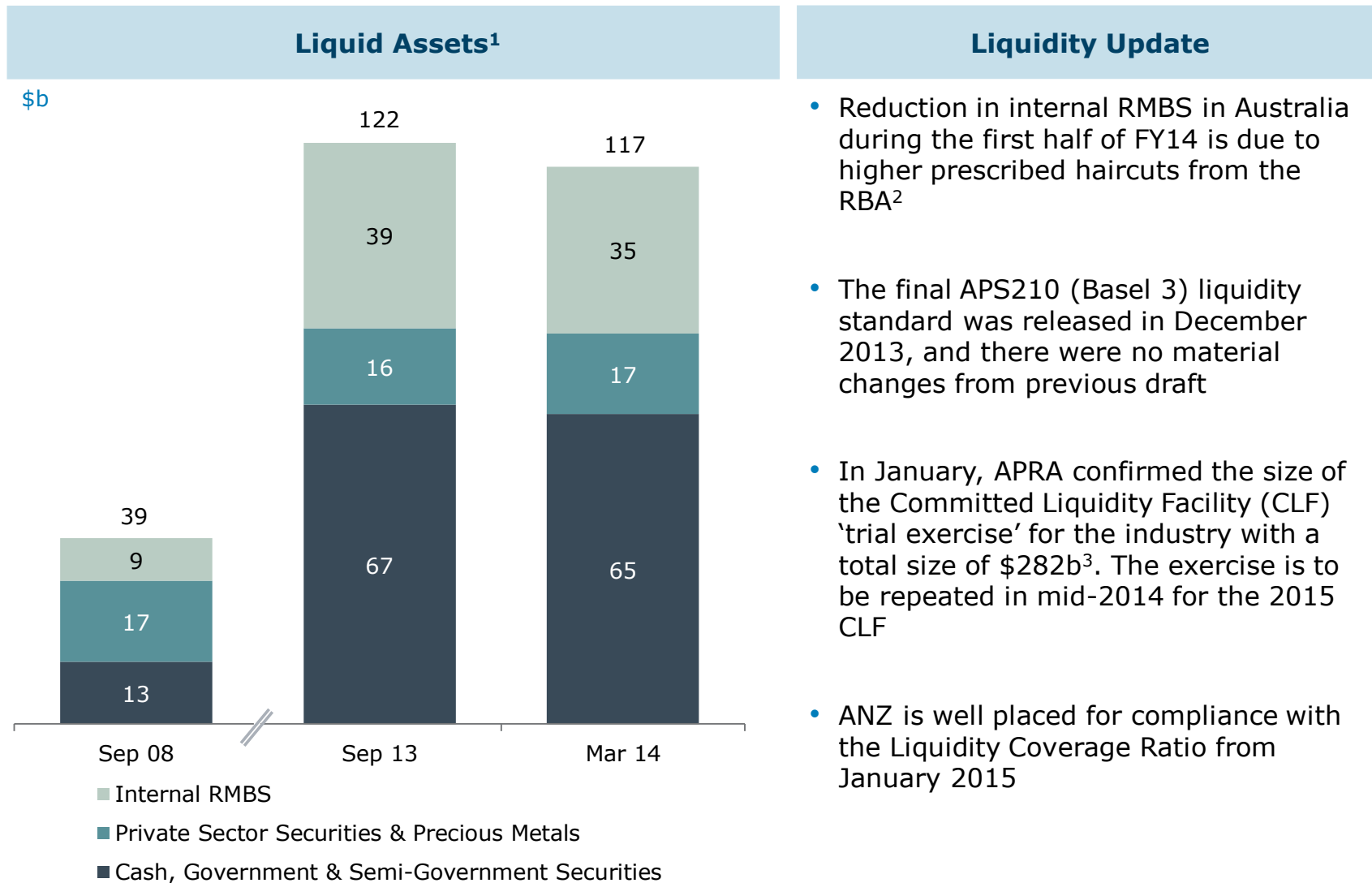


ANZ has the lowest Australian Household Funding Gap



Source: APRA (Mar 14) CBA (Dec 13), NAB (Sep 13) and Westpac (Sep 13)

Liquidity Portfolio – well placed for introduction of LCR



1. Post RBA haircut.

2. More information can be found at the Reserve Bank of Australia website (rba.gov.au under 'Eligible Securities')

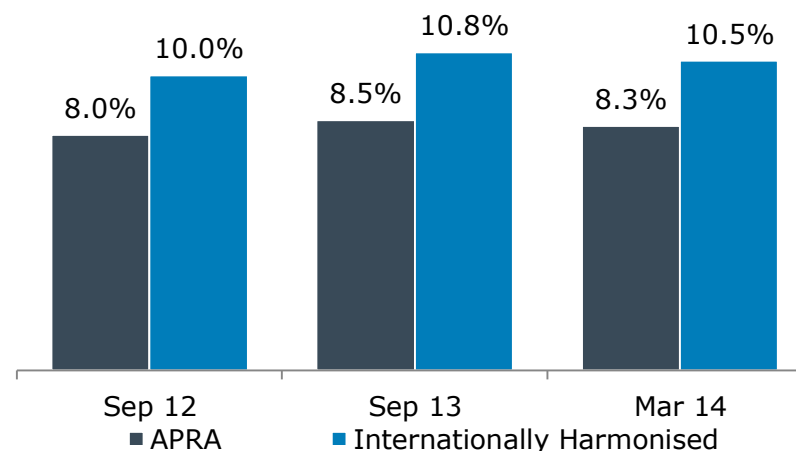
3. Source: APRA, "Implementation of the Basel III liquidity framework in Australia - Committed liquidity facility"

ANZ is well capitalised

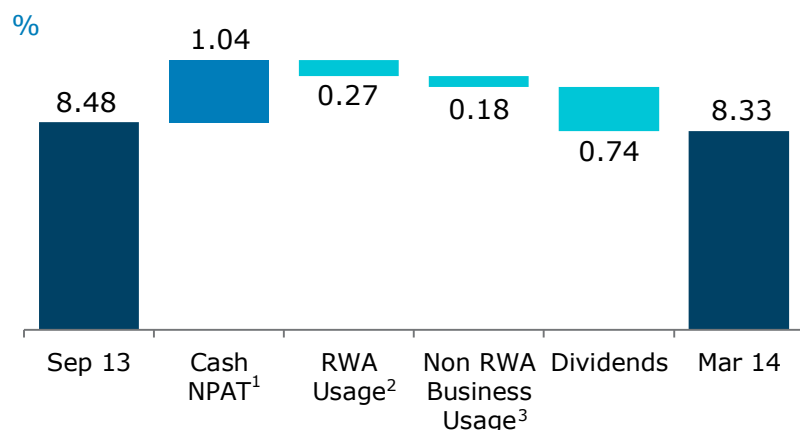
Capital Update

- Capital levels will grow organically in the lead up to the introduction of the higher loss absorbing capital requirements for D-SIB's in 2016
- \$1.6b ANZ Capital Notes 2 Additional Tier 1 transaction successfully completed during the half
- Interim dividend up 14% in part reflecting rebalancing of interim & final dividend
- Dividend Payout to remain towards upper end of 65% - 70% range

Basel 3 Common Equity Tier 1 (CET1)



APRA CET1 Movement Mar 2014 v Sep 2013

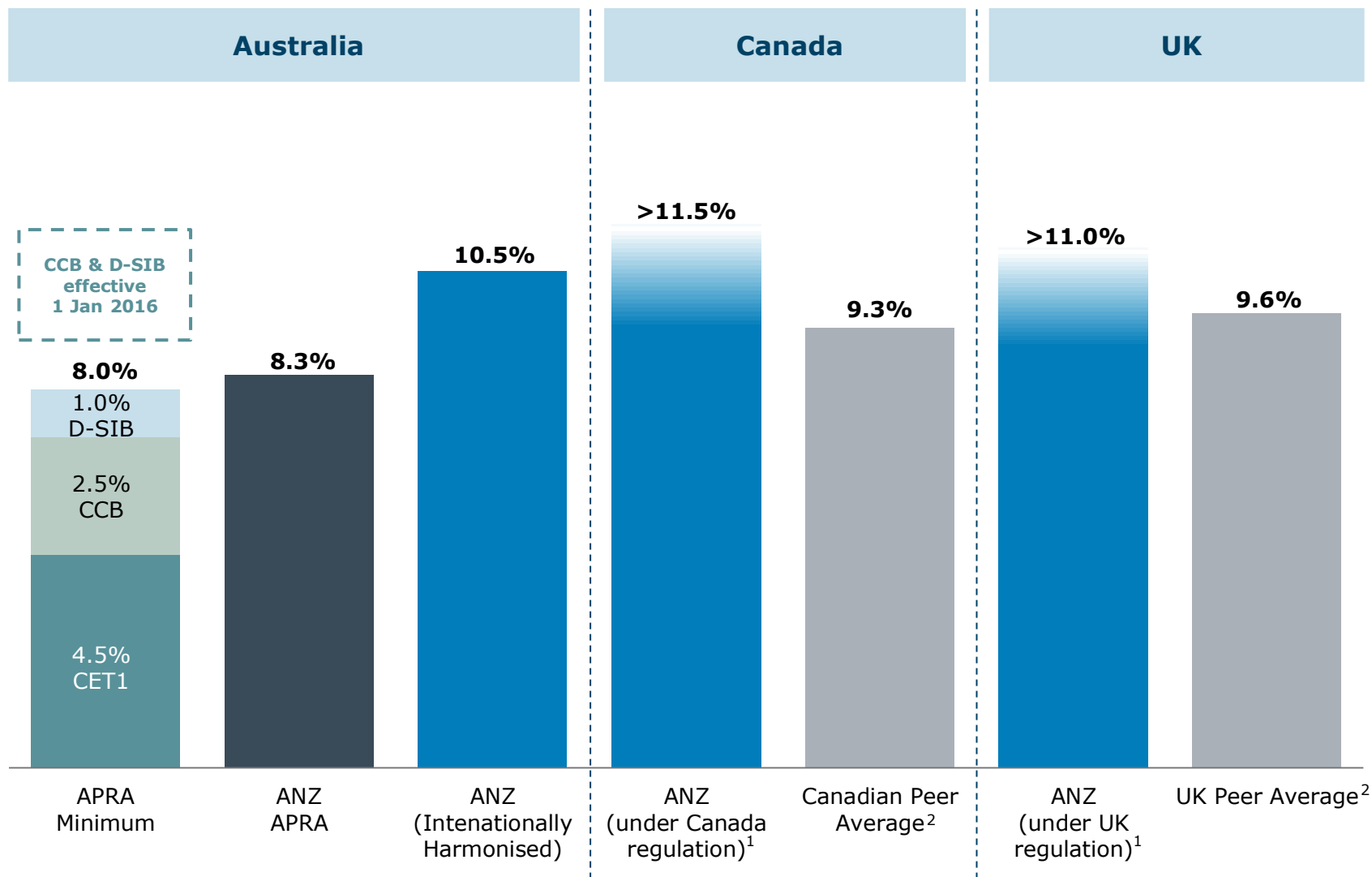


Capital reconciliation under Basel 3

	CET1	Tier 1	Total Capital
APRA	8.3%	10.3%	12.1%
10% allowance for investments in insurance subs and ADIs	0.8%	0.7%	0.7%
Mortgage 20% LGD floor and other measures	0.6%	0.7%	0.7%
IRRBB RWA (APRA Pillar 1 approach)	0.4%	0.5%	0.6%
Up to 5% allowance for deferred tax asset	0.2%	0.2%	0.2%
Other capital items	0.2%	0.2%	0.2%
Internationally Harmonised	10.5%	12.6%	14.5%

1. Cash earnings net of preference share dividends
2. Includes impact of expected loss versus eligible provision shortfall
3. Includes capital retention of deconsolidated entities, capitalised software and other intangibles

The strength of ANZ's capital levels (CET1) is more apparent on a global comparison



1. ANZ estimate

2. Canada Peers (Scotiabank, BMO, TD Bank, and RBC) as at Jan 14 and UK Peers (HSBC, Barclays, and RBS) as at Dec 13 based on a Basel 3 fully transitioned basis, obtained from most recent Capital Adequacy and Risk Management (Pillar 3) disclosures

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APRA / Basel 3 Compliant Tier 2



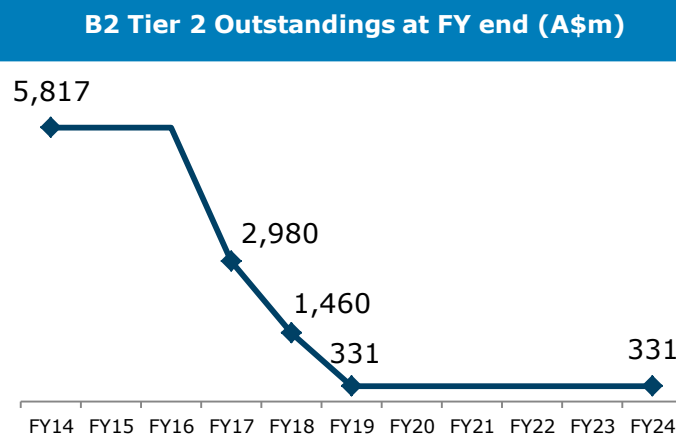
Australian Basel 3 Tier 2 - Structure

<h2>Structure</h2>	<ul style="list-style-type: none"> • Subordinated, bullet/callable (non-step). EMTN expected to be listed on ASX • Key change from Basel 2 Tier 2 securities is the inclusion of contractual PONV loss absorption as required by Basel 3 • In liquidation ranks ahead of ANZ Ordinary Shares & Tier 1 capital and behind Tier 2 issued pre 1 January 2013, unless converted or written off
<h2>Loss Absorption</h2>	<ul style="list-style-type: none"> • Conversion to ordinary equity once regulator deems PONV reached • Variable conversion price, subject to 20% floor of share price at issue. (eg If share price is \$33, investors receive face value in shares down to \$6.60) • If an investor is unable to receive shares, a mechanism to sell the shares and deliver cash is included in the program • If conversion within 5 business days is prevented by applicable law or unable to occur, the Notes will be permanently written off • Waterfall is respected : Conversion required for certain AT1 prior to T2
<h2>What is PONV?</h2>	<ul style="list-style-type: none"> • A Non Viability Trigger Event would occur if APRA notifies ANZ in writing that it believes that ANZ would become non-viable without: <ul style="list-style-type: none"> • Conversion / write off of capital instruments; or • A public sector injection of capital, or equivalent support
<h2>Contractual vs. Statutory approach</h2>	<ul style="list-style-type: none"> • Australian banks issue B3 Tier 2 securities under a contractual framework • Generally the regulator retains full discretion to determine when PONV occurs under either "contractual" or "statutory" loss absorption approaches
<h2>Ratings</h2>	<ul style="list-style-type: none"> • Fitch: rate T2 (both old style and B3) at 1 notch below senior (i.e. A+) • Moody's: rate B3 T2 at 2 notches below ANZ's BCA of A1 (i.e. A3) • S&P: rate B3 T2 at 2 notches below ANZ's SACP of A (i.e. BBB+)

“Old style” B2 regulatory capital instruments will be progressively replaced by “New style” B3 instruments

Tier 2 Securities on Issue

Issue Date	Volume A\$m	CCY (not AUD)	Call Date	Effective Maturity	PONV
Oct-86	331	USD300	-	Perpetual	N
Apr-08	770	NZD835	-	Apr-18	N
Sep-09	1,129	EUR750	-	Sep-19	N
Feb-12	500	-	Jul-17	Jul-17	N
Mar-12	1,509	-	May-17	Jun-17	N
Aug-12	828	USD750	Aug-17	Aug-17	N
Dec-12	750	-	Jun-18	Jun-18	N
Mar-14	889	USD800	-	Mar-24	Y
Total	6,706				



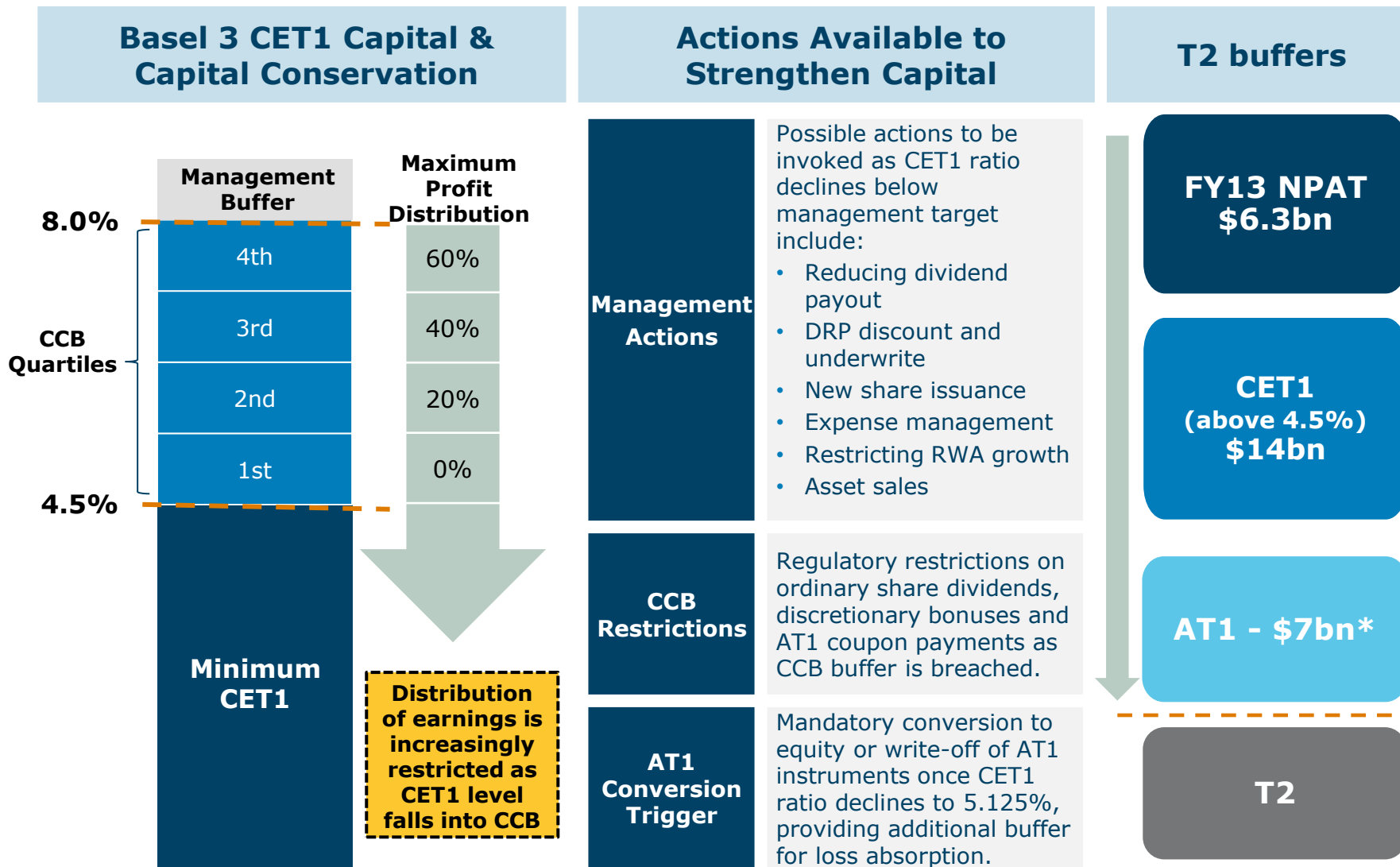
Additional Tier 1 Securities on Issue

	Volume A\$m	Call Date	Effective Maturity	CET1 Trigger	PONV
EUR	810	Nov-14	Dec-14	No	Banking Act
CPS1	454	May-14	Jun-14	No	Banking Act
CPS2	1,969	Dec-16	Dec-16	No	Banking Act
CPS3	1,340	Jul-17	Sep-17	5.125%	Banking Act
CN1	1,120	Jul-21	Sep-21	5.125%	Contractual
CN2	1,610	Mar-22	Mar-24	5.125%	Contractual
Total	7,303				

- CET1 Trigger at 5.125% is a requirement for all B3 AT1 securities. It is contractual in CPS3, CN1 and CN2.
- B3 AT1 on issue has PONV provided for contractually. B2 AT1 are preference shares and subject to the Banking Act (in s14AA) which gives a Statutory Manager (appointed by APRA) the power to vary or cancel any share

Details of all regulatory capital instruments available from <http://www.shareholder.anz.com/regulatory-disclosure/regulatory-capital-instruments>
Tier 2 capital as at 31 March 2014 was \$6.3bn, due to adjustments including for fair value and transition

Management Actions and Capital Conservation Buffer play a key role in the prevention of PONV



* As shown on the previous page

Australian Basel 3 Tier 2 – Key Considerations

- ✓ Transaction terms are broadly consistent with European Tier 2
- ✓ Australian banks are profitable and well capitalised by international standards
- ✓ Management have a range of alternative actions available to strengthen capital if required
- ✓ Contractual framework provides more certainty than US or European statutory arrangements
 - the applicable loss absorbency mechanics are known and contractually agreed upfront
 - Statutory frameworks in US and Europe provide significant flexibility to resolution authorities, including permanent write off
- ✓ Conversion to a variable number of ordinary shares, subject to a 20% floor price, provides some protection relative to current and historic share price
- ✓ Any differences between the treatment of “old style” B2 regulatory capital instruments in a contractual and statutory regime:
 - are transitional in nature and will be reduced as the legacy Tier 2 portfolio is re-financed
 - would be mitigated by the application of the Banking Act (subject to APRA)
- ✓ Contractual PONV respects the capital waterfall and there are substantial volumes of ordinary shares and Additional Tier 1 outstanding that rank junior to contractual B3 Tier 2

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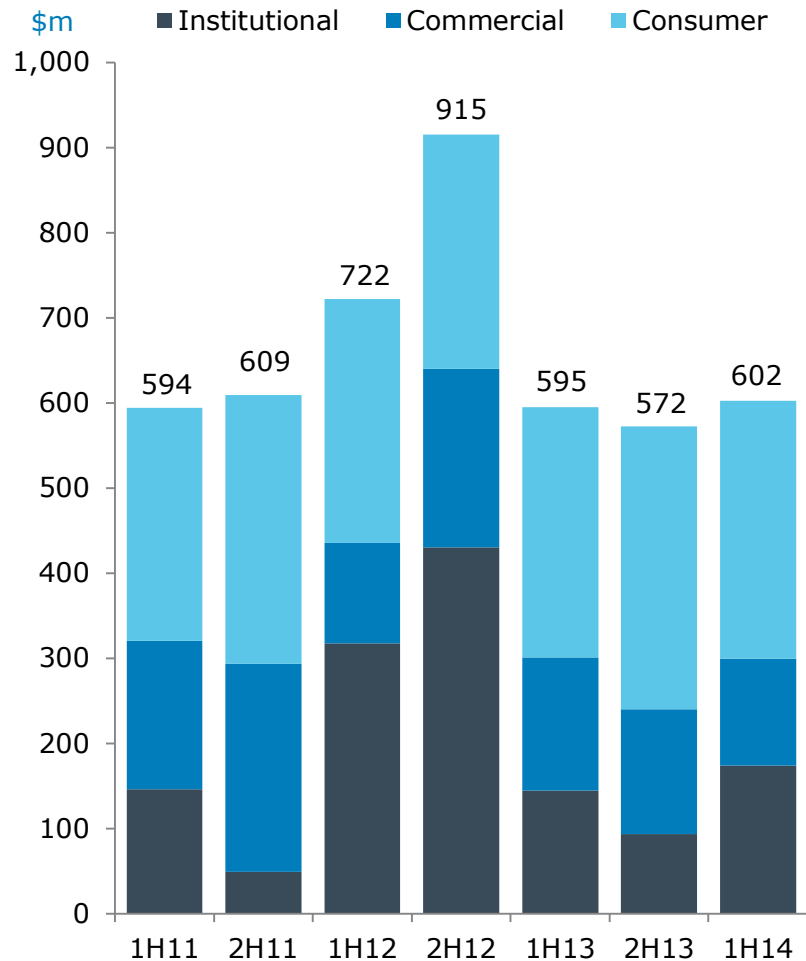
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Asset Quality

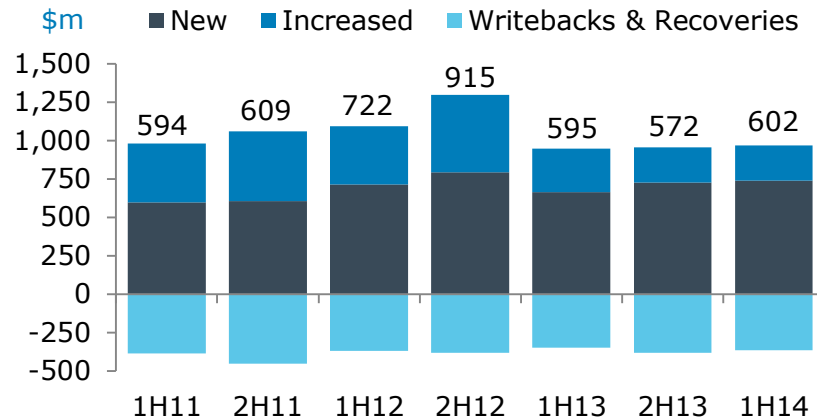


Individual Provisions

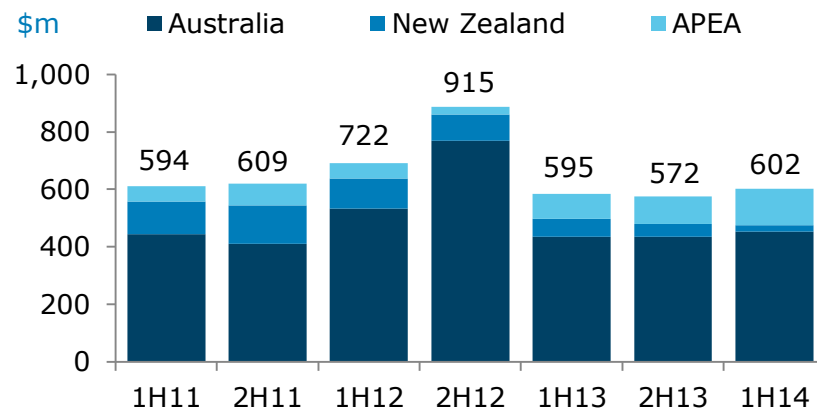
Individual Provision Charge by Segment



Individual Provision Charge Composition



Individual Provision Charge by Region

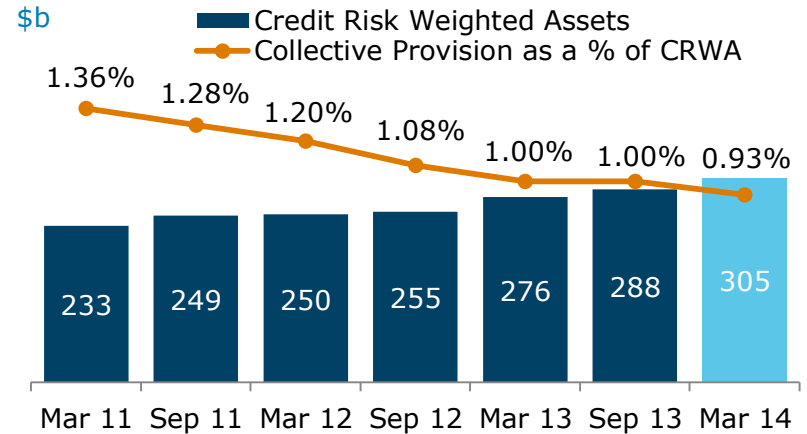


Collective Provision

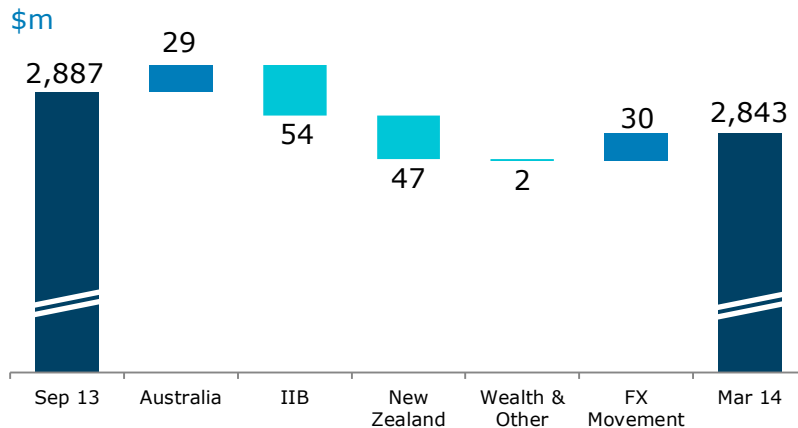
Significant “de-risking” across portfolios is evident from the CP movement

- ANZ remains prudently provided for with a collective provision coverage ratio of 93bps
- The collective provision balance has reduced due to improved customer risk profile and transfer from CP to IP of several large accounts
- Recognising stress remains in some sectors of the Australian economy, the management overlay was increased by \$41m during the half, bringing the total management overlay balance to \$631m as at 31 March 2014

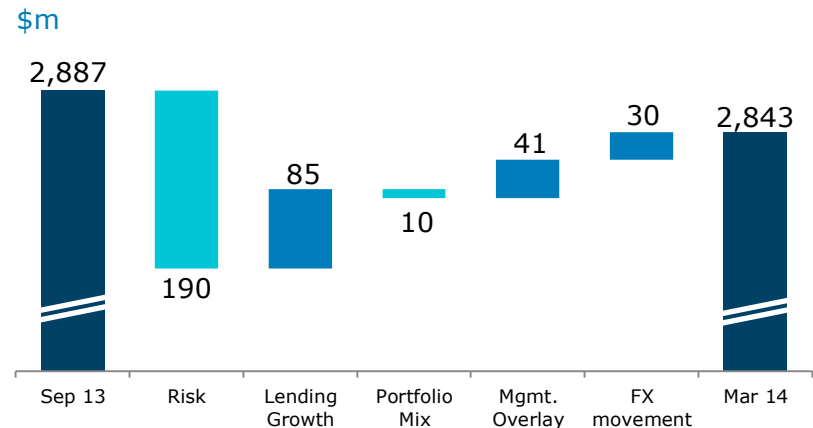
CP Coverage Reflective of Portfolio Risk



Collective Provision by Division

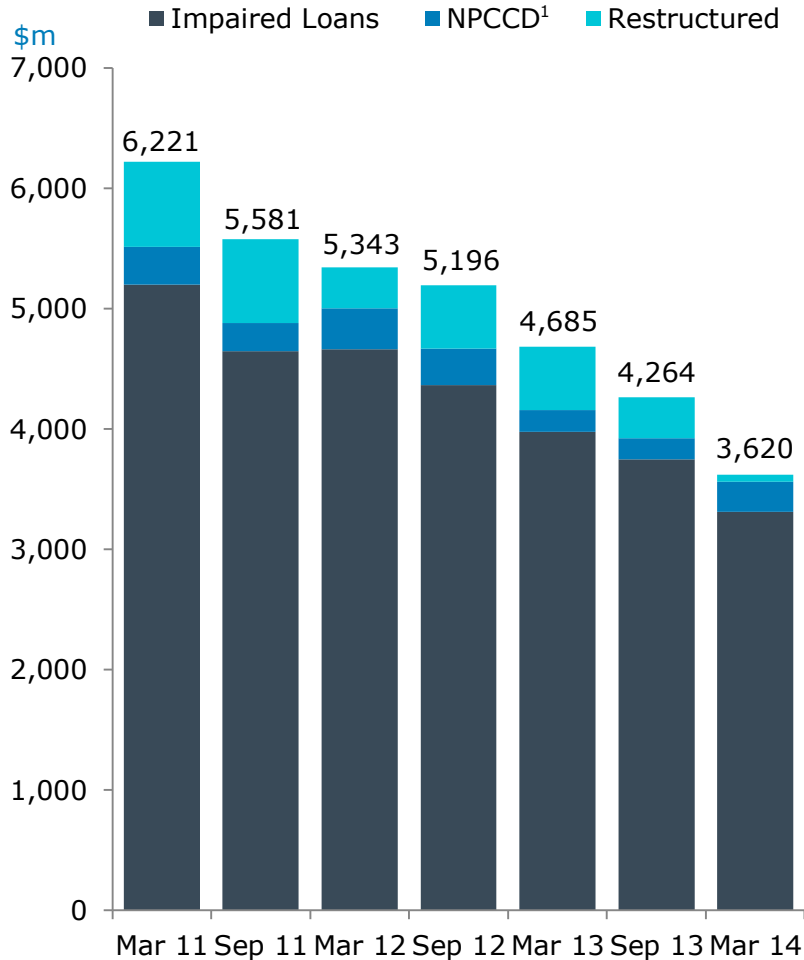


Collective Provision by Source

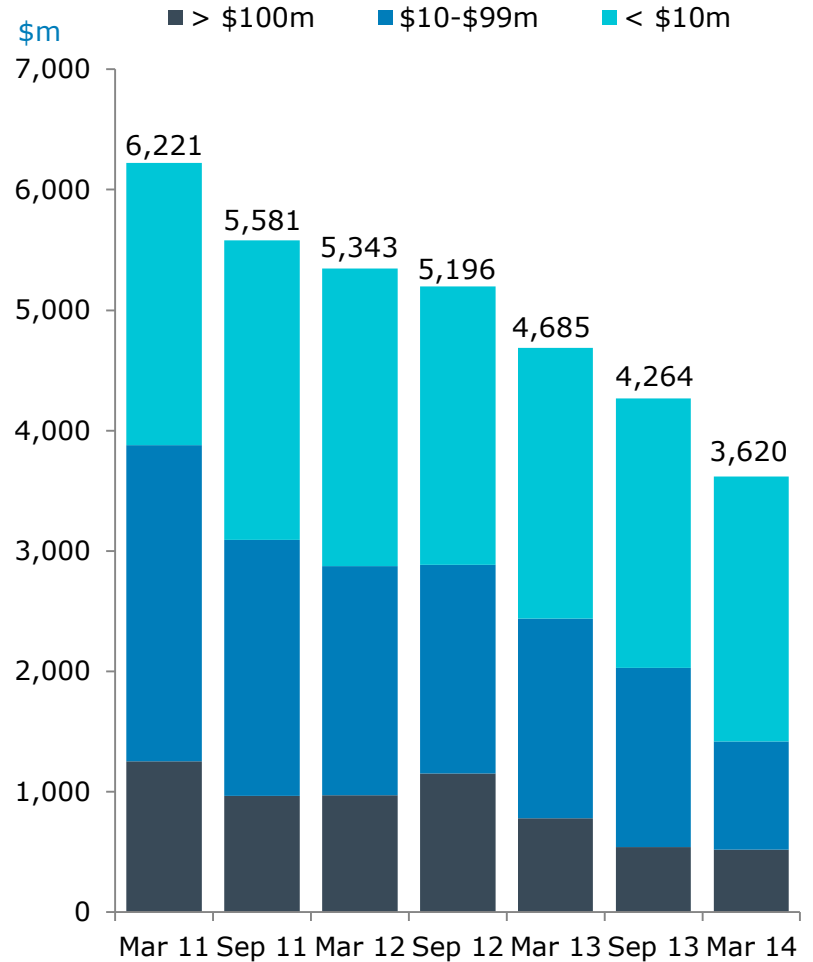


Gross Impaired Assets

Gross Impaired Assets by Type



Gross Impaired Assets by Size of Exposure



1. NPCCD - Non-Performing Commitments, Contingents & Derivatives

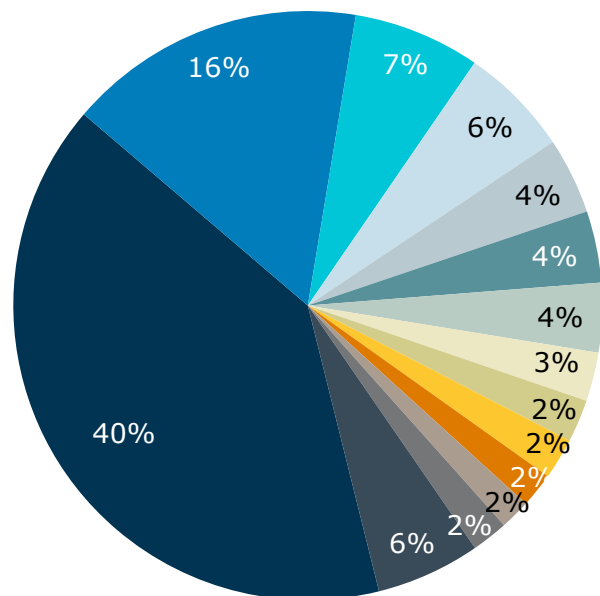
Total Credit Exposure (EAD) by Industry

Exposure at Default (EAD)
as a % of group total

ANZ Group

Total EAD (Mar 14)

\$762b



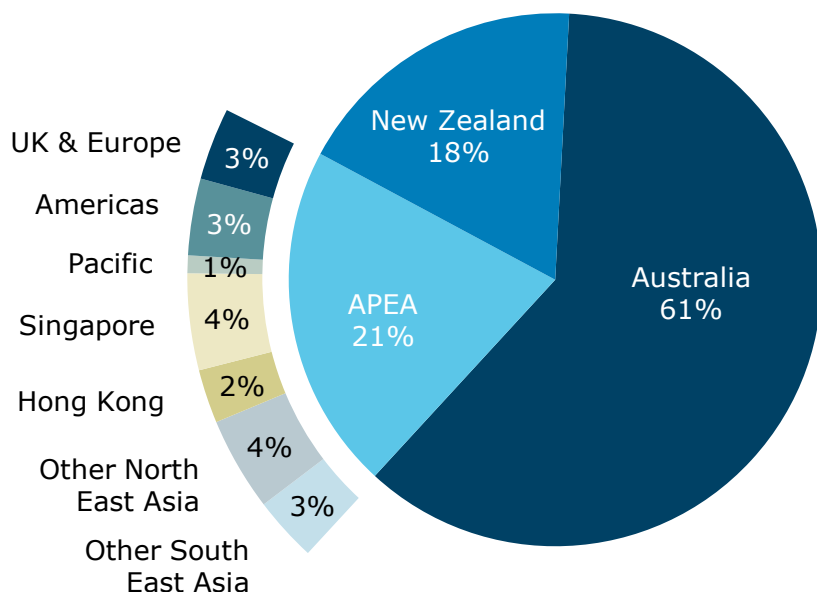
Category	EAD			% in Non Performing		
	Mar 13	Sep 13	Mar 14	Mar 13	Sep 13	Mar 14
Consumer Lending	40.4%	40.8%	40.3%	0.2%	0.2%	0.2%
Finance, Investment & Insurance	16.8%	15.9%	16.4%	0.2%	0.1%	0.1%
Property Services	7.1%	7.1%	7.0%	1.6%	1.1%	1.7%
Manufacturing	6.1%	6.0%	6.1%	1.0%	0.7%	0.6%
Agriculture, Forestry, Fishing	4.2%	4.3%	4.2%	4.1%	4.1%	3.5%
Government & Official Institutions	3.9%	4.0%	3.8%	0.0%	0.0%	0.0%
Wholesale trade	4.0%	3.9%	3.9%	0.6%	0.8%	0.6%
Retail Trade	2.9%	2.9%	2.7%	0.8%	0.9%	0.6%
Transport & Storage	2.2%	2.2%	2.4%	2.0%	1.6%	3.0%
Business Services	1.9%	2.0%	1.9%	0.7%	0.5%	1.3%
Resources (Mining)	1.8%	1.9%	2.3%	0.2%	1.2%	0.7%
Electricity, Gas & Water Supply	1.7%	1.7%	1.7%	0.1%	0.1%	0.1%
Construction	1.6%	1.7%	1.6%	1.2%	1.1%	1.9%
Other	5.4%	5.7%	5.7%	0.1%	0.9%	0.6%

Total Credit Exposure (EAD) by Geography

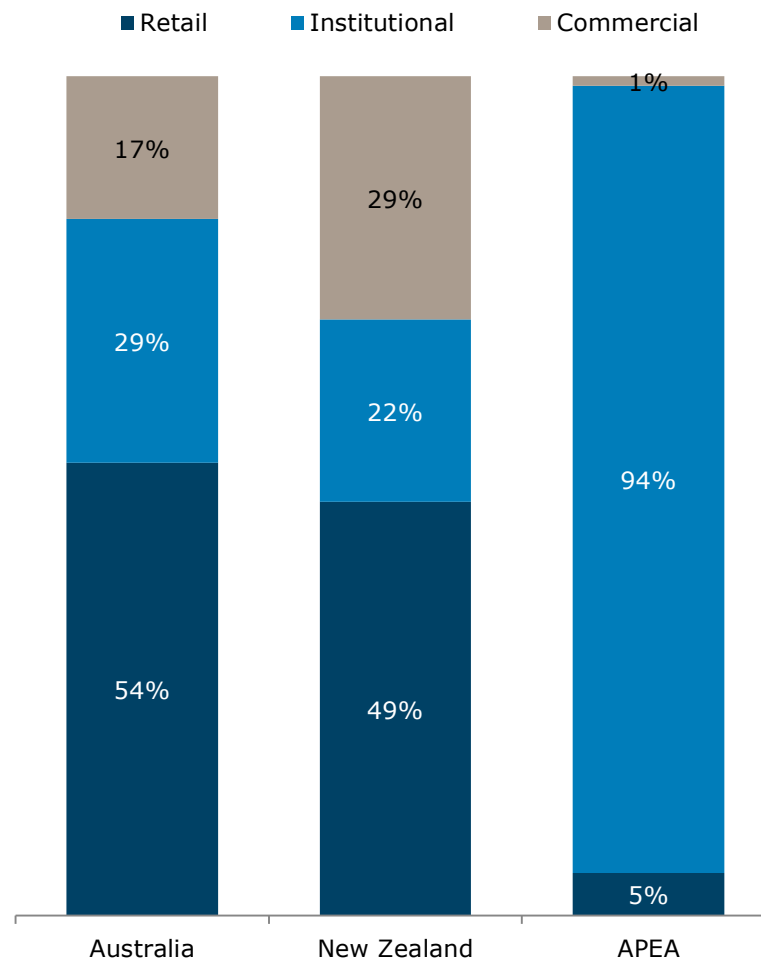
Exposure at Default by Geography

Total Exposure at Default (Mar 14) - \$762b¹

Australia	New Zealand	APEA
\$467.5b	\$136.2b	\$158.7b



Exposure at Default by Line of Business²



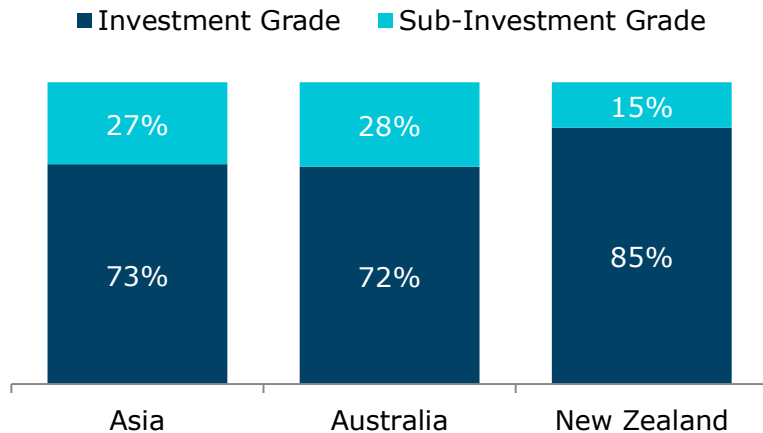
1. EAD excludes amounts for 'Securitisation' and 'Other Assets' Basel asset classes
2. Institutional includes exposure to Bank and Sovereign counterparties and ANZ's Liquidity portfolio

Asia and Trade Finance

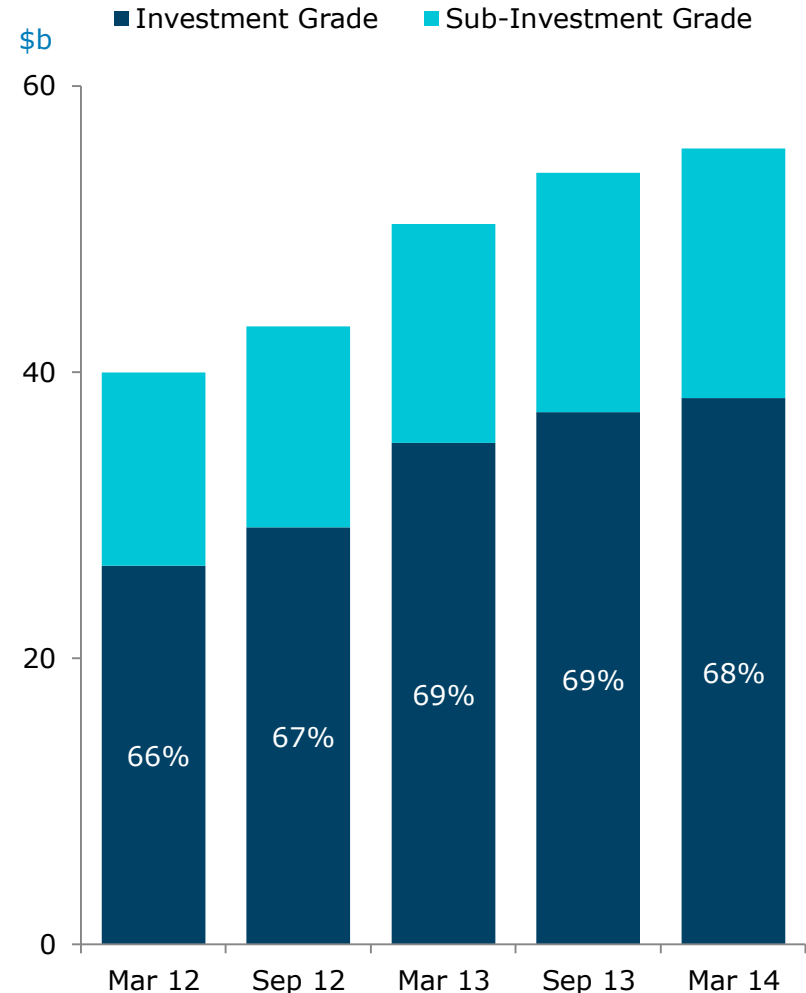
Strong quality Asia Exposure

- Strong growth in Trade Finance portfolio focussed on shorter duration exposures to investment grade counterparties
- The Trade Finance portfolio displays average tenor of less than 90 days and provides access to a large and high quality multi-national customer base
- Overall, the Institutional Asia exposure is of a similar quality to Institutional Australia, with a strong risk profile displayed across all Institutional geographies

Institutional Investment Grade Exposure by Geography



Trade Finance Investment Grade Exposure

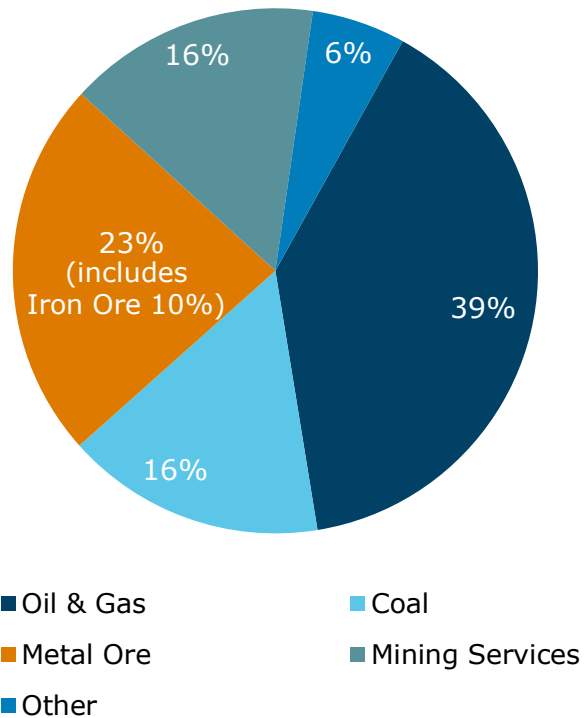


Resources

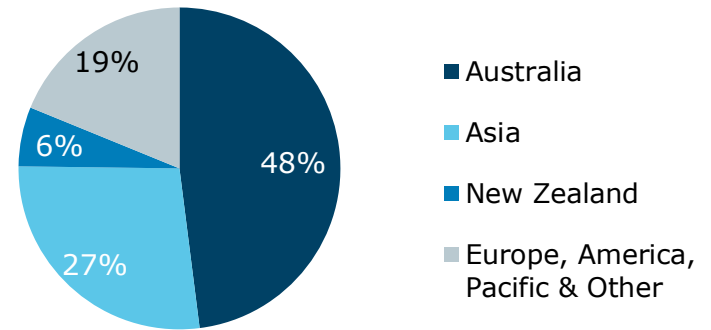
Resources Exposure by Sector (% EAD)

Resources

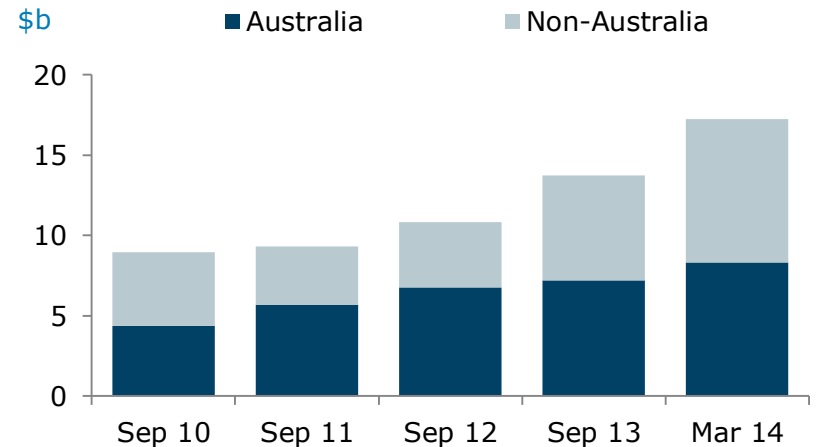
Total EAD (Mar 14)	As a % of Group EAD
\$17.2b	2.3%



Resources Exposure by Geography (EAD)



Resources Exposure by Geography (EAD)

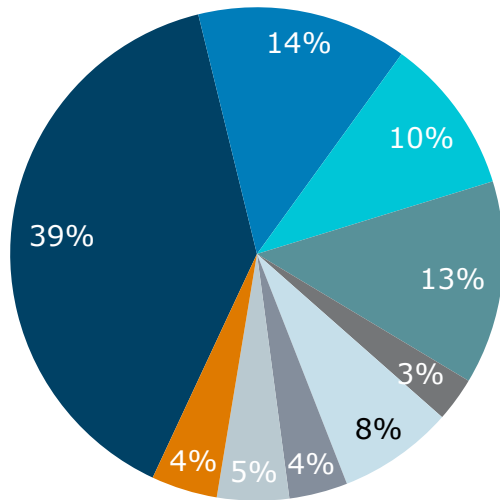


Agriculture

Agriculture Exposure by Sector (% EAD)

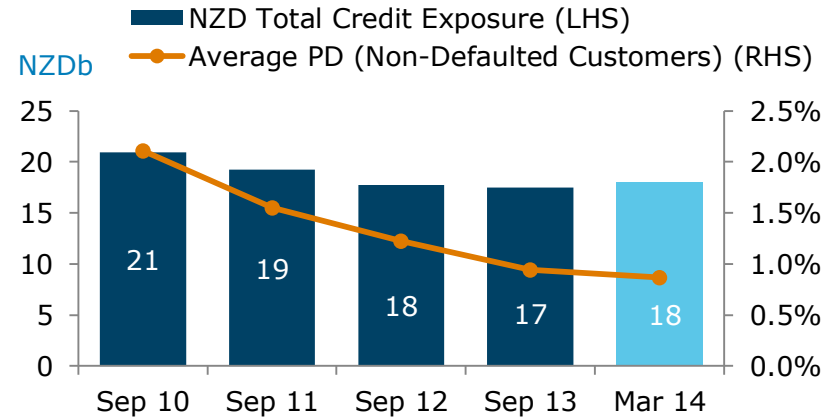
Agriculture

Total EAD (Mar 14)	As a % of Group EAD
\$32.1b	4.2%

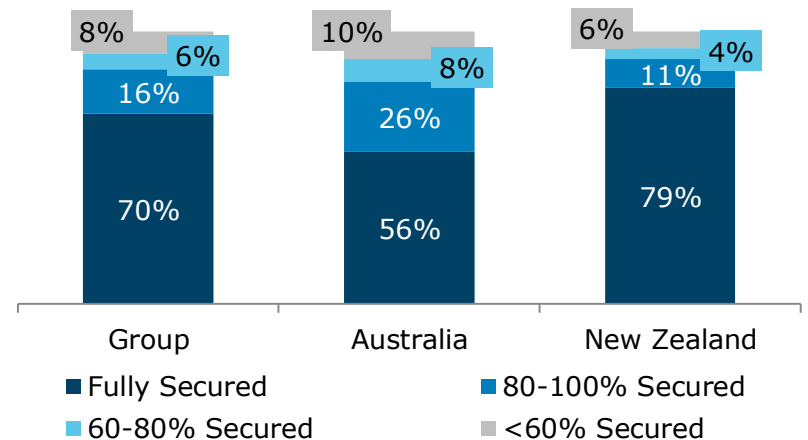


- Dairy
- Beef
- Sheep & Other Livestock
- Grain
- Wheat
- Horticulture/Fruit
- Other Crops
- Forestry & Fishing
- Agriculture Services

New Zealand Agri Exposure and Average Probability of Default

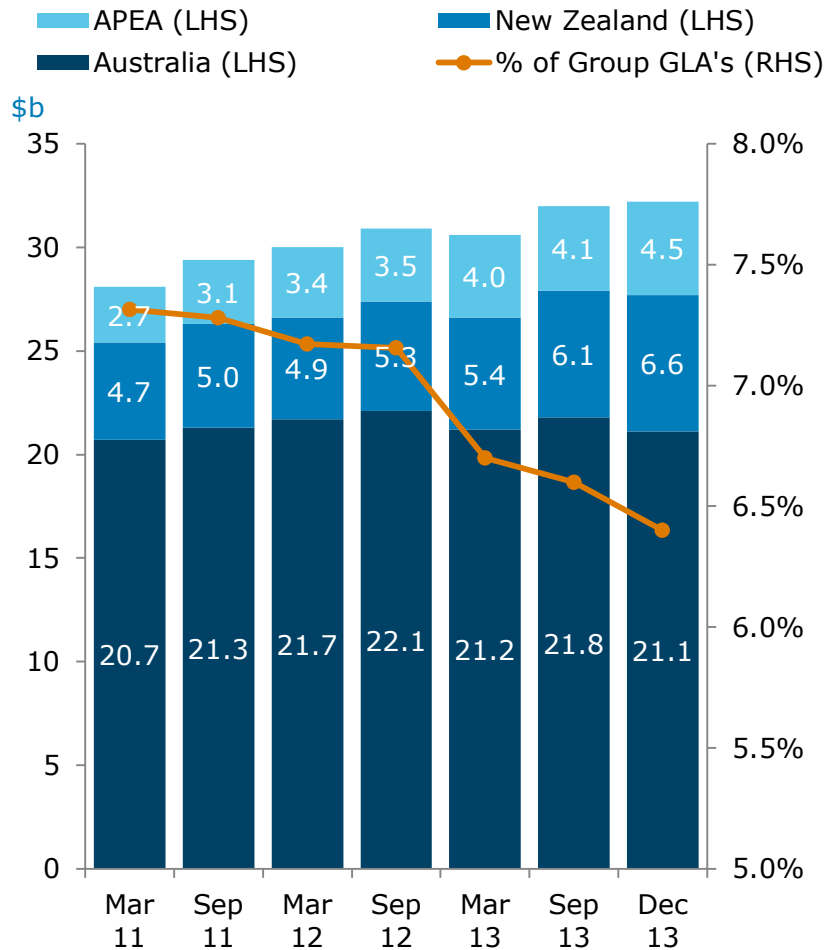


Agriculture Security Levels

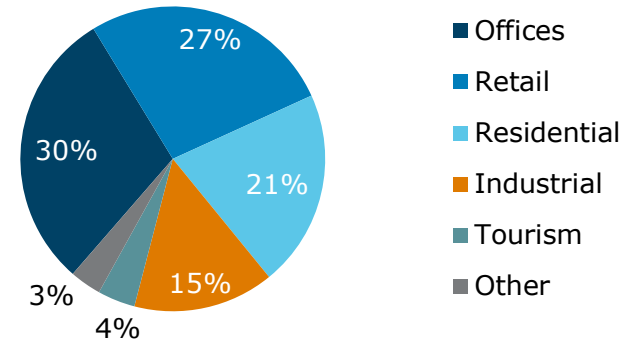


Commercial Property Lending

Commercial Property Outstandings by Region



Commercial Property Outstandings by Sector



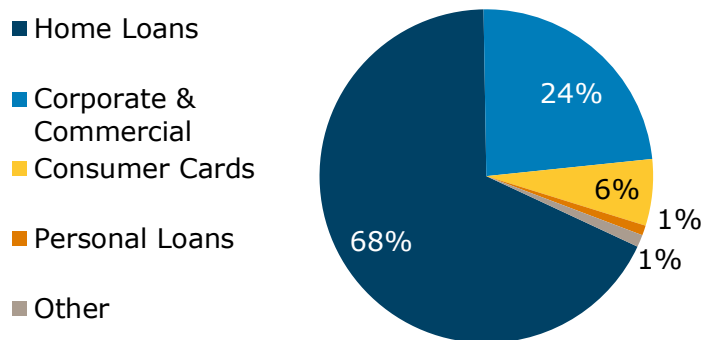
Commercial Property Peer Comparison¹

\$m	ANZ	NAB	WBC	CBA
Commercial Property Portfolio EAD	47,319	69,836	64,016	54,219
Property EAD/Total EAD	5.93%	8.58%	8.21%	6.54%
Impaired Assets	485	2,724	1,214	550
Property Impaired Assets /Property EAD	1.02%	3.90%	1.90%	1.01%

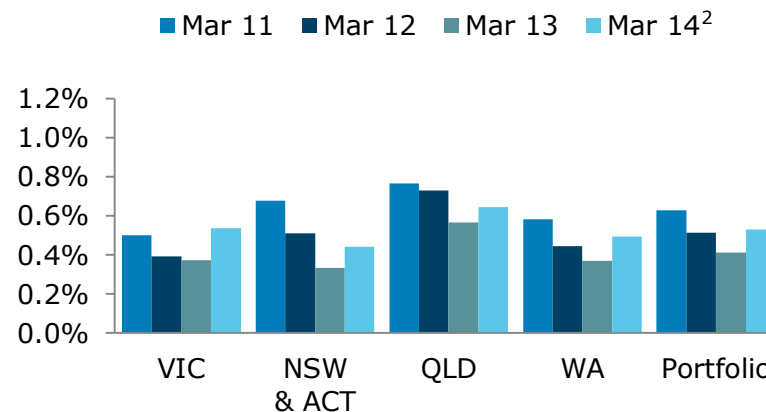
1. Source is the most recent full Pillar 3 disclosures specific to Commercial Property Segment. ANZ Pillar 3 disclosures include Property Services

Australia Division Credit Quality

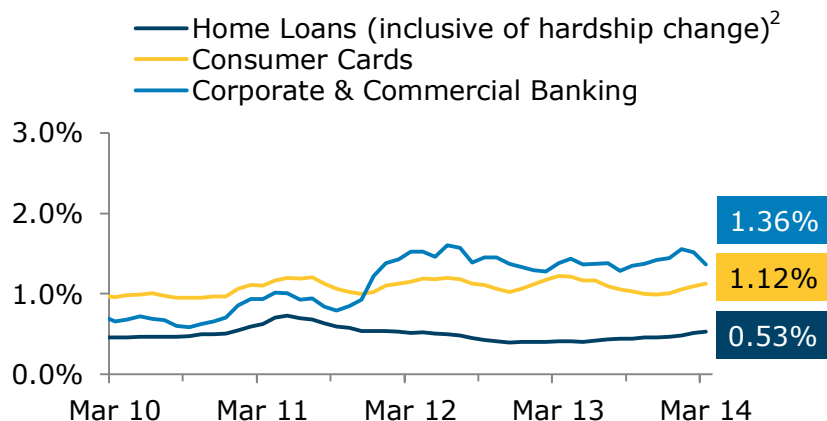
Australia Division Credit Exposure (EAD)



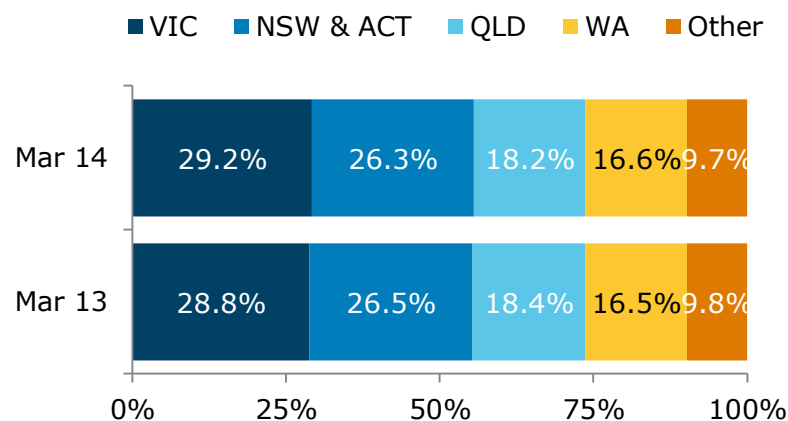
Australia Home Loans 90+ day delinquencies by state¹



Australia Division 90+ day delinquencies¹

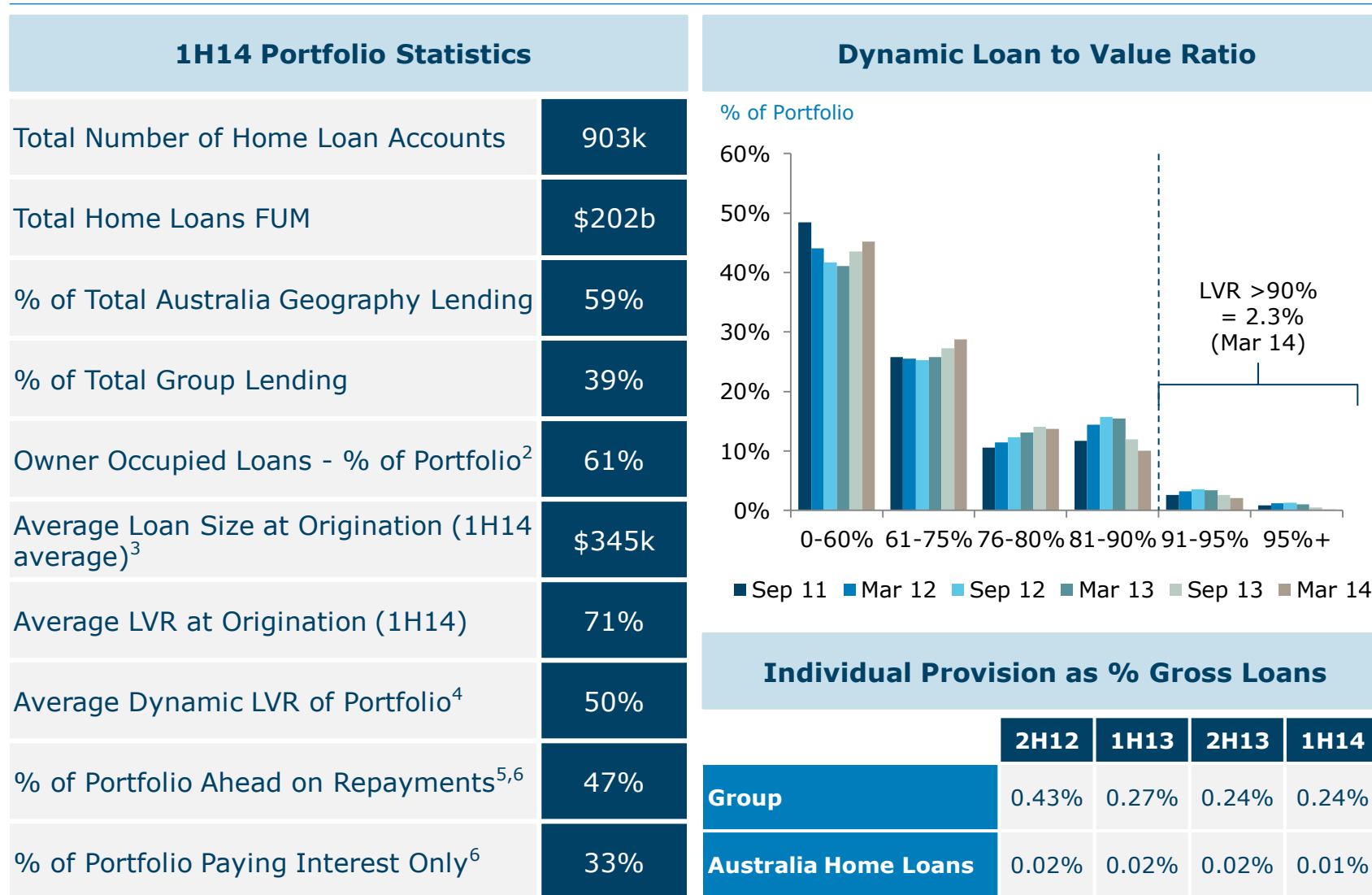


Australia Home Loans Portfolio by state³



1. Delinquency excluding Non Performing Loans
2. Includes hardship cases 90+ DPD has impacted underlying trends during FY14. March'14 90+ DPD excluding hardship changes is 0.46%, inclusive of hardship changes 0.53%
3. Gross loans and advances by state

Australia Division - Home Loan Portfolio¹



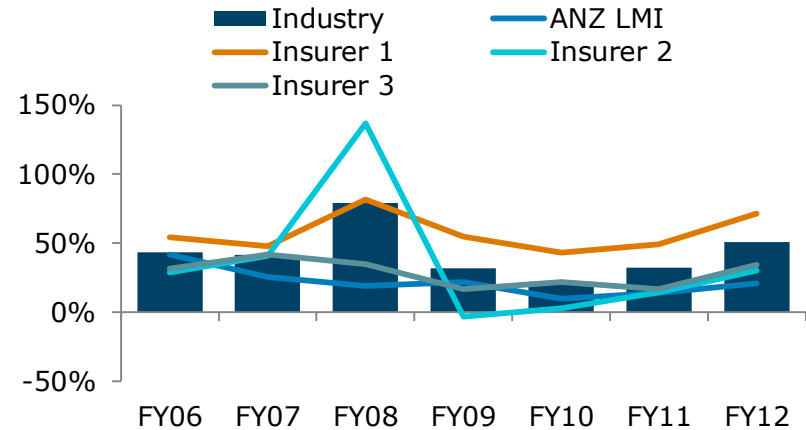
1. Refers to Net Home Loans book (excluding non-performing loans and offset balances); 2. Excluding funds on Equity Manager Accounts; 3. Average loan size of home loans written in 1H14 excluding offset accounts; 4. Dynamic LVR excluding capitalised LMI; 5. % of customers that are one month or more ahead of repayments; 6. Excludes revolving credit facilities

Lenders Mortgage Insurance

Background

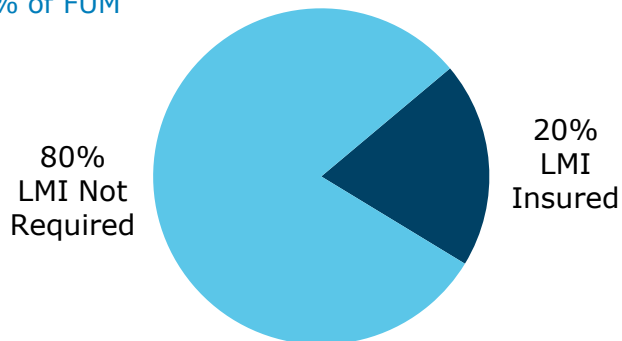
- ANZ's Captive Mortgage insurance business (ANZLMI) provides Lenders Mortgage Insurance for residential mortgages originated through ANZ channels
- ANZLMI remains well capitalised (independent to ANZ) and well above APRA minimum levels
- Stress testing indicates that an average unemployment rate in excess of 8% and property price falls of 25% (from peak to trough) sustained over 3 years are required to breach regulatory capital

ANZLMI maintains industry low loss ratios¹



Current Reinsurance Arrangement

% of FUM



- Lenders mortgage insurance is used on mortgages LVR 80% and above
- Reinsurance is comprised of a Quota share arrangement with reinsurers for mortgages 90% LVR and above and in addition an aggregate stop loss arrangement for policies over 80%
- ANZLMI has developed diversified panel comprised of APRA authorised reinsurers and reinsurers with highly rated security

1. Negative Loss ratios are the result of reductions in outstanding claims provisions. Source: APRA general insurance statistics (loss ratio net of reinsurance)

New Zealand - Home Loan Portfolio

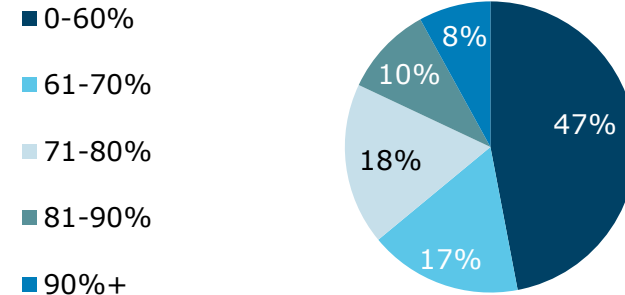
1H14 Portfolio Statistics

Total Number of Home Loan Accounts	484k
Total Home Loan FUM (NZD)	\$61b
% of Total New Zealand Lending	59%
% of Total Group Lending	11%
Owner Occupied Loans - % of Portfolio	76%
Average Loan Size at Origination (NZD)	\$254k
Average LVR at Origination	63%
Average Dynamic LVR of Portfolio	46%
% of Portfolio Paying Interest Only ¹	21%

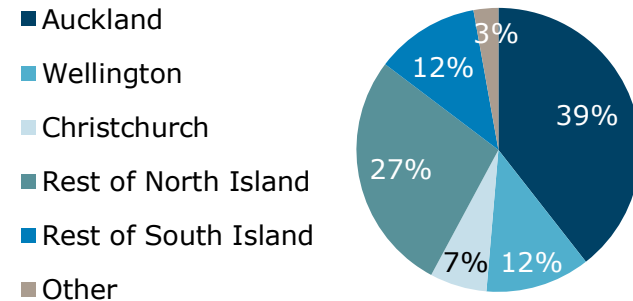
Individual Provision as % Gross Loans

	2H12	1H13	2H13	1H14
Group	0.43%	0.27%	0.24%	0.24%
New Zealand Home Loans	0.03%	0.02%	0.02%	0.02%

Dynamic Loan to Valuation Ratio



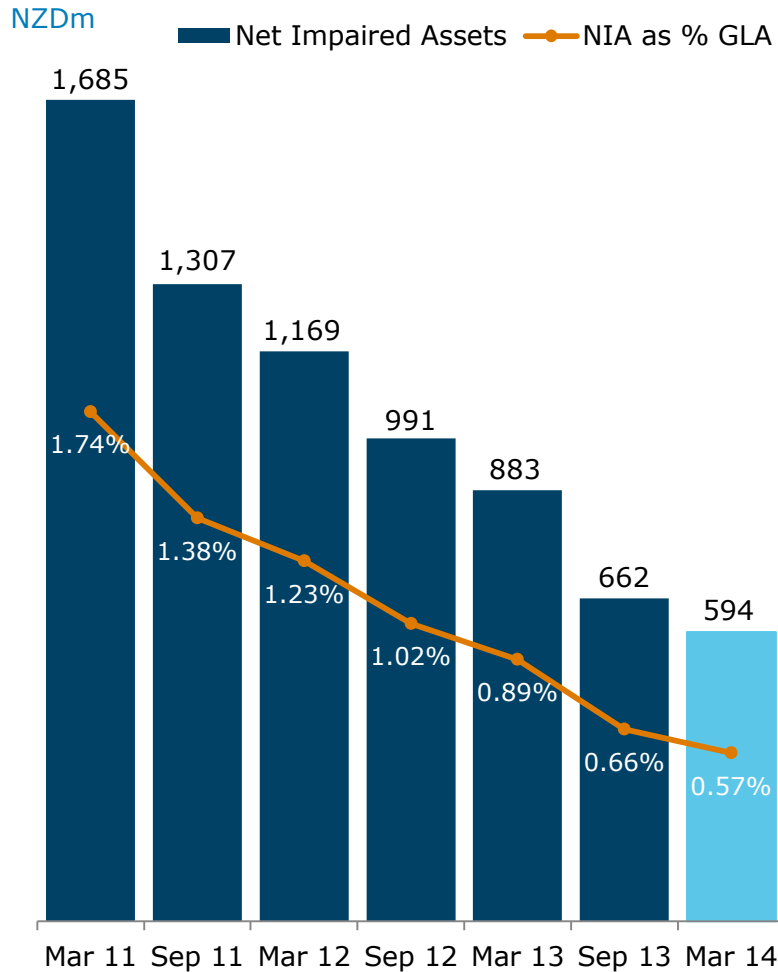
Home Loan Portfolio by Region



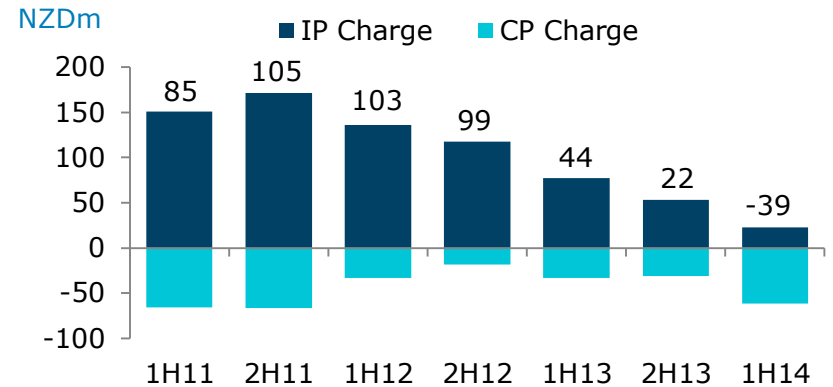
1. Excludes revolving credit facilities

New Zealand – Credit Quality

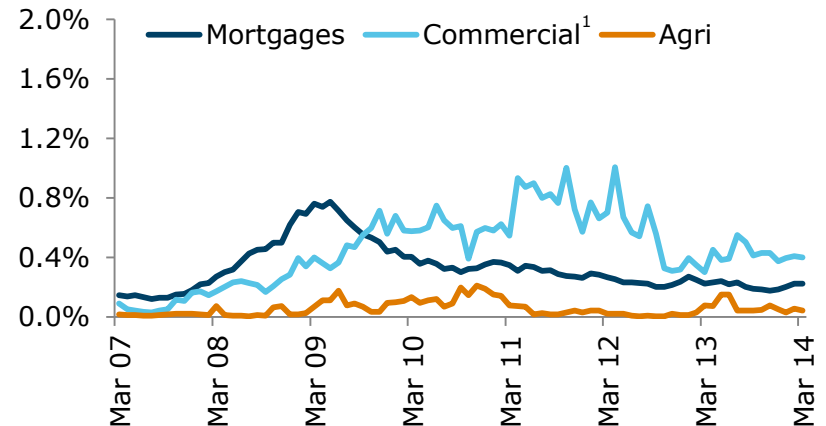
New Zealand Geography Net Impaired Assets



New Zealand Geography Total Provision Charge



New Zealand Division 90+ days delinquencies



1. Spikes in 2012 Commercial 90 day delinquencies are primarily due to internal classifications rather than any deterioration in underlying credit quality

14 HALF YEAR RESULTS

AUSTRALIA AND NEW ZEALAND
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Australian Housing Market



The structure of the Australian mortgage market has resulted in very low losses through various cycles

Australian mortgage market characteristics

Full Recourse

- All mortgage lending is full recourse
- Investment loans are also secured by mortgage over primary residence

Variable rate

- Most mortgage lending in variable rate format (typically > 80%)
- Primary assessment on cashflow with interest rate buffer applied (currently 2.25% above mortgage rate)

Low LVRs

- Average dynamic LVR is ~50% (~71% at origination)
- Loans with LVR > 80% require mortgage insurance
- No sub prime market

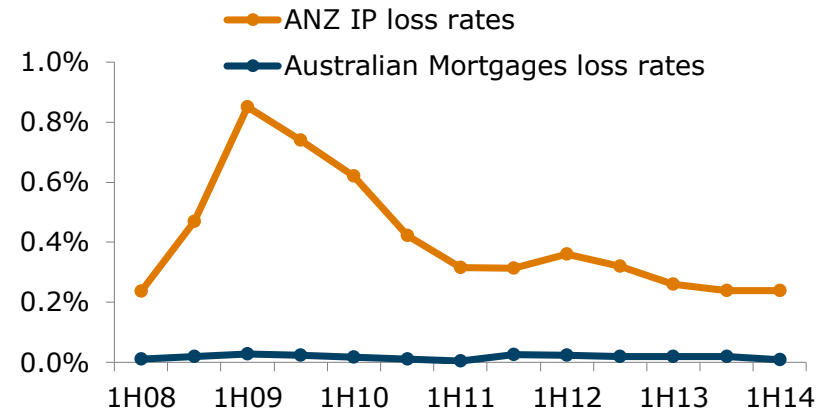
Limited tax advantages

- Mortgage debt on owner occupied homes is not tax deductible
- Results in high prepayment levels
- Consequently mortgage debt as proportion of housing stock is low (~30% in Aust vs ~62% in the US)

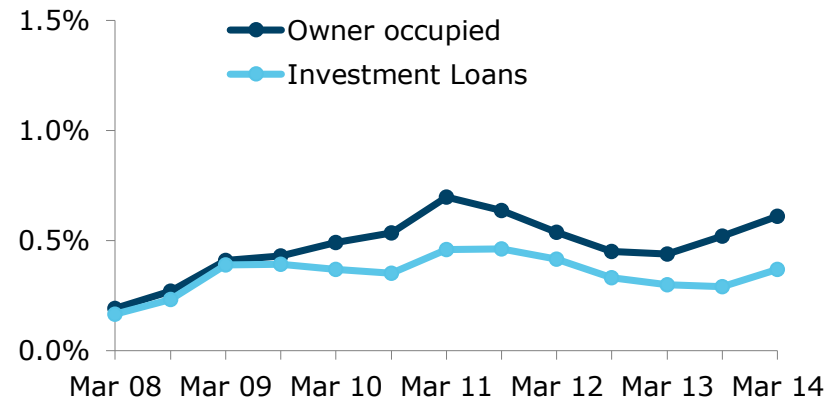
Originate to hold model

- Mortgages retained on balance sheet
- Last Securitisation by ANZ in 2004

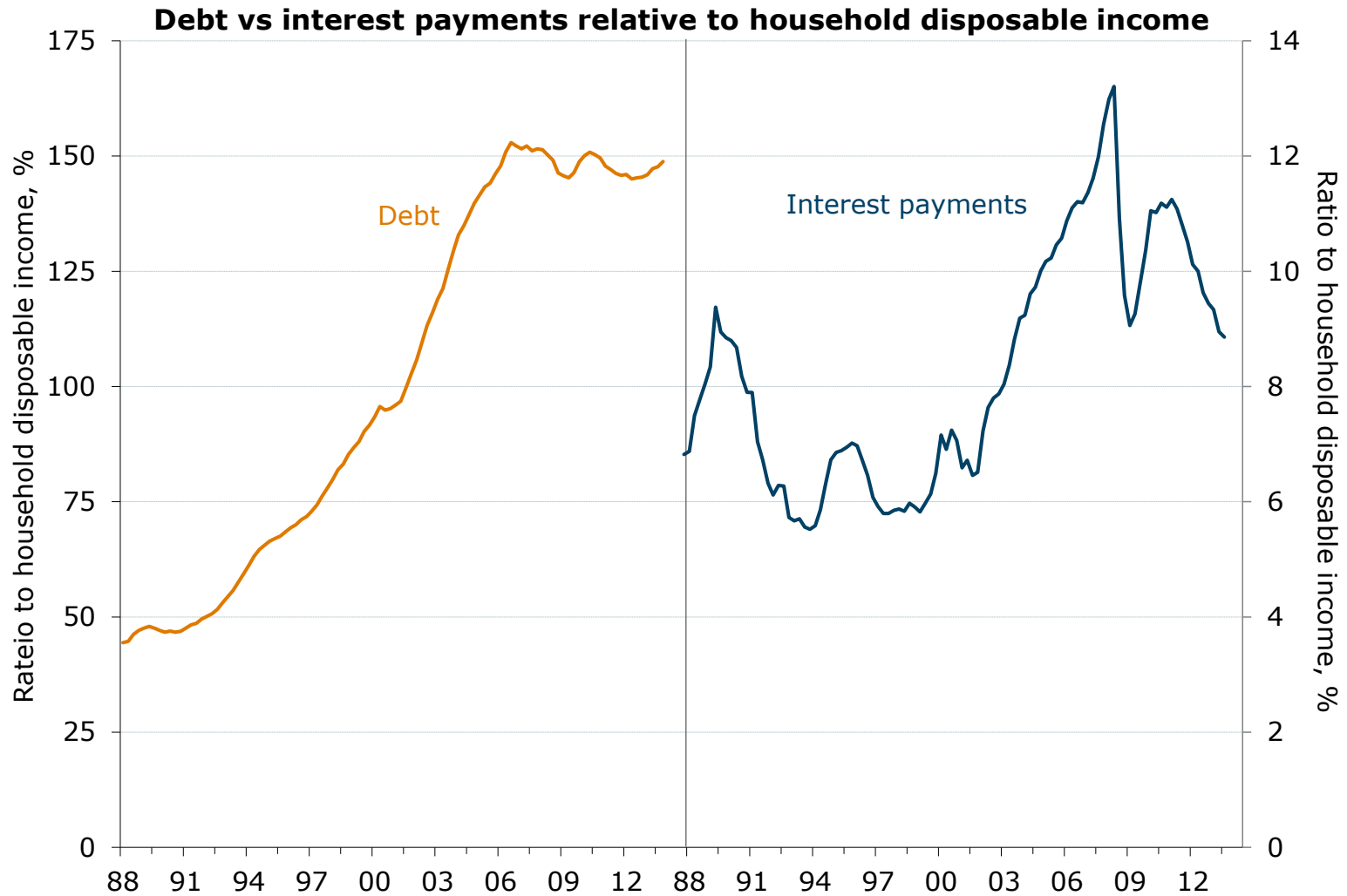
ANZ Individual Provision Loss Rates vs. Mortgage loss rates (%)



Owner Occupied vs. Investment Loans arrears (90+ DPD)



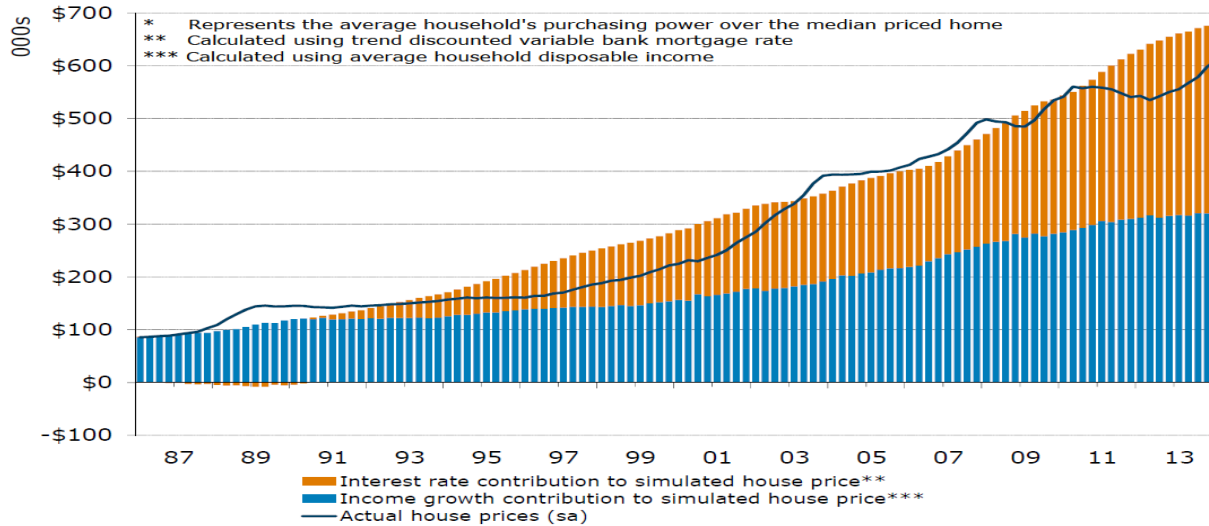
The level of household debt has remained stable and lower rates have reduced the debt burden



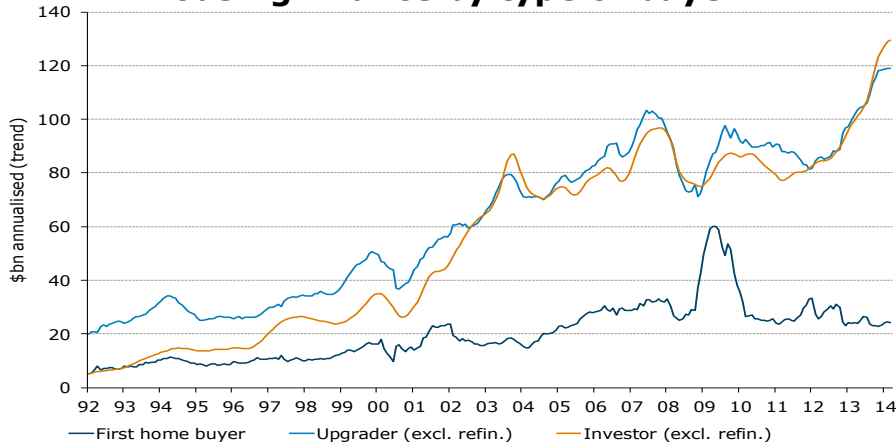
Sources: ABS, ANZ

The housing market has been supported by income growth, lower interest rates, strong immigration ...

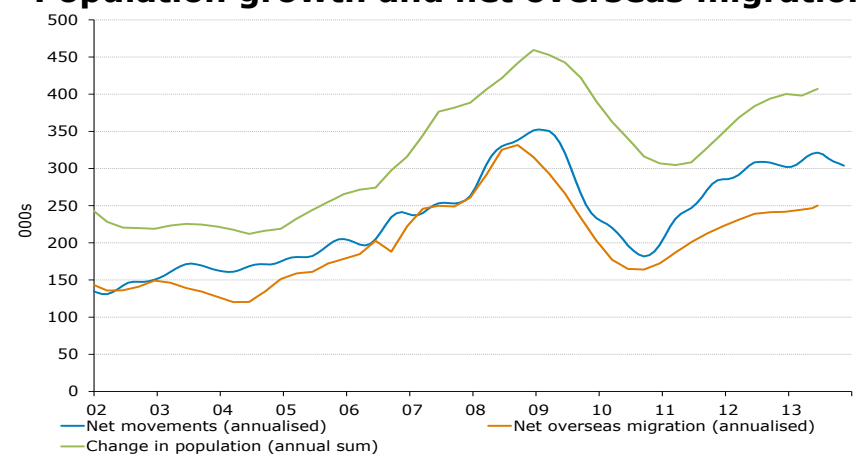
House prices vs house purchasing power*



Housing finance by type of buyer



Population growth and net overseas migration



Sources: ABS, Residex, ANZ

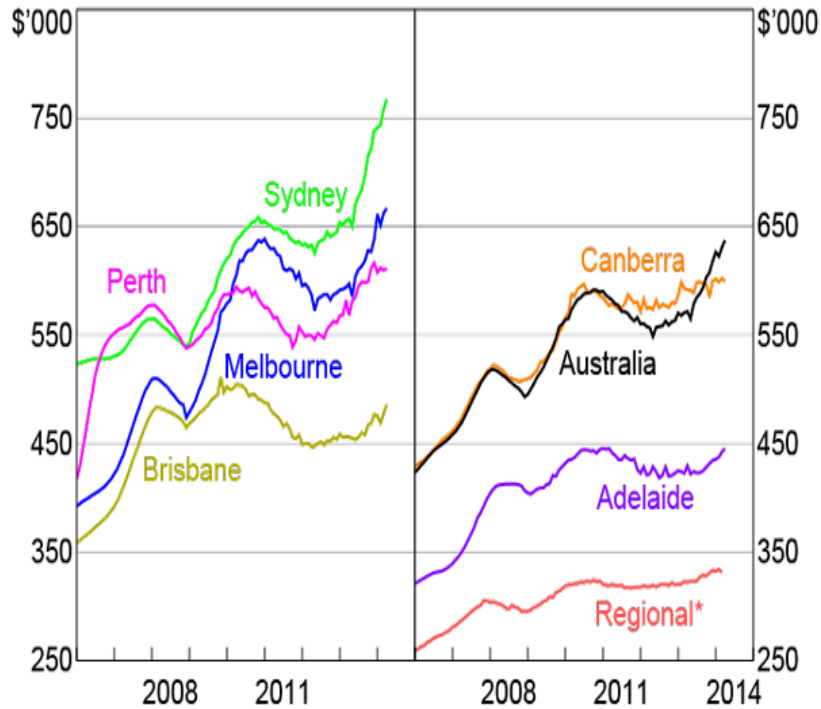
... and strong employment



Sources: ABS, ANZ

House prices reflect the strong underlying position

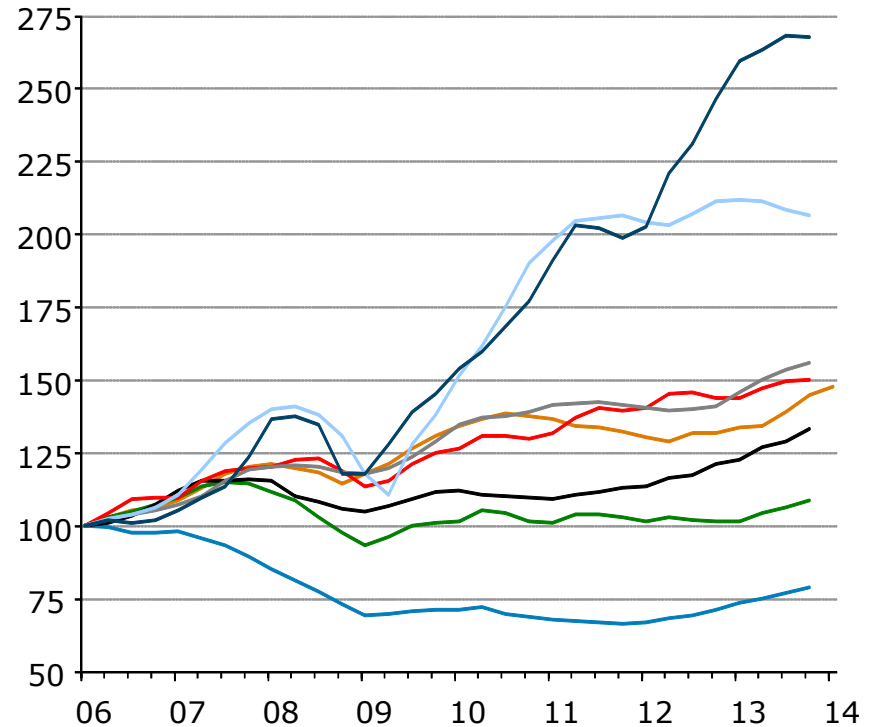
House Prices



* Excludes apartments; measured as areas outside of capital cities in mainland states

Sources: RBA; RP Data-Rismark

International House Prices



— Australia — UK — Canada — Singapore
 — US — NZ — China* — Hong Kong

* Data for newly constructed housing

Sources: ABS, Global Property Guide, Nationwide, RBA, RBNZ, Residex, S&P Case-Shiller, Teranet-National Bank, ANZ

14 HALF YEAR RESULTS

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED

Debt Investor Update
- Economics



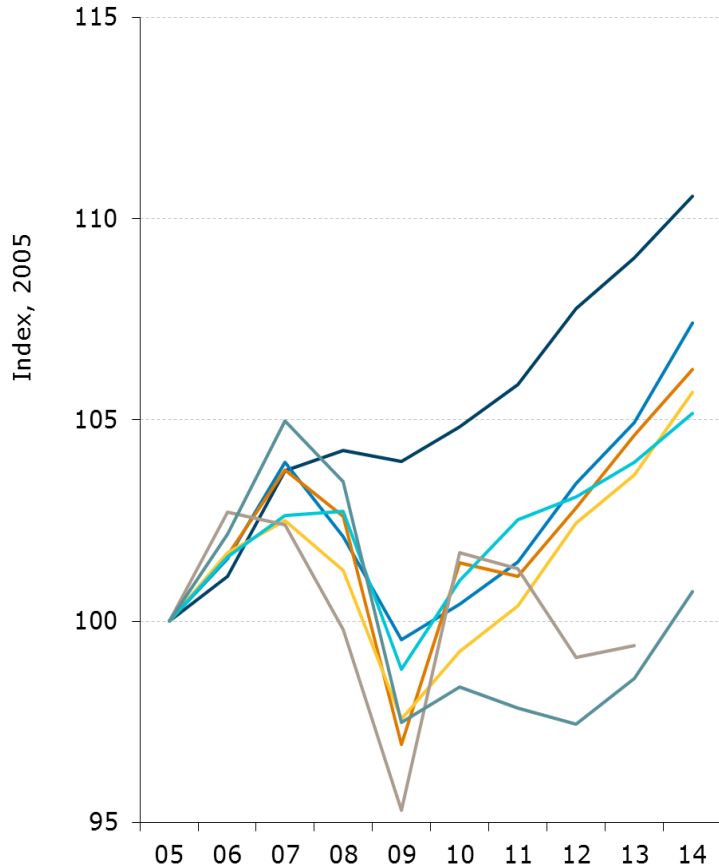
Australian economic forecasts

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Australia - annual % growth									
GDP	2.7	1.5	2.2	2.6	3.6	2.4	3.2	3.2	3.6
Domestic final demand	4.0	0.3	3.5	4.4	4.2	0.9	1.3	1.4	3.0
Headline CPI	4.4	1.8	2.9	3.3	1.8	2.4	2.6	2.8	2.7
Core CPI	4.6	3.8	2.8	2.7	2.3	2.4	2.6	2.6	2.5
Employment	1.3	0.7	2.0	1.7	1.2	1.0	1.1	1.5	1.6
Wages	4.2	3.5	3.4	3.7	3.6	2.9	2.6	2.8	3.2
Unemployment rate (ann. avg)	4.2	5.6	5.2	5.1	5.2	5.7	5.9	5.8	5.6
Current Account (% of GDP)	-4.9	-4.6	-3.5	-2.8	-4.1	-2.9	-2.8	-1.9	-1.5
Terms of Trade	13.1	-9.5	16.4	13.0	-10.2	-4.2	-4.0	-1.2	0.6
Private Sector Credit	10.8	2.7	2.9	3.2	3.8	3.3	5.6	7.0	7.1
- Housing	9.1	6.9	7.7	5.9	4.8	4.8	6.7	7.7	6.9
- Business	14.9	-1.3	-3.9	-0.4	3.0	1.4	4.1	6.3	7.7
- Personal	2.4	-4.9	2.3	-0.1	-1.0	0.5	2.0	5.4	6.4
RBA cash rate (% year end)	4.25	3.75	4.75	4.25	3.00	2.50	2.50	3.50	4.50
3yr bond yield (% year end)	3.07	4.66	5.27	3.13	2.67	2.95	3.65	4.80	4.60
10yr bond yield (% year end)	3.99	5.64	5.55	3.67	3.27	4.24	4.45	5.20	4.90
AUD/USD (year-end value)	0.70	0.90	1.02	1.02	1.04	0.89	0.85	0.84	0.84

Sources: ABS, Bloomberg, RBA, ANZ

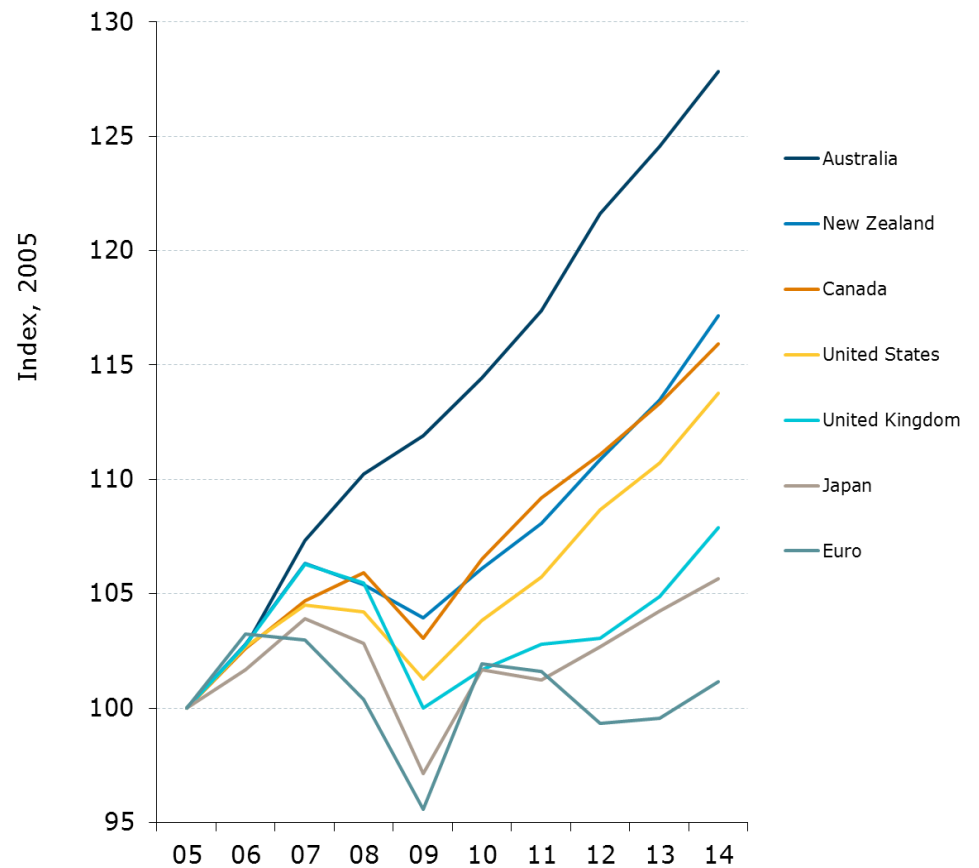
The Australian economy has performed relatively well in aggregate

Real GDP per Capita
2005 = 100



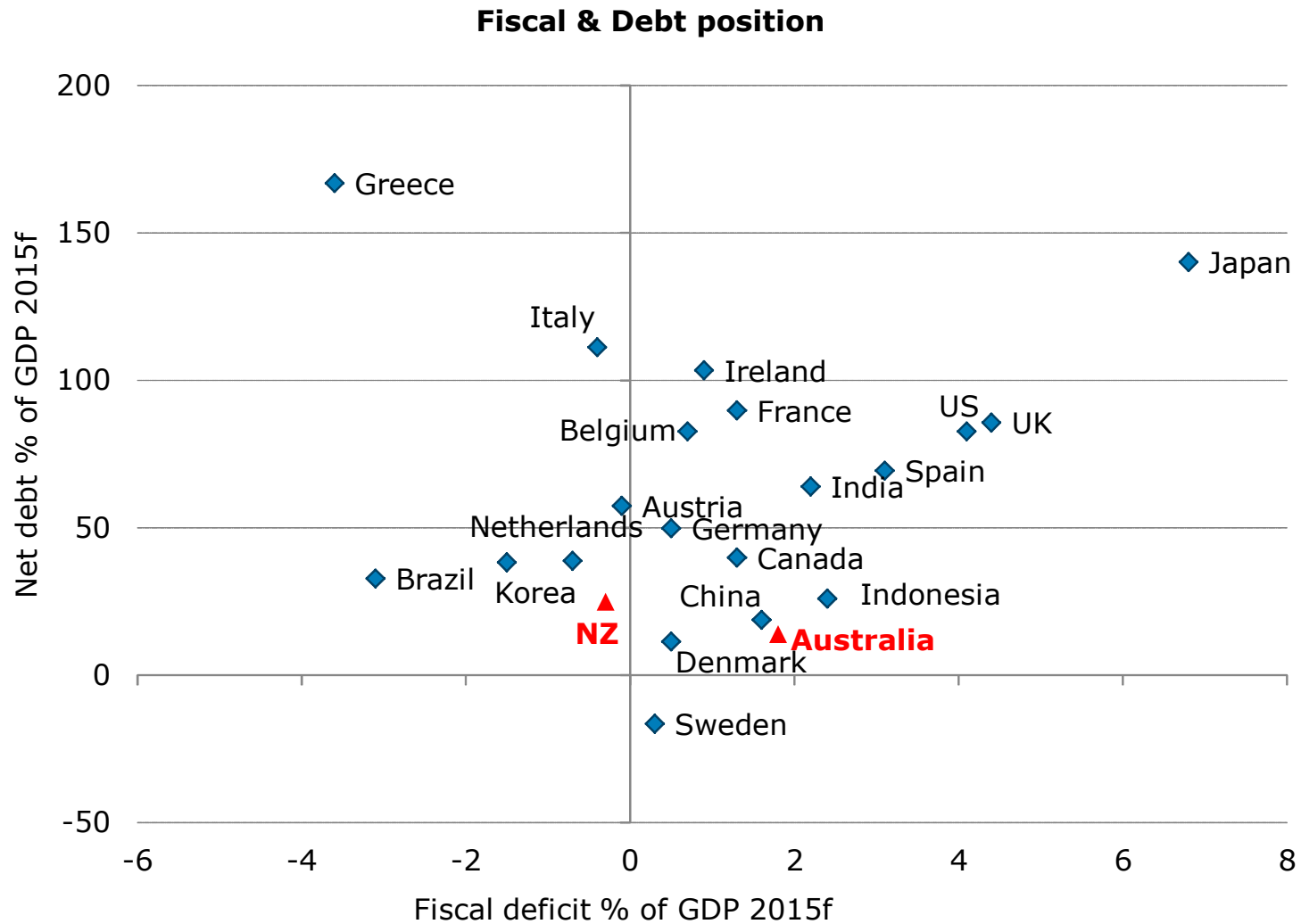
Source: IMF

Real GDP
2005 = 100



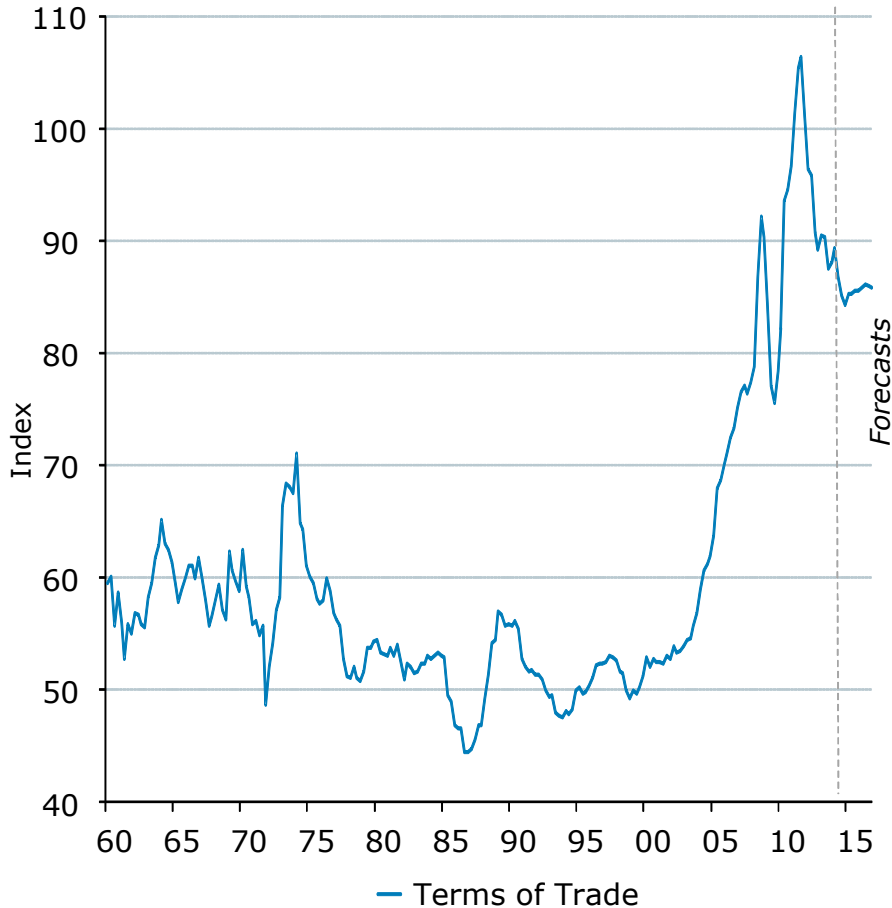
Source: IMF

The fiscal position in Australia and NZ remains sound, albeit the Australian Federal budget is not expected to return to surplus until ~2019

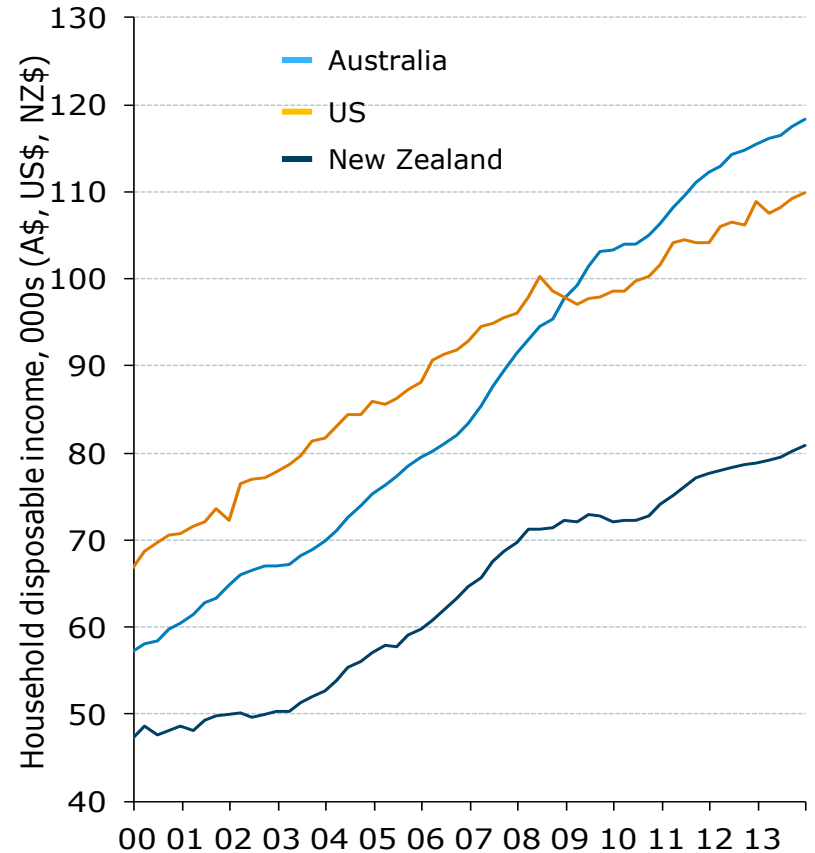


Australia's Terms of Trade has driven strong income growth

Terms of trade since 1960

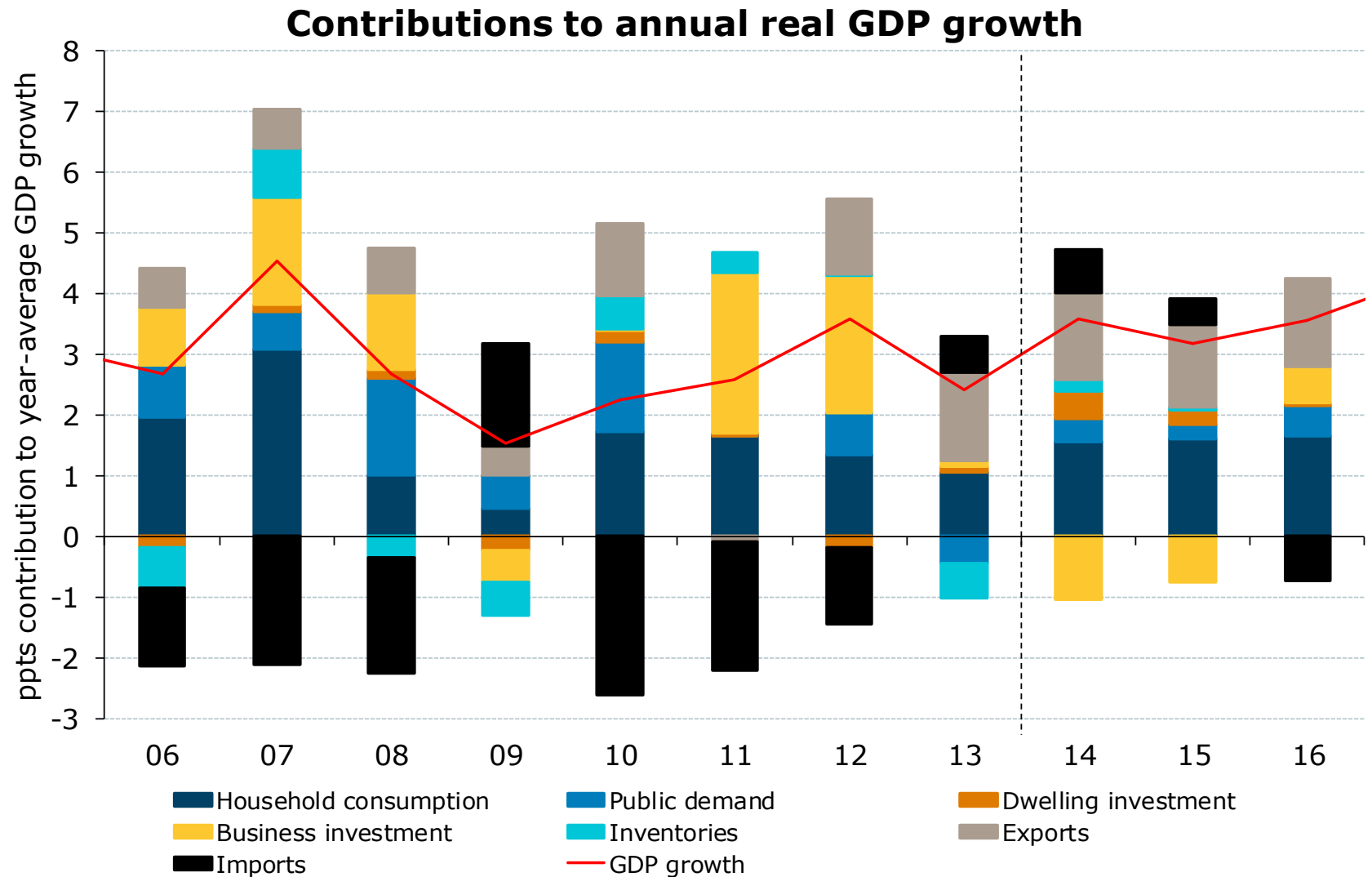


Income growth continues



Source: ABS, RBA and ANZ

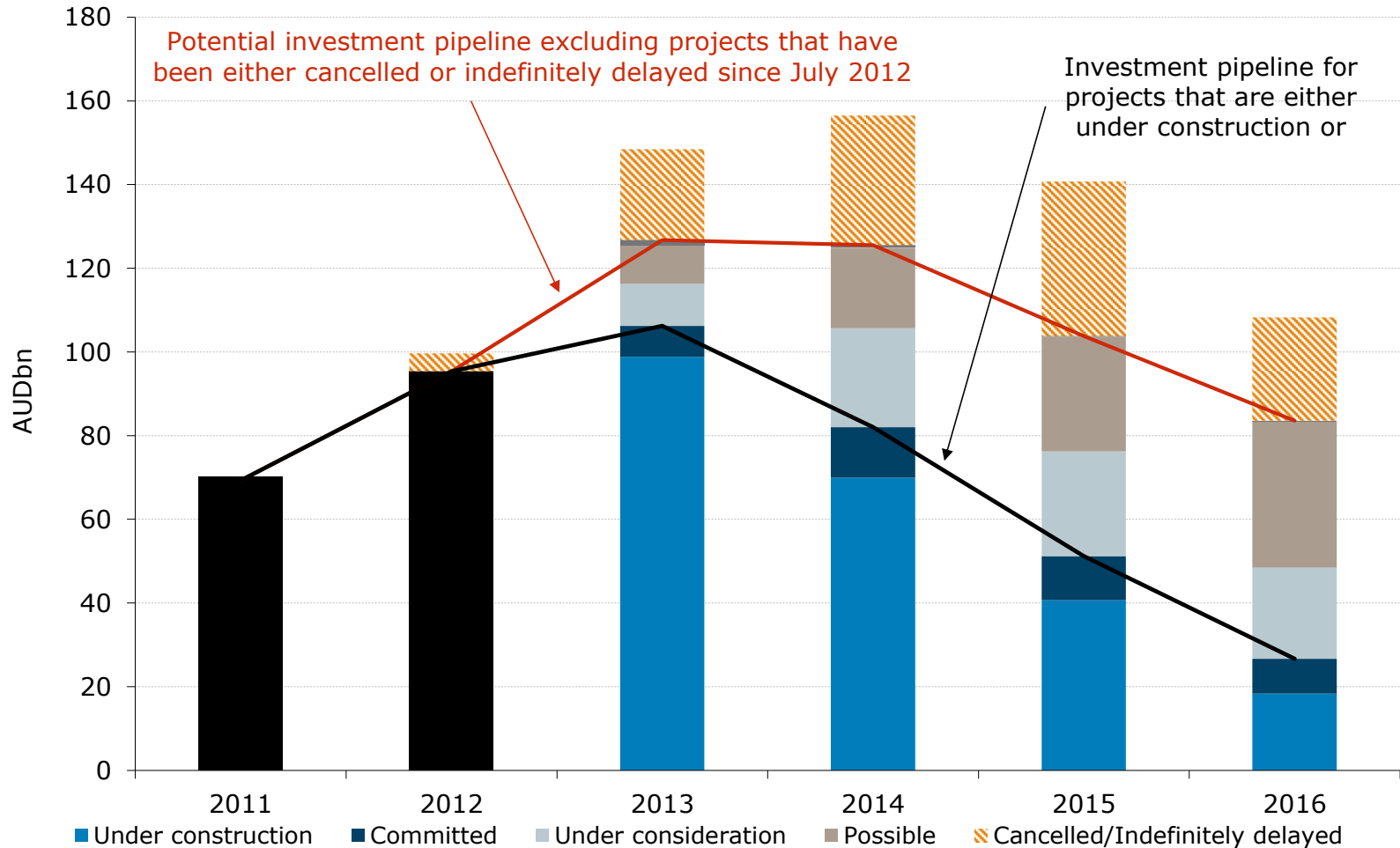
ANZ expects GDP to pick up in 2014 and 2015 and accelerate further in 2016



Sources: ABS, ANZ

Business investment (largely mining) *will detract* from growth for several years ...

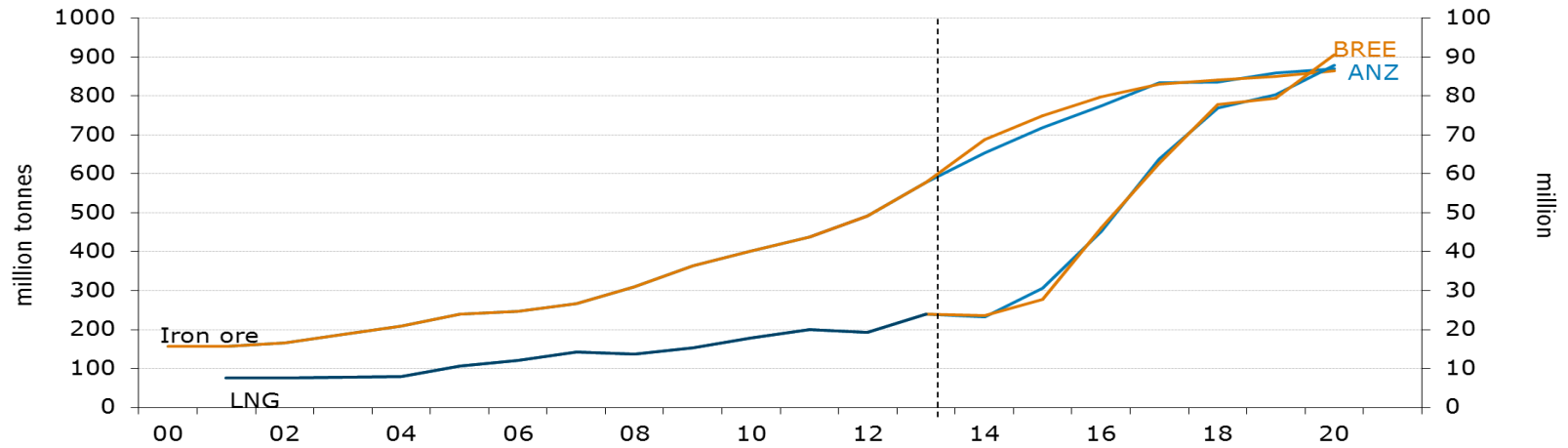
Major projects capital expenditure



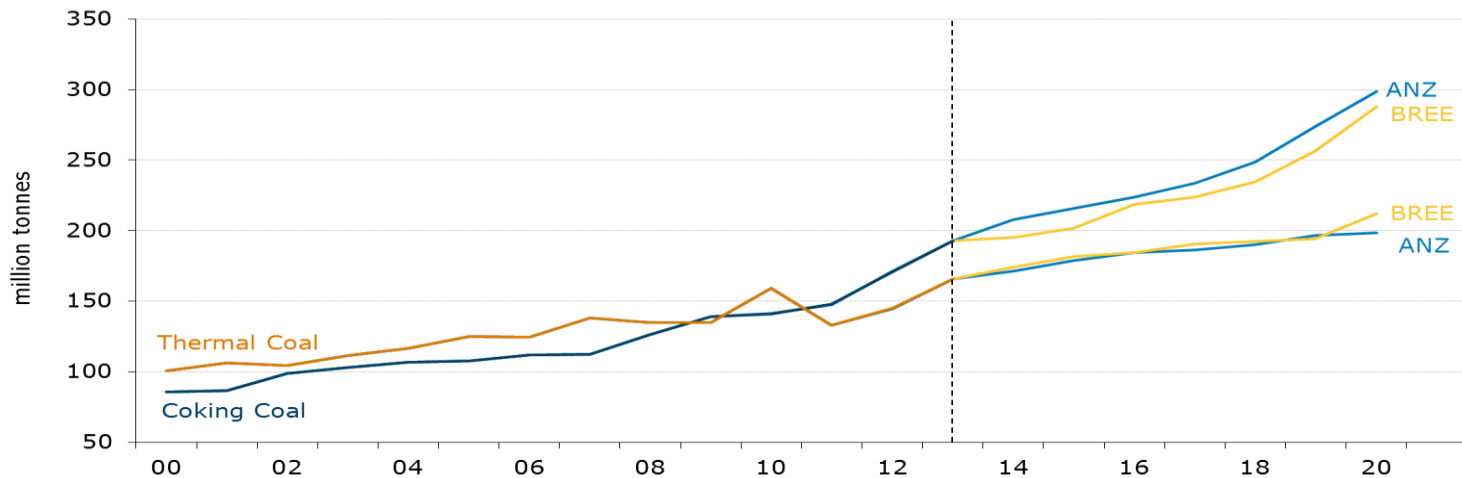
Sources: ABS, ANZ

... but Australia is entering the production phase - export volumes will pick up sharply as projects complete

Iron Ore - LNG



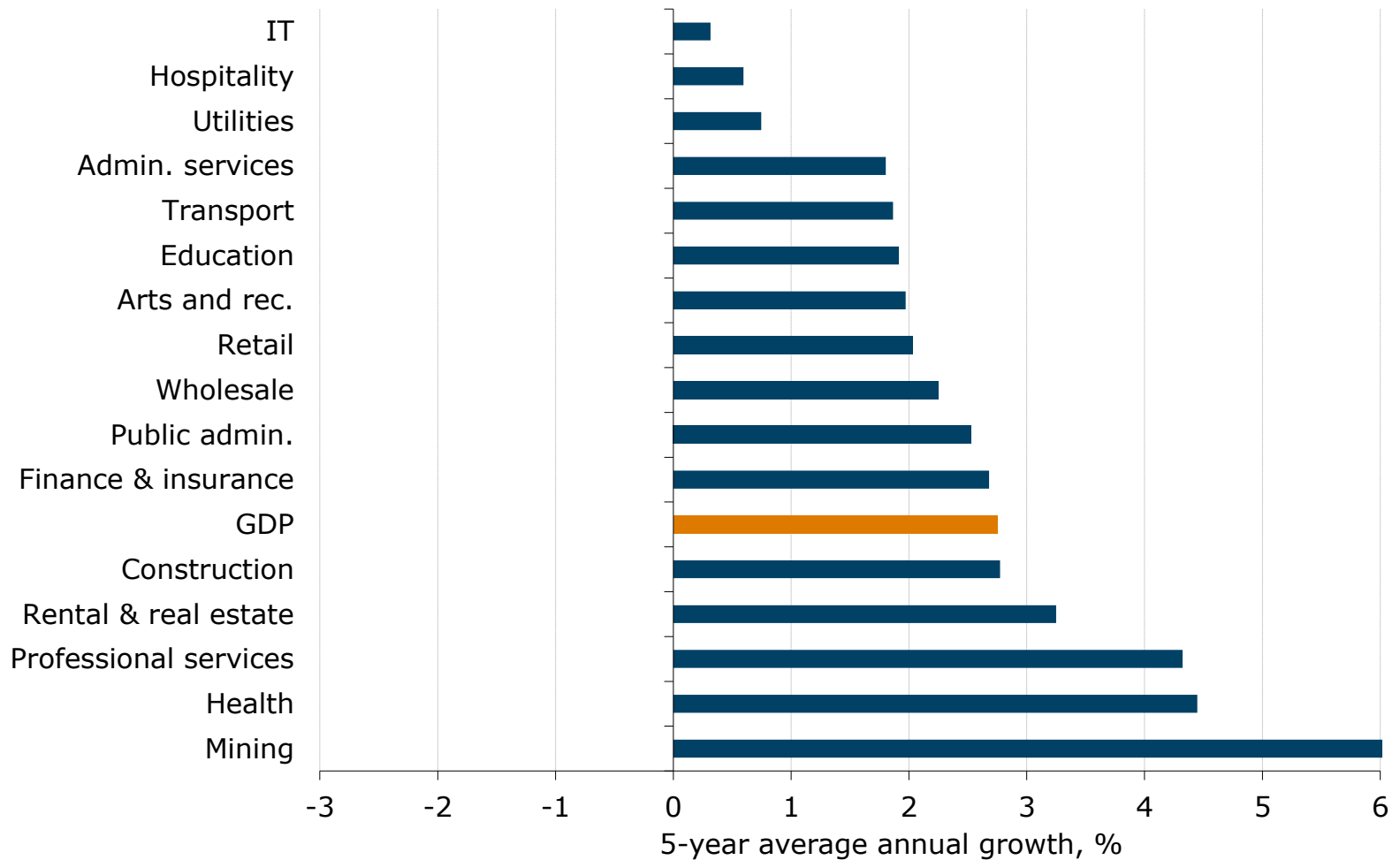
Thermal/Coking Coal



Sources: BREE, ANZ

Composition of growth by industry highlights ongoing challenges

GDP by industry – five year average growth rates as of Dec-13



Sources: ANZ, ABS

14 HALF YEAR RESULTS

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED

China



ANZ's strategic focus has resulted in a strong customer franchise and growing business

Strategic Focus

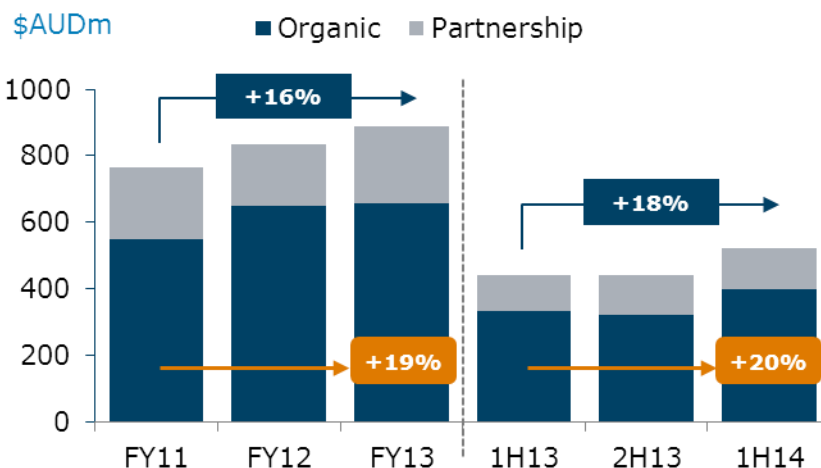
ANZ Greater China strategy is focused on:

1. Being the bank of choice for Greater China corporates and affluent individuals investing in Australia, New Zealand and the rest of Asia Pacific
2. Leveraging our sector/product expertise and network to facilitate fast growing trade flows with and within Greater China;
3. Being a leading on the ground international bank to multinationals operating in Greater China

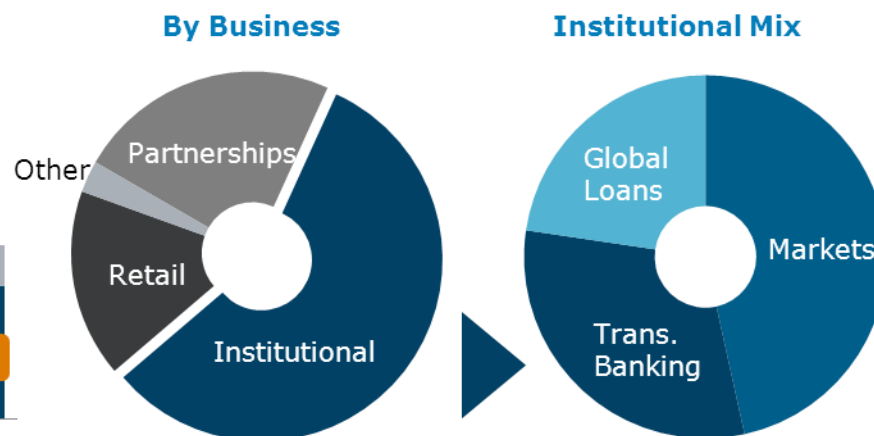
Corporate Profile

	Staff	Branches	Presence since
China	~950	8 ¹	1986
Hong Kong	~1,300	3	1970
Taiwan	~1,650	14	1980

Operating Income



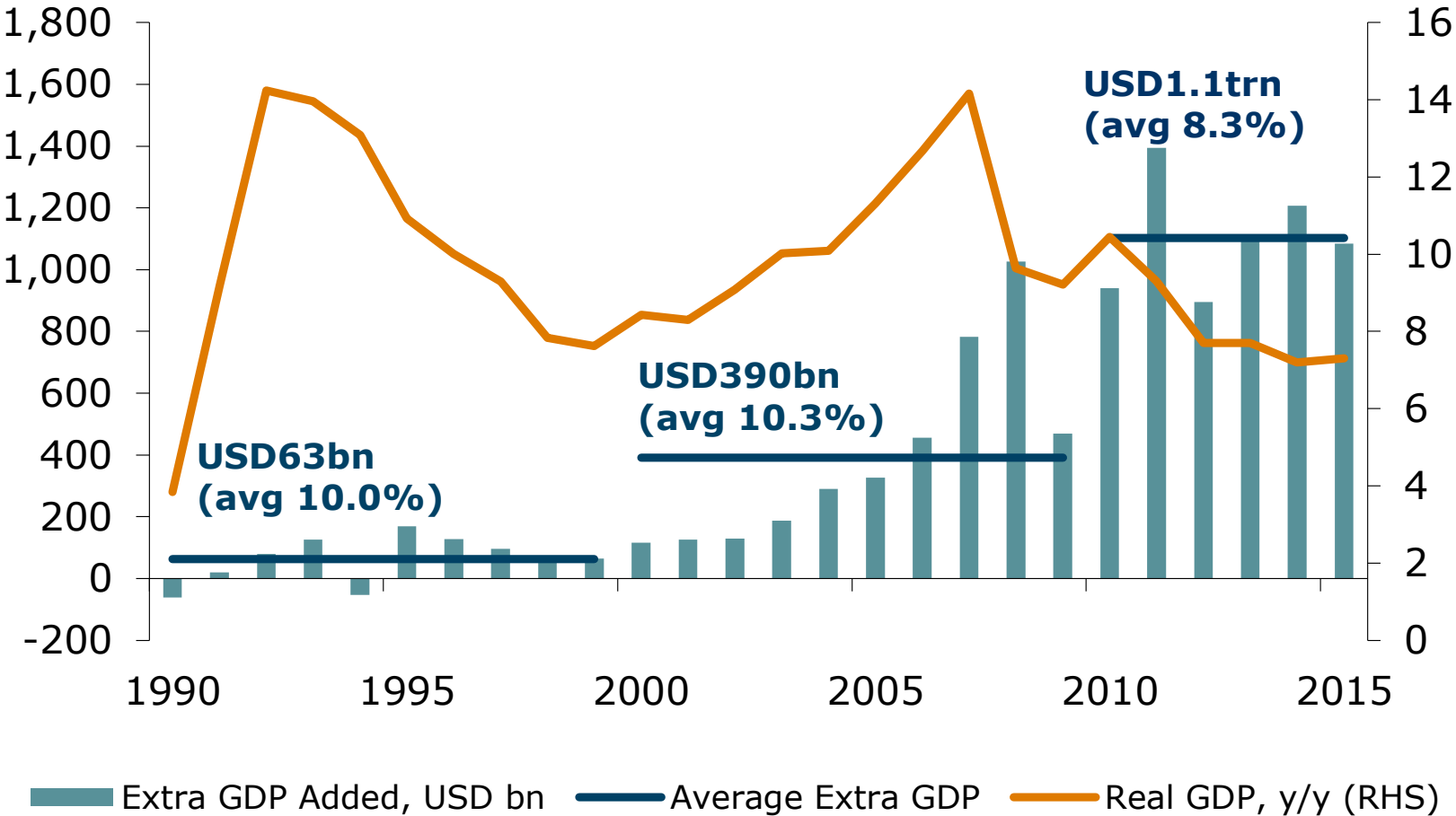
Operating Income Mix



1. 5 branches, 3 sub-branches under Local Incorporated entity ANZ Bank (China), and 1 rural bank

Chinese GDP growth is slowing as the economy develops, but the GDP added each year remains substantial

China - Annual GDP Growth



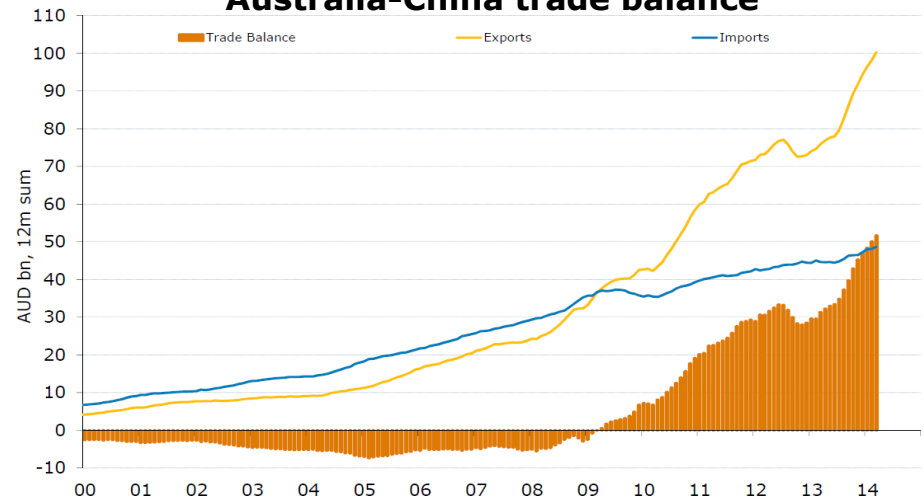
Source: CEIC, ANZ

There remains little sign of any significant slowdown in Chinese demand in the latest Australian data

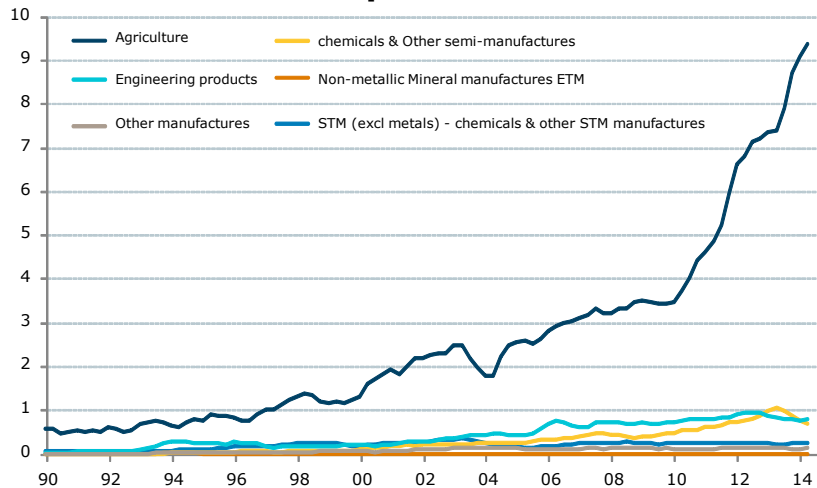
Iron ore export volumes



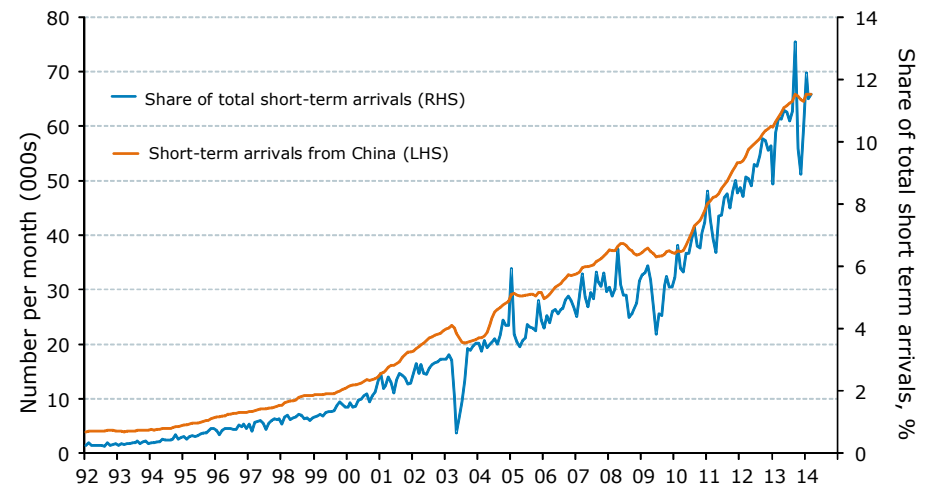
Australia-China trade balance



Other exports to China



Tourism arrivals from China



Source: ABS, Bloomberg, BREE, RBA, ANZ

14 HALF YEAR RESULTS

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED

Stress Testing



Stress Testing I : APRA (November 2012)

Test Scenario

Domestic market - Households and businesses reduce consumption and investment leading to lower GDP and higher unemployment

Global market - Disorderly resolution of the fiscal problems in Europe triggers dislocation in global debt markets and sharp downturn in the North Atlantic economies

China - Growth slows sharply as the domestic spending does not offset the decline in exports. This results in reduced Chinese demand for minerals, lowering commodity prices significantly and consequently a fall in the \$A

Results

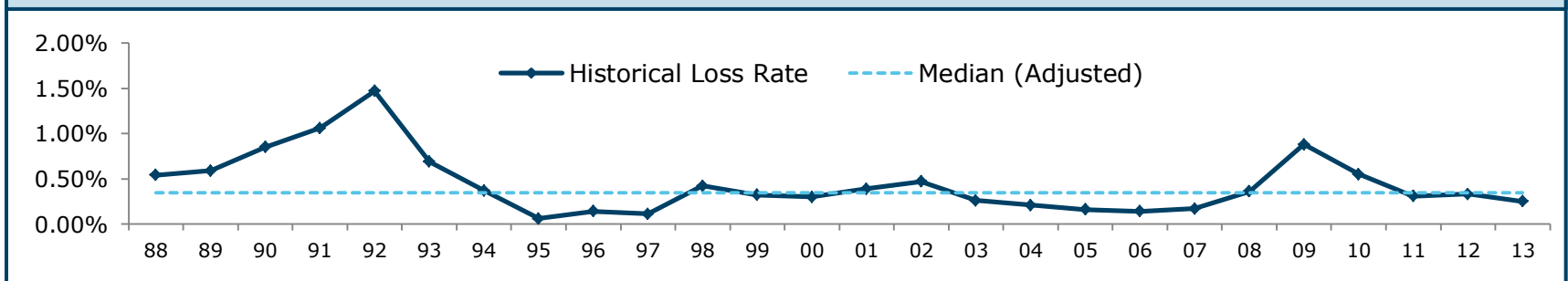
Capital - Over the 3 year stress test, none of the 5 major banks would have failed or breached the 4% minimum T1 ratio. The weighted average reduction in Tier 1 capital ratios over the 3 year period was 3.8 percentage points.

Funding and Liquidity - Pressures were alleviated by deposit growth and cash inflows from the CSA's in place due to the lower Australian Dollar.

Losses - The highest losses in the Corporate, SME & commercial property books with residential mortgages accounting for 20% of total losses. Credit losses in aggregate comparable with the early 1990's although not as high as the peaks.

APRA Assumptions	
Macroeconomic parameter	Assumption
Real GDP	5% contraction in yr 1
Unemployment	Peak at 12%
House Prices	Fall by 35%
Commercial Property Prices	Fall of 40%

ANZ Historical Loss rates*



*Loss rates based on current portfolio mix

Stress testing II : Moody's Scenario analysis (July 2013)

Moody's broad conclusion is that "Australian banks have sufficient earnings capacity and capital to absorb housing related credit losses arising in both the Adverse & Highly Adverse scenarios"

Cyclical Economic Downturn (Adverse)

Test Scenario

Based on the Australian recession of 1991-1993 and "has a low to medium probability of materializing"

- Unemployment was 11%
- Highest losses from Commercial Real Estate sector
- Housing losses adjusted upwards from actual scenario

Moody's Loan loss assumptions

Residential Mortgages	0.50%
Commercial Real Estate	2.40%
Construction	2.40%
Corporate, Business and Other	1.20%

Results

- 0.5 - 0.75% reduction in CET1 for the four major Australian banks, leaving CET1 ratios above 7.5% (APRA basis) over the 18 month stressed period
- "All four major banks will have sufficient earnings capacity and capital to absorb credit losses arising in this cyclical downturn scenario, whilst sustaining their current dividend payments"

Severe Economic Crisis (Highly Adverse)

Test Scenario

Based on the US experience during 2007-11 and is "a less probable, extremely severe case"

Moody's Loan Loss assumptions

Residential Mortgages	1.40%
Commercial Real Estate	4.30%
Construction	17.50%
Corporate, Business and Other	5.50%

Results

- ~5% reduction in T1 ratios (ANZ's current T1 ratios are 9.8% APRA and 12.1% B3 internationally harmonised) over the 18 month stressed period
- "It will take a severe adverse scenario, similar to that experienced in the US during the 2007-11 period, for the four banks to suffer a material decline in their capital ratios to necessitate raising additional capital and a curtailment of dividend payments"

Stress testing III : S&P's China slowdown analysis (August 2013)

“S&P concludes that a soft or medium slowdown in China would have no, or a low, impact on Australian FI ratings while a severe slowdown would see ratings of major Australian FI's fall by 1 notch ”

S&P Stress Test Results			
	Base Case (55%-65% probability)	Medium Landing (20%-25% probability)	Hard Landing (5% probability)
Economic Scenario			
China GDP	7.3	6.8	5.0
Australia GDP	2.9	2.1	-1.0
Unemployment	6.0	6.5	10.0
OCR	2.3	1.8	0.5
A\$	0.90	0.80	0.70
Property price decline	0	10	25
Modelled impact on a Hypothetical Large Australian Financial Institution			
RAC ratio	8	7.3	6.5
Australia BICRA	2	2	3
S&P Anchor	a-	a-	bbb+
SACP	a	a	bbb+
Gov. Support	2	2	3
Sovereign rating	AAA	AAA	AA+
ICR	AA-	AA-	A+

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