



# 2018 FULL YEAR RESULTS

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**RESULTS PRESENTATION  
& INVESTOR DISCUSSION PACK**

**31 OCTOBER 2018**

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 73-78 of the 2018 Full Year Consolidated Financial Report.



# 2018 FULL YEAR RESULTS

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**SHAYNE ELLIOTT**  
**CHIEF EXECUTIVE OFFICER**

**31 OCTOBER 2018**  
AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED

## FINANCIAL SNAPSHOT

	FY18	Change (vs FY17)
Statutory Profit (\$m)	6,400	0%
Cash Profit After Tax (continuing operations) (\$m)	6,487	-5%
Earnings Per Share (cents)	223.4	-4%
Return on Equity	11.0%	-67bp
Dividend Per Share (cents)	160	Flat
CET1 Ratio (APRA)	11.4%	87bp
Net Tangible Assets Per Share (\$)	18.47	+5%

- ❑ Good result in a challenging environment
- ❑ Disciplined approach to balance sheet growth
- ❑ Capital management driving real benefits to shareholders

# FOUR PRIORITIES

CONSISTENT FOCUS SINCE 2016

**1. Creating a simpler,  
better balanced bank**

**2. Focusing on areas  
where we can win**

**3. Building a superior  
everyday experience  
to compete in the  
digital age**

**4. Driving a purpose  
and values led  
transformation**

# STRATEGIC FOCUS

A SIMPLER BETTER BALANCED BANK

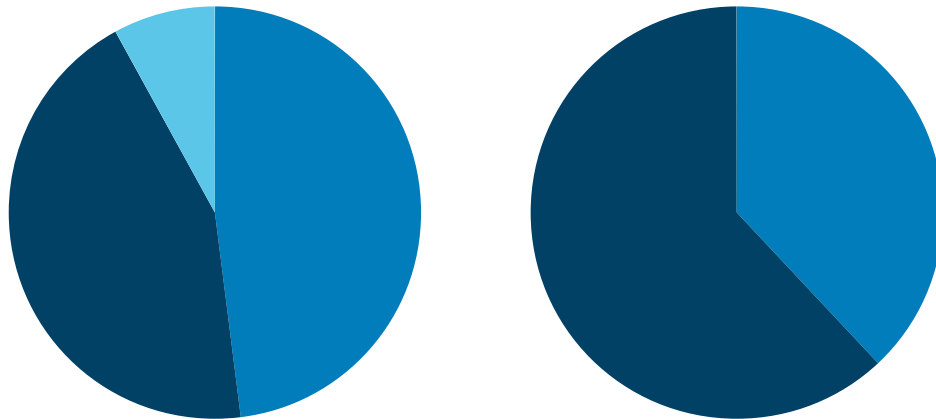
## CAPITAL REALLOCATION<sup>1</sup>

%

SEPTEMBER 2015

Pro forma SEPTEMBER 2018<sup>2</sup>

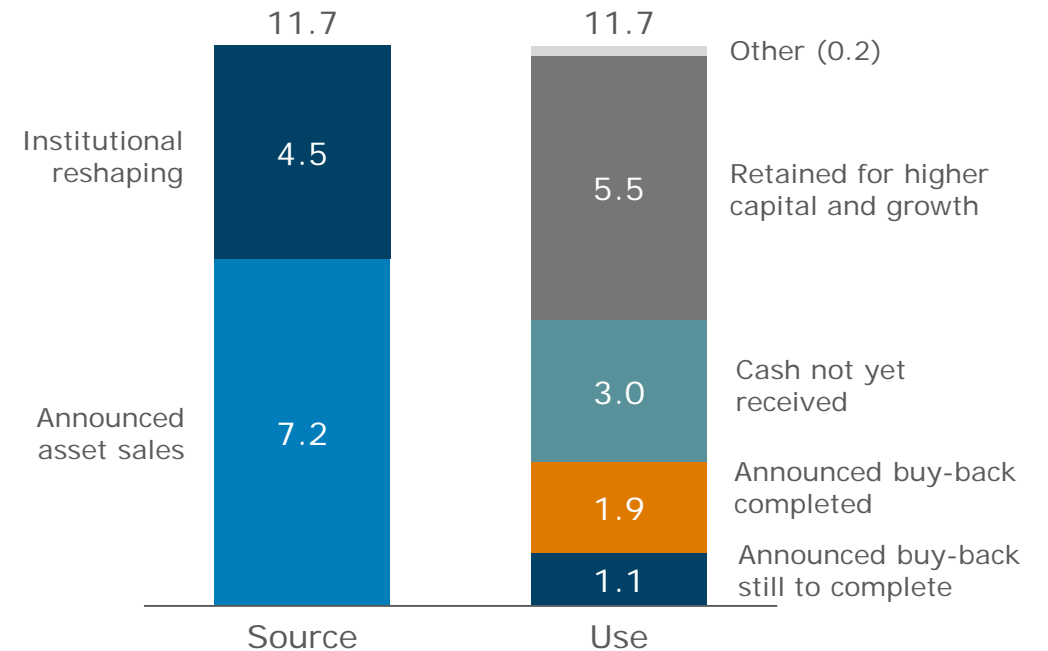
INCLUDING ANNOUNCED ASSET DISPOSALS



■ Institutional<sup>1</sup> ■ Retail & Commercial ■ Wealth

## CAPITAL FLEXIBILITY

CET1 CAPITAL FREED UP FROM TRANSFORMATION (\$b)



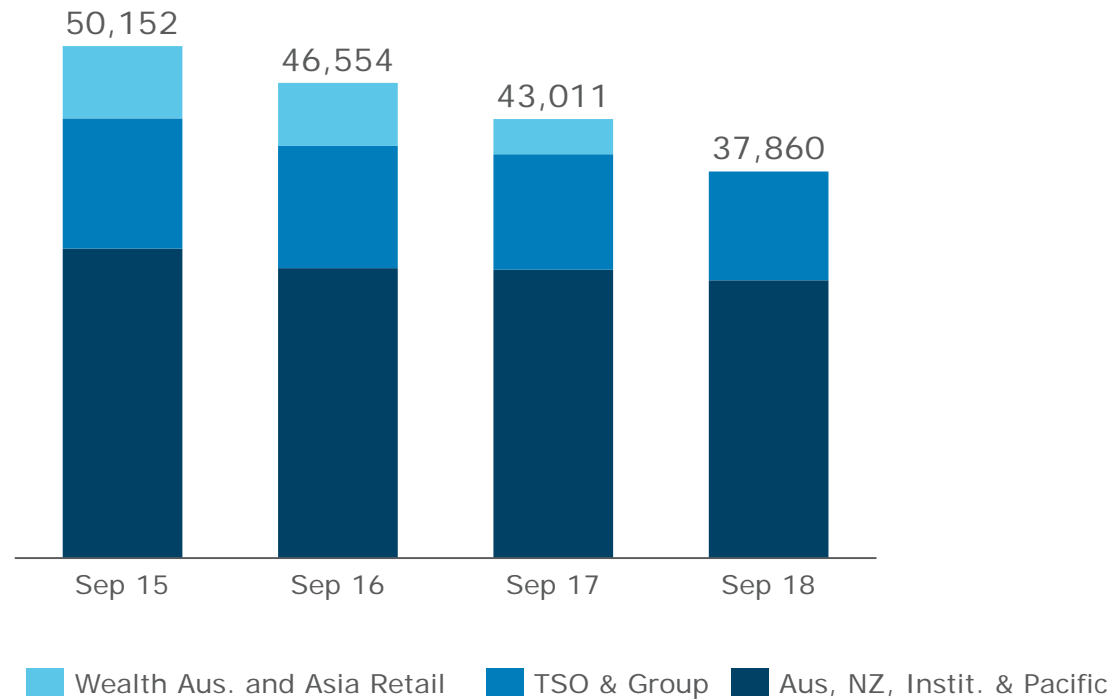
1. Allocation based on Regulatory Capital. Institutional shown under 2015 IIB Structure, including Institutional, Asia Partnerships and Asia Retail & Pacific  
 2. Pro forma adjusted for all announced Asset disposals – OnePath P&I, OnePath Life, OnePath Life NZ, Cambodia JV and PNG Retail, Commercial and SME business. Wealth continuing included in Retail & Commercial

# STRATEGIC FOCUS

MORE AGILE BANK

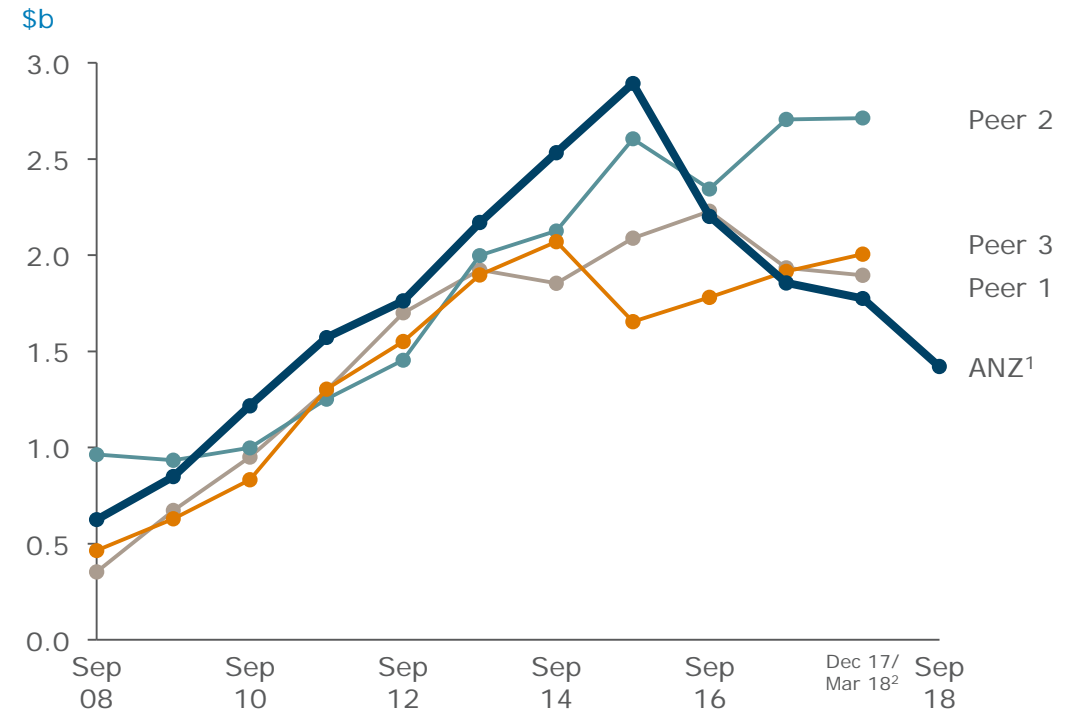
## RESHAPING THE WORKFORCE

FULL TIME EQUIVALENT STAFF (FTE)<sup>1</sup>



## REDUCING FUTURE LIABILITY

CAPITALISED SOFTWARE BALANCE



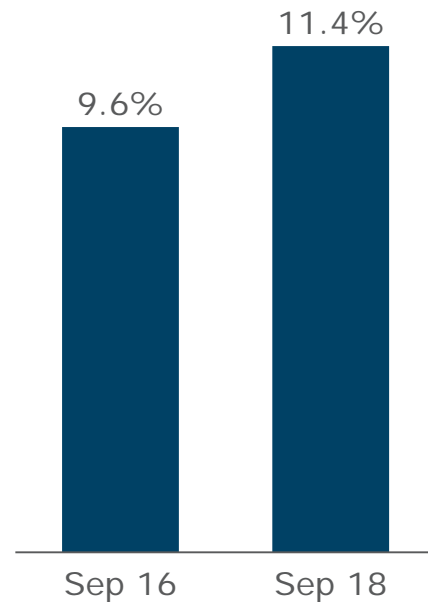
1. 2017 & 2018 on a Cash continuing operations basis  
 2. 2018 first half financial disclosures

# STRATEGIC FOCUS

## OUTCOMES

### CAPITAL

CET1



### RETURNS

ROE<sup>1</sup>



~12.2% calculated on an APRA CET1 ratio of 10.5%

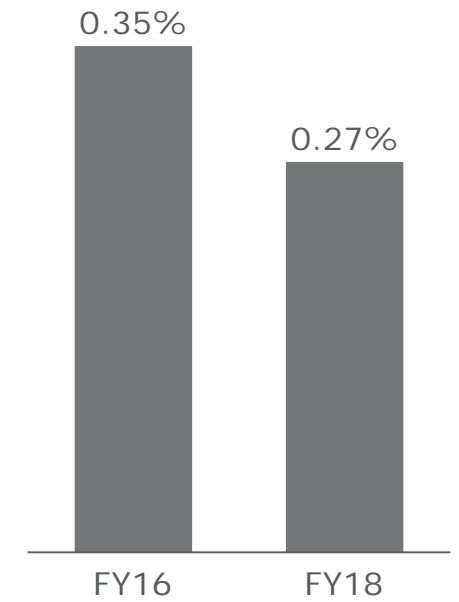
### ASSETS

NTA PER SHARE



### CREDIT QUALITY

INTERNAL EXPECTED LOSS



1. ANZ 2018 on a Cash Continuing basis (excluding large / notable items). 2016 on a Cash Profit Adjusted Pro Forma basis (excluding 'specified items')



# NEW ZEALAND 8 YEARS IN

## EXECUTION CONSISTENCY

New Zealand Division <sup>1</sup>	Sep 2010	Sep 2018
Core systems	2	1
Brands	2	1
ANZ brand consideration <sup>2</sup>	27%	51%
FTE <sup>3</sup>	9,412	7,511
Staff engagement	64%	77%
Revenue (NZDm)	2,675	3,555
Expenses (NZDm)	1,349	1,282
CTI	50.4%	36.1%
Cash Profit (NZDm)	585	1,633

1. 2010 financial performance is on a Pro forma profit basis. 2018 financial performance is on a Cash Profit Continuing Operations basis (excluding large / notable items)

2. 2010 source: IPSOS Brand Tracking (first choice, or seriously considered); 2018 source: McCulley Research (online survey, first choice or seriously considered); six month rolling average

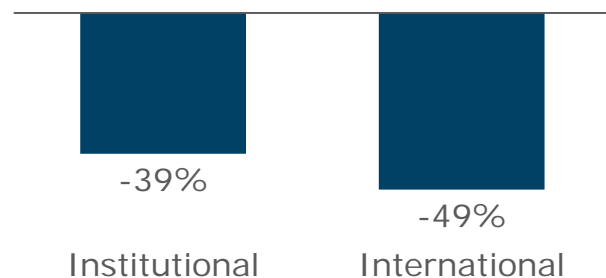
3. FTE on a geographic basis

# INSTITUTIONAL 3 YEARS IN

## EXECUTION CONSISTENCY

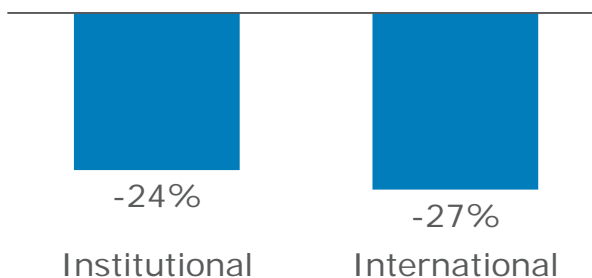
### CUSTOMERS

% change in # of customers<sup>1,2</sup>



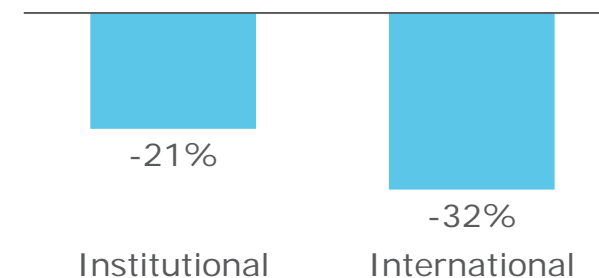
### FTE

% change in # of FTE<sup>2</sup>



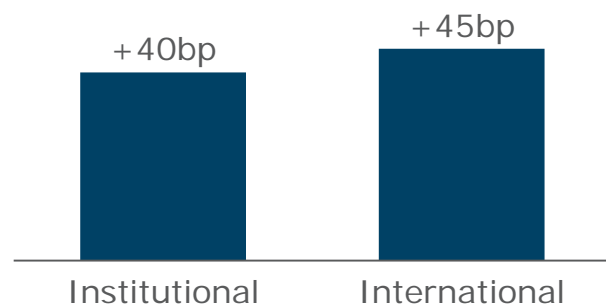
### CREDIT RISK WEIGHTED ASSETS

% change in CRWA<sup>2</sup>



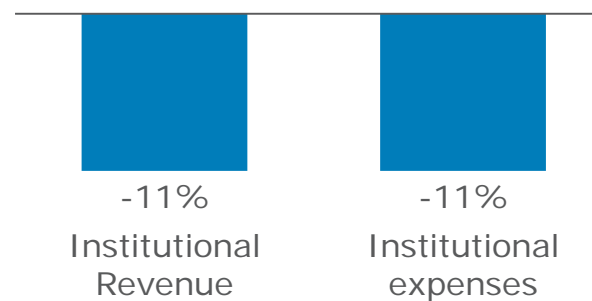
### RISK ADJUSTED NIM

bp change<sup>3,4</sup>



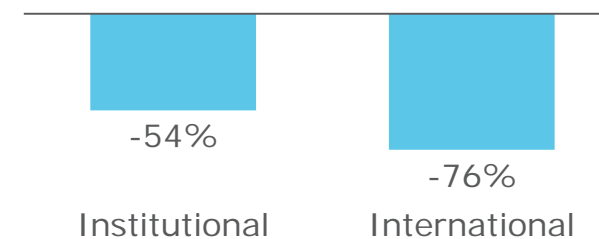
### REVENUE & EXPENSES

% change<sup>3</sup>



### GROSS IMPAIRED ASSETS

% change<sup>2</sup>



1. Institutional customers excluding PNG
2. Sep 18 v Sep 15
3. 2H18 v 2H15. 2H18 on a Cash Continuing basis excluding large / notable items
4. Institutional ex Markets net interest income divided by average credit risk weighted assets

# AUSTRALIA

Australia Division <sup>1</sup>	Sep 2016	Sep 2018
Retail customers	5.4m	5.7m
Small Business customers	472k	500k
Branches	724	629
includes digital branches	40	114
Products	373	236
FTE <sup>2</sup>	13,687	12,885
Revenue (\$m)	9,197	9,667
Expenses (\$m)	3,242	3,406
Cash Profit (\$m)	3,551	3,889
CTI	35.3%	35.2%
Risk Profile - Internal Expected Loss	33bp	29bp

1. 2016 financial performance is on a Pro forma profit basis. 2018 financial performance is on a Cash Profit Continuing Operations basis (excluding large / notable items)

2. 2016 FTE is on a restated basis for comparison to 2018

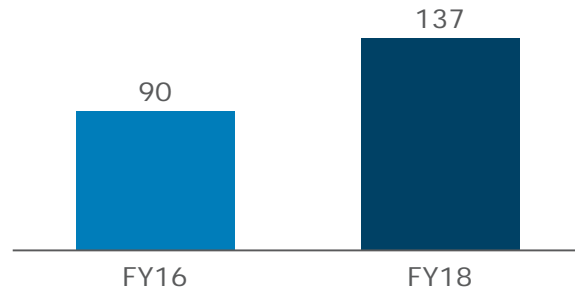
## EXECUTIVE COMMITTEE PRIORITIES

1. Improve the process and speed of remediation
2. Continue simplification and cost out
3. Complete announced asset sales, move to new partnership model
4. Bias resources to the redesign of our Australia business

# SUSTAINABILITY PERFORMANCE TRENDS

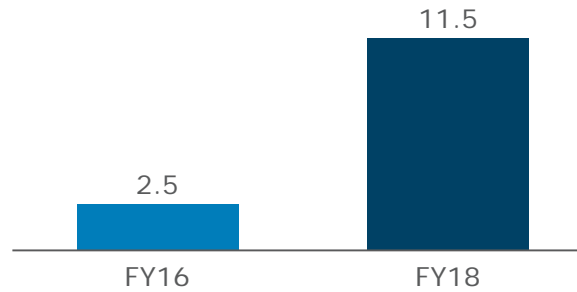
## COMMUNITY INVESTMENT<sup>1</sup>

Total community investment (\$m)



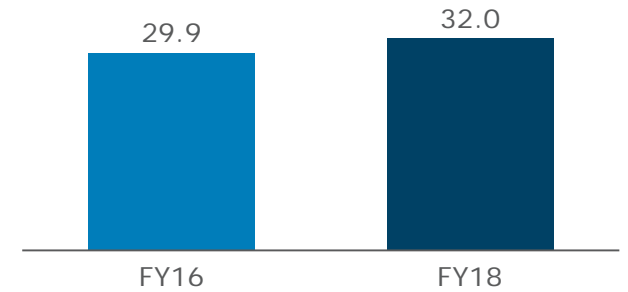
## ENVIRONMENTAL FINANCING \$15B TARGET

Funded and facilitated (\$b)



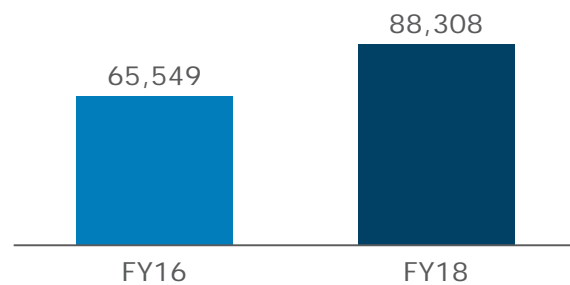
## WOMEN IN LEADERSHIP<sup>2</sup>

Representation (%)



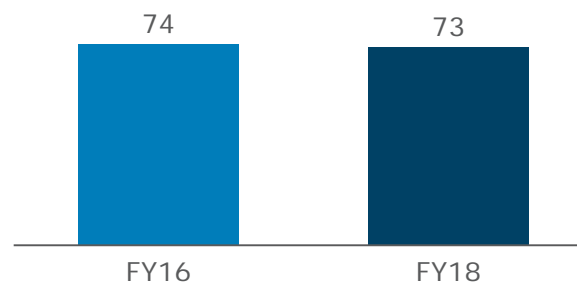
## MONEYMINDED & SAVER PLUS

Estimated # of people reached



## EMPLOYEE ENGAGEMENT

Employee engagement score (%)



ANZ 'My Voice' 2018 Staff Survey

**93%** of our people agree ANZ is open & accepting of individual differences

**92%** of our people consider ANZ's purpose when making decisions

**83%** of our people understand the strategic goals of our organisation

1. Figure includes foregone revenue (2018 = \$107m), being the cost of providing low or fee-free accounts to a range of customers such as government benefit recipients, not-for-profit organisations

2. FY18-FY20 target is defined as Women in Leadership which measures representation at the Senior Manager, Executive and Senior Executive levels



# 2018 FULL YEAR RESULTS

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**MICHELLE JABLKO**  
**CHIEF FINANCIAL OFFICER**

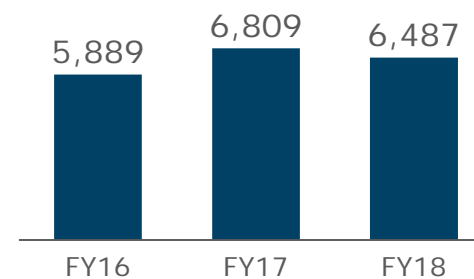
**31 OCTOBER 2018**  
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# OVERVIEW

- Strong balance sheet
- 'BAU' costs well managed
- Strong credit quality
- Difficult year in Australia division
- Good result in Institutional & NZ

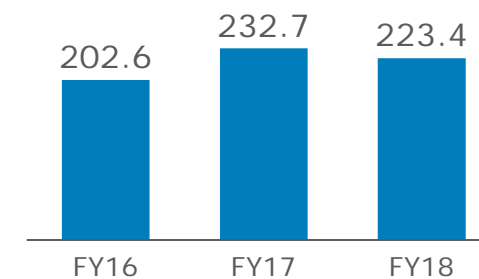
## CASH PROFIT<sup>1</sup>

\$m



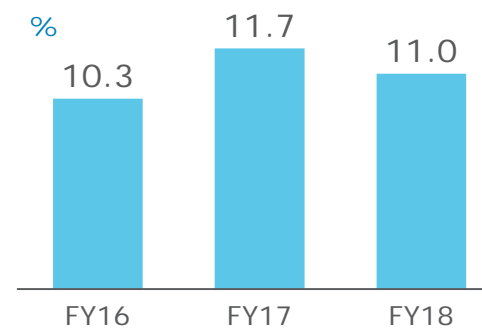
## CASH EPS<sup>1</sup>

cents



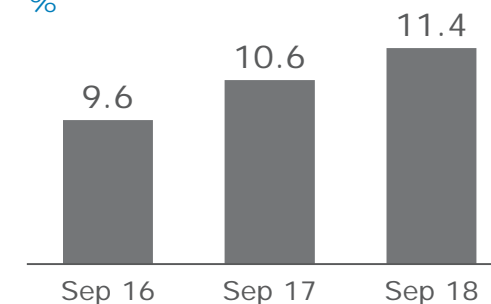
## ROE<sup>1</sup>

%



## CET1 RATIO

%

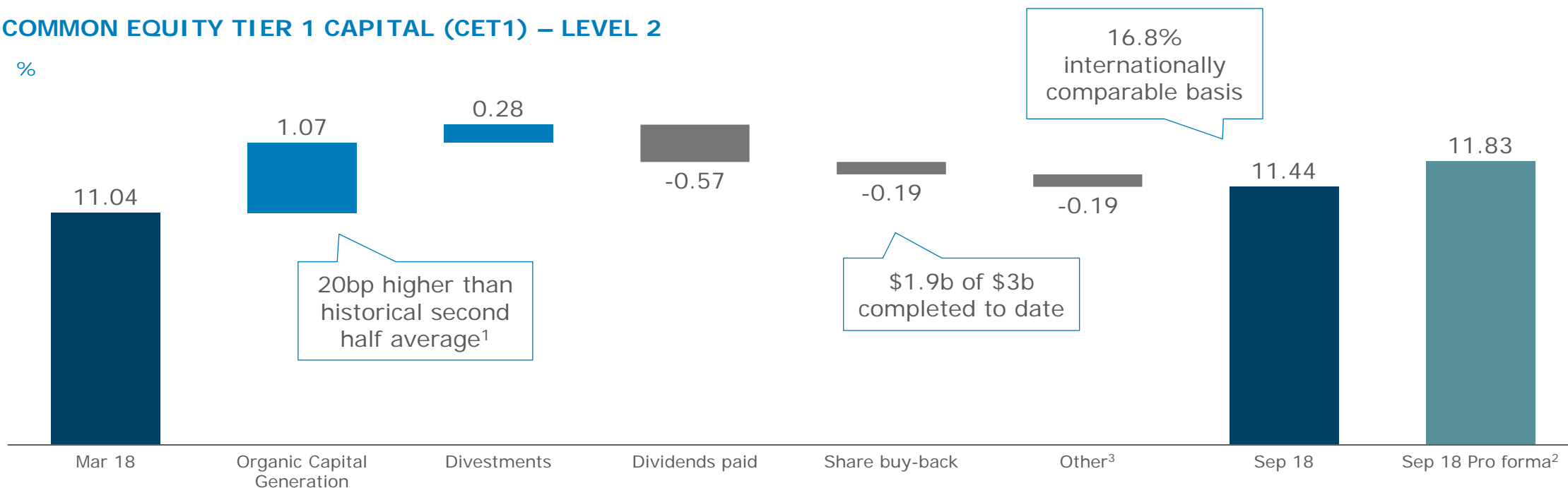


1. Cash profit from continuing operations for FY17 & FY18

# CAPITAL AND LIQUIDITY

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

%



NSFR	
Sep 18	115%
Sep 17	114%

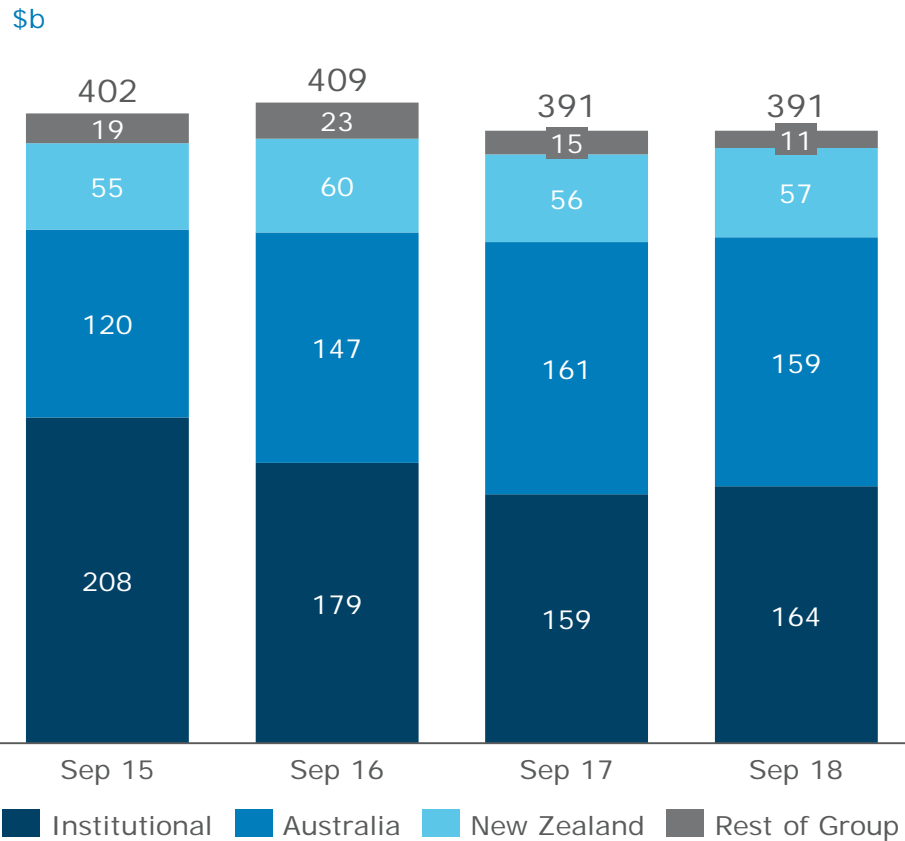
Average LCR	
FY18	138%
FY17	135%

1. 2H12 to 2H17 as detailed in the Full Year 2018 Investor Discussion Pack, Treasury section – ‘Regulatory Capital Generation’ page
2. Includes expected 73bp impact of announced divestments (OnePath P&I, OnePath Life, OnePath Life NZ, Cambodia JV and PNG Retail, Commercial and SME business), less 28bp impact from completion of \$3b announced share buy-back and 6bp impact from AASB 9 implementation
3. Includes large / notable items

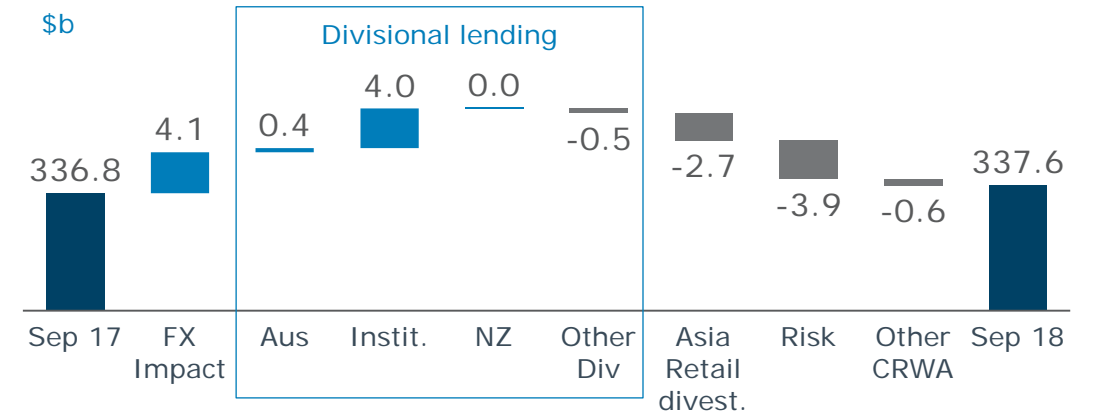


# RISK WEIGHTED ASSET MOVEMENT

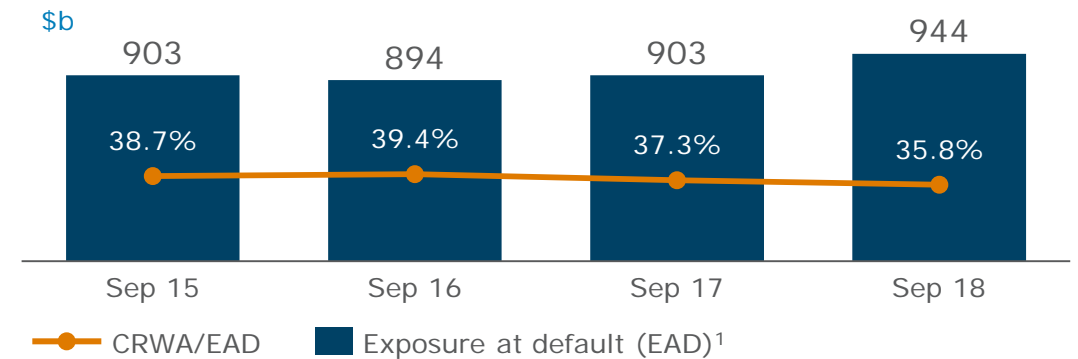
## TOTAL RISK WEIGHTED ASSETS (RWA)



## CREDIT RWA DRIVERS



## CREDIT RWA INTENSITY

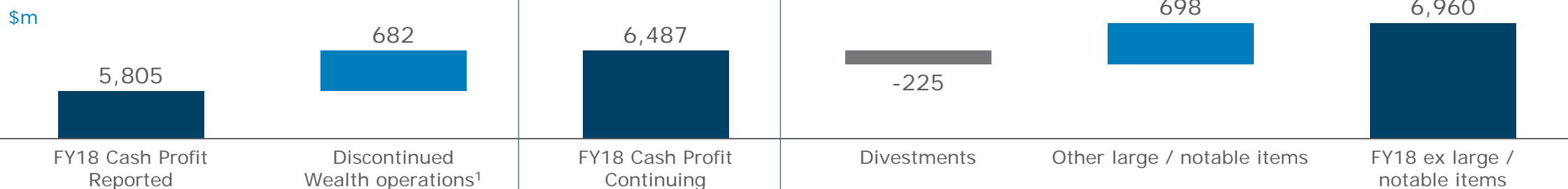


1. Post CRM EAD, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Excludes amounts for 'Securitisation' and 'Other Assets' Basel asset classes. Lending movement, excluding FX Impact, Data/Meth Review and Risk

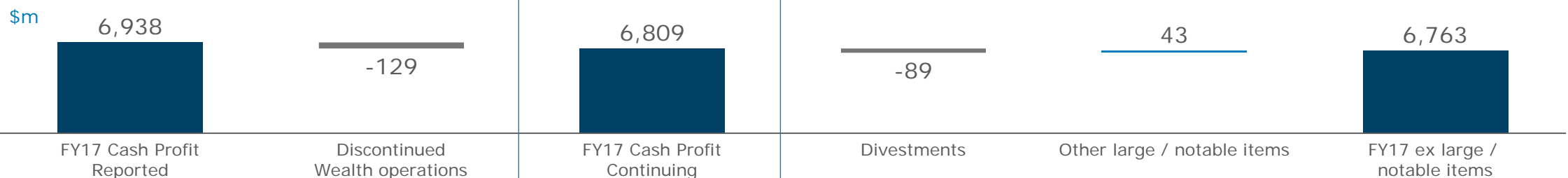
# CASH PROFIT COMPOSITION – FULL YEAR

## IMPACT OF DIVESTMENTS AND OTHER LARGE / NOTABLE ITEMS

### FULL YEAR 2018



### FULL YEAR 2017



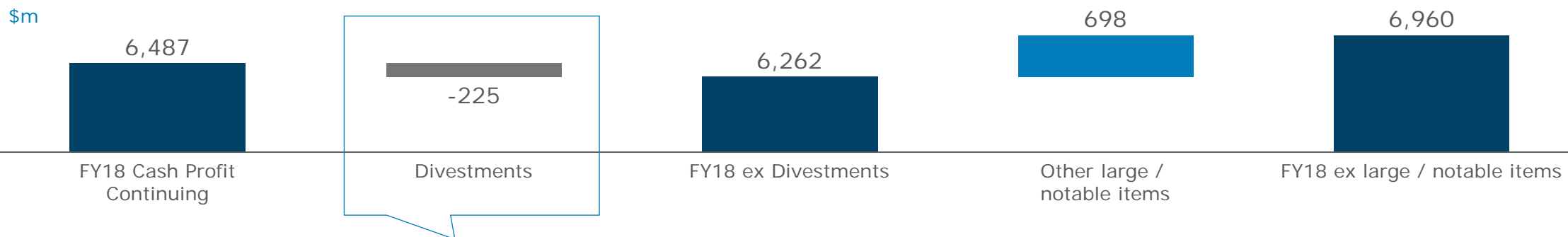
FY18 Cash Profit Reported	FY18 Cash Profit Continuing	FY18 ex large / Notable items
-16.3%	-4.7%	2.9%

1. Inclusive of P&I/ADG and OPL loss on sale and business results (inclusive of customer remediation). The OPL and P&I/ADG divestments are expected to be completed in 1H19

# CASH PROFIT COMPOSITION – FULL YEAR

## DIVESTMENTS (CONTINUING OPERATIONS)

### FULL YEAR 2018



\$m	Continuing operations		
	Earnings <sup>1</sup>	Gain/(Loss) <sup>2</sup>	TOTAL
<b>FY18 Cash Profit impact</b>	<b>34</b>	<b>191</b>	<b>225</b>
FY17 Cash Profit impact	359	(270)	89
Change (FY18 vs FY17)	(325)	461	136
<b>FY18 CET1 benefit</b>	<b>59bp</b>		

Announced divestment status	
<b><u>Completed in FY18</u></b>	<b><u>Still to complete</u></b>
Asia Retail businesses	Cambodia JV
SRCB	OnePath Life NZ
MCC	PNG Retail, Comm. & SME
<b><u>Discontinued</u></b>	
OnePath Life	
OnePath Pensions & Investments	

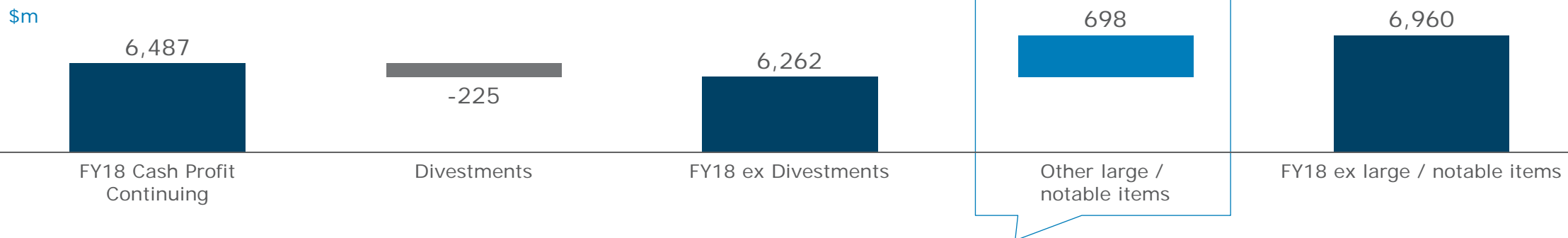
1. Earnings from completed divestments only. FY18 includes Asia Retail businesses and MCC. FY17 includes Asia Retail businesses, MCC and SRCB

2. FY18 includes Asia Retail businesses \$85m, SRCB -\$86m, UDC \$18m, MCC \$247m, Cambodia JV -\$42m, OPL NZ -\$10, PNG Retail, Commercial and SME -\$21m. FY17 includes Asia Retail businesses -\$270m

# CASH PROFIT COMPOSITION – FULL YEAR

## OTHER LARGE / NOTABLE ITEMS

### FULL YEAR 2018

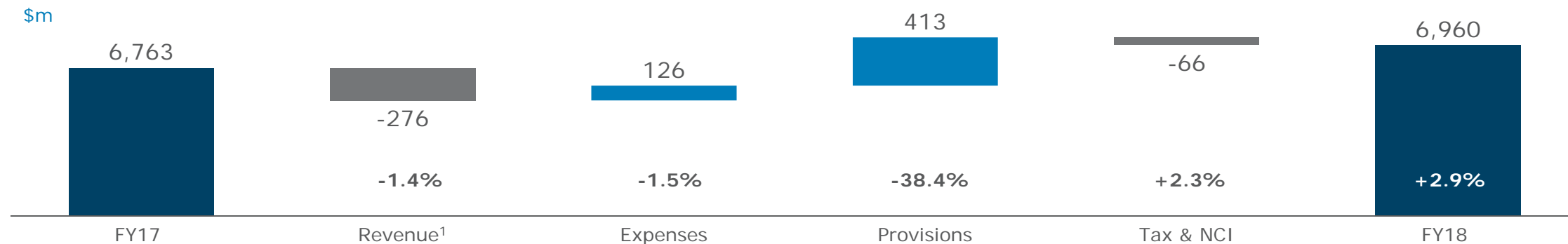


\$m	Other large / notable items within Continuing Operations					Total
	External legal costs (Royal Commission)	Restructuring	Accelerated software amortisation	Customer remediation	Sale of 100 Queen Street Melbourne	
<b>Cash Profit impact</b>						
<b>FY18</b>	<b>38</b>	<b>159</b>	<b>206</b>	<b>295</b>	<b>-</b>	<b>698</b>
FY17	-	43	-	112	(112)	43
Change (FY18 vs FY17)	38	116	206	183	112	655

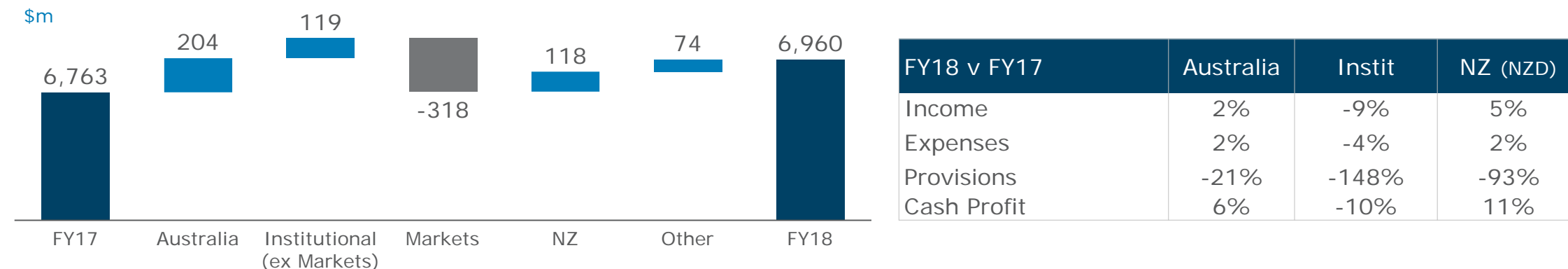
# 2018 FINANCIAL PERFORMANCE

## CASH PROFIT CONTINUING OPERATIONS (EXCLUDING LARGE / NOTABLE ITEMS)

### GROUP PERFORMANCE



### DIVISIONAL PERFORMANCE

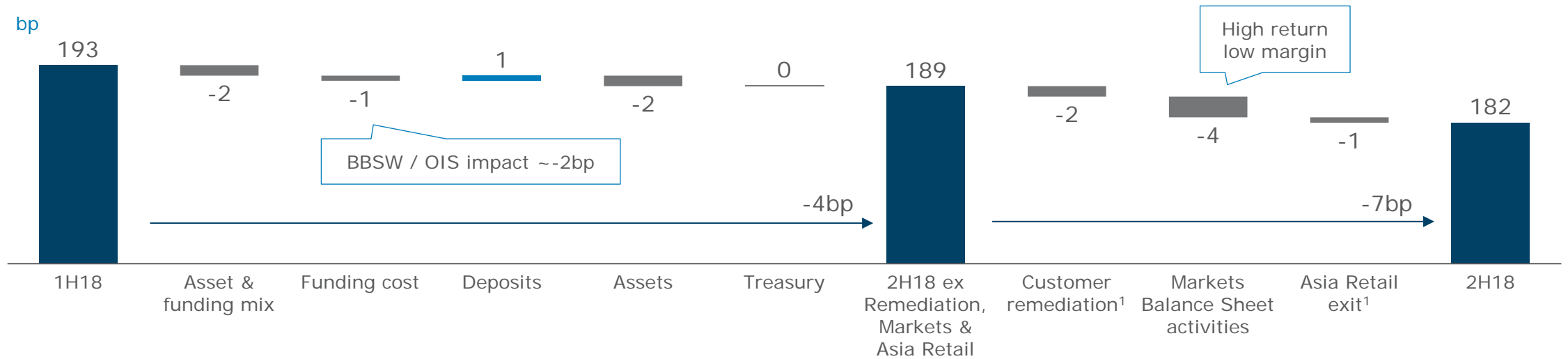


1. Includes major bank levy impact of \$355m (before tax) in FY18 and \$86m (before tax) in FY17

# NET INTEREST MARGIN

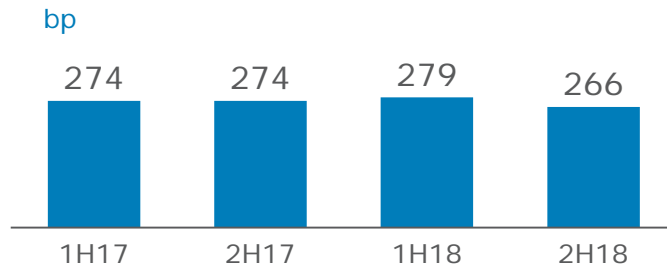
## CASH PROFIT CONTINUING OPERATIONS

### GROUP NET INTEREST MARGIN (NIM)

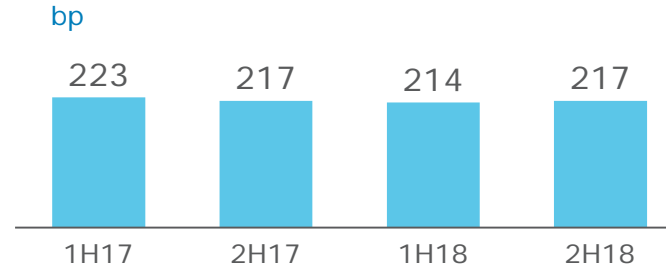


### DIVISIONAL NIM (EXCLUDING LARGE/NOTABLE ITEMS)

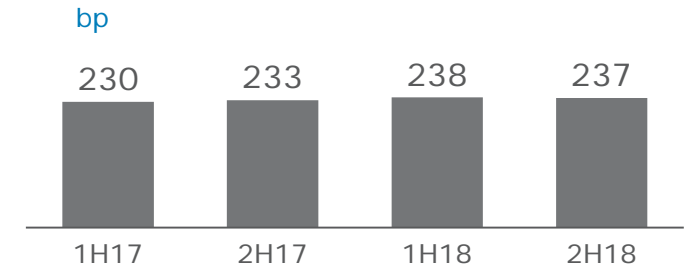
#### AUSTRALIA DIVISION



#### INSTITUTIONAL<sup>2</sup>



#### NEW ZEALAND DIVISION



1. Item included as a large / notable item  
 2. Excluding Markets business unit

# RISK ADJUSTED PERFORMANCE

CASH PROFIT CONTINUING OPERATIONS (EXCLUDING LARGE / NOTABLE ITEMS)

## NET INTEREST INCOME / AVERAGE CREDIT RWA

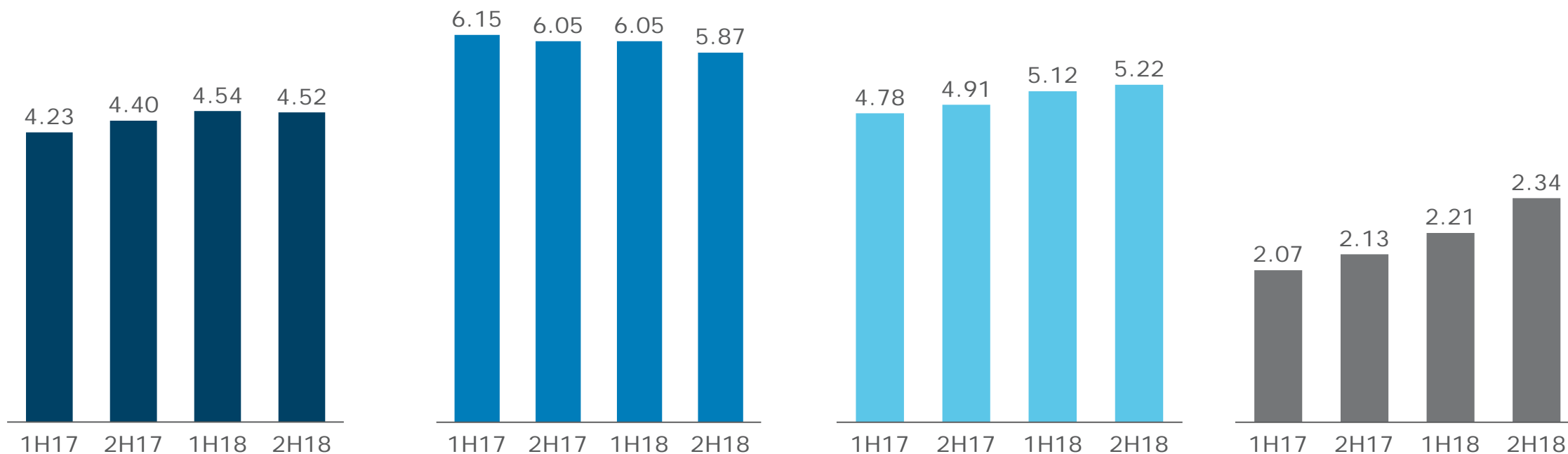
%

GROUP TOTAL<sup>1</sup>

AUSTRALIA

NEW ZEALAND

INSTITUTIONAL<sup>1</sup>

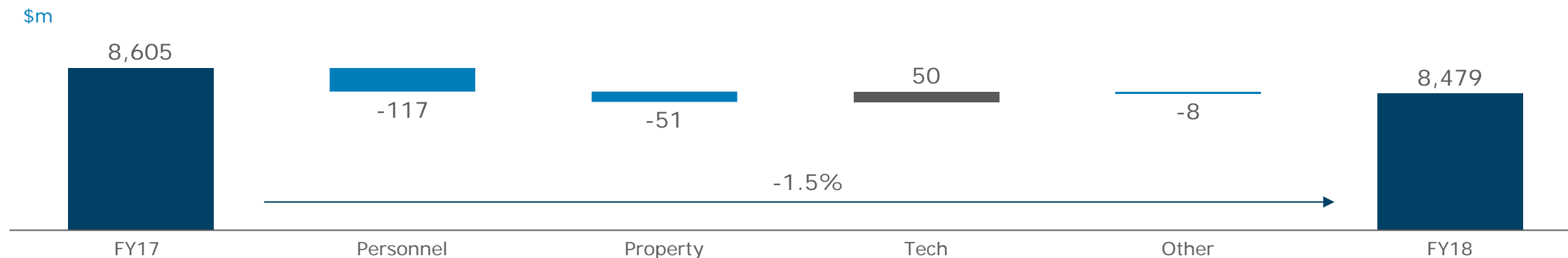


1. Excluding Markets business unit

# EXPENSES

## CASH PROFIT CONTINUING OPERATIONS

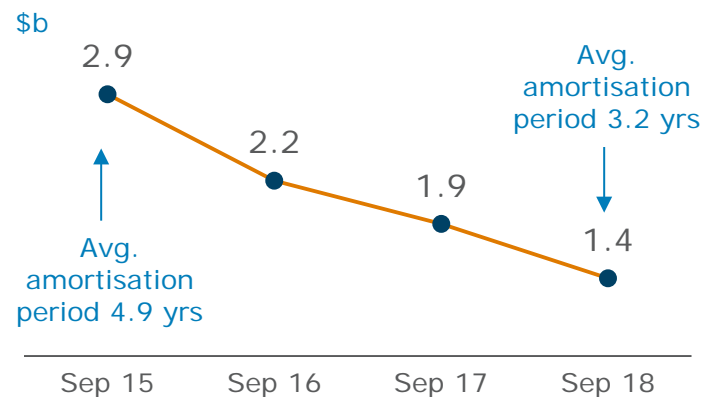
### EXPENSE DRIVERS (EXCLUDING LARGE / NOTABLE ITEMS)



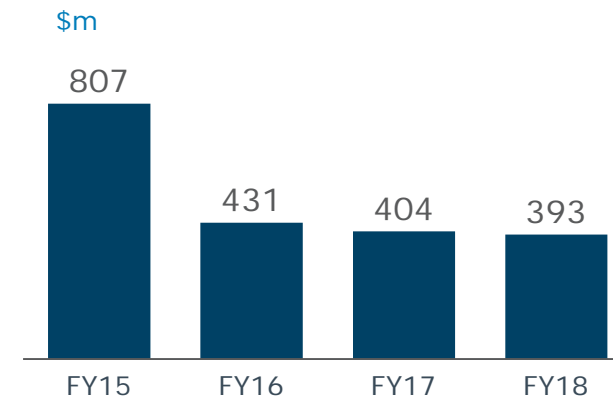
### FTE MOVEMENT BY DIVISION

FY18 vs FY17	#	%
Australia	(1,000)	-7%
Institutional	(595)	-9%
New Zealand	(207)	-3%
Other (ex Asia Retail)	(908)	-7%
<b>Total (ex Asia Retail)</b>	<b>(2,710)</b>	<b>-7%</b>
Asia Retail	(2,441)	-100%
<b>Total</b>	<b>(5,151)</b>	<b>-12%</b>

### CAPITALISED SOFTWARE BALANCE



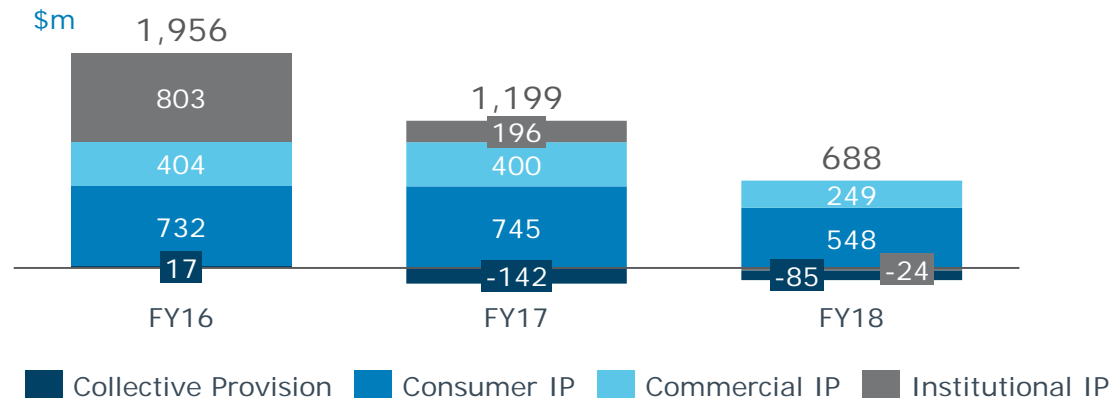
### SOFTWARE CAPITALISED



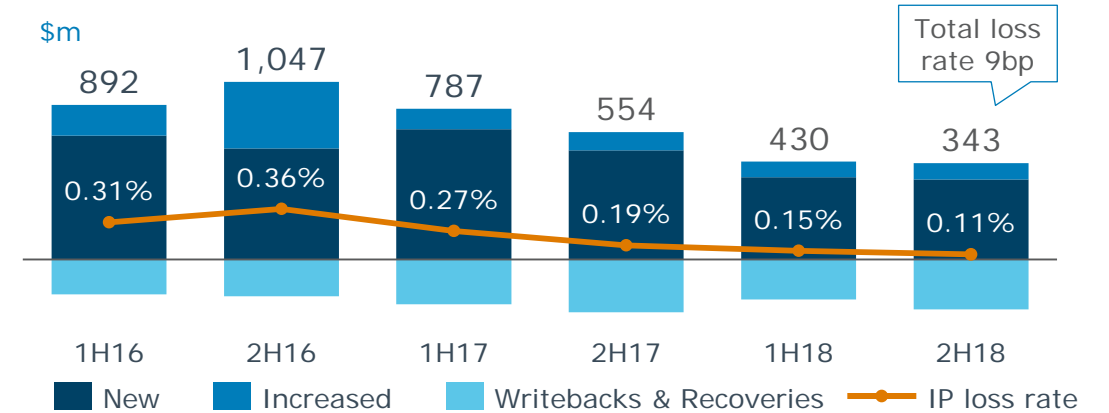


# CREDIT IMPAIRMENT CHARGES

## TOTAL PROVISION CHARGE



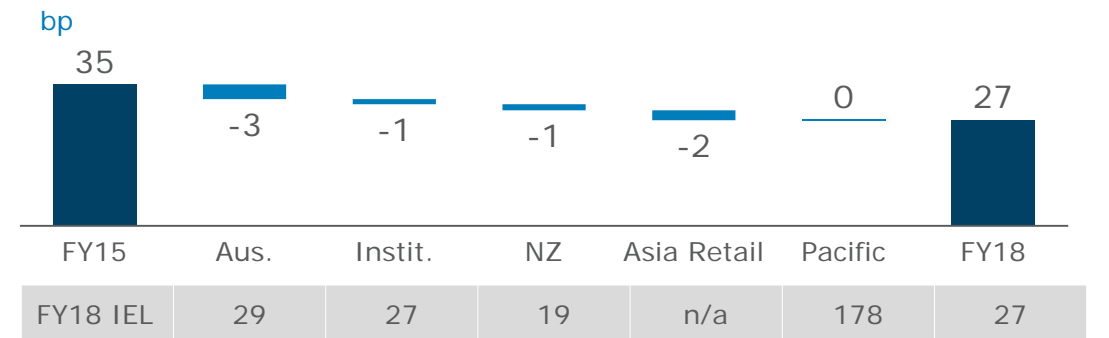
## INDIVIDUAL PROVISION CHARGE



## COLLECTIVE PROVISION CHARGE

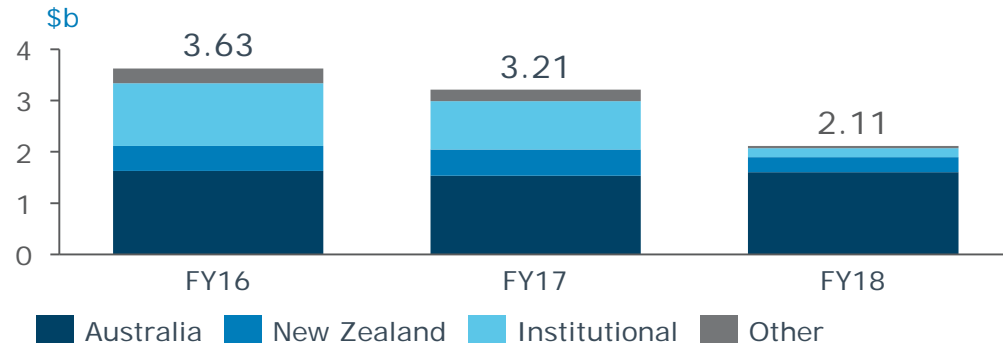
\$m	FY17	FY18	1H18	2H18
Lending growth	(36)	0	4	(4)
Risk/P'folio mix change	(159)	(104)	4	(108)
Economic cycle	75	25	(24)	49
<b>Total (ex Asia Retail)</b>	<b>(120)</b>	<b>(79)</b>	<b>(16)</b>	<b>(63)</b>
Asia Retail	(22)	(6)	(6)	0
<b>Total</b>	<b>(142)</b>	<b>(85)</b>	<b>(22)</b>	<b>(63)</b>

## INTERNAL EXPECTED LOSS BY DIVISION (FY18 V FY15)

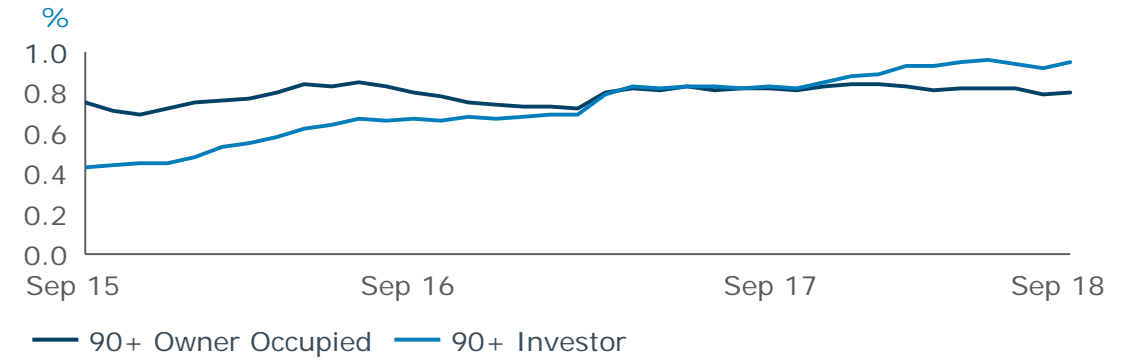


# PORTFOLIO QUALITY

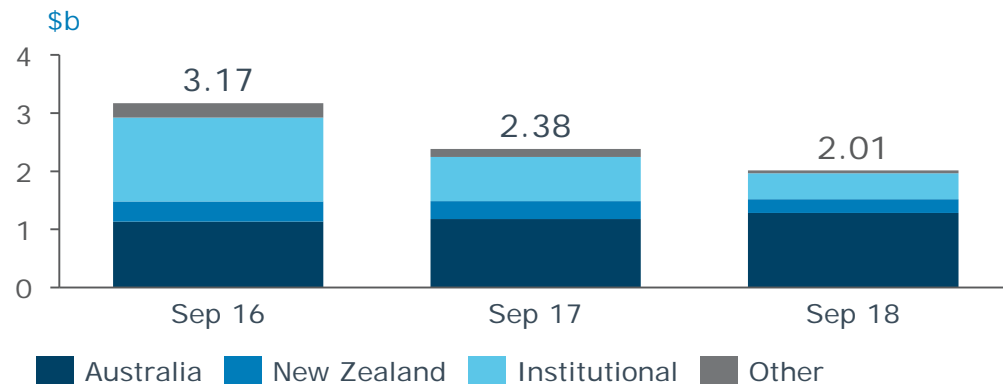
## NEW IMPAIRED ASSETS BY DIVISION



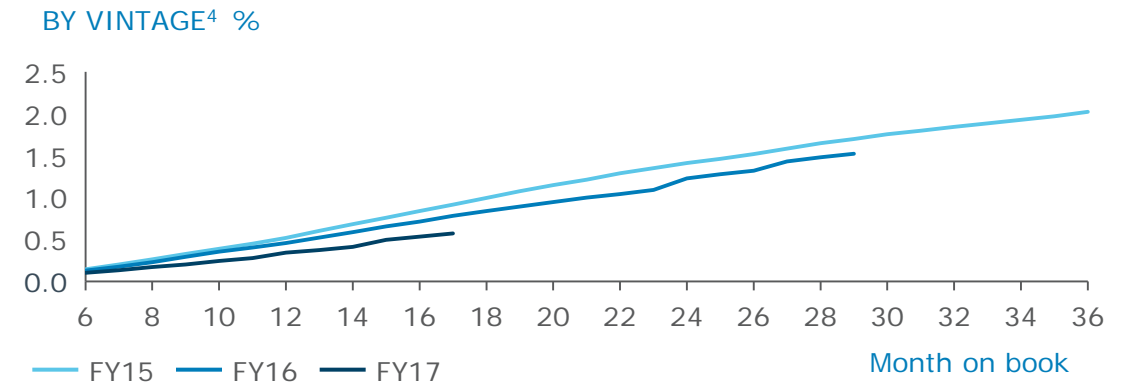
## AUSTRALIA HOME LOANS 90+ DAY DELINQUENCIES<sup>1,2,3</sup>



## GROSS IMPAIRED ASSETS BY DIVISION



## AUSTRALIA HOME LOANS 90+ DAY DELINQUENCIES BY VINTAGE<sup>4</sup> %



1. Includes Non Performing Loans 2. ANZ delinquencies calculated on a missed payment basis 3. 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 4. Home loans 90+ dpd vintages % ratio of ever delinquent (measured by # accounts) contains at least 6 application months of that financial year contributing to each data point

# AASB 9 FINANCIAL INSTRUMENTS – TRANSITION IMPACT

REPLACES “INCURRED LOSS” IMPAIRMENT MODEL WITH EXPECTED LOSS MODEL

## ILLUSTRATIVE DAY 1 IMPACT: COLLECTIVE PROVISION BALANCE & COVERAGE

	IAS 39	AASB 9 Equivalent	Increase
<b>Collective Provision balance</b>	\$2,523m	\$3,336m	\$813m
<b>Existing deduction from CET1</b> APRA Basel 3 expected loss in excess of eligible provisions (non-defaulted)	\$567m	-	\$246m impact to CET1 <sup>1</sup>
<b>CP balance / CRWA</b>	0.75%	0.99%	24bp increase in coverage

**Expected day 1 Level 2 CET 1 capital ratio impact of 6bp**

1. For the Non-defaulted book under AASB 9, there is no CET1 impact up to the amount that Regulatory Expected Loss currently exceed Eligible Provisions (in this illustration \$567m). The \$246m CET1 impact is calculated on the increase in the collective provision balance (\$813m in this illustration) above the existing deduction from CET1 (\$567m in this illustration)

# AUSTRALIA DIVISION

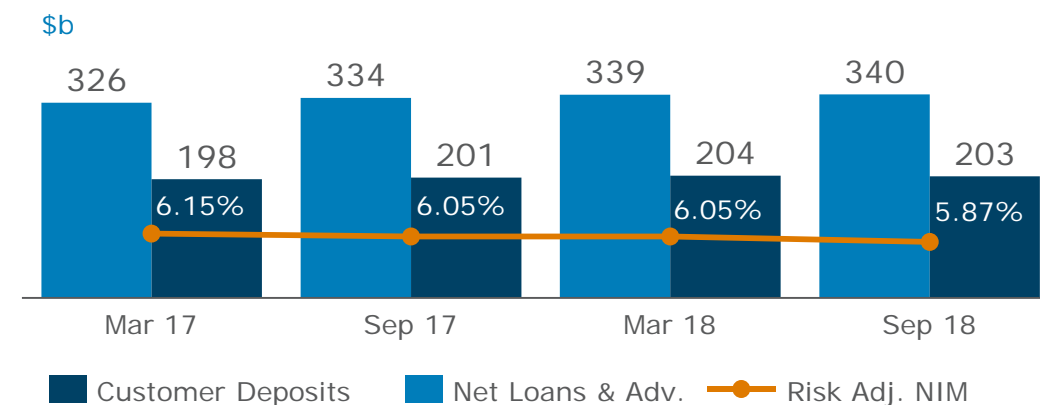
## CASH PROFIT CONTINUING OPERATIONS (EXCLUDING LARGE / NOTABLE ITEMS)

### FINANCIAL PERFORMANCE

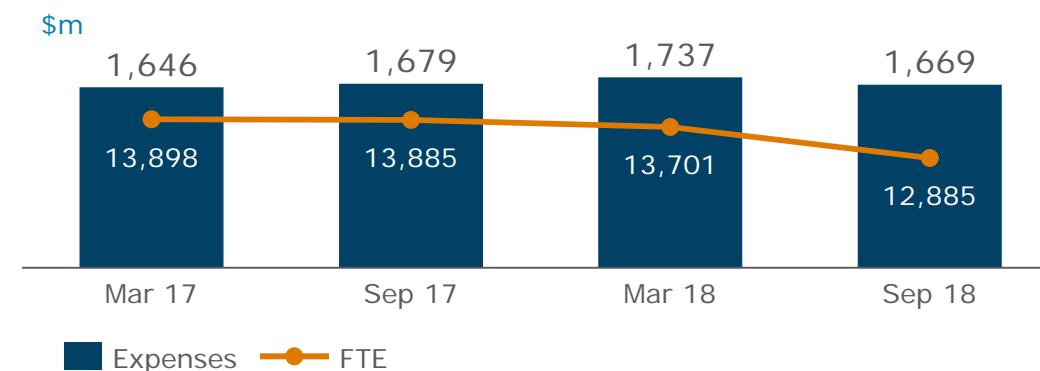
% change

	FY18 vs FY17	2H18 vs 1H18
<b>Income</b>	<b>2%</b>	<b>-3%</b>
Net interest income	3%	-3%
Other operating income	-6%	3%
<b>Expenses</b>	<b>2%</b>	<b>-4%</b>
<b>Profit before Provisions</b>	<b>2%</b>	<b>-2%</b>
Provisions	-21%	24%
<b>Cash Profit</b>	<b>6%</b>	<b>-5%</b>
<b>Net Loans &amp; Advances</b>	<b>2%</b>	<b>0%</b>
<b>Customer Deposits</b>	<b>1%</b>	<b>-1%</b>

### VOLUMES & RISK ADJUSTED MARGIN



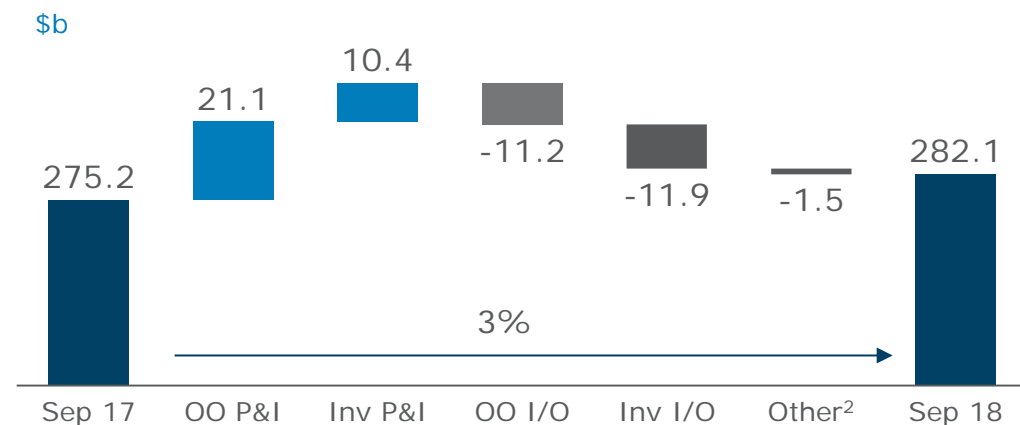
### EXPENSES



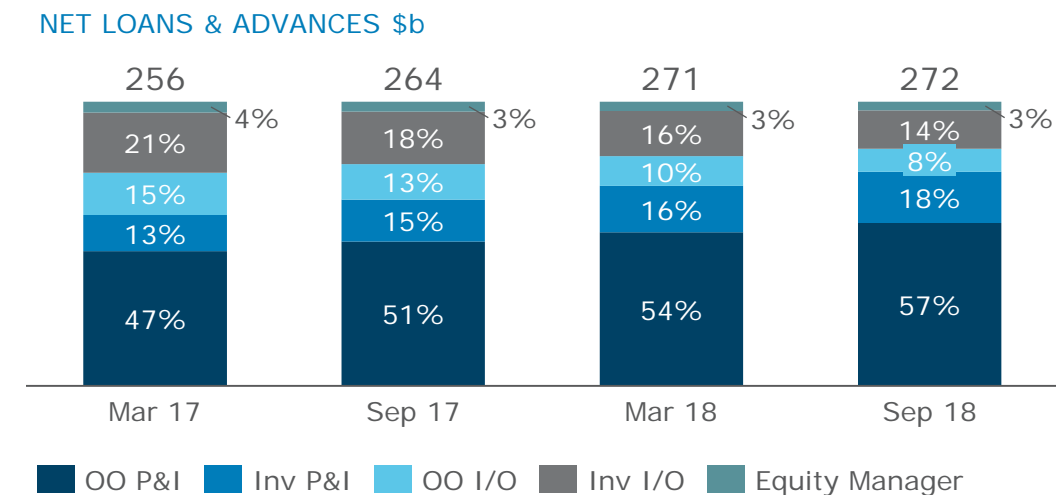
# AUSTRALIA DIVISION RETAIL

## CASH PROFIT CONTINUING OPERATIONS (EXCLUDING LARGE / NOTABLE ITEMS)

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



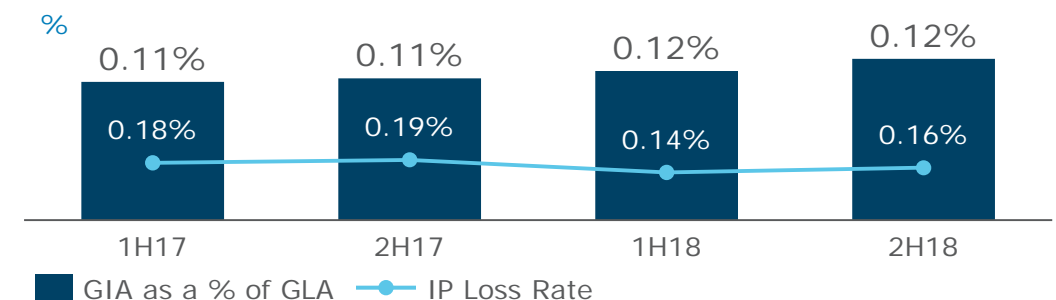
### HOUSING COMPOSITION<sup>1</sup>



### INCOME & BALANCE SHEET PERFORMANCE

	FY18 vs FY17	2H18 vs 1H18
<b>Total Retail Income</b>	<b>2%</b>	<b>-5%</b>
Net interest income	3%	-6%
Other operating income	-10%	7%
<b>Net Loans &amp; Advances</b>	<b>3%</b>	<b>0%</b>
<b>Customer Deposits</b>	<b>0%</b>	<b>-1%</b>

### RISK



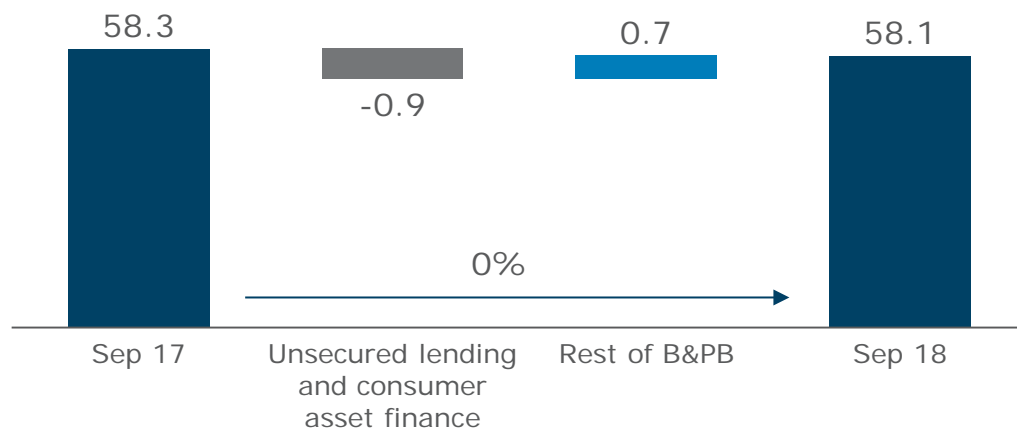
1. OO: Owner Occupier; Inv: Investor; P&I: Principal & Interest; I/O: Interest Only  
 2. Includes Equity Manager, Personal Loans, Credit Cards, Overdrafts

# AUSTRALIA DIVISION BUSINESS & PRIVATE BANK

## CASH PROFIT CONTINUING OPERATIONS (EXCLUDING LARGE / NOTABLE ITEMS)

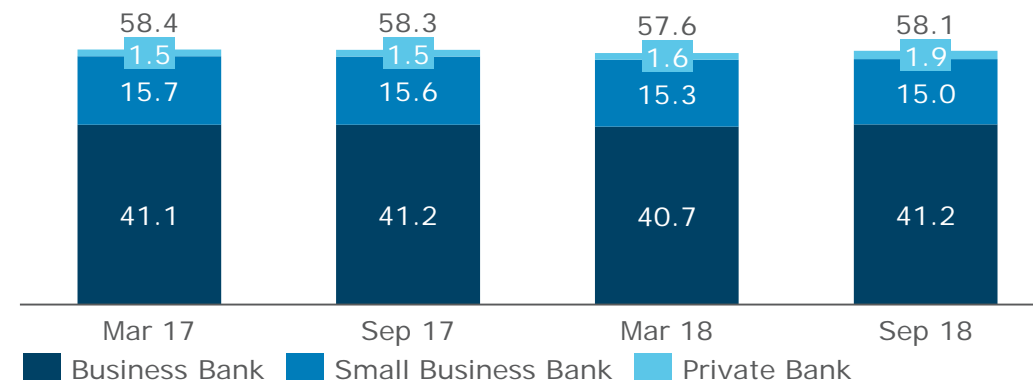
### NET LOANS & ADVANCES

\$b



### LENDING COMPOSITION

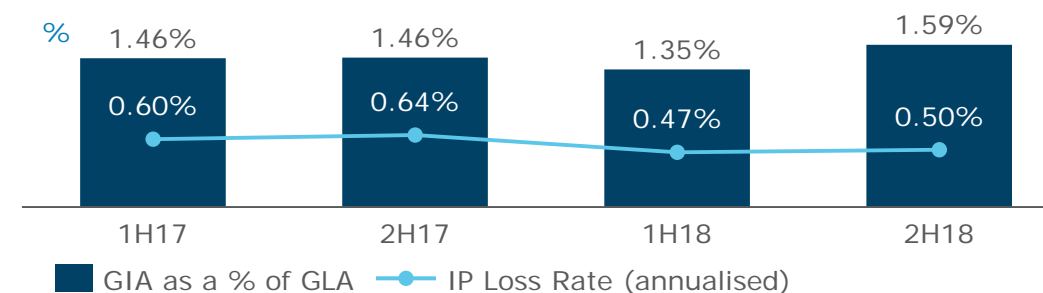
NET LOANS & ADVANCES \$b



### INCOME & BALANCE SHEET PERFORMANCE

	FY18 vs FY17	2H18 vs 1H18
<b>B&amp;PB Income</b>	<b>2%</b>	<b>2%</b>
Net interest income	3%	3%
Other operating income	2%	-3%
<b>Net Loans &amp; Advances</b>	<b>0%</b>	<b>1%</b>
<b>Customer Deposits</b>	<b>1%</b>	<b>0%</b>

### RISK



# INSTITUTIONAL

## CASH PROFIT CONTINUING OPERATIONS (EXCLUDING LARGE / NOTABLE ITEMS)

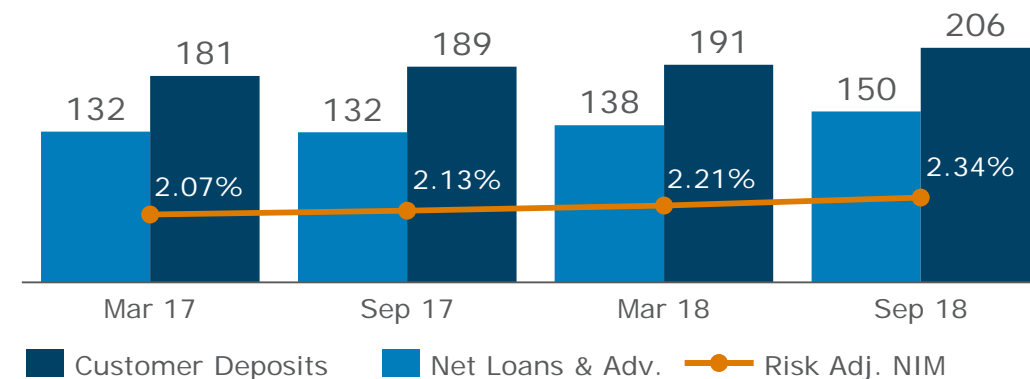
### FINANCIAL PERFORMANCE

% change

	FY18 vs FY17	2H18 vs 1H18
<b>Income</b>	<b>-9%</b>	<b>2%</b>
Net interest income	-6%	2%
Other operating income	-13%	2%
Expenses	-4%	-2%
<b>Profit before Provisions</b>	<b>-14%</b>	<b>7%</b>
Provisions	-148%	-290%
<b>Cash Profit</b>	<b>-10%</b>	<b>20%</b>
<b>Net Loans &amp; Advances</b>	<b>14%</b>	<b>9%</b>
<b>Customer Deposits</b>	<b>9%</b>	<b>8%</b>

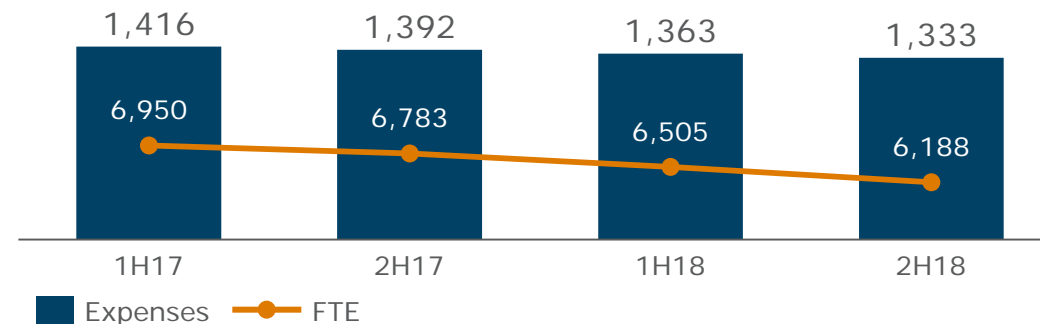
### VOLUMES & RISK ADJUSTED MARGIN

\$b



### EXPENSES

\$m

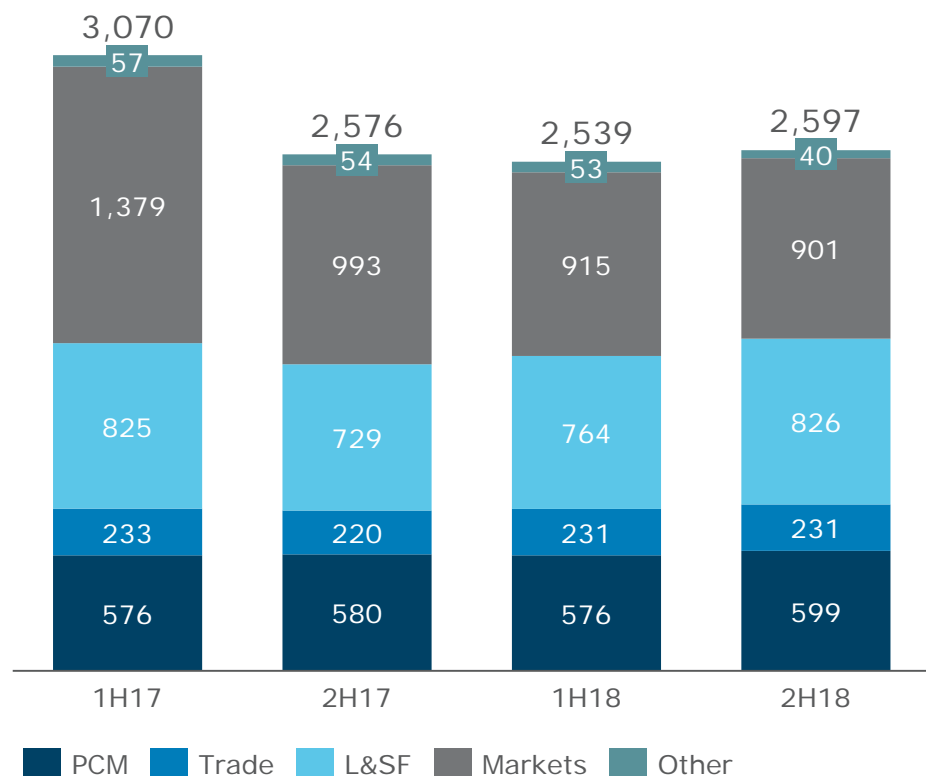


# INSTITUTIONAL INCOME PERFORMANCE

CASH PROFIT CONTINUING OPERATIONS (EXCLUDING LARGE / NOTABLE ITEMS)

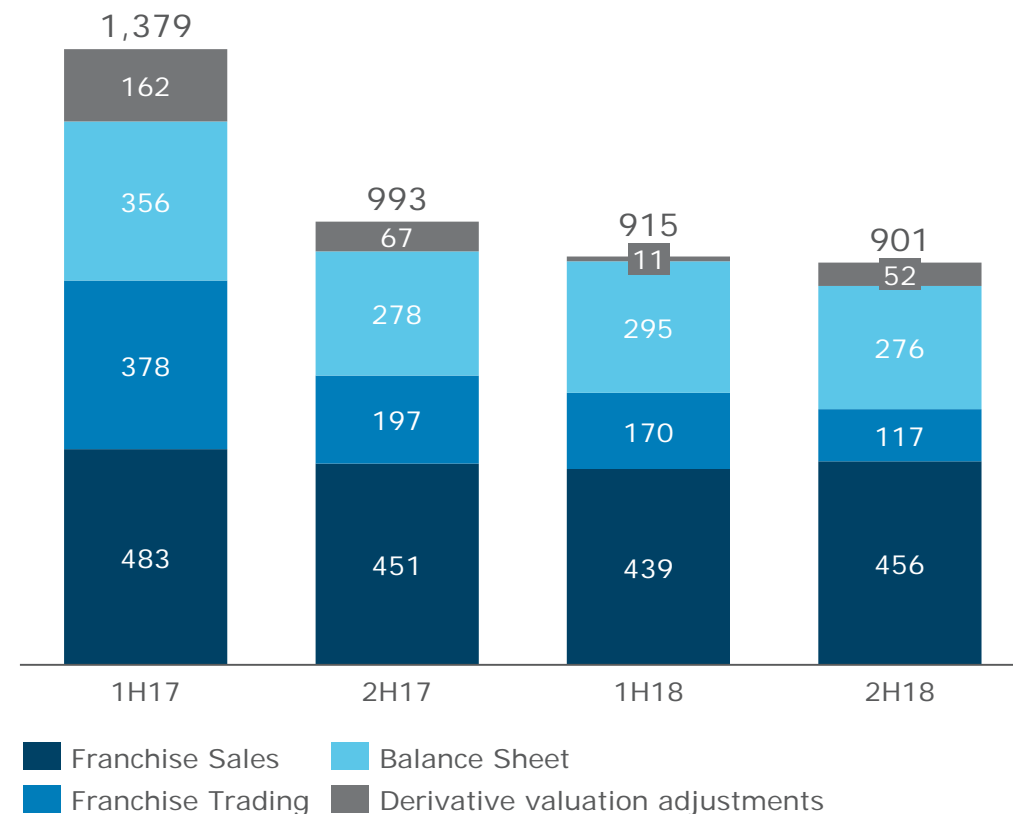
## INSTITUTIONAL INCOME COMPOSITION<sup>1</sup>

\$m



## MARKETS INCOME COMPOSITION

\$m



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



# NEW ZEALAND DIVISION

## CASH PROFIT CONTINUING OPERATIONS (EXCLUDING LARGE / NOTABLE ITEMS)

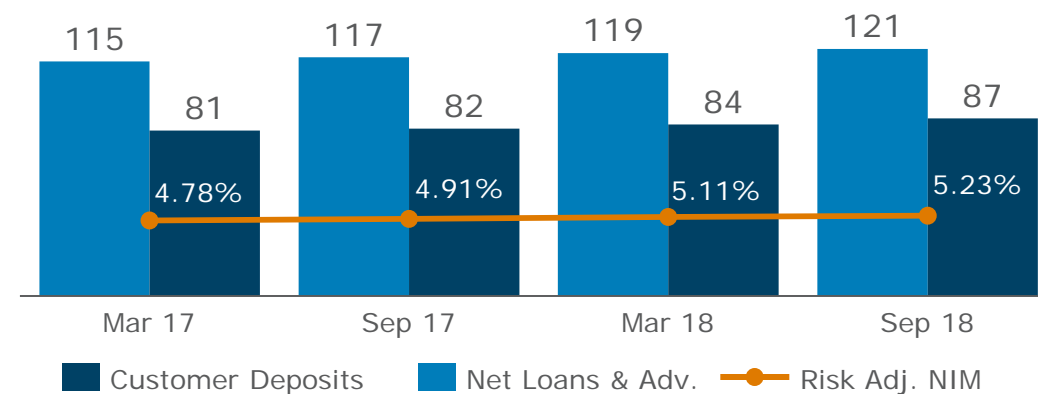
### FINANCIAL PERFORMANCE

% change NZD

	FY18 vs FY17	2H18 vs 1H18
<b>Income</b>	<b>5%</b>	<b>1%</b>
Net interest income	5%	3%
Other operating income	4%	-4%
<b>Expenses</b>	<b>2%</b>	<b>1%</b>
<b>Profit before Provisions</b>	<b>7%</b>	<b>1%</b>
Provisions	-93%	-173%
<b>Cash Profit</b>	<b>11%</b>	<b>5%</b>
<b>Net Loans &amp; Advances</b>	<b>4%</b>	<b>2%</b>
<b>Customer Deposits</b>	<b>6%</b>	<b>3%</b>

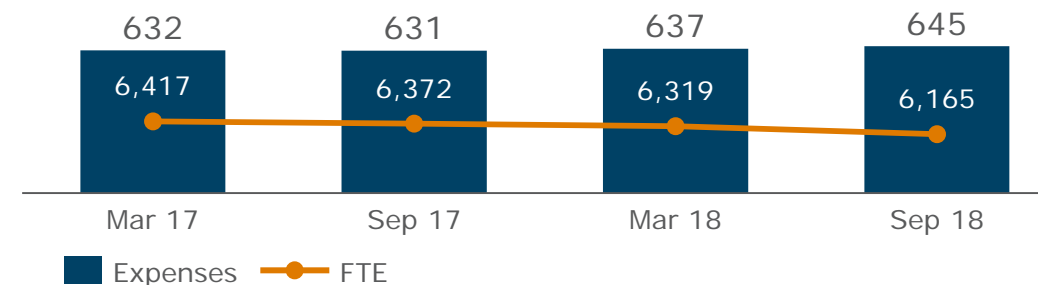
### VOLUMES & RISK ADJUSTED MARGIN

NZDb



### EXPENSES

NZDm





# 2018 FULL YEAR RESULTS

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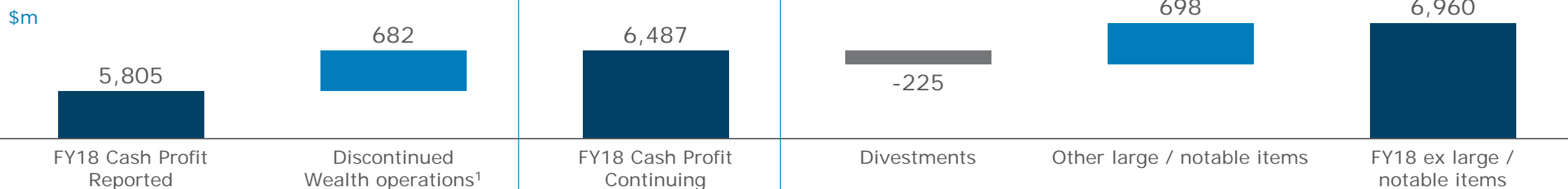
**LARGE/NOTABLE ITEMS**  
INVESTOR DISCUSSION PACK

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED

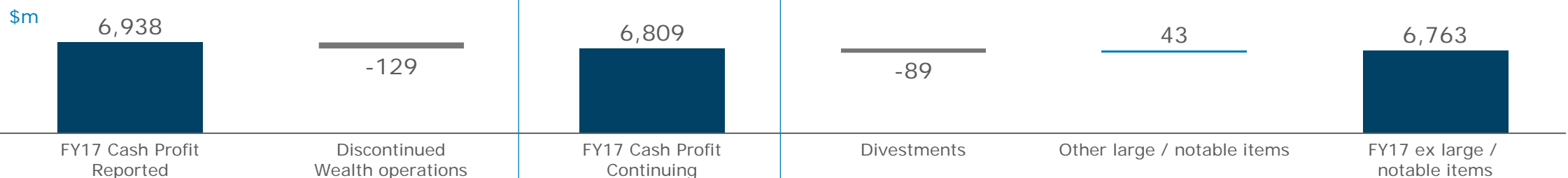
# CASH PROFIT COMPOSITION – FULL YEAR

## IMPACT OF DIVESTMENTS AND OTHER LARGE / NOTABLE ITEMS

### FULL YEAR 2018



### FULL YEAR 2017



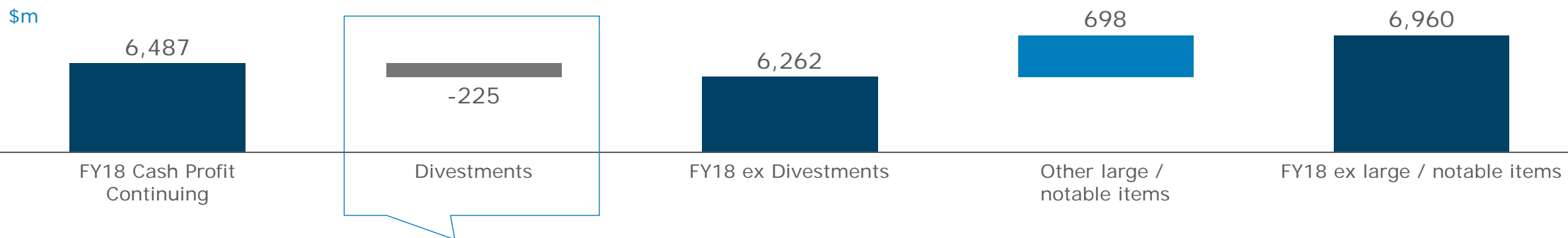
FY18 Cash Profit Reported	FY18 Cash Profit Continuing	FY18 ex large / Notable items
-16.3%	-4.7%	2.9%

1. Inclusive of P&I/ADG and OPL loss on sale and business results (inclusive of customer remediation). The OPL and P&I/ADG divestments are expected to be completed in 1H19

# CASH PROFIT COMPOSITION – FULL YEAR

## DIVESTMENTS (CONTINUING OPERATIONS)

### FULL YEAR 2018



\$m	Continuing operations		
	Earnings <sup>1</sup>	Gain/(Loss) <sup>2</sup>	TOTAL
<b>FY18 Cash Profit impact</b>	<b>34</b>	<b>191</b>	<b>225</b>
FY17 Cash Profit impact	359	(270)	89
Change (FY18 vs FY17)	(325)	461	136
<b>FY18 CET1 benefit</b>	<b>59bp</b>		

Announced divestment status	
<b><u>Completed in FY18</u></b>	<b><u>Still to complete</u></b>
Asia Retail businesses	Cambodia JV
SRCB	OnePath Life NZ
MCC	PNG Retail, Comm. & SME
<b><u>Discontinued</u></b>	
OnePath Life	
OnePath Pensions & Investments	

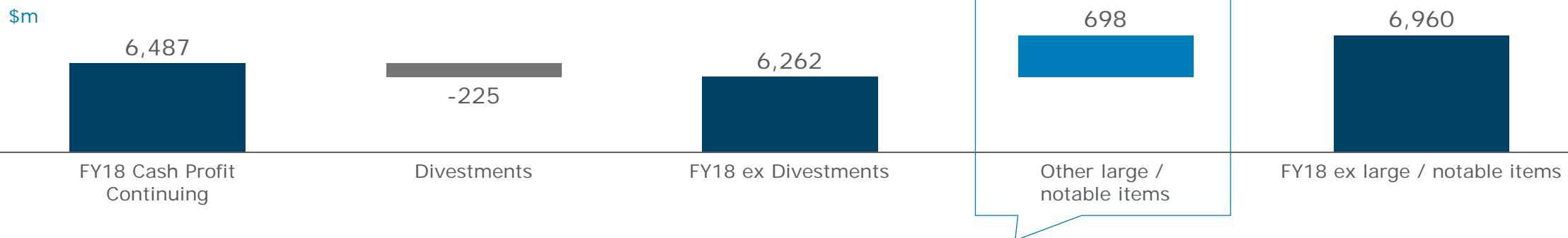
1. Earnings from completed divestments only. FY18 includes Asia Retail businesses and MCC. FY17 includes Asia Retail businesses, MCC and SRCB

2. FY18 includes Asia Retail businesses \$85m, SRCB -\$86m, UDC \$18m, MCC \$247m, Cambodia JV -\$42m, OPL NZ -\$10, PNG Retail, Commercial and SME -\$21m. FY17 includes Asia Retail businesses -\$270m

# CASH PROFIT COMPOSITION – FULL YEAR

## OTHER LARGE / NOTABLE ITEMS

### FULL YEAR 2018



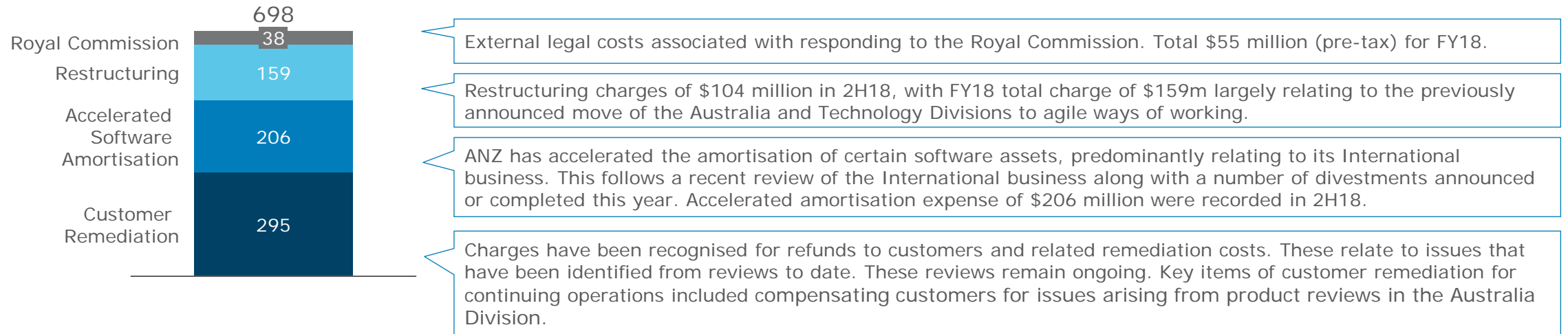
\$m	Other large / notable items within Continuing Operations					Total
	External legal costs (Royal Commission)	Restructuring	Accelerated software amortisation	Customer remediation	Sale of 100 Queen Street Melbourne	
<b>Cash Profit impact</b>						
<b>FY18</b>	<b>38</b>	<b>159</b>	<b>206</b>	<b>295</b>	<b>-</b>	<b>698</b>
FY17	-	43	-	112	(112)	43
Change (FY18 vs FY17)	38	116	206	183	112	655

# OTHER LARGE / NOTABLE ITEMS

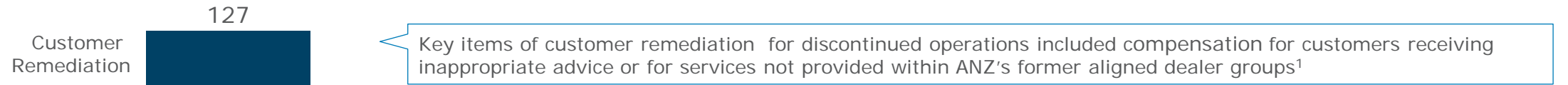
## FULL YEAR 2018 CASH PROFIT IMPACT (REDUCTION)

\$m

### CONTINUING OPERATIONS



### DISCONTINUED



1. ANZ completed the sale of its Aligned Dealer Groups to IOOF on 1 October 2018

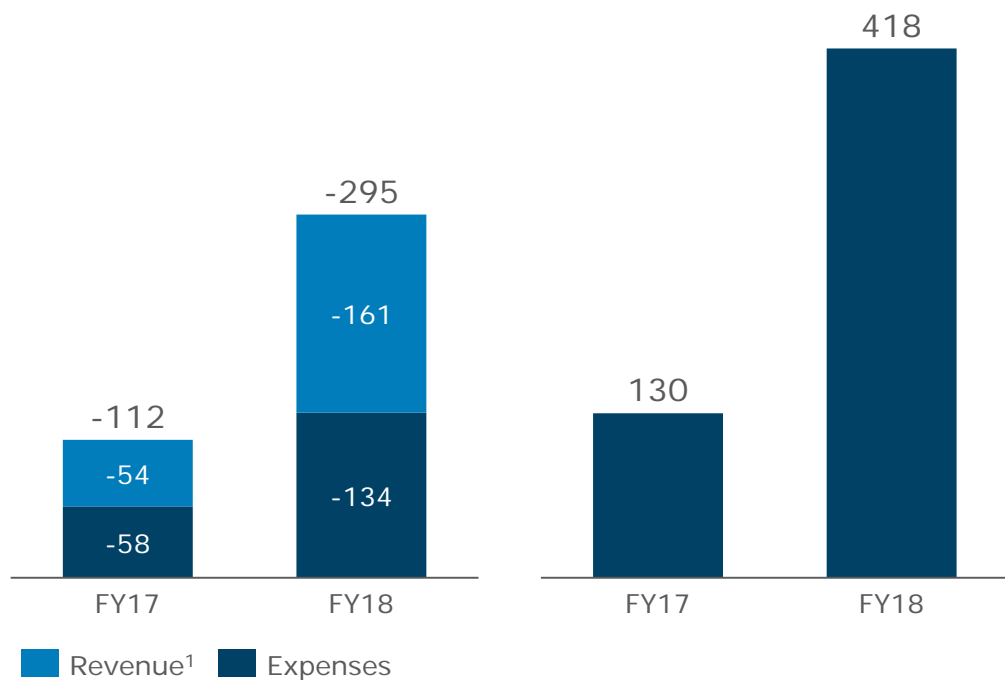
# CUSTOMER REMEDIATION

## CASH PROFIT IMPACT

### CONTINUING OPERATIONS

PROFIT & LOSS IMPACT  
\$m (AFTER TAX)

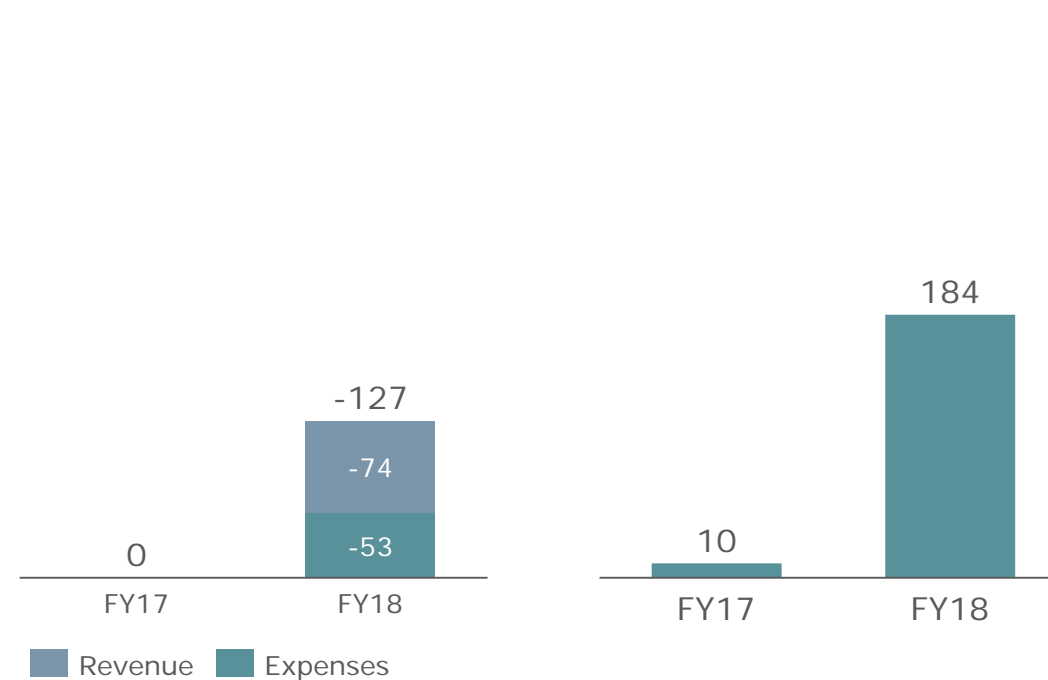
PROVISION ON BALANCE SHEET  
\$m



### DISCONTINUED OPERATIONS

PROFIT & LOSS IMPACT  
\$m (AFTER TAX)

PROVISION ON BALANCE SHEET  
\$m



1. FY17 after tax Net interest income \$25m and Other operating income \$29m; FY18 after tax Net interest income \$73m and Other operating income \$88m

# LARGE / NOTABLE ITEMS

## GROUP TOTAL

FY18 v FY17 (\$m)	FY17 cash continuing	Divestments <sup>1</sup>				FY17 ex large / notable	FY18 cash continuing	Divestments <sup>1</sup>	Large / notable items				FY18 ex large / notable
			Customer remediation	Restructuring	100 QSM sale				Customer remediation	Restructuring	Accelerated amortisation	Royal commission	
Net interest income	<b>14,875</b>	442	(36)	-	-	<b>14,469</b>	<b>14,514</b>	53	(105)	-	-	-	<b>14,566</b>
Other operating income	<b>4,941</b>	11	(34)	-	114	<b>4,850</b>	<b>4,700</b>	346	(123)	-	-	-	<b>4,477</b>
Total operating income	<b>19,816</b>	453	(70)	-	114	<b>19,319</b>	<b>19,214</b>	399	(228)	-	-	-	<b>19,043</b>
Expenses	<b>(8,967)</b>	(217)	(83)	(62)	-	<b>(8,605)</b>	<b>(9,248)</b>	(45)	(191)	(227)	(251)	(55)	<b>(8,479)</b>
Profit before provisions	<b>10,849</b>	236	(153)	(62)	114	<b>10,714</b>	<b>9,966</b>	354	(419)	(227)	(251)	(55)	<b>10,564</b>
Provisions	<b>(1,199)</b>	(124)	-	-	-	<b>(1,075)</b>	<b>(688)</b>	(26)	-	-	-	-	<b>(662)</b>
Cash Profit (\$m)	<b>6,809</b>	89	(112)	(43)	112	<b>6,763</b>	<b>6,487</b>	225	(295)	(159)	(206)	(38)	<b>6,960</b>

2H18 v 1H18 (\$m)	1H18 cash continuing	Divestments <sup>1</sup>				2H18 ex large / notable	2H18 cash continuing	Divestments <sup>1</sup>	Large / notable items				2H18 ex large / notable
			Customer remediation	Restructuring	Royal Commission				Customer remediation	Restructuring	Accelerated amortisation	Royal commission	
Net interest income	<b>7,350</b>	53	(19)	-	-	<b>7,316</b>	<b>7,164</b>	-	(86)	-	-	-	<b>7,250</b>
Other operating income	<b>2,458</b>	276	(13)	-	-	<b>2,195</b>	<b>2,242</b>	70	(110)	-	-	-	<b>2,282</b>
Total operating income	<b>9,808</b>	329	(32)	-	-	<b>9,511</b>	<b>9,406</b>	70	(196)	-	-	-	<b>9,532</b>
Expenses	<b>(4,411)</b>	(35)	(35)	(78)	(16)	<b>(4,247)</b>	<b>(4,837)</b>	(10)	(156)	(149)	(251)	(39)	<b>(4,232)</b>
Profit before provisions	<b>5,397</b>	294	(67)	(78)	(16)	<b>5,264</b>	<b>4,569</b>	60	(352)	(149)	(251)	(39)	<b>5,300</b>
Provisions	<b>(408)</b>	(26)	-	-	-	<b>(382)</b>	<b>(280)</b>	-	-	-	-	-	<b>(280)</b>
Cash Profit (\$m)	<b>3,493</b>	162	(45)	(55)	(11)	<b>3,442</b>	<b>2,994</b>	63	(250)	(104)	(206)	(27)	<b>3,518</b>

1. Refer following slide for detail.



# LARGE / NOTABLE ITEMS

## GROUP DIVESTMENTS – FULL YEAR 2018 & 2017

FY18 (\$m)	Gain / (Loss) on sale								Divested business results			Total Divestments
	Asia Retail	SRCB	UDC	MCC	Cambodia JV	OPL NZ	PNG Retail, Comm, SME	Total Gain / (Loss)	Asia Retail	MCC	Total Divested bus. results	
Net interest income	-	-	-	-	-	-	-	-	53	-	53	53
Other operating income	99	2	18	240	(42)	-	(19)	298	38	10	48	346
Total operating income	99	2	18	240	(42)	-	(19)	298	91	10	101	399
Expenses	-	-	-	-	-	(10)	-	(10)	(35)	-	(35)	(45)
Profit before provisions	99	2	18	240	(42)	(10)	(19)	288	56	10	66	354
Provisions	-	-	-	-	-	-	-	-	(26)	-	(26)	(26)
Cash Profit (\$m)	85	(86)	18	247	(42)	(10)	(21)	191	24	10	34	225

FY17 (\$m)	Gain / (Loss) on sale				Divested business results				Total Divestments	
	Asia Retail				Total Gain / (Loss)	SRCB	Asia Retail	MCC		Total Divested bus. Results
Net interest income	-				-	-	442	-	442	442
Other operating income	(310)				(310)	58	224	39	321	11
Total operating income	(310)				(310)	58	666	39	763	453
Expenses	-				-	-	(217)	-	(217)	(217)
Profit before provisions	(310)				(310)	58	449	39	546	236
Provisions	-				-	-	(124)	-	(124)	(124)
Cash Profit (\$m)	(270)				(270)	58	262	39	359	89

# LARGE / NOTABLE ITEMS

## GROUP DIVESTMENTS – HALF YEAR 2018

2H18 (\$m)	Gain / (Loss) on sale							Divested business results			Total Divestments	
	Asia Retail	SRCB	UDC	MCC	Cambodia JV	OPL NZ	PNG Retail, Comm, SME	Total Gain / (Loss)	Asia Retail	MCC		Total Divested bus. results
Net interest income	-	-	-	-	-	-	-	-	-	-	-	-
Other operating income	-	-	-	121	(42)	-	(19)	60	-	10	10	70
Total operating income	-	-	-	121	(42)	-	(19)	60	-	10	10	70
Expenses	-	-	-	-	-	(10)	-	(10)	-	-	-	(10)
Profit before provisions	-	-	-	121	(42)	(10)	(19)	50	-	10	10	60
Provisions	-	-	-	-	-	-	-	-	-	-	-	-
Cash Profit (\$m)	-	-	-	126	(42)	(10)	(21)	53	-	10	10	63

1H18 (\$m)	Gain / (Loss) on sale						Divested business results			Total Divestments
	Asia Retail	SRCB	UDC	MCC		Total Gain / (Loss)	Asia Retail		Total Divested bus. results	
Net interest income	-	-	-	-		-	53		53	53
Other operating income	99	2	18	119		238	38		38	276
Total operating income	99	2	18	119		238	91		91	329
Expenses	-	-	-	-		-	(35)		(35)	(35)
Profit before provisions	99	2	18	119		238	56		56	294
Provisions	-	-	-	-		-	(26)		(26)	(26)
Cash Profit (\$m)	85	(86)	18	121		138	24		24	162

# LARGE / NOTABLE ITEMS

## AUSTRALIA DIVISION

FY18 v FY17 (\$m)	FY17 cash continuing	Large / notable items		FY17 ex large / notable	FY18 cash continuing	Large / notable items			FY18 ex large / notable	Growth FY18 v FY17 (%)	
		Customer remediation	Restructuring			Customer remediation	Accelerated amortisation	Restructuring		Cash continuing	ex large /notable
Net interest income	<b>8,218</b>	(25)	-	<b>8,243</b>	<b>8,409</b>	(91)	-	-	<b>8,500</b>	2%	3%
Other operating income	<b>1,217</b>	(18)	-	<b>1,235</b>	<b>1,086</b>	(81)	-	-	<b>1,167</b>	-11%	-6%
Total operating income	<b>9,435</b>	(43)	-	<b>9,478</b>	<b>9,495</b>	(172)	-	-	<b>9,667</b>	1%	2%
Expenses	<b>(3,382)</b>	(51)	(6)	<b>(3,325)</b>	<b>(3,677)</b>	(132)	(29)	(110)	<b>(3,406)</b>	9%	2%
Profit before provisions	<b>6,053</b>	(94)	(6)	<b>6,153</b>	<b>5,818</b>	(304)	(29)	(110)	<b>6,261</b>	-4%	2%
Provisions	<b>(885)</b>	-	-	<b>(885)</b>	<b>(698)</b>	-	-	-	<b>(698)</b>	-21%	-21%
Cash Profit (\$m)	<b>3,616</b>	(65)	(4)	<b>3,685</b>	<b>3,580</b>	(212)	(20)	(77)	<b>3,889</b>	-1%	6%

2H18 v 1H18 (\$m)	1H18 cash continuing	Large / notable items		1H18 ex large / notable	2H18 cash continuing	Large / notable items			2H18 ex large / notable	Growth 2H18 v 1H18 (%)	
		Customer remediation	Restructuring			Customer remediation	Accelerated amortisation	Restructuring		Cash continuing	ex large /notable
Net interest income	<b>4,304</b>	(17)	-	<b>4,321</b>	<b>4,105</b>	(74)	-	-	<b>4,179</b>	-5%	-3%
Other operating income	<b>559</b>	(16)	-	<b>575</b>	<b>527</b>	(65)	-	-	<b>592</b>	-6%	3%
Total operating income	<b>4,863</b>	(33)	-	<b>4,896</b>	<b>4,632</b>	(139)	-	-	<b>4,771</b>	-5%	-3%
Expenses	<b>(1,812)</b>	(17)	(57)	<b>(1,737)</b>	<b>(1,865)</b>	(115)	(29)	(53)	<b>(1,669)</b>	3%	-4%
Profit before provisions	<b>3,051</b>	(50)	(57)	<b>3,159</b>	<b>2,767</b>	(254)	(29)	(53)	<b>3,102</b>	-9%	-2%
Provisions	<b>(312)</b>	-	-	<b>(312)</b>	<b>(386)</b>	-	-	-	<b>(386)</b>	24%	24%
Cash Profit (\$m)	<b>1,915</b>	(35)	(41)	<b>1,991</b>	<b>1,665</b>	(177)	(20)	(36)	<b>1,898</b>	-13%	-5%

# LARGE / NOTABLE ITEMS

## INSTITUTIONAL

FY18 v FY17 (\$m)	FY17 cash continuing	Large / notable items		FY17 ex large / notable	FY18 cash continuing	Large / notable items			FY18 ex large / notable	Growth FY18 v FY17 (%)	
		Customer remediation	Restructuring			Customer remediation	Accelerated amortisation	Restructuring		Cash continuing	ex large /notable
Net interest income	3,264	-	-	3,264	3,068	-	-	-	3,068	-6%	-6%
Other operating income	2,366	(16)	-	2,382	2,062	(6)	-	-	2,068	-13%	-13%
Total operating income	5,630	(16)	-	5,646	5,130	(6)	-	-	5,136	-9%	-9%
Expenses	(2,814)	-	(6)	(2,808)	(2,944)	(1)	(222)	(25)	(2,696)	5%	-4%
Profit before provisions	2,816	(16)	(6)	2,838	2,186	(7)	(222)	(25)	2,440	-22%	-14%
Provisions	(92)	-	-	(92)	44	-	-	-	44	-148%	-148%
Cash Profit (\$m)	1,924	(16)	(4)	1,944	1,535	(7)	(186)	(17)	1,745	-20%	-10%

2H18 v 1H18 (\$m)	1H18 cash continuing	Large / notable items		1H18 ex large / notable	2H18 cash continuing	Large / notable items			2H18 ex large / notable	Growth 2H18 v 1H18 (%)	
		Customer remediation	Restructuring			Customer remediation	Accelerated amortisation	Restructuring		Cash continuing	ex large /notable
Net interest income	1,516	-	-	1,516	1,552	-	-	-	1,552	2%	2%
Other operating income	1,028	5	-	1,023	1,034	(11)	-	-	1,045	1%	2%
Total operating income	2,544	5	-	2,539	2,586	(11)	-	-	2,597	2%	2%
Expenses	(1,371)	-	(8)	(1,363)	(1,573)	(1)	(222)	(17)	(1,333)	15%	-2%
Profit before provisions	1,173	5	(8)	1,176	1,013	(12)	(222)	(17)	1,264	-14%	7%
Provisions	(49)	-	-	(49)	93	-	-	-	93	-290%	-290%
Cash Profit (\$m)	793	5	(5)	793	742	(12)	(186)	(12)	952	-6%	20%

# LARGE / NOTABLE ITEMS

## NEW ZEALAND

FY18 v FY17 (NZD \$m)	FY17 cash continuing	Large / notable items		FY17 ex large / notable	FY18 cash continuing	Large / notable items			FY18 ex large / notable	Growth FY18 v FY17 (%)	
		Customer remediation	Restructuring			Customer remediation	Accelerated amortisation	Restructuring		Cash continuing	ex large /notable
Net interest income	2,686	(12)	-	2,698	2,816	(15)	-	-	2,831	5%	5%
Other operating income	695	-	-	695	721	(3)	-	-	724	4%	4%
Total operating income	3,381	(12)	-	3,393	3,537	(18)	-	-	3,555	5%	5%
Expenses	(1,271)	(5)	(3)	(1,263)	(1,303)	(11)	-	(10)	(1,282)	3%	2%
Profit before provisions	2,110	(17)	(3)	2,130	2,234	(29)	-	(10)	2,273	6%	7%
Provisions	(83)	-	-	(83)	(6)	-	-	-	(6)	-93%	-93%
Cash Profit (\$m)	1,459	(13)	(2)	1,474	1,605	(21)	-	(7)	1,633	10%	11%

2H18 v 1H18 (NZD \$m)	1H18 cash continuing	Large / notable items		1H18 ex large / notable	2H18 cash continuing	Large / notable items			2H18 ex large / notable	Growth 2H18 v 1H18 (%)	
		Customer remediation	Restructuring			Customer remediation	Accelerated amortisation	Restructuring		Cash continuing	ex large /notable
Net interest income	1,395	(2)	-	1,397	1,421	(13)	-	-	1,434	2%	3%
Other operating income	370	-	-	370	351	(3)	-	-	354	-5%	-4%
Total operating income	1,765	(2)	-	1,767	1,772	(16)	-	-	1,788	0%	1%
Expenses	(642)	(1)	(4)	(637)	(661)	(10)	-	(6)	(645)	3%	1%
Profit before provisions	1,123	(3)	(4)	1,130	1,111	(26)	-	(6)	1,143	-1%	1%
Provisions	(22)	-	-	(22)	16	-	-	-	16	-173%	-173%
Cash Profit (\$m)	793	(2)	(3)	798	812	(19)	-	(4)	835	2%	5%



# 2018 FULL YEAR RESULTS

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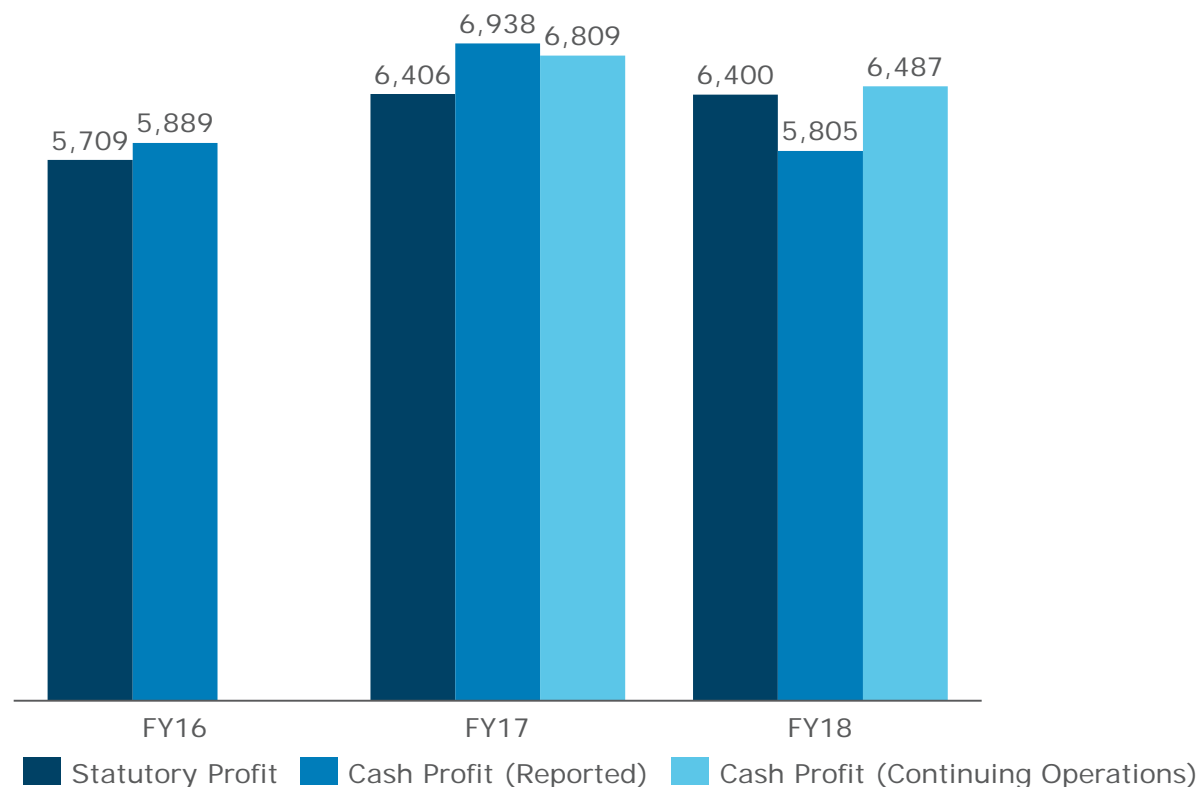
**FINANCIAL PERFORMANCE**  
INVESTOR DISCUSSION PACK

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED

# FINANCIAL PERFORMANCE – STATUTORY TO CASH PROFIT

## STATUTORY & CASH PROFIT

\$m



## STATUTORY TO CASH ADJUSTMENTS

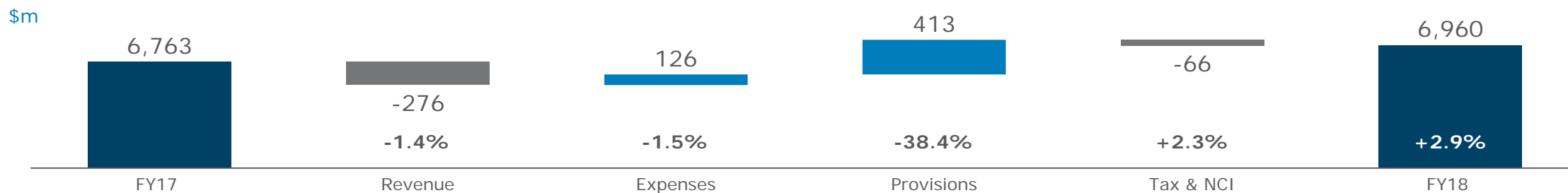
Cash profit represents ANZ's preferred measure of the result of the ongoing business activities of the Group, enabling readers to assess Group and Divisional performance against prior periods and against peer institutions. To calculate cash profit, the Group excludes non-core items from statutory profit. As a result of the sales of Wealth Australia businesses, the financial results of the Wealth Australia businesses being divested and associated Group reclassification and consolidation impacts are treated as discontinued operations from a financial reporting perspective.

\$m	FY16	FY17	FY18
<b>Statutory Profit</b>	<b>5,709</b>	<b>6,406</b>	<b>6,400</b>
<u>Adjustments</u>			
Treasury share adjustment	44	58	7
Revaluation of policy liabilities	(54)	34	(8)
Economic hedges	102	209	(248)
Revenue and expense Hedges	92	(99)	(9)
Structured credit intermediation trades	(4)	(3)	(4)
Revaluation of SRCB to held for sale	-	333	(333)
Total adjustments	180	532	(595)
<b>Cash Profit</b>	<b>5,889</b>	<b>6,938</b>	<b>5,805</b>
Discontinued operations	n/a	129	(682)
<b>Cash Profit Continuing Operations</b>		<b>6,809</b>	<b>6,487</b>

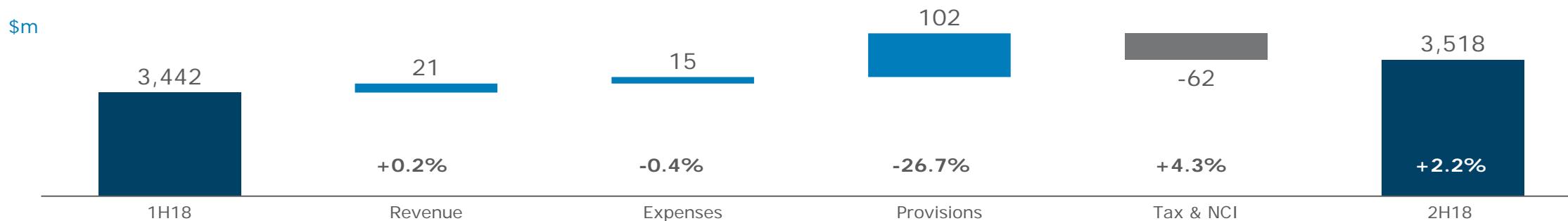
# FINANCIAL PERFORMANCE

## CASH PROFIT CONTINUING OPERATIONS (EXCLUDING LARGE / NOTABLE ITEMS)

### FULL YEAR 2018



### SECOND HALF 2018



#### Cash Profit Continuing growth rates including Large/Notable items

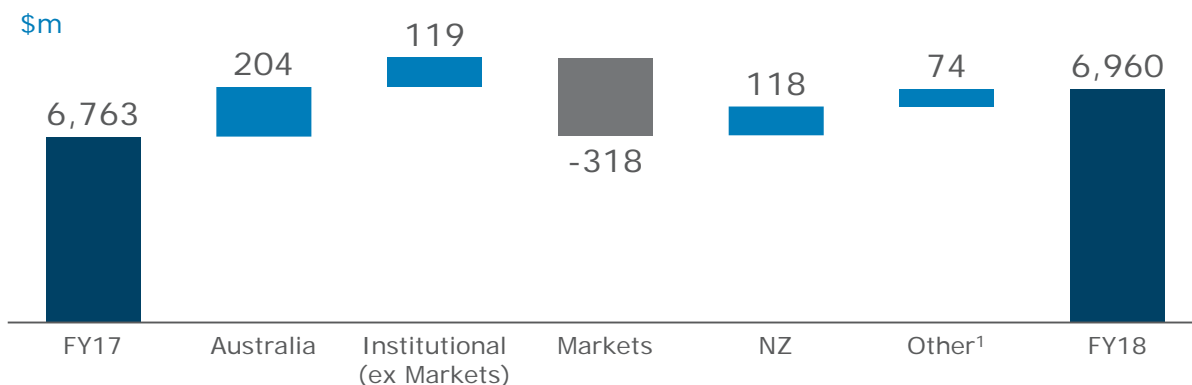
FY18 v FY17	-3.0%	+3.1%	-42.6%	-1.8%	-4.7%
2H18 v 1H18	-4.1%	+9.7%	-31.4%	-13.4%	-14.3%



# DIVISIONAL PERFORMANCE

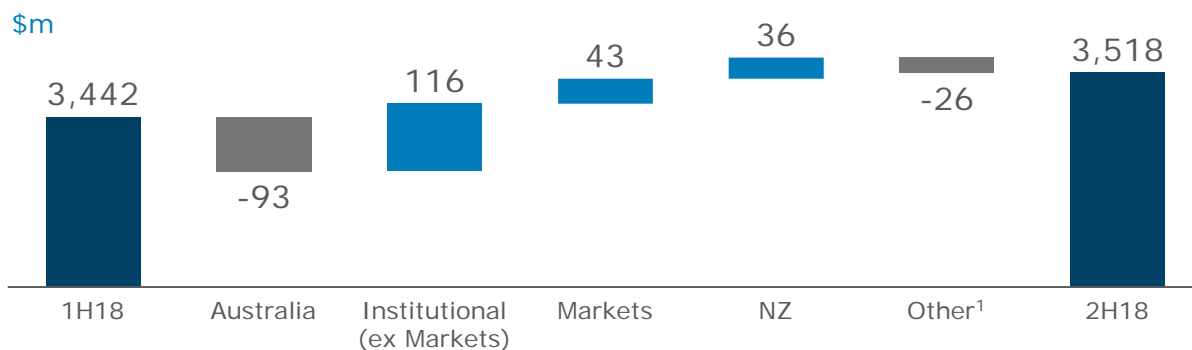
## CASH PROFIT CONTINUING OPERATIONS (EXCLUDING LARGE / NOTABLE ITEMS)

### FULL YEAR 2018 (EXCLUDING LARGE/NOTABLE ITEMS)



FY18 v FY17 (%)	Aus. Div	Instit	NZ Div. (NZD)
Income	2	(9)	5
Expenses	2	(4)	2
PBP²	2	(14)	7
Provisions	(21)	(148)	(93)
Cash Profit	6	(10)	11

### SECOND HALF 2018 (EXCLUDING LARGE/NOTABLE ITEMS)



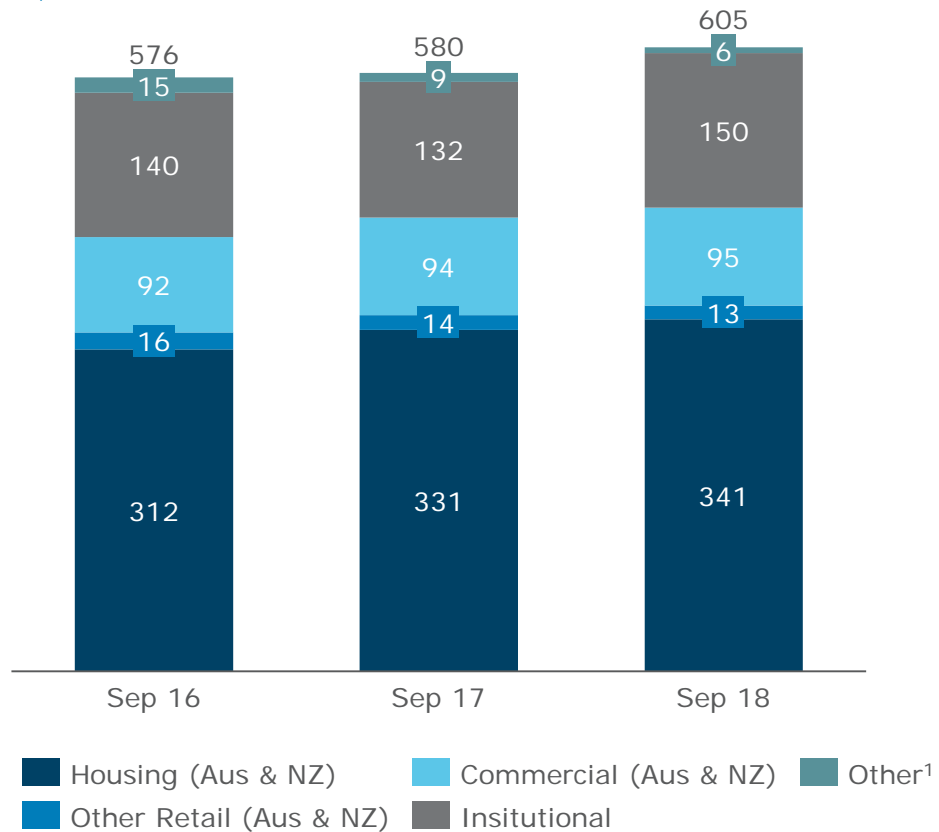
2H18 v 1H18 (%)	Aus. Div	Instit	NZ Div. (NZD)
Income	(3)	2	1
Expenses	(4)	(2)	1
PBP²	(2)	7	1
Provisions	24	(290)	(173)
Cash Profit	(5)	20	5

1. Other includes TSO & Group Centre, Wealth Australia (continuing) and Asia Retail & Pacific
2. Profit before provisions and income tax

# FY18 BALANCE SHEET

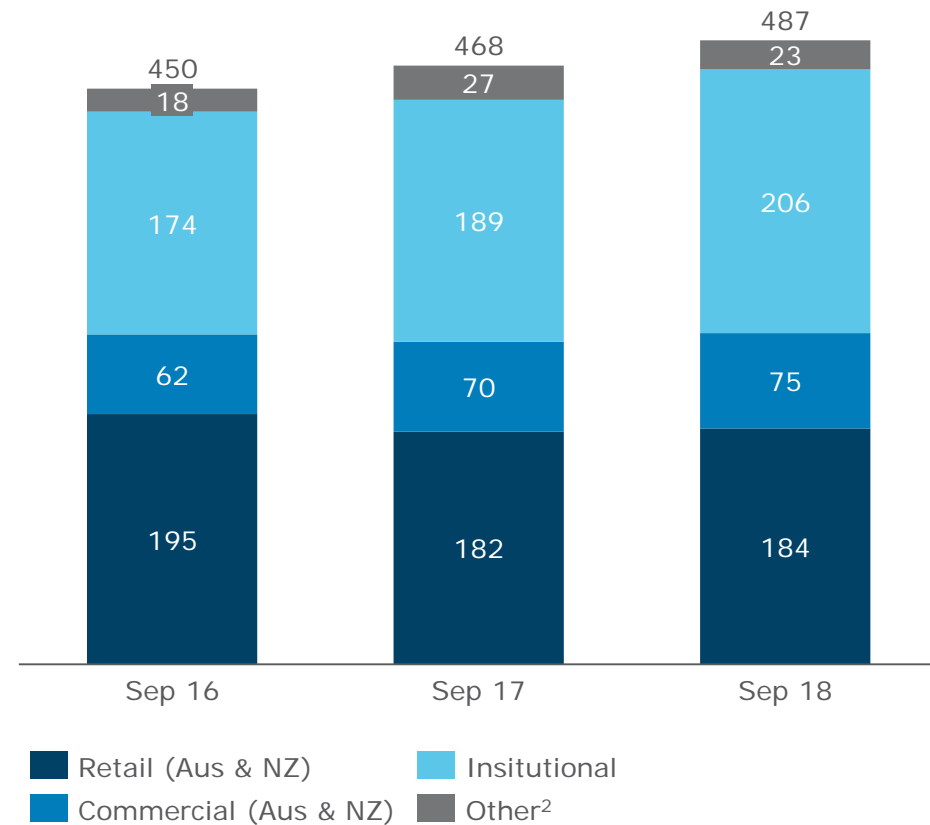
## NET LOANS & ADVANCES – BY SEGMENT

\$b



## CUSTOMER DEPOSITS – BY SEGEMENT

\$b



1. Other = Wealth Australia, Asia Retail & Pacific and TSO & Group Centre  
 2. Other = Wealth Australia, Asia Retail & Pacific, TSO & Group Centre and Private Bank

# RISK ADJUSTED PERFORMANCE

## CASH PROFIT CONTINUING OPERATIONS

### EXCLUDING LARGE / NOTABLE ITEMS

NET INTEREST INCOME / AVERAGE Credit RWA<sup>1</sup> (%)

	Group Total	Australia Division	Institutional	NZ Division
1H17	4.23	6.15	2.07	4.78
2H17	4.40	6.05	2.13	4.91
1H18	4.54	6.05	2.21	5.12
2H18	4.52	5.87	2.34	5.22

PROFIT BEFORE PROVISIONS / AVERAGE TOTAL RWA (%)

	Group Total	Australia Division	Institutional	NZ Division
1H17	2.70	4.06	1.87	3.34
2H17	2.63	4.04	1.43	3.52
1H18	2.69	3.93	1.46	3.71
2H18	2.69	3.87	1.53	3.73

### INCLUDING LARGE / NOTABLE ITEMS

NET INTEREST INCOME / AVERAGE Credit RWA<sup>1</sup> (%)

	Group Total	Australia Division	Institutional	NZ Division
1H17	4.38	6.14	2.07	4.79
2H17	4.51	6.02	2.13	4.87
1H18	4.56	6.03	2.21	5.11
2H18	4.46	5.77	2.34	5.17

PROFIT BEFORE PROVISIONS / AVERAGE TOTAL RWA (%)

	Group Total	Australia Division	Institutional	NZ Division
1H17	2.71	4.01	1.85	3.33
2H17	2.68	3.95	1.42	3.47
1H18	2.75	3.79	1.45	3.68
2H18	2.32	3.45	1.23	3.63

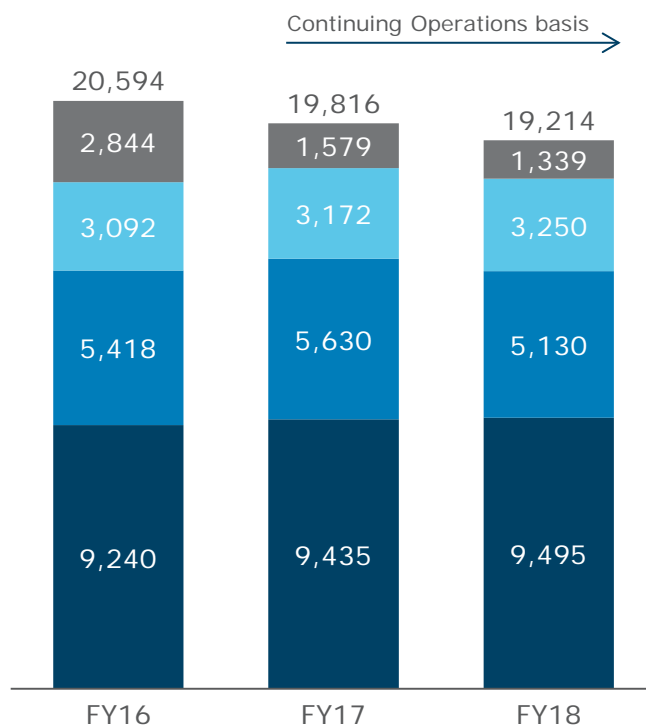
1. Excluding Markets business unit (Group & Institutional)

# TOTAL OPERATING INCOME

## CONTINUING OPERATIONS

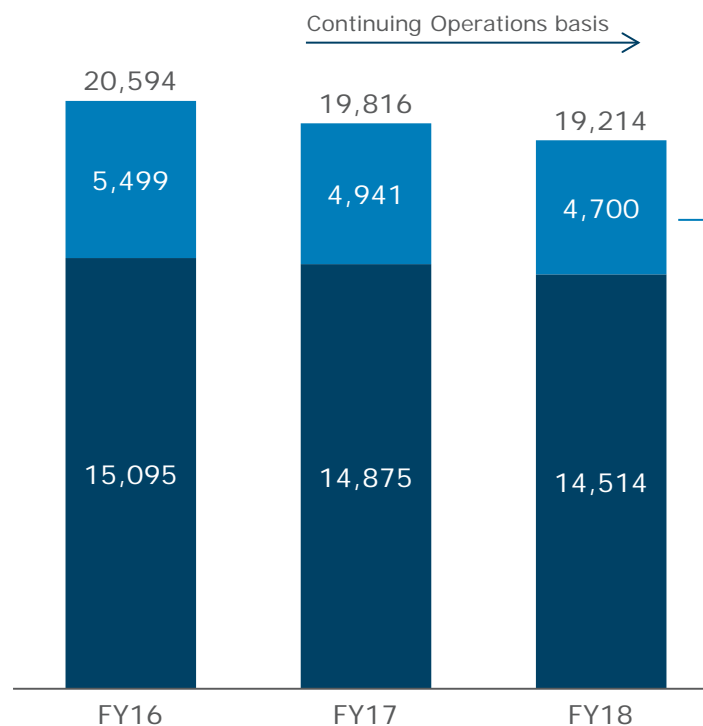
### BY DIVISION

\$m



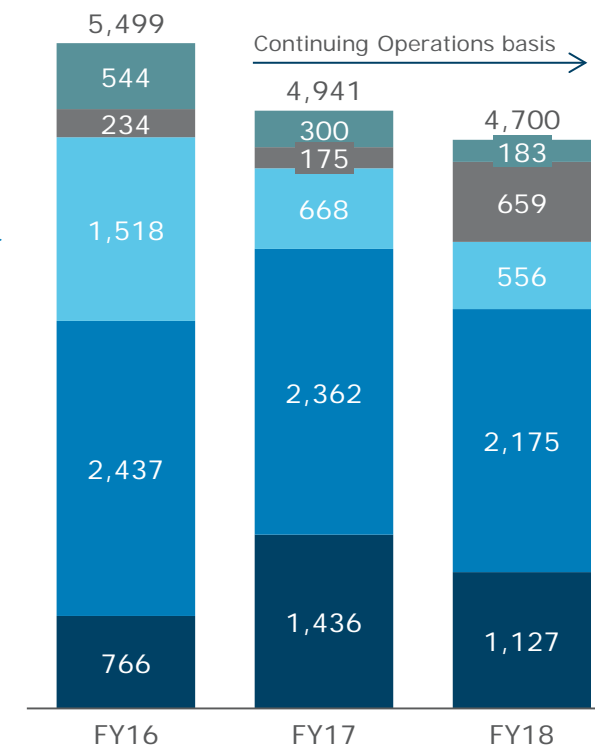
### BY CATEGORY

\$m



### OTHER OPERATING INCOME

\$m



Australia
  NZ
  Institutional
  Other<sup>1</sup>

Net interest income
  Other operating income

Markets
  Other
  Fee & comm.
  Assoc. profit
  Funds mgmt.

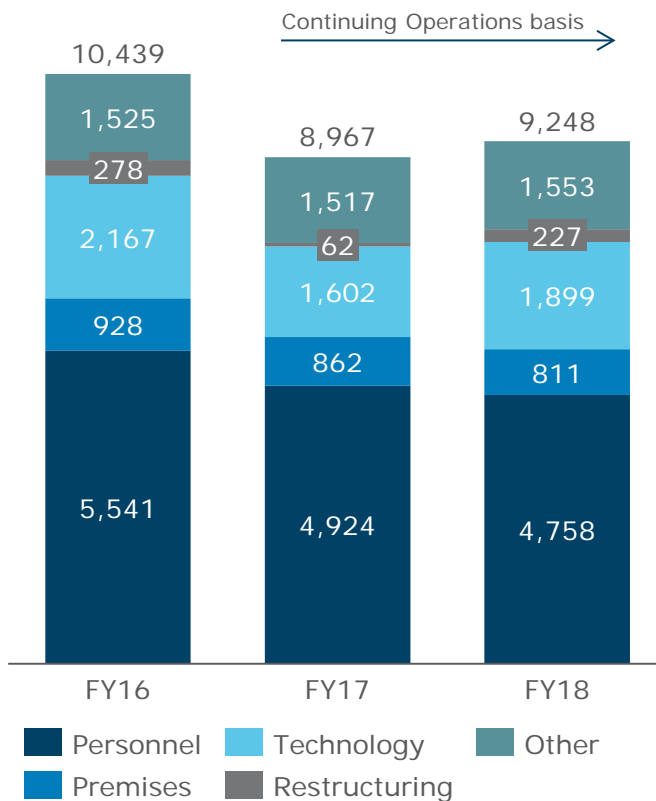
1. Other = Wealth Australia, Asia Retail & Pacific and TSO & Group Centre

# EXPENSES

## CONTINUING OPERATIONS

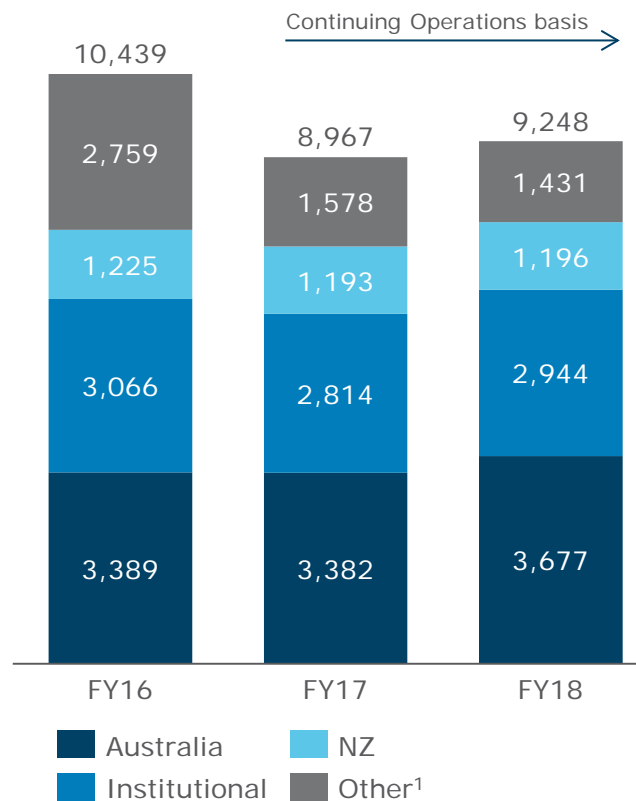
### BY CATEGORY

\$m



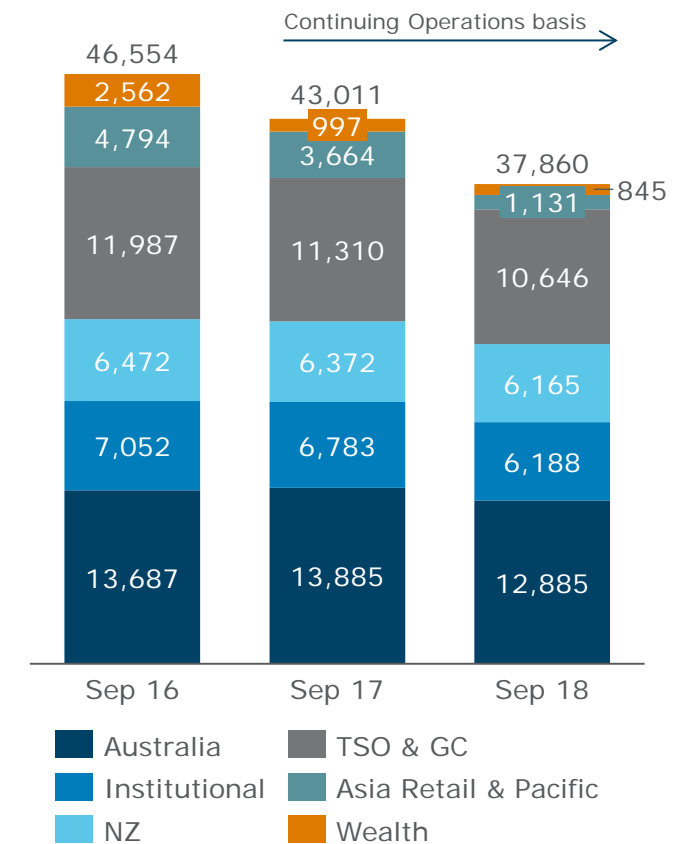
### BY DIVISION

\$m



### FULL TIME EQUIVALENT STAFF

#



1. Other = Wealth Australia, Asia Retail & Pacific and TSO & Group Centre

# AASB 9 FINANCIAL INSTRUMENTS – TRANSITION IMPACT

## ILLUSTRATIVE DAY 1 IMPACT: COLLECTIVE PROVISION BALANCE & COVERAGE

	AASB 139	AASB 9	Increase
<b>Collective Provision balance</b>	\$2,523m	\$3,336m	\$813m
<b>Existing deduction from CET1</b> APRA Basel 3 expected loss in excess of eligible provisions (Non-Defaulted)	\$567m	0	\$246m impact to CET1 <sup>1</sup>
<b>CP balance / CRWA</b>	0.75%	0.99%	24bp increase in coverage

### AASB 9: EFFECTIVE FOR ANZ FROM 1 OCTOBER 2018

- replaces the “incurred loss” impairment model under AASB 139 with a forward looking “expected loss” model
- uses a three-stage approach to measuring expected credit losses (ECL) based on changes in credit risk since origination
- where loans have had a significant increase in credit risk (SICR) since origination, lifetime ECL is applied, otherwise a 12-month ECL is applied
- 4 economic scenarios are applied and probability weighted to determine the expected credit loss for financial assets
- key management judgements and estimates are made in determining:
  - whether a SICR has occurred - using predominantly internal credit rating grades and 30 day past-due arrears data
  - the four economic scenarios (base case, upside, downside & severe downside scenario) and their probability weightings
- Expected day 1 Level 2 CET 1 capital ratio impact of 6bp – remaining unquestionably strong

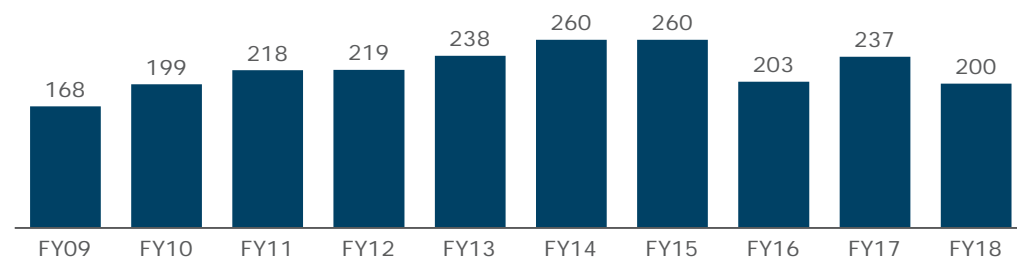
1. For the Non-defaulted book under AASB 9, there is no CET1 impact up to the amount that Regulatory Expected Loss currently exceed Eligible Provisions (in this illustration \$567m). The \$246m CET1 impact is calculated on the increase in the collective provision balance (\$813m in this illustration) above the existing deduction from CET1 (\$567m in this illustration)

# SHAREHOLDER RETURNS

## 10 YEAR PERFORMANCE

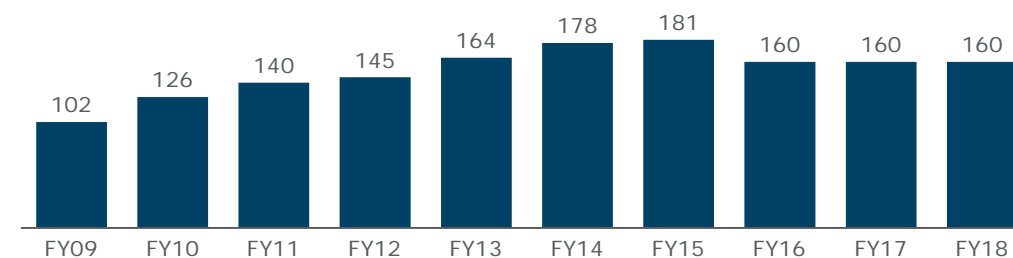
### EARNINGS PER SHARE

cents



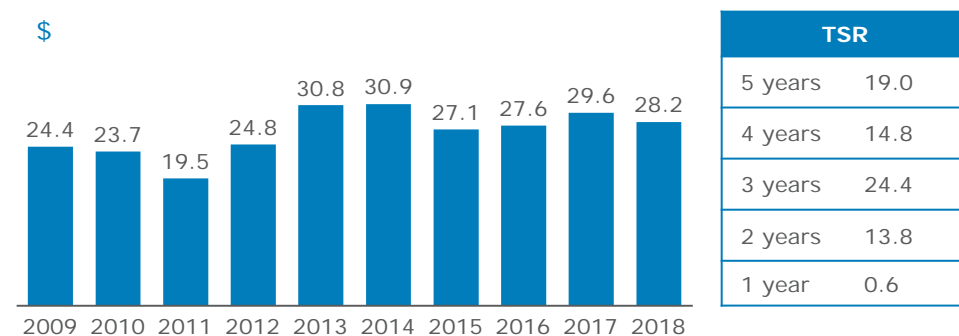
### DIVIDEND PER SHARE

cents



### SHARE PRICE

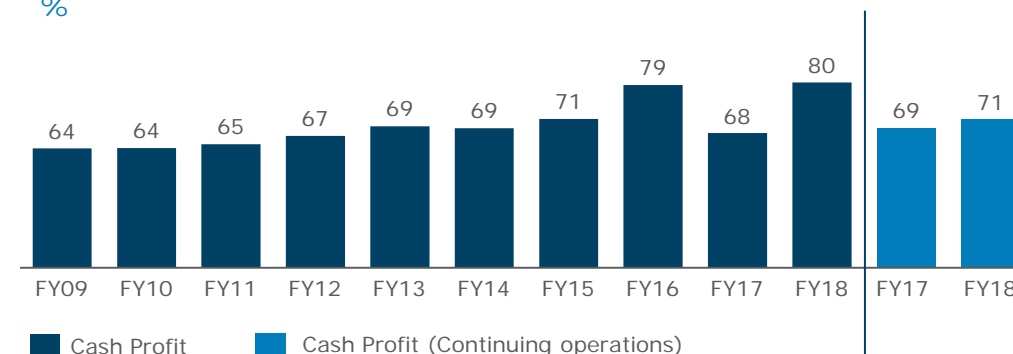
\$



■ Share price close (last trading day in September of the financial year)

### DIVIDEND PAYOUT RATIO

%



■ Cash Profit ■ Cash Profit (Continuing operations)



# 2018 FULL YEAR RESULTS

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**TREASURY**  
INVESTOR DISCUSSION PACK

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED



# REGULATORY CAPITAL

## CAPITAL UPDATE

### Capital Position

- APRA Level 2 CET1 ratio of 11.4% (or 16.8% 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 11.6%.
- APRA Leverage ratio of 5.5% (or 6.1% on an Internationally Comparable basis).
- Completed \$1.9bn of the announced \$3bn on-market share buy-back. Completion of the remaining \$1.1bn is expected by the end of 1H19 subject to market conditions.

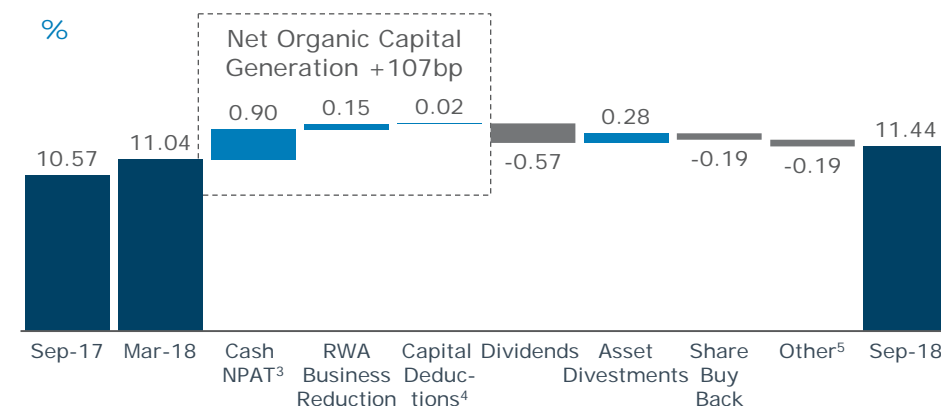
### Organic Capital Generation & Dividend

- Final dividend of 80 cents fully franked.
- Net organic capital generation of 182bp for FY18 and 107bp for 2H18 compares favourably to historical averages (130 bp and 74bp, respectively ex Institutional rebalancing in FY16 and FY17).

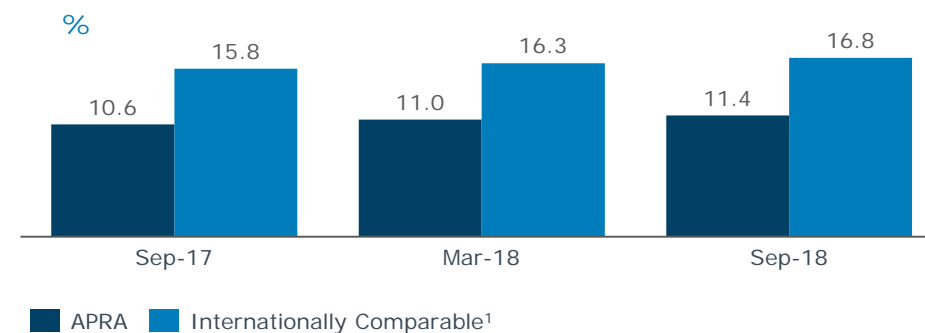
### Capital Outlook

- For the fourth consecutive half, ANZ intends to neutralise the DRP by acquiring these shares on market.
- Completion of the remaining announced asset sales will add ~45bp to the Level 2 CET1 ratio net of completing the \$3bn buy-back announced in FY18.
- This provides flexibility for future capital management, subject to regulatory reviews currently underway and business needs.

## 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. Cash NPAT excludes 'Large/notable' items'. 4. Represents the movement in retained earnings in deconsolidated entities, capitalised software, expected losses in excess of eligible provisions shortfall and other intangibles. 5. Other impacts include large/notable items affecting the September 2018 cash earnings (except for accelerated software amortisation charge which is included in capital deductions), movements in non-cash earnings, RWA modelling changes and net foreign currency translation.

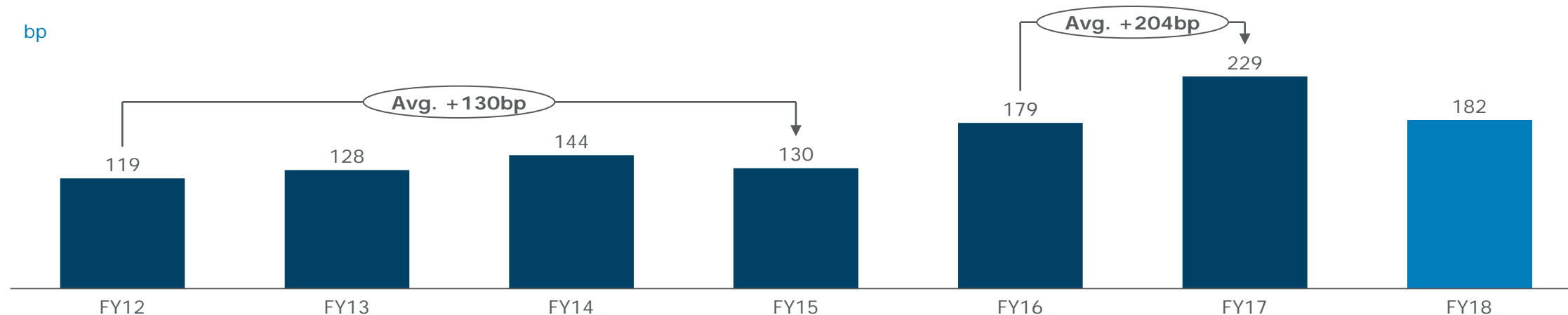
# REGULATORY CAPITAL GENERATION

COMMON EQUITY TIER 1 GENERATION (bp)	Second half average 2H12 – 2H17	2H18	Full Year average FY12- FY17	FY18
Cash NPAT <sup>1</sup>	95	90	191	180
RWA movement	(1)	15	(16)	3
Capital Deductions <sup>2</sup>	(7)	2	(21)	(1)
<b>Net capital generation</b>	<b>87</b>	<b>107</b>	<b>154</b>	<b>182</b>
Gross dividend	(62)	(58)	(130)	(119)
Dividend Reinvestment Plan <sup>3</sup>	12	1	22	2
<b>Core change in CET1 capital ratio</b>	<b>37</b>	<b>50</b>	<b>46</b>	<b>65</b>
Other non-core and non-recurring items	(1)	(10)	4	22
<b>Net change in CET1 capital ratio</b>	<b>36</b>	<b>40</b>	<b>50</b>	<b>87</b>

## Organic Capital Generation

- Net organic capital generation of +182bp for FY18 and +107bp for 2H18 are stronger than historical averages by +28bp and +20bp respectively.
- The above increase to +52bp and +33bp respectively if compared to the periods prior to Institutional portfolio rebalancing.

## HISTORICAL NET ORGANIC CAPITAL GENERATION



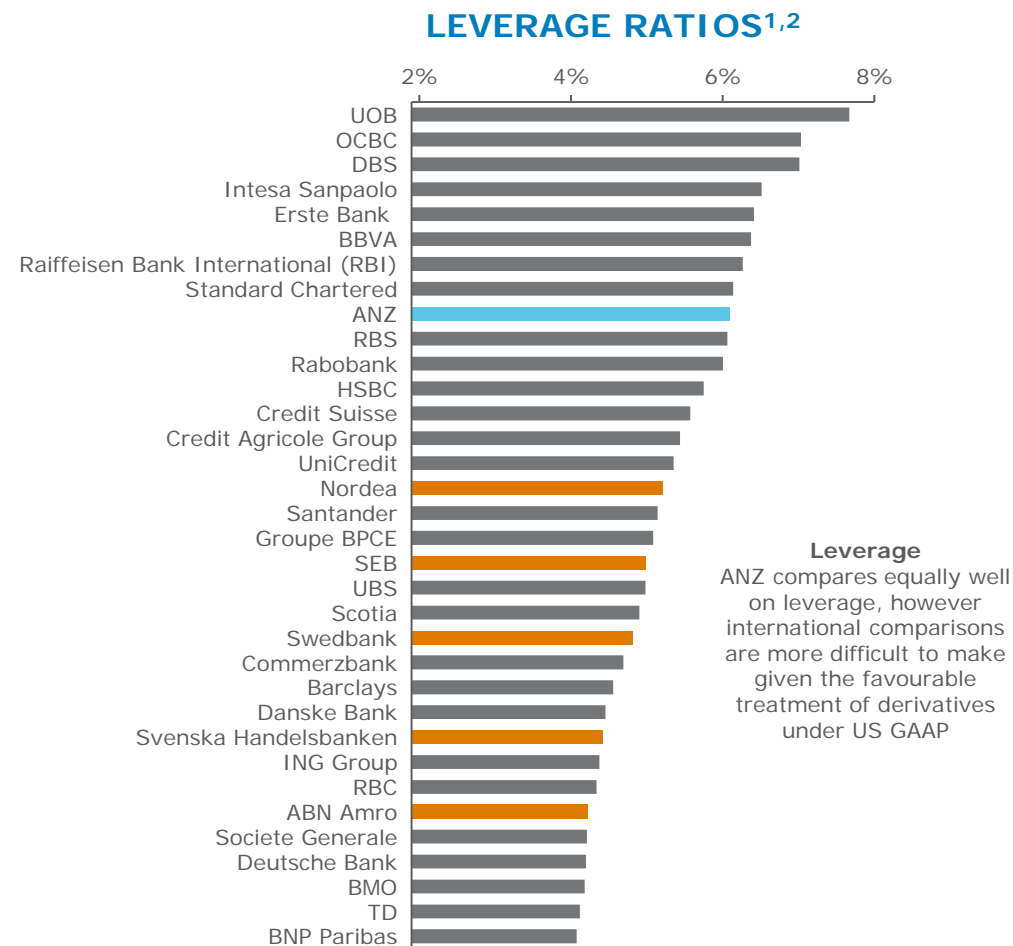
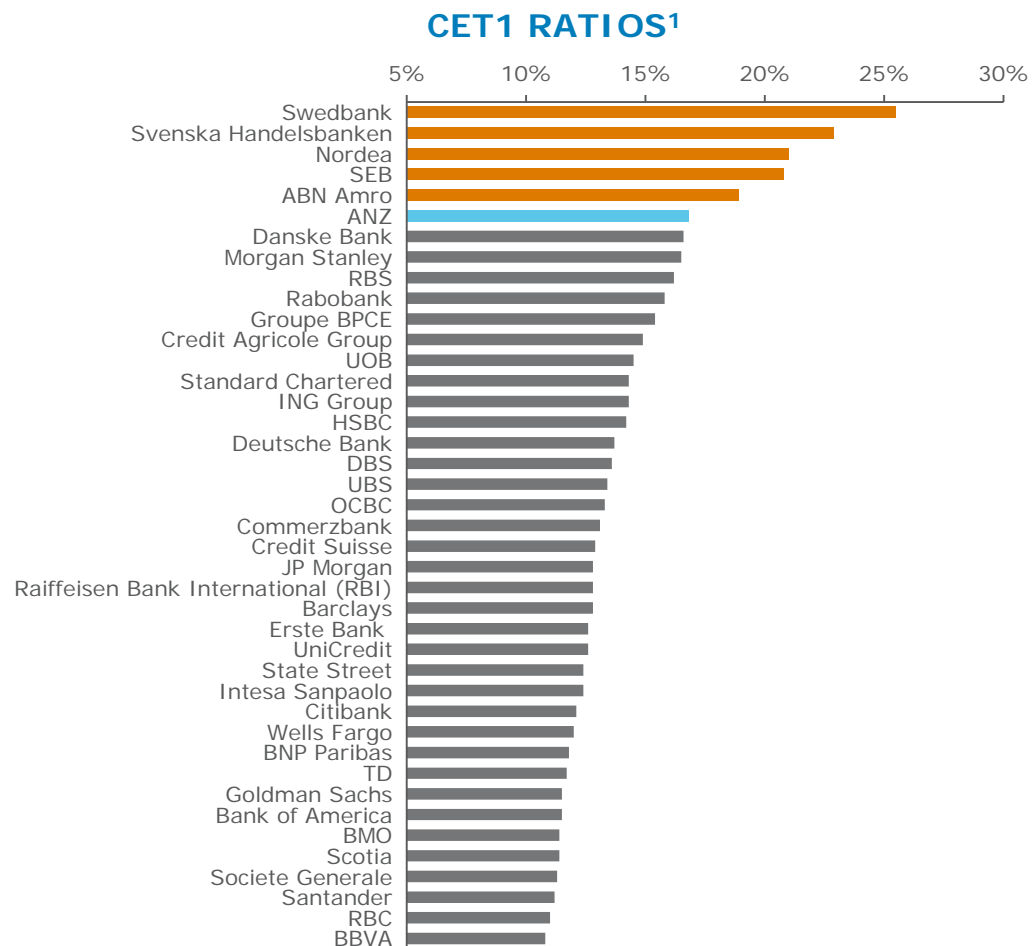
1. Cash NPAT for 2H18 and FY18 excludes 'large/notable items' (which are included as "capital deductions" and "other non-core and non-recurring items").
2. Represents movement in retained earnings in deconsolidated entities, capitalised software, expected losses in excess of eligible provisions shortfall and other intangibles.
3. Includes Bonus Option Plan.

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

<b>APRA Level 2 CET1 – 30 September 2018</b>		<b>11.4%</b>
Corporate undrawn EAD and unsecured LGD adjustments	Australian ADI unsecured corporate lending LGDs and undrawn CCFs exceed those applied in many jurisdictions	1.6%
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.	1.4%
Specialised Lending	APRA requires supervisory slotting approach which results in more conservative risk weights than under Basel framework	0.7%
IRRBB RWA	APRA includes in Pillar 1 RWA. This is not required under the Basel framework	0.3%
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>16.8%</b>
<b>Basel III Internationally Comparable Tier 1 Ratio</b>		<b>19.2%</b>
<b>Basel III Internationally Comparable Total Capital Ratio</b>		<b>21.6%</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.

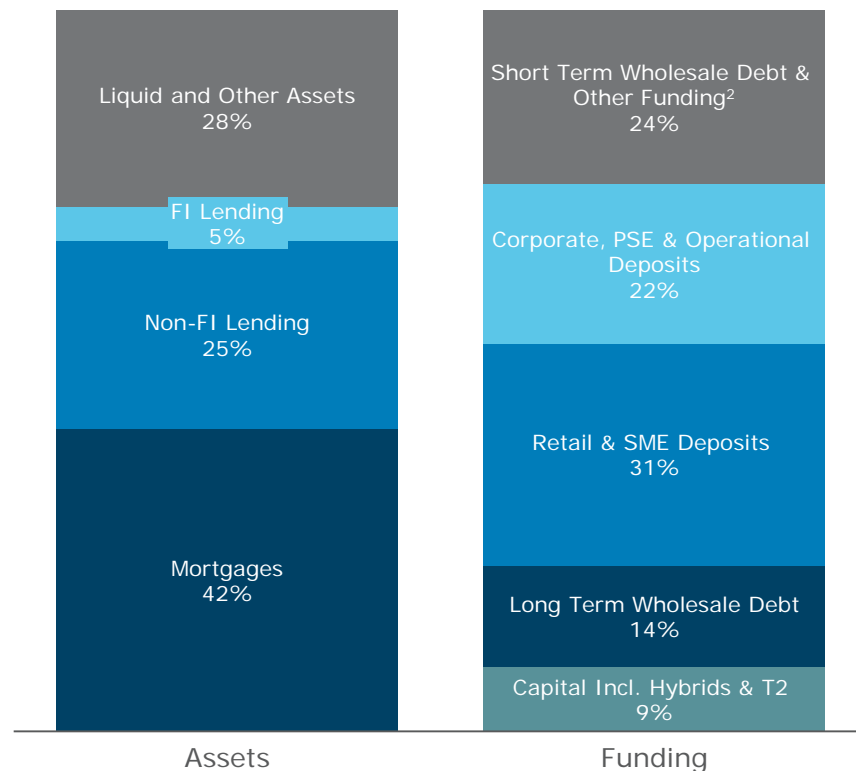
# CET1 AND LEVERAGE IN A GLOBAL CONTEXT



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.

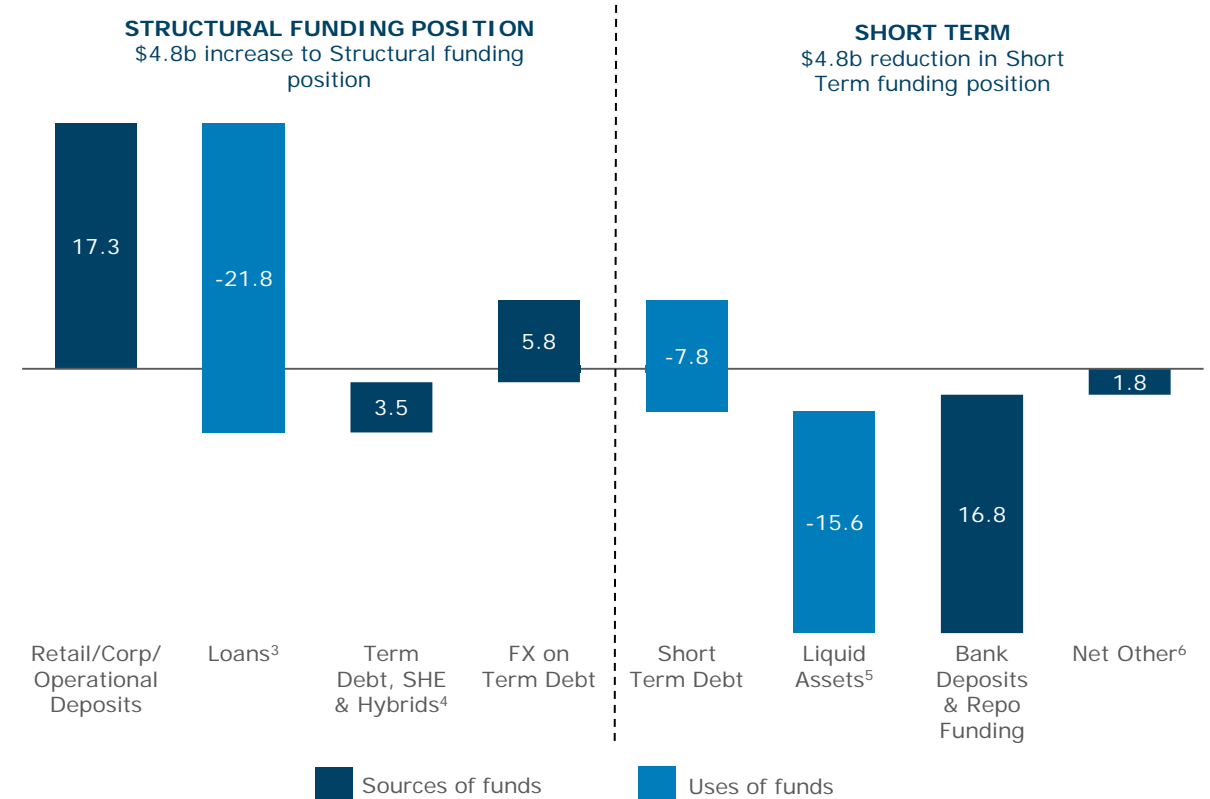
# BALANCE SHEET STRUCTURE

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



## SOURCES AND USES OF FUNDS

Sep 2017 to Sep 2018  
\$b

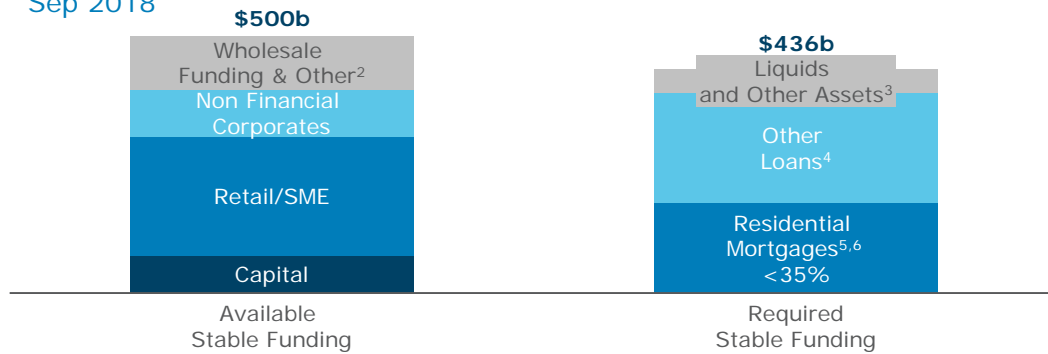


1. Based on NSFR Required Stable Funding (RSF) and Available Stable Funding (ASF) categories per APS 210. 2. Includes FI/Bank deposits, Repo funding, and other short dated liabilities. 3. Excludes interbank, repo loans and bills of acceptances. 4. Term Debt & Hybrid issuance, net of maturities. 5. Includes \$1.9bn mandatory and \$13.7bn discretionary liquids growth. 6. Includes interest accruals, provisions, payables and net tax liabilities, payables and other liabilities.

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

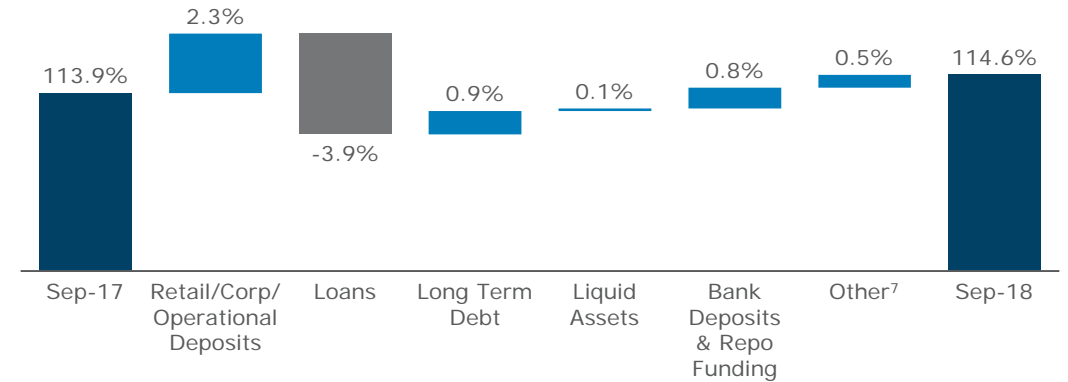
## NSFR COMPOSITION

Sep 2018



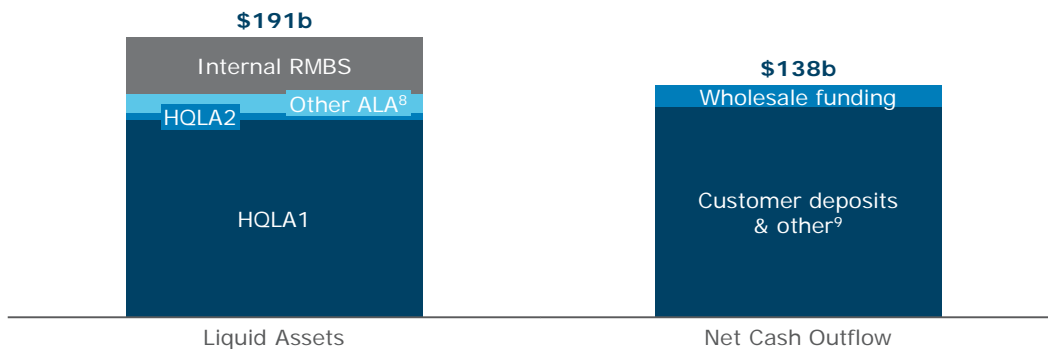
## NSFR MOVEMENT

Sep 2017 v Sep 2018



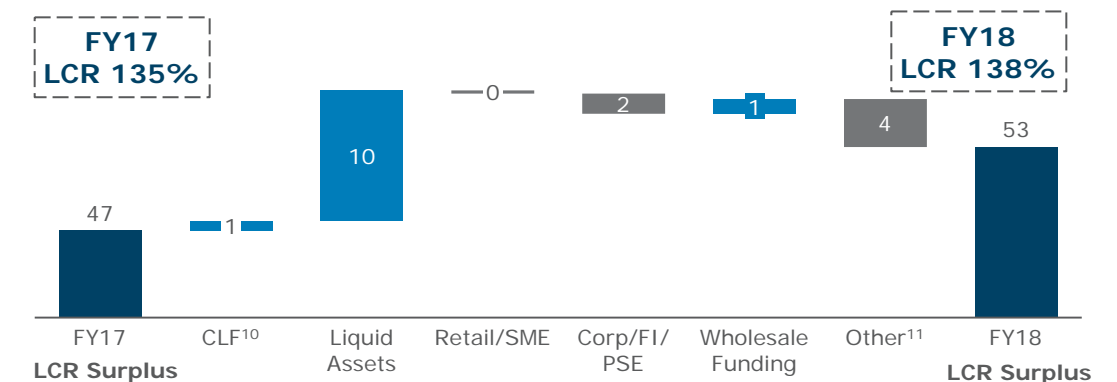
## LCR COMPOSITION (AVERAGE)

Sep 2018



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

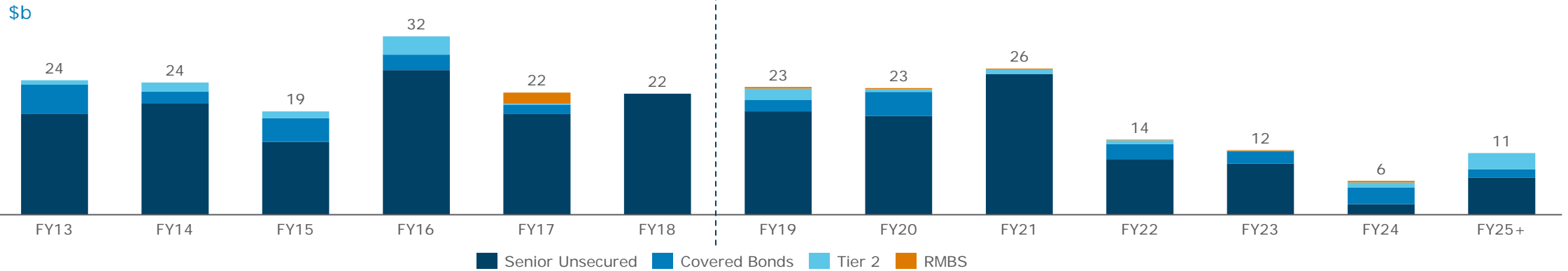
Sep 2017 v Sep 2018



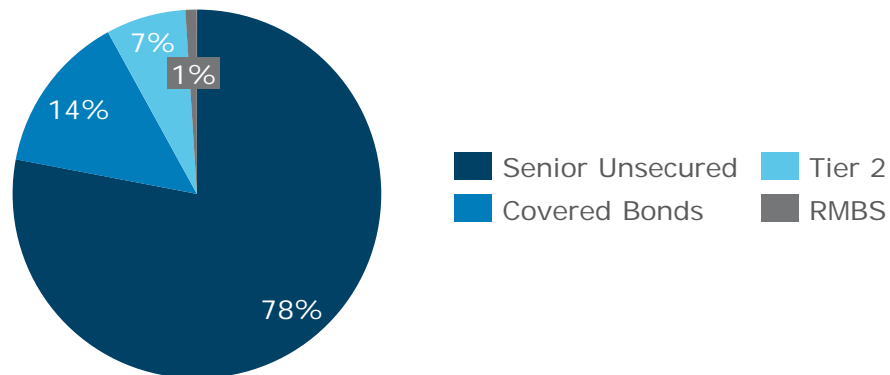
1. All figures shown on a Level 2 basis as per APRA Prudential Standard APS210. 2. 'Other' includes Sovereign, and non-operational FI Deposits. 3. 'Other Assets' include Off Balance Sheet, Derivatives, Fixed Assets and Other Assets. 4. All lending >35% Risk weight. 5. Includes NSFR impact of self-securitised 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 \$3.1b from 1 January 2018 to \$46.9b (2017: \$43.8b, 2016: \$50.3b). 11. 'Other' includes off-balance sheet and cash inflows.

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

## ISSUANCE

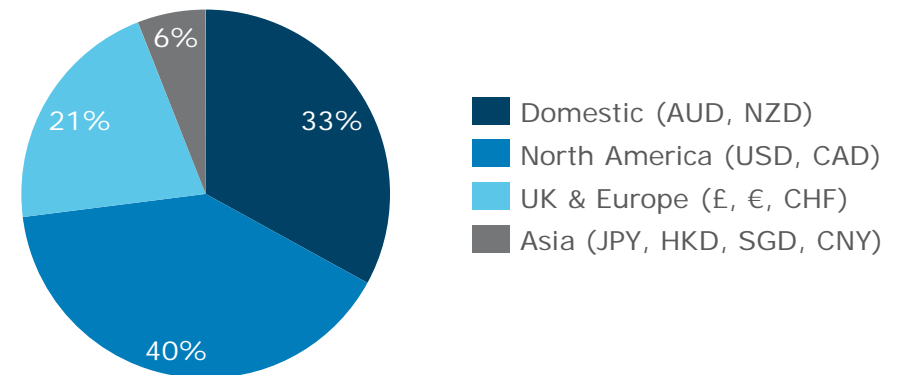


## PORTFOLIO



## MATURITIES

## 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 initial reporting date. Tier 2 maturity profile is based on the next callable date.



# 2018 FULL YEAR RESULTS

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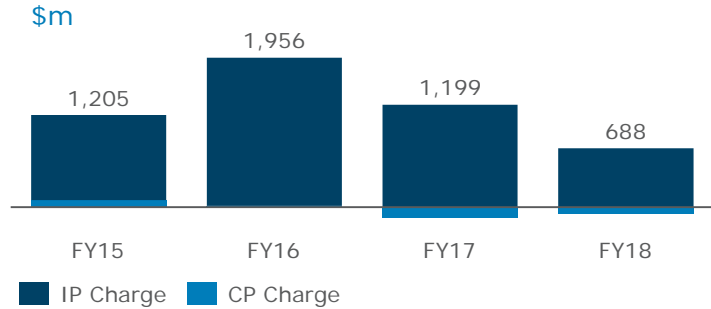
**RISK MANAGEMENT**  
INVESTOR DISCUSSION PACK

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED

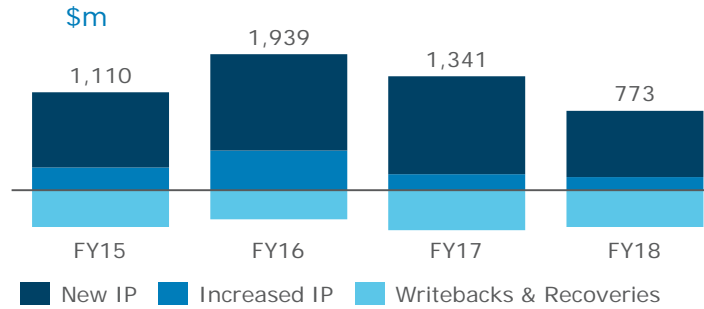


# KEY RISK METRICS

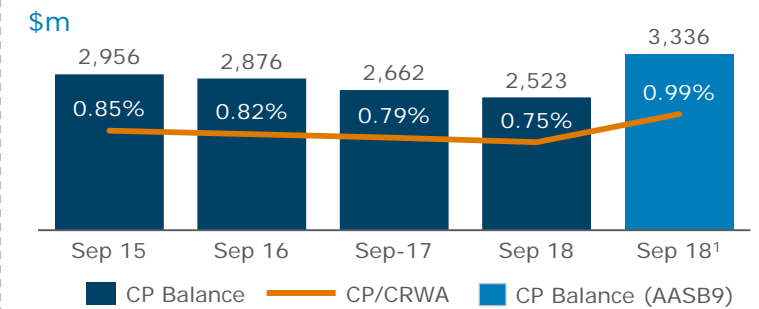
## CREDIT IMPAIRMENT CHARGE



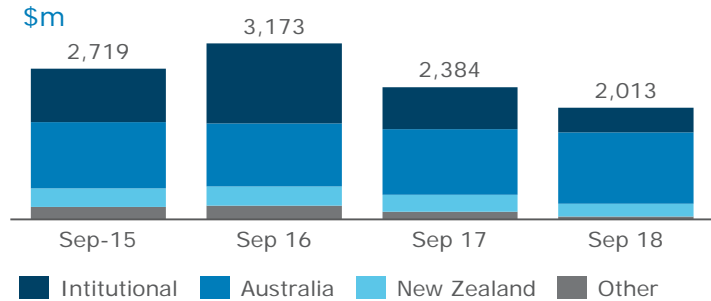
## INDIVIDUAL PROVISION CHARGE



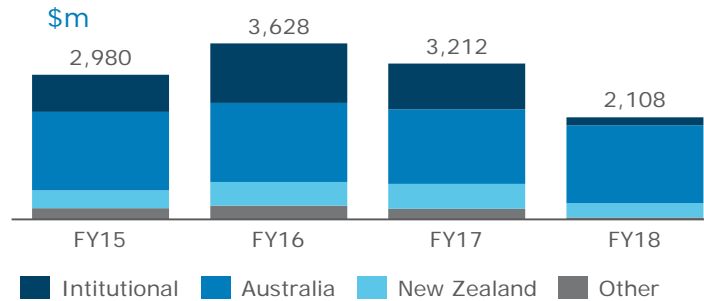
## CP BALANCE & COVERAGE



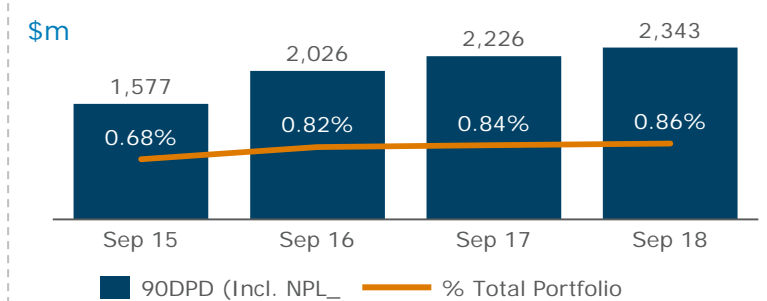
## GROSS IMPAIRED ASSETS



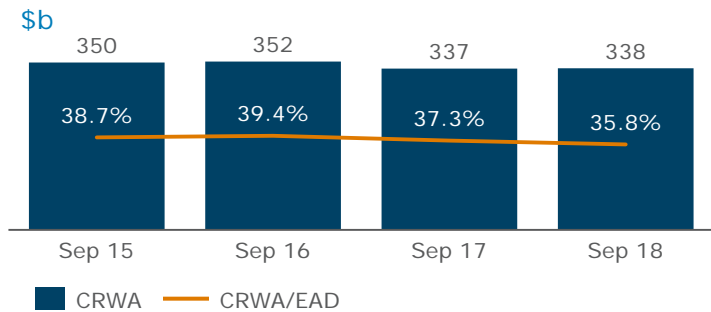
## NEW IMPAIRED ASSETS



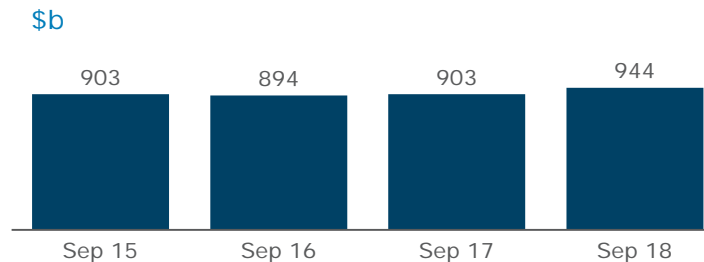
## AUSTRALIA MORTGAGES 90DPD (INCL NPL)



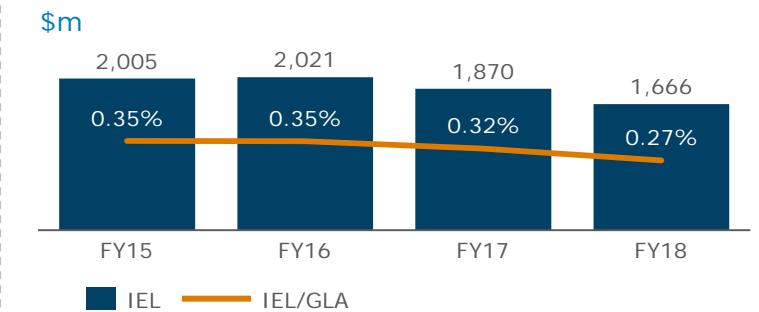
## CREDIT RWA



## EXPOSURE AT DEFAULT



## INTERNAL EXPECTED LOSS

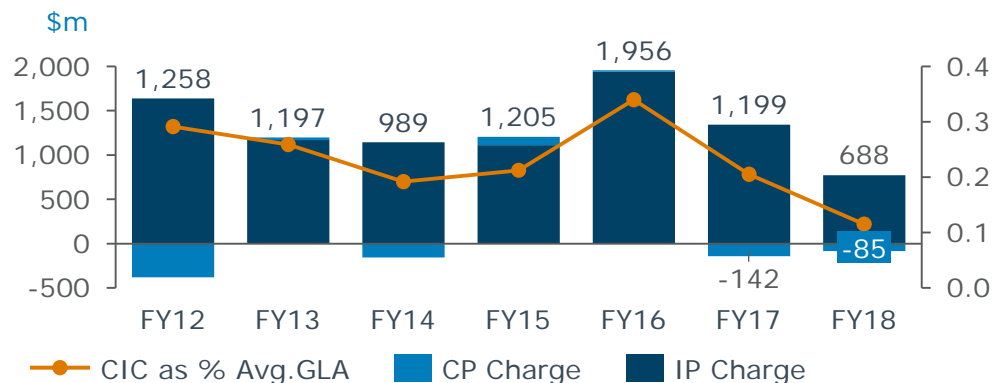


1. Transition balance as at 30 September under AASB9

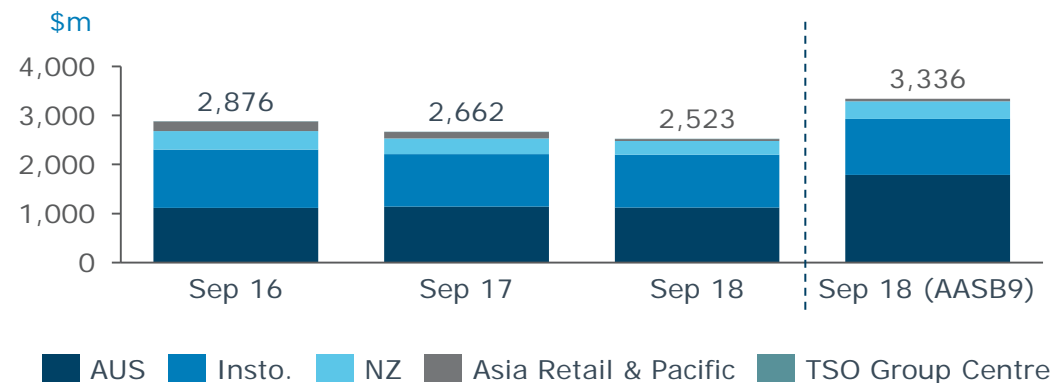
# RISK MANAGEMENT

## TOTAL & COLLECTIVE PROVISION (CP) CHARGE

### TOTAL PROVISION CHARGE



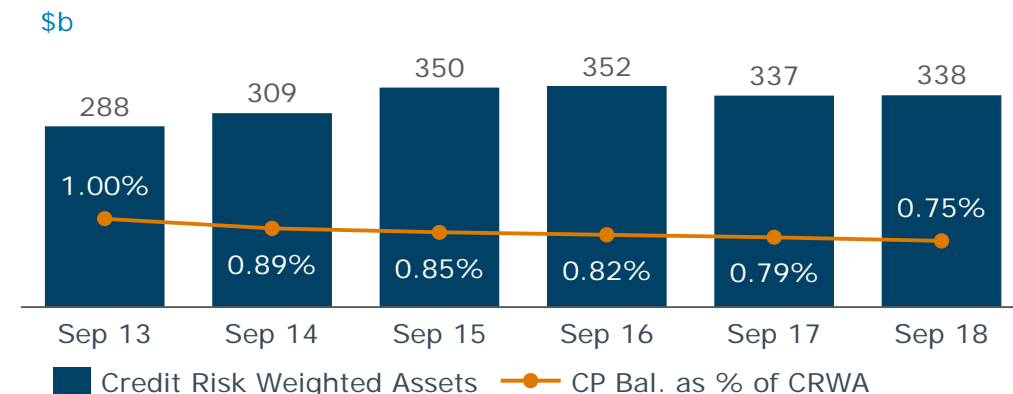
### CP BALANCE BY DIVISION



### TOTAL PROVISION CHARGE COMPOSITION

	1H15	2H15	1H16	2H16	1H17	2H17	1H18	2H18
<b>CIC</b>	<b>510</b>	<b>695</b>	<b>918</b>	<b>1,038</b>	<b>720</b>	<b>479</b>	<b>408</b>	<b>280</b>
<b>CP Composition</b>								
Lending Growth	54	50	56	-59	-30	-18	0	-4
Change in Risk/Portfolio Mix	8	62	-30	50	-78	-91	2	-108
Eco Cycle <sup>1</sup>	-7	-72	0	0	41	34	-24	49
<b>CP Total</b>	<b>55</b>	<b>40</b>	<b>26</b>	<b>-9</b>	<b>-67</b>	<b>-75</b>	<b>-22</b>	<b>-63</b>

### CRWA & CP AS A % OF CRWA



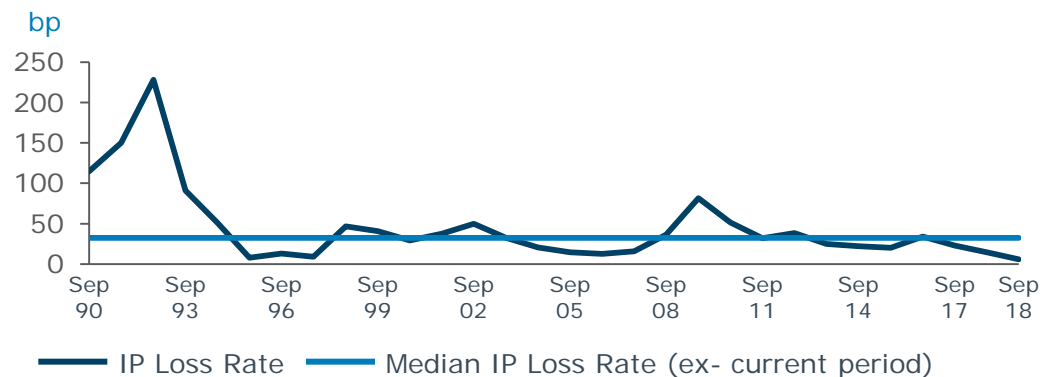
IP: Individual Provision charge; CP: Collective Provision charge; CIC: Total Credit Impairment charge

1. FY18 Eco Cycle charge includes overlays for Drought: \$40m, Home Loans: \$20m and releases for NZ Agri: -\$23m and Australia Retail Trade: -\$12m

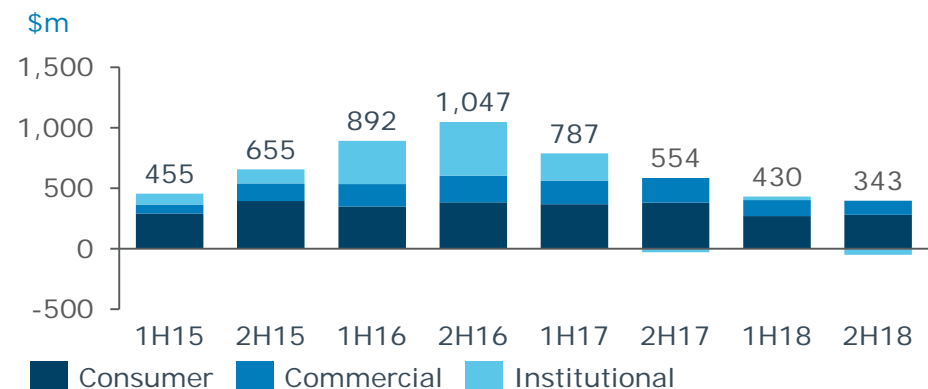
# RISK MANAGEMENT

## INDIVIDUAL PROVISION (IP) CHARGE

### ANZ HISTORICAL LOSS RATES



### IP CHARGE BY SEGMENT

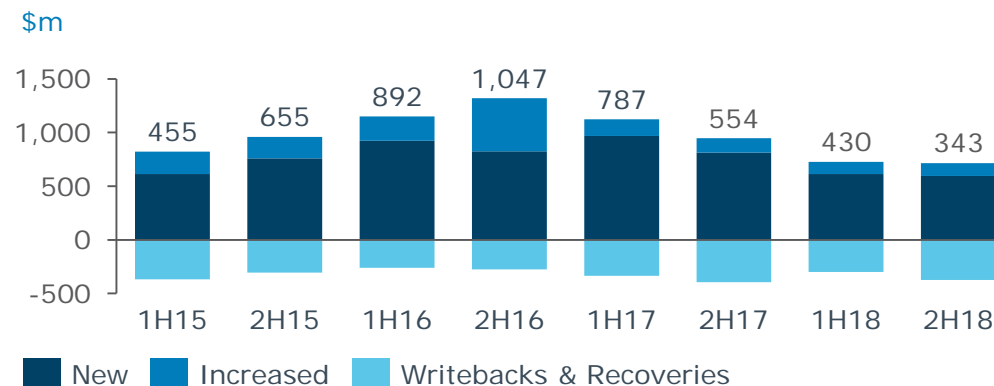


### INTERNAL EXPECTED LOSS

%

	Mar 16	Sep 16	Mar 17	Sep 17	Mar 18	Sep 18
Australia Div.	0.35	0.33	0.33	0.33	0.31	0.29
New Zealand Div.	0.25	0.26	0.26	0.22	0.21	0.19
Institutional Div.	0.37	0.36	0.35	0.30	0.32	0.27
Other	1.47	1.79	1.60	1.69	1.95	1.78
<b>Subtotal</b>	<b>0.34</b>	<b>0.33</b>	<b>0.33</b>	<b>0.30</b>	<b>0.29</b>	<b>0.27</b>
Asia Retail <sup>1</sup>	1.50	1.51	1.51	2.75	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>

### IP CHARGE COMPOSITION

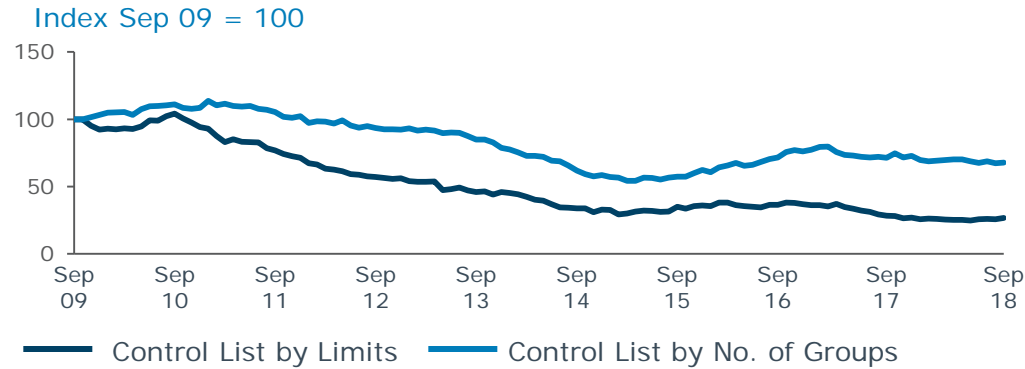


1. Asia Retail portfolio size by Net loans & Advances: Mar 17=\$10.1b , Sep 17=\$3.3b, Mar 18=\$15m, Sep-18=\$14m. Excludes Pacific.

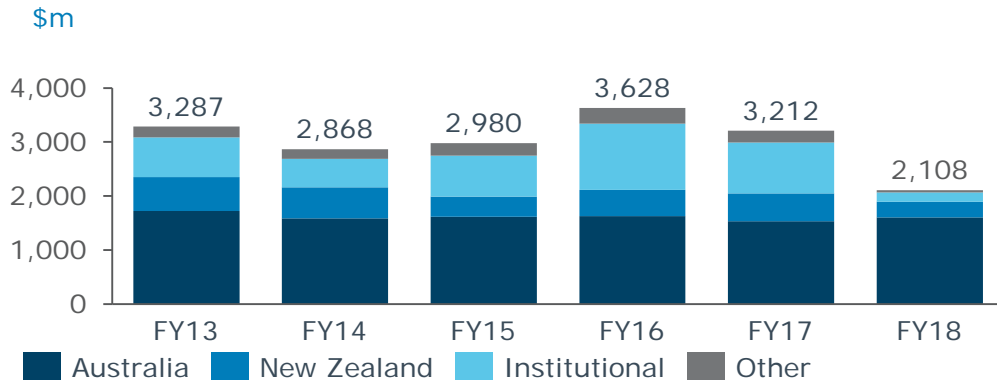
# RISK MANAGEMENT

## IMPAIRED ASSETS

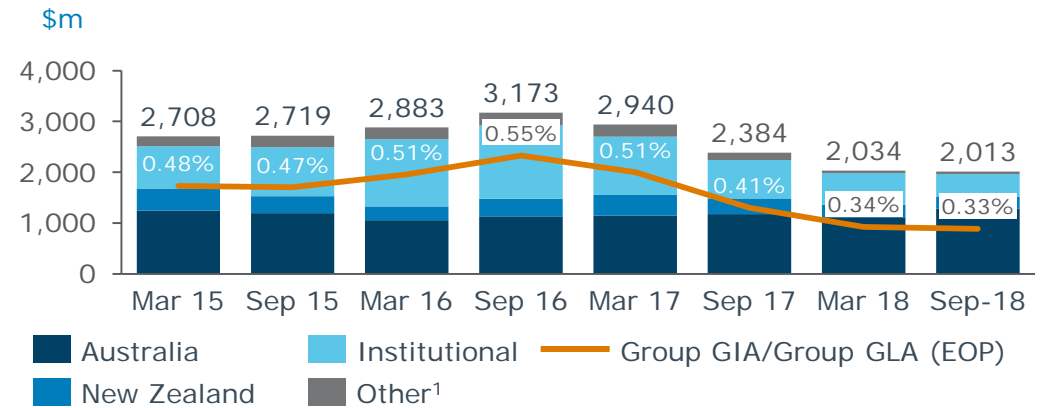
### CONTROL LIST



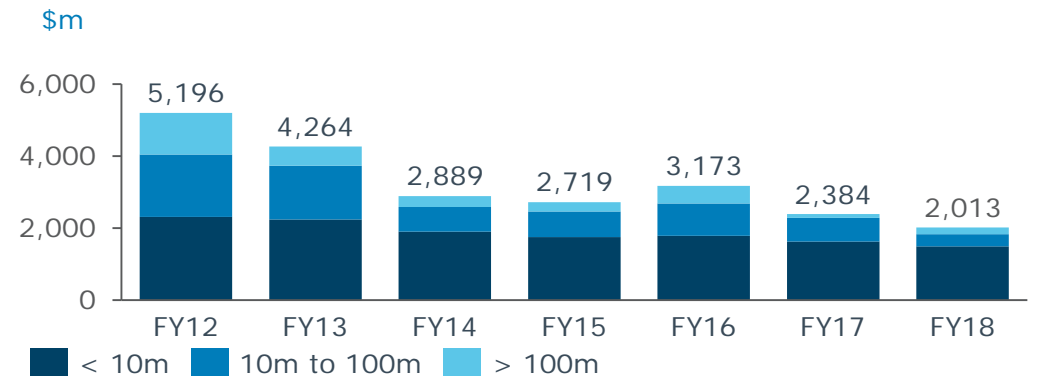
### NEW IMPAIRED ASSETS BY DIVISION



### GROSS IMPAIRED ASSETS BY DIVISION



### GROSS IMPAIRED ASSETS BY EXPOSURE SIZE



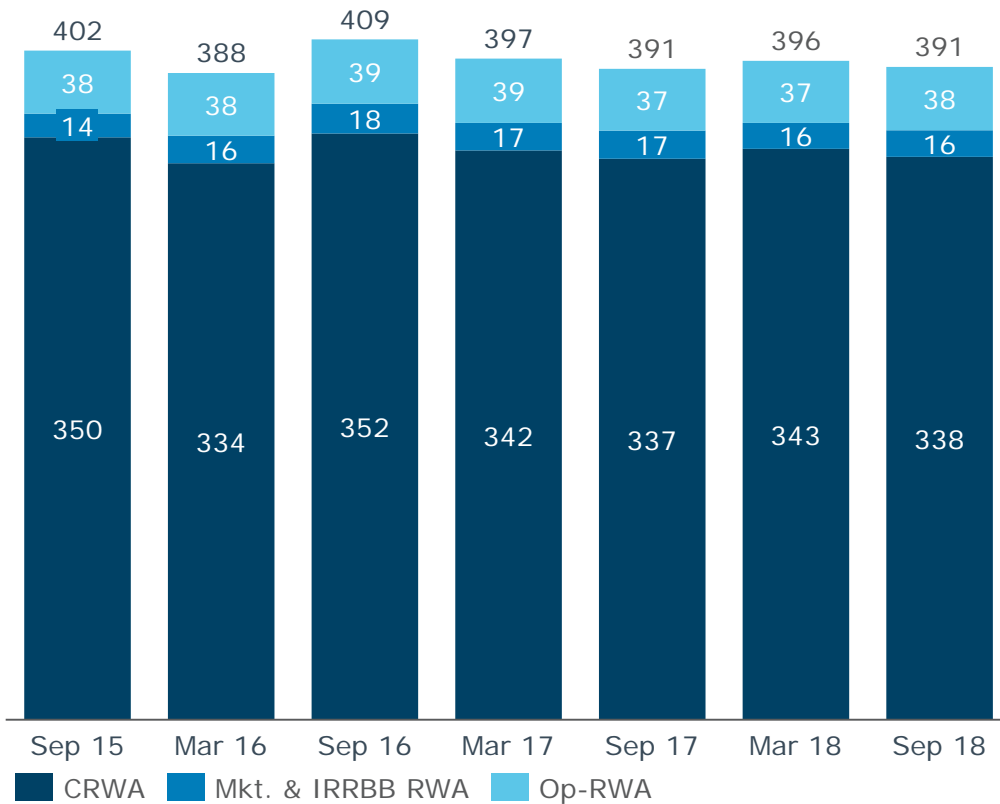
1. Other includes Retail Asia & Pacific and Australian Wealth.

# RISK MANAGEMENT

## RISK WEIGHTED ASSETS

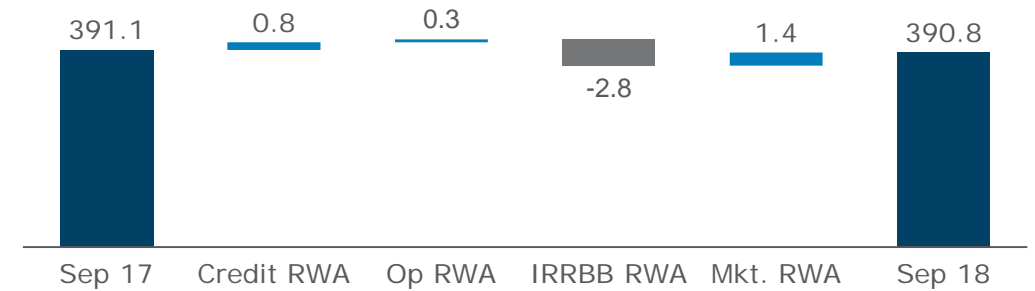
### TOTAL RISK WEIGHTED ASSETS

\$b



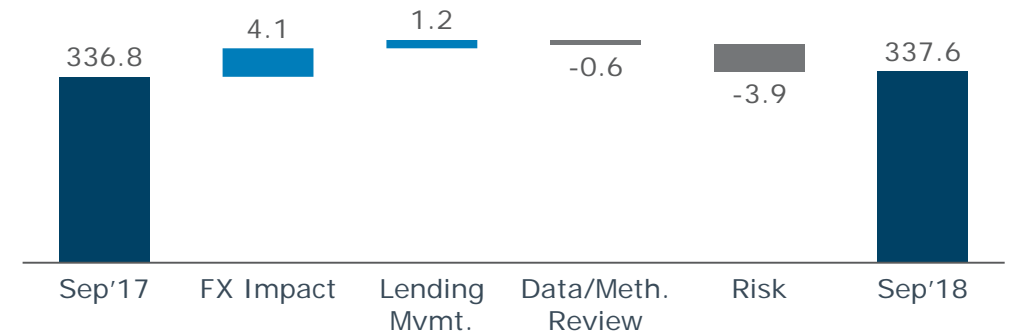
### TOTAL RWA MOVEMENT

\$b



### CRWA MOVEMENT

\$b

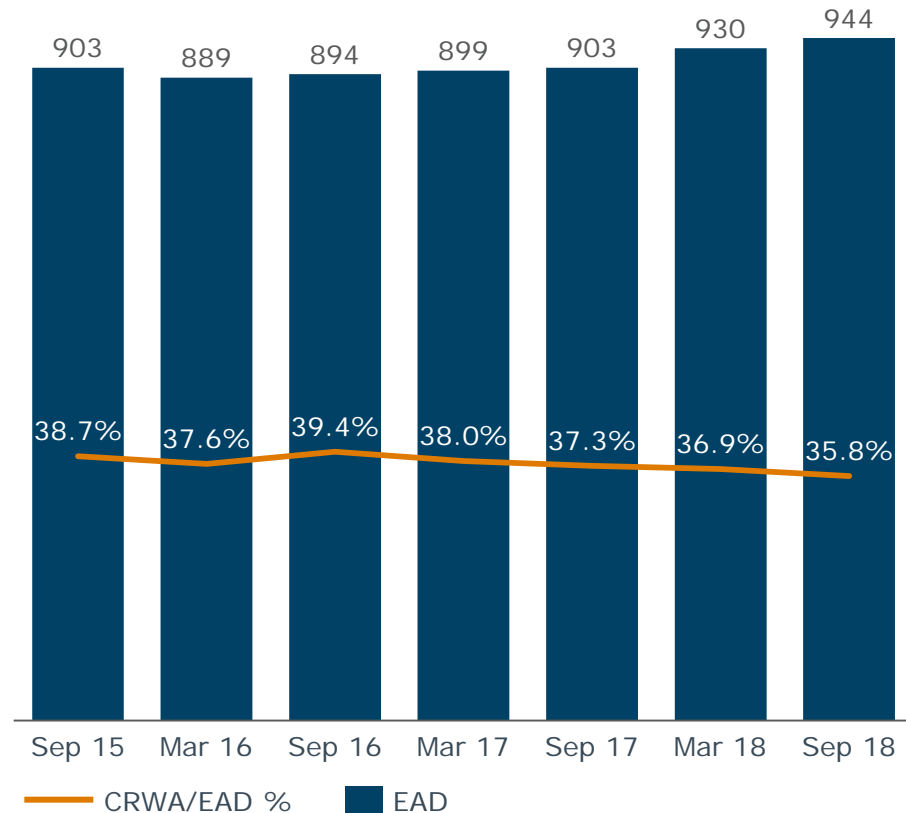


# RISK MANAGEMENT

## RISK WEIGHTED ASSETS

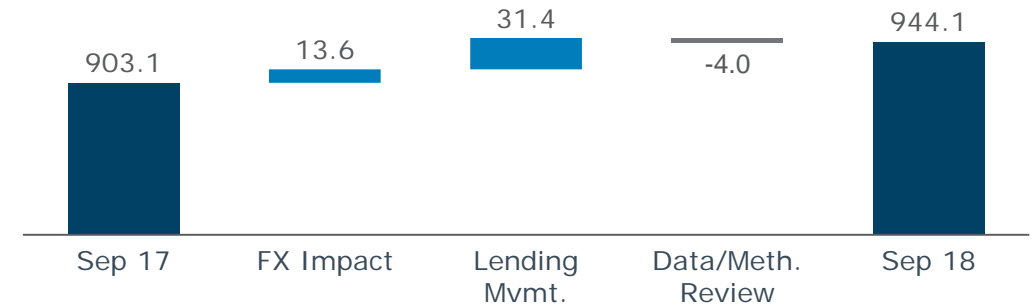
### GROUP EAD<sup>1</sup> & CRWA's

\$b



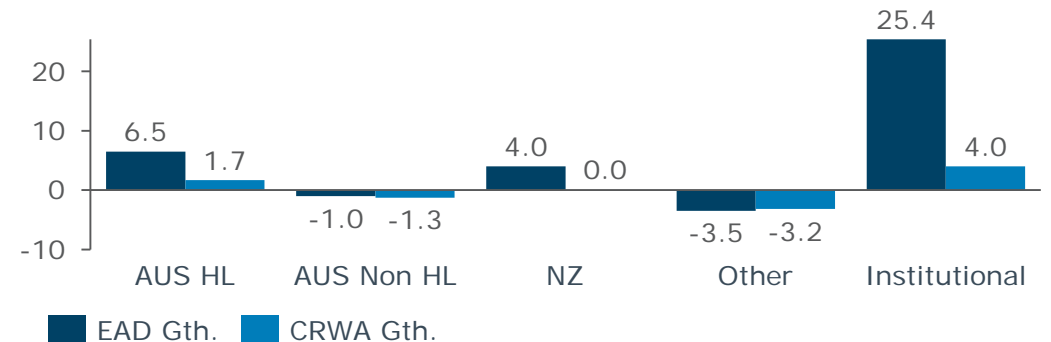
### GROUP EAD<sup>1</sup> MOVEMENT

(\$b)



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

SEP 18 v SEP 17 (\$b)

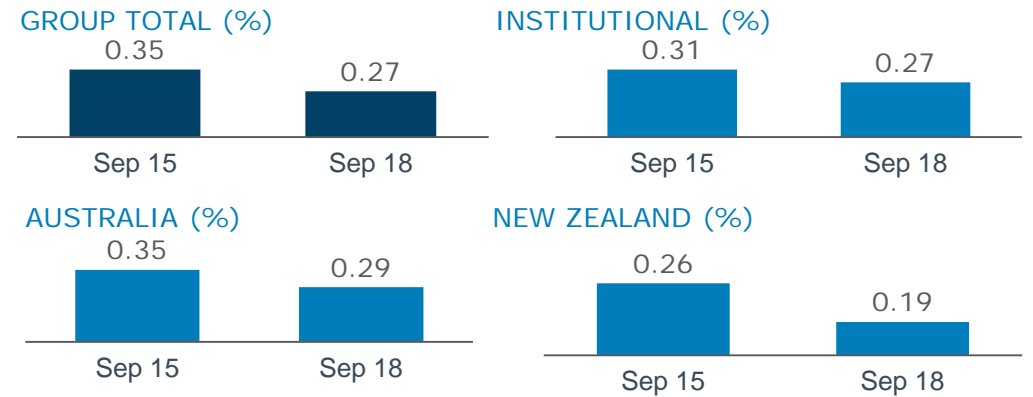


1. Post CRM EAD, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Excludes amounts for 'Securitisation' and 'Other Assets' Basel asset classes.  
 2. Refers to lending movement, excluding FX Impact, Data/Meth Review and Risk.

# IMPROVING PORTFOLIO RISK PROFILE

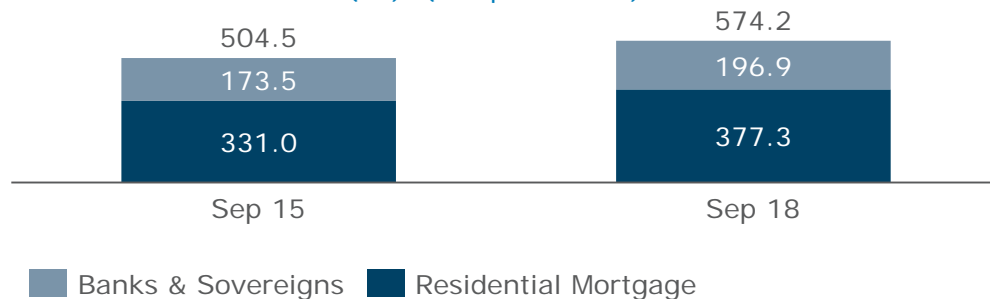
ACTIONS TAKEN TO IMPROVE RISK PROFILE	
Sold Asia Retail & Wealth businesses	(IEL 151bp) <sup>1</sup>
Sold Esanda Dealer Finance business	(IEL 100bp) <sup>2</sup>
Largely exited Emerging Corporate portfolio in Asia	(IEL 41bp) <sup>1</sup>
Restricted growth in Australia unsecured retail lending	
Increased Institutional investment grade exposures	85% (Sep 18) 81% (Sep 15)
Focused housing growth to priority segments of Principal & Interest and Owner Occupier loans	

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



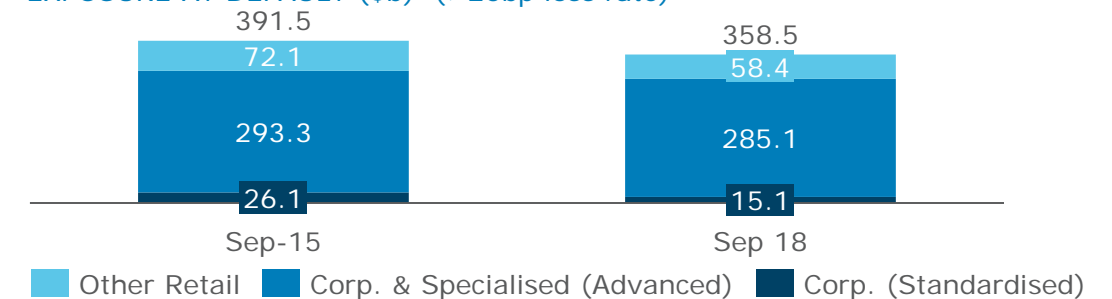
## LOWER LOSS RATE ASSET CLASSES

EXPOSURE AT DEFAULT (\$b) (<5bp loss rate)



## HIGHER LOSS RATE ASSET CLASSES

EXPOSURE AT DEFAULT (\$b) (>20bp loss rate)

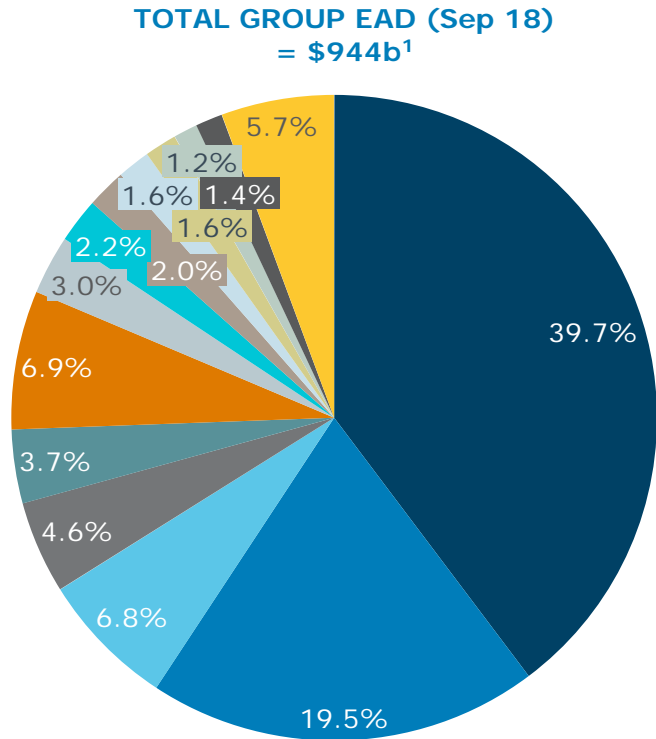


1. Internal expected loss as at September 2016  
2. Internal expected loss as at September 2015

# RISK MANAGEMENT

## PORTFOLIO COMPOSITION

### EXPOSURE AT DEFAULT (EAD) AS A % OF GROUP TOTAL



Category	% of Group EAD		% of Portfolio in Non Performing		Portfolio Balance in Non Performing
	Sep 17	Sep 18	Sep 17	Sep 18	Sep 18
Consumer Lending	41.5%	39.7%	0.1%	0.1%	\$448
Finance, Investment & Insurance	17.2%	19.6%	0.0%	0.0%	\$81
Property Services	6.6%	6.8%	0.3%	0.3%	\$174
Manufacturing	4.5%	4.6%	0.7%	0.4%	\$171
Agriculture, Forestry, Fishing	3.8%	3.7%	1.2%	1.1%	\$388
Government & Official Institutions	7.2%	6.9%	0.0%	0.0%	\$0
Wholesale trade	3.0%	3.0%	0.5%	0.3%	\$91
Retail Trade	2.3%	2.2%	0.8%	0.9%	\$187
Transport & Storage	2.0%	2.0%	0.7%	0.2%	\$44
Business Services	1.7%	1.6%	1.1%	0.9%	\$134
Resources (Mining)	1.5%	1.6%	1.2%	0.3%	\$47
Electricity, Gas & Water Supply	1.3%	1.2%	0.1%	0.1%	\$16
Construction	1.4%	1.4%	2.3%	1.7%	\$223
Other	6.0%	5.7%	0.6%	0.4%	\$199
<b>Total</b>	<b>100%</b>	<b>100%</b>			<b>\$2,203m</b>
<b>Total Group EAD<sup>1</sup></b>	<b>\$903b</b>	<b>\$944b</b>			

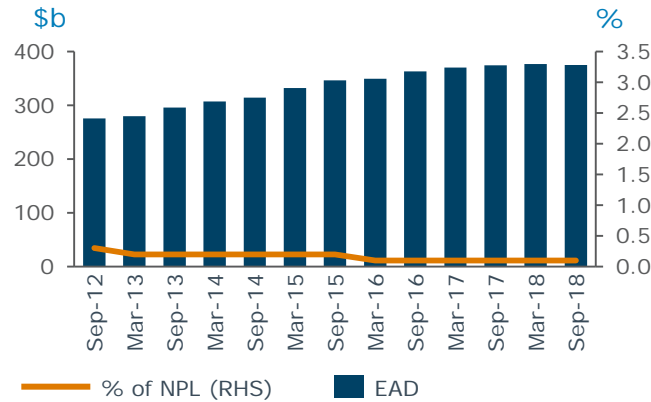
1. EAD excludes amounts for 'Securitisation' and 'Other Assets' Basel classes and manual adjustments. Data provided is as at Sep 18 on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral.



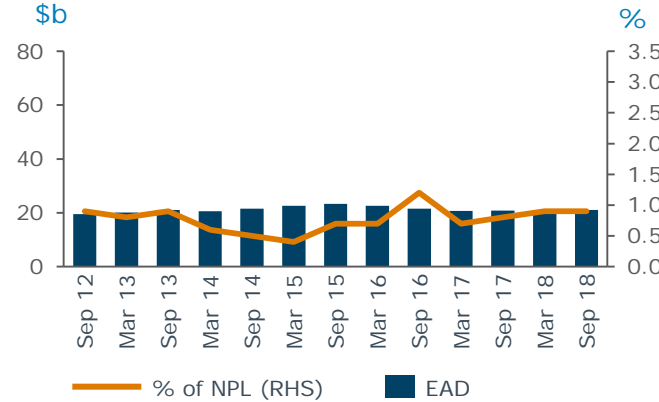
# PORTFOLIO TREND

## PERCENTAGE OF PORTFOLIO IN NON PERFORMING

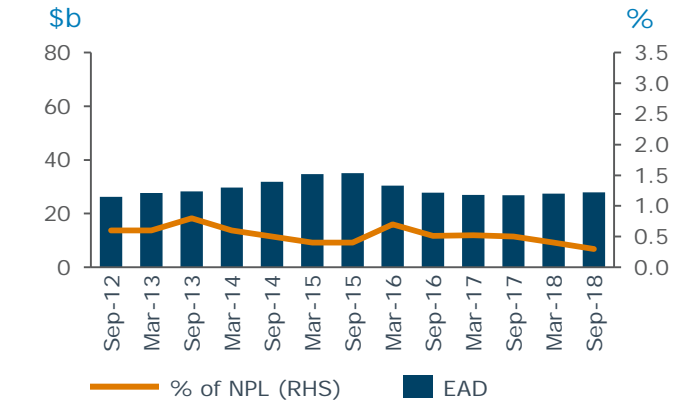
### CONSUMER LENDING



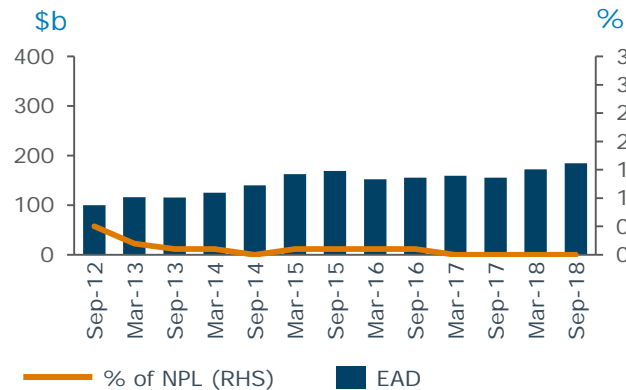
### RETAIL TRADE



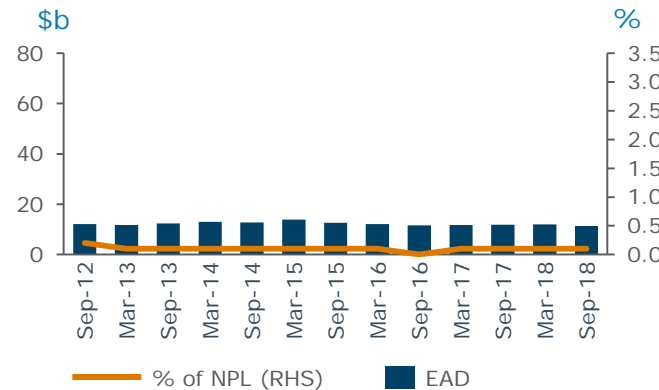
### WHOLESALE TRADE



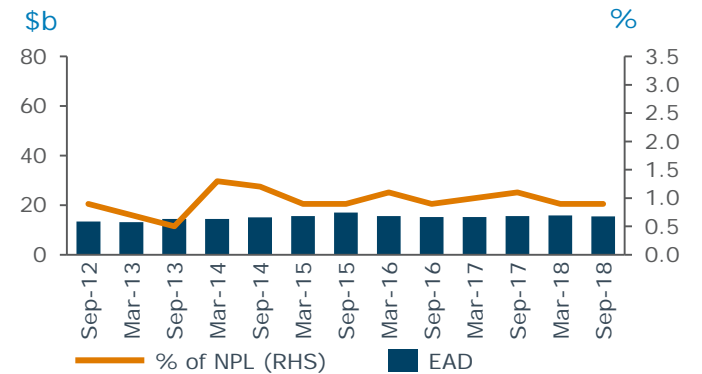
### FINANCE, INVEST. & INSURANCE



### ELEC, GAS & WATER SUPPLY



### BUSINESS SERVICES

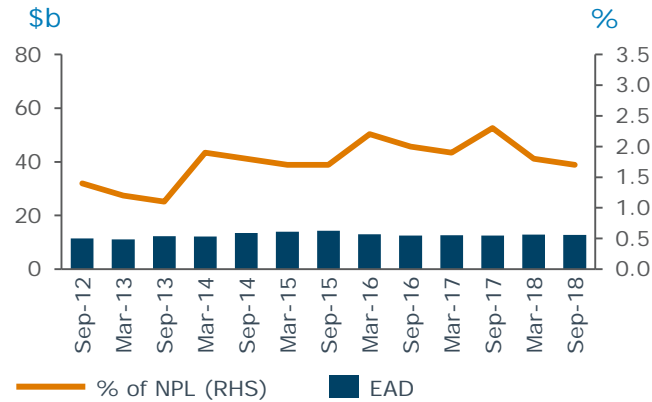


Note: % of portfolio in non performing = % of segment non performing exposures as a % of total segment exposures.

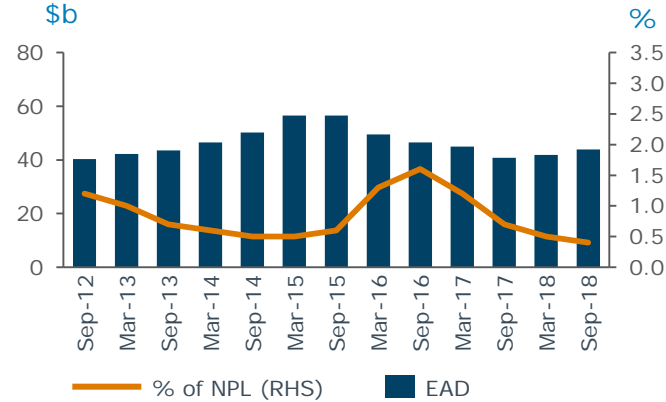
# PORTFOLIO TREND

## PERCENTAGE OF PORTFOLIO IN NON PERFORMING

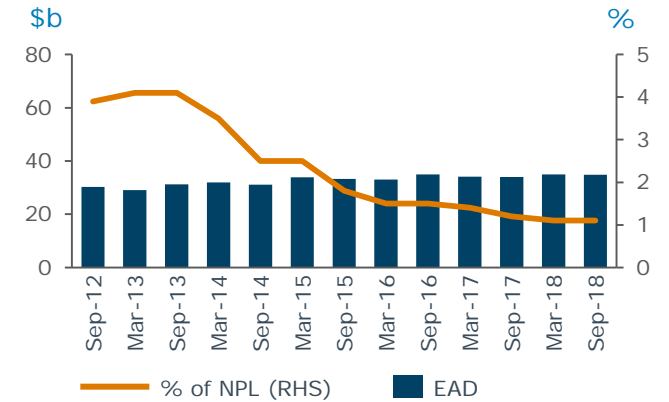
### CONSTRUCTION



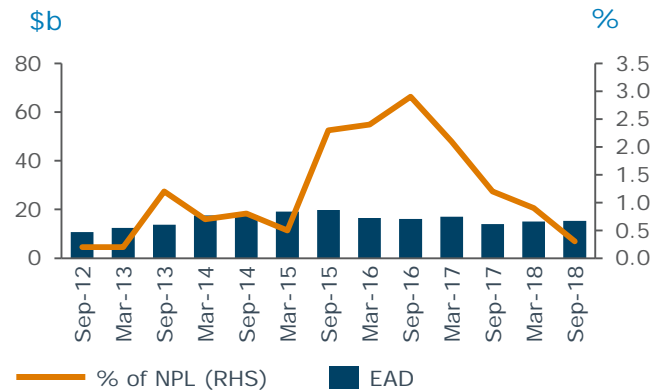
### MANUFACTURING



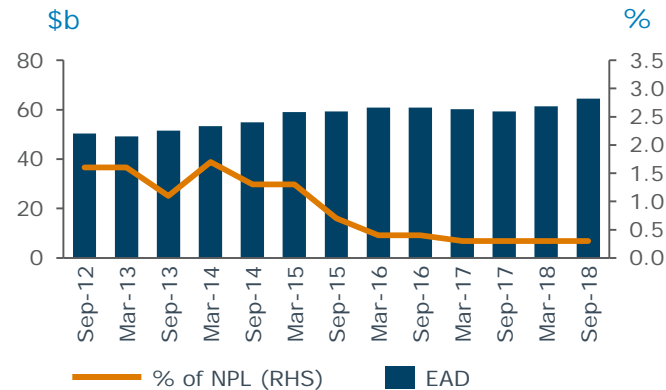
### AGRI, FORESTRY, FISHING



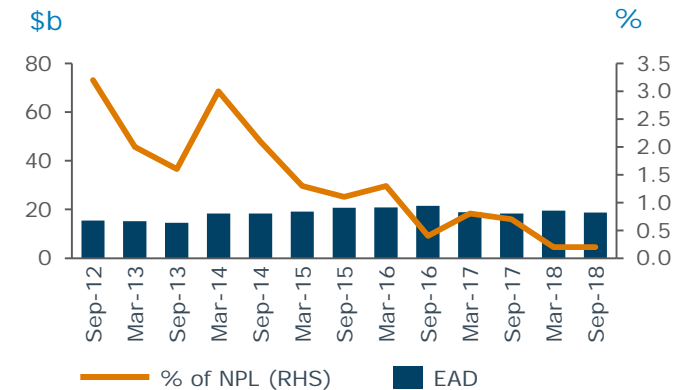
### RESOURCES



### PROPERTY SERVICES



### TRANSPORT & STORAGE



Note: % of portfolio in non performing = % of segment non performing exposures as a % of total segment exposures.

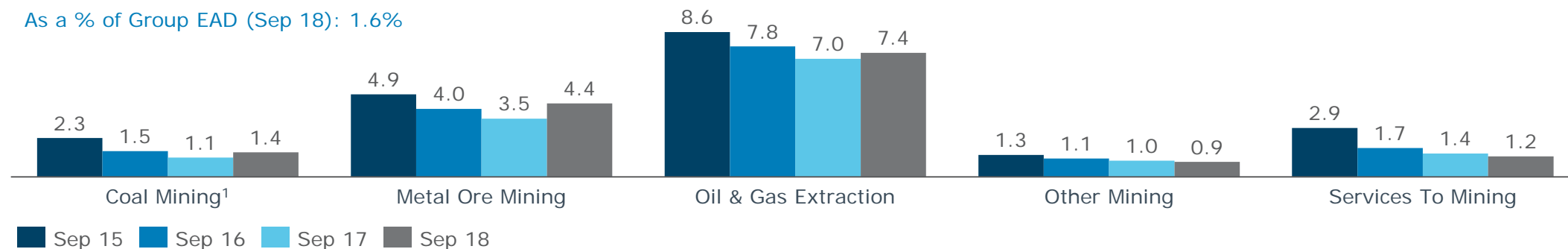
# RISK MANAGEMENT

## GROUP RESOURCES PORTFOLIO

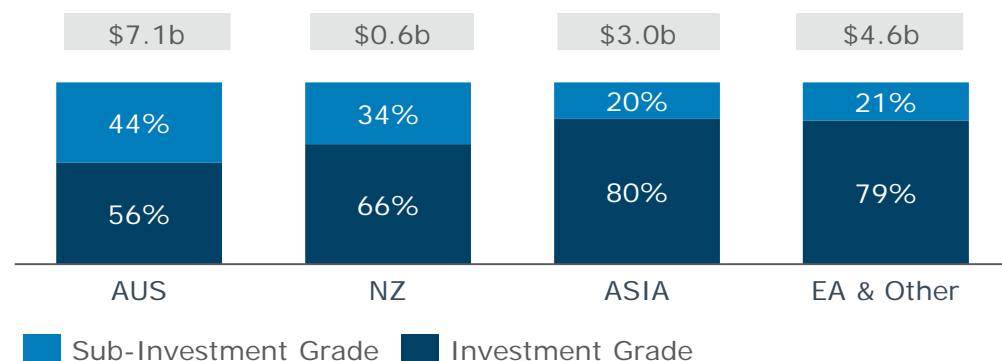
### RESOURCES EXPOSURE BY SECTOR (%)

Total EAD (Sep 18): \$15.3b

As a % of Group EAD (Sep 18): 1.6%



### GEOGRAPHIC EXPOSURES (EAD) & CREDIT QUALITY



### RESOURCES PORTFOLIO MANAGEMENT

- Portfolio is skewed towards well capitalised and lower cost resource producers.
- 30% of the book is less than one year duration.
- Investment grade exposures represent 68% of portfolio vs. 66% at Sep 17 and Trade business unit accounts for 17% 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 reflects mergers and acquisitions activity related to existing mines, i.e. predominantly metallurgical coal assets sold by diversified miners to existing customers.

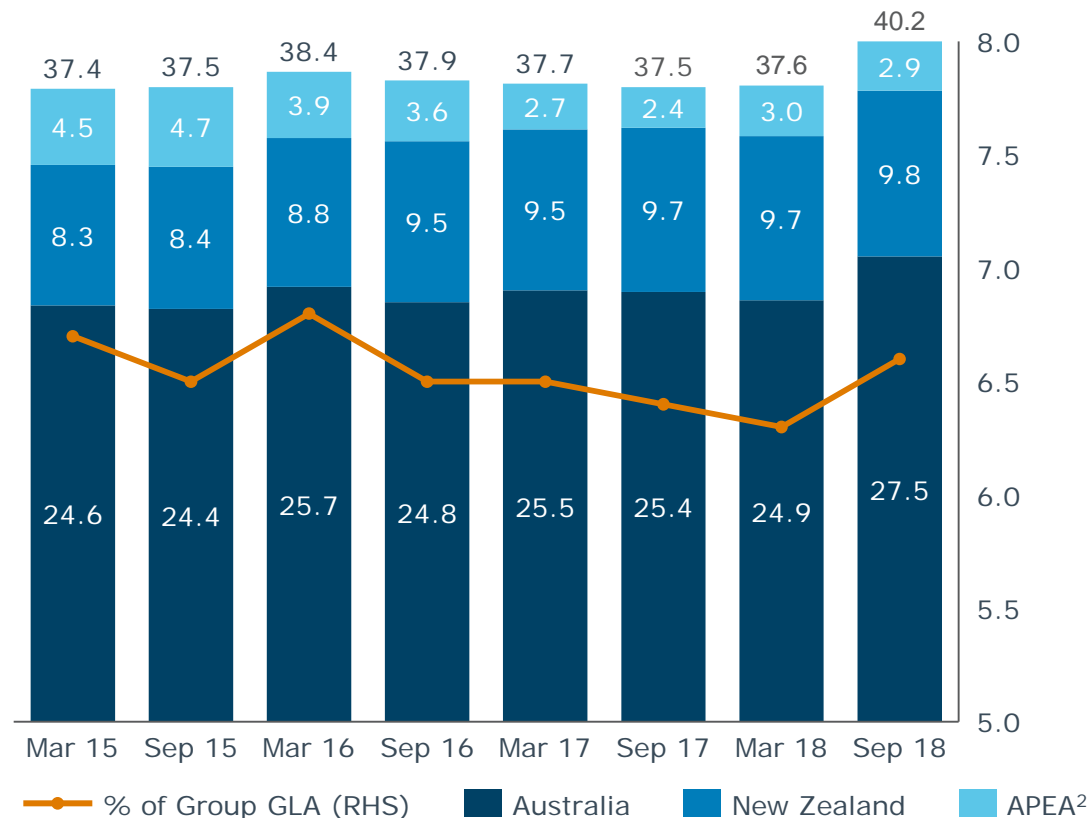
1. Increased coal mining exposure in FY18 reflects mergers and acquisitions activity related to existing mines, ie predominantly metallurgical coal assets sold by diversified miners to existing customers

# RISK MANAGEMENT

## COMMERCIAL PROPERTY PORTFOLIO

### COMMERCIAL PROPERTY OUTSTANDINGS BY REGION<sup>1</sup>

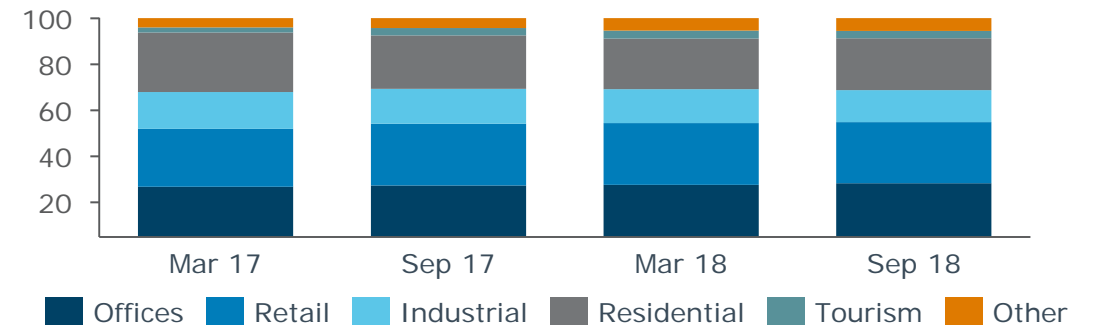
\$b



1. As per ARF230 disclosure.  
2. APEA = Asia Pacific, Europe & America.

### COMMERCIAL PROPERTY OUTSTANDINGS BY SECTOR<sup>1</sup>

%



### PROPERTY PORTFOLIO MANAGEMENT

- Australian volumes increased by 10% driven by higher lending to REITs in both the Office and Retail sectors as well as short-term financing provided against a premium office property. Slight increase in Residential exposure was driven by drawdowns by large private developers and a few new residential projects. Increase witnessed in the Other sector is due to new lending to a healthcare real estate client.
- New Zealand volumes remained relatively stable in 2H18. Growth within the Office sector has been largely offset by exchange rate movements and decreased exposure to the Industrial and Retail sectors.
- APEA volumes remained stable for 2H18 with the portfolio concentrated on large well rated names.

# RESIDENTIAL DEVELOPMENT

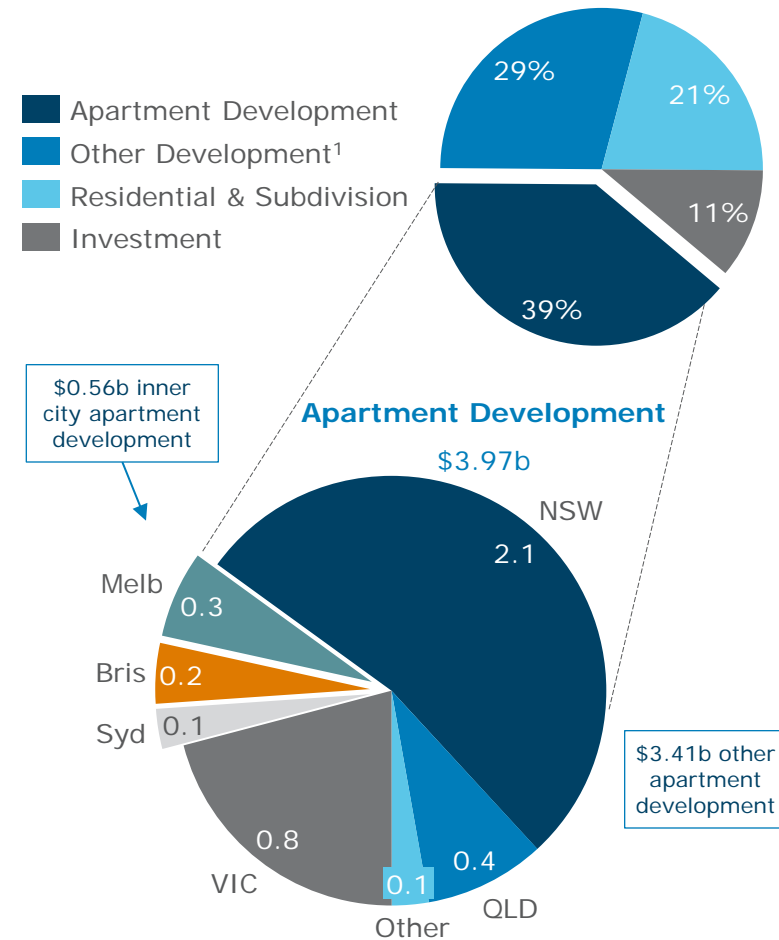
## COMMERCIAL PROPERTY EXPOSURE

### OVERVIEW

- Overall Apartment Development limits have increased by \$0.56bn (17%) to ~\$4bn in FY18 and now accounts for ~39% of Total Residential Limits.
- Inner City Apartment limits totalled \$0.56bn and accounted for 14% of total Apartment Development limit in FY18 as compared to 20% prior year. This reduction was due to repayments from a number of completed projects in Brisbane and Melbourne.
- Average qualifying pre-sales for Inner City Apartments Development loans and LVRs were 101% and 56% respectively as at Sep 18. These loans remain subject to tight parameters around LVR, presale debt cover and foreign purchaser.
- Outside of Inner City locations, Apartment Development limits were weighted towards the states of NSW (62%), VIC (24%) and QLD (11%) with minimal exposures in other states.
- Ongoing close monitoring of development projects is maintained.
- Industry trends and emerging risks continue to be closely monitored with actions taken where appropriate.

### PROFILE (SEP 18)

Total Residential Limits: **\$10.28b**

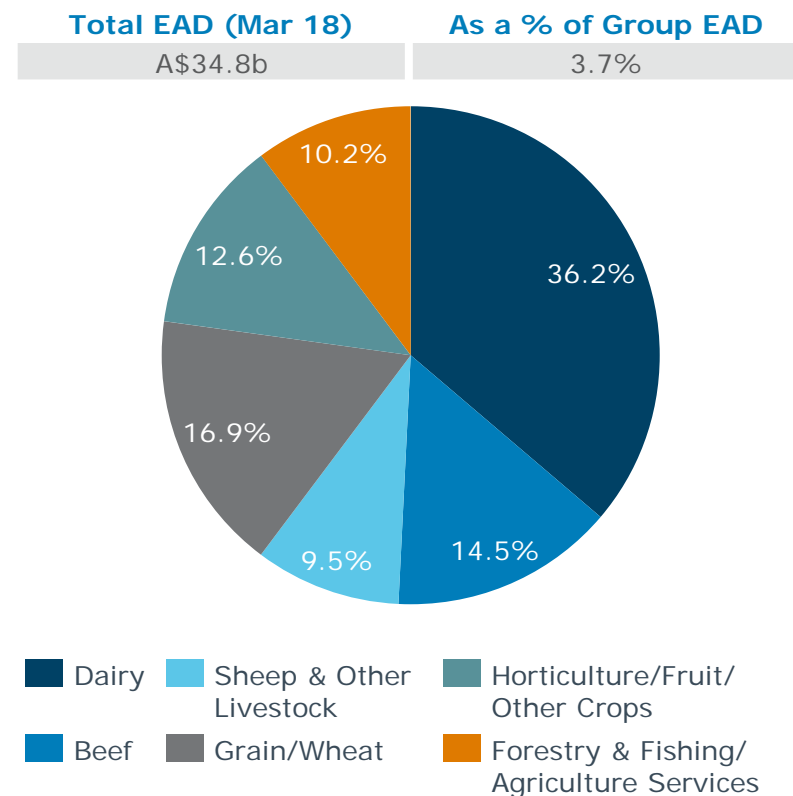


1. Other Development comprises of Low Rise & Prestige Residential and Other Residential or Multi Project Development

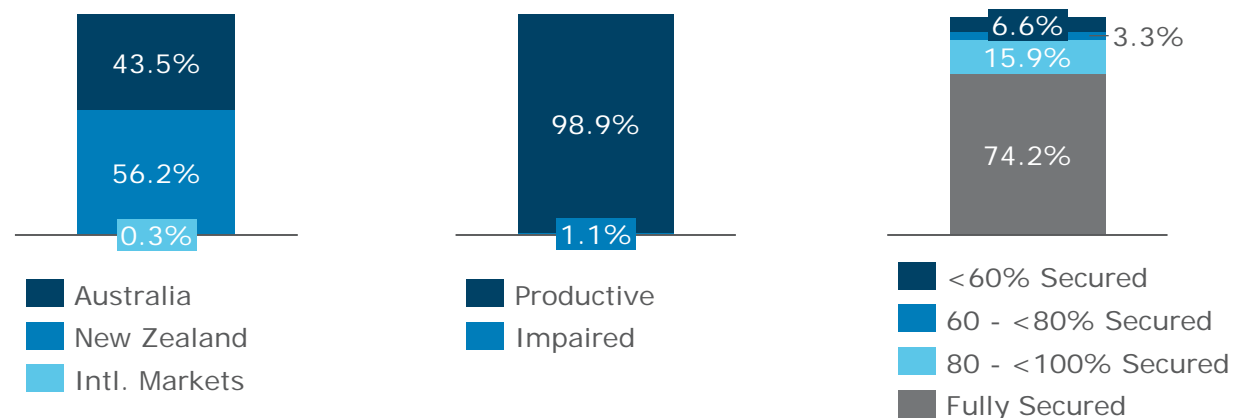
# RISK MANAGEMENT

## GROUP AGRICULTURE PORTFOLIO

### AGRICULTURE EXPOSURE BY SECTOR (% EAD)



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



### DROUGHT

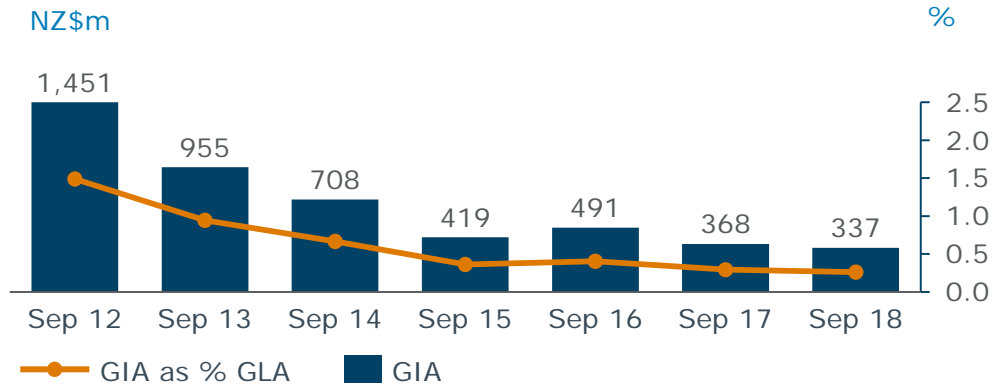
- At a portfolio level, total ANZ Wholesale exposures affected by drought across all states is \$4.7b. Agribusiness is performing well, noting that the portfolio's health has been supported by well-performing preceding seasons and strong soft commodity prices (particularly in sheep, wool and beef).
- ANZ has worked closely with government, industry and the community on relief packages to provide some much-needed support to customers in drought declared areas.
- We are actively working with our customers to effectively manage current circumstances whilst also formulating a strategy to build resilience into future years.
- We remain confident in Australian Agribusiness and its capacity to grow over time to become a critical supplier to the domestic and international market.

1. Security indicator is based on ANZ extended security valuations.

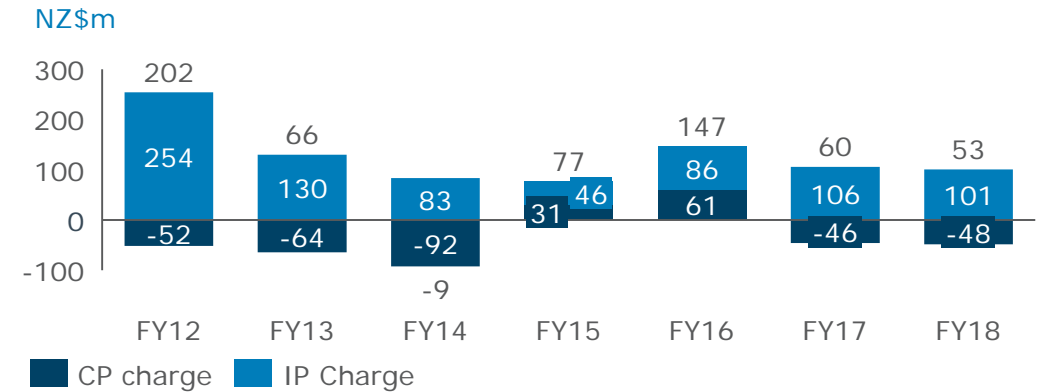
# RISK MANAGEMENT

## NEW ZEALAND

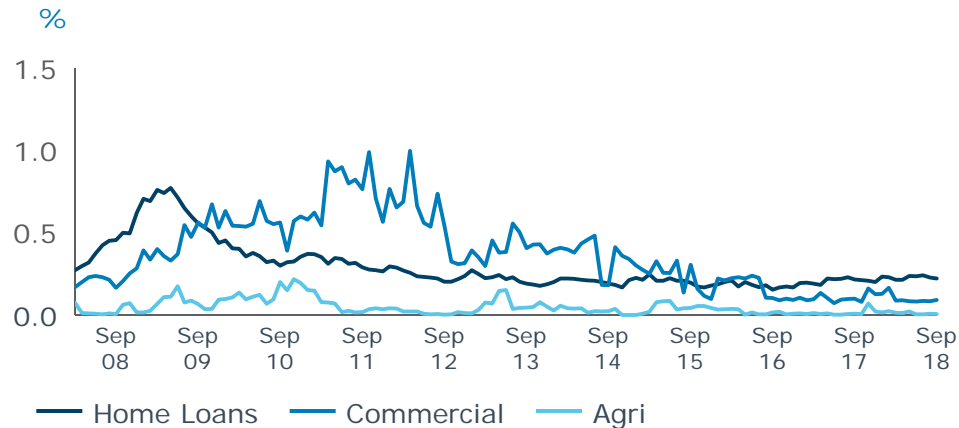
### NEW ZEALAND GEOGRAPHY GROSS IMPAIRED ASSETS



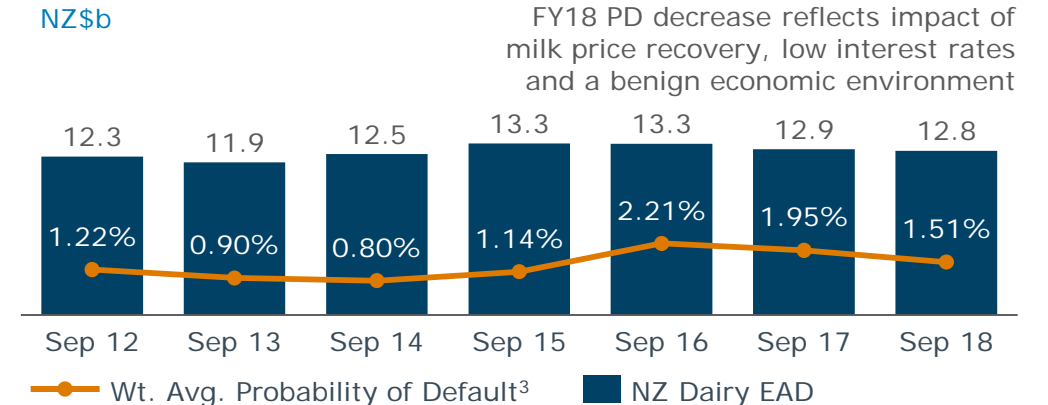
### NEW ZEALAND GEOGRAPHY TOTAL PROVISION CHARGE<sup>1</sup>



### NEW ZEALAND DIVISION 90+ DAYS DELINQUENCIES



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

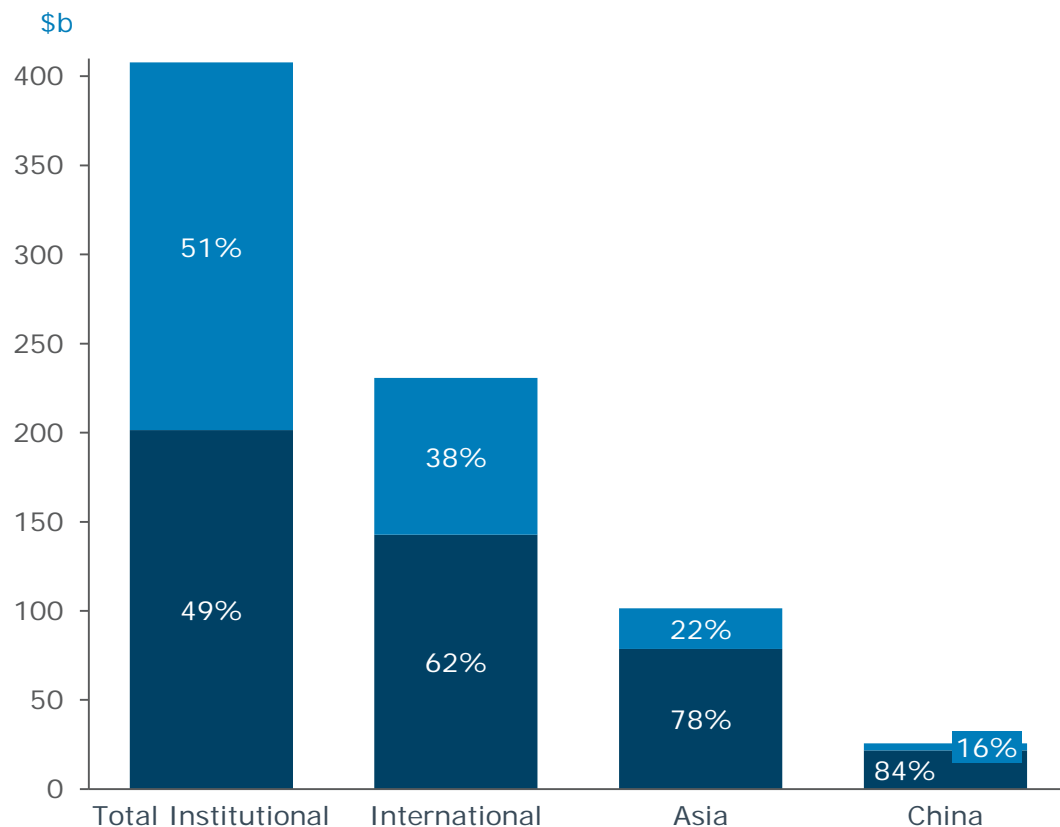


1. Credit valuation adjustments (CVA) for customers with CCR10 are reported differently for cash profit and headline views of earnings. In the headline (statutory) view of provision reported above, changes in CVA are reported in Other Operating Income, but in the cash profit view of earnings the change in CVA is reclassified to IP. 2. Dairy exposures for all of ANZ New Zealand (includes Commercial and Agriculture, Institutional and Business Banking portfolios). 3. Wholesale PD model changes account for 55bps increase in FY16.

# RISK MANAGEMENT

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

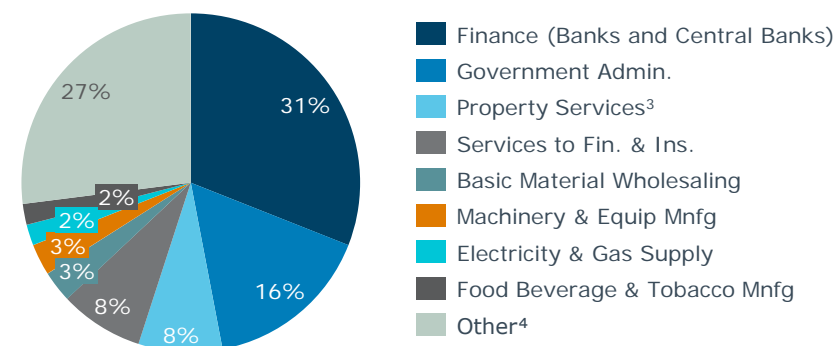
### INSTITUTIONAL PORTFOLIO SIZE & TENOR (EAD<sup>2</sup>)



■ Tenor < 1 Yr ■ Tenor 1 Yr+

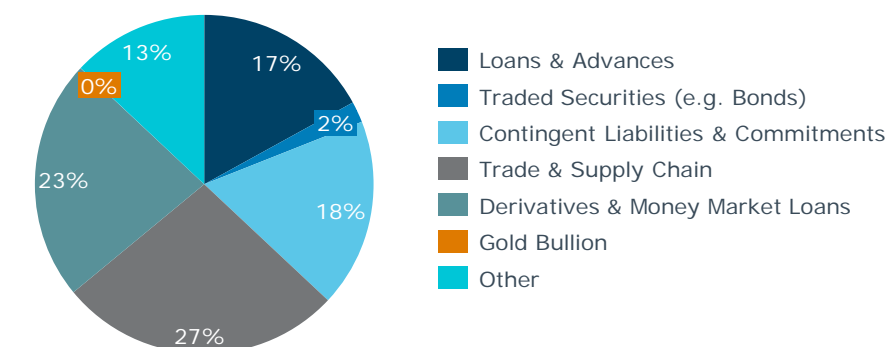
### ANZ INSTITUTIONAL INDUSTRY COMPOSITION

EAD (Sep 18): A\$408b<sup>2</sup>



### ANZ INSTITUTIONAL PRODUCT COMPOSITION

EAD (Sep-18) A\$408b<sup>2</sup>



1. Country is defined by the counterparty's Country of Incorporation. 2. Data provided is as at Sep18 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. ~89% of the ANZ Institutional "Property Services" portfolio is to entities incorporated in either Australia or New Zealand. 4. Other is comprised of 48 different industries with none comprising more than 2.0% of the Institutional portfolio.

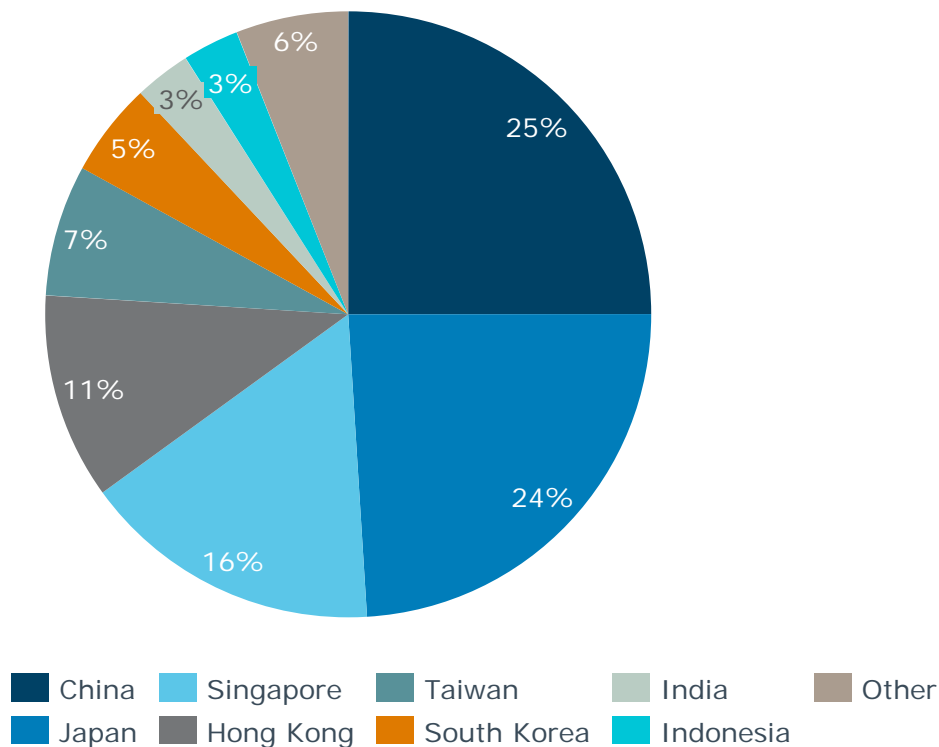


# RISK MANAGEMENT

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

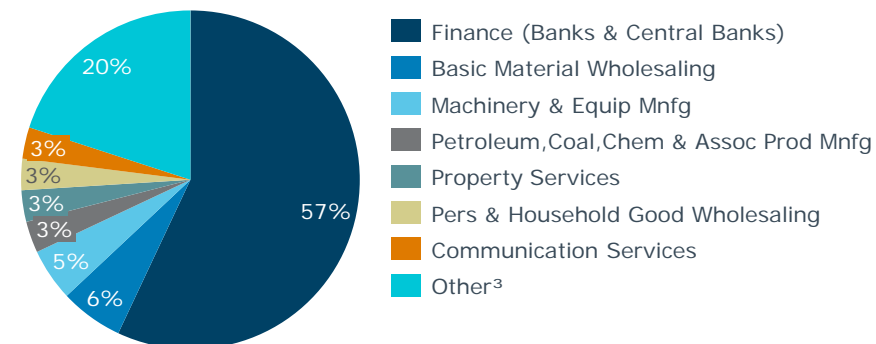
### COUNTRY OF INCORPORATION<sup>1</sup>

EAD (Sep 18): A\$101b<sup>2</sup>



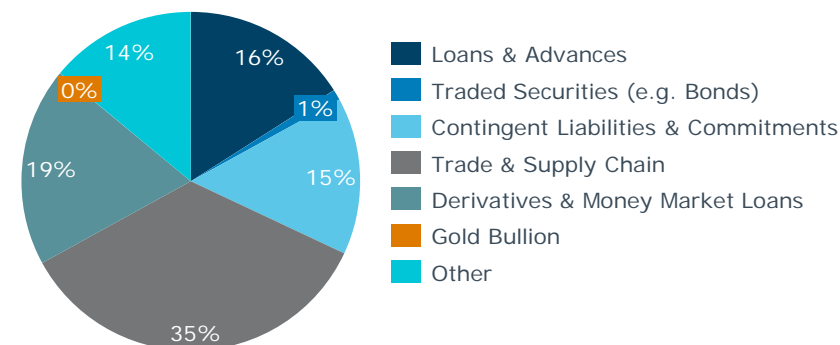
### ANZ ASIA INDUSTRY COMPOSITION

EAD (Sep 18): A\$101b<sup>2</sup>



### ANZ ASIA PRODUCT COMPOSITION

EAD (Sep 18): A\$101b<sup>2</sup>



1. Country is defined by the counterparty's Country of Incorporation. 2. Data provided is as at Sep18 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 44 different industries with none comprising more than 2.6% of the Asian Institutional portfolio; Other product category is predominantly exposure due from other financial institutions.



# 2018 FULL YEAR RESULTS

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**HOUSING PORTFOLIO**  
INVESTOR DISCUSSION PACK

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED

# AUSTRALIA HOME LOANS

## PORTFOLIO OVERVIEW

	Portfolio <sup>1</sup>			Flow <sup>2</sup>
	FY16	FY17	FY18	FY18
Number of Home Loan accounts <sup>1</sup>	976k	1,009k	1,011k	170k <sup>3</sup>
Total FUM <sup>1</sup>	\$246b	\$264b	\$272b	\$57b
Average Loan Size <sup>4</sup>	\$252k	\$262k	\$269k	\$382k
% Owner Occupied <sup>5</sup>	62%	63%	65%	70%
% Investor <sup>5</sup>	34%	33%	32%	29%
% Equity Line of Credit	4%	4%	3%	1%
% Paying Variable Rate Loan <sup>6</sup>	87%	83%	84%	84%
% Paying Fixed Rate Loan <sup>6</sup>	13%	17%	16%	16%
% Paying Interest Only <sup>7</sup>	36%	31%	22%	13% <sup>8</sup>
% Broker originated	49%	51%	52%	55%

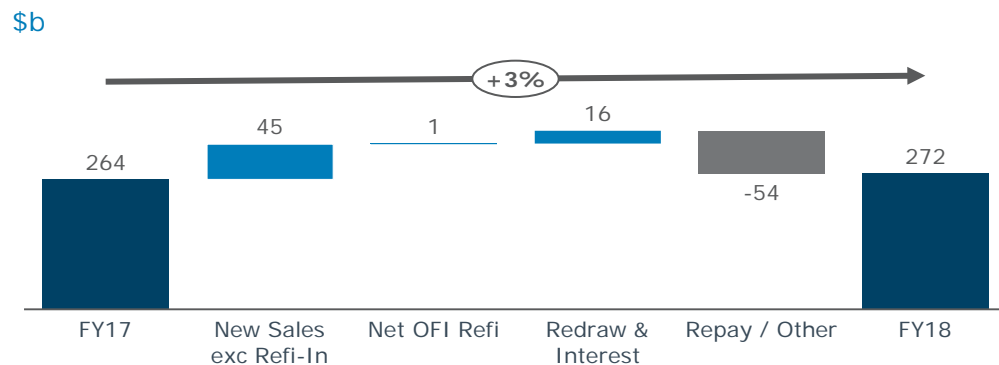
	Portfolio <sup>1</sup>		
	FY16	FY17	FY18
Average LVR at Origination <sup>9, 10, 11</sup>	71%	69%	67%
Average Dynamic LVR <sup>10,11,12, 13</sup>	55%	54%	54%
Market Share <sup>14</sup>	15.5%	15.7%	15.5%
% Ahead of Repayments <sup>15</sup>	73%	71%	72%
Offset Balances <sup>16</sup>	\$24b	\$27b	\$28b
% First Home Buyer	6%	7%	7%
% Low Doc <sup>17</sup>	5%	4%	4%
Loss Rate <sup>18</sup>	0.01%	0.02%	0.02%
% of Australia Geography Lending <sup>19</sup>	62%	64%	63%
% of Group Lending <sup>19</sup>	43%	45%	45%

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 excludes 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 in the total composition 8. September Half to Date 9. Originated in the respective half 10. Unweighted 11. Includes capitalised premiums 12. Valuations updated to Aug'18 where available 13. Dynamic LVR methodology has been enhanced to utilise more granular level property data and improved identification of all accounts and their linkages to securities 14. Source for Australia: APRA to Aug'18 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 ~\$200m 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

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



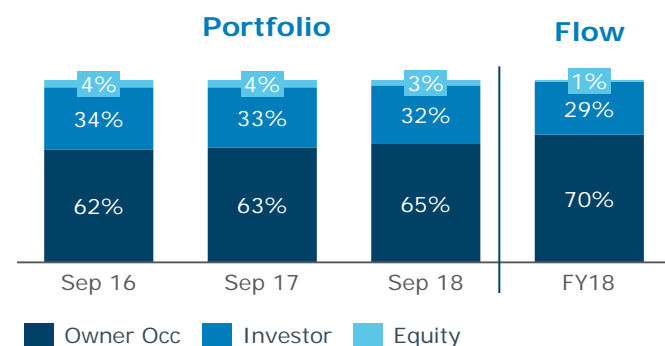
### HOME LOAN COMPOSITION<sup>2</sup>

\$b

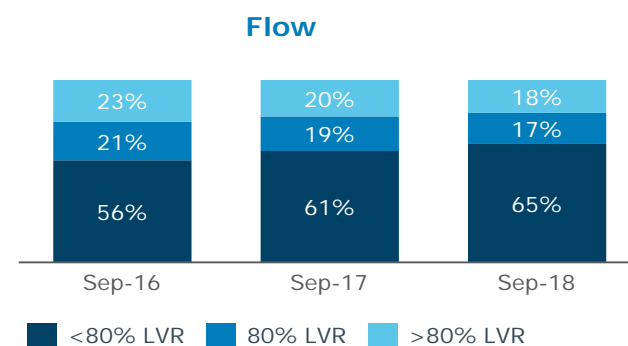
Payment Type	Owner Occupied	Investor	Equity Loan	Total
P&I Loan	155.6	49.1	-	204.7
Interest Only	21.9	36.8	-	58.7
Equity Loan	-	-	8.2	8.2
<b>Total</b>	<b>177.5</b>	<b>85.9</b>	<b>8.2</b>	<b>271.6</b>

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

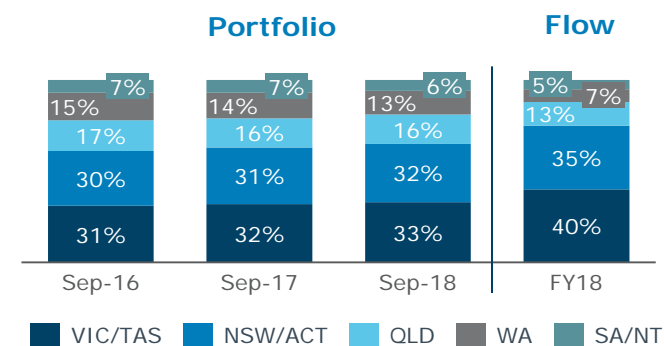
By purpose:



By origination LVR<sup>4</sup>:



By location:



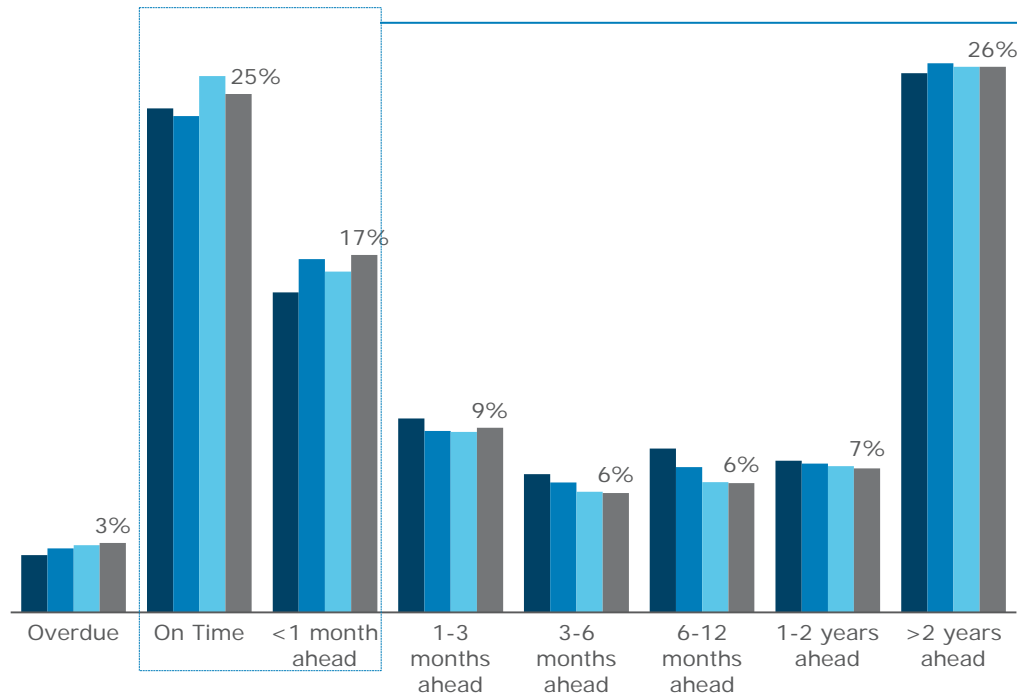
1. Includes Non Performing Loans. 2. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ, and ANZ targeted 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>

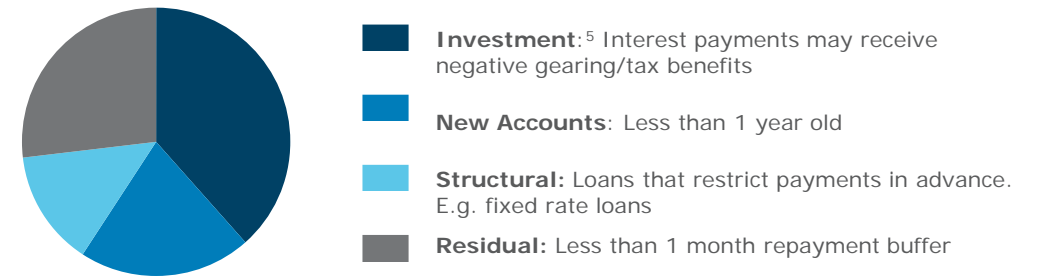
72% of accounts ahead of repayments



■ Sep-15 ■ Sep-16 ■ Sep-17 ■ Sep-18

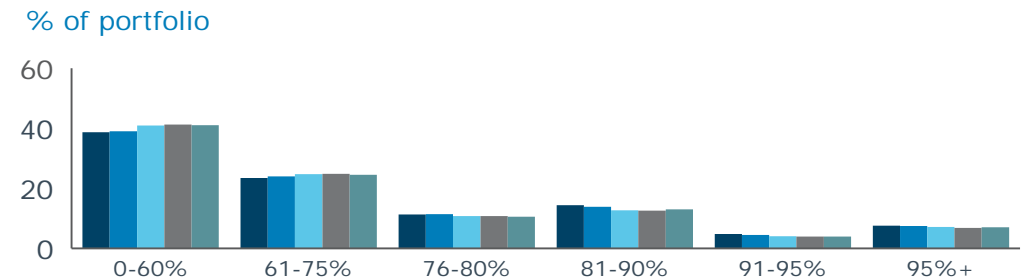
### HOME LOANS ON TIME & <1 MONTH AHEAD PROFILE<sup>1,2</sup>

% composition of accounts (September 18)



- Investment:**<sup>5</sup> Interest payments may receive negative gearing/tax benefits
- New Accounts:** Less than 1 year old
- Structural:** Loans that restrict payments in advance. E.g. fixed rate loans
- Residual:** Less than 1 month repayment buffer

### DYNAMIC LOAN TO VALUE RATIO<sup>1,3,4,6</sup>



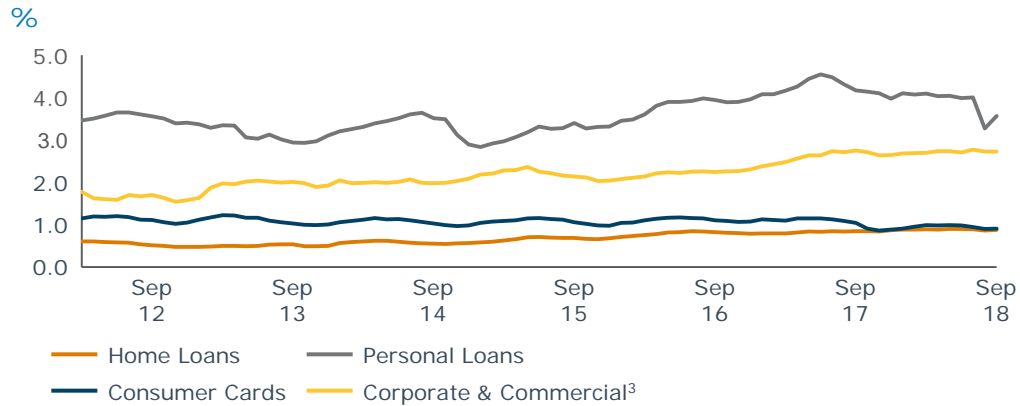
■ Sep-16 ■ Mar-17 ■ Sep-17 ■ Mar-18 ■ Sep-18

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 Aug'18 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. Dynamic LVR methodology has been enhanced to utilise more granular level property data and improved identification of all accounts and their linkages to securities

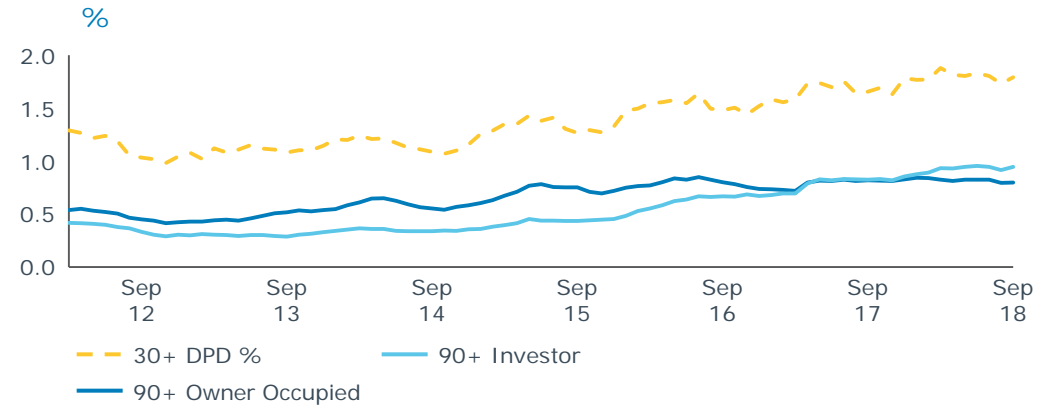
# AUSTRALIA DIVISION

## PORTFOLIO PERFORMANCE

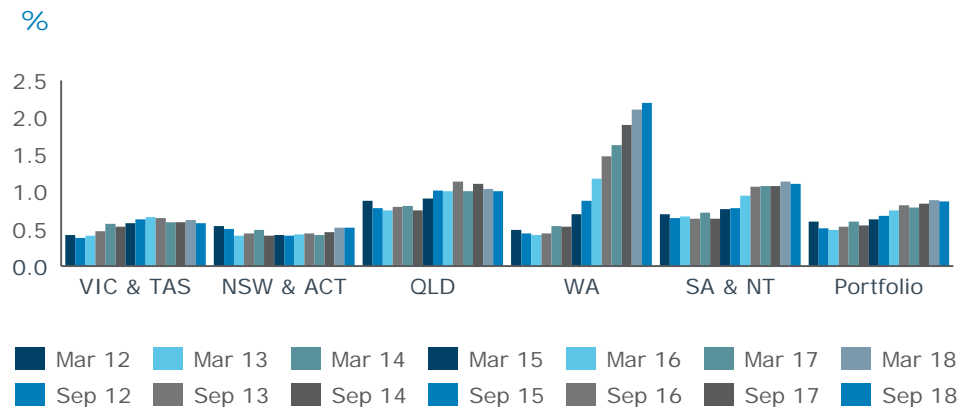
### PRODUCT 90+ DAY DELINQUENCIES<sup>1,2</sup>



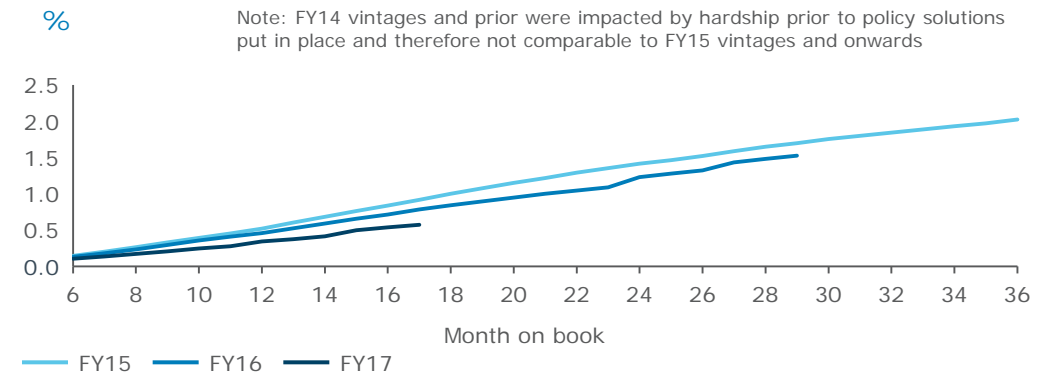
### HOME LOAN DELINQUENCIES<sup>1,2,4</sup>



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



### HOME LOANS - 90+ DPD (BY VINTAGE)<sup>5</sup>



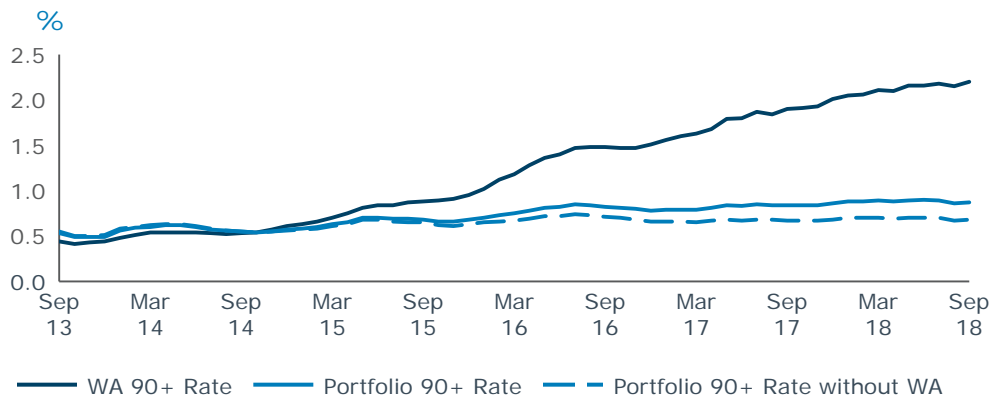
1. Includes Non Performing Loans 2. ANZ delinquencies calculated on a missed payment basis 3. Comprises Small Business, Commercial Cards and Asset Finance 4. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (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 5. Home loans 90+ dpd vintages % 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

## AREAS OF INTEREST

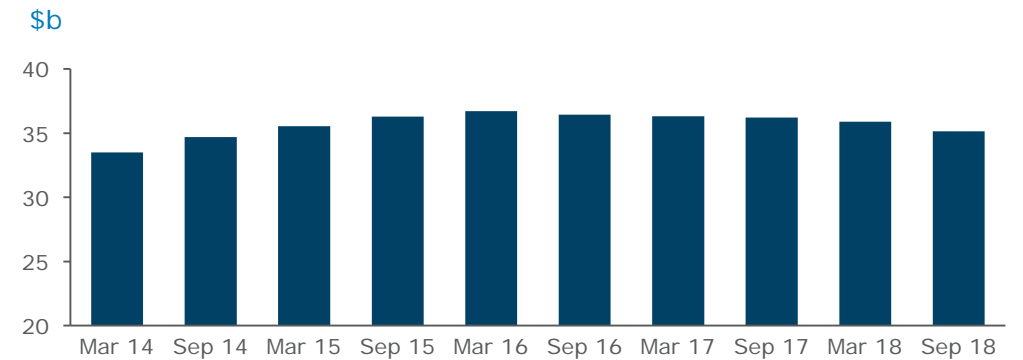
- Greater focus on Acquisition & Collection management strategies have been applied
- Exposure to WA has decreased since Mar-16 driven by the economic environment and credit policy tightening (mining town lending, etc)
- Currently WA makes up 13% of the portfolio FUM (and decreasing), however makes up 33% of 90+ (and over half of portfolio losses<sup>1</sup>)
- Tailored treatment of collection and account management strategies
- Conservative approach to provisions management

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

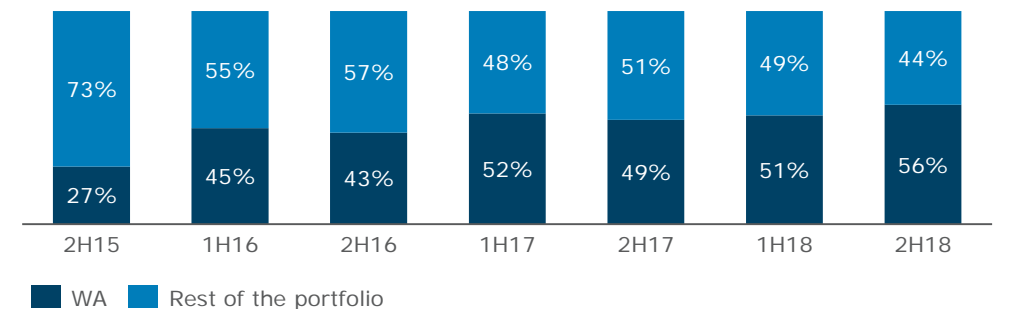


1. Losses are based on New Individual Provision Charges  
 2. Includes Non Performing Loans  
 3. ANZ delinquencies calculated on a missed payment basis

## WA OUTSTANDING BALANCE



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

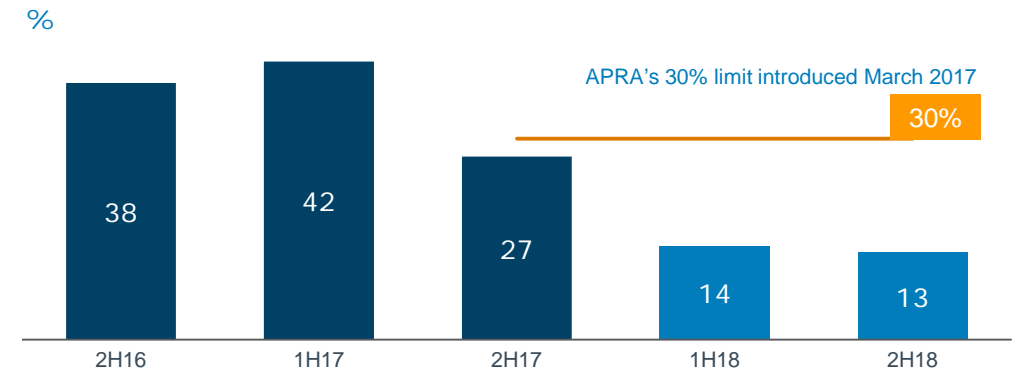


# AUSTRALIA HOME LOANS

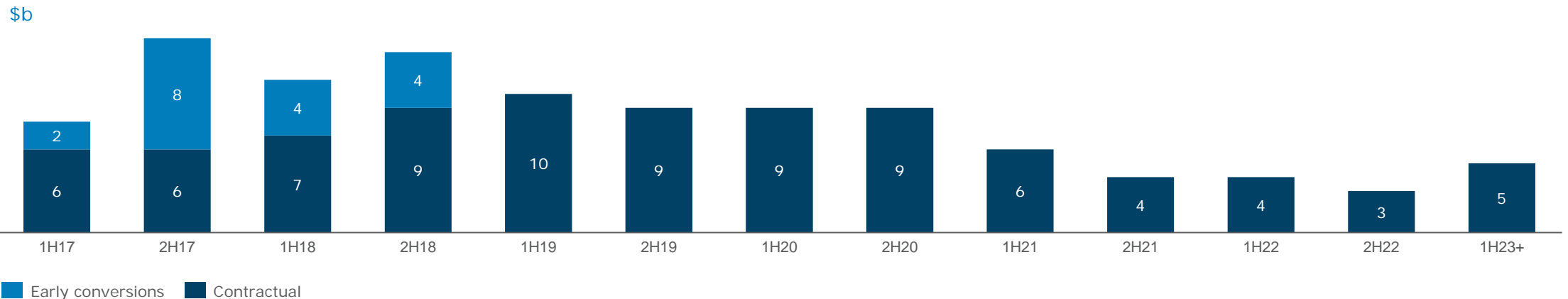
## INTEREST ONLY

- Serviceability assessment is based on ability to repay principal & interest repayments calculated over the residual term of loan
- 83% of Interest Only customers have net income >\$100k pa. (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 has met APRA's 30% threshold lending requirement and the interest only flow composition is now at 13% for 2H18.
- Proactive contact strategies are in place to prepare customers for the change in their cash 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</sup>

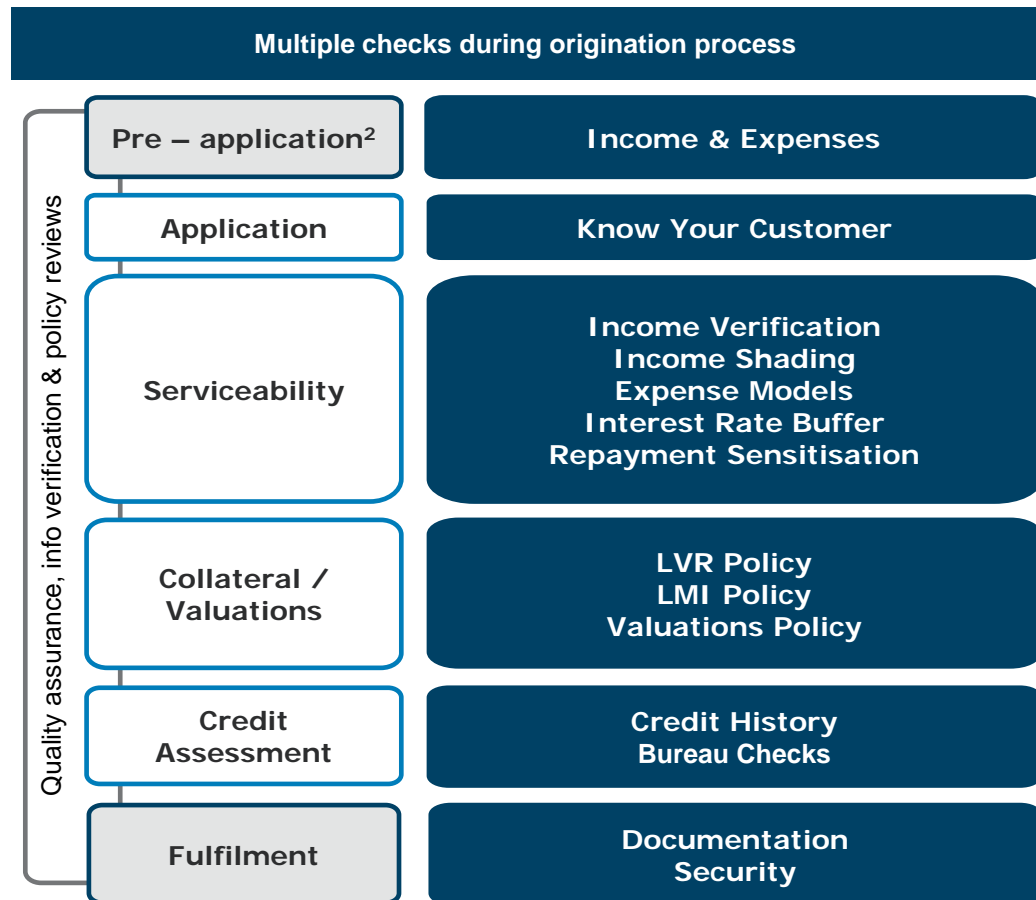


1. Based on APRA definition (includes Equity Manager)  
 2. Includes construction loans



# 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

Aug'15

Interest rate floor applied to new and existing mortgage lending introduced at 7.25%

Apr'16

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%

\*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 2018 material changes to lending standards and underwriting  
2. Customers have the ability to assess their capacity to borrow on ANZ

# AUSTRALIA HOME LOANS

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

### ANZ Policy changes

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Jun'15	LVR cap reduced to 70% in high risk mining towns
Jul'15	LVR cap reduced to 90% for investment loans
Aug'15	Interest rate floor applied to new and existing mortgage lending introduced at 7.25%
Apr'16	Introduction of an income adjusted living expense floor (HEM) Introduction of a 20% haircut for overtime and commission income
Sep'16	Increased income discount factor for residential rental income from 20% to 25% Withdrawal of lending to non-residents  Limited acceptance of foreign income to demonstrate serviceability and tightened controls on verification
Dec'16	Tightening of acceptances for guarantees
Jan'17	Decreased maximum interest only term of owner occupied interest only loans to 5 years
May'17	The maximum interest only period reduced from 10 years to 5 years for investment lending to align to owner occupier lending  Reduced LVR cap of 80% for Interest Only <sup>2</sup> lending  Interest only lending no longer available on new Simplicity PLUS loans (owner occupier and investment lending)
Jun'17	Minimum default housing expense (rent/board) applied to all borrowers not living in their own home and seeking RILs <sup>3</sup> or EMAs <sup>4</sup>
Oct'17	Restrict Owner Occupier and Investment Lending (New Security to ANZ) to Maximum 80% LVR for all apartments within 7 inner city Brisbane postcodes. Restrict Investment Lending (New Security to ANZ) to Maximum 80% LVR for all apartments within 4 inner city Perth postcodes
Dec'17	Update to clarify that residential mortgage lending to trading companies is not acceptable. Requirement for an enhanced breakdown of borrowers itemised living expenses
Mar'18	All Interest Only loan renewals will be Credit Critical events (requiring full income verification and serviceability test) including (i) Changing from P&I to Interest Only and (ii) Converting to or Extending an Interest Only term.

1. 2015 to 2018 material changes to lending standards and underwriting 2. Excludes investment lending for specific medical practitioners (eligible Medicos) where LVR cap is a maximum of 90% of lending. 3. Residential Investment Loans 4. Equity Manager Accounts

# AUSTRALIAN 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.
- Portfolio losses reflect further improvements in modelling approach and changes to the economic scenario.
- Estimated portfolio losses under these stressed conditions are manageable and within the Group's capital base, with cumulative total losses at A\$3.0b over three years (net of LMI recoveries).

Assumptions	Current	Year 1	Year 2	Year 3
Unemployment rate	5.0%	6.4%	10.3%	10.6%
Cash Rate	1.5%	0.25%	0.25%	0.25%
Real GDP year ended growth	3.4%	-1.7%	-4.0%	2.5%
Cumulative reduction in house prices	-	-25.3%	-38.8%	-37.0%
Portfolio size <sup>1</sup> (A\$b)	298	297	289	280

Outcomes	Base	Year 1	Year 2	Year 3
Net Losses (A\$m)	-	149	1,445	1,428
Net losses (bps)	-	5	50	51

1. Exposure at default

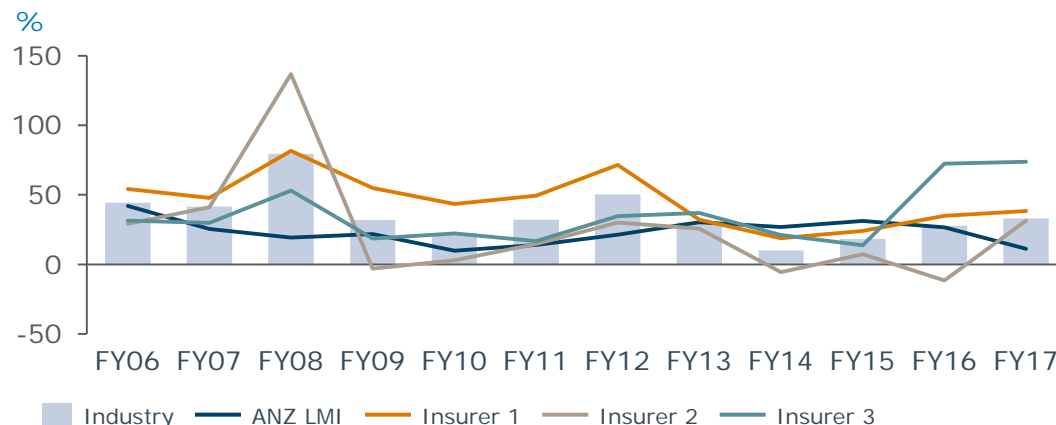
# LENDERS MORTGAGE INSURANCE

ANZLMI HAS MAINTAINED STABLE LOSS RATIOS

## SEPTEMBER FULL YEAR 2018 RESULTS

Gross Written Premium (\$m)	\$141.1m
Net Claims Paid (\$m)	\$17.9m
Loss Rate (of Exposure)	6.8bps

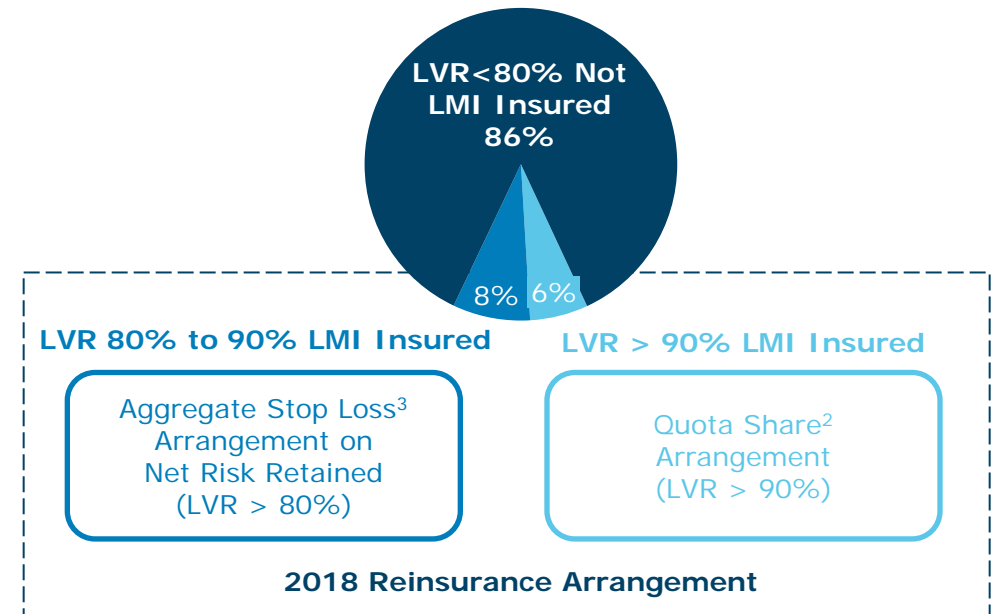
## ANZLMI MAINTAINS LOW LOSS RATIOS<sup>1</sup>



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 30 Sep 18  
(% New Business FUM Oct-17 to Sep-18)



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		Growth
	FY17	FY18	FY18 v FY17
Number of Home Loan Accounts	520k	526k	1.1%
Total FUM	NZ\$77b	NZ\$81b	4.9%
Average Loan Size at Origination <sup>2</sup>	NZ\$285k	NZ\$265k	-6.9%
Average Loan Size <sup>2</sup>	NZ\$148k	NZ\$153k	3.8%
% of NZ Geography Lending	61%	62%	116bps
% Owner Occupied	73%	74%	83bps
% Investor	27%	26%	-83bps
% Paying Variable Rate Loan	21%	18%	-236bps
% Paying Fixed Rate Loan	79%	82%	236bps

	Portfolio		Growth
	FY17	FY18	FY18 v FY17
% Broker Originated	35%	36%	186bps
Average LVR at Origination <sup>2</sup>	59%	58%	-128bps
Average Dynamic LVR <sup>2</sup>	43%	41%	-118bps
Market Share <sup>3</sup>	31.1%	31.0%	-15bps
% Paying Interest Only <sup>4</sup>	22%	21%	-122bps
% Paying Principal & Interest	78%	79%	122bps
% Low Doc <sup>5</sup>	0.44%	0.38%	-6bps
Home Loan Loss Rates	(0.01%)	0.00%	1bps

1. New Zealand Geography

2. Average data as of September 2018

3. Source: RBNZ, September 2018 share of all banks as of August 2018.

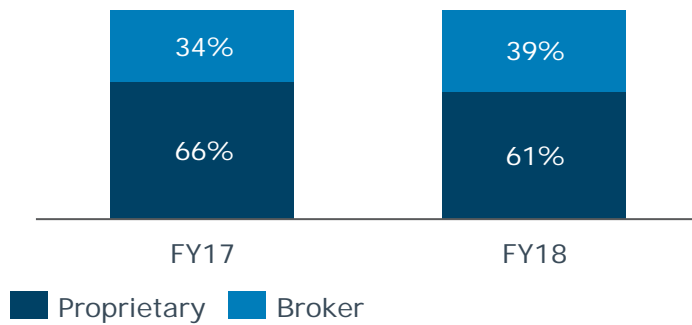
4. Excludes revolving credit facilities

5. 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

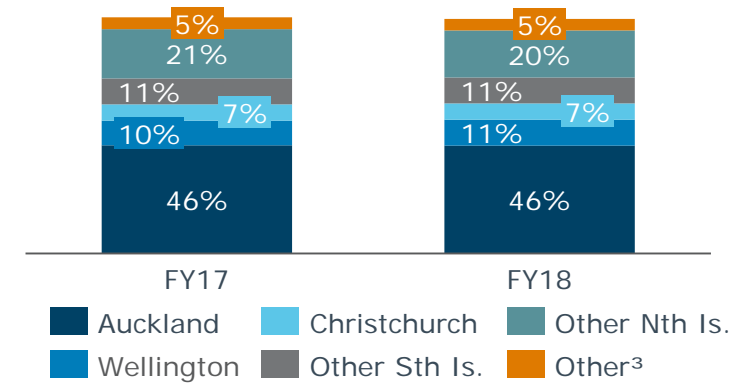
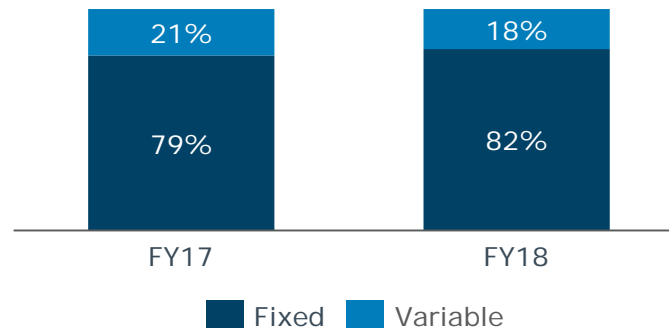
# NEW ZEALAND

## HOME LENDING<sup>1</sup>

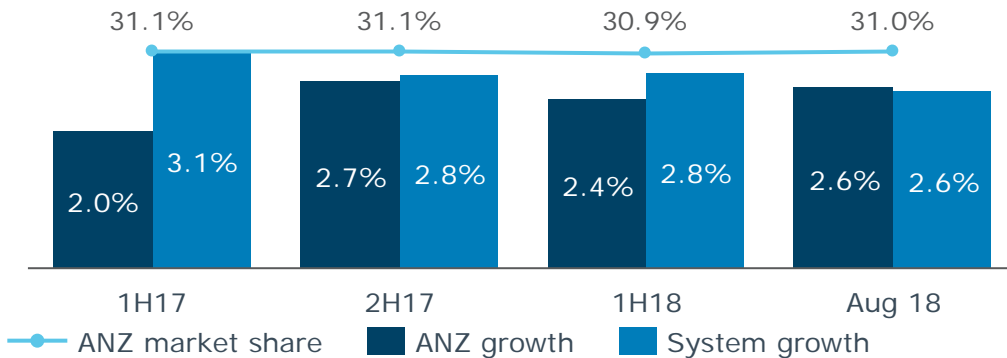
### FLOW<sup>2</sup>



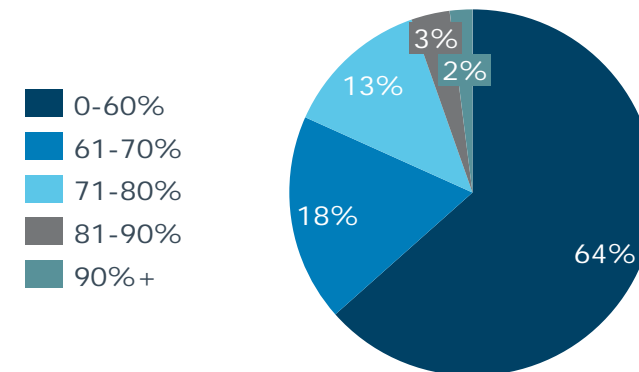
### PORTFOLIO



### MARKET SHARE<sup>4</sup>



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



1. New Zealand Geography
2. FY18 11 months August 2018
3. Other includes loans booked centrally (Business Direct, Contact Centre, Lending Services, Property Finance)
4. Source: RBNZ, changes in RBNZ data reporting from February 2017 onwards has resulted in a step change in data vs prior periods
5. Dynamic basis, as of September 2018



# 2018 FULL YEAR RESULTS

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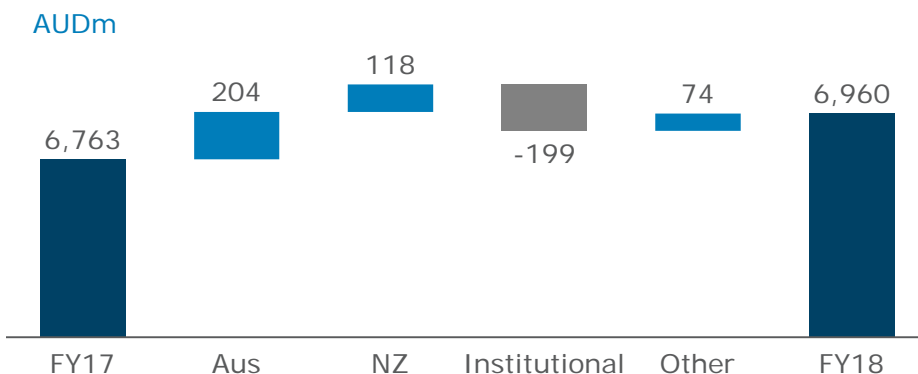
**DIVISIONAL PERFORMANCE**  
INVESTOR DISCUSSION PACK

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED

# DIVISIONAL PERFORMANCE

## CASH PROFIT CONTINUING OPERATIONS (EXCLUDING LARGE / NOTABLE ITEMS)

### CASH PROFIT



### NEW ZEALAND

NZDm	FY17	FY18	FY18 vs FY17	2H18 vs 1H18
Revenue	3,393	3,555	5%	1%
Expenses	(1,263)	(1,282)	2%	1%
Profit Before Provisions	2,130	2,273	7%	1%
Provisions	(83)	(6)	-93%	-173%
Cash Profit	1,474	1,633	11%	5%

### AUSTRALIA

AUDm	FY17	FY18	FY18 vs FY17	2H18 vs 1H18
Revenue	9,478	9,667	2%	-3%
Expenses	(3,325)	(3,406)	2%	-4%
Profit Before Provisions	6,153	6,261	2%	-2%
Provisions	(885)	(698)	-21%	24%
Cash Profit	3,685	3,889	6%	-5%

### INSTITUTIONAL

AUDm	FY17	FY18	FY18 vs FY17	2H18 vs 1H18
Revenue	5,646	5,136	-9%	2%
Expenses	(2,808)	(2,696)	-4%	-2%
Profit Before Provisions	2,838	2,440	-14%	7%
Provisions	(92)	44	-148%	-290%
Cash Profit	1,944	1,745	-10%	20%



# AUSTRALIA DIVISION

## PRIORITIES

	PRIORITIES	ACTIONS	METRICS	MOVEMENTS			
				FY15	FY16	FY17	FY18
STRATEGIC FOCUS	Create a simpler, better capitalised, better balanced and more agile bank	Simplified products	# Products decommissioned	<10	<10	47	90
		Optimised branch footprint	# Branches	751	724	684	629
		More digital branches	# Digital branches	5	40	81	114
		More self service	# Over-The-Counter transactions <sup>1</sup>	37.3m	33.8m	29.1m	26.2m
		More digital sales	Digital % of retail sales	15%	16%	21%	25%
		More digitally active customers	Digitally active customers	2.9m	3.0m	3.3m	3.5m
	Focus efforts on attractive areas where we can carve out a winning position	Attract more customers	# Retail customers	5.3m	5.4m	5.6m	5.7m
			Retail customers > 1 product	60.0%	60.9%	61.5%	62.0%
			# Small Business Banking customers (000's)	450	472	486	500
		Grow FUM	Housing: Owner Occupied (ANZ v system) <sup>2</sup>	1.2x	1.0x	1.3x	0.9x
			Housing Lending (ANZ v system) <sup>2</sup>	1.2x	1.0x	1.2x	0.7x
			Household deposits (ANZ v system) <sup>2</sup>	0.9x	0.6x	1.1x	0.5x
	Build a superior experience for our people and customers to compete in the digital age	Launch innovative solutions to improve banker and customer experience	Supported wallet transactions (#m) <sup>3</sup>	-	5.1	26.4	64.2
			Bladepay transactions (000's)	-	n/a	62	826
			Electronic verification uptake (trans / month)	-	4,405	9,828	22,470
	 <p>Canstar; Small Business Bank of the Year 2018</p>	 <p>• Best Private Bank Australia, High Net Worth Clients US\$5m-\$30m (Euromoney, 2018) • Outstanding Private Bank AUD\$1m-\$10m (Australian Business Banking Awards, 2018)</p>	 <p>Canstar; Agribusiness Bank of the Year 2016 - 2018</p>				

1. MyTell OTC transactions

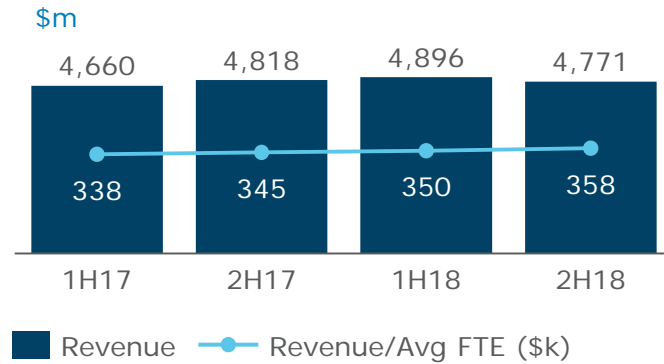
2. APRA system growth numbers as at Aug-18

3. Supported wallet transactions includes Apple Pay, Samsung Pay, Android Pay, Fitbit Pay, Garmin Pay and ANZ Mobile Pay. FY18 excludes ANZ Mobile Pay

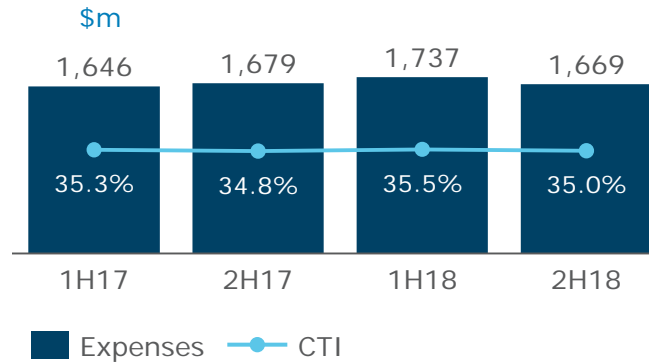
# AUSTRALIA DIVISION

## CONTINUING OPERATIONS (EXCLUDING LARGE / NOTABLE ITEMS)

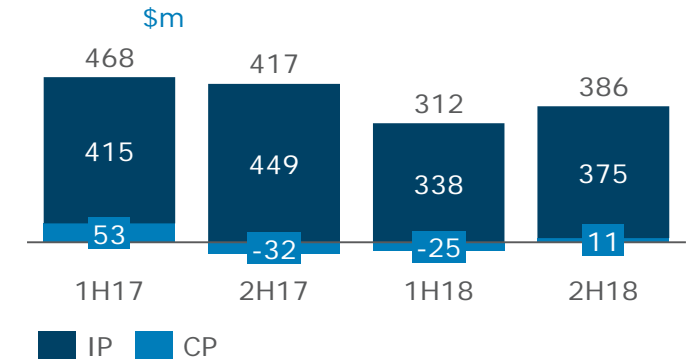
### REVENUE



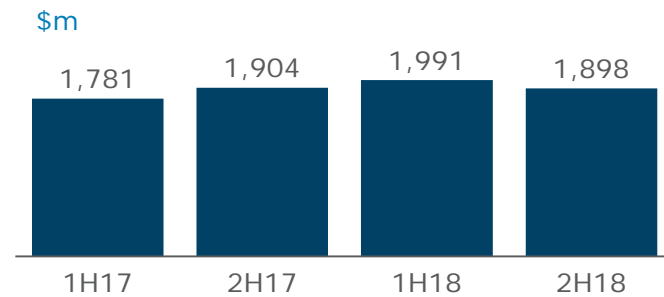
### EXPENSES



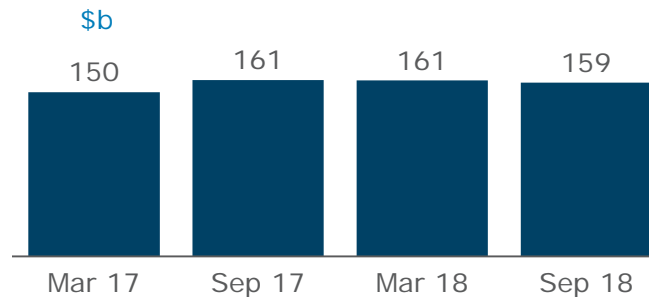
### TOTAL PROVISIONS



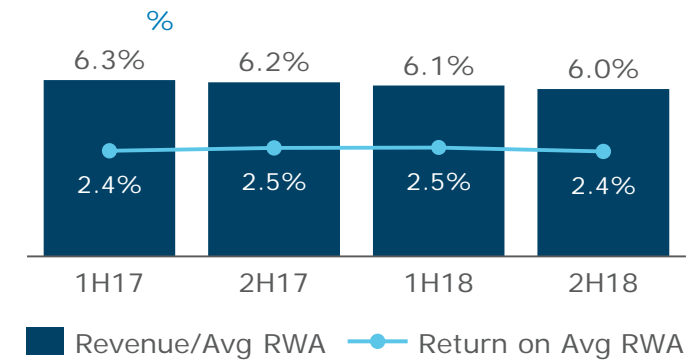
### CASH PROFIT



### RISK WEIGHTED ASSETS<sup>1</sup>



### RETURN

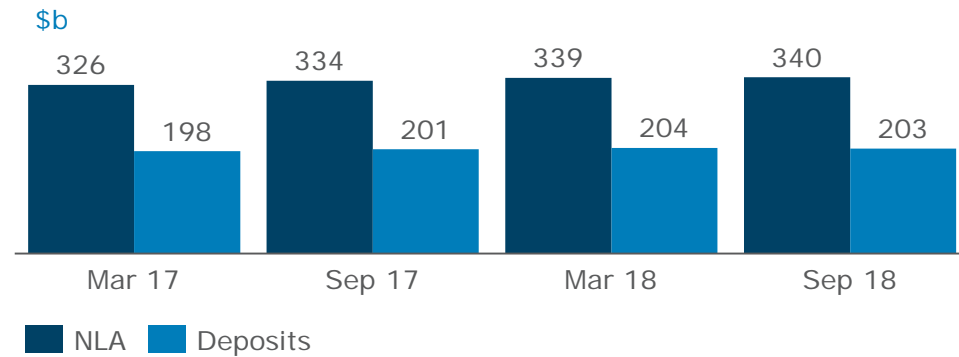


1. Increased capital requirements for Australia Residential Mortgage Exposures in 2017

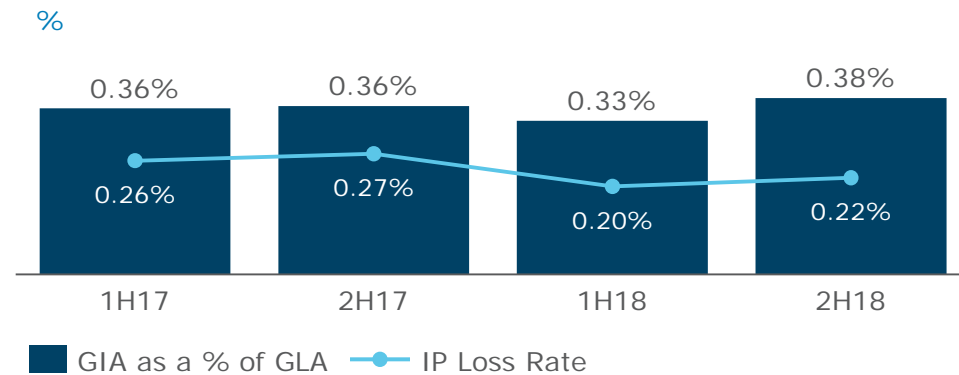
# AUSTRALIA DIVISION

## CONTINUING OPERATIONS (EXCLUDING LARGE / NOTABLE ITEMS)

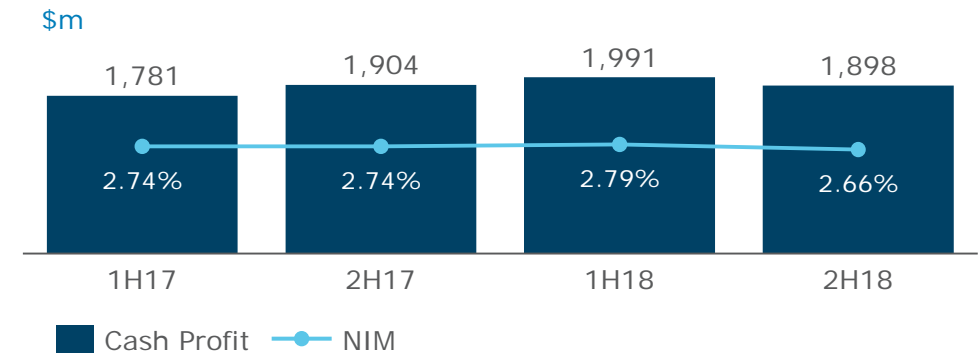
### LENDING & DEPOSITS



### RISK



### RETURNS



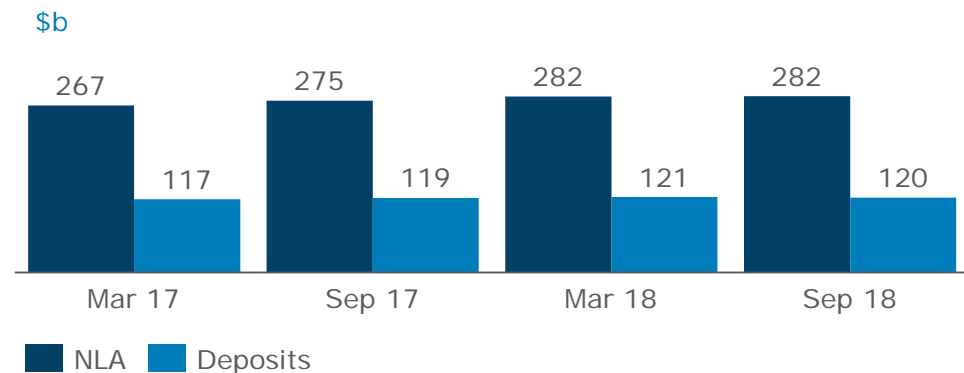
### FINANCIAL OUTCOMES

- 21%** Improvement in credit provisions in the year
- 4%** Improvement in expenses in 2H18, transforming the business while improving sales productivity
- 90** Simplifying our business with 90 fewer products in market and a smaller branch footprint as customer digital uptake increases

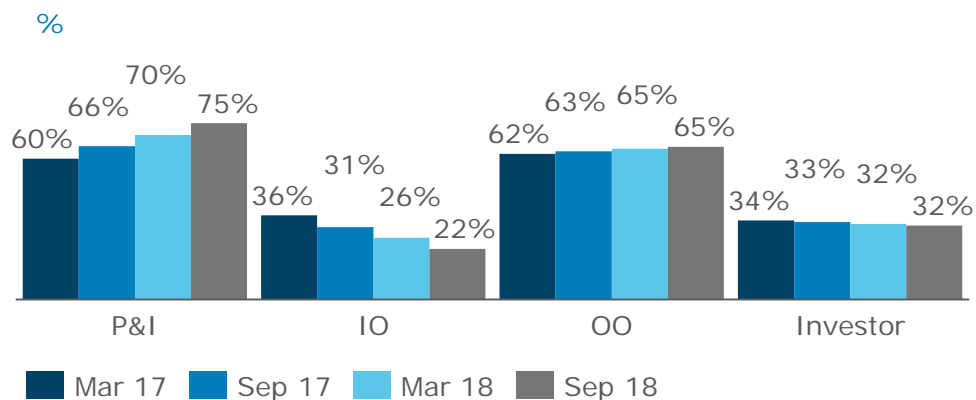
# AUSTRALIA DIVISION

## RETAIL (EXCLUDING LARGE / NOTABLE ITEMS)

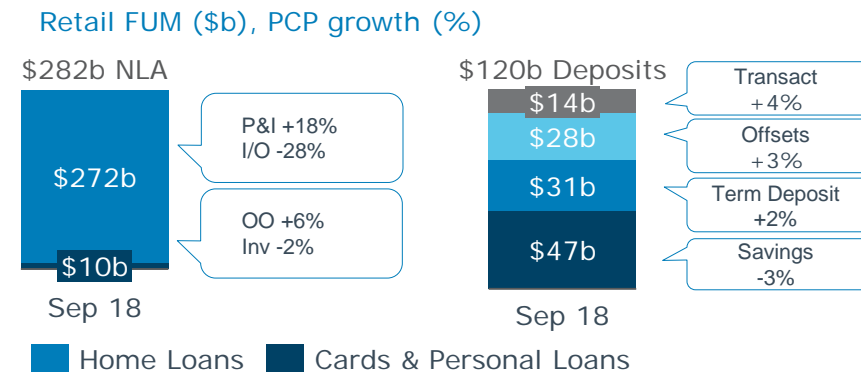
### LENDING & DEPOSITS



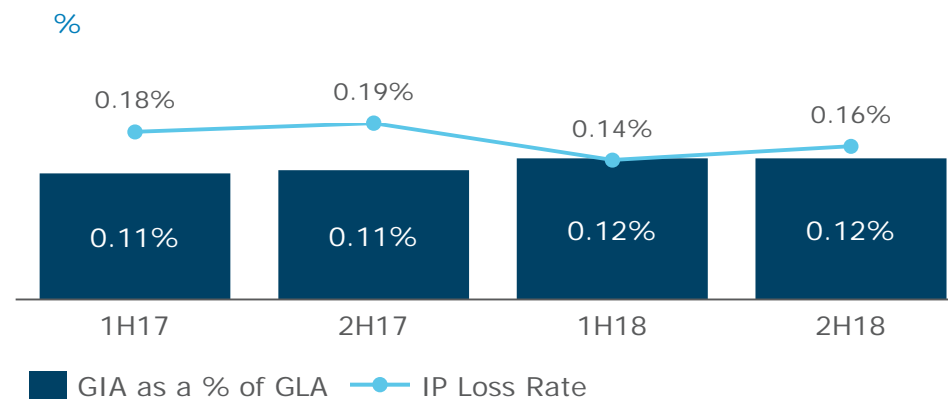
### HOME LOANS PORTFOLIO MIX



### LENDING AND DEPOSIT COMPOSITION



### RISK

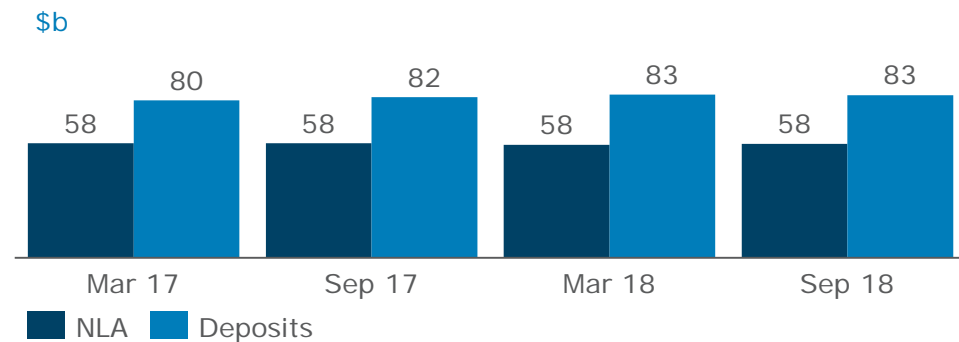


1. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ, and ANZ targeted activity to identify, any change in circumstances

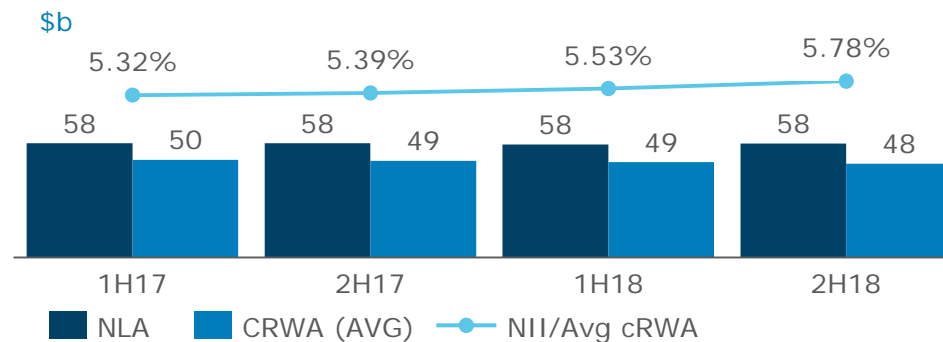
# AUSTRALIA DIVISION

## BUSINESS AND PRIVATE BANK (EXCLUDING LARGE / NOTABLE ITEMS)

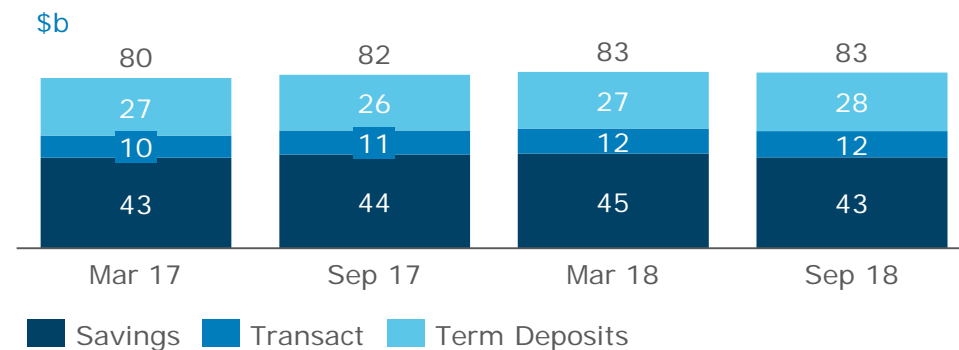
### LENDING & DEPOSITS



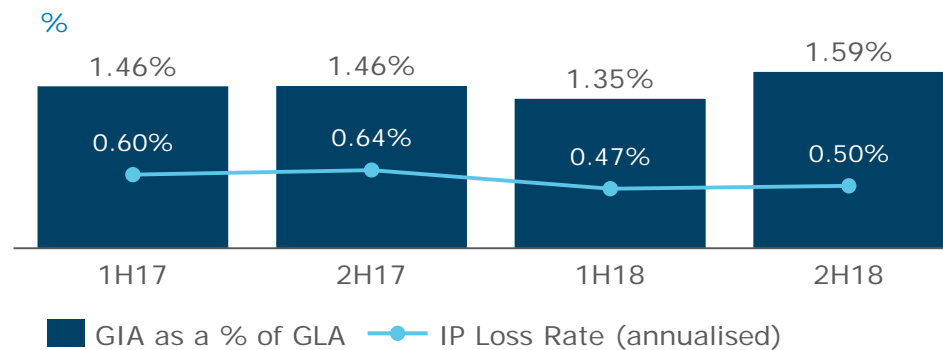
### CRWA PROFILE



### DEPOSITS MIX



### RISK<sup>1</sup>

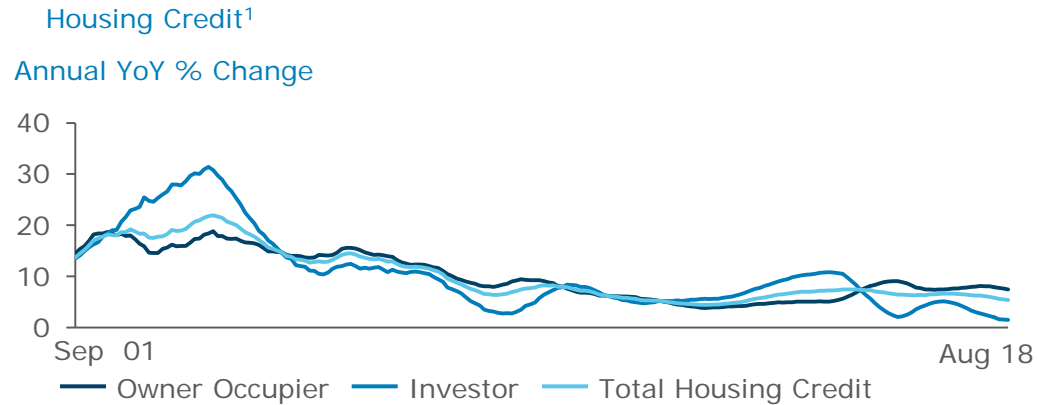


1. Increase in Gross Impaired Assets in 2H18 driven by a single name restructured loan

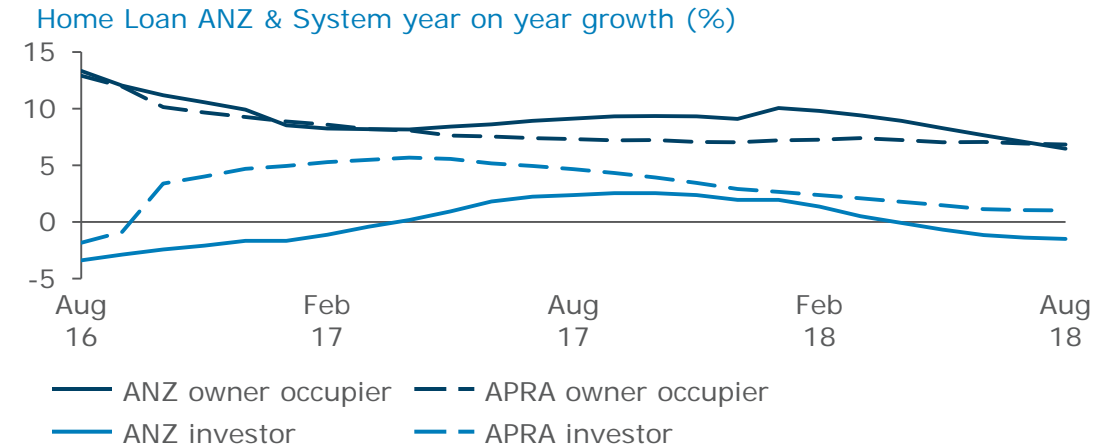
# AUSTRALIA DIVISION

## REVENUE DRIVERS (EXCLUDING LARGE / NOTABLE ITEMS)

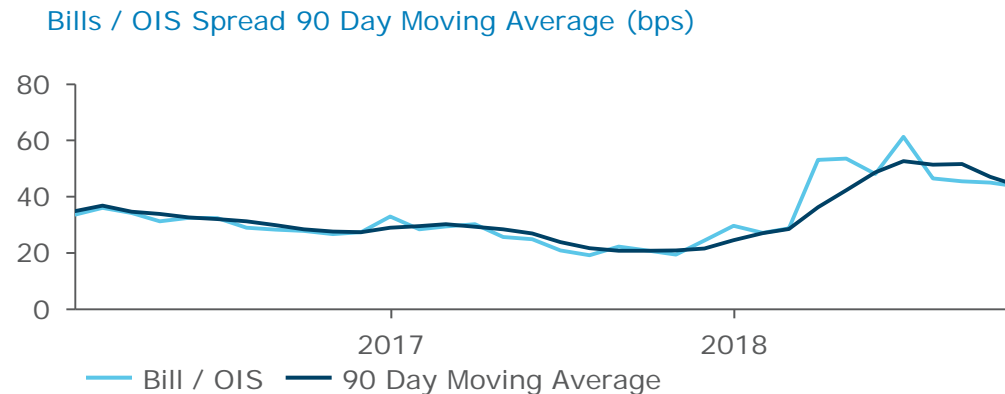
### SLOWING DEMAND FOR HOUSING CREDIT



### SLOWING HOUSING MARKET

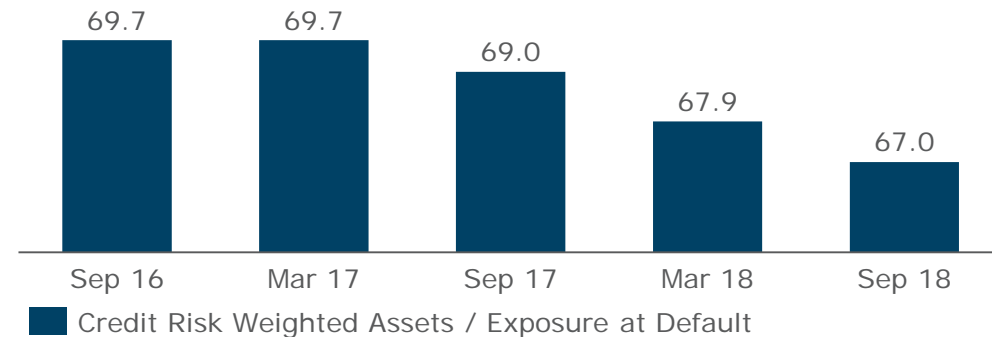


### HIGHER FUNDING COSTS



### PAUSING CONSUMER ASSET FINANCE, REDUCING UNSECURED LENDING

Reducing revenues, improving credit intensity of Business & Private Bank

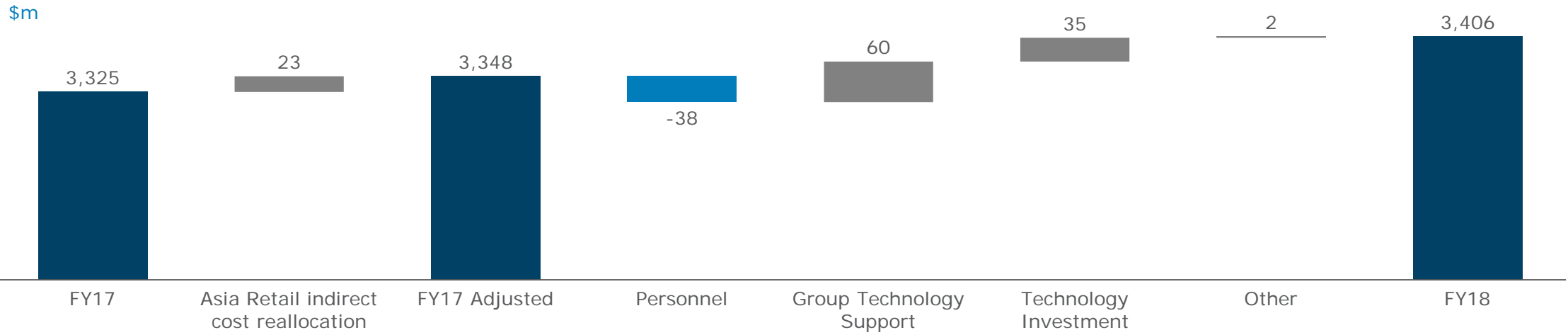


1. Source: RBA, ANZ Research

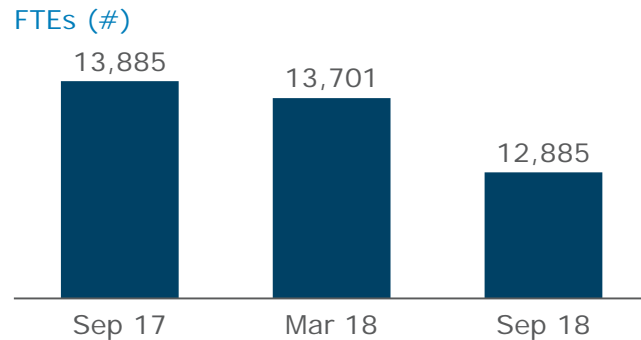
# AUSTRALIA DIVISION

## EXPENSE COMPOSITION & DRIVERS (EXCLUDING LARGE / NOTABLE ITEMS)

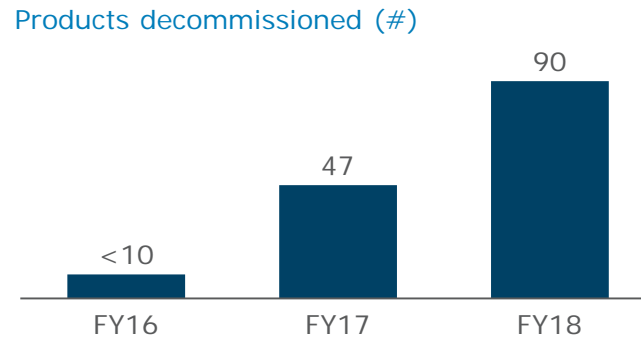
### EXPENSE COMPOSITION



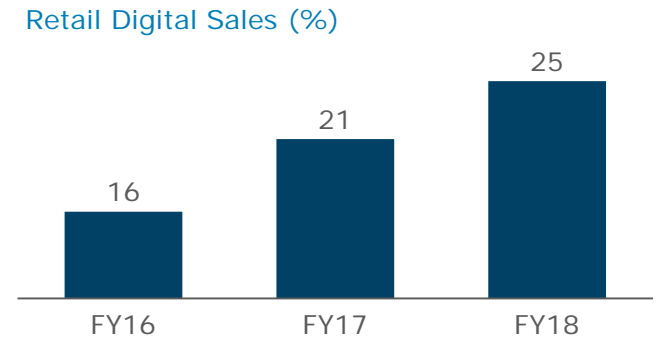
### OPTIMISING OUR WORKFORCE



### SIMPLER OFFERINGS FOR CUSTOMERS



### OPTIMISING OUR CHANNELS



# AUSTRALIA DIVISION

## DIGITAL

### DELIVERING SUPERIOR EXPERIENCE FOR OUR CUSTOMERS



ANZ App

**Introduced ANZ App** in Feb 18, combining goMoney and Grow into a new unified mobile banking application.

ANZ app offers a single location for Australian retail customers to access their banking, super, insurance and investments. The app enables faster development cycles for delivering enhancements and improvements based on customer feedback and removes complexity in supporting multiple apps.



Voice ID

The app has been highly rated by customers: scoring 4.7 of 5 stars in the Apple AU App store.



ANZ Shield for Business

**Secured biometric security solutions:** Delivered new capabilities through ANZID (Voice ID, Electronic verification for customers, Shield for business bank customers, credentials recovery)

**More digital self service adoption rates and digital sales,** where we now have 3.5m digitally active customers



We've piloted "**Collab Zone**" to provide an online community for Business Owners

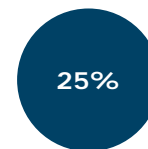


**More digital branches** with 114 digital branches across Australia, representing 18% of our branch fleet

### TRANSLATING INTO BUSINESS OUTCOMES



3.5m digitally active customers



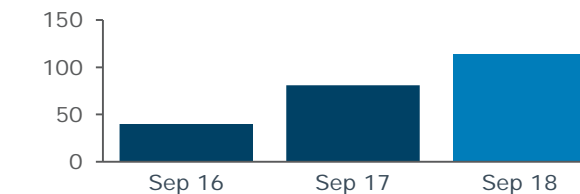
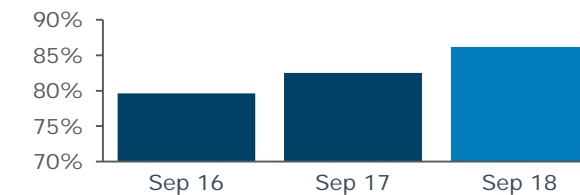
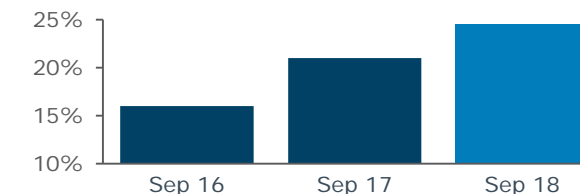
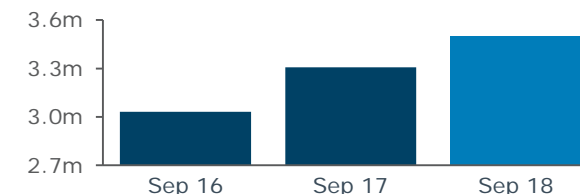
25% of Australia retail sales are completed digitally



86% of value transactions (deposits and withdrawals) are now completed digitally



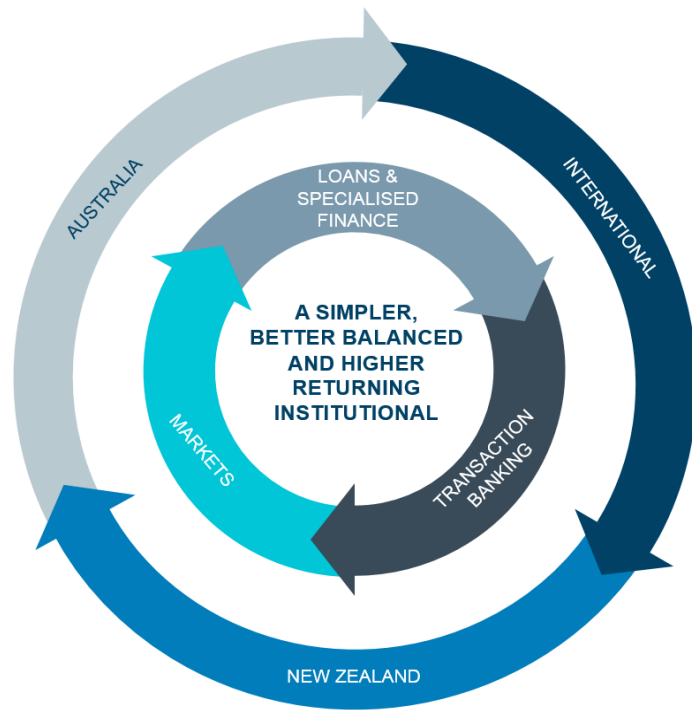
114 digital branches in Australia





# INSTITUTIONAL

## RESHAPING THE BUSINESS, TRANSITIONING TO DISCIPLINED GROWTH



**RESHAPE THE BUSINESS AND IMPROVE RISK PROFILE**

- RWA \$44b (21%) lower and ~6,000 reduction in clients<sup>1</sup> since September 2015
- Improved portfolio quality since September 2015 with 85% (+510bps) of exposures now investment grade

**DRIVE PROFITABLE GROWTH**

- Leading market positions with customers<sup>2</sup>
- Customer revenue<sup>3</sup> growth up 5% in 2H18

**ABSOLUTE COST REDUCTION**

- FTE have reduced ~1,900 (24%) since September 2015
- Fifth consecutive half year of absolute cost reduction,<sup>4</sup> with more to follow

**IMPROVE RETURNS & CAPITAL EFFICIENCY**

- Risk adjusted margin<sup>5</sup> has improved 38bps (19%) since FY15 to 2.34% in 2H18
- Risk weight intensity<sup>6</sup> has reduced from 105% to 94% since September 2015

1. Institutional Customers excluding PNG; 2. Refer to Peter Lee Associates and Greenwich Associates Survey on subsequent page; 3. Customer revenue comprises Markets Franchise Sales, L&SF, Trade and PCM revenue; 4. Excluding large/notable item; 5. Institutional ex-Markets net interest income divided by average credit risk weighted assets; 6. Institutional ex-Markets average credit risk weighted assets divided by average interest earning assets

# INSTITUTIONAL

## DIGITAL

### DELIVERING SUPERIOR EXPERIENCE FOR OUR PEOPLE AND CUSTOMERS

#### Building a Single Digital Channel with Multi-product Access

Access to multiple products via a single, secure and converged digital channel. Mobile app offering convenient access to balances and payment approvals, with simple authentication

#### Trade Innovation Driving Connectivity

Collaborating with regulators and international trade banks to digitise trade, including the Monetary Authority of Singapore's Networked Trade Platform (NTP), the Hong Kong Monetary Authority's Trade Finance Platform (HKTFP), and a multi-bank, multi-corporation Trade Information Network

#### Award-winning New Payments Platform Partner

Successfully secured 90% of competitive agency bank mandates, enabling other financial institutions to provide NPP payments to their customers via ANZ's infrastructure. Awarded the Global Finance 2018 Innovators Award for Real Time Payments<sup>1</sup>

#### Google Cloud Partnership

Combining Google-powered analytics with our data scientists and engineers to deliver insights that support our customers in strategic and operational decision-making

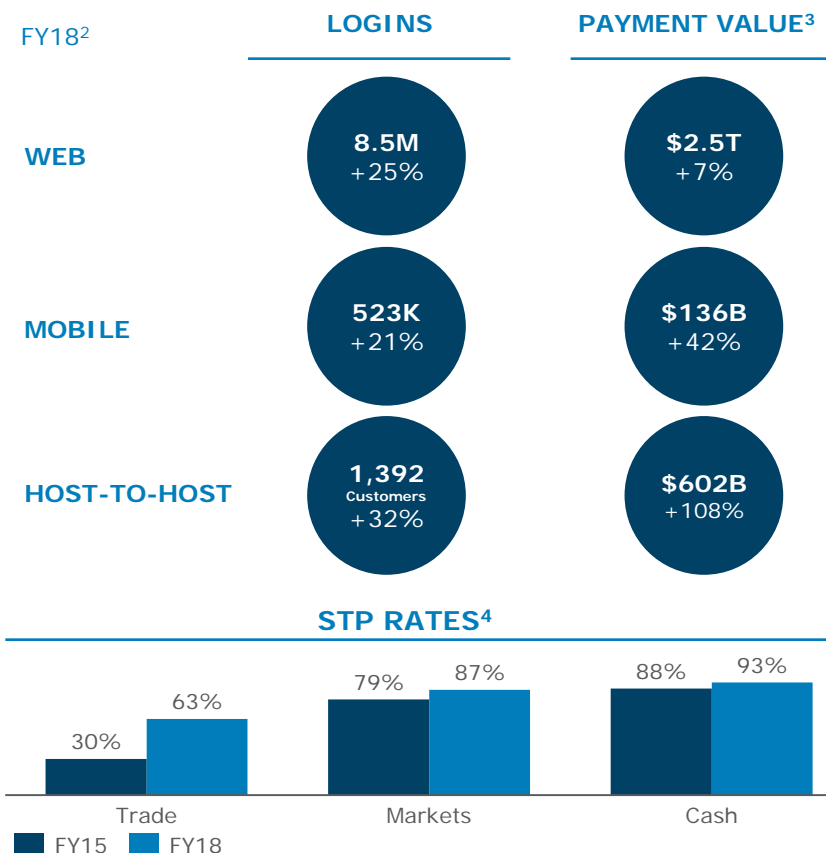
#### Client Automation via Direct H2H Integration Services

Delivering high levels of customer automation by integrating banking services directly with customer systems via flexible, bespoke host-to-host integration solutions

#### Straight Through Processing

Enhanced customer and banker experience via process automation

### TRANSLATING INTO BUSINESS OUTCOMES



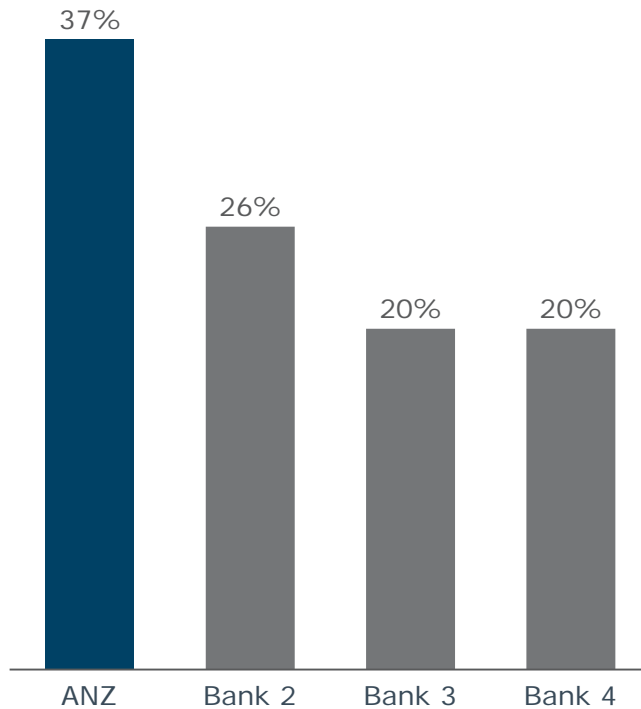
1. Global Finance – The Innovators Awards 2018 - Real Time Payments New Payments Platform Agency Banking – Most Customers adopted Agency Banking Offering – Australia;  
 2. Movements refer to FY18 v FY17; 3. Mobile payment value relates to approval of payments initiated via web channel; 4. Straight through processed (STP) volumes for Markets (Trade Capture, Confirmation, Settlement) and Cash Management (Australia and NZ blended inward and outward payments). Trade rates reflect channel utilisation volumes via the Transactive Trade Portal

# INSTITUTIONAL

MAINTAINED OUR LEADING MARKET POSITIONS ACROSS OUR KEY GEOGRAPHIES

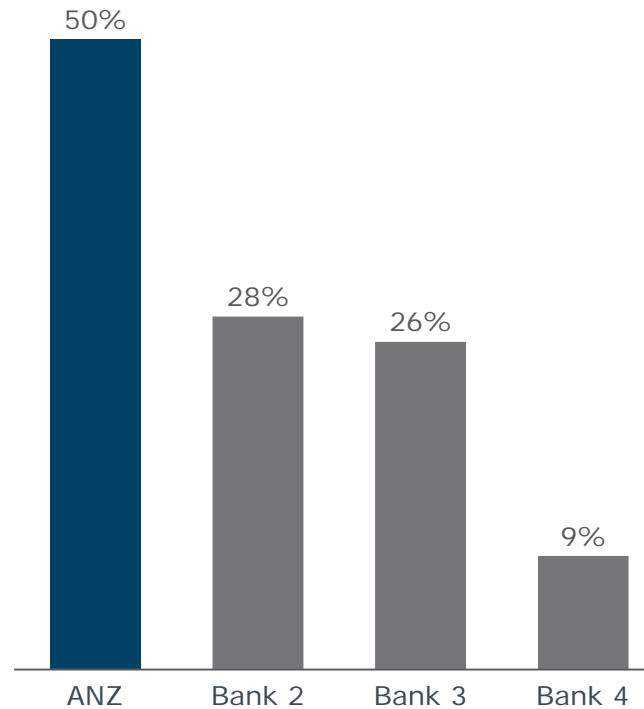
## AUSTRALIA

#1 Lead Bank Penetration<sup>1</sup>



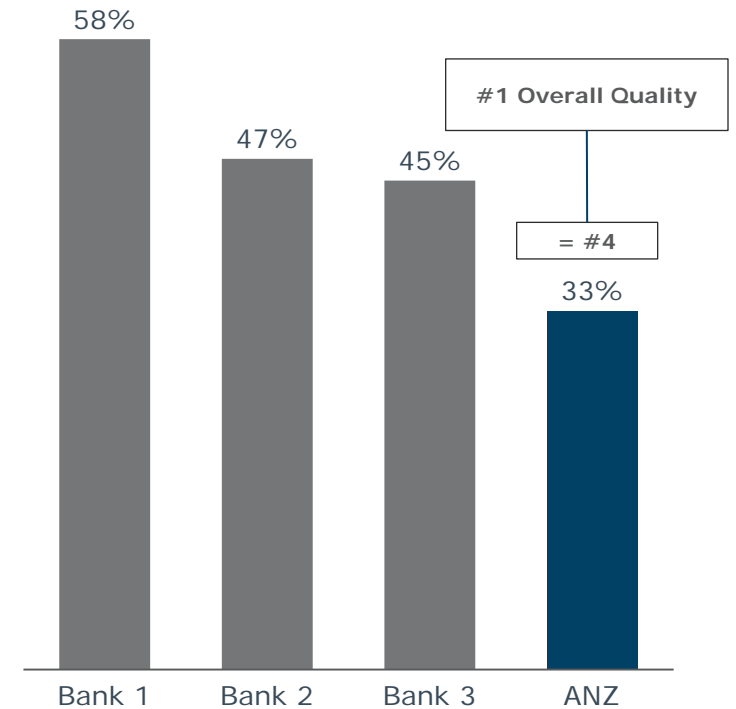
## NEW ZEALAND

#1 Lead Bank Penetration<sup>1</sup>



## ASIA

Top 4 Corporate Bank<sup>2</sup>

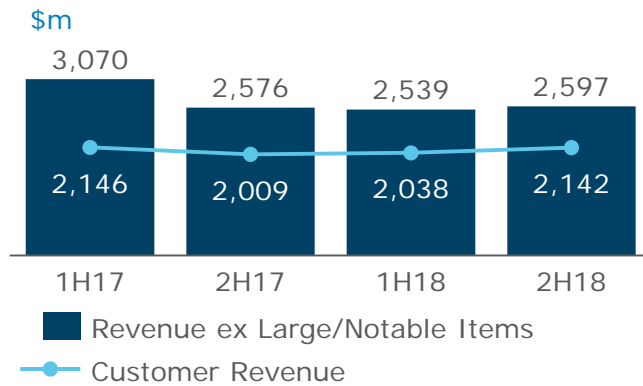


1. Peter Lee Associates 2018 Large Corporate and Institutional Relationship Banking surveys, Australia and New Zealand (issued in June and August 2018 respectively)  
2. Greenwich Associates 2017 Asian Large Corporate Banking Study (issued in March 2018)

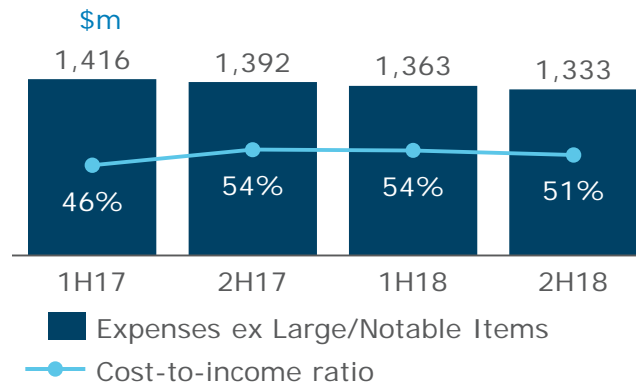
# INSTITUTIONAL

CONTINUED MOMENTUM IN 2H18 WITH PROFITABLE CUSTOMER REVENUE GROWTH, A FIFTH CONSECUTIVE HALF YEAR OF ABSOLUTE COST REDUCTION, AND IMPROVED RETURNS

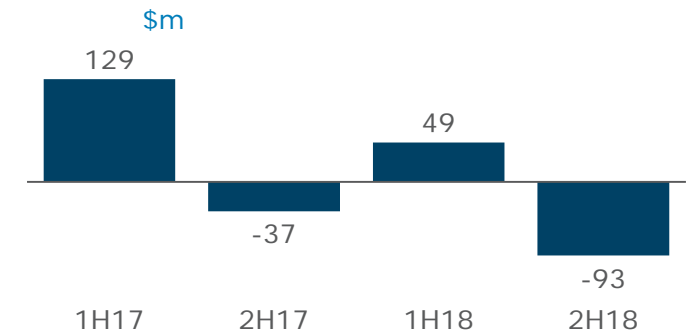
## REVENUE<sup>1</sup>



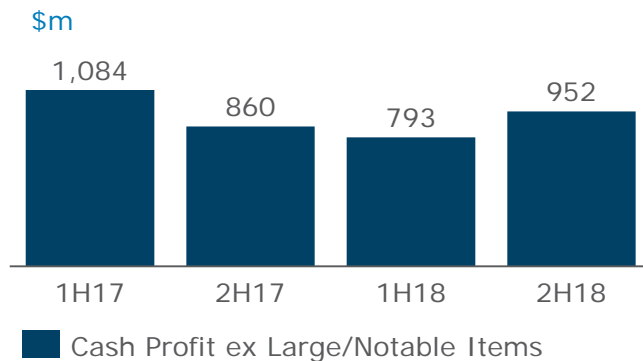
## EXPENSES<sup>1</sup>



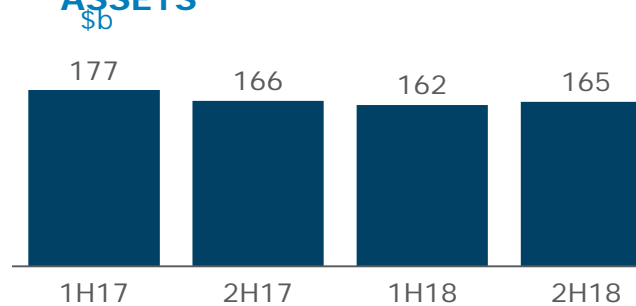
## TOTAL PROVISIONS



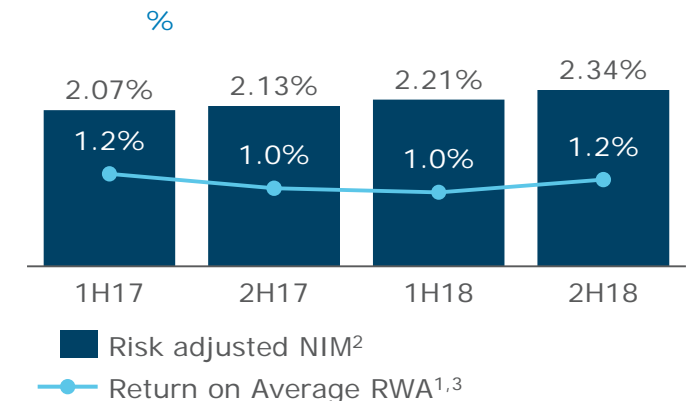
## CASH PROFIT<sup>1</sup>



## AVERAGE RISK WEIGHTED ASSETS



## RETURN<sup>1,2,3</sup>



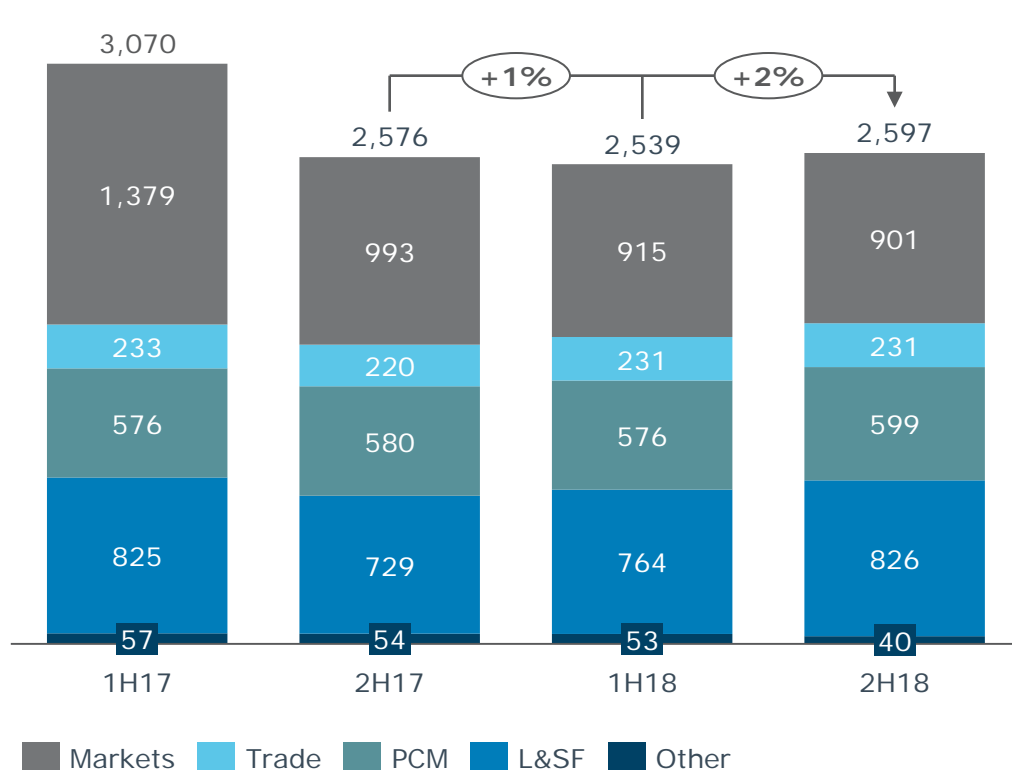
1. Excluding large/notable items; 2. Institutional ex-Markets net interest income divided by average credit risk weighted assets; 3. Cash profit divided by average risk weighted assets

# INSTITUTIONAL

ALL CUSTOMER BUSINESSES PERFORMING WELL DRIVEN BY TARGETED GROWTH IN OUR PRIORITY SECTORS

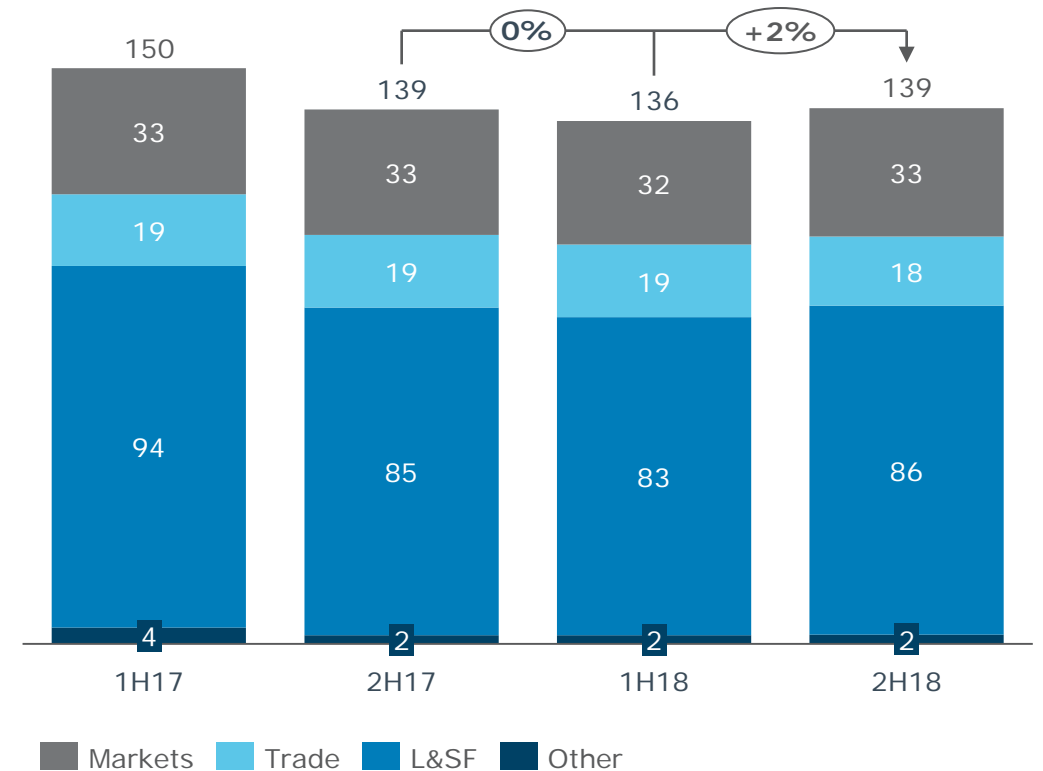
## REVENUE CONTRIBUTION<sup>1, 2</sup>

\$m



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

\$b



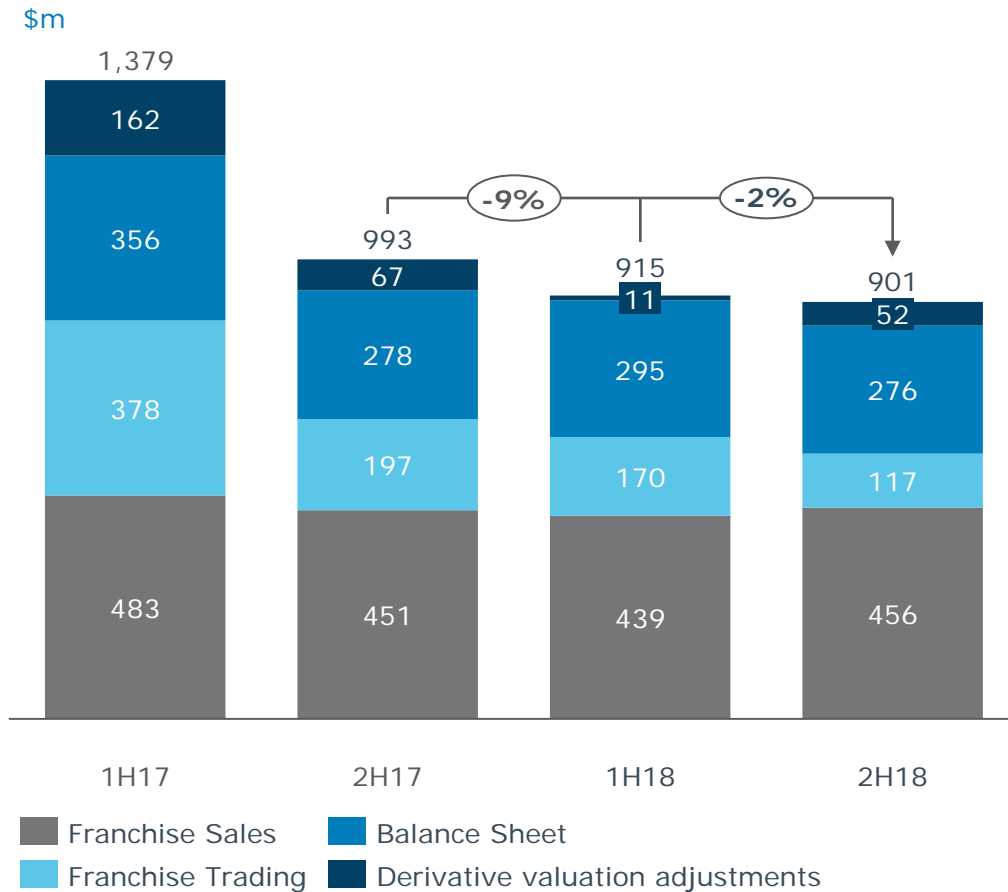
1. Excluding large/notable items

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

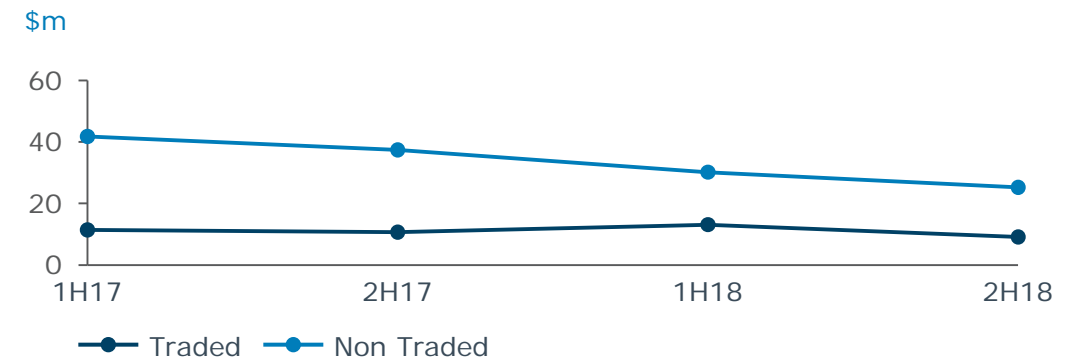
# INSTITUTIONAL

MARKETS INCOME DOWN 2% HOH, WITH IMPROVED FRANCHISE SALES OFFSET BY A WEAKER TRADING RESULT

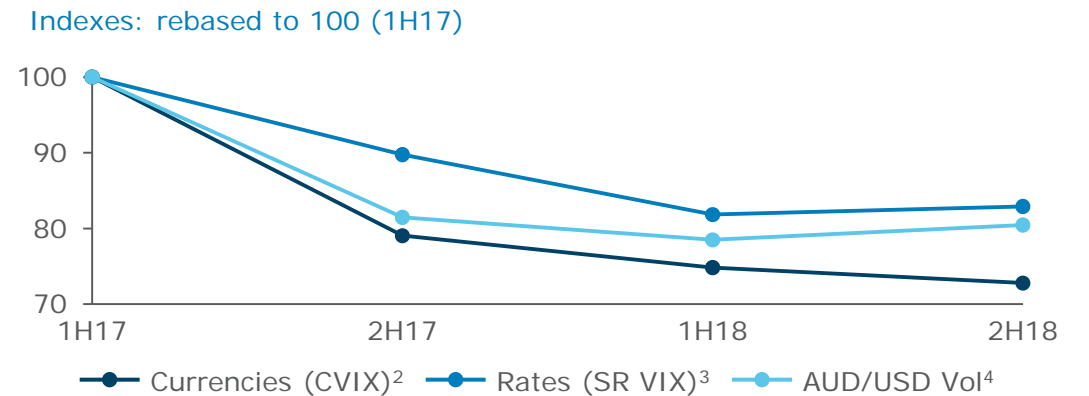
## MARKETS INCOME CONTRIBUTION<sup>1</sup>



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



## VOLATILITY



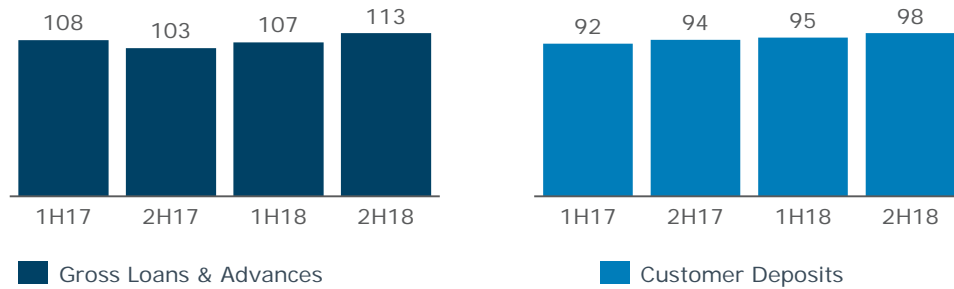
1. Excluding large/notable items; 2. Deutsche Bank Currency Volatility Index – average for each period shown; 3. CBOE Interest Rate Volatility Index – average for each period shown; 4. AUD vs. USD 3 month at-the-money implied volatility – average for each period shown

# INSTITUTIONAL

## VOLUME GROWTH AND HIGHER MARGINS DRIVING IMPROVED RETURNS

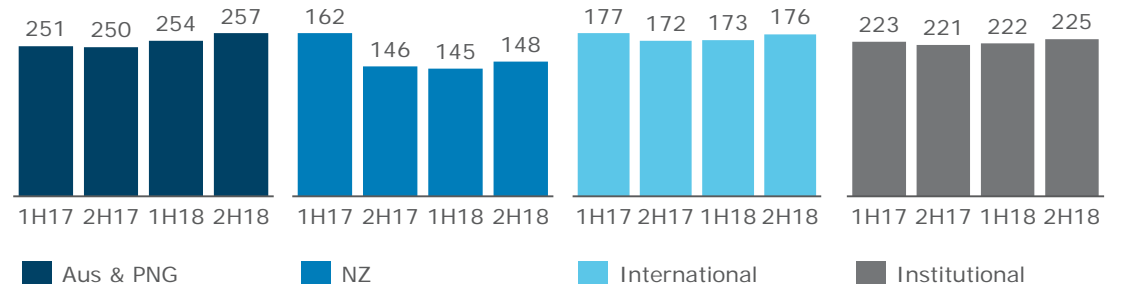
### VOLUMES<sup>1</sup>

\$b



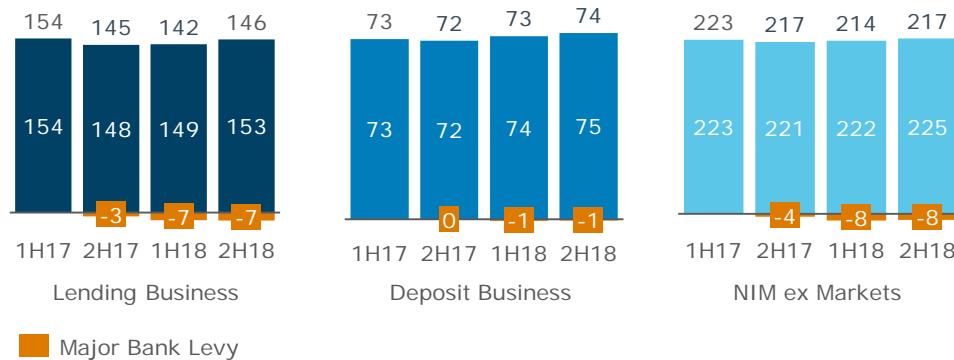
### NIM BY REGION (EXCLUDING MAJOR BANK LEVY)<sup>3</sup>

bps



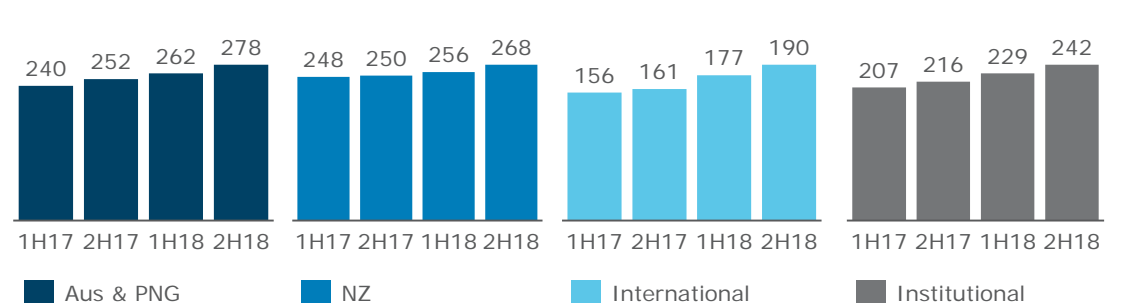
### NET INTEREST MARGIN<sup>2</sup>

bps



### RISK ADJUSTED NIM (EXCLUDING MAJOR BANK LEVY)<sup>4</sup>

bps

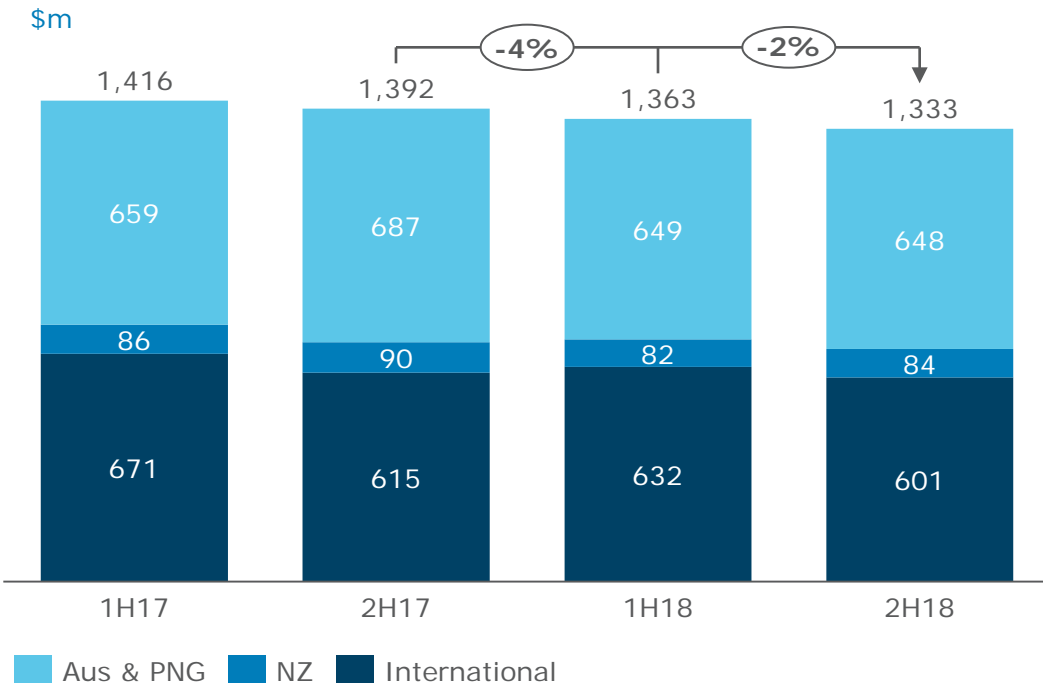


1. Average Gross Loans & Advances for L&SF and Trade, Average Customer Deposits for Payments and Cash Management; 2. Lending business margins represent Loan Product, Specialised Finance and Trade. Deposit business margin represents Payments and Cash Management; 3. Institutional ex-Markets net interest margin excluding impact of Major Bank Levy; 4. Institutional ex-Markets net interest income excluding impact of Major Bank Levy divided by average credit risk weighted assets

# INSTITUTIONAL

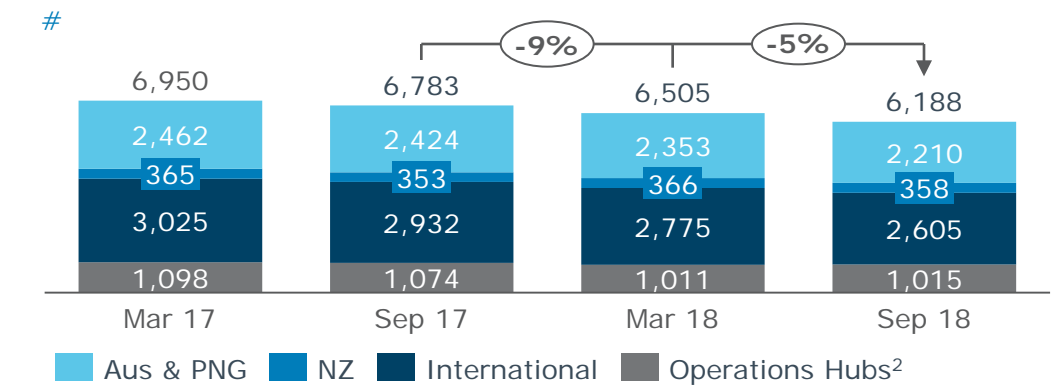
FIFTH CONSECUTIVE HALF OF ABSOLUTE COST REDUCTION, DESPITE ASIA RETAIL HEADWINDS

## EXPENSE CONTRIBUTION<sup>1</sup>

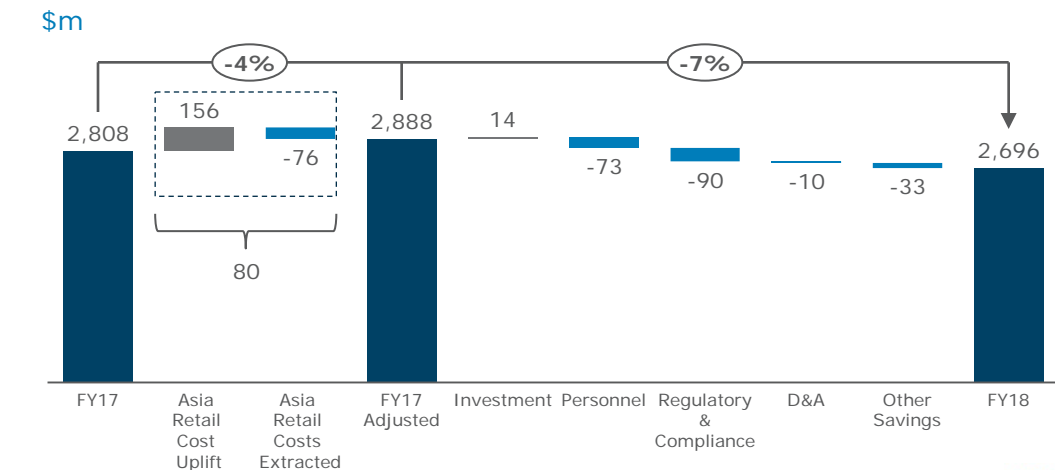


	1H16	2H16	1H17	2H17	1H18	2H18
Expenses <sup>1</sup> (\$m)	1,516	1,457	1,416	1,392	1,363	1,333
FTE (#)	7,518	7,052	6,950	6,783	6,505	6,188

## FTE



## FY18 EXPENSE DRIVERS<sup>1</sup>



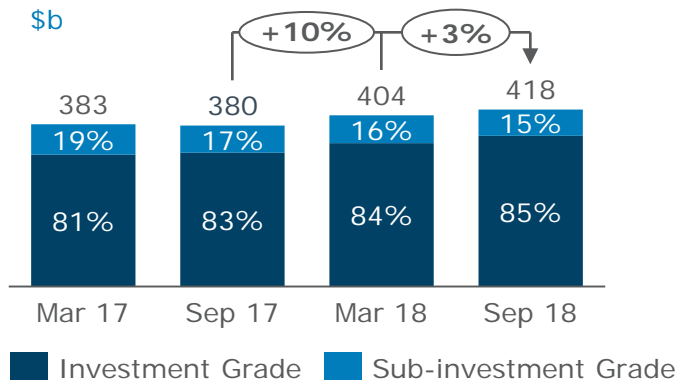
1. Excluding large/notable items  
 2. The cost associated with Operations hubs are allocated to all geographies



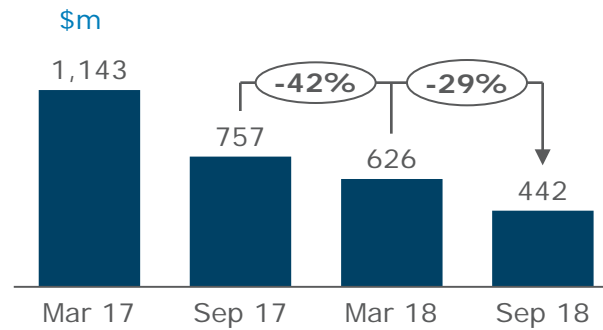
# INSTITUTIONAL

## IMPROVED PORTFOLIO QUALITY AND BENIGN CREDIT ENVIRONMENT

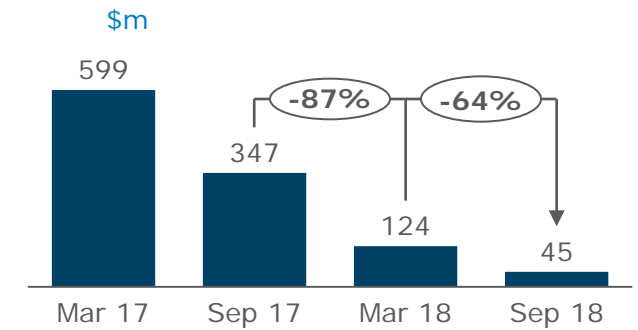
### EXPOSURE-AT-DEFAULT<sup>1</sup>



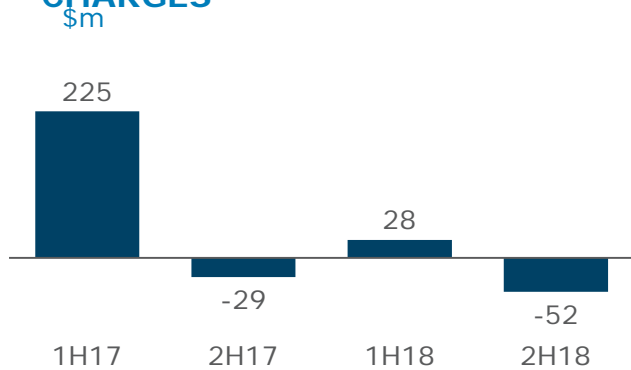
### GROSS IMPAIRED ASSETS



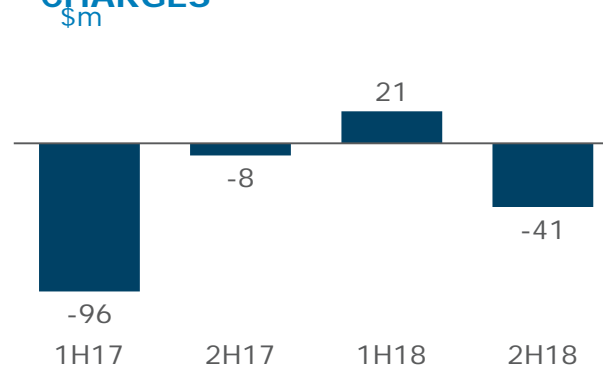
### NEW IMPAIRED ASSETS



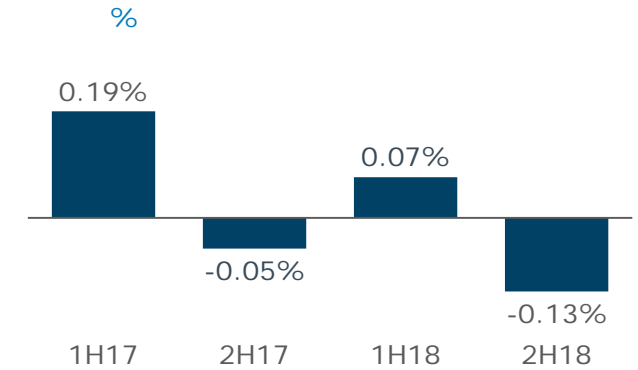
### INDIVIDUAL PROVISION CHARGES



### COLLECTIVE PROVISION CHARGES



### TOTAL LOSS RATE<sup>2</sup>



1. Net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Includes amounts for 'Securitisation' and 'Other Assets' Basel asset classes

2. Credit Impairment Charges divided by average Gross Lending Assets

# NEW ZEALAND DIVISION

## PRIORITIES

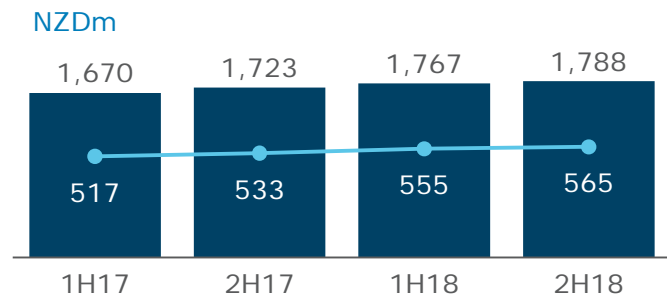
	PRIORITIES	ACTIONS	METRICS	SEP 16	SEP 17	SEP 18
STRATEGIC FOCUS	#1 in service	Grow customer satisfaction and brand consideration	Brand consideration <sup>1</sup>	49.6%	50.9%	51.4%
			Migrant Banking brand consideration <sup>1</sup>	74.9%	74.1%	70.2%
			Retail Net Promoter Score <sup>2</sup>	8.6	12.3	16.0
			KiwiSaver provider (market share) <sup>3</sup>	24.8%	24.6%	24.2%
	Home ownership and running a small business	Make banking easier for home owners and small business	Home loans (market share) <sup>4</sup>	31.5%	31.1%	31.0%
			Home loan (FUM) <sup>6</sup>	\$73.2b	\$76.8b	\$80.6b
			Household deposits (market share) <sup>4</sup>	31.7%	34.0%	33.8%
			Business loans (market share) <sup>4</sup>	29.6%	28.2%	26.9%
	Leading digital bank	Build a digital bank with a human touch	Digitally active customers	1.2m	1.3m	1.4m
			Value transactions completed digitally	80%	82%	84%
			Leader in mobile banking <sup>5</sup>	32%	37%	40%
	Create a simpler better balanced bank	Continue to automate, simplify and industrialise	Funding gap <sup>6</sup>	\$29.3b	\$28.1b	\$24.6b
			NLA <sup>6</sup>	\$120.7b	\$124.9b	\$128.7b
			Deposits <sup>6</sup>	\$91.4b	\$96.8b	\$104.1b
			Mortgages LVR <80% <sup>7</sup>	93.3%	94.1%	94.6%
			FTE	6,472	6,372	6,165
CTI <sup>8</sup>			39.6%	37.2%	36.1%	

1. Source: McCulley Research (online survey, first choice or seriously considered); six month rolling average; 2. Source: Camorra Retail Market Monitor (RMM); six month rolling score; 3. Source: RBNZ, FUM market share as of June 2018; 4. Source: RBNZ, September 2018 share of all banks as of August 2018. Changes in RBNZ data reporting from February 2017 onwards has resulted in a step change in data vs prior periods; 5. Source: McCulley Research; 6. New Zealand Geography (NZD); 7. Dynamic basis, as of September 2018; 8. Financials FY17 and FY18 adjusted for large and notable items

# NEW ZEALAND DIVISION<sup>1</sup>

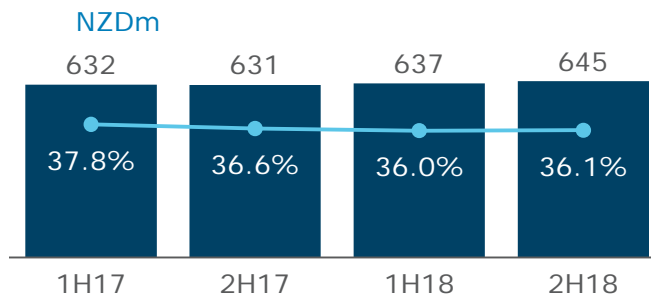
## FINANCIAL PERFORMANCE

### REVENUE



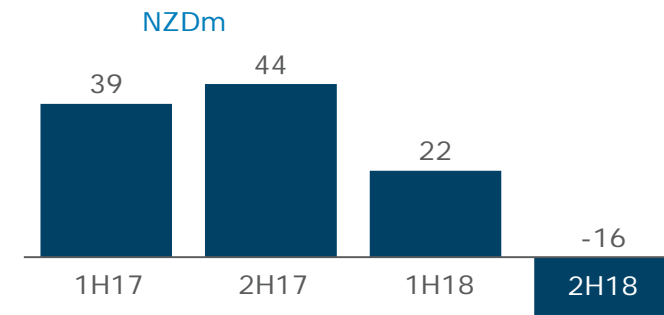
■ Revenue — Revenue/Avg FTE (\$k) annualised

### EXPENSES

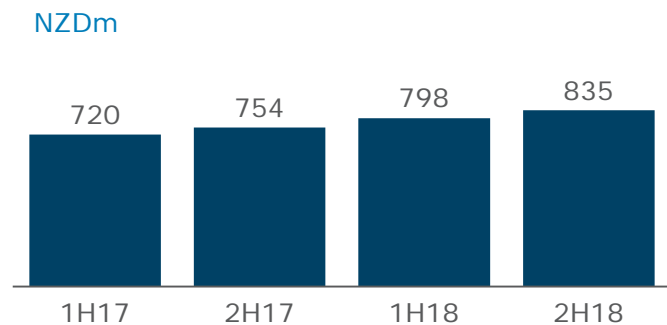


■ Expenses — CTI

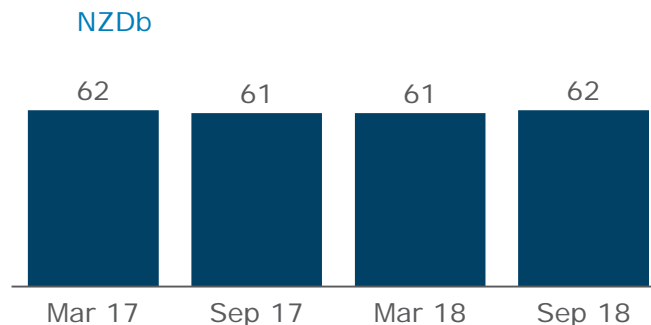
### TOTAL PROVISIONS



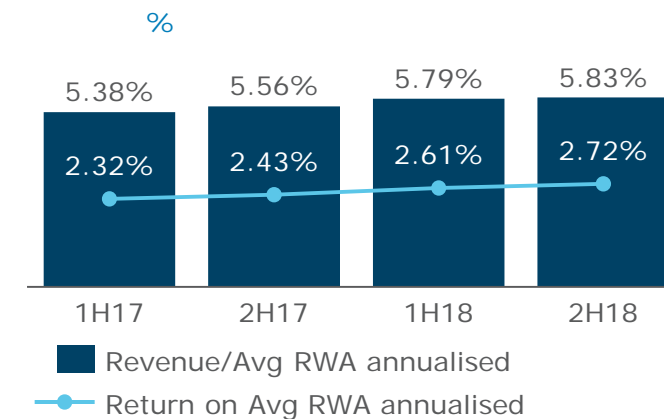
### CASH PROFIT



### RISK WEIGHTED ASSETS



### RETURN



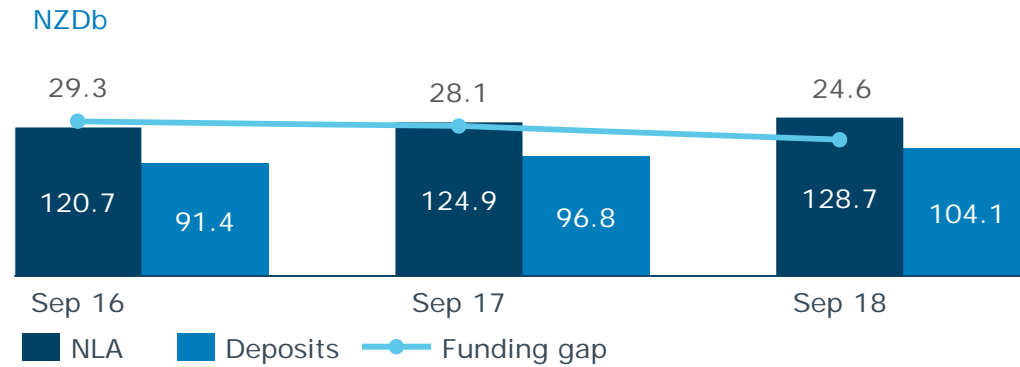
■ Revenue/Avg RWA annualised  
— Return on Avg RWA annualised

1. Financials adjusted for large and notable items

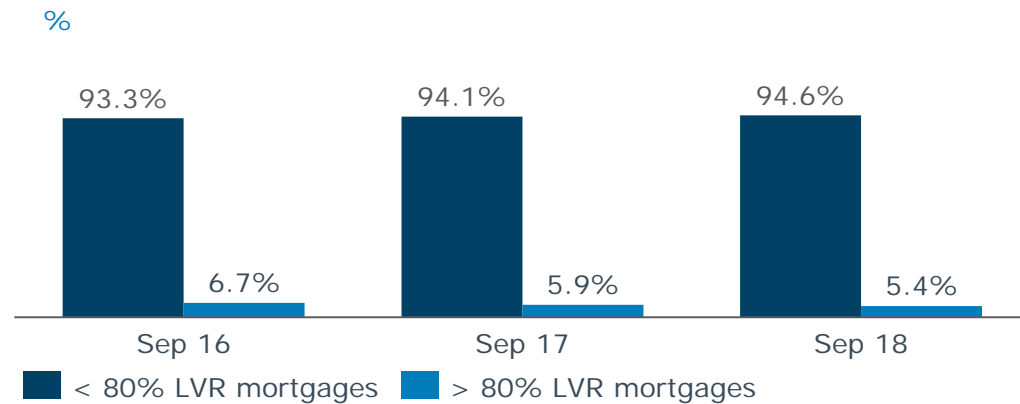
# NEW ZEALAND<sup>1</sup>

## STRATEGIC FOCUS – SIMPLER, BETTER BALANCED BANK

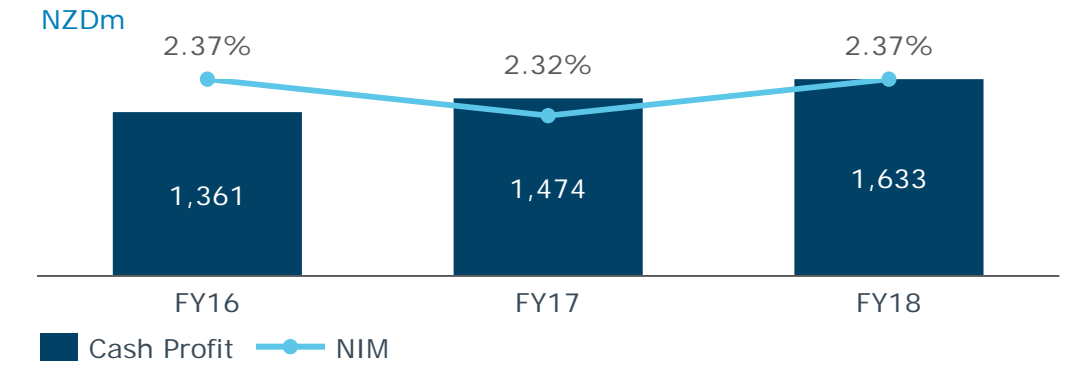
### BALANCE SHEET<sup>2</sup>



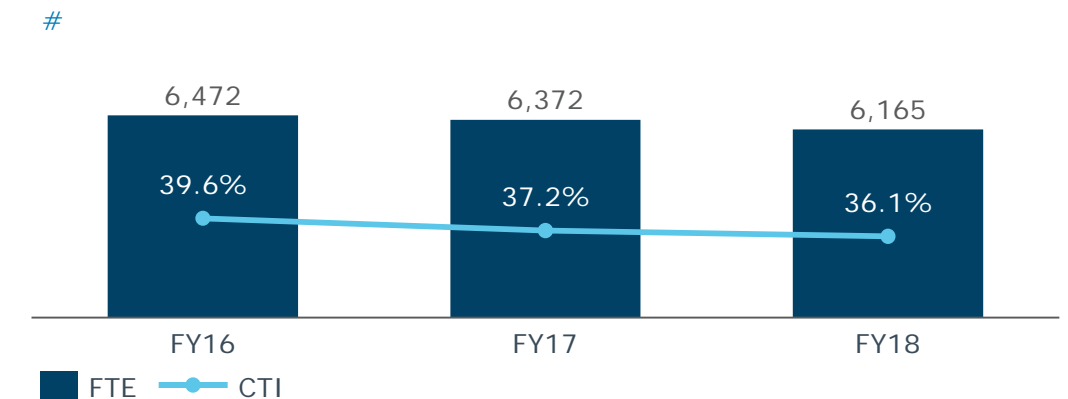
### MORTGAGES LOAN TO VALUE RATIO<sup>4</sup>



### PROFITABILITY & MARGIN<sup>3</sup>



### FTE & CTI<sup>3</sup>

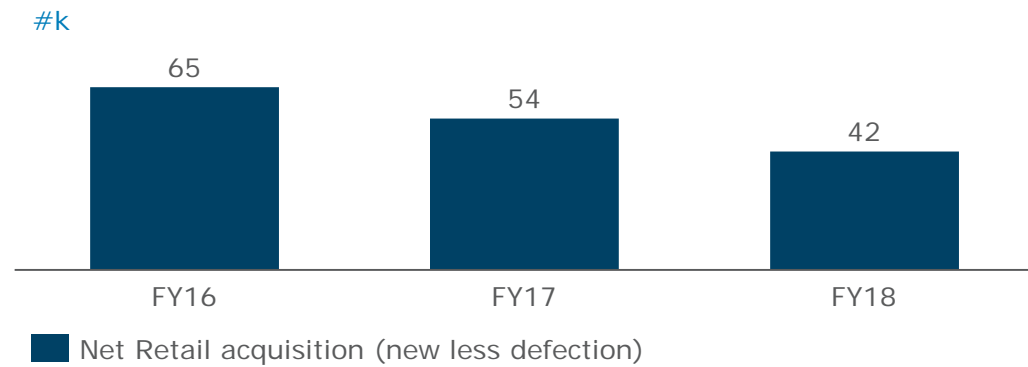


1. Financials FY17 and FY18 adjusted for large and notable items  
 2. New Zealand Geography  
 3. New Zealand Division  
 4. Dynamic basis, as of September 2018

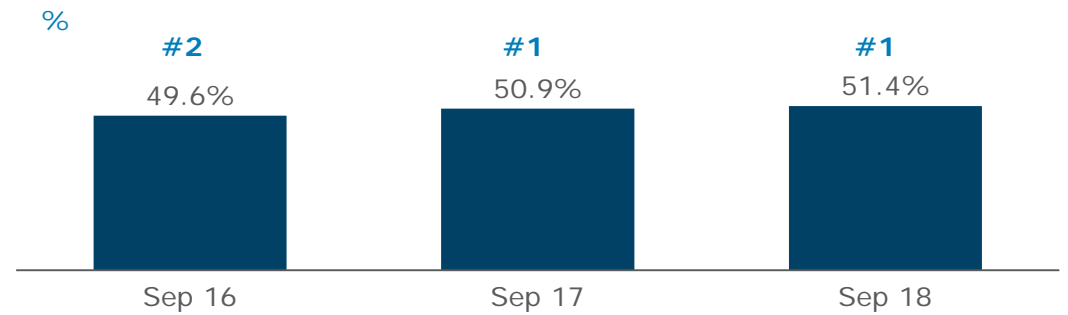
# NEW ZEALAND

## STRATEGIC FOCUS - #1 IN SERVICE

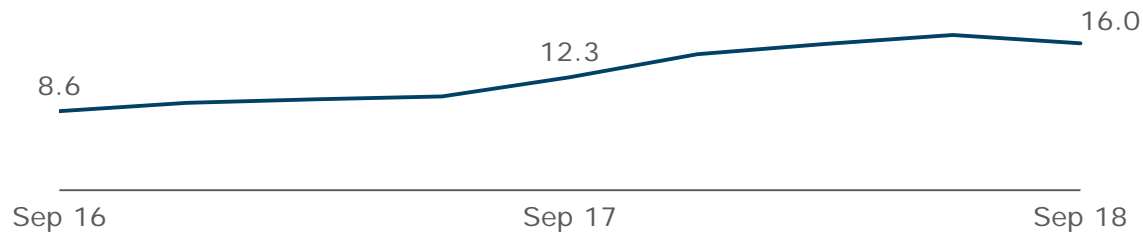
### NET CUSTOMER GROWTH



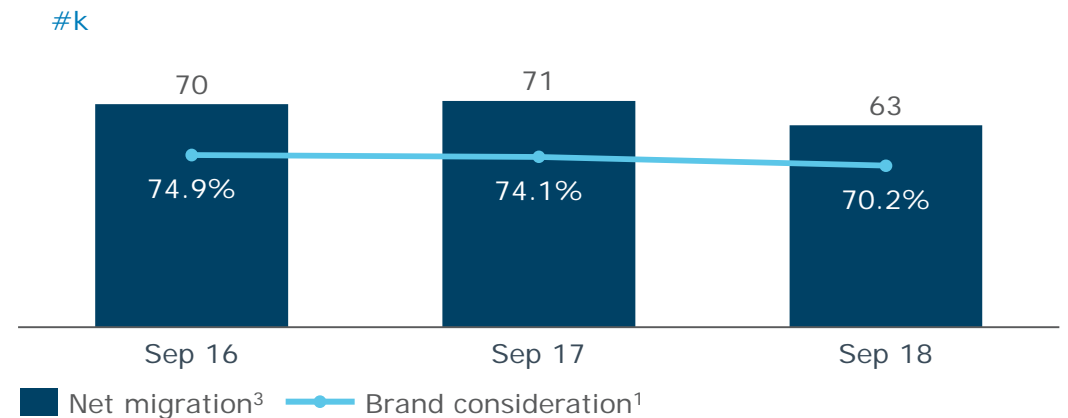
### BRAND CONSIDERATION<sup>1</sup>



### RETAIL NET PROMOTER SCORE<sup>2</sup>



### BRAND CONSIDERATION – MIGRANTS<sup>1</sup>



1. Source: McCulley Research (online survey, first choice or seriously considered); six month rolling average

2. Source: Camorra Retail Market Monitor (RMM); six month rolling score

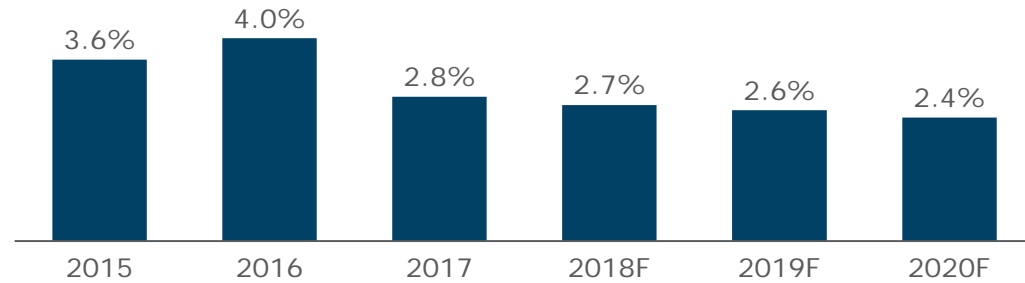
3. Source: Statistics NZ net migration, 12 months to August 2018

# NEW ZEALAND

## ENVIRONMENT

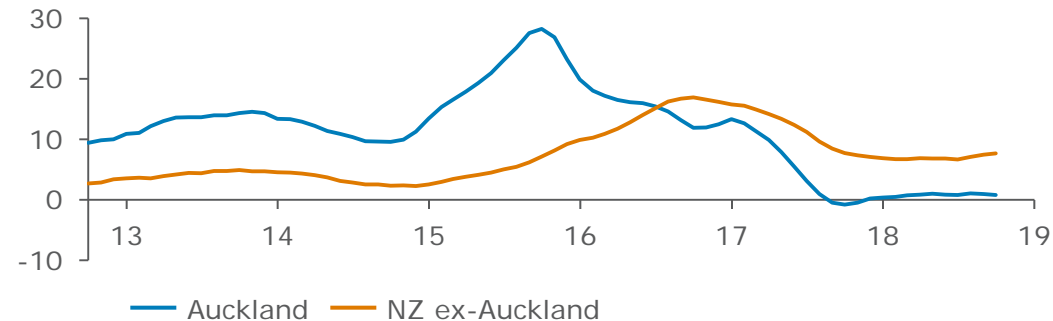
### GDP<sup>1</sup>

Annual average % change



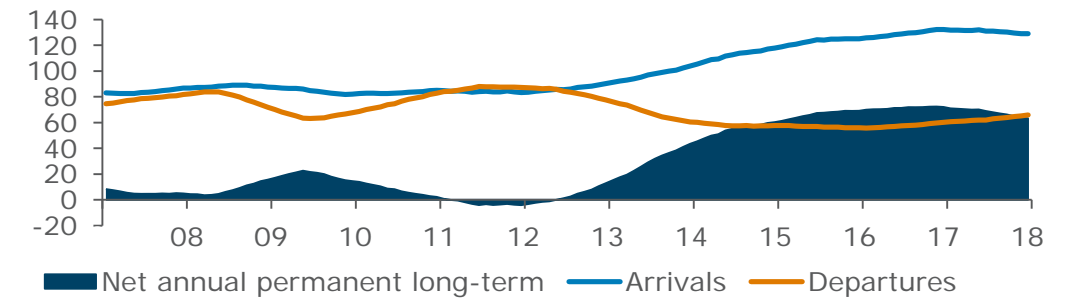
### HOUSE PRICES<sup>3</sup>

Annual % change (3 month avg)



### NET MIGRATION<sup>2</sup>

#k



### CONSUMER CONFIDENCE<sup>4</sup>

Index



1. Source: ANZ Research  
 2. Source: ANZ, Statistics NZ  
 3. Source: ANZ, REINZ  
 4. Source: Roy Morgan, ANZ Research

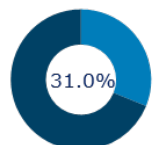
# NEW ZEALAND

## RETAIL

### MARKET SHARE

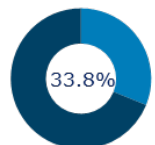
Maintained our leading position in core banking products to support our vision of helping more Kiwis succeed

Focus on well managed sustainable growth means our deposit growth has exceeded that of lending



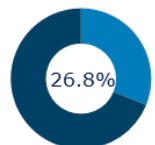
#### Mortgages<sup>1</sup>

- Maintained our #1 market share position while continuing to lend responsibly, supporting first home buyers through the process with our home loan coaches



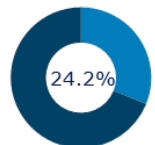
#### Household deposits<sup>1</sup>

- Continued our focus on supporting our customers' savings and investment goals



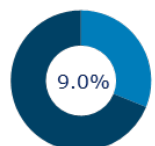
#### Credit cards<sup>1</sup>

- Simplified our product offering, fees and improved customer digital capability



#### KiwiSaver<sup>2</sup>

- #1 KiwiSaver provider with more than 745,000 KiwiSaver members and over \$12.9b funds under management



#### Life insurance<sup>3</sup>

- Improved the quality of proprietary distribution, with bank channel lapse rates improving 86bps from last year

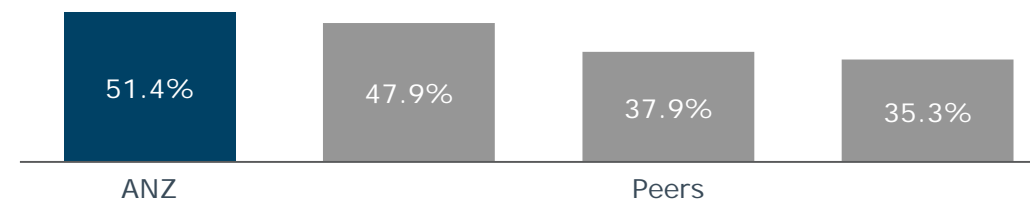
### BRANCH COVERAGE<sup>4</sup>

Closer to more people in more places



### BRAND CONSIDERATION<sup>4,5</sup>

New Zealand's bank of choice



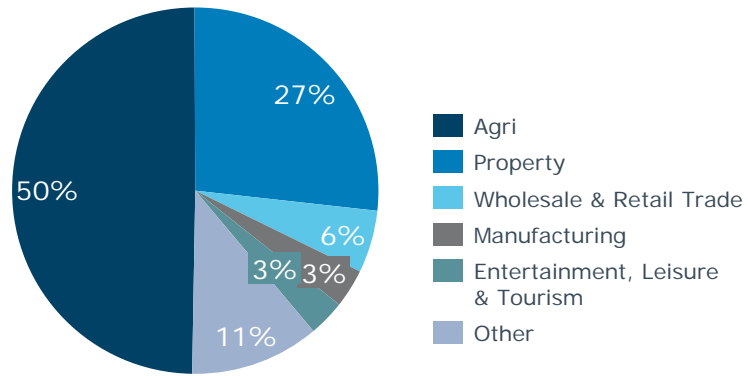
### HOME LOAN PROPOSITION

- Trained over 350 home loan coaches to make buying a home easier
- Made property valuations available on goMoney and internet banking lifting customers' engagement with their finances
- Introduced interest-free insulation loans helping create warmer, drier homes
- Delivered Property Unlocked speaker series seminars to provide first home buyers with invaluable knowledge and insights

# NEW ZEALAND

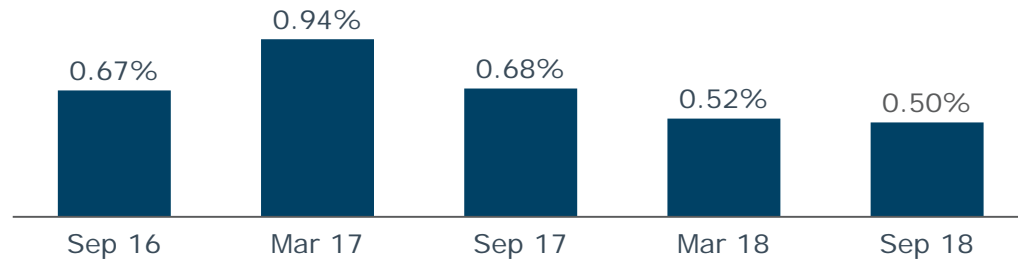
## COMMERCIAL

### COMMERCIAL AND AGRI PORTFOLIO (GLA)<sup>1</sup>

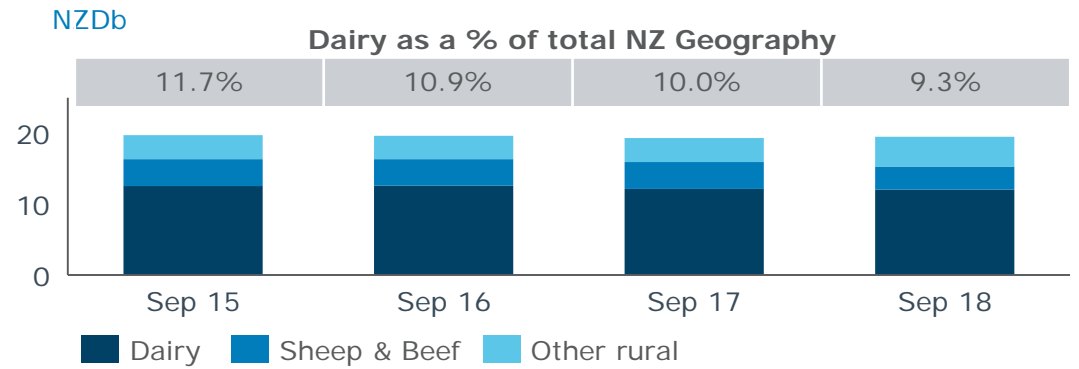


### COMMERCIAL AND AGRI CREDIT QUALITY

GIA AS % OF GLA

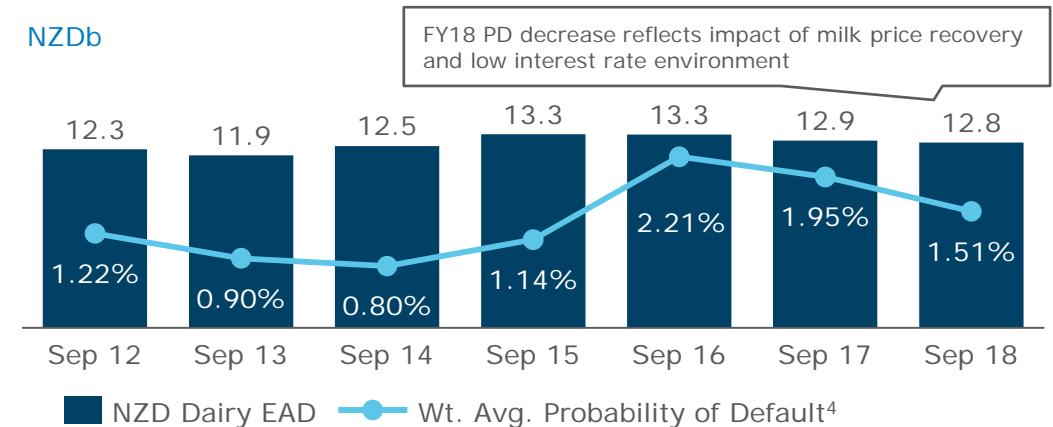


### AGRI PORTFOLIO (GLA)<sup>2</sup>



### NEW ZEALAND<sup>3</sup> DAIRY CREDIT QUALITY

NZDb



1. During 1H18 Business Agri customers transferred from Retail to Commercial
2. NZ Geography (Gross loans and advances)
3. Dairy exposures for NZ Geography
4. Wholesale Probability of Default (PD) model changes account for 55bps increase in FY16



# NEW ZEALAND

## DIGITAL

### DELIVERING SUPERIOR EXPERIENCE FOR OUR PEOPLE AND CUSTOMERS



Introduced Jamie, a digital assistant on help.anz.co.nz to assist customers with over 40 common help questions



Enhanced the experience for home loan customers through new self service tools and insights such as estimated property values in goMoney and internet banking



Launched Google Pay giving our Android customers a simple and secure way to make mobile payments with their Visa debit or credit card



Continued to deliver an intuitive banker experience meaning everyday customer requests are simplified and automated



Launched FastPay 3, providing contactless acceptance to our smallest business segment for the first time

### TRANSLATING INTO BUSINESS OUTCOMES

1.4m

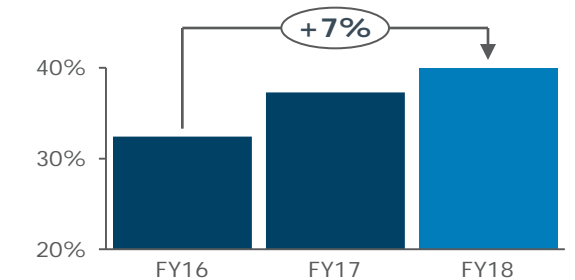
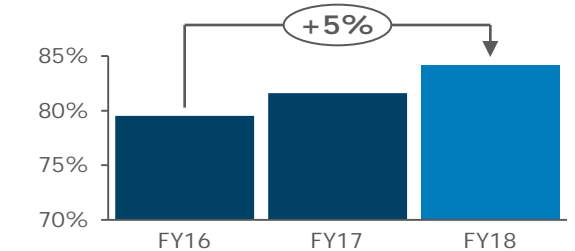
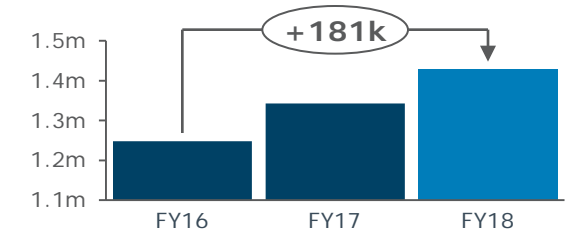
digitally active customers

84%

of value transactions<sup>1,2</sup> (deposits and withdrawals) are now completed digitally

#1

considered a leader in mobile banking<sup>3</sup>



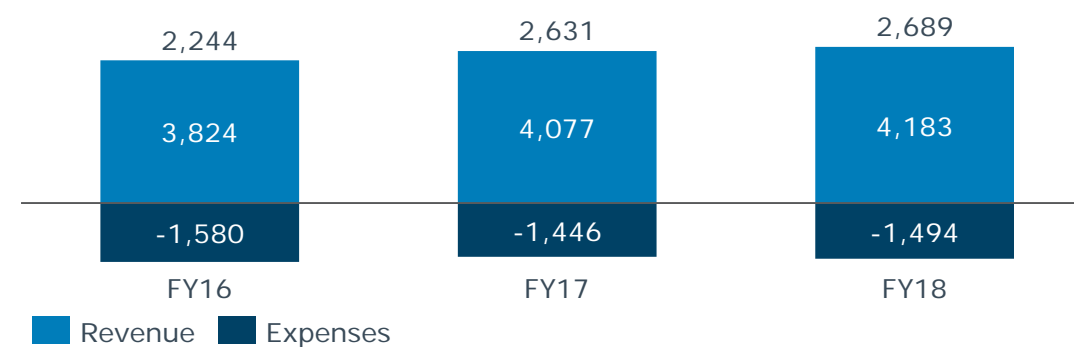
1. As at point of time, September 2018  
2. Retail transactions  
3. Source: McCulley Research

# NEW ZEALAND GEOGRAPHY<sup>1</sup>

CASH PROFIT			
	1H18	2H18	FY18
	NZDm	NZDm	NZDm
<b>Income</b>	2,107	2,076	4,183
Net interest	1,572	1,605	3,177
Other income	535	471	1,006
<b>Expenses</b>	737	757	1,494
<b>PBP</b>	1,370	1,319	2,689
<b>Provisions charge</b>	70	(17)	53
<b>Cash profit</b>	941	963	1,904
<b>CTI</b>	35.0%	36.5%	35.7%
<b>Customer deposits</b>	100,771	104,055	104,055
<b>NLA</b>	126,239	128,677	128,677
<b>RWA<sup>2</sup></b>	73,014	73,833	73,833

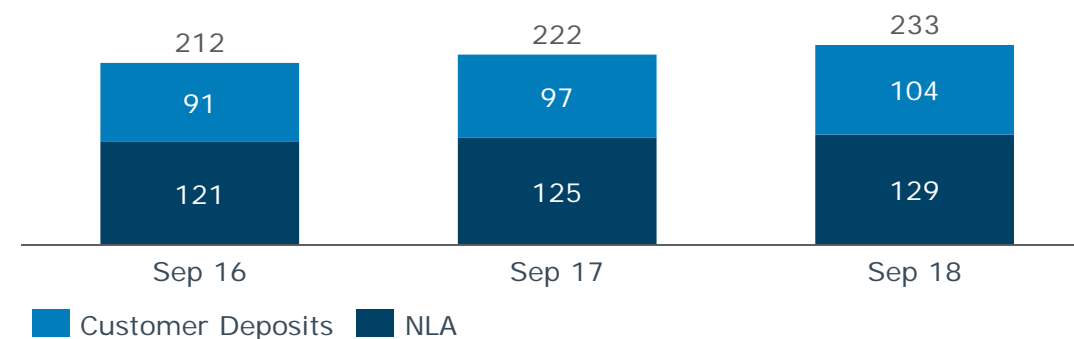
## PROFIT BEFORE PROVISIONS

NZDm



## BALANCE SHEET

NZDb



1. Financials not adjusted for large and notable items  
 2. RWA is on an APRA basis

# WEALTH AUSTRALIA

## OVERVIEW OF CONTINUING AND DIVESTED BUSINESSES

	Continuing Operations	Divested Businesses	
	<b>Wealth Australia</b>	<b>OnePath Life (OPL)</b>	<b>One Path Pensions &amp; Investments (OnePath P&amp;I)</b>
<b>Insurance</b>	Lender's Mortgage Insurance Distribution of general insurance products	Advised Life (incl. OneCare) Direct Life Group and Mastertrust Insurance Consumer Credit Insurance	
<b>Funds Management</b>	ANZ Share Investing	Legacy run-off portfolio of Pension and Investment products issued by OPL	Advised Retail (incl. OneAnswer Mastertrust) Advised Wrap (incl. ANZ Grow & Oasis) ANZ Smart Choice Employer & Retail Other closed products issued by OnePath P&I
<b>Advice</b>	ANZ Financial Planning Regulatory compliance and remediation projects		Aligned Dealer Groups (Millennium3, RI Advice, Financial Services Partners and Elders Financial Planning) – completed 1 October 2018 <sup>1</sup>
<b>Distribution</b>		<b>20 year strategic alliance agreement with ANZ to distribute Zurich and IOOF products to ANZ customers via bancassurance channels</b>	

## DIVESTED BUSINESSES – TRANSACTION METRICS (BASED ON DISCLOSURES ON DATES OF ANNOUNCEMENTS)

	OPL	OnePath P&I
<b>Date of announcement</b>	12 December 2017	17 October 2017
<b>Total proceeds</b>	\$2,850m	\$975m
<b>PE Multiple</b>	15.1x 2017 pro forma cash NPAT	~25x FY17 pro forma cash NPAT
<b>FY17 pro forma NPAT</b>	\$189m <sup>2</sup>	\$39m <sup>3</sup>
<b>ANZ FTE<sup>4</sup></b>	~900	~1200 and 717 aligned advisors

1. Full legal ownership of Aligned Dealer Groups transferred to IOOF effective 1 October 2018

2. Pro forma NPAT is pre ANZ consolidation adjustments and amortisation of acquisition related intangibles

3. Pro forma NPAT includes DAC/DEF related net charge of \$24m (post tax) and is pre ANZ consolidation adjustments and amortisation of acquisition related intangibles

4. FTE as at 30 June 2017. ADG aligned advisors are sourced from ASIC (as at 3 October 2017)

# WEALTH AUSTRALIA

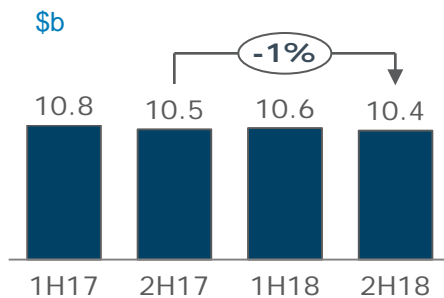
## CONTINUING OPERATIONS (EXCLUDING LARGE / NOTABLE ITEMS)

### SUMMARY OF BUSINESSES RETAINED

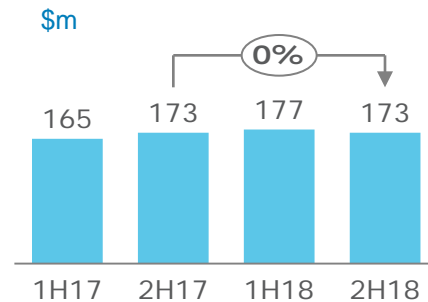
ANZ will retain the following businesses within Australia Division post completion:

- Lender's Mortgage Insurance
- ANZ Financial Planning
- ANZ Share Investing
- Distribution of general insurance products

**ANZ FINANCIAL PLANNING  
AVERAGE FUA**



**GENERAL INSURANCE<sup>1</sup>  
CLOSING IN-FORCE PREMIUMS**

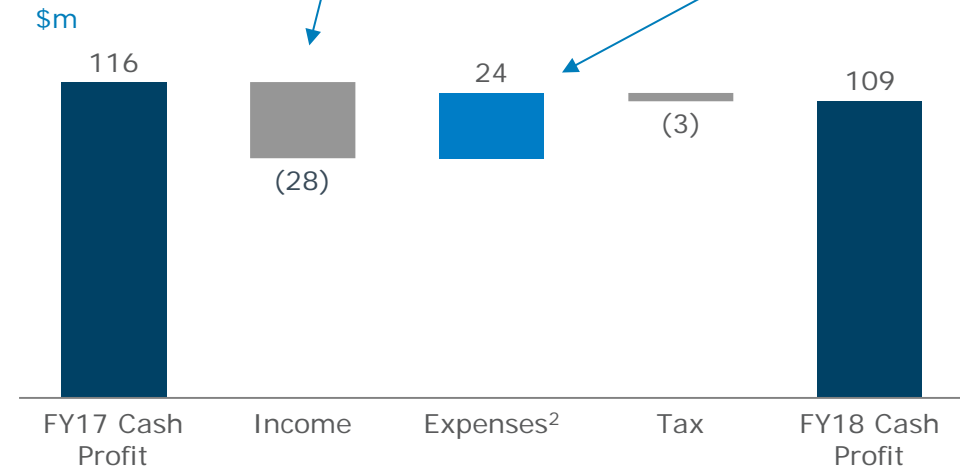


### FINANCIAL PERFORMANCE

Decline due to:

- Non-recurring LMI reinsurance profit commission benefit included in FY17 result
- Strengthening of claims provisioning in LMI as a result of net claims approaching long term expectation
- Lower new business volumes in ANZ Financial Planning

Productivity benefits and lower investment spend



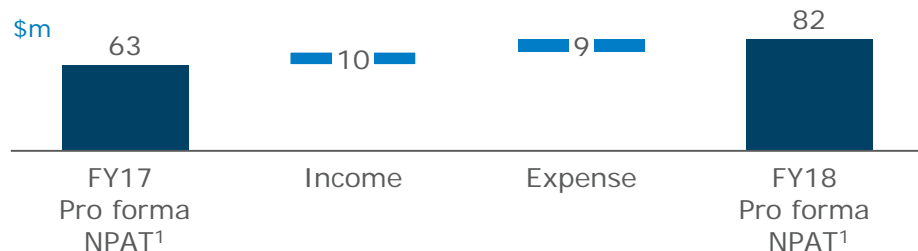
1. General Insurance refers to ANZ Lenders Mortgage Insurance premiums  
2. Includes non-recurring benefit of \$8m

# WEALTH AUSTRALIA

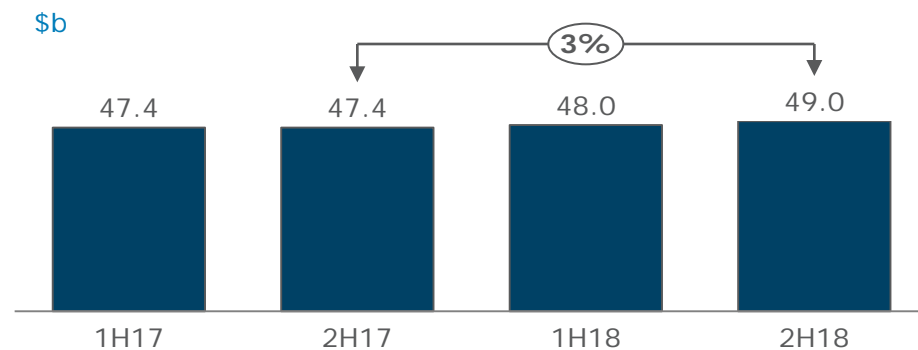
## DIVESTED BUSINESSES - PENSIONS AND INVESTMENTS (P&I) AND ALIGNED DEALER GROUPS (ADG)

### FINANCIAL PERFORMANCE

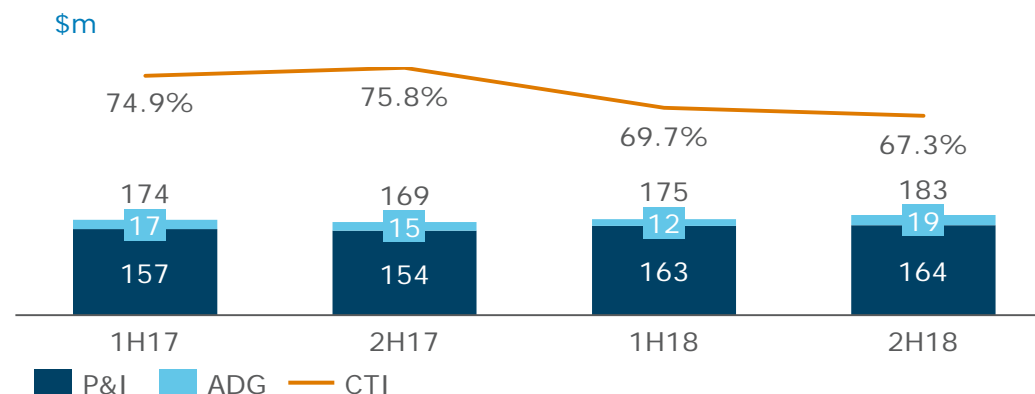
- Prepared on a standalone pro forma basis<sup>1</sup> and excludes ANZ Group consolidation adjustments
- Is not comparable with financial performance as reported within ANZ discontinued operations



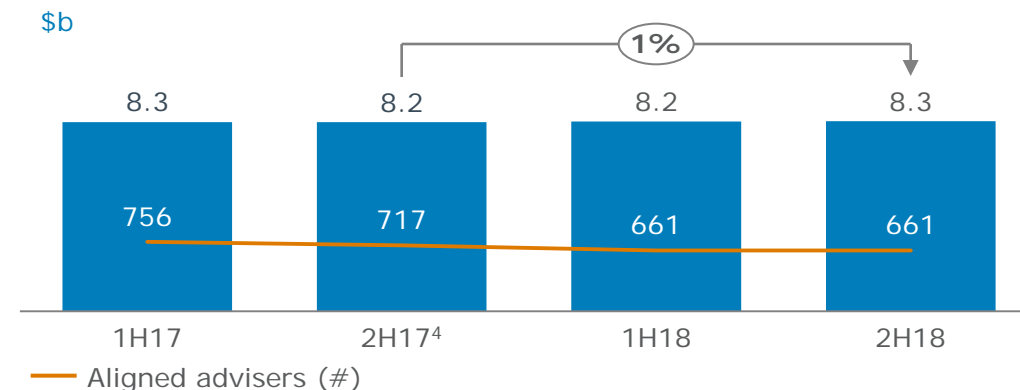
### P&I CLOSING FUM<sup>3</sup>



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



### ADG CLOSING FUA (ONE PATH ONLY)



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, ADG customer remediation charges and amortisation of acquisition related intangibles. This includes normalisation and market pricing adjustments

2. Gross margin excludes DAC/DEF related net charges

3. Closing FUM excludes legacy run-off portfolio of Pension and Investment products acquired by Zurich and FUM related to ANZ Private Bank trusts (Private Bank FUM Sep18: \$1.4b, Sep17: \$1.0b)

4. Aligned adviser numbers sourced from ASIC (as at 3 October 2017)

# WEALTH AUSTRALIA

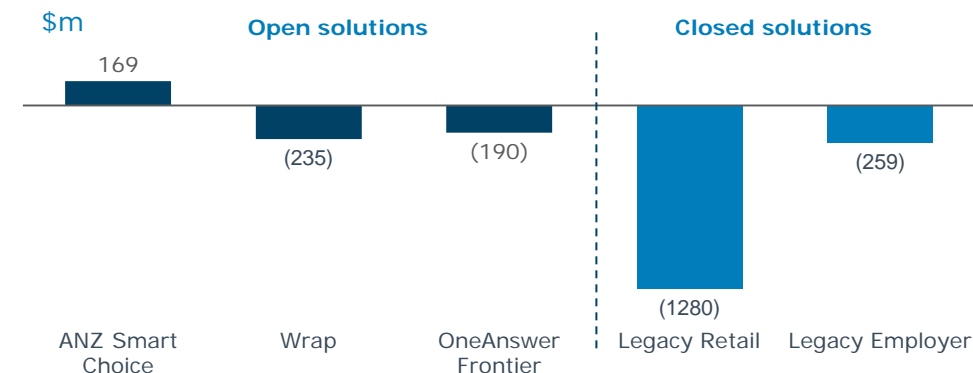
## DIVESTED BUSINESSES – P&I FUM AND FLOWS

### INFLOWS AND OUTFLOWS BY SOLUTION

\$b

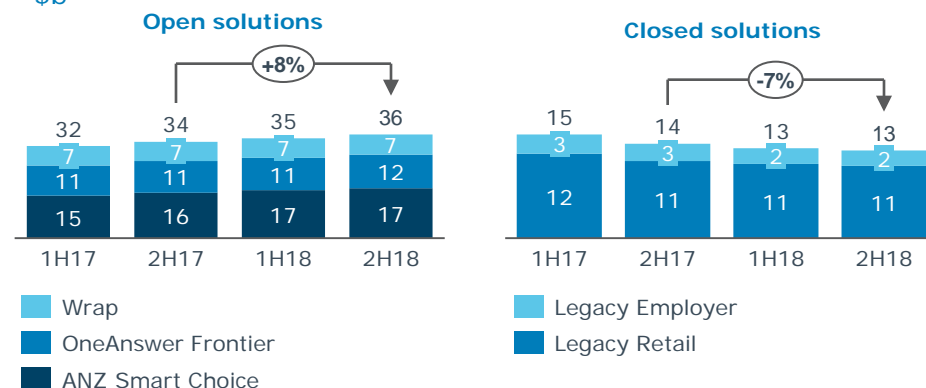
	FY17		FY18	
	Inflows	Outflows	Inflows	Outflows
<b>Open solutions</b>	<b>4.8</b>	<b>(3.9)</b>	<b>4.2</b>	<b>(4.5)</b>
ANZ Smart Choice	2.3	(1.4)	2.2	(2.1)
Wrap	0.9	(1.1)	0.8	(1.0)
OneAnswer Frontier	1.6	(1.4)	1.2	(1.4)
<b>Closed solutions</b>	<b>0.6</b>	<b>(2.6)</b>	<b>0.4</b>	<b>(1.9)</b>
Legacy Retail	0.5	(2.0)	0.3	(1.6)
Legacy Employer	0.1	(0.6)	0.1	(0.3)
<b>Total</b>	<b>5.4</b>	<b>(6.5)</b>	<b>4.6</b>	<b>(6.4)</b>

### FY18 NETFLOWS BY SOLUTION



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

\$b



### 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

Note: Sum of the individual components in the above table and graphs may not add up to total disclosed due to rounding.

1. Closing FUM excludes legacy run-off portfolio of Pension and Investment products acquired by Zurich and FUM related to ANZ Private Bank trusts (Private Bank FUM Sep18: \$1.4b, Sep17: \$1.0b)



# 2018 FULL YEAR RESULTS

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**CORPORATE OVERVIEW & SUSTAINABILITY**  
INVESTOR DISCUSSION PACK

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\$81b<sup>1</sup>
- Total Assets of AU\$942.6 billion<sup>1</sup>
- ~38,000<sup>2</sup> staff serve retail, commercial and institutional customers through
- Consumer and corporate offerings in our core markets, and regional trade and capital flows across the region
- Over 500,000 shareholders, over \$4.5b in dividends paid in 2018

## CREDIT RATING



## OUR LARGEST BUSINESSES

FULL YEAR 2018 CASH PROFIT (\$m)<sup>2</sup>



1. As at 30 September 2018  
2. Cash Profit (Continuing Operations) basis



# STRATEGIC FOCUS

## 1. Creating a simpler, better balanced bank

1. Reduce operating costs and risks by removing product and management complexity
2. Exit low return and non-core businesses.
3. Reduce reliance on low-return aspects of Institutional banking in particular.
4. Further strengthen the balance sheet by rebalancing our portfolio.

## 2. Focusing on areas where we can win

1. Make buying and owning a home or starting, running and growing a small business in Australia and New Zealand easy.
2. Be the best bank in the world for customers driven by the movement of goods and capital in our region.

## 3. Building a superior everyday experience to compete in the digital age

1. Build more convenient, engaging banking solutions to simplify the lives of customers and our own people.

## 4. Driving a purpose and values led transformation

1. Create a stronger sense of core purpose, ethics and fairness.
2. Invest in leaders who can help sense and navigate the rapidly changing environment.

# CREATING VALUE FOR OUR STAKEHOLDERS

CUSTOMERS	EMPLOYEES	COMMUNITY	SHAREHOLDERS <sup>5</sup>
<p>Full mobile wallet (only major bank in Australia to offer this)</p> <p><b>#1</b> Lead bank for trade services<sup>1</sup></p> <p><b>\$95 B</b> in business deposits in Australia and New Zealand</p> <p><b>\$341 B</b> in home lending in Australia and New Zealand</p> <p><b>\$184 B</b> in retail deposits in Australia and New Zealand</p>	<p><b>39,934</b> people employed (FTE)</p> <p><b>260</b> people recruited from under-represented groups, including refugees, people with disability and Indigenous Australians</p> <p><b>32%</b> of women in leadership<sup>2</sup></p> <p><b>877 K</b> hours of training provided</p>	<p><b>\$137 M</b> contributed in community investment<sup>3</sup></p> <p><b>124,113</b> volunteering hours completed by our employees</p> <p><b>\$2.8b</b> paid in taxes, money used by governments to provide public services and amenities</p> <p><b>&gt;889k</b> people reached through our target to help enable social and economic participation<sup>4</sup></p>	<p><b>\$6.5 billion</b> cash profit</p> <p><b>223 cents</b> earnings per share</p> <p><b>160 cents</b> fully franked dividend for FY18 per share</p> <p><b>11.0%</b> return on average shareholders equity</p>

1. Peter Lee Associates Large Corporate and Institutional Transactional Banking surveys, Australia and New Zealand 2004-2018. 2. FY18-FY20 target is defined as Women in Leadership which measures representation at the Senior Manager, Executive and Senior Executive levels 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 continuing operations basis

# SUSTAINABILITY

## OUR APPROACH

Our Sustainability Framework supports our business strategy, reflects our most material issues and is aligned with our purpose. This year we refreshed our Framework:

At the core of our Framework is **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:



Our 2018 Sustainability Review will be available in December 2018 at [anz.com/cs](http://anz.com/cs) available contains detailed progress against our targets.


# SUSTAINABILITY

## SCORECARD SNAPSHOT

 On track to achieve
  In progress
  Not achieved



### FAIR & RESPONSIBLE BANKING

- Create best experience for our customers, measured by improving Net Promoter Score relative to peers
- Communicate with > 700,000 of our retail and commercial customers by 2019 to help them get more value from our products and services and establish positive financial behaviours

Progress	Outcome
3rd <sup>1</sup> (Aus. Retail)	
FY19 target	FY19 target



### ENVIRONMENTAL SUSTAINABILITY

- 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>
- 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).

\$11.5b	
-18%	

### FINANCIAL WELLBEING

- Help enable social and economic participation of 1 million people by 2020<sup>3</sup>
- Increasing women in leadership to 33.1% by 2019 (34.1% by 2020)<sup>4</sup>
- Recruiting >1,000 people from under-represented groups by 2020.

>889k	
32%	
510	

### HOUSING

- Fund and facilitate \$1bn of investment by 2023 to deliver ~3,200 more affordable, secure and sustainable homes to buy and rent (Australia)
- Offer all ANZ first home buyers access to financial coaching support

FY19 target	FY19 target
FY19 target	FY19 target

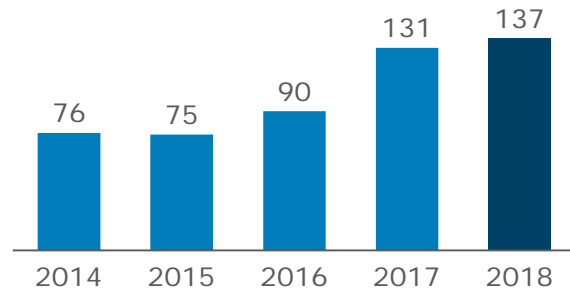
For detailed information refer to the 2018 Sustainability Review available in December 2018 [anz.com/cs](http://anz.com/cs).

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 4. FY18-FY20 target is now defined as Women in Leadership which measures representation at the Senior Manager, Executive and Senior Executive levels

# SUSTAINABILITY PERFORMANCE TRENDS

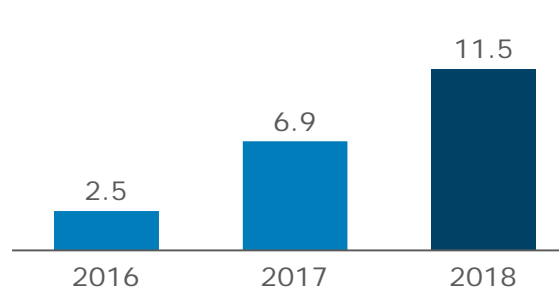
## COMMUNITY INVESTMENT<sup>1</sup>

Total community investment (\$m)



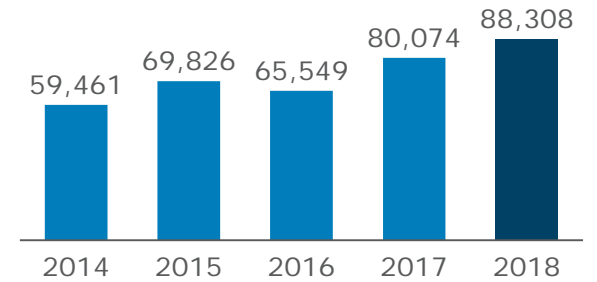
## ENVIRONMENTAL FINANCING \$15B TARGET

Funded and facilitated (\$b)



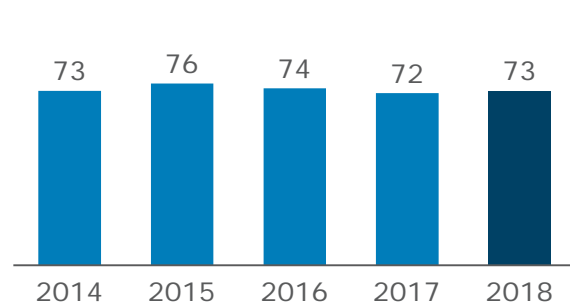
## MONEYMINDED & SAVER PLUS

Estimated # of people reached



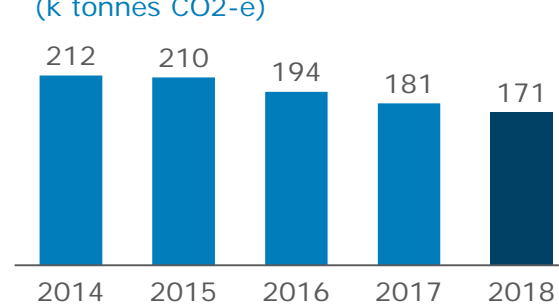
## EMPLOYEE ENGAGEMENT<sup>2</sup>

Employee engagement score (%)



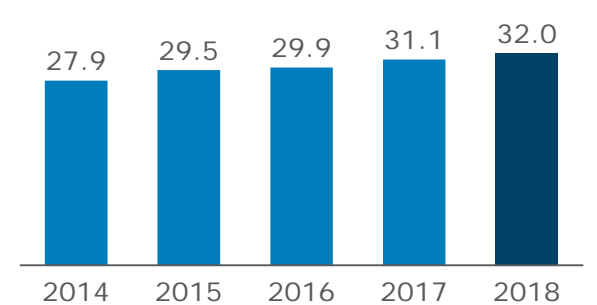
## ENVIRONMENTAL FOOTPRINT TARGET

Scope 1 & 2 greenhouse gas emissions  
(k tonnes CO<sub>2</sub>-e)



## WOMEN IN LEADERSHIP<sup>3</sup>

Representation (%)



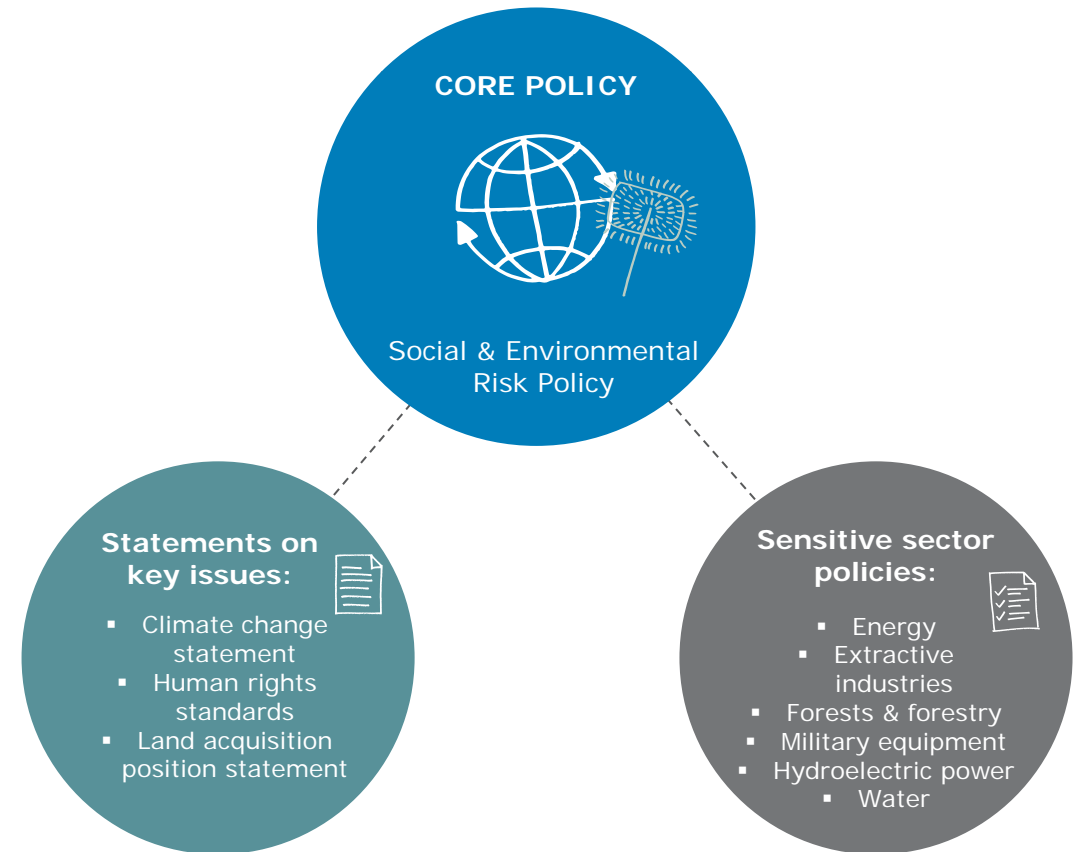
1. Figure includes foregone revenue (2018 = \$107m), being the cost of providing low or fee-free accounts to a range of customers such as government benefit recipients, not-for-profit organisations and students 2. The 2017 engagement survey was run as a pulse survey sent to 10% of the bank's employees with a 57% response rate. For all other years the employee engagement survey was sent to all staff 3. FY18-FY20 target is defined as Women in Leadership which measures representation at the Senior Manager, Executive and Senior Executive levels

# SUSTAINABLE DEVELOPMENT POLICIES

OUR POLICIES SHAPE DECISIONS ON WHO WE BANK

## SUSTAINABLE DEVELOPMENT POLICIES

- Our policies align to our purpose and our sustainability priorities
- We assess business customers against our policies to ensure they manage their social and environmental impacts
- Enhanced due diligence is applied for sensitive sectors and on key issues (e.g. human rights) to ensure risks are being identified and managed by customers
- In 2018 we reviewed our core policy and sensitive sector policies to reflect emerging issues (e.g. customer grievance mechanisms) and leading practices (e.g. palm oil and customer policies on deforestation, peat and exploitation)



# CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)<sup>1</sup>

Governance	Strategy	Risk Management	Metrics & targets
<ul style="list-style-type: none"> <li>Board Risk Committee oversees management of climate-related risks</li> <li>Board Ethics, Environment, Social and Governance Committee approves climate-related objectives, including goals and targets</li> <li>An Executive Management Committee (Ethics and responsible Business Committee) provides leadership on sustainability matters and reviews climate change-related risks</li> </ul>	<ul style="list-style-type: none"> <li>Identifying material sustainability risks, including climate-related risks supports our business strategy</li> <li>Managing the low carbon transition challenge as a 'whole-of-economy' issue</li> <li>Our strategic response includes: setting targets; establishing low carbon financial products and services; policies to guide our decision making; employee training; and managing direct operational impacts</li> <li>Our strategy needs to be resilient under a range of climate-related scenarios. In 2018 we joined a UNEP FI<sup>2</sup> working group to develop new methods to address TCFD recommendations, including scenario analysis</li> </ul>	<ul style="list-style-type: none"> <li>Climate-related financial risks identified as a potential credit risk</li> <li>Climate change risk added to Group and Institutional Risk Appetite Statements</li> <li>We are committed to supporting businesses that are resilient and have the capacity to successfully manage the transition to a low carbon future</li> </ul>	<ul style="list-style-type: none"> <li>Support at least 100 of our largest emitting business customers in energy, transport, buildings and agriculture to establish public 'transition plans' by 2021</li> <li>Since 2015 we have funded and facilitated \$11.5 billion under our Environmental Sustainability target; on track to achieve our goal of \$15 billion by 2020</li> <li>Lending to the most carbon-intensive businesses has declined since 2015</li> <li>We set emissions reduction targets for energy we use across our operations</li> </ul>

1. A Financial Stability Board Taskforce released recommendations on financial disclosures in June 2017 to help investors better understand climate-related risks and opportunities. ANZ supports the TCFD recommendations and is using them to guide its disclosures.

2. United Nations Environmental Programme for Financial Institutions

# TCFD-RELATED METRICS AND INDUSTRY EXPOSURES

## IMPROVED CREDIT QUALITY IN KEY INDUSTRIES IDENTIFIED BY THE TCFD

### INDUSTRY GROUPS AND CREDIT QUALITY SUMMARY

	Exposure ad Default (EAD) (\$b)			Non performing Loans (% of sector EAD)			Investment Grade (% of sector EAD)		
	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18
Energy	27.8	28.3	28.7	1.4%	0.3%	0.1%	79.5%	79.6%	80.0%
Transportation	16.6	15.3	16.5	0.5%	0.8%	0.3%	63.0%	61.0%	63.9%
Materials & Building	91.1	86.8	92.5	1.0%	0.6%	0.4%	36.3%	35.9%	40.7%
Agriculture, Food & Forestry	42.8	41.8	42.3	1.3%	1.1%	0.9%	31.6%	30.8%	35.8%
<b>TOTAL</b>	<b>178.3</b>	<b>172.1</b>	<b>179.9</b>	<b>1.1%</b>	<b>0.7%</b>	<b>0.5%</b>	<b>44%</b>	<b>44%</b>	<b>48%</b>

### PORTFOLIO MOVEMENT

- Improved percentage of investment grade exposures for all four industries; Energy at 80% reflects our strategy to bank larger well-rated clients
- Declining proportion of non-performing loans to 0.5% overall, primarily because provisions are at a low point of the cycle
- Overall exposure to four key industry groups is 19% of the Group EAD

### EXPOSURES TO KEY TCFD SUB-INDUSTRIES

		EAD (\$b)		
		FY16	FY17	FY18
<b>Energy</b>	Oil & Gas	17.7	18.0	18.4
	Coal Mining <sup>1</sup>	1.5	1.1	1.4
	Electric Utilities	8.6	9.1	8.9
<b>Transportation</b>	Air Freight	3.4	3.3	3.4
	Passenger Air			
	Maritime Transportation	2.2	1.7	1.7
	Rail Transportation	1.5	1.5	2.0
	Trucking Services	5.9	5.5	5.1
	Automobiles	3.7	3.3	4.3
<b>Materials &amp; Building</b>	Metals and Mining	7.5	6.7	6.7
	Chemicals	2.8	1.9	2.6
	Construction Materials	1.8	1.7	1.8
	Capital Goods	21.1	19.5	20.3
	Real Estate Mg & Development	57.8	55.9	61.1
<b>Agriculture, Food &amp; Forestry Products</b>	Beverages	3.0	2.9	3.0
	Agriculture	31.1	30.7	31.2
	Packaged Foods and Meats	7.5	7.0	7.1
	Paper and Forest Products	1.2	1.2	1.0

1. Coal mining includes exposures to metallurgical (coking) coal used for steel making and thermal coal used for energy generation



# KEY ANZ REFORMS

## IMPLEMENTED OVER THE LAST TWO YEARS

### IMPROVED MONITORING, CONDUCT AND SAFEGUARDS

- Appointed Colin Neave AM as Customer Fairness Advisor, a new role to help improve fairness of the bank's products and services
- Implemented a new Retail 'Customer Experience Framework' in branches and the Customer Contact Centre focused on good customer outcomes. The Framework involves regular team meetings, coaching and performance recognition
- Introduced weekly balanced scorecard reporting for Retail to increase focus on good customer outcomes
- Introduced a home loan sales practice reporting tool for branches and mortgage brokers to monitor customer outcomes and identify areas of potential risk or for follow up
- Introduced a new "Customer Service Mindset" and ICARE values system for small business bankers. Involves rating customer outcomes and banker behaviour each month
- Adopted the ABA Conduct Background Check Protocol for bank employees. Where a person applies for a role with a subscribing bank within five years of leaving ANZ, we must disclose misconduct findings (or investigation if the employee resigned during the investigation)
- Introduced process to provide customers with a copy of instructions and reports produced by external valuers for valuations paid for by customers and for agricultural or commercial property; and produced by investigative accountants
- Developed a new Vulnerable Customer mandatory learning module to help staff identify customers experiencing vulnerable circumstances and taking extra care with them

# KEY ANZ REFORMS

## IMPLEMENTED OVER THE LAST TWO YEARS

### REDUCED REMUNERATION FOCUS ON SALES

- Updated and published ANZ Remuneration Principles to further reinforce our focus on customer outcomes
- Changed Retail (branch and call centre) and Business and Private Bank incentive plans removing campaign incentives, accelerators and financial gateways, moving to a balanced scorecard structure
- Re-weighted frontline scorecards (Retail, Business Banking, Financial Planning) to increase the weight on customer, team work and well managed outcomes and reduce financial incentives
- Introduced a balanced scorecard framework for ANZ Mobile Lending and replaced 'soft dollar' incentives for sales only outcomes with a balanced scorecard
- For home lending removed volume based incentives from payments to aggregators, brokers and introducers

### BETTER PRODUCTS

- Simplified ANZ's main standard form small business lending contract, halving contract length and increasing safeguards for customers
- Abolished ATM fees for non-ANZ customers
- Reduced purchase interest rates on ANZ low rate credit cards
- Reduced international money transfer fees benefitting Pacific Island communities
- Ceased the sale of Credit Card insurance to new customers
- Introduced larger font and tactile indicators on debit cards

# WE MEASURE WHAT MATTERS

## RECOGNITION



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



Included on the 2018 Bloomberg Gender Equality Index



Member of the FTSE4Good Index (2018)



Achieved highest "leading" rating for 2017 sustainability disclosures



2018 leader in workplace gender equality



We achieved a CDP climate disclosure score of B in 2017

## 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



# 2018 FULL YEAR RESULTS

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**ECONOMIC FORECASTS**  
INVESTOR DISCUSSION PACK

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED

# ECONOMICS

## AUSTRALIA FORECAST TABLE<sup>1</sup>

	2015	2016	2017	2018	2019	2020F
<b>Australia – annual % growth GDP</b>	2.5	2.6	2.2	3.2	3.0	2.8
Domestic final demand	1.2	1.9	3.0	3.3	2.4	2.2
Headline CPI	1.5	1.3	1.9	1.9	2.0	2.3
Core CPI	2.2	1.5	1.9	1.9	2.0	2.2
Employment	2.8	0.9	3.3	1.9	1.8	1.6
Wages	2.2	2.0	2.0	2.2	2.5	2.8
Unemployment (ann. avg)	5.8	5.7	5.5	5.2	5.0	4.8
Current Account (% of GDP)	-4.7	-3.3	-2.7	-2.7	-3.1	-3.6
Terms of Trade	-11.5	0.1	11.6	1.9	-2.9	-2.6
RBA cash rate (% year end)	2.00	1.50	1.50	1.50	2.00	2.00
3yr bond yield (% year end)	2.2	1.83	1.75	2.06	2.12	2.25
10 year bond yield (% year end)	2.91	2.56	2.43	2.69	2.71	2.78
AUD/USD (year-end value)	0.75	0.74	0.77	0.74	0.70	0.70

1. based on December year end

# ECONOMICS

## GLOBAL & ASIA FORECAST TABLES

GROSS DOMESTIC PRODUCT (YEAR-AVERAGE % CHANGE)						
	1998-2007 average	2008-2017 average	2017	2018F	2019F	2020F
United States	3.1	1.5	2.3	2.9	2.2	1.8
Euro area	2.4	0.6	2.4	2.2	2.0	1.8
United Kingdom	2.9	1.1	1.7	1.4	1.6	1.7
Japan	1.0	0.5	1.7	1.2	1.0	1.4
China	10.0	8.3	6.9	6.5	6.3	6.1
Korea	4.9	3.1	3.1	2.7	2.5	2.7
Taiwan	5.0	2.7	2.9	2.3	2.3	2.6
Indonesia	4.6	5.6	5.1	5.2	5.0	5.0
Thailand	3.9	3.1	3.9	4.5	4.0	3.8
Hong Kong	3.9	2.7	3.8	3.4	2.5	2.8
Malaysia	4.3	4.7	5.9	5.1	4.9	5.0
Singapore	5.6	4.4	3.6	3.5	3.0	2.6
Philippines	4.2	5.6	6.7	6.5	6.4	5.9
Vietnam	6.8	6.0	6.8	6.8	7.0	6.5
East Asia ex. Japan	7.2	6.8	6.1	5.9	5.8	5.7
India <sup>2</sup>	7.2	7.0	6.7	7.2	7.4	7.5
Australia	3.6	2.6	2.2	3.2	3.0	2.8
New Zealand <sup>3</sup>	3.4	2.1	2.8	2.7	2.6	2.4
World	4.3	3.4	4.0	4.0	3.9	3.8

1. Quarterly GDP are annualised growth rates.

2. Fiscal years e.g. 2017 is year-ending March 2018. New GDP base year is 2011-2012.

3. NZ GDP numbers are production based GDP(P).

Source: Consensus Economics, Tomson Reuters Datastream, ANZ Research.

# FURTHER INFORMATION

**ANZ ANZ SHAREHOLDER CENTRE**

**Full Year Results Announcement**  
31st October 2018

**MANAGE YOUR SHARES**  
LOGIN TO COMPUTERSHARE

Computershare Investor Services manages ANZ's share registry.

**ASX: ANZPE**  
as at 30th October, 3:29pm  
**\$100.48**  
↑ 0.28%

**ASX Announcements**  
26 October 2018  
Template Release for Full Year 2018 Results

**Financial Calendar**  
31 October 2018  
2018 Full Year Results Announcement

**Financial Disclosure & Reporting**  
Financial Disclosure & Reporting

**BlueNotes** Connecting news and insights  
**AUSTRALIA CHINA'S EXPOSURE IS OVEREXPOSED**

**ANZ INVESTOR RELATIONS**  
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