

# ANZ Green Bonds Investor Presentation

May 2015



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# ANZ Green Bonds Investor Presentation

Summary of Green Bond Proposal



# ANZ is proposing to issue its first Green Bond



As part of ANZ's commitment to actively managing and reducing the environmental impact of its activities, ANZ is proposing to issue its first Green Bond

## Key points

- The transaction will involve issuance of a senior unsecured debt instrument by ANZ denominated in A\$, with a 5-year tenor, paying fixed rate semi-annual coupons
- Proceeds will be used to finance an existing ~AUD1.1bn pool of Eligible Assets that directly contribute to developing low-carbon industries, technologies and practices. Specifically, wind farms, solar energy projects and green buildings
- An Asset Register will be maintained to link Green Bond proceeds with Eligible Assets on ANZ systems
- ANZ Green Bonds rank pari passu with all other ANZ senior unsecured debt instruments. Payment of interest or principal on ANZ Green Bonds is not linked to the performance of the underlying eligible assets
- ANZ Green Bonds are expected to be included in the MSCI/Barclays Green Bond Index and the Bloomberg AusBond Composite Bond Index
- This transaction supports a growing market for environmentally conscious investments

## Certification & Verification

- ANZ Green Bonds have been certified by the **Climate Bonds Initiative** (CBI) – a Not-For-Profit organisation that aims to promote large-scale investments that will help to deliver a low-carbon economy
- The CBI's standards provide a framework to ensure that Green Bond proceeds are used in ways that are consistent with delivering a low-carbon economy (<http://www.climatebonds.net/standards>)
- Compliance with CBI standards has been independently verified by Ernst & Young

## Eligible Assets

- Wind – projects involved in the development, construction and operation of wind farms; or operate production facilities dedicated solely to wind energy; or have wholly dedicated transmission infrastructure for wind farms.
- Solar – projects involved in the development, construction and operation of generation facilities, where 100% of electricity is derived from solar energy or where no more than 15% of electricity is supported by gas fired back-up; or projects that operate production facilities wholly dedicated to solar energy development; or projects with wholly dedicated transmission infrastructure for eligible solar electricity generation facilities.
- Commercial Buildings – Green Star 4 Star-rated commercial buildings that meet a minimum required threshold of CO2 emissions and that are at least in the top 15% of buildings in their city for reduced carbon emissions (checked and reported annually).

# ANZ is proposing to issue its first Green Bond

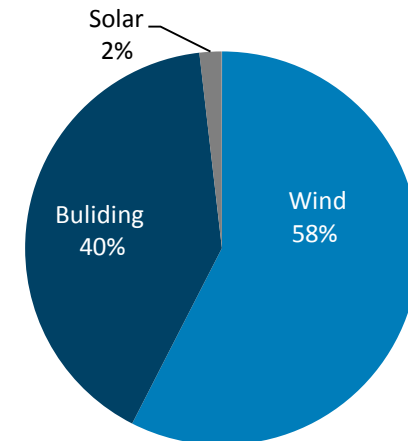


## ANZ's Green Asset Portfolio

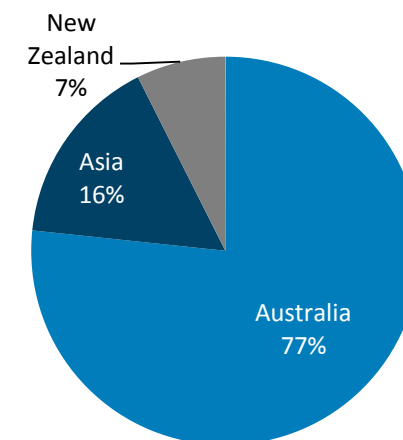
Project	Class	Country
Bald Hills Wind Farm	Wind	Australia
Collgar Wind Farm	Wind	Australia
Mumbida Wind Farm	Wind	Australia
Taralga Wind Farm	Wind	Australia
Wonthaggi Wind Farm	Wind	Australia
Macarthur Wind Farm	Wind	Australia
Hallet 5 - Bluff Range	Wind	Australia
Boco Rock Wind Farm	Wind	Australia
Royalla	Solar	Australia
Brookfield Tower Place 1, Perth	Building	Australia
Brookfield Tower Place 2, Perth	Building	Australia
Tower 4, Collins Square, Melbourne	Building	Australia
161 Castlereagh St, Sydney	Building	Australia
Mahinerangi Wind Farm	Wind	New Zealand
Tuararua Wind Farm	Wind	New Zealand
Changbin Wind	Wind	Taiwan
Chungwei Wind	Wind	Taiwan
Miaoli Wind Farm	Wind	Taiwan
Burgos Wind Farm	Wind	Phillippines
<b>Current Aggregated Volume</b>		<b>~A\$1.1bn</b>

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

By Asset Class



By Geography



1. Calculated based on total drawn funding at time of issuance.

# ANZ is proposing to issue its first Green Bond



## Asset Pool

- Future assets will be added and verified for eligibility as new business is written and/or CBI criteria is released for other potential classes (expected for geothermal and transport assets)

## Disclosure

- Information on ANZ's Eligible Asset pool will be updated annually on anz.com
- Post-issuance assurance will be provided by Ernst & Young to verify on-going compliance with CBI standards. Assurance statements will be published on anz.com, commencing circa six months after the initial transaction and on annual anniversary of issue date thereafter

## Surplus Funds & Non-Contamination

- ANZ expects to maintain a portfolio of Eligible Assets whose aggregate volume exceeds the principal amount of ANZ Green Bonds. However, there can be no assurance (and there is no legal obligation) that that this will be the case nor that ANZ Green Bonds will retain CBI certification for the life of the deal
- Should ANZ's portfolio of Eligible Assets fall below the principal value of ANZ's outstanding Green Bonds<sup>1</sup> or ANZ Green Bonds lose CBI certification for any reason, this does not constitute an Issuer Event of Default nor does it entitle investors to early repayment of principal or interest
- Further, CBI may revise its standards subsequent to the Issue Date and ANZ Green Bonds may subsequently no longer comply with the then current CBI Standards

<sup>1</sup> Note that if the aggregate volume of ANZ's portfolio of Eligible Assets falls below the principal amount of ANZ Green Bonds, ANZ may, in its absolute discretion, apply the surplus funds to allowable products under the CBI standards – eg. Government securities



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## Independent Reasonable Assurance Report to the Directors and Management of ANZ

### Assurance conclusion

Based on our reasonable assurance procedures, as described in this statement as of 20 April 2015, in our opinion ANZ's bond issuance process in relation to its 2015 Green Bond meets the project identification, project minimum criteria, management of proceeds, and reporting requirements of the Climate Bond Standard, in all material respects.

### Scope

We have performed a reasonable assurance engagement in relation to ANZ's 2015 Green Bond issuance in order to provide an opinion as to whether the subject matter detailed below meets, in all material respects, the criteria as presented below as of 20 April 2015.

### Subject matter

The subject matter for our assurance is:

- ANZ's Green Bond issuance process, being:
  - Identification of wind energy generation, solar energy generation and commercial building projects;
  - Minimum criteria for eligible wind energy generation, solar energy generation and lower emissions commercial building projects;
  - Policies and procedures for the management of proceeds; and
  - Policies and procedures for reporting on use of proceeds and project performance
- ANZ's list of 2015 Green Bond nominated wind, solar PV and commercial building projects

### Criteria

The criteria for our procedures ('the criteria') is:

- The Climate Bond Standard v1.0, including eligibility criteria for wind energy generation and solar energy generation
- The Climate Bond Standard Energy Efficiency – Commercial Property eligibility criteria and guidelines

### Assurance Approach

Our assurance approach was conducted in accordance with the Australian Standard on Assurance Engagements ASAE 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3100: *Compliance Engagements*.

### Management Responsibility

The management of ANZ ('Management') are responsible for the collection, preparation and presentation of the subject matter in accordance with the criteria and for maintaining adequate records and internal controls that are designed to support the Green Bond issuance process.

### Assurance Practitioner's Responsibility

Our responsibility is to express a reasonable assurance conclusion as to whether the subject matter is presented in accordance with the criteria, in all material aspects. Our assurance engagement has been planned and performed in accordance with the Australian Standard on Assurance Engagements 3000 (revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000') and ASAE 3100: *Compliance Engagements* ('ASAE 3100').

### Level of Assurance

A reasonable assurance engagement consists of making enquiries and applying analytical, controls testing and other evidence-gathering procedures that are sufficient for us to obtain a meaningful level of assurance as the basis for a positive form of conclusion. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the specific activity data, whether due to fraud or error. While we considered the effectiveness of Management's internal controls when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### Our Approach

Our assurance procedures performed included, but were not limited to:

- Assessing policies and procedures established by ANZ related to the issuance of the 2015 Green Bond;
- Confirming eligibility of nominated projects for inclusion in ANZ's 2015 Green Bond
- Interviewing selected business unit and group level personnel to understand the key issues related to the ANZ's policies and procedures;
- Reviewing selected performance information for all nominated projects, and documentation supporting assertions made in the subject matter;
- Checking the accuracy of calculations performed, and
- Obtaining and reviewing evidence to support key assumptions and other data.

A summary of our assurance procedures is shown in the following Table.

Item	Requirement	Assurance Procedures
1	Project Nomination	Reviewed documentation of the process that ANZ follows to identify projects, and confirmed eligibility requirements for inclusion of Nominated Projects in the 2015 Green Bond issuance.
2	Use of Proceeds	Reviewed the allocation of funds to ensure they can be against nominated projects
3	Non-Contamination	Reviewed documentation for the management of proceeds from the 2015 Green Bond issuance for funds that are not allocated to a nominated project.
4	Environmental & Social Integrity	Reviewed ANZ's environmental and social integrity policy and confirmed its coverage for all nominated projects.
5	Verification	Confirmed that ANZ undertook a third-party verification before issuance of the Green Bond with an approved Climate Bond verifier
6	Climate Bond Certification and Limits of Use	Confirmed that ANZ intends to use the Climate Bond Certification mark for the term of the approved 2015 Green Bond while the bond maintains compliance with the Climate Bond Standard.
7	Non-Compliance	Confirmed that ANZ's policy is to inform the CBI and all relevant stakeholders if the 2015 Green Bond becomes non-compliant with the Climate Bond Standard
8	Eligible projects & physical assets	Confirmed that nominated projects in the bond are eligible projects under the Climate Bond standard
9	Technical criteria	Tested nominated projects to determine that they meet the minimum technical requirements of the Climate Bonds Standard
10	Traceability	Confirmed that policies, process and procedures for tracking financial flows of the bond principal between ANZ's 2015 Green Bond and the linked Nominated Project(s) are in place.
11	Project holding	Confirmed that policies, process and procedures for demonstrating that the linked portfolio underlying the bond continues to hold nominated projects equal to the face value of the bond issuance are in place.
12	Confidentiality	Confirmed that policies, processes and procedures to ensure that nominated project names and details are disclosed to the Verifier
13	Settlement period	Confirmed that policies, processes and procedures to ensure that the settlement timeframe is specified, and that settlement occur within the stated timeframe are in place.
14	Earmarking funds	Confirmed that policies, processes and procedures to identify flows of proceeds related to the Bond have been established.

### Limitations

There are inherent limitations in performing assurance – for example, assurance engagements are based on selective testing of the information being examined – and it is possible that fraud, error or non-compliance may occur and not be detected. There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to ASAE 3000, ASAE 3100 and the Climate Bond Standard is subjective and will be interpreted differently by different stakeholder groups.

Our assurance was limited to the ANZ's 2015 Green Bond pre-issuance, and did not include statutory financial statements. Our assurance is limited to policies and procedures in place as of 20 April 2015, ahead of the issuance of ANZ's 2015 Green Bond.

### Use of Report

Our responsibility in performing our assurance activities is to the directors of ANZ only and in accordance with the terms of reference for this engagement as agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party

may place on the 2015 Green Bond issuance is entirely at its own risk. No statement is made as to whether the criteria are appropriate for any third party purpose.

### Our Independence and Assurance Team

In accordance with APES 110, the firm and all professional personnel involved in this engagement have met the independence requirements of Australian or International professional ethical requirements. Our team has the required competencies and experience for this assurance engagement.



Ernst & Young

Dr Matthew Bell  
Partner  
Sydney, Australia  
20 April 2015



## Climate Bonds INITIATIVE

15 May 2015

Katharine Tapley  
Director, Low Carbon Solutions  
Australia and New Zealand Banking Group Ltd.  
Level 12, 100 Queen St.,  
Melbourne, Victoria, 3000  
Australia

Dear Katharine

Re: Confirmation of approval for request for Climate Bond Standards certification

I'm very pleased to inform you that, at its meeting on Tuesday 21 April, the Climate Bond Standards Board approved the certification of the proposed ANZ Climate Bond, as per the application documents and verification report provided by Australia and New Zealand Banking Group Ltd. That certification comes into force once the bond is placed on offer.

Members of the Climate Bond Standards Board are:

- California State Teachers Retirement Service (CalSTRS) represented by Paul Shantic, Co-Director of Fixed Income.
- California State Treasurer John Chiang, represented by California State Deputy Treasurer Alan Gordon.
- CDP (formerly the Carbon Disclosure Project), represented by Chris Fowle.
- Institutional Investors Group on Climate Change (IIGCC), represented by Eric Borremans.
- The International Cooperative and Mutual Insurance Federation represented by Shaun Tarbuck.
- Investor Group on Climate Change represented by Andrew Major of HESTA.
- Investor Network on Climate Risk, represented by Peter Ellsworth.
- The Natural Resources Defense Council, represented by Douglas Sims.

I also confirm that the text of the Certification Agreement between the Climate Bond Standards Board and Australia and New Zealand Banking Group Ltd. has been agreed.

Accordingly I confirm that Australia and New Zealand Banking Group Ltd. may use the "Climate Bond Certified" logo in its information materials about the proposed bond, and we will ensure the bond is identified as a Climate Bond in all listings we manage. Attached for your reference is a guide to usage of the "Certified Climate Bond" logo.

Congratulations and best wishes,



Sean Kidney  
Chair, Climate Bond Standards Board  
CEO, Climate Bonds Initiative

72 Muswell Hill Place, London N10 3RR United Kingdom | [www.climatebonds.net](http://www.climatebonds.net)

The Climate Bonds Initiative is a not-for-profit company registered in the United Kingdom. Companies House number 7455730

# ANZ Green Bonds Investor Presentation

ANZ Overview



# SUPER REGIONAL STRATEGY

STRONG CORE  
MARKETS

PROFITABLE  
ASIAN  
GROWTH

ENTERPRISE  
APPROACH

STRONG LIQUIDITY AND CAPITAL MANAGEMENT

DISCIPLINED AND EXPERIENCED MANAGEMENT

## CEO PRIORITIES FY14-16

Improving  
customer  
experience

Diversifying  
revenue

Improving  
productivity

Improving  
returns

# ANZ Operating Structure

## Operating Divisions

### Australia Division

- Retail Banking
- Corporate & Commercial Banking

### New Zealand Division

- Retail Banking
- Commercial & Agri Banking

### International & Institutional Banking (IIB)

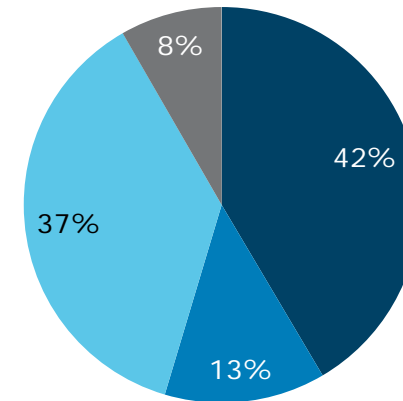
- |                               |                       |
|-------------------------------|-----------------------|
| Client Segments               | Global Products       |
| • Global Banking              | • Transaction Banking |
| • International Banking       | • Markets             |
| • Retail Banking Asia Pacific | • Loans               |

### Global Wealth

- |                    |                         |
|--------------------|-------------------------|
| • Insurance        | • Private Wealth        |
| • Funds Management | • Advice & Distribution |

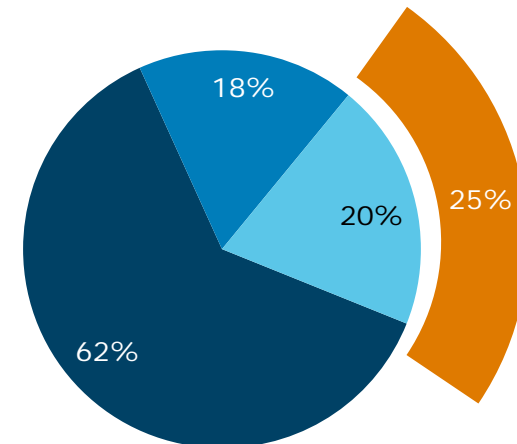
## 1H15 Operating Income Mix by Division

■ Australia ■ New Zealand ■ IIB ■ Wealth



## Operating Income by Geography 1H15

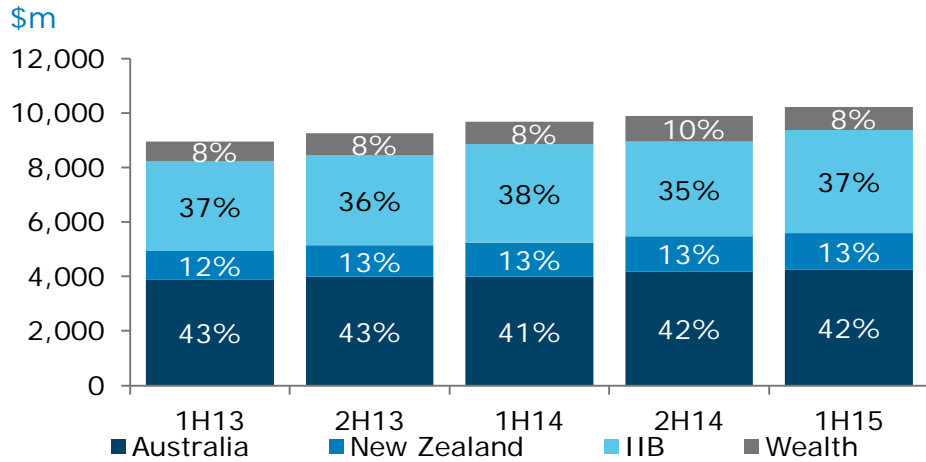
■ Australia ■ New Zealand ■ APEA ■ APEA Network



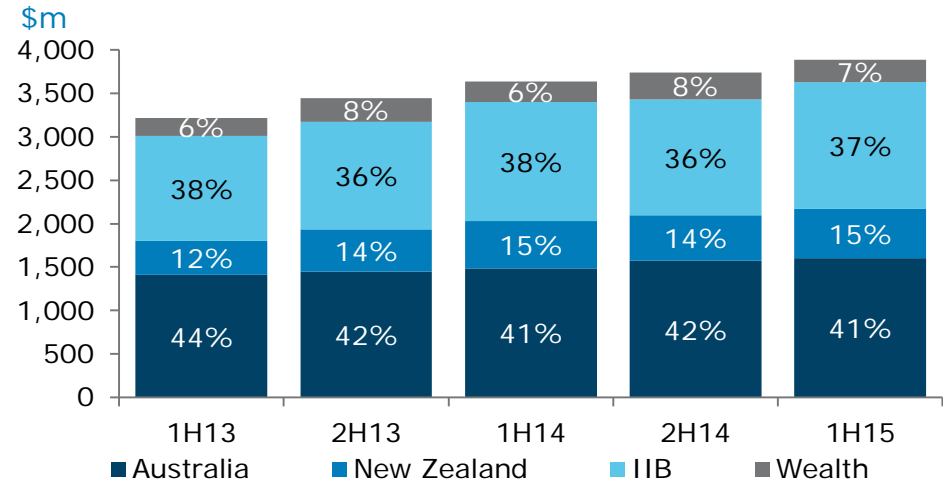
**APEA Network Revenue** represents income generated in APEA plus income generated in Australia & New Zealand as a result of referral from ANZ's APEA network.

# Income and profit contribution by division and geography

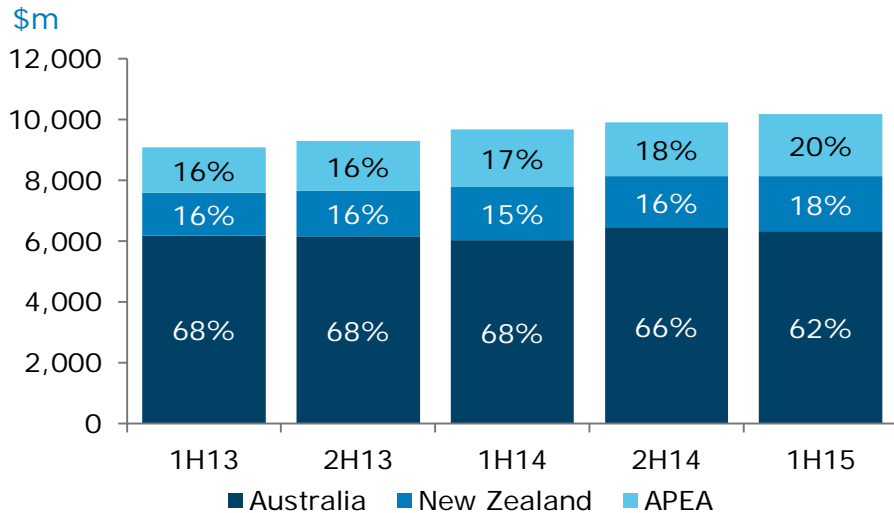
## Operating Income by Division



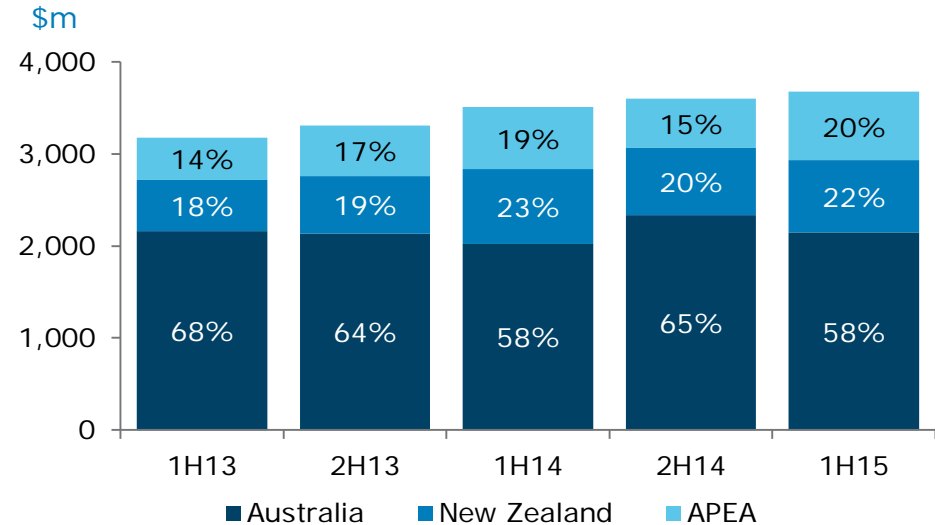
## Net Profit after Tax by Division



## Operating Income by Geography

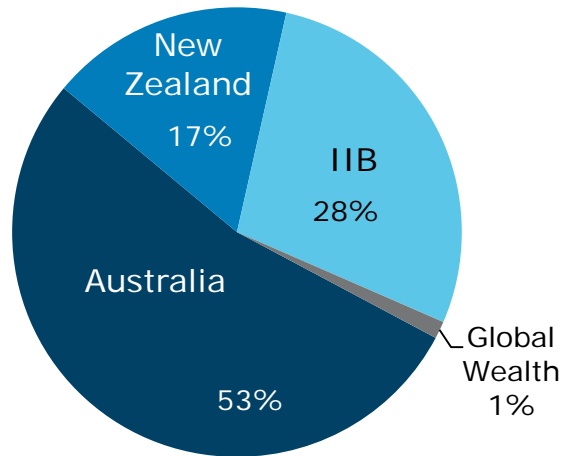


## Net Profit after Tax by Geography

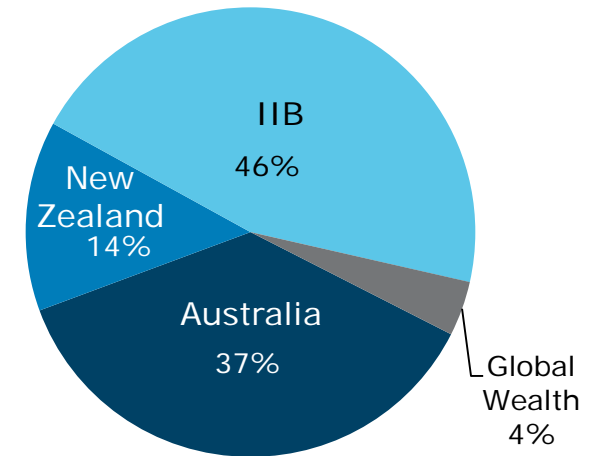


# Loans and deposits by division and geography – 1H15

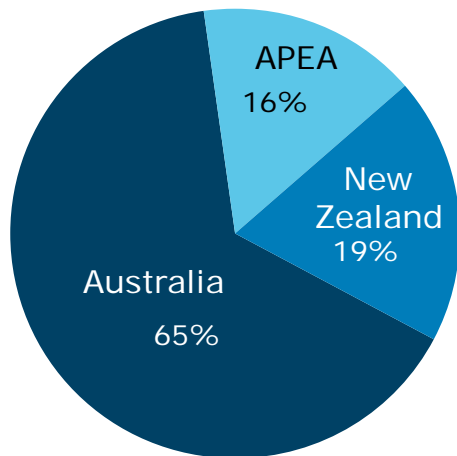
Customer Lending<sup>1</sup> by Division



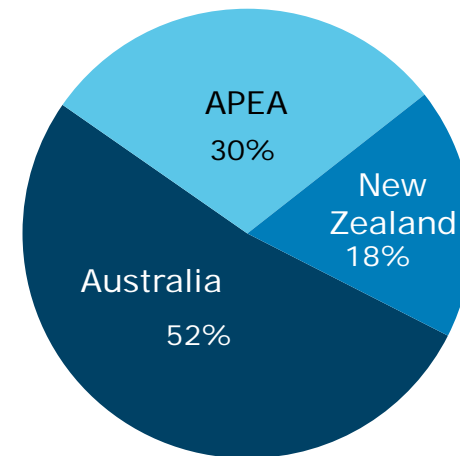
Customer Deposits by Division



Customer Lending<sup>1</sup> by Geography



Customer Deposits by Geography



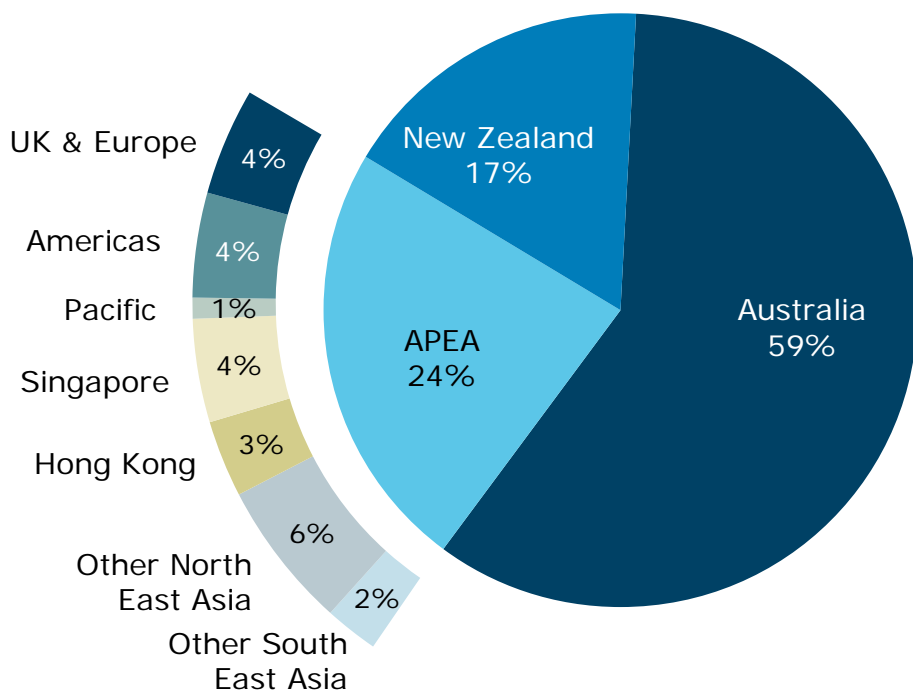
1. Customer lending represents Net Loans & Advances including acceptances.

# Total Credit Exposure (EAD) by Geography

## Exposure at Default<sup>1</sup> by Geography

Total Exposure at Default (Mar 15) - \$869b<sup>1</sup>

Australia	New Zealand	APEA
\$515.8b	\$149.5b	\$204.1b



## Exposure at Default by Line of Business<sup>2</sup>

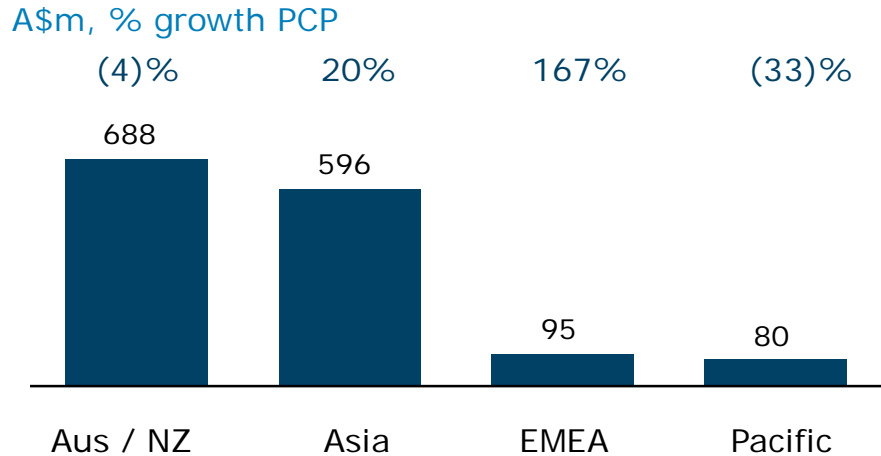


1. EAD excludes amounts for 'Securitisation' and 'Other Assets' Basel asset classes.

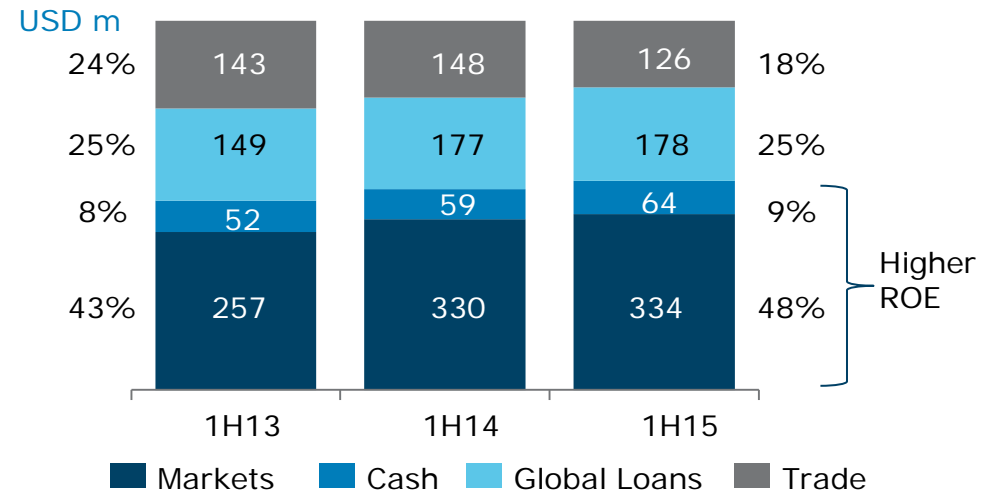
2. Institutional includes exposure to Bank and Sovereign counterparties and ANZ's Liquidity portfolio.

# IIB – Asia

## IIB 1H15 profit by region

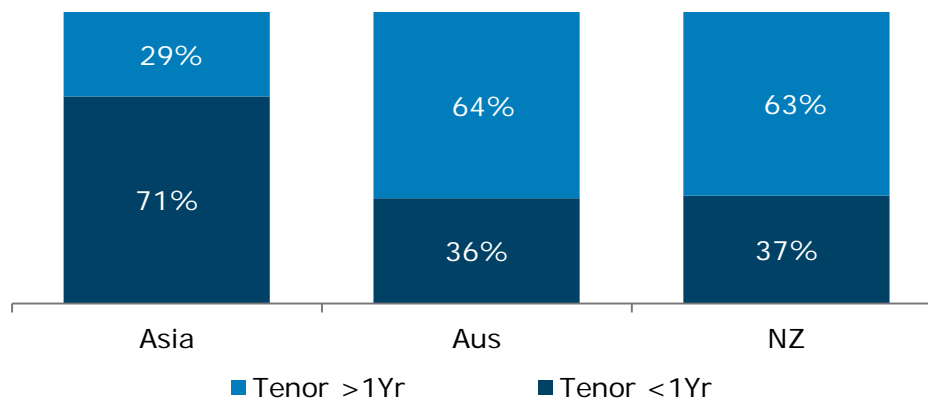


## Revenue growth in higher ROE businesses<sup>3</sup>

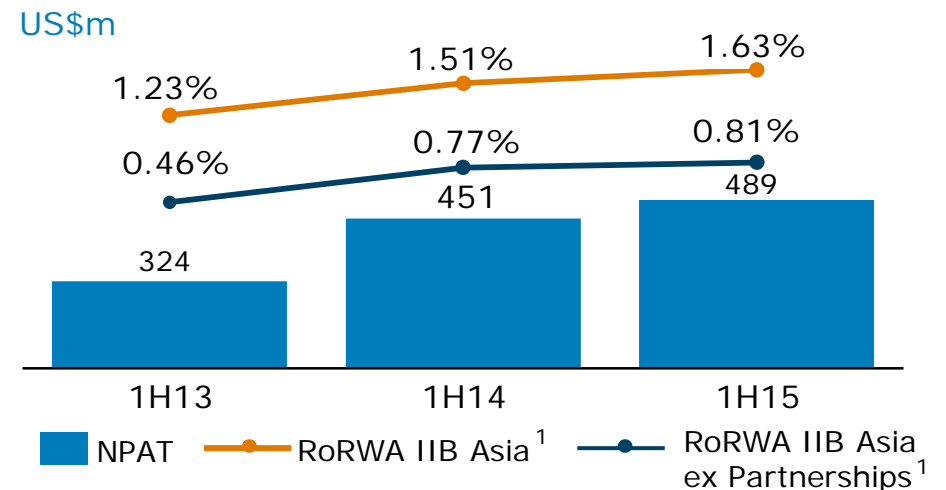


## Asset tenor<sup>2</sup>

### By tenor – 1H15 (%)



## IIB Asia Profitable growth



1. 'RoRWA' equals Net Profit After Tax divided by average Basel III risk weighted assets.

2. Institutional exposures only.

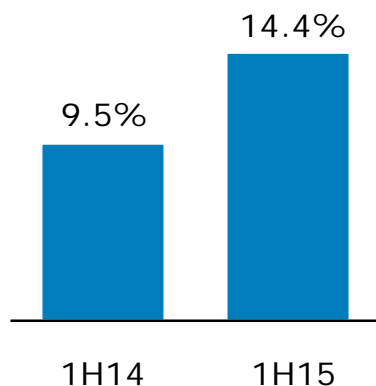
3. Excludes Retail and partnerships.



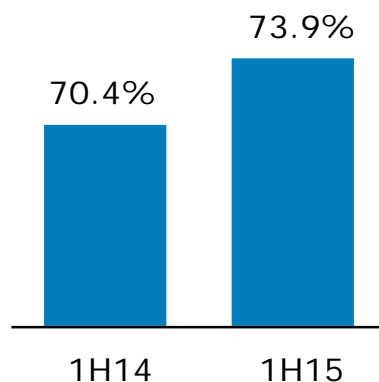
# Digital investment – delivering results

## Australia

Sales numbers via Digital<sup>1</sup> (%)

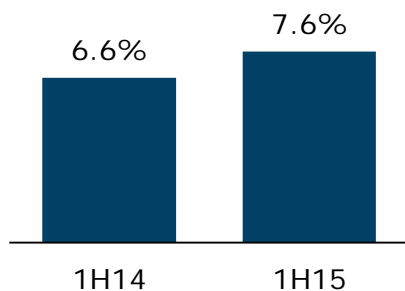


Transaction numbers via Digital<sup>2</sup> (%)

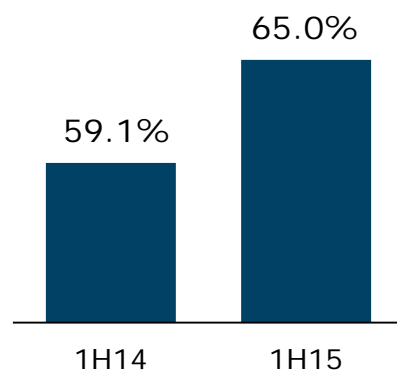


## New Zealand

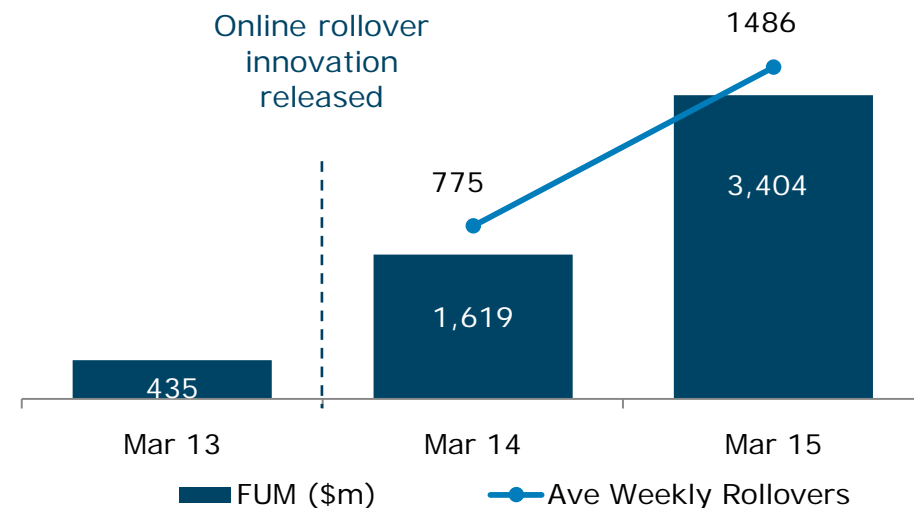
Sales revenue via Digital<sup>3</sup> (%)



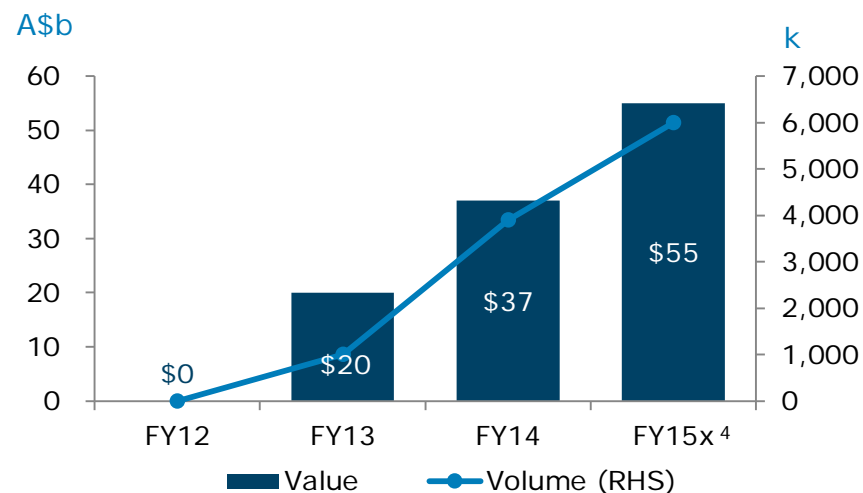
Transaction numbers via Digital<sup>2</sup> (%)



## ANZ Smart Choice



## Transactive Mobile



1. Sales includes the number of sales events through the Retail distribution network, including all Retail, Commercial and Wealth products.
2. Transactions refers to the number of value transactions through all channels including internet, mobile, teller and ATM.
3. Revenue from sales completed through Digital channels.
4. Determined by annualised calculation of available data as at Feb 15.

# ANZ Green Bonds Investor Presentation

1H15 Result Overview



# 1H15 result overview

## Group

	1H15 AUDm	1H14 AUDm	PCP % / bps
Net interest income	7,138	6,764	6%
Other operating income	3,047	2,904	5%
<b>Operating income</b>	<b>10,185</b>	<b>9,668</b>	<b>5%</b>
Expenses	(4,593)	(4,286)	7%
<b>PBP</b>	<b>5,592</b>	<b>5,382</b>	<b>4%</b>
Impairment charge	(510)	(528)	(3%)
Tax and non-controlling interests	(1,406)	(1,339)	5%
<b>Cash Profit</b>	<b>3,676</b>	<b>3,515</b>	<b>5%</b>
Stat. adjustments <sup>1</sup>	(170)	(123)	38%
<b>Statutory Profit</b>	<b>3,506</b>	<b>3,392</b>	<b>3%</b>
Net interest margin	2.04%	2.15%	(11 bps)
Net interest margin (ex Markets)	2.51%	2.55%	(4 bps)
Cost to income ratio	45.1%	44.3%	80 bps
Impairment charge % avg GLA	0.19%	0.21%	(2 bps)
Return on equity	14.7%	15.5%	(80 bps)
Gross loans and advances	562,231	513,563	9%
Customer deposits	436,147	388,022	12%
APRA Basel III CET1 ratio	8.7%	8.3%	40 bps
Internationally Comparable Basel III CET1 ratio <sup>2</sup>	12.4%	12.2%	20 bps

All figures are presented on Cash basis in Australian Dollars unless otherwise noted.

1. In arriving at Cash Profit, Statutory Profit has been adjusted to exclude non-core items, further information is set out on page 86 of the 2015 Half Year Consolidated Financial Report. 2. Internationally Comparable methodology per *Australian Bankers' Association: International comparability of capital ratios of Australia's major banks* (August 2014).

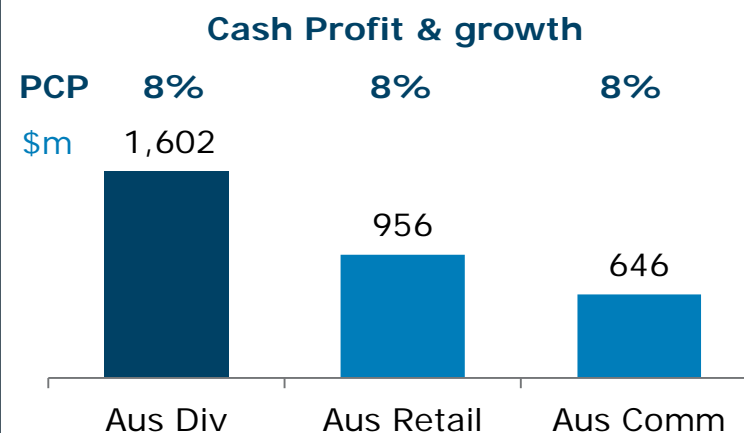
# 1H15 result overview

## Australia

	1H15 AUDm	PCP % / bps
Net interest income	3,670	7%
Other operating income	571	3%
<b>Operating income</b>	<b>4,241</b>	<b>6%</b>
Expenses	(1,556)	5%
<b>PBP</b>	<b>2,685</b>	<b>6%</b>
Impairment charge	(395)	(2%)
Tax & Non - Controlling Interests	(688)	8%
<b>Cash Profit after Tax</b>	<b>1,602</b>	<b>8%</b>
Net interest margin	2.50%	0 bps
Cost to income ratio	36.7%	(30 bps)
Net loans and advances	297,642	7%
Customer deposits	162,587	4%
Impairment charge % avg GLA	0.27%	(2 bps)
<b>NPAT contribution</b>		
Retail	956	8%
Corporate & Commercial Banking	646	8%

## Drivers & outcomes

- Maintained margins in a competitive environment
- Invested in frontline, digital & NSW
- Small business lending up 15%
- 5 yrs above system mortgage growth
- Best in class productivity



# 1H15 result overview

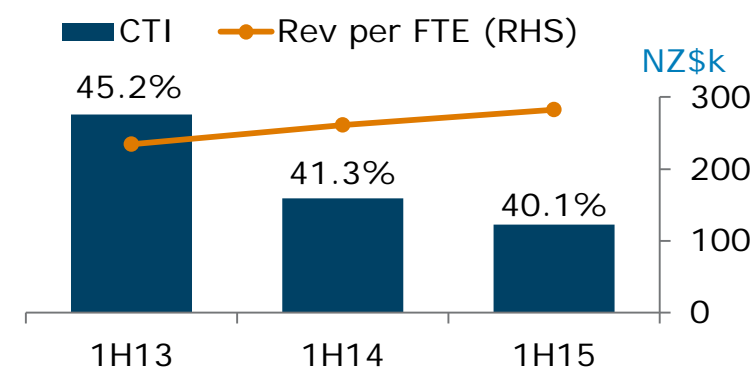
## New Zealand

	1H15 NZDm	PCP % / bps
Net interest income	1,241	6%
Other operating income	196	1%
<b>Operating income</b>	<b>1,437</b>	<b>6%</b>
Expenses	(576)	2%
<b>PBP</b>	<b>861</b>	<b>8%</b>
Impairment charge	(20)	large
Tax & Non - Controlling Interests	(236)	0%
<b>Cash Profit after Tax</b>	<b>605</b>	<b>1%</b>
Net interest margin	2.52%	3 bps
Cost to income ratio	40.1%	(120 bps)
Net loans and advances	99,518	6%
Customer deposits	61,427	11%
Impairment charge % avg GLA	0.04%	12 bps
<b>NPAT contribution</b>		
Retail	238	4%
Corporate & Commercial Banking	368	-2%

## Drivers & outcomes

- PBP up 6% in Retail & up 9% in Commercial
- Winning customers: #1 Mkt position & growing mortgage & cards share
- Invested in Auckland, Christchurch & small business
- Continuing strong credit quality

### Productivity & Efficiency



# 1H15 result overview

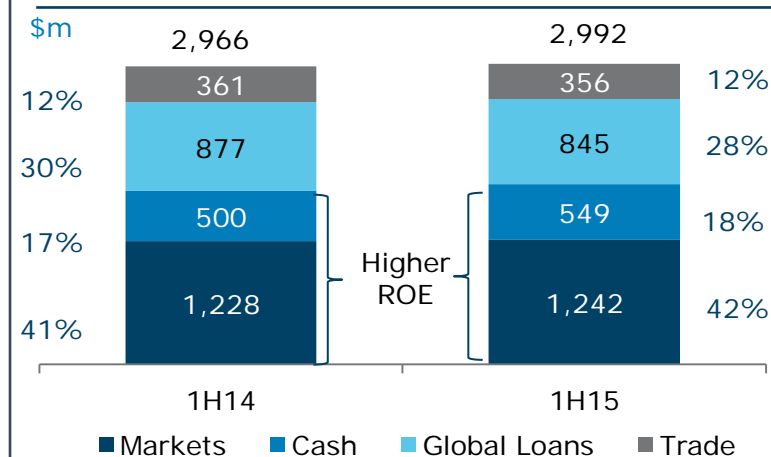
## International & Institutional Banking

	1H15 AUDm	PCP % / bps
Net interest income	2,027	2%
Other operating income	1,759	8%
<b>Operating income</b>	<b>3,786</b>	<b>5%</b>
Expenses	(1,771)	9%
<b>PBP</b>	<b>2,015</b>	<b>1%</b>
Impairment charge	(98)	(40%)
<b>Cash Profit</b>	<b>1,459</b>	<b>7%</b>
Net interest margin	1.34%	(21 bps)
Net interest margin (ex Global Markets)	2.32%	(19 bps)
Cost to income ratio	46.8%	190 bps
Net loans and advances	156,517	15%
Customer deposits	201,124	17%
Impairment charge % avg GLA	0.13%	(11 bps)
<b>NPAT contribution<sup>1</sup></b>		
Global Transaction Banking	305	38%
Global Loans and Advisory	394	(9%)
Global Markets	421	(7%)
Asia Partnerships	299	24%
Retail Asia Pacific	56	24%

## Drivers & outcomes

- 49% of markets income from APEA; driving IIB Asia growth of ~15%
- APEA represents over half of IIB's NPAT
- \$1 of trade income generating \$1.40 of cross sell into markets and cash<sup>2</sup>
- #4 Corporate Bank in Asia<sup>3</sup>

### Growing higher ROE businesses<sup>4</sup>



1. Excluding Central Functions. 2. Cross-sell multiple based on a pool of customers that have a minimum of Trade, Markets and Cash Management with ANZ. 3. Greenwich Associates 2014 Asian Large Corporate Banking Study. 4. Excludes retail and partnerships.

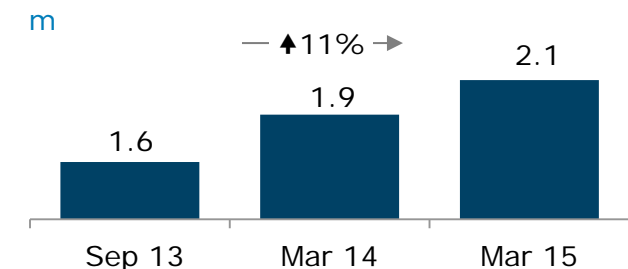
# 1H15 result overview

## Global Wealth

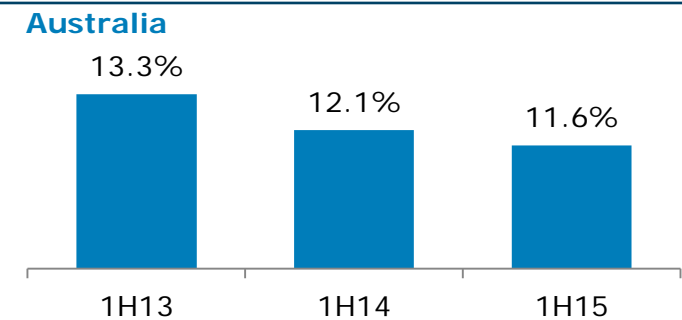
	1H15 AUDm	PCP % / bps
Net interest income	88	10%
Other operating income	97	(19%)
Net funds management & insurance income	665	10%
<b>Operating income</b>	<b>850</b>	<b>5%</b>
Expenses	(489)	1%
<b>PBP</b>	<b>361</b>	<b>12%</b>
Impairment charge	1	0%
Tax & Non - Controlling Interests	(103)	14%
<b>Cash Profit after Tax</b>	<b>259</b>	<b>11%</b>
Funds under Management	68,405	11%
In-force premiums	2,154	10%
Cost to income ratio	57.5%	(250 bps)
<b>NPAT contribution<sup>1</sup></b>		
Funds Management	78	20%
Insurance	143	46%
Private Wealth	43	(2%)

## Drivers & outcomes

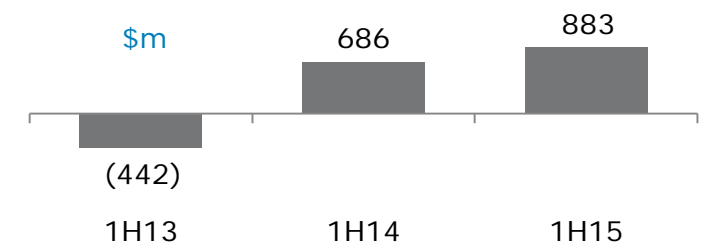
### Wealth customers<sup>2</sup>



### Retail Life lapse rates



### FUM net flows<sup>3</sup>



1. Excluding Corporate and Other.
2. ANZ Wealth customers directed through ANZ channels.
3. Global Private Wealth and Funds Management net flows

# Challenges and areas to improve

## Challenges/Areas to improve

- Expenses
- Global liquidity squeezing loan margins, deferring benefit of Institutional cash build out
- Trade pressured by commodity prices and lower hedge revenue
- Progress on structural realignment of the business

## Drivers & outcomes

- +4% (ex FX) front running investment
- Targeting ~3% FY15
- Building deposits faster
- Lifting cross-sell & key 'corridors' growth
- Managing returns, more balanced bank
- Strong core business experiencing cyclical pressure
- Returns up despite tough conditions
- Esanda Dealer Finance sale
- RWA growth 7%, ~50% FX driven
- Disciplined capital management



# ANZ Green Bonds Investor Presentation

Treasury

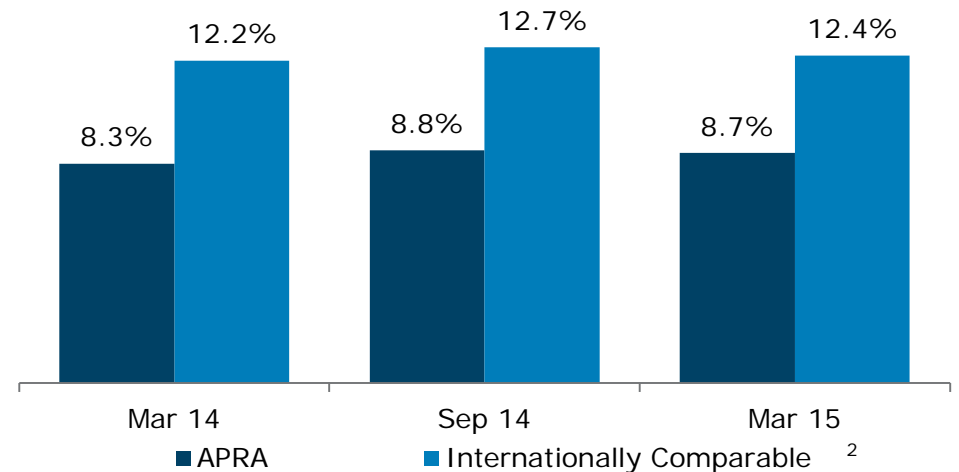


# Regulatory capital

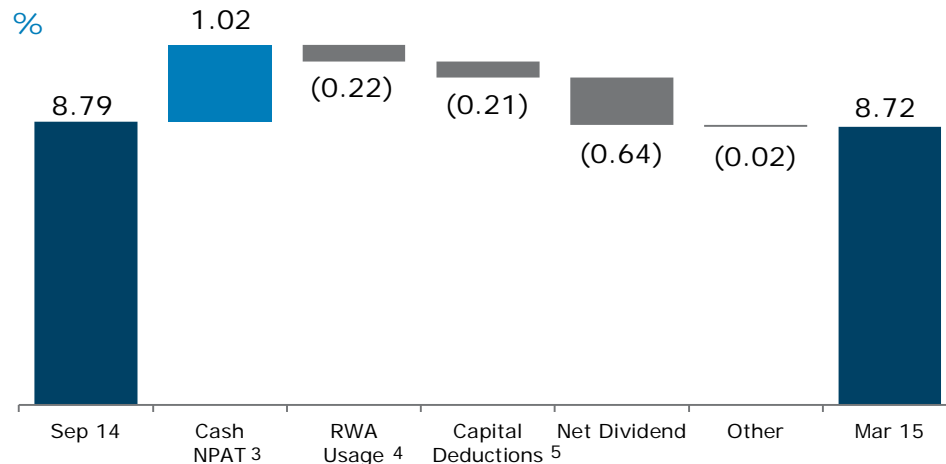
## Capital Update

- 1H15 organic capital generation<sup>1</sup> of 59 bps modestly above recent first half performance. APRA Common Equity Tier 1 ratio 8.7%. Target range for CET1 ratio remains around 9% on an APRA basis.
- Internationally Comparable<sup>2</sup> CET1 ratio is ~3.7% higher than under APRA basis. Reflects variances between Basel III under APRA and Basel standards.
- 1.5% discount for 1H15 Dividend Reinvestment Plan aims to achieve ~20% participation on a full 12 month basis. This level of participation is consistent with average observed since 2012 and capital planning.

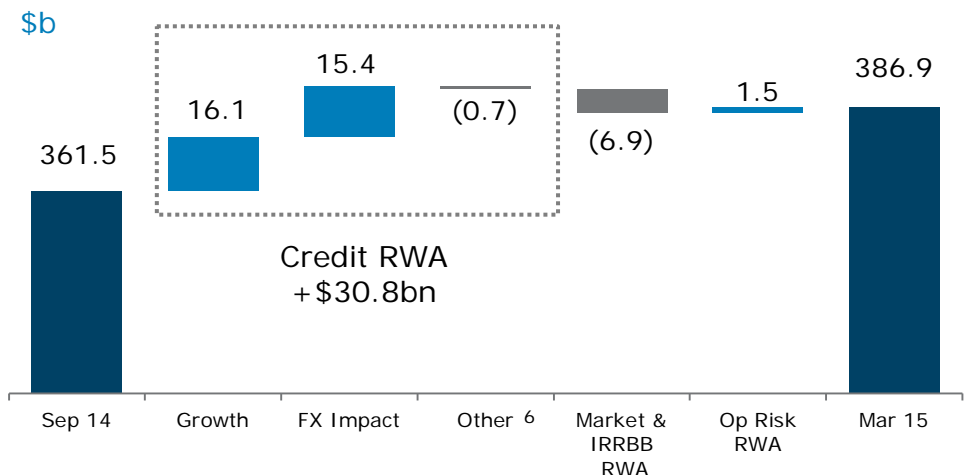
## Basel 3 Common Equity Tier 1 (CET1)



## APRA CET1 movement - Mar 15 v Sep 14



## Total RWA movement - Mar 15 v Sep 14



1. Organic capital generation = cash profit - RWA growth - capital deductions. 2. Methodology per *Australian Bankers' Association: International comparability of capital ratios of Australia's major banks* (August 2014). March 2014 comparatives has been restated based on current methodology.

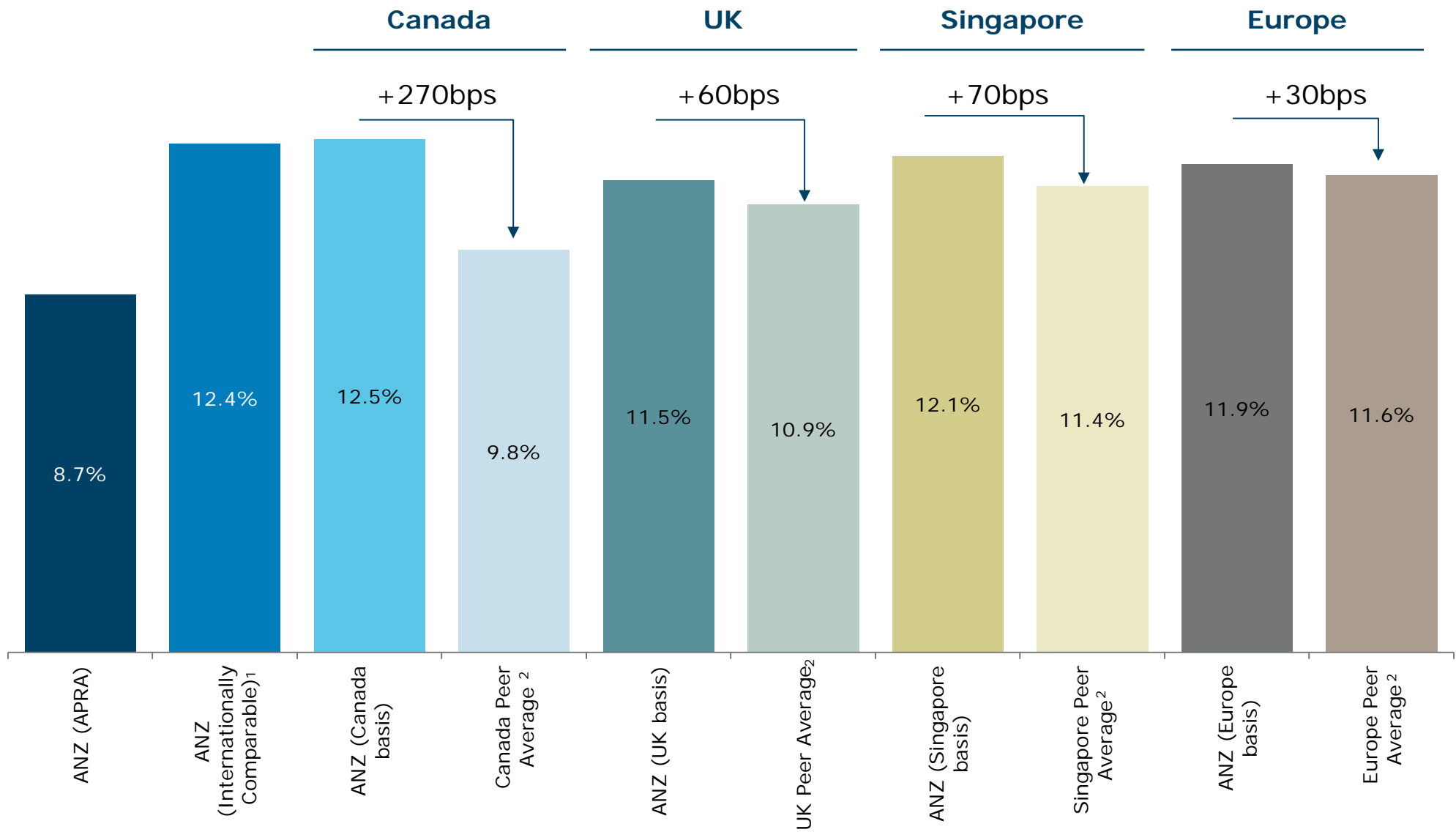
3. Cash profit net of preference share dividends. 4. Includes EL vs. EP shortfall. 5. Represents the movement in retained earnings in deconsolidated entities, capitalised software and other intangibles. 6. Other includes risk and portfolio data review impact.

# Internationally Comparable regulatory capital position

		CET1	Tier 1	Total Capital
<b>APRA</b>		<b>8.7%</b>	<b>10.6%</b>	<b>12.6%</b>
10% / 15% allowance for equity investments and DTA	APRA requires 100% deduction from CET1 vs. Basel framework which allows concessional threshold prior to deduction	0.9%	0.9%	0.8%
Mortgage 20% LGD floor	APRA requires use of 20% mortgage LGD floor vs. 10% under Basel framework	0.4%	0.4%	0.5%
IRRBB RWA (APRA Pillar 1 approach)	APRA includes in Pillar 1 RWA. This is not required under the Basel framework	0.2%	0.2%	0.3%
Specialised Lending (Advanced treatment)	APRA requires supervisory slotting approach which results in more conservative risk weights than under Basel framework	0.4%	0.4%	0.5%
Corporate undrawn EAD and unsecured LGD adjustments	Australian ADI unsecured corporate lending LGDs and undrawn CCFs exceed those applied in many jurisdictions	1.5%	1.8%	2.0%
Other	Includes impact of deductions from CET1 for capitalised expenses and deferred fee income required by APRA	0.3%	0.4%	0.4%
<b>Internationally Comparable<sup>1</sup></b>		<b>12.4%</b>	<b>14.7%</b>	<b>17.1%</b>

1. Internationally Comparable methodology per *Australian Bankers' Association: International comparability of capital ratios of Australia's major banks* (August 2014).

# ANZ's CET1 ratio compares favourably to global peers adjusting for regional methodology differences

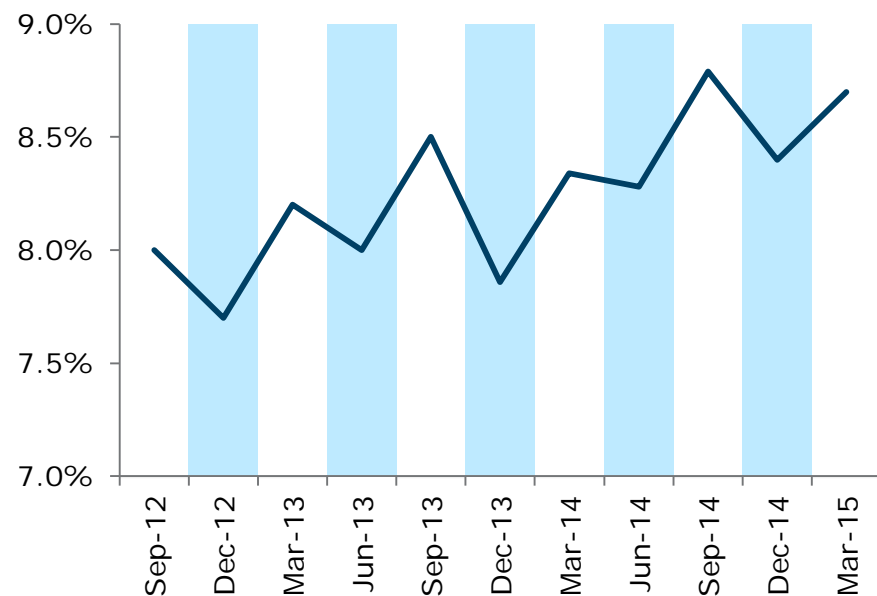


1. Methodology per *Australian Bankers' Association: International comparability of capital ratios of Australia's major banks* (August 2014).

2. Peer estimates are based on RWA weighted average of G-SIB/D-SIBs (ex Singapore which is based on DBS and OCBC) fully loaded Basel III capital ratios per most recent disclosures.

# Common Equity Tier 1 ratio, dividend timing and regulatory capital generation

APRA Basel III CET1 Ratio



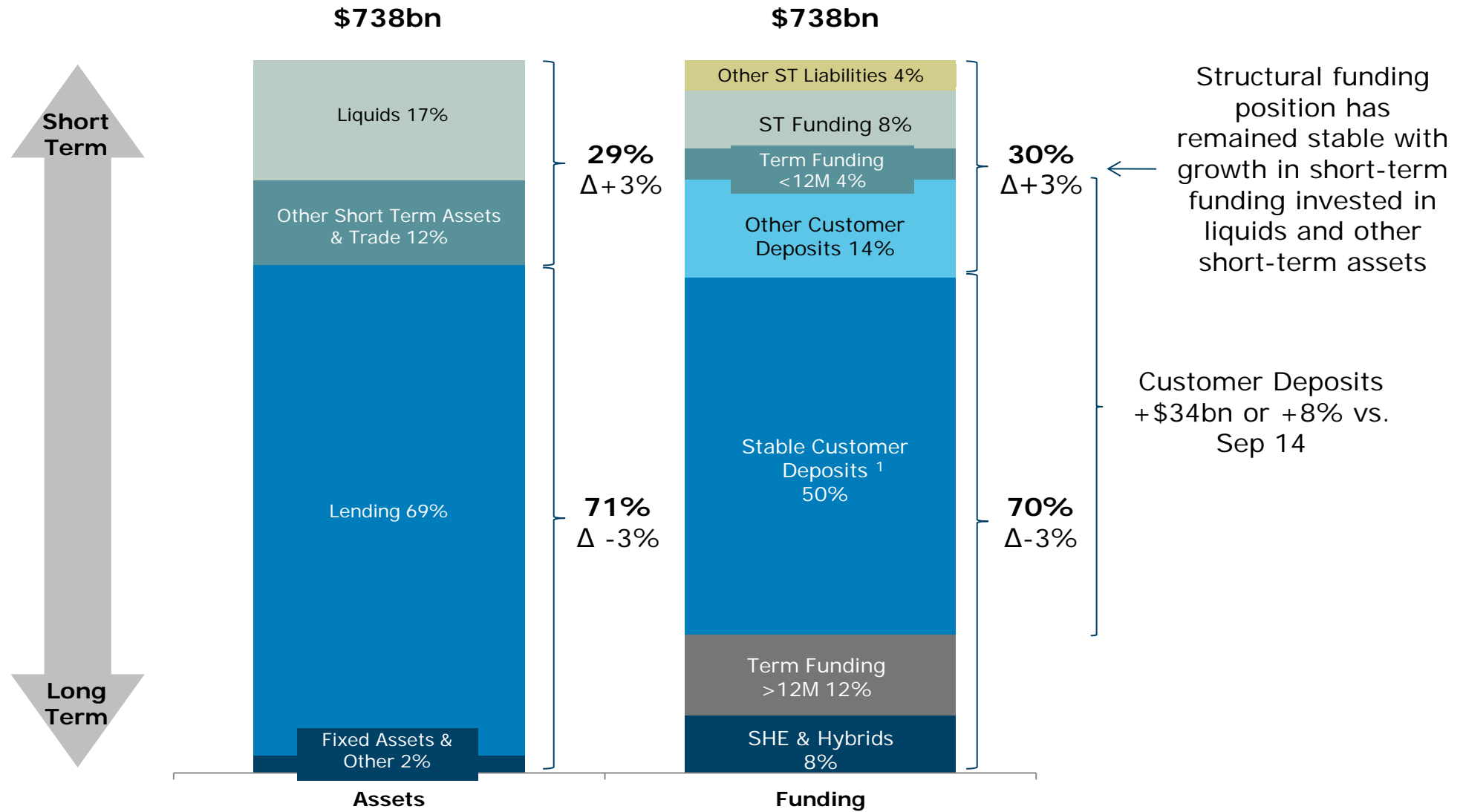
Note: shaded quarters represent declaration of dividends. Basel III basis.

- Under Basel III, dividends are only deducted from regulatory capital in the quarter in which they are declared. This results in volatility in quarterly reported capital ratios.
- To assess the underlying regulatory capital position, dividend payments should be adjusted to accrue evenly over the year, aligned with profit generation.

Common Equity Tier 1 generation (bps)

	First half average 1H12 – 1H14	1H15
Cash profit	102	102
RWA growth	(29)	(22)
Capital deductions	(18)	(21)
<b>Net capital generation</b>	<b>55</b>	<b>59</b>
Gross dividend	(70)	(72)
Dividend Reinvestment Plan	14	8
<b>Core change in CET1 capital ratio</b>	<b>(1)</b>	<b>(5)</b>
Other non-core and non-recurring items	11	(2)
<b>Net change in CET1 capital ratio</b>	<b>10</b>	<b>(7)</b>

# Stable balance sheet composition – March 2015

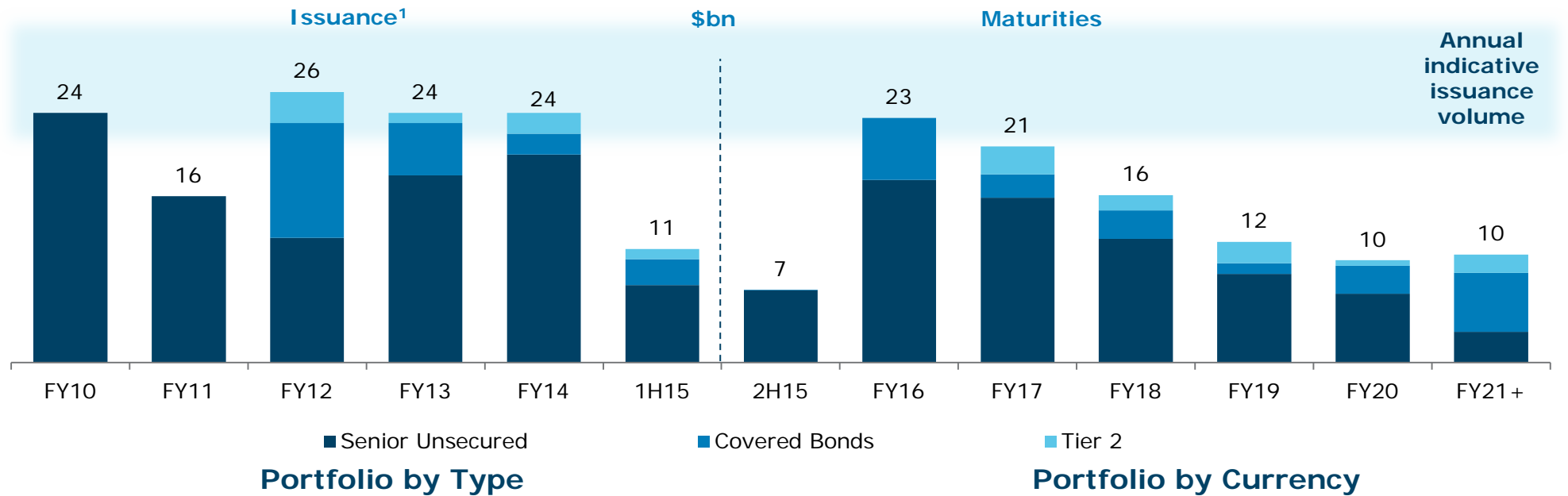


Note: Δ represents the change in % of funded balance sheet from 30 September 2014 to 31 March 2015.

1. Stable customer deposits represent operational type deposits or those sources from retail / business / corporate customers and the stable component of Other funding liabilities.

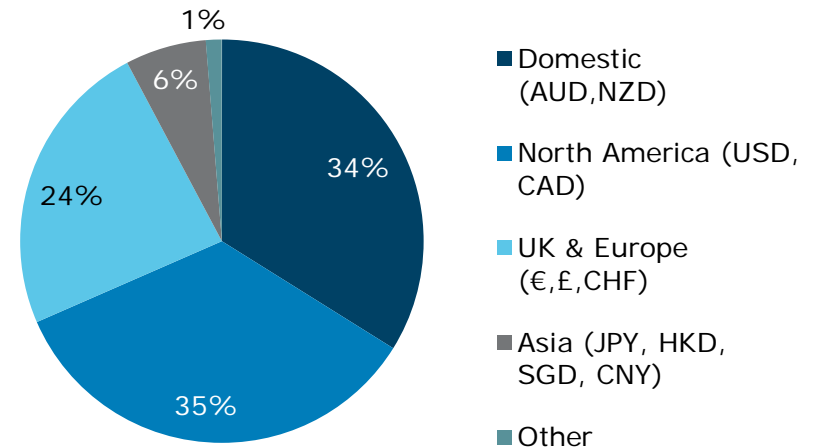
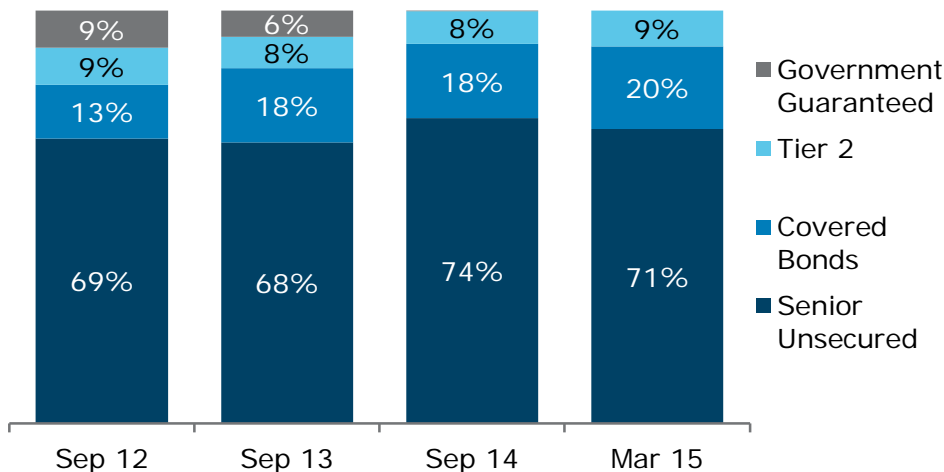
# Term wholesale funding portfolio

## Term Funding Profile



### Portfolio by Type

### Portfolio by Currency

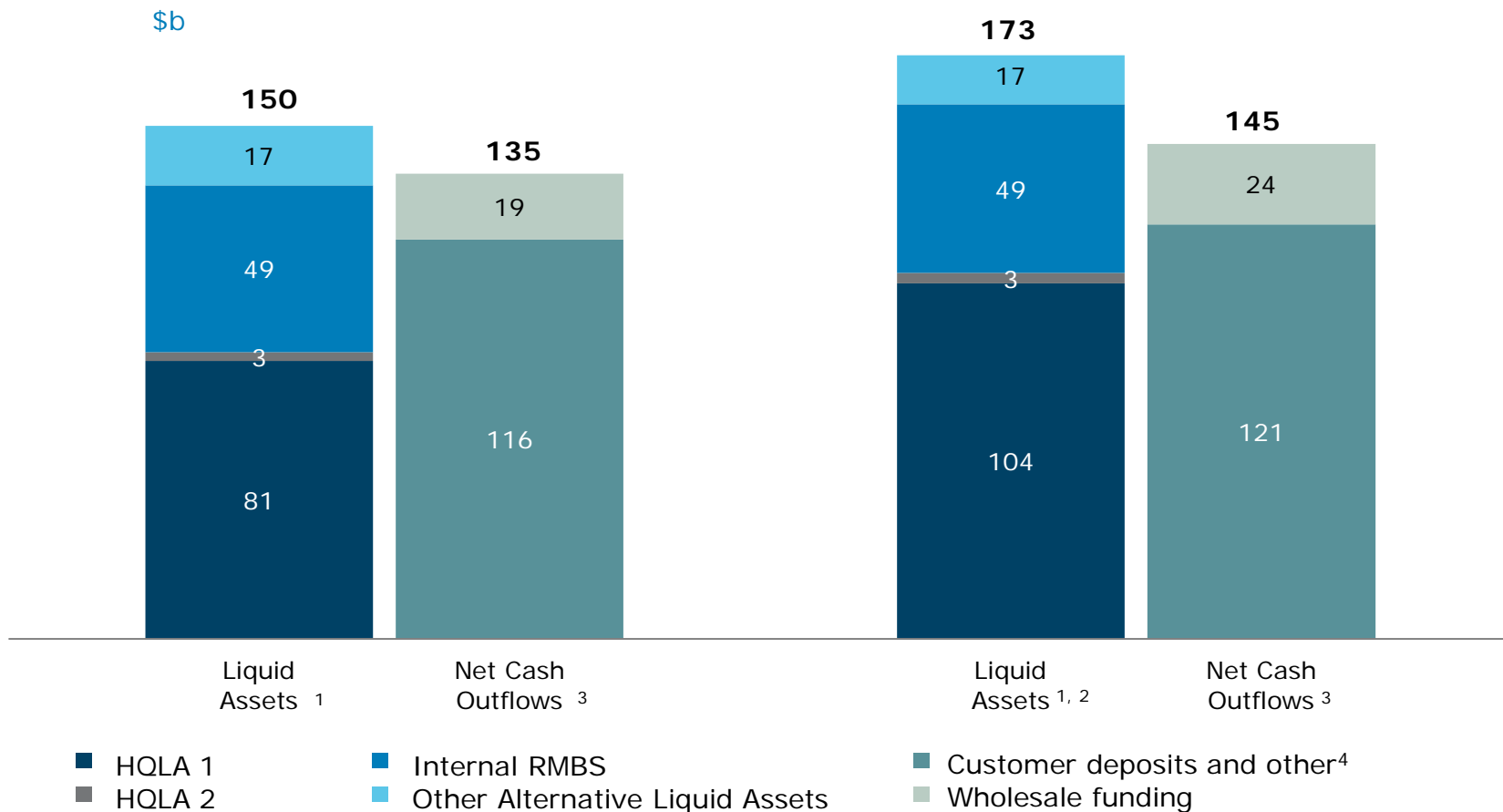


All figures based on historical FX and excludes hybrids.

1. Includes transactions with a call or maturity date greater than 12 months as at 30 September in the respective year of issuance.

# Liquidity management successfully transitioned to LCR

Date	Sep 14	Mar 15
LCR	111%	119%
LCR Surplus	\$15bn	\$28bn



1. Post haircut market value as defined in APS210.  
 2. 1H15 includes \$54bn Committed Liquidity Facility.  
 3. Basel III LCR 30 day stress scenario cash outflows.  
 4. Other include off-balance sheet and cash inflows.



# Regulatory landscape

		Status	ANZ's position
Capital	Leverage ratio	<ul style="list-style-type: none"> <li>APRA draft standard Sep 2014</li> <li>No minimum currently specified, BCBS 3%</li> </ul>	Leverage ratio 4.5-5.5% at 1H15 depending on final calibration
	Level 3 capital adequacy "Conglomerates"	<ul style="list-style-type: none"> <li>APRA draft Level 3 standards Aug 2014</li> <li>Finalisation and implementation deferred until Financial System Inquiry recommendations considered by government/APRA</li> </ul>	No material impact expected based on current draft standards
	Basel Standardised and floors	<ul style="list-style-type: none"> <li>BCBS consultation papers released Dec 2014 propose changes to Standardised risk weights, introduction of Advanced approach capital floors</li> </ul>	ANZ has participated in BCBS QIS. Impact of any changes subject to final BCBS calibration and APRA implementation.
	Total Loss Absorbing Capacity (TLAC)	<ul style="list-style-type: none"> <li>Financial Stability Board proposal released Nov 2014 details minimum TLAC requirements for G-SIBs</li> </ul>	Proposal currently does not apply to D-SIBs. If applied to ANZ, wide range of outcomes depending on calibration including basis for measuring capital base, D-SIB minimum etc
Funding	Liquidity Coverage Ratio	<ul style="list-style-type: none"> <li>Full implementation from Jan 2015</li> <li>Disclosure timetable to be determined by APRA</li> </ul>	Full compliance at 1H15 (LCR 119%)
	Net Stable Funding Ratio	<ul style="list-style-type: none"> <li>BCBS standard Jan 2014</li> <li>APRA standard yet to be finalised, expected implementation 2018</li> </ul>	Do not expect NSFR to require any material change to balance sheet composition
Other	Financial System Inquiry	<ul style="list-style-type: none"> <li>Key recommendations to government:                             <ul style="list-style-type: none"> <li>Set standards such that Australian ADI capital ratios are unquestionably strong</li> <li>Raise Advanced IRB mortgage risk weights to narrow difference with Standardised approach</li> <li>Implement loss absorption and recapitalisation framework in-line with international practice</li> <li>Introduce Basel framework leverage ratio</li> </ul> </li> <li>Final round consultation closed 31 March 2015</li> </ul>	Refer to ANZ's submission on the Final Report of the Financial System Inquiry published 1 April 2015

# ANZ Green Bonds Investor Presentation

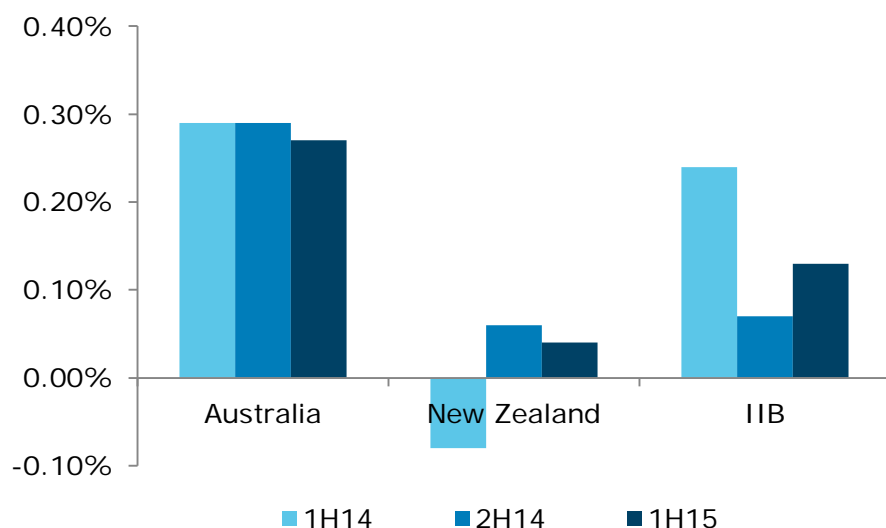
Credit Quality



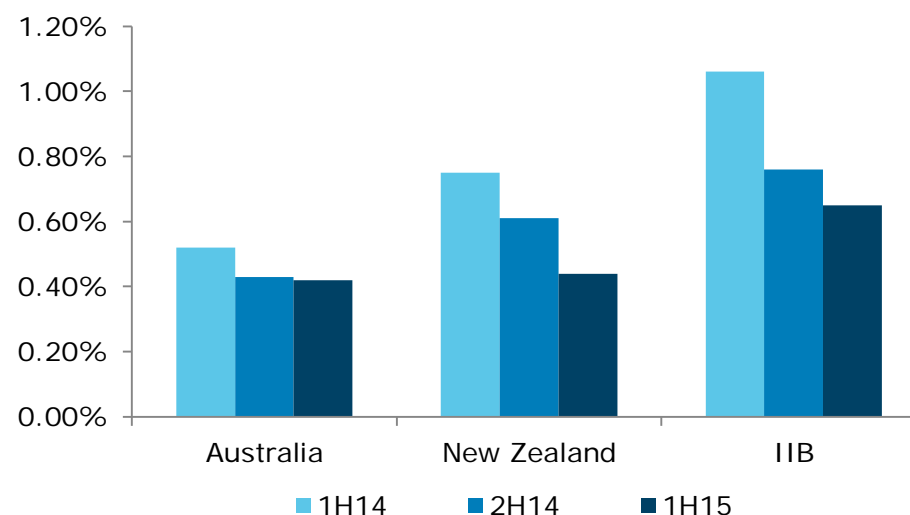
# Credit quality – Group overview

	1H15	2H14	1H14
Credit impairment charge % average GLA (Group)	0.19%	0.17%	0.21%
Individual provisions % gross impaired assets (Group)	41.1%	40.7%	40.6%
Collective provisions % credit RWA (Group)	0.86%	0.89%	0.93%
Gross impaired assets % GLA (Group)	0.48%	0.55%	0.70%
Net impaired assets % shareholders' equity (Group)	3.1%	3.5%	4.6%
Control list limits (YoY % change; Group)	(22%)	(27%)	(25%)
Australia housing 90 days past due <sup>1,2</sup>	0.57%	0.48%	0.53%
Australia C&CB 90 days past due <sup>3</sup>	1.04%	0.86%	0.86%

### Credit impairment charge % average GLA



### Gross Impaired Assets % GLA



1. Exclusive of Non Performing Loans.

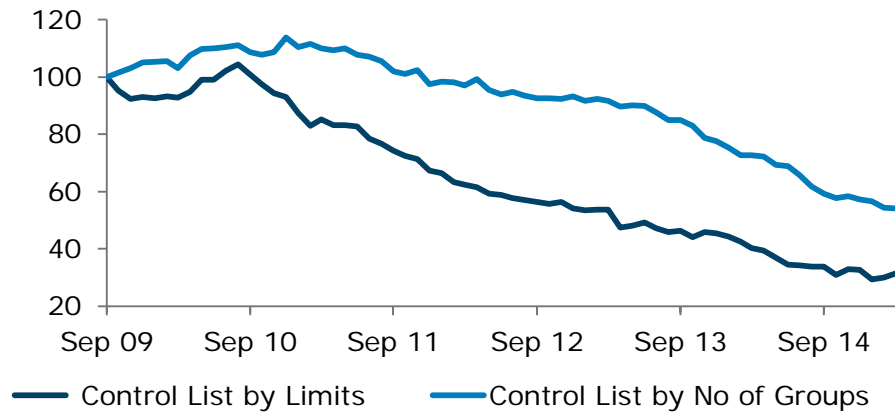
2. Hardship changes implemented Apr 2013. For comparison: 90+ excluding hardship changes as at Mar 2015 is 0.46%.

3. Includes Small Business, Commercial Cards and Esanda Retail.

# Impaired Assets

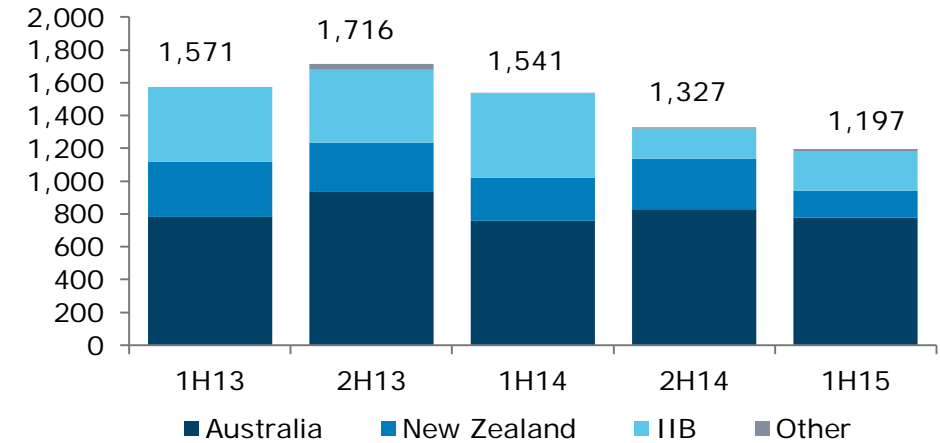
## Control list

Index Sep 09 = 100



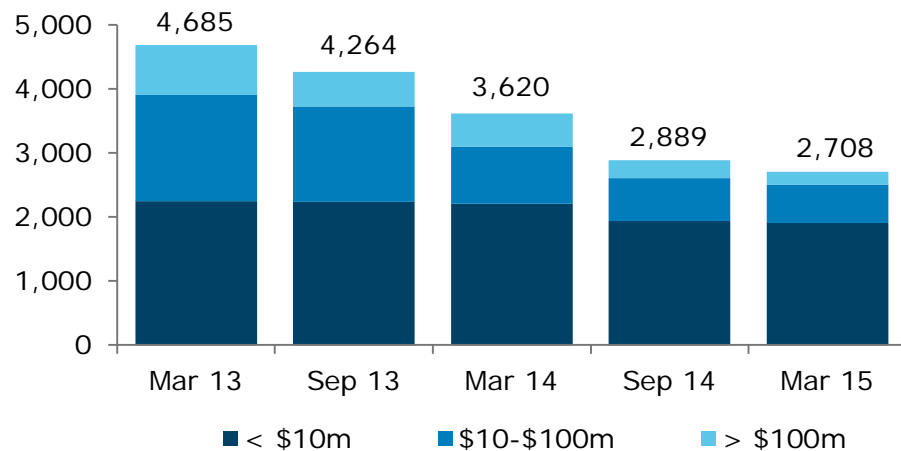
## New impaired assets by division

\$m

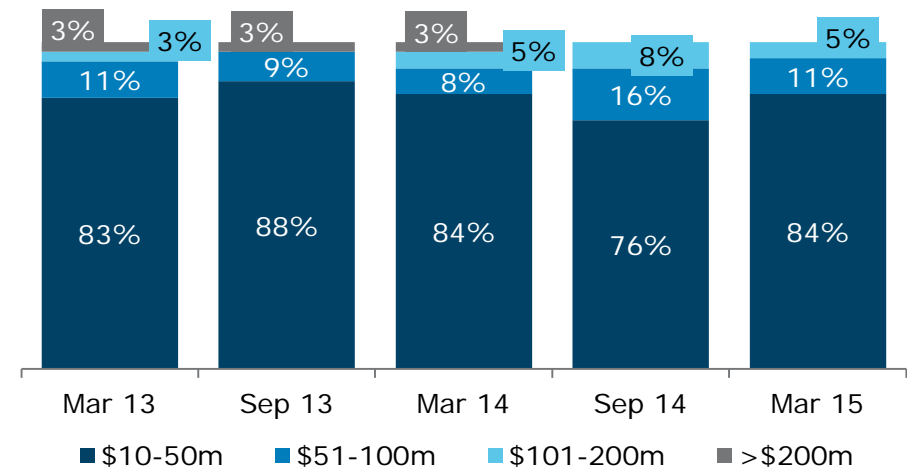


## Gross impaired assets by size of exposure

\$m



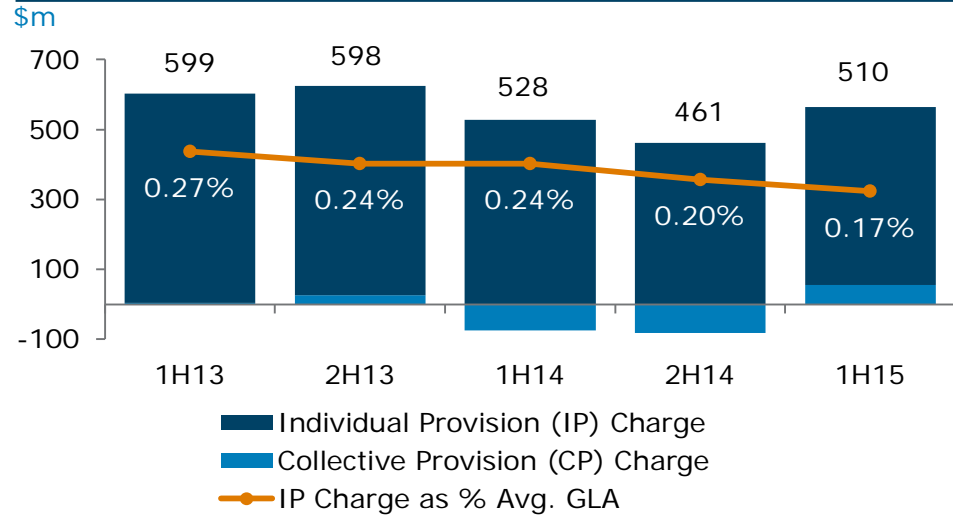
## Impaired assets concentration by number of customers<sup>1</sup>



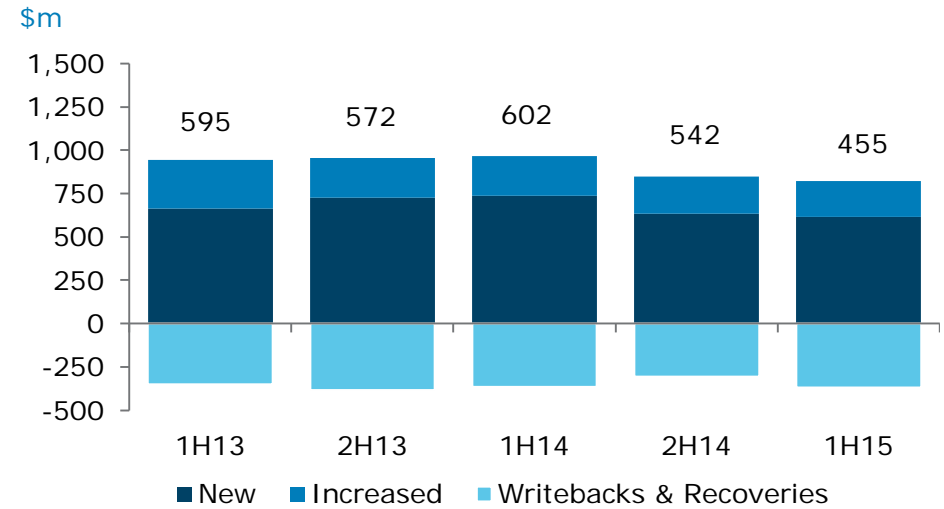
1. Only >\$10m customers.

# Provision Charge

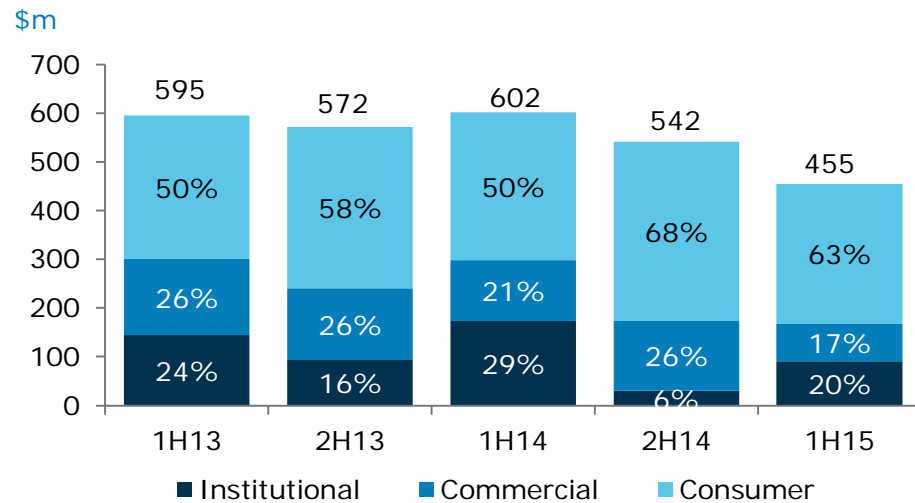
## Provision charge



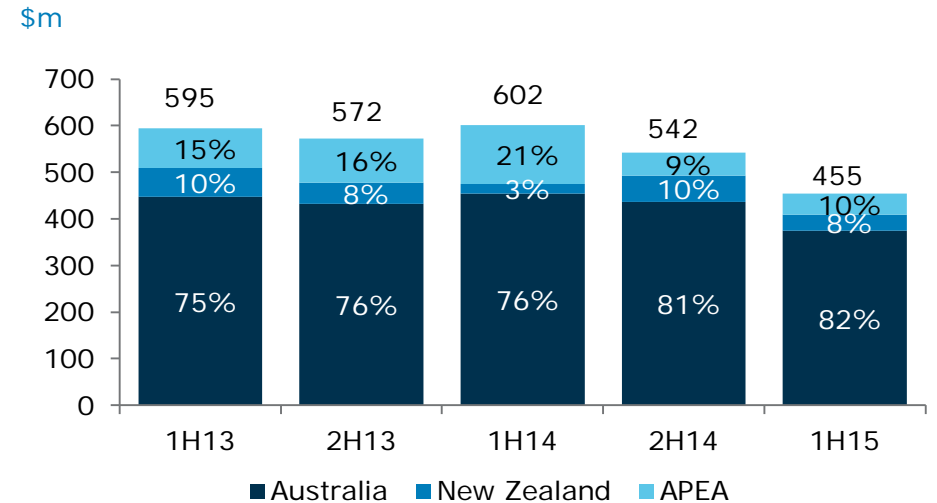
## Individual provision charge composition



## Individual provision charge by segment



## Individual provision charge by region



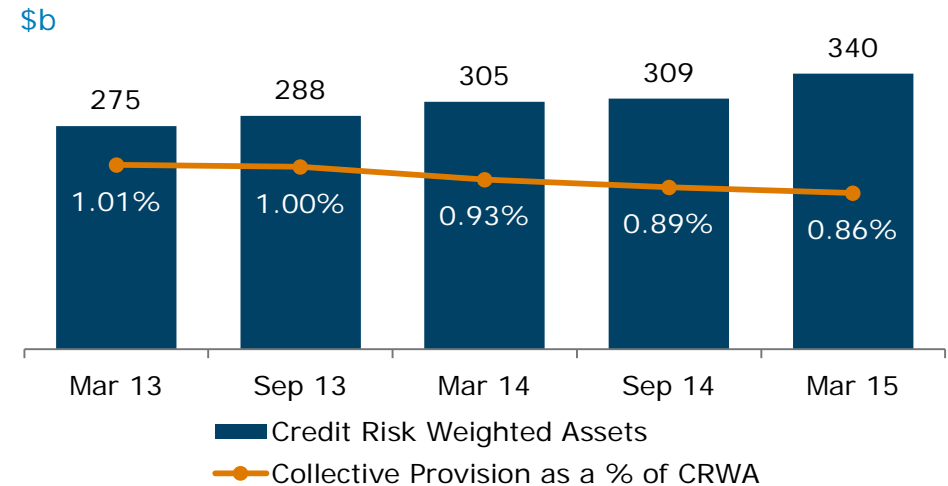
# Collective Provision

## CP Balance Growth

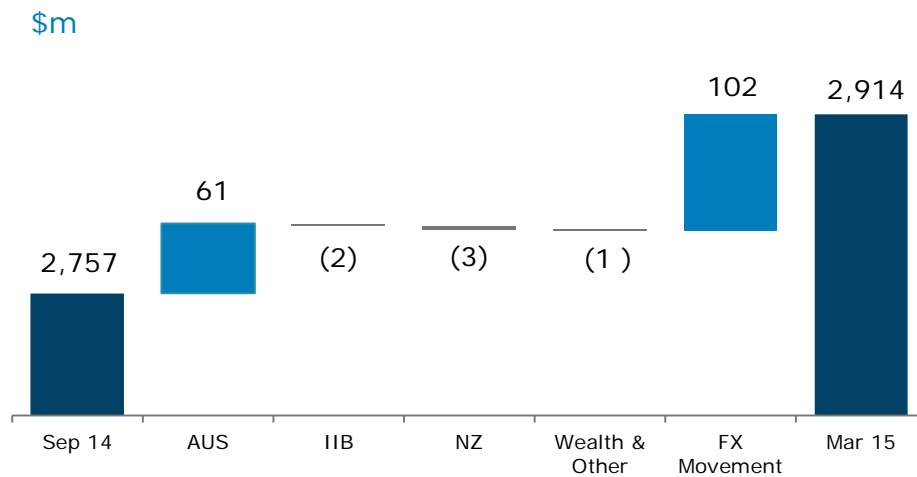
The collective provision balance increased by \$157m in the first half of FY15, to \$2,914m, predominantly driven by:

- Foreign exchange, particularly the depreciation of the AUD against the USD and against the NZD, which accounted for \$102m, or 65%, of this increase
- Portfolio growth of \$54m, specifically the Australia Division (67%), driven by the retail portfolios

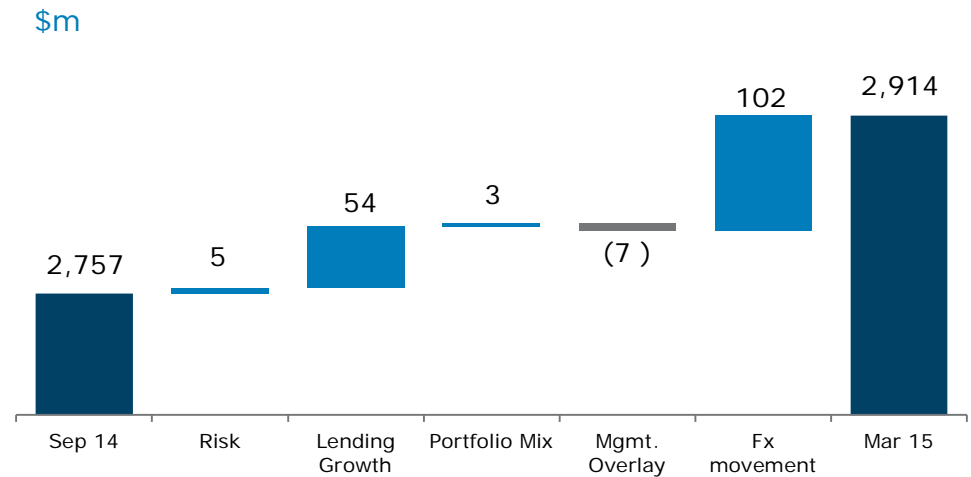
## CP coverage



## Collective provision by division

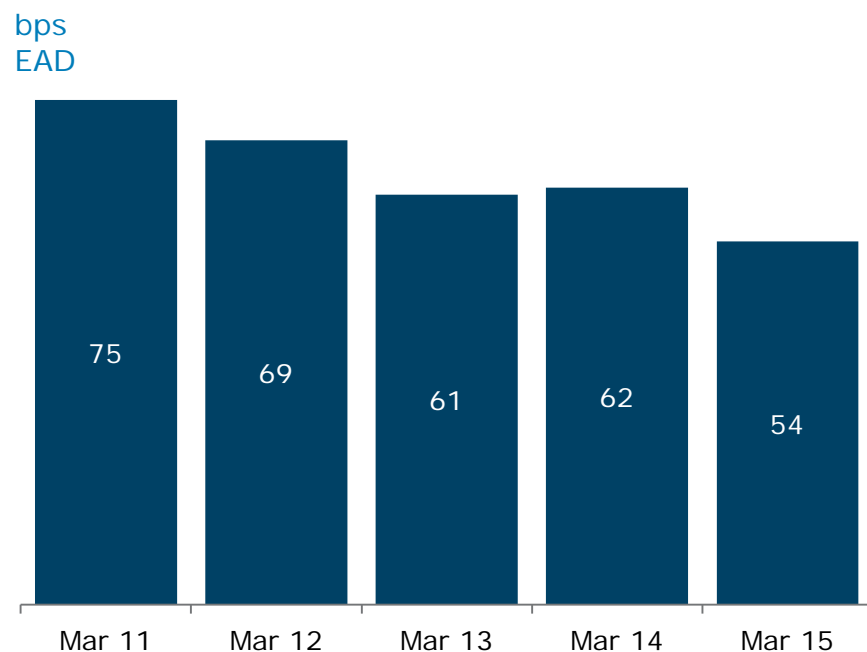


## Collective provision by source

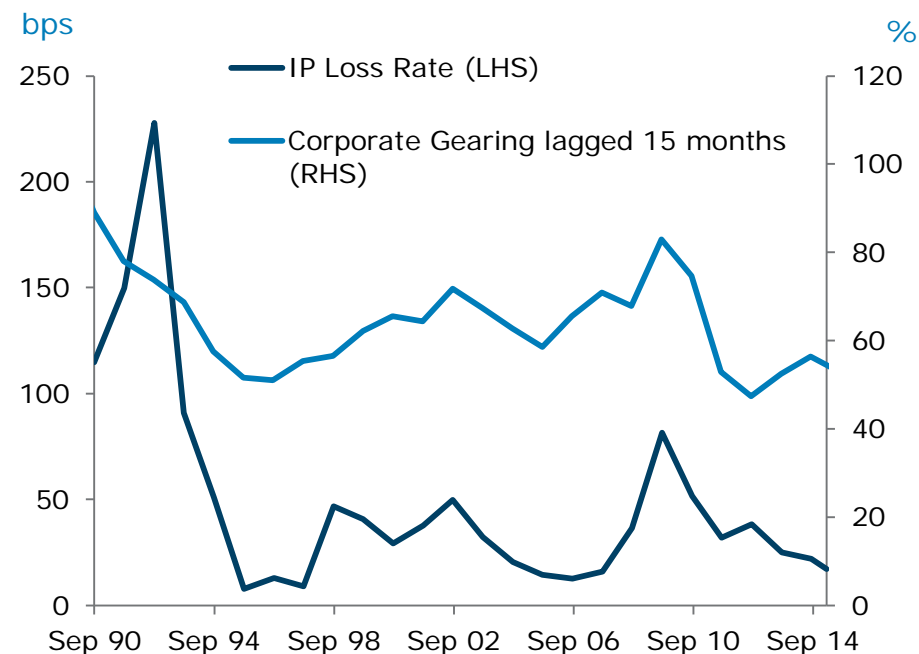


# Historical Loss

## Group regulatory expected loss



## Historical observed loss rates



## Corporate gearing remains low

- Corporate gearing ratios<sup>1</sup> were compared with the Group IP loss rates from 1990. Lagging corporate gearing 15 months provides a reasonably strong relationship, with corporate gearing a leading indicator of loss
- Current IP loss rate (annualised) as at Mar'15 was 17bps which is similar to that observed between 2005 and 2007
- The annualised 1H15 IP loss rate (17 bps) is the 6th lowest rate over the time period analysed since 1990

1. Debt to equity ratios for listed Australian Corporations sourced from the RBA.

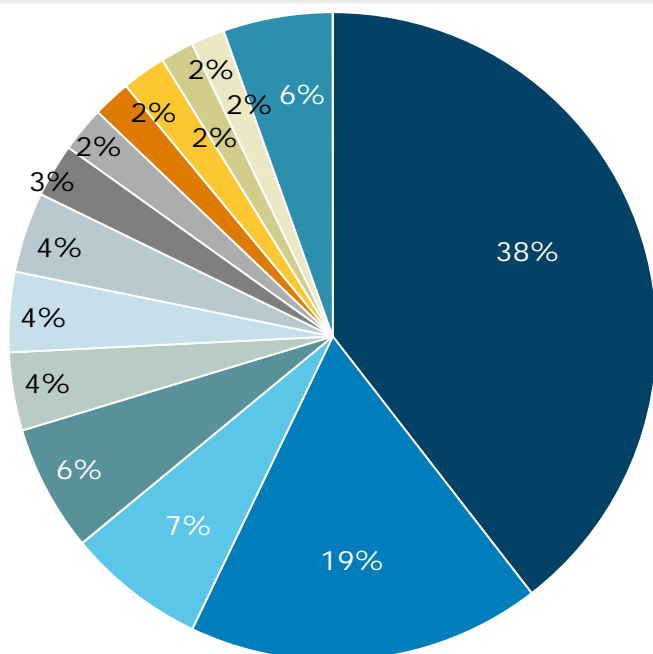
# Portfolio composition

Exposure at default (EAD)  
as a % of Group total

ANZ Group

Total Group EAD (Mar 15)

\$869b<sup>1</sup>



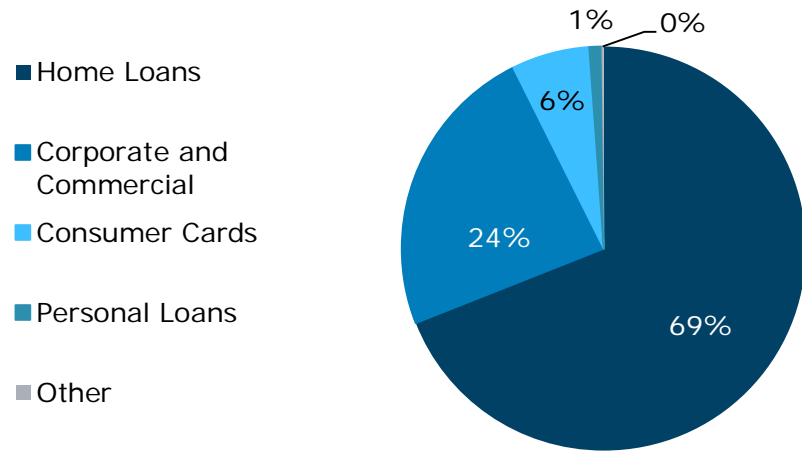
Category	% of Group EAD		% of Portfolio in Non Performing		Portfolio Balance in Non Performing
	Mar 14	Mar 15	Mar 14	Mar 15	Mar 15
Consumer Lending	40.3%	38.2%	0.2%	0.2%	\$608m
Finance, Investment & Insurance	16.4%	18.7%	0.1%	0.1%	\$93m
Property Services	7.0%	6.8%	1.7%	1.3%	\$757m
Manufacturing	6.1%	6.5%	0.6%	0.5%	\$297m
Agriculture, Forestry, Fishing	4.2%	3.9%	3.5%	2.1%	\$728m
Government & Official Institutions	3.8%	4.4%	0.0%	0.0%	\$0m
Wholesale trade	3.9%	4.0%	0.6%	0.4%	\$154m
Retail Trade	2.7%	2.6%	0.6%	0.4%	\$101m
Transport & Storage	2.4%	2.2%	3.0%	1.3%	\$257m
Business Services	1.9%	1.8%	1.3%	0.9%	\$151m
Resources (Mining)	2.3%	2.2%	0.7%	0.5%	\$97m
Electricity, Gas & Water Supply	1.7%	1.6%	0.1%	0.1%	\$10m
Construction	1.6%	1.6%	1.9%	1.7%	\$240m
Other	5.7%	5.5%	0.6%	0.5%	\$220m

1. EAD excludes amounts for 'Securitisation' and 'Other Assets' Basel asset classes.

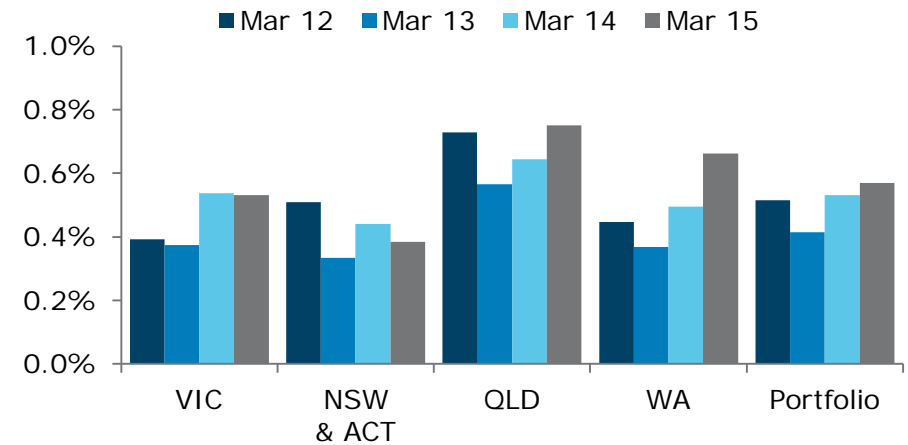


# Australia Division

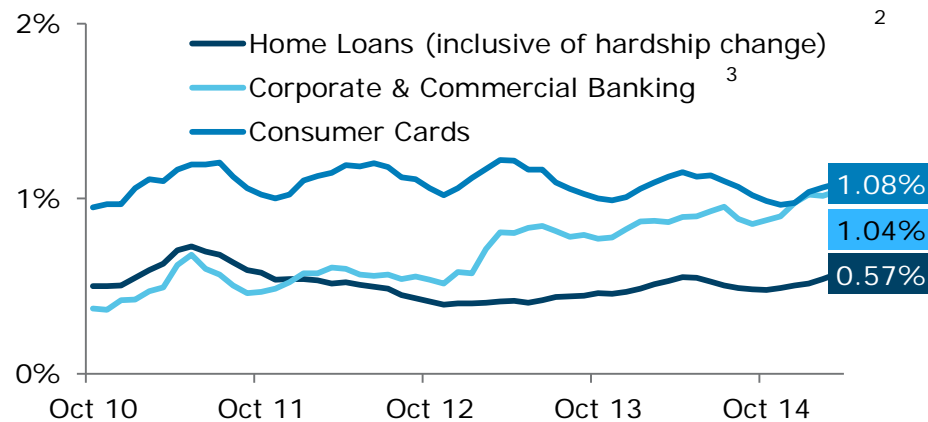
## Australia Division credit exposure (EAD)



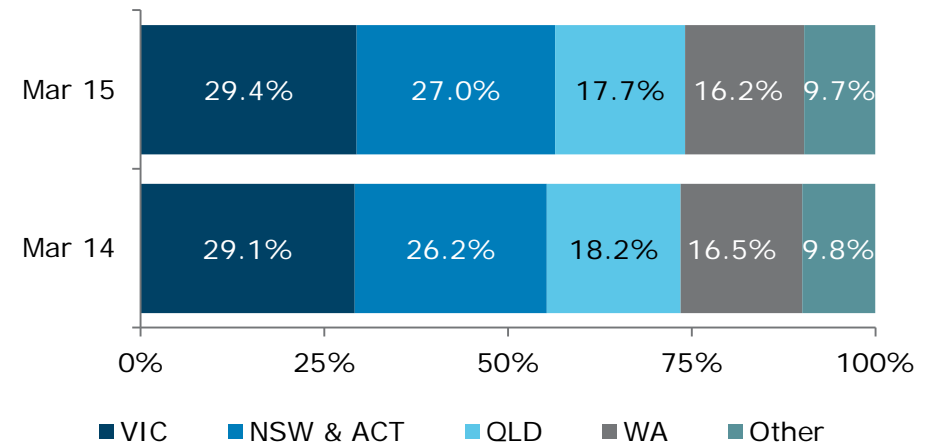
## Australia Home Loans 90+ day delinquencies by state<sup>1</sup>



## Australia Division 90+ day delinquencies<sup>1</sup>



## Australia Home Loans portfolio by state<sup>1</sup>



1. Exclusive of Non Performing Loans.

2. Hardship changes implemented Apr 2013. For comparison: 90+ excluding hardship changes as at Mar 2015 is 0.46%.

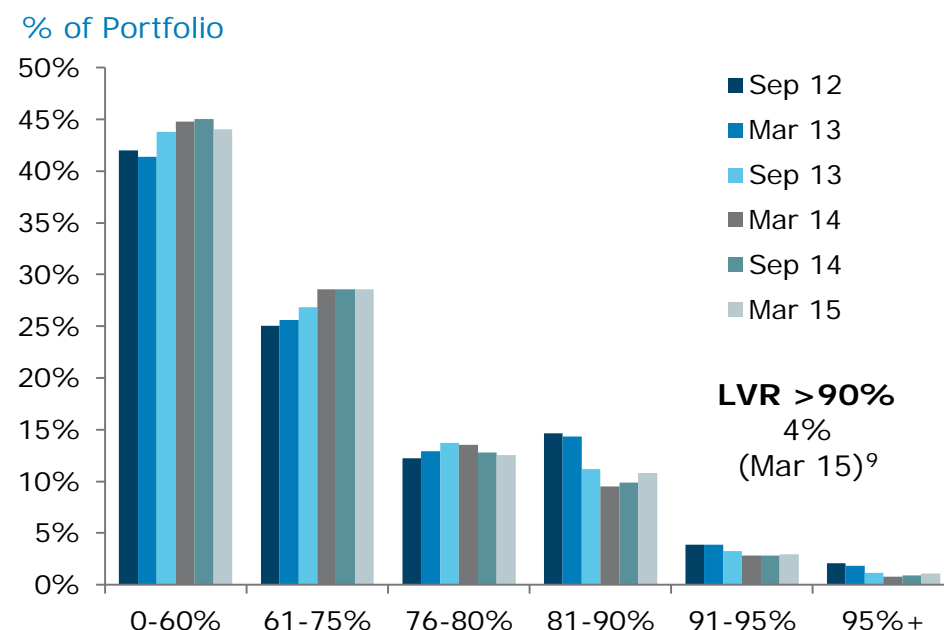
3. Includes Small Business, Commercial Cards and Esanda Retail.

# Australia Home Loans portfolio

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

Statistics	1H15	FY14	1H14
Total Number of Home Loan Accounts	934k	919k	903k
Total Home Loans FUM	\$218b	\$209b	\$202b
% of Total Australia Geography Lending	60%	60%	59%
% of Total Group Lending	39%	40%	39%
Owner Occupied Loans - % of Portfolio <sup>2</sup>	60%	61%	61%
Average Loan Size at Origination (FY14 / 1H15 average) <sup>3,4</sup>	\$376k	\$352k	\$345k
Average LVR at Origination (FY14/ 1H15 average) <sup>3,4,5</sup>	71%	71%	71%
Average Dynamic LVR of Portfolio <sup>4,5,6</sup>	51%	50%	50%
% of Portfolio Ahead on Repayments <sup>7,8</sup>	43%	45%	47%
% of Portfolio Paying Interest Only <sup>8</sup>	35%	34%	33%

## Dynamic loan to value ratio<sup>5</sup>



## Individual provision as % of average NLA

	FY12	FY13	FY14	1H15
Group	0.38%	0.25%	0.22%	0.17%
Australia Home Loans	0.02%	0.02%	0.01%	0.01%

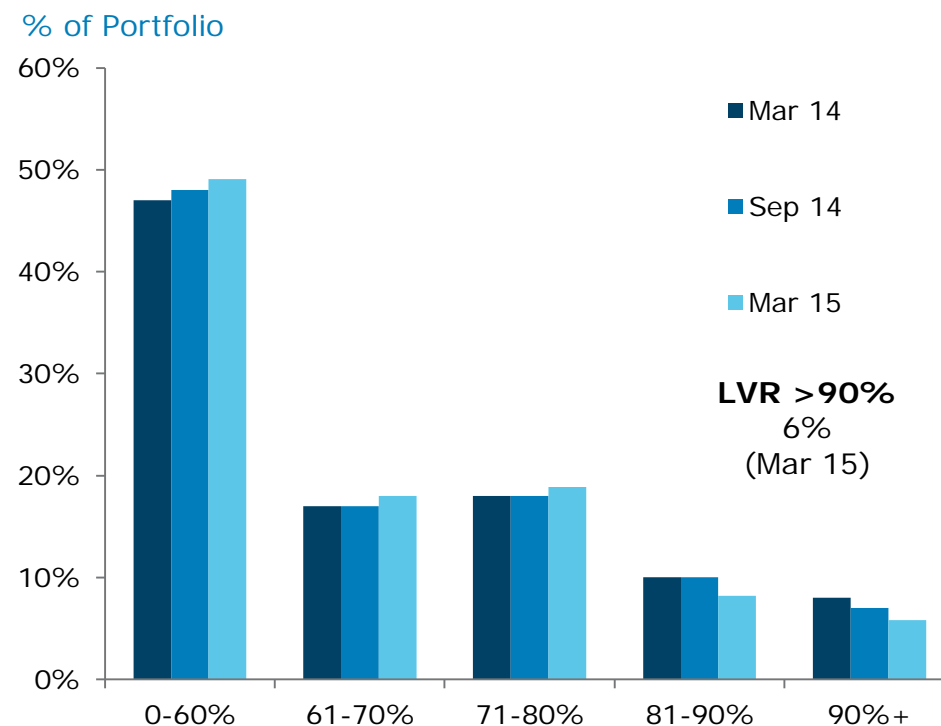
1. Home Loans (inclusive of NPLs, exclusive of offset balances). 2. Excludes Equity Manager. 3. Originated 1H15. 4. Unweighted. 5. Including capitalised premiums. 6. Valuations updated at reporting period end where available. 7. % of customers >30 days ahead of repayments. 8. Excludes revolving credit. 9. Excluding capitalised premiums, the % of portfolio with LVR >90% as at Sep 2014 is 2.35% (Mar 2015 was 2.6%)

# New Zealand mortgages portfolio

## Portfolio statistics

Statistics	1H15	FY14	1H14
Total Number of Mortgage Accounts	494k	488k	484k
Total Mortgage FUM (NZD)	\$64b	\$62b	\$61b
% of Total New Zealand Lending	59%	58%	59%
% of Total Group Lending <sup>1</sup>	11%	11%	11%
Owner Occupied Loans - % of Portfolio	75%	76%	76%
Average Loan Size at Origination (NZD)	\$289k	\$266k	\$254k
Average LVR at Origination <sup>2</sup>	64%	63%	63%
Average Dynamic LVR of Portfolio <sup>3</sup>	49%	50%	46%
% of Portfolio Paying Interest Only <sup>4</sup>	22%	22%	21%

## Dynamic loan to value ratio



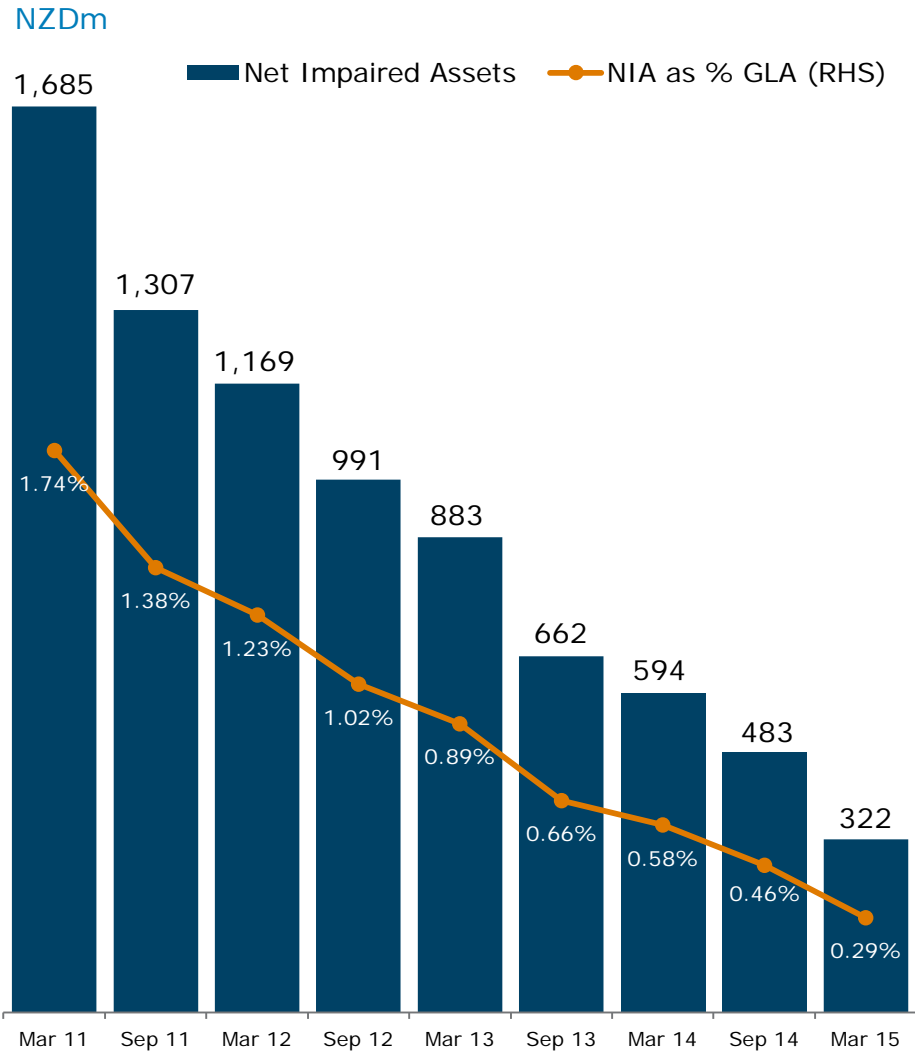
## Individual provision as % of average NLA

	FY12	FY13	FY14	1H15
Group <sup>1</sup>	0.38%	0.25%	0.22%	0.17%
New Zealand Mortgages <sup>5</sup>	0.07%	0.04%	0.06%	0.01%

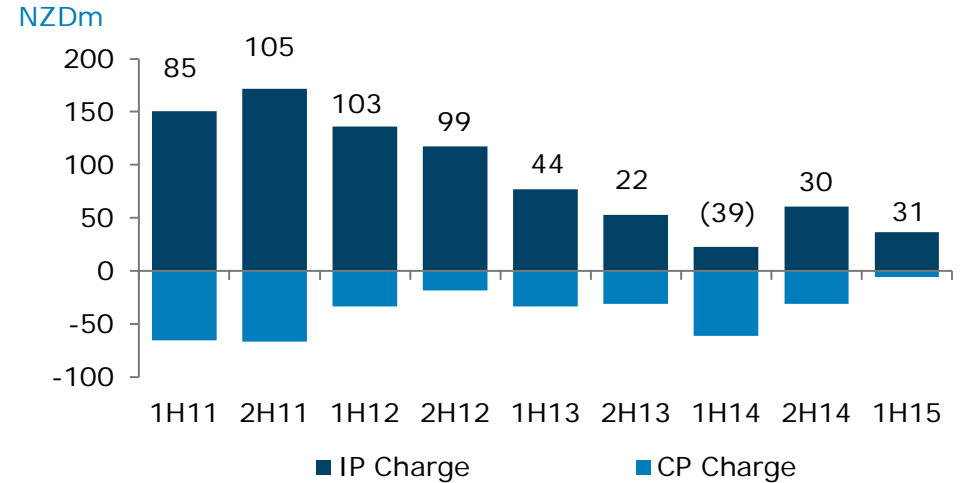
1. As % of group average NLA. 2. Average LVR at Origination (not weighted by balance). 3. Average dynamic LVR as at (not weighted by balance) – Dynamic LVR graph as at Feb 2014 for 1H14, Aug 2014 for FY14 and Feb 2015 for 1H15 respectively. 4. Excludes revolving credit facilities. 5. Individual Provision as % average NLA.

# New Zealand

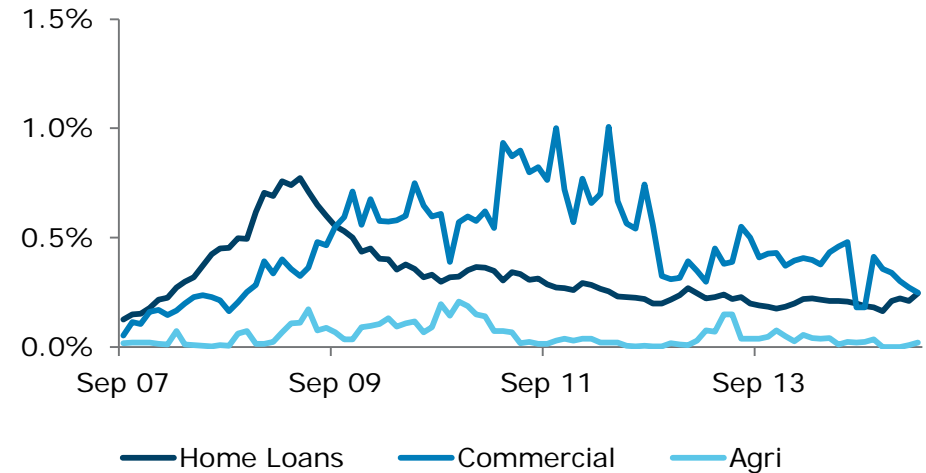
## NZ Geography net impaired assets



## NZ Geography total provision charge



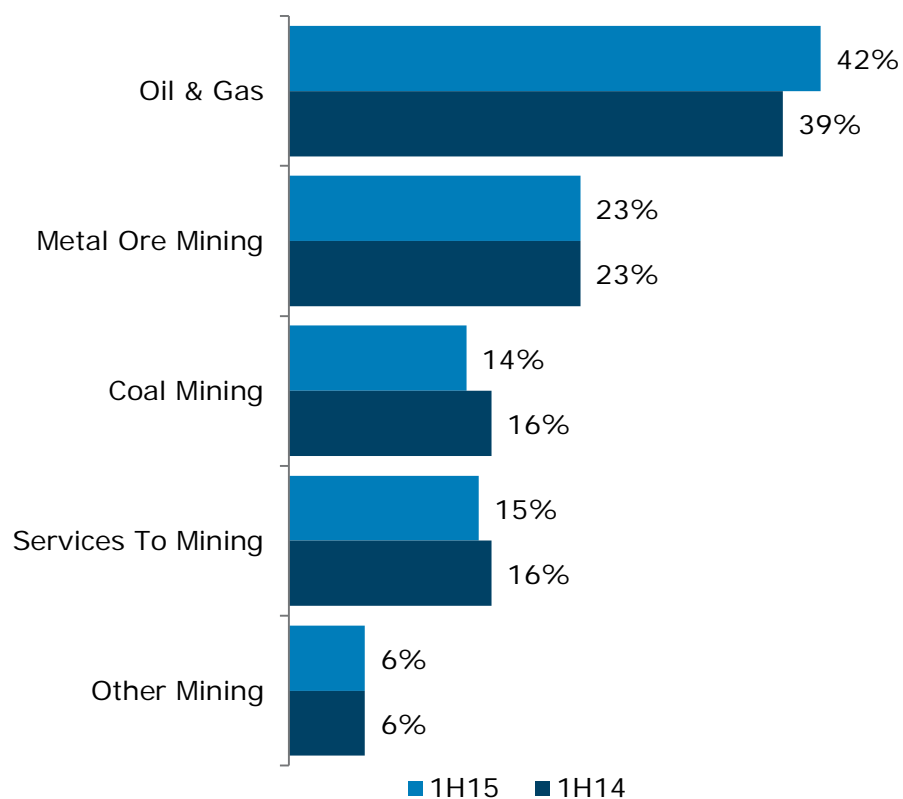
## NZ Division 90+ days delinquencies



# Resources Portfolio

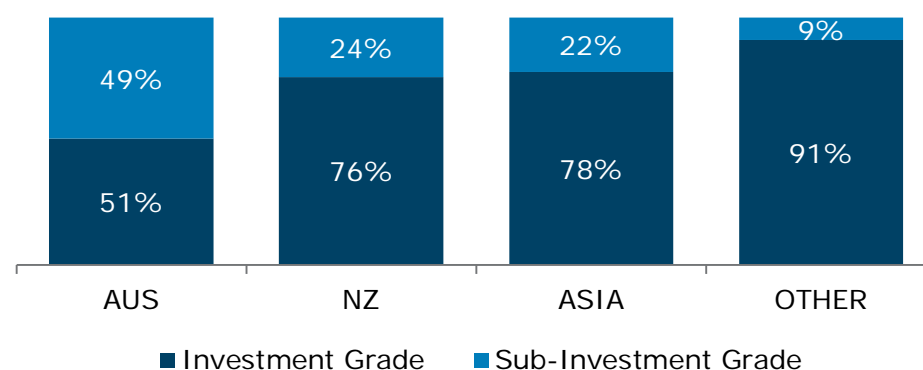
## Resources exposure by sector (% EAD)

Total EAD (Mar 15)	As a % of Group EAD
\$19.5b	2.2%



## Resources exposure credit quality by geography (EAD)

AUS (\$b)	NZ (\$b)	ASIA (\$b)	EA & Other (\$b)
9.8	0.9	4.3	4.5



## Resources portfolio management

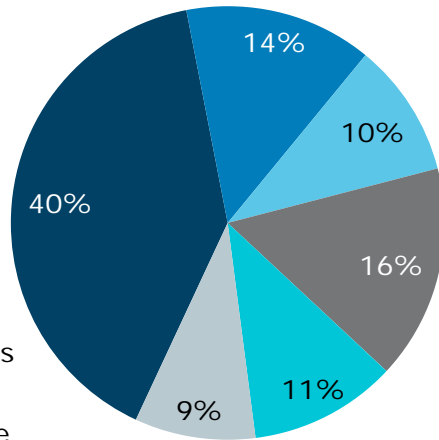
- Portfolio is skewed towards well capitalised and lower cost resource producers. Over a third of the book is less than one year duration.
- Investment grade exposures represent 67% of portfolio. Mix of investment grade exposures in portfolio has increased across all geographies in 1H15.
- Trade accounts for 21% of the Total Resources EAD.
- Mining services customers are subject to heightened oversight given the cautious outlook for services sector.

# Agri portfolio

## Agriculture exposure by sector (% EAD)

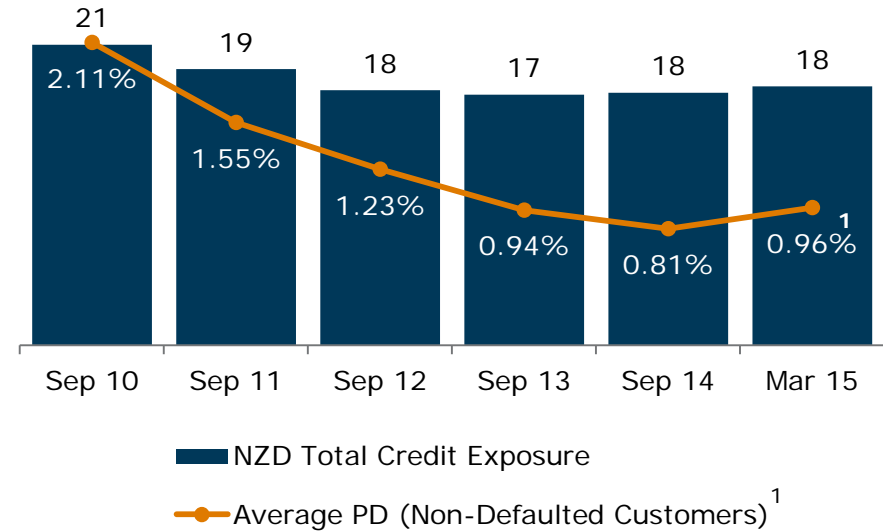
Total EAD (Mar 15)	As a % of Group EAD
\$34.0b	3.9%

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

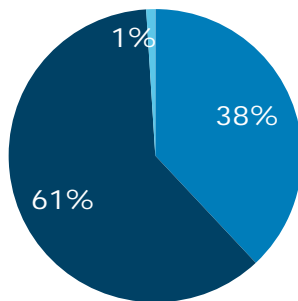


## New Zealand Agri credit quality

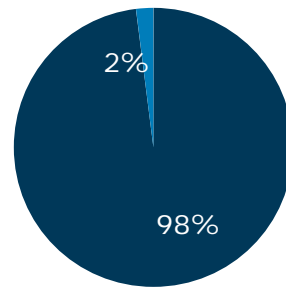
NZ\$ b



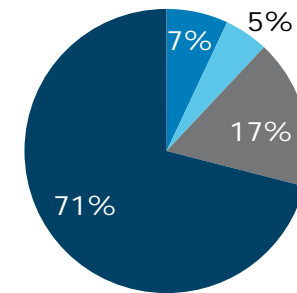
## Group Agriculture EAD splits



■ Australia ■ New Zealand ■ Int Markets



■ Productive ■ Impaired

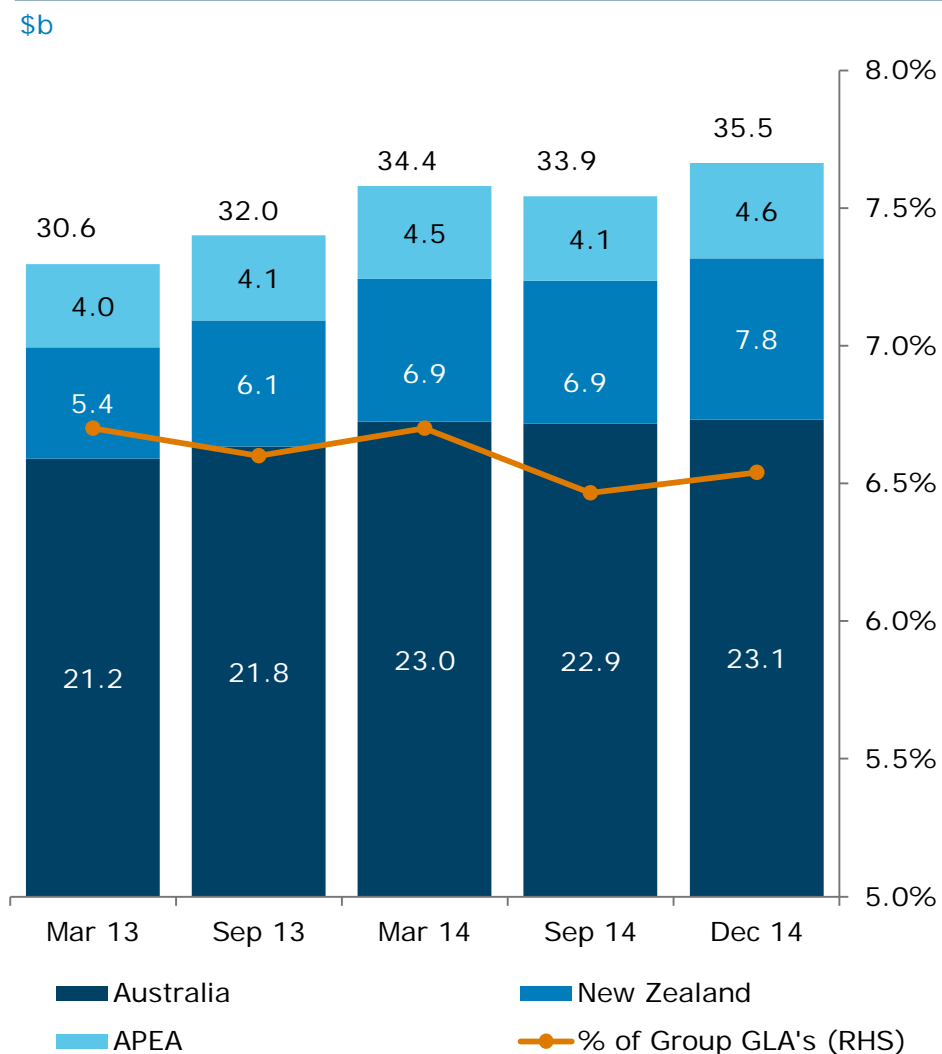


■ < 60% Secured ■ 60 - < 80% Secured  
 ■ 80 - < 100% Secured ■ Fully Secured

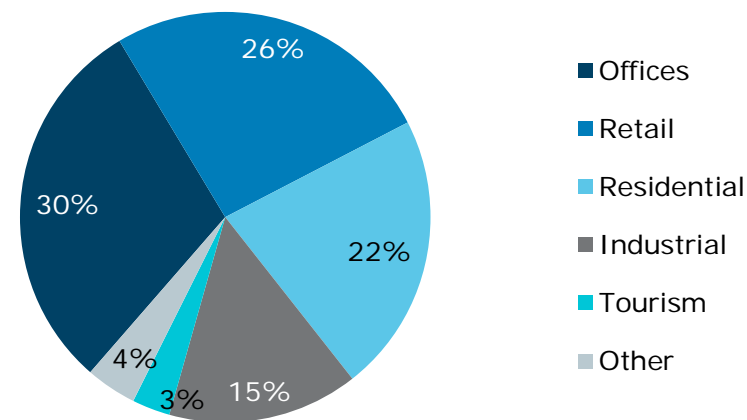
1. PD model changes account for 11bps increase in 1H15.

# Commercial property portfolio

## Commercial Property outstandings by region<sup>1</sup>



## Commercial Property outstandings by sector<sup>1</sup>



## Property peer comparison<sup>2</sup>

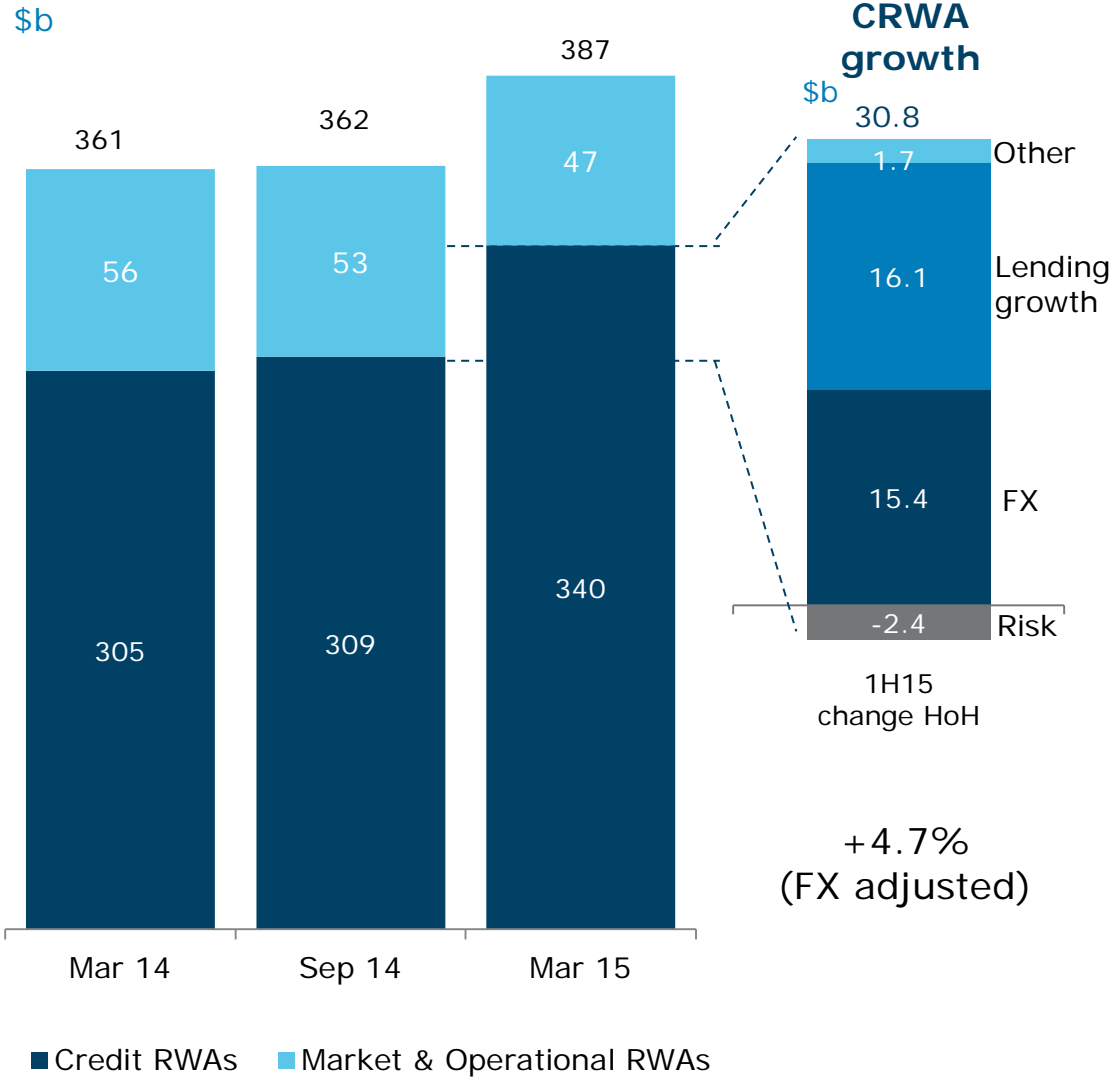
\$m	ANZ	Peer 1	Peer 2	Peer 3
Property Portfolio EAD	51,039	68,739	72,935	57,994
Property EAD Growth Rates	7.9%	(1.6%)	13.9%	7.0%
Property EAD/Total EAD	5.73%	7.57%	8.50%	6.42%
Impaired Assets	424	1,497	726	318
Property Impaired Assets/Property EAD	0.83%	2.18%	1.00%	0.55%

1. As per ARF230 disclosure.

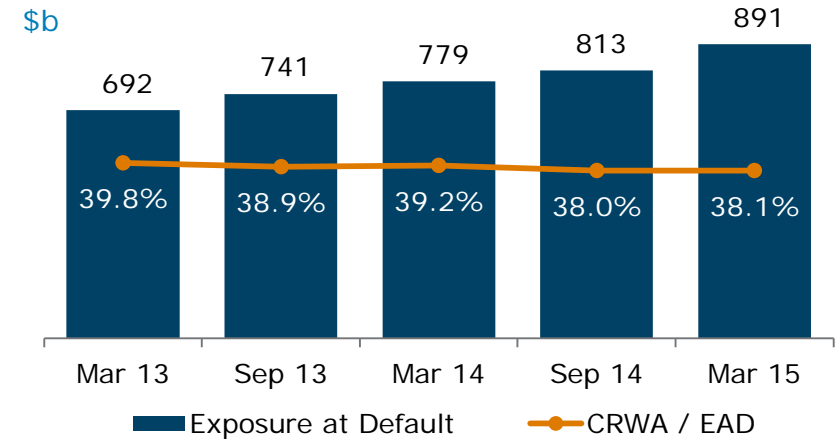
2. As per APS330 disclosure. ANZ includes property services, not consistent across peers.

# Risk Weighted Assets

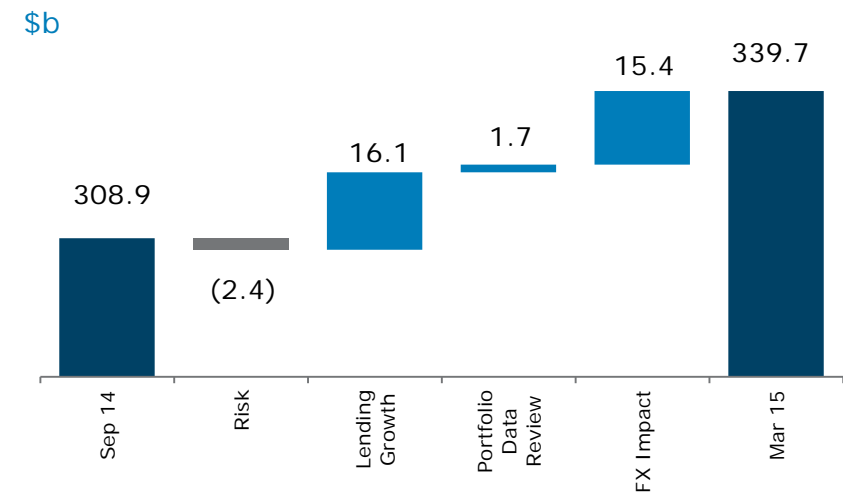
### Total RWA



### Group EAD & CRWAs



### CRWA movement - Mar 15 v Sep 14





# Key Treasury Contacts

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