
# 2019 FULL YEAR RESULTS

FULL YEAR ENDED 30 SEPTEMBER 2019

RESULTS PRESENTATION &
INVESTOR DISCUSSION PACK

# CONTENTS

## 2019 FULL YEAR RESULTS



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 77-81 of the 2019 Full Year Consolidated Financial Report.

# 2019 FULL YEAR RESULTS

**SHAYNE ELLIOTT**

CHIEF EXECUTIVE OFFICER

# FINANCIAL SNAPSHOT

| | FY19 | FY19 v FY18 |
|---|---|---|
| **Statutory Profit ($m)** | **5,953** | **-7%** |
| **Cash Profit (continuing operations)[1] ($m)** | **6,470** | **0%** |
| Return on Equity | 10.9% | -10bps |
| Earnings Per Share (cents) | 228 | +2% |
| Dividend Per Share (cents) | 160 | flat |
| Franking (FY19 avg) | 85% | -15% |
| CET1 Ratio (APRA) | 11.4% | stable |
| Total Capital (CET1) ($m) | 47,355 | +6% |
| Net Tangible Assets Per Share ($) | 19.59 | +6% |
| Shares on issue (end of period #m) | 2,835 | -1% |
| Risk Weighted Assets ($b) | 417 | +7% |

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

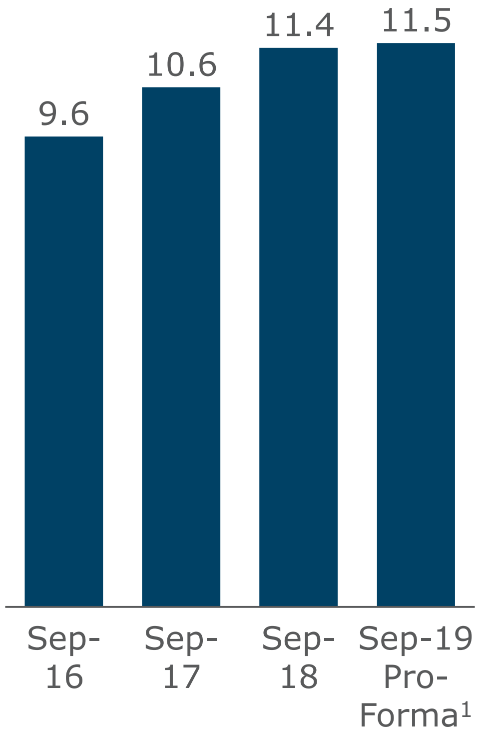
1. Includes the impact of large / notable items

# BALANCE SHEET STRENGTH

## CAPITAL & CREDIT QUALITY

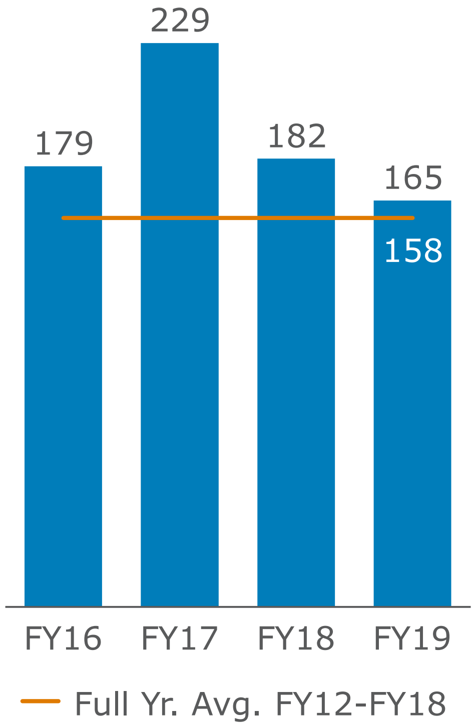
### CET1 RATIO (LEVEL 2)

%



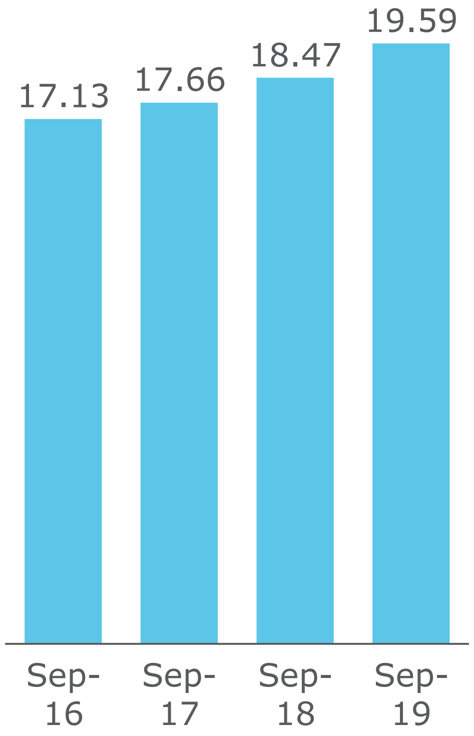

### NET ORGANIC CAPITAL GENERATION

bps



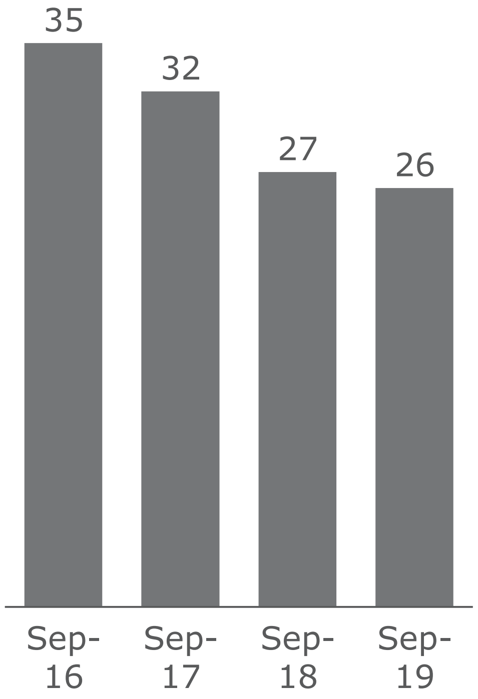

### NTA PER SHARE

$




### CREDIT QUALITY

IEL[2] bps




1. Pro-Forma includes benefits from P&I settlement of ~20bps, partially offset by reduction from AASB16 impacts (~7bps)
2. IEL = Internal Expected Loss, long run loss rate as a % of GLA

# OUR PURPOSE & STRATEGY

**Our Purpose** is **to shape a world where people and communities thrive**

**Our strategy** is to generate decent returns by **improving the financial well-being of our customers**, having the **right people who listen, learn and adapt**; putting the **best tools and insights** into their hands, and **focusing on those few things that add value** to customers and **doing them right the first time**

- **Targeted growth**
- **Lower cost**
- **Lower risk**
- **Capital efficient**

# 6 POINT PLAN

## FOCUSING RESOURCES TO DELIVER FOR CUSTOMERS, SHAREHOLDERS & THE COMMUNITY

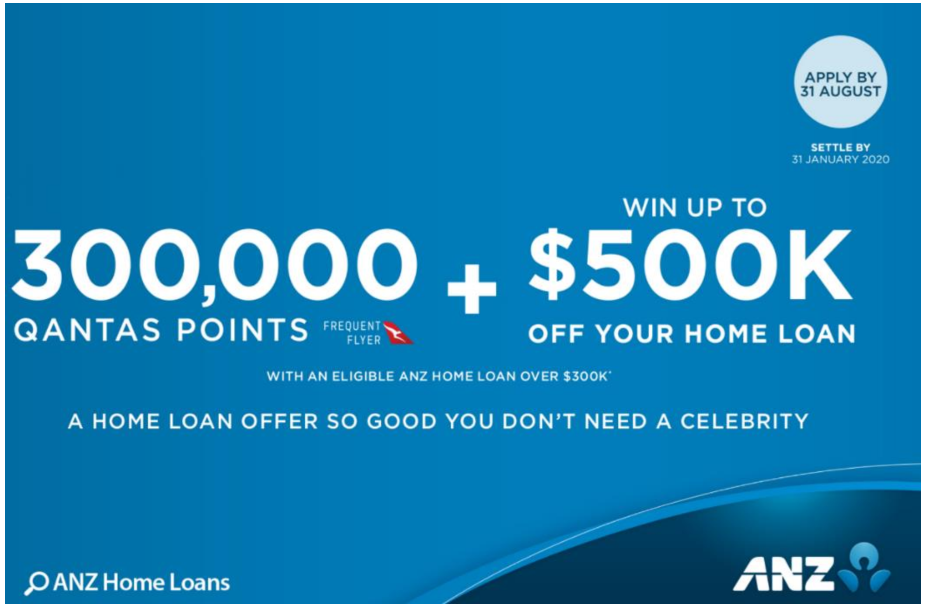
1. Running the business well
2. Maintaining discipline within Institutional
3. Resolving our challenges in NZ
4. Investing to prepare Australia for growth
5. Driving further simplification
6. Building the team’s resilience and capability

# RUN THE BUSINESS WELL

## AUSTRALIA RETAIL AND COMMERCIAL

- Changed our management structure & team
- Continuing to invest in process redesign
- Refining credit policies within a prudent risk appetite
- Delegating more decisions to front line
- Monitoring key operational metrics
- Focusing on improving operational capacity and approval turnaround time

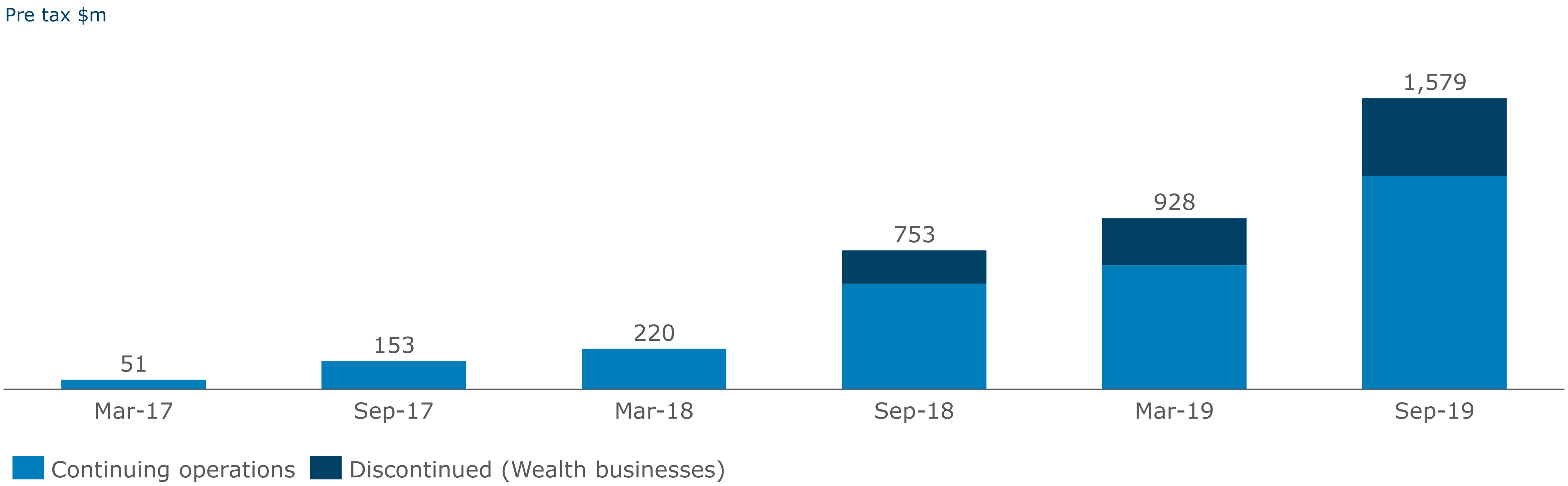
**LAUNCHED A MAJOR HOUSING MARKETING CAMPAIGN**



# RUN THE BUSINESS WELL

## CUSTOMER REMEDIATION

### CUMULATIVE CUSTOMER REMEDIATION CHARGE

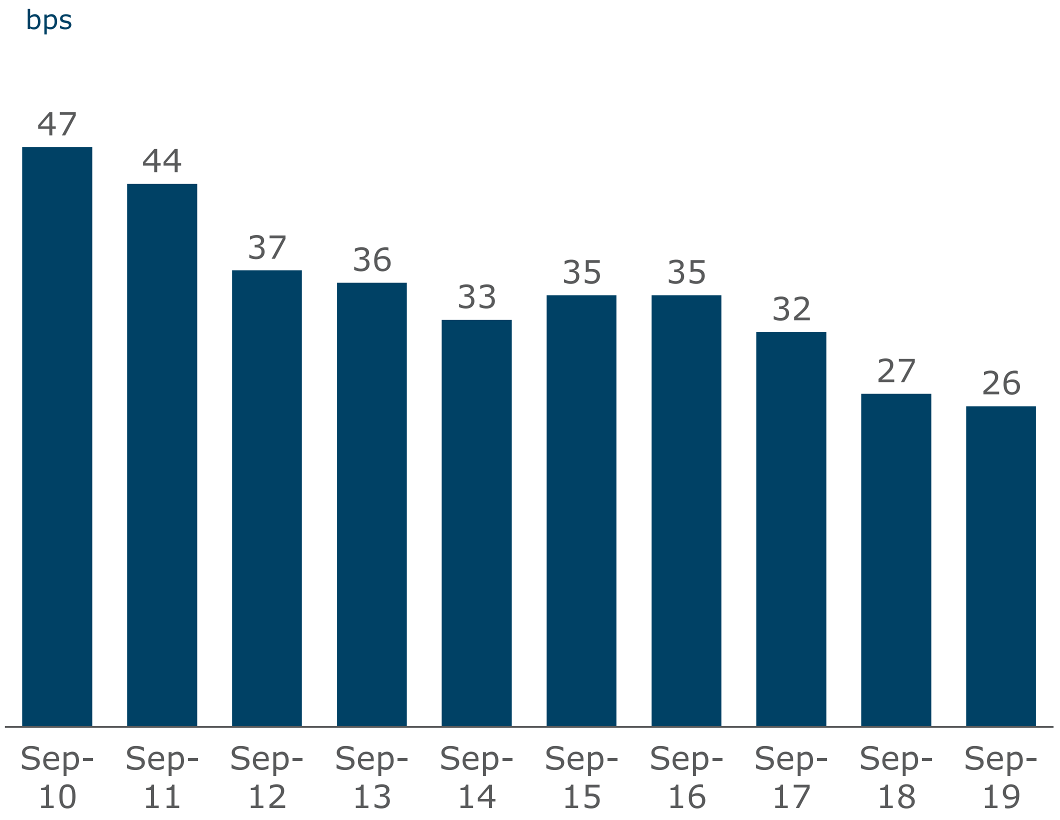



>1,000 people progressing remediation activities

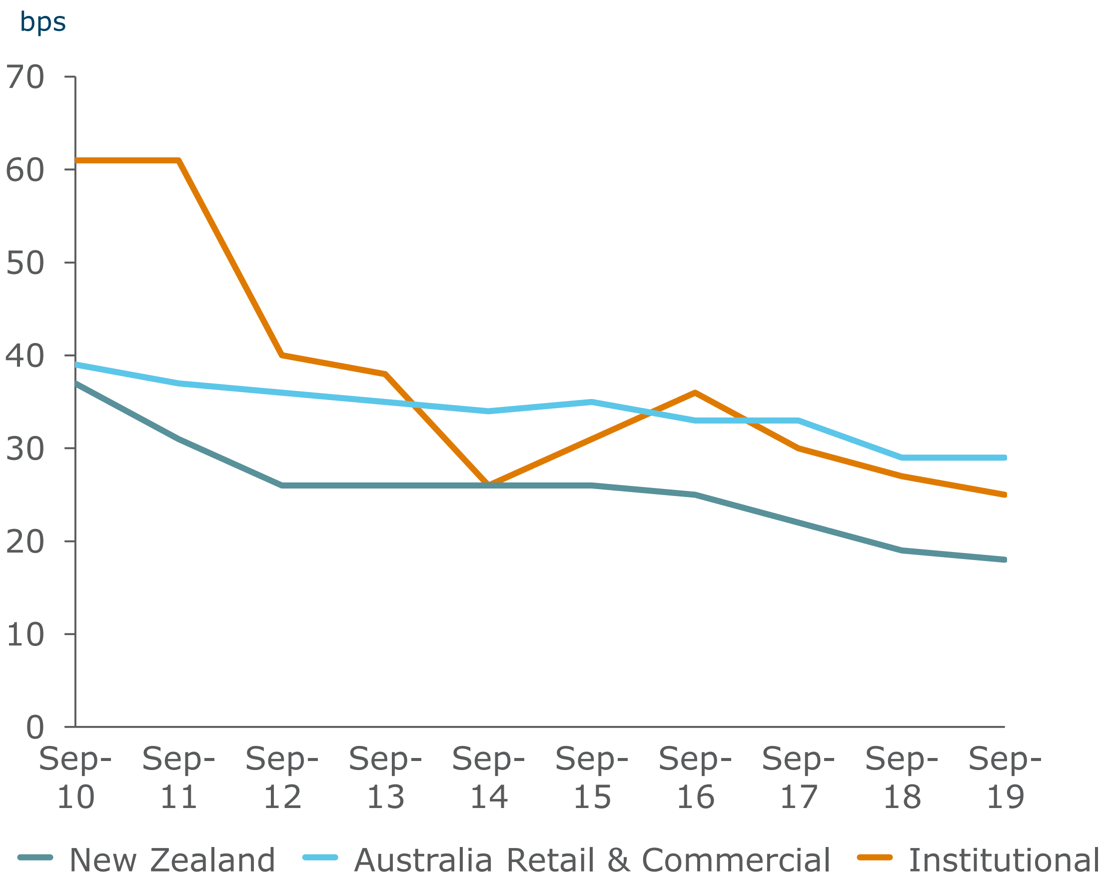
# RUN THE BUSINESS WELL

## IMPROVED RISK PROFILE

### GROUP INTERNAL EXPECTED LOSS[1]




### DIVISIONAL INTERNAL EXPECTED LOSS[1]

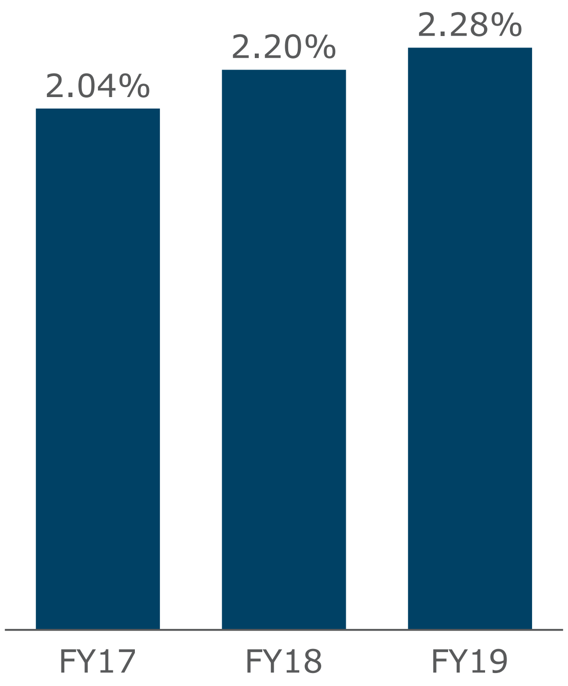



1. IEL = Internal Expected Loss, long run loss rate as a % of GLA

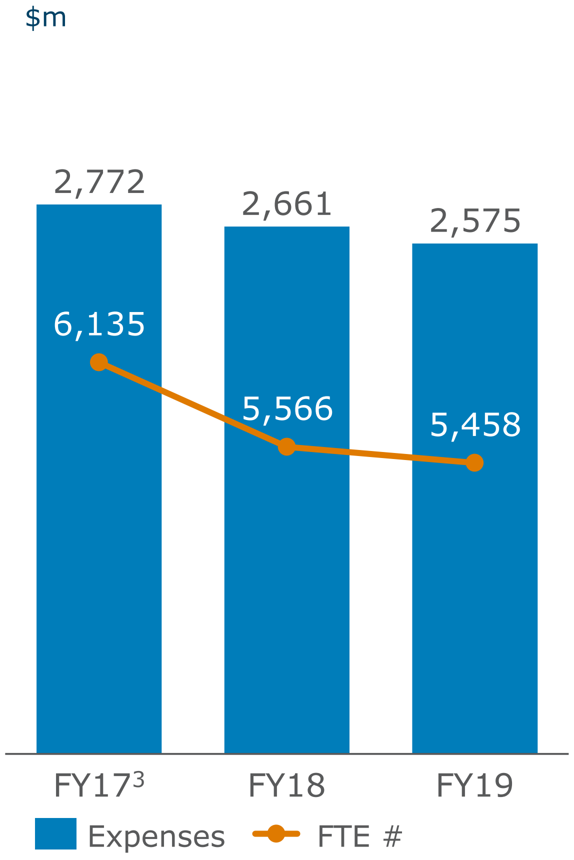
# RUN THE BUSINESS WELL

## MAINTAIN DISCIPLINE WITHIN INSTITUTIONAL

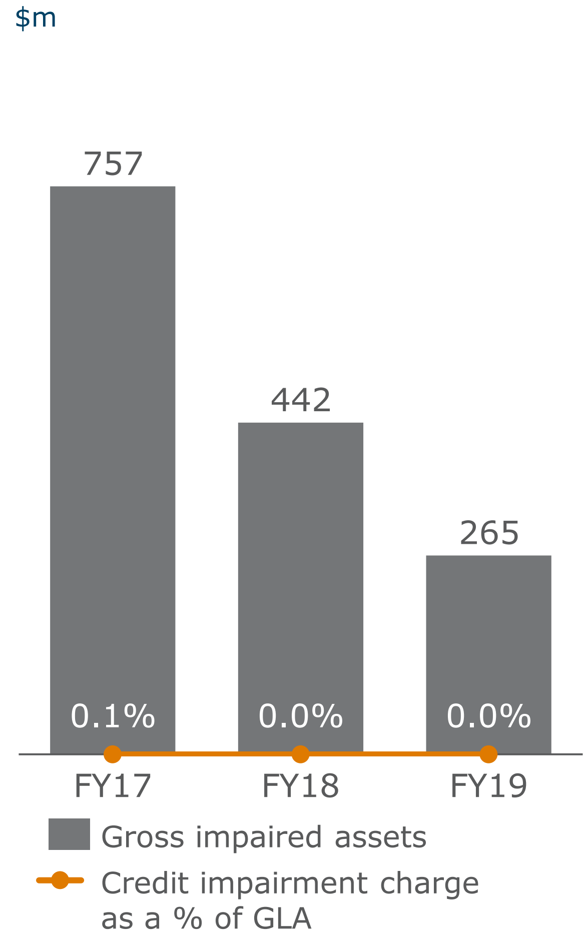
### RISK ADJUSTED MARGINS[1,2]




### EXPENSE MANAGEMENT[2]




### CREDIT QUALITY




1. Institutional (ex. Markets) net interest income divided by average credit risk weighted assets
2. Continuing operations excluding large / notable items
3. FY17 has not been restated for AASB 15 impacts

# RUN THE BUSINESS WELL

## NEW ZEALAND

**BS11 (Outsourcing Policy)**

Requires all large banks in New Zealand to have compliant outsourcing arrangements by 2022

To ensure banks can continue to run, manage, and provide banking services to NZ customers on a standalone basis if required

**RBNZ Capital Review Paper 4**

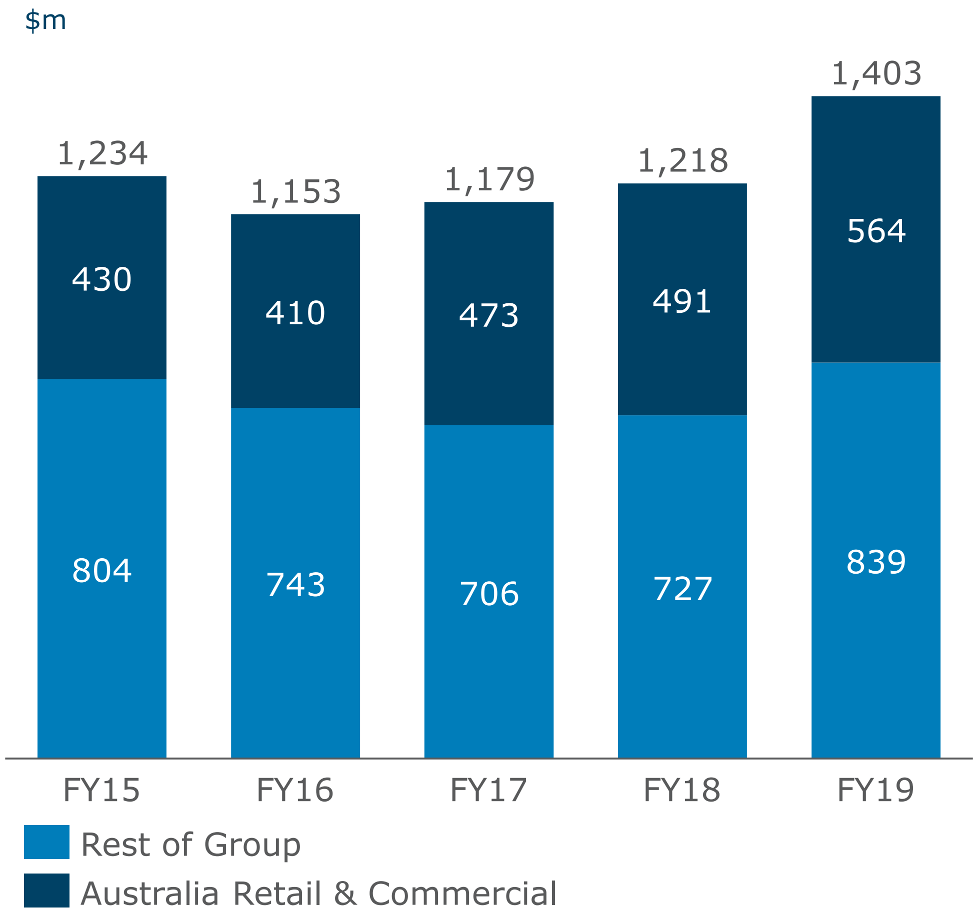
Expected to be finalised in Dec 2019

Relates to the amount of regulatory capital required of locally incorporated banks

Impacts Group capital requirements as New Zealand is required to retain earnings & reduce dividends paid to ANZ parent entity to meet higher capital requirements

# INVESTING FOR GROWTH

## GROUP INVESTMENT SPEND[1]

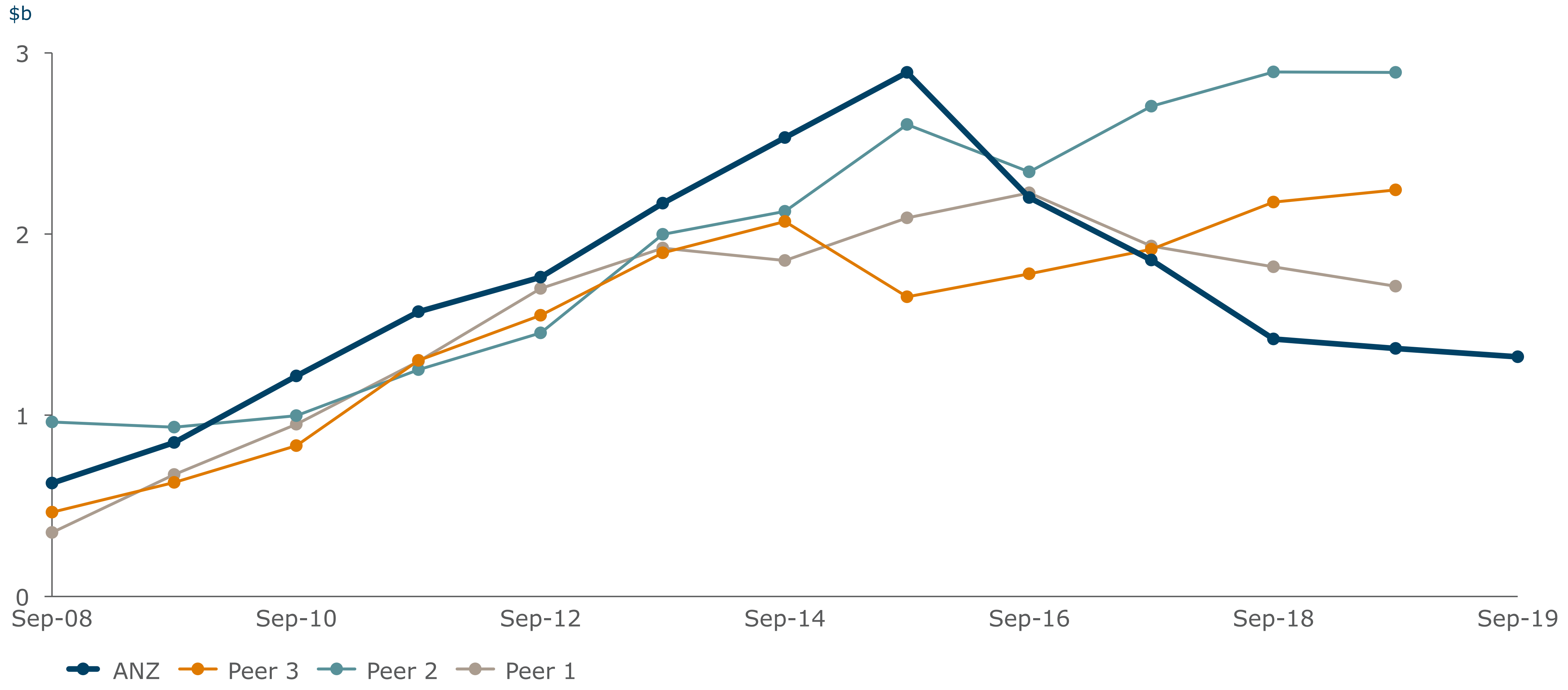



## PREPARING FOR CHANGE

| LAST DECADE | NEXT DECADE? |
|---|---|
| Universal services | Specialisation |
| Mass share | Targeted share |
| One price for all | Risk based pricing |
| Transactions | Discussions |
| Value from branches | Value from data |
| High system growth | Low system growth |
| Bank competition | Experience competition |
| Hardware | Software |
| Waterfall | Agile |
| More capital | More compliance |
| Enforceable undertakings | Court action |
| Falling credit costs | Rising credit costs |
| Globalisation | Protectionism |
| Financial risk | Non-financial risk |

1. Prior periods restated from previously reported information to include technology infrastructure spend, property projects and scaled agile delivery

# CAPITALISED SOFTWARE BALANCE[1]



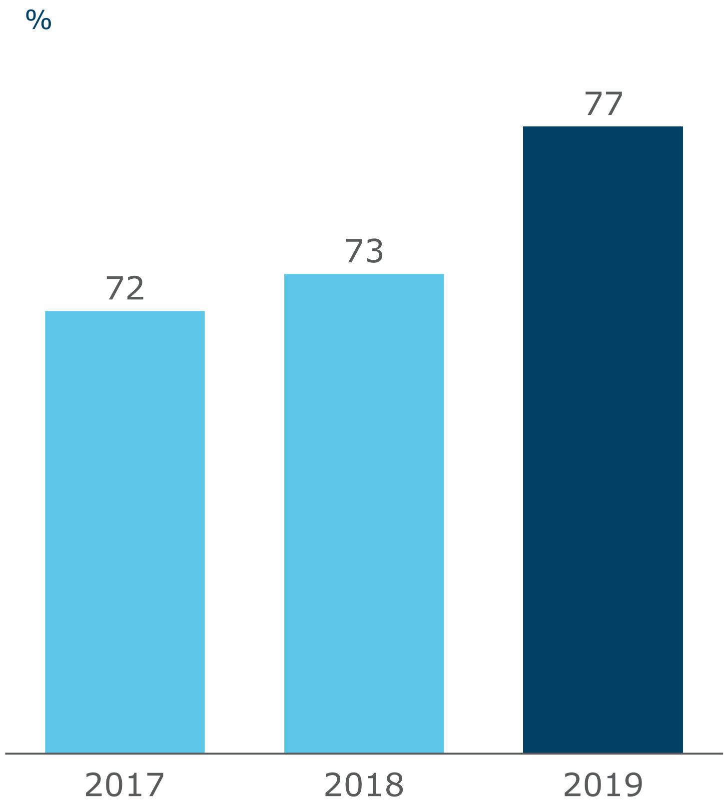

1. Source: Capitalised software balances sourced from publicly available company financials; 2019 numbers are based on the most recently disclosure financial statements

# SIMPLIFICATION

- $8.6b cost base, lowest since 2013
- Revenue $450m higher than 2013, despite selling 23 businesses
- Focused on simplifying key customer & enablement processes that represent 70% of our cost base
- Improving franchise strength

# CAPABILITY

## EMPLOYEE ENGAGEMENT[1]




- 93% consider ANZ's purpose when making decisions
- 86% are confident ANZ treats customers fairly
- 86% say ANZ demonstrates respect for our employees
- 73% say they have access to opportunities to help them grow

1. ANZ 'My Voice' Staff Surveys

# 2019 FULL YEAR RESULTS

**MICHELLE JABLKO**

CHIEF FINANCIAL OFFICER

# OVERVIEW

## CASH PROFIT[1,2]


## CASH EPS[1,2]

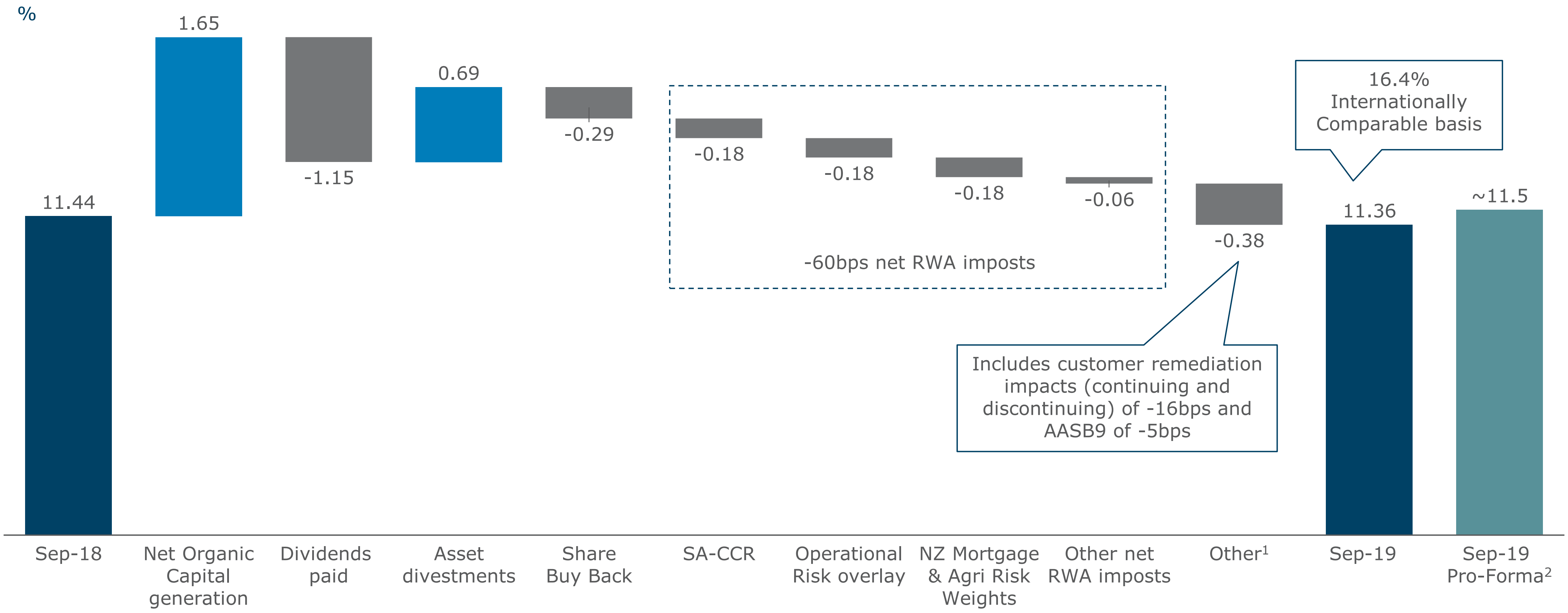

## ROE[1,2]


## CET1 RATIO (LEVEL 2)


1. Cash Profit from continuing operations
2. FY17 has not been restated for AASB15 impacts

# CAPITAL

## APRA LEVEL 2 CET1 RATIO – CAPITAL MOVEMENT




1. Includes large / notable items affecting the FY19 cash earnings, movements in non-cash earnings, AASB9, net foreign currency translation and other items
2. Pro-Forma includes benefits from P&I settlement of ~20bps, partially offset by reduction from AASB16 impacts (~7bps)

# REGULATORY DEVELOPMENTS

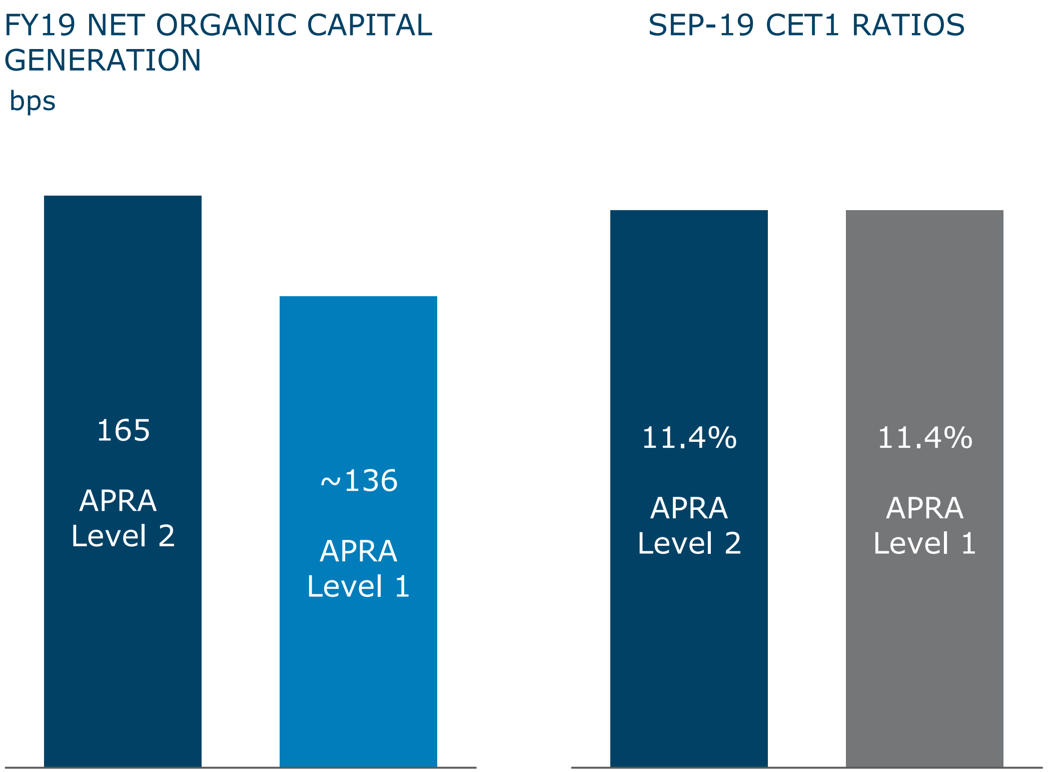
## IN CONSULTATION STAGE

- APRA - Investments in subsidiaries (APS111)
- RBNZ - Capital proposals
- APRA - Ongoing APRA regulatory reviews[1]

## RECENTLY FINALISED (IMPLEMENTING)

- APRA - Limits on related party exposures (APS222)
- APRA - Loss absorbing capacity (TLAC)

## APRA LEVEL 1 & LEVEL 2



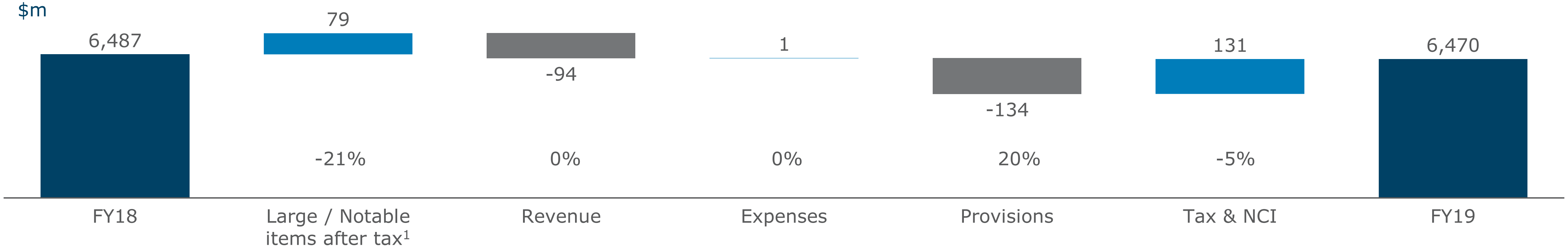

Level 1 lower than Level 2 due to ~$1.5b lower NZ dividends in 2019

1. Other ongoing APRA regulatory reviews potentially impacting the future capital position include: Revisions to capital framework (RWA) and Unquestionably Strong capital calibration, Transparency, Comparability and Flexibility proposals, revisions to Interest Rate Risk to the Banking Book and Market Risk.

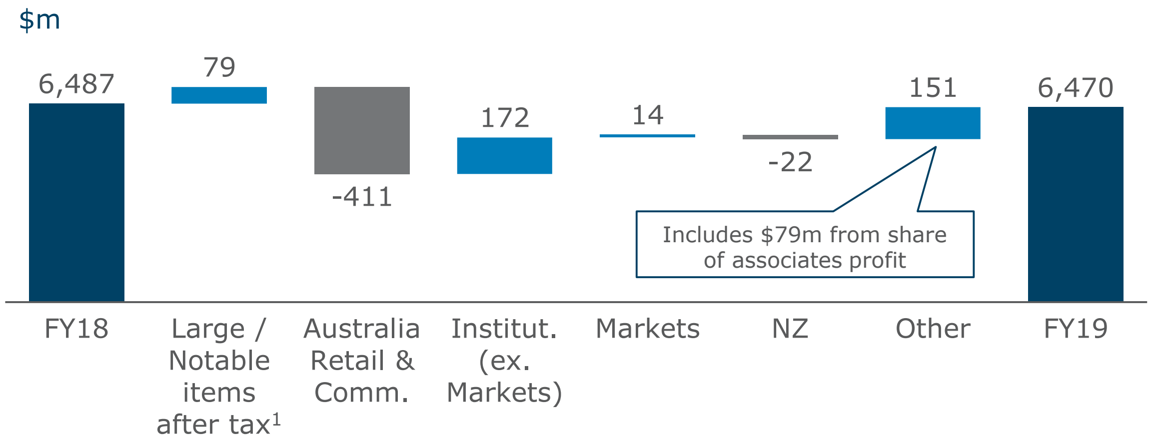
# FINANCIAL PERFORMANCE

## CASH PROFIT CONTINUING OPERATIONS

### CASH PROFIT DRIVERS




### CASH PROFIT DIVISIONAL PERFORMANCE



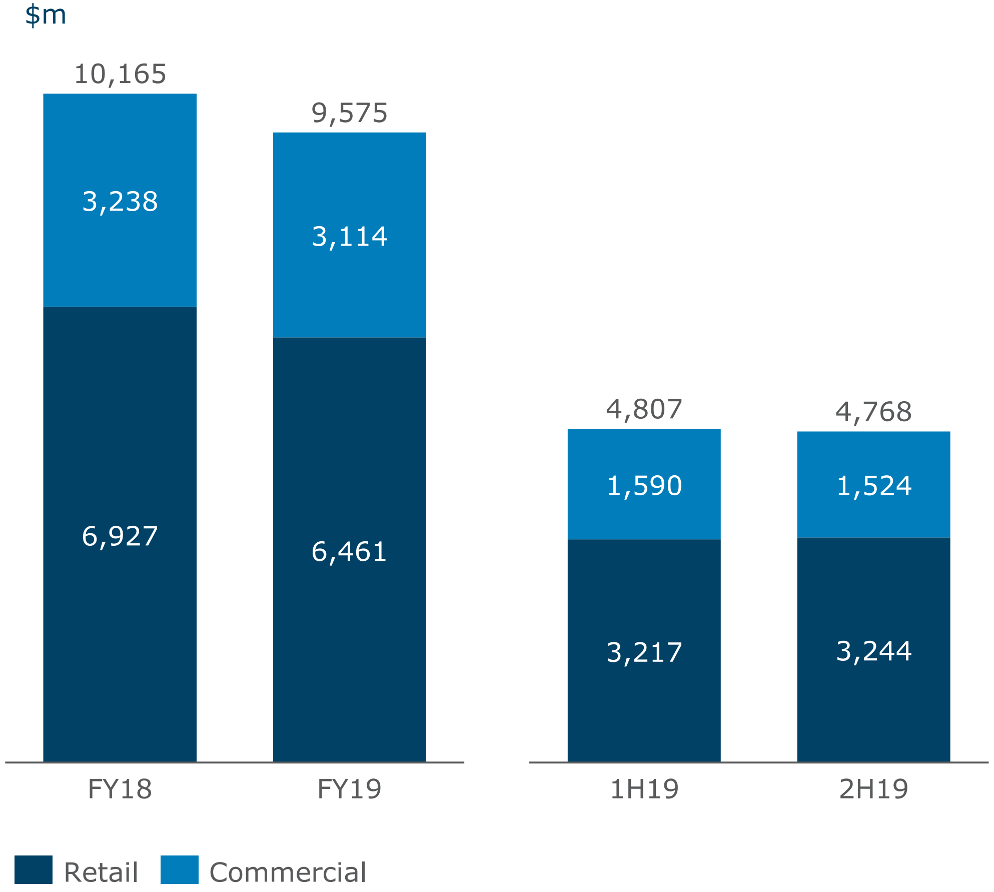

| FY19 v FY18 | Australia Retail & Commercial | Institutional | NZ (NZD) |
|---|---|---|---|
| Income | -6% | 5% | 2% |
| Expenses | 0% | -3% | 5% |
| Cash Profit | -10% | 11% | -4% |

1. Details of large / notable items provided in the investor discussion pack – additional financials section

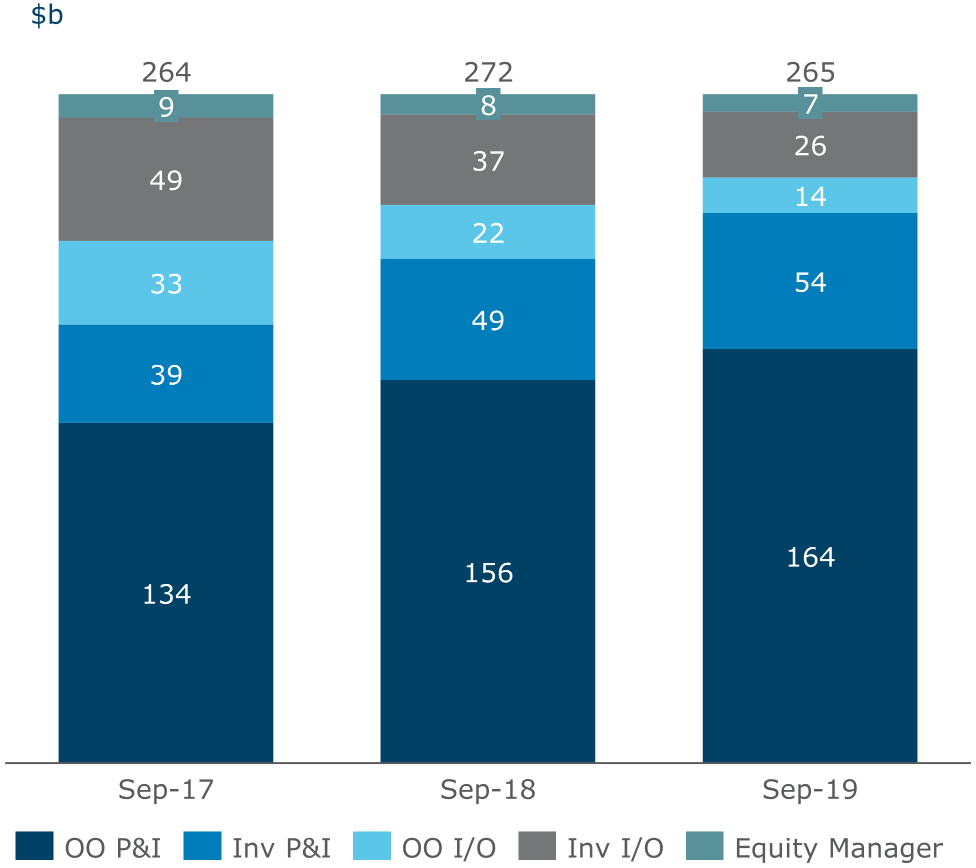
# AUSTRALIA RETAIL & COMMERCIAL

## INCOME EXCLUDING LARGE / NOTABLE ITEMS AND HOUSING PORTFOLIO

### INCOME COMPOSITION




### HOUSING PORTFOLIO[1,2]




1. Includes Non Performing Loans
2. The current classification of Investor vs Owner Occupier is based on ANZ's product category, determined at origination as advised by the customer and the ongoing precision relies primarily on the customer's obligation to advise ANZ of any change in circumstances

# AUSTRALIA RETAIL & COMMERCIAL - HOUSING MOMENTUM

## IMPROVING MOMENTUM

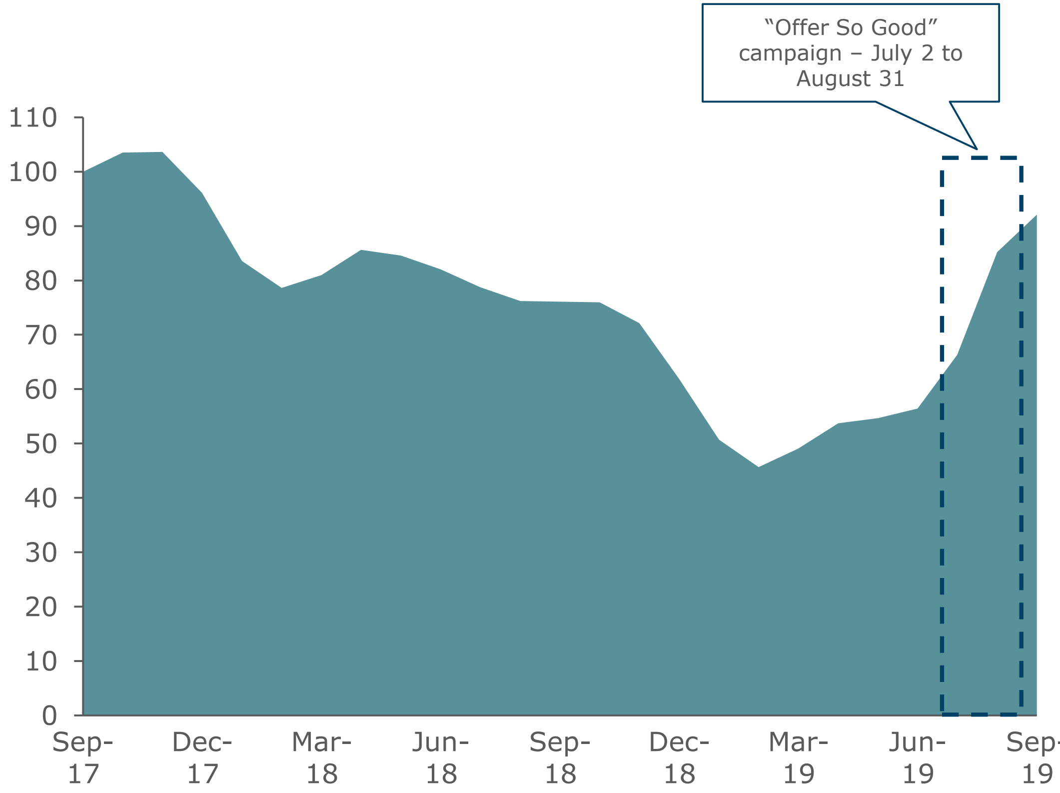
- Clarity and consistency on policy and risk settings
- Approval turnaround times
- Industry conditions

## OUTLOOK

- Pick up in application volumes in 4Q19
- Improved momentum into 1Q20
- Faster loan amortisation in a low rate environment

## HOME LOAN APPLICATION TREND

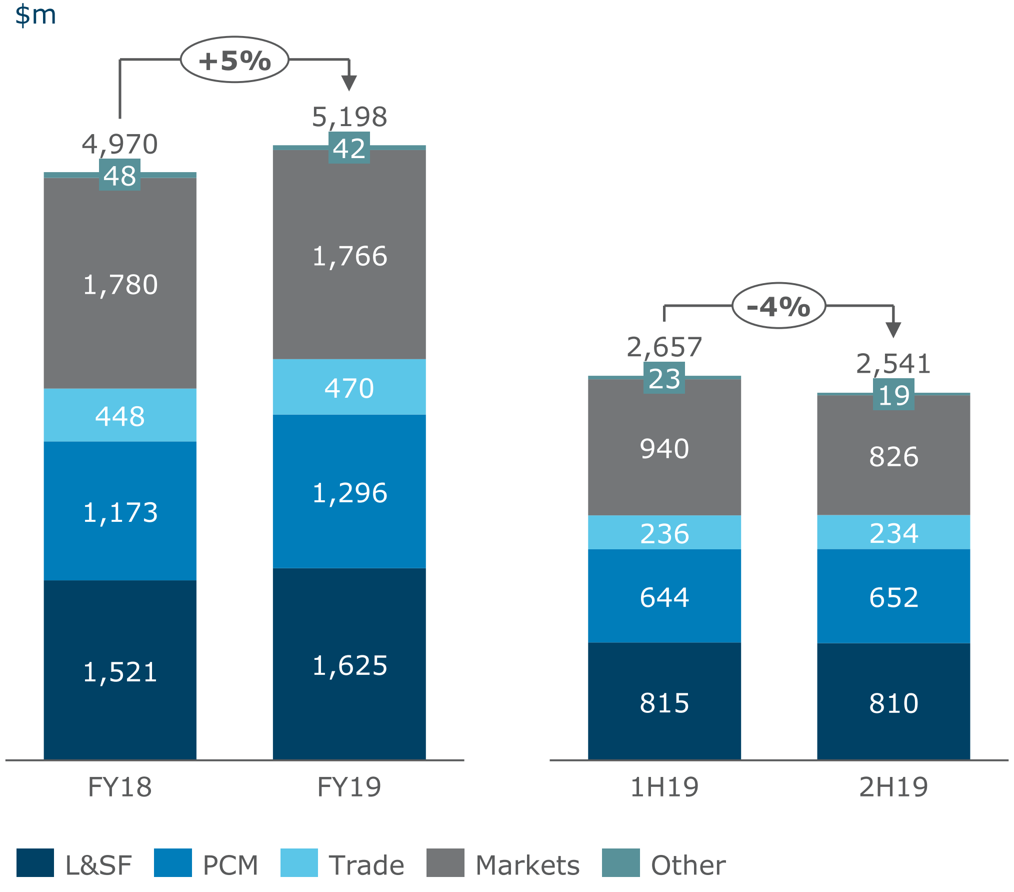
3 month rolling average (Index Sep 2017 = 100)



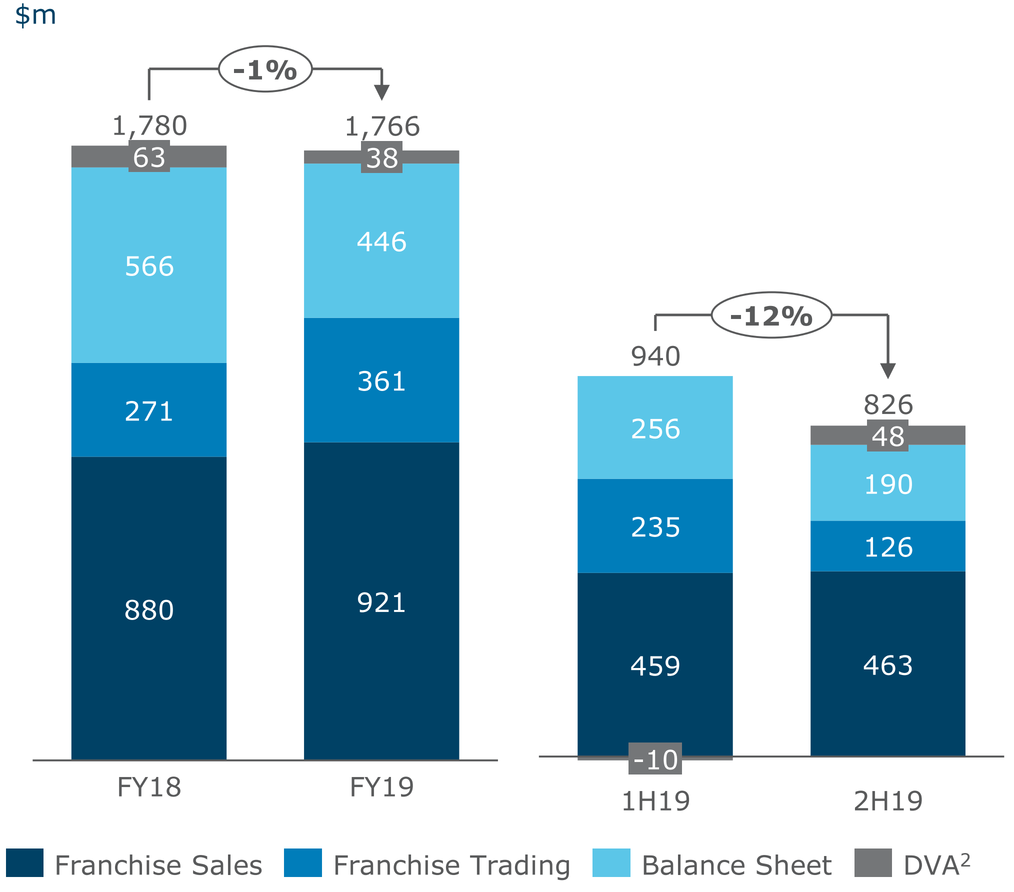
# INSTITUTIONAL

## INCOME CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

### INSTITUTIONAL INCOME COMPOSITION[1]




### MARKETS INCOME COMPOSITION

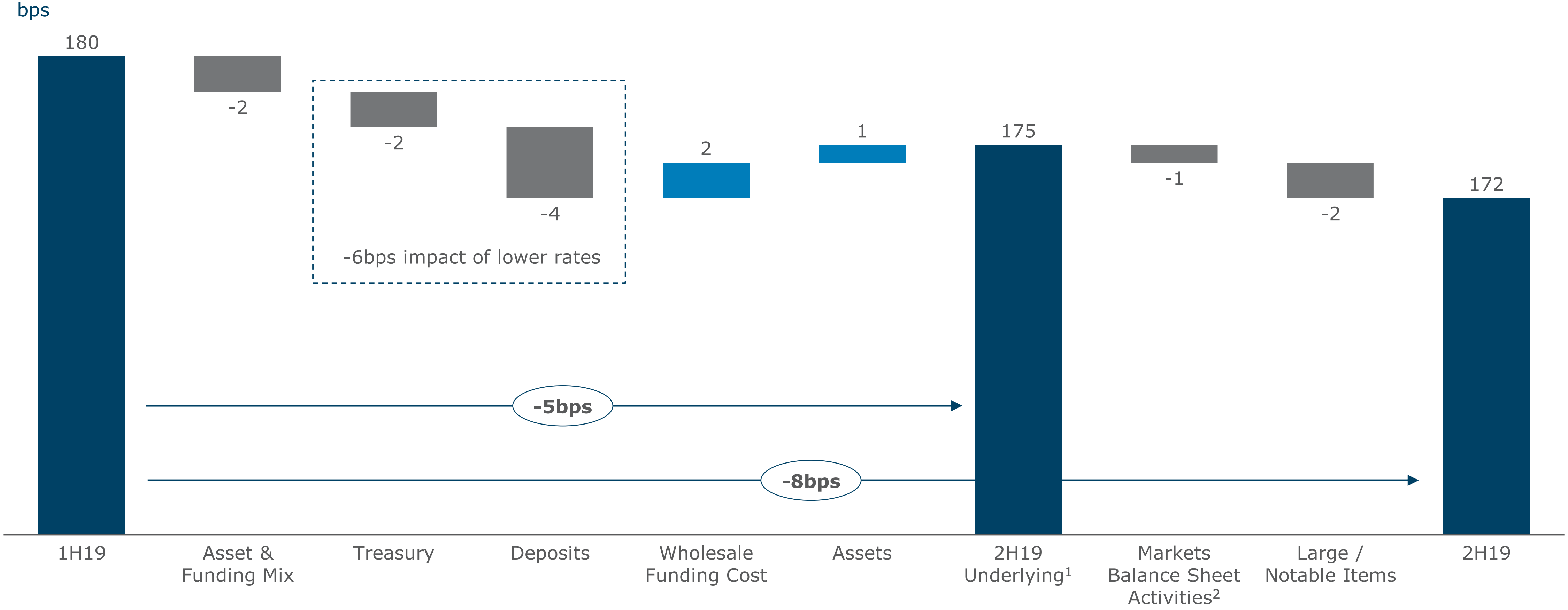



1. L&SF: Loans & Specialised Finance; PCM: Payments & Cash Management; Trade: Trade & Supply Chain
2. Derivative valuation adjustments

# NET INTEREST MARGIN

## CONTINUING OPERATIONS

### GROUP NET INTEREST MARGIN (NIM)



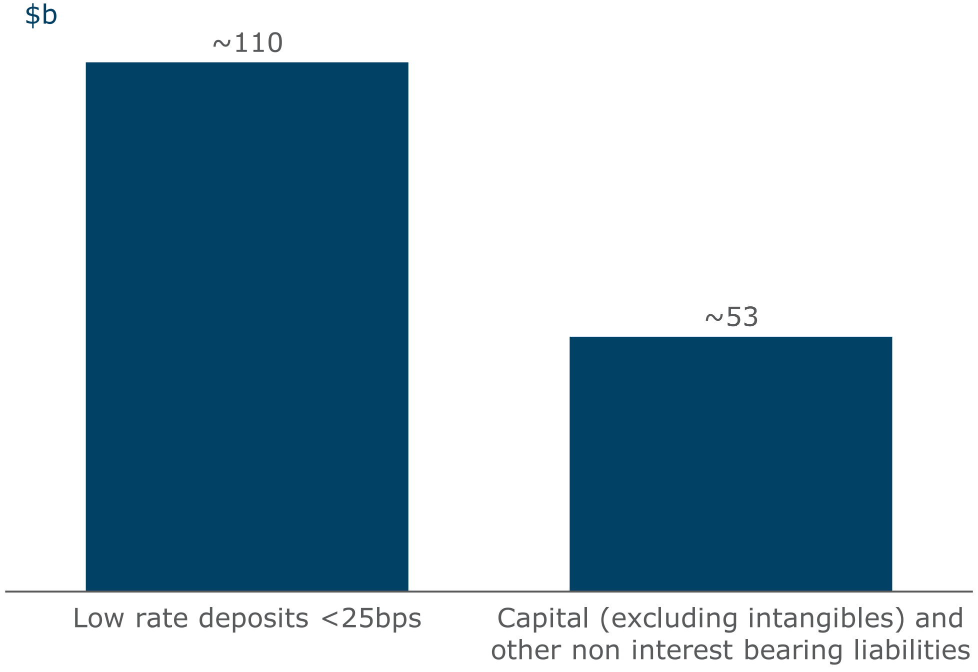

1. Excluding large / notable items and Markets Balance Sheet activities
2. Includes the impact of growth in discretionary liquid assets and other balance sheet activities

# MARGIN ENVIRONMENT

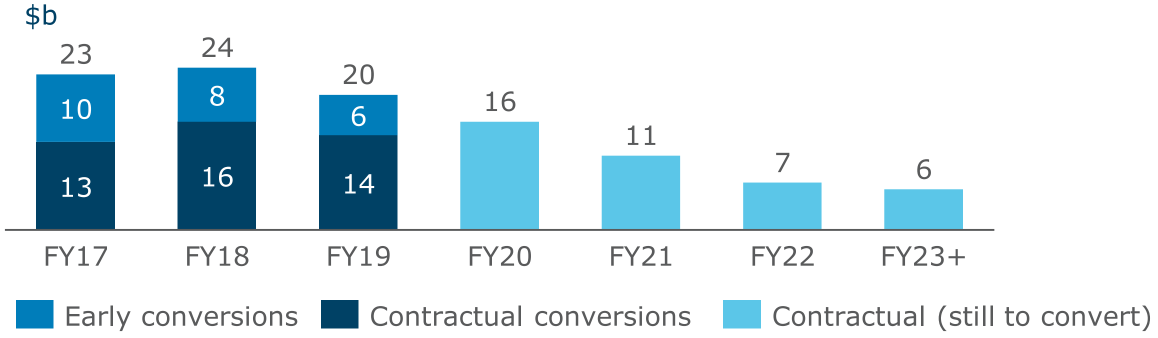
## LOW RATE ENVIRONMENT

Sep-19

| Sensitivity to a 25bps drop in AUD, NZD and USD interest rates | |
|---|---|
| Deposits & earnings on capital | ~3 bps |

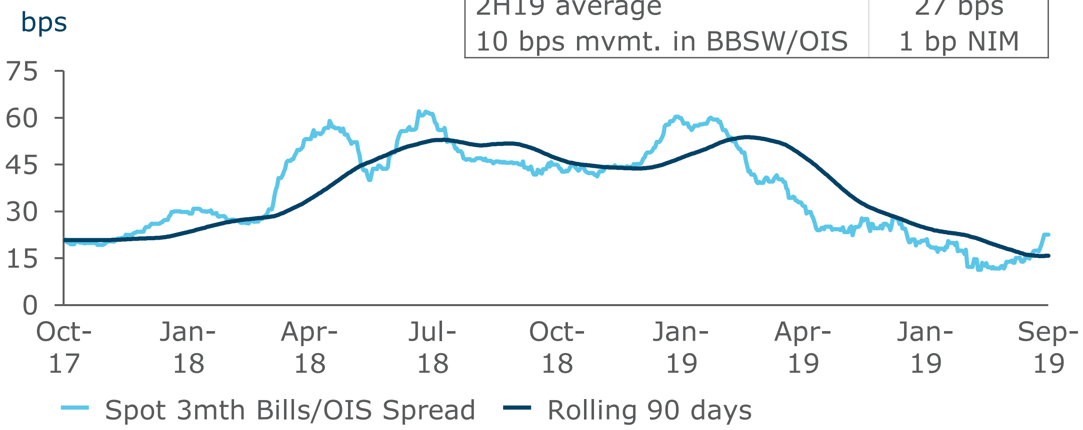



## SWITCHING FROM INTEREST ONLY TO PRINCIPAL & INTEREST




## BILLS/OIS SPREAD

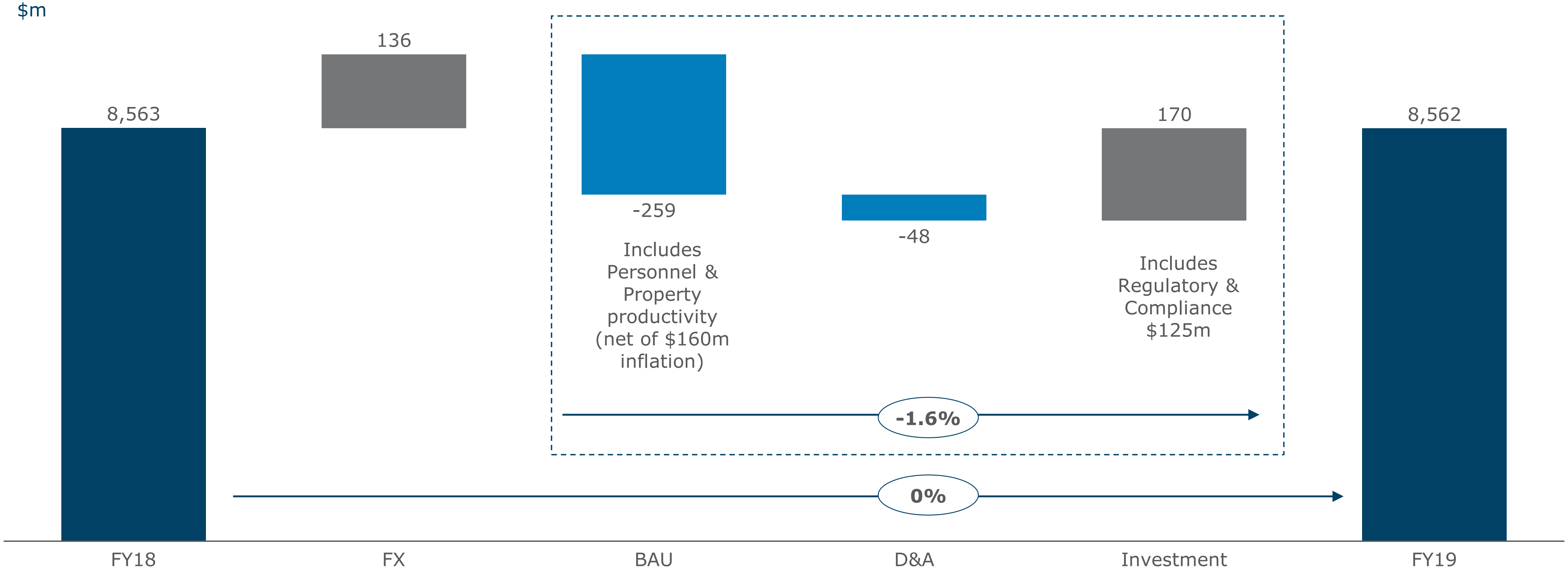
| | |
|---|---|
| 1H19 average | 48 bps |
| 2H19 average | 27 bps |
| 10 bps mvmt. in BBSW/OIS | 1 bp NIM |



# EXPENSES

## CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

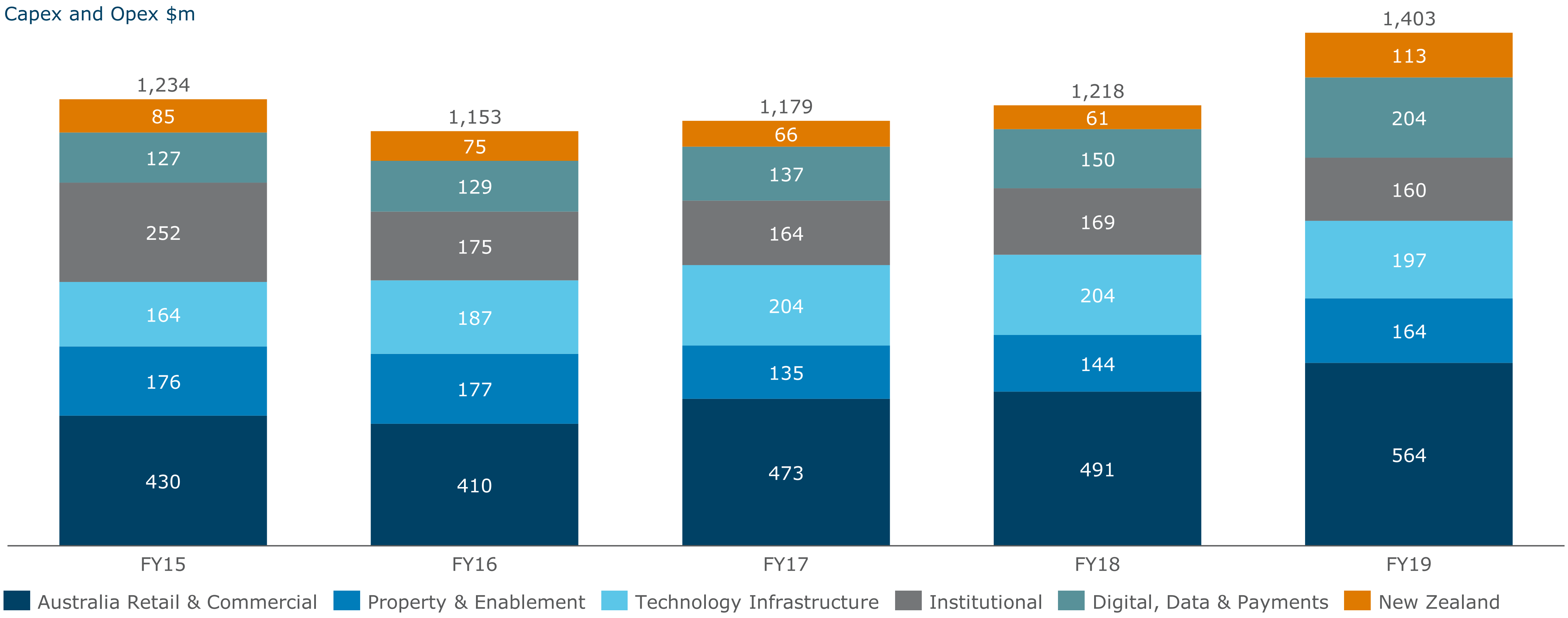
### FY19 EXPENSE DRIVERS



# INVESTMENT SPEND

## CONTINUING OPERATIONS

### TOTAL INVESTMENT SPEND BY DIVISION[1]

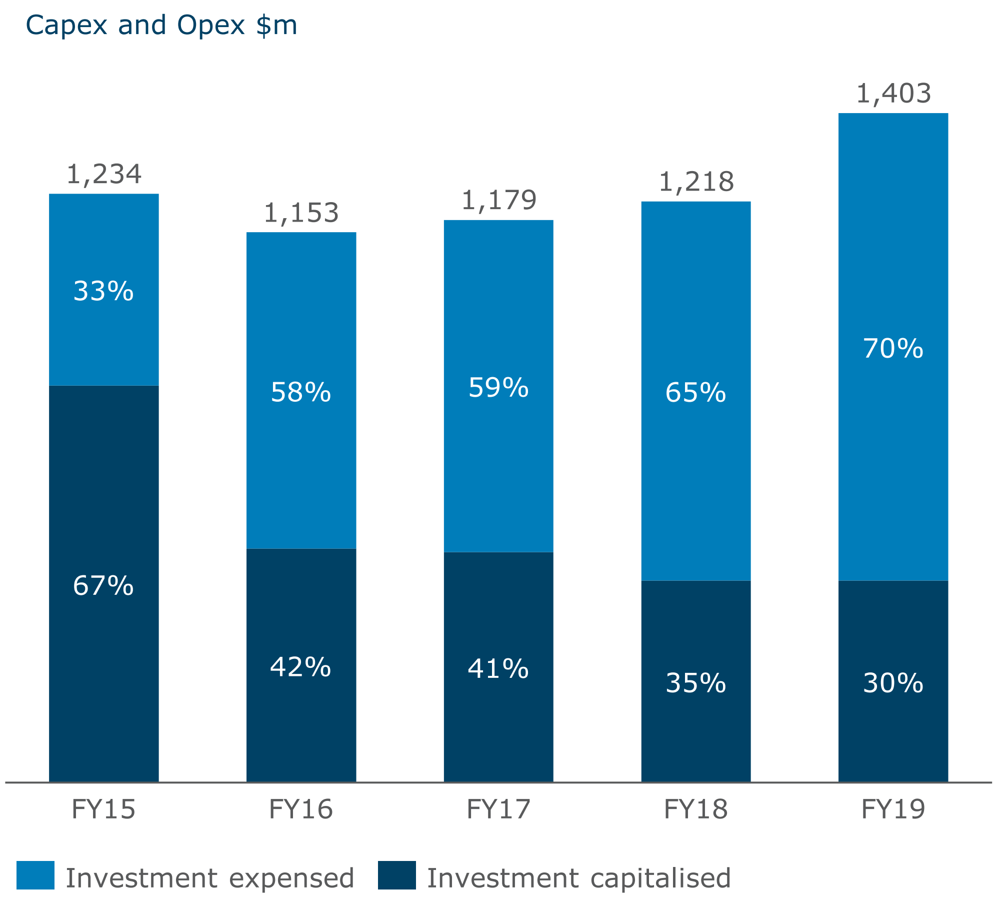



1. Prior periods restated from previously reported information to include technology infrastructure spend, property projects and scaled agile delivery

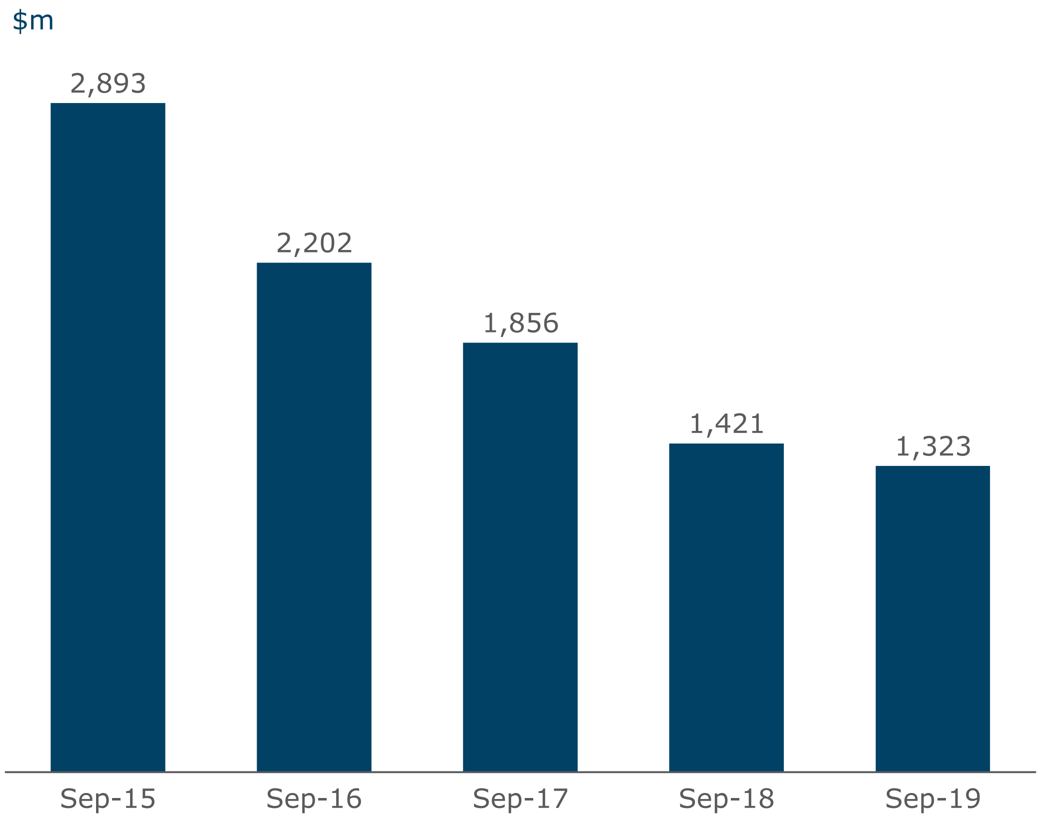
# INVESTMENT SPEND

## CONTINUING OPERATIONS

### TOTAL INVESTMENT SPEND[1]




### CAPITALISED SOFTWARE BALANCE

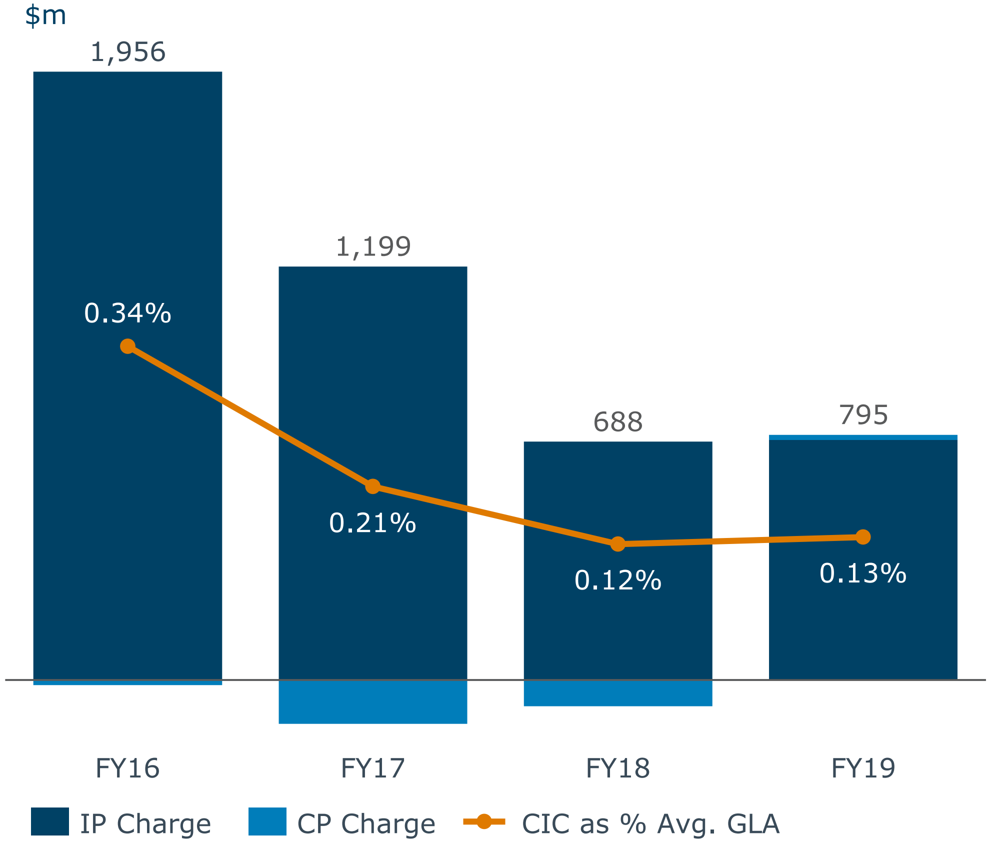



1. Prior periods restated from previously reported information to include technology infrastructure spend, property projects and scaled agile delivery

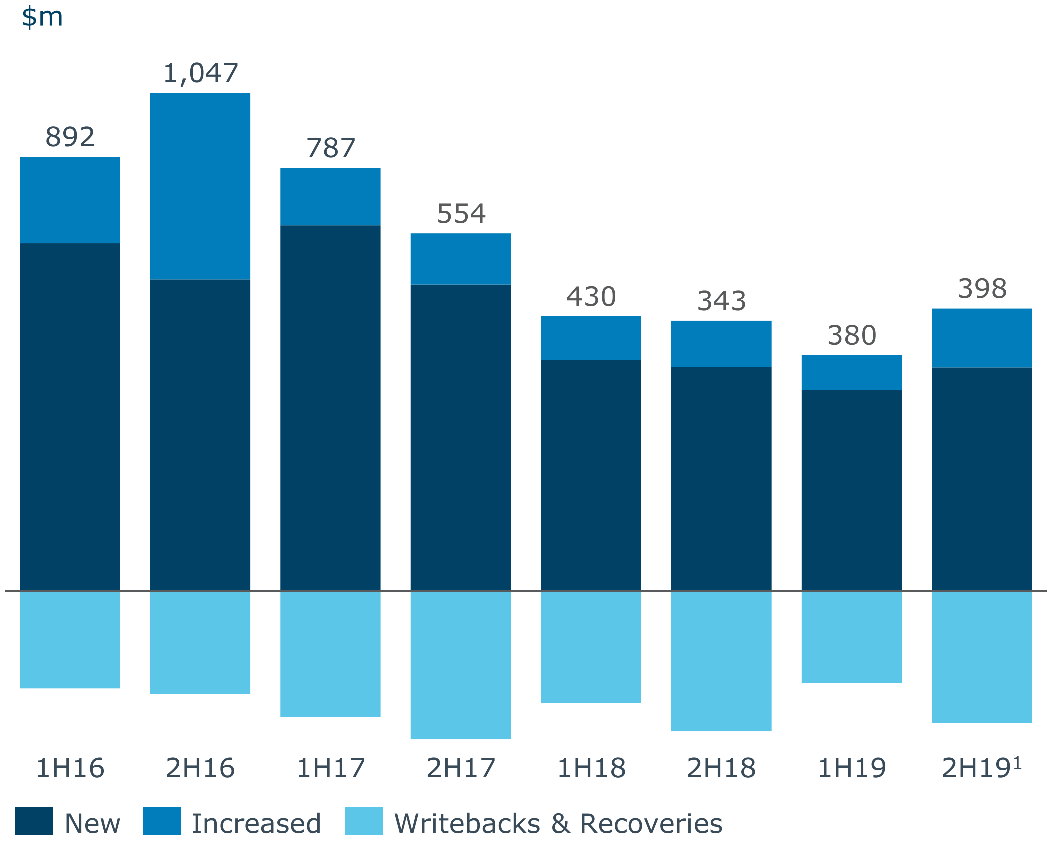
# CREDIT QUALITY

## PROVISION CHARGE

### CREDIT IMPAIRMENT CHARGE



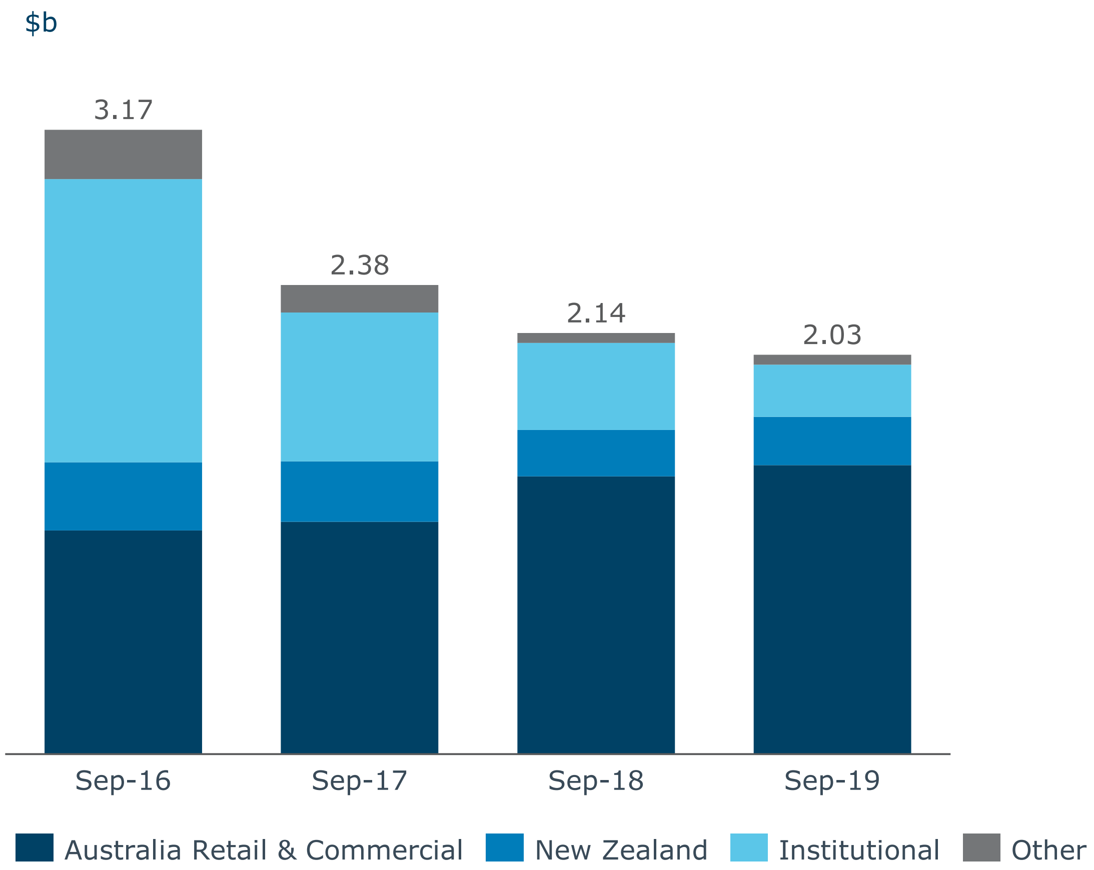

### INDIVIDUAL PROVISION CHARGE



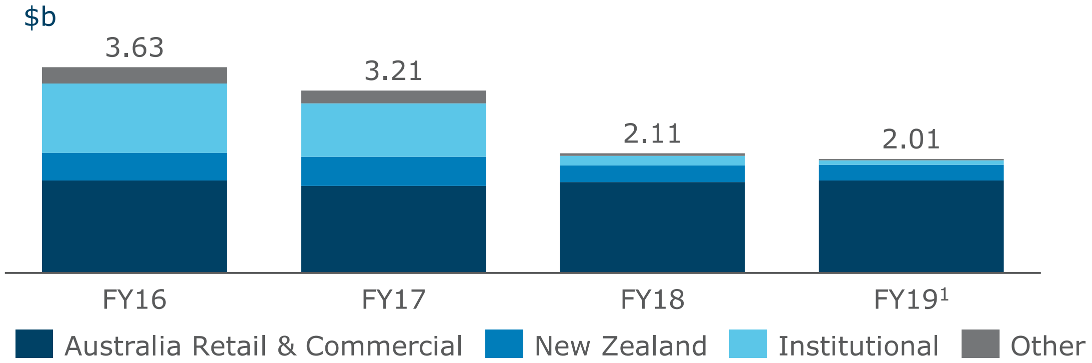

1. Increase to New and Increased Individual Provisions and Writebacks & Recoveries compared to prior half is largely related to the home loan portfolio in Australia Retail and Commercial following the implementation of a more market responsive collateral valuation methodology

# CREDIT QUALITY

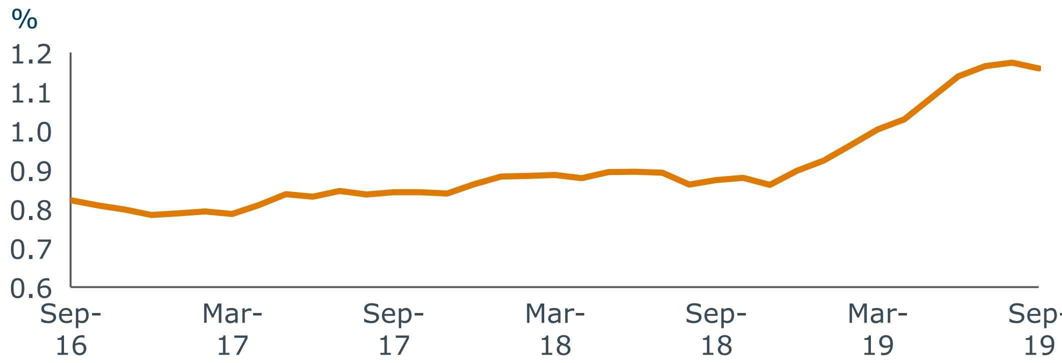
## GROSS IMPAIRED ASSETS




## NEW IMPAIRED ASSETS



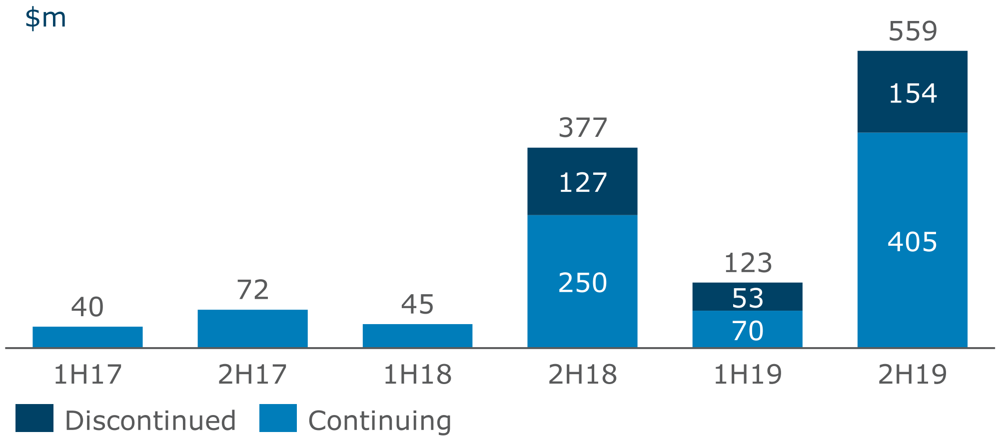

## AUSTRALIAN HOUSING 90+ DAYS PAST DUE[2]



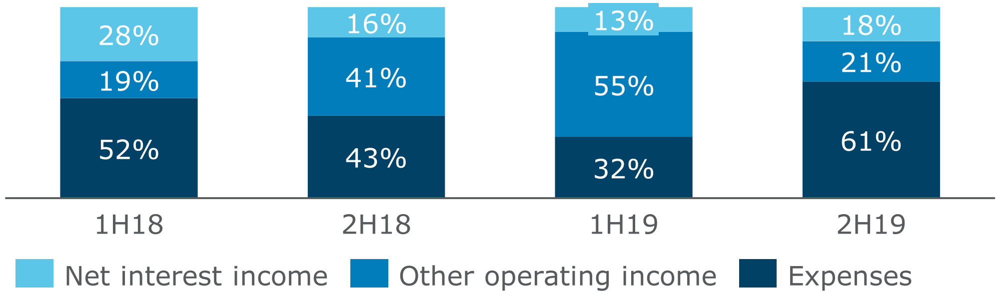

1. New Impaired Assets in 2H19 includes a $167m uplift on 1H19 in Australia home loans following the implementation of revised provisioning and impairment processes (including a more market responsive collateral valuation methodology). The increase in new impairments was largely offset by the return of previously impaired Home Loan assets to a past due but not impaired status
2. As a % of Gross Loans and Advances. Includes Non Performing Loans. ANZ 90+ days past due calculated on a missed payment basis

# CUSTOMER REMEDIATION

## TOTAL REMEDIATION - POST TAX IMPACT




## TOTAL REMEDIATION – P&L IMPACT




### Financial impact

- $826m ($682m post tax) charge in FY19
- $1,579m ($1,216m post tax) charges since 1H17
- $1,139m provisions on balance sheet at 30 Sep 2019

### Progress to date[1]

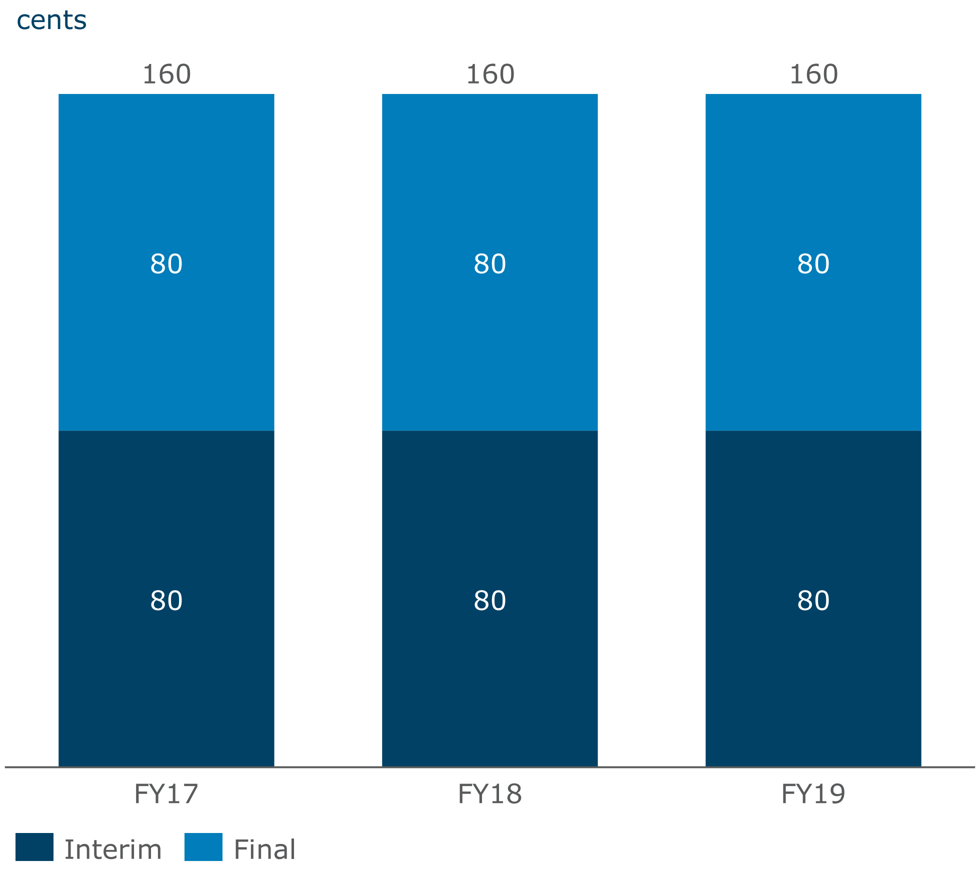
- Banking product & service review well progressed
- Remediation of advice & other wealth products continue
- Over 1,000 staff progressing remediation activities

1. Salaried Financial Planner fee for no service addressed in prior years (>$150m cumulative pre-tax charges).

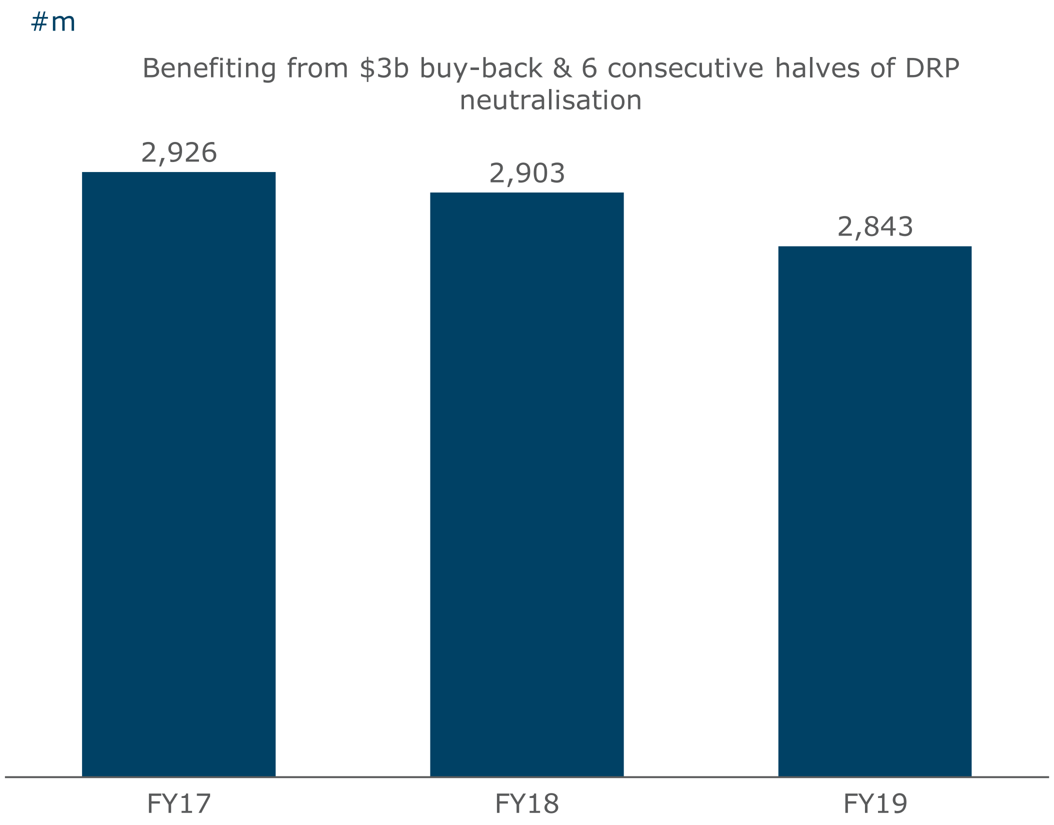
# DIVIDEND

## PROPOSED 2019 FINAL DIVIDEND 80 CPS, 70% FRANKED

### DIVIDEND PER SHARE




### SHARES ON ISSUE[1]

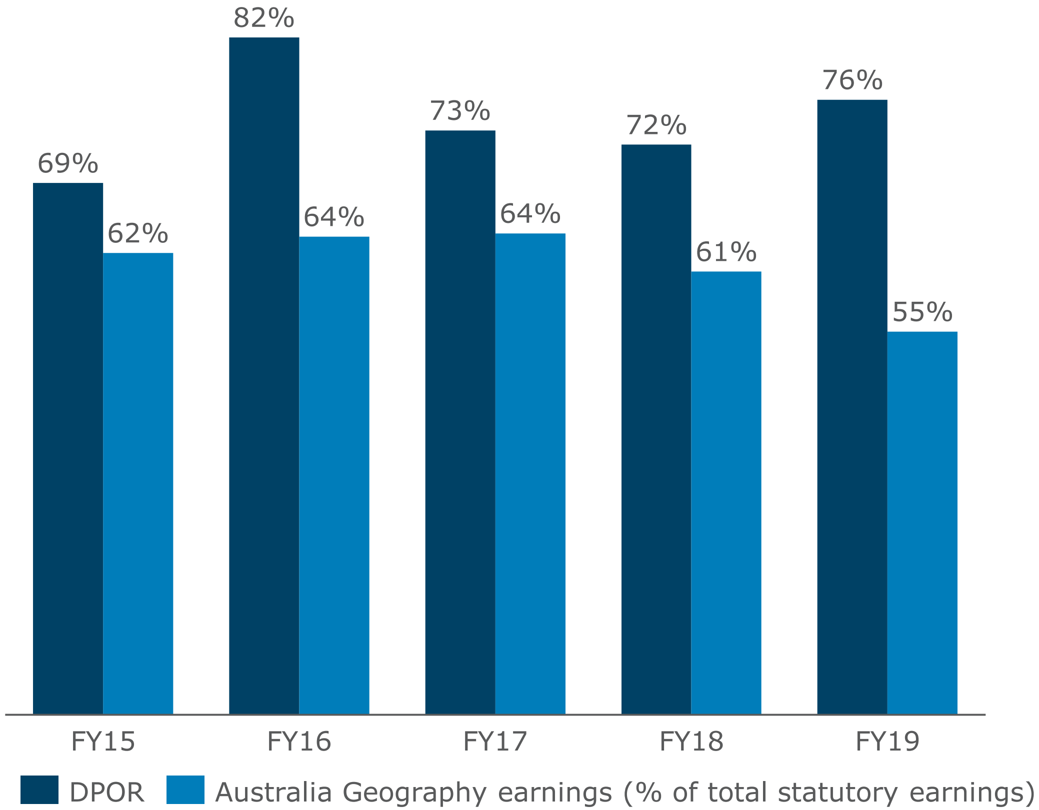



1. Cash Continuing weighted average number of ordinary shares

# DIVIDEND

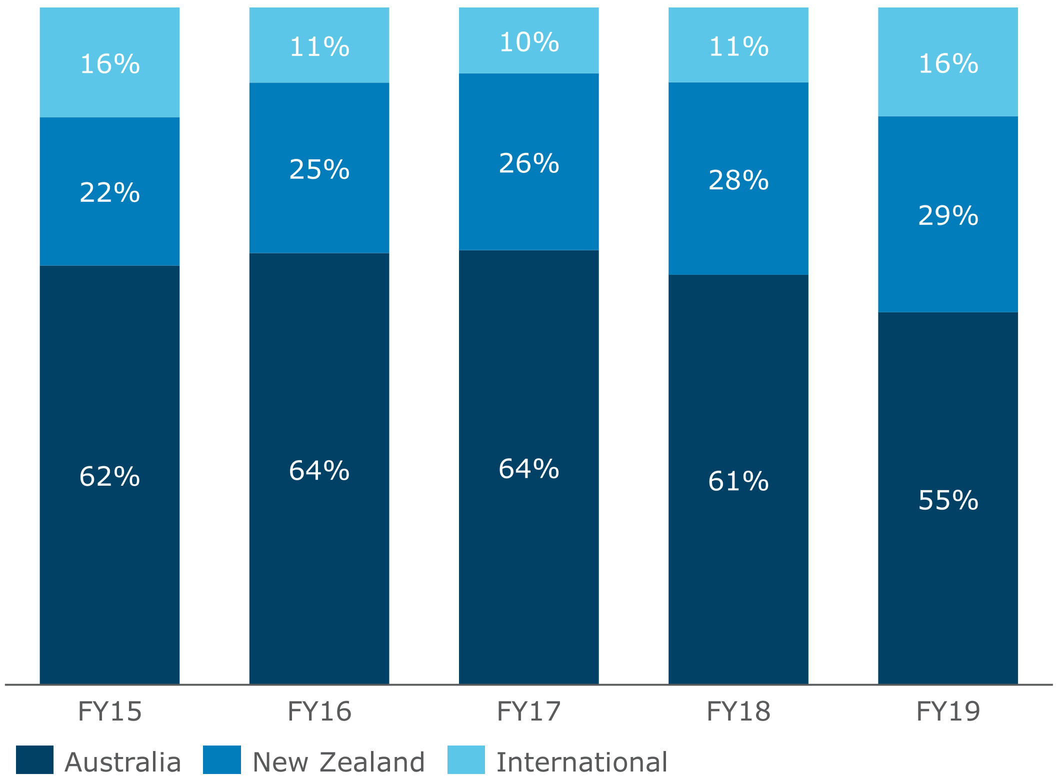
## GEOGRAPHIC EARNINGS

### AUSTRALIA GEOGRAPHY EARNINGS & DPOR[1]




### GEOGRAPHIC EARNINGS[1]

% of total Group Statutory Profit




1. Statutory Profit basis
2. DPOR: Dividend payout ratio

# 1H20 CONTEXT

- ❑ Home loan momentum
- ❑ Low interest rate environment
- ❑ Markets
- ❑ Costs
- ❑ Regulatory capital

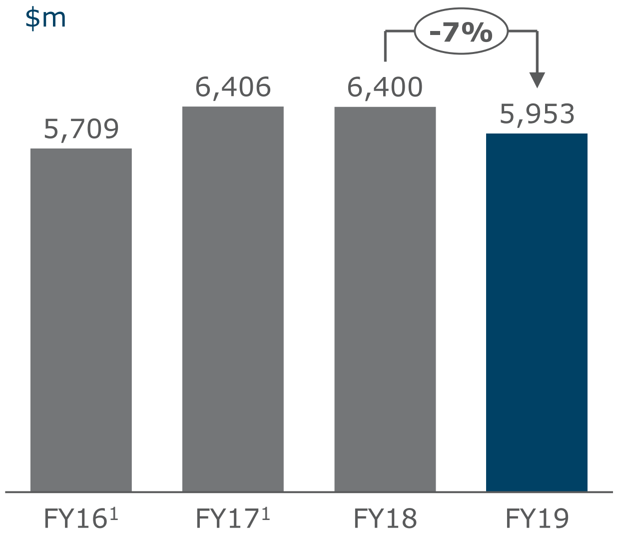
# 2019 FULL YEAR RESULTS

## INVESTOR DISCUSSION PACK

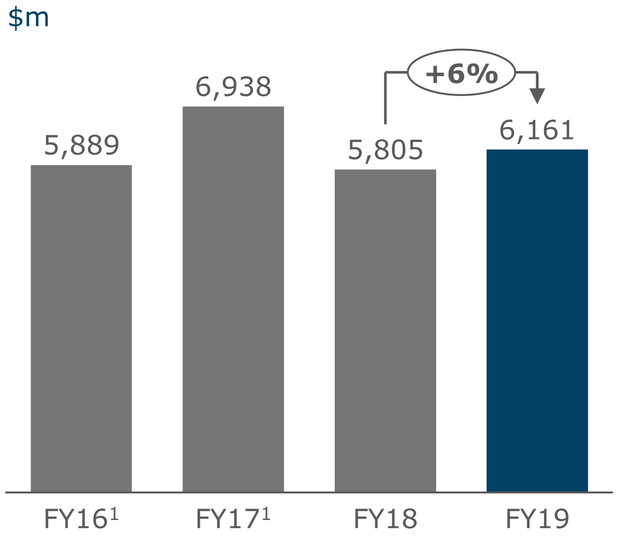
GROUP & DIVISIONAL PERFORMANCE

# FINANCIAL PERFORMANCE – STATUTORY TO CASH PROFIT

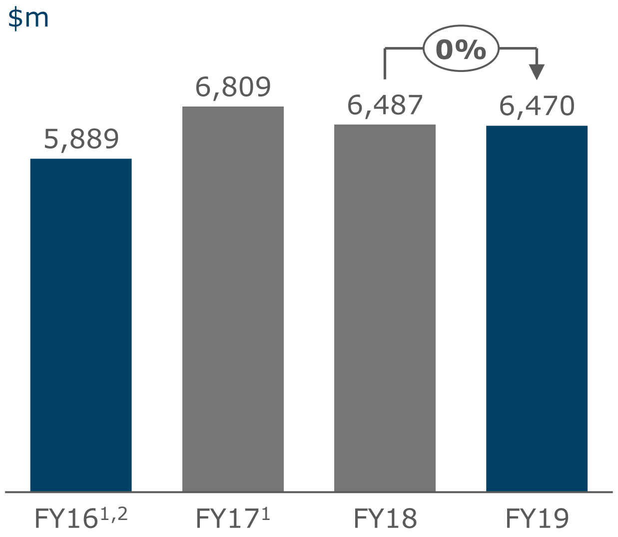
## STATUTORY PROFIT




## CASH PROFIT REPORTED




## CASH PROFIT CONTINUING OPERATIONS




## 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. Cash Profit continuing operations excludes the financial results of the Wealth Australia businesses being divested and associated Group reclassification and consolidation impacts treated as discontinued operations from a financial reporting perspective.

1. FY16 and FY17 have not been restated for AASB15 impacts
2. FY16 has not been restated to reflect discontinued operations

# LARGE / NOTABLE (L/N) ITEMS[1]

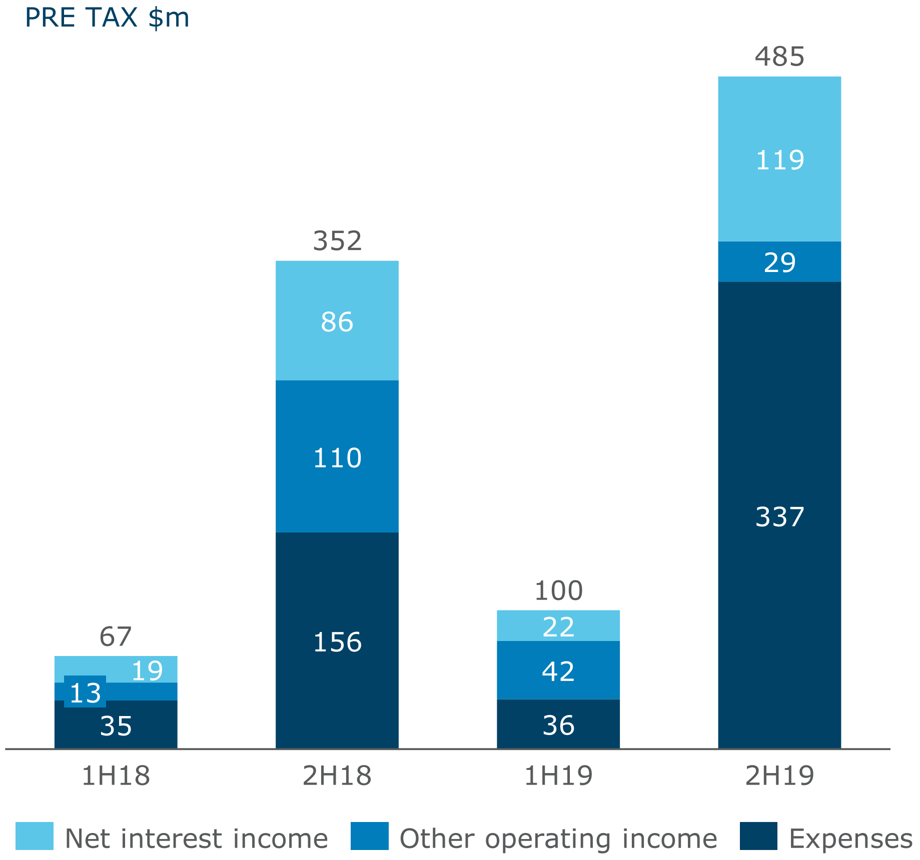
| | 1H17 | 2H17 | 1H18 | 2H18 | 1H19 | 2H19 |
|---|---|---|---|---|---|---|
| **Cash Profit Continuing Operations ($m)** | **3,355** | **3,454** | **3,493** | **2,994** | **3,564** | **2,906** |
| Gain / (Loss) on sale from divestments | -284 | 14 | 138 | 53 | 187 | 18 |
| Divested business results | 274 | 187 | 70 | 56 | 25 | 7 |
| Customer remediation | -40 | -72 | -45 | -250 | -70 | -405 |
| Restructuring | -25 | -18 | -55 | -104 | -36 | -18 |
| Royal Commission legal costs | 0 | 0 | -11 | -27 | -9 | -1 |
| Gain on sale of 100 Queen St. Melbourne | 112 | 0 | 0 | 0 | 0 | 0 |
| Accelerated software amortisation | 0 | 0 | 0 | -206 | 0 | 0 |
| **Total L/N within Cash Continuing Profit** | **37** | **111** | **97** | **-478** | **97** | **-399** |
| **Cash Profit ex L/N** | **3,318** | **3,343** | **3,396** | **3,472** | **3,467** | **3,305** |
| *Cash Profit ex L/N Growth HOH* | | *0.75%* | *1.59%* | *2.24%* | *-0.14%* | *-4.67%* |
| *Cash Profit ex L/N Growth PCP* | | | *2.35%* | *3.86%* | *2.09%* | *-4.81%* |

| | 1H17 | 2H17 | 1H18 | 2H18 | 1H19 | 2H19 |
|---|---|---|---|---|---|---|
| **Gain / (Loss) on Sale from divestments ($m)** | | | | | | |
| Asia Retail | ✓ | ✓ | ✓ | | | |
| MCC | | | ✓ | ✓ | | |
| SRCB | | | ✓ | | | |
| UDC | | | ✓ | ✓ | | |
| Cambodia JV | | | | ✓ | | ✓ |
| OPL NZ | | | | ✓ | ✓ | ✓ |
| PNG Retail, Com, SME | | | | ✓ | | ✓ |
| Paymark | | | | | ✓ | |
| **Divested Business Results ($m)** | | | | | | |
| SRCB | ✓ | | | | | |
| Asia Retail | ✓ | ✓ | ✓ | | | |
| MCC | ✓ | ✓ | | ✓ | | |
| OPL NZ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Paymark | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Cambodia JV | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| PNG Retail, Com, SME | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

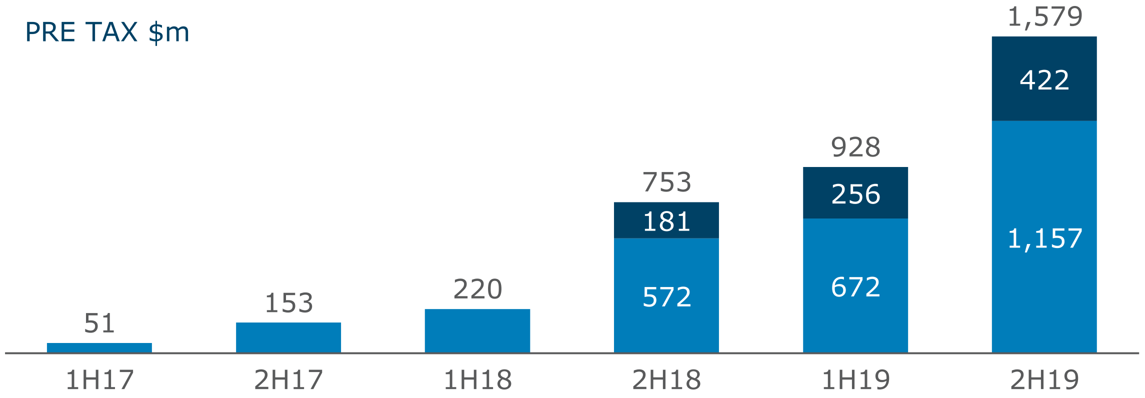
1. Large / notable items exclude the gain / (loss) on sale and divested business results of OnePath Life and One Path P&I, both accounted for as discontinued businesses.

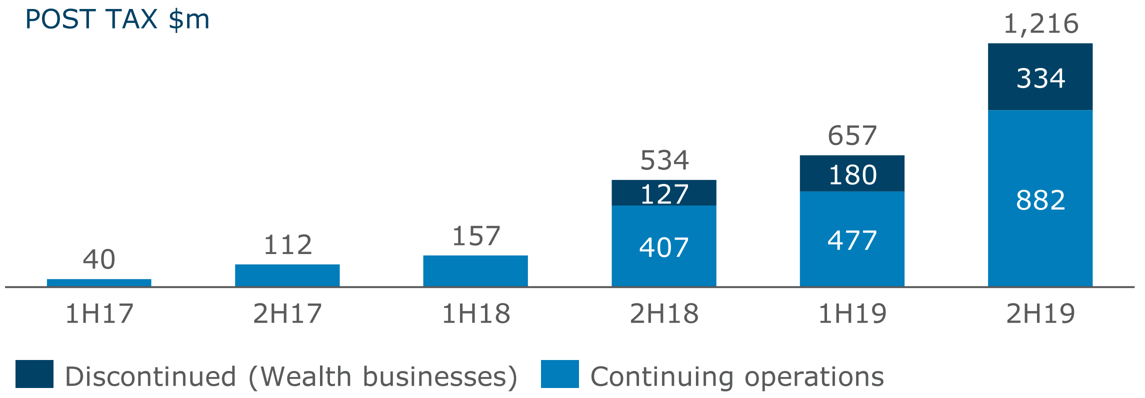
# CUSTOMER REMEDIATION

## CUSTOMER REMEDIATION CONTINUING OPERATIONS




## CUMULATIVE CUSTOMER REMEDIATION



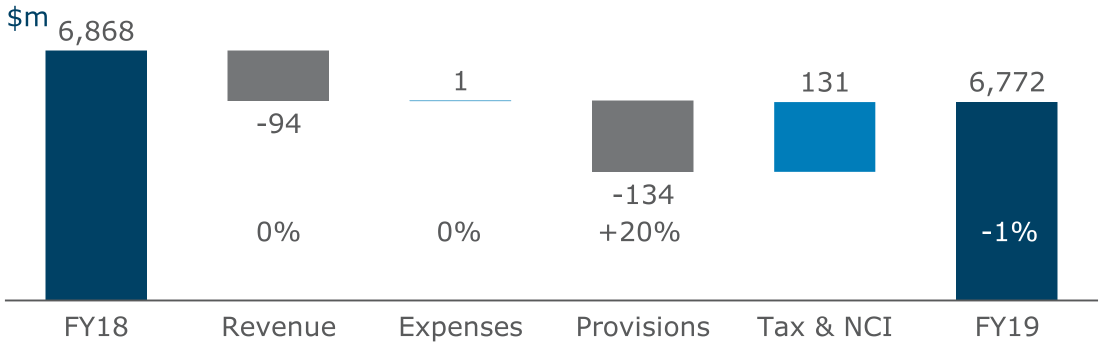
# FINANCIAL PERFORMANCE

## CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

### FY19

| $m | FY18 | FY19 | FY19 v FY18 |
|---|---|---|---|
| **Cash Profit** | **6,487** | **6,470** | **0%** |
| Large/Notable items (L/N) | -381 | -302 | |
| **Cash Profit ex L/N** | **6,868** | **6,772** | **-1%** |
| Australia Retail & Commercial | 3,992 | 3,581 | -10% |
| Institutional | 1,666 | 1,852 | +11% |
| New Zealand (NZD) | 1,597 | 1,526 | -4% |

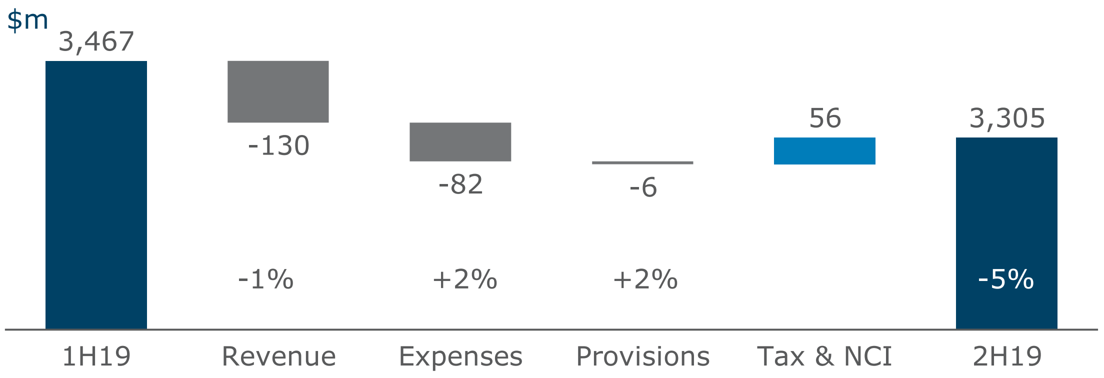
### FY19 CASH PROFIT DRIVERS




### 2H19

| $m | 2H18 | 1H19 | 2H19 | 2H19 v 1H19 |
|---|---|---|---|---|
| **Cash Profit** | **2,994** | **3,564** | **2,906** | **-18%** |
| Large/Notable items (L/N) | -478 | 97 | -399 | |
| **Cash Profit ex L/N** | **3,472** | **3,467** | **3,305** | **-5%** |
| Australia Retail & Commercial | 1,959 | 1,786 | 1,795 | 1% |
| Institutional | 911 | 1,004 | 848 | -16% |
| New Zealand (NZD) | 817 | 782 | 744 | -5% |

### 2H19 CASH PROFIT DRIVERS



# BALANCE SHEET STRENGTH

## CAPITAL REALLOCATION & FLEXIBILITY

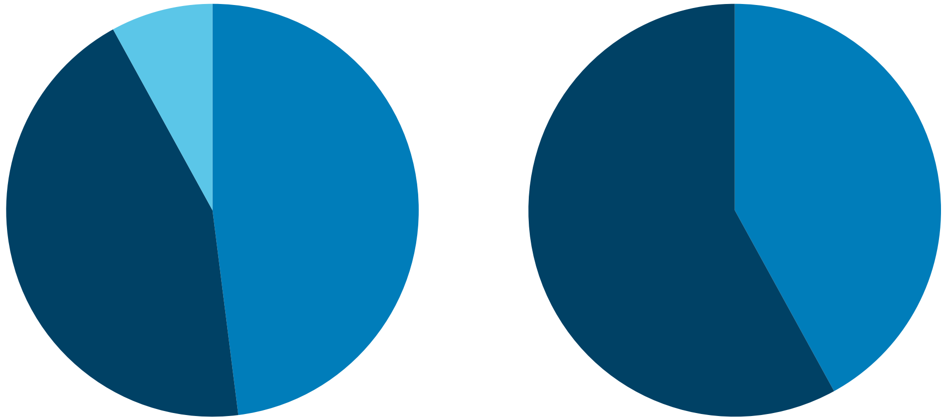
### CAPITAL REALLOCATION[1]

%

**SEPTEMBER 2015**

**PRO-FORMA SEPTEMBER 2019[2,3]**

INCLUDING ANNOUNCED ASSET DISPOSALS

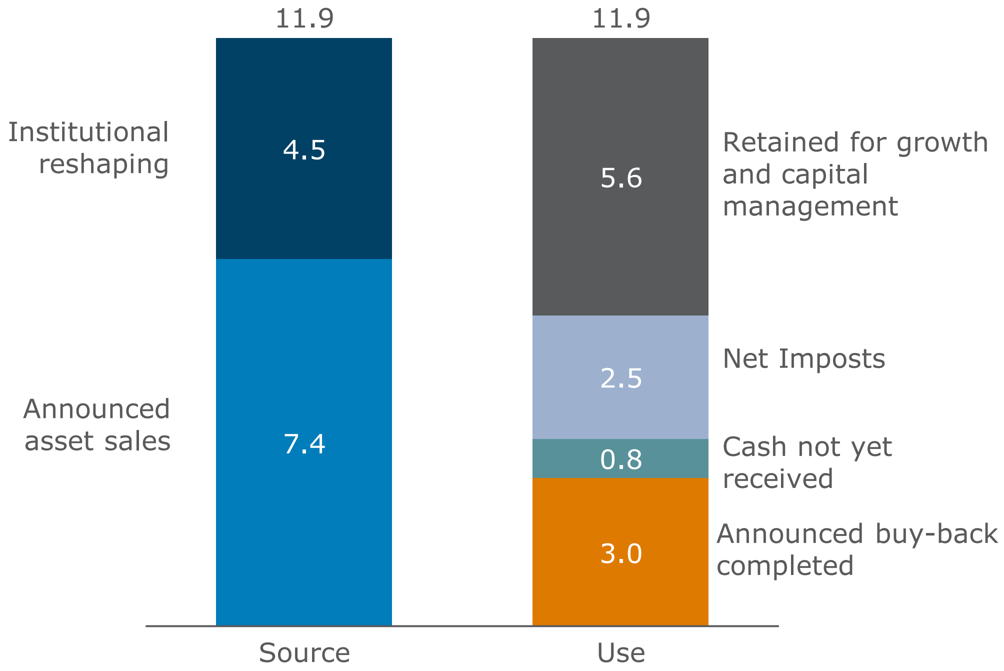


Institutional[1] | Retail & Commercial | Wealth

### CAPITAL FLEXIBIILTY

CET1 CAPITAL FREED UP FROM TRANSFORMATION

$b

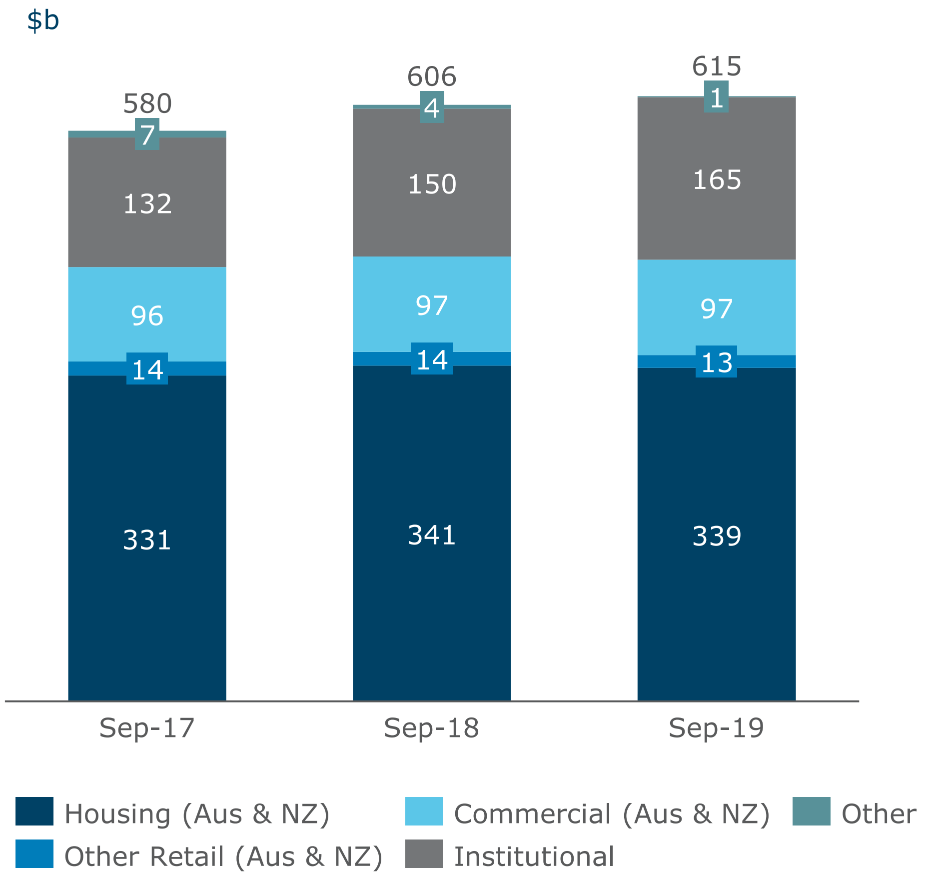



1. Allocation based on Regulatory Capital. Institutional shown under 2015 IIB Structure, including Institutional, Asia Partnerships and Asia Retail & Pacific
2. Pro-Forma adjusted for all announced Asset disposals – OnePath P&I.
3. ANZ lenders mortgage insurance, ANZ share investing, general insurance distribution and Wealth continuing operations (collectively ~1% of Group Capital) included in Retail and Commercial

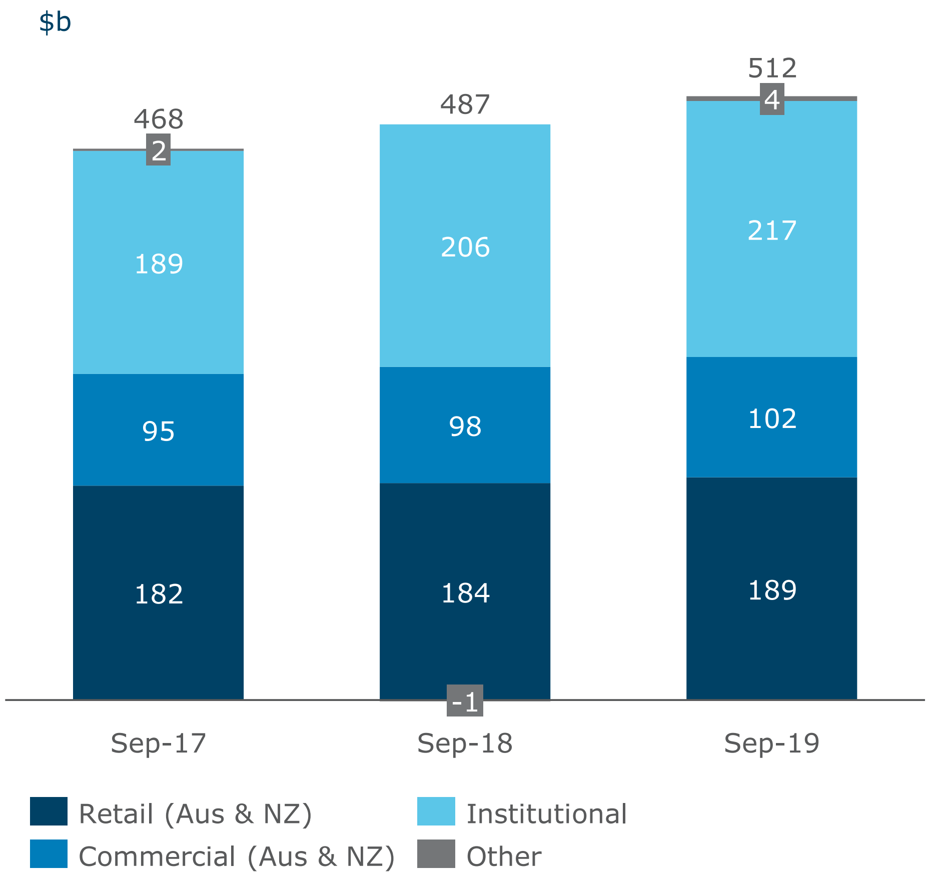
# BALANCE SHEET COMPOSITION

## BY SEGMENT

### NET LOANS & ADVANCES



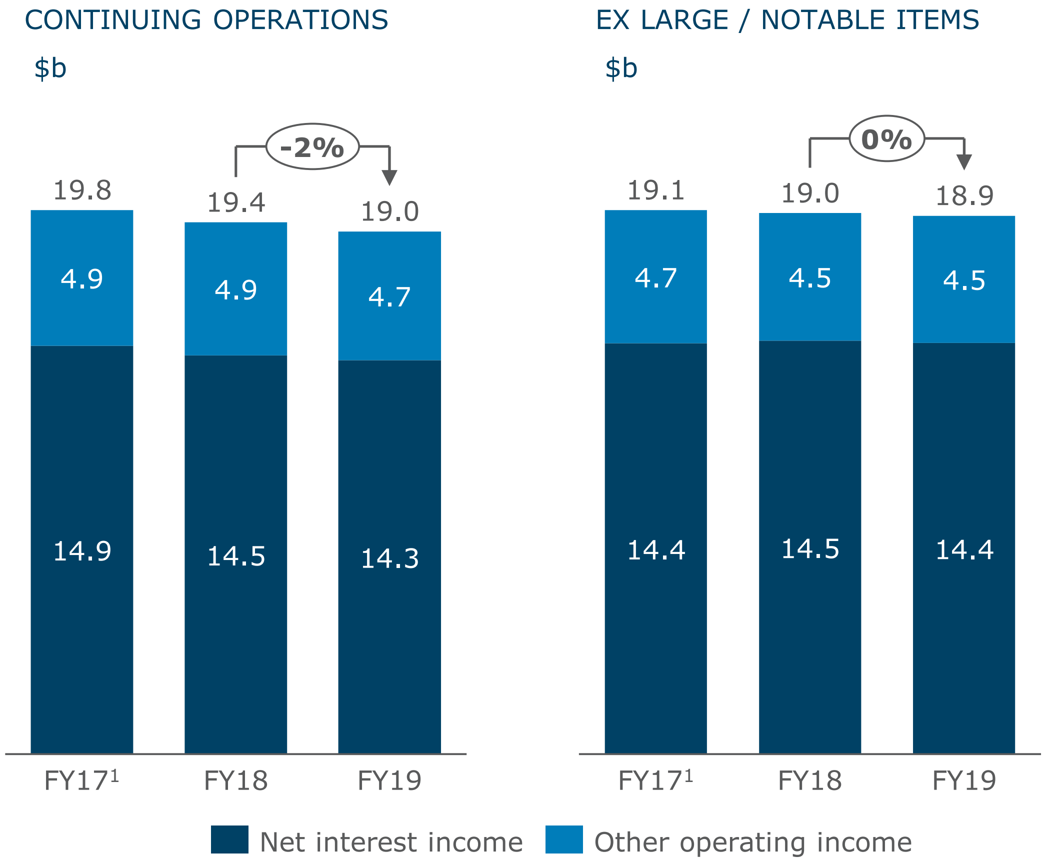

### CUSTOMER DEPOSITS



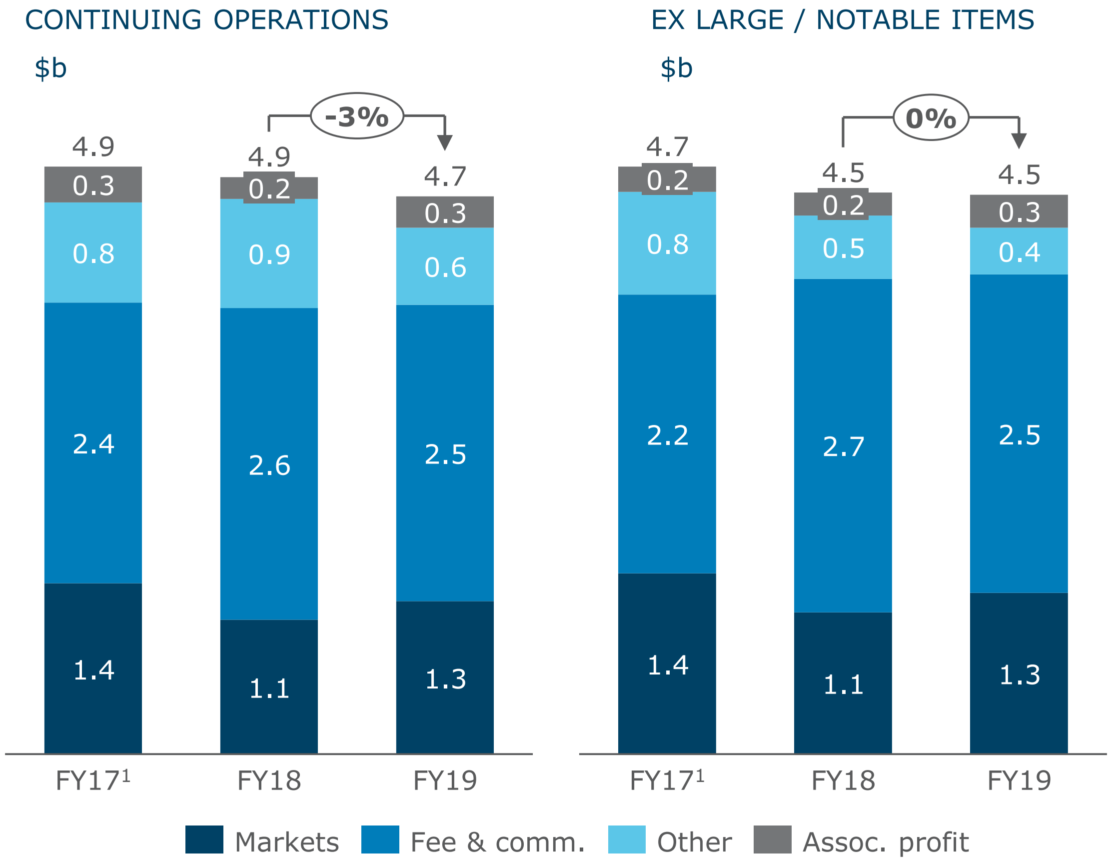
# REVENUE PERFORMANCE

## CONTINUING OPERATIONS

### TOTAL REVENUE




### OTHER OPERATING INCOME

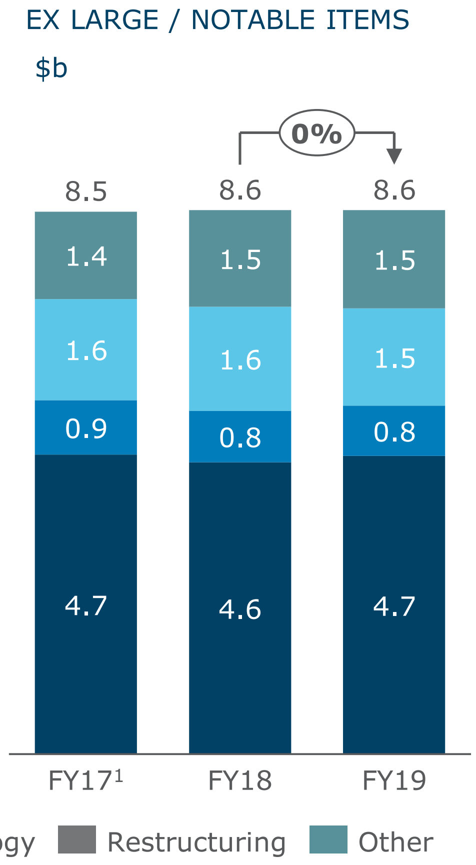



1. FY17 has not been restated for AASB15 impacts

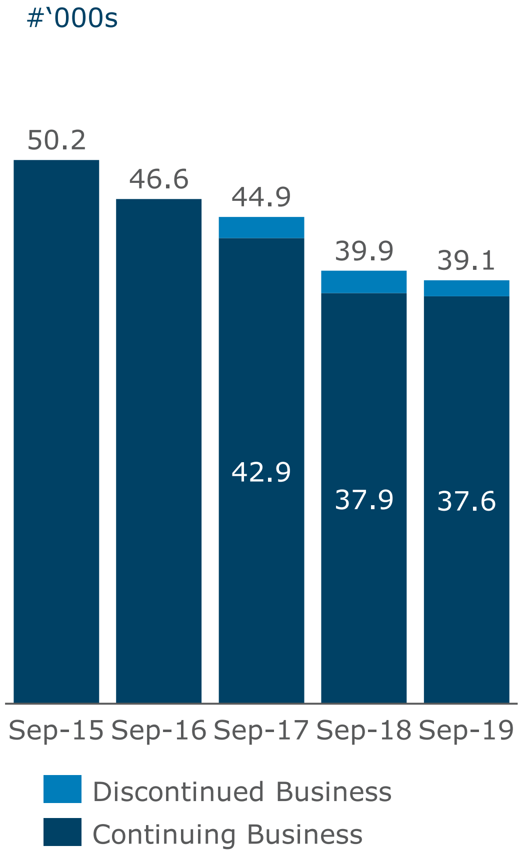
# EXPENSE MANAGEMENT

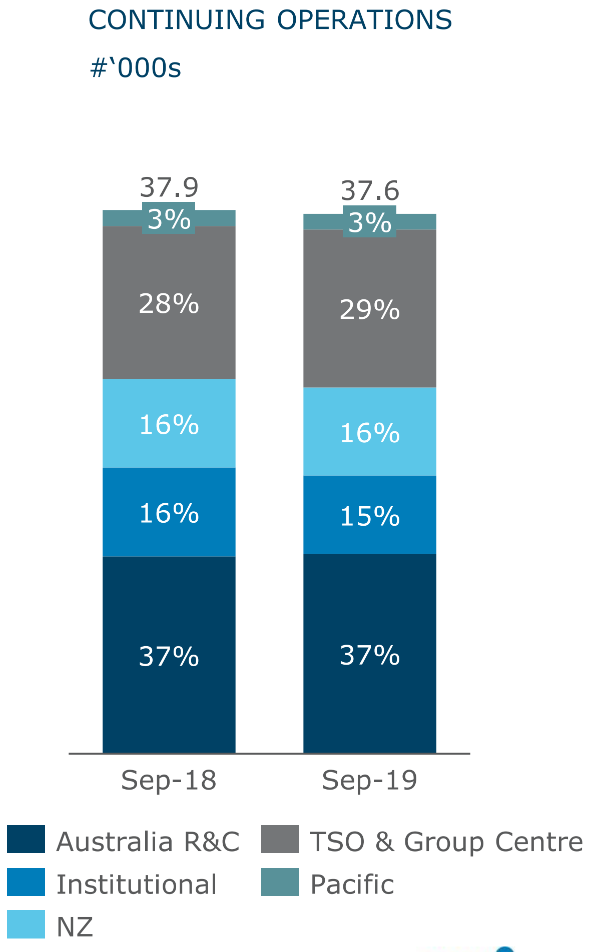
## CONTINUING OPERATIONS

### TOTAL EXPENSES


### FULL TIME EQUIVALENT STAFF



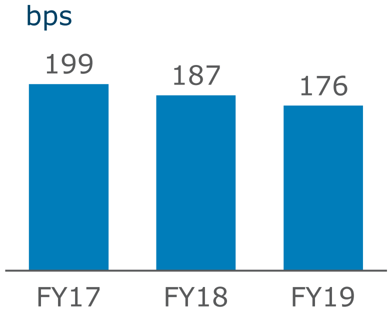

1. FY17 has not been restated for AASB15 impacts

# NET INTEREST MARGINS

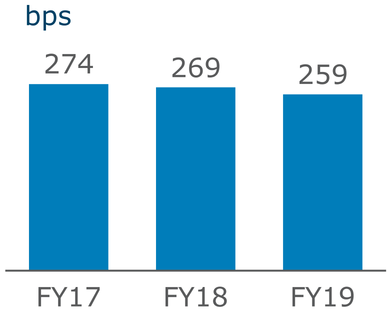
## GROUP & DIVISIONAL MARGIN PERFORMANCE CONTINUING OPERATIONS

### FULL YEAR

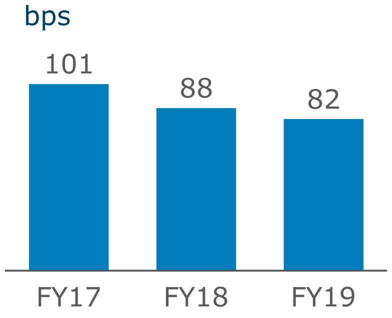
#### GROUP



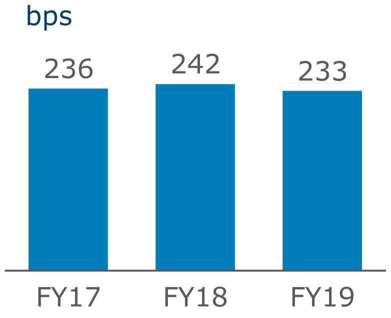

#### AUSTRALIA RETAIL & COMMERCIAL




#### INSTITUTIONAL

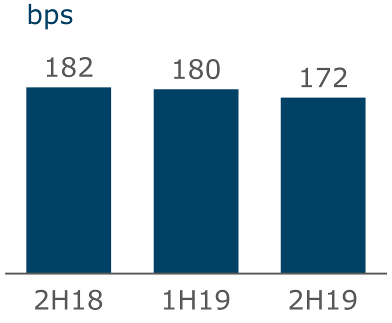



#### NEW ZEALAND

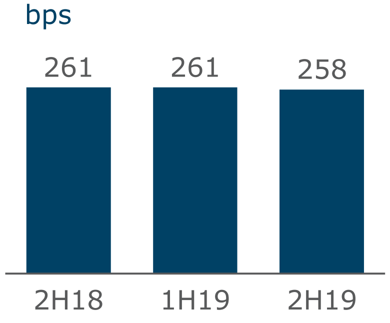



### HALF YEAR

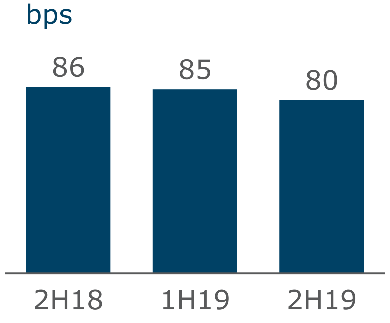
#### GROUP



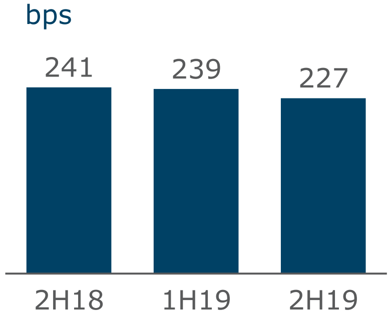

#### AUSTRALIA RETAIL & COMMERCIAL




#### INSTITUTIONAL




#### NEW ZEALAND



# RISK ADJUSTED PERFORMANCE

## CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

### GROUP[1]

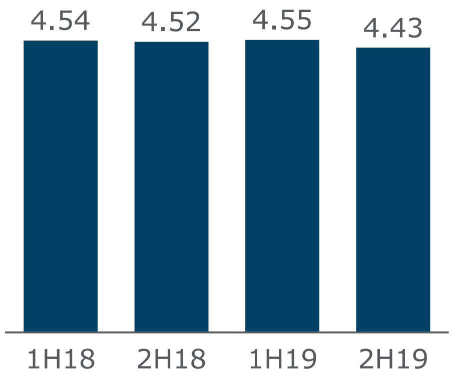
### AUSTRALIA RETAIL & COMMERCIAL

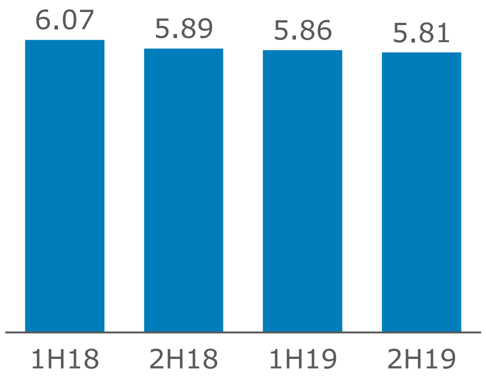
### INSTITUTIONAL[1]

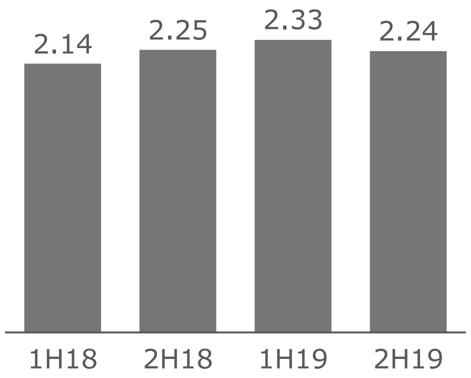
### NEW ZEALAND

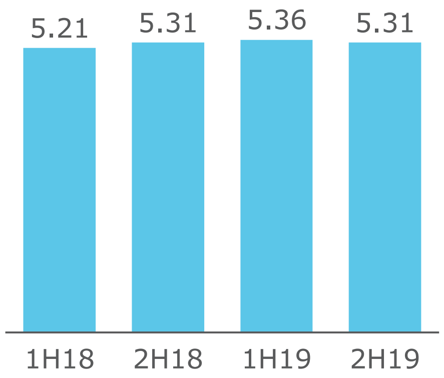
NET INTEREST INCOME / AVERAGE CREDIT RISK WEIGHTED ASSETS

%



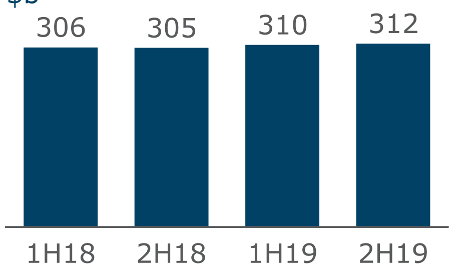



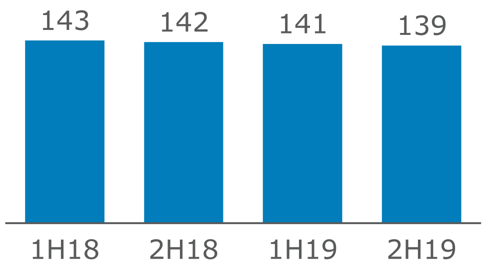



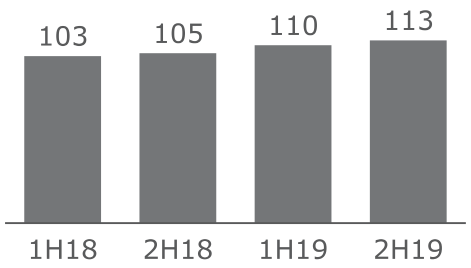



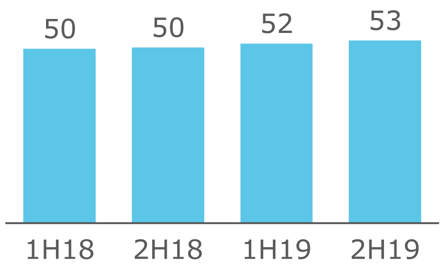

AVERAGE CREDIT RISK WEIGHTED ASSETS

$b




1. Excluding Markets business unit and balance sheet impacts of divestments

# DIVISIONAL PERFORMANCE

## CASH PROFIT

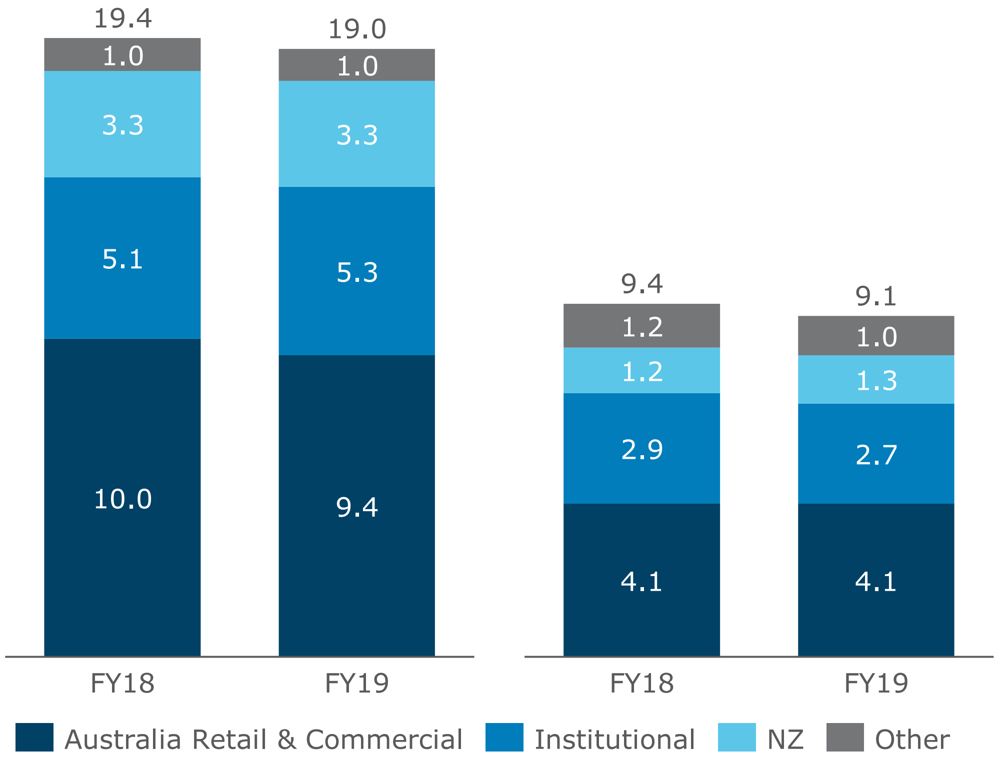
### CONTINUING OPERATIONS

REVENUE

$b

EXPENSES

$b



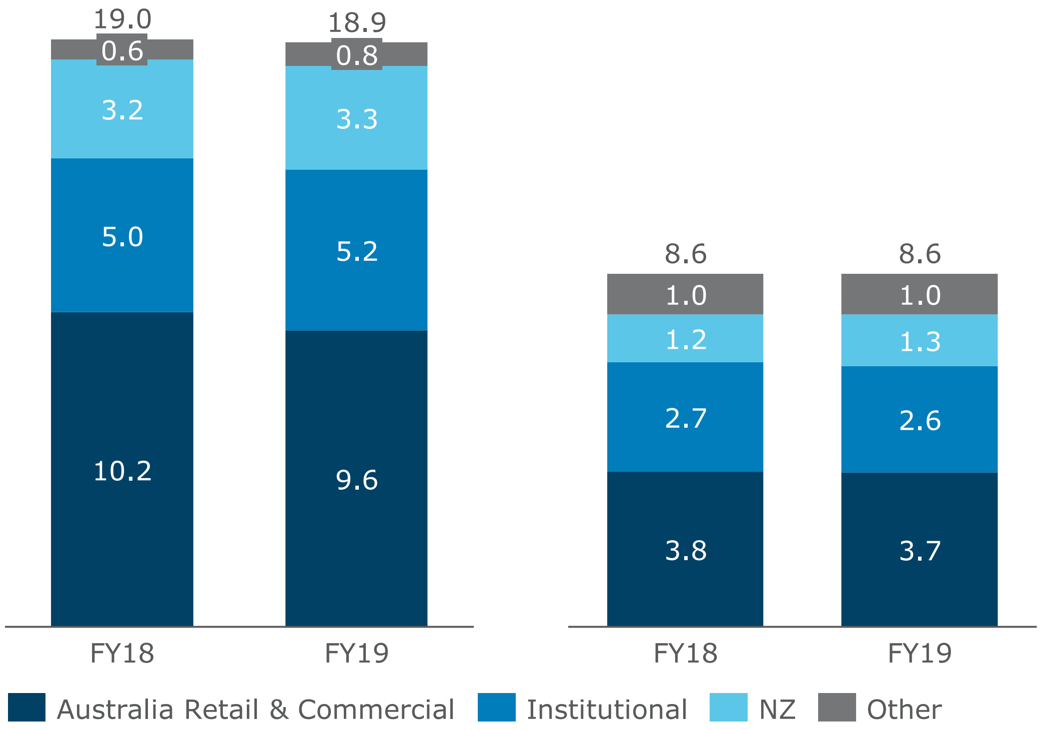

### CONTINUING OPERATIONS EX LARGE / NOTABLE ITEMS

REVENUE

$b

EXPENSES

$b



# DIVISIONAL GROWTH RATES

## CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

| FY19 v FY18 | Revenue | Expenses | Pre Provision Profit | Cash Profit | FY19 Cash Profit ($m) |
|---|---|---|---|---|---|
| **Australia Retail & Commercial** | -6% | 0% | -9% | -10% | 3,581 |
| **Institutional** | 5% | -3% | 14% | 11% | 1,852 |
| **New Zealand** (NZD) | 2% | 5% | -1% | -4% | 1,526 |
| **Other** | 19% | 0% | -35% | -59% | -104 |

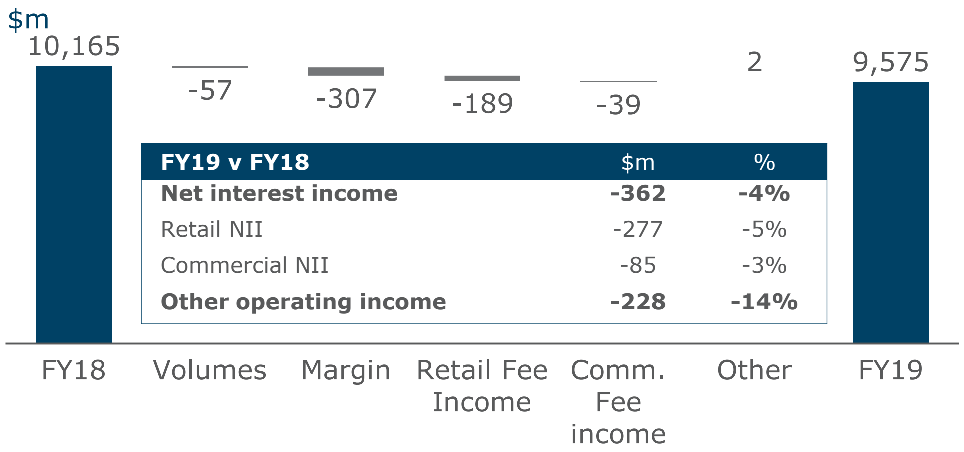
| 2H19 v 1H19 | Revenue | Expenses | Pre Provision Profit | Cash Profit | 2H19 Cash Profit ($m) |
|---|---|---|---|---|---|
| **Australia Retail & Commercial** | -1% | 1% | -2% | 1% | 1,795 |
| **Institutional** | -4% | -1% | -8% | -16% | 848 |
| **New Zealand** (NZD) | 1% | 8% | -2% | -5% | 744 |
| **Other** | 0% | 4% | 20% | -32% | -42 |

# AUSTRALIA RETAIL & COMMERCIAL

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

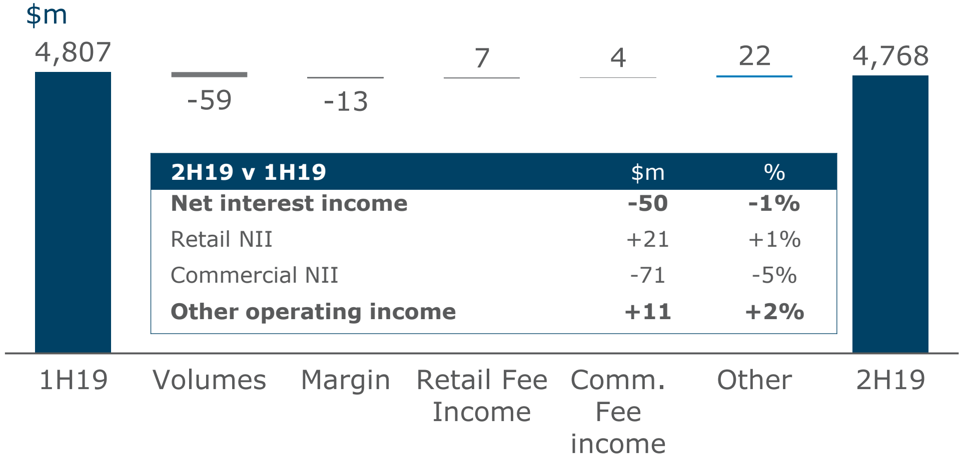
| $m | FY18 | FY19 | FY19 v FY18 | 1H19 | 2H19 | 2H19 v 1H19 |
|---|---|---|---|---|---|---|
| **Income** | **10,165** | **9,575** | **-6%** | **4,807** | **4,768** | **-1%** |
| Net interest income | 8,540 | 8,178 | -4% | 4,114 | 4,064 | -1% |
| Other operating income | 1,625 | 1,397 | -14% | 693 | 704 | 2% |
| **Expenses** | **3,756** | **3,743** | **-0%** | **1,858** | **1,885** | **1%** |
| **Profit before provisions** | **6,409** | **5,832** | **-9%** | **2,949** | **2,883** | **-2%** |
| Provisions | 698 | 712 | 2% | 396 | 316 | -20% |
| **Cash profit continuing** | **3,992** | **3,581** | **-10%** | **1,786** | **1,795** | 1% |
| **Return on Avg RWAs** | **2.48%** | **2.25%** | **-23bps** | **2.24%** | **2.26%** | **+2bps** |
| **Operating expense to operating income** | **37.0%** | **39.1%** | **+214bps** | **38.7%** | **39.5%** | **+88bps** |
| **Total credit impairment charge/Avg GLAs** | **0.21%** | **0.21%** | **0bps** | **0.23%** | **0.19%** | **-4bps** |

### INCOME DRIVERS FY19 V FY18 (YOY)




| FY19 v FY18 | $m | % |
|---|---|---|
| **Net interest income** | **-362** | **-4%** |
| Retail NII | -277 | -5% |
| Commercial NII | -85 | -3% |
| **Other operating income** | **-228** | **-14%** |

### INCOME DRIVERS 2H19 V 1H19 (HOH)



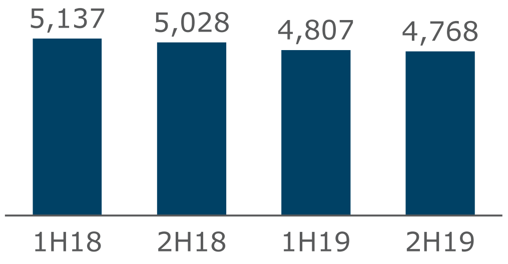

| 2H19 v 1H19 | $m | % |
|---|---|---|
| **Net interest income** | **-50** | **-1%** |
| Retail NII | +21 | +1% |
| Commercial NII | -71 | -5% |
| **Other operating income** | **+11** | **+2%** |

# AUSTRALIA RETAIL & COMMERCIAL

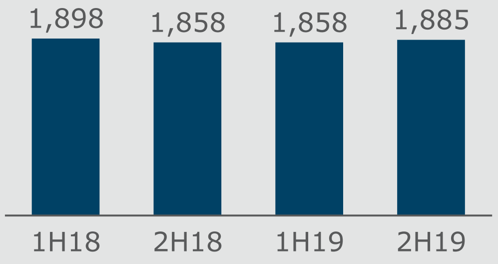
## FINANCIAL PERFORMANCE: CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

| Slower credit demand, tighter home loan origination risk settings, increased competition, deposit margin impacts | Productivity initiatives including workforce and branch optimisation have offset increased compliance costs and technology infrastructure spend | Lower collective provision charge reflects reduced FUM. Credit provisions remain below long-run averages | Profit and Returns |
|---|---|---|---|

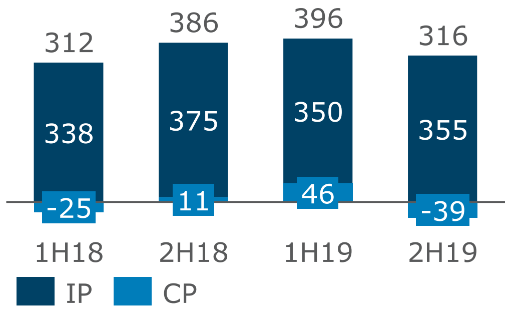
**Income ($m)**



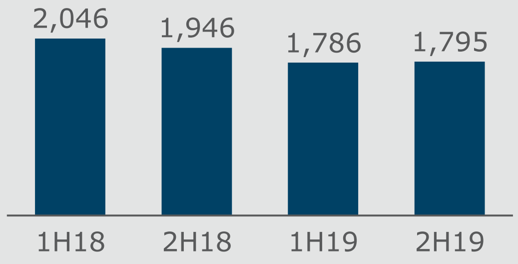

**Expenses ($m)**



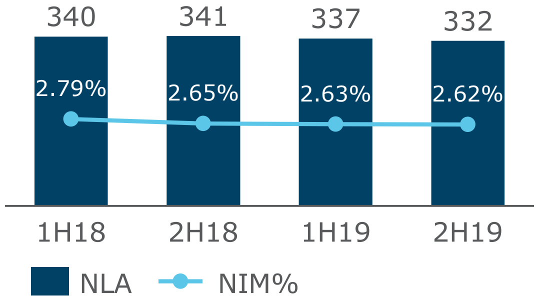

**Total Provisions ($m)**




**Cash Profit ($m)**

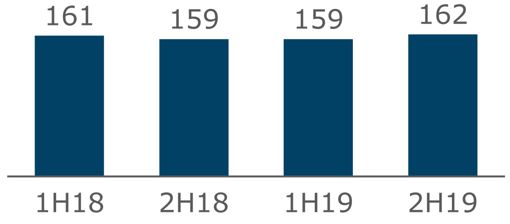



**NLAs ($b) & NIM**

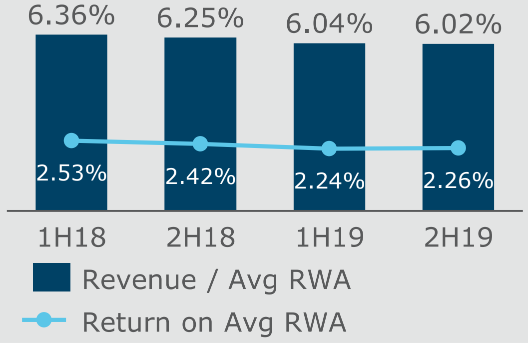



**FTE**


**Risk Weighted Assets ($b)**




**Return**



# AUSTRALIA - RETAIL

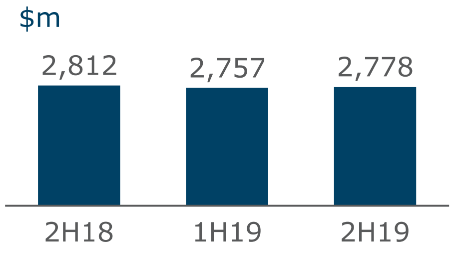
## CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

| Financial performance ($m) | 2H18 | 1H19 | 2H19 | 2H19 v 1H19 |
|---|---|---|---|---|
| Revenue | 3,391 | 3,217 | 3,244 | 1% |
| Expenses | 1,287 | 1,250 | 1,312 | 5% |
| **Profit Before Provisions** | **2,104** | **1,967** | **1,932** | **-2%** |
| Provisions | 201 | 230 | 162 | -30% |
| **NPAT** | **1,330** | **1,215** | **1,238** | **2%** |

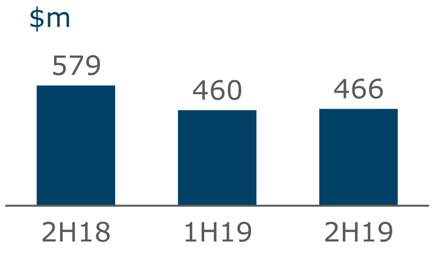
| Operational metrics | 2H18 | 1H19 | 2H19 | 2H19 v 1H19 |
|---|---|---|---|---|
| FTE | 11,320 | 11,150 | 11,287 | 2% |
| Branches | 629 | 593 | 577 | -3% |
| Digital Branches | 114 | 128 | 142 | 11% |
| Total Retail customers (#m) | 5.74 | 5.80 | 5.87 | 1% |
| Retail customers > 1 product (#m) | 4.81 | 4.87 | 4.90 | 1% |
| Digitally active customers (#m)[1] | 3.50 | 3.56 | 3.60 | 1% |
| Digital sales (% of sales)[1] | 25.2 | 27.3 | 30.0 | 268bps |
| Supported wallet transactions (#m) | 38.2 | 51.0 | 69.0 | 35% |

1. Digitally active customers & Digital Sales are inclusive of both Retail and Commercial customers

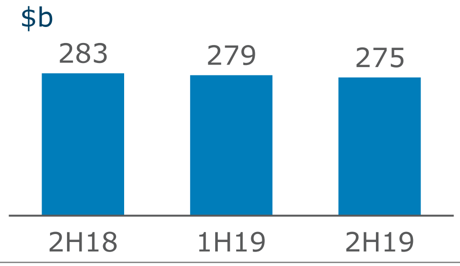
### NET INTEREST INCOME



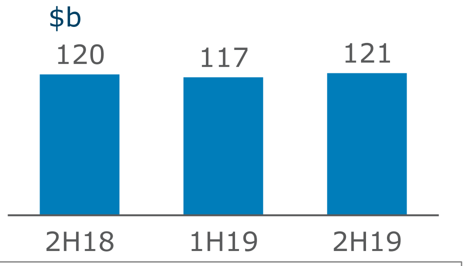

### OTHER OPERATING INCOME




### NET LOANS & ADVANCES




### CUSTOMER DEPOSITS




- Lower lending volumes with slower system credit growth, competition and tighter home loan origination risk settings
- NIM impacted by home loan mix changes and higher discounting, the impact of deposit rates and regulatory impact on credit card pricing. This was partially offset by home loans re-pricing
- Other operating income impacted by removal of fees and lower volumes
- Significant progress in 2H19 on lifting momentum in home loans with applications up half-on-half

# AUSTRALIA – COMMERCIAL

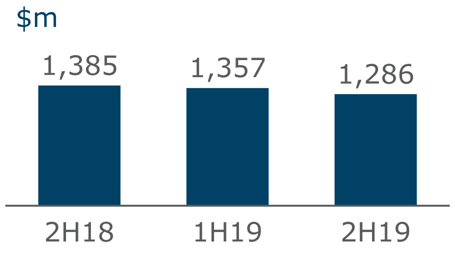
## CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

| Financial performance ($m) | 2H18 | 1H19 | 2H19 | 2H19 v 1H19 |
|---|---|---|---|---|
| Revenue | 1,637 | 1,590 | 1,524 | -4% |
| Expenses | 571 | 608 | 573 | -6% |
| **Profit Before Provisions** | **1,066** | **982** | **951** | **-3%** |
| Provisions | 185 | 166 | 154 | -7% |
| **NPAT** | **616** | **571** | **557** | **-2%** |

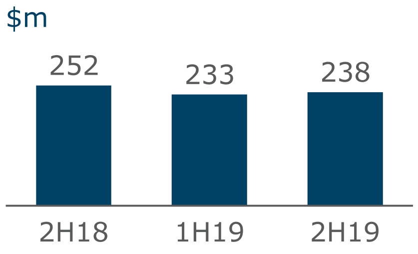
| Operational metrics | 2H18 | 1H19 | 2H19 | 2H19 v 1H19 |
|---|---|---|---|---|
| FTE | 2,411 | 2,510 | 2,616 | 4% |
| Total Commercial customers (#k) | 490.9 | 490.2 | 495.6 | 1% |
| Comm Customers > 1 product (#k) | 218.8 | 217.9 | 218.9 | 0% |
| RWA Intensity (Avg RWA / Avg GLA) | 104% | 102% | 99% | -270bps |
| Credit impairment / Avg GLA (%) | 0.71 | 0.64 | 0.59 | -5bps |
| Growth in specialist channels[1] | 6% | 3% | 4% | 116bps |

1. NLA FUM growth in specialised businesses (Health, Property, Agribusiness & Emerging Corporate)

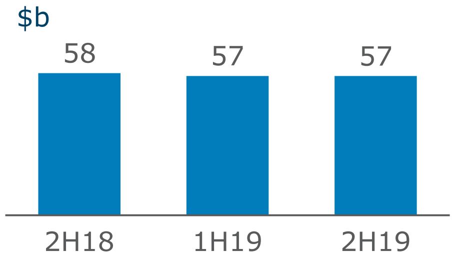
### NET INTEREST INCOME



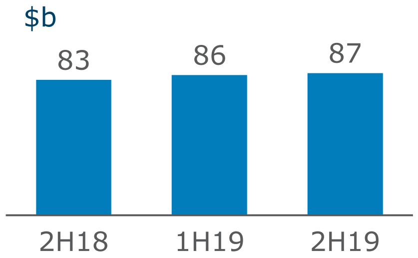

### OTHER OPERATING INCOME




### NET LOANS & ADVANCES




### CUSTOMER DEPOSITS

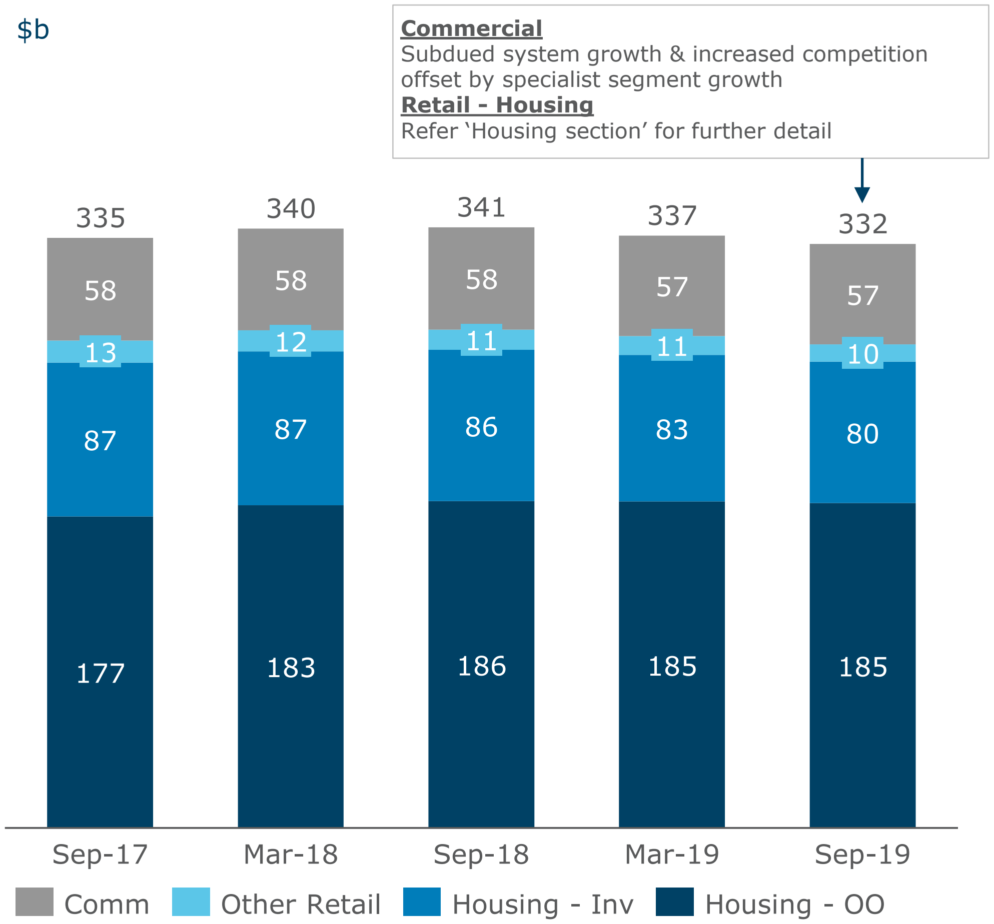



- Revenue performance impacted by subdued credit growth, volume reductions, competition and deposit margin compression
- Commercial lending volumes flat half-on-half, down 2% year-on-year, with reduction in Small Business Banking volumes, subdued Business Banking growth and Asset Finance run off
- Commercial deposit growth up 5% year-on-year, driven by Small Business Banking (+5%), Business Banking (+3%) and Private Bank (+8%). Commercial Deposit to Loan ratio now above 1.5:1

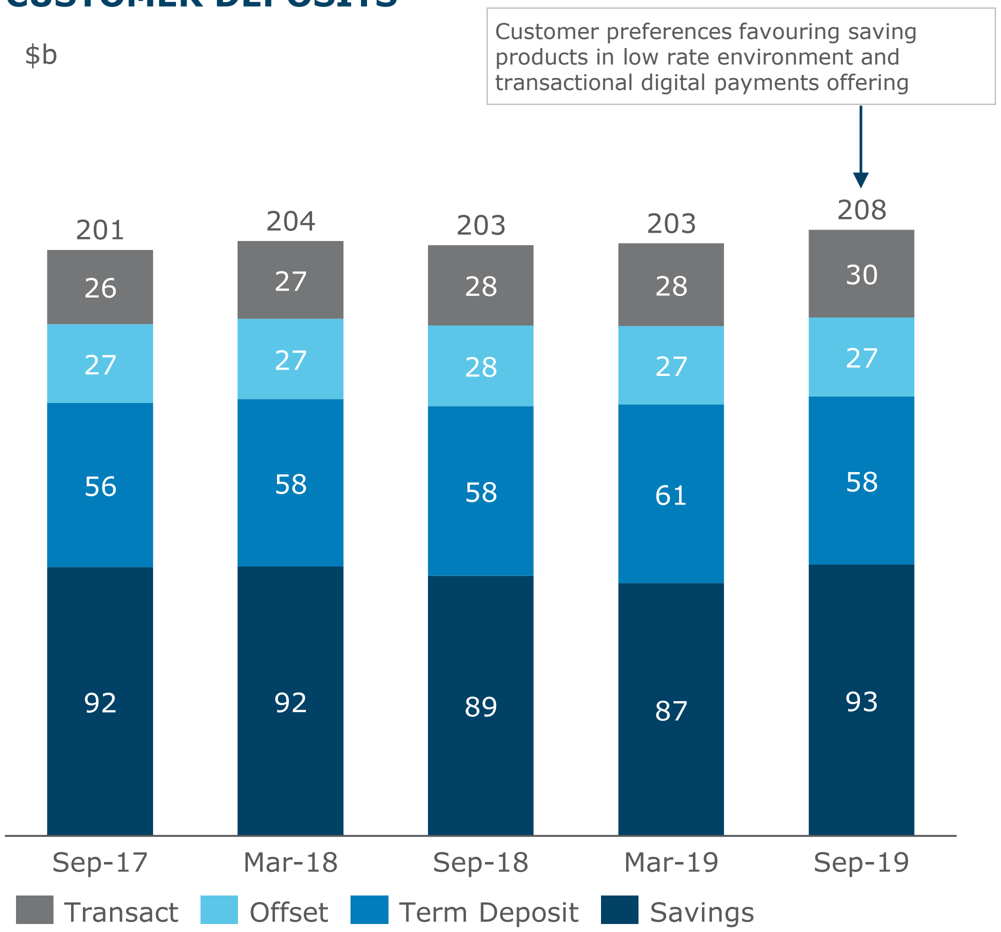
# AUSTRALIA RETAIL & COMMERCIAL

## BALANCE SHEET

### NET LOANS & ADVANCES[1]




### CUSTOMER DEPOSITS



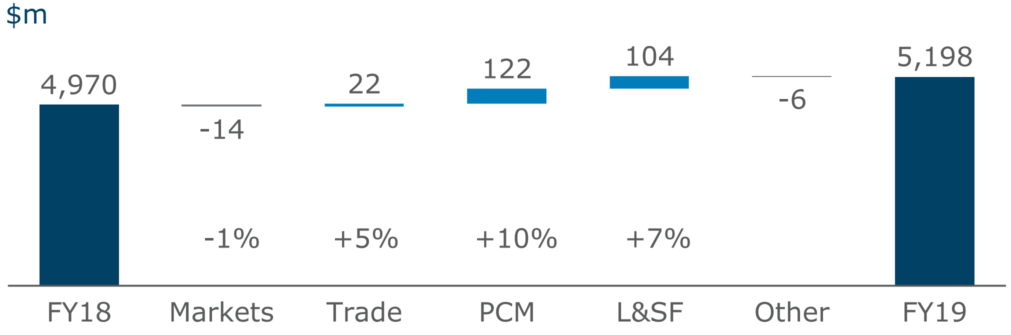

1. Housing - OO includes Equity Manager; Other retail includes Australia Wealth retained

# INSTITUTIONAL

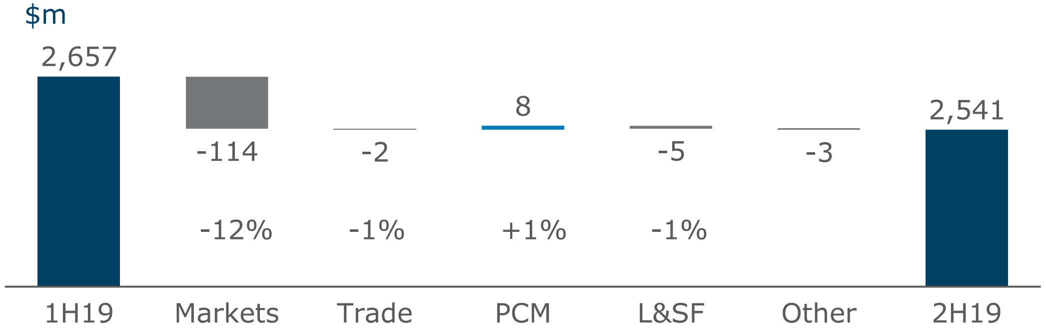
## FINANCIAL PERFORMANCE: CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

| $m | FY18 | FY19 | FY19 v FY18 | 1H19 | 2H19 | 2H19 v 1H19 |
|---|---|---|---|---|---|---|
| **Income** | **4,970** | **5,198** | **5%** | **2,657** | **2,541** | **-4%** |
| Net interest income | 2,934 | 3,025 | 3% | 1,548 | 1,477 | -5% |
| Other operating income | 2,036 | 2,173 | 7% | 1,109 | 1,064 | -4% |
| **Expenses** | **2,661** | **2,575** | **-3%** | **1,293** | **1,282** | **-1%** |
| **Profit before provisions** | **2,309** | **2,623** | **14%** | **1,364** | **1,259** | **-8%** |
| Provisions | -46 | -3 | Large | -34 | 31 | Large |
| **Cash profit continuing** | **1,666** | **1,852** | **11%** | **1,004** | **848** | **-16%** |
| **Return on Avg RWAs** | **1.03%** | **1.10%** | **+7 bps** | **1.22%** | **0.99%** | **-23 bps** |
| **Operating expense to operating income** | **53.5%** | **49.5%** | **-402 bps** | **48.7%** | **50.4%** | **+178 bps** |
| **Total credit impairment charge / Avg GLAs** | **-0.03%** | **0.00%** | **+3 bps** | **-0.04%** | **0.04%** | **+8 bps** |

### INCOME DRIVERS FY19 V FY18 (YOY)[1]




### INCOME DRIVERS 2H19 V 1H19 (HOH)[1]



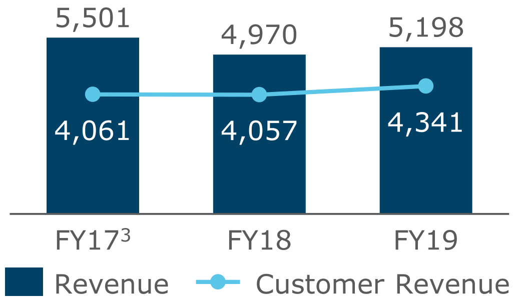

1. L&SF = Loans and Specialised Finance; Trade = Trade and Supply Chain; PCM = Payments and Cash Management

# INSTITUTIONAL

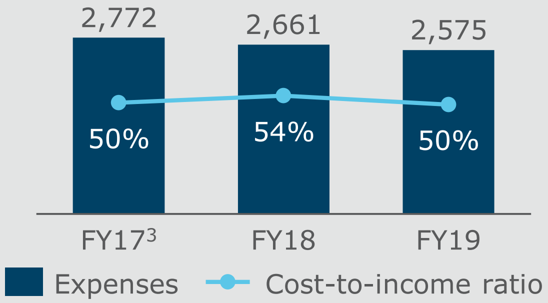
## FY19 FINANCIAL PERFORMANCE: CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

| Continued momentum and customer revenue growth | Productivity focus maintained, absolute cost reduction | Credit charges remained below long run trend | Targeted profitable growth and improved returns |
|---|---|---|---|

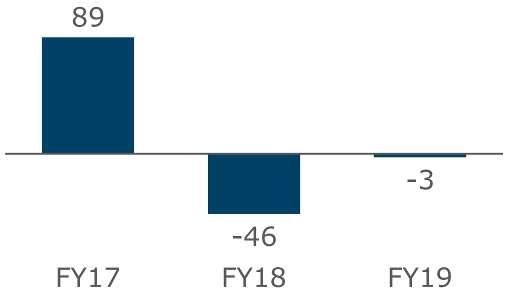
**Income ($m)**



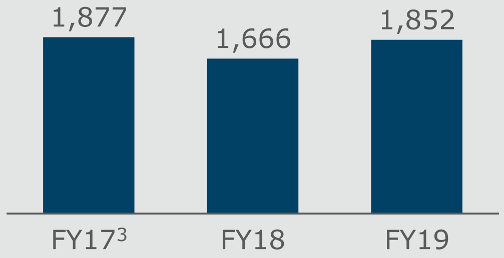

**Expenses ($m)**



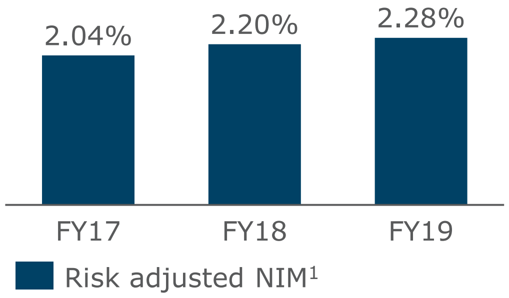

**Total Provisions ($m)**



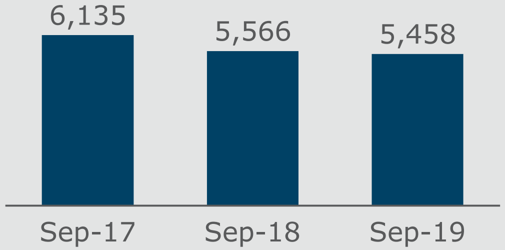

**Cash Profit ($m)**



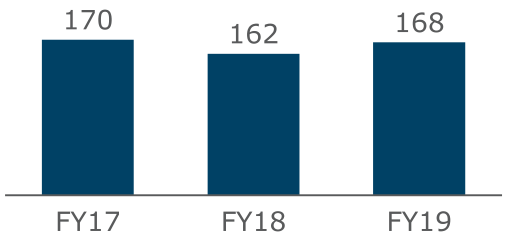

**Risk Adjusted Margin**



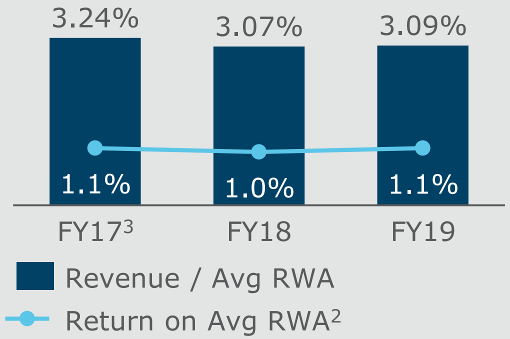

**FTE**




**Avg. Risk Weighted Assets ($b)**




**Return**



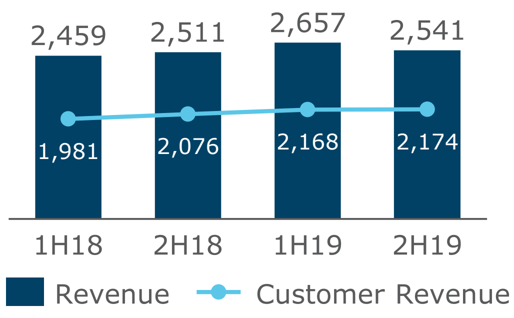

1. Institutional ex-Markets net interest income divided by average credit risk weighted assets
2. Cash profit divided by average risk weighted assets
3. FY17 has not been restated for AASB15 impacts

# INSTITUTIONAL

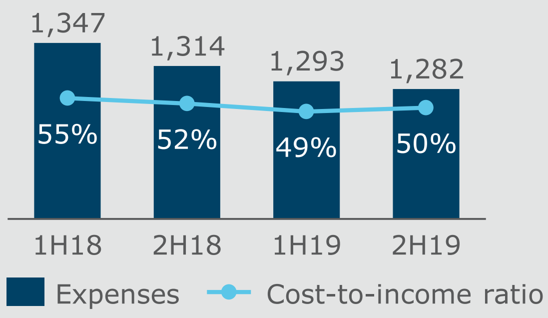
## 2H19 FINANCIAL PERFORMANCE: CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

| Subdued market environment resulted in lower 2H19 revenue | Seventh consecutive half of absolute cost reduction | Low credit charges indicate continued portfolio health | Economic conditions in 2H19 impacted returns |
|---|---|---|---|

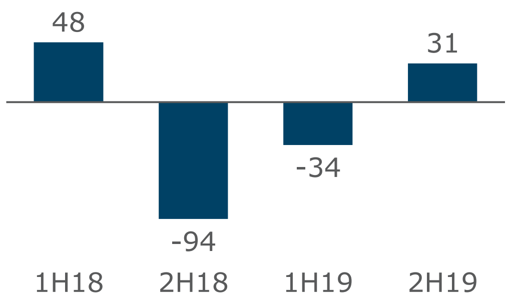
**Income ($m)**



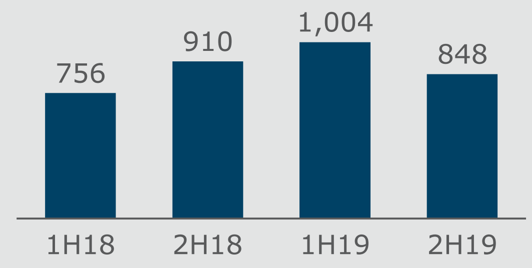

**Expenses ($m)**



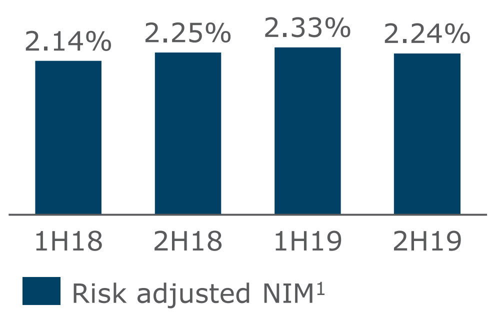

**Total Provisions ($m)**



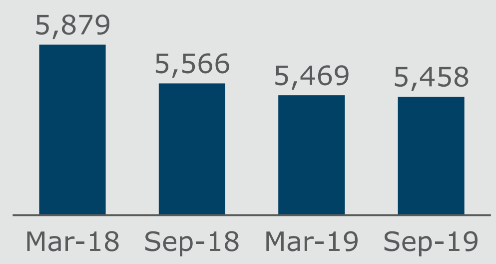

**Cash Profit ($m)**



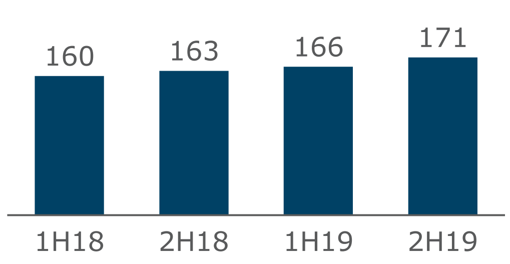

**Risk Adjusted Margin**



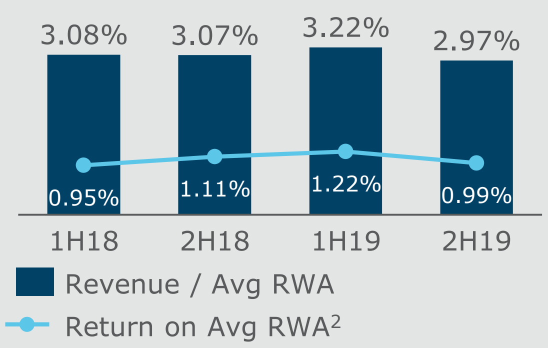

**FTE**




**Avg. Risk Weighted Assets ($b)**




**Return**



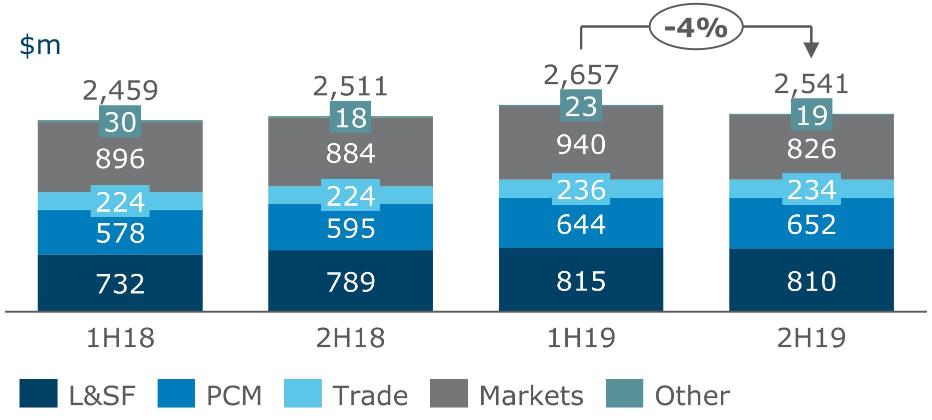

1. Institutional ex-Markets net interest income divided by average credit risk weighted assets
2. Cash profit divided by average risk weighted assets

ANZ

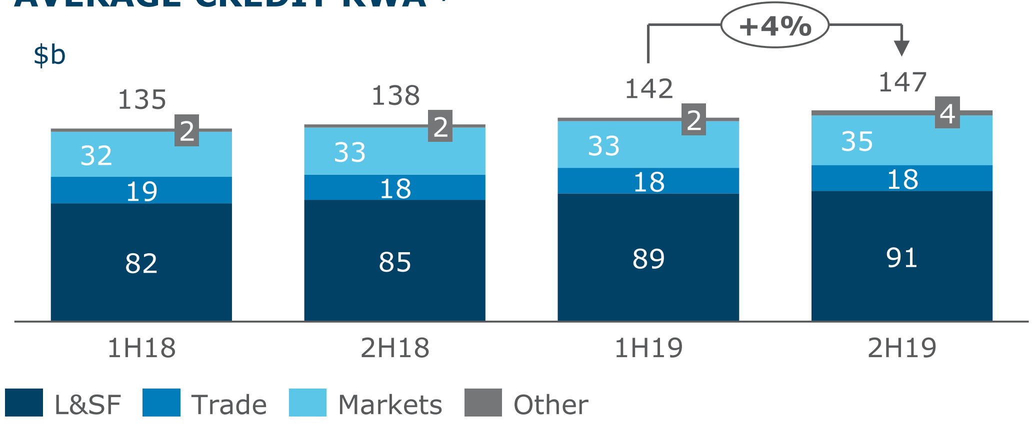
# INSTITUTIONAL

## TOTAL REVENUE REDUCED IN 2H19 IN MARKETS AND INTERNATIONAL, CUSTOMER REVENUE REMAINED STABLE

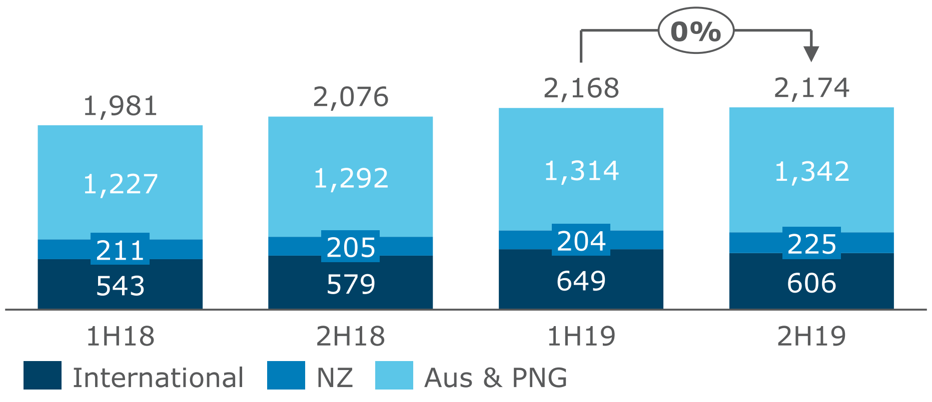
### REVENUE BY PRODUCT[1,2]



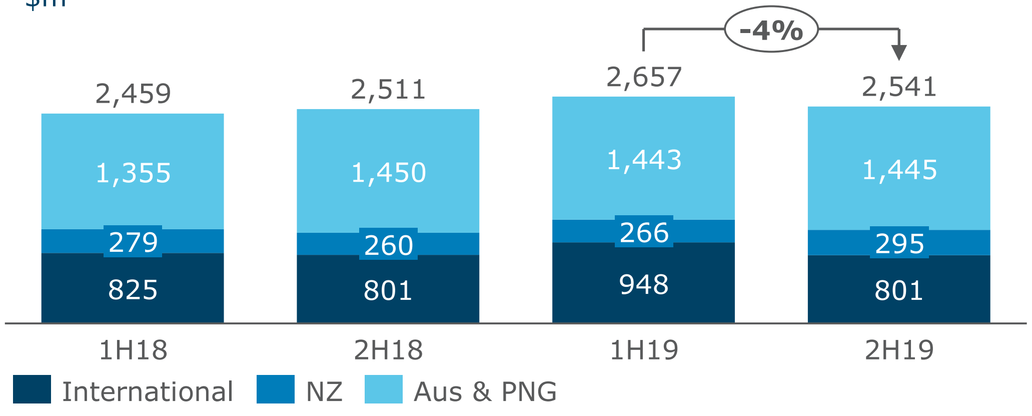

### AVERAGE CREDIT RWA[1,2]




### CUSTOMER REVENUE[1]




### REVENUE BY REGION[1]

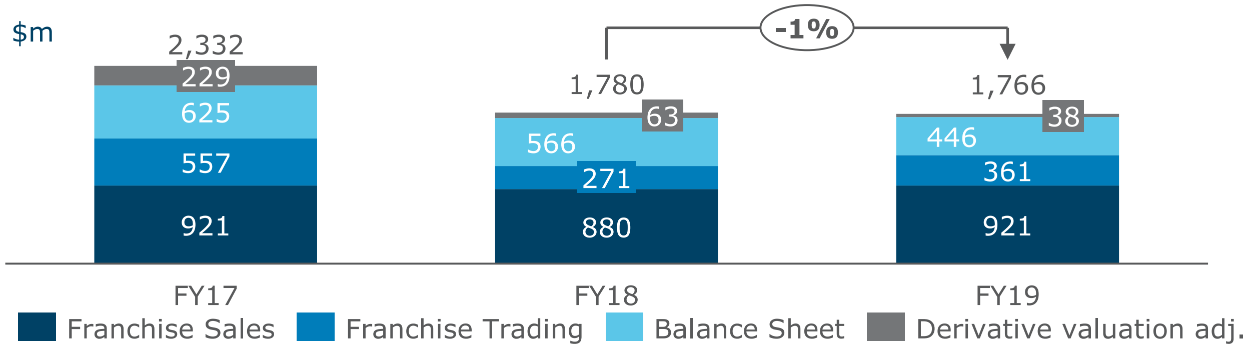



1. All numbers are excluding large / notable items
2. L&SF = Loans and Specialised Finance; Trade = Trade and Supply Chain; PCM = Payments and Cash Management

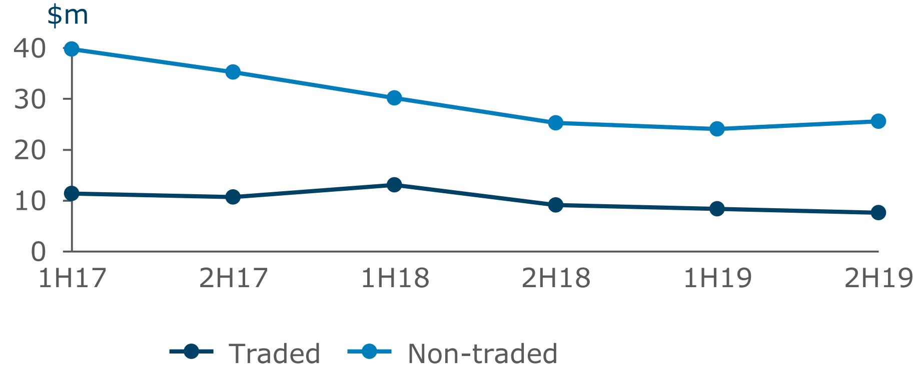
# INSTITUTIONAL MARKETS INCOME

## LOWER INCOME FROM BALANCE SHEET TRADING PARTLY OFFSET BY STRENGTH IN THE FRANCHISE BUSINESS

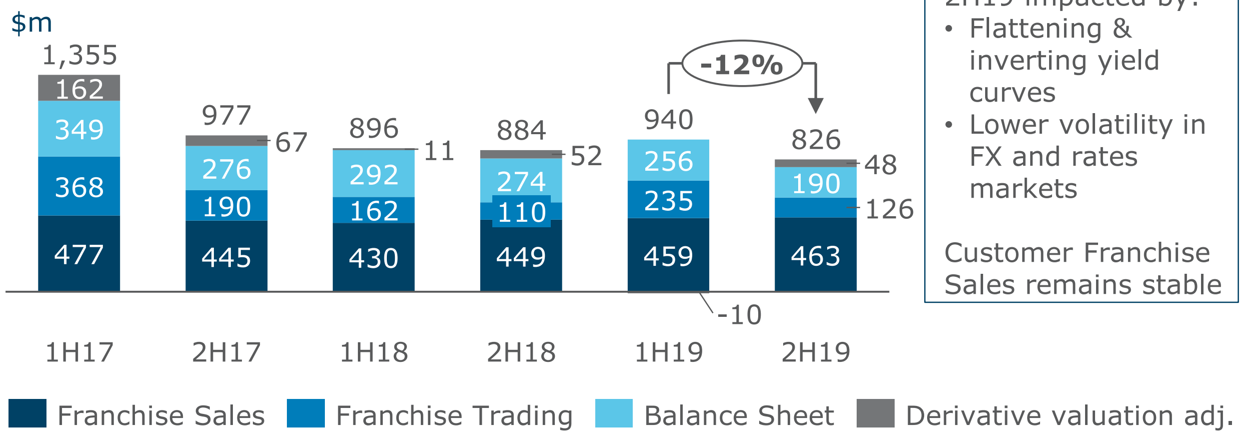
### MARKETS INCOME COMPOSITION[1] YOY




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




### MARKETS INCOME COMPOSITION[1] HOH

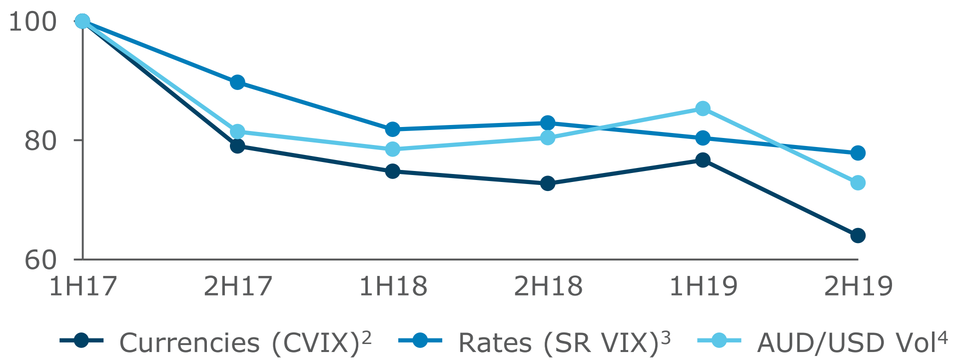



Lower revenue in 2H19 impacted by:

- Flattening & inverting yield curves
- Lower volatility in FX and rates markets

Customer Franchise Sales remains stable

### VOLATILITY

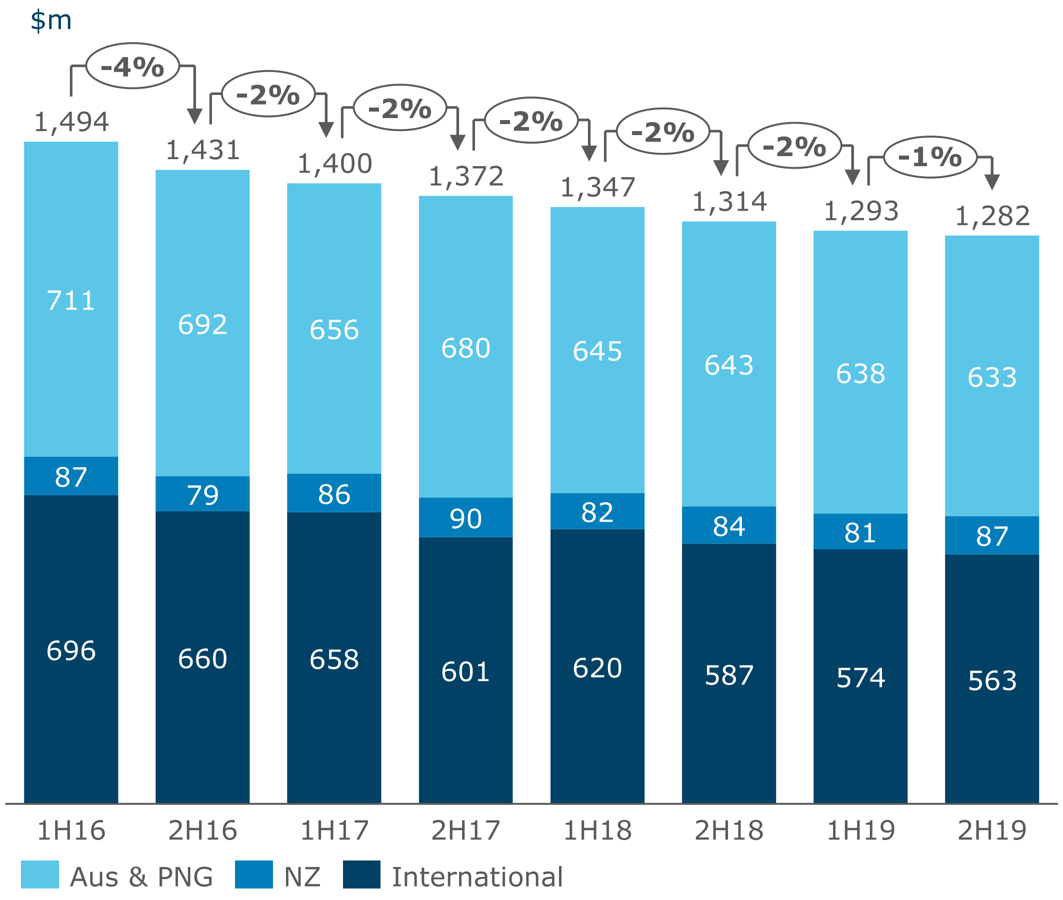



1. All numbers are excluding large / notable items 2. Deutsche Bank Currency Volatility Index – avg for each period shown 3. CBOE Interest Rate Volatility Index – avg for each period shown 4. AUD vs. USD 3 month at-the-money implied volatility – average for each period shown

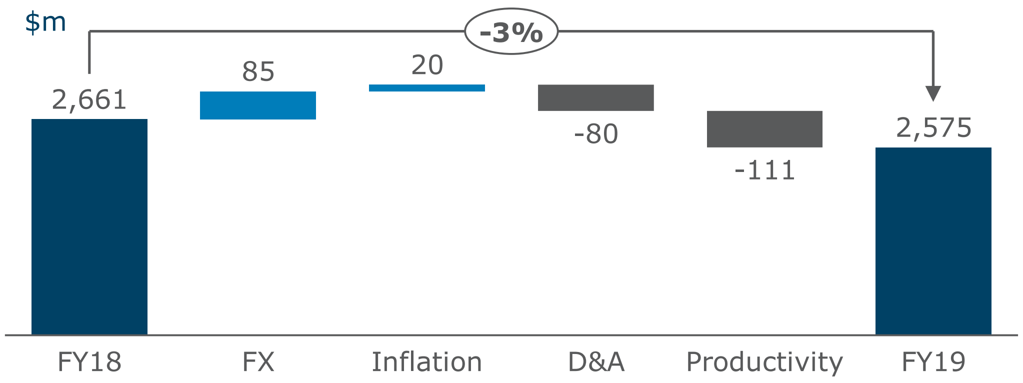
# INSTITUTIONAL

## SEVENTH CONSECUTIVE HALF OF ABSOLUTE COST REDUCTION

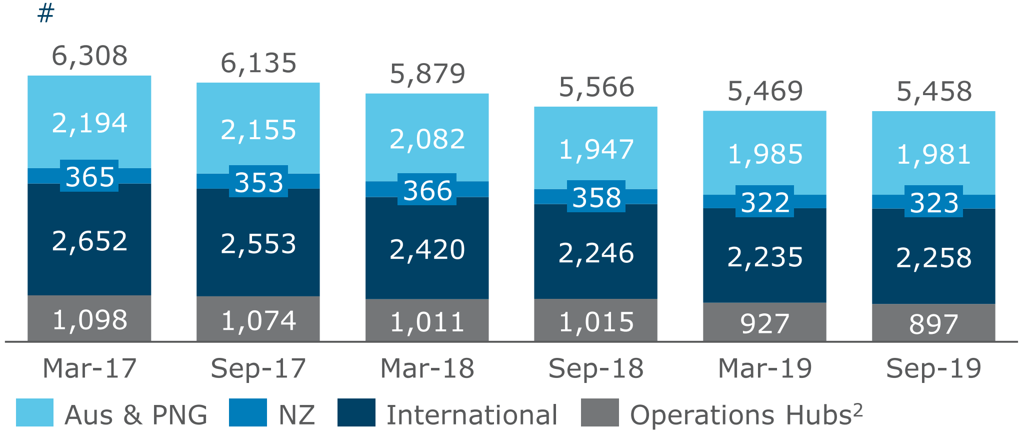
### EXPENSE CONTRIBUTION[1]




### FY19 EXPENSE DRIVERS[1]




### FTE[1]

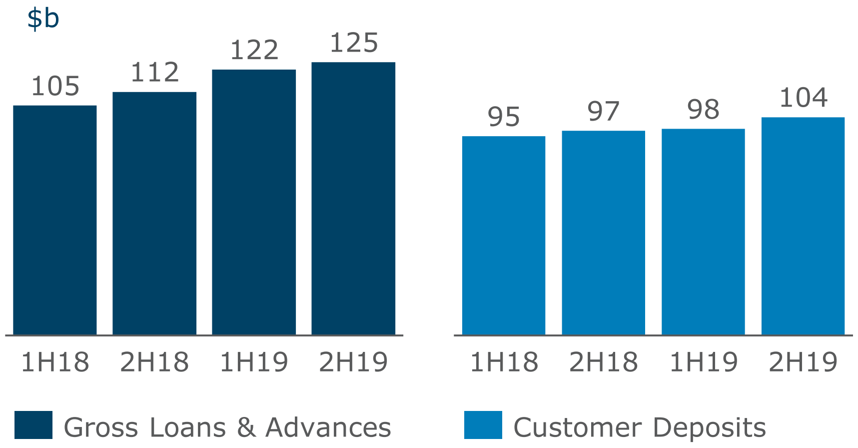



1. All numbers are excluding large / notable items
2. The costs associated with Operations hubs are allocated to all geographies

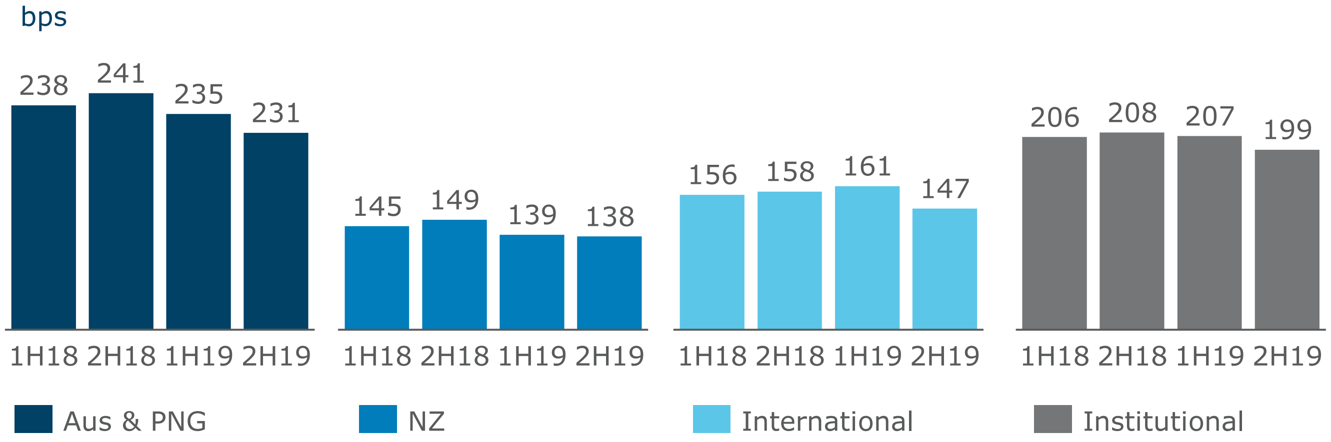
# INSTITUTIONAL

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

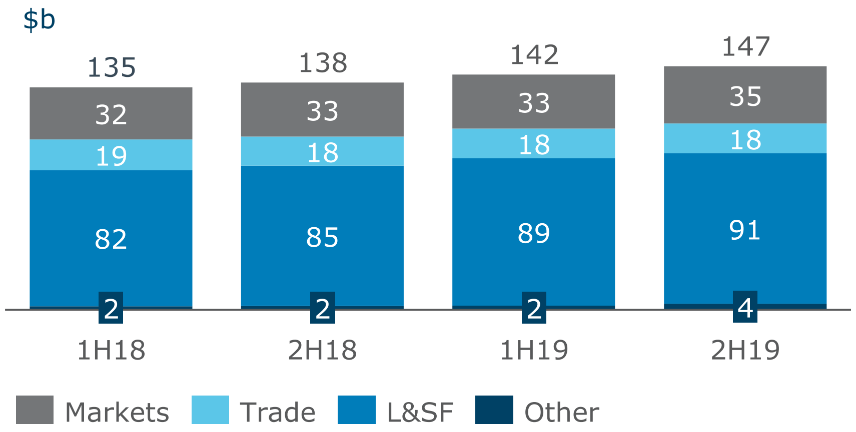
### VOLUMES[1]



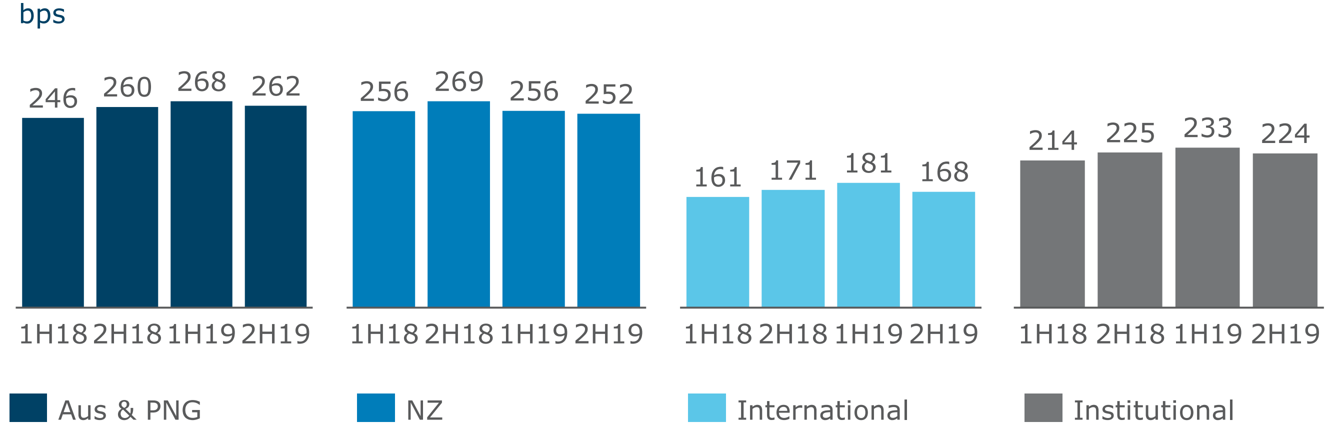

### NIM BY REGION[3]




### AVERAGE CREDIT RWA[2]




### RISK ADJUSTED NIM[4]



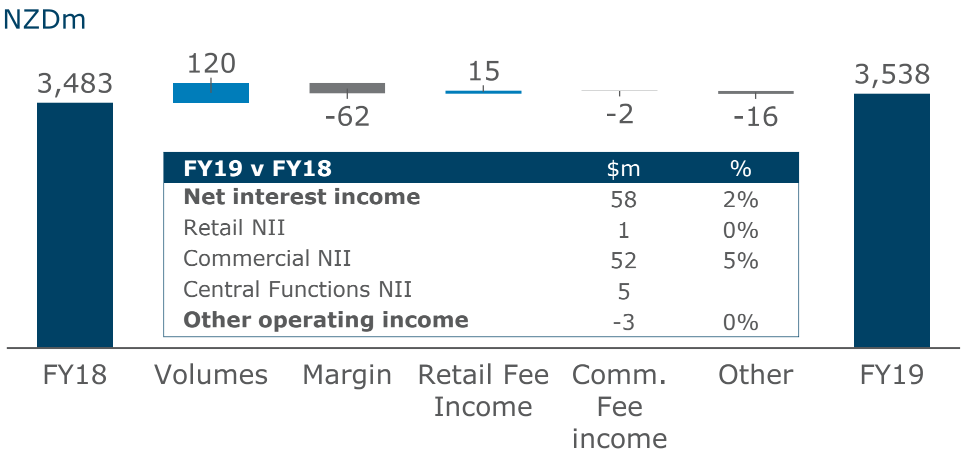

1. Average Gross Loans & Advances for L&SF and Trade; average customer deposits for Payments and Cash Management 2. Trade = Trade and Supply Chain L&SF = Loans and Specialised Finance 3. Institutional ex-Markets net interest margin 4. Institutional ex-Markets net interest income divided by average credit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

# NEW ZEALAND DIVISION

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

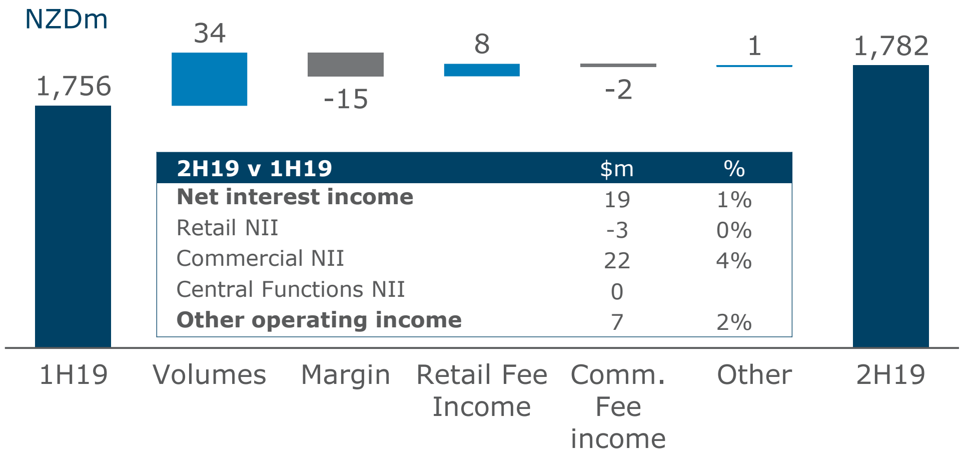
| NZDm | FY18 | FY19 | FY19 v FY18 | 1H19 | 2H19 | 2H19 v 1H19 |
|---|---|---|---|---|---|---|
| **Income** | **3,483** | **3,538** | **2%** | **1,756** | **1,782** | **1%** |
| Net interest income | 2,881 | 2,939 | 2% | 1,460 | 1,479 | 1% |
| Other operating income | 602 | 599 | 0% | 296 | 303 | 2% |
| **Expenses** | **1,257** | **1,326** | **5%** | **638** | **688** | **8%** |
| **Profit before provisions** | **2,226** | **2,212** | **-1%** | **1,118** | **1,094** | **-2%** |
| Provisions | 6 | 92 | large | 31 | 61 | 97% |
| **Cash profit continuing** | **1,597** | **1,526** | **-4%** | **782** | **744** | **-5%** |
| **Return on Avg RWAs** | **2.61%** | **2.47%** | **-14 bps** | **2.54%** | **2.40%** | **-14 bps** |
| **Operating expense to operating income** | **36.1%** | **37.5%** | **139 bps** | **36.3%** | **38.6%** | **228 bps** |
| **Total credit impairment charge / Avg GLAs** | **0.01%** | **0.07%** | **6 bps** | **0.05%** | **0.10%** | **5 bps** |

### INCOME DRIVERS FY19 V FY18 (YOY)




| FY19 v FY18 | $m | % |
|---|---|---|
| **Net interest income** | 58 | 2% |
| Retail NII | 1 | 0% |
| Commercial NII | 52 | 5% |
| Central Functions NII | 5 | |
| **Other operating income** | -3 | 0% |

### INCOME DRIVERS 2H19 V 1H19 (HOH)



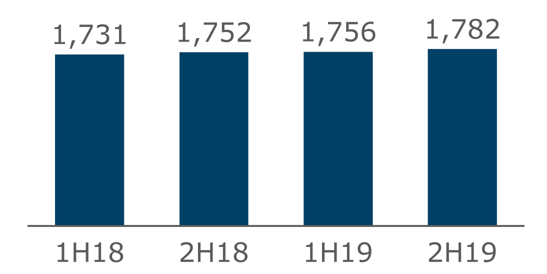

| 2H19 v 1H19 | $m | % |
|---|---|---|
| **Net interest income** | 19 | 1% |
| Retail NII | -3 | 0% |
| Commercial NII | 22 | 4% |
| Central Functions NII | 0 | |
| **Other operating income** | 7 | 2% |

# NEW ZEALAND DIVISION

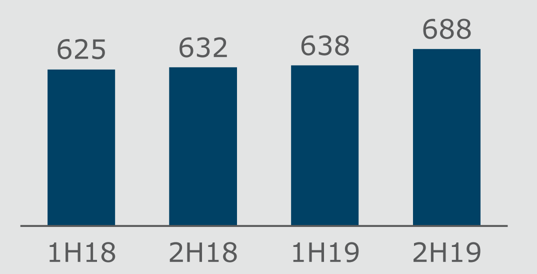
## FINANCIAL PERFORMANCE: CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

| Solid home lending growth within a competitive environment | Increased regulatory compliance requirements | Provisions returning to more normalised levels | Margin compression, compliance costs and provisions impacting returns |
|---|---|---|---|

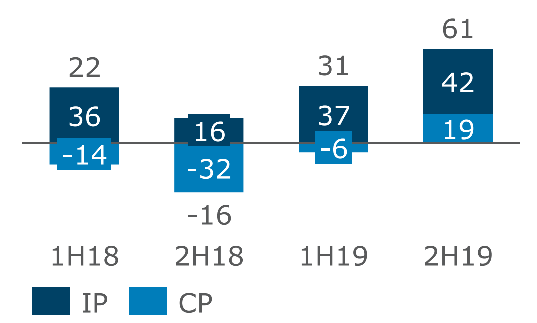
**Income (NZDm)**



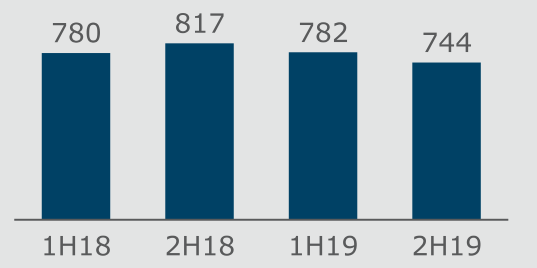

**Expenses (NZDm)**



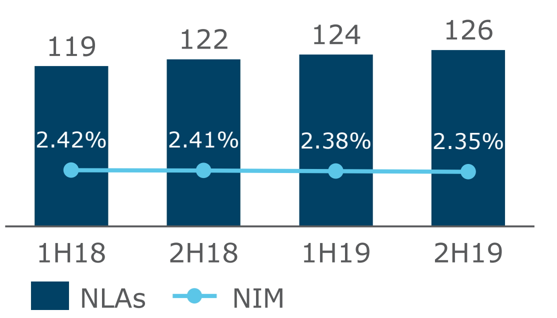

**Total Provisions (NZDm)**




**Cash Profit (NZDm)**

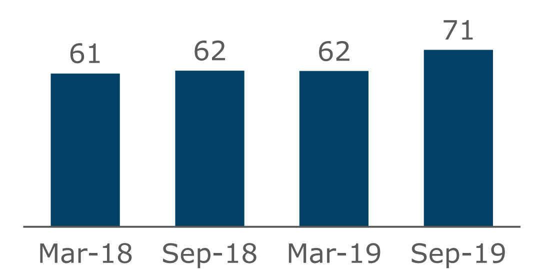



**NLAs (NZDb) & NIM**

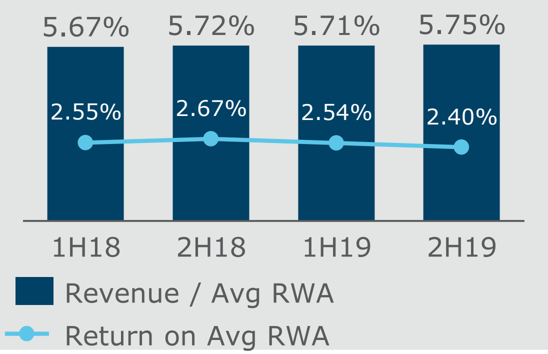



**FTE[1]**


**Risk Weighted Assets (NZDb)**




**Return**




1. On a Continuing Operations basis

# NEW ZEALAND DIVISION – RETAIL

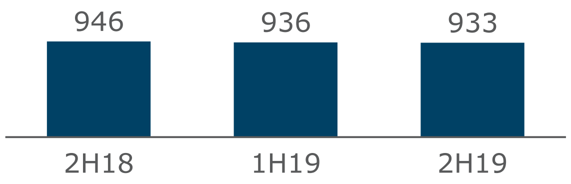
## FINANCIAL PERFORMANCE: CONTINUING OPERATIONS EXCLUDING LARGE / NOTABLE ITEMS

| Financial performance (NZDm) | 2H18 | 1H19 | 2H19 | 2H19 v 1H19 |
|---|---|---|---|---|
| Revenue | 1,232 | 1,223 | 1,228 | 0% |
| Expenses | 493 | 507 | 546 | 8% |
| **Profit before provisions** | **739** | **716** | **682** | **-5%** |
| Provisions | 17 | 29 | 16 | -45% |
| **NPAT** | **520** | **495** | **480** | **-3%** |

| Operational metrics | 2H18 | 1H19 | 2H19 | 2H19 v 1H19 |
|---|---|---|---|---|
| FTE | 3,751 | 3,700 | 3,686 | 0% |
| Branches | 179 | 170 | 164 | -6 |
| Total retail customers (#m) | 2.10 | 2.12 | 2.12 | 0% |
| Retail customers > 1 product | 67% | 67% | 67% | 0% |
| Digitally active customers (#m) | 1.43 | 1.47 | 1.50 | 2% |
| Digital sales (% of retail sales) | 23 | 25 | 29 | 360 bps |

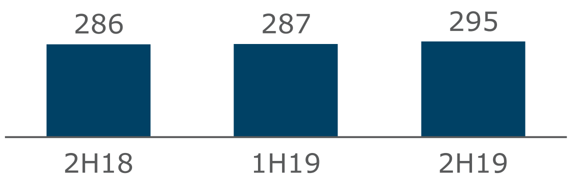
### NET INTEREST INCOME

NZDm



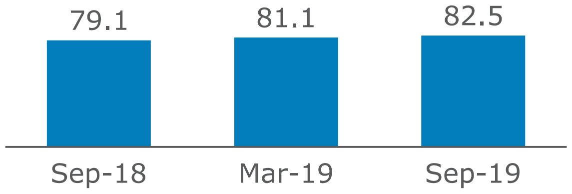

### OTHER OPERATING INCOME

NZDm



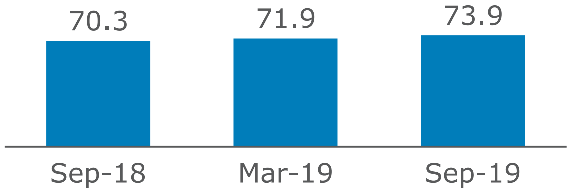

### NET LOANS & ADVANCES

NZDb

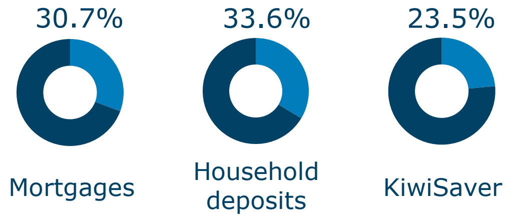



### CUSTOMER DEPOSITS

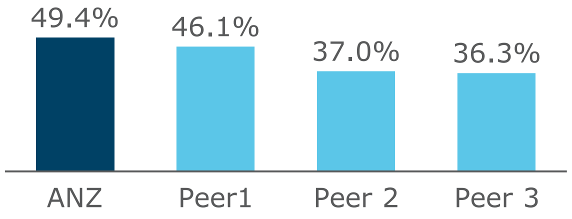
NZDb




### MARKET SHARE[1]




### BRAND CONSIDERATION[2]




1. Source: RBNZ, Mortgage and Household deposits market share as at August 2019, KiwiSaver FUM market share as at June 2019
2. Source: McCulley Research (first choice or seriously considered); six month rolling average, September 2019 (major four banks)

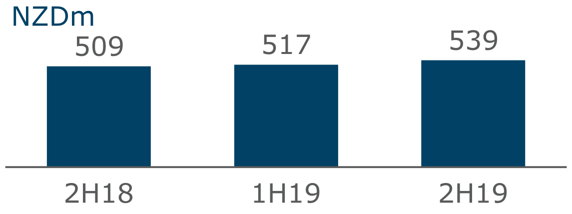
# NEW ZEALAND DIVISION - COMMERCIAL

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

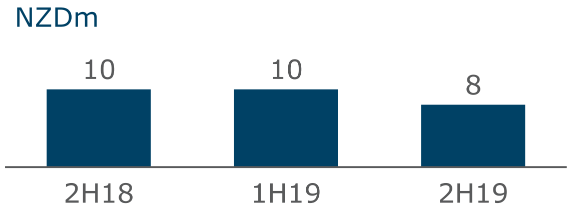
| Financial performance (NZDm) | 2H18 | 1H19 | 2H19 | 2H19 v 1H19 |
|---|---|---|---|---|
| Revenue | 519 | 527 | 547 | 4% |
| Expenses | 130 | 127 | 141 | 11% |
| **Profit before provisions** | **389** | **400** | **406** | **1%** |
| Provisions | -33 | 2 | 45 | Large |
| **NPAT** | **303** | **287** | **260** | **-9%** |

| Operational metrics | 2H18 | 1H19 | 2H19 | 2H19 v 1H19 |
|---|---|---|---|---|
| FTE | 957 | 910 | 905 | -1% |
| Return on Avg RWA | 1.97% | 1.86% | 1.66% | -20 bps |
| Revenue per Avg RWA | 3.38% | 3.42% | 3.50% | 8 bps |
| Total loss rate | -0.16% | 0.01% | 0.21% | 20 bps |
| Individual provision loss rate | -0.05% | 0.06% | 0.09% | 3 bps |

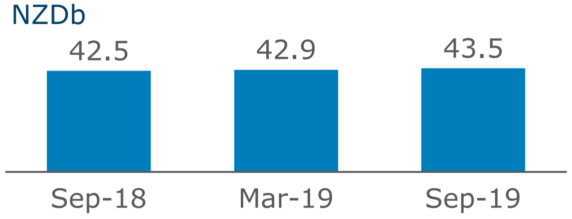
### NET INTEREST INCOME



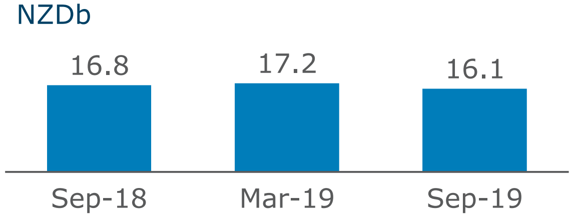

### OTHER OPERATING INCOME



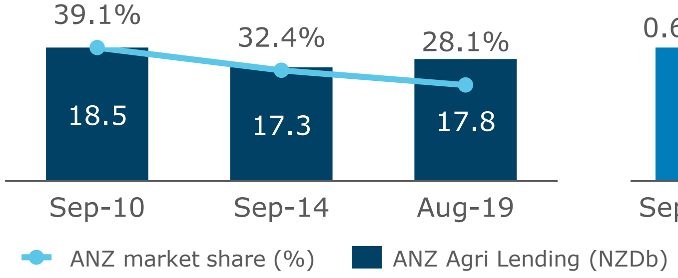

### NET LOANS & ADVANCES



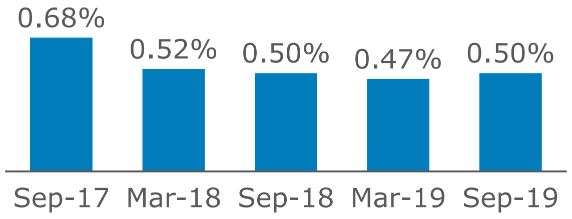

### CUSTOMER DEPOSITS




### AGRI LENDING MARKET SHARE[1]




### STABLE RISK PROFILE[2]

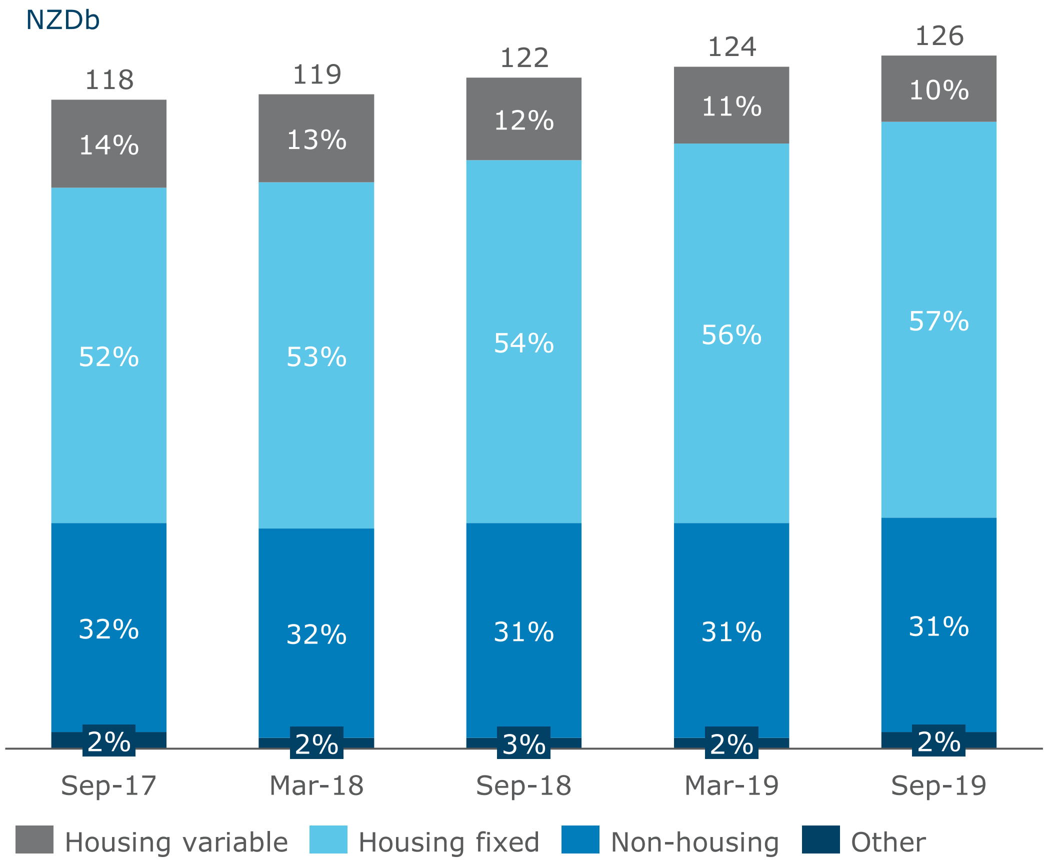



1 Source: RBNZ
2 Gross impaired assets as a % of gross loans and advances

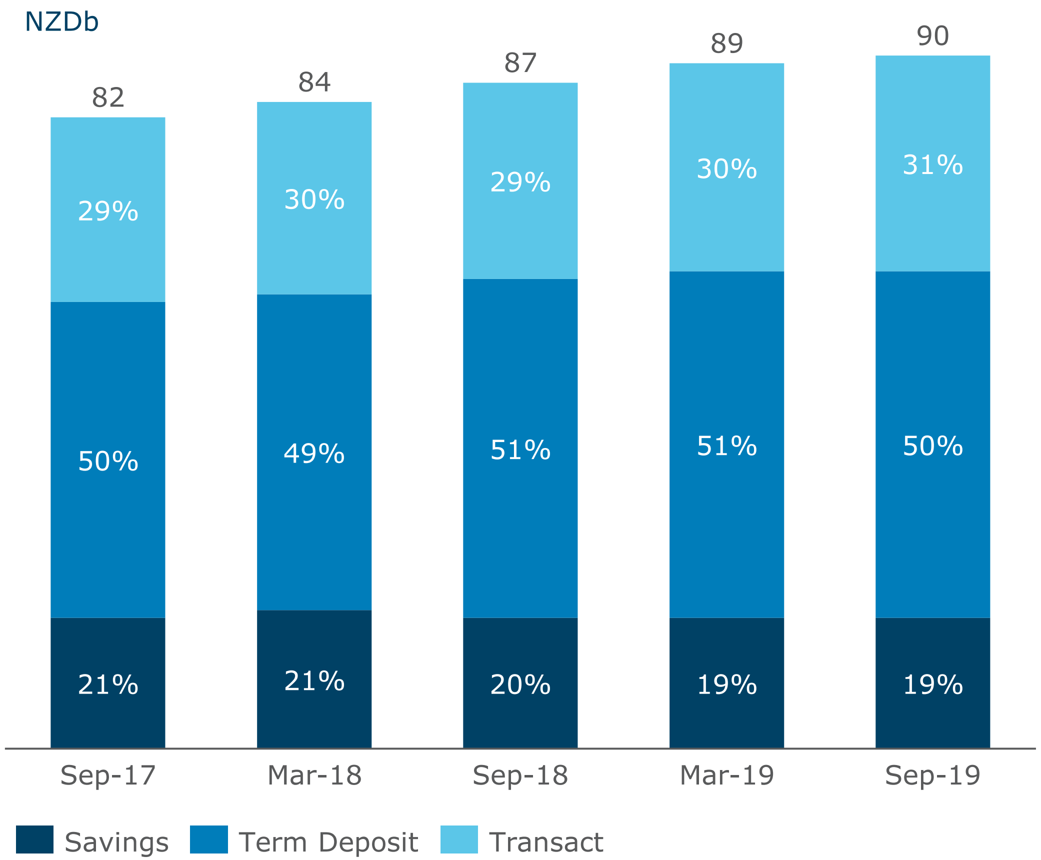
# NEW ZEALAND DIVISION

## BALANCE SHEET

### GROSS LOANS & ADVANCES



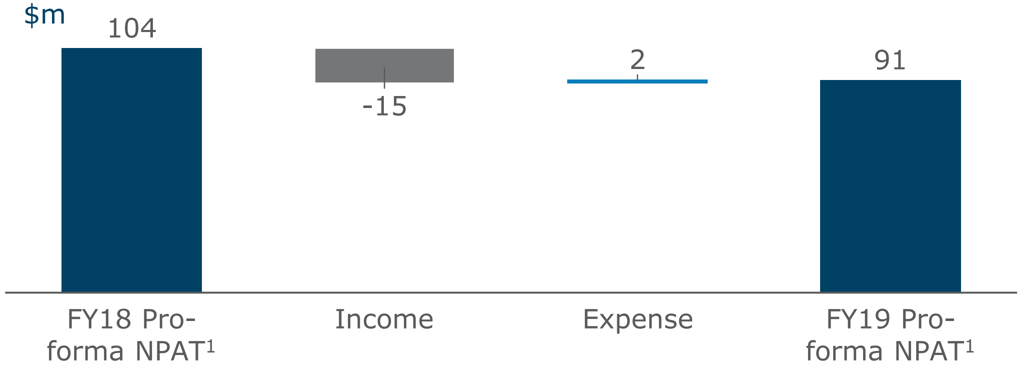

### CUSTOMER DEPOSITS



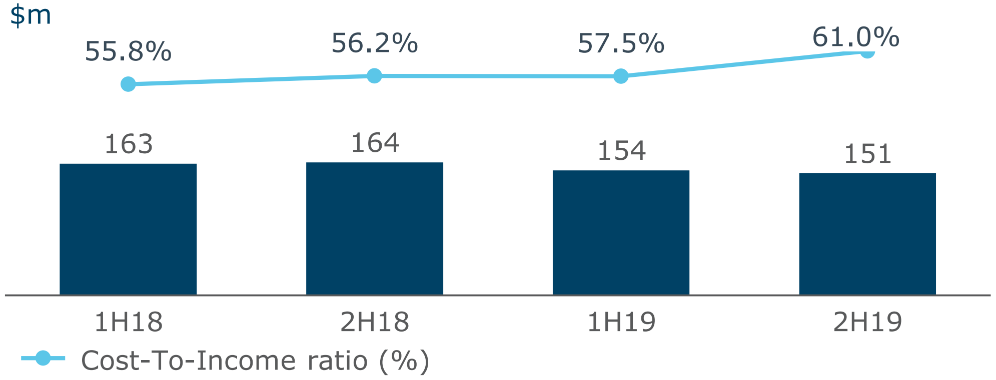
# WEALTH AUSTRALIA

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

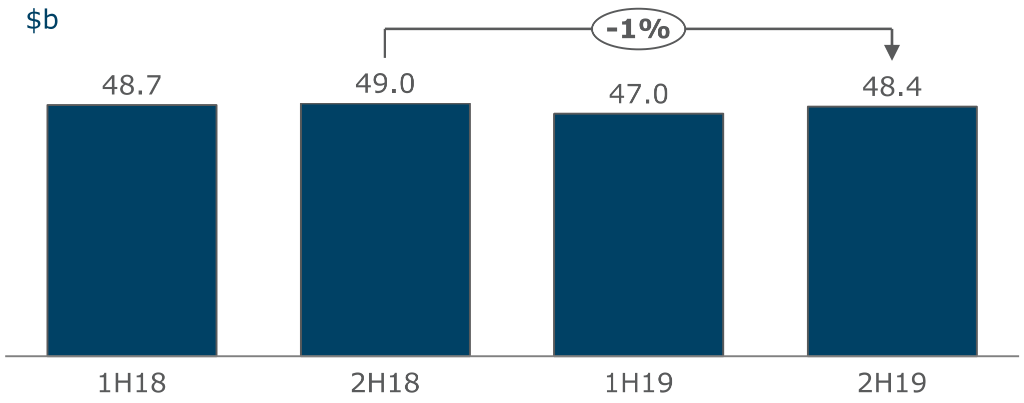
### FINANCIAL PERFORMANCE




### GROSS MARGIN[2]




### AVERAGE FUM[3]




### GUIDE TO FINANCIAL PERFORMANCE

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

1. Pro forma NPAT is prepared on a consistent basis as the Underlying Profit After Tax Pre-amortisation (UNPAT) disclosed by IOOF on 17 October 2017 transaction announcement. This excludes DAC/DEF related net charges, ANZ consolidation adjustments and amortisation of acquisition related intangibles. This includes normalisation and market pricing adjustments
2. Gross margin excludes DAC/DEF related net charges and includes normalisation
3. Average Funds Under Management (FUM) excludes legacy run-off portfolio of P&I products acquired by Zurich and FUM related to ANZ Private Bank trusts (Average FUM 1H18 : $1.1b, 2H18 : $1.4b, 1H19 : $1.6b, 2H19 : $1.8b)

# WEALTH AUSTRALIA

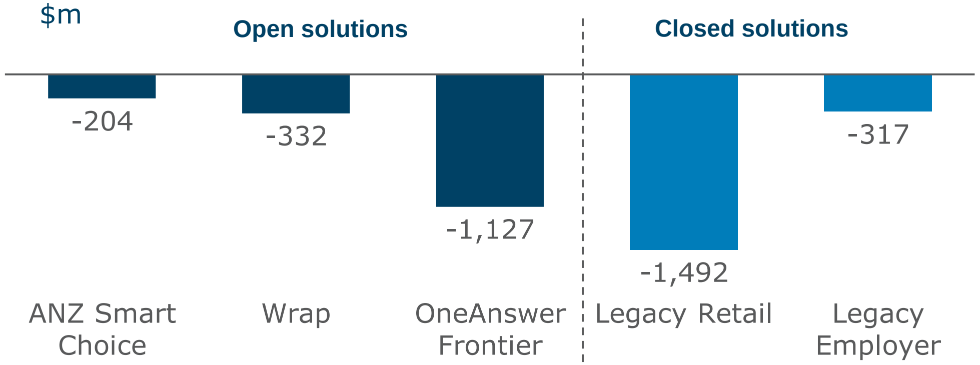
## DIVESTED BUSINESSES – P&I FUM AND FLOWS

### INFLOWS AND OUTFLOWS BY SOLUTION

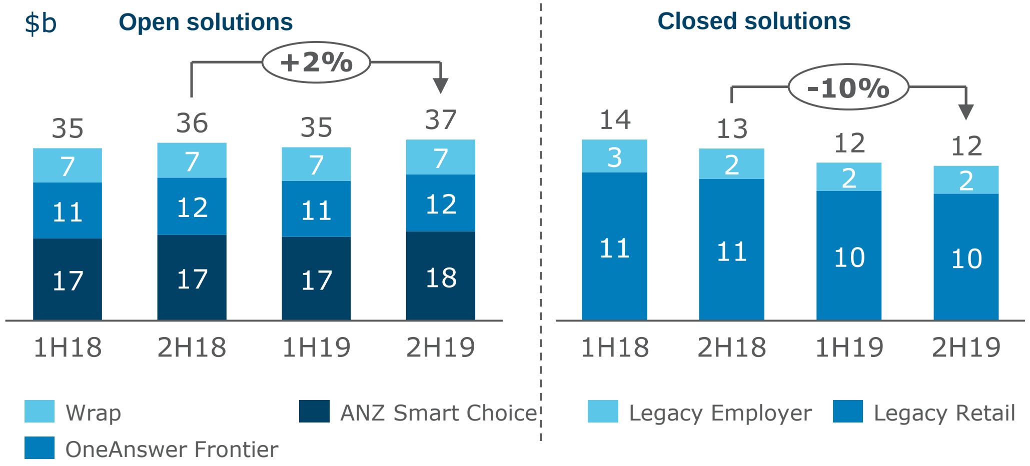
$b

| | FY18 | | FY19 | |
|---|---|---|---|---|
| | Inflows | Outflows | Inflows | Outflows |
| **Open solutions** | **4.2** | **-4.5** | **3.4** | **-5.1** |
| ANZ Smart Choice | 2.2 | -2.1 | 2.0 | -2.2 |
| Wrap | 0.8 | -1.0 | 0.7 | -1.0 |
| One Answer Frontier | 1.3 | -1.4 | 0.8 | -1.9 |
| **Closed solutions** | **0.4** | **-1.9** | **0.4** | **-2.2** |
| Legacy Retail | 0.3 | -1.6 | 0.4 | -1.8 |
| Legacy Employer | 0.1 | -0.4 | 0.1 | -0.4 |
| **Total** | **4.6** | **-6.4** | **3.9** | **-7.3** |

### FY19 NET FLOWS BY SOLUTION




### AVERAGE FUM BY SOLUTION[1]




### GUIDE TO FUM AND FLOW DISCLOSURES

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

1. Average FUM excludes legacy run-off portfolio of Pension and Investment products acquired by Zurich and FUM related to ANZ Private Bank trusts ( Average FUM 1H18 : $1.1b, 2H18 : $1.4b, 1H19 : $1.6b, 2H19 : $1.8b). NOTE: The sum of inflows and outflows by solution may not align to total due to rounding.

# 2019 FULL YEAR RESULTS

## INVESTOR DISCUSSION PACK

TREASURY

# REGULATORY CAPITAL

## CAPITAL UPDATE

- APRA Level 2 CET1 ratio of 11.4% (16.4% on an Internationally Comparable basis[1]), which is in excess of APRA's 'unquestionably strong' benchmark[2].
- APRA Level 1 CET1 ratio of 11.4%. Level 1 consolidation primarily comprises ANZ BGL (the Parent including offshore branches) but excludes offshore banking subsidiaries[3].
- APRA Leverage ratio of 5.6% (or 6.2% on an Internationally Comparable basis).
- Asset divestments contributed ~$2b in 2H19 (mainly divestment of OPL Australia)
- Pro-forma adjusted CET1 ratio of ~11.5%, including benefits from P&I divestment (~20bps), partially offset by IFRS16 impacts (~-7bps)

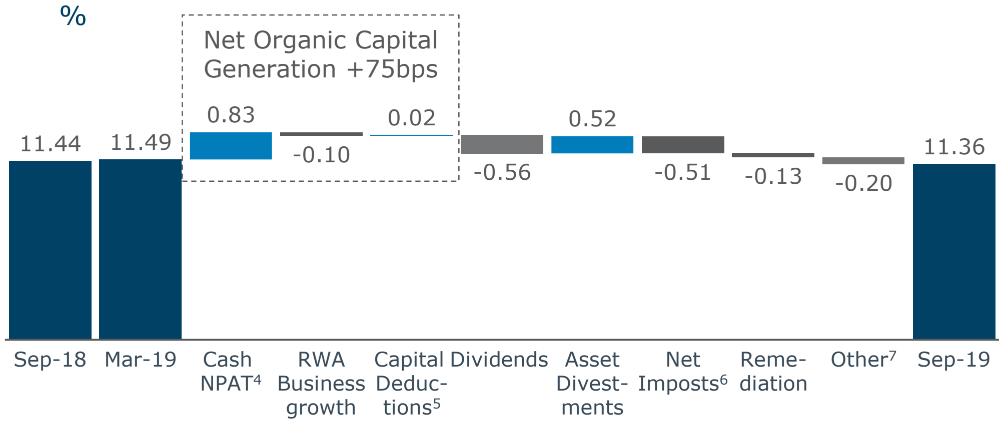
**Organic Capital Generation**

- Net organic capital generation of 75bps for 2H19 – in line with historical averages of ~80bps (excluding Institutional rebalancing)

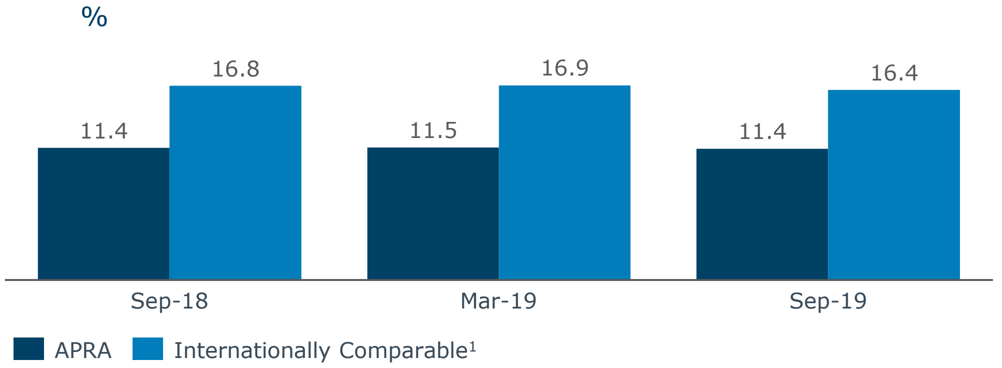
**Capital Outlook – Regulatory Development**

- RBNZ capital proposal – Potential impact of NZ$6b to NZ$8b for ANZ NZ (from Sep-18). Final impact depends on the outcome of the RBNZ consultation.
- APRA loss absorbing capacity (TLAC) – Total Capital requirements increased by 3% of RWA (~$12b in Tier 2 based on Sep-19 position) by January 2024.
- Revisions to treatment of equity investments in subsidiaries - in the absence of any offsetting management actions, this implies a reduction in ANZ's Level 1 CET1 capital ratio of up to approximately $2.5b (75bps). However, ANZ believes that this outcome is unlikely and, post implementation of management actions, the net capital impact could be minimal.
- Other ongoing APRA regulatory reviews potentially impacting the future capital position include: Revisions to capital framework (RWA), Unquestionably Strong capital calibration, and the Transparency, Comparability and Flexibility proposals.

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




## LEVEL 2 BASEL III CET1




1. Internationally Comparable methodology aligns with APRA's information paper entitled International Capital Comparison Study (13 July 2015). Basel III Internationally Comparable ratios do not include an estimate of the Basel I capital floor 2. Based on APRA information paper "Strengthening banking system resilience – establishing unquestionably strong capital ratios" released in July 2017 3. Refer to ANZ Basel III APS330 Pillar 3 disclosures 4. Cash NPAT excludes 'Large/notable' items' and one-off items 5. Mainly comprises the movement in retained earnings in deconsolidated entities and capitalised software 6. Includes SA-CCR (-18bps); APRA Operational Risk overlay (-18bps); and RWA floors for NZ housing/farm exposures (-18bps) 7. Other impacts include movements in non-cash earnings and net foreign currency translation

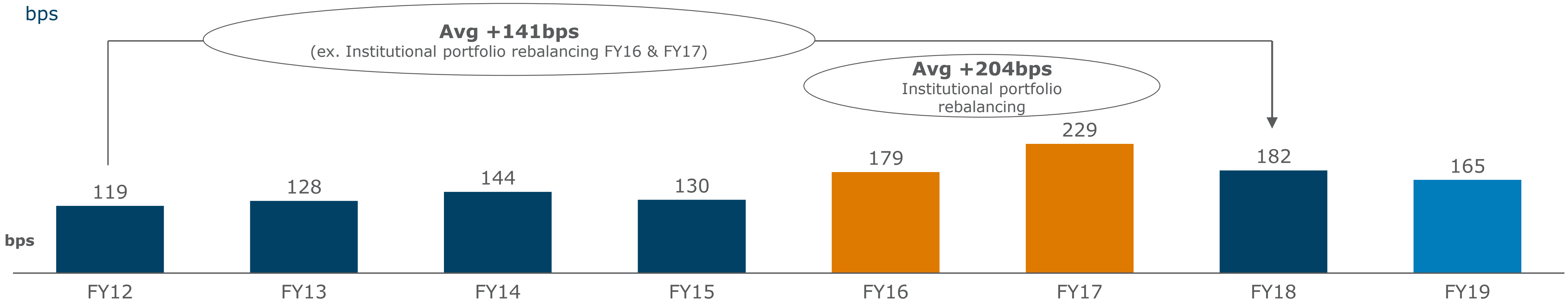
# REGULATORY CAPITAL GENERATION

| COMMON EQUITY TIER 1 GENERATION (bps) | 2H averages 2H12-2H18 | 2H19 | Full Year average FY12-FY18 | FY19 |
|---|---|---|---|---|
| Cash NPAT[1] | 95 | 83 | 189 | 172 |
| RWA movement | 1 | (10) | (13) | (7) |
| Capital Deductions[2] | (6) | 2 | (18) | - |
| **Net capital generation** | **90** | **75** | **158** | **165** |
| Gross dividend | (61) | (57) | (128) | (117) |
| Dividend Reinvestment Plan[3] | 10 | 1 | 19 | 2 |
| **Core change in CET1 capital ratio** | **39** | **19** | **49** | **50** |
| Other non-core and non-recurring items | (2) | (32) | 7 | (58) |
| **Net change in CET1 capital ratio** | **37** | **(13)** | **56** | **(8)** |

**Organic Capital Generation**

- Net organic capital generation of +165bps for FY19 and +75bps for 2H19
- Excluding Institutional portfolio rebalancing period, FY19 net organic capital generation is stronger by +24bps

## HISTORICAL NET ORGANIC CAPITAL GENERATION




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

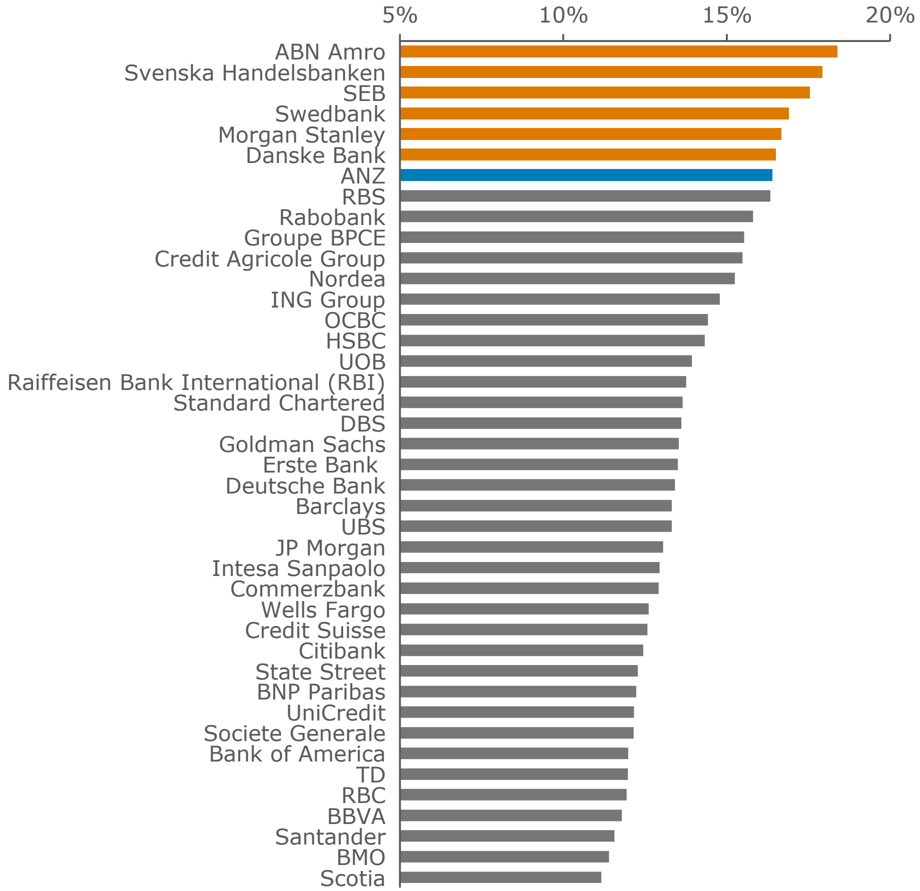
# INTERNATIONALLY COMPARABLE[1] REGULATORY CAPITAL POSITION

| APRA Level 2 CET1 – 30 September 2019 | | 11.4% |
|---|---|---|
| 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 | 0.9% |
| 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. | 1.2% |
| 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 | 0.2% |
| Other | Includes impact of deductions from CET1 for capitalised expenses and deferred fee income required by APRA, currency conversion threshold and other retail standardised exposures | 0.4% |
| **Basel III Internationally Comparable CET1** | | **16.4%** |
| **Basel III Internationally Comparable Tier 1 Ratio** | | **18.8%** |
| **Basel III Internationally Comparable Total Capital Ratio** | | **21.4%** |

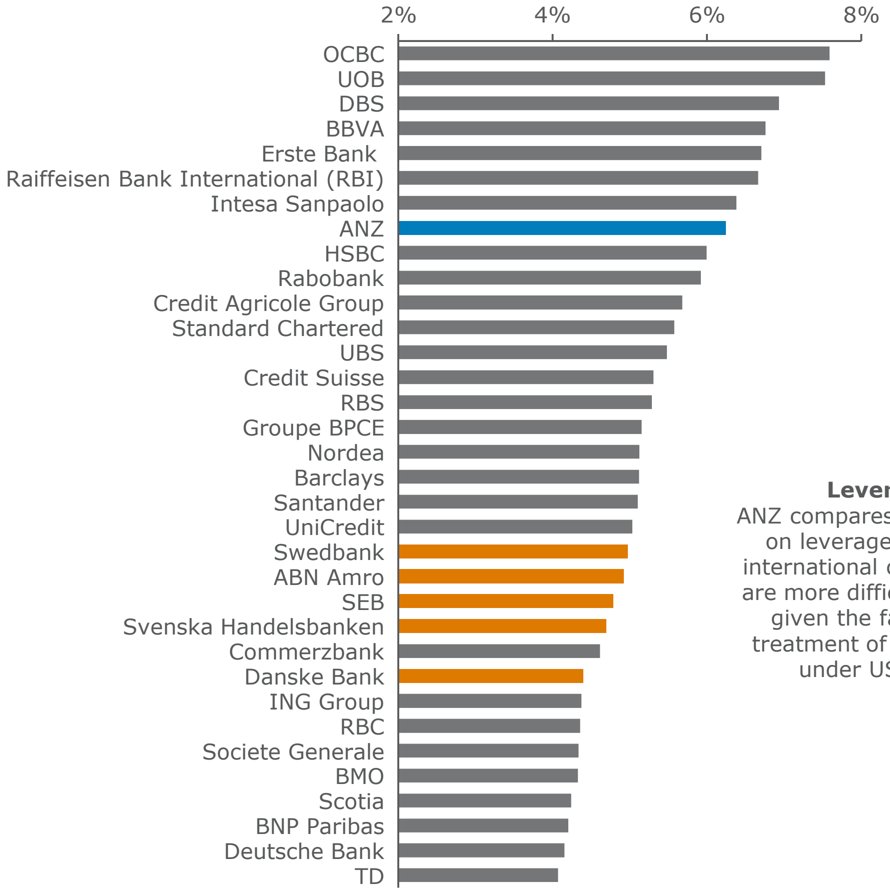
1. Internationally Comparable methodology aligns with APRA's information paper entitled International Capital Comparison Study (13 July 2015). Basel III Internationally Comparable ratios do not include an estimate of the Basel I capital floor

# CET1 AND LEVERAGE IN A GLOBAL CONTEXT

## CET1 RATIOS[1]




## LEVERAGE RATIOS[1,2]



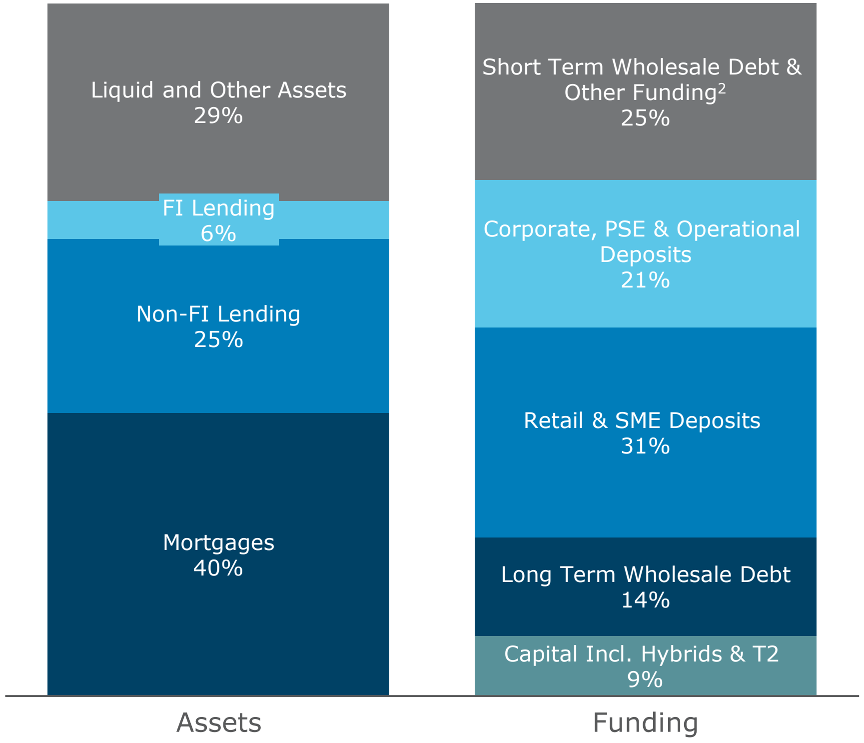

**Leverage**

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

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

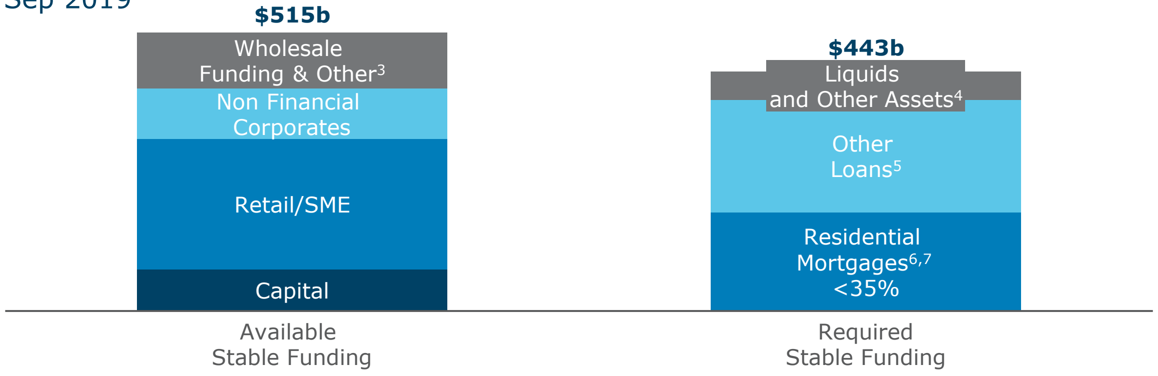
# BALANCE SHEET STRUCTURE[1]

## BALANCE SHEET COMPOSITION



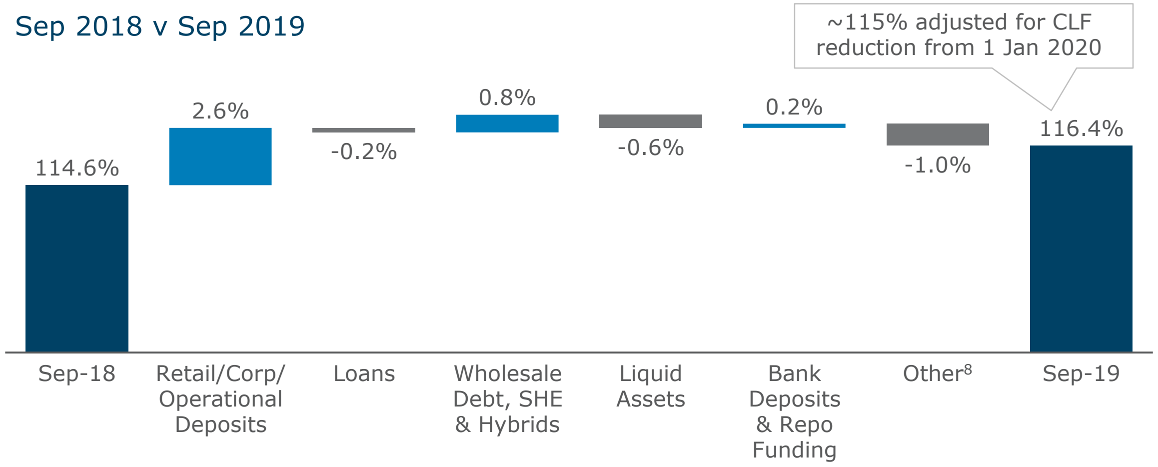

## NSFR COMPOSITION

Sep 2019




## NSFR MOVEMENT

Sep 2018 v Sep 2019

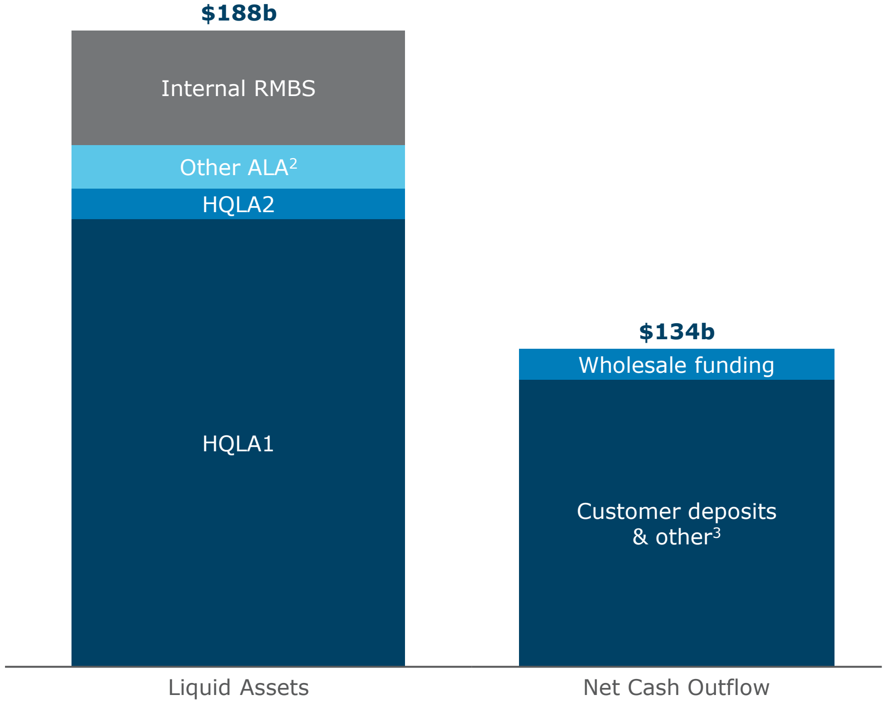



1. NSFR Required Stable Funding (RSF) and Available Stable Funding (ASF) categories and all figures shown are on a Level 2 basis per APRA prudential standard APS210 2. Includes FI/Bank deposits, Repo funding and other short dated liabilities 3. 'Other' includes Sovereign, and non-operational FI Deposits 4. 'Other Assets' include Off Balance Sheet, Derivatives, Fixed Assets and Other Assets 5. All lending >35% Risk weight 6. Includes NSFR impact of self-securitised assets backing the Committed Liquidity Facility (CLF) 7. <35% Risk weighting as per APS 112 Capital Adequacy: Standardised Approach to Credit Risk 8. Net of other ASF and other RSF

# LIQUIDITY COVERAGE RATIO (LCR) SUMMARY[1]

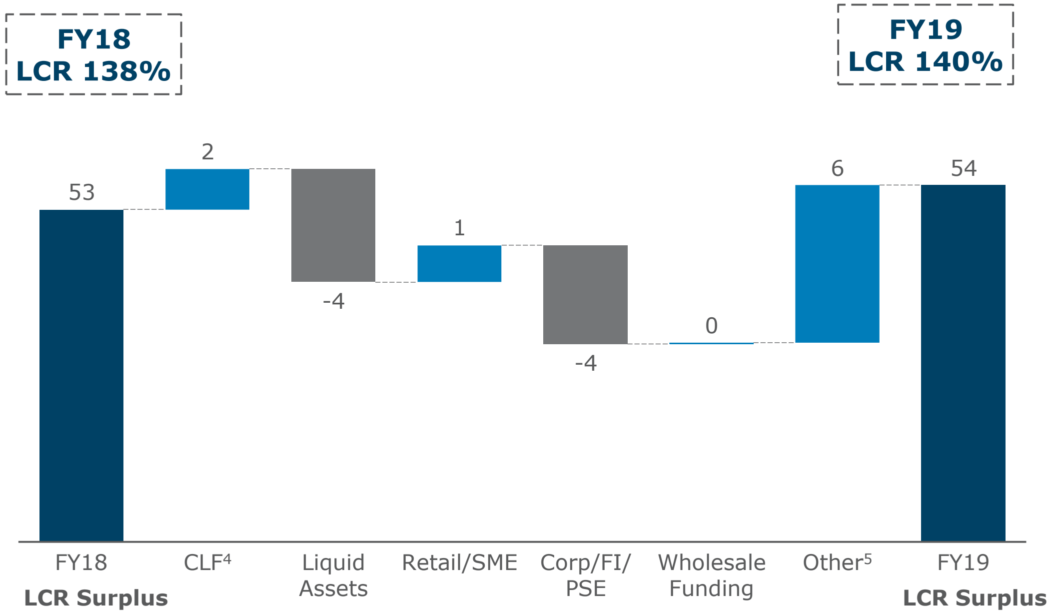
## LCR COMPOSITION (AVERAGE)

FY19




## MOVEMENT IN AVERAGE LCR SURPLUS ($b)

FY18 v FY19



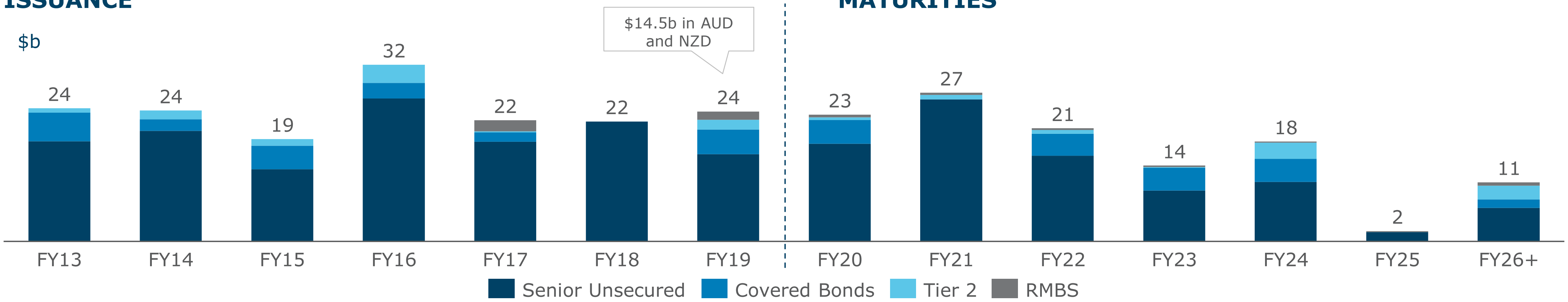

1. All figures shown on a Level 2 basis as per APRA Prudential Standard APS210 2. Comprised of assets qualifying as collateral for the Committed Liquidity Facility (CLF), excluding internal RMBS, up to approved facility limit; and any assets contained in the RBNZ's liquidity Policy – Annex: Liquidity Assets – Prudential Supervision Department Document BS13A 3. 'Other' includes off-balance sheet and cash inflows 4. RBA CLF increased by $1.1b from 1 January 2019 to $48.0b (2018: $46.9b, 2017: $43.8b) 5. 'Other' includes off-balance sheet and cash inflows

# TERM WHOLESALE FUNDING PORTFOLIO[1]

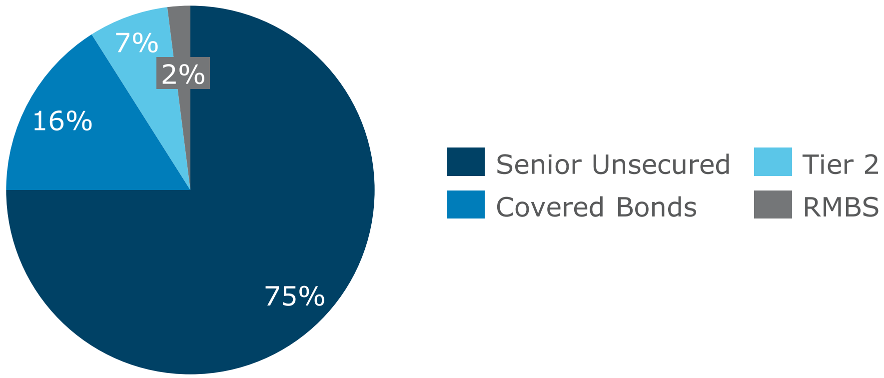
- ANZ's term funding requirements depend on market conditions, balance sheet needs and exchange rates, amongst other factors
- ANZ estimates an FY20 funding requirement broadly consistent with previous years at ~$25b

## ISSUANCE

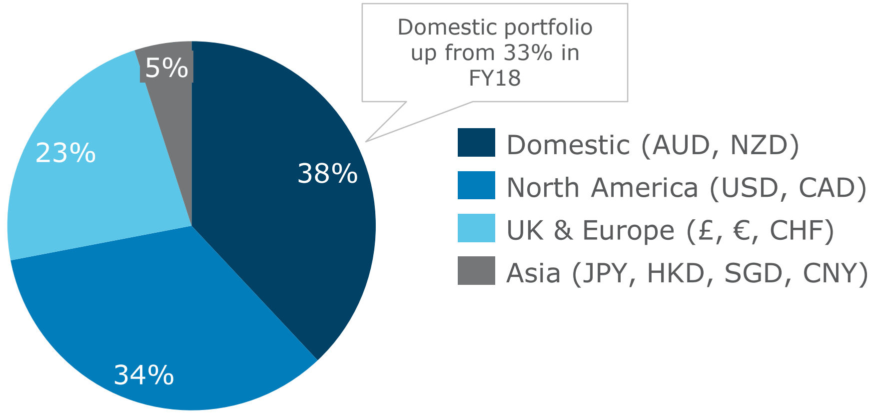
## MATURITIES




## PORTFOLIO




## PORTFOLIO BY CURRENCY




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

# ANZ'S TIER 2 CAPITAL PROFILE[1]

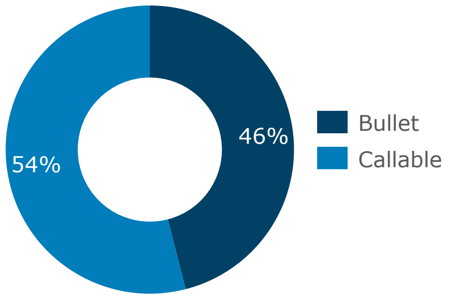
## ANZ'S TIER 2 CAPITAL REQUIREMENT TO PROGRESSIVELY INCREASE POST TLAC ANNOUNCEMENT

- Issued AUD $1.75b in July 2019
- Current portfolio includes 38% in AUD (32% domestic AUD) – strong capacity remaining in AUD
- Annual total T2 issuance expected to be ~$4b
- Required portfolio increase from $7.6b to ~$20b by January 2024
- Planned issuance in multiple currencies in both callable and bullet format
- Capacity in EUR T2 with no current outstandings following recent Sep-19 maturity
- No AUD retail T2 outstanding
- Extensive global USD T2 investor base
- ANZ has historically had strong support from Asian local currency markets, both in benchmark and Private Placement format
- Increased T2 issuance expected to be offset by reduction in other senior unsecured funding
- Well managed amortisation profile provides flexibility regarding issuance tenor

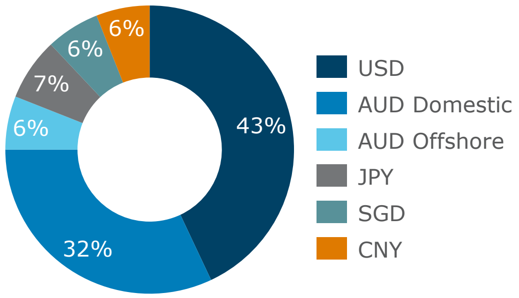
## TIER 2 CAPITAL

Notional amount

### By Format

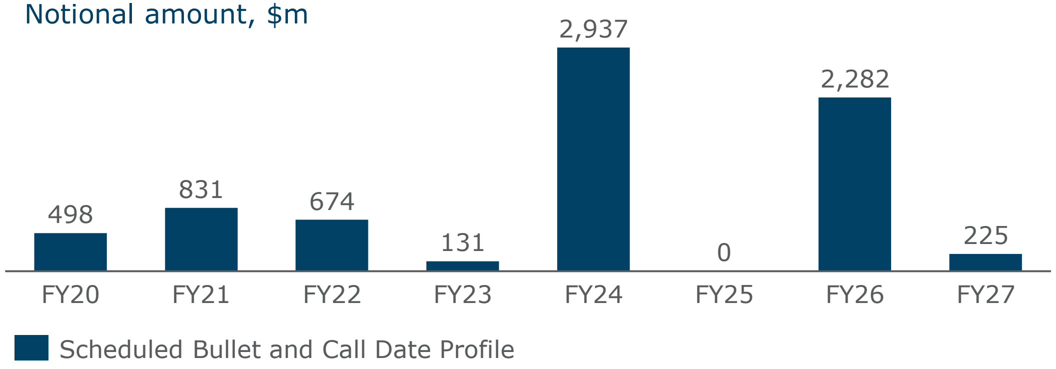



### By Currency



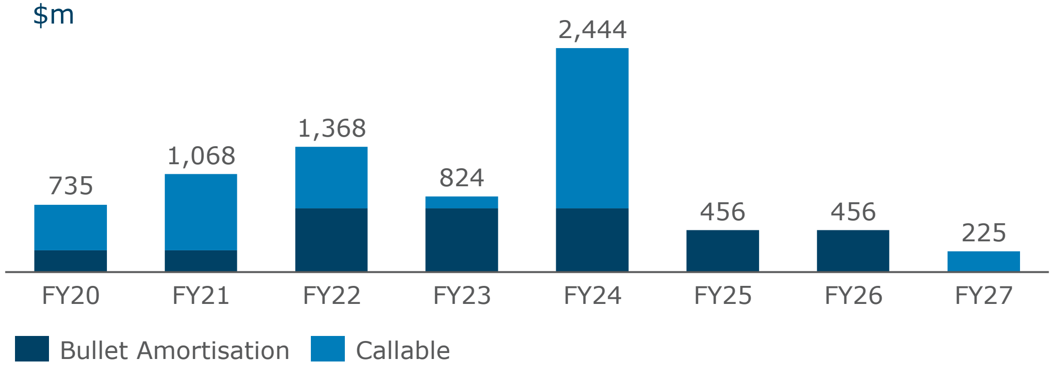

## FUNDING PROFILE

Notional amount, $m




## CAPITAL AMORTISATION PROFILE[2]

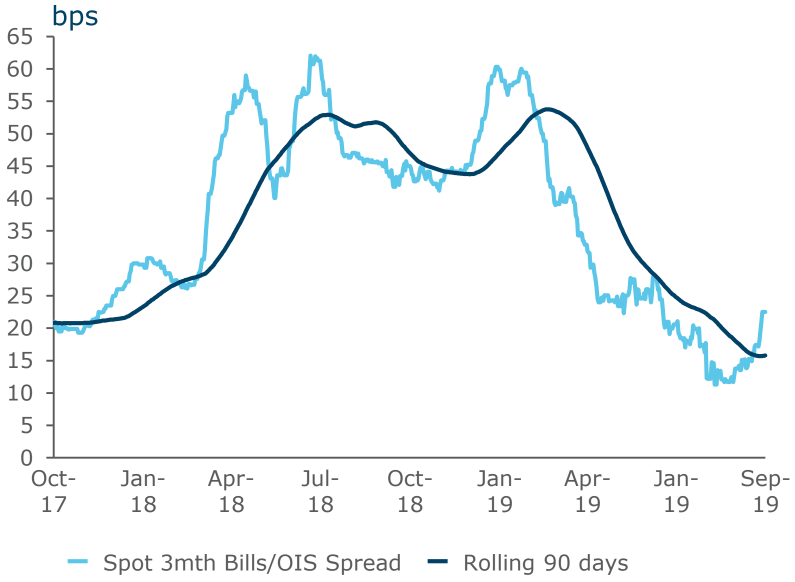
$m




1. Profile is AUD equivalent based on historical FX, excluding Perpetual Floating rate notes issued 30 October 1986 (which loses Basel III transitional relief in 2021). Any call is subject to APRA's prior written approval and note holders should not expect approval to be given
2. Amortisation profile is modelled based on scheduled first call date for callable structures and in line with APRA's amortisation requirements for bullet structures

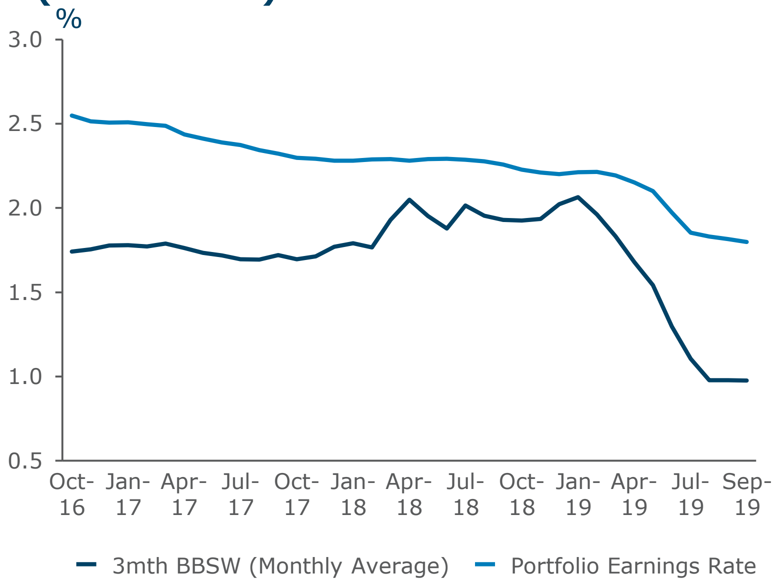
# IMPACTS OF RATE MOVEMENTS

## BILLS/OIS SPREAD




| FY18 Ave[1]: 36.3bps | |
|---|---|
| 1H18 Ave: 24.4bps | 2H18 Ave: 48.1bps |
| **FY19 Ave[1]: 37.5bps** | |
| 1H19 Ave: 48.0bps | 2H19 Ave: 27.0bps |

## CAPITAL & REPLICATING DEPOSITS PORTFOLIO (AUSTRALIA)




| FY18 Ave: 2.29% | |
|---|---|
| 1H18 Ave: 2.29% | 2H18 Ave: 2.28% |
| **FY19 YTD Ave: 2.08%** | |
| 1H19 Ave: 2.21% | 2H19 Ave: 1.95% |

## CAPITAL[2] & REPLICATING DEPOSITS PORTFOLIO

| | AUST | NZ | APEA |
|---|---|---|---|
| Volume ($A) | ~60bn | ~20bn | ~10bn |
| Target Duration | Rolling 3 to 5 years | | Various |
| Proportion Hedged | ~70% | ~75% | Various |

1. 90 day rolling average of spot 3mth Bills/OIS spread
2. Includes other Non-Interest Bearing Assets & Liabilities

# CAPITAL FRAMEWORK

## CURRENT REGULATORY PROPOSALS AND RECENT FINALISATION[1]

| | 1H19 | 2H19 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|
| **RBNZ capital framework** | Consultation | Finalise[2] | Transition | | | | Implementation |
| **Counterparty Credit Risk[3]** | | Implementation | | | | | |
| **Leverage ratio** | Consultation | | Finalise | | Implementation | | |
| **Advanced approach to credit risk** | | Consultation | | | Implementation | | |
| **Standardised approach to credit risk** | Consultation | | Finalise | | Implementation | | |
| **Operational risk** | Consultation | | Finalise | Implementation | | | |
| **Interest rate risk in the banking book** | | Consultation | | | Implementation | | |
| **Loss absorbing capacity (LAC)[4]** | Consultation | Finalise | Transition | | | | Implementation |
| **Related party exposures** | Consultation | Finalise | | Implementation | | | |
| **Capital treatment for Investments in subsidiaries (Level 1)** | | | Consultation | Implementation | | | |

1. Timeline is based on APRA's 2019 Policy Agenda (published February 2019) 2. RBNZ is expected to finalise reforms towards the end of 2019 calendar year 3. Implementation 1 July 2019
4. Only in relation to the 3% of RWA increase in Total Capital requirements announced in July 2019

# 2019 FULL YEAR RESULTS

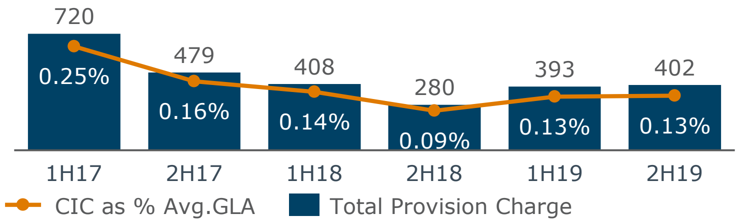
INVESTOR DISCUSSION PACK

RISK MANAGEMENT

# KEY RISK METRICS

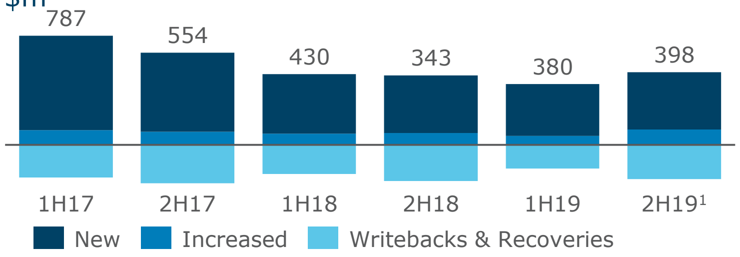
## CREDIT IMPAIRMENT CHARGE

$m




## INDIVIDUAL PROVISION (IP) CHARGE

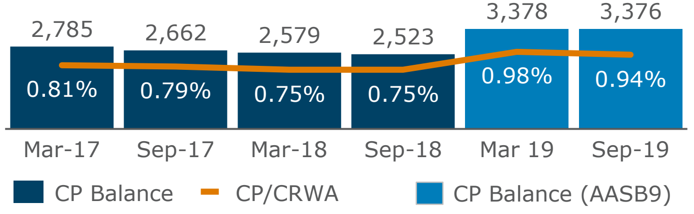
$m




## COLLECTIVE PROVISION (CP) BALANCE & COVERAGE

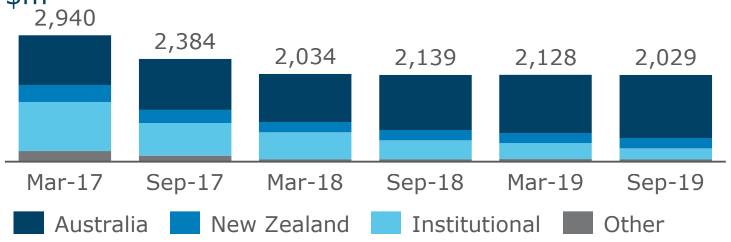
$m

Sep-19 CP/CRWA impacted -3bps by increase in CRWA's from regulatory & methodology changes (incl. SA-CCR)



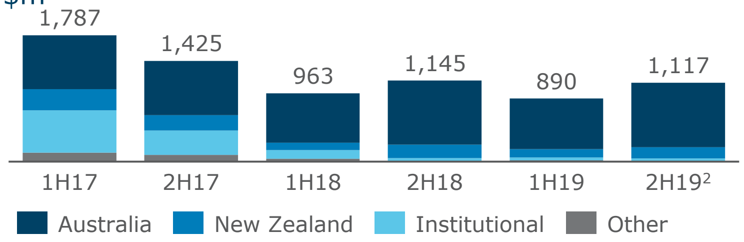

## GROSS IMPAIRED ASSETS

$m



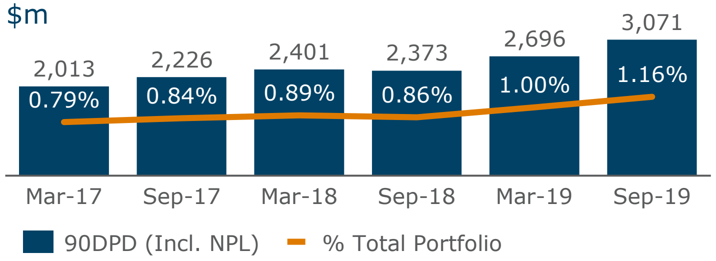

## NEW IMPAIRED ASSETS

$m



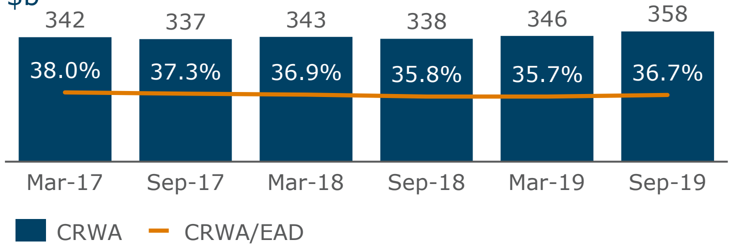

## AUSTRALIA MORTGAGES 90DPD (INCL NPL)

$m



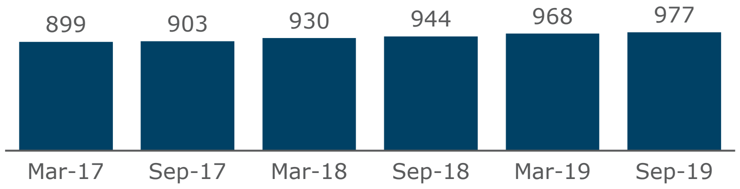

## CREDIT RWA

$b



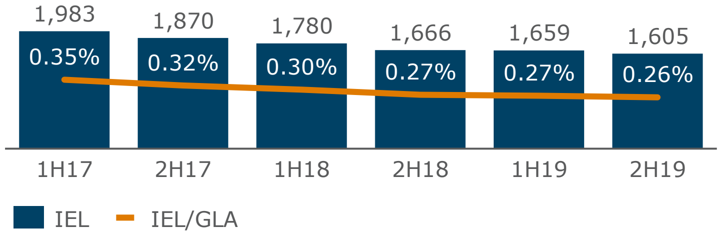

## EXPOSURE AT DEFAULT (EAD)

$b




## INTERNAL EXPECTED LOSS (IEL)

$m

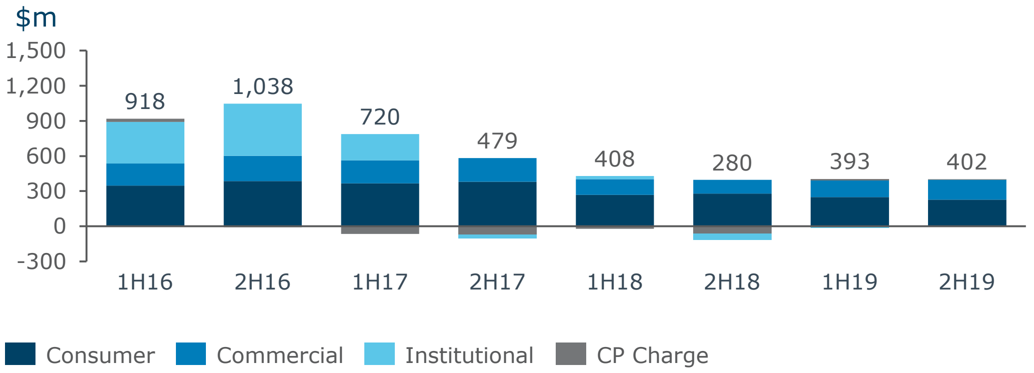



1. Increase to New and Increased Individual Provisions and Writebacks & Recoveries compared to prior half is largely related to the home loan portfolio in Australia Retail and Commercial following the implementation of a more market responsive collateral valuation methodology
2. New Impaired Assets in 2H19 includes a $167m uplift on 1H19 in Australia home loans following the implementation of revised provisioning and impairment processes (including a more market responsive collateral valuation methodology)

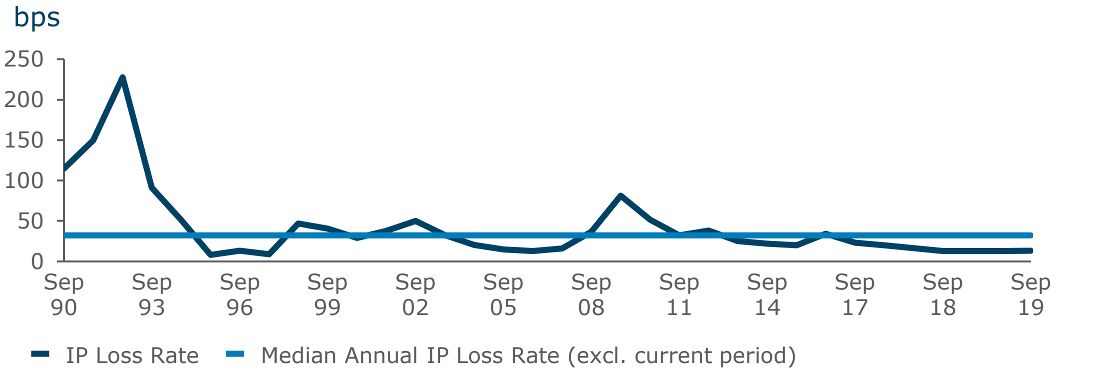
# RISK MANAGEMENT

## PROVISIONS

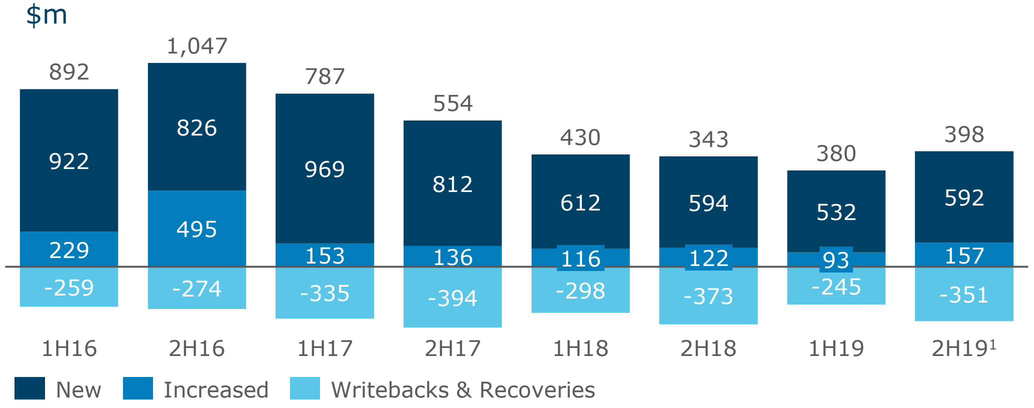
### CREDIT IMPAIRMENT CHARGE




### ANZ HISTORICAL LOSS RATES




### INDIVIDUAL PROVISION CHARGE




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

%

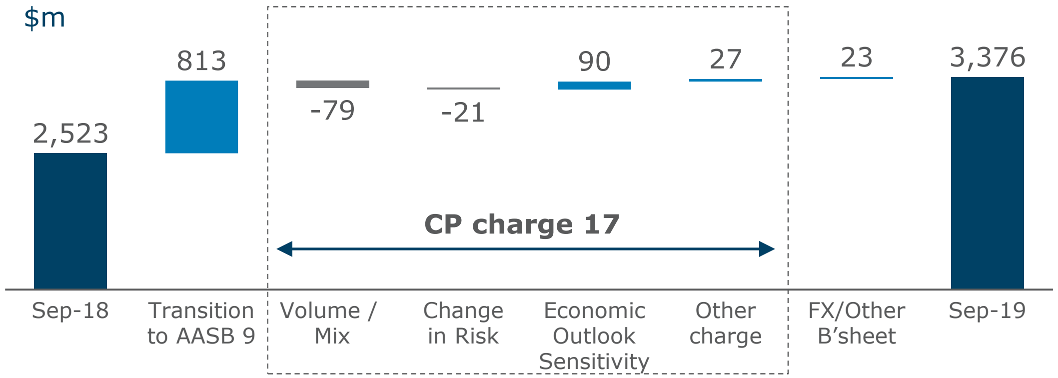
| Division | Mar-16 | Sep-16 | Mar-17 | Sep-17 | Mar-18 | Sep-18 | Mar-19 | Sep-19 |
|---|---|---|---|---|---|---|---|---|
| Australia | 0.35 | 0.33 | 0.33 | 0.33 | 0.31 | 0.29 | 0.29 | 0.29 |
| New Zealand | 0.25 | 0.26 | 0.26 | 0.22 | 0.21 | 0.19 | 0.19 | 0.18 |
| Institutional | 0.37 | 0.36 | 0.35 | 0.30 | 0.32 | 0.27 | 0.27 | 0.25 |
| Other | 1.47 | 1.79 | 1.60 | 1.69 | 1.95 | 1.78 | 1.60 | 1.40 |
| **Subtotal** | **0.34** | **0.33** | **0.33** | **0.30** | **0.30** | **0.27** | **0.27** | **0.26** |
| Asia Retail | 1.50 | 1.51 | 1.51 | 2.75 | 0 | 0 | 0 | 0 |
| **Total** | **0.37** | **0.35** | **0.35** | **0.32** | **0.30** | **0.27** | **0.27** | **0.26** |

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

1. Increase to New and Increased Individual Provisions and Writebacks & Recoveries compared to prior half is largely related to the home loan portfolio in Australia Retail and Commercial following the implementation of a more market responsive collateral valuation methodology

# COLLECTIVE PROVISION

## COLLECTIVE PROVISION BALANCE

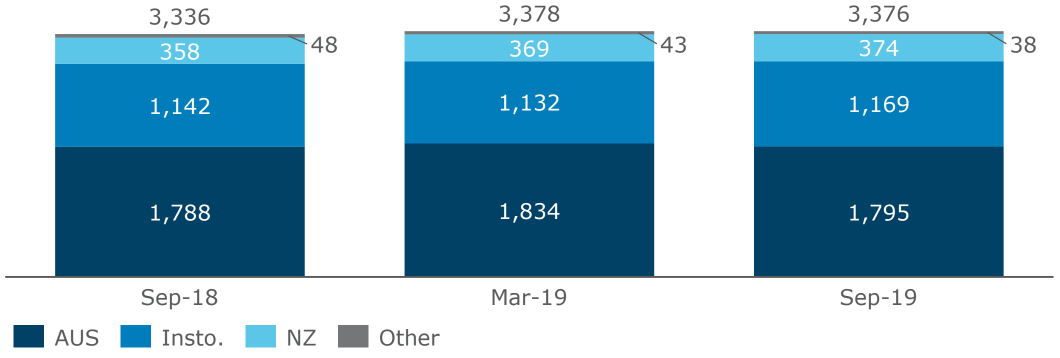



## COLLECTIVE PROVISION CHARGE[1]

| | AASB9 | | |
|---|---|---|---|
| **$m** | **1H19** | **2H19** | **FY19** |
| **CP charge** | **13** | **4** | **17** |
| Volume/Mix | -28 | -51 | -79 |
| Change in Risk | -40 | 19 | -21 |
| Economic outlook sensitivity | 73 | 17 | 90 |
| Other | 8 | 19 | 27 |

## COLLECTIVE PROVISION BALANCE

### BY DIVISION ($m) AASB9




## PROVISION BALANCE/COVERAGE RATIO

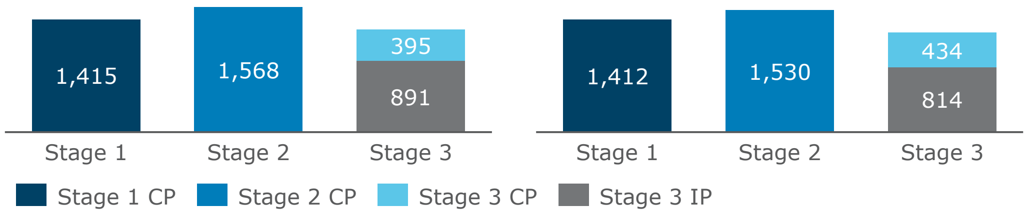
### BY STAGES ($m) AASB9

**31 Mar-19**

| Coverage ratio by stage[2] | | |
|---|---|---|
| 1 | 2 | 3 |
| 0.19% | 3.31% | 20.76% |

**30 Sep-19**

| Coverage ratio by stage[2] | | |
|---|---|---|
| 1 | 2 | 3 |
| 0.17% | 2.40% | 18.03% |

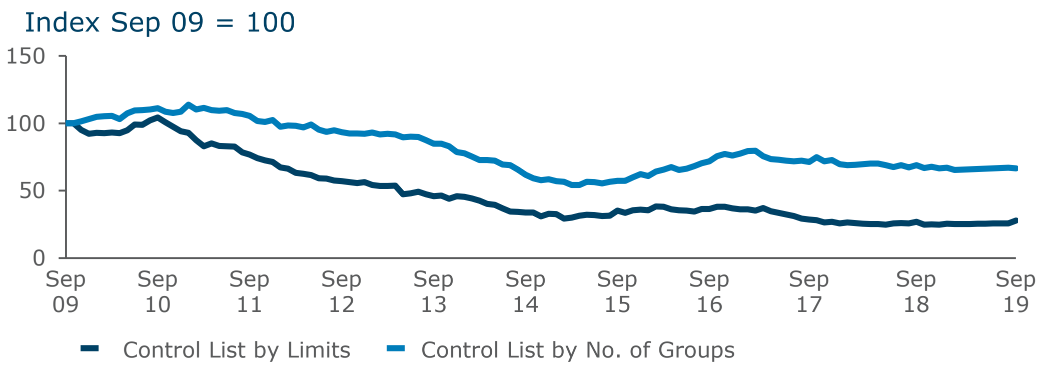



1. Change in methodology introduced in 2H19 to measure components of CP charge
2. Coverage ratio calculated as Provision Balance to Gross Loans & Advances for on-balance sheet exposures. Reduction in 2H19 stage 2 coverage ratio is a result of (a) Denominator effect: increased stage 2 GLA in Australian home loans due to implementation of a revised provisioning model plus higher delinquency levels, and (b) Numerator effect: stable stage 2 ECL with the home loan ECL increase offset by decreases for other Australian portfolios and Institutional

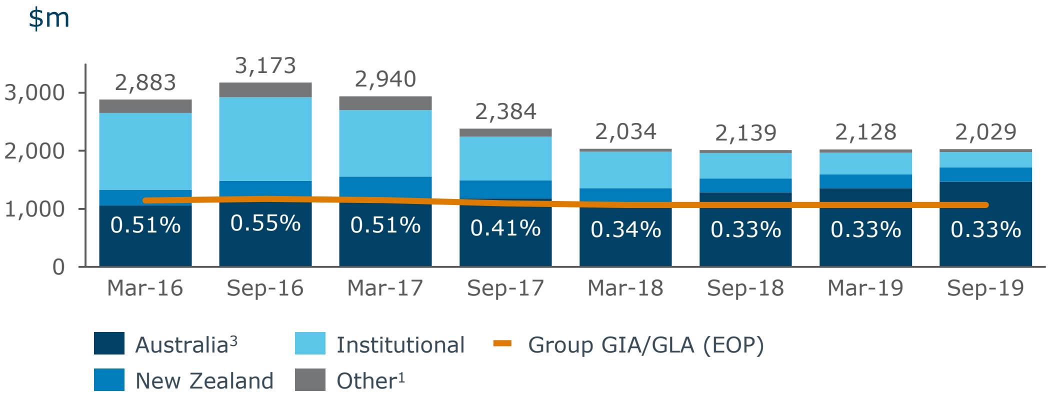
# RISK MANAGEMENT

## IMPAIRED ASSETS

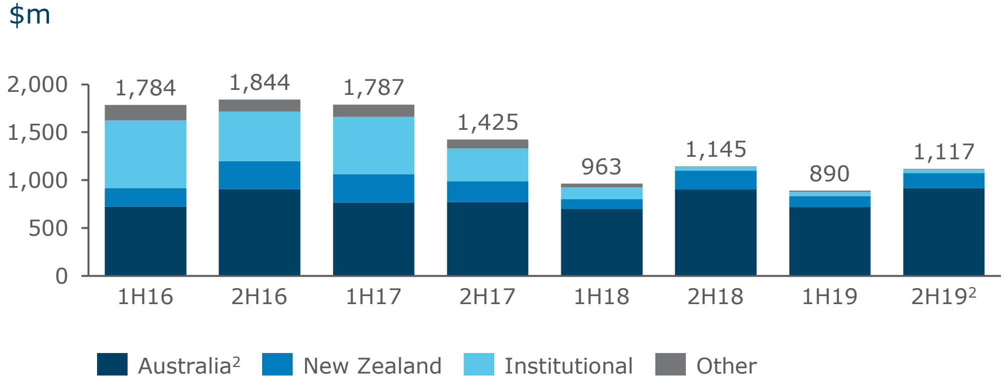
### CONTROL LIST



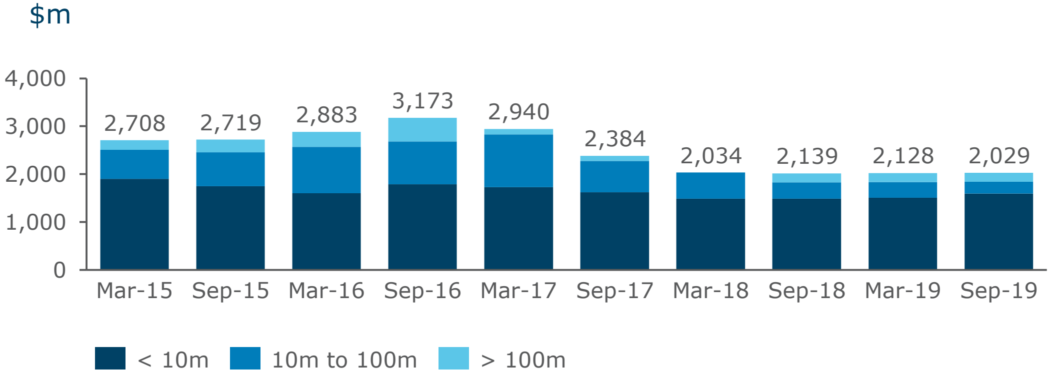

### GROSS IMPAIRED ASSETS BY DIVISION




### NEW IMPAIRED ASSETS BY DIVISION




### GROSS IMPAIRED ASSETS BY EXPOSURE SIZE[3]

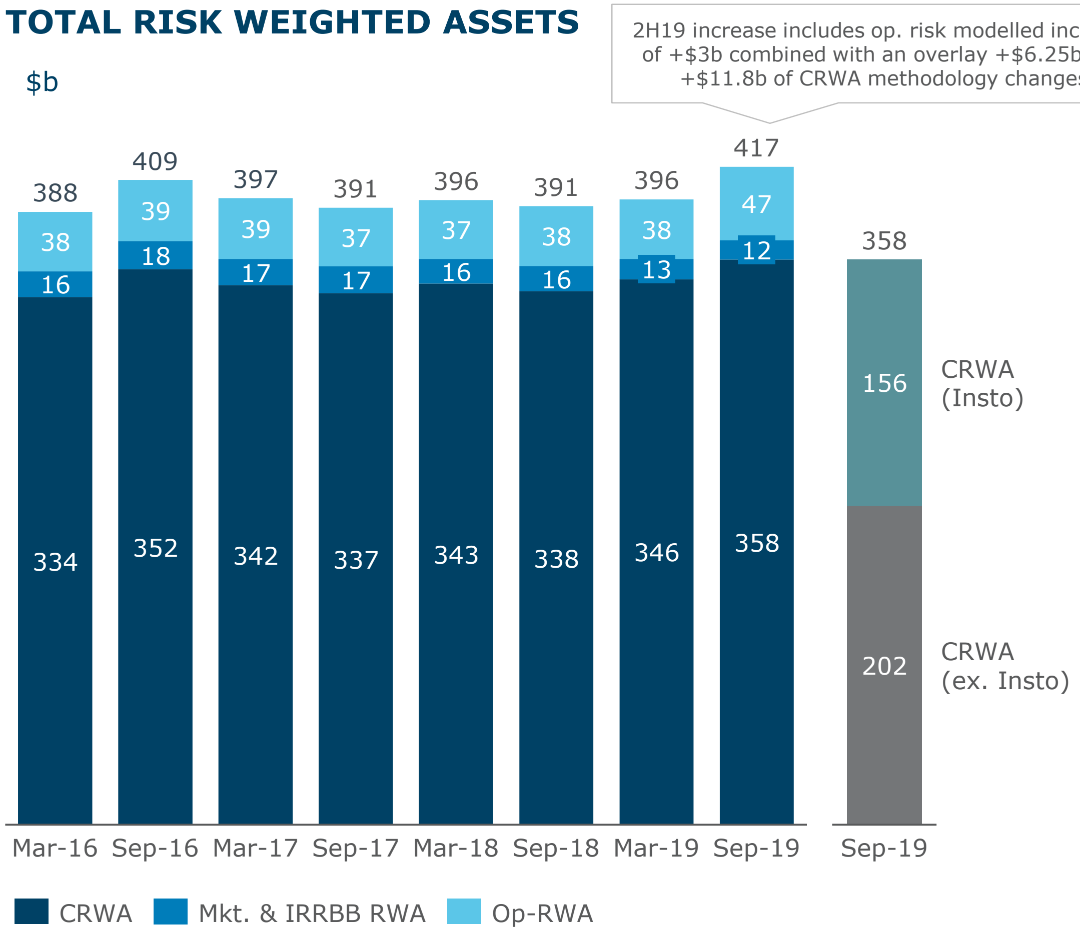



1. Other includes Retail Asia & Pacific and Australian Wealth
2. New Impaired Assets in 2H19 includes a $167m uplift on 1H19 in Australia home loans following the implementation of revised provisioning and impairment processes (including a more market responsive collateral valuation methodology)
3. The increase referred to in footnote 2 has been largely offset in Gross Impaired Assets by the return of previously impaired home loans to a past due but not impaired status

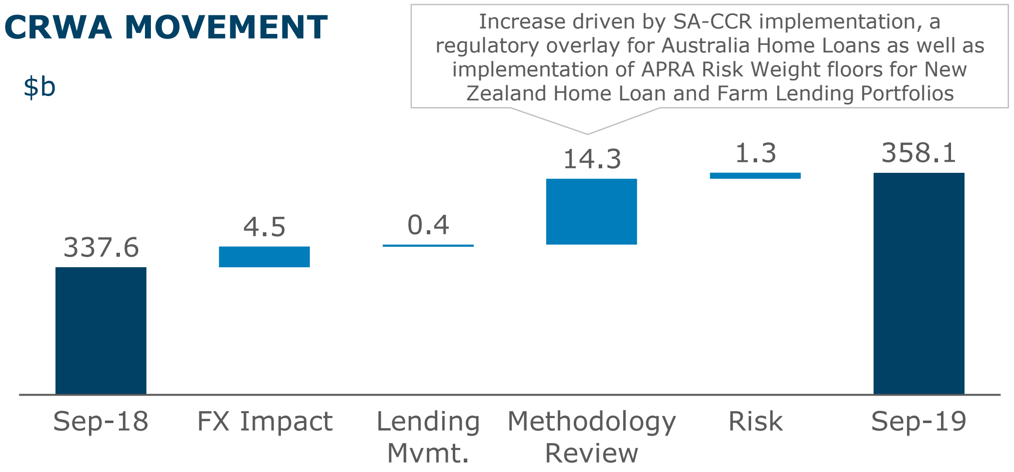
# RISK MANAGEMENT

## RISK WEIGHTED ASSETS

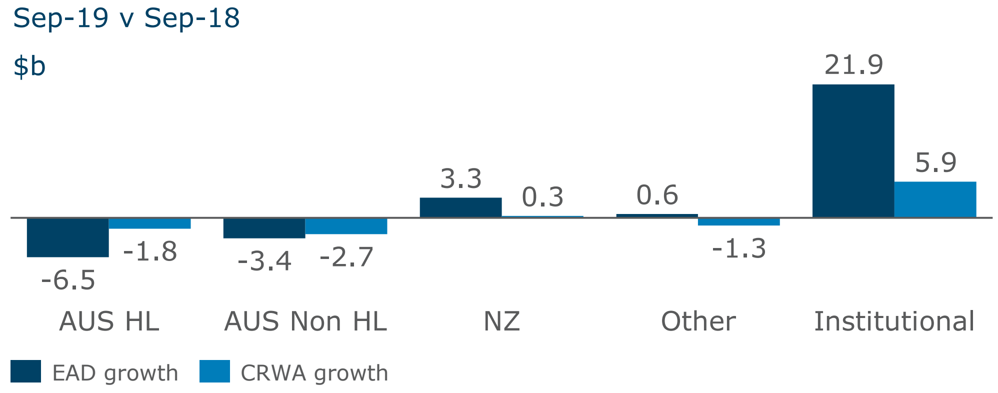
### TOTAL RISK WEIGHTED ASSETS




### CRWA MOVEMENT




### GROUP EAD & CRWA GROWTH MOVEMENT[1,2]



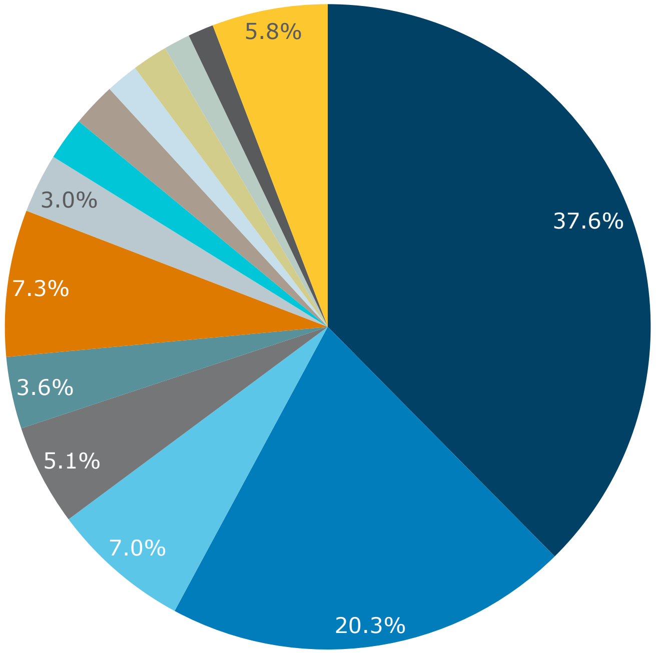

1. Post CRM EAD, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Excludes amounts for 'Securitisation' and 'Other Assets' Basel asset classes
2. Refers to FX adjusted lending movement, excluding Methodology Review and Risk

# RISK MANAGEMENT

## PORTFOLIO COMPOSITION

### EXPOSURE AT DEFAULT (EAD) DISTRIBUTION

**TOTAL GROUP EAD (Sep-19) = $977b[1]**



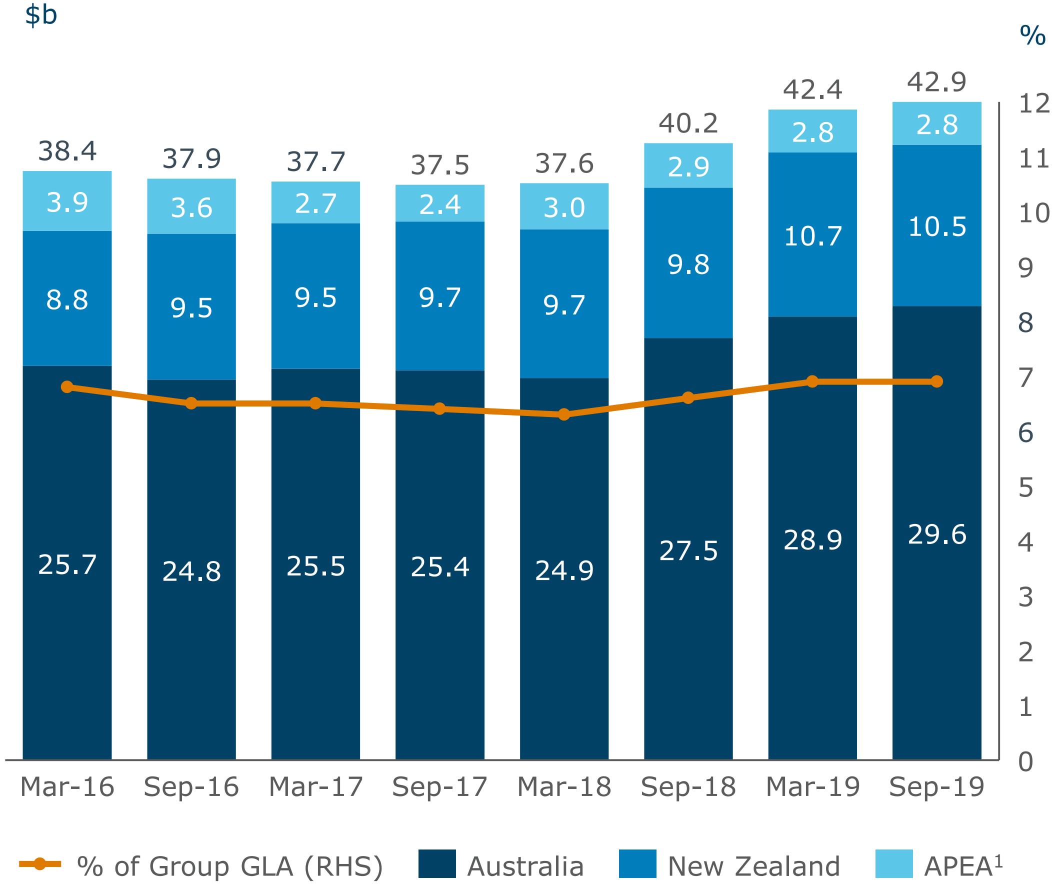

| Category | % of Group EAD | | | % of Portfolio in Non Performing | | | Portfolio Balance in Non Performing |
|---|---|---|---|---|---|---|---|
| | Sep-18 | Mar-19 | Sep-19 | Sep-18 | Mar-19 | Sep-19 | Sep-19 |
| Consumer Lending | 39.7% | 38.8% | 37.6% | 0.2% | 0.2% | 0.1% | $549m |
| Finance, Investment & Insurance | 19.6% | 20.2% | 20.3% | 0.0% | 0.1% | 0.0% | $73m |
| Property Services | 6.8% | 7.0% | 7.0% | 0.3% | 0.3% | 0.2% | $158m |
| Manufacturing | 4.6% | 4.7% | 5.1% | 0.4% | 0.3% | 0.3% | $138m |
| Agriculture, Forestry, Fishing | 3.7% | 3.7% | 3.6% | 1.1% | 1.1% | 1.1% | $373m |
| Government & Official Institutions | 6.9% | 6.8% | 7.3% | 0.0% | 0.0% | 0.0% | $0m |
| Wholesale trade | 3.0% | 3.0% | 3.0% | 0.3% | 0.3% | 0.3% | $78m |
| Retail Trade | 2.2% | 2.2% | 2.2% | 0.9% | 0.7% | 0.7% | $157m |
| Transport & Storage | 2.0% | 2.1% | 2.2% | 0.2% | 0.2% | 0.3% | $75m |
| Business Services | 1.6% | 1.6% | 1.6% | 0.9% | 1.0% | 1.0% | $166m |
| Resources (Mining) | 1.6% | 1.6% | 1.8% | 0.3% | 0.3% | 0.2% | $40m |
| Electricity, Gas & Water Supply | 1.2% | 1.2% | 1.3% | 0.1% | 0.1% | 0.1% | $17m |
| Construction | 1.4% | 1.3% | 1.3% | 1.7% | 1.8% | 1.7% | $218m |
| Other | 5.7% | 5.7% | 5.8% | 0.4% | 0.4% | 0.4% | $224m |
| Total | 100% | 100% | 100% | | | | $2,267m |
| **Total Group EAD[1]** | **$944b** | **$968b** | **$977b** | | | | |

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

# RISK MANAGEMENT

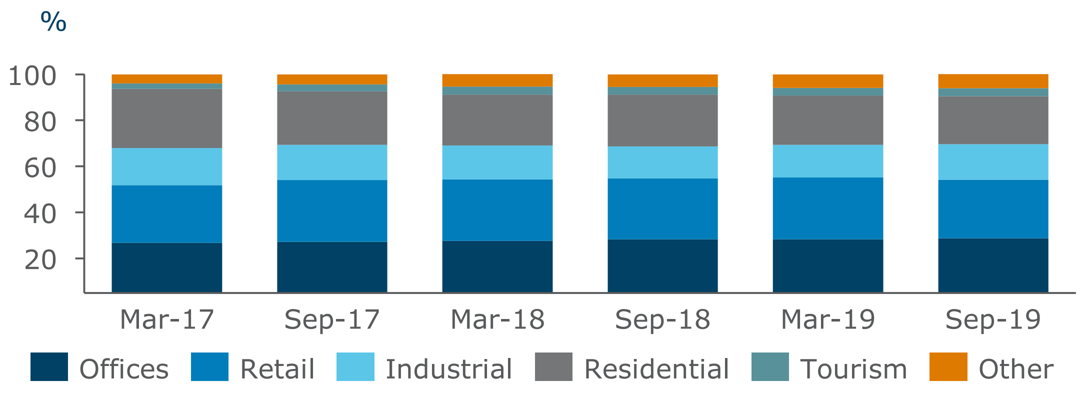
## COMMERCIAL PROPERTY PORTFOLIO

### COMMERCIAL PROPERTY OUTSTANDINGS BY REGION




1. APEA = Asia Pacific, Europe & America

### COMMERCIAL PROPERTY OUSTANDINGS BY SECTOR




### PROPERTY PORTFOLIO MANAGEMENT

- Australian exposure increased by 2% HOH driven by higher lending to Funds and REITs in the Industrial sector partly offset by a decline in Residential lending given the slowdown in the residential property market. Retail exposure declined over the half and the Retail portfolio continues to be closely monitored owing to the weak operating environment
- Slight decline in New Zealand exposure was driven by exchange rate movements and some significant repayments occurring during 2H FY19
- APEA exposure remained stable for 2H19 with the portfolio concentrated on large well rated names in Singapore and Hong Kong. The Hong Kong Property market has seen a 1% index decline given current unrest. Market consensus estimates a decline as high of 10-20% if the protests continue through the year. The Hong Kong property portfolio remains subject to close monitoring of internal and external metrics

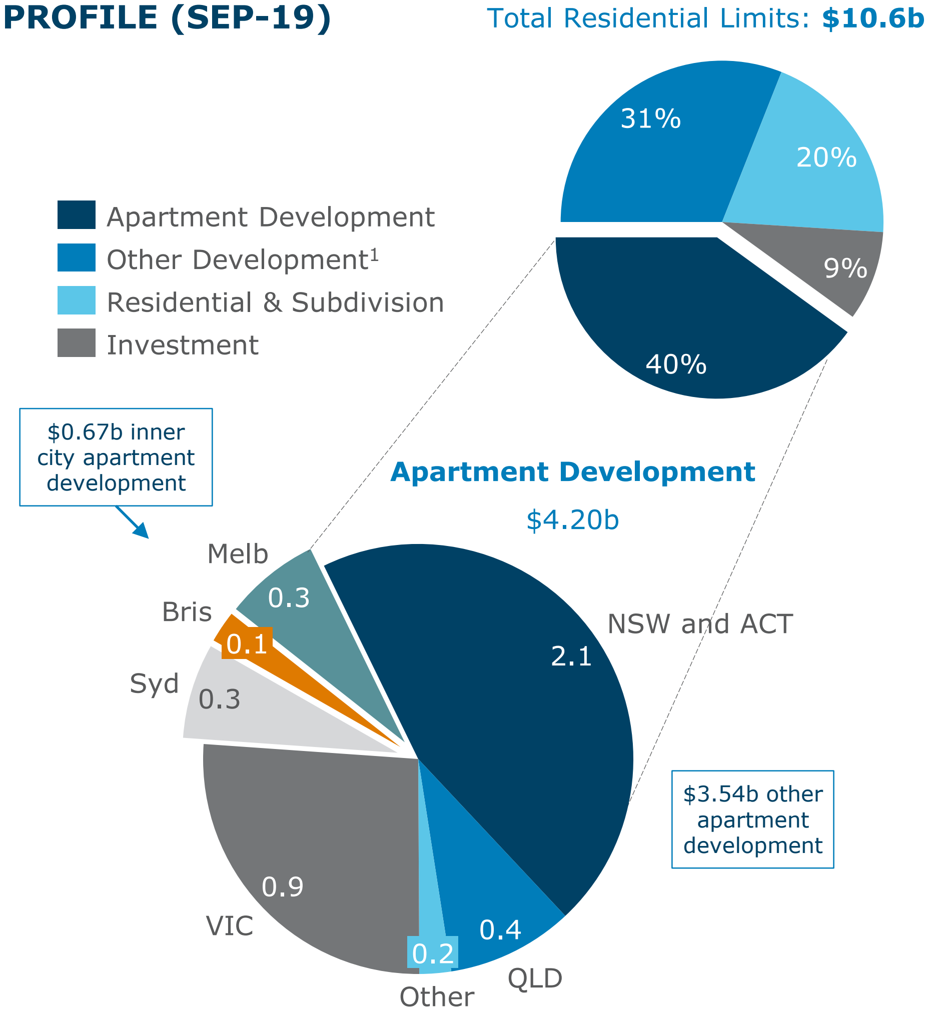
# RESIDENTIAL DEVELOPMENT

## OVERVIEW

- Average qualifying pre-sales for Inner City Apartment Development loans and corresponding LVRs were 101% and 52%, respectively as at Sep 19 (as compared to presales of 101% and LVR of 49% in Mar 19). These loans remain subject to tight parameters around LVR, presale debt cover and quantum of foreign purchaser presales. Overall appetite for Apartment Development has remained unchanged over the last half. The quality and experience of developers and builders remains a key selection criterion.
- Outside of Inner City locations, development exposures are predominantly in the suburbs of the capital cities of the above listed states.
- Residential Development projects continue to be closely monitored with level of oversight driven by progress of the project vs. plan, industry trends and emerging risks.

| | Sep-18 ($b) | Sep-19 ($b) |
|---|---|---|
| **Total Exposure** | 10.28 | 10.60 |
| **Apartments (>3 levels)** | 3.97 | 4.20 |
| **Inner City** | 0.56 | 0.70 |

## PROFILE (SEP-19)



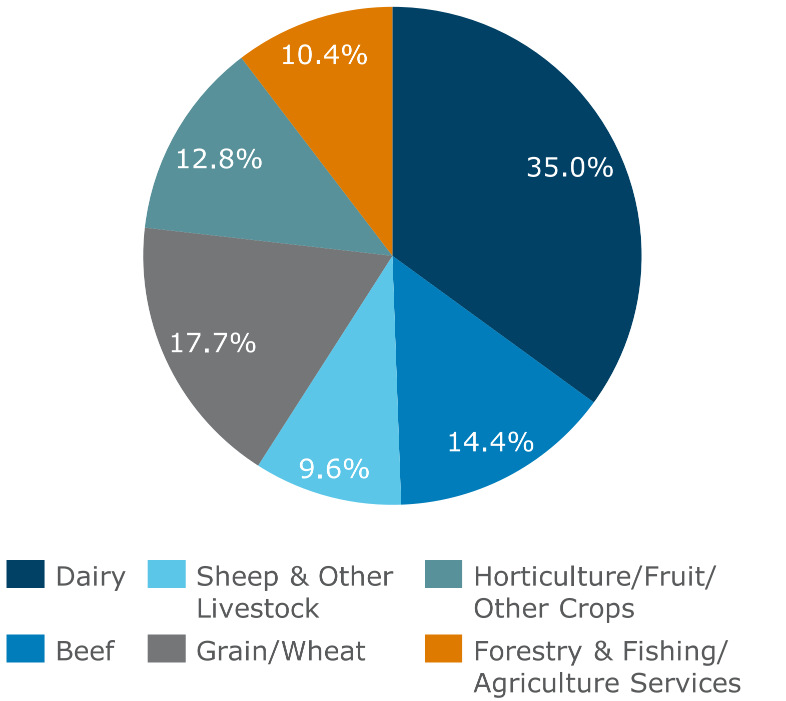

1. Other Development primarily comprises Low Rise & Prestige Residential and Multi Project Development

# RISK MANAGEMENT

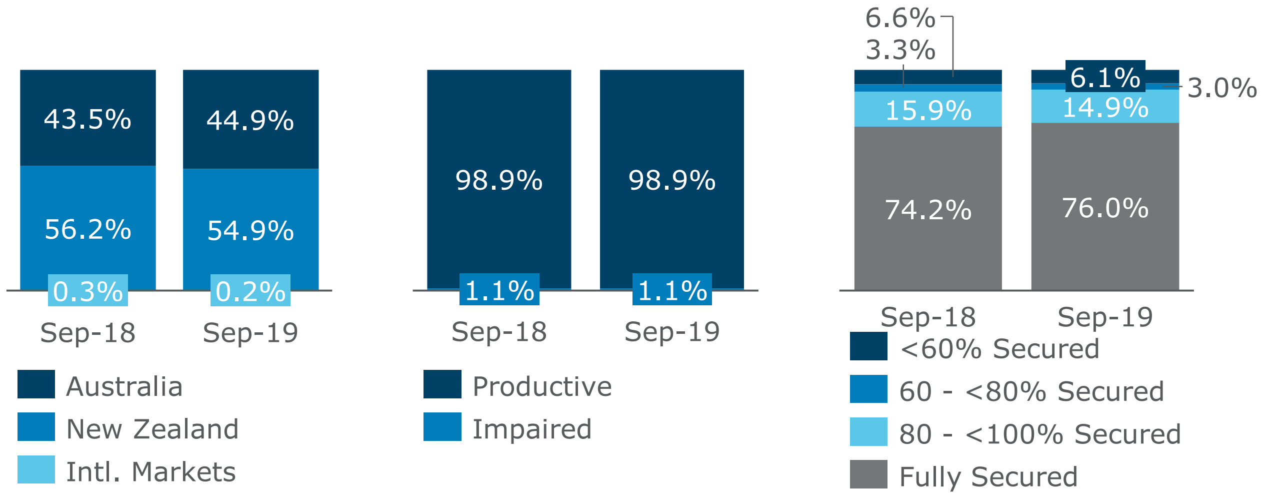
## GROUP AGRICULTURE PORTFOLIO

### AGRICULTURE EXPOSURE BY SECTOR (% EAD)

| Total EAD (Sep-19) | As a % of Group EAD |
|---|---|
| A$35.2b | 3.6% |



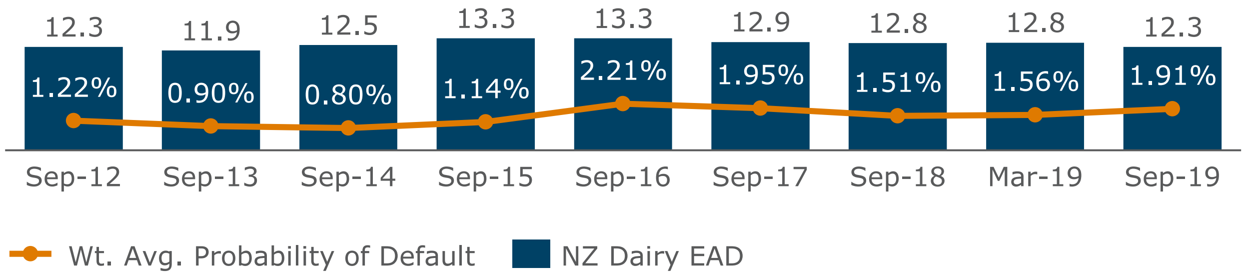

### GROUP AGRICULTURE EAD SPLITS[1]




### NEW ZEALAND[2] DAIRY CREDIT QUALITY

NZD $b

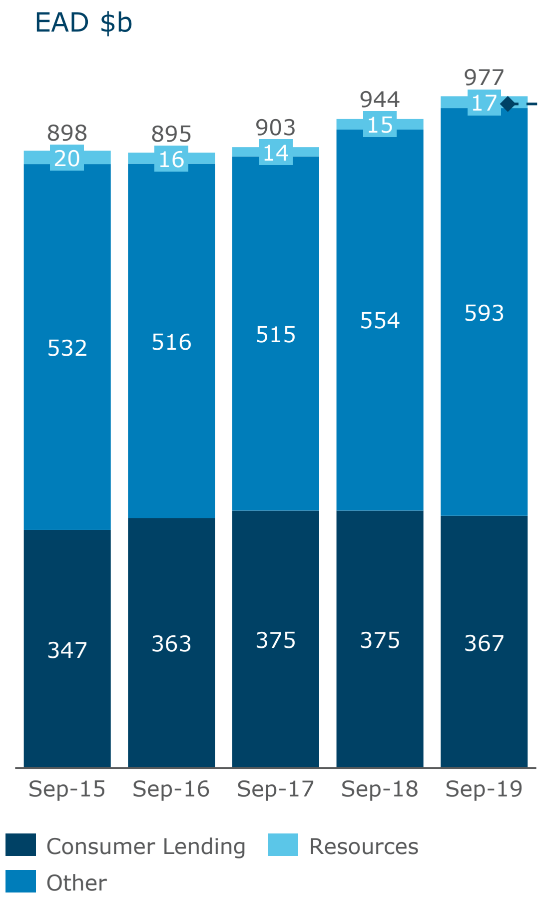
FY19 PD increase driven by customer downgrades, reflecting continued headwinds facing the dairy sector



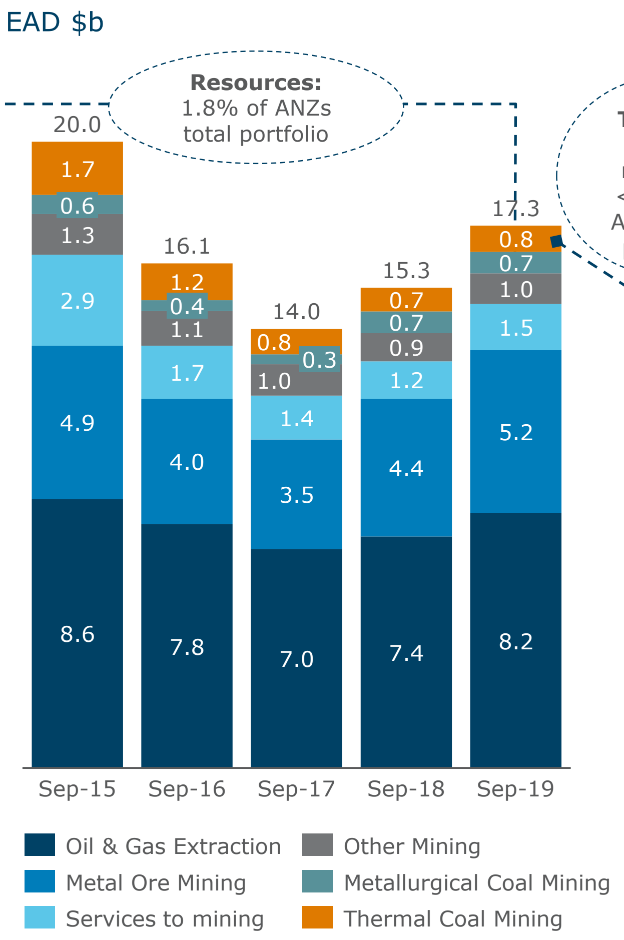

1. Security indicator is based on ANZ extended security valuations
2. Dairy exposures for all of ANZ New Zealand (includes Commercial and Agriculture, Institutional and Business Banking portfolios)

# GROUP RESOURCES PORTFOLIO

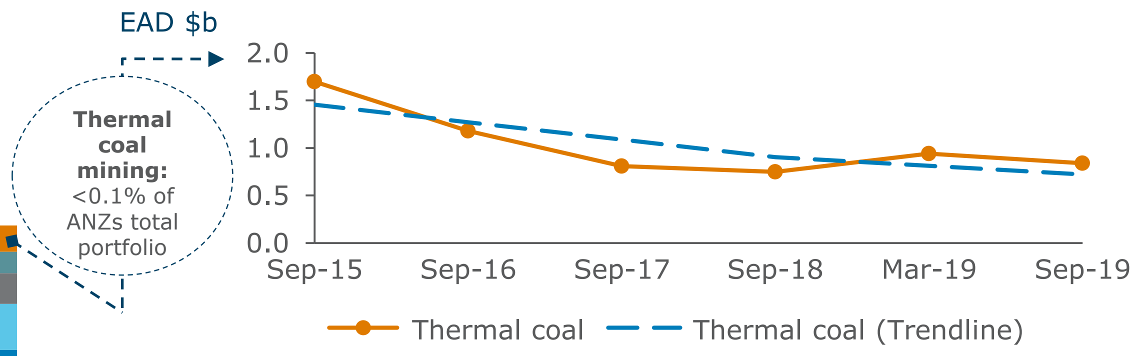
## TOTAL ANZ PORTFOLIO




## RESOURCES PORTFOLIO




## THERMAL COAL EXPOSURE



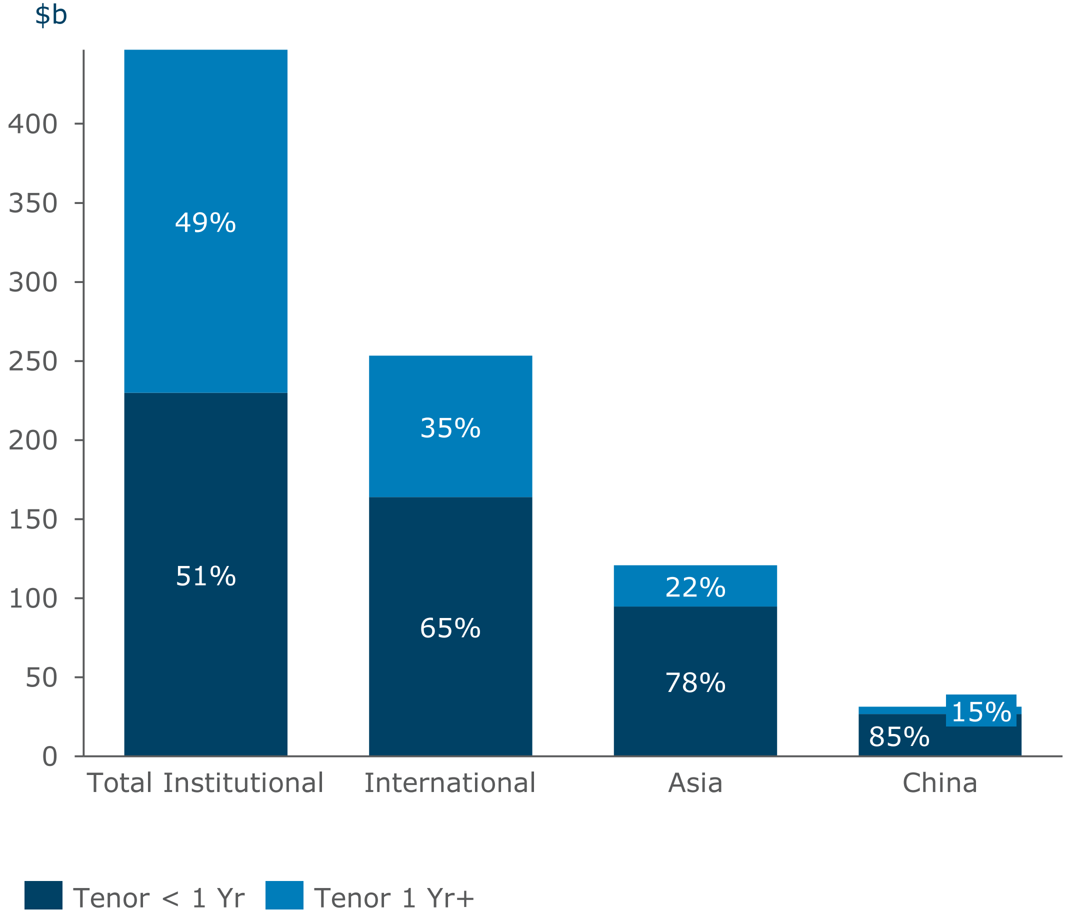

## RESOURCES PORTFOLIO MANAGEMENT

- Portfolio is skewed towards well capitalised and lower cost resource producers.
- 32% of the book is less than one year duration.
- Investment grade exposures represent 79% of the portfolio vs. 68% at Sep 18.
- Increase in total coal mining exposure in FY19 primarily reflects mergers and acquisitions activity related to existing mines in 1H19, ie predominantly metallurgical coal assets sold by diversified miners to existing customers along with foreign currency exchange movements. Financing is mainly used to support continuing operations, and not mine expansions.
- Thermal coal exposure is currently $838m. We expect our thermal coal exposure to decline over time, as it has since 2015 (reducing by 50% between FY15-FY19). Decreased exposure in 2H19 compared to 1H19 reflects ongoing portfolio management and application of ANZ policies. Our exposures to thermal coal are primarily concentrated in a small number of Australian-based miners.
- Exposure to metallurgical coal mining (used for steel making) is currently $686m.

# RISK MANAGEMENT

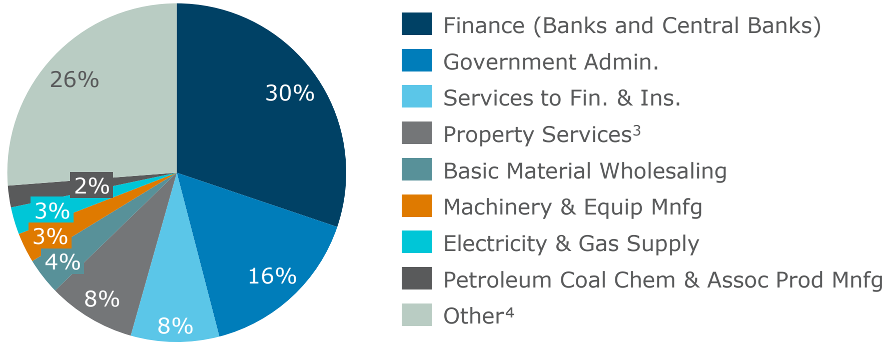
## ANZ INSTITUTIONAL PORTFOLIO (COUNTRY OF INCORPORATION[1])

### INSTITUTIONAL PORTFOLIO SIZE & TENOR (EAD[2])



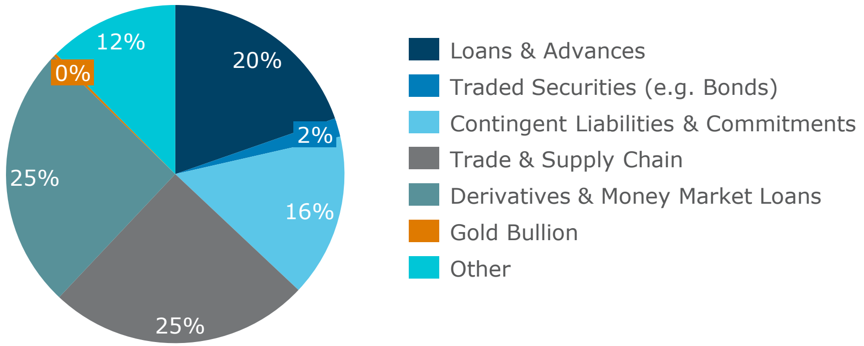

### ANZ INSTITUTIONAL INDUSTRY COMPOSITION

EAD (Sep-19): A$447b[2]




### ANZ INSTITUTIONAL PRODUCT COMPOSITION

EAD (Sep-19) A$447b[2]



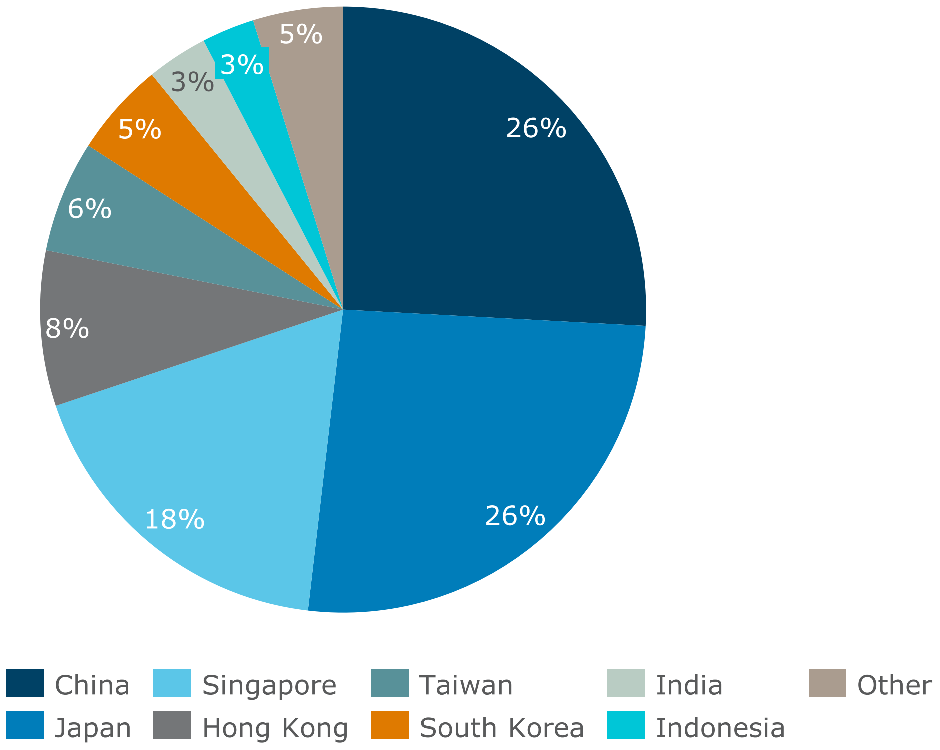

1. Country is defined by the counterparty's Country of Incorporation 2. Data provided is as at Sep-19 on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Position excludes Basel Asset Class 'Securitisation', 'Other Assets', 'Retail'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

# RISK MANAGEMENT

## ANZ ASIAN INSTITUTIONAL PORTFOLIO (COUNTRY OF INCORPORATION[1])

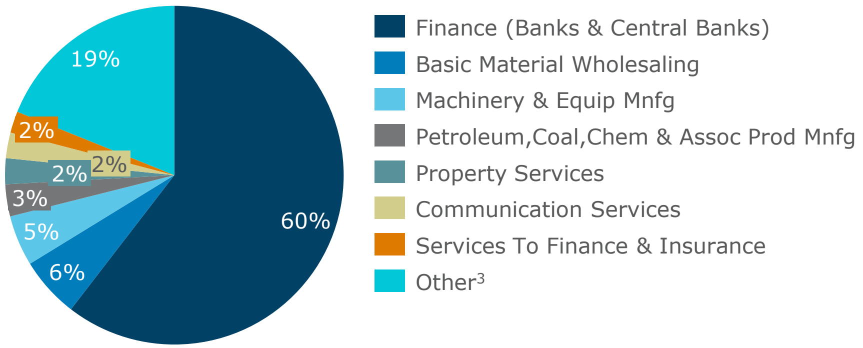
### COUNTRY OF INCORPORATION[1]

EAD (Sep-19): A$121b[2]



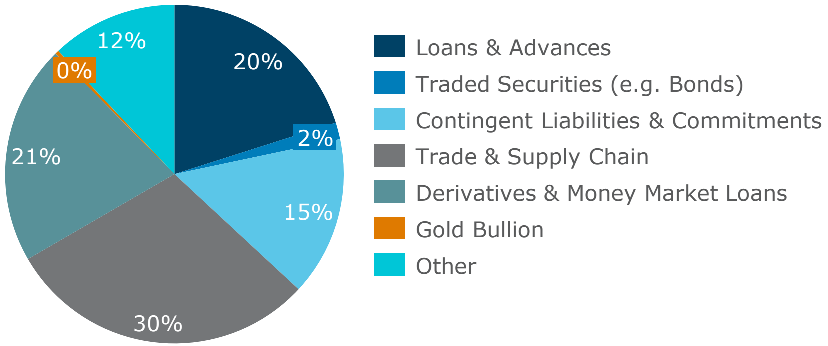

### ANZ ASIA INDUSTRY COMPOSITION

EAD (Sep-19): A$121b[2]




### ANZ ASIA PRODUCT COMPOSITION

EAD (Sep-19): A$121b[2]




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

# 2019 FULL YEAR RESULTS

## INVESTOR DISCUSSION PACK
HOUSING PORTFOLIO

# AUSTRALIA HOME LOANS

## PORTFOLIO OVERVIEW

| | Portfolio[1] | | | Flow[2] | |
|---|---|---|---|---|---|
| | FY17 | FY18 | FY19 | FY18 | FY19 |
| Number of Home Loan accounts[1] | 1,009k | 1,011k | 983k | 170k[3] | 119k[3] |
| Total FUM[1] | $264b | $272b | $265b | $57b | $40b |
| Average Loan Size[4] | $262k | $269k | $270k | $382k | $378k |
| % Owner Occupied[5] | 63% | 65% | 67% | 70% | 73% |
| % Investor[5] | 33% | 32% | 30% | 29% | 26% |
| % Equity Line of Credit | 4% | 3% | 3% | 1% | 1% |
| % Paying Variable Rate Loan[6] | 83% | 84% | 84% | 84% | 78% |
| % Paying Fixed Rate Loan[6] | 17% | 16% | 16% | 16% | 22% |
| % Paying Interest Only | 31% | 22% | 15% | 13% | 11% |
| % Broker originated | 51% | 52% | 52% | 55% | 53% |

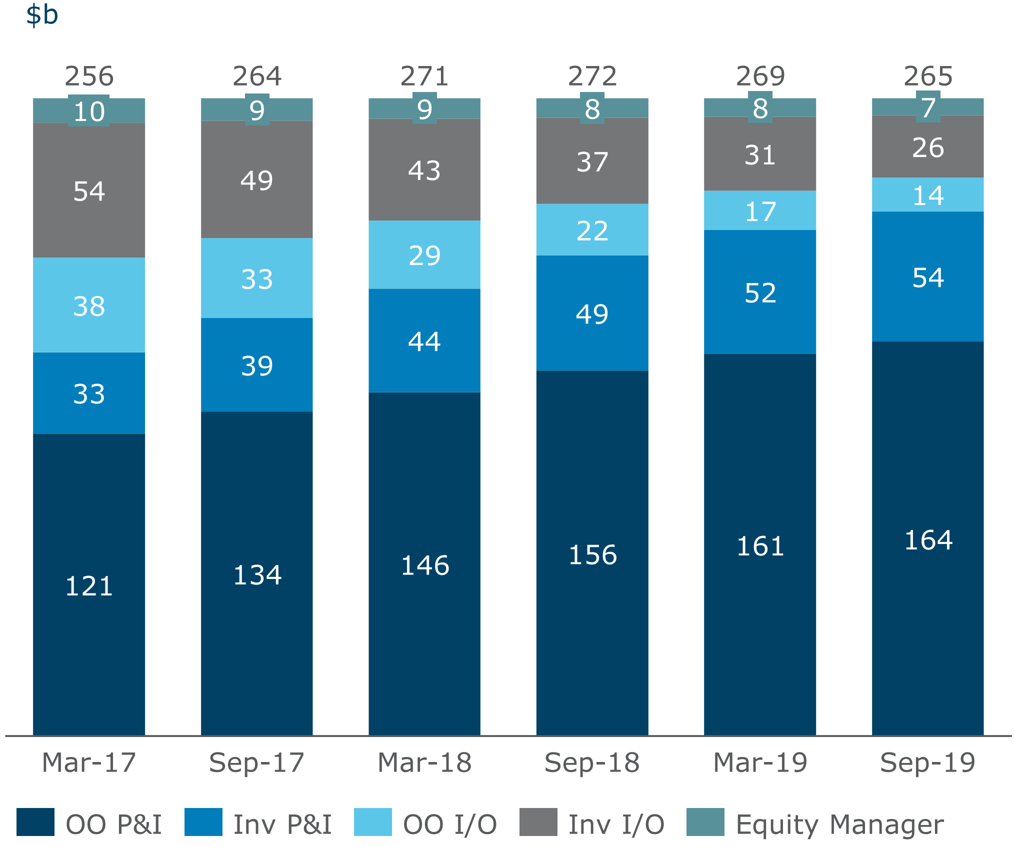
| | Portfolio[1] | | |
|---|---|---|---|
| | FY17 | FY18 | FY19 |
| Average LVR at Origination[7,8,9] | 69% | 67% | 67% |
| Average Dynamic LVR (excl offset)[8,9,10,11,12] | 55% | 55% | 57% |
| Average Dynamic LVR (incl offset)[8,9,10,11,12] | 50% | 50% | 52% |
| Market Share (MBS publication)[13] | 15.7% | 15.5% | n/a |
| Market share (MADIS publication) | n/a | n/a | 14.3% |
| % Ahead of Repayments[14] | 71% | 72% | 76% |
| Offset Balances[15] | $27b | $28b | $27b |
| % First Home Buyer | 7% | 7% | 8% |
| % Low Doc[16] | 4% | 4% | 4% |
| Loss Rate[17] | 0.02% | 0.02% | 0.04% |
| % of Australia Geography Lending[18,19] | 64% | 63% | 61% |
| % of Group Lending[18] | 45% | 45% | 43% |

1. Home Loans portfolio (includes Non Performing Loans, excludes Offset balances) 2. YTD unless noted 3. New accounts includes increases to existing accounts and split loans (fixed and variable components of the same loan) 4. Average loan size for Flow excludes increases to existing accounts (note the average loan size previously reported in 1H18 and prior included increases to existing accounts) 5. The current classification of Investor vs Owner Occupier is based on ANZ's product category, determined at origination as advised by the customer and the ongoing precision relies primarily on the customer's obligation to advise ANZ of any change in circumstances. 6. Excludes Equity Manager 7. Originated in the respective year 8. Unweighted 9. Includes capitalised LMI premiums 10. Valuations updated to Aug-19 where available 11. Includes Non Performing Loans and excludes accounts with a security guarantee 12. Historical DLVR has been restated as a result of enhancements to methodology 13. APRA Monthly ADI Statistics to Aug-19 – Note APRA changed the underlying market share definition in Jul-19 and historical periods (FY17 & FY18) are not comparable to FY19 14. % of Owner Occupied and Investment Loans that have any amount ahead of repayments. Includes Offset balances. Excludes Equity Manager. Includes Non Performing Loans 15. Balances of Offset accounts connected to existing Instalment Loans 16. Low Doc is comprised of less than or equal to 60% LVR mortgages primarily for self-employed without scheduled PAYG income. However, it also has ~0.1% of less than or equal to 80% LVR mortgages, primarily booked pre-2008 17. Annualised write-off net of recoveries 18. Based on Gross Loans and Advances 19. Australia Geography includes Australia Division, Wealth Australia and Institutional Australia

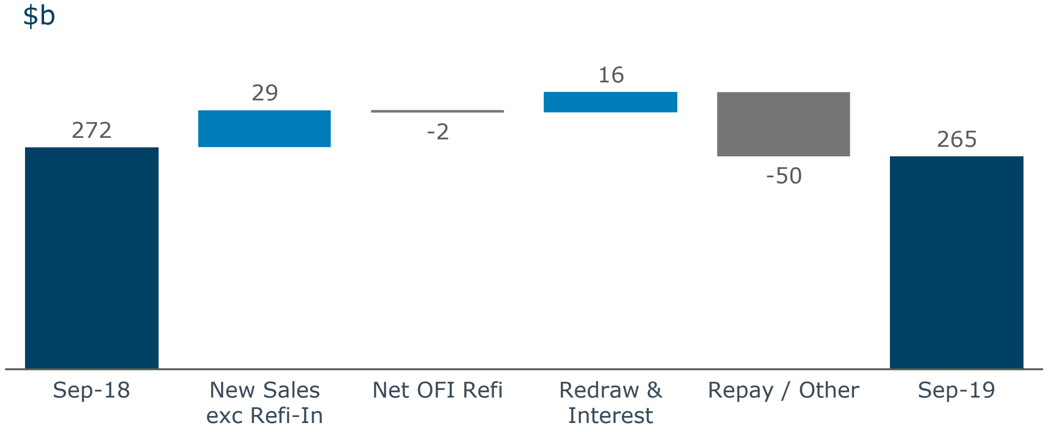
# AUSTRALIA HOME LOANS

## PORTFOLIO GROWTH

### HOME LOAN COMPOSITION[1,2]




### LOAN BALANCE & LENDING FLOWS[1]




### ANZ MORTGAGE LENDING PORTFOLIO CHANGE

| FY19 v FY18 | Owner Occupied[3] | Investor |
|---|---|---|
| Housing Portfolio | -1% | -7% |

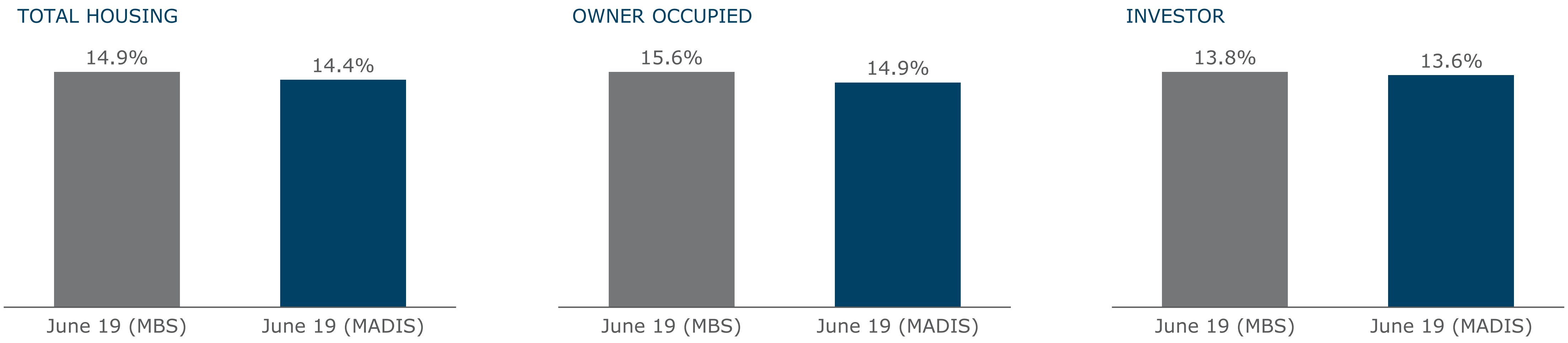
| FY19 v FY18 | Principal & interest[3] | Interest only |
|---|---|---|
| Housing Portfolio | 6% | -33% |

1. Includes Non Performing Loans
2. The current classification of Investor vs Owner Occupier is based on ANZ's product category, determined at origination as advised by the customer and the ongoing precision relies primarily on the customer's obligation to advise ANZ of any change in circumstances
3. Includes Equity Manager

# AUSTRALIA HOME LOANS

## MARKET SHARE

### MARKET SHARE




In July 2019 the APRA Monthly Authorised Deposit Institution Statistics (MADIS) publication replaced the APRA Monthly Banking Statistics (MBS) publication. Under the new publication, changes in the market cohort and changes in definitions impacted housing market share for ADIs when compared with the previous MBS publication. With respect to the housing categories, three noteworthy changes included:

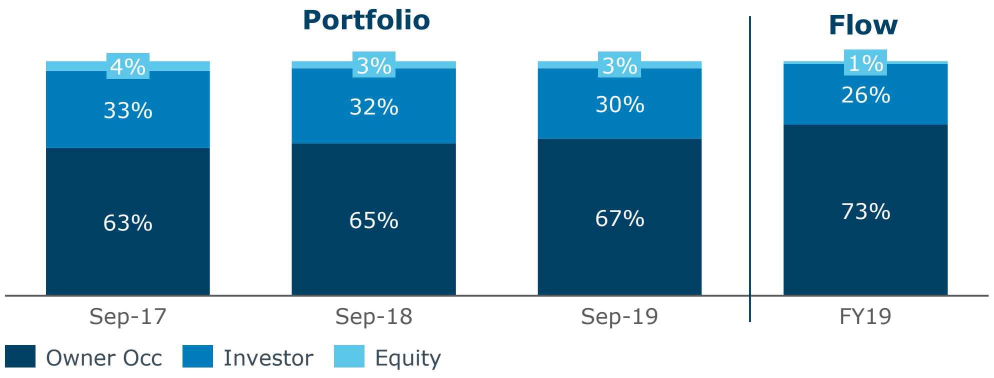
- Inclusion of building societies, credit unions and other ADIs, resulting in an increase in FUM within the total system, consequently reducing market share of ADIs relative to market share under the MBS publication
- Change in the definition of what is included within the housing categories (for ANZ total housing reduced by $8.2b (June 2019) within the MADIS publication compared with the MBS publication)
- Changes to definition of Owner-Occupied and Investment housing based on housing purpose[1]

1. APRA MADIS definition: **Loans to households: Housing: Owner-occupied** are loans to resident households for the purpose of housing, where the funds are used for a residential property that is occupied or to be occupied by the borrower(s) as their principal place of residence. The principal place of residence means the residential property at which an individual resides for the majority of the year. **Loans to households: Housing: Investment** are loans to resident households for the purpose of housing, where the funds are used for a residential property that is not owner-occupied.

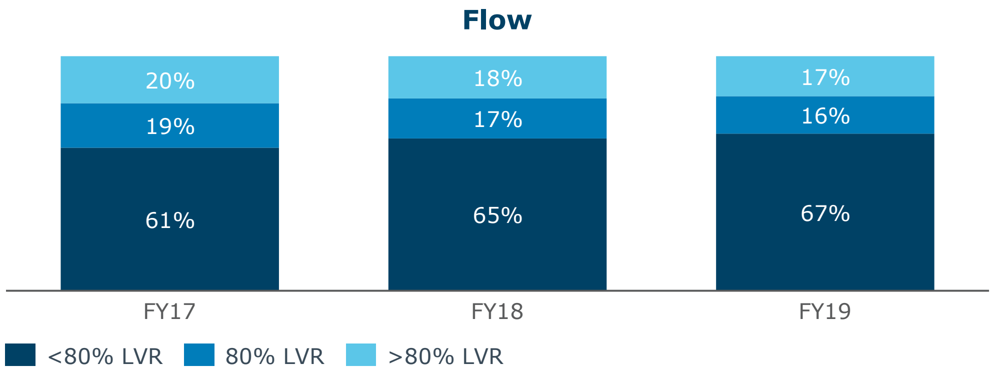
# AUSTRALIA HOME LOANS

## PORTFOLIO[1,2] & FLOW[3] COMPOSITION

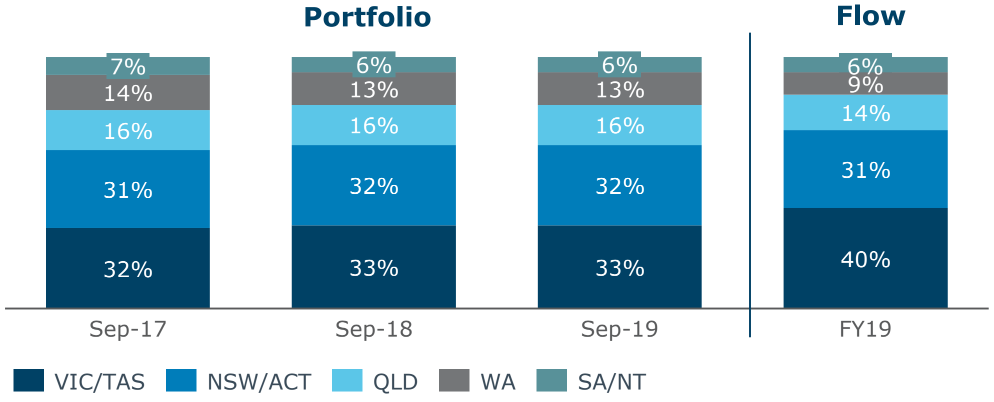
### BY PURPOSE



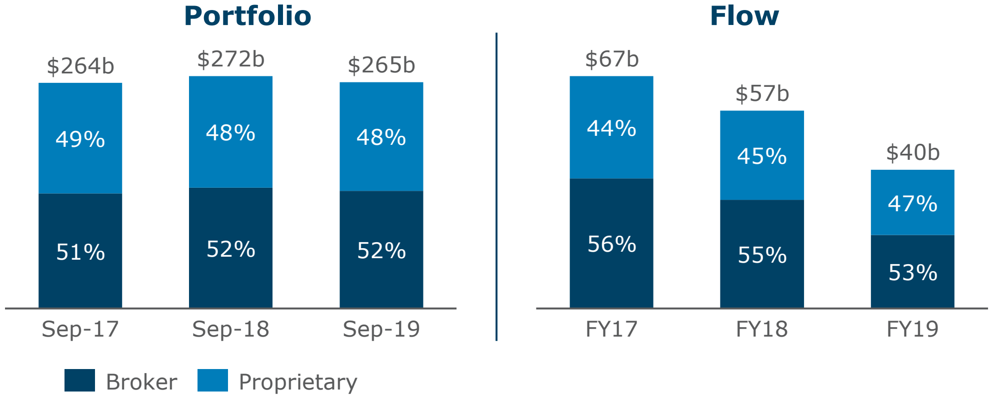

### BY ORIGINATION LVR[4]




### BY LOCATION




### BY CHANNEL



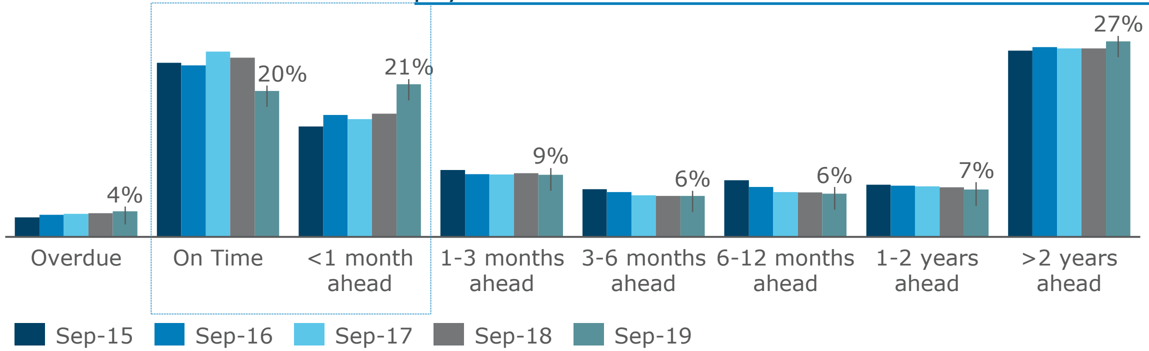

1. Includes Non Performing Loans. 2. The current classification of Investor vs Owner Occupier is based on ANZ's product category, determined at origination as advised by the customer and the ongoing precision relies primarily on the customer's obligation to advise ANZ of any change in circumstances 3. YTD unless noted 4. Includes capitalised LMI premiums

# AUSTRALIA HOME LOANS

## PORTFOLIO DYNAMICS

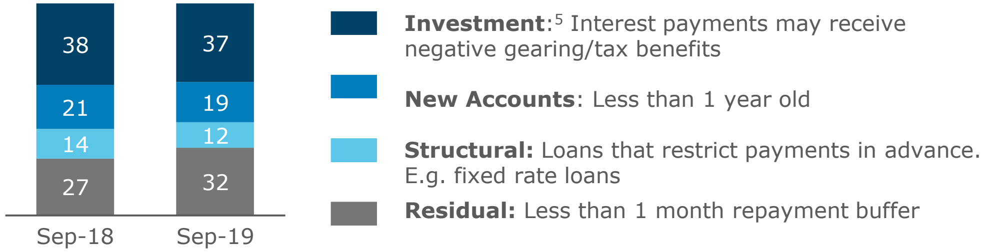
### HOME LOANS REPAYMENT PROFILE[1,2]

76% of accounts ahead of repayments



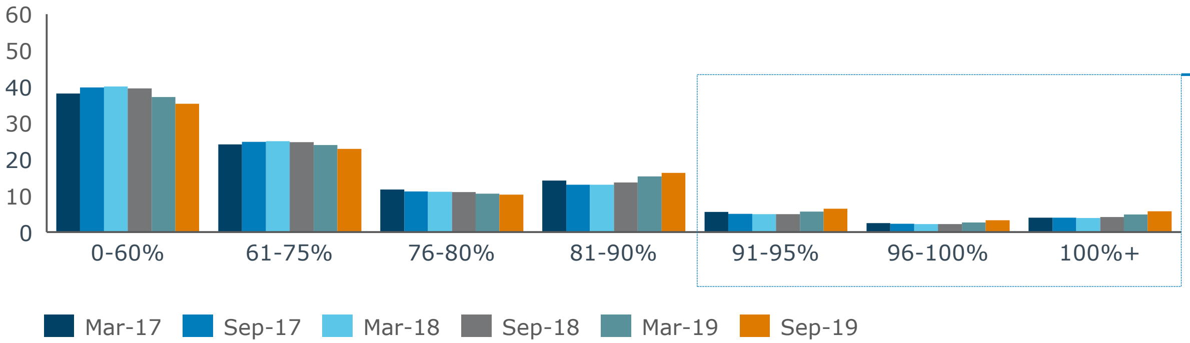

### HOME LOANS ON TIME & <1 MONTH AHEAD PROFILE[1,2]

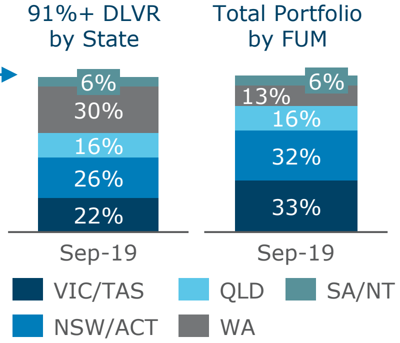
% composition of accounts (September 19)




### DYNAMIC LOAN TO VALUE RATIO[3,4,6,7]

% of portfolio




### NEGATIVE EQUITY

Net of offset balances

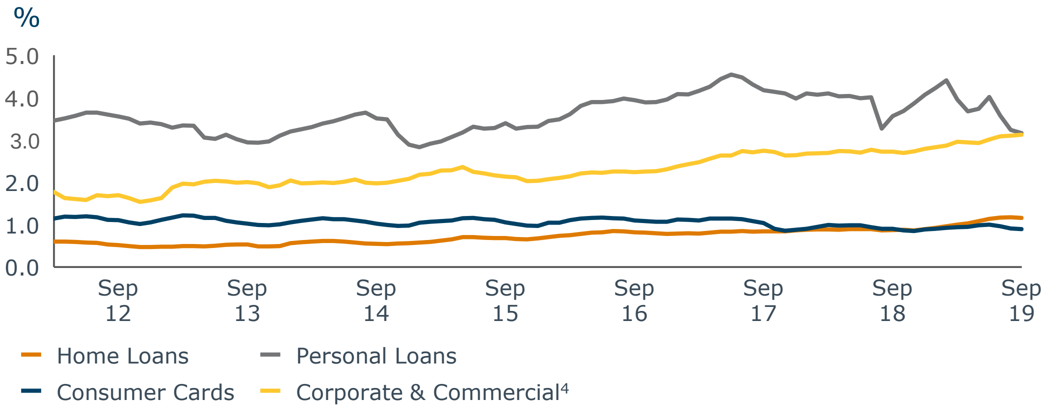
- Represents 4.8% of portfolio
- Skew to mining states – WA, QLD & NT represent 65% of negative equity
- 59% ahead of repayments
- 47% with LMI

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 LMI premiums 4. Valuations updated to Aug’19 where available 5. The current classification of Investor vs Owner Occupier, is based on ANZ’s product category, determined at origination as advised by the customer and the ongoing precision relies primarily on the customer’s obligation to advise ANZ of any change in circumstances 6. Historical DLVR has been restated as a result of enhancements to methodology 7. Includes Non Performing Loans and excludes accounts with a security guarantee

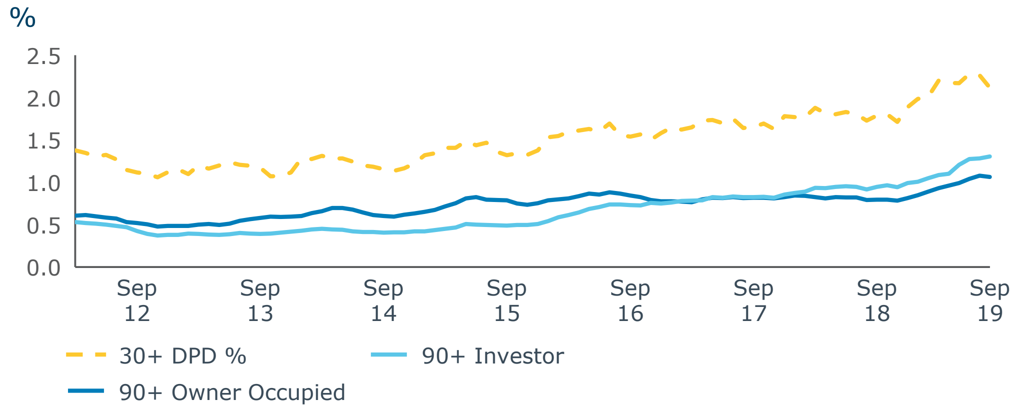
# AUSTRALIA HOME LOANS

## PORTFOLIO PERFORMANCE

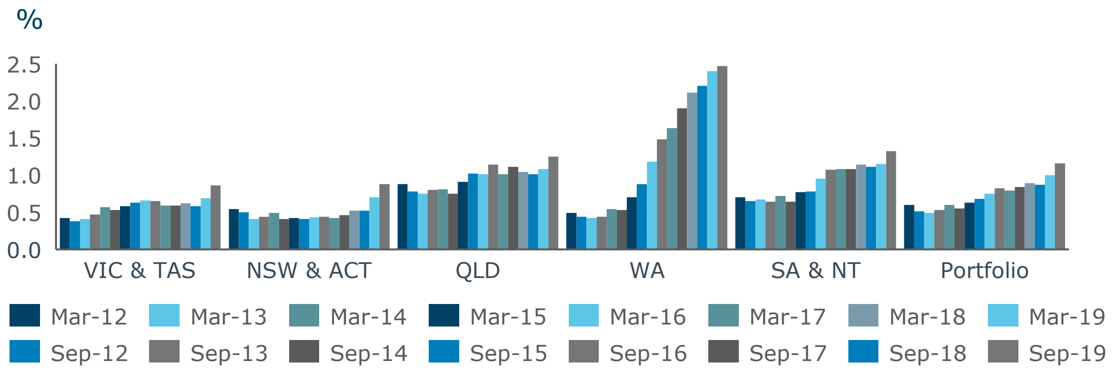
### PRODUCT 90+ DAY DELINQUENCIES[1,2,3]




### HOME LOAN DELINQUENCIES[1,2,5]

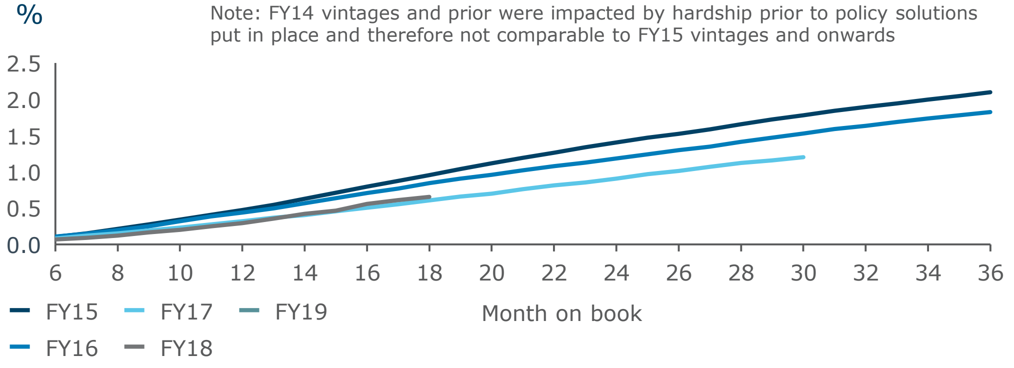



### HOME LOANS 90+ DPD BY STATE[1,2]




### HOME LOANS - 90+ DPD (BY VINTAGE)[6]

Note: FY14 vintages and prior were impacted by hardship prior to policy solutions put in place and therefore not comparable to FY15 vintages and onwards




1. Includes Non Performing Loans 2. ANZ delinquencies calculated on a missed payment basis 3. For Personal Loans, a new collections platform was implemented in Aug-18 enabling automated charge-off of late stage accounts. This resulted in a step change to 90+ rates. Following this, compatibility issues between systems resulted in an accumulation of 90+ debt not being charged-off, causing the 90+ rate to increase. This issue has now been resolved and the 90+ rate has returned to expected levels in FY19 4. Retail portfolio (Small Business, Commercial Cards and Asset Finance) 5. The current classification of Investor vs Owner Occupier, is based on ANZ's product category, determined at origination as advised by the customer and the ongoing precision relies primarily on the customer's obligation to advise ANZ of any change in circumstances 6. Home loans 90+ DPD vintages represent % ratio of over 90+ delinquent (measured by # accounts), contains at least 6 application months of that fiscal year contributing to each data point

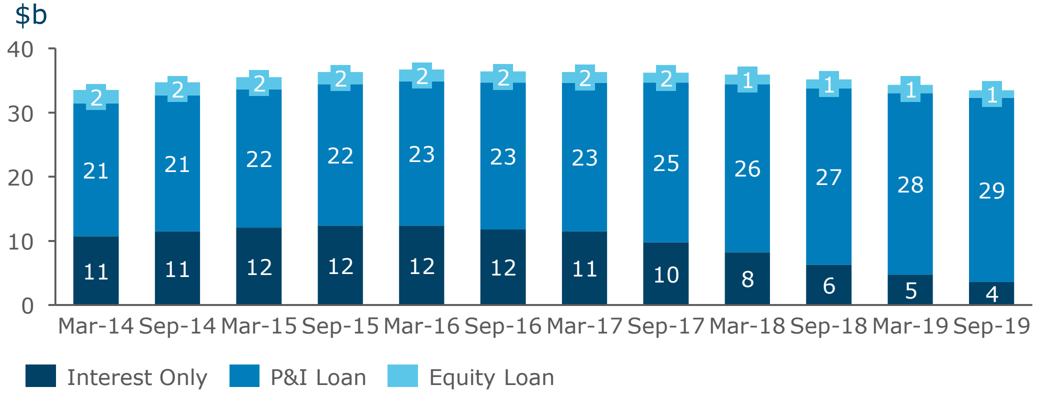
# AUSTRALIA HOME LOANS

## WESTERN AUSTRALIA

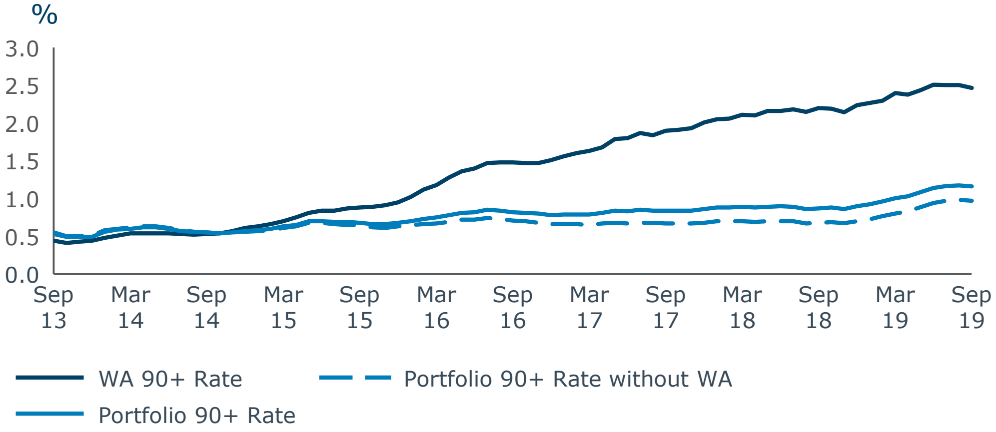
- Exposure to WA has decreased since Mar-16 driven by the economic environment and credit policy tightening (mining town lending)
- Currently WA comprises 13% of portfolio FUM (and is decreasing), however it comprises 27% of 90+ delinquencies (and one half of portfolio losses[1])
- Tailored treatment of collection and account management strategies in place

| Economic indicators[2] | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|
| Unemployment rate | 3.9% | 4.7% | 5.0% | 6.1% | 6.3% | 5.6% | 6.1% | 6.1% |
| SFD[3] growth | 13.8% | 1.5% | -1.8% | -1.3% | -7.3% | -3.9% | 0.3% | -0.9% |
| Population Growth | 3.1% | 2.2% | 1.1% | 0.85% | 0.63% | 0.71% | 0.88% | - |

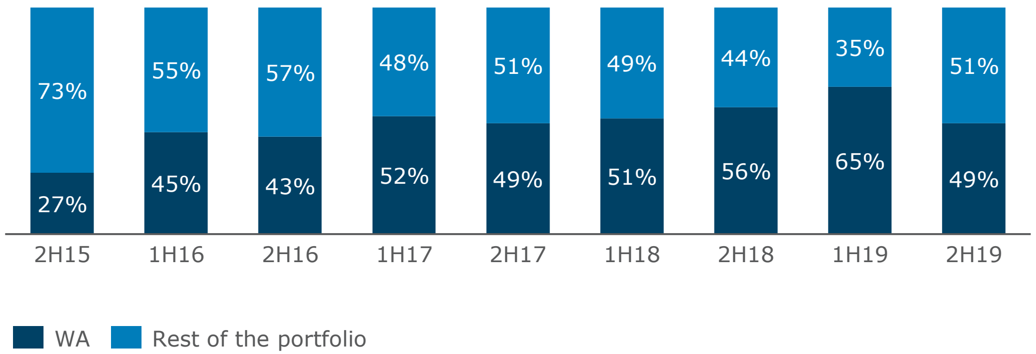
### WA OUTSTANDING BALANCE




### HOME LOANS AND WA 90+ DELINQUENCIES[4,5]




### HOME LOANS COMPOSITION OF LOSSES[1]




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

# AUSTRALIA HOME LOANS

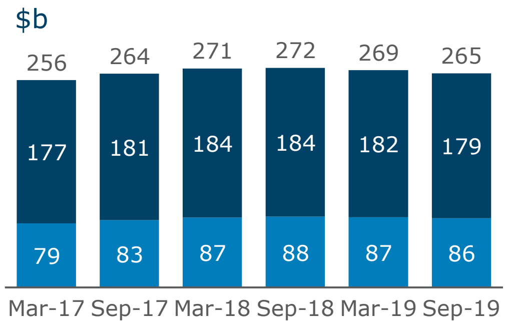
## NEW SOUTH WALES/ACT

**Portfolio**
- NSW/ACT makes up 32% of portfolio FUM and 25% of 90+ days past due.
- 76% in advance of repayments which is in line with the total portfolio.
- 18% of the portfolio is Interest Only & reducing.

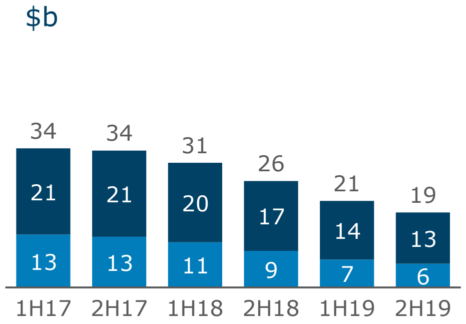
**90+ days past due**
- NSW/ACT at 88bps is similar to VIC/TAS at 86bps & 28bps below national level.
- Increase in the past 6 months, primarily driven by older vintages
- Since FY15, credit quality has improved year-on-year, with FY17 & FY18 vintages performing better than FY15 & FY16 vintages.

**Dynamic LVR**
- 12.2% of NSW/ACT portfolio >90% DLVR

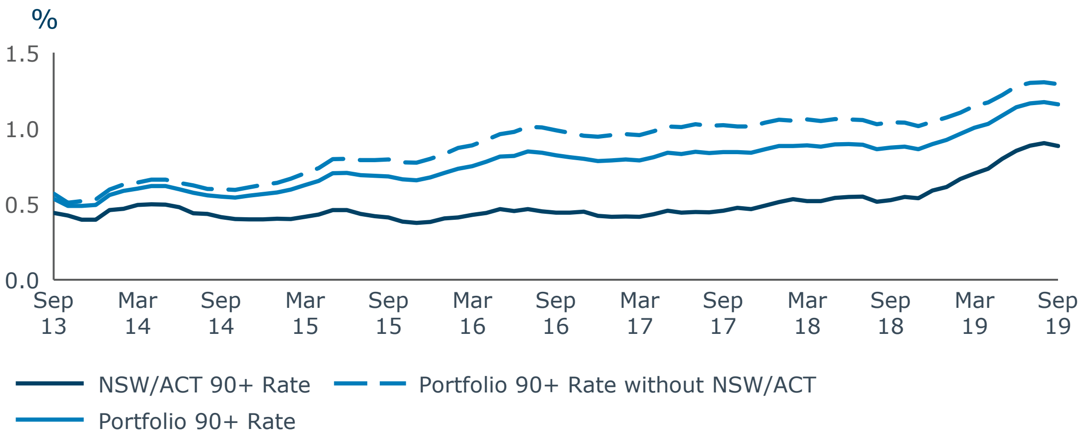
### HOUSING PORTFOLIO[1]



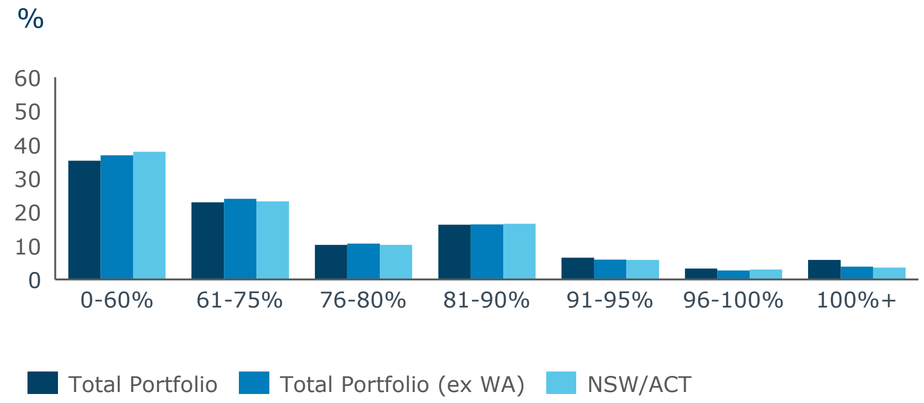

### HOUSING FLOW




### HOME LOANS AND NSW/ACT 90+ DELINQUENCIES[1,2]




### NSW/ACT DYNAMIC LVR PROFILE – SEPTEMBER 2019[1,3,4,5]



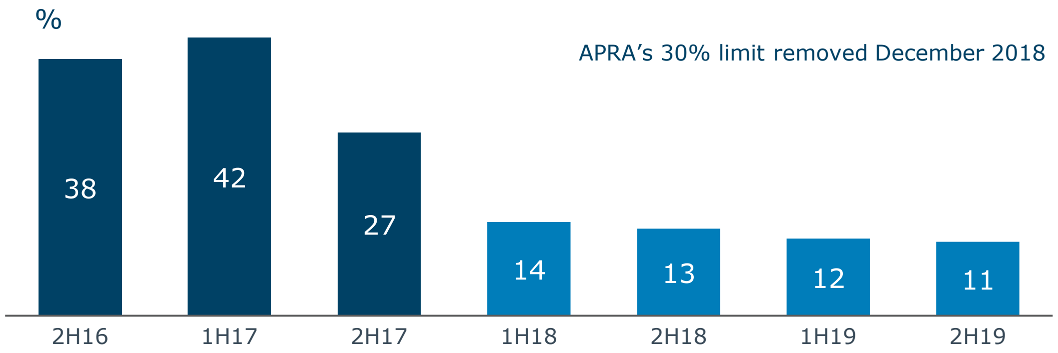

1. Includes Non Performing Loans 2. ANZ delinquencies calculated on a missed payment basis 3. Includes capitalised LMI premiums 4. Valuations updated to Aug-19 where available 5. Includes Non Performing Loans and excludes accounts with a security guarantee

# AUSTRALIA HOME LOANS

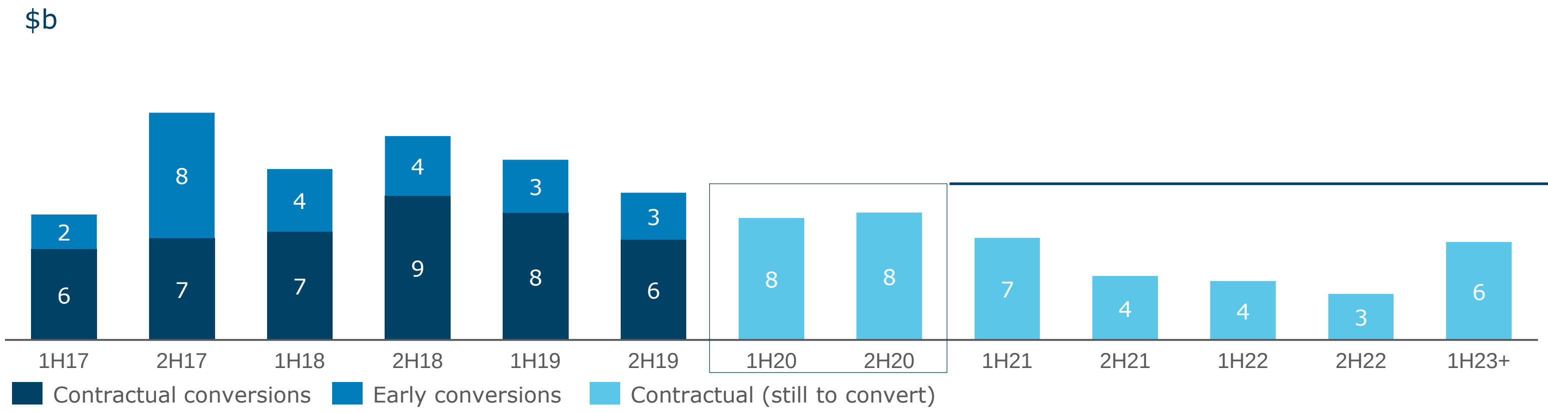
## INTEREST ONLY

- Serviceability assessment is based on ability to repay principal & interest repayments calculated over the residual term of loan
- 86% of Interest Only customers have net income >$100k p.a. (portfolio 66%)
- Historical policy & pricing changes have led to a reduction in Interest Only lending. ANZ's Interest Only flow composition is 11% for 2H19.
- Proactive contact strategies are in place to prepare customers for the change in their repayments ahead of Interest Only expiry

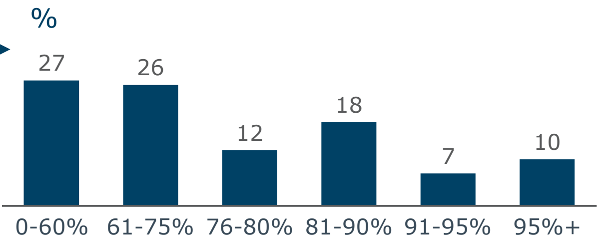
### INTEREST ONLY FLOW COMPOSITION




### SWITCHING INTEREST ONLY TO P&I AND SCHEDULED INTEREST ONLY TERM EXPIRY[1,2]




### DYNAMIC LVR PROFILE OF 12 MONTH FORWARD CONVERSIONS[3]




1. Total portfolio including new flows 2. As at Sep-19 3. Includes Non Performing Loans and excludes accounts with a security guarantee

# AUSTRALIA HOME LOANS

## UNDERWRITING PRACTICES AND POLICY CHANGES[1]

**Multiple checks during origination process**

Quality assurance, info verification & policy reviews

| | |
|---|---|
| Pre – application[2] | Income & Expenses |
| Application | Know Your Customer |
| Serviceability | Income Verification<br>Income Shading<br>Expense Models<br>Interest Rate Buffer<br>Repayment Sensitisation |
| Collateral / Valuations | LVR Policy<br>LMI Policy<br>Valuations Policy |
| Credit Assessment | Credit History<br>Bureau Checks |
| Fulfilment | Documentation<br>Security |

- 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*)<br>Introduction of a 20% haircut for overtime and commission income<br>Increased income discount factor for residential rental income from 20% to 25% |
| **Nov'18** | Enhanced Responsible Lending processes including additional enquiry and increase in minimum monthly credit card expense |
| **Jul'19** | Increase of interest rate buffer to 2.50% and reduction of interest rate floor to 5.50% |

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

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

# AUSTRALIA HOME LOANS

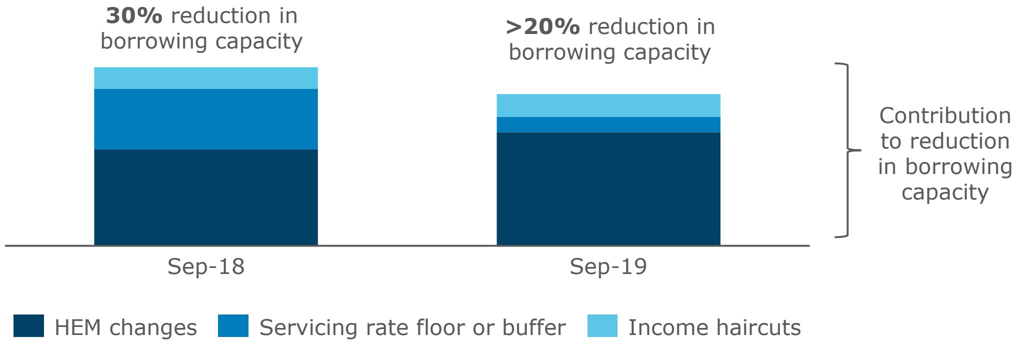
## UNDERWRITING PRACTICES AND POLICY CHANGES[1] - JUNE 2015 TO SEPTEMBER 2019

**ANZ LVR Caps**
- LVR cap reduced to 70% in high risk mining towns in June 2015; reduced to 90% for investment loans (July 2015)
- Restricted new housing lending (new security to ANZ) to max. 80% LVR for all apartments within 7 inner city Brisbane postcodes (October 2017)
- Restricted investment lending (new security to ANZ) to max 80% LVR for all apartments within 4 inner city Perth postcodes (October 2017)
- Increase maximum LVR on interest only investment loans from 80% to 90% in March 2019 (excluding Mining towns and Apartment restrictions)

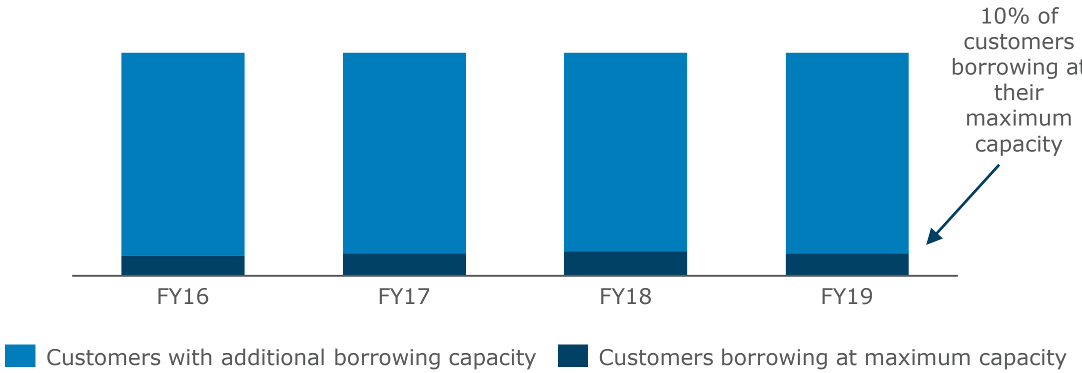
**ANZ Assessment**
- Interest rate floor (new & existing lending) at 7.25% (August 2015)
- Income adjusted living expense floor (HEM); 20% haircut for overtime & commission; Increased income discount factor for residential rental income from 20% to 25% (April 2016)
- Limited acceptance of foreign income to demonstrate serviceability and tightened controls on verification (September 2016)
- Minimum default housing expense (rent/board) applied to all borrowers not living in their own home & seeking RILs[2] or EMAs[3] (July 2017)
- IO renewals became Credit Critical events (full income verification & serviceability test) including P&I to IO & converting to or extending IO term (March 2018)
- Enhanced Responsible Lending Requirements including additional enquiry and increase in minimum monthly credit card expense (November 2018)
- Interest rate floor (new & existing lending) at 5.50% and interest rate buffer of 2.50% (July 2019)

**ANZ Product and Other Limitations**
- Decreased max. IO term of owner occupied loans to 5 years (January 2017)
- Withdrew lending to non-residents (September 2016); tightened acceptances for guarantees (December 2016); clarified residential lending to trading companies is not acceptable (December 2017)
- Increased maximum term of interest only investment loans from 5 to 10 years (from March 2019)

### DRIVERS OF REDUCTION IN CUSTOMER BORROWING CAPACITY (v 2015)[4]




### ANZ PORTFOLIO BORROWING CAPACITY SUMMARY[5]




1. 2015 to 2019 material changes to lending standards and underwriting 2. Residential Investment Loans 3. Equity Manager Accounts. 4. ANZ modelled outcome of 4 borrowing scenarios indexed to 2015 and using a customer lending rate of 3.90%: i. Couple, no dependents, ii. Single, no dependents, iii. Couple 2 dependents, iv. Couple, no dependents, higher income earners, where application parameters such as income are held steady while policy components are adjusted based on 2015 and 2019 settings. 5. Based on financial years.

# 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.
- Estimated portfolio losses under these stressed conditions are manageable and within the Group's capital base, with cumulative total losses at $2.7b over three years (net of LMI recoveries).
- The results have marginally improved from the stress test six months ago. Key reason for the stressed losses reduction is the improved property price outlook and the impact of the three rate cuts since May 2019, which are reflected in the underlying scenario.

| Assumptions | Base[1] | Year 1 | Year 2 | Year 3 |
|---|---|---|---|---|
| Unemployment rate | 5.1% | 5.5% | 9.8% | 10.5% |
| Cash Rate | 1.5% | 0.25% | 0% | 0% |
| Real GDP year ended growth | 1.9% | 0% | -4.7% | -0.6% |
| Cumulative reduction in house prices | - | -32.3% | -38.8% | -31.7% |
| Portfolio size ($b) | 295 | 294 | 287 | 278 |

| Outcomes | Year 1 | Year 2 | Year 3 |
|---|---|---|---|
| Net Losses ($m) | 286 | 1,282 | 1,141 |
| Net losses (bps) | 10 | 45 | 41 |

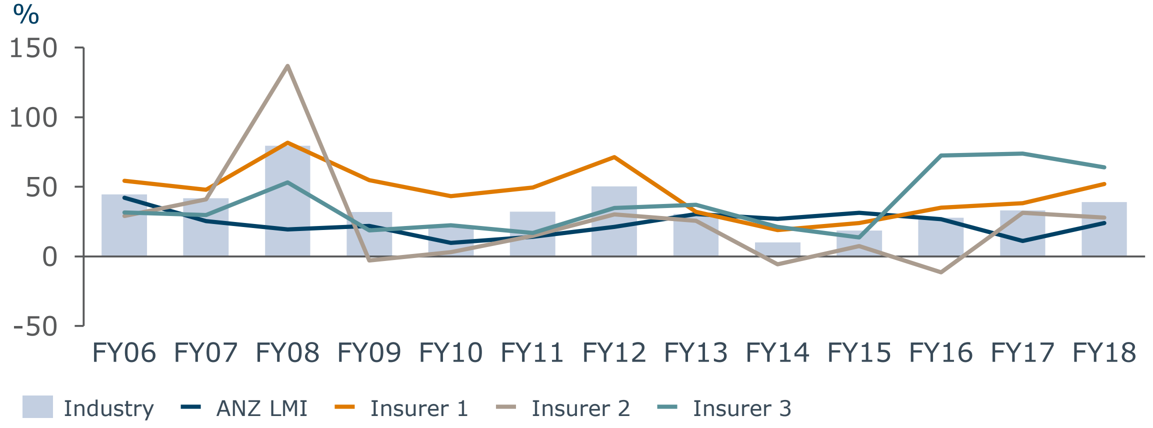
1. Based on mortgage exposure at default and conditions as at 31 March 2019

# LENDERS MORTGAGE INSURANCE

## SEPTEMBER FULL YEAR 2019 RESULTS

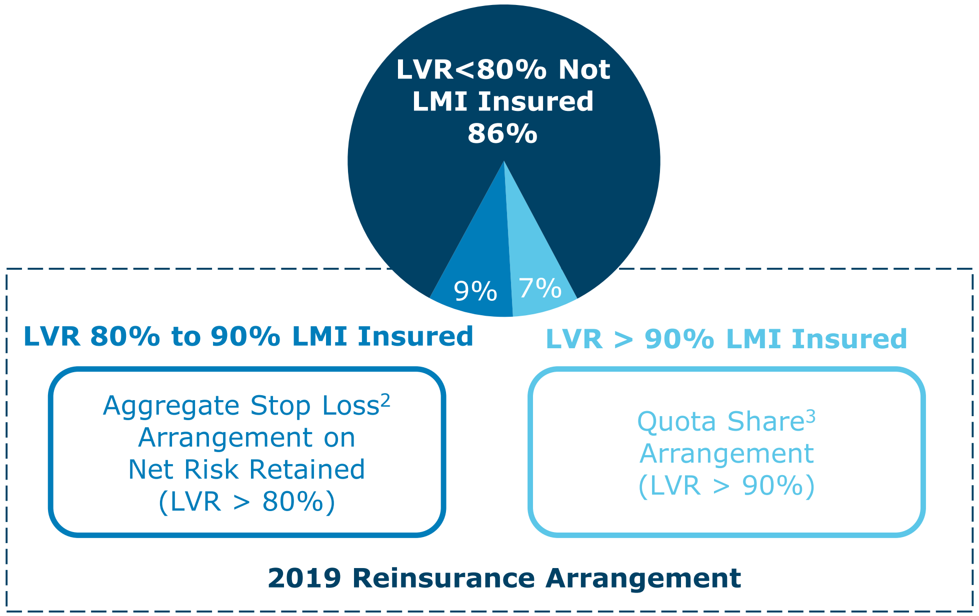
| | |
|---|---|
| **Gross Written Premium ($m)** | $80.7m |
| **Net Claims Paid ($m)** | $31.4m |
| **Loss Rate (of Exposure - annualised)** | 12.0bps |

## ANZLMI MAINTAINED STABLE LOSS RATIOS[1]




## LMI & REINSURANCE STRUCTURE

Australian Home Loan portfolio LMI and Reinsurance Structure at 30 Sep 19 (% New Business FUM Oct-18 to Sep-19)




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

Reinsurance is comprised of a **Quota Share arrangement3** with reinsurers for mortgages 90% LVR and above and in addition an **Aggregate Stop Loss arrangement2** for policies over 80% LVR

1. Negative Loss ratios are the result of reductions in outstanding claims provisions. Source: APRA general insurance statistics (loss ratio net of reinsurance) 2. 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 3. Quota Share arrangement - reinsurer assumes an agreed reinsured % whereby reinsurer shares all premiums and losses accordingly with ANZLMI

# NEW ZEALAND HOME LOANS

## PORTFOLIO OVERVIEW[1]

| | Portfolio | | | Flow |
|---|---|---|---|---|
| | FY17 | FY18 | FY19 | FY19 |
| Number of Home Loan Accounts | 520k | 526k | 527k | 118k |
| Total FUM | NZD77b | NZD81b | NZD85b | NZD19b |
| Average Loan Size[2] | NZD148k | NZD153k | NZD161k | NZD157k |
| % Owner Occupied | 73% | 74% | 75% | 77% |
| % Investor | 27% | 26% | 25% | 23% |
| % Paying Variable Rate Loan[3] | 21% | 18% | 15% | 14% |
| % Paying Fixed Rate Loan[3] | 79% | 82% | 85% | 86% |
| % Paying Interest Only | 22% | 21% | 19% | 19% |
| % Paying Principal & Interest | 78% | 79% | 81% | 81% |
| % Broker Originated[4] | 35% | 36% | 38% | 40% |

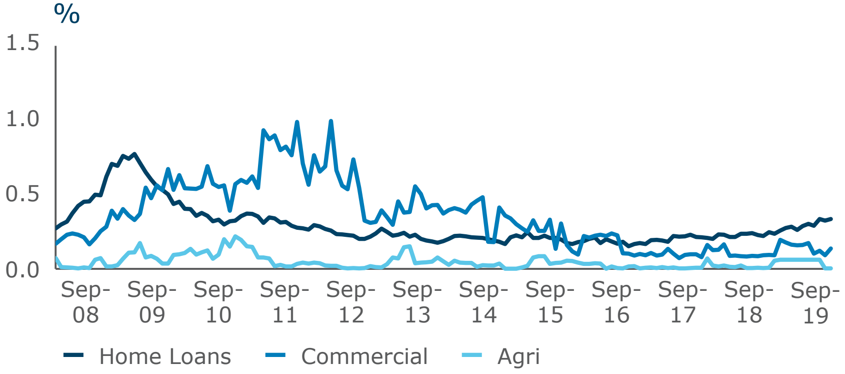
| | Portfolio | | |
|---|---|---|---|
| | FY17 | FY18 | FY19 |
| Average LVR at Origination[2] | 59% | 58% | 56% |
| Average Dynamic LVR[2] | 43% | 41% | 42% |
| Market Share[5] | 31.1% | 30.9% | 30.7% |
| % Low Doc[6] | 0.44% | 0.38% | 0.34% |
| Home Loan Loss Rates | (0.01%) | 0.00% | 0.00% |
| % of NZ Geography Lending | 61% | 62% | 63% |

1. New Zealand Geography
2. Average data as of September 2019
3. Flow excludes revolving credit facilities
4. Flow FY19 11 months to August 2019
5. Source: RBNZ, FY19 share of all banks as at August 2019
6. 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

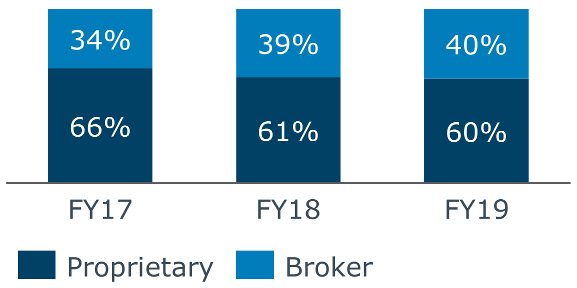
# NEW ZEALAND HOME LOANS

## HOME LENDING & ARREARS TRENDS[1]

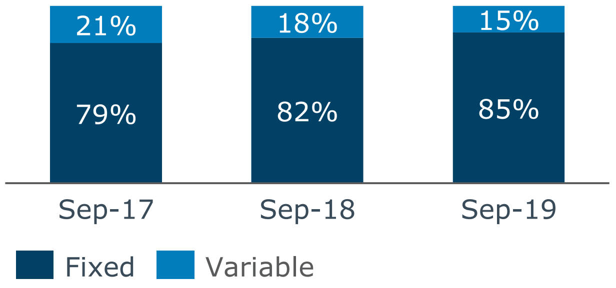
### NZ DIVISION 90+DAYS DELINQUENCIES



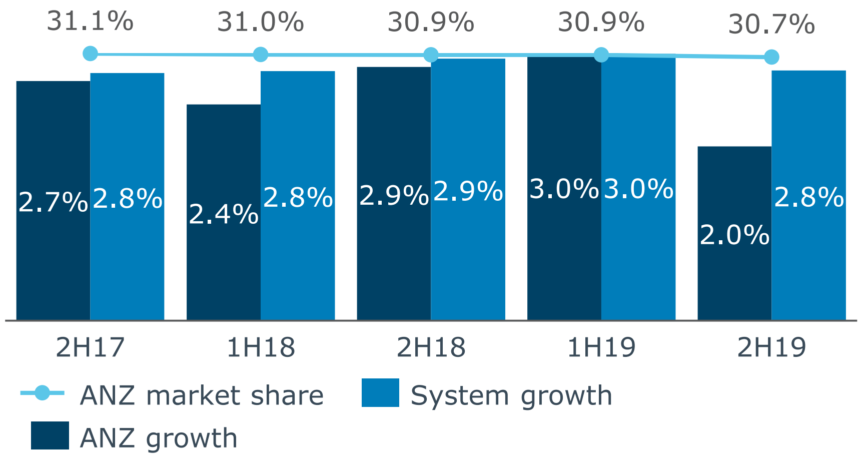

### HOUSING FLOWS[2]



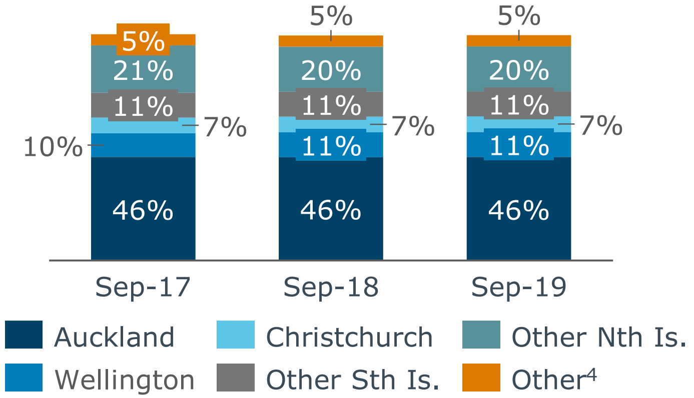

### HOUSING PORTFOLIO



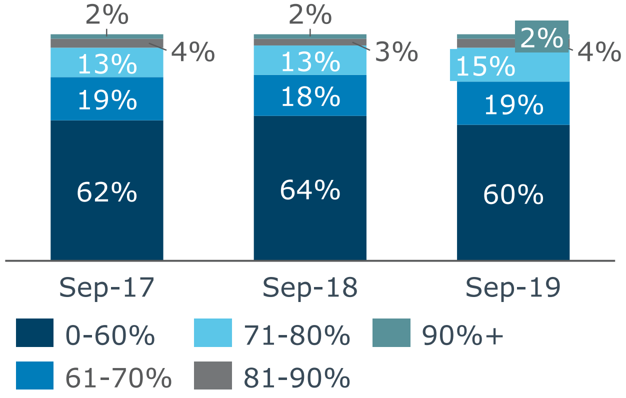

### MARKET SHARE[3]




### HOUSING PORTFOLIO BY REGION




### ANZ HOME LOAN LVR PROFILE[5]




1. New Zealand Geography 2. Flow FY19 11 months to August 2019 3. Source: RBNZ, 2H19 market share as at August 2019 4. Other includes loans booked centrally (Business Direct, Contact Centre, Lending Services, Property Finance) 5. Dynamic basis

# 2019 FULL YEAR RESULTS

## INVESTOR DISCUSSION PACK

ROYAL COMMISSION UPDATE & REGULATORY REFORMS

# ROYAL COMMISSION

## OUR APPROACH, OUR RESPONSE

### WE ARE RESPONDING TO THE 'SPIRIT AND THE LETTER' OF THE ROYAL COMMISSION.

**Initial response**

- Committed in February 2019 to sixteen actions that we can take now including:
  - removing overdrawn and dishonour fees on our Pensioner Advantage account
  - improving our service to Indigenous customers in remote communities by setting up a dedicated phone service and giving them easier options to prove their identity
  - publishing principles to help family farming customers in financial distress
  - publishing principles on acting as a model litigant in disputes with our customers
  - implementing pay reforms that replace individual-based bonuses for most of our employees with an incentive based on the overall performance of the Group
- Reviewed individual cases highlighted at the Commission and taken action where appropriate to resolve the matters
- Reported to Government that we have made significant progress on the RC recommendations directed at banks, concerning distressed agricultural loans, remuneration of front line staff, the Sedgwick Review and changing culture and governance

**Lessons from our experience**

- Identified eight lessons from our misconduct and failures to meet community standards and expectations to inform our response to the 'spirit and letter' of the Royal Commission
- Now identifying measures that will allow us to be confident that these lessons have been acted on

**Governance – aligned to the APRA self-assessment**

- Established a Royal Commission and Self-Assessment Oversight Group to oversee an integrated response to the Royal Commission and Self-Assessment. The Oversight Group is chaired by the Deputy Chief Executive Officer and includes the Group Chief Risk Officer

**Constructive engagement with reform**

- Engaging constructively with Government and its agencies as they implement the recommendations directed at them
  - Government has indicated that majority of its reforms will be consulted on and introduced into Parliament by the end of 2020

# STRENGTHENING OUR RISK CULTURE

- We have strengthened the way we deal with risk events through an enhanced Accountability and Consequence Framework, which is applicable to all of our people.
- In 2019 across the Group, 151 employees were dismissed for breaches of our Code of Conduct. A further 516 employees received a formal disciplinary outcome, with managers required to apply impacts to their performance and remuneration outcomes as part of the annual review process.
- At the senior leadership level, 30 current or former senior leaders (senior executives, executives and senior managers) received a consequence in 2019 for Code of Conduct breaches or findings of accountability for a material event, or otherwise left the bank after an investigation had been initiated.
- The 30 employees represent ~ 1% of the senior leader population. The consequences applied included warnings, impacts to performance and/or remuneration outcomes and cessation of employment.

## SENIOR LEADER CONSEQUENCES IN 2019*

| | |
|---|---|
| Remuneration consequence | 23 |
| Warning/advice | 12 |
| No longer employed | 7 |

* Individuals are included under all categories that are relevant, meaning one individual may be reflected in multiple categories.

# 2019 FULL YEAR RESULTS

**INVESTOR DISCUSSION PACK**

CORPORATE OVERVIEW &

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

# ESG – GOVERNANCE OVERVIEW

**BOARD OF DIRECTORS**

Chaired by David Gonski, Chairman

**Audit Committee**

Chair:
Paula Dwyer

**Risk Committee**

Chair:
Graeme Liebelt

**Ethics, Environment, Social and Governance Committee**

Chair:
David Gonski

**Digital Business and Technology Committee**

Chair:
Jane Halton

**Human Resources Committee**

Chair:
Ilana Atlas

**Nomination and Board Operations Committee**

Chair:
David Gonski

**Ethics and Responsible Business Committee (ERBC)**

Chaired by Shayne Elliott, CEO

**Customer Fairness Advisor, Australia**

Reports to Shayne Elliott, CEO

**Royal Commission & Self-Assessment Oversight Group**

Chaired by Kevin Corbally, CRO and Alexis George, DCEO

**Customer Advocate, Australia**

Reports to Mark Hand, Group Executive, Australia Retail and Commercial Banking

# BOARD AND EXECUTIVE COMMITTEES WORK TOGETHER

## INDICATIVE RESPONSIBILITIES DEMONSTRATE HOW COMMITTEES MANAGE ESG

| **Ethics, Environment, Social and Governance Board committee** | |
|---|---|
| Purpose: Establish ethical and ESG guidelines and principles | |
| Oversight of measures to advance Purpose and the Ethics and Responsible Business Committee | Review and monitor ethical, environmental, social and governance risks and opportunities |
| Code of Conduct review | Review of complaints themes and potential systemic issues |
| Oversight and approval of ESG reporting and targets | Oversight and approval of corporate governance policies, principles, regulatory and policy responses |

| **Ethics and Responsible Business Management committee** | |
|---|---|
| Purpose: Operationalise Board objectives and make decisions on issues and policies | |
| Purpose, reputation and values review | Consider and decide on ethical, environmental, social and governance risks and opportunities |
| Examine complaints themes and potential systemic issues | Set Social and Environmental Risk policy and monitor implementation |
| Set ESG targets and monitor progress | Monitor and determine sensitive customer transactions |

# BRINGING OUR PURPOSE TO LIFE

### CHOICES ABOUT WHO WE SERVE

- **WHO** we bank
- **HOW** we bank
- **WHAT** we care about


### CHOICES ABOUT HOW WE OPERATE

- **HOW** we organise ourselves
- **HOW** we behave
- **HOW** we measure & communicate our progress

### WHAT WE CARE ABOUT

| Housing | |
|---|---|
| **Our focus …** | **Leading to …** |
| Homes to Buy | Home ownership |
| Homes to Rent | Housing choice |
| Access to Housing | Housing security |

| Environmental Sustainability | |
|---|---|
| **Our focus …** | **Leading to …** |
| Energy | Lower carbon emissions |
| Water | Water stewardship |
| Waste | Waste minimization |

| Financial Wellbeing | |
|---|---|
| **Our focus …** | **Leading to …** |
| Financial Access | Economic participation |
| Financial Fitness | Financial health |

# 'WHAT WE CARE ABOUT MOST' – A YEAR IN REVIEW

| | | |
|---|---|---|
| Build leadership in key areas | More Australians and New Zealanders have access to affordable, liveable, sustainable housing | • Joint Lead Manager on $315m National Housing Finance and Investment Corporation bond, and NZD$500m and NZD$600m bonds for Housing New Zealand to provide new and upgraded social housing<br>• Provided >1,800 interest-free loans to improve the health of New Zealand households through our New Zealand 'Healthy Homes' initiative |
| | The food, beverage and agricultural sector is more sustainable and financially resilient | • Supported the purchase of the Great Cumbung Swamp - Australia's largest purchase of mixed-use conservation and agricultural property by dollar value<br>• Advisor and Joint Lead Manager on $400m green bond for Woolworths Group to improve energy efficiency (solar, lighting, refrigeration systems) in its supermarkets |
| | Australia's energy supply, transmission and distribution is more efficient, cleaner and affordable | • Project finance commitment to renewable energy increased ~27% from FY18 $1,076m to FY19 $1,371m (figure quoted is project finance made on a non or limited recourse basis and excludes corporate debt facilities) |
| Ensure ANZ is living up to its commitments | Improve our standards and practices | • Established a $100m Housing 'Virtual Fund' to support the financing of more affordable, secure and sustainable homes<br>• Committed to 100% renewable electricity across our global premises by 2025 |
| | Develop products and services | • Expanded sustainable finance offering to establish sustainability-linked loans market in Australia and New Zealand<br>• Continued expansion of Home Buyers Coach training, currently >3,300 home coaches active in Australia and New Zealand |
| | Use insights, advocacy and partnerships | • Delivered new housing market insights with bi-annual ANZ-Core Logic Housing Affordability Report<br>• Conducted research to assess the impact of Money Minded on financial wellbeing |
| Continue to improve housing, environment and financial wellbeing outcomes for the community | Alleviate homelessness | • Supported youth employment through the opening of two social enterprise cafés: Home.Two and STREAT<br>• Raised >$150k for the St Vincent de Paul 'CEO Sleepout' - equivalent to providing >5,000 meals for those experiencing homelessness |
| | Connect to the environment | • Over 18,000 hours volunteered by employees towards environmental sustainability<br>• More than 1,250 employees volunteered with Sustainable Coastlines New Zealand collecting more than 10,000 litres of rubbish |
| | Facilitate financial inclusion | • Through ANZ Technology 'Return to Work' program we employed 30 women who had been out of the workforce for an extended period<br>• Improved the financial literacy of >87,500 people through our Money Minded program |

# CREATING VALUE FOR OUR STAKEHOLDERS

## CUSTOMERS

- **8.7m** total retail, commercial and Institutional customers
- **$291b** in retail & commercial customer deposits in Australia and New Zealand
- **$339b** in home lending in Australia and New Zealand
- **Full mobile wallet offering**, including Apple Pay™, GooglePay™, Samsung Pay™, FitBit Pay™ and Garmin Pay™
- **#1** Lead bank for trade services[1]

## EMPLOYEES

- **39,060** people employed (FTE)
- **734** people recruited from under-represented groups, including refugees, people with disability and Indigenous Australians since 2016
- **32.5%** of women in leadership, increase from 27.9% in Sep 2014[2]
- **~1.5m hours** of training undertaken

## COMMUNITY

- **$142m** contributed in community investment[3]
- **134,930** volunteering hours completed by employees
- **$3.2b** in taxes incurred; money used by governments to provide public services and amenities[4]
- **>998k people** reached through our target to help enable social and economic participation[5]

## SHAREHOLDERS

- **>500,000** Retail & Institutional shareholders
- **$6.5b**[6] cash profit reported
- **227.6** cents earnings per share
- **160 cents** per share dividend for FY19[7]
- **10.9%** return on average ordinary shareholders equity

All financial metrics are as at 30 September 2019 (P&L growth metrics for the full year ended 30 September 2019) unless otherwise stated.

1. Peter Lee Associates Large Corporate and Institutional Transactional Banking Surveys, Australia 2004-2019 and New Zealand 2005-2019 2. Measures representation at the Senior Manager, Executive and Senior Executive Levels. Includes all employees regardless of leave status but not contractors (which are included in FTE) 3. Figure includes foregone revenue of $109 million 4. Total taxes borne by the Group, includes unrecovered GST/VAT, employee related taxes and other taxes. Inclusive of discontinued operations 5. 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 6. On a cash profit continuing operations basis 7. FY19 franking average 85%

# FY19 ESG TARGET PERFORMANCE

## SCORECARD SNAPSHOT

We are committed to the United Nations Sustainable Development Goals (SDGs). Our ESG targets support 10 of the 17 SDGs.

Achieved | In progress | Not achieved

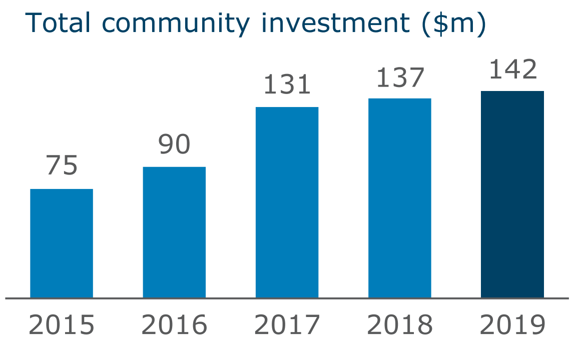
| ESG target | Progress | Outcome | Relevant SDGs |
|---|---|---|---|
| **FAIR AND RESPONSIBLE BANKING** | | | |
| Implement new Dispute Resolution Principles in Australia | Implemented | Achieved | |
| Communicate with >700,000 of our retail and commercial customers by 2019 to help them get more value from our products and services and establish positive financial behaviours | >1 million | Achieved | |
| **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[1] | $19.1 billion | Achieved | |
| 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) | -25% | In progress | |
| **FINANCIAL WELLBEING** | | |  |
| Help enable social and economic participation of 1 million people by 2020[2] | >998k | In progress | |
| Increasing women in leadership to 33.1% by 2019 (34.1% by 2020)[3] | 32.5% | Not achieved | |
| Recruiting >1,000 people from under-represented groups by 2020 | 734 | In progress | |
| **HOUSING** | | |  |
| Provide NZ$100 million of interest free loans to insulate homes for ANZ mortgage holders (New Zealand) | NZ$6.3 million | In progress | |
| Offer all ANZ first home buyers access to financial coaching support | >3.3k coaches trained | In progress | |

For detailed performance information refer to the 2019 ESG Supplement available in December 2019 anz.com/cs.

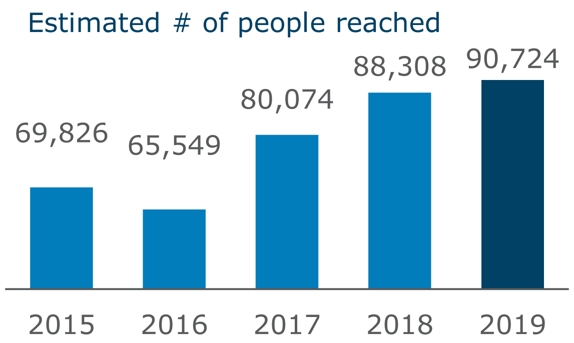
1. Including renewable energy generation, green buildings and less emissions intensive manufacturing and transport 2. Through our initiatives to support financial wellbeing including financial inclusion, employment and community programs, and targeted banking products and services for small businesses and retail customers 3. FY18-FY20 target is defined as Women in Leadership which measures representation at the Senior Manager, Executive and Senior Executive levels

# ESG PERFORMANCE TRENDS

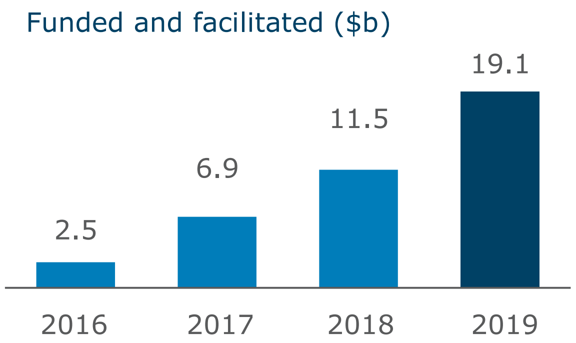
## COMMUNITY INVESTMENT[1]



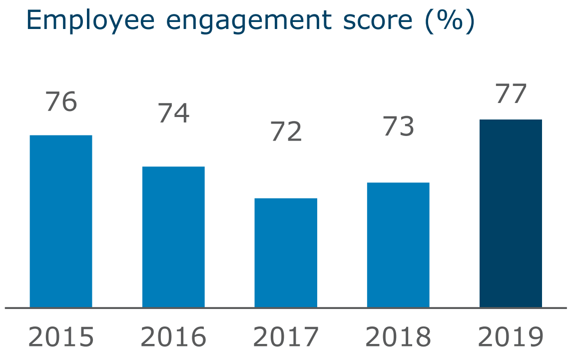

## MONEYMINDED & SAVER PLUS



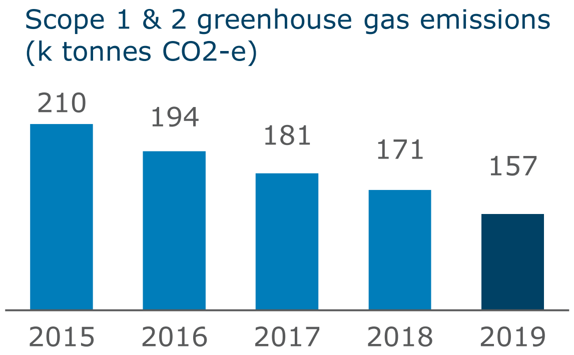

## ENVIRONMENTAL FINANCING $15B TARGET



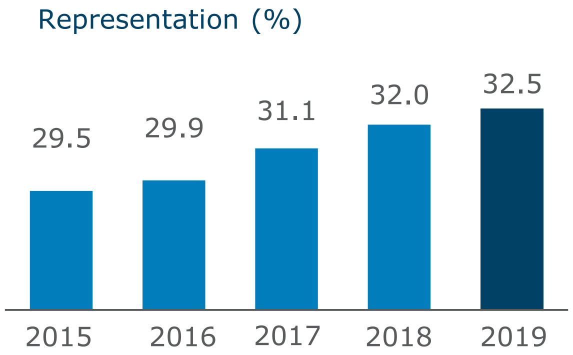

## EMPLOYEE ENGAGEMENT[2]




## ENVIRONMENTAL FOOTPRINT TARGET




## WOMEN IN LEADERSHIP[3]




1. Figure includes forgone revenue (2019 = $109m), 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. Measures representation at the Senior Manager, Executive and Senior Executive Levels. Includes all employees regardless of leave status but not contractors (which are included in FTE)

# EXTERNAL REPORTING

## RECOGNITION

Second ranked Australian bank on the Dow Jones Sustainability Index, scoring 82/100 in 2019

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

Member of the FTSE4Good Index

2018-19 leader in workplace gender equality

Platinum Status LGBTI Employer of Choice for longevity in high performance (2015 to 2019)

## 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

*Founding Signatory of:*

UNEP FINANCE INITIATIVE

PRINCIPLES FOR RESPONSIBLE BANKING

# 2019 FULL YEAR RESULTS

## CLIMATE-RELATED FINANCIAL DISCLOSURES

# CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)[1]

| Governance | Strategy | Risk Management | Metrics & targets |
|---|---|---|---|
| • Board Risk Committee oversees management of climate-related risks<br>• Board Ethics, Environment, Social and Governance Committee oversees and approves climate-related objectives, goals and targets<br>• Ethics and Responsible Business Committee (executive management) oversees our approach to sustainability and reviews climate-related risks | • Low carbon financial products and services<br>• Staff training on transition planning<br>• Reducing our own operational footprint<br>• Focus on a 'just and orderly' low carbon transition<br>• UNEP FI[2] TCFD group that issued recommendations on portfolio transition and physical risks<br>• Analysis of flood-related risks for home loan portfolio in a major regional location of Australia<br>• Flood-related analysis and test-pilot of socio-economic indicators for customer financial resilience | • Climate-related risks identified as potential credit risk<br>• Climate change risk added to Group and Institutional Risk Appetite Statements<br>• Climate change identified as a Principal Risk and Uncertainty in our UK Disclosure and Transparency Rules Submission<br>• Guidelines and training provided to 1,000 of our Institutional bankers on customer transition plans<br>• Enhanced analysis and credit terms applied to agricultural purchases in certain regions<br>• New agribusiness customers assessed for climate resilience | • 29 engagements with large emitting customers to establish transition plans – targeting 100 customers by 2021<br>• $19.1 billion funded and facilitated in environmentally sustainable solutions<br>• Declining exposure to the most carbon-intensive energy; thermal coal mining exposures halved since 2015<br>• 100% renewable electricity for our operations by 2025, with our emissions targets aligned with Paris Agreement goals |

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

# SUPPORTING OUR CUSTOMERS AND TRAINING OUR STAFF ON THE DEVELOPMENT OF LOW CARBON TRANSITION PLANS

## CUSTOMER MANAGEMENT AND STAFF TRAINING

**ANZ customer management informed by climate-related engagement**

- We have identified carbon-intensive sectors most likely to be impacted by climate change
- There are 100 of our largest emitting business customers in those sectors
- We are supporting these customers to establish, or strengthen their low carbon transition plans
- We will use the results of this engagement to inform our risk assessment of customers in these sectors

**Training our staff to engage with customers on climate-risk**

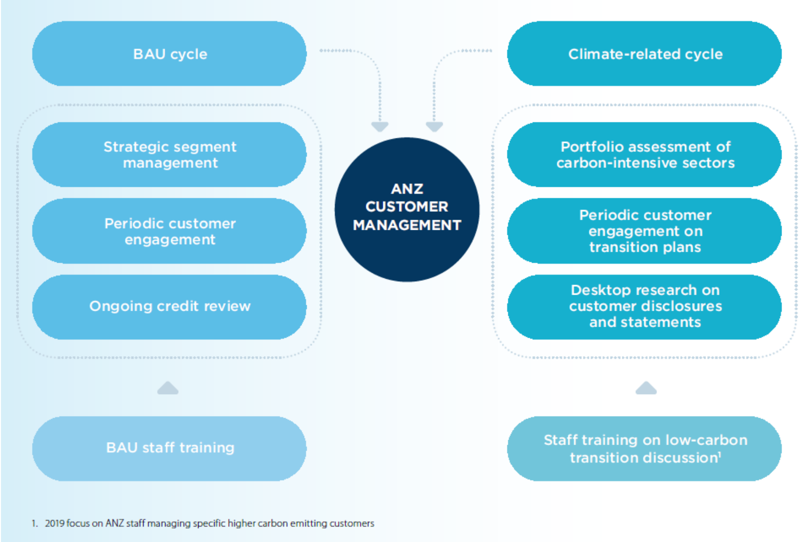
- This year we provided training to over 1,000 bankers in our Institutional and Corporate businesses. The training covered:
  - how climate-related risks and opportunities might manifest for our customers
  - what elements we would expect to see in a robust transition plan
  - market and regulatory drivers that are focusing stakeholder attention on our customers
  - whether they have plans in place to manage their climate-related risks and opportunities

## CUSTOMER EXAMPLE: BHP'S TRANSITION PLANNING

BHP has an integrated strategy including:

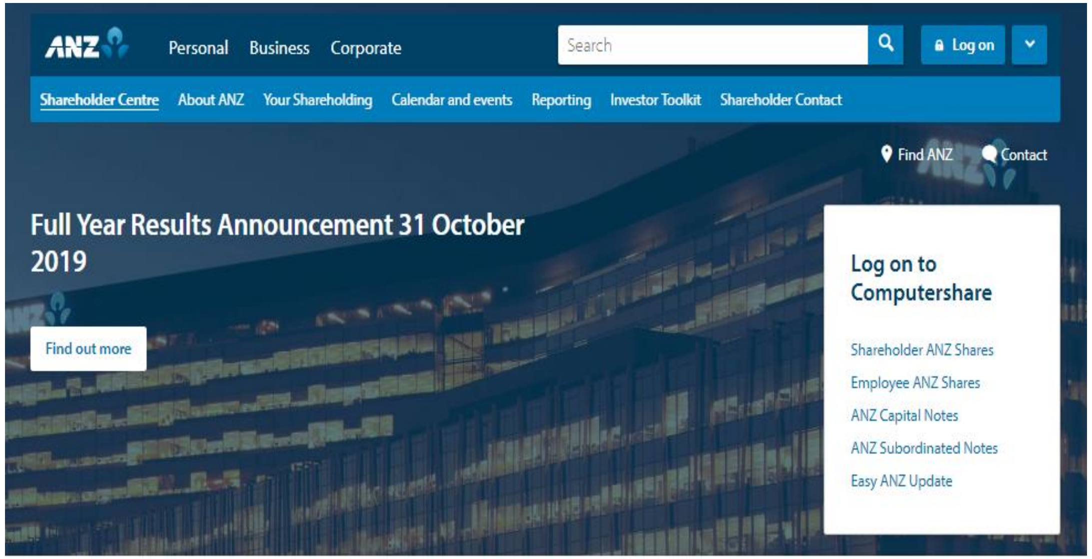
- Targets to hold net operational emissions at or below FY2017 levels by FY2022 while continuing to grow their business.
- Active stewardship role working with customers, suppliers and other value chain participants to influence reductions in scope 3 including:
  - A commitment to spend US$400m to develop technology to reduce emissions.

## HOW WE SUPPORT OUR CUSTOMERS – INCLUDING INCORPORATION OF CLIMATE-RISK MANAGEMENT




1. 2019 focus on ANZ staff managing specific higher carbon emitting customers

# FURTHER INFORMATION




ASX Announcements

Financial calendar

ASX Share Prices

**Our Shareholder information** anz.com/shareholder/centre/

## Equity Investors

**Jill Campbell**
**Group General Manager**
**Investor Relations**
+61 3 8654 7749
+61 412 047 448
jill.campbell@anz.com

**Cameron Davis**
**Executive Manager**
**Investor Relations**
+61 3 8654 7716
+61 421 613 819
cameron.davis@anz.com

**Harsh Vardhan**
**Manager**
**Investor Relations**
+61 3 8655 0878
+61 466 848 027
harsh.vardhan@anz.com

## Retail Investors

**Michelle Weerakoon**
**Manager Shareholder Services & Events**
+61 3 8654 7682
+61 411 143 090
michelle.weerakoon@anz.com

## Debt Investors

**Scott Gifford**
**Head of Debt Investor Relations**
+61 3 8655 5683
+61 434 076 876
scott.gifford@anz.com

**Mary Makridis**
**Associate Director**
**Debt Investor Relations**
+61 3 8655 4318
mary.makridis@anz.com

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