2015 | CLSA CONFERENCE Hong Kong

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

Investor Discussion Pack
September 2015

Index

Data within this discussion pack is current as at ANZ's 1H15 results, disclosed 5 May 2015, unless otherwise stated

All figures within this investor discussion pack are presented on Cash 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 86 of the 2015 Half Year Consolidated Financial Report. Common growth rate abbreviations used in this presentation include PCP: Prior comparable period growth rate (for instance 1H15 vs 1H14, 2H14 vs 2H13); HoH: Half on Half growth rate (for instance 1H15 vs 2H14, 2H14 vs 1H14)

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Group Overview

SUPER REGIONAL STRATEGY

STRONG CORE MARKETS

PROFITABLE ASIAN GROWTH

ENTERPRISE APPROACH

STRONG LIQUIDITY AND CAPITAL MANAGEMENT

DISCIPLINED AND EXPERIENCED MANAGEMENT

CEO PRIORITIES FY14-16

- Improving customer experience
- Diversifying revenue
- Improving productivity
- Improving returns

ANZ offers a distinctive geographic footprint and business mix that provides earnings diversification

Corporate Profile – Latest Full Year position: 2014

- Founded in 1835, ANZ is a super regional bank that serves 10 million retail, commercial and institutional customers in 33 markets and employs 50,000 staff.
- Headquartered in Melbourne, Australia, ANZ is one of the four largest Australian banks and ranked in the top 25 banks globally by market capitalisation.
- Listed on the Australian Stock Exchange (ASX) with a secondary listing on the New Zealand Stock Exchange (NZX)

Top 4 Corporate Bank in Asia [1]

APEA	
Staff (FTE)	20,512
Customers	~1.6m
Cash NPAT	$1.2B
RoRWA	1.30%
Customer Deposits	$108B
Customer Lending	$79B

A Top 4 Bank in Australia [2]

Australia	
Staff (FTE)	21,591
Customers	~6m
Cash NPAT	$4.4B
RoRWA	2.16%
Customer Deposits	$228B
Customer Lending	$349B

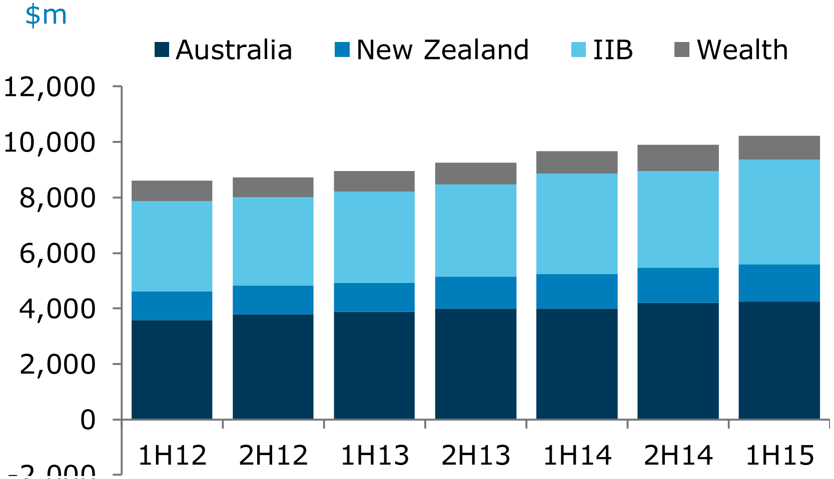
The Largest Bank in New Zealand

New Zealand	
Staff (FTE)	8,225
Customers	~2.1m
Cash NPAT	$1.5B
RoRWA	2.51%
Customer Deposits	$68B
Customer Lending	$94B

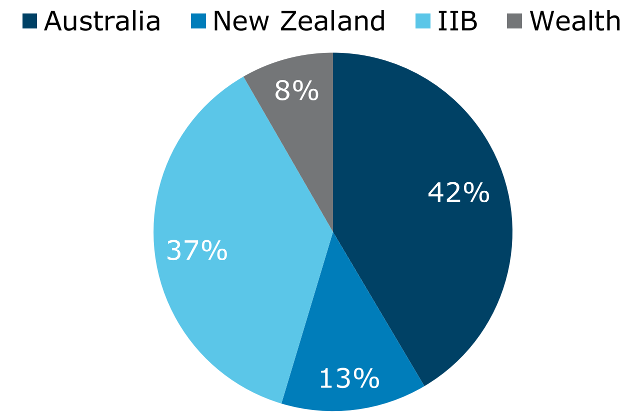
1. Greenwich Associates 2013 Asian Large Corporate Banking Study
2. Peter Lee Associates Large Corporate and Institutional Relationship Banking surveys, Australia and New Zealand 2014

Profit & Loss contribution by division

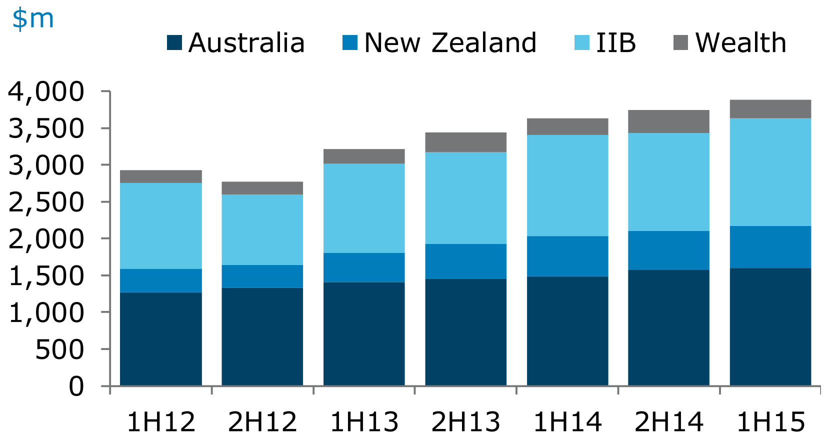
Operating Income by Division[1]



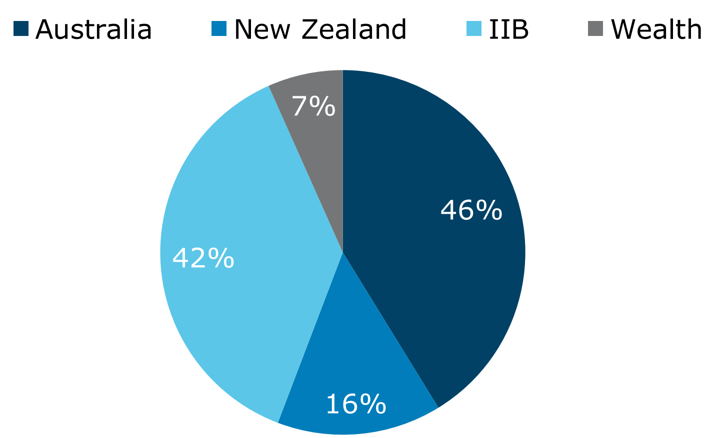
1H15 - Operating Income by Division[1]



Net Profit after Tax by Division[1]



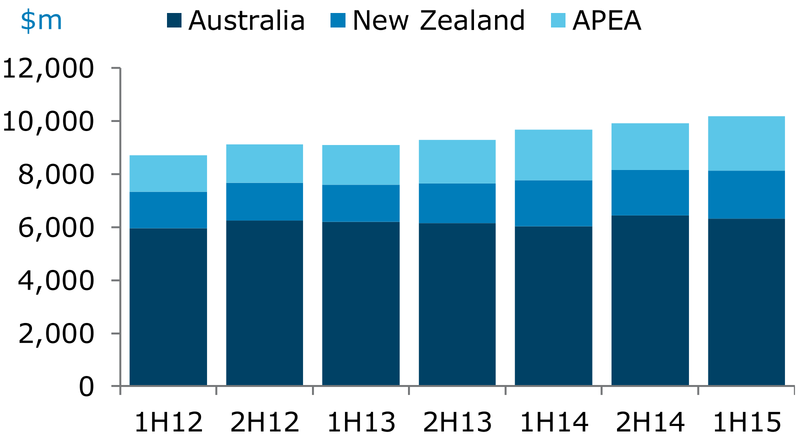
1H15 - Net Profit after Tax by Division[1]



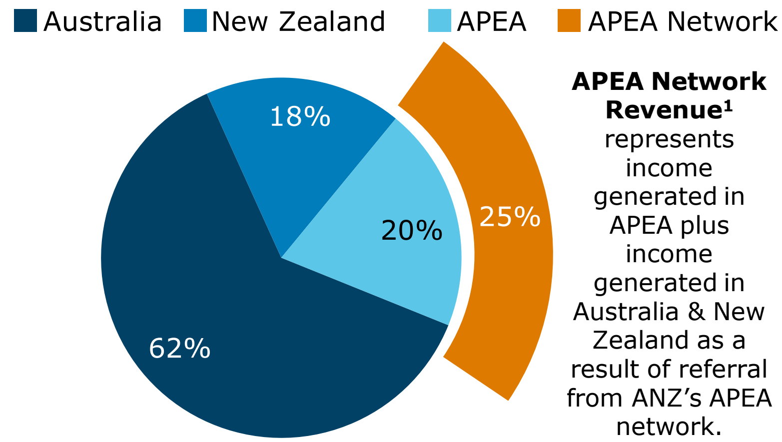
1. Excluding GTSO / Group Centre

Profit & Loss contribution by geography

Operating Income by Geography

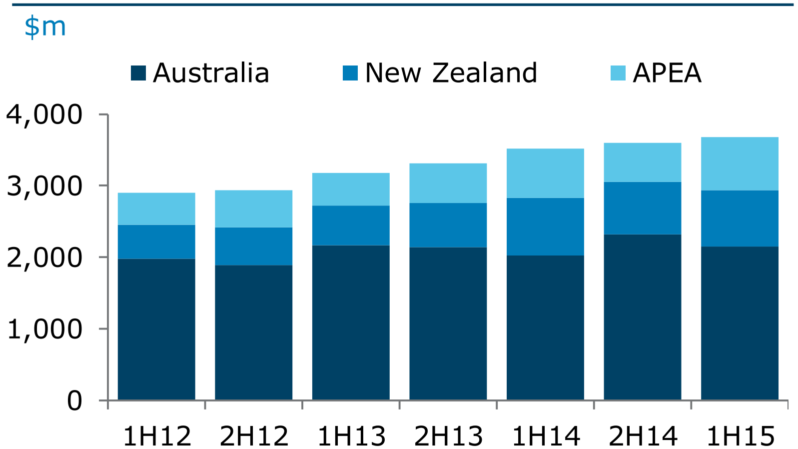


1H15 - Operating Income by Geography

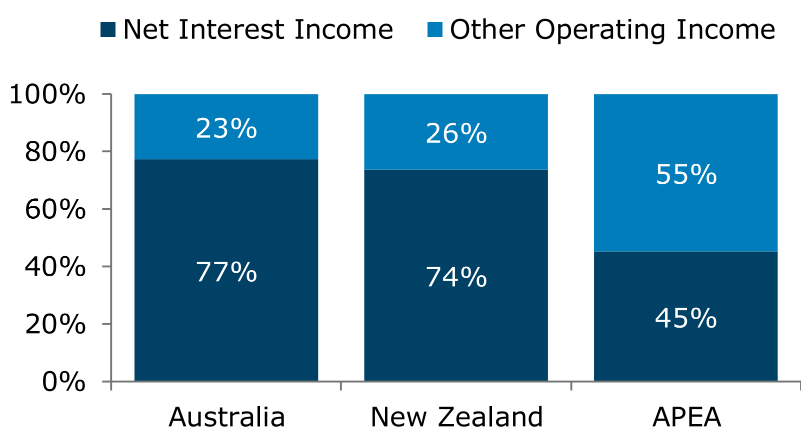


APEA Network Revenue[1] represents income generated in APEA plus income generated in Australia & New Zealand as a result of referral from ANZ's APEA network.

Net Profit after Tax by Geography



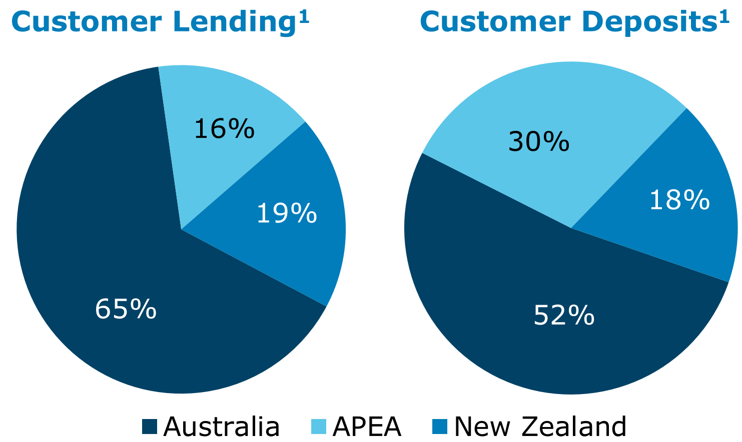
1H15 - Operating Income by income type



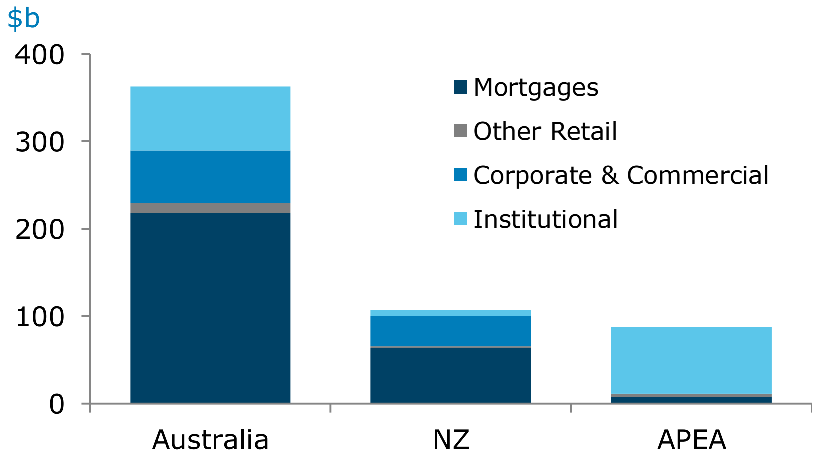
1. APEA Network Revenue represents income generated in Australia & New Zealand as a result of referral from ANZ's APEA network.
Note: APEA = Asia Pacific Europe & America

Balance sheet

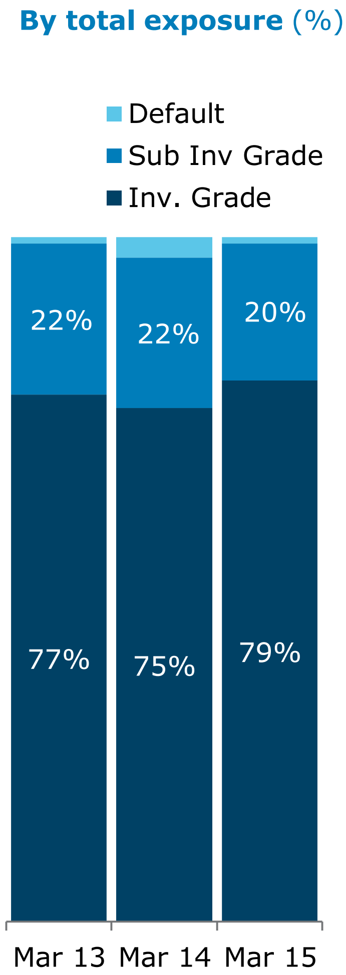
Group balance sheet composition

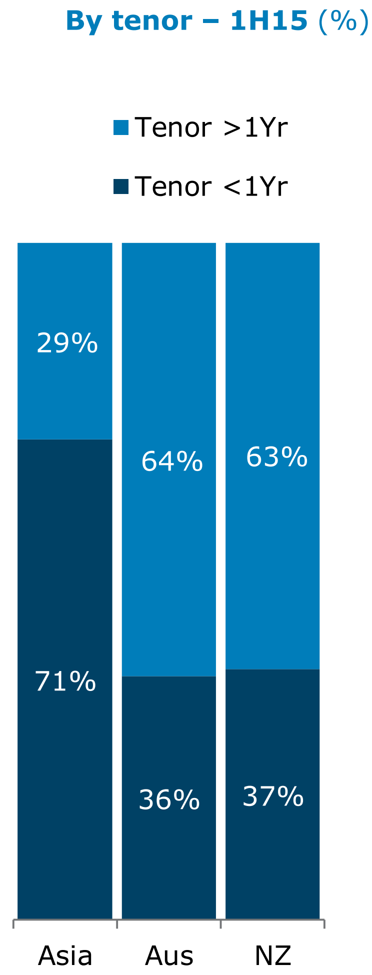


Group lending composition[2]



Institutional Balance sheet profile





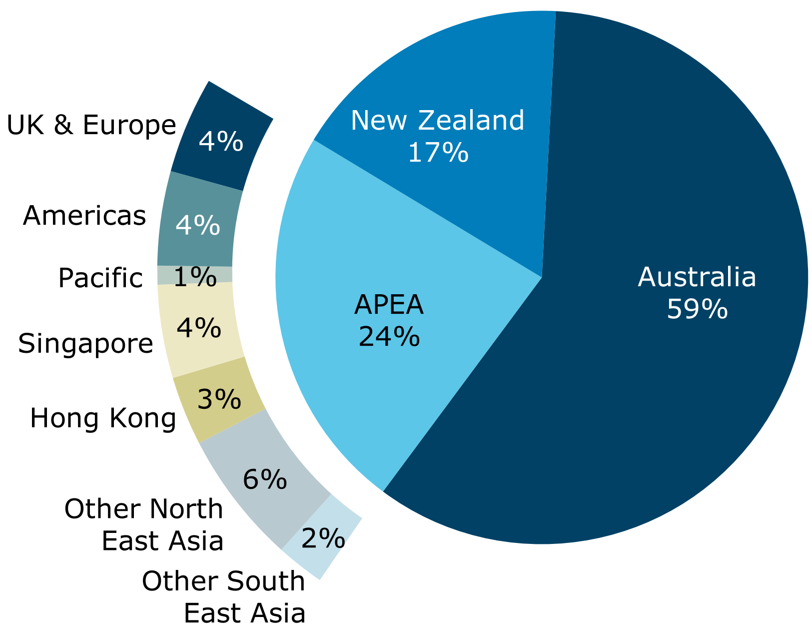
1. Customer lending represents Net Loans and Advances including acceptances.
2. Net Loans and Advances. Excludes Wealth & other (1% of total lending)

Total Credit Exposure (EAD) by Geography

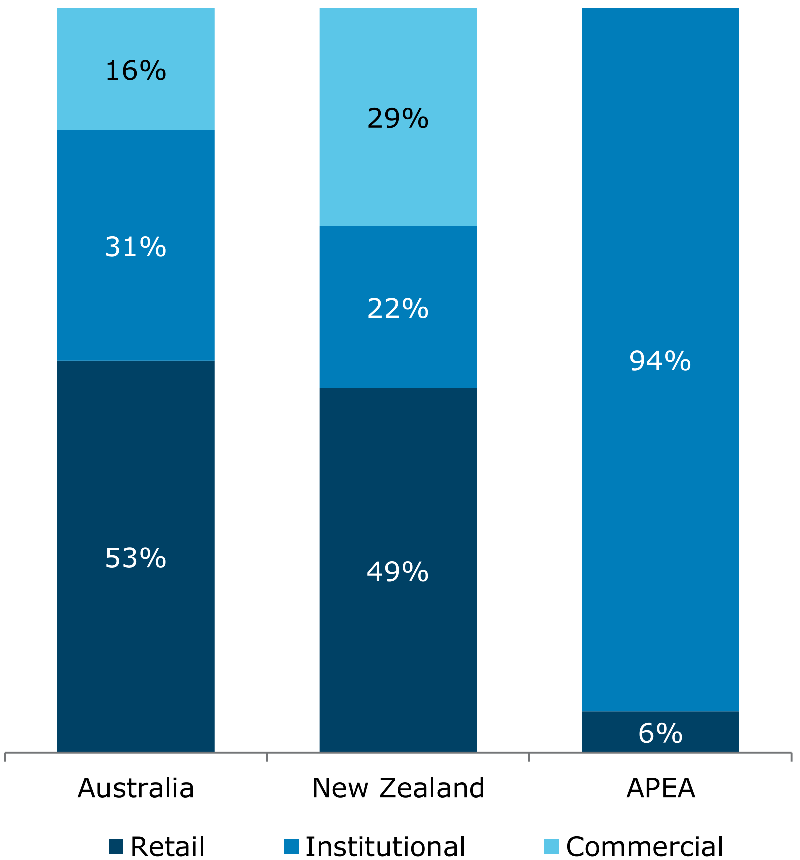
Exposure at Default[1] by Geography

Total Exposure at Default (Mar 15) - $869b[1]

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



Exposure at Default by Line of Business[2]



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

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Financial Performance

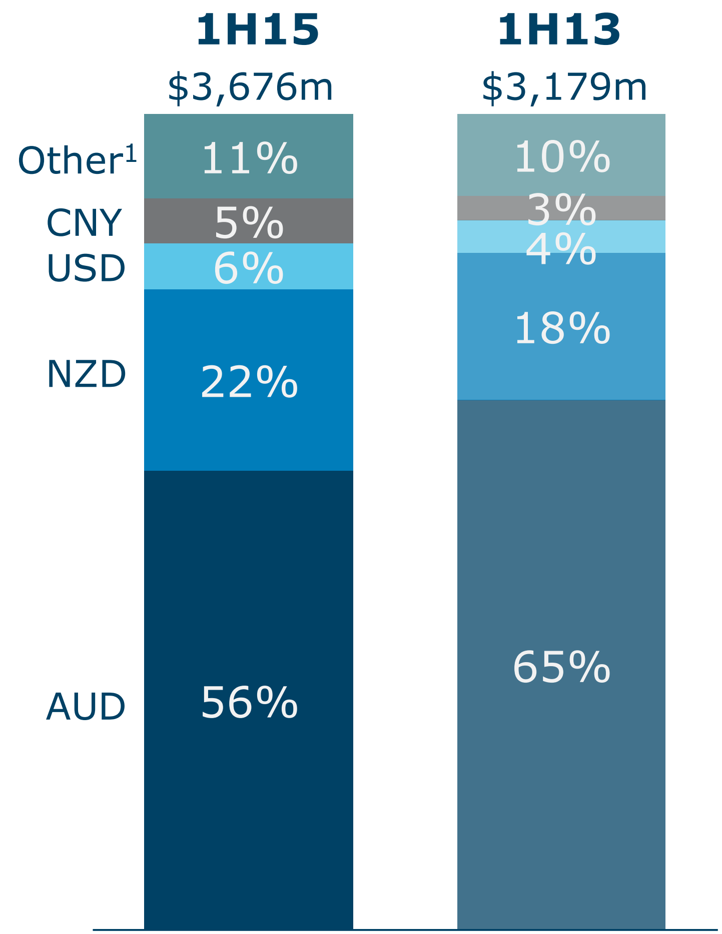
Summary of results

		1H15 – 1H14	
		$m	change
Revenue		10,185	5.3%
Expenses		(4,593)	7.2%
PBP		**5,592**	**3.9%**
Provisions		(510)	(3.4%)
Cash Profit		**3,676**	**4.6%**
Stat. adjustments		*(170)*	
Statutory Profit		*3,506*	*3.4%*
Cash EPS (cents)		133.6	3.8%
DPS (cents)		86	3.6%
ROE		14.7%	(80)bp
CET1 (%)	Internationally harmonised	12.4	-
	APRA basis	8.7	40bp

Impact of FX translation

	1H15 Growth	FX impact	FX Adj Growth
Revenue	5.3%	2.1%	3.2%
Expenses	7.2%	2.8%	4.4%
PBP	**3.9%**	**1.7%**	**2.2%**
Provisions	(3.4)%	1.6%	(5.0)%
NPAT	**4.6%**	**1.8%**	**2.8%**
ROE	**(80)bp**	**(30)bp**	**(50)bp**

1H15 Earnings Composition (by currency)



1. major currencies in "other" category includes TWD, MYR, PGK and IND – no one currency greater than 2%

Operating environment and key actions

What we said at FY14

The operating environment

Very low rates
Excessive global liquidity
Very low market volatility

	Retail	Corporate
Environment:	Solid housing market Strong savings Improving system growth	Weak confidence Low leverage Low credit demand
Impact:	Medium credit growth Strong competition Stable margins Low provisions	Slow credit growth Falling loan margins Balance Sheet trading opps. Lower hedging demand Low provisions
Actions:	Invest Grow share responsibly Improve customer experience	Capital efficiency Manage productivity Diversify revenue

Actions – 1H15

Expanded coverage

- Additional Aus. Division front office staff: ~600
- NSW expansion

Improved Customer Experience

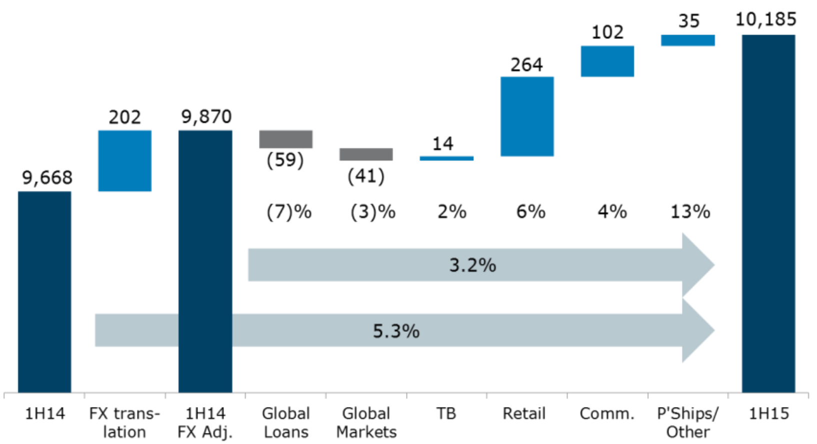
- Digital capacity & capability
- "GoMoney", "Grow", "Smart Choice" & "Transactive" enhancements
- "Tap and Pin" ATM: world first
- Rolled out "Transactive" China and Philippines
- Single digital access to Cash, Trade and Markets in 4 Asian markets

Enhanced Productivity & Capital Efficiency

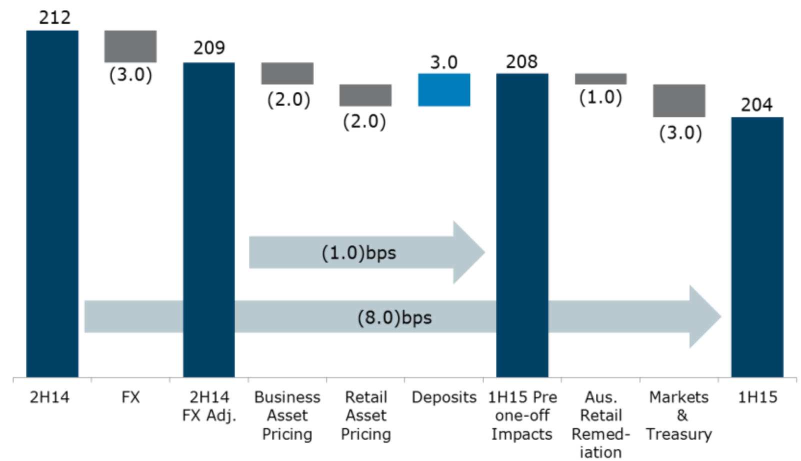
- Hubs & Ops unit costs down ~10% average
- Esanda Dealer Finance sale

Composition of Group earnings

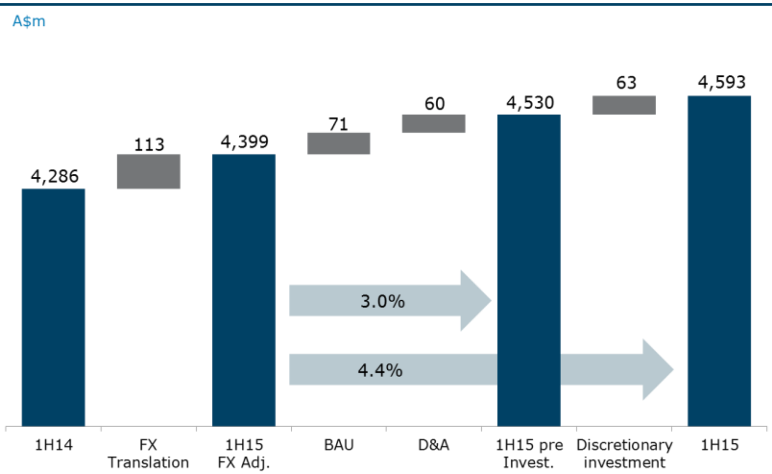
Revenue drivers



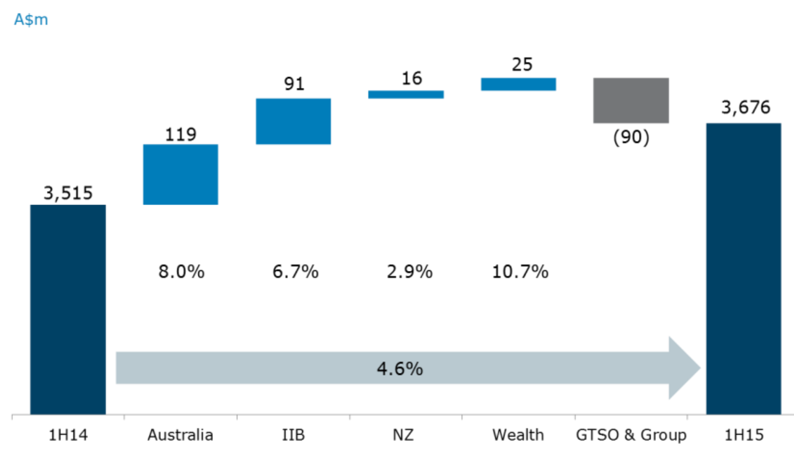
Net Interest Margin



Expense drivers



Divisional Cash Profit (1H15–1H14)

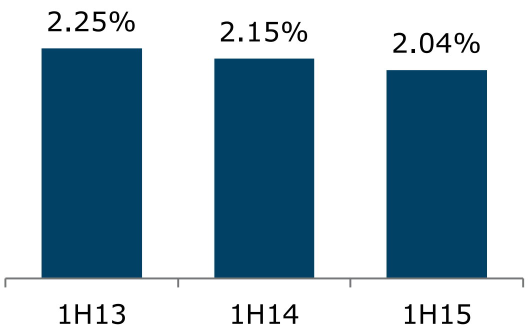


Notes. TB: Transaction Banking, Retail: Retail Australia, Retail New Zealand, Retail Asia Pacific and Global Wealth, Comm: Corporate & commercial Banking Australia and Commercial NZ

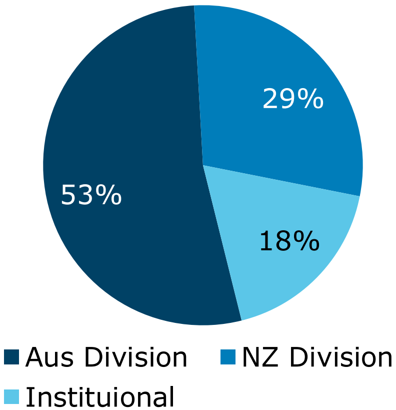
Net interest margin

Group

Group NIM First half trend

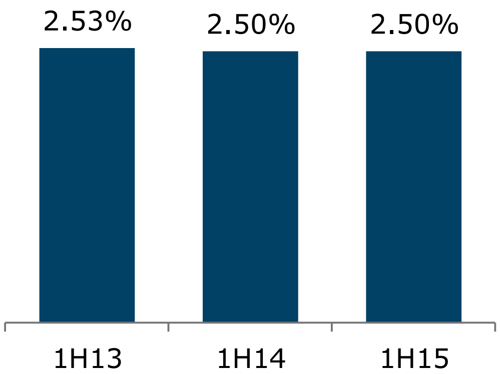


Net Interest Income contribution

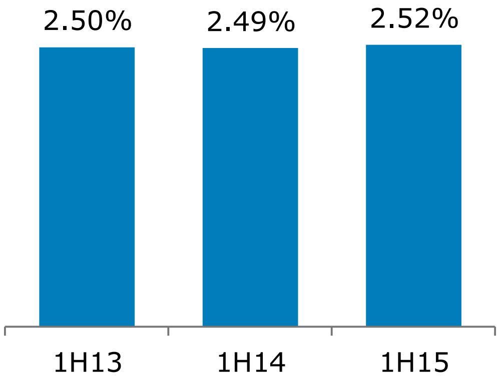


Divisional

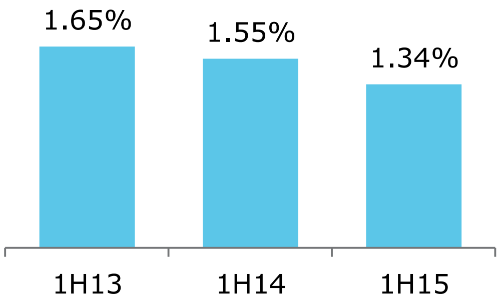
Australia Division



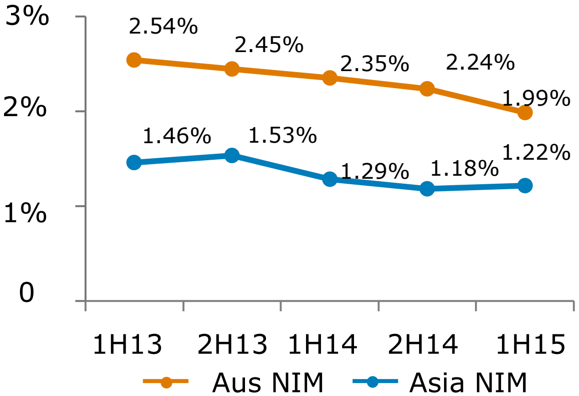
NZ Division (NZD)



IIB Division



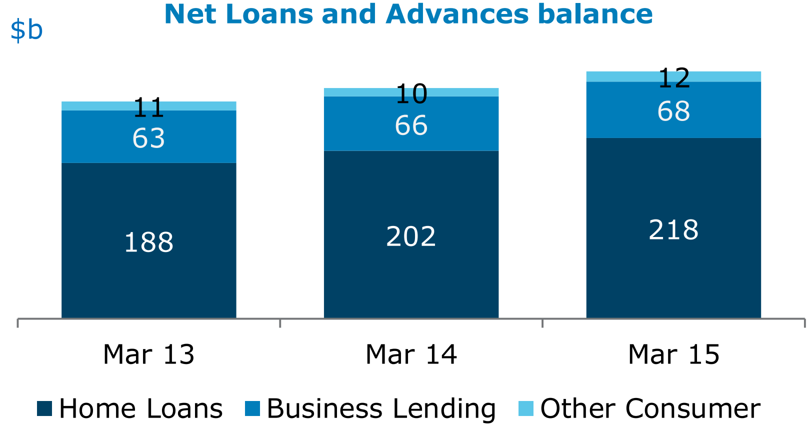
Global Loans NIM Trends



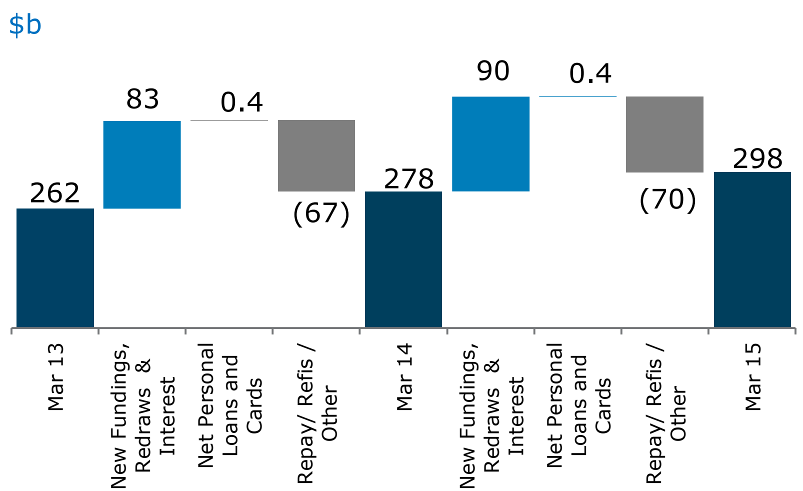
Lending composition and flows

Australia Division

Net Loans and Advances balance

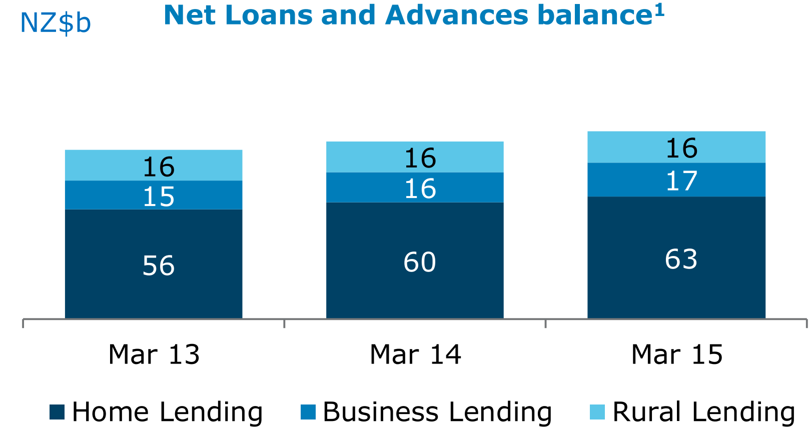


Net Loans and Advances flows

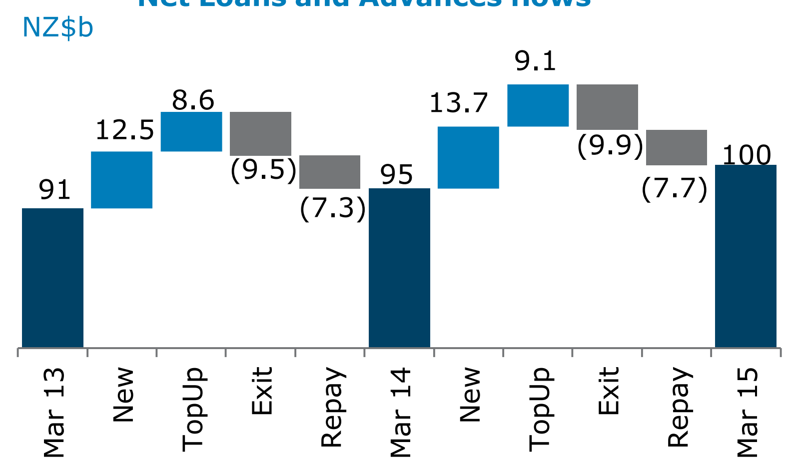


NZ Division

Net Loans and Advances balance[1]



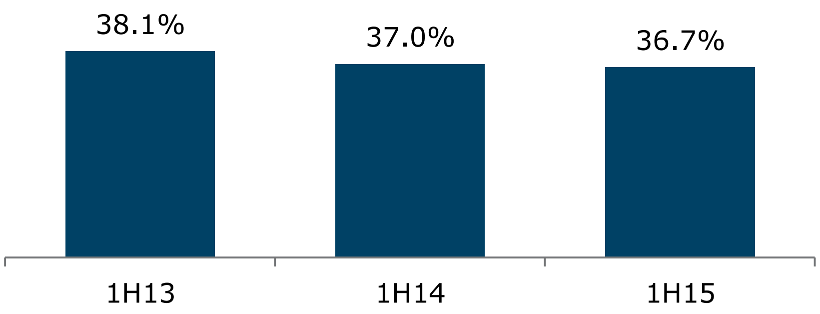
Net Loans and Advances flows[2]



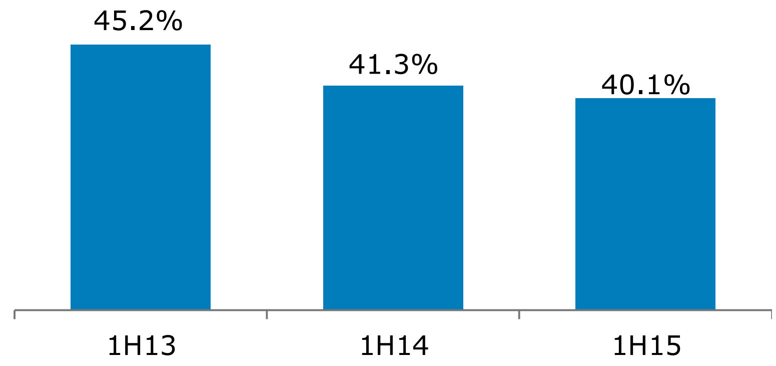
1. Excludes “other” Mar 13 $3.0b, Mar 14 $3.2b, Mar 15 $3.3b
2. Includes capitalised brokerage/mortgage origination fees, unearned income and customer liabilities for acceptances.

Cost to income

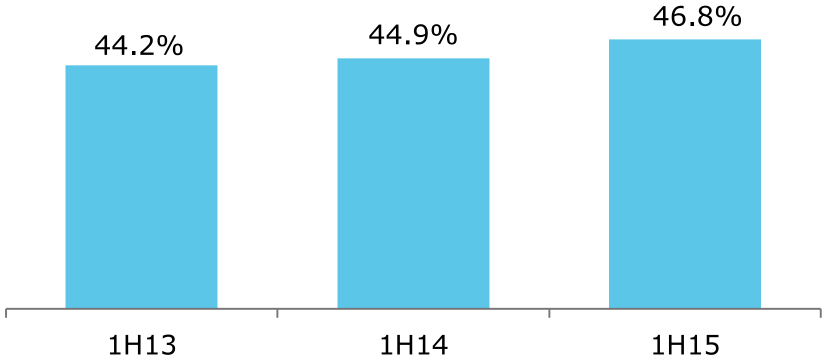
Australia Division



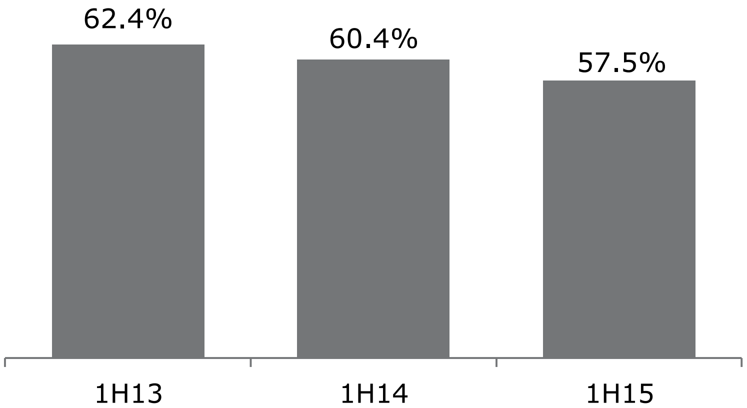
NZ Division (NZD)



IIB



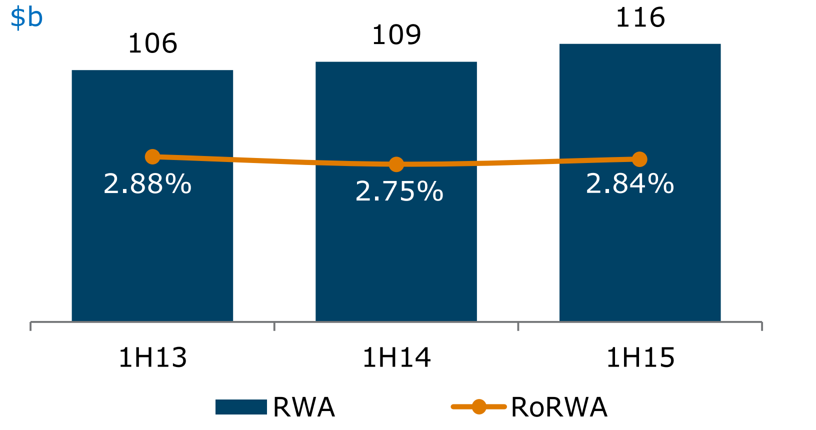
Global Wealth[1]



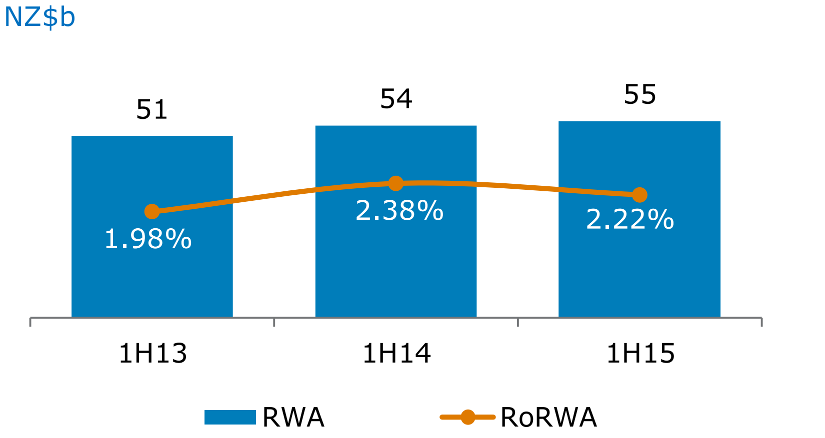
1. Excluding the impact of the Trustees sale

Return on Risk Weighted Assets

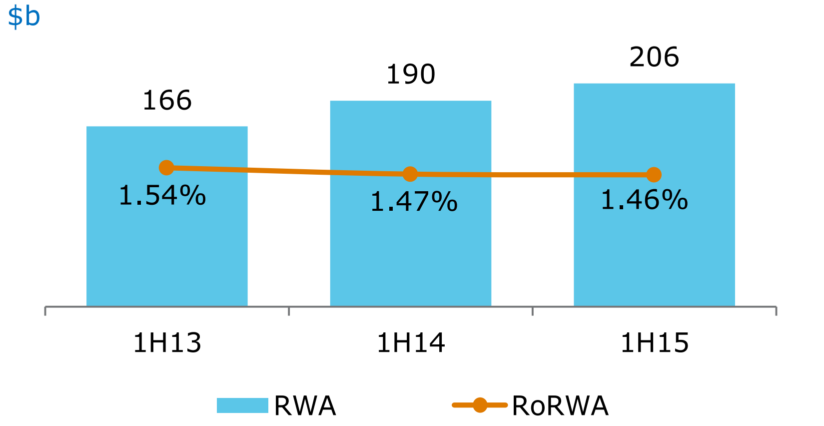
Australia Division



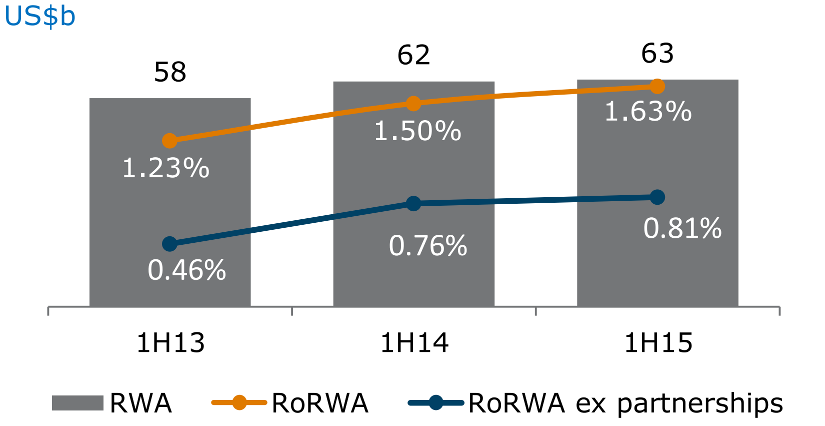
NZ Division (NZD)



IIB



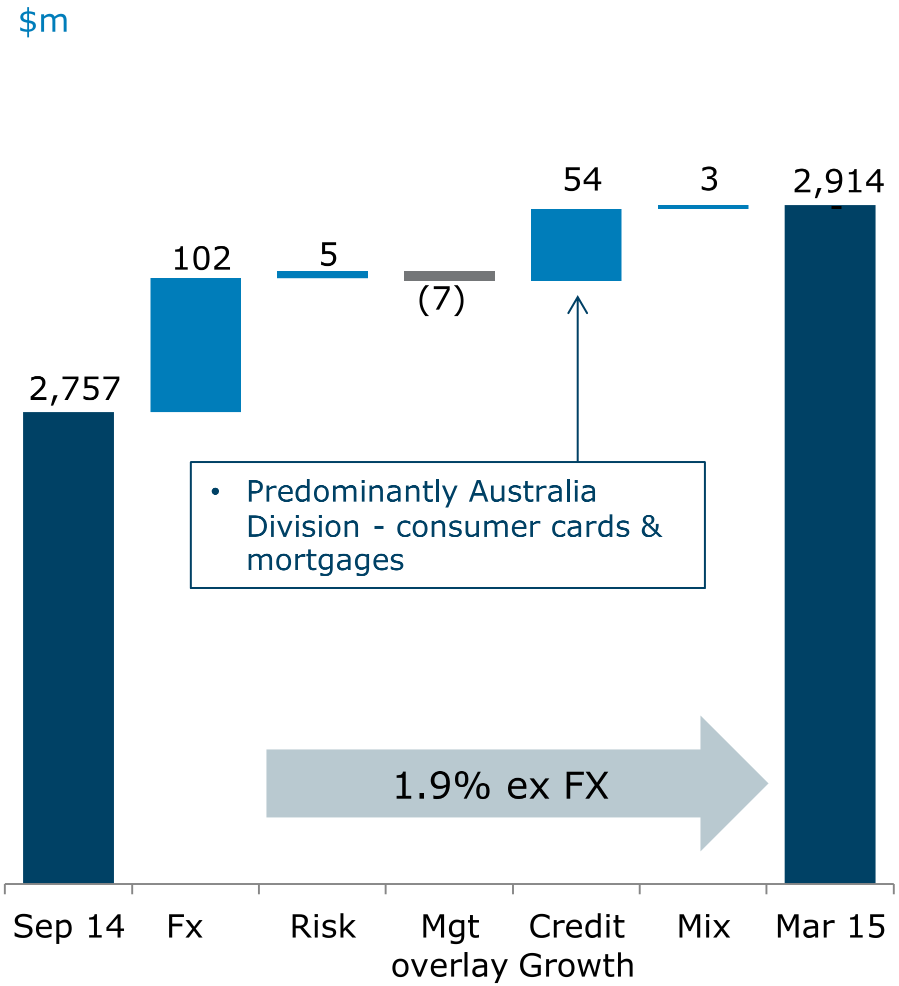
IIB Asia (ex partnerships)



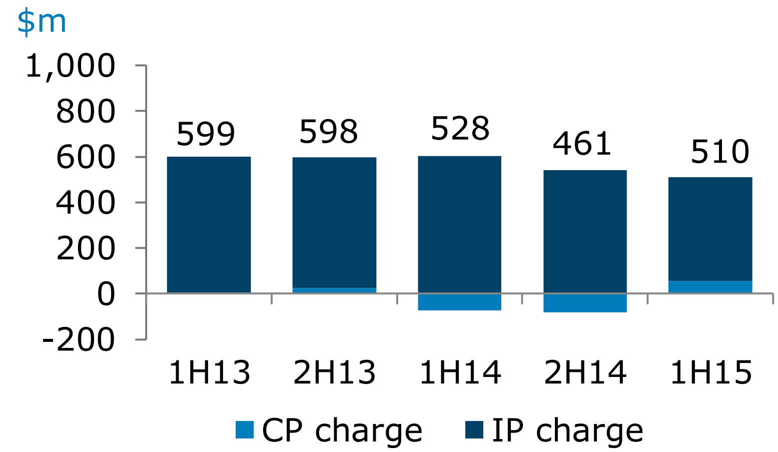
RORWA first half annualised position. RoRWA equals Net Profit After Tax divided by average Basel III risk weighted assets.

Portfolio credit quality remains sound

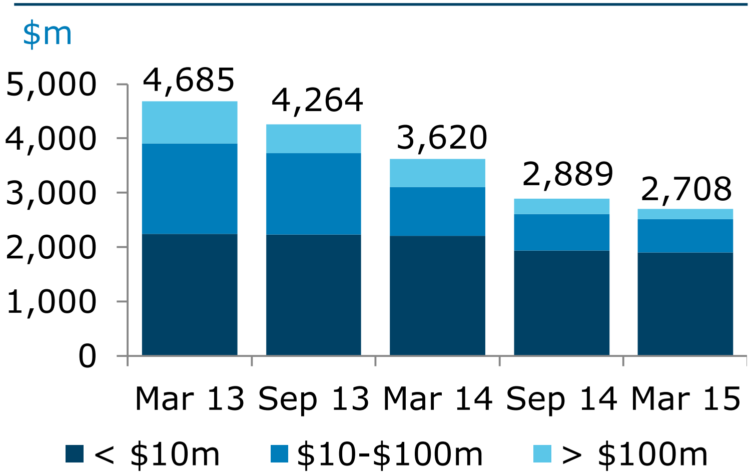
Collective provision balance by source



Total Provision Charge

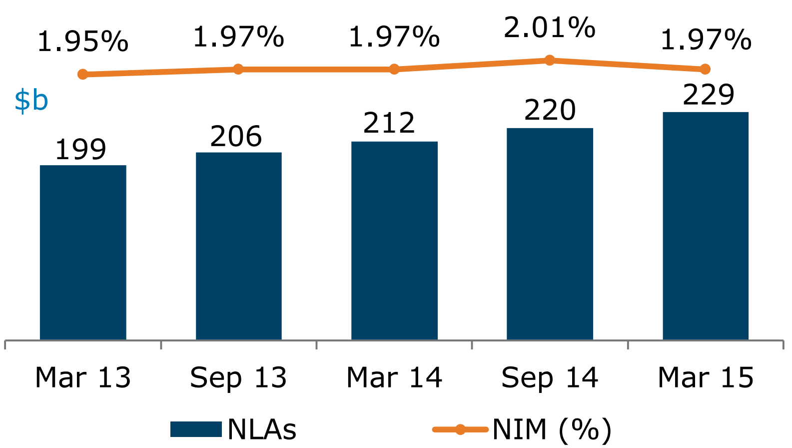


Gross Impaired Assets

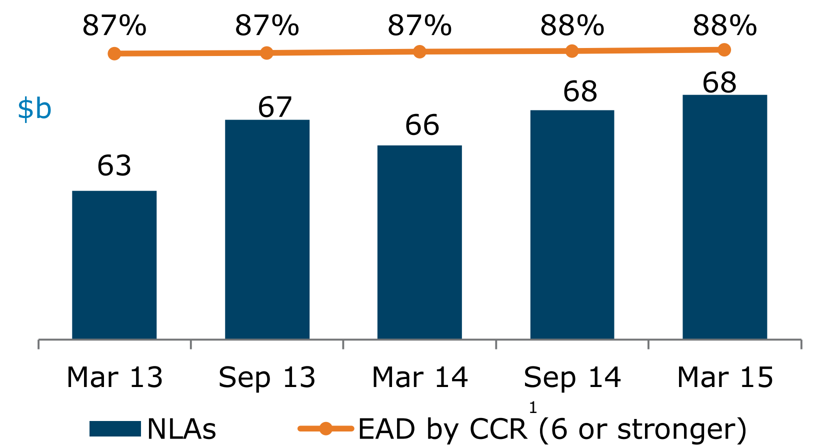


Australia – consistent growth & return, plus accelerated investment

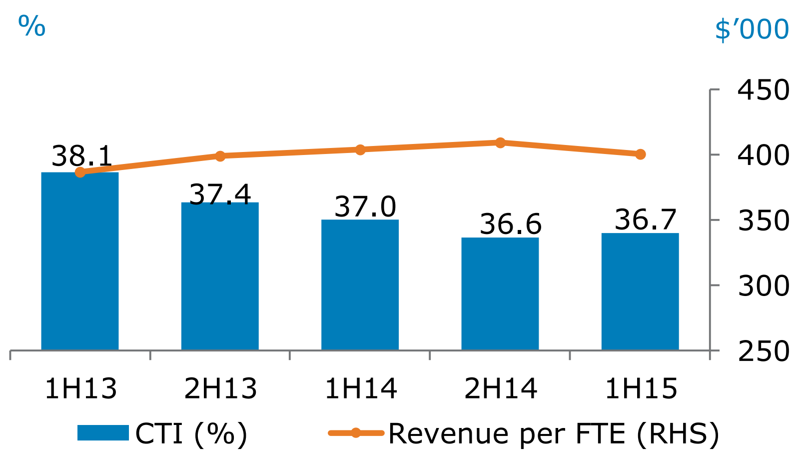
Retail lending growth



Commercial lending growth

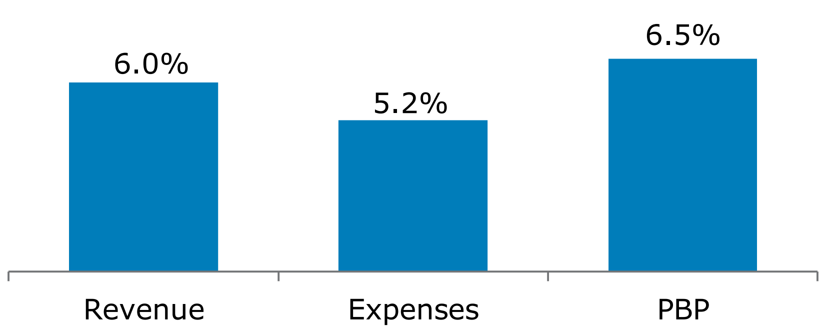


Improving productivity



Strong operating performance

1H15 profit growth (PCP)

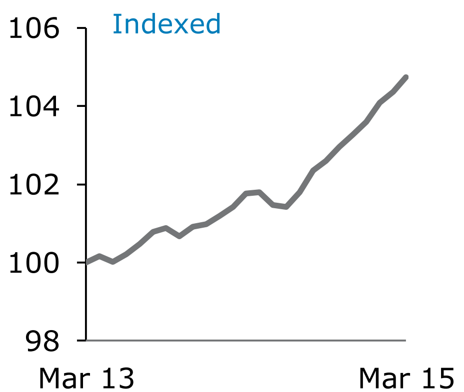


1. CCR = Customer Credit Rating

Australia - Retail a highlight

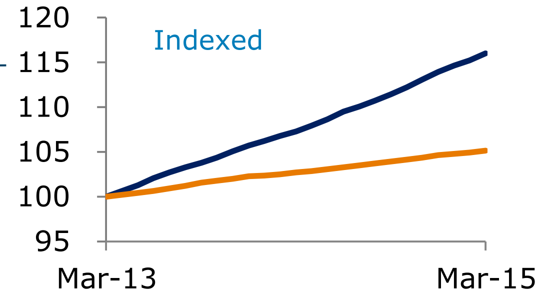
Customers

Total Retail customer numbers

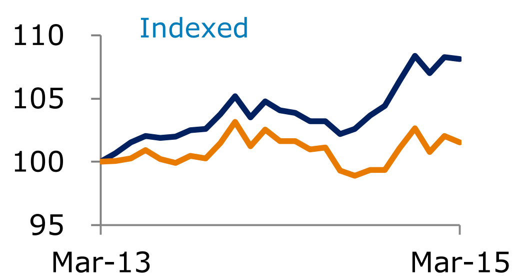


FUM

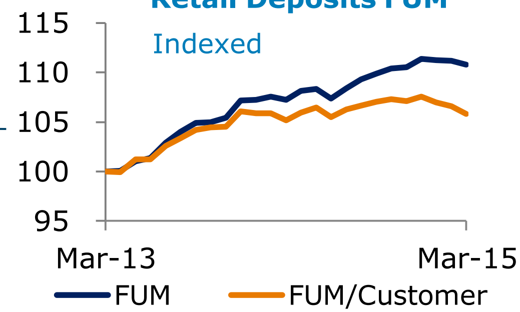
Home Loans FUM



Cards and Payments FUM



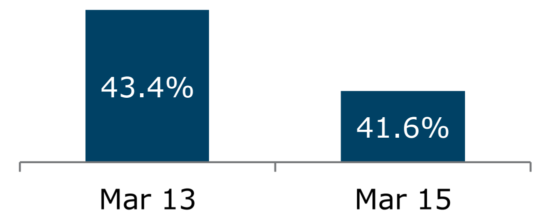
Retail Deposits FUM



Retail products per customer

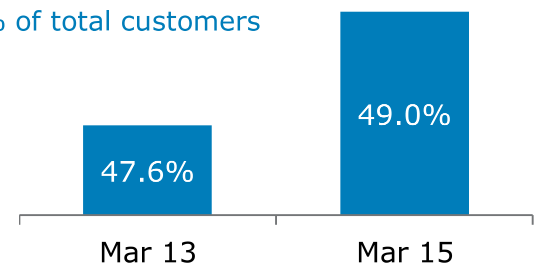
1 retail product

% of total customers



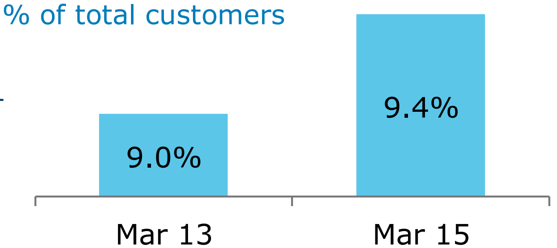
2-3 retail products

% of total customers



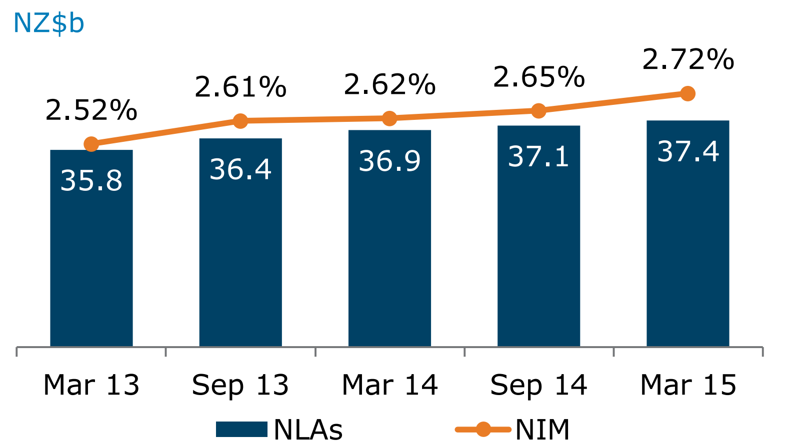
4+ retail products

% of total customers

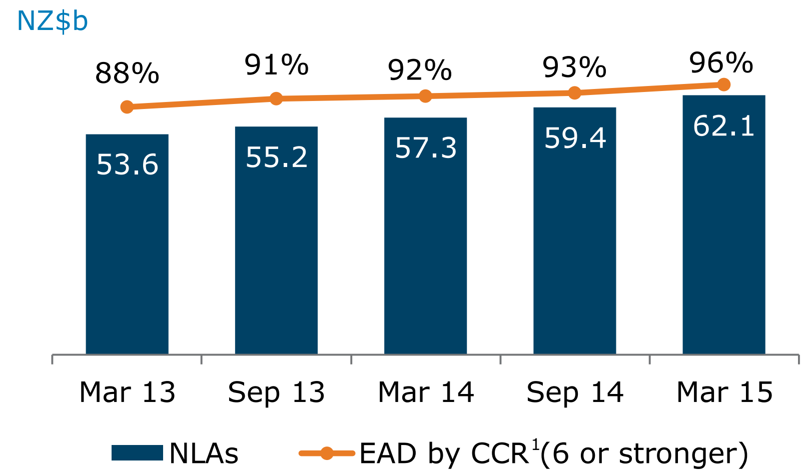


New Zealand Division – scale benefit driving growth

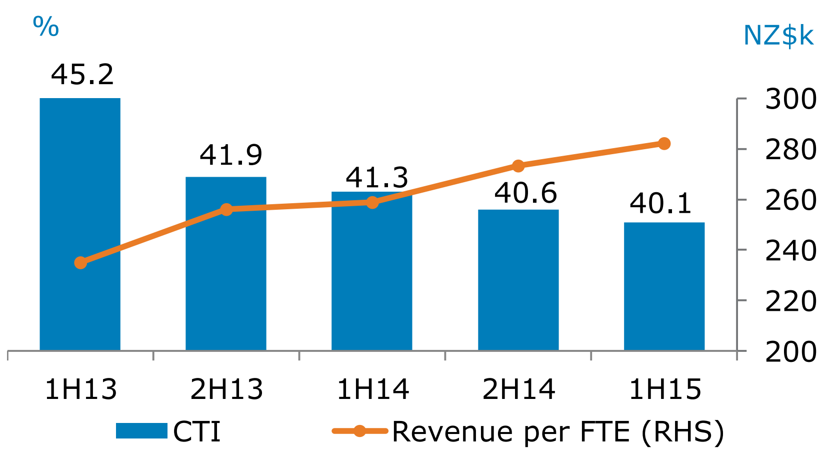
Retail lending growth



Commercial lending growth

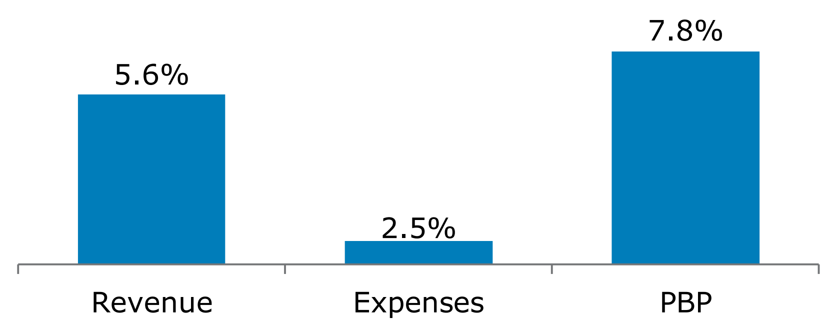


Improved productivity



Operating performance

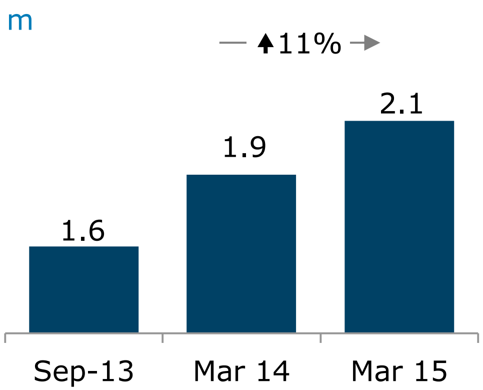
1H15 PCP growth (NZ$)



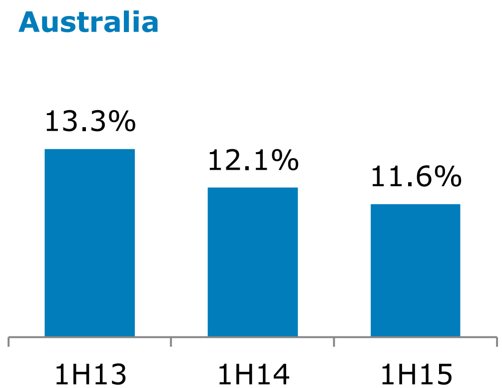
1. CCR = Customer Credit Rating

Global Wealth – focused on quality & growth

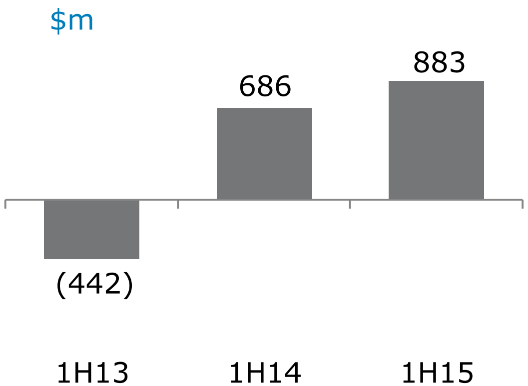
Wealth customers[1]



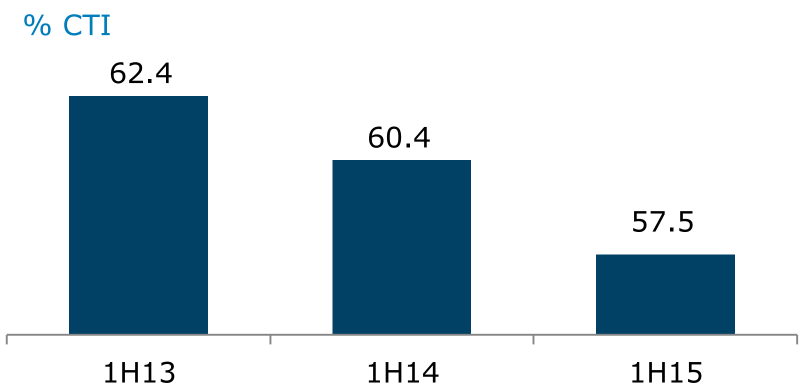
Retail Life lapse rates



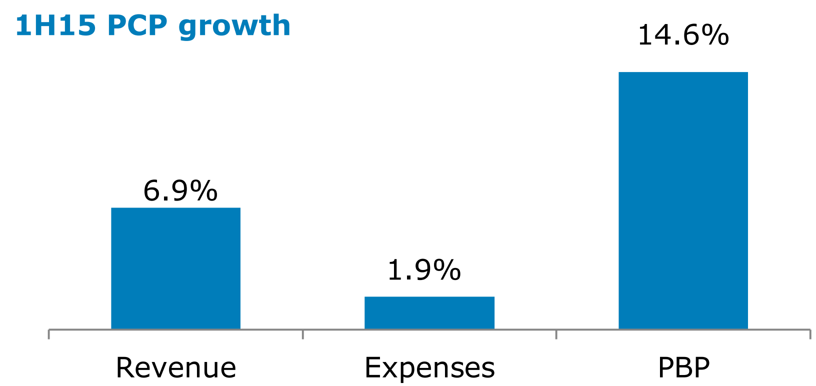
FUM net flows[2]



Improved productivity[3]



Operating performance[3]

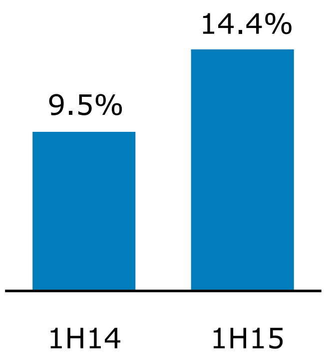


1. ANZ Wealth customers directed through ANZ channels
2. Global Private Wealth and Funds Management netflows
3. Excluding the impact of the Trustees sale

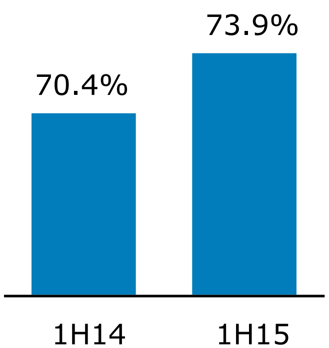
Digital investment – delivering results

Australia

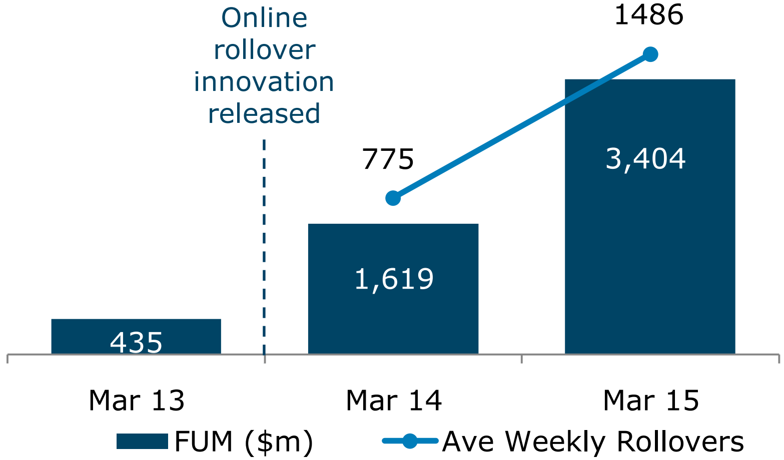
Sales numbers via Digital[1] (%)



Transaction numbers via Digital[2] (%)

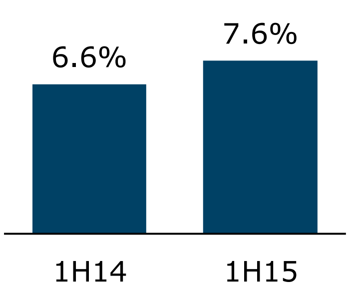


ANZ Smart Choice

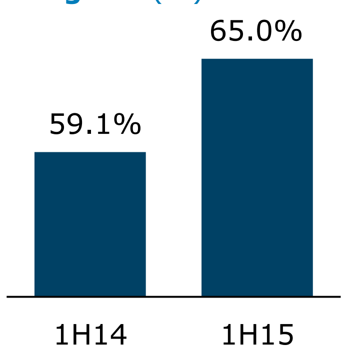


New Zealand

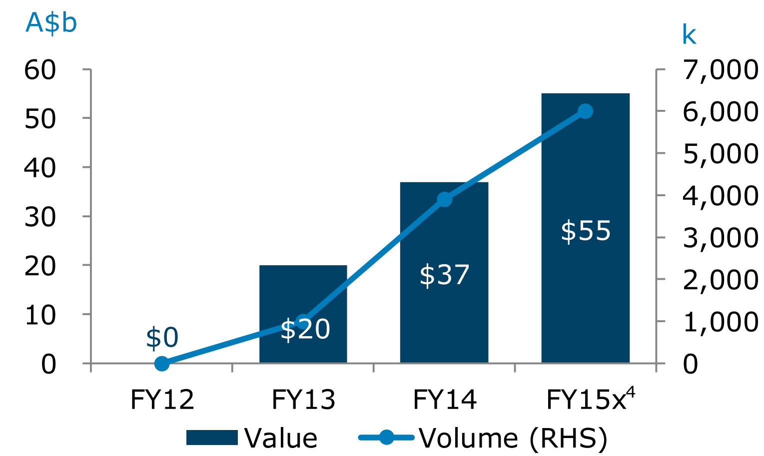
Sales revenue via Digital[3] (%)



Transaction numbers via Digital[2] (%)

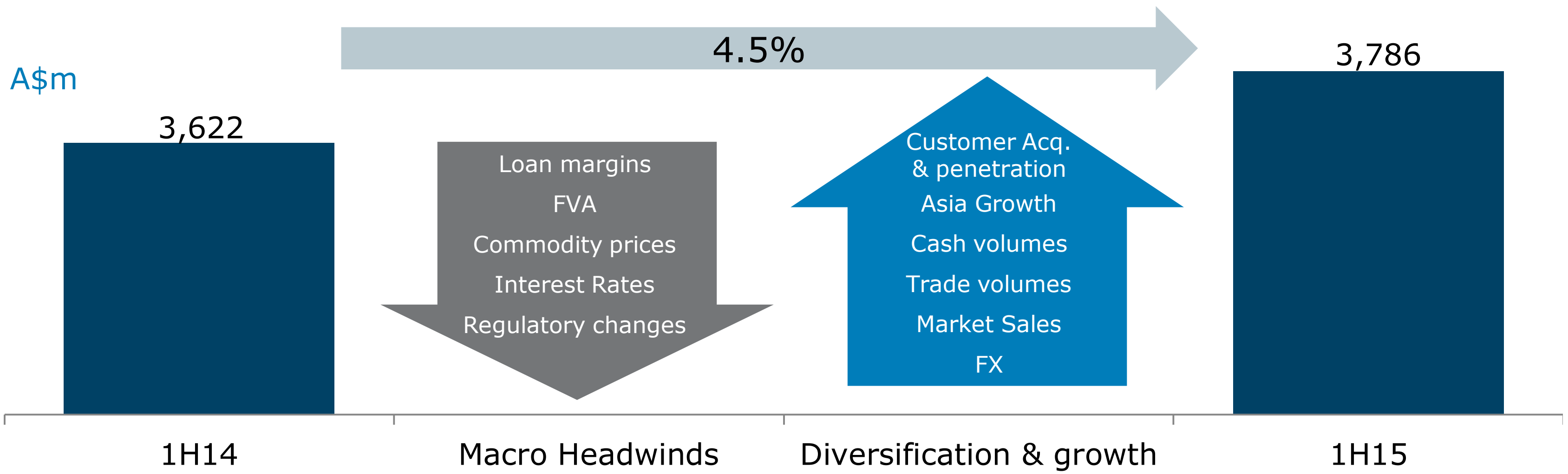


Transactive Mobile

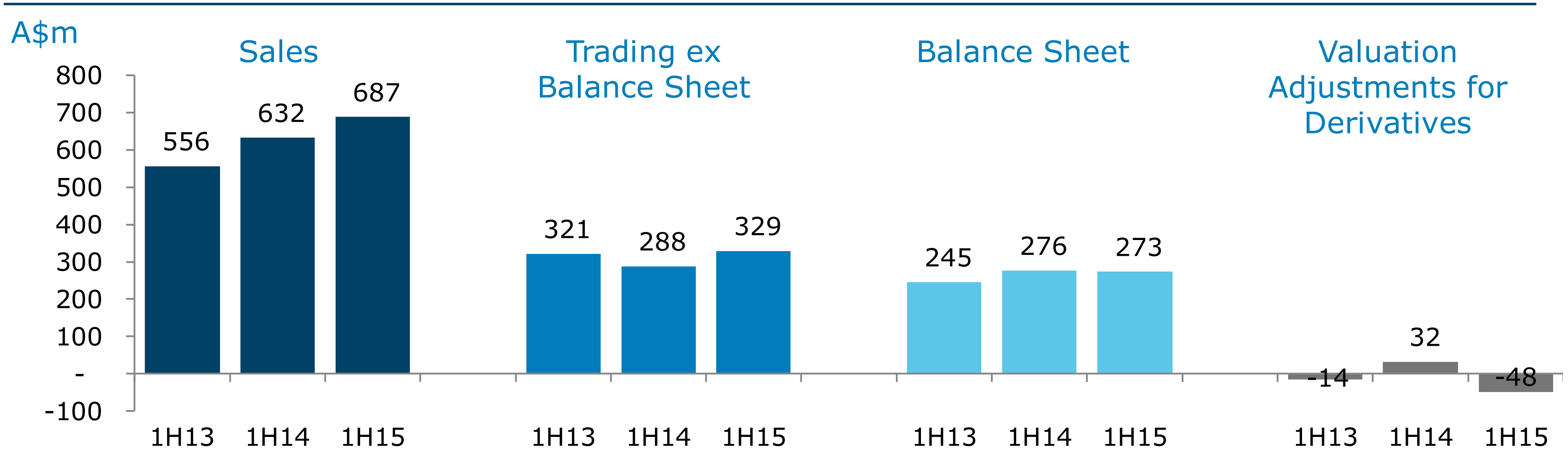


1. Sales includes the number of sales events through the Retail distribution network, including all Retail, Commercial and Wealth products.
2. Transactions refers to the number of value transactions through all channels including internet, mobile, teller and ATM.
3. Revenue from sales completed through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

IIB revenue – re-balancing

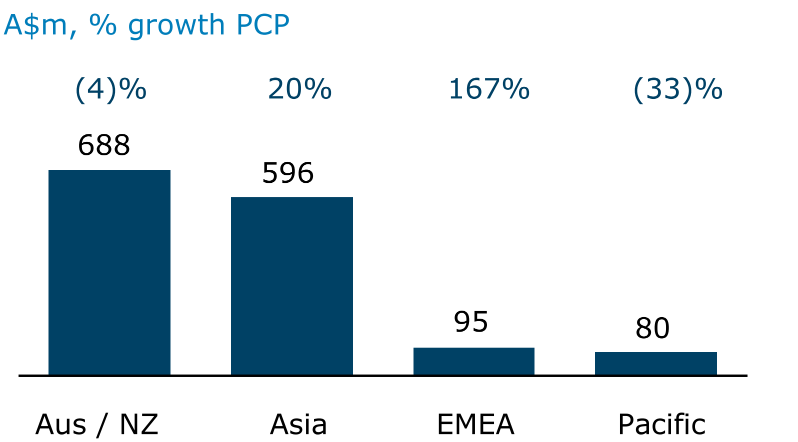


Markets income by type

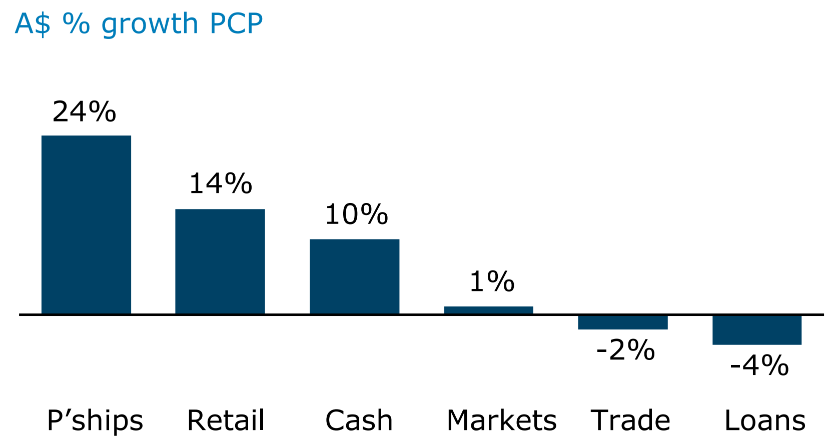


IIB – improving the mix

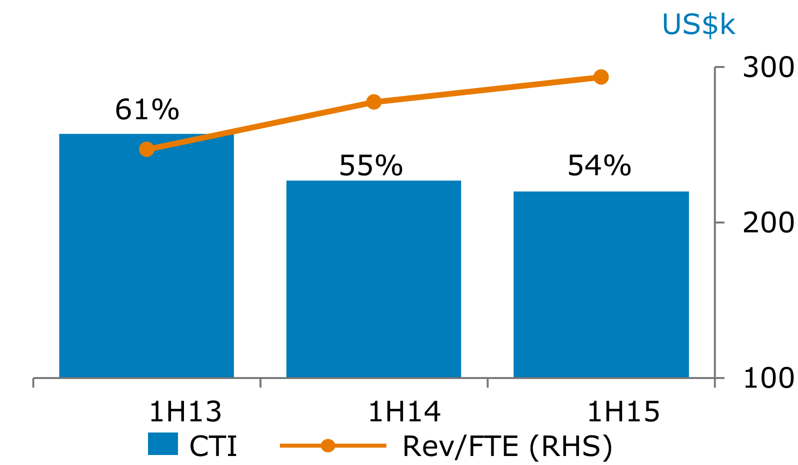
IIB 1H15 profit by region



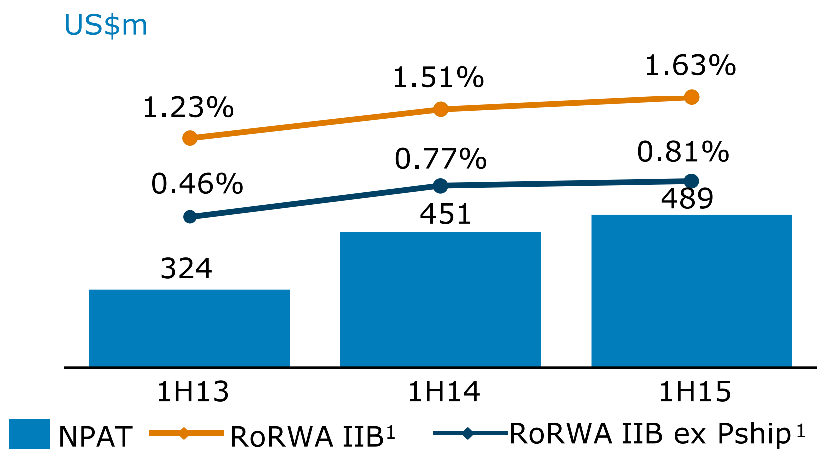
IIB 1H15 Revenue Growth



IIB Asia Productivity



IIB Asia Profitable growth



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

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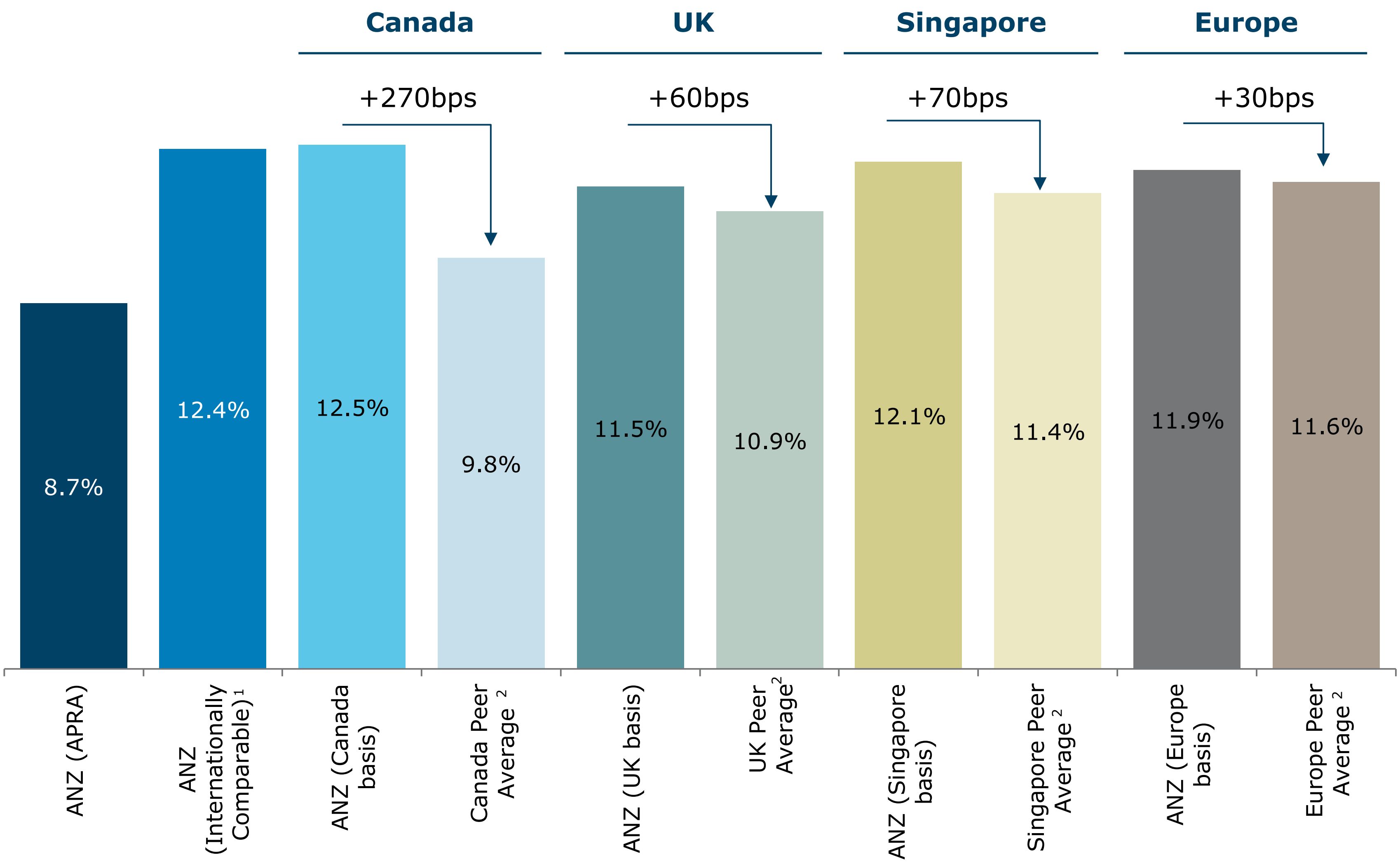
Treasury

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



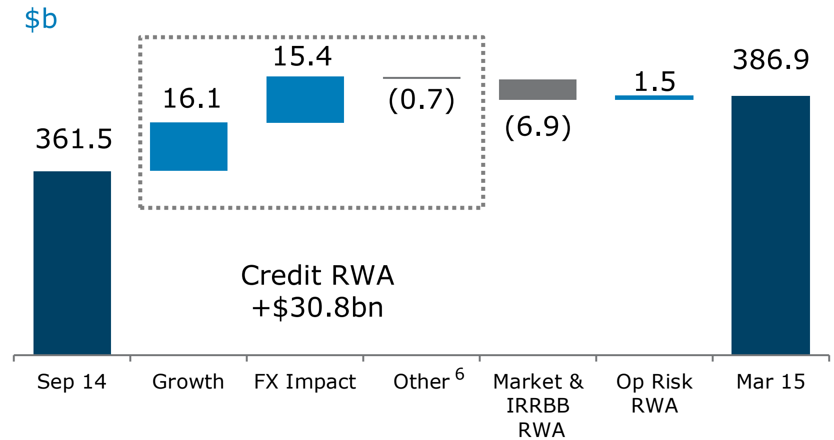
1. Methodology per *Australian Bankers' Association: International comparability of capital ratios of Australia's major banks* (August 2014).
2. Peer estimates are based on RWA weighted average of G-SIB/D-SIBs (ex Singapore which is based on DBS and OCBC) fully loaded Basel III capital ratios per most recent disclosures.

Regulatory capital

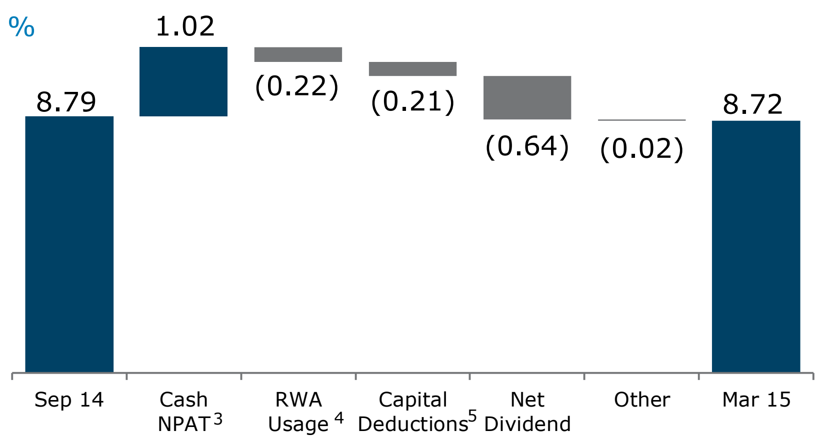
Capital Update

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

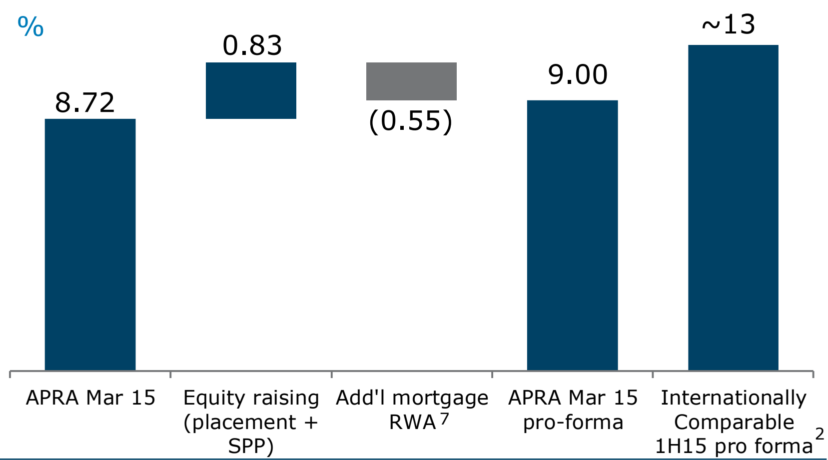
Total RWA movement - Mar 15 v Sep 14



APRA CET1 movement - Mar 15 v Sep 14



Pro-forma Mar 15 CET1 ratio
(post equity raising, mortgage RW floor impact)



1. Equal to cash profit - RWA growth - capital deductions. 2. Methodology per *Australian Bankers' Association: International comparability of capital ratios of Australia's major banks* (Aug 2014). 3. Cash profit net of preference share dividends. 4. Includes EL vs. EP shortfall. 5. Represents the movement in retained earnings in deconsolidated entities, capitalised software and other intangibles. 6. Other includes risk and portfolio data review impact. 7. Assumes 25% Australian mortgage IRB risk weight at 1H15. APRA risk weight change does not come into effect until 1 July 2016

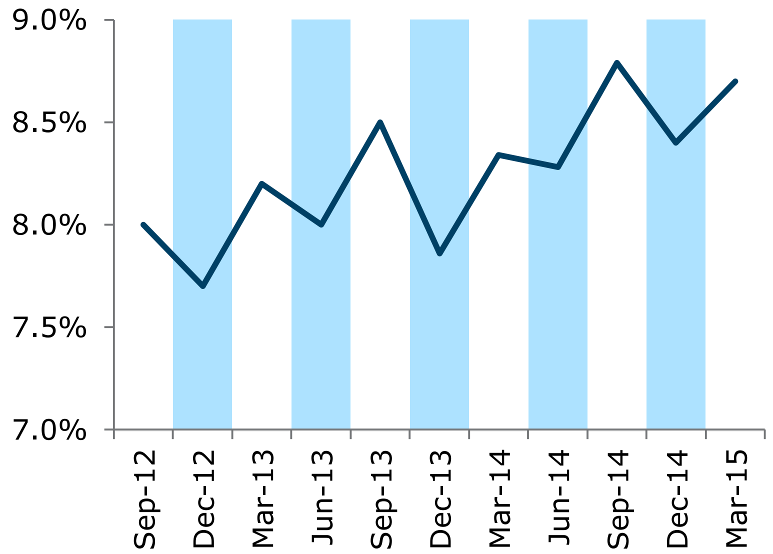
Internationally Comparable regulatory capital position

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

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

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

APRA Basel III CET1 Ratio



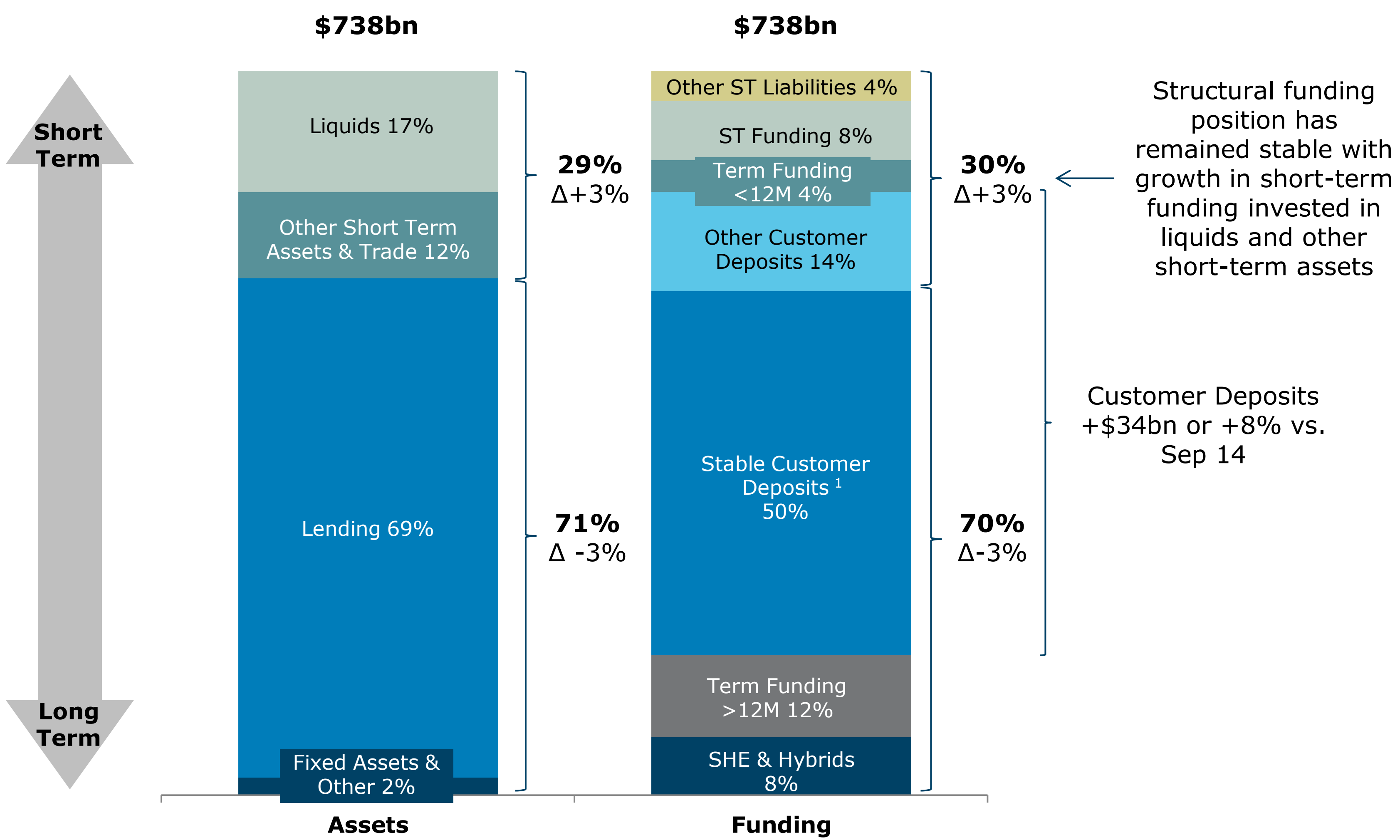
Note: shaded quarters represent declaration of dividends. Basel III basis.

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

Common Equity Tier 1 generation (bps)

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

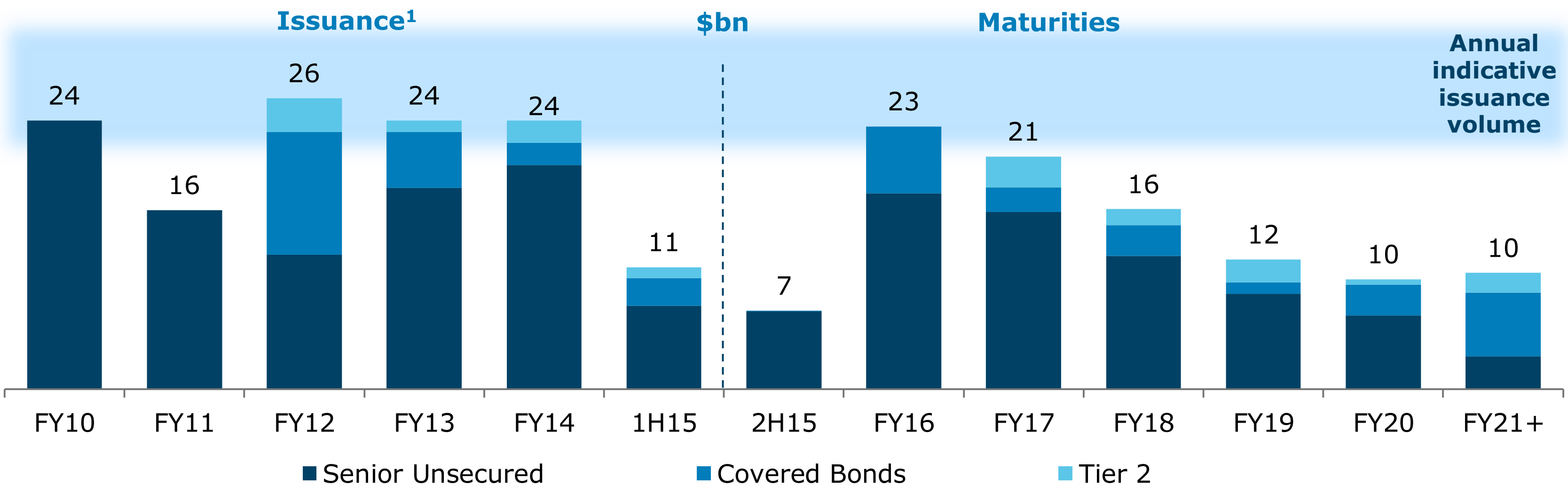
Stable balance sheet composition – March 2015



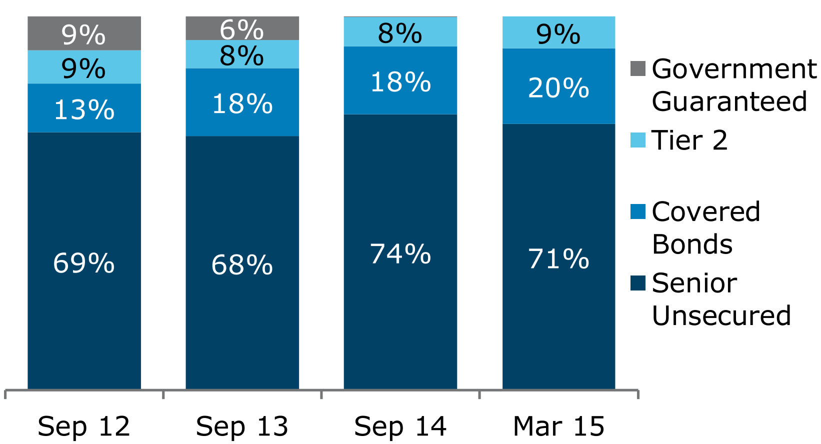
Note: Δ represents the change in % of funded balance sheet from 30 September 2014 to 31 March 2015.
1. Stable customer deposits represent operational type deposits or those sources from retail / business / corporate customers and the stable component of Other funding liabilities.

Term wholesale funding portfolio

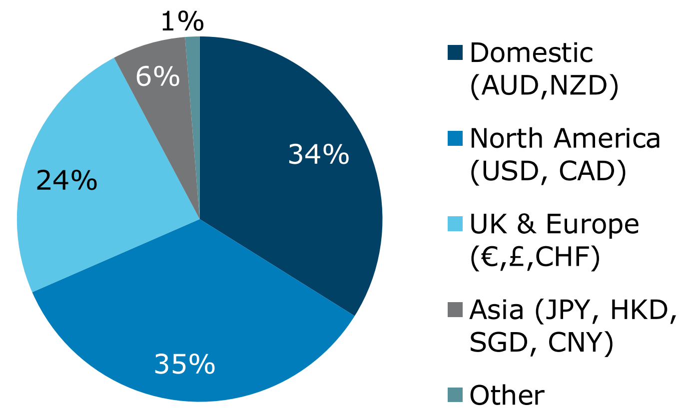
Term Funding Profile



Portfolio by Type



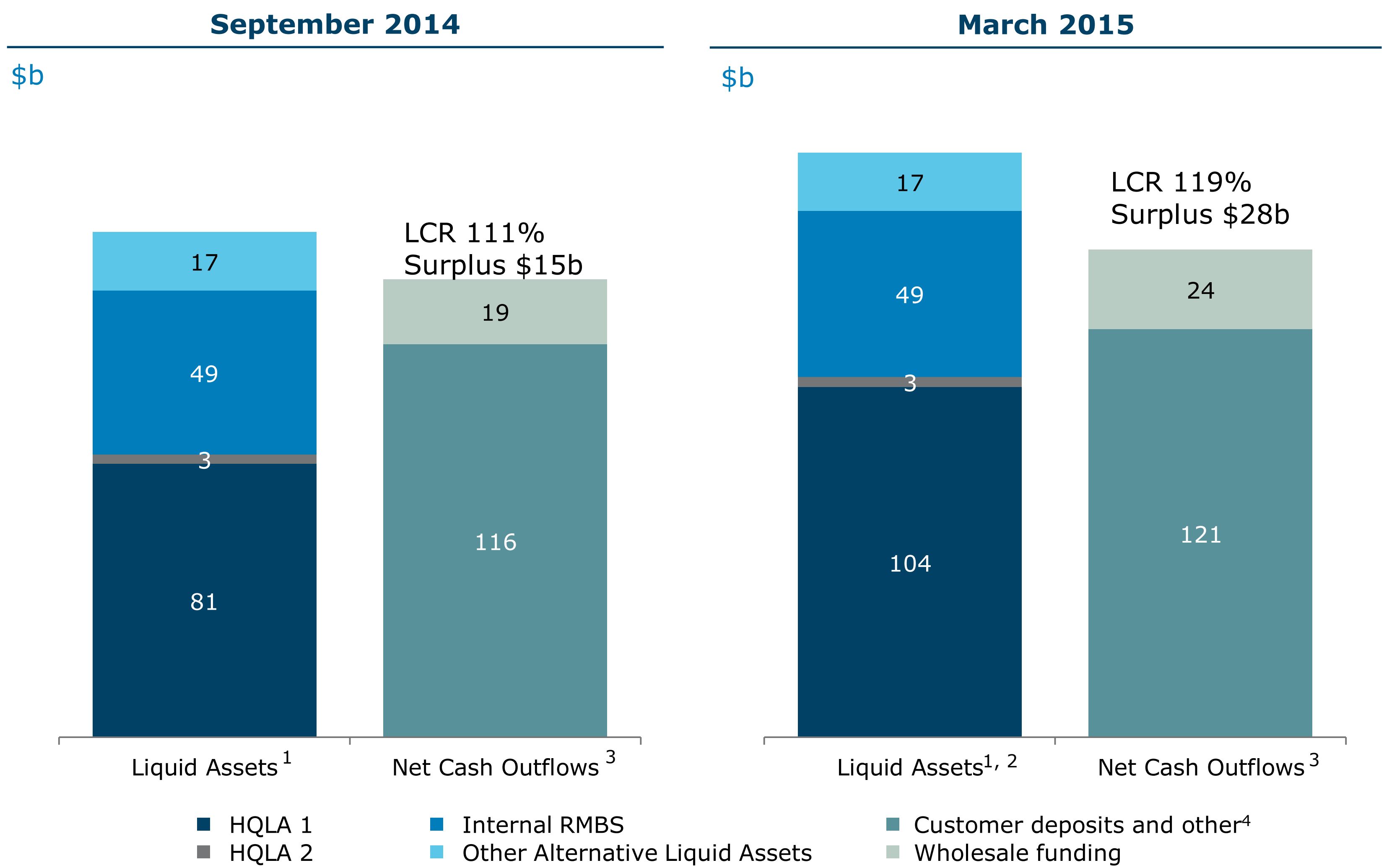
Portfolio by Currency



All figures based on historical FX and excludes hybrids.

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

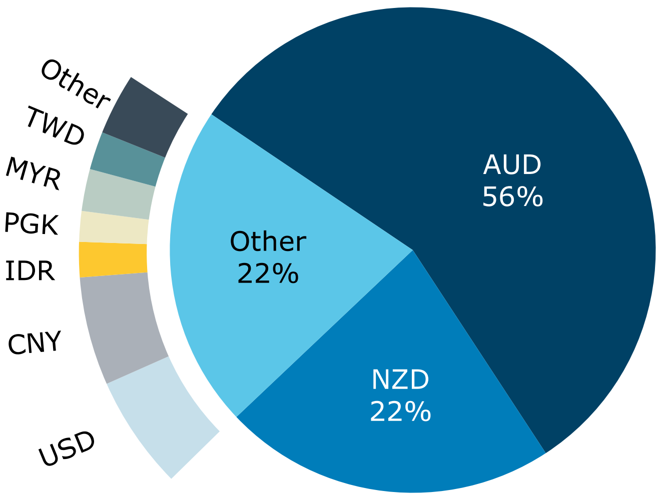
Liquidity successfully transitioned to LCR



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

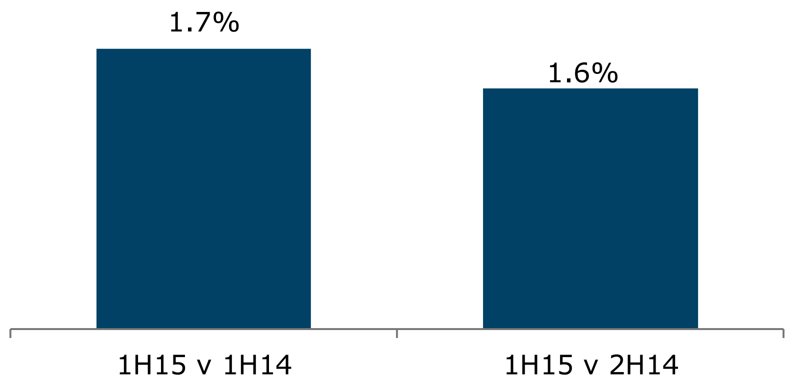
Foreign currency hedging

1H15 Earnings Composition (by currency)

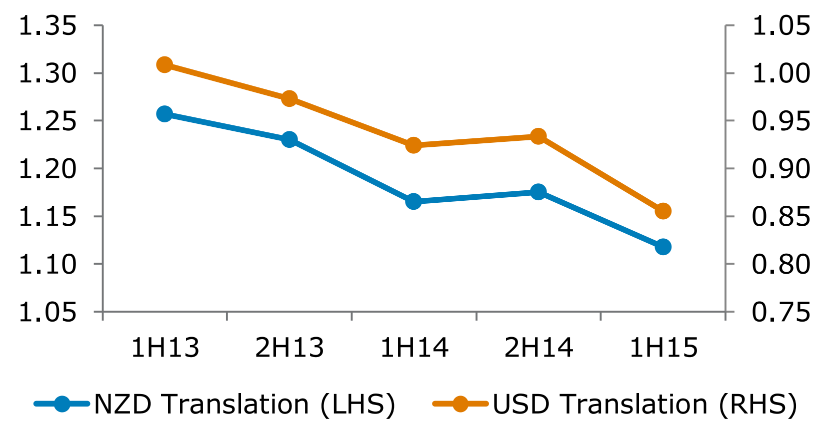


- The key objective of hedging is to manage short term EPS volatility arising from foreign currency earnings
- Hedges currently in place:
  - FY15: ~80% of remaining earnings.
  - FY16: ~70% of NZD and ~ 25% of USD (inc. currencies that are highly correlated to AUD/USD) earnings.
- Hedging has reduced the impact of a 5% movement of the AUD on FY15 EPS to less than 1%.

Net FX Impact (EPS)



Translation Rates (inclusive of hedges)



FX sensitivity (excluding the impact of revenue hedges)

Metric	Approx. annualised impact of 5% fall in AUD[1]	Comments
Income statement		
Revenue	2%	Impact of translation of non-AUD revenue
Operating expenses	2%	Impact of translation of non-AUD expenses
Cash profit	2%	Net result of revenue and expense FX effects, excluding the impact of foreign currency hedges.
Net interest margin	(1 bp)	Mix impact due to a higher relative contribution from lower risk and lower margin APEA assets
Cost to income ratio	+2 bps	FX effect on revenue and expenses largely offset each other, however average cost to income ratios in non-AUD denominated businesses are marginally higher
Balance sheet		
Collective provision coverage	(0.5 bp)	• CP overlays booked in AUD vs. a proportion of CRWA denominated in foreign currencies • Further impact from higher CRWA on FX derivatives with no corresponding CP as derivatives are marked-to-market and attract CVA
Funding	+$4 bn	Collateral flows under cross currency swaps used to hedge existing offshore funding liabilities
Return on equity	+3 bps	• Driven by positive FX effect on cash profit (see above) partially offset by increase in FCTR • Minimal impact on CET1 ratio

1. Impact from a lower AUD relative to foreign currencies. Analysis based on 1H15 results (excluding the impact of foreign currency revenue hedges).

Regulatory landscape

		Status	ANZ's position
Capital	Leverage ratio	• APRA draft standard Sep 2014 • No minimum currently specified, BCBS 3%	Leverage ratio 4.5-5.5% at 1H15 depending on final calibration
	Level 3 capital adequacy "Conglomerates"	• APRA draft Level 3 standards Aug 2014 • Finalisation and implementation deferred until Financial System Inquiry recommendations considered by government/APRA	No material impact expected based on current draft standards
	Basel Standardised and floors	• BCBS consultation papers released Dec 2014 propose changes to Standardised risk weights, introduction of Advanced approach capital floors	ANZ has participated in BCBS QIS. Impact of any changes subject to final BCBS calibration and APRA implementation.
	Total Loss Absorbing Capacity (TLAC)	• Financial Stability Board proposal released Nov 2014 details minimum TLAC requirements for G-SIBs	Proposal currently does not apply to D-SIBs. If applied to ANZ, wide range of outcomes depending on calibration including basis for measuring capital base, D-SIB minimum etc
Funding	Liquidity Coverage Ratio	• Full implementation from Jan 2015 • Disclosure timetable to be determined by APRA	Full compliance at 1H15 (LCR 119%)
	Net Stable Funding Ratio	• BCBS standard Jan 2014 • APRA standard yet to be finalised, expected implementation 2018	Do not expect NSFR to require any material change to balance sheet composition

Other	Financial System Inquiry	• Key recommendations to government:
		  • Set standards such that Australian ADI capital ratios are unquestionably strong
		  • Raise Advanced IRB mortgage risk weights to narrow difference with Standardised approach
		  • Implement loss absorption and recapitalisation framework in-line with international practice
		  • Introduce Basel framework leverage ratio
		• Final round consultation closed 31 March 2015
			Refer to ANZ's submission on the Final Report of the Financial System Inquiry published 1 April 2015

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Strategy

Australia Division - Delivering a leading customer experience

STRONG CORE MARKETS

ANZ Group Strategy

Strengthen our position in our core markets of Australia & New Zealand		STRONG CORE MARKETS
Connecting customers to faster growing regional capital, trade & wealth flows		PROFITABLE ASIAN GROWTH
Built on common infra-structure & enterprise focus for greater responsiveness, efficiency and control		ENTERPRISE APPROACH

Banking on Australia is transforming our Retail and Corporate & Commercial businesses based on a deep understanding of customer needs

Customer Needs	Customer Value Proposition	Transformation	Financial Outcomes
Developing a deep understanding of customer needs in our target segments	Building a compelling customer value proposition that is aligned to their needs	Investing through our Banking on Australia program to meet changing customer needs	Growing market share, managing margins and costs and maintaining asset quality

Australia Division's contribution

- Deliver customers an easy, connected and insightful experience that puts the customer in control
- Achieve consistent above system growth focused in priority segments
- Maintain strong margins, cost discipline and risk profile
- Leverage our Super Regional advantage to bring the whole of ANZ to customers
- Take an enterprise wide approach and leverage global assets

Australia Division - innovative solutions, aligned to changing customer needs

STRONG CORE MARKETS

Delivering innovative solutions

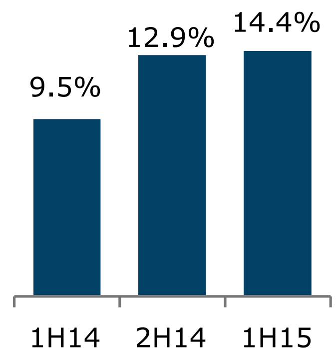
- World first to roll out 'Tap and Pin' contactless ATMs
- 813 Smart ATMs deployed
- Rolled out WiFi into branches, enabling goMoney app activation at account opening

- Market leading multi-factor authentication
- Innovative home loan solution for mobile lenders (Your Home Loan 360)
- Digital tools and calculators

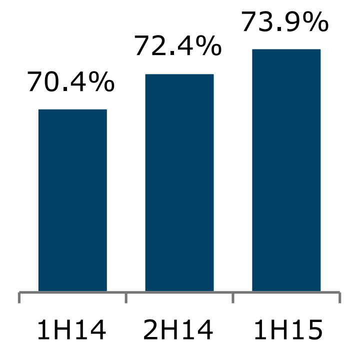
- Interactive Insights for frontline bankers in Corporate Banking
- Digital A-Z reviews across Retail and C&CB

… leading to increasing digital usage

Percent Sales[1] via Digital

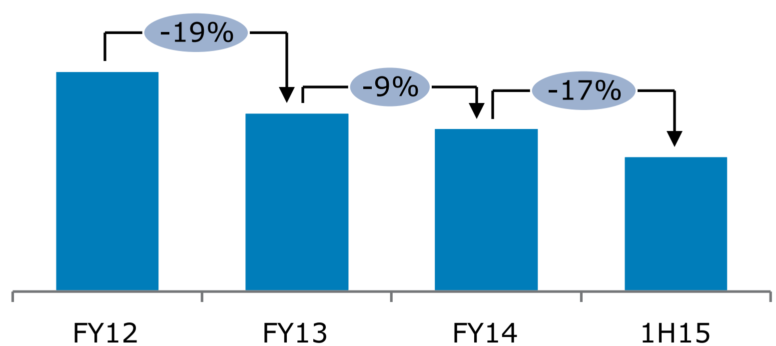


Percent Transactions[2] via Digital



… while reducing customer complaints

Average Monthly Complaints

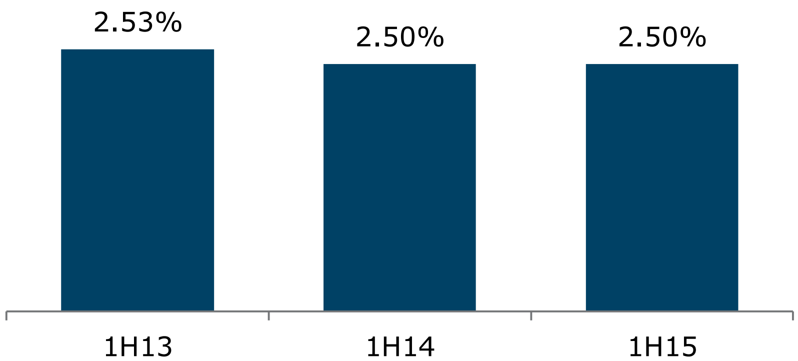


1. Sales includes the number of sales events through the Retail distribution network, including all Retail, Commercial and Wealth products.
2. Transactions refers to the number of value transactions through all channels including internet, mobile, teller and ATM.

Australia Division - Highlights

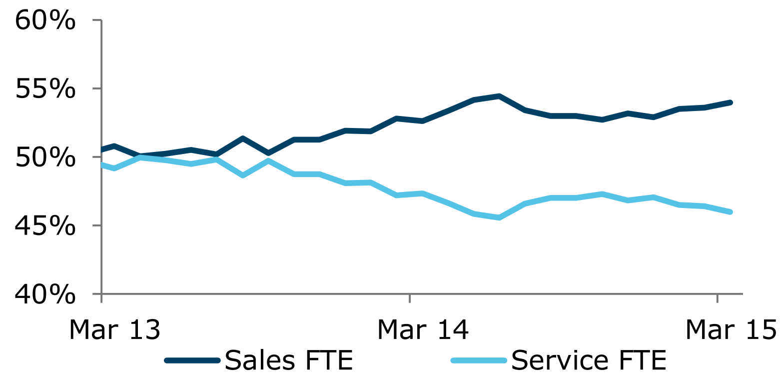
STRONG CORE MARKETS

Balanced margin management[1]



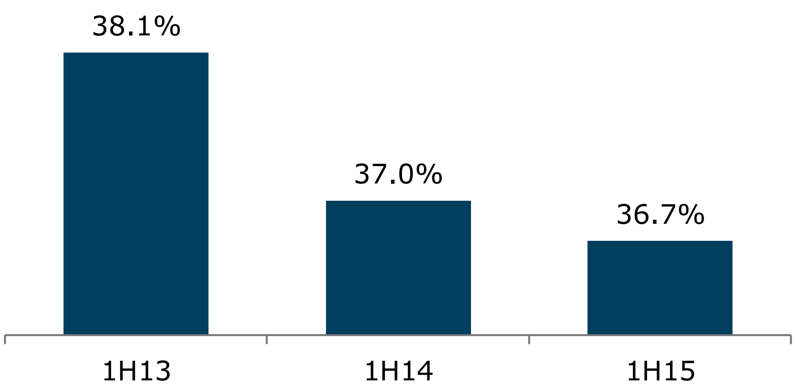
Investing for growth

Percent mix of Retail Sales and Service FTE



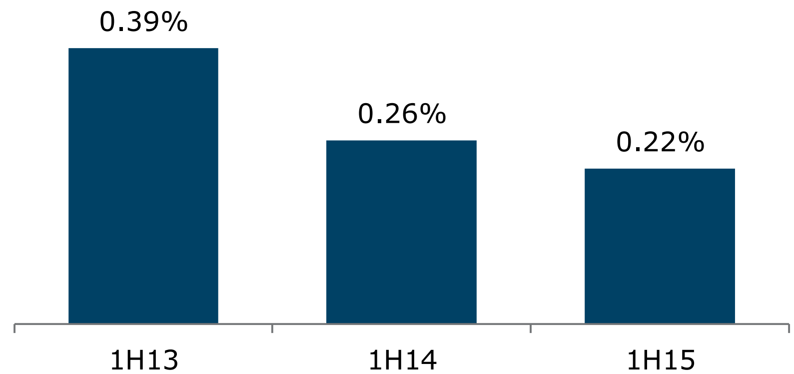
Improving Cost to Income

Cost to Income



Credit quality

Net Impaired Assets / Net Loans & Advances



1. NIM %: Half year period average.

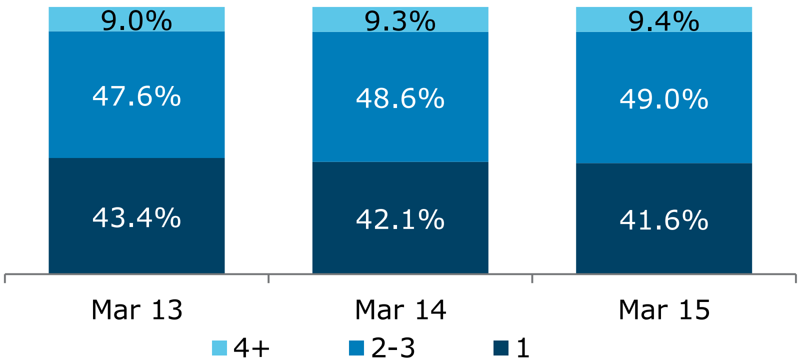
Australia Division - Business units

STRONG
CORE
MARKETS

Retail

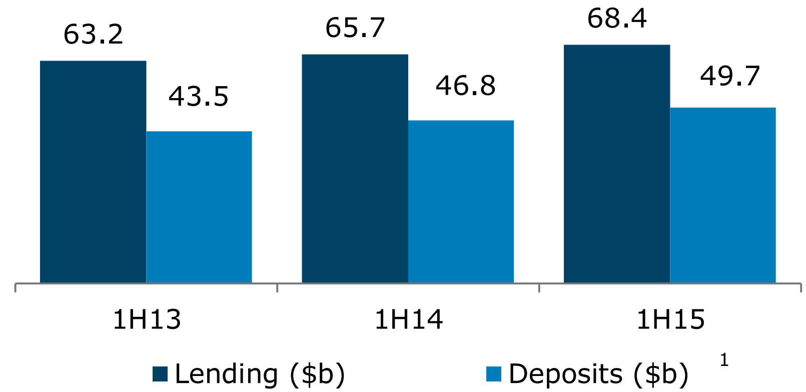
Retail Products per customer

% of total customers



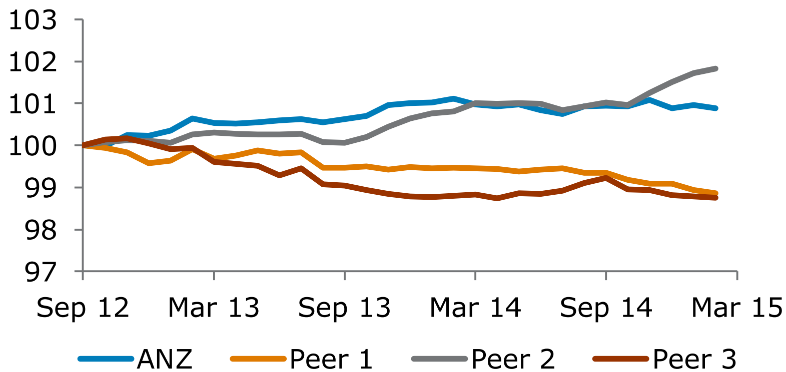
Corporate & Commercial

Balance sheet

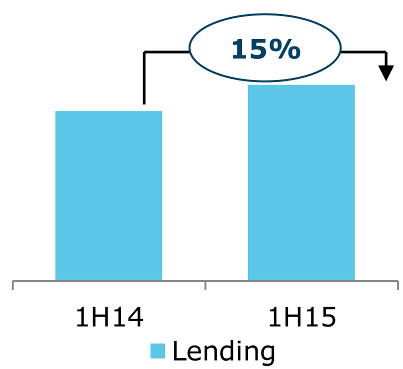


APRA Traditional Banking Market Share[1]

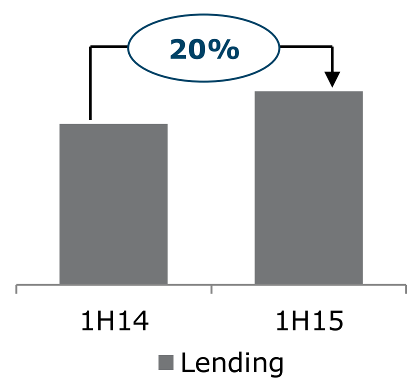
Index Sep 12 = 100



Small Business Banking



Emerging Corporate[2]



1. Inclusive of Deposits, Home Loans and Cards, Source: APRA. 2. A subset of Business Bank, lending greater than 10m and turnover greater than 40m.

Global Wealth

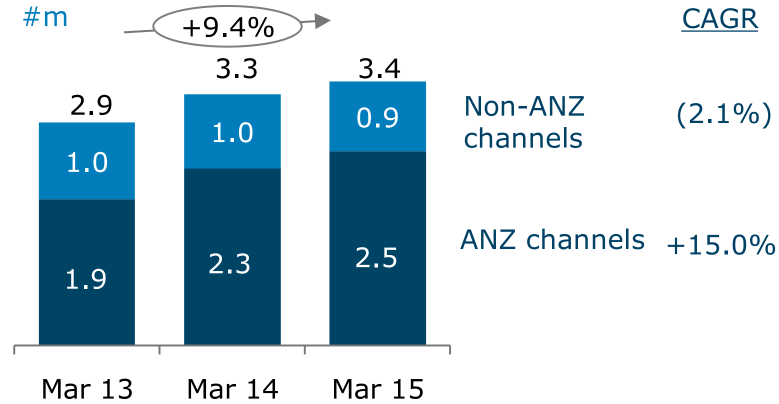
STRONG CORE MARKETS

Global Wealth strategic objectives

1	Deepen relationships with existing ANZ customers
2	Simplify the business with self-directed solutions
3	Drive value from existing businesses

Growing solutions through ANZ channels

Wealth Solutions Held



Simplifying with self-directed solutions

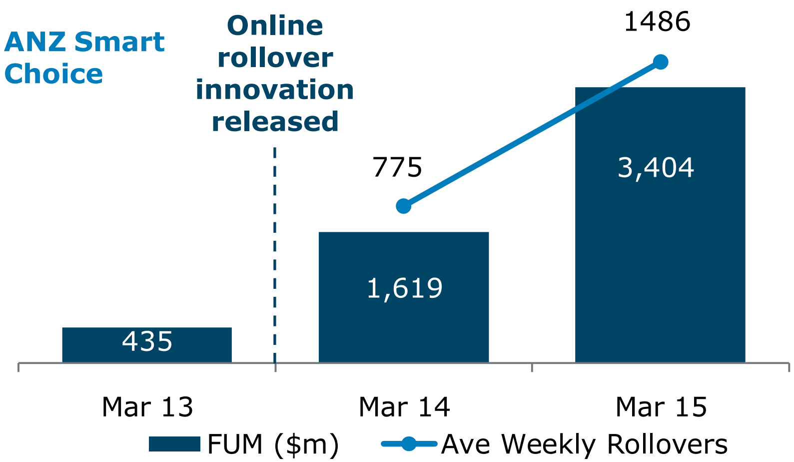
ANZ Smart Choice Super

- Exceeding $3 billion in FUM[1]
- Received 5 stars by CANSTAR in every superannuation category
- Over a 300% increase in customer rollovers since the introduction of the paperless rollover service (70% self directed)
- Over 150,000 downloads with an activation rate of 66%
- Deepening relationship with the Bank

Grow BY ANZ

Digital delivering growth

ANZ Smart Choice

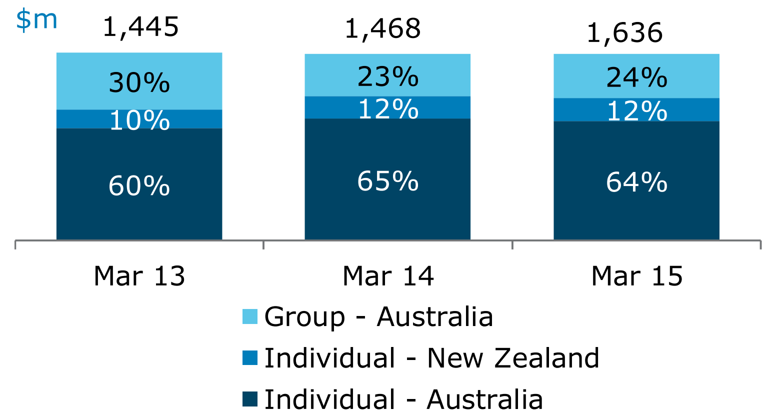


1. As at 31 March 15

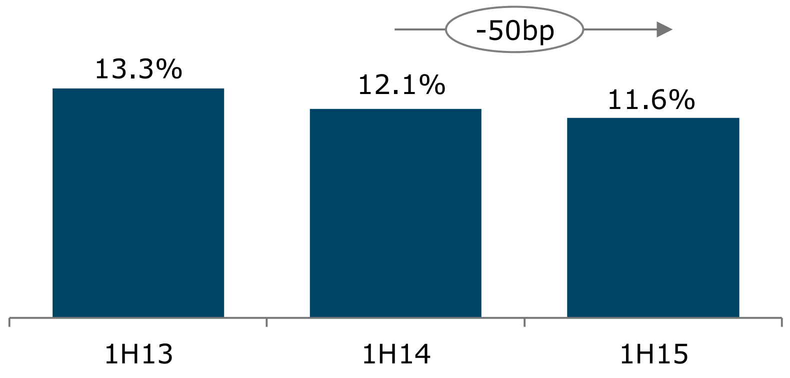
Global Wealth - Insurance business

STRONG CORE MARKETS

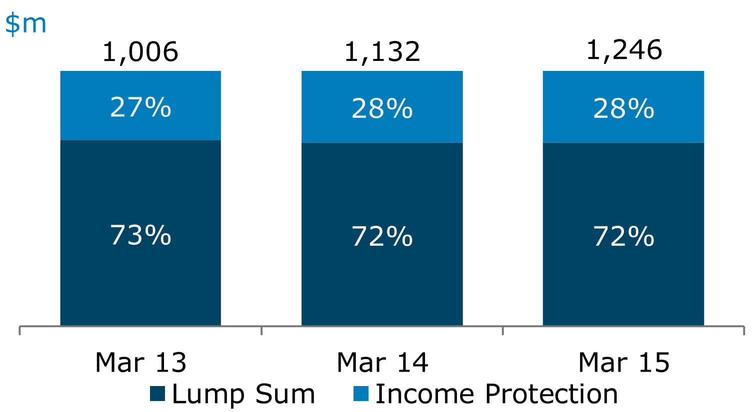
Stable mix of Life Insurance In-force



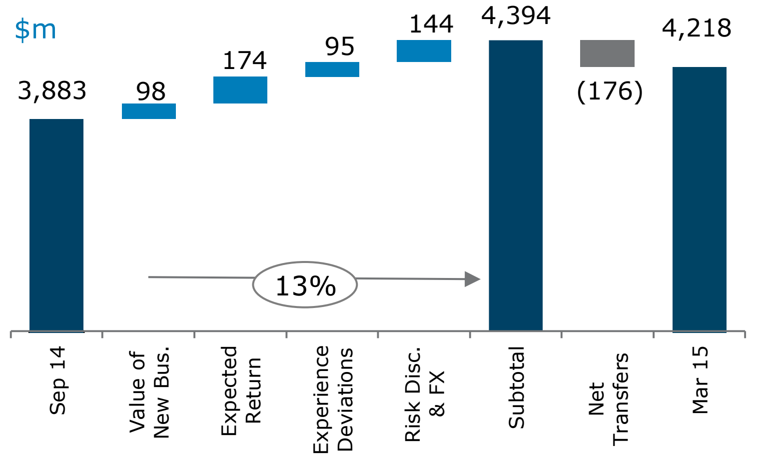
Continued improvement in Australian Retail Life Insurance Lapse Rates



Consistent product mix in Individual Life Insurance



Significant contribution to Embedded Value growth over 1H15



New Zealand Division - Creating New Zealand's best bank

STRONG CORE MARKETS

ANZ Group Strategy

Strengthen our position in our core markets of Australia & New Zealand

STRONG CORE MARKETS

Connecting customers to faster growing regional capital, trade & wealth flows

PROFITABLE ASIAN GROWTH

Built on common infra-structure & enterprise focus for greater responsiveness, efficiency and control

ENTERPRISE APPROACH

ANZ New Zealand's Strategy

- Attract, develop and retain world class service and sales teams
- Develop our digital and payments capability
- Improve the use of bank wide data for better customer interactions
- Improve the way our channels work together so it's easier for customers
- Continue to simplify our products and processes

Create Scale

How?
- ✓ One team
- ✓ One set of systems
- ✓ One product set
- ✓ One brand
- ✓ One branch network

2010-2013

Leverage Scale

How?
- ✓ Global hubs
- ✓ Branch optimisation
- ✓ Improve brand recognition
- World class sales and service teams
- Upgrade core systems
- Digital and Payments infrastructure

2013-2016

NZ's Best Bank

How?
- Best service recognition
- Best brand consideration
- Integrated channels
- Leveraging Group capabilities
- Data driven customer insights
- Automation of work flow
- Optimised channel investment

2017+

NZ's Best Bank

Our Vision:

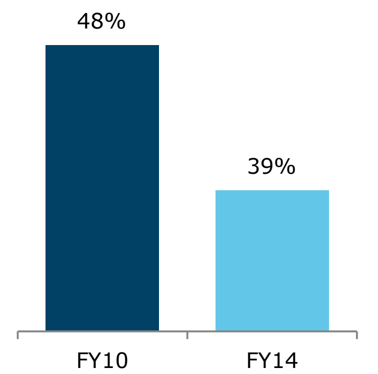
'Helping Kiwis achieve more'

Our Goal:
- #1 Service
- #1 Market Share
- Growing
- Visible in the community

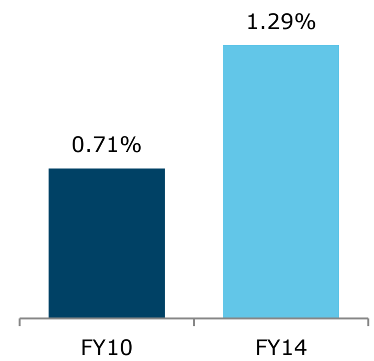
New Zealand Division - Highlights

STRONG
CORE
MARKETS

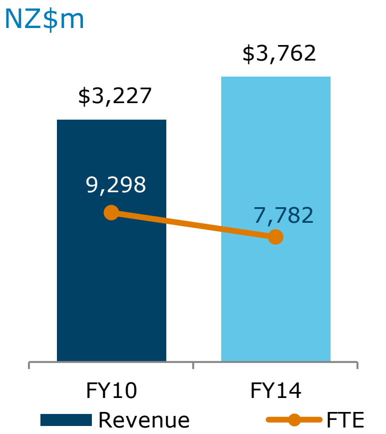
Cost to Income



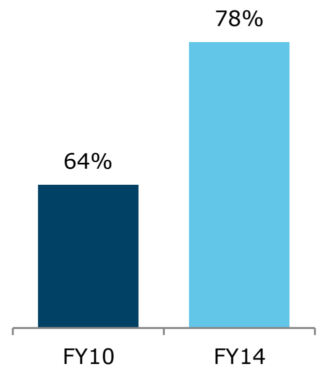
Return on Assets



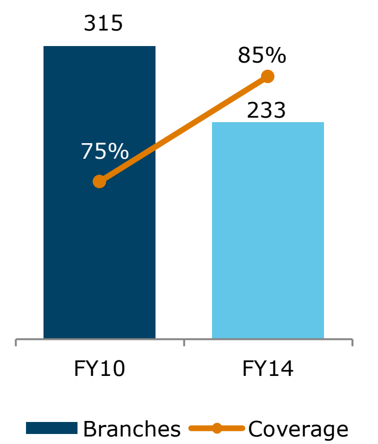
Revenue and FTE[1]



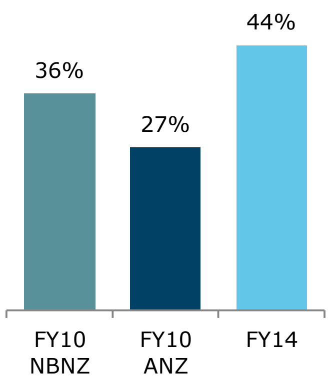
Staff Engagement



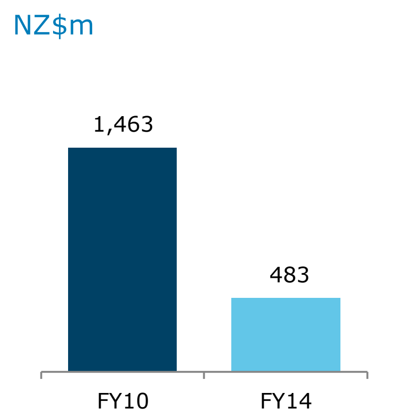
Branch Coverage[2]



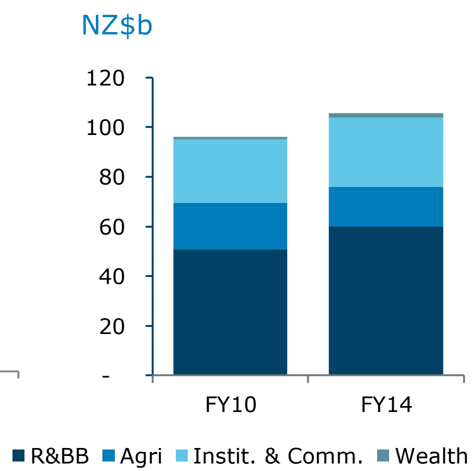
Consideration[3]



Impaired Assets[4]



NLA Composition

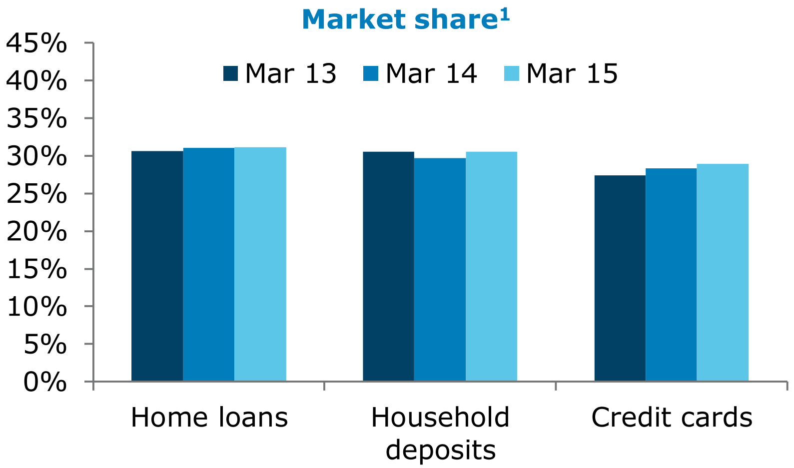


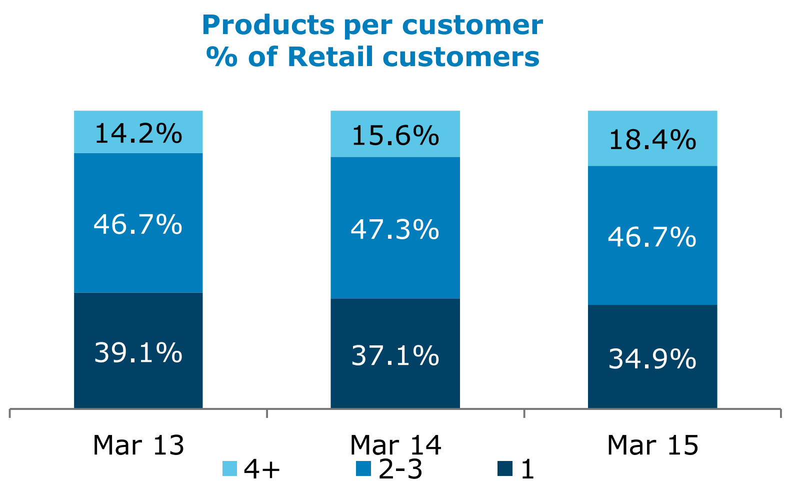
1. NZ Geography FTE excluding NZ-based FTE who work for ANZ's Australian businesses. 2. The percentage of market value across the country serviced by a retail branch (serviced means residing within the same 'commercial area unit' defined by Statistics NZ). 3. Colmar Brunton, IPSOS Brand Tracking and McCulley Research Limited (first choice or seriously considered). 4. Net impaired assets. Note: NZ Geography, FY10 on pro-forma performance (assumes 100% ownership of ING for the full year).

New Zealand Division – Business Units

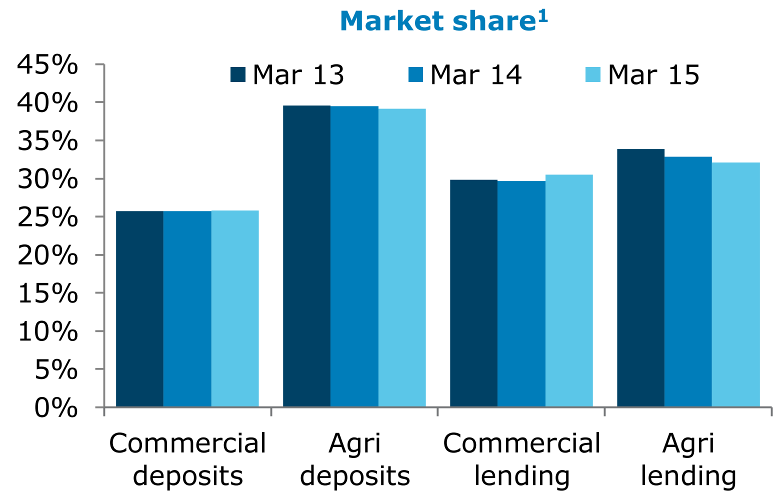
STRONG CORE MARKETS

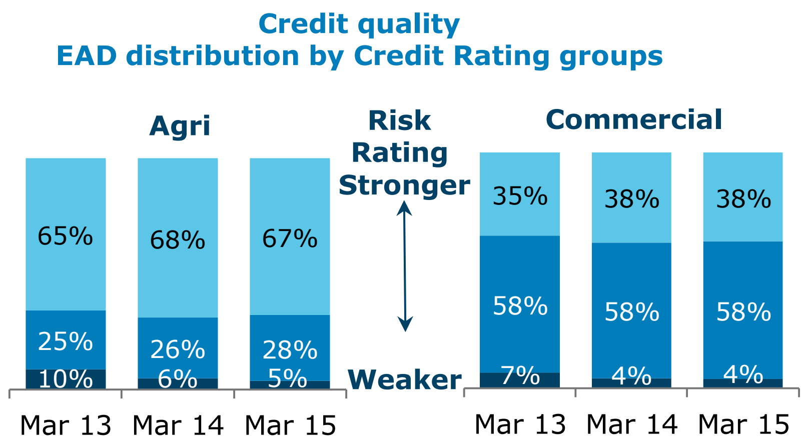
Retail





Commercial & Agri





All values in New Zealand Dollars.

1. Source: RBNZ - Mar 2015, relates to NZ Geography.

International & Institutional Banking (IIB) – delivering growth & targeting higher ROE

PROFITABLE ASIAN GROWTH

STRONG CORE MARKETS

ANZ Group Strategy

Strengthen our position in our core markets of Australia & New Zealand — STRONG CORE MARKETS

Connecting customers to faster growing regional capital, trade & wealth flows — PROFITABLE ASIAN GROWTH

Built on common infra-structure & enterprise focus for greater responsiveness, efficiency and control — ENTERPRISE APPROACH

IIB strategic priorities

Connecting More Customers by Providing Seamless Value	**Delivering Leading Products through Insights**	**Intensifying Balance Sheet Discipline**	**Scaling & Optimising Infrastructure**

IIB's contribution (1H15)

- Corridor Management strategy gaining traction, with revenues up ~30% pcp along the 3 main Australia-Asia trade corridors - China, Hong Kong and Singapore
- # 1 for overall and lead bank penetration in Australia[1] & New Zealand. Widened the gap with # 2 in NZ [2]
- # 4 corporate bank in Asia and narrowed the gap to # 3[3]
- # 1 in AU & NZ Bonds[4] & # 1 in AU & NZ Syndicated Loans[5]
- Best Trade Finance Bank – AU & NZ[5] & Best Bank for Cash Mgt Asia Pacific[6]
- Best Foreign Exchange Provider, Asia Pacific [7]
- Electronic channel utilisation for payments increased from 39% to 45%

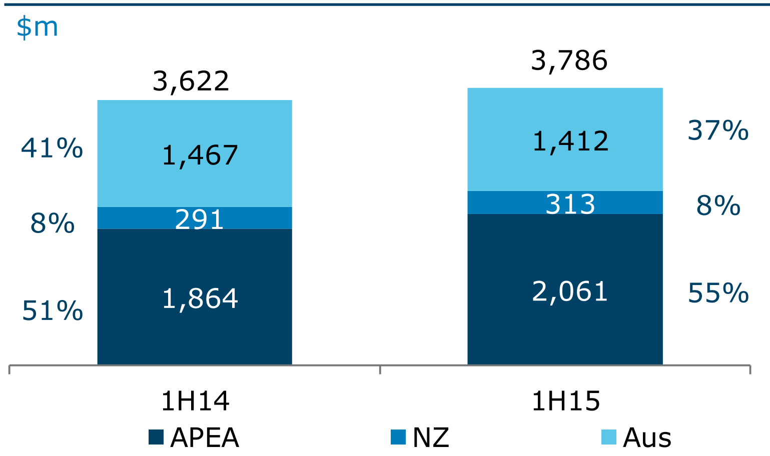
1. Peter Lee Associates: 2014 Large Corporate and Institutional Relationship Banking survey, Australia. 2. Peter Lee Associates: 2015 Large Corporate and Institutional Relationship Banking survey, New Zealand (widening based on lead bank relationships). 3. Greenwich Associates 2014 Asian Large Corporate Banking Study. 4. Dealogic by lead bank apportioned deal value, Jan 2015. 5. Thomson Reuters, Global Syndicated Loans Review FY 2014. 6. Trade & Supply Chain Finance Awards, Global Finance, 2015. 7. Best Foreign Exchange Provider Awards, Global Finance, 2015.

IIB - Revenue and profit composition

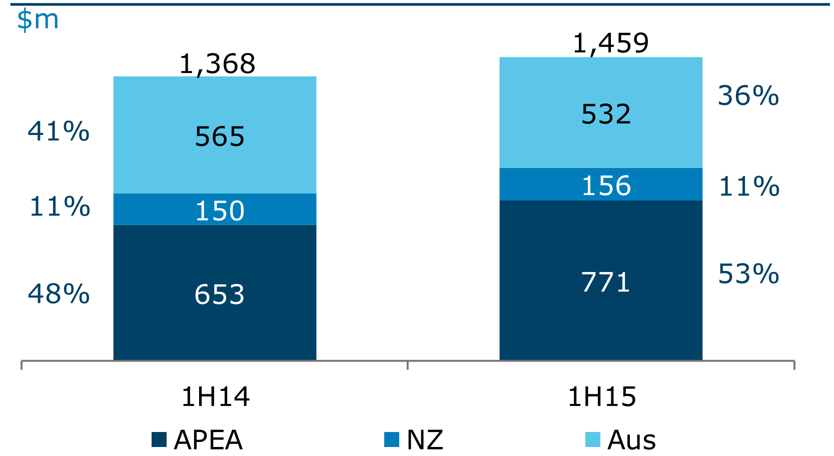
PROFITABLE ASIAN GROWTH

STRONG CORE MARKETS

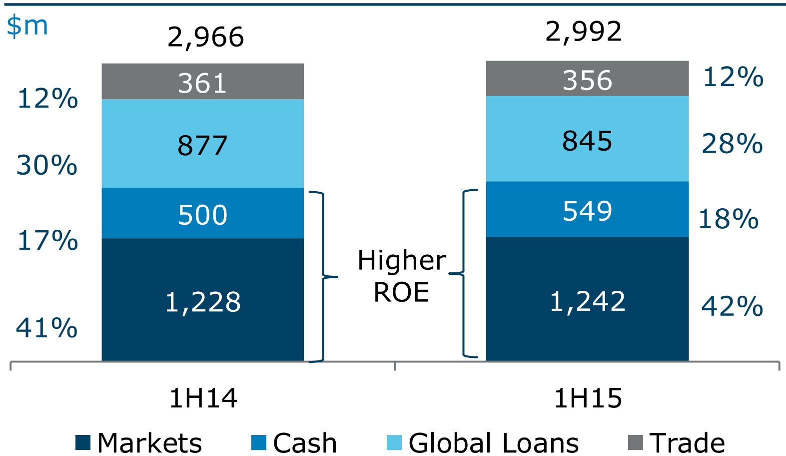
Revenue is geographically diverse



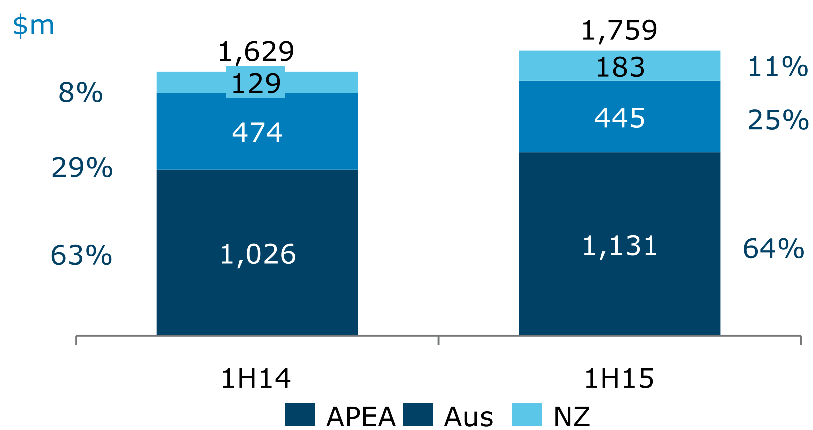
APEA now represents over half of the division's NPAT



Growing higher ROE businesses[1]



APEA OOI growth is strong



1. Excludes Retail and partnerships.

IIB - The corridor strategy

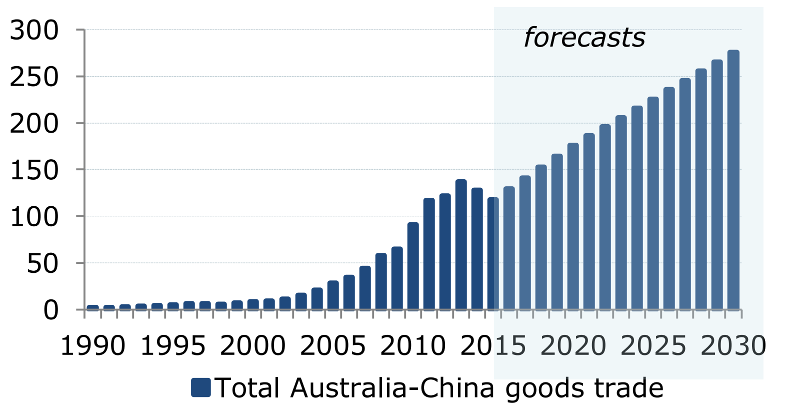
PROFITABLE ASIAN GROWTH

STRONG CORE MARKETS

Major trade corridors are forecast to grow significantly

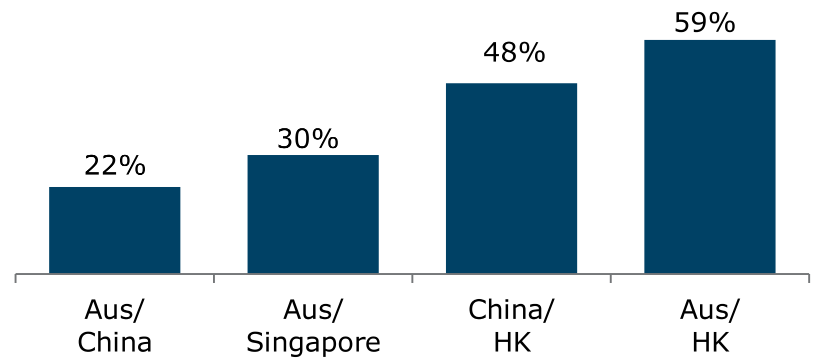
USDb

Source: ANZ Economics



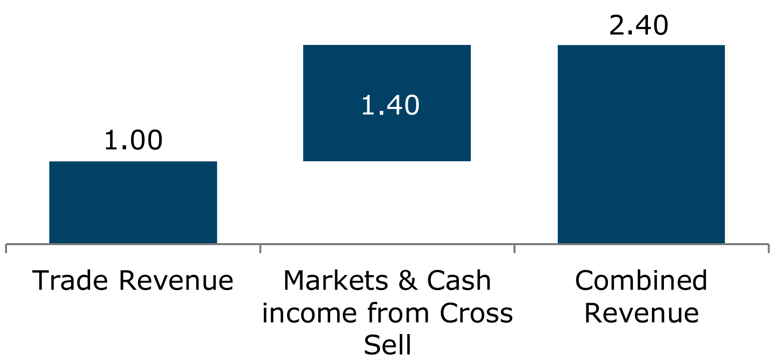
Corridor strategy is delivering strong growth

Revenue Growth (1H15 PCP)



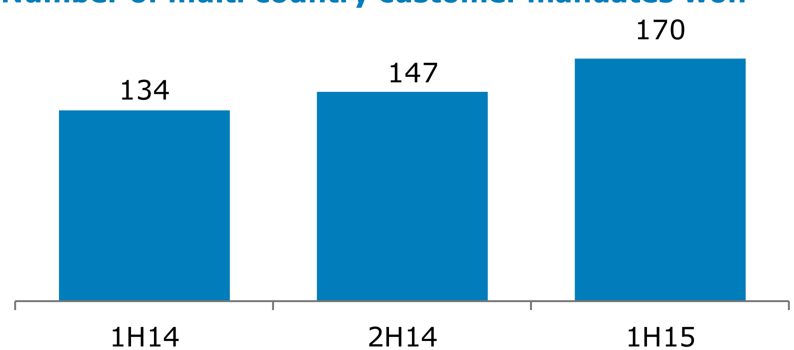
Trade revenue has a multiplier effect

1H15: $1 of Trade income = $1.40 of Cross-Sell[1]



Increasingly winning multi country mandates[2]

Number of multi country customer mandates won



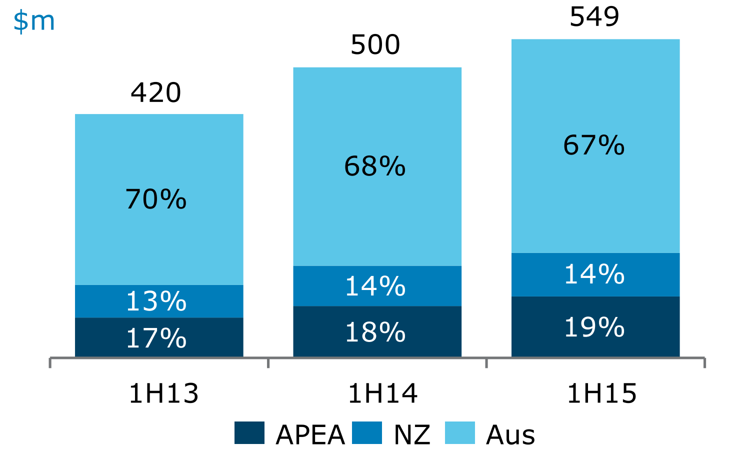
1. Cross-sell multiple based on a pool of customers that have a minimum of Trade, Markets and Cash Management with ANZ.
2. Payments and Cash Management mandates, based on Transactive Asia Strategic transactions for client with 2 or more countries.

IIB - Trade & Cash Management

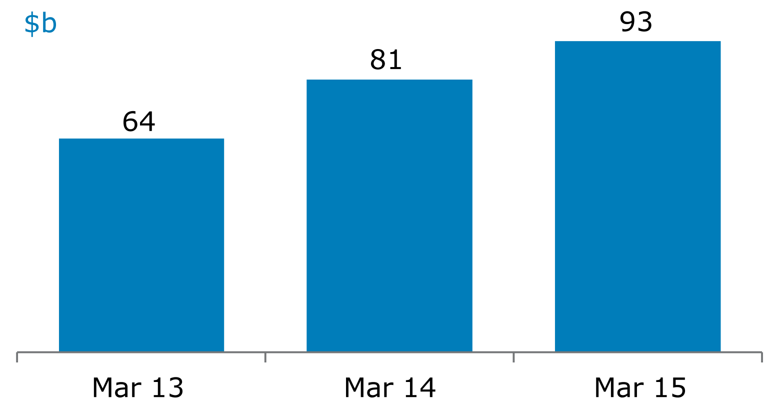
PROFITABLE ASIAN GROWTH

STRONG CORE MARKETS

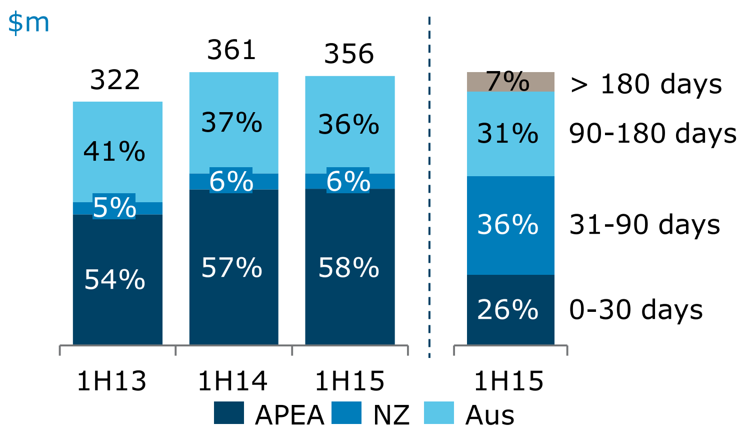
PCM Revenue is at record levels



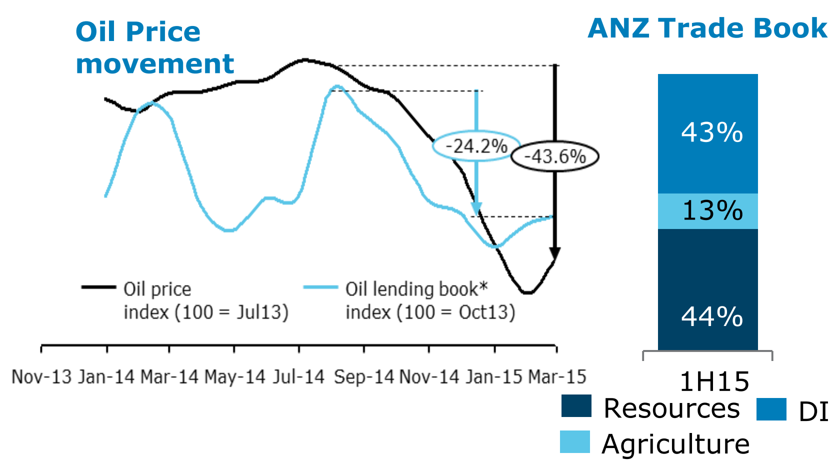
Deposit growth is strong



Trade revenues have remained broadly flat



Trade revenues broadly flat despite a significant decline in commodity prices

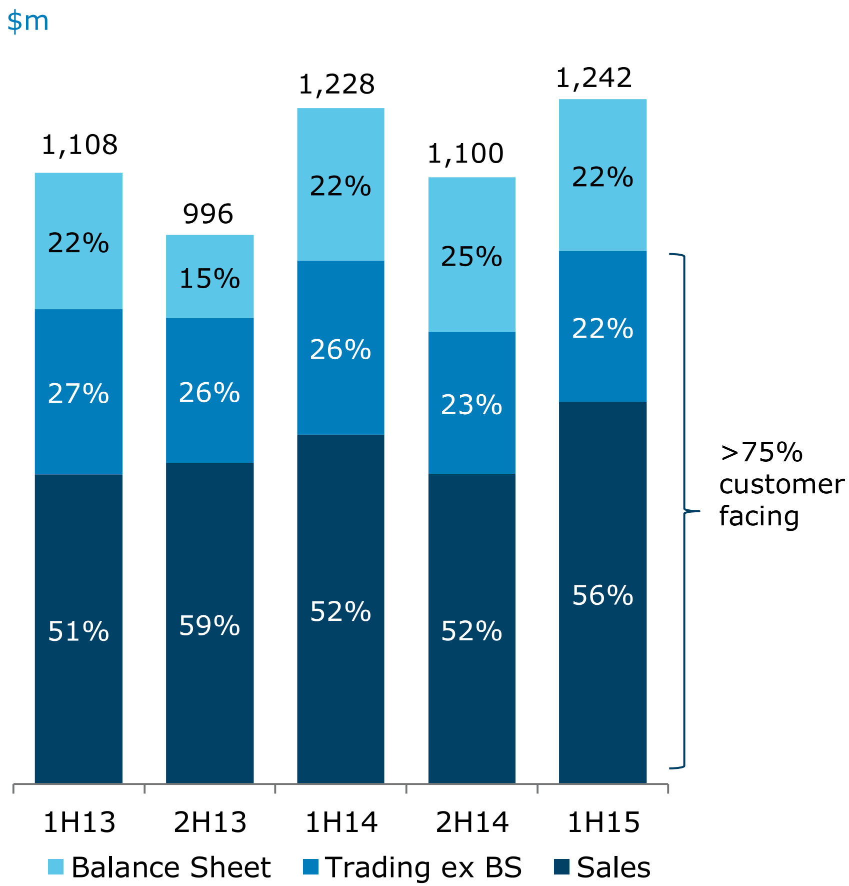


IIB - Global Markets by income type & product

PROFITABLE ASIAN GROWTH

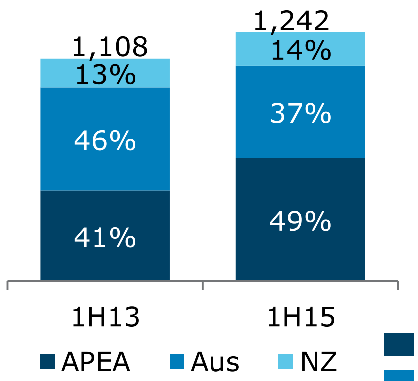
STRONG CORE MARKETS

Majority of Global Markets revenue is customer facing

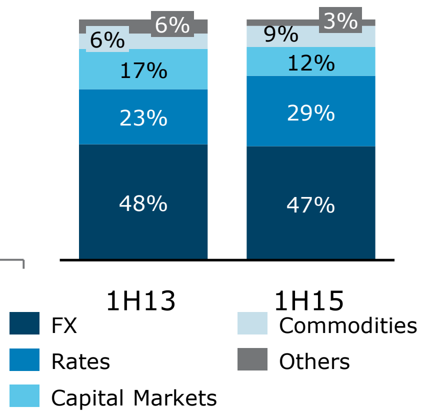


Delivering growth across a diverse product range

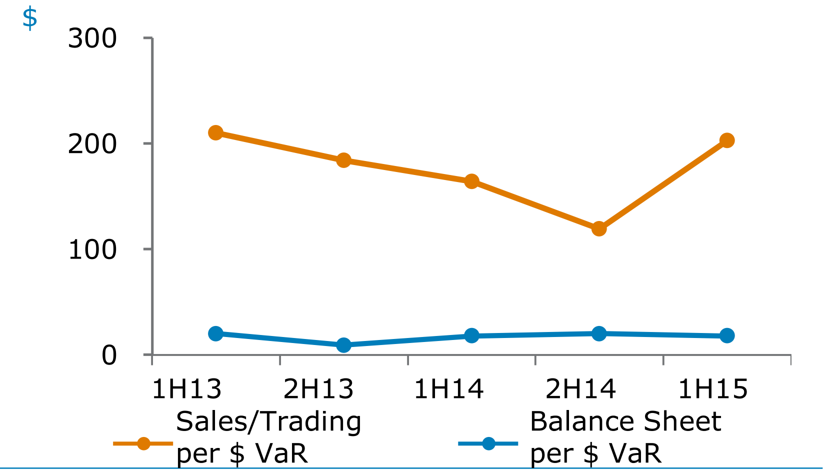
Income by region ($m)



Income by product¹ ($m)



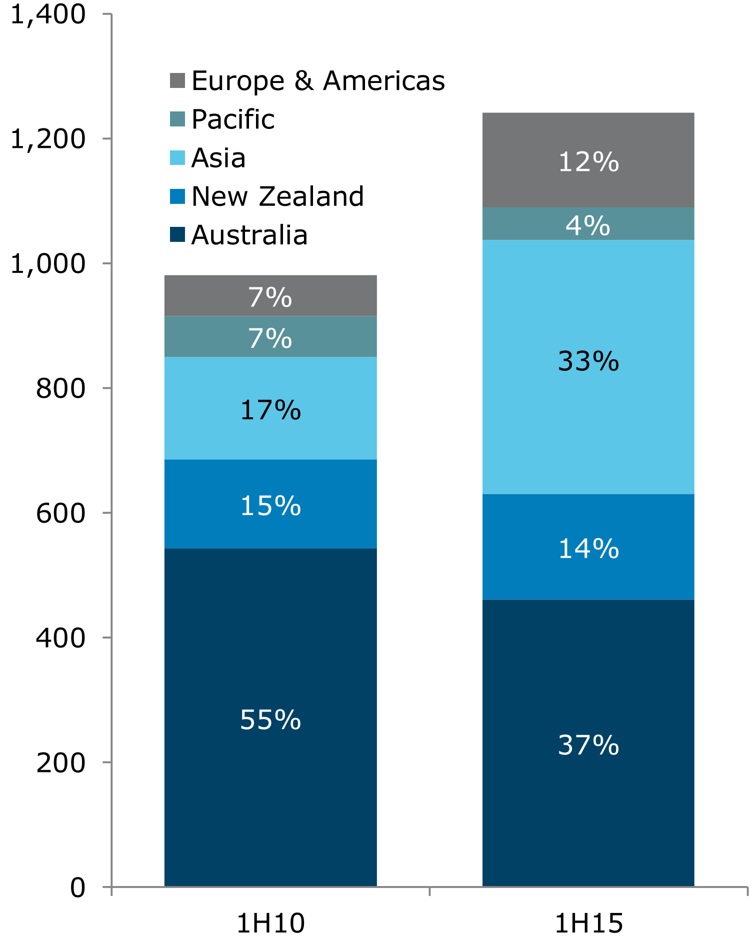
Risk position remains conservative



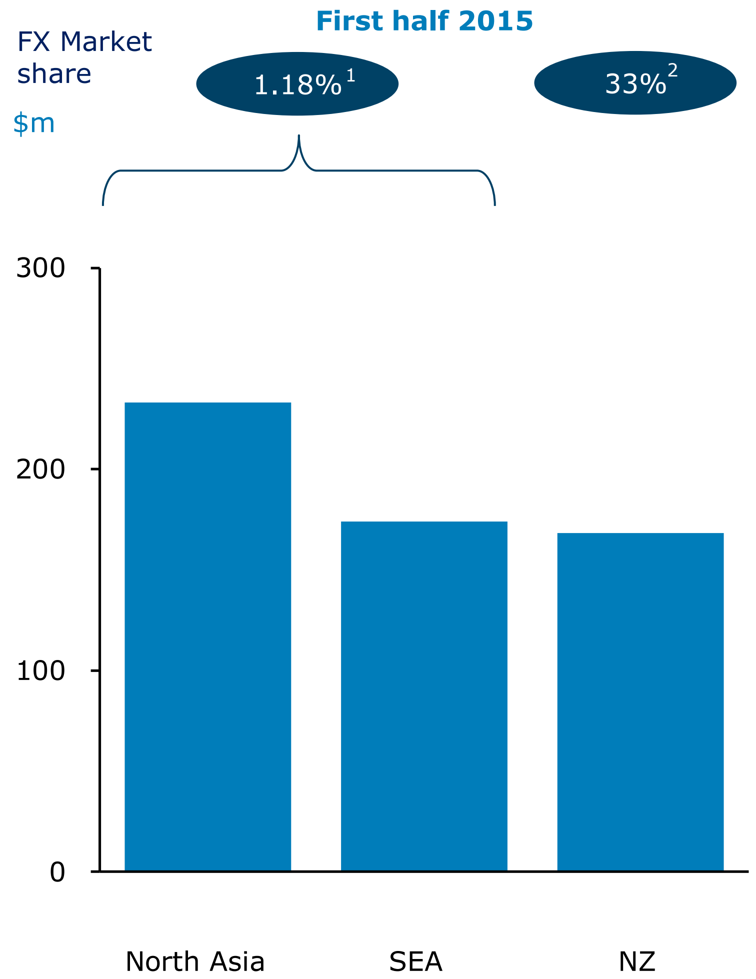
1. Excludes Balance Sheet.

IIB - Global Markets by geography

Revenue diversity by region



Asia Global Markets revenues - significant growth potential, given low market share

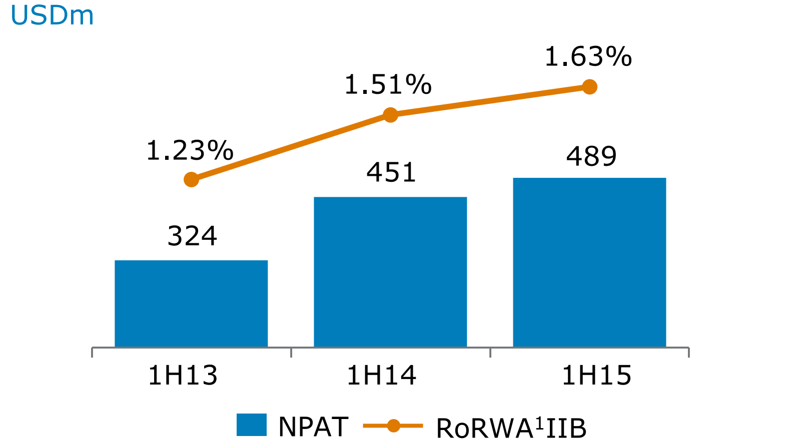


1. Euromoney, 2014.
2. Peter Lee Associates 2014 Foreign Exchange survey, New Zealand.

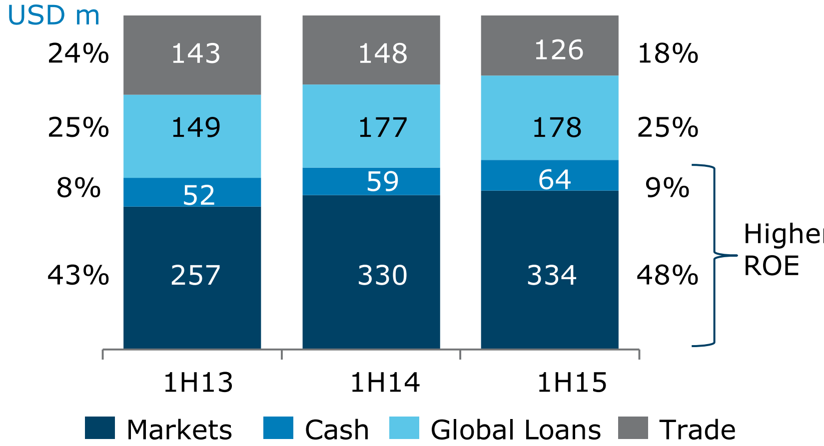
IIB - Asia

PROFITABLE ASIAN GROWTH
STRONG CORE MARKETS

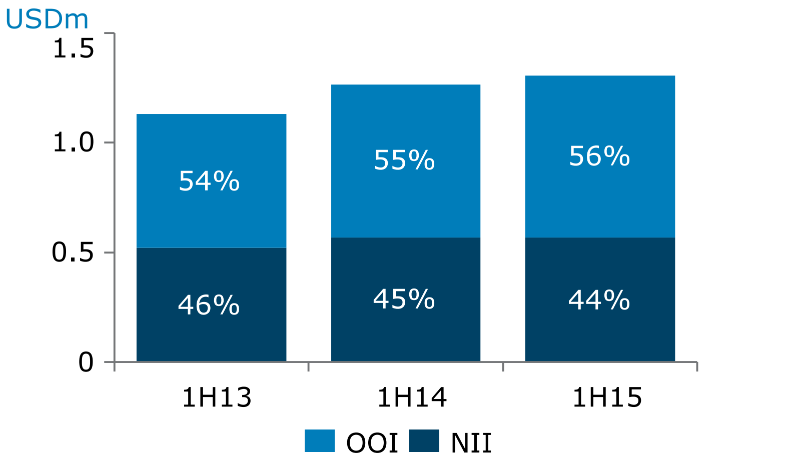
IIB Asia NPAT has grown 8% PCP…



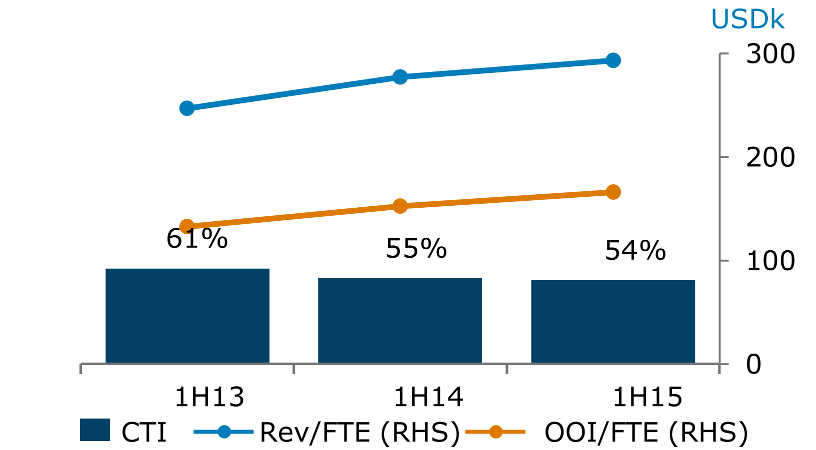
… with revenue growth in higher ROE businesses[2] …



… and increasingly from OOI …



… with improving productivity



1. 'RoRWA' equals Net Profit After Tax divided by average Basel III risk weighted assets.
2. Excludes Retail and Partnerships.

Enterprise Approach – to operations and technology

ENTERPRISE APPROACH

An enterprise approach to **operations** and **technology**

Delivers a stronger and more efficient bank

Benefiting our **customers, employees** and **shareholders**

Building Common Technology Platforms

across all main business lines to drive standardisation, simplification and automation.

Utilising our Regional Delivery Network

to improve customer experience and drive down cost to serve.

Improving customer experience:

- Easier on-boarding and faster approvals
- Quality service
- Consistency across channels

Driving operational productivity:

- Absorb significant volume growth
- Sustainable cost reduction
- Simplified processes

Reducing operating risk:

- Consistent, standard processes
- Reduced error rates
- Upgraded infrastructure and security systems

1H15 vs 1H14

⇩**40bps**	Operations cost to income
⇧**10%**	Operations productivity
⇩**28%**	Customer complaints (Australian Ops)

Enterprise Approach – Regional delivery network and common platforms

ENTERPRISE APPROACH

Regional delivery network

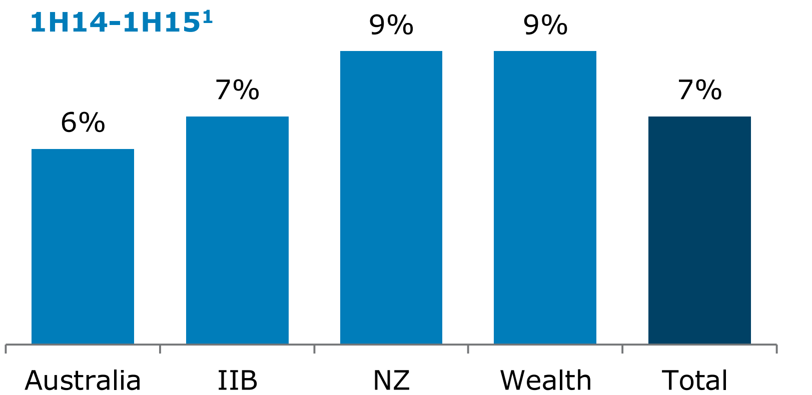
- Providing full service regional coverage across our operating time zones
- Developing centres of excellence across the network around key business domains:
  - Payments
  - Markets
  - Trade
  - Secured Lending
  - Unsecured Lending
  - Wholesale Lending
  - Voice
  - FIO, AML and Sanctions
  - Wealth Operations
  - Technology

Common platforms				
	Global Wholesale Digital (Transactive)	17 countries	**Global Payments** (Global PayPlus)	10 countries
	Global Retail Digital (goMoney, Grow)	7 countries	**Global FX** (Wallstreet)	13 countries
	Global Process Management (PEGA, FileNet)	15 countries	**Global Customer Registry** (IBM MDM)	25 countries

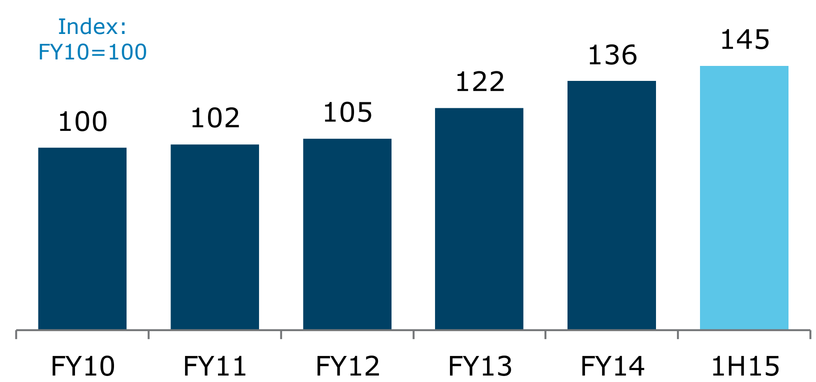
Enterprise approach - consistent, higher quality experience

ENTERPRISE APPROACH

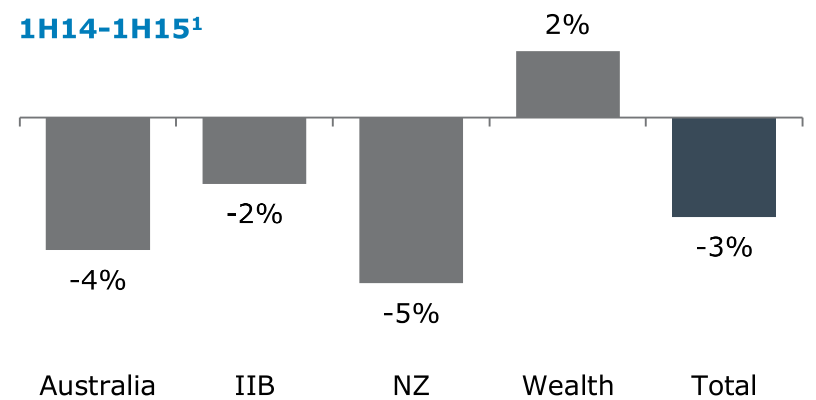
Operations volume growth



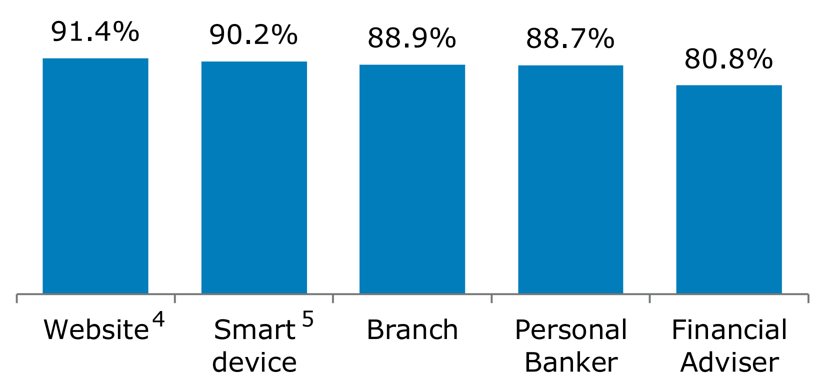
Operations efficiency



Operations costs growth



Quality and service

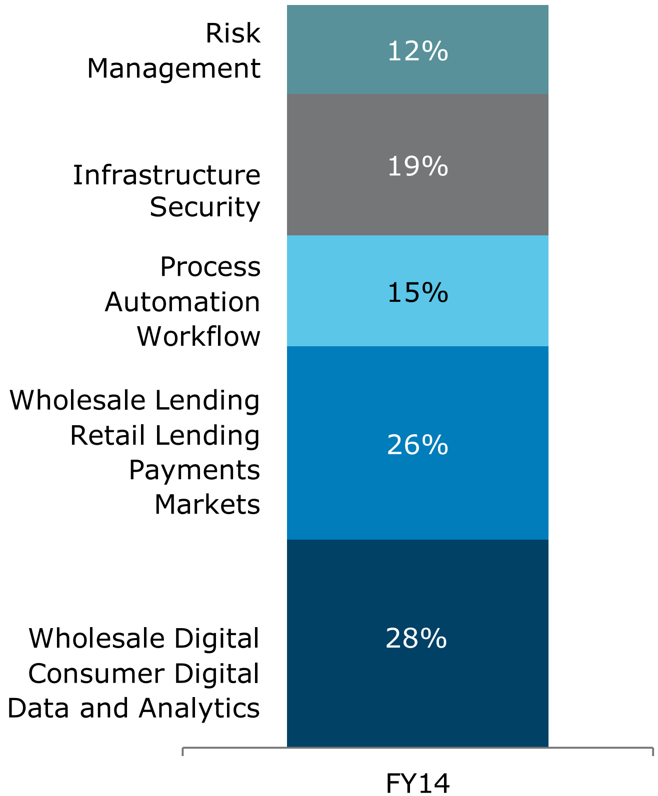


1. Volume growth represents YTD Mar 2015 vs YTD Mar 2014. 2 Operations efficiency measured by operations productivity improvement, which is the difference in operations costs and volume growth. 45% productivity improvement over 4 ½ years. 3. Roy Morgan Research. Satisfaction with channel, experience amongst MFI customers who have used service in the last 4 weeks. Base: ANZ Main Financial Institution (MFI) Customers, age 14+, rolling 12 months to March 2015. 4. Internet Banking using institution's website. 5. Internet Banking using an app on mobile phone or tablet.

Annual investment program

ENTERPRISE APPROACH

Annual investment spend



ANZ invests approximately AUD1,200m[1] per year on technology-based capabilities. Disciplined management is allowing us to fund an increasing proportion of this annual investment from the productivity gains in our wider delivery cost base.

Capability	Benefits
Risk	• Minimised operating risks • Maintain the confidence of our customers and regulators
Stability	• Upgraded infrastructure • Enhanced resilience • Reduced cost-to-serve
Productivity	• Simplify and integrate end-to-end workflow • Increase systems and process standardisation • Re-engineer and automate high-priority enterprise domains
Product Lines	• Coordinated approach to end-to-end wholesale lending • Global capabilities for consumer lending • Modern, resilient payments network • Supporting markets growth with scalable platforms
Digitisation	• Consistent customer experience across channels • Supporting our segment-based businesses • Enterprise-wide data management

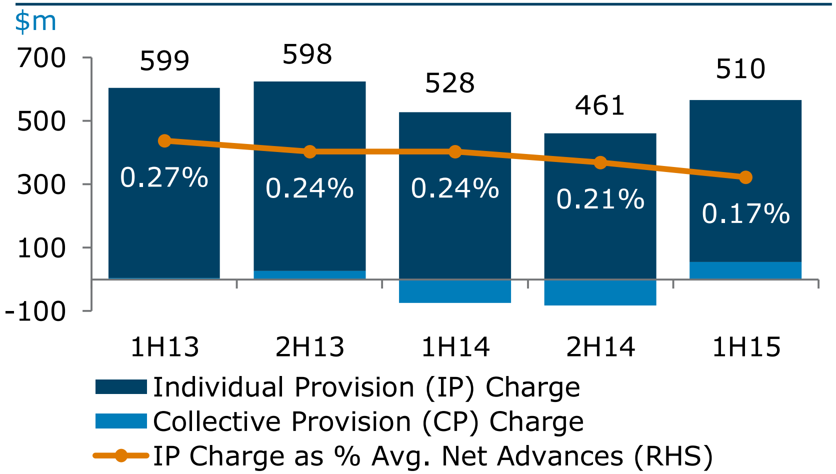
1. Excludes technology run costs.

2015 | CLSA CONFERENCE Hong Kong

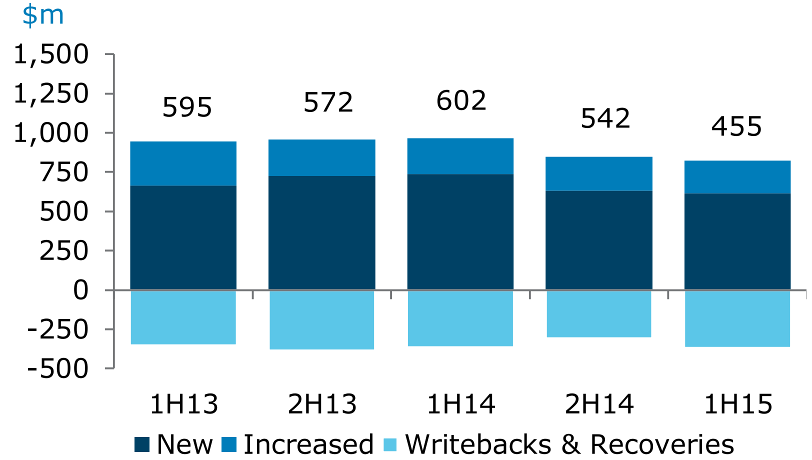
Risk Management

Provision Charge

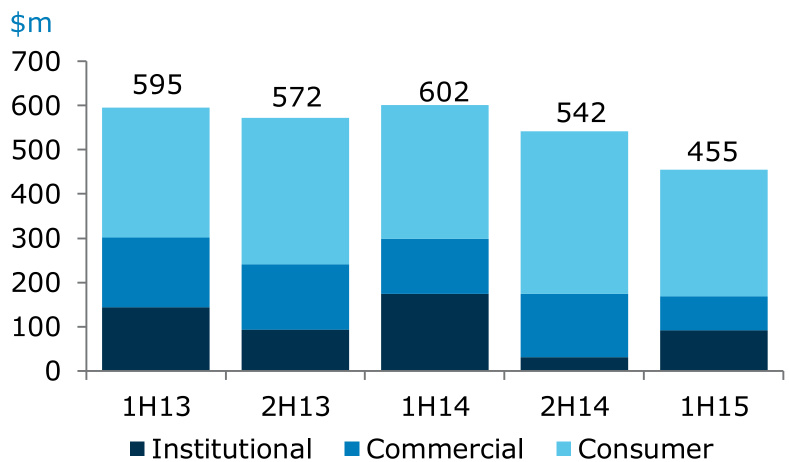
Provision charge



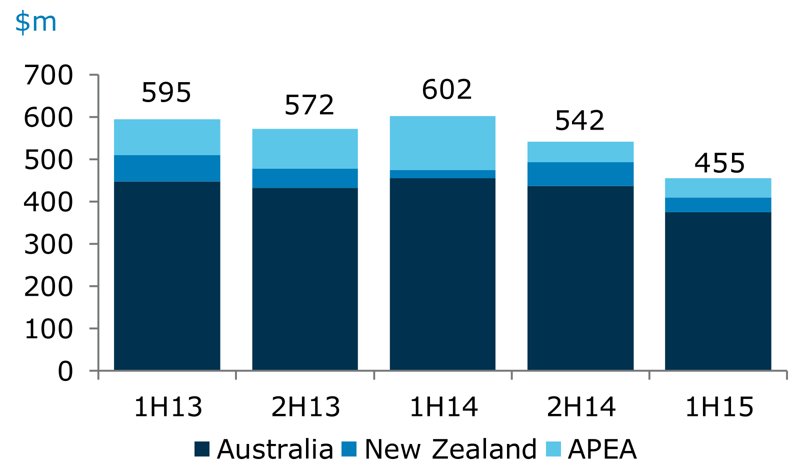
Individual provision charge composition



Individual provision charge by segment

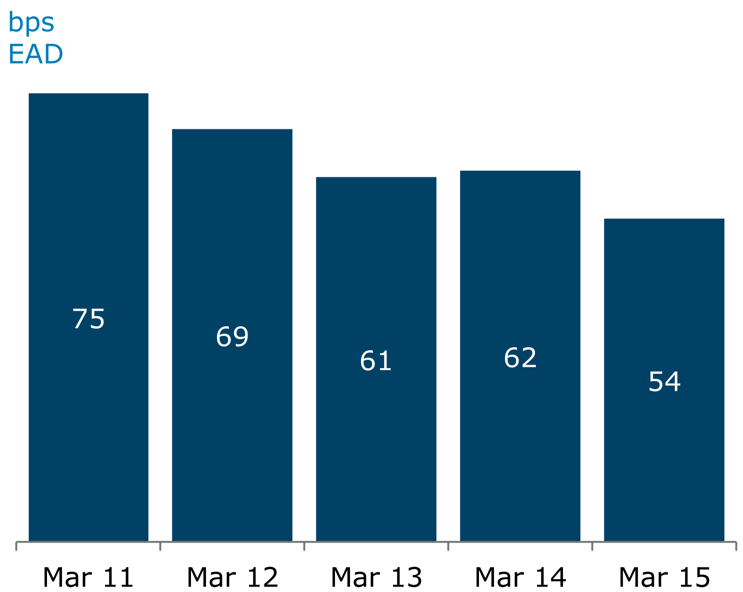


Individual provision charge by region

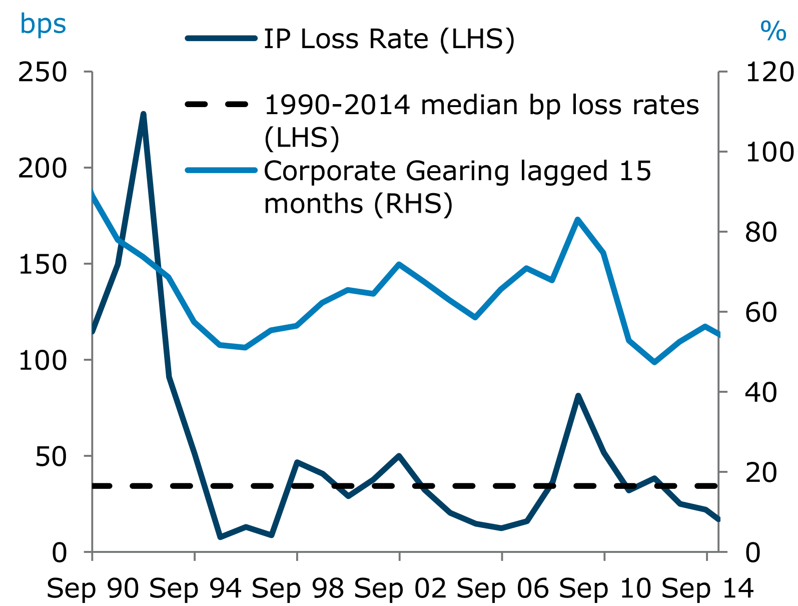


Historical Loss

Group regulatory expected loss



Historical observed loss rates



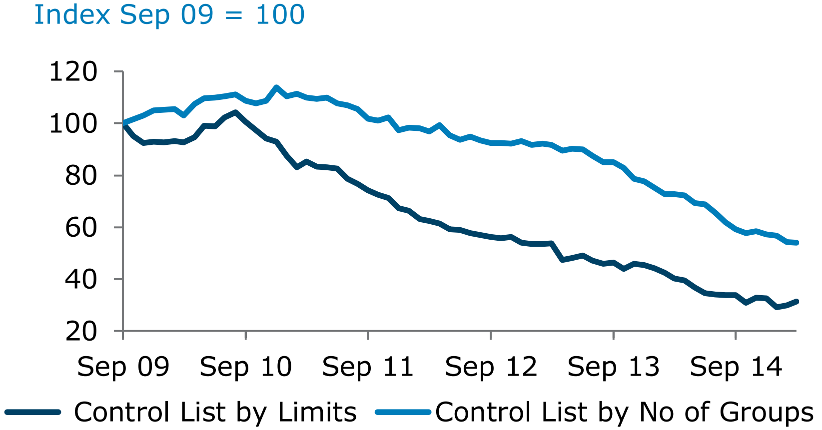
Corporate gearing remains low

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

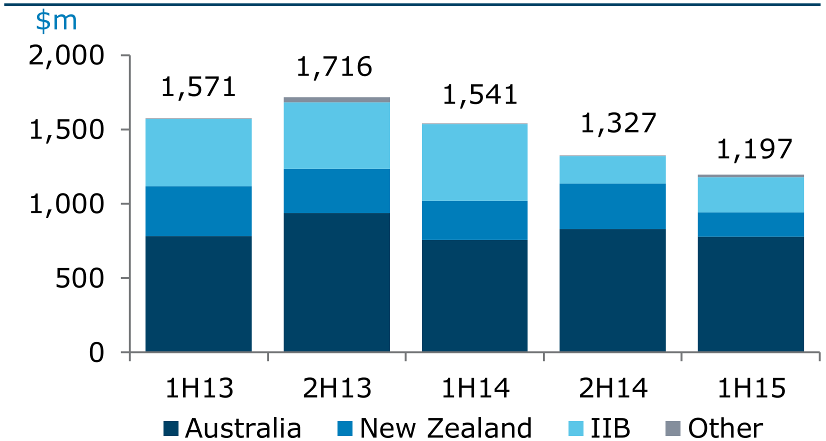
1. Debt to equity ratios for listed Australian Corporations sourced from the RBA.

Impaired Assets

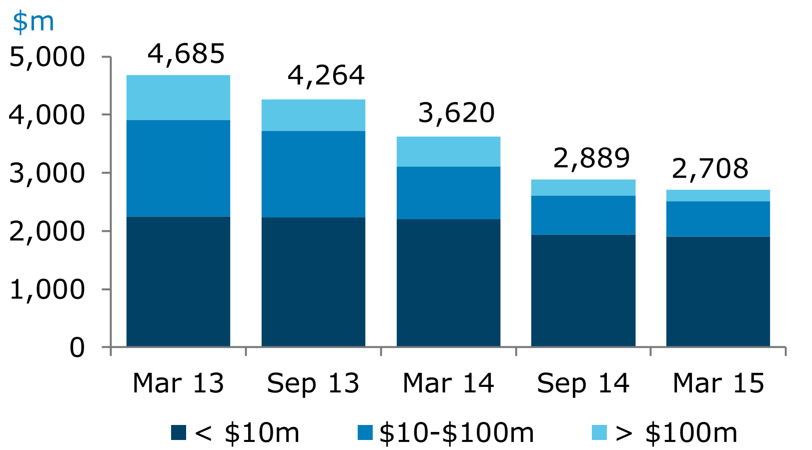
Control list



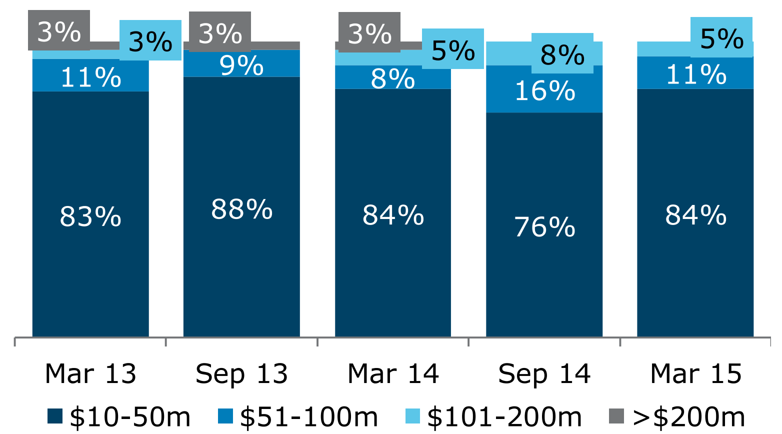
New impaired assets by division



Gross impaired assets by size of exposure



Impaired assets concentration by number of customers[1]



1. Only >$10m customers.

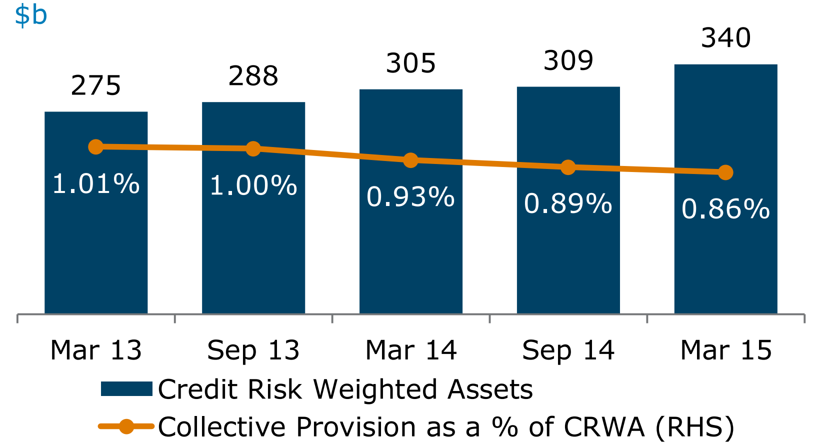
Collective Provision

CP Balance Growth

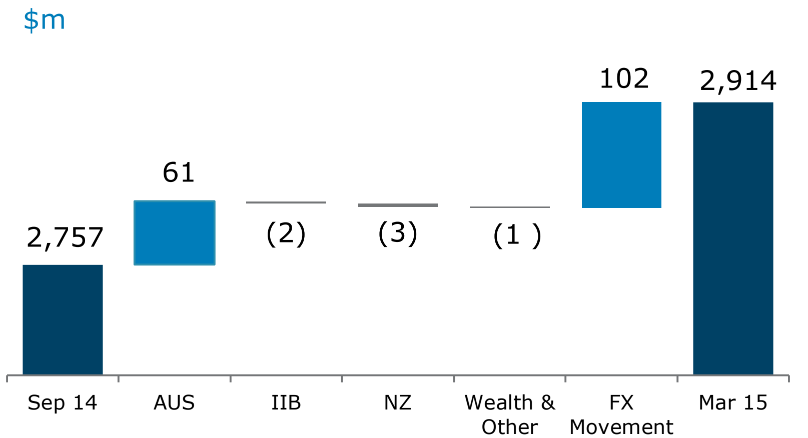
The collective provision balance increased by $157m in the first half of FY15, to $2,914m, predominantly driven by:

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

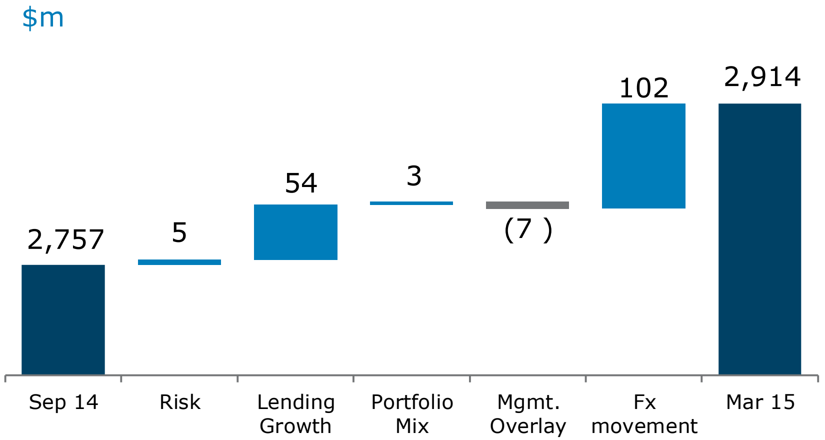
CP coverage



Collective provision by division

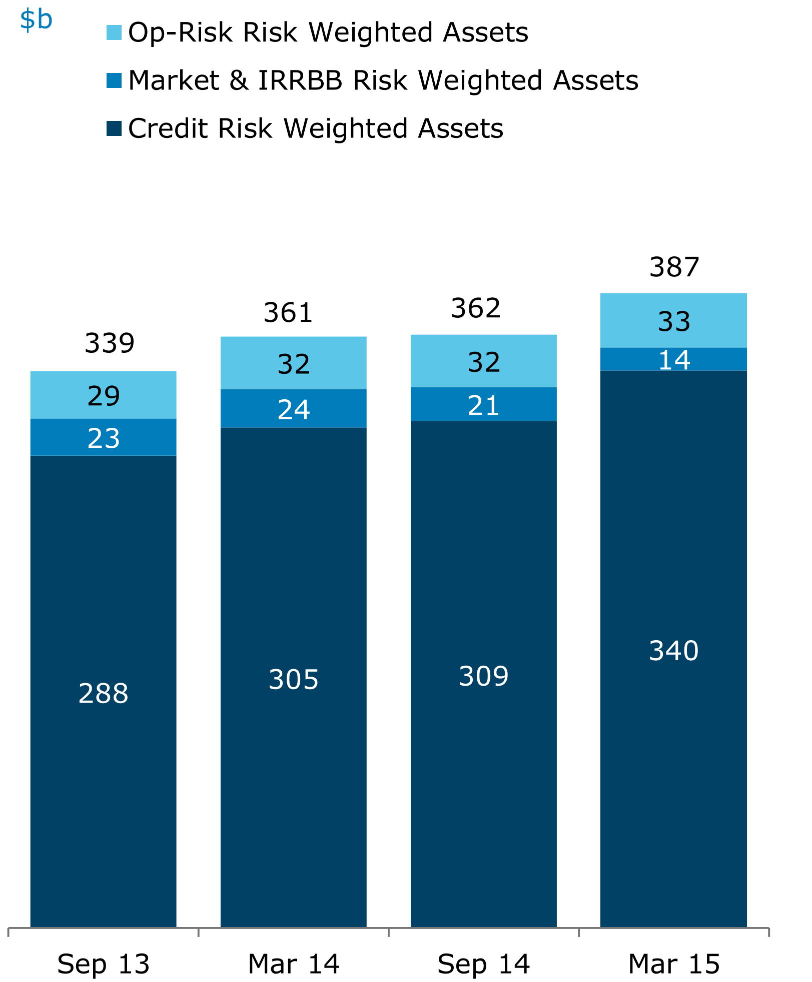


Collective provision by source

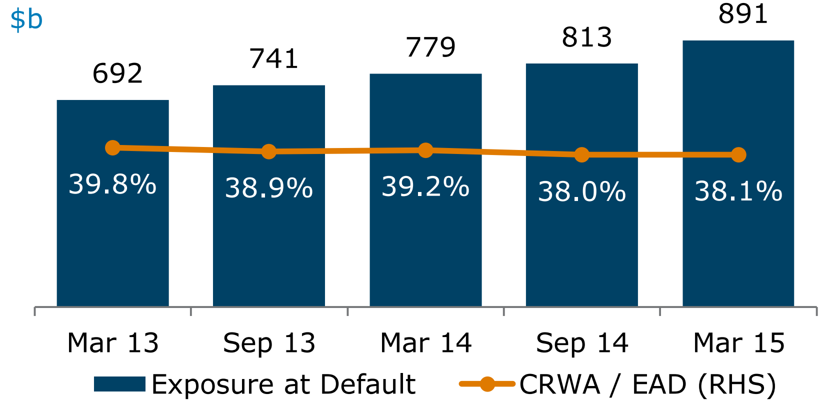


Risk Weighted Assets

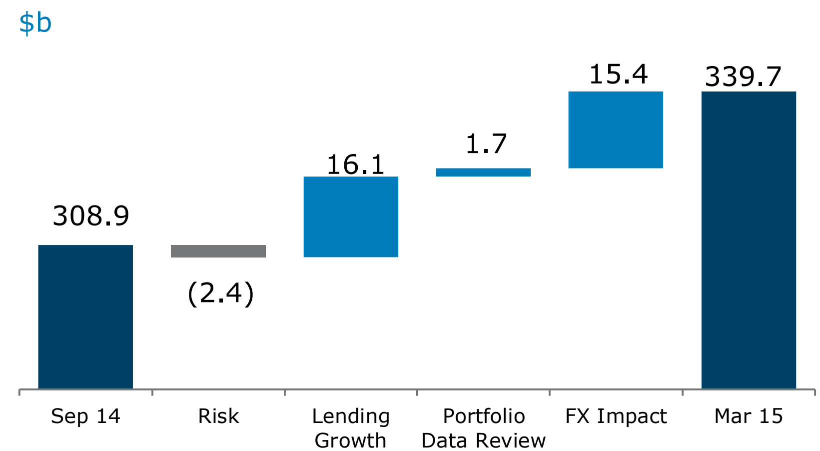
Total risk weighted assets



Group EAD & CRWAs



CRWA movement - Mar 15 v Sep 14



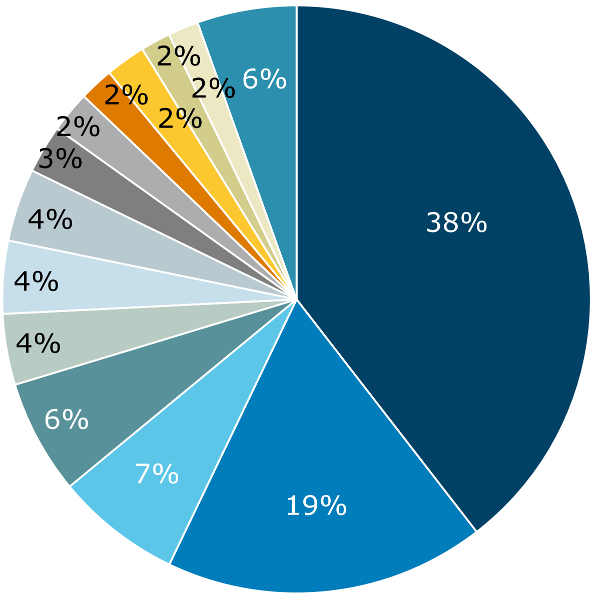
Portfolio composition

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

ANZ Group

Total Group EAD (Mar 15)

$869b[1]



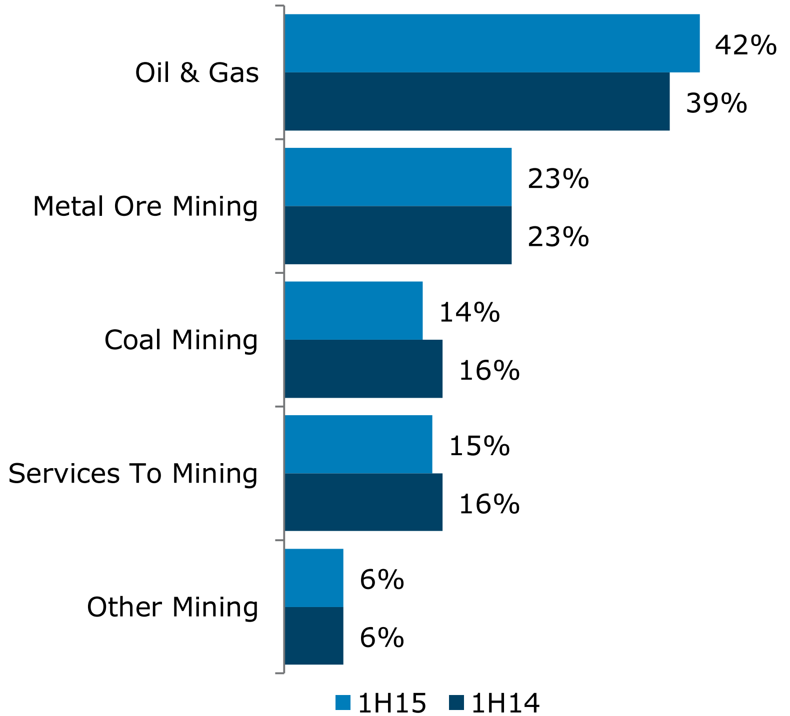
Category	% of Group EAD		% of Portfolio in Non Performing		Portfolio Balance in Non Performing
	Mar 14	Mar 15	Mar 14	Mar 15	Mar 15
Consumer Lending	40.3%	38.2%	0.2%	0.2%	$608m
Finance, Investment & Insurance	16.4%	18.7%	0.1%	0.1%	$93m
Property Services	7.0%	6.8%	1.7%	1.3%	$757m
Manufacturing	6.1%	6.5%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

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

Resources Portfolio

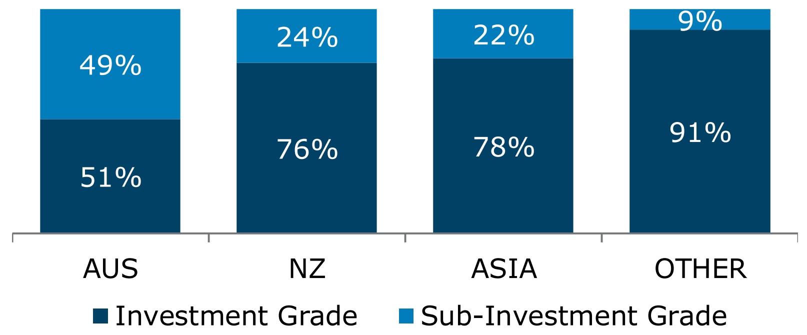
Resources exposure by sector (% EAD)

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



Resources exposure credit quality by geography (EAD)

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

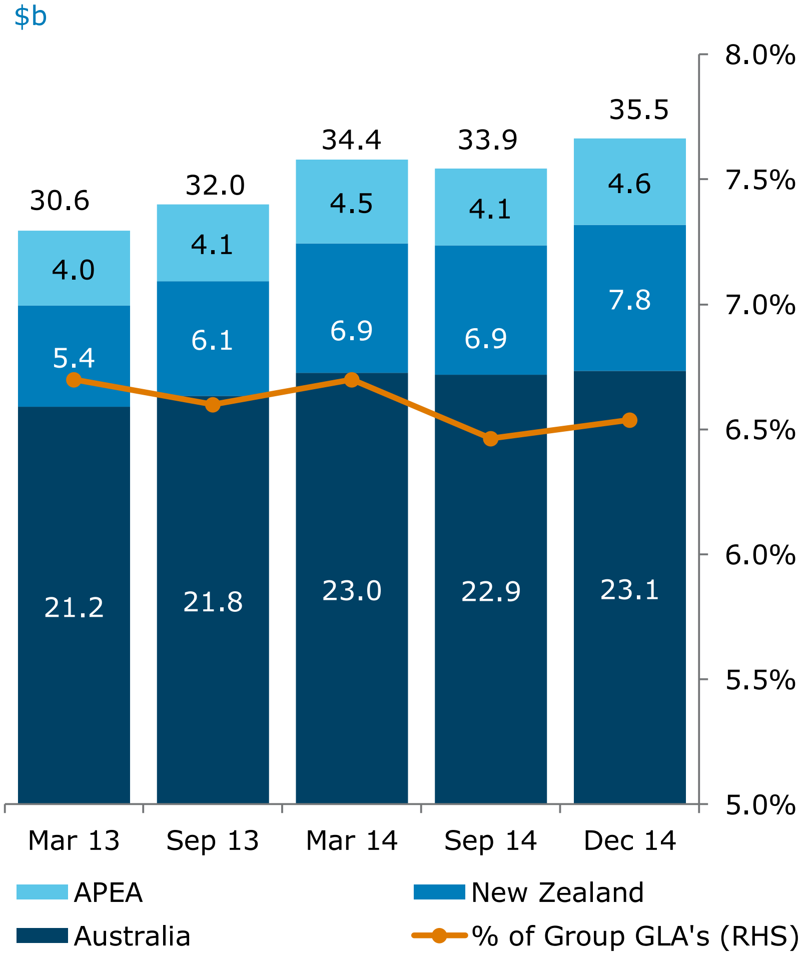


Resources portfolio management

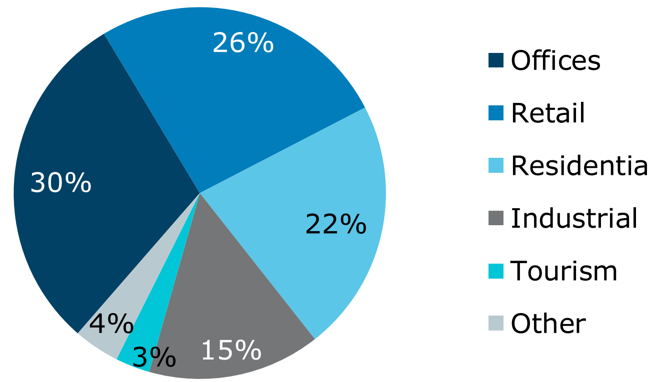
- Portfolio is skewed towards well capitalised and lower cost resource producers. Over a third of the book is less than one year duration.
- Investment grade exposures represent 67% of portfolio. Mix of investment grade exposures in portfolio has increased across all geographies in 1H15.
- Trade accounts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

Commercial property portfolio

Commercial Property outstandings by region[1]



Commercial Property outstandings by sector[1]



Property peer comparison[2]

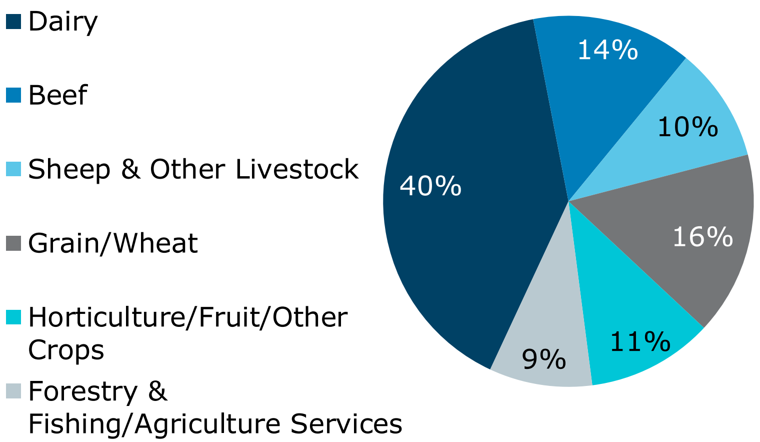
$m	ANZ	Peer 1	Peer 2	Peer 3
Property Portfolio EAD	51,039	68,739	72,935	57,994
Property EAD Growth Rates	7.9%	(1.6%)	13.9%	7.0%
Property EAD/Total EAD	5.73%	7.57%	8.50%	6.42%
Impaired Assets	424	1,497	726	318
Property Impaired Assets/Property EAD	0.83%	2.18%	1.00%	0.55%

1. As per ARF230 disclosure.
2. As per APS330 disclosure. ANZ includes property services, not consistent across peers.

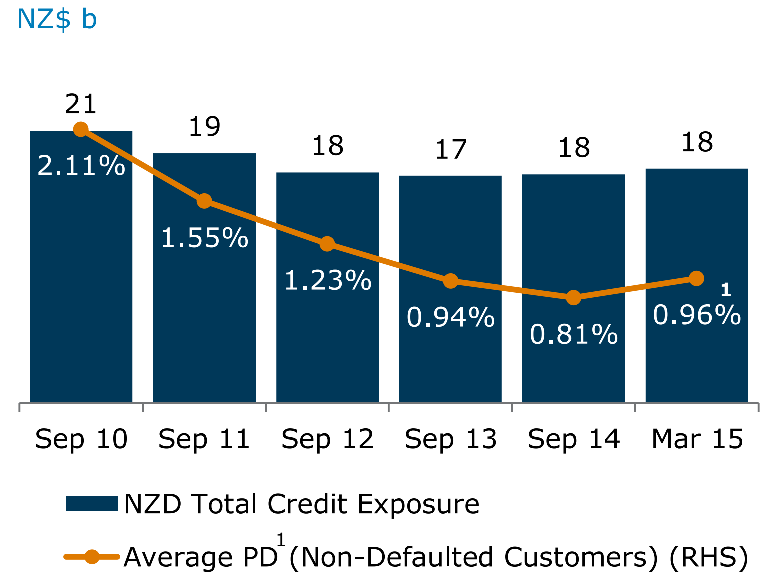
Agri portfolio

Agriculture exposure by sector (% EAD)

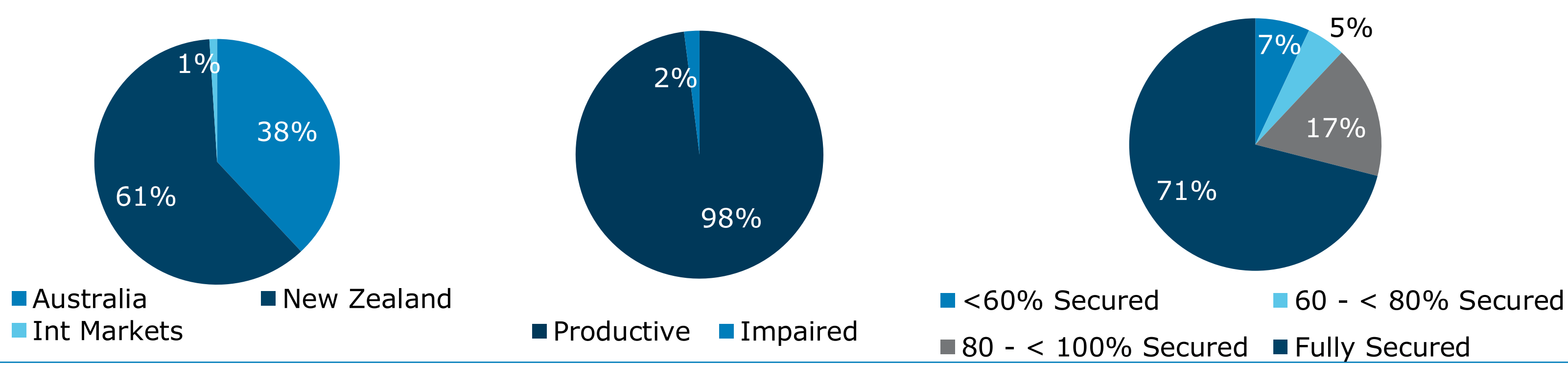
Total EAD (Mar 15)	As a % of Group EAD
$34.0b	3.9%



New Zealand Agri credit quality



Group Agriculture EAD splits



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

Industry Themes and Guidelines for Quality

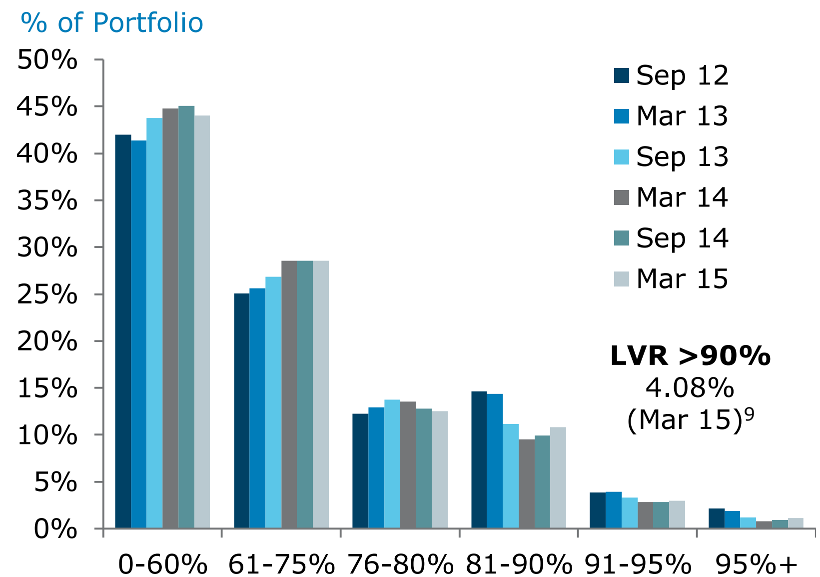
Areas on Watch	ANZ Lending Principles Examples
1. Commercial Property Land and buildings primarily leased to third parties or new buildings constructed to be leased or sold to third parties.	1.1 Focus on key markets in Australia, New Zealand, Singapore and Hong Kong 1.2 No appetite for speculative development 1.3 Limited appetite to lend against third party leased specialised buildings
2. Residential Property Residential Land and/or buildings • Variable or fixed rate • Owner occupied, investor, equity loan • Interest only or Principal & Interest	2.1 Triggers and controls guide growth in investment, interest only and high LVR-band lending 2.2 Very limited appetite for Self Managed Super Fund lending 2.3 No appetite for reverse home loans or sub-prime loans
3. Resources Sector Industry sectors include: • Metal Ore (Including Iron Ore) • Mining and Mining Services • Mining infrastructure • Oil and Gas • Coal	3.1 Relationships focused on low cost producers 3.2 We are focused on intermediating trade and FX flows 3.3 Mining infrastructure cost sustainability monitored 3.4 Preference for equipment leasing over unsecured lending

Australia Home Loans portfolio

1H15 portfolio statistics[1]

Total Number of Home Loan Accounts	934k
Total Home Loans FUM	$218b
% of Total Australia Geography Lending	60%
% of Total Group Lending	39%
Owner Occupied Loans - % of Portfolio[2]	60%
Average Loan Size at Origination (1H15 average)[3,4]	$376k
Average LVR at Origination (1H15)[3,4,5]	71%
Average Dynamic LVR of Portfolio[4,5,6]	51%
% of Portfolio Ahead on Repayments[7,8]	43%
% of Portfolio Paying Interest Only[8]	35%

Dynamic loan to value ratio[5]



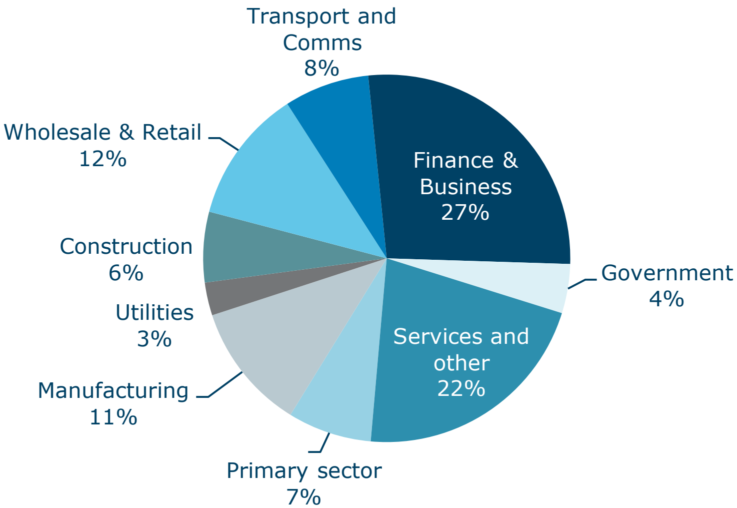
Individual provision as % of average NLA

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

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

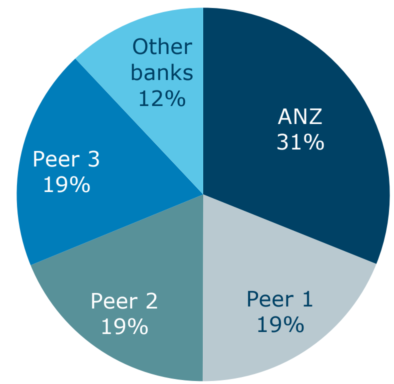
New Zealand - market characteristics

GDP contribution by industry[1]

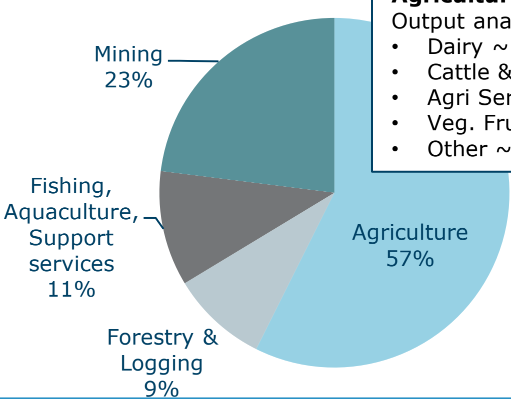


Banking market[2]

88% of NZ banking sector Net Loans & Advances ($341b) are with the big 4 banks



Primary sector GDP contribution[1]



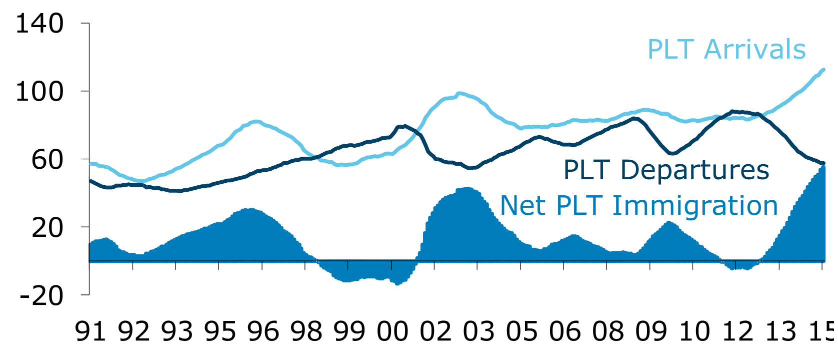
Agriculture industry[3]
Output analysis:

- Dairy ~ 30%
- Cattle & Sheep ~20%
- Agri Services ~ 15%
- Veg. Fruit, Nut ~ 12%
- Other ~23%

Positive migration impact on population

Population forecast: 5m by 2030, aided by migration

Persons, 12 month total (k)

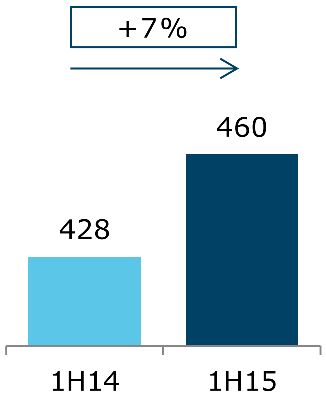


1. Statistics NZ
2. KPMG Financial Institutional Performance Survey Review 2014
3. Statistics NZ, ANZ analysis

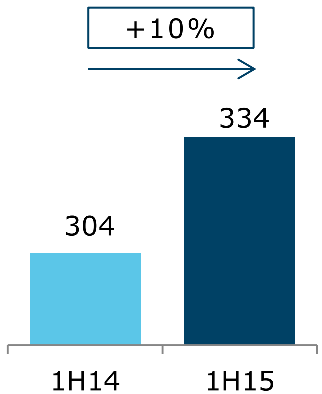
ANZ New Zealand - Commercial and Agri Book composition

Revenue

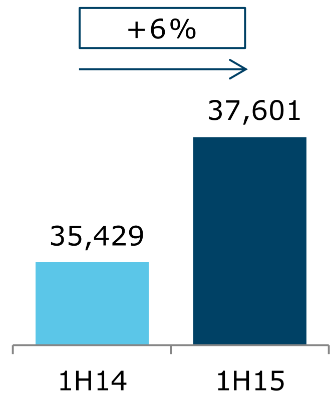
$NZm



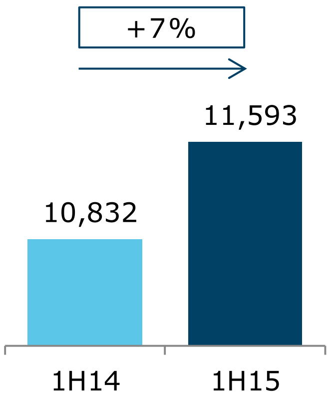
PBP



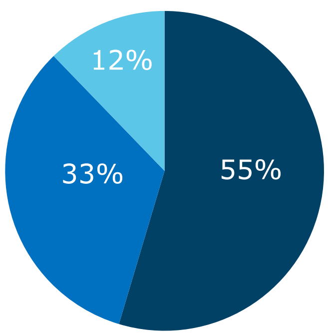
Lending



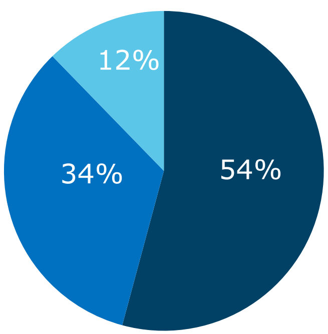
Deposits



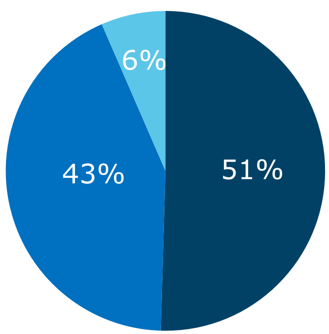
Revenue[1]



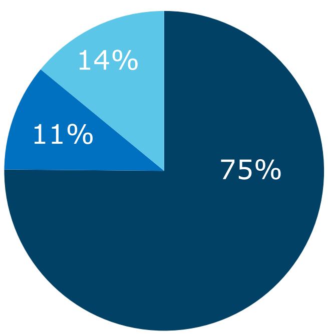
PBP[1]



Lending[1]



Deposits[1]



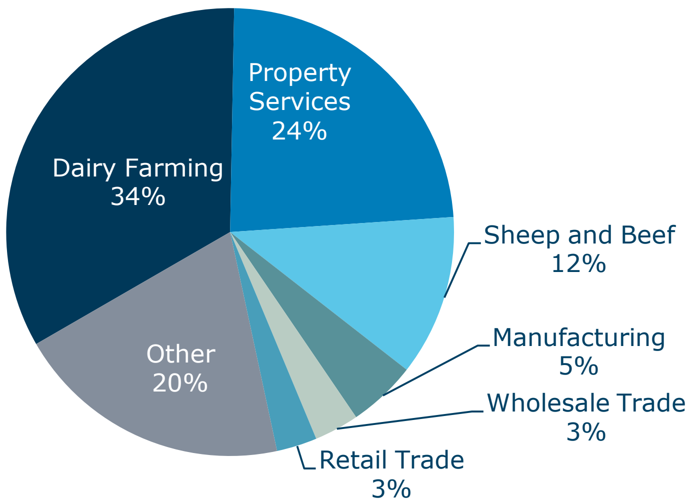
■ Commercial ■ Agri ■ UDC

1. As at 31 March 2015

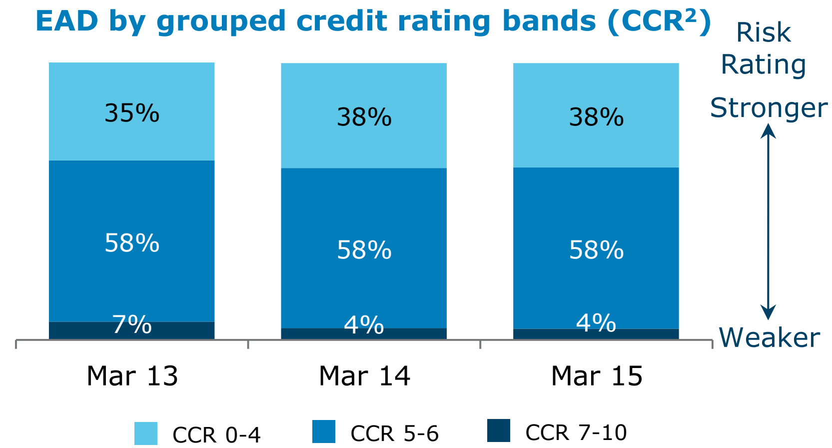
Note: All values in NZD ($m), Lending is Net Loans & Advances, Deposits are Customer Deposits

ANZ New Zealand - Maintaining a balanced Commercial and Agri portfolio

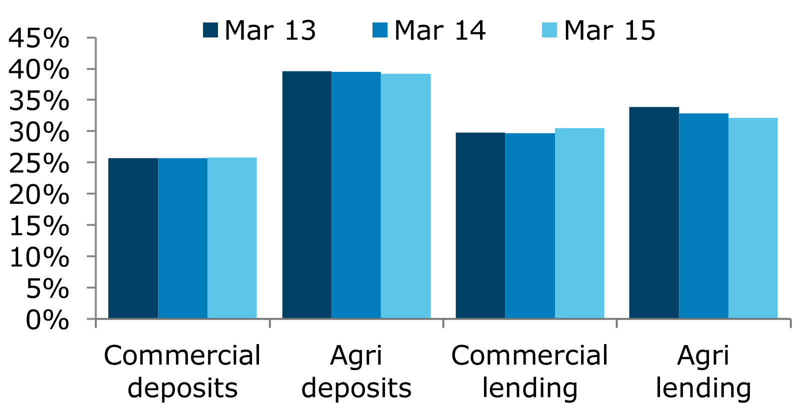
Diversified portfolio (FUM)



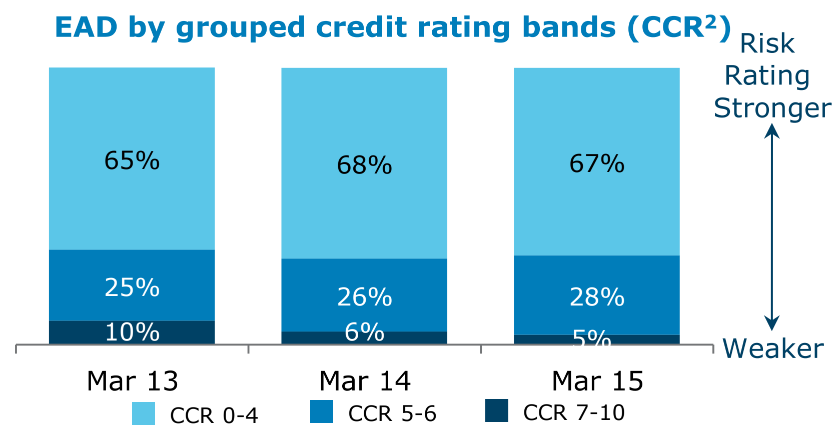
Credit Quality – Commercial (EAD by CCR)



Market share[1]



Credit Quality – Agri



1. RBNZ
2. Customer Credit Rating CCR Internal ANZ Rating

New Zealand - mortgages portfolio

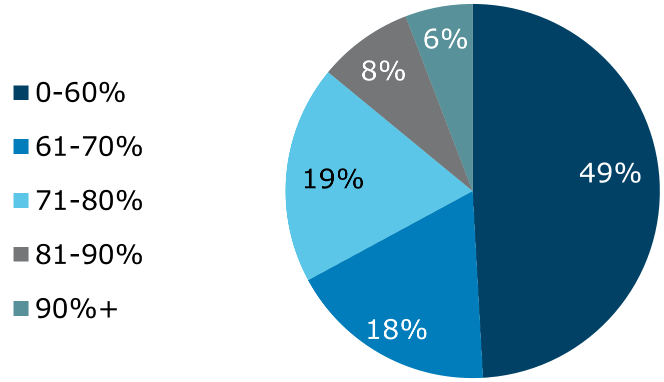
1H15 portfolio statistics

Total Number of Mortgage Accounts	494k
Total Mortgage FUM (NZD)	$64b
% of Total New Zealand Lending	59%
% of Total Group Lending[1]	11%
Owner Occupied Loans - % of Portfolio	75%
Average Loan Size at Origination (NZD)	$289k
Average LVR at Origination[2]	64%
Average Dynamic LVR of Portfolio[3]	49%
% of Portfolio Paying Interest Only[4]	22%

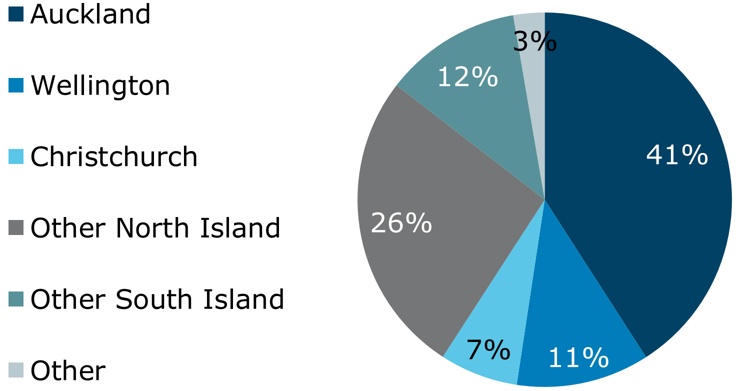
Individual provision as % of average NLA

	FY12	FY13	FY14	1H15
Group[1]	0.38%	0.25%	0.22%	0.17%
New Zealand Mortgages[5]	0.07%	0.04%	0.06%	0.01%

Dynamic loan to valuation ratio



Mortgage portfolio by region



1. As % of group average NLA. 2. Average LVR at Origination (not weighted by balance). 3. Average dynamic LVR as at (not weighted by balance) – Dynamic LVR graph as at Feb 2015. 4. Excludes revolving credit facilities. 5. Individual Provision as % average NLA.

2015

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

September 2015

Portfolio composition by exposure at default

Group

International & Institutional Banking (IIB)

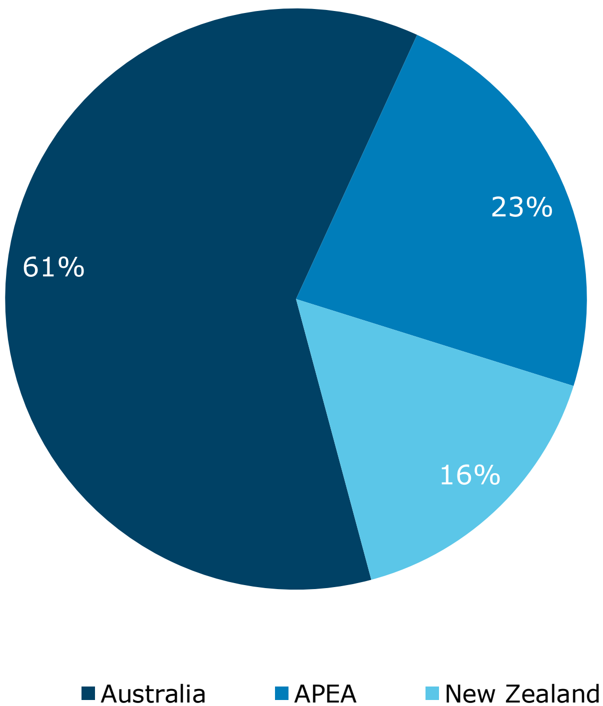
Asia

China

ANZ portfolio composition: geography, division, industry

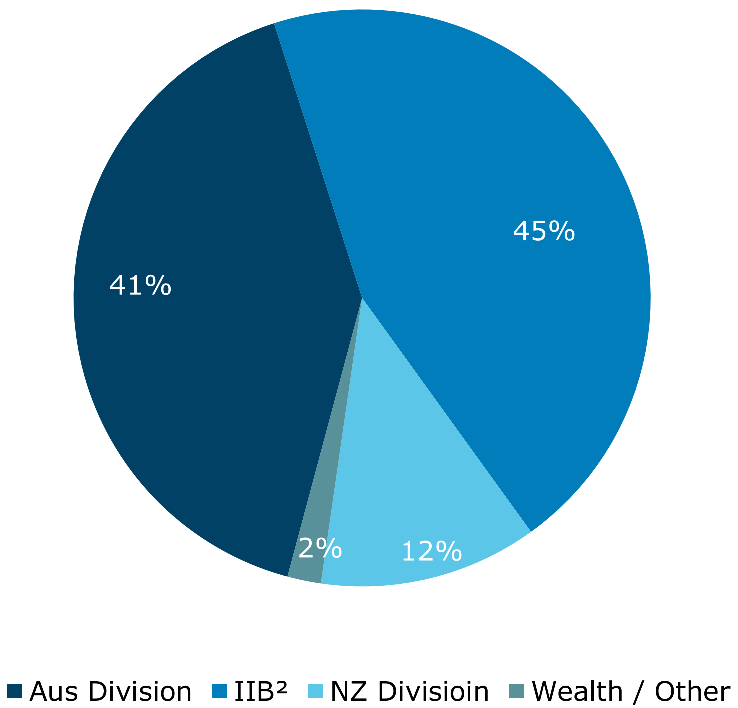
Group EAD by geography

EAD (June 15): AU$886b[1]



Group EAD by division

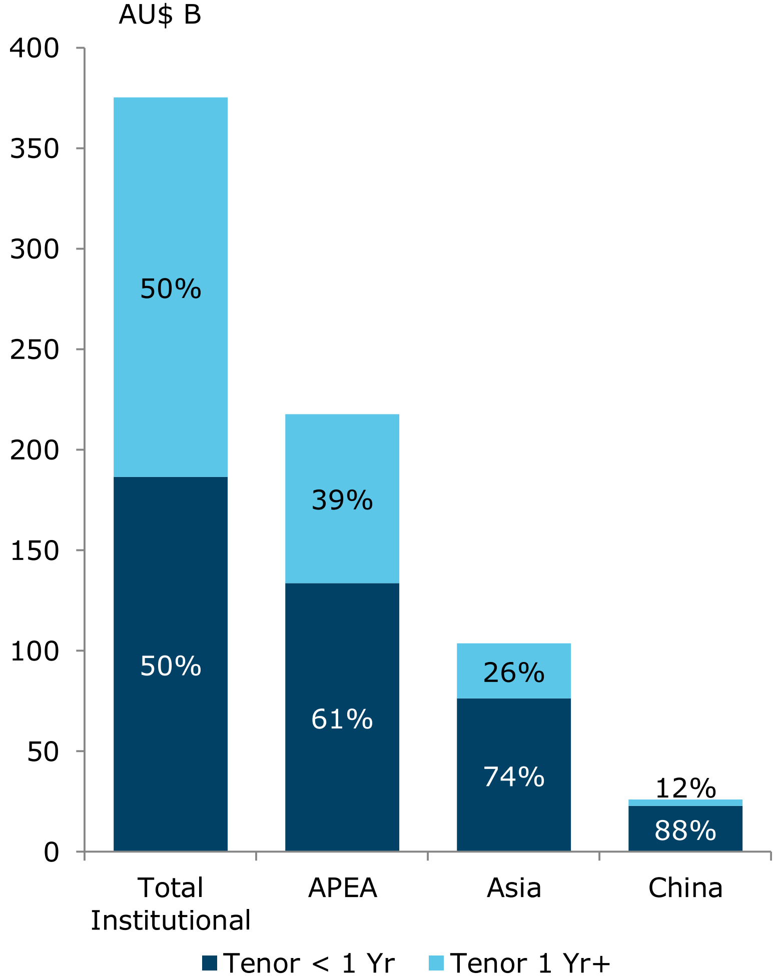
EAD (June 15): AU$886b[1]



1. Data is provided is as at Jun15 on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Position excludes Basel Asset Class "Retail".
2. IIB: International and Institutional Banking division

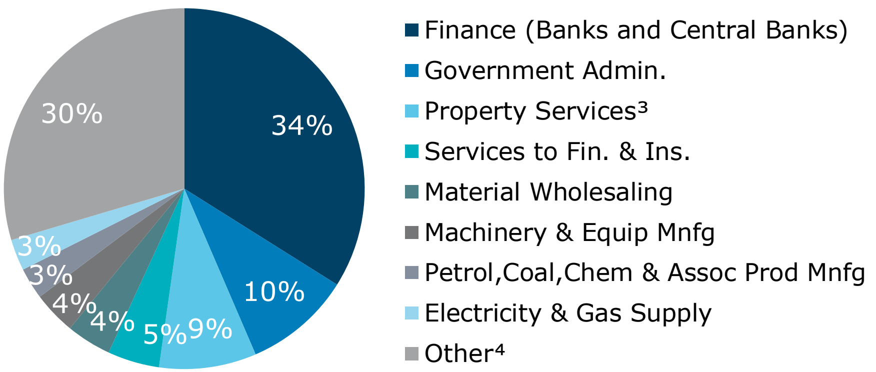
ANZ Institutional Portfolio

Institutional Portfolio size & tenor (EAD)[1]



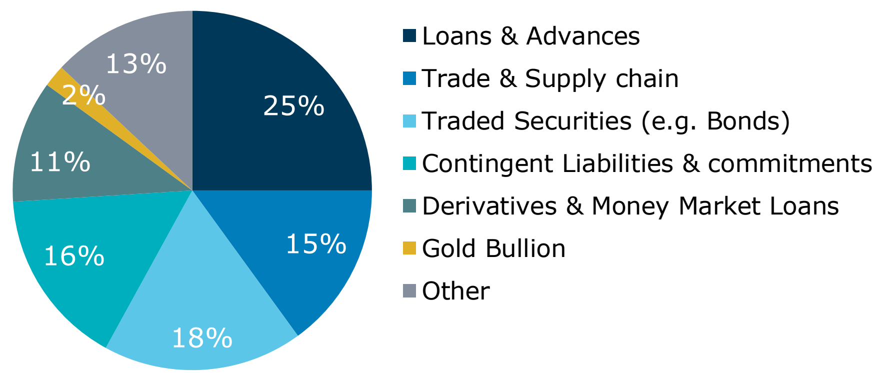
ANZ Institutional industry composition (EAD)

EAD(June 15): AU$375b[1]



ANZ Institutional product composition (EAD)

EAD(June 15): AU$375b[1]

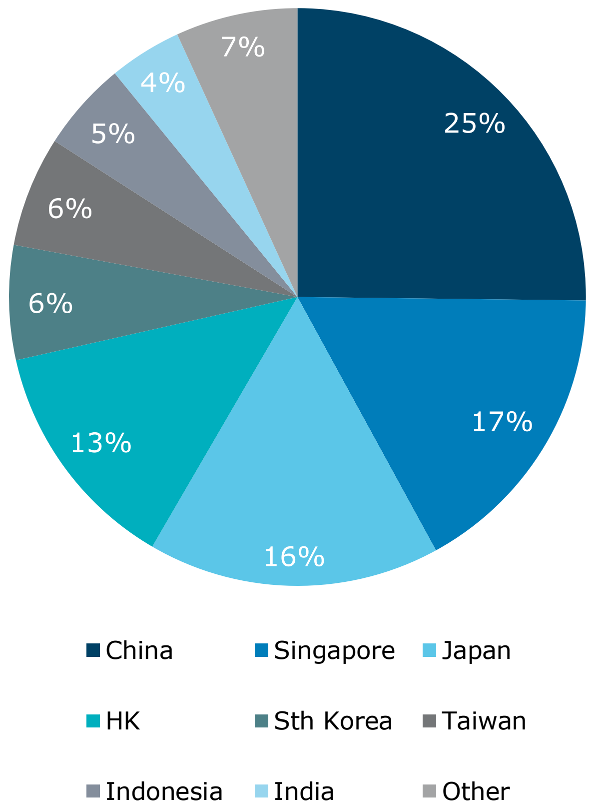


1. Data is provided is as at Jun15 on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Position excludes Basel Asset Class "Retail".
2. Country is defined by the counterparty's Country of Incorporation
3. 81% of the ANZ Institutional "Property Services" portfolio is to entities incorporated in either Australia or New Zealand.
4. Other is comprised of 48 different industries with none comprising more than 2.4% of the Institutional portfolio

ANZ Asian Institutional Portfolio

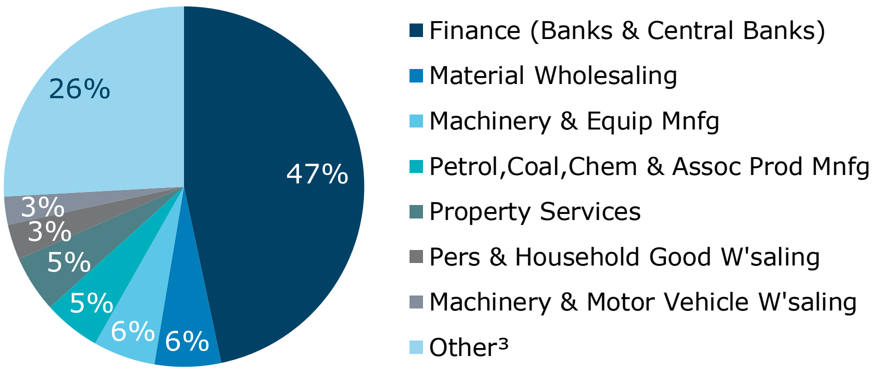
Country of Incorporation[2]

EAD(June 15): AU$104b[1]



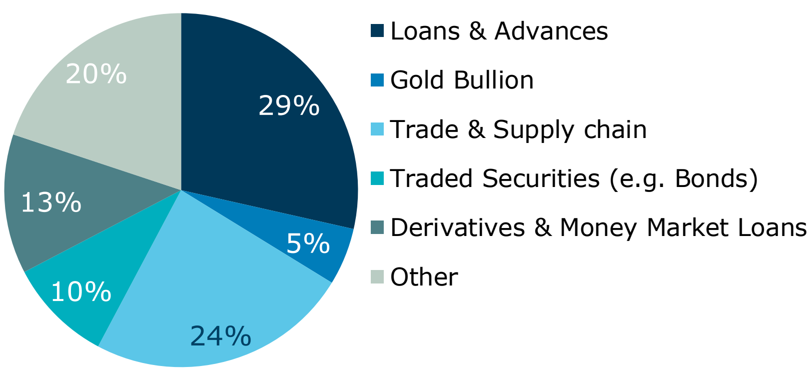
ANZ Asia industry composition

EAD(June 15): AU$104b[1]



ANZ Asia product composition

EAD(June 15): AU$104b[1]



1. Data is provided is as at Jun15 on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Position excludes Basel Asset Class “Retail”.
2. Country is defined by the counterparty’s Country of Incorporation
3. Other is comprised of 45 different industries with none comprising more than 2% of the Asian Institutional portfolio

ANZ China portfolio

China EAD

- Total China EAD of A$26b, with 33% or $8.8b booked onshore in China.

Tenor ~88% of EAD have a tenor less than 1 year

Risk rating

- China exposure has a stronger average credit rating than Asia, APEA, Australia and NZ, with lower historic credit provisions and loss rates.

Industry

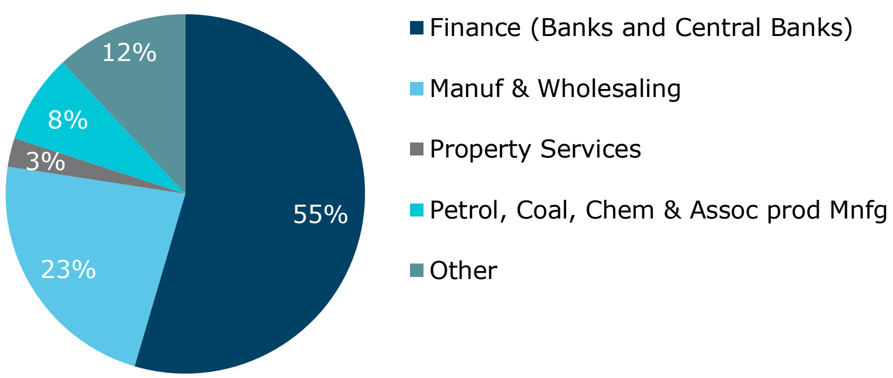
- 55% of China exposures to Financial institutions, with ~54 % of this to the Top 5 Chinese systemically important banks.

Products

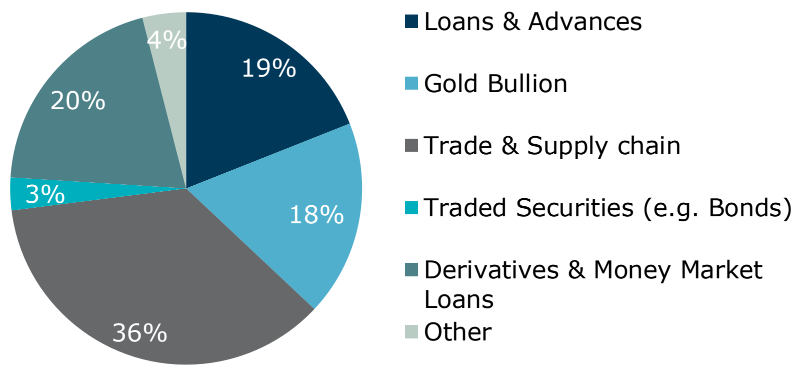
- Mix focussed on short term trade and markets facilities providing flexibility to change composition of the portfolio

- Within Global loans and advances circa 60% have tenor less than 1 year

ANZ China industry composition (EAD)



ANZ China product composition (EAD)



1. Data is provided is as at Jun15 on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Position excludes Basel Asset Class "Retail".
2. Data is providing detail of exposure of counterparties domiciled in China , with the country where the exposure is booked.

2015 | CLSA CONFERENCE Hong Kong

Home Loans

Long term growth through leading proposition, investing in capability to make it easy for customers

Building our sales reach

↑43%	12mth increase in Mobile Lending loan writers with NSW up 50%
$30b ↑17%	1H15 Home Loan Sales across all channels vs. PcP
$8.6b	1H15 Home Loan FUM growth of $8.6b, up from $6.7b 1H14
5 years	Sustained above System growth[1]

Enhancing the customer experience

6 days Same day	Assessment available 6-days a week delivering same day assessment for over 90% of applications
1,000 hours per month	Process improvements freeing up front line capacity to serve more customers per month
↓53%	Complaint reduction over 3 years through end-to-end process re-engineering & reliable settlements
300k	Number of hits per month on ANZ.com tools and calculators

Expanding customer awareness

Consistently award winning

2015 Australian Lending Awards;

- Best Customer Experience
- Best Investor Lender
- Mortgage Lender of the year

We help our customers be informed

ANZ Buy Ready™

Over 180,000 ANZ property profile reports distributed over the last 12 months

Providing super-regional capability

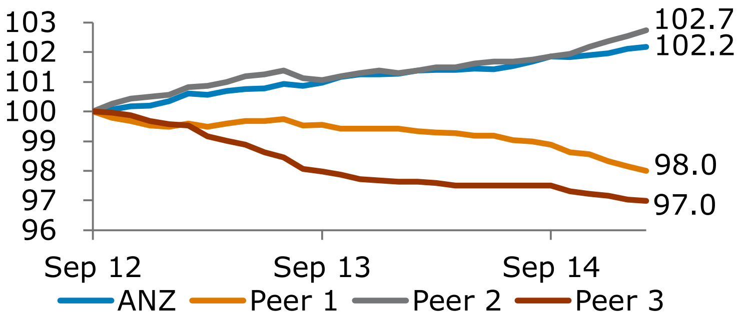
Expanded our Non Resident proposition to residents of 14 countries

1. 5 years above APRA System quarter on quarter growth to Dec 2014.

Consistent above system growth, balanced across the portfolio

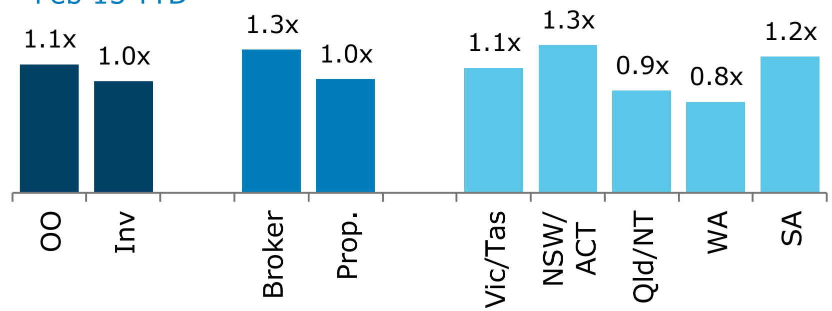
Delivering 5 years of consistent above system market share growth

Household Lending Market Share Growth (%)
Index Sep 12 = 100



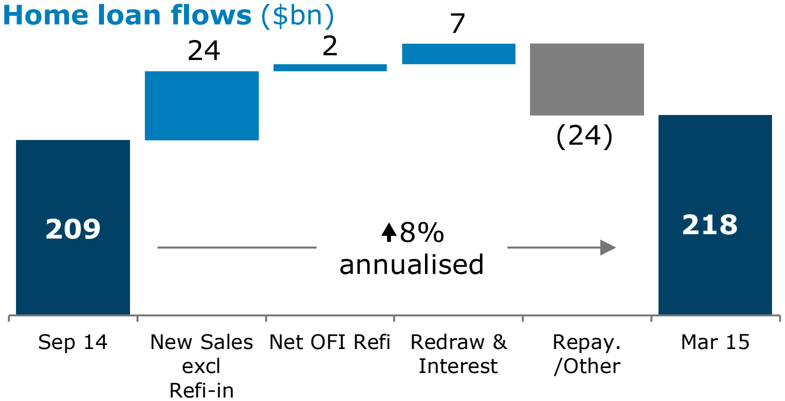
Balanced growth across segments particularly in NSW

ANZ Growth vs system by segment[1]
Feb 15 YTD



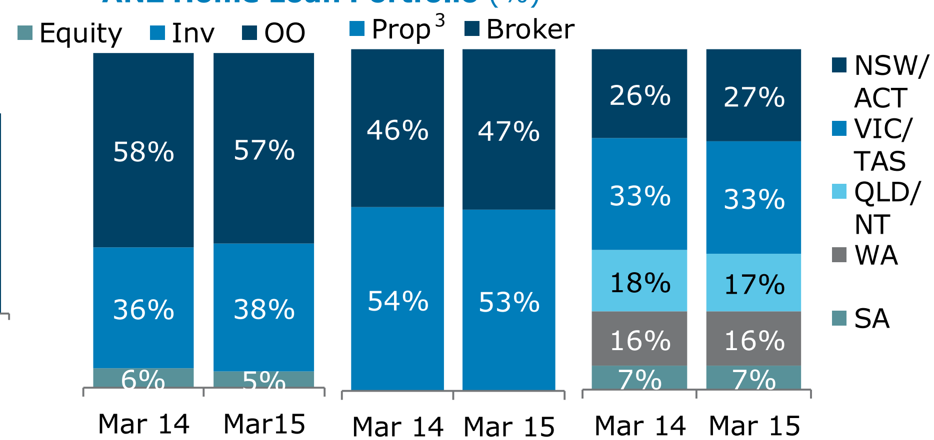
Strong sales volumes offset by industry high levels of repayments

Home loan flows ($bn)



Increased portfolio share in NSW/ACT

ANZ Home Loan Portfolio (%)



1. Customer Segments (Owner Occupier and Investor) defined by APRA. Channel performance relative to overall market growth. Geography sourced from Cannex.
2. Source: Comparator quarterly benchmarking.
3. Proprietary, comprising Branch, Mobile and Other.

Actively assessing and managing our home lending risk across the end-to-end value chain

Multiple checks during origination process

Quality assurance, info verification & policy reviews

Pre-application	**Income & Expenses**
Application	**Know Your Customer**
Serviceability	**Income Verification** **Income Models** **Expense Models** **Interest Rate Buffer**
Collateral / Valuations	**LVR Policy** **LMI policy** **Valuations Policy**
Credit Assessment	**Credit History** **Bureau Checks**
Fulfilment	**Documentation** **Security**

End-to-end home lending responsibility managed within ANZ

- Pre-sales (digital & marketing)
- Proprietary sales and/or verification of 3rd parties[1]
- In-house loan origination, assessment, fulfilment
- Balance sheet ownership
- Collections activity

Originate to hold philosophy

- Currently all lending is on balance sheet

Effective hardship & collections processes

- Dedicated hardship team
- Early warning based on system triggers

Full recourse lending

- Multiple actions to manage potential losses

ANZ assessment process across all channels

- ANZ network
- Broker
- Digital
- Mobile

1. 3rd party sales channels (e.g. Broker) require ANZ accreditation and are subject to ongoing compliance monitoring to distribute ANZ home lending products.

Australian Housing Market

Strong sustained population growth

- Main markets of Sydney, Melbourne, Brisbane & Perth all growing
- Australian population growth currently 1.8% vs US 0.7% & UK 0.6%[1]

Culture of repayment

- Interest is non tax deductible on primary residence
- Full recourse lending
- Accelerating repayments (~16% loan 'buffer' based on latest RBA report[2])

Strong underwriting standards

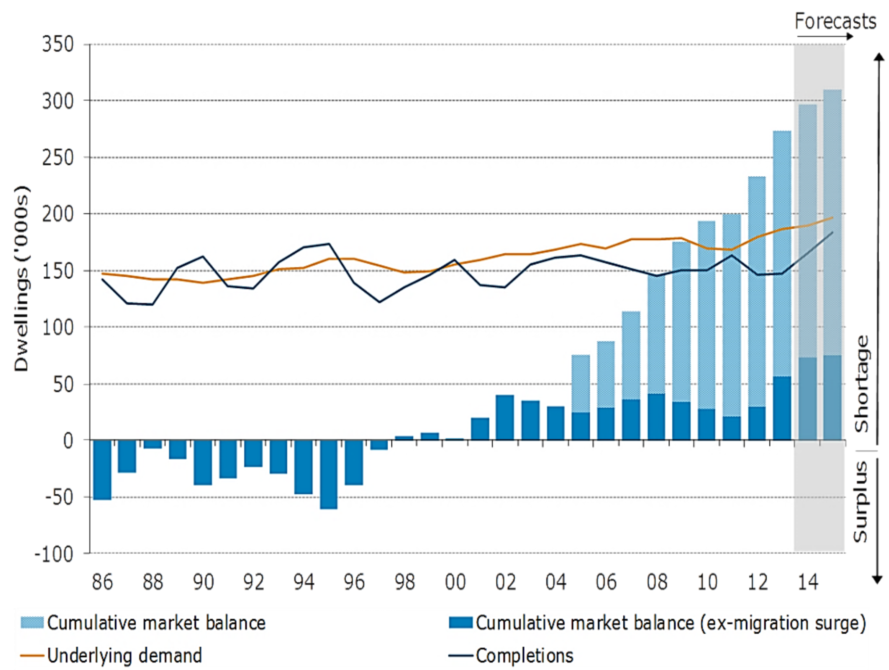
- Extremely limited subprime / low doc lending since 2008
- Low levels of 100% LVR lending

Banks 'own' their credit risks

- Lenders perform income verification
- Very low level of securitisation (2% of total housing finance and declining[3]) aligns origination and underwriting

Housing supply

Continues to trail population growth (with the exception of certain historical 'hot spots' e.g. Gold Coast 2007-2009)



1. Source: WorldBank 2013.
2. Source: RBA Financial Stability Review Mar 2015.
3. Source: APRA banking statistics.

Australian housing market

Low loan delinquencies and losses have historically been driven by:

1. Full recourse lending

- Including security over primary residence for investor loans

2. Floating rate loans

- Typically > 80% floating rate
- ANZ serviceability test at customer rate plus 275bps

3. Low LVRs

- ANZ portfolio average 51%, new originations average 71%
- ~4% of ANZ's book > 90%
- ANZ generally requires mortgage insurance on loans >80% LVR

4. Limited tax incentives

- Primary residence interest not tax deductible
- Incentivises repayment: 43% of ANZ's book >30 days ahead; 16% of system mortgage loan balances held in cash offset accounts

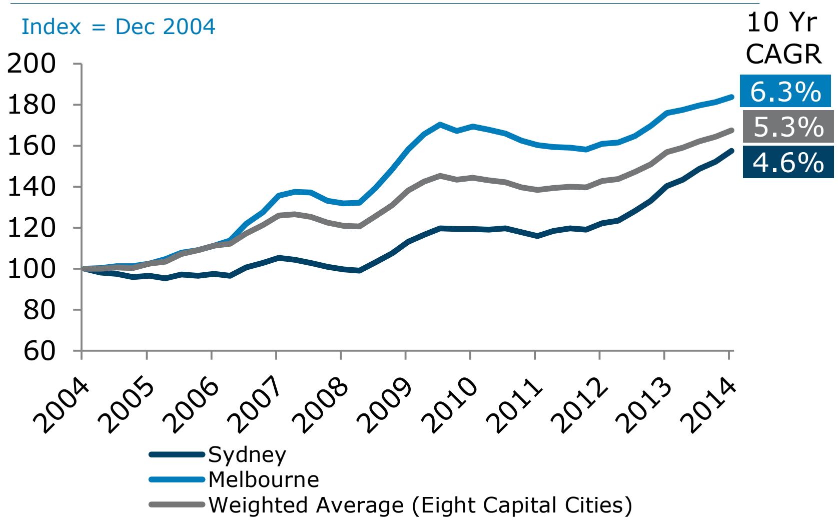
5. Origination practices

- Mortgages retained on balance sheet (<2% system housing stock securitised)
- Lenders perform income verification

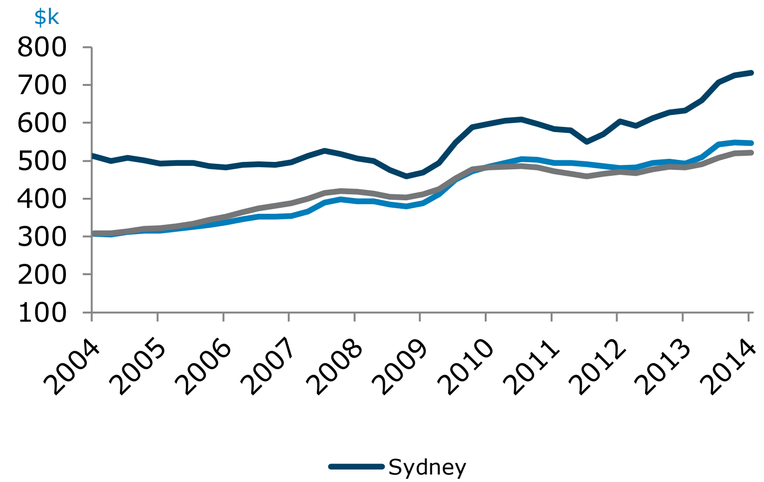
Refer page 41 for ANZ Australia Home Loans portfolio statistics

Australian housing market

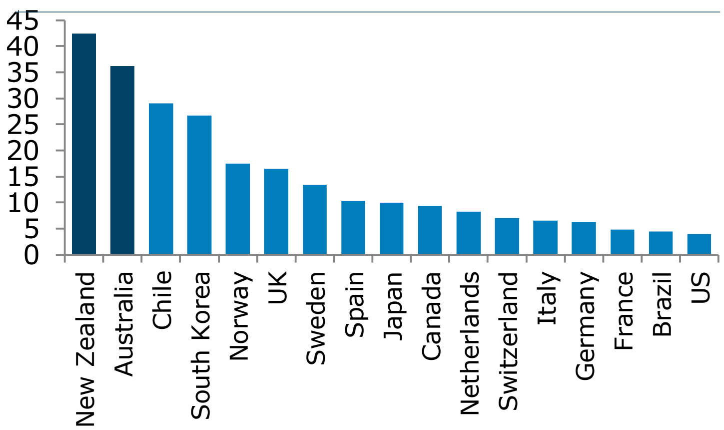
Capital city house prices[1]



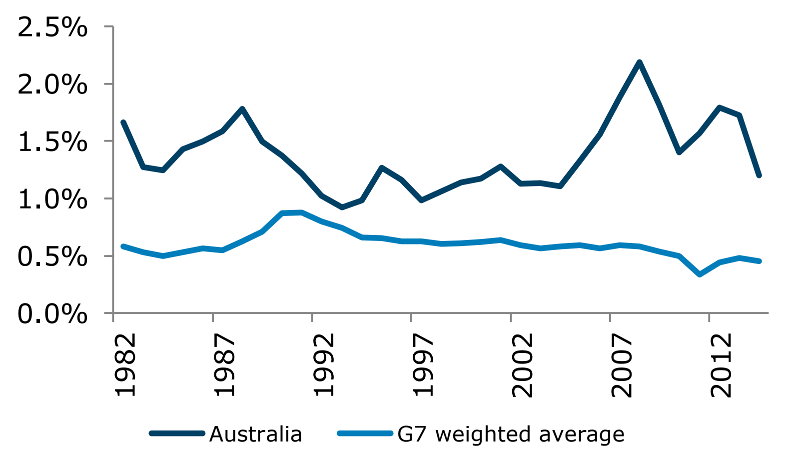
Capital city median house prices[2]



% of population in two largest cities[3]



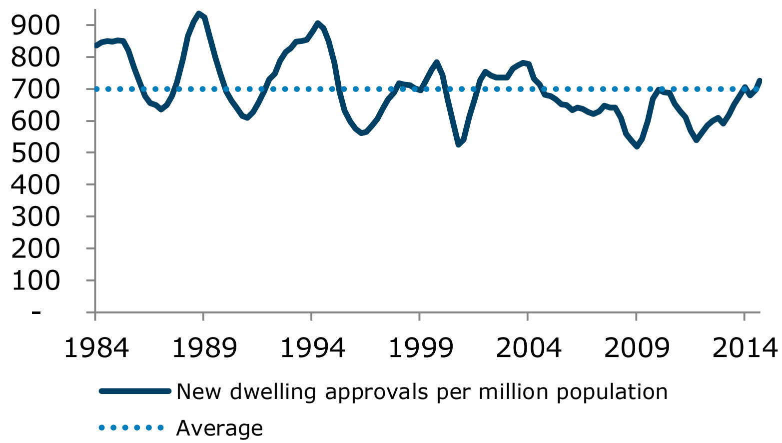
Population growth (pa)[4]



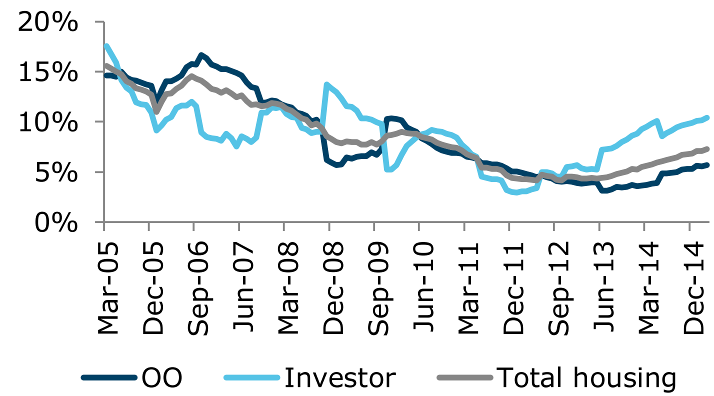
1. Source: ABS residential property price index data.
2. Source: ABS median house price data, established dwelling transfers. Smoothed over semiannual period.
3. Source: United Nations Data
4. Source: IMF Database

Australian housing market
Market attributes

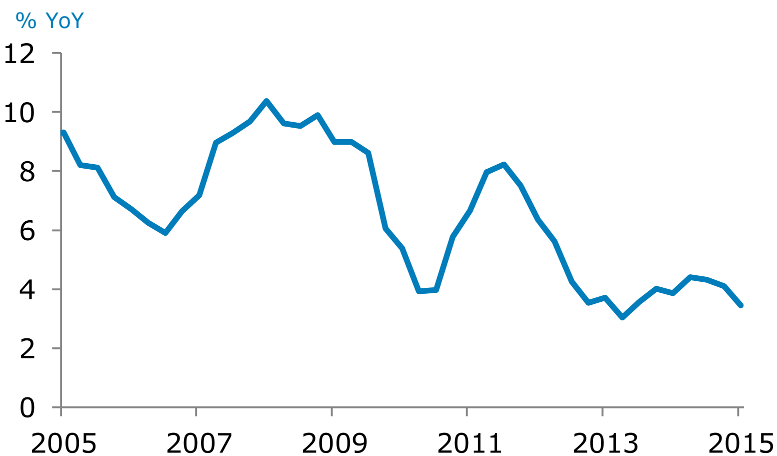
New dwellings approvals[2]



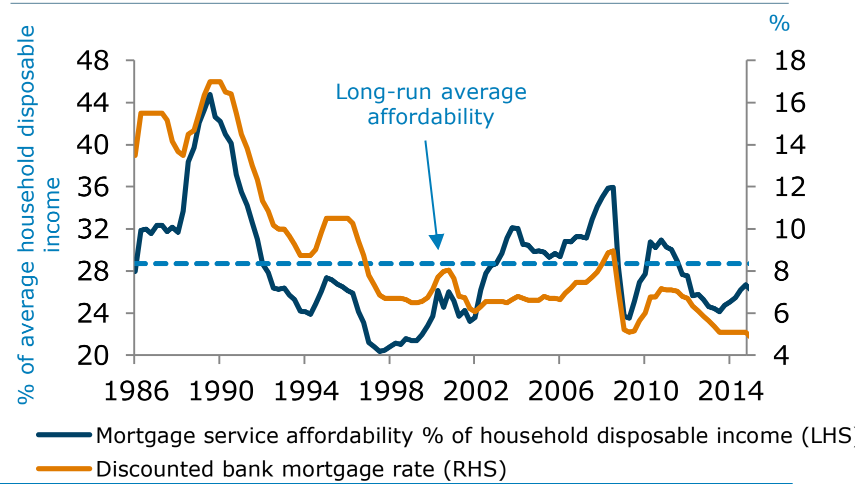
System housing credit growth yoy



Household income growth (nominal)[3]



Mortgage affordability[4]



1. Source: IMF
2. Source: ABS
3. Source: RBA. Nominal household disposable income, yearly smoothed
4. Source: ANZ Economics. Calculated for mortgage repayments on 80% LVR of median capital city house price.

2015

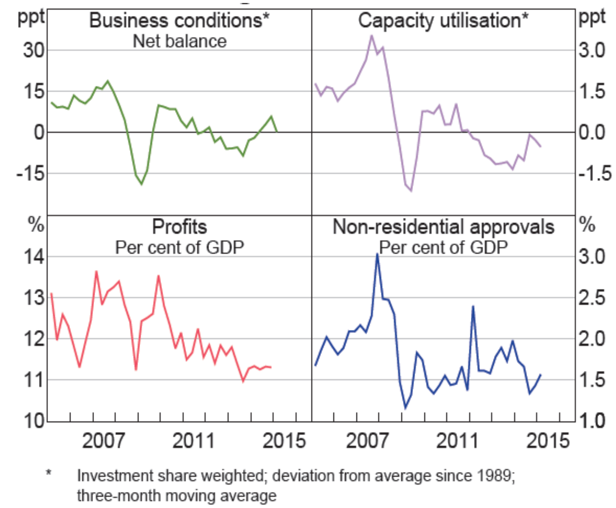
CLSA CONFERENCE
Hong Kong

Economic Snapshots

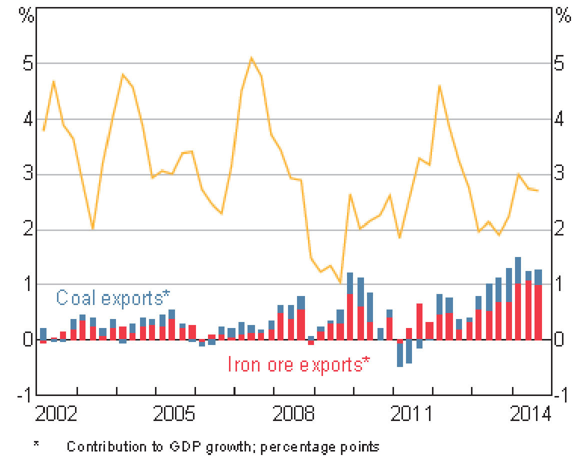
Australia Economics – Forecasts

Forecasts	2015	2016	2017
GDP	2.4	3.0	3.5
Inflation (core CPI)	2.4	2.3	2.5
Unemployment (avg)	6.4	6.5	6.1
Current A/C (% GDP)	-2.6	-1.5	-1.0
Cash rate (year-end)	2.00	2.00	2.50
10 year bonds	2.10	3.25	4.00
AUD/USD	0.72	0.70	0.70
Iron ore (USD/t)	50[1]	54[1]	55[2]
Thermal coal (USD/t)[1]	68[1]	70[1]	73[2]

Non-mining business indicators[3]



GDP Growth and Coal/Iron Ore Exports[4]



Source: ANZ Economics, RBA.

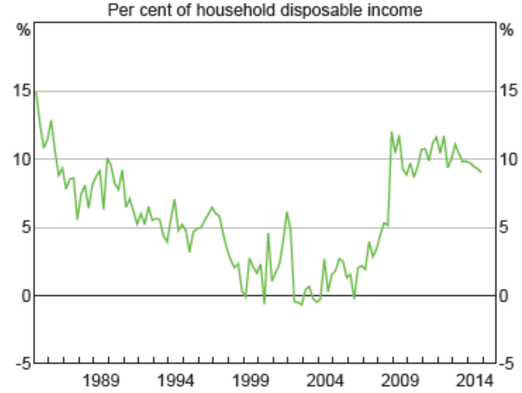
1. Estimates as at December. 2. Long term forecast. 3. Source: RBA Statement of Monetary Policy May 2015. 3. Source: RBA Statement of Monetary Policy Feb 2015.

Australian Economy & Household Sector – RBA chart pack

Household Finances*
Per cent of household disposable income

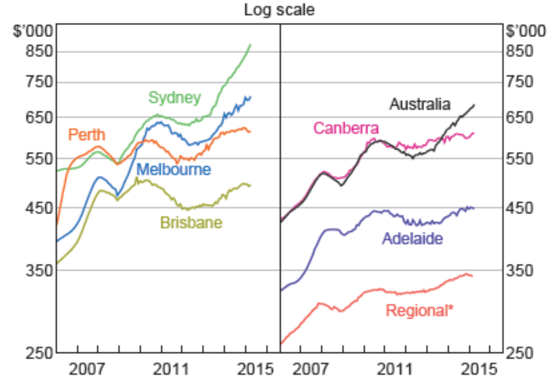
* Household sector excludes unincorporated enterprises; disposable income is after tax and before the deduction of interest payments
Sources: ABS; RBA

Household Saving Ratio*
Per cent of household disposable income



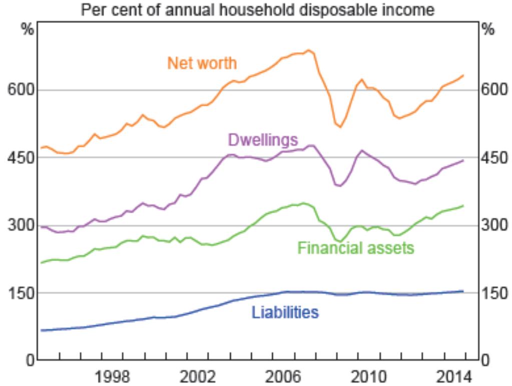
* Net of depreciation
Source: ABS

Housing Prices
Log scale



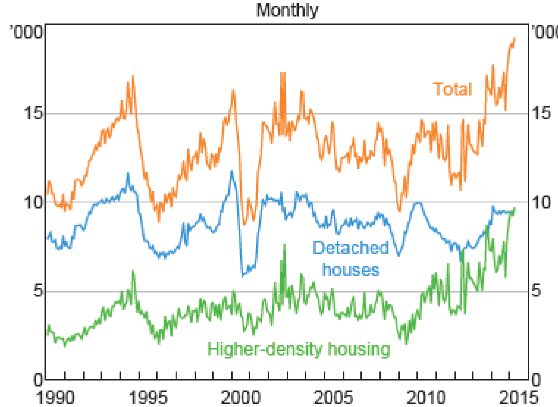
* Excludes apartments; measured as areas outside of capital cities in mainland states
Sources: CoreLogic RP Data; RBA

Household Wealth and Liabilities*
Per cent of annual household disposable income



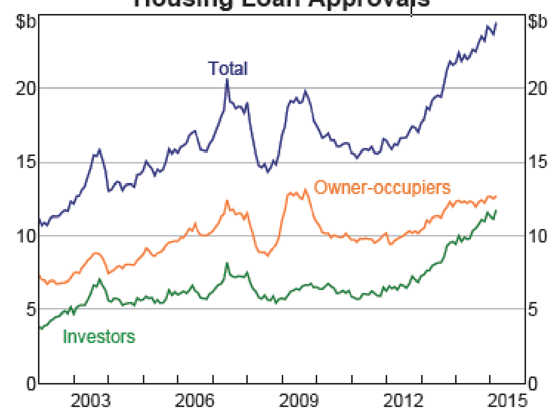
* Household liabilities exclude the liabilities of unincorporated enterprises; disposable income is after tax and before the deduction of interest payments
Sources: ABS; RBA

Private Residential Building Approvals
Monthly



Source: ABS

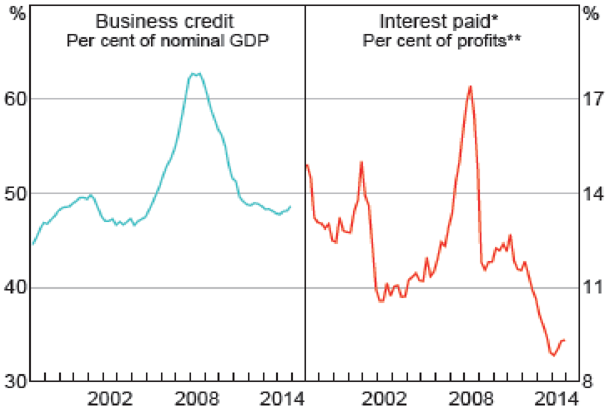
Housing Loan Approvals



Sources: ABS; RBA

Australian Business sector – RBA chart pack

Business Finances



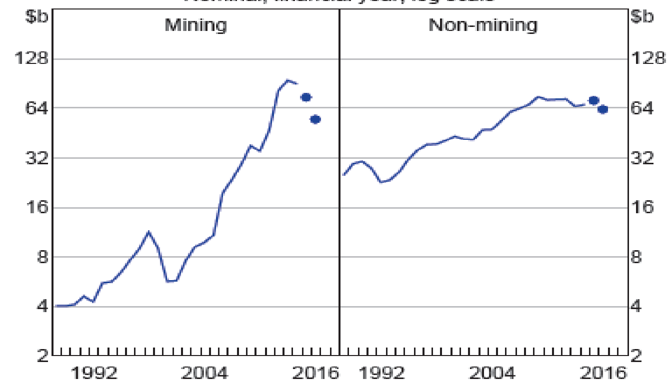
* Interest on intermediated debt from Australian-domiciled financial institutions

** Profits are private non-financial gross operating surplus (adjusted for privatisations) and gross mixed income

Sources: ABS; APRA; RBA

Capital Expenditure – Mining and Non-mining*

Nominal, financial year, log scale

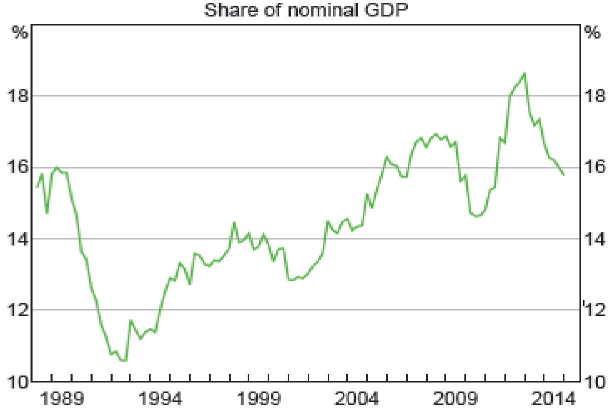


* Sample of firms' spending plans; dots represent the survey's most recent estimates for 2014/15 and 2015/16 adjusted for historical realised spending

Sources: ABS; RBA

Business Investment*

Share of nominal GDP

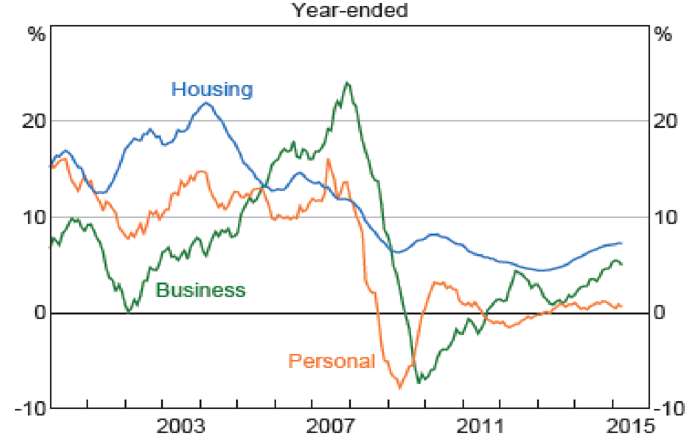


* Adjusted for second-hand asset transfers between the private and other sectors

Source: ABS

Credit Growth by Sector

Year-ended

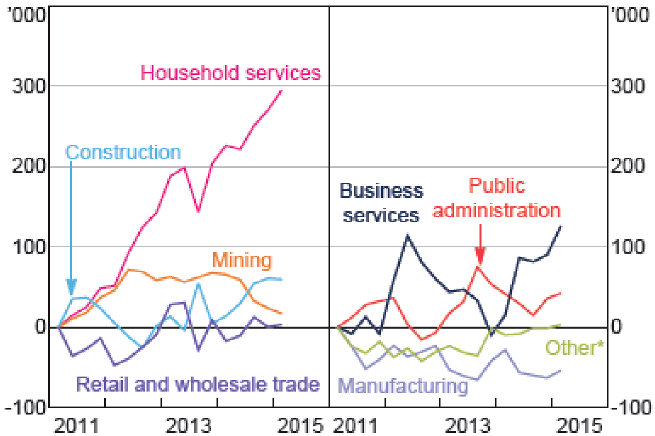


Sources: ABS; APRA; RBA

Australian Employment – RBA chart pack

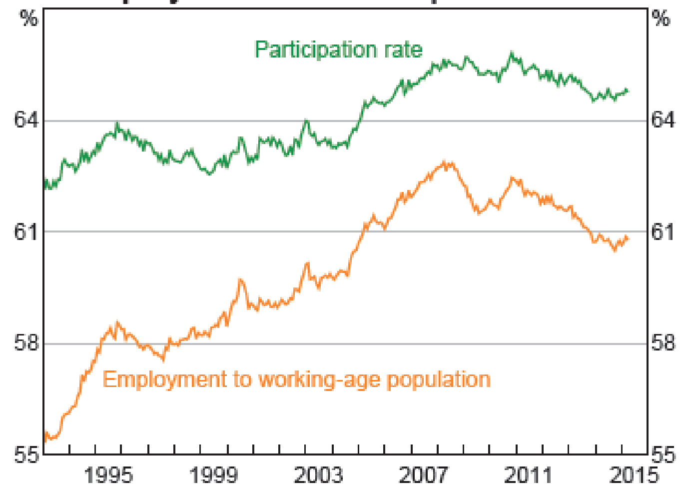
Employment Growth by Industry

Cumulative change since February 2011



* Includes agriculture, forestry & fishing; transport, postal & warehousing; and electricity, gas, water & waste services

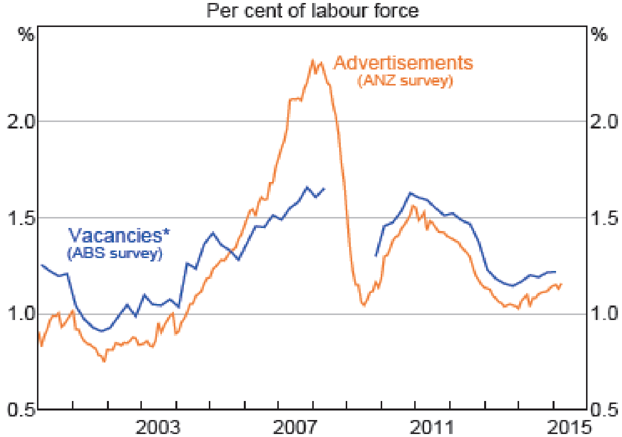
Employment and Participation Rates



Source: ABS

Job Vacancies and Advertisements

Per cent of labour force



* This survey was suspended between May 2008 and November 2009

Sources: ABS; ANZ

Unemployment Rate

Source: ABS

New Zealand & China Economics

New Zealand Forecasts[1]

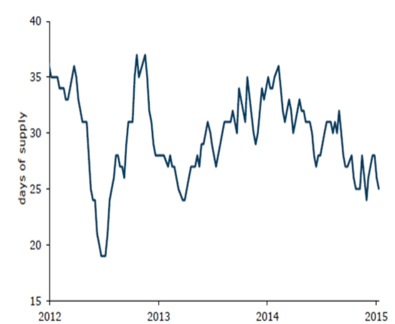
	2015	2016
GDP	3.0	2.6
Inflation	0.7	1.7
Unemployment	5.3	5.1
Current A/C (% GDP)	-4.8	-5.0
Cash rate[1]	3.50	3.75
10 year bonds[1]	2.90	3.40
NZD/AUD[1]	0.97	0.97

Variable	View	Comment	Risk profile (change to view)
GDP	3.1% y/y for 2016 Q2	Confidence gauges suggest solid domestic momentum, but dry weather hit to H1 2015. The global scene is the wildcard.	Negative / Neutral / Positive
Unemployment rate	5.1% for 2016 Q2	Unemployment rate to gradually trend lower. Wage inflation contained.	Negative / Neutral / Positive
OCR	3.5% by Jun 2016	RBNZ on hold for the foreseeable future, although risks of a cut are growing. Inflation is the key.	Down / Neutral / Up
CPI	1.4% y/y for 2016 Q2	Sub 1% annual inflation over 2015. Benign global backdrop, domestic pricing pressures contained so far.	Negative / Neutral / Positive

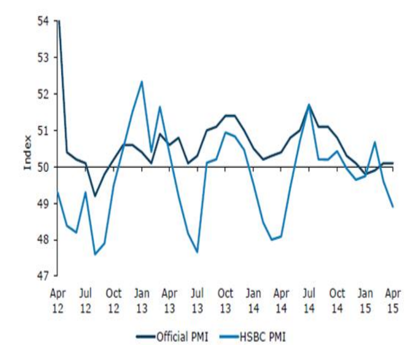
China Forecasts[1]

	2015	2016
GDP	6.8	6.7
Inflation	1.8	2.5
Reserve Requirement Ratio	18.5	18.5
Exports y/y (RMB)	6.8	3.0
Imports y/y (RMB)	-5.6	2.0
Trade Balance (RMB bN)	3874	4104
USD/CNY	6.20	6.18

China days of use of imported iron ore



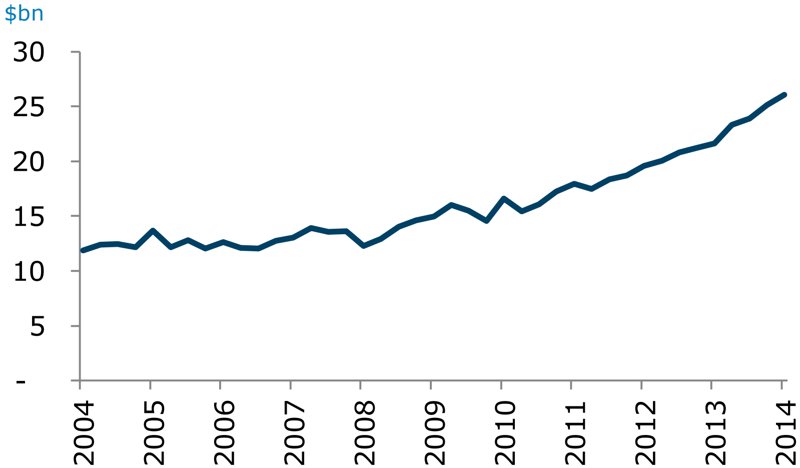
China Manufacturing PMI



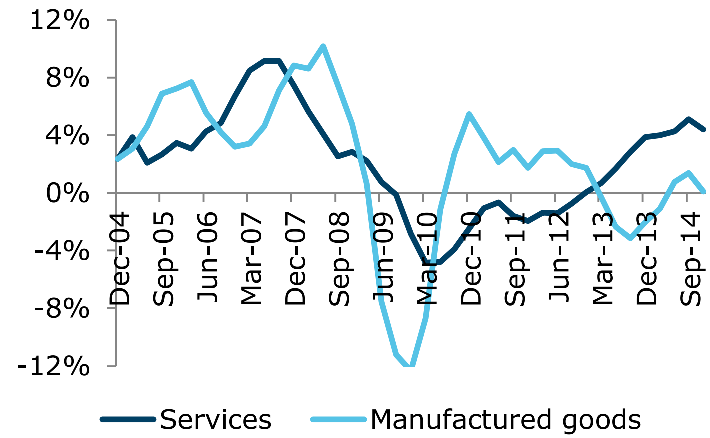
Source: ANZ Economics (May 2015); 1. 2016 forecasts are for period ending Sept quarter.

China Economics

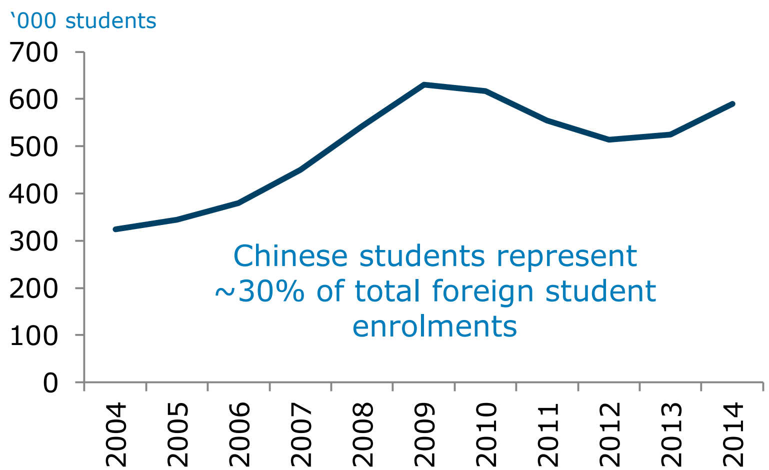
Iron ore exports – quarterly



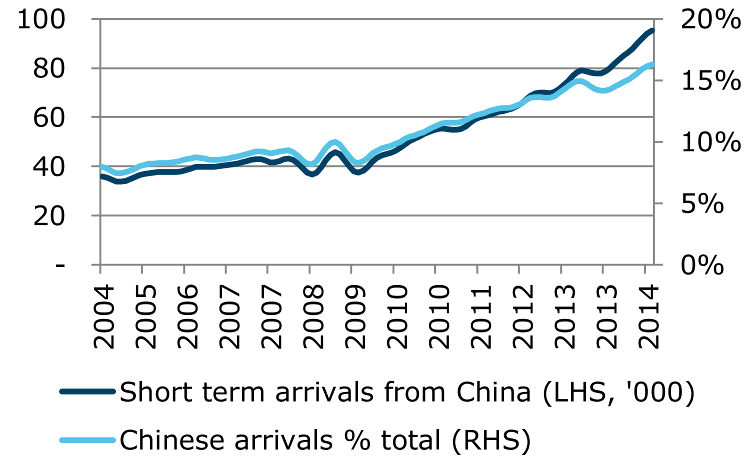
Other exports – yoy growth



Foreign student enrolments



Chinese tourist arrivals in Australia per month



Source: RBA, ABS, DFAT

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