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2016 HALF YEAR RESULTS

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED
3 MAY 2016

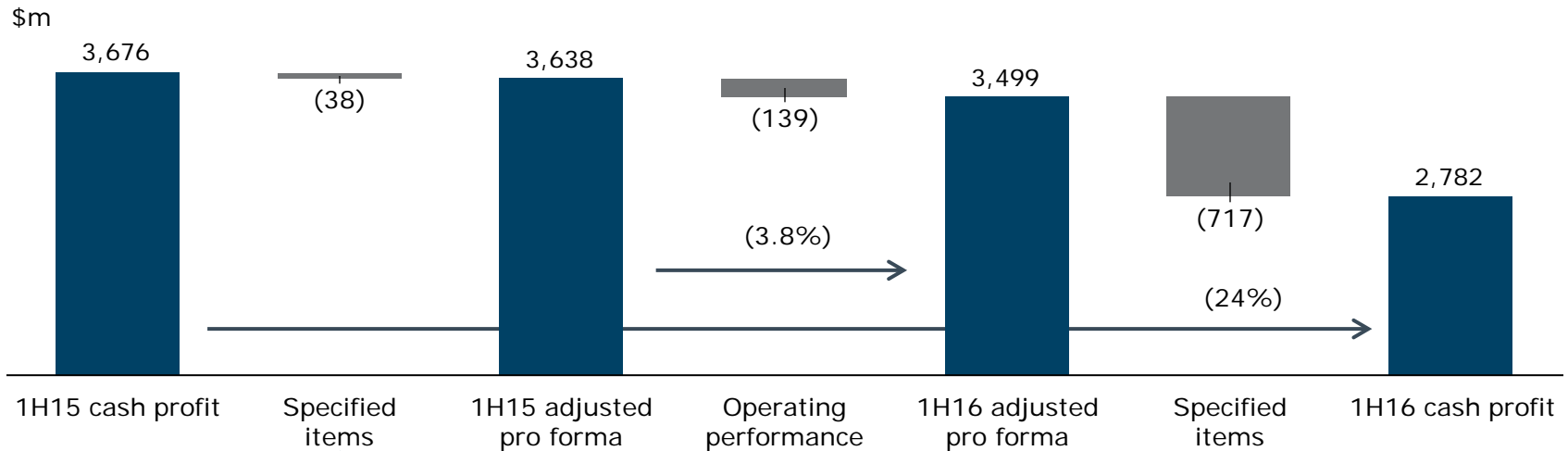
INVESTOR DISCUSSION PACK
SPECIFIED ITEMS ANALYSIS

Cash Profit (adjusted pro forma)

	\$m			1H16 growth	
	1H15	2H15	1H16	vs 1H15	vs 2H15
Operating Profit (adjusted pro forma)					
Operating Income	10,040	10,191	10,438	4%	2%
Operating Expenses	4,572	4,732	4,701	3%	-1%
Profit before Provisions	5,468	5,459	5,737	5%	5%
Provisions	441	634	905	105%	43%
Operating Profit	3,638	3,507	3,499	-4%	0%
Specified Items	38	33	-717		
Cash Profit	3,676	3,540	2,782	-24%	-21%

'Adjusted Pro forma' refers to cash profit adjusted for 'Specified items': the impacts of software capitalisation policy changes, Asian Minority Investment impairment charge (AMMB) and gain of cessation of equity accounting (Bank of Tianjin), restructuring expenses and sale of Esanda Dealer Finance portfolio. Further detail provided in the ANZ Half Year 2016 consolidated Financial Report page 14. Note: Adjusted pro forma has not been adjusted for FX

Financial performance



1H15 SPECIFIED ITEMS

- Esanda (+\$45m) pro-forma adjustment removes the results of that business
- Restructuring costs (-\$7m)

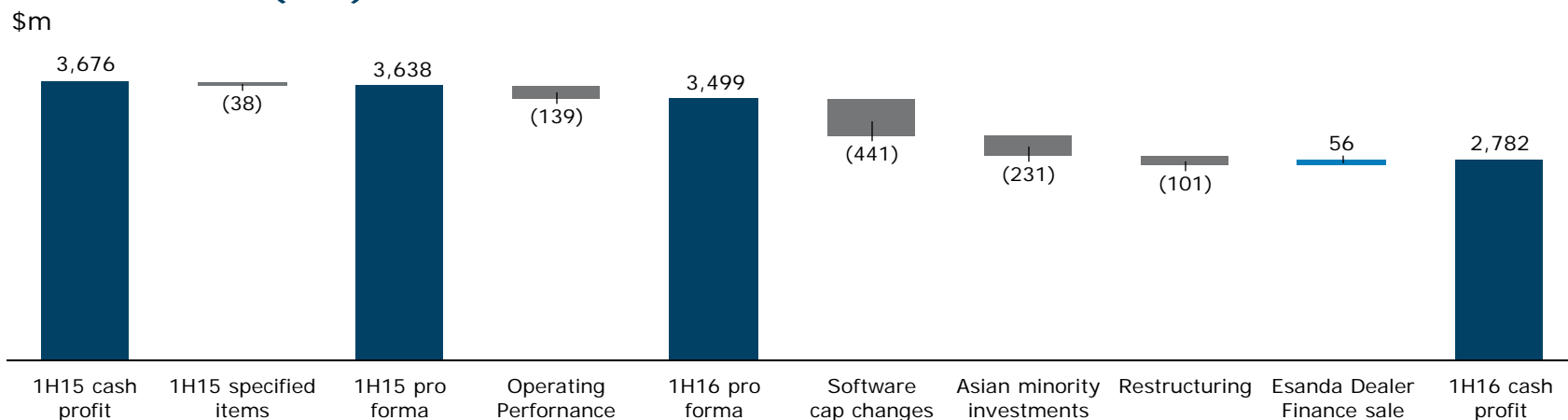
1H16 SPECIFIED ITEMS

- Software capitalisation policy application changes (-\$441m)
- Restructuring costs (-\$101m)
- Asian Minority Investments impairment & gain (-\$231m)
- Esanda (+\$56m) pro-forma adjustment to remove the operating results of that business and gain on sale

'Adjusted Pro forma' refers to cash profit adjusted for 'Specified items': the impacts of software capitalisation policy changes, Asian Minority Investment impairment charge (AMMB) and gain of cessation of equity accounting (Bank of Tianjin), restructuring expenses and sale of Esanda Dealer Finance portfolio. Further detail provided in the ANZ Half Year 2016 consolidated Financial Report page 14. Note: Adjusted pro forma has not been adjusted for FX

Financial performance – specific items

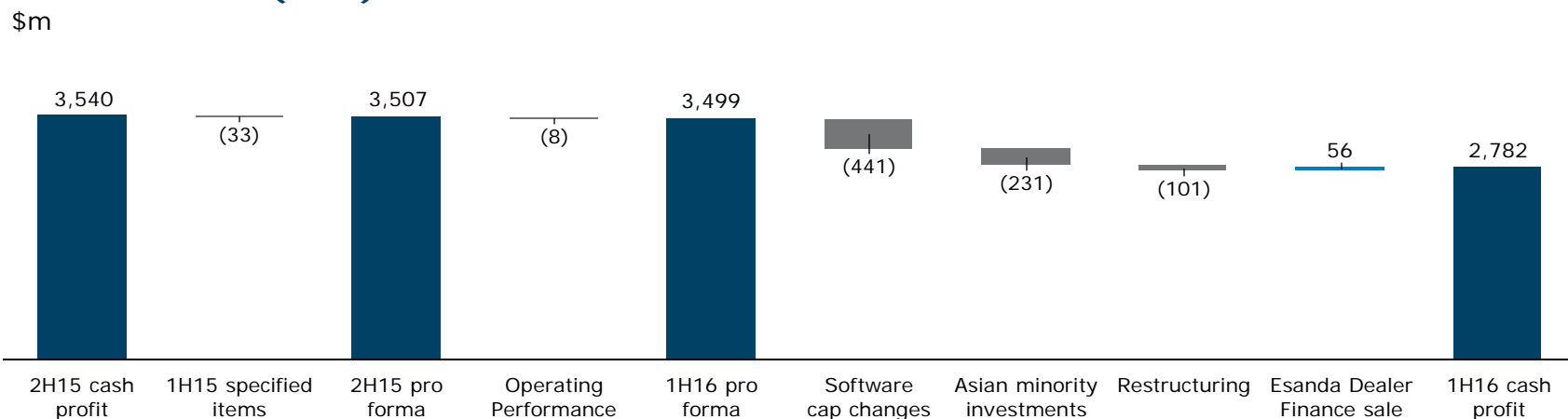
1H16 vs 1H15 (PCP)



	March 2016 Half Year						March 2015 Half Year						Mar 16 pro forma v. Mar 15		
	Cash profit	Software cap change	Asian minority inv's.	Restructuring	Esanda Dealer Finance	Adjusted pro forma	Cash profit	Restructuring	Esanda Dealer Finance	Adj pro forma pre FX	FX impact	Adj pro forma fx adj	Cash profit	Adj pro forma pre FX	Adj pro forma Fx adj
Revenue	10,316	-	231	-	(109)	10,438	10,195	-	(155)	10,040	226	10,266	1.2%	4.0%	1.7%
Expenses	(5,479)	629	-	138	11	(4,701)	(4,603)	10	21	(4,572)	(115)	(4,687)	19.0%	2.8%	0.3%
PBP	4,837	629	231	138	(98)	5,737	5,592	10	(134)	5,468	111	5,579	-13.5%	4.9%	2.8%
Provisions	(918)	-	-	-	13	(905)	(510)	-	69	(441)	(5)	(446)	80.0%	large	large
PBT	3,919	629	231	138	(85)	4,832	5,082	10	(65)	5,027	106	5,133	-22.9%	-3.9%	-5.9%
Tax & NCI	(1,137)	(188)	-	(37)	29	(1,333)	(1,406)	(3)	20	(1,389)	(27)	(1,416)	-19.1%	-4.0%	-5.9%
Cash profit	2,782	441	231	101	(56)	3,499	3,676	7	(45)	3,638	79	3,717	-24.3%	-3.8%	-5.9%

Financial performance – specific items

1H16 vs 2H15 (HOH)



	March 2016 Half Year						September 2015 Half Year						Mar 16 pro forma v. Sep 15		
	Cash profit	Software cap change	Asian minority inv's.	Restructuring	Esanda Dealer Finance	Adjusted pro forma	Cash profit	Restructuring	Esanda Dealer Finance	Adj pro forma pre FX	FX impact	Adj pro forma fx adj	Cash profit	Adj pro forma pre FX	Adj pro forma Fx adj
Revenue	10,316	-	231	-	(109)	10,438	10,342	-	(151)	10,191	135	10,326	-0.3%	2.4%	1.1%
Expenses	(5,479)	629	-	138	11	(4,701)	(4,775)	21	22	(4,732)	(37)	(4,769)	14.7%	-0.7%	-1.4%
PBP	4,837	629	231	138	(98)	5,737	5,567	21	(129)	5,459	98	5,557	-13.1%	5.1%	3.2%
Provisions	(918)	-	-	-	13	(905)	(695)	-	61	(634)	(8)	(642)	32.1%	42.7%	41.0%
PBT	3,919	629	231	138	(85)	4,832	4,872	21	(68)	4,825	90	4,915	-19.6%	0.1%	-1.7%
Tax & NCI	(1,137)	(188)	-	(37)	29	(1,333)	(1,332)	(6)	20	(1,318)	(27)	(1,345)	-14.6%	1.1%	-0.9%
Cash profit	2,782	441	231	101	(56)	3,499	3,540	15	(48)	3,507	63	3,570	-21.4%	-0.2%	-2.0%

Specified items 1H16 – All above the line

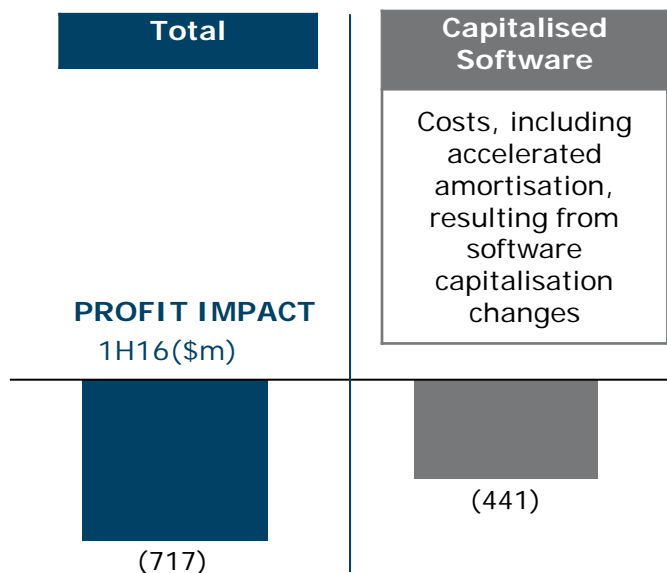
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Total	Capitalised Software	Restructuring expenses	Asian Minority Investments	Esanda Dealer Finance sale
	Costs, including accelerated amortisation, resulting from software capitalisation changes	Expenses incurred in relation to organisational restructures	AMMB Impairment charge; Bank of Tianjin gain on cessation of equity accounting	Pro-forma adjustment to remove the operating results of that business and gain on sale
PROFIT IMPACT 1H16(\$m)		(101)	(231)	56
(717)	(441)			
CET1 IMPACTS	Zero	Marginal	Zero	Positive
P&L IMPACTS	Timing of expenses	Timing of Expenses	One time OOI impact	Negative

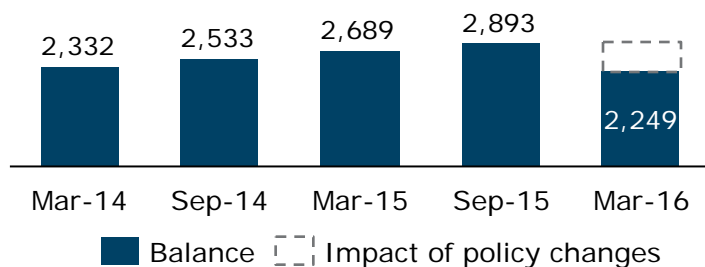
Further detail on 'Specified items' is provided in the ANZ Half Year 2016 consolidated Financial Report page 14.

Specified items 1H16 – All above the line

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CAPITALISED SOFTWARE BALANCE IMPACT (\$m)



CAPITALISED SOFTWARE POLICY CHANGES

- Increased the threshold for capitalisation of software development costs
- Directly expensing more project related costs

RATIONALE

- Reflects the rapidly changing technology landscape & increased pace of innovation in financial services, resulting in increasingly shorter useful lives for smaller items of software in the “digital world”
- Driving more disciplined commercial decisions

IMPACT

- Accelerated amortisation of previously capitalised software balances with an original costs below the revised threshold
- Increased operating expenses for software projects in the current period that would otherwise have been capitalised and amortised in future periods
- Higher software expenses in the near term but lower amortisation charges in future years
- Reduced capitalised software balance

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Specified items 1H16 – All above the line

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Total	Restructuring expenses
	Expenses incurred in relation to organisational restructures
PROFIT IMPACT 1H16(\$m)	
(717)	(101)

RESTRUCTURE EXPENSES

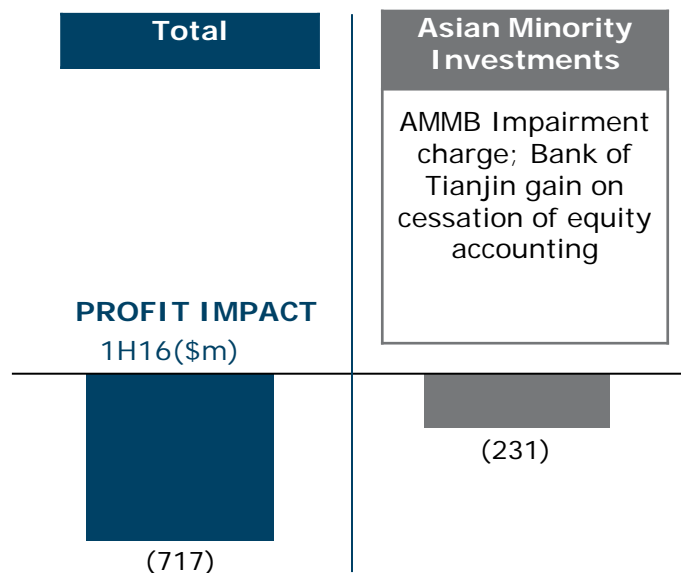
- Reshaping the workforce to reduce complexity and duplication
- Aligning to the new organisation structure, including our changing emphasis on Institutional and international banking
- \$138m (pre tax) expenses associated with 1H16 organisational restructure & provision for planned actions in 2H16

BENEFITS

- Streamlined divisions with improved connectivity and productivity
- Simpler organisational structure with fewer senior management required to run the business
- Right sized support and enablement functions to meet business requirements

Specified items 1H16 – All above the line

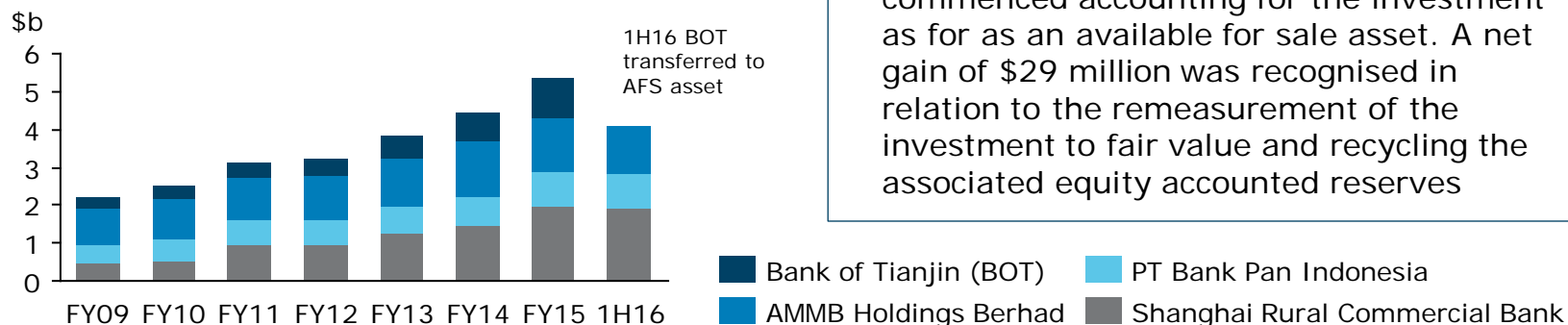
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ASIAN MINORITY INVESTMENT ADJUSTMENTS

- o During the March 2016 half, the Group recognised a \$260 million impairment to its equity accounted investment in AMMB Holdings Berhad (Ambank) bringing the carrying value in line with value-in-use calculations
- o On 30 March 2016, Bank of Tianjin (BoT), an equity accounted investment, completed a capital raising. As the Group did not participate in the capital raising, its ownership interest decreased from 14% to 12%. As a consequence, the Group ceased equity accounting the investment in BoT and commenced accounting for the investment as for as an available for sale asset. A net gain of \$29 million was recognised in relation to the remeasurement of the investment to fair value and recycling the associated equity accounted reserves

Carrying value of Asia Minority Investments



Further detail on 'Specified items' is provided in the ANZ Half Year 2016 consolidated Financial Report page 14.

Specified items 1H16 – All above the line

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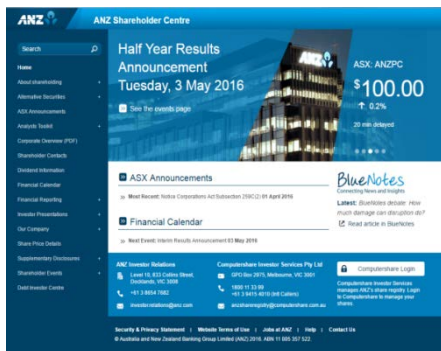
Total	Esanda Dealer Finance sale
	Pro-forma adjustment to remove the operating results of that business and gain on sale
PROFIT IMPACT 1H16(\$m)	56
(717)	

ESANDA DEALER FINANCE SALE

- On 1 November 2015, the Group sold the Esanda Dealer Finance portfolios with the majority of the business transferred by 31 December 2015.
- Proforma results have been prepared on the assumption that the sale which occurred during the March 2016 half took effect from 1 October 2014, effectively restating the Group's cash profit for each of the March 2015, September 2015 and March 2016 halves.

Further Information

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