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# 2017 FULL YEAR RESULTS

RESULTS PRESENTATION

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED  
26 OCTOBER 2017



ANZ staff volunteers helping out on Daffodil Day to raise vital funds for Cancer Council Australia. Volunteers used ANZ BladePay™ devices powered by the Shout app to facilitate cashless purchases and donations.

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## 2017 FULL YEAR RESULTS

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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 75 of the 2017 Full Year Consolidated Financial Report.

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## 2017 FULL YEAR RESULTS

SHAYNE ELLIOTT  
CHIEF EXECUTIVE OFFICER  
AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED



# HEADLINE FINANCIAL PERFORMANCE

	FY17 (\$m)	Change (FY17 vs FY16)
<b>Statutory Profit</b>	<b>6,406</b>	<b>12%</b>
<b>Cash Profit</b>	<b>6,938</b>	<b>18%</b>
Operating Income	20,489	-1%
Operating Expenses	9,448	-9%
<b>Profit Before Provisions</b>	<b>11,041</b>	<b>9%</b>
Provisions	1,199	-39%
<b>Cash EPS (cents)</b>	<b>237</b>	<b>17%</b>
<b>Dividend per share (cents)</b>	<b>160</b>	<b>Stable</b>
<b>Cash ROE (%)</b>	<b>11.9</b>	<b>159 bp</b>
<b>CET1 (%)</b>	<b>10.6</b>	<b>96 bp</b>
<b>CET1 Internationally Comparable Basel 3 (%)</b>	<b>15.8</b>	<b>126 bp</b>

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# ASSUMPTIONS UNDERLYING NEW STRATEGY

## OPERATING ENVIRONMENT

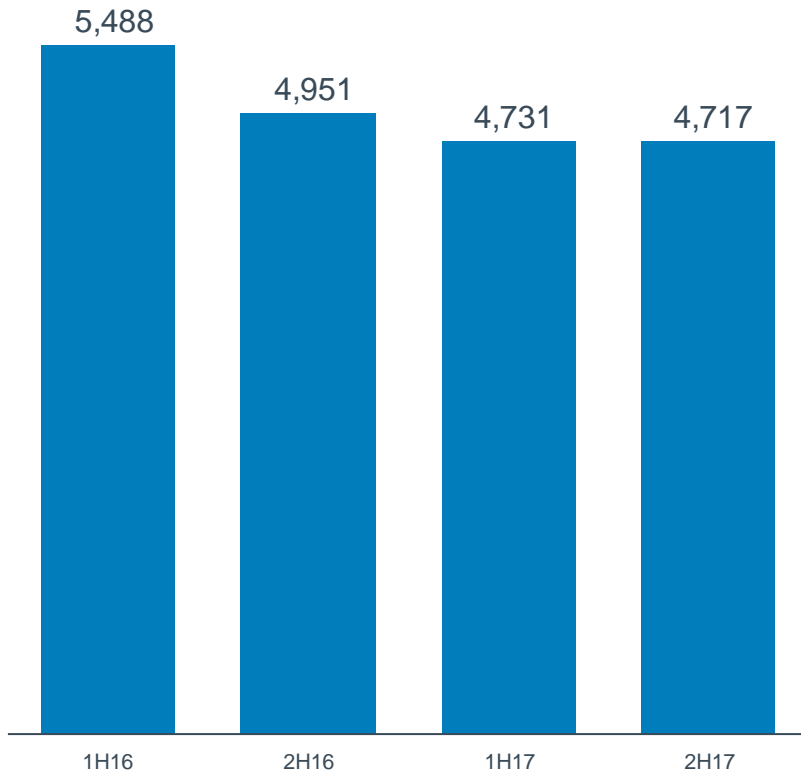
- 1. Constrained sector growth** (High household debt, subdued business investment)
- 2. Changing customer preferences** (More digital, more third party advice)
- 3. Industry transformation** (Open data, new technologies)
- 4. Growing regulation** (Capital, liquidity, compliance)
- 5. Intensifying competition** (Incumbents, new technology entrants)
- 6. Changing community expectations** (Greater accountability and regulation)

# DRIVERS OF PERFORMANCE

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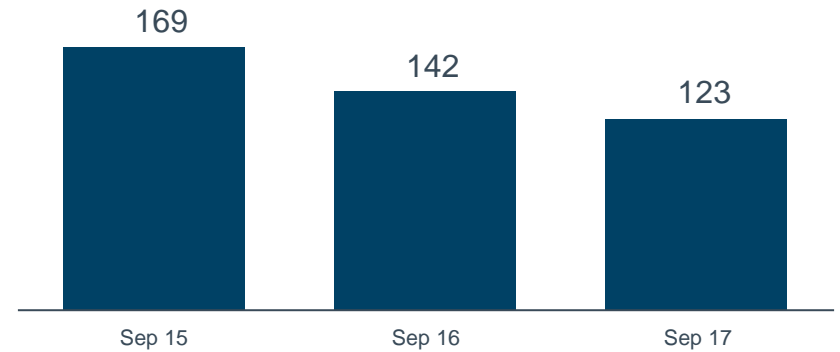
## COST DISCIPLINE

\$m



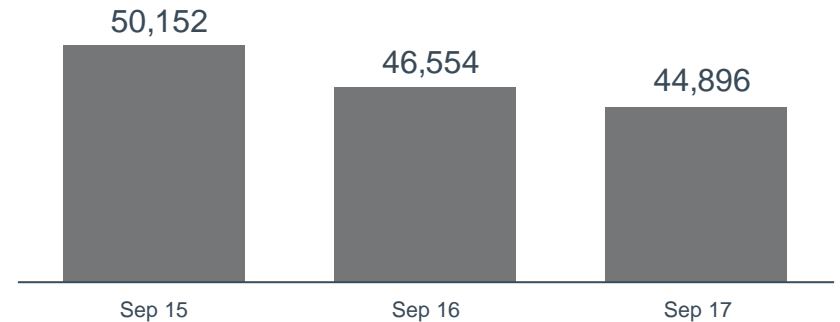
## INSTITUTIONAL CREDIT RWAs

\$b



## LEANER ORGANISATION

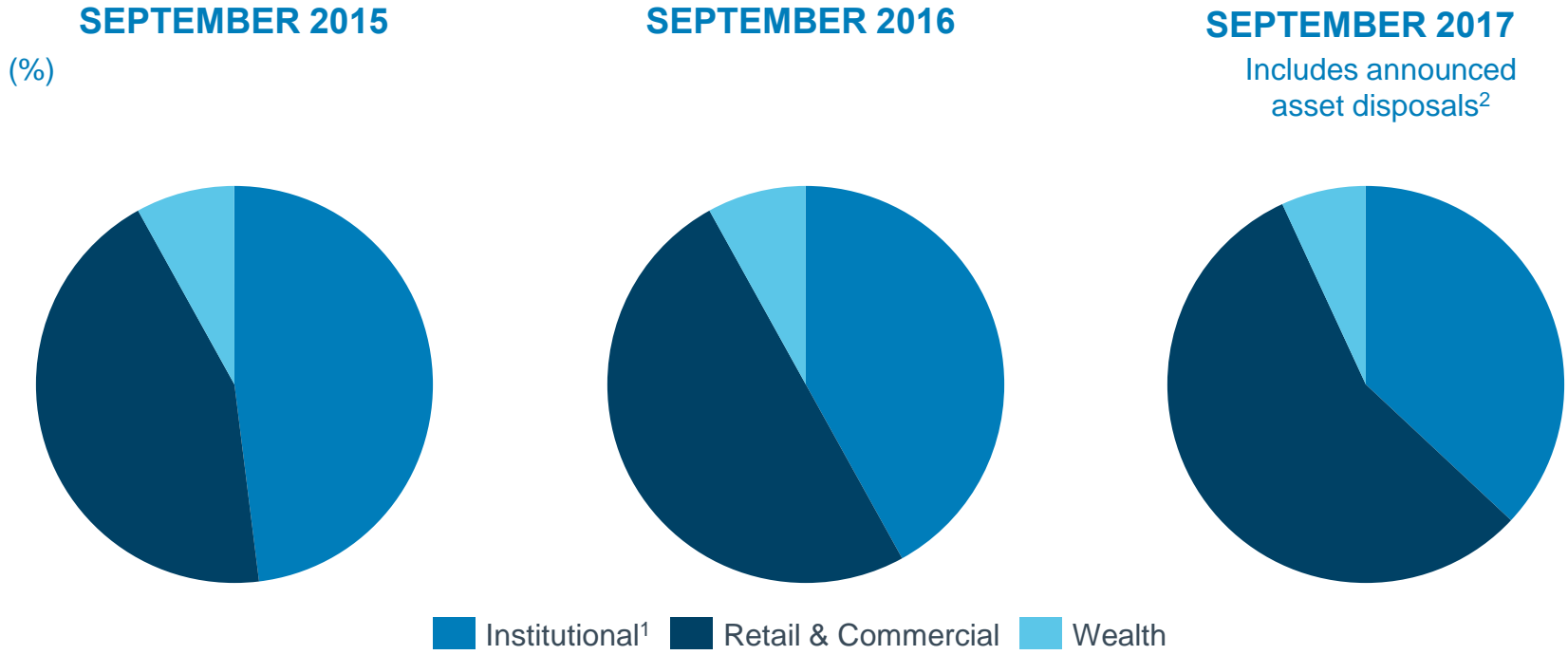
Full time equivalent staff #s



# A BETTER BALANCED BANK

## CAPITAL ALLOCATION

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Includes announced asset disposals<sup>2</sup>

	SEPTEMBER 2015	SEPTEMBER 2016	SEPTEMBER 2017
<b>RORWA (Pre provision)</b>	<b>2.93%</b>	<b>2.55%</b>	<b>2.75%</b>
<b>RORWA (Post provisions)</b>	<b>1.90%</b>	<b>1.48%</b>	<b>1.73%</b>

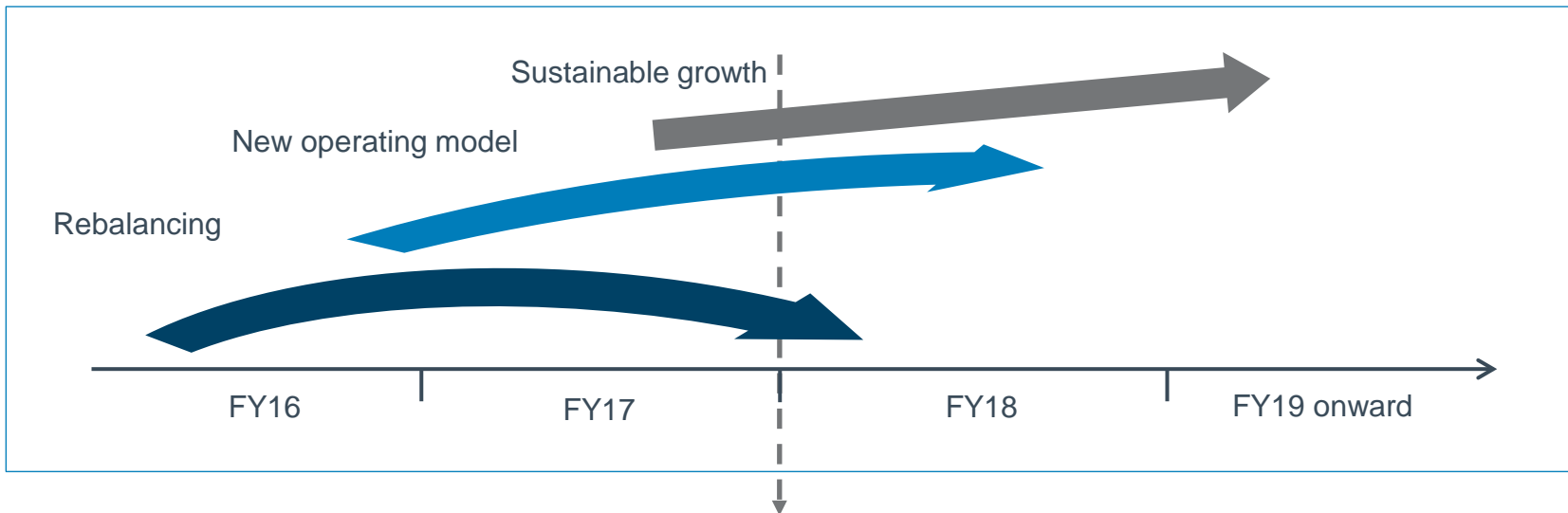
NOTE: Allocation based on Regulatory Capital.

1. Institutional shown under 2015 IIB Structure, including Global Institutional and Asia Retail & Pacific  
 2. Pro-Forma adjusted for all announced Asset disposals (Remaining Retail Asia and Wealth, SRCB, MCC, UDC Finance and OnePath Pension & Investment and aligned dealer groups (OP P&I/ADG))



# BETTER PLACED TO WIN

## GETTING FIT FOR PURPOSE



## DRIVERS OF SUSTAINABLE GROWTH

### 1. Focus

- A few things done extremely well

### 2. Speed

- Listen to customers, test, develop, launch
- Learn & repeat

### 3. Digital

- Balances digital capability
- Human design & service

### 4. Culture

- Stronger sense of core purpose, ethics & fairness
- Investing in people for a rapidly changing world



# WHERE WE CAN WIN

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## STRATEGIC FOCUS

1. By being the best bank for people who want to buy and own a home, or start, run and grow a small business in Australia and New Zealand
  - ~250,000 net new retail customers
  - Bought and leveraging RealAs property ready
  - For the first time >1m home loan accounts in Aus.
  - Held #1 Market share in NZ Home Loans
  - Strengthened #3 Market Share Aus. Home Loans
  - Introduced First Home Buyer coaches in Aus
  - Small Business deposits up 9% in Australia
2. Being the best bank for customers who move goods and capital around Asia Pacific
  - Commercial deposits up 6% in NZ
  - #1 Institutional lead bank in Aus & NZ<sup>1</sup>
  - #4 Institutional Bank in Asia<sup>2</sup>

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

2. Greenwich Associates 2016 Asian Large Corporate Banking Study (issued in March 2017): ANZ ranked =No.4

# HOW WE WILL WIN

## COST PLUS CUSTOMER EXPERIENCE

### CONVENIENT, ENGAGING CUSTOMER SOLUTIONS

Expanded digital channels

- Digital Branches
- Smart ATMs
- Digital sales

Leading the payment revolution

(the only major bank supporting all mobile wallets)

- Android Pay™
- Apple Pay™
- Apple Watch Pay
- FitBit™ Pay
- Samsung Pay

Making business easy

- ANZ Be Business Ready (Honcho)
- ANZ Be Trade Ready
- Employment Hero
- BladePay™



Voice Biometrics



# HOW WE WILL WIN

## CULTURE

- Clarified ANZ Purpose, Values, Expectations
- Long term focus on engaging our people
- Rebalancing performance scorecards
- Changing what we expect from leaders
- Protecting social licence
- Engaging with community and regulators



# CAPITAL

## COMMON EQUITY TIER 1 CAPITAL GENERATION

CET1 bps	FY12 – FY16 avg.	FY17	Change FY17 vs FY12 – FY16 avg.
Cash Profit <sup>1</sup>	195	169	(26)
RWA impact	(31)	54	85
Capital deductions <sup>2</sup>	(24)	6	30
<b>Net capital generation</b>	<b>140</b>	<b>229</b>	<b>89</b>

1. Cash profit for FY17 excludes 'large/notable items'.

2. Represents movement in retained earnings in deconsolidated entities, capitalised software, EL v EP shortfall and other intangibles.

# FOUR PRIORITIES

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

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

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

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

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# OUR FOCUS

1. **Capital efficiency**
2. **Absolute cost discipline**
3. **Customer experience & innovation**
4. **Transitioning to New Ways of Working (NWoW)**
5. **Consolidating improvements in Asia business**
6. **Engaging with community**
7. **Final reshaping of non core assets**

# KEY INDICATORS

	FY15	FY16	FY17
Return on equity (%)	14.0	10.3	11.9
Cash earnings per share (cents)	260	203	237
Economic profit (% growth year on year)	-13	-56	+38
CET1 ratio (%)	9.6	9.6	10.6
NTA / Avg share (\$)	16.9	17.1	17.7
Operating Expenses (% growth year on year)	+6.8	+11.1	-9.5
Profit Before Provisions / Avg Share	\$4.03	\$3.49	\$3.77
Full Time Equivalent staff	50,152	46,554	44,896
Loss Rate (%)	0.22	0.34	0.21
Total Shareholder Return (% growth year on year)	-7.5	+9.2	+13.1

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## 2017 FULL YEAR RESULTS

MICHELLE JABLKO  
CHIEF FINANCIAL OFFICER  
AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED



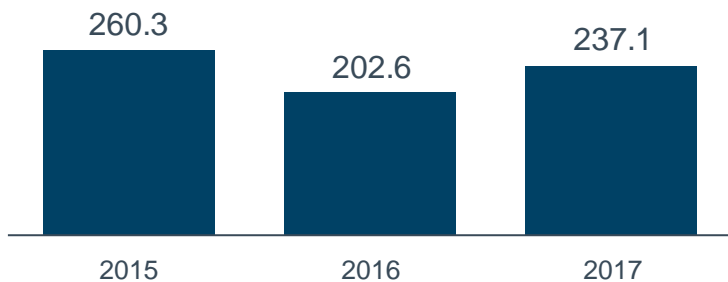
# OVERVIEW

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- Benefited from portfolio rebalancing
- Maintained strong cost discipline
- Improved credit quality
- Strengthened capital
- Continued exit of non core businesses

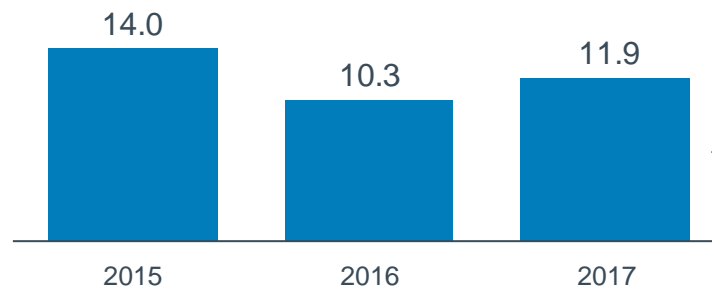
## CASH EARNINGS PER SHARE

cents



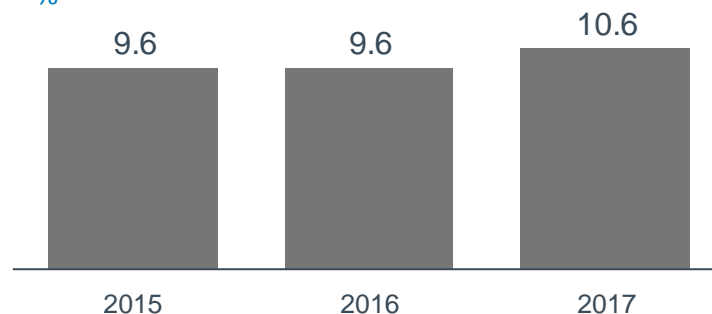
## RETURN ON EQUITY

%



## COMMON EQUITY TIER 1 RATIO

%



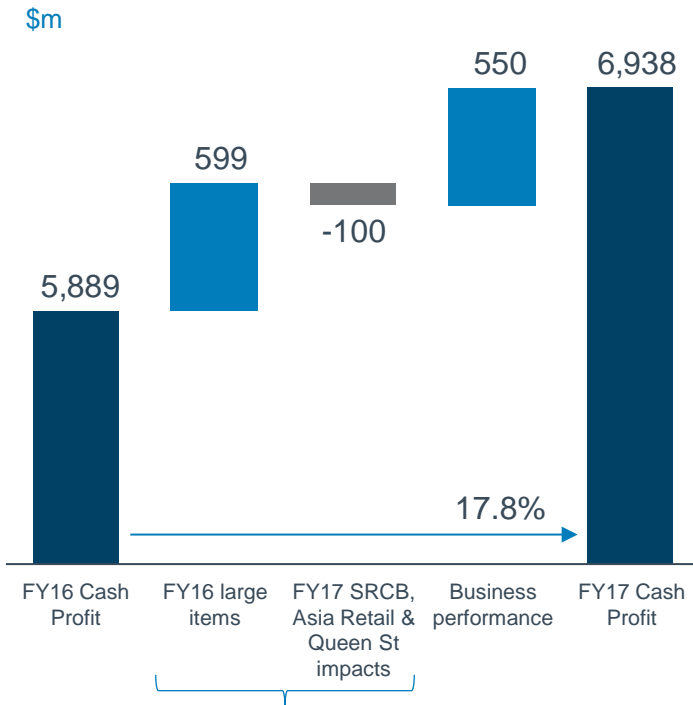
1% increase  
in CET1  
= ~\$4bn of  
capital

# AGENDA

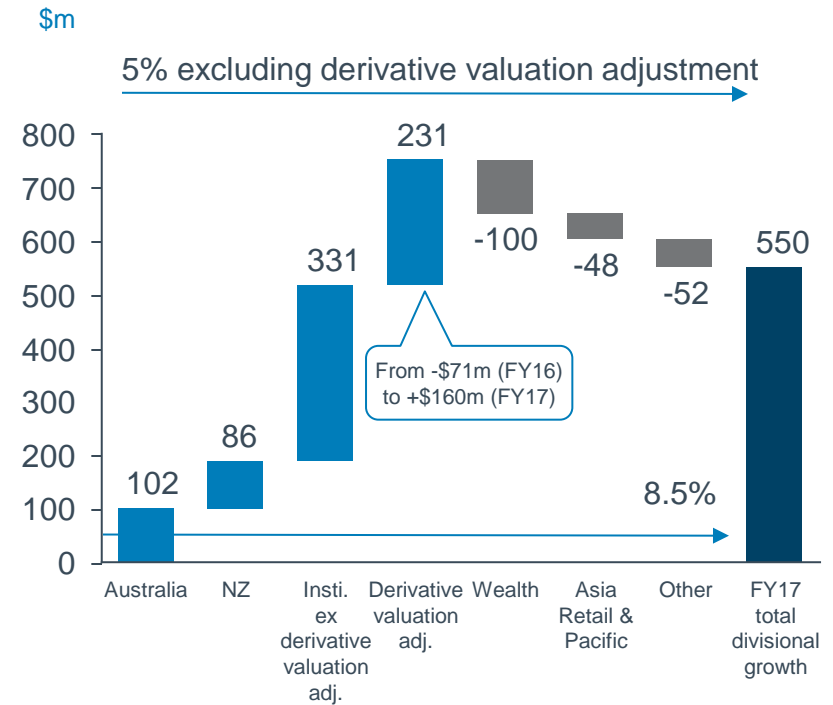
1. FULL YEAR 2017 FINANCIAL PERFORMANCE
2. KEY DRIVERS OF THE BUSINESS
3. BALANCE SHEET STRENGTH
4. BASELINE FOR 2018

# FINANCIAL PERFORMANCE DRIVERS

## CASH PROFIT – FULL YEAR 2017



## BUSINESS PERFORMANCE – FULL YEAR 2017



### FY16 LARGE ITEMS & FY17 DIVESTMENTS AND GAIN ON SALE

#### FY16 large items

- Equity accounted earnings SRCB & BOT
- Software capitalisation changes
- Asian minority valuation adjustments (AMMB & BOT)
- Restructuring charge
- Esanda Dealer Finance divestment
- Derivative CVA methodology change

#### FY17 SRCB, Asia Retail & Queen St impacts

- Equity accounted earnings SRCB (1QFY17)
- Sale of Asia Retail & Wealth (Loss on sale)
- Gain of sale of 100 Queen St

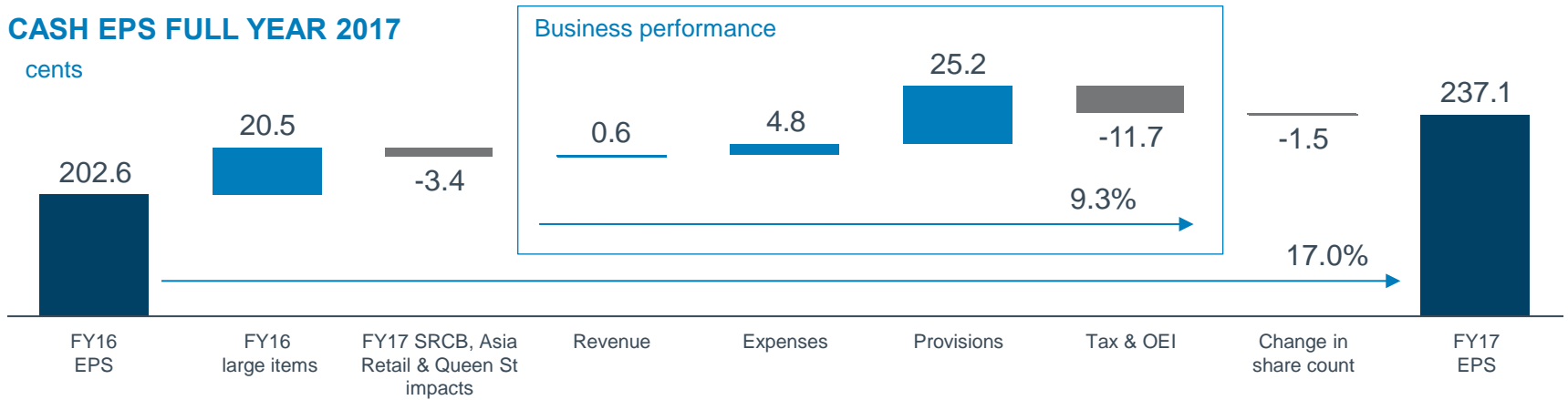
DETAILS OF LARGE/NOTABLE ITEMS ARE INCLUDED WITHIN THE INVESTOR DISCUSSION PACK

# RETURN ON EQUITY

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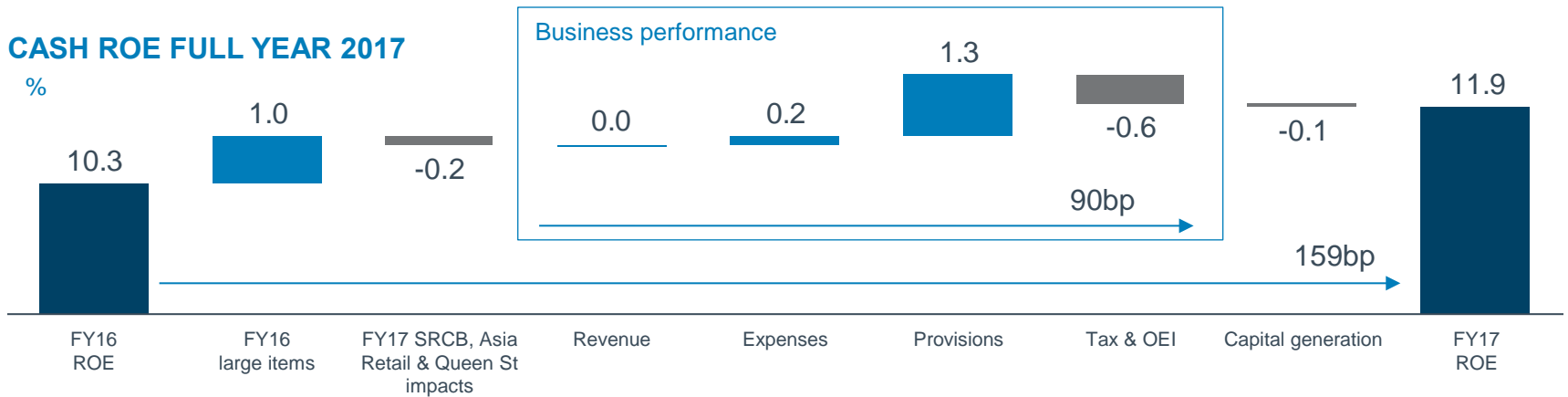
## CASH EPS FULL YEAR 2017

cents



## CASH ROE FULL YEAR 2017

%

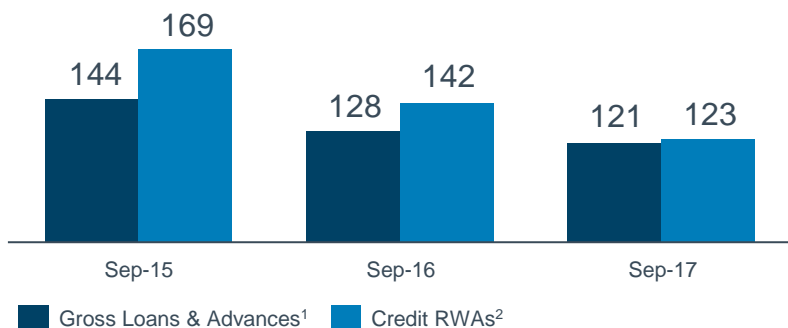


This drove an Economic Profit increase of 38%

# PORTFOLIO REBALANCING

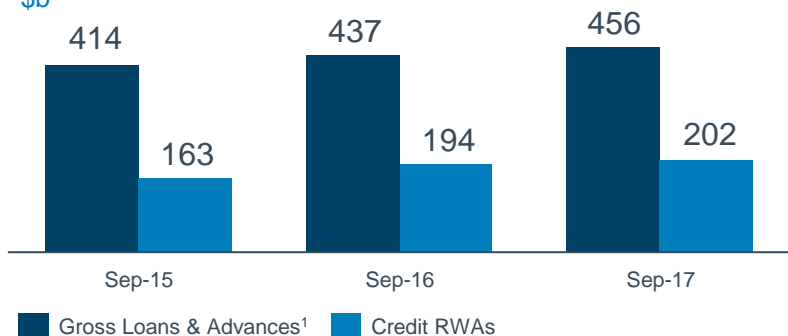
## INSTITUTIONAL

\$b



## AUS & NZ RETAIL & COMMERCIAL

\$b



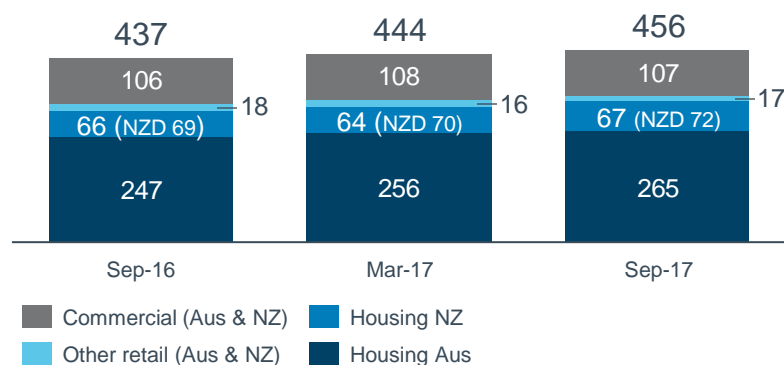
## FY17 INSTITUTIONAL LENDING MOVEMENT

Gross loans and advances

\$b change	1H17		2H17		FY17
	Aus/NZ	International	Aus/NZ	International	TOTAL
<b>Total</b>	<b>-0.5</b>	<b>-4.8</b>	<b>-1.6</b>	<b>0.2</b>	<b>-6.7</b>
Trade	-0.3	-1.3	0.1	0.7	-0.7
Loans	-0.1	-3.7	-1.7	-1.2	-6.7
Other <sup>3</sup>	-0.1	0.1	0	0.7	0.7

## RETAIL & COMMERCIAL LENDING

Gross loans and advances



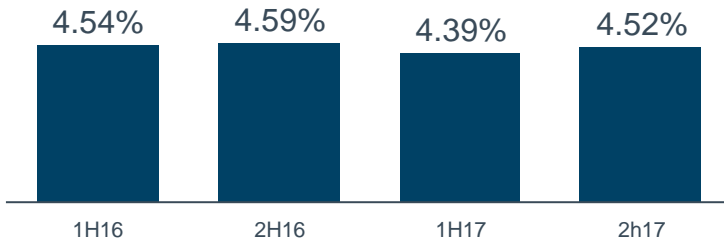
1. Including acceptances  
 2. Not FX adjusted  
 3. Largely Markets

# RISK ADJUSTED MARGINS & RETURNS

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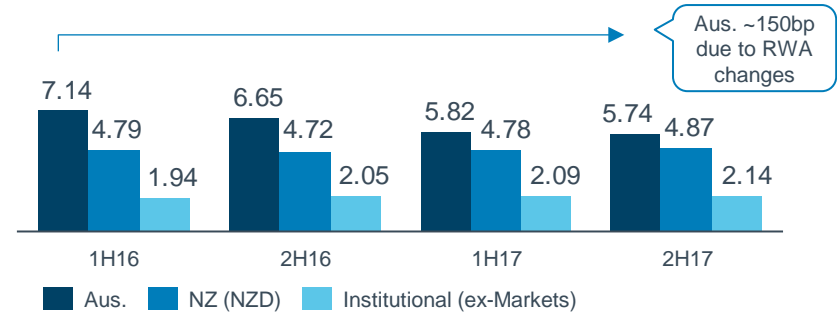
## TOTAL GROUP

NET INTEREST INCOME (NII) / AVERAGE CREDIT RWA<sup>1</sup>

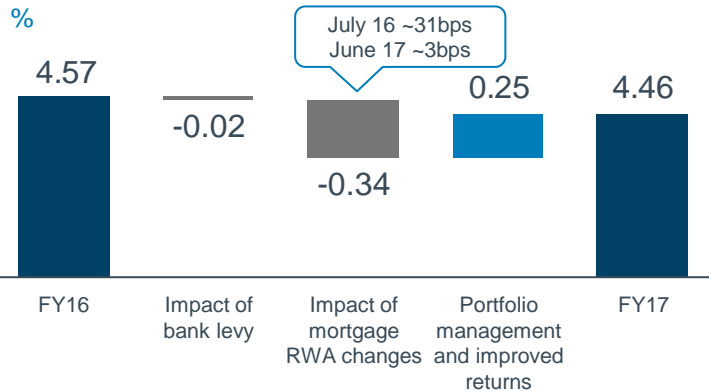


## DIVISIONS<sup>2</sup>

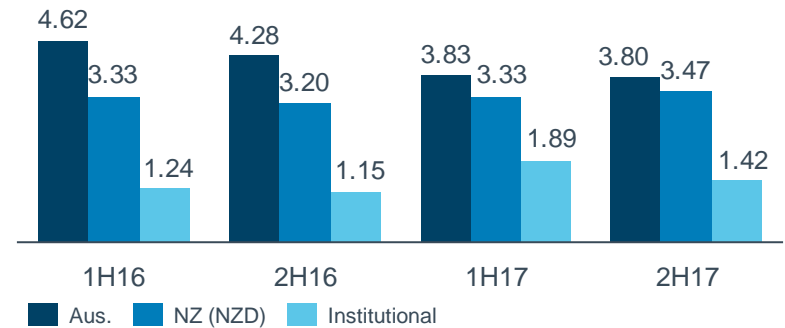
NII / AVERAGE CREDIT RWA<sup>1</sup> (%)



## NII / AVERAGE CREDIT RWA<sup>1</sup> MOVEMENT



## PROFIT BEFORE PROVISIONS / AVERAGE TOTAL RWA (%)



1. Excluding Global Markets  
2. Australia Division FY16 includes impacts from regulatory changes to Australian housing risk weights introduced 1 July 2016. Australia Division FY17 includes impacts from further increases to Australia housing risk weights following APRA having completed its review of ANZ's mortgage capital model and approved the new model for Australian residential mortgages effective from June 2017

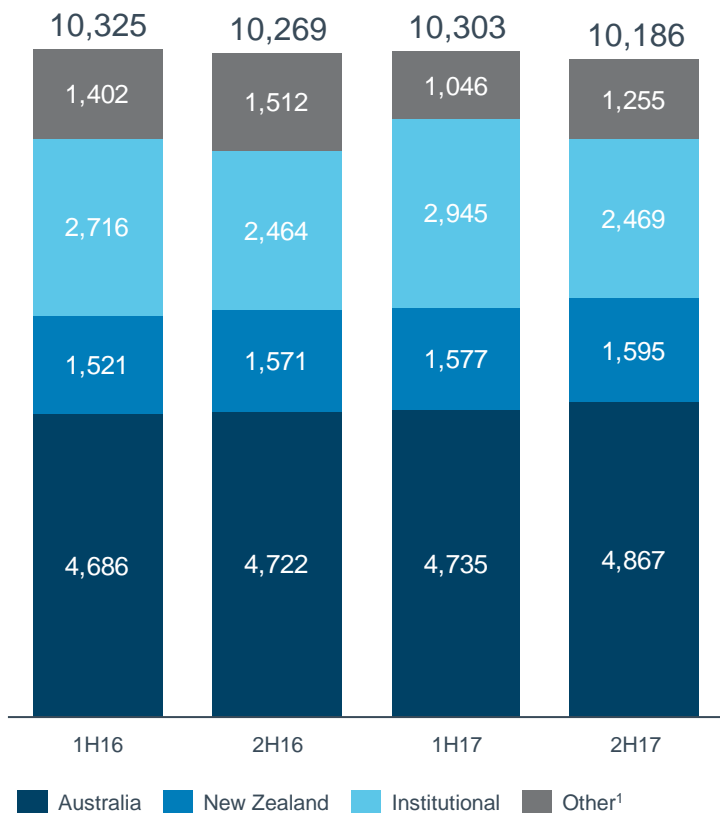


# INCOME DRIVERS

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## TOTAL INCOME

\$m



## TOTAL INCOME GROWTH

	Half Year growth (vs prior half)		Full Year growth
	1H17	2H17	FY17
%			
<b>Group</b>	<b>0.3</b>	<b>-1.1</b>	<b>-0.5</b>
Australia	0.3	2.8	2.1
New Zealand (NZD)	-0.1	2.4	1.8
Institutional	19.5	-16.2	4.5
Wealth	-10.8	-0.4	-13.5

## INSTITUTIONAL (EX. MARKETS)

% (FY17 vs FY16)

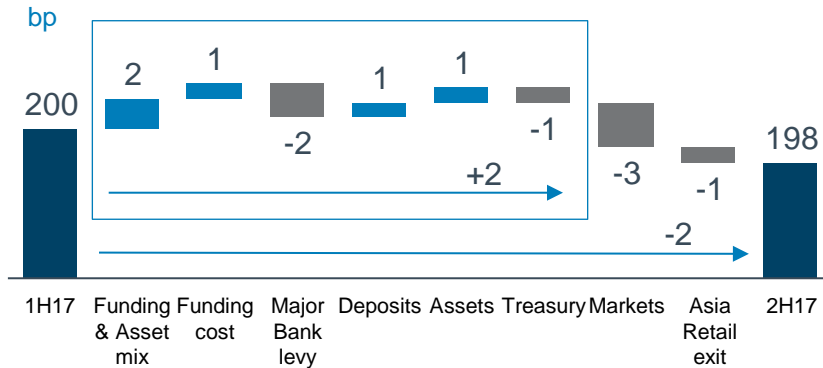


1. Other includes Wealth Australia, Asia Retail & Pacific, TSO & Group Centre

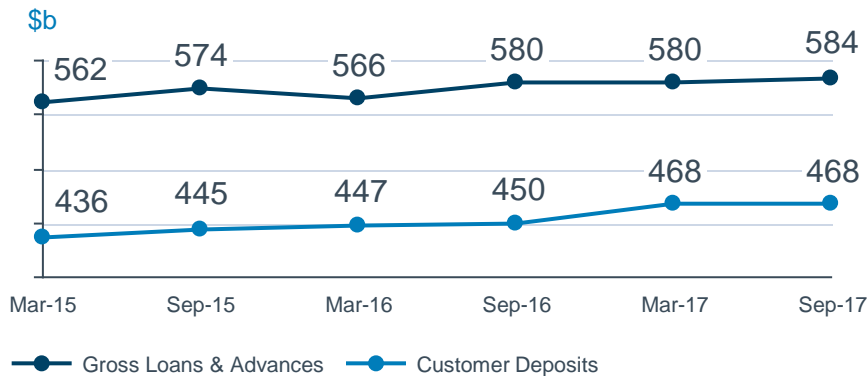
# INCOME DRIVERS

## GROUP NET INTEREST MARGIN

### GROUP NET INTEREST MARGIN



### BALANCE SHEET



### NIM 2H17 TIMING IMPACTS

	3rd Quarter	4th Quarter
Home loan repricing	*	*
Home Loan switching		*
Asia Retail exits	*	*
	(China, Singapore)	(& Hong Kong)
Bank Levy		*

### RATE MOVEMENTS

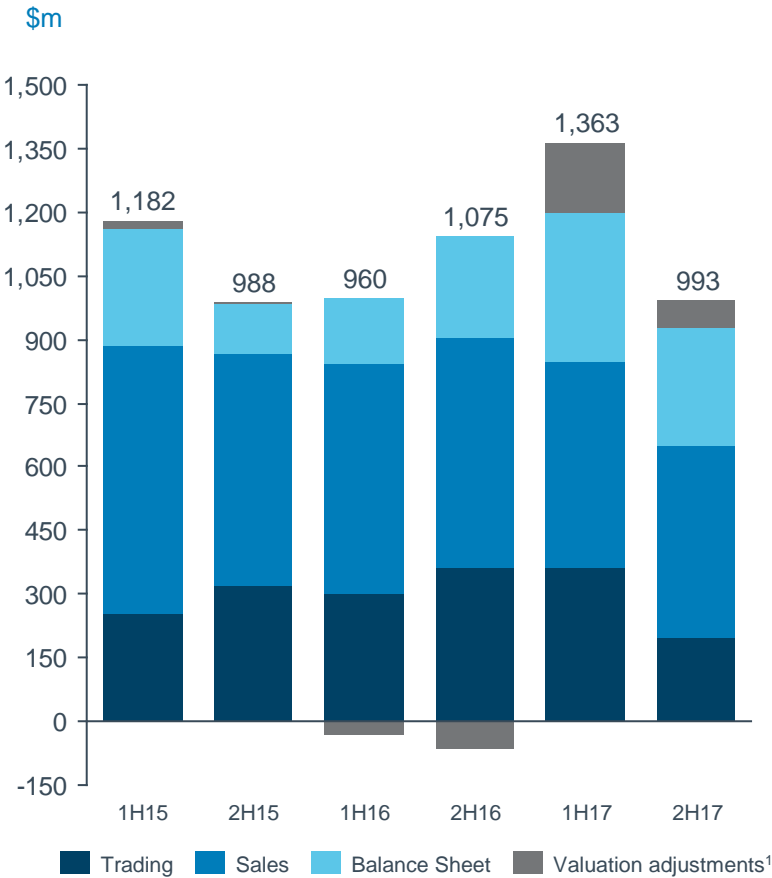


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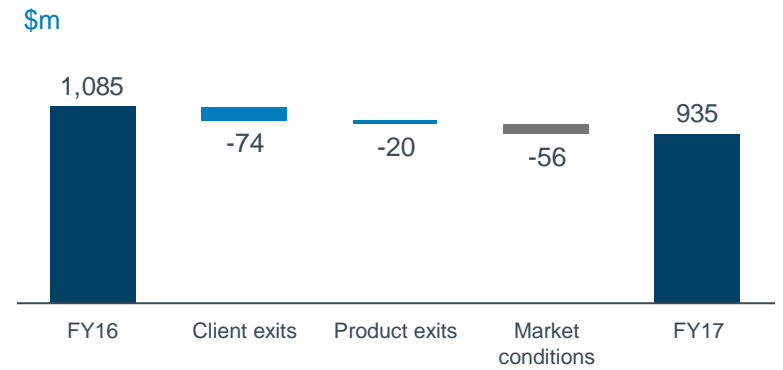
# MARKETS INCOME

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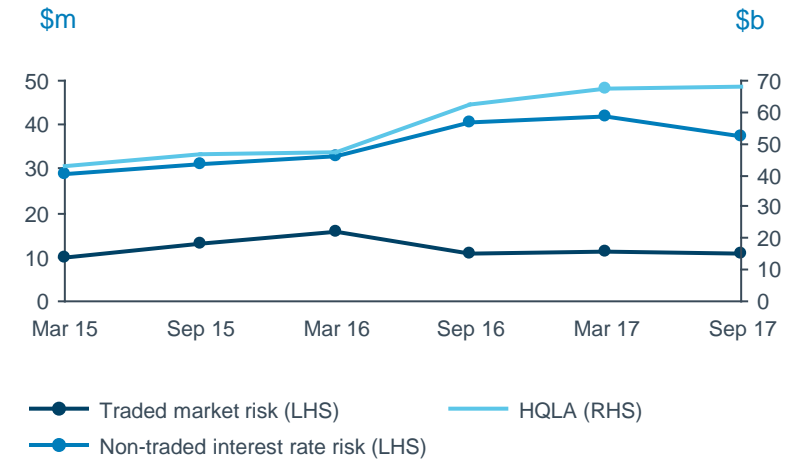
## MARKETS INCOME



## MARKETS SALES INCOME



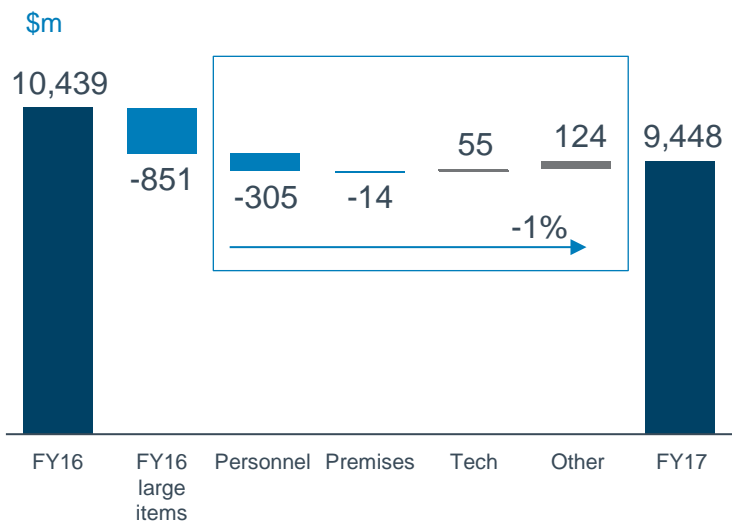
## MARKETS AVERAGE VALUE AT RISK (99% VAR)



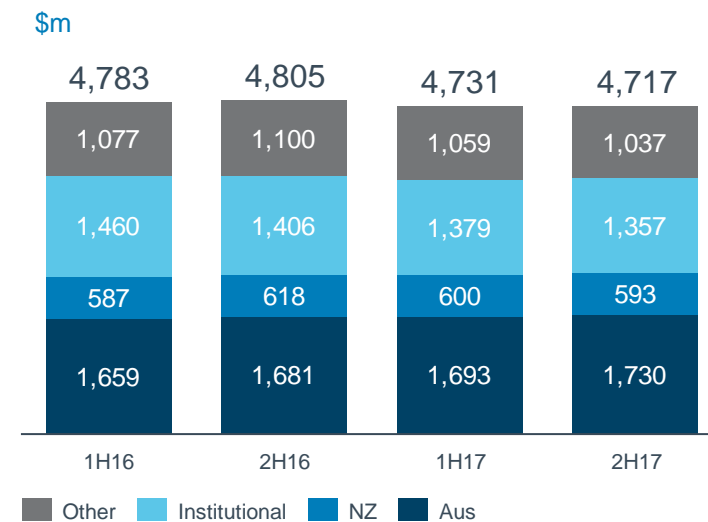
1. Excludes Large/notable items in 2H16 for mCVA derivative methodology change (-\$237m)

# EXPENSE DRIVERS

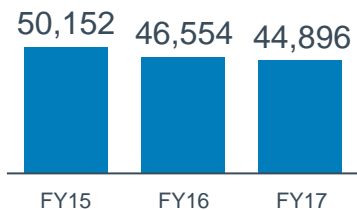
## FULL YEAR 2017 EXPENSES<sup>1</sup>



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



## FTE (TOTAL #)



## FTE REDUCTION

YOY change	FY16	FY17
<b>TOTAL</b>	<b>-7%</b>	<b>-4%</b>
<b>Senior Mgt</b>	<b>-16%</b>	<b>-6%</b>

## DIVISIONAL EXPENSE GROWTH

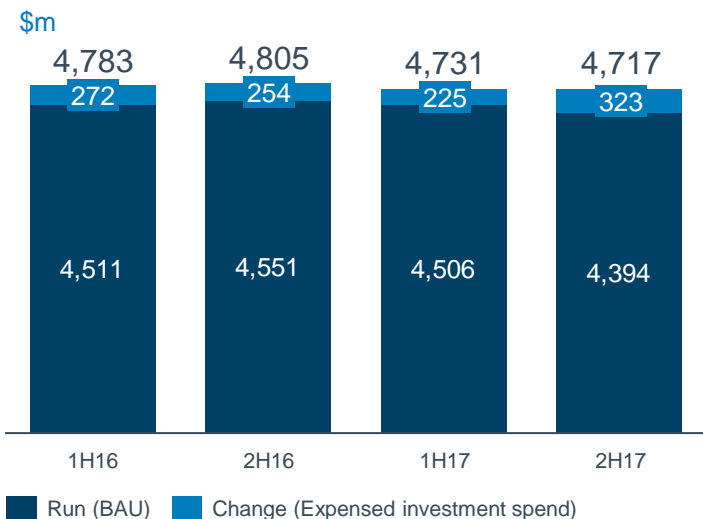
% change (HoH)	2H16	1H17	2H17
Aus	1.3	0.7	2.2
NZ (NZD)	3.3	-3.2	0
Institutional	-3.7	-1.9	-1.6

1. Excluding FY16 large items

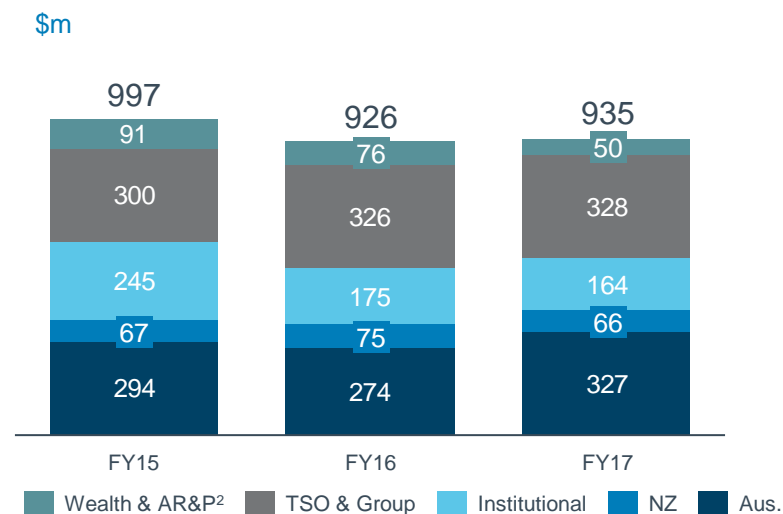
# EXPENSE & INVESTMENT MANAGEMENT

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## BAU VS CHANGE EXPENSES<sup>1</sup>



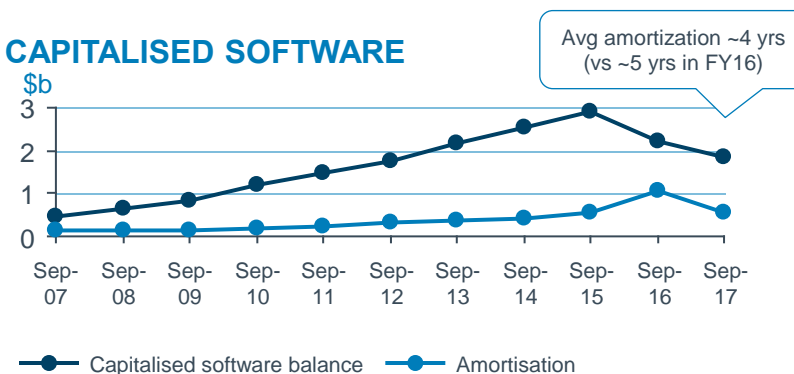
## TOTAL INVESTMENT SPEND



## BAU VS CHANGE EXPENSE GROWTH<sup>1</sup>

% change (HoH)	2H16	1H17	2H17
TOTAL	0.5	-1.5	-0.3
BAU	0.9	-1.0	-2.5
Change	-6.6	-11.4	43.6

## CAPITALISED SOFTWARE

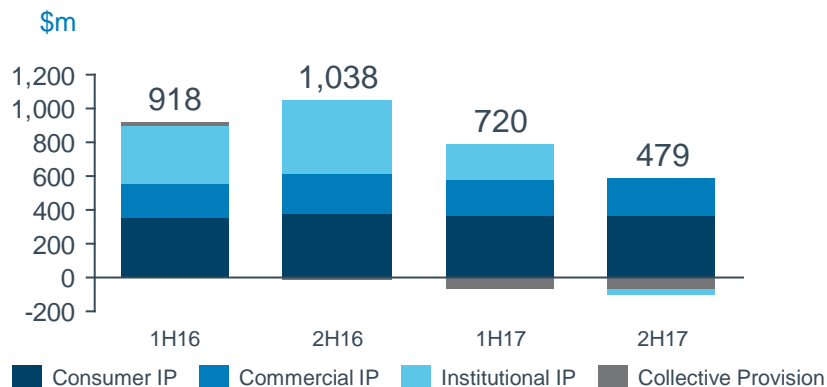


1. Excluding FY16 large items  
 2. AR&P = Asia Retail & Pacific

# PROVISIONS

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## TOTAL PROVISION CHARGE

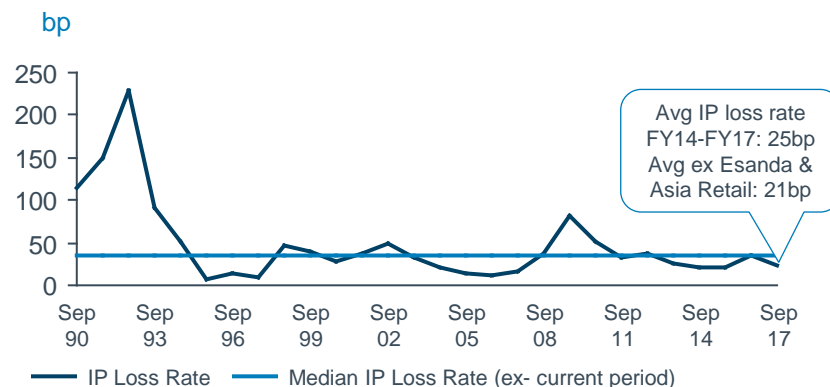


## EXPECTED LOSS

Individual provision expected loss as % of Gross Lending Assets

%	Sep 16	Sep 17
Australia	0.33	0.33
New Zealand	0.26	0.22
Institutional	0.35	0.30
<b>Subtotal</b>	<b>0.33</b>	<b>0.31</b>
Asia Retail	1.51	2.67
<b>Total</b>	<b>0.35</b>	<b>0.32</b>

## LONG TERM IP LOSS RATES



## COLLECTIVE PROVISION CHARGE

\$m

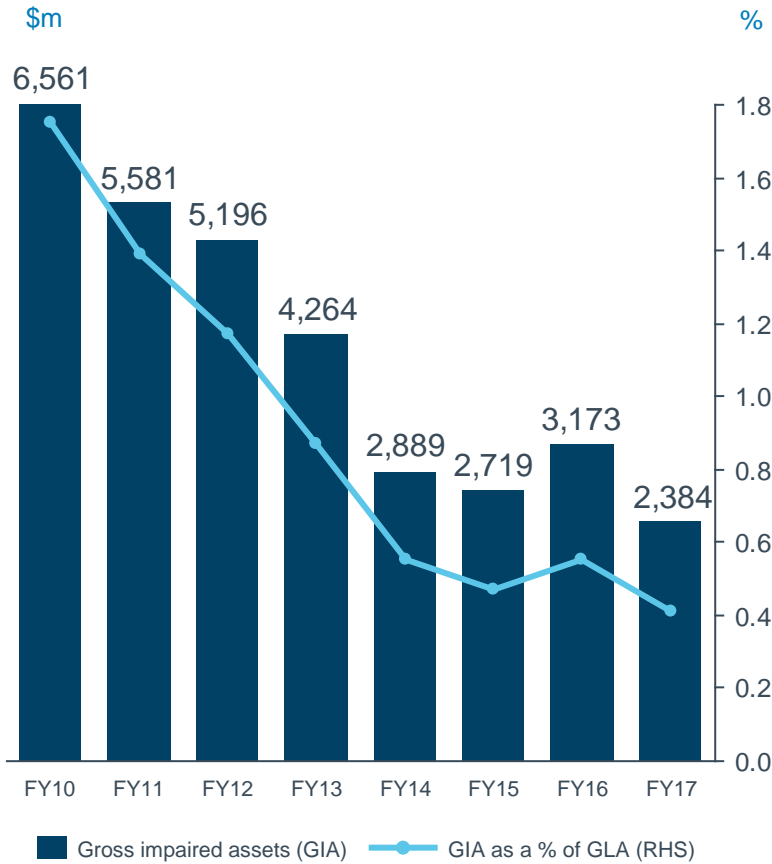
	1H16	2H16	1H17	2H17	FY17
Lending Growth	56	-59	-30	-18	-48
Change in Risk/Portfolio mix <sup>1</sup>	-30	50	-78	-91	-169
Eco Cycle	0	0	41	34	75
<b>TOTAL</b>	<b>26</b>	<b>-9</b>	<b>-67</b>	<b>-75</b>	<b>-142</b>

Net impact of new \$75m retail trade overlay, less release of \$41m Qld flood and Asia Retail & Pacific overlays

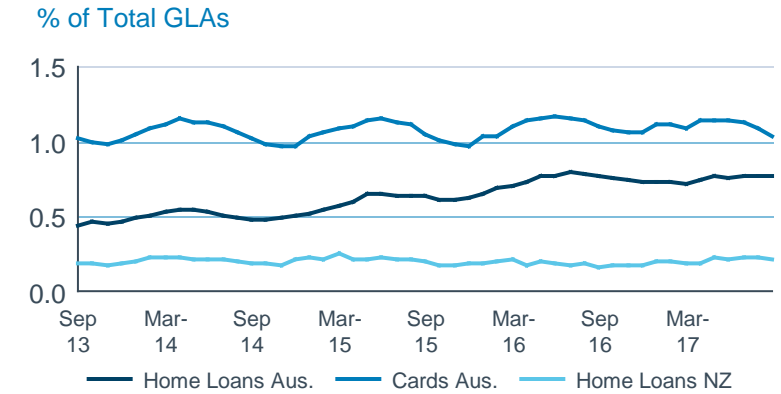
# CREDIT QUALITY

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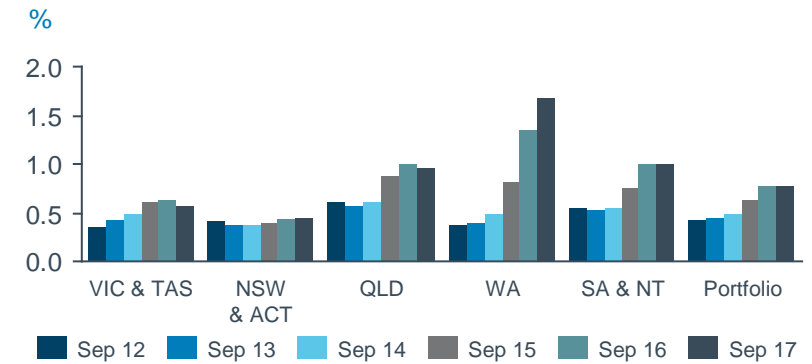
## GROSS IMPAIRED ASSETS



## CONSUMER 90+ DAY ARREARS



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



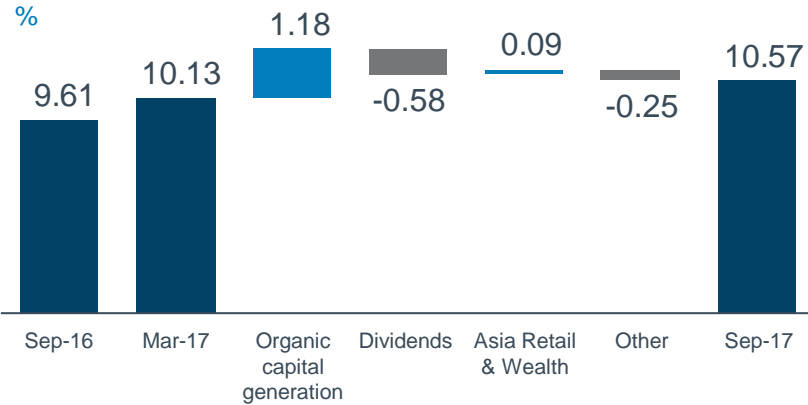
1. Excludes Non Performing Loans



# CAPITAL, LIQUIDITY & DIVIDENDS

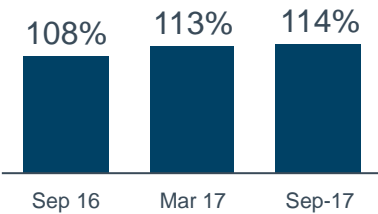
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## CAPITAL

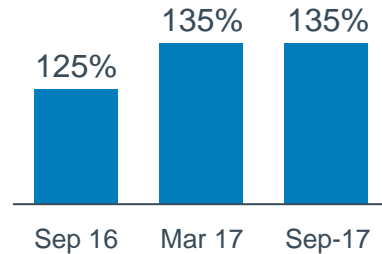


## FUNDING & LIQUIDITY

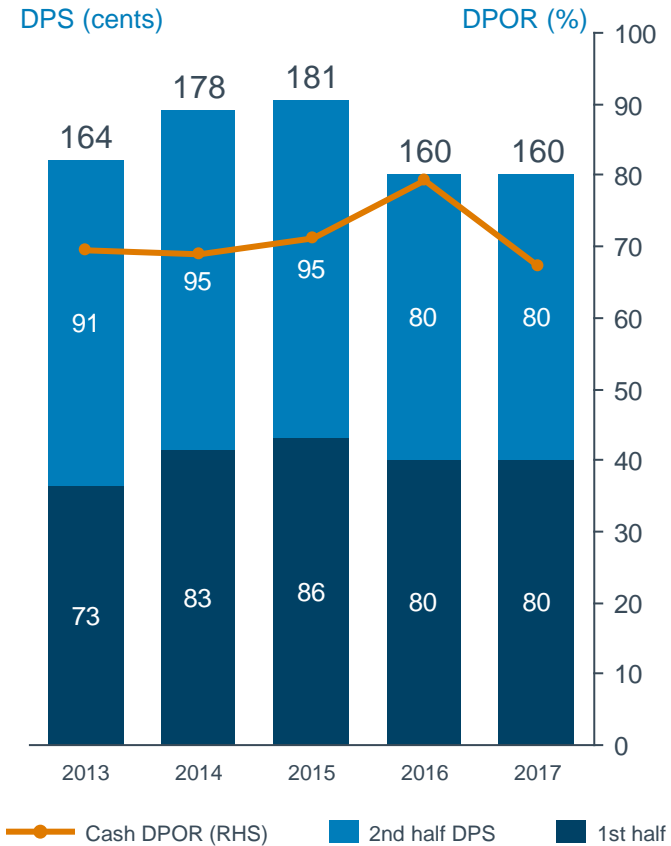
### Net Stable Funding Ratio



### Liquidity Coverage Ratio



## DIVIDEND AND DIVIDEND PAYOUT RATIO



# ASIA RETAIL & WEALTH DIVESTMENT

## FINANCIAL IMPACTS

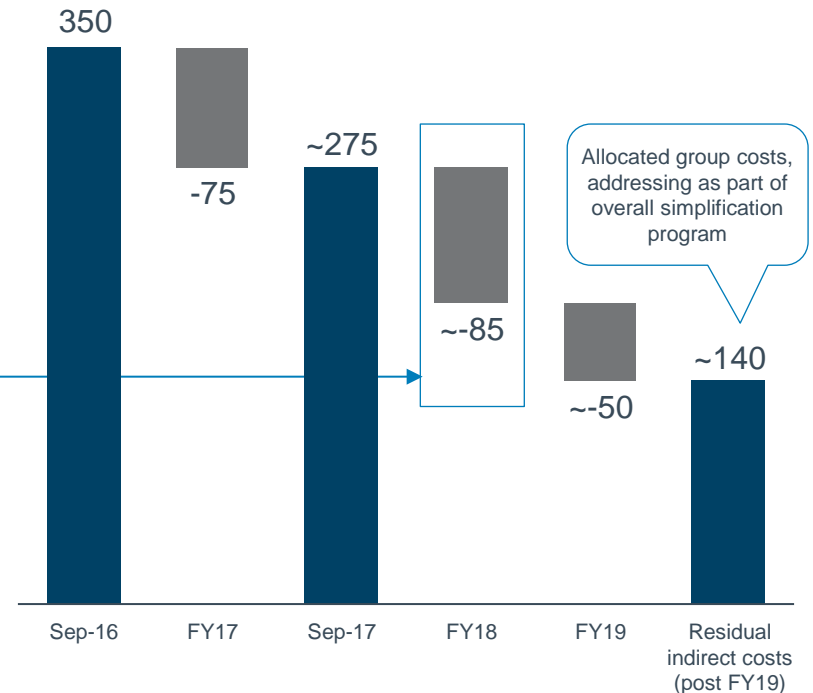
### ASIA RETAIL CONTRIBUTION TO EARNINGS

\$m

	FY16 Earnings <sup>1</sup>	FY17 earnings <sup>2</sup>	FY18 anticipated earnings impact (partial year ownership)
Revenue	850	673	down ~85%
Expenses	650	492	
- Direct	300	217	down ~85%
- indirect	350	275	down \$80-90m
Provisions	160	124	down ~70%
<b>Cash Profit</b>	<b>50</b>	<b>46</b>	
<b>CET1 benefit</b>		9bp	6+ bp

### ASIA RETAIL INDIRECT COST REDUCTION PROFILE

\$m (anticipated)



#### Countries settled in 2H17

- China, Singapore, Hong Kong

#### Countries to settle 1H18

- Indonesia, Taiwan, Vietnam

1. Approximates. Difference to 31/10/16 announcement due to inclusion of Vietnam, timing and rounding  
 2. Excludes loss on sale impact of \$270m (post tax)

# ANNOUNCED DIVESTMENTS

## 2018 IMPACTS

### INDICATIVE CHANGE IN CONTRIBUTION FROM DIVESTMENTS (FY18 vs FY17)<sup>1</sup>

\$m	Asia Retail	SRCB	MCC	UDC	FY18 Total (lower earnings)
Revenue	~-570	-58	-39	~-80	~-750
Expenses – Direct	~-185			~-25	~-210
Expenses – Indirect	~-85				~-85
Provisions	~-85			~-5	~-90
<b>Cash Profit</b> (pre gain / loss on sale)	<b>~-175</b>	<b>-58</b>	<b>-39</b>	<b>~-40</b>	<b>~-310</b>
<b>Gain / (Loss) on sale</b>	<b>~60</b>	Nominal	<b>~245</b>	<b>~100</b>	<b>~255<sup>3</sup></b>
<b>CET1 impact</b>	<b>~6+ bp</b>	<b>~40bp</b>	<b>~9bp</b>	<b>~10bp</b>	<b>~65+ bp</b>
Basis for lower earnings	3 divestments in 2H17, 3 in 1H18: Revenue ~-85%, Direct exp. ~-85% Indirect exp. ~-30% Provisions ~-70%	Cessation of equity accounting earnings	Cessation of equity accounting earnings	~9 months earnings impact	

OnePath P&I

- Completion 1H19
- Loss on sale 120<sup>2</sup>
- CET1 impact 15bp

All divestments are indicative and subject to regulatory approvals

1. Indicative only based on anticipated timing and FY17 earnings as a basis for FY18. FY17 not necessarily representative of future earnings  
 2. Estimated loss on sale at completion – some separation costs to be incurred in FY18  
 3. Includes MCC (+245), UDC (+100), Asia Retail (+60) and ~150m P&I costs

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# 2017 FULL YEAR RESULTS

INVESTOR DISCUSSION PACK

26 October 2017

FY17 FINANCIAL PERFORMANCE

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED

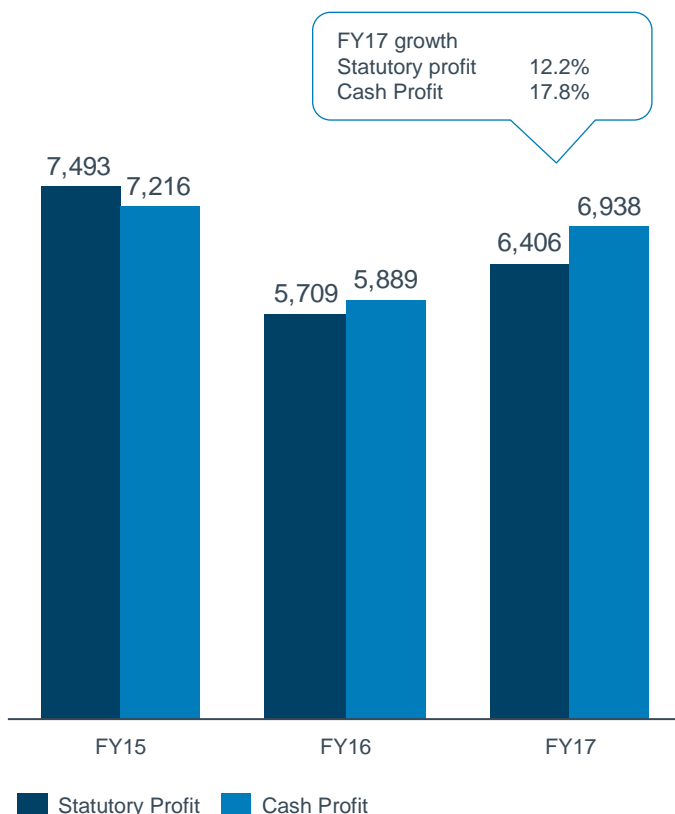


# GROUP PERFORMANCE

## STATUTORY & CASH PROFIT RECONCILIATION

### STATUTORY & CASH PROFIT

\$m



### STATUTORY TO CASH ADJUSTMENTS<sup>1</sup>

Cash profit represents ANZ's preferred measure of the result of the ongoing business activities of the Group, enabling readers to assess Group and Divisional performance against prior periods and against peer institutions. To calculate cash profit, the Group excludes non-core items from statutory profit.

	\$m	FY16	FY17
<b>Statutory Profit</b>		<b>5,709</b>	<b>6,406</b>
<u>Adjustments</u>			
Treasury share adjustment		44	58
Revaluation of policy liabilities		(54)	34
Economic hedges		102	209
Revenue Hedges		92	(99)
Structured credit intermediation trades		(4)	(3)
Revaluation of SRCB to held for sale		0	333
Total adjustments		180	532
<b>Cash Profit</b>		<b>5,889</b>	<b>6,938</b>

#### Reclassification of SRCB to held for sale

On 3 January 2017, the Group announced that it had agreed to sell its 20% stake in Shanghai Rural Commercial Bank (SRCB). The sale is subject to customary closing conditions and regulatory approvals. In the March 2017 half, the Group recognised a \$219 million impairment to the investment, \$11 million of foreign exchange losses and \$86 million of tax expenses, following the reclassification of the investment to held for sale. The loss will be largely offset by the release of foreign currency translation and available for sale reserves of \$289 million on sale completion. In light of the timing difference (and that these amounts largely offset), the impact is excluded from cash profit result, however the net impact will be included within cash profit for full year reporting.

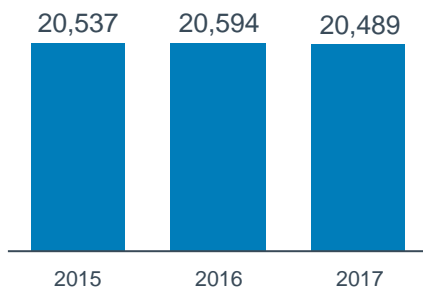
1. Definitions of the adjustments between statutory profit and cash profit are detailed in the 2017 Full Year Results (Consolidated Financial Report & Dividend Announcement) within the Profit Reconciliation section.

# FINANCIAL PERFORMANCE OVERVIEW

## CASH PROFIT & LARGE/NOTABLE ITEMS

### REVENUE

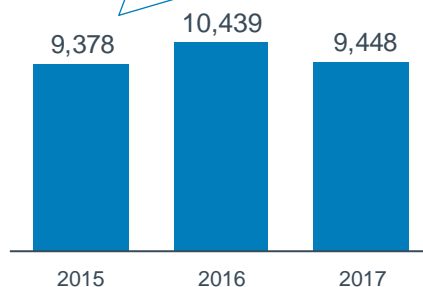
\$m



### EXPENSES

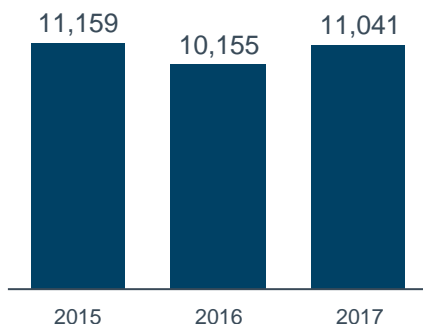
\$m

\$9,522 on a consistent basis to FY16 & FY17<sup>1</sup>



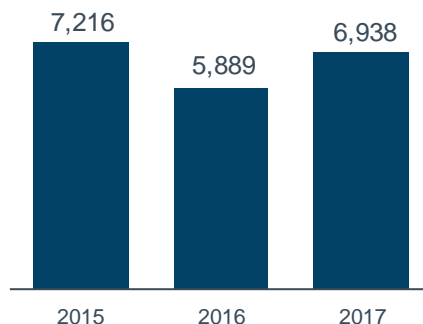
### PROFIT BEFORE PROVISIONS

\$m



### CASH PROFIT

\$m



	FY17		2H17 (vs 1H17)	
Growth (Cash basis)	\$m	% change	\$m	% change
Income	20,489	-0.5	10,186	-1.1
Expenses	9,448	-9.5	4,717	-0.3
<b>PBP</b>	<b>11,041</b>	<b>8.8</b>	<b>5,469</b>	<b>-1.8</b>
Provisions	1,199	-38.7	479	-33.3
<b>Cash Profit</b>	<b>6,938</b>	<b>18.1</b>	<b>3,527</b>	<b>3.4</b>

### LARGE/NOTABLE ITEMS IN CASH PROFIT <sup>2</sup>

Post tax impact (\$m)	FY16	FY17	1H17	2H17
Derivative valuation adj.	(71)	160	113	47
Equity accounted earnings	345	58	58	-
Sale of Asia Retail & Wealth	-	(270)	(284)	14
Gain on sale – 100 Queen St	-	112	112	-
Software Capitalisation changes	(389)	-	-	-
Asian minority valuation adj.	(231)	-	-	-
Restructuring	(201)	-	-	-
Esanda Dealer Finance divest.	45	-	-	-
Derivative CVA methodology change	(168)	-	-	-
<b>TOTAL</b>	<b>(670)</b>	<b>60</b>	<b>(1)</b>	<b>61</b>

1. Consistent basis excludes Esanda Dealer Finance from 2015 expense base and applies capitalised software expenses based on revised policy announced in 2016 (higher expensed threshold)

2. Profit and loss impacts of large/notable items is shown on the following 3 Large/Notable Items slides

# LARGE/NOTABLE ITEMS IN CASH PROFIT

	Profit & Loss item	ANZ Division	Cash profit impact			
			FY16	FY17	1H17	2H17
<b>CASH PROFIT</b>			<b>5,889</b>	<b>6,938</b>	<b>3,411</b>	<b>3,527</b>
<b>CASH PROFIT COMPOSITION:</b>						
- Cash profit excluding large/notable items			6,559	6,878	3,412	3,466
• Large/notable items			(670)	60	(1)	61
<b>Large/Notable items:</b>						
Derivative valuation adjustments	Other operating income	Institutional	(71)	160	113	47
Equity accounted earnings (SRCB & BOT) SRCB (FY16 & FY17) & BOT (FY16) equity accounted earnings prior to reclassification of these Asian minority investments to available for sale	Other operating income	TSO & Group Centre	345	58	58	-
Sale of Asia Retail & Wealth businesses As a result of the sale relating to Asia Retail & Wealth businesses, the Group recognised charges to impair software, goodwill and fixed assets as well as provide for redundancies.	Other operating income	Asia Retail & Pacific	-	(270)	(284)	14
Gain on sale – 100 Queen St, Melbourne Gain on sale of the Group's 100 Queen Street office tower and former head office in Melbourne	Other operating income	TSO & Group Centre	-	112	112	-
Software Capitalisation changes Accelerated amortisation charge associated with changes to the Group's software capitalisation policy	Expenses	TSO & Group Centre	(389)	-	-	-
Asian minority valuation adjustment Recognised impairment on AMMB; recognised gain on BoT on cessation of equity accounting	Other operating income	TSO & Group Centre	(231)	-	-	-
Restructuring Restructuring expense associated with accelerating the process of reshaping the Group's workforce to build a simpler, more agile bank	Expenses	Australia New Zealand Institutional Asia Retail & Pacific TSO & Group Centre	(201)	-	-	-
Esanda Dealer Finance divestment Esanda Dealer Finance earnings prior to transfer of assets to acquirer.	Net interest income, Other operating income, Provisions	Australia	45	-	-	-
Derivative CVA methodology change Impact of revised methodology for determining the derivative credit valuation adjustment (associated with the derivative portfolio) to make greater use of market information and enhanced modelling, and to align with leading market practice.	Other operating income	Institutional	(168)	-	-	-

# LARGE/NOTABLE ITEMS DETAIL

## PROFIT & LOSS: FULL YEAR 2016 & 2017

	September 2017 Full Year					September 2016 Full Year							
	Large/notable items in cash profit					Large/notable items in cash profit							
	Cash profit \$M	Derivative valuation adj. \$M	Equity accounted earnings SRCB \$M	Sale of Asia Retail & Wealth businesses \$M	Gain on Sale 100 Queen St \$M	Cash profit \$M	Derivative valuation adj. \$M	Equity accounted earnings SRCB & BOT \$M	Software capitalisation changes \$M	Asian minority valuation adj. \$M	Restructuring \$M <sup>1</sup>	Esanda Dealer Finance divestment \$M	Derivative CVA method. change \$M
Net interest income	14,872	-	-	-	-	15,095	-	-	-	-	-	31	-
Other operating income	5,617	229	58	(310)	114	5,499	(102)	345	-	(231)	-	78	(237)
Operating income	20,489	229	58	(310)	114	20,594	(102)	345	-	(231)	-	109	(237)
Operating expenses	(9,448)	-	-	-	-	(10,439)	-	-	(556)	-	(278)	(17)	-
Profit before credit impairment and income tax	11,041	229	58	(310)	114	10,155	(102)	345	(556)	(231)	(278)	92	(237)
Credit impairment charge	(1,199)	-	-	-	-	(1,956)	-	-	-	-	-	(23)	-
Profit before income tax	9,842	229	58	(310)	114	8,199	(102)	345	(556)	(231)	(278)	69	(237)
Income tax expense	(2,889)	(69)	-	40	(2)	(2,299)	31	-	167	-	77	(24)	69
Non-controlling interests	(15)	-	-	-	-	(11)	-	-	-	-	-	-	-
Cash profit	6,938	160	58	(270)	112	5,889	(71)	345	(389)	(231)	(201)	45	(168)

1. Restructuring charges by division: Australia \$49m, Institutional \$90m, New Zealand \$18m, Wealth Australia \$20m, Asia Retail & Pacific \$12m, TSO & Group Centre \$89m

2. Further information is set out on page 14-16 of the 2017 Full Year Consolidated Financial Report



# LARGE/NOTABLE ITEMS DETAIL

## PROFIT & LOSS: HALF YEAR 2017

	Sep. 2017 Half Year			March 2017 Half Year				
	Large/notable items in cash profit			Large/notable items in cash profit				
	Cash profit \$M	Derivative valuation adj. \$M	Sale of Asia Retail & Wealth businesses \$M	Cash profit \$M	Derivative valuation adj. \$M	Equity accounted earnings SRCB \$M	Sale of Asia Retail & Wealth businesses \$M	Gain on sale 100 Queen St \$M
Net interest income	7,456	-	-	7,416	-	-	-	-
Other operating income	2,730	67	14	2,887	162	58	(324)	114
Operating income	10,186	67	14	10,303	162	58	(324)	114
Operating expenses	(4,717)	-	-	(4,731)	-	-	-	-
Profit before credit impairment and income tax	5,469	67	14	5,572	162	58	(324)	114
Credit impairment charge	(479)	-	-	(720)	-	-	-	-
Profit before income tax	4,990	67	14	4,852	162	58	(324)	114
Income tax expense	(1,456)	(20)	-	(1,433)	(49)	-	40	(2)
Non-controlling interests	(7)	-	-	(8)	-	-	-	-
Cash profit	3,527	47	14	3,411	113	58	(284)	112

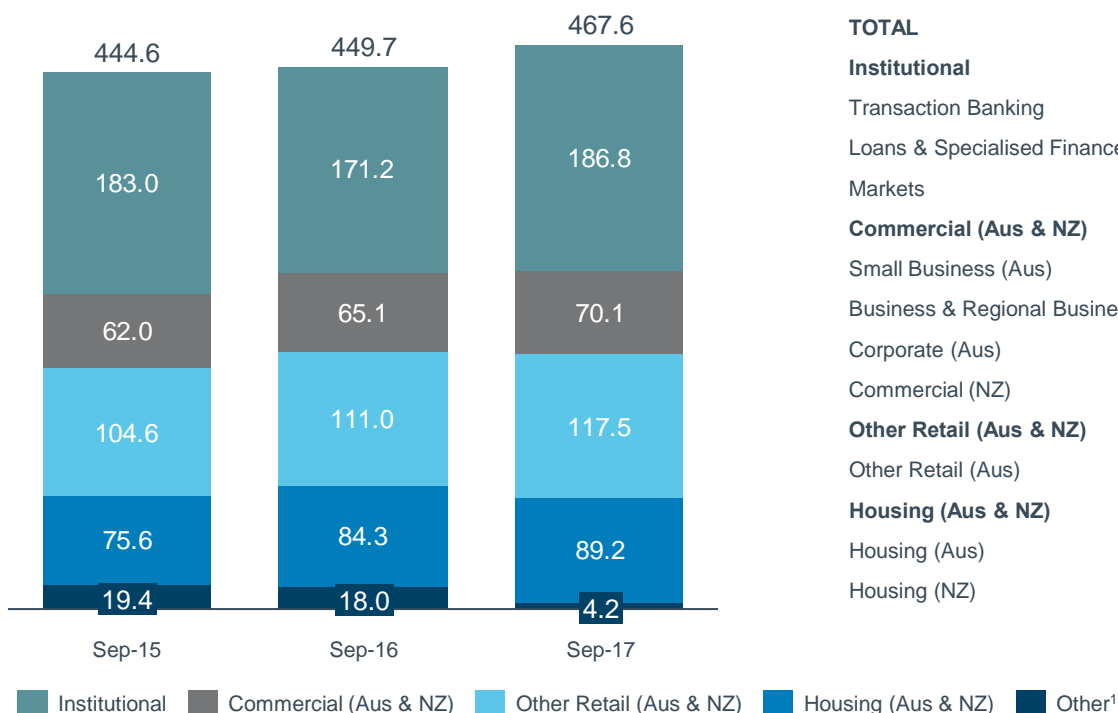
1. Further information is set out on page 14-16 of the 2017 Full Year Consolidated Financial Report

# FY17 BALANCE SHEET

## CUSTOMER DEPOSITS

### BY SEGMENT

\$b



### GROWTH

	FY17	2H17 (vs 1H17)
<b>TOTAL</b>	<b>4.0%</b>	<b>-0.1%</b>
<b>Institutional</b>	<b>9.2%</b>	<b>4.2%</b>
Transaction Banking	5.5%	7.8%
Loans & Specialised Finance	12.3%	5.1%
Markets	13.4%	0.5%
<b>Commercial (Aus &amp; NZ)</b>	<b>7.6%</b>	<b>1.0%</b>
Small Business (Aus)	8.8%	3.2%
Business & Regional Business Banking (Aus)	6.3%	1.0%
Corporate (Aus)	22.6%	2.8%
Commercial (NZ)	2.4%	-5.3%
<b>Other Retail (Aus &amp; NZ)</b>	<b>5.8%</b>	<b>1.0%</b>
Other Retail (Aus)	5.8%	1.0%
<b>Housing (Aus &amp; NZ)</b>	<b>5.7%</b>	<b>3.4%</b>
Housing (Aus)	10.9%	4.6%
Housing (NZ)	3.7%	2.9%

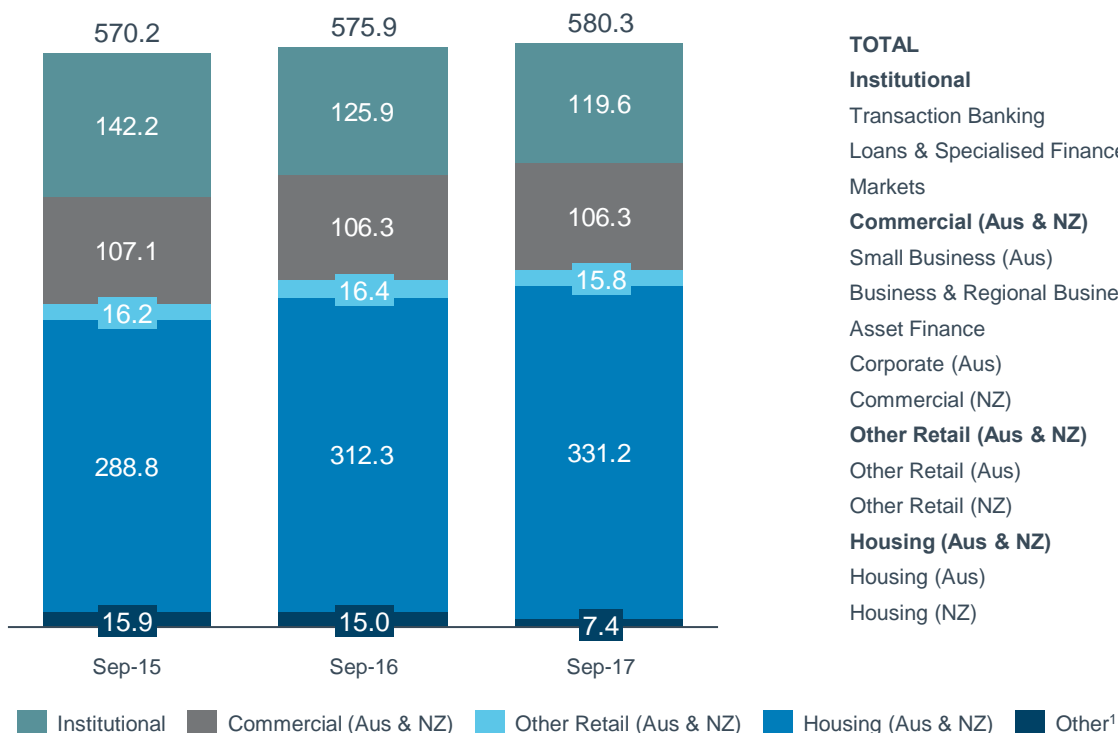
1. Other largely Asia Retail & Pacific

# FY17 BALANCE SHEET

## NET LOANS & ADVANCES

### BY SEGMENT

\$b



### GROWTH

	FY17	2H17 (vs 1H17)
<b>TOTAL</b>	<b>0.8%</b>	<b>0.7%</b>
<b>Institutional</b>	<b>-5.0%</b>	<b>-1.0%</b>
Transaction Banking	-5.7%	7.8%
Loans & Specialised Finance	-7.7%	-3.5%
Markets	3.3%	2.5%
<b>Commercial (Aus &amp; NZ)</b>	<b>-0.1%</b>	<b>1.3%</b>
Small Business (Aus)	0.1%	-0.8%
Business & Regional Business Bank (Aus)	-1.6%	-0.2%
Asset Finance	3.5%	1.0%
Corporate (Aus)	6.9%	4.5%
Commercial (NZ)	-2.2%	2.2%
<b>Other Retail (Aus &amp; NZ)</b>	<b>-3.9%</b>	<b>-2.2%</b>
Other Retail (Aus)	-3.4%	-2.9%
Other Retail (NZ)	-5.8%	-0.3%
<b>Housing (Aus &amp; NZ)</b>	<b>6.1%</b>	<b>3.2%</b>
Housing (Aus)	7.2%	3.3%
Housing (NZ)	1.6%	3.4%

1. Other largely Asia Retail & Pacific

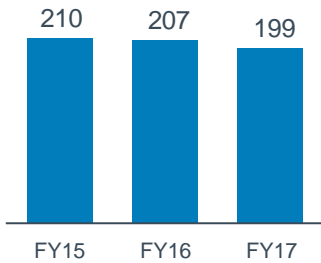
# NET INTEREST MARGIN

## GROUP & DIVISIONAL MARGIN PERFORMANCE

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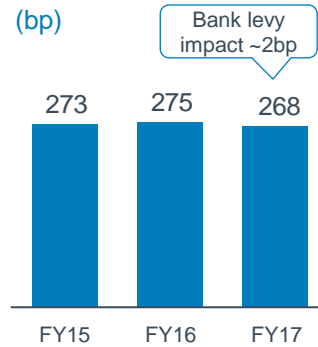
### GROUP FULL YEAR

(bp)



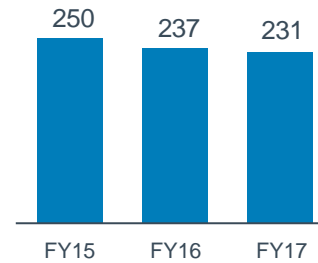
### AUSTRALIA

(bp)



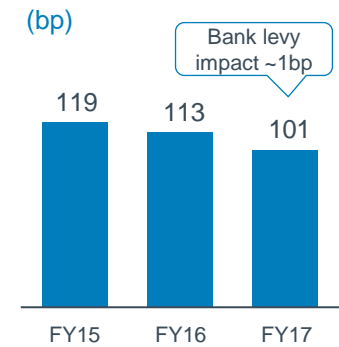
### NEW ZEALAND

(bp)



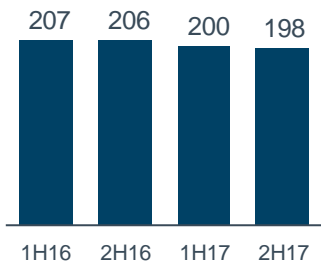
### INSTITUTIONAL

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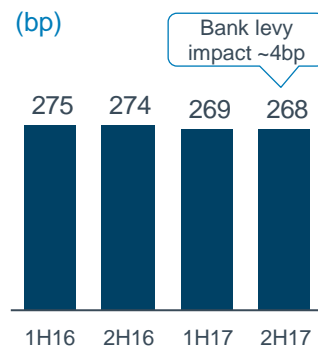
### GROUP HALF YEAR

(bp)



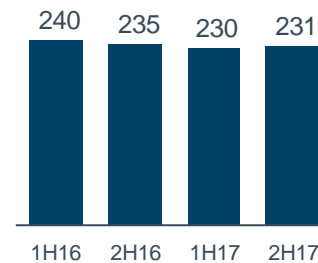
### AUSTRALIA

(bp)



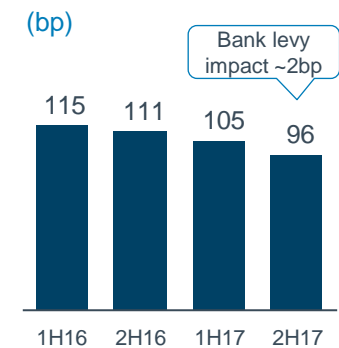
### NEW ZEALAND

(bp)



### INSTITUTIONAL

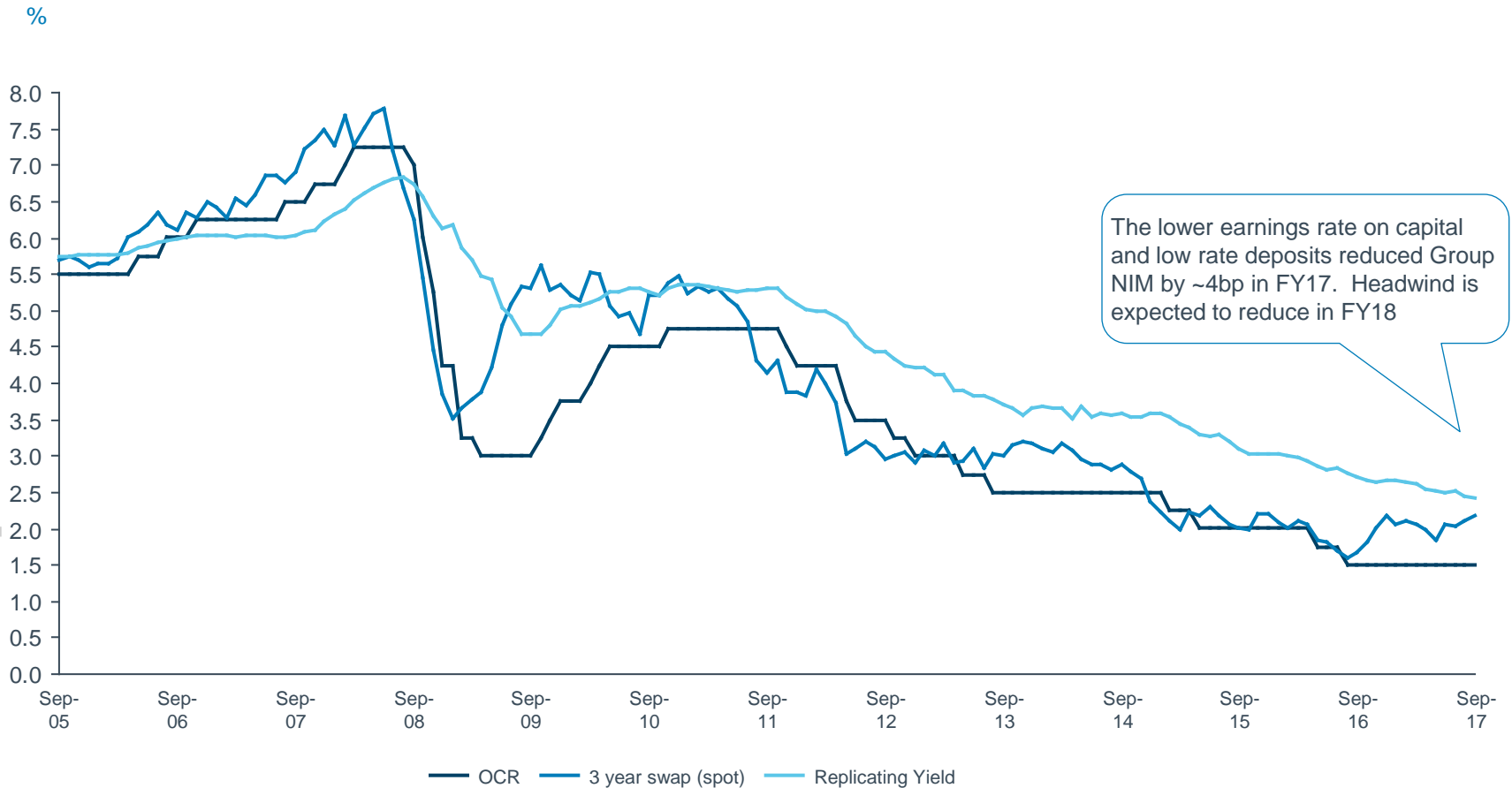
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# IMPACTS OF DECLINING RATES

## LOWER RETURNS ON CAPITAL AND LOW RATE DEPOSITS

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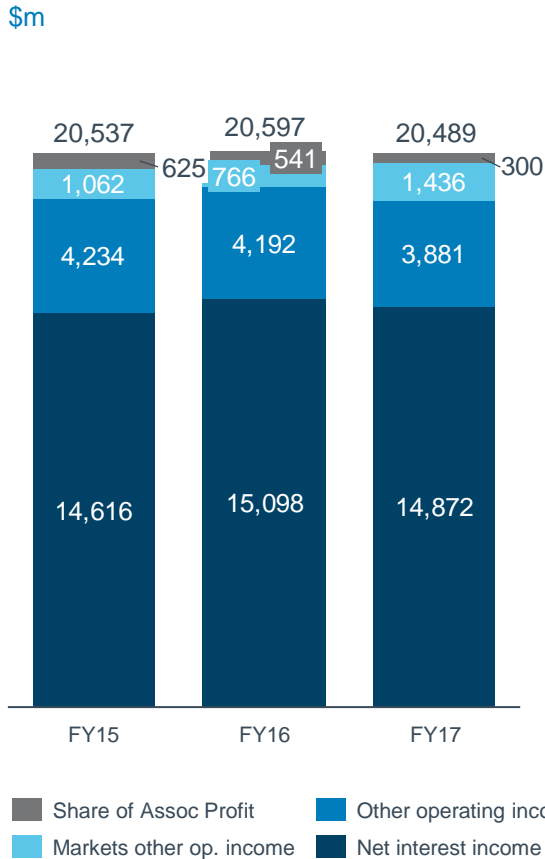
1. AUD OCR / Swap rates

2. AUD average capital portfolio yield displayed. The Group's overall portfolio includes multiple portfolios & currencies.

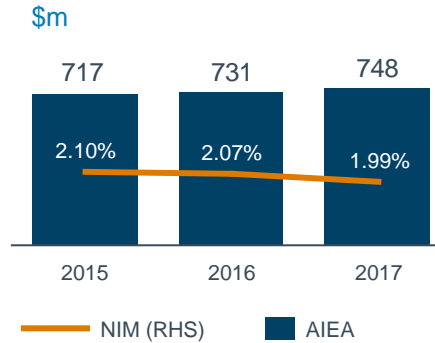
# TOTAL OPERATING INCOME

## BY CATEGORY

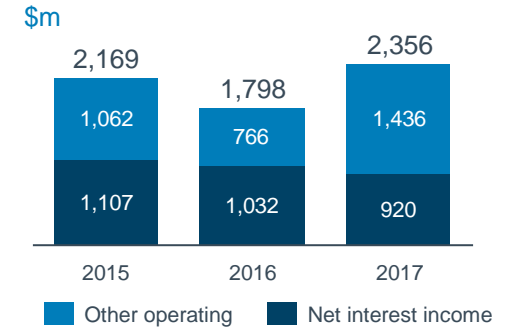
### TOTAL INCOME



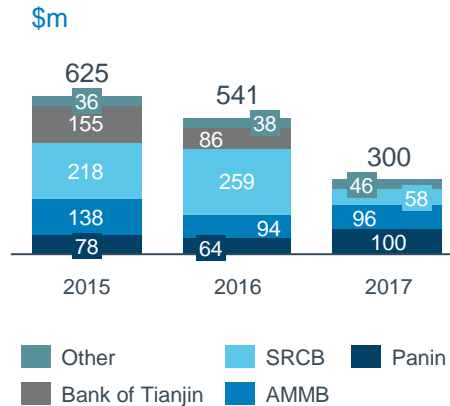
### AIEA & NIM



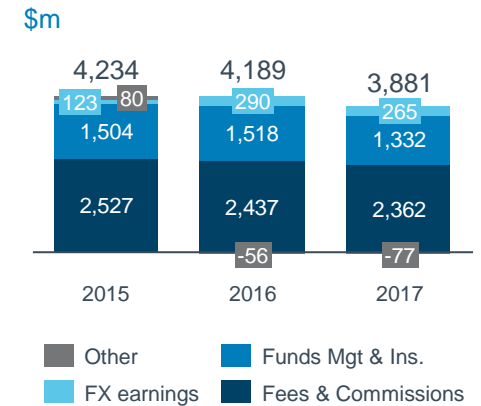
### TOTAL MARKETS INCOME



### SHARE OF ASSOCIATES PROFIT



### OTHER NON INTEREST INCOME



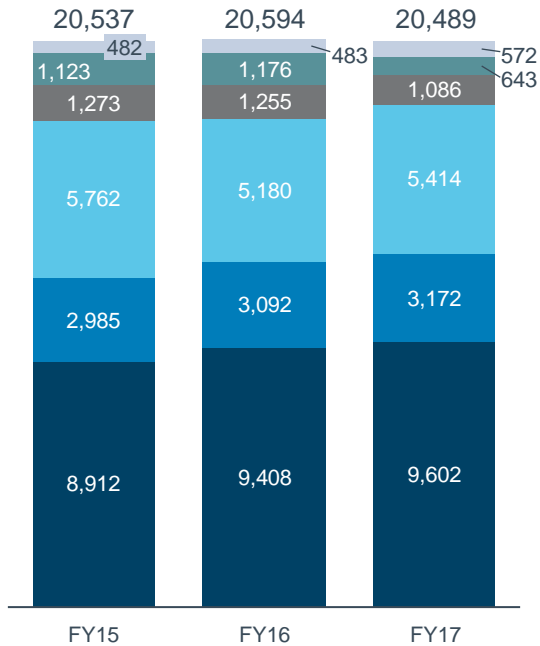
1. Excluding Markets other income and Share of Associates Profit

# TOTAL OPERATING INCOME

## BY DIVISION

### TOTAL INCOME - CASH

\$m



### INCOME GROWTH

#### TOTAL

<b>Institutional</b>		
Transaction Banking	-4%	-1%
Loans & Specialised Finance	-15%	-13%
Markets	31%	-27%
<b>NEW ZEALAND</b>	<b>2%</b>	<b>2%</b>
Retail	3%	3%
Commercial	1%	2%
<b>AUSTRALIA</b>	<b>2%</b>	<b>3%</b>
Retail	4%	4%
Commercial	-1%	0%
<b>Asia Retail &amp; Pacific</b>	<b>-45%</b>	<b>135%</b>
<b>Wealth</b>	<b>-13%</b>	<b>0%</b>
<b>TSO &amp; Group Centre</b>	<b>18%</b>	<b>-15%</b>

FY17

2H17  
(vs 1H17)

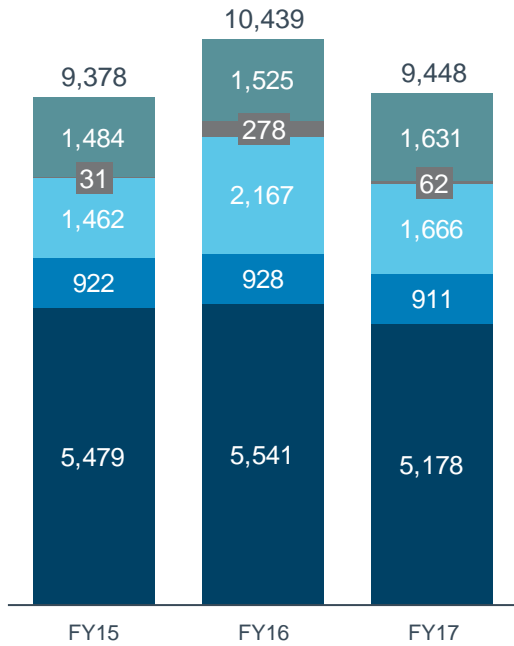
■ TSO & Group Centre 
 ■ Asia Retail & Pacific 
 ■ Wealth Australia 
 ■ Institutional 
 ■ New Zealand 
 ■ Australia

# TOTAL EXPENSES

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## TOTAL EXPENSES

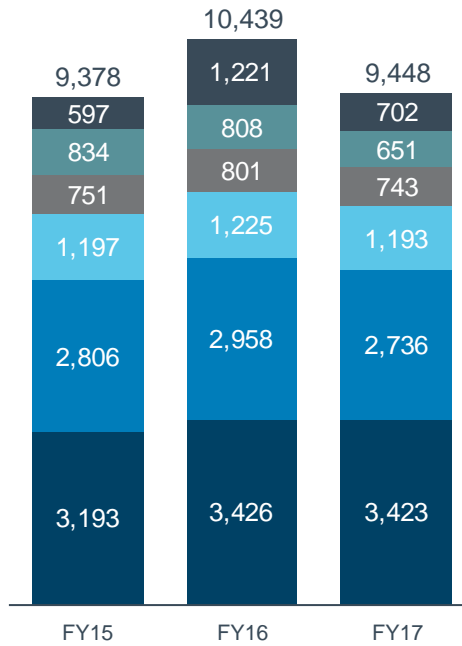
\$m



Other    Technology    Personnel  
Restructuring    Premises

## EXPENSES BY DIVISION

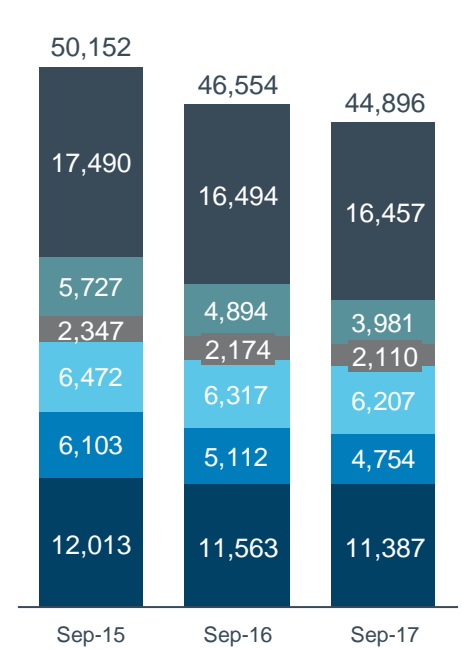
\$m



TSO & Group Centre    Wealth Aus.    Institutional  
Asia Retail & Pacific    New Zealand    Australia

## FTE BY DIVISION

FTE #



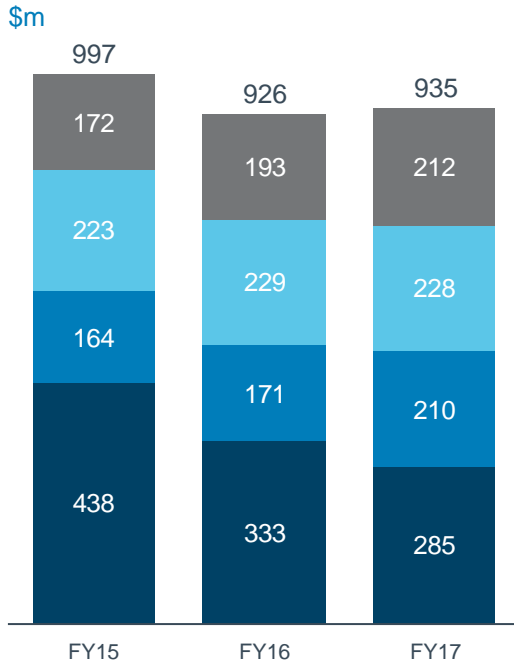


# TECHNOLOGY INFRASTRUCTURE SPEND & CAPITALISED SOFTWARE

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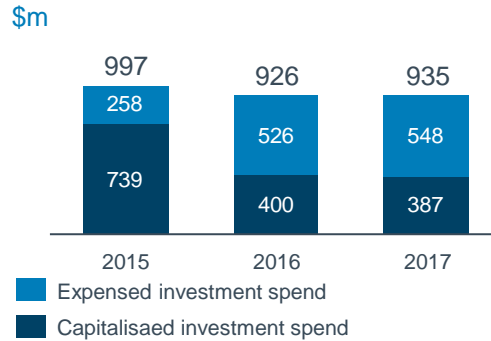
## TECHNOLOGY INFRASTRUCTURE SPEND

### SPEND BY CATEGORY

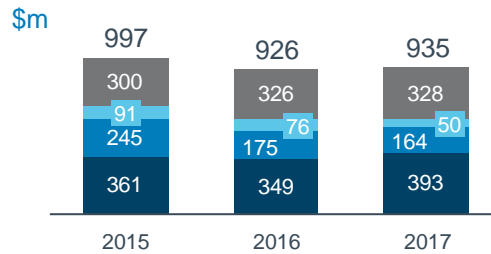


Infrastructure / Other  
Risk & Compliance  
Productivity  
Growth

### EXPENSED / CAPITALISED



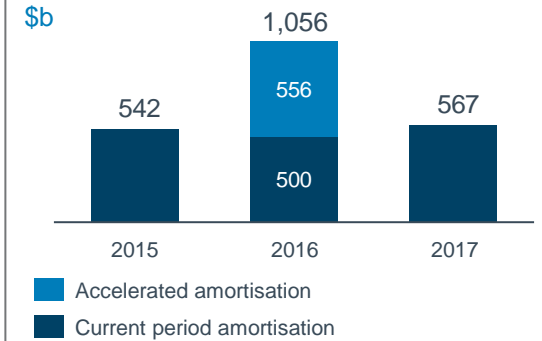
### SPEND BY DIVISION



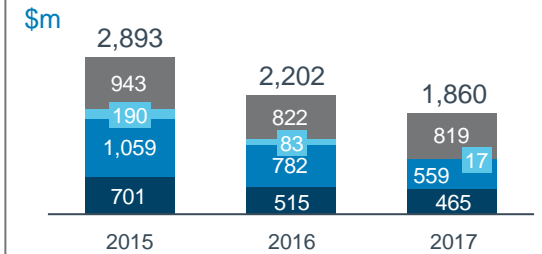
TSO & Group Centre  
Wealth, Asia Retail & Pacific  
Institutional  
Aus. & NZ Divisions

## CAPITALISED SOFTWARE

### AMORTISATION



### BALANCE



TSO & Group Centre  
Wealth, Asia Retail & Pacific  
Institutional  
Aus. & NZ Divisions

1. Excluding Markets other income and Share of Associates Profit

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# 2017 FULL YEAR RESULTS

CORPORATE PROFILE

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED



# CORPORATE PROFILE

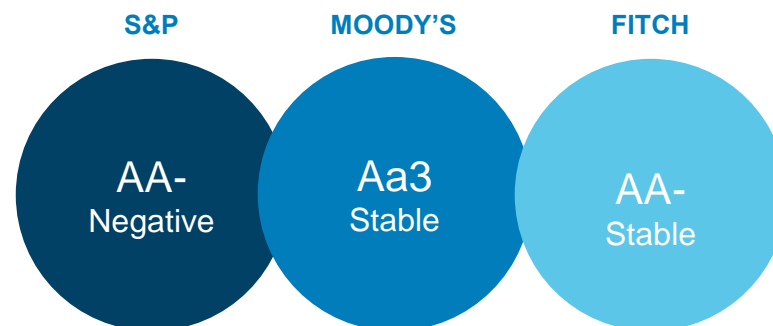
## CORPORATE PROFILE

- ANZ is a top 5 listed corporate in Australia and number one bank in New Zealand
  - Market capitalisation of AU\$86.9b<sup>1</sup>
  - Total Assets of AU\$897.3 billion<sup>1</sup>
- We operate in 34 markets across
  - Australia
  - New Zealand
  - Asia
  - Pacific
  - Europe
  - America
  - Middle East
- Our ~45,000 staff serve retail, commercial and institutional customers through
  - consumer and corporate offerings in our core markets, and
  - Regional trade and capital flows across the region
- We have over 550,000 shareholders and paid ~\$5b in dividends in 2017

## PURPOSE AND VISION

- Shape a world where people and communities thrive
- Build the best connected and most respected bank in the region

## CREDIT RATING



1. As at 30 September 2017

# STRATEGIC PROGRESS- EXAMPLES

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## Create a simpler, better capitalised, better balanced and more agile bank

### Reduce operating costs and risks by removing complexity and exiting low return and non-core businesses

- Reduction of Institutional CRWA by \$46 billion over two years, \$18b year on year
- \$8 billion increase in Retail and Commercial CRWA (FY17 vs FY16)
- 53% of Group Capital is now allocated to the Retail and Commercial businesses in Australia and NZ
- The Group CET1 ratio was 10.6% at 30 September 2017
- Completion of announced asset disposals will deliver an estimated additional 80 bps of capital by the end of FY18.
- Group costs have reduced 9% in absolute terms (FY17 vs FY16) for the first time since 1999

## Focus are efforts on areas where we can carve out a winning position

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

- Introduction of First Home Buyer coaches to assist customers navigate the home buying process
- Increased number of retail customers in Australia from 5.3m to 5.6m
- In New Zealand we hold a leading position in overall brand consideration (51%)
- Small business lending in Australia was steady year on year with deposits up 9%. In New Zealand lending increased 5% with deposits up 7%
- Institutional Payments and Cash Management business is now 21% of Institutional income, up from 19% in FY15
- Our Institutional business in Aus & NZ ranks No.1 for overall market and lead penetration and the quality of our service<sup>1</sup> and a top 4 Corporate Bank in Asia for a fifth successive year<sup>2</sup>

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

2. Greenwich Associates 2016 Asian Large Corporate Banking Study (issued in March 2017): ANZ ranked =No.4

# STRATEGIC PROGRESS - EXAMPLES

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## Build a superior everyday experience for our people and customers in order to compete in the digital age

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

- The only bank to offer payment options across Apple Pay, Android Pay, Samsung Pay and FitBit Pay – backed by the ability to make high value transactions easier with the introduction of voice biometrics
- Expanded accessibility features for ANZ Visa Debit cards including features to assist customers with visual impairment and reading difficulties
- Acquired online property site RealAs to bolster our digital offering in Australia's property market
- Added to our small business product offering through our employment hero partnership while adding to our payments capability with BladePay and FastPay Next Generation

## Drive a purpose and values led transformation of the Bank

### Create a stronger sense of core purpose, ethics and fairness, investing in leaders who can help sense and navigate a rapidly changing environment

- Established CEO-led Responsible Business Committee and revised Charter of ES&G Board Committee
- Contributed \$131m in community investment supported by 113k community volunteering hours by employees.
- Introduced 'The ANZ Way', focusing on ANZ's purpose, strategy, refreshed values and Code of Conduct
- Introduced a new 'balanced scorecard' incentive plan in our branches and retail banking contact centres in Australia
- Implemented key priorities of our revised Human Rights Standards, including strengthened customer due diligence and employee training

1. Peter Lee Associates 2017 Large Corporate and Institutional Relationship Banking surveys, Australia and New Zealand (issued in June and August 2017 respectively)  
2. Greenwich Associates 2016 Asian Large Corporate Banking Study (issued in March 2017): ANZ ranked =No.4

# CORPORATE SUSTAINABILITY

## CORPORATE SUSTAINABILITY FRAMEWORK

Our Corporate Sustainability Framework supports ANZ's business strategy and is aligned with the bank's Purpose.

The Framework has three key areas of focus: Sustainable Growth, Social and Economic Participation and Fair and Responsible Banking.



Our 2017 Corporate Sustainability Review, discussing progress against the bank's FY17 sustainability targets, will be available on [anz.com/cs](http://anz.com/cs) on 12 December 2017.

## OUR MATERIAL ISSUES

Through our annual materiality assessment we engage with a range of internal and external stakeholders to build a clear picture of the ESG risks and opportunities that have the most potential to impact our ability to create value. Stakeholder feedback informs our sustainability approach, reporting and public targets.

In 2017, the top rated issues remained similar to those in 2016:

**Fairness and ethical conduct:** stakeholders want us to 'work harder to get it right' and supported cultural change being driven from the highest level within ANZ.

**Fraud and data security:** stakeholders consider we have a key role in educating customers and the wider community about cyber security and must ensure our policies and processes prevent fraud and protect customer data.

**Responsible lending to business:** stakeholders consider the social and environmental impacts of our business lending decisions are core to risk management.

**Customer experience:** stakeholders highlighted fairness, transparency and simplicity of products as central to building customer and community trust.

**Digital innovation:** stakeholders consider keeping pace with digital innovation and customer expectations is core to ANZ's ability to compete successfully now and in the long term.

# CORPORATE SUSTAINABILITY

## FY17 PERFORMANCE ON TARGETS

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<b>FAIR &amp; RESPONSIBLE BANKING</b>	<p>Implemented key priorities of our revised Human Rights Standards, including strengthened customer due diligence and employee training</p> <p>Cyber security education delivered to &gt;60,000 customers</p> <p>Implemented and embedded a third party risk screening tool covering ESG risk for suppliers</p>
<b>SOCIAL AND ECONOMIC PARTICIPATION</b>	<p>Almost 500,000 people reached through our financial inclusion programs<sup>1</sup></p> <p>250 people employed from under-represented groups<sup>2</sup></p> <p>184,576 customers have registered for goMoney™ in the Pacific<sup>3</sup></p> <p>41.5% women in management positions<sup>4</sup></p>
<b>SUSTAINABLE GROWTH</b>	<p>Funded and facilitated \$6.9 billion in low carbon and sustainable solutions, such as green buildings, low emissions transport, green bonds, renewable energy, efficient irrigation and low emissions gas power generation, since 2015</p> <p>Reduced carbon emissions from premises energy by 20% against 2013 baseline</p>

The information provided covers the period 1 October 2016 – 30 September 2017 and has not been externally assured. Our full year Corporate Sustainability Review, to be released 12 December 2017, will be assured by KPMG and include our performance against all FY17 targets. 1. This is the estimated number of people who have benefitted from ANZ's MoneyMinded and SaverPlus programs since 2003. 2. Includes Aboriginal and Torres Strait Islander people, people with a disability and refugees. 3. Cumulative total since launch in 2013. 4. Employee headcount is used for the basis of this disclosure. Includes all employees regardless of leave status excluding contractors (which are included in FTE).



# CORPORATE PROFILE

## ANZ GROUP – FULL YEAR 2017 CASH PROFIT

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Providing products, services and solutions to Retail and Commercial customers through our Retail and Corporate & Commercial Banking businesses

**Retail:**

consumer and private banking customers

**Commercial:**

privately owned small, medium and large enterprises and agricultural business



Providing products, services and solutions to Retail and Commercial customers through our Retail and Commercial businesses

**Retail:**

consumer, wealth, private banking and small business customers

**Commercial:**

privately owned medium and large enterprises and agricultural business



Provides products, services and solutions to global Institutional and business customers across geographies

**Products:**

Cash, Loans & Specialised Finance, Trade and Markets

**Geographies:**

located in Australia, New Zealand, Asia, Europe, America, PNG and the Middle East



All figures provided on a Cash Basis for Full Year 2017

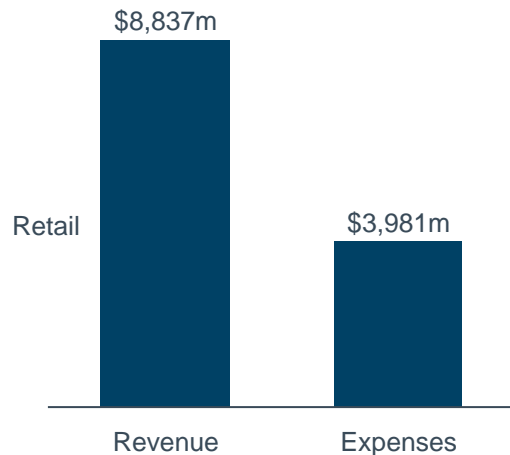
1. Other Includes: Wealth Australia (\$238m), Asia Retail & Pacific (-\$148m), Technology, Services & Operations and Group Centre (-\$52m). Other = \$38m



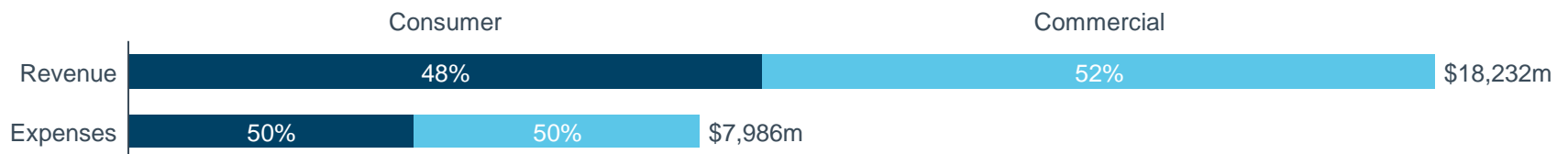
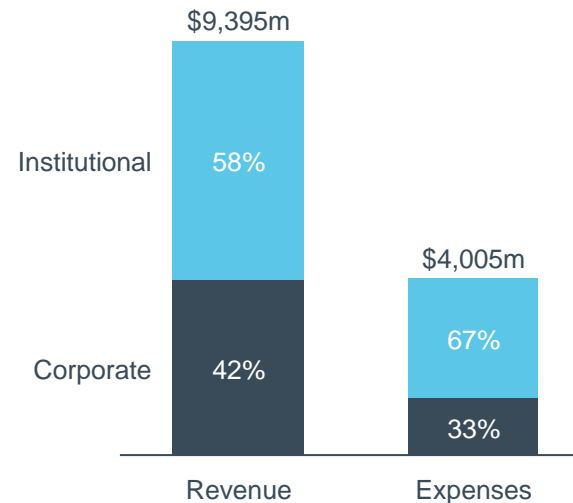
# CORPORATE PROFILE

ANZ GROUP – SEPTEMBER 2017 Revenue & Expenses

## CONSUMER (AUS & NZ)



## COMMERCIAL (AUS, NZ & International)

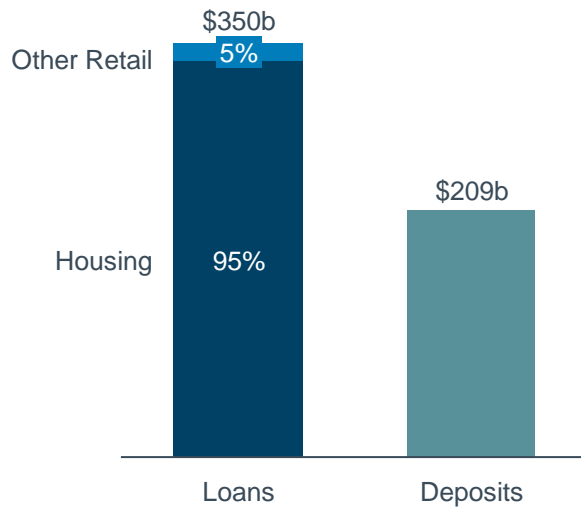


1. All figures provided on a Cash Basis for Full Year 2017
2. Other Includes: Wealth Australia, Asia Retail & Pacific, Technology, Services & Operations and Group Centre

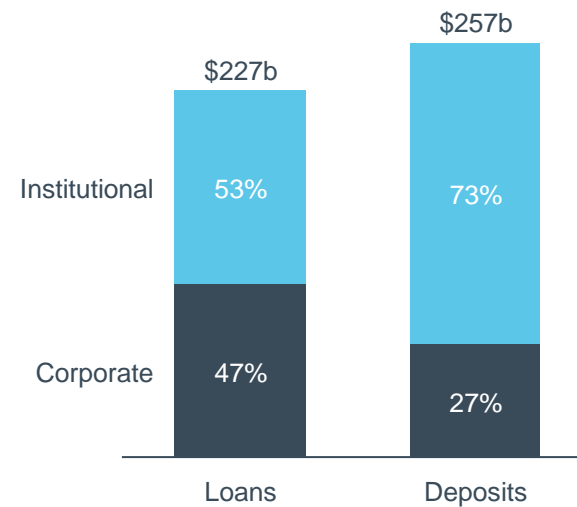
# CORPORATE PROFILE

ANZ GROUP – SEPTEMBER 2017 BALANCE SHEET

## CONSUMER (AUS & NZ)



## COMMERCIAL (AUS, NZ & International)

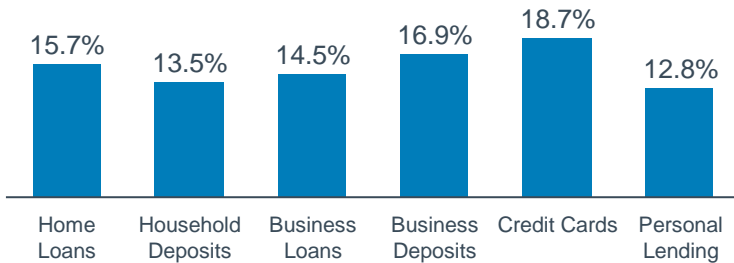


1. All figures provided on a Cash Basis for Full Year 2017
2. Other Includes: Wealth Australia, Asia Retail & Pacific, Technology, Services & Operations and Group Centre

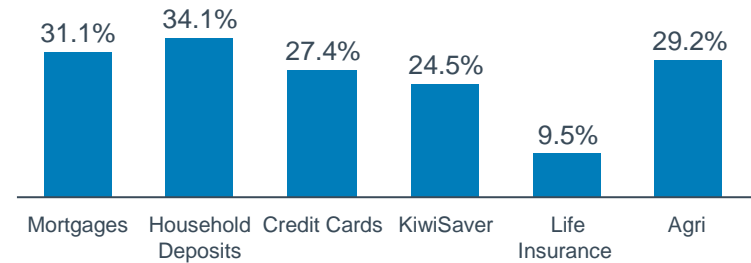
# CUSTOMER EXPERIENCE

## MARKET POSITION

### MARKET SHARE – AUSTRALIA<sup>1</sup>



### MARKET SHARE – NEW ZEALAND<sup>2</sup>

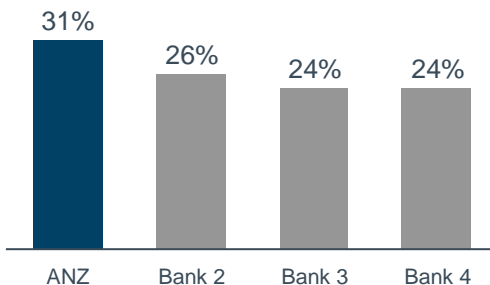


## INSTITUTIONAL DIVISION

### AUSTRALIA

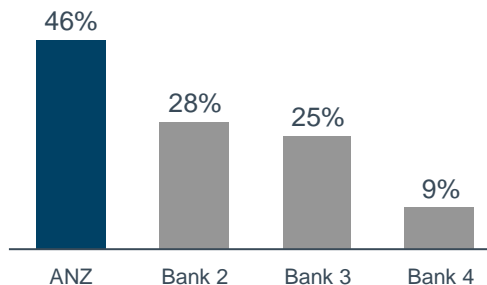
#### #1 Lead Bank Penetration<sup>3</sup>

Clear leadership positions for key performance indicators including overall market penetration, lead penetration and quality of service (Relationship Strength)



### NEW ZEALAND

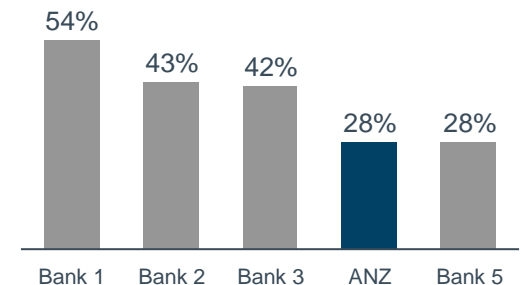
#### #1 Lead Bank Penetration<sup>3</sup>



### ASIA

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

Top 4 Corporate Bank in Asia for a fifth successive year<sup>2</sup>



1. APRA Monthly Banking Statistics as at August 2017. 2. Sources: Mortgages - RBNZ, share of all banks as of August 2017, Kiwisaver - IRD, FUM market share as of June 2017, Life insurance - (Financial Services Council), share of all providers as of June 2017. 3. Peter Lee Associates 2017 Large Corporate and Institutional Relationship Banking surveys, Australia and New Zealand (issued in June and August 2017 respectively); ranked against the Top 4 competitors. 4. Greenwich Associates 2016 Asian Large Corporate Banking Study (issued in March 2017): ANZ ranked =No.4 (2017 results published March 2018)

# CUSTOMER EXPERIENCE

## STRONG FOUNDATION BUILT TO CAPITALISE ON EMERGING MOBILE PAYMENTS LANDSCAPE

### BUILDING KEY CAPABILITIES

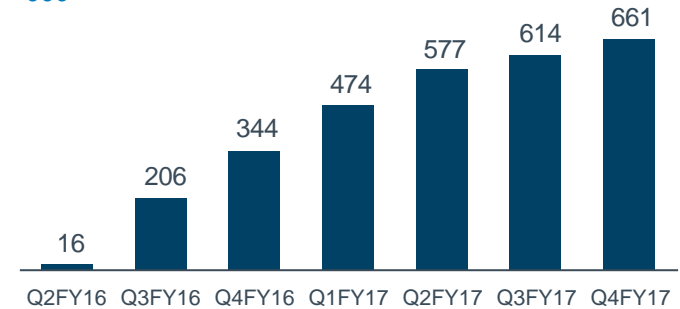
#### KEY ACHIEVEMENTS:

- 661k cards provisioned across eligible devices in digital wallets with particularly strong adoption of Apple Pay
- Ongoing customer engagement and adoption with digital wallets with 31m transactions and \$1b spend since launch
- Continued to strengthen ANZ's leadership position in Mobile Payments through launch of ANZ with Samsung Pay, Fitbit Pay and virtual Apple Pay provisioning through goMoney
- Enabled Australia's domestic payments system, eftpos, to join mobile payments revolution through partnership with Apple Pay
- Close attention to managing risk and regulatory landscape
- Demonstrated capability to partner and deliver to customer needs – underlying capabilities are scalable



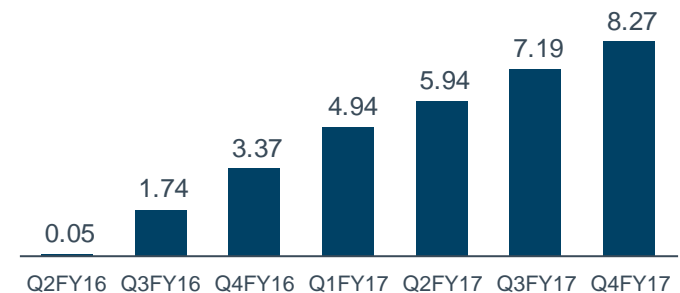
### DIGITAL WALLET ADOPTION

Volume of cards provisioned and available per quarter '000



### DIGITAL WALLET USAGE

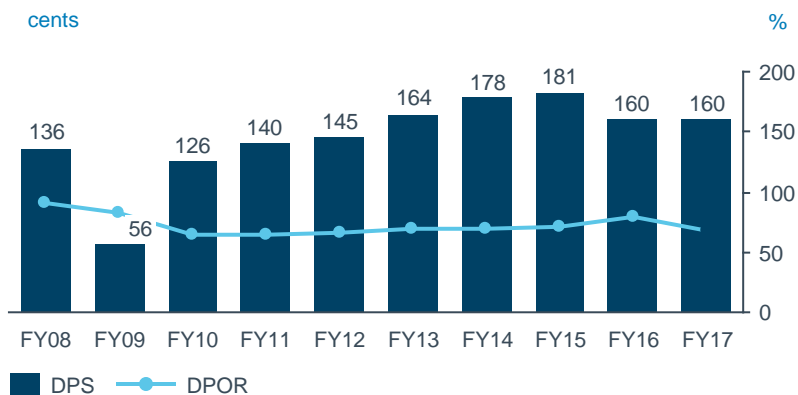
Volume of transactions per quarter m



# SHAREHOLDER RETURNS

## 10 YEAR PERFORMANCE

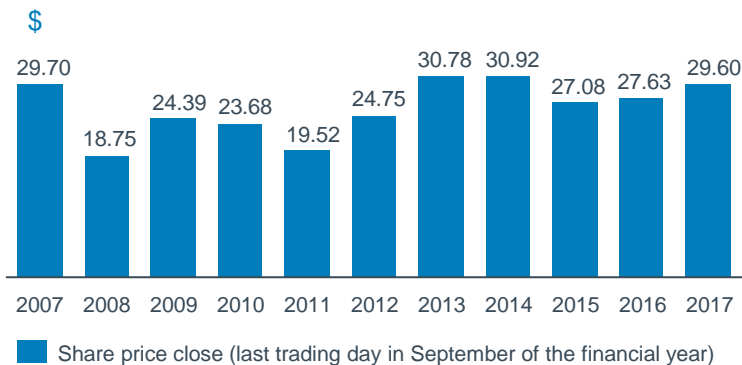
### DIVIDEND PER SHARE



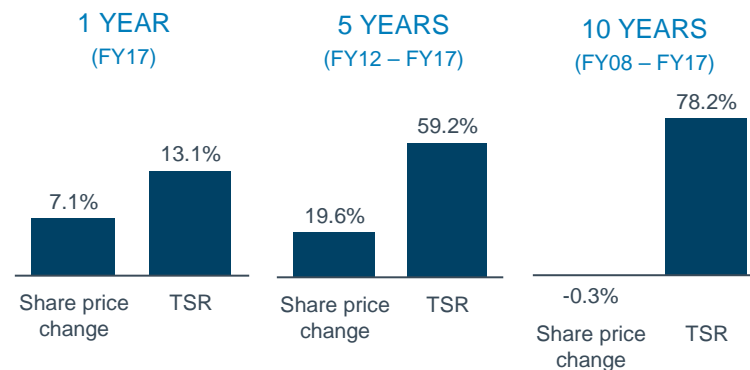
### DIVIDEND CONSIDERATIONS

- Setting a conservative, sustainable DPS
- Confidence in the strong ongoing capital generation (NPAT) in our Retail / Commercial businesses and continued capital efficiency in Institutional
- Credit quality trends
- Expected capital requirements
- The impact of expected asset sales on earnings and on opportunities for capital management initiatives
- Importance of stable payout ratio and franking credits

### SHARE PRICE



### TOTAL SHAREHOLDER RETURN



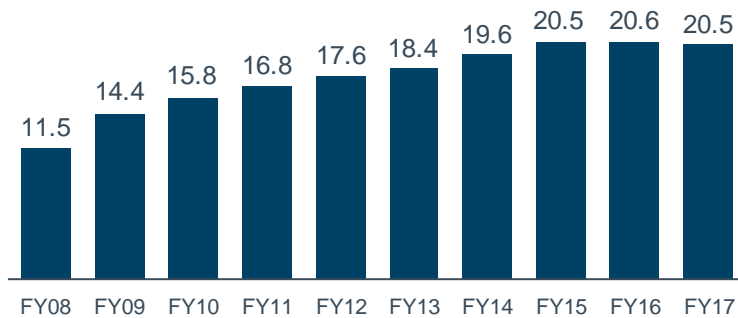
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# FINANCIAL PERFORMANCE

## 10 YEAR PERFORMANCE – CASH BASIS

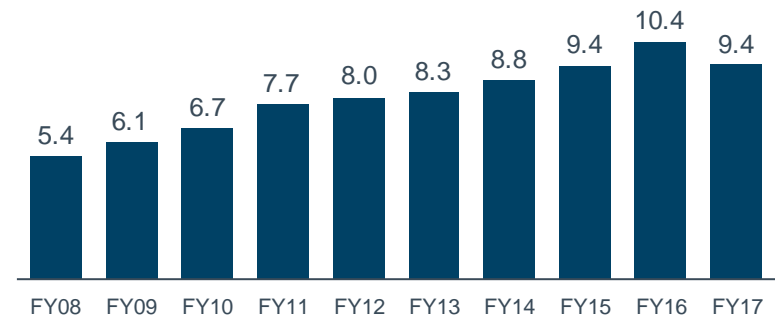
### REVENUE

\$b



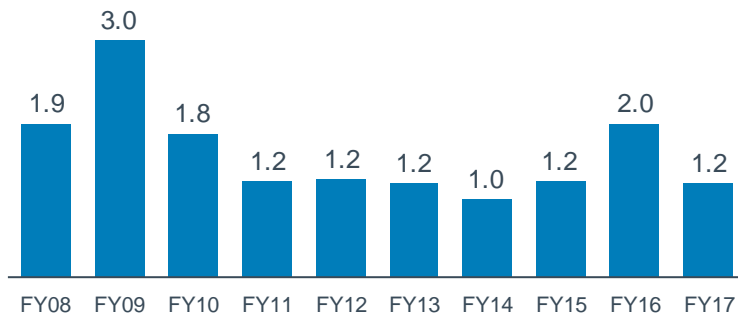
### EXPENSES

\$b



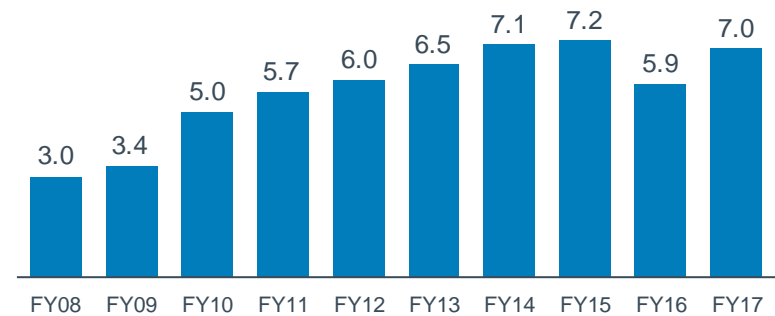
### PROVISIONS

\$b



### CASH PROFIT

\$b

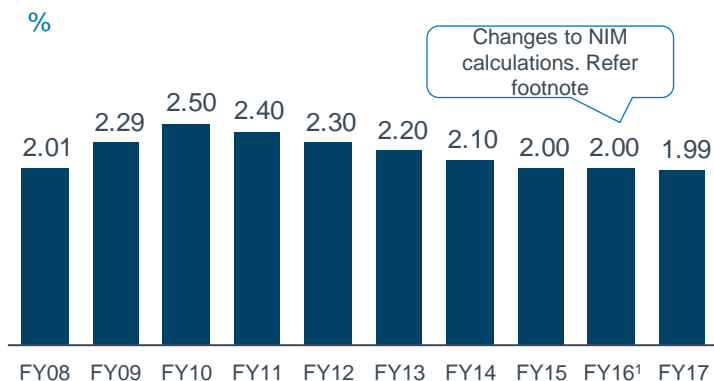


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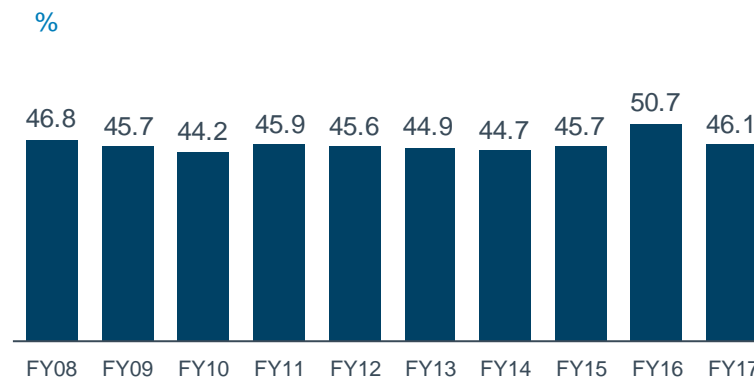
# FINANCIAL PERFORMANCE - RATIOS

10 YEAR PERFORMANCE – CASH BASIS<sup>1</sup>

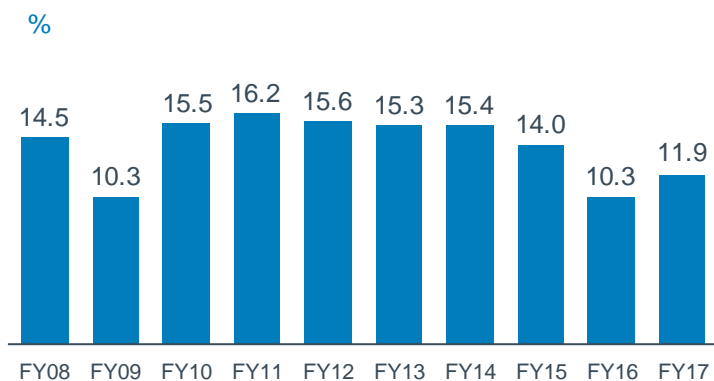
## NET INTEREST MARGIN



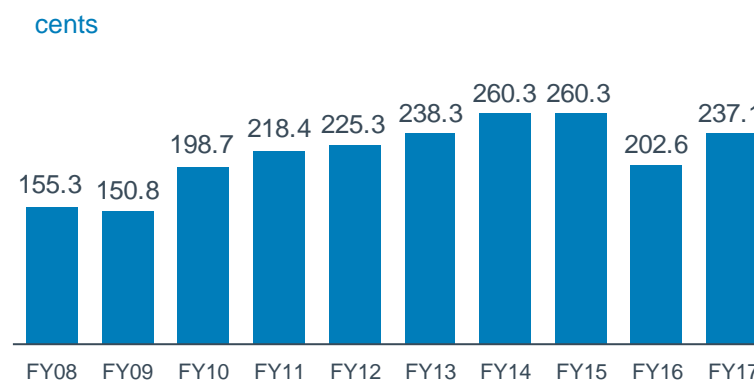
## COST TO INCOME



## RETURN ON EQUITY



## EARNINGS PER SHARE



1. In the March 2017 half, the group changed its calculation of net interest margin to net home loan deposit offset balances against total interest earning assets. The revised 2016 NIM is 2.07%

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# 2017 FULL YEAR RESULTS

BUSINESS PERFORMANCE

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED

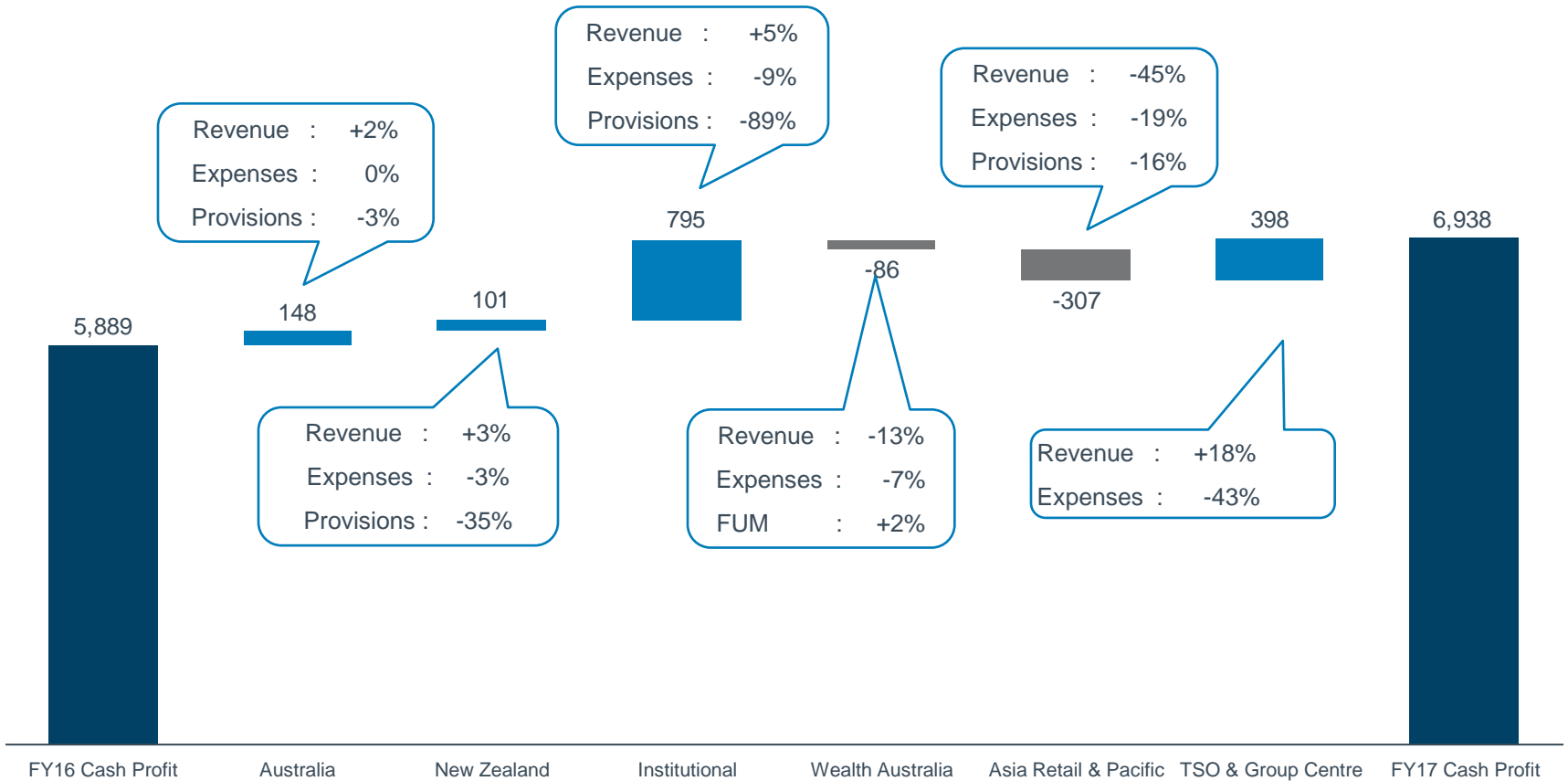




# FINANCIAL PERFORMANCE

## DIVISIONAL CONTRIBUTION TO CASH PROFIT

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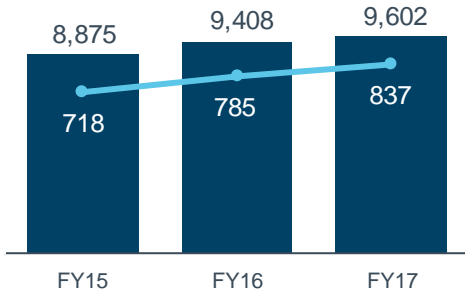
1. Growth rates on a PCP basis (FY17 v FY16)

# AUSTRALIA

## FINANCIAL PERFORMANCE

### REVENUE

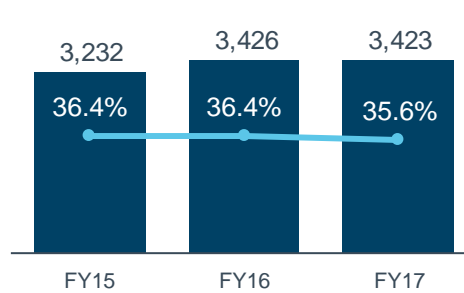
\$m



■ Revenue —●— Revenue/Avg FTE (\$k)

### EXPENSES

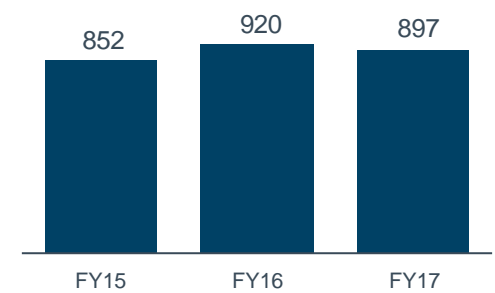
\$m



■ Expenses —●— CTI

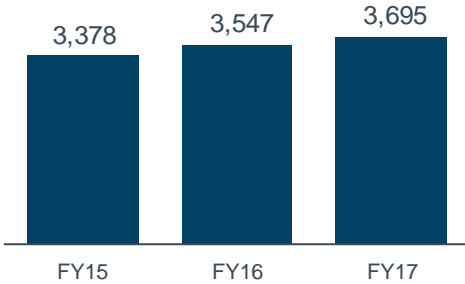
### TOTAL PROVISIONS

\$m



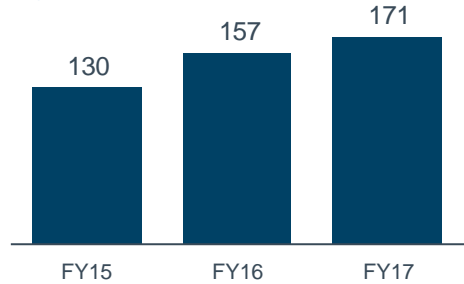
### CASH PROFIT

\$m



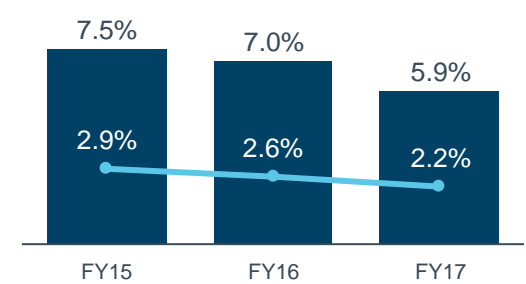
### RISK WEIGHTED ASSETS

\$b



### RETURN<sup>1</sup>

%



■ Return on RWA —●— Revenue/RWA

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# AUSTRALIA DIVISION

## PRIORITIES

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	PRIORITIES	ACTIONS	METRICS	MOVEMENTS		
				FY15	FY16	FY17
STRATEGIC FOCUS	Create a simpler, better capitalised, better balanced and more agile bank	Simplified products	# Products decommissioned	<10	<10	47
		More digital branches	# Digital branches	5	40	81
		More self service	# OTC transactions	37.3m	33.8m	29.1m
		More digital sales	Digital % of retail sales	15%	16%	21%
		More digitally active customers	Digital active customers	2.9m	3.0m	3.3m
	Focus efforts on attractive areas where we can carve out a winning position	Attract more customers	# Retail Customers	5.3m	5.4m	5.6m
		Deepen customer relationships	Retail Customers holding >1 Product	59.0%	59.9%	60.6%
		Grow FUM above system	Commercial Cross Sell (% growth)	4.8%	10.8%	6.7%
			HL (ANZ vs system) <sup>1</sup>	1.2x	1.0x	1.2x
			Household Deposits (ANZ vs system) <sup>1</sup>	0.9x	0.6x	1.1x
	Build a superior experience for our people and customers to compete in the digital age	Launch innovative solutions to improve banker & customer experience	Android Pay transaction (000's)	-	138	1,871
			Bladepay transactions (000's)	-	n/a	62
			Electronic verification uptake (trans / month)	-	4,405	9,828

Innovative solutions in place, improving the banker and customer experience



BladePay



Apple Pay™



Android Pay™, ANZ Mobile Pay, Samsung Pay



FitBit™ Pay



VoiceID to authorise payments



41 new digital branches, full range of digital banking options

Digital Branches



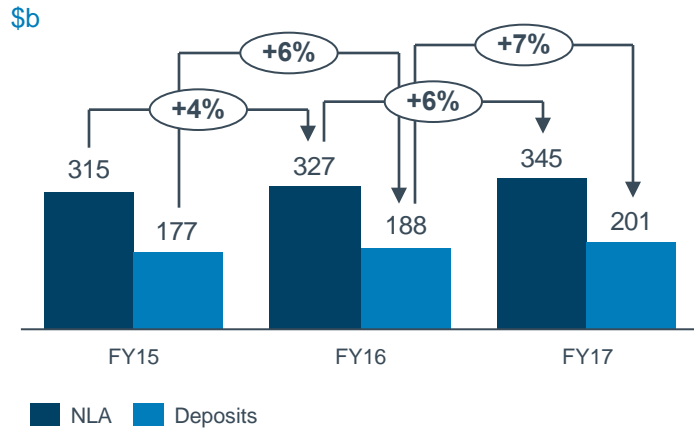
Improved Frontline Tools for our bankers

1. APRA System growth numbers up to Aug-17

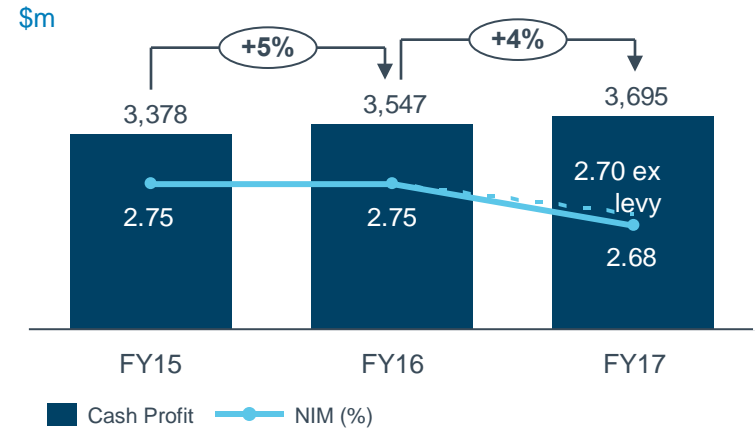
# AUSTRALIA DIVISION

CONSISTENTLY DELIVERING SUSTAINABLE RESULTS

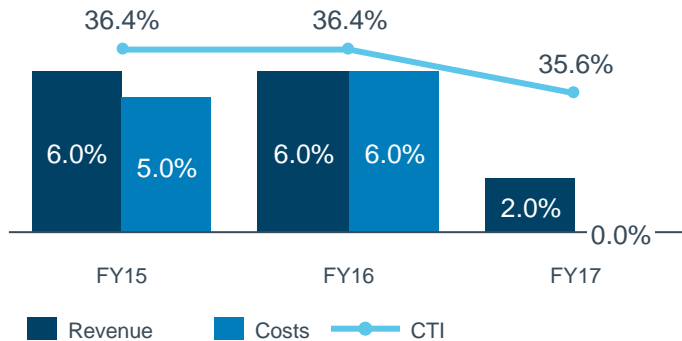
## CONSISTENT GROWTH



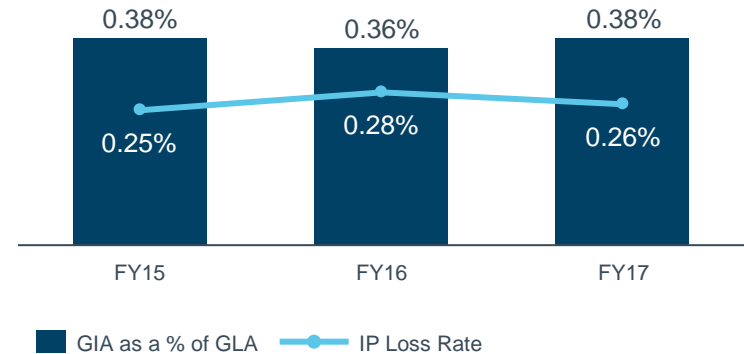
## SUSTAINABLE RETURNS



## RIGHTSIZING OUR COST BASE



## MANAGING OUR RISK



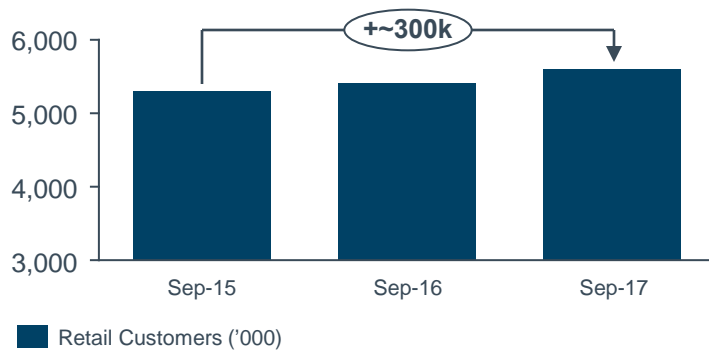
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# AUSTRALIA DIVISION

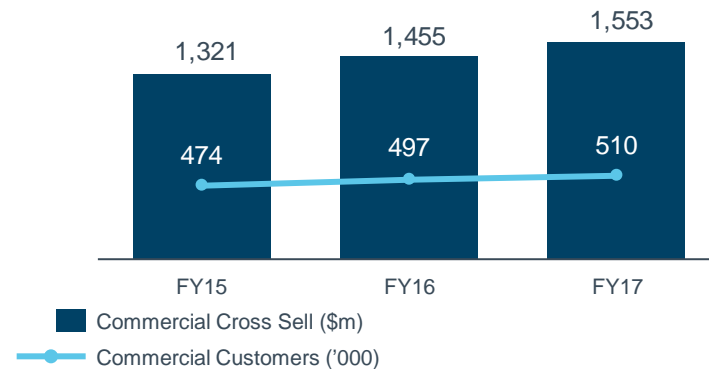
MORE CUSTOMERS, MORE ENGAGEMENT

## MORE RETAIL CUSTOMERS

000's

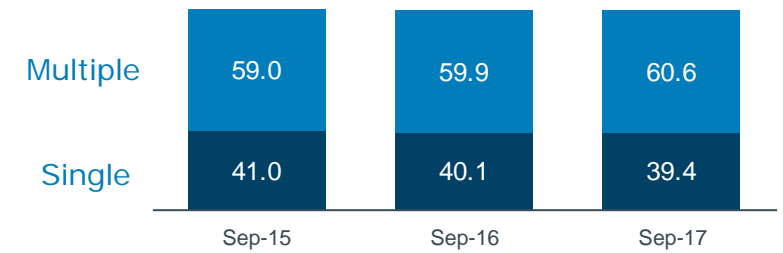


## MORE BUSINESS RELATIONSHIPS

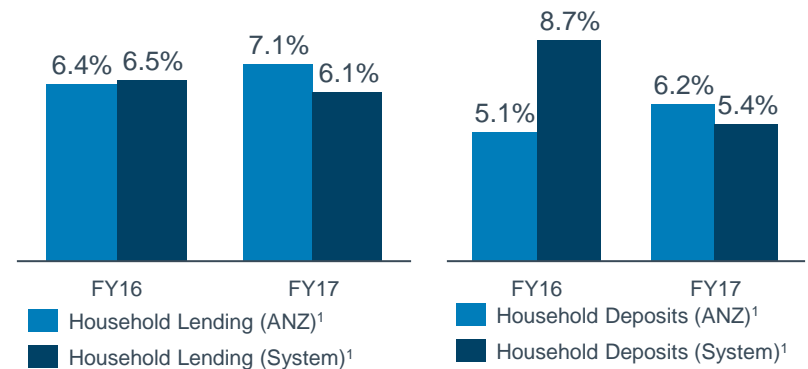


## MORE PRODUCTS PER CUSTOMER

Retail Products Per Customer (%)



## BALANCED GROWTH



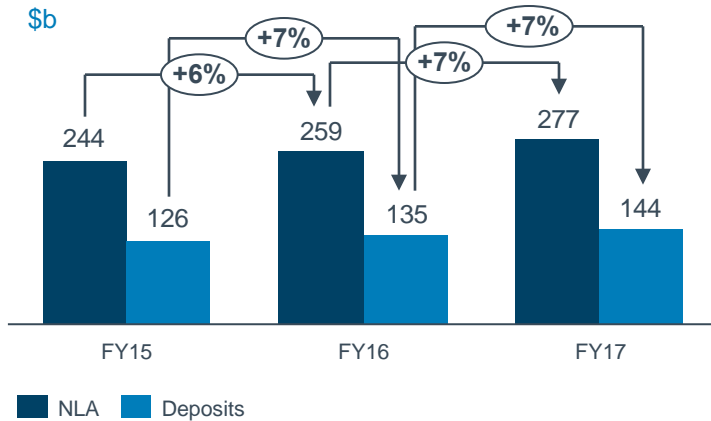
1. APRA System growth numbers up to Aug-17

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# AUSTRALIA DIVISION

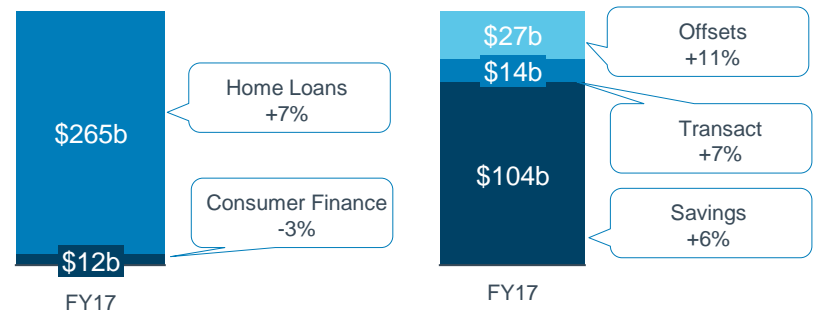
## RETAIL

### CONSISTENT GROWTH



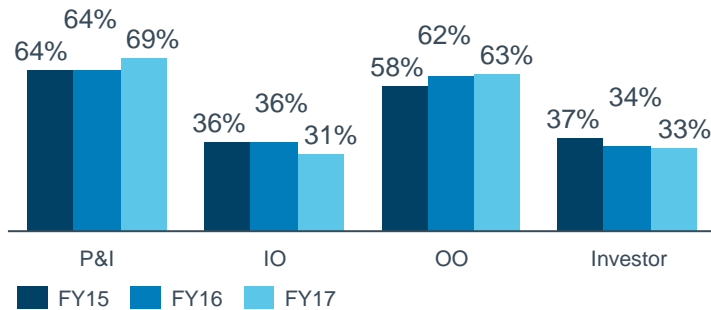
### FOCUSED GROWTH

Retail FUM (\$b) , PCP growth (%)

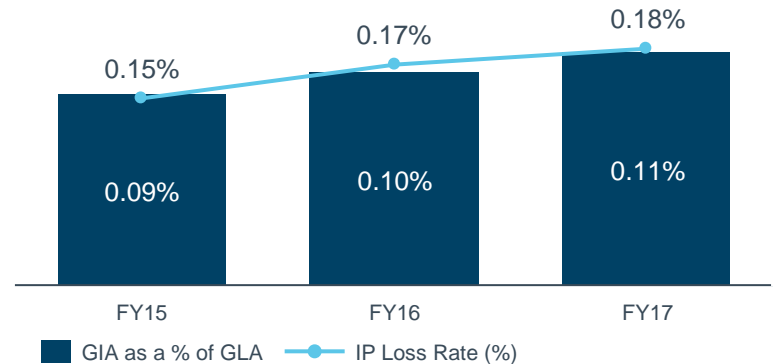


### RESPONDING TO REGULATORY CHANGES

Home Loans FUM



### MANAGING RISK

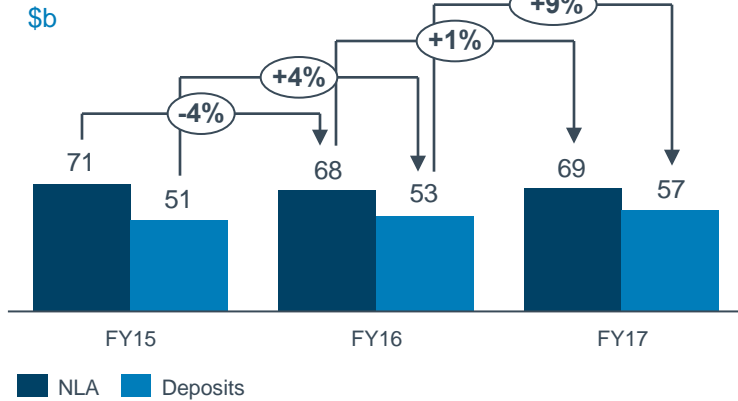


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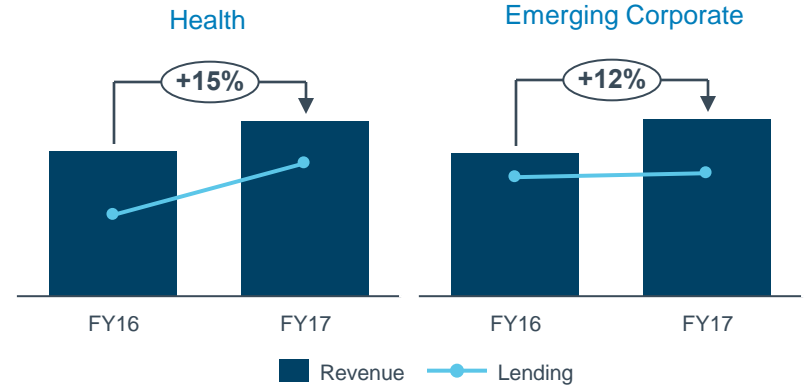
# AUSTRALIA DIVISION

## CORPORATE & COMMERCIAL BANKING

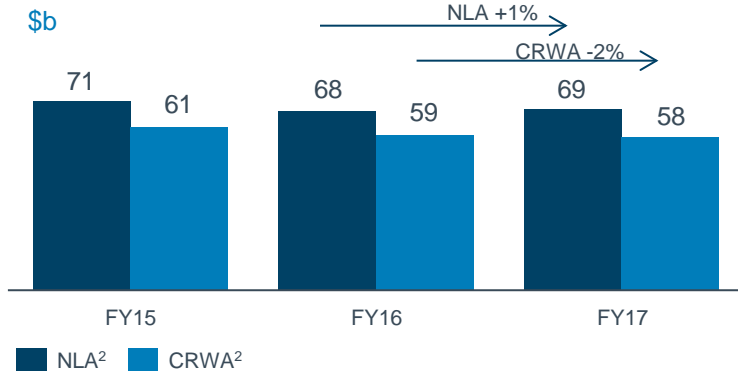
### BALANCED GROWTH



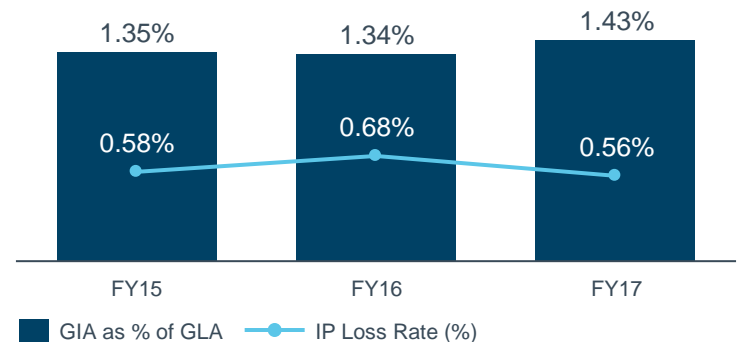
### GROWING PRIORITY SEGMENTS<sup>1</sup>- Revenue Growth



### IMPROVING CRWA PROFILE



### MANAGING RISK



1. Growth rates reflect Aug-17 pcp  
 2. On 1 November 2015, the Group sold the Esanda Dealer Finance portfolio with the majority of the business transferred by 31 December 2015

# AUSTRALIA DIVISION

## DIGITAL

### DELIVERING SUPERIOR EXPERIENCE FOR OUR PEOPLE AND CUSTOMERS



#### Cutting Edge Experiences

Launched Fitbit Pay™, Samsung Pay™ and delivered Touch ID, instant card replacement for customers with a digital wallet and voice biometrics for high value payments.



#### Helping Australians buy a house

- In its first month alone, 40 thousand unique visitors have used RealAs – Australia’s most accurate property price prediction service – to better buy their home.
- Launched HOLA, an online home loan service enabling customers to be “Auction Ready” within minutes – generating \$200m in FUM pipeline and now accounts for 25% of call centre home loans volumes.



#### Helping Australians start and run their business

- Partnered with Employment Hero to help our Small Business customers manage their employee base.
- Launched SBOS, reducing business loan processing times by up to 65% and enabling “Walk out working” - real time account opening for Deposit & Transaction products.



#### Leading with Data for our clients

Built a world class Institutional Data Science team enabling better client experience and winning ANZ new client business.



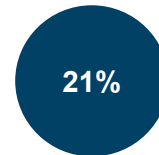
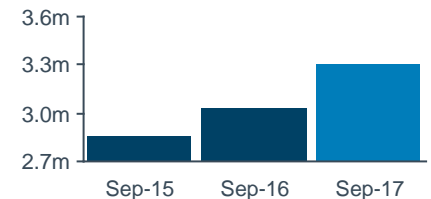
#### Making banking easier for our customers

- Opened 41 new digital branches with a full range of digital banking options including digital self-service.
- Launched PLCC, personal loans online in just a few steps, with an answer within 60 seconds.

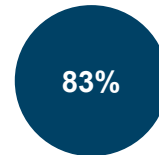
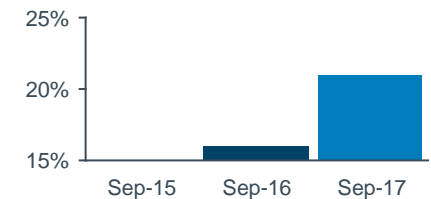
### TRANSLATING INTO BUSINESS OUTCOMES



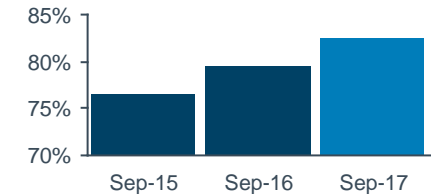
digitally active customers



of Australia retail sales are completed digitally



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

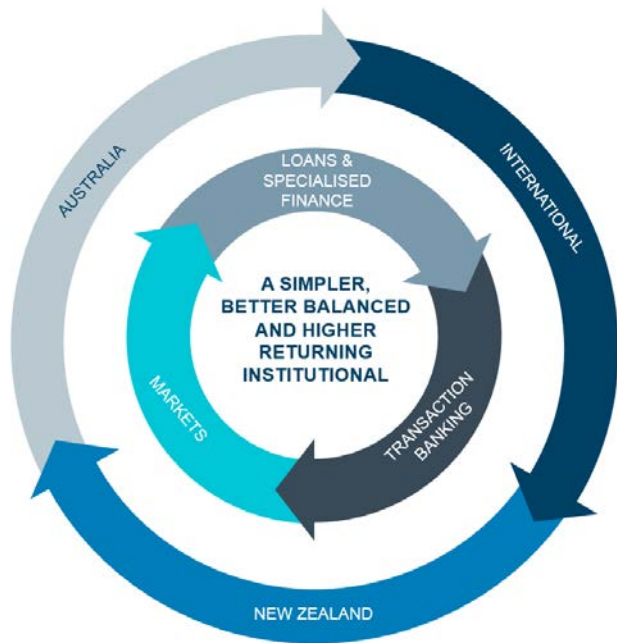


App logons weekly



# INSTITUTIONAL

## DELIVERING ON OUR STRATEGIC AGENDA



- RWA**                      \$50b (25%) reduction in RWA<sup>1</sup> by focussing on higher return, on-strategy priority segments
- SIMPLIFICATION**      22% fewer staff<sup>2</sup> and 5% reduction in costs<sup>2</sup> by simplifying and streamlining the business
- NETWORK**                36% of Australia and 29% of New Zealand revenue sourced from our International network<sup>3</sup>
- RISK & RETURN**        Lowered the risk profile<sup>4</sup> of the business and improved returns<sup>5</sup> of Institutional (15% higher) and the Group
- CUSTOMER**                Maintained our leading market position with customers, while transforming the business (37% fewer customers<sup>6</sup>)
- FUTURE FOCUSED**      Making targeted investment in priority channels and products to improve customer experience and position the business for profitable growth

1. Peak RWA was \$199b in January 2015; 2.FTE and expense reduction from FY15 to FY17; 3. From October 2016 to September 2017; 4. Weighted average CCR of the portfolio; 5. Cash profit divided by average risk weighted assets from FY15 to FY17; 6. From peak at September 2015; excludes Papua New Guinea

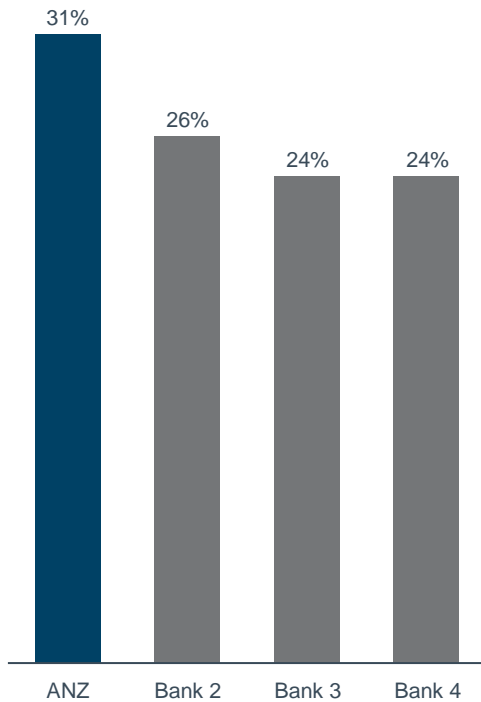
# INSTITUTIONAL

MAINTAINED OUR LEADING MARKET POSITIONS ACROSS OUR KEY GEOGRAPHIES

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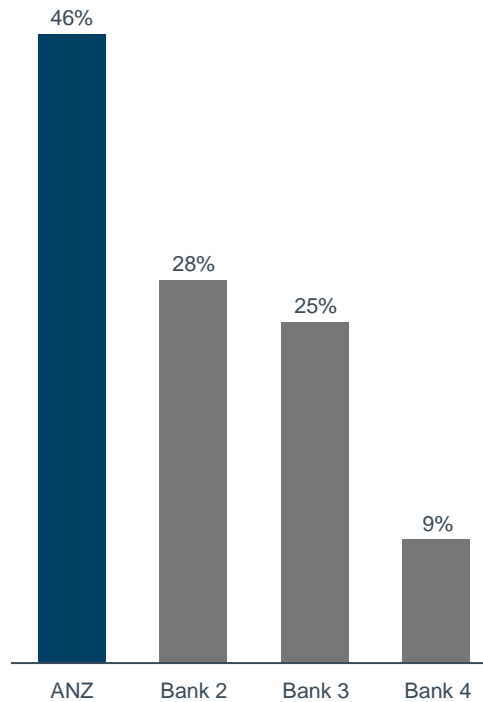
## AUSTRALIA

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



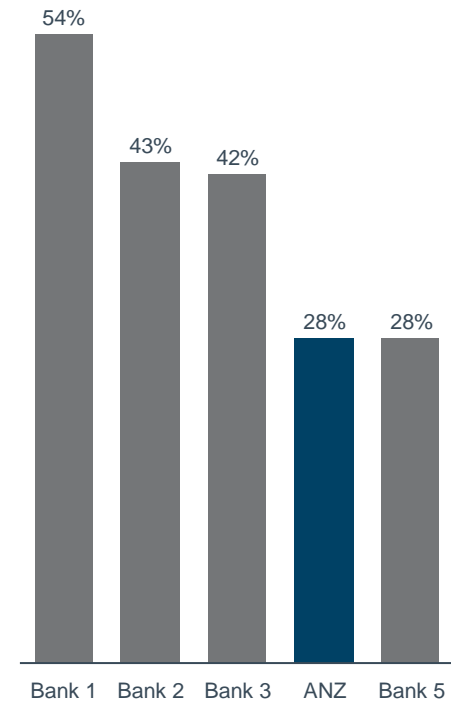
## NEW ZEALAND

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



## ASIA

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

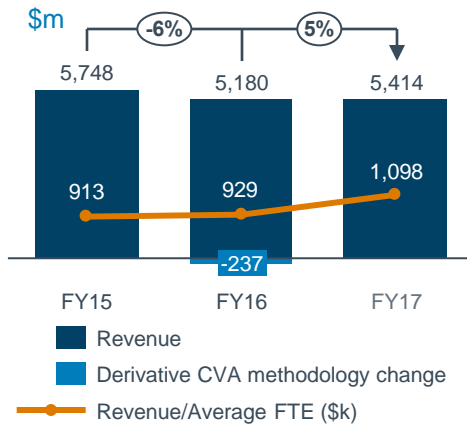


1. Peter Lee Associates 2017 Large Corporate and Institutional Relationship Banking surveys, Australia and New Zealand (issued in June and August 2017 respectively)  
2. Greenwich Associates 2016 Asian Large Corporate Banking Study (issued in March 2017): ANZ ranked =No.4

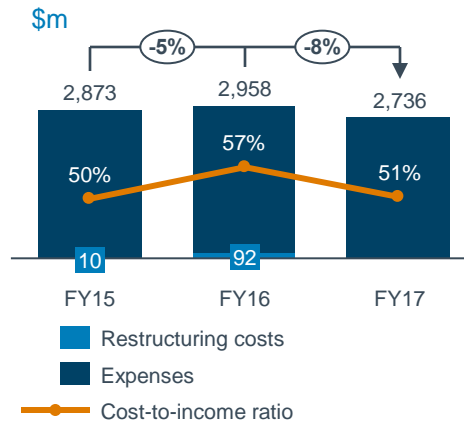
# INSTITUTIONAL

A SIMPLER, BETTER-BALANCED AND HIGHER RETURNING INSTITUTIONAL

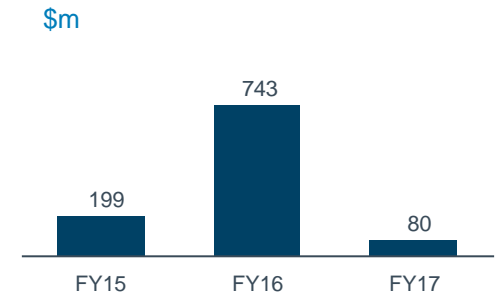
## REVENUE<sup>1</sup>



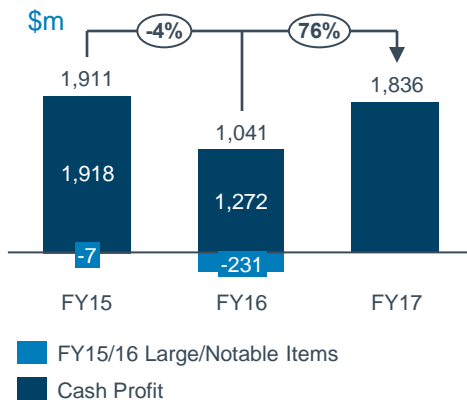
## EXPENSES<sup>1</sup>



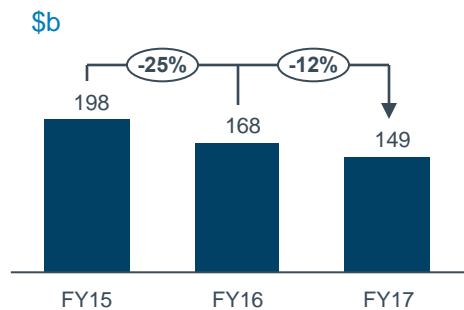
## TOTAL PROVISION CHARGES



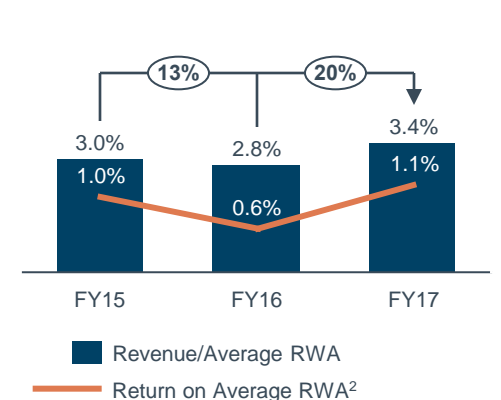
## CASH PROFIT<sup>1</sup>



## RISK WEIGHTED ASSETS



## RETURN<sup>1</sup>



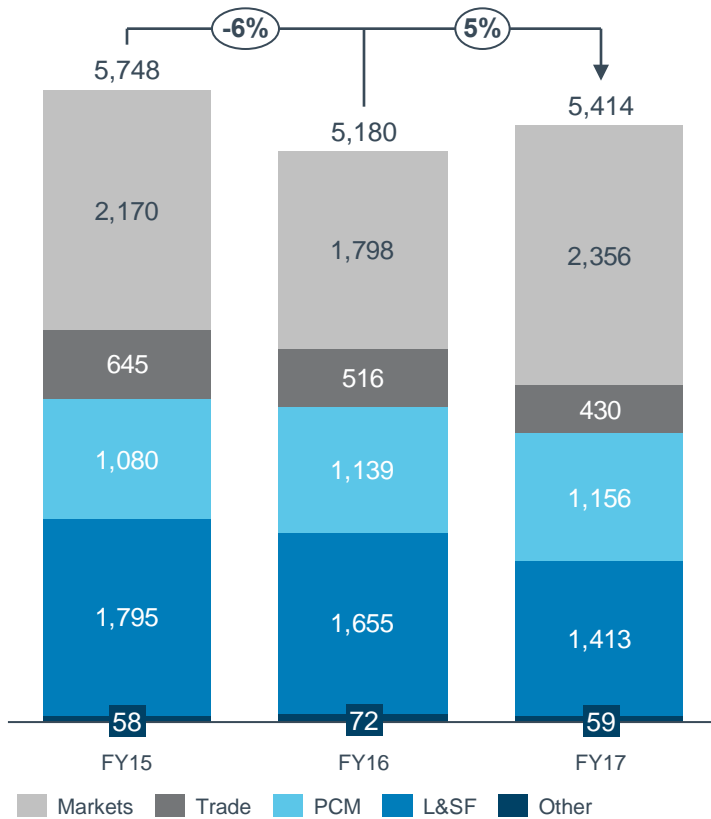
1. Excluding FY16 large/notable Items (derivative CVA methodology change and restructuring costs): Institutional revenue was \$3m (0%) lower; expenses were \$130m (5%) lower; cash profit was \$564m (44%) higher; and revenue/average RWA was 44bps (15%) higher in FY17  
 2. Cash Profit divided by average Risk Weighted Assets

# INSTITUTIONAL

STRONG MARKETS AND PCM RESULT, WITH L&SF AND TRADE REPOSITIONED

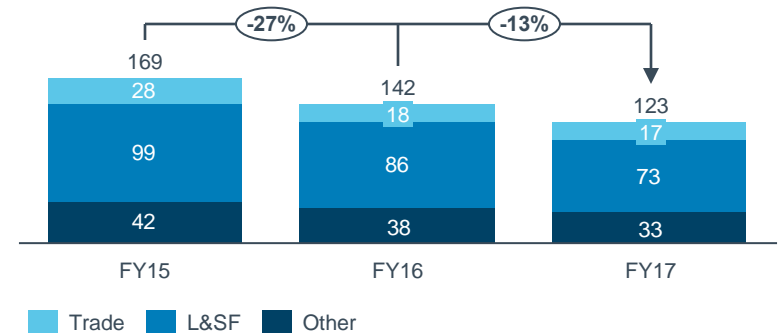
## REVENUE CONTRIBUTION<sup>1,2</sup>

\$m



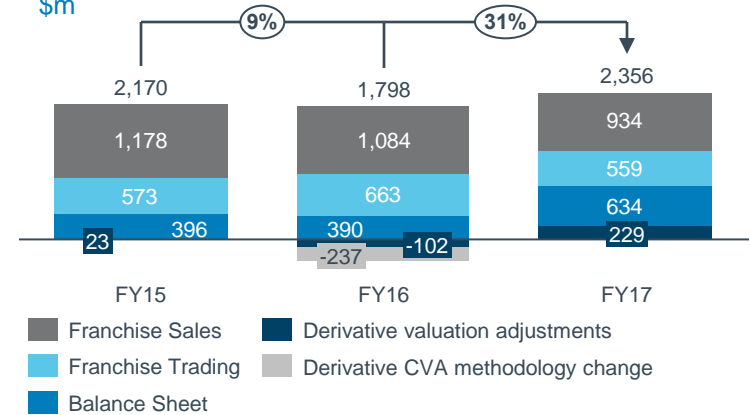
## CREDIT RISK WEIGHTED ASSETS

\$b



## MARKETS REVENUE<sup>2</sup>

\$m

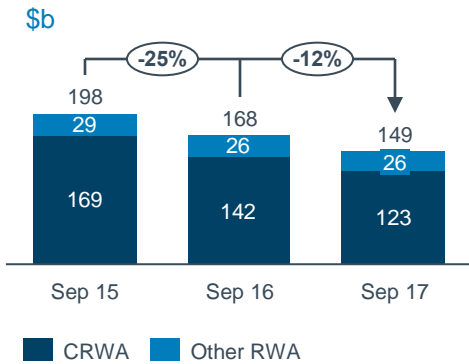


1. L&SF = Loans and Specialised Finance; Trade = Trade and Supply Chain; PCM = Payments and Cash Management
2. Excluding the \$237m FY16 Derivative CVA methodology change, Institutional revenue was \$3m (0%) lower; and Markets revenue was \$321m (16%) higher, in FY17
3. Cash Profit divided by average Risk Weighted Assets

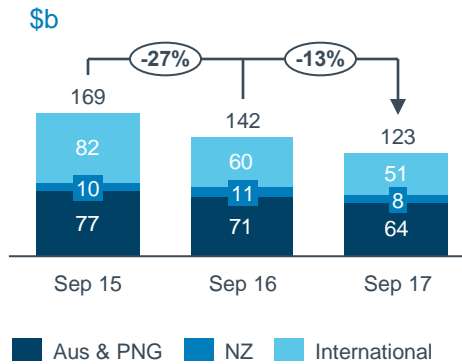
# INSTITUTIONAL

SMALLER, BETTER BALANCED AND HIGHER RETURNING

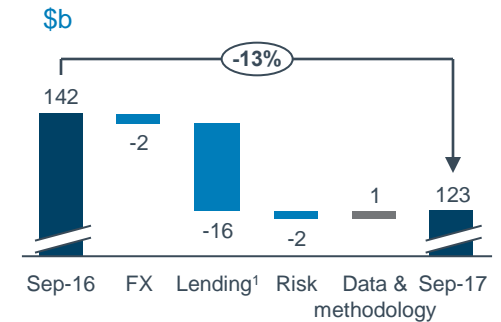
## TOTAL RWA



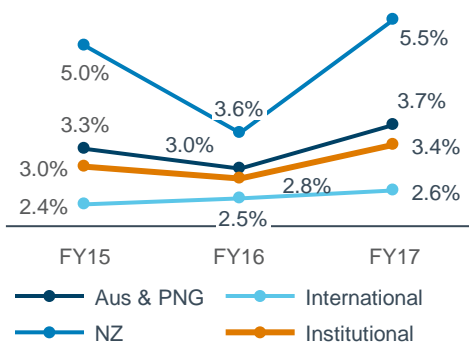
## CREDIT RWA



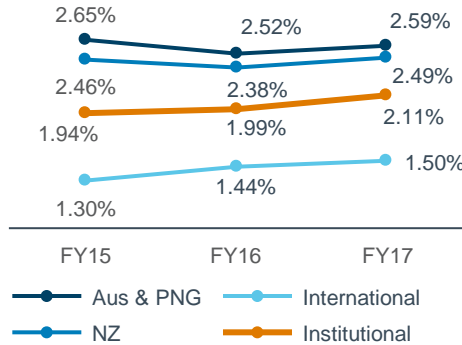
## CRWA REDUCTION



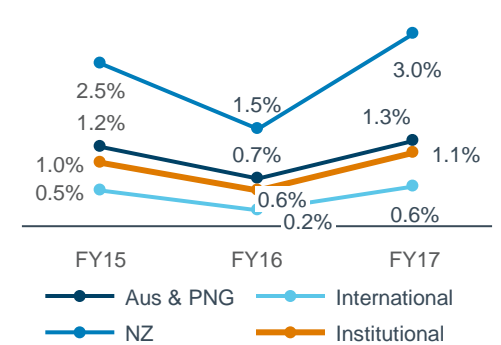
## REVENUE ON AVERAGE RWA



## RISK ADJUSTED NIM<sup>2</sup>



## RETURN ON AVERAGE RWA<sup>3</sup>

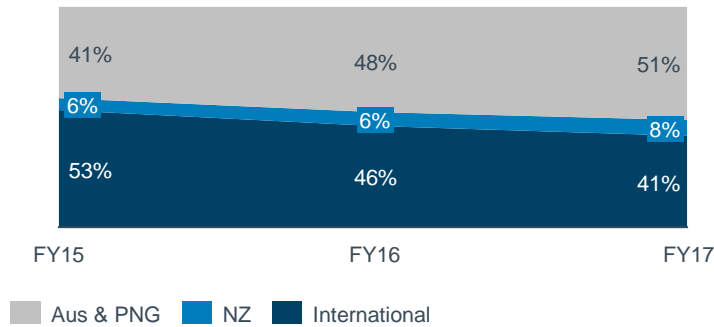


1. Lending movement comprises \$10b reduction from active client management, \$3b reduction from shorter tenor across the portfolio and \$3b from reduction in counterparty credit risk on derivatives  
 2. Institutional ex-Markets net interest income divided by average credit risk weighted assets  
 3. Cash profit divided by average risk weighted assets

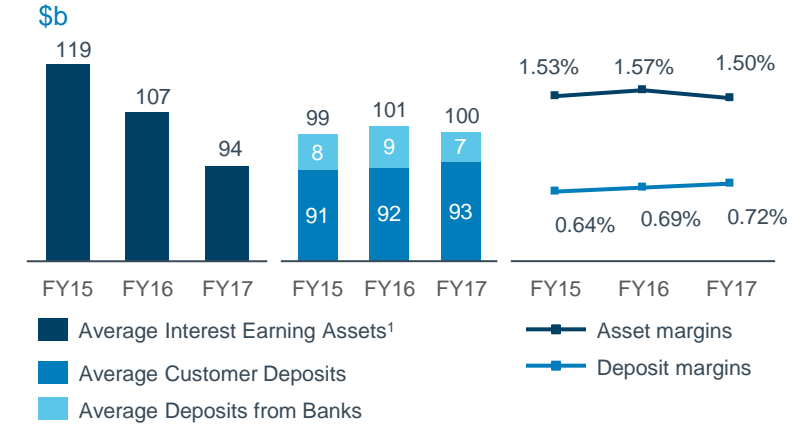
# INSTITUTIONAL

## OPTIMISING PORTFOLIO MIX AND MANAGING MARGINS

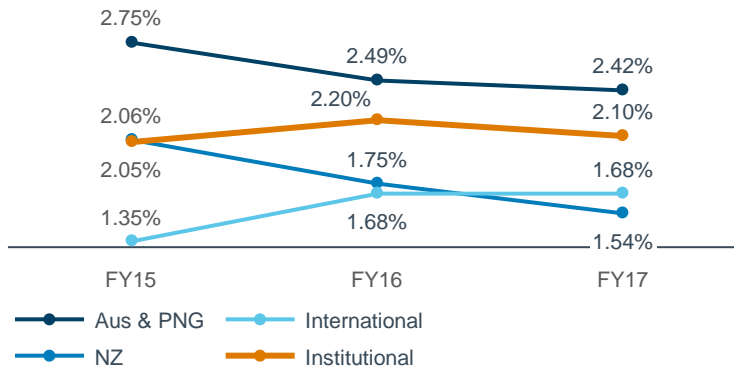
### INTEREST EARNING ASSETS<sup>1</sup>



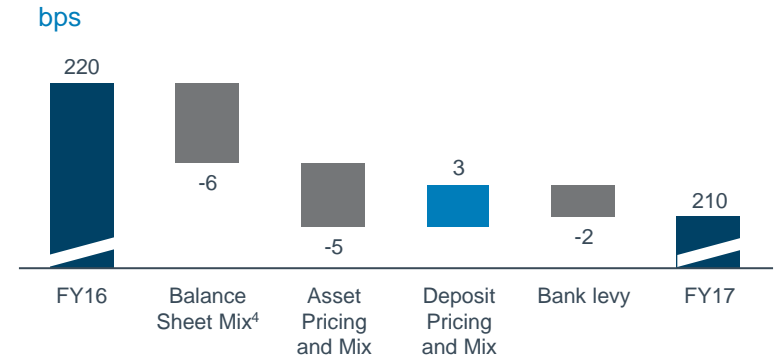
### VOLUMES AND MARGINS<sup>2</sup>



### NIM BY REGION<sup>3</sup>



### FY17 NIM<sup>3</sup>



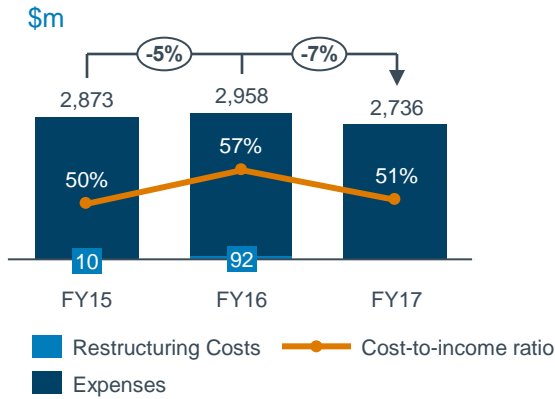
1. Average interest earning assets for L&SF and Trade; 2. Asset margins represents Loan Product, Specialised Finance and Trade. Deposit margins represents Payments and Cash Management; 3. Institutional ex-Markets net interest margin; 4. Balance sheet mix represents the portfolio level change between interest earnings assets and interest earning liabilities. In FY17, Institutional had higher interest earning liabilities than interest earning assets, and this mix change is dilutive to Institutional's net interest margin

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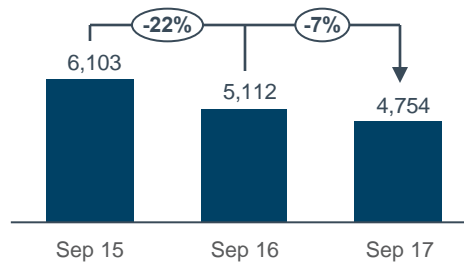
# INSTITUTIONAL

DRIVING PRODUCTIVITY BY SIMPLIFYING AND STREAMLINING THE BUSINESS

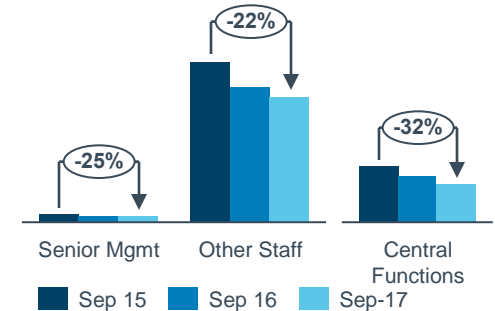
## EXPENSES<sup>1</sup>



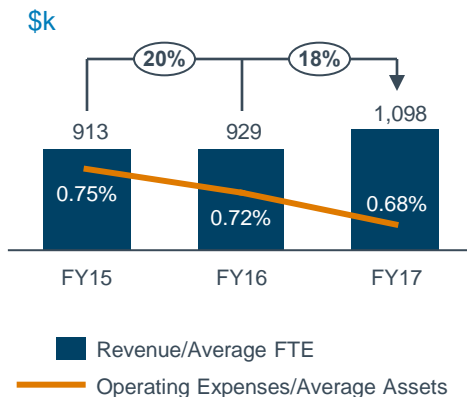
## FTE



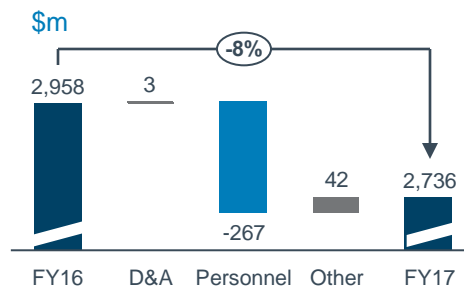
## FTE REDUCTIONS<sup>2</sup>



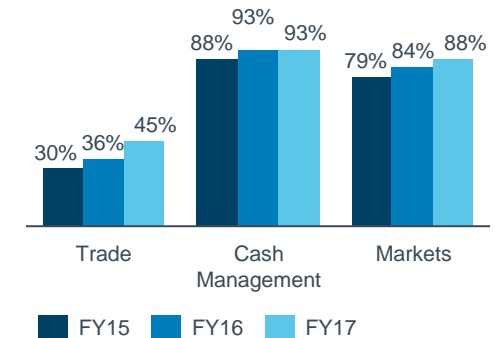
## PRODUCTIVITY<sup>1</sup>



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



## STP RATES<sup>3</sup>

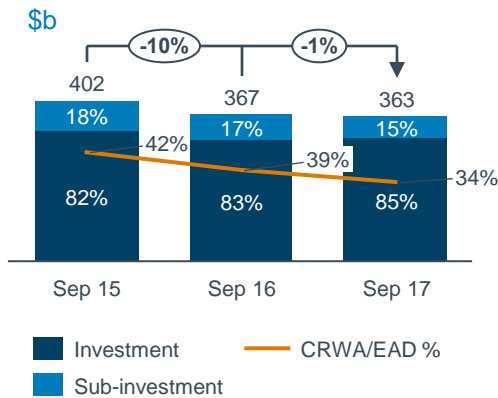


1. Excluding FY16 large/notable items (derivative CVA methodology change and restructuring costs): Institutional expenses were \$130m (5%) lower; revenue/FTE improved 13%; Opex/Assets was 2 basis points lower; and personnel cost was \$175m lower in FY17; 2. Senior Management and Other Staff include Central Functions. Central Functions comprises enablement and support functions within Institutional; 3. Straight through processed (STP) volumes for Markets (Trade Capture, Confirmation, Settlement), Cash Management (Australia and NZ blended inward and outward payments) and Trade (volumes via the Transactive Trade Portal)

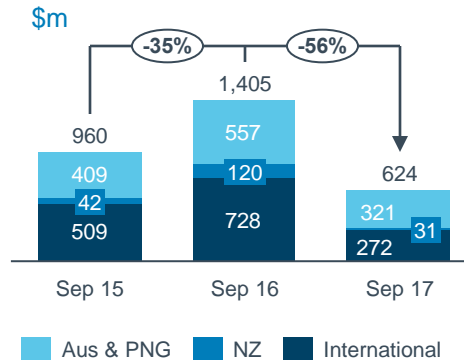
# INSTITUTIONAL

## DISCIPLINED PORTFOLIO MANAGEMENT AND BENIGN CREDIT ENVIRONMENT

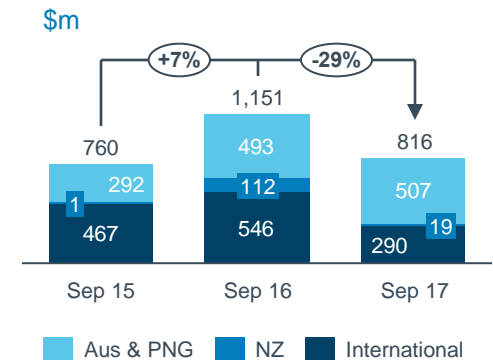
### EXPOSURE-AT-DEFAULT<sup>1</sup>



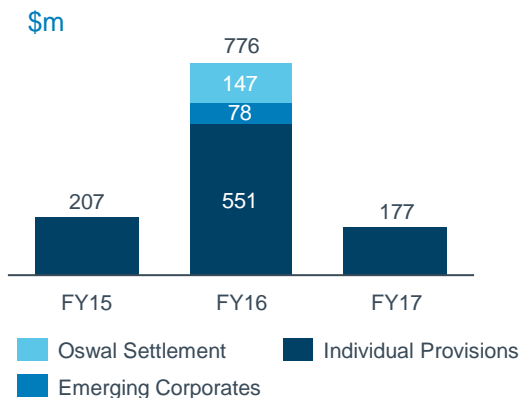
### GROSS IMPAIRED ASSETS



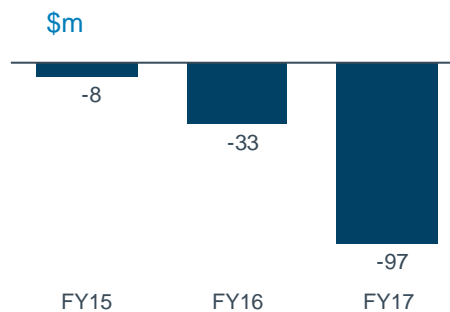
### NEW IMPAIRED ASSETS



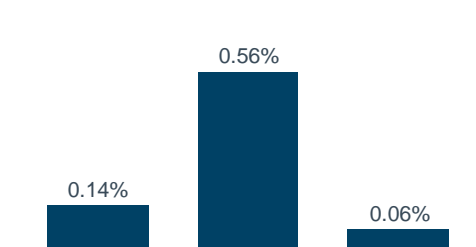
### INDIVIDUAL PROVISIONS



### COLLECTIVE PROVISIONS



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



1. Net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Includes amounts for 'Securitisation' and 'Other Assets' Basel asset classes  
 2. Credit Impairment Charges divided by average Gross Lending Assets

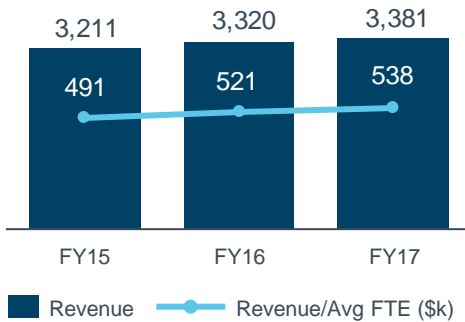


# NEW ZEALAND

## FINANCIAL PERFORMANCE<sup>1</sup>

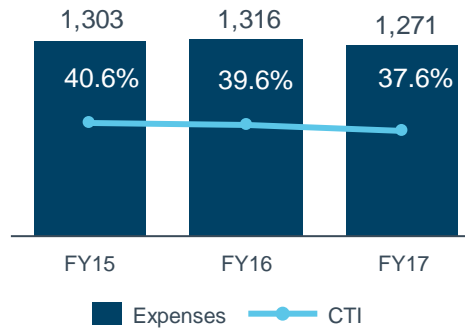
### REVENUE

NZDm



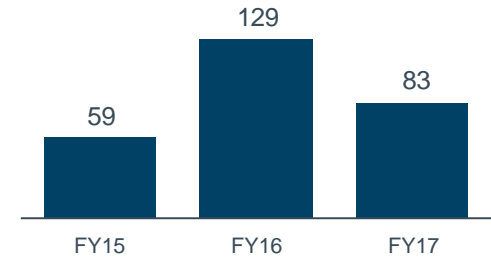
### EXPENSES

NZDm



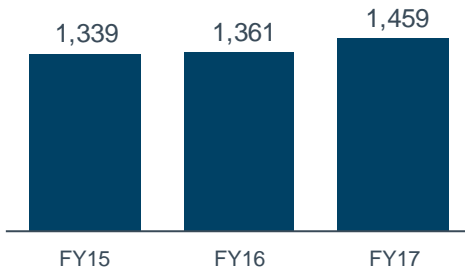
### TOTAL PROVISIONS

NZDm



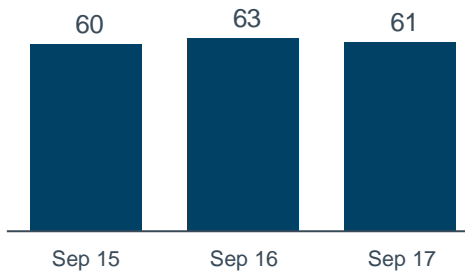
### CASH PROFIT

NZDm

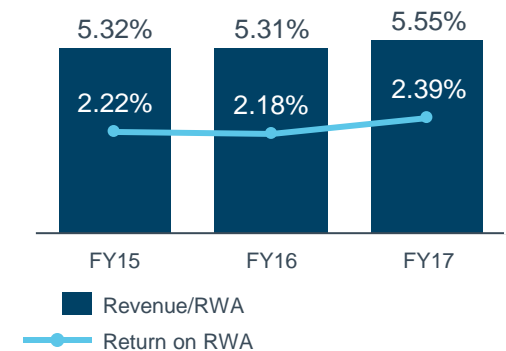


### RISK WEIGHTED ASSETS

NZDb



### RETURN



1. FY16 includes large/notable items relevant to New Zealand Division. These are software capitalisation changes and restructuring costs

# NEW ZEALAND DIVISION

## PRIORITIES

	PRIORITIES	ACTIONS	METRICS	SEP 15	SEP 16	SEP 17
STRATEGIC FOCUS	#1 in service	Grow customer satisfaction and brand consideration	Brand Consideration <sup>1</sup>	45.5%	49.6%	50.9%
			Migrant Banking Brand Consideration <sup>1</sup>	66%	75%	74%
			Retail Net Promoter Score <sup>2</sup>	-0.6	8.6	12.3
			KiwiSaver provider <sup>3</sup>	24.4%	24.8%	24.5%
	Home ownership and running a small business	Make banking easier for home owners and small business	Home Loans (Market Share) <sup>4</sup>	31.6%	31.5%	31.1%
			Home Loan (FUM) <sup>5</sup>	\$68b	\$73b	\$77b
			Household deposits (Market Share) <sup>4</sup>	31.2%	31.7%	34.1%
			Business Loans (Market Share) <sup>4</sup>	30.8%	29.6%	28.4%
	Leading digital bank	Build a digital bank with a human touch	Digitally active customers	1.2m	1.2m	1.3m
			Value transactions completed digitally	75%	80%	82%
			Leader in mobile banking <sup>2</sup>	29%	32%	37%
	Create a simpler better balanced bank	Continue to automate, simplify and industrialise	Funding gap <sup>5</sup>	\$29.5b	\$29.3b	\$28.1b
			NLA <sup>5</sup>	\$114.4b	\$120.7b	\$124.9b
			Deposits <sup>5</sup>	\$84.9b	\$91.4b	\$96.8b
			Mortgages LVR <80% <sup>6</sup>	89.3%	93.3%	94.1%
			FTE	6,472	6,317	6,207
			CTI	40.6%	39.6%	37.6%

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

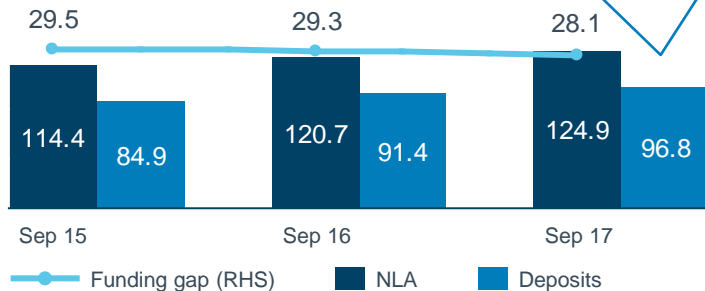
# NEW ZEALAND

## STRATEGIC FOCUS – SIMPLER, BETTER BALANCED BANK

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

NZDb

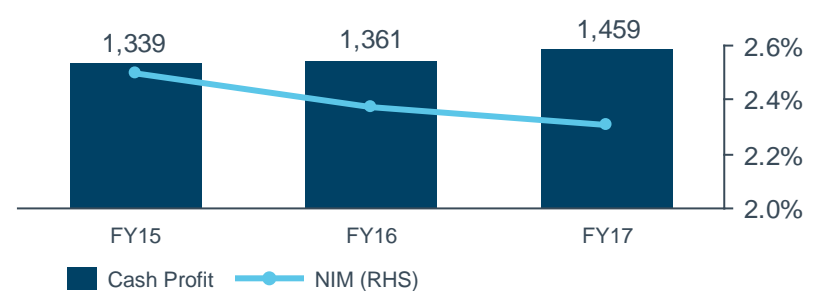
Focus on customer deposit growth encouraging New Zealanders to save



### PROFITABILITY & MARGIN<sup>2</sup>

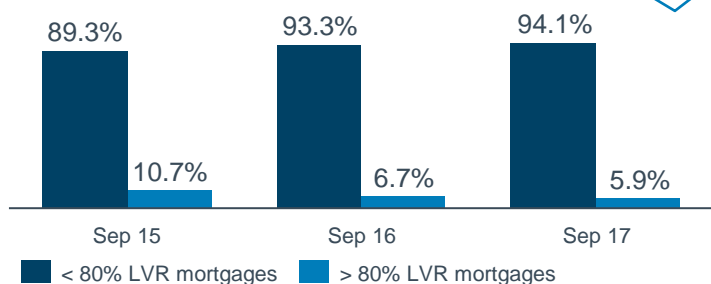
NZDm

NIM stabilised 2H17



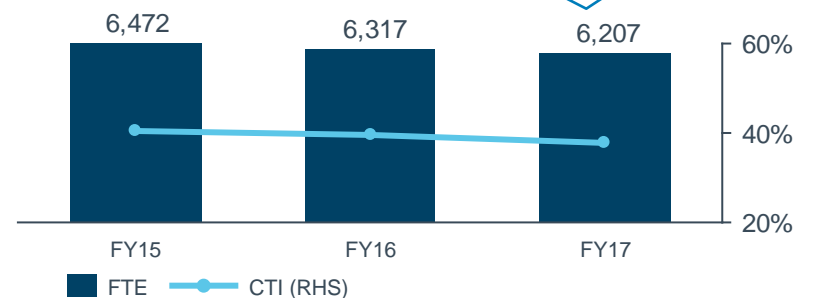
### MORTGAGES LOAN TO VALUE RATIO<sup>3</sup>

Continue to de-risk the bank by improving credit profile



### FTE & CTI<sup>2</sup>

Simplification and automation contributing to FTE and CTI reductions



1. NZ Geography  
 2. NZ Division  
 3. Dynamic basis, as of September 2017

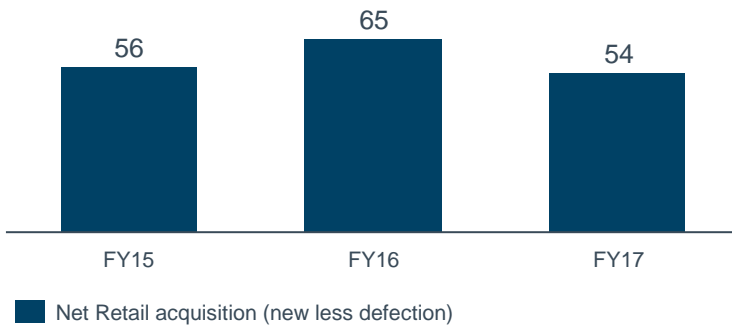
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# NEW ZEALAND

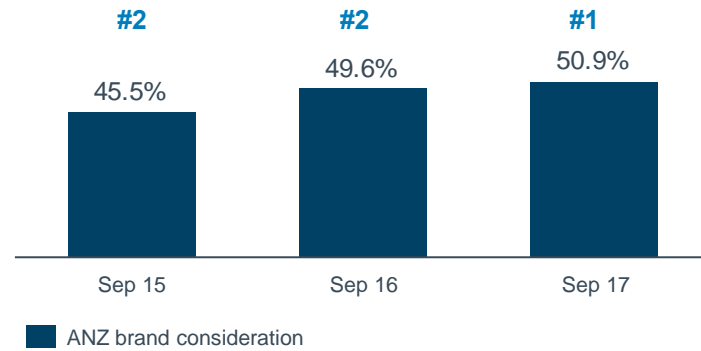
## STRATEGIC FOCUS – # 1 IN SERVICE

### NET CUSTOMER GROWTH

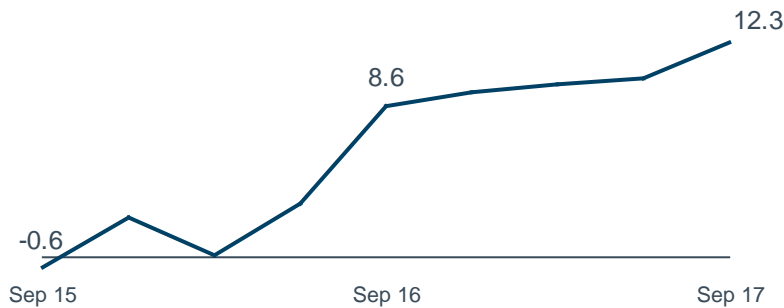
New Zealand Division ('000)



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

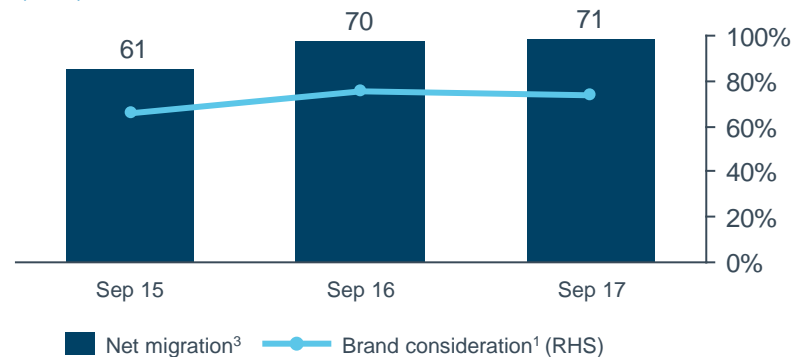


### RETAIL NET PROMOTER SCORE<sup>2</sup>



### BRAND CONSIDERATION – MIGRANTS

('000)



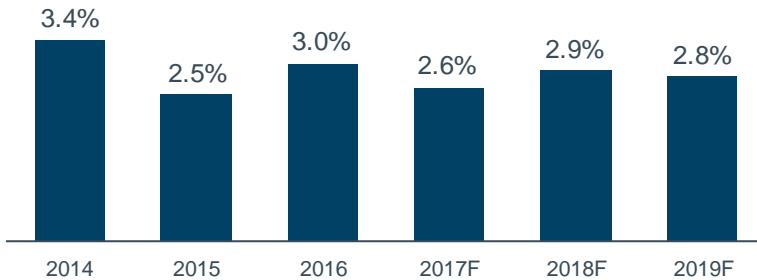
1. Source: McCulley Research Brand Tracking (online survey, first choice or seriously considered); six month rolling average  
 2. Source: Camorra Retail Market Monitor (RMM); six month rolling score  
 3. Source: Statistics NZ, 12 months to September

# NEW ZEALAND

## ENVIRONMENT

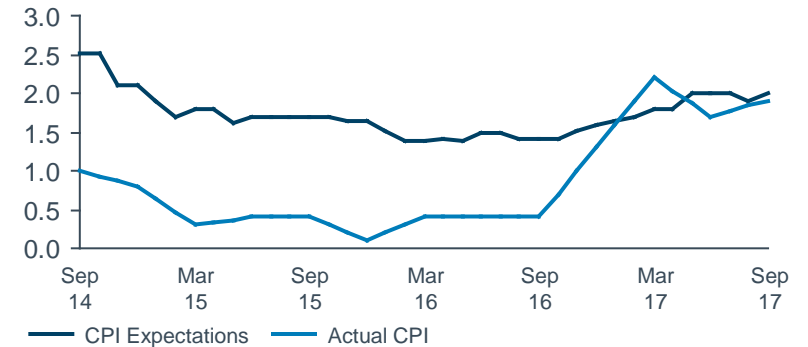
### GDP<sup>1</sup>

Annual average % change



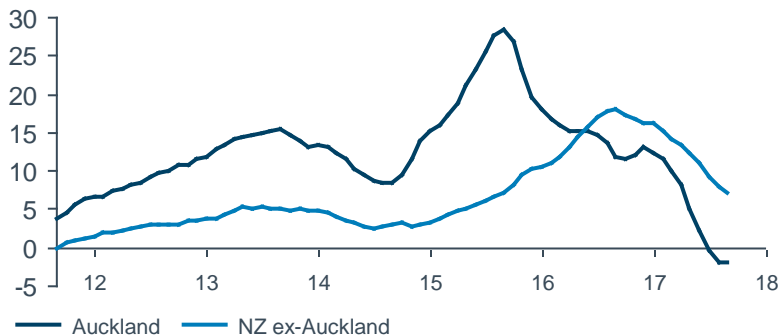
### INFLATION<sup>2</sup>

%



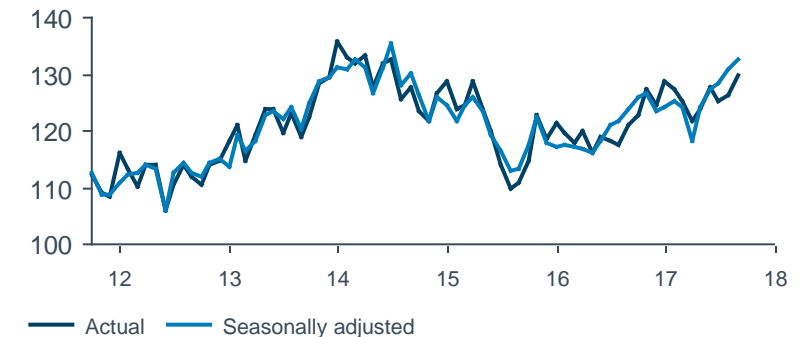
### HOUSE PRICES<sup>3</sup>

Annual % change (3 month avg)



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

Index



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

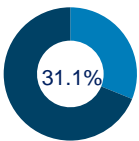
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# NEW ZEALAND

## RETAIL

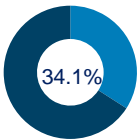
### MARKET SHARE

- Maintained our leading position in core banking products to support our vision of helping more Kiwis succeed
- Focus on well managed sustainable growth means our deposit growth has exceeded that of lending



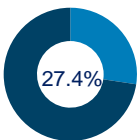
#### Mortgages<sup>1</sup>

- Maintained our #1 market share position while continuing to lead the market in responsible lending
- Managed risk by taking a cautious approach in selected segments (overseas income earners and long term interest only loans)



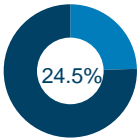
#### Household deposits<sup>1</sup>

- Continued to experience strong household deposit growth in an increasingly competitive marketplace with our emphasis on encouraging New Zealanders to save



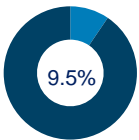
#### Credit cards<sup>1</sup>

- Focus on productive business has seen our attention remain on interest bearing balances and share of spend remains strong
- Simplified our product offerings in the market, reducing the number of active consumer products from 11 to 5



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

- #1 KiwiSaver provider with almost 735,000 KiwiSaver members. FY17 FUM growth of \$1.8b, taking total FUM to >\$11b



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

- Continued to improve the quality of proprietary distribution, with bank channel lapse rates improving 140bps from last year
- Digital capabilities enhanced through market leading life and general insurance premium calculators

1. Source: RBNZ, share of all banks as of August 2017

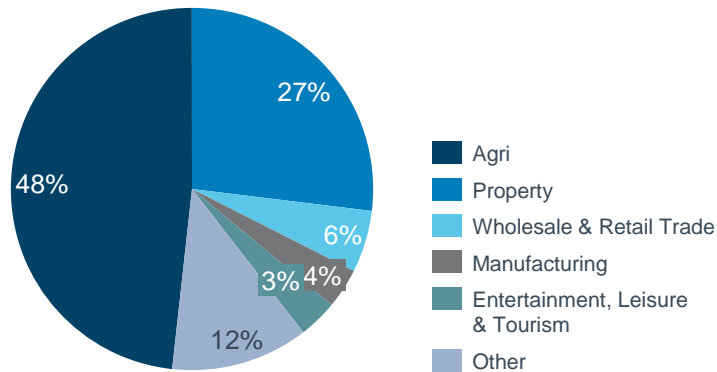
2. Source: RBNZ, FUM market share as of June 2017

3. Source: FSC (Financial Services Council), share of all providers as of June 2017

# NEW ZEALAND

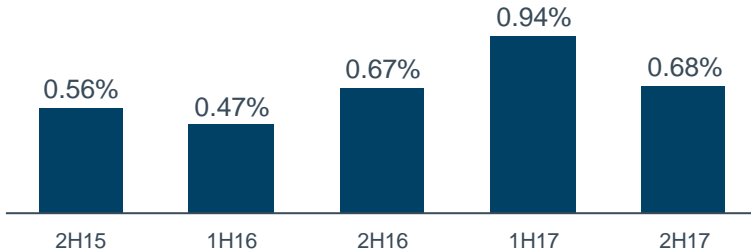
## COMMERCIAL

### COMMERCIAL AND AGRI PORTFOLIO (GLA)



### COMMERCIAL AND AGRI CREDIT QUALITY

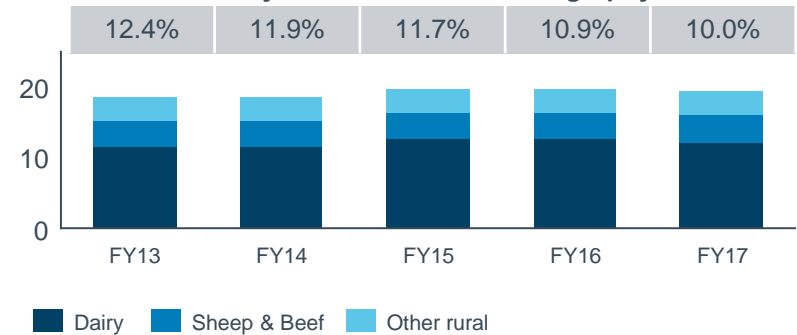
GIA AS % OF GLA



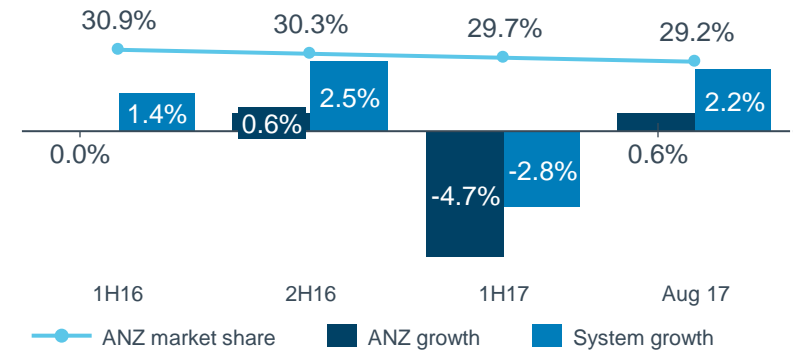
### AGRI PORTFOLIO (GLA)<sup>1</sup>

NZDb

#### Dairy as a % of total NZ Geography



### AGRI MARKET SHARE<sup>2</sup>



1. NZ Geography (Gross Loans and Advances)

2. Source: RBNZ, changes in RBNZ data reporting from February 2017 onwards has resulted in a step change in data vs prior periods

# NEW ZEALAND

## DIGITAL

### DELIVERING SUPERIOR EXPERIENCE FOR OUR PEOPLE AND CUSTOMERS



Apply & Open functionality in goMoney for Everyday Accounts, Savings, Cards, Loans and KiwiSaver



Banker Workbench<sup>1</sup> won a Gold Award for User Experience in 2017 NZ Design Institute Awards



Enabled self-service to report lost or stolen cards and arrange a replacement card via goMoney



An enhanced and intuitive view of the Cards pages on ANZ.co.nz

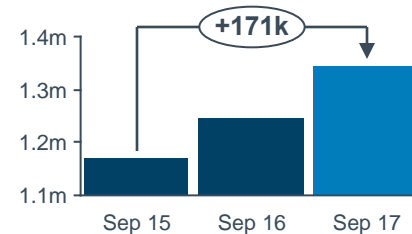


First Bank in NZ to launch Apple Pay™

### TRANSLATING INTO BUSINESS OUTCOMES

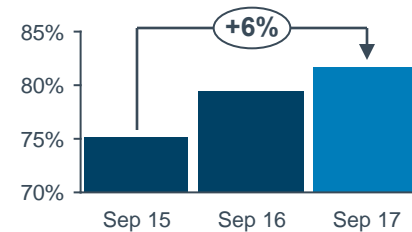
1.3m

digitally active customers



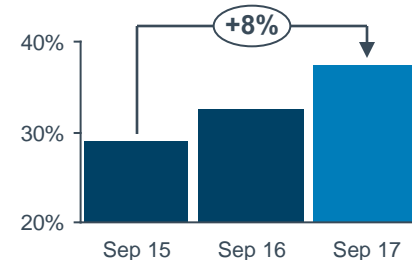
82%

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



#1

considered a leader in mobile banking



1. Banker Workbench is a frontline ANZ tool  
 2. As at point of time, September 2017



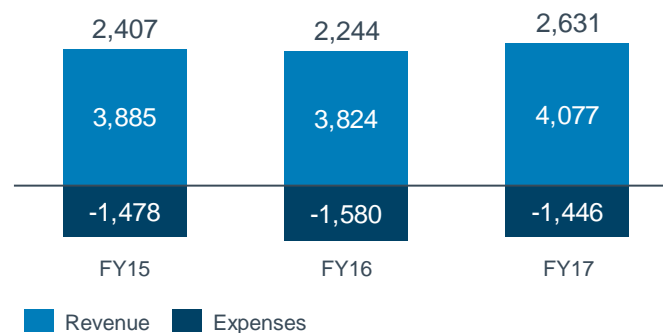
# NEW ZEALAND GEOGRAPHY

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CASH PROFIT			
	FY17	2H17	1H17
	NZDm	NZDm	NZDm
<b>Income</b>	<b>4,077</b>	<b>2,029</b>	<b>2,048</b>
Net interest	3,078	1,544	1,534
Other income	999	485	514
<b>Expenses</b>	<b>1,446</b>	<b>728</b>	<b>718</b>
<b>PBP</b>	<b>2,631</b>	<b>1,301</b>	<b>1,330</b>
Provisions charge	59	19	40
<b>Cash profit</b>	<b>1,855</b>	<b>927</b>	<b>928</b>
CTI	35.5%	35.9%	35.0%
Customer deposits	96,829	96,829	96,259
NLA	124,880	124,880	122,954
RWA <sup>2</sup>	72,162	72,162	74,511

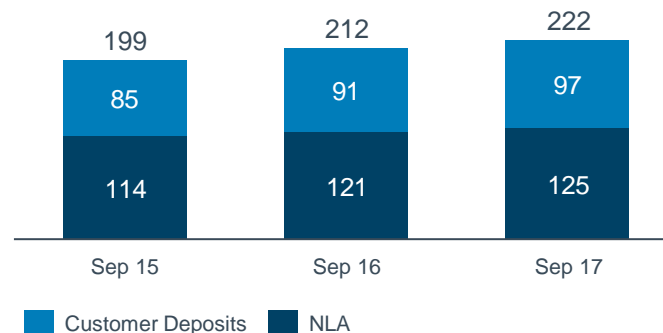
## PROFIT BEFORE PROVISIONS<sup>1</sup>

NZDm



## BALANCE SHEET

NZDb



1. FY16 includes large/notable items relevant to New Zealand Geography. These are software capitalisation changes, derivative credit valuation adjustment changes and restructuring costs  
 2. RWA is on an APRA basis

# WEALTH AUSTRALIA

## PRIORITIES

	PRIORITIES	ACTIONS	METRICS	FY15	FY16	FY17
STRATEGIC FOCUS	Integrate into the bank propositions	Embedded Wealth program	Wealth Solutions held by ANZ customers <sup>1</sup>	956k	993k	998k <sup>2</sup>
			Solutions uplift <sup>1</sup>	n/a	3.9%	0.5% <sup>2</sup>
	Empower advisers	Grow for Advice	<ul style="list-style-type: none"> <li>Grow for Advice Insurance offer developed and piloted</li> <li>Client engagement tool, Wealth Report and Projection Modeller launched</li> <li>Launch of digital underwriting pre-assessment tool for advisers</li> </ul>			
	Australia's leading life insurer	One Care repricing Launch Essentials	Retail Life Inforce Premium (\$m)	932	998	1,038
			Retail Life New Business (\$m)	103	94	88
			Retail Lapse rate	13.3%	14.0%	14.1%
	Simplify super and investment	Launched Grow Wrap Completed transition program	Voyage & Grow Wrap:			
			Avg FUM (\$m)	1,599	1,954	2,848
			Inflows (\$m)	430	542	645
			Smart Choice:			
	Avg FUM (\$m) <sup>3</sup>	3,414	9,850	14,430		
	Legacy book transitioned (\$m) <sup>4</sup>	17%	57%	100%		
Develop our people		Women in Management <sup>5</sup>	41.2% <sup>6</sup>	43.2%	45.5%	
		Employee engagement	73% <sup>6</sup>	71%	69% <sup>7</sup>	

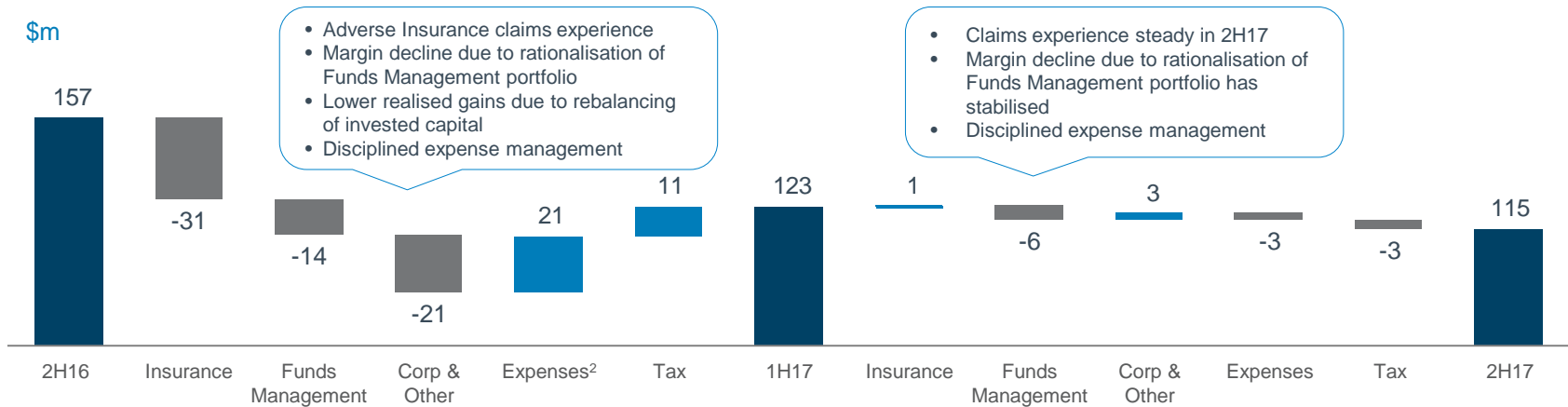
Notes: 1.Sourced from Wealth Analytics. Wealth solutions are matched only to customers with an existing retail relationship and customer number. Match rates vary between products. Excludes \$0 balance superannuation accounts, Oasis, Group Life, Inactive Share Trading accounts and legacy Employer Super customers/accounts; 2. As at 31 August 2017; 3. This includes the transition of Closed Employer Super plans to ANZ Smart Choice (Employer) 4. Percentage is based on ADA member count transitioned. 5. Women in Management is defined as the proportion of female staff in Group 1-4 roles; 6. Talent and Culture figures for FY15 are for Global Wealth and include Private Bank and Wealth outside of Australia; 7. FY17 engagement score based on MyVoice Pulse survey, a significantly smaller sample size than previous years

Sources: Wealth Analytics: NMG

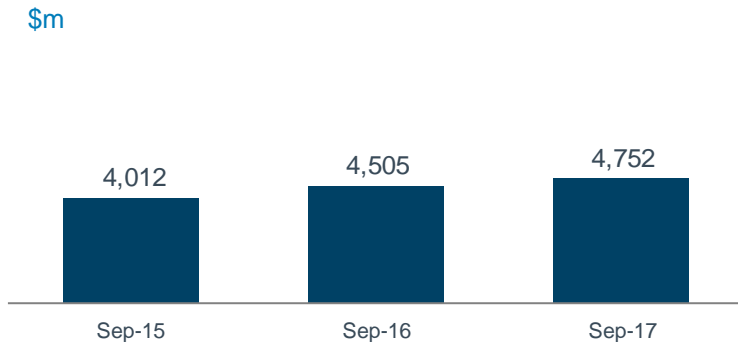
# WEALTH AUSTRALIA

## FINANCIAL HIGHLIGHTS

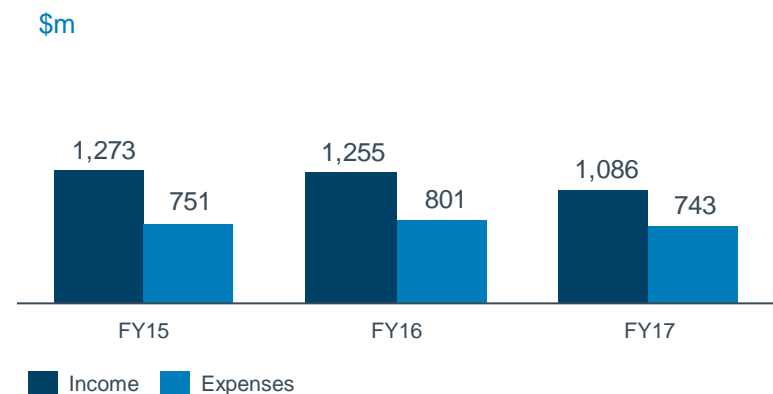
### PROFIT CONTRIBUTION



### EMBEDDED VALUE<sup>1</sup>



### REVENUE & COST TREND



1. Embedded value includes Insurance and Funds Management businesses only. The product lines used are on the same basis as the Results Announcement in prior periods. This is different to the product lines used in the strategic review. Embedded value is adjusted to allow for the impact of dividends and net transfers.

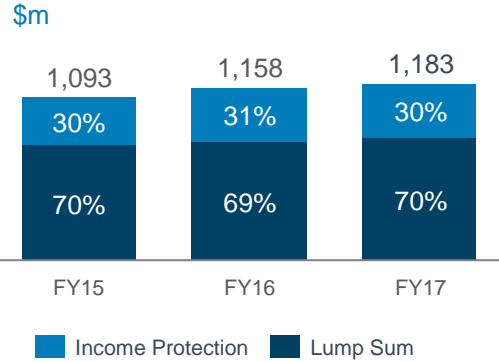
2. Decrease in expenses includes \$7m in restructuring costs in 2H17. The underlying reduction in expenses was \$14m.

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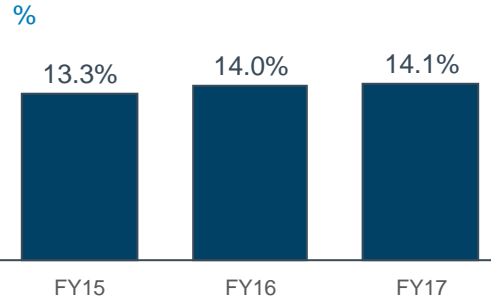
# WEALTH AUSTRALIA

## INSURANCE

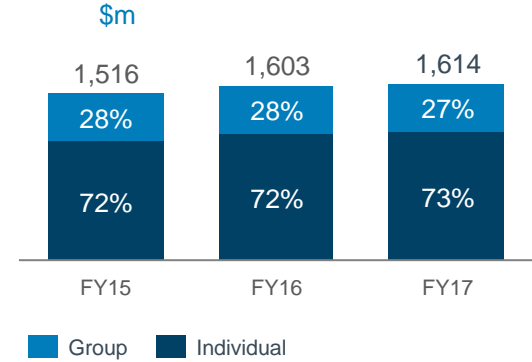
### PRODUCT MIX IN INDIVIDUAL LIFE INSURANCE IN-FORCE



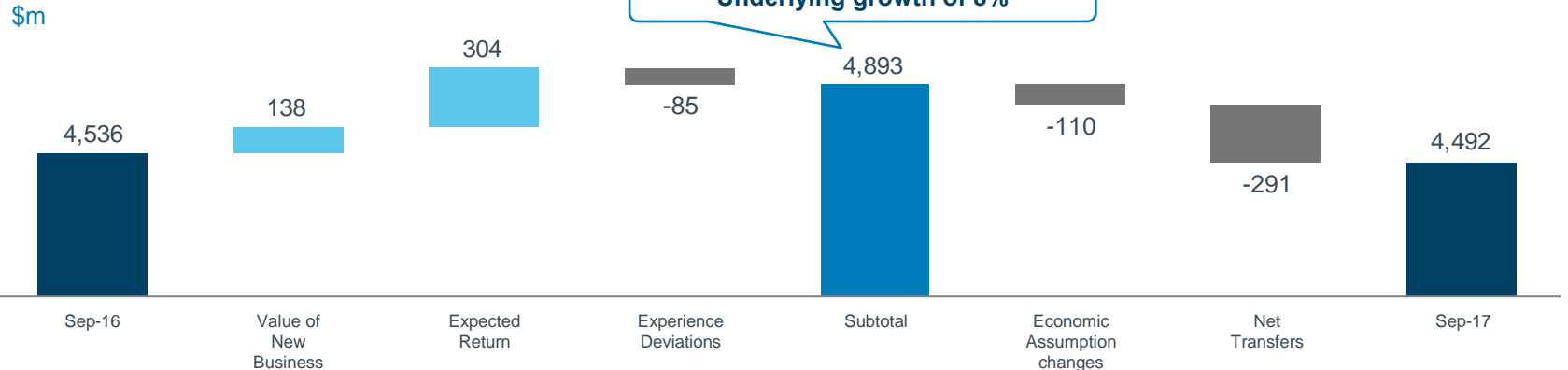
### RETAIL LIFE LAPSE RATES



### COMPOSITION OF LIFE INSURANCE IN-FORCE



### EMBEDDED VALUE<sup>1</sup>



1. Embedded value includes Insurance and Funds Management businesses only. The product lines used are on the same basis as the Results Announcement in prior periods. This is different to the product lines used in the strategic review.

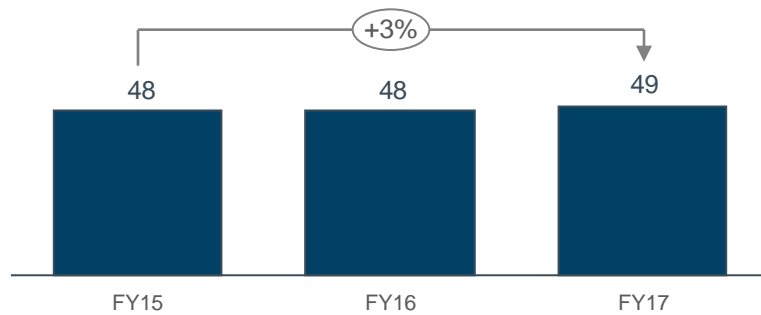
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# WEALTH AUSTRALIA

## FUNDS MANAGEMENT

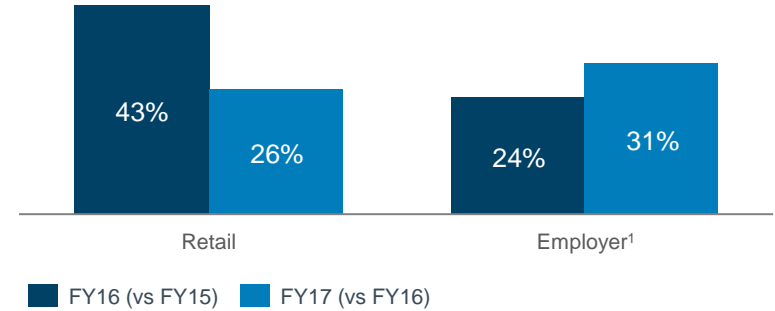
### FUNDS MANAGEMENT AVERAGE FUM

\$b



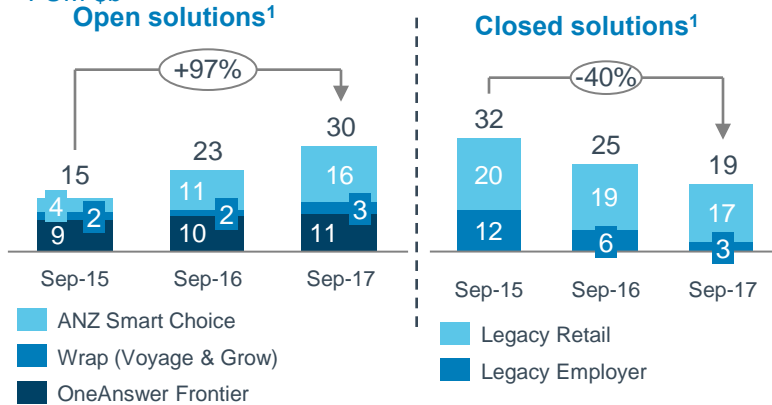
### SMARTCHOICE ACTIVE MEMBERS

% growth



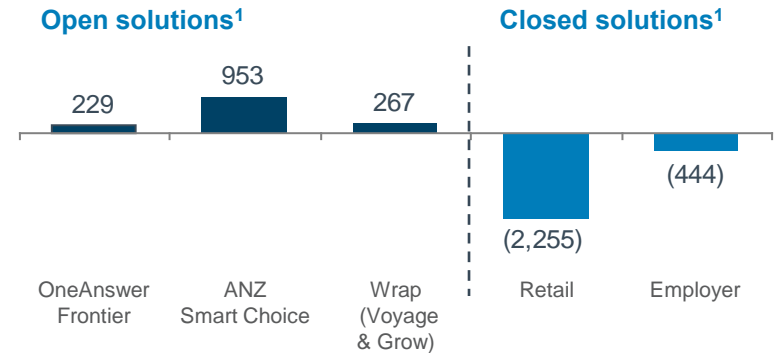
### FUNDS MANAGEMENT FUM BY SOLUTION

FUM \$b



### FY17 FUNDS MANAGEMENT NETFLOWS BY SOLUTION

\$m



1. Includes the transition of Closed Employer Super plans to ANZ Smart Choice (Employer)

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# 2017 FULL YEAR RESULTS

TREASURY

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED



# REGULATORY CAPITAL

## CAPITAL UPDATE

### Capital Position

- APRA CET1 ratio of 10.6% achieves APRA's 'unquestionably strong' requirements well ahead of 2020 implementation.
- Internationally Comparable<sup>1</sup> CET 1 ratio of 15.8% – above the APRA Unquestionably Strong top quartile<sup>2</sup> calibration of 15% and Basel top quartile<sup>3</sup> CET1 of 14.4%.
- APRA Leverage ratio of 5.4% or 6.2% on an Internationally Comparable basis.

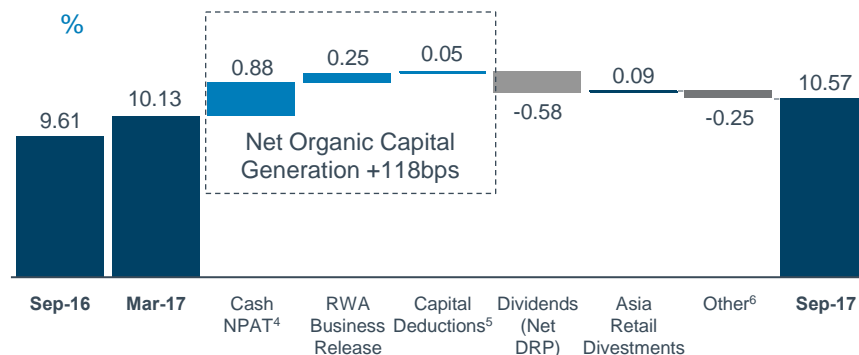
### Organic Capital Generation & Dividend

- Relative to historical averages, higher organic capital generation for FY17 (+229bp) and 2H17 (+118bp) was mainly driven by the reduction in Institutional Credit RWA (from lending) of \$16.4bn and \$7.6bn respectively.
- Final dividend of 80 cents fully franked, consistent with transition to revised 60%-65% payout strategy.

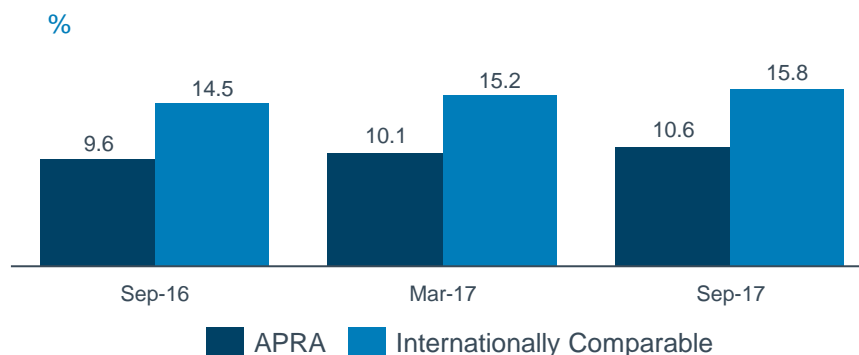
### Capital Outlook

- ANZ intends to neutralise shares allocated under the FY17 Final Dividend Re-investment Plan (DRP) by acquiring an equivalent number of shares on market.
- Announced asset sales would increase the CET1 ratio by ~80 bps (taking Sep-17 pro-forma CET1 ratio to ~ 11.4%).
- As we receive the proceeds from the announced sales of non-core businesses we will have the flexibility to consider additional capital management initiatives.

## APRA COMMON EQUITY TIER 1 (CET1)



## BASEL III CET1



1. Internationally Comparable methodology aligns with APRA's information paper entitled International Capital Comparison Study (13 July 2015). Basel III Internationally Comparable ratios do not include an estimate of the Basel I capital floor. 2. Based on APRA information paper "Strengthening banking system resilience - establishing unquestionably strong capital ratios" released in July 2017. 3. Based on Group 1 banks as identified by the BIS (internationally active banks with Tier 1 capital of more than €3 billion). The top quartile of this group was 14.4% as at December 2016. 4. Cash Earnings excludes 'Large/notable' items'. 5. Represents the movement in retained earnings in deconsolidated entities, capitalised software, EL v EP shortfall and other intangibles. 6. Other mainly due to implementation of ANZ's new Australian mortgages capital model.

# REGULATORY CAPITAL GENERATION

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COMMON EQUITY TIER 1 GENERATION (bps)	Second half average 2H12 – 2H16	2H17	Full Year average FY12-FY16	FY17
Cash Profit <sup>1</sup>	98	88	195	169
RWA movement	(10)	25	(31)	54
Capital Deductions <sup>2</sup>	(9)	5	(24)	6
<b>Net capital generation</b>	<b>79</b>	<b>118</b>	<b>140</b>	<b>229</b>
Gross dividend	(63)	(59)	(133)	(115)
Dividend Reinvestment Plan	14	1	25	7
<b>Core change in CET1 capital ratio</b>	<b>30</b>	<b>60</b>	<b>32</b>	<b>121</b>
Other non-core and non-recurring items	(13)	(16)	(6)	(25)
<b>Net change in CET1 capital ratio</b>	<b>17</b>	<b>44</b>	<b>26</b>	<b>96</b>

## Organic Capital Generation

- Strong net organic capital generation in FY17 and 2H17. Reflects progress on the Group's strategy to reshape its business, including the run-off of low returning assets in Institutional.

## Non-Core and non-recurring items

- Non-core and non-recurring items in 2H17 and FY17 largely reflect the impact of increased risk weights following implementation of ANZ's new Australian mortgages capital model -22bps, non cash adjustments and FX impacts, partially offset by benefits from Asia Retail and Wealth sale +9bps (Singapore, Hong Kong and China).

1. Cash profit for 2H17 and FY17 excludes 'large/notable items' (which are included as "as capital deductions" and "other non-core and non-recurring items").

2. Represents movement in retained earnings in deconsolidated entities, capitalised software, EL v EP shortfall and other intangibles.



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

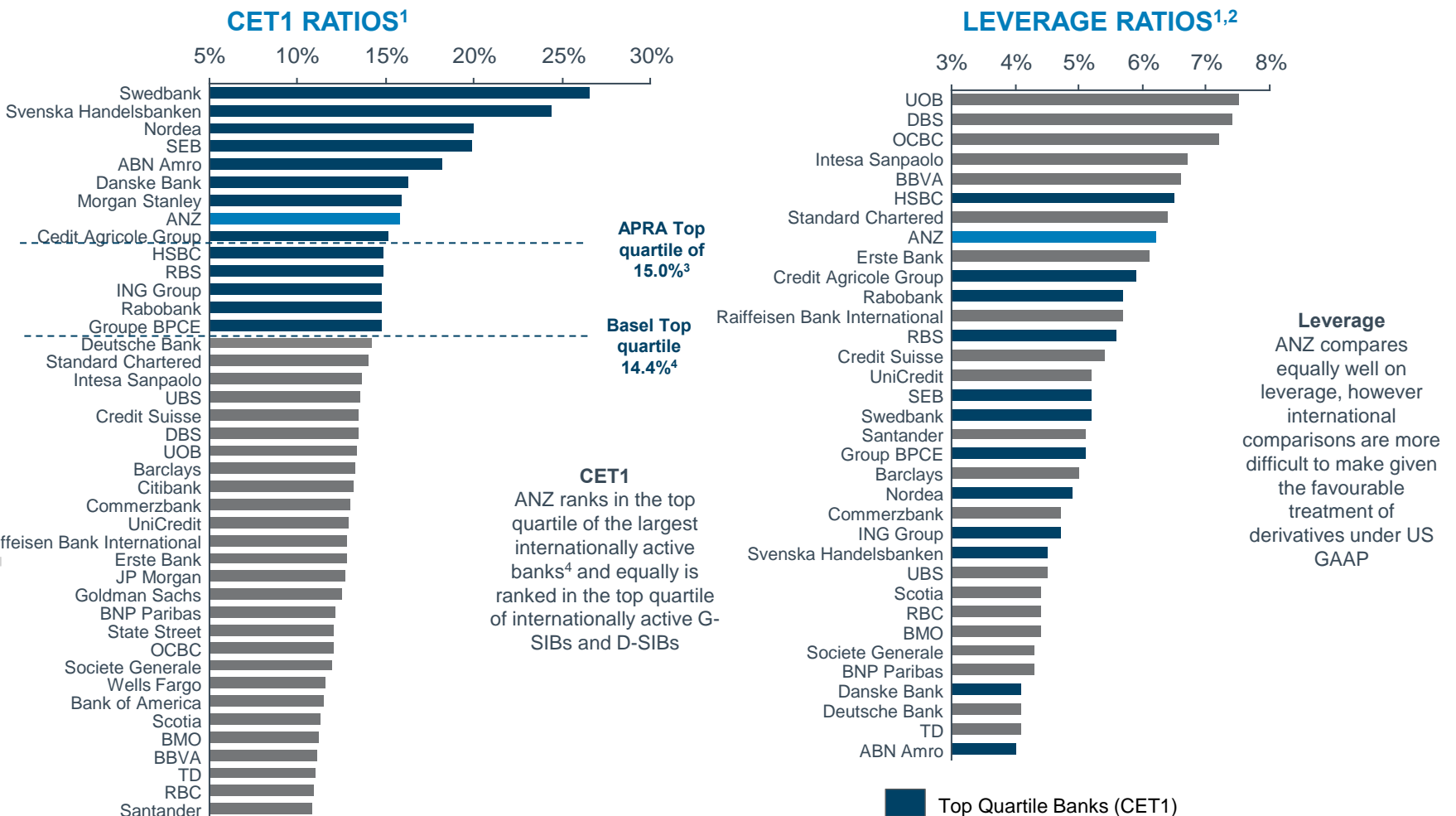
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<b>APRA Common Equity Tier 1 (CET1) – 30 September 2017</b>		<b>10.6%</b>
Corporate undrawn EAD and unsecured LGD adjustments	Australian ADI unsecured corporate lending LGDs and undrawn CCFs exceed those applied in many jurisdictions	1.4%
Equity Investments & DTA	APRA requires 100% deduction from CET1 vs. Basel framework which allows concessional threshold prior to deduction	1.1%
Mortgages	APRA requires use of 20% mortgage LGD floor vs. 10% under Basel framework. Additionally, APRA also requires a higher correlation factor vs 15% under Basel framework	1.3%
Specialised Lending	APRA requires supervisory slotting approach which results in more conservative risk weights than under Basel framework	0.6%
IRRBB RWA	APRA includes in Pillar 1 RWA. This is not required under the Basel framework	0.4%
Other	Includes impact of deductions from CET1 for capitalised expenses and deferred fee income required by APRA, currency conversion threshold and other retail standardised exposures	0.4%
<b>Basel III Internationally Comparable CET1</b>		<b>15.8%</b>
<b>Basel III Internationally Comparable Tier 1 Ratio</b>		<b>18.4%</b>
<b>Basel III Internationally Comparable Total Capital Ratio</b>		<b>21.2%</b>

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

# CET1 AND LEVERAGE IN A GLOBAL CONTEXT

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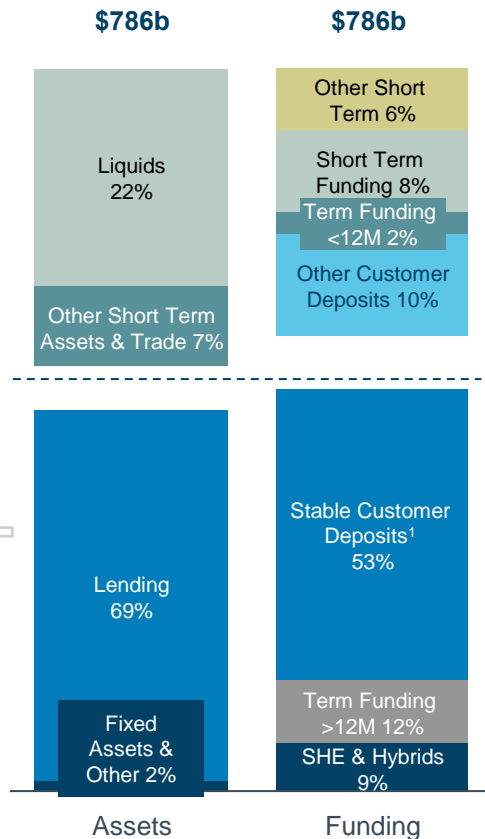
1. CET1 and leverage ratios are based on ANZ estimated adjustment for accrued expected future dividends where applicable. ANZ ratios are on an Internationally Comparable basis. All data sourced from company reports and ANZ estimates based on last reported half/full year results assuming Basel III capital reforms fully implemented. 2. Includes adjustments for transitional AT1 where applicable. Exclude US banks as leverage ratio exposures are based on US GAAP accounting and therefore incomparable with other jurisdictions which are based on IFRS. 3. Based on APRA information paper "Strengthening banking system resilience - establishing unquestionably strong capital ratios" release in July 2017. 4. Based on Group 1 banks as identified by the BIS (internationally active banks with Tier 1 capital of more than €3 billion). The top quartile of this group was 14.4% as at December 2016.

# BALANCE SHEET STRUCTURE

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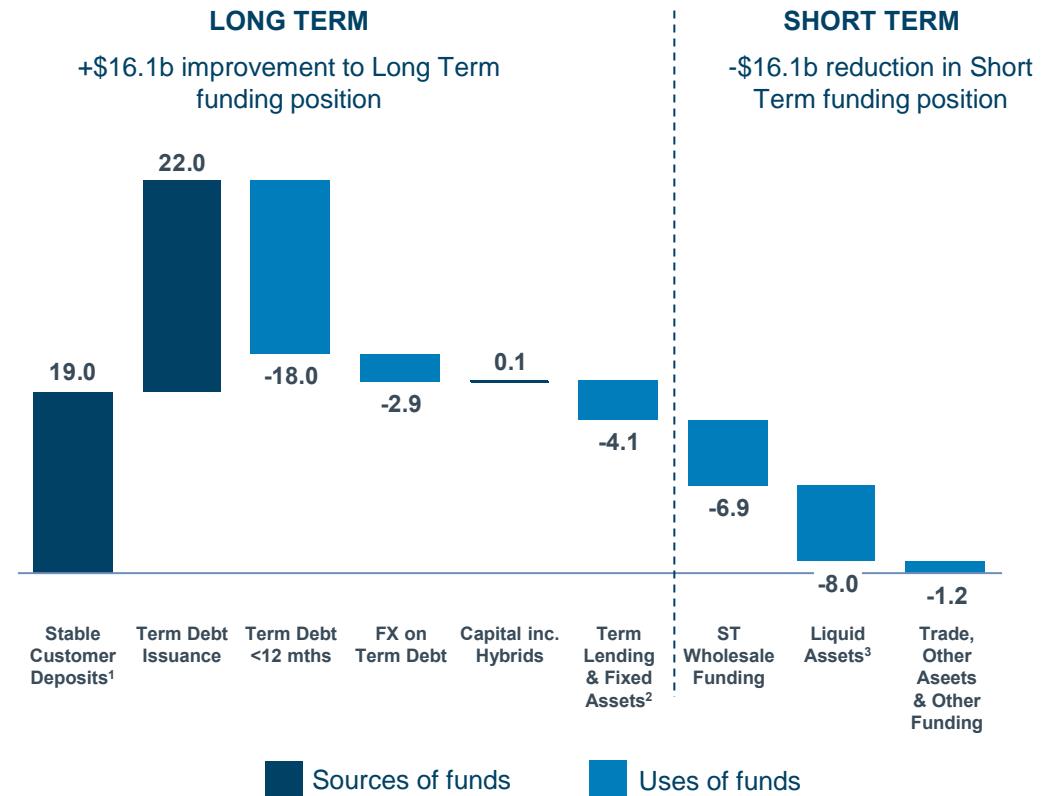
## FUNDED BALANCE SHEET

Sep 2017



## SOURCES AND USES OF FUNDS

Sep 16 to Sep 17

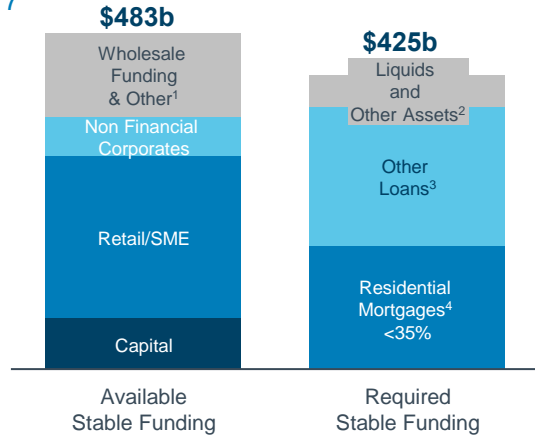


1. Stable customer deposits represent operational type deposits or those sourced from retail / business / corporate customers and the stable component of Other funding liabilities.  
 2. Excludes trade lending, repo, interbank and bills of acceptances.  
 3. Includes \$5.3b mandatory and \$2.7b discretionary liquids growth.

# FUNDING & LIQUIDITY METRICS

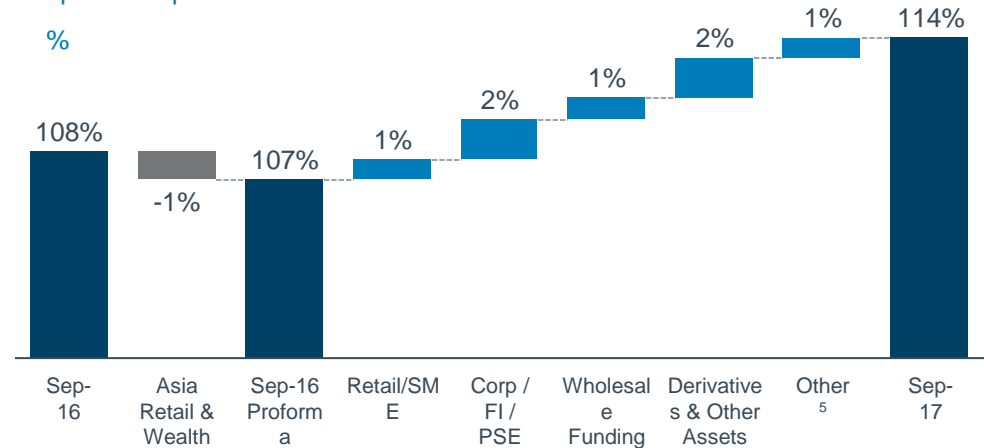
## NSFR COMPOSITION

Sep 2017



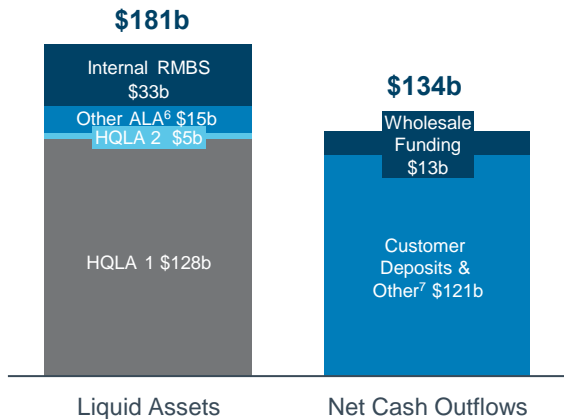
## NSFR MOVEMENT

Sep 16 v Sep 17



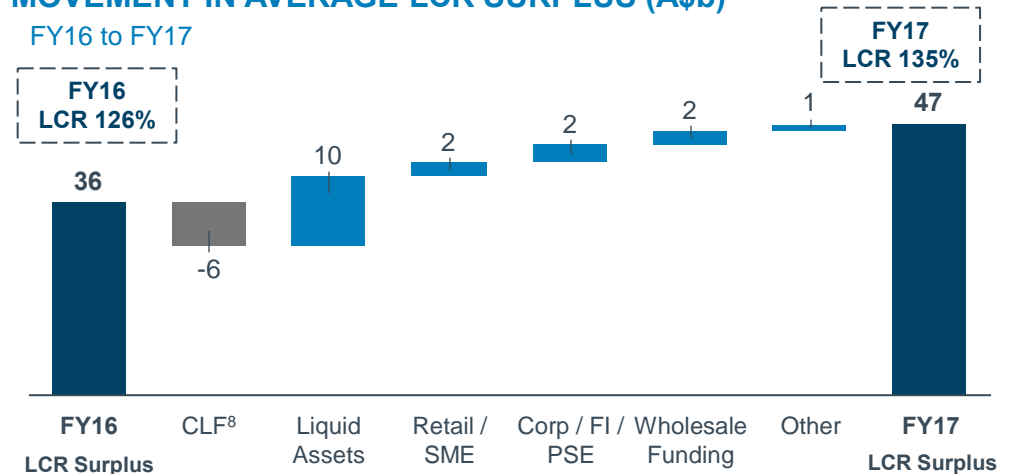
## LCR COMPOSITION (AVERAGE)

FY17



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

FY16 to FY17

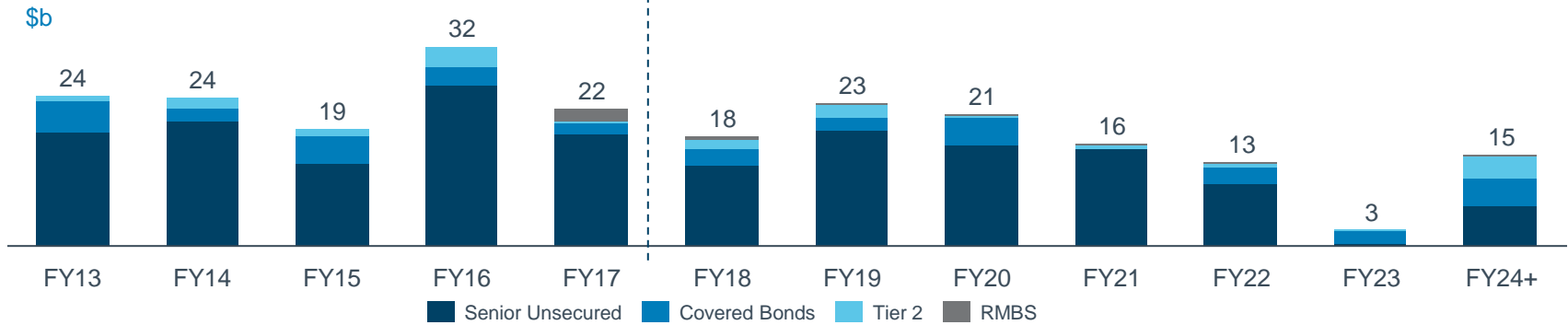


All figures shown on a Level 2 basis. 1. 'Other' includes Sovereign, PSE and FI Deposits. 2. 'Other Assets' include Off Balance Sheet, Derivatives, Fixed Assets and Other Assets. 3. All lending other than Residential Mortgages <35% Risk Weight. 4. Includes NSFR impact of self-securitised assets backing the Committed Liquidity Facility (CLF), excluding internal RMBS and any assets contained in the RBNZ's Liquidity Policy – Annex: Liquidity Assets – Prudential Supervision Department Document BS13A12. 5. Net of other ASF and other RSF. 6. Comprised of assets qualifying as collateral for the Committed Liquidity Facility (CLF), excluding internal RMBS and any assets contained in the RBNZ's Liquidity Policy – Annex: Liquidity Assets – Prudential Supervision Department Document BS13A12. 7. 'Other' includes off-balance sheet and cash inflows. 8. RBA CLF reduced by \$6.5b, from 1 January 2017 (to \$43.8b).

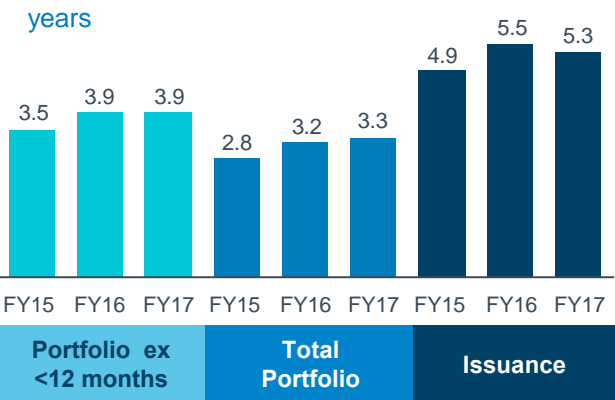
# TERM WHOLESALE FUNDING PORTFOLIO<sup>1</sup>

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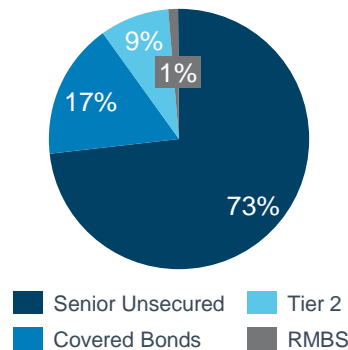
## ISSUANCE



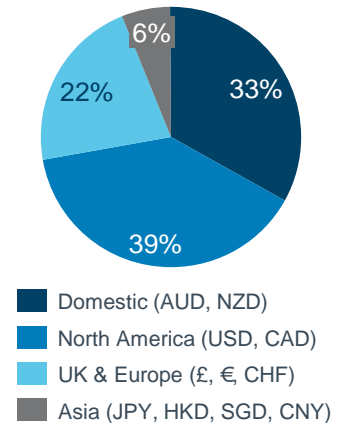
## WEIGHTED AVERAGE TENOR



## PORTFOLIO BY TYPE



## PORTFOLIO BY CURRENCY

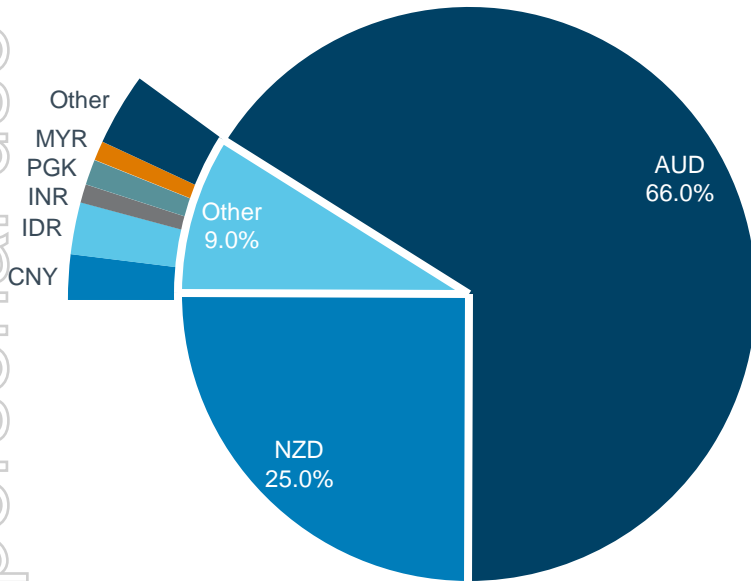


1. All figures based on historical FX and exclude AT1. Includes transactions with a call or maturity date greater than 12 months as at the respective reporting date. Tier 2 maturity profile is based on the next callable date.

# FOREIGN CURRENCY HEDGING

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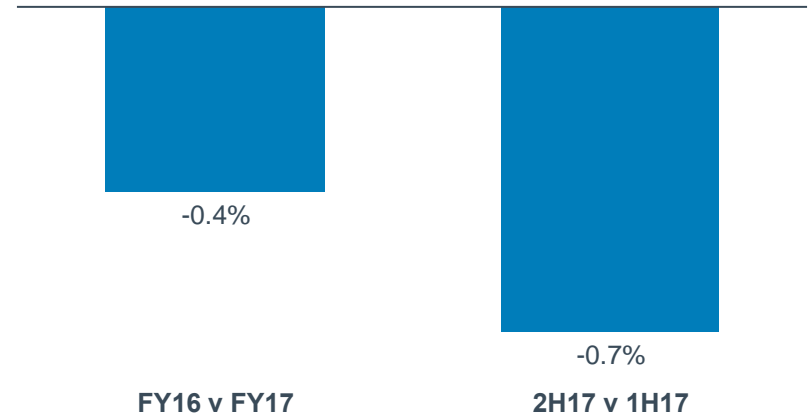
**FY17 EARNINGS COMPOSITION (BY CURRENCY)**



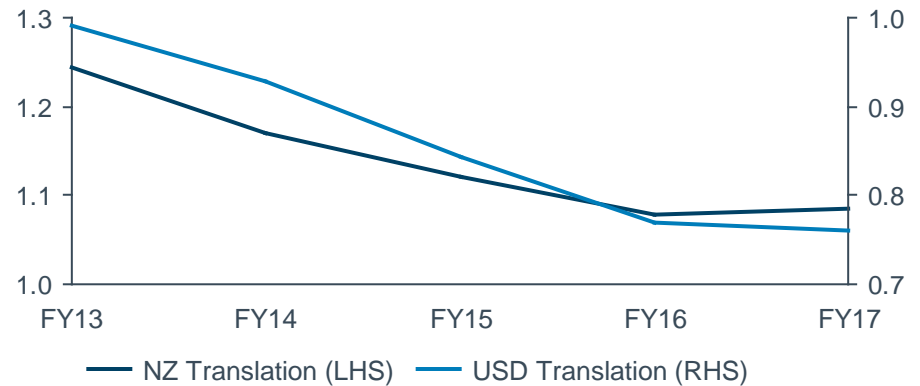
- The key objective of hedging is to manage short term EPS volatility arising from foreign currency earnings
- Hedges currently in place:
  - FY18: ~70% of NZD
  - FY19: ~50% of NZD
  - FY20: ~5% of NZD
- Hedging has reduced the impact of a 5% movement of the AUD on FY18 EPS to circa 1%.

1. Underlying basis, inclusive of hedges.

**EARNINGS PER SHARE FX IMPACT<sup>1</sup>**



**TRANSLATION RATES (INCLUSIVE OF HEDGES)**



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# 2017 FULL YEAR RESULTS

RISK MANAGEMENT

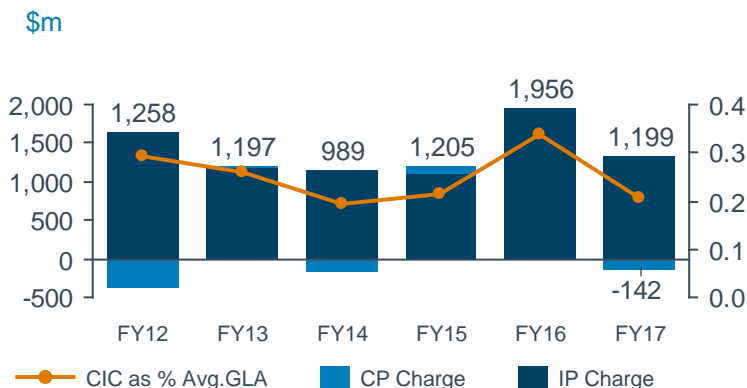
AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED



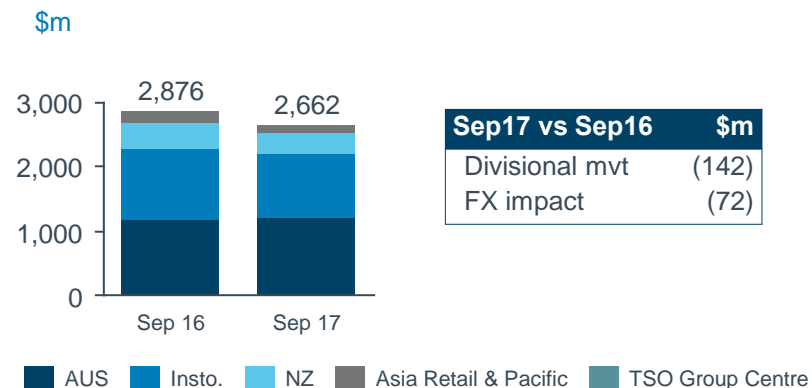
# RISK MANAGEMENT

## TOTAL & COLLECTIVE PROVISION (CP) CHARGE

### TOTAL PROVISION CHARGE



### CP BALANCE BY DIVISION

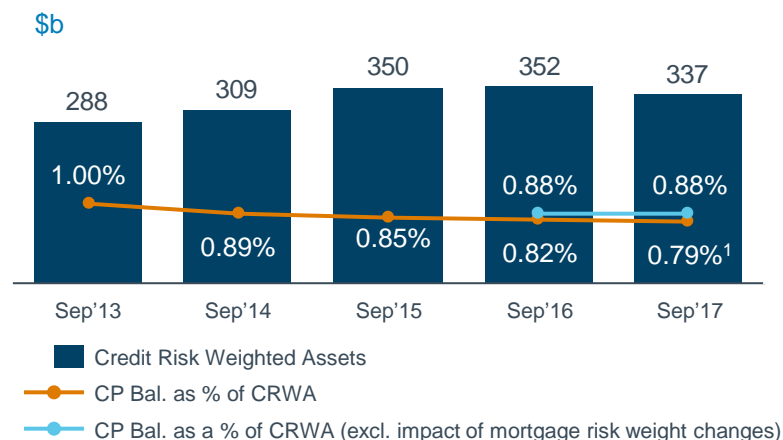


### TOTAL PROVISION CHARGE COMPOSITION

\$m

	2H14	1H15	2H15	1H16	2H16	1H17	2H17
<b>CIC</b>	<b>461</b>	<b>510</b>	<b>695</b>	<b>918</b>	<b>1,038</b>	<b>720</b>	<b>479</b>
<b>CP Composition</b>							
Lending Growth	61	54	50	56	-59	-30	-18
Change in Risk/Portfolio Mix	-52	8	62	-30	50	-78	-91
Eco Cycle <sup>2</sup>	-90	-7	-72	0	0	41	34

### CRWA & CP AS A % OF CRWA



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

1. FY16 and FY17 CRWA includes the impact of regulatory changes and revised capital models on Australian mortgage CRWA. Excluding these: CP Balance as a % of CRWA increases to 88 bp;  
 2. 2H17 Eco Cycle charge includes a \$75m overlay for retail trade

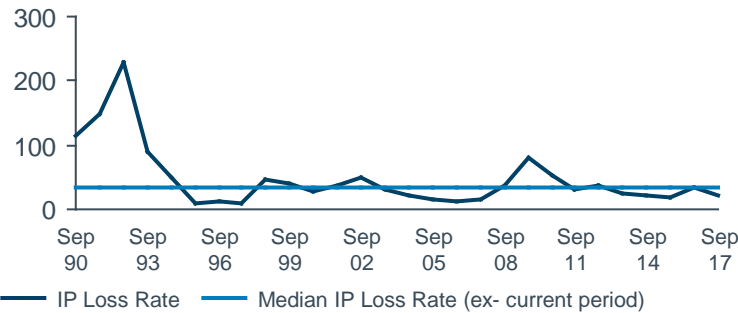


# RISK MANAGEMENT

## INDIVIDUAL PROVISION (IP) CHARGE

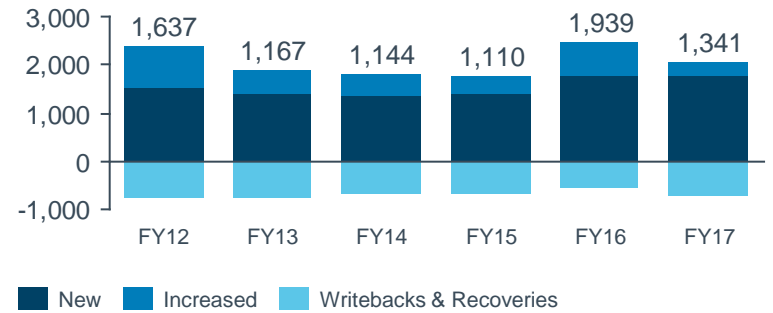
### ANZ HISTORICAL LOSS RATES

bps



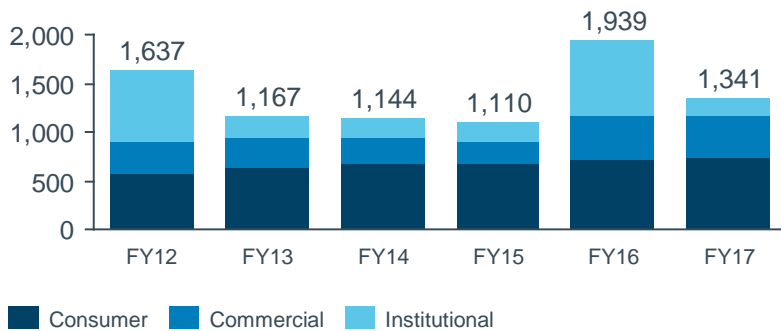
### IP CHARGE COMPOSITION

\$m



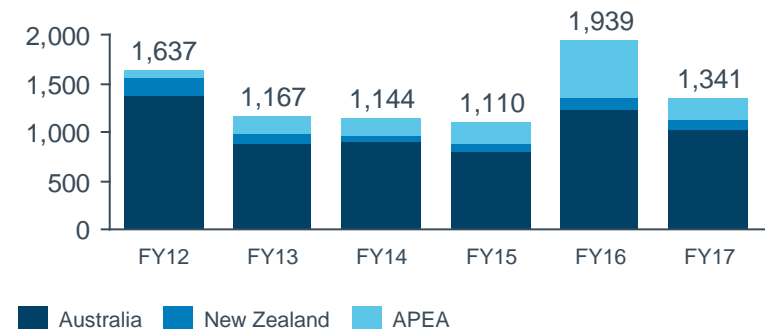
### IP CHARGE BY SEGMENT

\$m



### IP CHARGE BY REGION

\$m



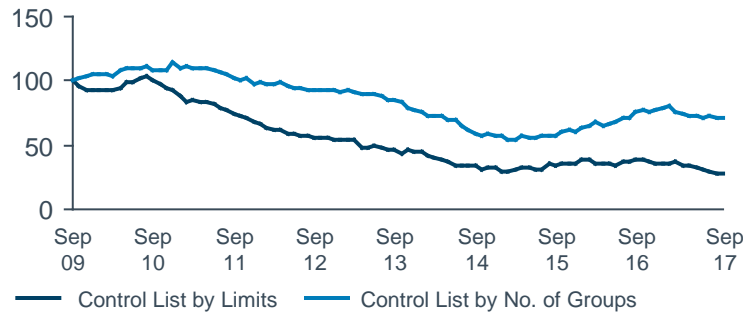
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# RISK MANAGEMENT

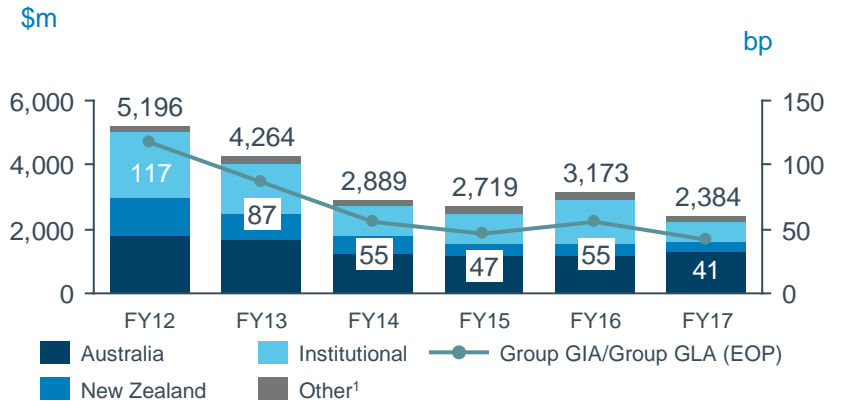
## IMPAIRED ASSETS

### CONTROL LIST

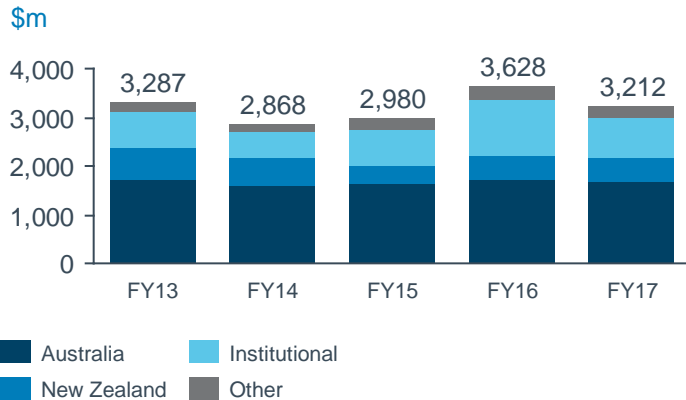
Index Sep 09 = 100



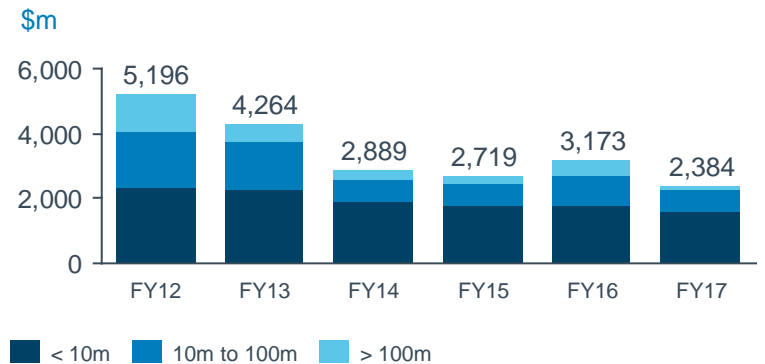
### GROSS IMPAIRED ASSETS BY DIVISION



### NEW IMPAIRED ASSETS BY DIVISION



### GROSS IMPAIRED ASSETS BY EXPOSURE SIZE



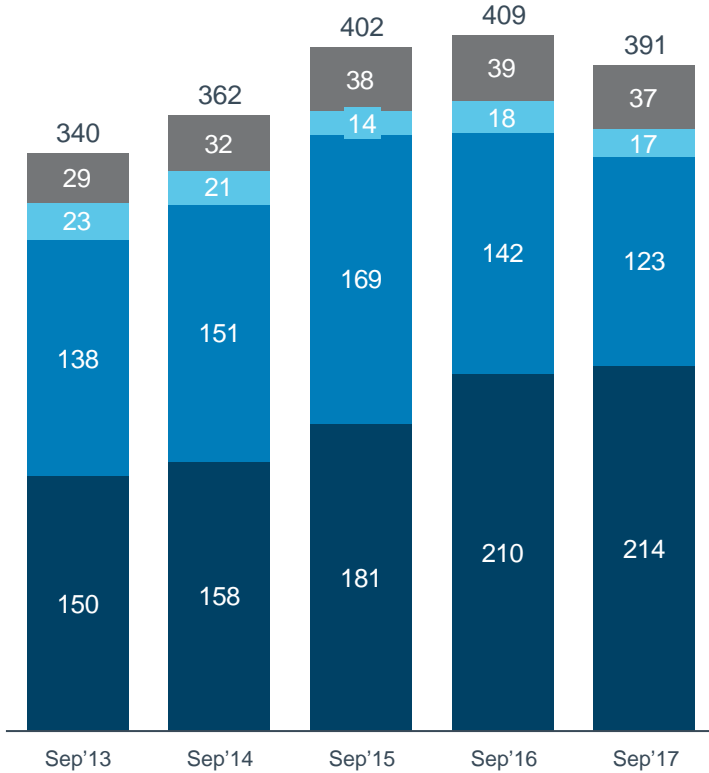
1. Other includes Retail Asia & Pacific and Australian Wealth

# RISK MANAGEMENT

## RISK WEIGHTED ASSETS

### TOTAL RISK WEIGHTED ASSETS

\$b



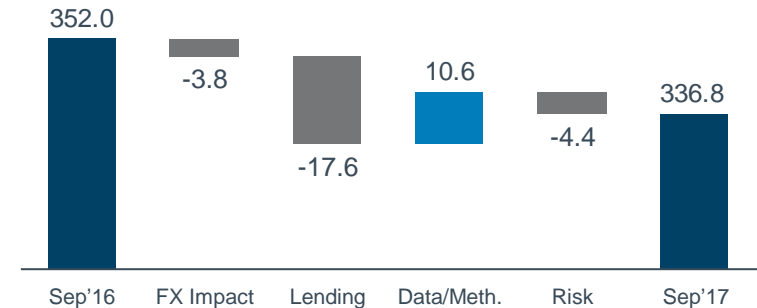
### TOTAL RWA MOVEMENT

\$b



### CRWA MOVEMENT

\$b



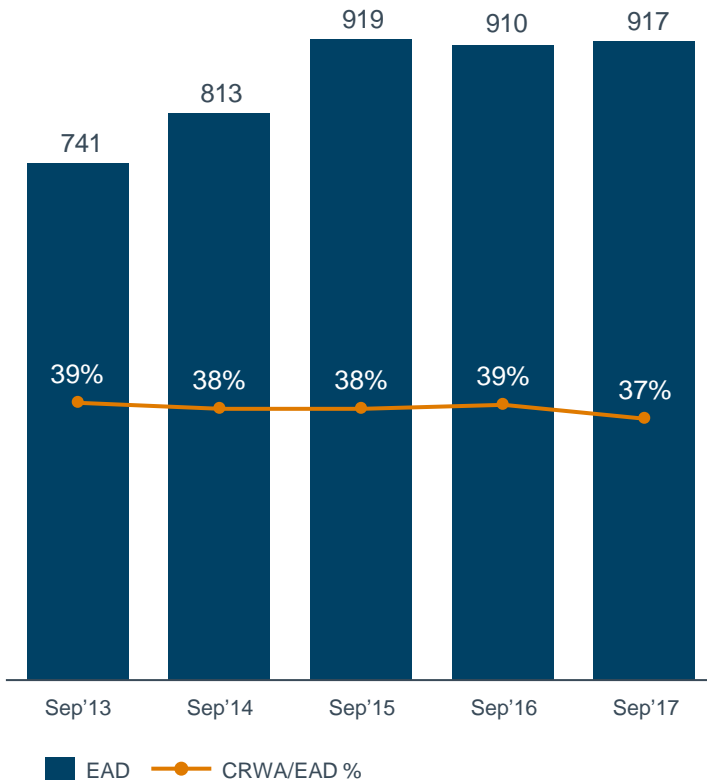
- CRWA (ex Inst.)
- CRWA (Inst.)
- Mkt. & IRRBB RWA
- Op-RWA

# RISK MANAGEMENT

## RISK WEIGHTED ASSETS

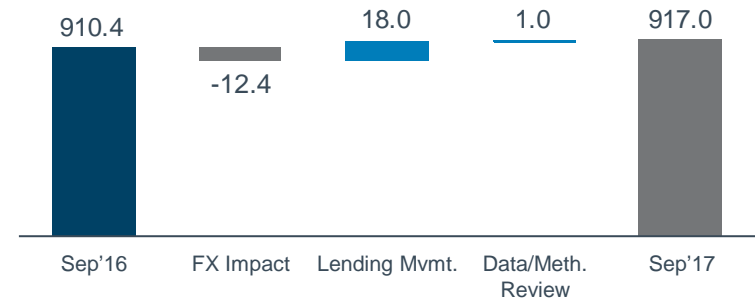
### GROUP EAD<sup>1</sup> & CRWAs

\$b



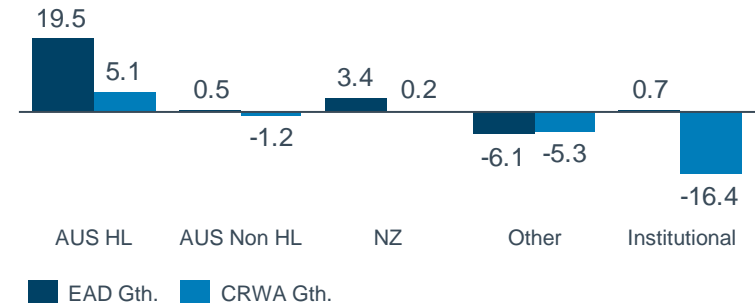
### GROUP EAD<sup>1</sup> MOVEMENT

SEP 17 v SEP 16 (\$b)



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

SEP 17 v SEP 16 (\$b)



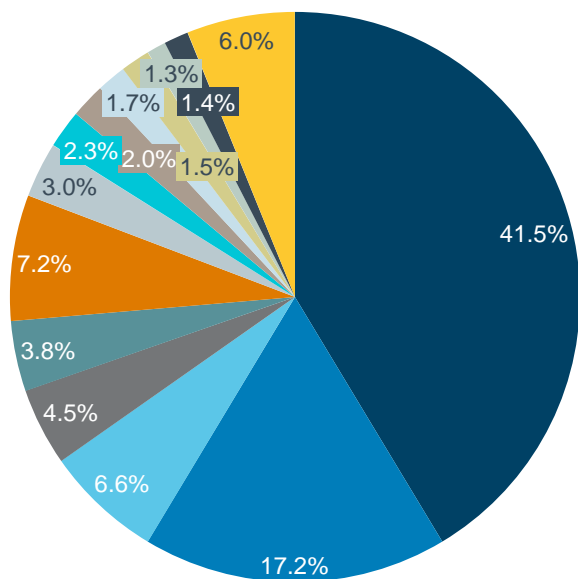
1. Post CRM EAD, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Includes amounts for 'Securitisation' and 'Other Assets' Basel asset classes
2. Refers to lending movement, excluding FX Impact, Data/Meth Review and Risk

# RISK MANAGEMENT

## PORTFOLIO COMPOSITION

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

TOTAL GROUP EAD (Sep 17)  
= \$903b<sup>1</sup>



Category	% of Group EAD		% of Portfolio in Non Performing		Portfolio Balance in Non Performing
	Sep 16	Sep 17	Sep 16	Sep 17	Sep 17
Consumer Lending	40.6%	41.5%	0.1%	0.1%	\$436m
Finance, Investment & Insurance	17.4%	17.2%	0.1%	0.0%	\$20m
Property Services	6.8%	6.6%	0.4%	0.3%	\$150m
Manufacturing	5.2%	4.5%	1.6%	0.7%	\$289m
Agriculture, Forestry, Fishing	3.9%	3.8%	1.5%	1.2%	\$393m
Government & Official Institutions	6.2%	7.2%	0.0%	0.0%	\$0m
Wholesale trade	3.1%	3.0%	0.5%	0.5%	\$136m
Retail Trade	2.4%	2.3%	1.2%	0.8%	\$170m
Transport & Storage	2.2%	2.0%	0.4%	0.7%	\$16m
Business Services	1.7%	1.7%	0.9%	1.1%	\$169m
Resources (Mining)	1.8%	1.5%	2.9%	1.2%	\$170m
Electricity, Gas & Water Supply	1.3%	1.3%	0.0%	0.1%	\$16m
Construction	1.4%	1.4%	2.0%	2.3%	\$290m
Other	6.0%	6.0%	0.4%	0.6%	\$208m
Total	100.0%	100.0%			\$2,673m
<b>Total Group EAD<sup>1</sup> \$b</b>	<b>\$895b</b>	<b>\$903b</b>			

1. EAD excludes amounts for 'Securitisation' and 'Other Assets' Basel classes and manual adjustments. Data provided is as at Sep 17 on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Note that APS330 disclosure is reported on a Post CRM basis from 30 June 2016

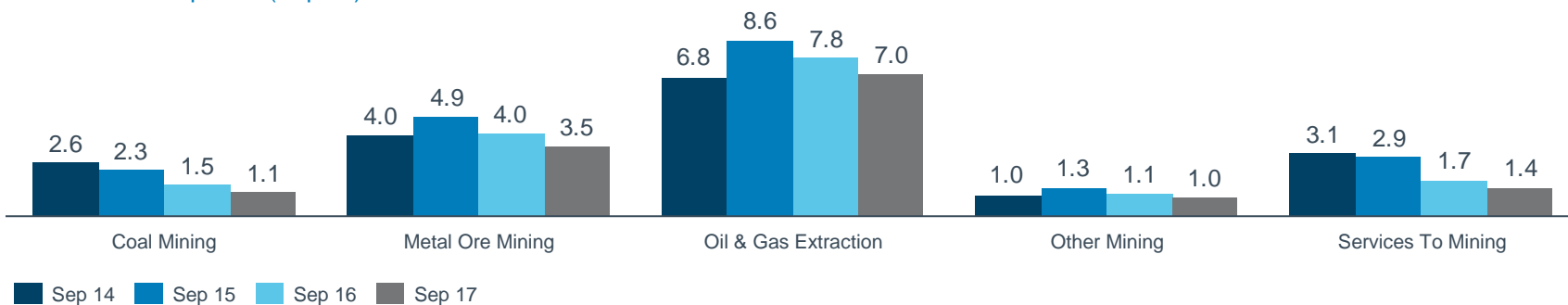
# RISK MANAGEMENT

## GROUP RESOURCES PORTFOLIO

### RESOURCES EXPOSURE BY SECTOR

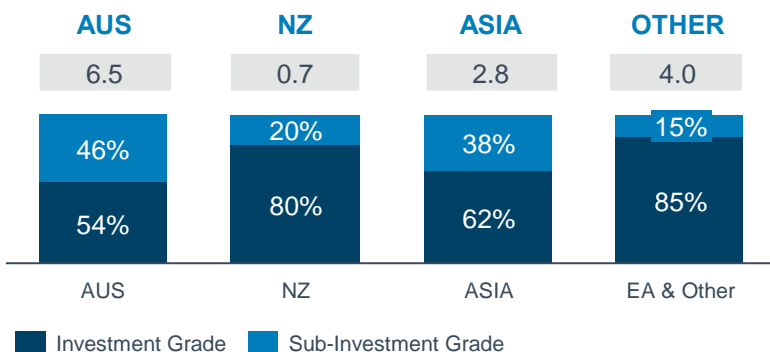
TOTAL EAD (Sep 17): \$14b

As a % of Group EAD (Sep 17): 1.5%



### RESOURCES EXPOSURE CREDIT QUALITY (EAD)

\$b



### RESOURCES PORTFOLIO MANAGEMENT

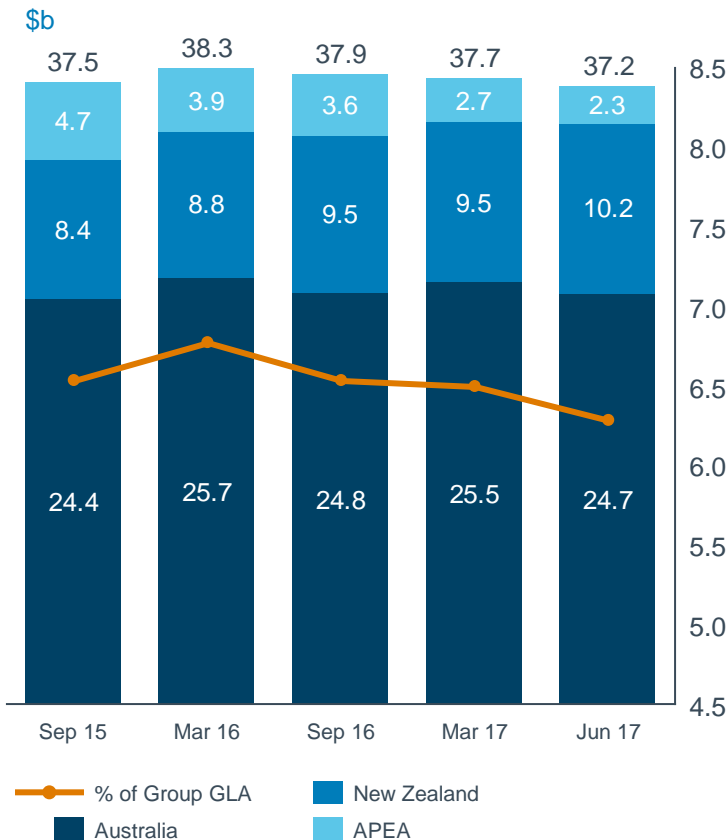
- Portfolio is skewed towards well capitalised and lower cost resource producers. 29% of the book is less than one year duration.
- Investment grade exposures represent 66% of portfolio vs. 65% at Sep'16 and Trade business unit accounts for 16% of the total Resources EAD.
- Mining services customers are subject to heightened oversight given the cautious outlook for the services sector.

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# RISK MANAGEMENT

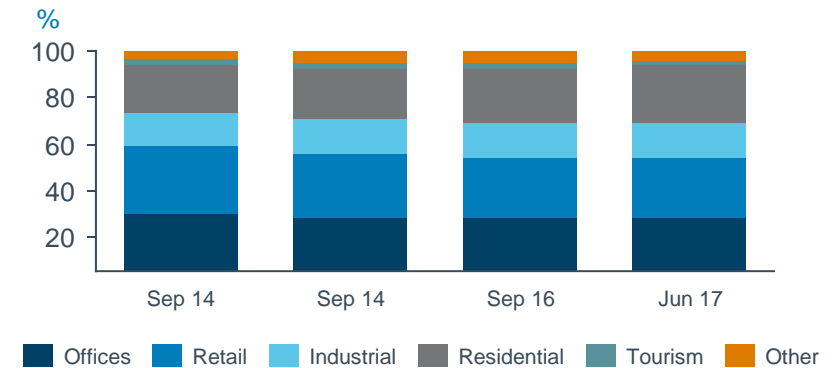
## COMMERCIAL PROPERTY PORTFOLIO

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



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

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



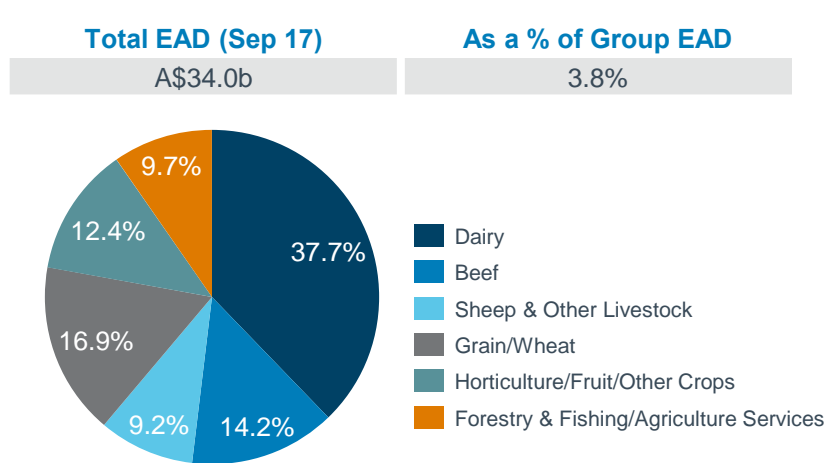
### PROPERTY PORTFOLIO MANAGEMENT

- Australia volumes decreased by 3%, primarily driven by tightening strategies in Residential development and Land exposures. The decrease in Industrial exposure was offset by increase in Office volumes, mainly due to rebalancing of portfolio mix by one of the major REITs.
- New Zealand volumes grew 8% across the portfolio over the 9 months of FY17, driven by investment lending to larger commercial customers across Office, Retail and Industrial.
- APEA volumes for 2Q17 declined 15% qoq due to continued RWA optimisation efforts to reduce lower returns lending, a more competitive landscape and margin compression evidenced in key markets of HK & Singapore.

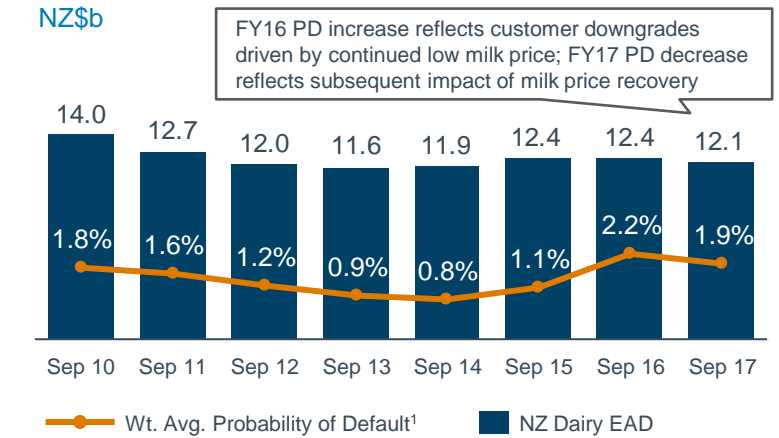
# RISK MANAGEMENT

## GROUP AGRICULTURE PORTFOLIO

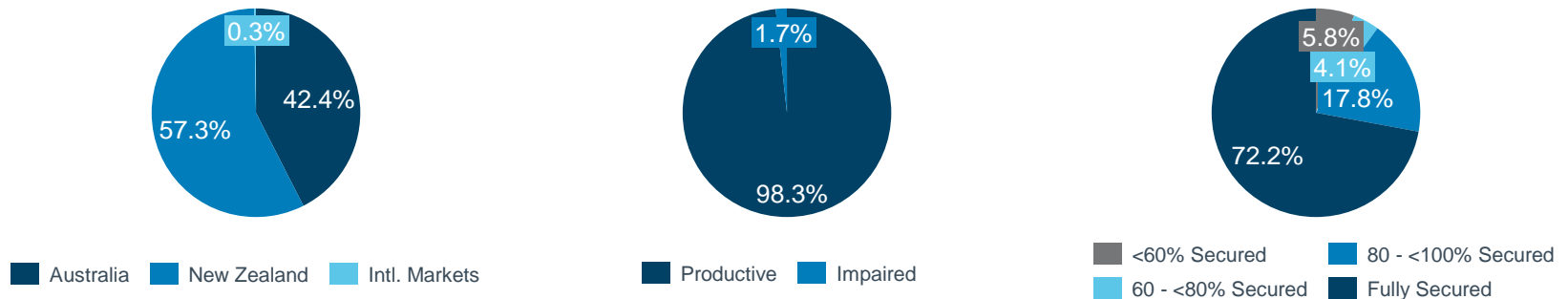
### AGRICULTURE EXPOSURE BY SECTOR (% EAD)



### NEW ZEALAND DAIRY CREDIT QUALITY



### GROUP AGRICULTURE EAD SPLITS<sup>2</sup>



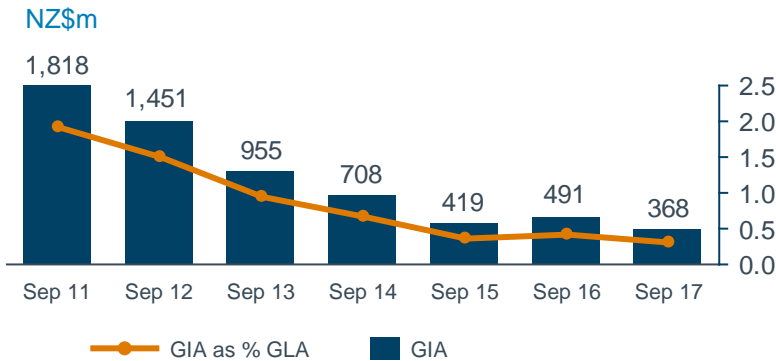
1. Wholesale PD model changes account for 55 bps increase in FY16  
 2. Security indicator is based on ANZ extended security valuations



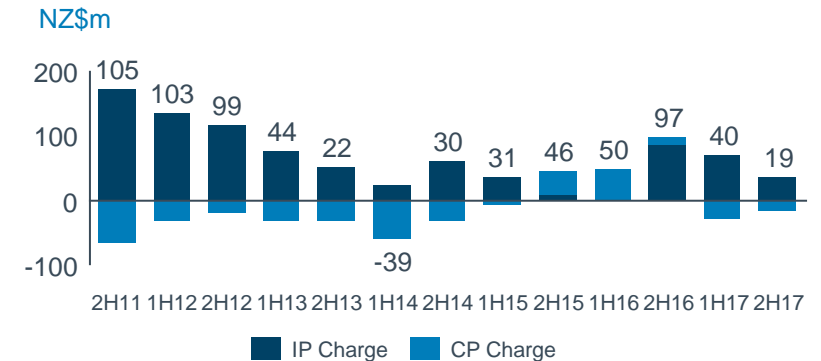
# RISK MANAGEMENT

## NEW ZEALAND

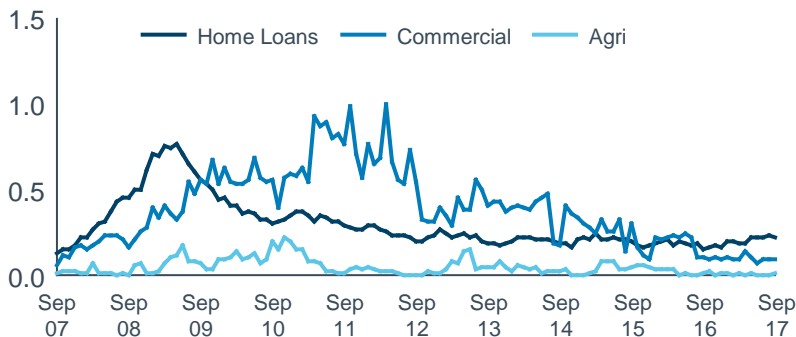
### NEW ZEALAND GEOGRAPHY GROSS IMPAIRED ASSETS



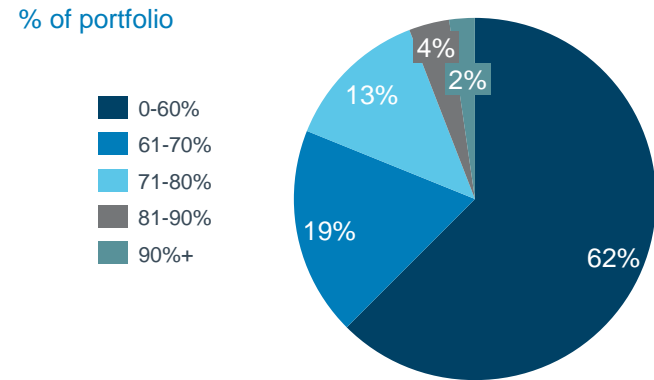
### NEW ZEALAND GEOGRAPHY TOTAL PROVISION CHARGE<sup>1</sup>



### NEW ZEALAND DIVISION 90+DAYS DELINQUENCIES



### MORTGAGE DYNAMIC LOAN TO VALUE RATIO<sup>2</sup>



1. Credit valuation adjustments (CVA) for customers with CCR10 are reported differently for cash profit and headline views of earnings. In the headline (statutory) view of provision reported above, changes in CVA are reported in Other Operating Income, but in the cash profit view of earnings the change in CVA is reclassified to IP

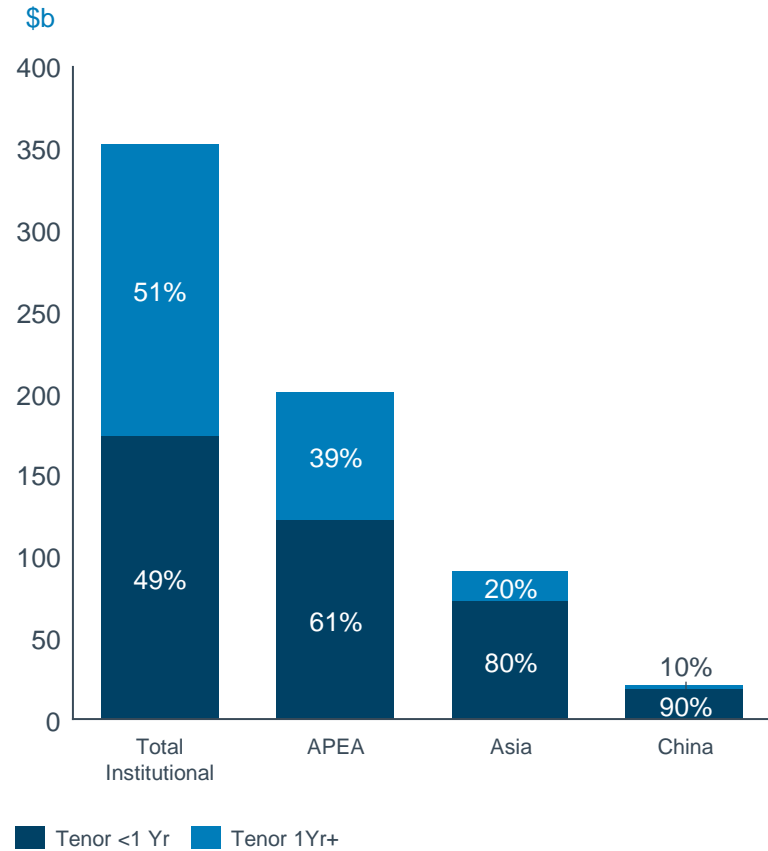
2. Dynamic basis, as of September 2017

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# RISK MANAGEMENT

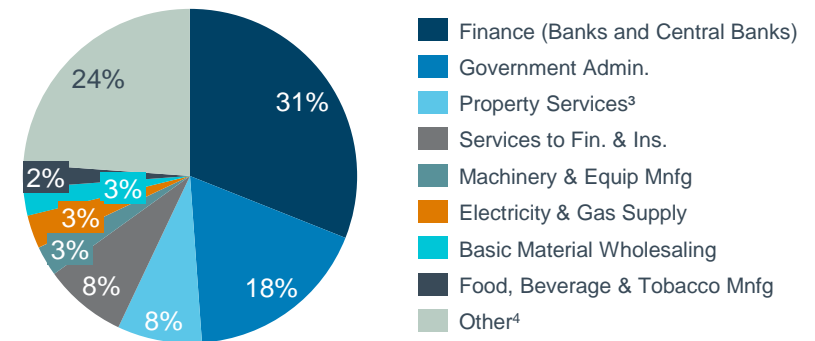
## ANZ INSTITUTIONAL PORTFOLIO (COUNTRY OF INCORPORATION<sup>1</sup>)

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



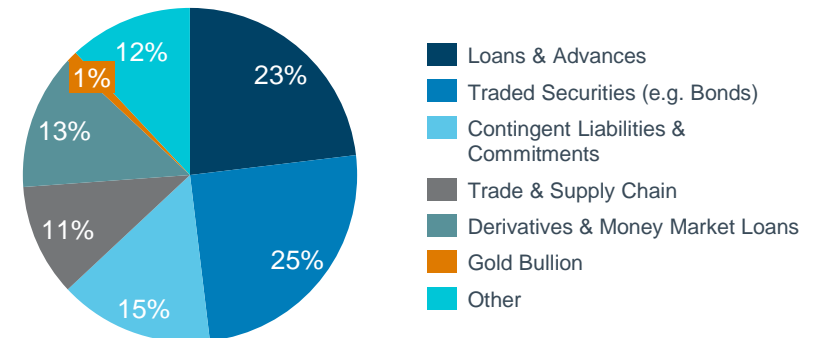
### ANZ INSTITUTIONAL INDUSTRY COMPOSITION

EAD (Sep 17): A\$353<sup>2</sup>



### ANZ INSTITUTIONAL PRODUCT COMPOSITION

EAD (Sep 17): A\$353<sup>2</sup>



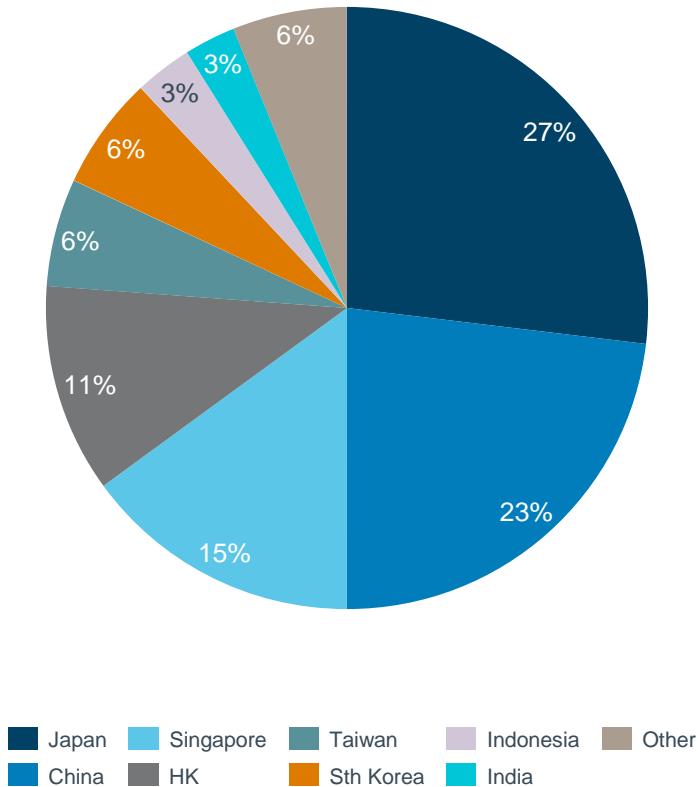
1. Country is defined by the counterparty's Country of Incorporation. 2. Data provided is as at Sep17 on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Position excludes Basel Asset Class 'Securitisation', 'Other Assets', 'Retail' and manual adjustments. 3. ~88% of the ANZ Institutional "Property Services" portfolio is to entities incorporated in either Australia or New Zealand. 4. Other is comprised of 48 different industries with none comprising more than 2.0% of the Institutional portfolio.

# RISK MANAGEMENT

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

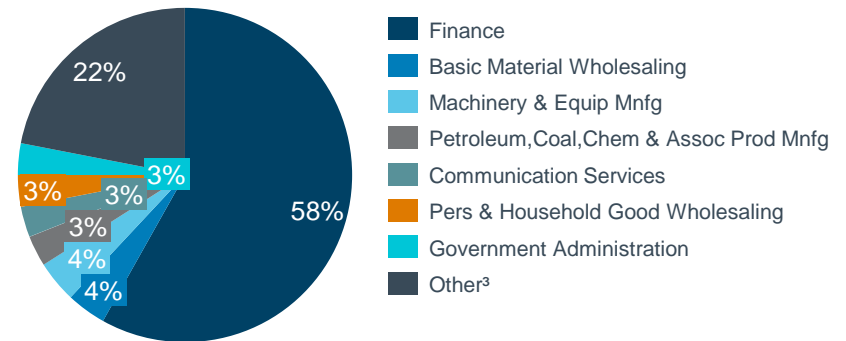
### COUNTRY OF INCORPORATION<sup>1</sup>

EAD (Sep 17): A\$91b<sup>2</sup>



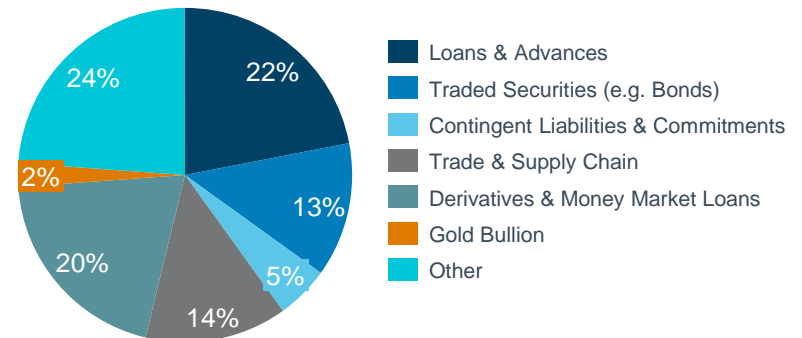
### ANZ ASIA INDUSTRY COMPOSITION

EAD (Sep 17): A\$91b<sup>2</sup>



### ANZ ASIA PRODUCT COMPOSITION

EAD (Sep 17): A\$91b<sup>2</sup>



1. Country is defined by the counterparty's Country of Incorporation. 2. Data provided is as at Sep17 on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Position excludes Basel Asset Class 'Securitisation', 'Other Assets', 'Retail' and manual adjustments. 3. "Other" within industry is comprised of 46 different industries with none comprising more than 3.2% of the Asian Institutional portfolio; Other product category is predominantly exposure due from other financial institutions.

# RISK MANAGEMENT

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

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

EAD (Sep 17): A\$21b<sup>2</sup>

#### China EAD

- Total China EAD of A\$21b, with 39% or A\$8.0b booked onshore in China

#### Tenor

- ~90% of EAD has a tenor less than 1 year

#### Risk rating

- China exposure has a stronger average credit rating compared to Australia.

#### Industry

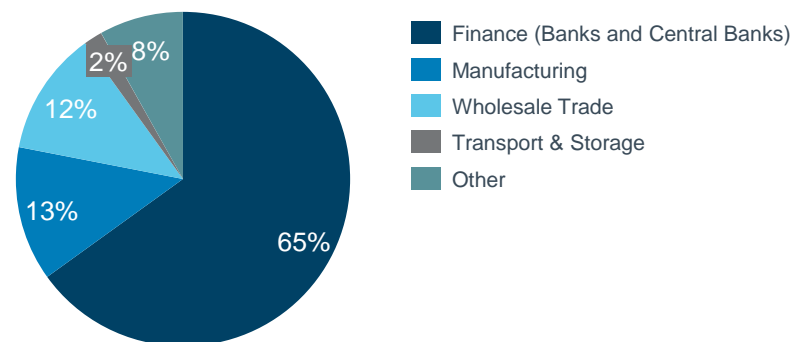
- 65% of China exposures to Financial institutions, with ~62% of this to China's central bank and its Top 5 largest banks

#### Products

- Largest growth in 'Derivatives & Money Market Loans' (+A\$2.0b) mostly from increase in Money Market Loans whilst reduction in 'Other' (A\$2.9b) due to decline in Nostro accounts
- Within Loans and Advances ~69% have a tenor of less than 1 year, down from ~74% as at Sep 16

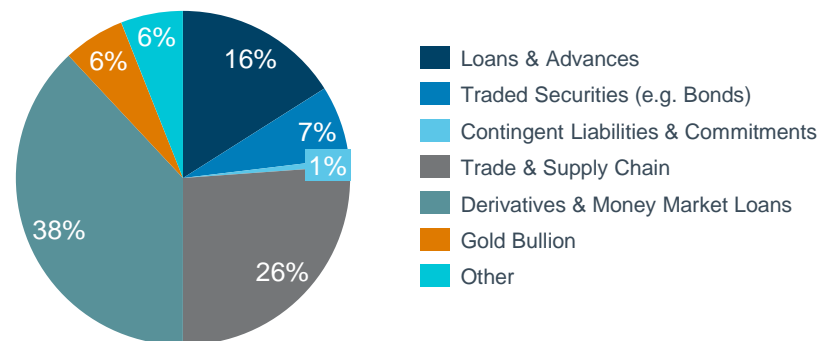
### ANZ CHINA INDUSTRY COMPOSITION

EAD (Sep 17): A\$21b<sup>2</sup>



### ANZ CHINA PRODUCT COMPOSITION

EAD (Sep 17): A\$21b<sup>2</sup>



1. Country is defined by the counterparty's Country of Incorporation

2. Data provided is as at Sep17 on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Position excludes Basel Asset Class 'Securitisation', 'Other Assets', 'Retail' and manual adjustments.

# RESIDENTIAL DEVELOPMENT AUSTRALIAN COMMERCIAL PROPERTY EXPOSURE

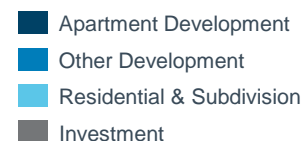
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## OVERVIEW

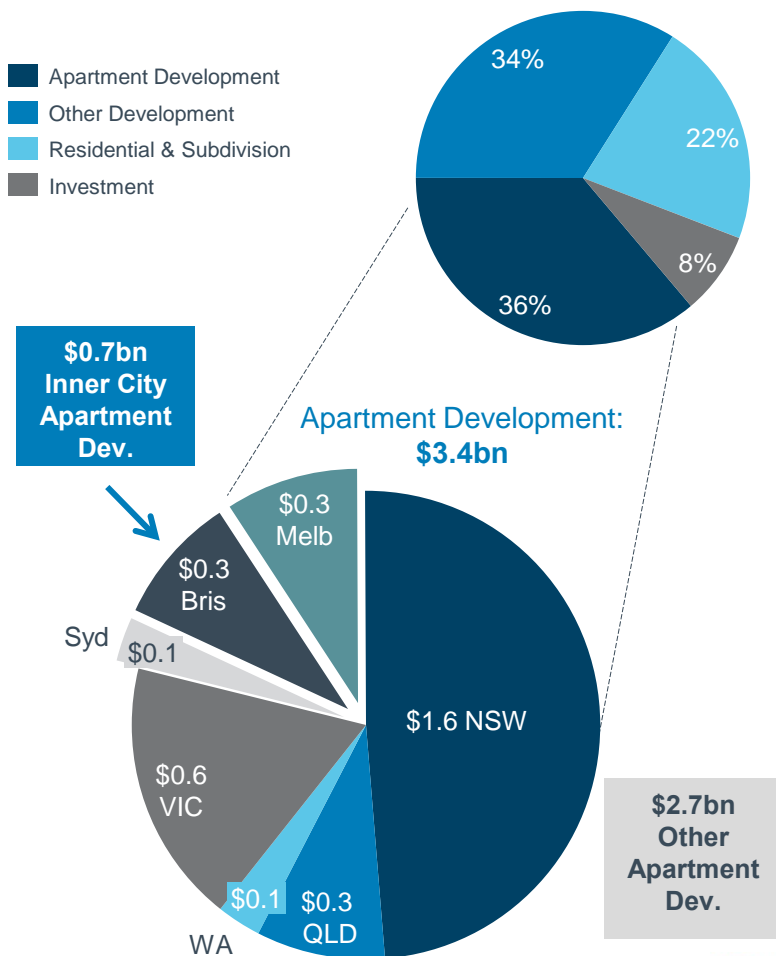
- Overall Apartment Development limits reduced by \$0.7bn (17%) in the second half of 2017.
- Tightening strategies were introduced to moderate appetite for Inner City Apartment development during 2015, with formal changes made to lending guidelines for residential development since Jan 2016. Strategies include increase in Pre-sales coverage, with lower level of foreign buyers, and reduced LVRs.
- Limits to Inner City Apartment Development remained modest accounting for 20% of total. This was spread mainly across Melbourne, Brisbane and Sydney.
- Average qualifying pre-sales and LVRs were 104% and 57% respectively for Inner City Apartment Developments.
- Outside of Inner City, Apartment Development limits were weighted 59% towards NSW and otherwise diversified across VIC, QLD and WA.
- Ongoing monitoring of development projects with regular internal management reporting, noting our facilities are continuing to be repaid on time to date.
- Industry trends and risks are being closely monitored with tightening strategies implemented where appropriate.
- \$0.7b of inner city CBD apartment developments predominantly in Brisbane and Melbourne.

## PROFILE (Sep 17)

\$b



Total Residential Limits: **\$9.5bn**



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# 2017 FULL YEAR RESULTS

HOUSING

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED



# AUSTRALIA HOME LOANS

## PORTFOLIO OVERVIEW

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	Portfolio <sup>1</sup>		Flow <sup>2</sup>
	FY16	FY17	FY17
Number of Home Loan accounts	975k	1,008k	178k <sup>3</sup>
Total FUM <sup>1</sup>	\$246bn	\$264bn	\$67bn
Average Loan Size	\$252k	\$262k	\$379k
% Owner Occupied <sup>4</sup>	62%	63%	66%
% Investor <sup>4</sup>	34%	33%	32%
% Equity Line of Credit	4%	4%	2%
% Paying Variable Rate Loan <sup>5</sup>	87%	83%	82%
% Paying Fixed Rate Loan <sup>5</sup>	13%	17%	18%
% Paying Interest Only <sup>6</sup>	36%	31%	27% <sup>7</sup>
% Broker originated	49%	51%	56%

	Portfolio <sup>1</sup>	
	FY16	FY17
Average LVR at Origination <sup>8,9,10</sup>	71%	69%
Average Dynamic LVR <sup>9,10,11</sup>	52%	50%
Market Share <sup>12</sup>	15.5%	15.7%
% Ahead of Repayments <sup>13</sup>	73%	71%
Offset Balances <sup>14</sup>	\$24b	\$27b
% First Home Buyer	7%	7%
% Low Doc <sup>15</sup>	5%	4%
Loss Rate <sup>16</sup>	0.01%	0.02%
% of Australia Geography Lending <sup>17</sup>	62%	64%
% of Group Lending <sup>17,18</sup>	43%	45%

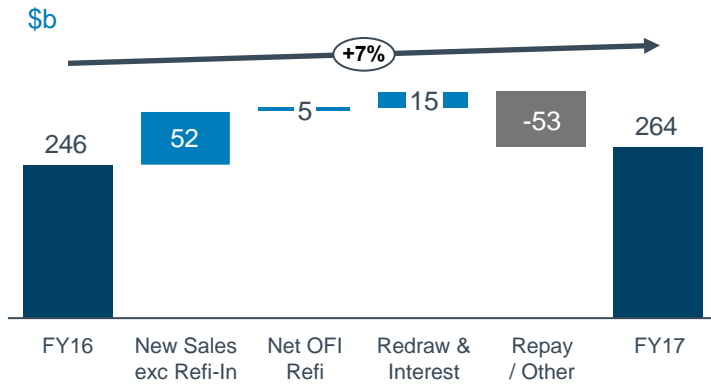
1. Home Loans (excludes Non Performing Loans, excludes offset balances) 2. YTD (12 months to) unless noted 3. New accounts includes increases to existing accounts and split loans (fixed and variable components of the same loan) 4. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ of any change in circumstances. We have initiated a customer contact program to determine whether there are any inconsistencies in this approach. Outcomes and impacts will be determined in due course 5. Excludes Equity Manager 6. Based on APRA definition ie includes Equity Manager 7. September Half to Date 8. Originated FY16 for FY16, originated FY17 for FY17 9. Unweighted 10. Includes capitalised premiums 11. Valuations updated to Sep'17 where available 12. Source for Australia: APRA to Aug'17 13. % of Owner Occupied and Investment Loans that have any amount ahead of repayments. Includes Offset balances. Excludes Equity Manager. Excludes Non Performing Loans. 14. Balances of Offset accounts connected to existing Instalment Loans 15. Low Doc is comprised of less than or equal to 60% LVR mortgages primarily for self-employed without scheduled PAYG income. However, it also has ~A\$500m of less than or equal to 80% LVR mortgages, primarily booked pre-2008 16. Write-off net of recoveries 17. Based on Gross Loans and Advances 18. Based on Group Cash Profit basis.



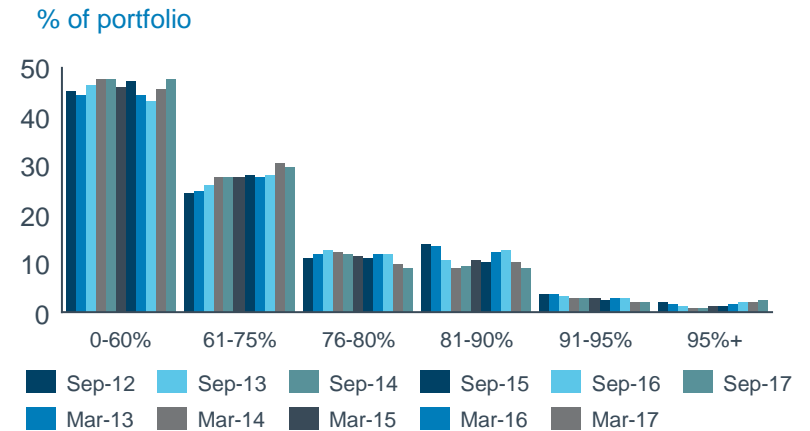
# AUSTRALIA HOME LOANS

## PORTFOLIO TRENDS

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

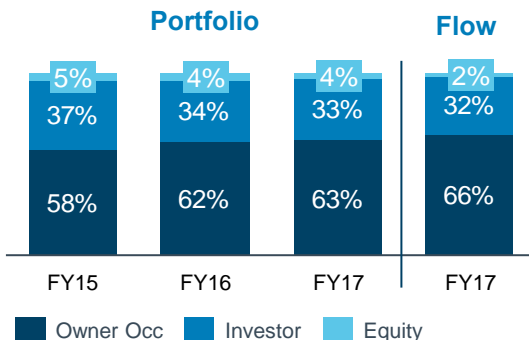


### DYNAMIC LOAN TO VALUE RATIO<sup>1,2,3</sup>

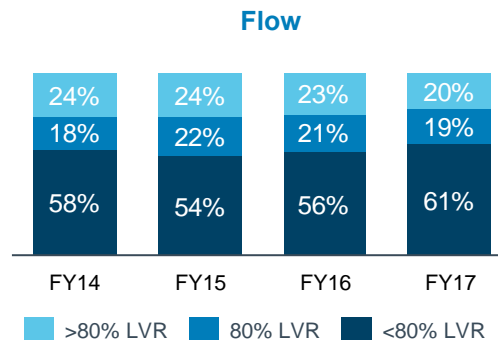


### PORTFOLIO<sup>1,4</sup> & FLOW<sup>5</sup> COMPOSITION

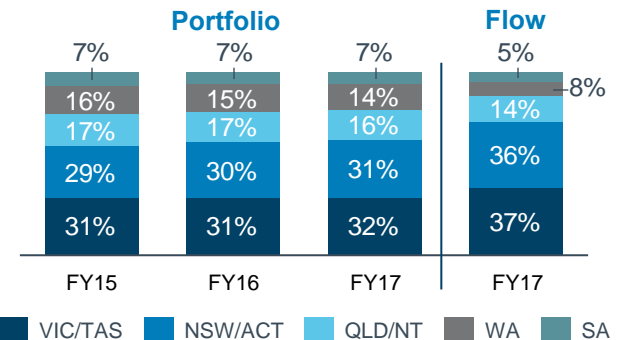
#### By purpose:



#### By origination LVR<sup>6</sup>:



#### By location:



1. Excludes Non Performing Loans. 2. Includes capitalised premiums 3. Valuations updated to Sep'17 where available 4. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ of any change in circumstances. We have initiated a customer contact program to determine whether there are any inconsistencies in this approach. Outcomes and impacts will be determined in due course.

5. YTD (12 months to) unless noted 6. Includes capitalised premiums

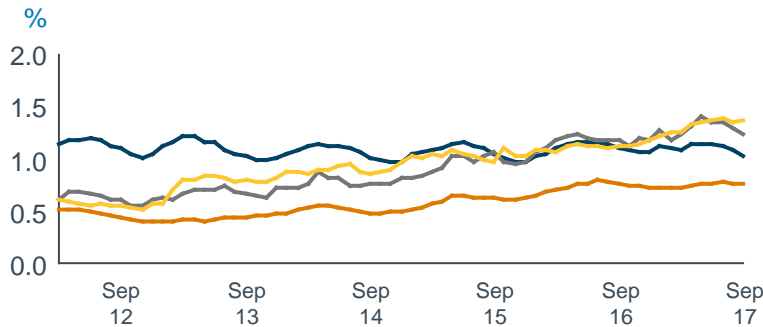
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# AUSTRALIA DIVISION

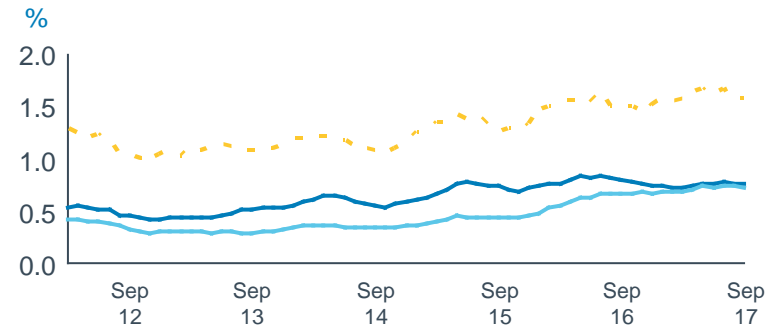
## PORTFOLIO PERFORMANCE

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



Home Loans    Personal Loans  
Consumer Cards    Corporate & Commercial<sup>2</sup>

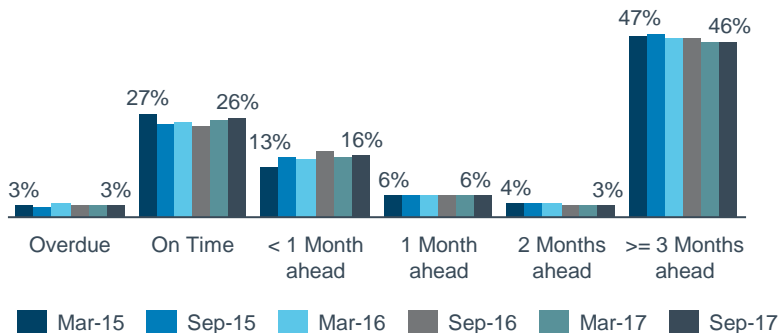
### HOME LOAN DELINQUENCIES<sup>1,3</sup>



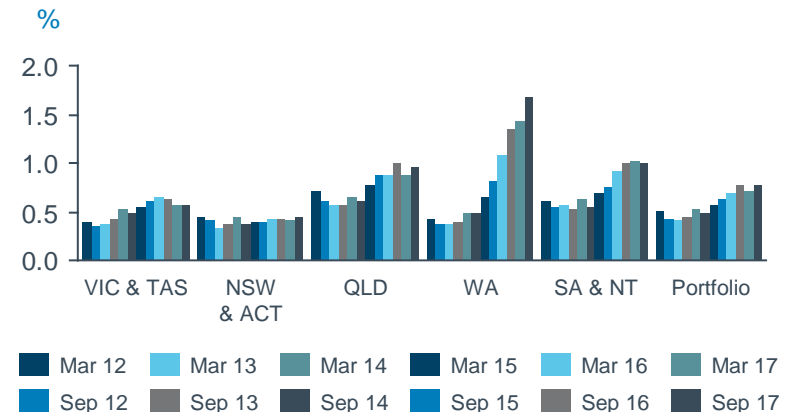
30+ DPD %    90+ Investor  
90+ Owner Occupied

### HOME LOANS REPAYMENT PROFILE<sup>4</sup>

71% of accounts ahead of repayments



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



1. Excludes Non Performing Loans 2. Comprises Small Business, Commercial Cards and Asset Finance 3. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ of any change in circumstances. We have initiated a customer contact program to determine whether there are any inconsistencies in this approach. Outcomes and impacts will be determined in due course. 4. % of Owner Occupied and Investment Loans that have any amount ahead of repayments. Includes Offset balances. Excludes Equity Manager. Excludes Non Performing Loans.

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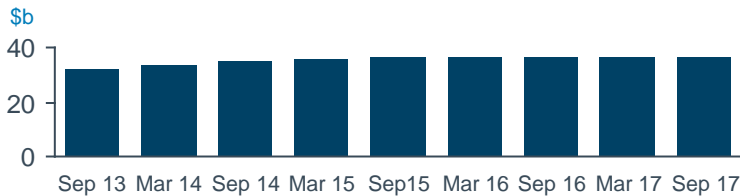
# AUSTRALIA HOME LOANS

## AREAS OF INTEREST

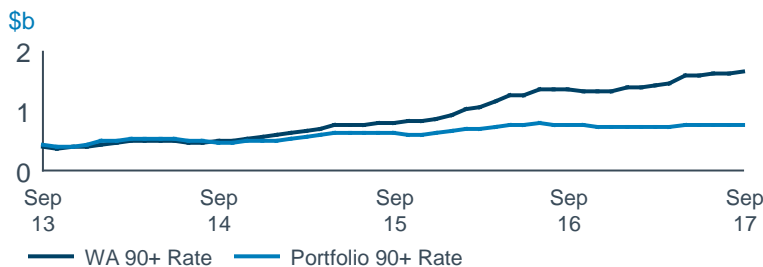
### WESTERN AUSTRALIA

- Greater focus on Acquisition & Collection management strategies have been applied
- Exposure to WA has decreased since Mar-16 driven by the economic environment and credit policy tightening (mining town lending, etc)
- Currently WA makes up 14% of portfolio FUM (and decreasing), however makes up 30% of 90+ (and approximately half of portfolio losses<sup>1</sup>)
- Tailored treatment of collection and account management strategies
- Conservative approach to provisions management

### WA OUTSTANDING BALANCE



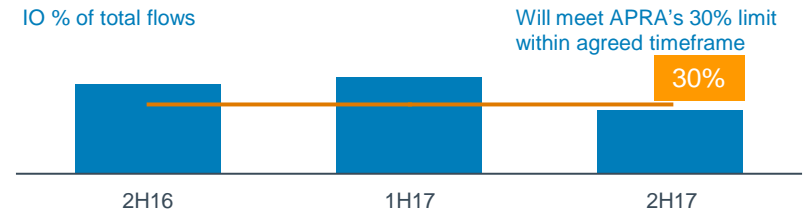
### HOME LOANS AND WA 90+ DELINQUENCIES



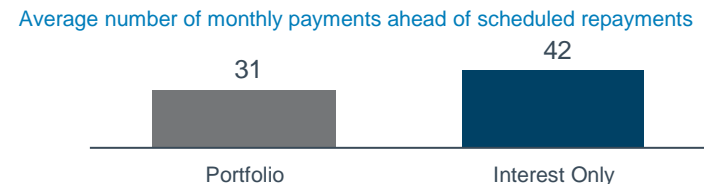
### HOME LOAN INTEREST ONLY (IO)

- Serviceability assessment is based on ability to repay principal & interest repayments calculated over the residual term of loan
- 80% of IO customers have net income >\$100k pa. (vs portfolio 64%)
- IO customers typically further ahead of repayments vs portfolio avg
- Arrears levels are lower for Interest Only vs overall portfolio
- Recent policy and pricing changes have led to a reduction in IO lending resulting in ANZ meeting the APRA 30% threshold lending requirement

### INTEREST ONLY FLOW COMPOSITION<sup>2</sup>



### PAYMENTS IN ADVANCE<sup>3</sup>



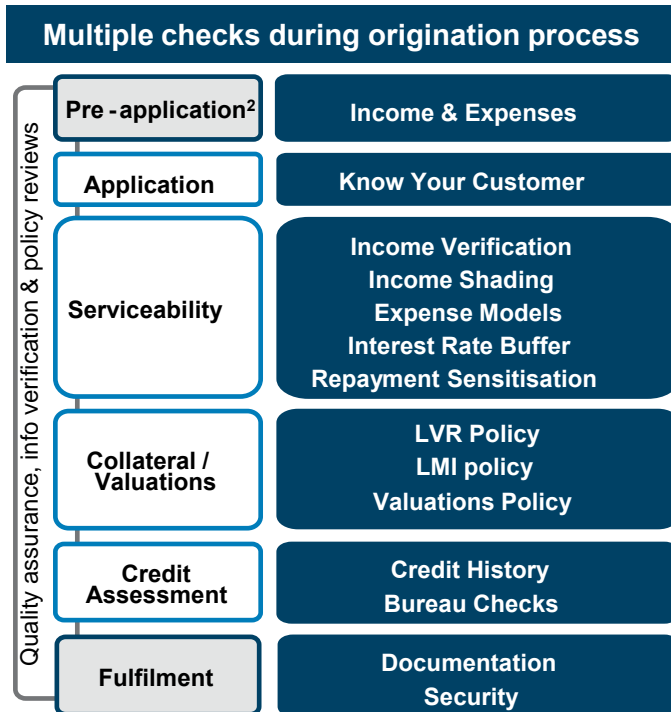
1. Losses is based on New Individual Provision Charges 2. Based on APRA definition i.e. includes Equity Manager 3. Excludes Non Performing Loans; Includes offset balances

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# AUSTRALIA HOME LOANS

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

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- End-to-end home lending responsibility managed within ANZ
- Effective hardship & collections processes
- Full recourse lending
- ANZ assessment process across all channels

### Serviceability

- Aug'15 Interest rate floor applied to new and existing mortgage lending introduced at 7.25%
- Apr'16 Introduction of an income adjusted living expense floor (HEM)  
Introduction of a 20% haircut for overtime and commission income  
Increased income discount factor for residential rental income from 20% to 25%

### ANZ Policy changes

- Jun'15 LVR cap reduced to 70% in high risk mining towns
- Jul'15 LVR cap reduced to 90% for investment loans
- Sep'16 Withdrawal of lending to non-residents  
Limited acceptance of foreign income to demonstrate serviceability and tightened controls on verification
- Dec'16 Tightening of acceptances for guarantees
- Jan'17 Decreased maximum interest only term of owner occupied interest only loans to 5 years
- May'17 The maximum interest only period reduced from 10 years to 5 years for investment lending to align to owner occupier lending  
Reduced LVR cap of 80% for Interest Only<sup>3</sup> lending  
Interest only lending no longer available on new Simplicity PLUS loans (owner occupier and investment lending)
- Jun'17 Minimum default housing expense (rent/board) applied to all borrowers not living in their own home and seeking RILs<sup>4</sup> or EMAs<sup>5</sup>
- Oct'17 Restrict Owner Occupier and Investment Lending (New Security to ANZ) to Maximum 80% LVR for all apartments within 7 inner city Brisbane postcodes.  
Restrict Investment Lending (New Security to ANZ) to Maximum 80% LVR for all apartments within 4 inner city Perth postcodes

1. 2015 to 2017 changes to lending standards and underwriting 2. Customers have the ability to assess their capacity to borrow on ANZ tools 3. Excludes investment lending for specific medical practitioners (eligible Medicos) where LVR cap is a maximum of 90% of lending. 4. Residential Investment Loans 5 Equity Manager Accounts

# AUSTRALIA HOME LOANS

## STRESS TESTING THE AUSTRALIAN MORTGAGE PORTFOLIO

- ANZ conducts regular stress tests of its loan portfolios to meet risk management objectives and satisfy regulatory requirements.
- Stress tests are highly assumption-driven; results will depend on economic assumptions, on modelling assumptions, and on assumptions about actions taken in response to the economic scenario.
- This illustrative recession scenario assumes significant reductions in consumer spending and business investment, which lead to eight consecutive quarters of negative GDP growth. This results in a significant increase in unemployment and material nationwide falls in property prices.
- Estimated portfolio losses under these stressed conditions are manageable and within the Group's capital base, with cumulative total losses at A\$1.6b over three years (net of LMI recoveries).

Assumptions	Current	Year 1	Year 2	Year 3
Unemployment rate	5.8%	9.0%	10.5%	11.5%
Cash Rate	1.5%	0.25%	0.25%	0.25%
Real GDP year ended growth	3.1	-3.8%	-2.4%	4.7%
Cumulative reduction in house prices	-	-26.8%	-38.3%	-32.7%
Portfolio size <sup>1</sup> (A\$b)	290	289	281	273

Outcomes	Base	Year 1	Year 2	Year 3
Net Losses (A\$m)	-	184	688	739
Net losses (bps)	-	6	24	27

1. Exposure at default

# LENDERS MORTGAGE INSURANCE

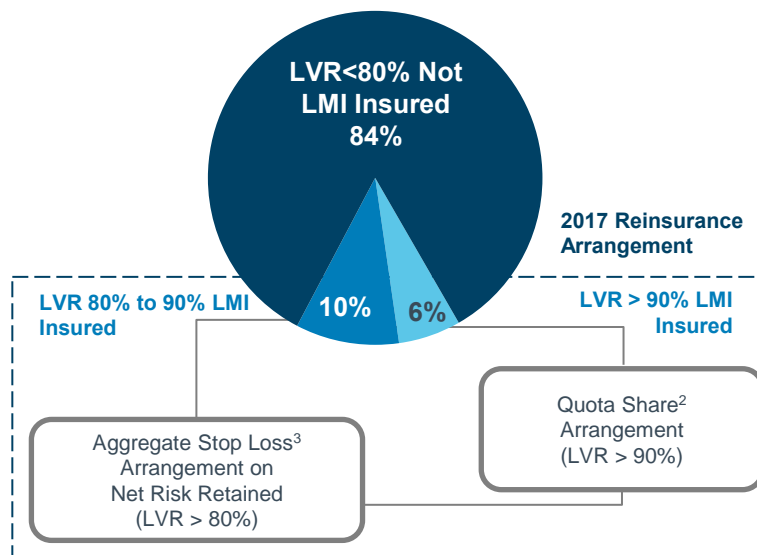
ANZLMI HAS MAINTAINED STABLE LOSS RATIOS

## FINANCIAL YEAR 2017 RESULTS

Gross Written Premium (\$m)	\$173.6m
Net Claims Paid (\$m)	\$14.7m
Loss Rate (of Exposure)	2.4 bps

## LMI & REINSURANCE STRUCTURE

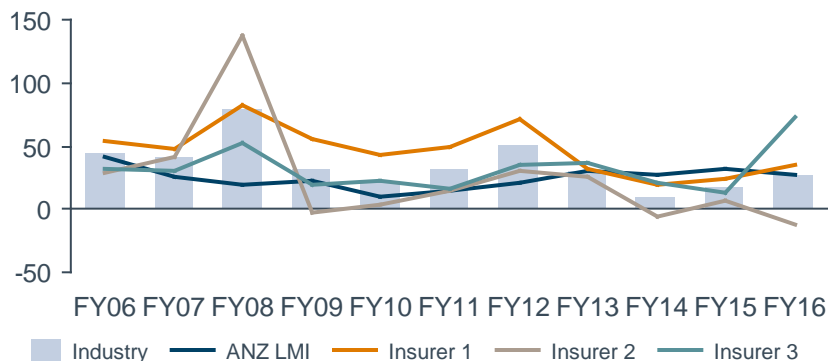
Australian Home Loan portfolio LMI and Reinsurance Structure at 30 Sep 2017 (% New Business FUM)



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

Reinsurance is comprised of a **Quota Share arrangement<sup>2</sup>** with reinsurers for mortgages 90% LVR and above and in addition an **Aggregate Stop Loss arrangement<sup>3</sup>** for policies over 80% LVR

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



1. Negative Loss ratios are the result of reductions in outstanding claims provisions. Source: APRA general insurance statistics (loss ratio net of reinsurance) ; 2. Quota Share arrangement - reinsurer assumes an agreed reinsured % whereby reinsurer shares all premiums and losses accordingly with ANZLMI ; 3. Aggregate Stop Loss arrangement –reinsurer indemnifies ANZLMI for an aggregate (or cumulative) amount of losses in excess of a specified aggregate amount. When the sum of the losses exceeds the pre-agreed amount, the reinsurer will be liable to pay the excess up to a pre-agreed upper limit.

# NEW ZEALAND MORTGAGES

## PORTFOLIO OVERVIEW <sup>1</sup>

	Portfolio		Growth		Portfolio		Growth
	FY16	FY17	FY17		FY16	FY17	FY17
Number of Home Loan accounts	511k	520k	1.7%	Average LVR at Origination <sup>2</sup>	60%	59%	-108bps
Total FUM	NZ\$73b	NZ\$77b	5.0%	Average Dynamic LVR <sup>2</sup>	44%	43%	-106bps
Average Loan Size at Origination <sup>2</sup>	NZ\$300k	NZ\$285k	-5.0%	Market Share <sup>3</sup>	31.5%	31.1%	-38bps
Average Loan Size <sup>2</sup>	NZ\$143k	NZ\$148k	3.3%	% Paying Interest Only <sup>4</sup>	24%	22%	-154bps
% of NZ Geography Lending	58%	61%	290bps	% Paying Principal & Interest	76%	78%	154bps
% of Group Lending	12%	12%	10bps	% First Home Buyer	N/A	N/A	N/A
% Owner Occupied	73%	73%	72bps	% Low Doc <sup>5</sup>	0.49%	0.44%	-5bps
% Investor	27%	27%	-72bps	Mortgage Loss Rates	(0.01%)	(0.01%)	-
% Paying Variable Rate Loan	24%	21%	-346bps	Group IP Loss Rates	0.34%	0.21%	-13bps
% Paying Fixed Rate Loan	76%	79%	346bps				
% Broker Originated	34%	35%	90bps				

1. New Zealand Geography

2. Average data as of September 2017

3. Source for New Zealand: RBNZ, as of August 2017. Changes in RBNZ data reporting from February 2017 onwards has resulted in a step change in data vs prior periods

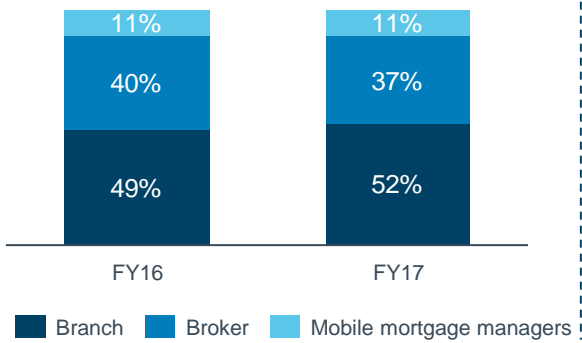
4. Excludes revolving credit facilities

5. Low Documentation (Low Doc) lending allowed customers who met certain criteria to apply for a mortgage with reduced income confirmation requirements. New Low Doc lending ceased in 2007

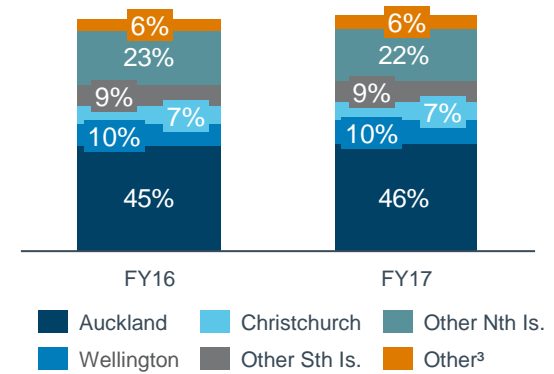
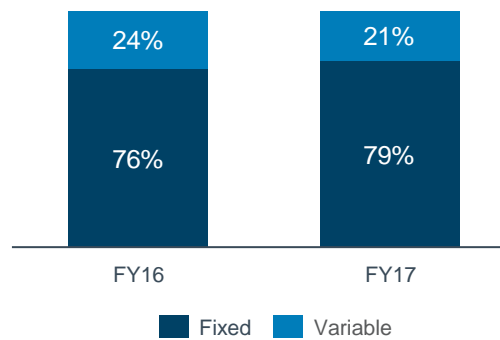
# NEW ZEALAND

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

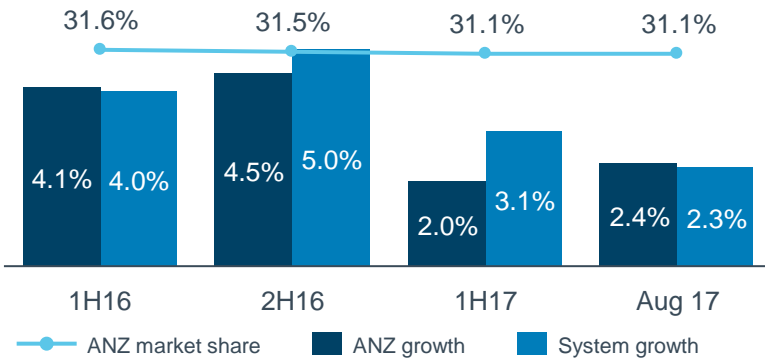
### FLOW<sup>2</sup>



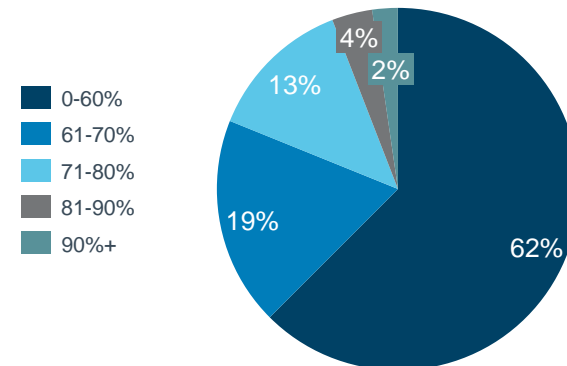
### PORTFOLIO



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



### ANZ MORTGAGE LVR PROFILE<sup>5</sup>



1. New Zealand Geography
2. Retail and Small Business Banking mortgage flow. Branch includes Small Business Banking Managers (FY16 restated)
3. Other includes loans booked centrally (Business Direct, Contact Centre, Lending Services, Property Finance)
4. Source: RBNZ, changes in RBNZ data reporting from February 2017 onwards has resulted in a step change in data vs prior periods
5. Dynamic basis, as of September 2017

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# 2017 FULL YEAR RESULTS

ECONOMICS

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED

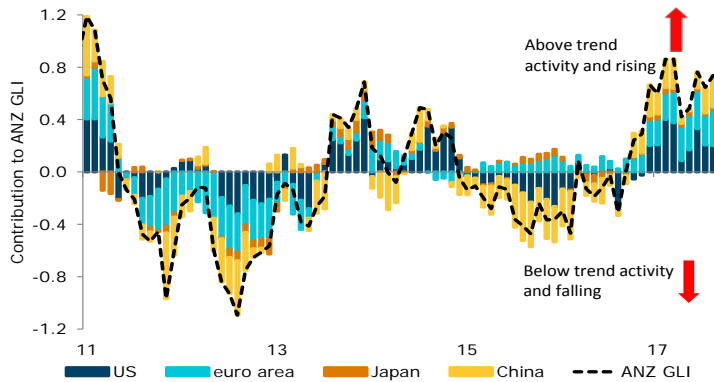




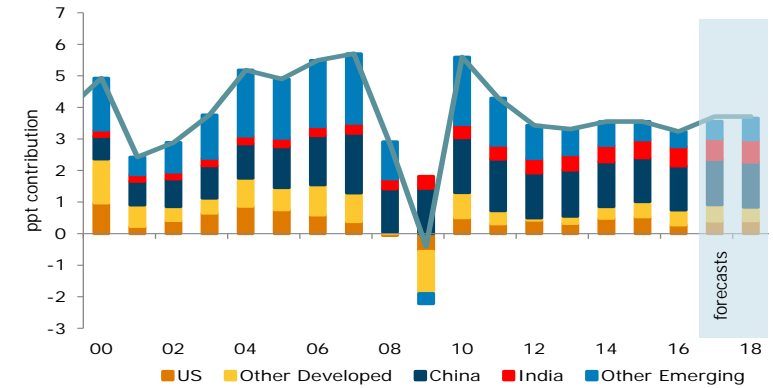
# ECONOMICS

## GDP

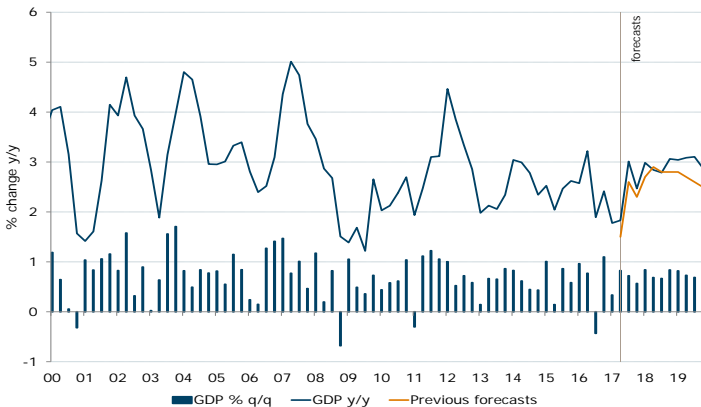
### ANZ GLOBAL LEAD INDEX



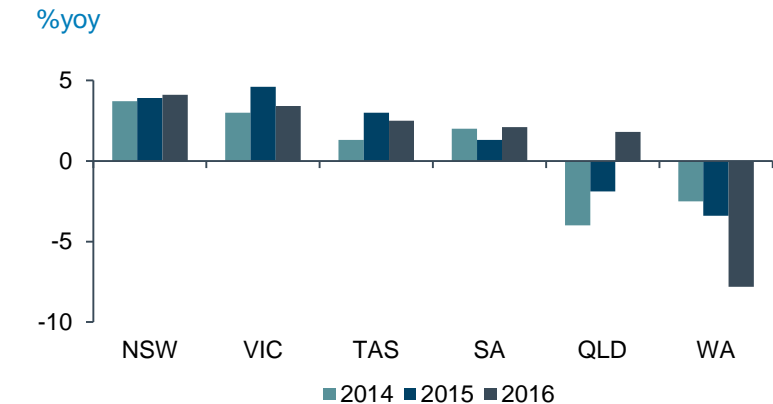
### GLOBAL



### AUSTRALIA



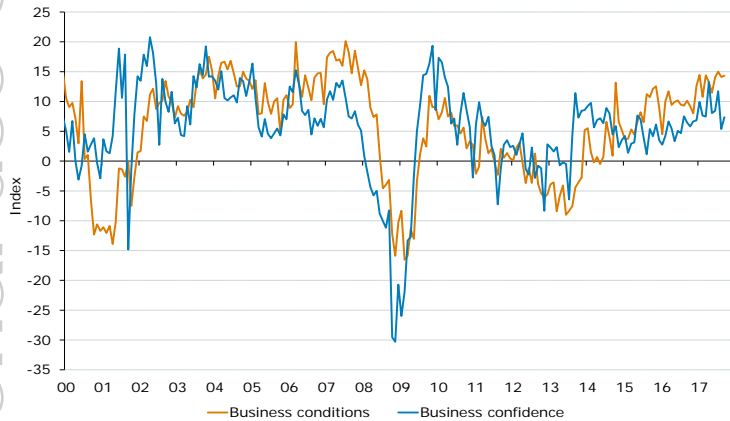
### AUSTRALIAN STATE GROWTH



# ECONOMICS

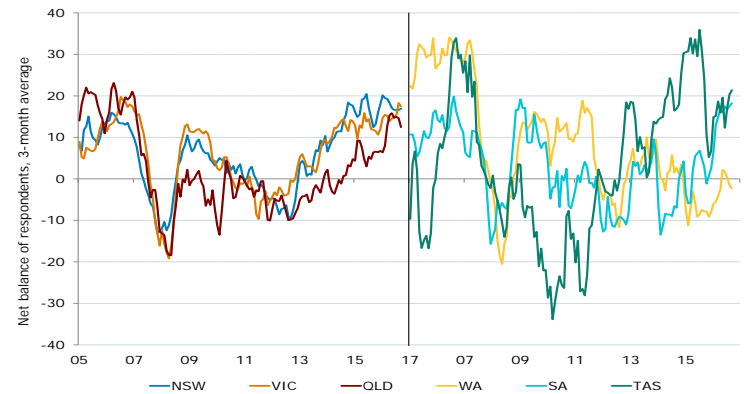
## BUSINESS & CONSUMER CONDITIONS

### BUSINESS CONDITIONS AND CONFIDENCE

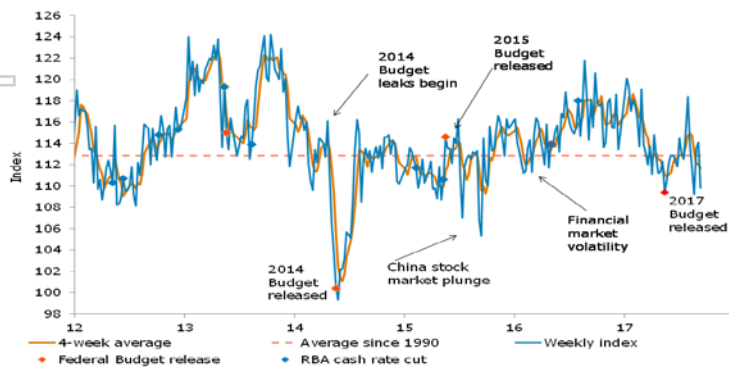


Source: NAB, ANZ Research

### BUSINESS CONDITIONS BY STATE

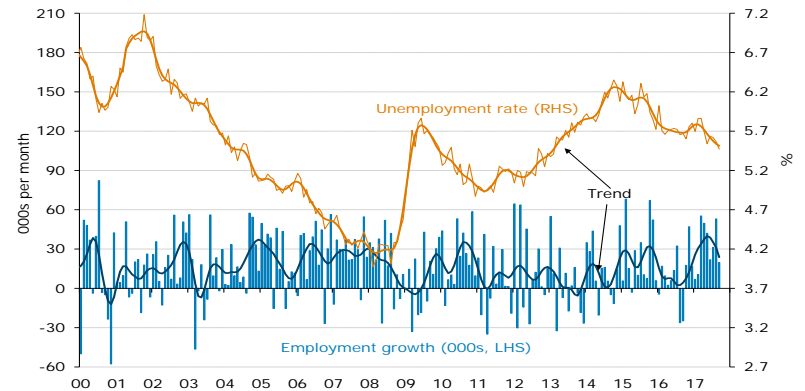


### CONSUMER CONFIDENCE



Source: Roy Morgan, ANZ Research

### JOBS GROWTH AND UNEMPLOYMENT



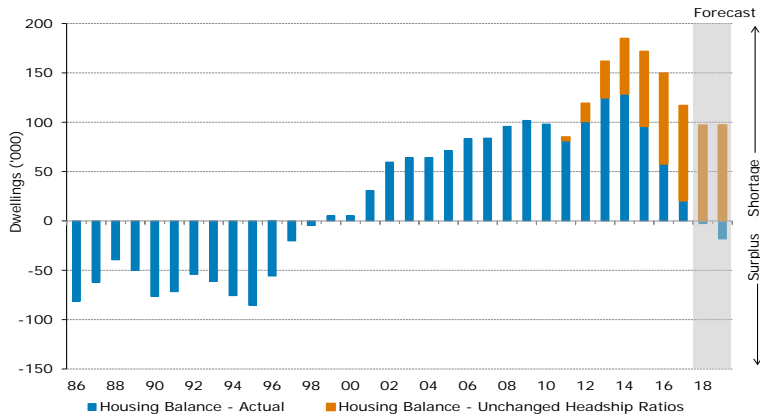
Source: ABS, ANZ Research

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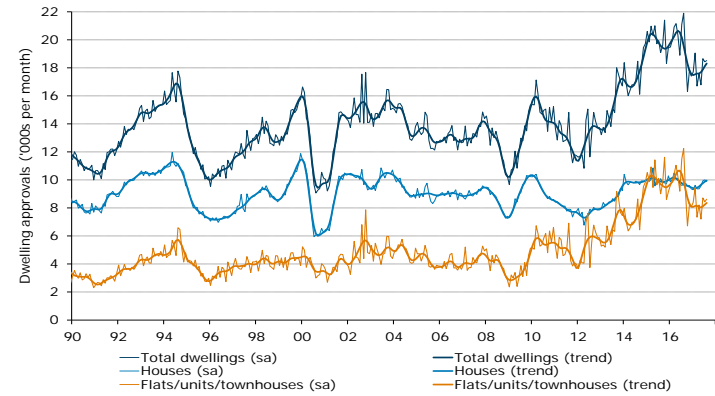
# ECONOMICS

## HOUSING

### SUPPLY DEMAND

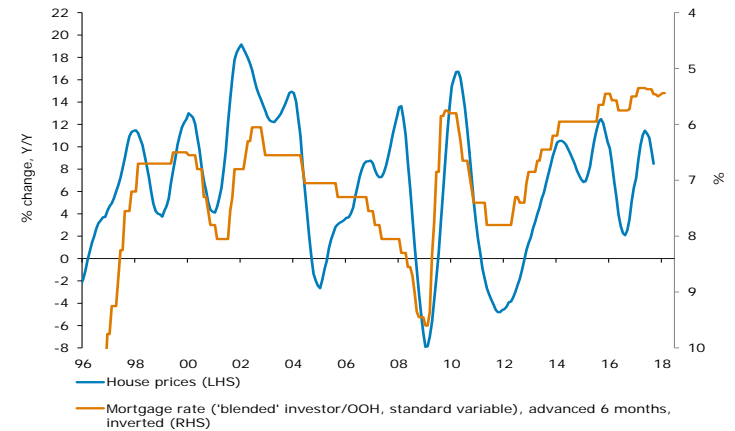


### BUILDING APPROVALS

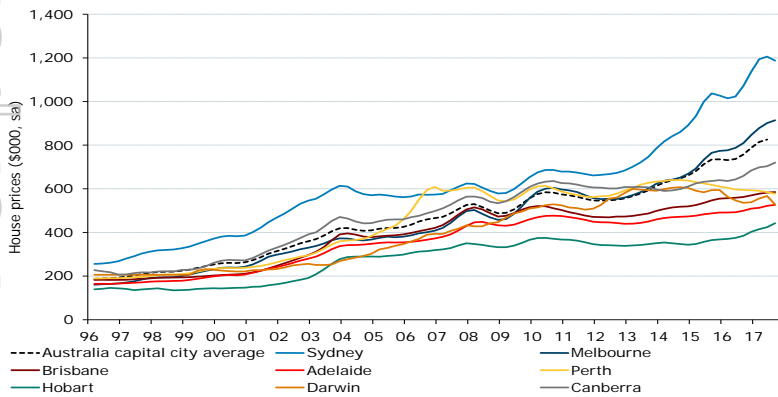


Source: ABS, ANZ Research

### MORTGAGE RATES VS HOUSE PRICING



### HOUSE PRICES



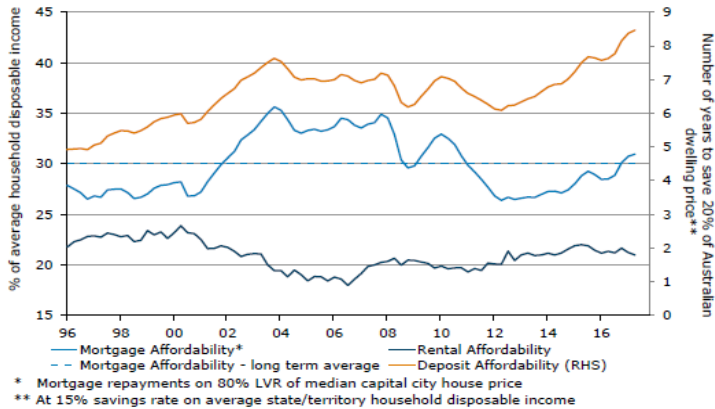
\* Seasonally adjusted by ANZ Research

Source: CoreLogic, ANZ Research

# ECONOMICS

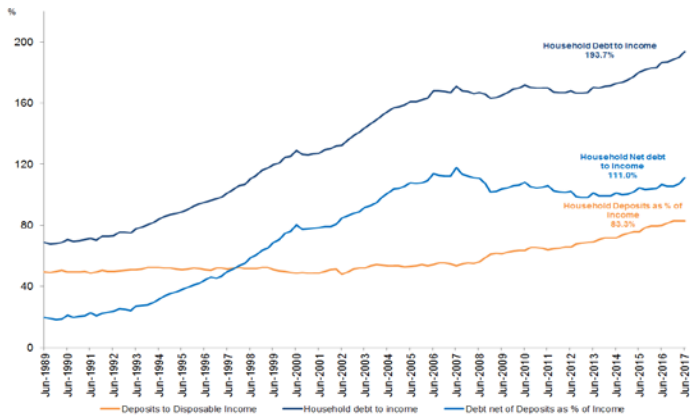
## HOUSING AFFORDABILITY

### HOUSING AFFORDABILITY



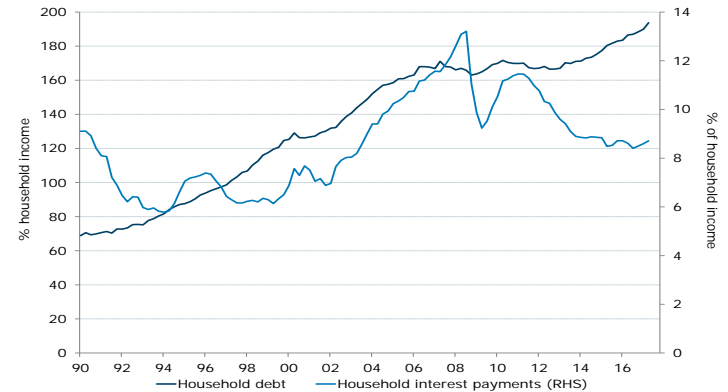
Source: ABS, CoreLogic RP Data, ANZ Research

### HOUSEHOLD DEBT & DEPOSITS<sup>1</sup>



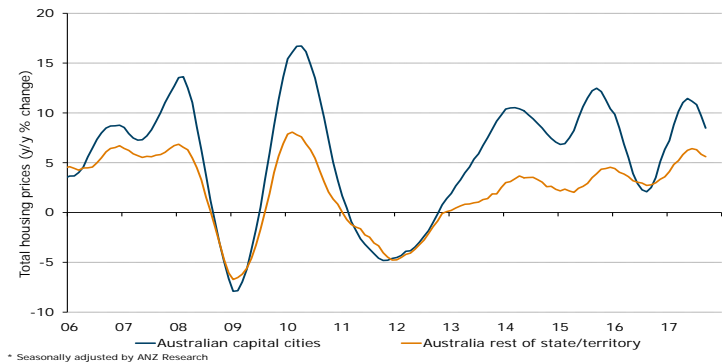
Sources: 1. ABS, RBA. Housing Debt refers to ratio of housing debt to annualised household disposable income. Deposits include transferrable and other deposits.

### DEBT & DEBT SERVICING



Source: RBA, ANZ Research

### ASSET GROWTH CHART



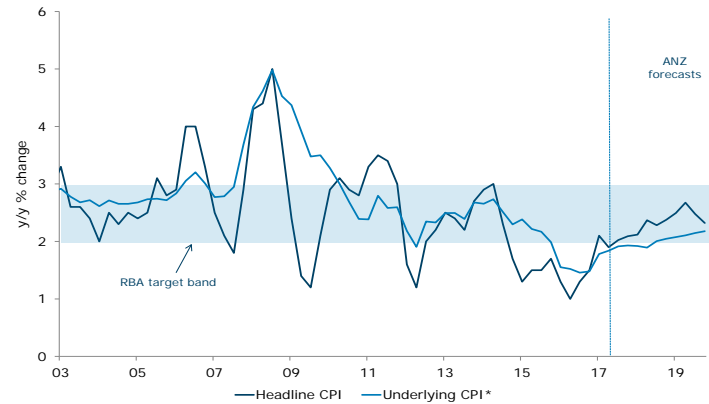
\* Seasonally adjusted by ANZ Research

Source: CoreLogic RP Data, ANZ Research

# ECONOMICS

## INFLATION AND INTEREST RATES

### INFLATION VS RBA TARGET



\* Average of trimmed mean and weighted median

Source: ABS, RBA, ANZ Research

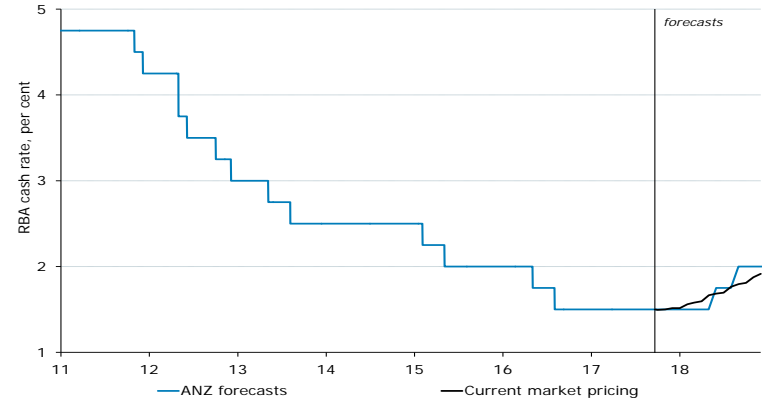
### UNIT LABOUR COSTS VS DOMESTIC MARKET SERVICES INFLATION



\* Excludes deposit & loan facilities to June quarter 2011, housing services

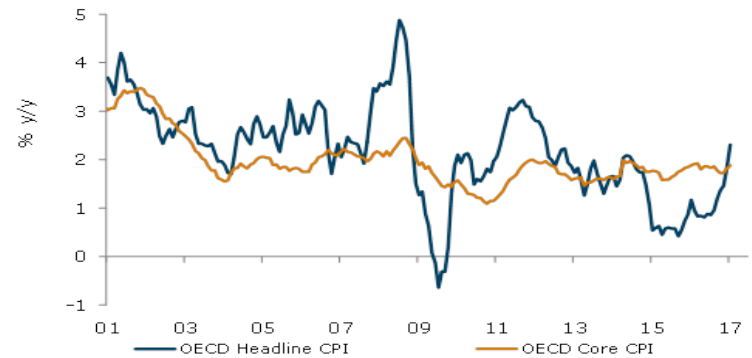
Source: ABS, NAB, ANZ Research

### RBA CASH RATE



Source: Bloomberg, RBA, ANZ Research

### G7 INFLATION

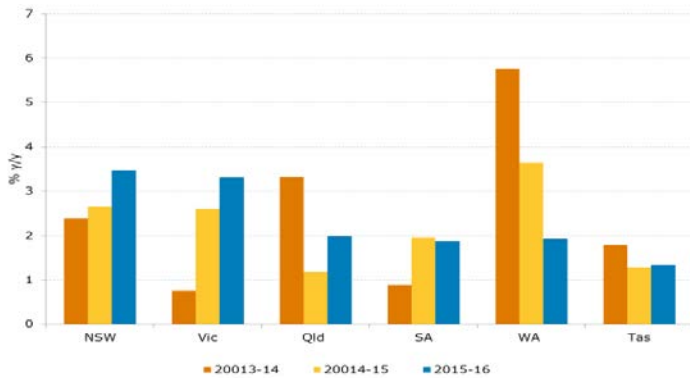


# ECONOMICS

## WESTERN AUSTRALIA

### GSP / GDP

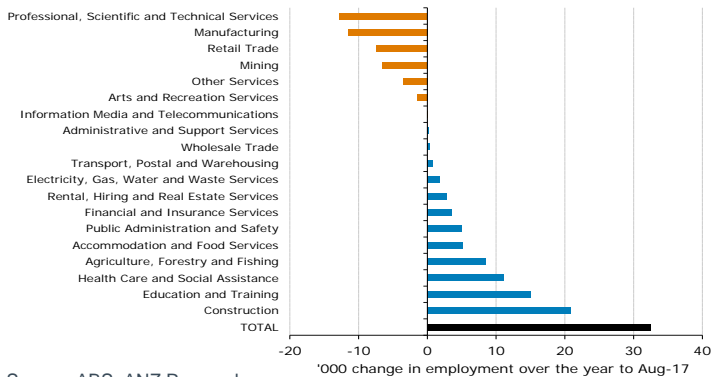
%yoy



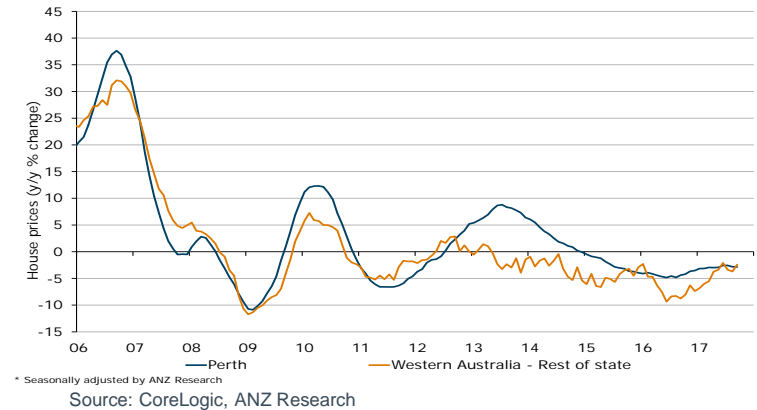
### EMPLOYMENT



### EMPLOYMENT BY SECTOR



### HOUSE PRICES



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# ECONOMICS

## AUSTRALIA FORECAST TABLE

	2012	2013	2014	2015	2016	2017	2018
<b>Australia – annual % growth GDP</b>	<b>3.6</b>	<b>2.1</b>	<b>2.8</b>	<b>2.4</b>	<b>2.5</b>	<b>2.3</b>	<b>2.9</b>
Domestic final demand	4.2	0.7	1.3	1.3	1.6	2.6	2.8
Headline CPI	1.8	2.4	2.5	1.5	1.3	2.0	2.3
Core CPI	2.2	2.5	2.5	2.2	1.5	1.9	2.0
Employment	1.2	0.9	0.7	1.9	1.6	2.0	2.1
Wages	3.6	2.8	2.6	2.2	2.0	2.1	2.5
Unemployment (ann. avg)	5.2	5.7	6.1	6.1	5.7	5.6	5.3
Current Account (% of GDP)	-4.1	-3.2	-2.9	-4.7	-2.7	-1.8	-2.3
Terms of Trade	-10.1	-3.7	-7.5	-11.6	0.1	13.3	-0.6
Private Sector Credit	3.9	3.4	5.2	6.3	5.9	5.0	5.4
Housing	4.9	4.9	6.5	7.3	7.3	6.6	6.5
Business	3.2	1.5	3.6	5.6	5.8	3.2	4.1
Personal	-0.9	0.4	0.9	0.7	-1.0	-1.3	-0.5
RBA cash rate (% year end)	3.00	2.50	2.50	2.00	1.50	1.50	2.00
3yr bond yield (% year end)	2.67	2.95	2.13	2.02	1.96	1.85	2.05
10 year bond yield (% year end)	3.27	4.24	2.74	2.88	2.77	2.50	2.90
AUD/USD (year-end value)	1.04	0.89	0.82	0.73	0.72	0.73	0.71

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# ECONOMICS

## GLOBAL & ASIA FORECAST TABLES

### GROSS DOMESTIC PRODUCT (YEAR-AVERAGE % CHANGE)

	1998-2007 average	2008-2016 average	2017F	2018F	2019F
<b>United States</b>	3.1	1.1	2.2	2.3	2.0
<b>Euro area</b>	2.4	0.0	2.1	1.8	1.9
<b>United Kingdom</b>	2.9	0.1	1.7	1.4	1.6
<b>Japan</b>	1.0	0.2	1.4	0.8	1.0
<b>China</b>	10.0	8.9	6.7	6.3	6.3
<b>Korea</b>	4.9	3.1	3.0	2.6	2.6
<b>Taiwan</b>	5.0	3.1	2.2	2.3	2.3
<b>Indonesia</b>	4.6	5.9	5.2	5.4	5.4
<b>Thailand</b>	3.9	2.9	3.5	3.5	3.5
<b>Hong Kong</b>	3.9	2.7	3.2	2.6	2.6
<b>Malaysia</b>	4.3	4.6	5.3	5.0	5.0
<b>Singapore</b>	5.6	5.0	2.6	2.6	2.6
<b>Philippines</b>	4.2	5.2	6.5	6.1	6.1
<b>Vietnam</b>	6.8	5.8	6.5	6.5	6.5
<b>East Asia ex. Japan</b>	7.2	7.1	5.9	5.8	5.8
<b>India<sup>2</sup></b>	7.2	7.1	6.2	7.6	7.6
<b>Australia</b>	3.6	2.6	2.3	3.0	3.0
<b>New Zealand<sup>3</sup></b>	3.4	1.7	2.6	2.8	2.8
<b>World</b>	4.3	3.3	3.6	3.8	3.8

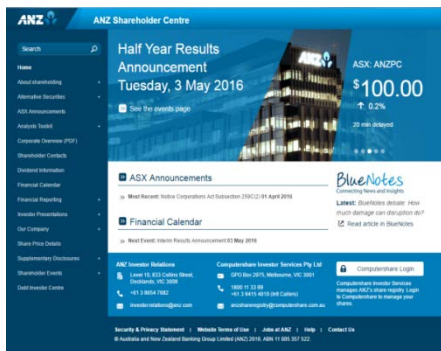
1. Quarterly GDP are annualised growth rates.

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

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



# Further Information



## Our Shareholder information

[shareholder.anz.com](http://shareholder.anz.com)

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