



DECEMBER 2018 BASEL III PILLAR 3 / FIRST QUARTER FY19 CHART PACK

19 February 2019

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED

To be read in conjunction with 'ANZ Basel III Pillar 3 disclosure as at 31 December 2018'
Longer term Pillar 3 trends available within the analyst toolkit on the ANZ shareholder website shareholder.anz.com

OVERVIEW

FINANCIAL INFORMATION AS AT 31 DECEMBER 2018¹

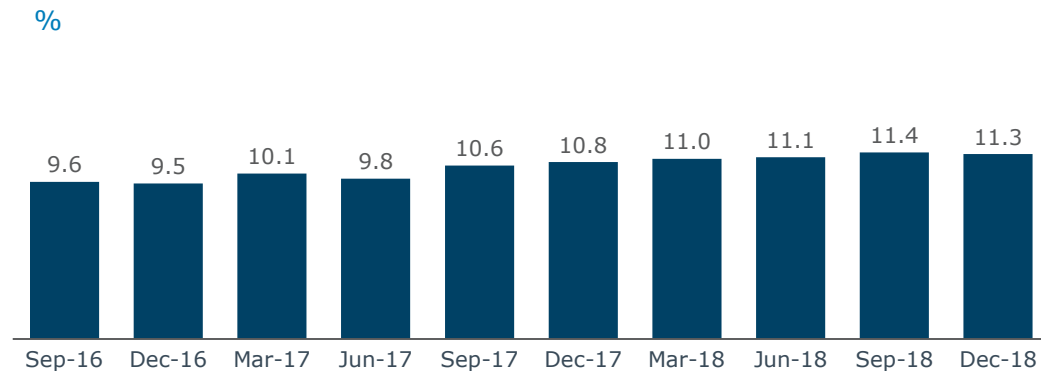
- **Capital:** Level 2 Common Equity Tier 1 (CET1) ratio 11.3% continues to meet APRA's 'unquestionably strong' requirements well ahead of 2020 implementation
- **Funding and liquidity:** LCR 132% (Dec-18 quarter avg) and NSFR 114%. Both short term and long term funding costs increased in the lead up to the Christmas period and into January. Spreads have however moderated in recent weeks
- **Credit quality:** Gross impaired assets \$2b, stable quarter on quarter. Total group residential mortgage 90+ day past due loans (Aus, NZ & Standardised) 62bp, increased 1bp in the quarter. In Australia Division, gross impaired assets increased 2% and residential mortgage 90+ day arrears increased 3bp (refer slide 6)
- **Individual provisions:** charge of \$186m in the December quarter, \$14m above 2H18 quarterly average of \$172m. Total provision charge was \$156m
- **Credit RWAs:** \$10b increase in the quarter, included +\$4b in lending largely in the Corporate asset class. Other movements included foreign exchange impacts, regulatory determined adjustments relating to Mortgages and improvement in the portfolio risk profile
- **Lending volumes** in the Australia Division declined in the quarter, housing portfolio contracted 0.2% (\$534m)²
- **\$6.3b of interest only loans** switched to principal and interest in 1Q19, compared with \$5.8b per quarter on average of the 8 quarters from 1Q17 to 4Q18 (refer slide 7)

1. Growth rates refer to Dec 18 vs Sep 18 unless otherwise stated.
2. Source: APRA Monthly banking statistics

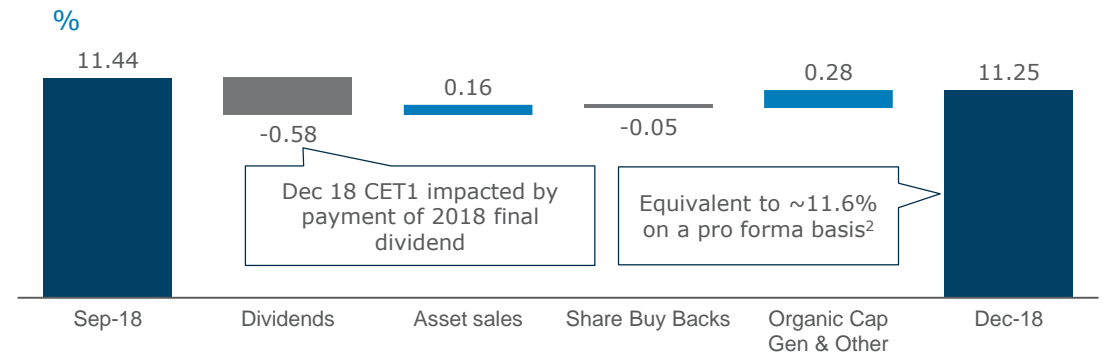
CAPITAL, LIQUIDITY & FUNDING

- APRA Level 2 CET1 ratio of 11.3% is in excess of APRA's 'unquestionably strong' benchmark¹ well ahead of the 2020 implementation timeframe
- Funding and liquidity position remains strong with LCR 132% (Dec-18 quarter avg) and NSFR 114% (as at 31-Dec-18)
- Both short term and long term funding costs increased in the lead up to the Christmas period and into January. Spreads have however moderated in recent weeks

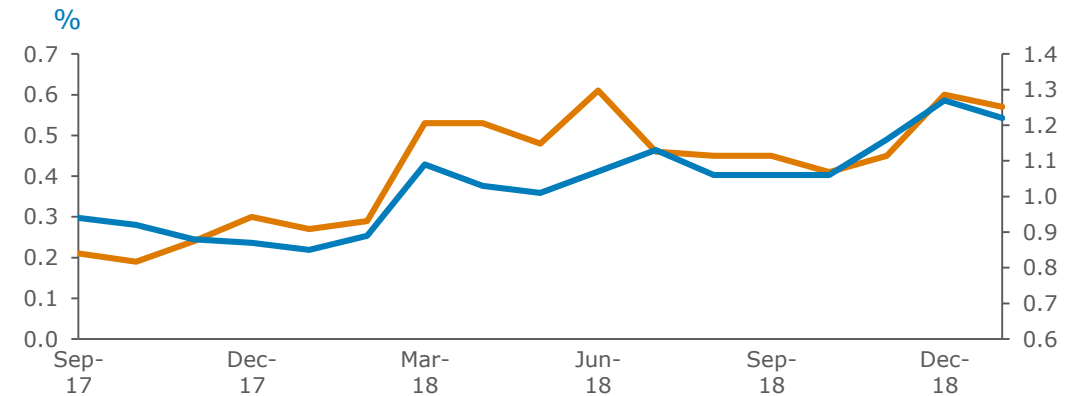
APRA LEVEL 2 CET1 RATIO



APRA LEVEL 2 CET1 RATIO - CAPITAL MOVEMENT



FUNDING COSTS



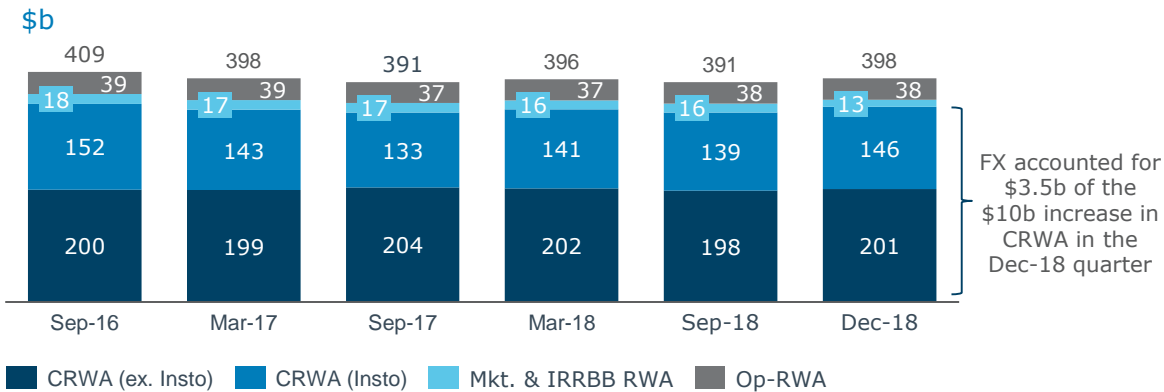
— 3mth Bills/OIS spread (Current) (LHS) — Marginal 5yr Wholesale Funding Cost (over 3mBBSW) (RHS)³

1. Based on APRA information paper "Strengthening banking system resilience – establishing unquestionably strong capital ratios" released in July 2017
 2. Taking into consideration announced asset divestments yet to settle (~60bps) and ~\$1b (~-25bps) remaining 2nd tranche of share buy back announced in June 2018
 3. Average across senior USD, EUR & AUD

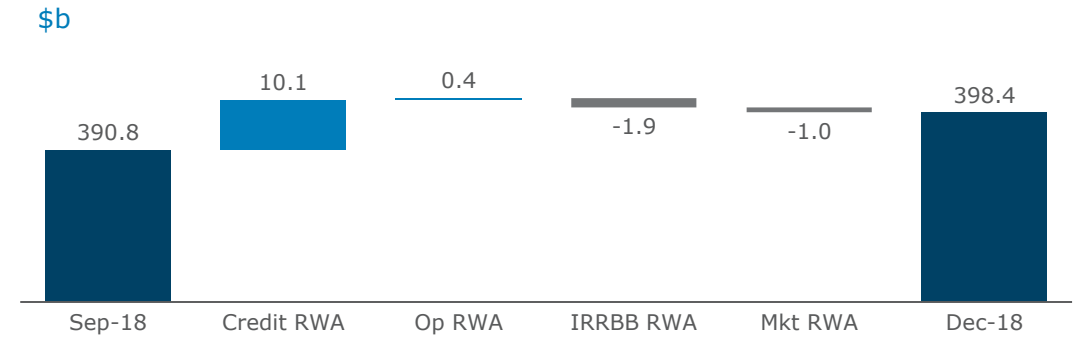
PORTFOLIO MOVEMENT

RISK WEIGHTED ASSETS

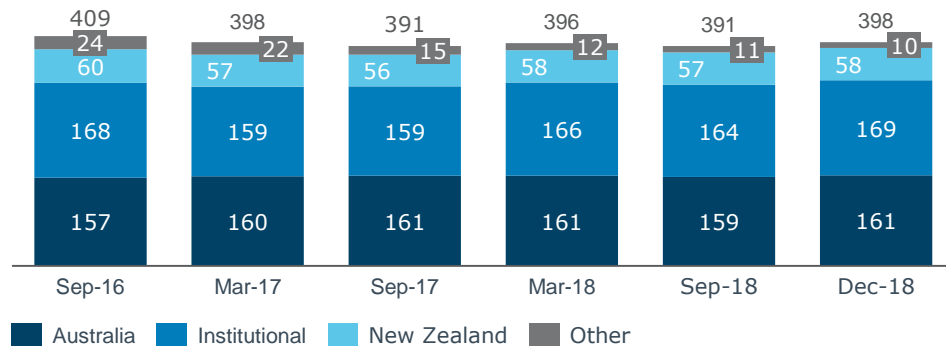
TOTAL RISK WEIGHTED ASSETS BY CATEGORY



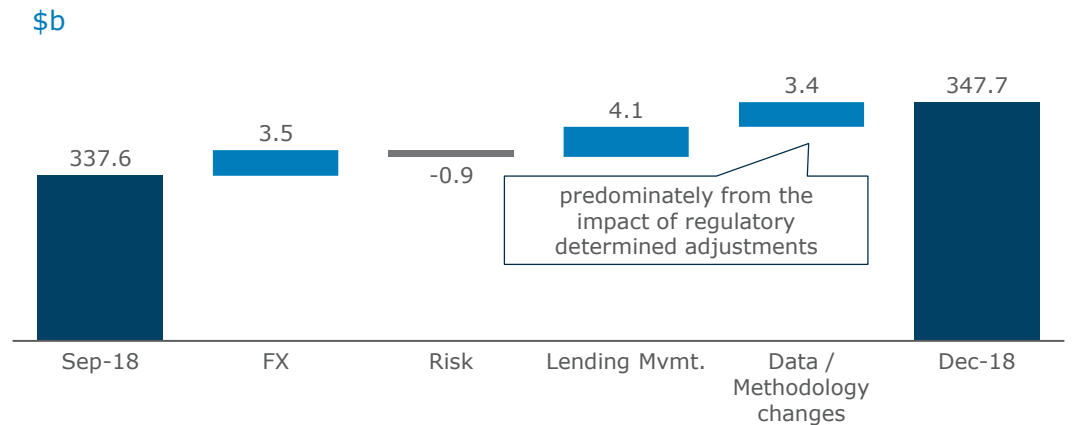
TOTAL RWA MOVEMENT DRIVERS



TOTAL RISK WEIGHTED ASSETS BY DIVISION¹



CREDIT RWA MOVEMENT DRIVERS



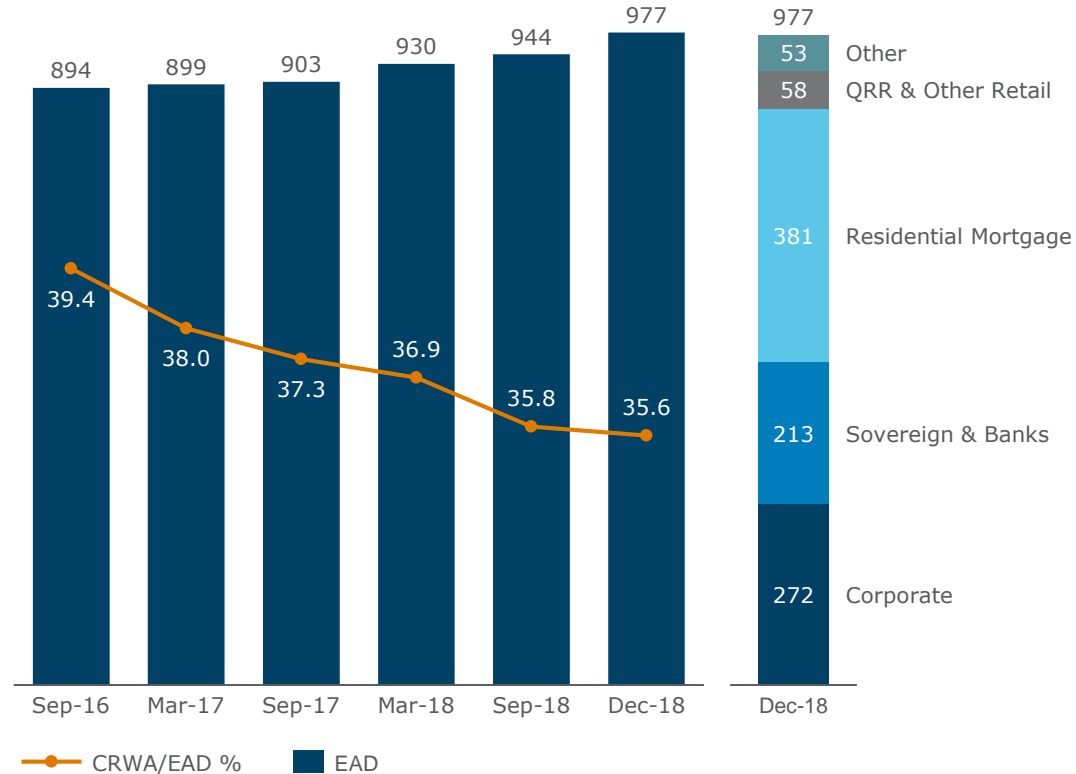
1. Institutional RWAs are inclusive of Corporate Banking, transferred from Australia Division to Institutional in October 2017 and backdated to September 2016 for the purposes of chart time series

PORTFOLIO MOVEMENT

CREDIT RISK WEIGHTED ASSETS & EXPOSURE AT DEFAULT (EAD)

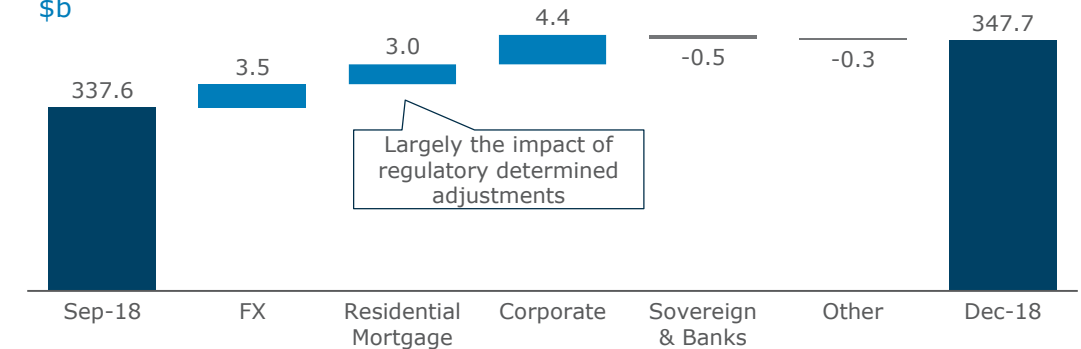
EXPOSURE AT DEFAULT (EAD) & CRWA/EAD¹

\$b



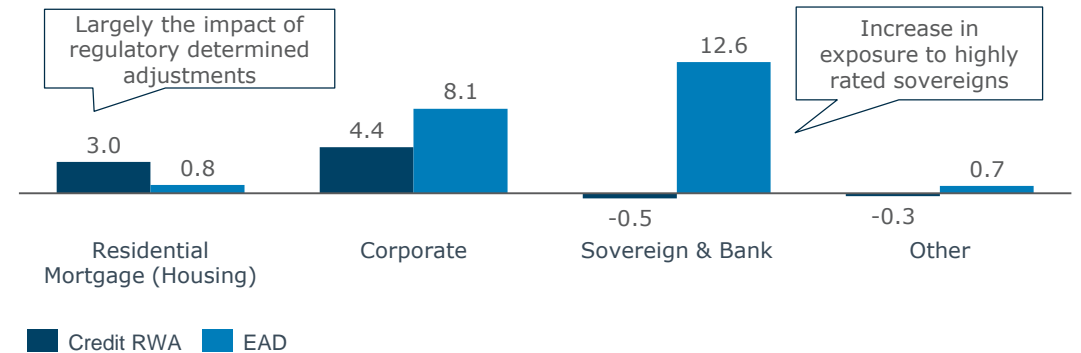
CREDIT RWA MOVEMENT BY SEGMENT

\$b



CREDIT RWA & EAD MOVEMENT BY ASSET CLASS

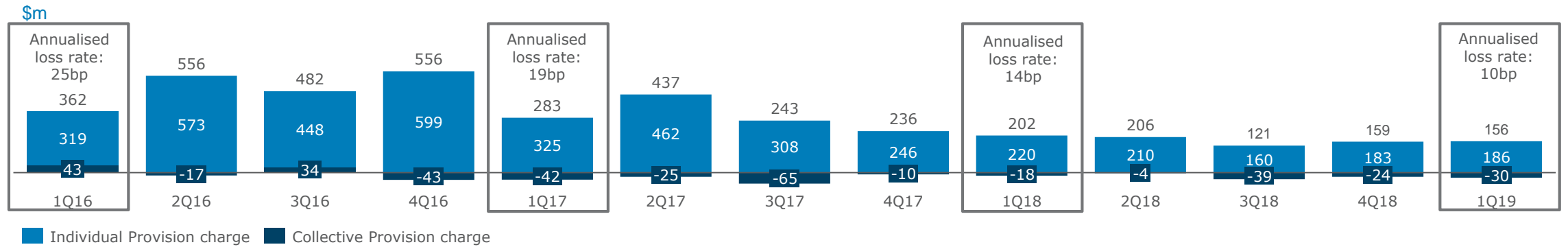
\$b (Dec-18 vs Sep-18) FX Adjusted



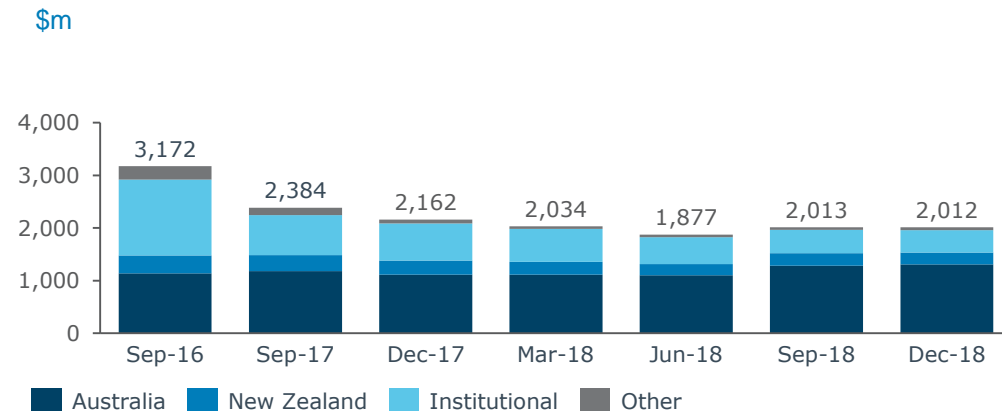
1. EAD excludes Securitisation and Other assets whereas CRWA is inclusive as per APS 330

CREDIT QUALITY

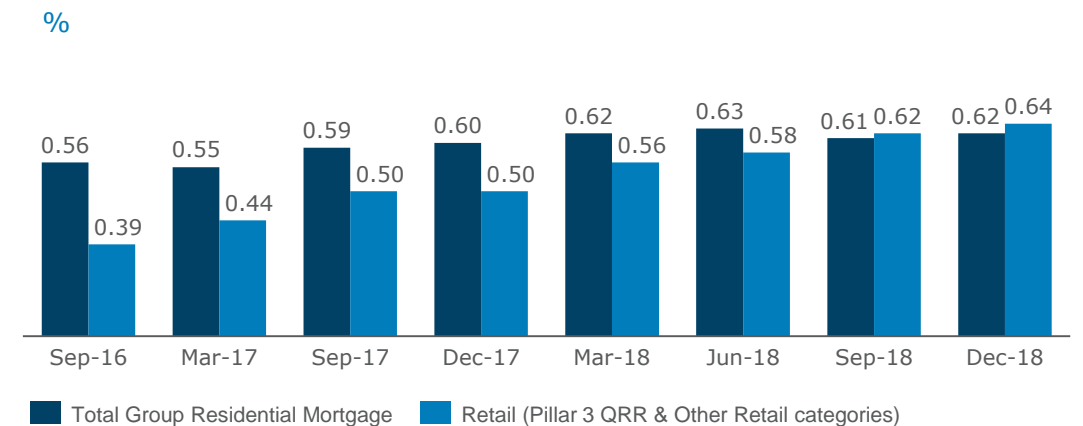
PROVISION CHARGE



GROSS IMPAIRED ASSETS^{1,2}



PAST DUE LOANS > 90 DAYS AS A % OF EAD



1. Other includes Retail Asia & Pacific and Australia Wealth
 2. Excluding unsecured 90 days past due

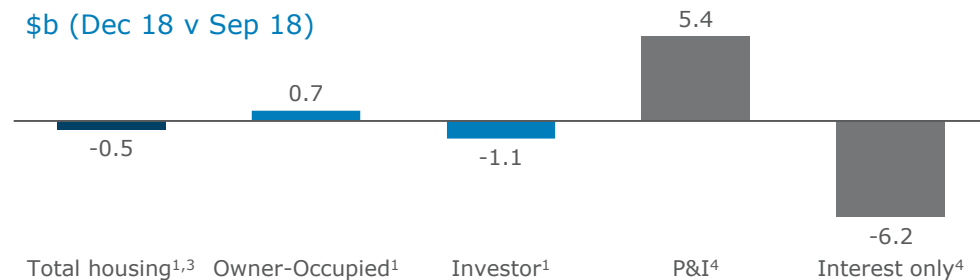
ANZ AUSTRALIA RETAIL - VOLUMES

HOUSING PORTFOLIO

- ANZ Home loan portfolio contracted \$534m (-0.2%) in the December quarter with owner-occupied and investor lending both trending below system¹
- Interest only new business in the December quarter (1Q19) was 11.4% of total new business flows
- \$6.3b of interest only loans switched to principal and interest in 1Q19, compared with \$5.8b per quarter on average of the 8 quarters from 1Q17 to 4Q18

ANZ DECEMBER 2018 QUARTER HOUSING MOVEMENT ¹

\$b (Dec 18 v Sep 18)

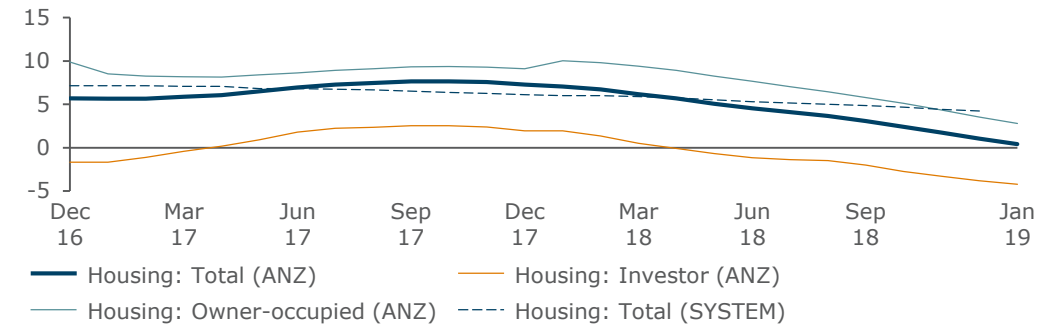


Housing portfolio change (Dec 18 v Sep 18)¹

	Total Housing	Owner-occupied	Investor
ANZ	-0.2%	+0.4%	-1.4%
System	+0.9%	+1.3%	+0.1%

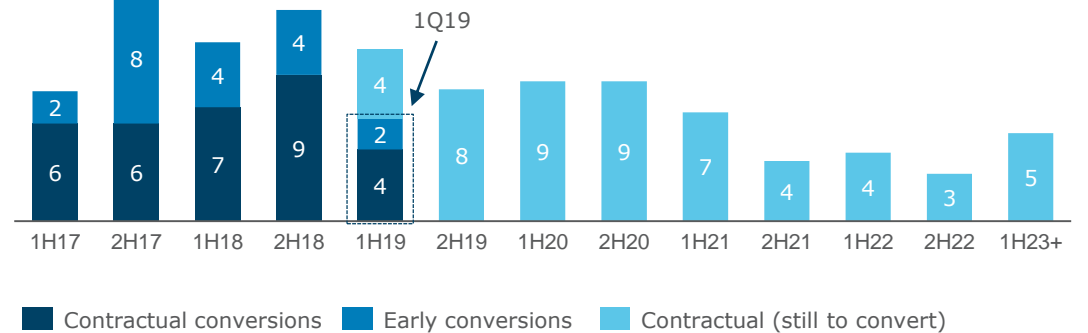
ANZ MORTGAGE LENDING ¹

% (12 month rolling growth)



SWITCHING INTEREST ONLY TO PRINCIPAL & INTEREST²

\$b



1. ANZ analysis of APRA monthly banking statistics; 2. Includes construction loans; 3. includes securitisation; 4. ANZ Australia Division total housing portfolio

AUSTRALIA HOME LOANS

UNDERWRITING PRACTICES AND POLICY CHANGES¹ - JUNE 2015 TO DECEMBER 2018

ANZ LVR caps

- LVR cap reduced to 70% in high risk mining towns; reduced to 90% for investment loans; reduced to 80% for Interest Only (IO)² lending
- Restricted new housing lending (new security to ANZ) to max. 80% LVR for all apartments within 7 inner city Brisbane postcodes
- Restricted investment lending (new security to ANZ) to max 80% LVR for all apartments within 4 inner city Perth postcodes

ANZ Assessment

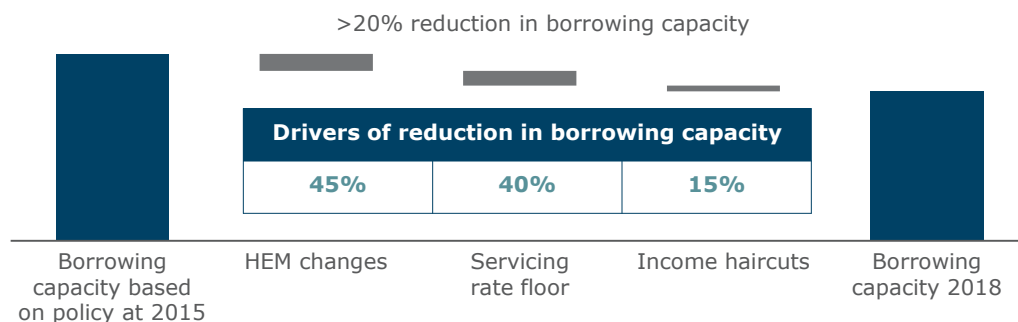
- Interest rate floor (new & existing lending) at 7.25% (implemented August 2015);
- Income adjusted living expense floor (HEM); 20% haircut for overtime & commission; Increased income discount factor for residential rental income from 20% to 25%
- Limited acceptance of foreign income to demonstrate serviceability and tightened controls on verification.
- Minimum default housing expense (rent/board) applied to all borrowers not living in their own home & seeking RILs³ or EMAs⁴
- IO renewals become Credit Critical events (full income verification & serviceability test) including P&I to IO & converting to or extending IO term
- Enhanced Responsible Lending Requirements including additional enquiry and increase in minimum monthly credit card expense.

ANZ Product and other limitations

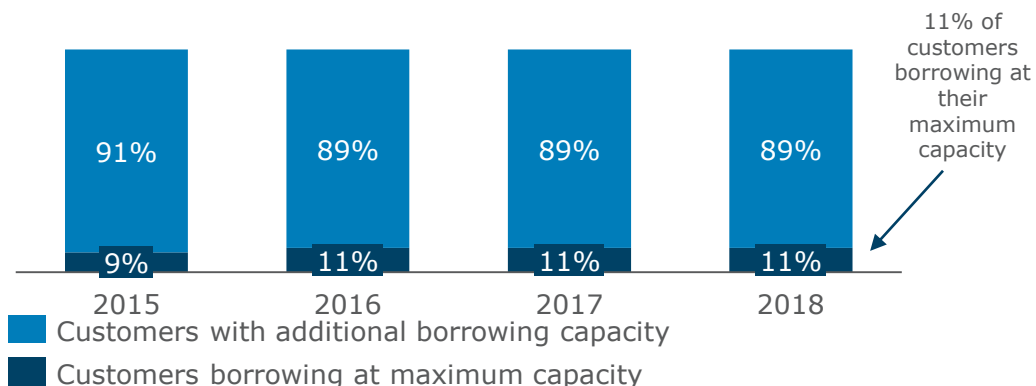
- Decreased max. IO term of owner occupied loans & investor lending to 5 years; IO lending no longer available on new Simplicity PLUS owner occupied loans
- Withdraw lending to non-residents; tightened acceptances for guarantees; clarified residential lending to trading companies is not acceptable

CUSTOMER BORROWING CAPACITY⁵

(\$)



ANZ PORTFOLIO BORROWING CAPACITY SUMMARY

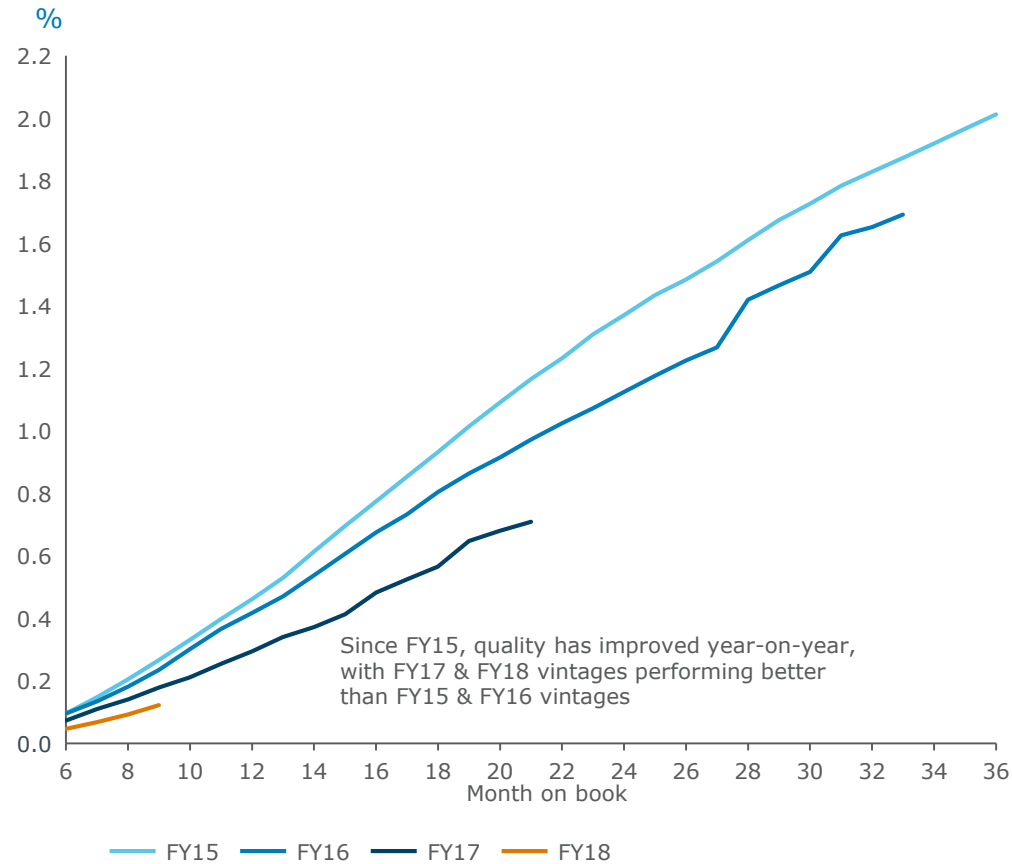


1. 2015 to 2018 material changes to lending standards and underwriting 2. Excludes investment lending for specific medical practitioners (eligible Medicos) where LVR cap is a maximum of 90% of lending. 3. Residential Investment Loans 4. Equity Manager Accounts. 5. ANZ modelled outcome of 4 borrowing scenarios 2018 v 2015: i. Couple, no dependents, ii. Single, no dependents, iii. Couple 2 dependents, iv. Couple, no dependents, higher income earners.

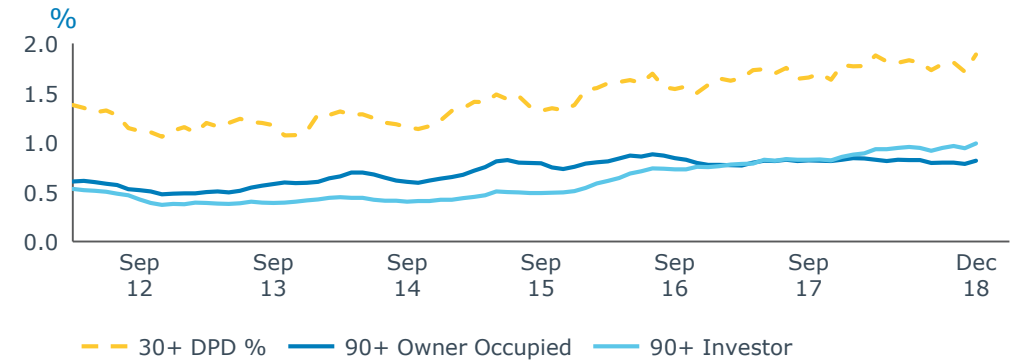
AUSTRALIA HOME LOANS

CREDIT QUALITY

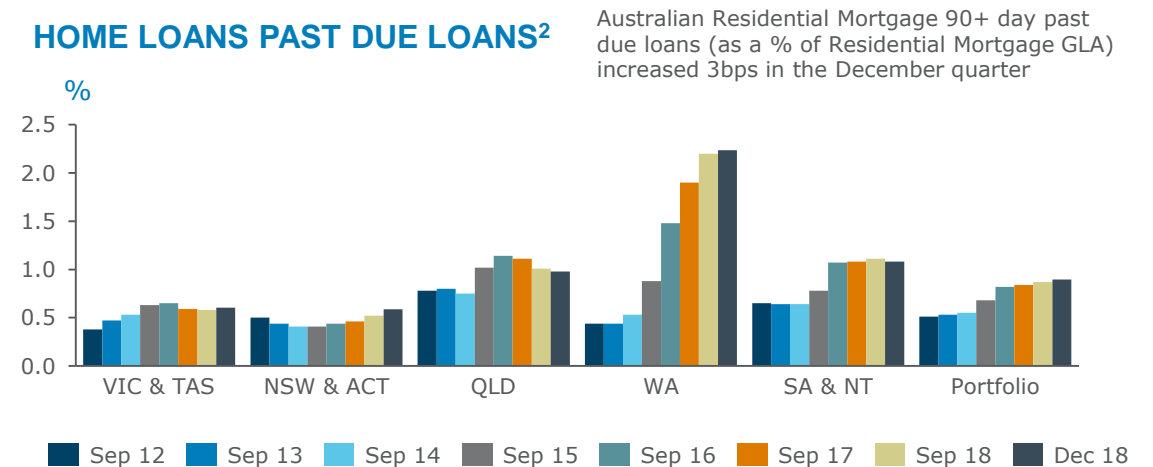
HOME LOANS – 90+ DAYS PAST DUE (BY VINTAGE)¹



HOME LOANS PAST DUE LOANS²



HOME LOANS PAST DUE LOANS²



1. Home loans 90+ dpd vintages % ratio of ever delinquent (measured by # accounts) contains at least 6 application months of that fiscal year contributing to each data point.

2. Includes Non Performing Loans. ANZ delinquencies calculated on a missed payment basis. 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, and ANZ targeted activity to identify, any change in circumstances

FURTHER INFORMATION

ANZ ANZ SHAREHOLDER CENTRE

MENU

MANAGE YOUR SHARES

LOGIN TO COMPUTERSHARE

Computershare Investor Services manages ANZ's share registry.

Full Year Results Announcement
31st October 2018

FIND OUT MORE >

ASX: ANZPE
as at 30th October, 3:29pm
\$100.48
↑ 0.28%

ASX Announcements
26 October 2018
Template Release for Full Year 2018 Results
FIND OUT MORE >

Financial Calendar
31 October 2018
2018 Full Year Results Announcement
FIND OUT MORE >

Financial Disclosure & Reporting
Financial Disclosure & Reporting
FIND OUT MORE >

BlueNotes Connecting news and insights

AUSTRALIA CHINA'S EXPOSURE IS OVEREXPOSED
FIND OUT MORE >

ANZ INVESTOR RELATIONS
Level 10, 833 Collins Street, Docklands, VIC 3008, Australia
+61 3 8654 7682
Contact us by email

COMPUTERSHARE INVESTOR SERVICES PTY LTD
GPO Box 2975, Melbourne, VIC 3001, Australia
Contact us by email
1800 11 33 99
+61 3 9415 4010 (Intl Calls)

Our Shareholder information

shareholder.anz.com

DISCLAIMER & IMPORTANT NOTICE: The material in this presentation is general background information about the Bank's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate

This presentation may contain forward-looking statements including statements regarding our intent, belief or current expectations with respect to ANZ's business and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices. When used in this presentation, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to ANZ and its management, are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Such statements constitute "forward-looking statements" for the purposes of the United States Private Securities Litigation Reform Act of 1995. ANZ does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events.