



BASEL III PILLAR 3 DISCLOSURE AS AT 30 JUNE 2018

JUNE 2018 PILLAR 3 /
2018 THIRD QUARTER CHART PACK

AUSTRALIA AND NEW ZEALAND BANKING
GROUP LIMITED

14 AUGUST 2018

To be read in conjunction with ANZ 2018 Basel III Pillar 3
disclosure as at 30 June 2018



SUMMARY

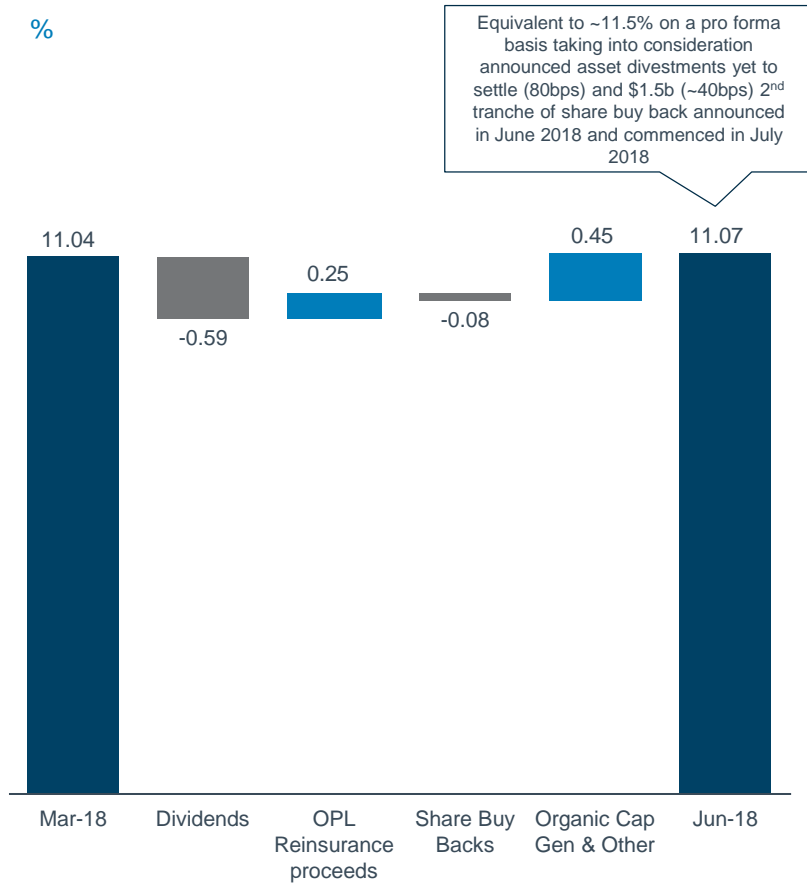
Capital	<ul style="list-style-type: none"> Level 2 Common Equity Tier 1 (CET1) ratio of 11.07% at Jun-18. 3bps increase from Mar-18 largely driven by: organic capital generation (+50bps) and receipt of reinsurance proceeds from the One Path Life (OPL) sale (+25bps); offset by the FY18 Interim Dividend (-59bps) and the share buyback (-8bps). 2018 interim DRP was neutralised. ~\$1.5bn of the announced \$3bn on-market share buyback had been completed as at 30-Jun 2018.
Portfolio movement	<ul style="list-style-type: none"> Total RWA decreased \$2bn to \$394bn driven by a \$2bn reduction in CRWA. \$2bn reduction in CRWAs from net risk improvement across both Institutional and Retail businesses in Australia & New Zealand.
Credit Quality	<ul style="list-style-type: none"> Total provision charge was \$121m in 3Q18 with individual provision (IP) charge of \$160m. The IP charge in 3Q18 was the lowest quarter since 2014, reflecting both the ongoing benign environment and improved quality of the portfolio. While typically Q1 and Q3 provision charges are lower than Q2 and Q4 (see slide 7), 3Q18 was substantially lower than the average for the past four years, reflecting in part a high level of write backs and recoveries in the Institutional loan book. ANZ has retained an overlay initially taken at 30 Sep 2017 in relation to the Retail Trade book which remains on watch. Australian Residential Mortgage 90+ day past due loans (as a % of Residential Mortgage EAD) was flat vs prior quarter. There are some pockets of stress in the mortgage book, primarily in Western Australia, more particularly in Perth itself.
Australia Housing update	<ul style="list-style-type: none"> Throughout FY18 the Australian housing system has been characterised by slowing credit system growth, increased price competition, increased capital intensity and tighter credit conditions. As at end June 2018, YTD APRA System has grown 4.1%, down 18% vs. prior comparable period 5.3%. ANZ's ongoing focus is on the Owner Occupier Principal & Interest segment, with Owner Occupier loan growth of 4.4% annualised in the June quarter¹. Investor segment growth in the June quarter was -2.5% annualised¹. ANZ's total Australian home lending portfolio grew at 0.4 times system in the June quarter (2% annualised growth). ANZ Interest Only home loan flows in the June quarter represented 13% of total home loan flows. \$6.5bn of Interest Only loans switched to Principal & Interest in the June quarter (3Q18), compared with \$5.2bn in 2Q18, \$5.7bn in 1Q18 and \$5.6bn per quarter on average across FY17. The Bills/OIS spread has remained elevated.
Regulatory Impacts	<ul style="list-style-type: none"> The combined impact of prudential responses over the past 3 financial years including various regulatory changes, together with subsequent policy changes by the banks, has been a meaningful reduction in the average maximum borrowing capacity for home loan borrowers. Banks² home loan growth over the period Sep-16 to Jun-18 has been circa 11% compared with a circa 28% increase in Non-Banks² home loan growth (refer slide 8).

June quarter growth refers to June 2018 vs March 2018 unless otherwise stated

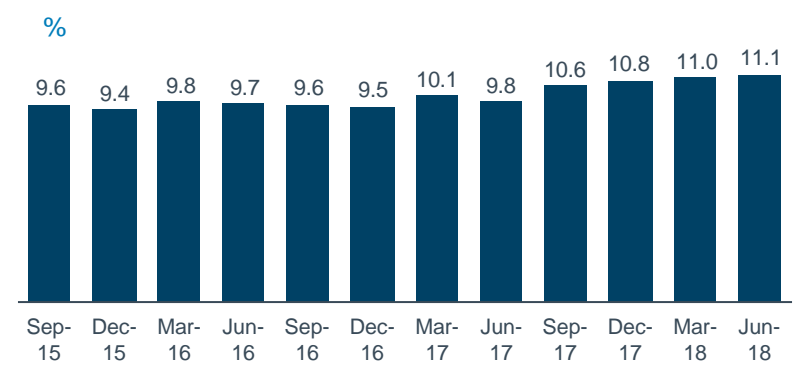
- Source: ANZ analysis of Home Loans Market Share – APRA Banking statistics. June 2018 report. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ, and ANZ targeted activity to identify, any change in circumstances
- Total Housing Lending sourced from RBA Statistical Table D2 - Lending and Credit Aggregates. Bank Housing Lending sourced from RBA Statistical Table D5 - Bank Lending Classified by Sector and APRA Monthly Banking Statistics. Non-Bank defined as difference between Total Housing Lending and Bank Housing Lending. Data includes securitisation

CAPITAL, LIQUIDITY & FUNDING

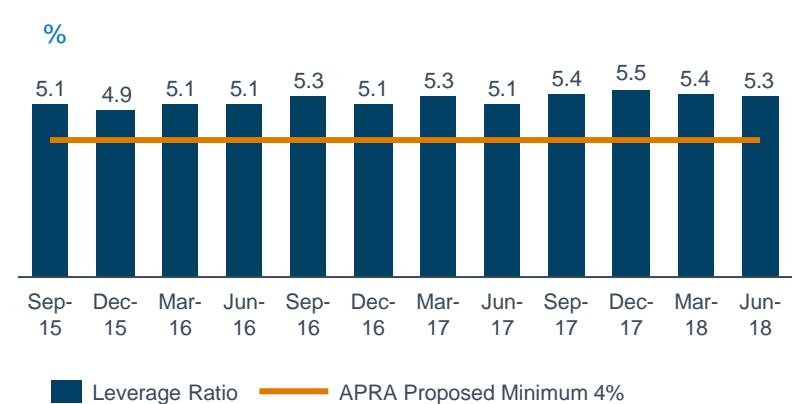
APRA CET1 CAPITAL MOVEMENT



APRA COMMON EQUITY TIER 1 (CET1)



LEVERAGE RATIO



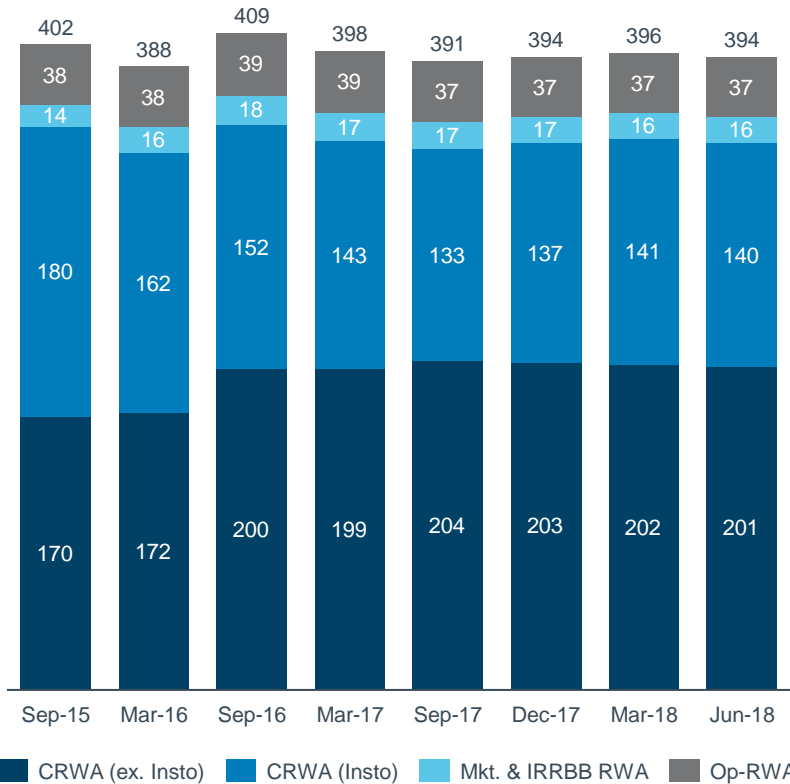
PORTFOLIO MOVEMENT

RISK WEIGHTED ASSETS

TOTAL RISK WEIGHTED ASSETS (RWA)

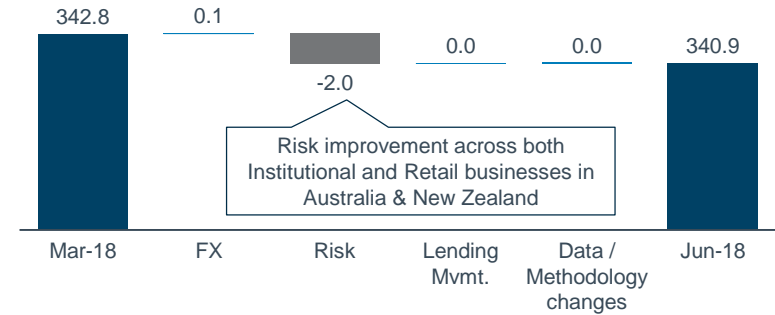
(Note: Corporate Banking included in Institutional¹)

\$b



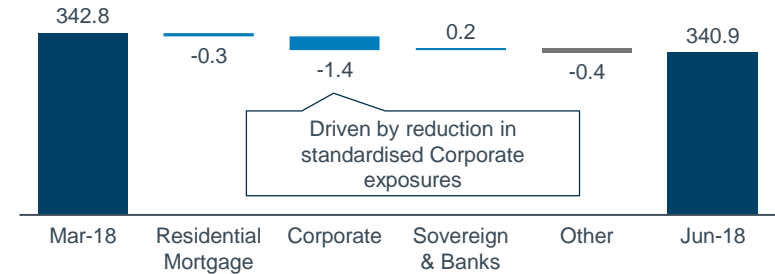
CREDIT RWA MOVEMENT DRIVERS

\$b



CREDIT RWA MOVEMENT BY SEGMENT

\$b

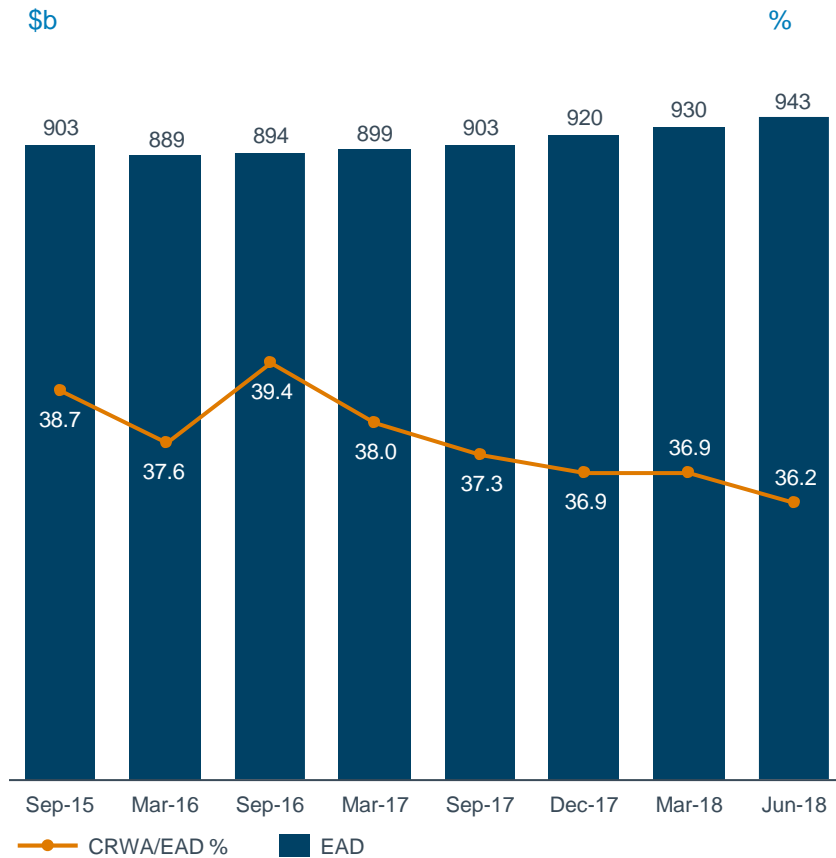


1. Institutional RWAs are inclusive of Corporate Banking, transferred from Australia Division to Institutional in October 2017 and backdated to September 2015 for the purposes of chart time series

PORTFOLIO MOVEMENT

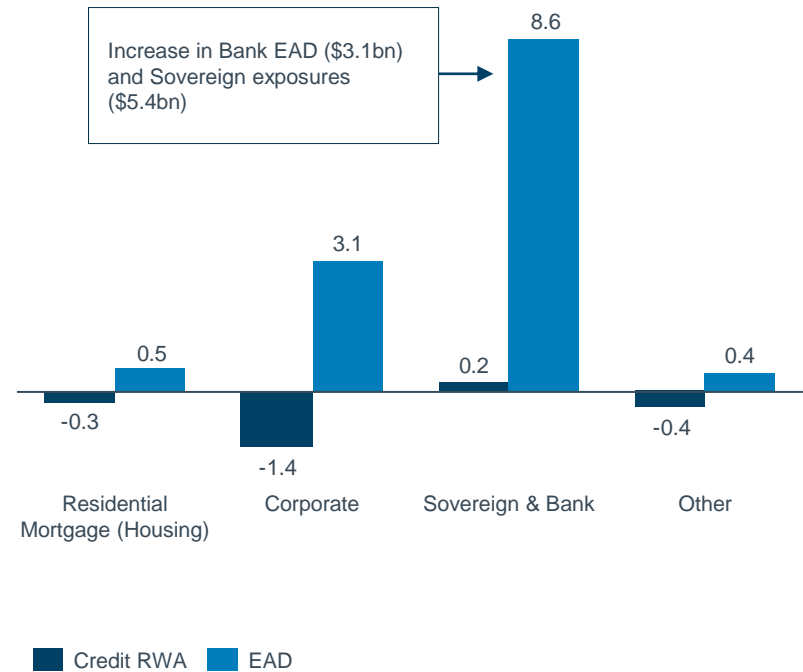
RISK WEIGHTED ASSETS & EXPOSURE AT DEFAULT (EAD)

EXPOSURE AT DEFAULT (EAD) & CRWAEAD¹



CREDIT RWA MOVEMENT DRIVERS

\$b (Jun-18 vs Mar-18)



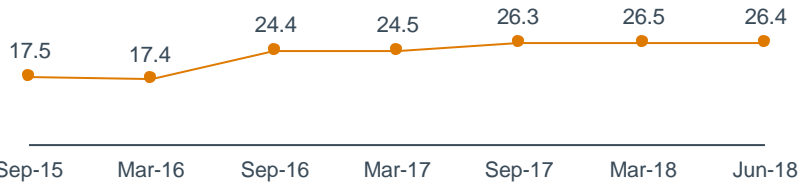
1. EAD excludes Securitisation and Other assets whereas CRWA is inclusive as per APS 330

PORTFOLIO MOVEMENT

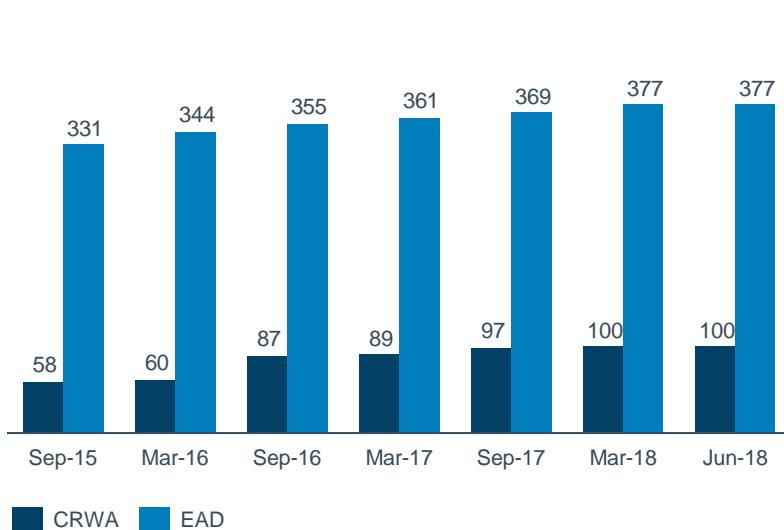
MOVEMENT BY SEGMENTS

HOUSING CREDIT RWA & EAD¹

RWA/EAD INTENSITY (%)

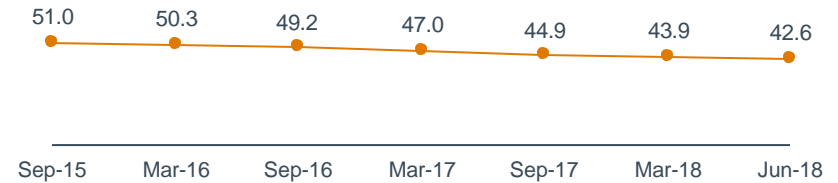


EXPOSURES (\$b)

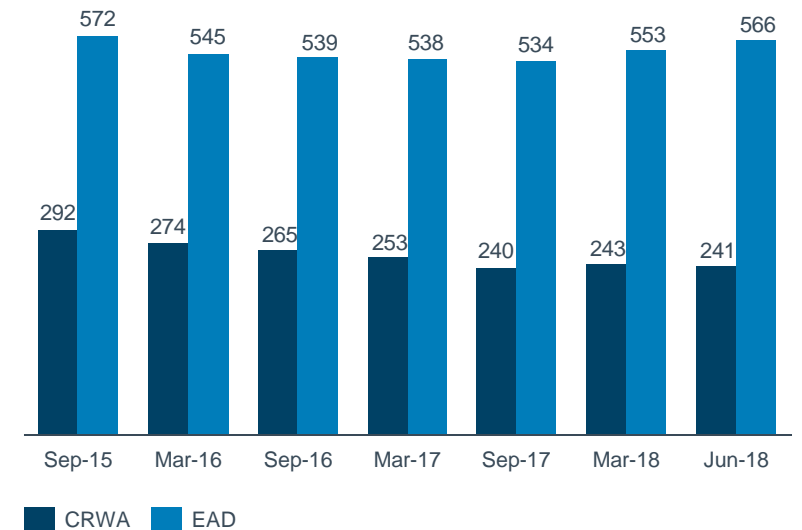


NON HOUSING CREDIT RWA & EAD²

RWA/EAD INTENSITY (%)



EXPOSURES (\$b)

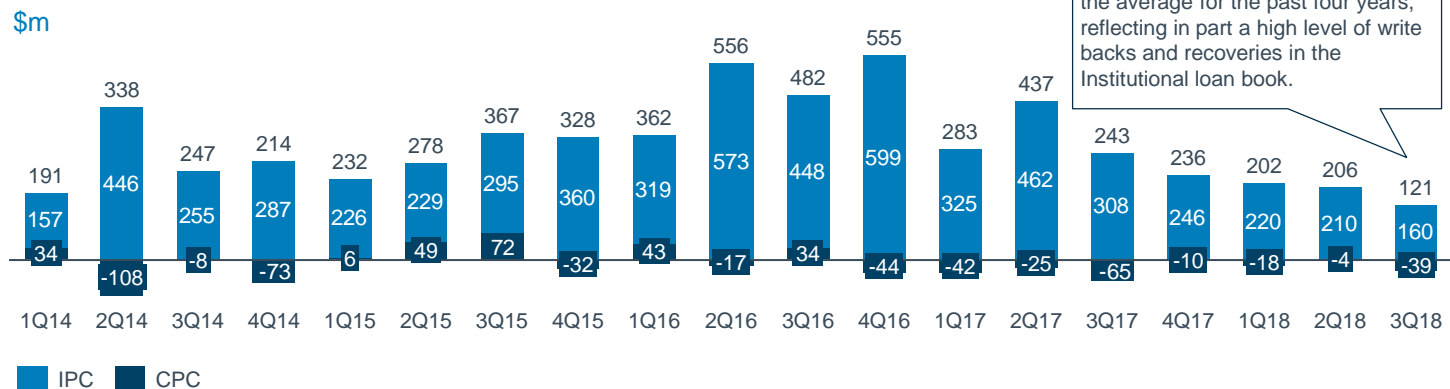


1. Housing based on APS330 Pillar 3 Residential Mortgage category. Change in CRWA from Mar-16 to Sep-16 includes impacts from regulatory changes to Australia housing risk weights introduced 1 July 2016. Change in CRWA from Mar-17 to Sep-17 includes impacts from further increases to Australia housing risk weights following APRA having completed its review of ANZ's mortgage capital model and approved the new model for Australia residential mortgages effective from June 2017

2. Non Housing based on APS330 Pillar 3, all Credit RWA categories excluding Residential Mortgage category

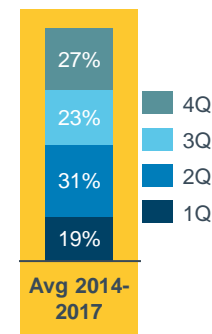
CREDIT QUALITY

PROVISION CHARGE

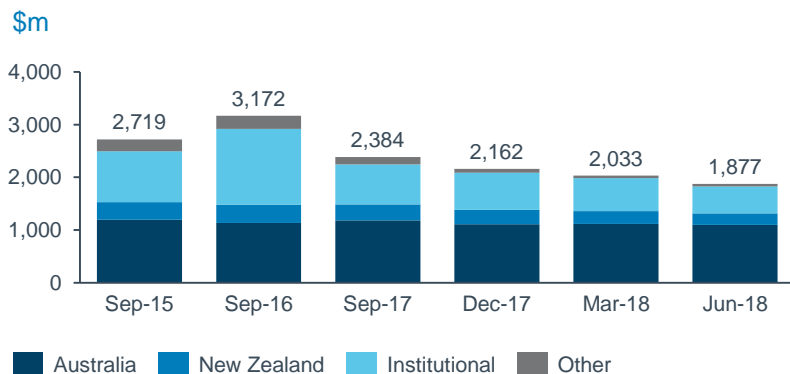


While typically Q1 and Q3 provision charges are lower than Q2 and Q4, 3Q18 was substantially lower than the average for the past four years, reflecting in part a high level of write backs and recoveries in the Institutional loan book.

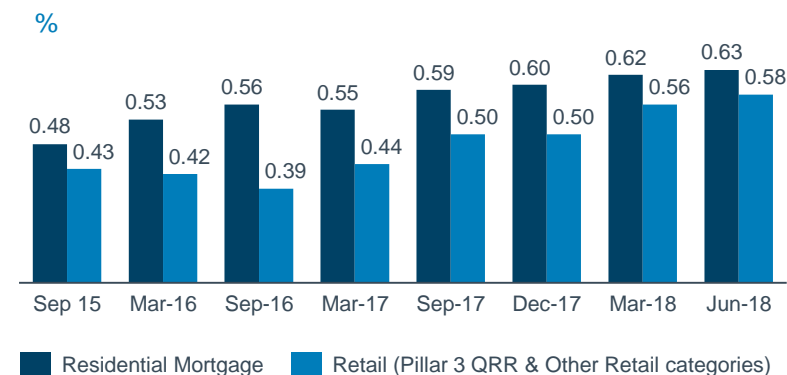
IP CHARGE COMPOSITION



GROSS IMPAIRED ASSETS¹



PAST DUE LOANS > 90 DAYS AS A % OF EAD



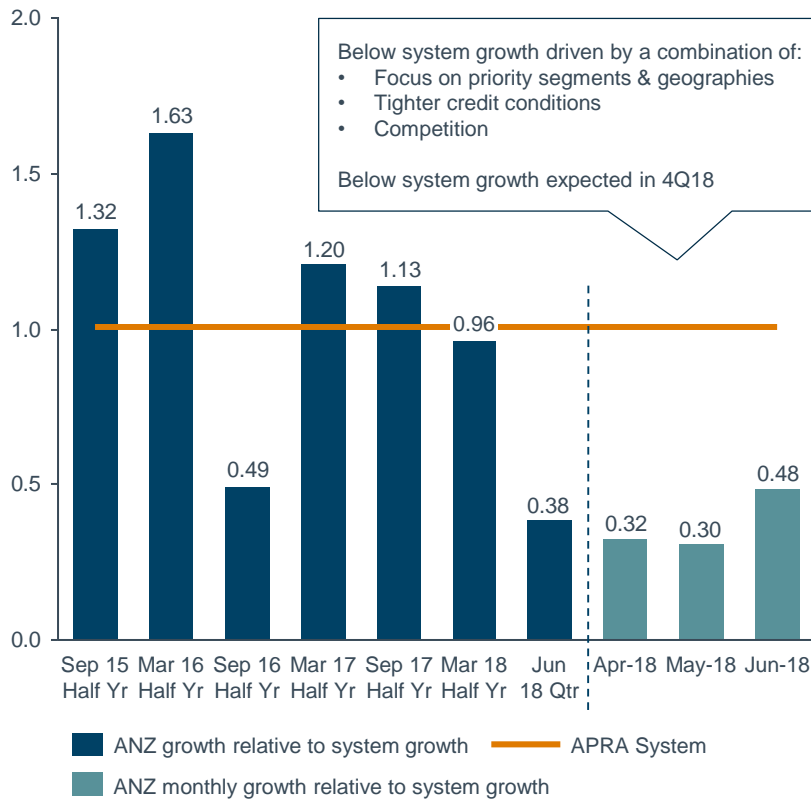
1. Excluding unsecured 90 days past due

AUSTRALIA HOUSING

ANZ GROWTH DRIVERS

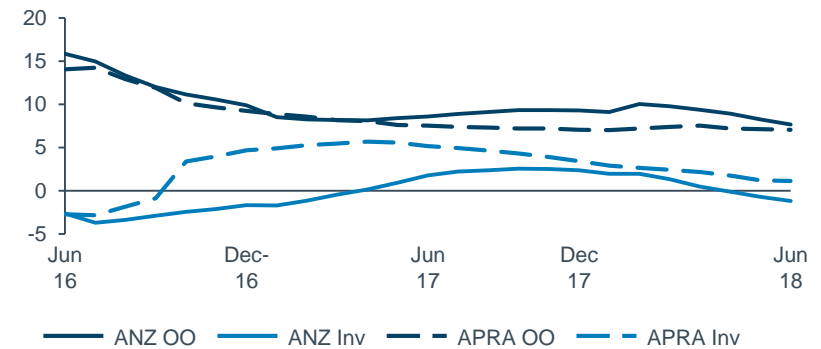
HOUSING LENDING GROWTH¹

ANZ growth x System (System = 1)

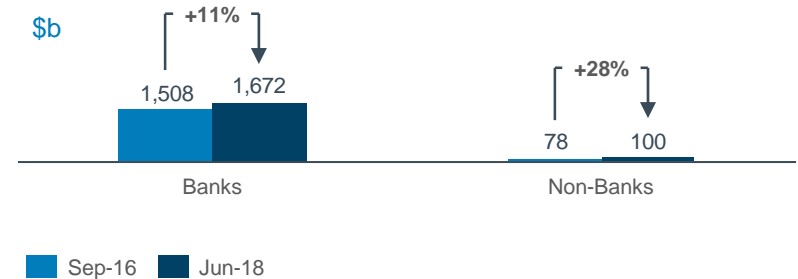


OWNER OCCUPIER & INVESTOR GROWTH^{1,2}

ANZ & SYSTEM Year on year growth (%)



SYSTEM HOUSING BALANCES & GROWTH³

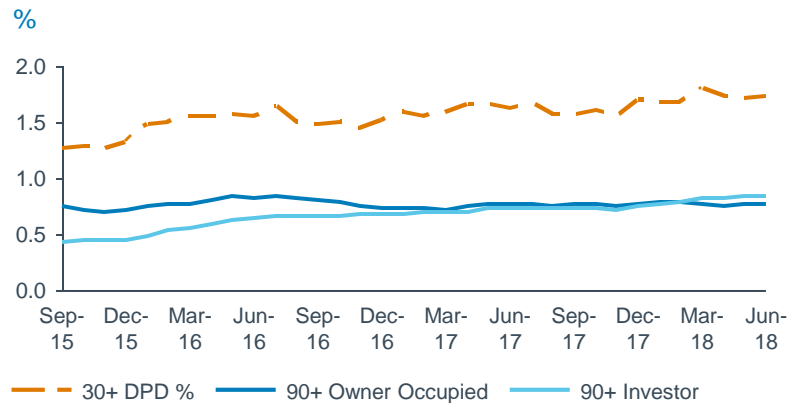


1. ANZ analysis of APRA monthly banking statistics. June 2018 report
 2. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ, and ANZ targeted activity to identify, any change in circumstances
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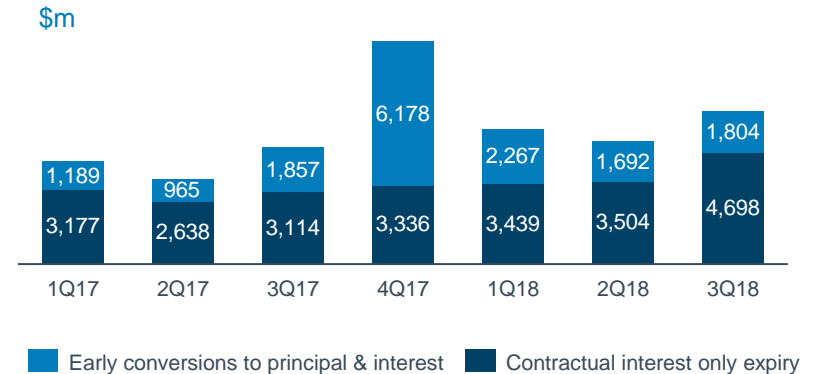
AUSTRALIA HOUSING

ANZ PORTFOLIO DYNAMICS

ANZ AUSTRALIA HOME LOAN DELINQUENCIES^{1,2}

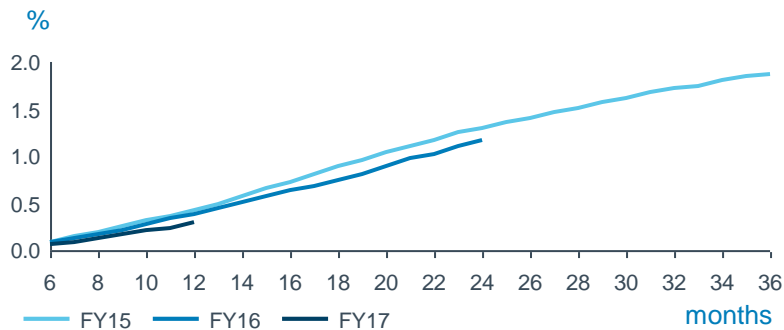


SWITCHING INTEREST ONLY TO PRINCIPAL & INTEREST

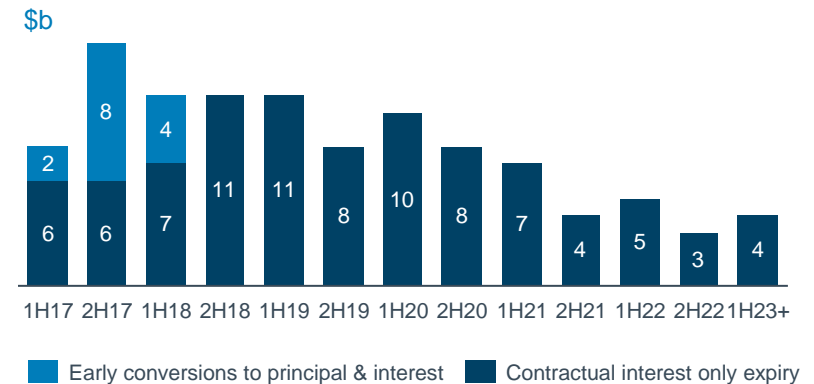


PORTFOLIO BEHAVIOUR

HOME LOANS - 90+ DPD (BY VINTAGE)³



SCHEDULED INTEREST ONLY TERM EXPIRY⁴



1. Excludes Non Performing Loans
2. 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
3. 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
4. Includes construction loans

FURTHER INFORMATION

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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.

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