



EUROPEAN COVERED BOND CONFERENCE 2018

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED

ABN 11 005 357 522



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FINANCIAL SNAPSHOT

STRENGTHENED THE BUSINESS, MANAGED COSTS, IMPROVED RETURNS

	1H18 \$m	Change vs 1H17
Statutory Profit	3,323	+14%
Cash Profit (continuing operations)		
Cash Profit After Tax	3,493	+4%
Earnings Per Share (cents)	119.4	+4%
Return on Equity	11.9%	+32bp
Dividend Per Share (cents)	80	Stable
CET1 Ratio (APRA)	11.0%	+91bp
CET1 Ratio (Internationally comparable)	16.3%	+109bp
Net Tangible Assets Per Share (\$)	18.27	+6%

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

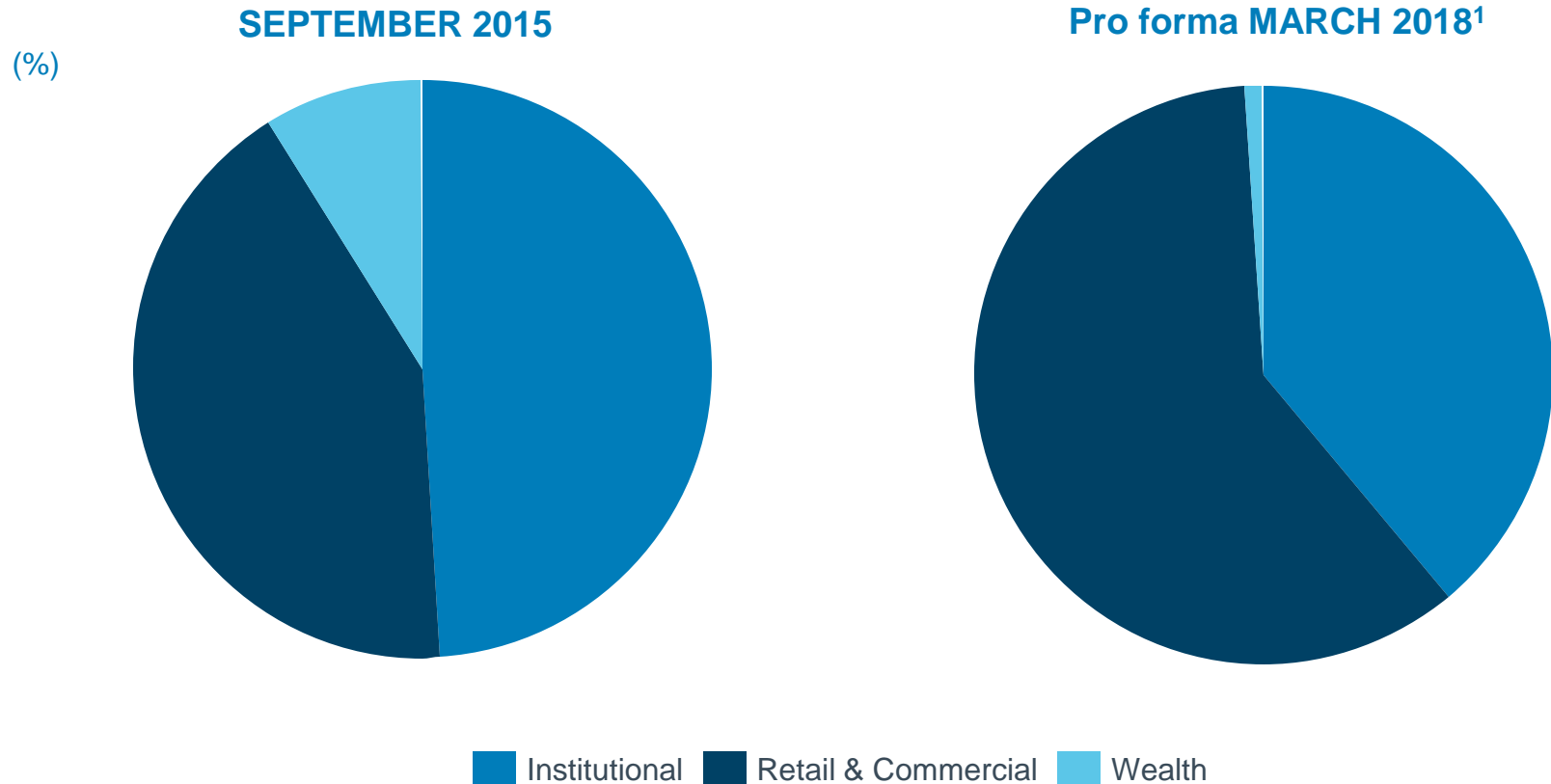
4. Driving a purpose and values led transformation

ASSUMPTIONS UNDERLYING THE STRATEGY

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)

A BETTER BALANCED BANK

CAPITAL ALLOCATION



Above allocation based on Regulatory Capital. Institutional shown under 2015 IIB Structure, including Global Institutional and Asia Retail & Pacific.

1. Pro forma incorporates the expected capital benefit from the Wealth Australia divestments (P&I, ADG and Life Insurance) and the second tranche of MCC, which remain subject to regulatory approval, less the capital impact from the completion of the \$1.5b share buyback

STRATEGIC PROGRESS

1H18

1. Creating a simpler, better balanced bank

- Finalised sale of retail and wealth business in Asia along with ANZ's stake in Shanghai Rural Commercial Bank (SRCB) and half our stake in Metrobank Card Corporation (MCC).
- Announced sale of the Australian Pensions & Investments and Aligned Dealer Group businesses and the Australian Life Insurance business.
- Completed \$1.1b of the \$1.5b share buy back announced in December 2017.

2. Focusing on areas where we can win

- Grew home lending in Australia by 6% PCP with strategic focus on owner-occupier (P&I); customer deposits were up 3%. In New Zealand home lending increased 5% and deposits 4%.
- Maintained position as No. 4 Corporate Bank in Asia for sixth consecutive year and No. 1 Lead Bank penetration in Australia and New Zealand.

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

- New ANZ mobile banking app currently most highly rated in Australian Apple Store.
- Extended mobile payment leadership with the launch of both Garmin Pay and eftpos on Android Pay.
- Preparing for Open Banking through strategic investment and partnership with Australia's leading data company, Data Republic.
- Introduced agile working practices to Australian Division Head Office and Technology Division to increase speed-to-market for key customer initiatives.

4. Driving a purpose and values led transformation

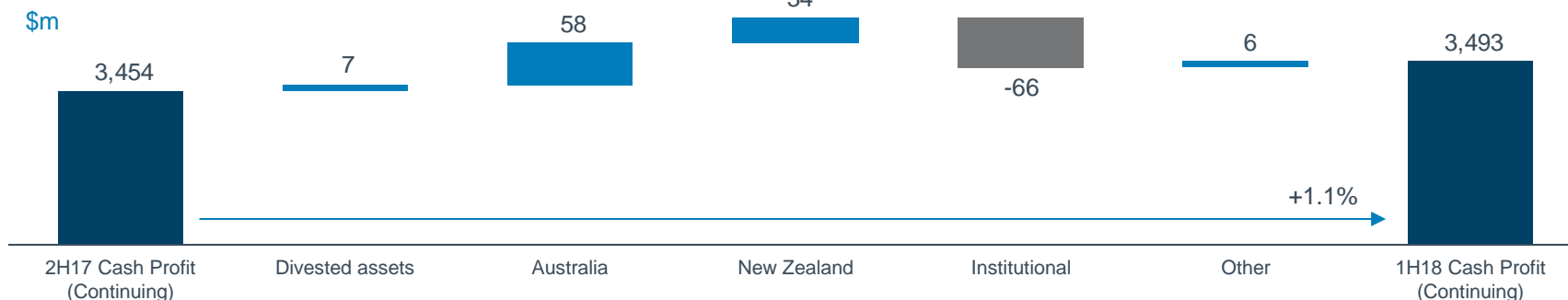
- Increased low carbon finance commitment from \$10 billion to \$15 billion by 2020, with more than \$8 billion financed since 2015.
- Signed the FX Global Code of Conduct, which provides a single set of global principles governing good practice in the global FX market.
- Increased women in leadership to 31.9% (from 31.1% end-FY17); Employer of the Year for LGBTI Inclusion; top private sector organisation for access and inclusion for people with disability.

FINANCIAL PERFORMANCE

CASH PROFIT (CONTINUING OPERATIONS)

• \$m	1H18	Change		Change (ex divested assets) ¹	
	\$m	vs 1H17	vs 2H17	vs 1H17	vs 2H17
Cash Profit (continuing)	3,493	4.1%	1.1%	(2.6)%	1.0%
Operating Income	9,808	(1.7)%	(0.3)%	(3.8)%	(0.3)%
Operating Expenses	4,411	(1.7)%	(1.5)%	0.2%	(0.2)%
Profit Before Provisions	5,397	(1.7)%	0.7%	(7.0)%	(0.4)%
Provisions	408	(43.3)%	(14.8)%	(41.1)%	(10.3)%
Earnings per share (cents)	119.4	4.0%	1.3%		
Return on Equity	11.9%	+32bp	+14bp		

CASH PROFIT BY DIVISION (1H18 vs 2H17)

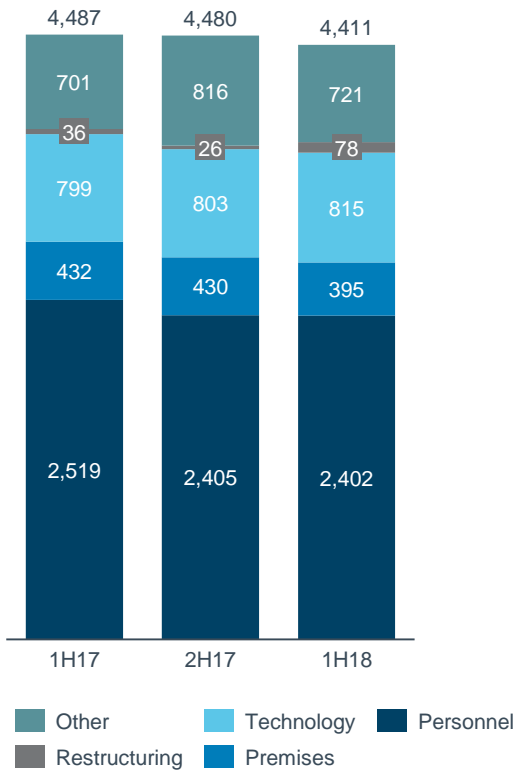


1. Divested assets include Asia Retail, SRCB & MCC gains/losses on sale and divested business results and UDC cost recovery

EXPENSES

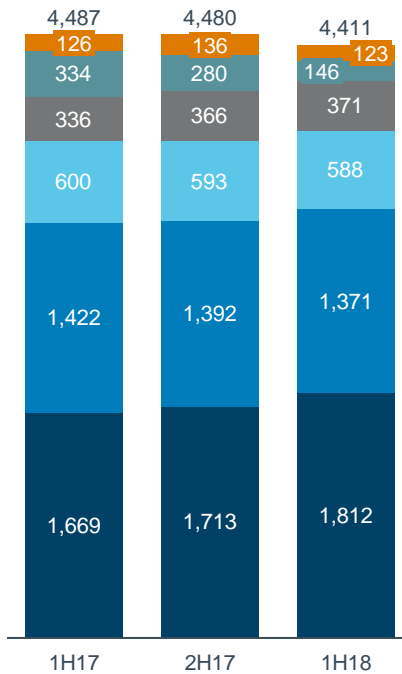
EXPENSES BY CATEGORY

Continuing Operations
\$m



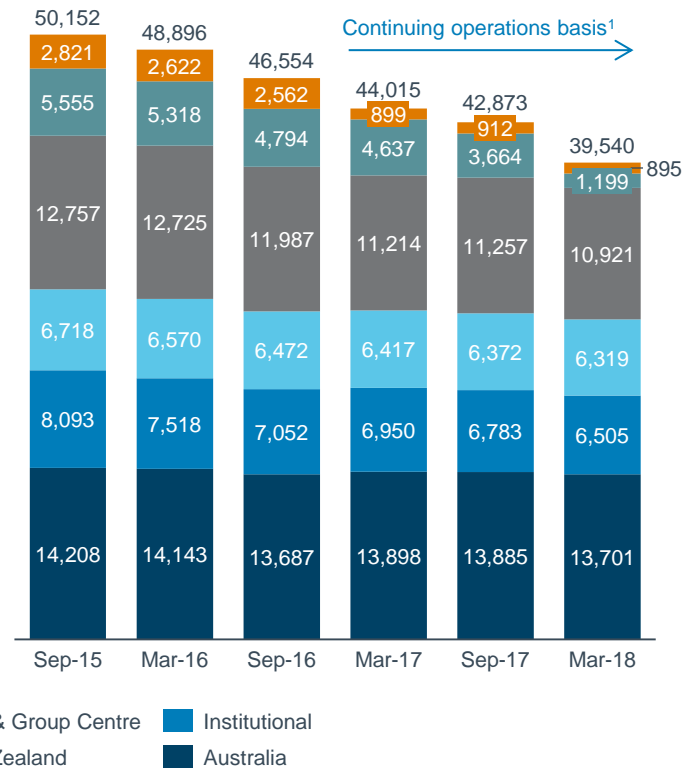
EXPENSES BY DIVISION

Continuing Operations
\$m



FTE BY DIVISION

Full time equivalent staff #

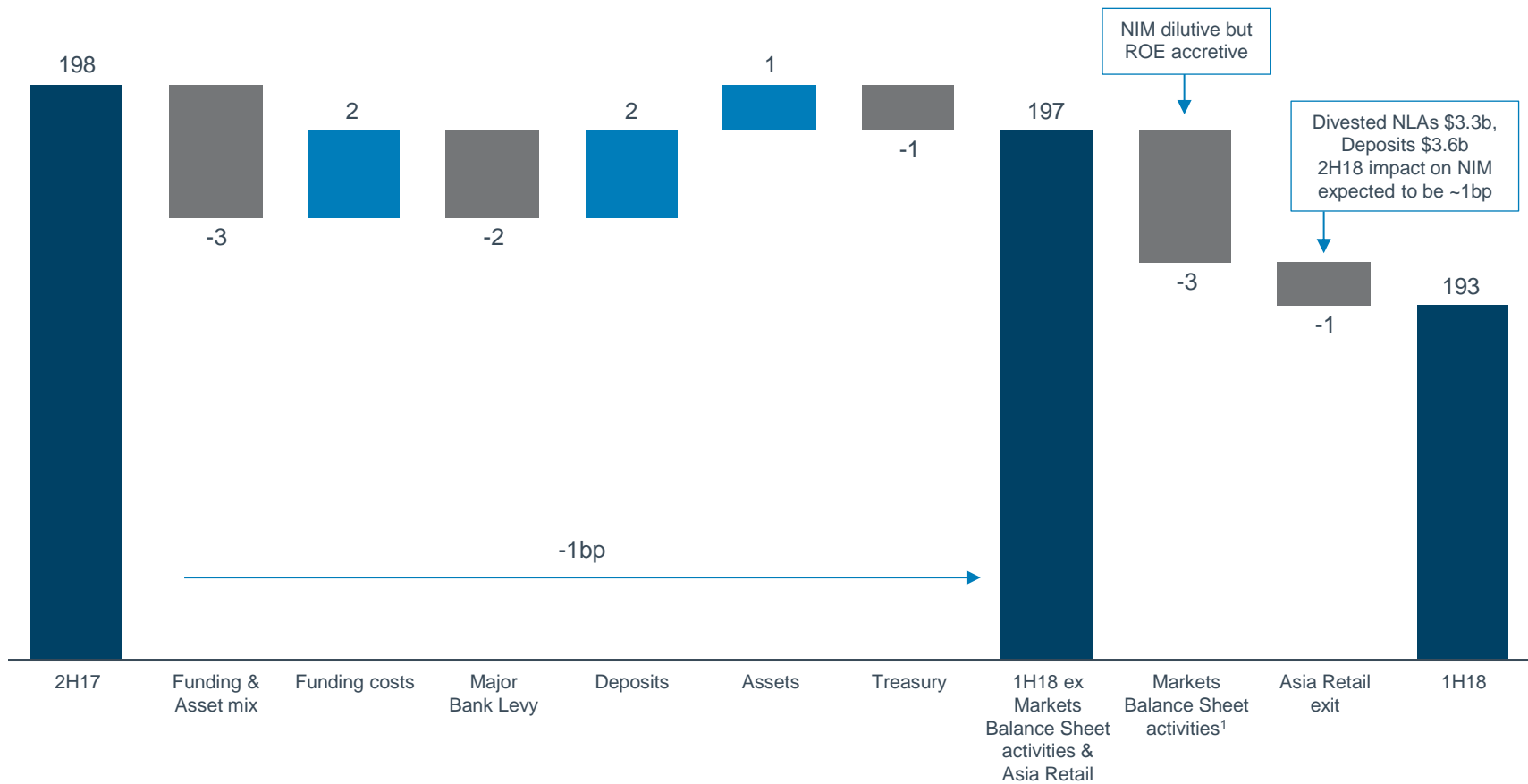


1. Excludes FTE in discontinued operations (1H17 2,031; 2H17 2,023; 1H18 2,040)

NET INTEREST MARGIN

GROUP NET INTEREST MARGIN (NIM)

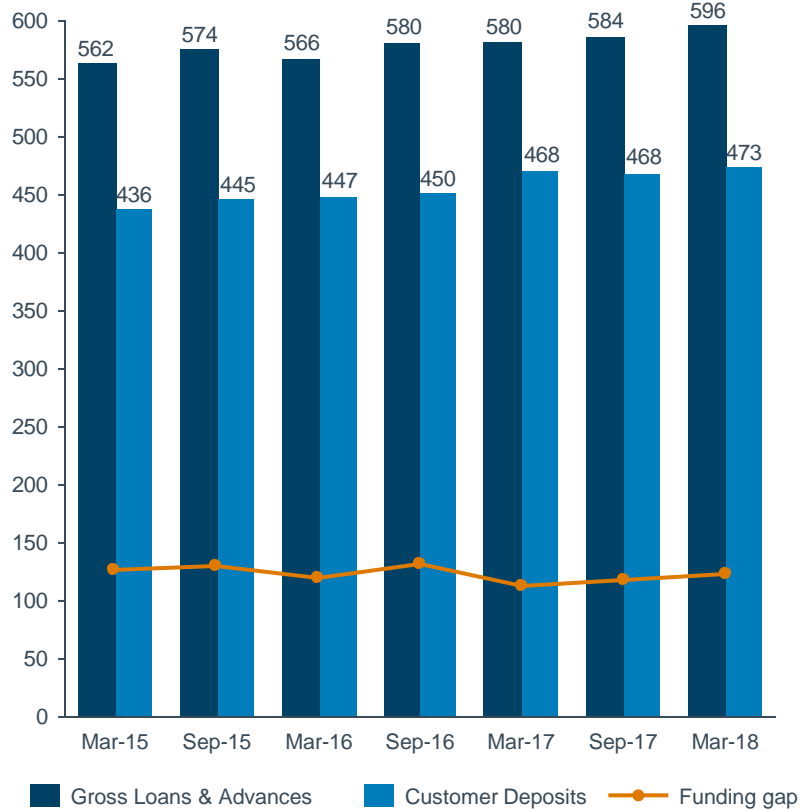
bp



1. Primarily discretionary liquids and trading securities

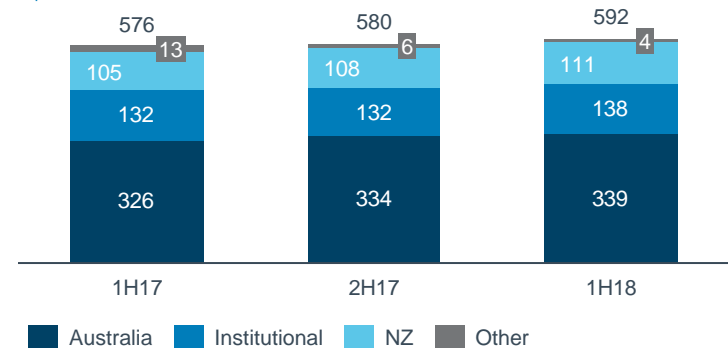
BALANCE SHEET

\$b



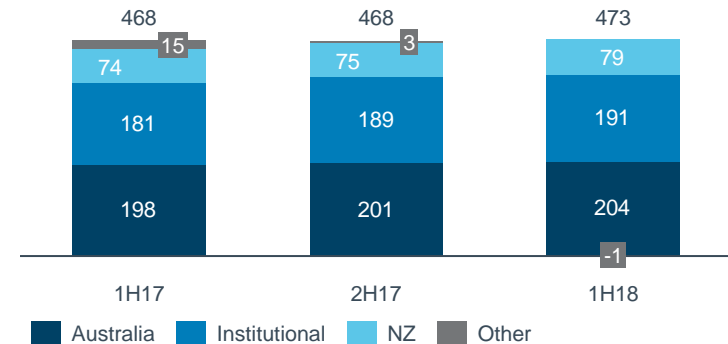
NET LOANS AND ADVANCES (BY DIVISION)

\$b



CUSTOMER DEPOSITS (BY DIVISION)

\$b





EUROPEAN COVERED BOND CONFERENCE 2018

GROUP TREASURY

AUSTRALIA AND NEW ZEALAND BANKING
GROUP LIMITED



REGULATORY CAPITAL

CAPITAL UPDATE

Capital Position

- APRA CET1 ratio of 11.0% is in excess of APRA's 'unquestionably strong' benchmark¹ and well ahead of 2020 implementation.
- Internationally Comparable² CET1 ratio of 16.3% – above the Basel top quartile³ CET1 of 14.7%.
- APRA Leverage ratio of 5.4% or 6.1% on an Internationally Comparable basis.
- Completed \$1.1bn of the \$1.5bn on-market share buy back. Completion of this tranche is expected during 2H18.

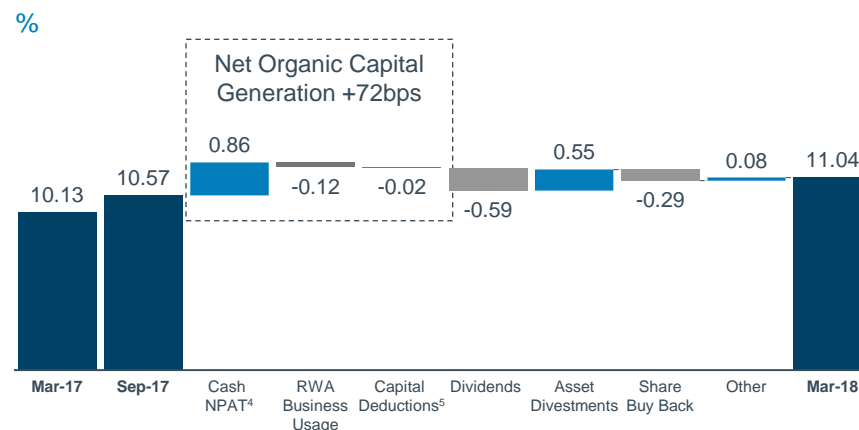
Organic Capital Generation & Dividend

- Interim dividend of 80 cents fully franked.
- Net organic capital generation of +72bps in 1H18 compares favourably to historical averages (+57bps ex Insto rebalancing).

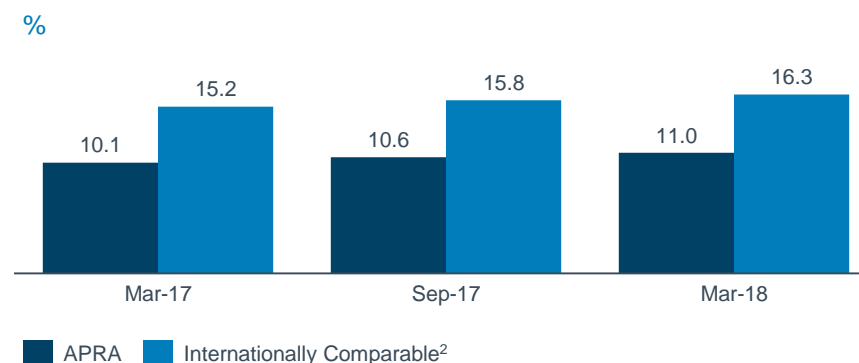
Capital Outlook

- For the third consecutive half, ANZ intends to neutralise the 2018 Interim DRP by acquiring these shares on market.
- Adoption of IFRS 9 is not expected to have a material impact on Capital.
- Completion of announced buyback and asset sales (including sale and reinsurance of OPL, P&I and MCC businesses) will add ~75bps to CET1.
- ANZ will continue to manage its capital prudently. Further capital management initiatives will only be undertaken while ensuring sufficient capital is available to support growth as well as being subject to business conditions and regulatory approval after the actual receipt of the relevant sale proceeds.

APRA COMMON EQUITY TIER 1 (CET1)



BASEL III CET1



1. Based on APRA information paper "Strengthening banking system resilience - establishing unquestionably strong capital ratios" released in July 2017 2. Internationally Comparable methodology aligns with APRA's information paper entitled International Capital Comparison Study (13 July 2015) as interpreted and calculated by ANZ. Basel III Internationally Comparable ratios do not include an estimate of the Basel I capital floor. 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 14.7% as at June 2017. 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.

REGULATORY CAPITAL GENERATION

COMMON EQUITY TIER 1 GENERATION (bp)	First half average 1H12 – 1H17	1H18
Cash Profit ¹	97	86
RWA movement	(13)	(12)
Capital Deductions ²	(13)	(2)
Net capital generation	71	72
Gross dividend	(68)	(60)
Dividend Reinvestment Plan	10	1
Core change in CET1 capital ratio	13	13
Other non-core and non-recurring items	9	34
Net change in CET1 capital ratio	22	47

Organic Capital Generation

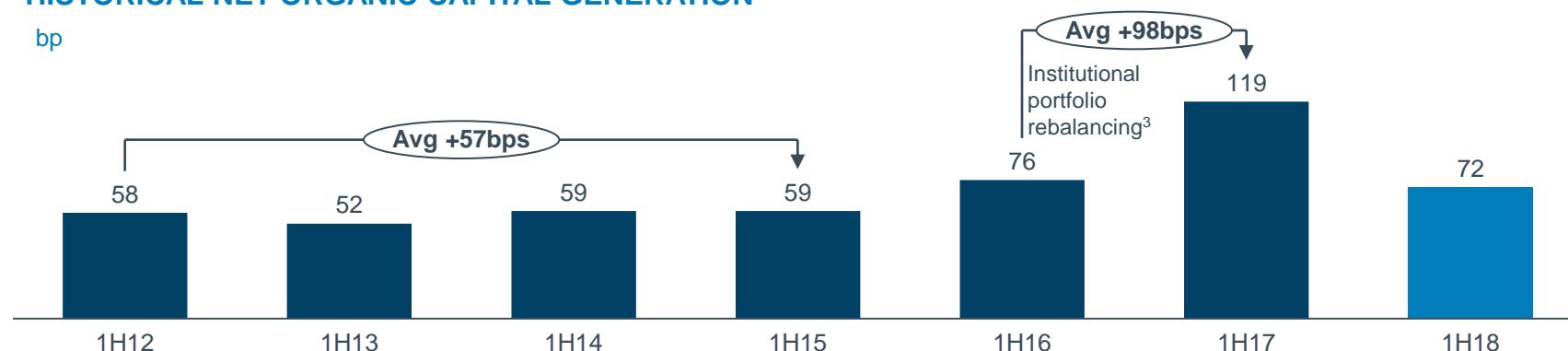
- Net organic capital generation of +72bps is +15bps stronger relative to the average of 1H12 to 1H15 (prior to Institutional portfolio rebalancing).

Non-Core and Non-recurring items

- Non-core and non-recurring items in 1H18 includes benefits from settlement of asset disposals (SRCB, Asia Retail assets and 20% stake in MCC) partly offset by completed \$1.1bn of share buy back.

HISTORICAL NET ORGANIC CAPITAL GENERATION

bp



1. Cash profit for 1H18 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.

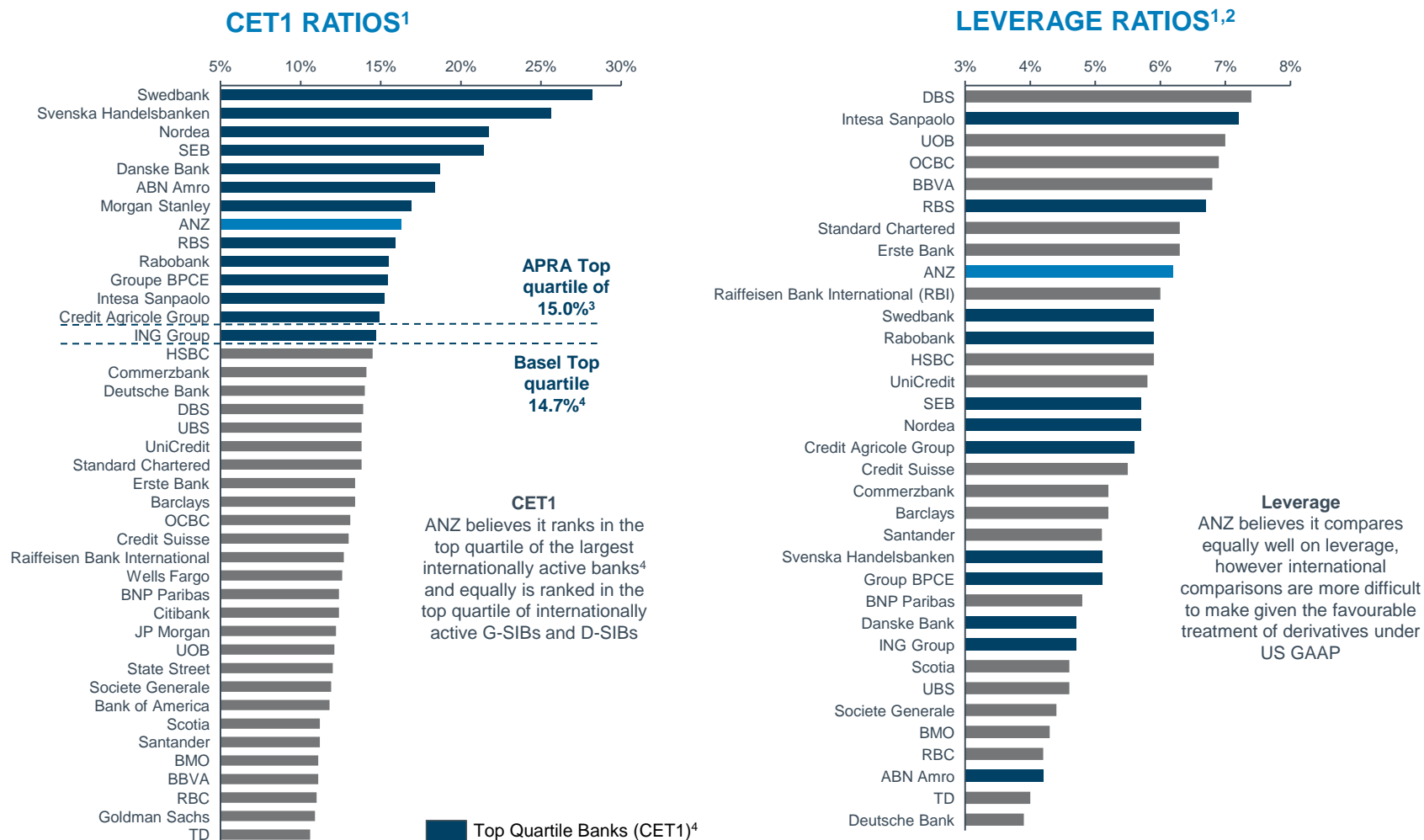
3. Institutional RWA reduction (excluding FX impacts) of ~\$9bn (+21bps) and ~\$10bn (+27bps) in 1H16 and 1H17 respectively.

INTERNATIONALLY COMPARABLE¹ REGULATORY CAPITAL POSITION

APRA Common Equity Tier 1 (CET1) – 31 March 2018		11.0%
Corporate undrawn EAD and unsecured LGD adjustments	Australian ADI unsecured corporate lending LGDs and undrawn CCFs exceed those applied in many jurisdictions.	1.5%
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.	0.7%
IRRBB RWA	APRA includes in Pillar 1 RWA. This is not required under the Basel framework.	0.3%
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%
Basel III Internationally Comparable CET1		16.3%
Basel III Internationally Comparable Tier 1 Ratio		18.7%
Basel III Internationally Comparable Total Capital Ratio		21.3%

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

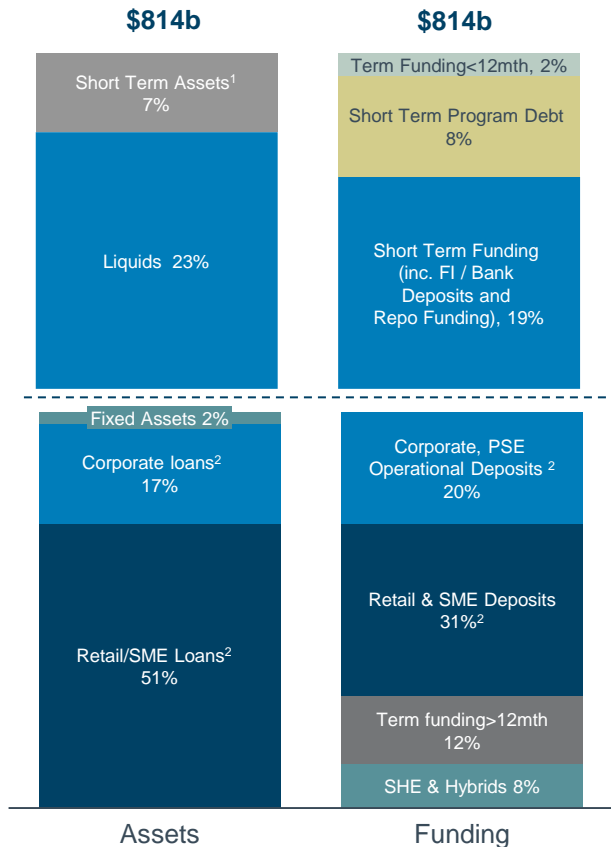
CET1 AND LEVERAGE IN A GLOBAL CONTEXT



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 as interpreted and calculated by ANZ. 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 14.7% as at June 2017.

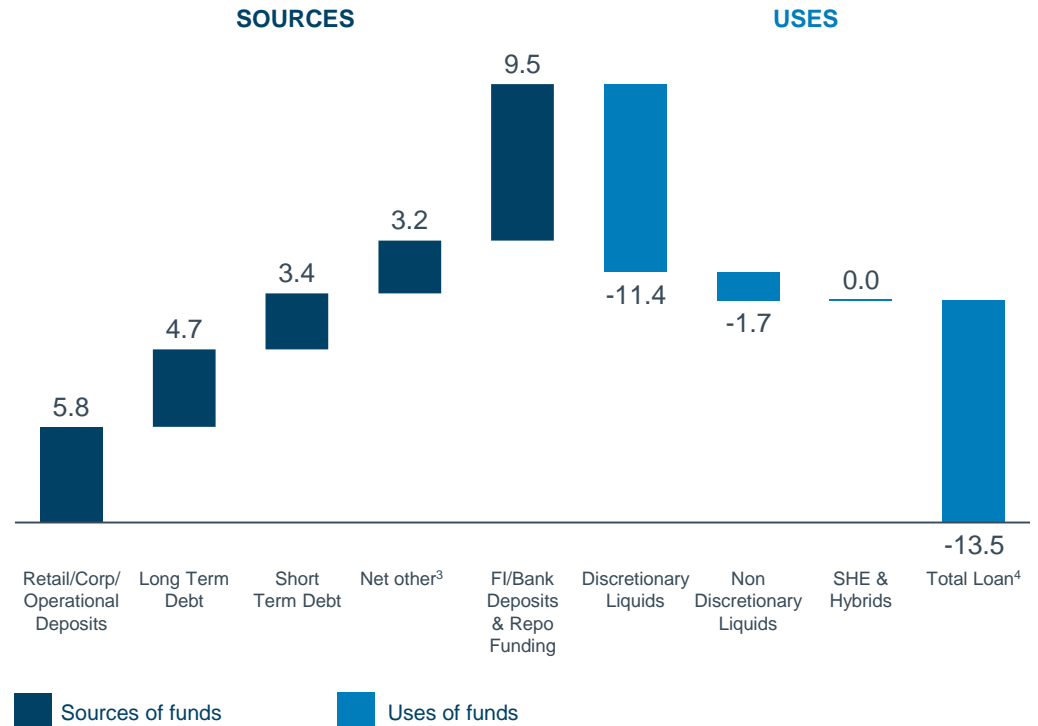
BALANCE SHEET STRUCTURE

FUNDED BALANCE SHEET



SOURCES AND USES OF FUNDS

Sep 17 to Mar 18
\$b



1. Includes FI lending, non-liquid asset trading securities, trade dated assets and other short-dated assets.

2. Based on NSFR Required Stable Funding (RSF) and Available Stable Funding (ASF) categories per APS 210.

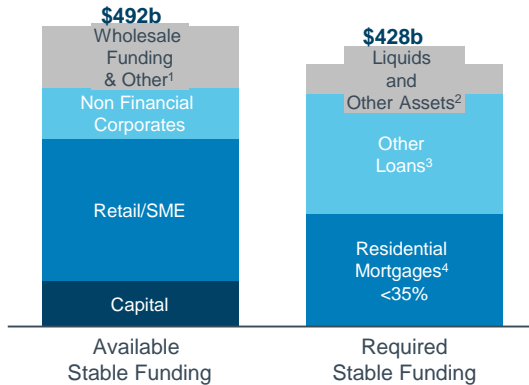
3. Includes interest accruals, provisions and net tax liabilities, payables and other liabilities.

4. Excludes interbank, repo loans and bills of acceptances.

FUNDING & LIQUIDITY METRICS

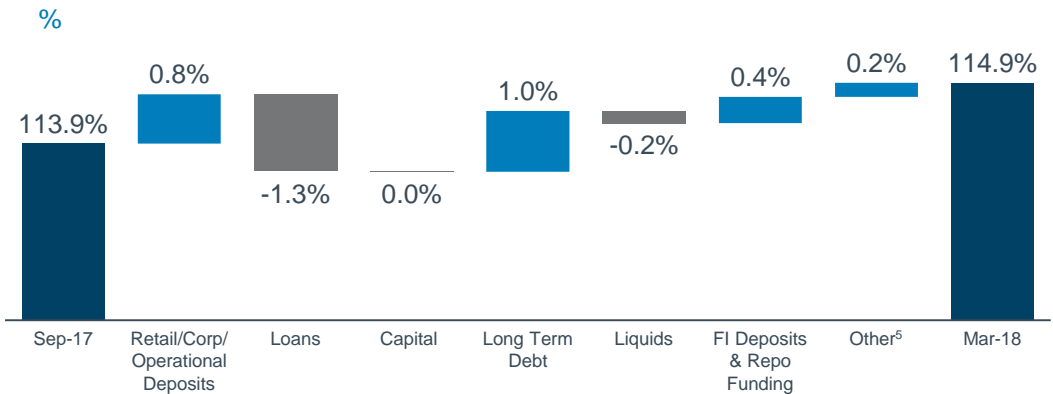
NSFR COMPOSITION

Mar 2018



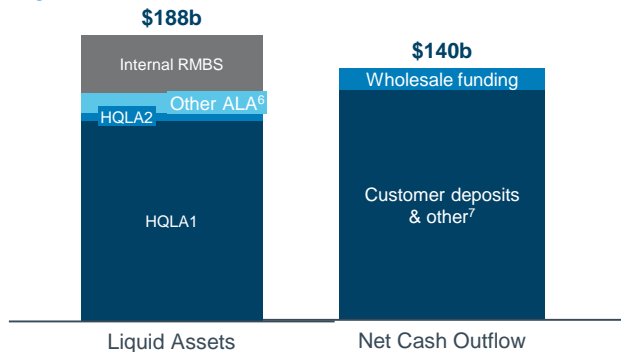
NSFR MOVEMENT

Sep 17 v Mar 18



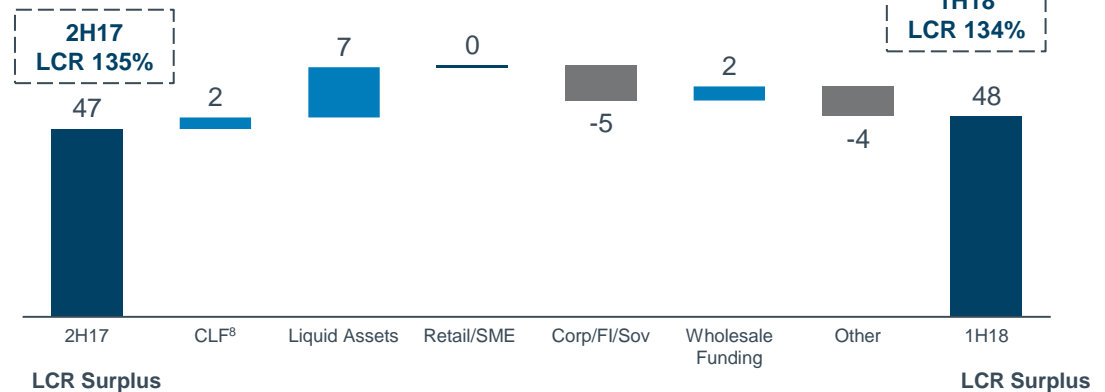
LCR COMPOSITION (AVERAGE)

1H18



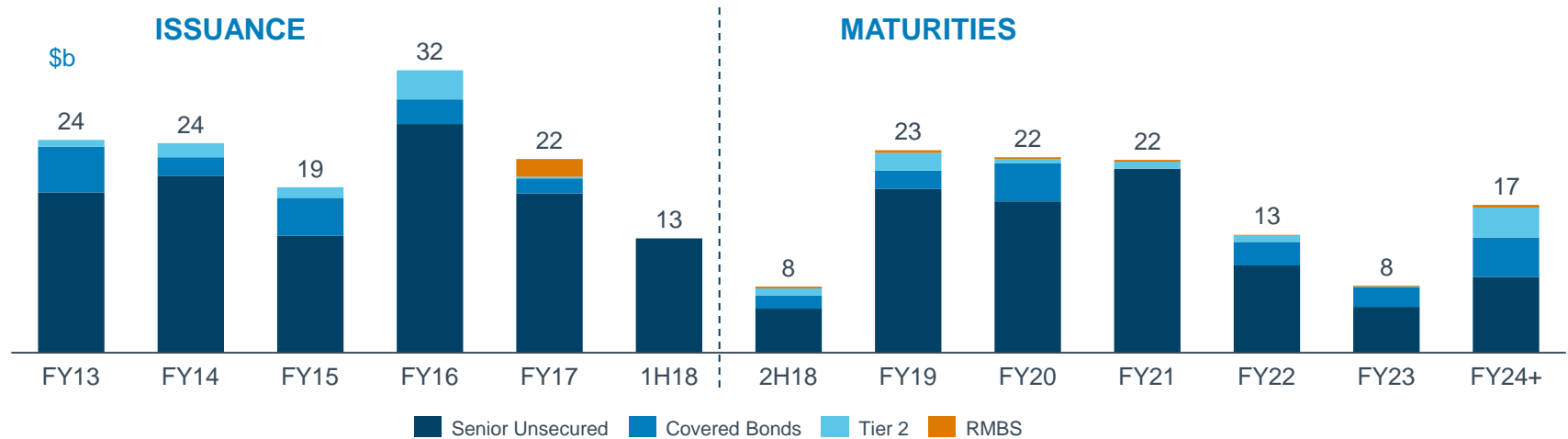
MOVEMENT IN AVERAGE LCR SURPLUS (A\$b)

2H17 v 1H18

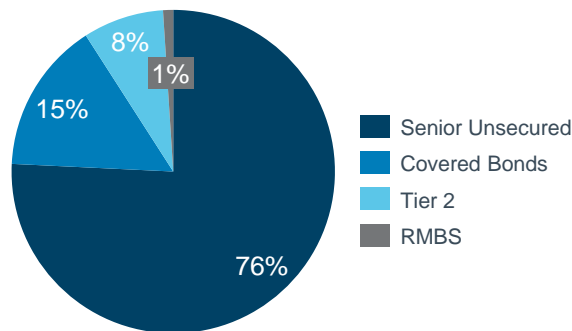


All figures shown on a Level 2 basis. 1. 'Other' includes Sovereign, and non-operational FI Deposits. 2. 'Other Assets' include Off Balance Sheet, Derivatives, Fixed Assets and Other Assets. 3. All lending >35% Risk weight. 4. Includes NSFR impact of self-securitized assets backing the Committed Liquidity Facility (CLF). 5. Net of other ASF and other RSF. 6. Comprised of assets qualifying as collateral for the Committed Liquidity Facility (CLF), excluding internal RMBS, up to approved facility limit; and any assets contained in the RBNZ's liquidity Policy – Annex: Liquidity Assets – Prudential Supervision Department Document BS13A 7. 'Other' includes off-balance sheet and cash inflows. 8. RBA CLF increased by \$3.1b from 1 January 2018 to \$46.9b (2017: \$43.8b, 2016: \$50.3b).

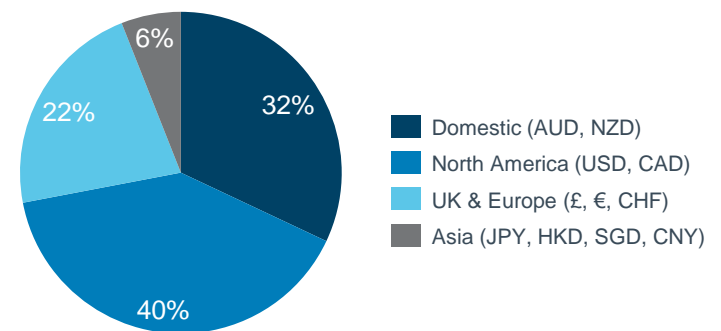
TERM WHOLESALE FUNDING PORTFOLIO¹



PORTFOLIO BY TYPE



PORTFOLIO BY CURRENCY



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



EUROPEAN COVERED BOND CONFERENCE 2018

RISK MANAGEMENT

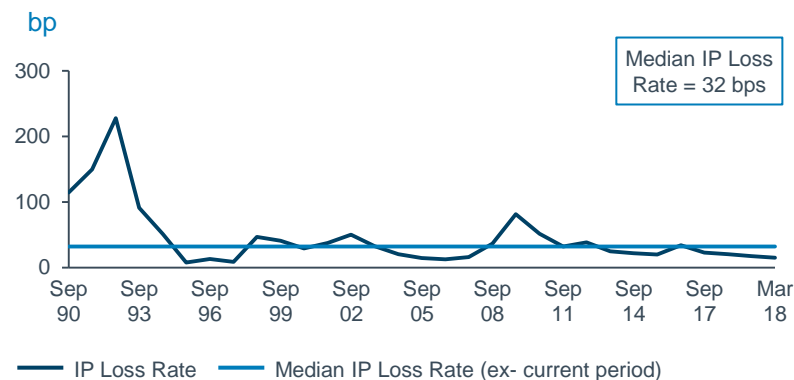
AUSTRALIA AND NEW ZEALAND BANKING
GROUP LIMITED



RISK MANAGEMENT

INDIVIDUAL PROVISION (IP) CHARGE

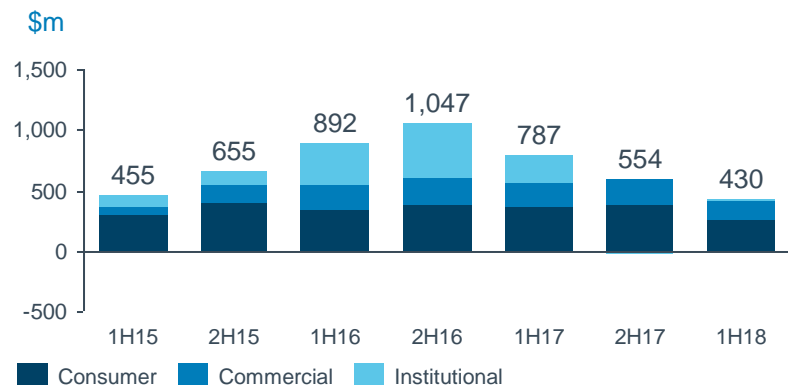
ANZ HISTORICAL LOSS RATES



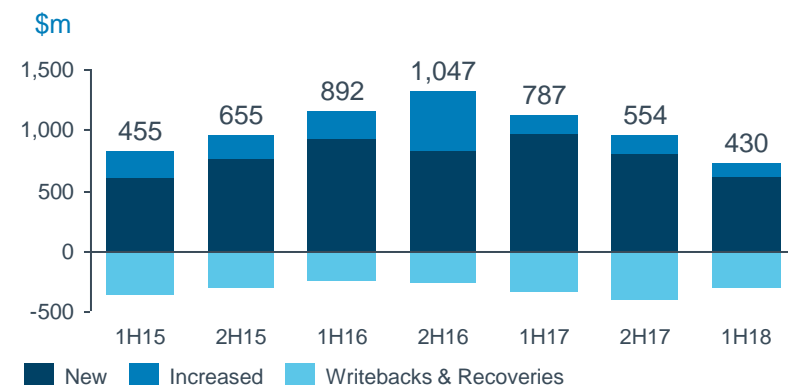
EXPECTED LOSS

%	Mar 16	Sep 16	Mar 17	Sep 17	Mar 18
Australia Div.	0.35	0.33	0.33	0.33	0.31
New Zealand Div.	0.25	0.26	0.26	0.22	0.21
Institutional Div.	0.37	0.36	0.35	0.30	0.32
Other	1.47	1.79	1.60	1.69	1.95
Subtotal	0.34	0.33	0.33	0.30	0.30
Asia Retail ¹	1.50	1.51	1.51	2.75	0
Total	0.37	0.35	0.35	0.32	0.30

IP CHARGE BY SEGMENT



IP CHARGE COMPOSITION



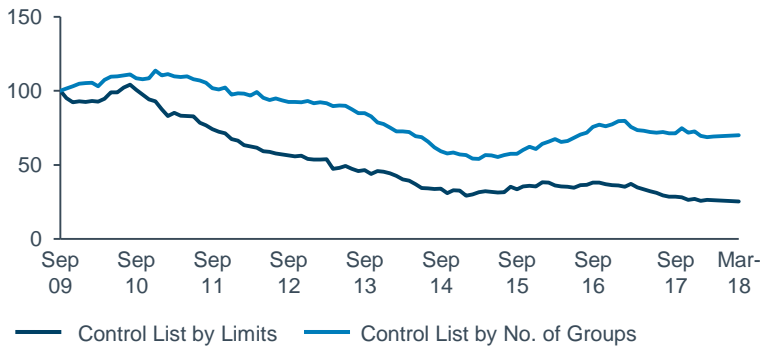
1. Asia Retail portfolio size by Net loans & Advances: Mar 17=\$10.1b , Sep 17=\$3.3b, Mar 18=\$15m . Excludes Pacific.

RISK MANAGEMENT

IMPAIRED ASSETS

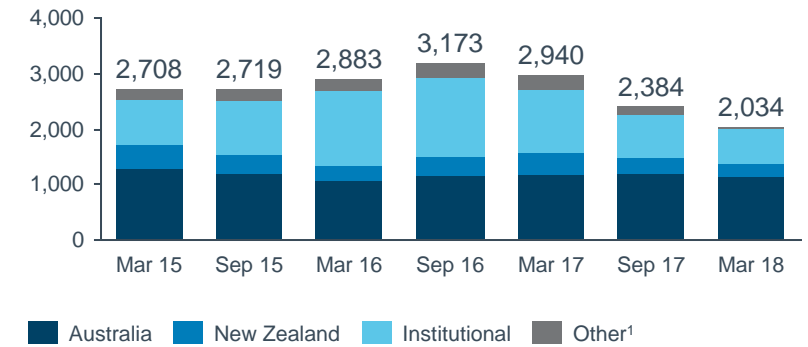
CONTROL LIST

Index Sep 09 = 100



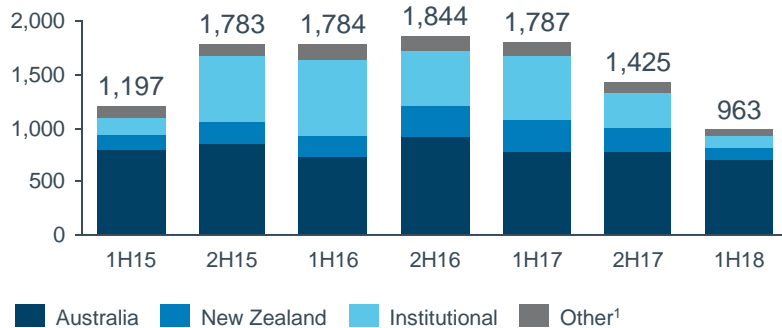
GROSS IMPAIRED ASSETS BY DIVISION

\$m



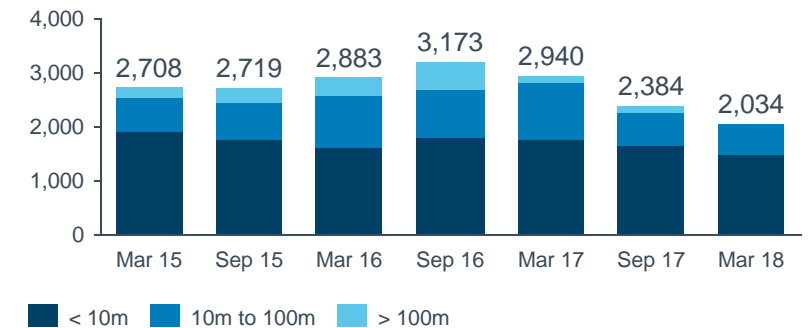
NEW IMPAIRED ASSETS BY DIVISION

\$m



GROSS IMPAIRED ASSETS BY EXPOSURE SIZE

\$m



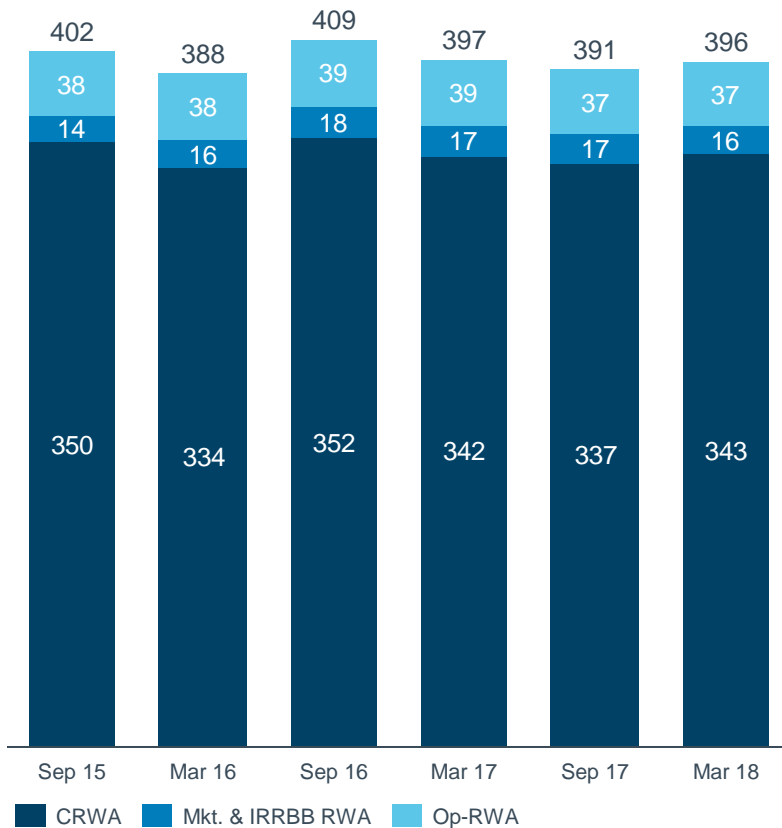
1. Other includes Retail Asia & Pacific and Australian Wealth.

RISK MANAGEMENT

RISK WEIGHTED ASSETS

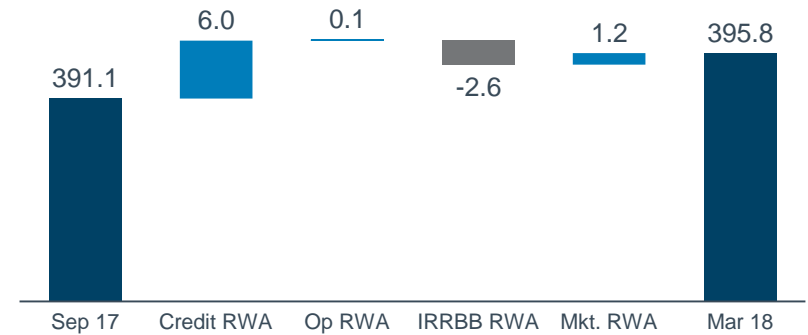
TOTAL RISK WEIGHTED ASSETS

\$b



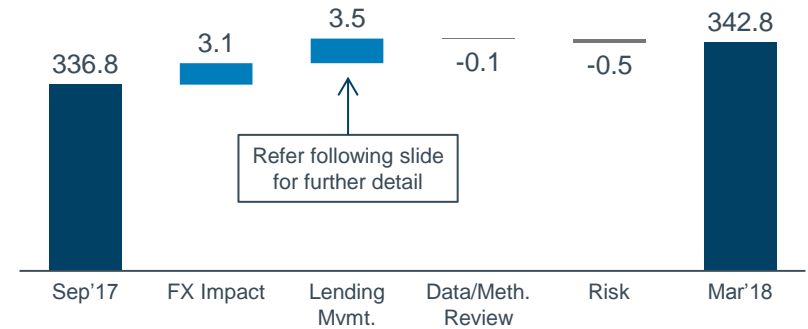
TOTAL RWA MOVEMENT

\$b



CRWA MOVEMENT

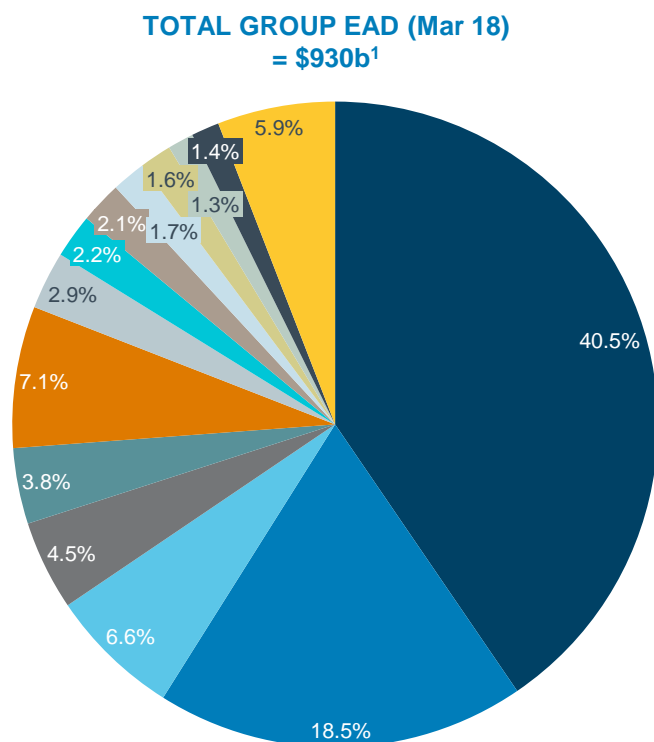
\$b



RISK MANAGEMENT

PORTFOLIO COMPOSITION

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



Category	% of Group EAD		% of Portfolio in Non Performing		Portfolio Balance in Non Performing
	Sep 17	Mar 18	Sep 17	Mar 18	Mar 18
Consumer Lending	41.5%	40.5%	0.1%	0.1%	\$425m
Finance, Investment & Insurance	17.2%	18.5%	0.0%	0.0%	\$86m
Property Services	6.6%	6.6%	0.3%	0.3%	\$158m
Manufacturing	4.5%	4.5%	0.7%	0.5%	\$213m
Agriculture, Forestry, Fishing	3.8%	3.8%	1.2%	1.1%	\$378m
Government & Official Institutions	7.2%	7.1%	0.0%	0.0%	\$0m
Wholesale trade	3.0%	2.9%	0.5%	0.4%	\$107m
Retail Trade	2.3%	2.2%	0.8%	0.9%	\$188m
Transport & Storage	2.0%	2.1%	0.7%	0.2%	\$44m
Business Services	1.7%	1.7%	1.1%	0.9%	\$149m
Resources (Mining)	1.5%	1.6%	1.2%	0.9%	\$131m
Electricity, Gas & Water Supply	1.3%	1.3%	0.1%	0.1%	\$15m
Construction	1.4%	1.4%	2.3%	1.8%	\$239m
Other	6.0%	5.9%	0.6%	0.4%	\$222m
Total	100%	100%			\$2,355m
Total Group EAD¹	\$903b	\$930b			

1. EAD excludes amounts for 'Securitisation' and 'Other Assets' Basel classes and manual adjustments. Data provided is as at Mar 18 on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral.

RESIDENTIAL DEVELOPMENT

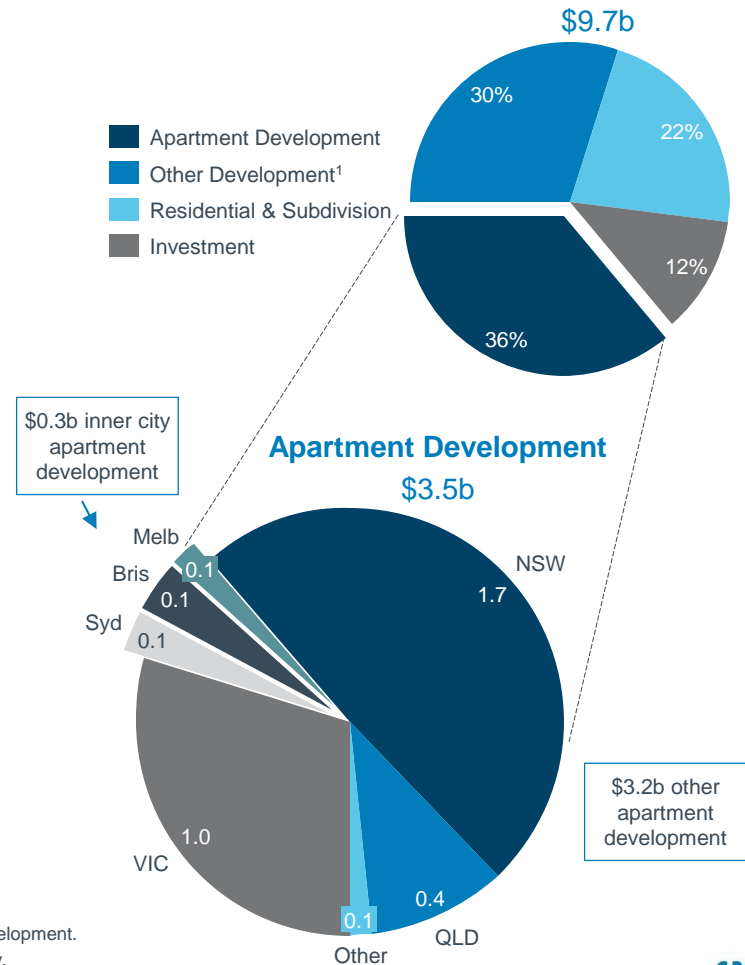
COMMERCIAL PROPERTY EXPOSURE

OVERVIEW

- Overall Apartment Development limits have increased modestly by \$0.06bn (2%) in the first half of 2018.
- Growth has been subdued as appetite tightening strategies have taken effect and market conditions slow.
- Limits to Inner City Apartment Developments have reduced to 9% of Total as at Mar 18 (was 20% as at Sep 17) as a result of repayment from completed projects in Brisbane and Melbourne.
- Average qualifying pre-sales² and LVRs were 116% and 53% respectively for Inner City Apartment Developments. New Inner City Apartment Developments continue to be subject to tight LVR, pre-sale and % of foreign buyer parameters.
- Outside of Inner City, Apartment Development limits were weighted 54% towards NSW and 33% towards VIC, 12% for QLD and minimal exposures in other states.
- Ongoing close monitoring of development projects with regular internal management reporting, noting our facilities are continuing to be repaid on time.
- Industry trends and risks are being closely monitored with appropriate strategies implemented.

PROFILE (Mar 18)

Total Residential Limits:



1. Other Development comprises of Low Rise & Prestige Residential and Other Residential or Multi Project Development.
 2. Calculated as the average of the qualifying pre-sales to the debt cover ratio, as determined under Bank policy.



EUROPEAN COVERED BOND CONFERENCE 2018

HOUSING PORTFOLIO

AUSTRALIA AND NEW ZEALAND BANKING
GROUP LIMITED



AUSTRALIA HOME LOANS

PORTFOLIO OVERVIEW

	Portfolio ¹			Flow ²		Portfolio ¹		
	1H16	1H17	1H18	1H18		1H16	1H17	1H18
Number of Home Loan accounts	976k	992k	1,017k	79k ³	Average LVR at Origination ^{8,9,10}	71%	70%	68%
Total FUM ¹	\$243b	\$256b	\$270b	\$31b	Average Dynamic LVR ^{9,10,11}	51%	51%	51%
Average Loan Size	\$249k	\$258k	\$266k	\$387k	Market Share ¹²	15.6%	15.6%	15.8%
% Owner Occupied ⁴	60%	62%	65%	69%	% Ahead of Repayments ¹³	71%	71%	71%
% Investor ⁴	36%	34%	32%	29%	Offset Balances ¹⁴	\$24b	\$26b	\$27b
% Equity Line of Credit	4%	4%	3%	2%	% First Home Buyer	7%	6%	7%
% Paying Variable Rate Loan ⁵	87%	85%	83%	82%	% Low Doc ¹⁵	7%	5%	4%
% Paying Fixed Rate Loan ⁵	13%	15%	17%	18%	Loss Rate ¹⁶	0.01%	0.02%	0.02%
% Paying Interest Only ⁶	37%	36%	26%	14% ⁷	% of Australia Geography Lending ¹⁷	63%	63%	64%
% Broker originated	48%	50%	51%	56%	% of Group Lending ^{17,18}	43%	44%	46%

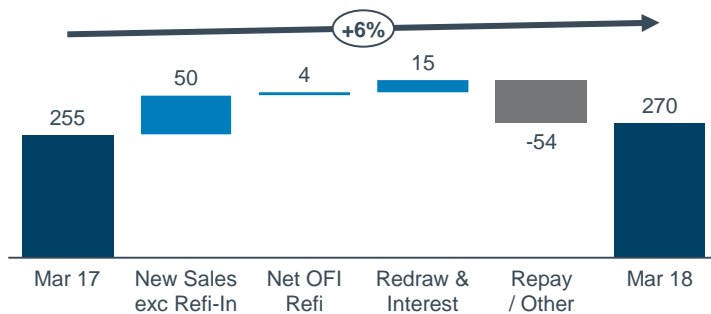
1. Home Loans (excludes Non Performing Loans, excludes offset balances) 2. YTD (6 months to) unless noted 3. New accounts includes increases to existing accounts and split loans (fixed and variable components of the same loan) 4. The current classification of Investor vs Owner Occupier, as reported to 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, and ANZ targeted activity to identify, any change in circumstances. 5. Excludes Equity Manager 6. Based on APRA definition ie includes Equity Manager in the total composition 7. March Half to Date 8. Originated in the respective half 9. Unweighted 10. Includes capitalised premiums 11. Valuations updated to Mar'18 where available 12. Source for Australia: APRA to Feb'18 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\$400m of less than or equal to 80% LVR mortgages, primarily booked pre-2008 16. Annualised write-off net of recoveries 17. Based on Gross Loans and Advances 18. Based on Group Cash Profit basis.

AUSTRALIA HOME LOANS

PORTFOLIO GROWTH

LOAN BALANCE & LENDING FLOWS¹

\$b



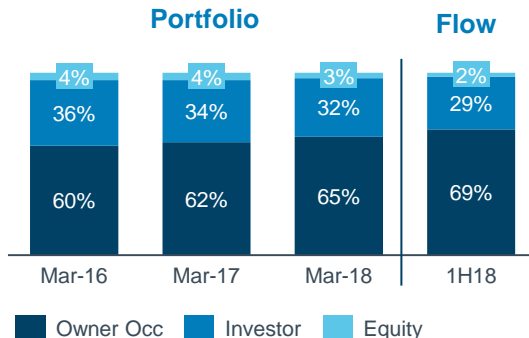
HOME LOAN COMPOSITION

\$b

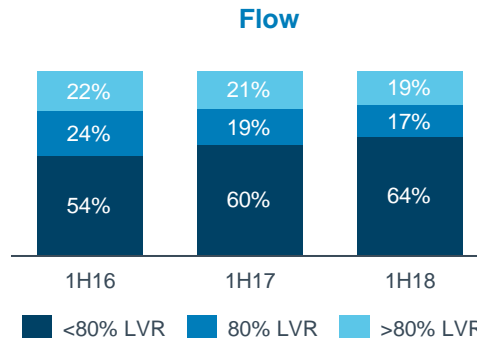
Payment Type	Owner Occupied	Investor	Equity Loan	Total
P&I Loan	146.2	44.0	-	190.2
Interest Only	28.3	43.2	-	71.5
Equity Loan	-	-	8.7	8.7
Total	174.5	87.2	8.7	270.4

PORTFOLIO^{1,2} & FLOW³ COMPOSITION

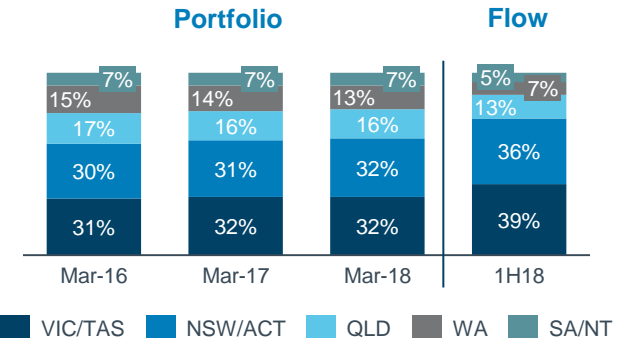
By purpose:



By origination LVR⁴:



By location:



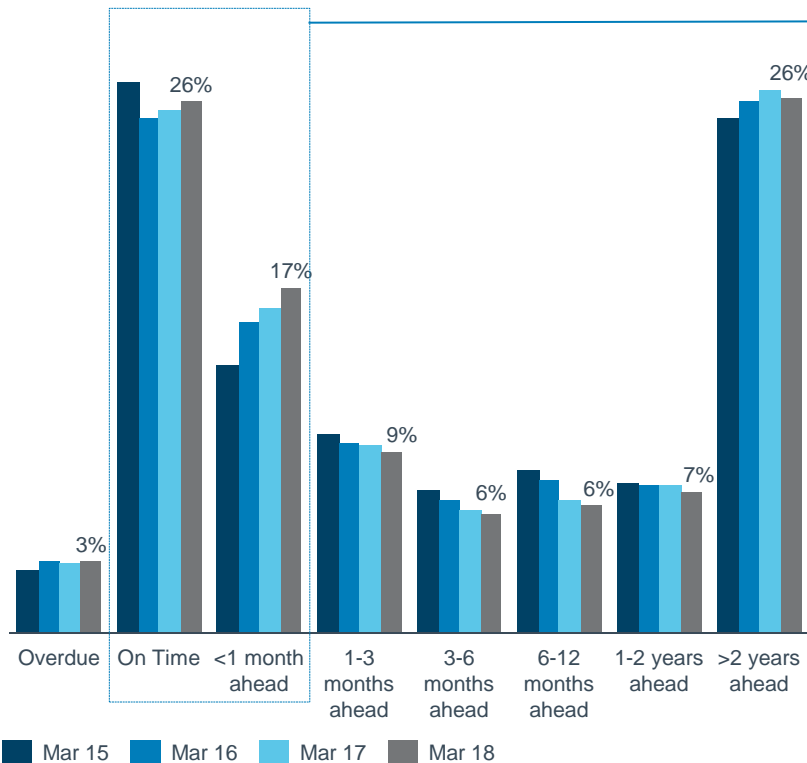
1. Excludes Non Performing Loans. 2. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ, and ANZ targeted activity to identify, any change in circumstances. 3. YTD (6 months to) unless noted. 4. Includes capitalised premiums

AUSTRALIA DIVISION

PORTFOLIO DYNAMICS

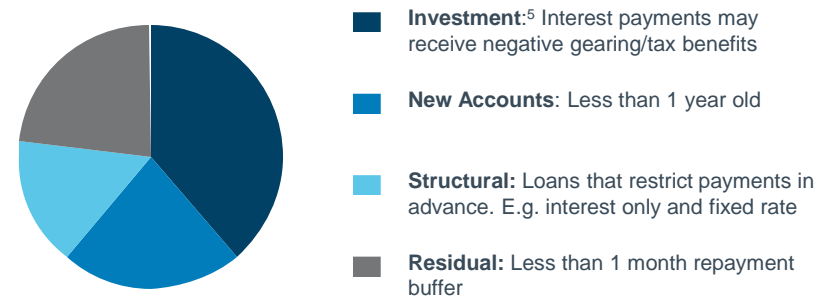
HOME LOANS REPAYMENT PROFILE^{1,2}

71% of accounts ahead of repayments

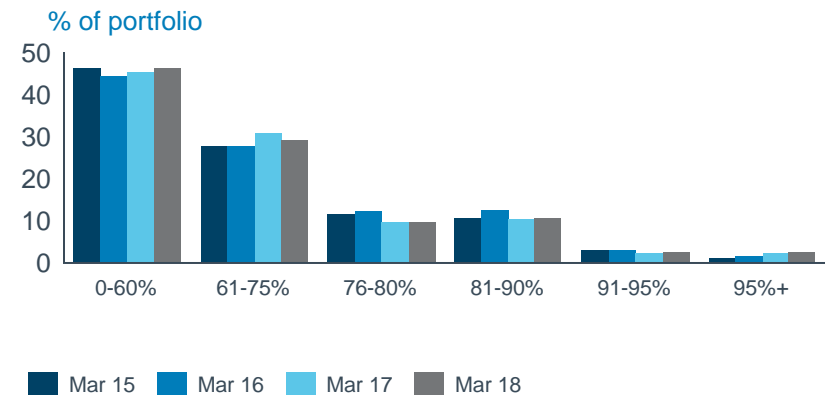


HOME LOANS ON TIME & <1 MONTH AHEAD PROFILE^{1,2}

% composition of accounts (March 18)



DYNAMIC LOAN TO VALUE RATIO^{1,3,4}

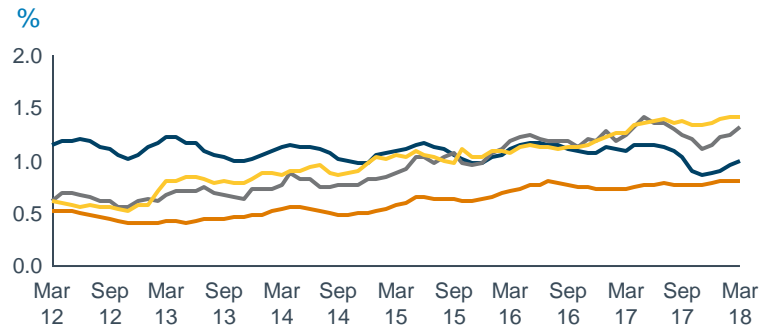


1. Excludes Non Performing Loans 2. % of Owner Occupied and Investment Loans that have any amount ahead of repayments. Includes Offset balances. Excludes Equity Manager. Excludes Non Performing Loans 3. Includes capitalised premiums 4. Valuations updated to Mar'18 where available 5. The current classification 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.

AUSTRALIA DIVISION

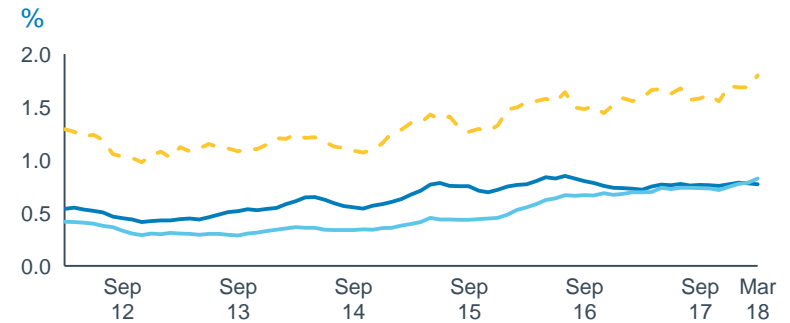
PORTFOLIO PERFORMANCE

PRODUCT 90+ DAY DELINQUENCIES¹



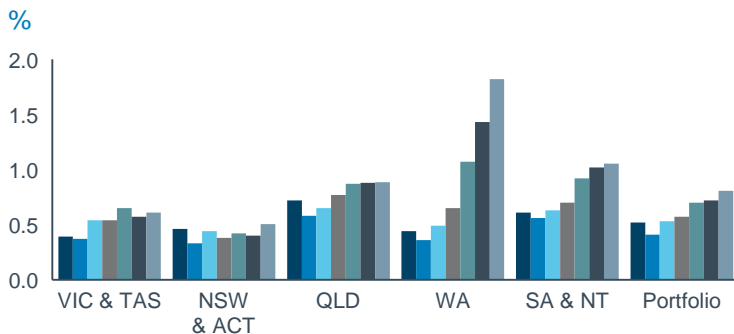
Home Loans Consumer Cards
Personal Loans Corporate & Commercial²

HOME LOAN DELINQUENCIES^{1,3}



30+ DPD % 90+ Investor
90+ Owner Occupied

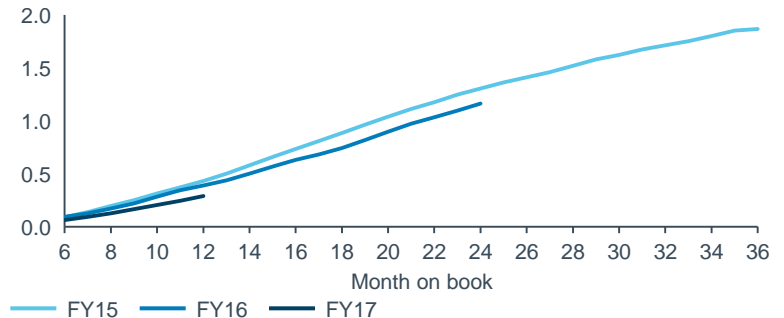
HOME LOANS 90+ DPD BY STATE¹



Mar 12 Mar 13 Mar 14 Mar 15 Mar 16 Mar 17 Mar 18

HOME LOANS - 90+ DPD (BY VINTAGE)⁴

Note: FY14 vintages and prior were impacted by hardship prior to policy solutions put in place and therefore not comparable to FY15 vintages and onwards



FY15 FY16 FY17

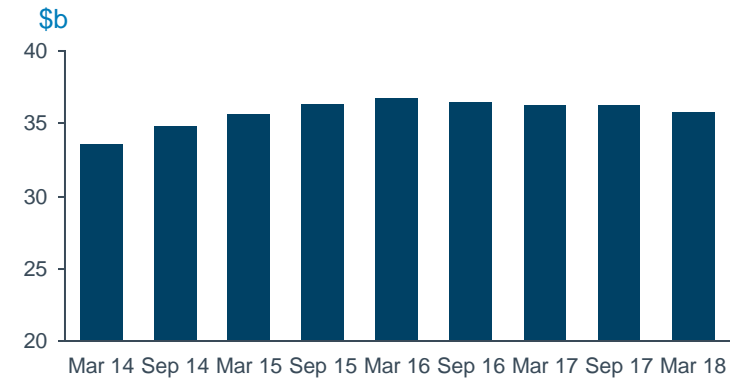
1. Excludes Non Performing Loans 2. Comprises Small Business, Commercial Cards and Asset Finance 3. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ, and ANZ targeted activity to identify, any change in circumstances 4. 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.

AUSTRALIA HOME LOANS

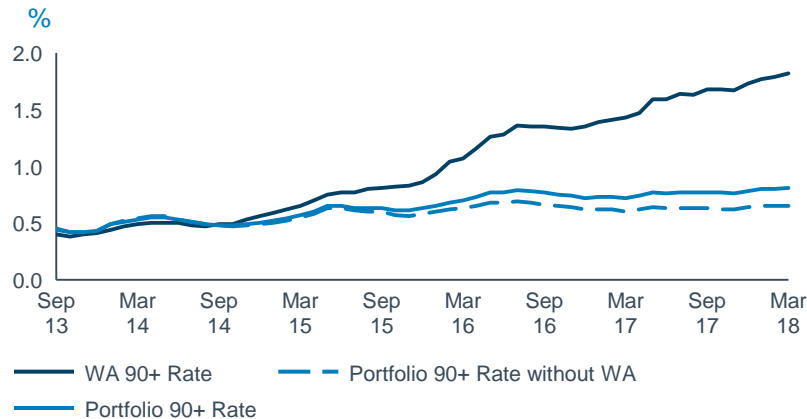
AREAS OF INTEREST

- 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 13% of the portfolio FUM (and decreasing), however makes up 30% of 90+ (and approximately half of portfolio losses¹)
- Tailored treatment of collection and account management strategies
- Conservative approach to provisions management

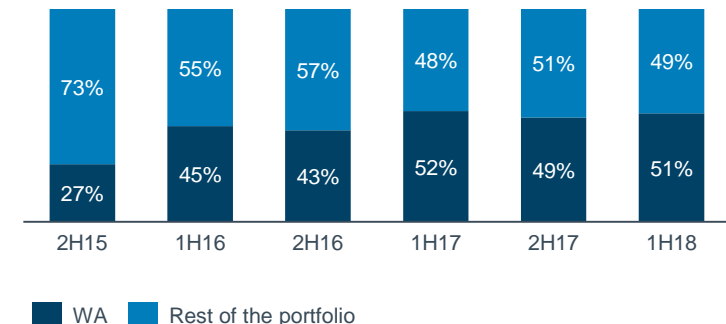
WA OUTSTANDING BALANCE



HOME LOANS AND WA 90+ DELINQUENCIES²



HOME LOANS COMPOSITION OF LOSSES¹



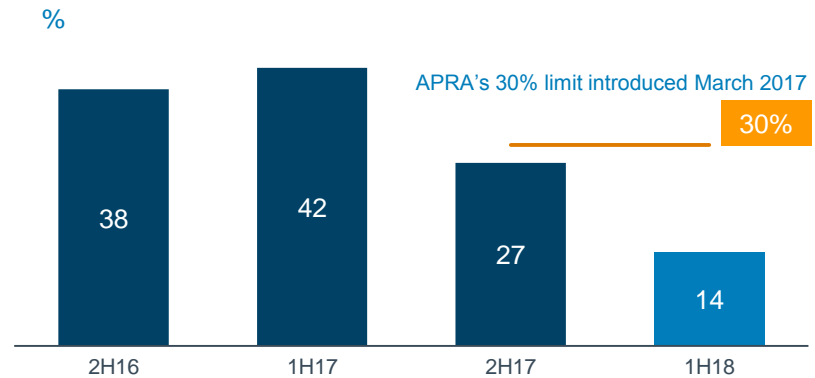
1. Losses are based on New Individual Provision Charges 2. Excludes Non Performing Loans

AUSTRALIA HOME LOANS

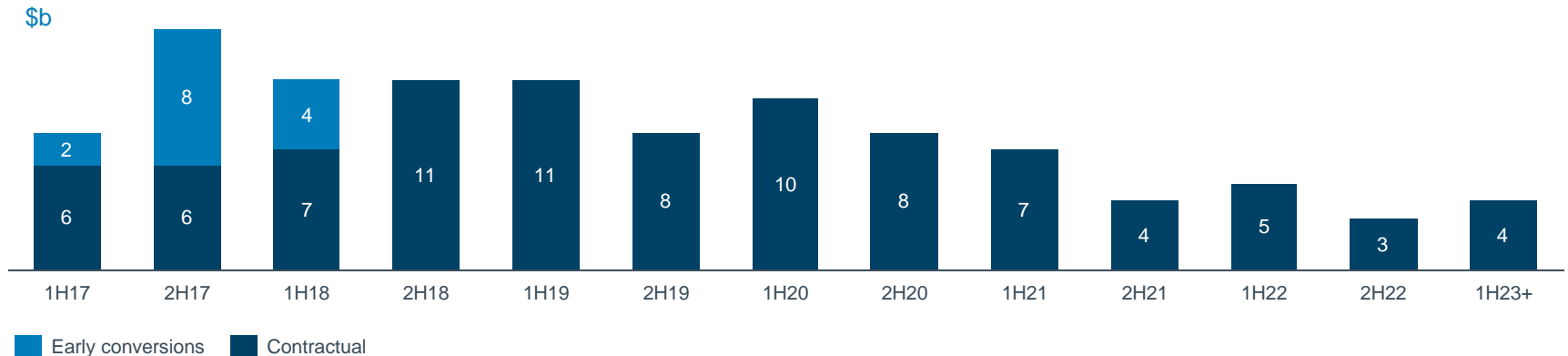
INTEREST ONLY (IO)

- Serviceability assessment is based on ability to repay principal & interest repayments calculated over the residual term of loan
- 81% of IO customers have net income >\$100k pa. (portfolio 64%)
- Arrears levels are lower for Interest Only vs overall portfolio
- Recent policy & pricing changes have led to a reduction in IO lending. ANZ has met APRA's 30% threshold lending requirement and the interest only flow composition is now at 14% for 1H18.
- Proactive contact strategies are in place to prepare customers for the change in their cash repayments ahead of Interest Only expiry

INTEREST ONLY FLOW COMPOSITION¹



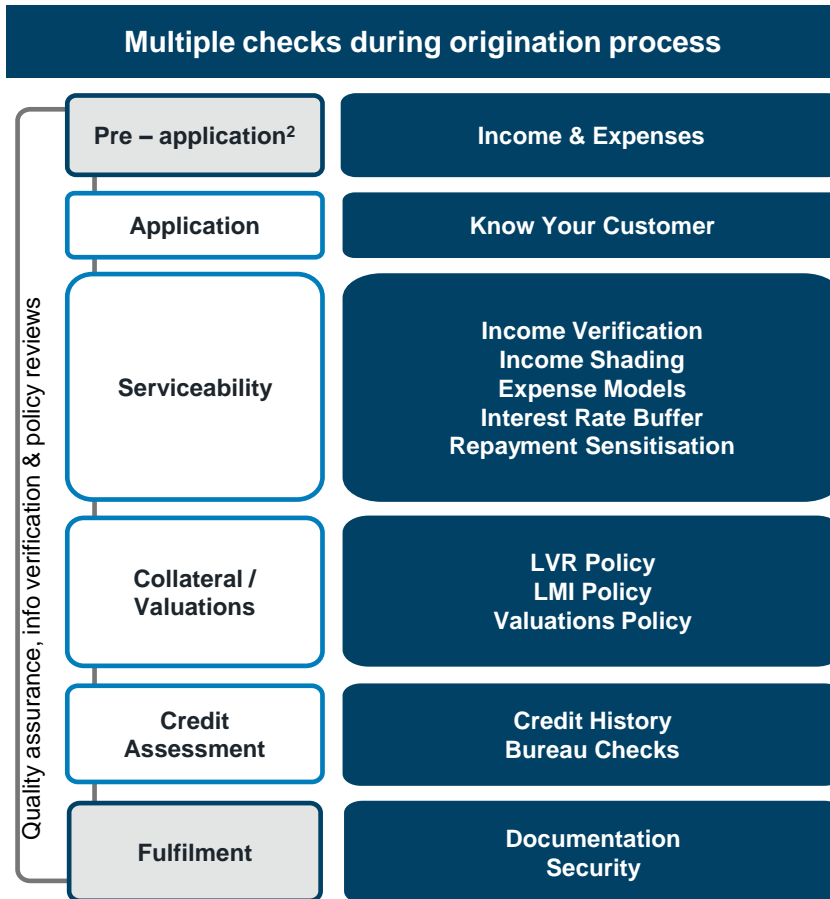
SWITCHING INTEREST ONLY TO P&I AND SCHEDULED INTEREST ONLY TERM EXPIRY²



1. Based on APRA definition (includes Equity Manager). 2. Includes construction loans

AUSTRALIA HOME LOANS

UNDERWRITING PRACTICES AND POLICY CHANGES¹



- 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%

*The HEM benchmark is developed by the Melbourne Institute of Applied Economic and Social Research ('the Melbourne Institute'), based on a survey of the spending habits of Australian families.

1. 2015 to 2018 material changes to lending standards and underwriting 2. Customers have the ability to assess their capacity to borrow on ANZ

AUSTRALIA HOME LOANS

UNDERWRITING PRACTICES AND POLICY CHANGES¹

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
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
Sep'16	Increased income discount factor for residential rental income from 20% to 25% 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 ² 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 ³ or EMAs ⁴
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
Dec'17	Update to clarify that residential mortgage lending to trading companies is not acceptable.
Mar'18	All Interest Only loan renewals will be Credit Critical events (requiring full income verification and serviceability test) including (i) Changing from P&I to IO and (ii) Converting to or Extending an IO term.

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

AUSTRALIAN 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).
- The results are not materially different from the stress test six months ago.

Assumptions	Current	Year 1	Year 2	Year 3
Unemployment rate	5.5%	9.0%	10.5%	11.5%
Cash Rate	1.5%	0.25%	0.25%	0.25%
Real GDP year ended growth	2.4	-3.8%	-2.4%	4.7%
Cumulative reduction in house prices	-	-26.8%	-38.3%	-32.7%
Portfolio size ¹ (A\$b)	298	297	290	281

Outcomes	Base	Year 1	Year 2	Year 3
Net Losses (A\$m)	-	158	724	749
Net losses (bps)	-	5	25	27

1. Exposure at default

LENDERS MORTGAGE INSURANCE

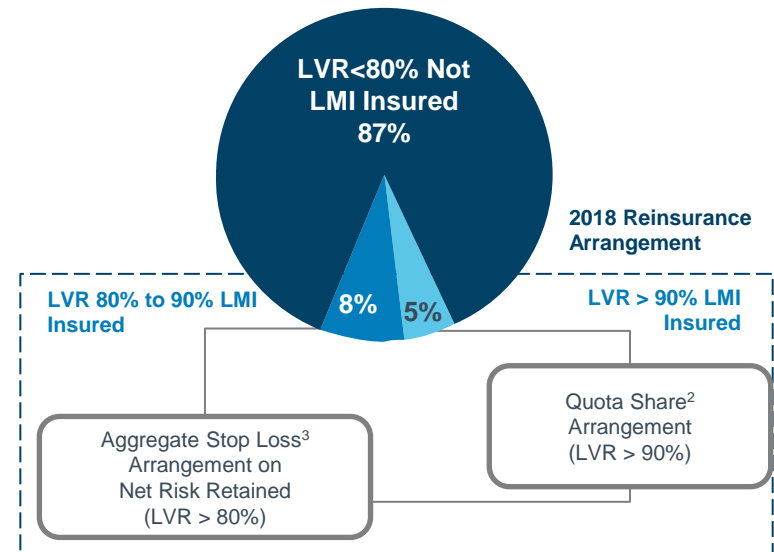
ANZLMI HAS MAINTAINED STABLE LOSS RATIOS

MARCH HALF YEAR 2018 RESULTS

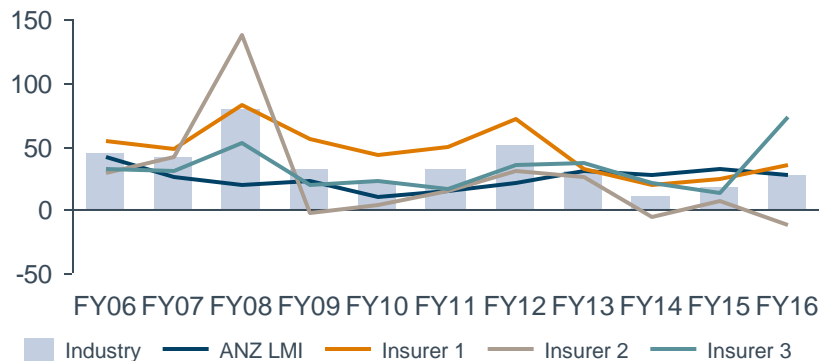
Gross Written Premium (\$m)	\$81.4m
Net Claims Paid (\$m)	\$7.7m
Loss Rate (of Exposure)	2.7bps

LMI & REINSURANCE STRUCTURE

Australian Home Loan portfolio LMI and Reinsurance Structure at 31 Mar 2018 (% New Business FUM Oct-17 to Mar-18)



ANZLMI MAINTAINS LOW LOSS RATIOS¹



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 arrangement²** with reinsurers for mortgages 90% LVR and above and in addition an **Aggregate Stop Loss arrangement³** for policies over 80% LVR

1. Negative Loss ratios are the result of reductions in outstanding claims provisions. Source: APRA general insurance statistics (loss ratio net of reinsurance) last published November 2017; 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.



EUROPEAN COVERED BOND CONFERENCE 2018

ANZ COVERED BOND TRUST UPDATE

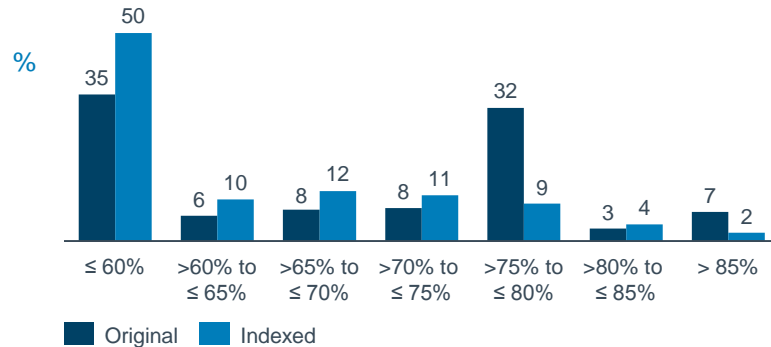
AUSTRALIA AND NEW ZEALAND BANKING
GROUP LIMITED



ANZ COVERED BONDS

COVER POOL SUMMARY COMPOSITION AND QUALIFYING CRITERIA

WEIGHTED AVERAGE LVR

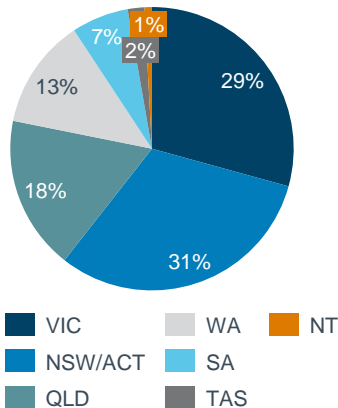


* Distribution of Original LVRs may change due to changes made to reporting systems as per APRA's EFS definitions.

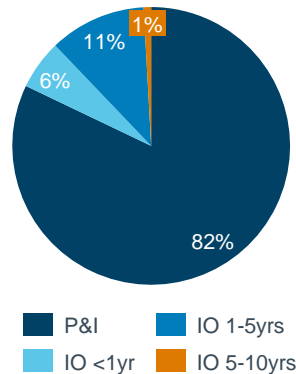
PORTFOLIO SUMMARY AT 22 AUGUST 2018

Covered Bond Pool	\$19.5bn
Covered Bonds on issue	\$13.9bn
Average loan size	\$321,894
Weighted Ave Current LVR	64.38%
Weighted Ave Indexed LVR	58.30%
Min Required AP% / OC%	90.5% / 10.5%
Owner-Occupied / Investment ¹	73% / 27%
Full-Doc loans	100%

GEOGRAPHIC SPREAD



AMORTISING VS INTEREST ONLY



QUALIFYING LOAN CRITERIA

- Due from a natural person resident of Australia
- Repayable in Australian Dollars
- Fully drawn
- Term does not exceed 30 years
- Current principal balance ≤ \$2,000,000
- Secured by a registered 1st mortgage
- Residential dwelling which is not under construction (excluding permitted renovations)
- The loan is not > 30 days in arrears
- The sale of the loan does not contravene or conflict with any applicable law
- The Borrower has made at least one interest payment on the loan

1. AMORTISING VS INTEREST ONLY

COVERED BONDS – COLLATERAL CHANGE (SINCE SEPTEMBER 2017)

COVER POOL SUMMARY

Portfolio Summary	22-Sep-2017	22-Dec-2017	22-Mar-2018	22-Jun-2018
Cover Pool	\$19.5bn	\$19.5bn	\$19.5bn	\$19.5bn
Covered Bonds on issue	\$13.9bn	\$13.9bn	\$13.9bn	\$13.9bn
Average loan size	\$325,695	\$322,231	\$320,747	\$321,239
Weighted Ave Current LVR	65.53%	65.07%	64.84%	64.57%
Weighted Ave Indexed LVR	58.17%	57.31%	57.54%	58.23%
Weighted Ave Seasoning	36.86 months	37.33 months	38.21 months	39.30 months
Min Required AP% / OC%	90.5% / 10.5%	90.5% / 10.5%	90.5% / 10.5%	90.5% / 10.5%
Owner-Occupied / Investment	72% / 28%	72% / 28%	73% / 27%	73% / 27%
P&I Loans vs IO Loans	76% / 24%	78% / 22%	80% / 20%	81% / 19%
Variable Rate Loans vs Fixed Rate loans	86% / 14%	86% / 14%	86% / 14%	86% / 14%
Full-Doc loans	100%	100%	100%	100%

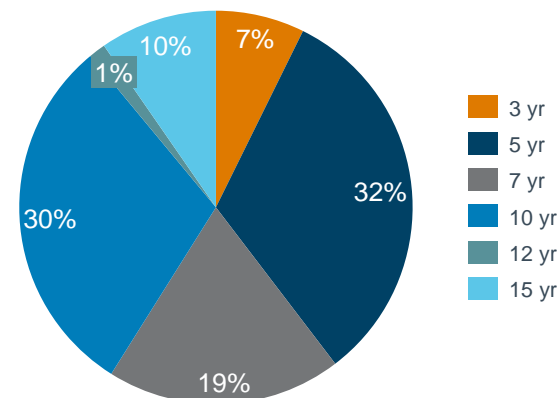
- Slight increase in P&I loans due to IO Periods Expiry Dates and conversions to P&I loans;
- No material change in the composition of the cover pool over the past 12 months;
- There may be a re-classification of certain data points due to APRA's EFS definitions and alignment of data within ANZ's systems. Subject to industry consensus on common reporting;
- Asset percentage has been maintained at 90.5% over the past 12 months; AND
- Continued system enhancements implemented in ABS Suite which manages all secured funding collateral.

COVERED BONDS ON ISSUE AS AT 22 AUGUST 2018

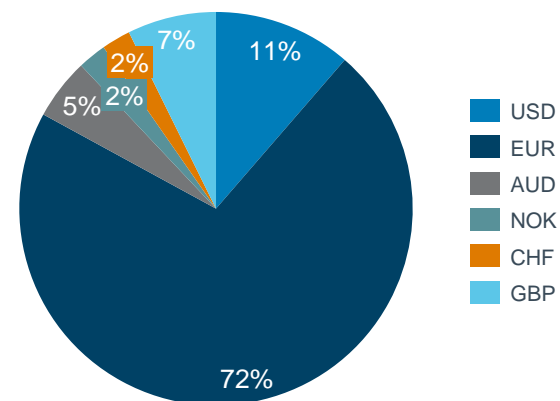
Covered Bonds	
Bonds Outstanding (A\$)	13.9bn
Cover Pool (A\$)	19.5bn
Program Ratings	Aaa / AAA
Number of Issues O/s	17
Number of Currencies	6
WA Term at Issue	8.20 years

Issuance Capacity	
Contractual AP%	90.5%
Min Required OC%	10.50%
8% of Total Australian Assets	~A\$45bn
Max Issuance Capacity	~A\$41bn
% Collateral Capacity Utilised	~43%
% Issuance Capacity Utilised	~34%

ANZ COVERED BONDS - ISSUANCE TENOR



ANZ COVERED BONDS – CURRENCY MIX





EUROPEAN COVERED BOND CONFERENCE 2018

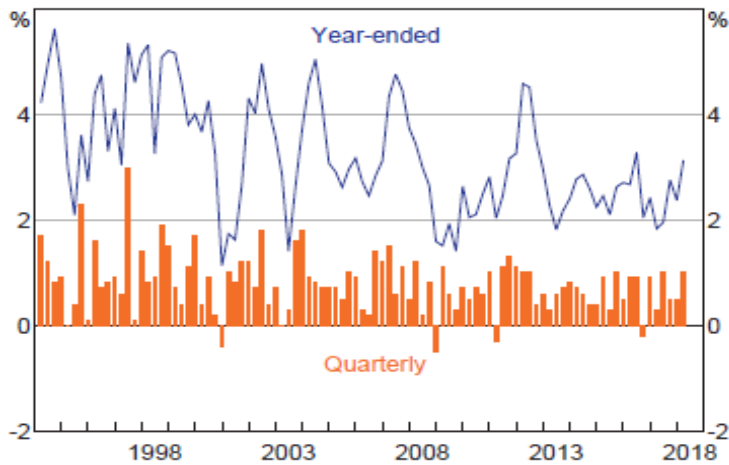
ECONOMICS

AUSTRALIA AND NEW ZEALAND BANKING
GROUP LIMITED



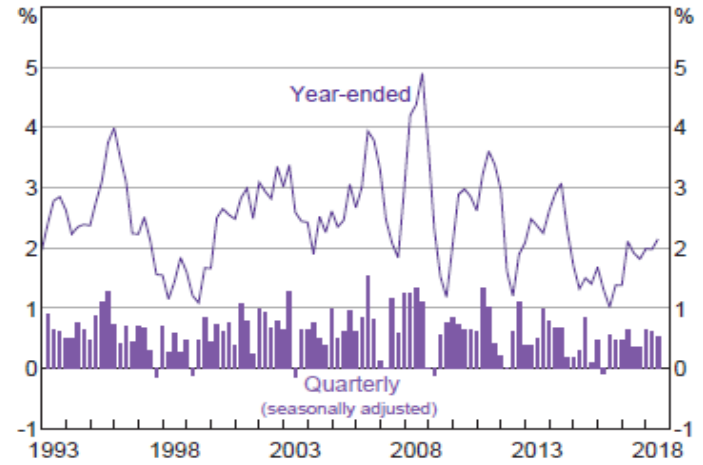
AUSTRALIAN ECONOMY

GDP GROWTH¹



Source: ABS

CONSUMER PRICE INFLATION*¹

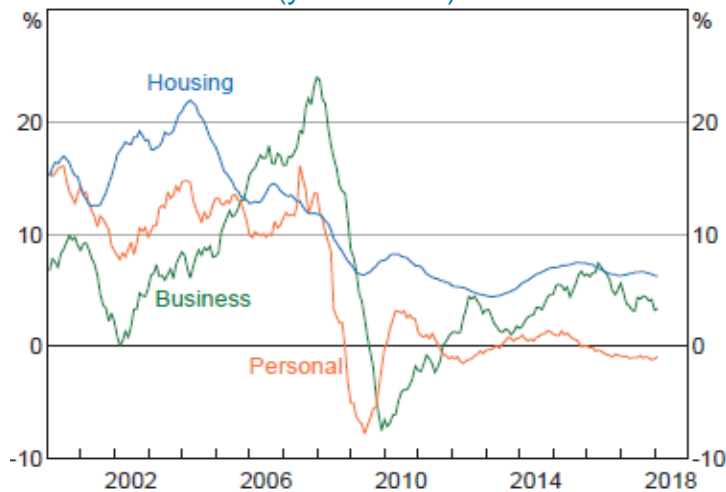


* Excluding interest charges prior to the September quarter 1998 and adjusted for the tax changes of 1999–2000

Sources: ABS; RBA

CREDIT GROWTH BY SECTOR¹

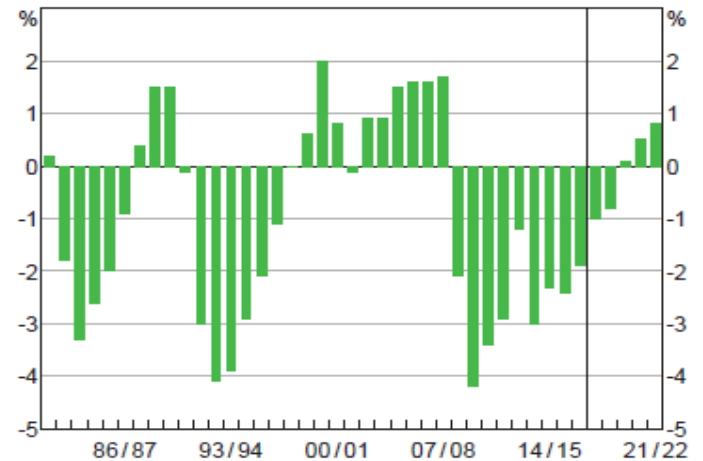
(year ended)



Sources: ABS; APRA; RBA

AUSTRALIAN GOVERNMENT BUDGET BALANCE*¹

Per cent of nominal GDP

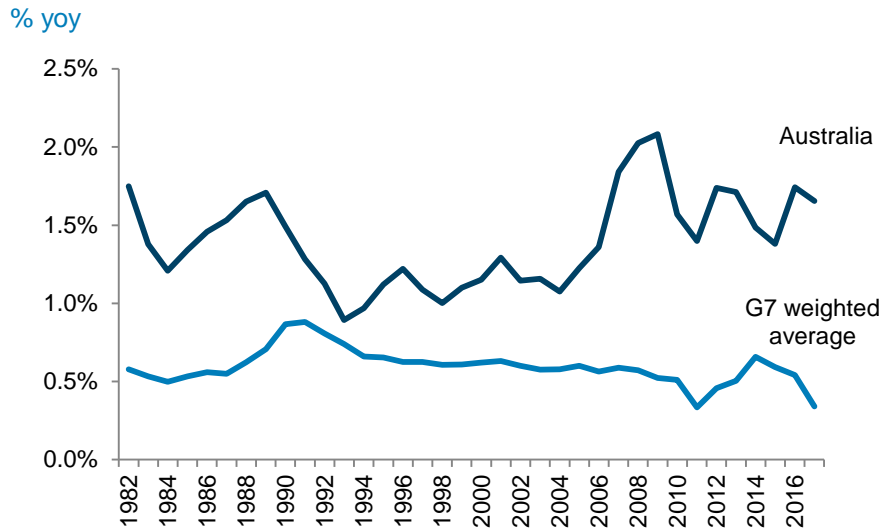


* Underlying cash balance; 2018/19 Budget

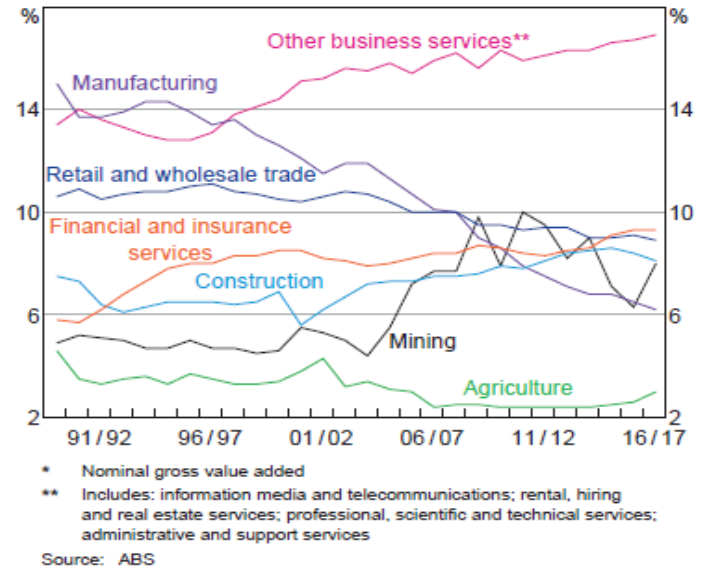
Source: Australian Treasury

AUSTRALIAN ECONOMY AND POPULATION

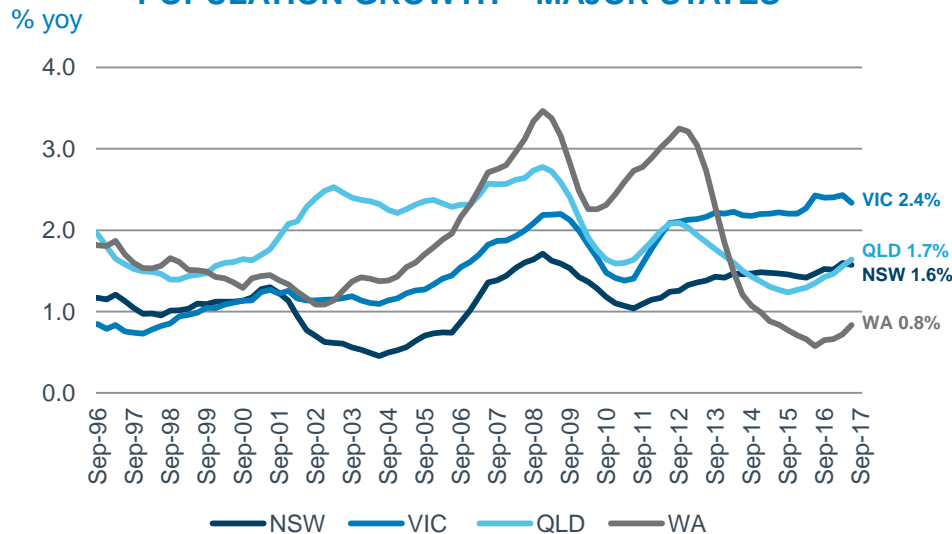
POPULATION GROWTH¹ – AUSTRALIA AND G7



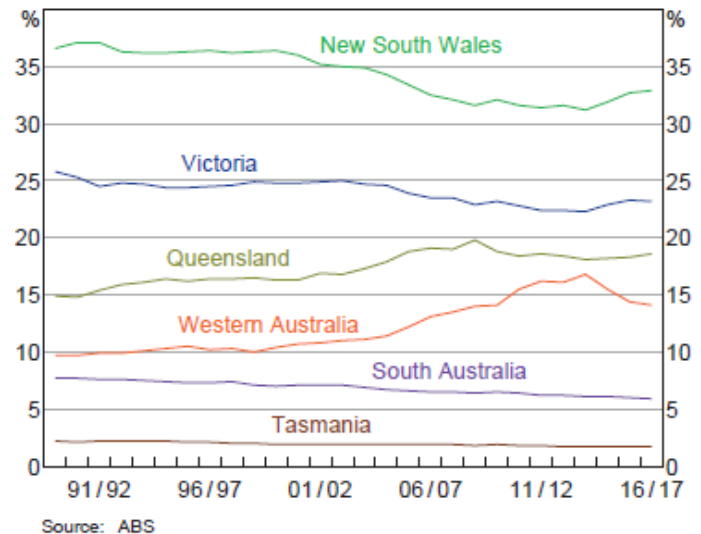
INDUSTRY SHARE OF OUTPUT²



POPULATION GROWTH – MAJOR STATES³

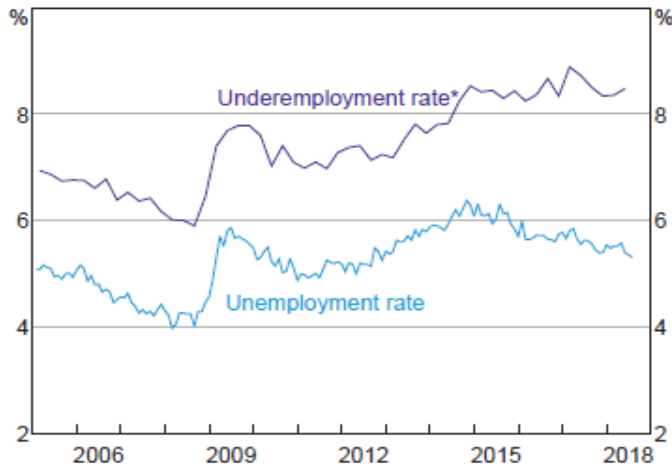


STATE SHARE OF OUTPUT²



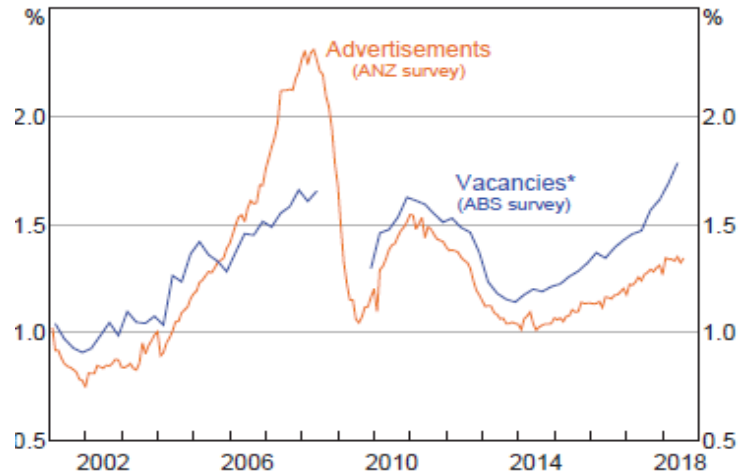
AUSTRALIAN LABOUR MARKET

UNEMPLOYMENT AND UNDEREMPLOYMENT¹



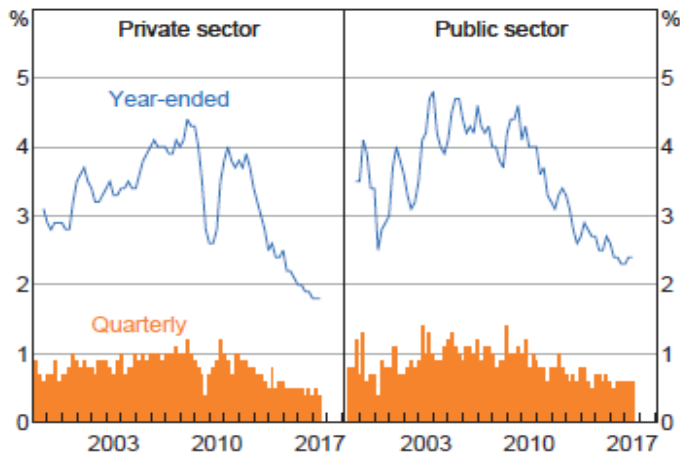
* Full-time workers on reduced hours for economic reasons and part-time workers who would like, and are available, to work more hours
Source: ABS

JOB VACANCIES AND ADVERTISEMENTS



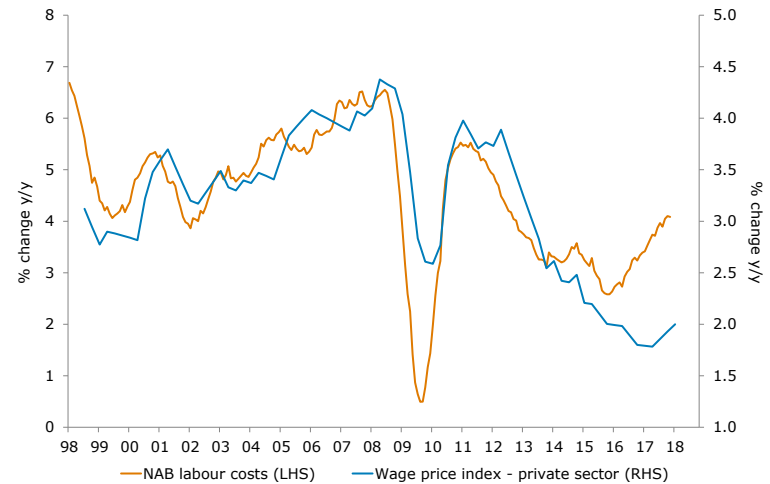
* This survey was suspended between May 2008 and November 2009
Sources: ABS; ANZ

WAGE PRICE INDEX GROWTH¹



Source: ABS

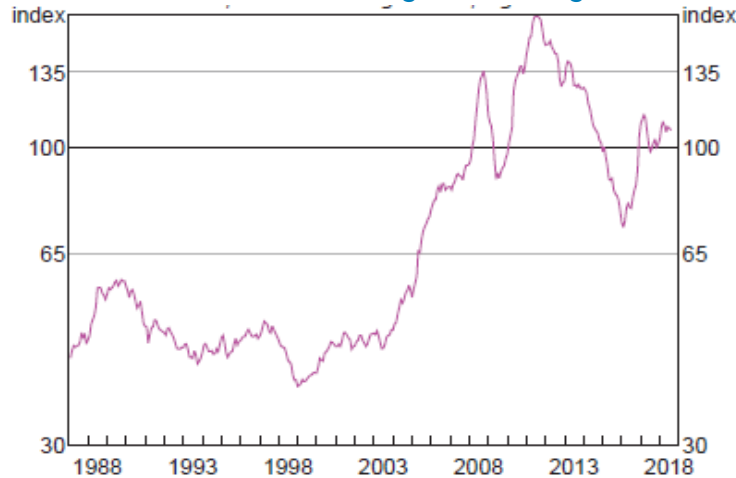
LABOUR COSTS AND INFLATION³



— NAB labour costs (LHS) — Wage price index - private sector (RHS)

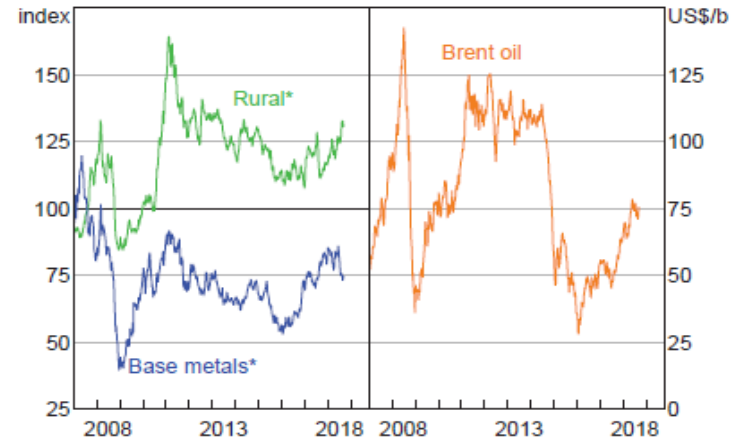
COMMODITY PRICES¹

RBA INDEX OF COMMODITY PRICES
SDR, 2016/17 Average = 100, log scale



Source: RBA

BASE METALS, RURAL, AND OIL PRICES
Weekly

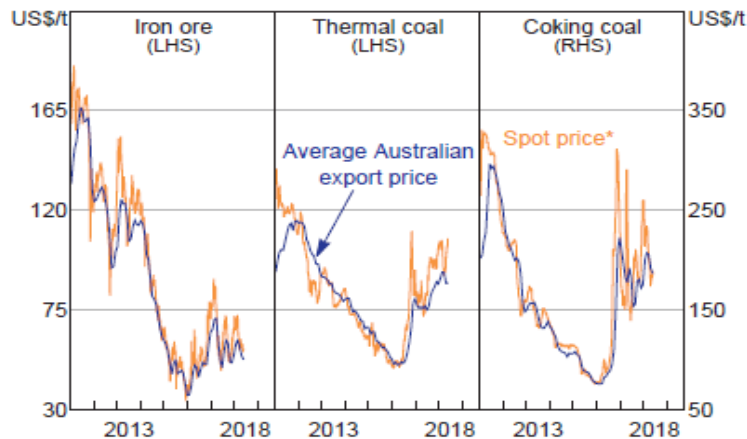


* RBA Index of Commodity Prices sub-indices; SDR terms; 2007 average = 100

Sources: Bloomberg; RBA

BULK COMMODITY PRICES

Free on board basis

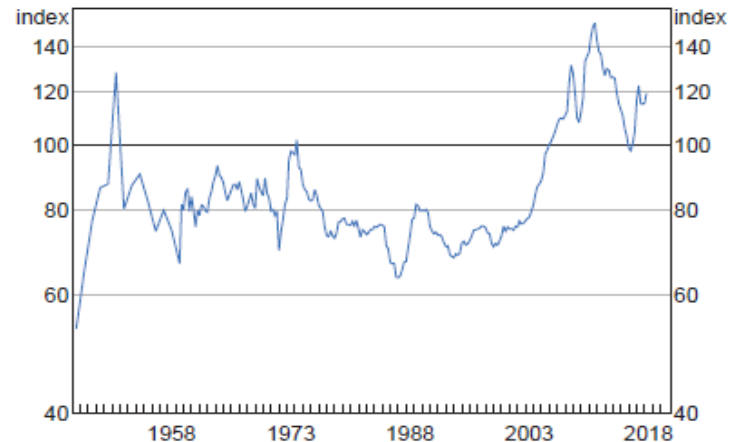


* Iron ore fines; Newcastle thermal coal and premium hard coking coal

Sources: ABS; Bloomberg; IHS; RBA

TERMS OF TRADE*

2015/16 average = 100, log scale

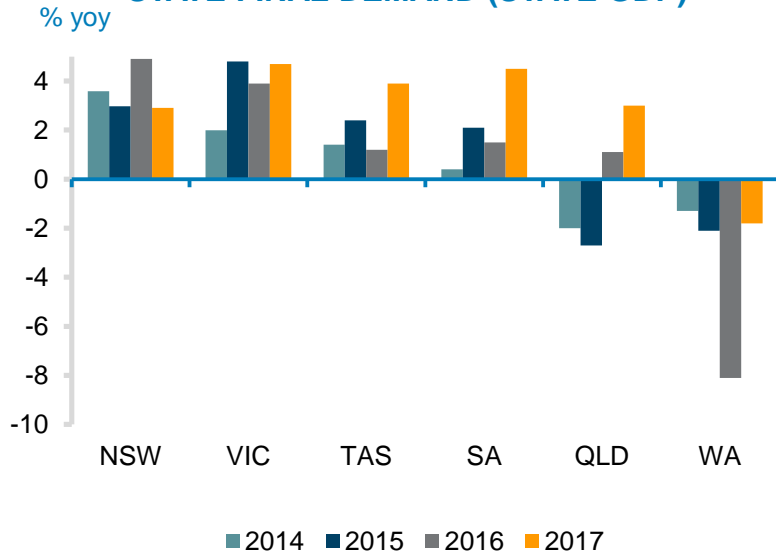


* Annual data are used prior to 1960

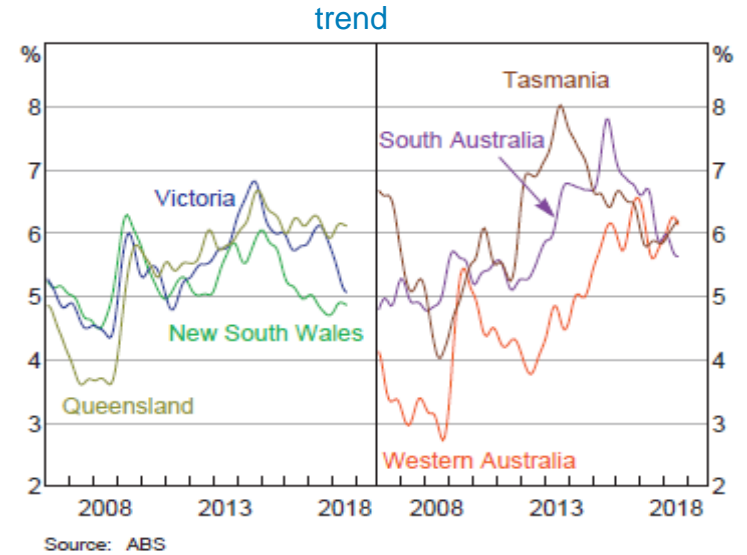
Sources: ABS; RBA

AUSTRALIAN ECONOMY – STATE BY STATE

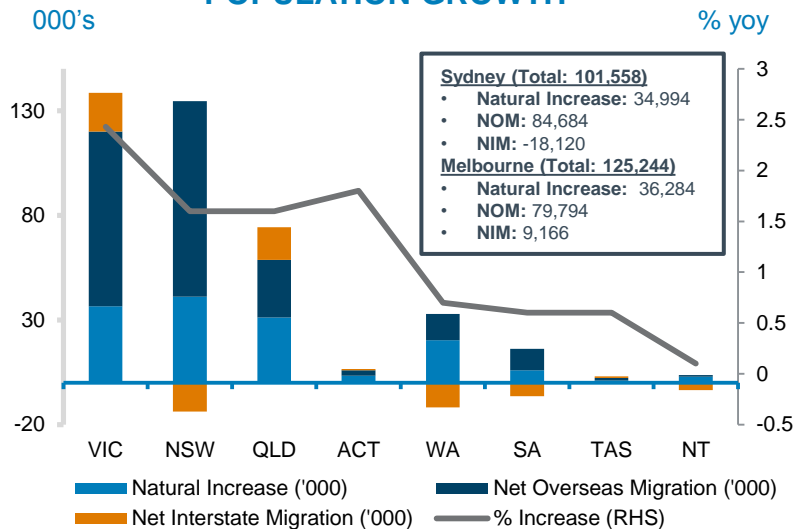
STATE FINAL DEMAND (STATE GDP)¹



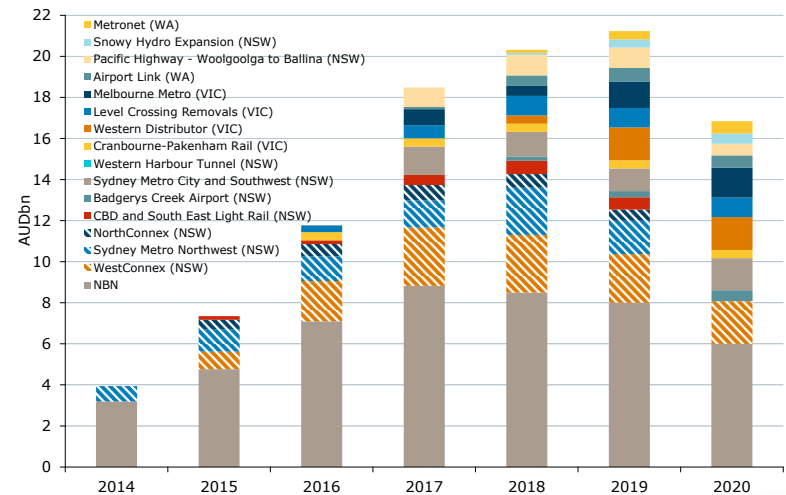
STATE UNEMPLOYMENT²



POPULATION GROWTH¹

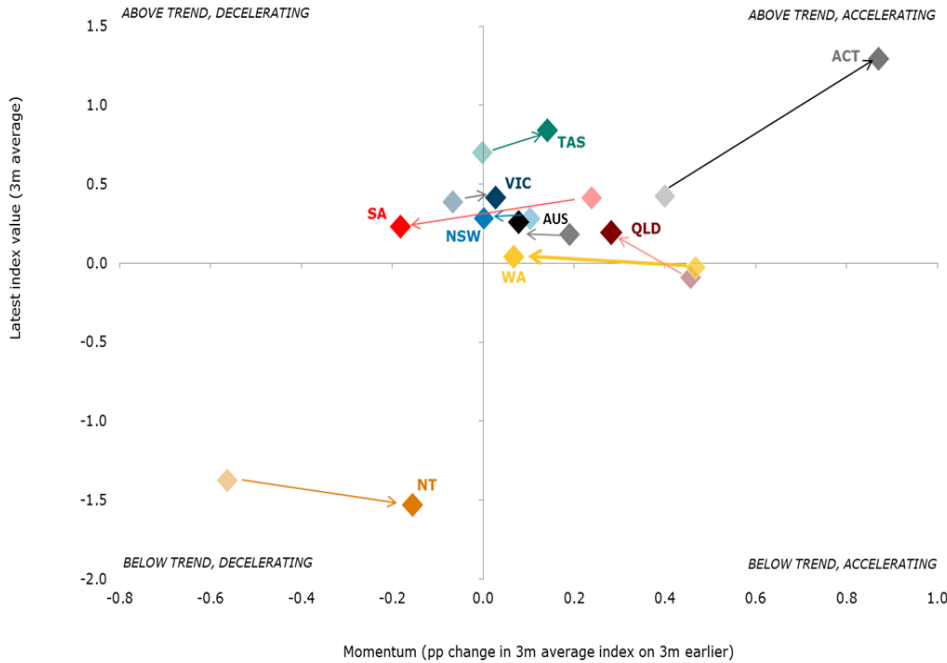


MAJOR INFRASTRUCTURE PROJECTS³



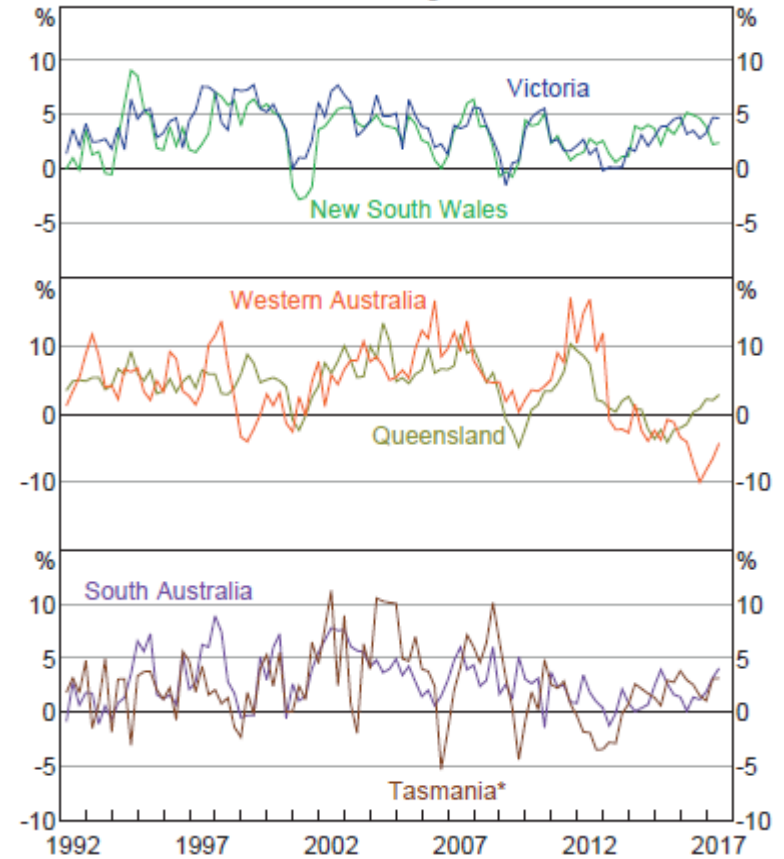
AUSTRALIAN ECONOMY – STATE BY STATE

ANZ STATEOMETER¹



STATE FINAL DEMAND²

Year-ended growth

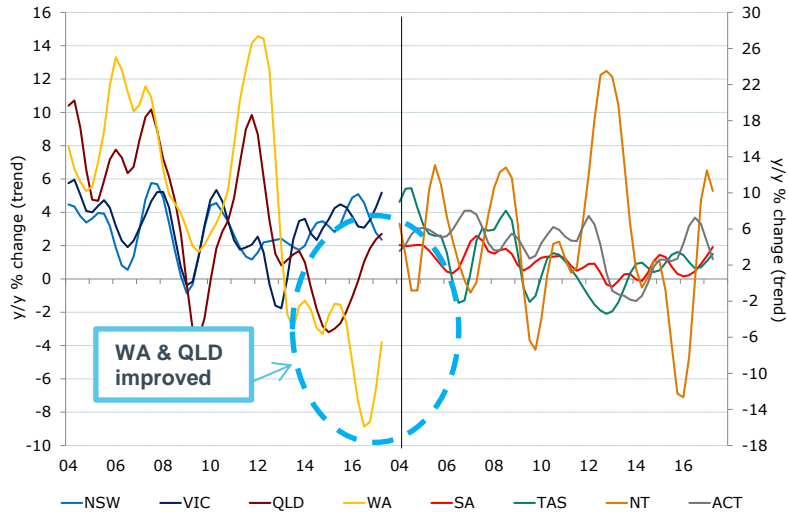


* Adjusted for the purchase and sale of ferries in 2002

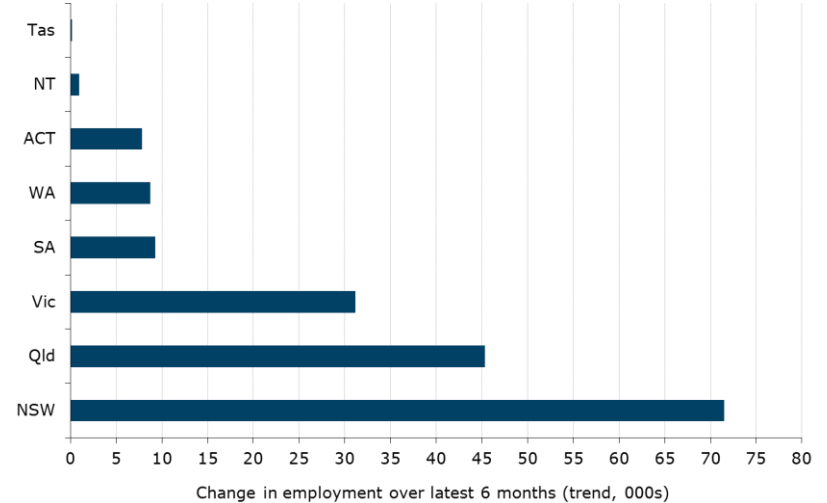
Source: ABS

AUSTRALIAN ECONOMY – WA AND QLD

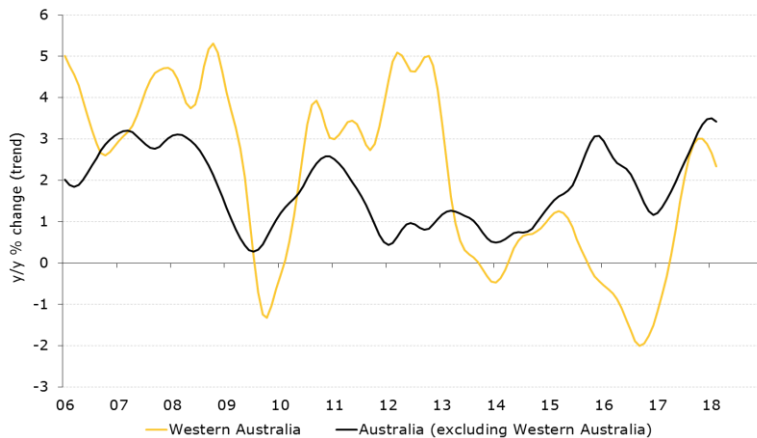
WA AND QLD GDP HAS IMPROVED¹



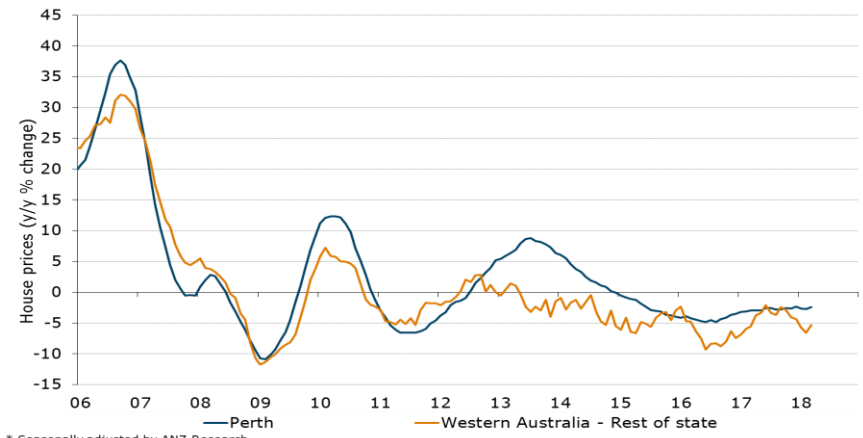
6 MONTHS OF JOB GROWTH IN WA AND QLD¹



WA EMPLOYMENT¹



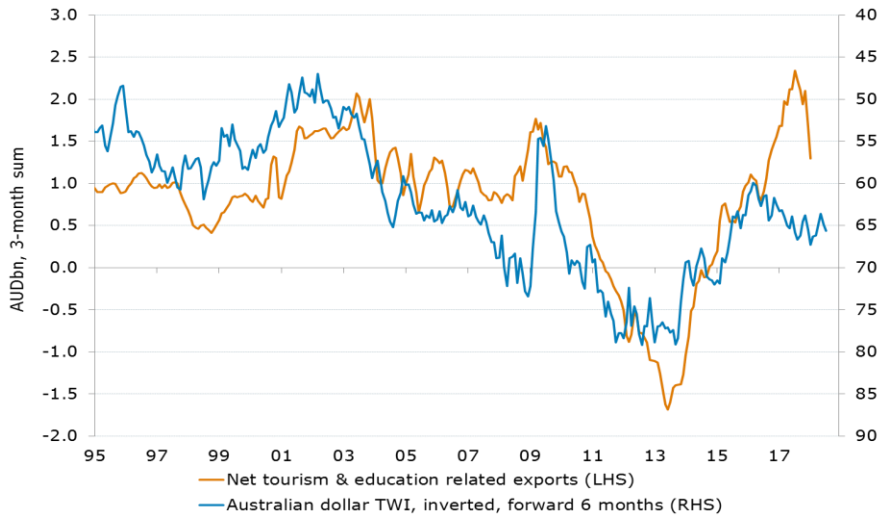
WA HOUSE PRICES¹



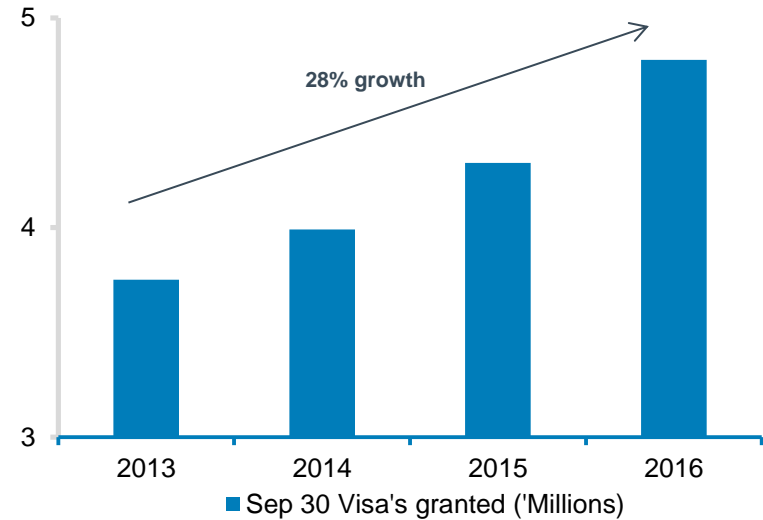
¹ Seasonally adjusted by ANZ Research

AUSTRALIAN ECONOMY – SERVICE EXPORTS

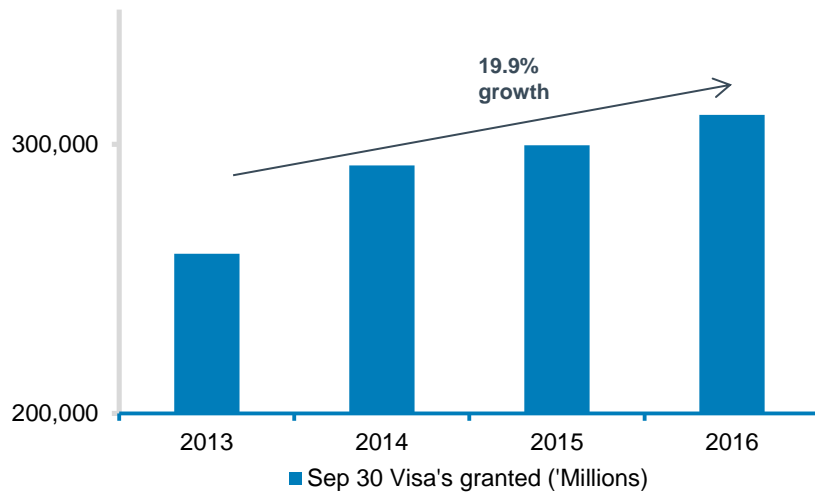
SERVICE EXPORTS AND AUD¹



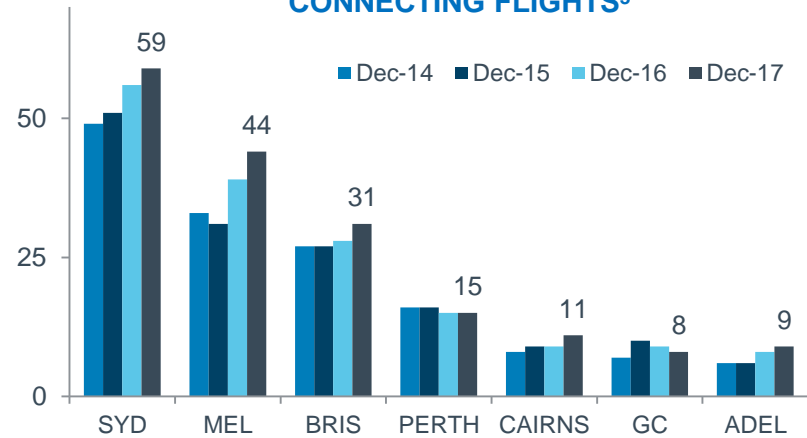
INTERNATIONAL TOURIST VISA'S GRANTED²



INTERNATIONAL STUDENT VISAS²

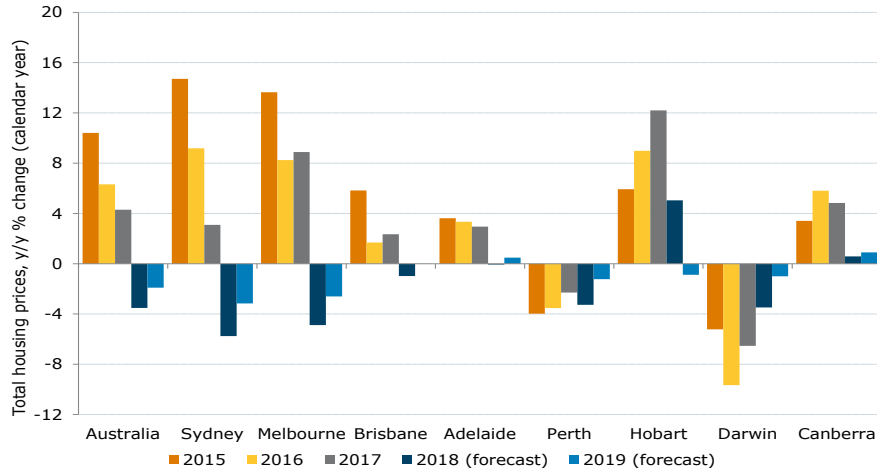


NUMBER OF INTERNATIONAL CITIES WITH CONNECTING FLIGHTS³



AUSTRALIAN HOUSING DYNAMICS

HOUSING PRICE FORECASTS BY STATE

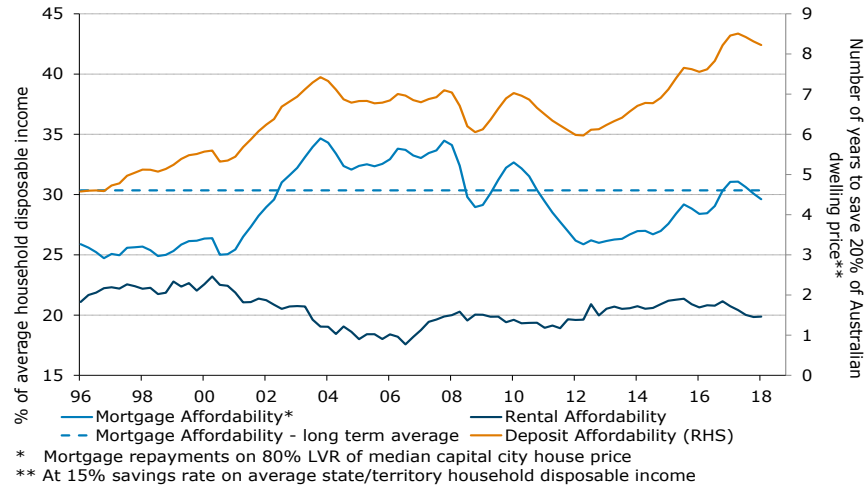


* Capital city weighted average

HOUSE PRICE GROWTH¹

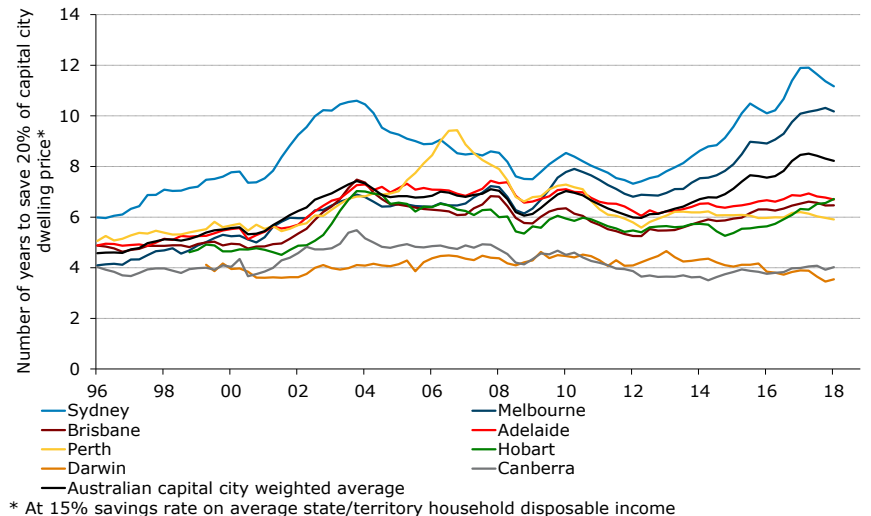
March 2018	All dwellings	Houses	Units
City	yoy %	yoy %	yoy %
Sydney	-5.6	-7.1	-2.2
Melbourne	-1.7	-2.7	1.5
Brisbane	0.9	0.9	0.9
Adelaide	1.0	1.0	0.9
Perth	-2.0	-1.5	-4.3
Darwin	-4	0.7	-13.1
Canberra	2.3	3.4	-1.1
Hobart	10.8	11.4	7.7

OVERALL AFFORDABILITY²



* Mortgage repayments on 80% LVR of median capital city house price
 ** At 15% savings rate on average state/territory household disposable income

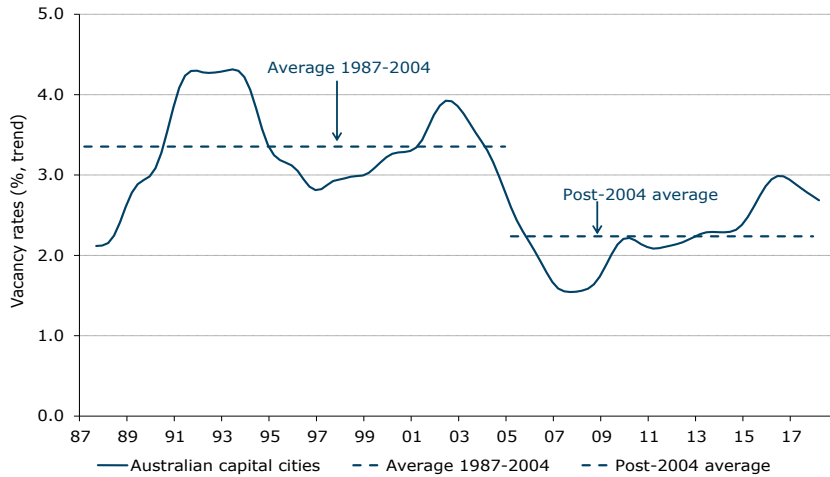
DEPOSIT AFFORDABILITY²



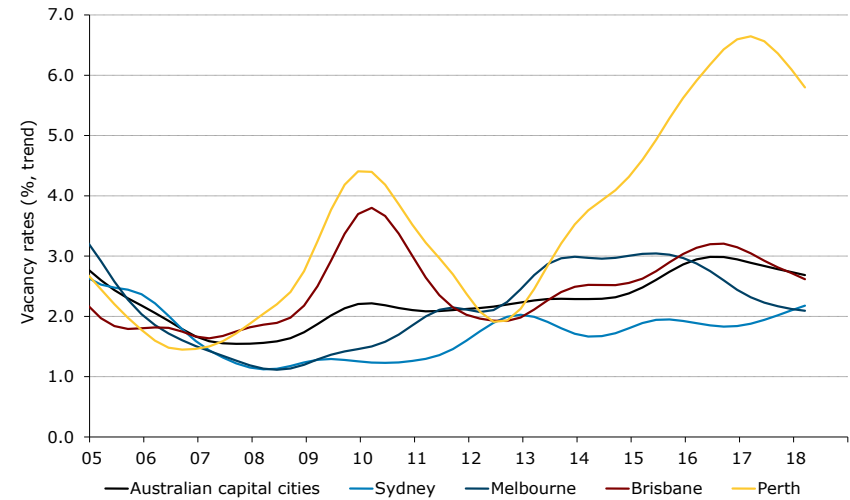
* At 15% savings rate on average state/territory household disposable income

AUSTRALIAN HOUSING DYNAMICS

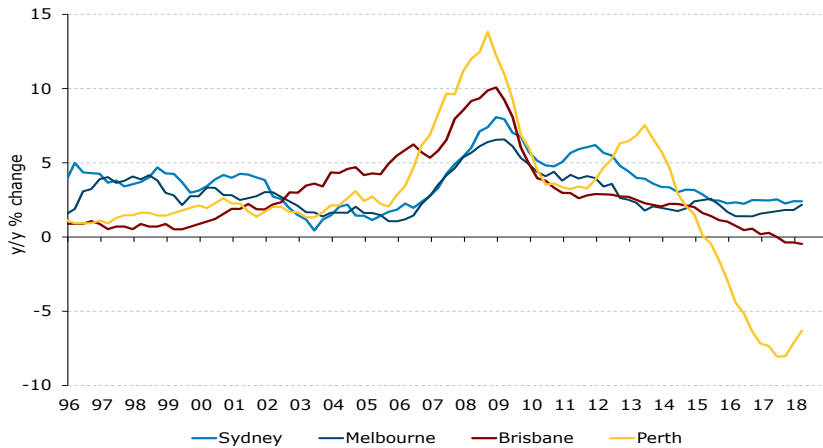
VACANCY RATES



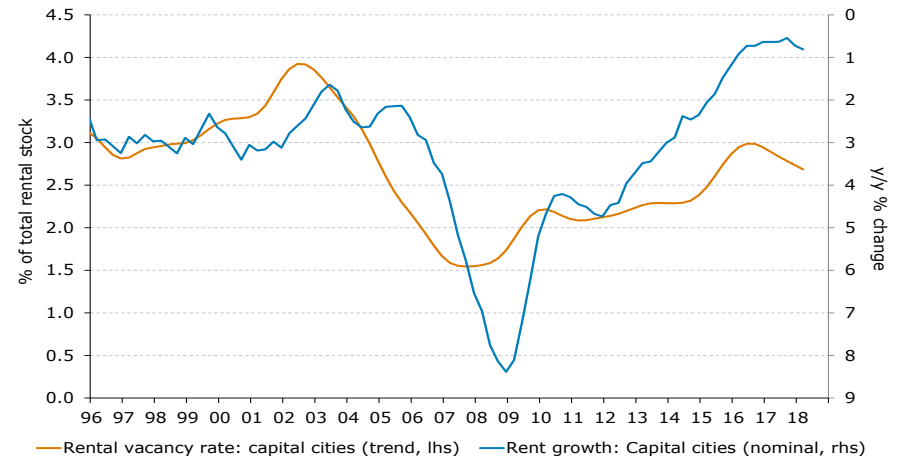
VACANCY RATES BY STATE



RENTS

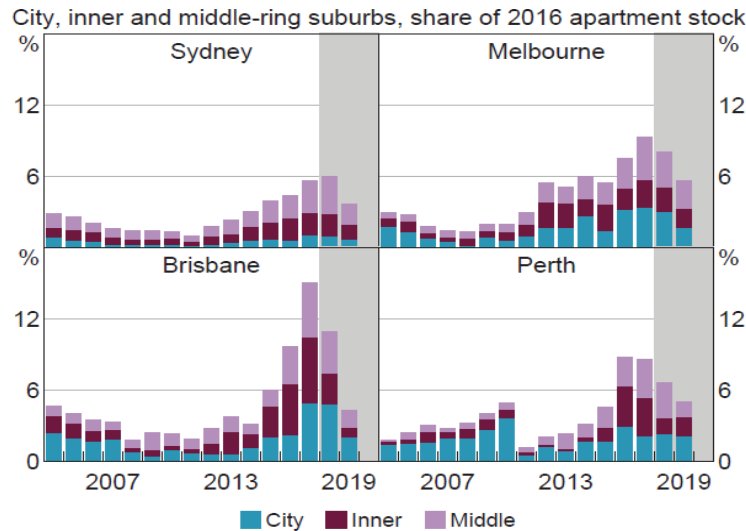


RENTS & VACANCY RATES



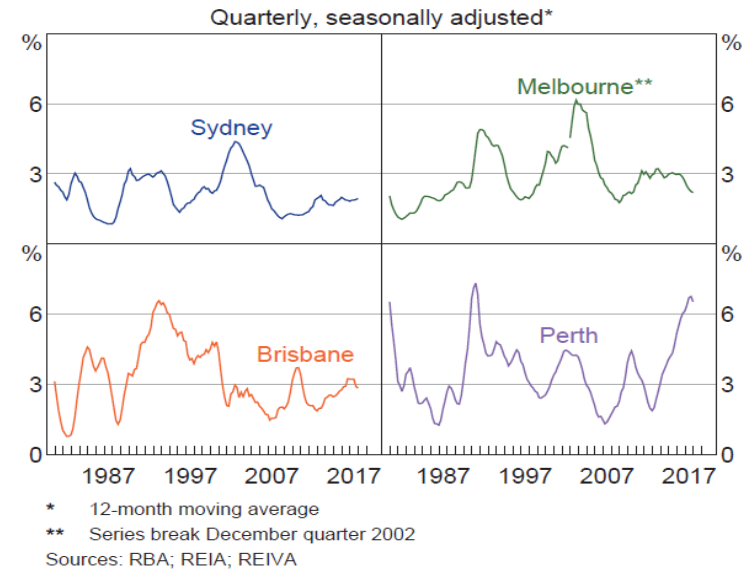
AUSTRALIAN HOUSING DYNAMICS

ESTIMATED APARTMENT COMPLETIONS¹

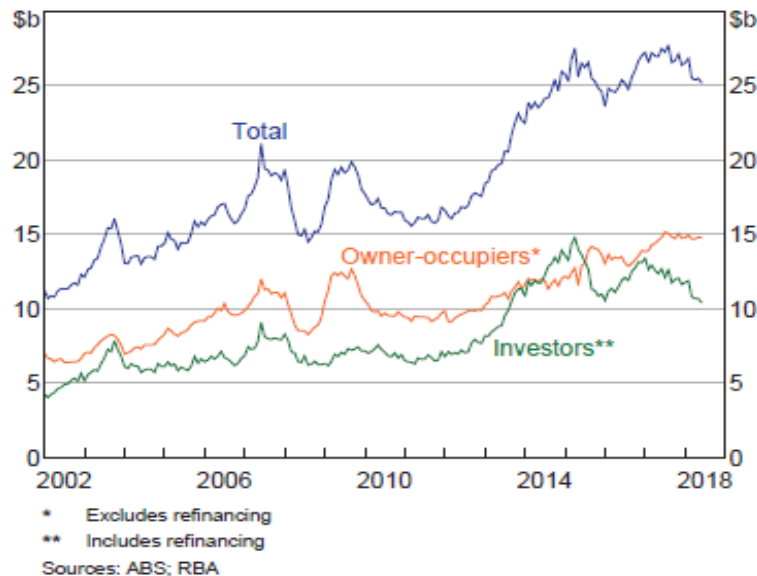


Sources: ABS; RBA

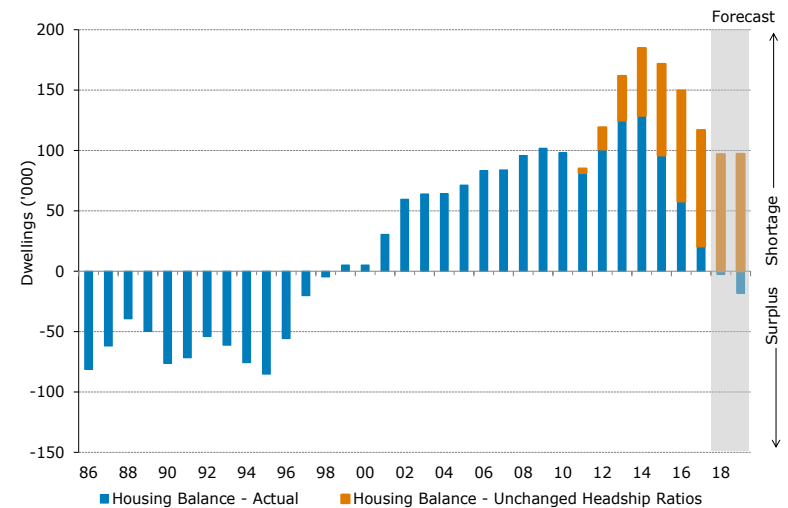
RENTAL VACANCY RATES¹



HOUSING LOAN APPROVALS²

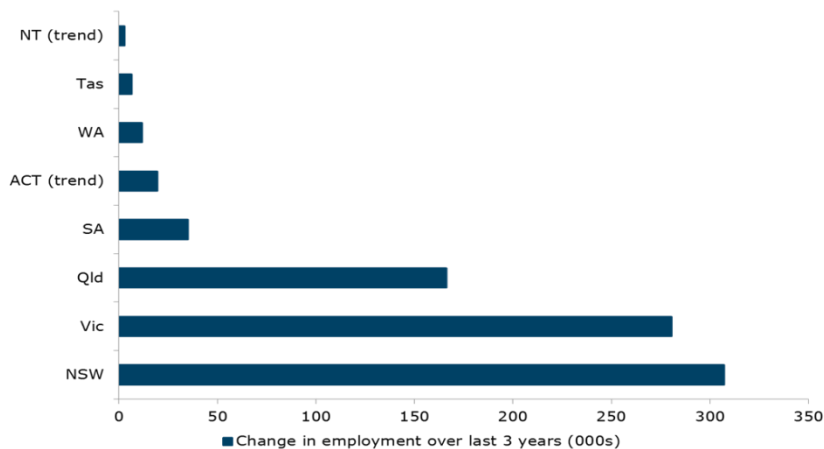


HOUSING BALANCE³

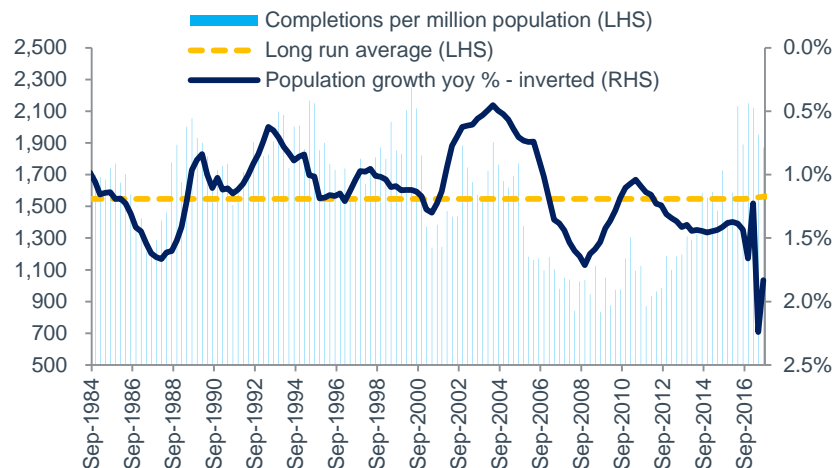


DYNAMICS SUPPORTING NSW & VIC HOUSING

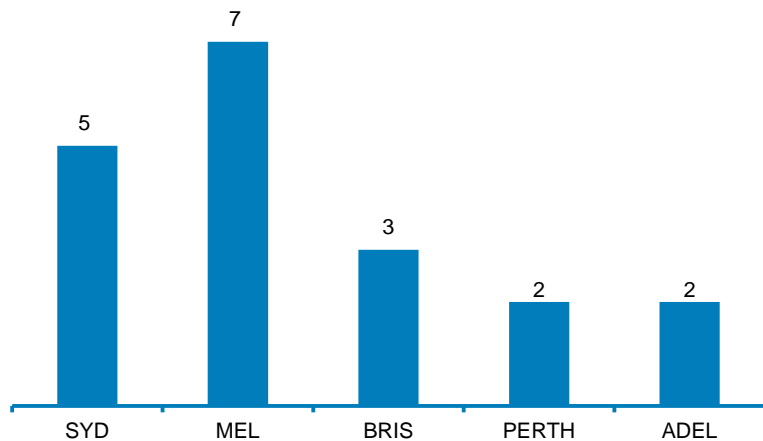
CHANGE IN EMPLOYMENT BY STATE²
Past 3 years



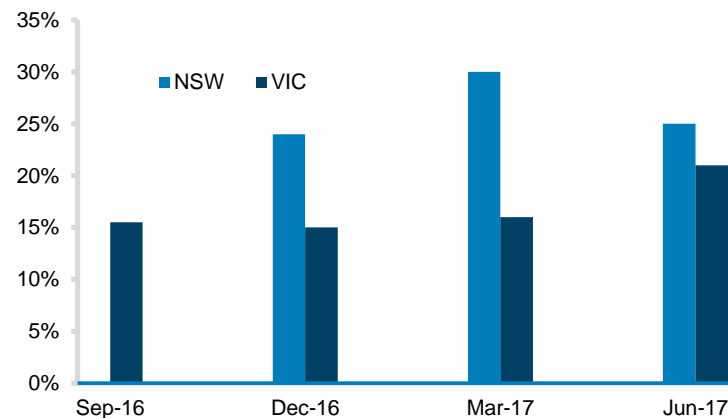
NSW – Dwelling completions per million population²
quarterly



UNIVERSITIES IN THE 2017 SHANGHAI 500 RANKING¹

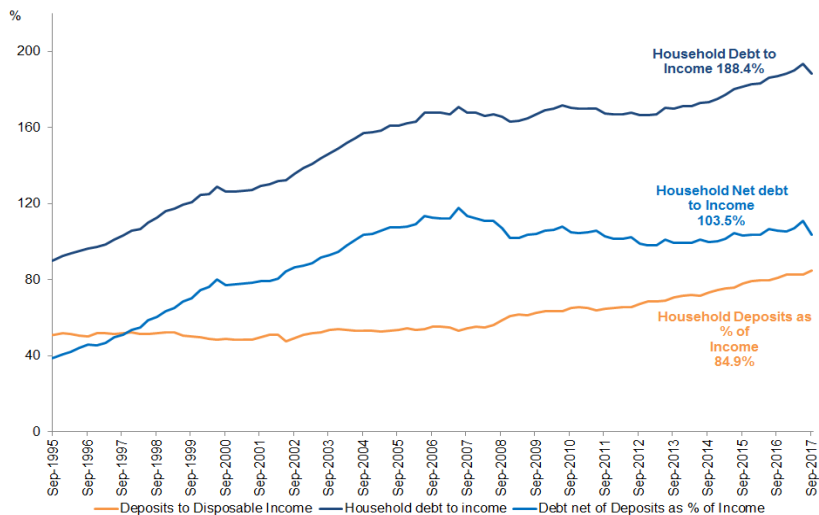


FOREIGN PURCHASES OF NEWLY CONSTRUCTED RESIDENTIAL APARTMENTS³

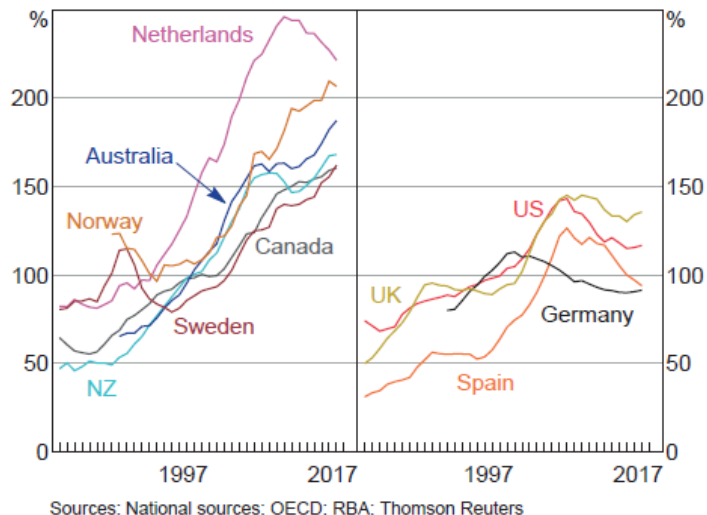


AUSTRALIAN HOUSING HOUSEHOLD DEBT AND INCOME

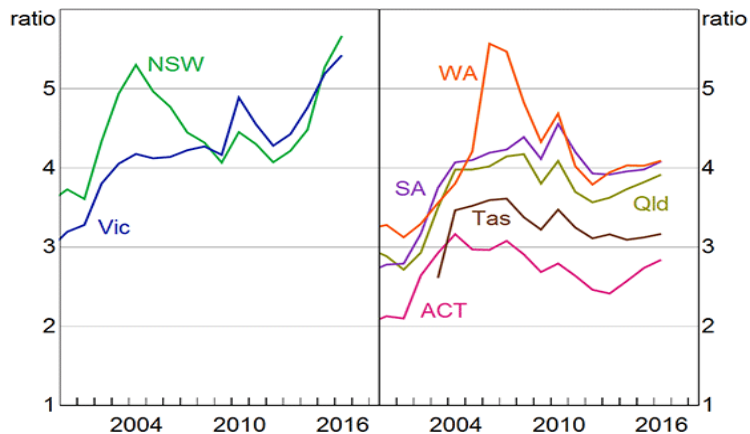
Household Debt and Deposits¹ % of annual household disposable income



Household Debt-to-income Ratios²

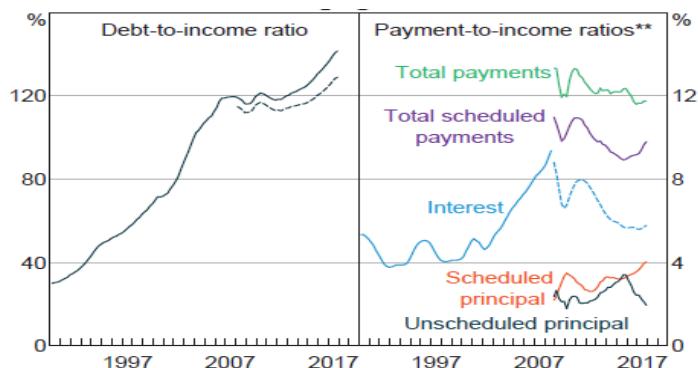


Housing Price-to-income Ratio*²



* Annual household disposable income, after tax, before the deduction of interest payments and including income of unincorporated enterprises; financial years

Household Mortgage Debt Indicators²



* Excludes non-housing debt; debt-to-income line nets out amounts in redraw facilities; dotted lines are calculations based on debt balances which also exclude offset accounts; income is household disposable income before housing interest costs

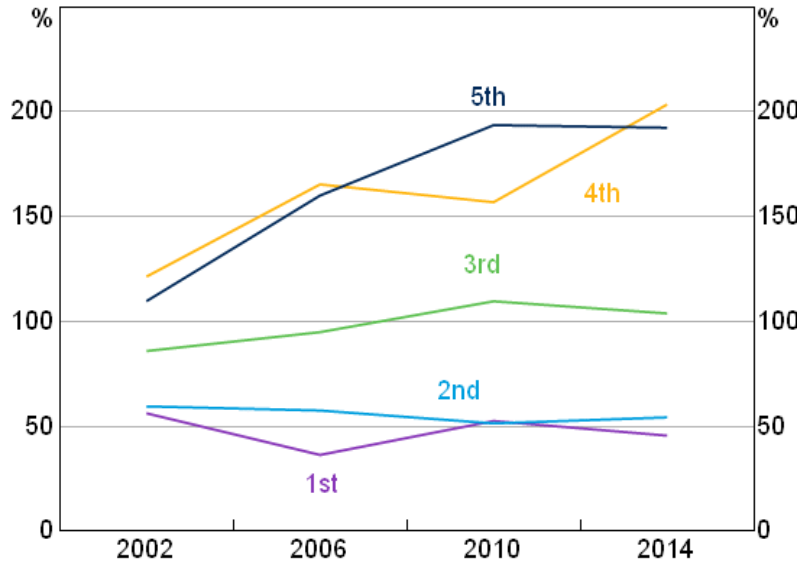
** Rolling four-quarter average; unscheduled principal is the change in aggregate mortgage prepayments

Sources: ABS; APRA; RBA

AUSTRALIAN HOUSING

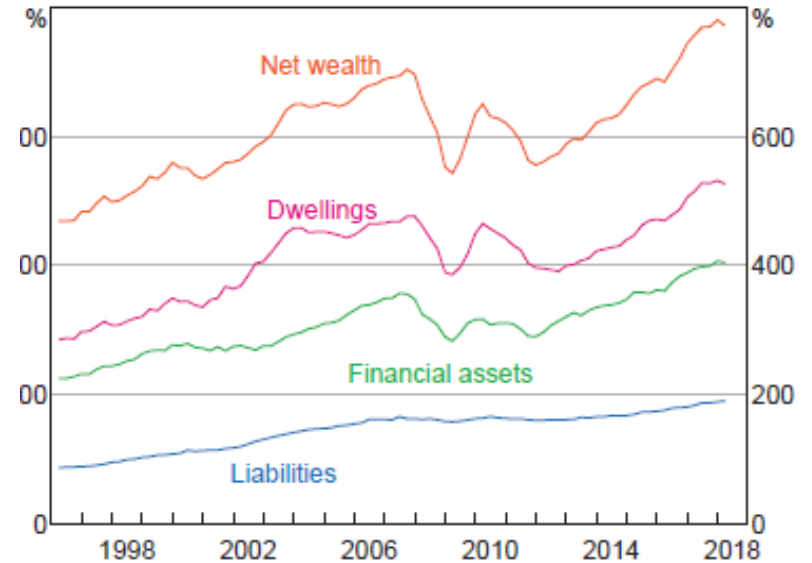
HOUSEHOLD DEBT AND INCOME

Household Debt-to-income¹
Income quintile, median*



* For households that owe debt
Sources: HILDA Release 15.0; RBA

Household Wealth and Liabilities²
% of annual household disposable income

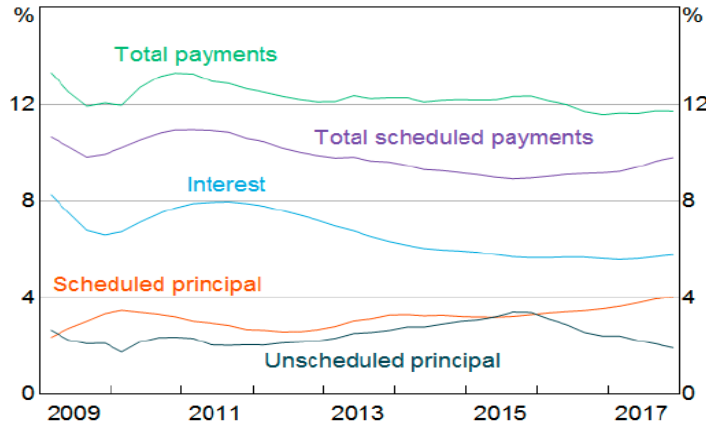


* Household disposable income is after tax, before the deduction of interest payments, and includes income of unincorporated enterprises
Sources: ABS; RBA

AUSTRALIAN HOUSING INTEREST ONLY LENDING

Components of Household Mortgage Payments¹

Share of household disposable income*

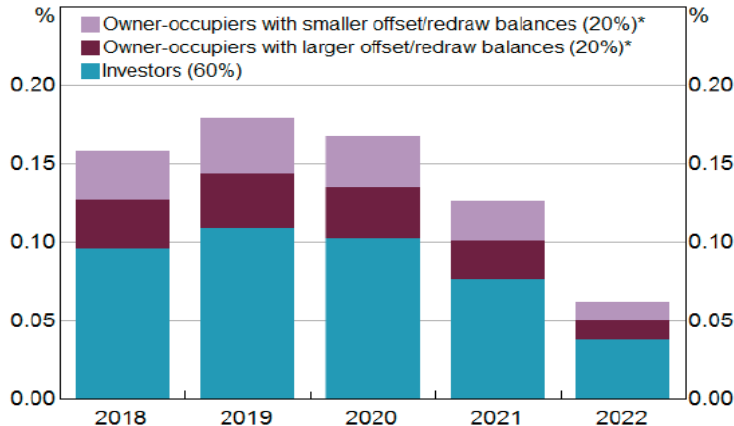


* Income is before housing interest costs; rolling four-quarter average; unscheduled principal is the change in the stock of accumulated redraw and offset accounts

Sources: ABS; APRA; RBA

Additional Mortgage Payments¹

Share of household disposable income



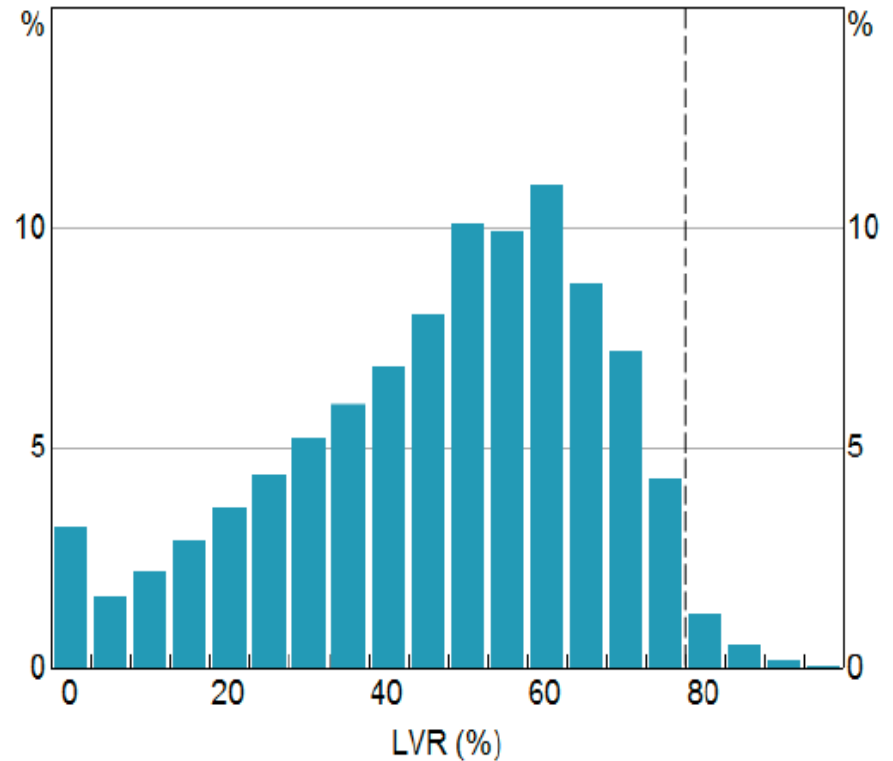
* 'Smaller' balances defined as less than 6 months' scheduled payments as buffer; 'larger' as above 6 months' buffer

Sources: RBA; Securitisation System

Sources: 1. RBA Speech: "The Limits of Interest-Only Lending", April 2018

Indexed Loan-to-Valuation Ratio¹

Share of outstanding interest only securitised mortgages; Dec 2017*

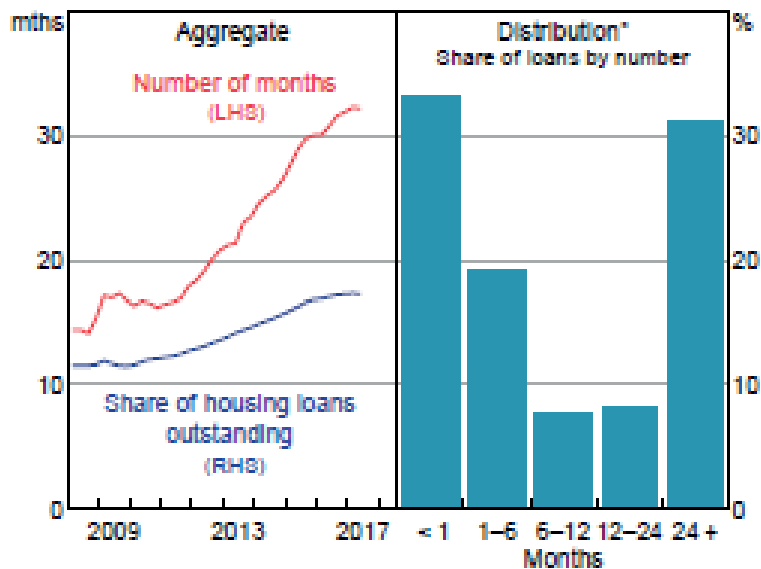


* Property value indexed by ABS HPI; consolidated basis

Sources: ABS; RBA; Securitisation System

MORTGAGE BUFFERS: OFFSET BALANCES

HOUSEHOLD MORTGAGE BUFFERS¹ Offset Balances

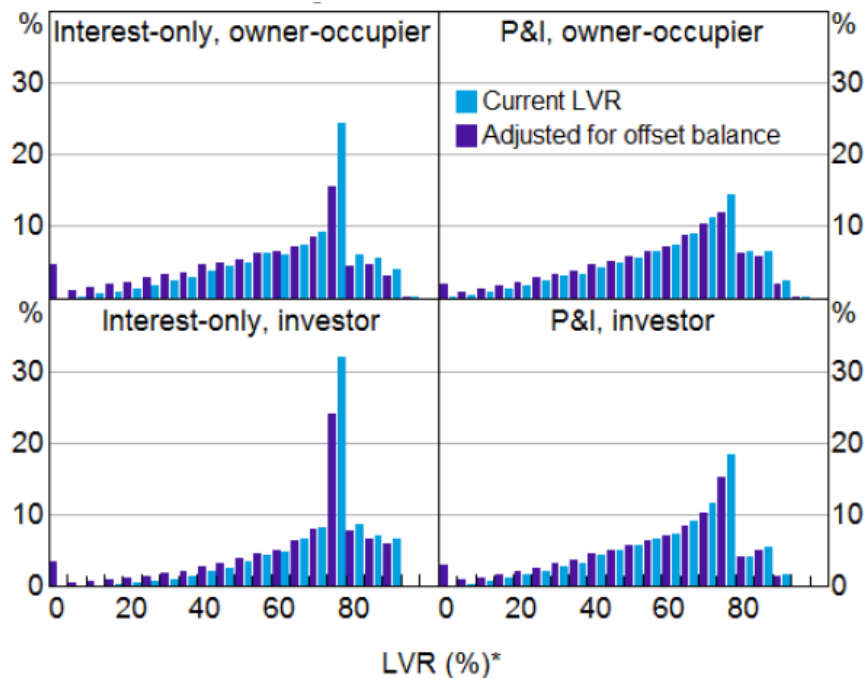


* As at June 2017

Sources: APRA; RBA; Securitisation System

- Aggregate buffers of 17% of outstanding mortgage balance or 2.5 years scheduled payments
- Of those with <1 month buffer, this includes
 - Investor mortgages who have tax incentives not to repay tax deductible debt early
 - Fixed rate mortgages

LOAN-TO-VALUATION RATIOS² Balanced-Weighted Share of Securitised Loans



* Each bar represents a 5 ppt range with the largest bars corresponding to an LVR of 75-80%

Sources: RBA; Securitisation System

FURTHER INFORMATION

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