

2020 THIRD QUARTER UPDATE

INVESTOR DISCUSSION PACK

19 AUGUST 2020

This document should be read in conjunction with ANZ Basel III Pillar 3 Disclosure as at June 2020 (APS 330: Public disclosure) and ANZ June 2020 Basel III Pillar 3 Chart Pack

Approved for distribution by ANZ's Continuous Disclosure Committee

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OVERVIEW

FINANCIAL INFORMATION AS AT 30 JUNE 2020

(ALL COMPARISONS TO 1H20 QUARTERLY AVG UNLESS OTHERWISE STATED)

3Q20 Profit

- Unaudited Statutory Profit \$1.3b. For Continuing Operations, unaudited Cash Profit excluding Large / Notable Items \$1.6b (including Large / Notable items \$1.5b)
- Operating expenses down 1% reflecting disciplined cost management for the environment, while also investing record levels this quarter
- Revenue increased, benefiting from a stronger markets performance (~60% higher in 3Q20), partly offset by lower margins and transaction volumes
- Net interest margin of 1.59% for 3Q20 (1.69% for 1H20). Key drivers included low interest rates (-6 bps impact net of repricing), higher liquids, competition and mix (e.g. higher fixed rate mortgages), partially offset by lower funding costs and deposit mix

Capital, Dividend and RWA

- Group CET1 ratio (APRA Level 2) 11.1%. Pro Forma Group CET1 ratio (APRA Level 2) 11.3%¹
- Following strong growth in March, Institutional Credit RWA (ex FX & risk migration) was down \$10b in 3Q20 (see page 3)
- Dividend of 25 cents per share fully franked declared for 1H20, no DRP discount
- Too early to update the 110bp base case capital impact from risk migration

Provision Charge and Credit Quality

- 3Q20 total provision charge \$500m. Individual provision charge \$264m, collective provision charge \$236m. Annualised 3Q20 loss rate 31 bps
- Group provision balance \$4.65b, collective provision coverage ratio 1.25%² (see page 4)
- Regrading wholesale exposures is well progressed, prioritising the segments and customers deemed more susceptible under the current crisis (regrading increased RWA by \$4b in 3Q20)

COVID-19 Assistance (at 31 July 2020)

- ~84,000 Australian Home Loan accounts (~\$31b of home loan balances) on COVID-19 loan repayment deferral (~9% of accounts, ~12% of home loan balances) (see page 8)
- ~22,000 Australian Commercial lending accounts (~\$10b EAD) on COVID-19 loan repayment deferral (see page 9)

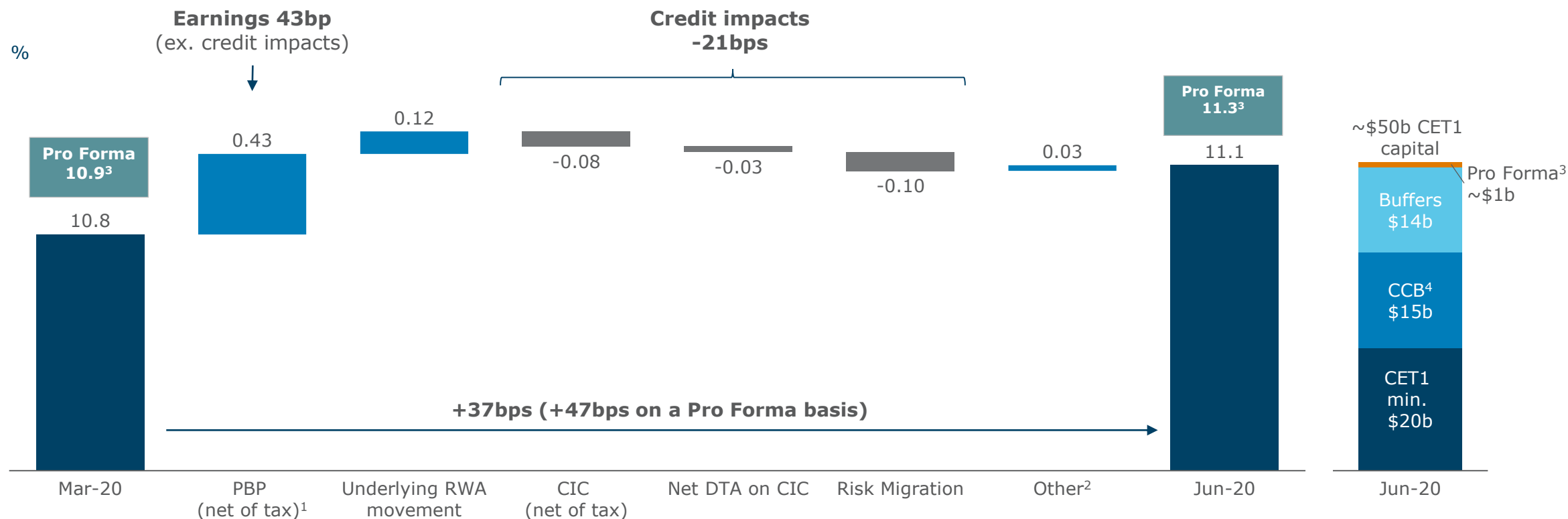
1. Including conversion of NZD500m Capital Note & announced sale of UDC

2. Collective Provision balance as a % of Credit Risk Weighted Assets

CAPITAL & DIVIDEND

APRA LEVEL 2 COMMON EQUITY TIER 1 RATIO (CET1)

1H20 DIVIDEND DECLARED	
Dividend per share (fully franked) (no discount on DRP)	25c
% of 1H20 statutory profit	46%
% of 1H20 statutory profit (adj. for Panin & AmBank impairments)	30%
4Q20 CET1 impact of 1H20 dividend	15bps



1. Excludes large / notable items & one-off items
2. Includes Capital Deductions (mainly comprises the movement in retained earnings in deconsolidated entities and capitalised software) & other impacts including net RWA imposts/efficiencies movements in non-cash earnings, net foreign currency translation and other
3. Including conversion of NZD500m Capital Note (Mar-20 & Jun-20) & announced sale of UDC (Jun-20)
4. Capital Conservation Buffer

CREDIT RISK WEIGHTED ASSETS MOVEMENT

Key credit RWA trends 3Q20

FX

- Reversal of 2Q20 FX impact, primarily driven by USD and NZD rate movements (no material capital impact)

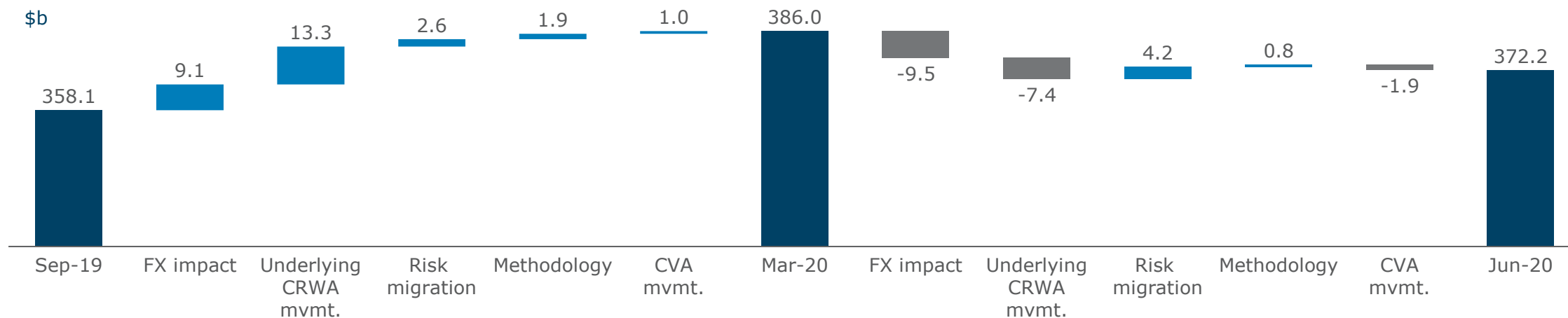
UNDERLYING CRWA MOVEMENT

- Following strong growth in March, Institutional's underlying CRWA declined by \$8b in the June quarter (excluding CVA), driven by lower risk intensity and lending volumes as customers adjusted their requirements to reflect the changing environment
- Australia Retail & Commercial up \$1.8b, including Mortgages up \$1.5b driven by new customer lending

RISK MIGRATION

- Regrading wholesale exposures is well progressed, prioritising the segments and customers deemed more susceptible under the current crisis (regrading increased RWA by \$4b in 3Q20)

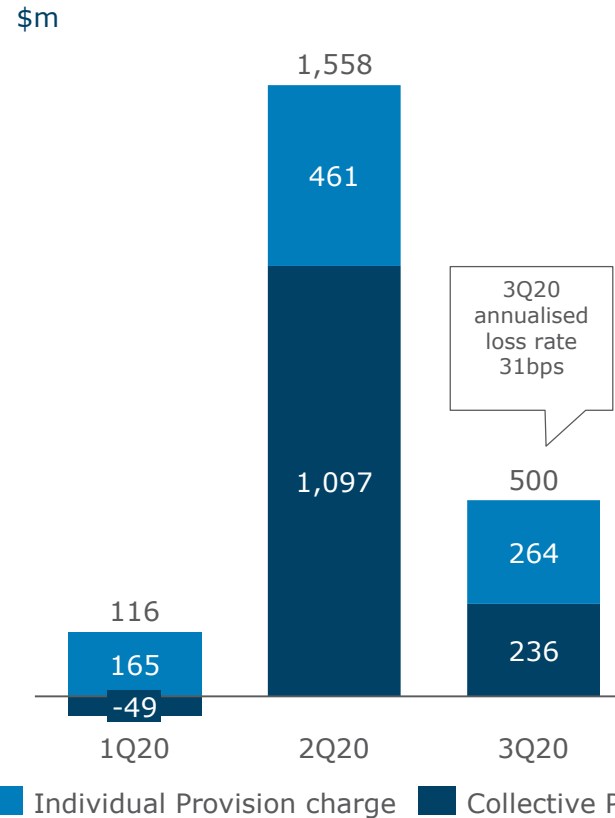
CRWA MOVEMENT – TOTAL GROUP



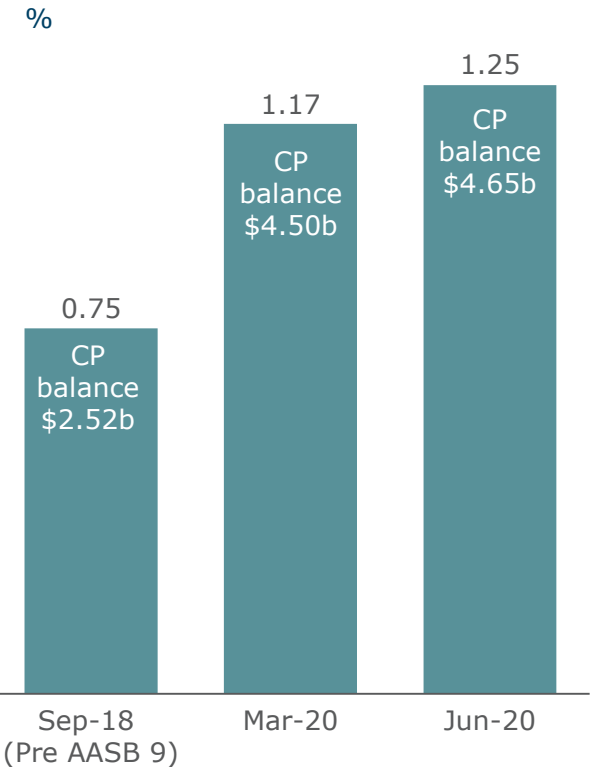
PROVISION CHARGE & COVERAGE

- 3Q20 Provision charge \$500m included:
 - \$264m Individual provision charge
 - \$236m Collective provision charge increasing total CP balance to \$4.65b as at 30 June 2020
- CP charge outcome for 3Q20 reflected:
 - the less adverse economic outlook as at 30 June 2020 relative to 31 March 2020, offset by;
 - additional downside risk and overlays reflecting ongoing COVID-19 uncertainties, including considerations around deferral packages and higher risk segments in the Commercial portfolios in Australia and New Zealand
 - the regrading of wholesale exposures, prioritising the segments and customers deemed more susceptible under the current crisis

PROVISION CHARGE



CP COVERAGE¹



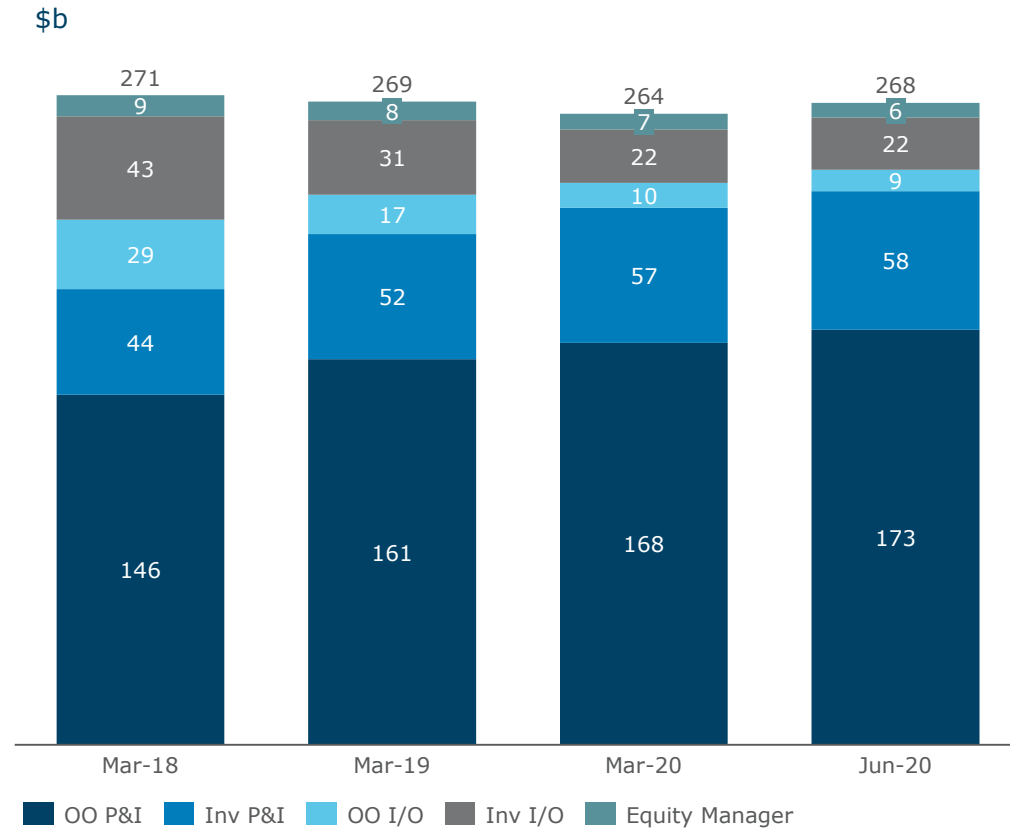
Long run provision charge, loss rates and coverage ratios are included in the 3Q20 Basel III Pillar 3 chart pack

1. Collective Provision Balance as a % of Credit RWA

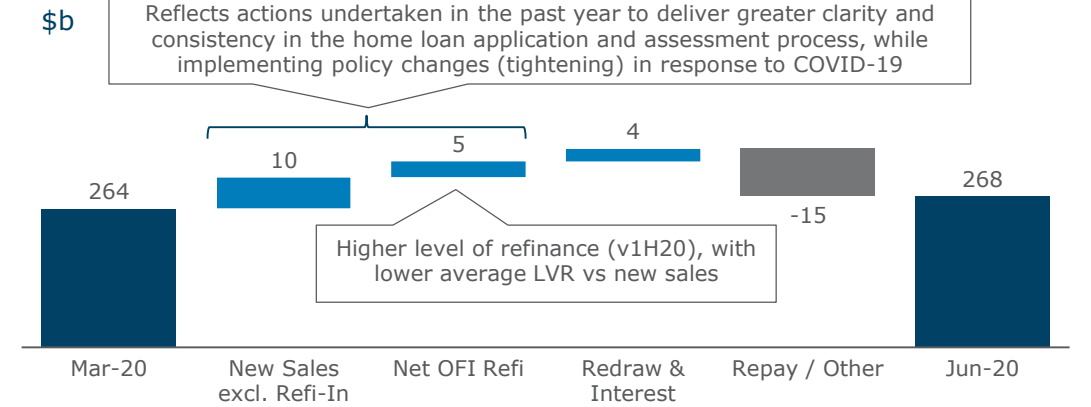
AUSTRALIA HOME LOAN PORTFOLIO

LOAN BALANCE & LENDING FLOWS¹

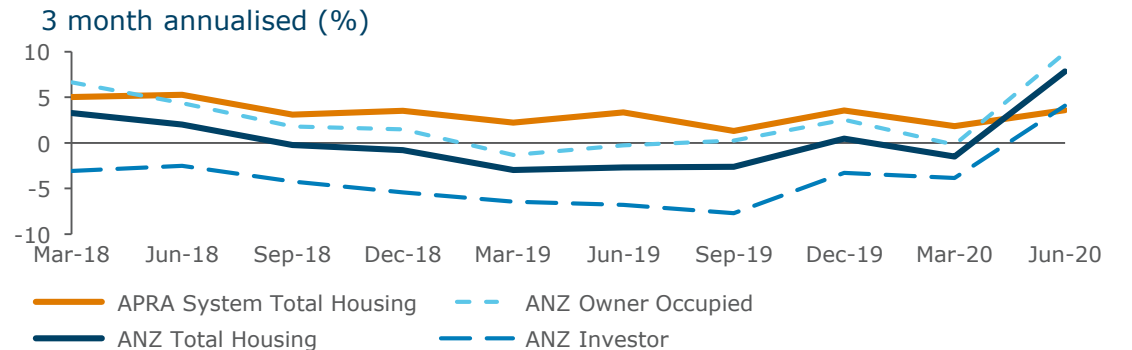
HOME LOAN FUM COMPOSITION^{1,2}



LOAN BALANCE & LENDING FLOWS¹



ANZ HOME LOAN GROWTH³

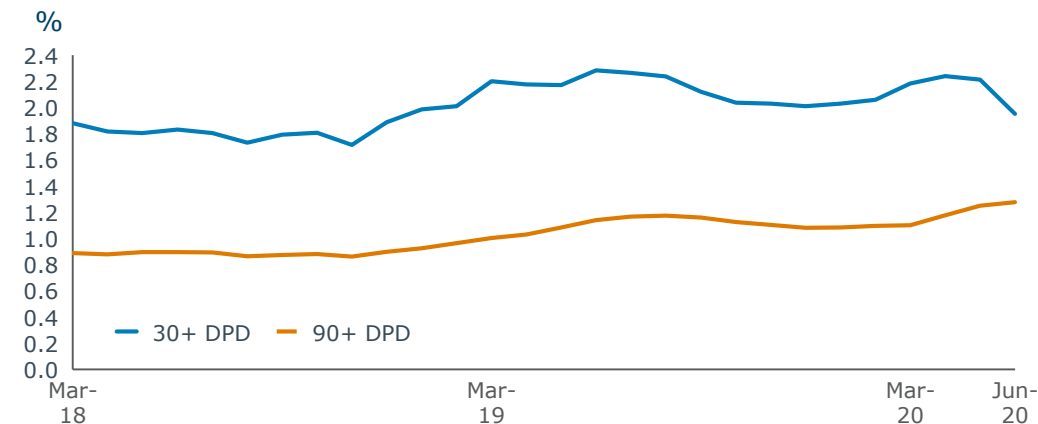


1. Based on Gross Loans and Advances. Includes Non Performing Loans
 2. The current classification of Investor vs Owner Occupied is based on ANZ's product category, determined at origination as advised by the customer and the ongoing precision relies primarily on the customer's obligation to advise ANZ of any change in circumstances
 3. Source: APRA Monthly Banking Statistics (MBS) and Monthly Authorised Deposit-taking Institution Statistics (MADIS). Mar-18 to Mar-19 based on MBS, thereafter MADIS

AUSTRALIA HOME LOAN CREDIT QUALITY

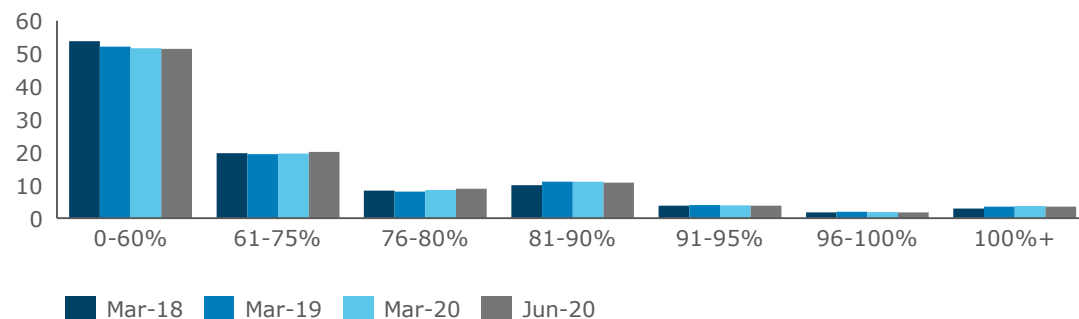
- For eligible home loans¹ receiving COVID-19 assistance, arrears are frozen for the period of the loan deferral
- Customers who requested assistance but were ineligible for repayment deferral based on these criteria were considered under ANZ Hardship arrangements, including payment moratoriums, where delinquency continues to increase when scheduled repayments are not made
- The increase in 90+ delinquency to 1.28% at June 2020 (up 18bps from March 2020) was driven by these customers impacted by COVID-19 but ineligible for deferral
- As a result of the assistance measures, a reduced number of accounts have missed scheduled payments in the quarter and 30+ delinquency has reduced 23bps QoQ to Jun-20

AUS. HOME LOANS DELINQUENCIES^{2,3,4}

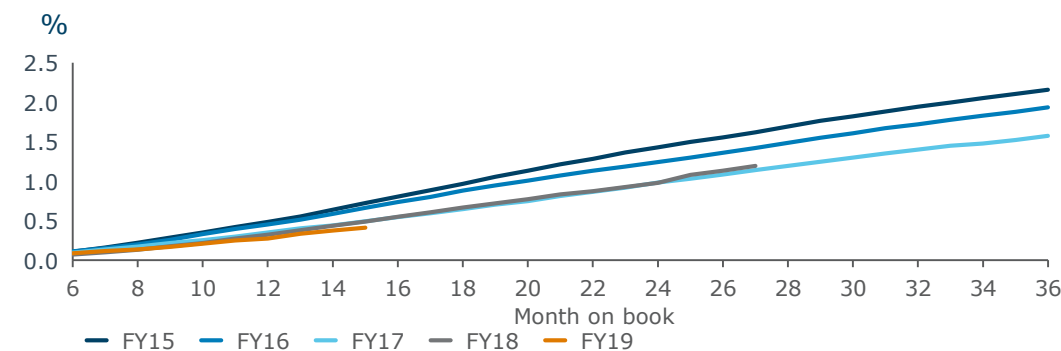


DYNAMIC LOAN TO VALUE RATIO⁵

% of total Portfolio Accounts



AUS. HOME LOANS 90+ DAYS PAST DUE⁶ (BY VINTAGE)



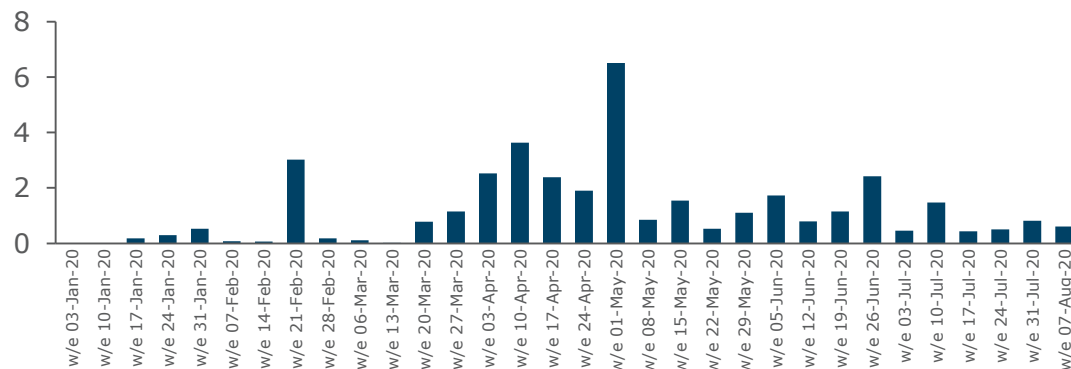
1. COVID-19 loan deferrals are available to customers if either their Home Loan repayments are less than 30 days past due, or if their repayments are less than 90 days past due and were up to date at 1 March 2020
2. Includes Non Performing Loans
3. ANZ delinquencies are calculated on a missed payment basis for amortising and Interest Only loans
4. 30+ and 90+ excludes eligible Home Loans accounts that had requested COVID-19 assistance but due to delays in processing had not had the loan repayment deferral applied to the account
5. Includes capitalised LMI premiums. Valuations updated to May-20 where available. Includes Non Performing Loans and excludes accounts with a security guarantee and unknown DLVR. DLVR does not incorporate offset balances
6. Home loans 90+ DPD vintages represent % ratio of over 90+ delinquent (measured by # accounts), contains at least 6 application months of that fiscal year contributing to each data point

CUSTOMER BEHAVIOUR

- Increased deposit balances YTD in Retail, Commercial and Institutional
- Within the Institutional and Corporate customer base, a number of customers have been proactive in managing costs and taking a conservative approach to capital and distribution
- Within the Retail portfolio:
 - credit card debt has reduced and offset balances increased
 - ~ two thirds of Australia home loan customers with loan repayment deferrals have increased their "buffer" (offset, redraw and credit in transaction and savings account) over the period February to July 2020

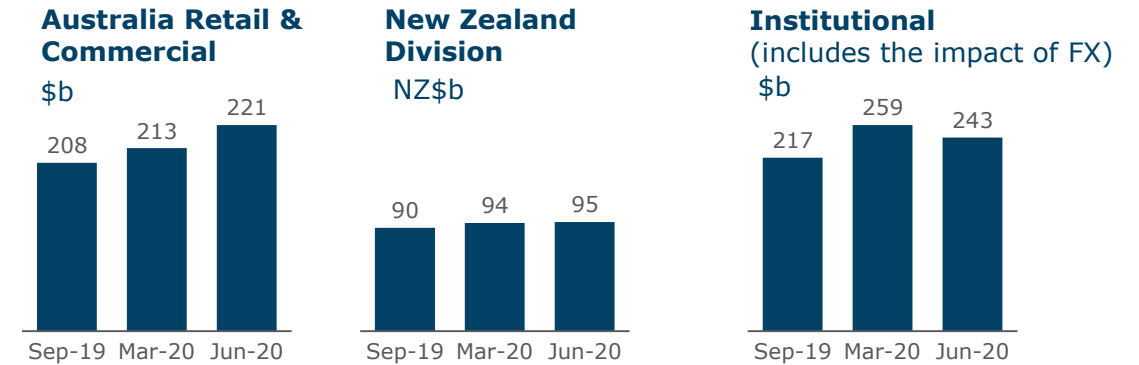
\$37B IN LARGE CORPORATE EQUITY RAISINGS FOR ASX AND NZX YTD¹

\$b System data

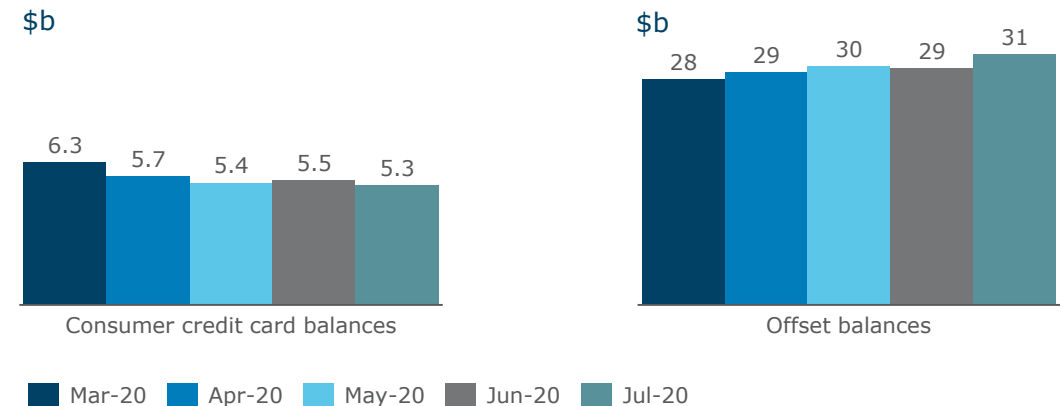


1. Source Dealogic, week ending 7 August 2020

ANZ DEPOSIT ACTIVITY



ANZ AUSTRALIA RETAIL ACCOUNT ACTIVITY



CUSTOMER SUPPORT – AUSTRALIA (HOME LOANS)

COVID-19 RELIEF - HOME LOAN PAYMENT DEFERRALS AT 31 JULY 2020

Home Loan relief at 31 July 2020:

- ~130k COVID-19 enquiries have been received to date, with 90k of these going onto COVID-19 relief measures offering payment deferral¹:
 - ~6,000 accounts have completed or unwound deferral arrangements over the period of March to end July 2020
 - ~84,000 accounts as at 31 July 2020 representing ~\$31b of home loan balances (~81,000 accounts at 30 June 2020) on deferral, ~9% of all home loan accounts, ~12% of home loan balances

Deferral cohort observation:

- ~ two thirds have stable or improved income⁵
- ~ one quarter have made at least one payment while on deferral
- ~ 95% have a 'savings buffer' (offset, redraw and credit in savings account)
- ~ half have at least a 3 month or greater payment 'buffer'⁶

3 month check in process:

- Formal processes have been developed to pro-actively identify customers at risk of being unable to return to full repayments, and put in place appropriate treatment strategies to minimise any adverse impacts
- Contact program is well progressed, prioritised to focus on home loan account cohorts where internal data suggests a potentially higher risk of difficulty

	Loan repayment deferrals Total Active deferrals at 31 July 2020	Total AUS. Home Loan Portfolio ²
Total number of home loans	84k	986k
Total \$ value of home loan balance	\$31b	\$268b
Offset balances	\$1.2b	\$29.4b
Avg. Dynamic LVR (Ex. offset) ^{3,4}	68%	56%
Average Loan Size	\$371k	\$272k
% Principal & Interest	92%	86%
% Owner Occupied	73%	68%

1. COVID-19 loan deferrals are available to customers if either their Home Loan repayments are less than 30 days past due, or if their repayments are less than 90 days past due and were up to date at 1 March 2020

2. Total portfolio statistics as at 30 June 2020

3. Unweighted based on # accounts

4. Includes capitalised LMI premiums, valuations for DLVR updated to May-20 where available, includes Non Performing Loans, excludes accounts with a security guarantee, and unknown DLVR

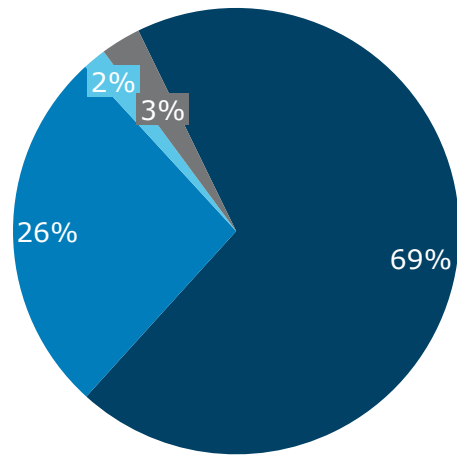
5. Based on deferral customers where ANZ can identify salary income, this excludes other income types and segments such as self-employed

6. Buffers are calculated at customer level, incorporating all Retail debts within the customer cluster at ANZ, and all funds available in ANZ redraw, offset and transaction and savings accounts

CUSTOMER SUPPORT – AUSTRALIA (HOME LOANS)

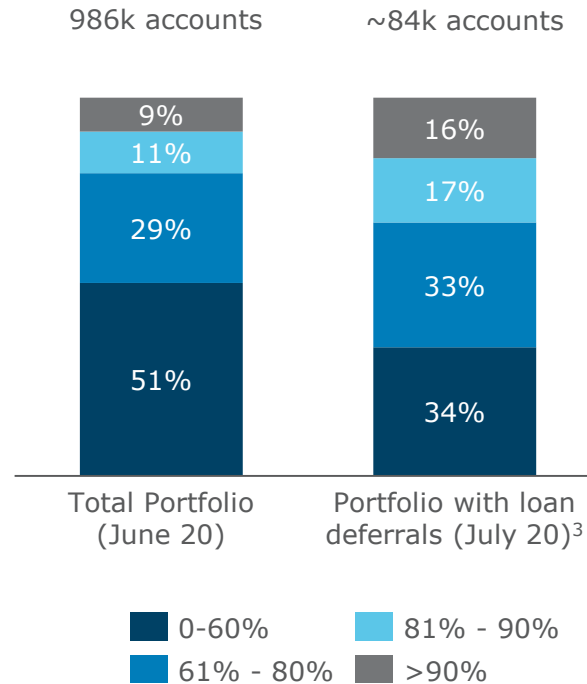
COVID-19 RELIEF - HOME LOAN PAYMENT DEFERRALS AT 31 JULY 2020

~130,000 COVID-19 ENQUIRIES RECEIVED
% of total requests (Mar-20 to Jul-20)

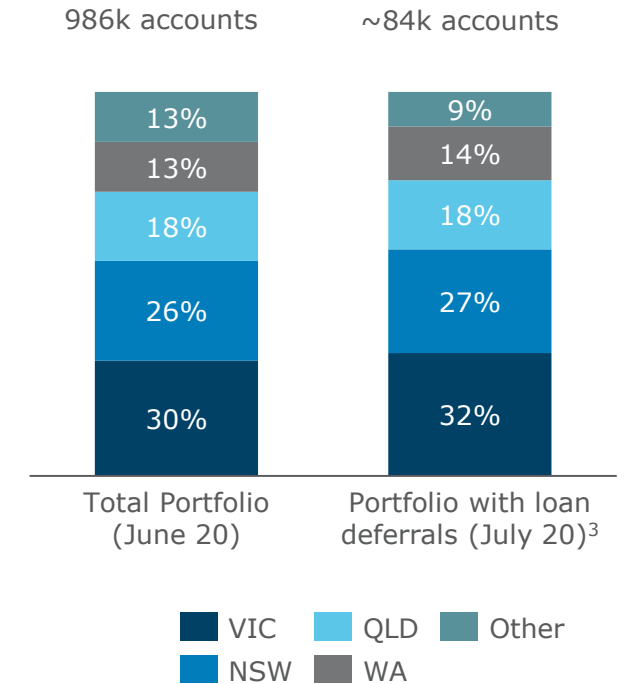


- Went onto repayment deferral
- Chose not to take up deferral
- Went onto other assistance
- Being processed at 31 July

DYNAMIC LOAN TO VALUE RATIO
(% of accounts)^{1,2}



PORTFOLIO BY STATE
(% of accounts)



1. Includes capitalised LMI premiums, valuations for DLVR updated to May-20 where available, includes Non Performing Loans, excludes accounts with a security guarantee, and unknown DLVR
 2. DLVR does not incorporate offset balances
 3. Active (outstanding) deferrals as at 31 July 2020

CUSTOMER SUPPORT – AUSTRALIA (COMMERCIAL)

COVID-19 RELIEF – COMMERCIAL BANKING¹ AT 31 JULY 2020

ANZ Commercial Banking:

- ~485k customers in Commercial Banking of which ~165k have lending across ~240k accounts
- Small Business Banking segment, ~91% of total Commercial lending customers, is weighted to deposits (currently ~3x deposit to lending)

Commercial customer relief at 31 July 2020:

- Deferrals are on an opt-in basis for the Commercial Banking portfolio
- All Commercial customers were spoken to prior to being processed for assistance to ensure they understood the terms of the assistance being offered
- As at 31 July ~22k accounts representing \$9.5b EAD (~21.5k accounts at 30 June) are receiving business loan deferrals
- ~3% of business loan deferrals have been partially or fully unwound at the customer's request

Deferred cohort observations²:

- ~45% have recorded stable or higher cash inflow vs same time last year
- ~30% have reduced cash outflows by >30%
- ~60% have higher cash balances vs March 2020
- ~50% are receiving JobKeeper payments

Assistance Provided at 31 July 2020	Accounts	EAD at 30 June 2020
Total Commercial lending	~240k	\$69b
Business loan deferrals	~22k	\$9.5b
Asset Finance loan deferrals	~13k	\$0.9b
Temporary overdraft increases	~11k	\$1.2b
JobKeeper and SME Guarantee Scheme	~3k	\$151m

1. Commercial is made up Small Business Banking (lending <\$1m) & Business Banking (typically lending <\$10m)

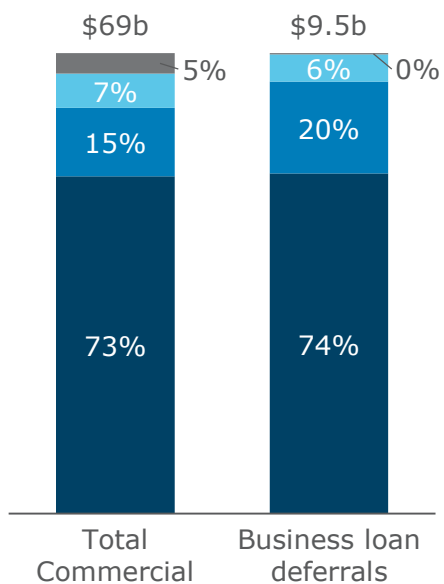
2. For Small Business Banking and Business Banking only, via ANZ transactional banking data

CUSTOMER SUPPORT – AUSTRALIA (COMMERCIAL)

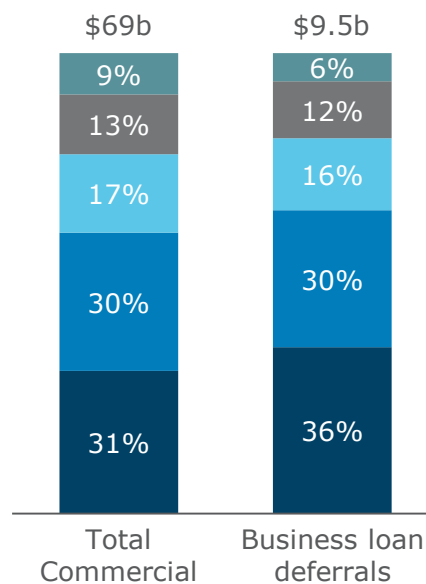
COVID-19 RELIEF – COMMERCIAL BANKING¹ AT 31 JULY 2020

BUSINESS LOAN DEFERRALS PROVIDED²

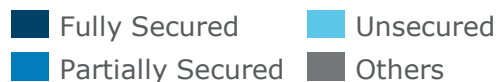
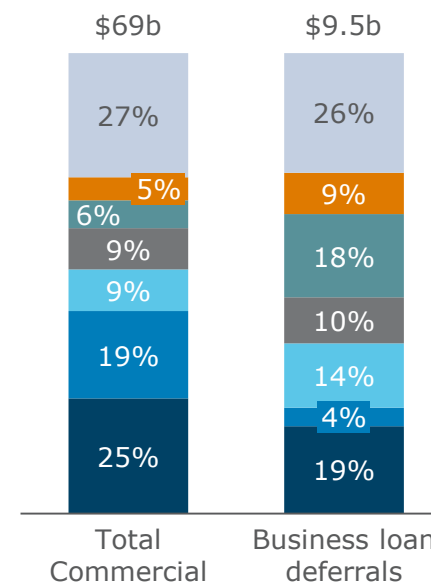
BY SECURITY PROFILE (% OF EAD)³



BY STATE (% OF EAD)⁴



BY INDUSTRY (% OF EAD)



1. Commercial is made up Small Business Banking (lending <\$1m) & Business Banking (typically lending <\$10m). Note excludes Private Banking
 2. Active deferrals as at 31 July 2020, EAD as at 30 June 2020
 3. Fully Secured on a market value basis. Other includes loans secured by cash or via sovereign backing
 4. States based on primary postcode and excludes where none recorded in system. Some postcodes occur across two states

CUSTOMER SUPPORT – NEW ZEALAND

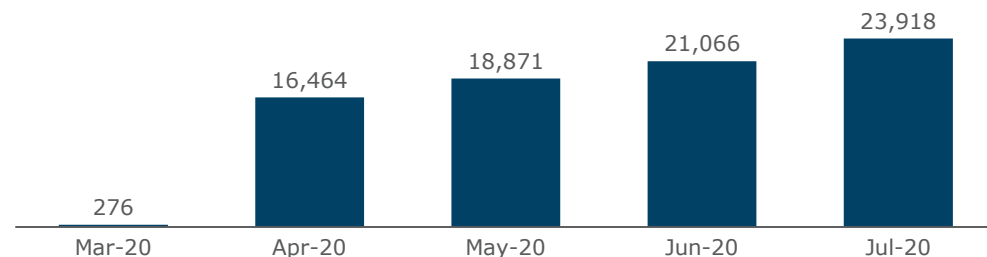
COVID-19 RELIEF AT 31 JULY 2020

- Financial support provided to ~39,000 personal, home and business loan customers through repayment deferrals or adjustments covering lending of ~NZ\$23b
- Deferred repayments on ~24,000 home loans and moved ~20,000 home loans to interest only
- Granted 2,730 temporary overdraft facilities to businesses needing more working capital, worth ~NZ\$46m

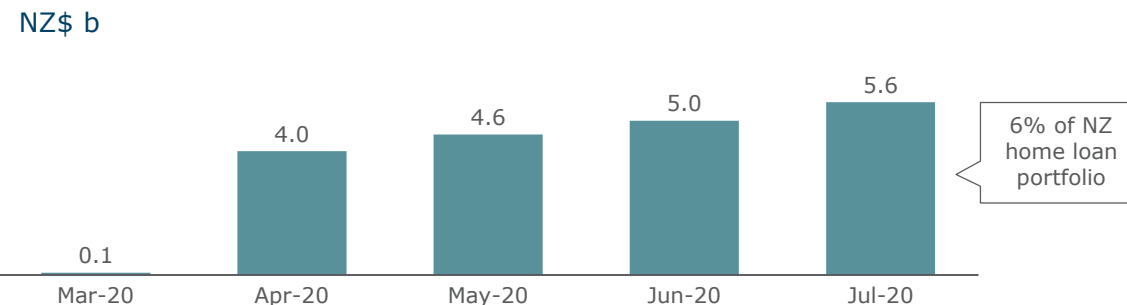
	LOAN REPAYMENT DEFERRALS (31-Jul 20) ¹	Total NZ Home Loan Portfolio ¹
Total number of home loans	24k	414k
Total \$ value of home loan balance	NZ\$6b	NZ\$85b
Median Indexed LVR	56.2%	46.8%
Average Loan Size	NZ\$252k	NZ\$204k

ANZ NZ HOME LOAN REPAYMENTS DEFERRED

NUMBER OF HOME LOANS REPAYMENTS DEFERRED (CUMULATIVE)



VALUE OF HOME LOAN BALANCES ON LOAN REPAYMENT DEFERRAL (CUMULATIVE)



1. Total portfolio statistics as at 30 June 2020

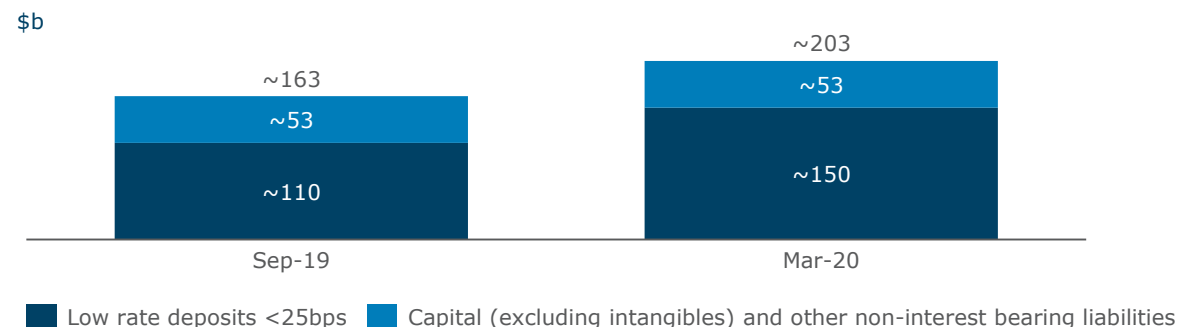
MARGIN CONSIDERATIONS

KEY MARGIN CONSIDERATIONS

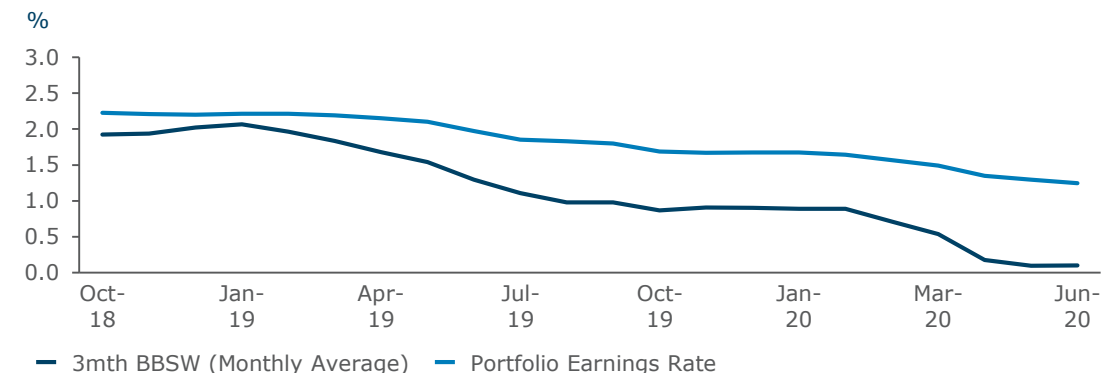
- Low rate environment in all geographies
- Strong growth in at-call deposits
- Increase in liquid assets
- Shifting customer preferences (e.g. home loan switching to fixed rates)
- Competition and retention pricing
- Reduction in unsecured retail lending

LOW RATE ENVIRONMENT

Net impact of previously announced AUD, NZD & USD rate cuts	
2H20 impact (net of repricing)	~6bps



CAPITAL & REPLICATING DEPOSITS PORTFOLIO (AUSTRALIA)



BILLS / OIS SPREAD

Sensitivity of 10bp change in Bills/OIS	NIM impact
As at 30 Sep-19	1 bp
As at 31 Mar-20	0.5 bp
As at 30 Jun-20	<0.5 bp



FURTHER INFORMATION

Royal Commission & COVID-19 update	Corporate Overview & Sustainability	AASB 9
 <p data-bbox="647 444 937 629">Latest commentary on implementation of Hayne recommendations and response to COVID-19 pandemic</p> <p data-bbox="300 725 952 786">https://www.anz.com/shareholder/centre/invest-or-toolkit/</p>	 <p data-bbox="1314 444 1612 572">Progress against our Environment, Social & Governance (ESG) targets</p> <p data-bbox="1090 725 1742 786">https://www.anz.com/shareholder/centre/reporting/sustainability/</p>	 <p data-bbox="2048 444 2232 544">AASB 9 overview and stages</p> <p data-bbox="1798 725 2451 786">https://www.anz.com/shareholder/centre/invest-or-toolkit/</p>

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