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# 2014 FULL YEAR RESULTS

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AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

31 October 2014

Results Presentation &  
Investor Discussion Pack



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All figures are presented on Cash basis in Australian Dollars unless otherwise noted. In arriving at Cash Profit, Statutory Profit is adjusted to exclude non-core items , further information is set out on page 90 of the 2014 Full Year Consolidated Financial Report

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# 2014 FULL YEAR RESULTS

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AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

31 October 2014

Mike Smith  
Chief Executive Officer



## Financial performance

<b>FY14 Result</b>	<b>2014</b>	<b>2013</b>	<b>Growth</b>
<b>Statutory Profit (\$m)</b>	<b>7,271</b>	6,310	<b>up 15%</b>
<b>Cash Profit (\$m)</b>	<b>7,117</b>	6,492	<b>up 10%</b>
<b>Cash Earnings per Share (cents)</b>	<b>260.3</b>	238.3	<b>up 9%</b>
<b>Cash Return on Equity (%)</b>	<b>15.4</b>	15.3	
<b>CET1 (%)</b>	<b>8.8</b>	8.5	

- Clean results in a challenging environment
- Continuing to grow strongly in Asia, Australia and New Zealand
- A stronger, better bank

# ANZ today is a more customer focused, regionally diversified, efficient and sustainable bank

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	5 year CAGR	FY14 (\$b)	FY09 (\$b)
<b>Revenue</b>	<b>7%</b>	<b>19.6</b>	13.9
<b>Expenses</b>	<b>7%</b>	<b>8.8</b>	6.2
<b>PBP</b>	<b>7%</b>	<b>10.8</b>	7.7
<b>Provisions</b>	<b>(20%)</b>	<b>1.0</b>	3.0
<b>Cash NPAT</b>	<b>16%</b>	<b>7.1</b>	3.4
<b>Capital CET1 (%)</b>		<b>8.8</b>	8.0
<b>Payout Ratio (%)</b>		<b>68.9</b>	70.8

- Strengthened key customer segments in Australia and NZ
- Invested in regional footprint
- Created a more efficient, lower risk bank
- Higher quality earnings
- More disciplined management of capital and liquidity
- Perform in a changing business and regulatory environment

# ANZ's strategy and business settings are right for the environment outlook

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- Anticipated an environment of modest domestic growth, but still strong regional opportunities
- Risk environment to remain benign
- Shift in orientation of domestic growth from consumer to business segments in response to:
  - ❑ HH sector more leveraged; \$A; new infrastructure; fast growing regional trade and investment flows
- ANZ well placed given our strategy and focus on:
  - ❑ customer service and insights;
  - ❑ business productivity;
  - ❑ improving capital efficiency;
  - ❑ investments in enterprise and regional platforms

## SUPER REGIONAL STRATEGY

STRONG  
CORE  
MARKETS

PROFITABLE  
ASIAN  
GROWTH

ENTERPRISE  
APPROACH

STRONG LIQUIDITY AND CAPITAL MANAGEMENT

DISCIPLINED AND EXPERIENCED MANAGEMENT

## CEO PRIORITIES FY14-16

Improving  
customer  
experience

Diversifying  
revenue

Improving  
productivity

Improving  
returns

# Growth and efficiency drive core market earnings

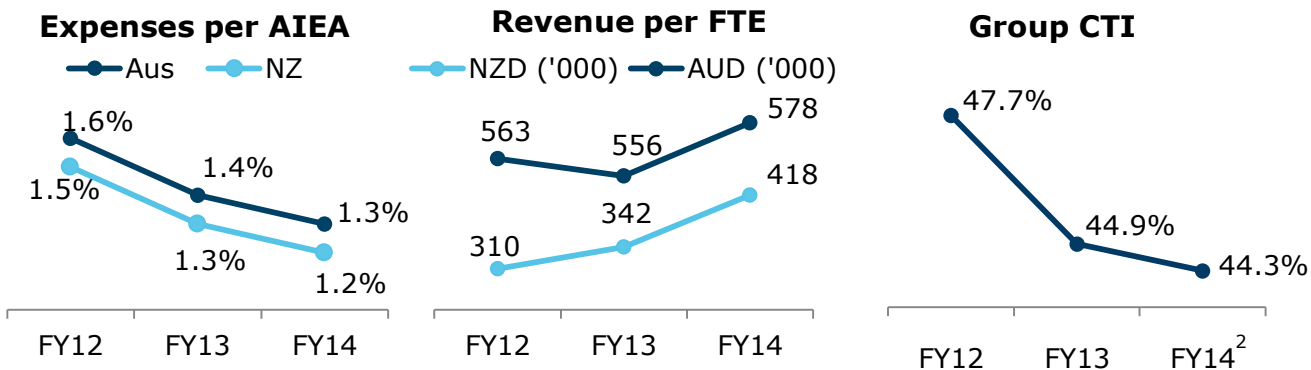


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## Customer

<b>18</b>	Consecutive qtrs home loan growth in Australia	<b>✓</b>	Delivering leading digital solutions
<b>16%</b>	Lending growth in small business Australia	<b>100b</b>	\$ transactions on goMoney <sup>3</sup>
<b>↑ 13%</b>	# Wealth solutions sold through ANZ channels	<b>#1</b>	Grow by ANZ: awarded best mobile trading App
<b>↑ Market share</b>	NZ Home loans, Small Business & Commercial	<b>#1</b>	Rated Institutional Bank in 17 of 22 categories <sup>1</sup>

## Efficient



## Sustainable

- Leveraging digital & mobile transformation of all businesses
- Better service ; lower risk ; strong returns
- More products to more customers in more markets

1. Peter Lee Associates 2014 Large Corporate & Institutional Relationship Banking Survey (non credit categories)  
 2. Group CTI excluding Trustees and SSI  
 3. \$ value of transactions since inception



# Our strong diversified Asian business a competitive advantage

PROFITABLE  
ASIAN  
GROWTH

Maintaining strong Asian revenue growth...

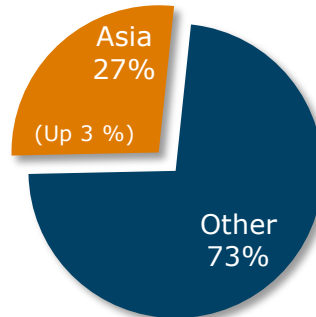
...increasing earnings diversification...

...while balancing risk and return.

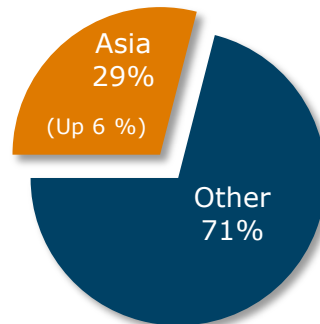
## Asia Revenue FY14 % change (Fx adj)

<b>IIB Asia</b>	<b>+13.4%</b>
Institutional	+18.0%
Global Markets	+30.8%
Global Loans	+11.0%
Global Transaction Banking	+8.9%
Retail	+7.0%
Partnerships <sup>2</sup>	+10.8%

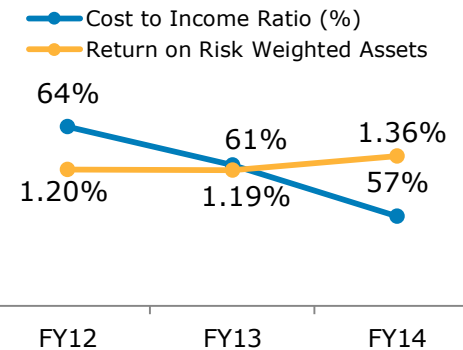
## Institutional Revenue (FY14 - % total)



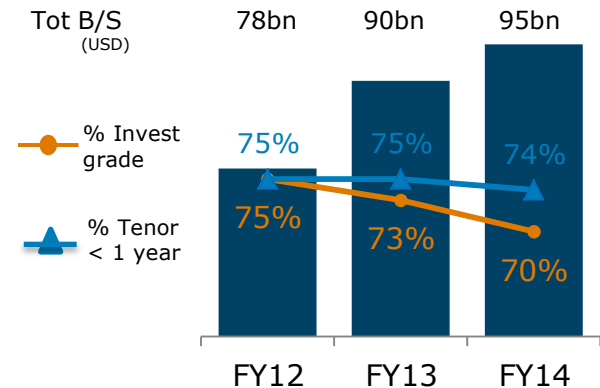
## Markets Revenue (FY14 - % total)



## IIB Asia



## IIB Asia lending balance sheet<sup>1</sup>



1. Based on total credit exposure  
2. Excludes the impact of SSI

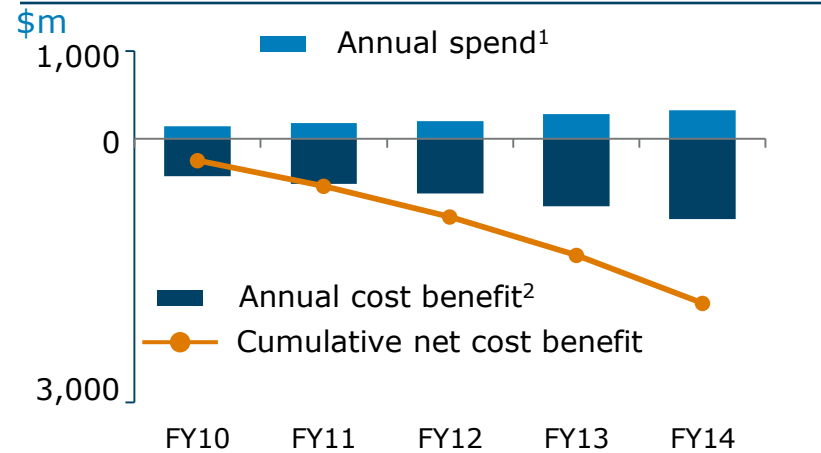
# Enterprise investments delivering long term productivity gains

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## More than 5 years of accelerated investment is paying off

- Anticipated the changing business environment
- Double digit annual productivity growth in Operations
- More consistent, higher quality customer experience
- Strengthened our risk and control environment
- Deepened employee capability

### Regional Delivery Network driving sustained productivity benefits



FY11		FY14
59%	% retail transactions on digital platforms	71%
4,469	Efficiency: Transactions per FTE	6,077
865	Operating control: Reduction in error rate (Manual payments Defects per million)	126

1. Includes operational and programme spend on the Regional Delivery Network  
 2. Based on operational cost benefits of Regional centres, excludes non financial benefits (such as error rate reductions)

# Business implications of outlook

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- Maintain the cost and return targets set for FY16 and the disciplines they impose across our business
- Aim for continued share growth in consumer segments in Australia and New Zealand
  - ❑ Moderate credit growth > good credit quality > strong competition
- Leverage our strong business customer position and regional capabilities to continue to deliver high quality and diversified revenue growth
  - ❑ Win share in regional growth corridors > customer insights
- Maintain balance sheet and risk disciplines, even at the expense of domestic revenue opportunities
  - ❑ Maintain strong bank settings > risk adjusted and fee based revenues

# Regulation and the FSI

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- We all benefit from a strong, well managed banking system
- Regulatory settings have strengthened markedly since the GFC
- Australia has a very sound, well regulated financial system.
- An approach that combines strong regulatory and supervisory frameworks and market based disciplines will deliver the best balance between financial stability and economic efficiency
- Level of capital and loss absorbency should reflect a holistic approach to system stability

# Australian Banks – how strong, how safe

## At 30 September 2014 ANZ had ~\$56bn in loss absorbency

Annual  
pre-provision  
cash profit  
\$10.8bn

Provision overlays

CET1 > 5.125%  
\$13.2bn  
(Includes 1% D-SIB)

Additional Tier 1<sup>1</sup>  
\$6.8bn

Tier 2<sup>1</sup>  
\$7.1bn

CET1 < 5.125%  
\$18.5bn

~\$56bn,  
equivalent  
to 11% of  
Net Lending  
Assets

- Australia has an inherently low risk banking system.
- APRA capital settings are more conservative than global standards<sup>2</sup>
- Stress tests show Australia's system is already sound, benefiting from:
  - ❑ Strong profitability and provisioning
  - ❑ Conservative business mix, risk appetite and legal frameworks
  - ❑ High relative capital levels ...... leading to very low risk for taxpayers
- There is an economic cost in overly conservative regulatory/policy settings

1. Includes Basel III compliant securities and Basel II securities where APRA has granted transitional capital treatment  
2. Under an internationally comparable basis ANZ's loss absorbency would be \$62b under Canadian rules and \$60b under UK rules

Building a better bank for customers

Building a better bank for shareholders

### CEO PRIORITIES FY14-16

Improving customer experience

Diversifying revenue

Improving productivity

Improving returns

### FY16 FINANCIAL OUTCOMES

Above peer growth

CTI <43%

ROE of 16%+

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# 2014 FULL YEAR RESULTS

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AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

31 October 2014

Shayne Elliott  
Chief Financial Officer



## Headline results

	FY14		2H14	
	\$m	v FY13	\$m	v 1H14 Annualised
Revenue	19,578	6.5%	9,910	5.1%
Expenses	8,760	6.1%	4,474	9.0%
<b>PBP</b>	<b>10,818</b>	<b>6.7%</b>	<b>5,436</b>	<b>2.0%</b>
Provisions	989	-17%	461	-24%
Tax	2,700	11%	1,367	5%
<b>Cash Profit</b>	<b>7,117</b>	<b>10%</b>	<b>3,602</b>	<b>5%</b>
Stat. adjustments	154		277	
<b>Statutory Profit</b>	<b>7,271</b>	<b>15%</b>	<b>3,879</b>	<b>31%</b>
Cash EPS (cents)	260.3	+9%		
DPS (cents)	178	+9%		
ROE	15.4%	+10bps		

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## FX and divestment impacts

\$m	FY14 Cash Profit Growth	FX <sup>1</sup>	Trustees 2H14	SSI 2H14	FX and Divestment Adjusted Growth
Revenue	6.5%	+336	+125	-21	4.0%
Expenses	6.1%	+222	-125		1.8%
<b>PBP</b>	<b>6.7%</b>	<b>+114</b>	<b>-</b>	<b>-21</b>	<b>5.8%</b>
Provisions	-17%	+13	-		-18%
Tax	11%	+18	-4	-14	11%
<b>NPAT</b>	<b>10%</b>	<b>+83</b>	<b>+4</b>	<b>-7</b>	<b>8%</b>

1. Impact of foreign exchange movements

# The operating environment

**Very low rates**  
**Excessive global liquidity**  
**Very low market volatility**

## Retail

## Corporate

### Environment:

Solid housing market  
Strong savings  
Improving system growth

Weak confidence  
Low leverage  
Low credit demand

### Impact:

Medium credit growth  
Strong competition  
Stable margins  
Low provisions

Slow credit growth  
Falling loan margins  
Balance Sheet trading opps.  
Lower hedging demand  
Low provisions

### Actions:

Invest  
Grow share responsibly  
Improve customer experience

Capital efficiency  
Manage productivity  
Diversify revenue

## Impacts and outcomes – half on half

	1H14 v 2H13 <sup>1</sup>		2H14 v 1H14 <sup>1</sup>	
	Revenue	Expense	Revenue	Expense
Retail <sup>2</sup>	2.1%	0.6%	3.9%	1.6%
Corporate ex. Markets	-1.2%	0.5%	1.7%	-1.6%
Partnerships	4.9%	<i>nm</i>	6.3%	<i>nm</i>
<b>Total</b>	<b>0.6%</b>	<b>0.5%</b>	<b>3.0%</b>	<b>0.3%</b>
Global Markets	21.6%	5.6%	-9.1%	0.7%
<b>Total Group<sup>3</sup></b>	<b>2.7%</b>	<b>0.2%</b>	<b>1.7%</b>	<b>1.8%</b>

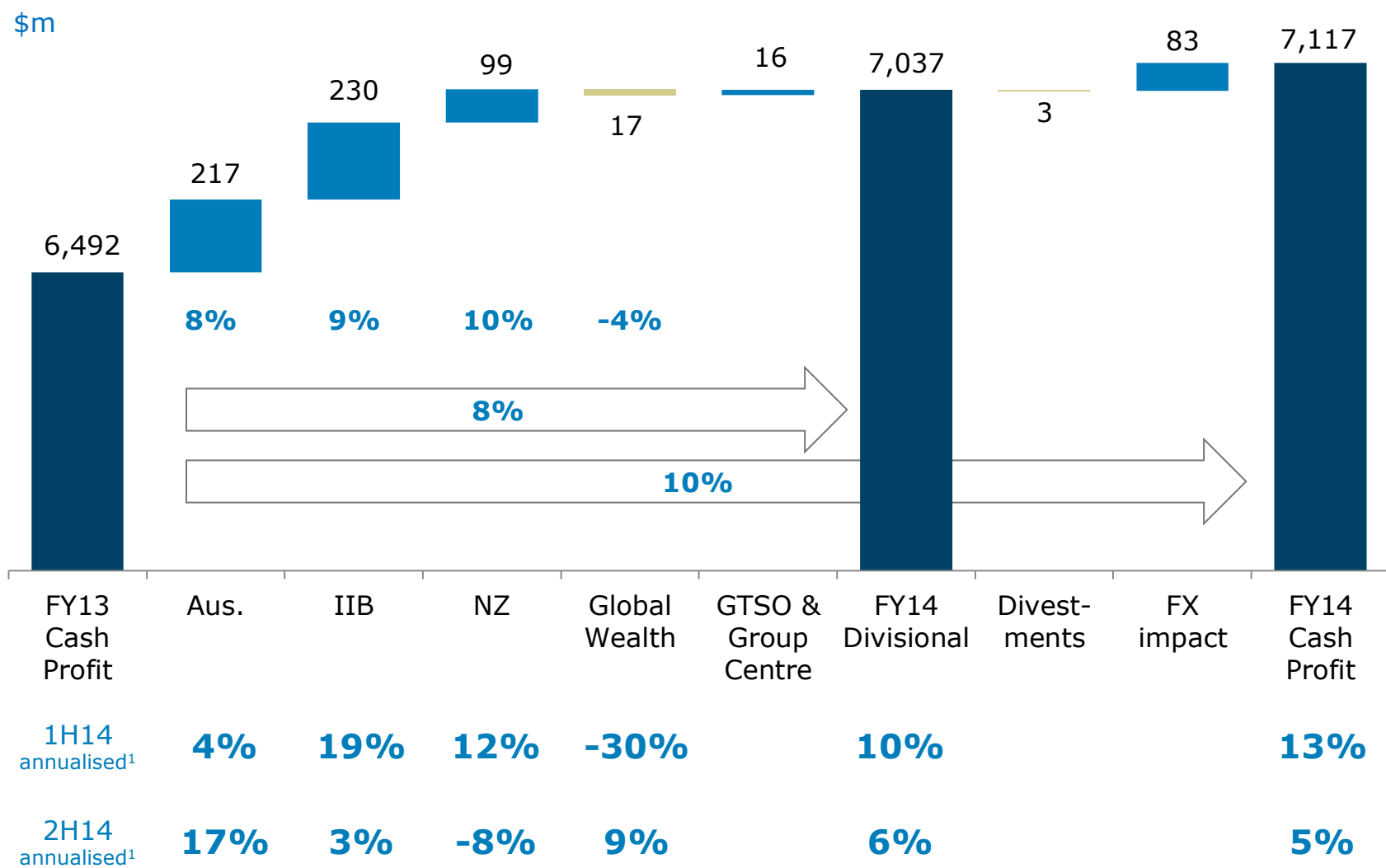
1. FX adjusted (calculated on constant currency) and excluding impact of divestments (Trustees, SSI)

2. Retail includes ANZ's Retail & Wealth Business Units

3. Group includes Corporate Centre, not reflected in this table, not material

# Cash profit – Divisional drivers

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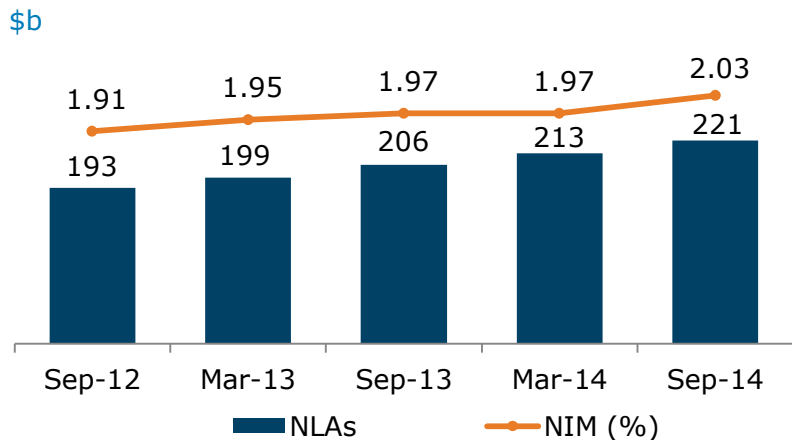


Divestments include Sale of Trustees (within Global Wealth Division) and SSI (within IIB Division)

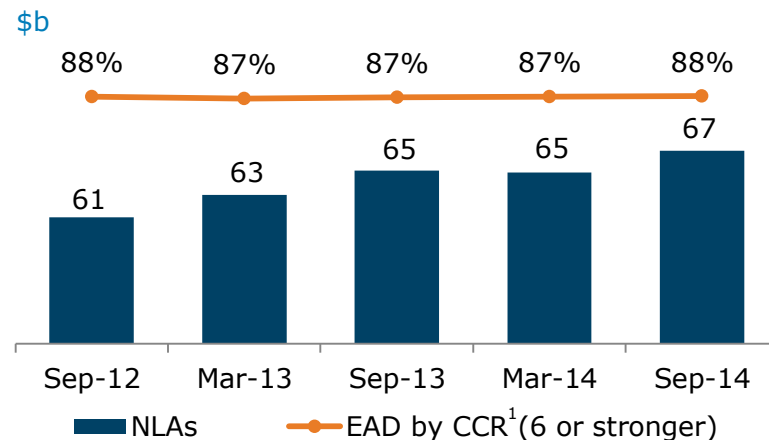
# Australia Division – high quality consistent growth

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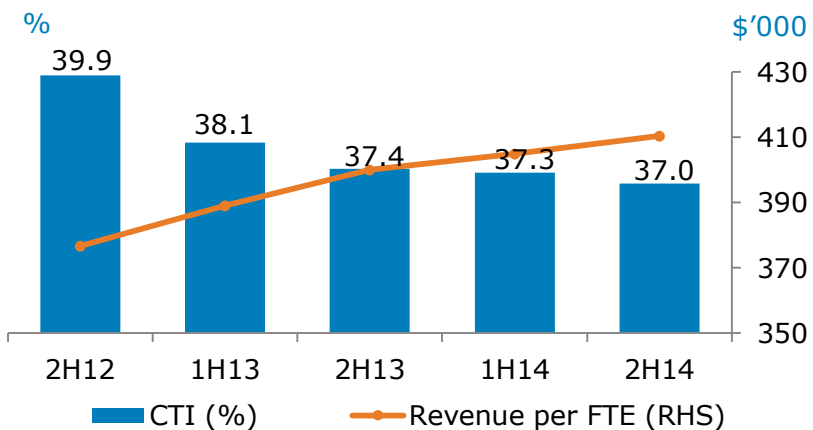
## Quality Retail growth



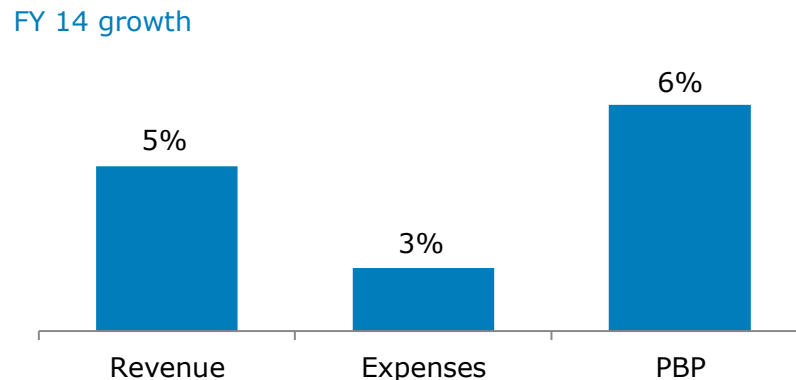
## Quality Commercial growth



## Improved productivity



## Operating performance

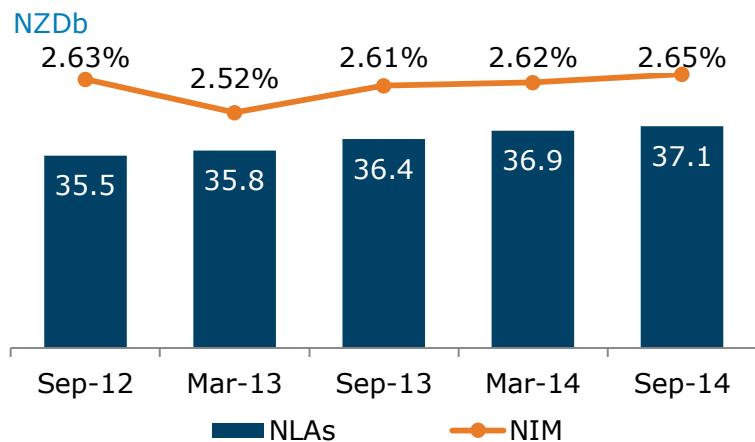


1. CCR = Customer Credit Rating

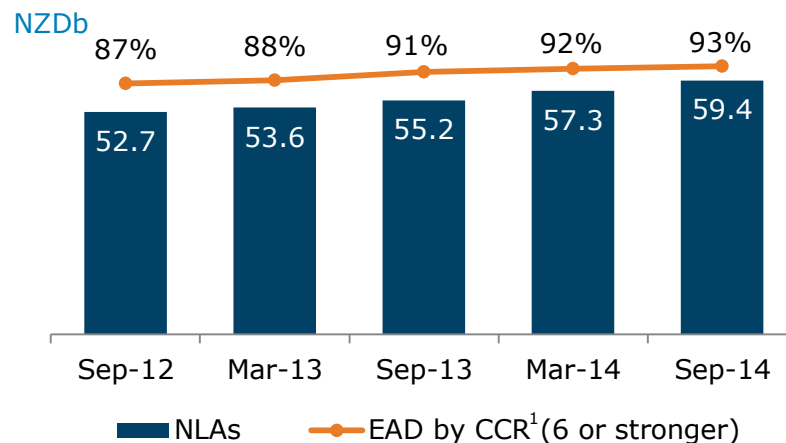
# New Zealand Division – strong productivity dividend

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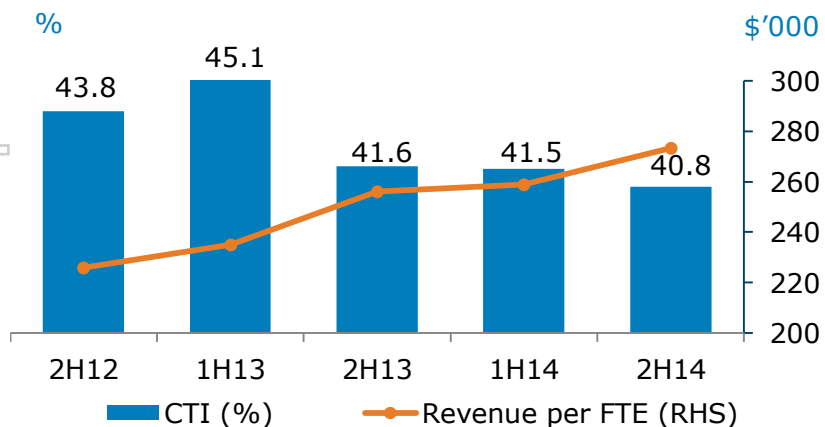
## Quality Retail growth



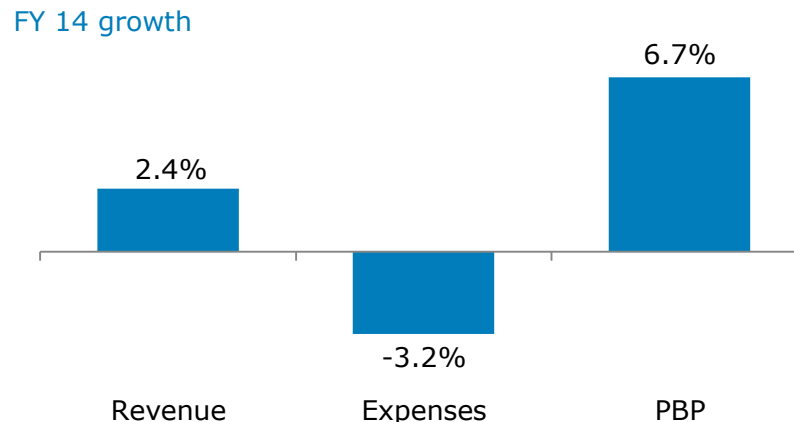
## Quality Commercial growth



## Improved productivity



## Operating performance

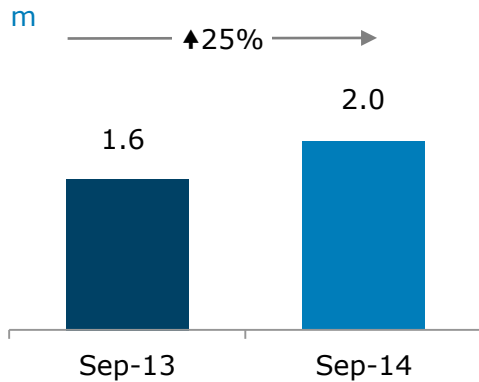


1. CCR = Customer Credit Rating

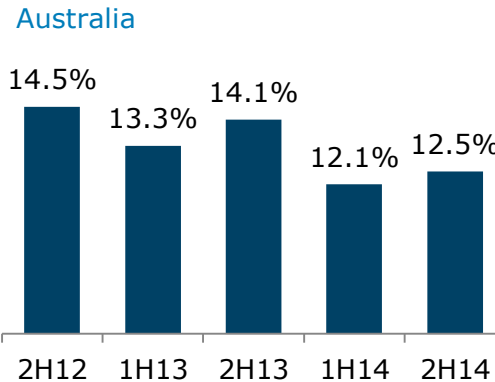
# Global Wealth – focused on sales and efficiency

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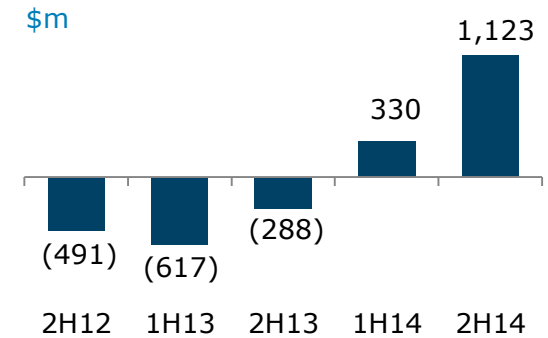
### Wealth customers



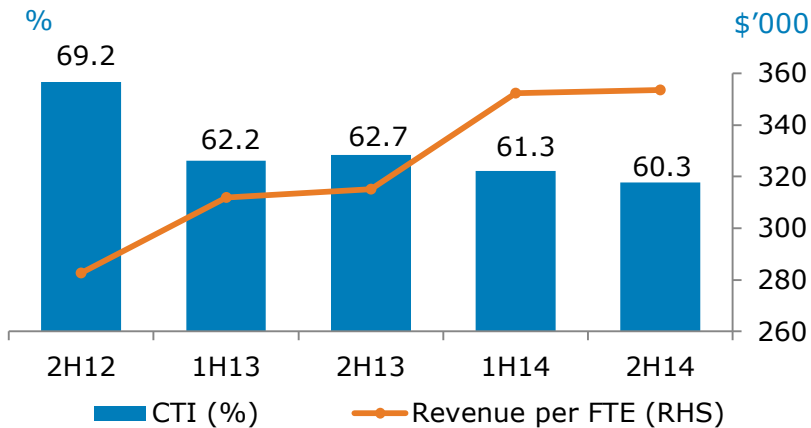
### Retail Life lapse rates



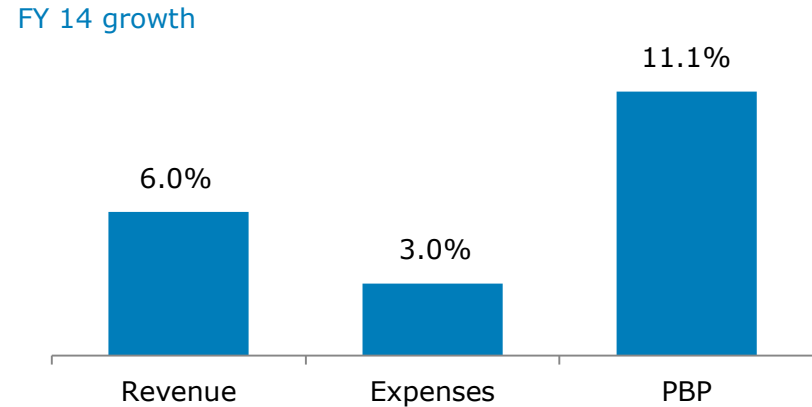
### FUM net flows



### Improved productivity (ex Trustees)



### Operating performance (ex Trustees)

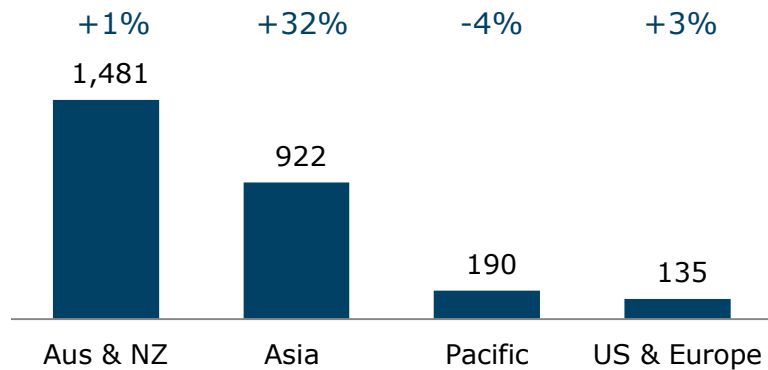


# IIB – Diversification driving profitable growth

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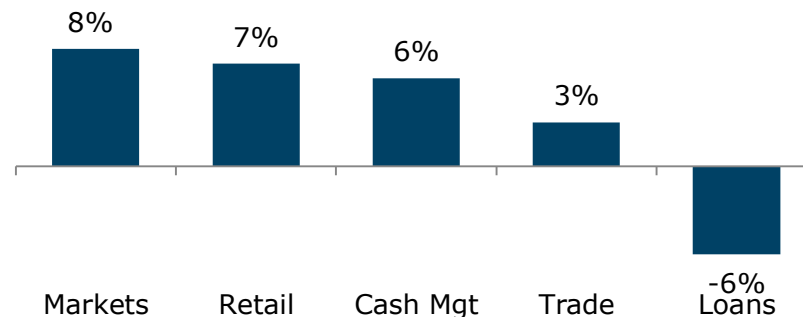
## FY14 profit by region<sup>1</sup>

AUDm & FX Adjusted growth rate

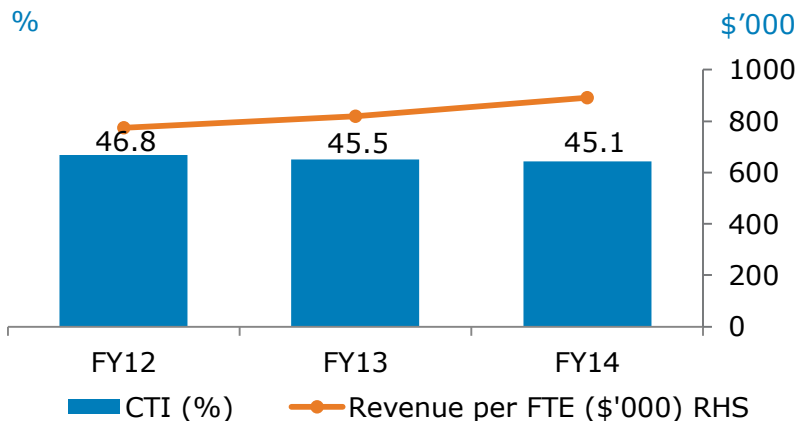


## Revenue Growth

FX adjusted growth

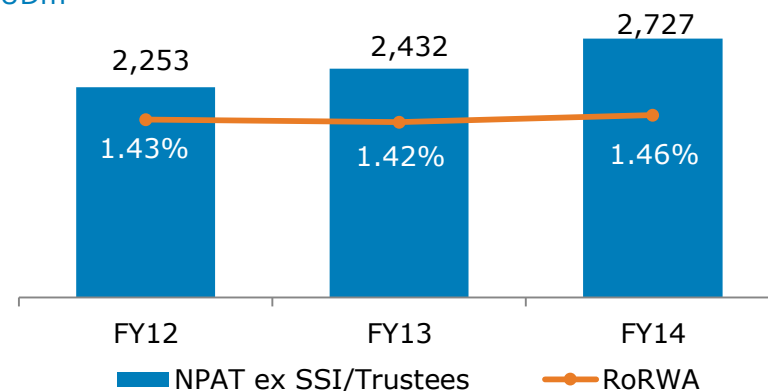


## Improved productivity



## Cash Profit & Return<sup>2</sup>

AUDm



1. Excluding impact of divestments (Trustees, SSI)

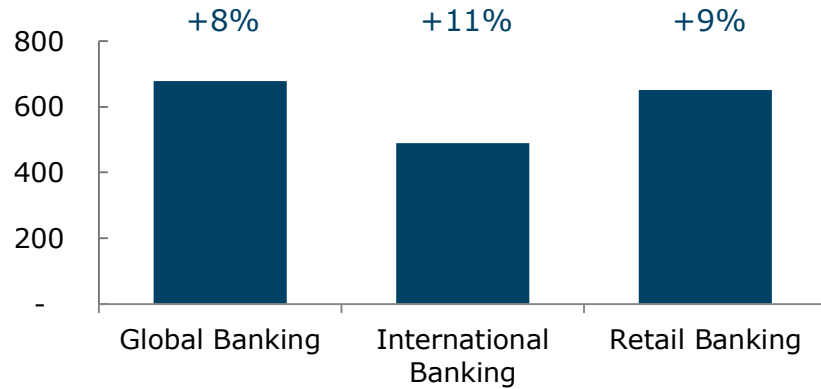
2. RoRWA equals Cash Profit divided by average Basel III risk weighted assets. FY12 Cash Profit has been adjusted to exclude one-off software impairment.



# IIB – Asia delivering growth with improving returns

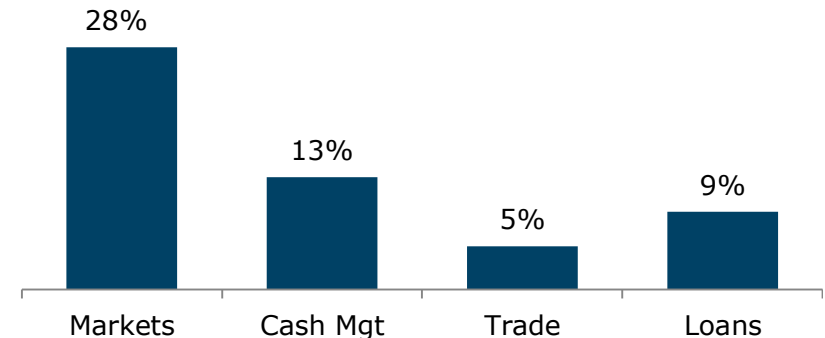
## Strong and balanced customer growth

USDm Revenue

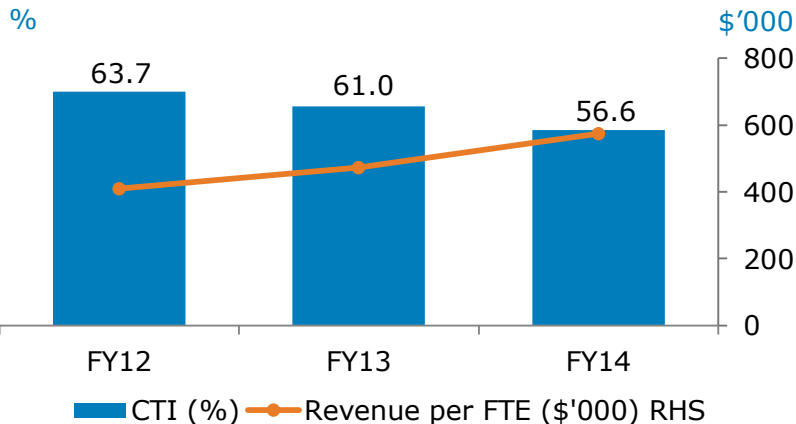


## High quality Revenue growth

USD growth

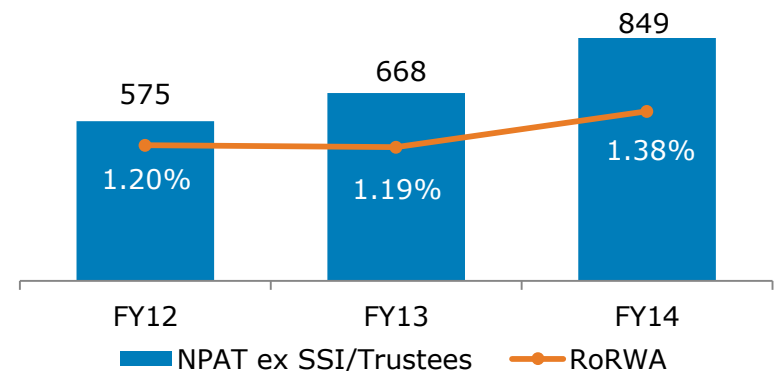


## Improved productivity



## Improving cash profit and return<sup>1,2</sup>

USD m



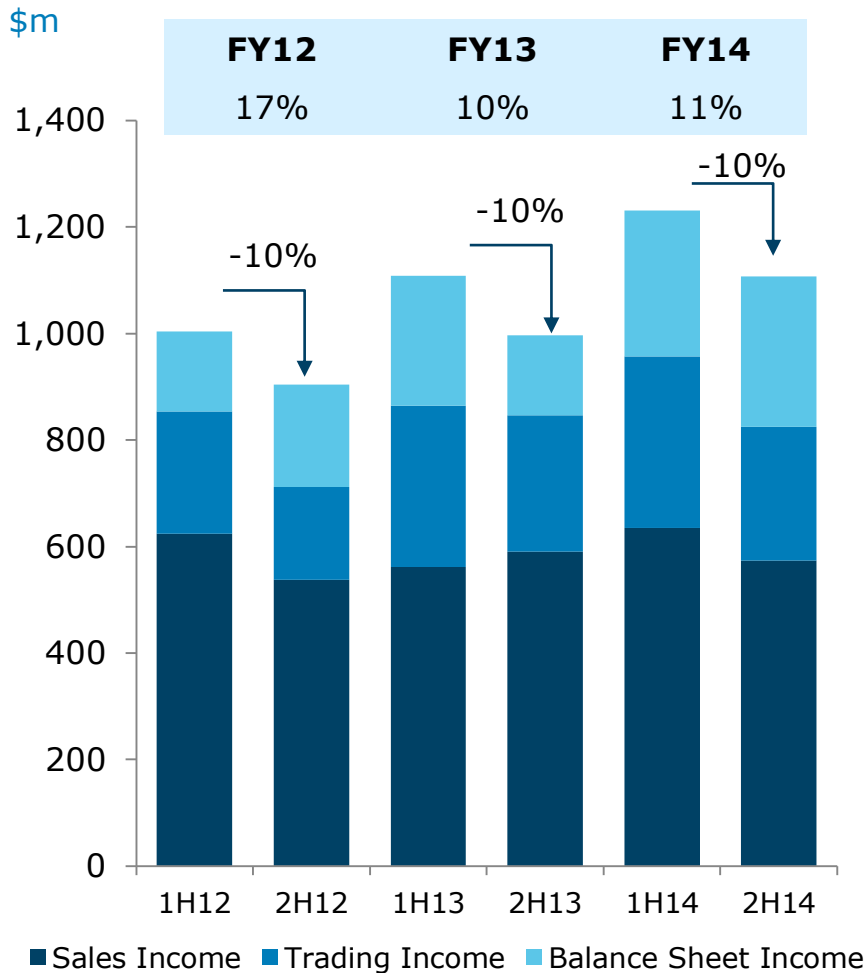
1. RoRWA equals Cash Profit divided by average Basel III risk weighted assets. FY12 Cash Profit has been adjusted to exclude one-off software impairment. 2. excluding impact of divestments (Trustees, SSI)

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# IIB - Markets continuing to grow and diversify

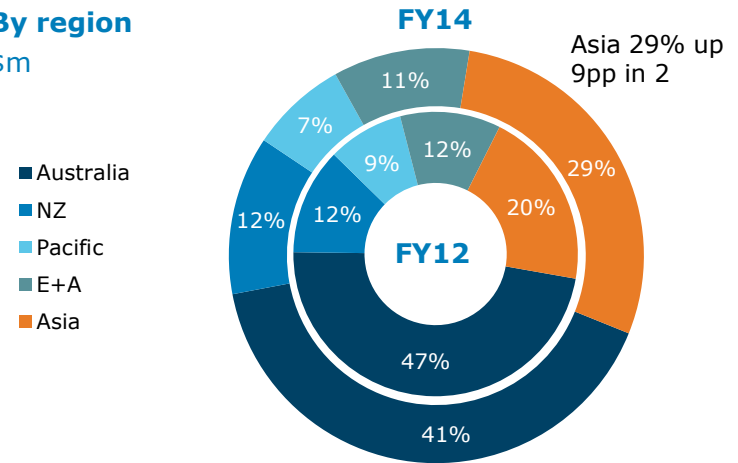
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## Revenue growth



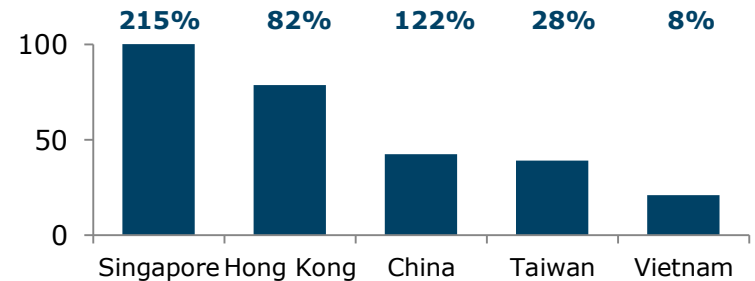
## Revenue diversity

**By region**  
\$m



## Top 5 Asia markets

Indexed FY14 Revenue & 2 year growth rates

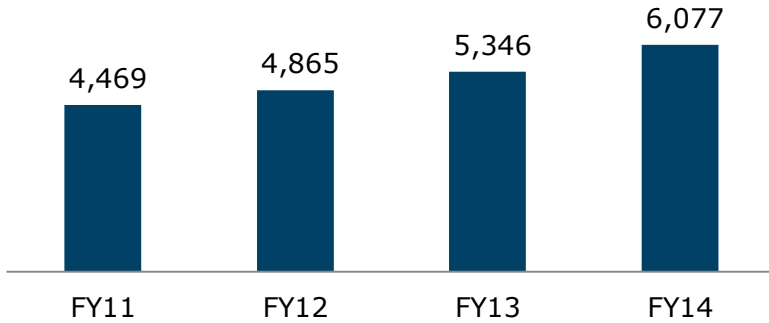


# Operations and Technology - lower cost, better quality

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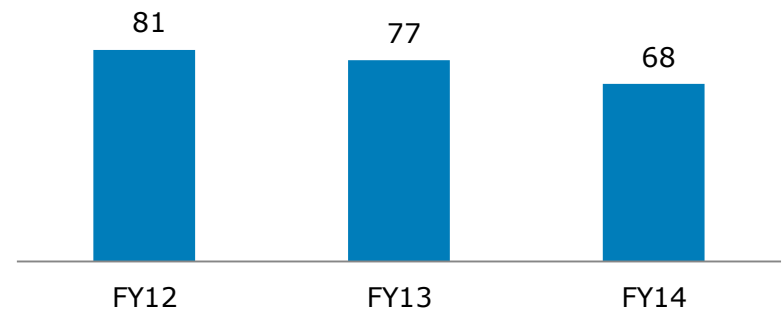
## More productive FTE

Transactions per FTE in international markets



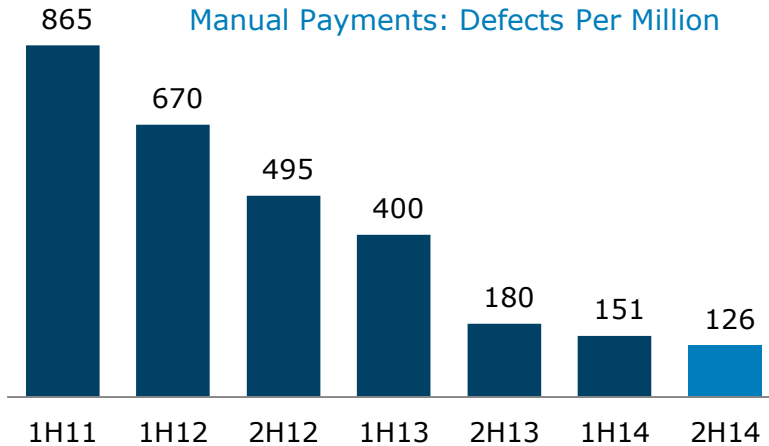
## Lower operations cost per FTE

\$000s per FTE

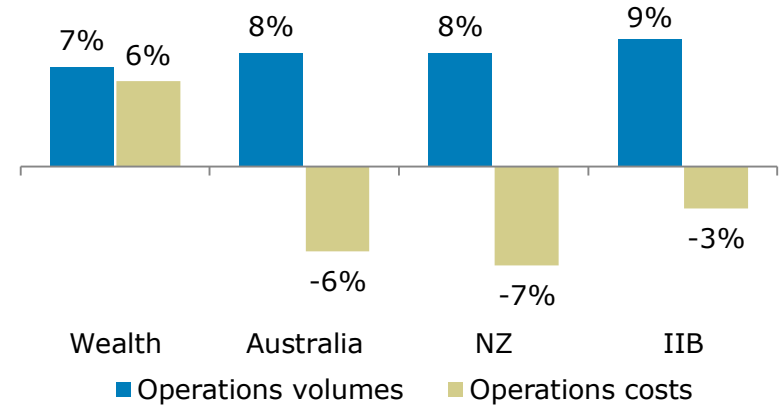


## Rapidly improving quality

Manual Payments: Defects Per Million

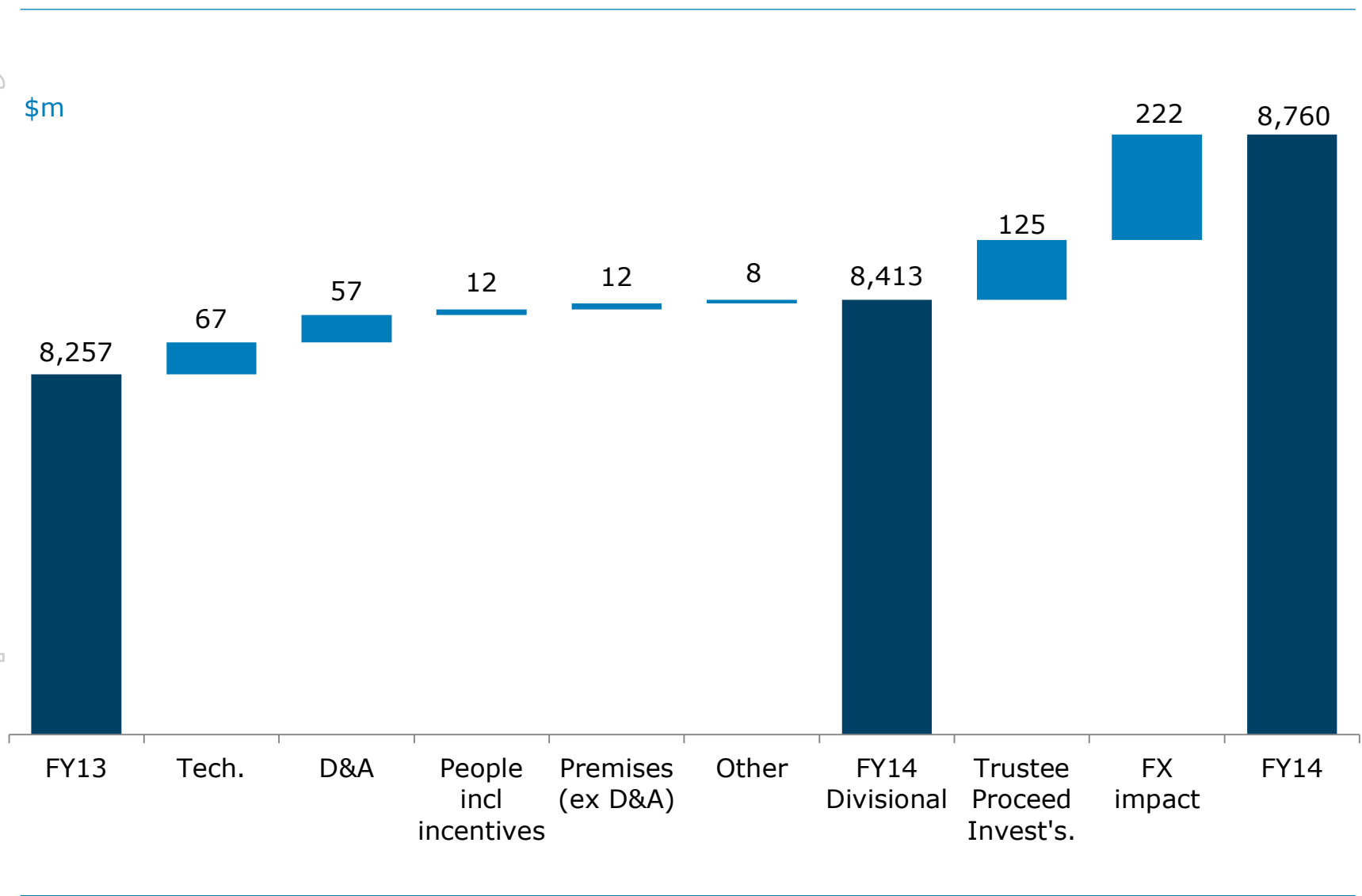


## Producing operating leverage



# Strong Group wide expense discipline

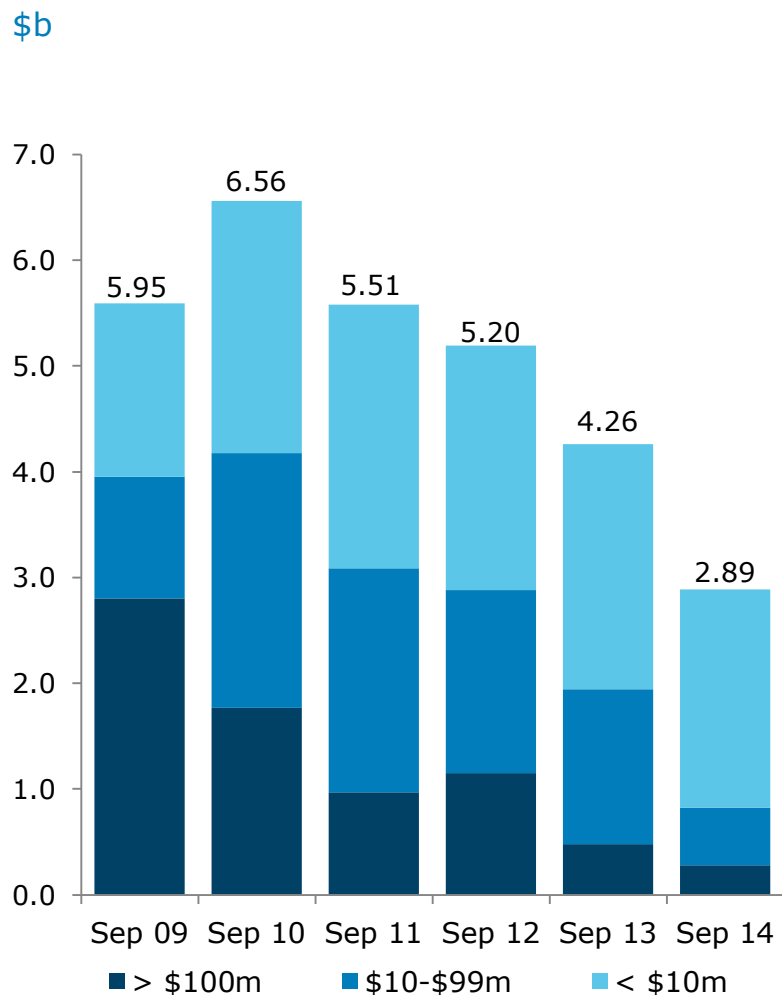
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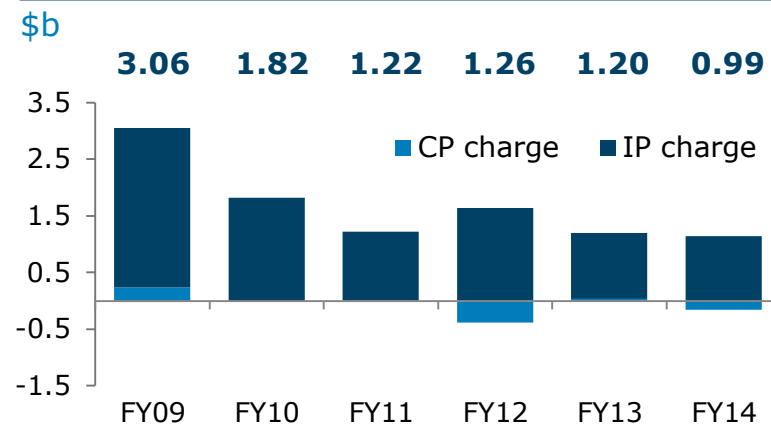
# Portfolio credit quality continues to improve

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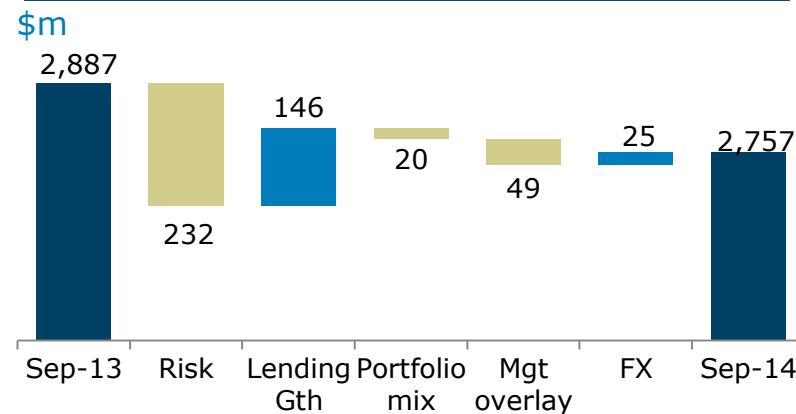
### Gross Impaired Assets



### Total Provision Charge

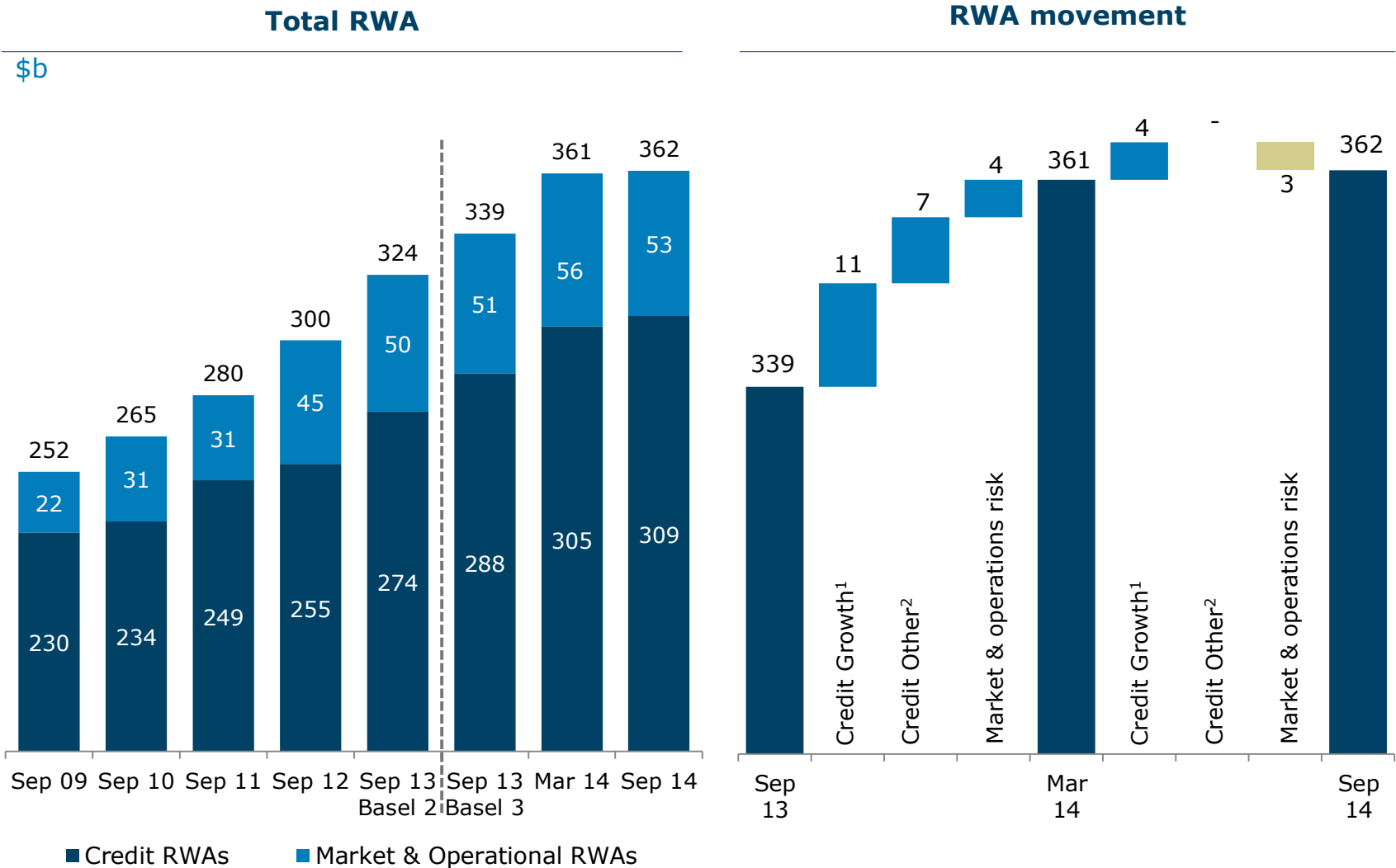


### Collective provision balance by source



# Disciplined management of Risk Weighted Asset growth

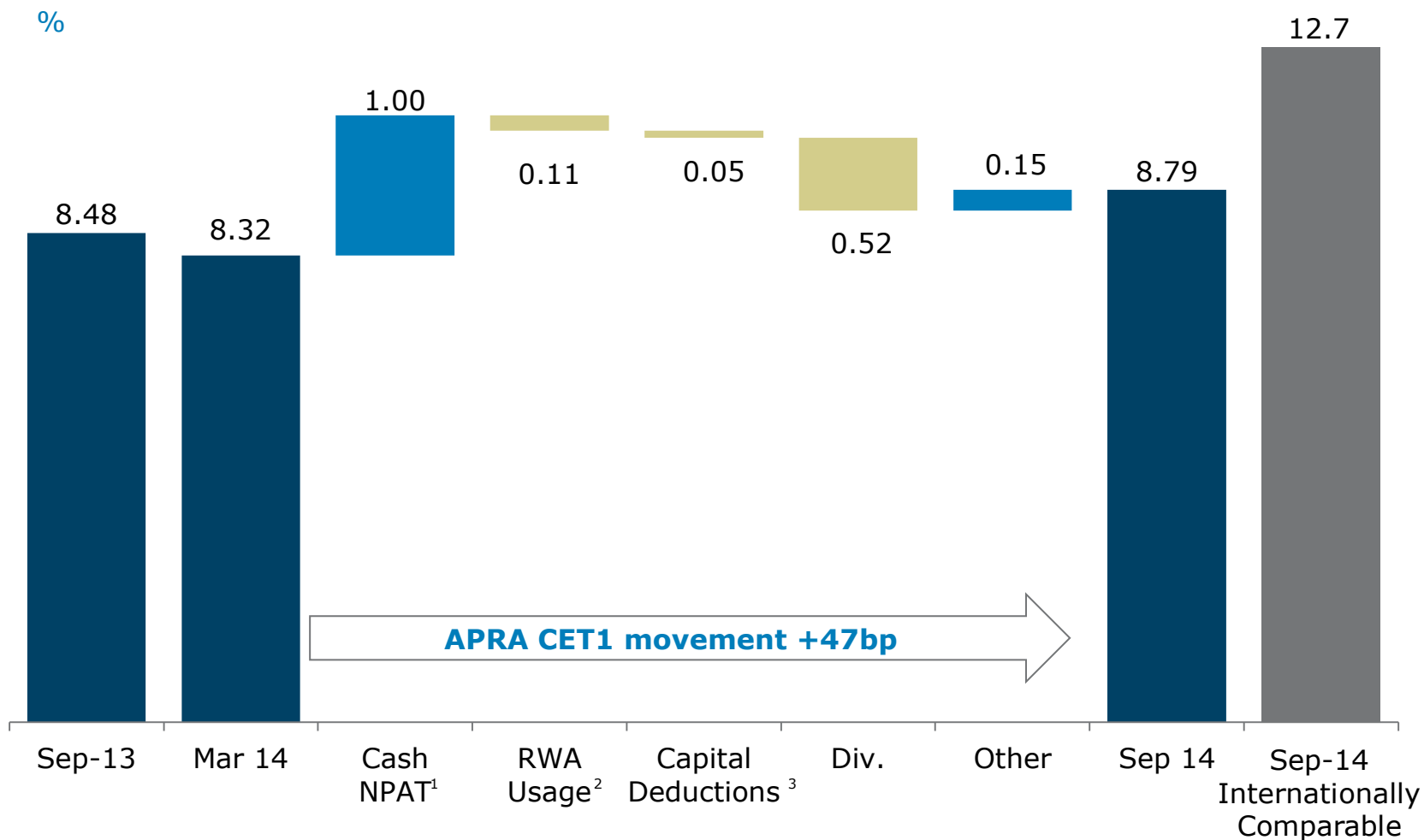
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1. Credit Risk Growth = EAD growth, includes portfolio mix and risk improvement  
 2. Credit Risk Other = Initiatives, Model changes, Regulator changes, FX

# Capital-strong organic generation

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1. Cash earnings net of preference share dividends.

2. Includes impact of expected loss versus eligible provision shortfall.

3. Represents the movement in retained earnings in deconsolidated entities, capitalised software and other intangibles

## SUPER REGIONAL STRATEGY

STRONG CORE  
MARKETS

PROFITABLE  
ASIAN GROWTH

ENTERPRISE  
APPROACH

STRONG LIQUIDITY AND CAPITAL MANAGEMENT

DISCIPLINED AND EXPERIENCED MANAGEMENT



# ANZ strategy delivering growth and returns

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	5 YEAR CAGR			
	ANZ	Peer 1	Peer 2	Peer 3
<b>Revenue</b>	<b>7.0%</b>	<b>5.1%</b>	<b>2.2%</b>	<b>3.5%</b>
Expenses	7.2%	2.9%	6.1%	4.0%
PBP	6.9%	6.9%	(1.4%)	3.2%
Provisions	(19.9%)	(22.4%)	(25.5%)	(25.3%)
<b>Cash NPAT</b>	<b>16.0%</b>	<b>14.9%</b>	<b>6.0%</b>	<b>10.2%</b>
EPS	9.1%	12.7%	2.1%	8.4%
<b>ROE</b>	<b>+340bp</b>	<b>+290bp</b>	<b>-220bp</b>	<b>+510bp</b>

ANZ analysis based on latest available company financial information or consensus data

# 2014 FULL YEAR RESULTS

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AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED  
31 October 2014

Shayne Elliott  
Chief Financial Officer  
Additional Information

# Performance versus targets

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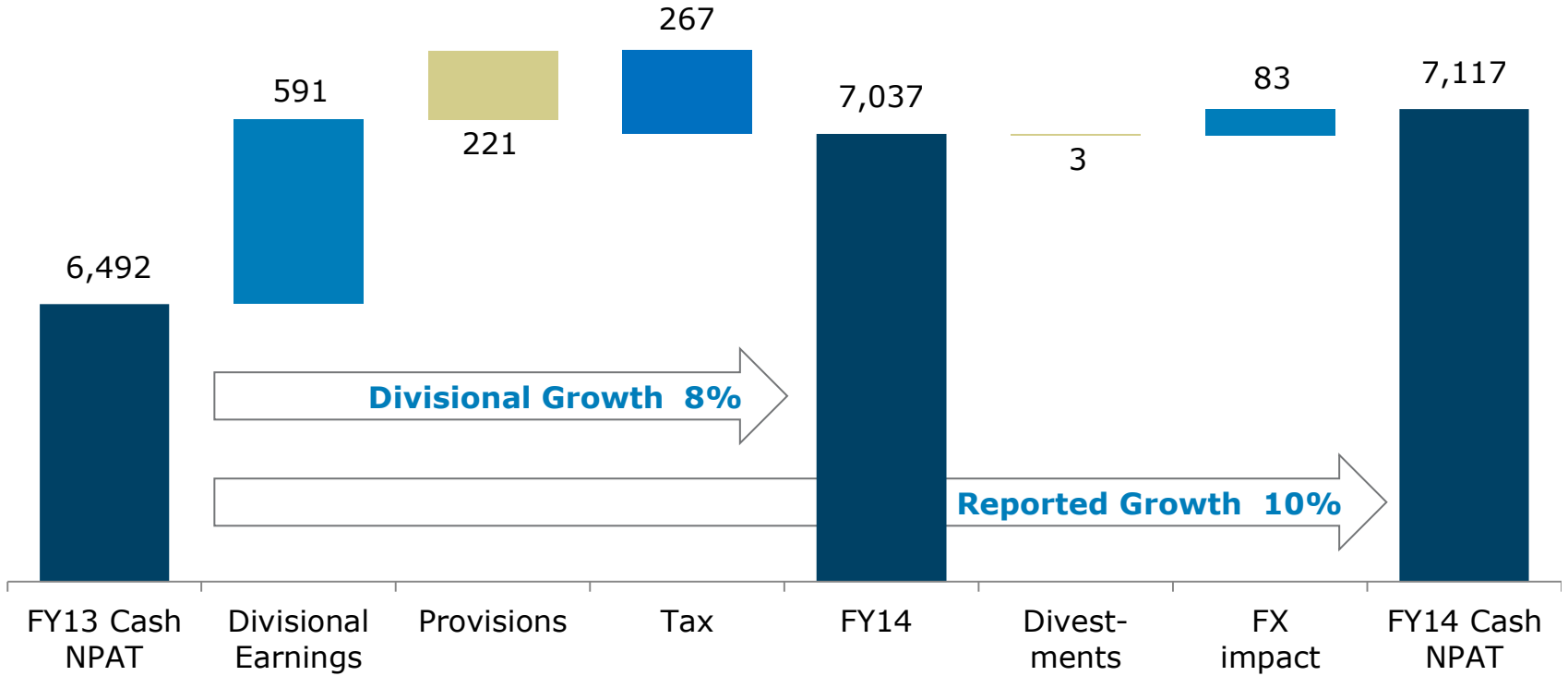
	Target	FY14 <sup>1</sup>
<b>FY14</b>		
Revenue Growth	4%-5%	4.0%
Expense Growth	2%	1.8%
<b>FY16</b>		
ROE	16%+	15.4% & improving
CTI	<43%	44.3% & improving
Capital (CET1)	"High 8's"	8.8% & improving

1. FX adjusted (calculated on constant currency) and excluding impact of divestments (Trustees, SSI)

# Cash profit

## 2014 Full Year Cash Profit

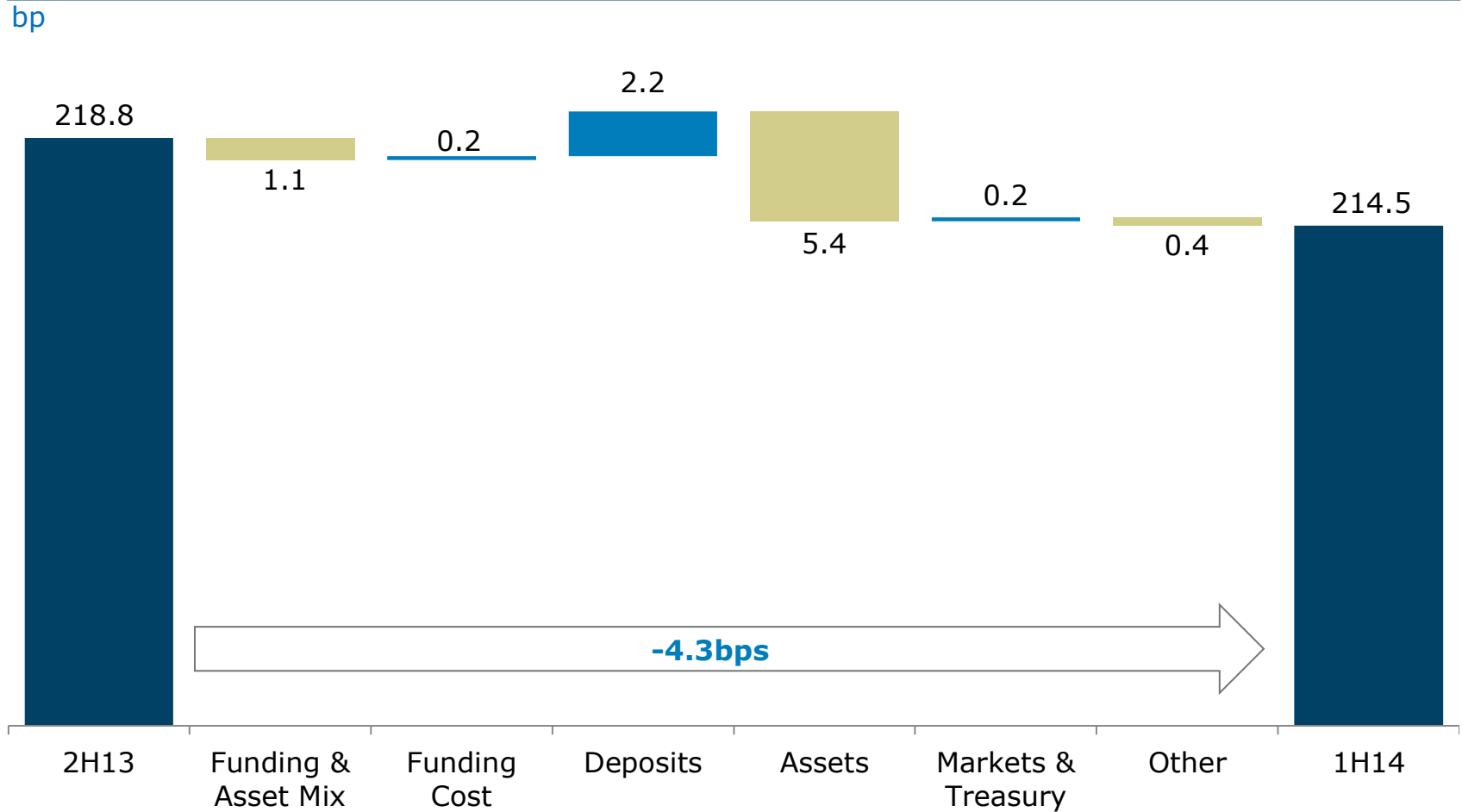
\$m



Divestments include Sale of Trustees (within Global Wealth Division) and SSI (within IIB Division)

# First half NIM

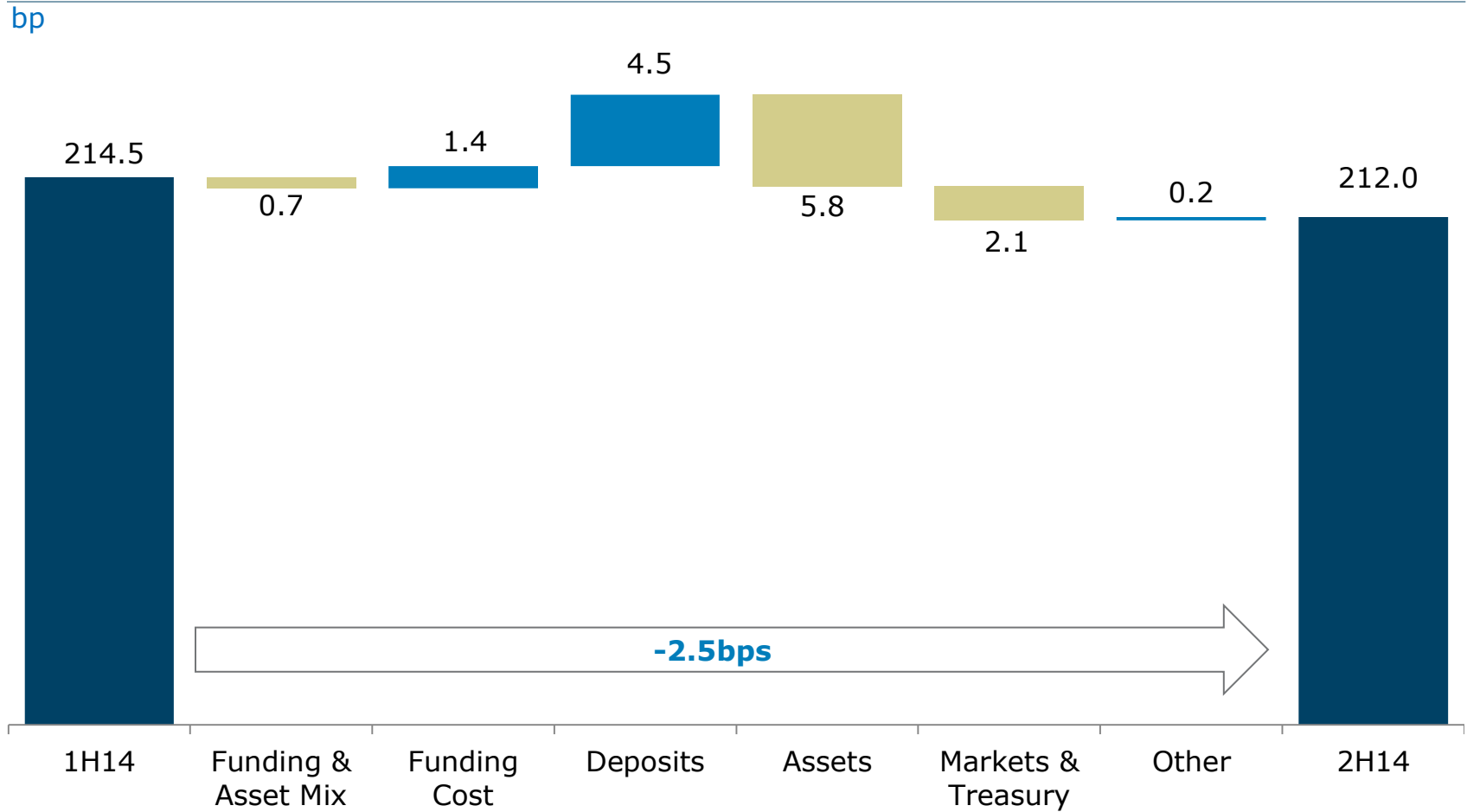
## 1H14 Group Net Interest Margin movement



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# Second half NIM

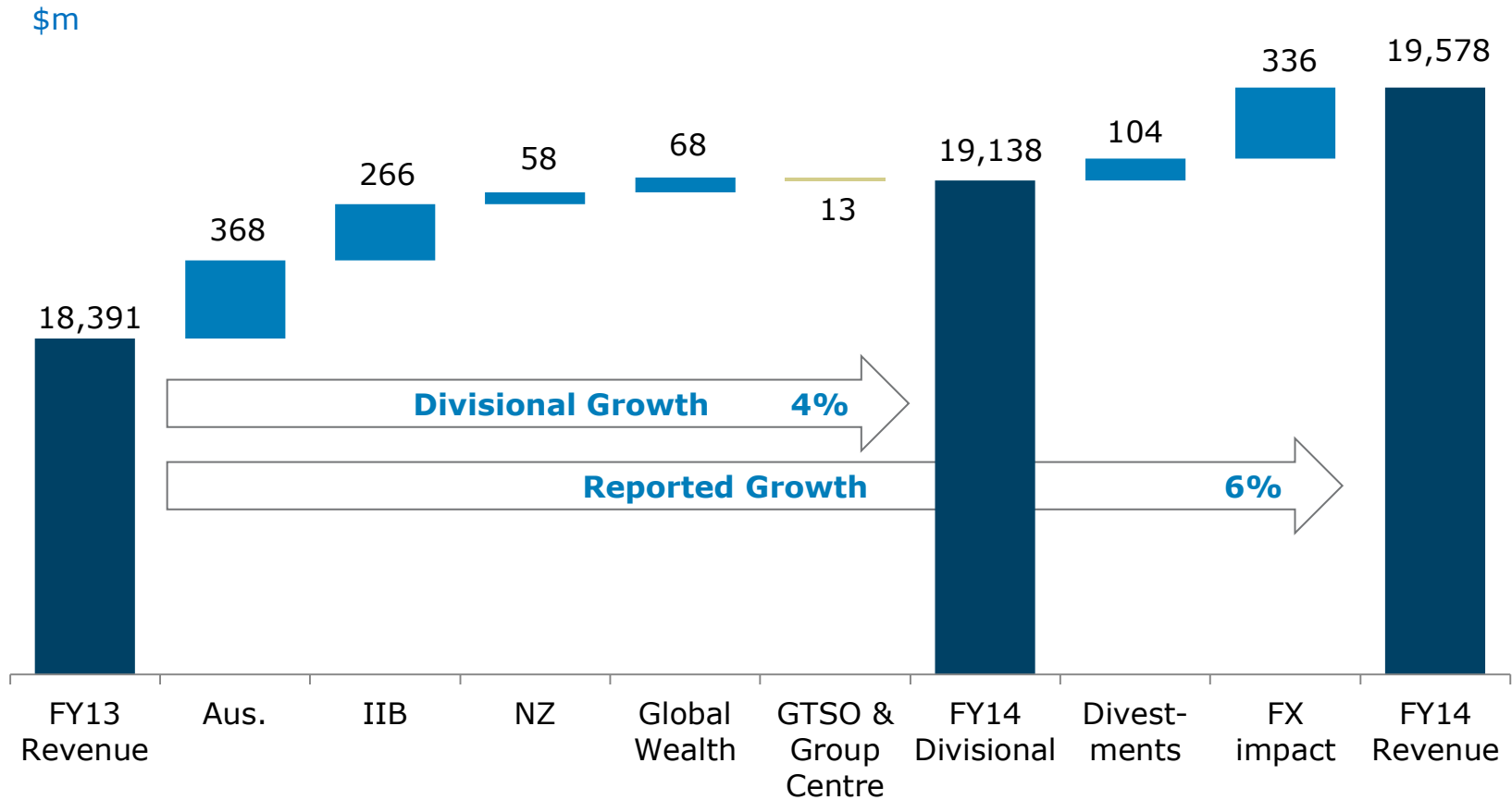
## 2H14 Group Net Interest Margin movement



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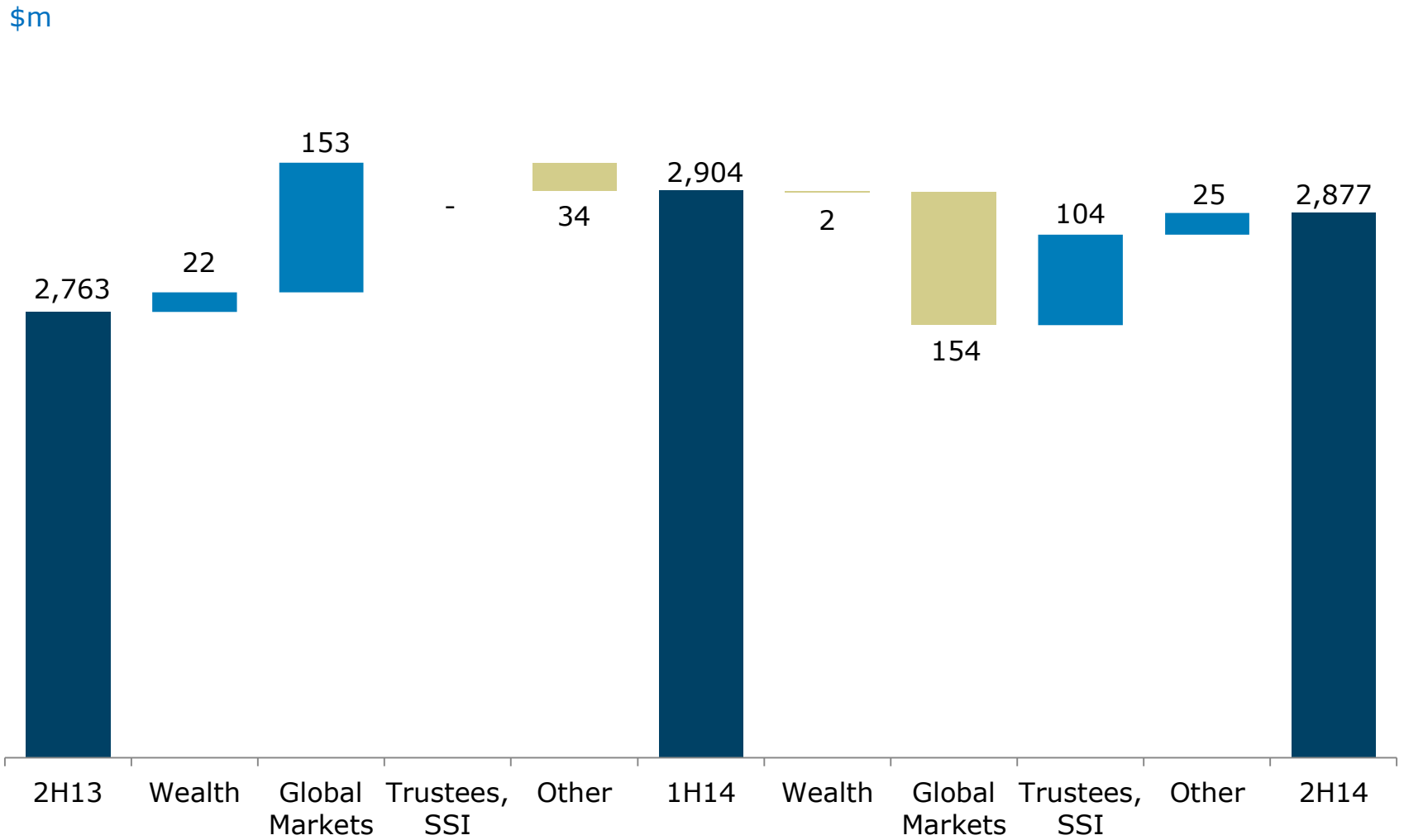
# Revenue by Divisions

2014 Full Year Revenue by Division



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# Other Operating Income

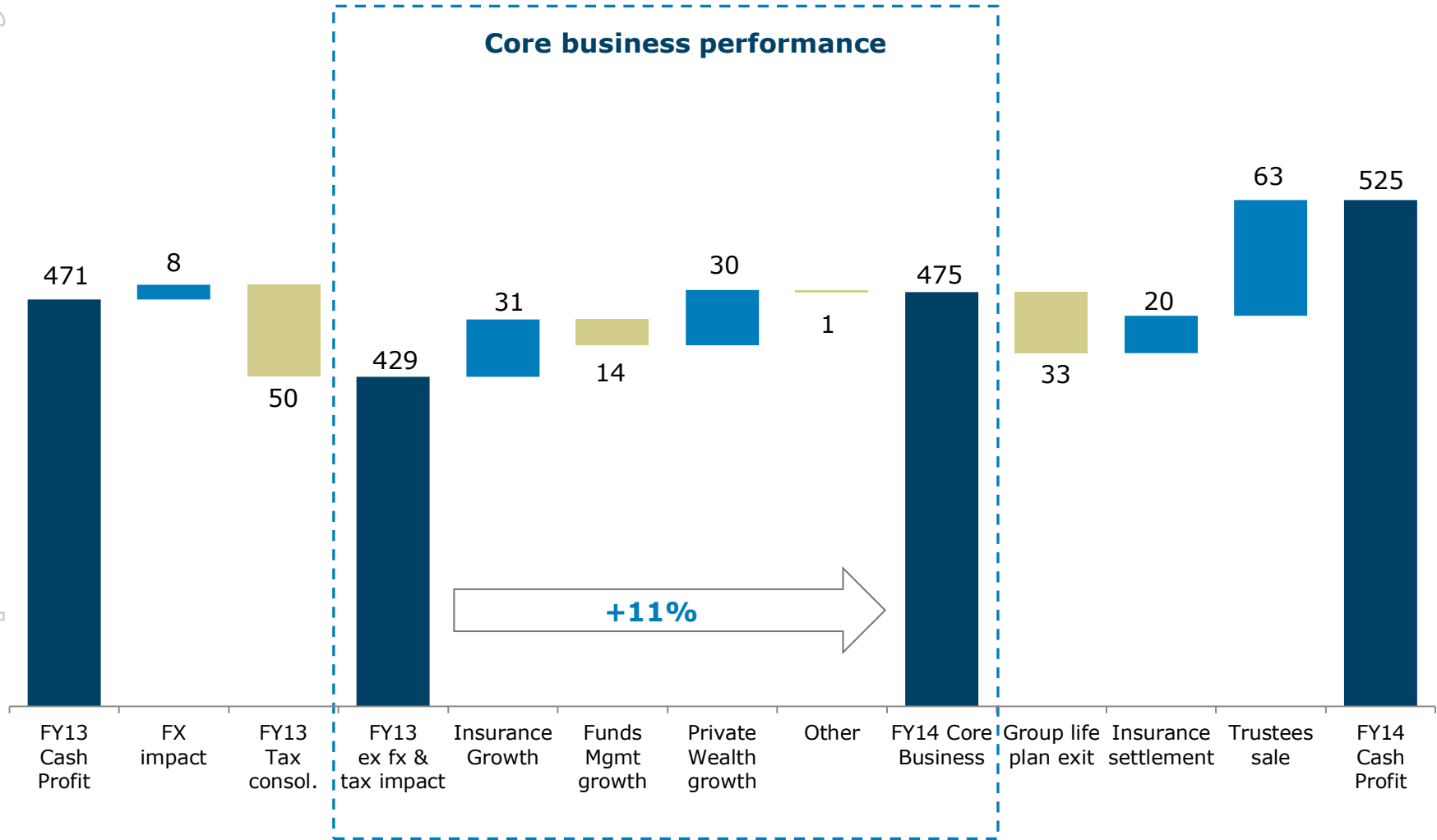


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# Global Wealth Reconciliation of Reported Numbers

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1. Includes a non-recurring insurance settlement net gain of \$20m after tax

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# 2014 FULL YEAR RESULTS

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AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED  
31 October 2014

Treasury



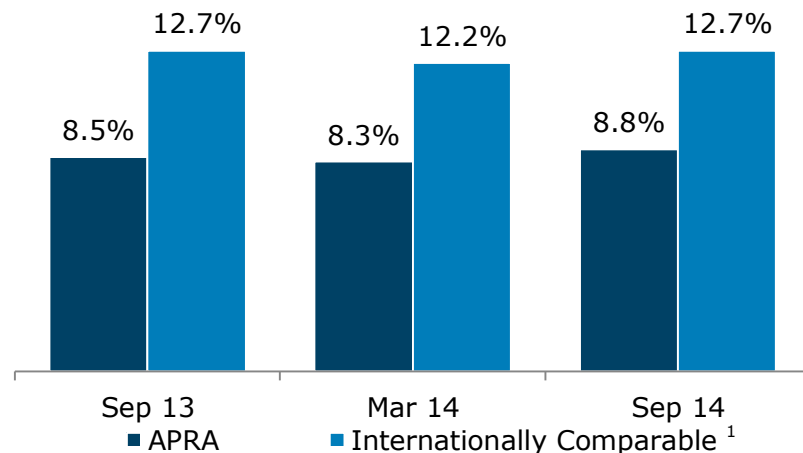
# ANZ is well capitalised

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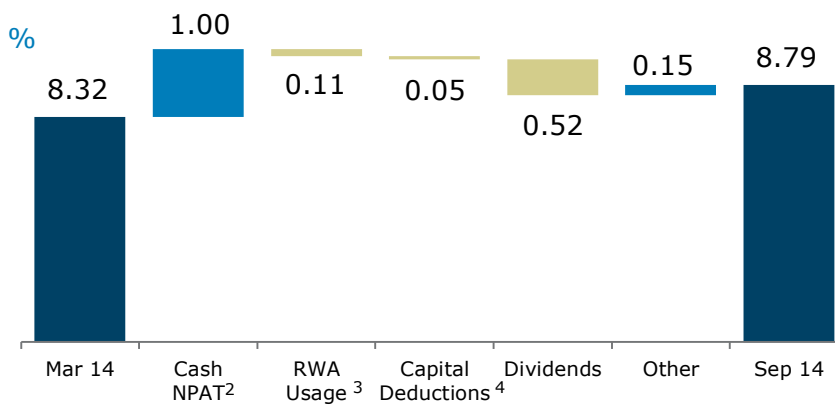
## Capital Update

- Strong organic capital generation in 2H14 of 84bps. Growth in CET1 of 47bps in 2H14 to 8.8% largely reflects an ongoing focus on capital efficiency
- 1% CET1 D-SIB capital build largely complete (D-SIB implementation in January 2016)
- Internationally Comparable<sup>1</sup> CET1 ratio is ~3.9% higher than under APRA basis. Reflects variances between Basel III under APRA and Basel standards
- Dividend payout to remain towards upper end of 65-70% range. Consistent with 1H14, no DRP neutralisation or discount will apply

## Basel 3 Common Equity Tier 1 (CET1)



## APRA CET1 Movement Sep 2014 v Mar 2014



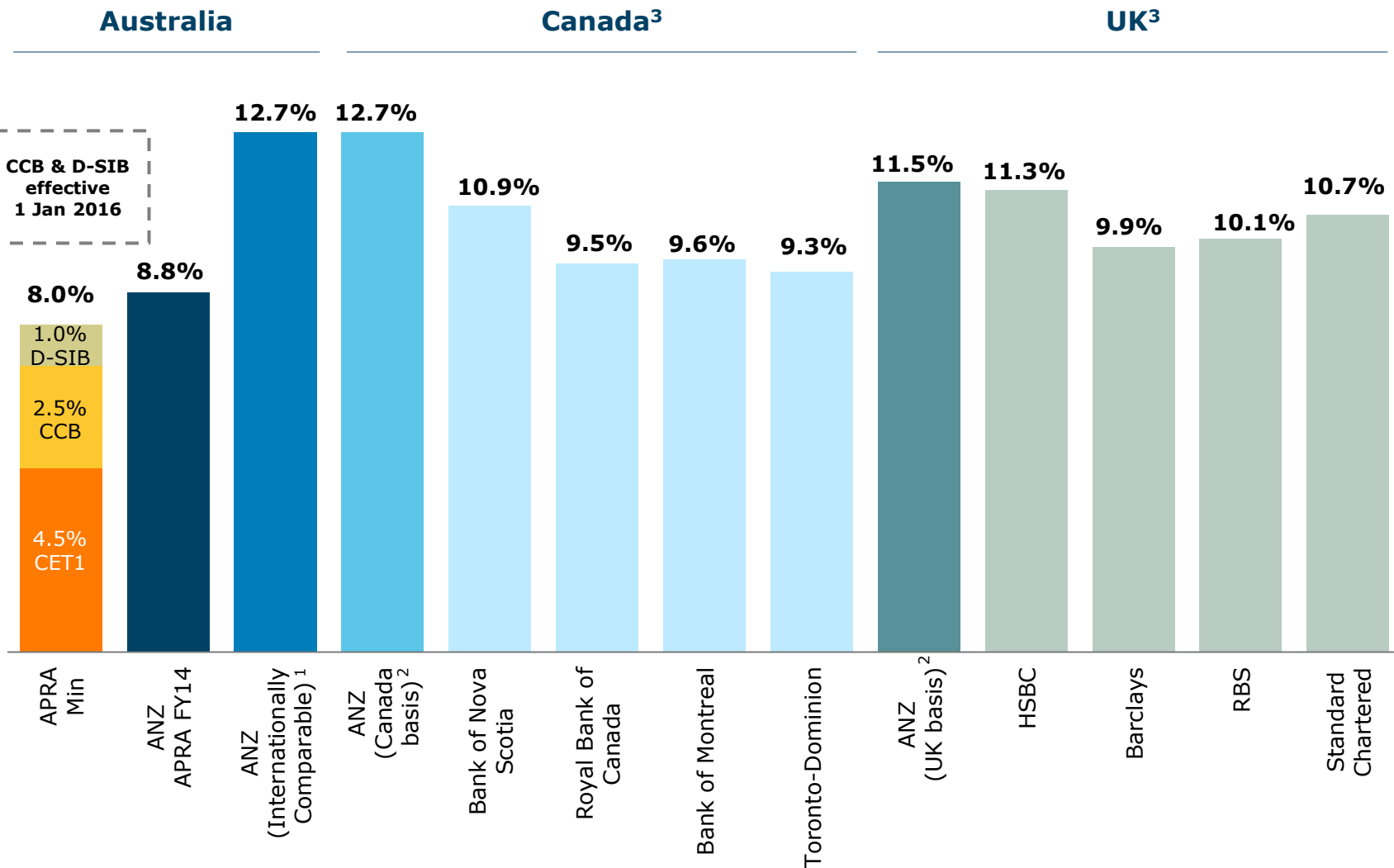
## Capital Reconciliation Under Basel 3

	CET1	Tier 1	Total Capital
<b>APRA</b>	<b>8.8%</b>	<b>10.7%</b>	<b>12.7%</b>
10%/15% allowance for equity investments and DTA	1.0%	0.9%	0.9%
Mortgage 20% LGD floor	0.4%	0.5%	0.5%
IRRBB RWA (APRA Pillar 1 approach)	0.4%	0.4%	0.5%
Specialised Lending (Advanced treatment)	0.4%	0.4%	0.5%
Corporate undrawn EAD and unsecured LGD adjustments	1.5%	1.8%	2.1%
Other items	0.2%	0.3%	0.3%
<b>Internationally Comparable</b>	<b>12.7%</b>	<b>15.0%</b>	<b>17.5%</b>

1. Methodology per *Australian Bankers' Association: International comparability of capital ratios of Australia's major banks* (August 2014). Prior year comparatives have been restated based on current methodology; 2. Cash earnings net of preference share dividends; 3. Includes impact of expected loss versus eligible provision shortfall; 4. Represents the movement in retained earnings in deconsolidated entities, capitalised software and other intangibles.

# ANZ's CET1 ratio compares favourably to global peers on an Internationally Comparable basis at 12.7%

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1. Methodology per *Australian Bankers' Association: International comparability of capital ratios of Australia's major banks* (August 2014)

2. ANZ estimates

3. Peer data per most recent Capital Adequacy and Risk Management (Pillar 3) disclosures

# Regulatory capital generation

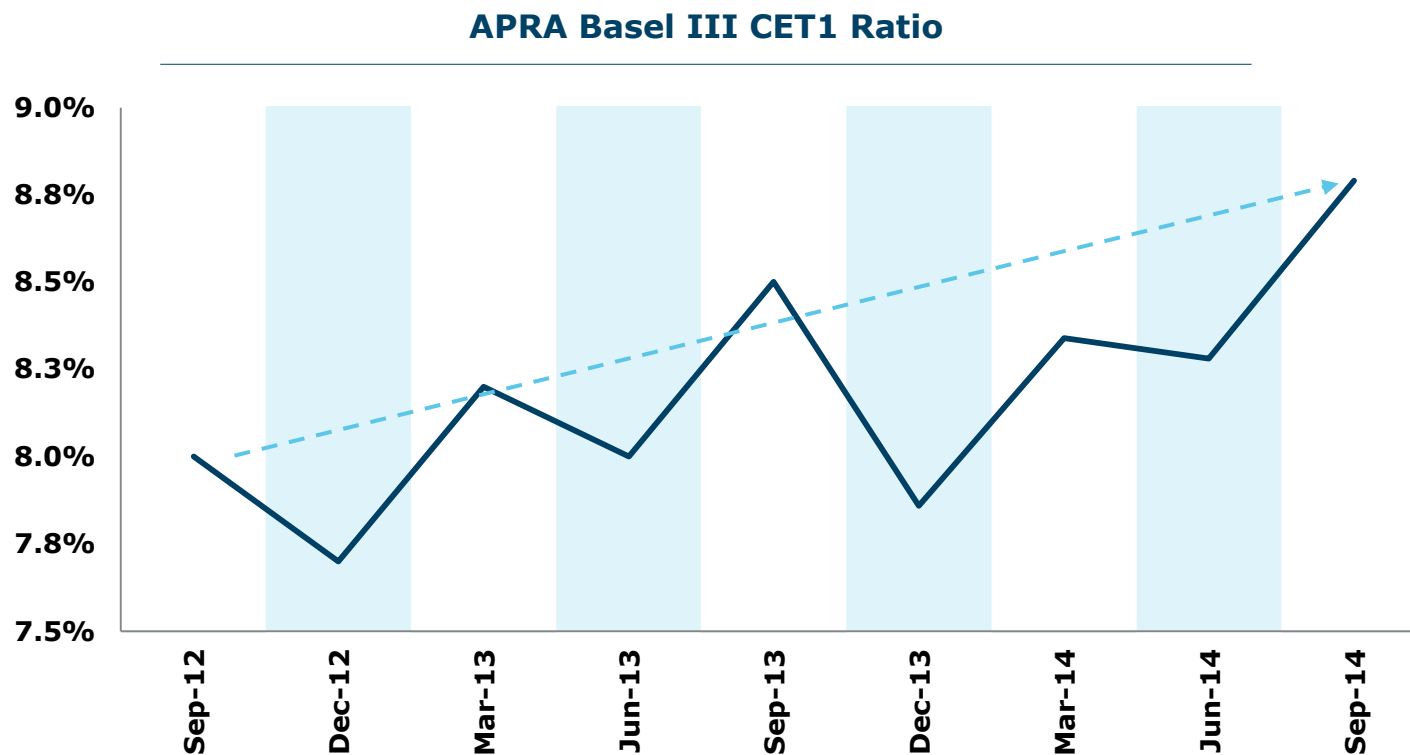
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	<b>3 year average FY11-14 bps of CET1 pa<sup>1</sup></b>
<b>Capital generation</b>	
<b>Cash profit</b>	198
<b>Capital utilisation</b>	
<b>RWA growth</b> Average 6% pa FY11-14	(44)
<b>Capital deductions</b> Primarily earnings retained in non-consolidated subsidiaries	(23)
<b>Net dividends</b> <ul style="list-style-type: none"> <li>• Target payout 65-70% of cash profit</li> <li>• Average DRP participation ~20% with no discount, or ~40% with 1.5% discount. 1.5% discount would have added ~28bps to CET1 ratio pa on average over this period.</li> </ul>	(105)
<b>Other</b>	18
<b>Net CET1 ratio movement</b>	<b>44</b>

1. Basel III basis

# Common Equity Tier 1 generation and dividend payments

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Note: shaded quarters represent declaration of dividends. Basel III basis.

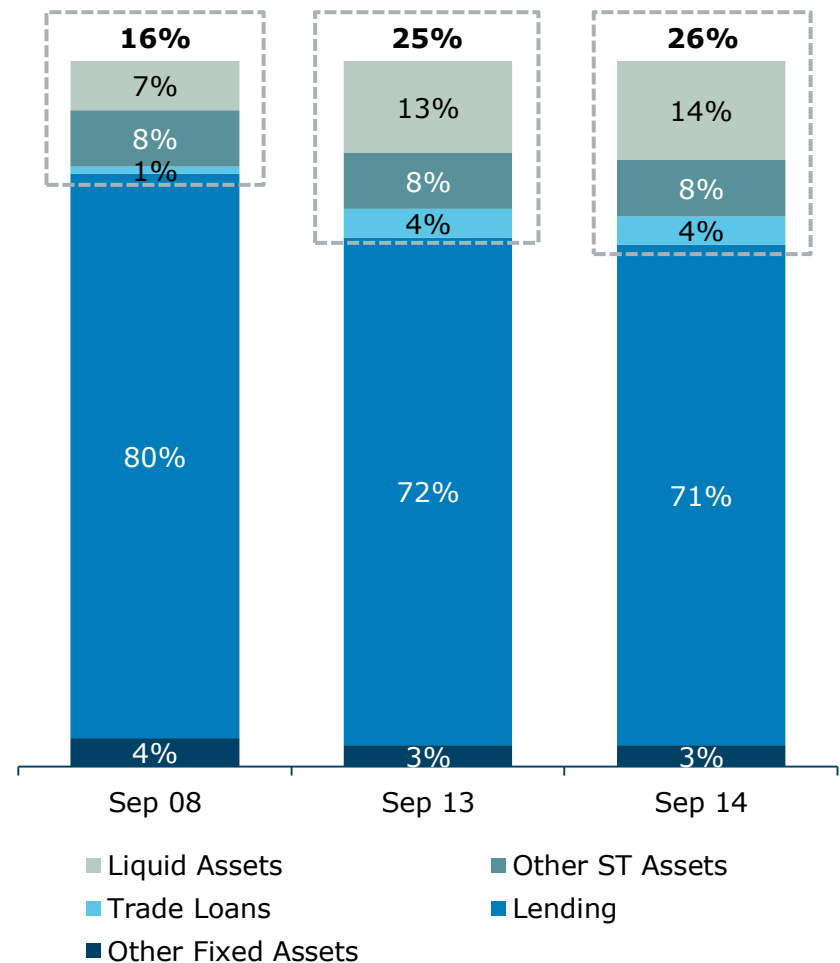
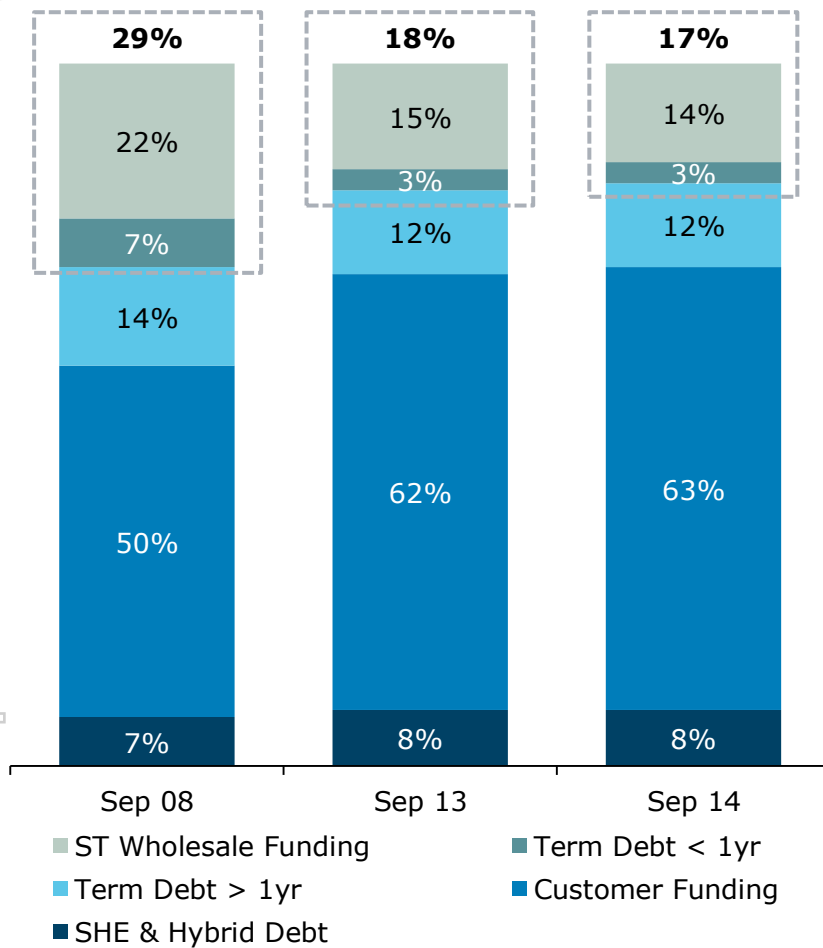
- Under Basel III (from January 2013), dividends are only deducted from regulatory capital in the quarter in which they are declared. This results in volatility in quarterly reported capital ratios
- To assess the underlying regulatory capital position, dividend payments should be adjusted to accrue evenly over the year, aligned with profit generation

# Stable balance sheet composition

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## Funding mix

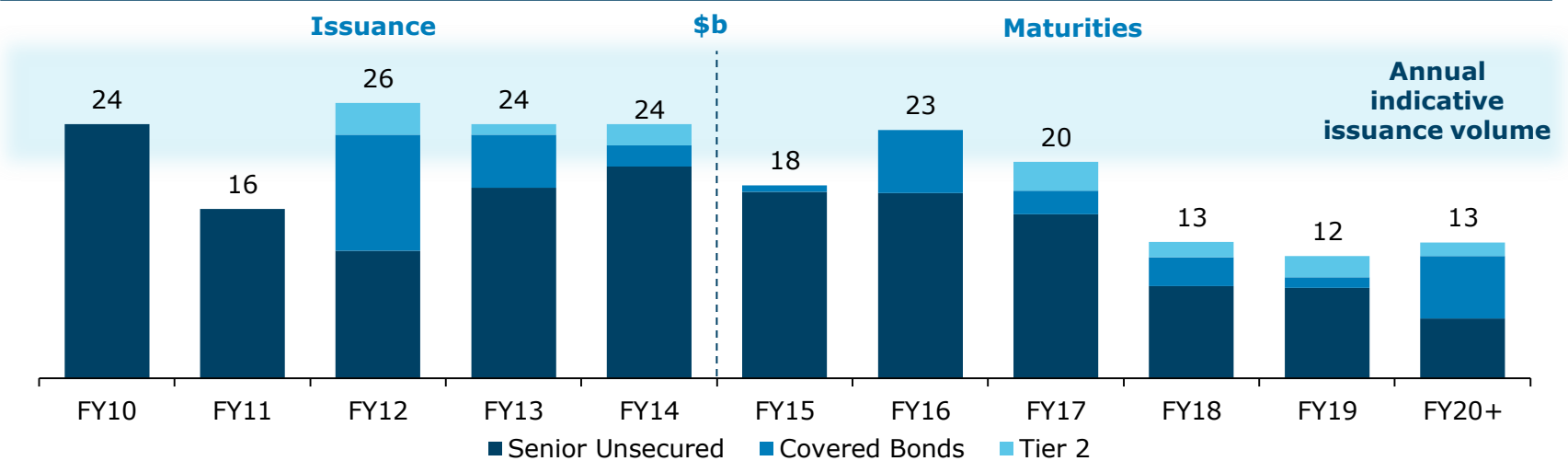
## Asset tenor mix



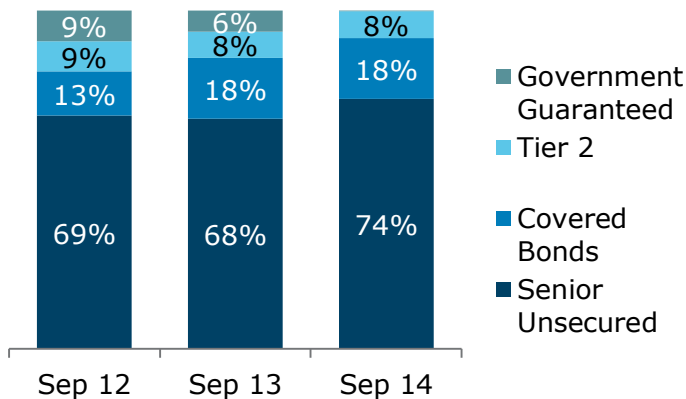
# Term wholesale funding portfolio – consistent and well diversified

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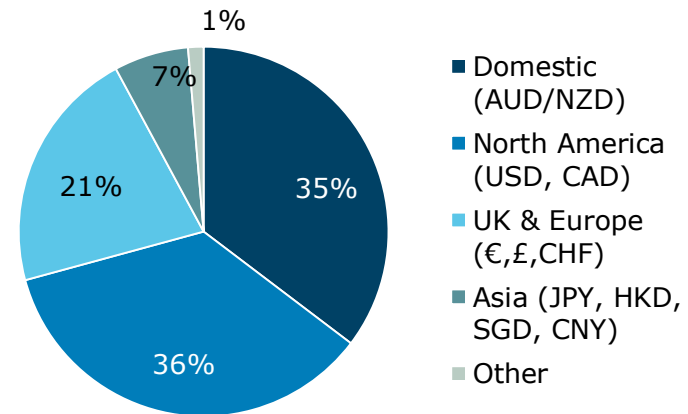
## Term Funding Profile



## Portfolio by Type



## Portfolio by Currency



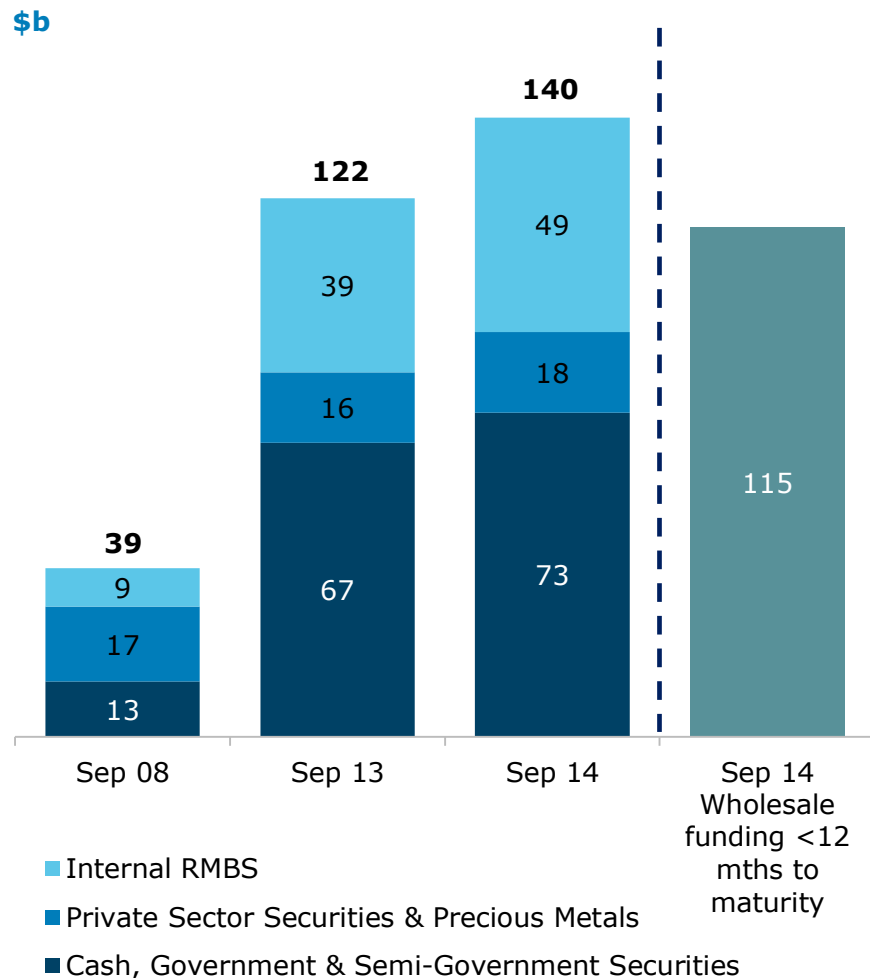
Note: All figures based on historical FX; and excludes hybrids. Includes transactions with a call or maturity date greater than 12 months as at 30 September 2014 in the respective year of issuance



# Liquidity – well positioned ahead of LCR implementation

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## Liquid Assets<sup>1</sup>



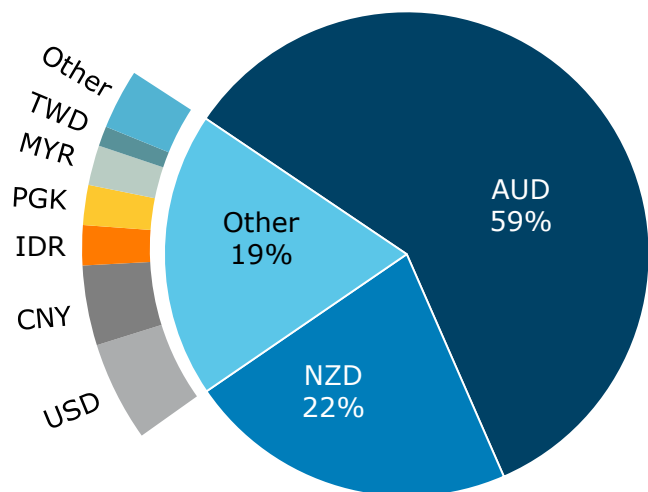
## Liquidity Update

- As a result of a shortage of HQLA including government bonds in Australia, APRA will allow banks to meet some of their Basel III Liquidity Coverage Ratio (LCR) requirement via a Committed Liquidity Facility (CLF)
- The CLF is operated by the Reserve Bank of Australia and provides banks with access to a pre-specified amount of liquidity accessible via repo agreements
- ANZ has completed preparation for the implementation of the LCR from 1 January 2015 including holding assets required as part of CLF
- Liquid assets comfortably exceed wholesale funding maturities over the next twelve months.

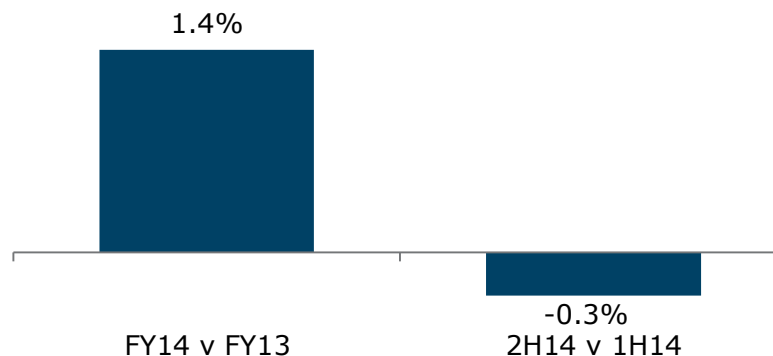
1. Post RBA haircut

# Foreign currency hedging – earnings benefit from lower AUD

**FY14 Earnings Composition (by currency)**

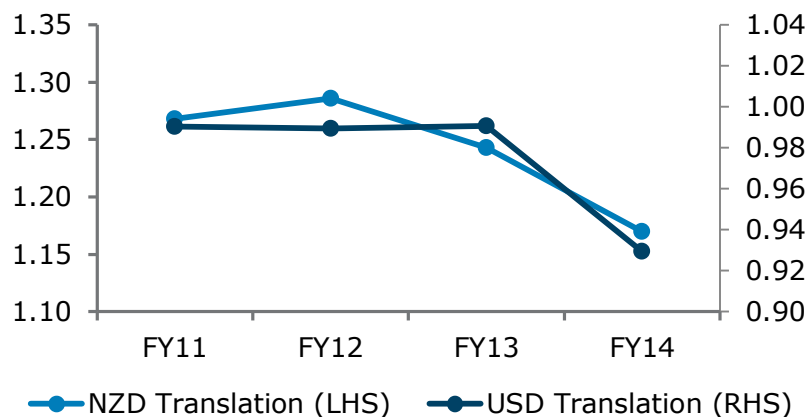


**Earnings per Share FX Impact**



- The key objective of hedging is to manage short term EPS volatility arising from foreign currency earnings
- Hedges currently in place:
  - FY15: ~70% of NZD and ~55% of USD (incl. USD correlated) earnings
  - FY16: ~20% of expected foreign earnings
- At 30 September 2014 FX rates, the expected impact of FX movements on FY15 earnings (inclusive of hedges) is positive ~1.2% EPS
- Hedging has reduced the impact of a 5% movement of the AUD to less than 1% for FY15 EPS.

**Translation Rates (inclusive of hedges)**



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# FX Sensitivity – illustrating the impact of FX

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Metric	Full Year impact of 5% fall in AUD <sup>1</sup>	Comments
<b>Income statement</b>		
Revenue	~+\$250m or ~+1.3%%	<ul style="list-style-type: none"> <li>Impact from translation of foreign currency revenue, offset by the impact of hedging losses</li> </ul>
Operating expenses	~+\$175m or ~+2.0%	<ul style="list-style-type: none"> <li>Impact from translation of foreign currency expenses</li> </ul>
Cash profit	~+\$70m or ~+0.9%	<ul style="list-style-type: none"> <li>The net result of the above</li> </ul>
Net interest margin	~-0.5bp	<ul style="list-style-type: none"> <li>Mix impact due to a higher relative contribution from lower risk and lower margin Asian lending</li> </ul>
Cost to income ratio	+30bps	<ul style="list-style-type: none"> <li>The impact on FX revenue and expenses largely offset each other. However, losses on the hedges of profit are booked against income, adversely impacting CTI</li> </ul>
<b>Balance sheet</b>		
CP/ CRWA	~-0.5bps	<ul style="list-style-type: none"> <li>CP overlays in AUD whereas a proportion of CRWA is denominated in foreign currencies</li> <li>Further impact from higher CRWA on FX derivatives with no corresponding CP (derivatives are marked-to-market and attract CVA)</li> </ul>
Funding flows from cross currency swaps	~\$2 to \$3bn inflow	<ul style="list-style-type: none"> <li>Collateral flows under cross currency swaps used to hedge existing offshore funding liabilities.</li> </ul>
Return on equity	-20bps	<ul style="list-style-type: none"> <li>Mix impact from geographies that currently have lower ROEs.</li> <li>Timing impact from mismatch between FCTR change and foreign earnings which are substantially hedged near-term.</li> <li>Little or no impact to capital ratio.</li> </ul>

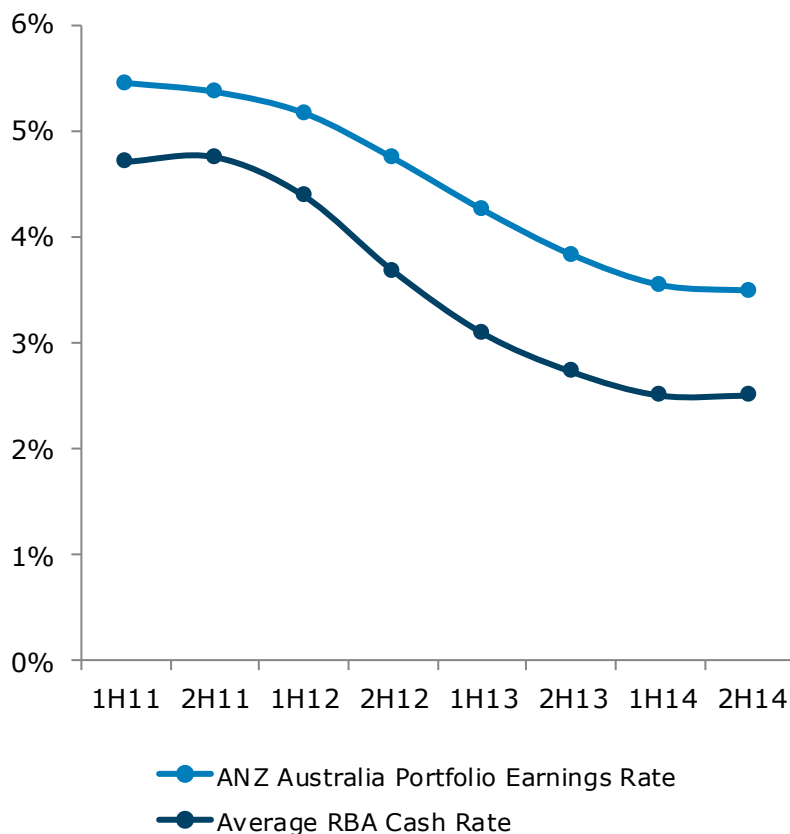
1. Impact from a lower AUD relative to foreign currencies including impact of hedges

# Capital and replicating portfolio – low interest rates no longer a headwind

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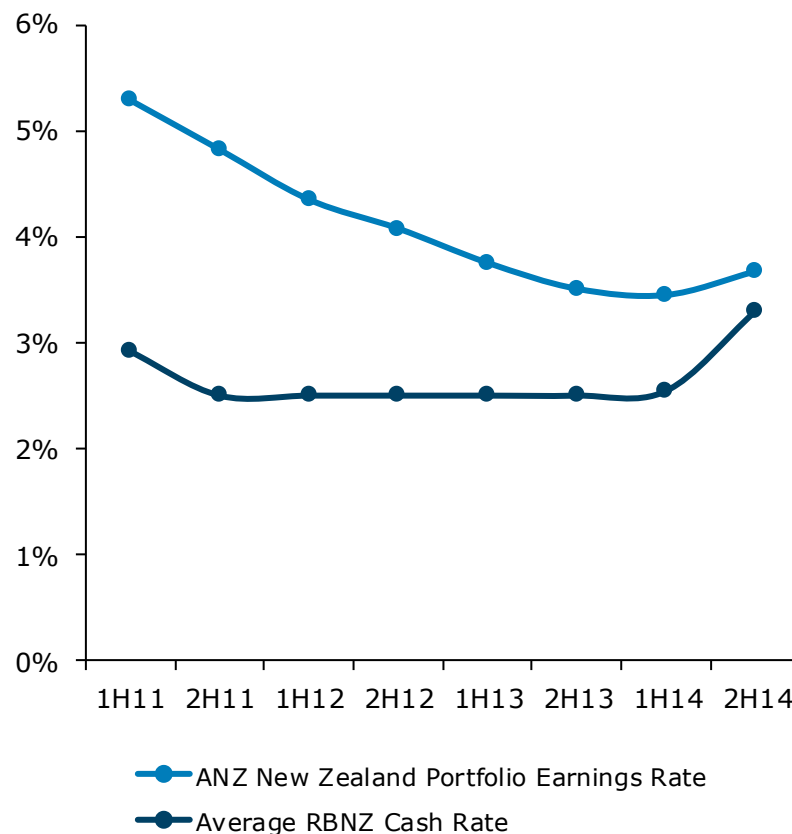
## Australia

**2H14: ~\$170m portfolio earnings benefit relative to the average RBA cash rate**



## New Zealand

**2H14: ~A\$25m portfolio earnings benefit relative to the average RBNZ cash rate**



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# 2014 FULL YEAR RESULTS

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AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED  
31 October 2014

Risk Management



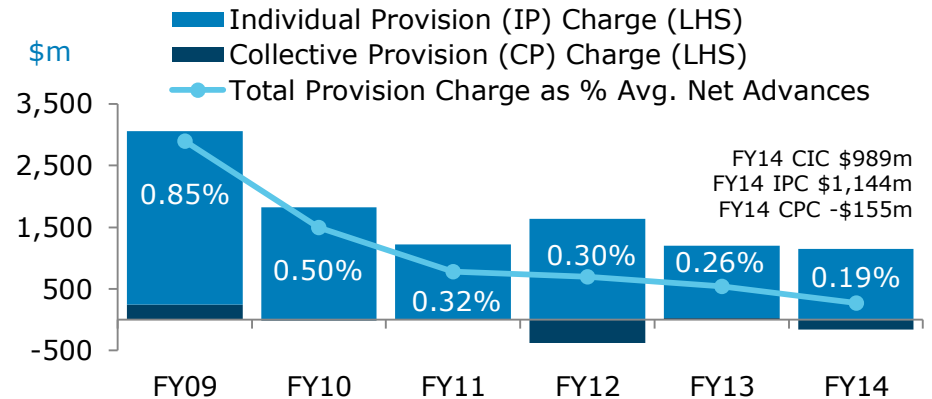
# Benign conditions & disciplined management actions drove result

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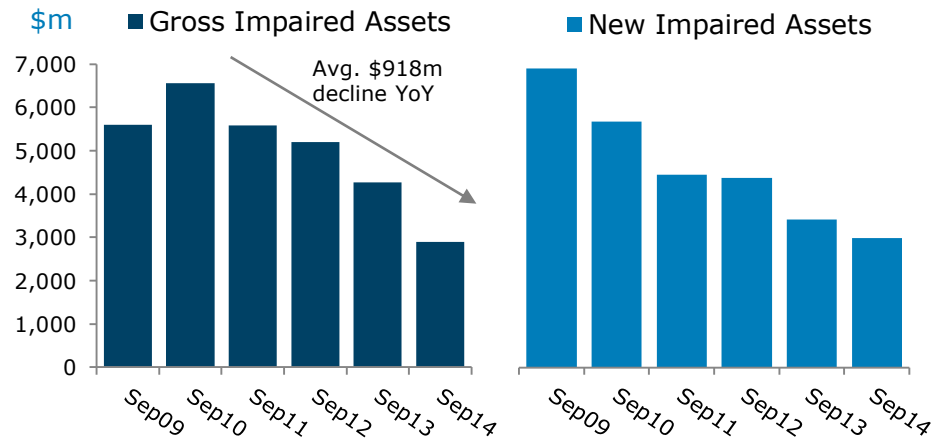
## Credit quality

<b>▼32%</b>	Gross impaired assets \$2,889m
<b>▼17%</b>	Credit impairment charge \$989m
<b>▲7%</b>	Total risk weighted assets \$362b
<b>▲10%</b>	Credit exposure (EAD) \$813b <sup>1</sup>
<b>89bps</b>	CP coverage ratio (CP/CRWA)

## Provision charge



## Impaired assets



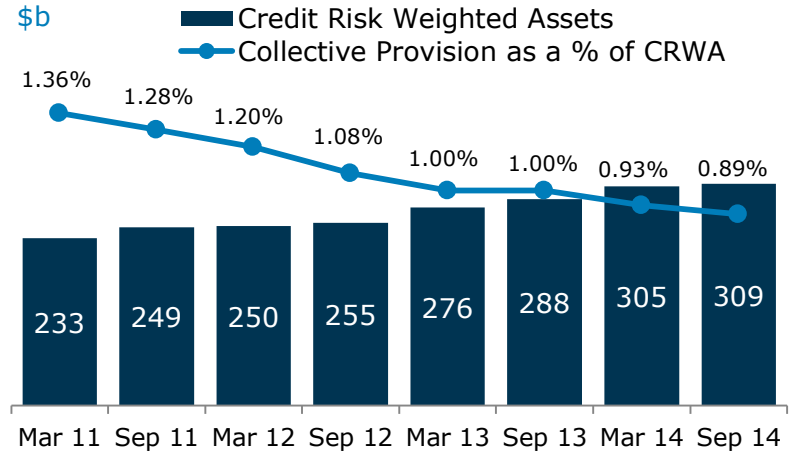
1. Total Post-Credit Risk Methodology EAD without any exclusions

# Portfolio quality improvement reflected in a lower CP balance

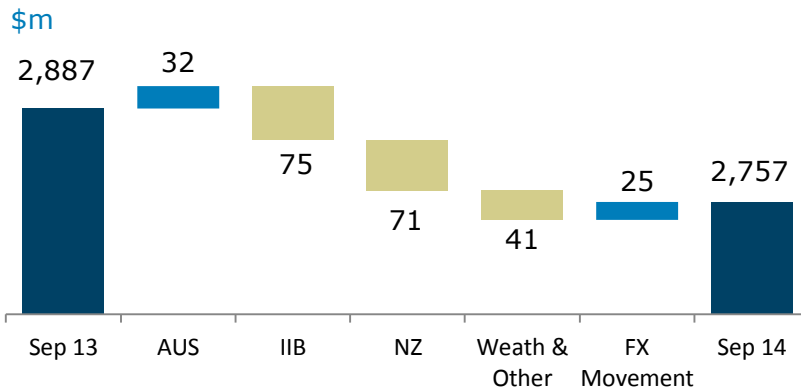
## Significant portfolio quality improvement evidenced by CP movement drivers

- Credit quality improvement saw a collective provision reduction of \$232m due to risk profile, while lending growth added \$146m
- \$49m of management overlay was released in FY14, no longer required due to improved credit and markets conditions, and continued strength of the NZ economy

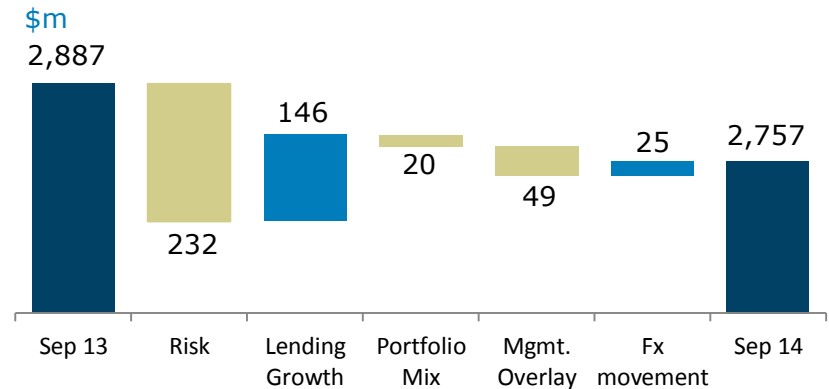
## CP coverage reflective of portfolio risk



## Collective provision by division

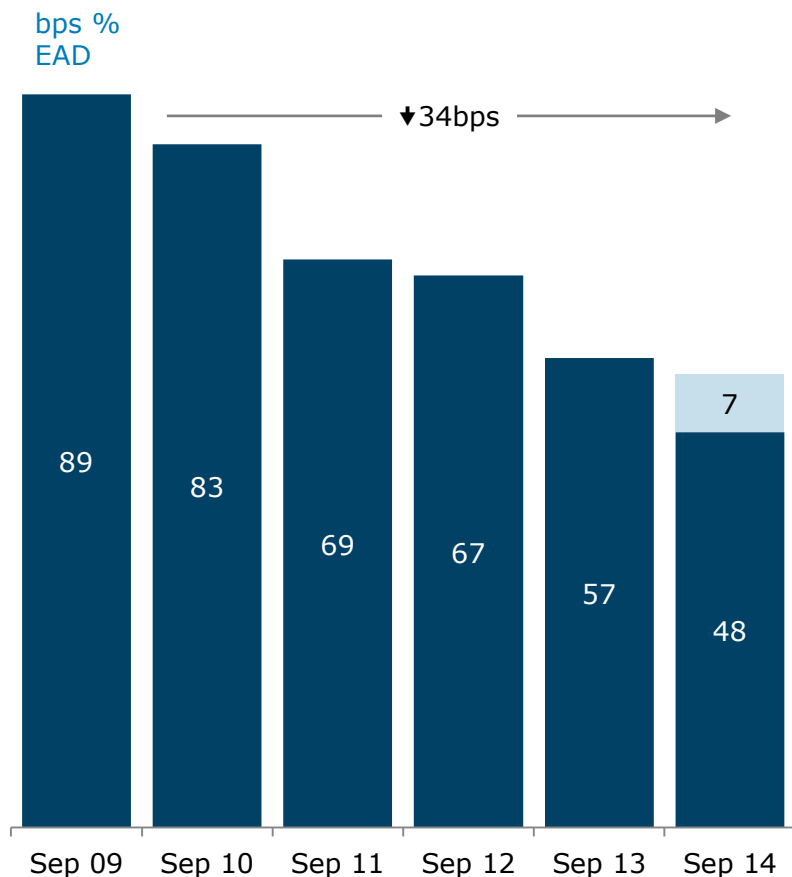


## Collective provision by source



# Modelled loss rates continue to decline

## Group regulatory expected loss

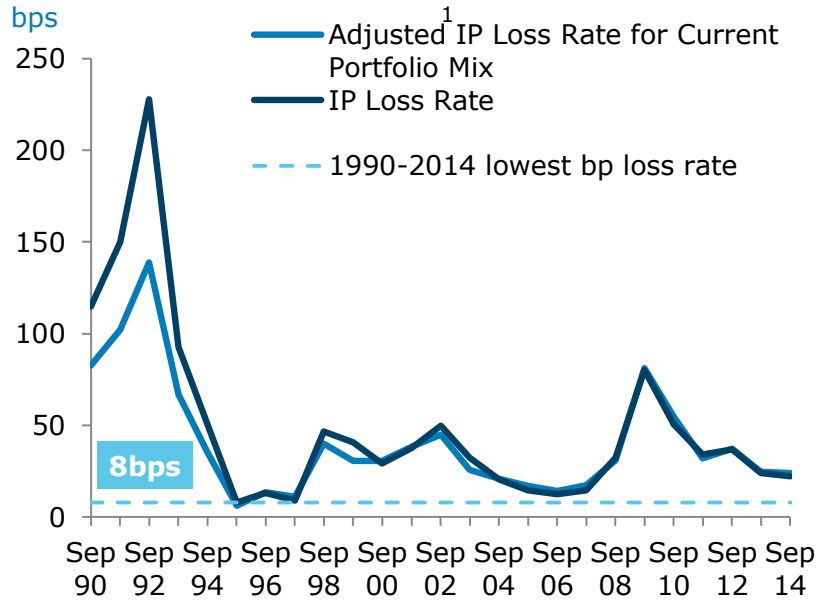


- Regulatory Expected Loss is a one-year downturn loss measure as prescribed by APRA and reported in the Results Announcement
- Includes conservative overlays that are not reflective of an 'expected' outcome, such as:
  - Already expensed Individual Provisions
  - Assumes stressed asset valuations
  - Places a minimum 20% LGD (Loss Given Default) on the Australian mortgage portfolio
- The Sep 14 figure of 55bps includes additional individual provisions for partial write offs that are not included in the prior period figures. This reflects a change in RWA calculation methodology in Sep 13. The result is that the Sep 14 Regulatory Expected Loss figure is inflated by 7bps
- On a like-for-like basis, the Sep 14 Regulatory Expected Loss figure of 48bps reflects continued improvement of portfolio quality

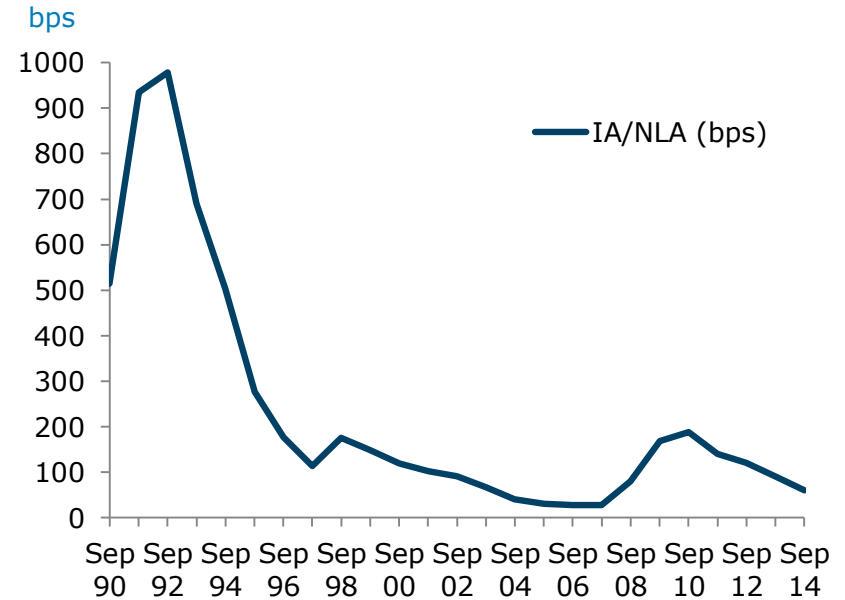


# Reduction observed in historical loss rates

## Historical observed loss rates



## Historical rate of impaireds<sup>2</sup>



## Looking back, projecting forward

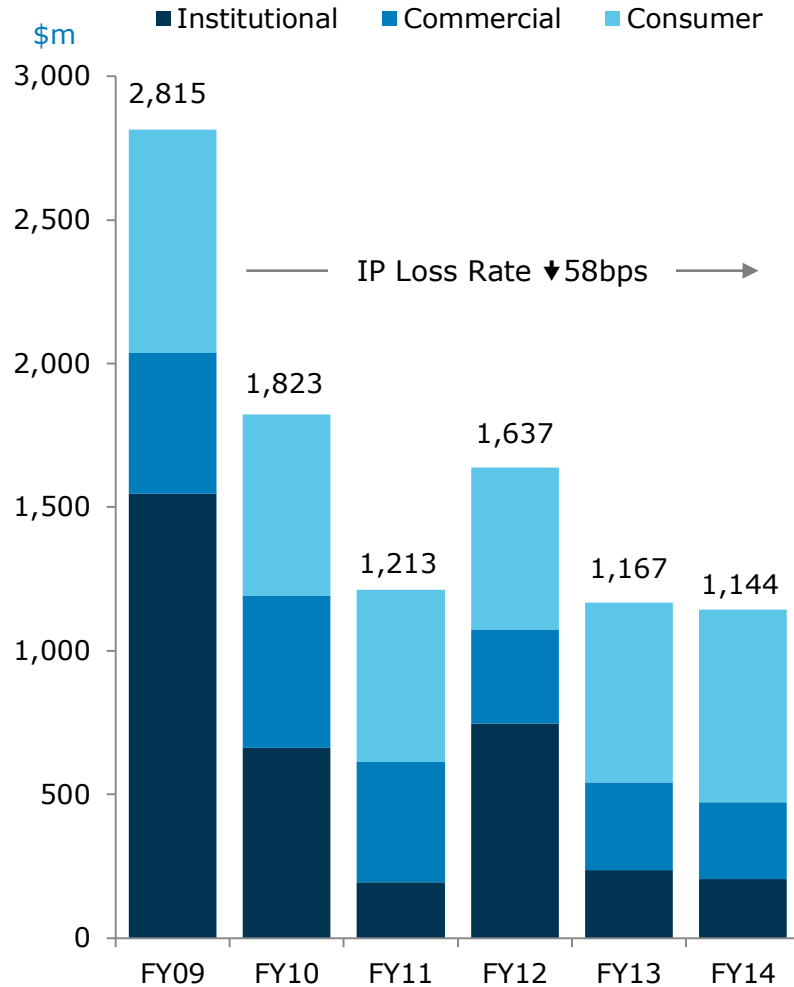
- Study of long-run historical loss rate trends can provide insights on potential future trends, including cycle durations, cyclical maximum and minimum divergence and loss “norms” experienced during periods of stability and growth
- The current portfolio exposures have less tail-risk than observed in the early 1990s
- Current IP loss rate is similar to that observed in the early 2000s

1. Adjusted loss rate is based on applying the current portfolio mix to prior period loss rates  
 2. Rate of Impaireds = Impaired Assets / Net Lending Assets

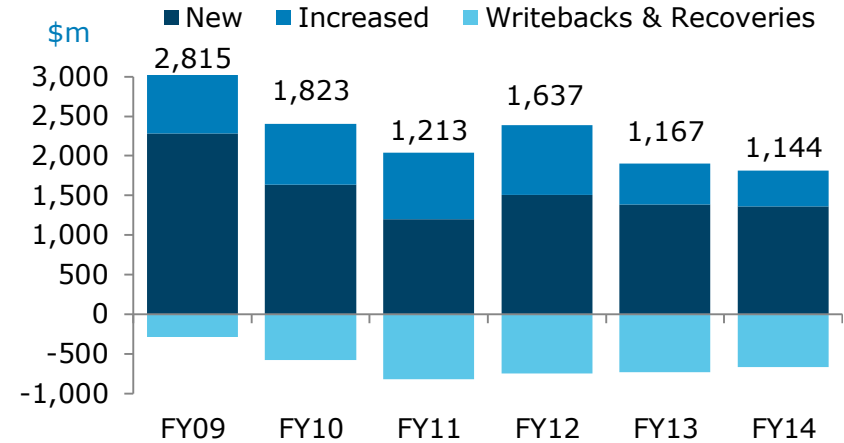
# New/increased IPs and writebacks / recoveries have been consistent

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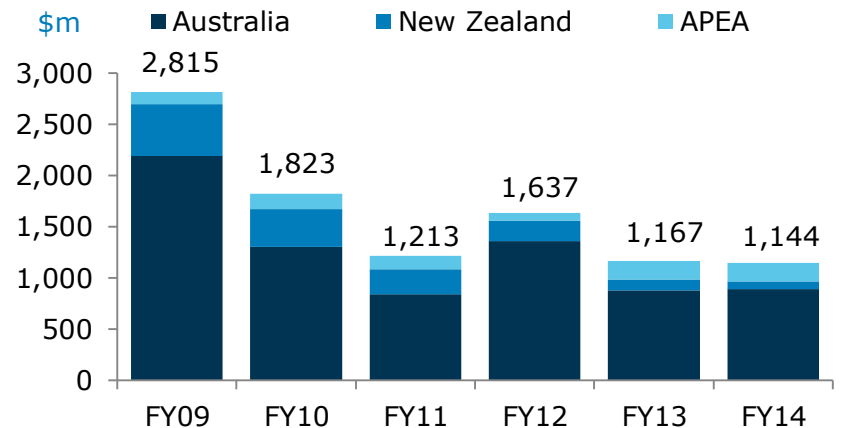
## Individual provision charge by segment



## Individual provision charge composition



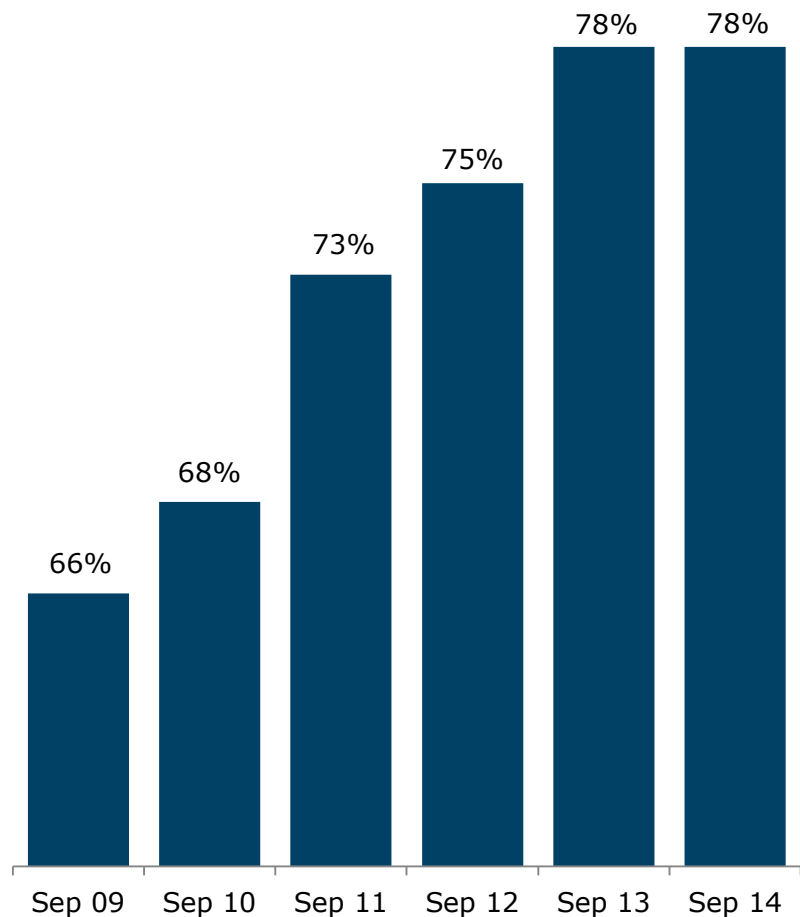
## Individual provision charge by region



# Control list customer numbers down 30% YoY, limits down 27%

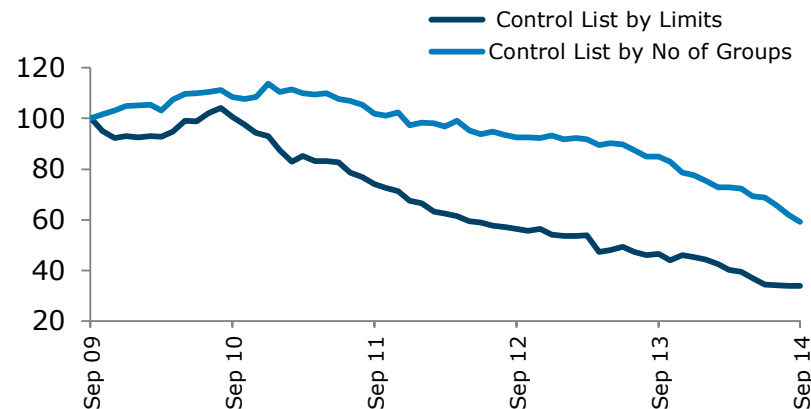
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## Global Institutional investment grade exposures

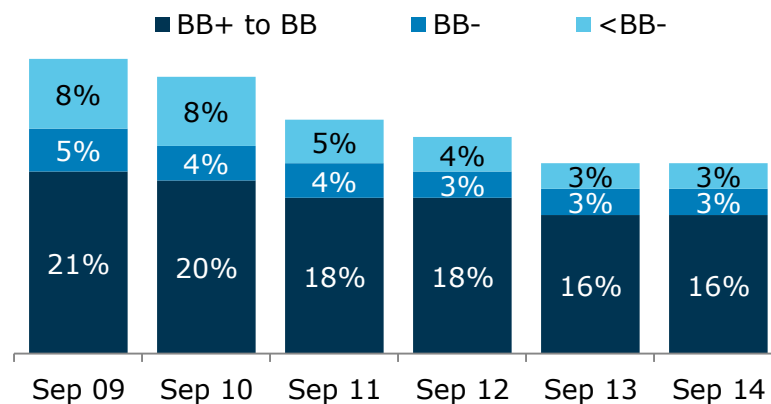


## Control list

Index Sep 09 = 100



## Global Institutional sub-investment grade<sup>1</sup> exposures

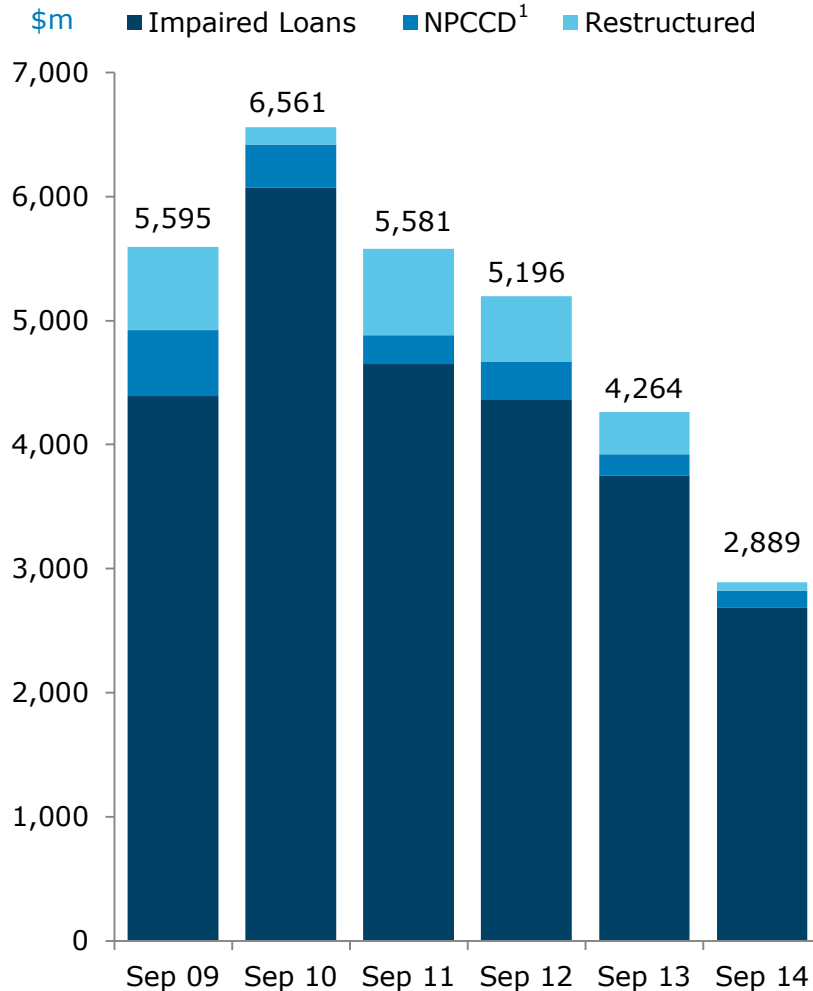


1. Sub-investment grade defined as exposures with a rating below BBB-

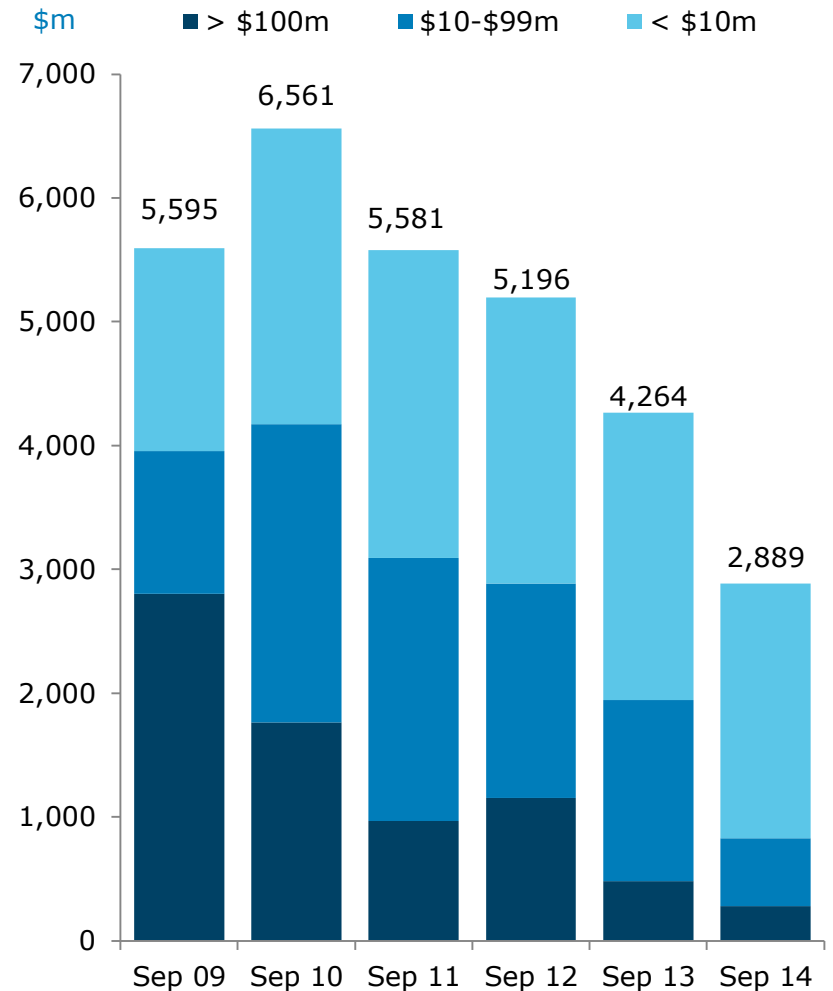
# Gross impaired assets reduced by 32% (\$1,375m) YoY

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### Gross impaired assets by type



### Gross impaired assets by size of exposure

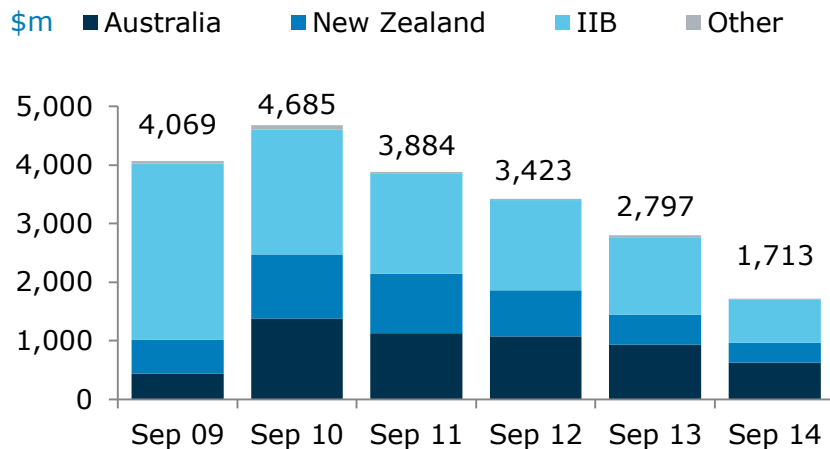


1. NPCCD - Non-Performing Commitments, Contingents & Derivatives

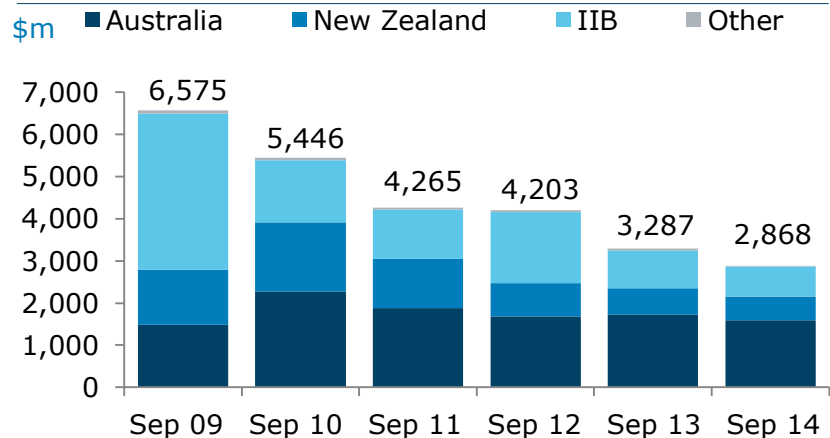
# Asset quality improvement is broad-based

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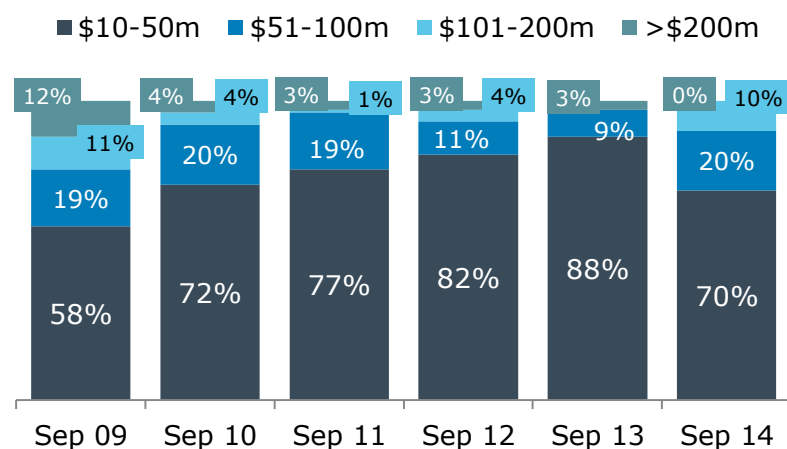
### Net impaired assets by division



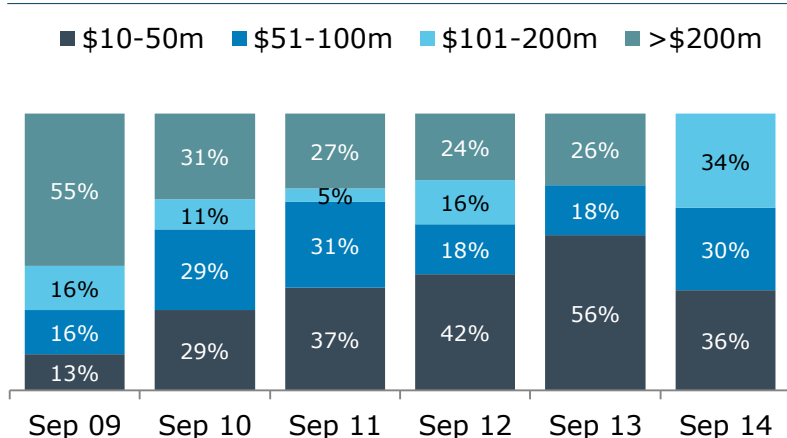
### New impaired assets by division



### Impaired assets concentration by number of customers<sup>1</sup>



### Impaired assets concentration by value of impaired assets<sup>1</sup>

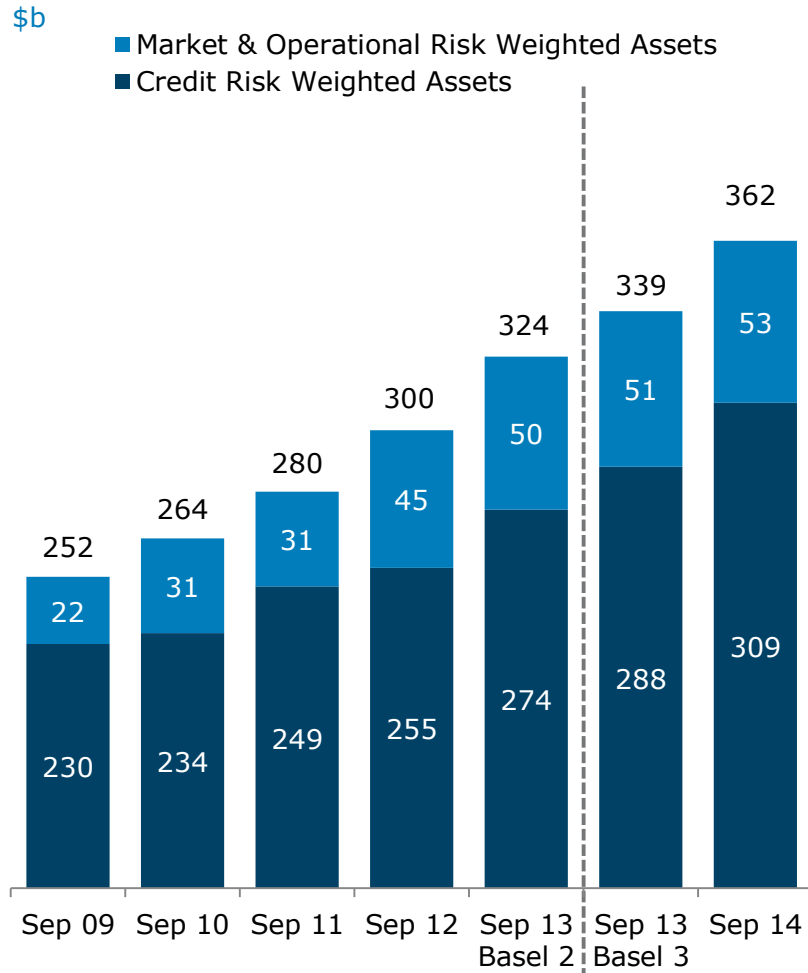


1. Only >\$10m customers

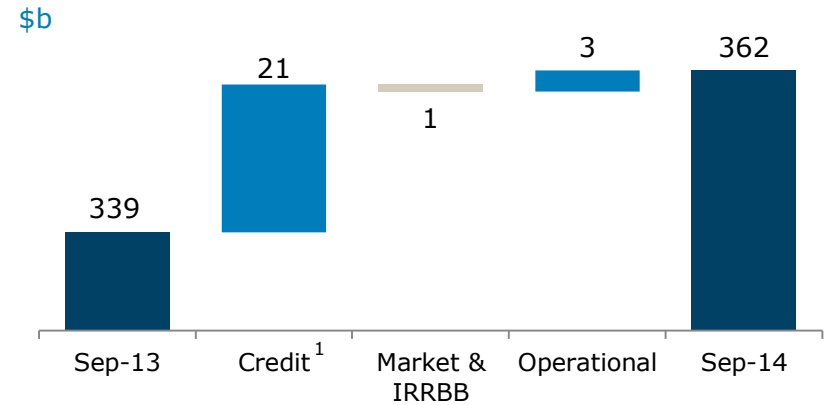
# Disciplined Risk Weighted Assets growth

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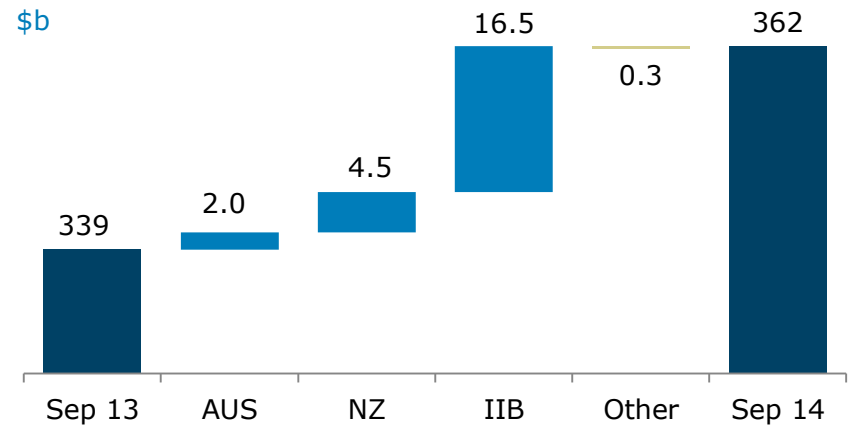
## Total risk weighted assets



## Total risk weighted assets movement Sep 2014 v Sep 2013



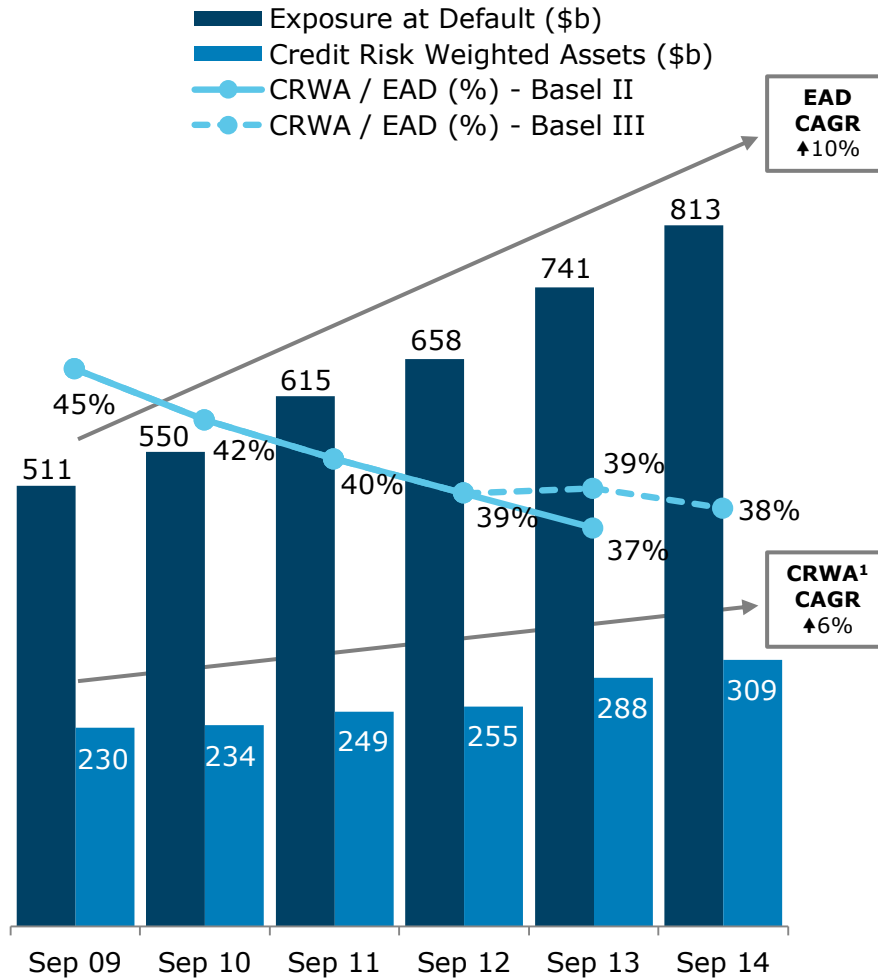
## Total risk weighted assets movement by division Sep 2014 v Sep 2013



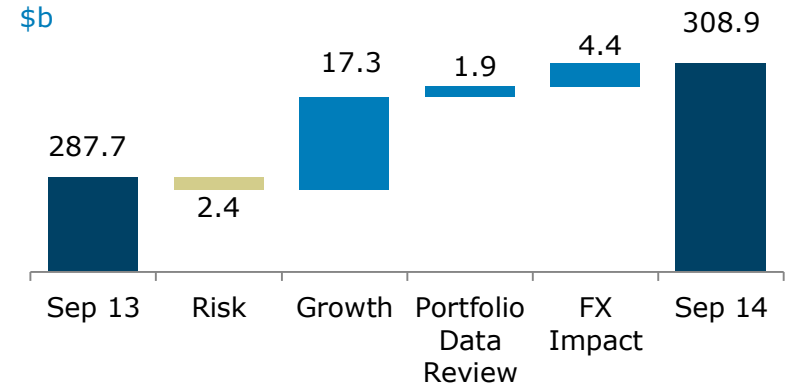
1. Predominately portfolio growth (see next slide)

# Credit risk discipline reflected in CRWA growth

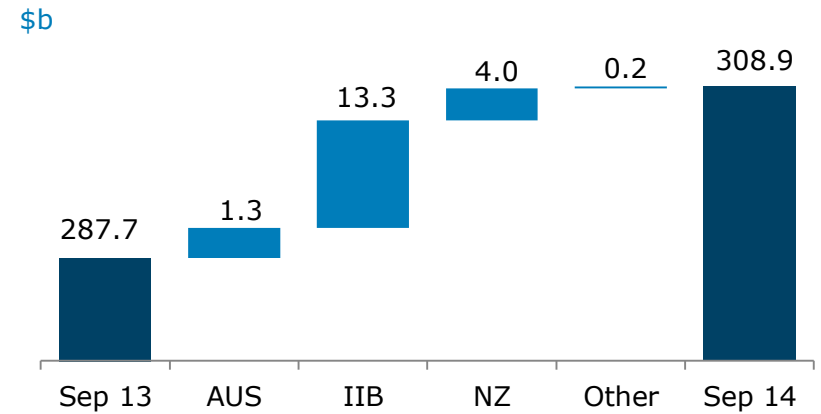
## Group exposure at default and credit risk weighted assets



## Credit risk weighted assets movement Sep 2014 v Sep 2013



## Credit risk weighted assets movement by division Sep 2014 v Sep 2013



1. Adjusted for the Basel II to Basel III step change in Sep 13 figures of approx. \$14bn

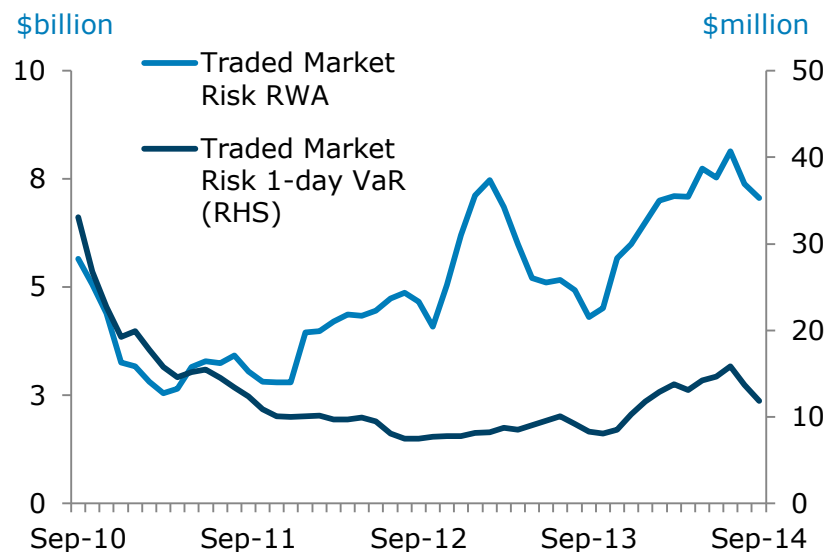
# Considered management of exposure to market stress

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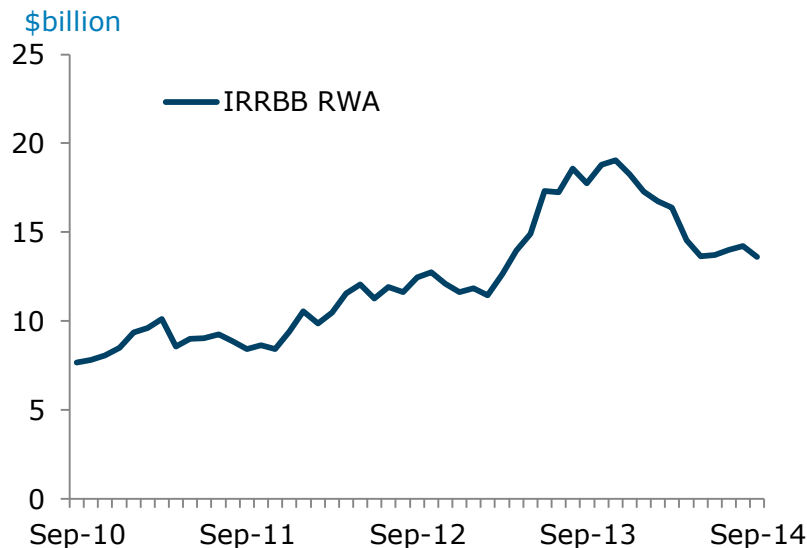
## Risk weighted asset and VaR outcomes

- Traded Market Risk VaR usage remained moderate
- Traded Market Risk 1-day 99% VaR and RWA increased YoY but we have remained disciplined on our exposure to market disruption and stress as reflected in RWA
- VaR benefits from diversification across the region and asset classes, relative to Traded Market Risk RWA which reflects 10 day stress VaR

### Traded market risk weighted asset trends



### IRRBB risk weighted asset trends





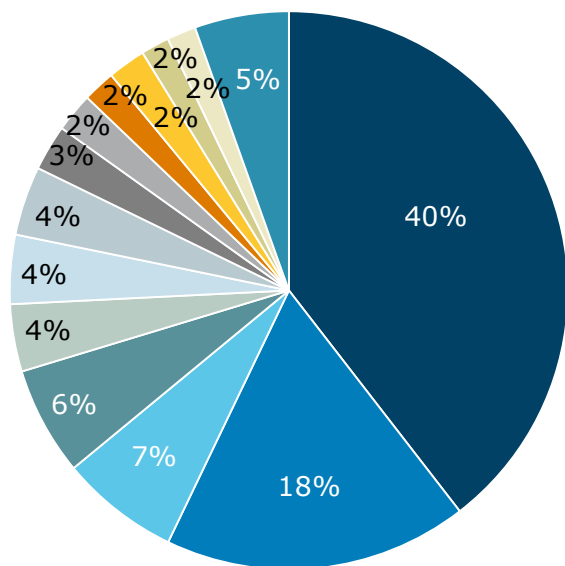
# Stable portfolio composition

## Exposure at default (EAD) as a % of Group total

### ANZ Group

**Total EAD (Sep 14)<sup>1</sup>**

**\$796b**

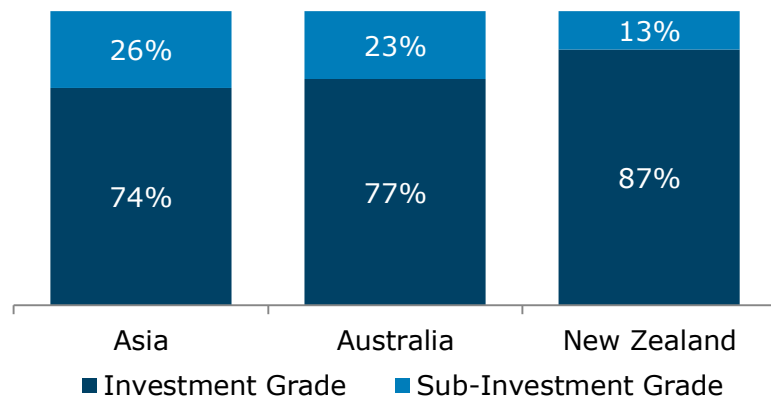


Category	EAD		% in non-performing	
	Sep-13	Sep-14	Sep-13	Sep-14
Consumer Lending	40.8%	39.5%	0.2%	0.2%
Finance, Investment & Insurance	15.9%	17.6%	0.1%	0.0%
Property Services	7.1%	6.9%	1.1%	1.3%
Manufacturing	6.0%	6.3%	0.7%	0.5%
Agriculture, Forestry, Fishing	4.3%	3.9%	4.1%	2.5%
Government & Official Institutions	4.0%	4.0%	0.0%	0.0%
Wholesale trade	3.9%	4.0%	0.8%	0.5%
Retail Trade	2.9%	2.7%	0.9%	0.5%
Transport & Storage	2.2%	2.3%	1.6%	2.1%
Business Services	2.0%	1.9%	0.5%	1.2%
Resources (Mining)	1.9%	2.2%	1.2%	0.8%
Electricity, Gas & Water Supply	1.7%	1.6%	0.1%	0.1%
Construction	1.7%	1.7%	1.1%	1.8%
Other	5.7%	5.5%	0.9%	0.4%

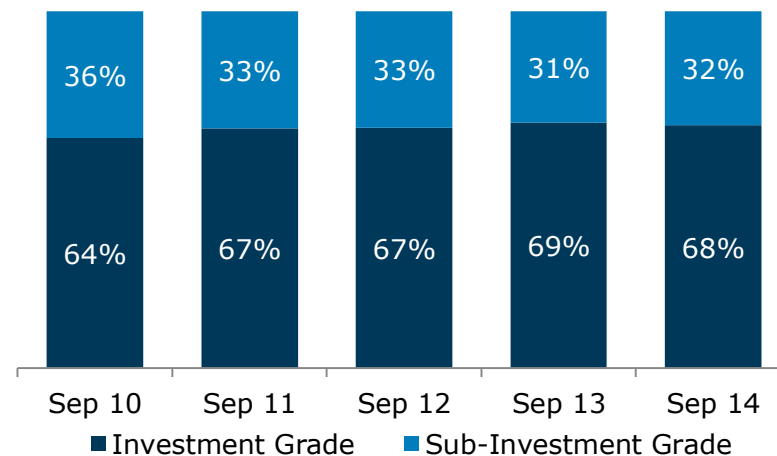
1. EAD excludes amounts for 'Securitisation' and 'Other Assets' Basel asset classes

# Quality of Institutional book remains sound

## Institutional investment grade exposure by geography



## Trade Finance investment grade exposure



## Robust control framework in Trade Finance

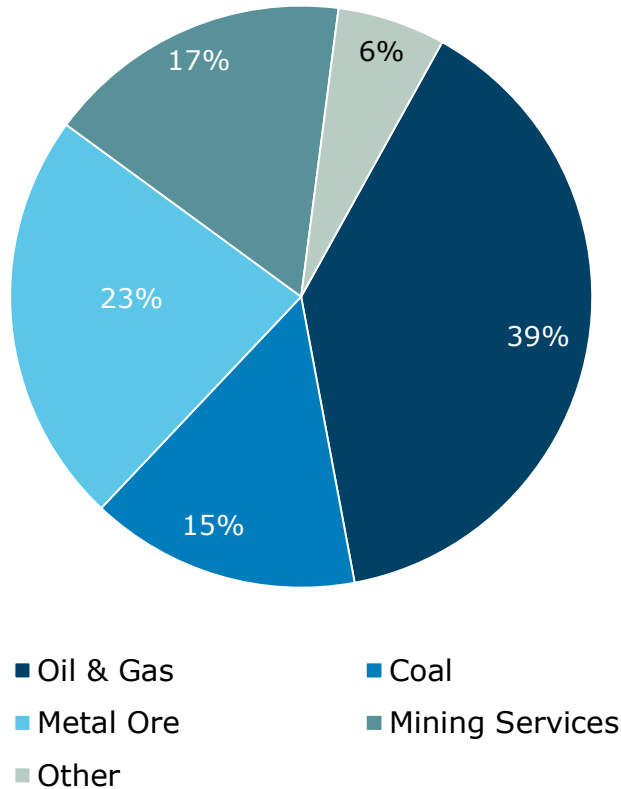
- Trade Finance portfolio performed well. The portfolio remains focussed on shorter tenor exposures, and investment grade customers
- We reviewed our Trade terms and conditions in 2013. ANZ is not exposed to the Qingdao commodity finance fraud
- ANZ has been proactive in mitigating our exposure to commodity trade finance and higher risk counterparties
- We have suffered some performance bonds related losses specific to the mining services sector

# Resources exposure focused on Oil & Gas

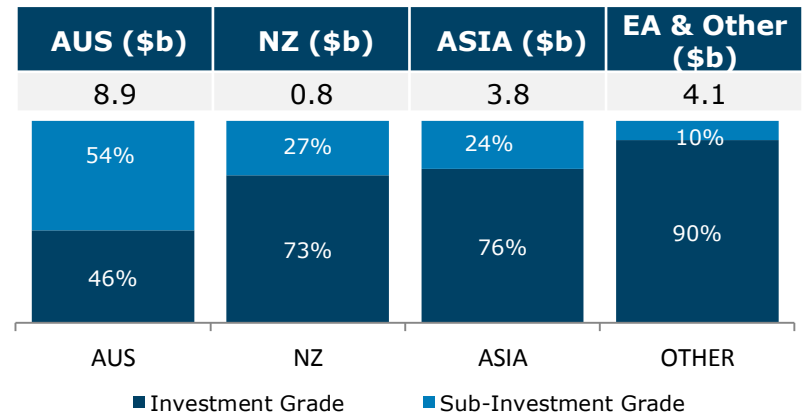
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## Resources exposure by sector (% EAD)

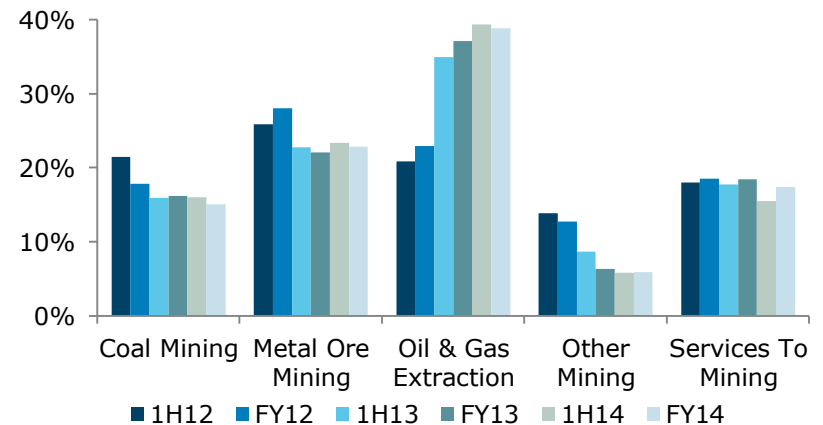
Resources	
Total EAD (Sep 14)	As a % of Group EAD
\$17.6b	2.2%



## Resources exposure credit quality by geography (EAD)



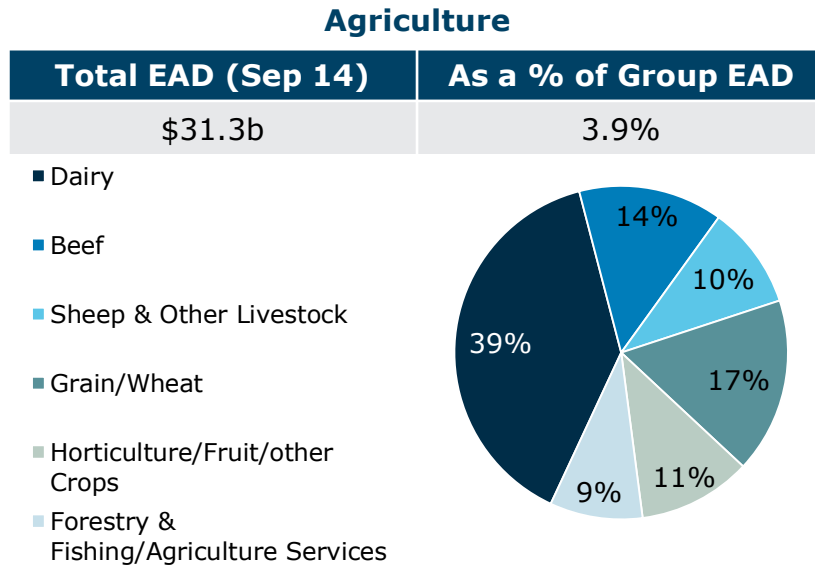
## Resources exposure growth trends



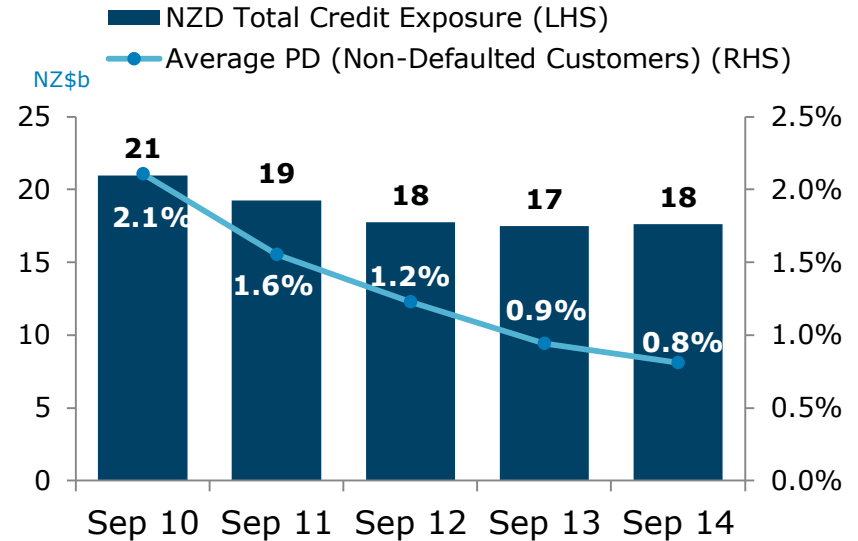
# Agri portfolio is focused on cashflow resilient commodities

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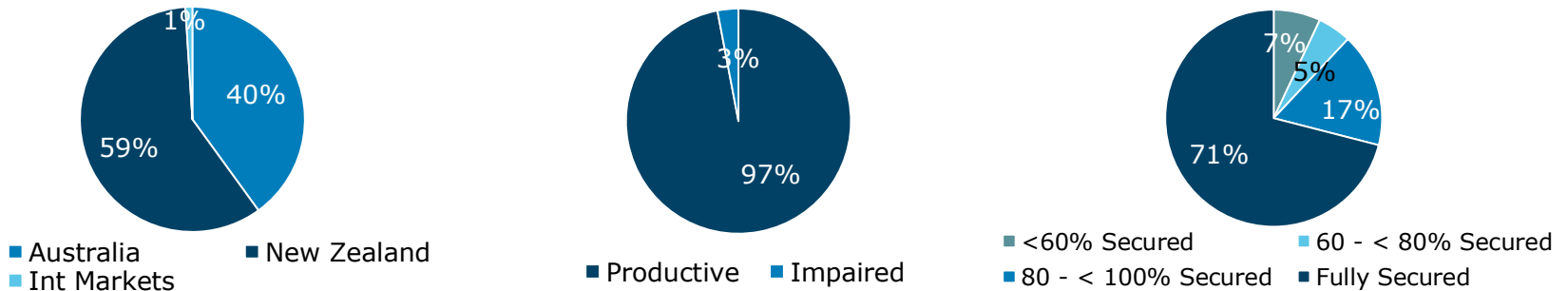
## Agriculture exposure by sector (% EAD)



## New Zealand Agri credit quality focused on cashflow



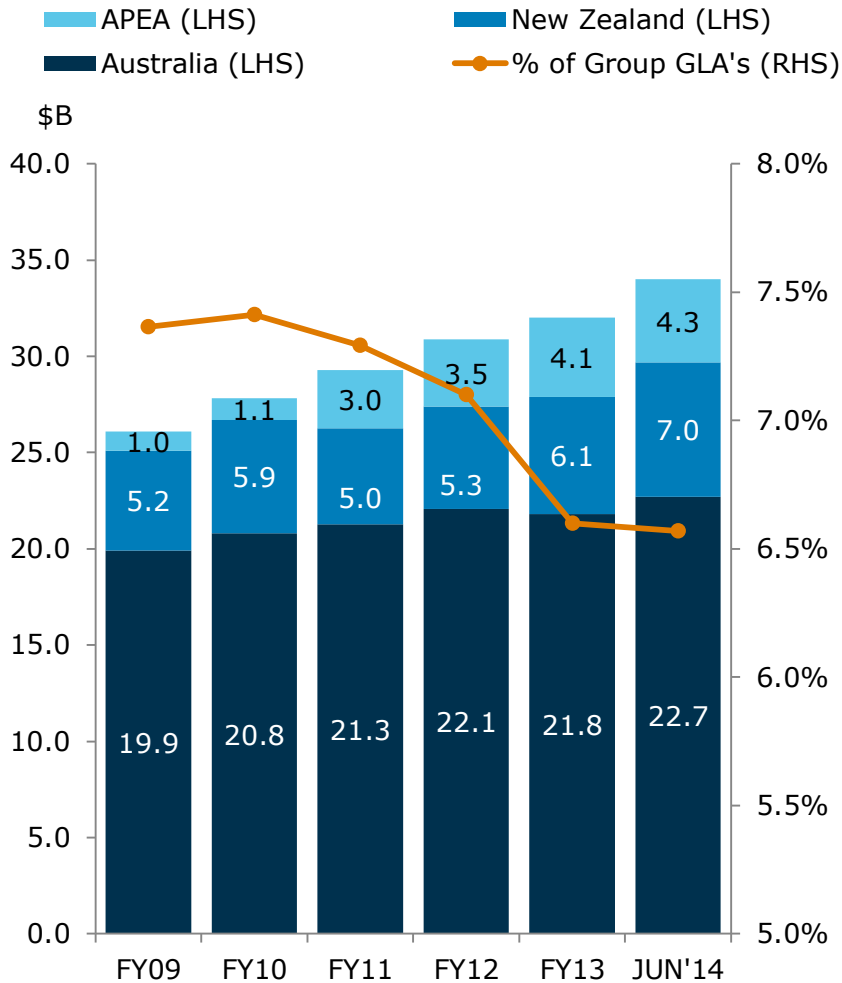
## Group Agriculture EAD splits<sup>1</sup>



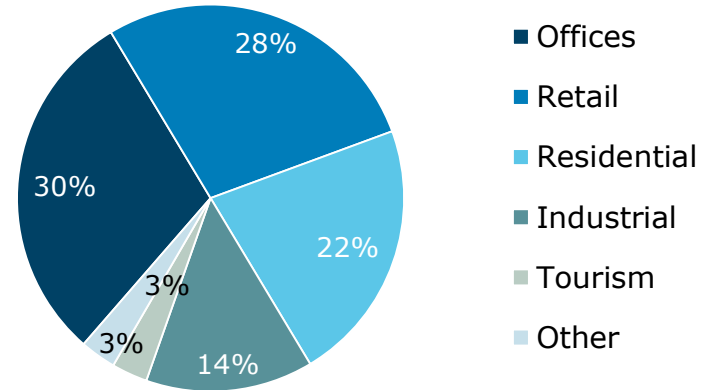
1. Using extended values

# Commercial property portfolio lower than peers

## Commercial Property outstandings by region



## Commercial Property outstandings by sector



## Property services peer comparison

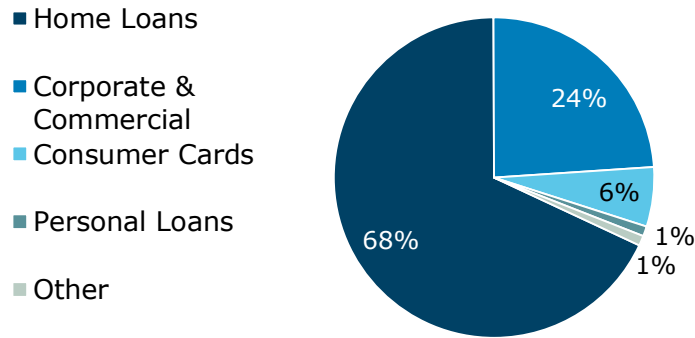
\$M	ANZ	Peer 1	Peer 2	Peer 3
Commercial Property Portfolio EAD	49,838	69,257	68,033	57,359
Commercial Property EAD Growth Rates	9.3%	-1.5%	11.1%	6.7%
Property EAD/Total EAD	5.93%	7.92%	8.31%	6.74%
Impaired Assets	528	2,410	942	373
Property Impaired Assets /Property EAD	1.06%	3.48%	1.38%	0.65%

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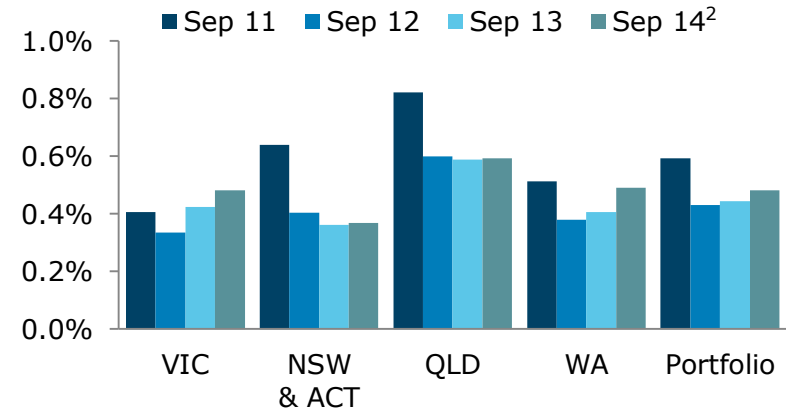
# Australia Division displays a stable delinquency profile

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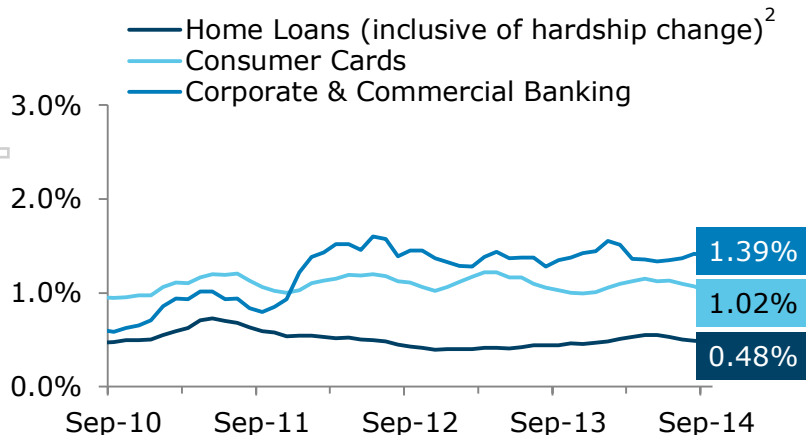
## Australia Division credit exposure (EAD)



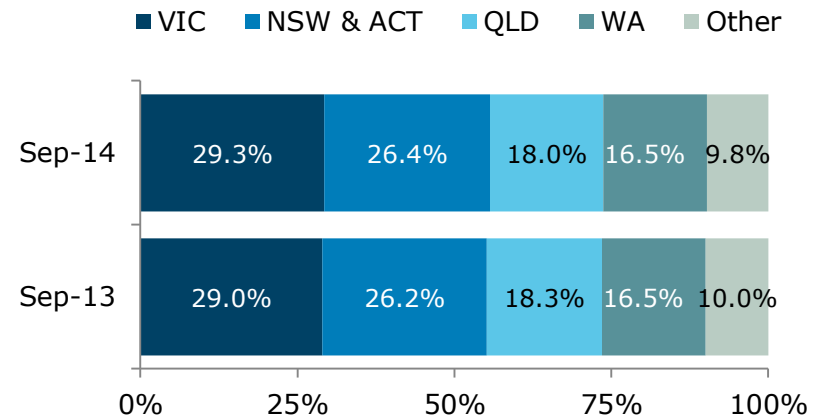
## Australia Home Loans 90+ day delinquencies by state<sup>1</sup>



## Australia Division 90+ day delinquencies<sup>1</sup>



## Australia Home Loans portfolio by state<sup>3</sup>



1. Delinquency excludes Non Performing Loans  
 2. Hardship changes implemented April'13. For comparison: 90+ excluding hardship changes as at Sep'14 is 0.40%  
 3. Gross loans and advances by State

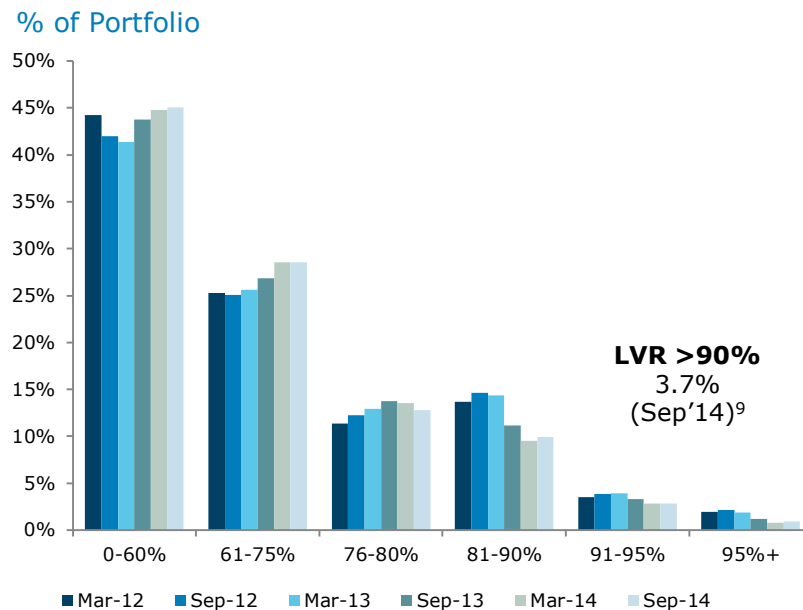
# Australia Home Loans portfolio

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## FY14 portfolio statistics<sup>1</sup>

Total Number of Home Loan Accounts	919k
Total Home Loans FUM	\$209b
% of Total Australia Geography Lending	60%
% of Total Group Lending	40%
Owner Occupied Loans - % of Portfolio <sup>2</sup>	61%
Average Loan Size at Origination (FY14 average) <sup>3,4</sup>	\$352k
Average LVR at Origination (FY14) <sup>3,4,5</sup>	71%
Average Dynamic LVR of Portfolio <sup>4,5,6</sup>	50%
% of Portfolio Ahead on Repayments <sup>7,8</sup>	45%
% of Portfolio Paying Interest Only <sup>8</sup>	34%

## Dynamic loan to value ratio<sup>5</sup>



## Individual provision as % of average NLA

	FY11	FY12	FY13	FY14
Group	0.32	0.38	0.25	0.22
Australia Home Loans	0.02	0.02	0.02	0.01

1. Net Home Loans (excluding NPLs and offset balances); 2. Excludes Equity Manager; 3. Originated FY14; 4. Unweighted ; 5. Including capitalised premiums ; 6. Valuations updated Sep'14 where available; 7. % of customers >30 days ahead of repayments; 8. Excludes revolving credit; 9. Excluding capitalised premiums, Sep14 portfolio % with LVR >90% is 2.3% (Mar14 2.3%)

# Stable LMI loss rates below industry average

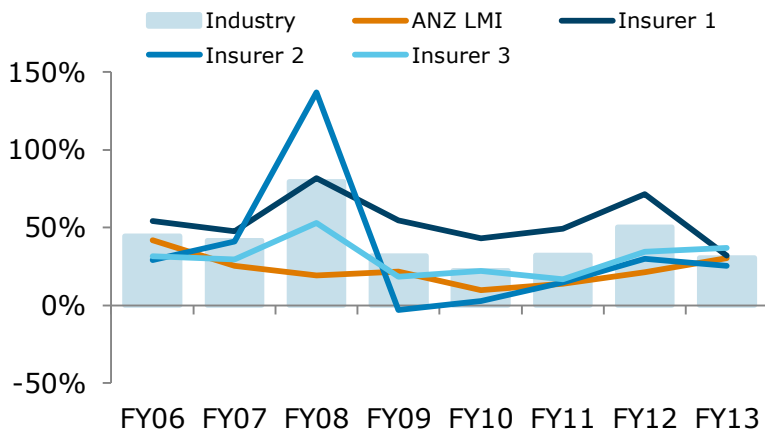
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## Background

### Financial Year 2014 Results

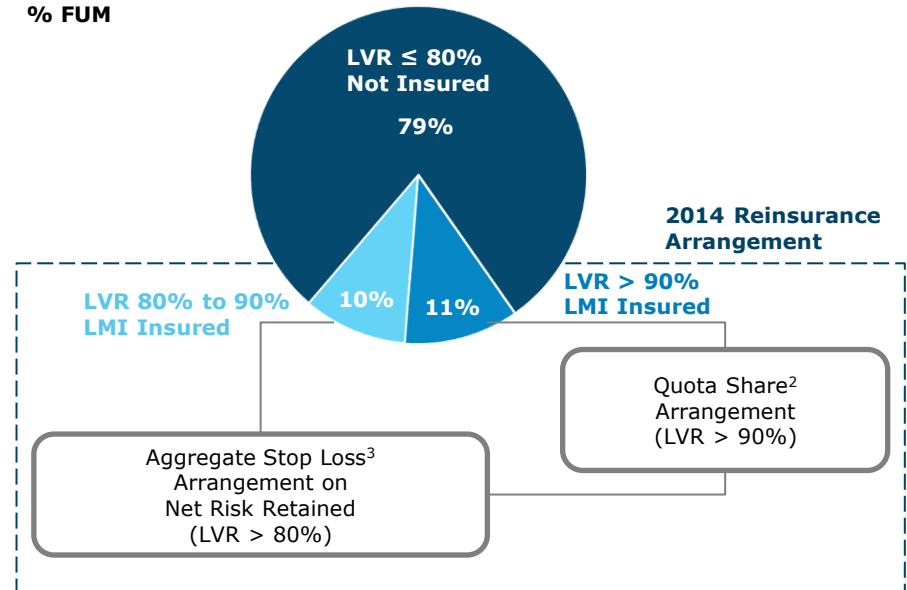
<b>Gross Written Premium (\$m)</b>	\$209m
<b>Net Claims Paid (\$m)</b>	\$10m
<b>Loss Rate (of Exposure)</b>	5.4 bps

### ANZLMI maintains low loss ratios<sup>1</sup>



## Australian Home Loan portfolio LMI and Reinsurance Structure at 30 September 2014

% FUM



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

Reinsurance is comprised of a **Quota Share arrangement** with reinsurers for mortgages 90% LVR and above and in addition an **Aggregate Stop Loss arrangement** 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)
2. Quota Share arrangement - reinsurer assumes an agreed reinsured % whereby reinsurer shares all premiums and losses accordingly with ANZLMI
3. Aggregate Stop Loss arrangement -reinsurer indemnifies ANZLMI for an aggregate (or cumulative) amount of losses in excess of a specified aggregate amount. When the sum of the losses exceeds the pre-agreed amount, the reinsurer will be liable to pay the excess up to a pre-agreed upper limit.



# New Zealand mortgages portfolio

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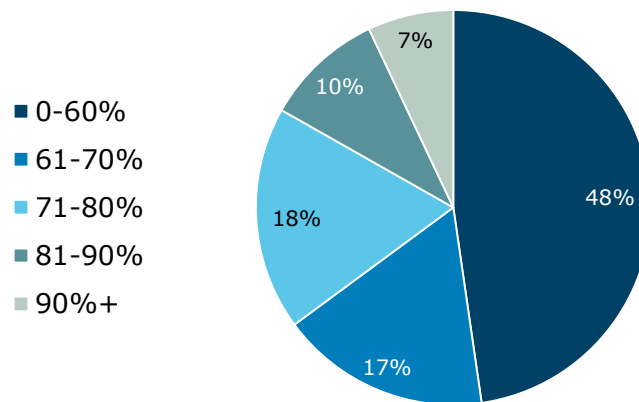
## FY14 portfolio statistics

Total Number of Mortgage Accounts	488k
Total Mortgage FUM (NZD)	\$62b
% of Total New Zealand Lending	58%
% of Total Group Lending <sup>1</sup>	11%
Owner Occupied Loans - % of Portfolio	76%
Average Loan Size at Origination (NZD)	\$266k
Average LVR at Origination <sup>2</sup>	63%
Average Dynamic LVR of Portfolio <sup>3</sup>	50%
% of Portfolio Paying Interest Only <sup>4</sup>	22%

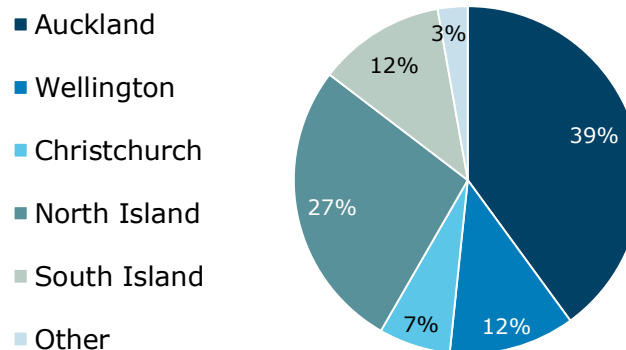
## Individual provision as % of average NLA

	FY11	FY12	FY13	FY14
Group <sup>1</sup>	0.32	0.38	0.25	0.22
New Zealand Mortgages <sup>5</sup>	0.11	0.07	0.04	0.06

## Dynamic loan to valuation ratio



## Mortgage portfolio by region

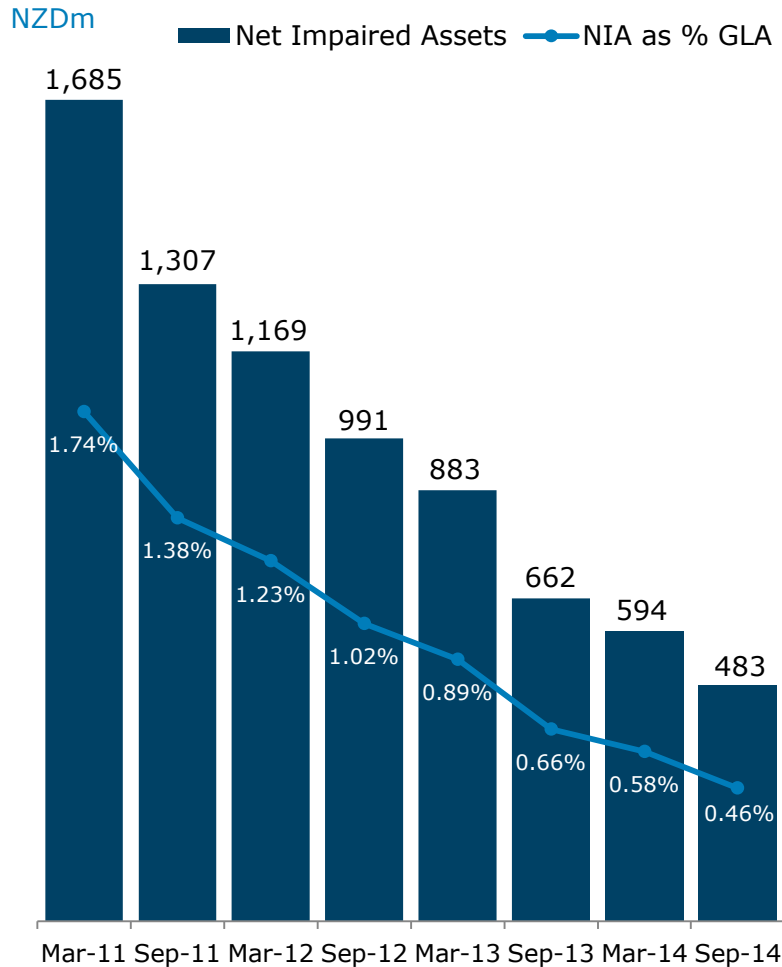


1. As % of group average NLA; 2. Average LVR at Origination (not weighted by balance); 3. Average dynamic LVR as at Aug 2014 (not weighted by balance) – Dynamic LVR graph as at Aug 2014; 4. Excludes revolving credit facilities; 5. Individual Provision as % average NLA

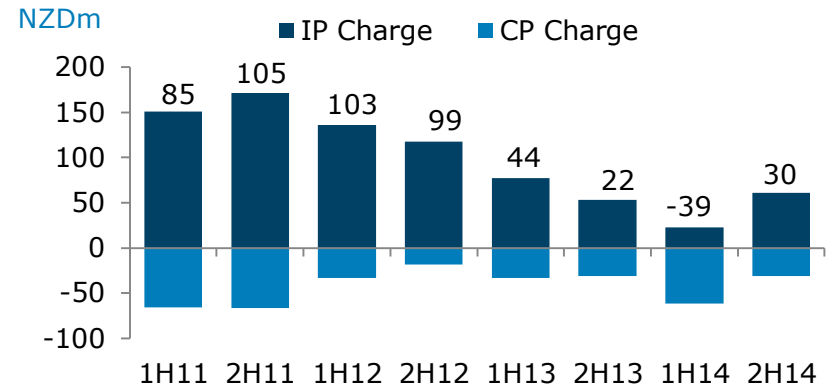
# New Zealand credit quality continues to improve

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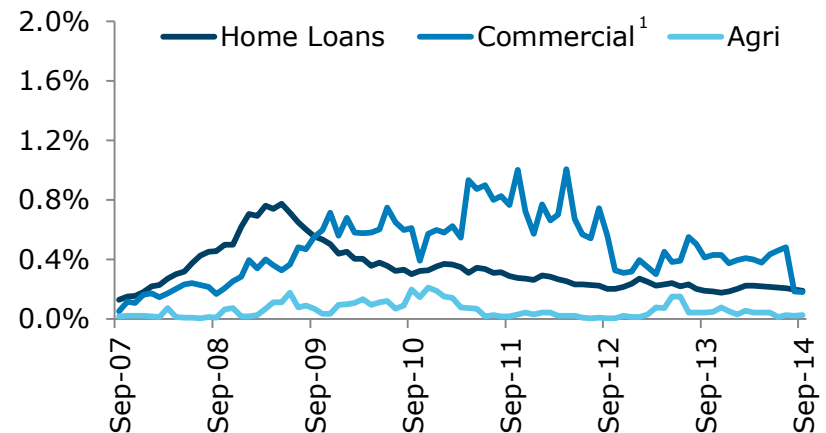
## New Zealand geography net impaired assets



## New Zealand geography total provision charge



## New Zealand Division 90+ days delinquencies



1. Spikes in 2012 Commercial 90 day delinquencies are primarily due to internal classifications rather than any deterioration in underlying credit quality

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# 2014 FULL YEAR RESULTS

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AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

31 October 2014

ANZ Overview



# ANZ offers a distinctive geographic footprint and business mix that provides earnings diversification

## Corporate Profile



- Founded in 1835, ANZ is a super regional bank that serves 10 million retail, commercial and institutional customers in 33 markets and employs 50,000 staff.
- Headquartered in Melbourne, Australia, ANZ is one of the four largest Australian banks and ranked in the top 25 banks globally by market capitalisation.
- Listed on the Australian Stock Exchange (ASX) with a secondary listing on the New Zealand Stock Exchange (NZX)

### Top 4 Corporate Bank in Asia <sup>1</sup>

#### APEA

Staff	20,512
Customers	~1.6m
Cash NPAT	\$1.2B
RoRWA	1.30%
Customer Deposits	\$108B
Customer Lending	\$79B

### A Top 4 Bank in Australia <sup>2</sup>

#### Australia

Staff	21,591
Customers	~6m
Cash NPAT	\$4.4B
RoRWA	2.16%
Customer Deposits	\$228B
Customer Lending	\$349B

### The Largest Bank in New Zealand

#### New Zealand

Staff	8,225
Customers	~2.1m
Cash NPAT	\$1.5B
RoRWA	2.51%
Customer Deposits	\$68B
Customer Lending	\$94B

1. Greenwich Associates 2013 Asian Large Corporate Banking Study

2. Peter Lee Associates Large Corporate and Institutional Relationship Banking surveys, Australia and New Zealand 2014

# ANZ Operating Structure

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## Operating Divisions

### Australia Division

- Retail Banking
- Corporate & Commercial Banking

### New Zealand Division

- Retail Banking
- Commercial & Agri Banking

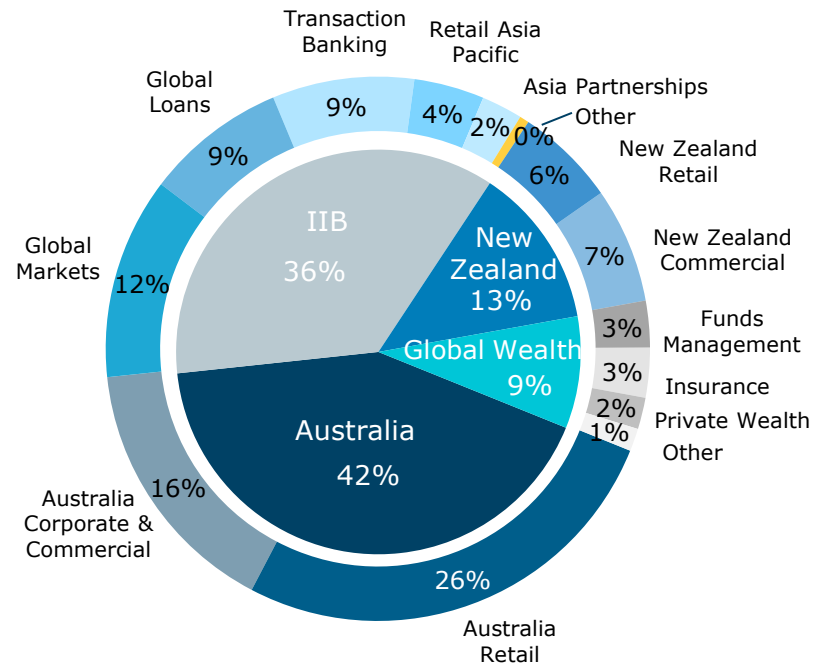
### International & Institutional Banking (IIB)

- |                               |                       |
|-------------------------------|-----------------------|
| Client Segments               | Global Products       |
| • Global Banking              | • Transaction Banking |
| • International Banking       | • Markets             |
| • Retail Banking Asia Pacific | • Loans               |

### Global Wealth

- |                    |                         |
|--------------------|-------------------------|
| • Insurance        | • Private Wealth        |
| • Funds Management | • Advice & Distribution |

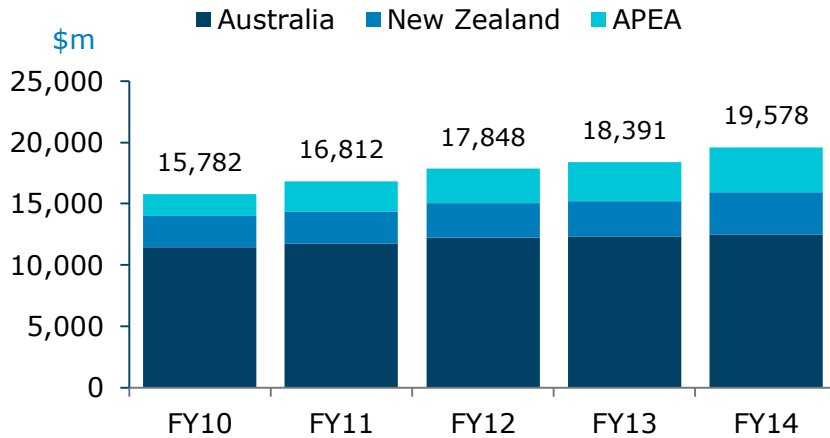
## FY14 Operating Income Mix by Division



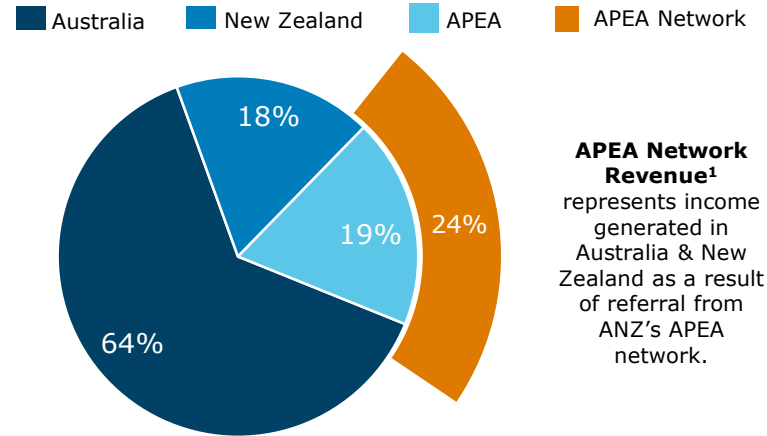
# Contribution by geography

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## Operating Income by Geography

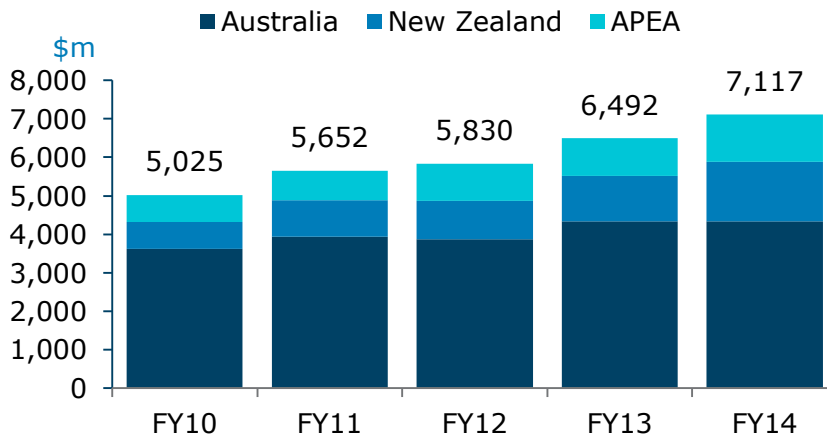


## Operating Income by Geography FY14

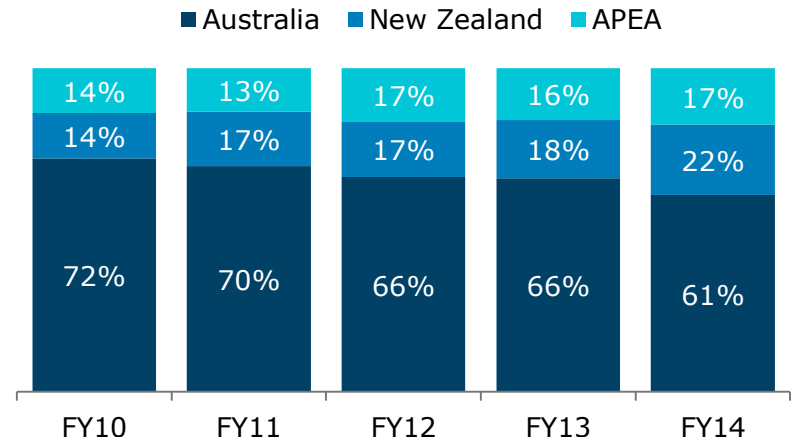


**APEA Network Revenue<sup>1</sup>** represents income generated in Australia & New Zealand as a result of referral from ANZ's APEA network.

## Net Profit after Tax by Geography



## Net Profit after Tax by Geography FY14

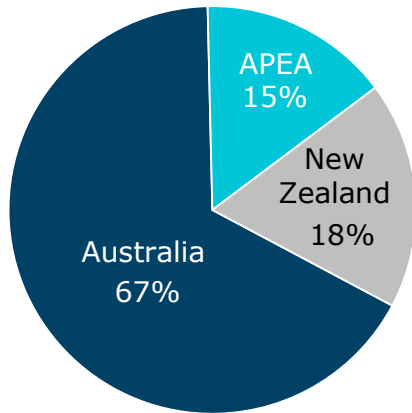


1. APEA Network Revenue represents income generated in Australia & New Zealand as a result of referral from ANZ's APEA network

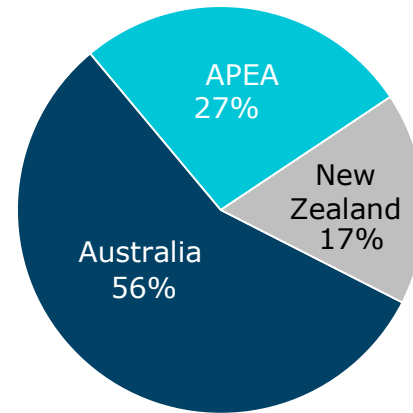
# Customer loans and deposits by Geography

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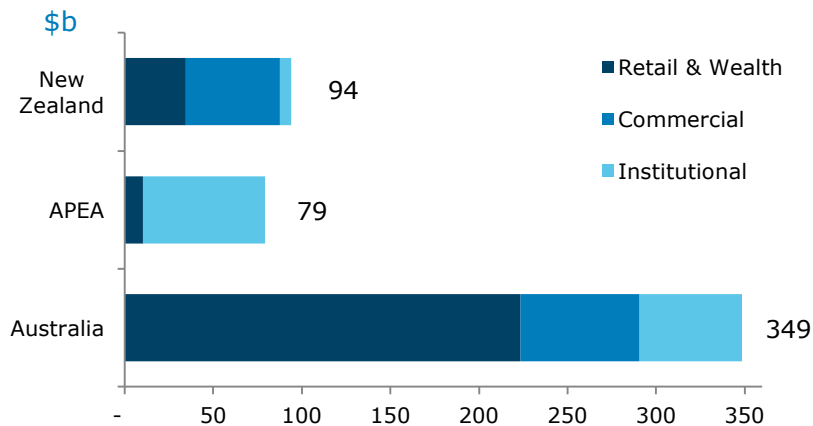
## Customer Lending<sup>1</sup> by Geography of FY14



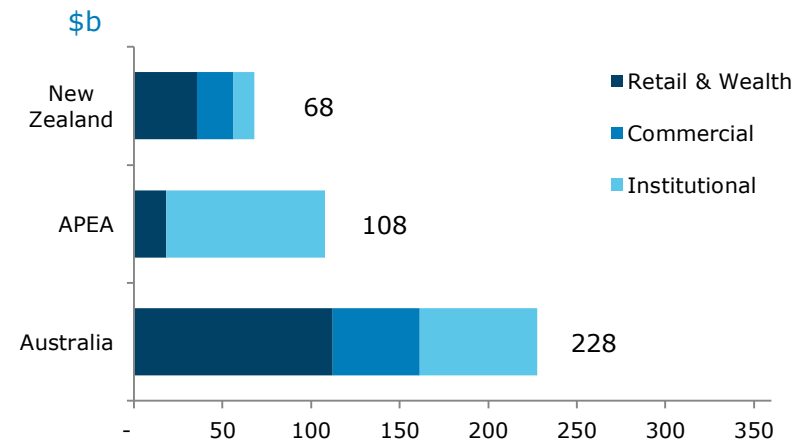
## Customer Deposits by Geography of FY14



## Customer Lending<sup>1</sup> by Geographic Segment



## Customer Deposits by Geographic Segment



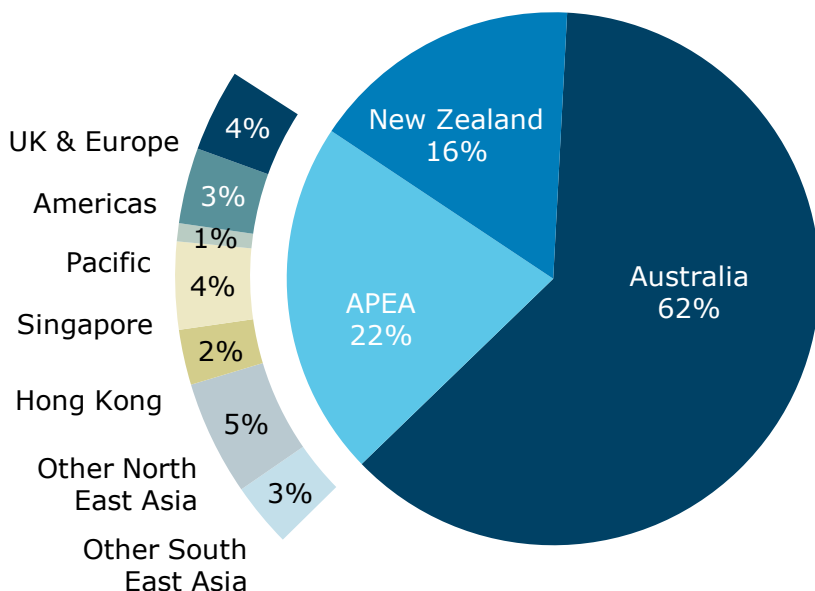
1. Customer lending represents Net Loans & Advances including acceptances

# Total Credit Exposure (EAD) by Geography

## Exposure at Default<sup>1</sup> by Geography

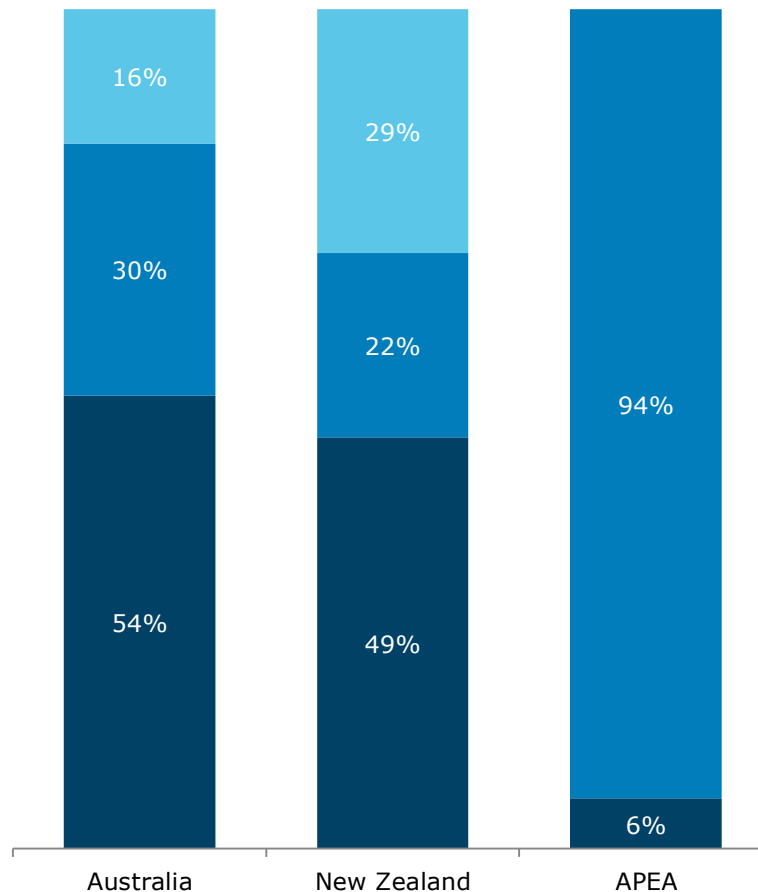
Total Exposure at Default (Sep 14) - \$796b<sup>1</sup>

Australia	New Zealand	APEA
\$494.1b	\$131.0b	\$170.8b



## Exposure at Default by Line of Business<sup>2</sup>

■ Retail ■ Institutional ■ Commercial



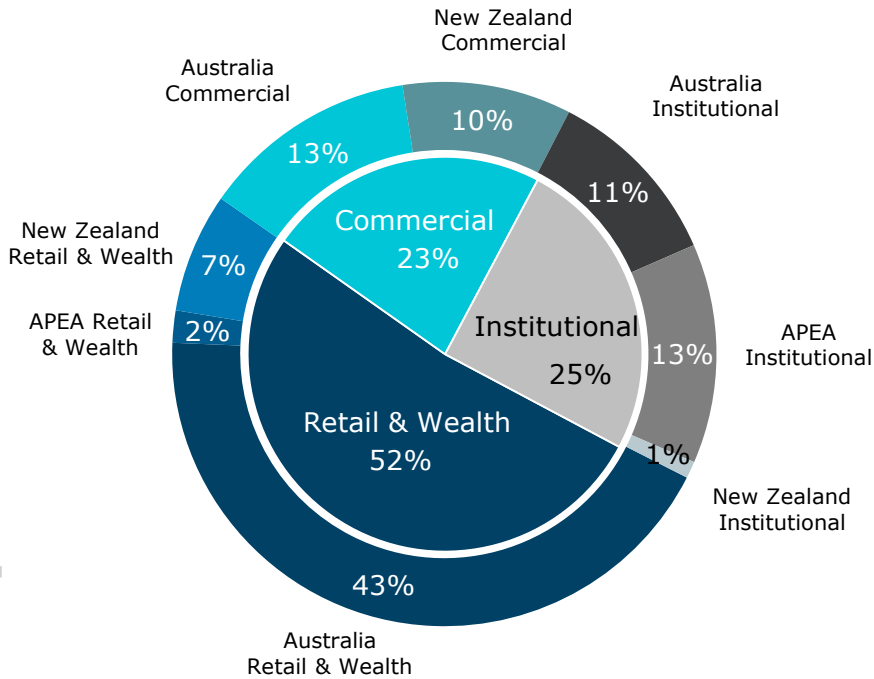
1. EAD excludes amounts for 'Securitisation' and 'Other Assets' Basel asset classes

2. Institutional includes exposure to Bank and Sovereign counterparties and ANZ's Liquidity portfolio

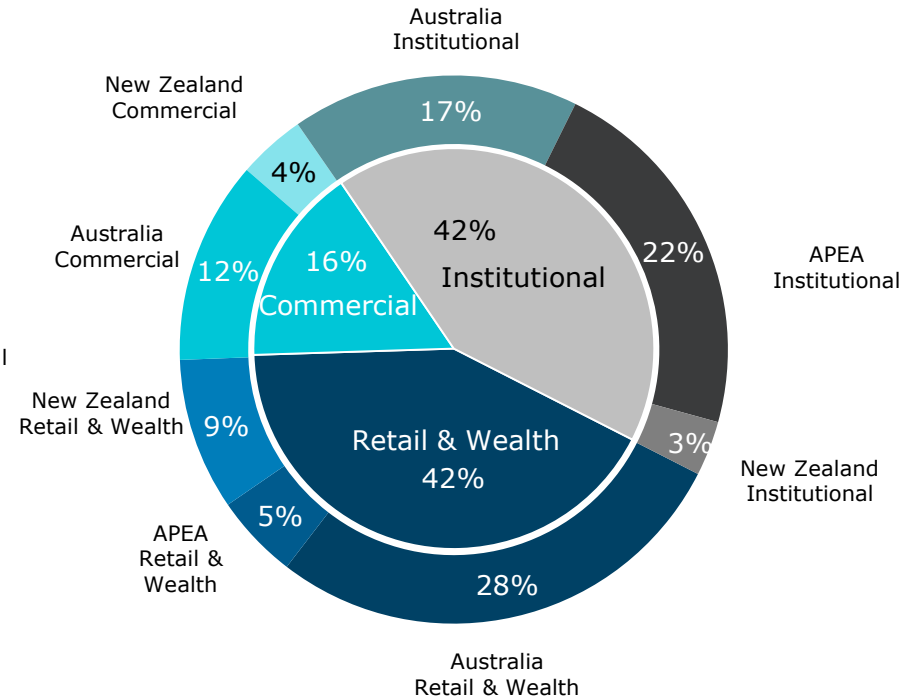


# Customer loans and deposits by client segment

## Customer Lending<sup>1</sup> by Segment (Sep-14)



## Customer Deposits by Segment (Sep-14)



1. Customer lending represents Net Loans & Advances including acceptances

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# 2014 FULL YEAR RESULTS

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AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

31 October 2014

Divisional Performance



# Australia Division - strengthening ANZ's position in core markets by focussing on the customer experience

## ANZ Group Strategy



## Australia Division Strategy

- Deliver customers an easy, connected and insightful experience that puts the customer in control
- Achieve consistent above system growth focused in priority segments
- Maintain strong margins, cost discipline and risk profile
- Leverage our Super Regional advantage to bring the whole of ANZ to customers
- Take an enterprise wide approach and leverage global assets

## Banking on Australia is transforming our Retail and Corporate & Commercial businesses based on an understanding of customer needs

### Customer Needs

Developing a deep understanding of customer needs in our target segments

### Customer Value Proposition

Building a compelling customer value proposition that is aligned to their needs

### Transformation

Investing through our Banking on Australia program to meet changing customer needs





### Financial Outcomes

Growing market share, managing margins and costs and maintaining asset quality

# Banking on Australia is transforming the business and positioning ANZ for sustainable growth

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STRONG CORE MARKETS

	FY14	FY13		FY14	FY13		
<b>Transforming distribution</b>				<b>Delivering leading digital &amp; mobile solutions</b>			
# new sales focused branches & business centres	143	94		\$ transactions processed on goMoney™ since launch <sup>2</sup>	\$100b+	\$56b	
# Smart ATMs improving customer self-service	772	201		% digital sales of Retail Transaction and Credit Card products	21%	17%	
# work requests processed by Business Response Team, increasing C&CB bankers' customer facing time <sup>1</sup>	140k	-	# Digital A-Z Reviews completed by C&CB <sup>3</sup>	72k	5k		
<b>Building capability &amp; capacity</b>				<b>Simplifying products &amp; processes</b>			
% Retail frontline staff who are focused on sales	56%	51%		% annual improvement in Australian Operations productivity <sup>4</sup>	14%	14%	
# Institutional specialists dedicated to supporting C&CB customers	144	114		# Retail accounts receiving 'online only' statements	2.6m	1.6m	
# hours of sales focused training across Retail and C&CB to build capability	219k	181k	# products decommissioned since Banking on Australia inception <sup>5</sup>	48	27		

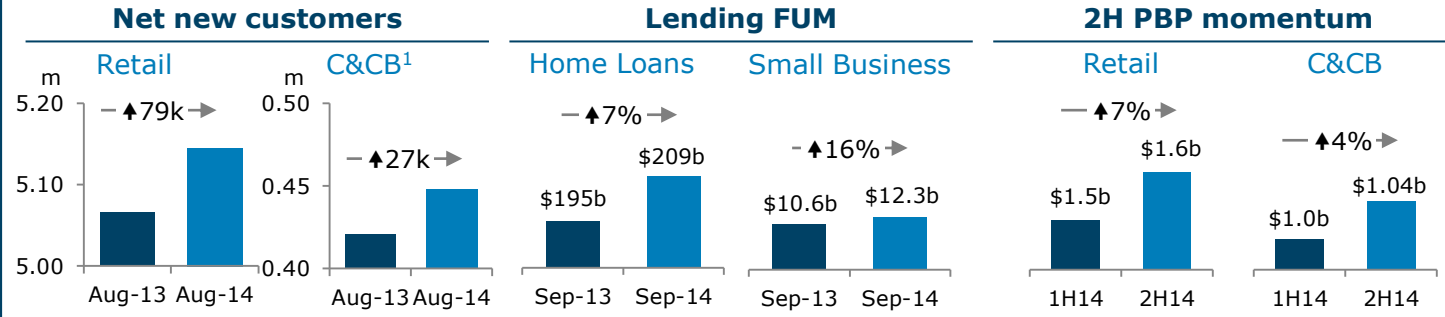
1. Business Response Team fully deployed in FY14, data not available for FY13; 2. Represents dollar value of transactions processed on ANZ goMoney™ since launch in Sep-10; 3. Digital A-Z Reviews piloted through 4Q13; 4. Operations productivity in FY14 is a combination of 6% cost reduction and 8% increase in volume; 5. Banking on Australia inception was Oct-12

# Australia Division is delivering growth and strengthening our position in key core markets

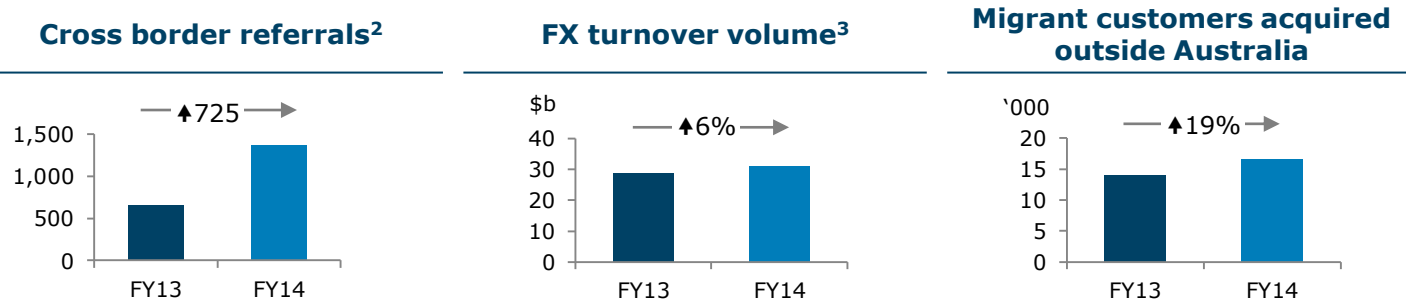
## Divisional profit up 7% YOY to \$3.05 billion

STRONG CORE MARKETS

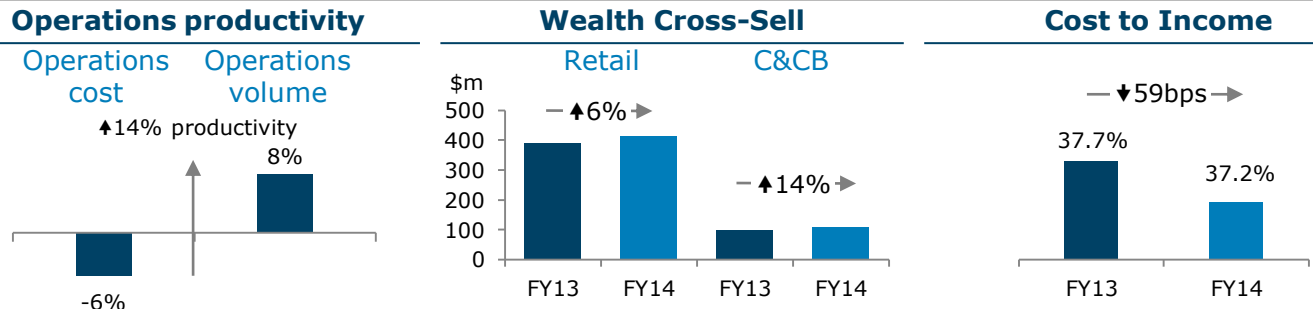
Growing Retail and Commercial



Leveraging Super Regional Capability



Enterprise Approach

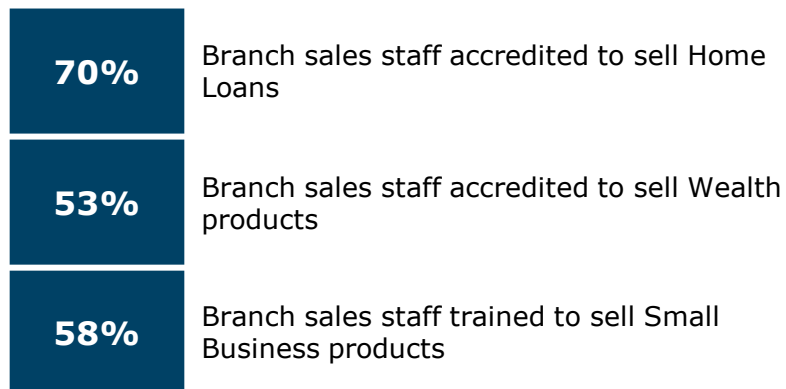


1. Excludes Esanda contracts
2. Cross border referrals for commercial opportunities, originating from Australia
3. Foreign exchange turnover (volume) for C&CB customers

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# Retail – Continuing to build capability and delivering strong sales outcomes and productivity

## Building sales capability

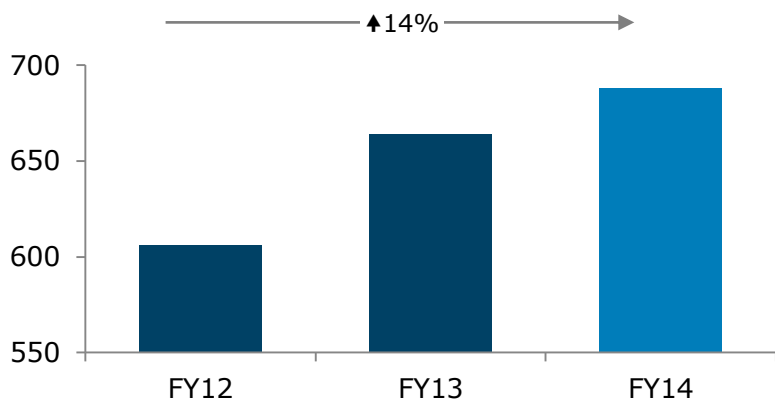


## Delivering sales outcomes



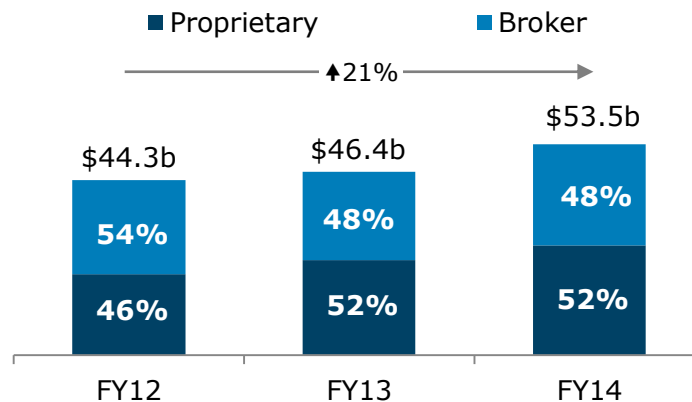
## Increasing sales productivity

**Retail Revenue per FTE**  
\$'000/FTE



## Growing Home Loan sales in proprietary channels

**Home Loan Sales**  
% of Total



1. Source: APRA Monthly Banking Statistics, 12 months to Aug-14; 2. Based on range of expected results for system growth in Sep-14 quarter; 3. Source: Roy Morgan Research. Retail MFI CSAT – retail customers aged 14+ who hold a deposit product and consider ANZ to be their main financial institution. Customers who are Very or Fairly Satisfied. Rolling 6 months.

# Retail – delivering leading mobile and digital solutions to meet changing customer needs and improve productivity

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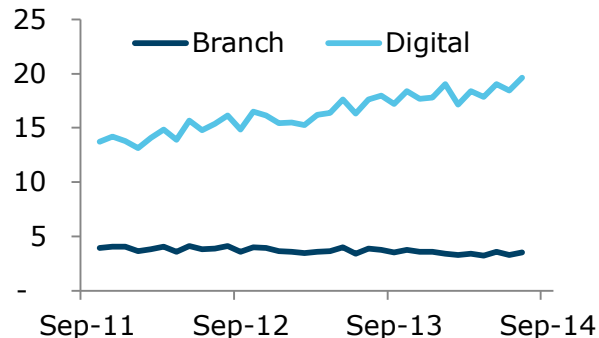
STRONG CORE MARKETS

## We're investing in digital channels...

- **Mobile optimised content** to enhance experience for customers on tablet and mobile devices
- **Enhanced online tools and calculators** to drive acquisition and increase conversion
- **Online responsive sales applications** to enable sales through digital channels

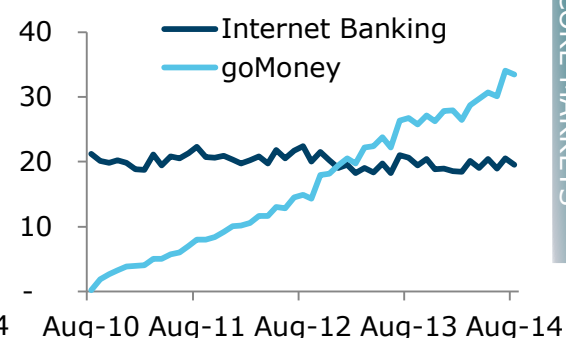
## ... as customers change the way they want to bank with us...

**Monthly Retail Transaction Volumes<sup>1</sup>**  
#m



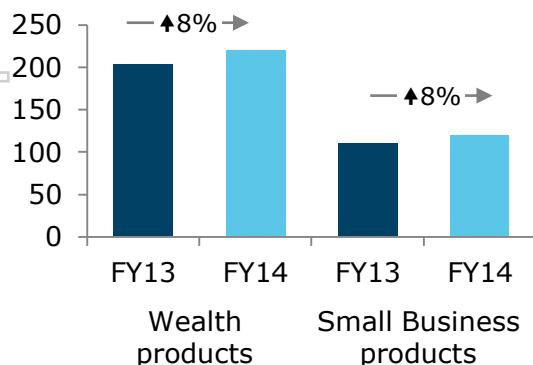
## ...and increasingly prefer mobile

**Monthly Retail Logins**  
#m



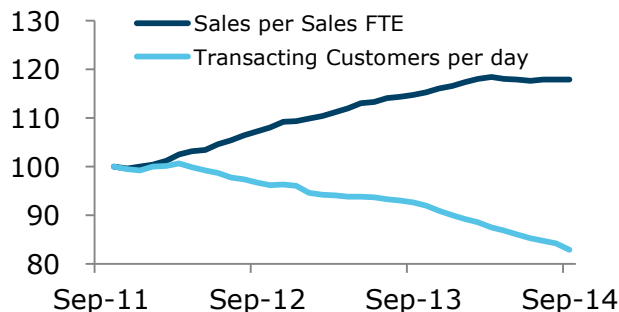
## Enabling capacity to focus on higher value sales...

**Sales volume in Retail channels<sup>2</sup>**  
#k



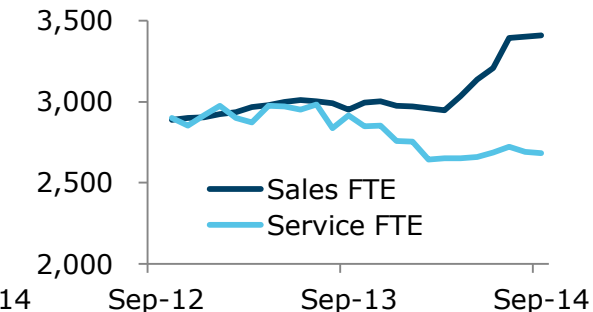
## ... by improving branch productivity...

**Customer Branch Traffic and Sales Productivity**  
Index Sep-11 = 100



## ..and increasing our sales capacity

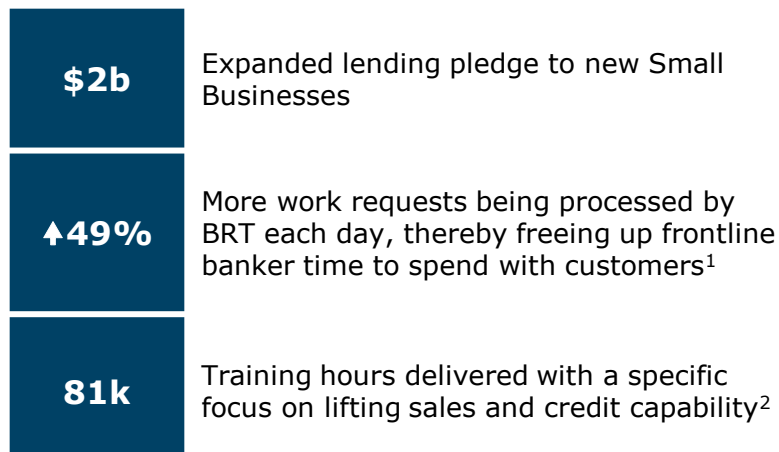
**Sales and Service FTE**  
#



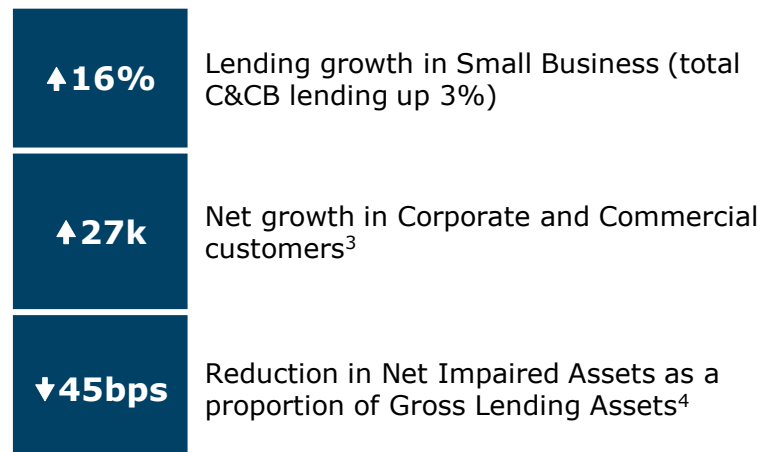
1. Inclusive of Transaction events across Retail and C&CB. Branch excludes Third Party Collections transactions processed in the back office, Digital transactions includes Internet Banking, goMoney and Grow Oct 11 to Sept 14; 2. Excludes sales of Wealth products through Wealth channels

# C&CB – Continued focus on transforming the business with improved momentum in 2H14

## Key initiatives across the business...

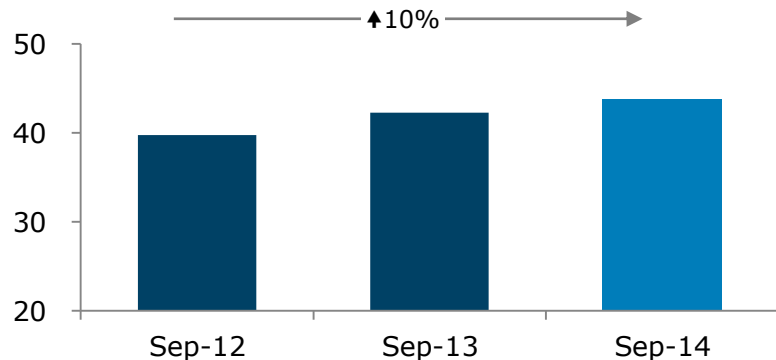


## ...underpin FY14 performance



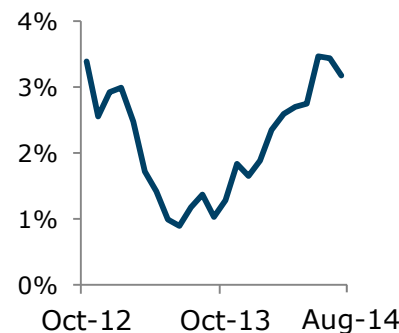
## Continued gains in productivity

**C&CB FUM per FTE**  
\$m

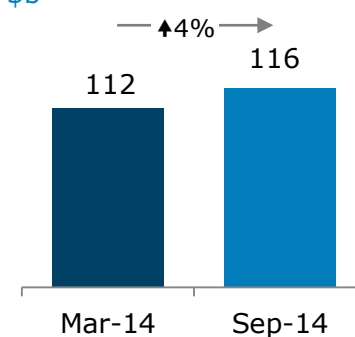


## Improved sales momentum in 2H14

**Business Credit Growth<sup>5</sup>**  
%, YoY



**C&CB Lending & Deposit FUM**  
\$b



1. Increase in Business Response Team (BRT) work requests processed per FTE per day from 1H14 to 2H14 (BRT fully deployed in 2Q14); 2. Training hours delivered in FY14; 3. Net increase in customers 12 months to Aug-14. Excludes Esanda contracts; 4. For 12 months to Sep-14; 5. Business Credit, seasonally adjusted, RBA, Oct-12 to Aug-14



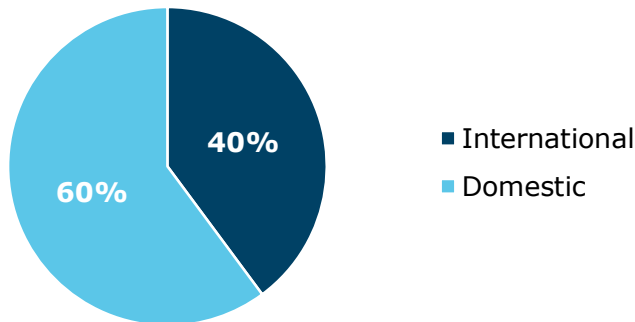
# Leveraging ANZ's super regional connectivity to deliver long term, sustainable growth

## Being the bank of choice for international customers in Australia

- \$365m** Deposits held by Retail International customers acquired overseas<sup>1</sup>
- 17k** International customers acquired and onboarded prior to arriving in Australia
- 64** International Branches<sup>2</sup> with multi-lingual capability and resources

## The International segment represents 40% of Transaction Customer Acquisition

Retail Transaction Customer Acquisition<sup>3</sup>  
%

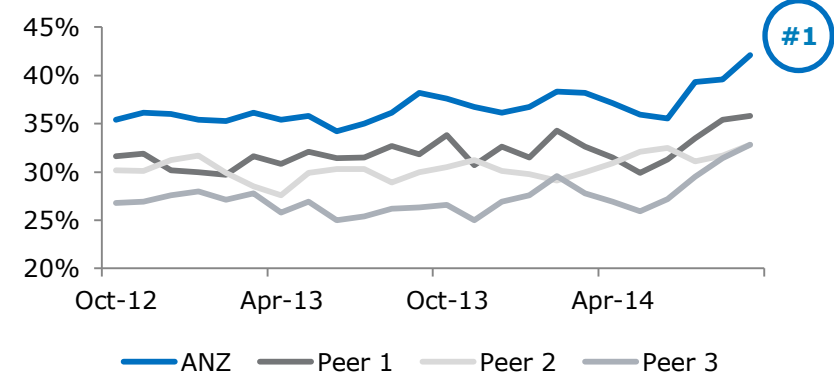


## Supporting our customers to do business across the region

- 1,377** Cross border C&CB referrals from Australia supported by new online Global Referral Tool
- ↑ 16%** Growth in C&CB customers with a Trade relationship
- 7** Dedicated regional desks in key centres, supporting ANZ customers expanding offshore

## Leading super regional capability appeals to customers

Can service my business needs in Asia, Australia & NZ<sup>4</sup>  
%



1. For customers acquired in FY14; 2. International branches are located in Australia and focussed on International customers; 3. New to bank transaction customer acquisition for the 12 months to Sep-14; 4. Proportion of Commercial customers (\$1m to <\$40m turnover) associating institution with the statement 'can service my business needs across Asia, Australia and New Zealand', rolling 3 month average, DBM Financial Services Monitor, Oct-12 to Sep-14

# Enterprise approach is driving improvements in productivity, leveraging scale and increasing cross-sell

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## Leveraging our Regional Delivery Network

*Utilising our super regional footprint to enhance productivity*

- Improving Operations overall productivity by 14%, with total costs and cost/FTE reducing, while volumes continued to increase
- Customer complaints down 8% through product simplification and taking an end-to-end approach to improve processes

## Building common infrastructure

*Driving economies of scale and efficiency across the enterprise*

- Launched Global Asset Finance (GAF), a new core platform to enhance and grow asset finance capability across the Group, reducing the time to complete key sales processes from days to minutes
- Deployed a common foundational digital platform for Singapore, Hong Kong and Australia.
- Established Enterprise Data Warehouse to build a common data platform

## 'Whole of ANZ' approach

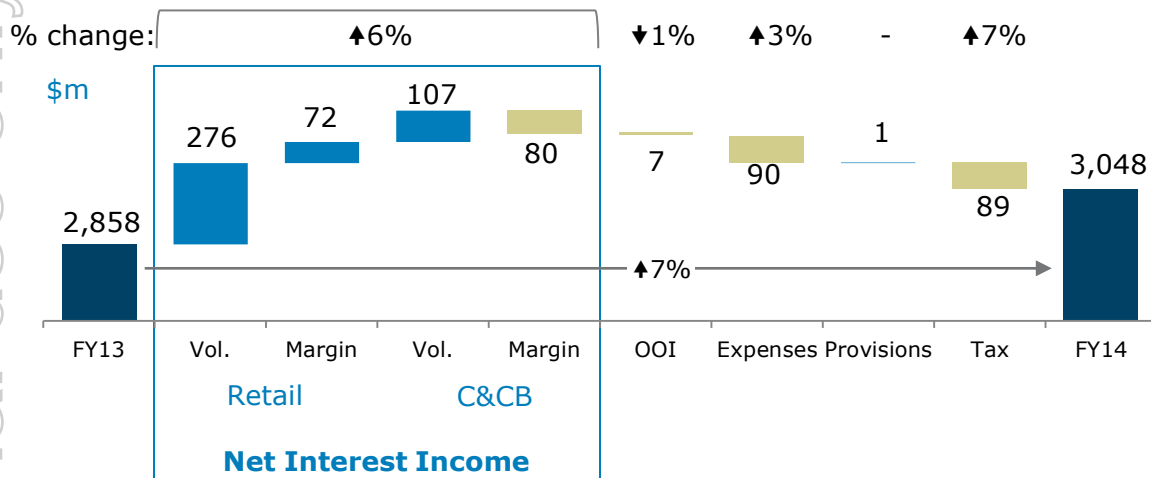
*Increasing collaboration and connectivity across the enterprise*

- 53% of branch sales staff accredited to sell Wealth products and increased specialised coverage, supporting growth in Wealth cross-sell across the Australia Division.
- Increasing coverage from specialist product partners in C&CB (IIB FTE dedicated to C&CB up 26% in FY14), supporting an increase in C&CB customers holding IIB products (up 15% in FY14)

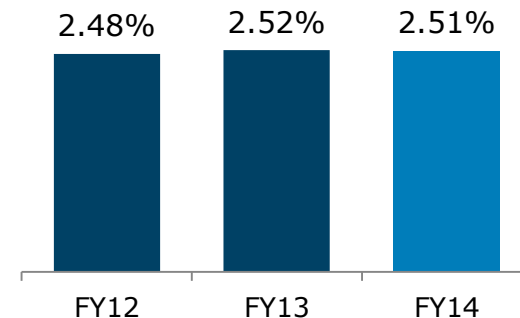
# Australia Division Financial Performance – P&L

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## Profit and Loss movement FY14 vs FY13

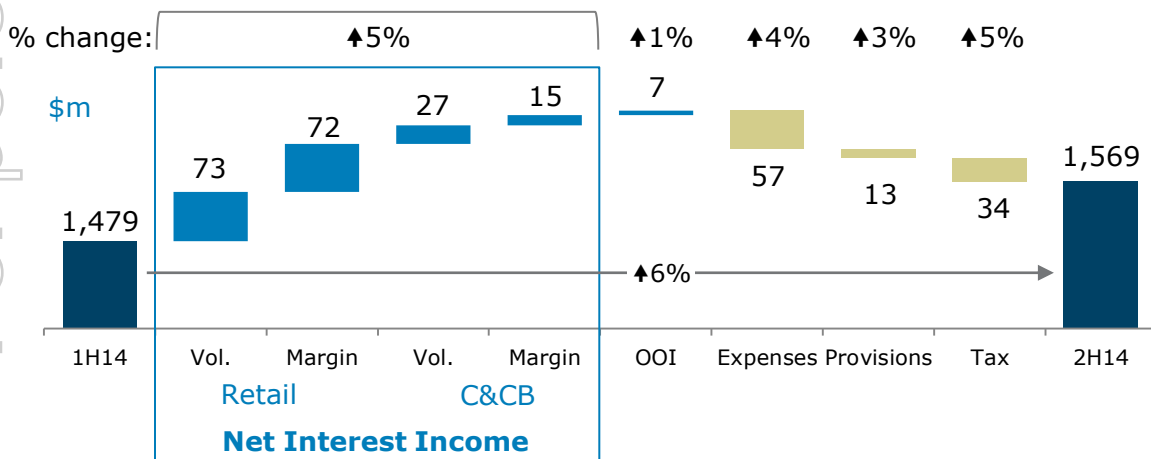


## Net Interest Margin

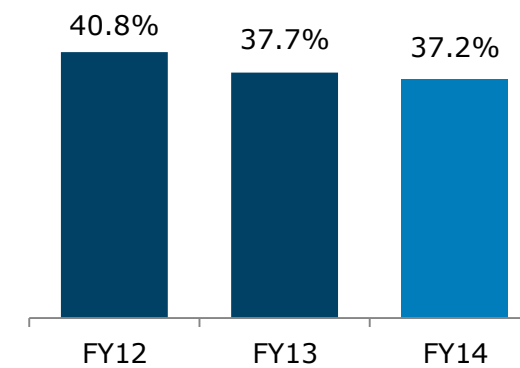


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## Profit and Loss movement 2H14 vs 1H14



## Cost to income

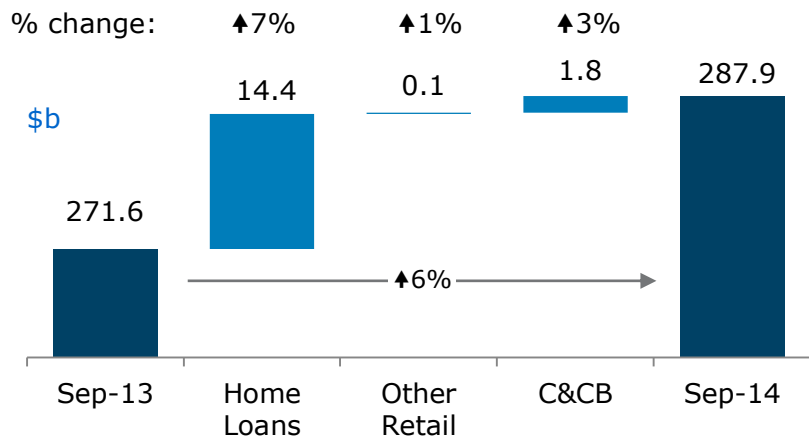


# Australia Division Financial Performance – Balance Sheet

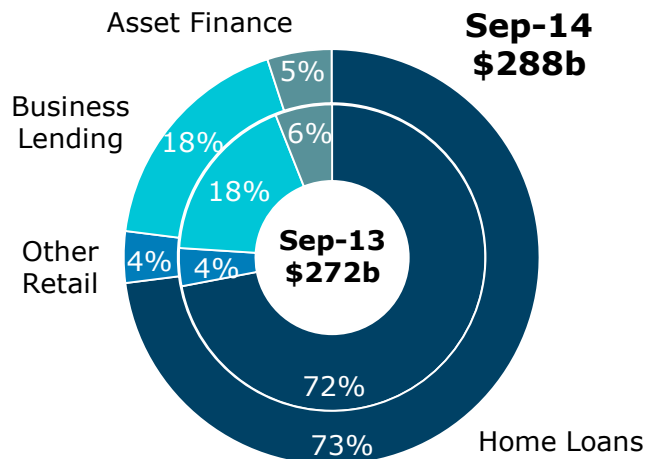
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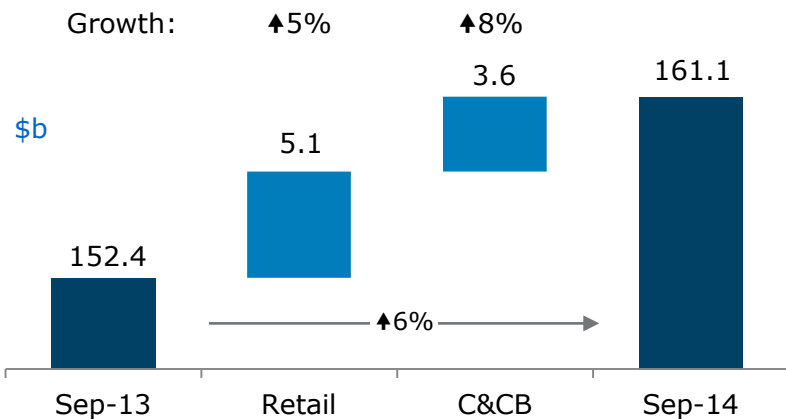
## Loan movement



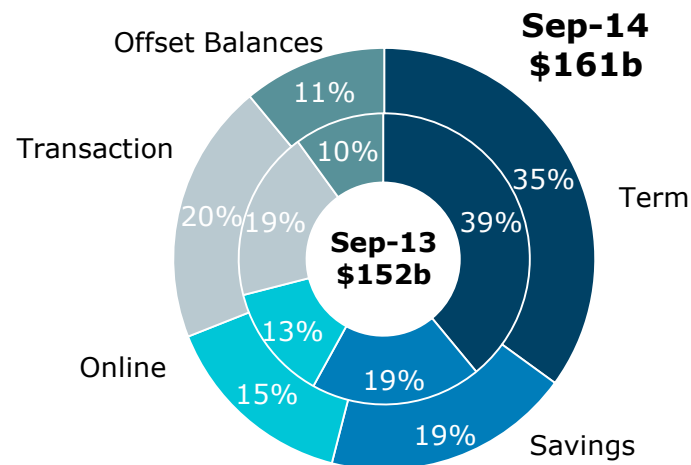
## Customer lending composition



## Deposit Movement



## Customer deposit composition



# Australia Division business unit performance

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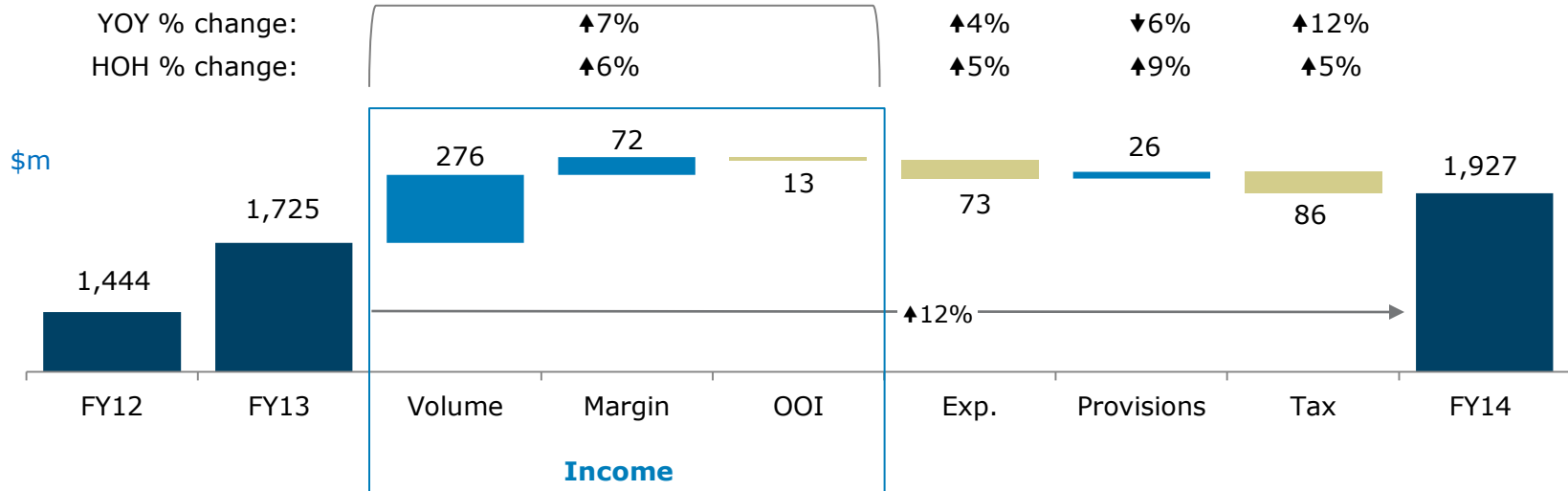
		Income (\$m)	Expenses (\$m)	PBP (\$m)	NPAT (\$m)	Cost to Income %
<b>Australia Division</b>	<b>FY14</b>	<b>8,228</b>	<b>3,057</b>	<b>5,171</b>	<b>3,048</b>	<b>37.2%</b>
	<b>FY14 v FY13</b>	5%	3%	6%	7%	-59bps
	<b>2H14 v 1H14</b>	5%	4%	5%	6%	-37bps
<b>Retail</b>	<b>FY14</b>	<b>5,176</b>	<b>2,051</b>	<b>3,125</b>	<b>1,927</b>	<b>39.6%</b>
	<b>FY14 v FY13</b>	7%	4%	9%	12%	-123bps
	<b>2H14 v 1H14</b>	6%	5%	7%	7%	-42bps
<b>Corporate &amp; Commercial Banking</b>	<b>FY14</b>	<b>3,052</b>	<b>1,006</b>	<b>2,046</b>	<b>1,121</b>	<b>33.0%</b>
	<b>FY14 v FY13</b>	1%	2%	1%	-1%	+20bps
	<b>2H14 v 1H14</b>	3%	2%	4%	5%	-38bps

# Retail – Financial Performance

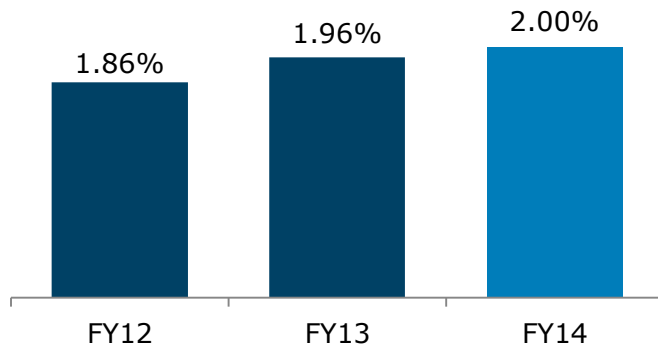
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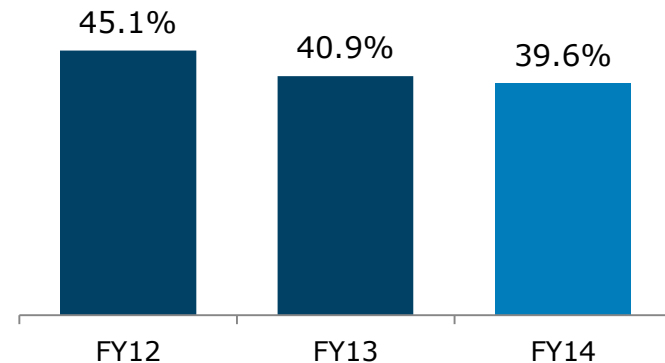
## Profit and Loss movement FY14 vs FY13



## Net Interest Margin



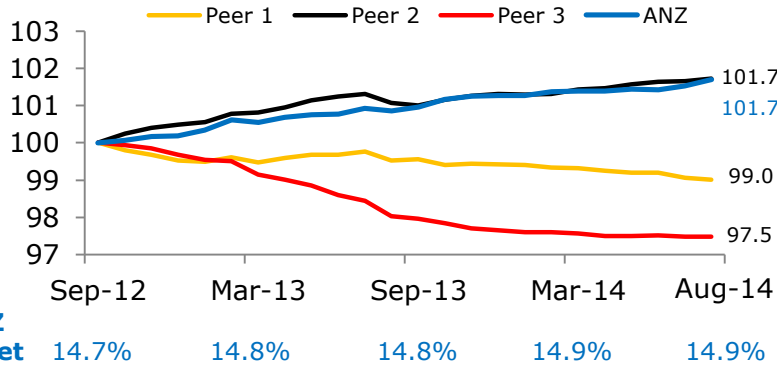
## Cost to Income



# Retail – Consistent balance sheet growth

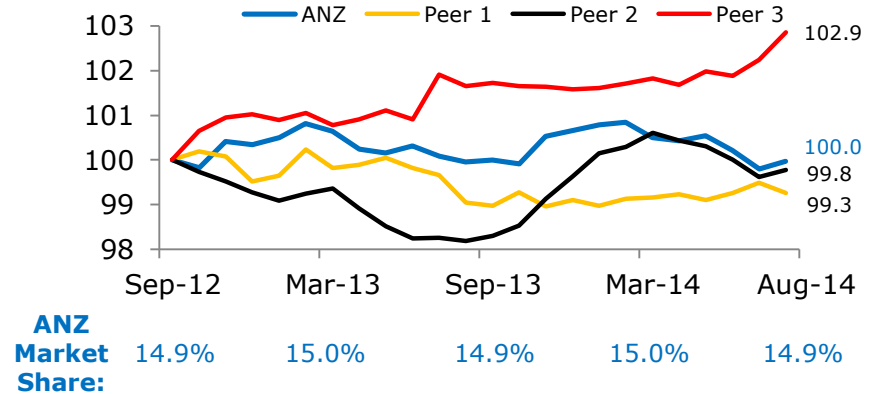
## Home Loan growth<sup>1</sup>

**Household Lending Market Share Growth (%)**  
Index Sep-12 = 100

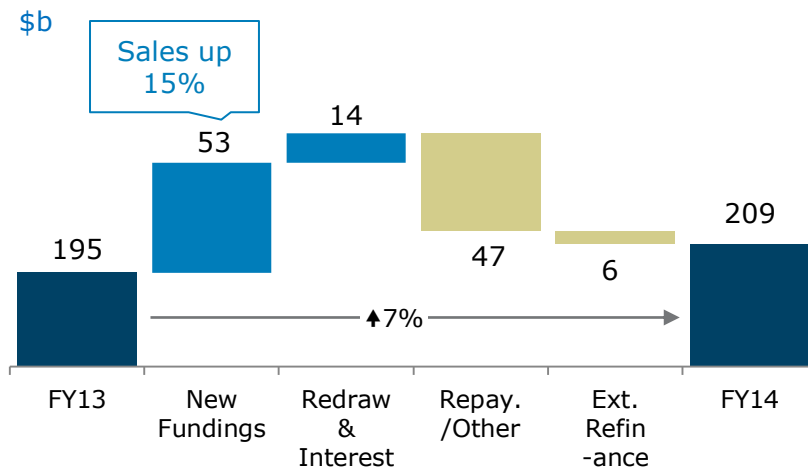


## Deposit Growth<sup>1</sup>

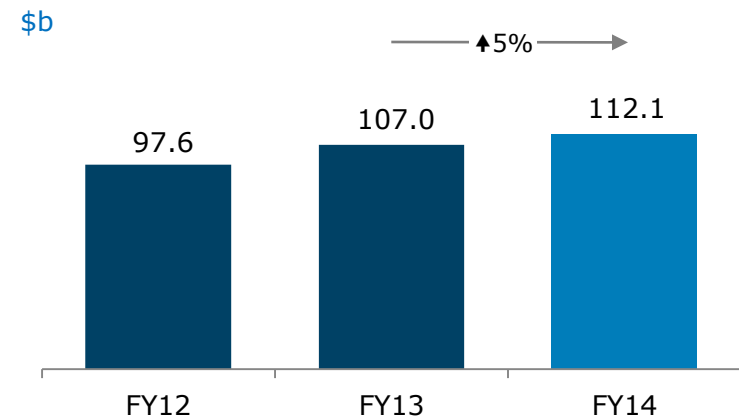
**Household Deposits Market Share Growth (%)**  
Index Sep-12 = 100



## Home Loan sales and paydowns



## Deposit volume growth

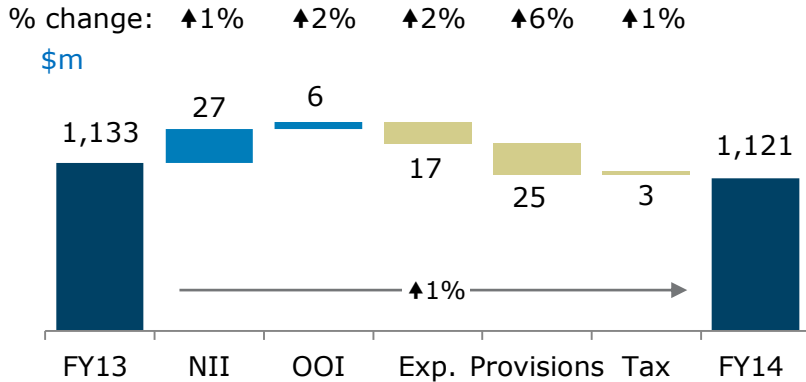


1. Source: APRA Monthly Banking Statistics, August 2014

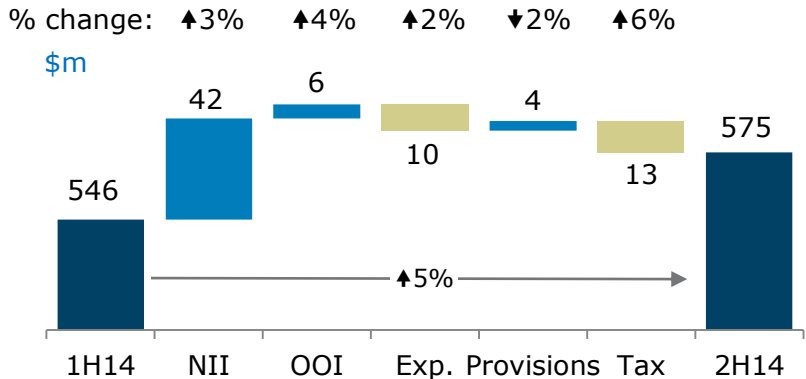
# C&CB – Financial Performance

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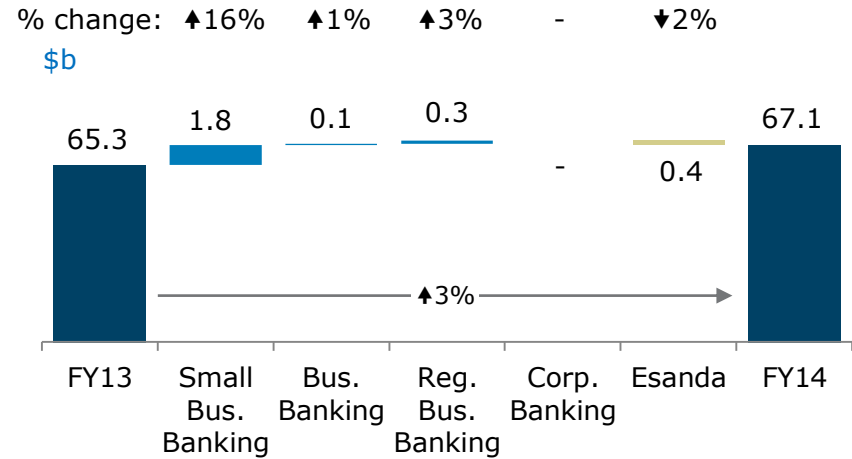
## Profit and Loss movement FY14 vs FY13



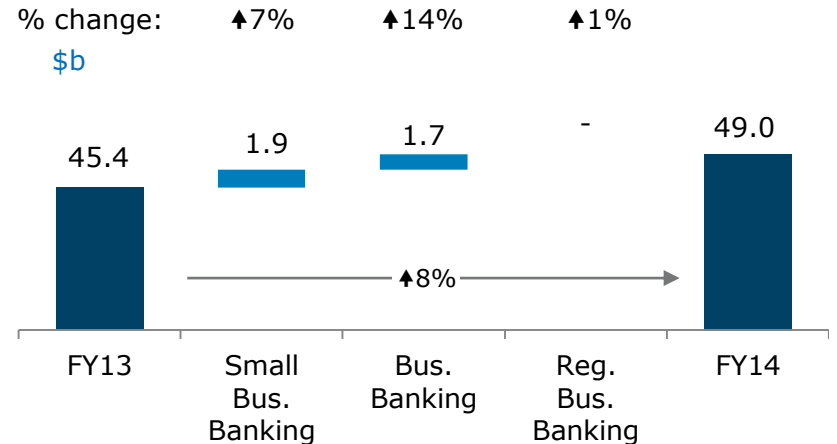
## Profit and Loss movement 2H14 vs 1H14



## Lending growth by business



## Deposit growth by business



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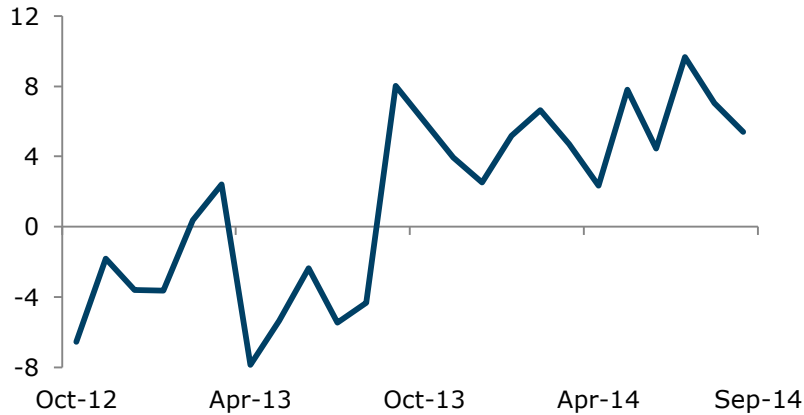


# C&CB – greater momentum in second half

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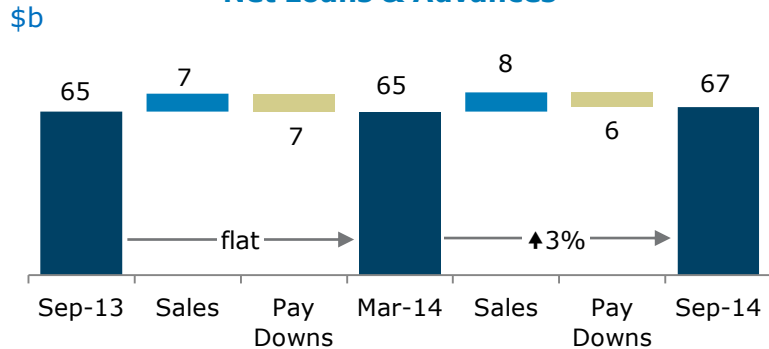
Recent improvements in business confidence and business conditions...

Business Conditions (Net Balance)<sup>1</sup>



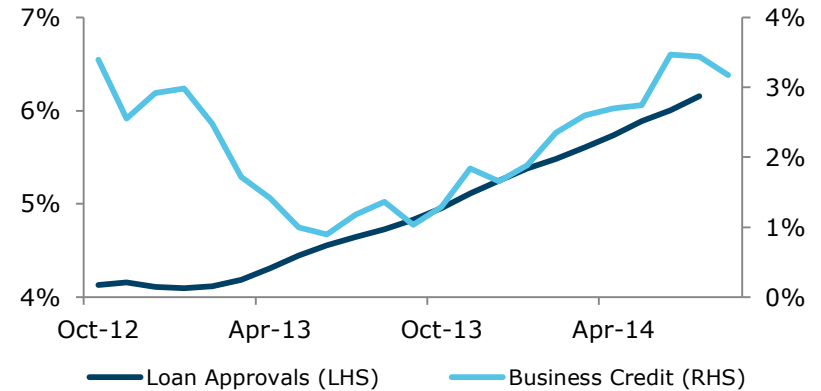
Trends in sales and pay downs are encouraging...

Net Loans & Advances



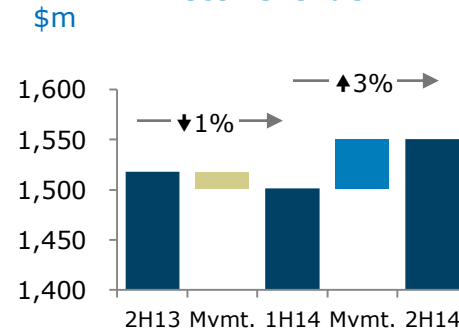
...are slowly translating to increased demand for business credit

Business Credit<sup>2</sup> and Loan Approvals<sup>3</sup>

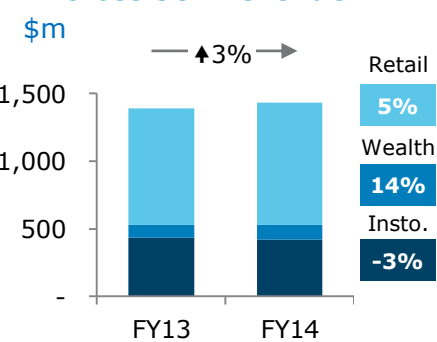


...and have contributed to improved revenue momentum in 2H14

Direct Revenue



Cross Sell Revenue



1. Ai Group Performance of Construction, Performance of Manufacturing and Performance of Services Indices, combined and indexed by ANZ Research, Oct-12 to Sep-14  
 2. Year-on-year change in Business Credit, seasonally adjusted, RBA, Oct-12 to Aug-14  
 3. Trend in monthly business loan approvals as a proportion of total business credit outstanding per ABS, Oct-12 to Jul-14

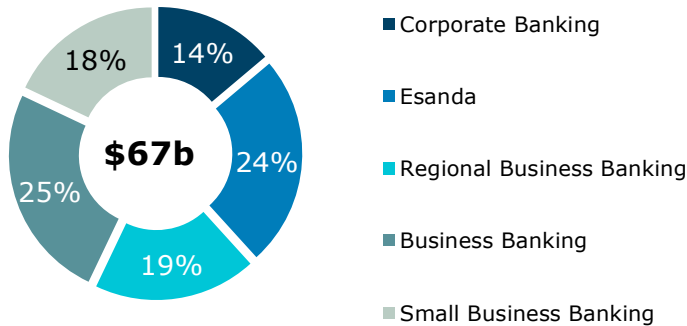
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# C&CB – a diversified portfolio with continued improvements in asset quality and performance

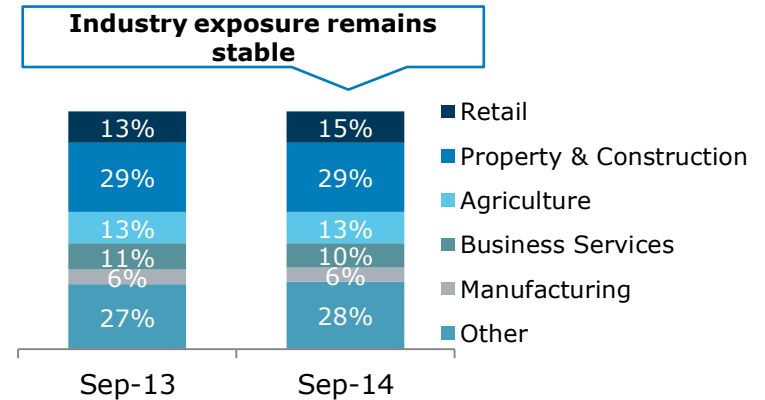
STRONG CORE MARKETS

C&CB maintains a diversified portfolio, covering numerous market and customer segments

Net Loans & Advances

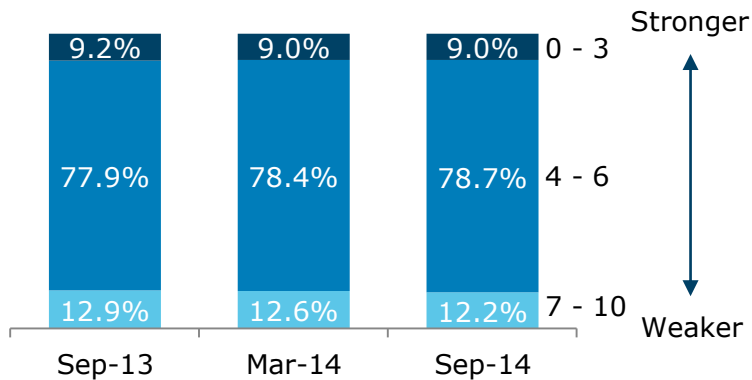


Exposure at Default by Industry (%)



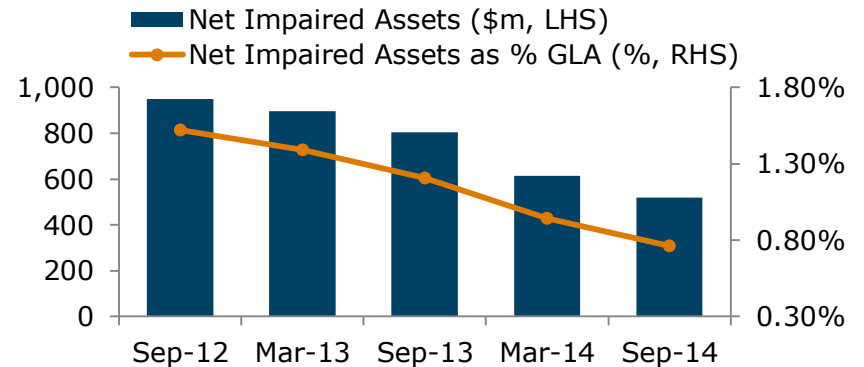
Improving asset quality

EAD by Customer Credit Rating (%)



Portfolio performance has improved

Net Impaired Assets



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# Creating New Zealand's best bank

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## ANZ Group Strategy

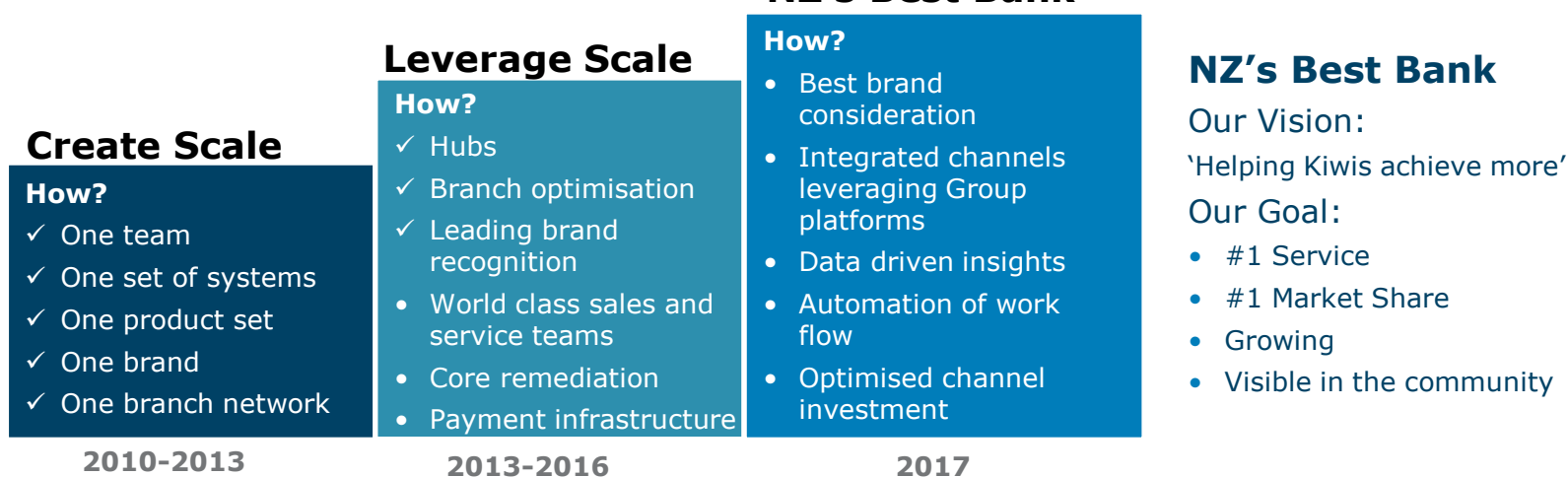


STRONG CORE MARKETS

## ANZ New Zealand's Strategy

1. Leverage our scale advantage by **building and enabling world class sales teams** to capture cross sell and share growth
2. Empower customers and drive efficiency and sales through further **developing digital and payments capability**
3. Maximise our scale advantage by **simplifying** our products, processes, policies, technology & leveraging Group investment
4. Capitalise on our data advantage by **improving our data and insights** infrastructure and end-to-end leads processes
5. Improve our **connections between frontline channels** to support customer interactions

## NZ's Best Bank



# Our strategy is delivering a scale advantage

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	2010	2014	2017
<b>Core systems</b>	<b>2</b>	<b>1</b>	<b>1</b>
<b>Brands</b>	<b>2</b>	<b>1</b>	<b>1</b>
<b>ANZ brand consideration<sup>1</sup></b>	<b>27%</b>	<b>44%</b>	<b>Market leading</b>
<b>Staff engagement</b>	<b>64%</b>	<b>78%<sup>3</sup></b>	<b>Best practice</b>
<b>NZ Geography - CTI</b>	<b>49.1%</b>	<b>38.9%<sup>4</sup></b>	<b>Market leading</b>
<b>- Cash profit (NZDm)</b>	<b>866</b>	<b>1,682</b>	
<b>NZ Division - CTI</b>	<b>48.4%<sup>2</sup></b>	<b>41.1%</b>	<b>Market leading</b>
<b>- Cash profit (NZDm)</b>	<b>545<sup>2</sup></b>	<b>1,170</b>	

- |   |  |   |
|---|--|---|
| <ul style="list-style-type: none"> <li>• Brought 2 brands together</li> <li>• Moved to 1 core banking system</li> <li>• Created 1 management structure</li> <li>• Simplified and moved to a single set of policies, processes and products</li> </ul> | <ul style="list-style-type: none"> <li>• Leveraging global hubs and shared platforms</li> <li>• Improving branch coverage</li> <li>• Rolling out customer data focused sales strategy</li> </ul> | <ul style="list-style-type: none"> <li>• Natural competitive advantage in key markets</li> <li>• Enhancing digital offering for improved customer experience and banker efficiency</li> </ul> |
|---|--|---|

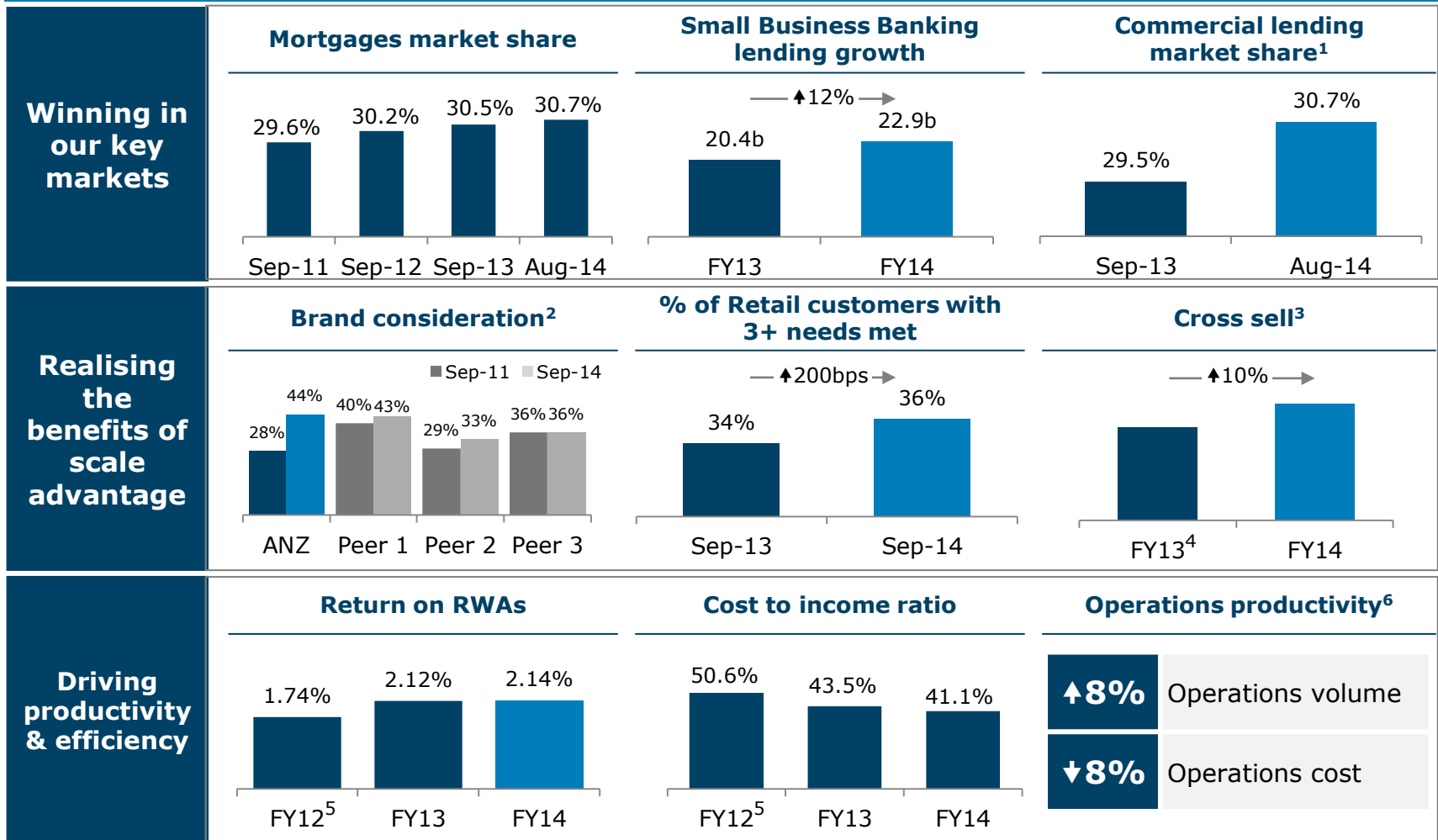
1. Source: McCulley Research Limited (first choice or seriously considered)  
 2. FY10 result on a consistent basis  
 3. Staff engagement survey for 2014 as at July 2014  
 4. Including the one off insurance recovery related to the ING frozen funds (excluding: 39.87%)

# Building on a strong core market position

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## Divisional profit up 10% YoY to \$1.17 billion



1. RBNZ – Aug 14; 2. Source: McCulley Research Limited (first choice or seriously considered); 3. Institutional products to Commercial customers; 4. FY13 index = 100; 5. NPAT and CTI includes NZ Simplification Programme (NZS) costs (pre-tax: FY10 nil, FY12 NZD196m, FY13 NZD22m); 6. FY13 – FY14

# Enhancing customer experience and driving efficiency

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## Transforming distribution channels

	FY13	FY14
• Smart ATMs	31	93
• Over the counter transactions		↓1.9m
• Time reduction in answering Contact Centre calls		↓50%

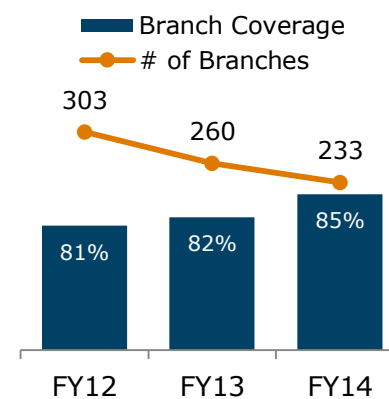
## Mobile & digital

	FY13	FY14
• Active goMoney™ users	240k	421k
• Fastpay merchants registered <sup>1</sup>		1,800+
• Contactless merchants	1,308	1,910
• Mobile banking customer sat'n	92%	97%

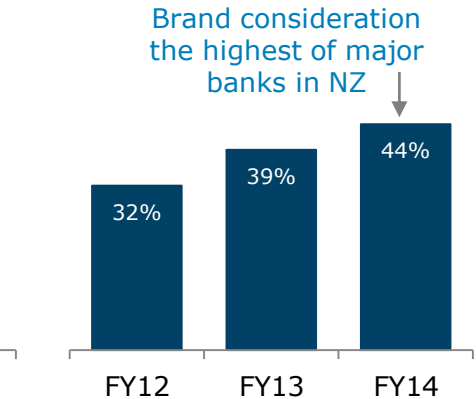
## Enhancing capability, simplifying processes

	FY13	FY14
• % of retail & business products with statement suppression <sup>2</sup>	40%	47%
• Frontline hours released for sales	90k	110k
• Product simplification <sup>3</sup>	56 <sup>4</sup>	24

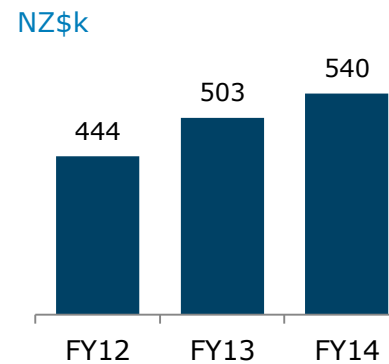
## Branch coverage<sup>5</sup>



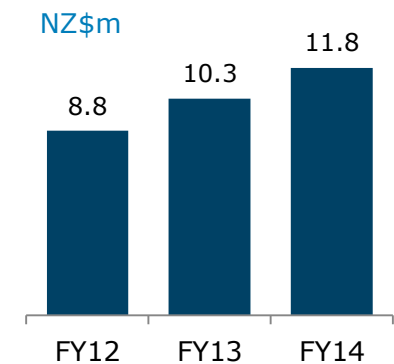
## Brand consideration<sup>6</sup>



## Revenue per FTE<sup>7</sup>



## Revenue per branch<sup>7</sup>

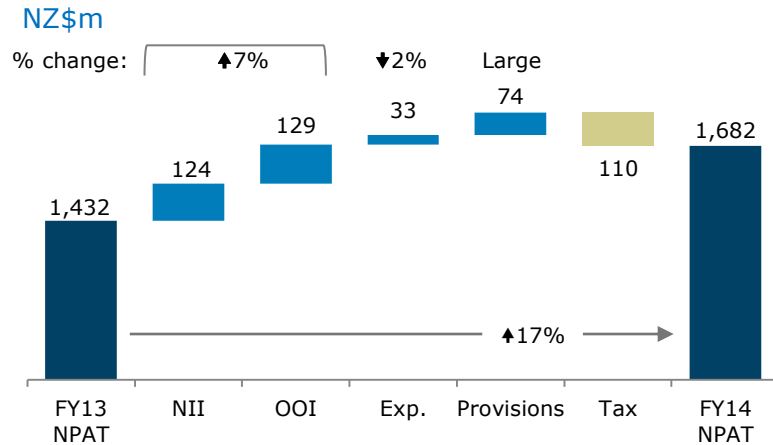


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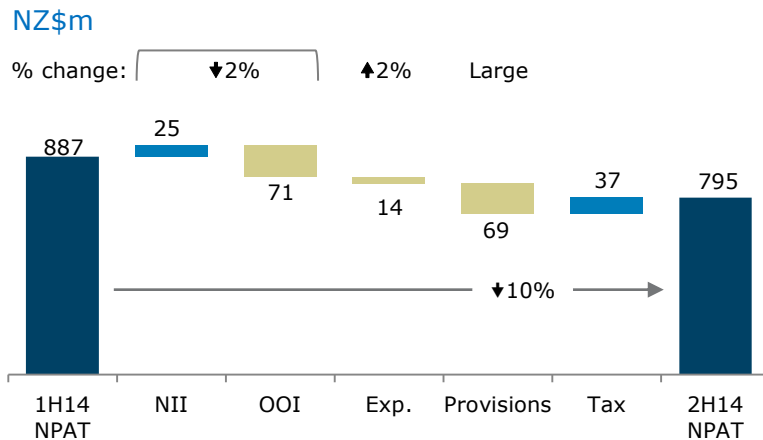
1. ANZ Fastpay launched on 13 December 2013; 2. Excluding Bonus Bonds. Statement suppression provides option to elect to receive statements online; 3. Products offered in Retail & Small Business Banking; 4. September 2011 comparative position; 5. Branch coverage measures the areas in which ANZ is represented relative to where New Zealanders do business; 6. Source: McCulley Research Limited (first choice or seriously considered); 7. Amounts based on end of period FTE and branch numbers

# New Zealand Geography - Profit and loss performance

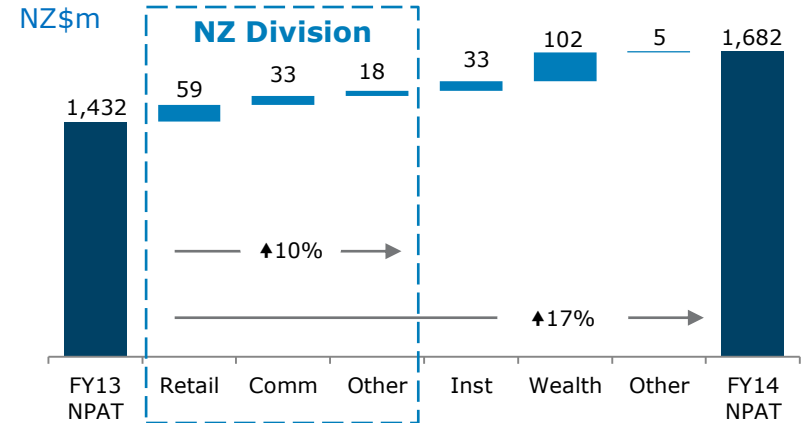
## Profit and loss movement FY14 vs. FY13



## Profit and loss movement 2H14 vs. 1H14



## Profit and loss contribution



## Half on half profit & loss impacts

### Income

- First half OOI included a \$91m one off insurance recovery related to the ING frozen funds recorded in Wealth

### Provisions

- 2H14 IP charge \$39m higher due to lower level of provision write-backs
- Lower net CP release in 2H14, partly reflective of CP charges due to higher lending growth
- Continued improvement in credit quality, although 2H14 improvements at a slower rate

# New Zealand performance

## FY14 New Zealand business unit performance

NZ\$m

		Revenue	Expenses	PBP	Provisions	NPAT
<b>Retail</b>	<b>FY14</b>	<b>1,272</b>	<b>(632)</b>	<b>640</b>	<b>(31)</b>	<b>438</b>
	<b>FY14 v FY13</b>	↑4%	↓1%	↑10%	↓46%	↑16%
	<b>2H14 v 1H14</b>	Flat	Flat	Flat	↑58%	↓3%
<b>Small Business Banking</b>	<b>FY14</b>	<b>591</b>	<b>(239)</b>	<b>352</b>	<b>(32)</b>	<b>231</b>
	<b>FY14 v FY13</b>	Flat <sup>1</sup>	↓2%	↑1%	↑452%	↓8%
	<b>2H14 v 1H14</b>	↑2%	↓1%	↑4%	↑141%	↓4%
<b>CommAgri</b>	<b>FY14</b>	<b>872</b>	<b>(250)</b>	<b>622</b>	<b>72</b>	<b>500</b>
	<b>FY14 v FY13</b>	↑2%	↑1%	↑3%	↓320%	↑12%
	<b>2H14 v 1H14</b>	↑4%	↑2%	↑5%	↑76%	↓8%
<b>NZ Division</b>						
<b>Institutional</b>	<b>FY14</b>	<b>626</b>	<b>(183)</b>	<b>443</b>	<b>(1)</b>	<b>320</b>
	<b>FY14 v FY13</b>	↑3%	↓7%	↑7%	↓97%	↑12%
	<b>2H14 v 1H14</b>	↓3%	↓2%	↓4%	↑268%	↓5%
<b>Wealth</b>	<b>FY14</b>	<b>377</b>	<b>(137)</b>	<b>240</b>	<b>1</b>	<b>182</b>
	<b>FY14 v FY13</b>	↑63%	↓2%	↑159%	↓46%	↑128%
	<b>2H14 v 1H14</b>	↓35%	↑3%	↓51%	↑104%	↓50%

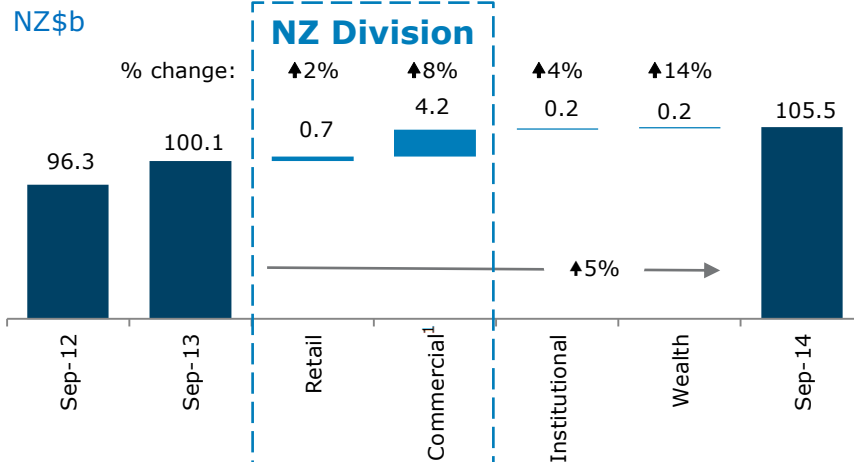
STRONG CORE MARKETS

1. FY13 result includes gain on sale of EFTPOS New Zealand Limited ('EFTPOS') \$17m and revenue forgone \$23m

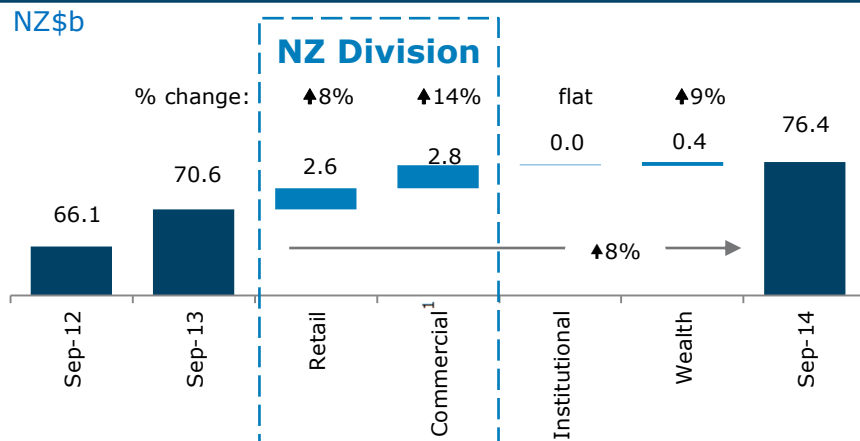


# New Zealand Geography – balance sheet performance

## FY loan movement

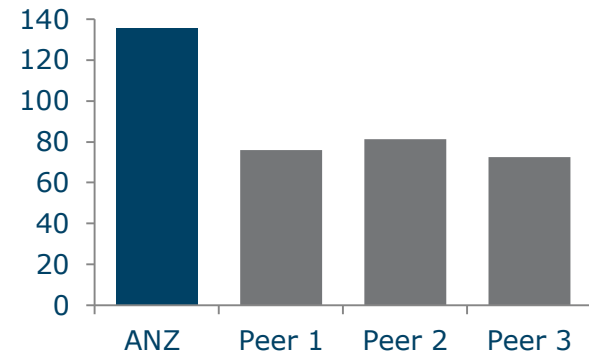


## FY deposit movement

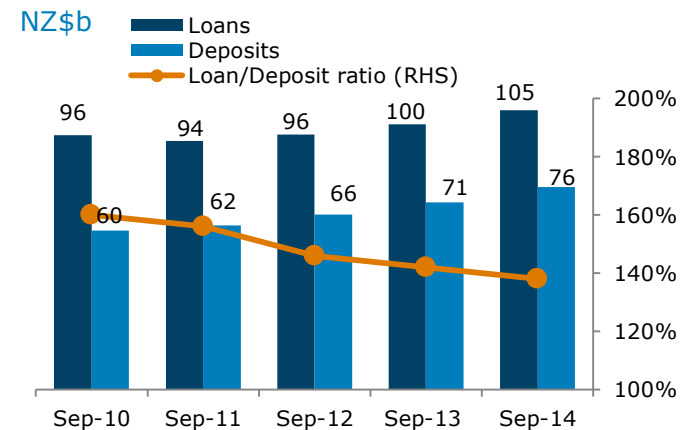


## Leading position in NZ

NZ major bank total assets<sup>2</sup>



## Improving loans to deposit ratio NZ Geography

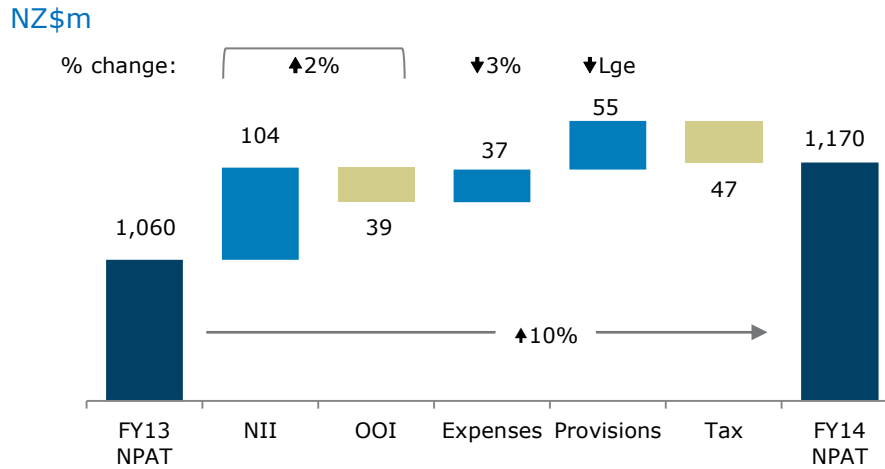


1. Commercial includes Small Business Banking and Commercial & Agri  
 2. As reported in 30 June 2014 company reports

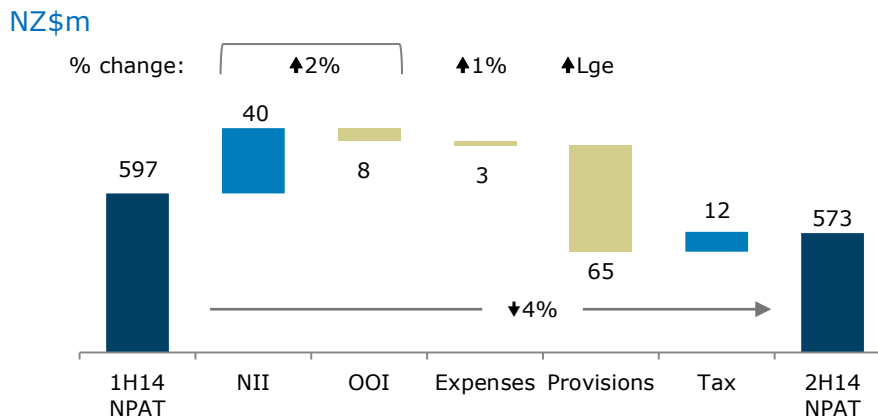
# New Zealand Division: financial performance

For personal use only

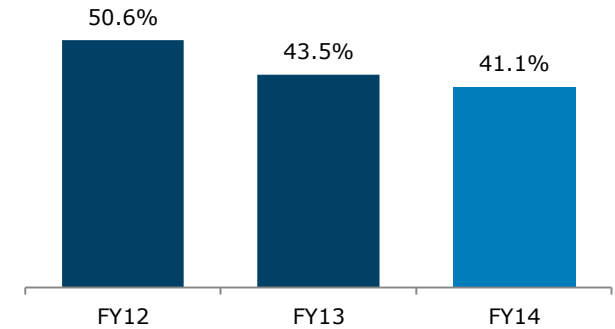
## Profit and loss movement FY14 vs. FY13



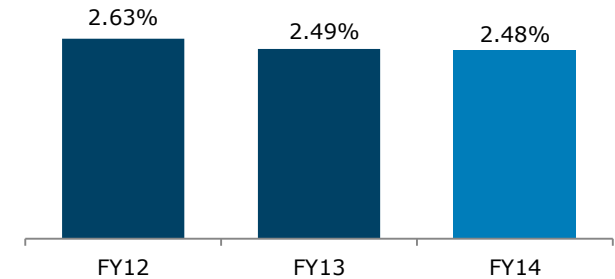
## Profit and loss movement 2H14 vs. 1H14



## Cost to income



## Net interest margin

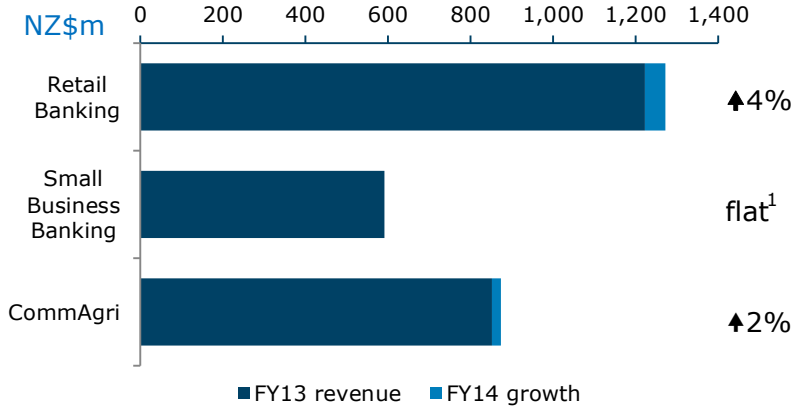


STRONG CORE MARKETS

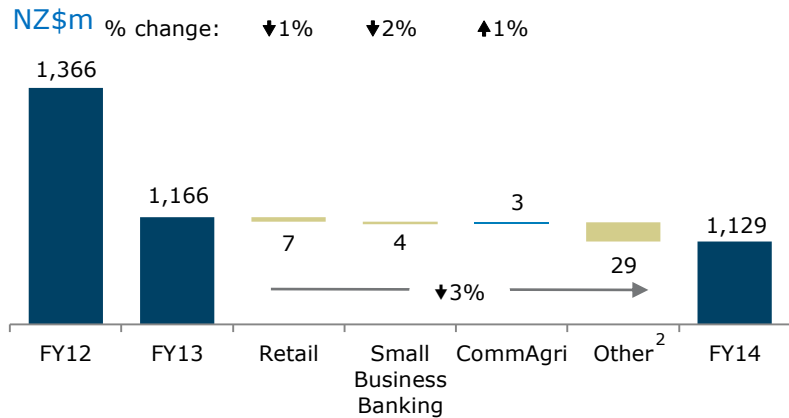
# New Zealand Division: business unit contribution

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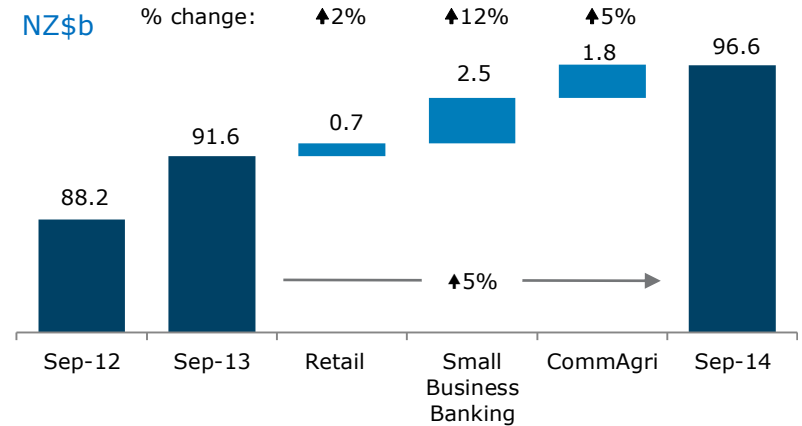
## Revenue by business unit



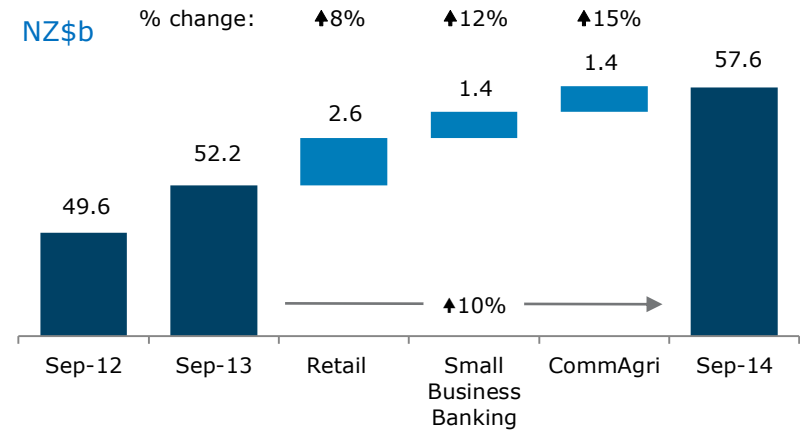
## Expense management



## Loan growth



## Deposit growth



STRONG CORE MARKETS

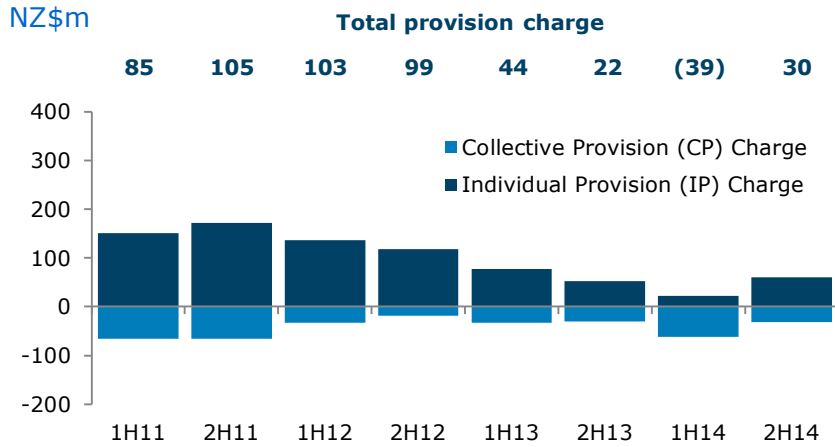
1. FY13 result includes gain on sale of EFTPOS \$17m and revenue foregone \$23m, excluding the impact of EFTPOS growth was 7%  
 2. Other includes NZ Simplification Programme Costs (FY13 NZD22m)

# New Zealand Geography: portfolio composition

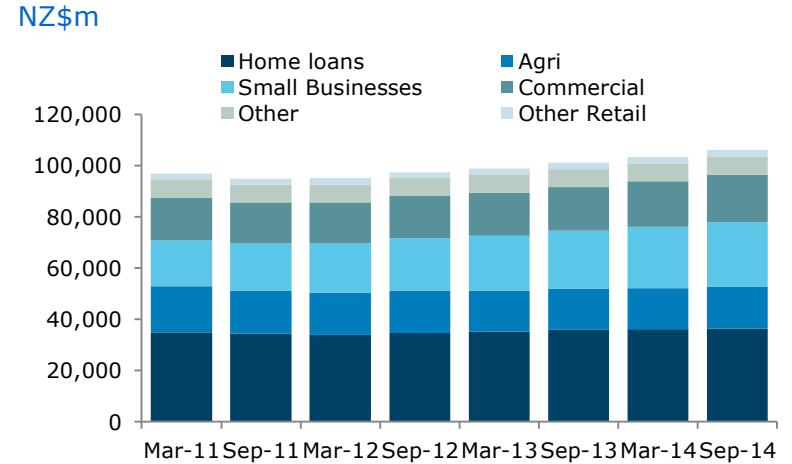
For personal use only

STRONG CORE MARKETS

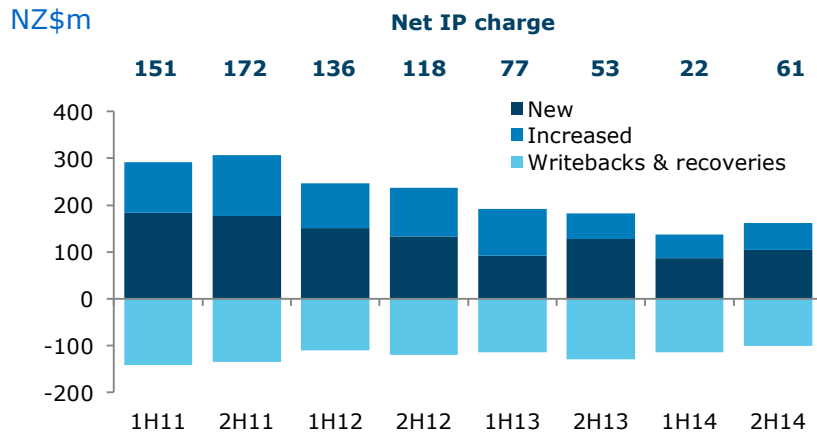
## Provision charge



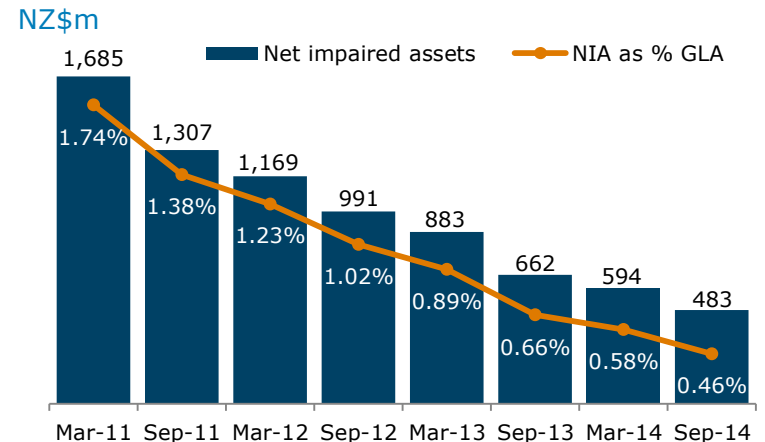
## Portfolio composition



## Individual provision charge composition



## NZ Geography net impaired assets



# New Zealand Retail: continuing to drive productivity

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## Optimising distribution channels



**110,000**  
additional  
sales hours

- Simplifying key business processes
- Introducing straight through processing
- Centralising non-customer facing activities



**↑34%**  
revenue  
per branch<sup>1</sup>

- Rolling out new format branches
- Optimising branch network



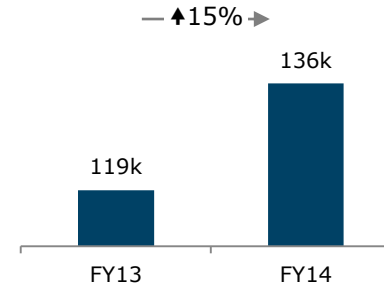
**↑20%**  
Smart  
ATMs<sup>1</sup>

- Ensuring right people are in the right place
- Driving resource optimisation
- Improving customer experience
- Ensuring self-service ATMs for deposits and withdrawals are easily available

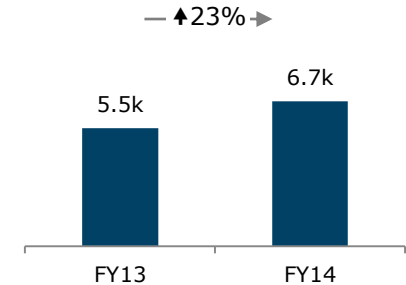
1. FY12 – FY14  
2. Revenue is based on NZ Division

## Customer trends

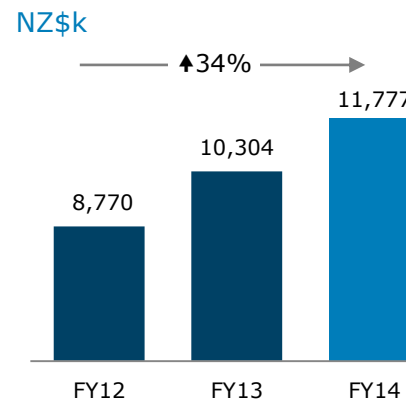
### Gross Retail customer acquisition



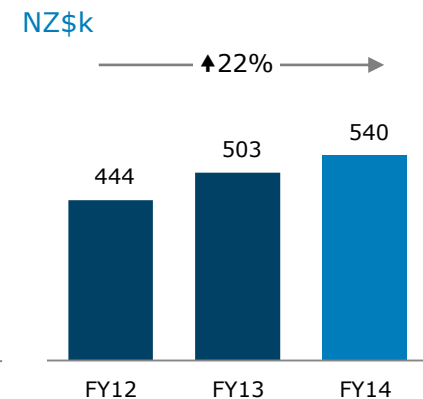
### Gross Small Business customer acquisition



### Revenue<sup>2</sup> per branch



### Revenue<sup>2</sup> per FTE

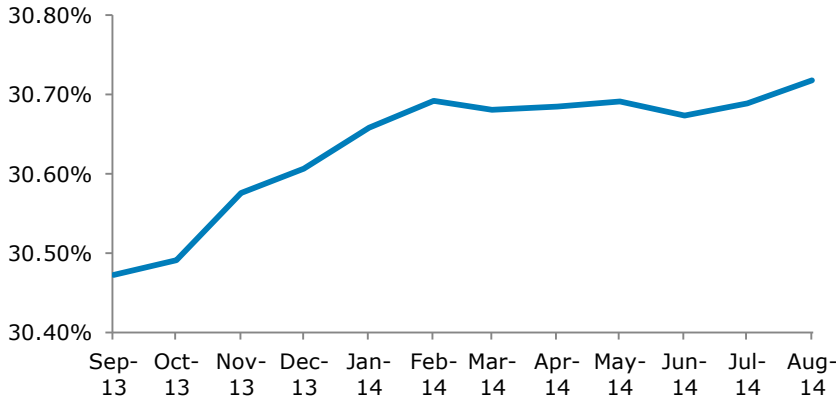


# New Zealand Retail: delivering higher returns in mortgages

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STRONG CORE MARKETS

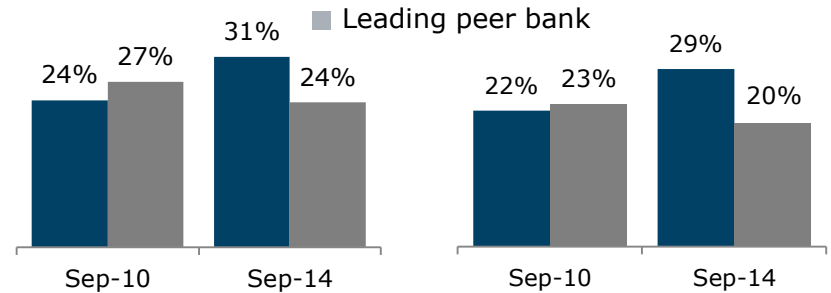
## Strong mortgage share momentum<sup>1</sup>



## #1 in Auckland and Christchurch<sup>3</sup>

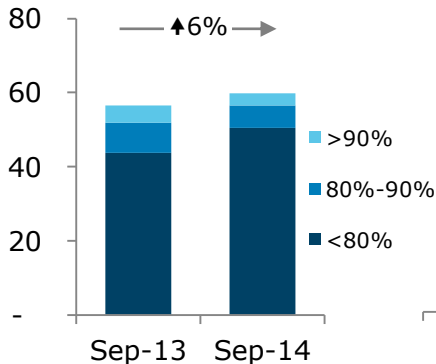
### Share of new mortgage sales in Auckland

### Share of new mortgage sales in Christchurch

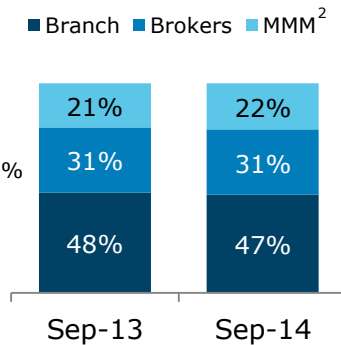


## Growth weighted to lower LVR loans, origination diversified across channels

### Balances by LVR band NZ\$b

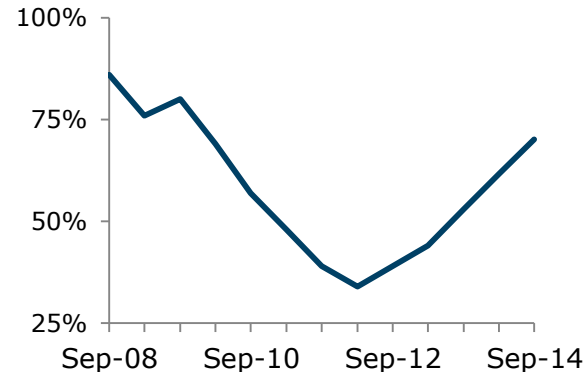


### % of mortgage sales by channel

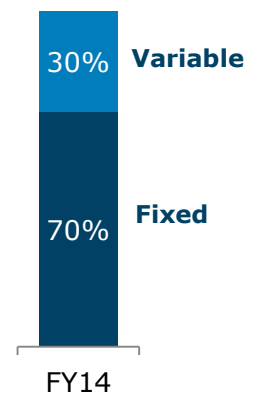


## Managed NIM well in the face of continued trend towards fixed mortgages

### ANZ % Fixed Rate mortgages in portfolio



### Sales mix



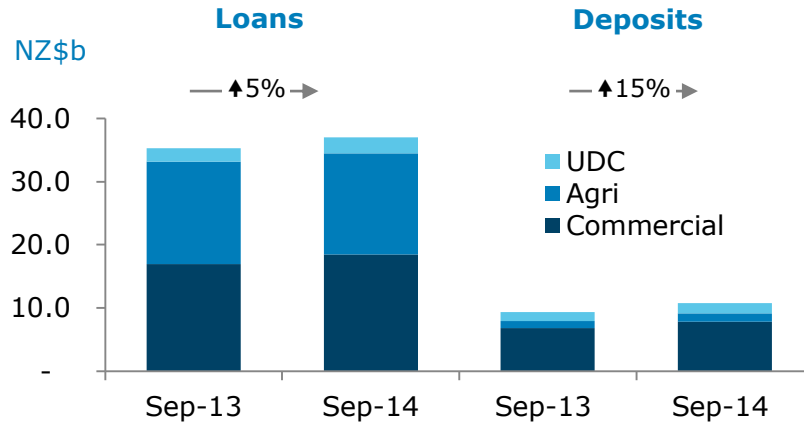
1. RBNZ – Aug 14  
 2. Mobile Mortgage Managers  
 3. CoreLogic – Sep 14

# Commercial & Agri delivering high quality growth

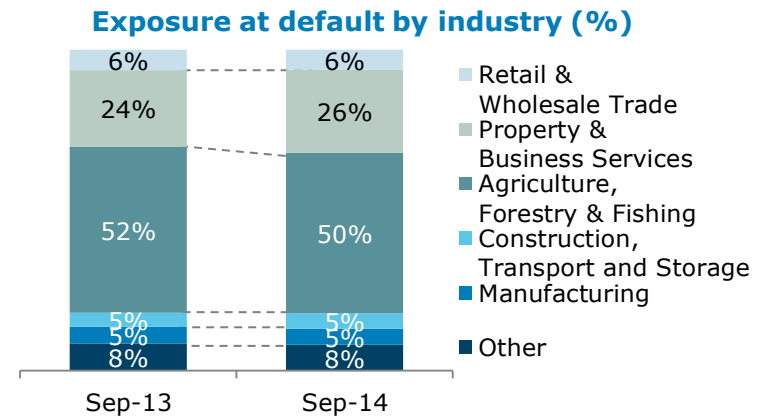
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STRONG CORE MARKETS

## Strong growth in loans and deposits

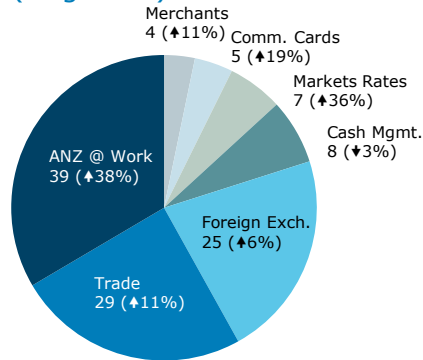


## Stable diversified portfolio



## Connecting customers to specialists has driven strong cross-sell growth

### FY14 Cross-sell revenue NZ\$m (% growth)

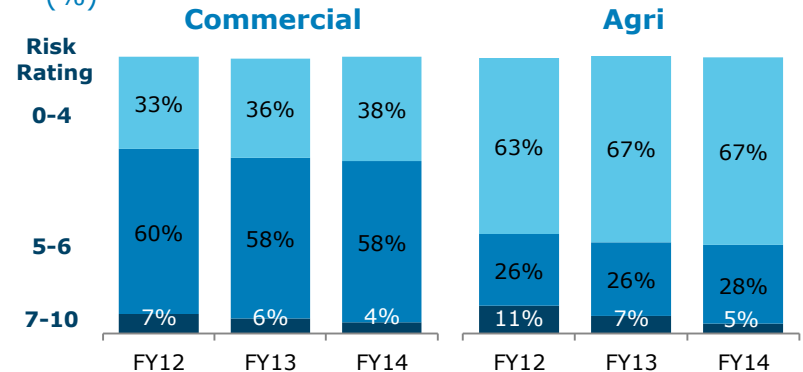


### Total value NZ\$m



## FUM increase has been achieved while still improving the book credit quality

### EAD distribution by CCR<sup>1</sup> (%)



1. Customer Credit Rating CCR Internal ANZ Rating

# Global Wealth delivering value through ANZ channels

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**Global Wealth is transforming the way customers connect, protect and grow their wealth through:**

- Simple, accessible and affordable solutions
- Integrated physical and digital channels, bringing customers' wealth and banking together into one place
- Transforming the advice process to provide transparent, relevant and valued advice
- Extending innovations into Asia and New Zealand.

## Improved customer economics<sup>2</sup>

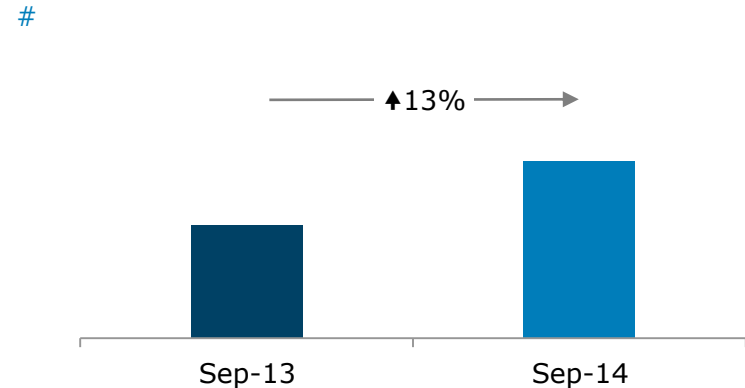
**↑47%**  
Revenue per Customer

Increased revenue per customer with a Wealth solution

**↓44%**  
Customer attrition

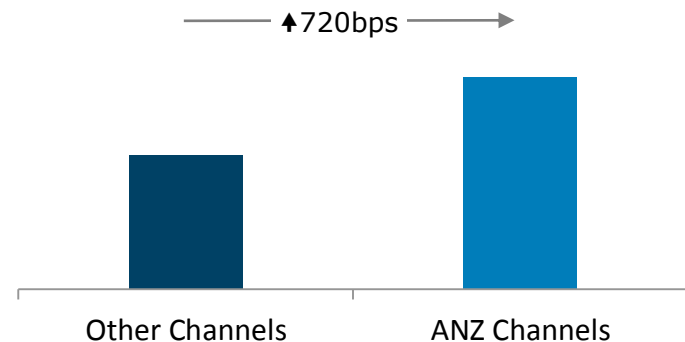
Lower attrition for customers with a Wealth solution

## Growth in number of Wealth solutions sold through ANZ channels<sup>1</sup>



## Focus on channels driving higher returns

Insurance ROEC<sup>3</sup>  
%



1. Includes Australia, New Zealand and Asia  
 2. Australia only, as at June 2014  
 3. Return on Economic Capital



# Grow... a series of innovations across the digital, physical and advice space

<p>Simple, accessible and affordable</p>	<p><b>ANZ Smart Choice Super</b></p>	<ul style="list-style-type: none"> <li>• Lowest retail super fees<sup>1</sup></li> <li>• Award winning product</li> <li>• Via mobile platform</li> <li>• Appeals to Gen X / Y</li> </ul>
<p>Your financial life all in one place</p>	<p><b>Grow by ANZ™</b></p>	<ul style="list-style-type: none"> <li>• Rated 4/5 stars in the Apple App Store</li> <li>• #3 most popular Finance app on iPad<sup>2</sup></li> <li>• Won 'Best Mobile Trading App' at the 2014 Australian Mobile and App Awards</li> </ul>
<p>New physical environments</p>	<p><b>ANZ Grow Centre</b></p>	<ul style="list-style-type: none"> <li>• Average customer satisfaction score of 8.5/10<sup>3</sup></li> <li>• Additional Grow Centres planned for Australia, New Zealand and Asia</li> </ul>



**ANZ Grow Centre in Sydney**



1. As at June 2014, research conducted by SuperRatings Pty Ltd. For further details refer to <<http://www.wealth.anz.com/content/dam/anzwealth/pdfs/superannuation/ANZ-smart-choice-fee-analysis.pdf>>  
 2. As at 30 September 2014, ranked 3<sup>rd</sup> in free finance app category on iTunes Australia  
 3. Survey of seminar attendees

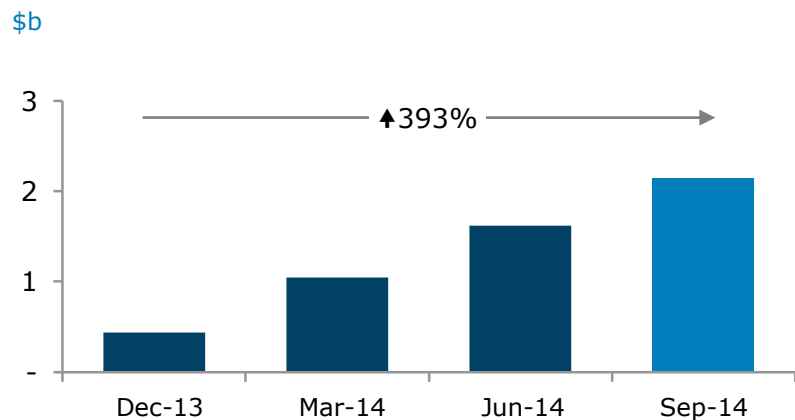
# ANZ Smart Choice Super – a simple, accessible and affordable retirement solution

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- #1**
- Australia's lowest-fee retail superannuation fund<sup>1</sup>
- 40%**
- Customers buy insurance when they open an account<sup>2</sup>
- #1**
- Highest MySuper netflows in the market<sup>3</sup>

**ANZ Smart Choice Super FUM<sup>5</sup>**



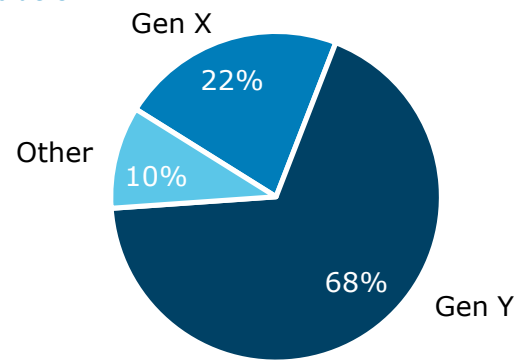
Awarded 5 star 'Outstanding Value' by CANSTAR for all superannuation categories in 2014

Awarded 'Best Innovative Investing Product 2014',<sup>4</sup> 'Lowest Cost Default Super Fund' and 'Lowest Cost Default Pension Fund' by Money Magazine

Awarded 'Best New Product'<sup>4</sup> by SuperRatings and the 'Fast Mover' as the fund with highest growth in membership and FUM over 2014

**ANZ Smart Choice Super demographics<sup>6</sup>**

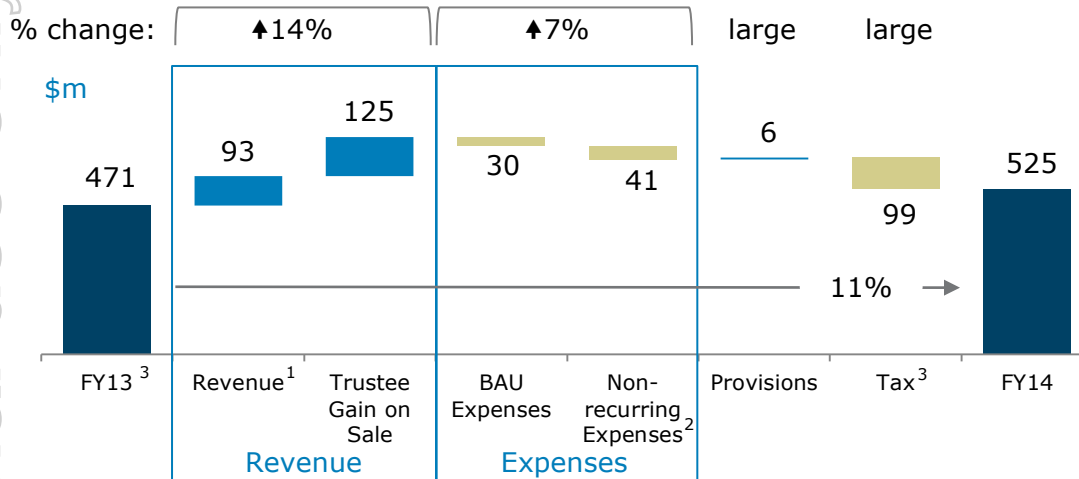
Account holders



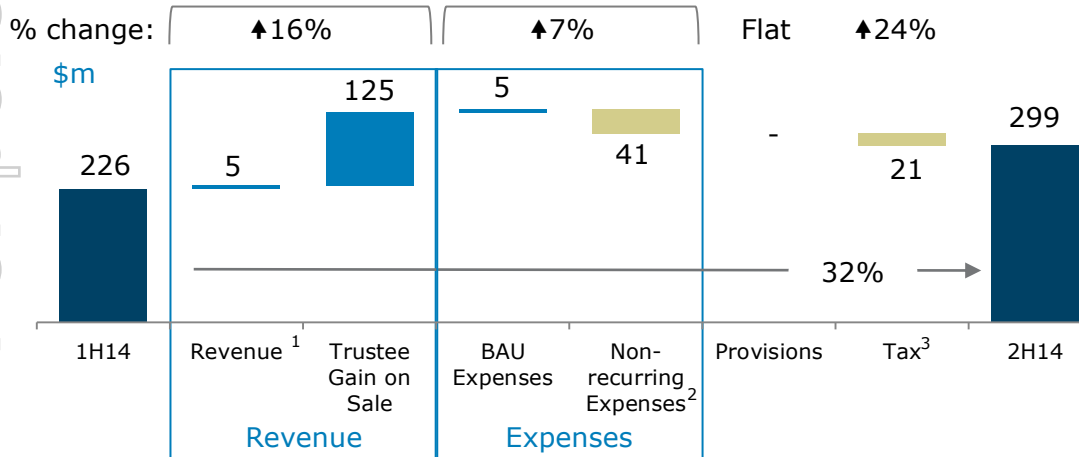
1. As at June 2014, research conducted by SuperRatings Pty Ltd. For further details refer to <<http://www.wealth.anz.com/content/dam/anzwealth/pdfs/superannuation/ANZ-smart-choice-fee-analysis.pdf>>; 2. 40% of funded Retail ANZ Smart Choice Super accounts had active insurance as at 30 September 2014; 3. Highest netflows for the March quarter. As per Plan for Life, MySuper Report (March 2014); 4. Awarded for new paperless rollover feature; 5. FUM includes Retail and MySuper products; 6. Retail account holders. For the purposes of the research, 'Gen Y' are born after 1981. 'Gen X' born 1965 – 1981. 'Other' were born prior to 1965

# Global Wealth Financial Performance – P&L

## Profit and Loss movement FY14 vs FY13



## Profit and Loss movement 2H14 vs 1H14



### FY14 v FY13

- Global Wealth reported cash profit increased 11% FY14 on FY13. Operating income increased 14% and expenses 7%
- Excluding the impact of the sale of ANZ Trustees and prior year tax credit, cash profit increased 10%.

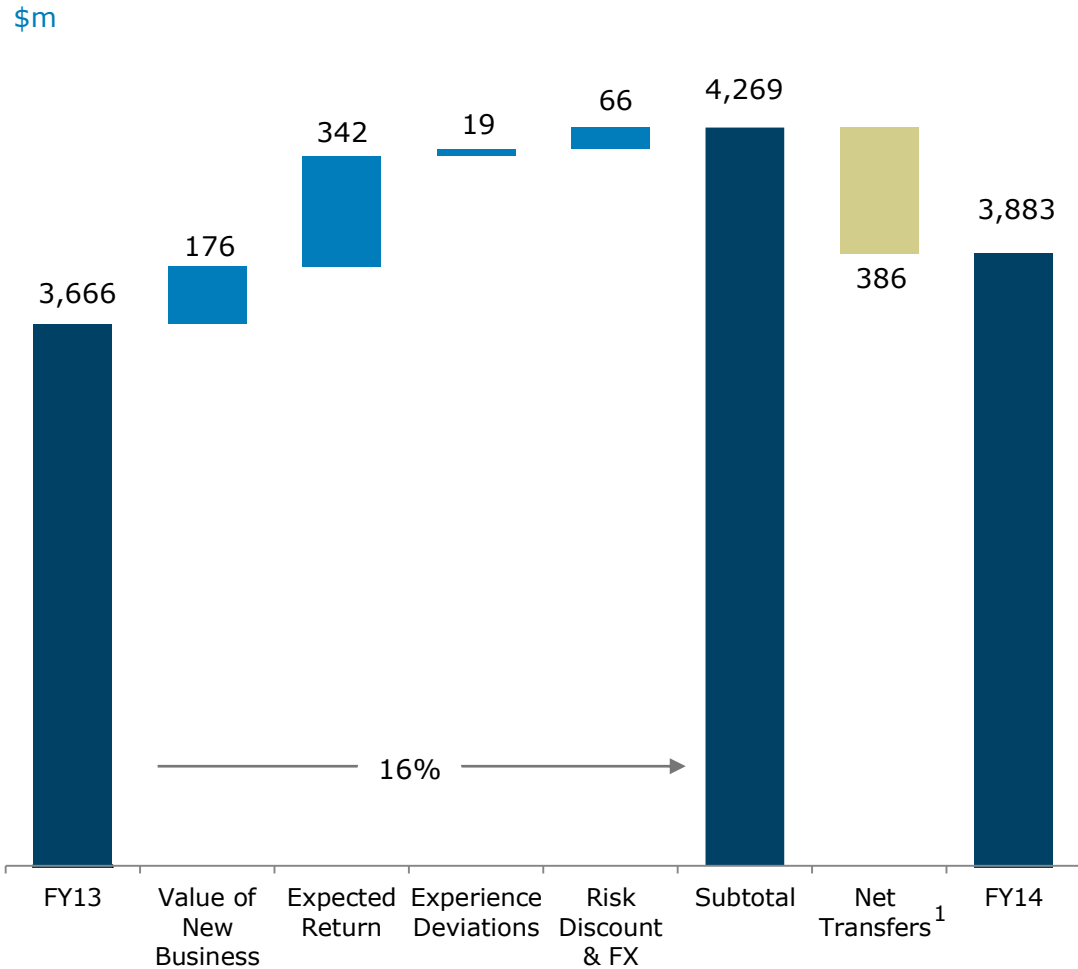
### 2H14 v 1H14

- Global Wealth cash profit up 32% HOH
- Excluding the impact of ANZ Trustees sale, Global Wealth cash profit increased 4% driven by growth in inforce premiums and improved Group Insurance lapse experience partially offset by higher claims. 1H14 benefitted from a non-recurring insurance settlement gain.

1. Revenue includes \$47m loss from the exit of a Group Life Insurance plan and a non-recurring insurance settlement net gain of \$26m  
 2. Non-recurring expenses includes \$41m of strategic initiatives  
 3. FY13 includes \$50m one-off tax consolidation adjustment

# Embedded Value – Insurance and Investments

## Embedded Value growth over FY14



- Strong business performance resulted in an increase in Embedded Value<sup>2</sup> of 16%<sup>3</sup> over the twelve months to September 2014
- Value of New Business up by \$176m predominantly driven by retail insurance
- Expected return recognises realisation of current year planned profit and expected growth of inforce business
- FY14 experience has been in line with expectations.

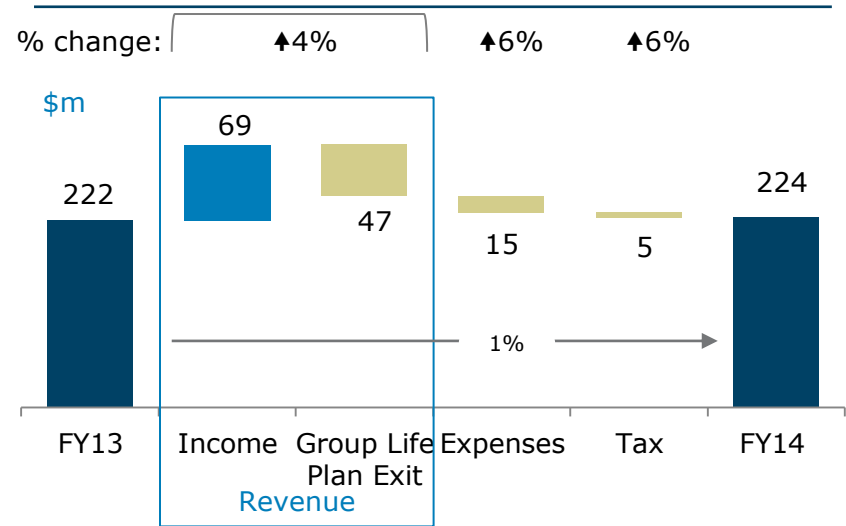
1. Net transfers represent net capital movements over the period including restructuring of the business, capital injections, transfer of cash dividends and value of franking credits  
 2. Includes Insurance and Investments in Australia and New Zealand  
 3. Before capital returns and dividend payments

# Global Insurance

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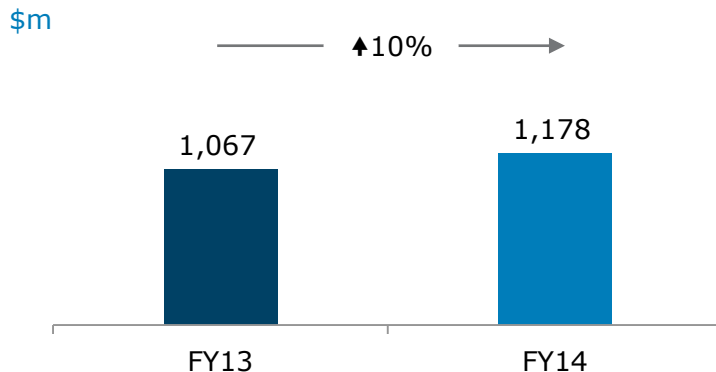
- Global Insurance reported cash profit increased 1%. Excluding the impact of the exit of a Group Life Insurance plan, Insurance cash profit increased by 16%
- ANZ had the highest retail life insurance sales amongst the four major Australian banks and second overall in the industry<sup>1</sup>
- Australian Retail Life Insurance lapse rate continues to outperform the industry<sup>2</sup> driven by retention initiatives.

## Profit and Loss movement FY14 vs FY13

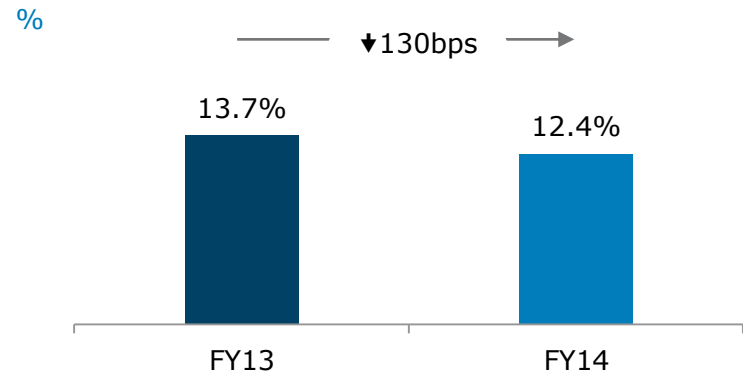


STRONG CORE MARKETS

## Retail and Direct Life Insurance inforce



## Australian Retail Life Insurance lapse rates



1. Individual risk income and lump sales in the 12 months to June 2014. ANZ's sales grew 3.1% over the period. Sourced from Plan for Life, Life Insurance Statistics, June 2014

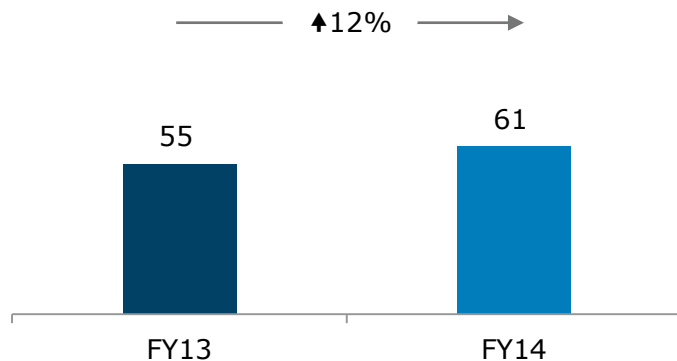
2. Average Australian industry lapse rates at 16.5%. Market discontinuance and inforce data sourced from Plan For Life, Life Insurance Statistics, June 2014

# Global Funds Management

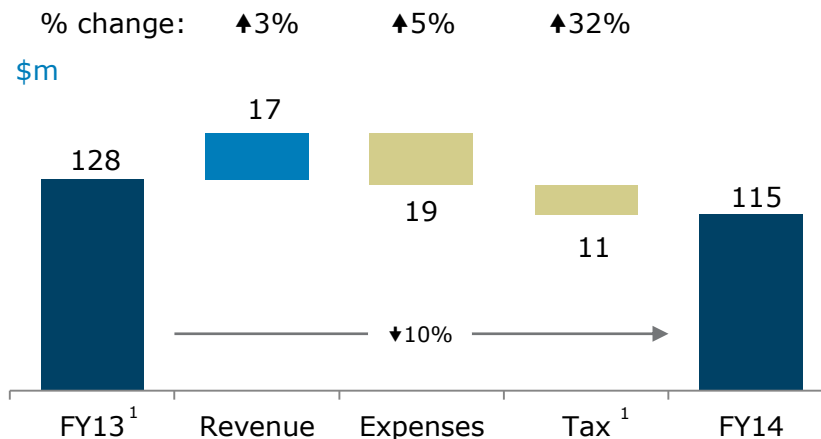
- Cash profit decreased by 10%. Revenue growth of 3% was offset by expense growth of 5% due to higher regulatory compliance costs
- Excluding the additional regulatory compliance costs and the one-off tax credit<sup>1</sup> in FY13, cash profit increased 5%
- Average funds under management (FUM) increased 12% driven by stronger netflows and improved investment market gains
- Netflows improved \$2.4b driven by strong growth of ANZ Smart Choice Super and KiwiSaver.

## Average FUM<sup>2</sup>

\$b

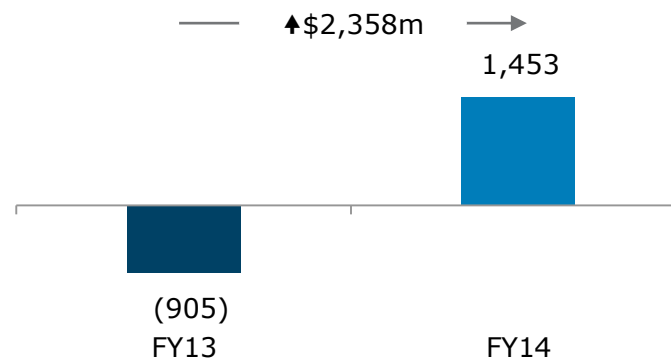


## Profit and Loss movement FY14 vs FY13



## Funds Management netflows

\$m



1. FY13 includes tax credits mostly relating to recognition of capital losses and a tax refund

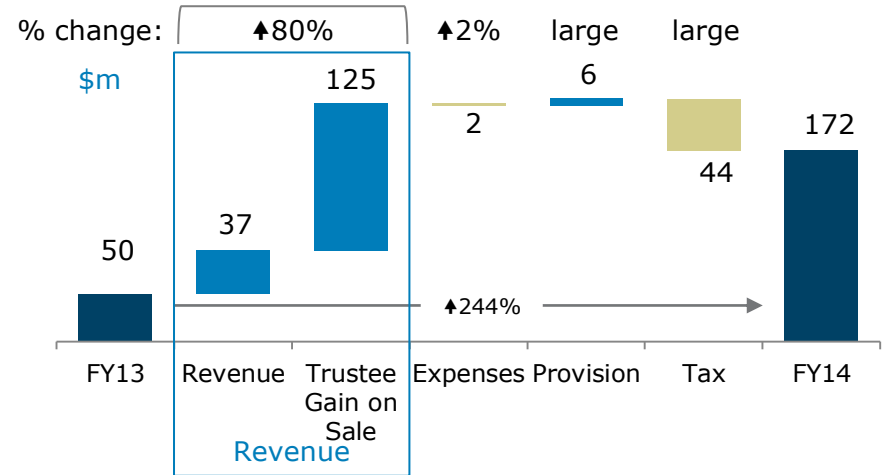
2. Includes Private Wealth investment FUM

# Global Private Wealth

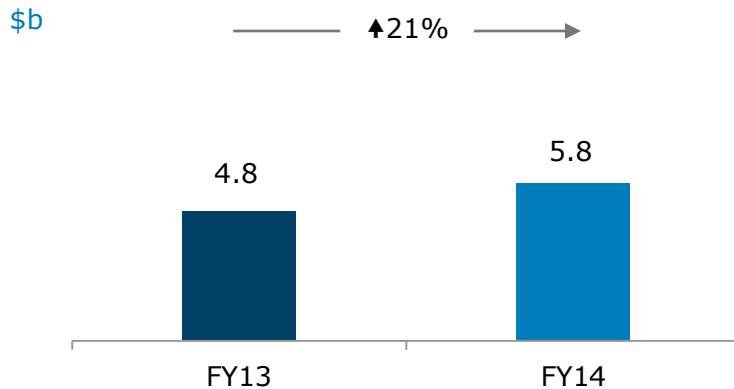
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- Global Private Wealth reported cash profit increased 244%. Excluding the impact of the ANZ Trustees sale, cash profit increased 62%, driven by strong volume growth
- Investment FUM grew by 21% and customer deposits grew by 20% in FY14, driven by improved product offerings and investment capabilities.

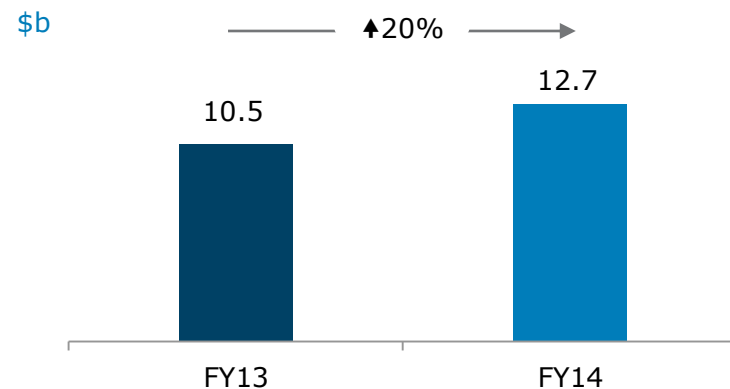
## Profit and Loss movement FY14 vs FY13



## Global Private Wealth investment FUM



## Global Wealth average deposits FUM



STRONG CORE MARKETS

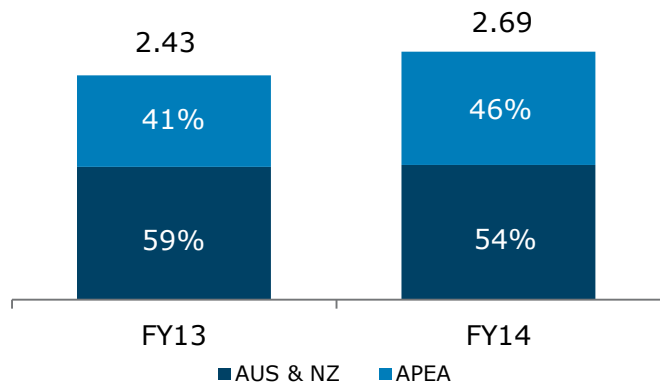
# International & Institutional Banking – a regionally diversified business

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## NPAT by geography

### IIB NPAT by Region

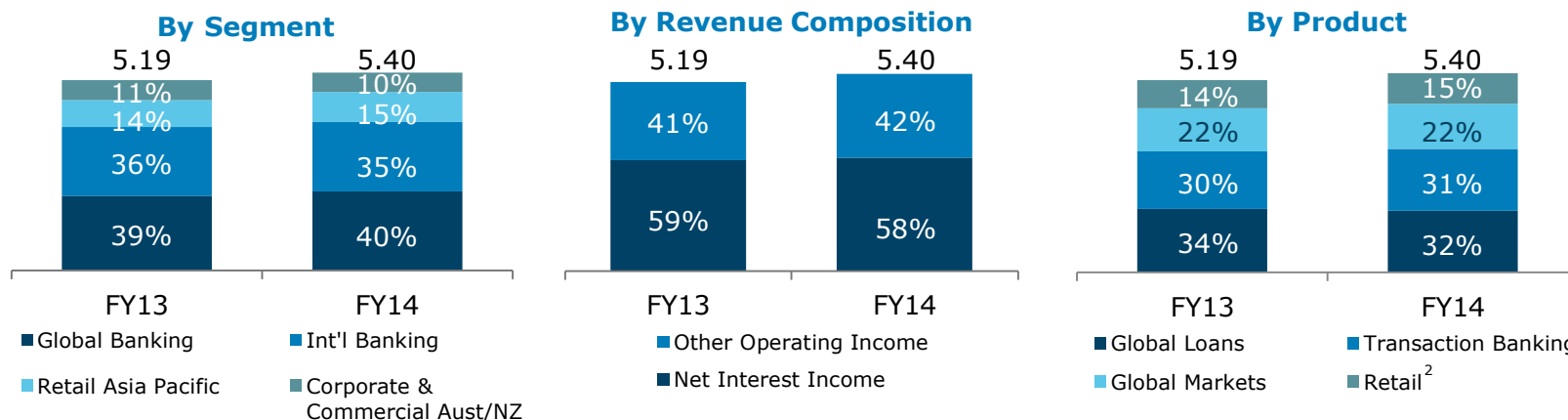
\$b



## Earnings diversification

<b>Customer</b>	Growing and deepening customer relationships Average products per customers increasing from 1.9 to 2.2
<b>Product</b>	Increased earnings from markets, cash and trade activities Regional connectivity and Asia markets a key driver
<b>Geography</b>	Continued build out of Asia capability: 23% CAGR in Asia IIB revenue over the last five years, 11% CAGR in past two years

## IIB customer<sup>1</sup> revenue



1. Based on Global Banking, International Banking, Corporate & Commercial Aust/NZ & Retail Banking

2. Includes Mortgages & Unsecured Loans, Transaction Banking, Credit Cards and Investments & Insurance products

STRONG CORE MARKETS

PROFITABLE ASIAN GROWTH

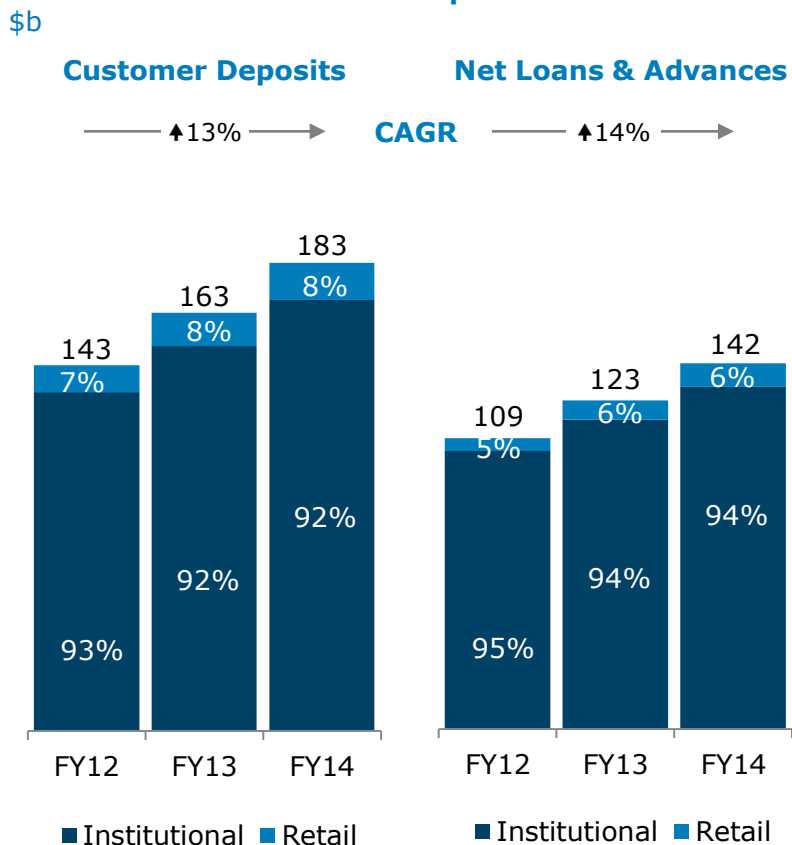


# IIB – well funded with customer deposits, high investment grade balance sheet

Deposit growth funding secure loan growth  
– no material reliance on term w/sale debt

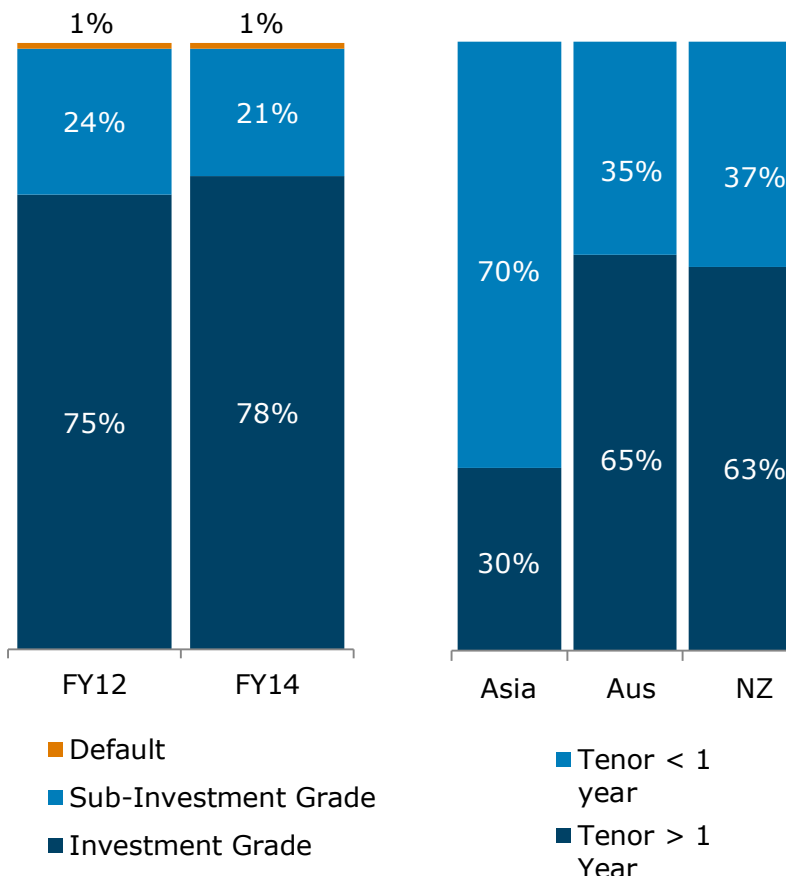
Operating a lower risk  
strategy

IIB Balance Sheet – Deposits & Loans



Regional risk grade profile  
by total exposure (%)<sup>1</sup>

Regional risk grade profile  
by tenor – FY14 (%)



STRONG CORE MARKETS

PROFITABLE ASIAN GROWTH

1. Sub-Investment Grade defined as exposures with a rating below BBB-

# IIB - Strong core markets

## Market leading products

No. 1 Lead Trade Finance Provider  
(Peter Lee)

Best Domestic Provider of FX Services  
(Asiamoney FX)

No.1 Mandated Syndicated Loan Lead  
Arranger & Bookrunner (Dealogic)

## Connectivity across key corridors a competitive advantage

Use  
home  
market  
heritage

Grow  
Share of  
Key  
Corridors

Leverage  
growing  
Asia  
footprint

Provided trade finance services for ~35% of all iron ore exports from Australia to China

Involved in all large FDI from China into New Zealand

STRONG CORE MARKETS

## Delivering solutions for our customers

 **SPOTLESS**

AUD837M

Mandated Lead Arranger and Bookrunner and Agent  
(SFA A\$637m/ANZ Bilat A\$200m)

**SPOTLESS GROUP**

IPO Financing

MAY 2014

APA Group 

AUD1.25BN

Mandated lead arranger and Bookrunner

**APA GROUP**

Syndicated facilities

JUN 2014



AUD1.01BN

Acquisition of Wesfarmers Australia and New Zealand insurance broking businesses

**ARTHUR J. GALLAGHER & CO**

Acquisition financing

JUN 2014



NZD2.0BN

Joint Lead Manager of New Zealand Government syndicated bond

**GOVERNMENT OF NEW ZEALAND**

Syndicated bond

JUL 2014



CNH2.0BN

Joint lead manager First CNH benchmark from a domestic ADI

**BANK OF CHINA**

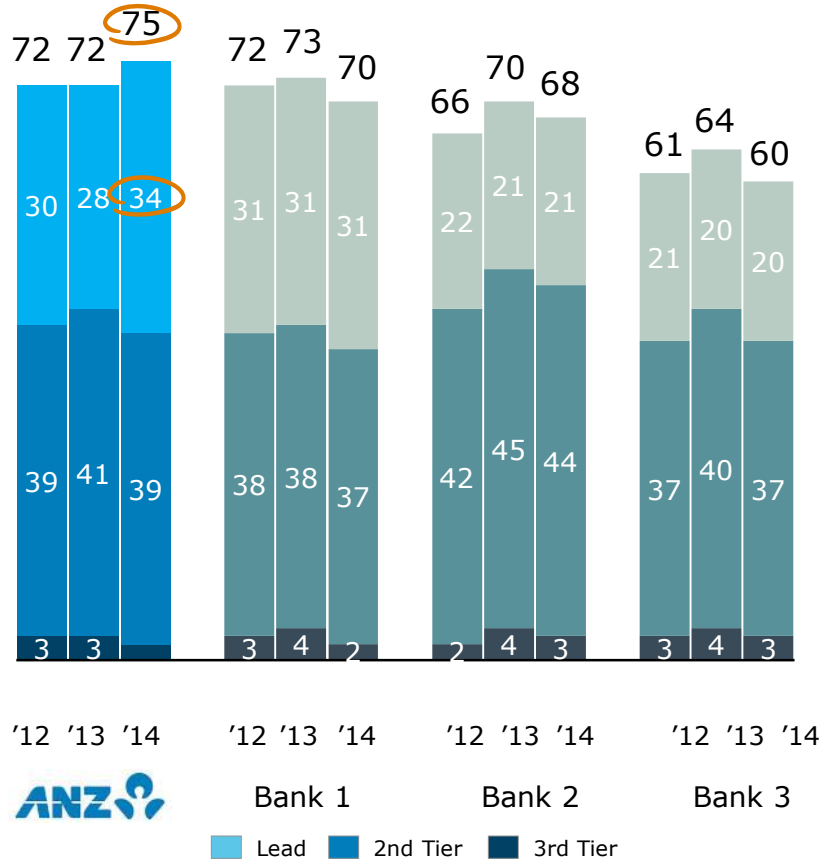
CNH bond

APR 2014

# IIB - strengthened customer leadership position

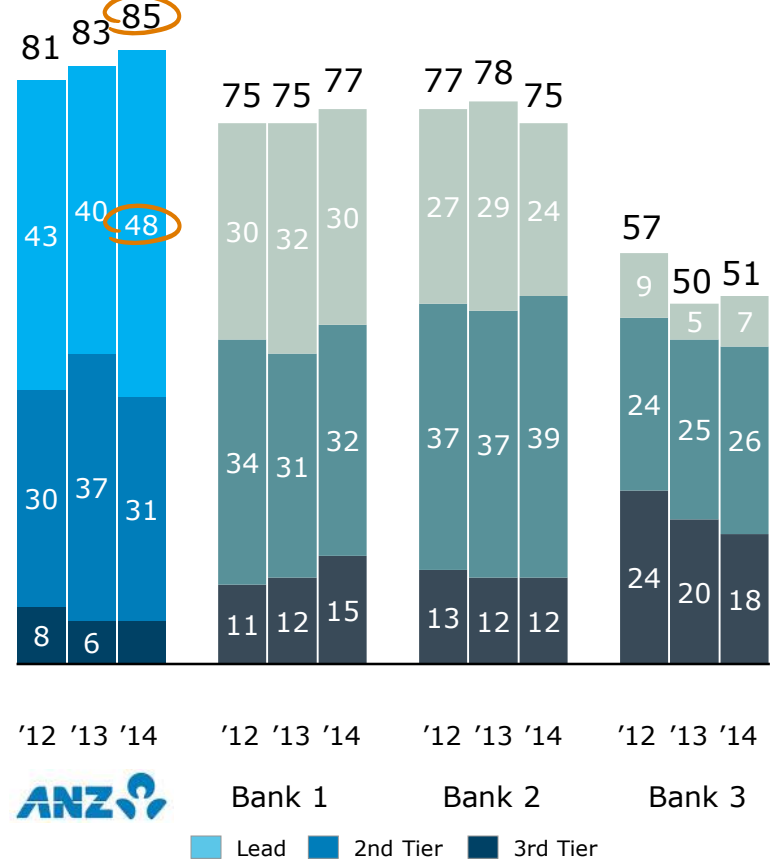
## ANZ has regained it's market leadership in Australia for overall & lead penetration

Australia - Domestic Banking Relationships Market Penetration and Competitive Position<sup>1</sup>



## We continue to be #1 in New Zealand with a substantial and widening gap

New Zealand - Domestic Banking Relationships Market Penetration and Competitive Position<sup>1</sup>



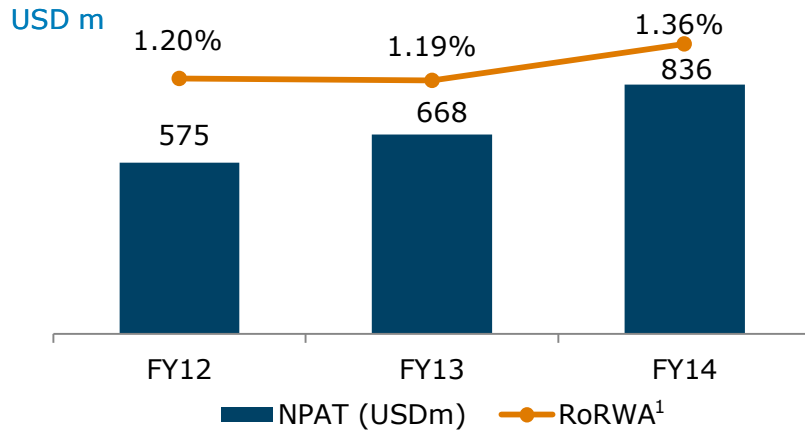
1. Peter Lee Associates Large Corporate and Institutional Relationship Banking surveys, Australia and New Zealand 2014; 2<sup>nd</sup> tier includes 'top 3' relationships but not lead; 3<sup>rd</sup> tier includes all relationships outside 'top 3' relationships, up to a maximum of 8 relationships

# IIB - Profitable Asia growth from distinct customer propositions via people, business & product capability

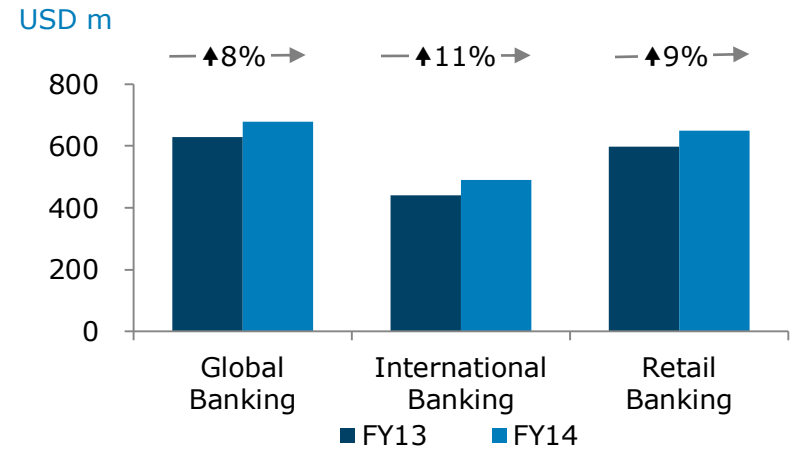
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PROFITABLE ASIAN GROWTH

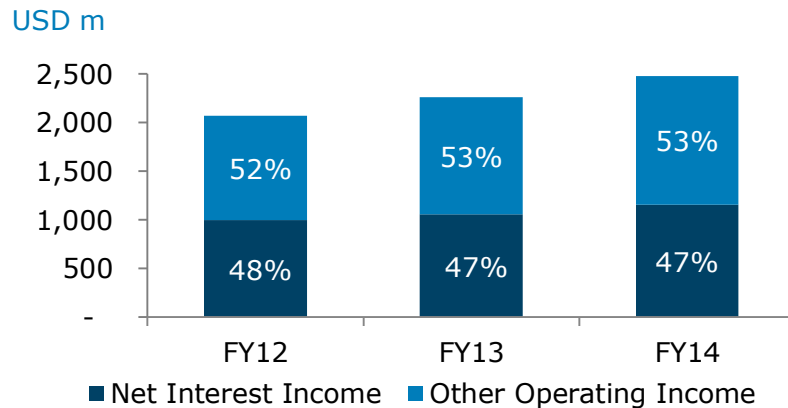
### IIB Asia profitable growth



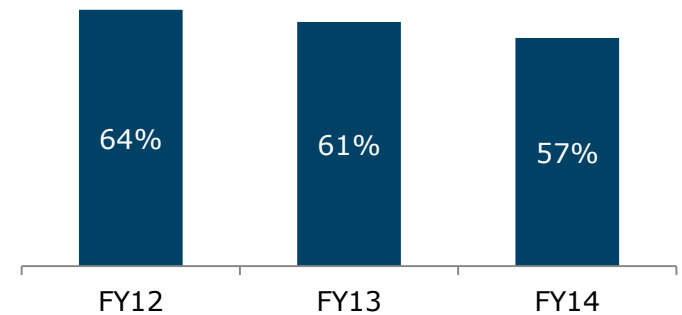
### IIB Asia customer revenue contribution



### IIB Asia revenue contribution



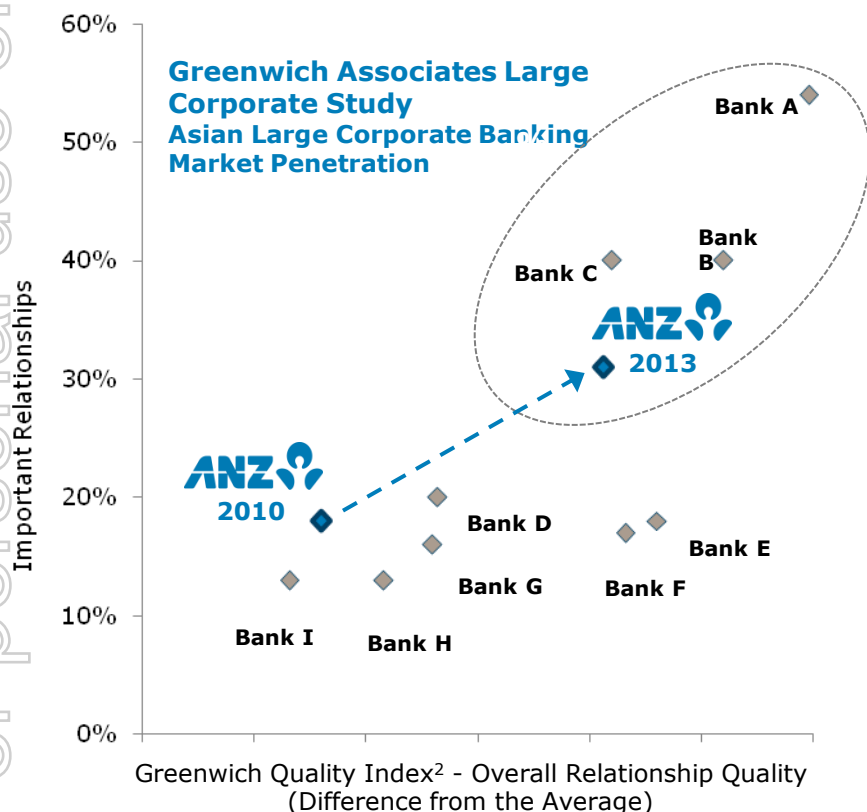
### IIB Asia cost to income ratio



1. 'RoRWA' equals Net Profit After Tax divided by average Basel III risk weighted assets

# IIB – A Top 4 Corporate Bank in Asia, with a globally recognised brand

## A top 4 corporate bank in Asia<sup>1</sup> by market penetration



---> Represents the momentum of growth and quality improvement achieved by ANZ Bank over the past 4 years

## Improving brand recognition

**MillwardBrown**

**BrandZ Top 100 Most Valuable Global Brand**

**2013: #52, brand value USD 16,565m**  
**2014: #51, brand value USD 19,072m**  
**(uplift USD 2,507m / 15%)**

ANZ is ahead of Citi & Westpac.  
SCB, DBS, NAB are not on Top 100 chart

**The Banker**

**Brand Finance**  
**Global Brand Banking 500**

**2013: #39, brand value USD 5,832m**  
**2014: #39, brand value USD 5,926m**  
**(uplift USD 94m / 1.6%)**

ANZ is ahead of Commonwealth, NAB, Westpac, DBS

1. As defined by Total Relationships Market Penetration In Asia  
 2. The Greenwich Quality Index score is based upon a normalized composite of all qualitative evaluations transformed to a scale of 0 to 1,000 with the difference from the average shown. Note: Cross-hairs are calculated by the average of the banks shown in graph.

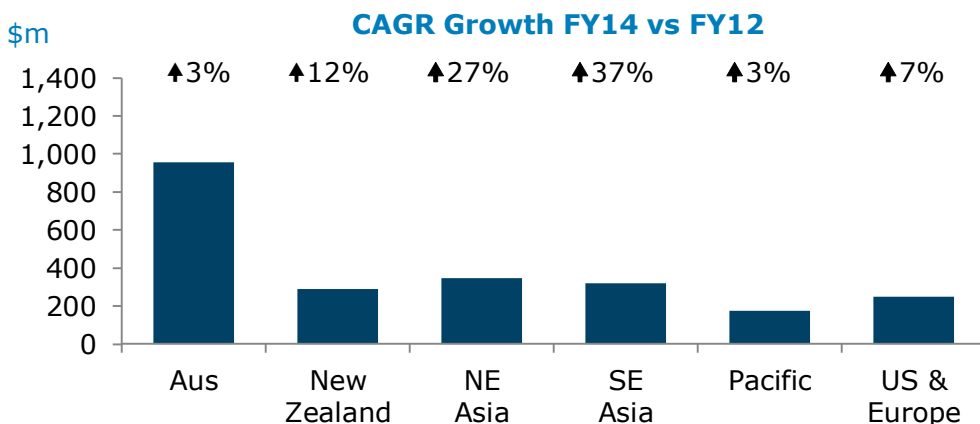
# IIB Global Markets - built around supporting customer needs

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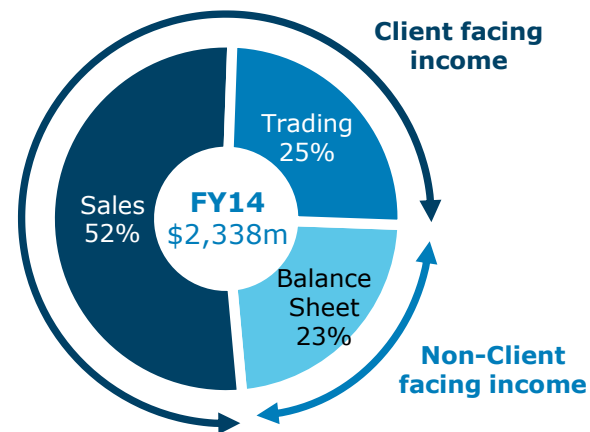
## Global Markets income is generated through three principal sources

Sales	<ul style="list-style-type: none"> <li>• Direct client flow business on core products such as Fixed Income, Foreign Exchange, Commodities and DCM</li> <li>• Focused on increasing the mix of sales income through client acquisition and greater penetration</li> </ul>
Trading	<ul style="list-style-type: none"> <li>• Trading represents management of positions taken as part of direct client sales flow and strategic positions</li> </ul>
Balance Sheet	<ul style="list-style-type: none"> <li>• Management of the Group's interest rate and liquidity risk</li> </ul>

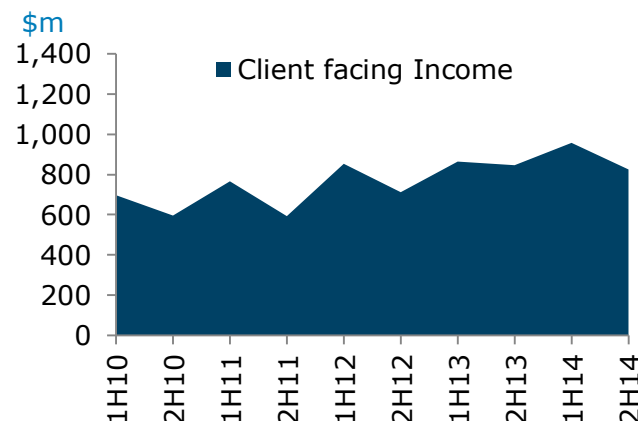
## Super Regional strategy provides market optionality delivering increased revenue opportunities



## Majority of Global Markets income is customer linked



## Global Markets income



STRONG CORE MARKETS

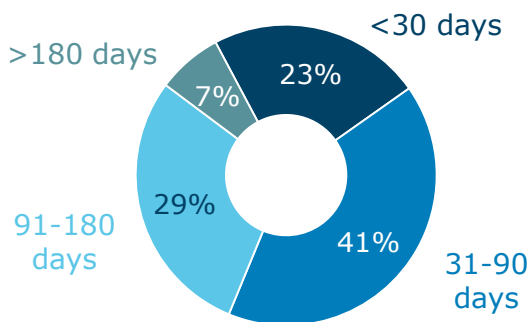
PROFITABLE ASIAN GROWTH

# IIB Trade – self liquidating, driving cross sell and deepening customer relationships

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## Self Liquidating

Tenor profile of the funded trade portfolio of \$ 30bn (Sep-14)



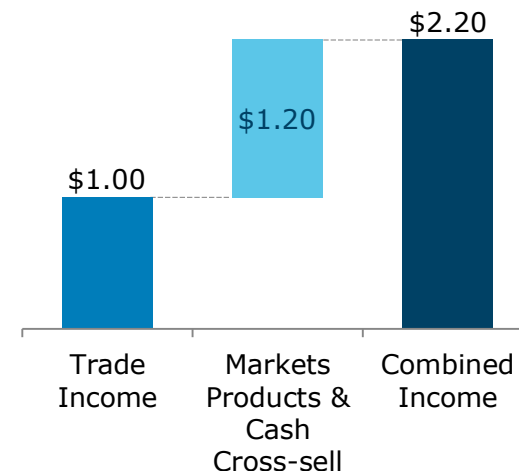
**Short tenor and visibility into underlying trade flows lowers risk**

## Customer relationships

- \* Key driver of **Lead bank relationship**
- \* Deepens client wallet through strong links to other Transactional Banking products such as **Payments and Cash Management**
- \* **Builds insights** into clients business

## Driver of cross-sell income<sup>1</sup>

FY14: \$1 of Trade income = \$1.20 of Cross-Sell into Cash & Markets<sup>1</sup>



## Importance to ANZ

**The Trade and Supply Chain business is strategic to ANZ as it enables us to leverage and build on the regional client franchise for businesses across the bank**

STRONG CORE MARKETS

PROFITABLE ASIAN GROWTH

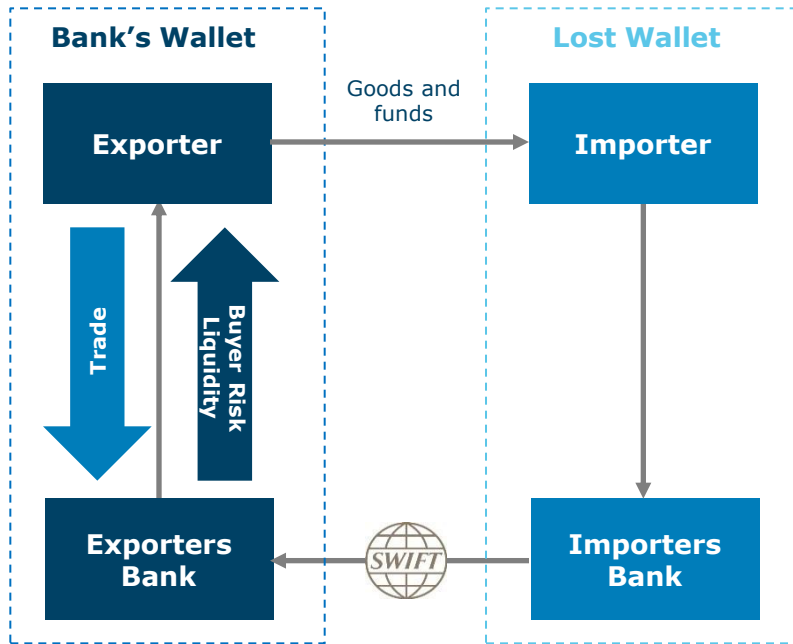
1. Trade clients using Markets and Payments & Cash Management Products. Global Markets products include FX, Commodities and Capital Markets

# The future of Trade business lies in driving strategic client relationships

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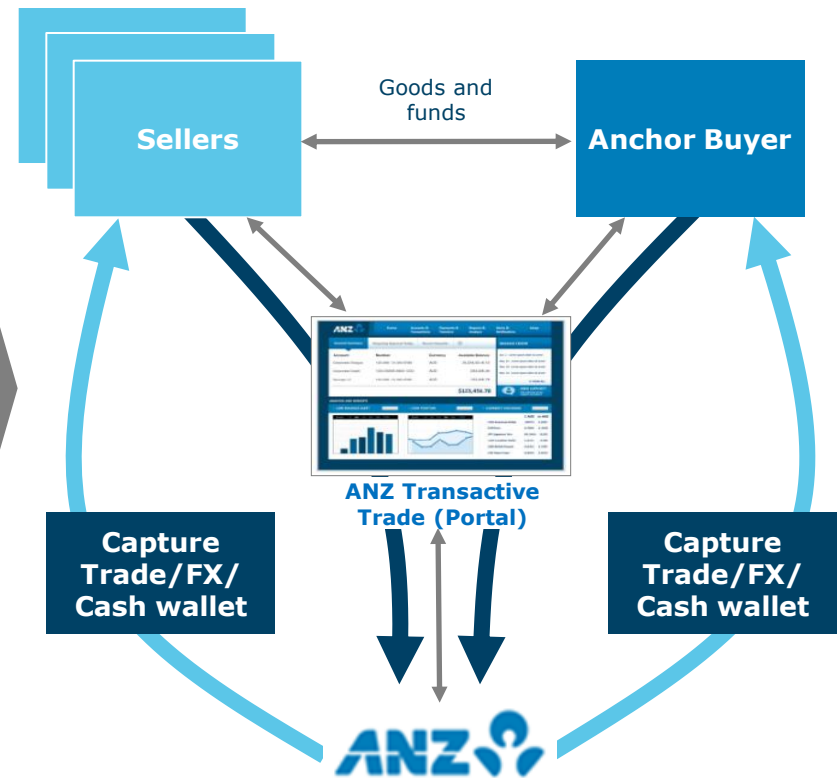
## Traditional trade (Transactional client engagement)

Many banks, especially the domestic ones have this view



## "New" trade (Strategic client engagement)

ANZ will continue to engage with clients at both ends of the trade including Cross Sell of Cash and Markets products



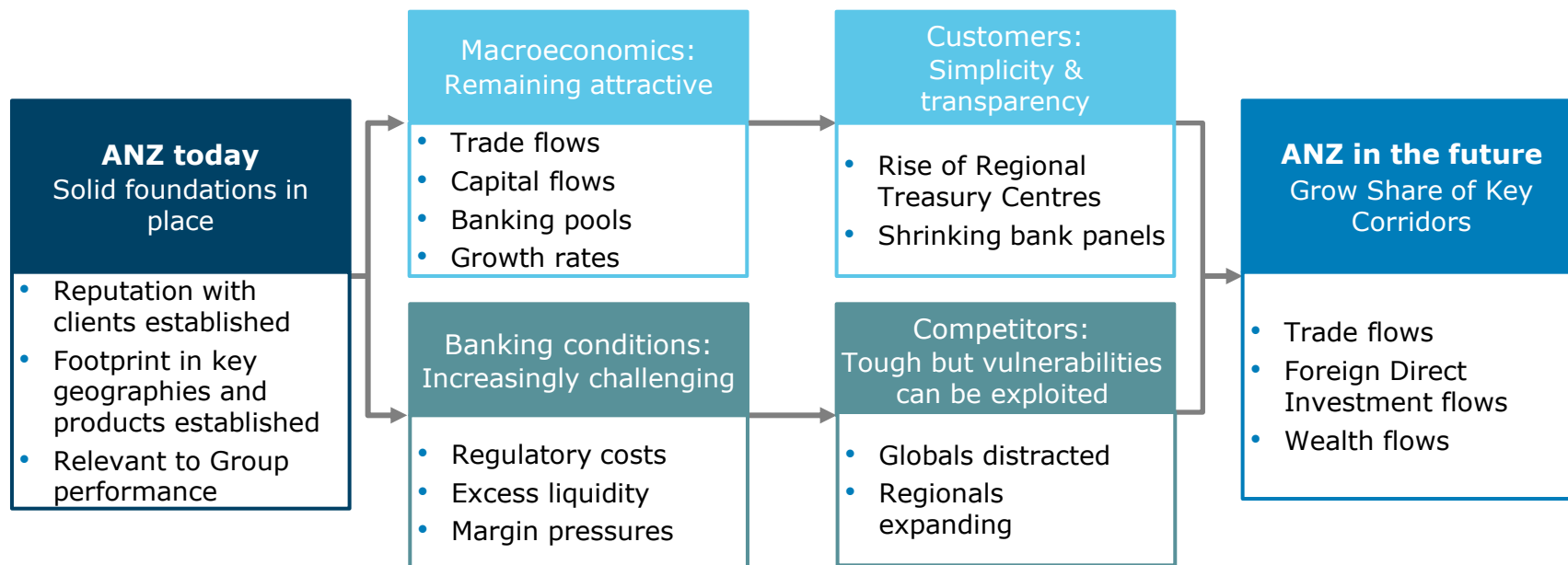
STRONG CORE MARKETS

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# IIB's solid foundation positions the business well for changing conditions across the region

Positioned for notably different conditions to the past 5 years



Against this backdrop, objective is to deliver growth while also improving returns

## Strategic imperatives

- **Leverage product positions** built in the region to **insight-driven solutions** for clients
- Convert clients to increasingly profitable **multi-product, multi-country** relationships
- Change how we think of "markets" from a traditional country basis to a **corridor** focus
- Achieve **more productive use of our RWAs** as a Division
- Continuously **reduce unit cost** and **increase straight through processing rates**

# IIB 4 strategic priorities are delivering positive customer, balance sheet & productivity outcomes

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## 1. Connecting more customers by providing Seamless Value

Relationship strength in core markets	
Ranking	Metric
#1	Lead Bank penetration in Australia Highest ANZ result since 2009 <sup>1</sup>
#1	Relationship Strength Index (RSI) in Australia #1 in 18 of the 20 RSI factors <sup>1</sup>
#1	Lead Bank penetration and RSI in NZ Substantial and widening gap over Peers <sup>2</sup>

Across the Region	
#4	Corporate Bank in Asia <sup>3</sup>
#1	In 17 categories of Asia Money FX Poll <sup>4</sup>
#4	Important Trade Finance Provider in Asia <sup>5</sup>

## 2. Delivering leading products through insights

Growth in product capability		
Product	3 years ago	Current rank
Global FX Market share <sup>6</sup>	#42	#20
Mandated Lead Arranger Asia ex Japan <sup>7</sup>	#1	#1
Large Corporate Trade Finance Asia Market penetration <sup>8</sup>	#7	#5

Growth in retail capability
The Best Consumer Internet Bank in Taiwan <sup>9</sup>
Best Deposit Service Bank Award <sup>10</sup>
Strategy Excellence in Customer Centricity Award <sup>11</sup>

STRONG CORE MARKETS

PROFITABLE ASIAN GROWTH

1.Peter Lee Associates 2014 Large Corporate & Institutional Relationship Banking Survey; 2.Peter Less Associates 2014 Large Corporate & Institutional Relationship Banking Survey, NZ; 3. Greenwich Associates 2013 Asian Large Corporate Banking Study; 4.Asiamoney Foreign Exchange Poll 2014, voted by Corporates & Financial Institutions; 5. Greenwich Leaders: Asian Large Corporate Trade Finance. Tied for 4th; 6.Euromoney FX Survey 2014; 7.Thomson Reuters; 8.Greenwich Associates; 9. Global Finance 2014; 10.Capital Outstanding Enterprise Awards 2014; 11. Retail Banker

# IIB 4 strategic priorities are delivering positive customer, balance sheet & productivity outcomes

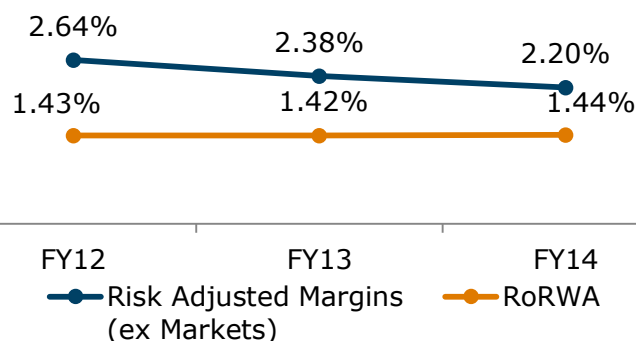
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STRONG CORE MARKETS

PROFITABLE ASIAN GROWTH

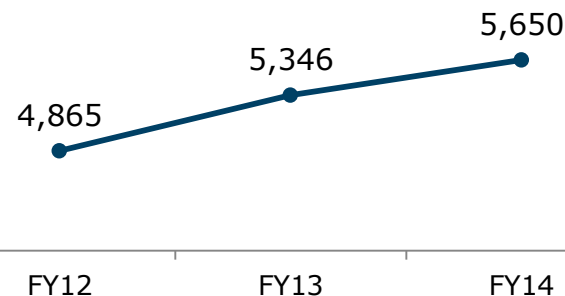
## 3. Intensifying balance sheet discipline

**Maintained RoRWA despite margin compression<sup>1</sup>**

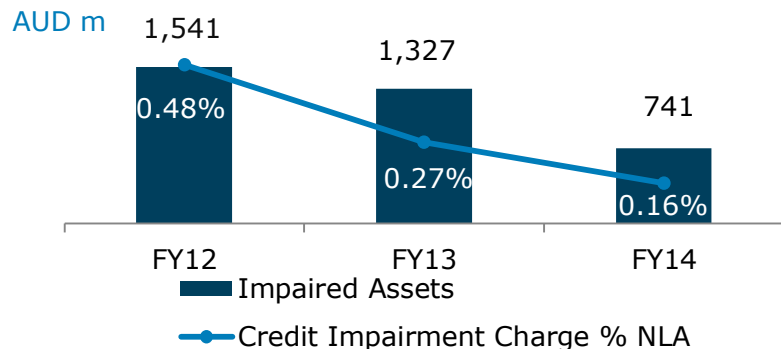


## 4. Scaling & optimising infrastructure

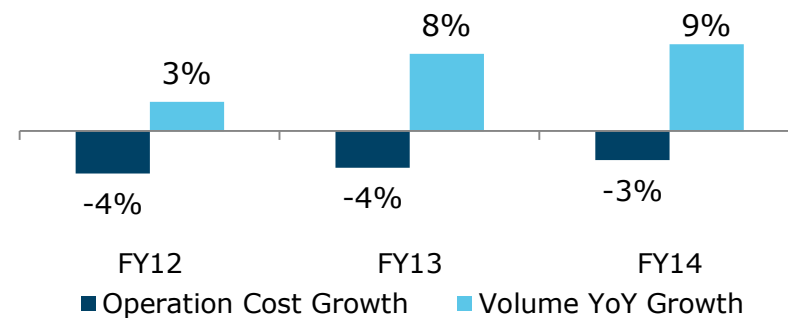
**Improving transactions per FTE**



## Improving loss rate experience



## Lower IIB Operations cost to serve

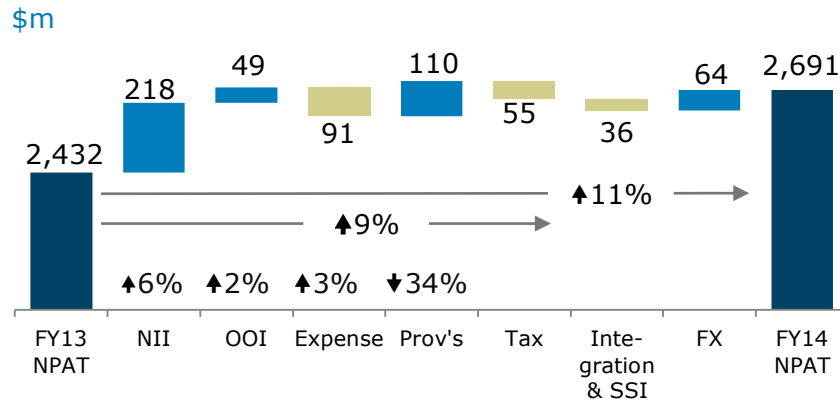


1. 'RoRWA' equals Net Profit After Tax divided by average Basel III risk weighted Assets. 'Risk Adjusted Margins' equals net interest income divided by average credit risk weighted Assets, and excludes Global Markets

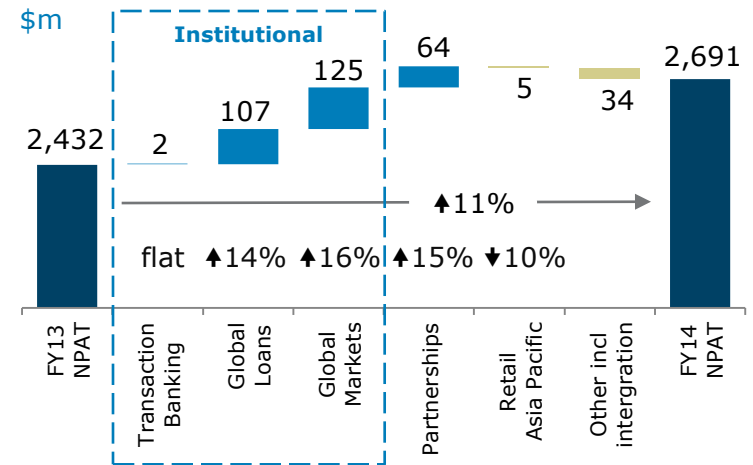
# IIB - Divisional Financial Performance (Profit & Loss)

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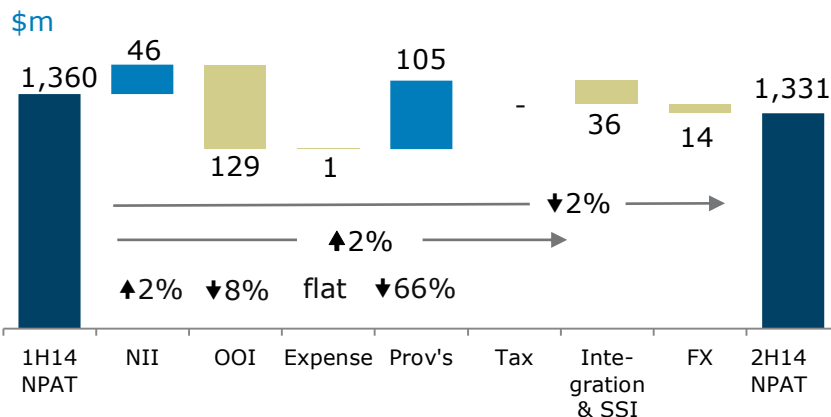
## Profit and loss movement FY14 vs FY13



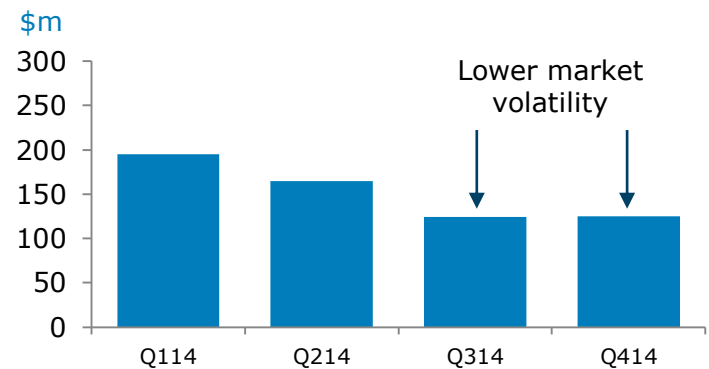
## Business unit contribution to NPAT FY14 vs FY13



## Profit and loss movement 2H14 vs 1H14



## Markets FX Sales revenue



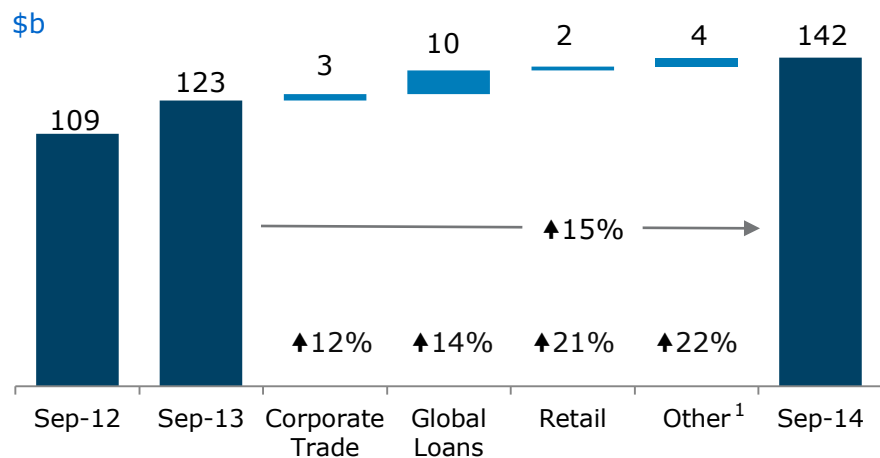
STRONG CORE MARKETS

PROFITABLE ASIAN GROWTH

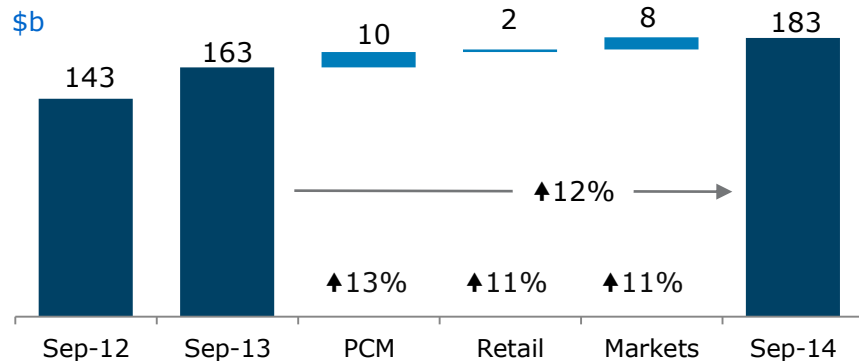
# IIB - Divisional Financial Performance (Balance sheet)

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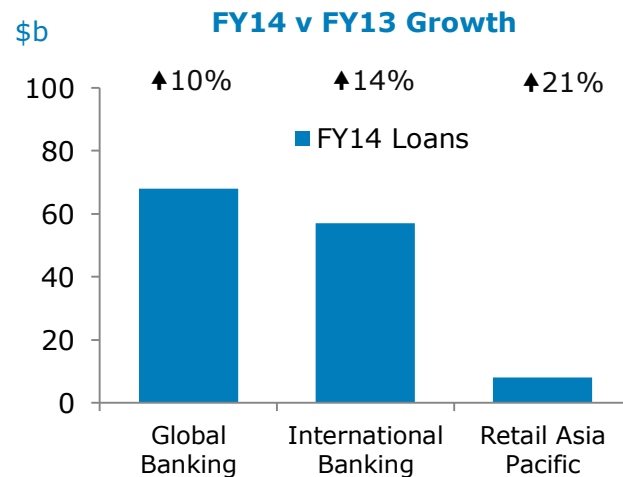
## Loans movement



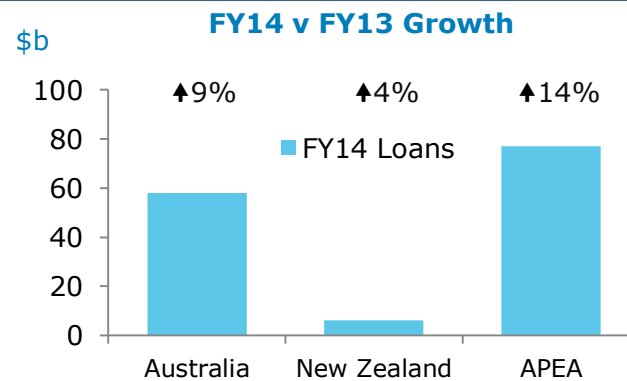
## Customer deposit movement



## Lending by customer<sup>2</sup>



## Lending by geography<sup>2</sup>



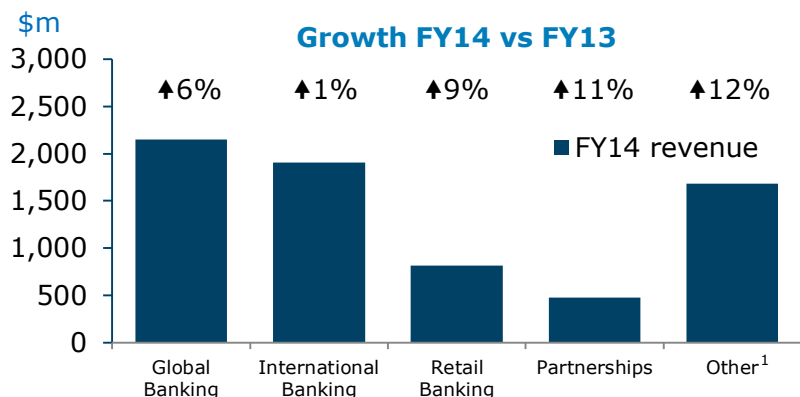
1. Other includes 4bn reclassification of liquid assets to net loans and advances within Markets

2. Excludes 4bn reclassification of liquid assets to net loans and advances within Markets

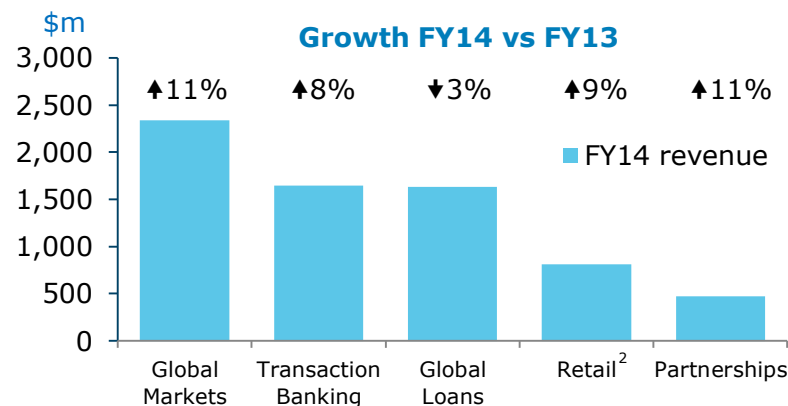
# IIB - Revenue and expense composition

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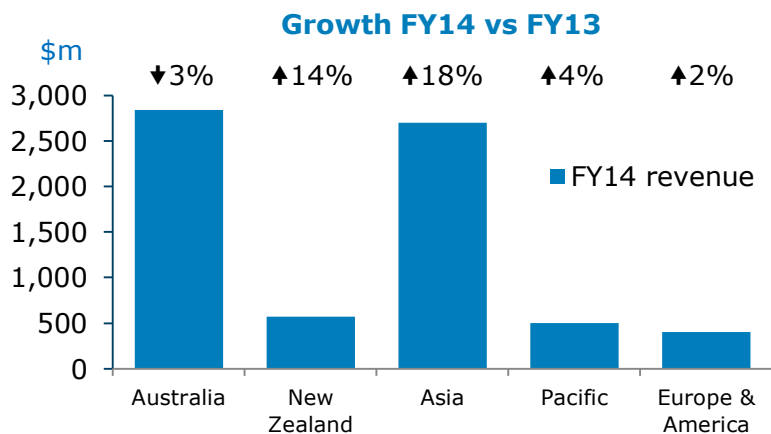
## Revenue by customer



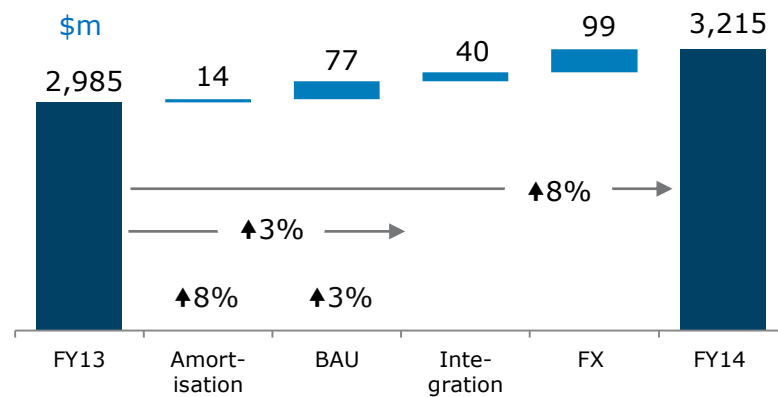
## Revenue by product



## Revenue by region



## Operating expenses



STRONG CORE MARKETS

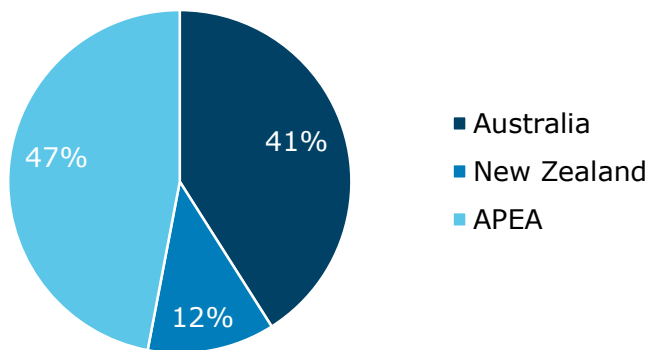
PROFITABLE ASIAN GROWTH

1. 'Other' represents Balance Sheet Trading, Markets Trading and revenue generated from the sale of Institutional Products to non-IIB customers  
 2. Includes Mortgages & Unsecured Loans, Transaction Banking, Credit Cards and Investments & Insurance products

# IIB Global Markets - Diverse client focused business

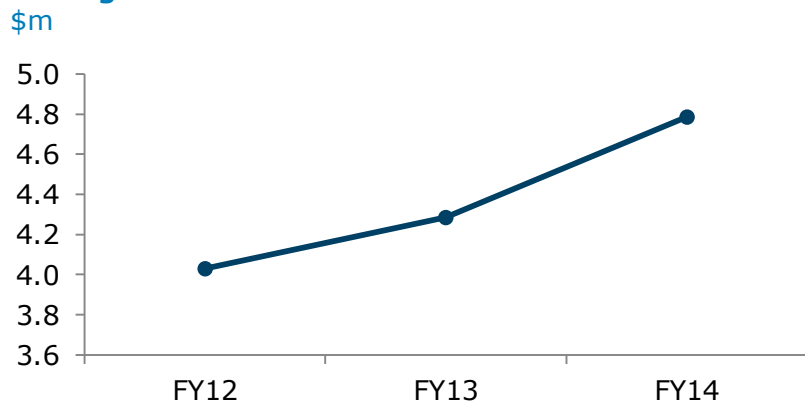
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## Regionally diverse client base

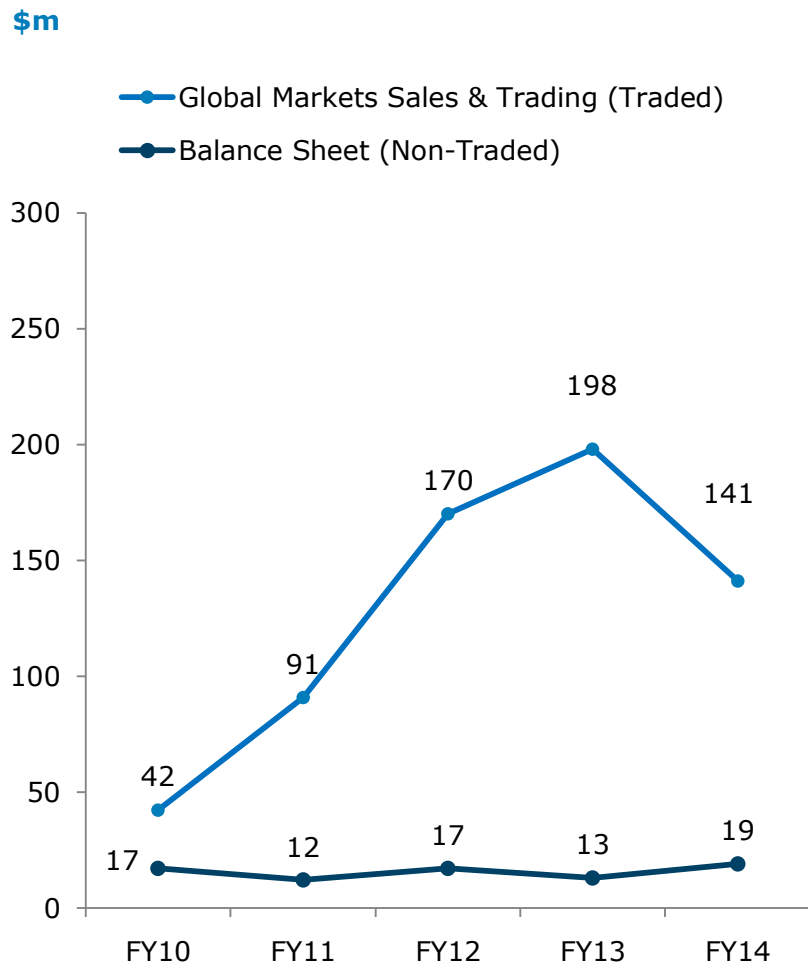


## Average client deal size

### Average Deal Size



## Revenue per \$ Value at Risk<sup>1</sup>



STRONG CORE MARKETS

PROFITABLE ASIAN GROWTH

1. Average 1-day 99% VaR

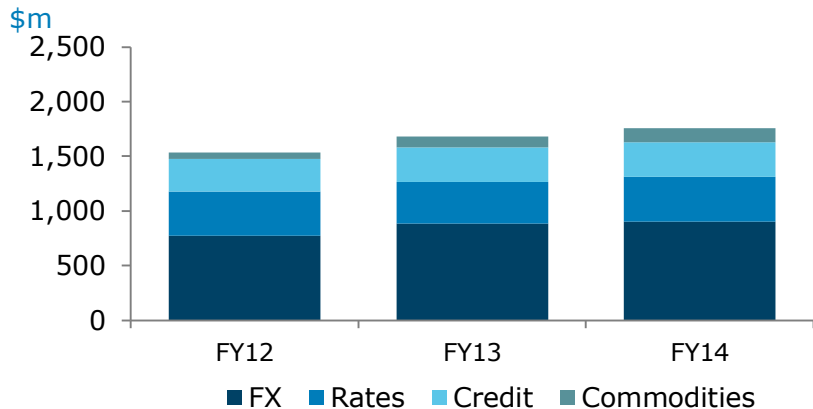
# IIB Global Markets – delivering growth through geographic and product diverse business

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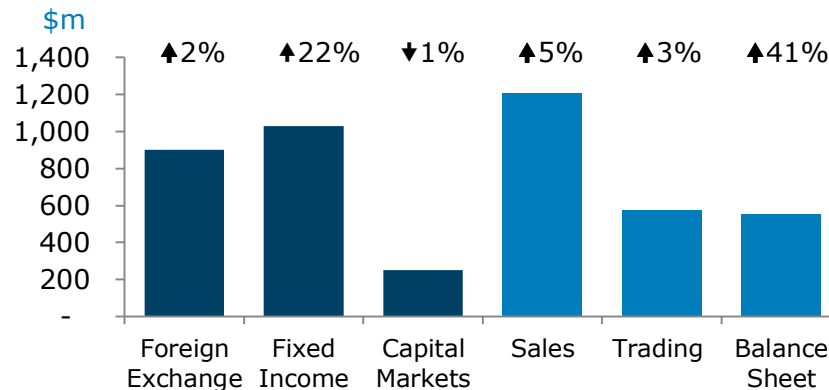
STRONG CORE MARKETS

PROFITABLE ASIAN GROWTH

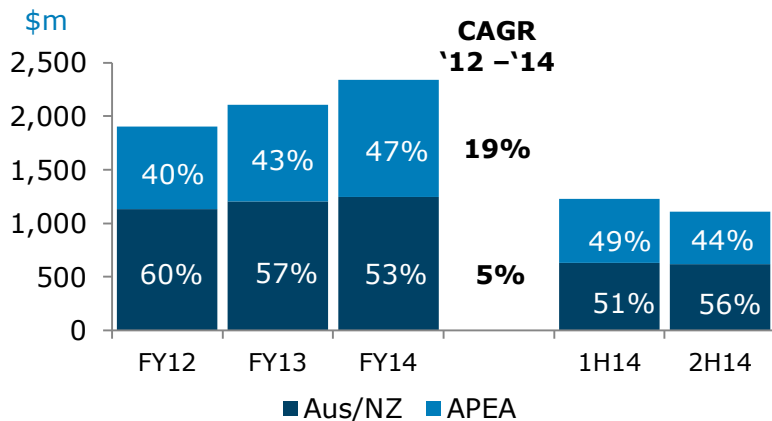
**Global Markets revenue by product (Excludes Balance Sheet)**



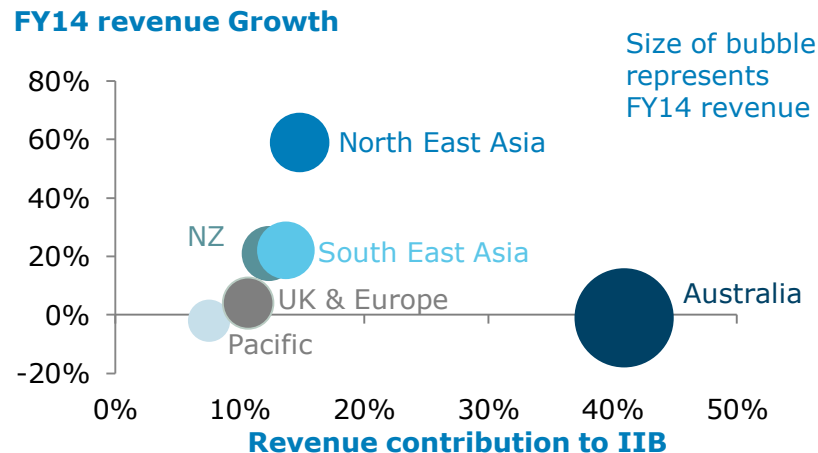
**Revenue by product / type (FY14 v FY13 % growth)**



**Global markets revenue by geography**



**Revenue by region (FY14)**



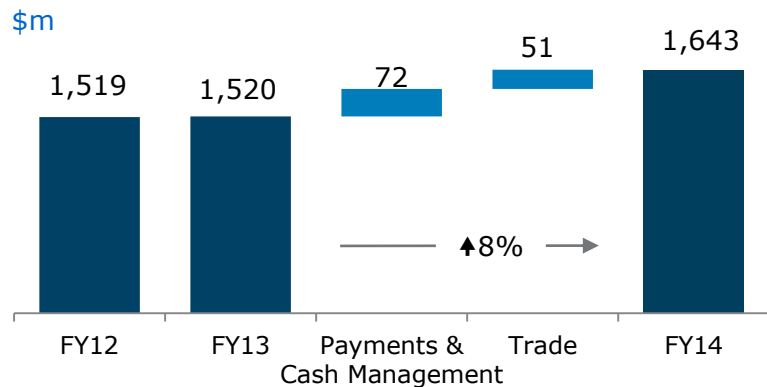
1. Average 1-day 99% VaR



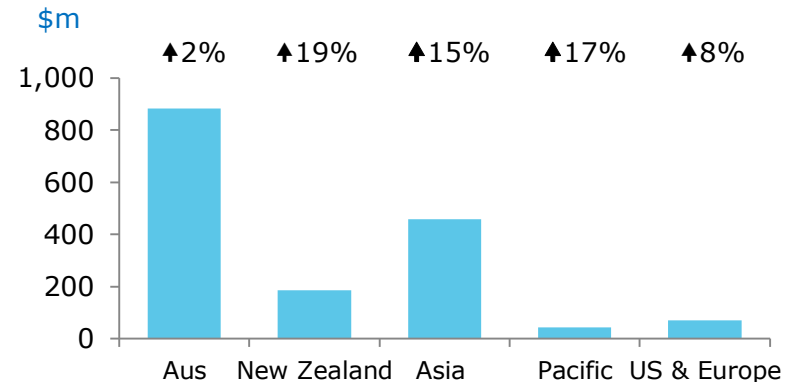
# IIB Transaction Banking – uplift in revenue across geographies and products

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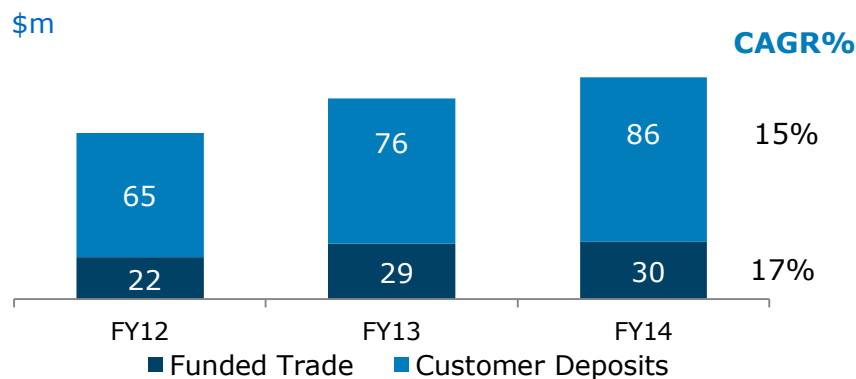
### Transaction Banking revenue



### Transaction Banking Revenue by region (FY14 v FY13 % growth)

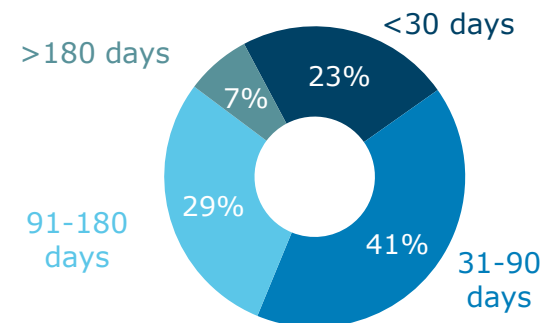


### FUM by Product



### Short tenor / Transaction visibility

#### Tenor profile of the Funded Trade Portfolio of \$ 30bn (Sep-14)



STRONG CORE MARKETS

PROFITABLE ASIAN GROWTH

# Adopting common platforms & utilising our regional delivery network to improve customer experience, productivity & control

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ENTERPRISE APPROACH

An enterprise approach to **operations** and **technology**

Delivers a stronger and more efficient bank

Benefiting our **customers** and **shareholders**

## Building Common Technology Platforms

across all main business lines to drive standardisation, simplification and automation

## Utilising our Regional Delivery Network

to improve customer experience and drive down cost to serve.

### Improving customer experience:

- Easier on-boarding and faster approvals
- Quality service
- Consistency across channels

### Driving operational productivity:

- Absorb significant volume growth
- Sustainable cost reduction
- Simplified processes

### Reducing operating risk:

- Consistent, standard processes
- Reduced error rates
- Upgraded infrastructure and security systems

# Selectively building common technology platforms that enable our super regional strategy

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Our common platforms ...		... are delivering value ...		... and external recognition
<b>Global Wholesale Digital</b> (Transactive)	<b>17 countries</b>	<b>\$174 billion</b>	Transactions processed this year	<p>2014 Asian Banker's Best Corporate Payment Project Award</p> <p>'ANZ Grow' – Finalist in Australian Mobile &amp; App Design Awards 2014</p> <p>PEGA Innovation Award - Financial Services</p> <p>18 JP Morgan quality awards for payment services</p> <p>Deutsche Bank STP Excellence Award</p> <p>Peter Lee puts ANZ as clear market leaders across every key measure (Corp. &amp; Inst. Banking, Aus)</p> <p>Rated by FImetrix as the #1 provider of AUD and NZD clearing services</p>
<b>Global Retail Digital</b> (goMoney, Grow)	<b>7 countries</b>	<b>\$400 million</b>	Funds transfers per month	
<b>Global Process Management</b> (PEGA, FileNet)	<b>15 countries</b>	<b>↓72% YOY</b>	Reduction in resolution time for payments investigations	
<b>Global Payments</b> (Global PayPlus)	<b>10 countries</b>	<b>↓64% YOY</b>	Reduction in payment error rates	
<b>Global FX</b> (Wallstreet)	<b>8 countries</b>	<b>#20</b>	World ranking in FX transaction processing by volume	
<b>Global Customer Registry</b> (IBM MDM)	<b>25 countries</b>	<b>&gt;12 million</b>	Customer records so far	

ENTERPRISE APPROACH

# Utilising our regional delivery network to drive quality, operating resilience and productivity gains

## Our regional network is in place ...

- Providing full service regional coverage across our operating time zones.
- Developing centres of excellence across the network around key business domains such as payments, markets and lending operations.



## ... and is generating significant value.

### Resilience

Reducing disruption risks, increasing load-management flexibility

### Efficiency

Using process standardisation and integration across the network

**18** Global Trade Operations locations

**20** Global Markets Operations locations

**26** Global Payments Operations locations

**4** Australia and New Zealand Retail Lending Operations locations

**↑ 12%** Collections productivity from cross-regional integration

**30,000 hours** Branch capacity freed by standardising reconciliations processes

**< 24 hours** Time to assess 95% of home loan applications

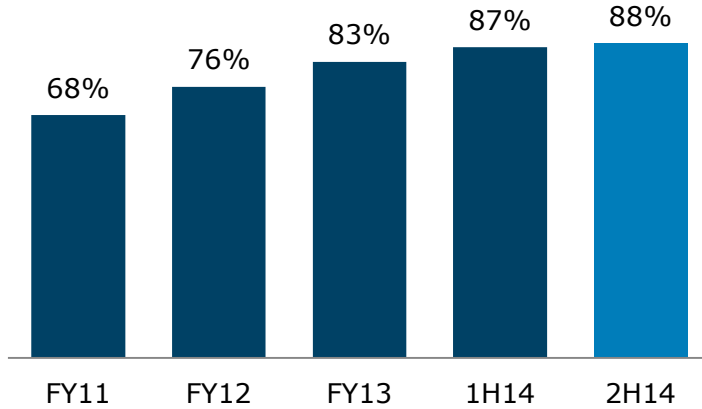
**↓ 92%** Reduction in customer servicing time for ANZ Travel Card

**12%** Operations productivity gains from broad-based process improvement and cost management

# Driving better customer outcomes through global processes and increased automation

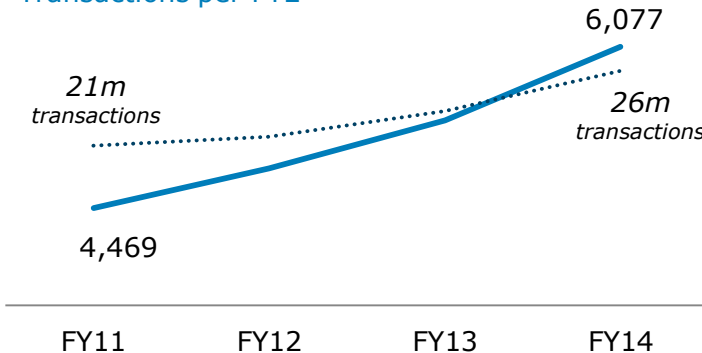
## Straight Through Processing rate in AUD / NZD payments continues to rise

% of total transactions



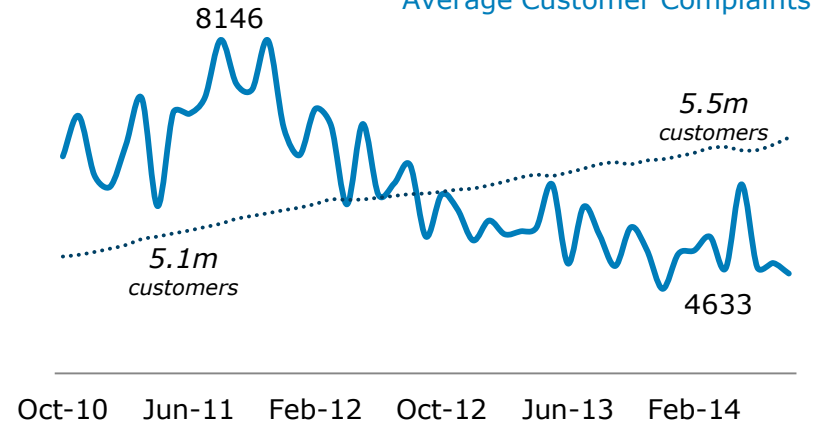
## Transaction processing efficiency continues to rise in our international markets

Transactions per FTE



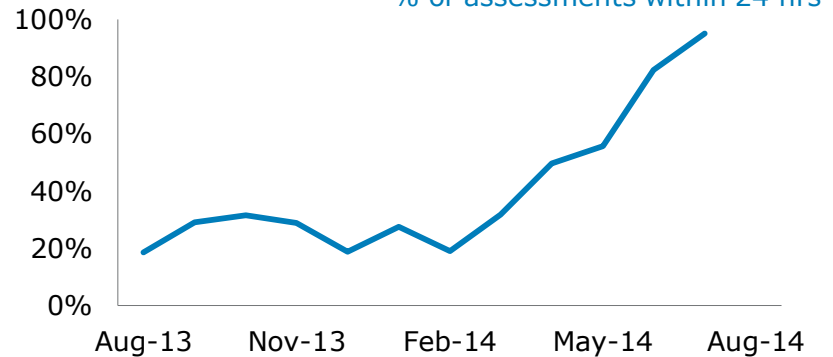
## Australian customer complaints continue to fall even as customer numbers increase

Average Customer Complaints



## New mortgage assessments are processed more efficiently at higher quality from the outset

% of assessments within 24 hrs



# Annual investment program delivering broad-based enterprise capabilities supporting super regional growth

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ENTERPRISE APPROACH

## Risk

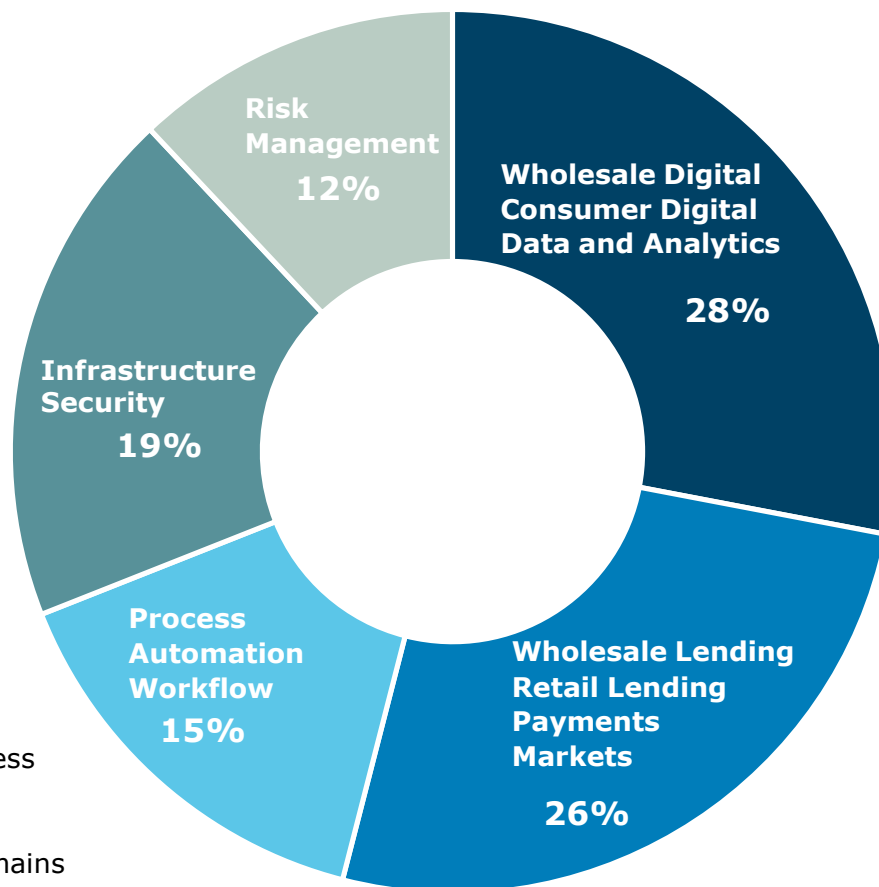
- Minimised operating risks
- Maintain the confidence of our customers and regulators

## Stability

- Upgraded infrastructure
- Enhanced resilience
- Reduced cost-to-serve

## Productivity

- Simplify and integrate end-to-end workflow
- Increase systems and process standardisation
- Re-engineer and automate high-priority enterprise domains



## Digitisation

- Consistent customer experience across channels
- Supporting our segment-based businesses
- Enterprise-wide data management

## Product Lines

- Coordinated approach to end-to-end wholesale lending
- Global capabilities for consumer lending
- Modern, resilient payments network
- Supporting markets growth with scalable platforms

**ANZ invests approximately AUD1,200m<sup>1</sup> per year on technology-based capabilities. Disciplined management is allowing us to fund an increasing proportion of this annual investment from the productivity gains in our wider delivery cost base.**

1. Excludes technology run costs.

# 2014 FULL YEAR RESULTS

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED  
31 October 2014

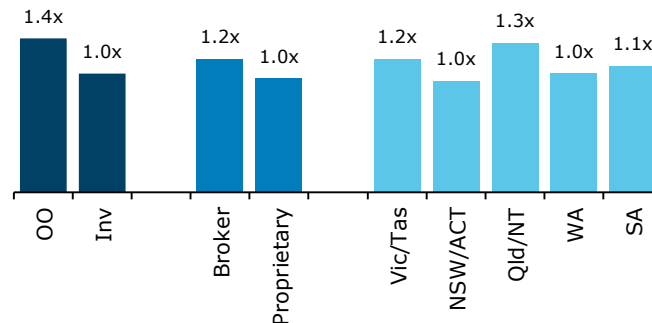
Case Study: Australia Home Loans

# ANZ's Home Loan strategy is to generate balanced market share growth while maintaining margins and risk profile

## Sustained long term growth...

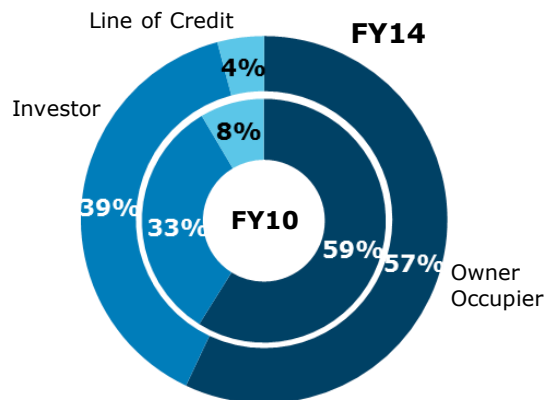
- ANZ has grown its Australian home loan portfolio by 8.3% (CAGR) over 5 years
- RBA home loans market share has increased from 12.2% (Aug-09) to 14.1% (Aug-14)
- Growth has been balanced by customer segment, channel (broker/proprietary) and geography
- Risk and margins have been well managed through this growth with stable NIM and the portfolio exhibiting very low loss and delinquency rates

ANZ Growth against system by segment; FY14<sup>1</sup>

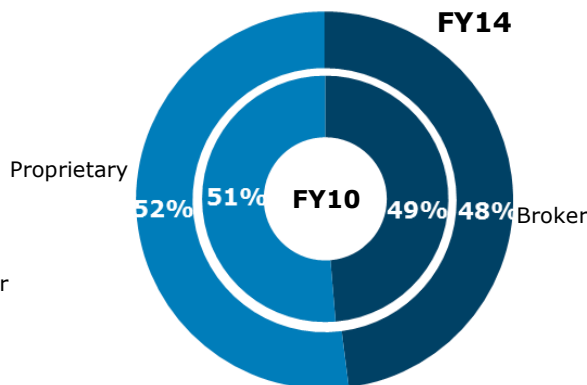


## ...with balanced sales across customer segments, channels and geographies

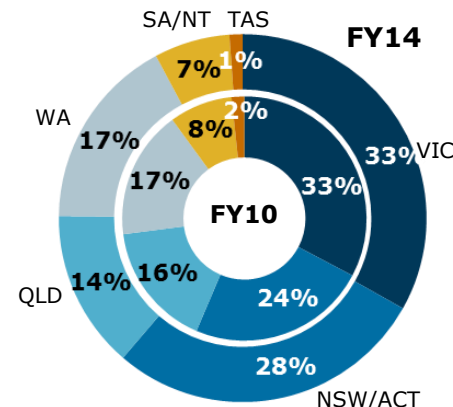
Customer Segment



Channel



Geography



Sales Composition: FY10 (inner) vs FY14 (outer)<sup>2</sup>

1. Customer Segments (Owner Occupier and Investor) defined by RBA; Channel performance relative to overall market growth; Geography sourced from Cannex
2. FY14 sales \$53b (outer charts)



# Consistent, long term growth through a leading proposition, investing in capacity & capability & making it easy for customers

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## We have a leading proposition

### Consistently award winning



Home Lender of the Year 2014; 13 times in the past 16 years<sup>1</sup>

### We listen to our customers



Collected 32,000 pieces of real time feedback from ANZ home loan customers<sup>3</sup>

### We help our customers be informed



Providing customer insights "Buy Ready: The property buyer's edge"

### Providing super-regional capability



Delivered a connected customer experience with our new Non Resident proposition

## We have increased channel capacity and sales capability in FY14

↑ 250  
↑ 12%

Existing branch staff trained & accredited to sell home loans

↑ 181  
↑ 29%

New specialist sales FTE across branches, mobile & contact centre

↑ 600  
↑ 150%

Brokers on-boarded to premium broker service

\$53b  
↑ 15%

Home Loan Sales across all channels

## We aim to make it easy for customers

Same day

Faster turnaround: 95% same day assessment for branch & premium broker apps (70% auto approved)

5mins

Time to complete simple loan changes, down from 45 minutes

↓ 40%

Complaint reduction over 2 years through end-to-end process re-engineering & reliable settlements

Digital

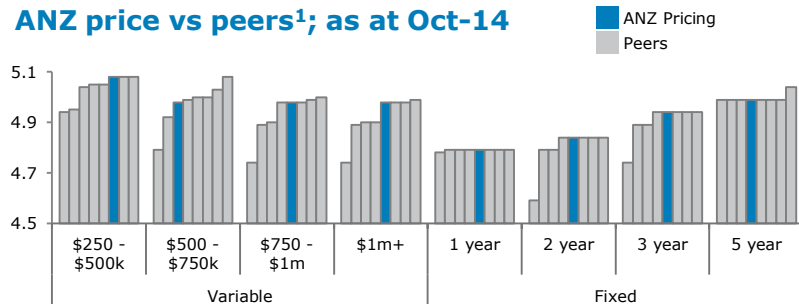
Upgraded tools & calculators available online & on mobile

1. CANNEX Money magazine's Home Loan Lender of the Year 2014, 2012, 2010, 2008, 2007, 2006, 2005. CANNEX Personal Investor magazine's Home Lender of the Year 2005, 2004, 2002, 2001, 2000, 1999.  
 2. All FY14 figures unless otherwise noted  
 3. Since July 2012

# Investment in our home loan proposition has enabled growth while maintaining margins and risk profile

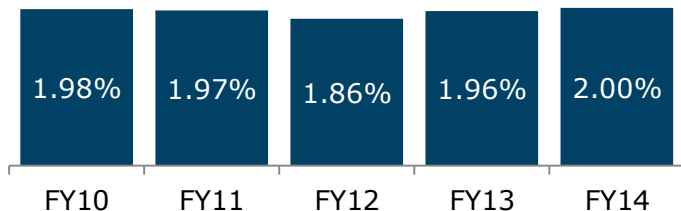
## Maintain price position while managing margins

ANZ price vs peers<sup>1</sup>; as at Oct-14



- ANZ's pricing approach ensures we are competitive, but not a price leader
- ANZ targets attractive segments of the market with appropriate price points to maximise growth within pricing & margin appetite

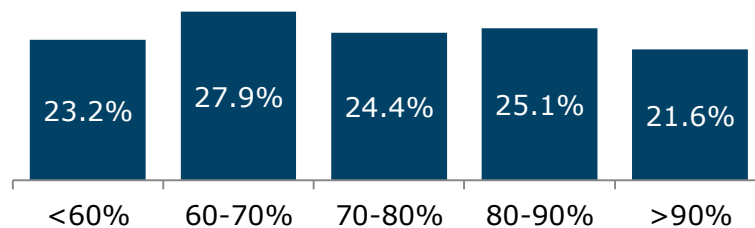
Retail NIM; FY10-14



- Retail NIM (2.00%) is consistent with prior years
- Active margin management & targeted use of discounting implemented to maintain margins

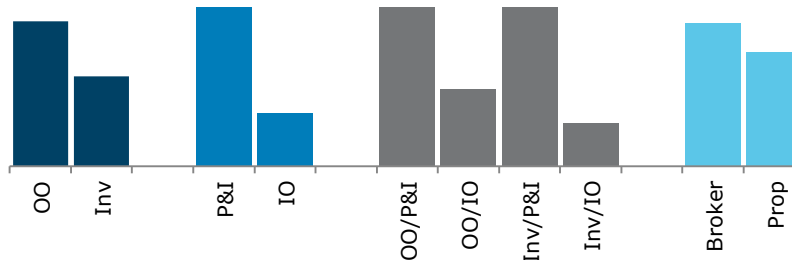
## Low share of higher LVR lending

ANZ share of major bank new sales(\$)<sup>2</sup> by LVR band<sup>2</sup>; 9mths to Jun-14



- Based on recent sales, ANZ captures 24.3% of the major banks' activity
- However, ANZ represents only 21.6% of >90% LVR system lending (>90% LVR lending comprises 12% of major bank recent sales)

% FUM 90+ days past due<sup>3</sup>; Sep-14



- Performance across customer and market segments is monitored closely
- Current delinquency rates are within risk appetite and feed into consideration of desired portfolio mix

1. Pricing based on carded discounted customer rate for new sales under package; variable rates based on lending ≤80% LVR;  
 2. Comparator Home Loans benchmarking;  
 3. Excluding Non-Performing Loans (as per APRA reporting)

# Australian market structural features mean that, even in a downturn, better outcomes would be expected relative to comparative international markets

## Weak market attributes

### Housing oversupply

- Spain<sup>1</sup>
- USA e.g. Nevada, Arizona and Florida

### Population declines

- Large US manufacturing cities<sup>2</sup>
- Northern UK

### Weak underwriting standards apparent prior to GFC

- US Subprime lending
- UK lending >100% LVR
- US 'Teaser Rates' (i.e. Adjustable rate mortgages)

### Culture of non payment

- Non-recourse lending in many US States (27 out of 50 states<sup>3</sup>)
- Tax deductibility discourages early repayment

### Banks do not 'own' all their credit risk

- Dominance of securitisation in the US market

## Australian market attributes

### Housing undersupply

- Continues to trail population growth

### Sustained population growth

- Australian population growth over double UK/US<sup>4</sup>
- All main markets growing<sup>5</sup>

### Strong underwriting standards prior to GFC which have been further enhanced

- Introduction of National Consumer Credit Protection Act 2009 led to low doc lending reducing to <1%<sup>6</sup>
- Low levels of 100% LVR lending

### Culture of repayment

- Interest is non tax deductible on primary residence
- Full recourse lending
- Repayment trend is accelerating<sup>7</sup> repayments

### Banks 'own' their credit risks strengthening underwriting standards

- Origination is held on bank balance sheets
- Low levels of securitisation across the industry<sup>8</sup>
- Lenders perform income verification and internally credit assess (including broker origination)

1. 1.6m in housing stock vs annual demand of 259k in 2012 according to RR de Acuña & Associates; 2. e.g. Detroit lost 25% of residents from 2000-10 – US Census; 3. Oliver Wyman 2012 ; 4. Australia currently 1.8% vs US 0.7% and UK 0.6% per Worldbank; 5. Main markets are Sydney, Melbourne, Brisbane and Perth; 6. 'low doc' loans have declined from 6.4% of new loans to 0.7% in 2010 per APRA; 7. "balances in mortgage offset and redraw facilities – has risen to be around 15 per cent of outstanding balances" RBA Financial Services Review Sept 2014; 8. 2.3% housing loans securitised, APRA Monthly banking statistics - Aug-14

# ANZ assesses and manages home lending risk across the end-to-end value chain from origination to collections

## Originate to hold philosophy

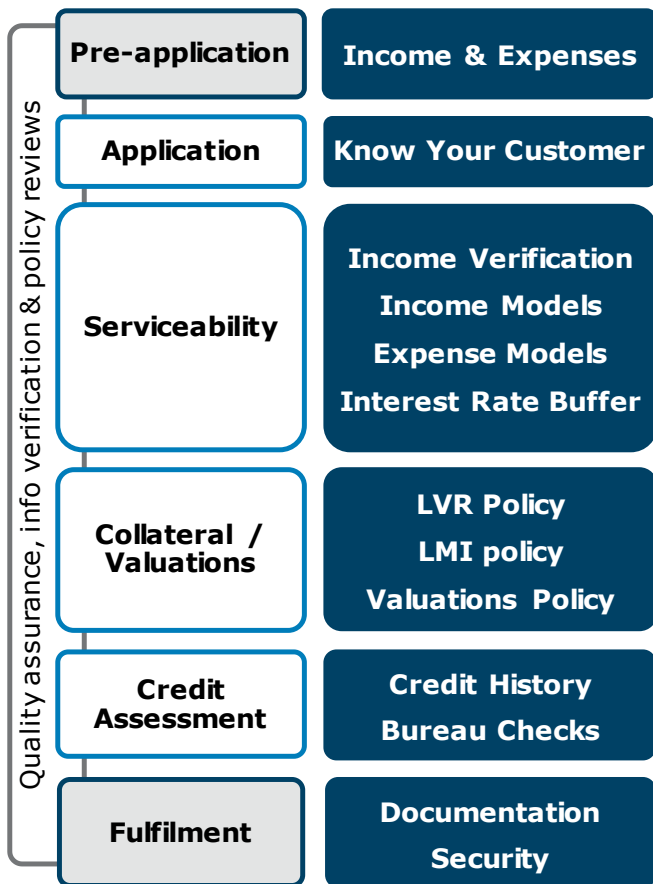
### End-to-end home lending responsibility managed within ANZ

- Pre-sales (digital & marketing)
- Proprietary sales and/or verification of 3<sup>rd</sup> parties<sup>1</sup>
- Loan origination & assessment
- Fulfilment
- Balance sheet ownership
- Collections activity

### All Australian home loans on balance sheet

- Business philosophy is to originate and hold home lending FUM
- Low levels of home lending FUM is provided for secured funding which remain on balance sheet<sup>2</sup>

## Multiple checks during origination process



## Effective hardship & collections processes

### Full recourse lending enables multiple actions to manage potential losses

### Comprehensive hardship & collections process

- Dedicated hardship team to assist customers meet their payment obligations
- Support customers (or manage on their behalf) to ensure any property sales achieve fair market value
- Early warning based on system triggers prior to formal collections
- Multiple customer communication methods e.g. phone, SMS, mail
- Individual case management

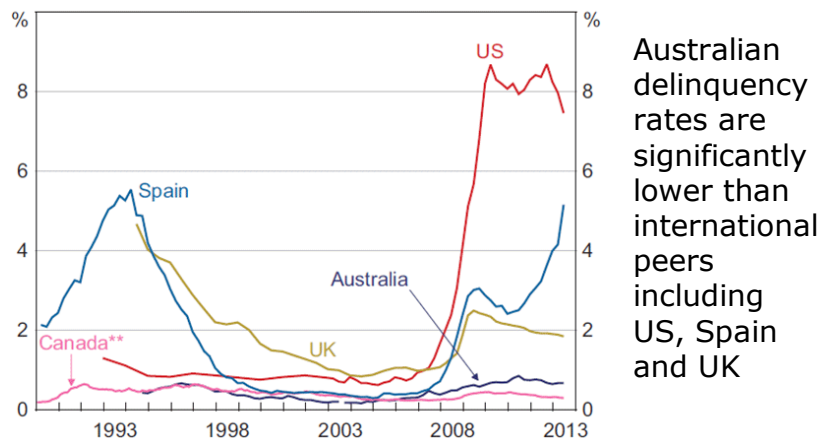
1. 3<sup>rd</sup> party sales channels (e.g. Broker) require ANZ accreditation & are subject to ongoing compliance monitoring to distribute ANZ home lending products  
 2. ~\$20b of Home Loans FUM used to secure Covered Bonds (Internal RMBS excluded)

# The current quality of the portfolio is supported by low loss rates and stable delinquency patterns

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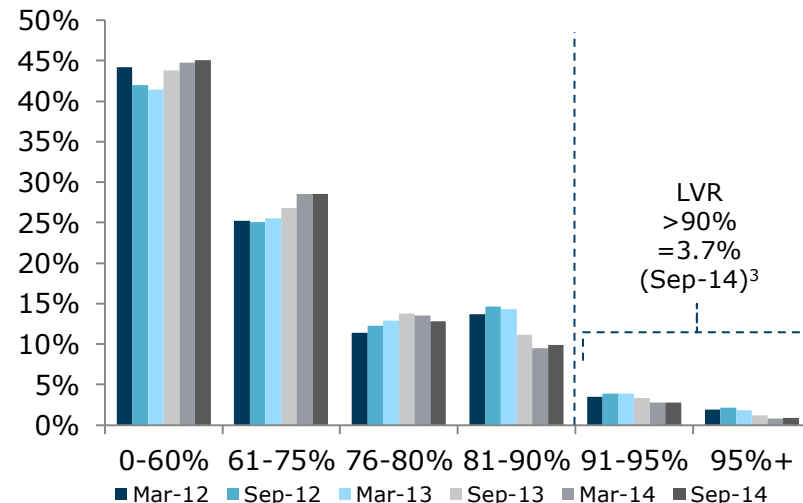
## Australian & ANZ delinquencies are low by international standards

International comparison of delinquency rates as % of total lending<sup>1</sup>

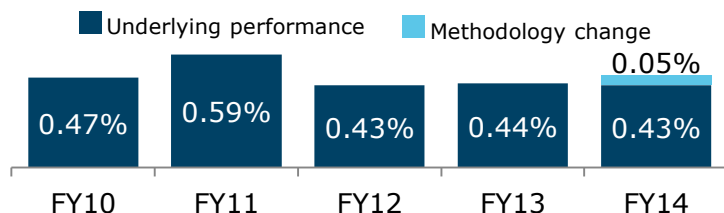


## Portfolio skewed to lower LVR bands & realised losses are consistently low

Dynamic Portfolio LVR Bands; FY12 -14

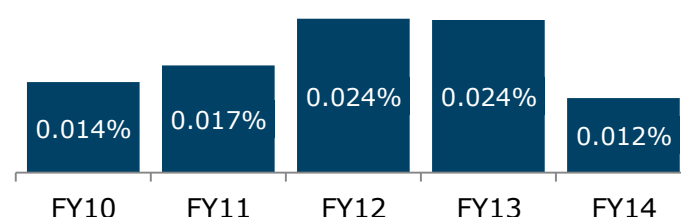


## ANZ % FUM 90+ days past due<sup>2</sup>; FY10-14



- FY14 reflects changes to hardship methodology & reporting requirements (APRA); impact is 5bps

## % Individual Provision Loss Rates; FY10-14



- FY14 losses of 1.2bps; 5 year average of 1.8bps
- FY14 portfolio performance: \$24m losses (IP) on \$209b FUM

1. Source: RBA Financial Services Review September 2013  
 2. Excluding Non-Performing Loans (as per APRA reporting)  
 3. Excluding capitalised premiums, Sep14 portfolio % with LVR >90% is 2.3% (Mar14 2.3%)

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