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NEWS RELEASE

ANZ FIRST HALF 2018 RESULT

ANZ today announced a Statutory Profit after tax for the Half Year ended 31 March 2018 of $3.32 billion up 14% and a Cash Profit[1] on a continuing basis of $3.49 billion up 4% on the prior comparable period. ANZ's Common Equity Tier 1 Capital Ratio was 11.0% up 91 basis points (bps). Return on Equity increased 32 bps to 11.9% with Cash Earnings per Share up 4% to 119.4 cents.

The 2018 Half Year result demonstrates continued progress in ANZ's transformation to build a simpler, better capitalised, better balanced bank.

An Interim Dividend of 80 cents per share will be paid, fully franked, reflecting a payout ratio of 66% of Cash Profit on a continuing basis and is broadly in line with ANZ's target fully franked full year payout ratio of 60 to 65%.

Group Financial Information

Earnings ($M)	1H18	1H17	Movement
Statutory Profit After Tax	**3,323**	**2,911**	**14.2%**
Cash Profit (continuing basis)	**3,493**	**3,355**	**4.1%**
Profit before credit impairment & tax	5,397	5,489	-1.7%
Earnings Per Share (cents)	119.4	114.8	4.0%
Return on Equity (%)	11.9%	11.6%	32bps
Net Interest Margin (%)	1.93%	2.00%	-7bps
Credit Quality		1H18	1H17
Total credit impairment charge as a % of average GLAs		0.14%	0.25%
Balance Sheet ($B)		1H18	1H17
Gross Loans and Advances (GLAs)		595.5	580.4
Total Risk Weighted Assets (RWAs)		395.8	397.0
Customer Deposits		472.8	468.2
Leverage Ratio (%)		5.4%	5.3%
Common Equity Tier 1 Ratio (%)		11.0%	10.1%
Common Equity Tier 1 Ratio Internationally Comparable Basel III [2](%)		16.3%	15.2%
Return on Net Tangible Assets (continuing basis)		13.2%	13.3%
Other		1H18	1H17
Full time equivalent staff - FTE (including discontinued operations)		41,580	46,046

[1] All financials on a Cash Profit Continuing Basis with Growth Rates compared to First Half 2017 unless otherwise stated.
[2] CET1 Internationally Comparable Basel III aligns with APRA's Information Paper: International Capital Comparison Study, 13 July 2015.

CEO COMMENTARY

ANZ Chief Executive Officer Shayne Elliott said: "This result demonstrates our strategy to build a better balanced, better capitalised and simpler bank is delivering results for customers and shareholders despite continued headwinds for the sector.

"We have increased the allocation of capital to our higher performing businesses, delivered on our simplification promise by divesting non-core assets, reduced product complexity and continued to reshape our workforce so we can better respond to changing market dynamics.

"We are now benefiting from a more focused organisation with sector-leading capital and improving returns. While we expect this trend to continue, we have needed to manage additional regulatory costs, softer industry revenue growth and the impact of the bank tax. We must also respond comprehensively to the very real concerns that the Royal Commission identifies.

"Our business efficiency has improved, with expenses reducing in absolute terms for each of the past four halves. This discipline allowed us to increase investment in our digital capability in Australia, which is already delivering results in terms of better customer experience.

"Our retail markets of Australia and New Zealand performed well with solid growth in both lending and deposits, increasing market share in our targeted segments, particularly owner-occupier principal and interest (P&I) home loans.

"Customers also continue to benefit from our focus on building a superior banking experience. We extended our leadership in the mobile payments space with the addition of Fitbit Pay (Australia), Garmin Pay and eftpos on Apple Pay and Android Pay. We also introduced a new mobile banking app that is currently the top rated banking app in the Australian Apple store, with daily registrations the highest on record for ANZ. The launch of our unique voice biometrics capability has contributed to five-fold growth in the value of payments using mobile devices from November 2017 to March 2018.

"A highlight of the half was finalising the sale of our six Asian retail and wealth businesses. This was a significant execution task involving hundreds of ANZ staff transferring around two million customers, 40 branches, 69 systems and 2,700 employees on schedule and under budget. The sale allows us to further strengthen our focus on Institutional, which continues to have a strong regional footprint across 15 markets in Asia and was again named a top four corporate bank in Asia and number one for overall quality[3].

"In a fast changing and unpredictable environment, ANZ's experienced team is committed to building a business that is both nimble and focused on execution. The progress of our multi-year transformation demonstrates we have the right team in place to manage difficult conditions and deliver for our customers and our shareholders."

[3] According to the 2017 Greenwich Associates Large Corporate Banking study

Create a simpler, better capitalised, better balanced and more agile bank

Aim - Reduce operating costs and risks by removing complexity and exiting low return and non-core businesses.

- Completed sale of six retail and wealth businesses in Asia[4], ANZ's stake in Shanghai Rural Commercial Bank (SRCB) and the first tranche of Metrobank Card Corporation (MCC). [5]
- Announced the sale of the Australian Life Insurance business, following the announcement of the sale of the Australian Pensions & Investments and Aligned Dealer Group (ADG) businesses in October 2017.
- The Group CET1 ratio up 91bps year on year to 11.0%, pro-forma 11.8%.[6]
- 60% of Group Capital allocated to Retail and Commercial businesses in Australia and New Zealand, up from 44% in 2015. Total Institutional RWA reduced $42 billion (-20%) since FY15.
- Completed $1.1 billion of the $1.5 billion share buyback announced in December 2017, and neutralised the impact of the Dividend Reinvestment Program for the third consecutive half.

Focus our efforts on areas where we can carve out a winning position

Aim - Make buying and owning a home or starting, running and growing a small business in Australia and New Zealand easy. Be the best bank in the world for customers driven by the movement of goods and capital in our region.

- Helped start more than 2000 businesses in the half through our 'Business Ready' collaboration with Honcho in Australia.
- Grew home lending in Australia by 6% with strategic focus on owner-occupier (P&I); customer deposits up 3%. In New Zealand home lending increased 5% and deposits 4%.
- Introduced First Home Coaches in New Zealand following the success of the program in Australia.
- Maintained position as No. 4 Corporate Bank in Asia for sixth consecutive year[7] and No. 1 Institutional Lead Bank penetration in Australia and New Zealand.[8]

Drive a purpose and values-led transformation of the Bank

Aim - Create a stronger sense of core purpose, ethics and fairness, investing in leaders who can help sense and navigate a rapidly changing environment.

- Increased low carbon finance commitment from $10 billion to $15 billion by 2020, with more than $8 billion financed since 2015.
- Signed the FX Global Code of Conduct, which provides a single set of principles governing good practice in the FX market.
- Increased women in leadership to 31.9% (from 31.1% end-FY17); Employer of the Year for LGBTI Inclusion[9]; top private sector organisation for access and inclusion for people with disability.[10]
- Released report on the Financial Wellbeing of adults in Australia and New Zealand, the findings of which will inform future development of products and services.

[4] Includes the sale of Retail & Wealth businesses in Singapore, China, Hong Kong, Taiwan and Indonesia to DBS and retail business in Vietnam to Shinhan Financial Group.
[5] ANZ finalised the sale of its 20% stake in SRCB in December 2017 and half of its 40% stake in MCC in January 2018. ANZ also entered into a put option to sell its remaining 20% stake in MCC to Metrobank, which is exercisable in the fourth quarter of FY18.
[6] Proforma incorporates the expected capital benefit from the Wealth Australia divestments (P&I, ADG and Life Insurance) and the second tranche of MCC, which remain subject to regulatory approval, less 10 bps impact from the completion of the $1.5b share buyback.
[7] Greenwich Associates 2017 Asian Large Corporate Banking Study; ANZ ranked equal No.4 in 2016 & 2017.
[8] Peter Lee Associates 2017 Large Corporate & Institutional Relationship Banking surveys, Australia & New Zealand.
[9] 2017 Australian Workplace Equality Index.
[10] 2018 Access & Inclusion Index.

Build a superior everyday experience for our customers and our people to compete in the digital age

Aim - Build more convenient, engaging banking solutions to simplify the lives of customers and our people.

- New ANZ banking app currently most highly rated in Australian Apple Store. 937,000 active users since its February launch, growing at 15,000 per day.
- Extended mobile payment leadership with the launch of Fitbit Pay (Australia), Garmin Pay and eftpos on Apple Pay and Android Pay. More than 18.5m mobile payment transactions completed (increase of 156% PCP); with total spend up more than 100% to $594m.
- Preparing for Open Banking through a strategic partnership with Australia's leading data company, Data Republic, allowing the sharing and analysis of data with trusted third parties in a secure environment.
- Introduced agile working practices to the Australia and Technology Divisions to increase speed-to-market for key customer initiatives.

CAPITAL AND DIVIDEND

The APRA CET1 capital ratio at 31 March 2018 was 11.0% or 16.3% on an Internationally Comparable basis. This places ANZ above the APRA prescribed 'unquestionably strong' threshold well ahead of the 2020 deadline.

Completed asset sales during the half increased the CET1 position by ~55bps providing the capacity for ANZ to commence a $1.5 billion on market share buyback in January 2018. As at 31 March $1.1 billion of this had been completed allowing the cancellation of ~40 million shares.

The completion of further asset sales and associated re-insurance arrangements for One Path Life should provide ANZ with flexibility to consider further capital management initiatives in the future. These will only be undertaken if capital is available to support growth and subject to business conditions and regulatory approval after the receipt of the relevant proceeds.

As with the 1H17 and 2H17 Dividend Reinvestment Program (DRP), we intend to neutralise the impact of shares allocated under the DRP by acquiring an equivalent number of shares on-market.

CONTINUING BUSINESS AND LARGE ITEMS

ANZ announced two separate Wealth business transactions in 2017. In 1H18 the results of these businesses have been classified as 'discontinued operations' in accordance with accounting standards, and shown separately from the 'continuing operations'. Prior period comparative results have been restated to reflect this.

Consistent with the Group's practice in FY17, ANZ has also disclosed a summary of large and notable items, which are included within the cash profit of its continuing operations. These items relate to the impact of divestments on the continuing operations, including any gains or losses on sale and the underlying results of the businesses that will no longer form part of future cash profits.

CREDIT QUALITY

The total provision charge for the half was $408 million which equates to a loss rate of 14 bps, down from 21 bps at the end of FY17. New Impaired asset declined 32% over the half with gross impaired assets down 15% over the same period.

The corporate credit environment remains benign with demand muted. The change in the loss rate for ANZ reflects both the benign macro environment together with strategic changes to both the size and composition of the asset book. This includes a 13 % reduction in Institutional CRWA since March 2016, as well as the exit of the Asia Retail and Wealth portfolio in six countries and the exit of small business lending in Asia.

ROYAL COMMISSION

A Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry was established in December 2017, with Commissioner Hayne expected to submit a final report by 1 February 2019.

It is expected that ANZ's external legal costs for the Royal Commission will be around $50 million for the 2018 financial year. ANZ remains committed to engaging with the Inquiry in an open, constructive and transparent manner. ANZ is unable to predict the outcome of the Inquiry or its impact on either the bank or the broader industry.

OUTLOOK

Commenting on the outlook Mr Elliott said: "We expect revenue growth for the second half of 2018 to continue to be constrained by intense competition as well as the impact of increased regulation. Australia's economic growth is expected to pick up in the coming year, led by a broad lift in the business sector and additional stimulus from public spending. However, historically high levels of household debt and low wage growth will offset some of the positive impact of recent strong employment data, so consumers are likely to remain cautious.

"The difficult trading conditions we originally forecast in 2016 are expected to continue for the foreseeable future. This reinforces the decision we took to focus our business on areas where we can deliver exceptional customer outcomes, solve real customer needs and generate a decent return for shareholders. Our focused strategy of simplification and digital transformation remains appropriate.

"The Royal Commission into Financial Services in Australia will also continue to have an impact on the sector. ANZ will learn from this Inquiry and continue to take real action to restore trust within the community. We're committed to playing our part and will continue to engage with the Commission in an open, constructive and transparent manner."

Video interviews with Chief Executive Officer Shayne Elliott and Chief Financial Officer Michelle Jablko are available at bluenotes.anz.com

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