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NEWS RELEASE

ANZ FULL YEAR 2018 RESULT

ANZ today announced a Statutory Profit after tax for the Full Year ended 30 September 2018 of $6.40 billion, flat on the comparable period and a Cash Profit[1] on a continuing basis of $6.49 billion, down 5%. ANZ's Common Equity Tier 1 Capital Ratio was 11.4% up 87 basis points (bps). Return on Equity decreased 67 bps to 11.0% with Cash Earnings per Share down 4% to 223.4 cents (continuing).

Actions taken since 2016 to simplify the business and reduce cost, position ANZ well to meet the immediate challenges facing the industry.

The Final Dividend is 80 cents per share, fully franked, bringing the Full Year Dividend to 160 cents.

Group Financial Information

Earnings ($m)	FY18	FY17	Movement
Statutory Profit After Tax	**6,400**	**6,406**	**0%**
Cash Profit (including discontinued operations)	**5,805**	**6,938**	**-16%**
Cash Profit (continuing basis)	**6,487**	**6,809**	**-5%**
Profit before credit impairment & tax	9,966	10,849	-8%
Earnings per share (cents)	223.4	232.7	-4%
Return on equity	11.0%	11.7%	-67bps
Return on average assets	0.72%	0.78%	-6bps
Fully Franked Dividend per share (cents)	**160**	**160**	**-**
Credit Quality	FY18	FY17	Movement
Total credit impairment charge as a % of average GLAs	0.12%	0.21%	-9bps
New impaired assets	2,108	3,212	-34%
Balance Sheet ($b)	FY18	FY17	Movement
Gross Loans and Advances (GLAs)	608.4	584.1	+4%
Total Risk Weighted Assets (RWAs)	390.8	391.1	0%
Customer Deposits	487.3	467.6	+4%
Common Equity Tier 1 Ratio (CET1)	11.4%	10.6%	+87bps
CET1 Ratio Internationally Comparable Basel 3[2]	16.8%	15.8%	+100bps
Other	FY18	FY17	Movement
Full time equivalent staff (including discontinued)	39,924	44,896	-11%

[1] All financials on a Cash Profit Continuing Basis with Growth Rates compared to Full Year 2017 unless otherwise stated
[2] CET1 Internationally Comparable Basel 3 aligns with APRA's Information Paper: International Capital Comparison Study, 13 July 2015

CEO COMMENTARY

ANZ Chief Executive Officer Shayne Elliott said: "The actions taken in recent years to simplify our business have allowed us to reduce cost, rebalance capital and better remediate issues. This places ANZ in a stronger position to meet the challenges facing the industry.

"Retail banking in Australia faced strong headwinds with housing growth slowing and borrowing capacity reducing. We continued our disciplined approach to home loan growth by focusing on customers who want to buy and own their own home.

"While this meant we sacrificed short-term revenue growth and higher margins in Australia, particularly in the investor and interest-only segments, it was the right thing to do for shareholders.

"New Zealand again delivered a strong performance, while the composition of our Institutional results provided improved and diversified earnings. Both of these businesses have undergone significant transformations in recent years with our diversification becoming even more important as housing credit slows in Australia.

"The simplification of our business is continuing to benefit shareholders through our announced $3 billion share buy-back and the neutralisation of the Full Year Dividend Reinvestment Plan (DRP), while we also maintained a capital position well above our regulatory target.

"Expenses were up slightly for the year due primarily to increased customer compensation and remediation costs in Australia. Excluding large notable items, expenses were down 1.5% for the year, positioning us to better manage the headwinds impacting the sector.

"The lowest credit losses in a generation have been driven by our decision to change the composition of our loan book, the sale of our Retail business in Asia, together with the run-down of our mid-market commercial business in Asia and a relatively benign credit environment.

"We are engaging constructively with the Royal Commission and taking action to fast-track changes. We will make the investments required to earn the trust and respect of our customers and the community.

"We continue to support our customers facing difficult circumstances. During the half ANZ implemented a significant package to help our customers impacted by the recent drought. This included reducing rates on business loans for farmers by 1% in all drought declared areas and setting aside $130 million for discounted loans to help farmers re-stock and re-plant next season. We also excluded all home owners in drought declared regional Australia from a recent interest rate increase.

"While there was much to be pleased about this year, we accept the significant community concern as a result of our failures highlighted by the Royal Commission has impacted our standing in the community.

"This was a factor in the decision to reduce variable remuneration paid to staff this year across the bank by $124 million[3]. We are also undertaking the urgent work required to fix the failures that have been highlighted by the Commission and further increased our focus on conduct issues," Mr Elliott said.

[3] ANZ Incentive Plan (ANZIP)

STRATEGIC PRIORITIES

Creating a simpler, better balanced bank

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

- Maintained strong capital position with CET1 ratio of 11.4% at 30 September 2018, driven by organic generation 28 bps higher than historical average and proceeds of asset sales.
- Only major bank in Australia currently reducing shares on issue. Shares on issue reduced by 67 million (equivalent to $1.9 billion) from an announced $3 billion share buyback program. Neutralised DRP for fourth consecutive half.
- Continued simplification of the business with announced sale of ANZ New Zealand's life insurance business to Cigna Corporation for NZ$700 million, as well as the announced sale of ANZ's retail and commercial business in PNG and ANZ's Joint-Venture in Cambodia.
- Improved the balance of capital allocation with Institutional reducing from 48% to 38% since 2015. The Retail and Commercial businesses in Australia and New Zealand now represents ~60% of total capital allocation.
- Rolled out New Ways of Working to Australia and Technology divisions, with more than 9,000 people now working in Agile teams[4].

Focusing on areas where we can win

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.

- Grew owner-occupied home loans in Australia by 6%; maintained #1 position in home loans across New Zealand.
- Improved loss rates in Small Business in Australia with 10% reduction in IP charge.
- Maintained Number 1 ranking for Institutional Bank for Relationship Strength in Australia and New Zealand[5] and were again named a top-four corporate bank in Asia[6], driven by our strength in managing trade and capital flows.
- Lead bank for trade services in Australia and New Zealand[7]. Approval of a securities licence from Japan's Financial Services Agency, making ANZ the only Australian bank with a licence to sell securities products to Japanese investors.

Driving a purpose and values led transformation

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

- Provided significant support package for Australian farmers impacted by drought including reducing business rates by 1%pa, donating $1 million and offering $130 million in discounted loans to support impacted farmers.
- Funded and facilitated $11.5 billion in low carbon and sustainable solutions of original $15 billion commitment by 2020; and arranged 18 green bonds valued at $1.9 billion on behalf of customers.

[4] Includes both internal and managed services resources
5 Peter Lee Associates 2018 Large Corporate and Institutional Relationship Banking surveys, Australia & New Zealand. In New Zealand ranked against top-four competitors (issued in June and August 2018 respectively)
[6] Greenwich Associates 2017 Asian Large Corporate Banking Study (issued in March 2018)
[7] Peter Lee Associates Large Corporate and Institutional Transactional Banking surveys, Australia and New Zealand 2004-2018

- Named top-three most inclusive workplace in Australia and Number 1 in private sector at Australian Workplace Equality Index award.
- Strongest improvement on record in Women in Leadership with group-wide representation increasing to 32.0%, up from 31.1% year-on-year.
- Introduced interest free loans to help New Zealanders insulate their homes, with almost 560 loans approved at the end of September.

Building a superior everyday experience for 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.

- Rolled out New Payments Platform to 3 million small, medium and institutional customers. Successfully secured 90% of competitive agency bank mandates, enabling other financial institutions to provide NPP payments to their customers via ANZ's infrastructure.
- Improved digital channels with the launch of 33 digital branches and Australian-first introduction of cash withdrawals from ANZ ATMs using any mobile device. Maintained mobile payment leadership with more than 64 million transactions completed during the year, with total spend up 128% in September 2018 compared to last year.
- Introduced Artificial Intelligence (AI) to improve customer engagement and operational efficiency, including a new 'digital assistant' in New Zealand. Introduced machine learning and robotics in Institutional with ~30% of trade transaction processing now handled using these new technologies, improving customer turnaround time by ~40%.
- Continued to simplify our technology architecture with the decommissioning of 264 applications, a 35% increase on 2017. Decreased capitalised software balance from $2.9 billion in 2015 to $1.4 billion today, currently the lowest of the major banks.

ROYAL COMMISSION

The 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. ANZ acknowledges the significant community concern as a result of our failures highlighted by the Royal Commission. As mentioned earlier, ANZ has taken action to fast-track fundamental changes. ANZ's external legal costs for the Royal Commission were $55 million (pre-tax) for the 2018 financial year.

LARGE / NOTABLE ITEMS[8]

ANZ announced earlier this month charges of $377 million after tax[9] have been recognised in 2H18 for refunds to customers and related remediation costs. ANZ also recorded accelerated amortisation expense of $206 million in 2H18, predominantly relating to its International business. A restructuring charge of $104 million, largely relating to the previously announced move of the Australia and Technology Divisions to agile ways of working, was also recorded in 2H18.

[8] All items are on an after tax basis
[9] Includes $127 million relating to discontinued operations

CAPITAL AND DIVIDEND

The APRA CET1 capital ratio at 30 September 2018 was 11.4% (16.8% on an Internationally Comparable basis). This places ANZ well above the APRA prescribed 'unquestionably strong' threshold, comfortably ahead of the 2020 deadline. Completed assets sales during the year increased the CET1 position by ~84bps. This provided the capacity to commence an on market share buyback in January 2018 and was increased to $3 billion in June 2018. As at 30 September $1.9bn of this had been completed, representing ~2% of ANZ shares outstanding. We expect the remaining ~$1.1bn to be completed during 1H19. We also intend to neutralise the impact of shares allocated under the DRP for the fourth consecutive half. The Group's funding and liquidity position remained strong with the Liquidity Coverage Ratio at 138% and Net Stable Funding Ratio at 115%. Other asset sales already announced will provide further flexibility.

CREDIT QUALITY

The total provision charge for the year was $688 million down 43%. The Group Loss rate reduced to 12 bps with the second half loss rate 9 bps. New Impaired assets declined just over $1.1 billion or 34% with Gross Impaired Assets down 16%. The significant decline in the Group loss rate reflects portfolio credit quality improvement driven by strategic changes to the composition of the asset book, such as the sale of retail and commercial in Asia, together with tighter lending standards and a relatively benign credit environment.

OUTLOOK

Commenting on the outlook Mr Elliott said: "We expect the tough revenue growth environment in retail banking in Australia to continue for the foreseeable future, however we are well positioned to take advantage of growth opportunities in Institutional, Asia and New Zealand.

"The work we began in 2016 to simplify our business, better focus on customers, improve our cost base and significantly improve our capital position, along with our exposure to international trade, puts us in a good position to manage any challenges ahead," Mr Elliott said.

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

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