NEWS RELEASE

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ANZ 2017 HALF YEAR RESULT

ANZ today announced a Statutory Profit after tax for the Half Year ended 31 March 2017 of $2.9 billion up 6% and a Cash Profit[1] of $3.4 billion up 23% on the prior comparable period (PCP). ANZ's Common Equity Tier 1 Capital Ratio was 10.1% at 31 March 2017 up 52 basis points (bps) from 30 September 2016. Return on Equity increased 210 bps to 11.8%.

The FY17 interim result reflects further benefits from a significant reshaping of the business driven by ANZ's strategic focus to create a simpler, better capitalised and more balanced bank producing better outcomes for customers and shareholders.

The Interim Dividend of 80 cents per share fully franked, is the same as the Interim Dividend in FY16, reflecting a payout ratio of 69% (Pro Forma 65%).

Selected Group Financial Information

	Half year		
EARNINGS ($M)	1H17	1H16	Movement
Statutory Profit	2,911	2,738	+6%
Cash Profit basis			
Profit before credit impairment and tax	5,572	4,837	+15%
Cash Profit	3,411	2,782	+23%
Earnings Per Share (cents)	116.7	95.9	+22%
Return on Equity (%)	11.8	9.7	+210bps
Net Interest Margin (%)	2.00	2.07	-7bps
Adjusted Pro-forma Cash Profit basis[2]			
Profit before credit impairment and tax	5,838	5,441	+7%
Adjusted Pro-forma Cash Profit	3,637	3,224	+13%
Earnings Per Share (cents)	124.4	111.1	+12%
Return on Equity (%)	12.5	11.2	+130bps

Group Financial Information

	MAR '17	MAR '16
CREDIT QUALITY		
Total credit impairment charge as a % of average GLAs (Cash Profit basis)	0.25%	0.32%
OTHER		
Full time equivalent staff (FTE)	46,046	48,896
BALANCE SHEET ($B)		
Gross Loans and Advances (GLAs)	580	566
Total Risk Weighted Assets (RWAs)	397	388
Customer Deposits	468	447
Leverage Ratio (%)	5.3%	5.1%
Common Equity Tier 1 Ratio (%)	10.1%	9.8%
Common Equity Tier 1 Ratio Internationally Comparable Basel 3 (%)	15.2%	14.0%

CEO COMMENTARY

ANZ Chief Executive Officer Shayne Elliott said: "In 2016 we refreshed ANZ's strategy to ensure we were on a path to rapidly adapt to the changing environment and deliver materially better outcomes for our customers, the community and shareholders.

"I am pleased that in the first half of 2017 we delivered further progress. This included initiatives for customers such as reduced interest rates on some credit cards, new debit cards to improve accessibility for vision impaired customers, and plans to improve security through the use of voice biometrics. To support small businesses, we launched innovative digital solutions such as ANZ BladePay and ANZ Be Trade Ready.

"We also saw significant financial benefits emerging from the strategic and tactical decisions we took in 2016 to simplify the business, improve productivity and increase capital efficiency. Particular highlights were our strong organic capital generation performance that saw Australian Prudential Regulation Authority (APRA) Common Equity Tier 1 capital ratio above 10% for the first time and, importantly for shareholders, Return on Equity increased materially for the first time since 2010. We are in a very strong position ahead of anticipated changes to capital requirements by APRA and this allows us to neutralise the first half Dividend Reinvestment Plan (DRP).

"Our strategy involves a significant reshaping of ANZ's business and I am very pleased to have made significant progress while also producing good results across the Group.

"In Retail and Commercial Banking in Australia and New Zealand we are focussed on being the best bank for home owners and people who want to start and run a business. Both Australia and New Zealand delivered a solid performance. We are growing prudently in home lending in Australia concentrating on owner-occupiers, and through a focus on the small business segment. We are also moving quickly to meet customer expectations by delivering more of our services through digital channels, with digital sales in Australia up 24%.

"The performance of Institutional Banking has been particularly pleasing. We continued to reshape the business to improve returns through the distinctive proposition we have supporting trade and capital flows on a smaller group of customers who value our network and capabilities in Australia, New Zealand and Asia. Institutional Total Risk Weighted Assets have reduced by $23 billion during the past 12 months, expenses have fallen 9% and returns have increased.

"These results show we are creating a very different bank, one that is consistently producing better outcomes for customers and for shareholders. These are still early days and I am pleased with the significant momentum we have now established in the business.

"Our intention is now to accelerate our transformation through wider implementation of 'Scaled Agile' throughout ANZ. This is a completely different approach to running our business based on a proven model that will allow us to respond much faster to changing customer expectations, engage our staff and attract new talent, and reduce waste and bureaucracy.

"We have already been evolving in this direction with around 20% of technology and digital projects currently delivered using the Agile approach. The adoption of Agile at scale is a natural fit with our strategy and planning is already underway to broaden its roll out in early 2018, initially within the Australia Division," Mr Elliott said.

STRATEGIC PRIORITIES

FY17 PROGRESS HIGHLIGHTS

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

Reduce operating costs and risks by removing complexity, exiting low return and non-core businesses and reducing our reliance on low-returning aspects of Institutional banking in particular.

- Over 50% of Group Capital is now allocated to the Retail and Commercial businesses in Australia and New Zealand up from 44%.
- Capital reallocation is evidenced in a $7b net decrease in Credit Risk Weighted Assets (CRWA) from the end of FY16 on a constant currency basis. This includes a $2b increase in Retail and Commercial offsetting a reduction in Institutional CRWAs of $8b.
- The Group CET1 ratio was 10.1% at 31 March; net organic capital generation of 119 bps in the half was primarily driven by earnings growth along with RWA reduction.
- Announced the sale of the Retail/Wealth businesses in six Asian countries, UDC Finance in New Zealand and ANZ's 20% holding in Shanghai Rural Commercial Bank. Disposal of non-core assets will deliver an additional 65 - 70 bps of capital by the end of FY17.

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

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.

- Strong customer deposit growth in Australia (up 7%) and New Zealand Retail and Commercial (up 8%).
- Australia home lending up 5%, maintained #3 market share while improving the portfolio mix, #1 market share in New Zealand.
- Small business lending in Australia up 4%, New Zealand up 8%.
- The Institutional Payments and Cash Management business increased revenue 3%.
- ANZ has a clear leadership position in Australia and New Zealand Lead Institutional Bank Penetration and was a Top 4 Corporate Bank in Asia for the fifth successive year.

Drive a purpose and values led transformation of the Bank.

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

- Former Commonwealth Ombudsman, Colin Neave appointed as Customer Fairness Officer.
- New balanced scorecard remuneration structure introduced for Australian front line Retail Banking staff, focussed largely on customer service outcomes.
- Appointment of Kathryn van der Merwe as Group Executive Talent and Culture.

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

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

- Improving the customer experience – introduced card replacement for lost or stolen cards within 15 minutes via the digital wallet.
- 60% of customers in Australia and 64% in New Zealand are now digitally active.
- Australia Retail and Commercial customer numbers up 4%; 60% of Retail customers holding multiple products. Service improvements along with products like ApplePay have driven net customer growth.
- Launch of Home Loan Online Application in Australia driving easier loan approvals. Expanded support to Small Business customers in Australia; new banker tools accelerate origination and assessment.

CAPITAL, DIVIDEND AND FUNDING

The APRA CET1 capital ratio at 31 March was 10.1% (15.2% on an Internationally Comparable basis). Organic capital generation of 119 bps in the half was almost double the first half average of the past five years. We intend to neutralise the impact of shares allocated under the DRP by acquiring an equivalent number of shares on market.

The Group has a strong funding and liquidity position with the Net Stable Funding Ratio at 113% up 5% from 30 September 2016. The improvement was largely attributable to strong Retail deposit growth in Australia.

ASSET DISPOSALS

Since the start of FY2017, ANZ has signed agreements to sell its 20% stake in Shanghai Rural Commercial Bank, the UDC Finance business in New Zealand and ANZ's Retail and Wealth businesses in six Asian countries. The transactions are expected to complete during FY2017 and 1H2018 subject to regulatory approvals.

CREDIT QUALITY

The total provision charge of $720 million ($787 million individual provision charge and a $67 million collective provision release) equates to a loss rate of 25 bps, a decline of 11 bps from the end of 2H16. Gross impaired assets over the same period decreased 7% to $2.94 billion with new impaired assets down 3%.

The credit environment while demonstrating pockets of weakness appears broadly stable. Improved soft and hard commodity prices are beginning to provide flow through benefits, however it is anticipated sluggish consumer spending off the back of flat real income growth could continue to see the economy perform below trend.

OUTLOOK

Commenting on the outlook Mr Elliott said: "The reshaping of our business over the past year has delivered strong outcomes for customers and shareholders, and has established a foundation for future growth and better returns.

"The environment for banking remains constrained with intense competition and pressure on margins, subdued lending growth, rapidly changing customer expectations and increasing regulation. The provision charge has improved and the outlook for the second half remains broadly neutral. We are responding decisively to these continuing pressures through a financial, digital and cultural transformation of ANZ.

"Our strategy and the momentum we have established through consistent performance and execution positions us well to continue delivering strong outcomes for customers and for shareholders in 2017," Mr Elliott said.

Video interviews with Shayne Elliott and Chief Financial Officer Michelle Jablko discussing the 2017 Half Year result and the adoption of the Agile approach to working are available at www.bluenotes.anz.com.

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FOOTNOTES

[1] Cash Profit excludes non-core items included in statutory profit and is provided to assist readers in understanding the results of the ongoing business activities of the Group. The net after tax adjustment was an addition to statutory profit of $500 million comprised of several items including the loss on the reclassification of the SRCB investment as a held for sale asset. All comparisons are half year 31 March 2017 compared to the half year ended 31 March 2016 unless otherwise noted.

[2] Adjusted Pro forma is Cash Profit adjusted to remove the impact of 'Specified items' this includes the pro forma impact on the results of Asian minority investments on cessation of equity accounting, the reclassification of Asia Retail and Wealth as a held for sale asset and, in the prior year, restructuring expenses, software capitalisation changes, the derivative valuation methodology changes, the gain on sale and pro forma impact of the sale of the Esanda Dealer Finance business, and valuation adjustments for Asian minority interests. Adjusted Pro forma Cash Profit is presented to assist readers to understand the estimated growth rates of the ongoing business performance of the Group.

[3] CET1 Internationally Comparable Basel 3 aligns with APRA's Information Paper: International Capital Comparison Study, 13 July 2015