



## Media Release

### **ANZ 2014 Half Year Result** **- good result demonstrates strategy is delivering** **diversified growth and stronger returns -**

#### **Performance Highlights – 1H 2014 compared to 1H 2013 (PCP)<sup>1</sup>**

- Statutory profit \$3.4 billion up 15%; Cash profit<sup>2</sup> \$3.5 billion up 11%.
- Fully franked Interim Dividend of 83 cents per share an increase of 14%.
- Income up 3.6% and expenses up 1.7% (FX adjusted).
- Cost to income ratio improved a further 20 basis points to 44.3%.
- Return on equity steady at 15.5% with earnings per share up 10% to 128.7 cents.
- Customer deposits grew 13%, net loans and advances up 12%.
- Provision charge of \$528 million, 12% lower.

ANZ Chief Executive Officer Mike Smith said: "This is a good set of results. They demonstrate consistent progress with ANZ's long-term strategy to grow in our core franchises in Australia and New Zealand, to build a significant and profitable franchise in Asia Pacific, and to establish common infrastructure and processes that improve productivity and reduce risk.

"The diversification this strategy provides is now delivering a differentiated proposition for our customers and improved returns for shareholders.

"Our international business, particularly Asia, is firing on all cylinders with revenue and profits again growing strongly, and a sustained improvement in returns. Profits from International and Institutional in Asia Pacific, Europe and Americas (APEA) are up 43% based on significant growth in customer numbers and in products that support regional trade and investment flows such as foreign exchange, cash management and trade finance.

"Since we launched our strategy six years ago, the compound annual growth rate in earnings from Asia has been 37% and ANZ is now being consistently rated a top 4 Corporate Bank in Asia by Greenwich Associates<sup>3</sup>.

"In Australia we are seeing ongoing benefits emerge from the investment in our Banking on Australia program which includes new digital solutions for our customers. We have developed greater scale based on market share growth in home lending, small business lending and retail deposits. Business confidence in Australia is recovering more slowly than expected however, and in some segments growth remains subdued with competition placing pressure on margins. Costs were carefully managed in this environment.

"In New Zealand after several years of hard work our business is in a winning position. ANZ's move to a single brand and technology platform together with New Zealand's economic recovery saw volume growth, improved productivity and lower provisions.

"Global Wealth continues to focus on improving the customer experience with wealth solutions increasingly integrated with our banking offering and more options for self directed customers. Our revenue performance was positive, underpinned by strong growth in funds under management, favourable claims and lapse experience along with growth in Private Wealth.

<sup>1</sup> All comparisons are Half Year to 31 March 2014 compared to Half Year to 31 March 2013 and on a cash basis unless otherwise noted.

<sup>2</sup> Statutory profit has been adjusted to exclude non-core items to arrive at Cash profit, the result for the ongoing activities of the Group.

<sup>3</sup> Greenwich Associates 2013 Asian Large Corporate Banking Study

"Across the Group, operational and risk outcomes continue to be strong. Operational productivity continues to improve; we increased the volume of transactions globally by around 8% on average while reducing operations costs 4% (FX adjusted) on the prior year.

"Management actions are driving further improvements in the quality of the lending book. In International and Institutional Banking 77% of Institutional customers are now rated investment grade up from 60% in 2008, and this continues to drive a significant reductions in Group impaired assets.

"Our focus on the customer and productivity program coupled with momentum from our diversified growth opportunities has set us up for a good performance this year," Mr Smith said.

## **PERFORMANCE BY DIVISION<sup>4</sup>**

### **AUSTRALIA**

Building on a strong performance in 2013, the Australia Division grew profit 5%, reflecting 4% income growth, a 2% increase in expenses and a 4% increase in the provision charge. Lending grew 6% with customer deposits up 7%.

ANZ had the strongest home loan growth of the major banks over the past year and has grown home loans at above system for 17 consecutive quarters. Small Business Banking has performed particularly strongly with lending up 16%. To date ANZ has lent \$1.2 billion to new Australian small businesses as part of our \$2 billion pledge, while maintaining credit quality.

Execution of the Banking on Australia program is building business momentum. Simpler products, streamlined processes and improving distribution capability has seen growth in customer numbers. We've brought 110,000 net new customers on board across Retail and Commercial in the last year while simultaneously reducing average monthly customer complaints by 9%.

Back office efficiency programs, increased training and iPad enablement have increased frontline Commercial team customer contact by 20%. ANZ is now equal first in Commercial customer satisfaction, up from fourth and customer numbers are up 26,000 year on year.

We have strengthened our position in mobile and digital channels. More than half our customers are digital users including 1.1 million active ANZ goMoney users with \$78 billion in goMoney transactions processed to date and we have rolled out 400 Smart ATMs across the branch network. Commercial FastPay transactions have grown at a compound monthly rate of 43% since launch in October 2012.

### **INTERNATIONAL AND INSTITUTIONAL BANKING (IIB)<sup>5</sup>**

International and Institutional Banking profit grew 9% with income up 4% and expenses up 3%, along with further credit quality improvements driving provisions down 18%. The business continues to diversify its earnings with 52% of income now coming from outside Australia and New Zealand and cash profit from APEA up 31%.

Ongoing focus on higher return less capital intensive flow products delivered volume increases in Foreign Exchange turnover (up 37%), Cash Management deposits (up 20%) and funded Trade and Supply Chain (up 6%).

The Global Markets business which services customers Foreign Exchange, Interest Rate management and Commodities needs, delivered another strong result with income up 5% primarily driven by customer sales. Income from servicing customers in Asia increased by 34% with particularly strong sales in Foreign Exchange.

Institutional and Commercial customer numbers grew 12%. Our strong relationship focus is being recognised in key customer surveys, including the Greenwich Associates 2013 Asian Large Corporate Banking Study in which ANZ has achieved the fastest growth in ranking in the study's history and a consistent top 5 outcome over the past 3 years, including a top 4 in the last two years.<sup>6</sup>

Targeted growth in Asia Pacific is delivering a shorter duration, lower risk balance sheet with just under half of our Institutional lending assets in Asia Pacific being Trade Finance related.

### **NEW ZEALAND (all comparisons are in NZD)**

The New Zealand Division grew profit 21%. Market share growth, productivity and credit quality improvements were key features of the result with income up 3%, expenses down 6% and the provision charge declining by \$73 million. Lending grew 5% with customer deposits up 7%.

<sup>4</sup> All comparisons are Half Year to 31 March 2014 compared to Half Year to 31 March 2013 and on a cash basis unless otherwise noted.

<sup>5</sup> All figures are FX adjusted

<sup>6</sup> Greenwich Associates 2013 Asian Large Corporate Banking Study

Under a single ANZ brand the business is now beginning to leverage its scale while also improving customer experience. Brand consideration is at an all time high and leads the major banks. ANZ is now number one for new mortgages in all of the larger New Zealand cities including Christchurch and Auckland.

Our Commercial business has grown across all regions with overall growth faster than system year to date. Small Business Banking has been particularly strong, up 14% driven by growth in customer numbers (up 29% on the prior year).

We are investing in digital capability to grow customer numbers and increase customer satisfaction and to improve our frontline capability and productivity. Active ANZ goMoney users are up 96% with the App rated the number one Finance app in both the Apple App store and on Google Play<sup>7</sup>. In Commercial, ANZ FastPay has had over 4,000 downloads since its launch in December 2013. Over the counter transactions in branches have reduced by 11% over the year as customers take advantage of our self service technology including Smart ATMs.

## **GLOBAL WEALTH**

The Global Wealth Division grew profit 11% with operating income up 8% and expenses up 7%. Underlying performance was strong driven by growth in funds under management (FUM) and inforce insurance premiums, as well as an improved claims and lapse experience, with retail lapse rates in Australia declining a further 120 bps across the year.

Global Wealth is focused on making it easier for customers to connect, protect and grow their wealth using simple, direct solutions such as ANZ Smart Choice Super which now has over 270,000 customers and continues to build momentum. Wealth solutions are increasingly being integrated into broader customer banking options with wealth solutions held by ANZ customers up 10% across the year.

Private Wealth grew operating income by 28%, with customer deposits up 26% and lending up 4%.

## **CREDIT QUALITY**

The quality of the loan book continues to strengthen with the provision charge of \$528 million 12% lower.

Gross impaired assets decreased 23%. Impaired assets are down 32% over the last two years, and are lower than at any point since September 2008 despite 46% growth in the lending book in that time<sup>8</sup>. While ANZ continues to expect that the provision charge for FY14 will be around 10% lower than for FY13<sup>9</sup> it maintains a strong provision balance.

## **CAPITAL**

ANZ remains well capitalised with an APRA Common Equity Tier One ratio at 31 March of 8.33% or 10.5% on an internationally harmonised Basel 3 basis.

## **DIVIDEND**

The fully franked dividend of 83 cps, up 14%, equates to a payment of \$2.3 billion to shareholders. The increased dividend reflects our stronger performance and a gradual rebalancing towards a more even split between the Interim and Final Dividend amounts, maintaining a payout ratio towards the upper end of the 65 to 70% of Cash Profit range.

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<sup>7</sup> Refers to the New Zealand App Store and Google Play sites. ANZ is the top ranked free finance App.

<sup>8</sup> Net lending assets increased 46% from \$349.85 billion to \$509.25 billion between 30 September 2008 and 31 March 2014.

<sup>9</sup> The ANZ Group Full Year 2013 provision charge was \$1.197 billion.