

News Release

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ANZ agrees to sell its 20 % stake in Shanghai Rural Commercial Bank

- sale to increase ANZ's APRA CET1 capital ratio by ~40 basis points -

ANZ today announced it had reached agreement to sell its 20% stake in Shanghai Rural Commercial Bank (SRCB) to China COSCO Shipping Corporation Limited and Shanghai Sino-Poland Enterprise Management Development Corporation Limited.

The agreement will see COSCO and Sino-Poland Enterprise each acquire 10% of SRCB for a total consideration to ANZ of RMB9,190 million (A\$1,838 million). The sale price represents a price-to-book ratio of approximately 1.1 times SRCB's net assets as at December 2015*.

The sale will increase ANZ's APRA CET1 capital ratio by ~40 basis points.

ANZ's relationship with SRCB has been a successful financial and commercial transaction since the investment was made in September 2007.

- ANZ has invested a total of A\$568 million in SRCB. Since 2007, ANZ has recognised A\$1.3 billion of equity accounted earnings and received A\$178 million in dividends. In the 2016 Financial Year the SRCB investment contributed A\$259 million to ANZ's post-tax profits.
- ANZ's minority investments in China have also helped provide ANZ with a stronger understanding of the Chinese banking system which has supported the expansion of ANZ's branch network in China and the approval of ANZ's full banking licence in China in 2010.

ANZ Deputy Chief Executive Officer Graham Hodges said: "This partnership has been beneficial for both ANZ and for Shanghai Rural Commercial Bank. SRCB is now a strong, successful bank with a prosperous future.

"As we have previously stated, the sale reflects our strategy to simplify our business and improve capital efficiency.

"The sale will also allow us to focus our resources on our Institutional Banking business in Asia. This includes a significant commitment to China over the past 30 years with 100% ANZ-owned branches in Beijing, Shanghai, Guangzhou, Chongqing, Chengdu, Hangzhou and Qingdao serving our institutional clients," Mr Hodges said.

After transaction costs and taxes, the sale price is broadly in line with the carrying value of the investment in ANZ's accounts as at 30 September 2016. This includes accumulated equity accounted profits and foreign currency translation reserves over the period of investment. However, if completion occurs after the end of the first half of the 2017 financial year, accounting timing differences will result in a negative impact to net profit after tax in the first half, and a largely offsetting positive impact at completion.

The sale, agreed on 31 December 2016, is subject to customary closing conditions and regulatory approvals and is expected to be completed by mid-2017.

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Summary of ANZ Investment in SRCB and Financial Return

Total consideration to ANZ for sale of 20 % stake in SRCB	A\$1,838m
ANZ CET1 capital benefit from sale	Equivalent to ~40bp
Total ANZ capital Investment in SRCB - Initial investment (26/09/2007) - acquisition of 19.9% stake - Additional investment (27/10/2010) - pro rata rights issue, increase to 20% stake Total investment	A\$318m A\$250m A\$568m
Financial contribution to ANZ (2007 to 2016) - Equity accounted earnings (based on average FX rates) - Dividends received (based on average FX rates)	~A\$1,300m A\$178m
Carrying value (ANZ financial statements 30/09/2016) FX translation and available for sale reserves to be released on completion Taxes and transaction costs (estimated)	~A\$1,990m ~A\$300m ~A\$145m
Profit and loss impact on sale - Revaluation impact at signing – reclassifying the investment as 'held for sale' (fair value for 'held for sale' classification is consideration less taxes and transaction costs)¹ - Release of FX translation and available for sale reserves at completion	~(A\$300m) ~A\$300m
Net Profit and Loss impact from sale	No material impact
Impact on ANZ FY17 equity accounted earnings from sale of SRCB 1Q17 (October to December 2016)² - From end December 2016	Earnings to be recognised by ANZ in other operating income (Share of Associates Profit), however as ANZ's carrying value will be increased by a corresponding amount, this will be offset by a revaluation impact of the same amount. Investment to be reclassified to 'Held for Sale' asset until completion of sale.

* Based on SRCB's most recent audited accounts for the year ended 31 December 2015.

1. Final revaluation impact to be determined by end December 2016 carrying value, including impact of 1Q17 equity accounted earnings. Net profit after tax will increase by the amount of any equity accounted earnings to 31 December 2016, and the carrying value will increase by a corresponding amount, resulting in a revaluation impact of the same amount.

2. For comparative purposes, in financial year 2016 ANZ recorded post-tax profit of A\$259m (full year profit) associated with its 20% stake in SRBC.

Note: AUD financial information is based on FX rates at the time of announcement of each event unless otherwise stated.