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NEWS RELEASE

ANZ HALF YEAR 2019 RESULT

ANZ today announced a Statutory Profit after tax for the Half Year ended 31 March 2019 of \$3.17 billion, down 5% on the prior comparable period. Cash Profit¹ for its continuing operations was \$3.56 billion, up 2%.

ANZ's Common Equity Tier 1 Capital Ratio increased to 11.5%, up 45 basis points (bps). Return on Equity increased 13 bps to 12.0% with Cash Earnings per Share up 5% to 124.8 cents.

The Interim Dividend is 80 cents per share, fully franked. This equates to \$2.27 billion to be paid to shareholders.

Group Financial Information

Earnings (\$m)	1H19	1H18	Movement
Statutory Profit After Tax	3,173	3,323	-5%
Cash Profit (including discontinued operations)	3,514	2,876	+22%
Cash Profit (continuing basis)	3,564	3,493	+2%
Profit before credit impairment & tax	5,381	5,397	0%
Earnings per share (cents)	124.8	119.4	+5%
Return on equity	12.0%	11.9%	+13bps
Return on average assets	0.77%	0.79%	-2bps
Fully Franked Dividend per share (cents)	80	80	-
Credit Quality	1H19	1H18	Movement
Total credit impairment charge as a % of average GLAs	0.13%	0.14%	-1bp
New impaired assets	890	963	-8%
Balance Sheet (\$b)	1H19	1H18	Movement
Gross Loans and Advances (GLAs)	613.8	595.5	+3%
Total Risk Weighted Assets (RWAs)	396.3	395.8	0%
Customer Deposits	493.4	472.8	+4%
Common Equity Tier 1 Ratio (CET1)	11.5%	11.0%	+45bps
CET1 Ratio Internationally Comparable Basel 3 ²	16.9%	16.3%	+55bps
Other	1H19	1H18	Movement
Full time equivalent staff (including discontinued)	39,359	41,580	-5%

¹ All financials are on a Cash Profit Continuing Basis with growth rates compared to the Half Year ended 31 March 2018 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 work started in 2016 to simplify our business and strengthen our balance sheet has helped us weather the strong headwinds in Australian retail banking, while still producing a balanced financial outcome for shareholders.

“Home loan demand in Australia has slowed significantly and this continued during the half. While our decision to step back from certain segments compounded this impact, being more risk averse in the current environment is prudent. However, we do accept we could have done a better job implementing our new risk settings and are taking steps to improve processes.

“Other parts of the business performed solidly. Institutional has been transformed into a well-managed business delivering consistent and diversified results for shareholders as well as customers. New Zealand also put in another good performance.

“The completion of our \$3 billion buy-back resulted in a 3.7% reduction in shares, helping drive a strong increase in earnings per share. We also plan to neutralise the dividend reinvestment plan (DRP) for the fifth consecutive half and remain the only major Australian bank to have reduced shares on issue.

“Action taken over the last three years to improve the composition of our lending book, combined with a relatively benign credit environment, resulted in a good credit quality outcome.

“Cost control was a highlight with absolute expenses down for another half. In fact, since the end of 2015 we have absorbed inflation of around \$550 million while also reducing the cost of running the bank by approximately \$300 million, even when excluding divestments.

“The tough retail banking environment will be a reality for the foreseeable future. We knew three years ago there would be strong headwinds and have taken action to respond head-on, including restructuring our Australian business,” Mr Elliott said.

HIGHLIGHTS

Business initiatives

- Introduced single home loan origination system for all channels in Australia to improve the application and assessment process. Increased the number of dedicated home loan assessors in Australia to assist with enhanced verification.
- Grew home loans and retail deposits in New Zealand by 6% respectively year on year.
- Named number 1 trade financier in Australia in Institutional for eighth consecutive year³.
- Maintained leading market position in Australia and New Zealand⁴ and retained number 1 position for overall relationship quality in Asia for the second consecutive year⁵. Named Asian Bank of the Year for 2018 by IFR Asia.

³ East & Partners, Australian Trade Finance Markets, 2010 – October 2018

⁴ Lead Bank Penetration per Peter Lee Associates 2018 Large Corporate and Institutional Relationship Banking surveys, Australia and New Zealand (results published in June and August 2018 respectively)

⁵ Greenwich Associates 2018 Asian Large Corporate Banking Study (results published in February 2019)

- Maintained digital wallet leadership with more than 88 million transactions in the last 12 months, with total customer spend up 114% in that same period.

Building trust, leading with purpose⁶

- Increased dedicated remediation team by more than 50% to improve the speed in which customers are refunded. This helped lead to a reduction in the time taken to pay customers back, in some cases cutting the time to make the first customer payment by more than 50%.
- Proactively contacted more than 276,000 customers to help them get better value from their banking products.
- First-phase of response to the Royal Commission with implementation of 16 initiatives to improve the treatment of retail customers, small businesses and farmers in Australia. This included new dispute resolution principles to ensure customer complaints and legal matters are handled fairly and in-line with community expectations.
- Introduced the 'Healthy Home Loan Package' in New Zealand to encourage Kiwis to build or upgrade their homes to environmentally sustainable standards.
- Funded and facilitated \$14.6 billion in environmentally sustainable solutions since 2015, with \$3.1 billion funded since September 2018.

Capital Allocation & Efficiency

- Further strengthened capital position with CET1 ratio of 11.5% at 31 March 2019, driven by organic generation 13bps higher than historical average and proceeds of further asset sales.
- Shares on issue reduced by 3.7% as part of completed \$3 billion share buyback program. Intend to neutralise the DRP for fifth consecutive half.
- The Group's funding and liquidity position remained strong with the Liquidity Coverage Ratio at 137% and Net Stable Funding Ratio at 115%.
- Maintained the balance of capital allocation with Institutional reducing from 48% to 38% since 2015.
- Continued simplification through divestment of non-core assets with completion of the sales of One Path Life (NZ) to Cigna Corporation and our 25% shareholding in Paymark to Ingenico Group.

Expense Control & Productivity

- Absorbed inflation costs with operational expenses down for another half.
- Finalised roll-out of New Ways of Working to Australia and Technology divisions, with more than 9,000 of our people now working in Agile teams⁷. FTE reduced 5% to ~39,400.
- Improved automation in Institutional through robotics and machine learning technologies, helping reduce turnaround times by up to 40% in trade, credit and customer service.
- ANZ's software balance reduced a further 4% this half to \$1.4 billion reflecting strong discipline in the capitalisation of expenditure – continues to be lowest of domestic peers.

⁶ ANZ's progress against its sustainability targets are published on anz.com/cs

⁷ Includes both internal and managed services resources

CREDIT QUALITY

The total provision charge for the half was \$393 million, down 4% from this time last year. The Group Loss rate decreased marginally to 13bps for the half (from 14bps in the first half of 2018). New Impaired assets declined to \$890 million, down 8% compared to this time last year with Gross Impaired Assets broadly flat over the same period.

NEW ZEALAND CAPITAL PROPOSAL

The Reserve Bank of New Zealand is consulting on its proposal for increases in RWA and minimum capital ratios. The overall impact on ANZ depends on a number of factors, including the outcome of the consultation period, as well as regulatory changes underway by APRA. ANZ is in a better position to manage any change given its transformation and has a number of practical options available if circumstances require. Any changes are expected to be implemented over a five-year period.

OUTLOOK

Commenting on the outlook Mr Elliott said: "While our performance this half was solid, there are headwinds facing the sector and we are taking appropriate action.

"Retail banking in Australia will remain under pressure for the foreseeable future with subdued credit growth, intense competition and increased compliance costs impacting earnings.

"New Zealand is performing well, however it is starting to share similar characteristics with the Australian market due to strong competition and a slowing Auckland housing market. The major concern in New Zealand remains the impact of the proposed capital changes on the broader economy.

"Institutional banking is performing well and positioned to provide positive earnings diversification, which will partially offset the headwinds in other parts of the Group," 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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