For Release: 25 October 2012

Media Release

ANZ 2012 Full Year Result
- productivity, super regional strategy drive higher profit and dividend -

ANZ today announced a statutory profit[1] after tax of $5.7 billion and an underlying profit[2] of $6.0 billion for the financial year ended 30 September 2012, both up 6% over the prior year (YOY).

The proposed final dividend of 79 cents per share (cps) fully franked is 4% higher YOY. The total dividend for 2012 is $1.45 per share.

Group Balance Sheet and Performance Highlights[3]

- Profit before provisions (PBP) increased 5% YOY (4% HOH) reflecting Group-wide productivity gains, improved performance from the Australia Division in the second half, early benefits from the New Zealand simplification program, growth in International and Institutional Banking particularly in Asia and an improving contribution from the Global Wealth and Private Banking Division.
- The Group invested $1.3 billion in targeted growth initiatives in 2012 with productivity improvements driving flat expenses HOH and positive revenue/cost jaws YOY and HOH.
- ANZ continues to increase the diversity of its revenue base with 21% of Group revenues derived outside of Australia and New Zealand during 2012. Global Markets revenue increased 14% to $1.9 billion with customer sales income up 10% to represent 61% of total income.
- Net interest margin excluding Global Markets declined 3 basis points (bps) from the end of the first half[4] reflecting increased funding costs in particular from deposits, as well as asset pricing pressure in Institutional.
- Deposits grew 12% with lending up 8% (FX adjusted).
- ANZ continues to have the lowest wholesale funding requirement of its domestic peers. Customer funding comprises 61% of total funding.
- The Group is well positioned for the implementation of Basel 3 from January 2013. As at 30 September 2012, ANZ's Common Equity Tier 1 ratio (CET1) was 10.0% on a Basel 3 harmonised basis[5] or 8.0% under the Australian Prudential Regulation Authority's (APRA) Basel 3 standards.
- Return on Equity reduced by 60 bps to 15.6%. Benefits from the Group's capital efficiency focus were somewhat offset by higher regulatory capital holdings and reduced earnings on capital in a lower interest rate environment.
- The provision charge was $1.25 billion broadly in line with 2011. Gross impaired assets declined 7% YOY while the collective provision coverage ratio remains strong at 1.08%.
- ANZ was awarded Bank of the Year, Mortgage Lender of the Year and Business Bank of the Year during 2012. The Group was also recognised as a top 5 Corporate Bank in Asia[6] and was ranked the most sustainable bank globally in the 2012 Dow Jones Sustainability Index

ANZ Chief Executive Officer Mike Smith said: "This result continues our track record of delivering on our promises to shareholders, customers, staff and to the community.

"Our super regional strategy, with its focus on significant organic growth opportunities in Asia Pacific and building strong domestic businesses in Australia and New Zealand, together with an increased emphasis on productivity improvements, has seen us deliver a good performance in 2012.

"Just as important is our strategic progress. Over the past five years we have systematically worked in every area of the bank to transform ANZ, delivering on our regional growth aspirations and emerging from the global financial crisis as a stronger, more international bank.

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1 The Financial Report is in the process of being audited.
2 The statutory profit is adjusted to exclude certain non-core items to arrive at underlying profit.
3 All comparisons are FY12 versus FY11 (YOY) and on an underlying basis unless otherwise noted.
4 Comparison of 270 bps Group NIM (Ex Markets) as per slide 26 of the HY12 results pack to 267 bps Group NIM (Ex Markets) for the second half 2012.
5 ANZ's interpretation of the regulations documented in the Basel Committee publications; "Basel III: A global regulatory framework for more resilient banks and banking systems" (June 2011) and "International Convergence of Capital Measurement and Capital Standards" (June 2006).
6 Money Magazine Bank of the Year and Home Lender of the year; Capital-Business Bank of the Year 2012, Top 5 Corporate bank Greenwich Associates survey 2012.

"Our results also show that management has been proactively responding to fast changing and challenging conditions in different markets to drive both growth and productivity.

"The Asia Pacific Europe and America (APEA) network now drives 21% of Group revenue[7]; Greater China is now our third largest market in terms of earnings," Mr. Smith said.

Commenting on the 2012 result, Mr Smith said: "Our performance was consistent with the expectations we outlined at the Half Year result and in our August trading update. The results demonstrate continued progress with our super regional strategy while also adapting ANZ to the lower growth environment where tight management of costs and capital is increasingly important.

"While we have continued to invest in our strategy, the increasing focus on productivity has delivered lower cost growth, particularly in the second half where the cost to income ratio fell 110 basis points to 45.1%.

"Performance in the Australia Division improved during the second half. This saw us produce a good result based on market share gains, tight management of margins and a strong productivity focus. Retail performed well across all segments and Commercial saw customer numbers increase, particularly in Small Business Banking.

"The International and Institutional Banking Division delivered significant growth in a number of priority segments based on the connectivity of our network. This included strong performances in Natural Resources, Trade and Supply Chain and Global Markets particularly in Foreign Exchange, although performances in Agriculture and Infrastructure were more subdued. Commercial in Asia achieved good growth. We also made progress in adapting the business to the new operating environment, particularly in Australia where subdued trading conditions and significant margin pressure are necessitating continuing change.

"The New Zealand Division delivered another good performance. The credit environment continues to improve and business simplification is showing benefits through productivity gains, good customer satisfaction outcomes, market share growth in key segments and higher staff engagement. We have also announced we will move to one brand and this weekend we will complete the move to one technology platform.

"Profits from the newly-formed Global Wealth and Private Banking Division were flat reflecting market conditions but importantly, having put a new management focus on this business, we saw an improving contribution in the second half with better insurance results, higher investment earnings and productivity improvements. We will be updating investors on the direction of this business next month," Mr Smith said.

Mr Smith added: "With the global economy softening, it's clear that the post-GFC lower growth business environment will be with us for the foreseeable future, as will the requirement to operate with higher levels of regulatory capital and higher funding and liquidity costs. ANZ has the right strategy focused on regional growth markets and we have been making the necessary structural adjustments, including a shift to emphasise productivity improvements and capital efficiency.

"Although the operating environment in 2013 looks more challenging with stronger headwinds in a number of areas, our unique growth strategy and the momentum we have in adapting to the new environment means we are well placed to deliver value and performance to shareholders in 2013," Mr Smith said.

PERFORMANCE BY DIVISION[8]

AUSTRALIA

Divisional profit grew 4% (up 10% HOH) with PBP up 2% (up 11% HOH). Market share gains in traditional banking, affluent retail and household deposits and lending have been a feature of the 2012 performance with ANZ recognised with a number of awards including Bank of the Year, Home Lender of the Year and Business Bank of the Year.

Retail lending grew 7% with mortgage lending growing above system. ANZ's share of household deposits has grown consistently over the past three years, up 30 bps in 2012. Commercial lending grew 9% driven by increased customer numbers and share of wallet. The Commercial business is harnessing ANZ's regional connectivity with trade finance revenues attributable to Commercial Clients up 20% YOY and Global Markets revenues up 40% YOY.

The Australia Division is transforming its cost base. Costs fell HOH while revenue/cost jaws were positive both YOY and HOH. Further productivity improvements will be driven by greater use of digital platforms, automation and simplification of products and processes. The branch transformation program, part of the recently announced "Banking on Australia" program will deliver an improved customer experience and a more flexible lower cost footprint.

Despite recovering 4 bps HOH the Divisional margin declined YOY reflecting the ongoing impact of elevated funding costs, in particular for deposits.

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[7] APEA network revenue is total revenue derived from outside Australia and New Zealand regardless of booking point.
[8] Comparisons are all FY12 compared to FY11 (YOY) and on an underlying basis unless otherwise noted.

Credit quality is performing to expectations. Mortgage delinquencies have continued to decline across all bands (30, 60 and 90 days) however softening economic conditions, particularly in regional Australia, drove increased provision charges.

INTERNATIONAL AND INSTITUTIONAL BANKING DIVISION (IIB)

Profit from International and Institutional Banking grew 3% with PBP up 7%. IIB continues to grow and diversify earnings by priority geography, product and customer, reducing its historical reliance on Institutional lending and interest rate trading.

Transaction Banking profit increased 23%, Trade and Supply Chain profit was up 47% and Global Markets profit grew 22%. In line with our strategy, around two thirds of Global Markets revenue is now from customer sales and more than half of sales revenue now comes from Foreign Exchange. Overall, 43% of the Division's revenue and 54% of deposits are now derived from outside Australia and New Zealand.

An 11% increase in lending volumes was driven predominantly by APEA where the lending book is dominated by shorter duration trade finance which grew 30%. Challenging macro conditions and tightening margins which declined 19 bps during the second half saw Global Loans profit decline 17%. The difficult margin outcome, particularly in Australia, reflected increased funding and liquidity costs, asset pricing competition and the shift to shorter duration, lower risk assets. Deposits increased 10% YOY with APEA Retail deposits up 17% to $13.4 billion.

Revenue to cost jaws were neutral, with expenses declining 1% in the second half.

Institutional's gross impaired assets reduced 4% due to a combination of repayments, upgrades and write-offs. The impairment charge was up 46% with losses on a few legacy loans in Australia partially offset by collective provision releases from associated concentration risk provisions.

NEW ZEALAND (all figures in NZD)

New Zealand Division profit increased 11% with PBP up 4%. The credit environment continues to improve in New Zealand and the Division's simplification focus is delivering benefits including productivity gains and market share growth in key segments. The cost to income ratio fell by 100 bps to 43.9%.

Lending volumes increased 3% with momentum particularly evident in the second half reflecting an increased focus on mortgages in the Auckland region and on the Small Business segment. Deposits increased 9% with good growth in Retail and in Small Business Banking deposits.

In Retail, strong underlying profit growth was driven by balance sheet growth and strong cost control which helped mitigate a tightening margin environment. In Commercial the business is leveraging ANZ's super regional strategy with revenues from Trade Finance up 21% YOY.

In late September ANZ announced it would be merging the ANZ and National Bank brands using the ANZ brand. There is a comprehensive brand and customer management program in place that will run over the coming months.

Credit quality has continued to strengthen. Delinquency rates have declined and gross impaired assets have decreased by 21%. The provision charge declined 12% YOY and 12% HOH.

GLOBAL WEALTH AND PRIVATE BANKING[9]

Despite flat profit growth YOY the Global Wealth and Private Banking Division's performance improved half on half, reflecting better performance in insurance and investment earnings and a decline in costs as productivity benefits emerged. The cost to income ratio improved significantly HOH down 350 bps to 56.3%.

Funds under management (FUM) increased 6% with New Zealand performing strongly up 15%.
Favourable claims experience partially offset higher lapse rates with net insurance income increasing 4% during the second half and annual individual in-force premiums up 11% YOY and 7% HOH.

BALANCE SHEET, CAPITAL, LIQUIDITY AND FUNDING

ANZ is managing returns to shareholders with a focus on executing the Group's strategy in the most capital efficient way.

The Group has raised around $11 billion of additional capital since 2007 to strengthen the balance sheet and is well positioned for the implementation of the new Basel 3 capital rules from January 2013. ANZ's CET1 ratio stands at 10.0% on a Basel 3 fully harmonised basis or 8.0% under the APRA Basel 3 requirements. The CET1 increase of 55 bps in FY12 was driven by organic capital generation before dividends of 106 bps and capital optimisation initiatives of 28 bps. With the capital strengthening phase now largely complete, ANZ will be removing the 1.5% discount on the Dividend Reinvestment Plan effective as of the forthcoming final dividend.

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9 ANZ announced the formation of the Global Wealth and Private Banking business in February 2012. It encompasses Wealth Management, Insurance, Private Banking and E*Trade online broking and services more than two million customers across ANZ's key regions.

ANZ's 2012 wholesale funding task of $21 billion was completed ahead of schedule and one third of the 2013 requirement has already been funded. Having the lowest wholesale funding requirement amongst our major domestic peers provides ANZ with additional flexibility in terms of funding strategy. In 2012, 41% of our issuance was domestically sourced and our global investor base has been further diversified driven by the issuance of covered bonds in a range of currencies.

Liquid assets exceed all wholesale debt maturing in the next 12 months and also exceed the Group's total offshore wholesale debt portfolio.

ADJUSTMENTS TO STATUTORY PROFIT - NON-CORE ITEMS

ANZ adjusts statutory profit for certain non-core items to calculate underlying profit. A net $296 million after tax of non-core adjustments was recognised in the second half. Included in this amount were the $224 million gain from the sale of Visa Inc. shares announced in September, economic and revenue hedge mark to market adjustments of $217 million, $59 million for the New Zealand simplification program and $220 million in impairment of software assets.

CREDIT QUALITY

Credit quality is in line with expectations and ANZ remains appropriately provided for with the total provision coverage ratio at 1.78% and the collective provision ratio at 1.08%.

Gross impaired assets reduced both YOY and HOH. New impaired assets declined HOH with impaired loans 13% lower. All Divisions saw HOH decreases in new impaired assets with the exception of Australia, with increases predominantly in regional agri-business.

The provision charge of $1.25 billion was broadly in line with last year, albeit the mix of collective and individual provisions differed. Increased individual provisions reflected losses associated with a few legacy loans. There were related releases in collective provision management overlays raised in prior periods.

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