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# NEWS RELEASE

## ANZ 2017 FULL YEAR RESULT

ANZ today announced a Statutory Profit after tax for the Full Year ended 30 September 2017 of \$6.41 billion up 12% and a Cash Profit<sup>1</sup> of \$6.94 billion up 18% on the prior comparable period. ANZ's Common Equity Tier 1 Capital Ratio was 10.6% up 96 basis points (bps). Return on Equity increased 159 bps to 11.9% with Cash Earnings per Share up 17% to 237.1 cents.

The 2017 result demonstrates the emerging benefits for customers and shareholders arising from ANZ's strategy to create a simpler, better capitalised and better balanced bank.

The Final Dividend is 80 cents per share, fully franked, reflecting a payout ratio of 68% of Cash Profit, moving closer to ANZ's target fully franked full year payout ratio of 60-65%.

### Group Financial Information

Earnings (\$M)	FY17	FY16	Movement
Statutory Profit	6,406	5,709	+12%
<b>Cash Profit basis</b>			
Cash Profit	6,938	5,889	+18%
Profit before credit impairment & tax	11,041	10,155	+9%
Earnings Per Share (cents)	237.1	202.6	+17%
Return on Equity (%)	11.9	10.3	+159bps
Net Interest Margin (%)	1.99	2.07	- 8 bps
<b>Credit Quality</b>		Sept '17	Sept '16
Total credit impairment charge as a % of average GLAs		0.21%	0.34%
<b>Balance Sheet (\$B)</b>		Sept '17	Sept '16
Gross Loans and Advances (GLAs)		584	580
Total Risk Weighted Assets (RWAs)		391	409
Customer Deposits		468	450
Leverage Ratio (%)		5.4%	5.3%
Common Equity Tier 1 Ratio (%)		10.6%	9.6%
Common Equity Tier 1 Ratio Internationally Comparable Basel 3 <sup>2</sup> (%)		15.8%	14.5%
<b>Other</b>		Sept '17	Sept '16
Full time equivalent staff (FTE)		44,896	46,554

<sup>1</sup> Cash Profit excludes non-core items from 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 \$532 million comprised of several items including the loss on the reclassification of the SRCB investment as a held for sale asset. All comparisons are year ended 30 September 2017 compared to the year ended 30 September 2016 unless otherwise noted.

<sup>2</sup> CET1 Internationally Comparable Basel 3 aligns with APRA's Information Paper: International Capital Comparison Study, 13 July 2015

## CEO COMMENTARY

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ANZ Chief Executive Officer Shayne Elliott said : “This is a good result which demonstrates further progress in becoming a better balanced, better capitalised, more efficient bank.

“Two years ago it was clear we needed to reshape ANZ’s future. Although we had a strong business, the external environment was changing faster than we were and our customers, the community and our shareholders expected much more from us.

“We have made some difficult calls in that time and the new shape of ANZ is now emerging. We’ve shifted our capital base to give greater emphasis to the Retail and Commercial businesses in Australia and New Zealand which now accounts for 53% of our capital, up from 44% two years ago. We have generated strong organic capital growth and our APRA CET<sub>1</sub> capital ratio now stands at 10.6%, up from 9.6%, so we already meet APRA’s ‘unquestionably strong’ 2020 capital target.

“Today, we are at the mid-point of executing a multi-year transformation of ANZ. What’s most pleasing about 2017 is we have not only delivered better outcomes for shareholders, we are also making genuine progress in delivering better outcomes for customers and in rebuilding community trust.

“For customers this includes initiatives to make banking fairer and simpler; we significantly lowered the interest rate on our low rate credit card, easy-to-understand contracts for small business, removed ATM fees and reduced home loan interest rates for owner occupier principal and interest borrowers. Innovation is also helping to make banking more convenient. For example, we extended our leadership position in mobile payments with the introduction of FitBit Pay, Samsung Pay and instant card replacement for customers with a digital wallet. We also made the experience for first home buyers easier with the introduction of First Home Buyer Coaches.

“Our financial performance is also continuing to improve. Our cost base has reduced and is down year on year in absolute terms for the first time in 18 years. We are improving the speed to market for our Retail business through the adoption of Agile work practices via the introduction of New Ways of Working, initially focused on the Australia Division.

“Credit quality is stronger as a result of strategic decisions to de-risk the business mix. We have significantly reduced Credit Risk Weighted Assets (CRWA), particularly in Asia, and increased risk adjusted returns in our Institutional business. At the same time, we have grown our Retail businesses in Australia and New Zealand with an emphasis on owner-occupied home lending.

“We have produced strong outcomes for our shareholders this year with our Total Shareholder Return 13%. Economic Profit increased 38% reflecting improved profitability, Earnings per Share grew 27% and Return on Equity increased 159 bps. Our Core Equity Tier 1 capital ratio of 10.6% together with strong organic capital generation means that, in 2018, as we receive the proceeds from the announced sales of non-core businesses we will have the flexibility to consider capital management initiatives

“We still have much to do however we are now building a track record based on a consistent strategy and disciplined execution at pace. ANZ is becoming a simpler, more focussed bank with the capacity to quickly adapt to the changing environment and invest in the significant organic growth opportunities that exist in our core businesses,” Mr Elliott said.

## STRATEGIC PRIORITIES

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

*Aim - Reduce operating costs and risks by removing complexity and exiting low return and non-core businesses.*

- ANZ's Institutional business has reduced CRWA by \$46 billion (27%) over two years, including an \$18 billion (13%) reduction year on year.
- Group CRWA decreased \$15.2 billion (4%) in 2017, with an \$8 billion (4%) increase in Retail and Commercial CRWA offsetting a reduction in Institutional CRWA.
- 53% of Group Capital is now allocated to the Retail and Commercial businesses in Australia and New Zealand up from 44% in FY15.
- The Group CET1 ratio was 10.6% at 30 September 2017; net organic capital generation of 229 bps was primarily driven by earnings growth along with RWA reduction.
- Completion of announced asset disposals will deliver an estimated additional 80 bps of capital by the end of FY18.
- Group costs have reduced in absolute terms, down year on year for the first time since 1999.

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

*Aim - 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.*

- In Australia we have introduced First Home Buyer Coaches to help customers navigate the home buying process.
- In New Zealand we hold a leading position in overall brand consideration (51%), the Retail Net Promoter Score has increased and we are the market leader in the migrant banking sector.
- Small business lending in Australia was steady year on year with deposits up 9%. In New Zealand lending increased 5% with deposits up 7%.
- The higher return Institutional Payments and Cash Management business is now 21% of Institutional income, up from 19% in FY15.
- ANZ has strengthened its 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<sup>3</sup>.

### Drive a purpose and values-led transformation of the Bank

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

- Established CEO-led Responsible Business Committee and revised Charter of Environment, Sustainability and Governance Board Committee to advance ANZ's purpose and increase focus on ESG issues.
- Contributed \$131 million in community investment supported by 113,127 community volunteering hours by employees.

<sup>3</sup> No 1 rank for overall market and lead penetration as well as overall relationship strength in the 2017 Peter Lee Associates Large Corporate and Institutional Relationship Banking Survey, Australia. Top 4 Corporate Bank in Asia – Greenwich Associates Survey 2017.

- We engaged employees on ANZ's direction through 'The ANZ Way', focusing on ANZ's purpose, strategy, refreshed values and Code of Conduct, and held a company-wide online conversation about our purpose.
- Introduced a new 'balanced scorecard' incentive plan in our branches and retail banking contact centres in Australia as part of our commitment to implementing recommendations from the Sedgwick Review and established a new role of Customer Fairness Advisor.
- Implemented key priorities of our revised Human Rights Standards, including strengthened customer due diligence and employee training.

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

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

- ANZ is the only bank to offer payment options across Apple Pay, Android Pay, Samsung Pay and FitBit Pay – backed by the ability to make high value transactions easier with the introduction of voice biometrics.
- Expanded accessibility features for ANZ Visa Debit cards including features to assist customers with visual impairment and reading difficulties.
- Acquired online property site RealAs to bolster our digital offering in Australia's property market.
- Added to our small business product offering through our employment hero partnership while adding to our payments capability with BladePay and FastPay Next Generation.



## CAPITAL AND DIVIDEND

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The APRA CET<sub>1</sub> capital ratio at 30 September 2017 was 10.6% (15.8% on an Internationally Comparable basis). This places ANZ at the APRA prescribed "unquestionably strong" threshold well ahead of the 2020 deadline.

Organic capital generation of 229 bps over the year was over 50% greater than the average (140 bps) of the past five years. As with the 1H17 DRP, 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 Liquidity Coverage Ratio at 135% and Net Stable Funding Ratio at 114%.



## ASSET DISPOSAL

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In FY17 ANZ announced agreements to sell a number of assets including its stake in Shanghai Rural Commercial Bank. The transactions, which remain subject to regulatory approvals, will in aggregate release 80 bps of capital. In the second half ANZ successfully completed the transfer of three Asian Retail and Wealth businesses to DBS on schedule and within budget.

In October 2017, ANZ has announced the sale of its OnePath Pensions and Investments and Aligned Dealer Group businesses to IOOF. Completion is expected in the first half of FY19.

Also in October, ANZ announced the sale of the Group's 40% stake in Metrobank Card Corporation to its joint venture partner Metropolitan Bank & Trust Company (Metrobank). The sale is subject to customary regulatory approvals.



## CREDIT QUALITY

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The total provision charge of \$1.2 billion equates to a loss rate of 21 bps, a decline of 13 bps over the year. Gross impaired assets over the same period decreased 25% to \$2.38 billion with new impaired assets down 11%.

The corporate credit environment is broadly stable with infrastructure spending and commodity prices providing some support. Since March, Australia has seen reasonable employment growth however underemployment remains a concern. Household debt and savings have both increased, however the ability for households to withstand economic shocks has diminished a little and is something we are monitoring.



## SETTLEMENT IN RELATION TO BBSW

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During 2016 the Australian Securities and Investments Commission (ASIC) commenced court proceedings against ANZ in respect of interbank trading in the bank bill swap (BBSW) market during the period 2010 to 2012. On 23 October 2017 ANZ announced it had reached a confidential in-principle agreement with ASIC to settle this action. Based on the in-principle agreement, the financial impact to ANZ has been reflected in the 2017 Financial Year results and was largely covered by the provision held as at 31 March 2017.



## OUTLOOK

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Commenting on the outlook Mr Elliott said: "In 2018 we expect the revenue growth environment for banking will continue to be constrained as a result of intense competition and the effect of regulation including a full year of impact of the Australian bank tax.

"These conditions aren't new to us and in this environment, our strategy remains to be ahead of the game by focussing on only those areas where we can deliver exceptional customer outcomes, solve real customer needs and in doing so make a decent return for our shareholders.

"In Australia and New Zealand, our aim is to be the best bank for people who want to buy and own a home, and for people who want to start, run and grow a business. In Institutional Banking, we want to be the best bank in the world for customers who move goods and money around the Asia-Pacific region.

"As we continue to extract the benefits of our strategy, we are well positioned to continue delivering tangible benefits to our customers, the community and our shareholders in 2018.

**Video interviews with CEO Shayne Elliott and CFO Michelle Jablko discussing the 2017 Full Year result are available at [www.bluenotes.anz.com](http://www.bluenotes.anz.com).**

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