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## Media Release

### ANZ 2013 Full Year Result

**- super regional strategy driving improved customer outcomes, profit growth and stronger shareholder returns -**

#### Performance Highlights – FY 2013 compared to FY2012 (YOY)<sup>1</sup>

- Statutory net profit after tax \$6.3 billion; Cash Profit<sup>2</sup> after tax \$6.5 billion; both up 11%.
- Return on equity (RoE) up 20 basis points (bps) to 15.3%. Earnings per share (EPS) up 9% to 238.5 cents.
- Fully franked final dividend of 91 cents per share (cps) taking the total dividend for FY13 to 164 cps up 13%.
- Over \$1.3 billion was invested in growth and transformation initiatives across the bank during the year, including the Banking on Australia program and expansion in Asia.
- Customer deposits grew 12% with net loans and advances up 10%.
- Credit quality improved further with gross impaired assets down 18% and the provision charge down 5%.
- ANZ's strong capital position improved further with the Common Equity Tier 1 (CET1) ratio up 47 bps to 8.5% and internationally harmonised Basel 3 basis CET1 up 76 bps to 10.8%. ANZ will again be neutralising the impact of the Dividend Reinvestment Plan (DRP) via an on-market buyback of ANZ shares.

ANZ Chief Executive Officer Mike Smith said: "This is a strong performance, the result of a distinctive long-term strategy focused on growth in our domestic franchises and targeted expansion in Asia.

"This consistency and operational discipline are producing better outcomes for our customers and for our shareholders. Importantly, the long-term nature of what we are building at ANZ means there is still more gas in the tank.

"In 2013 we have continued to attract more customers with further market share gains in Australian Retail and Commercial. In New Zealand brand consideration is at an historic high and we are growing market share in home loans and Small Business Banking. In Wealth we are providing more financial solutions to more ANZ customers while using innovation to create new growth opportunities.

"In International and Institutional Banking (IIB), a third of our Institutional clients are now using ANZ in more than one country. For large clients the value of our Asian network is even more pronounced. Almost 90% of our top 100 customers use ANZ in more than five countries. Together this has seen IIB Asia income grow from 24% to 34% of total IIB income in the past three years and cross-border income is growing three times faster than local income.

"Importantly, we are continuing to drive organic growth using strong operational and financial management disciplines to fund significant investments for the future.

"Our focus on operational excellence, business simplification and enabling technology is delivering economies of scale, improved speed to market and stronger controls. For example, this year we achieved an 18% increase in productivity by reducing operations expenses by 10%.

<sup>1</sup> All comparisons are Full Year to 30 September 2013 compared to Full Year to 30 September 2012 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.

“ANZ’s distinctive strategy is also seen in our financial management. We remain one of the best capitalised banks in the world with an increasingly high-quality balance sheet.

“Together this has seen us deliver on our promises to shareholders. In 2013 we achieved strong growth in profit and earnings per share along with an increased return on equity, which has enabled us to pay a higher dividend, distributing \$4.5 billion to shareholders, largely retail investors and Australian superannuation funds.

“The scale of the transformation at ANZ over the past six years is significant and we are now beginning to unlock the real potential of our franchise in Australia, New Zealand and Asia-Pacific. This means we can continue to grow while also targeting a further reduction in our cost-to-income ratio to 43% or better, along with improving our return on equity to at least 16% by the end of the 2016 financial year<sup>3</sup>.

“Today, the continued shift of global growth to Asia means that our strategy focussed on building an Asia-connected bank makes more sense than ever. It is creating growth options in all our businesses by allowing us to better meet the needs of customers by capturing the banking opportunities linked to regional capital, trade and wealth flows.

“Our 2013 results demonstrate that our super regional strategy is not just about the promise of future growth and returns. It also shows the hard work of our 47,500 people is delivering strong results for our customers and for our shareholders today,” Mr Smith said.

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

### AUSTRALIA

The Australia Division grew profit 11%, driven by 7% income growth and a 2% decrease in expenses. ANZ had the strongest overall growth of the major banks across home loans, deposits and credit cards. Home loans have grown faster than system<sup>5</sup> for the past 14 quarters and branch home loan sales increased 16% during the year. We welcomed 30,000 new Commercial and Corporate Banking (C&CB) customers and the C&CB business has grown lending above system<sup>6</sup> for the past 6 quarters.

We’re bringing our super regional expertise to our customers; a quarter of C&CB relationship staff have hands-on experience in key Asian markets and all frontline relationship staff have received Super Regional training; cross border referrals from C&CB Australia grew 45% during the year.

ANZ has lent \$750 million to new Australian small businesses as part of our \$1 billion pledge announced in April 2013. Under our Banking on Australia program we’ve invested in over 170,000 hours of frontline sales training; 74 branches have been transformed; 201 Smart ATMs have been installed; and we are strengthening our lead in digital and mobile channels.

ANZ’s goMoney™ mobile banking app now supports more than 1 million active users and has processed over \$56 billion of transactions since inception. We have increased the number of registered ANZ FastPay™ customers by 34% during the year, enabling more of our small business customers to be paid on the go. Mobility tools including iPads and related apps are increasing the amount and quality of time our C&CB relationship team spends with our customers.

### INTERNATIONAL AND INSTITUTIONAL BANKING (IIB)

The IIB Division grew profit 15%, with productivity gains (expenses down 3%) and ongoing credit quality improvements (provisions down 30%) key contributors to the result. We are leveraging our market leading position in Australia and New Zealand while increasing the contribution coming from Asia. A third of Institutional customers today deal with ANZ in multiple countries and 48% of revenue came from Asia Pacific Europe & Americas (APEA) in 2013.

Products linked to trade and investment flows experienced double digit volume growth with Trade up 27%, Foreign Exchange (FX) turnover up 35% and Cash Management deposits up 15%. An expanded product range, particularly in FX, helped to deliver 11% growth in Global Markets income which topped \$2 billion in FY13, with a record high percentage of income coming from APEA in the second half.

<sup>3</sup> Targets are on a cash basis

<sup>4</sup> All comparisons are Full Year to 30 September 2013 compared to Full Year to 30 September 2012 and on a cash basis unless otherwise noted

<sup>5</sup> To June quarter 2013. Retail Source: APRA Monthly Banking Statistics, excludes impact from sale of Origin Mortgage Management Services

<sup>6</sup> RBA Lending and Credit Aggregates – Non Financial Corporations

Our strong relationship focus is being recognised in key customer surveys with ANZ retaining its number one ranking in key categories in the Peter Lee Associates annual surveys in Australia and New Zealand; being ranked number one in overall FX Services voted by Financial Institutions by Asiamoney and improving its ranking to number four in the Asia focused Greenwich Associates large corporate banking annual survey.

Our Asian Commercial business is growing quickly (compound annual growth rate 29% over the past 3 years) and is a valuable source of markets and trade finance revenue. Asia Pacific Retail deposits grew 24% to \$12.9 billion.

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

The New Zealand Division grew profit 29%. Productivity and credit quality improvements were key features of the result; expenses decreased 15% and the provision charge reduced 76%. Now under one ANZ banner we have focused investment on our brand, sales training, branch coverage and digital capability. As well as productivity gains this investment has driven market share increases in home loans and credit cards and strong growth in Small Business Banking.

Branch coverage is up 7% since 2010, while branch costs have declined. Our simplified and improved product range has been awarded 21 CANSTAR<sup>7</sup> 5 star ratings for outstanding value products. A focus on simplification has increased frontline staff time spent with customers by 10% and increased training has improved retail sales through proprietary channels. We are now selling more home loans through branches, outperforming system growth in the major markets of Auckland and Christchurch.

We are investing in digital capability, with greater than 50% of customers using digital channels, accounting for 57% of transactions. ANZ has leveraged its regional product capabilities launching ANZ goMoney™, currently the most downloaded banking app in the country. The ANZ FastPay™ merchant app which enables merchant transactions via smartphone launches soon.

Commercial business lending volumes grew strongly particularly in Small Business Banking, where there was a 13% increase in new to bank customers. We're connecting business customers to the region through customer tours to India, Hong Kong and China.

## **GLOBAL WEALTH**

The Global Wealth Division grew profit 36%, profit before provisions grew 20% with income up 5% and expenses down 2%. Global Wealth serves over two million customers and manages \$59 billion in investment and retirement savings in Australia and New Zealand.

Wealth solutions held by ANZ customers have increased 11%. During the year we introduced ANZ Smart Choice Super, which was awarded Outstanding Value in all life stages by CANSTAR<sup>8</sup>. There are now more than 50,000 ANZ Smart Choice Super customers. We have invested in growth initiatives and will soon launch a new digital platform and a solution for self managed super funds.

We are simplifying the business and leveraging our regional capabilities to drive improved returns. The cost to income ratio declined by 470 bps. Retail life insurance in-force premiums grew 10% and funds under management increased 13% driven by the productivity improvements in both ANZ and aligned planner channels and improved investment market performance.

Retail insurance lapse rates have responded to retention initiatives, and lapse rates in the Australian business remain lower than the industry average.

## **CREDIT QUALITY**

Credit quality continues to improve. Gross impaired assets reduced by 18%, with reductions across all Divisions, and have now reduced at an average of \$383 million each half since 2H10. New impaired assets were also down 22%.

The provision charge decreased 5% to \$1.197 billion. The Collective Provision ratio of 1.00%<sup>9</sup> provides conservative coverage given the ongoing improvement in credit quality, particularly in Institutional where credit exposure to investment grade clients now comprises 78% of the book compared to 60% in 2H08.

<sup>7</sup> CANSTAR NZ Ltd is an independent specialist research service and financial data provider.

<sup>8</sup> CANSTAR is an independent specialist research service and financial data provider.

<sup>9</sup> Collective Provision ratio on an APRA Basel 3 basis. This ratio is the collective provision balance as a proportion of credit risk weighted assets.

**BALANCE SHEET, CAPITAL, LIQUIDITY AND FUNDING**

ANZ generated \$4.5 billion in net organic capital increasing CET1 on an APRA Basel 3 basis by 47 bps to 8.5% and by 76 bps to 10.8% on an internationally harmonised Basel 3 basis. ANZ will again be neutralising the impact of the DRP via an on-market buyback and there will be no discount on the DRP shares.

The \$122 billion liquid asset portfolio provides a strong buffer for the Group. ANZ has a consistent focus on deposit generation with deposits comprising 62% of the funding base. A total of \$24 billion of term wholesale funding was issued across a well diversified range of domestic and international investors.

**DIVIDEND**

The Board believes that a full year dividend payout ratio of between 65% and 70% of Cash Profit is sustainable in the medium term, with a bias towards the upper end of the range in the near term. The final dividend of 91 cps takes the total dividend for the year to 164 cps up 13%, reflecting strong earnings together with a desire to improve shareholder returns.

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## Financial Result for the full year ended 30 September 2013

<b>Operating Results<sup>1</sup></b>		<b>A\$ million</b>
Operating income	↑ 3% to	18,378
Operating expenses	↓ 3% to	8,236
Profit before credit impairment and income tax	↑ 9% to	10,142
Provision for credit impairment	↓ 1% to	1,197
Cash profit <sup>2</sup>	↑ 11% to	6,498
Net statutory profit attributable to shareholders	↑ 11% to	6,272
Earnings per ordinary share (cents)	↑ 9% to	238.5
Return on average ordinary shareholders equity <sup>3</sup>	↑ 20bps to	15.3%
<b>Dividends<sup>4, 5</sup></b>		<b>Cents per share</b>
Proposed final dividend – 100% franked		91
Interim dividend – 100% franked		73
<b>Total dividend – 100% franked</b>		<b>164</b>
Record date for determining entitlements to the proposed final dividend		13 November 2013
Payment date for the proposed final dividend		16 December 2013

<sup>1</sup> All comparisons are Full Year to 30 September 2013 compared to Full Year to 30 September 2012 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, and has been provided to assist readers to understand the results for the ongoing activities of the Group. The net after tax adjustment was an increase to cash profit of \$226 million made up of several items. Refer pages 82 to 84 of the ANZ Consolidated Financial Report and Dividend Announcement for the full year 30 September 2013 for further details

<sup>3</sup> Average ordinary shareholders' equity excludes non-controlling interests and preference shares

<sup>4</sup> There is no foreign conduit income attributed to the dividends

<sup>5</sup> It is proposed the final dividend will be fully franked for Australian tax purposes (30% tax rate) and carry New Zealand imputation credits of NZ 10 cents per ordinary share