Media Release

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ANZ Trading Update – 9 months to 30 June 2015

- good performance in a lower growth environment -

ANZ's unaudited cash profit[1] for the 9 months to 30 June 2015 was $5.4 billion up 4% and unaudited statutory net profit was $5.58 billion up 11%.

ANZ Chief Executive Officer Mike Smith said: "ANZ's customer franchises in Australia, New Zealand and Asia Pacific are continuing to put in good performances.

"The third quarter operating environment has remained similar to that of the first half. Economies in our key markets have slowed a little compared to previous years and global conditions remain challenging. In these circumstances we are continuing to sharpen our focus on the management of capital and on the control of expenses. Our super regional strategy continues to provide us with differentiated sources of revenue and future growth options and it is underpinning our performance in every part of the business.

"Our Australian Retail and Commercial businesses are continuing to outperform peers particularly in mortgages and are delivering consistently strong performance. We have shifted gears in our New Zealand business over the past few years and are seeing further benefits in terms of both market share growth and productivity. Performance in our Global Wealth Division remains positive.

"International and Institutional Banking (IIB) is performing well and is managing its exposure to the complex macro conditions. Factors such as the global liquidity surplus and low commodity prices are providing headwinds to business performance while others, such as market volatility and currency movements, are providing tailwinds. We are continuing to simplify the business and increase the focus on improving returns.

"The recent capital raising has allowed ANZ to deal with known regulatory change, such as the higher capital adequacy requirements for Australian Mortgages and positions ANZ's capital ratios within the top quartile of international peers," Mr Smith said.

GROUP OVERVIEW

Comparisons are the nine months to 30 June FY2015 relative to the same period FY2014 unless otherwise stated (PCP) and are unaudited.

- Cash Profit of $5.4 billion increased 4.3% PCP. Profit before Provisions over the same period grew 5.1% (+3.4% on a constant Foreign Exchange (FX adjusted) basis)[2].

- Revenue expense jaws[3] were tracking broadly neutral on a constant FX basis. Revenue and expense growth trends compared to PCP were broadly similar to the first half 2015 experience, though revenue growth was a little stronger and expense trends improved slightly[4].

- Customer deposits grew 9.5% (+5% FX adjusted) with net loans and advances up 7.7% (+5.4% FX adjusted).

1 Statutory profit is adjusted to exclude non-core items to arrive at Cash Profit, the result for the ongoing activities of the Group. The difference between cash and statutory profit is primarily due to the mark to market revaluation of revenue and funding-related hedges.
2 FX adjusted – comparative data has been adjusted to remove the impact of foreign exchange movements by retranslating the prior period comparatives at the current period foreign exchange rates.
3 Revenue expense jaws refers to the % increase in revenue growth less the % increase in expense growth.
4 1H15 revenue growth on a constant FX basis was 3.2% with cost growth on the same basis 4.4%, see page 13 of the March 2015 Consolidated Financial Report & Dividend Announcement.

- The Group Net Interest Margin at the end of the third quarter was broadly stable on the end of the first half [5] assisted somewhat by slower growth in lower margin liquid asset holdings and positive trends in funding costs which offset asset price competition.

DIVISIONAL HIGHLIGHTS

Comparisons are the nine months to 30 June FY2015 relative to the same period FY2014 unless otherwise stated (PCP) and are unaudited.

- The Australia Division's strong performance from the first half has continued with ongoing momentum in lending and deposit flows, margins well managed and customer numbers increasing by circa 5% in both the Retail and Commercial businesses. The Retail business has delivered strong growth in both home lending and credit cards and the Commercial business is also seeing good lending growth, especially in Small Business Banking, with improved trends in the Corporate and Business Banking segments.

- The New Zealand Division is delivering strong balance sheet growth with above market performance in Mortgages, Business Lending and Deposits. Revenue growth was underpinned by continued high levels of customer acquisition and brand consideration and an improved digital offering.

- Positive underlying performance continued across the key businesses in the Global Wealth Division with strong in-force premiums growth, stable claims and lapse experience plus growth in Funds Under Management. Global Wealth innovations – in physical, digital and personal – continue to deliver simple accessible wealth solutions improving how customers think about their financial wellbeing.

- International and Institutional Banking continues to perform well in difficult operating conditions arising from macro-economic factors such as the ongoing global liquidity surplus and weak commodity prices. Income in the Global Markets Business was up 6% to $1.8 billion. Customer sales grew 9% led by strong results in Asia and customer facing revenue remains at over 75% of the total Global Markets income. The Trade and Supply Chain business margin stabilised in the third quarter having been impacted by falling commodity prices. Cash Management revenue increased, with good volume growth across the region, particularly in Asia.

CREDIT QUALITY

Comparisons are the nine months to 30 June FY2015 relative to the same period FY2014 unless otherwise stated (PCP) and are unaudited.

Gross Impaired Assets have decreased 3% over the nine months to 30 June 2015. The total provision charge of $877 million or 21 bps increased 13%. While loss rates are expected to remain well under the long term average, ANZ estimates that the total impairment charge for FY15 will be ~$1.2bn, or 21 bps compared to 19 bps in FY14.

The Individual Provision Charge declined 12.5% to $750m and while the Collective Provision Charge increased it remained at a relatively low level in absolute terms at $127m. The Financial Year to date has seen a normalisation of the risk profile component of the Collective Provision Charge with a moderate number of credit downgrades being recorded whereas the prior corresponding period in 2014 saw a higher level of upgrades.

The movement in the risk profile component of the Collective Provision Charge in 2015 reflects ongoing macro-economic stress including in the resources and agriculture sectors. The contribution to the collective provision from portfolio growth was broadly steady period on period[6].

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5 Group net interest margin for the six months ending 31 March 2015 was 2.04%.

6 The Collective Credit Impairment Charge by source for 1H14, 2H14 and 1H15 is disclosed on page 30 of the March 2015 Consolidated Financial Report & Dividend Announcement.

CAPITAL

At 30 June 2015 ANZ's reported APRA Common Equity Tier-1 (CET1) ratio was 8.6%. Following the completion of the $2.5bn Institutional placement, the June 2015 pro-forma APRA CET 1 ratio was 9.2%. On the basis that $500 million is raised under the Share Purchase Plan, on the same pro-forma basis this would add a further 13 bps increasing the CET1 Ratio to 9.3%. ANZ has no plans to underwrite the FY15 Dividend Re-investment Plan.

ANZ has one tranche of ~$400m of ANZ Wealth Australia Limited debt remaining which matures in March 2016. This tranche will not be refinanced. The 10 bps impact is expected to be offset through capital management efficiencies.

The recent capital raising has allowed ANZ to deal with the known regulatory changes and position ANZ's capital position within the top quartile of international peers. ANZ is liaising with APRA in regards to detailing its internationally comparable capital position, on the basis of current information, we expect our internationally comparable CET1 ratio to be around 13%.

ANZ's Liquidity Coverage Ratio improved from 119% to 121% during the third quarter ending 30 June 2015.

For media enquiries contact:

Paul Edwards
Group GM, Corporate Communications
Tel: +61-3-8654 9999 or +61-434-070101

For investor / analyst enquiries contact:

Jill Craig
Group GM, Investor Relations
Tel: +61-3-8654 7749 or +61-412-047448

	Quarterly results					9 month results	
	3Q14	**4Q14**	**1Q15**	**2Q15**	**3Q15**	**Period to 30 June 2014**	**Period to 30 June 2015**
Unaudited Cash Profit	$1.67b	$1.93b	$1.79b	$1.89b	$1.73b	$5.18b	$5.40b
Unaudited Statutory Profit	$1.65b	$2.23b	$1.65b	$1.86b	$2.07b	$5.04b	$5.58b
Provision Charge	$246m	$215m	$232m	$278m	$366m	$775m	$877m