



Media Release

For release: 15 February 2013

ANZ Trading Update – 3 months to 31 December 2012 **- performance in-line with expectations; continued progress with growth and productivity priorities -**

As part of a first quarter trading update today ANZ announced an unaudited Cash Profit for the three months to 31 December 2012 of \$1.53 billion up 6.2% on the same period in 2012 (First Quarter 2012 \$1.44 billion). Unaudited Statutory Profit after tax was \$1.36 billion¹.

Commenting on the first quarter, Chief Executive Officer Mike Smith said: "ANZ has produced a solid business performance consistent with expectations provided at the time of the 2012 Full Year results. We are delivering against our strategic growth and productivity priorities. This has seen ANZ continue to perform despite soft economic conditions in Australia and New Zealand, and cautious behaviour by consumers and business.

"Our strategy has seen us benefit from volume growth in Asia and our exposure to these opportunities is an increasingly important part of the Group's earnings with Greater China our third largest source of profits after Australia and New Zealand. In Australia and in New Zealand we won share in a number of priority markets including Retail Deposits and Mortgages.

"Further productivity gains were made across the Group. Productivity improvement is a key focus ensuring that we can continue to invest in our super regional strategy while also maintaining our financial performance.

"Initiatives to manage costs and margins helped to sustain a good performance in the Australia Division. In New Zealand, although cost management has been a continued focus, margins have been softer. In International and Institutional Banking, expenses were well controlled however margins remain under pressure, albeit less so than in 2012, while favorable trading conditions and increased customer volumes saw a strong performance in Global Markets. The environment for Wealth remains subdued and we continue to manage costs while pacing investment in transforming the business.

"Provisions were in line with expectations and there have been no developments, including the recent natural disasters in Australia, that would materially change our guidance for the year," Mr Smith said.

Overview²

- Revenue growth reflected the constrained business environment. Reasonable volume growth, particularly in Asia, was offset by margin pressure in New Zealand and in the International & Institutional Banking Division.
- Momentum from productivity programs commenced last year has continued with expenses slightly down and the Group is on track to deliver positive jaws for the half³.
- The Group Net Interest Margin was flat relative to the end of September; down slightly excluding Global Markets⁴. A solid performance from Australia Retail was offset by lower returns on retained capital due to the lower interest rate environment along with continued deposit mix impacts and asset pricing pressure elsewhere in the Group.

¹ Statutory profit is adjusted for non-core items to calculate Cash Profit, a measure of profitability for the ongoing business activities of the Group.

² Comparisons are quarter to 31/12/2012 relative to quarter to 31/12/2011 (PCP) unless otherwise noted. A table containing quarter by quarter cash profit for 2012 is available on the ANZ website in the shareholder centre within the Analysts Toolkit.

³ Jaws refers to the differential between income growth rates and cost growth rates.

⁴ Comparisons are relative to Group NIM at the end of September 2012 excluding Global Markets of 266 bps.

- Global Markets income grew 26% to \$544 million. Customer sales income increased 4% on quarterly average for 2012, with the Australian business performing well and the Asian business having its strongest ever customer sales result.
- Credit quality trends are in line with expectations. The first quarter credit impairment charge was \$311 million with the trend excluding Collective Provision Management overlay releases reasonably flat. The first quarter of the year typically accounts for less than 25% of the annual provision charge and as such there is no change to guidance provided at the Full Year⁵.
- The December quarter APS330 shows a decline in total impaired assets while new impaired assets were also lower. Corporate Impaired assets have declined 4% quarter on quarter (QOQ) with the Corporate 90+ days past due balance declining 20% QOQ. Provision coverage remains strong with the collective provision coverage ratio at 1.08%⁶.
- Average customer deposits increased 12.3%; with average lending assets up 7.6%⁷.
- ANZ's APRA Basel III CET1 ratio at 31 December 2012 was 7.7% which equates to 9.7% on a fully harmonised basis, unchanged from the Full Year 2012. Payment of the Final 2012 dividend had a 30 basis point impact towards the end of the quarter. The Group had completed circa 50% of the Full Year 2013 term wholesale funding task by the end of December 2012.

BUSINESS COMMENTARY

AUSTRALIA DIVISION

Market share increased in key sectors including traditional and affluent banking and household mortgages and deposits. Retail margins improved slightly with asset repricing largely offset by deposit mix impacts. There was good momentum in Commercial lending and deposits. Productivity is an ongoing focus and costs remain tightly controlled as we invest in the Banking on Australia program. As a result of these factors the business delivered strong Profit Before Provisions growth and positive jaws. Credit quality across Retail and Commercial was sound and within expectations, albeit the provision charge was higher due to the absence of collective provision overlay releases.

INTERNATIONAL & INSTITUTIONAL BANKING DIVISION

A strong Global Markets result was offset by weaker outcomes in Global Loans and Transaction Banking in Australia. Margin pressure continued albeit at a lesser rate than in the second half of financial year 2012. In line with our strategy the Asia Pacific Europe and America business continues to deliver strong revenue growth to the division. Expenses are being well controlled. ANZ was recently voted a top four corporate bank in Asia in the Greenwich Associates Survey, having been outside the top 20 in 2007⁸.

NEW ZEALAND DIVISION (in NZD)

The initial phase of the brand integration, including the move to one core banking system, has gone smoothly. While the revenue environment remains subdued the simplification program is delivering productivity benefits including reductions in technology operating costs. As expected, margins have declined from their 2012 peak impacted in part by a short term tactical campaign during December. Credit quality trends remain benign.

GLOBAL WEALTH & PRIVATE BANKING DIVISION

The Division continues to improve penetration of the ANZ customer base and in November launched a Smart Choice Super product. In-force premiums and funds under management grew. While investment markets have improved, business conditions remain challenging and expenses are being well managed.

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⁵ At the Full Year 2012 result ANZ advised it expected the total provision charge for FY 2013 to be circa 10% higher than for FY 2012.

⁶ Collective Provision ratio is the collective provision as a percentage of credit risk weighted assets.

⁷ Comparisons are quarter to 31/12/2012 relative to quarter to 31/12/2011 (PCP).

⁸ Greenwich Associates Survey 2013.