



U.S. Investor Website Update

ANZ Trading Update – 9 months to 30 June 2012

- business performance solid despite headwinds from softer economic conditions, continued progress with super regional strategy -

As part of a third quarter trading update on 17 August 2012, ANZ Chief Executive Officer Mike Smith said ANZ had continued to execute against its super regional strategy with a solid business performance consistent with the outlook provided at the time of half year results.

"We continue to see growth opportunities in the business from ongoing good performance in International and Institutional Banking while also focusing on driving greater cost and capital efficiency across the Group. We have seen continuing market share gains and some recovery in margin in the Australia Division and the benefits of productivity initiatives initiated earlier in the year are beginning to show through. New Zealand has also seen market share gains particularly in Retail and costs continue to be tightly controlled.

"We have continued to manage ongoing funding and competitive pressures well, with Group margins stable relative to the end of the first half. " Mr Smith said.

Overview¹

- Unaudited underlying profit for the nine months to 30 June 2012 increased 5.5% to \$4.5 billion². Unaudited statutory profit after tax was \$4.4 billion up 10.3%. The Australia, New Zealand and International and Institutional Banking (IIB) divisions all recorded income increases, with Wealth division income down slightly.
- Total Global Markets income is tracking up 2% year to date to \$1.4 billion³; income composition is changing in line with strategy with customer sales revenues up strongly.
- ANZ's productivity program is on track with an expectation of neutral jaws at the Full Year⁴.
- Group margins (excluding Global Markets) have been stable⁵ and Australia Division margins recovered slightly since the end of the half. Initiatives to manage asset pricing across the Group have been offset by continued funding and deposit pricing pressure and competition particularly in the Institutional book.
- Credit quality trends are in line with expectations.
- The June quarter APS330 released today shows that total impaired assets have declined \$117 million while new impaired assets were also lower. Provision coverage remains strong with the total provision coverage ratio 1.87% and the collective provision coverage ratio at 1.18%.⁶
- Financial year to date customer deposits have increased 8.7% with lending assets up 7.7%.⁷

¹ All comparisons are financial year to 30 June 2012 relative to financial year to 30 June 2011 (PCP) unless otherwise noted.

² Statutory profit is adjusted to exclude certain non-core items to arrive at underlying profit. Underlying profit derived on a consistent basis to prior periods.

³ All IIB comparisons including those for Global Markets are FX adjusted.

⁴ Jaws refers to the differential between income growth rates and cost growth rates.

⁵ Comparison to 270 bps second quarter FY12.

⁶ Total provision coverage is the individual provision plus the collective provision as a percentage of credit risk weighted assets (CRWA). Collective Provision ratio is the collective provision as a percentage of CRWA.

⁷ FX adjusted.

- ANZ believes it is well placed ahead of the introduction of Basel III capital rules which apply in Australia from 1 January 2013; ANZ's APRA Basel III CET1 ratio at 30 June was 7.8% (unchanged from the half year) which equates to 9.8% on a fully harmonised basis.
- The FY12 term wholesale funding task was completed ahead of schedule.

BUSINESS COMMENTARY⁸

AUSTRALIA DIVISION

Market share in traditional banking, household deposits, household lending and commercial has increased despite challenging economic conditions. While asset repricing has been largely offset by deposit pricing pressure the divisional margin has recovered slightly since the end of the first half. The productivity program announced earlier in the calendar year is on track to deliver a half on half decline in expenses. Credit quality is sound and within expectations in both the retail and commercial books including 90 day mortgage arrears which have reduced further from the end of the half.

INTERNATIONAL & INSTITUTIONAL BANKING (IIB) DIVISION⁹

APEA continues to grow with positive second half revenue trends and APEA jaws strongly positive. While the Global Institutional business is expected to deliver strong revenue growth year on year it is likely to have lower revenue growth in the second half reflecting a very strong first half for Global Markets and ongoing margin pressure in the loan book.

Year to date, division loan growth has been fully funded from customer deposits. In line with strategy, the tenor of the deposit portfolio has lengthened, specifically in Australia and Asia/Pacific.

NEW ZEALAND DIVISION¹⁰

The business' focus on business simplification, including the planned move to a single IT platform, has positively impacted staff engagement, customer satisfaction and cost to income levels. As flagged at the half year margins appear to have peaked, impacted by competition for deposits and in business lending. Year to date net loans and advances are up 1.4% with deposits up 6.9%; market share in retail has grown.

GLOBAL WEALTH & PRIVATE BANKING DIVISION

ANZ announced the formation of a global Wealth division in February 2012; disclosures at the Full Year will be updated to reflect this and a Wealth strategy update is scheduled for 28 November following the results. The business is trading in line with market conditions with revenue slightly down financial year to date.

⁸ All comparisons are financial year to 30 June 2012 relative to financial year to 30 June 2011 (PCP) unless otherwise noted.

⁹ ANZ announced the formation of the IIB division in February 2012. The division encompasses the Global Institutional and Asia Pacific, Europe and America (APEA) businesses. IIB commentary is made on an FX adjusted basis.

¹⁰ Comparisons are NZD based.