Media Release

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ANZ Trading Update – 3 months to 31 December 2013

- good start to 2014, on track to deliver continued improvement in business growth and financial performance -

ANZ today announced an unaudited cash profit[1] of $1.73 billion for the three months to end December 2013, up 13% on the same period last year (PCP). Unaudited statutory net profit was $1.64 billion.

ANZ Chief Executive Officer Mike Smith said: "ANZ's distinctive strategy based on growth in our domestic franchises, growth in Asia, and strong operational and productivity disciplines is continuing to deliver a consistent improvement in business growth and financial performance.

"The Australia Division again grew market share in both Retail and Corporate and Commercial during the quarter while making further investments through the Banking on Australia program to improve our customers' experience. In New Zealand we consolidated our market-leading position while producing further benefits from our simplification program. The Global Wealth Division continued to improve business performance through productivity gains and increased sales of wealth solutions to bank customers.

"In the International and Institutional Banking (IIB) Division, Global Markets, Trade and Cash Management have performed strongly particularly in Asia where a number of our country operations delivered double-digit growth in revenue including Singapore, China and Hong Kong.

"ANZ's business strategy has also led to ongoing improvements in the quality of our lending book. Together with the outlook for continued low interest rates and low levels of corporate leverage we now expect the total FY14 provision charge is likely to be around 10% lower than FY13[2].

"The bottom line is that we have made a good start to 2014. There remain a number of challenging issues in the global economic environment however these are now largely more predictable. Our performance in the first quarter means we are on track to deliver a solid 2014" Mr Smith said.

Group Overview

- Trading conditions have been largely consistent with the second half of FY13 with modest system credit growth but some volatility in financial markets driving increased customer volumes in the Global Markets business particularly in Foreign Exchange (FX).
- The Group's financial performance was in line with guidance provided at the time of the FY13 results. Assuming no change in FX rates, annual revenue growth for FY14 would be between 4% and 5%, expense growth around 2% and the risk profile remaining stable[3].
- Actual revenue growth was above the guidance range but on a FX adjusted basis was in line with guidance. Expenses also increased above guidance but primarily due to changes in FX rates and on a FX adjusted basis were in line. The provisions charge reflected improving credit quality.

1 The main difference between statutory and cash earnings relates to fair value changes arising from economic hedging activities
2 The total provision charge for FY13 was $1.2 billion
3 See FY13 results slides 11 and 29 for performance priorities and guidance

- Customer deposits increased 4%, with net loans and advances up 3% from the end of FY13[4]. Deposit growth has been strong across all geographies however lending demand has varied across the Group.

- In the Australia Division home lending has grown above system for the past 16 quarters. In the Corporate and Commercial business while lending demand in the Small Business Banking and Corporate sectors has been reasonable, Business Banking and Regional Business Banking demand has been softer.

- In the New Zealand Division we have continued to grow our home loan book strongly through both Business Banking and Retail channels with strong performance in the under 80% loan to value segment.

- Within IIB Transaction Banking performed well with Cash Management volumes growing and Trade volumes remaining robust. Global Markets had a strong quarter led by customer sales which delivered 53% of the first quarter's markets income. FX revenues were strong particularly in Asia Pacific and Balance Sheet trading benefited from tightening credit spreads. The first quarter Global Markets revenue of just over $600 million was up 5.7% PCP (FX adjusted).

- Group Net Interest Margin was slightly lower. While ANZ has seen some easing in deposit pricing this was offset by the ongoing impacts of the lower interest rate environment and some asset pricing pressure which was broadly based.

- The APS330 released today shows ongoing portfolio quality improvement with a continued decline in total impaired assets. The collective provision coverage ratio at 31 December was 96 bps reflecting a 6.5% increase in credit risk weighted assets largely driven by portfolio growth and exchange rate movements.

- The provision charge for the first quarter was $191 million reflecting lower new provision requirements, lower top-up provisions and slightly elevated levels of write-backs and recoveries.

- ANZ's APRA Basel III CET1 ratio at 31 December is 7.9%, equating to 9.9% on an internationally harmonised basis with the movement during the quarter principally related to the payment of the Final Dividend in December (70 bps). ANZ today announced it intends to issue a Capital Notes offer to raise around A$1 billion in part to refinance CPS1[5].

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QUARTERLY FINANCIAL DATA

	1Q13	2Q13	3Q13	4Q13	1Q14
Unaudited Cash Profit	$1.53 b	$1.67 b	$1.64 b	$1.68 b	$1.73 b
Unaudited Statutory Profit	$1.36 b	$1.58 b	$1.75 b	$1.60 b	$1.64 b
Provision Charge	$311 m	$288 m	$277 m	$322 m	$191 m

4 On an FX adjusted basis deposits grew 3% and net loans and advances grew 2%.
5 Prospectus lodged today for ANZ Capital Notes 2 seeking to raise $1 billion with the ability to raise more or less. This includes an offer to holders of ANZ CPS1 to reinvest in ANZ Capital Notes 2. CPS1 was issued in 2008 and is scheduled to convert in June 2014.