# News Release

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# ANZ Trading Update - 9 Months to 30 June 2016

| Performance Highlights | |
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| **Basis of comparison: Comparisons are based on the 9 months to 30 June 2016 with the same 9 month period for the previous financial year unless otherwise stated. The results are unaudited.** | |
| **Group** | • Statutory net profit $4.3 billion. Cash Profit ("Adjusted Proforma"[1]) $5.2 billion, down 3%.<br>• Profit before Provisions was up 5%[2], with income increasing at a faster rate than expenses. Increased technology, D&A and project costs were offset by productivity savings including lower employee (FTE) numbers. FTE reduction continued at a steady rate through the period.<br>• Group Net Interest Margin (NIM)[3] was stable assisted by portfolio rebalancing in Institutional offset by increased funding costs and asset pricing competition. |
| **Retail & Commercial** | • The Retail businesses in both Australia and New Zealand performed well. Retail experienced modest asset growth and margin pressure in a competitive market for mortgages and deposits. Small Business Banking remains an area of good growth in both markets, while conditions in Corporate and Business Banking remained highly competitive. |
| **Institutional** | • The rebalancing of the Institutional business continued with further reductions in lower yielding assets supported by business restructuring.<br>• The ongoing focus on reducing and improving the quality of Risk Weighted Assets (RWA) has delivered a $15 billion decrease in Credit Risk Weighted Assets (CRWA) on a constant currency basis. Momentum has been consistent throughout the year to date with approximately a third of that total reduction in CRWA occurring in the third quarter.<br>• Divisional revenue decreased by a lower percentage than the reduction in RWAs. At period end cost growth was in the low single digits benefitting from prior period productivity initiatives.[4]<br>• The rebalancing of the business had a positive impact on the Division's margins of approximately 5 bps (excl Global Markets). Including Global Markets margins declined 5 bps.<br>• Global Markets income was $1.5 billion, 90% of which came from Customer Sales flows. |
| **Credit Quality**<br>**Including June Quarter APS 330** | • The total provision charge was $1.4 billion comprised of individual provisions of $1.34 billion and collective provisions of $60 million.<br>• The third quarter individual provision charge was in line with the average of the First Half. |
| **Capital** | • APRA Level 2 Common Equity Tier 1 (CET1) ratio was 9.7% at 30 June.<br>• Excluding the payment of the 2016 interim dividend (net of the dividend reinvestment plan), CET1 increased 44 bps in the third quarter, primarily driven by cash earnings generation and capital benefits from the continued reduction of lower return assets in Institutional.<br>• As announced yesterday, further changes are expected to the average credit risk weighting of the Group's Australian residential mortgage lending book, resulting in a likely increase above those previously announced. The possible impact of this is set out in an ASX announcement made yesterday by ANZ. [5] |

**Specified Items – Capitalised Software**

The ANZ 1H16 results outlined the impact of a number of items referred to as “Specified Items” which included changes to the application of the Group’s software capitalisation policy effective from 1 October 2015. These Specified Items are excluded from Adjusted Proforma.

As outlined, the higher capitalisation threshold and direct expensing of more project costs will result in higher software expense in the second half (Year to Date FY16 $126 million pre-tax which includes 1H16 $73 million pre-tax).

**CEO Commentary**

ANZ Chief Executive Officer Shayne Elliott said: “ANZ has now established a consistent focus on delivering the strategic outcomes outlined to shareholders in our First Half 2016 result.

“This includes a steady pattern of strong cost management outcomes and initiatives to rebalance our portfolio to improve capital efficiency and returns.

“There continue to be opportunities for growth in Retail and Commercial in Australia and New Zealand, and in Institutional Banking including business supporting trade and capital flows in Asia. For example, our leadership in launching Apple Pay and Android Pay in Australia has seen us attract significant numbers of new to bank retail customers and helped deepen relationships with our existing customers.

“The revenue environment for banking, however, is more constrained and this means a consistently strong focus on productivity and capital efficiency disciplines is now fundamental to the way we are running the business.

“Further good progress was also made on our broader strategic priorities: creating a simpler, better capitalised, better balanced bank; investing in attractive, winning market positions; leading a purpose and values led transformation to benefit our customers, staff and the community; and building capability to successfully compete in the digital age,” Mr Elliott said.

**An interview with ANZ CEO Shayne Elliott discussing the trading update is available at bluenotes.anz.com.**

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**Footnotes:**

1. Adjusted Proforma refers to Cash Profit adjusted to remove the impact of Specified Items (please refer to 1H16 Results disclosures including Page 16 of the Consolidated Financial Report & Dividend Announcement). In the nine months to 30 June 2016 there have been approximately $780 million of Specified Items impacts. Cash profit excludes non-core items included in Statutory Profit. These non-core adjustments mainly relate to accounting timing differences that will reverse through earnings in future periods. In the nine months to 30 June 2016 there have been approximately $100 million of after tax non-core adjustments.
2. On an Adjusted Proforma basis.
3. All NIM commentary is 30 June 2016 compared to 31 March 2016. Group NIM at 31 March was 201 bps.
4. On an Adjusted Proforma basis. Page 60 of the Consolidated Financial Report & Dividend Announcement for 1H16 for Half Year outlines the impact of Specified Items on the Institutional Division.
5. ASX announcement 8 August, 2016 “ANZ comments on APRA revised mortgage risk weight target”.