U.S. Investor Website Update

First Quarter 2016 Trading Update

mixed trading conditions; focus on business strategies, cost management

On February 17, 2016, ANZ announced an unaudited cash profit[1] of $1.85 billion and an unaudited statutory net profit of $1.6 billion for the three months to December 31, 2015.

ANZ Chief Executive Officer Shayne Elliott said: "The Australian and New Zealand economies are performing well with low interest and exchange rates supporting the transition to more balanced growth following the commodities boom. We have seen very good performances in our Retail and Small Business segments however Corporate borrowing demand remains subdued. The domestic credit environments were stable although there are pockets of weakness associated with low commodity prices.

"In Asia economic growth is slowing although we saw little direct impact in the first quarter. Our exposure in Asia is predominately short tenor, investment grade lending nevertheless the slowdown in the region and increased market volatility are seeing credit conditions become more difficult in the second quarter. Our business in China remains steady with the impact primarily in manufacturing and trade-exposed sectors in South-East Asia.

"As a result we anticipate the total Group credit charge will be a little above $800 million this half compared to current market consensus of $735 million[2]. We expect Gross Impaired Assets for the half will be broadly similar to the second half of 2015[3] despite falling in the first quarter.

"With the environment presenting a number of challenges, the new management team has taken action to reduce costs, to tightly manage the credit environment and capital, and to simplify and reposition the business. Our performance in the first quarter was supported by strong expense and margin management, and we expect that further progress will be apparent in the Group's financial performance during the balance of the year," Mr Elliott said.

First Quarter FY16 Performance Highlights

Results are unaudited.

- Cash profit of $1.85 billion was (up 4% compared to the prior corresponding period); statutory net profit was $1.6 billion (down 3% compared to the prior corresponding period).

- Income grew at a faster rate than expenses, with expenses well contained; technology investment and wage inflation were largely offset by a 2.3% reduction in staff numbers compared to the prior corresponding period.

- The Group Net Interest Margin (NIM) on a cash basis decreased 2 basis points excluding the impact of our Global Markets business; there was a 5 basis points decrease including the impact of our Global Markets businesss compared to Group NIM of 204 basis points as at September 30, 2015.

- Retail and Commercial. Retail in Australia and New Zealand continued to perform well led by further market share gains in home lending in key markets. Small Business in both markets grew strongly while Corporate Banking income was impacted by higher funding

[1] Statutory profit is adjusted to exclude non-core items in order to arrive at cash profit, reflecting the result for the Group's ongoing activities. Adjustments between statutory profit and cash profit include the following items: treasury shares adjustment; revaluation of policy liabilities; economic hedging; revenue and net investment hedges; and structured credit intermediation trades.
[2] Derived from the average of the seven major banking analysts who have published half year earnings estimates.
[3] Gross Impaired Assets $2.7 billion as at 30 September 2015.

costs and competition. Wealth benefited from stable Life Insurance lapse rates which were offset by investment market volatility.

- Institutional. Markets income was $553 million. Cash Management performed well and the Group further reduced lower returning assets in Trade and Lending. Institutional NIM improved[4] reflecting actions around asset mix and deposit pricing.

- The quarterly APS330 report was released on February 17, 2016. The total provision charge for the first quarter 2016 was $362 million (individual provisions $319 million; collective provisions $43 million), compared with a total provision charge of $232 million for the prior corresponding period (individual provisions $226 million; collective provisions $6 million).

- APRA Common Equity Tier 1 (CET1) ratio was 9.4%[5] at December 31, 2015. Excluding the impact of the 2015 final dividend payment[4], the CET1 ratio increased 45 basis points compared to September 30, 2015 primarily driven by organic capital generation and assisted by the Esanda portfolio sale.

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[4] Refers to movement from 30 September 2015 half, excluding Global Markets.
[5] 13.1% on a Basel III internationally comparable basis.
[6] Net of Dividend Reinvestment Plan and Bonus Option Plan participation.