Media Release

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Focussed ANZ New Zealand lifts performance

Continued benefits from its brand and systems merger and improvements in the economy have underpinned a strong financial performance for ANZ New Zealand[1], the bank said in announcing its 2014 full year results today.

Australia and New Zealand Banking Group Limited (ANZ) 2014 full year results show a lift in performance for ANZ New Zealand, with a cash profit[2] of NZ$1.68 billion, up from $1.43 billion in the previous year, driven by market share growth in lending and deposits, cost productivity and credit quality improvements.

Statutory profit was NZ$1.71 billion, up from $1.37 billion.

ANZ New Zealand Chief Executive Officer David Hisco said: "We have continued to reduce duplicated costs and build a simpler, more productive business following our National Bank and ANZ brand merger in late 2012.

"The changes have enabled us to have more local specialists in more places across New Zealand than any other bank, including opening branches in nine new communities since 2012. This scale has seen ANZ become market leader in all the main centres of New Zealand, particularly the growth cities of Auckland and Christchurch.

"We have grown market share in home loans, cards, KiwiSaver and commercial lending. We have lifted brand consideration to No 1 among New Zealand's major banks, meaning we are top of mind among consumers as we build New Zealand's best bank. This has been driven off the back of a highly engaged workforce with staff engagement at a record high."

Key points – all financial comparisons are with previous year unless noted[2]

- Cash profit of $1.68 billion, up 17%.
- Statutory profit of $1.71 billion.
- Reduction of cost to income ratio from 42.7% to 38.9%.
- Lower credit impairment provision charges and further decrease in impaired assets.
- Growth of 5% in lending, driven by an above market increase in home loans.
- Growth of 8% in customer deposits.

Mr Hisco said ANZ was the largest provider of funding to the New Zealand economy.

"The more than $100 billion of lending we currently have deployed across New Zealand is playing a critical role in the economic growth of the country - by helping Kiwis buy homes, start and expand businesses, fund the main engine of the economy, the rural sector, and help exporters into the rapidly expanding Asia-Pacific region.

"In doing so, New Zealand is a core part of delivering ANZ's strategy to build strong domestic markets, while drawing on the Group's global network to support New Zealand's growing trade, investment and wealth flows with Australia, Asia and the Pacific."

[1] ANZ New Zealand represents all of ANZ's operations in New Zealand, including ANZ Bank New Zealand Limited, its parent company ANZ Holdings (New Zealand) Limited and the New Zealand branch of ANZ.
[2] Statutory profit has been adjusted to exclude non-core items to arrive at cash profit, the result for the ongoing business activities of ANZ New Zealand. All comparisons in Key Points are on a cash profit basis and relate to the preceding year unless otherwise stated. Refer to Summary of Key Financial Information for details of reconciling items between cash profit and statutory profit.

He said a lot had happened in the year.

“Responding to customer preferences we have strengthened our digital offering with the launch of ANZ FastPay, a payments app for merchants using their iPhone or Android smart phone, and ANZ Direct Mobile, a banking solution for medium sized or more complex businesses. These innovations have made ANZ the first bank in New Zealand to provide mobile payment solutions for all customers, from individuals to the largest businesses.

“We have built further on our industry-leading support for the agricultural sector, launching a new Farm Development Package, Pasture Productivity Loan and an assistance package for flood-hit Northland farmers. This support was recognised when ANZ won CANSTAR Agribusiness Bank of the Year for a third consecutive year.

"Our Institutional business extended its position as New Zealand's market leader for both Relationship Management and Transaction Banking, as shown by the benchmark 2014 Peter Lee Associates surveys*. The surveys showed ANZ has a relationship with 85% of New Zealand’s Institutional market and is the lead bank for 48%, up from 40% last year.

“ANZ Wealth has continued to perform strongly with more than one in four New Zealand KiwiSavers choosing ANZ Wealth as their provider.

“Throughout the year, the bank and its staff have also been strong supporters of the broader community and the New Zealand economy. We underlined our support for the rebuild of Christchurch with the announcement of plans to relocate hundreds of staff into a new Canterbury Corporate Office in the heart of the CBD.”

ANZ’s contribution to New Zealand this year includes around:

- $630 million in taxes on its earnings;
- $750 million in staff wages and salaries;
- $540 million to local contractors and suppliers; and
- $12 million in sponsorships and charitable donations. In a concerted national effort, ANZ staff worked with local communities to raise over $1 million for the Cancer Society’s 2014 Daffodil Day.

Over 15,000 New Zealand shareholders (including managed funds) own around $1.3 billion worth of shares and receive about $65 million in dividends annually.

ANZ’s New Zealand shareholders will continue to obtain the benefit of New Zealand imputation credits with 12 New Zealand cents per ordinary share of New Zealand imputation credits to be attached to ANZ's 2014 final dividend of 95 Australian cents per share announced today.

* Peter Lee Associates – large corporate and institutional relationship banking New Zealand survey 2014; Peter Lee Associates – large corporate and institutional transactional banking New Zealand survey 2014

A table of key financial information follows

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Summary of key financial information
ANZ New Zealand

Profit	Half year Sep 14 $m	Half year Mar 14 $m	Sep 14 v Mar 14 $m	Sep 14 v Mar 14 %	Full year Sep 14 $m	Full year Sep 13 $m	Sep 14 v Sep 13 $m	Sep 14 v Sep 13 %
Net interest income	**1,395**	1,370	25	2%	**2,765**	2,641	124	5%
Other external operating income	**463**	534	(71)	-13%	**997**	868	129	15%
Operating income	**1,858**	1,904	(46)	-2%	**3,762**	3,509	253	7%
Operating expenses	**739**	725	14	2%	**1,464**	1,497	(33)	-2%
Profit before credit impairment and income tax	**1,119**	1,179	(60)	-5%	**2,298**	2,012	286	14%
Provision for credit impairment	**30**	(39)	69	large	**(9)**	65	(74)	(large)
Profit before income tax	**1,089**	1,218	(129)	-11%	**2,307**	1,947	360	18%
Income tax expense	**294**	331	(37)	-11%	**625**	515	110	21%
Cash profit	**795**	887	(92)	-10%	**1,682**	1,432	250	17%
Reconciliation of cash profit to statutory profit								
Cash profit	**795**	887	(92)	-10%	**1,682**	1,432	250	17%
Reconciling items (net of tax):								
Economic hedging volatility[1]	**48**	(36)	84	large	**12**	(39)	51	large
Insurance policy asset valuations[2]	**15**	2	13	large	**17**	(25)	42	large
Statutory profit	**858**	853	5	1%	**1,711**	1,368	343	25%
Consisting of:								
Retail	**216**	222	(6)	-3%	**438**	379	59	16%
Commercial	**354**	377	(23)	-6%	**731**	698	33	5%
Operations & Support	**3**	(2)	5	large	**1**	(17)	18	large
New Zealand Businesses	**573**	597	(24)	-4%	**1,170**	1,060	110	10%
Wealth	**61**	121	(60)	-50%	**182**	80	102	large
Institutional	**156**	164	(8)	-5%	**320**	287	33	11%
Other	**5**	5	-	0%	**10**	5	5	100%
Cash profit	**795**	887	(92)	-10%	**1,682**	1,432	250	17%
Reconciling items	**63**	(34)	97	large	**29**	(64)	93	large
Statutory profit	**858**	853	5	1%	**1,711**	1,368	343	25%

1. Economic hedging - fair value gains/(losses)

   ANZ New Zealand enters into economic hedges to manage its interest rate and foreign exchange risk. Statutory profit includes volatility from fair value gains or losses on economic hedges that are not designated in accounting hedge relationships under IFRS, as well as ineffectiveness from designated accounting cash flow and fair value hedges. Fair value gains/(losses) on all of these economic hedges are excluded from cash profit, as the profit or loss resulting from these transactions will reverse over time to match the profit or loss from the economically hedged item.

2. Insurance policy assets

   Profit and loss volatility is created by the remeasurement of policyholder assets for changes in market discount rates, which over time reverses to zero.