News Release

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ANZ New Zealand Disclosure Statement - nine months to June 2016

Australia and New Zealand Banking Group Limited (ANZ) NZ Branch Disclosure Statement for the nine months ended 30 June 2016 was released today, showing unaudited statutory profit of NZ$1,193 million for ANZ New Zealand[1], down from NZ$1,304 million in the nine months ended 30 June 2015.

Unaudited cash profit[2] was down 8% at NZ$1,163 million compared with NZ$1,261 million in the prior comparative period.

The nine months ended 30 June 2016 includes a NZ$96 million charge associated with a change to the application of the Group's software capitalisation policy announced at the ANZ Group 2016 half year results[3]. Excluding this charge, cash profit was down by 2%.

Key Points

All comparisons are nine months to 30 June 2016 compared with nine months to 30 June 2015 unless otherwise noted

- Unaudited cash profit down 8% at NZ$1,163 million.
- Operating income was flat with expenses up 7% due to the software capitalisation change[3]. Excluding this change, expenses declined 2% reflecting ongoing disciplined cost management and productivity gains.
- Provision charge of NZ$105 million reflects a normalisation of provision levels in the portfolios, combined with lower levels of write backs and recoveries than have been experienced in previous years.
- Customer deposits up 7% and gross lending up 5% for the 2016 financial year to date.

A table of key financial information follows

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[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 refer to the prior comparative period unless otherwise stated. Refer to Summary of Key Financial Information for details of reconciling items between cash profit and statutory profit.

[3] The ANZ 2016 half year 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. As outlined, the higher software capitalisation threshold and direct expensing of more project costs will result in higher software expenses in the second half of the year ended 30 September 2016.

Summary of key financial information
ANZ New Zealand

Profit	9 months June 16 $m	9 months June 15 $m	June 16 v June 15 $m	June 16 v June 15 %	Full year Sep 15 $m
Net interest income	**2,267**	2,140	127	6%	2,880
Other operating income	**626**	767	(141)	-18%	1,005
Operating income	**2,893**	2,907	(14)	0%	3,885
Operating expenses	**1,185**	1,108	77	7%	1,478
Profit before credit impairment and income tax	**1,708**	1,799	(91)	-5%	2,407
Provision for credit impairment	**105**	58	47	81%	76
Profit before income tax	**1,603**	1,741	(138)	-8%	2,331
Income tax expense	**440**	480	(40)	-8%	644
Cash profit	**1,163**	1,261	(98)	-8%	1,687
Reconciliation of cash profit to statutory profit					
Cash profit	**1,163**	1,261	(98)	-8%	1,687
Reconciling items (net of tax):					
Economic hedging volatility[1]	**(15)**	20	(35)		52
Insurance policy asset valuations[2]	**45**	23	22		32
Statutory profit	**1,193**	1,304	(111)	-9%	1,771
Consisting of:					
Retail	**710**	644	66	10%	872
Commercial	**324**	360	(36)	-10%	478
Operations & Support	**9**	3	6	large	3
New Zealand Businesses	**1,043**	1,007	36	4%	1,353
Institutional	**164**	255	(91)	-36%	333
Other	**(44)**	(1)	(43)	large	1
Cash profit	**1,163**	1,261	(98)	-8%	1,687
Reconciling items	**30**	43	(13)		84
Statutory profit	**1,193**	1,304	(111)	-9%	1,771

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.