News Release

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ANZ New Zealand produces solid half year result

Australia and New Zealand Banking Group Limited (ANZ) 2017 half year results were released today, with ANZ New Zealand[1] delivering unaudited cash profit[2] of NZ$928 million, up 24%, and unaudited statutory profit of NZ$869 million, up 14% on the corresponding half in the 2016 financial year.

ANZ New Zealand Chief Executive Officer David Hisco said the solid performance was as a result of the business being focussed on sustainable growth, increasing productivity across the organisation and delivering digital innovation for customers.

“All our business units performed well in this half due to our continued simplification of the business.

“We’ve boosted our focus on digital innovation which has positioned us well for a period of rapid change in banking. Adopting to this new digital environment has resulted in record high brand consideration and customer satisfaction.

“We’re the only bank in New Zealand to offer ApplePay, which has been taken up by thousands of Kiwis, and this complements our popular goMoney app.”

Net interest income increased 3% compared with the March 2016 half, primarily reflecting continued lending growth, while net interest margins have contracted due to increased funding costs and demand for fixed rate home lending.

Mr Hisco said expenses decreased by 12% and the increase in other operating income reflected higher Markets trading income and valuation gains on derivatives.

Lower levels of credit losses reflect improvements in credit quality in the commercial and agri portfolios, partially offset by increased and new provisions.

“We’ve retained our number one market share in mortgages, which has been balanced with our commitment to lending responsibly.

“This lending is having a positive role in the lives of our customers, helping people into homes, supporting our farming communities and growing businesses, both big and small.

“Our encouragement to Kiwis to save has pleasingly also gained traction, with growth in customer deposits.

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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 comparable period unless otherwise stated. Cash profit does not have a standardised meaning prescribed by NZ GAAP and therefore may not be comparable to similar information presented by other entities. Refer to Summary of Key Financial Information for details of reconciling items between cash profit and statutory profit.

Key Points All comparisons are six months ended 31 March 2017 compared with six months ended 31 March 2016 unless otherwise noted
• Unaudited cash profit increased 24% at NZ$928 million. • Unaudited statutory profit increased 14% at NZ$869 million. • Expenses decreased 12%, or 3% adjusting for charges associated with a change to the application of ANZ's software capitalisation policy announced in March 2016[3], reflecting ongoing disciplined cost management and productivity gains. • Lower levels of credit losses reflect improvements in credit quality in the commercial and agri portfolios, partially offset by increased and new provisions. • Customer deposits increased 7% and gross lending increased 5%. • Number one in home loan market share.

"Our KiwiSaver business now has over 725,000 investors and in this half our funds under management grew $700 million to almost $10 billion, making ANZ New Zealand's biggest provider."

A table of key financial information follows

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A video of David Hisco discussing highlights can be found here.

[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.

Summary of Key Financial Information
ANZ New Zealand

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Profit	Half year Mar 17 NZ$m	Half year Sep 16 NZ$m	Half year Mar 16 NZ$m	Mar 17 v Sep 16 NZ$m	Mar 17 v Mar 16 NZ$m	Mar 17 v Sep 16 %	Mar 17 v Mar 16 %
Net interest income	**1,534**	1,536	1,493	(2)	41	0%	3%
Other operating income	**514**	393	402	121	112	31%	28%
Operating income	**2,048**	1,929	1,895	119	153	6%	8%
Operating expenses	**718**	765	815	(47)	(97)	-6%	-12%
Profit before credit impairment and income tax	**1,330**	1,164	1,080	166	250	14%	23%
Credit impairment charge	**40**	99	50	(59)	(10)	-60%	-20%
Profit before income tax	**1,290**	1,065	1,030	225	260	21%	25%
Income tax expense	**362**	287	279	75	83	26%	30%
Cash profit	**928**	778	751	150	177	19%	24%
Reconciliation of cash profit to statutory profit							
Cash profit	**928**	778	751	150	177	19%	24%
Reconciling items (net of tax):							
Economic hedging volatility[1]	**(24)**	(27)	(2)	3	(22)	-11%	large
Insurance policy asset valuations[2]	**(35)**	28	14	(63)	(49)	large	large
Statutory profit	**869**	779	763	90	106	12%	14%
Comprising:							
Retail	**499**	477	464	22	35	5%	8%
Commercial	**219**	194	223	25	(4)	13%	-2%
Operations & Support	**(1)**	(10)	13	9	(14)	-90%	-108%
New Zealand Businesses	**717**	661	700	56	17	8%	2%
Institutional	**198**	104	95	94	103	90%	108%
Other	**13**	13	(44)	-	57	0%	large
Cash profit	**928**	778	751	150	177	19%	24%
Reconciling items	**(59)**	1	12	(60)	(71)	large	large
Statutory profit	**869**	779	763	90	106	12%	14%

1. Economic hedging volatility - 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 valuations

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