

News Release

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ANZ New Zealand Disclosure Statement - three months to December 2016

Australia and New Zealand Banking Group Limited (ANZ) NZ Branch Disclosure Statement for the three months ended 31 December 2016 was released today, showing unaudited statutory profit of NZ\$403 million for ANZ New Zealand¹, an increase from NZ\$347 million in the three months ended 31 December 2015.

Unaudited cash profit² increased 18% at NZ\$459 million compared with NZ\$390 million in the prior comparable period ('pcp').

Net interest income increased 3% against pcp, primarily reflecting continued lending growth.

Net interest margin has contracted due to increased funding costs and demand for fixed rate home lending.

ANZ New Zealand Chief Executive Officer David Hisco said: "More New Zealanders are switching from floating to fixed home loans, taking advantage of lower interest rates ahead of possible changes in market conditions."

The increase in other operating income reflected higher Global Markets trading income and valuation gains on derivatives.

Key Points

All comparisons are three months to 31 December 2016 compared with three months to 31 December 2015 unless otherwise noted

- Unaudited statutory profit increased 16% at NZ\$403 million.
- Unaudited cash profit increased 18% at NZ\$459 million.
- Expenses decreased 3%, or 4% adjusting for charges associated with a change to the application of ANZ's software capitalisation policy announced in March 2016³, reflecting ongoing disciplined cost management and productivity gains.
- Provision charge of NZ\$37 million reflects a normalising of provision levels in the portfolios, combined with lower levels of write backs and recoveries than have been experienced in previous periods.
- Customer deposits increased 7% and gross lending increased 5%.

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. 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 has resulted in higher software expenses in the three months ended 31 December 2016 compared with the prior comparable period.

A table of key financial information follows

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Summary of Key Financial Information ANZ New Zealand

Profit	3 months Dec 16 \$m	3 months Dec 15 \$m	Dec 16 v Dec 15 \$m	Dec 16 v Dec 15 %	Full year Sep 16 \$m
Net interest income	773	748	25	3%	3,029
Other operating income	266	182	84	46%	795
Operating income	1,039	930	109	12%	3,824
Operating expenses	364	374	(10)	-3%	1,580
Profit before credit impairment and income tax	675	556	119	21%	2,244
Provision for credit impairment	37	27	10	37%	149
Profit before income tax	638	529	109	21%	2,095
Income tax expense	179	139	40	29%	566
Cash profit	459	390	69	18%	1,529
Reconciliation of cash profit to statutory profit					
Cash profit	459	390	69	18%	1,529
Reconciling items (net of tax):					
Economic hedging volatility ¹	(8)	(31)	23		(29)
Insurance policy asset valuations ²	(48)	(12)	(36)		42
Statutory profit	403	347	56	16%	1,542
Comprising:					
Retail	256	227	29	13%	941
Commercial	99	107	(8)	-7%	413
Operations & Support	(3)	10	(13)	large	3
New Zealand Businesses	352	344	8	2%	1,357
Institutional	99	38	61	large	203
Other	8	8	-	0%	(31)
Cash profit	459	390	69	18%	1,529
Reconciling items	(56)	(43)	(13)		13
Statutory profit	403	347	56	16%	1,542

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.