

News Release

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ANZ NZ 2017 Full-Year Result

Australia and New Zealand Banking Group Limited (ANZ) results for the Financial Year to 30 September 2017 were released today. ANZ New Zealand¹ delivered a statutory profit of NZ\$1.78 billion, up 15% on the prior financial year. Cash profit² was NZ\$1.86 billion, up 21%.

ANZ New Zealand Chief Executive Officer David Hisco said the bank's continued solid performance was due mostly to lending growth and ongoing strong cost management. The result was also buoyed by a lower than normal provision charge, reflecting growth in some parts of the New Zealand economy.

"We have reduced the number of products from almost 350 in 2012 to offer fewer than 90 in 2017, improving staff efficiency and making life simpler for them and our customers," Mr Hisco said.

"Our expenses decreased 8% in FY17 and are below our 2010 levels, while we've maintained high customer satisfaction. That's a remarkable achievement and reflects our team's strong discipline, high productivity and our digital push.

"The strength in some parts of the economy also meant fewer bad loans to contend with and a more benign credit environment saw the provision charge trend lower."

FY17 revenue increased 7% to NZ\$4.08 billion comprised of net interest income of NZ\$3.08 billion up 2% and other operating income of NZ\$999 million up 26%, reflecting higher markets trading income and valuation gains on derivatives predominantly in the first half.

Net interest margin stabilised in the second half of FY17 after a period of contraction caused by increased funding costs and a customer preference for fixed rate home loans.

One of the highlights of the year was customer deposits increasing 6%. Another was KiwiSaver, with almost 735,000 New Zealanders investing over NZ\$11 billion of their retirement savings in an ANZ KiwiSaver scheme.

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. Refer to Summary of Key Financial Information for details of reconciling items between cash profit and statutory profit.

“Our results reflect our number one market position in home loans, deposits, credit cards and KiwiSaver. One in two New Zealanders have a financial relationship with us and we’re proud of the role we play in the community.”

Mr Hisco said he was particularly proud of the time staff volunteered in the community in FY17 (up 14% to 18,440 hours), the NZ\$658,528 in community donations via the ANZ Staff Foundation and the almost NZ\$1 million raised for Daffodil Day³. More than 650 people in vulnerable communities completed the bank’s financial literacy programme MoneyMinded. ANZ New Zealand’s carbon footprint reduced by 6%.

Key Points

All comparisons are Financial Year 30 September 2017 compared to Financial Year 30 September 2016 unless otherwise noted

- Statutory profit up 15% at NZ\$1.78 billion.
- Cash profit up 21% at NZ\$1.86 billion.
- Revenue up 7% at NZ\$4.08 billion.
- Expenses decreased 8% (or 2% adjusting for charges associated with a change to the application of ANZ’s software capitalisation policy in FY16), reflecting ongoing disciplined cost management and productivity gains. Now below FY10 levels.
- Lower levels of credit losses reflect improvements in credit quality in the Retail, and Commercial and Agri portfolios, partially offset by new provisions.
- Customer deposits up 6% and gross lending up 4%.

ANZ New Zealand continued to be a technology-driven organisation, constantly looking at ways to innovate and meet customers’ needs.

“ANZ was the first bank in New Zealand to offer Apple Pay and in one year almost half of eligible⁴ customers have set it up, which is an impressive uptake of a new technology. We’ve also made banking on the go faster and easier on our ANZ goMoney app.

“We’re focused on technology with a ‘human touch’ because our customers tell us they still want to have key financial conversations directly with our staff.”

FY17 was a record year for ANZ New Zealand’s contribution to the economy.

We paid around:

- NZ\$680 million in corporate taxes (more than 5% of New Zealand’s total corporate tax take);
- NZ\$800 million in staff wages and salaries;
- NZ\$545 million to local contractors and suppliers;

³ Daffodil Day is the Cancer Society’s annual fundraiser.

⁴ ANZ retail customer with an ANZ Visa Debit or personal ANZ Visa credit card and an Apple Pay compatible iPhone.

- NZ\$13 million in sponsorships and charitable donations; and
- NZ\$70 million in dividends to about 17,500 New Zealand shareholders and managed funds.

A table of key financial information follows

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Summary of Key Financial Information

Profit	Half year	Half year	Sep 17 v	Sep 17 v	Full year	Full year	Sep 17 v	Sep 17 v
	Sep 17 NZ\$m	Mar 17 NZ\$m	Mar 17 NZ\$m	Mar 17 %	Sep 17 NZ\$m	Sep 16 NZ\$m	Sep 16 NZ\$m	Sep 16 %
Net interest income	1,544	1,534	10	1%	3,078	3,029	49	2%
Other operating income	485	514	(29)	-6%	999	795	204	26%
Operating income	2,029	2,048	(19)	-1%	4,077	3,824	253	7%
Operating expenses	728	718	10	1%	1,446	1,580	(134)	-8%
Profit before credit impairment and income tax	1,301	1,330	(29)	-2%	2,631	2,244	387	17%
Credit impairment charge	19	40	(21)	-53%	59	149	(90)	-60%
Profit before income tax	1,282	1,290	(8)	-1%	2,572	2,095	477	23%
Income tax expense	355	362	(7)	-2%	717	566	151	27%
Cash profit	927	928	(1)	0%	1,855	1,529	326	21%
Reconciliation of cash profit to statutory profit								
Cash profit	927	928	(1)	0%	1,855	1,529	326	21%
Reconciling items (net of tax):								
Economic hedging volatility ¹	(26)	(24)	(2)	8%	(50)	(29)	(21)	72%
Insurance policy asset valuations ²	10	(35)	45	large	(25)	42	(67)	large
Statutory profit	911	869	42	5%	1,780	1,542	238	15%
Comprising:								
Retail	520	499	21	4%	1,019	941	78	8%
Commercial	220	219	1	0%	439	417	22	5%
Operations & Support	2	(1)	3	large	1	3	(2)	-67%
New Zealand Businesses	742	717	25	3%	1,459	1,361	98	7%
Institutional	164	198	(34)	-17%	362	199	163	82%
Other	21	13	8	62%	34	(31)	65	large
Cash profit	927	928	(1)	0%	1,855	1,529	326	21%
Reconciling items	(16)	(59)	43		(75)	13	(88)	
Statutory profit	911	869	42	5%	1,780	1,542	238	15%

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.