

News Release

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ANZ New Zealand First Half 2018 Result

Australia and New Zealand Banking Group Limited (ANZ) today announced its 2018 half year results, with ANZ New Zealand¹ delivering a statutory profit of NZ\$964 million, up 11% on the corresponding half in the 2017 financial year, and a cash profit² of NZ\$941 million, up 1% from the prior comparable period.

ANZ New Zealand Chief Executive Officer David Hisco said the bank is delivering consistent performance through a focus on outstanding customer experience and sustainable growth.

“ANZ has grown in home lending and deposits, which reflects the continuing strength of the New Zealand housing market and of the economy generally,” Mr Hisco said.

“Major infrastructure and building projects across the country are providing jobs and fuelling consumer spending and saving, and will do so for the foreseeable future.”

He said ANZ New Zealand has invested in digital capabilities to deliver a better, more secure bank and build functionality for its customers.

“Our investment in digital also means we are achieving greater operational efficiencies, as well as savings in our back office processes,” Mr Hisco said.

“We have shared this success with our customers, eliminating fees on ATM transactions and reducing fees on other banking products, while strengthening our competitiveness and value for money.”

He said ANZ New Zealand remained the number one in brand consideration³ for local banks and continued to grow its customer base.

ANZ New Zealand’s revenue increased 3% to NZ\$2.11 billion comprising net interest income of NZ\$1.57 billion, up 2%, and other operating income of NZ\$535 million, up 4%.

¹ ANZ New Zealand represents all of ANZ’s operations in New Zealand (NZ Geography), 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 continuing basis, 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.

³ ANZ measures customer satisfaction using independent research done on behalf of New Zealand banks and a Net Promoter Score.

Net interest margins increased slightly in the first half of FY18 due to stabilising funding costs and repricing of home loans.

Key Points

All comparisons are six months ended 31 March 2018 compared with six months ended 31 March 2017 unless otherwise noted

- Statutory profit up 11% at NZ\$964 million.
- Cash profit up 1% at NZ\$941 million.
- Revenue up 3% at NZ\$2.11 billion.
- Expenses increased 3%, reflecting investment in digital initiatives.
- Credit losses increased to \$70 million off a low base.
- Customer deposits up 5% and gross lending up 3%.

A table of key financial information follows

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Summary of Key Financial Information ANZ New Zealand

Profit	Half year	Half year	Half year	Mar 18 v	Mar 18 v	Mar 18 v	Mar 18 v
	Mar 18	Sep 17	Mar 17	Sep 17	Mar 17	Sep 17	Mar 17
	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	%	%
Net interest income	1,572	1,544	1,534	28	38	2%	2%
Other operating income	535	485	514	50	21	10%	4%
Operating income	2,107	2,029	2,048	78	59	4%	3%
Operating expenses	737	728	718	9	19	1%	3%
Profit before credit impairment and income tax	1,370	1,301	1,330	69	40	5%	3%
Credit impairment charge	70	19	40	51	30	large	75%
Profit before income tax	1,300	1,282	1,290	18	10	1%	1%
Income tax expense	359	355	362	4	(3)	1%	-1%
Cash profit	941	927	928	14	13	2%	1%
Reconciliation of cash profit to statutory profit							
Cash profit	941	927	928	14	13	2%	1%
Reconciling items (net of tax):							
Economic and revenue hedges ¹	13	(26)	(24)	39	37	large	large
Revaluation of insurance policies ²	10	10	(35)	-	45	0%	large
Statutory profit	964	911	869	53	95	6%	11%
Comprising:							
Retail	510	520	499	(10)	11	-2%	2%
Commercial	267	220	219	47	48	21%	22%
Central Functions	16	2	(1)	14	17	large	large
New Zealand Division	793	742	717	51	76	7%	11%
Institutional	122	162	196	(40)	(74)	-25%	-38%
Technology and Group Centre	26	23	15	3	11	13%	73%
Cash profit	941	927	928	14	13	2%	1%
Reconciling items	23	(16)	(59)	39	82	large	large
Statutory profit	964	911	869	53	95	6%	11%
<i>1. Economic and revenue hedges</i>							
Fair value gains and losses are recognised in the Income Statement on economic and revenue hedges used to manage interest rate and foreign exchange risk. The mark to market adjustments on these derivatives, not designated in an accounting hedge, are removed from cash profit as the fair value gains or losses will reverse over time to match the profit or loss on the hedged item. Included in economic hedges are funding related swaps and specialised leasing transactions.							
<i>2. Revaluation of insurance policies</i>							
To calculate certain policy liabilities, projected future cash flows on insurance contracts are discounted at a market discount rate to the present value of the obligation. Any change is reflected in the Income Statement each period. The volatility from changes in market discount rates is removed from cash profit each year as the impact reverts to zero over the life of the insurance contract.							