Media Release

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ANZ New Zealand delivers for customers in 2013

ANZ New Zealand[1] has delivered significant improvements for customers and made strides towards its goal of being New Zealand's best bank since last year's brand and technology merger, the bank said in announcing its 2013 full year results today.

Australia and New Zealand Banking Group Limited (ANZ) 2013 full year results show a lift in performance for ANZ New Zealand with statutory profit of NZ$1.37 billion, up 8% on the previous year.

Cash profit[2] was NZ$1.44 billion, up from $1.29 billion. Productivity and credit quality improvements were key features of the result with expenses down 13% and the provision charge declining 66%.

ANZ New Zealand Chief Executive Officer David Hisco said: "Twelve months after we created the new ANZ our customers are already enjoying better products and services.

"Our business performance has been built on simplifying our products, improving processes and systems and delivering a better banking experience for customers. We have concentrated investment on our brand, sales training, branch coverage and digital capability.

"As well as delivering productivity gains, this investment has driven market share increases in mortgages and credit cards and strong growth in small business banking, while maintaining high customer satisfaction," Mr Hisco said.

Key points[2]

- Statutory profit of $1.37 billion, up 8% on the previous year
- Cash profit of $1.44 billion, up 12% compared with the previous year
- Reduction of cost to income ratio from 47.7% to 42.5%
- Lower credit impairment provision charges and further decrease in impaired assets
- Growth of 3.6% in lending driven by above market increase in mortgages
- Growth of 6.8% in customer deposits
- Staff engagement at record high

"Our improved, simpler product range is award-winning, and is helping to increase the time frontline staff have available to spend with customers.

"Since we began simplifying the business, we have increased branch coverage* from 75% to 82%, including a presence in eight more communities across New Zealand, while reducing branch costs.

[1] ANZ New Zealand represents all of Australia and New Zealand Banking Group Limited's (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 relate to the preceding year unless otherwise stated. Refer to Summary of Key Financial Information for details of reconciling items between cash profit and statutory profit.

“We are now focused on delivering the benefits of being New Zealand’s most convenient and connected full-service bank while still looking to drive further efficiency and returns.

“As the new ANZ, our commitment to New Zealand is stronger than ever, as is our desire to invest, support our customers and play our part in this country’s economic growth.

“We’ve done a lot since the merger but there’s still much more to do,” Mr Hisco said.

ANZ’s New Zealand shareholders will continue to obtain the benefit of New Zealand imputation credits with 10 New Zealand cents per ordinary share of New Zealand imputation credits to be attached to ANZ's 2013 final dividend of 91 Australian cents per share announced today.

In FY13, the new ANZ has:

Made progress towards its goal of being New Zealand’s best bank

- Significantly increased brand consideration, leading to market share growth in mortgages and credit cards
- Improved and simplified its product range, which now includes more 5-star CANSTAR rated credit cards than any other bank
- Been named as New Zealand’s best-managed bank by international industry magazine The Asian Banker, and named CANSTAR Agribusiness Bank of the Year for the second consecutive year

Delivered super regional capability and backed New Zealand businesses

- Hosted customer tours to India, Hong Kong and China, creating opportunities for New Zealand exports
- Pledged $500 million for lending to support the creation of new small and medium-sized enterprises that will generate jobs and assist economic growth. Around 10,000 start-up accounts were opened during the year
- Supported farmers in need through a Drought Relief Package, and helped 360 farmers establish their first farming business

Delivered market-leading digital banking services

- Launched ANZ Transactive™ Mobile for Android and iPhone, allowing commercial and institutional customers to remotely monitor real-time account balances, view current and prior-day transactions, approve and release payments and obtain dynamic FX rates
- ANZ goMoney™ is currently the most downloaded banking app in the country. The ANZ FastPay™ merchant app which enables merchant transactions via smartphone launches soon
- Improved the Send Money Overseas service to make it quicker and easier for cross-border payments with ANZ’s consumer Internet Banking portal

* Branch coverage represents the areas in which ANZ is represented relative to where New Zealanders do business

A table of key financial information follows

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Summary of key financial information
ANZ New Zealand

Profit	Half year Sep 2013 $M	Half year Mar 2013 $M	Movt Sep 13 v Mar 13 $M	Movt Sep 13 v Mar 13 %	Full year Sep 13 $M	Full year Sep 12 $M	Movt Sep 13 v Sep 12 $M	Movt Sep 13 v Sep 12 %
Net interest income	**1,338**	1,303	35	3%	**2,641**	2,709	(68)	-3%
Other external operating income	**411**	457	(46)	-10%	**868**	910	(42)	-5%
Operating income	**1,749**	1,760	(11)	-1%	**3,509**	3,619	(110)	-3%
Operating expenses	**728**	765	(37)	-5%	**1,493**	1,725	(232)	-13%
Profit before credit impairment and income tax	**1,021**	995	26	3%	**2,016**	1,894	122	6%
Provision for credit impairment	**22**	43	(21)	-49%	**65**	194	(129)	-66%
Profit before income tax	**999**	952	47	5%	**1,951**	1,700	251	15%
Income tax expense	**262**	253	9	4%	**515**	415	100	24%
Cash profit	**737**	699	38	5%	**1,436**	1,285	151	12%
Reconciliation of cash profit to statutory profit								
Cash profit	**737**	699	38	5%	**1,436**	1,285	151	12%
Reconciling items (net of tax):								
Economic hedging volatility[1]	**3**	(42)	45	large	**(39)**	(45)	6	-13%
Insurance policy asset valuations[2]	**(23)**	(2)	(21)	large	**(25)**	25	(50)	large
Statutory profit	**717**	655	62	9%	**1,372**	1,265	107	8%
Consisting of:								
Retail	**203**	177	26	15%	**380**	364	16	4%
Commercial	**367**	332	35	11%	**699**	596	103	17%
Operations & Support	**1**	(12)	13	large	**(11)**	(133)	122	-92%
New Zealand Businesses	**571**	497	74	15%	**1,068**	827	241	29%
Wealth	**41**	38	3	8%	**79**	65	14	22%
Institutional	**115**	166	(51)	-31%	**281**	314	(33)	-11%
Other	**10**	(2)	12	large	**8**	79	(71)	-90%
Cash profit	**737**	699	38	5%	**1,436**	1,285	151	12%
Reconciling items	**(20)**	(44)	24	-55%	**(64)**	(20)	(44)	large
Statutory profit	**717**	655	62	9%	**1,372**	1,265	107	8%

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.