



Media Release

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ANZ New Zealand delivers strong performance

Single brand, stronger economy drives lending, credit quality, reduced costs

Australia and New Zealand Banking Group Limited (ANZ) 2014 half year results were released today, showing a strong performance for ANZ New Zealand¹ with cash profit² of NZ\$887 million, up 27% from \$697 million in the corresponding half in FY13 (PCP).

Statutory profit was NZ\$853 million, up 31% PCP. The result reflected significant reductions in costs due to the company's simplification programme, above-market growth in home loans, strong lending to the commercial and export sectors, rapid growth in KiwiSaver and major reductions in credit provisions arising from management actions and an improving economy.

ANZ New Zealand Chief Executive Officer David Hisco said: "We have continued to execute our strategy to build a simpler, more productive business following our successful brand integration and move to a single core banking system.

"By leveraging our strong financial position and scale, this work is moving us towards our ultimate goal of creating New Zealand's best bank. In doing so, we will continue to invest in New Zealand, support our customers and the communities they live in, and contribute to the country's economic growth.

"Streamlining of products, continued focus on simplifying customer processes and productivity gains have pushed ANZ's brand consideration to number one for the major banks which is an all-time high for us," Mr Hisco said.

Key points – all financial comparisons are PCP unless noted²

- Cash profit of \$887 million, up 27%
- Statutory profit of \$853 million, up 31%
- Completion of brand and systems integrations in 2013 has achieved significant cost reductions and productivity gains
- Good lending growth driven by above market increase in home lending
- Strong deposit growth over the half
- Improved credit impairment result and further decrease in impaired assets

Mr Hisco said the bank achieved good lending growth while maintaining net interest margin in a competitive credit environment. "At the same time we have improved the quality of our portfolio and created a platform for consistent, sustainable earnings growth."

ANZ reinforced its position as leader in the home lending market by increasing its share of the market by 44 basis points³ compared to a year ago while implementing the Reserve

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

³ Source: RBNZ February 2014.

Bank's restrictions on high-LVR lending. "We were in a position to honour all of our customer pre-approval commitments and continued to approve high-LVR loans, while remaining within the Reserve Bank's limits," Mr Hisco said.

ANZ Wealth has continued to perform strongly with 25.8% of New Zealand KiwiSavers choosing ANZ Wealth as their provider of choice.

Looking ahead, Mr Hisco said: "With staff engagement at an all-time high and the business continuing to focus on improving the customer experience, we're expecting even better results in the future."

ANZ's New Zealand shareholders will obtain the benefit of New Zealand imputation credits of NZ10 cents for ANZ's 2014 interim dividend.

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	Movt Mar 14	Movt Mar 14	Movt Mar 14	Movt Mar 14
	Mar 2014	Sep 2013	Mar 2013	v Sep 13	v Mar 13	v Sep 13	v Mar 13
	\$M	\$M	\$M	\$M	\$M	%	%
Net interest income	1,370	1,338	1,303	32	67	2%	5%
Other external operating income	534	411	457	123	77	30%	17%
Operating income	1,904	1,749	1,760	155	144	9%	8%
Operating expenses	725	730	767	(5)	(42)	-1%	-5%
Profit before credit impairment and income tax	1,179	1,019	993	160	186	16%	19%
Provision for credit impairment	(39)	22	43	(61)	(82)	large	large
Profit before income tax	1,218	997	950	221	268	22%	28%
Income tax expense	331	262	253	69	78	26%	31%
Cash profit	887	735	697	152	190	21%	27%
Reconciliation of cash profit to statutory profit							
Cash profit	887	735	697	152	190	21%	27%
Reconciling items (net of tax):							
Economic hedging volatility ¹	(35)	4	(42)	(39)	7	large	-17%
Insurance policy asset valuations ²	1	(24)	(2)	25	3	large	large
Statutory profit	853	715	653	138	200	19%	31%
Consisting of:							
Retail	222	202	177	20	45	10%	25%
Commercial	377	369	332	8	45	2%	14%
Other	(1)	(2)	(15)	1	14	-50%	-93%
New Zealand Businesses	598	569	494	29	104	5%	21%
Wealth	121	42	38	79	83	large	large
Institutional	163	117	167	46	(4)	39%	-2%
Other	5	7	(2)	(2)	7	-29%	large
Cash profit	887	735	697	152	190	21%	27%
Reconciling items	(34)	(20)	(44)	(14)	10	70%	-23%
Statutory profit	853	715	653	138	200	19%	31%

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.