

News Release

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ANZ New Zealand Disclosure Statement - nine months to June 2017

Australia and New Zealand Banking Group Limited (ANZ) NZ Branch Disclosure Statement for the nine months ended 30 June 2017 was released today, showing unaudited statutory profit of NZ\$1,275 million for ANZ New Zealand¹, up from NZ\$1,193 million in the nine months ended 30 June 2016.

Unaudited cash profit² was up 19% at NZ\$1,379 million compared with NZ\$1,163 million in the prior comparative period, due mainly to disciplined cost management and lower charges for credit impairment.

Net interest income increased 1% reflecting continued lending growth. Net interest margins have recently stabilised after a period of contraction caused by increased funding costs and a customer preference for fixed rate home loans.

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

Key Points

All comparisons are nine months to 30 June 2017 compared with nine months to 30 June 2016 unless otherwise noted

- Unaudited statutory profit up 7% at NZ\$1,275 million.
- Unaudited cash profit up 19% at NZ\$1,379 million.
- Expenses decreased 8%, or 2% 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.
- Lower levels of credit losses reflect improvements in credit quality in the commercial and agri portfolios, partially offset by new provisions.
- Customer deposits up 7% and gross lending up 4%.

A table of key financial information follows

For media enquiries contact:
Emma Mellow, 021 614 165

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 comparative 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.

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Summary of Key Financial Information
ANZ New Zealand

Profit	9 months	9 months	Jun 17 v	Jun 17 v	Full Year
	Jun 17	Jun 16	Jun 16	Jun 16	Sep 16
	NZ\$m	NZ\$m	NZ\$m	%	NZ\$m
Net interest income	2,298	2,267	31	1%	3,029
Other operating income	754	626	128	20%	795
Operating income	3,052	2,893	159	5%	3,824
Operating expenses	1,085	1,185	(100)	-8%	1,580
Profit before credit impairment and income tax	1,967	1,708	259	15%	2,244
Credit impairment charge	50	105	(55)	-52%	149
Profit before income tax	1,917	1,603	314	20%	2,095
Income tax expense	538	440	98	22%	566
Cash profit	1,379	1,163	216	19%	1,529
Reconciliation of cash profit to statutory profit					
Cash profit	1,379	1,163	216	19%	1,529
Reconciling items (net of tax):					
Economic hedging volatility ¹	(79)	(15)	(64)	large	(29)
Insurance policy asset valuations ²	(25)	45	(70)	large	42
Statutory profit	1,275	1,193	82	7%	1,542
Comprising:					
Retail	751	710	41	6%	941
Commercial	328	327	1	0%	417
Operations & Support	3	11	(8)	-73%	3
New Zealand Businesses	1,082	1,048	34	3%	1,361
Institutional	281	160	121	76%	199
Other	16	(45)	61	large	(31)
Cash profit	1,379	1,163	216	19%	1,529
Reconciling items	(104)	30	(134)	large	13
Statutory profit	1,275	1,193	82	7%	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 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.