

## News Release

For release: 31 October 2018

### ANZ New Zealand 2018 Full-Year Result

Australia and New Zealand Banking Group Limited (ANZ) results for the Financial Year to 30 September 2018 were released today. ANZ New Zealand<sup>1</sup> delivered a statutory profit of NZ\$1,986 million, up 12% on the prior financial year. Cash profit<sup>2</sup> was NZ\$1,904 million, up 3%.

ANZ New Zealand Chief Executive Officer David Hisco said the strong result reflects the performance of the economy, credit quality improvements and ANZ's continued focus on digital innovation and customer service.

"The continued strength of the economy – strong exports and tourism sector aided by a lower dollar, continued demand for houses and growth in household incomes – has been good for our business," Mr Hisco said.

"The Government's investment in major infrastructure across the country and trade achievements are providing jobs and fuelling consumer spending and saving.

"We have also had a significant reduction in provision charges – funds set aside for bad debts – due to credit quality improvements across our Retail, Commercial and Agri businesses."

ANZ New Zealand's revenue increased 3% to NZ\$4.18 billion comprising net interest income of NZ\$3.18 billion, up 3%, and other operating income of NZ\$1.0 billion, up 1%.

#### Key Points<sup>3</sup>

- Statutory profit up 12% at NZ\$1,986 million.
- Cash profit up 3% at NZ\$1,904 million.
- Revenue up 3% at NZ\$4.18 billion.
- Expenses increased 3%, reflecting investment in digital initiatives.
- Lower levels of credit losses reflect improvements in credit quality in the Retail, and Commercial and Agri portfolios.
- Customer deposits up 7.5% and gross lending up 3%.

<sup>1</sup>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.

<sup>2</sup>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.

<sup>3</sup>All comparisons are year ended 30 September 2018 compared with year ended 30 September 2017 unless otherwise noted

In the past five years ANZ New Zealand has continued to invest in digital capabilities to deliver a better, more secure bank and make it easier for customers to use our services anywhere and at any time.

“Getting the right balance between technologies that are convenient and still presenting a human face is the challenge for all retailers and banking is no different,” Mr Hisco said.

“ANZ goMoney is now the most popular way to bank and customers use it on average twice a day, compared to twice a week for internet banking and twice a year for visiting a branch.

“While digital banking is increasingly popular, customers still want to talk to our staff about more complex transactions, such as getting a home loan or KiwiSaver.”

In a first for banking in New Zealand, ANZ New Zealand this year introduced a new digital assistant, “Jamie”, who had nearly 12,000 conversations with customers, helping them with their most commonly asked banking questions.

Mr Hisco said ANZ has continued to transform its culture to meet the expectations of customers.

“In FY18 we removed frontline retail sales incentives so customers could be reassured our staff were delivering the best products and services for their needs.

“We continue to remove and reduce fees. In FY18 we reduced or removed a further 41 fees including fees for using non-ANZ ATMs, the first bank to do so. We were also the only major bank to remove our overseas ATM fee, which our customers have appreciated.

“ANZ also introduced interest free loans so that New Zealanders can insulate their homes.

“We are committed to doing what is best for our customers and the community, being transparent and putting things right quickly. This will continue to be a strong focus for us in the future.”

Mr Hisco said ANZ remains New Zealand’s leading KiwiSaver provider, with 24.2% market share, 12.9 billion funds under management, and 745,000 members.

ANZ New Zealand remains the number one in brand consideration<sup>4</sup> for local banks and continued to grow its customer base, with one in two New Zealanders now having some kind of financial relationship with the bank.

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<sup>4</sup> ANZ measures customer satisfaction using independent research done on behalf of New Zealand banks and a Net Promoter Score.

FY18 saw another significant contribution from ANZ to the New Zealand economy.

We paid around:

- NZ\$760 million in corporate taxes (more than 5% of New Zealand's total corporate tax take);
- NZ\$810 million in staff wages and salaries;
- NZ\$540 million to local contractors and suppliers;
- NZ\$15 million in sponsorships and charitable donations; and
- NZ\$67 million in dividends to about 16,800 New Zealand shareholders and managed funds.

**A table of key financial information follows**

For media enquiries contact:  
Emma Mellow, 021 614 165

## Summary of Key Financial Information ANZ New Zealand

Profit	Half year	Half year	Sep 18 v	Sep 18 v	Full year	Full year	Sep 18 v	Sep 18 v
	Sep 18	Mar 18	Mar 18	Mar 18	Sep 18	Sep 17	Sep 17	Sep 17
	NZ\$m	NZ\$m	NZ\$m	%	NZ\$m	NZ\$m	NZ\$m	%
Net interest income	1,605	1,572	33	2%	3,177	3,078	99	3%
Other operating income	471	535	(64)	-12%	1,006	999	7	1%
Operating income	2,076	2,107	(31)	-1%	4,183	4,077	106	3%
Operating expenses	757	737	20	3%	1,494	1,446	48	3%
Profit before credit impairment and income tax	1,319	1,370	(51)	-4%	2,689	2,631	58	2%
Credit impairment charge	(17)	70	(87)	large	53	59	(6)	-10%
Profit before income tax	1,336	1,300	36	3%	2,636	2,572	64	2%
Income tax expense	373	359	14	4%	732	717	15	2%
<b>Cash profit</b>	<b>963</b>	<b>941</b>	<b>22</b>	<b>2%</b>	<b>1,904</b>	<b>1,855</b>	<b>49</b>	<b>3%</b>
<b>Reconciliation of cash profit to statutory profit</b>								
Cash profit	963	941	22	2%	1,904	1,855	49	3%
<b>Reconciling items (net of tax):</b>								
Economic and revenue hedges <sup>1</sup>	54	13	41	large	67	(50)	117	large
Revaluation of insurance policies <sup>2</sup>	5	10	(5)	-50%	15	(25)	40	large
<b>Statutory profit</b>	<b>1,022</b>	<b>964</b>	<b>58</b>	<b>6%</b>	<b>1,986</b>	<b>1,780</b>	<b>206</b>	<b>12%</b>
<b>Comprising:</b>								
Retail	523	510	13	3%	1,033	1,019	14	1%
Commercial	290	267	23	9%	557	439	118	27%
Central Functions	(1)	16	(17)	-106%	15	1	14	large
New Zealand Division	812	793	19	2%	1,605	1,459	146	10%
Institutional	140	122	18	15%	262	358	(96)	-27%
Technology and Group Centre	11	26	(15)	-58%	37	38	(1)	-3%
<b>Cash profit</b>	<b>963</b>	<b>941</b>	<b>22</b>	<b>2%</b>	<b>1,904</b>	<b>1,855</b>	<b>49</b>	<b>3%</b>
Reconciling items	59	23	36		82	(75)	157	
<b>Statutory profit</b>	<b>1,022</b>	<b>964</b>	<b>58</b>	<b>6%</b>	<b>1,986</b>	<b>1,780</b>	<b>206</b>	<b>12%</b>

### 1. Economic and revenue hedges

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.

### 2. Revaluation of insurance policies

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.