Media Release

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ANZ New Zealand Disclosure Statement - three months to December 2015

Australia and New Zealand Banking Group Limited (ANZ) NZ Branch Disclosure Statement for the three months ended 31 December 2015 was released today, showing unaudited statutory profit of NZ$347 million for ANZ New Zealand[1], down from NZ$425 million in the three months ended 31 December 2014.

Unaudited cash profit[2] was down 6% at NZ$390 million compared with NZ$415 million in the prior comparative period.

Net interest income increased by 4% over the prior comparative period, reflecting continued lending growth (up 8% since 31 December 2014), while interest margins have contracted due to strong lending competition and a customer preference for fixed-rate mortgages. In other operating income, the prior comparative period reflected a strong performance in the Markets business compared with a difficult trading period this quarter.

The credit impairment charge increased due to lower write-backs.

Key Points
All comparisons are three months to 31 December 2015 compared with three months to 31 December 2014 unless otherwise noted

- Unaudited statutory profit of NZ$347 million, down 18%.
- Unaudited cash profit down 6% at NZ$390 million.
- Profit before provisions down 5%.
- Customer deposits up 4% and gross lending up 1% over the three months.

ANZ New Zealand Chief Executive Officer David Hisco said: "The New Zealand economy continues to perform well. Headwinds are emerging, however, because of global concerns about credit risk, resulting in wholesale funding costs increasing for banks.

"As New Zealand's most popular bank, ANZ will continue to draw on its strong financial position and scale to contribute to economic growth, maintain our financial performance and support customers in a highly competitive and changing environment."

A table of key financial information follows

For media enquiries contact:
Pete Barnao
Communications Manager, Media
Tel: +64-9-252 6623 or +64-27-277 3139
Email: Pete.Barnao@anz.com

[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.

Summary of key financial information
ANZ New Zealand

Profit	**3 months Dec 15 $m**	**3 months Dec 14 $m**	**Dec 15 v Dec 14 $m**	**Dec 15 v Dec 14 %**	**Full year Sep 15 $m**
Net interest income	**748**	717	31	4%	2,880
Other operating income	**182**	243	(61)	-25%	1,005
Operating income	**930**	960	(30)	-3%	3,885
Operating expenses	**374**	375	(1)	0%	1,478
Profit before credit impairment and income tax	**556**	585	(29)	-5%	2,407
Provision for credit impairment	**27**	13	14	large	76
Profit before income tax	**529**	572	(43)	-8%	2,331
Income tax expense	**139**	157	(18)	-11%	644
Cash profit	**390**	415	(25)	-6%	1,687
Reconciliation of cash profit to statutory profit					
Cash profit	**390**	415	(25)	-6%	1,687
Reconciling items (net of tax):					
Economic hedging volatility[1]	**(31)**	(6)	(25)		52
Insurance policy asset valuations[2]	**(12)**	16	(28)		32
Statutory profit	**347**	425	(78)	-18%	1,771
Consisting of:					
Retail	**196**	188	8	4%	735
Commercial	**107**	129	(22)	-17%	478
Operations & Support	**10**	-	10	large	4
New Zealand Businesses	**313**	317	(4)	-1%	1,217
Wealth	**31**	31	-	0%	136
Institutional	**39**	67	(28)	-42%	333
Other	**7**	-	7	large	1
Cash profit	**390**	415	(25)	-6%	1,687
Reconciling items	**(43)**	10	(53)		84
Statutory profit	**347**	425	(78)	-18%	1,771

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.