Media Release

For Release: 30 April 2013

ANZ New Zealand maintains momentum

Australia and New Zealand Banking Group Limited (ANZ) 2013 half year results were released today, showing a lift in performance for ANZ New Zealand[1] with statutory profit of NZ$655 million, up 1% on the preceding half.

Cash profit[2] was NZ$699 million, up 4 per cent from $673 million, reflecting a reduction in restructuring costs, productivity gains from simplifying the business, growth in lending and a reduction in provisions for bad and doubtful debts.

ANZ New Zealand Chief Executive Officer David Hisco said: "This is a solid result which maintains our momentum in the first half of 2013 following a series of significant, carefully managed changes to our business. The initial phase of our brand integration including the move to one core banking system has gone smoothly and, importantly, with minimal disruption to customers.

"We are growing market share in target segments and have maintained high levels of customer satisfaction. While the revenue environment is still subdued, our simplification programme has helped us lift productivity and reduce costs and has positioned us to better leverage our scale to support future earnings growth."

"Lending volumes rose in a low-growth credit environment, driven primarily by above-market growth in mortgages, though margins have trended down from their 2012 peak.

Key points[2]

- Statutory profit of $655 million, up 1% on the preceding half
- Cash profit of $699 million, up 4% compared with the preceding half
- Profit before credit impairment up 4%
- Significant cost reductions as the NZ Simplification programme winds down and productivity gains are realised
- Lending growth driven by above-market increase in home lending
- Lower credit impairment provision charges and further decrease in impaired assets
- Growth of 5% in customer deposits

"With demand growing in the housing market we have continued our focus on being the No 1 home loan provider to New Zealanders by launching a number of initiatives aimed at making the process of taking out a mortgage easier for customers.

"To help support New Zealand business start-ups, we have also launched a $500 million package to support the creation of new small and medium-sized enterprises that will generate jobs and boost economic growth," Mr Hisco said.

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[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 items that introduce inter-period volatility and/or distortions to ANZ's performance that are unrelated to ongoing operations to arrive at cash profit. All comparisons in Key Points are on a cash profit basis and relate to the preceding half unless otherwise stated. Refer to Summary of Key Financial Information for details of reconciling items between cash profit and statutory profit.

The bank's success has been recognised with ANZ recently being named as New Zealand's best-managed bank by international industry magazine *The Asian Banker*. This comes on top ANZ's naming as 2012 New Zealand Bank of the Year by another international title, *The Banker* magazine. ANZ has had further success winning the 2013 CANSTAR Best Agribusiness Bank New Zealand, after the National Bank took out the inaugural award last year.

"Our strong financial position and greater scale as the new ANZ position us well to progress on our journey to be number one in customer service and establish ANZ as New Zealand's best bank. In doing so, we will continue to invest in New Zealand, support customers and contribute to economic recovery.

"We are pleased to announce that ANZ's New Zealand shareholders will obtain the benefit of New Zealand imputation credits for ANZ's 2013 interim dividend. New Zealand imputation credits of NZ 9 cents per ordinary share will be attached to the dividend," Mr Hisco said.

A table of key financial information follows

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Profit	**Half year Mar 2013 $M**	**Half year Sep 2012 $M**	**Half year Mar 2012 $M**	**Movt Mar 13 v Sep 12 $M**	**Movt Mar 13 v Mar 12 $M**	**Movt Mar 13 v Sep 12 %**	**Movt Mar 13 v Mar 12 %**
Net interest income	**1,303**	1,347	1,362	(44)	(59)	-3%	-4%
Other external operating income	**457**	482	428	(25)	29	-5%	7%
Operating income	**1,760**	1,829	1,790	(69)	(30)	-4%	-2%
Operating expenses	**765**	868	857	(103)	(92)	-12%	-11%
Profit before credit impairment and income tax	**995**	961	933	34	62	4%	7%
Provision for credit impairment	**43**	96	98	(53)	(55)	-55%	-56%
Profit before income tax	**952**	865	835	87	117	10%	14%
Income tax expense	**253**	192	223	61	30	32%	13%
Cash profit	**699**	673	612	26	87	4%	14%
Reconciliation of cash profit to statutory profit							
Cash profit	**699**	673	612	26	87	4%	14%
Reconciling items (net of tax):							
Economic hedging volatility[1]	**(42)**	(41)	(4)	(1)	(38)	2%	large
Insurance policy asset valuations[2]	**(2)**	18	7	(20)	(9)	large	large
Statutory profit	**655**	650	615	5	40	1%	7%
Consisting of:							
Retail	**177**	185	179	(8)	(2)	-4%	-1%
Commercial	**332**	299	297	33	35	11%	12%
Operations & Support	**(12)**	(75)	(58)	63	46	-84%	-79%
New Zealand Businesses	**497**	409	418	88	79	22%	19%
Wealth	**38**	36	29	2	9	6%	31%
Institutional	**166**	142	173	24	(7)	17%	-4%
Other	**(2)**	86	(8)	(88)	6	large	-75%
Cash profit	**699**	673	612	26	87	4%	14%
Reconciling items	**(44)**	(23)	3	(21)	(47)	91%	large
Statutory profit	**655**	650	615	5	40	1%	7%

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.