

News Release

5 May 2023

Solid first half year result for ANZ New Zealand

ANZ New Zealand¹ (ANZ NZ) today reported a cash net profit after tax (NPAT) of \$1,107 million for the six months to 31 March 2023, a 1% increase on the six months to 30 September 2022.

Statutory NPAT², which includes gains and losses from economic hedges, was \$1,002 million, decreasing by 17% over the same period.

Key Points

All comparisons are against the six months ended 30 September 2022

- Cash profit of NZ\$1,107 million, up 1%
- Statutory profit of NZ\$1,002 million, down 17%
- Revenue up 4%
- Expenses down 2% mainly due to completion of the RBNZ's new Outsourcing Policy (BS11) project, partially offset by inflationary increases
- Credit impairment charge of NZ\$121 million, up NZ\$62 million
- Customer deposits and net loans and advances broadly flat
- Funds under management up 8% to \$36.9 billion

ANZ Bank New Zealand CEO Antonia Watson said: "This was a good result where all parts of our business performed well and one that prepares us for the uncertain economic environment ahead.

"Our team achieved a great deal this half, including the completion of the single largest regulatory project in the history of the broader ANZ Group. Known as BS11³, it enables us to operate independently of ANZ Group systems and processes in the unlikely event of an abrupt loss of service.

"The New Zealand economy has remained remarkably resilient, however the impact of a softening housing market, stubbornly high inflation and the impact of a rising official cash rate is starting to have a material impact on businesses and households.

"While a rising interest rate environment contributed to the result, this was offset by intense competition in home lending, which we expect to remain a feature of the market for some time into the future.

¹ 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, the New Zealand branch of Australia and New Zealand Banking Group Limited and other New Zealand non-banking entities owned by 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. Refer to Summary of key financial information for details of reconciling items between cash profit and statutory profit.

³ BS11 is The Reserve Bank of New Zealand's new Outsourcing Policy.

"I acknowledge this is a large profit number, however it needs to be put into the context of the size of our business and the role banks like ANZ NZ play in supporting economic activity in New Zealand, particularly during periods of uncertainty.

"The actual profitability of ANZ NZ, which measures our returns versus the amount of capital committed by shareholders, is middle of the pack when compared to large companies listed on the New Zealand stock exchange⁴," said Ms Watson.

Supporting Customers

Ms Watson also acknowledged the difficult circumstances facing New Zealanders across the country with many dealing with rising cost-of-living and recent natural disasters that have devastated large parts of the country.

"With the flooding in Auckland in January and Cyclone Gabrielle in February, this has been a tough six months for many New Zealanders. As the country's largest bank, we are acutely aware of the role we play in supporting customers through tough times and have a team dedicated to working directly with impacted customers and communities," Ms Watson said.

ANZ NZ has provided support for customers impacted by the floods and Cyclone Gabrielle with emergency access to over \$11 million of interest free funds and has waived around \$1.3 million in fees. ANZ NZ also pledged \$3 million to support communities impacted by the cyclone.

"We've been working with partner organisations and have made direct donations to The Red Cross Disaster Relief Fund, iwi and primary sector groups to support the incredible work they are doing with community and whānau on the ground," she added.

Ms Watson said while the recent drop in annual inflation was encouraging, it remained at record levels with the potential for more pressure due to the impact of the recent natural disasters.

"We're closely monitoring how our customers are managing, particularly as people come off lower fixed-rate loans. We have a team proactively contacting customers to make sure they're aware of their options to manage repayments and provide support for those who need it.

"The reality is the Reserve Bank has been increasing the official cash rate as a necessary tool to bring down inflation, which left unchecked, will impact people's savings, and push up cost-of-living to unsustainable levels.

"Fortunately, many of our customers took the opportunity to pay down debt while interest rates were low, and a third are ahead on their home loans by six months or more. Customers are also benefiting from term-deposit rates being around five times higher for popular terms than they were before rates began rising."

⁴ KPMG Financial Institutions Performance Survey: Banks – Review of 2022

Outlook

"From talking to business customers across the country, confidence remains very subdued as high interest rates and escalating costs impact business profitability against a backdrop of weakening demand.

"Given the ongoing uncertain environment, we need to remain cautious, which is reflected in the increase in credit provisions."

ANZ NZ recognised a credit impairment charge of \$121 million, and total credit impairment provisions increased to \$860 million.

Ms Watson said the Reserve Bank of New Zealand's (RBNZ) new capital rules equate to an increase in minimum regulatory capital required of \$3.3 billion by 1 July 2023 and will require ongoing regulatory capital uplift until 2028.

"Recent events in global banking also remind us of the importance of strong, safe, and well capitalised banks. Fortunately, ANZ NZ remains in a strong position to meet the housing, business and trading needs of the country," Ms Watson said.

Other highlights include:

- ANZ NZ's Good Energy Home Loan has supported over 4,800 Kiwi households to reach their energy efficiency goals with more than \$200 million drawn down in lending (at 30 April 2023).
- Helped over 8,000 customers build a new home with \$4.5 billion of discounted lending through Blueprint to Build.
- Simplified the process for those applying for a KiwiSaver significant hardship withdrawal for amounts up to \$5,000, assisting 281 customers with their applications.
- Donated \$100,000 to the Auckland Mayoral Relief Fund to support local communities in the response to the extreme flooding event.
- The ANZ NZ Staff Foundation payroll giving programme allocated over \$1 million to 81 charities in the last 12 months.
- Joined other companies in publicly reporting the organisation's Māori and Pasifika pay gap – the difference between the average pay for Māori and Pasifika and the average pay for Pākehā/European employees.
- Committed to reporting annually accessibility and inclusion efforts as part of our Accessibility and Inclusion Plan.
- Released Watch Wāhine Win: research into the role ethnicity plays in women's success.
- Reinforced commitment to supporting women's sport by becoming a major sponsor for Netball New Zealand and the Silver Ferns.
- Helped 1,327 kids play cricket this season with \$100,000 in fee subsidies.

A table of key financial information follows:

Summary of key financial information ANZ New Zealand

	Half year			Movement		Movement	
	Mar 23	Sep 22	Mar 22	Mar 23 v. Sep 22		Mar 23 v. Mar 22	
	NZ\$m	NZ\$m	NZ\$m	NZ\$m	%	NZ\$m	%
Net interest income	2,127	2,000	1,761	127	6%	366	21%
Other operating income	363	401	383	(38)	-9%	(20)	-5%
Operating income	2,490	2,401	2,144	89	4%	346	16%
Operating expenses	(809)	(822)	(824)	13	-2%	15	-2%
Profit before credit impairment and income tax	1,681	1,579	1,320	102	6%	361	27%
Credit impairment release/(charge)	(121)	(59)	20	(62)	large	(141)	large
Profit before income tax	1,560	1,520	1,340	40	3%	220	16%
Income tax expense	(439)	(424)	(372)	(15)	4%	(67)	18%
Non-controlling interests ¹	(14)	-	-	(14)	n/a	(14)	n/a
Cash profit	1,107	1,096	968	11	1%	139	14%
Economic hedges ²	(105)	107	128	(212)	large	(233)	large
Statutory profit¹	1,002	1,203	1,096	(201)	-17%	(94)	-9%
Comprising:							
Personal	566	562	442	4	1%	124	28%
Business	274	258	284	16	6%	(10)	-4%
Central Functions	2	2	20	-	0%	(18)	-90%
New Zealand Division	842	822	746	20	2%	96	13%
Institutional	271	258	211	13	5%	60	28%
Group Centre	(6)	16	11	(22)	large	(17)	large
Cash profit	1,107	1,096	968	11	1%	139	14%
Economic hedges ²	(105)	107	128	(212)	large	(233)	large
Statutory profit¹	1,002	1,203	1,096	(201)	-17%	(94)	-9%
<p>1. <i>Non-controlling interests and Statutory profit</i></p> <p>Profit attributable to non-controlling interests comprises dividends paid to holders of NZX listed preference shares issued by ANZ Bank New Zealand Ltd. Statutory profit shown above is that attributable to shareholders of ANZ Group Holdings Ltd.</p> <p>2. <i>Economic hedges</i></p> <p>Fair value gains and losses are recognised in the Income Statement on economic 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.</p>							

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