

2 May 2024



## **HY24 Results: Resilient result in subdued economic environment**

Bank of New Zealand (BNZ) today announced a statutory net profit of \$762 million for the six months to 31 March 2024, a decrease of \$43 million or 5.3% on the prior year.

This reflects continued growth in BNZ's lending and deposits, and an increase in operating expenses, up \$64 million or 11.1%, as BNZ invested in its people and digital capability.

BNZ CEO Dan Huggins says this is a resilient result in a subdued economic environment and the bank is in a strong position to continue supporting its customers.

"High interest rates and cost of living pressures continue to impact business and household finances.

"While easing inflation is encouraging, it is expected to remain outside of the Reserve Bank's target band until the end of year. Economic conditions are likely to remain challenging until there is a material reduction in interest rates.

"Supporting our customers through these challenging times remains our top priority.

"Our teams continue to proactively contact customers who we have identified as potentially needing additional support. For customers feeling under pressure, our message is get in touch."

Revenue for the first six months was broadly flat at \$1,770 million, while Net Interest Margin dropped by eight basis points on the prior year, reflecting strong competition across the banking sector and a change in deposit mix as customers shifted funds into term deposits to take advantage of higher interest rates.

Mr Huggins says despite the challenging operating conditions, the bank has maintained momentum across the business.

"Our team is focused on serving our customers brilliantly every day and supporting their ambitions, whether that's investing in their business or buying their first, or next, home."

"This focus is paying off with more New Zealanders choosing to bank with BNZ."

BNZ's total lending increased \$2.4 billion or 2.4% in the first six months, with home lending up \$1.1 billion or 1.9% and business lending up \$1.3 billion or 3.0%. Total customer deposits increased by \$1.5 billion or 1.9%.

### **Innovating to make banking simpler and easier**

"We are always looking for new ways to integrate the latest technology into the way we work and how our customers' bank to enhance their experience and make banking simpler and easier," says Mr Huggins.

“We continue to invest heavily in protection measures to help keep our customers safer online, while also delivering digital solutions designed to free up time in their busy lives.

“Initiatives like our digital onboarding process which makes switching banks easier and faster for new customers by enabling them to open accounts digitally without having to go into a branch.

“Similarly, Open Banking, which will allow customers to share their data safely with third parties and enable more personalised products and innovative services for customers.”

BNZ has been leading the market in developing Open Banking APIs, with more than 250,000 BNZ customers already benefiting from secure budgeting and reconciliation tools and alternative payment options.

“We’re committed to continuing to drive innovation across our business to provide more value to our customers,” says Mr Huggins.

**ENDS**

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An unaudited summary of financial information for the six months ended 31 March 2024 follows:

## BNZ Banking Group

Income Statement Summary (NZ\$m)	Mar 24	Sep 23	Mar 23	Mar 24 v	Mar 24 v
				Sep 23 %	Mar 23 %
Net interest income	1,462	1,433	1,464	2.0	(0.1)
Gains less losses on financial instruments	144	126	119	14.3	21.0
Other operating income	164	163	192	0.6	(14.6)
<b>Total operating income</b>	<b>1,770</b>	<b>1,722</b>	<b>1,775</b>	<b>2.8</b>	<b>(0.3)</b>
Operating expenses	(641)	(645)	(577)	(0.6)	11.1
<b>Total operating profit before credit impairment charge and income tax expense</b>	<b>1,129</b>	<b>1,077</b>	<b>1,198</b>	<b>4.8</b>	<b>(5.8)</b>
Credit impairment charge	(71)	(93)	(79)	(23.7)	(10.1)
<b>Total operating profit before income tax expense</b>	<b>1,058</b>	<b>984</b>	<b>1,119</b>	<b>7.5</b>	<b>(5.5)</b>
Income tax expense on operating profit	(296)	(280)	(314)	5.7	(5.7)
<b>Net profit for the period<sup>1</sup></b>	<b>762</b>	<b>704</b>	<b>805</b>	<b>8.2</b>	<b>(5.3)</b>

Reconciling items to statutory net profit (BNZ Banking Group)	Mar 24	Sep 23	Mar 23	Mar 24 v	Mar 24 v
				Sep 23 %	Mar 23 %
Cash earnings <sup>2</sup> (NAB NZ Banking Reporting Segment)	750	700	813	7.1	(7.7)
Structural differences between NAB NZ Banking Reporting Segment and BNZ Banking Group	9	2	-	Large	Large
<b>Cash earnings (BNZ Banking Group)</b>	<b>759</b>	<b>702</b>	<b>813</b>	<b>8.1</b>	<b>(6.6)</b>
Fair value movements, hedging gains/(losses), and other reconciling items <sup>3</sup>	4	3	(11)	33.3	Large
Taxation on reconciling items	(1)	(1)	3	-	Large
<b>Net profit for the period<sup>1</sup></b>	<b>762</b>	<b>704</b>	<b>805</b>	<b>8.2</b>	<b>(5.3)</b>

BNZ Banking Group Balance Sheet Summary (NZ\$bn) <sup>4</sup>					
Loans and advances to customers	104.2	101.8	101.0	2.4	3.2
Total assets	128.9	130.1	126.5	(0.9)	1.9
Deposits and other borrowings	81.8	81.0	78.9	1.0	3.7
Total liabilities	116.2	118.2	115.1	(1.7)	1.0
Total shareholders' equity	12.8	11.9	11.3	7.6	13.3

Performance Measures					
Net interest margin	2.37%	2.36%	2.45%	1 bps	(8 bps)
Cost to income ratio	36.2%	37.5%	32.5%	(130 bps)	370 bps

1. Statutory net profit has been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). It complies with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards.

2. Cash earnings is a non-IFRS key financial performance measure used by BNZ for its internal management reporting as it better reflects what BNZ considers to be underlying performance. Cash earnings is calculated by excluding fair value movements and hedging gains/(losses) as they introduce volatility and/or distortion within the statutory net profit which is income neutral over the full term of transactions. A reconciliation of cash earnings to statutory net profit is included on the final page. Cash earnings is not a statutory financial measure, is not presented in accordance with NZ GAAP and is not audited or reviewed in accordance with International Standards on Auditing (New Zealand).

3. Unrealised fair value gains or losses on economic hedges that do not qualify for hedge accounting and hedge ineffectiveness causes volatility in statutory profit, which is excluded from cash earnings as it is income neutral over the full term of transactions. This arises from fair value movements relating to trading derivatives for risk management purposes; fair value movements relating to assets; liabilities and derivatives designated in hedge relationships; and fair value movements relating to asset and liabilities designated at fair value. Other reconciling items includes costs associated with discontinued operations of the NAB Group.

4. Spot volumes (unless otherwise stated)