

News Release

4 May 2022

Solid first half year result for ANZ New Zealand

ANZ New Zealand¹ (ANZ NZ) today reported a cash² net profit after tax (NPAT) of \$968 million for the six months to 31 March 2022, a 1% increase on the same period last year. Statutory NPAT, which includes gains and losses from economic hedges, was \$1,096 million, an 18% increase.

ANZ Bank New Zealand Ltd CEO Antonia Watson said the solid result reflects ongoing strength in the New Zealand housing market despite recent headwinds, including from rising interest rates.

"The business has successfully grown home loan market share and carefully navigated through significant regulatory change over the period.

"Spring and summer are the busiest time for the housing market, and while property values have fallen 4.1% since the November peak, they are still a good deal higher than they were a year ago.

"The Reserve Bank of New Zealand has taken an understandably cautious approach to the home loan market, tightening loan to value restrictions. The Government regulations enacting the changes to the Credit Contracts and Consumer Finance Act in December have also had an impact.

"Against this backdrop, ANZ NZ's market share of home loans increased from 30.38% in September 2021 to 30.66% in March 2022."

While the New Zealand economy again proved more resilient than expected in the first half of the financial year, there had been a noticeable change in consumer sentiment.

"With rising inflation and interest rates, and increasing uncertainty globally, we're starting to see New Zealanders tighten their belts and the current environment remains a challenge for many small and medium-sized businesses."

ANZ NZ was watching the situation carefully given ongoing economic uncertainty due to COVID-19, significant supply chain issues and heightened geopolitical tensions across the globe. Credit impairment provisions were broadly flat, with a \$20 million release recognised for the half.

"Since the first lockdown in 2020 many New Zealanders have been cautious with their finances and this appears to be continuing. Our data shows while interest rates

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 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. Refer to Summary of key financial information for details of reconciling items between cash profit and statutory profit.

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were low people took the opportunity to pay down debt where they could, and they've also kept up their savings habits."

ANZ data shows more than a third of customers are ahead on their home loan by six months or more.

Business and Institutional customers continued to manage well through ongoing uncertainty and the disruption caused by the pandemic in the first half of the financial year. In contrast to home lending growth, non-housing lending to Business and Institutional customers remained muted for the first half, increasing by \$900 million.

"Many of our business customers tell us that borrowing more money is often not the solution. While we do work with those seeking additional working capital support, many are using their existing cash resources or facilities," Ms Watson said.

ANZ NZ's Funds Management business saw a lot of change in the first half. Significant volatility in markets during the first six months of the year and the transfer of \$513 million of KiwiSaver default customers in December to newly appointed default providers meant KiwiSaver funds under management dropped overall by \$665 million from \$19.1 billion to \$18.5 billion.

Despite all the change, ANZ NZ remained the country's biggest private sector fund manager and KiwiSaver provider, managing over \$37 billion in investments for over 650,000 investors.

Other highlights include:

- ANZ NZ joined other companies in publicly reporting the organisation's gender pay gap – the high-level indicator of the difference between what women and men earn in a company.
- On sustainable finance, ANZ NZ acted as a lead manager or sustainability coordinator on six green, social or sustainable (GSS) bond transactions, three Sustainability Linked Loans and one Sustainability Linked Derivative, totalling over NZ\$2 billion.
- ANZ NZ supported New Zealand's largest ever sustainable financing worth NZ\$1.25 billion with Metlifecare and partnered with Auckland Council to create what is believed to be the country's first sustainability linked lending for a local authority, and one of the first Sustainability Linked Derivatives in the New Zealand market.
- ANZ NZ undertook and released a major piece of research – "Watch Women Win" - into female participation in sports.
- ANZ NZ reinforced its commitment to supporting women's sport by sponsoring the ICC Women's Cricket World Cup and creating the ANZ Next XI pathway to support rising cricket talent. 65 Community Cricket Grants have also been delivered.
- ANZ NZ Funds Management appointed its first Head of Responsible Investment.
- As part of the Bonus Bonds wind-up ANZ Investment Services made the first bondholder distribution in December 2021. Around 273,000 bondholders have redeemed their bonds, accounting for 90 percent of the funds invested. As part of this process 13,000 bondholders will donate more than \$300,000 to the Cancer Society of New Zealand.
- The ANZ Staff Foundation payroll giving programme allocated over \$400,000 to 38 charities in the first half of the financial year.

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Key Points

All comparisons are against the prior comparable period and on a cash basis unless noted otherwise

- Cash profit of NZ\$968 million, up 1%.
- Statutory profit of NZ\$1,096 million, up 18%.
- Revenue up 6% reflecting lending growth.
- Expenses up 8% due to investments in regulatory compliance projects, newly introduced compliance costs, partly offset by lower discretionary spending and productivity gains.
- Credit impairment release of \$20 million, down from a \$70 million release in March 2021.
- Customer deposits up 3.4% and net loans and advances up 3.8% from 30 September 2021.
- Funds under management down 4% to \$37.4 billion from 30 September 2021, reflecting the transfer of KiwiSaver default customers to other managers, the first Bonus Bonds wind up distribution, and market downturn.

A table of key financial information follows:

Summary of key financial information ANZ New Zealand

Profit	Half year	Half year	Half year	Mar 22 v	Mar 22 v	Mar 22 v	Mar 22 v
	Mar 22	Sep 21	Mar 21	Sep 21	Mar 21	Sep 21	Mar 21
	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	%	%
Net interest income	1,761	1,743	1,661	18	100	1%	6%
Other operating income	383	364	364	19	19	5%	5%
Operating income	2,144	2,107	2,025	37	119	2%	6%
Operating expenses	(824)	(843)	(764)	19	(60)	-2%	8%
Profit before credit impairment and income tax	1,320	1,264	1,261	56	59	4%	5%
Credit impairment release	20	45	70	(25)	(50)	-56%	-71%
Profit before income tax	1,340	1,309	1,331	31	9	2%	1%
Income tax expense	(372)	(364)	(369)	(8)	(3)	2%	1%
Cash profit	968	945	962	23	6	2%	1%
Reconciliation of cash profit to statutory profit							
Cash profit	968	945	962	23	6	2%	1%
Reconciling items (net of tax):							
Economic hedges ¹	128	44	(32)	84	160	large	large
Statutory profit	1,096	989	930	107	166	11%	18%
Comprising:							
Personal	442	457	521	(15)	(79)	-3%	-15%
Business	372	328	303	44	69	13%	23%
Central Functions	20	(3)	1	23	19	large	large
New Zealand Division	834	782	825	52	9	7%	1%
Institutional	123	161	140	(38)	(17)	-24%	-12%
Group Centre	11	2	(3)	9	14	large	large
Cash profit	968	945	962	23	6	2%	1%
Economic hedges ¹	128	44	(32)	84	160	large	large
Statutory profit	1,096	989	930	107	166	11%	18%

1. Economic hedges

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.

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