



## Media Release

9 May 2022

### Westpac New Zealand lifts cash earnings, supports customers

Westpac New Zealand (Westpac NZ)<sup>i</sup> has increased cash earnings<sup>ii</sup> by 9% for the six months ended 31 March 2022, compared with the same period last year, as it continues to support households and businesses through the pandemic.

Chief Executive Catherine McGrath said despite a changing economic outlook, Westpac NZ's customers remained resilient, which was reflected in the solid result.

"Six months ago the housing market was still reaching its peak, the Omicron variant hadn't emerged and there was peace in Europe. We've seen a real shift in trends since then, including significant growth in inflation.

"Most of our customers are adjusting well to the changing outlook and the economy remains strong.

"But some households and businesses will be feeling the pinch from rising costs, especially those that have already had their incomes disrupted by COVID-19 during the past two years.

"We want our customers to know our bankers are here to offer help and solutions. We will soon be increasing opening hours at more than half of our branches. This will mean our doors across our branch network will collectively be open for an extra 300 hours per week, giving our customers more time to pop in to see our team."

Ms McGrath said the sale of Westpac Life<sup>iii</sup> had added a one-off gain of \$126m to the financial result. However, a significant write-back in impairments that had boosted the result in the prior comparative period had not been repeated.

"Home lending rose by 7% and deposits rose by 6%, compared to the same period last year.

"House prices have started to come off their peak and our economists expect them to fall further before flattening. Generally speaking, this trend shouldn't worry recent home buyers who are in it for the long haul, and will give breathing space to first home buyers who are exploring their options."

### Sustainable lending

Ms McGrath said Westpac NZ was committed to helping its customers reach their sustainability goals.

"During the reporting period we have signed \$802m worth of sustainability-linked loans with organisations that included Pāmu, Genesis Energy, The Warehouse Group, Spark, Christchurch Airport and Metlifecare.

"These loans incentivise our customers to reach ambitious performance targets, such as reducing carbon emissions, improving packaging or ensuring diversity across their business. Customers are charged a discounted interest rate, but only if they hit their targets.

“We know as a major provider of capital we have a powerful opportunity to help our customers lift their sustainability performance and business resilience, and that is what our sustainability-linked loans are designed to support.

“When working with customers to structure sustainability-linked loans, our team seeks out rigorous, science-based emissions reductions targets and sustainability goals that will make a material difference.”

Ms McGrath said Westpac NZ had also launched a \$1 million funding pool through the Westpac NZ Government Innovation Fund, aimed at incentivising decarbonisation<sup>iv</sup>.

“We need big ideas to address climate change and this fund will help support that.”

## **Together Greater**

Ms McGrath said Westpac NZ was committed to working together with its customers, communities and other stakeholders to be ‘Together Greater’.

“During the half year period we ticked over 40 years as supporters of Westpac Rescue Helicopters, which was a real milestone.

“We’re also on a mission to make banking more inclusive. We launched our New Start programme with the Department of Corrections across all prisons in February<sup>v</sup>. The scheme assists prisoners near release to obtain an ID, bank account and debit card, helping them to reintegrate into society.

“Our housing team has also been busy. We were one of two banks to join Kāinga Ora’s First Home Partner shared equity scheme in October last year. It enables eligible homebuyers to apply to Kāinga Ora for an equity contribution towards the purchase of a home. We’ve now pre-approved more than a hundred loans as part of this scheme.”

Ms McGrath said Westpac NZ continued to support its business customers as they navigated volatile trading conditions.

“We’ve been finding new ways to talk to businesses. Our interactive Westpac Smarts online webinars, covering topics like human resources, succession planning and supply chain issues, have proven useful to many customers.”

## **Key Financials**

*(All comparisons are for the six months ended 31 March 2022 versus the same period last year)*

- Cash earnings of \$635m, up 9%
- Core earnings of \$825m, up 16%
- Net operating income of \$1,389m, up 12%
- Operating expenses of \$564m, up 5%
- Net impairment benefit of \$10m, compared with an impairment benefit of \$99m in the previous comparative period
- Net interest margin 1.98%, down 8 basis points

Funds under management in the Westpac KiwiSaver Scheme<sup>vi</sup> increased 8% year-on-year, to \$9.3 billion as at 31 March 2022. The average Westpac KiwiSaver Scheme balance decreased 1% over the same period to \$22,069, driven partly by an influx of new default members with generally lower balances.

“We were particularly pleased to welcome 37,000 transferring KiwiSaver members to our new Default Balanced Fund in December and January, following our reappointment as one of six default providers,” said Ms McGrath.

“We look forward to helping those members meet their investment goals, be it saving for retirement or a first home.”

### **Strategic focus**

Ms McGrath, who started her role in November, said Westpac NZ was continuing to focus on strengthening the foundations of the bank.

“We have put a lot of focus and resources into risk, technology and regulatory compliance. We commissioned independent reviews of our liquidity risk management and risk governance, as required by the Reserve Bank of New Zealand and are progressing well on fixing issues in these areas.

“At the same time, we have a number of new faces on our refreshed Board and executive, and it’s exciting gaining those new perspectives as we look to the future.”

### **About Westpac NZ**

*Westpac NZ has been serving New Zealanders since 1861 and is today one of the country’s largest full-service banks with more than 1.3 million customers.*

*We provide banking, wealth and insurance products and services for consumer, business and institutional customers in New Zealand.*

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<sup>i</sup> Westpac New Zealand is a segment of Westpac Banking Corporation (WBC). Westpac New Zealand includes, but is not limited to, Westpac New Zealand Limited, BT Funds Management (NZ) Limited and WBC (New Zealand branch). Westpac Life-NZ- Limited was included in Westpac New Zealand until 28 February 2022 when the completion of the sale by Westpac Financial Services Group-NZ- Limited (a subsidiary of Westpac Banking Corporation) to Fidelity Life Assurance Company Limited occurred. The financial results of Westpac New Zealand Limited will be available in the Westpac New Zealand Limited Disclosure Statement, with a reconciliation between the two results also provided in the Westpac New Zealand Summary Financials section of this media release.

<sup>ii</sup> Cash earnings are a measure of performance used by the Westpac Group, which adjusts statutory profit for any material items that do not reflect ongoing operations, items that are not considered when dividends are recommended and accounting reclassifications between line items that do not impact reported results. Cash earnings are not presented in accordance with Generally Accepted Accounting Practice (‘GAAP’) and are not audited or reviewed in accordance with International Standards on Auditing (New Zealand).

<sup>iii</sup> <https://www.westpac.co.nz/about-us/media/westpac-completes-sale-of-new-zealand-life-insurance-business-to-fidelity-life/>

<sup>iv</sup> <https://www.westpac.co.nz/about-us/media/million-dollar-prize-up-for-grabs-for-innovators-working-to-decarbonise-aotearoa/>

<sup>v</sup> <https://www.westpac.co.nz/about-us/media/westpac-nz-and-corrections-helping-reintegrate-people-leaving-prison/>

<sup>vi</sup> BT Funds Management (NZ) Limited is the scheme provider and issuer and Westpac New Zealand Limited is a distributor of the Westpac KiwiSaver Scheme. A copy of the product disclosure statement for the Westpac KiwiSaver Scheme is available from any Westpac branch in New Zealand or by visiting [www.westpac.co.nz](http://www.westpac.co.nz)

## Westpac New Zealand Summary Financials

<b>Summary Profit &amp; Loss</b>	<b>Six Months</b>	<b>Six Months</b>	<b>Six Months</b>	<b>% Movement</b>	<b>% Movement</b>
<b>NZ\$ millions</b>	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>	<b>Mar 22 vs.</b>	<b>Mar 22 vs.</b>
	<b>31 Mar 22</b>	<b>30 Sep 21</b>	<b>31 Mar 21</b>	<b>Sep 21</b>	<b>Mar 21</b>
Net interest income	1,102	1,052	1,066	5%	3%
Non-interest income	287	166	179	73%	60%
<b>Net operating income</b>	<b>1,389</b>	<b>1,218</b>	<b>1,245</b>	<b>14%</b>	<b>12%</b>
Operating expenses	(564)	(596)	(536)	(5%)	5%
<b>Core earnings</b>	<b>825</b>	<b>622</b>	<b>709</b>	<b>33%</b>	<b>16%</b>
Impairment (charges)/benefits	10	(15)	99	large	(90%)
<b>Operating profit before tax</b>	<b>835</b>	<b>607</b>	<b>808</b>	<b>38%</b>	<b>3%</b>
Taxation	(200)	(177)	(225)	13%	(11%)
<b>Cash earnings<sup>1</sup></b>	<b>635</b>	<b>430</b>	<b>583</b>	<b>48%</b>	<b>9%</b>
Net interest Margin (%) <sup>2</sup>	1.98%	1.94%	2.06%	4 bps	(8 bps)
<b>Reconciliation of cash earnings to statutory profit</b>					
Cash earnings of Westpac New Zealand	635	430	583	48%	9%
Structural differences between Westpac NZ and WNZL Banking Group <sup>3</sup>	(143)	(31)	(44)	large	large
Intergroup funding, notional charges and other reconciling items <sup>4</sup>	(4)	(8)	(41)	(50%)	(90%)
Taxation	9	17	25	(47%)	(64%)
<b>Net profit of WNZL Banking Group ('Statutory profit')<sup>5</sup></b>	<b>497</b>	<b>408</b>	<b>523</b>	<b>22%</b>	<b>(5%)</b>

<b>Summary Balance Sheet</b>				<b>% Movement</b>	<b>% Movement</b>
<b>NZ\$ billions</b>	<b>31 Mar 22</b>	<b>30 Sep 21</b>	<b>31 Mar 21</b>	<b>Mar 22 vs.</b>	<b>Mar 22 vs.</b>
				<b>Sep 21</b>	<b>Mar 21</b>
<b>Total deposits<sup>6</sup></b>	<b>78.4</b>	<b>75.9</b>	<b>74.1</b>	<b>3%</b>	<b>6%</b>
<b>Net loans</b>	<b>94.0</b>	<b>92.6</b>	<b>90.6</b>	<b>2%</b>	<b>4%</b>
Mortgages	62.2	60.9	58.4	2%	7%
Business	31.0	31.0	31.3	-	(1%)
Other	1.2	1.2	1.4	-	(14%)
Provisions	(0.4)	(0.5)	(0.5)	(20%)	(20%)
<b>Deposit to loan ratio</b>	<b>83.40%</b>	<b>81.97%</b>	<b>81.79%</b>	<b>143 bps</b>	<b>161 bps</b>

<sup>1</sup> Cash earnings are a measure of performance used by the Westpac Group, which adjusts statutory profit for any material items that do not reflect ongoing operations, items that are not considered when dividends are recommended and accounting reclassifications between line items that do not impact reported results. Cash earnings are not presented in accordance with Generally Accepted Accounting Practice ('GAAP') and are not audited or reviewed in accordance with International Standards on Auditing (New Zealand).

<sup>2</sup> Net interest margin is calculated on a cash earnings basis.

<sup>3</sup> Relates to results of entities included in Westpac NZ which do not form part of WNZL Banking Group and results of entities excluded in Westpac NZ but included in WNZL Banking Group.

<sup>4</sup> Relates to differences in treatment of intercompany borrowing and expenses between Westpac NZ and WNZL Banking Group. This also includes internal transfer pricing included in Westpac NZ but excluded from WNZL Banking Group and other reconciling items.

<sup>5</sup> Statutory profit has been prepared in accordance with GAAP. It complies with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards.

<sup>6</sup> Total deposits in this table refers to total customer deposits.