News Release

27 October 2022

Strong full year result for ANZ New Zealand

ANZ New Zealand[1] (ANZ NZ) today reported a cash[2] net profit after tax (NPAT) for the 12 months to 30 September 2022 of $2,064 million, 8% up on the 2021 financial year. Statutory NPAT, which includes gains and losses from economic hedges, was $2,299 million, a 20% increase.

ANZ Bank New Zealand Ltd (ANZ Bank NZ) Chief Executive Antonia Watson said the 8% increase in profit was a result of a combination of pent-up economic activity post the pandemic and a buoyant housing market.

“Coming into the 2021-2022 financial year we didn’t anticipate the New Zealand economy would hold up as well as it has,” Ms Watson said.

“While inflation and supply chain problems, particularly for importers and exporters, were an issue for many customers throughout the year the desire to get back to some kind of normal kept consumer spending up.

“While the housing market has quietened significantly in recent months, following four Official Cash Rate (OCR) rises since May, it was strong for most of the financial year.”

Home lending increased $5.3 billion to $104 billion over the 12 months to 30 September 2022.

Business and Institutional customers continued to manage well despite many facing challenges throughout the year, including cost inflation, supply chain difficulties, and finding staff. Non-housing lending to Business and Institutional customers — including agri — remained muted, increasing by $700 million.

The Reserve Bank of New Zealand’s (RBNZ) new capital rules equate to an increase in minimum regulatory capital required of $2.2 billion over the course of the year[3], and will require ongoing regulatory capital uplift until 2028.

“Banks are a reflection of the economies they operate in, and New Zealand has been far more resilient than expected,” Ms Watson said.

“Many of our customers have taken the opportunity to pay down debt and increase their savings. This caution is wise given the dark clouds on the horizon.

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[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.
[3]ANZ Bank NZ Ltd group increased its total regulatory capital by $1.3 billion during FY22, with the remainder having been accumulated in prior periods.

"Inflation is stubbornly high and that will mean higher costs of living and higher interest rates for longer. Global growth and geopolitical issues outside New Zealand's control could also severely impact the country in 2023.

"The uncertain environment means New Zealanders need to be cautious."

That was the main reason for ANZ NZ increasing its credit impairment provisions to $751m, with a $39 million charge recognised for FY22.

She said ANZ NZ had in recent months stood up a team to closely monitor customers for signs they might be concerned about managing their finances or coming under financial pressure as interest rates rise and the economy slows. It had also bolstered the bank's Customer Financial Wellbeing team and was proactively reaching out to those who showed signs of needing reassurance and support.

"At the moment, the vast majority of customers are in a sound financial position but we know that many will roll off fixed home loans onto higher rates over the coming year. When that happens some will be under financial pressure."

She said it wasn't in anyone's interests for people to get into financial stress.

"That's why we're keen to talk with customers sooner rather than later if there are any signs of problems to see if, for example, we can structure their finances differently to relieve some pressure."

She said ANZ had been in the country in one form or another since 1840 and was committed to supporting New Zealanders through any tough times ahead.

"We're in a strong position to support our customers through times of economic uncertainty and to help build future prosperity and security for Aotearoa."

During the year ANZ NZ largely completed the delivery of the RBNZ's new Outsourcing Policy (BS11).

The five year project came at considerable cost and requires ANZ Bank NZ to operate independently of ANZ Group systems and processes in the highly unlikely event of abrupt loss of service from ANZ Group.

Other highlights include:

- ANZ NZ launched the Business Green Loan – the loan is the first of its kind available in New Zealand, has the lowest advertised floating rate in the market for a green loan and is linked to the Green Loan Principles.
- ANZ NZ launched the low-interest ANZ Good Energy Home Loan top up, more than $74m has been drawn down in 15 weeks to fund energy efficiency initiatives.
- Helped over 8,300 customers build a new home with $4.1b of discounted lending through Blueprint to Build.
- ANZ NZ participated in 22 Sustainable Finance transactions during the year up from 14 the prior year.
- ANZ NZ introduced six weeks of paid gender affirmation leave, and up to 12 months' unpaid leave where staff are taking steps to affirm their gender.
- 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.
- The ANZ Staff Foundation payroll giving programme allocated over $1.1m to 93 charities.

- ANZ NZ paid $9m in sponsorship and donations.
- Daffodil Day fundraising collected more than $1m for The Cancer Society.
- ANZ NZ reinforced its commitment to supporting women's sport by sponsoring the ICC Women's Cricket World Cup. The sponsorship programme also awarded 65 Community Cricket Grants and launched the ANZ Next XI programme to support rising cricket talent. We also provided a $100,000 fund to subsidise club cricket fees, with 1327 children awarded a grant.
- Launched Tākiri Ā Rāngi, ANZ NZ's Te Ao Māori strategy.

Key Points

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

- Statutory profit of NZ$2,299 million, up 20%.
- Cash profit of NZ$2,064 million, up 8%.
- Revenue up 10% reflecting lending volume and net interest margin growth.
- Expenses up 2% mainly due to higher investment spend and inflationary impacts.
- Credit impairment charge of $39 million, compared to a $115 million release in FY21.
- Customer deposits up 4.2% and net loans and advances up 4.5%.
- Funds under management down 12% to $34.3 billion, reflecting the transfer of KiwiSaver default customers to other managers, Bonus Bonds wind up distributions, and market downturn.

A table of key financial information follows:

Summary of key financial information
ANZ New Zealand

Profit	Half year Sep 22 NZ$m	Half year Mar 22 NZ$m	Sep 22 v Mar 22 NZ$m	Sep 22 v Mar 22 %	Full year Sep 22 NZ$m	Full year Sep 21 NZ$m	Sep 22 v Sep 21 NZ$m	Sep 22 v Sep 21 %
Net interest income	**2,000**	1,761	239	14%	**3,761**	3,404	357	10%
Other operating income	**401**	383	18	5%	**784**	728	56	8%
Operating income	**2,401**	2,144	257	12%	**4,545**	4,132	413	10%
Operating expenses	**(822)**	(824)	2	0%	**(1,646)**	(1,607)	(39)	2%
Profit before credit impairment and income tax	**1,579**	1,320	259	20%	**2,899**	2,525	374	15%
Credit impairment release/(charge)	**(59)**	20	(79)	large	**(39)**	115	(154)	large
Profit before income tax	**1,520**	1,340	180	13%	**2,860**	2,640	220	8%
Income tax expense	**(424)**	(372)	(52)	14%	**(796)**	(733)	(63)	9%
Cash profit	**1,096**	968	128	13%	**2,064**	1,907	157	8%
Reconciliation of cash profit to statutory profit								
Cash profit	**1,096**	968	128	13%	**2,064**	1,907	157	8%
Reconciling items (net of tax):								
Economic hedges[1]	**107**	128	(21)	-16%	**235**	12	223	large
Statutory profit	**1,203**	1,096	107	10%	**2,299**	1,919	380	20%
Comprising:								
Personal	**562**	442	120	27%	**1,004**	978	26	3%
Business	**370**	372	(2)	-1%	**742**	631	111	18%
Central Functions	**2**	20	(18)	-90%	**22**	(2)	24	large
New Zealand Division	**934**	834	100	12%	**1,768**	1,607	161	10%
Institutional	**146**	123	23	19%	**269**	301	(32)	-11%
Group Centre	**16**	11	5	45%	**27**	(1)	28	large
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Economic hedges[1]	**107**	128	(21)	-16%	**235**	12	223	large
Statutory profit	**1,203**	1,096	107	10%	**2,299**	1,919	380	20%

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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