

9 November 2022



## **FY22 Results: BNZ backing business to support New Zealand**

Bank of New Zealand (BNZ) says it is well placed to support its customers through continued economic uncertainty as it released its financial results for the year ended 30 September 2022.

BNZ announced its statutory net profit increased by \$92 million or 7% to \$1.4 billion, driven by continued housing and business lending growth partly offset by increased expenses and credit impairment charges.

### **Supporting New Zealand businesses**

BNZ CEO Dan Huggins says, BNZ has continued to stand behind its business customers, supporting them to invest in and grow their operations, as New Zealand's economy has proven to be more resilient than expected.

Over the past 12 months, BNZ's business lending increased by \$2.5 billion (6%).

Agriculture plays a critical role in the health of the economy. As New Zealand's second largest agribusiness lender, BNZ is actively backing farmers and growers, with new or increased lending to nearly 2,000 customers over the financial year.

Mr Huggins says, New Zealand's business owners can be proud of the work they've done to support our economy and create jobs, despite facing labour shortages, inflation pressure and on-going supply chain disruptions.

"Businesses have proven to be the economy's shock absorber. Having more New Zealanders in stable employment has helped them better manage financial challenges like the rising cost of living.

"While there will be more challenges ahead, there will also be opportunities. We're doing our part to help businesses, by providing them with the tools they need to better serve their customers and make doing business simpler and easier."

### **Helping customers and communities navigate uncertainty**

"While New Zealand's economy has shown resilience, and the majority of our customers are in good shape, with interest rate increases and the rising cost of living more New Zealanders are going to find it tough.

"We've supported New Zealanders facing these sorts of challenges before. Our advice to customers is talk to us. The sooner you get in touch the more options we'll have to find a way forward together," says Mr Huggins.

For nearly a decade, BNZ's dedicated Customer Assist team has been solely focused on helping customers who are under financial pressure and in need of our support.

This year, BNZ expanded its community partnerships to help even more New Zealanders access financial support if they need it. This includes supporting Good Shepherd NZ to offer all Good Loans interest free, working with PaySauce to provide more New Zealanders with access to their pay early if they need it, and supporting the expansion of Habitat for Humanity NZ's home repair programme to help more New Zealanders live in warm, dry homes.

### **Transitioning to a more sustainable New Zealand**

Mr Huggins says BNZ has continued to strengthen its range of sustainable lending initiatives to help New Zealand transition to a low emissions future.

“As a bank, we’re in a unique position to help drive change by creating incentives for our customers to be more sustainable. We’ve recently increased our funding available for initiatives embracing green technologies to support New Zealanders ambitions to make their businesses, farms or homes cleaner and greener.

“Looking ahead, we’ve committed to delivering \$10 billion in sustainable finance by 2025.”

### **Thank you to our customers and our people**

“I want to take this opportunity to thank BNZ’s loyal customers and employees for their continued support,” says Mr Huggins.

“As we have done for the past 160 years, we will find a way together to realise our customers’ ambitions and turn their goals into reality.”

### **Key Financial Items**

*Note: compared to the year ended 30 September 2021, unless otherwise stated.*

- Statutory net profit of \$1,414 million increased by \$92 million (or 7%)
- Loans and advances to customers increased by \$4.6 billion (or 4.9%) supported by home loan and business lending growth
- Customer deposits increased 4.3%
- KiwiSaver funds under management increased by \$256 million, up 6%
- Total Capital Ratio 15.4% – more than \$12 billion invested in New Zealand
- More than \$600 million of payments to New Zealand employees and more than \$500 million in New Zealand income tax paid in last 12 months

### **ENDS**

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An unaudited summary of financial information for the year ended 30 September 2022 follows:

## BNZ Banking Group<sup>1</sup>

<b>Income Statement Summary (NZ\$m)</b>	<b>Sep 22</b>	<b>Sep 21</b>	<b>Sept 22 v Sept 21 %</b>
Net interest income	2,504	2,181	14.8
Gains less losses on financial instruments	251	277	(9.4)
Other operating income	376	401	(6.2)
<b>Total operating income</b>	<b>3,131</b>	<b>2,859</b>	<b>9.5</b>
Operating expenses	(1,076)	(1,060)	1.5
<b>Total operating profit before credit impairment charge and income tax expense</b>	<b>2,055</b>	<b>1,799</b>	<b>14.2</b>
Credit impairment write-back / (charge)	(89)	37	Large
<b>Total operating profit before income tax expense</b>	<b>1,966</b>	<b>1,836</b>	<b>7.1</b>
Income tax expense on operating profit	(552)	(514)	7.4
<b>Net profit attributable to shareholder of Bank of New Zealand<sup>2</sup></b>	<b>1,414</b>	<b>1,322</b>	<b>7.0</b>

<b>Reconciling items to statutory net profit (BNZ Banking Group)</b>	<b>Sep 22</b>	<b>Sep 21</b>	<b>Sept 22 v Sept 21 %</b>
Cash earnings <sup>4</sup> (NAB NZ Banking Reporting Segment)	1,403	1,230	14.1
Structural differences between NAB NZ Banking Reporting Segment and BNZ Banking Group	(16)	56	(128.6)
<b>Cash earnings (BNZ Banking Group)</b>	<b>1,387</b>	<b>1,286</b>	<b>7.9</b>
Fair value movements, hedging gains/(losses), and other reconciling items <sup>5</sup>	38	50	(24.0)
Taxation on reconciling items	(11)	(14)	(21.4)
<b>Net profit attributable to shareholder of Bank of New Zealand</b>	<b>1,414</b>	<b>1,322</b>	<b>7.0</b>

<b>BNZ Balance Sheet Summary (NZ\$bn)<sup>6</sup></b>	<b>Sep 22</b>	<b>Sep 21</b>	<b>Sept 22 v Sept 21 %</b>
Loans and advances to customers	99.3	94.7	4.9
Total assets	131.4	119.1	10.3
Deposits and other borrowings	78.2	78.0	0.3
Total liabilities	120.4	109.2	10.3
Total shareholder's equity	11.1	9.9	12.1

<b>Performance Measures</b>	<b>Sep 22</b>	<b>Sep 21</b>	<b>Sept 22 v Sept 21 %</b>
Cash earnings on average assets	1.15%	1.10%	5 bps
Net interest margin	2.15%	2.02%	13 bps
Cost to income ratio	34.4%	37.1%	(271 bps)

1. BNZ Banking Group excludes the Insurance operation in New Zealand and includes BNZ's Markets Trading operations and other central units.

2. 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.

3. 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).

4. NAB NZ Banking Reporting Segment consists of Partnership Banking, servicing retail, business and private customers; Corporate and Institutional Banking, servicing corporate and institutional customers, and includes Markets Sales operations in New Zealand. New Zealand Banking also includes the Wealth and Insurance franchises operating under the 'Bank of New Zealand' brand. It excludes the Bank of New Zealand's Markets Trading operations.

5. 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.

6. Spot volumes (unless otherwise stated)