

## News release

7 May 2024

### **ANZ New Zealand delivers solid first half year result in challenging conditions**

ANZ New Zealand<sup>1</sup> (ANZ NZ) today reported a cash<sup>2</sup> net profit after tax (NPAT) of \$1,155 million for the six months to 31 March 2024, consistent with the \$1,155 million recorded for the six months to 30 September 2023.

Statutory NPAT, which includes gains and losses from economic hedges, was \$1,038 million, decreasing by 8% over the same period.

ANZ Bank NZ CEO Antonia Watson said banks reflect the economies they operate in, and New Zealand had entered a more challenging period.

"This is a solid result which reflects a degree of resilience across the economy in the face of economic headwinds, and how we have been faring as a nation.

"In the second half of last year our performance slowed and we're now seeing the impact of stubbornly high inflation, an official cash rate on hold at a restrictive level, rising unemployment, and the flow on effect into business and consumer confidence.

"These pressures are likely to continue throughout the year with unemployment expected to rise further, and more households and Kiwi businesses feeling the impact of that," Ms Watson said.

"However, we've managed our business well through the challenging conditions and remain focussed on supporting our customers."

Revenue for the first half of the year was \$2,524 million.

Expenses were well managed coming in broadly flat inclusive of higher wage and operational costs.

Despite subdued customer activity in the housing market ANZ grew home loan market share, providing \$10.1 billion in new home lending.

#### **Supporting our customers**

"We've been focussed on supporting our customers to manage in a higher interest rate environment and continuing to innovate our products and services," Ms Watson said.

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<sup>1</sup> 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 Banking Group Limited.

<sup>2</sup> 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.

Most customers have moved onto higher home loan rates with only around 17% remaining on rates lower than 5%.

"Given the more challenging environment we are in, we do need to remain cautious. The number of customers falling behind on their repayments is rising.

"We urge anyone feeling financial pressure to get in touch with their bank to ensure they are getting the support they need."

For the six months to March 2024, ANZ has reached out to over 200,000 homeowners to offer extra support and 8,500 customers have completed a home loan check in.

### **Customer activity**

The ANZ Good Energy Home Loan Top-Up continued to perform well, providing \$139 million to more than 3,400 households to improve the sustainability of their homes and/or reduce transport emissions.

While business and agri customers remained cautious taking on further debt, there has been a strong response from regional businesses seeking to reinvest following last year's devastating extreme weather events.

Since launch, \$50 million has been lent through the low interest Business Regrowth Loan and \$264 million through the North Island Weather Events Loan Guarantee Scheme.

"It's a testament to the kind of businesses we have in our regions – they are resilient and absolutely determined to succeed, even when they're up against it," Ms Watson said.

In the first half of the year business and agri customers drew down \$15 million in lending to fund assets or projects that demonstrated environmental benefits through the ANZ Business Green Loan, taking the total lending since launch to \$42 million.

"Climate change continues to be a priority for ANZ NZ, in particular supporting our customers to reduce their climate impact and improve resilience. Following the release of our first climate report in early 2024, we are continuing to strengthen our climate data and risk management capability in preparation for mandatory disclosure."

Customer deposits were up 2% and customers continued to take advantage of higher interest rates, moving funds from transactional accounts into Term Deposits.

Changes in deposit mix and lower term deposit margins meant the Net Interest Margin for the New Zealand division dropped by 4 basis points in the first half of the financial year.

### **Well positioned for the future**

"ANZ is a strong, safe and well capitalised business, positioned to support our customers through any tough times ahead," Ms Watson said.

“We continue to hold credit impairment provisions as a safeguard against future uncertainty, and our capital position, an important measure of a bank’s financial stability, remains very strong.”

ANZ NZ increased the amount put aside for potential bad debts by \$13 million, increasing the total credit impairment provisions to \$870 million.

ANZ NZ’s total shareholders’ equity at March 2024 was \$16.9 billion. ANZ Bank New Zealand Limited’s total capital ratio was 16.2%, well above the 12.5% required by the Reserve Bank.

### **Fighting financial crime**

Across the financial year ANZ NZ will continue to invest heavily to further enhance customer protection.

This investment includes introducing world-leading biometrics technology. These new advances add another layer to protections already in place, which prevent millions of dollars’ worth of fraud and scams each year.

One-time passcodes, which act as a second authentication step, block around \$6 million of fraudulent transactions a year. ANZ Fraud Check, where customers receive a text or email to check a transaction is authentic, has seen more than 600,000 texts sent in the last 12 months. Over 86,000 customers have taken advantage of new in-app card controls designed to give further protection.

The banking industry is progressing a raft of other initiatives, including the bank led Anti-Scam Centre, developing and implementing Confirmation of Payee, and work on a consistent reimbursement scheme for scam victims.

Ms Watson said she was looking forward to working with the Government to help realise their commitment made at the Global Fraud Summit earlier this year to support collaboration across sectors.

“We’re committed to working constructively with the industry, Government, and other relevant parties to advance initiatives that could help prevent crime and further protect New Zealanders.”

### **Our contribution**

Over the financial year, our expected total income tax payment represents around 5% of the Government’s total company tax revenue.

The bank employs around 8,000 New Zealanders, paying around \$1 billion in salary and wages to New Zealanders over the financial year, and over \$500 million to contractors and suppliers.

This is in addition to the millions in contributions to local sponsorships and donations to sports, arts, cultural and community events.

### **Commerce Commission market study**

Ms Watson welcomed the Commerce Commission’s draft market study report.

“There is already strong competition in New Zealand’s banking and financial services sector and steps to further enhance competition will be good for customers.

“New Zealand has well-established, strong, safe banks and that is important for a well-functioning economy.

Ms Watson said the market structure of five larger banks is consistent with other countries of both similar and larger sizes and the profitability of New Zealand banks is about the same as similar banks globally.

“New Zealanders should have confidence in their banks, we’re in a strong position to provide not just assistance for customers and support for our communities, but stability for the economy.”

### A table of key financial information follows:

#### Summary of key financial information ANZ New Zealand

	Half year			Movement		Movement	
	Mar 24	Sep 23	Mar 23	Mar 24 v. Sep 23		Mar 24 v. Mar 23	
	NZ\$m	NZ\$m	NZ\$m	NZ\$m	%	NZ\$m	%
Net interest income	2,142	2,112	2,127	30	1%	15	1%
Other operating income	382	411	363	(29)	-7%	19	5%
Operating income	2,524	2,523	2,490	1	0%	34	1%
Operating expenses	(859)	(850)	(809)	(9)	1%	(50)	6%
Profit before credit impairment and income tax	1,665	1,673	1,681	(8)	0%	(16)	-1%
Credit impairment release/(charge)	(33)	(62)	(121)	29	-47%	88	-73%
Profit before income tax	1,632	1,611	1,560	21	1%	72	5%
Income tax expense	(463)	(443)	(439)	(20)	5%	(24)	5%
Non-controlling interests <sup>1</sup>	(14)	(13)	(14)	(1)	8%	-	0%
<b>Cash profit</b>	<b>1,155</b>	<b>1,155</b>	<b>1,107</b>	-	0%	<b>48</b>	<b>4%</b>
Economic hedges <sup>2</sup>	(117)	(22)	(105)	(95)	large	(12)	11%
<b>Statutory profit<sup>1</sup></b>	<b>1,038</b>	<b>1,133</b>	<b>1,002</b>	<b>(95)</b>	<b>-8%</b>	<b>36</b>	<b>4%</b>
<b>Comprising:</b>							
Personal	545	561	568	(16)	-3%	(23)	-4%
Business & Agri	305	275	269	30	11%	36	13%
Central Functions	2	1	2	1	100%	-	0%
New Zealand Division	852	837	839	15	2%	13	2%
Institutional	280	271	271	9	3%	9	3%
Group Centre	23	47	(3)	(24)	-51%	26	large
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1. *Non-controlling interests and Statutory profit*  
Profit attributable to non-controlling interests comprises dividends paid to holders of NZX listed preference shares issued by ANZ Bank New Zealand Ltd. Statutory profit shown above is that attributable to shareholders of ANZ Group Holdings Ltd.

2. *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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