

Media Release

8 May 2017

 **Westpac New Zealand: solid performance, continued investment**

Westpac New Zealand1 has delivered cash earnings2 of $462 million for the six months ended 31 March 2017, a 2% increase on the same period last year. The bank has continued with its strategy to enhance customer service and grow in targeted areas.

An improving dairy sector and continued underlying economic growth contributed to a strong asset portfolio with impairments $45m improved on the same period last year.

Lending growth of 7%, including home lending growth of 6% and business lending growth of 8%, were supported by Term Deposit growth of 11% with overall deposit3 growth of 3%.

Westpac New Zealand Chief Executive David McLean said the bank is maintaining its focus on quality lending and targeted growth in a challenging environment with increased pressure on deposit and wholesale funding margins.

“We are seeing growth in positive sentiment and market share in key segments. Westpac New Zealand’s campaign to support first home buyers through the re-launch of our HomeSaver offering aligns with a steady increase in withdrawals from the Westpac KiwiSaver Scheme4 by first home buyers.

“At the same time funds in the Westpac KiwiSaver scheme have increased 20% in the past year with the average balance increasing from $5,800 in December 2012 to $11,400 in December 2016.

“Our customer-centric strategy is coming to life with reduced banking fees, one of several changes that have contributed to an 18% drop in customer complaints compared to the same period last year.”

**Key financials**

*(All comparisons are with the six month period ended 31 March 2017 versus the same period last year)*

* Cash Earnings of $462m, up 2%
* Net Operating Income of $1,078m, down 1% driven by increasing pricing competition for deposits, impact from reduction in amortisation period for deferred acquisition costs and lower mortgage break fees
* Operating expenses of $468m, a 2% increase with continuing investment in our customer service transformation programme
* Net benefit from impairments of $36m, compared with impairment charges of $9m
* Total net lending up 7%, with a 6% increase in home loan lending and business lending growth of 8%
* Overall deposits3 up 3% and term deposits up 11%
* Funds in Westpac KiwiSaver4 increased 20% to $4.7b
* Net interest margin 1.96%, down 22 basis points

“We saw growth in targeted market sectors, including Auckland and millennials, and it is good to see a continuing recovery for many of our dairy farming customers, which is reflected in our significantly improved impairment position.

“At the same time we experienced reduced net interest margin: a result of strong lending competition and increased funding costs.”

**Making it easier for customers to do their banking**

Mr McLean said Westpac New Zealand is in the second year of a three year programme to transform its customer service and continues to introduce customer-focused solutions.

“In the past six months we’ve improved our self-serve offerings. ATMs now offer both coin selection and note denomination options and since launch last September, 84,000customers have downloaded our cash management app CashNav, enhancing their cash management options and spending visibility. In April the app was awarded a Canstar Innovation Excellence Award.

“In addition to increasing 24/7 digital offerings, we’re investing in high growth areas, such as refurbishing our branch in Whanganui last year and opening a branch at Auckland Airport in April.”

**Results of transformation investment**

Streamlining processes and removing unnecessary activity has saved customers time and improved performance.

Westpac has established more ways to directly meet particular customers’ needs. For example, a dedicated contact centre team has been established exclusively for health professionals.

Westpac has also introduced new products and services to help customers manage their accounts and finances. For example, customers can now opt for a personalised text or email to alert if a planned bill payment or automatic payment has failed.

Automating 80% of the change of address process has improved turnaround times and increased accuracy. Moving to paperless statements has benefited the environment by saving 64 tonnes of paper a year and the bank has continued to provide new tools to frontline bankers to enable faster decisions on loan applications for customers.

**Community commitment**

Mr McLean said Westpac New Zealand is committed to helping its customers, communities and people prosper and grow.

“We’re really proud of our team in Kaikoura, who although personally impacted by last year’s earthquake, kept the bank operational and ensured when the earthquakes hit in November last year, we were the first bank to be open for business.

“This ensured that many tourists and local businesses were able to continue to access cash while many systems were down. We also brought in Westpac Ambassador John Kirwan to help provide motivational support in a time of stress.

“More recently we were the first to offer banking relief to our customers impacted by devastating floods in the North Island.”

**ENDS**

**FACT BOX**

**Westpac New Zealand – The Topline Numbers**

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| --- | --- | --- | --- |
|  |  |  |  |
| **Summary Profit & Loss ($m)** | **Six Months Ended**  | **% Movement Mar-17 vs. Sep-16**  |  **% Movement Mar-17 vs. Mar-16**  |
|  | **31-Mar-17** |
|  |  |  |  |
|   |   |   |   |
| Net Interest Income | 838 | (4%) | (1%) |
|  |   |  |  |
| Non-Interest Income  | 240 | N/C | (1%) |
|  |   |  |  |
| **Operating Income**  | **1,078** | **(3%)** | **(1%)** |
|  |   |  |  |
| Operating Expenses | (468) | 1% | 2% |
|  |   |  |  |
| **Core Earnings**  | **610** | **(7%)** | **(4%)** |
|  |   |  |  |
| Impairment (Charges) / Recoveries | 36 | **(172%)** | Large |
|  |   |  |  |
| Taxation | (184) | 9% | 6% |
|  |   |  |  |
| **Cash Earnings**  | **462** | **6%** | **2%** |
|  |   |  |  |
|  |   |  |  |
| Net Interest Margin (%) | 1.96% | (17bps) | (22bps) |
|  |   |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| **Summary Balance Sheet ($m)** | **Six Months Ended**  | **% Movement Mar-17 vs. Sep-16**  |  **% Movement Mar-17 vs. Mar-16**  |
|  | **31-Mar-17** |
|  |  |  |  |
|  |   |  |  |
| **Total Deposits**  | **56.8** | (1%) | **3%** |
|  |   |  |  |
| **Net Loans**  | **76.5** | **2%** | **7%** |
| Mortgages  | 46.2 | 2% | 6% |
| Non-Housing  | 30.3 | 1% | 7% |
|  |   |  |  |
| **Deposit to Loan Ratio** | **74.2%** | **(231bps)** | **(232bps)** |
|  |   |  |  |

***About Westpac New Zealand***

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

*We provide a full range of retail and commercial financial services including home and business lending, funds management and treasury services.*

*In addition to salaries to more than 4,000 staff, in the last six months to March 31 2017 we contributed $280 million to the economy via payments to some 2,600 contractors and local suppliers.*

*Westpac is committed to improving the social, environmental and economic wellbeing of all New Zealanders.*

*A previous winner of the Deloitte Top 200 Diversity Leadership Award and recipient of a White Camellia Award for demonstrating excellence in gender equality, Westpac was the first major bank to appoint a woman to Chair its board; currently, more than half of our leadership positions are filled by women.*

*In 2014, we became one of the first New Zealand organisations to get the Rainbow Tick and in 2017 received the Alzheimer’s New Zealand Dementia-Friendly Award.*

*Westpac also supports numerous charities and not-for profits, including the Westpac Rescue Helicopter Service, which last year carried out 1,663 rescue missions.*

**1** Westpac New Zealand is a division of Westpac Banking Corporation, and is not the same as Westpac New Zealand Limited. The financial results of Westpac New Zealand Limited will be available in the Disclosure Statement and a reconciliation between the two results is provided in conjunction with the publishing of the Disclosure Statement.

**2** 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 is not a measure of cash flow or net profit determined on a cash accounting basis, as it includes non-cash items reflected in statutory profit determined in accordance with IFRS. Westpac New Zealand's cash earnings result for the half year ended 31 March 2017, as reflected in the Westpac Group's Interim Results Announcement, is equal to statutory profit as none of these cash earnings adjustments impact on Westpac New Zealand's reported results. A reconciliation between Westpac New Zealand’s cash earnings result and Westpac New Zealand Limited’s statutory profit result is provided in conjunction with the publishing of the Westpac New Zealand Limited Disclosure Statement.

**3** Deposits are equal to deposits at amortised cost as disclosed in the Westpac New Zealand Limited Disclosure Statement

**4** BT Funds Management (NZ) Limited is the scheme provider and Westpac New Zealand Limited is the 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).

**For further questions please contact:**

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