

28 October 2021

## Home loan demand, resilient economy drive ANZ NZ full-year result

ANZ New Zealand<sup>1</sup> (ANZ NZ) today reported a statutory net profit after tax (NPAT) of NZ\$1,919 million for the 12 months to 30 September 2021 – a 44% increase on the 2020 financial year.

Cash<sup>2</sup> NPAT was NZ\$1,907 million, 39% up on the previous year.

ANZ Bank New Zealand Ltd Chief Executive Antonia Watson said the results reflected record demand in the housing market, a stronger-than-expected economy and a significant reduction in provisions the bank put aside last year.

Ms Watson said that while many businesses that relied on tourists and overseas students were facing ongoing impacts of Covid-19 restrictions, particularly in Auckland where the hospitality industry is disproportionately affected by lockdown measures, the economy had fared better than the bank expected.

“The ability of many New Zealand businesses to learn from last year’s lockdowns and adapt, and continuing strong global demand for our exports, has meant we were able to release \$115 million of the credit impairment provisions we’d made previously into this year’s result,” she said.

### HOME LOAN GROWTH

The New Zealand housing market, particularly in Auckland, had a strong year of growth and prices. Home lending by ANZ NZ increased \$9.3 billion to \$99 billion over the 12 months to 30 September 2021, with one in three first home buyers borrowing from the bank.

“High house prices continue to be driven by historically low interest rates and more demand for houses than are available. This demand is reflected in our financial results,” Ms Watson said.

“During the year we believed housing affordability was becoming unsustainable so implemented a number of initiatives to try and bring some balance to the market.

“It’s in everyone’s long-term interests that the heat be taken out of the housing market. That’s why we were first to adopt higher LVR restrictions for investors, reduced the minimum size of apartments we will lend on, introduced a discounted interest rate for new builds and helped fund and facilitate NZ \$600 million in social housing construction.”

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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.

<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.

## CHALLENGING ECONOMIC ENVIRONMENT

Ms Watson said the full-year result was strong given the Covid-influenced economic circumstances. "New Zealand experienced a rebound in economic activity following the 2020 Covid-19 lockdowns. Household and business confidence surveys recovered quickly and investment had picked up prior to the August 2021 outbreak.

"The Reserve Bank of New Zealand has projected rate increases over the next two years. However it is likely uncertainty will linger as long as Covid-19 is a threat."

Customer deposits were up 3.5% in the year, and lending increased by 6.0%.

While expectations of an Official Cash Rate rise and rising funding costs saw interest rates eventually move off their historic lows, ANZ NZ's focus on responsible lending has meant the bank's credit quality remained strong.

### Key Points

All comparisons are year ended 30 September 2021 compared with year ended 30 September 2020 and on a cash basis unless noted otherwise

- Statutory profit up 44% at NZ\$1,919 million.
- Cash profit up 39% at NZ\$1,907 million, mainly due to lower credit impairment charges.
- Revenue up 2%, reflecting lending growth.
- Expenses decreased 7% due to lower customer remediation and restructuring, one-offs in prior period not repeated, other efficiencies, and the sale of UDC in September 2020.
- Credit impairment charge down \$516 million from a charge of \$401 million to a release of \$115 million due to the improved economic conditions.
- Customer deposits up 3.5% and gross lending increased by 6.0%.
- KiwiSaver funds under management grew 16% to \$19.0 billion.
- Ordinary dividend of \$845 million paid in June 2021.
- As at 30 September 2021, the ANZ Bank New Zealand Limited group remains well capitalised with a RBNZ total capital ratio of 16.9%, up from 14.4% as at 30 September 2020.

ANZ NZ continued to simplify its offerings, decommissioning 27 products and continuing to focus on suitability for customers.

Covid-19 has accelerated the decrease in over-the-counter transactions at ANZ branches with a ~50% reduction since March last year. Transaction numbers did not return to former levels in parts of the country where alert levels were lowered.

Covid-19 also presented many challenges for business customers and ANZ NZ supported them with a number of measures, including waiving fees for contactless debit cards, access to temporary overdrafts, loan extensions and removing fees for loan restructuring.

## WORKING TOWARDS WELLBEING

Ms Watson said that while steps were taken to minimise the impact of Covid-19, the cost to some in the community in terms of personal and financial wellbeing had been high.

"For those who were already struggling, the pandemic has presented additional challenges. It's of considerable concern that the inequities that have arisen, or been exacerbated, by the pandemic are becoming entrenched. That should be of concern to all New Zealanders.

“The role of strong institutions is now perhaps more important than at any time in recent history. A healthy and balanced economy provides the foundation for all New Zealanders to have opportunities and improve their wellbeing.

“As New Zealand’s largest bank, and one of its largest companies, we have helped provide not just assistance for customers, but stability for the economy.”

During the financial year ANZ NZ was the country’s biggest corporate taxpayer, paying around \$750 million in tax, employed about 8000 New Zealanders, paid \$540 million to contractors and suppliers, and \$60 million was paid by way of dividends from ANZ Group to New Zealanders, either directly or through KiwiSaver, pension and managed funds.

“This is in addition to ANZ NZ’s \$11.8 million contribution of local sponsorships and donations to sports, arts, cultural and community organisations and events, including the World Test Champion BlackCaps, the ANZ Premiership & Silver Ferns and the NZ Olympic and Paralympics teams.”

Other highlights for the financial year include:

- ANZ NZ remains the largest KiwiSaver provider with \$19.0 billion under management, an increase of \$2.6 billion, or 16%, over the previous year.
- ANZ NZ continued to engage industry frameworks to support the transition to net zero, including being a founding sponsor of Toitū Tahua, the Centre for Sustainable Finance, and playing a critical role in developing the Sustainable Agriculture Finance Initiative.
- On sustainable finance, this year ANZ NZ acted as a lead manager on 13 green, social or sustainable (GSS) bond transactions and one Sustainability Linked Loan totalling over NZ\$5 billion.
- The ANZ Staff Foundation, our payroll giving programme which is matched by the bank \$2 for every \$1 contributed, allocated over \$1.2 million to 103 charities.
- In FY21, partners delivered ANZ NZ’s financial literacy programme, MoneyMinded, to 346 people.
- ANZ Investment Services started the process to return funds of \$870 million to more than one million Bonus Bonds customers. As part of this process, they will donate nearly \$180,000 to the Cancer Society of New Zealand on behalf of the more than 8,900 bondholders who have chosen to donate their remaining bond holdings to date.
- ANZ NZ appointed its first Te Kaitohu Rautaki Māori (Head of Te Ao Māori Strategy).
- The proportion of women in leadership increased to 37%, and our board and executive team are gender-balanced.

## A table of key financial information follows

### Summary of key financial information ANZ New Zealand

Profit	Half year	Half year	Sep 21 v	Sep 21 v	Full year	Full year	Sep 21 v	Sep 21 v
	Sep 21	Mar 21	Mar 21	Mar 21	Sep 21	Sep 20	Sep 20	Sep 20
	NZ\$m	NZ\$m	NZ\$m	%	NZ\$m	NZ\$m	NZ\$m	%
Net interest income	<b>1,743</b>	1,661	82	5%	<b>3,404</b>	3,229	175	5%
Other operating income	<b>364</b>	364	-	0%	<b>728</b>	820	(92)	-11%
Operating income	<b>2,107</b>	2,025	82	4%	<b>4,132</b>	4,049	83	2%
Operating expenses	<b>843</b>	764	79	10%	<b>1,607</b>	1,736	(129)	-7%
Profit before credit impairment and income tax	<b>1,264</b>	1,261	3	0%	<b>2,525</b>	2,313	212	9%
Credit impairment charge	<b>(45)</b>	(70)	25	-36%	<b>(115)</b>	401	(516)	large
Profit before income tax	<b>1,309</b>	1,331	(22)	-2%	<b>2,640</b>	1,912	728	38%
Income tax expense	<b>364</b>	369	(5)	-1%	<b>733</b>	541	192	35%
<b>Cash profit<sup>1</sup></b>	<b>945</b>	962	(17)	-2%	<b>1,907</b>	1,371	536	39%
<b>Reconciliation of cash profit to statutory profit</b>								
Cash profit	<b>945</b>	962	(17)	-2%	<b>1,907</b>	1,371	536	39%
<b>Reconciling items (net of tax):</b>								
Economic hedges <sup>2</sup>	<b>44</b>	(32)	76	large	<b>12</b>	(35)	47	large
<b>Statutory profit</b>	<b>989</b>	930	59	6%	<b>1,919</b>	1,336	583	44%
<b>Comprising:</b>								
Personal	<b>457</b>	521	(64)	-12%	<b>978</b>	673	305	45%
Business	<b>328</b>	303	25	8%	<b>631</b>	402	229	57%
Central Functions	<b>(3)</b>	1	(4)	large	<b>(2)</b>	4	(6)	large
New Zealand Division	<b>782</b>	825	(43)	-5%	<b>1,607</b>	1,079	528	49%
Institutional	<b>161</b>	140	21	15%	<b>301</b>	352	(51)	-14%
Group Centre <sup>1</sup>	<b>2</b>	(3)	5	large	<b>(1)</b>	(60)	59	-98%
<b>Cash profit<sup>1</sup></b>	<b>945</b>	962	(17)	-2%	<b>1,907</b>	1,371	536	39%
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<b>Statutory profit<sup>1</sup></b>	<b>989</b>	930	59	6%	<b>1,919</b>	1,336	583	44%
<i>1. Loss on sale of UDC Finance Ltd</i>								
Statutory profit for the year ended 30 September 2020 includes a \$32m loss on sale of UDC Finance Ltd (UDC). Cash profit also includes an after tax loss of \$23m on the unwind of economic hedges of UDC loans and advances. The cash profit impact is included in Group Centre.								
<i>2. Economic hedges</i>								
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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