KPMG

FIPS

Financial Institutions Performance Survey
December 2020 Quarterly Results

Overview

Information current as at 30 April 2021

The data in this FIPS banks quarterly report is for the quarter ended December 2020. We are publishing a little later than usual as the release date was unfortunately delayed by the recent data breach suffered by the Reserve Bank of New Zealand (RBNZ). In this quarterly report, we have provided our usual analysis and only a brief overview of the banking sector as we have decided to produce a 'bumper issue' when the data for the quarter ended March 2021 is published. This will coincide with 12 months of Covid-19 impacted data and give us the opportunity to reflect on the year under the cloud of Covid-19 and look forward at potential trends.

Our last publication was the annual FIPS Banks – Review of 2020 which was released in February 2021. Our traditional in-person launch event was transformed into a webinar by a lockdown in Auckland which demonstrated that Covid-19 is never far from us and needs to be considered on a daily basis.

We have been very fortunate here in New Zealand to have been able to have a comparatively normal existence compared to the prolonged restrictions that we have witnessed in the rest of the world. Now the vaccine rollouts have begun, the next challenge is going to be how we safely open our borders back up.

While some parts of the world are beginning to ease out of the restrictions that have been in place for what seems like an eternity as they roll out the vaccine, globally we are approaching the highest number of infections since the beginning of the pandemic[1].

The recent Level 3 lockdowns in Auckland and staggered return to Level 1 for the entire country demonstrated that, even 12 months on, things can change very quickly.

The recently opened travel bubble with Australia has been in the planning stages for a long time and comes with strong 'flyer beware' caveats. While the opportunity to travel quarantine free between Australia and New Zealand will have a huge impact on families who have been unable to see each other for over a year, both governments hope that it will have a positive impact on tourism in their respective countries. However, the warning from our Government is that they will not hesitate to suspend the bubble if an outbreak occurs which could result in people being 'stuck' or having to go through Managed Isolation at their own cost[2]. With an airport worker testing positive on day two of the travel bubble, and Perth going into a three day lockdown, travel between New Zealand and Western Australia halted within a week of the bubble commencing[3], we are provided with a timely reminder that these risk(s) have not gone away and the bubble can be opened or closed at any time. The latest update being that the bubble with Western Australia re-opened on Wednesday 28 April.

This travel bubble between Australia and New Zealand could be the start of other bubbles around the Asia Pacific region with reports of Australia considering a travel bubble with Singapore[4] and Hong Kong and Singapore agreeing to start quarantine-free travel between the cities from 26 May 2021[5].

Skills shortage

While reconnecting with family and going on holiday are probably high on the list of benefits of the travel bubble, many businesses will be hoping that it is an opportunity to bring in people who want to migrate to New Zealand for work, particularly where they have valuable and needed skills.

For the first time since the 1970s, there has been a net loss of migrants from New Zealand[6]. Historically we have had a net gain of non-New Zealand citizens and a loss of New Zealand citizens, but with the borders closed and many New Zealanders returning home in the uncertainty caused by the pandemic the trend has reversed over the past year.

The shortage of skilled migrants is being felt across many industries.

The shortage of skilled migrants is being felt across many industries and, in April, more roles were added to the undersupply lists by New Zealand Immigration[7].

For the quarter ended December 2020, the unemployment rate in New Zealand was 4.9%[8] which is only a 0.7% increase from December 2019. This is significant when you consider the forecasts of up to 10.7% that were being made this time last year. However, the underutilisation rate has risen by 1.8% to 11.9% in the same period[9] which is an indicator that while people may not have lost their jobs, they are not working the same number of hours as previously, and therefore, not earning the same amount as they did prior to Covid-19.

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Retail card spending hit a peak in December as you would expect with the traditional Christmas spending. It was particularly strong, rising 3.5% or $250 million compared to the same period in 2019[10].

Counter-intuitively, Buy Now, Pay Later spending increased over the holiday period but demand has since fallen away[11].

The data for the quarter ended March shows a strong quarter[12] despite the two lockdown periods affecting Auckland. There is still concern being expressed as to how long this elevated spending can continue as people who are likely to purchase a new car or a new kitchen have probably already done so and won't need to again. There are further concerns that once travel is again possible, people will opt to spend money overseas rather than here in New Zealand.

Housing

Despite Canstar research showing that it takes a couple, on average incomes, more than twice the time to save a 20% deposit now than it did five years ago[13], the overheated housing market shows no signs of abating and has certainly contributed to the banks' financial results.

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All the major banks have reported loan growth over the past 12 months, but Kiwibank's has been the most significant, growing by almost 11% over the past year (see Table 2). It recently won the Canstar Bank of the Year for Home Loans which was in part attributed to the reduction in its variable interest rate last year[14].

As expected, mortgage lending overall increased significantly during the quarter ended December 2020. Many of the banks we spoke to late last year were expecting the Friday before Christmas to be the busiest day for loan completions. The total mortgage lending for December 2020 was 48% higher than for December 2019 and 80% higher than for December 2018. While there is always a dip in January and February, we expect to see a strong March.

In February, the RBNZ announced that Loan-to-Value Ratio (LVR) restrictions were to be reinstated with effect from 1 March 2021 with a further restriction aimed at investors from 1 May 2021. Most of the major banks had already raised their deposit requirements in advance of the RBNZ deadlines and ASB recently announced that it now requires 40% equity even for new builds as it is concerned that the continued levels of demand are unsustainable and it is committed to "ensuring a balanced and sustainable housing market."[15]

Despite the ending of the Government support packages, the banks are still reporting low levels of loan delinquencies. In fact, the financial resilience of most New Zealanders has been much stronger than predicted this time last year.

A recent report from ASB shows that New Zealanders' financial wellbeing has improved about 8% on average since this time last year[16]. About a third of ASB customers increased their savings to over $10,000 over the past year however, nearly half of their customers have less than $1,000 in savings. This could be a result of the low interest environment and the relative attractiveness of other investments.

New Zealanders have navigated the economic crisis caused by Covid-19 better than initially predicted and we have started to see the banks consider reversing out the provisioning that they made this time last year. Looking to the future this is going to be a very interesting key performance indicator to look at as banks consider whether the early indicators that they can release provisions are real or are artificially showing up because of the continued impact of the tail of the Government support packages.

The Government announced significant tax changes to the housing policy.

On 23 March 2021, the Government announced significant tax changes to the housing policy which included a graduated change to the deductibility of interest expense on investment properties and an extension of the bright-line period[17] in an attempt to further cool the housing market and improve access to first home buyers. To encourage increasing our housing stock, the Government has indicated an intention to exempt new builds from these requirements.

Pressure on costs

Net profit has increased again this quarter (up 35.11%), largely driven by a reduction in impaired asset expenses for the quarter.

Although we have not seen the negative interest rates that were put forward as a possibility this time last year, there continues to be pressure on margins as, although mortgage rates have stabilised, they are still historically low.

Banks are continuing to reduce their operating costs (down by 5.67%) which is potentially as a result of people continuing to work from home.

Regulation

While the RBNZ gave the banks some breathing space from upcoming regulation this time last year, it is firmly back on the agenda this year.

The RBNZ has recently announced a new Enforcement Department[18] which will work alongside its Supervision team demonstrating the focus on compliance with upcoming regulations.

The RBNZ has recently announced a new Enforcement Department.

Two recent examples of major banks having capital and liquidity breaches demonstrate that there are still significant challenges being faced by the banking sector. The complexity of the calculations and the concepts behind them have no doubt led to these breaches.

Like other providers of consumer credit, the banks are currently focused on preparing for the changes that are coming into effect in relation to the Credit Contracts Legislation Amendment Act 2019 (Amendment Act). The intention of the Amendment Act is to strengthen the legal requirements for credit providers to lend responsibly and there are several staggered requirements coming into force from now until October. These changes were made with the intention to reduce problem debt and harm to customers and while they were initiated before the impact of Covid-19 occurred, the focus is timely as banks focus on customers coming off Covid-19 related Government support packages.

There are significant programmes of work being undertaken at the banks to ensure that the correct people are able to be certified 'fit and proper' under the Amendment Act and that they are able to meet the increased requirements when assessing affordability and suitability of any lending.

Taking a customer-centric approach is increasingly important for banks when designing new products and reviewing legacy ones. One major bank was recently fined for making misleading sales of credit card repayment insurance between 2014 and 2019 and another announced that it would stop selling credit card repayment insurance altogether.

This illustrates how the banking sector as a whole is judged on its every move, every day.

On 24 March, Westpac Banking Corporation announced that it was reviewing the status of its New Zealand subsidiary and considering its ownership options[19]. Rumours abounded immediately as to the potential future of the business and whether it would involve an initial public offering (IPO) or sale.

The RBNZ recently announced a new Deposit Takers Act which will include a deposit insurance scheme[20]. The announcement has resulted in a doubling of the amount covered per depositor from that originally proposed (to $100,000 per depositor, per entity), bringing New Zealand into line with many other OECD countries who already have deposit protection.

While the additional level of security for depositors has been welcomed by the banking sector[21], there have been mixed reactions about the influence the Government wants to have over RBNZ policy, in particular the Finance Minister being able to direct what or where lending should occur[22].

Quarterly analysis of the results

The banking sector has recovered strongly from the initial fears about the economic impact of Covid-19. Despite a drop in net profit after tax over the 2020 financial year, the last two quarters' results have been in line with the corresponding quarters in 2019.

The overall net profit for the quarter of $1,361.2 million has increased compared to the prior quarter ($1,007.5 million up 35.11%).

The Government support packages were still in place during the quarter ended December 2020, but the banks were starting to feel more confident with the low level of arrears. We can see this through the reversing out the provisioning that they made this time last year.

Loan growth for the quarter ended December 2020 has continued to rise with $9,652 million in residential loans being written in December alone. While we anticipate the quarter ended March 2021 to be lower, reflecting the traditionally quiet January and February period, data already published by RBNZ shows mortgage lending for February 2021 to be on a par with mortgage lending for December 2019 (see Figure 1).

Margins for the quarter remain low with little movement. Movement over the past 12 months has been mixed with five out of the nine banks showing a neutral or negative movement and four showing positive movement. This has stabilised when compared to 2019 where eight out of the nine banks showed a neutral or negative moment.

Operating expenses reduced in the quarter ended December 2020, possibly reflecting the cost savings associated with staff working from home now that the initial set-up cost has been incurred.

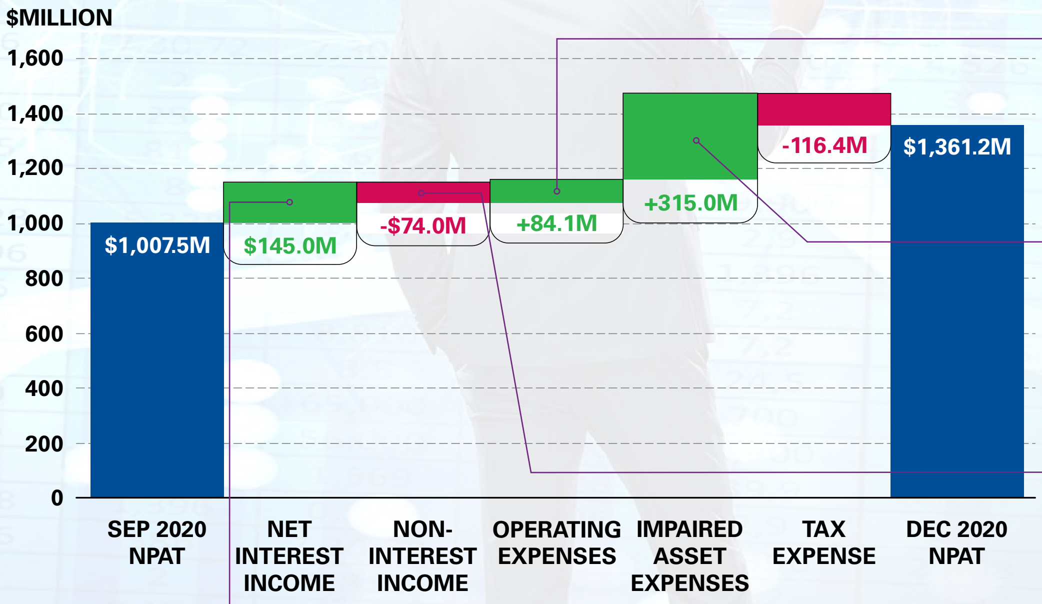
After three quarters of significant build-up of the impaired asset expense and related provisions, this quarter saw a release of a portion of the banking sector's provisioning as their Expected Credit Loss (ECL) models reacted to the better than expected economic indicators.

Net profit after tax

Movement in net profit

35.11%

to $1,361.2 million



Net interest income

5.71%

to $2,685.9 million

TABLE 1: Movement in interest margin

Entity[23]	31 Dec 20 quarter ended (%)	Mvmt. during the quarter (bps)	Mvmt. for the 6 months (bps)	Mvmt. for the 12 months (bps)
ANZ	1.90	0	0	-20
ASB	1.90	10	10	0
BNZ	2.00	0	0	-10
Heartland	4.60	10	0	10
Kiwibank	2.00	10	10	10
SBS	2.50	10	10	0
TSB	1.70	0	10	-10
Co-op	2.30	10	10	10
Westpac	2.00	20	30	10

Operating expenses

5.67%

down $84.1 million

Driven by

ANZ	$103.6M
Kiwibank	$17.9M
Co-op	$0.6M

Non-interest income

13.31%

down $74.0 million

Driven by

ANZ	$49.4M
Kiwibank	$22.9M
Westpac	$18.8M

Impaired asset expenses

167.0%

down $315.0 million

Driven by

ANZ	$101.8M
BNZ	$97.1M
Westpac	$78.4M

Lending

Loans

1.78%

to $447,052 million

Quarterly

Kiwibank 3.86%

SBS -1.10%

Year on year

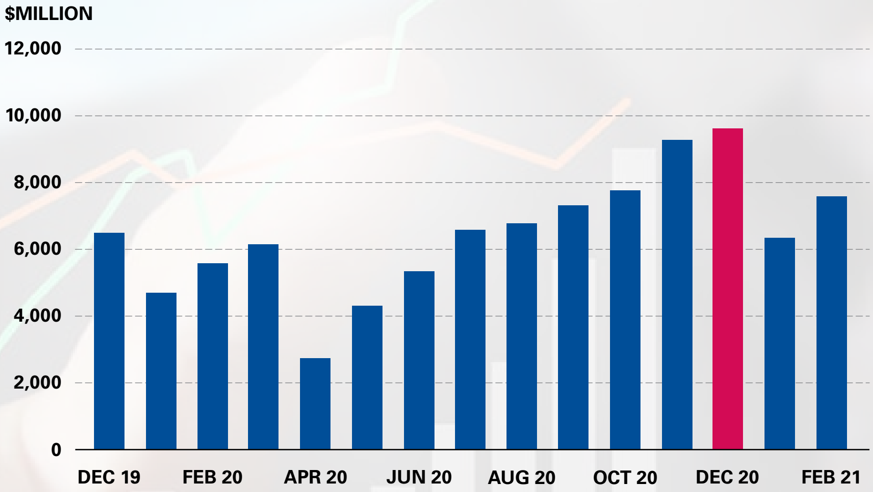
Kiwibank 10.72%

SBS -2.23%

TABLE 2: Analysis of gross loans

Entity[23] Quarterly analysis	31 Dec 20 quarter ended $Million	30 Sep 20 quarter ended $Million	% Increase (Quarterly)	Entity[23] Annual analysis	31 Dec 20 quarter ended $Million	31 Dec 19 quarter ended $Million	% Increase (Annual)
ANZ	135,691	133,679	1.51%	ANZ	135,691	134,999	0.51%
ASB	98,647	96,166	2.58%	ASB	98,647	92,865	6.23%
BNZ	89,844	88,580	1.43%	BNZ	89,844	88,814	1.16%
Heartland	3,720	3,694	0.72%	Heartland	3,720	3,748	-0.74%
Kiwibank	23,959	23,069	3.86%	Kiwibank	23,959	21,639	10.72%
SBS	4,073	4,118	-1.10%	SBS	4,073	4,166	-2.23%
TSB	6,243	6,193	0.81%	TSB	6,243	6,184	0.94%
Co-op	2,665	2,592	2.83%	Co-op	2,665	2,537	5.05%
Westpac	90,154	88,961	1.34%	Westpac	90,154	86,378	4.37%
Total	**454,996**	**447,052**	**1.78%**	**Total**	**454,996**	**441,329**	**3.10%**

1 TOTAL MONTHLY MORTGAGE LENDING

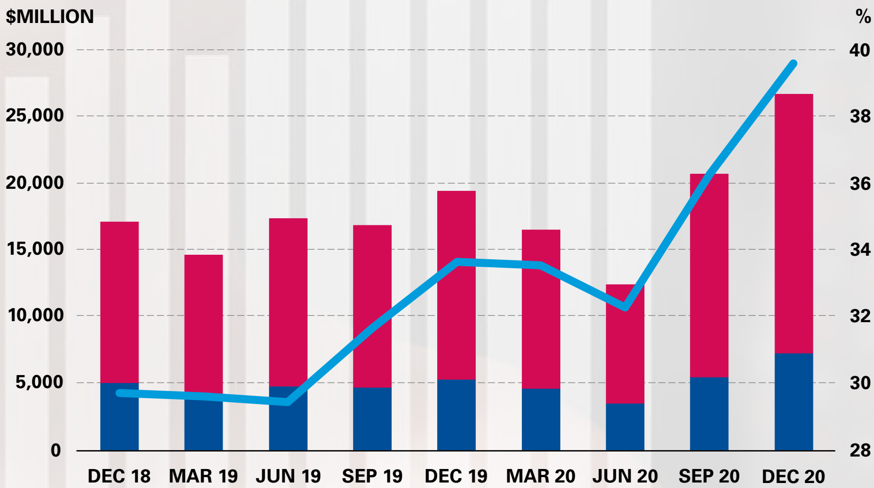


MONTHLY MORTGAGE LENDING

PEAK IN MORTGAGE LENDING

SOURCE: RESERVE BANK OF NEW ZEALAND STATISTICS

2 NEW MORTGAGE LENDING BY PAYMENT TYPE



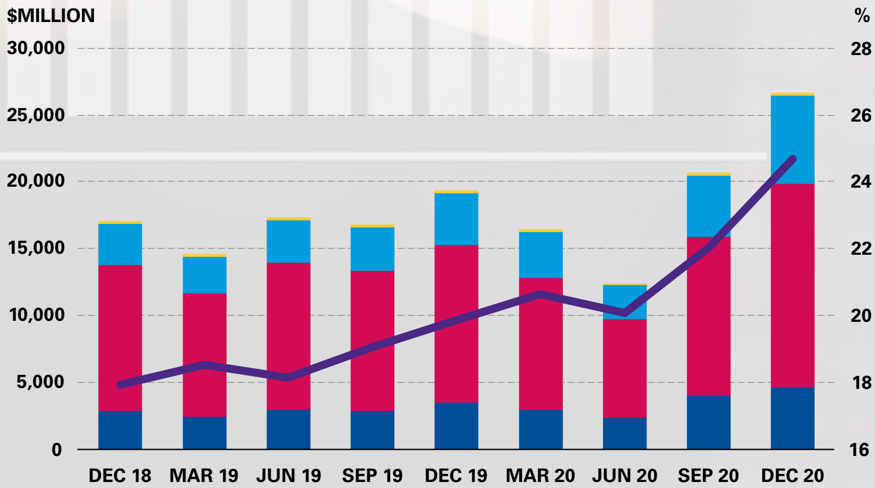
INTEREST ONLY (INCLUDING REVOLVING CREDIT) (LHS)

PRINCIPAL AND INTEREST (LHS)

PROPORTION OF NEW LENDING INTEREST ONLY – INVESTOR (%) (RHS)

SOURCE: RESERVE BANK OF NEW ZEALAND STATISTICS

3 NEW MORTGAGE LENDING BY BORROWER TYPE



FIRST HOME BUYER (LHS)

OTHER OWNER OCCUPIER (LHS)

INVESTOR (LHS)

BUSINESS PURPOSES (LHS)

INVESTOR LENDING (%) (RHS)

SOURCE: RESERVE BANK OF NEW ZEALAND STATISTICS

Asset quality

Individually assessed provisions

16.77%

down $93.3 million

Driven by

ASB	$53.3M
BNZ	$23.6M
Westpac	$11.7M

TABLE 3: Impaired asset expenses	$Million
December 2020	-$126.0
September 2020	$188.6
June 2020	$478.0
March 2020	$749.3

Collectively assessed provisions

4.89%

down $125.0 million

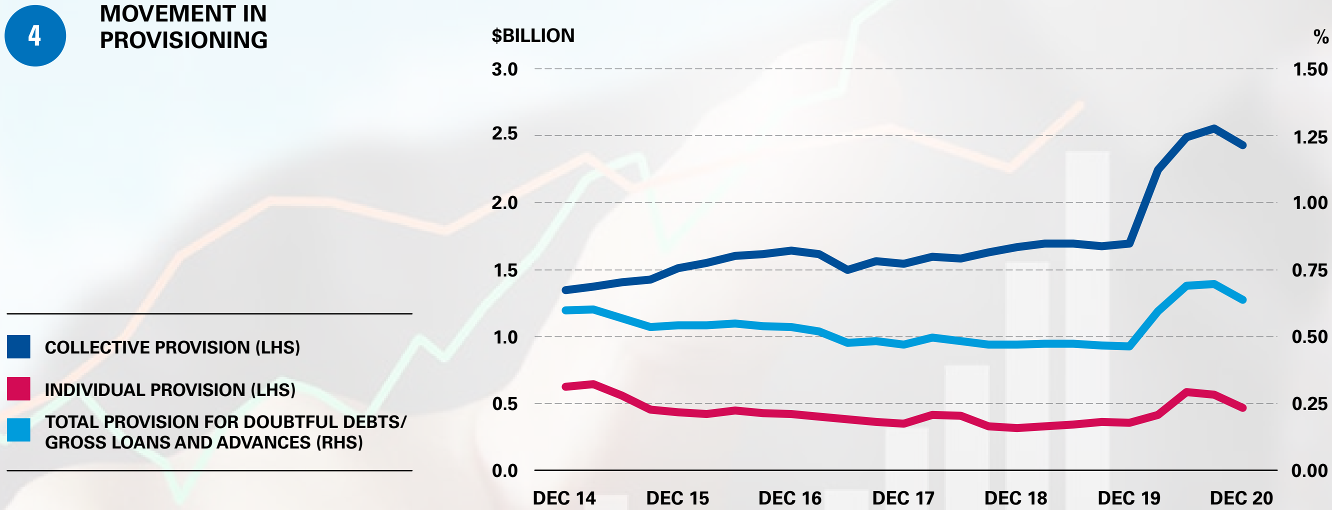
Driven by

Westpac	$84.9M
BNZ	$16.6M
Kiwibank	$11.5M

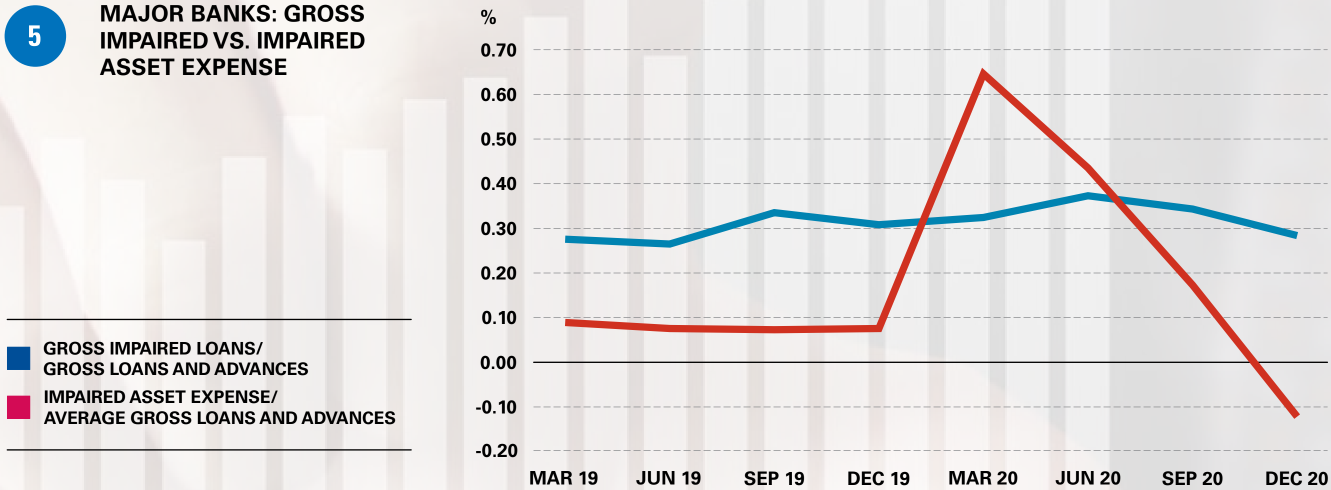
TABLE 4: Movement in impaired asset expense/ Average gross loans

Entity[23]	31 Dec 20 quarter ended (%)	Movement during the quarter (bps)	Movement for the 12 months (bps)
ANZ	-0.03%	-30	-8
ASB	-0.01%	-16	-5
BNZ	-0.13%	-44	-27
Heartland	0.44%	39	-3
Kiwibank	-0.03%	-6	-9
SBS	0.09%	0	-39
TSB	0.03%	8	0
Co-op	0.05%	-4	-5
Westpac	-0.39%	-35	-49
Average	**-0.11%**	**-28**	**-19**

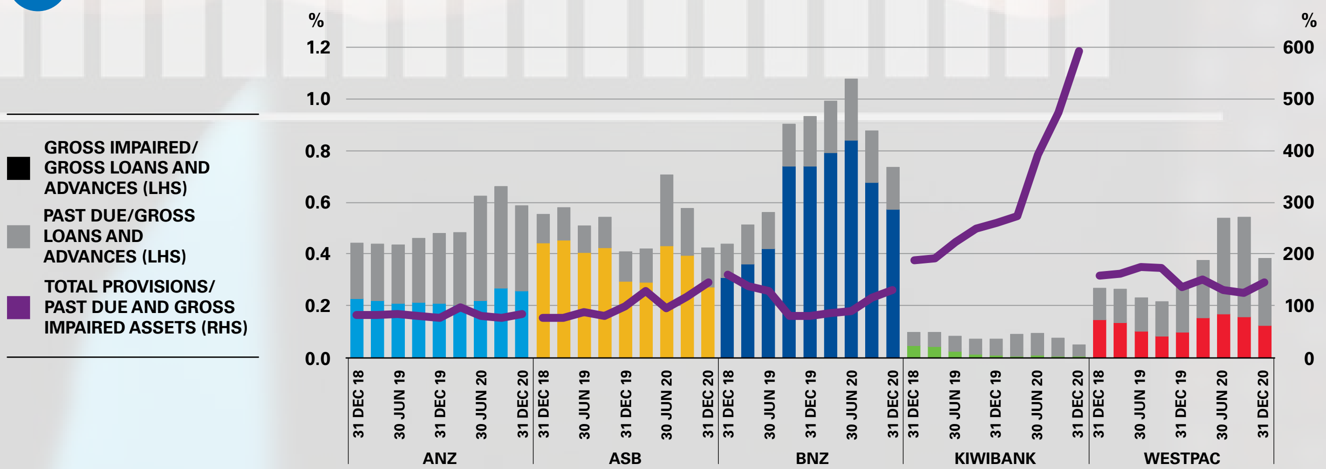
4 MOVEMENT IN PROVISIONING



5 MAJOR BANKS: GROSS IMPAIRED VS. IMPAIRED ASSET EXPENSE



6 MAJOR BANKS: PAST DUE AND GROSS IMPAIRED ASSETS VS. GROSS LOANS AND ADVANCES



Major banks - Quarterly analysis

Entity[23]	Size & strength measures							
	31 Mar 19	30 Jun 19	30 Sep 19	31 Dec 19	31 Mar 20	30 Jun 20	30 Sep 20	31 Dec 20
	Total assets[24] ($Million)							
ANZ	164,952	166,292	170,492	170,385	183,424	181,688	180,087	186,404
ASB	105,388	107,075	111,167	109,464	116,042	113,464	115,064	117,967
BNZ	103,758	105,313	109,111	108,289	118,501	114,452	112,310	117,287
Heartland	4,054	4,139	4,206	4,262	4,315	4,315	4,288	4,358
Kiwibank	22,514	22,734	23,584	24,086	25,249	25,510	26,645	27,283
SBS	4,755	4,791	4,863	4,948	4,942	4,836	4,842	4,839
TSB	7,819	7,920	8,075	8,130	8,179	8,332	8,575	8,761
Co-op	2,786	2,855	2,927	2,948	2,980	3,008	3,048	3,064
Westpac	100,180	101,464	106,762	107,111	120,525	114,223	113,187	117,160
Total	**516,204**	**522,582**	**541,187**	**539,622**	**584,157**	**569,827**	**568,047**	**587,123**
	Increase in gross loans and advances (%)							
ANZ	1.33	0.77	0.35	0.92	0.98	-0.02	-1.92	1.51
ASB	1.68	0.91	1.40	0.83	1.03	0.09	2.41	2.58
BNZ	1.35	1.56	1.07	0.41	1.41	-1.36	-0.30	1.43
Heartland	0.68	2.94	0.88	1.82	1.23	-2.03	-0.62	0.72
Kiwibank	2.85	2.89	1.63	3.57	1.91	1.51	3.06	3.86
SBS	1.11	1.24	1.05	1.63	0.58	-1.36	-0.36	-1.10
TSB	2.40	3.77	2.72	-0.33	-0.16	-0.28	0.58	0.81
Co-op	1.04	0.77	0.98	1.08	1.32	-0.31	1.14	2.83
Westpac	1.34	0.79	1.75	1.68	1.80	-0.29	1.47	1.34
Average	**1.48**	**1.13**	**1.10**	**1.07**	**1.27**	**-0.28**	**0.31**	**1.78**
	Capital adequacy (%)							
ANZ[25]	14.60	13.50	13.60	13.60	13.90	14.00	14.40	15.00
ASB[25]	14.30	14.00	13.50	14.20	13.60	14.00	14.20	13.90
BNZ	13.60	13.70	13.90	14.40	14.10	14.60	14.90	15.50
Heartland	13.10	13.50	12.90	12.60	12.90	12.70	13.40	14.00
Kiwibank	14.90	14.50	13.50	13.20	13.00	12.60	12.30	13.30
SBS	14.20	14.30	14.20	14.20	13.80	14.30	14.90	15.20
TSB	14.60	14.50	14.60	14.60	14.30	14.90	15.10	15.10
Co-op	17.10	16.60	16.70	16.40	16.30	16.90	16.90	17.00
Westpac[25]	16.50	16.70	15.90	15.90	15.90	16.60	17.10	17.60
	Net profit ($Million)							
ANZ	473	504	392	367	422	327	220	367
ASB	329	282	310	252	192	130	270	321
BNZ	296	313	160	238	129	187	209	303
Heartland	18	20	18	17	17	9	21	12
Kiwibank	25	20	25	27	17	-12	24	31
SBS	6	8	8	6	-4	8	10	12
TSB	5	14	13	12	-8	9	12	11
Co-op	1	2	2	3	-1	3	4	5
Westpac	300	284	280	203	132	107	238	300
Total	**1,455**	**1,447**	**1,207**	**1,125**	**896**	**770**	**1,008**	**1,361***

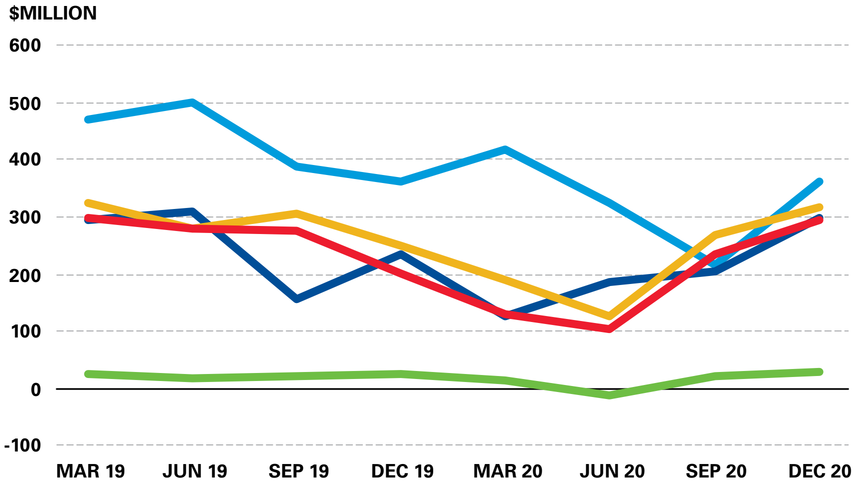
* Due to rounding, this total does not add up precisely to the total provided on page 8.

Entity	Profitability measures							
	31 Mar 19	30 Jun 19	30 Sep 19	31 Dec 19	31 Mar 20	30 Jun 20	30 Sep 20	31 Dec 20
	Interest margin[26] (%)							
ANZ	2.20	2.20	2.00	2.10	2.10	1.90	1.90	1.90
ASB	2.00	2.00	1.90	1.90	2.00	1.80	1.80	1.90
BNZ	2.20	2.10	2.10	2.10	2.10	2.00	2.00	2.00
Heartland	4.70	4.50	4.60	4.50	4.60	4.60	4.50	4.60
Kiwibank	2.00	2.10	2.00	1.90	2.00	1.90	1.90	2.00
SBS	2.50	2.50	2.50	2.50	2.50	2.40	2.40	2.50
TSB	1.80	1.80	1.80	1.80	1.80	1.60	1.70	1.70
Co-op	2.30	2.20	2.20	2.20	2.20	2.20	2.20	2.30
Westpac	2.10	2.10	1.80	1.90	1.90	1.70	1.80	2.00
	Non-interest income/Total assets[24] (%)							
ANZ	0.52	0.67	0.68	0.31	0.85	0.33	0.29	0.18
ASB	0.78	0.64	0.67	0.57	0.53	0.51	0.58	0.54
BNZ	0.67	0.79	0.45	0.30	0.65	0.40	0.35	0.42
Heartland	0.32	0.44	0.42	0.38	0.32	0.38	0.28	0.42
Kiwibank	0.74	0.83	0.86	0.90	0.92	0.53	0.63	0.27
SBS	0.81	0.75	0.78	0.82	0.70	0.68	0.74	0.82
TSB	0.30	0.27	0.29	0.29	0.25	0.22	0.22	0.22
Co-op	0.56	0.71	0.66	0.71	0.50	0.67	0.69	0.60
Westpac	0.69	0.59	0.70	0.37	0.59	0.32	0.35	0.28
Average	**0.64**	**0.67**	**0.63**	**0.41**	**0.68**	**0.39**	**0.39**	**0.34**
	Impaired asset expense/Average gross loans and advances (%)							
ANZ	0.06	0.07	0.13	0.05	0.64	0.23	0.27	-0.03
ASB	0.14	0.14	0.05	0.04	0.65	0.59	0.15	-0.01
BNZ	0.13	0.12	0.18	0.14	0.53	0.46	0.31	-0.13
Heartland	0.45	0.38	0.50	0.47	0.69	1.48	0.05	0.44
Kiwibank	0.08	0.08	0.03	0.06	0.28	0.56	0.03	-0.03
SBS	0.40	0.29	0.35	0.48	2.44	0.39	0.09	0.09
TSB	0.36	-0.06	0.05	0.03	1.29	-0.01	-0.05	0.03
Co-op	0.16	0.13	0.03	0.10	1.03	0.12	0.09	0.05
Westpac	0.04	-0.03	-0.08	0.10	0.87	0.54	-0.04	-0.39
Average	**0.10**	**0.08**	**0.08**	**0.08**	**0.67**	**0.44**	**0.17**	**-0.11**
	Operating expenses/Operating income (%)							
ANZ	35.23	34.29	45.63	44.88	33.93	43.97	54.60	44.39
ASB	33.58	37.72	35.89	43.48	38.09	49.46	38.55	36.97
BNZ	35.66	35.47	61.11	40.38	58.00	41.97	41.65	39.83
Heartland	39.96	40.16	42.77	45.02	40.78	48.39	40.28	61.61
Kiwibank	74.33	78.57	78.13	79.01	75.76	91.00	78.94	70.89
SBS	65.97	62.14	64.21	65.58	56.07	59.78	59.36	58.31
TSB	69.31	54.14	54.46	60.00	80.68	66.31	60.76	62.80
Co-op	87.88	80.00	82.09	75.48	75.77	74.52	74.65	70.59
Westpac	37.45	39.91	41.82	47.07	42.68	50.79	44.14	45.34
Average	**38.27**	**39.21**	**47.89**	**46.61**	**44.25**	**48.95**	**47.85**	**44.13**

7 MAJOR BANKS: NET PROFIT

ANZ
ASB
BNZ
KIWIBANK
WESTPAC

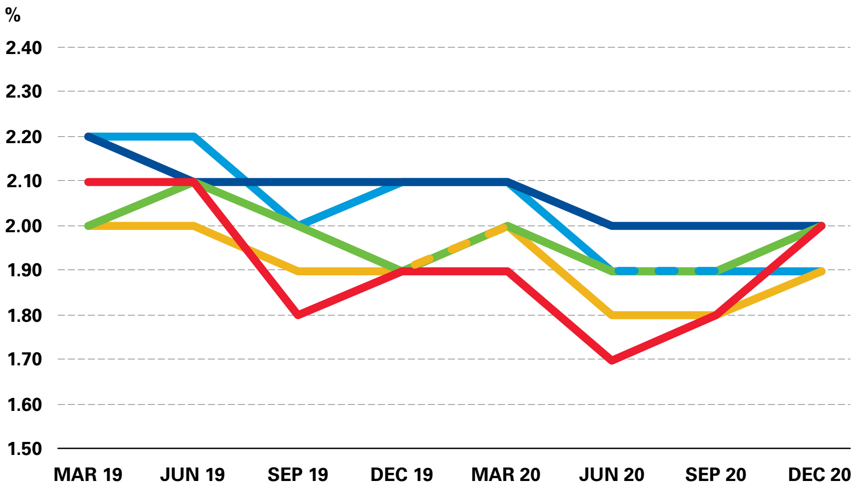
SOURCE: RBNZ BANK FINANCIAL STRENGTH DASHBOARD



8 MAJOR BANKS: INTEREST MARGIN

ANZ
ASB
BNZ
KIWIBANK
WESTPAC

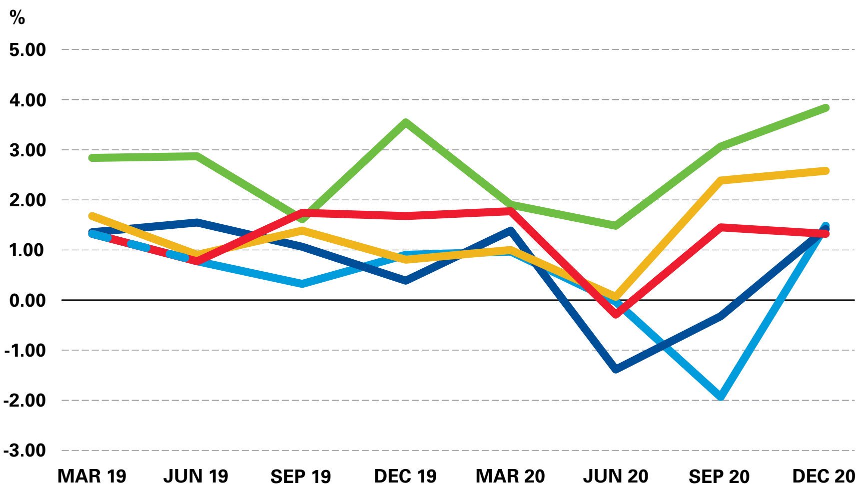
SOURCE: RBNZ BANK FINANCIAL STRENGTH DASHBOARD



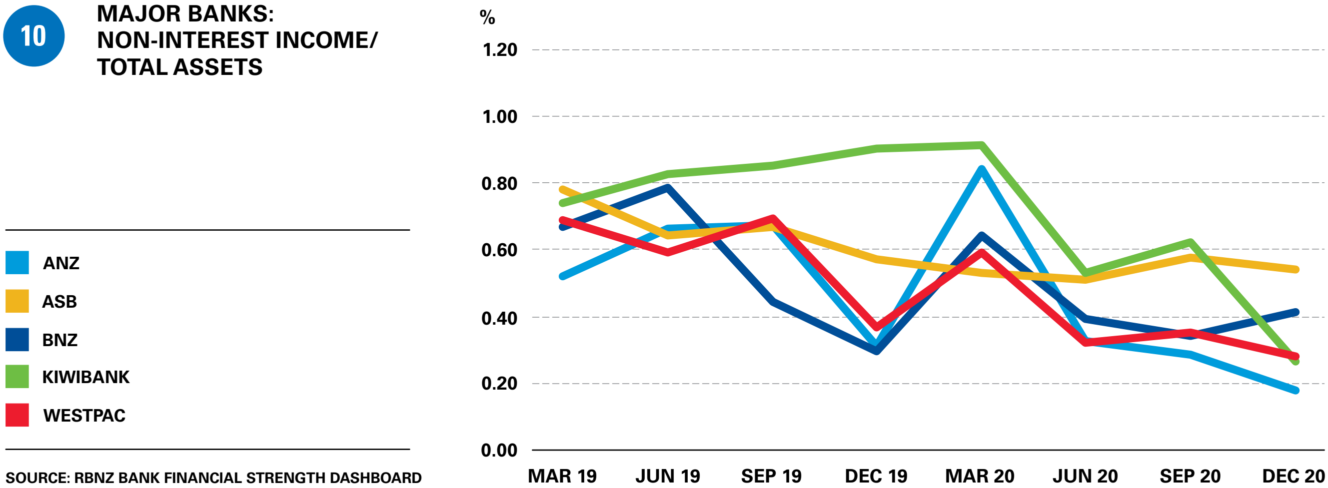
9 MAJOR BANKS: INCREASE IN GROSS LOANS AND ADVANCES

ANZ
ASB
BNZ
KIWIBANK
WESTPAC

SOURCE: RBNZ BANK FINANCIAL STRENGTH DASHBOARD

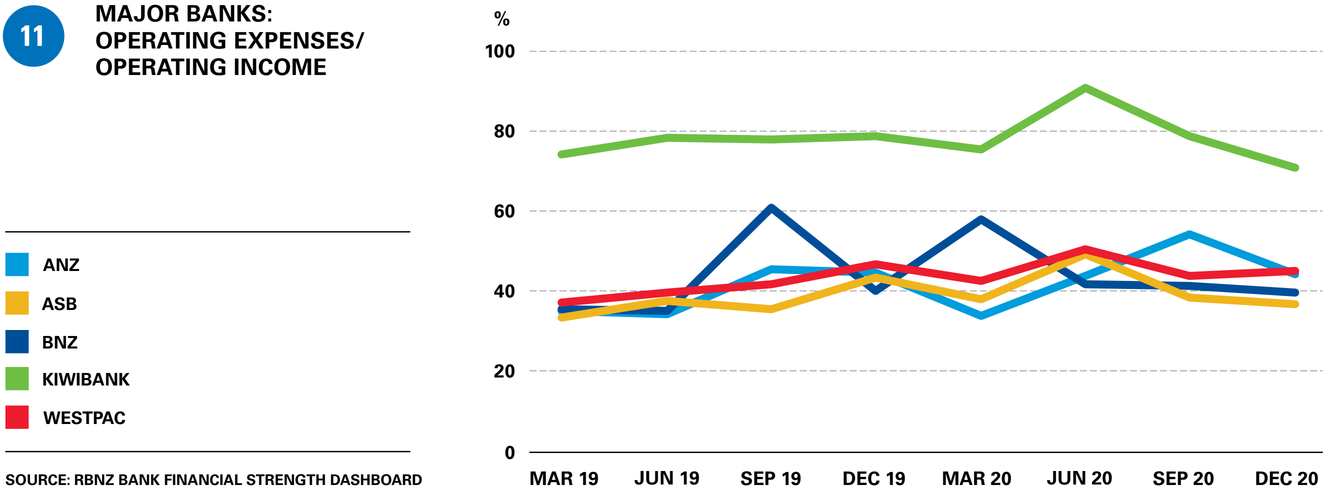


10 MAJOR BANKS: NON-INTEREST INCOME/ TOTAL ASSETS



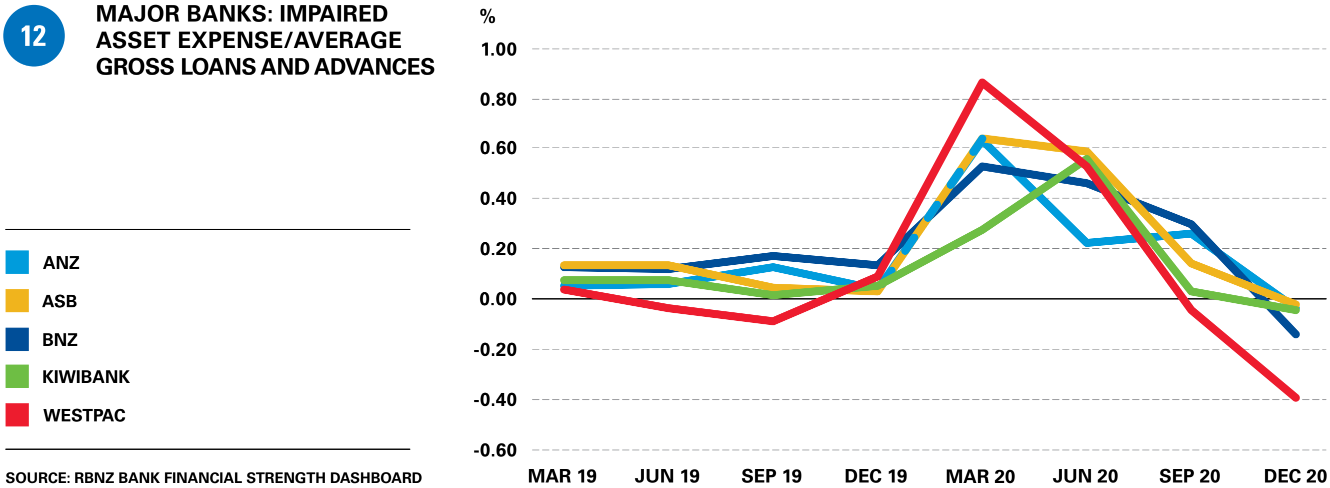
SOURCE: RBNZ BANK FINANCIAL STRENGTH DASHBOARD

11 MAJOR BANKS: OPERATING EXPENSES/ OPERATING INCOME



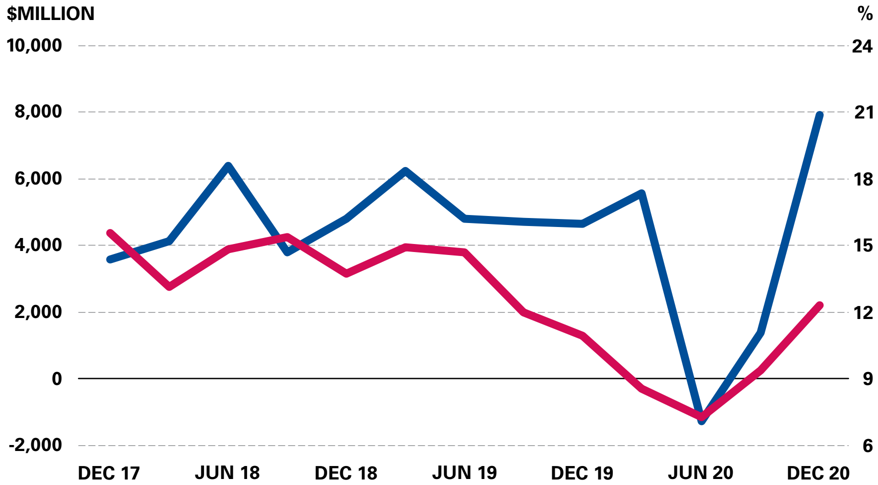
SOURCE: RBNZ BANK FINANCIAL STRENGTH DASHBOARD

12 MAJOR BANKS: IMPAIRED ASSET EXPENSE/AVERAGE GROSS LOANS AND ADVANCES



SOURCE: RBNZ BANK FINANCIAL STRENGTH DASHBOARD

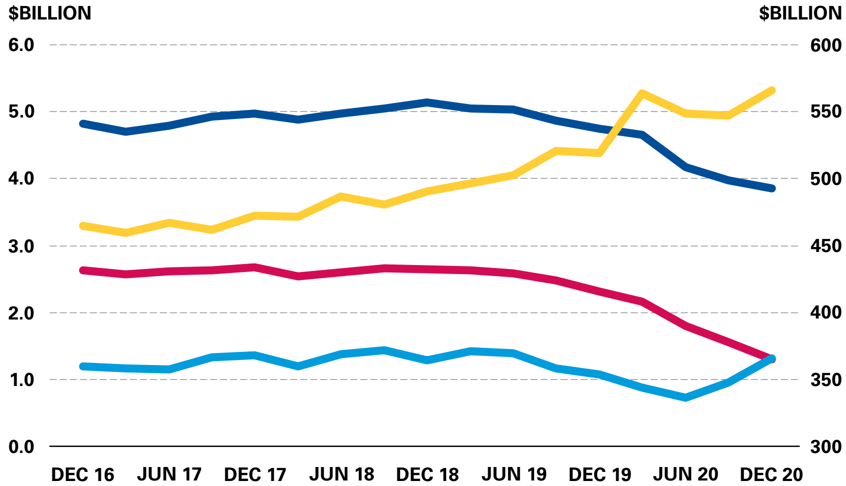
13 GROWTH IN GROSS LOANS AND ADVANCES VS. RETURN ON EQUITY



GROWTH IN GROSS LOANS AND ADVANCES (LHS)

RETURN ON EQUITY (RHS)

14 MAJOR BANKS: INTEREST EARNING ASSETS COMPARED TO INTEREST INCOME AND EXPENSE



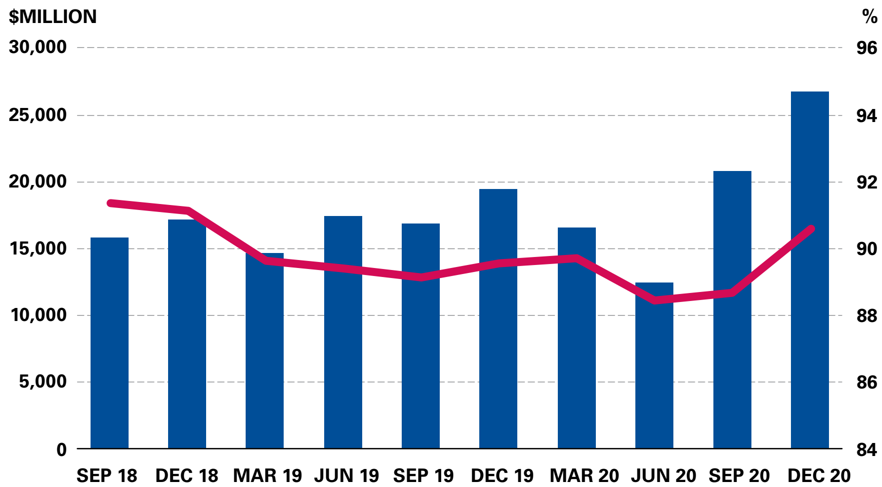
INTEREST INCOME (LHS)

INTEREST EXPENSE (LHS)

NET PROFIT (LHS)

TOTAL ASSETS (RHS)

15 LVR ANALYSIS OF RESIDENTIAL MORTGAGES



NEW MORTGAGES (LHS)

PROPORTION OF NEW MORTGAGES WITH LVR OF 80% OR BELOW (RHS)

SOURCE: RESERVE BANK OF NEW ZEALAND STATISTICS


Summary Report

Endnotes

1. https://abcnews.go.com/International/warns-global-surge-covid-cases-deaths-world-The-approaches/story?id=77090038
2. https://www.nzherald.co.nz/nz/flyer-beware-returning-transtasman-bubble-travellers-could-pay-thousands-in-miq-fees/O3GJX2PUZ63QHQSFLDNWYB45FI/
3. https://www.stuff.co.nz/travel/news/124948396/transtasman-bubble-decision-on-travel-to-western-australia-out-today-as-perths-lockdown-ends
4. https://www.abc.net.au/news/2021-04-19/nz-travel-bubble-singapore-pacific-international-flights/100078130
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19. https://www.interest.co.nz/banking/109676/australias-westpac-banking-corporation-reportedly-reviewing-its-ownership-westpac-new
20. https://www.interest.co.nz/banking/110068/finance-minister-grant-robertson-unveils-new-process-setting-lending-restrictions
21. https://www.nbr.co.nz/story/guarantee-scheme-only-covers-40-deposits
22. https://www.newsroom.co.nz/politics/deposit-protection-higher-risk-higher-levy
23. This data represents the top New Zealand level banking-licenced entity and is referred to using the brand in common usage, and as per the RBNZ Bank Financial Strength Dashboard. ANZ represents Australia and New Zealand Banking Group Limited – ANZ New Zealand; ASB represents Commonwealth Bank of Australia New Zealand Operations; Heartland represents Heartland Bank Limited; SBS represents Southland Building Society (trading as 'SBS Bank'); TSB represents TSB Bank Limited; Co-op represents The Co-operative Bank Limited; and Westpac represents Westpac Banking Corporation – New Zealand Banking Group.
24. For quarters ended 31 December 2017 and earlier, total assets excluded intangible assets. From 31 March 2018, intangible assets are no longer deducted as this information is not available in the RBNZ Dashboard. Total Assets = Total Assets - Intangible Assets.
25. The capital adequacy ratios reported are for the local bank.
26. In line with the information disclosed in the RBNZ Dashboard, the net interest margin is disclosed to 1 decimal place from 31 March 2018 onwards. As interest earning assets are not disclosed in the RBNZ Dashboard, average net interest margins cannot be calculated from 31 March 2018 onwards.

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