FIPS

Financial Institutions Performance Survey

June 2023 Quarterly Results

Overview

Information current as at 20 September 2023

The results of the banking sector for the June 2023 quarter show an increase in net profit as impaired asset expenses eased compared to the previous quarter. The banking sector's net profit increased by 12.7% up to $1.74 billion for the quarter. Only slight increases were seen in net interest income, with the bulk of the increased profits coming from non-interest income and decreases in impaired asset expenses.

Mortgage rates have continued to rise over the quarter as wholesale funding becomes increasingly more expensive for banks while the Official Cash Rate (OCR) continues to remain at 5.50%. Nevertheless, new mortgages are still on the rise at $15.9 billion for the June 2023 quarter, an increase of 26% compared to the March 2023 quarter.

Commerce Commission inquiry

The Government announced on 20 June 2023 that the Commerce Commission was to carry out a market study related to the banking sector due to concerns that the market is not serving New Zealanders well. Finance Minister Grant Robertson said, "banks have consistently made high profits over a number of years and their returns have outperformed their peers in other countries." With the local sector being largely dominated by a small number of Australian-owned firms, and the four major banks (ANZ, ASB, BNZ, Westpac) holding around 86% of mortgages and 90% of bank deposits, the inquiry will look into whether competition is working well across personal banking services.[1]

On 10 August 2023, the Commerce Commission released its preliminary issues paper, highlighting the areas of focus for the inquiry. The Commission said they will be focusing on home loans as well as deposit accounts (including transaction accounts, savings accounts, term deposits and overdraft facilities).[2] While looking into these areas of focus, the Commerce Commission also intends on considering the following matters:

- The structure of the industry and the nature of competition.
- The conditions for entry by potential competitors and the conditions for expansion.
- Any barriers to consumers comparing bank offers or switching banks, including the extent to which products or services may be tied or bundled.
- Any impediments to new or innovative banking products or services.
- Comparative indicators of bank financial performance (including profitability).

The study into the banking sector is set to take 14 months. Around March 2024 the Commerce Commission intends to publish a draft report of their preliminary findings as well as some proposed recommendations for improving competition if they are required. The final report will be published on 20 August 2024.[3]

Economy

In the August 2023 Monetary Policy Statement released by the Reserve Bank of New Zealand (RBNZ), the Monetary Policy Committee decided to maintain the current rate for the OCR at 5.50%. The Committee have said that in order for annual consumer price inflation to return back within the 1-3% target range, the OCR needs to remain at restrictive levels for the foreseeable future.[4]

The June 2023 quarter has seen the second consecutive drop in inflation, down to 6.0% from 6.7% in the March 2023 quarter and 7.2% in the December 2022 quarter. The RBNZ indicated that the decline in inflation is similar to what they are seeing happen in other countries, particularly our key trading partners. This decrease was driven by falling energy prices and more stable food prices. However, most measures of core inflation have remained near their peaks, indicating inflation will still take some time to reach the 1-3% target level.[4]

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The most recent updates regarding the annual current account balance put the deficit at $33.0 billion in the year to 31 March 2023. This puts the current account at 8.5% of gross domestic product (GDP).[5] Since 2000, the deficit has averaged around 4% of GPD and the RBNZ have noted that a large amount of the current deficit was due to temporary Covid-19 related factors, which they expect to fall off over the next three years.[6] The RBNZ does not believe that the deficit will cause any destabilisation of the economy, stating that "New Zealand's external debt position is relatively sustainable, with a significantly lower ratio of net foreign liabilities to GDP than during the GFC (Global Financial Crisis)."[6]

Cost of living

While the OCR remains flat at 5.50% following the August Monetary Policy Statement, ANZ, ASB, and Westpac have all raised their mortgage rates. ANZ and Westpac both made 20 basis point changes, increasing their two-year special rates to 6.99%[7] and 6.89%[8] respectively. ANZ's standard two year rate now sits at 7.59%[7] and Westpac's standard rate is at 7.49%.[8] Westpac said the increases to their rates reflect the continued volatility in the cost of funding the lending to their customers.[9] ASB's most recent increases include 20 basis point increases to their one-year (7.45%) and 18-month rates (7.15%) as well as a 16 basis point increase to their two-year (7.05%) and three-year (6.85%) rates.[10] RBNZ Governor Adrian Orr is comfortable with the banks' increases, stating "their cost of funding has been rising, and they are busy passing that on to those who are borrowing."[9]

Stats NZ's rental price index (RPI) showed the stock index for rental prices was 3.9% higher in June 2023 when compared to June 2022. The index also showed an increase of 0.5% in prices between May 2023 and June 2023.[11] Trade Me's RPI also showed increases to rental prices, claiming renters are paying on average $50 more a week in June 2023 compared to the same time last year.[12] According to Gavin Lloyd, Trade Me's Director of Property Sales, New Zealand's median weekly rent has risen 9% over June 2022 to a new record of $620 per week.[12]

As high inflation and increased mortgage and rental prices continue to put pressure on Kiwis' spending, retail spending has seen its third consecutive decline in the June 2023 quarter. Stats NZ data showed seasonally adjusted sales volumes have decreased 1.0% in June 2023, 1.6% in March 2023, and 1.1% in December 2022.[13] Westpac senior economist Darren Gibbs said, "Today's retail spending report highlighted that financial pressures are continuing to eat away at households' purchasing power, with the value of total spending also decreasing."[14]

Housing market

The Real Estate Institute of New Zealand (REINZ) monthly House Price Index (HPI) report indicated that in July 2023 house prices were down year-on-year by 6.9% nationwide and down 7.3% in Auckland. The REINZ HPI report also indicated that the continued fall in house prices across the country may be coming to an end as nationwide the HPI has increased by 0.7% in the last month and 0.6% over the previous three months. Within those gains are Papakura District and Palmerston North, both seeing one-month gains greater than 2%, and Porirua City, Upper Hutt City, and Dunedin City all gaining over 3% in the last month to July 2023.[15]

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Comparatively, the QV HPI showed monthly decreases to the average house value of 3.5% in April, 3.4% in May and 1.8% in June 2023. These decreases put the national average house price down at $888,999 as at July 2023, 10.2% lower than the same time last year.[16] Quotable Value's operations manager James Wilson stated that first-home buyers

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have remained active in the market and there are signs that investors are starting to join back in.[16] The National Party has since released their tax policy, which could bring more investors back into the market as they aim to restore interest deductibility for rental properties and bring the Brightline test from ten years back down to two years.

Housing stock listing levels across the country have also changed. Realestate.co.nz figures showed new listings for July 2023 were down 17.6% on last year and total housing stock was also down 12.4% over July 2022.[17]

Kelvin Davidson, Chief Property Economist at CoreLogic NZ, said "July's drop in prices at the national level may seem surprising, given the recent commentary about an emerging turnaround for the housing market. But it's important to note that the latest decline is the smallest in six months."[18]

Lending

Most recent RBNZ data showed that new lending for residential mortgages was up for the June 2023 quarter. Compared to March 2023, June saw a 26% increase in new residential mortgages across the banking sector to $15.9 billion. New mortgages are, however, still down 14% on the same quarter last year and down 39% on the June 2021 quarter.[19] All mortgage borrower types saw increases on the March 2023 quarter with the largest growth seen in first-home buyers, increasing 43% to $3.9 billion (the highest for first-home buyers since the December 2021 quarter).[20] New mortgages for other owner occupiers and investors also grew quarter on quarter, gaining 20% and 25% respectively, while mortgages for business purposes gained 19% in June 2023 (see Figures 1–4 on page 10).

> Realestate.co.nz figures showed new listings for July 2023 were **down 17.6%** on last year and total housing stock was also **down 12.4%** over July 2022.

1 - 4 See Figures 1–4 – page 10

In terms of new lending options, Westpac have announced that they will add interest free loans up to $50,000 to purchase an electric vehicle (EV). This comes as an extension of Westpac's Greater Choices offerings which also include home efficiency upgrades. ANZ, ASB and BNZ all offer similar $80,000 loans for EVs and home efficiency upgrades, however, these come with an interest rate of 1%.[21]

Banking performance

Quarterly results showed the banking sector saw an increase in net profit after tax (NPAT) by 12.7%, rising from $1.54 billion in the March 2023 quarter to $1.74 billion in the June 2023 quarter. Net interest income remained somewhat flat this quarter, increasing by 1.4% to $3.63 billion while the usually volatile non-interest income saw a 30.4% rise on the previous quarter up from $443.8 million to $578.7 million[22] (see Figures on page 8).

See Figures – page 8

> Compared to March 2023, June saw a **26% increase** in new residential mortgages across the banking sector to **$15.9** billion.

> Quarterly results showed the banking sector saw an **increase** in NPAT by **12.7%**, rising from **$1.54** billion in the March 2023 quarter to **$1.74** billion in the June 2023 quarter.

Impaired asset expenses fell by 55.1% to $143.7 million following the March 2023 quarter's expense of $320.2 million, which was an increase of 191.9% on December 2022. While we are seeing a decrease to impaired asset expenses, it still sits at $143.7 million for the quarter as provisioning continues to increase, although those increases appear to be slowing. Individual provisions were down 8.8% and collective provisions up 3.2%, leaving total provisions at $3.03 billion, a 2.0% increase on the March 2023 quarter[22] (see Figures on page 11).

See Figures – page 11

As indicated by New Zealand's credit bureau, Centrix, 30+ days' mortgage delinquencies have risen for all age groups since the OCR rose past 3% at the end of 2022. The largest increase in delinquencies can be tracked across those below 30 years old. Although impaired asset expenses are falling, provisions continue to increase as a result of increasing arrears. See the Centrix article 'Taking a closer look at generational arrear trends' on **page 18**.

Kiwibank has reported a record NPAT for the year ended 30 June 2023, it rose 34% to $175 million. Contributing to the gains for the year was the bank's loan from the RBNZ's Funding for Lending Programme (FLP) where Kiwibank drew down their full allocation, borrowing $1.38 billion (the FLP began on 7 December 2020 and has since ended on 6 December 2022). CEO Steve Jurkovich explained that this meant Kiwibank wasn't as reliant on wholesale markets and retail deposits for funding, which are becoming more costly.[23] Following the year-end Kiwibank also received a $225 million capital injection from its parent. This followed the recent sale of Kiwi Wealth (fund manager) for $310 million to Fisher Funds in 2022. Jurkovich said, "this capital injection will enable Kiwibank to continue to deliver on its growth ambitions by supporting Kiwis with their home ownership aspirations and backing local businesses to thrive."[24]

Regulation

Duncan Webb, Minister for Commerce and Consumer Affairs, said that the Credit Contracts and Consumer Finance Act (CCCFA) is to undergo another review. The CCCFA has been often criticised for being too restrictive on consumers and preventing those who can afford loans from getting them (see Figure 2 on page 10).

2 See Figure 2 – page 10

The CCCFA had previously been reviewed in May 2023 and in July 2022 to help address the heavy-handed impacts that took effect back in December 2021. Webb says, "It is important to keep the Act up to date to ensure it continues to strike the right balance between protecting vulnerable consumers and having a healthy and effective market for credit."[25]

> The CCCFA has been often criticised for being too restrictive on consumers and preventing those who can afford loans from getting them.

> The RBNZ's commitment to a high OCR has started to see results as this quarter marked the second consecutive decrease in inflation.

The National Party has recently indicated through Andrew Bayly, Commerce and Consumer Affairs spokesperson, their intention to cut back on the CCCFA should they come into government. Also on their agenda would be a repeal of the Conduct of Financial Institutions Act and a change to KiwiSaver that would allow members to invest with more than one provider.[26] Milford's Head of KiwiSaver and Distribution, Murray Harris, wondered, "what is the problem it is trying to fix" given members often struggle to decide on which funds to split their investments over, let alone other providers as well. He also believes that splitting over multiple providers would make tracking retirement savings a more difficult task and lead to individual financial advice being required.[27] Simplicity's co-founder Sam Stubbs believed more choice was good in principle, but is worried that additional complexity and administration would push more costs on to members.[27]

Back in October 2022, the Government planned to bring Buy Now, Pay Later (BNPL) forms of credit under the CCCFA and had proposed that BNPL providers conduct affordability tests for consumers wanting to borrow more than $600. They have since decided not to continue with these plans with Duncan Webb concluding it would be "too onerous" given the short term and low value of BNPL loans.[28]

Shortly following the end of the June 2023 quarter the Commerce Commission announced that a settlement agreement had been entered into with Kookmin Bank, which has committed to refunding $11 million to borrowers in New Zealand. The bank was found to be in breach of its obligation requirements under the CCCFA across nearly 500 contracts between 2015 and 2021. Kookmin have admitted to failing to provide initial disclosures about its home and personal loans that were compliant with the Act.[29]

Concluding remarks

To summarise, the June 2023 quarter's banking sector results show a return to increasing profits after March's fall from previous record highs. With provisioning remaining stable this quarter, following large increases in the previous quarter, we saw a large drop-off in impairment expenses compared to the March 2023 quarter.

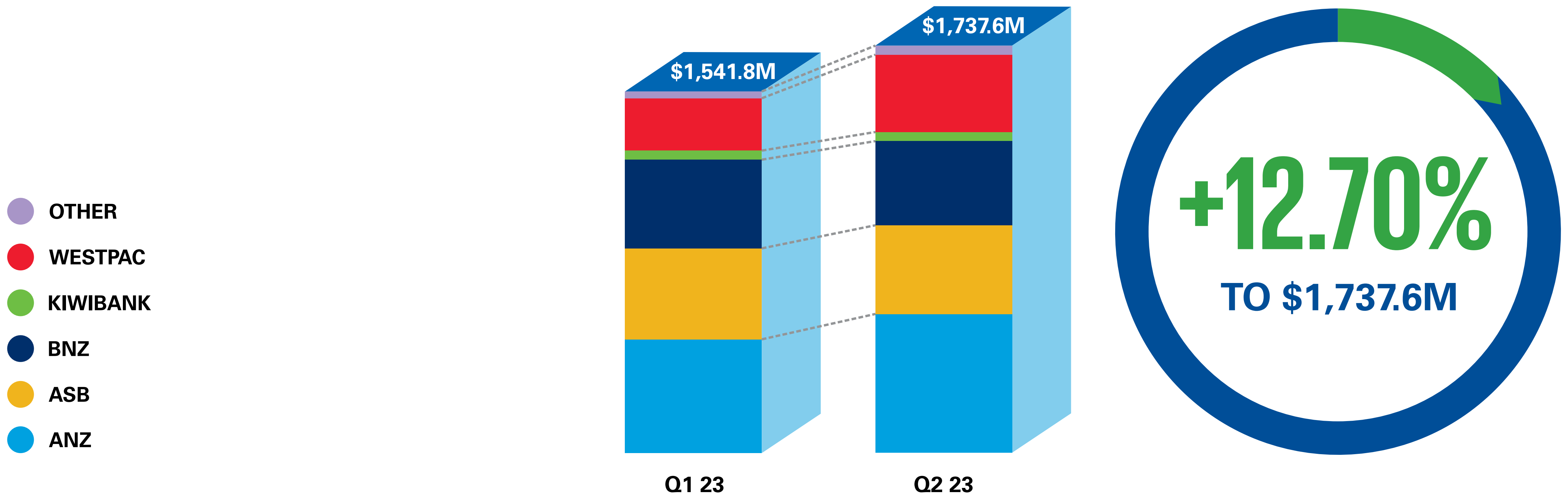
Although the RBNZ have now maintained the OCR at 5.50% for two consecutive Monetary Policy periods and indicated it will need to stay at this level for the foreseeable future, mortgage rates still continued to climb across the banks, as access to wholesale funding becomes more expensive. We are seeing that this has not deterred borrowers as new lending for residential mortgages continued to increase. The RBNZ's commitment to a high OCR has started to see results as this quarter marked the second consecutive decrease in inflation.

Net profit after tax

Q1 23–Q2 23 | Q2 22–Q2 23 | Q2 21–Q2 23 | Q2 18–Q2 23

HOVER over the button to see the comparisons over time, 1 quarter, 1, 2 and 5 years

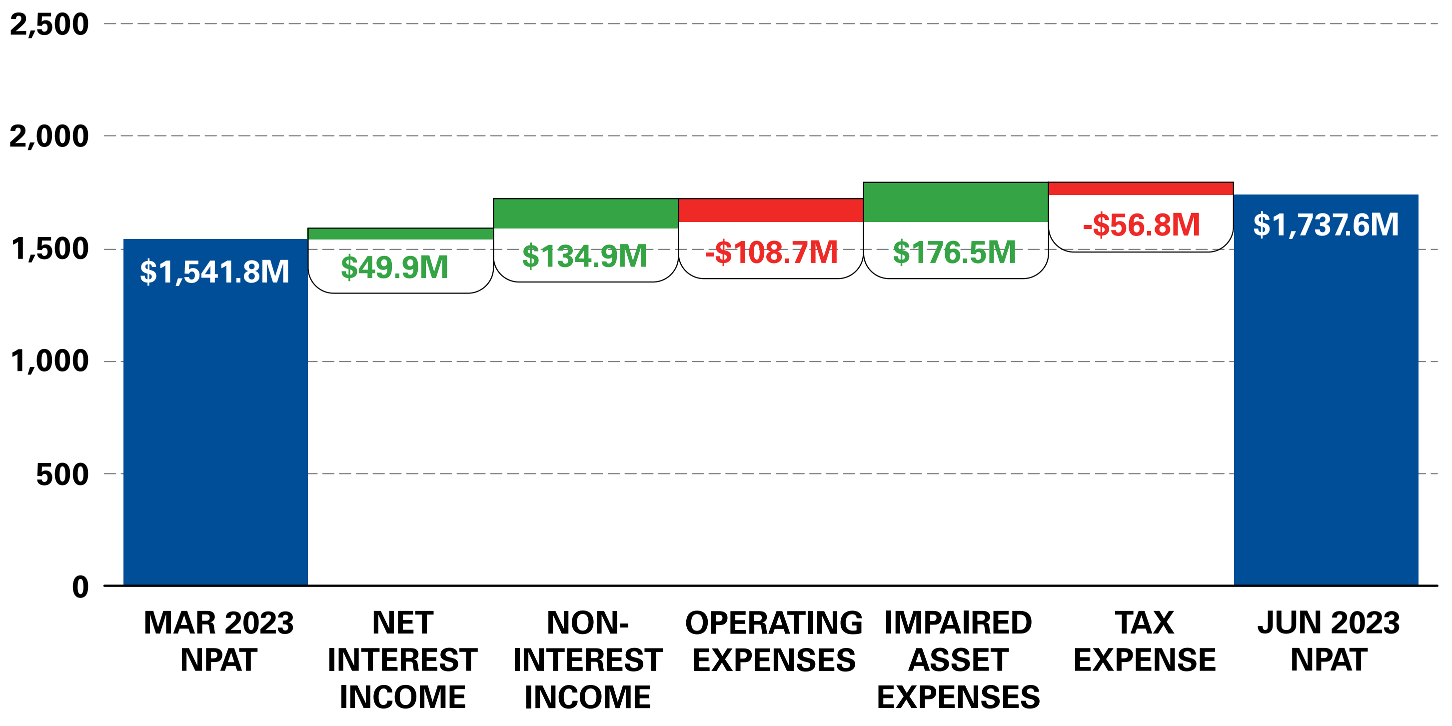
Movement in net profit: Breakdown



Hover over the button to see historic quarterly results

Q2 23 | Q2 22
Q1 23 | Q1 22
Q4 22 | Q4 21
Q3 22 | Q3 21

MOVEMENT IN NET PROFIT FOR THE QUARTER ENDED 30 JUNE 2023



Q1 23–Q2 23 | Q4 22–Q2 23 | Q3 22–Q2 23 | Q2 22–Q2 23

HOVER over the button to see the movement in each quarter

Net interest income

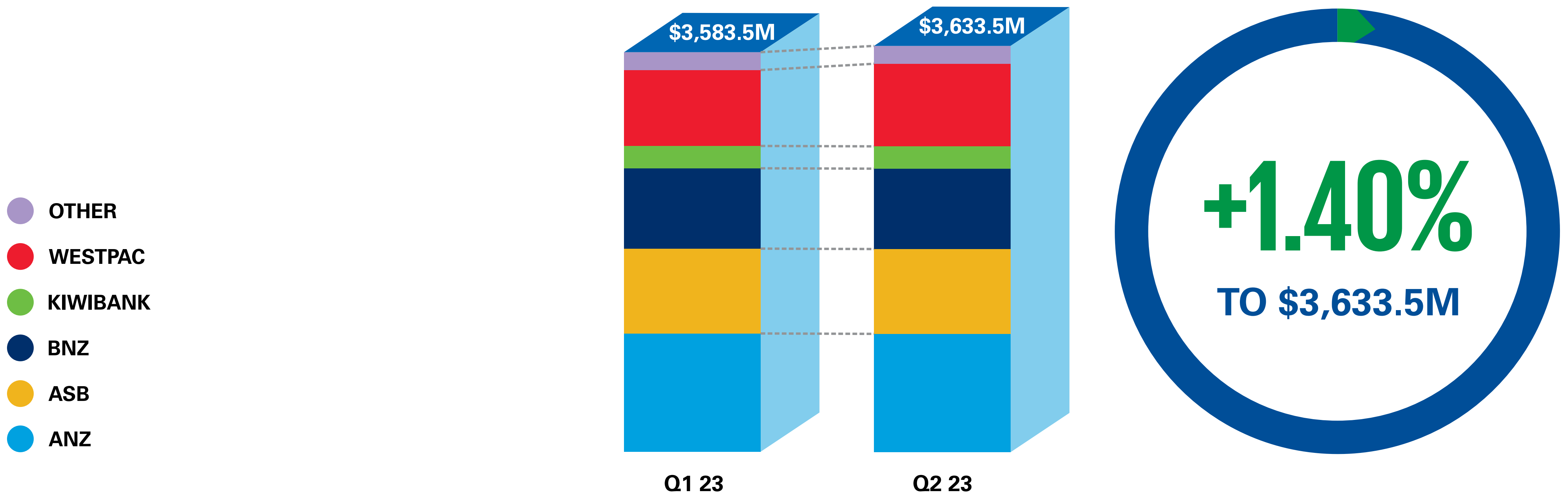


TABLE 1: Movement in interest margin

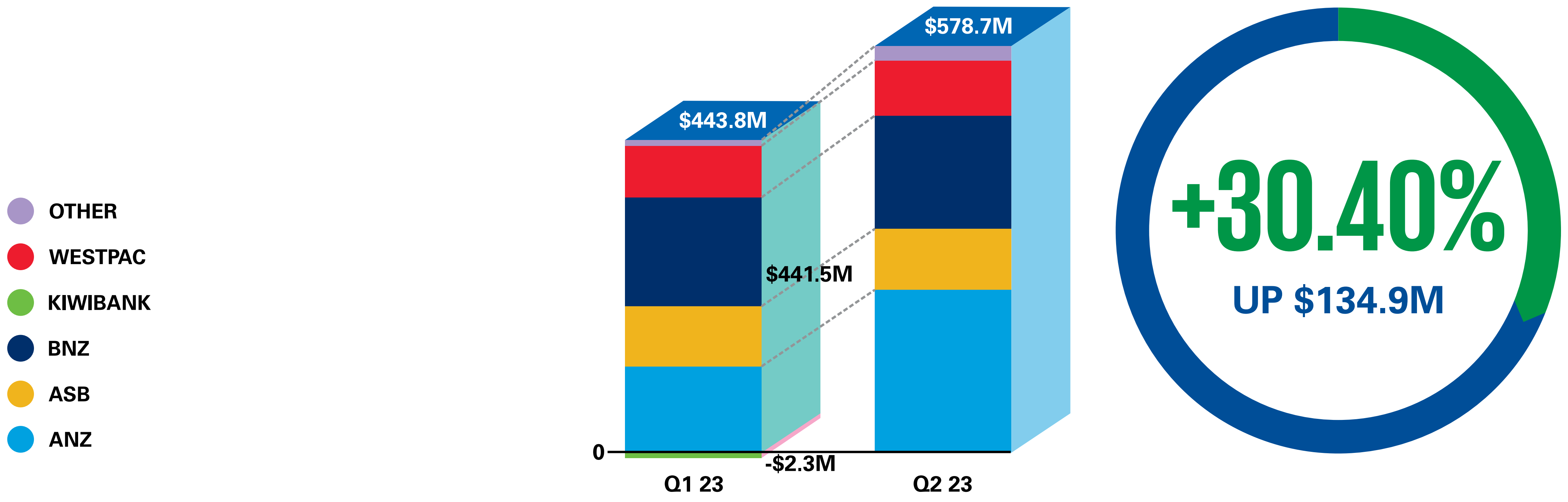
Entity[30]	Quarter ended 30 Jun 23 (%)	Mvmt. during the quarter (bps)	Mvmt. for the 6 months (bps)	Mvmt. for the 12 months (bps)
ANZ	2.4%	0	0	20
ASB	2.4%	-10	-10	20
bnz	2.4%	0	-10	20
HEARTLAND BANK	4.0%	-10	-20	-60
Kiwibank	2.5%	0	0	20
sbs	2.5%	0	-20	-10
TSB	2.0%	-10	-20	-10
The Co-operative Bank	2.6%	0	0	10
Westpac	2.4%	10	10	30

Net profit after tax

Q1 23–Q2 23 | Q4 22–Q2 23 | Q3 22–Q2 23 | Q2 22–Q2 23

HOVER over the button to see the movement in each quarter

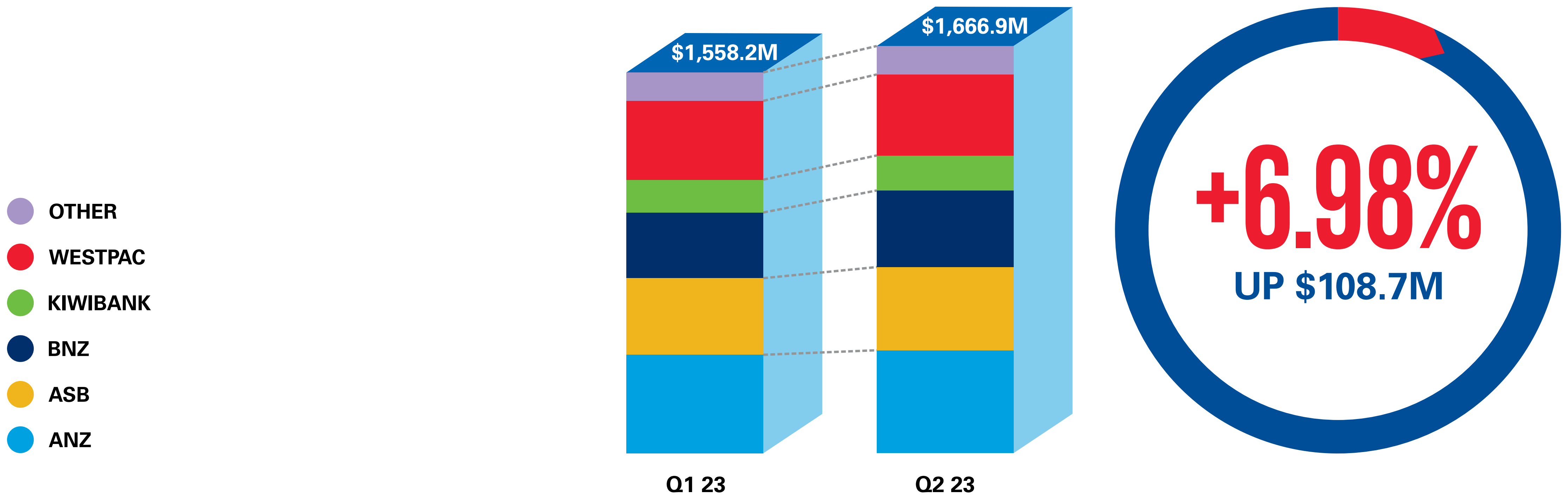
Non-interest income



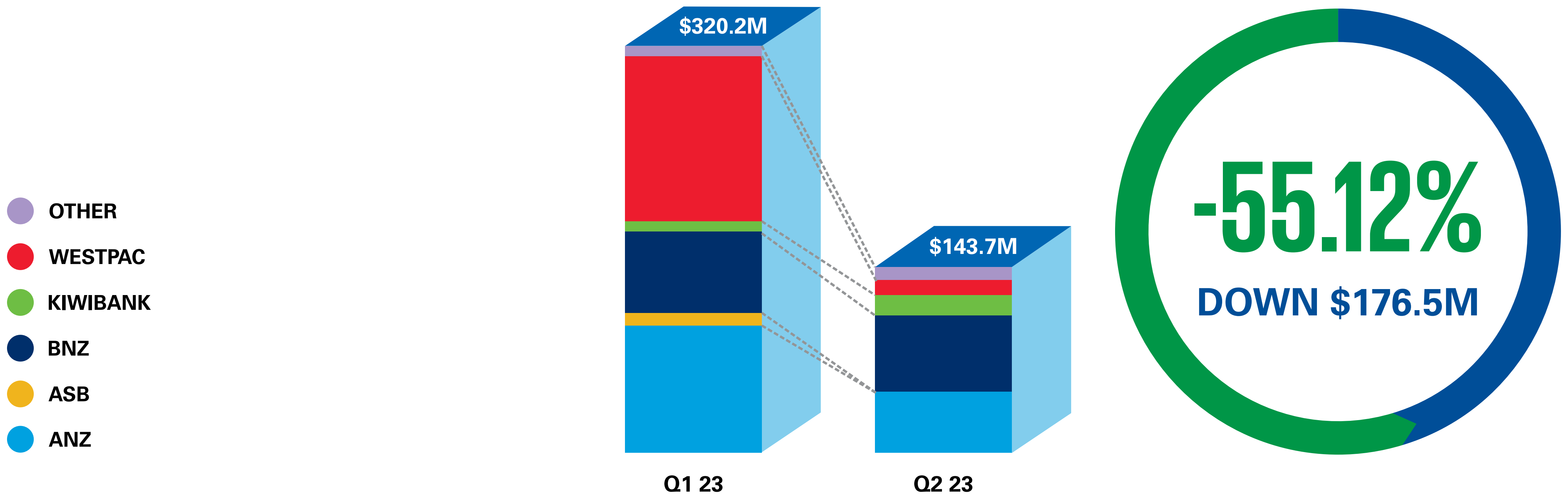
Q1 23–Q2 23 | Q4 22–Q2 23 | Q3 22–Q2 23 | Q2 22–Q2 23

HOVER over the button to see the movement in each quarter

Operating expenses



Impaired asset expenses (writebacks)

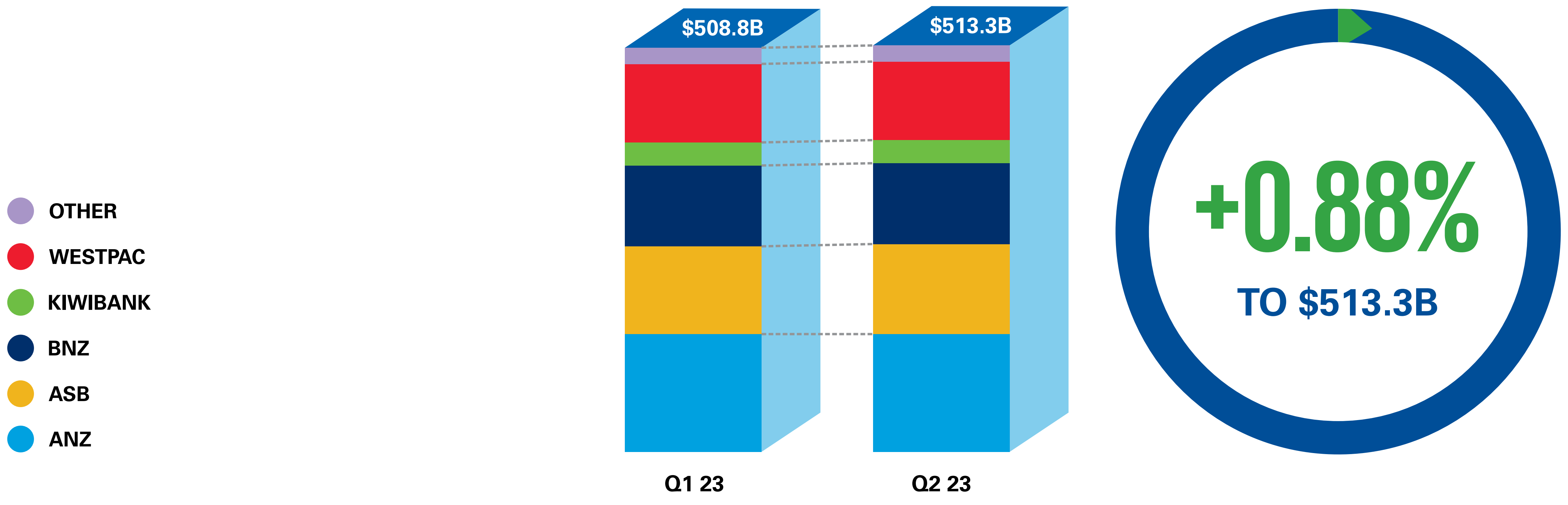


Lending

Q1 23–Q2 23 | Q4 22–Q2 23 | Q3 22–Q2 23 | Q2 22–Q2 23

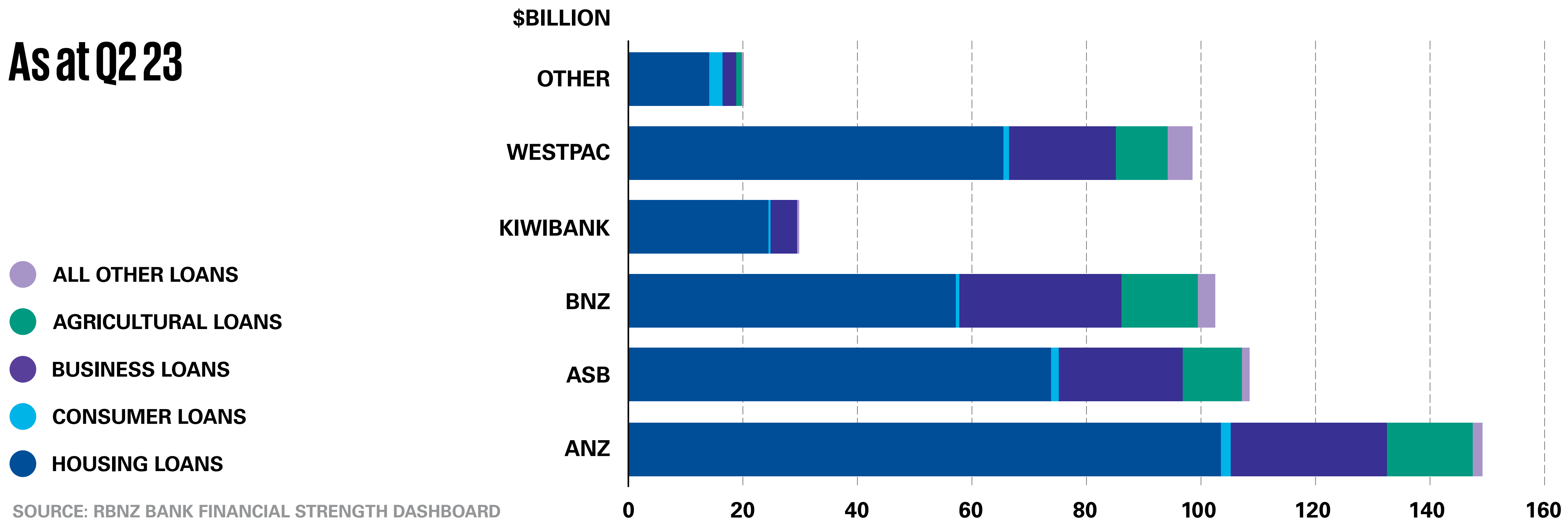
HOVER over the button to see the movement in each quarter

Gross loans



Breakdown by bank

As at Q2 23



SOURCE: RBNZ BANK FINANCIAL STRENGTH DASHBOARD

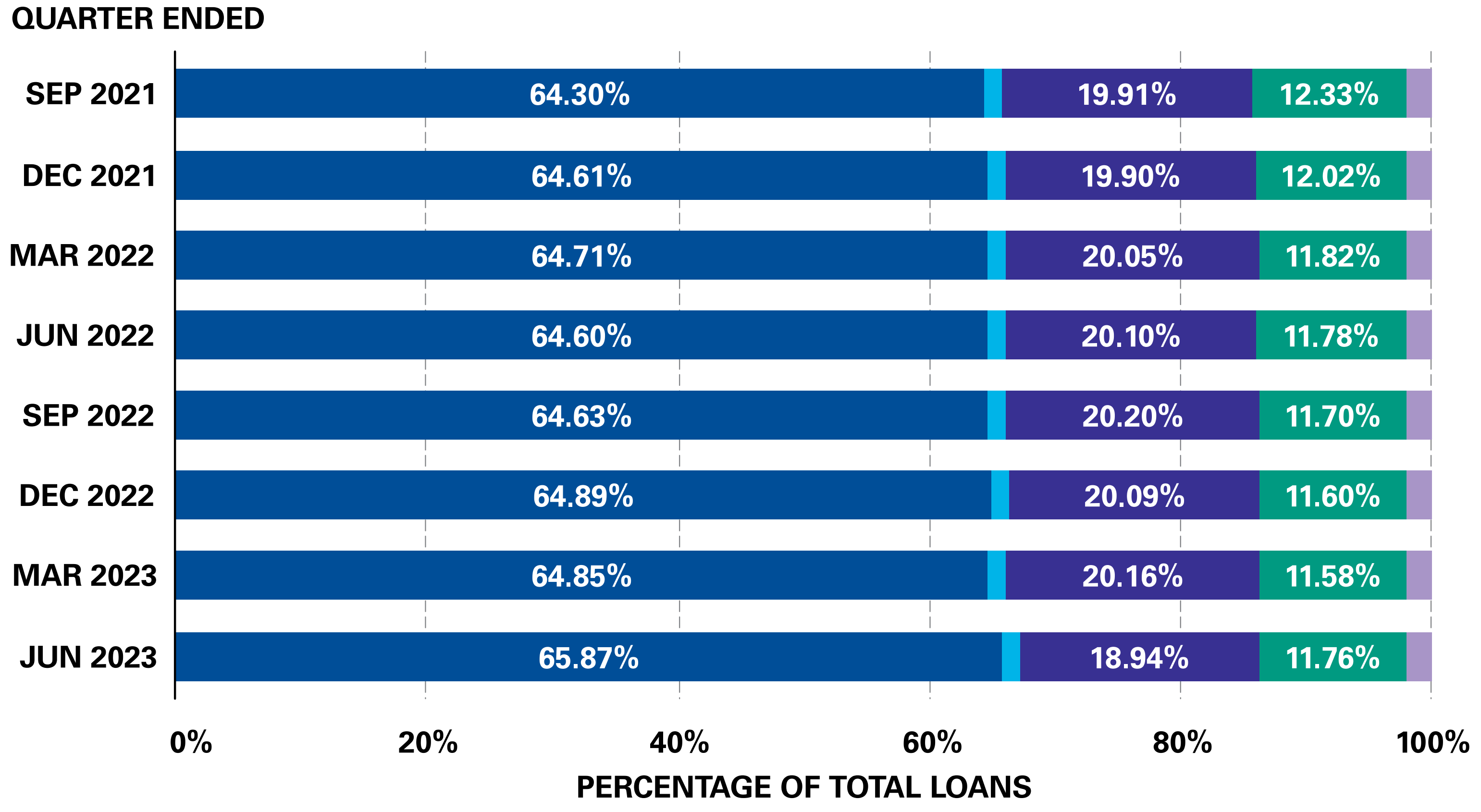
TABLE 2: Analysis of gross loans

Entity[30] Quarterly analysis	Quarter ended 30 Jun 23 $Million	Quarter ended 31 Mar 23 $Million	% Increase (Quarterly)
ANZ	149,942	148,173	1.19%
ASB	111,569	110,284	1.17%
bnz	102,766	101,994	0.76%
HEARTLAND BANK	4,896	4,851	0.92%
Kiwi bank.	29,783	29,342	1.50%
sbs	5,210	5,059	2.97%
TSB	7,136	7,104	0.45%
The Co-operative Bank	2,923	2,897	0.88%
Westpac	99,050	99,163	-0.11%
Total	**513,274**	**508,799**	**0.88%**

Entity[30] Annual analysis	Quarter ended 30 Jun 23 $Million	Quarter ended 30 Jun 22 $Million	% Increase (Annual)
ANZ	149,942	148,068	1.27%
ASB	111,569	108,835	2.51%
bnz	102,766	99,847	2.92%
HEARTLAND BANK	4,896	4,534	7.98%
Kiwi bank.	29,783	27,818	7.06%
sbs	5,210	4,558	14.29%
TSB	7,136	6,685	6.75%
The Co-operative Bank	2,923	2,759	5.93%
Westpac	99,050	96,200	2.96%
Total	**513,274**	**499,304**	**2.80%**

Lending

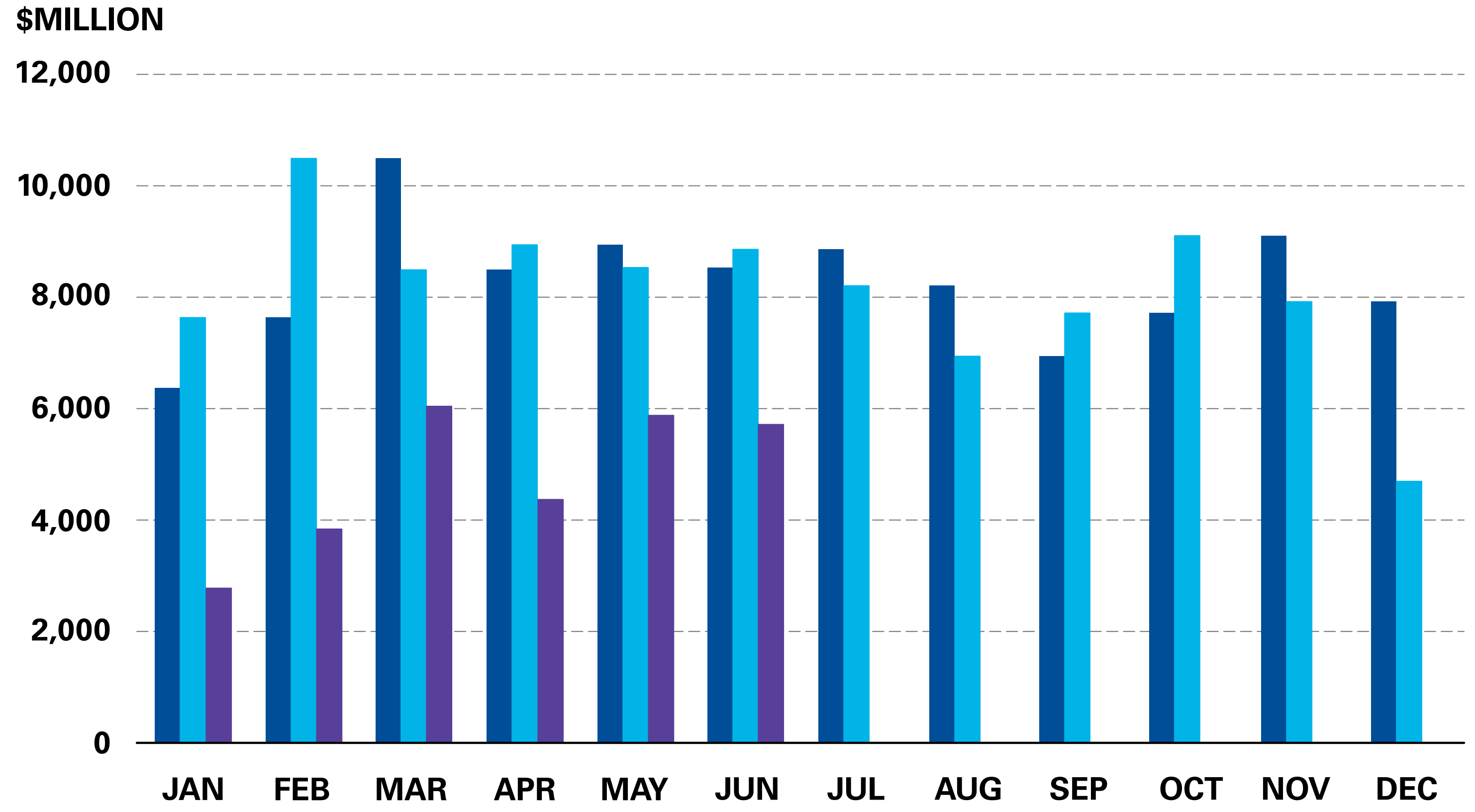
1 NZ BANKS PORTFOLIO COMPOSITION BY QUARTER



- ALL OTHER LOANS
- AGRICULTURAL LOANS
- BUSINESS LOANS
- CONSUMER LOANS
- HOUSING LOANS

SOURCE: RBNZ BANK FINANCIAL STRENGTH DASHBOARD

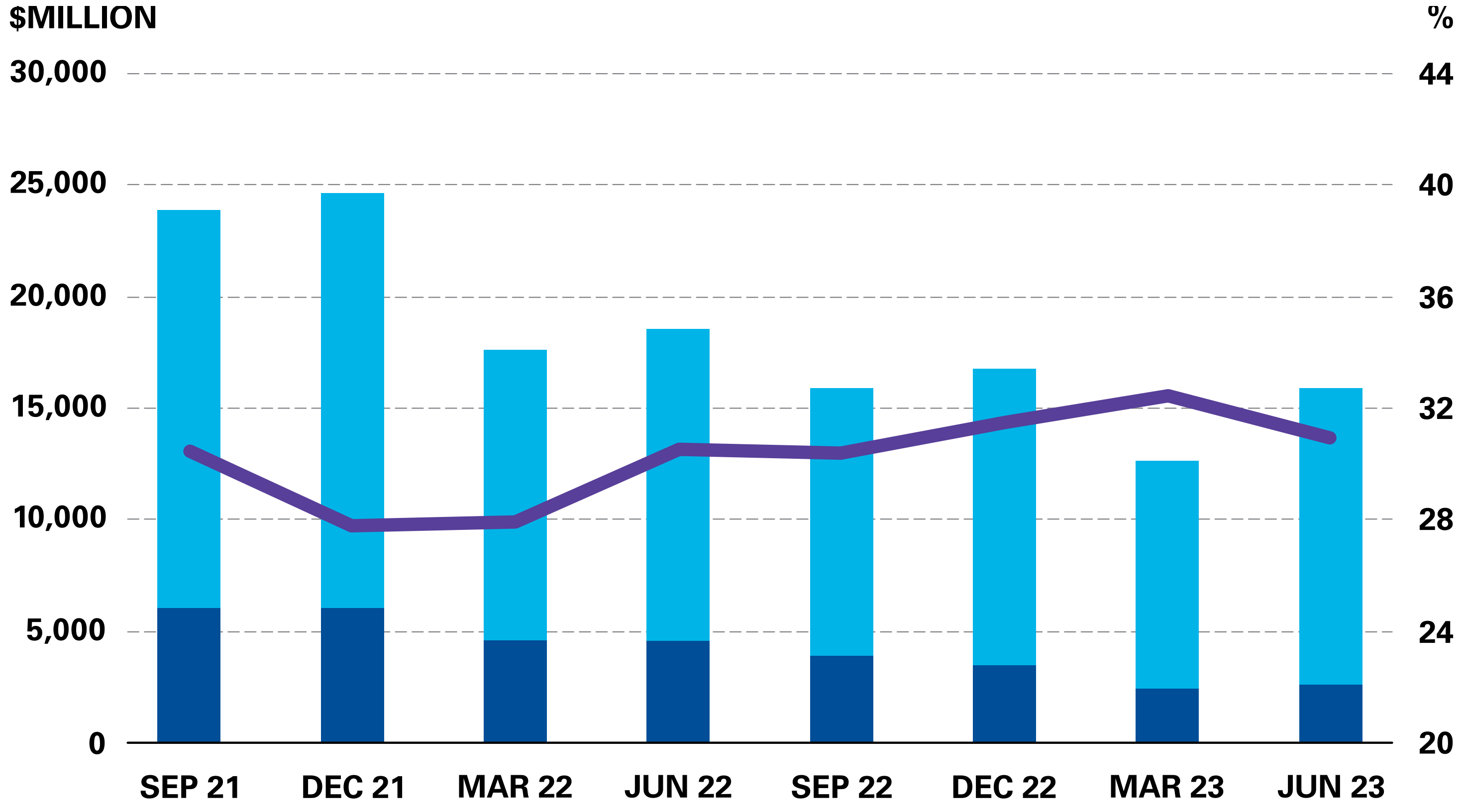
2 TOTAL MONTHLY MORTGAGE LENDING



- 2021
- 2022
- 2023

SOURCE: RESERVE BANK OF NEW ZEALAND STATISTICS

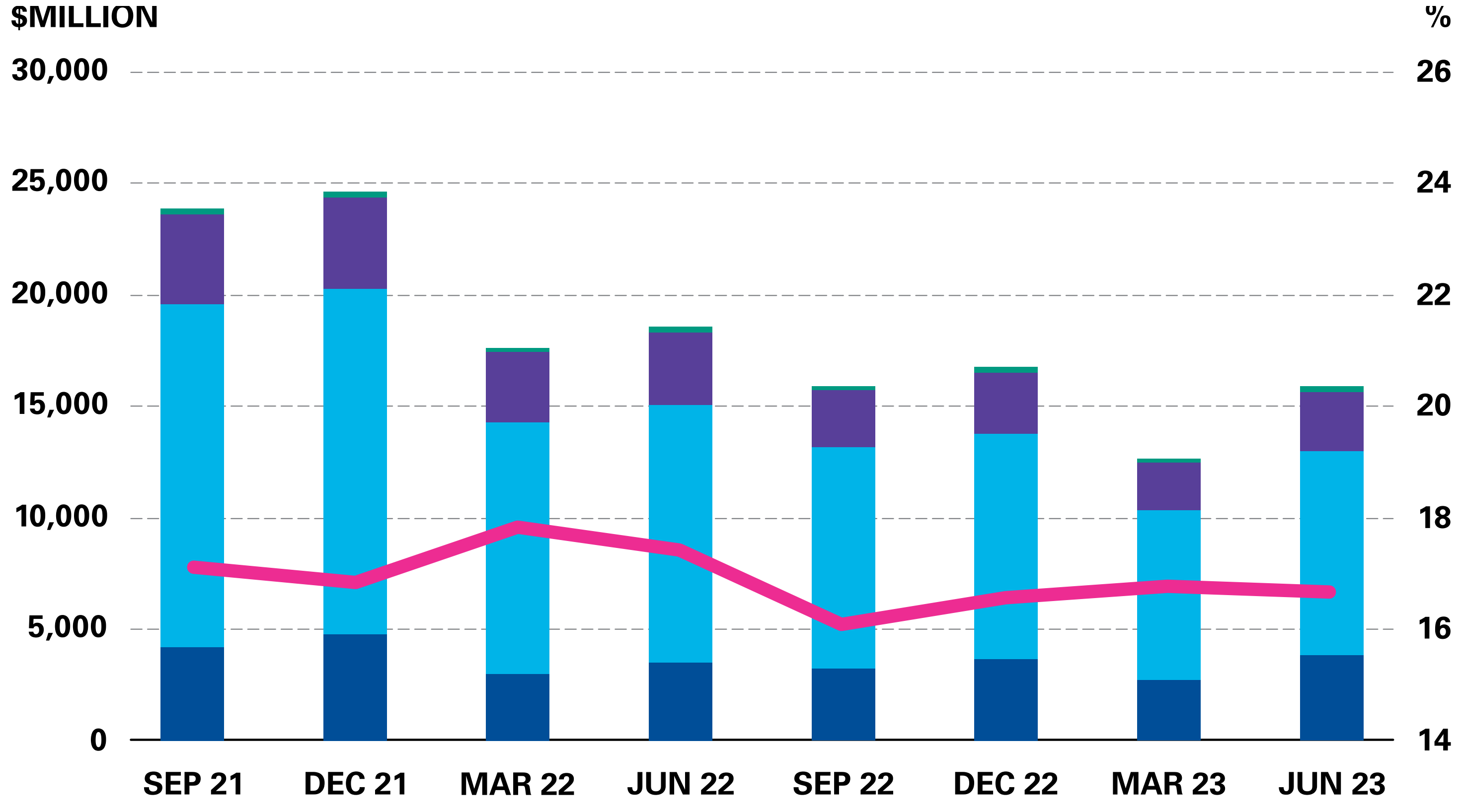
3 NEW MORTGAGE LENDING BY PAYMENT TYPE



- 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

4 NEW MORTGAGE LENDING BY BORROWER TYPE



- FIRST-HOME BUYER (LHS)
- OTHER OWNER OCCUPIER (LHS)
- INVESTOR (LHS)
- BUSINESS PURPOSES (LHS)
- INVESTOR LENDING (%) (RHS)

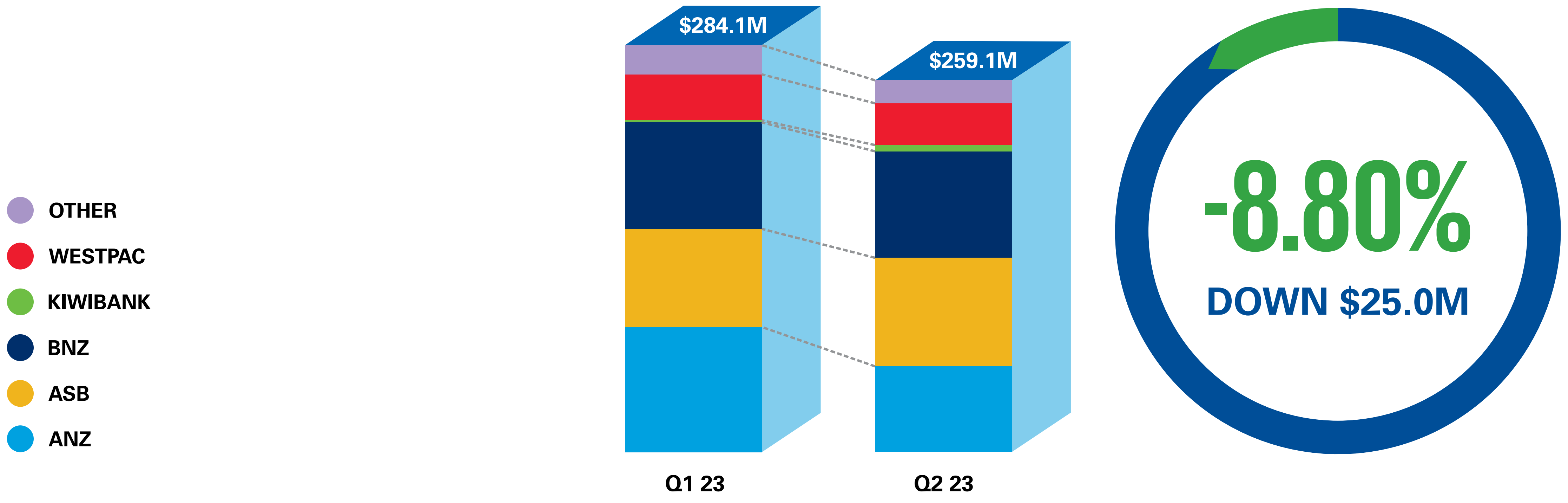
SOURCE: RESERVE BANK OF NEW ZEALAND STATISTICS

Asset quality

Q1 23–Q2 23 | Q4 22–Q2 23 | Q3 22–Q2 23 | Q2 22–Q2 23

HOVER over the button to see the movement in each quarter

Individually assessed provisions



Collectively assessed provisions

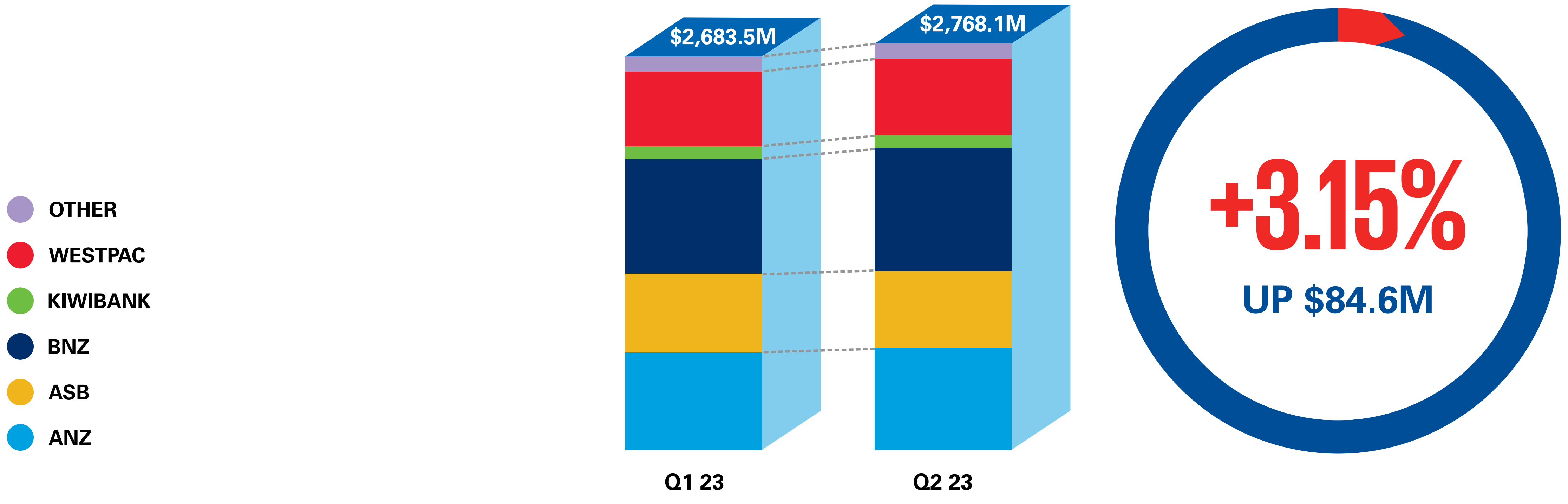


TABLE 3: Impaired asset expenses

	$Million		$Million
June 2023	$143.7	June 2022	$52.2
March 2023	$320.2	March 2022	$52.7
December 2022	$109.7	December 2021	-$35.0
September 2022	$114.3	September 2021	-$29.2

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

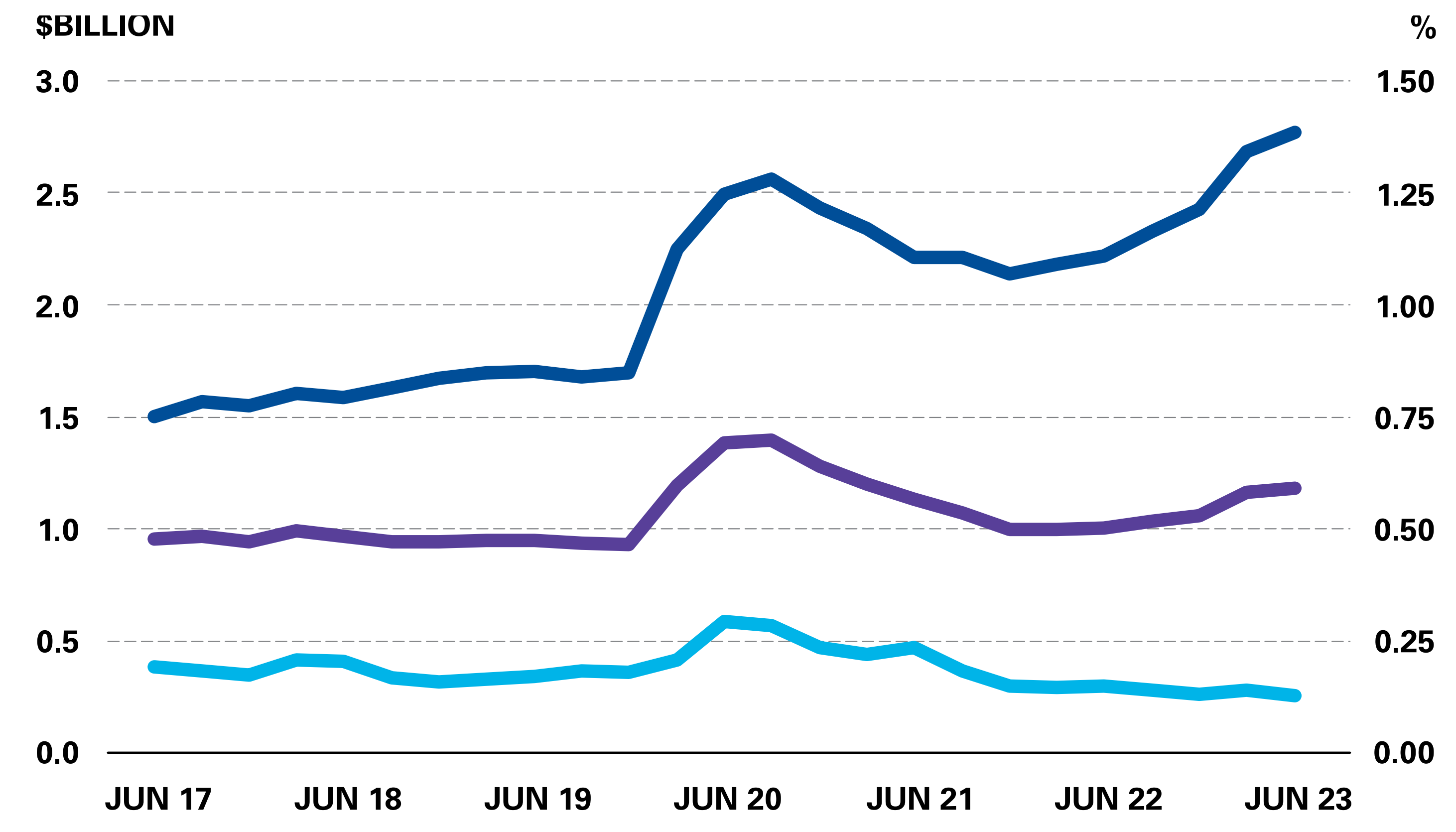
Entity[30]	Quarter ended 30 Jun 23 (%)	Mvmt. during the quarter (bps)	Mvmt. for the 6 months (bps)	Mvmt. for the 12 months (bps)
ANZ	0.13%	-14	7	10
ASB	0.00%	-4	-18	-14
bnz	0.23%	-2	24	23
HEARTLAND BANK	0.31%	-24	-11	68
Kiwi bank.	0.22%	10	8	11
sbs	0.37%	7	15	6
TSB	0.07%	24	24	12
The Co-operative Bank	0.03%	-3	-1	0
Westpac	0.05%	-47	-6	7
Average	0.16%	-6	5	14

The results for the quarter ended 30 June 2023 showed collective provisioning continued to increase for the sixth consecutive quarter. The increase has slowed this quarter with growth of 3.2% to collective assessed provisions after the March 2023 quarter's 10.7% increase. Individual assessed provisioning saw a decrease of 8.8% this quarter. Overall, total provisioning increased by 2.0%, building on last quarter's 10.4% increase.

While provisions continue to increase, the rate at which they are increasing slowed down in the March 2023 quarter, with impaired asset expense for the banking sector coming in at 55.1% lower than the March 2023 quarter. The coverage ratio for the quarter (total provision for doubtful debts/gross loans and advances) increased slightly from 0.58% in the March 2023 quarter to 0.59% in June 2023. It will be interesting to see whether the rising arrears and continued challenging economic conditions lead to further increases in provisions in the future.

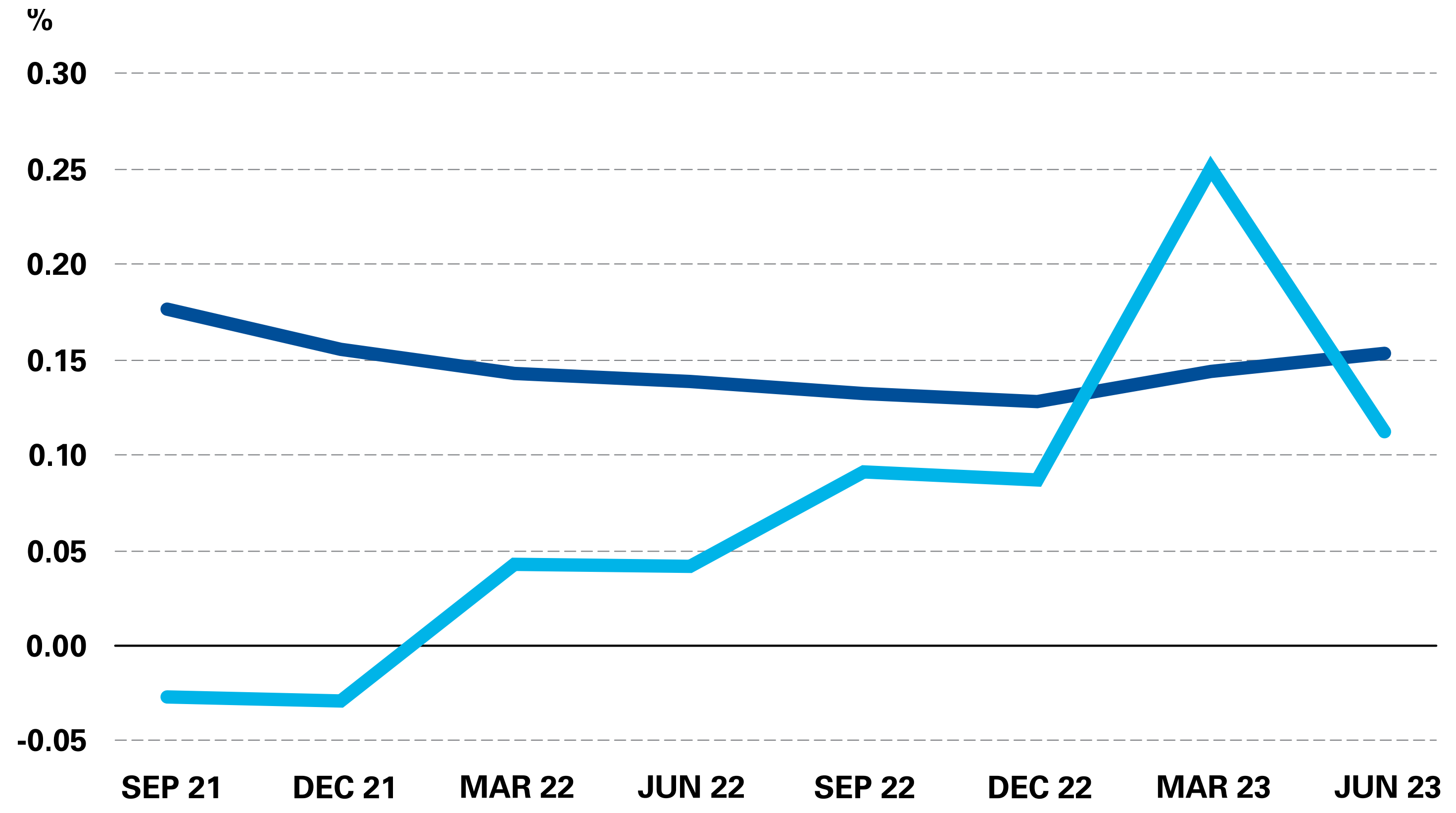
Asset quality

5 MAJOR BANKS: MOVEMENT IN PROVISIONING



- COLLECTIVELY ASSESSED PROVISIONS (LHS)
- INDIVIDUALLY ASSESSED PROVISIONS (LHS)
- TOTAL PROVISION FOR DOUBTFUL DEBTS/ GROSS LOANS AND ADVANCES (RHS)

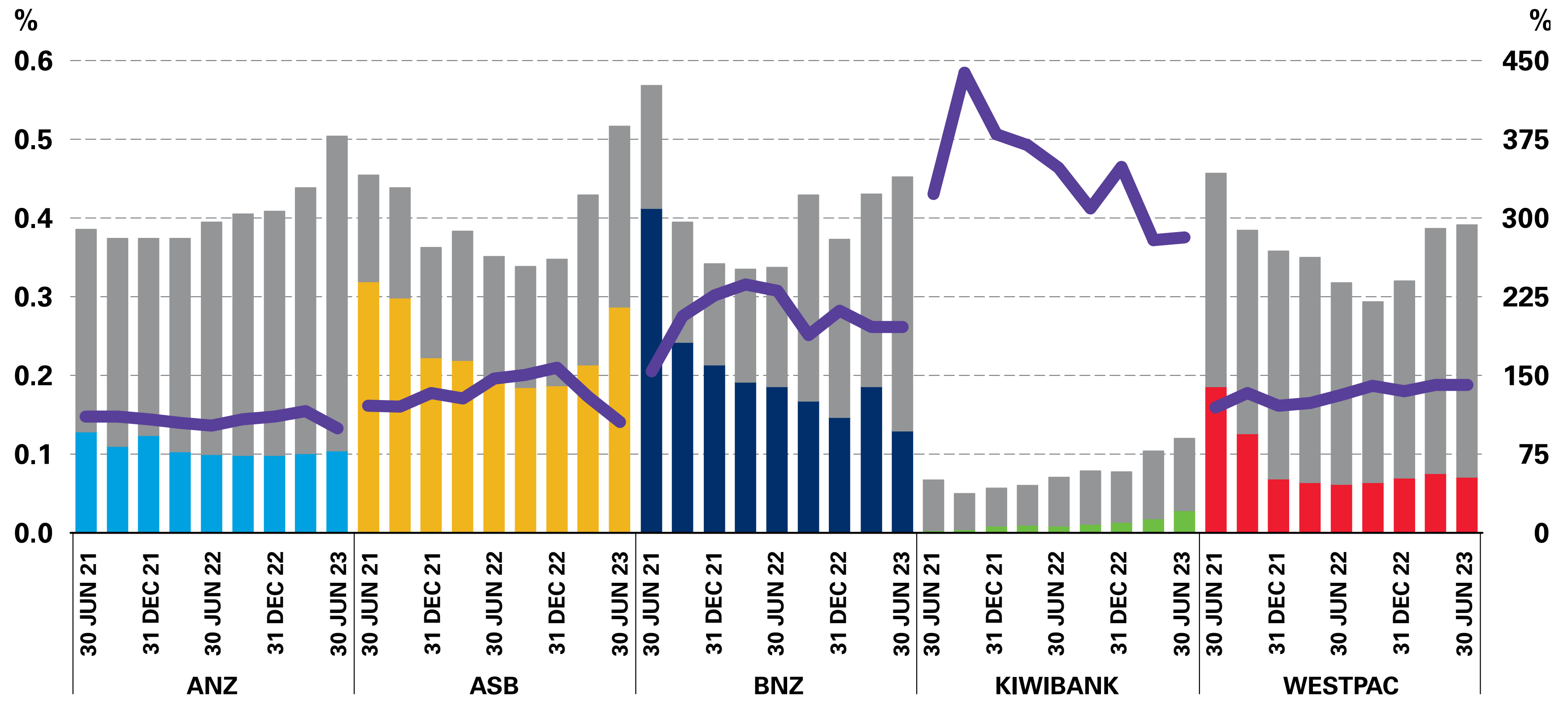
6 MAJOR BANKS: GROSS IMPAIRED VS. IMPAIRED ASSET EXPENSE



- GROSS IMPAIRED LOANS/ GROSS LOANS AND ADVANCES
- IMPAIRED ASSET EXPENSE/ AVERAGE GROSS LOANS AND ADVANCES

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

- GROSS IMPAIRED/ GROSS LOANS AND ADVANCES (LHS)
- PAST DUE/GROSS LOANS AND ADVANCES (LHS)
- TOTAL PROVISIONS/ PAST DUE AND GROSS IMPAIRED ASSETS (RHS)



Major banks – Quarterly analysis

Size & strength measures

Entity[30]	30 Sep 21	31 Dec 21	31 Mar 22	30 Jun 22	30 Sep 22	31 Dec 22	31 Mar 23	30 Jun 23
Total assets ($Million)								
ANZ	185,072	190,636	190,720	193,335	201,439	195,852	189,253	192,048
ASB	120,230	121,030	123,365	125,838	128,437	128,426	128,191	129,807
bnz	119,122	123,038	124,060	126,852	131,420	130,242	126,460	130,406
Heartland Bank	4,484	4,703	4,857	5,155	5,264	5,409	5,476	5,564
Kiwibank	29,379	30,970	30,589	31,548	32,017	33,368	33,505	33,839
sbs	4,889	5,024	5,220	5,421	5,519	5,771	6,005	6,050
TSB	8,780	8,934	8,961	8,925	8,942	9,124	9,145	9,195
The Co-operative Bank	3,194	3,239	3,194	3,189	3,261	3,331	3,344	3,409
Westpac	119,848	122,382	125,026	129,385	135,780	134,315	132,735	131,669
Total	594,998	609,954	615,991	629,647	652,078	645,838	634,114	641,986
Increase in gross loans and advances (%)								
ANZ	0.93	1.81	1.91	0.75	-0.03	-0.10	0.21	1.19
ASB	1.94	0.88	1.31	1.28	0.79	0.69	-0.16	1.17
bnz	1.64	2.19	0.92	1.07	0.65	0.82	0.67	0.76
Heartland Bank	2.54	5.19	3.35	5.20	1.83	2.09	2.91	0.92
Kiwibank	3.49	3.87	0.85	1.27	1.84	2.28	1.27	1.50
sbs	2.00	3.78	2.59	2.82	3.87	4.50	2.26	2.97
TSB	1.53	1.70	-0.49	-0.23	1.96	3.21	0.98	0.45
The Co-operative Bank	-0.13	-1.36	-0.65	2.03	2.70	2.54	-0.30	0.88
Westpac	0.15	0.81	0.65	1.40	1.65	0.55	0.85	-0.11
Average	1.56	2.10	1.16	1.73	1.70	1.84	0.97	1.08

Entity[30]	30 Sep 21	31 Dec 21	31 Mar 22	30 Jun 22	30 Sep 22	31 Dec 22	31 Mar 23	30 Jun 23
Capital adequacy (%)								
ANZ[31]	16.90	16.40	15.10	15.60	16.40	16.40	15.20	15.50
ASB[31]	14.50	14.60	13.40	15.00	15.00	15.50	15.70	15.70
bnz	16.90	16.40	15.30	15.00	15.40	15.30	15.70	15.20
Heartland Bank	14.00	14.00	13.10	13.40	12.90	13.10	12.60	14.80
Kiwibank	12.80	13.70	13.80	13.60	13.60	13.40	13.40	14.30
sbs	16.30	16.00	15.40	15.00	14.60	13.90	13.60	13.40
TSB	14.10	13.70	13.50	13.60	13.40	13.10	13.30	14.10
The Co-operative Bank	16.10	16.90	16.90	16.60	16.70	16.70	16.60	16.50
Westpac[31]	18.60	19.00	14.50	14.80	13.90	14.20	13.70	13.90
Net profit ($Million)								
ANZ	503	496	600	620	583	531	491	591
ASB	367	382	349	356	438	420	383	376
bnz	344	356	353	377	328	424	381	367
Heartland Bank	20	21	19	30	17	20	18	21
Kiwibank	32	32	36	32	55	44	41	36
sbs	11	10	11	8	10	11	10	7
TSB	12	9	5	13	7	10	3	6
The Co-operative Bank	5	4	-1	3	4	5	-3	3
Westpac	219	305	373	290	331	307	219	331
Total	1,512	1,614	1,744	1,728	1,773	1,771	1,542	1,738

Major banks – Quarterly analysis

Profitability measures

Entity[30]	30 Sep 21	31 Dec 21	31 Mar 22	30 Jun 22	30 Sep 22	31 Dec 22	31 Mar 23	30 Jun 23
Interest margin (%)								
ANZ	2.00	2.00	2.10	2.20	2.30	2.40	2.40	2.40
ASB	2.00	2.10	2.10	2.20	2.50	2.50	2.50	2.40
bnz	2.00	2.00	2.10	2.20	2.40	2.50	2.40	2.40
Heartland Bank	4.80	4.50	4.30	4.60	4.10	4.20	4.10	4.00
Kiwibank	2.10	2.00	2.10	2.30	2.40	2.50	2.50	2.50
SBS	2.80	2.70	2.60	2.60	2.60	2.70	2.50	2.50
TSB	1.80	1.90	1.90	2.10	2.10	2.20	2.10	2.00
The Co-operative Bank	2.30	2.20	2.30	2.50	2.70	2.60	2.60	2.60
Westpac	1.90	2.00	2.00	2.10	2.20	2.30	2.30	2.40
Non-interest income/Total assets (%)								
ANZ	0.53	0.54	0.65	0.71	0.43	0.21	0.26	0.48
ASB	0.67	0.48	0.53	0.55	0.51	0.41	0.28	0.28
bnz	0.66	0.61	0.51	0.53	0.39	0.41	0.49	0.49
Heartland Bank	0.39	0.33	0.29	0.45	0.18	0.35	0.15	0.24
Kiwibank	0.22	0.19	0.09	0.32	0.45	0.14	-0.10	0.01
SBS	0.71	0.66	0.49	0.83	0.85	0.59	0.52	0.56
TSB	0.28	0.19	0.21	0.67	0.37	0.25	0.10	0.17
The Co-operative Bank	0.65	0.57	0.60	0.43	0.53	0.55	-0.28	0.45
Westpac	0.42	0.40	0.65	0.64	0.51	0.16	0.22	0.24
Average	0.50	0.44	0.45	0.57	0.47	0.34	0.18	0.32

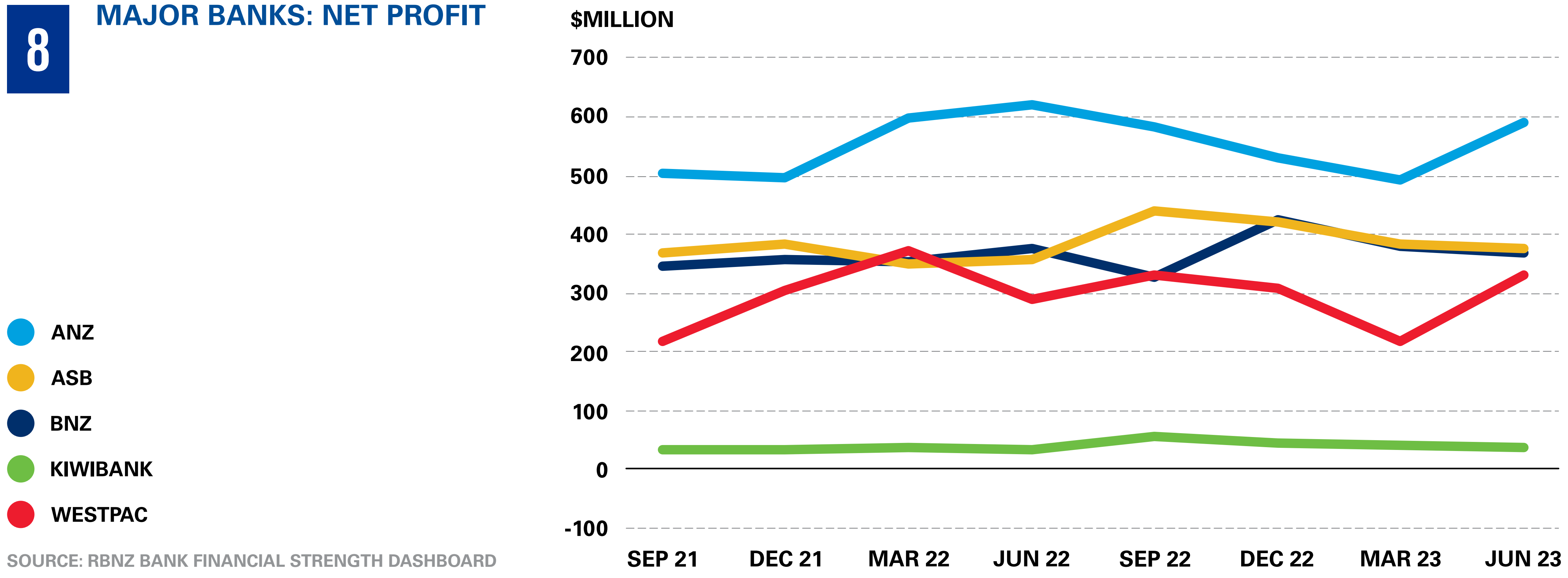
Entity[30]	30 Sep 21	31 Dec 21	31 Mar 22	30 Jun 22	30 Sep 22	31 Dec 22	31 Mar 23	30 Jun 23
Impaired asset expense/Average gross loans and advances (%)								
ANZ	-0.03	-0.03	-0.03	0.03	0.13	0.06	0.27	0.13
ASB	-0.04	-0.02	0.06	0.14	0.00	0.18	0.04	0.00
bnz	-0.07	-0.03	0.14	0.00	0.26	-0.01	0.25	0.23
Heartland Bank	0.46	0.40	0.36	-0.37	0.37	0.42	0.55	0.31
Kiwibank	0.05	0.06	0.02	0.11	0.03	0.14	0.12	0.22
SBS	0.28	0.22	0.03	0.31	0.24	0.22	0.30	0.37
TSB	-0.31	-0.04	-0.02	-0.05	-0.09	-0.17	0.02	0.07
The Co-operative Bank	-0.06	0.01	0.00	0.03	0.07	0.04	0.06	0.03
Westpac	0.02	-0.09	0.03	-0.02	-0.03	0.11	0.52	0.05
Average	0.03	0.05	0.07	0.02	0.11	0.11	0.23	0.16
Operating expenses/Operating income (%)								
ANZ	39.25	39.19	32.19	32.76	32.08	35.26	33.70	32.73
ASB	37.77	32.43	37.51	38.03	34.68	31.42	36.62	39.44
bnz	39.02	35.31	29.70	34.67	37.28	33.80	31.88	35.37
Heartland Bank	42.53	43.40	42.00	39.29	48.91	43.98	43.66	44.25
Kiwibank	70.88	70.67	68.78	71.77	62.10	64.82	65.27	69.75
SBS	57.51	62.23	59.74	64.46	61.48	61.28	61.11	66.44
TSB	74.84	74.23	85.71	68.63	88.55	80.37	83.37	80.70
The Co-operative Bank	72.41	72.65	105.26	79.91	76.68	73.44	120.65	83.27
Westpac	49.95	41.15	38.40	43.00	40.05	41.29	43.26	41.74
Average	53.80	52.36	55.48	52.50	53.53	51.74	57.72	54.85

Major banks – Quarterly analysis

Q2 23 Q2 22 Q2 21 Q2 20

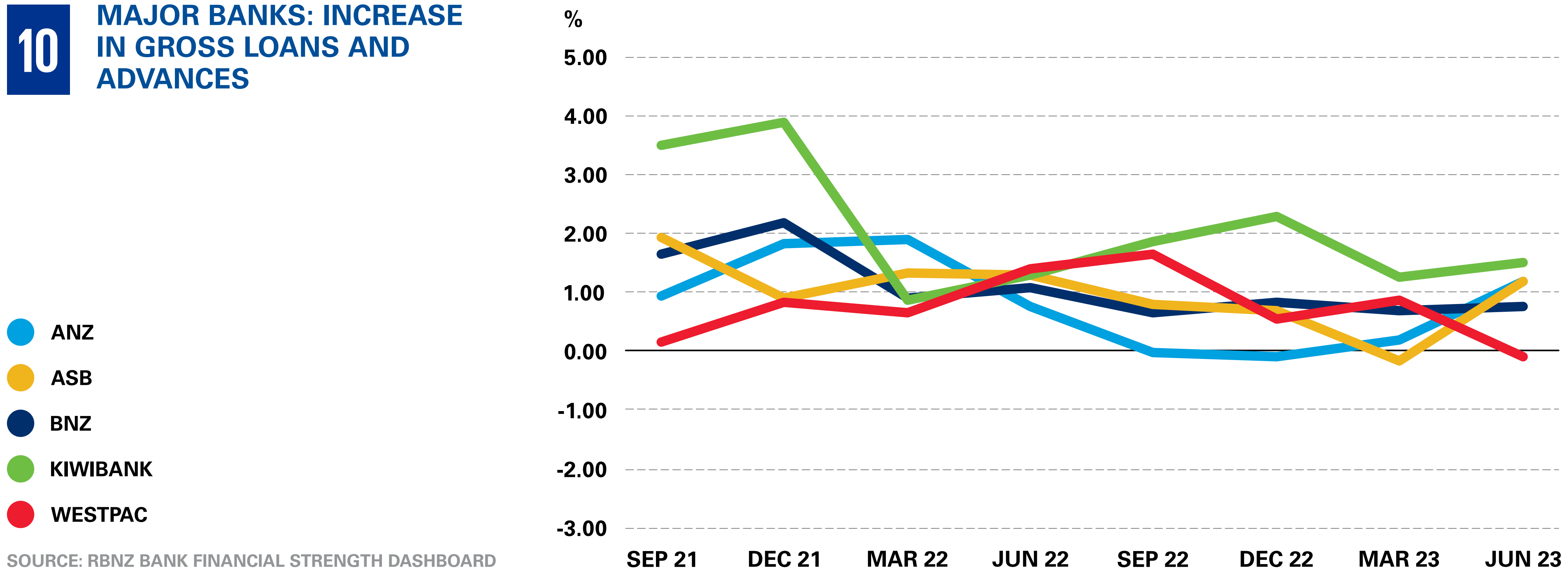
HOVER over the button to see the results for each quarter

8 MAJOR BANKS: NET PROFIT



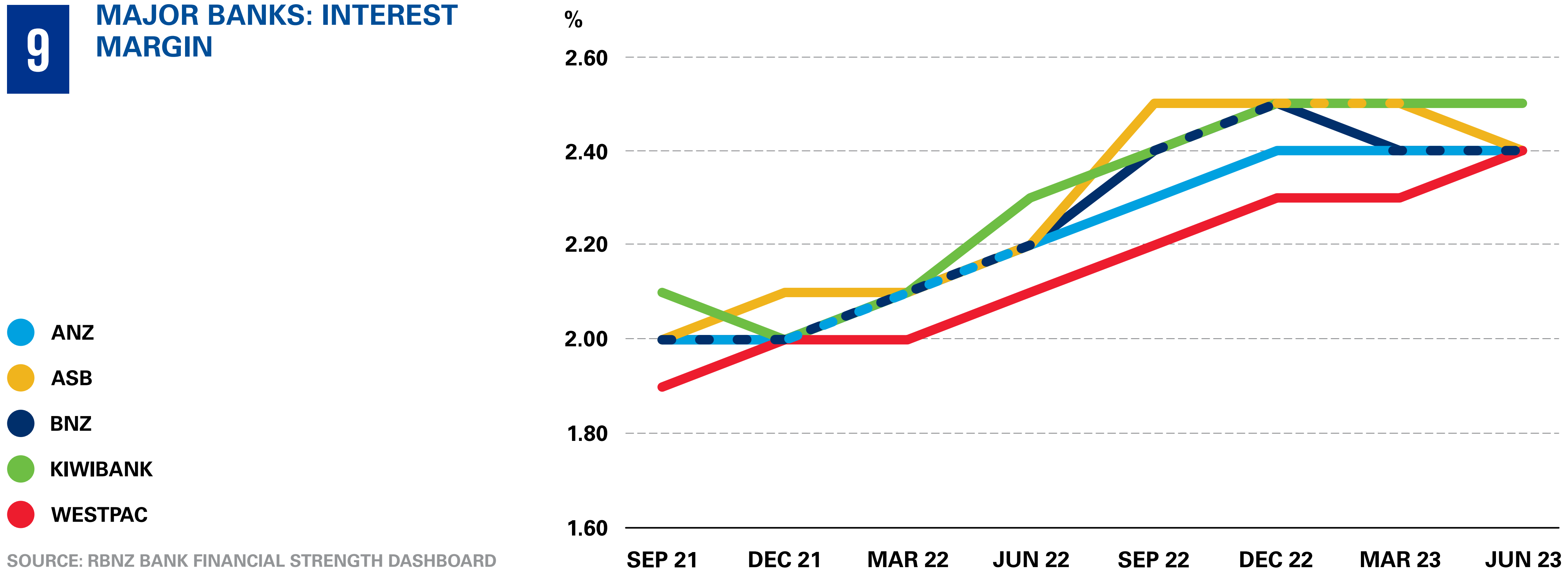
SOURCE: RBNZ BANK FINANCIAL STRENGTH DASHBOARD

10 MAJOR BANKS: INCREASE IN GROSS LOANS AND ADVANCES



SOURCE: RBNZ BANK FINANCIAL STRENGTH DASHBOARD

9 MAJOR BANKS: INTEREST MARGIN



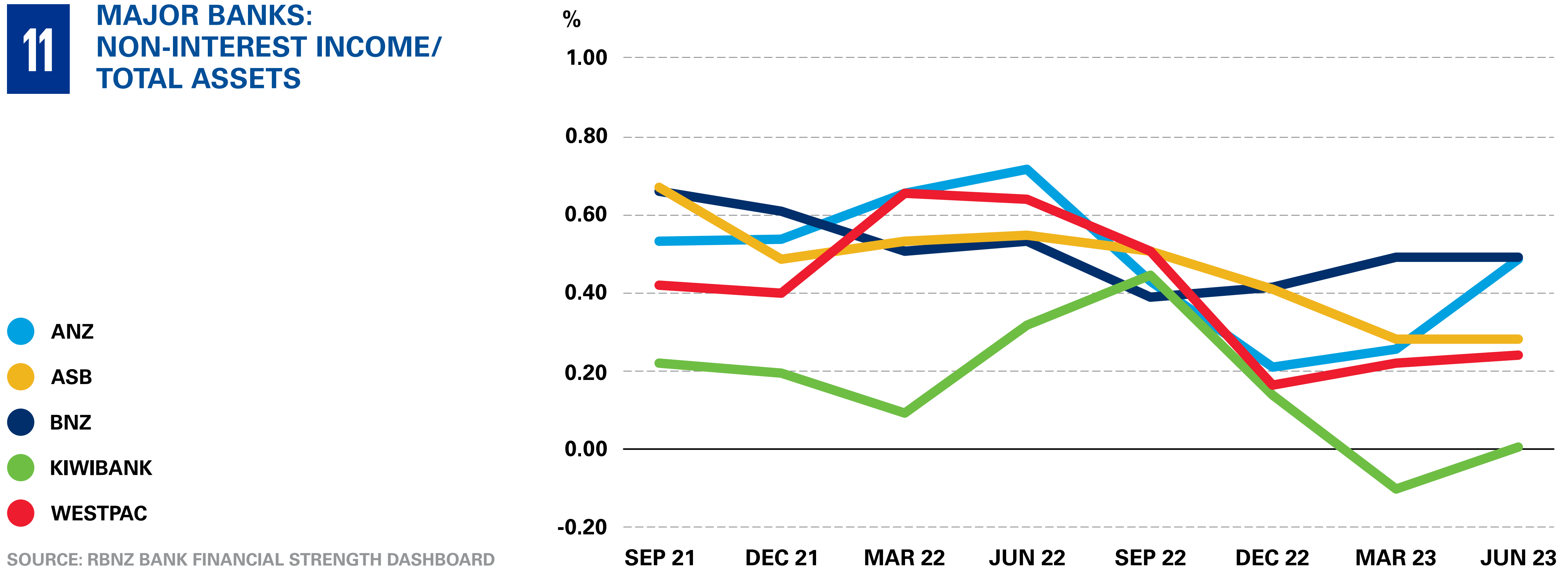
SOURCE: RBNZ BANK FINANCIAL STRENGTH DASHBOARD

Major banks – Quarterly analysis

Q2 23 Q2 22 Q2 21 Q2 20

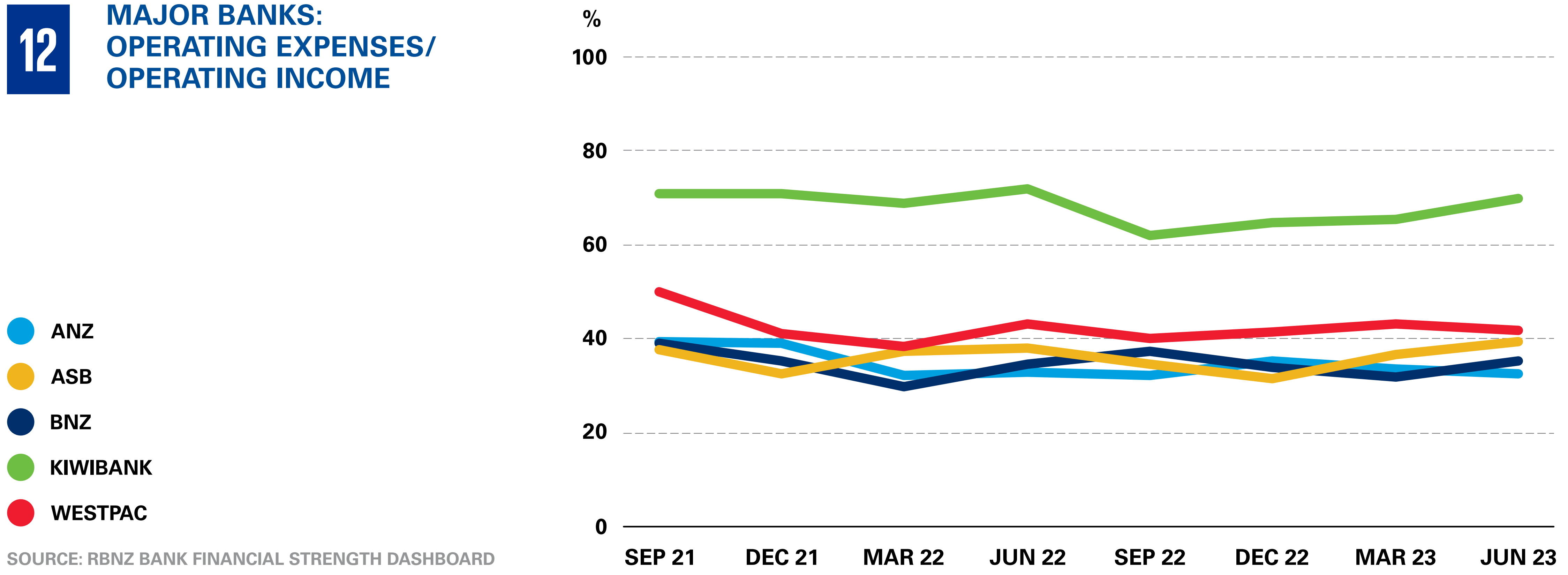
HOVER over the button to see the results for each quarter

11 MAJOR BANKS: NON-INTEREST INCOME/ TOTAL ASSETS



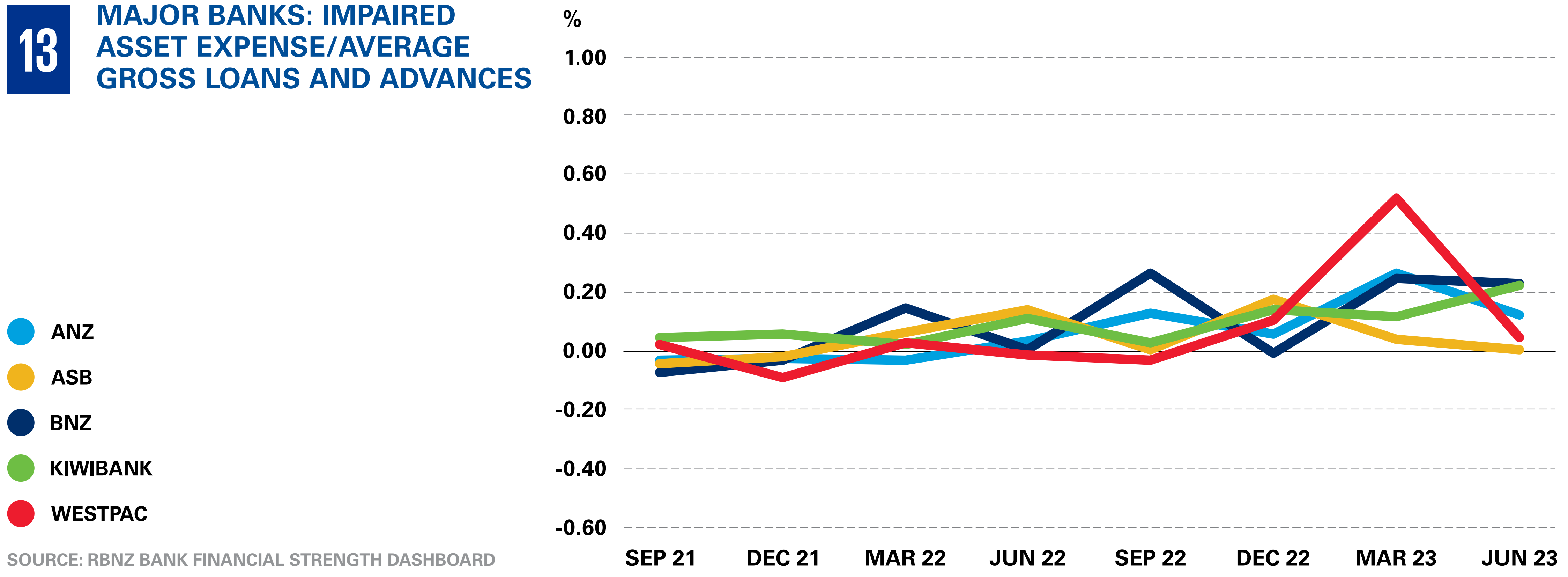
SOURCE: RBNZ BANK FINANCIAL STRENGTH DASHBOARD

12 MAJOR BANKS: OPERATING EXPENSES/ OPERATING INCOME



SOURCE: RBNZ BANK FINANCIAL STRENGTH DASHBOARD

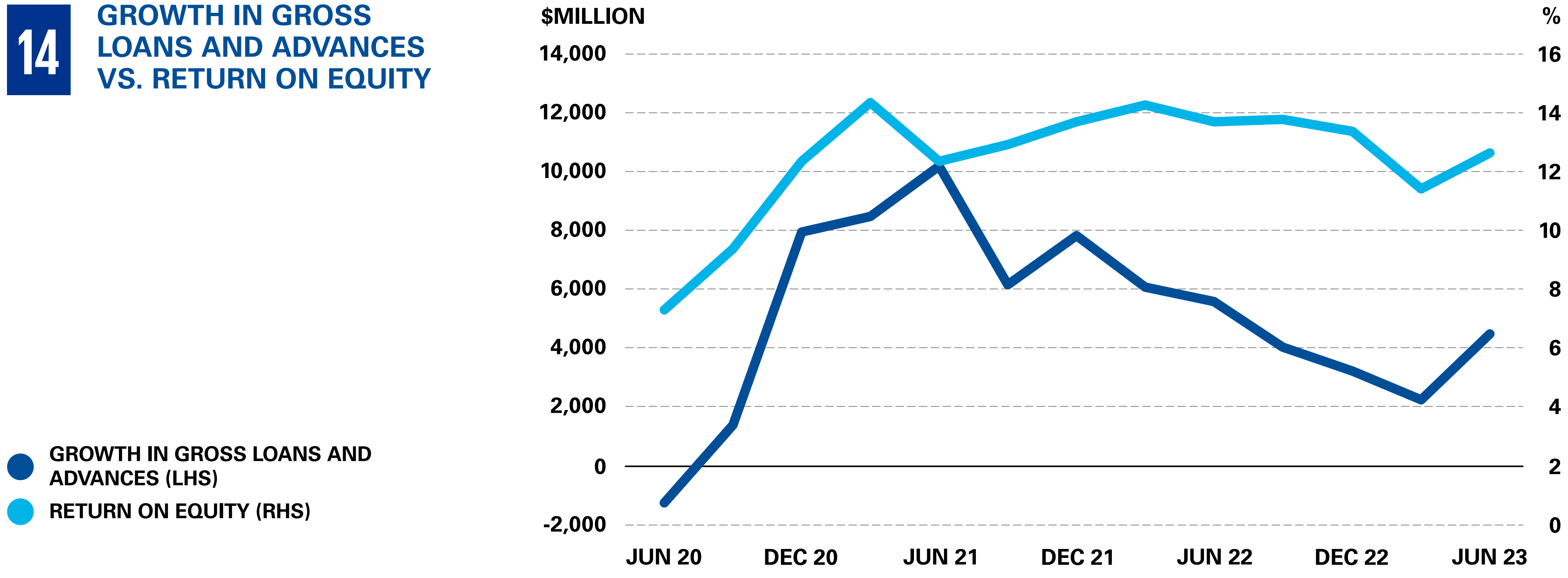
13 MAJOR BANKS: IMPAIRED ASSET EXPENSE/AVERAGE GROSS LOANS AND ADVANCES



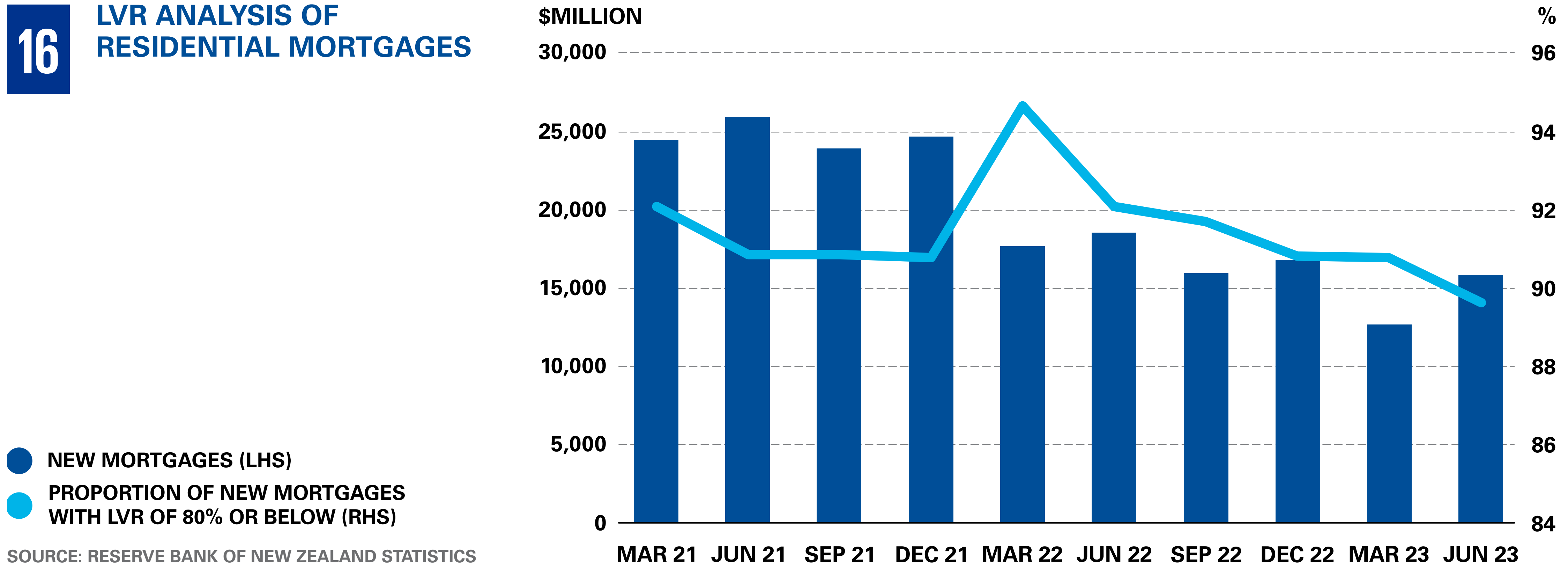
SOURCE: RBNZ BANK FINANCIAL STRENGTH DASHBOARD

Quarterly analysis

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

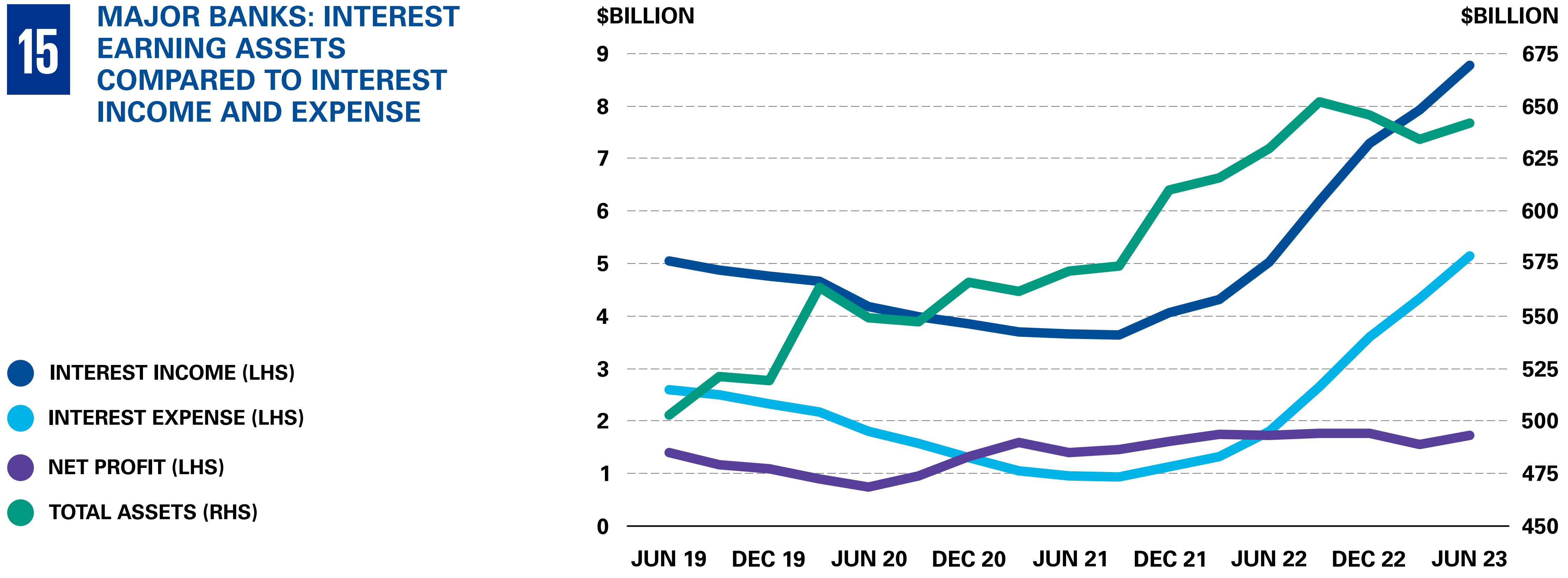


16 LVR ANALYSIS OF RESIDENTIAL MORTGAGES

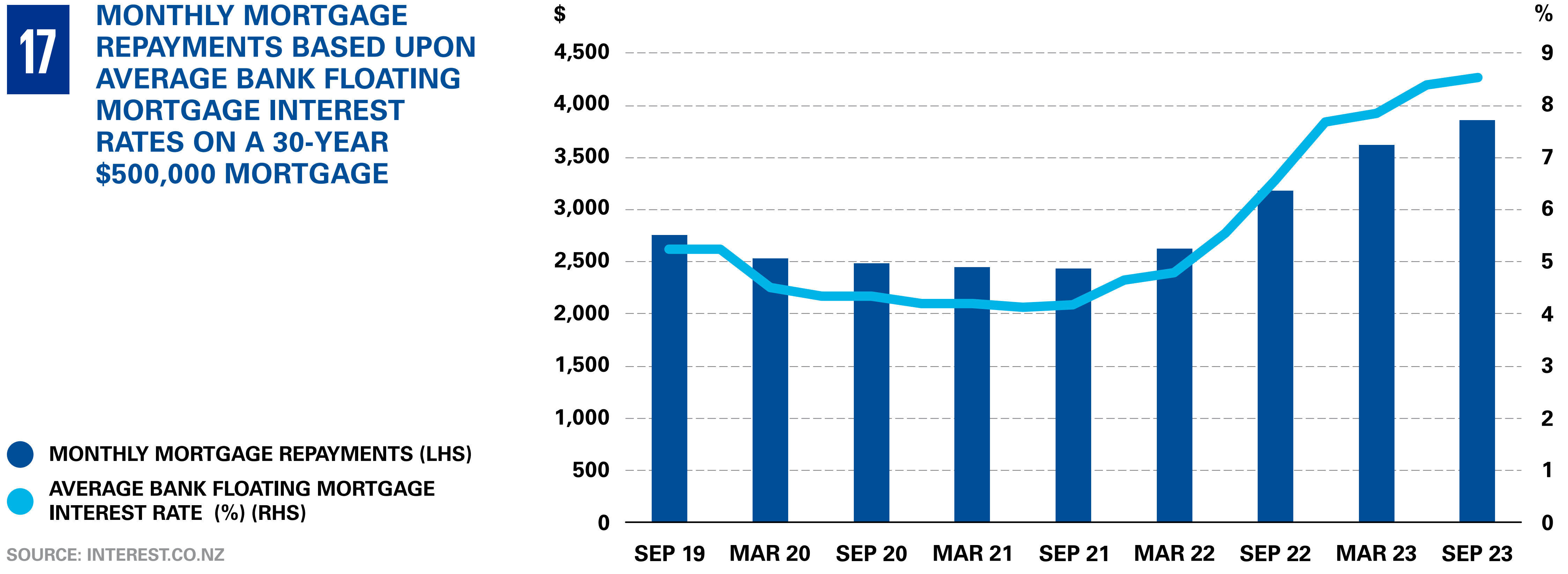


SOURCE: RESERVE BANK OF NEW ZEALAND STATISTICS

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



17 MONTHLY MORTGAGE REPAYMENTS BASED UPON AVERAGE BANK FLOATING MORTGAGE INTEREST RATES ON A 30-YEAR $500,000 MORTGAGE



SOURCE: INTEREST.CO.NZ

Taking a closer look at generational arrear trends

Keith McLaughlin
Managing Director,
Centrix Group Limited

CENTRIX
Credit Bureau of New Zealand

Keith McLaughlin is the Managing Director of Centrix Group Limited, New Zealand's only locally owned credit bureau. A highly experienced senior executive and director, Keith started Centrix with a vision to offer New Zealand businesses a superior and cost-efficient credit offering, with a focus on long-term relationships. Previously the founder and Managing Director of Baycorp Holdings Limited, his strengths include strong leadership skills with an emphasis on empowerment, and a proven ability to forge and sustain high performance teams.

As the nation dives headfirst into the election season, one of the key points of debate will no doubt be the ongoing challenges many are facing in the current economic climate.

Kiwi consumers and business owners alike will be looking for solutions to the cost-of-living crisis, spurred on by global trends, local recession and high interest rates.

When we look at our latest arrears data, we've seen an upward trend across all age groups since 2020. However, it's clear the younger generations in Aotearoa New Zealand are the ones doing it toughest.

18 See Figure 18 – page 19

Zeroing in on the under 25-year-old segment, some interesting credit behaviour has emerged. There are over 260,000 credit active consumers in this age group, of which 57% use Buy Now, Pay Later (BNPL) products while only 12% are credit card users.

In fact, BNPL products are now the most common first credit product for this age group, accounting for 47% of first credit events (or earliest credit account on file). This is followed by telco accounts (28%), auto loans (9%) and utilities (7%).

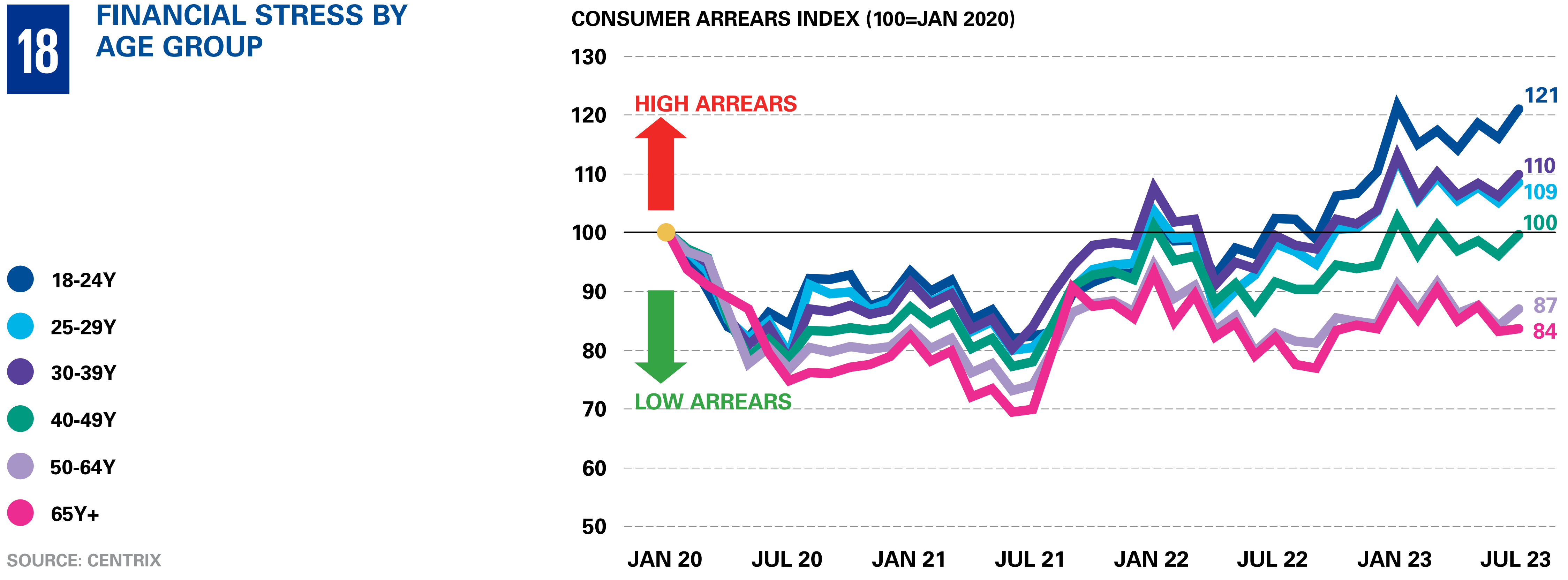
19 See Figure 19 – page 19

However, this age group is also experiencing climbing arrears and debt stress, up significantly since 2020 and driven by overdue telco, personal loan and BNPL repayments.

There are several factors likely to contribute to this. In this group, most will be living from pay day to pay day, having just entered the workforce or studying and working part-time. They tend to have less savings to draw upon and are often inexperienced in managing finances.

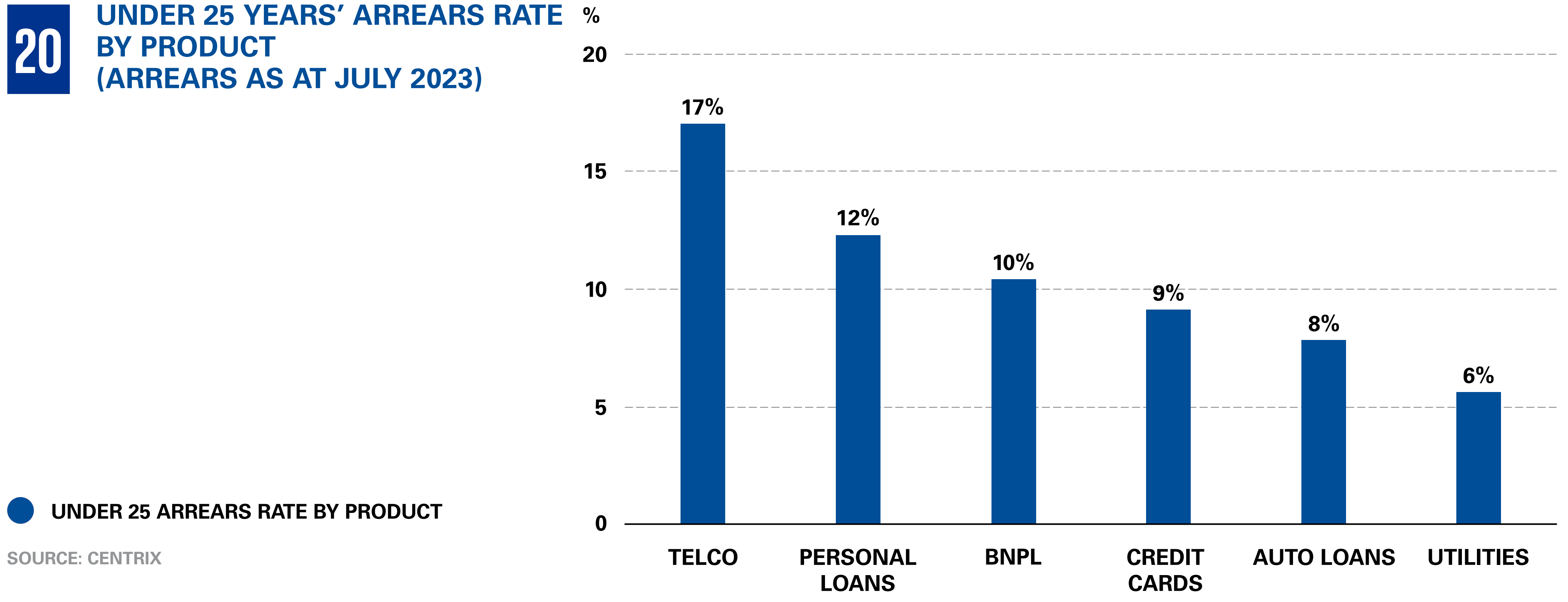
> "When we look at our latest arrears data, we've seen an upward trend across all age groups since 2020. However, it's clear the younger generations in Aotearoa New Zealand are the ones doing it toughest.

18 FINANCIAL STRESS BY AGE GROUP



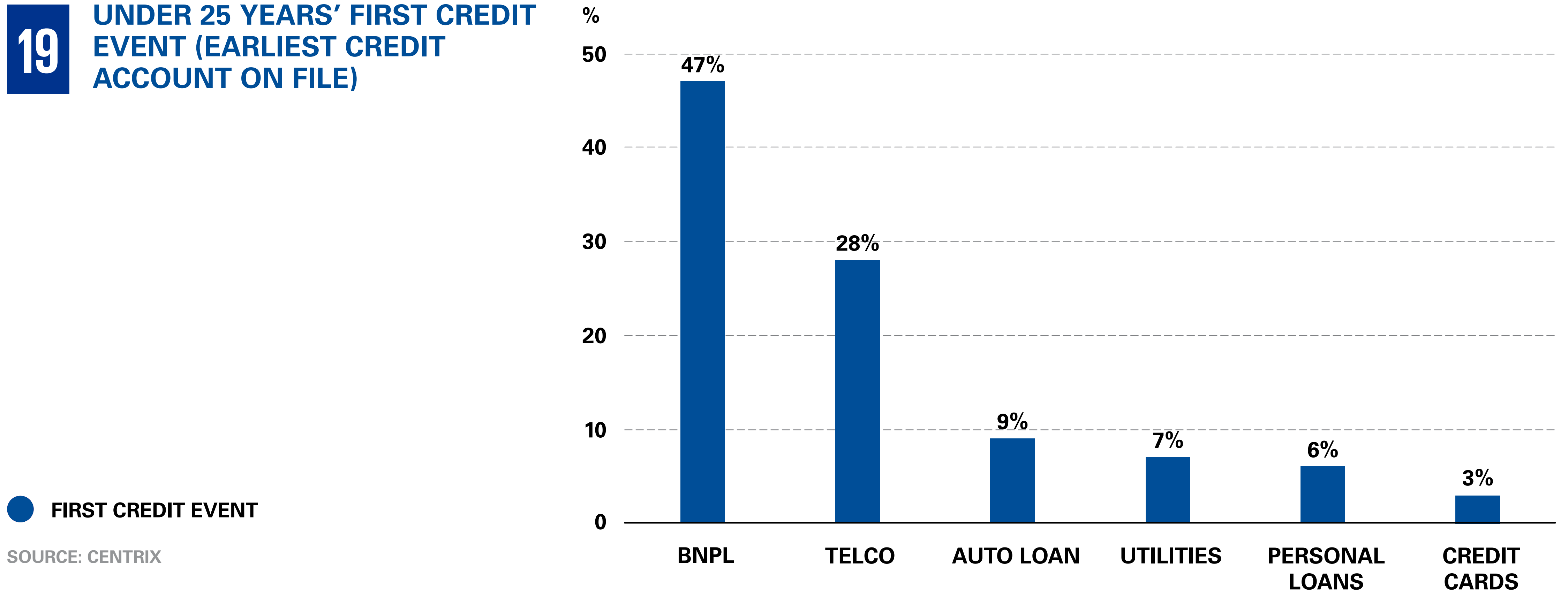
SOURCE: CENTRIX

20 UNDER 25 YEARS' ARREARS RATE BY PRODUCT (ARREARS AS AT JULY 2023)



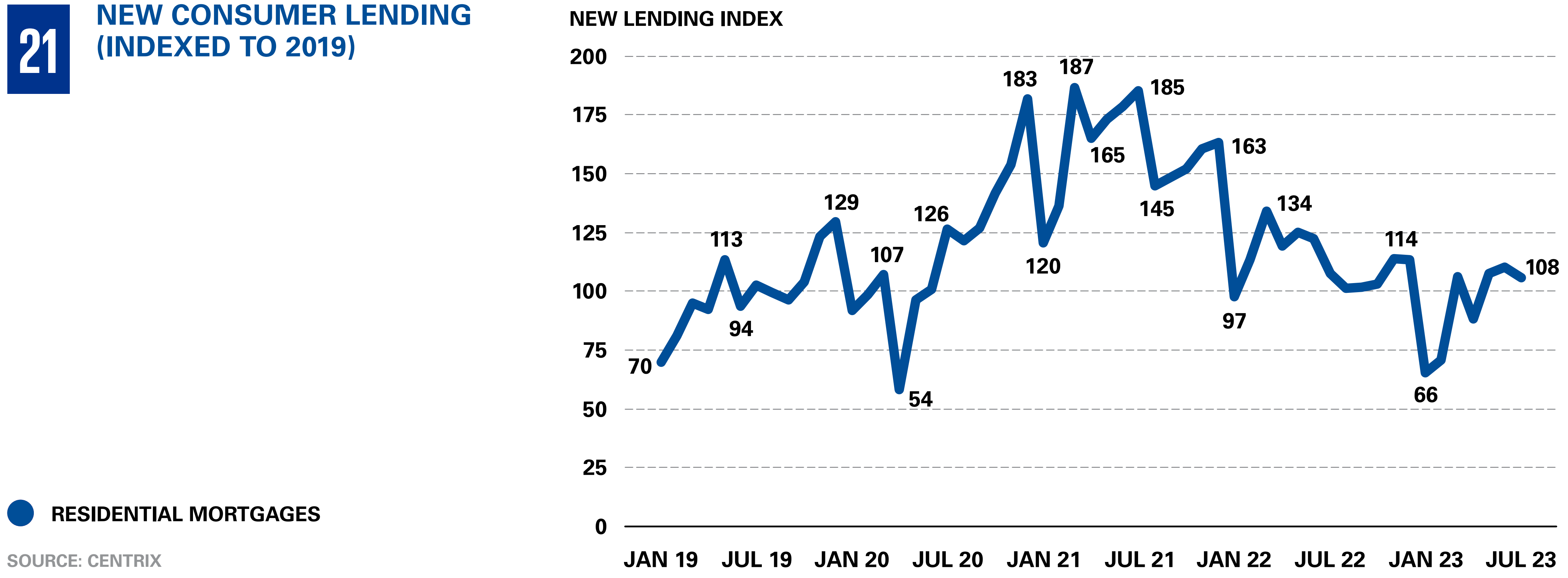
SOURCE: CENTRIX

19 UNDER 25 YEARS' FIRST CREDIT EVENT (EARLIEST CREDIT ACCOUNT ON FILE)



SOURCE: CENTRIX

21 NEW CONSUMER LENDING (INDEXED TO 2019)



SOURCE: CENTRIX

> BNPL products are now the most common first credit product for [under 25-year-olds], accounting for
>
> **47%**
>
> of first credit events.

The lower utility and auto loan arrears show a commitment to necessities, while more discretionary spending accounts are what we see slipping as the cost-of-living squeezes this younger demographic.

20 See Figure 20 – page 19

In contrast, older generations are likely to have established savings and higher incomes to help weather the day-to-day impacts of the economic climate.

Those aged 50 and over, for example, saw an uptick in arrears near the beginning of 2022, but have managed to weather the current climate.

Arrears climb, but remain below long-term

After the highs of 2021, we've seen demand for new mortgage lending slow throughout 2022 and 2023. However, as we get through 2023, this cooling appears to be slowing and suggests a shift in tide for the housing market.

21 See Figure 21 – page 19

The 39–41 years age group currently holds the largest average outstanding mortgage amount at $627,000, followed by 36–38 years ($614,000) and 33–35 years ($607,000).

Despite this, the bell curve of active credit consumers with mortgages skews older, peaking at the 45–50 years bracket with 47.7% of consumers in this group currently possessing a mortgage.

22 See Figure 22 – page 21

Furthermore, home loan delinquencies have risen steadily since 2022, but are currently in a state of relative stability.

A lot of this upswing is relative to the Reserve Bank of New Zealand's (RBNZ's) Official Cash Rate (OCR) decisions with an uptick in arrears beginning from August 2022, coinciding with the OCR lifting to 3.0% on 17 August 2022 and the resulting interest rate hikes.

23 See Figure 23 – page 21

On the whole, 30+ days' delinquencies have risen across all age groups with a notable acceleration for those aged under 30 years old.

However, it is important to remember this arrears growth is coming off record low arrears recorded throughout 2022 and overall remains below long-term averages.

24 See Figure 24 – page 21

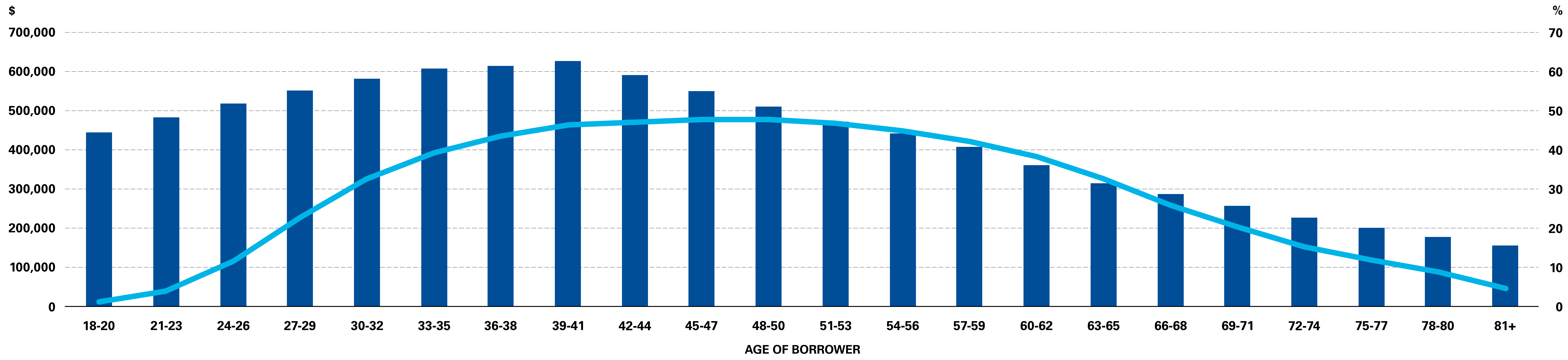
It appears Kiwi households are adapting to the new economic environment and in a moment of respite, the RBNZ held the OCR at 5.50% in August 2023.

Despite this, many homeowners across Aotearoa are still feeling the pinch and it remains to be seen what will happen with the OCR for the remainder of 2023.

For now, all eyes will be on our political parties during this campaign season. The electioneering has begun, and economic policy will be a driving force behind voter decision.

> Home loan delinquencies have risen steadily since 2022, but are currently in a state of relative stability.

22 RESIDENTIAL MORTGAGES BY BORROWER AGE

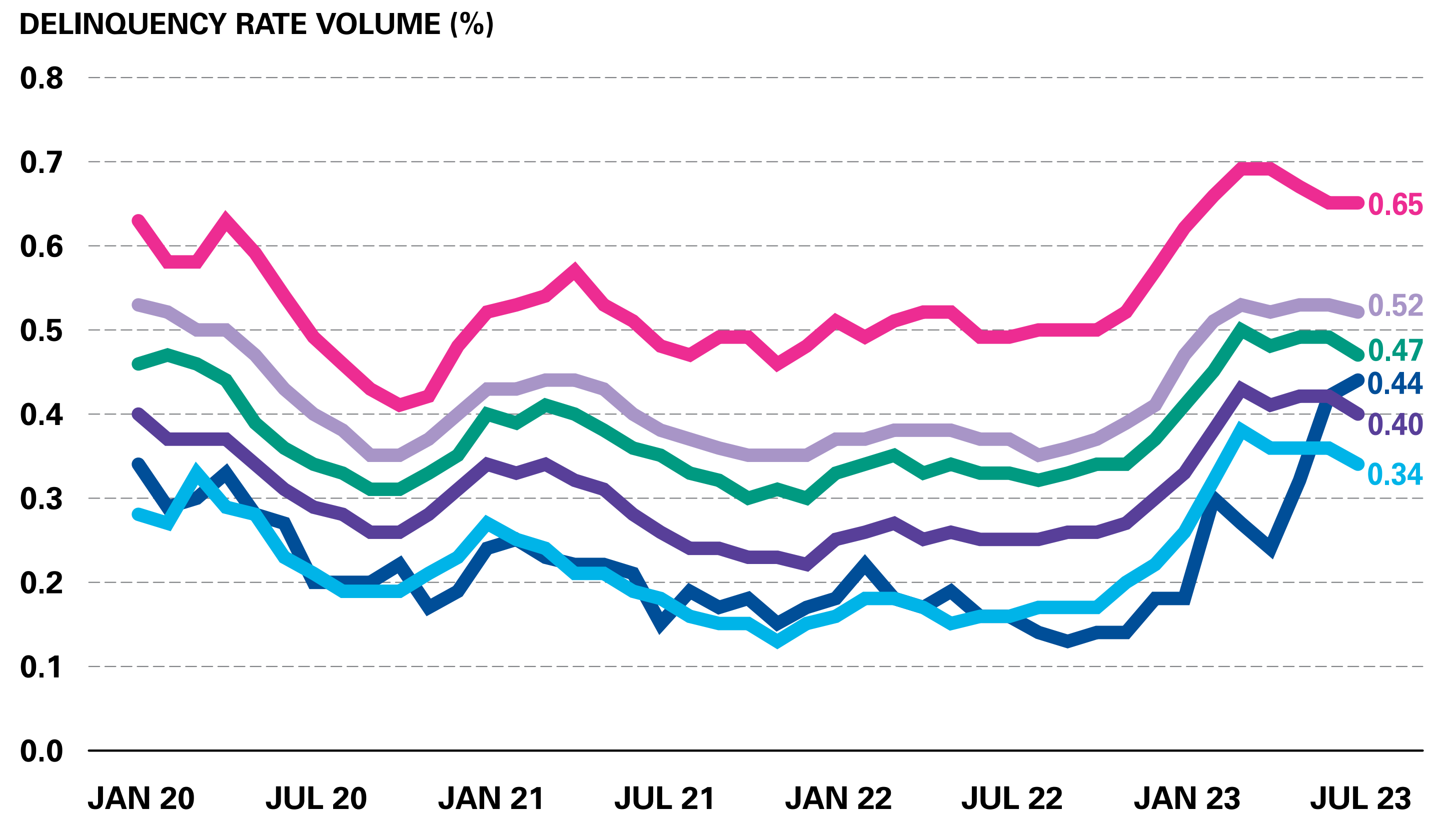


AVERAGE SIZE OF MORTGAGE (LHS)

PERCENTAGE OF CREDIT ACTIVE CONSUMERS WITH A MORTGAGE (RHS)

SOURCE: CENTRIX

23 MORTGAGE 30+ DAYS' DELINQUENCIES BY AGE GROUP



18-24Y

25-29Y

30-39Y

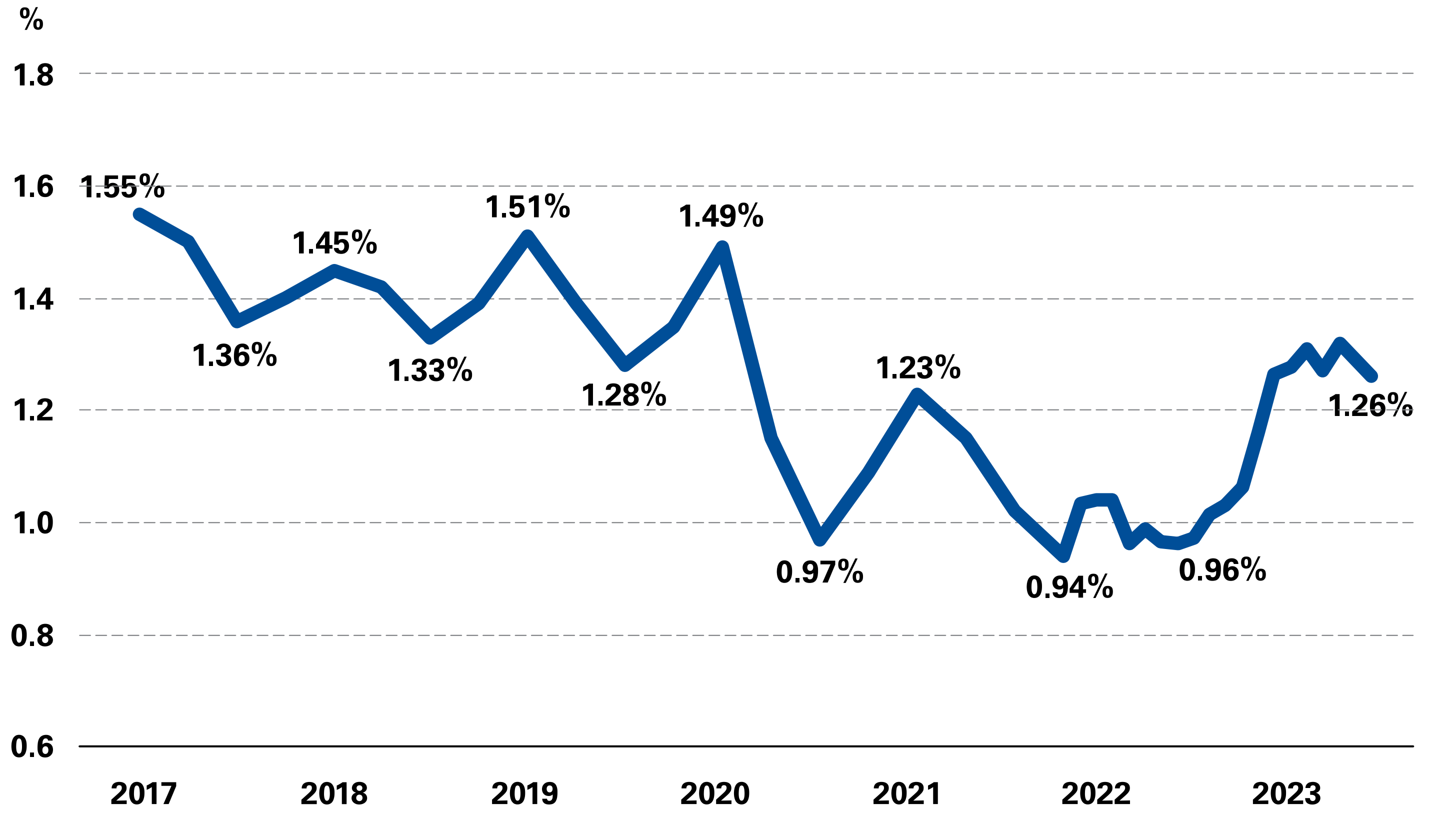
40-49Y

50-64Y

65Y+

SOURCE: CENTRIX

24 HOME LOAN ARREARS



HOME LOAN ARREARS

SOURCE: CENTRIX

Are we there yet...?

Sanel Tomlinson
Principal, Impact Measurement, Assurance & Reporting
KPMG

Sanel is a Principal in KPMG's Impact team, supporting clients in navigating the various financial and broader corporate performance reporting requirements.

If you want more information on the topics discussed in this article then please reach out to Sanel.

As promised in the article in our March quarter publication[32], this article explores in a bit more detail the observations from our benchmarking[33] of banks' climate-related disclosures during the financial year (FY)22 reporting cycle. Similar to Phase 1, we have included 35 major banks in Phase 2. This includes five banks in the UK, seven in Europe, five in Australia, five in Canada, seven in Asia (across China, Japan and India) and six in the US.

It has been five years since the Task Force on Climate-related Financial Disclosure's (TCFD) recommendations were released. One would have thought that by now we should see full compliance in respect of at least a couple of the recommendations. However, not a single recommendation achieved full marks; the best score was 80%. In addition, not one of the banks surveyed has complied fully with all 11 recommendations.

Key messages from this global analysis

1. TCFD-recommended climate-related disclosures on governance and risk management are relatively advanced – but these will need to develop further to meet the requirements in the new international standards.[34]

2. Banks have laid the foundation for their climate strategy – now they should be building their detailed transition plans with clear actions and interim targets.

> "One would have thought that by now we should see full compliance in respect of at least a couple of the recommendations. However, not a single recommendation achieved full marks; the best score was **80%**.

> “**89%** of the global banks disclose that they obtained an assurance report on selected climate-related metrics.

3. Most banks currently use scenario analysis to assess risks – but it’s not yet clear how they are using it to evaluate the resilience of their strategy and inform their strategic planning.
4. Some banks disclose certain financed emissions numbers – but more transparency is needed to help users understand these disclosures, such as clarity on methodologies, assumptions, data and limitations involved in the calculation.[35]

Figure 25 shows where we have assessed the majority of banks in our analysis to fall on the maturity scale in respect of the 11 TCFD recommendations.

25 See Figure 25 – page 23

What about assurance?

89% of the global banks disclose that they obtained an assurance report on selected climate-related metrics.

Some observations in regards of the level of assurance obtained (i.e. limited versus reasonable assurance):

- Most banks obtained limited assurance over:
  - Scope 1 and Scope 2 greenhouse gas (GHG) emissions related to their own operations; and
  - amounts of green or sustainable financing granted or facilitated to date.
- A few banks obtained limited assurance on other metrics – e.g. estimated financed emissions for certain portfolios.
- A few banks have obtained reasonable assurance over their operational emissions in Scope 1 and Scope 2.

Stepping up to comply with the new international standards

Similar to the Aotearoa New Zealand climate standards, the new international standards are aligned to the TCFD recommendations. However, this may have created a false sense of security.

25 Maturity of the banks’ TCFD-aligned disclosures

Thematic area	TCFD-recommended disclosures	Overall maturity
Governance	a) Describe the board’s oversight of climate-related risks and opportunities	★
	b) Describe management’s role in assessing and managing climate-related risks and opportunities	★
Strategy	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	★
	b) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning	★
	c) Describe the resilience of the organisation strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	★
Risk management	a) Describe the organisation’s processes for identifying and assessing climate-related risks	★
	b) Describe the organisation’s processes for managing climate-related risks	★
	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation’s overall risk management	★
Metrics and targets	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	★
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks	★
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	★

Maturity scale:

- ★ More work to be done on the disclosures.
- ★ Disclosures are moderately advanced.
- ★ Disclosures are relatively advanced.

> “It takes time to reach full maturity and New Zealand banks shouldn’t be disheartened if they are ‘not quite there yet’.

As mentioned above:

- even the more advanced governance and risk management disclosures will require further development to meet the requirements in the new international standards;
- not a single recommendation achieved full marks; and
- not one of the banks surveyed has complied fully with all 11 recommendations.

This should be a warning to climate-reporting entities in New Zealand not to rely too heavily on the TCFD disclosures examples in the market or to anchor to these as ‘best practice’. The disclosures in the market are a good starting point, but like the new international standards, the Aotearoa New Zealand climate standards will:

- require more detailed disclosures relating to the strategy, and metrics and targets pillars, in particular in relation to scenario analysis, transition plans and cross-industry metrics; and
- introduce additional requirements that either are not covered by the TCFD recommendations or build on them.

The new international standards become effective from 1 January 2024 and, although not mandated yet by many jurisdictions, it will be interesting to see how many global banks will adopt these standards on a voluntary basis going forward.

> “Very few banks in New Zealand prepared voluntary climate statements for the FY22 reporting cycle.

How does this compare to the action being taken by New Zealand financial institutions?

Very few banks in New Zealand prepared voluntary climate statements for the FY22 reporting cycle. We are hoping to see a step change for the FY23 reporting cycle, but we acknowledge that producing these disclosures requires a significant amount of resources and New Zealand entities have had limited time since the release of the standards in December 2022. Also, as one can see from the observations from our analysis, it takes time to reach full maturity and New Zealand banks shouldn’t be disheartened if they are ‘not quite there yet’.

We will keep you posted on progress in New Zealand and international developments. In our annual bank publication we are aiming to shift the focus from global banks to the disclosures provided by New Zealand financial institutions.

Until then…

How is CoFI being thought about in your business?

Kate Stewart
Director – Risk Consulting
KPMG

Kate is a Director specialising in conduct and regulation. Kate joined the KPMG team from the Financial Markets Authority and brings with her valuable experience in conduct regulation from both the UK and New Zealand. Kate previously worked for a major New Zealand life insurer in marketing and product development roles.

Malcolm Bruce
Partner – Consulting
KPMG

Malcolm leads KPMG's Risk Consulting team specialising in risk and regulatory advisory work which supports financial services clients across a broad range of areas. These range from operational risks to non-financial risk management issues including conduct and culture, anti-money laundering, controls and compliance.

If you would like to speak to KPMG about your CoFI programme, whether this is support for setting up the programme or reviewing your Fair Conduct Programme, please feel free to reach out to Kate Stewart or Malcolm Bruce.

Are you ready? The Financial Markets (Conduct of Institutions) Amendment Act 2022 (CoFI) comes into force at the end of March 2025 and licensing for the regime has been open since July this year. From what we have seen, the industry has been pretty slow at getting ready to apply for licences and implement any changes needed for compliance. CoFI presents a challenge for the banking sector given the principles-based drafting of the legislation as against just a set of rules.

Our view is that this drafting actually provides opportunity for financial institutions to do what's right for their business, as well as the customers they serve. There is equally an opportunity for those financial institutions who are currently transforming their systems and processes, to really think differently about CoFI as not just a piece of regulatory change,

> "There is equally an opportunity for those financial institutions who are currently transforming their systems and processes, to really think differently about CoFI as not just a piece of regulatory change, but as an opportunity to build in fair treatment for their customers at the design stage.

but as an opportunity to build in fair treatment for their customers at the design stage, to become so-called Compliant by Design which can assist in demonstrating what they're doing for customers as well as provide benefits for their institutions.

We are not sure we saw it coming, but at the recent Financial Services Council (FSC) Conference the National Party threw a spanner in the works, so to speak, and created a level of uncertainty into what has been a well-

> **The National Party threw a spanner in the works, so to speak, and created a level of uncertainty into what has been a well-accepted regulatory change.**

accepted regulatory change. Chris Luxon's announcement was that should they be elected in the October General Election, the National Party would be looking to roll back changes to the Credit Contracts and Consumer Finance Act, and CoFI. The …"and CoFI"… statement took the industry by surprise. The CoFI legislation essentially brings banks, insurers and non-bank deposit takers (collectively, financial institutions) into a regulatory regime that would provide protections for consumers that don't currently exist in New Zealand's regulatory landscape. The fact that CoFI requires financial institutions to treat customers fairly and set up a programme that details how they're going to do that was pretty well widely accepted as reasonable.

It's hard to argue institutions should not treat their customers fairly, nor that they should have customers at the heart of the way their businesses operate. While many financial institutions we've spoken to have said they're full steam ahead in preparation for the changes, there are others who have pushed the pause button, reduced scope, or delayed aspects of their readiness programmes – possibly because they're seeing CoFI as a regulatory change requirement, and not an exercise that will benefit them when doing business with customers who are increasingly expecting more from their financial institutions. We think there is a major risk in delaying further work on CoFI given the remaining time to implementation.

At its heart, CoFI is about focusing on outcomes for consumers, rather than the letter of the law – something that the Financial Markets Authority (FMA) has been increasingly vocal about. Earlier this year Samantha Barrass – CEO – noted that the FMA's focus is clearly on outcomes, including that customers should have 'justified confidence' that the financial services sector is working well for them, and more importantly, that they are getting the right products, at the right time, that will meet their expectations.[36] This focus on proactive outcomes-based supervisory and regulatory activity for banks, insurers, and non-bank deposit takers can really only come to being with the introduction of CoFI – otherwise the FMA will be simply left with the either the illusion of a stick for enforcement or court action. At the very same FSC Conference in which Chris Luxon made his announcement, Clare Bolingford, Executive Director, Regulatory Delivery at the FMA noted that following the 2018 Conduct and Culture Reviews the FMA has used the powers they 'already have in the Financial Markets Conduct Act, under the fair dealing provisions, to tackle misleading and deceptive conduct, and enforce against the most egregious examples of, what were, frankly, a sloppy and careless approach to customers.'[37] CoFI gives a range of supervisory powers, without which the industry will likely be faced with even more court action from the FMA when things go wrong.

The CoFI legislation is principles-based, which comes with both challenges and opportunities.

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The main challenge is that financial institutions need to interpret the requirements in the context of their business activities, size, scale, and considering the types of customers they serve. There are very few prescriptive rules dictating how the legislation/regulations should be applied and there is flexibility to make decisions about how requirements are implemented. Examples of the things we have seen people thinking about include what goes into, and the way the fair conduct programme should be drafted, who should 'own' implementation versus maintenance of the fair conduct programme, and what constitutes fairness across different distribution channels or product offerings. This is seen as a challenge by some, but our view is that this is a real opportunity for financial institutions to do what is right for customers, and for their business operations too. This is not easy; it requires deep thinking about what being 'fair' really means for a wide range of business areas, and there will (or should) be some tough conversations about existing policies or processes, or even business models, that may have been in place for years, or decades (past

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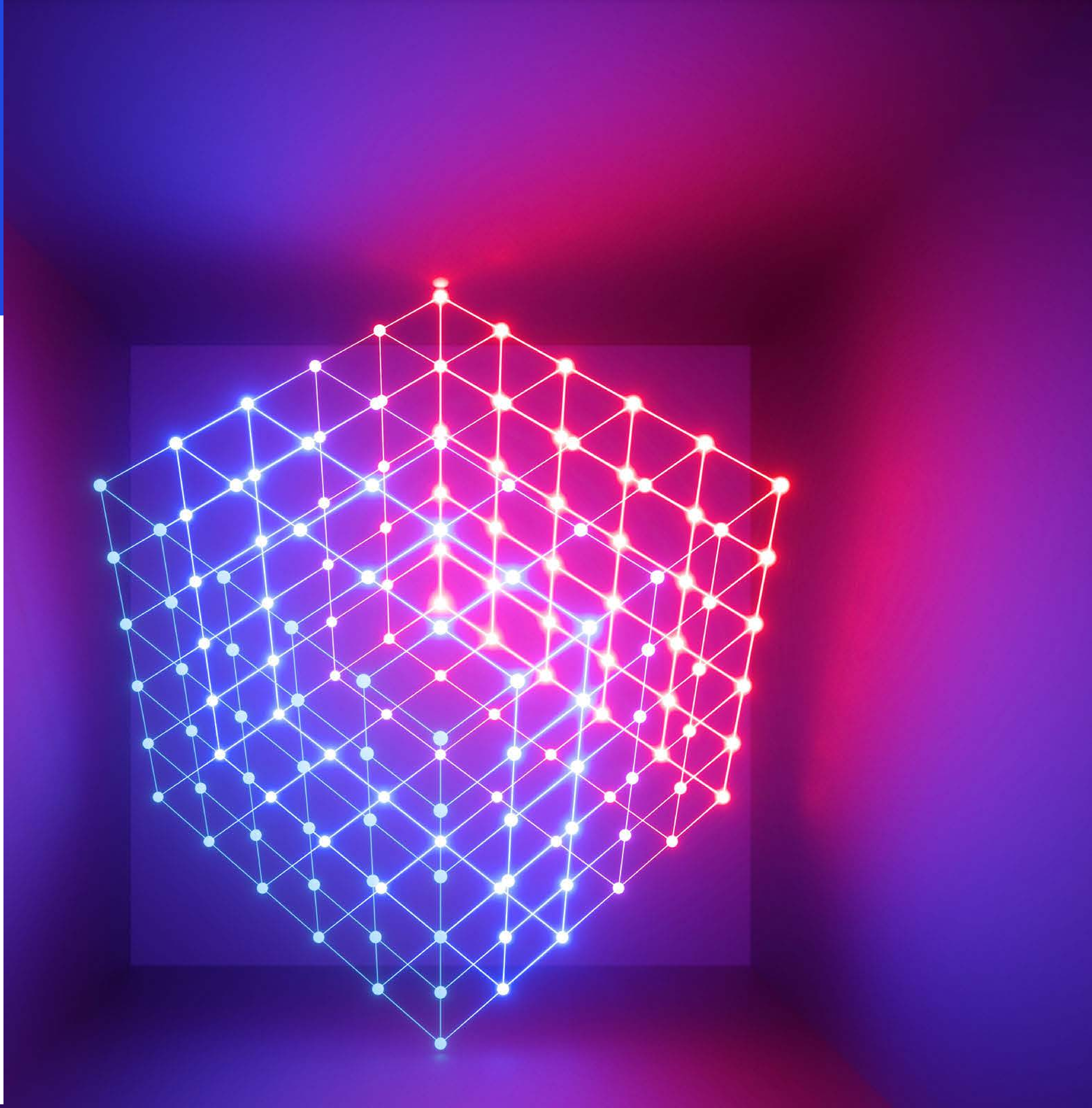
practice doesn't mean it was 'right' as we have seen numerous times in recent years).

For some banks and other financial institutions who are in the midst of, or are kicking-off large-scale transformation programmes, this is the time to have some of these tough conversations (about past practices, and what might need to change going forward). These transformation programmes don't come around very often, and they offer a wide range of benefits, not only to the institution, but to their customers. With new technology comes different ways of doing things – what a fantastic opportunity for institutions to really think about what 'good' looks like for their customers – and be innovative. Our view is that we should be thinking about CoFI as an opportunity to truly put the customer at the heart of the business and build fair treatment for customers into new technology, processes and controls – and not just simply an isolated regulatory change programme.

In the same way, we should be thinking about how we can build a control framework that is 'Compliant by Design'. Being truly compliant by design means thinking about the future state, and building technology, processes and controls to achieve an effective compliance function that delivers the outcomes desired for all stakeholders – the institution, its people and its customers. As financial institutions get into transformation projects – it shouldn't just be about new technology, we should take the opportunity to look at what the business needs holistically. Compliance by Design will inherently assist financial institutions to demonstrate regulatory requirements, including CoFI.

So, we encourage you, it's not too late to start thinking about CoFI more broadly than as an isolated regulatory change project, and instead how can your institution truly put the customer at the heart of its business operations to systematically treat customers fairly in a way that works for all stakeholders. This will ensure better outcomes for customers, staff, and we think probably long-term bottom-line results! And if you're not already well advanced, we think 'hoping' that National will repeal the CoFI legislation is a risky strategy!



End notes

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27. Election 2023: Experts say giving KiwiSaver members more options could be costly – NZ Herald
28. Govt decides buy now, pay later users won't need to take affordability tests – NZ Herald
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30. 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.
31. The capital adequacy ratios reported are for the local bank.
32. https://kpmg.com/nz/en/home/insights/2023/06/fips-quarterly-march-2023.html
33. https://assets.kpmg.com/content/dam/kpmg/ch/pdf/banks-climate-related-disclosures-phase2.pdf.pdf
34. Sustainability-related disclosure standards issued by the International Sustainability Standards Board (ISSB).
35. For climate reporting entities in New Zealand disclosures in respect of transition plans (point 2) and financed emissions (point 4) are not required in the first climate statements.
36. https://www.fma.govt.nz/library/speeches-and-presentations/samantha-barrass-keynote-speech-fsc-2023/
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