FIPS

Financial Institutions Performance Survey

Banks Review of 2024

Contents

A snapshot of 2024

0.25%
increase in NPAT

8.07%
increase in operating expenses

6.49%
increase in provisions

3.05%
increase in gross lending

0bps
movement in net interest margins

2.23%
rise in net interest income

32.75%
decrease in impaired asset expense

66.62%
increase in gross impaired assets

138bps
rise in average funding costs

The Survey

Welcome to Part Two of the 2024 edition of the Financial Institutions Performance Survey – the bank sector review.

The KPMG Financial Institutions Performance Survey (FIPS) report of 2024 represents the 38th year that KPMG has provided in-depth insights into New Zealand's banking sector.

In this 38th edition we present an outline on the key themes that exercised the sector during the year with the industry commentary and analysis on the performance of the New Zealand registered banks, together with a range of topical articles from other key stakeholders such as industry experts, regulators and our own business leaders.

The survey covers registered bank entities with reporting dates between 1 October 2023 and 30 September 2024. As a result, registered banks with the reporting date of 31 December 2023 have had their 31 December 2023 financial results included in this year's survey as their most recent results. This includes Bank of China, China Construction Bank, Citibank, Industrial and Commercial Bank of China, JPMorgan Chase Bank, Rabobank and The Hongkong and Shanghai Banking Corporation.

As with previous FIPS, the information used in compiling our analysis is extracted from publicly available annual reports and disclosure statements for each organisation, with the exception of certain information which is provided directly from the survey participants.

We would also like to draw special attention once again to the differing balance dates of our survey participants. While our survey covers the 2024 year, our respondents have a range of balance dates, with the earliest being the year ended to 31 December 2023 and the most recent reporting period being for the year ended 30 September 2024. It is important to recognise that the results of each entity will reflect the different state of the economy during the year and at their various balance dates.

Table 1: Entity Movements[1]

	Who's out	Who's in
27	Nil	Nil

Massey University continues to be a partner and key contributor to the compilation of the publication, assisting with the data collection as well as drafting the article on AI Revolution in Economic Forecasting for this survey. We thank them for their continued contribution.

External contributors continue to play a vital role in our publication, providing insights on key issues and developments that we might not otherwise have. We would like to acknowledge the contributors from the Financial Markets Authority (FMA), Massey University.

In addition, KPMG's GHG Accounting Advisory services have examined New Zealand banks' greenhouse gas emissions disclosures, and highlights reporting challenges, reduction targets, and roles in supporting climate resilience.

We trust you find the content of this survey of interest.

We wish to thank the survey participants for their valued contribution, through making their time available to meet and discuss the industry issues with us and for doing so in such a full and frank way.

A KPMG view from the editor

As I noted in the Letter from the Editor for the first part of the Financial Institutions Performance Survey – The Specialist Lender survey, I am always slightly apprehensive when I sit down to write the letter to the editor but every year without fail, there is a clear message or messages emanating from the discussions with CEOs and CFOs.

This year's Financial Institutions Performance Survey – Banks is no different. There was a clear primary message from those we interviewed, and it wasn't a specific banking issue or theme. An overwhelming majority of participants identified that the New Zealand economy had stalled post Covid-19 with the RBNZ tightening monetary conditions, the economy was struggling to build momentum again.

The joint impact of heightened inflation and interest rates over the past three years had taken their toll with many entities still struggling under the burden of higher costs and higher interest rates. The changes introduced by the new coalition Government had not had time to have full effect and the economy was bouncing along the bottom looking for green shoots. Whilst there had been some indicators of potential improvement, these were largely sentiment based as opposed to fundamentals based.

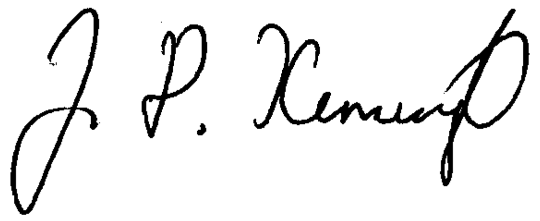
Concern was expressed by all participants about the state of the economy and a range of related challenges including, a lack of productivity within the New Zealand economy, a feeling that New Zealand needed to change and move away from the heavy focus on risk management and a move to more of a can-do or yes mantra to ensure that it would be an attractive place for investors and their capital.

In conjunction with these thoughts, investors noted that the infrastructure within New Zealand is in urgent need of upgrading and modernisation and the level of investment required far beyond what we can fund locally from our own wealth. As such, New Zealand needs to be an attractive place for other parties to bring their capital. It needs to utilise that capital effectively and be seen as a progressive and welcoming place to do business.

> **"New Zealand needs to be an attractive place for other parties to bring their capital."**

Participants were unanimously of the view that now was the time for bi-partisan politics across the board rather than Governments implementing their agenda, with the increase risk of it being reversed upon a change of Government. The view we heard was that all parties on the political spectrum need to adopt a long-term bi-partisan approach to economic development, infrastructure replacement and social cohesion. ▸

John Kensington
Partner – Audit
KPMG New Zealand



John has been with KPMG's Financial Services audit team for over 39 years, 26 of these as a partner working with a wide range of financial services audit clients, specialising in banks and finance companies.

John has a wealth of experience in auditing and accounting for banking products and services including treasury, retail offerings, corporate loans and loan provisioning. He is currently a Financial services audit partner, KPMG's Head of Banking and Finance and editor of this publication. John is also Deputy Chairman of the New Zealand Auditing and Assurance Standards Board (NZAuASB) and serves as a board member of the External Reporting Board (XRB). John is also a fellow of CA ANZ, a member of the Institute of Directors and a Trustee of Breast Cancer Cure.

An approach that partly satisfies all parties and can be consistently pursued was seen as pivotal to New Zealand moving forward. Many expressed a real fear that fringe elements in coalition Governments, together with chopping and changing regulation, runs a real risk of New Zealand going nowhere and these not insignificant problems not being solved.

Whilst this might be quite a hard message for many New Zealanders to absorb, it was one that came through in every interview with sector participants. The banking sector heads are genuinely concerned that politicians are pursuing their own brand of politics/policies, as opposed to something that is more broadly acceptable to everybody, could delay New Zealand's recovery significantly.

The final comment when discussing this broad topic was that regulation needs to play a role in ensuring markets are appropriately regulated, but mustn't do so at the expense of allowing innovation.

In effect, the message we heard was that elected officials have a national obligation to *not* pursue exactly what they or their party want as an ambition, if wider general acceptance could instead be obtained through slight alterations and moving toward another part of the spectrum and/or including another group's objectives. At the same time, there was an acknowledgment the public also needs to view things in a more holistic and less personal way. Whilst this was the key theme that stood out throughout the interviews, a number of other themes were discussed frequently.

The second most talked about theme was undoubtedly cyber security, fraud and scams in a combined sense. In this area, all participants identified the fact that the industry is working collaboratively to address this risk which is important as it is helping ensure nobody left behind.
The work done around bank account details matching prior to payment authorisation was identified as an example.

"The second most talked about theme was undoubtedly cyber security, fraud and scams in a combined sense."

The sector did identify though two areas that are holding back further development. One was the fact that while banks, specialist lenders, insurers and telcos are working hard to build in safeguards against frauds and scams, some of the more powerful players within the wider eco system such as Meta and Google seem less incentivised to collaborate. Many identified that the very advertisers who are involved in frauds and scams are their advertisers. It was also noted by participants that once a fraud has been successful, it is often repeated on the victim in one of two ways. A further fraudulent offer hoping to capitalise on the previous weakness or an invitation or opportunity to assist the scammers by providing a mule account. It was also noted that the Government has a role to play here, and increased involvement would be beneficial.

The other anomaly identified was the public's asymmetric view on fraud and scams. Very few customers appear willing to pay, say, a monthly fee to cover the costs of banks' antifraud programmes and would undoubtedly object to, say, $5.00 being charged monthly to their account however, once they have sustained a loss they are of the view that they should be 100% remunerated regardless of the circumstances.

This asymmetry is quite striking.

The third most common topic discussed was in relation to regulation and how it's still has not been appropriately balanced between keeping customers safe and providing for and encouraging innovation. Whilst all participants applauded the recent changes to the CCCFA, which was affectionately referred to by many as the best example of the worst regulation in the world, they also noted that the changes made did not come without some challenges. They have required significant changes to bank systems and further training of bank staff. Even the good news seemed to have a reasonably significant cost attached to it to implement.

Other areas that rated a frequent mention were the Deposit Compensation Scheme and the Deposit Takers Act.

The chief concerns were how close to the implementation of this piece of legislation we are and still how unclear it is as to how they will operate. Most parties talked to were well down the track or had even obtained their CoFI licencing. The outcome from the parliamentary inquiry into banking was exercising most participants' mind with the main question being what actually will be the outcome. ▶

One matter that everybody did discuss was the Commerce Commission's suggestion that Kiwibank should become a maverick. There was a largely unanimously sentiment that if the issue in the market was a lack of competition the Government would be seen as unwise trying to pick a winner, and most participants felt that if some form of relief from capital or other restrictions was to be applied to increase competition, it should be available to all market participants. Allowing one participant some form of benefit was not supported by participants at large.

The final area that was discussed was in relation to climate and ESG reporting. A number of clear messages were heard during our interviews, it was agreed this is something that ultimately needs to be reported both from a risk management perspective and from a social licence perspective.

Other points identified were that this has been a costly exercise, there has been a tremendous learning curve up which those that have reported have moved significantly and the real questions exist around the volume of reporting and the quality and access to some of the data that is required to be reported.

However many that had completed the project were proud to have done so and felt that they had benefited from doing so. All participants signalled that it would be incredibly important going forward to get some degree of consistency between what is required to be reported across jurisdictions.

I would like to take this opportunity to thank all of the CEOs and CFOs that met with us during the survey. Their time and insights were deeply valuable and have made a massive contribution to the richness of this document, so a sincere thank you for your contributions.

"All participants signalled that it would be incredibly important going forward to get some degree of consistency between what is required to be reported across jurisdictions."

Sector - Timeline of events[2]

The related articles are hyperlinked to provide access the respective news releases

OCT 2023

4th October:
The RBNZ's Monetary Policy Committee agreed to leave the OCR at 5.5%.

14th October:
NZ Election 2023 – National-led coalition set to govern.

17th October:
Inflation increases annually by 5.6% in the September 2023 quarter.

NOV 2023

7th November:
RBNZ announced key decisions and proposed approach to the policy review of overseas bank branches.

29th November:
The RBNZ's Monetary Policy Committee agreed to leave the OCR at 5.5%.

DEC 2023

14th December:
The RBNZ issued formal warning to CitiBank NZ in relation to failure to provide originator identification of 'wire transfers' in line with the AML/CFT Act.

JAN 2024

24th January:
Inflation decreases to its lowest rate in two years, now at 4.7%.

30th January:
RBNZ's chief economist Paul Conway continued to push back against financial markets, which are betting on the central bank cutting the OCR this year.

FEB 2024

28th February:
The RBNZ's Monetary Policy Committee agreed to leave the OCR at 5.5%.

28th February:
Bank of Baroda sought interest from investment banks to facilitate the sale of its New Zealand business, deadline for proposal submissions was set for 24th January.

MAR 2024

11th March:
ASB and Kiwibank reduced fixed mortgage rates.

23rd March:
New Zealand's GDP grew by 0.2% following declines in the December and September quarters, indicating the country is now out of a recession.

APR 2024

1st April:
Changes to the interest limitation rule effective, now allowing claims of 80% of interest incurred on loans for residential property.

10th April:
The RBNZ's Monetary Policy Committee agreed to leave the OCR at 5.5%.

17th April:
Inflation increased annually by 4.0% in the March 2024 quarter.

21st April:
The Government announced lending changes to simplify obtaining home and other loans and enhance customer protections.

30th April:
BNZ completed the sale of BNZ Investment Services Limited to FirstCape Limited.

MAY 2024

22nd May:
The RBNZ's Monetary Policy Committee agreed to leave the OCR at 5.5%.

23rd May:
The Government announces an end to the First Home Buyer Grant.

JUL 2024

10th July:
The RBNZ's Monetary Policy Committee agreed to leave the OCR at 5.5%.

17th July:
Inflation increased annually by 3.3% in the June 2024 quarter.

20th July:
Microsoft users experience global IT outage.

31st July:
Changes to Personal Income Tax thresholds effective.

Sector - Timeline of events[2]

The related articles are hyperlinked to provide access the respective news releases

AUG 2024

14th August:
The RBNZ's Monetary Policy Committee agreed to reduce the OCR to 5.25%, the first reduction in more than four years.

23rd August:
A multi-million dollar claim was filed in the Auckland High Court in 2021 against ANZ and ASB for failures to refund interest and fees to 150,000 customers.

SEP 2024

19th September:
New Zealand's GDP declined by 0.2% over the quarter.

OCT 2024

9th October:
The RBNZ's Monetary Policy Committee agreed to further reduce the OCR to 4.75%.

15th October:
Kookmin Bank announces that it will gradually wind down its Auckland branch and exit the New Zealand market over the next few years.

16th October:
Inflation increased annually by 2.2% in the September 2024 quarter.

NOV 2024

4th November:
RBNZ warns that geopolitical risks from Russia, China, and the Middle East pose one of the most serious threats to New Zealand's financial stability.

6th November:
Donald Trump elected as president of the USA.

27th November:
The RBNZ's Monetary Policy Committee agreed to reduce the OCR to 4.25%.

27th November:
Kiwibank fined $1.5m after self-reporting overcharging 35,000 customers a total of $6.8m.

DEC 2024

9th December:
In line with the new Financial Policy Remit outlined by the government, RBNZ is focusing on enhancing efficiency and competition in the financial sector.

9th December:
The Government plans to secure up to $500m from local investors to bolster Kiwibank's competitiveness and increase market competition among banks.

16th December:
NZ per capita GDP has fallen 4.60% over the past seven quarters, representing a decline greater than after the Global Financial Crisis.

JAN 2025

17th January:
ASB cuts three key interest rates on fixed term loans.

FEB 2025

18th February:
In response to the ongoing economic deterioration, Heartland Bank Limited has announced an impairment expense of $49.6 million for the six-month period ended 31/12/2024, and increase of $25.7 million from the six-month period ended 31/12/2023

19th February:
The RBNZ's Monetary Policy Committee agreed to further reduce the OCR to 3.75%

MAR 2025

5th March:
Reserve Bank Governor resigns.

Sector – Themes and issues

Speaking to the CEOs and CFOs of the banks, it was emphasised that these icons represented the key themes and issues that have challenged them throughout the year.

Historically, business leaders viewed these themes as separate issues, but increasingly they are now inextricably interlinked.

In addition, the pace at which these issues need to be reacted to and that they change at, has increased.

Sector – Themes and issues

Underperforming and sluggish economy

Economic environment

The reduction in the Official Cash Rate (OCR) to 4.25% (27/11/2024) brought positive news and a much-needed confidence boost to the economy. Households, firms and sector participants appreciated the timing and scale of the reduction, noting its favourable impact on market activity and, with it, activity in the sector.

As a result of the decreasing OCR, banks have lowered lending rates. All major banks are offering a range of key floating and fixed-term loans with interest rates under 6%, providing significant relief for consumers on floating rates or refixing from historic fixed rates. We have even seen 4.99% special three-year rates made available during February (14/02/2025). On then on 19th February we saw a further OCR cut to 3.75% which will no doubt be followed by further downward rate adjustments. Survey participants were optimistic about securing rates around 5% for a two-year term.

Despite the reduction in the OCR since 2023, a substantial portion of New Zealand's funding comes from offshore markets, where rates are experiencing volatility due to geopolitical factors. This offsetting impact could limit the extent of the OCR decrease that is passed onto consumers and subsequently affect how low borrowing rates within the banking sector go. The consensus of participants and commentators is that rates probably only have another 75-100bps to fall and we won't see rates equivalent of those engineered during the Covid-19 pandemic.

The festive season has once again proven to be a challenging time for consumers and borrowers, as more than 491,000 people fell behind on their payments during January 2025. There were 23,700 mortgage accounts reported as past due. Additionally, 14,700 accounts are being reported as in financial hardship, up 20% year-on-year, with almost half (46%) related to mortgage repayment difficulties[3].

This year has proven to be difficult for both consumers and businesses, and whilst the relief was very welcome further relief would be very welcome.

Political impact

Of significant note was the growing recognition of the need and desire for more collaboration and a move to bi-partisan politics between political parties when tackling key economic and social issues. The frequent swings from left-leaning to right-leaning policies with each election cycle together with the undoing and replacing of legislation have led to instability and makes for a difficult place for businesses and funders to invest with confidence. The continual reversal of initiatives hinders long-term sustainable economic growth. A more stable and collaborative approach is crucial for creating consistent policies that can effectively address the country's wider economic, social needs and provide certainty for investors. All parties need to work together to establish a middle ground and consensus on priorities that can drive sustainable economic growth.

To keep up with international standards, New Zealand requires an estimated investment of around one trillion dollars in infrastructure. This substantial financial need underscores the importance of attracting funders, businesses to conduct the build and skilled individuals who can contribute positively to the economy. Creating a stable business environment is crucial for securing these necessary investments and fostering economic development. There are significant concerns about how New Zealand can afford this level of investment without compromising funding for other essential public services such as education, healthcare, and social welfare. Balancing these financial demands presents a considerable challenge for policymakers and only makes it more of an imperative to agree priorities, approach them in a bi-partisan way to enable the funding needed to be attracted to a stable economy. ▸

Regulation

Participants felt that whilst New Zealand regulators are making efforts to improve regulation unfortunately there remains ongoing uncertainty regarding the Government's actions on the Credit Contracts and Consumer Finance Act 2003 (CCCFA) and the Financial Markets (Conduct of Institutions) Amendment Act 2022 (CoFI).

The CCCFA has continued to remain a hot topic and is frequently identified as the best example of the worst piece of legislation. Although survey participants have acknowledged the positive changes that have been introduced, these changes come at a very real cost of time and money, to adjust systems and re-train staff for the changes to ensure compliance and still with less-than-ideal guidance. We heard two of the key concerns that are yet to be addressed or rectified are around the level of director liability and the lack of a safe harbour provision for self-reported and rectified matters. Key concerns, such as the complexity of compliance requirements and the administrative burden on lenders, are also yet to be fully addressed or rectified.

This regulatory environment has created significant challenges for lenders and borrowers. The perceived or actual consequences of a minor breach can result in disproportionately large fines, causing banks and other financial institutions to be more cautious. As a result, there has been a noticeable tightening of lending criteria, making it more difficult for borrowers to access credit. This has had a ripple effect on the broader economy, as it slows or stalls growth.

Moreover, the high compliance costs associated with the CCCFA have impacted smaller banks more severely, potentially reducing competition in the banking sector. The ongoing debate around the legislation highlights the need for a balanced approach that protects consumers while also enabling lenders to operate efficiently without undue risk of penalties and has a degree of proportionality around it.

Another concern among survey participants is that the Reserve Bank of New Zealand (RBNZ) is perceived to be running behind on the Deposit Takers Act. The Act aims to modernise the regulatory framework to ensure the safety and soundness of deposit takers. The Act is due to go live shortly but key aspects of it still need to be revealed. There are also questions regarding whether regulators are effectively communicating with each other to ensure cohesive and comprehensive oversight.

Smaller banks in the survey have expressed concerns that the banking system and sector are dominated by the major five banks, effectively creating a monopoly. These smaller institutions have highlighted the need for measures that enable them to compete more effectively. They point out that while regulatory requirements have become stricter, potentially increasing operational costs and barriers to entry for smaller competitors, regulators are simultaneously attempting to promote competition within the sector. The most striking example mentioned by the smaller banks was the different capital requirements for a big four bank when lending the same loan to the same family, for the same house, in the same street simply because they were permitted to use different models to calculate the capital required.

The introduction of the Deposit Takers Act has already seen two entities commence the wind down their operations. Sector participants also noted irony of the New Zealand regulator wanting a deposit guarantee scheme in line with other countries but New Zealand having greater capital requirements than those same jurisdictions and the calculation of the capital being more onerous. There is a feeling that if we are going to follow other jurisdictions we should do so consistently

Additionally, participants have emphasised that regulation should not be introduced in a manner that withholds or hinders innovation. An appropriate balance needs to be found that safeguards the financial system while fostering an environment conducive to new financial technologies and innovative services.

Overall, the feedback suggests a delicate balance needs to be struck between maintaining regulatory standards to safeguard the financial system and fostering a competitive environment where smaller banks and new players can thrive and contribute to the vibrancy of the sector. Adopting international regulations without change or addition for consistency might also make the implementation process smoother and ensure New Zealand remains connected to global financial standards. ▸

"Smaller banks in the survey have expressed concerns that the banking system and sector are dominated by the major five banks."

Cyber security, fraud and scams

Cybersecurity remains a significant concern in everyday business, and the banking sector is no exception. The increasing reliance on digital platforms for operations and customer interactions has made all financial institutions prime targets for cybercrime, emphasising the need for robust cybersecurity measures to protect against scammers and fraudsters.

With cybercrime and online fraud constantly evolving, banks are in a constant development mode to stay ahead of the threats posed by these malicious attackers. Moreover, customers increasingly expect the banking sector to secure their personal information and finances, particularly for vulnerable groups such as the elderly. Surveyed banks have noted the importance of the collaboration among banks, insurers, and telecommunications companies to strengthen cybersecurity practises across New Zealand and the fact that it recognises this isn't just a banking issue. The problem identified by survey participants is that big tech firms (such as Meta and Google) don't share the same responsiveness or interest in solving the problem and actually earn advertising revenue from hosting many of the perpetrators.

The other challenge is the asymmetric situation that pervades the fraud and scam ecosystem. Consumers don't see value and don't want to pay for the costs incurred by banks in protecting their assets but strongly believe that once they have sustained a loss the financial institution should make good the loss fully.

A notable incident this year was the CrowdStrike software update, which triggered a series of events affecting systems globally, highlighting the severe risk posed by cyber-attacks. In response, there has been an uptick in cybersecurity measures and a revision of strategies to prevent future attacks.

Safeguarding customer information is paramount for the banking sector, with methods such as multi-factor authentication (MFA) and end-to-end encryption being implemented to secure data from cybercriminals. Cybersecurity continues to be a top priority for the industry, with the Reserve Bank of New Zealand (RBNZ) ensuring that all banking institutions in the country remain up to date and compliant. As one survey participant remarked, "Cybercrime is now a business in every respect, requiring service and attention comparable to that of multinational organisations to ensure effective operation." However, developing systems to combat cybercrime demands considerable resources and investments.

Survey respondents have criticised regulators, arguing that banks should not be held accountable for fraudulent transactions initiated or facilitated by customers. To do so runs the risk of fraudsters becoming repeat offenders by targeting effected customers in two ways firstly as vulnerable for a repeat attack and then for the potential of that using customers' accounts as mule accounts to move money and offer them a way to recoup some of the losses. Despite collaborative efforts within the banking sector to mitigate these incidents, some big tech firms and social media platforms still allow fraudsters to operate on their platforms because they are a revenue-generating stream. It is vital for all sectors to work together vigilantly to detect and prevent such activities.

The development of Artificial Intelligence (AI) in the banking sector continues to grow, bringing with it the potential benefits in terms of efficiency and productivity. However, survey participants highlighted the associated risks and challenges, particularly the gap between those asking "what can AI do?" and developers responding with "what do you want it to do?"

Social licence and trust

We often hear from different sections of the media and public that it is crucial to restore confidence in the New Zealand banking sector, particularly in light of the sectors continued strong performance. The media reporting that banks prioritise profits over customer welfare and ethical practises has eroded public trust. This is further accentuated by the regulators acting against several banks in the form of fines, penalties, and warnings and the recent select committee enquiry and private members bills being promulgated. As a result, this is a significant challenge facing New Zealand's financial institutions and one where they are given little credit in two areas – firstly for their genuine efforts to look after customers, and secondly a lack of balance in the story that is told.

To restore the trust, banks must earn and maintain their social license to operate as this implicit approval from society is crucial to their success long-term. This involves a commitment to transparency, ethical governance, and aligning business operations with New Zealand's social and environmental values. Banks should focus on initiatives that demonstrate their dedication to social responsibility, ▸

such as implementing sustainable finance practices, promoting financial inclusion, and engaging in community development projects tailored to the unique needs of New Zealand's diverse communities.

Moreover, robust risk management and compliance frameworks are essential to prevent past mistakes and ensure long-term stability. For instance, adhering to regulatory standards set by the Financial Markets Authority (FMA) and the Reserve Bank of New Zealand (RBNZ) will enhance governance and risk oversight.
By prioritising the interests of all stakeholders, including customers, employees, and the community, banks can rebuild their reputation and regain public trust. Effective communication of these efforts is equally important to highlight the positive impacts and gradually reshape public perception.

Additionally, leveraging innovation in technology to enhance customer experience and security can further strengthen consumer confidence, with open banking initiatives promoting greater transparency, competition, and personalised financial services. Open banking will allow customers to securely share their financial data with third-party providers, leading to products that are better tailored to meet their individual financial needs.

Through these comprehensive efforts, New Zealand's banking sector can work towards dissolving the profit-hungry stigma and establishing a reputation built on integrity, reliability, and a genuine commitment to societal well-being, ultimately restoring confidence in the banking sector.

However, there will always be a question about whether they can do enough and whether they are subject to an even-handed assessment free from bias.

"New Zealand's banking sector can work towards dissolving the profit-hungry stigma and establishing a reputation built on integrity."

Climate and ESG reporting

Last year, the External Reporting Board (XRB) released the Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1). This standard mandates that entities with more than $1 billion in assets or listed entities with a market capitalisation exceeding $60 million adopt the standard alongside their existing financial disclosures. Consultation on the threshold for fund managers is currently ongoing, and at the date of this report the threshold is $1 billion in assets under management. Survey participants have started their journey into issuing climate-related disclosures.

However, as previously highlighted in surveys, there is still an element of learning around what needs to be disclosed and in particular where certain information can be sourced and how reliable it is. Many participants have raised concerns about the quality of available data to meet the regulatory standards for the required disclosures and also noted that whilst data quality score disclosures help in the area, it is a different approach from financial reporting. Only a few survey participants have successfully disclosed the financial impacts of climate change, with many opting for an adoption provision to delay that disclosure.

Whilst global players operating in Europe and the United States were quick to sign up for climate reporting, they have now taken a bit of a step back, and this together with a global standard now being issued has added to the uncertainty of climate reporting in the New Zealand context.

One of the challenges we have seen reported recently is banks deciding whether it is better to de-bank 'dirty' industries, or whether it is better to help fund their transition towards a lower carbon position. All this occurs while there is uncertainty as to what these entities' and borrowers' abilities would be to transition to lower carbon emission state, in additon what we dont know is whether there is a genuine (credit) risk assessment underpinning the decision.

This has forced the Government to consider making adjustments to the climate-related disclosures regime to ensure that reporting thresholds and director liability settings are appropriate and proportionate for the New Zealand context.

There have been two pivotal actions:

- Firstly, the XRB has allowed a further extension of one year to both the reporting and assurance commencement dates.
- Secondly a discussion led by Ministry of Business, Innovation and Employment (MBIE) to re-assess the future of climate reporting in New Zealand. ▸

Whilst noting that it was a considerable exercise to complete most participants felt that New Zealand needs to follow the world. Many also felt that despite questions over data quality this did focus in on an emerging risk and how to manage it.

Participants continue to note that climate reporting and Environmental, Social, and Governance (ESG) factors present both significant opportunities and challenges. For New Zealand to maintain its position as a trading nation, many believe that climate reporting needs to be applied more broadly. This broader application would ensure New Zealand meets international expectations and strengthens its competitive edge in global markets.

Climate reporting is seen as something that should be done, but there are significant questions around the quality of data and the "fluffiness" of some numbers when placed next to audited financial statement figures.

Resilience of borrowers

The struggles faced by borrowers have continued over the past year. Since the Covid-19 pandemic, an accelerated rate of change in both the speed and size of economic shifts has been noted. Borrowers have contented with a fluctuating interest rate environment, supply chain issues, labour shortages, and major climate events. In response, many have dipped into their savings and cut expenses to survive the challenging economic conditions. While there has been some recent easing in the economic environment for borrowers, any further economic downturn could exacerbate their difficulties.

As previously noted, the Official Cash Rate (OCR) has remained steady at 5.50% for much of the past year until it began reducing in August, before further reducing to 3.75% in February 2025. These reductions have led to lower interest rates, making borrowing more accessible and affordable, as well as reducing interest repayments. However, the full impact of the lowered OCR is still unfolding as borrowers look to refix their mortgage rates. The complete benefit of these changes are yet to be realised.

Looking ahead, many individuals feel positive and confident about the direction of the economy. Nonetheless, our survey participants have cautioned that these optimistic sentiments may be premature. There are concerns about the borrowers' expectations for future OCR movements and interest rates, with some anticipating more rapid decreases than are likely.

The Reserve Bank of New Zealand (RBNZ) projects the OCR to settle around 3.50% by the end of 2025, leaving limited room for any further reductions this year. Although this was updated at the 19 February OCR update showing that this is a moving target.

The RBNZ has further indicated that the long-term 'neutral' level of the OCR is between 2.50% and 3.50%. Recently, the OCR dropped to 3.75%, and the RBNZ has signalled that a series of smaller cuts are planned to bring the OCR down to around 3% by mid-2026. However, given the current weak economic environment, the RBNZ may decide to expedite these cuts.

Whilst interest rates will not return to the historically low levels seen during the early stages of the pandemic, during normal economic cycles, borrower confidence in the economy's direction is justified if expectations remain realistic. This positivity may be somewhat ahead of the economy's current fundamentals. As the OCR decreases and interest rates fall, financial stress on borrowers will begin to ease, which will support the New Zealand economy as it continues its slow and gradual recovery.

Provisioning within the banking sector, however, remains a challenge. It is increasingly driven by complex models, often leading to differences between modelled provisions and actual losses experienced by banks. These models can produce numbers that create a challenging dilemma for banks. In some instances, the provisioning figures generated by the models are different from what seems right such that banks are hesitant to commit to them. Part of this difference can be explained by the incorporation of more forward-looking inputs (say for example pessimistic inputs) into these models leading to an increase in provisions. When the forecast economic conditions don't eventuate, or borrowers are more resilient than expected banks have not necessarily needed these elevated provisions in practice. This disparity highlights the potential misalignment between forecast inputs and their impact and real-world financial realities, raising concerns about the accuracy and utility of current provisioning models.

Future of the New Zealand banking environment

Capital requirements

The New Zealand banking sector faces numerous challenges that are reshaping the landscape for both lenders and borrowers. Among these, the requirement to meet more stringent capital requirements stands out. Banks are often hesitant to lend to more challenging credits due to the need to maintain substantial capital reserves. ▸

One of the significant hurdles is the competitive disparity with Australian banks. At present the Australian economy is outperforming New Zealand, and many players would prefer to place capital there. In addition, Australia is a bigger market and banks investing their capital in the Australian market enjoy more favourable capital ratios - both the quantum required and its calculation. Combined with regulation requiring a step up in capital in the future, banks need to plan for the increase. If the capital isn't coming from the investors or parent entities, it can only really come from profits and consequently, this will result in bank business models that drive higher lending rates for borrowers and decreased interest rates for depositors, negatively impacting local customers.

One very illuminating story showcased how, the burden of increased regulatory impost and scrutiny has grown over the years. During simpler times before the 2000s, approving a loan could be achieved in approximately sixty minutes, one banker specifically remembered such a product. In stark contrast, today's approval process can take up to seven days, reflecting the comprehensive risk assessments and diligent compliance measures now required. This shift underscores the significant regulatory burdens banks face, further complicating their operational processes and the negative impact it has on customer experience.

Market disruptor

Adding to this complexity, the banking environment in New Zealand has developed into what some commentators view as a stable oligopoly. Major banks are accused of showing minimal strategic differentiation and concentrating on preserving their market share and profitability margins.

In response to the lack of competition, the Commerce Commission's report on the personal banking sector suggested that Kiwibank is the only plausible disruptor to the big four Australian-owned banks. The report recommended that the Government, as the owner of Kiwibank, explore ways to provide the necessary capital infusion that could stimulate competition and ensure a more equitable distribution of market share among the leading banks. Increasing Kiwibank's market share would help retain profits within New Zealand rather than seeing them diverted offshore.

However, interviewees raised a series of questions from this recommendation:

- Should the Government pick one beneficiary for focused support or should it loosen up capital for the whole market so everyone can benefit?
- Where would the capital come from, and at what sacrifice to other public spending?
- How much capital injection into Kiwibank would be enough to disrupt the current oligopoly?
- Lastly, what would be the impact on smaller banks if Kiwibank was significantly capitalised enabling it to compete at a level not seen before resulting in a pricing battle of a scale and quantum not seen before? How would the smaller participants in the New Zealand banking and specialist lenders sector fare?

Survey participants have emphasised the necessity of thoroughly addressing these questions. While capital injection into Kiwibank could indeed foster competition and benefit the local economy, it was also hypothesised that capital relief for the whole sector might have a greater and more level playing field impact.

Survey participants have also pointed out that real competition in the future could emerge from new entrants specialising in specific segments of the market. These niche players could effectively meet specific customer needs and challenge the dominance of established banks, operating in a specific niche. Careful consideration of how to encourage and support them was suggested.

Opportunities and challenges

As part of our meetings with survey participants, we asked what they saw as the key challenges and opportunities that the banking sector has faced. The challenges and opportunities noted by survey participants directly related to the key themes we have discussed earlier in this publication **(see Sector – Themes and issues on page 10).**

Another important takeaway from the discussions was that, in many cases, the opposite side of the challenges presented the opportunities, and the same was true in reverse.

- The industry faces pressure to continuously upgrade technology for greater efficiency. This includes integrating new systems with legacy infrastructures and ensuring regulatory compliance, which can be costly and time-consuming. Employee training is also crucial for successful adoption. All participants indicate they were on various parts of the journey. ▸

- The weak state of the New Zealand economy, recovering slower than the global economy, remains a concern for the sector. Despite the lower OCR, the economy has not fully restarted its growth phase, with many people still under stress and financially strained. Lenders are closely monitoring the economy with concern.
- There was one very real and consistent theme from participants and that was that issues faced by New Zealand economically and socially are sufficiently large that they require a bi-partisan approach from all parties as opposed to the current three-year election cycle, flip-flop changes based on the successful coalition's views.
- Adjustments to the CCCFA, the upcoming CoFI regime (starting March 2025) and the Deposit Guarantee Scheme/ Deposit Takers Act present compliance challenges and added costs. Any changes bring challenges with documentation, compliance, and the proportionality in regulations due to the size of the impact changing depending on the size of the entity. Even when positive, these changes have costs associated with implementation and can be resource intensive.
- As technology evolves, so do fraud schemes and techniques, necessitating constant vigilance and adaptation. Despite extensive measures, banks face reputational risks if breaches occur.

After recognising these as the main challenges, survey participants noted that effectively addressing them while taking care of customers represented a significant opportunity, as this could ultimately help build trust.

The key opportunities identified by our survey participants included:

- As new technology is implemented into current systems, the services and features the banking sector offer customers can expand. Upgrades can improve efficiency and experiences using big data and analytics. Further improvements in fintech can enable banks to enhance their digital platforms, providing customers with more convenient and innovative banking solutions.
- In terms of regulatory changes, as feedback is implemented and refined, the banking sector will ultimately benefit through fair and clear rules that encourage responsible business practises. It is important that any regulation implemented to protect consumers also allows innovation and growth to occur through a clear framework. Responsible business practises will aid in building trust back with customers, which is a key objective for most of the survey participants.
- Improving cybersecurity measures helps strengthen customer trust, as their sensitive data is more secure, and grows the presence of banks in the digital financial environment. Enhanced security protocols not only protect against fraud but also position lenders as trustworthy and reliable in the eyes of their customers.

By recognising these challenges and effectively addressing them, while simultaneously capitalising on the presented opportunities, the banking sector can navigate the complex financial landscape.

Rebuilding customer and consumer trust was frequently mentioned as an opportunity but one that was very hard to achieve and requiring some balance in what and how events are reported.

"As technology evolves, so do fraud schemes and techniques, necessitating constant vigilance and adaptation."

Opportunities and challenges

ESG AND CLIMATE REPORTING

COST OF COMPLIANCE

WEAK ECONOMY

RESTORING CONFIDENCE

PRODUCTIVITY

PROCESS AUTOMATION AND AI

GEOPOLITICAL RIOTS

COFI

MAVERICK

ACCESS TO FUNDING

OPEN BANKING

CCCFA

ECONOMIC UNCERTAINTY AND UNDERPERFORMANCE

BI-PARTISAN POLITICS

QUALITY OF REGULATION

CYBERSECURITY

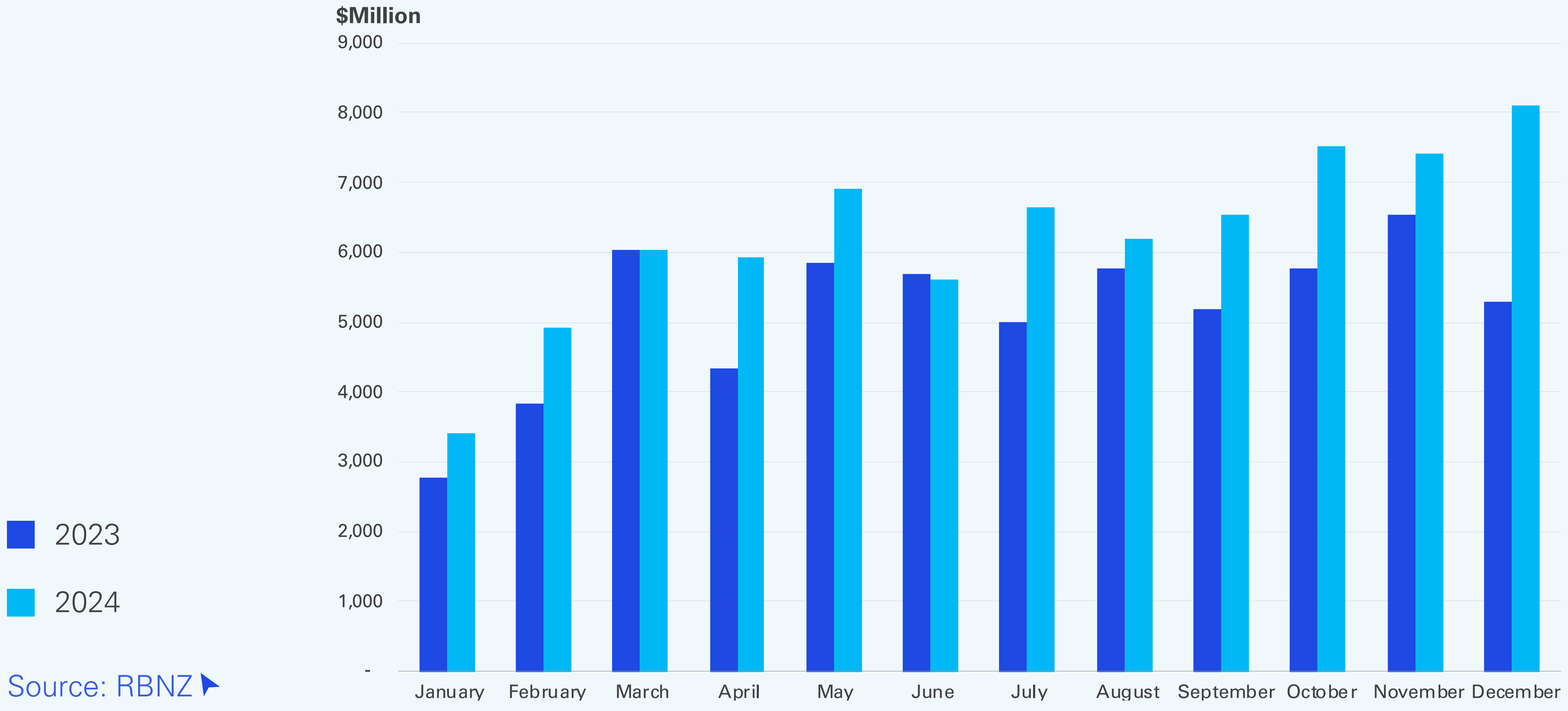
DIGITAL TRANSFORMATION

SHORTAGE OF TALENT

AMALGAMATION

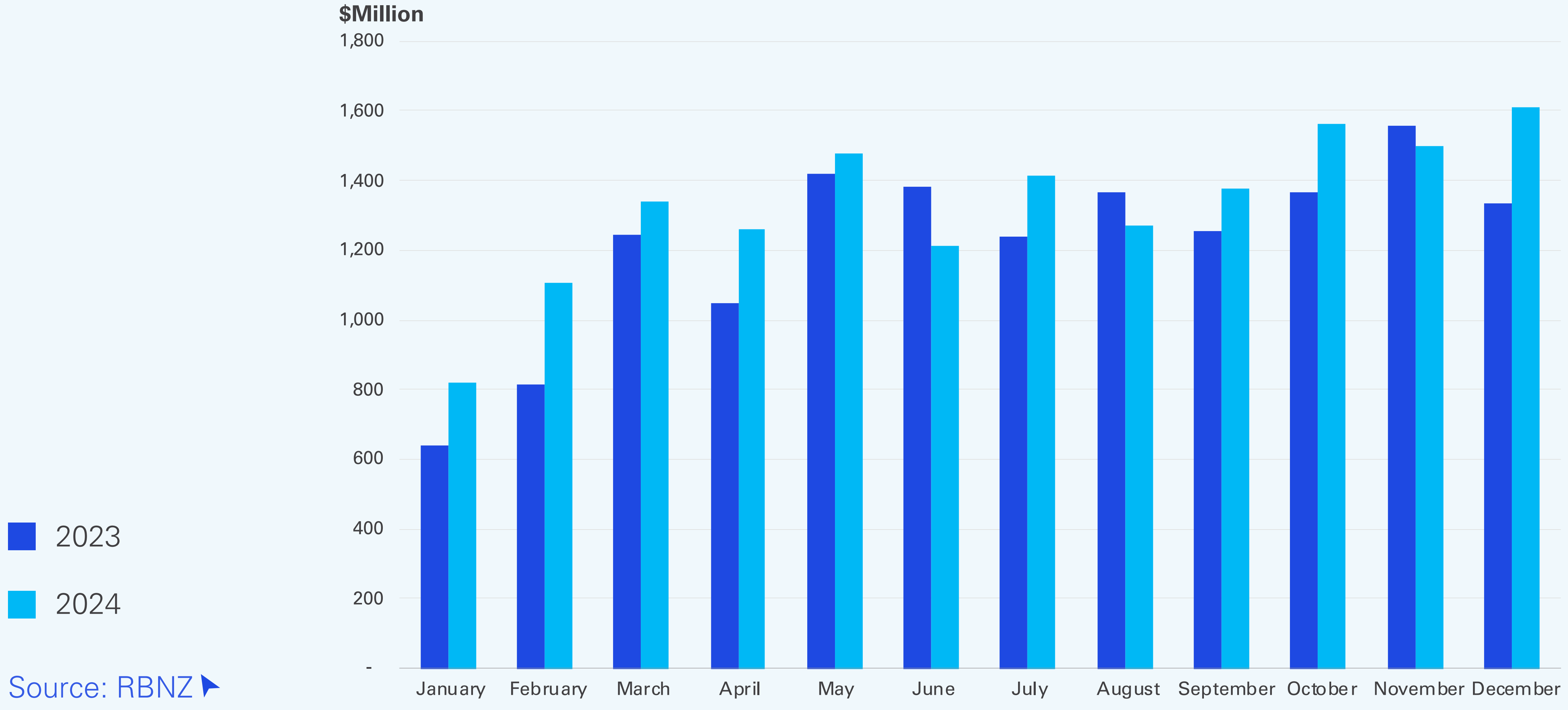
FRAUD PREVENTION

01 Total monthly mortgage lending



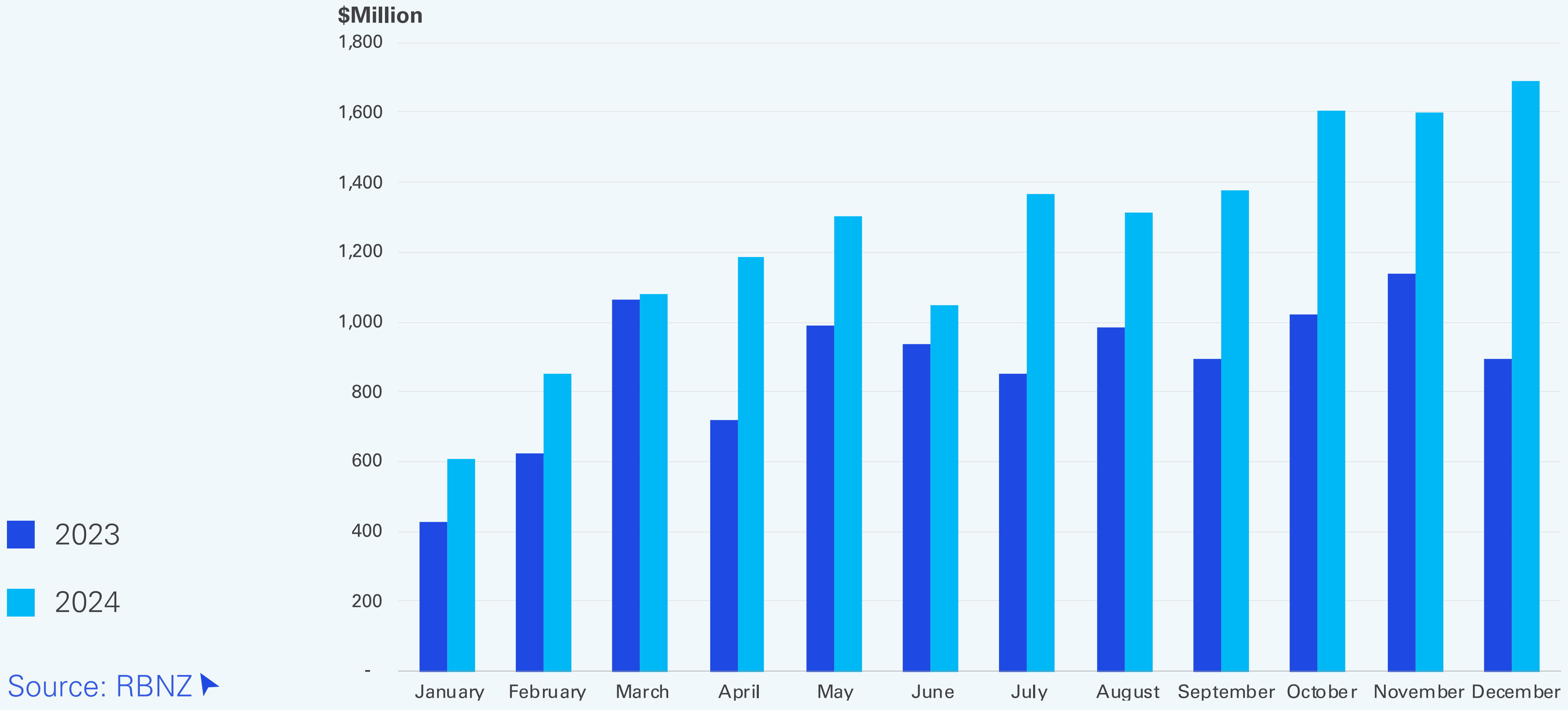
Source: RBNZ

03 Monthly mortgage lending: by first home buyers



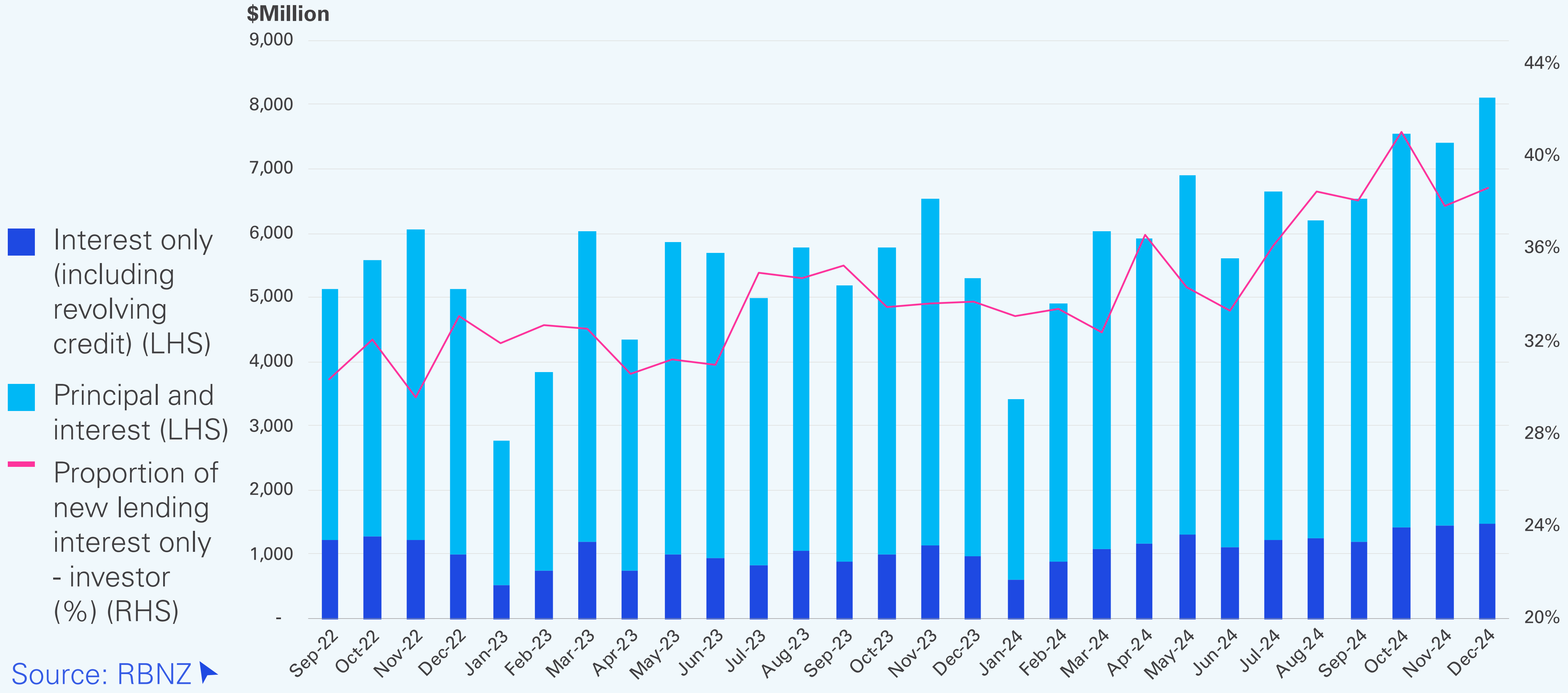
Source: RBNZ

02 Monthly mortgage lending: by investors



Source: RBNZ

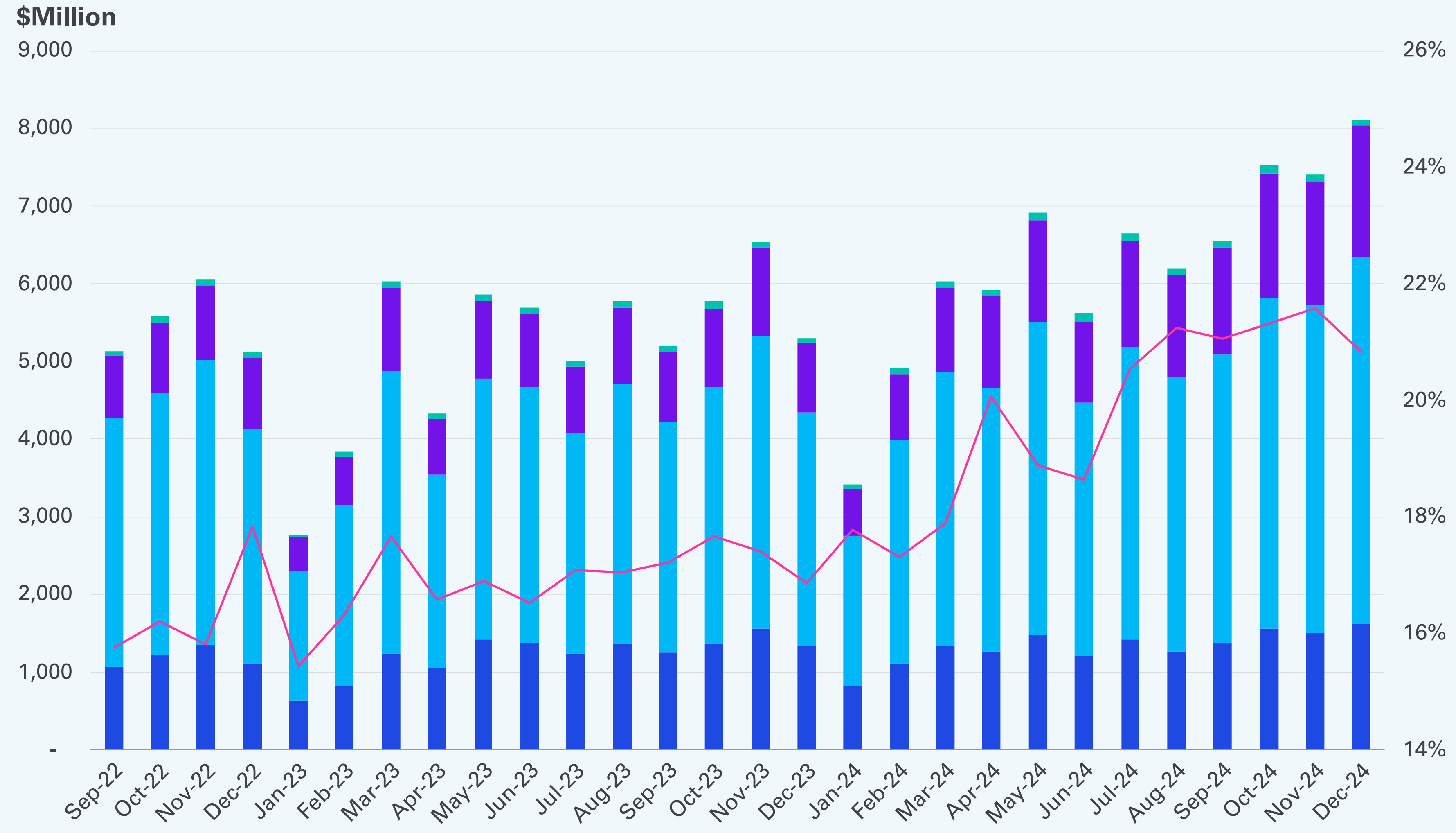
04 New mortgage lending: by payment type



Source: RBNZ

05 New mortgage lending by borrower type

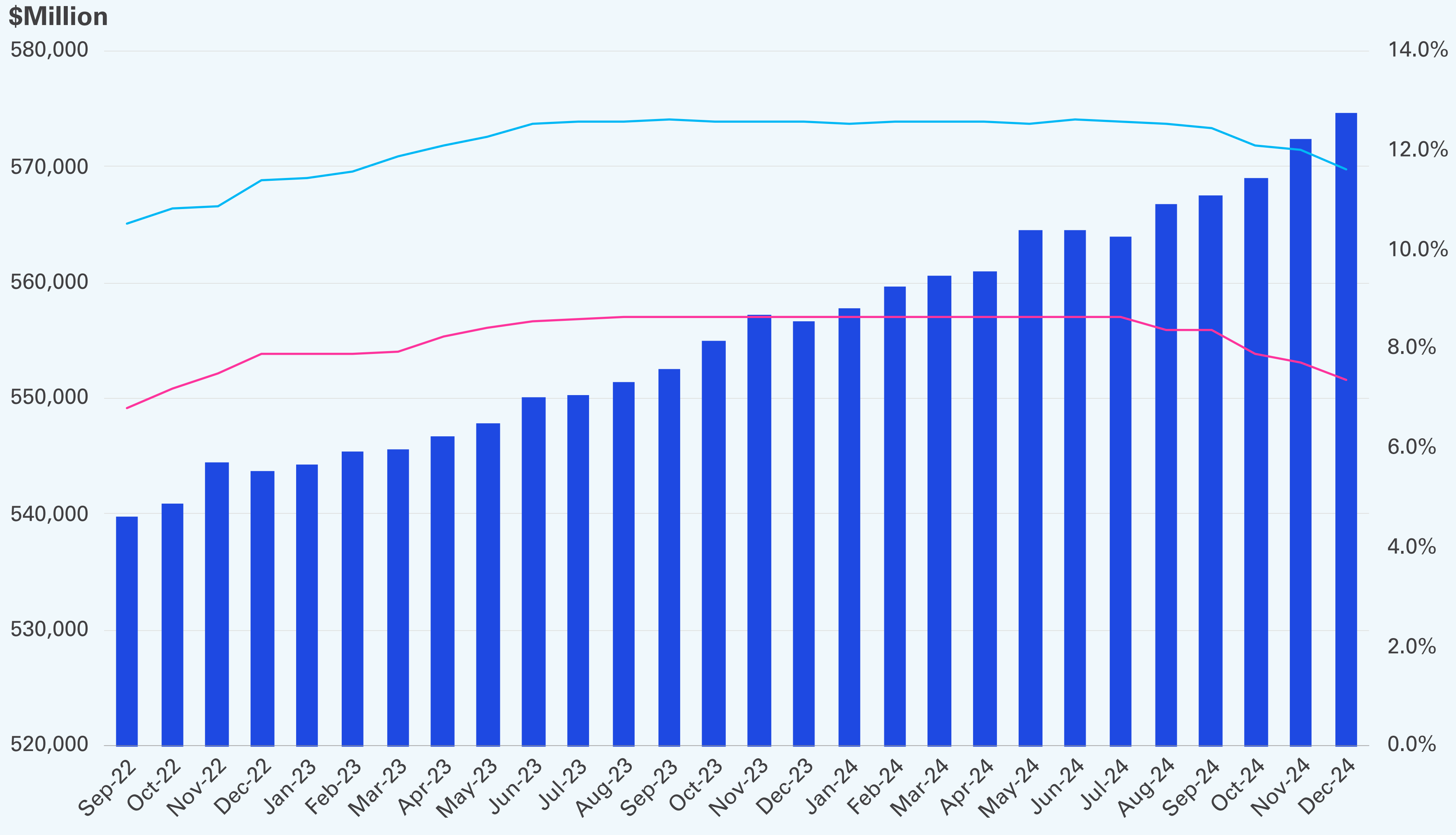
First Home Buyers (LHS)
Other Owner Occupier (LHS)
Investor (LHS))
Business Purpose(LHS))
Investor Lending (% RHS)



Source: RBNZ

06 Retail interest rates on lending vs gross loans and advances

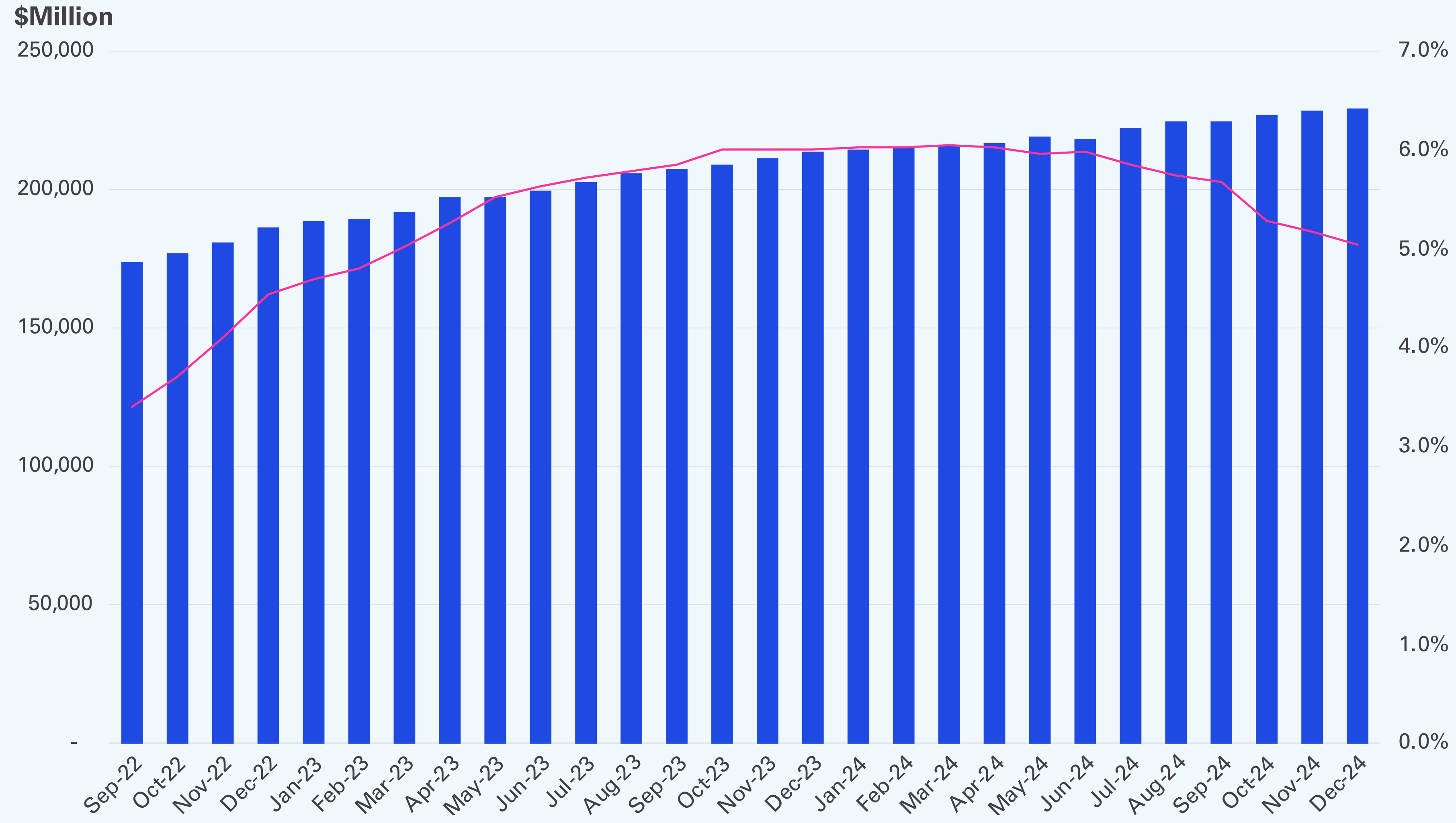
Gross Loans & Advances
Business lending retail rate (LHS)
Housing lending retail rate (RHS)



Source: RBNZ
Source: RBNZ

07 Retail interest rates on term deposits vs term deposit balance

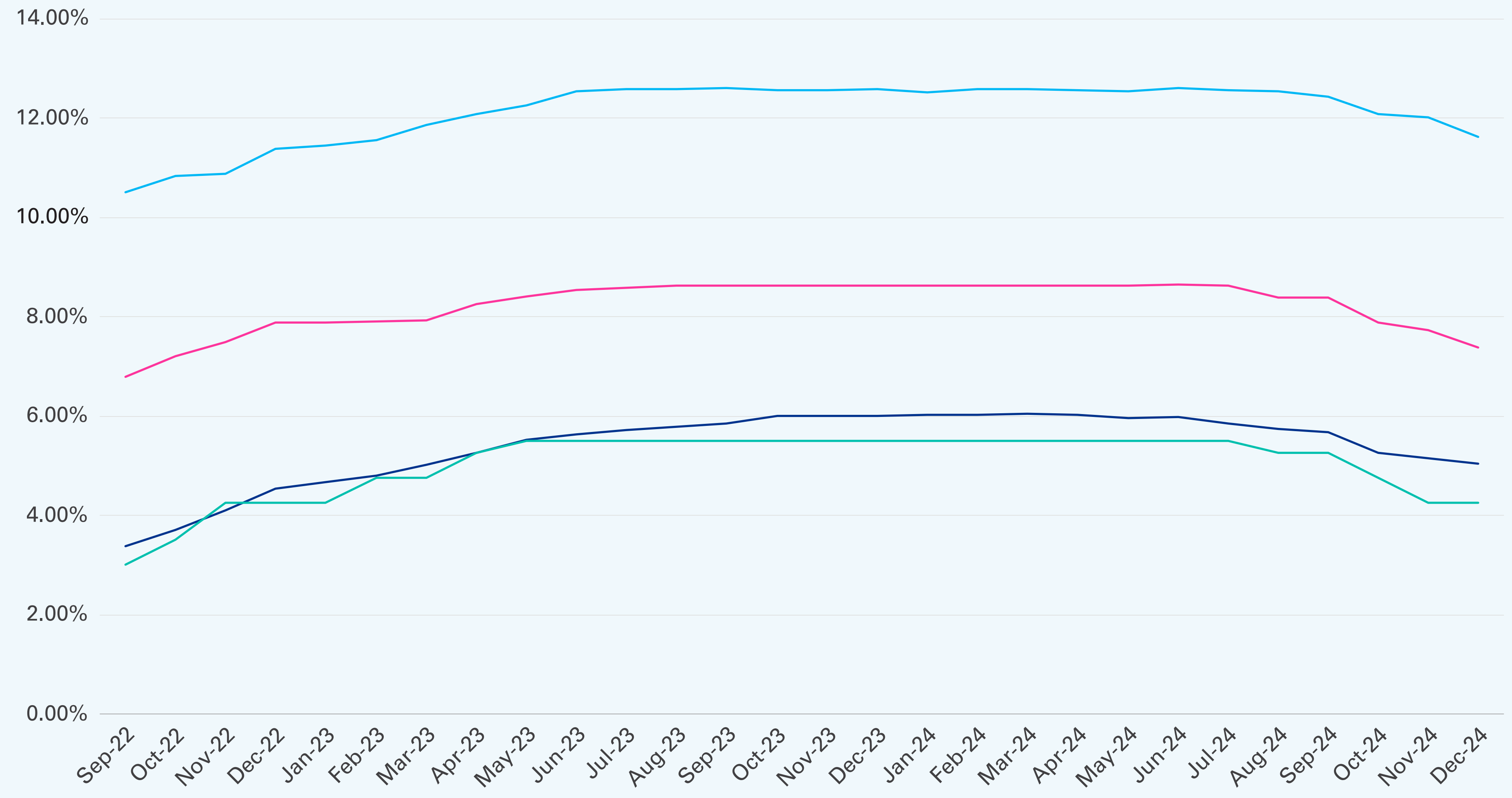
Term deposit balances
Term deposit retail rate



Source: RBNZ
Source: RBNZ

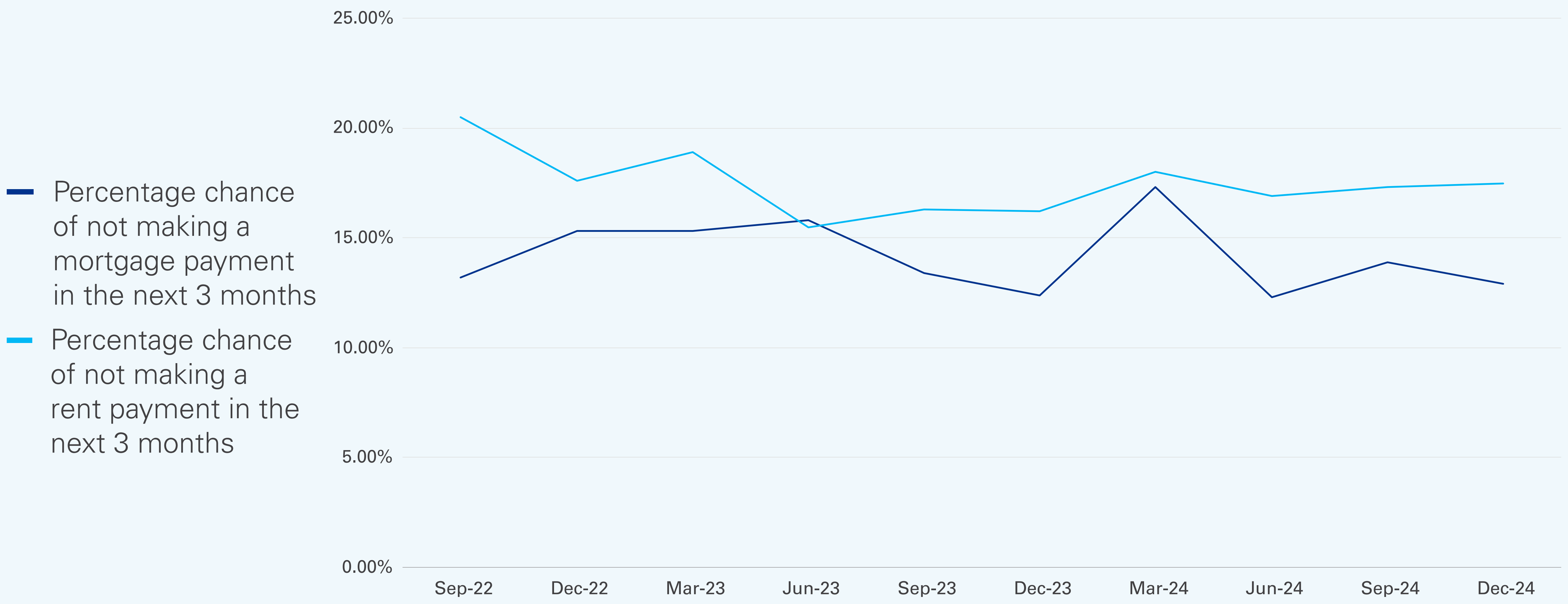
08 Retail interest rates on term deposits vs OCR

Term deposits retail rate
Business lending retail rate (LHS)
Housing lending retail rate (RHS)
OCR



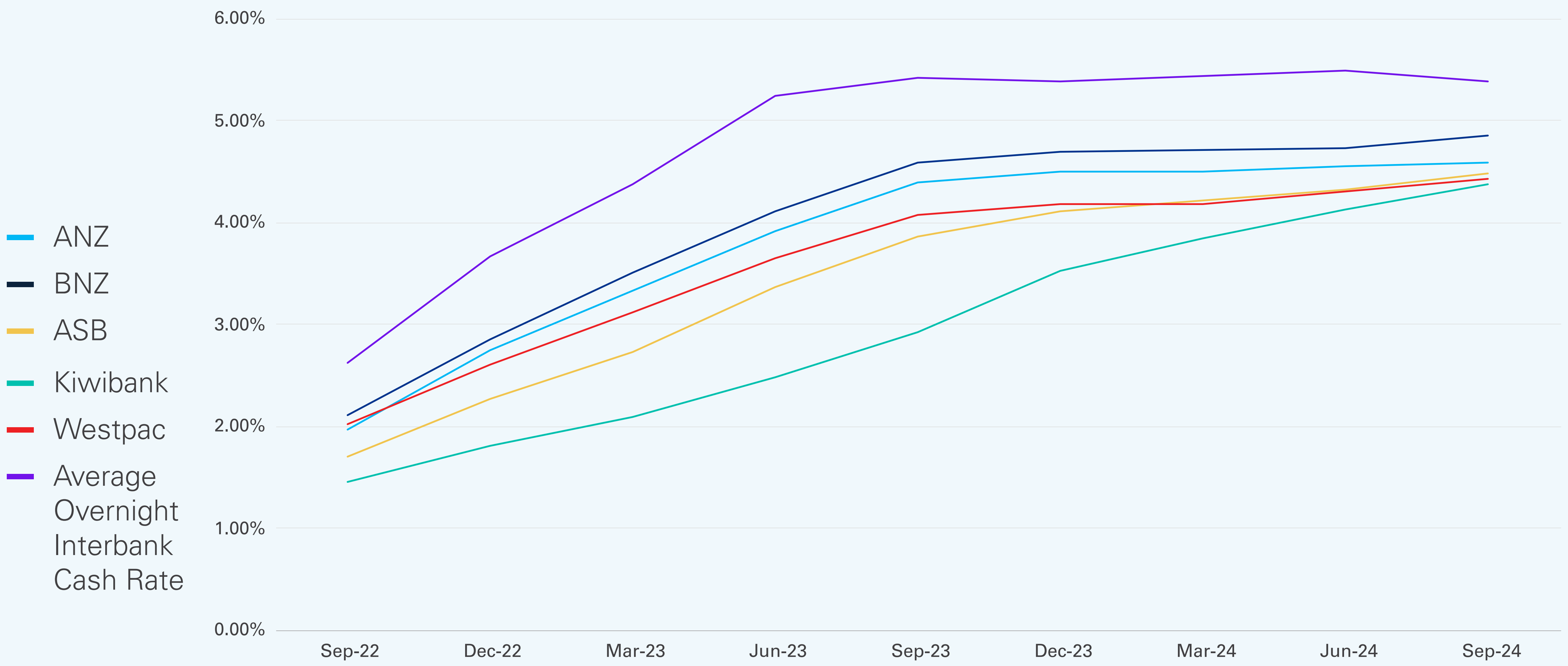
Source: RBNZ

09 Percentage chance of not making a mortgage or rental payment in the next three months



Source: RBNZ

10 Major banks: cost of funds vs average overnight interbank cash rate



Source: RBNZ

Sector performance

Consistent with previous surveys, our analysis of bank performance is performed over the top-level entity's consolidated results. For dual registered banks with a local bank and branch structure, the New Zealand banking group level results are used. Results only include operations within the banking group, and any operations within the wider groups, but operations outside the registered banking group, such as Kiwibank Limited (Kiwibank) and Heartland Bank Limited (Heartland) structures, have been excluded.

Due to the introduction of NZ IFRS 17 in some entities, some comparative totals have been restated from the 2023 edition of the bank FIPS publication.

Net profit after tax

The New Zealand banking sector has shown another year of stable performance during 2024, with an increase in net profit after tax (NPAT) of 0.25% ($17.95 million) to reach $7.22 billion for the year.

11 See Figure 11 – page 22

Overall, 14 of the 20 banks surveyed increased their NPAT. Of the major banks, only Kiwibank and Westpac Banking Corporation (Westpac) saw their NPAT increase in 2024.

There were four main drivers responsible for keeping the 2024 results similar to 2023. A 2.23% ($342.57 million) increase in net interest income to $15.69 billion, and a 1.40% ($30.75 million) increase in non-interest income, balanced by an increase of 8.07% ($557.43 million) in operating expenses, and a decrease In impaired asset expense of 32.75% ($209.55 million). ▸

2024 2023 2022 2021 2020 2019

11 Movement in net profit

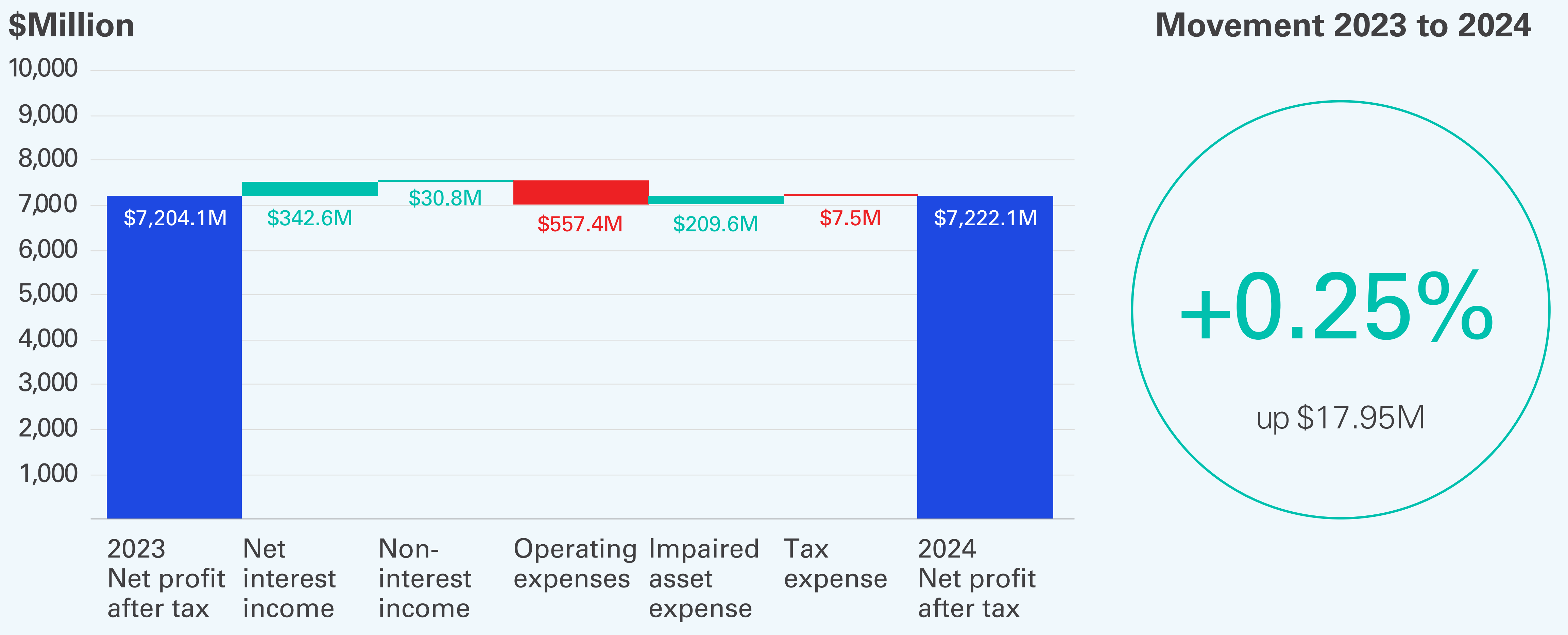


Table 2: Registered Banks - Performance Trends[1]

Year	Increase in Total Assets	Increase in Net Profit After Tax	Net Profit After Tax / Average Total Assets	Interest Margin	Operating Expenses / Operating Income	Impaired Asset Expense / Average Gross Loans & Advances
2024	1.81%	0.25%	1.02%	2.34%	39.86%	0.08%
2023	0.57%	0.27%	1.03%	2.34%	38.06%	0.12%
2022	9.14%	17.26%	1.08%	2.10%	37.53%	0.03%
2021	5.46%	47.92%	0.99%	1.97%	40.98%	-0.04%
2020	5.90%	-27.57%	0.71%	1.96%	43.44%	0.31%

Table 3: Registered Banks - Analysis of Performance of Banks[1]

	New Zealand incorporated banks		New Zealand branch banks		All Banks	
	2024	2023	2024	2023	2024	2023
Increase in Total Tangible Assets	120.21%	61.48%	-65.91%	159.71%	1.81%	0.57%
Increase in Operating Income	146.86%	114.30%	438.95%	43.67%	2.13%	6.81%
Increase in Net Profit After Tax	249.00%	0.63%	5661.71%	629.39%	0.25%	0.27%
Increase in Gross Loans and Advances	108.78%	67.09%	-62.74%	485.59%	3.05%	3.06%
Net Profit After Tax/Average Total Tangible Assets	13.39%	13.64%	3.85%	2.36%	1.02%	1.03%
Net Profit After Tax/Average Equity	117.20%	118.68%	0.00%	0.00%	11.72%	12.48%
Net Interest Income/Average Total Tangible Assets	37.02%	36.08%	7.05%	3.99%	2.22%	2.20%
Non-Interest Income/Average Total Tangible Assets	5.09%	4.77%	3.07%	2.54%	0.32%	0.32%
Operating Expenses/Average Total Tangible Assets	20.58%	20.26%	4.45%	3.11%	1.01%	0.96%
Operating Expenses/Operating income	730.87%	749.36%	200.34%	263.03%	39.86%	38.06%
Impaired Asset Expense/Average Gross Loans and Advances	2.98%	1.52%	2.82%	1.02%	0.08%	0.12%
Collective Provision/Net Loans and Advances	8.89%	7.38%	6.64%	3.07%	0.51%	0.51%
Total Provision for Doubtful Debts/Gross Loans and Advances	9.74%	8.17%	6.64%	3.08%	0.58%	0.56%

Overall, the largest increase and decrease came from two of the five major banks. Westpac saw the largest increase in NPAT, and reported a $69.00 million (5.83%) increase to $1.25 billion. This was followed by Kiwibank with an increase in NPAT of $27.00 million (15.43%) to $202.00 million. The largest reduction in NPAT was experienced by ASB, who saw NPAT drop by $104.00 million ($6.43%) to $1.51 billion, followed by Australia and New Zealand Banking Group Limited (ANZ) with a decrease of $39.00 million (1.80%) to an NPAT of $2.13 billion.

Kookmin Bank Auckland Branch (Kookmin Bank) has recorded the largest percentage-based increase in NPAT at 5,345.86% ($7.67 million) to $7.82 million in 2024. The largest percentage-based decrease in NPAT came from the Hongkong and Shanghai Banking Corporation Limited (HSBC) with a fall of 77.14% ($36.19 million) to $10.73 million.

The financial performance of the banks surveyed can be summarised as follows:

- net interest income **increased by $342.57 million (2.23%)** to $15.69 billion;
- non-interest income **increased by $30.75 million (1.40%)** to $2.23 billion;
- operating expenses (including amortization) **increased by $557.43 million (8.07%)** to $7.46 billion;
- impaired asset expense **decreased by $209.55 million (32.75%)** to $0.43 billion; and
- tax expense **increased by $7.49 million (0.27%)** to $2.81 billion. ▶

Net interest margin

Although 14 banks surveyed reported an increase in their net interest margin (NIM), the NIM across the banking sector has remained unchanged from 2023, at 2.34%. Net interest income saw an increase of 2.23% ($342.57 million) to $15.69 billion, whilst interest-earning assets grew by 1.51% ($10.04 billion) to $676.35 billion.

4 See Table 4 - page 24

Kookmin Bank recorded the largest upward movement in NIM during 2024 of 144bps. The second largest increase in NIM was experienced by Bank of Baroda (New Zealand) Limited (Bank of Baroda) who recorded a 101bps increase to 4.61%, and has recorded the greatest NIM of all banks surveyed.

Heartland reported the largest deterioration in NIM, for a second year in a row, with a reduction of 105bps to 3.12%. Following this reduction, Heartland has no longer reported the greatest NIM. JPMorgan has reported the lowest NIM, despite a 4bps increase to 0.71%.

Only two of the major banks have reported an increase in NIM. Westpac reported the largest increase at 5bps to 2.37%, this was followed by ANZ who reported a 2bps increase to 2.37%. ASB had the largest reduction in NIM of the major banks at 12bps to 2.36%, and is the major bank that has the lowest NIM. All the major banks, except ASB, reported an increase in net interest income, which contributed to a combined increase of $108.00 million (0.78%).

Despite reporting the largest increase in interest earning assets in 2023, JPMorgan has reported the largest decrease of 54.21% ($3.17 billion) and has almost completely reversed the increase experienced in 2023. Heartland reported both the largest percentage-based and dollar value increase in interest earning assets of 65.06% ($3.50 billion) to $8.87 billion.

Non-interest income

Non-interest income (NII) has increased 1.40% ($30.75 million) to $2.23 billion in 2024, with 11 of the 20 banks surveyed reporting an increase in their NII. Industrial and Commercial Bank of China (ICBC) saw the largest percentage-based increase in NII, reporting growth of 627.82% ($7.13 million) to $6.00 million. Bank of New Zealand (BNZ) reported the largest dollar value increase in NII of $107.00 million (17.83%), and was the bank surveyed to report the largest NII at $707.00 million. The largest percentage-based reduction in NII was experienced by China Construction Bank Corporation (China Construction), reducing NII by 144.67% ($15.94 million) to record a non-interest expense of $4.92 million. ▸

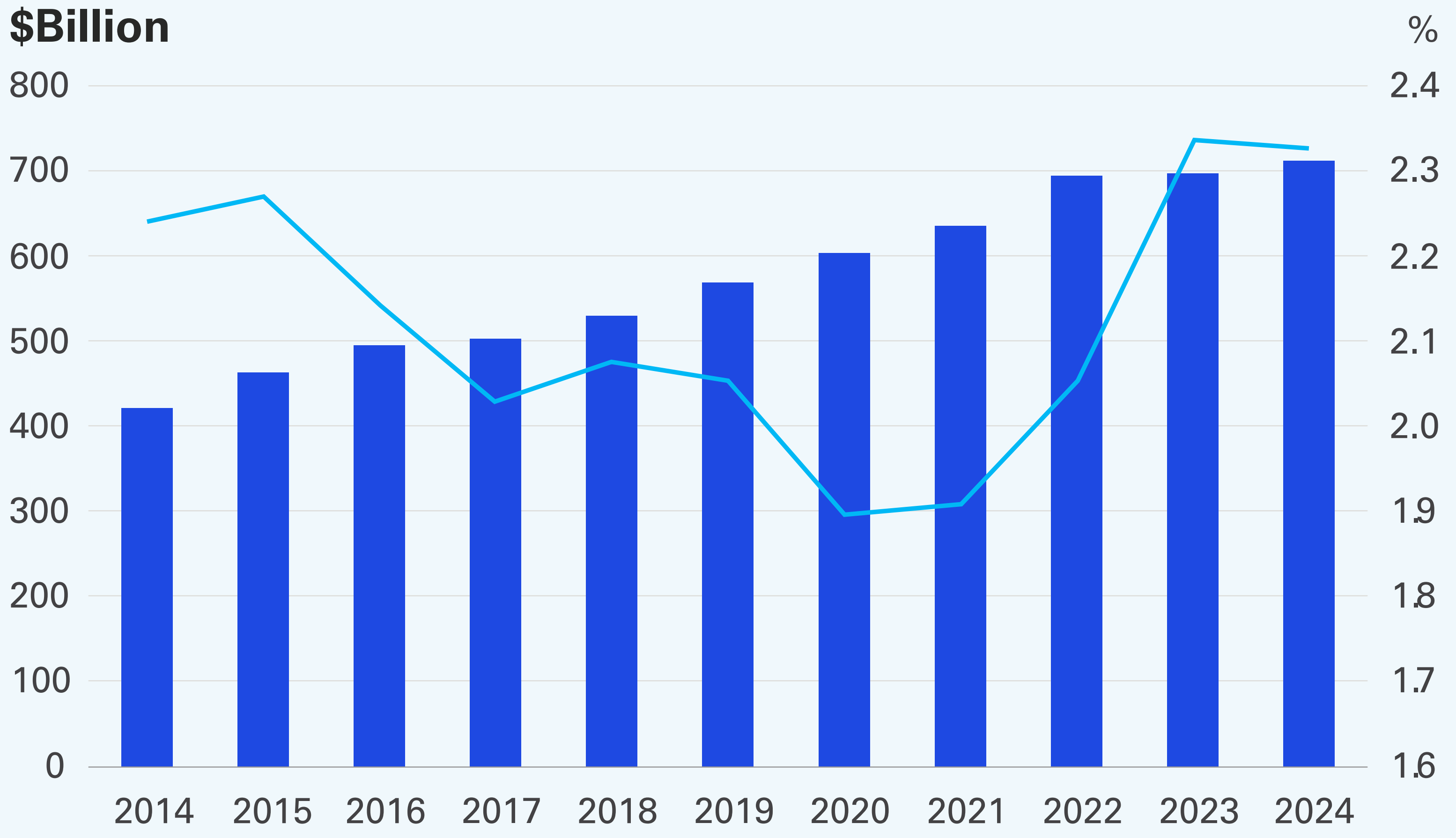
Table 4: Movement In Interest Margin

Registered Bank[4]	2024 %	2023 %	Movement (bps)
Australia and New Zealand Banking Group Limited - ANZ New Zealand	2.37%	2.35%	2
Bank of Baroda (New Zealand) Limited	4.61%	3.60%	101
Bank of China New Zealand Banking Group	1.24%	1.12%	12
Bank of India (New Zealand) Limited	4.20%	3.71%	49
Bank of New Zealand	2.39%	2.42%	-3
China Construction Bank Corporation New Zealand Banking Group	1.91%	1.54%	37
Citibank, N.A. New Zealand Branch and Associated Banking Group	1.47%	1.04%	43
Commonwealth Bank of Australia New Zealand Operations	2.36%	2.48%	-12
Coöperatieve Rabobank U.A. New Zealand Banking Group	2.56%	2.51%	5
Heartland Bank Limited	3.12%	4.17%	-105
Industrial and Commercial Bank of China New Zealand Banking Group	1.92%	1.70%	22
JPMorgan Chase Bank, N.A., New Zealand Banking Group	0.71%	0.67%	4
Kiwibank Limited	2.38%	2.49%	-11
Kookmin Bank Auckland Branch	2.12%	0.68%	144
MUFG Bank, Ltd., Auckland Branch	1.17%	0.43%	74
Southland Building Society	2.49%	2.61%	-12
The Co-operative Bank Limited	2.59%	2.56%	3
The Hongkong and Shanghai Banking Corporation Limited, New Zealand Banking Group	1.80%	1.28%	52
TSB Bank Limited	2.03%	2.11%	-8
Westpac Banking Corporation - New Zealand Banking Group	2.37%	2.32%	5
Sector Average	**2.34%**	**2.34%**	**-**

12 Registered banks : total assets vs interest margin

Total assets (LHS)

Interest margin (RHS)



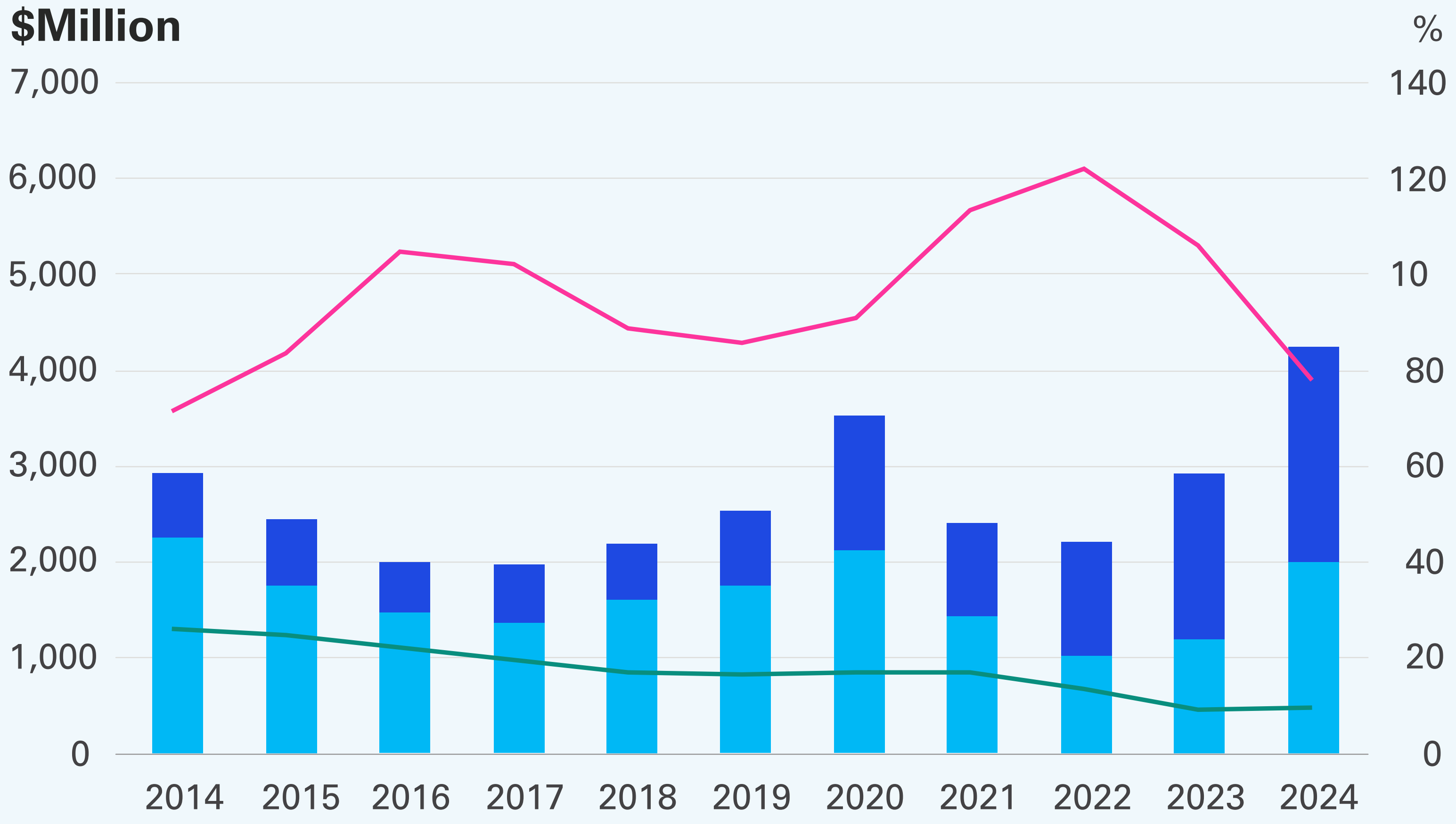
14 Registered banks: gross impaired and past due assets

Past due assets (LHS)

Gross impaired assets (LHS)

Specific provision/ gross impaired and past due assets (RHS)

Total provision/gross impaired and past dues assets (RHS)

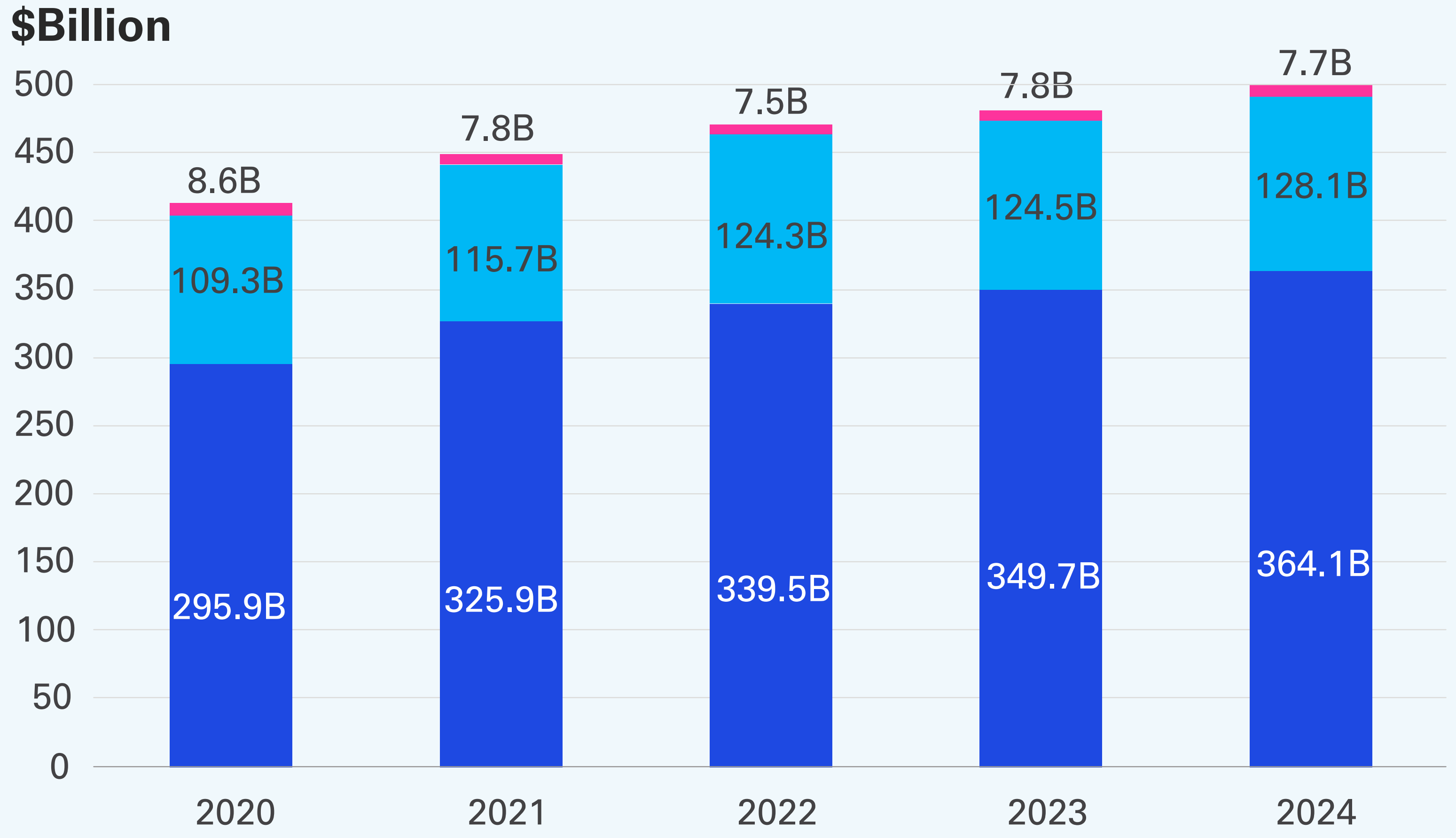


13 Registered banks : banking sector lending

Housing

Business

Personal

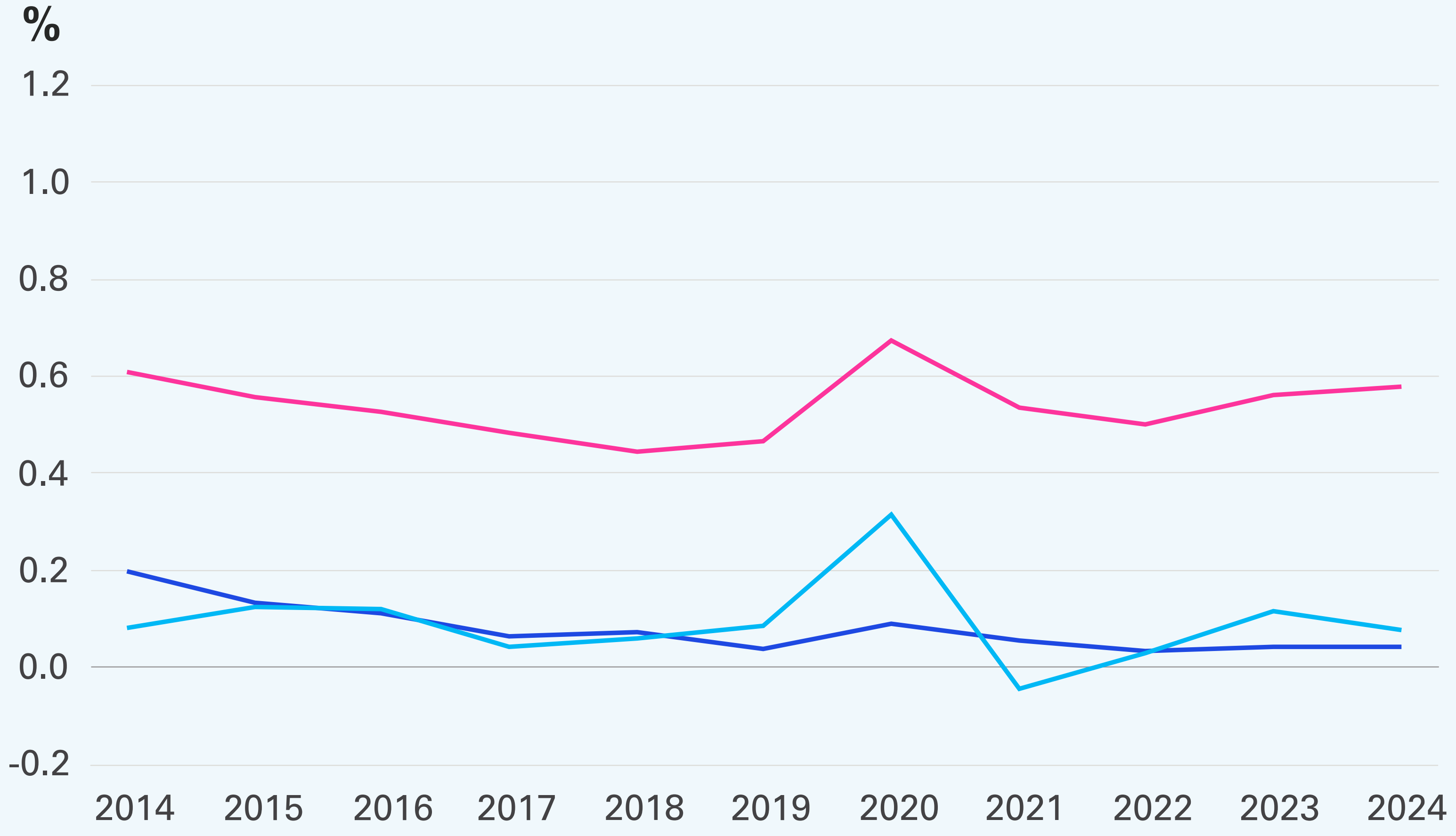


15 Registered banks: impaired asset expense to gross loans and advances

Net loan write offs/average gross loans and advances

Impaired asset expense/ average gross loans and advances

Total provisions for doubtful debt/gross loans and advances



Source: RBNZ

Total assets and gross loans and advances

Total tangible assets (total assets excluding goodwill and other intangible assets) across the banking sector have increased by 1.81% ($12.67 billion) to reach over $700 billion ($712.21 billion) in 2024.

This year, all but six of the banks surveyed reported an increase in their total assets. The largest of these increases was ANZ with a $4.88 billion increase to $196.39 billion and was followed by Heartland and Kiwibank who saw increases of $3.53 billion to $9.06 billion and $2.81 billion to $36.65 billion respectively. Heartland has experienced the largest percentage-based growth at 63.83%, which was followed by ICBC who reported an increase of 18.96% to $4.31 billion. Once again, ANZ continues to be the bank with the largest total assets balance.

After reporting the second largest increase in 2023 at $3.31 billion, JPMorgan has reported the largest decrease in total assets for 2024, a decrease of $3.18 billion to $2.71 billion, and almost completely reversing the increase experienced in the prior year. Following JPMorgan, HSBC reported the second largest decrease at $536.36 million.

Bank of Baroda has once again reported a decrease in total assets, and is the only bank surveyed who has reported a decrease for the third year in a row.

Gross loans and advances (GLA) for the overall banking sector grew by 3.05% ($16.84 billion), which is a similar to the previous years' growth rate of 3.06% ($16.43 billion). The flat growth rate continues to highlight the effects of the downturn in economic conditions. All five major banks increased their loan books, resulting in a combined growth rate of 2.57% ($12.71 billion) compared to growth of 2.49% in 2023.

Of the five major banks, again in 2024, Kiwibank achieved the largest percentage growth with an increase of 9.34% ($2.78 billion). BNZ and Westpac reported the next highest growth, achieving 4.27% ($4.39 billion) and 2.74% ($2.75 billion), respectively. ASB's growth of 0.41% ($0.46 billion) was the lowest of the major banks and the only major bank to not achieve top-five monetary growth in GLA.

Of the non-major banks with significant loan books, Heartland achieved the largest expansion in their loan book of 47.91% ($2.35 billion) and has achieved top-five GLA monetary growth for 2024. This was mostly attributable to its Australian acquisition. Bank of China New Zealand Banking Group (Bank of China) and Bank of India (New Zealand) Limited (Bank of India) followed with increases of 18.87% and 13.67% respectively.

Five of the banks surveyed saw their loan book decrease, with HSBC reporting the greatest percentage deterioration of 37.58% ($1.78 billion). Bank of Baroda and JPMorgan followed HSBC, reporting deteriorations of 13.57% ($15.95 million) and 12.86% ($10.71 million) respectively.

The major banks have continued to dominate the banking sector; however, their collective market share has dropped by 42bps from 89.55% in 2023 to 89.13% in 2024. This has resulted in the non-major banks experiencing an increase in their share of the sector's GLA from 10.45% in 2023 to 10.87% in 2024.

Fuelled by the Australian acquisition, Heartland has experienced the greatest increase in market share of the banks surveyed, increasing by 38bps to 1.27%. Rabobank has continued to hold their position as the non-major bank that has the largest loan book, with a market share of 2.92% after experiencing a 1bps increase during the year. ASB has reported the largest reduction in market share, dropping by 52bps to 19.68%, however, they have continued to maintain their position as the second largest bank by GLA. Despite a 40bps reduction in market share, ANZ continues to hold the greatest market share at 26.82%. For a third year in a row, Kiwibank has once again experienced the greatest growth in market share of the major banks, increasing by 33bps to 5.72%.

Taking a look at the different types of lending, mortgage lending has had the largest year-on-year increase of 4.12%, business lending saw an increase of 2.90%, and personal lending saw a slight decrease by 1.42%. Thus, highlighting where the banking sector is focusing its lending.

Funding costs

Funding costs (interest expense as a ratio of average interest-bearing liabilities) for the banking sector have seen an increase of 138bps to 4.87% in 2024. While this increase is still significant, the increase is not as large as the increase seen in 2023 of 214bps, in part mirroring the movement in OCR rates over the period. The flat interest rates since 2023 have resulted in the sector's interest expense increasing by 43.38% ($8.21 billion) to $27.15 billion over the 2024 year. ▸

Table 5: Registered Banks: Non - Performing Loans[1]

	2021	2022	2023	2024
Past Due Assets to Gross Loans and Advances	0.19%	0.22%	0.31%	0.39%
Gross Impaired Assets to Gross Loans and Advances	0.28%	0.19%	0.22%	0.35%
Total	**0.47%**	**0.41%**	**0.53%**	**0.74%**

Up until August 2024, the Reserve Bank of New Zealand's (RBNZ) Official Cash Rate (OCR) has remained at its highest level (5.50%) since the global financial crisis, and has contributed to the increased funding costs that banks have experienced over the past year. Since August, the OCR has started to begin its decline, decreasing from 5.25% to 3.75% in February 2025, and is expected to continue decreasing throughout 2025.

All banks surveyed recorded an increase in their funding costs during 2024. Of the major banks, Kiwibank experienced the largest increase in funding costs, reporting an increase of 178bps to 4.14%.

This was the result of Kiwibank experiencing a 94.79% ($0.56 billion) increase in interest expense and only a 10.26% ($2.74 billion) increase in interest bearing liabilities.

Heartland has reported the smallest increase in funding costs, up by 98bps to 4.48%. Kookmin Bank recorded the largest increase in funding costs of 312bps to a cost of 5.26%. This was closely followed by ICBC with an increase in funding costs of 294bps to 5.58%. ICBC was also the bank to report the greatest funding cost of all banks. Southland Building Society took out the second greatest funding cost of the banks, after enduring a 229bps increase to 5.45%. TSB recorded the lowest funding cost in 2024 of 3.56%, up 179bps from 2023.

Over the year, our surveyed banks have had interest bearing liabilities rise by 1.27% ($7.03 billion) compared to the increase in interest expense of 43.38% ($8.22 billion). Furthermore, the majority of the increase can be attributed to the five major banks, who have achieved a combined increase of $6.36 billion: equating to 77.40% of the sector's total $8.22 billion increase. This would be expected given their relative size.

Asset quality

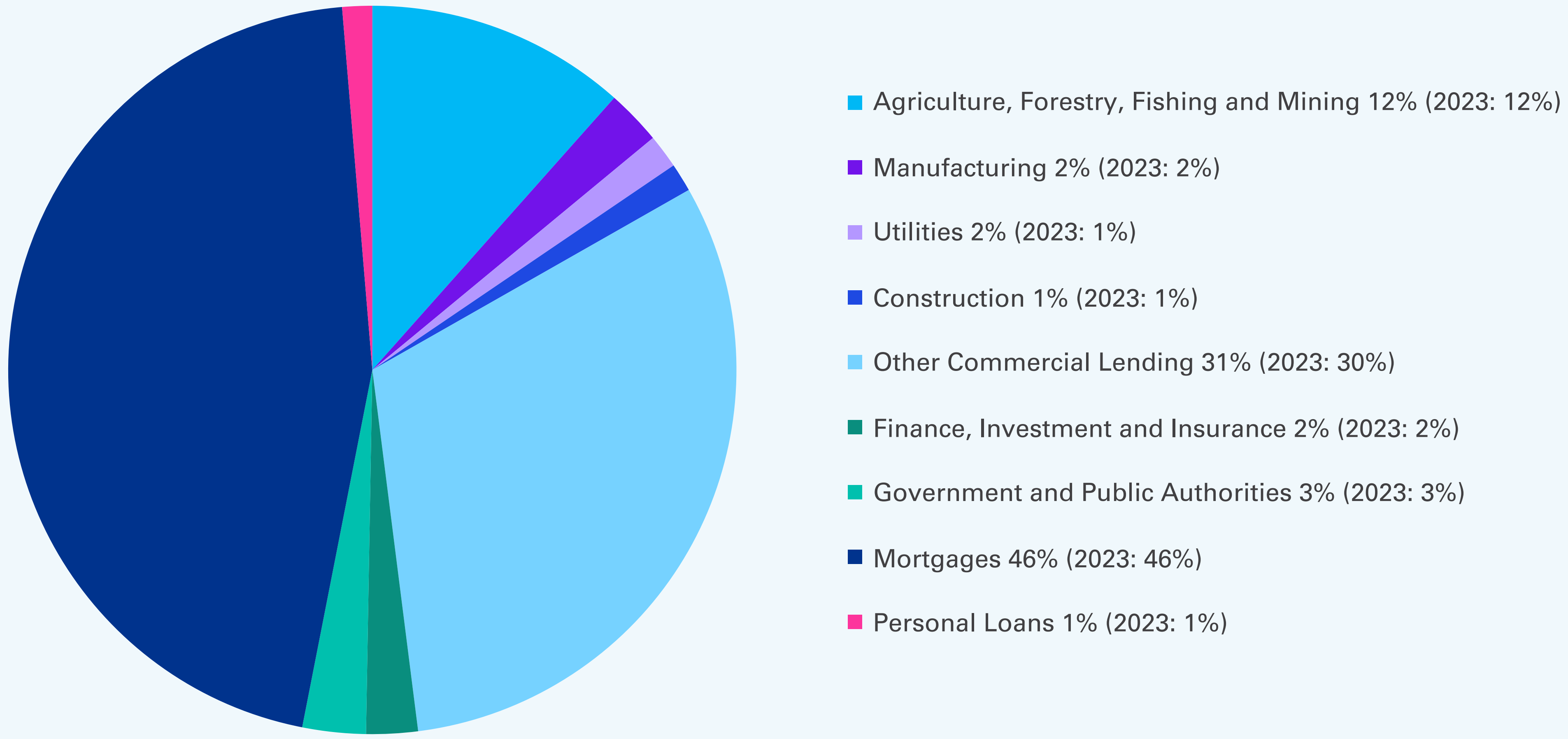
During 2024, impaired asset expense has seen a decrease of $209.55 million (32.75%) to $430.33 million, with four of the banks surveyed reporting an impaired asset recovery. Overall, 7 of the 20 banks surveyed reported a decrease in impaired asset expense. The major banks collectively reduced their impaired asset expense by $275.00 million, with all except ASB recording a reduction. The largest reduction was reported by ANZ, who saw their impaired asset expense reduce by $139.00 million (75.96%) to $44.00 million. This was followed by Westpac reporting a $108.00 million (80.00%) reduction to $27.00 million. ASB was the only major bank to record in increase in impaired asset expense, increasing by $11.00 million (17.74%) to $73.00 million.

Impaired asset expense as a percentage of average gross loans and advances has declined 4bps in 2024 to 0.08%, whilst total provisions as a percentage of GLA has increased a further 2bps to 0.58%. This movement in total provisions as a percentage of GLA is attributable to the increases in both specific and collective provisioning across the sector. Specific provisions have seen a $142.34 million (53.77%) increase to $407.07 million, whilst collective provisions have seen a smaller increase of $58.57 million (2.07%) to $2.89 billion. ▶

16 Registered banks: lending growth by sector

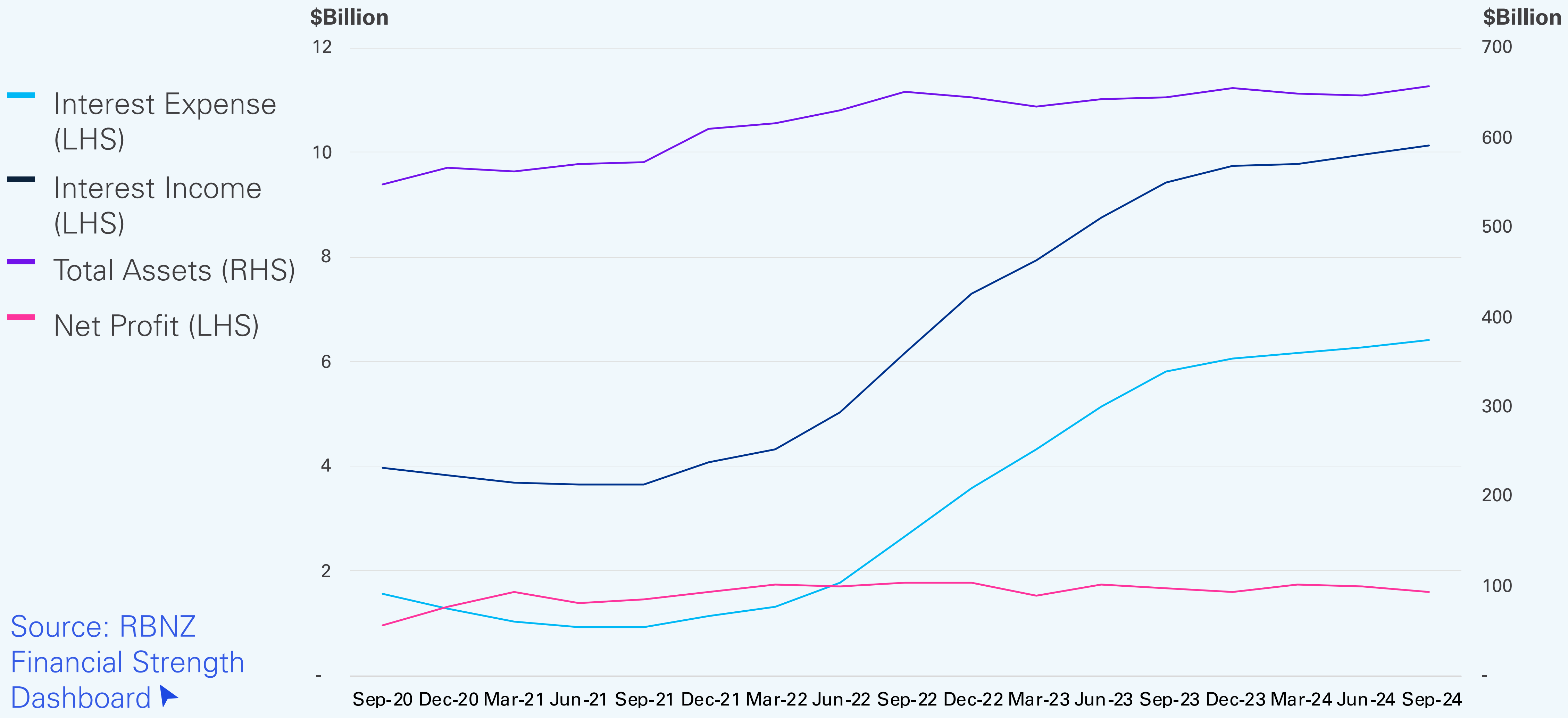
Source: RBNZ

17 Registered banks: sectoral analysis of credit exposures as at 31 December 2024



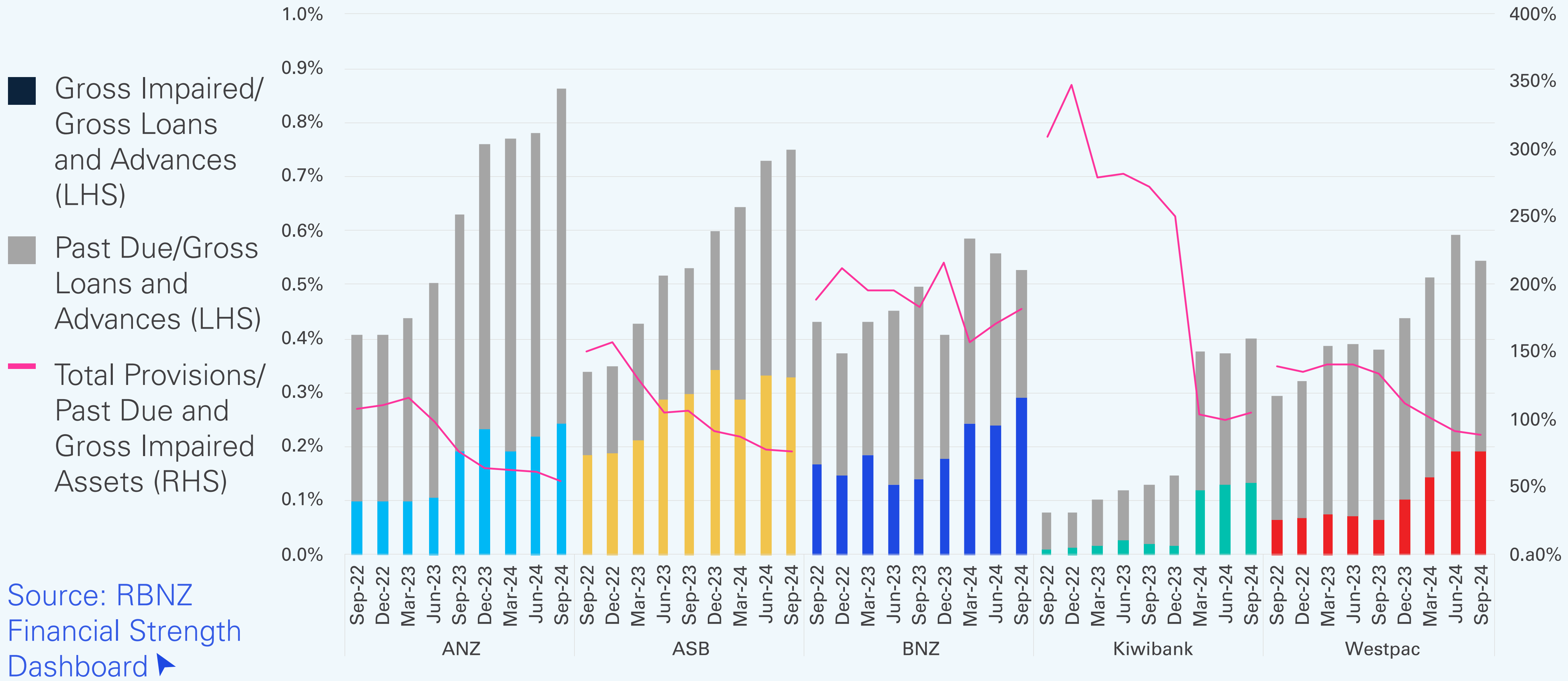
Source: RBNZ

18 Major banks: interest-earning assets compared to interest income and expense



Source: RBNZ Financial Strength Dashboard

19 Major banks: past due and gross impaired assets vs. gross loans and advances



Source: RBNZ Financial Strength Dashboard

The major banks have collectively contributed to $125.00 million of the sector's total provision increase, despite the fact that two of the major banks reported a decrease. BNZ has maintained their position as the bank with the largest provisioning balance, after reporting a $92.00 million increase to $1.02 billion. ANZ and Westpac were the two major banks reporting a decrease in their total provisions, both of which reduced by $5.00 million to $725.00 million and $502.00 million respectively.

Past due but not impaired assets have increased 29.78% ($513.06 million) to $2.24 billion in 2024, with 7 of the 10 banks surveyed that report past due assets reporting an increase. BNZ reported the largest decrease in past due assets, reporting a reduction of $112.00 million (30.77%). This was followed by The Co-operative Bank Limited (Co-op) and TSB reporting a $3.35 million (40.42%) and $1.61 million (55.83%) reduction respectively. ANZ recorded the largest increase in past due assets, increasing by $286.00 million (43.27%) to $947.00 million.

Table 6: Major Banks - Personnel Cost

Major Bank[5]	2024 Employee numbers	2024 Personnel cost $Million	2024 Cost/ average employees $000's	2023 Employee numbers	2023 Personnel cost $Million	2023 Cost/ average employees $000's
ANZ	7,003	1,090	153	7,244	1,022	141
ASB	6,137	781	127	6,163	767	124
BNZ	5,286	724	136	5,400	707	131
Kiwibank	2,483	349	150	2,185	311	142
Westpac	5,326	751	140	5,397	710	132

Operating expenses

Operating expenses (including amortisation) have increased 8.07% ($557.43 million) across the banking sector to $7.46 billion in 2024. This movement is similar to the increase seen in the 2023 survey, which represented increasing costs and inflationary pressures the economy continued to see over the year. The increase in costs has correlated to the total cost to income ratio (CIR) increasing by 180bps to 39.86%.

21 See Figure 21 – page 30

Of the major banks, all except Westpac reported an increase in their CIR, with the largest increase being reported by BNZ at 280bps to 35.43%, and is the result of a 12.27% ($140.00 million) increase in operating expenses (excluding amortisation) outweighing a 3.40% ($119.00 million) increase in operating income. ASB is the major bank with the lowest CIR at 35.17% even after experiencing a 172bps increase during 2024.

Kookmin Bank saw the greatest improvement in their CIR, reducing by 5,957bps to 30.58%. This reduction is the result of a 3.97% ($0.22 million) decrease in operating expenses being significantly outweighed by a 183.13% ($11.00 million) increase in operating income. In contrast, HSBC saw the greatest deterioration in CIR, increasing by 4,003bps to 91.74%, which was the combination of a 126.43% ($96.10 million) increase in operating expenses outweighing the 27.62% ($40.60 million) increase in operating income.

During the year, 18 of the 20 banks surveyed reported an increase in operating expenses (including amortisation). The largest increase was reported by BNZ, at $170.00 million (13.91%). HSBC reported the largest percentage-based increase of 123.90%, increasing their operating expenses by $95.70 million to $172.93 million.

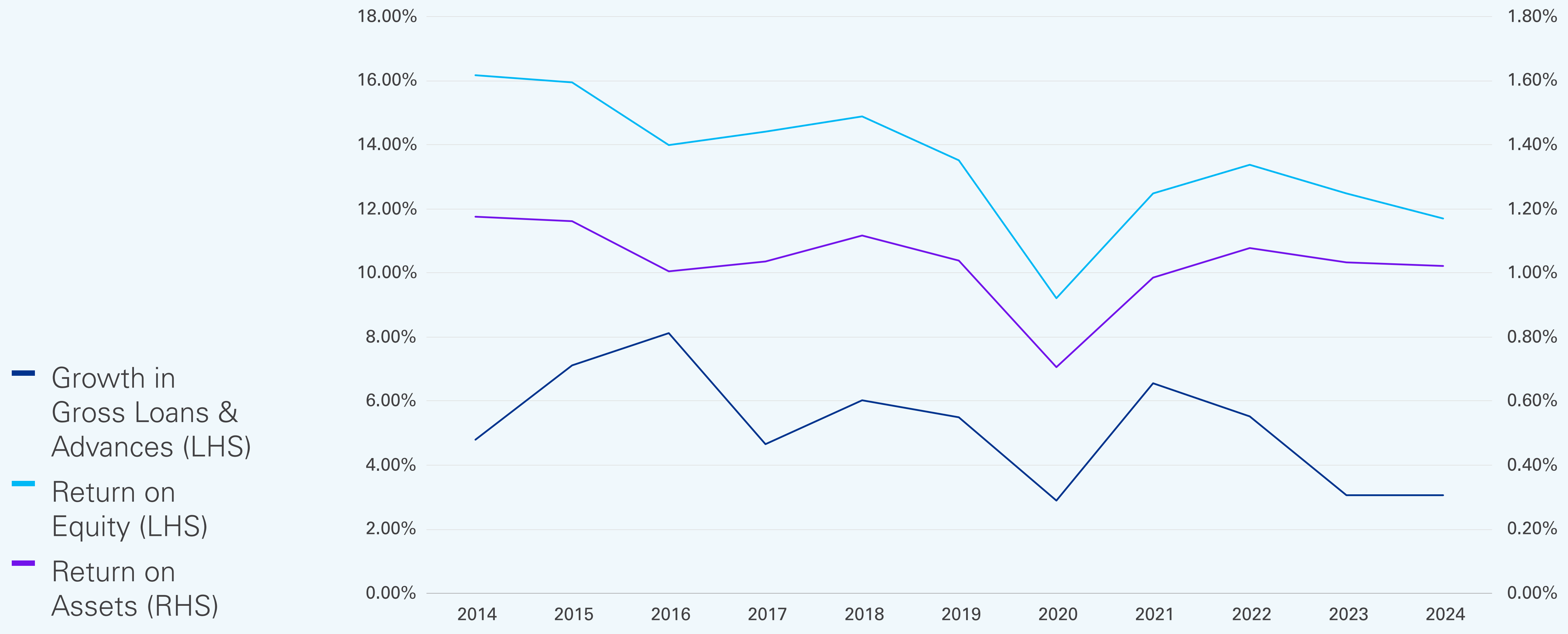
TSB was the only bank that reported a reduction in operating expenses, which was a decrease of 19.54% ($36.99 million).

Personnel expenses across the banking sector rose by 5.25% ($205.94 million) and is one of the key contributors to the increase in operating expenses during the year. 18 of the 20 banks surveyed reported an increase in personnel expenses. TSB was the only bank that recorded a reduction (6.54% or $4.93 million). The greatest dollar-value increase in personnel expenses was seen by ANZ, who reported an increase of $68.00 million to $1.09 billion. JPMorgan reported the largest percentage-based increase of 27.06% ($0.39 million) to $1.82 million. ▸

6 See Table 6 - page 29

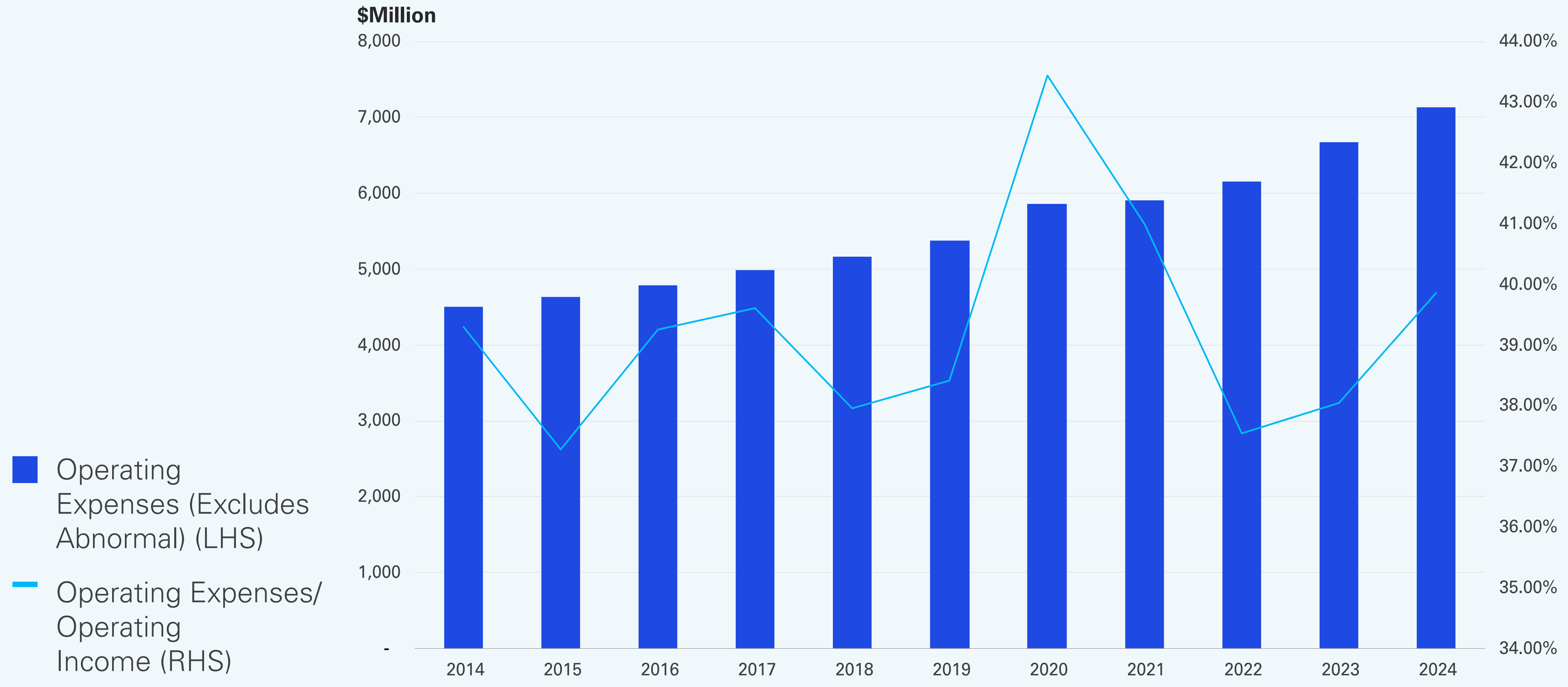
22 See Figure 22 – page 30

20 Registered banks: growth in gross loans and advances vs return on assets and return on equity

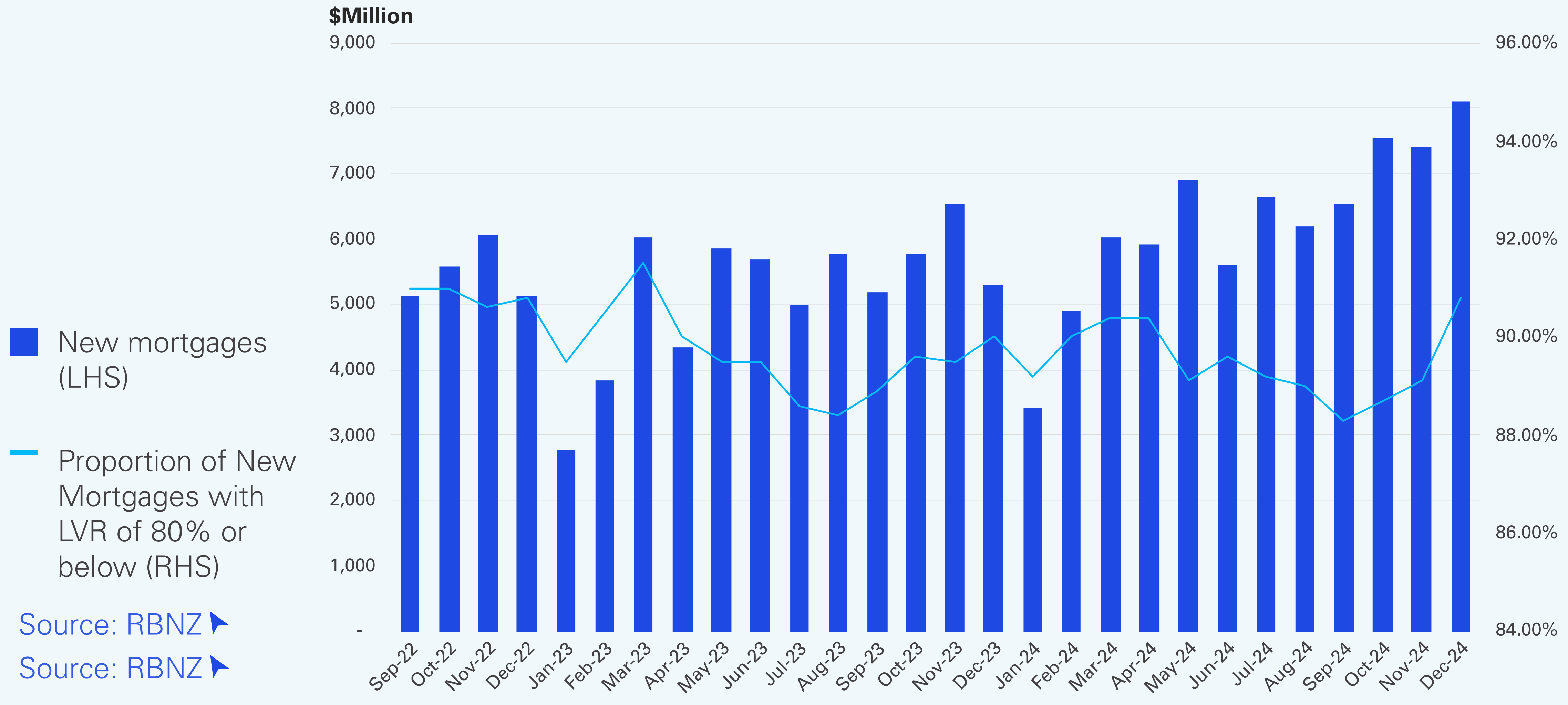


22 Registered banks: personnel expenses vs branches and ATMs

21 Registered banks: operating expenses vs operating expenses over operating income



23 LVR analysis of residential mortgages



Source: RBNZ

Source: RBNZ

Return on assets and return on equity

Following a reduction in return on equity (ROE) in 2023, the banking sector has once again seen a further 76bps reduction and has reduced ROE to 11.72%. This reduction is largely attributable to the proportionately small increase in NPAT (0.25%, $17.95 million) in comparison to the larger increase in total equity of 5.63% ($3.38 billion).

Kookmin Bank has the highest ROE at 101.90%, following a staggering increase of 10,002bps during 2024. HSBC has reported the second largest ROE at 36.94%, even after enduring the largest deterioration of 24,942bps since 2023. Bank of India has reported the lowest ROE of 2.51%, after reporting a 150bps reduction in 2024.

MUFG reported the second largest increase in ROE of 756bps to 17.39%. This increase was followed by Citibank and TSB who reported increases of 237bps to 21.05% and 187bps to 4.61% respectively. HSBC reported the largest reduction in ROE of 24,942bps, and was followed by Heartland reporting a 491bps reduction to 5.46%.

Similarly to 2023, Kiwibank is the only major bank that reported an increase in ROE, increasing by 43bps to 8.19%. ASB reported the largest reduction at 208bps to 12.76%, and was followed by BNZ who reported a reduction of 121bps to 11.96%. Following the reduction in ASB's ROE, ANZ now is the major bank that holds the largest ROE at 12.84%.

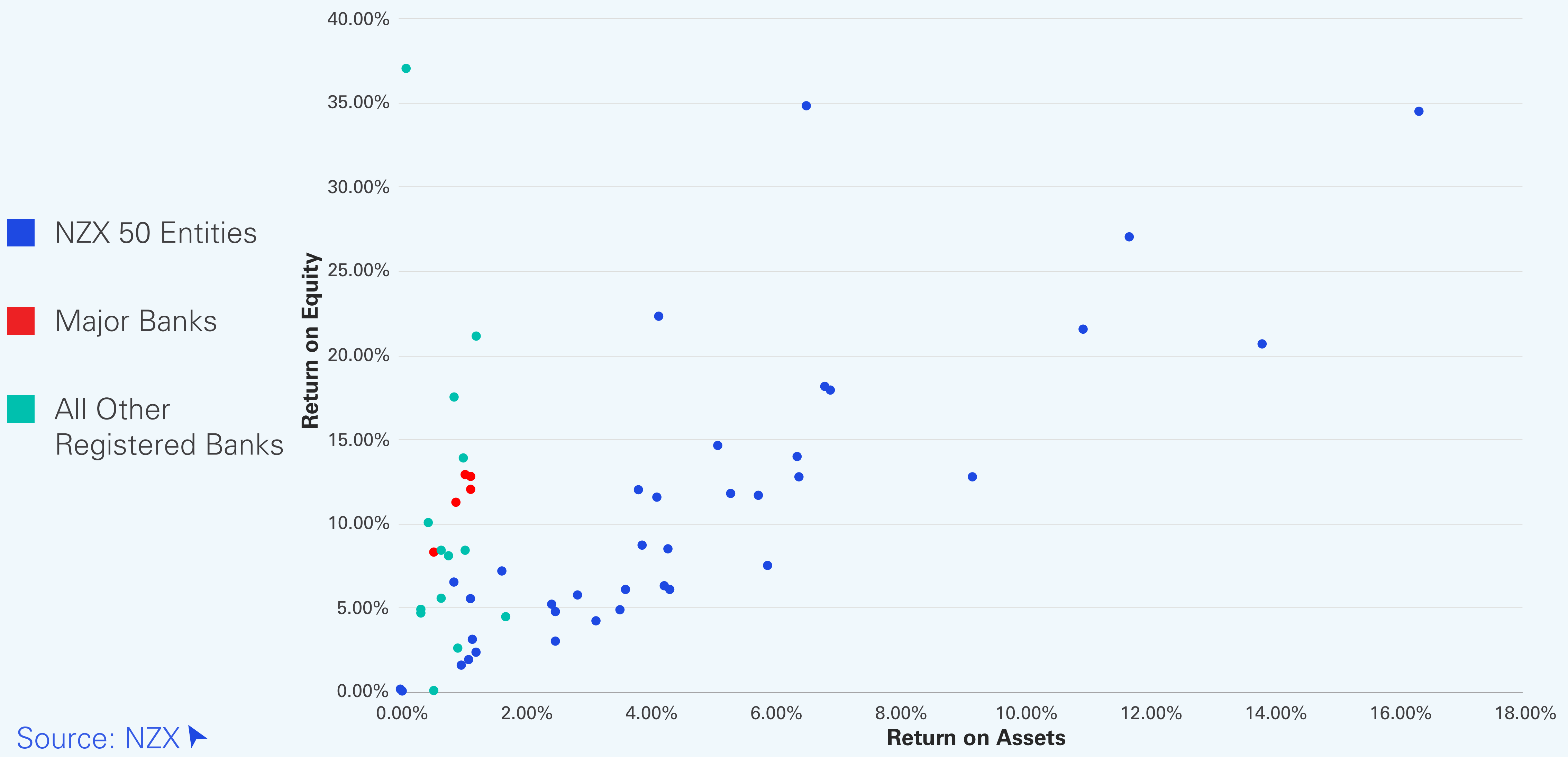
Total equity for the banking sector has sustained another year of growth, increasing by $3.38 billion (5.63%) to $63.34 billion. The major banks have contributed to a combined increase of $2.47 billion (4.62%) this year, following from a $4.42 billion increase during 2023, and is the combination of the following factors:

- sector profitability across the period;
- increased capital requirements; and
- investment into the sector and readiness for increased capital requirements.

As the RBNZ's capital requirements continue to take effect on the banking sector, 15 of the banks surveyed have increased their total equity during 2024. BNZ saw the largest dollar movement in equity, reporting an increase of $1.47 billion (12.38%) to $13.33 billion in 2024. This was followed by Westpac who reported an increase in total equity of $865.00 million (7.99%) to $11.769 billion. The largest percentage-based increase was recorded by Kookmin Bank, who saw a 224.22% ($8.11 million) increase to $11.73 million, and was followed by HSBC with an increase of 99.16% ($19.25 million) increase to $38.66 million. ANZ reported the largest reduction in total equity of $0.16 billion to $16.53 billion, a reduction a 0.95%. The largest percentage-based decrease was experienced by Bank of China, who reported a drop of 2.32% ($7.60 million) to $320.65 million.

The return on assets (ROA) ratio has remained stable since 2023, only decreasing by 1bps to 1.02% in 2024. This is the result of a 1.81% ($12.67 billion) increase in total tangible assets outweighing the smaller 0.25% ($17.95 million) increase in NPAT. 15 of the banks surveyed reported an increase in their ROA, with Kookmin Bank reporting the largest increase of 96bps to 0.98%. MUFG reported the second largest increase of 44bps to 0.89%. The largest decrease in ROA was experienced by Heartland, who saw a drop of 68bps to 0.72%. This was followed by Bank of India and HSBC who reported reductions of 63bps to 0.95% and 47bps to 0.14% respectively. Once again, HSBC is the bank that has reported the lowest ROA. ▸

24 Banks vs NZX50 entities return on assets and return on equity



Source: NZX

Of the major banks, three reported an increase in their ROA, with Westpac reporting the greatest increase of 5bps to 0.94%. Despite ASB reporting the largest decrease in ROA of 10bps to 1.17%, they have continued to maintain their position as the major bank with the greatest ROA, although closely followed by BNZ at 1.16%.

See Figure 24 for a more detailed look at how the banking sector's ROE and ROA compared to a range of other NZX 50 companies.

24 **See Figure 24 – page 31**

Capital adequacy

In preparation for the new capital review standards taking place in 2028, banks are continuing to progress towards meeting higher capital requirements. As a result, the sector has reported a 59bps increase in the capital adequacy ratio (CAR), increasing the overall CAR to 15.94%.

This year, the number of banks reporting a decrease in their CAR has halved, with only six banks reporting a reduction, in comparison to 11 in the 2023 survey. The greatest decrease was experienced by Bank of India, who reported a drop of 600bps to arrive at a 39.00% CAR, whilst Bank of Baroda reported the greatest increase in CAR of 998bps to 71.16%.

Bank of Baroda and Bank of India have once again maintained their positions as the banks with the greatest CAR.

The tier 1 capital ratio has also moved in line with the CAR, increasing by 59bps to 14.58%. However, only 12 banks surveyed reported an increase in this ratio. Of the major banks, Kiwibank reported the greatest increase in their tier 1 capital ratio, reporting an increase of 150bps to 13.20%.

ANZ and ASB were the only major banks to record a reduction in their tier 1 capital ratio of 120bps to 14.00% and 20bps to 14.30% respectively.

In the most recent RBNZ financial stability report, it was highlighted that banks are in a strong financial position to manage loan defaults and continue to be profitable. As the 2028 capital review standards are being phased in and minimum capital requirements increasing, banks are in a comfortable position to report above those minimum requirements[6].

As banks continue to work towards the new capital review standards in 2028, it will be interesting to see how these capital adequacy ratios hold up over the coming years.

The requirement to increase capital through to 2028 will have the effect of requiring profit to continue at current levels to assist that growth.

Funds under management

During 2024 BNZ sold all funds under management (FUM) to FirstCape, and as a result, BNZ no longer has any FUM. This sale has resulted in the combined FUM for New Zealand's major banks seeing a decrease during the year of 3.05% ($2.71 billion).

7 **See Table 7 – page 32**

Excluding BNZ, the remaining major banks have experienced a 7.46% ($6.00 billion) increase in FUM, of which, Westpac has seen the greatest increase in FUM, increasing by 18.00% ($2.83 billion). Aside from BNZ, ASB saw the largest decrease in FUM, and reported a 0.61% ($0.13 billion) reduction.

Once again, ANZ remains as the largest FUM holder, accounting for 45.92% of all FUM reported by the major banks.

Table 7: Major Banks - Funds Management Activities

Major Bank[4]	2024 $Million	2023 $Million	Movement
ANZ	39,663	37,108	6.89%
ASB	21,176	21,307	-0.61%
BNZ	0	8,714	-100.00%
Kiwibank	6,979	6,235	11.93%
Westpac	18,562	15,730	18.00%
Total	**86,380**	**89,094**	**-3.05%**

Analysis of annual results

Entity[4]	Location of head office	Reporting date	Survey year	Rank by total assets	Size & strength measures: Total assets* $Million	Net assets $Million	Total capital adequacy ratio %	Tier 1 capital adequacy ratio %	Net loans and advances $Million	Customer deposits $Million	Number of employees	Number of branches	Number of owned ATMS	Growth measures: Increase in net profit after tax %	Increase in underlying profit %	Increase in total assets %
Australia and New Zealand Banking Group Limited – ANZ New Zealand	Wellington	30/09/24	2024	1	196,391	13,452	20.60%	14.00%	152,624	135,901	7,003	98	441	-1.80%	-0.83%	2.55%
		30/09/23	2023		191,507	13,603	21.00%	15.20%	150,297	132,527	7,244	103	480	-5.57%	-5.74%	-3.45%
Bank of Baroda (New Zealand) Limited	Auckland	31/03/24	2024	19	129	53	71.16%	71.16%	102	73	NA	NA	NA	16.42%	15.49%	-7.00%
		31/03/23	2023		138	52	61.18%	61.18%	118	83	14	2	-	35.14%	33.16%	-5.19%
Bank of China New Zealand Banking Group	Auckland	31/12/23	2024	10	7,155	321	17.30%	13.64%	5,670	884	129	1	0	17.92%	17.93%	15.53%
		31/12/22	2023		6,194	328	17.17%	13.90%	4,767	971	119	1	-	-24.39%	-24.38%	14.95%
Bank of India (New Zealand) Limited	Auckland	31/03/24	2024	18	172	62	39.00%	39.00%	150	24	14	2	-	-35.53%	-33.67%	12.37%
		31/03/23	2023		153	61	45.00%	45.00%	132	19	12	2	-	16.07%	12.98%	1.33%
Bank of New Zealand	Auckland	30/09/24	2024	3	130,722	13,313	16.00%	14.90%	106,950	81,817	5,286	95	320	-0.20%	0.23%	0.52%
		30/09/23	2023		130,050	11,845	15.70%	14.60%	102,615	77,500	5,400	99	332	6.72%	7.96%	-1.03%
China Construction Bank Corporation New Zealand Banking Group	Auckland	31/12/23	2024	13	4,533	372	17.57%	13.82%	3,672	509	NA	NA	NA	14.54%	12.74%	-2.75%
		31/12/22	2023		4,661	325	18.67%	14.60%	3,268	463	NA	NA	NA	20.06%	21.25%	6.51%
Citibank, N.A. New Zealand Branch and Associated Banking Group	Auckland	31/12/23	2024	16	2,794	171	15.20%	14.12%	300	1,446	23	-	-	20.21%	19.88%	3.37%
		31/12/22	2023		2,703	161	16.45%	15.12%	334	1,613	25	-	-	81.10%	80.56%	9.25%
Commonwealth Bank of Australia New Zealand Operations	Auckland	30/06/24	2024	4	129,568	11,566	20.90%	14.30%	111,931	83,334	6,137	80	362	-6.43%	-5.65%	0.04%
		30/06/23	2023		129,521	11,578	20.00%	14.50%	111,494	79,260	6,163	86	373	11.29%	11.16%	3.16%
Coöperatieve Rabobank U.A. New Zealand Banking Group	Wellington	31/12/23	2024	6	20,813	2,749	21.70%	19.20%	16,645	6,571	523	27	-	12.96%	13.08%	6.67%
		31/12/22	2023		19,512	2,521	21.10%	18.00%	16,098	5,735	514	28	-	-7.49%	-7.51%	9.92%
Heartland Bank Limited	Auckland	30/06/24	2024	8	9,063	988	15.39%	13.86%	7,219	5,967	463	4	1	-29.51%	-26.90%	63.83%
		30/06/23	2023		5,532	699	14.71%	12.68%	4,879	4,131	525	4	-	-22.39%	-21.70%	7.94%
Industrial and Commercial Bank of China New Zealand Banking Group	Auckland	31/12/23	2024	14	4,313	428	18.79%	14.83%	3,363	700	88	1	-	30.17%	30.16%	18.96%
		31/12/22	2023		3,625	395	18.86%	15.28%	2,999	566	90	1	-	51.21%	51.17%	5.55%

Analysis of annual results

					Size & strength measures									Growth measures		
Entity[4]	Location of head office	Reporting date	Survey year	Rank by total assets	Total assets* $Million	Net assets $Million	Total capital adequacy ratio %	Tier 1 capital adequacy ratio %	Net loans and advances $Million	Customer deposits $Million	Number of employees	Number of branches	Number of owned ATMS	Increase in net profit after tax %	Increase in underlying profit %	Increase in total assets %
JPMorgan Chase Bank, N.A., New Zealand Banking Group	Wellington	31/12/23	2024	17	2,713	-	17.60%	17.20%	73	556	NA	NA	NA	268.09%	261.34%	-53.93%
		31/12/22	2023		5,889	-	18.70%	18.30%	83	369	9	-	-	633.15%	578.83%	128.67%
Kiwibank Limited	Wellington	30/06/24	2024	5	36,650	2,621	15.60%	13.20%	32,542	28,143	2,483	147	-	15.43%	11.84%	8.31%
		30/06/23	2023		33,838	2,311	14.30%	11.70%	29,778	25,500	2,185	154	224	33.59%	33.15%	7.26%
Kookmin Bank Auckland Branch	Auckland	31/12/24	2024	18	770	12	18.08%	15.50%	525	228	NA	NA	NA	5345.86%	2998.60%	-7.07%
		31/12/23	2023		829	4	17.46%	14.92%	585	209	18	1	-	-98.45%	-97.18%	11.93%
MUFG Bank, Ltd., Auckland Branch	Auckland	31/03/24	2024	11	6,770	381	18.11%	16.11%	5,056	2,376	18	1	-	104.68%	117.23%	-1.37%
		31/03/23	2023		6,864	316	12.58%	11.04%	4,675	2,164	17	1	-	-15.20%	-17.76%	6.78%
Southland Building Society	Invercargill	31/03/24	2024	12	6,480	515	16.30%	13.50%	5,541	4,408	532	14	-	14.31%	9.88%	8.06%
		31/03/23	2023		5,997	496	13.60%	12.40%	5,060	4,166	538	14	-	-16.50%	-16.83%	15.12%
The Co-operative Bank Limited	Wellington	31/03/24	2024	15	3,493	262	17.80%	15.50%	3,119	3,022	370	25	-	10.73%	8.21%	4.47%
		31/03/23	2023		3,344	263	16.60%	14.30%	2,898	2,834	347	25	-	-9.87%	-10.39%	4.57%
The Hongkong and Shanghai Banking Corporation Limited, New Zealand Banking Group	Auckland	31/12/23	2024	9	7,222	38	19.70%	17.50%	2,950	4,071	200	1	-	-77.14%	-76.22%	-6.91%
		31/12/22	2023		7,759	6	18.80%	16.90%	4,726	4,827	222	1	-	28.78%	27.48%	3.09%
TSB Bank Limited	New Plymouth	31/03/24	2024	7	9,478	745	14.43%	14.43%	7,471	8,551	609	14	34	70.64%	75.67%	3.58%
		31/03/23	2023		9,150	731	12.93%	12.93%	7,104	8,314	698	22	38	-47.62%	-45.66%	2.11%
Westpac Banking Corporation – New Zealand Banking Group	Auckland	30/09/24	2024	2	132,976	11,169	21.40%	14.80%	102,904	79,676	5,326	106	385	5.83%	8.43%	0.53%
		30/09/23	2023		132,273	10,304	20.50%	14.60%	100,195	79,783	5,397	112	413	-8.78%	-5.64%	-2.20%
Banking sector total			**2024**		**712,206**	**59,217**	**15.94%**	**14.58%**	**568,804**	**448,258**	**29,204**	**616**	**1,543**	**0.25%**	**1.16%**	**1.81%**
			2023		699,539	55,999	15.35%	13.99%	552,104	431,035	29,537	656	1,860	0.27%	1.11%	0.57%

* Total assets = Total assets - Goodwill - Other intangibles
NA = not applicable or not available

Analysis of annual results

		Credit quality measures							Profitability measures										Efficiency measures	
Entity[4]	Survey year	Impaired asset expense $Million	Past due assets $Million	Gross impaired assets $Million	Individual provision for doubtful debts/Gross impaired assets %	Collective provision/ Net loans and advances %	Total provision for doubtful debts/ Gross loans and advances %	Impaired asset expense/ Average gross loans and advances %	Total operating income $Million	Net interest income/ Average total assets %	Interest margin %	Interest spread %	Non-interest income/ Average total assets %	Net profit after tax $Million	Net profit after tax/ Average equity %	Net profit after tax/ Average total assets %	Underlying profit $Million	Underlying profit/ Average total assets %	Operating expenses**/ Average total assets %	Operating expenses/ Operating income %
Australia and New Zealand Banking Group Limited – ANZ New Zealand	2024	44	947	370	17.30%	0.43%	0.47%	0.03%	4,783	2.23%	2.37%	1.47%	0.24%	2,132	12.84%	1.10%	2,978	1.54%	0.91%	36.82%
	2023	183	661	287	20.91%	0.45%	0.49%	0.12%	4,849	2.17%	2.35%	1.63%	0.31%	2,171	13.28%	1.11%	3,003	1.54%	0.85%	34.30%
Bank of Baroda (New Zealand) Limited	2024	0	-	-	NA	0.50%	0.50%	0.00%	7	4.51%	4.61%	2.72%	0.45%	2	4.37%	1.72%	3	2.37%	2.59%	52.13%
	2023	0	-	-	NA	0.36%	0.36%	0.05%	6	3.46%	3.60%	2.81%	0.57%	2	3.84%	1.39%	3	1.93%	2.06%	51.18%
Bank of China New Zealand Banking Group	2024	15	-	3	32.53%	0.63%	0.64%	0.30%	90	1.24%	1.24%	0.92%	0.10%	32	10.01%	0.49%	45	0.68%	0.44%	32.45%
	2023	6	-	5	61.12%	0.41%	0.47%	0.14%	70	1.11%	1.12%	0.93%	0.09%	28	8.69%	0.48%	38	0.66%	0.43%	35.74%
Bank of India (New Zealand) Limited	2024	2	-	-	NA	1.84%	1.84%	1.43%	7	4.09%	4.20%	2.49%	0.22%	2	2.51%	0.95%	2	1.34%	1.73%	40.13%
	2023	0	-	-	NA	0.57%	0.57%	0.09%	6	3.64%	3.71%	2.66%	0.24%	2	4.01%	1.58%	3	2.16%	1.65%	42.51%
Bank of New Zealand	2024	146	252	313	40.58%	0.84%	0.96%	0.14%	3,616	2.23%	2.39%	1.36%	0.54%	1,506	11.96%	1.16%	2,189	1.68%	0.98%	35.43%
	2023	172	364	144	53.47%	0.83%	0.91%	0.17%	3,497	2.22%	2.42%	1.64%	0.46%	1,509	13.17%	1.15%	2,184	1.67%	0.87%	32.63%
China Construction Bank Corporation New Zealand Banking Group	2024	(4)	-	-	NA	0.29%	0.29%	-0.13%	82	1.89%	1.91%	1.51%	-0.11%	48	13.77%	1.04%	66	1.44%	0.44%	24.95%
	2023	3	-	-	NA	0.45%	0.45%	0.08%	80	1.53%	1.54%	1.37%	0.24%	42	13.68%	0.93%	59	1.30%	0.42%	23.49%
Citibank, N.A. New Zealand Branch and Associated Banking Group	2024	4	-	-	NA	1.55%	1.55%	1.15%	77	1.47%	1.47%	1.22%	1.33%	35	21.05%	1.27%	49	1.78%	0.89%	31.79%
	2023	0	-	-	NA	0.30%	0.30%	0.17%	64	1.03%	1.04%	0.94%	1.43%	29	18.68%	1.12%	41	1.57%	0.87%	35.38%
Commonwealth Bank of Australia New Zealand Operations	2024	73	442	373	26.54%	0.47%	0.56%	0.07%	3,489	2.32%	2.36%	1.62%	0.37%	1,513	12.76%	1.17%	2,189	1.69%	0.95%	35.17%
	2023	62	256	321	23.36%	0.48%	0.54%	0.06%	3,579	2.44%	2.48%	2.01%	0.37%	1,617	14.84%	1.27%	2,320	1.82%	0.94%	33.45%
Coöperatieve Rabobank U.A. New Zealand Banking Group	2024	18	5	550	0.86%	0.23%	0.26%	0.11%	526	2.52%	2.56%	1.89%	0.09%	218	8.29%	1.08%	305	1.51%	1.01%	38.62%
	2023	2	0	265	0.99%	0.16%	0.17%	0.01%	454	2.46%	2.51%	2.24%	-0.02%	193	7.96%	1.04%	269	1.45%	0.98%	40.21%
Heartland Bank Limited	2024	46	118	96	23.31%	0.75%	1.05%	0.76%	237	3.05%	3.12%	2.63%	0.20%	53	5.46%	0.72%	78	1.07%	1.54%	47.58%
	2023	23	72	53	30.46%	0.74%	1.07%	0.49%	225	4.03%	4.17%	3.74%	0.20%	75	10.37%	1.40%	106	2.00%	1.80%	42.58%
Industrial and Commercial Bank of China New Zealand Banking Group	2024	11	-	1	54.89%	0.78%	0.80%	0.36%	81	1.90%	1.92%	1.22%	0.15%	33	7.96%	0.83%	46	1.15%	0.61%	29.70%
	2023	2	-	1	63.74%	0.45%	0.48%	0.08%	59	1.69%	1.70%	1.35%	-0.03%	25	6.58%	0.71%	35	0.99%	0.60%	36.35%

Analysis of annual results

		Credit quality measures							Profitability measures										Efficiency measures	
Entity[4]	Survey year	Impaired asset expense $Million	Past due assets $Million	Gross impaired assets $Million	Individual provision for doubtful debts/Gross impaired assets %	Collective provision/ Net loans and advances %	Total provision for doubtful debts/ Gross loans and advances %	Impaired asset expense/ Average gross loans and advances %	Total operating income $Million	Net interest income/ Average total assets %	Interest margin %	Interest spread %	Non-interest income/ Average total assets %	Net profit after tax $Million	Net profit after tax/ Average equity %	Net profit after tax/ Average total assets %	Underlying profit $Million	Underlying profit/ Average total assets %	Operating expenses**/ Average total assets %	Operating expenses/ Operating income %
JPMorgan Chase Bank, N.A., New Zealand Banking Group	2024	1	-	-	NA	4.52%	4.52%	1.48%	49	0.70%	0.71%	0.57%	0.45%	24	n/a	0.57%	36	0.83%	0.30%	25.80%
	2023	0	-	-	NA	2.46%	2.46%	0.65%	22	0.67%	0.67%	0.65%	-0.14%	7	n/a	0.16%	10	0.23%	0.29%	54.36%
Kiwibank Limited	2024	24	79	42	57.14%	0.30%	0.37%	0.08%	880	2.34%	2.38%	1.60%	0.16%	202	8.19%	0.57%	274	0.78%	1.65%	66.14%
	2023	37	28	8	62.50%	0.32%	0.34%	0.13%	816	2.43%	2.49%	2.00%	0.07%	175	7.76%	0.54%	245	0.75%	1.63%	65.44%
Kookmin Bank Auckland Branch	2024	1	-	-	NA	0.21%	0.21%	0.10%	17	2.01%	2.12%	2.24%	0.11%	8	101.90%	0.98%	11	1.41%	0.65%	30.58%
	2023	0	-	-	NA	0.10%	0.10%	0.04%	6	0.64%	0.68%	0.76%	0.13%	0	1.88%	0.02%	0	0.05%	0.69%	90.15%
MUFG Bank, Ltd., Auckland Branch	2024	5	-	-	NA	0.19%	0.19%	0.10%	105	1.08%	1.17%	1.16%	0.47%	61	17.39%	0.89%	79	1.15%	0.32%	20.43%
	2023	3	-	-	NA	0.12%	0.12%	0.06%	57	0.37%	0.43%	0.66%	0.48%	30	9.83%	0.45%	36	0.55%	0.27%	31.43%
Southland Building Society	2024	20	20	0	111.11%	0.69%	0.69%	0.38%	192	2.42%	2.49%	1.80%	0.67%	43	8.31%	0.69%	57	0.91%	1.85%	60.03%
	2023	13	14	1	35.15%	0.67%	0.68%	0.27%	169	2.52%	2.61%	2.16%	0.49%	37	7.73%	0.67%	51	0.92%	1.87%	61.99%
The Co-operative Bank Limited	2024	(1)	5	5	13.80%	0.29%	0.31%	-0.04%	100	2.51%	2.59%	1.96%	0.41%	13	4.85%	0.37%	23	0.66%	2.30%	78.53%
	2023	(1)	8	4	15.84%	0.31%	0.33%	-0.05%	93	2.47%	2.56%	2.19%	0.36%	11	4.52%	0.35%	21	0.64%	2.24%	79.03%
The Hongkong and Shanghai Banking Corporation Limited, New Zealand Banking Group	2024	(0)	-	-	NA	0.17%	0.17%	-0.01%	188	1.79%	1.80%	1.68%	0.72%	11	36.94%	0.14%	16	0.21%	2.30%	91.74%
	2023	5	-	11	4.43%	0.10%	0.11%	0.10%	147	1.27%	1.28%	1.24%	0.65%	47	286.36%	0.61%	66	0.87%	0.99%	51.71%
TSB Bank Limited	2024	(2)	1	48	4.95%	0.30%	0.33%	-0.03%	201	1.99%	2.03%	1.51%	0.17%	34	4.61%	0.37%	51	0.55%	1.63%	75.43%
	2023	(5)	3	34	1.13%	0.36%	0.36%	-0.08%	213	2.07%	2.11%	1.84%	0.28%	20	2.74%	0.22%	29	0.32%	2.09%	88.72%
Westpac Banking Corporation – New Zealand Banking Group	2024	27	366	191	31.94%	0.43%	0.49%	0.03%	3,193	2.21%	2.37%	1.48%	0.20%	1,253	11.13%	0.94%	1,852	1.40%	0.99%	41.15%
	2023	135	316	62	37.10%	0.48%	0.51%	0.14%	3,136	2.12%	2.32%	1.63%	0.22%	1,184	11.21%	0.89%	1,708	1.28%	0.97%	41.23%
Bank sector total	**2024**	**430**	**2,236**	**1,993**	**20.42%**	**0.51%**	**0.58%**	**0.08%**	**17,920**	**2.22%**	**2.34%**	**1.51%**	**0.32%**	**7,222**	**11.72%**	**1.02%**	**10,347**	**1.47%**	**1.01%**	**39.86%**
	2023	640	1,723	1,196	22.13%	0.51%	0.56%	0.12%	17,547	2.20%	2.34%	1.75%	0.32%	7,204	12.48%	1.03%	10,229	1.47%	0.96%	38.06%

** Operating Expenses = Total expenses - Interest expense - Loan write offs and bad debts - Abnormal expenses - Amortisation of goodwill - Impairment charges

NA = not applicable or not available

Analysis of annual results

Balance sheet breakdown		Assets ($Million)								
Entity[4]	Reporting date	Cash on hand, money at call and balances with other banks	Trading, investment securities, investments in subsidiaries and investment properties	Derivative financial instruments	Loans and advances (less provisions)	Balances with related parties	Fixed assets	Intangibles	Other assets	Total assets
2024										
Australia and New Zealand Banking Group Limited – ANZ New Zealand	30/09/24	13,132	18,871	2,725	151,963	7,725	363	3,094	1,593	**199,466**
Bank of Baroda (New Zealand) Limited	31/03/24	25	-	-	101	1	0	-	1	**129**
Bank of China New Zealand Banking Group	31/12/23	1,166	294	12	5,634	-	1	0	49	**7,155**
Bank of India (New Zealand) Limited	31/03/24	15	-	-	147	7	2	-	1	**172**
Bank of New Zealand	30/09/24	4,980	11,112	2,341	106,053	3,215	622	540	1,874	**130,737**
China Construction Bank Corporation New Zealand Banking Group	31/12/23	501	339	22	3,661	1	4	0	5	**4,533**
Citibank, N.A. New Zealand Branch and Associated Banking Group	31/12/23	2,050	388	-	295	54	1	-	7	**2,794**
Commonwealth Bank of Australia New Zealand Operations	30/06/24	5,286	9,779	399	111,400	1,323	293	527	846	**129,853**
Coöperatieve Rabobank U.A. New Zealand Banking Group	31/12/23	2,105	698	7	16,607	1,285	18	1	91	**20,813**
Heartland Bank Limited	30/06/24	628	1,092	12	7,165	-	38	264	73	**9,272**
Industrial and Commercial Bank of China New Zealand Banking Group	31/12/23	693	233	5	3,336	8	6	-	32	**4,313**

Analysis of annual results

Balance sheet breakdown		Assets ($Million)								
Entity[4]	Reporting date	Cash on hand, money at call and balances with other banks	Trading, investment securities, investments in subsidiaries and investment properties	Derivative financial instruments	Loans and advances (less provisions)	Balances with related parties	Fixed assets	Intangibles	Other assets	Total assets
2024										
JPMorgan Chase Bank, N.A., New Zealand Banking Group	31/12/23	767	1,724	-	69	122	0	-	31	**2,713**
Kiwibank Limited	30/06/24	1,098	2,658	162	32,445	2	127	17	141	**36,650**
Kookmin Bank Auckland Branch	31/12/23	87	-	-	523	155	3	0	3	**770**
MUFG Bank, Ltd., Auckland Branch	31/03/24	958	508	45	5,047	199	1	-	12	**6,770**
Southland Building Society	31/03/24	214	593	50	5,503	(2)	39	10	84	**6,491**
The Co-operative Bank Limited	31/03/24	284	-	33	3,110	-	27	10	28	**3,493**
The Hongkong and Shanghai Banking Corporation Limited, New Zealand Banking Group	31/12/23	2,799	1,018	0	2,945	388	22	2	50	**7,223**
TSB Bank Limited	31/03/24	510	1,424	43	7,449	-	27	1	24	**9,478**
Westpac Banking Corporation – New Zealand Banking Group	30/09/24	7,797	13,258	3,643	102,463	3,429	449	987	1,475	**133,501**
Banking sector total		**45,093**	**63,988**	**9,499**	**565,916**	**17,912**	**2,044**	**5,453**	**6,419**	**716,326**

Analysis of annual results

Balance sheet breakdown		Liabilities ($Million)								Equity ($Million)				
Entity[4]	Reporting date	Customer deposits	Balances with other banks and money market deposits	Debt securities	Derivative financial instruments	Balances with related parties	Sub-ordinated debt	Other liabilities	Total liabilities	Share capital – ordinary shares	Head office account	Other equity/ Cash flow hedge reserves	Retained earnings	Total equity
2024														
Australia and New Zealand Banking Group Limited – ANZ New Zealand	30/09/24	135,901	9,552	17,098	3,706	10,669	3,042	2,971	**182,939**	14,544	11	849	1,123	**16,527**
Bank of Baroda (New Zealand) Limited	31/03/24	73	-	-	-	1	-	2	**75**	40	-	-	13	**53**
Bank of China New Zealand Banking Group	31/12/23	884	1,550	284	12	3,983	-	122	**6,835**	223	16	(3)	84	**321**
Bank of India (New Zealand) Limited	31/03/24	24	-	-	-	82	-	3	**109**	50	-	-	12	**62**
Bank of New Zealand	30/09/24	81,817	5,936	20,805	2,224	3,257	-	3,370	**117,409**	9,956	-	852	2,520	**13,328**
China Construction Bank Corporation New Zealand Banking Group	31/12/23	509	1,249	872	63	1,449	-	18	**4,161**	199	59	(4)	117	**372**
Citibank, N.A. New Zealand Branch and Associated Banking Group	31/12/23	1,446	7	-	-	1,147	-	24	**2,623**	-	34	(1)	137	**171**
Commonwealth Bank of Australia New Zealand Operations	30/06/24	83,334	5,399	20,996	389	5,216	941	1,727	**118,002**	6,592	462	(125)	4,922	**11,851**
Coöperatieve Rabobank U.A. New Zealand Banking Group	31/12/23	6,571	172	5,187	59	6,005	-	70	**18,064**	551	433	(6)	1,771	**2,749**
Heartland Bank Limited	30/06/24	5,967	-	2,041	9	8	-	51	**8,075**	1,045	-	(84)	235	**1,196**
Industrial and Commercial Bank of China New Zealand Banking Group	31/12/23	700	0	706	12	2,390	-	77	**3,885**	234	84	83	27	**428**

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Balance sheet breakdown		Liabilities ($Million)								Equity ($Million)				
Entity[4]	Reporting date	Customer deposits	Balances with other banks and money market deposits	Debt securities	Derivative financial instruments	Balances with related parties	Sub-ordinated debt	Other liabilities	Total liabilities	Share capital – ordinary shares	Head office account	Other equity/ Cash flow hedge reserves	Retained earnings	Total equity
2024														
JPMorgan Chase Bank, N.A., New Zealand Banking Group	31/12/23	556	-	1,342	-	776	-	40	**2,713**	-	-	-	-	**-**
Kiwibank Limited	30/06/24	28,143	1,109	3,798	196	33	458	292	**34,029**	962	-	240	1,419	**2,621**
Kookmin Bank Auckland Branch	31/12/23	228	81	94	6	345	-	4	**759**	-	12	-	-	**12**
MUFG Bank, Ltd., Auckland Branch	31/03/24	2,376	-	-	98	3,877	-	38	**6,389**	-	83	1	298	**381**
Southland Building Society	31/03/24	4,408	663	688	16	-	107	83	**5,966**	-	-	13	512	**525**
The Co-operative Bank Limited	31/03/24	3,022	-	161	4	-	-	44	**3,231**	-	-	5	257	**262**
The Hongkong and Shanghai Banking Corporation Limited, New Zealand Banking Group	31/12/23	4,071	258	400	0	2,391	-	65	**7,185**	-	42	(3)	-	**39**
TSB Bank Limited	31/03/24	8,551	27	-	17	-	-	138	**8,732**	10	-	(8)	743	**745**
Westpac Banking Corporation – New Zealand Banking Group	30/09/24	79,676	3,274	23,482	5,932	3,237	3,093	3,113	**121,807**	6,045	2,898	305	2,446	**11,694**
Banking sector total		**448,258**	**29,278**	**97,953**	**12,742**	**44,865**	**7,641**	**12,253**	**652,989**	**40,451**	**4,133**	**2,116**	**16,637**	**63,337**

Analysis of annual results

Balance sheet breakdown		Assets ($Million)								
Entity[4]	Reporting date	Cash on hand, money at call and balances with other banks	Trading, investment securities, investments in subsidiaries and investment properties	Derivative financial instruments	Loans and advances (less provisions)	Balances with related parties	Fixed assets	Intangibles	Other assets	Total assets
2023										
Australia and New Zealand Banking Group Limited – ANZ New Zealand	30/09/23	14,119	16,879	3,241	149,627	5,733	371	3,119	1,500	**194,589**
Bank of Baroda (New Zealand) Limited	31/03/23	20	-	-	117	0	1	-	1	**138**
Bank of China New Zealand Banking Group	31/12/22	1,111	289	13	4,748	-	3	0	29	**6,194**
Bank of India (New Zealand) Limited	31/03/23	20	-	-	131	0	1	-	1	**153**
Bank of New Zealand	30/09/23	11,292	8,362	2,923	101,760	3,600	604	498	1,026	**130,065**
China Construction Bank Corporation New Zealand Banking Group	31/12/22	1,177	183	33	3,253	1	5	0	8	**4,661**
Citibank, N.A. New Zealand Branch and Associated Banking Group	31/12/22	1,998	322	-	333	44	1	-	6	**2,703**
Commonwealth Bank of Australia New Zealand Operations	30/06/23	9,002	7,108	436	110,962	851	327	514	606	**129,806**
Coöperatieve Rabobank U.A. New Zealand Banking Group	31/12/22	1,415	631	16	16,073	1,278	15	1	82	**19,512**
Heartland Bank Limited	30/06/23	216	317	37	4,843	-	26	72	51	**5,562**
Industrial and Commercial Bank of China New Zealand Banking Group	31/12/22	417	189	5	2,985	-	7	-	22	**3,625**

Analysis of annual results

Balance sheet breakdown		Assets ($Million)								
Entity[4]	Reporting date	Cash on hand, money at call and balances with other banks	Trading, investment securities, investments in subsidiaries and investment properties	Derivative financial instruments	Loans and advances (less provisions)	Balances with related parties	Fixed assets	Intangibles	Other assets	Total assets
2023										
JPMorgan Chase Bank, N.A., New Zealand Banking Group	31/12/22	463	5,269	-	81	37	0	-	38	**5,889**
Kiwibank Limited	30/06/23	1,156	2,299	447	29,682	-	129	25	100	**33,838**
Kookmin Bank Auckland Branch	31/12/22	57	-	-	584	181	3	-	4	**829**
MUFG Bank, Ltd., Auckland Branch	31/03/23	829	475	53	4,670	825	1	-	10	**6,864**
Southland Building Society	31/03/23	183	575	96	5,026	(1)	38	10	80	**6,006**
The Co-operative Bank Limited	31/03/23	334	-	57	2,889	-	30	11	23	**3,344**
The Hongkong and Shanghai Banking Corporation Limited, New Zealand Banking Group	31/12/22	1,861	283	1	4,721	837	27	16	27	**7,772**
TSB Bank Limited	31/03/23	560	1,366	86	7,078	-	32	1	26	**9,150**
Westpac Banking Corporation – New Zealand Banking Group	30/09/23	9,387	11,658	5,494	99,711	4,488	396	982	682	**132,798**
Banking sector total		**55,618**	**56,206**	**12,938**	**549,275**	**17,874**	**2,018**	**5,249**	**4,321**	**703,499**

Analysis of annual results

Balance sheet breakdown		Liabilities ($Million)								Equity ($Million)				
Entity[4]	Reporting date	Customer deposits	Balances with other banks and money market deposits	Debt securities	Derivative financial instruments	Balances with related parties	Sub-ordinated debt	Other liabilities	Total liabilities	Share capital – ordinary shares	Head office account	Other equity/ Cash flow hedge reserves	Retained earnings	Total equity
2023														
Australia and New Zealand Banking Group Limited – ANZ New Zealand	30/09/23	132,527	8,261	21,420	3,332	8,711	1,369	2,284	**177,904**	11,044	11	457	5,173	**16,685**
Bank of Baroda (New Zealand) Limited	31/03/23	83	-	-	-	2	-	2	**86**	40	-	-	12	**52**
Bank of China New Zealand Banking Group	31/12/22	971	1,361	170	13	3,288	-	62	**5,865**	223	36	(5)	74	**328**
Bank of India (New Zealand) Limited	31/03/23	19	-	-	-	71	-	2	**92**	50	-	-	11	**61**
Bank of New Zealand	30/09/23	77,500	7,435	21,840	2,674	6,448	-	2,308	**118,205**	9,056	-	459	2,345	**11,860**
China Construction Bank Corporation New Zealand Banking Group	31/12/22	463	1,444	754	70	1,583	-	23	**4,336**	199	37	(2)	90	**325**
Citibank, N.A. New Zealand Branch and Associated Banking Group	31/12/22	1,613	3	-	-	905	-	20	**2,542**	-	34	(2)	130	**161**
Commonwealth Bank of Australia New Zealand Operations	30/06/23	79,260	5,778	24,785	472	5,155	935	1,558	**117,943**	6,592	462	141	4,668	**11,863**
Coöperatieve Rabobank U.A. New Zealand Banking Group	31/12/22	5,735	164	3,915	78	7,035	-	64	**16,990**	551	410	(16)	1,575	**2,521**
Heartland Bank Limited	30/06/23	4,131	20	595	8	7	-	72	**4,833**	553	-	13	162	**729**
Industrial and Commercial Bank of China New Zealand Banking Group	31/12/22	566	0	741	11	1,861	-	52	**3,230**	234	84	65	13	**395**

Analysis of annual results

Balance sheet breakdown		Liabilities ($Million)								Equity ($Million)				
Entity[4]	Reporting date	Customer deposits	Balances with other banks and money market deposits	Debt securities	Derivative financial instruments	Balances with related parties	Sub-ordinated debt	Other liabilities	Total liabilities	Share capital – ordinary shares	Head office account	Other equity/ Cash flow hedge reserves	Retained earnings	Total equity
2023														
JPMorgan Chase Bank, N.A., New Zealand Banking Group	31/12/22	369	-	1,721	-	3,788	-	12	**5,889**	-	-	-	-	**-**
Kiwibank Limited	30/06/23	25,500	1,768	3,038	243	256	446	276	**31,527**	737	-	348	1,226	**2,311**
Kookmin Bank Auckland Branch	31/12/22	209	251	-	-	349	-	16	**825**	-	4	-	-	**4**
MUFG Bank, Ltd., Auckland Branch	31/03/23	2,164	-	-	133	4,229	-	21	**6,548**	-	83	(4)	237	**316**
Southland Building Society	31/03/23	4,166	668	495	19	-	64	89	**5,501**	-	-	37	469	**506**
The Co-operative Bank Limited	31/03/23	2,834	-	195	3	-	-	48	**3,081**	-	-	19	244	**263**
The Hongkong and Shanghai Banking Corporation Limited, New Zealand Banking Group	31/12/22	4,827	426	400	1	2,025	-	74	**7,753**	-	31	(11)	-	**19**
TSB Bank Limited	31/03/23	8,314	-	-	11	-	-	94	**8,419**	10	-	(3)	724	**731**
Westpac Banking Corporation – New Zealand Banking Group	30/09/23	79,783	5,782	21,010	4,858	4,666	3,051	2,819	**121,969**	6,045	2,772	94	1,918	**10,829**
Banking sector total		**431,035**	**33,361**	**101,079**	**11,927**	**50,380**	**5,865**	**9,894**	**643,540**	**35,334**	**3,964**	**1,589**	**19,072**	**59,959**

FMA

Navigating regulatory change

In the past 12 months, the banking industry and the FMA have continued to focus on regulatory change: embedding the financial advice and climate-related disclosure regimes, while preparing for the Conduct of Financial Institutions (CoFI) regime and a number of proposed changes including changing the regulator of consumer credit from the Commerce Commission to the FMA.

As New Zealand has faced economic headwinds, we have seen banks adapt and support their customers to face these challenges. The financial services industry, including banks, plays a critical role in enabling New Zealanders' lives. The products and services provided by banks are a key component of this, enabling New Zealanders to borrow, save and invest for the things they need in their lives. Our role as a conduct regulator is to ensure consumers are treated fairly in those activities.

Conduct of Financial Institutions (CoFI)

After several years of preparation, the CoFI regime commences at the end of March. It sees banks (and licensed insurers and non-bank deposit takers) requiring a licence from the FMA for their conduct towards consumers.

We have engaged proactively with the banking industry in a variety of ways to support their preparation for this new regime. This has included group and one-on-one engagements in relation to the licensing process itself, as well as banks' preparation of their fair conduct programmes, a core component of the new regime. We published additional guidance for small firms to ensure they have everything they need to effectively implement CoFI in their businesses.

We have been encouraged by the level of engagement we have had with banks throughout the development of their fair conduct programmes and the licensing process. We will continue to build on these relationships as part of our engagement-led approach for CoFI, as we have done with other regimes in the FMA's remit.

As the regime commences, attention turns to how the FMA will supervise banks under CoFI. ▸

Michael Hewes
FMA Director of Deposit Taking, Insurance and Advice

FMA
FINANCIAL MARKETS AUTHORITY
TE MANA TĀTAI HOKOHOKO

Michael joined the FMA in 2016 from the insurance sector, where he spent 20 years across a range of functions. In his role at the FMA, Michel oversees all licensed deposit takers, insurers and advisors nationwide. Michael co-led the Insurer Conduct and Culture Thematic, was a member of the team that implemented FSLAA and more recently is the FMA program lead for CoFI.

Michael has a wealth of experience in financial services compliance, regulation, and governance. His work has greatly contributed to the development of policies that help shape the regulatory framework in the insurance and financial advice sectors.

Our supervision activity – where we monitor adherence to the obligations of financial market participants and seek to understand the outcomes they are achieving for consumers – is integral to our vision of more New Zealanders than ever believing the financial services sector is working well for them.

Our supervision of banks under CoFI will include meetings, desk-based and onsite reviews, and thematic reviews looking at key issues across the sector.

We will focus more on the outcomes resulting from how consumers have been treated, not just on the methods financial institutions have chosen to comply with CoFI obligations.

The implementation of the new financial advice regime is a good example of our supervision in practice. The Monitoring Insights Report for Financial Advice Providers that we published in May 2024 reflects the output from our supervisory work in this sector. Similarly, with CoFI, we will look to share the good practices we see and opportunities for banks and other financial institutions to enhance their compliance and conduct.

Climate-related disclosures

The last year has seen larger banks navigating their first annual climate statements under the Climate-Related Disclosures (CRD) regime. This has been a period of learning – for both climate reporting entities (CREs) and the FMA.

In December 2024 we released our first insights report detailing the findings from our reviews of 70 climate statements prepared for reporting periods ended between 31 December 2023 and 31 March 2024. This was intended to provide useful feedback for CREs heading into the second year.

We are encouraged by the efforts that CREs, including banks, have made to prepare and lodge their first set of mandatory climate statements. CREs have put in an enormous effort to ensure their first mandatory climate statements were prepared on time.

We acknowledge that some have faced challenges, including obtaining reliable data, incurring higher-than expected costs and deciding how to make disclosures in the absence of guidance on certain topics. Recognising these issues, the External Reporting Board recently made changes to the Climate Standards, allowing CREs additional time to comply with some disclosures.

Looking ahead to the second year of reporting, we will continue our educative and constructive approach with the aim of raising the quality of reporting over time. ▸

"CREs have put in an enormous effort to ensure their first mandatory climate statements were prepared on time."

Fostering innovation

At the FMA, we seek to foster innovation while ensuring that regulatory safeguards remain effective. By actively engaging with the industry, we aim to support the responsible adoption of new and innovative technologies, ensuring they deliver meaningful benefits to both investors and consumers.

As part that commitment to support financial services innovation, in late 2024 we launched a pilot "regulatory sandbox" to allow firms to test innovative products, services or business models.

Sandboxes can help spur innovation by allowing both startups and established licensed market participants to test new products and services in a controlled environment.

The opportunity to adjust a product or service before full commercial launch may help reduce costs for firms.

In return, the FMA has the chance to gain greater insights into the benefits and risks of financial innovation and new technologies. This should allow the FMA to react faster and more effectively to regulatory and supervisory problems.

We encourage all market participants to look for new solutions to the issues facing consumers and investors – whether through technology innovation or other creative, forward-looking actions. Fresh thinking to respond to changing consumer needs and investor preferences will help the New Zealand financial sector keep pace with international norms and ensure consumers and investors are treated fairly.

Looking ahead

We will continue to work with banks to understand how they have embedded the financial advice and climate related disclosure regimes in their business.

Our CoFI focus is moving from licensing to implementation, and building stronger relationships with the banks that come within this regime. This will include deepening our understanding of banks' business models and the challenges they are facing, and continuing to provide guidance and support.

We will be looking to see how banks are learning from their implementation journey. As the year progresses, we will continue to engage with banks and share more of what supervision under CoFI will look like.

More regulatory change is proposed, including refinements to CoFI requirements and the introduction of a single conduct licence to streamline licensing obligations and reduce burden.

Significant changes to the regulation of consumer credit are also proposed including a new licensing requirement and responsibility for licensing, supervision and enforcement moving into the FMA's remit. We will be increasing our engagement with the banking sector to support them through these changes.

We are working closely with the Commerce Commission to prepare for this change in our remit, and we will continue to work closely with the Reserve Bank to jointly supervise the banking sector. We recognise that the recent and proposed changes to conduct regulation are not the only changes facing the banking sector, with the Deposit Takers Act also introducing significant changes in the coming years. Our membership of the Council of Financial Regulators helps us connect with our fellow regulators, and better understand and respond to the priorities and concerns of the banking sector.

We want to see banks achieve success and support consumers by treating them fairly and putting their interests at the heart of their decision-making. Two-way engagement with the banking sector will be essential to deliver the up-coming changes, but also the long-term, in order to foster the fairest financial sector in the world.

"We want to see banks achieve success and support consumers by treating them fairly and putting their interests at the heart of their decision-making."

Massey University

The AI revolution in economic forecasting: A game-changer for businesses and policymakers

Dr Christoph Schumacher
Professor of Innovation and Economics
Massey University

MASSEY UNIVERSITY
TE KUNENGA KI PŪREHUROA
UNIVERSITY OF NEW ZEALAND

Professor Christoph Schumacher joined Massey University in 2003. He is Professor of Innovation and Economics at the university and Director of the Knowledge Exchange Hub. Christoph holds under and post-graduate degrees in Engineering and International Business as well as a PhD in Economics (game theory). He also completed a course in Big Data Analytics at the Massachusetts Institute of Technology (USA).

Christoph is the co-creator of GDPLive (gdplive.net) and the New Zealand Shared Prosperity Index (sharedprosperity.co.nz). His work has been published in international journals such as the Journal of Health Economics, Applied Economics, the European Journal of Marketing, the Journal of Industrial Economics and Economics Letters.

Integrating artificial intelligence (AI) and machine learning (ML) into economic forecasting represents a paradigm shift in analysing and predicting market behaviour. While traditional econometric modelling was the foundation of quantitative finance for decades, advanced machine learning systems – particularly large language models and generative AI – have fundamentally transformed our analytical capabilities. These sophisticated algorithms now detect subtle market patterns and complex economic relationships that previously eluded conventional statistical approaches.

The evolution from basic neural networks to today's nuanced AI architectures marks not merely an incremental improvement in forecasting accuracy but rather a fundamental reconceptualisation of how we understand market dynamics and economic systems. This article explores the methodological advances, empirical applications, and theoretical implications of AI's growing role in economic forecasting while critically evaluating its transformative potential and inherent limitations. ▸

Traditional models vs. AI-powered forecasting

Traditional statistical methods operate within the constraints of predetermined relationships between macroeconomic variables. Though mathematically rigorous and theoretically grounded, these conventional approaches often falter when confronting the inherent complexity and dynamism of modern economic systems.

AI and ML algorithms surpass these limitations by uncovering subtle interconnections within vast economic datasets that escape traditional analytical frameworks. Rather than relying on predetermined model specifications, these systems adaptively learn from emerging patterns, capturing the nuanced interplay between variables across different market conditions and time horizons.

The result is a more sophisticated understanding of economic relationships that better reflects real-world complexity.

Unlike statistical models that require data to be structured, generative AI systems can synthesise and interpret diverse forms of unstructured information - from financial journalism and market commentary to social media discourse and corporate disclosures. This comprehensive analytical scope enables real-time evaluation of market sentiment and macroeconomic conditions, providing financial strategists and policy architects with time-critical insights that traditional models cannot capture.

Yet, this enhanced analytical power comes with an important theoretical trade-off. While traditional econometric models provide clear causal interpretations grounded in economic theory, AI systems are not theory-based but operate as sophisticated pattern-recognition tools whose internal workings often resist straightforward economic interpretation. This tension between predictive power and theoretical interpretability represents a fundamental challenge in the field that raises important questions about the optimal integration of AI tools within the broader framework of economic analysis.

The power of big data

The transformative potential of AI extends beyond mere computational efficiency to fundamentally reshape economic analysis through its capacity to process high-dimensional data. In this era of unprecedented data availability, ML methodologies demonstrate remarkable effectiveness in discriminating among thousands of potential predictors and identifying variables with genuine economic significance. This advancement has expanded the empirical frontier of economic research, enabling scholars to systematically incorporate previously intractable data sources, including satellite imagery, textual analysis, and high-frequency financial market data.

Perhaps more significantly, AI's real-time analysis and dynamic learning capacity represent a fundamental methodological advancement in economic forecasting. The Covid-19 pandemic demonstrated that economic conditions can undergo rapid structural changes. In such environments, AI systems' ability to continuously update and recalibrate their analytical frameworks ensures that forecasting models remain relevant, capturing emergent economic patterns as they materialise.

AI applications for the financial services sector

The financial services industry has emerged as a frontrunner in AI adoption, deploying sophisticated algorithms that advance risk assessment, trading strategies, and economic analysis. AI-powered forecasting has proven valuable for modelling inflation, optimising portfolios, and understanding market volatility. These systems integrate an unprecedented range of data—from digital behaviour patterns to detailed transaction records—to uncover deeper economic insights. This enhanced analytical capability has markedly improved the precision of financial analysis, allowing institutions to build stronger empirical foundations for their decisions.

Beyond traditional banking applications, AI systems show remarkable potential in expanding financial inclusion. By analysing alternative data sources, these approaches enable more accurate credit assessment for historically underserved populations—those who have operated outside conventional banking systems. ▸

Global and New Zealand AI trends by numbers[7]

Here are some statistics showing AI's impact in New Zealand and globally.

New Zealand

- 67% of New Zealand companies are now utilising some form of AI
- 71% of New Zealand respondents believe AI will drive economic advantages and new revenue opportunities
- 17% of New Zealand companies use AI for big data analytics and synthesis of insights
- 24% of New Zealand companies use AI for automating repetitive tasks

Global

- The global AI market is valued at over USD 391 billion as of 2024
- The AI market is projected to reach USD 1.81 trillion by 2030
- By 2025, as many as 100 million people will work in the AI space
- 35% of companies globally have turned to AI services to address labour shortages
- 87% of global organisations believe AI technologies will give them a competitive edge

AI application for financial institutions

Research from leading financial institutions demonstrates the superior accuracy of machine learning in economic forecasting. A comprehensive International Monetary Fund (IMF) analysis found that machine learning models consistently outperform traditional statistical approaches and the IMF's own World Economic Outlook forecasts, marking a significant validation from a preeminent global institution.

The Reserve Bank of New Zealand (RBNZ) has reached similar conclusions regarding GDP forecasting capabilities. As they note: "Our results show machine-learning algorithms are able to significantly improve over standard models used in economics to nowcast macroeconomic variables. We also show machine-learning algorithms can potentially improve the official forecasts of the Reserve Bank of New Zealand."[8]

This theoretical validation is now translating into practical implementation. Both the IMF and RBNZ are developing AI-enhanced forecasting frameworks. At the same time, researchers at Massey University have launched GDPLive (gdplive.net), an innovative real-time AI system tracking New Zealand's economic indicators, including GDP growth across national, regional, and industry levels, along with inflation metrics and OCR forecasts.

"Our results show machine-learning algorithms are able to significantly improve over standard models used in economics..."

Challenges and considerations

While the potential of AI in economic forecasting is immense, it's not without challenges. One of the primary concerns is the "black box" nature of some AI models; they can produce highly accurate predictions, but understanding how they arrive at these predictions can be difficult. This lack of transparency poses challenges, particularly in policy-making contexts where decisions must be explainable and accountable.

Another consideration is the quality and availability of data. AI models are only as good as the data they're trained on. Access to high-quality, diverse datasets is crucial for developing robust AI forecasting models.

There's also the risk of over-reliance on AI forecasts. While AI can process vast amounts of data and identify patterns humans might miss, it lacks the contextual understanding and intuition that experienced economists bring to the table. The most effective approach will likely be a combination of AI-driven insights and human expertise.

The road ahead

The emergence of explainable AI (XAI) marks a significant evolution in economic forecasting, addressing what has long been considered the Achilles' heel of AI implementation in economic decision-making. By letting us look inside the "black box", XAI creates a crucial bridge between sophisticated algorithmic analysis and practical policy implementation – transforming AI from a powerful but inscrutable tool into an interpretable decision-making partner.

As these technologies mature and demonstrate their value, they rapidly become essential components in the analytical arsenals of central banks, financial institutions, and government agencies. The ability to process and interpret vast amounts of economic data in real-time offers unprecedented opportunities for agile policy responses, particularly crucial during periods of economic turbulence when swift, well-informed decisions can help stabilise markets and mitigate potential crises.

Conclusion

The integration of AI into economic forecasting represents nothing less than a paradigm shift in our approach to economic analysis. While traditional econometric models have served us well, AI-driven approaches offer unprecedented capabilities to decode the complexities of global economic systems, capturing subtle interdependencies and emerging patterns that might otherwise remain hidden from view.

As we look ahead, it becomes clear that mastery of AI technologies will increasingly differentiate leading institutions from their peers. Yet this technological revolution brings with it profound responsibilities. Organisations must navigate complex challenges, including data privacy concerns, potential algorithmic biases, and the imperative for transparent decision-making processes. The true promise of AI in economic forecasting lies not in the wholesale replacement of traditional methods but in the thoughtful synthesis of machine learning capabilities with human judgment and established economic principles.

This convergence of humans and AI points toward a future where economic forecasting becomes more sophisticated and nuanced. The ultimate goal extends beyond mere predictive accuracy – it encompasses creating a more resilient, equitable, and sustainable global economy. In this emerging landscape, AI serves as a technological tool and a catalyst for more informed, inclusive, and forward-looking economic decision-making. ●

"By letting us look inside the "black box", XAI creates a crucial bridge between sophisticated algorithmic analysis and practical policy implementation."

Greenhouse Gas Emissions Disclosures in the New Zealand banking sector

As of 31 January 2025[9]

Ian Proudfoot
Partner - Audit
Global Head of Agribusiness
KPMG New Zealand

Sanel Tomlinson
Partner,
Sustainable Value
KPMG New Zealand

Melinda Ponnampalam
Associate Director,
GHG Accounting
Advisory Services
KPMG New Zealand

Gabrielle Wyborn
Senior Manager,
GHG Accounting
Advisory Services
KPMG New Zealand

We analysed the 2024 Financial Institution Performance Survey participants' greenhouse gas (GHG) emissions information contained within their first climate statements prepared in accordance with the Aotearoa New Zealand Climate Standards (NZ CS).

Our analysis covered the most recent disclosures lodged by 16 banks which included locally incorporated banks and New Zealand branches of overseas banks.

Why did we undertake this analysis?

Recent global and local events are reshaping the landscape of decarbonisation in the banking sector. For example, the United States announced its exit from the Paris climate agreement, and several large global banks revealed their departure from the Net Zero Banking Alliance. Closer to home, New Zealand Federated Farmers lodged a complaint with the Commerce Commission regarding emissions reductions targets being used as an anti-competitive tool in the banking industry.

The requirement to report non-financial metrics is continuing to gain momentum globally. In New Zealand, this has been driven by the introduction of the climate reporting regime that requires reporting entities to issue climate statements. The first of these were due for reporting periods ending on or after 31 December 2023. ▸

Against this evolving global backdrop coupled with New Zealand organisations continuing to be challenged by the current economic environment, we wanted to gain insight into how New Zealand banks are positioning themselves to participate in decarbonising the New Zealand economy and supporting the behavioural changes needed to progressively transition to a low-emissions, climate-resilient future.

It is globally recognised that banks have an important systemic role to play in society's response to climate change due to their position to influence and support the allocation of capital towards activities that are consistent with the transition and constructively support the development of new business opportunities. This role of banks is consistent with the expectations when the Task Force on Climate-Related Financial Disclosures' recommendations were introduced in 2017.

What did we expect?

Given the influence the financial sector has in driving behavioural change and given that many banks have been gathering emissions information for some years, we expected the New Zealand banking sector would likely be ahead of other sectors of the economy in measuring and disclosing GHG emissions. We expected larger banks with better measurement capability would be more likely to be providing voluntary disclosure beyond the mandated requirements given their public statements have acknowledged the influence they have in shaping financial markets and setting industry standards.

Although financed emissions form the bulk of a bank's total GHG emissions, we acknowledge that the time and effort required to report these emissions is significant. As a consequence, we expected that some banks would take advantage of the Scope 3 exemptions under the NZ CS. Notwithstanding our expectations on the extent of disclosure, we anticipated that, like their global counterparts, banks would be experiencing data challenges in the availability, quality, and timeliness of emissions data from suppliers and customers.

Given the focus on emission reduction expectations in the industry, we expected that the majority of banks would have set absolute emission reduction targets and disclosed their strategies or plans in sufficient detail for users to effectively understand how they intend to meet these.

What did we find?

Our findings of the extent of current disclosure were largely in line with our expectations. Overall, we observed that the New Zealand banks are more advanced than many other mandatory climate reporting entities, although not to the extent initially anticipated.

As mentioned above, we acknowledge that determining financed emissions is complex and presents challenges, particularly as there are limited global precedents to follow with New Zealand being the first country with a mandatory reporting framework of this nature. Unsurprisingly, we observed that only 38% of the banks disclosed financed emissions with the balance taking advantage of exemptions in the NZ CS.

In terms of target setting, most banks explained their emissions reduction strategies or plans to some extent. To enable users of the disclosures to more fully understand how banks will meet these targets, further specific details could be provided, including interim targets as required by NZ CS. ▸

"We observed that the New Zealand banks are more advanced than many other mandatory climate reporting entities."

Extent of non-financial performance indicators

We have identified several key non-financial performance indicators relevant to GHG emissions disclosure. This is our first year analysing these indicators, which will serve as a foundation for us to build on year-on-year going forward.

Not all banks are disclosing Scope 3 GHG emissions, and fewer again disclose financed emissions.

Scope 3 disclosures will drive the desired decarbonisation activities. As the disclosure regime evolves, these Scope 3 disclosures will become more of a focus for banks.

The New Zealand position contrasts with global counterparts, where many major banks disclose financed emissions for certain sectors of their lending activities[10].

38%

Survey respondents that disclosed financed emissions information

None of the banks have measured and disclosed facilitated emissions, and only two of the banks specifically referenced facilitated emissions, noting that these were not currently being calculated. This is not surprising given that the topic of facilitated emissions measurement is still in its infancy.

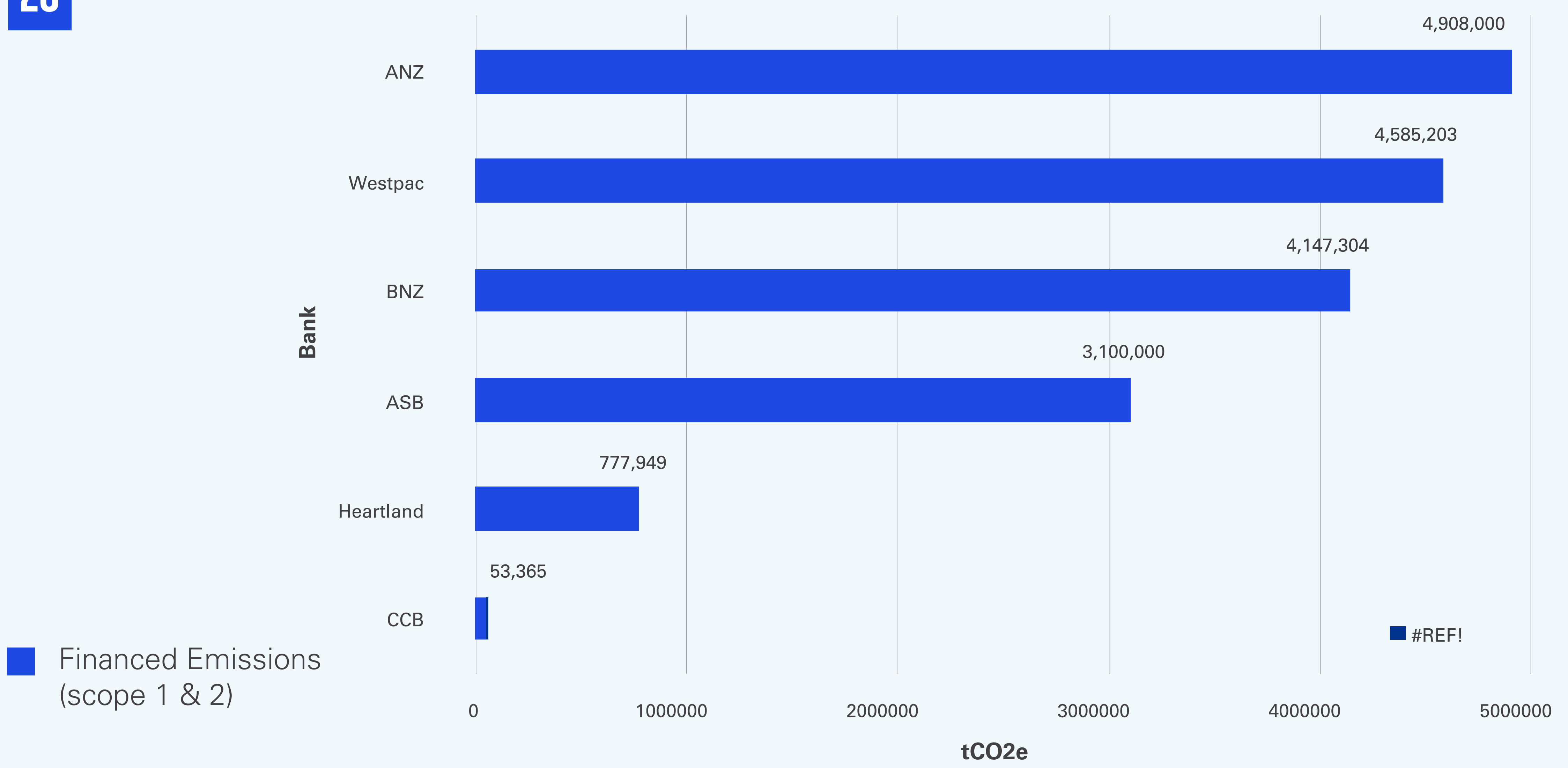
While reporting of Scope 3 emissions was not mandated for the first reporting cycle, a range of disclosures were made with coverage of categories of Scope 3 operational emissions varying across the banks making disclosures. This reflects that each bank is at a different stage in their emissions measurement journey.

Common categories of Scope 3 GHG emissions that are partially or fully disclosed include Purchased Goods & Services, Business Travel, Waste and Employee Commuting. These categories are relatively easy to measure and report i.e. activity data and emission factors are readily available with broadly accepted methodologies.

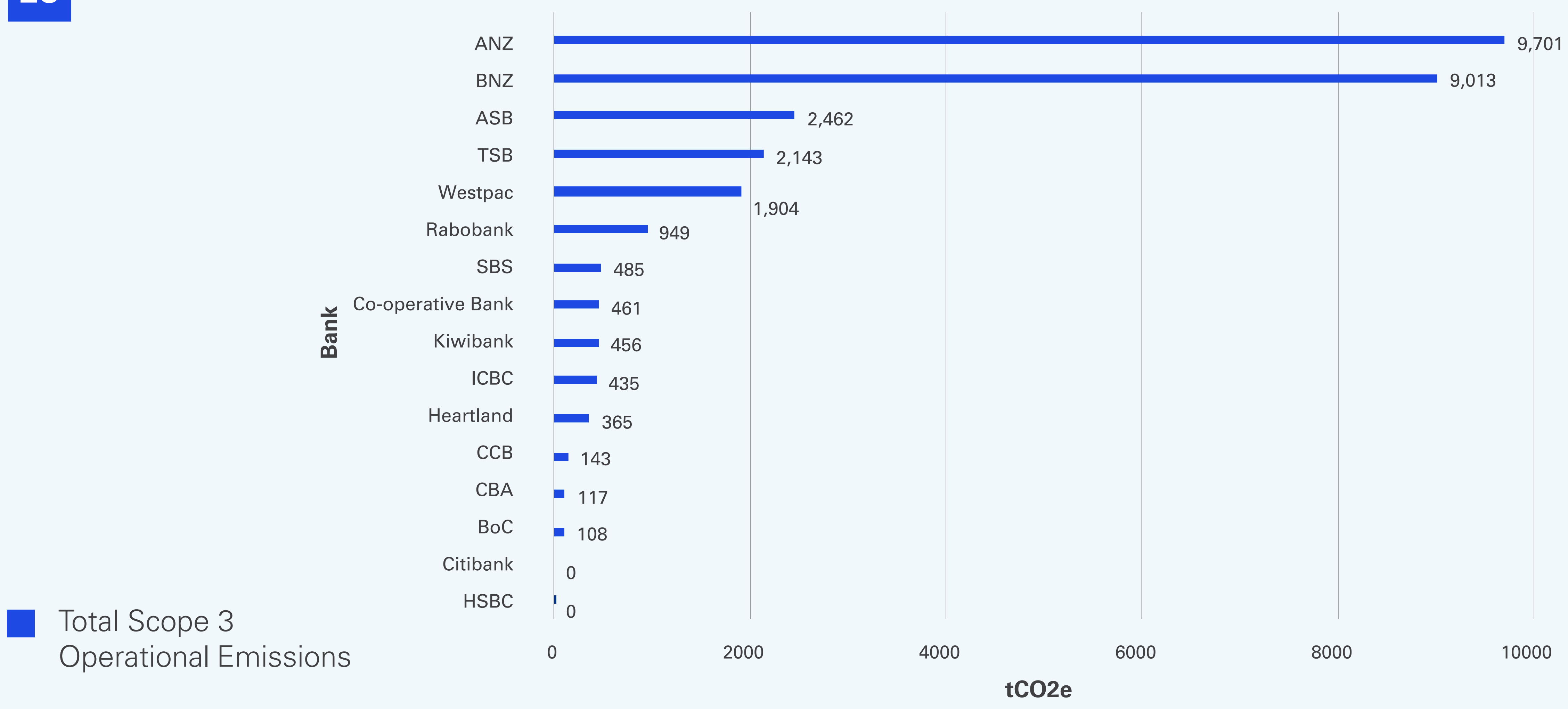
It is also worth noting that banks that have been reporting under certification programmes (e.g. Toitū Envirocare) would have had to report these categories as part of the certification process.

We will only be able to analyse commonly excluded Scope 3 GHG emissions categories once entities are no longer using the adoption provisions. ▸

25 Disclosure of Financed Emissions

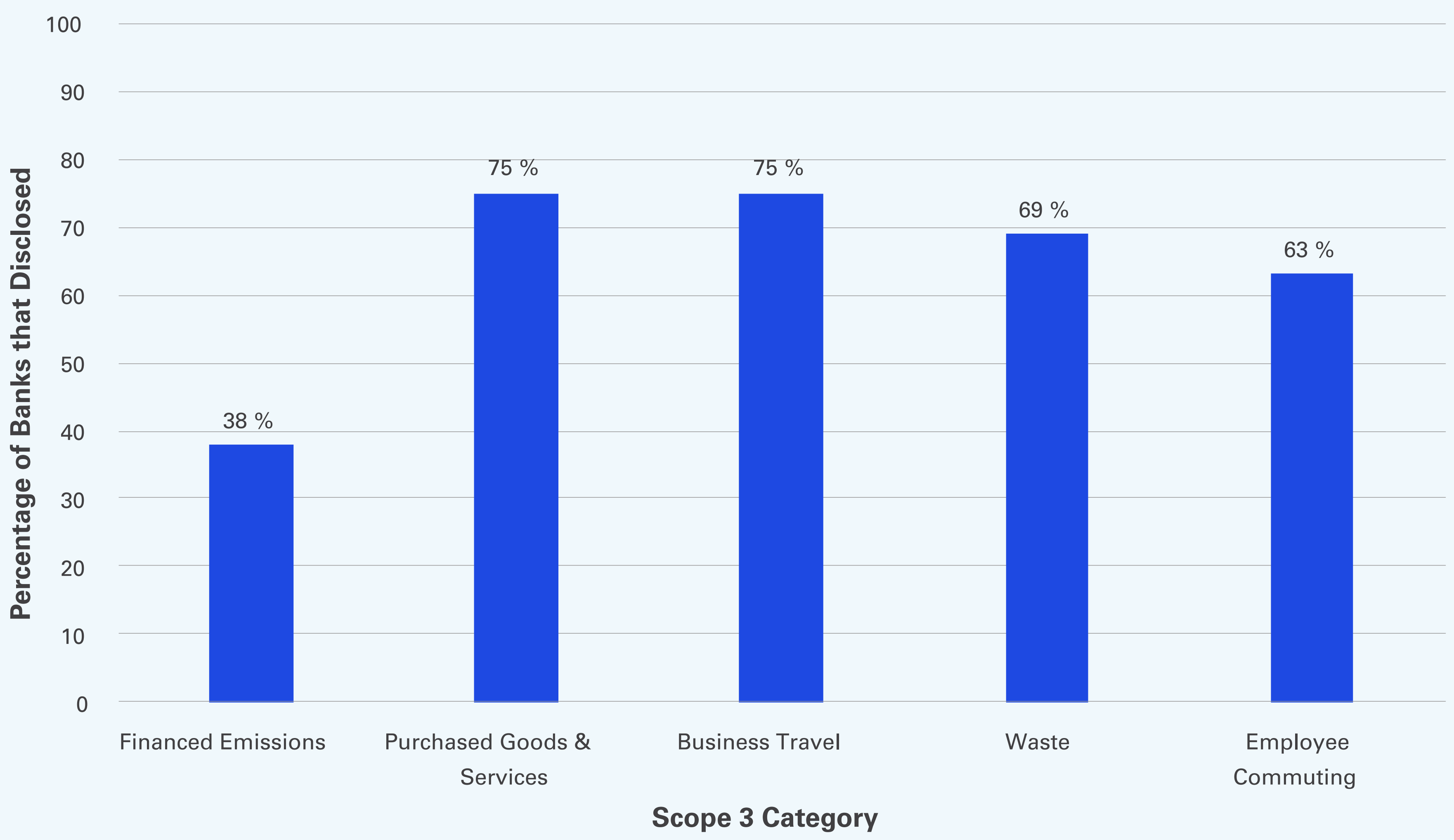


26 Disclosure of Scope 3 Operational Emissions



*Note: Coverage of categories varies across the banks

27 Commonly disclosed Scope 3 categories



Banks encountered data-related and measurement capability obstacles when disclosing financed emissions.

These challenges are not unique to New Zealand or to the banking sector as they are being experienced globally and across other sectors. Despite this, our analysis found limited disclosure from the banks about how they are intending to overcome these recognised challenges. Beyond mandatory disclosure and acknowledging the existence of these obstacles, increasing transparency about the actions banks are taking (or not taking) to overcome them would enhance stakeholder trust and meet the long-term intentions of regulators and standard setters.

All the organisations that disclose their financed emissions use the globally recognised Partnership for Carbon Accounting Financials (PCAF) methodology for calculating these emissions highlighting this approach has become the default guidance.

Financed emissions disclosures have commonly included those relating to Business Loans and Unlisted Equity, Commercial Real Estate and Residential Mortgages.

The reasons provided by the banks for any exclusions included:

- Lack of globally recognised methodology for an asset class being available.
- Asset balances considered not material (noting that materiality was generally based on financial considerations).
- Lack of data availability.

All banks disclosing financed emissions also disclosed data quality scores[11], ranging between 4 – 4.5, reflecting relatively lower data quality. This is likely due to most entities relying on third party data sources and estimations due to data limitations. Other reasons included being new to measuring financed emissions and being early in their journey in building capability for accurate measurement.

We observed the following common data and measurement challenges disclosed by the banks:

Lack of measurement capability:

The most referenced rationale for not disclosing financed emissions was due to a lack of in-house measurement capability.

Accuracy and completeness of emissions data from customers:

Banks may be reliant on customer disclosures. Although a common approach, this may impact the accuracy and completeness of emissions disclosed.

Alignment with financial reporting periods:

Banks face difficulties aligning customer financial and emissions data with their own reporting period, resulting in potential discrepancies due to timing lags.

Availability of emissions information:

Many banks use proxies such as sector and/or industry averages and third-party estimates where investee entities do not calculate emissions. For example, some entities use a third-party data provider to estimate investee entity emissions. If banks are using third-party data providers, they must ensure that they have effective challenge and oversight over the information being provided, as well as the readiness of the data for assurance. ▶

Despite this widespread practice, only one bank mentioned that they had plans to engage with a third-party data supplier to improve data quality (accuracy and granularity of data), which would enhance the accuracy of their emissions information.

Lack of recognised measurement methodology:

Banks appear to be relying on published methodologies being available to provide guidance in measurement of financed emissions as PCAF currently does not have measurement methodologies for financed emissions for various assets/products such as consumer finance and assets held for short duration/designated for sale. Noting that the NZ CS provide flexibility in the methodologies used by reporting entities, in these instances, banks could be looking to articulate their own approach (drawing on guidance by analogy), consistent with the approach used in financial reporting.

Data lineage and categorisation:

Consistent with global insights, a common challenge for banks is that current processes and systems are not set up to easily delineate financial reporting data attributable to the PCAF asset classes. Some New Zealand banks have been found grouping emissions using their own asset class categorisation and, in some instances, mapping this back to the PCAF asset classes, indicating a data lineage challenge within banks' financial reporting systems.

Variances exist in the emissions reduction targets being set by the banks.

There is significant variance in the types of targets being publicly disclosed by banks, likely because the NZ CS only require disclosure of targets used to manage climate-related risks and opportunities.

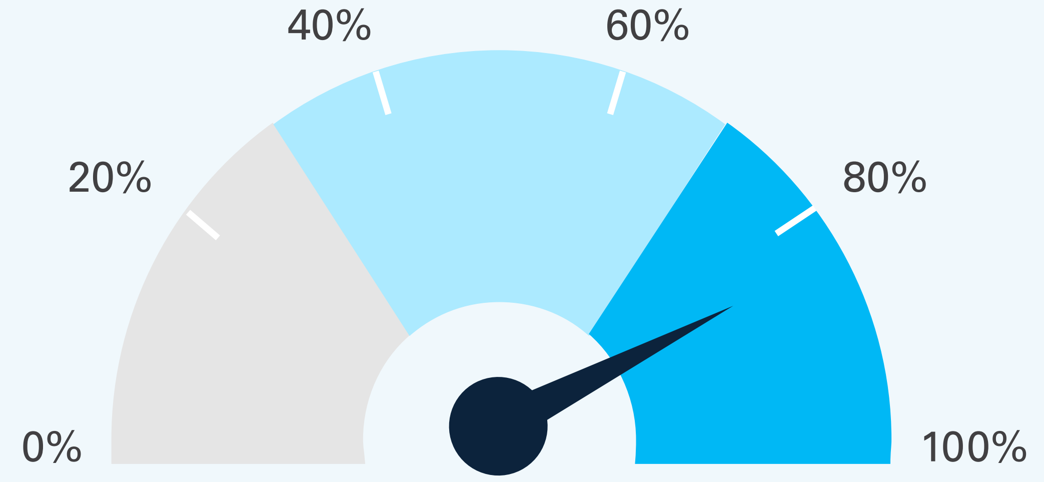
Of the 16 disclosures reviewed, 13 have absolute GHG emissions reduction targets focused largely on operational emissions (Scope 1 and 2), with a 2030 deadline.

Most have explained their strategies or plans on how they can achieve these targets to some extent. We acknowledge that there could be sensitivities with disclosing specific details of strategies or plans to reduce emissions to meet targets, and that these need to be balanced with the information needs and expectations of users of the disclosures.

Notably, eight entities have committed to a net zero target, while several others acknowledge the need for net zero targets but lack commitment or a clear plan. Only three banks are setting sector-specific financed emissions targets.

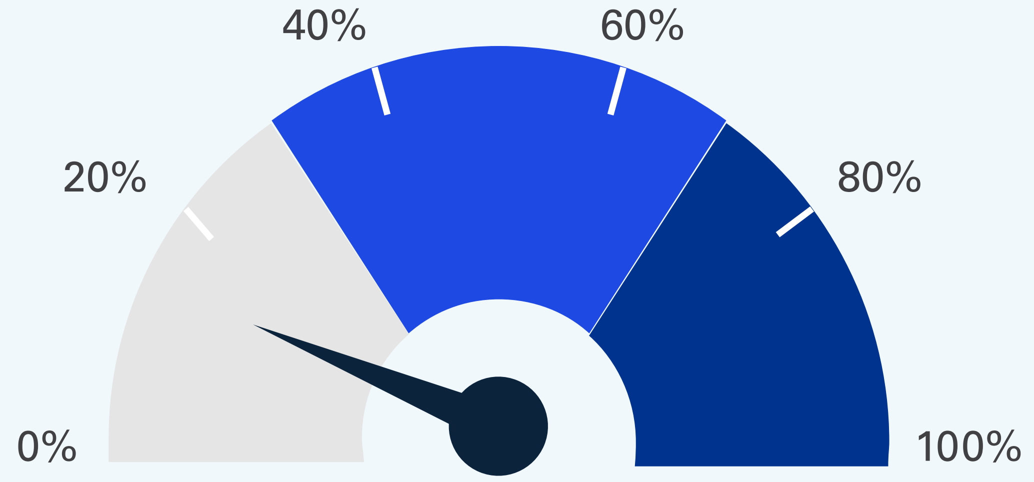
It is pleasing to see that all banks have not relied on offsets for meeting their absolute emissions targets in the current period.

Banks have disclosed emissions intensity metrics as required by NZ CS, but only six have set emissions intensity targets. This indicates entities are taking more of a compliance focus to their disclosures to this requirement, with the reader left uncertain as to how these intensity metrics are used. This may be, as mentioned above, because banks are not using intensity metrics in managing their climate-related risks and opportunities. ▸



81%

Majority have set absolute GHG emissions reduction targets focused largely on operational emissions. CBA, ICBC and HSBC are the three banks that have not disclosed targets.



18%

A small number of banks are setting sector-specific financed emissions targets. These banks are ANZ, ASB and Westpac.

How can banks enhance disclosures in 2025 and beyond?

Recognising that measurement and disclosure emissions will evolve as the new reporting regime becomes more established, we consider focus areas for the New Zealand banking sector for 2025 and beyond could include:

1. Seek to improve data lineage between financial reporting and emissions calculations: Early collaboration between teams responsible for financial reporting and those handling financed emissions calculations could reduce manual input and enhance alignment between all the information an organisation reports.

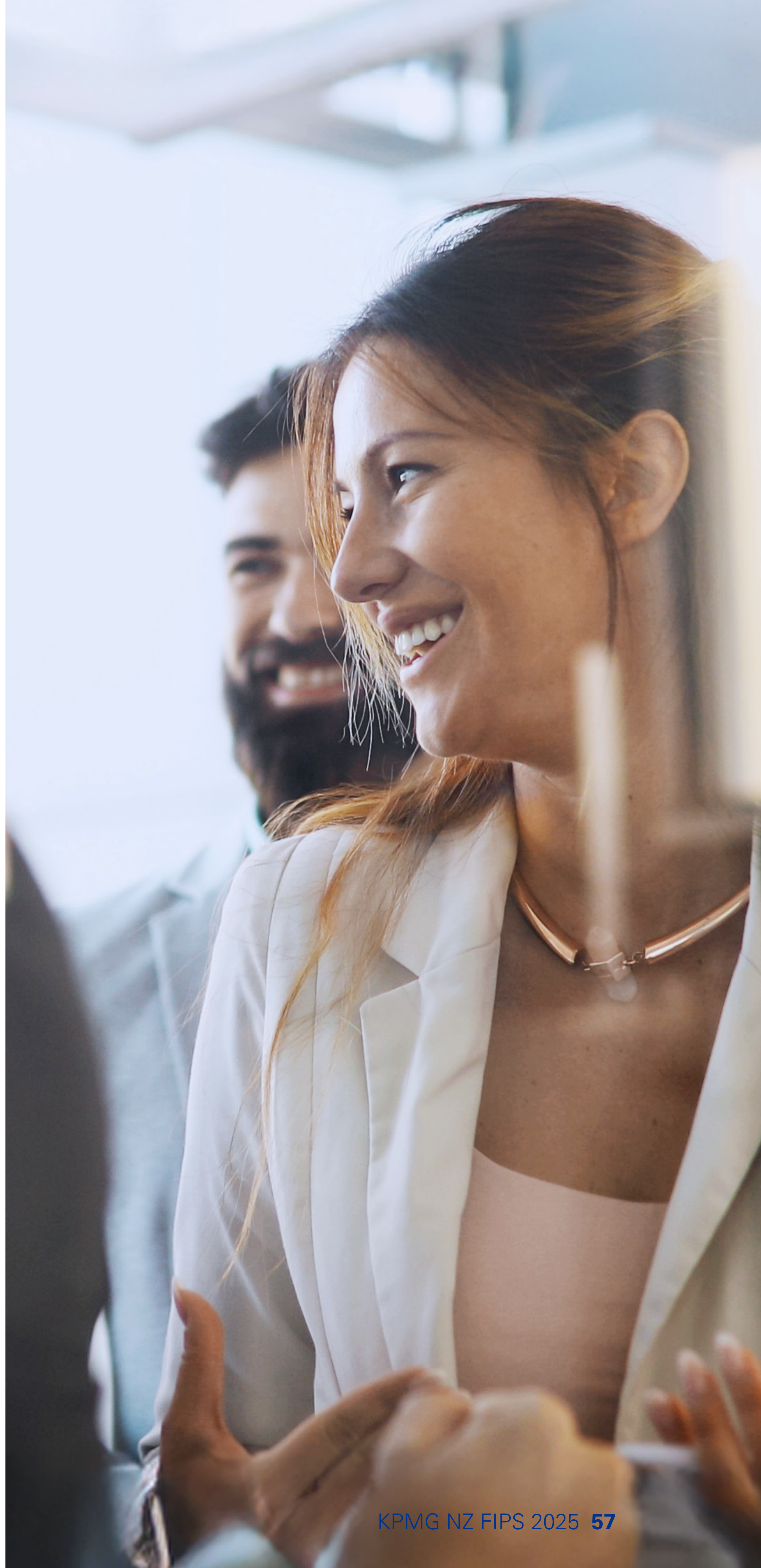
2. Widen the coverage of financed emissions: Consider expanding coverage of financed emissions to include previously excluded material asset classes. If published methodologies are not available, consider developing bespoke methodologies that are consistent with the bank's overarching approach. Similar to the approach taken for financial reporting, banks could be looking to articulate their own approach (drawing on guidance by analogy) and disclose how they are reporting.

3. Enhance transparency in disclosing forward looking strategies and plans: With the requirement to disclose a transition plan becoming effective in the second climate statement, banks will be expected to provide greater detail in relation to strategies, plans, and progress reports. This could build stakeholder trust and improve the quality of the disclosures being made. For example, this should go further than only stating targets and how they were or were not achieved during the year or acknowledging obstacles to emissions measurement, such as data-related and measurement capability. Instead, banks could extend their disclosures to include the actions they will take to meet targets or overcome challenges, balancing any sensitivities with the needs and expectations of the users of the disclosures.

4. Continue current efforts to engage with suppliers and customers to improve Scope 3 data quality: Build on the good work that is already taking place to engage with suppliers and customers to enhance the accuracy and completeness of Scope 3 emissions, including financed emissions data. This could include developing tools that can be deployed to suppliers and/or customers to make it easier for them to provide information in a consistent and usable manner.

Banks have an important systemic role to play in society's response to decarbonisation and climate change, but as we have seen recently, their focus on GHG emissions reduction strategies and targets can be perceived as anti-competitive behaviour or virtue signalling, rather than an appropriate commercial response to the risks that they face. On top of the mandatory reporting requirements that banks face, climate reporting can be used in a constructive way to create new opportunities both for themselves and for the New Zealand economy. Potential opportunities can arise from attracting new investment, enhancing competitiveness, and enabling innovative financing for technologies and products that promote sustainability and resilience.

Given this context, it is more critical than ever for banks to clearly articulate the journey that they are on and the benefits of their actions. Transparent communication of their progress and the long-term advantages of these initiatives can help mitigate misconceptions and gain broader support from stakeholders. By maintaining clear and consistent messaging, banks can demonstrate that their efforts align with both competitive business practices and global climate goals.



Ownership

as at 31 December 2024

Registered banks	Ultimate shareholding	%
ANZ Bank New Zealand Limited	ANZ Group Holdings Limited	100
ASB Bank Limited	Commonwealth Bank of Australia	100
Australia and New Zealand Banking Group Limited - New Zealand Banking Group	ANZ Group Holdings Limited	100
Bank of Baroda (New Zealand) Limited	Bank of Baroda (India)	100
Bank of China (New Zealand) Limited	Bank of China Limited (China)	100
Bank of China New Zealand Banking Group	Bank of China Limited (China)	100
Bank of India (New Zealand) Limited	Bank of India (India)	100
Bank of New Zealand	National Australia Bank Limited	100
China Construction Bank (New Zealand) Limited	China Construction Bank Corporation	100
China Construction Bank New Zealand Banking Group	China Construction Bank Corporation	100
Citibank, N.A. New Zealand Branch	Citigroup Inc.	100
Commonwealth Bank of Australia New Zealand Operations	Commonwealth Bank of Australia	100
Coöperatieve Rabobank U.A. New Zealand Banking Group	Coöperatieve Rabobank U.A.	100
Heartland Bank Limited	Heartland Group Holdings Limited	100
Industrial and Commercial Bank of China (New Zealand) Limited	Industrial and Commercial Bank of China Limited (China)	100

Registered banks	Ultimate shareholding	%
Industrial and Commercial Bank of China New Zealand Banking Group	Industrial and Commercial Bank of China Limited (China)	100
JPMorgan Chase Bank, N.A., New Zealand Banking Group	JPMorgan Chase & Co.	100
Kiwibank Limited	Kiwi Group Capital Limited	100
Kookmin Bank Auckland Branch	KB Financial Group Inc	100
MUFG Bank, Ltd., Auckland Branch	Mitsubishi UFJ Financial Group, Inc	100
Rabobank New Zealand Limited	Coöperatieve Rabobank U.A.	100
Southland Building Society	Mutual	100
The Co-operative Bank Limited	Mutual	100
The Hongkong and Shanghai Banking Corporation Limited, New Zealand Banking Group	HSBC Holdings plc	100
TSB Bank Limited	TOI Foundation	100
Westpac Banking Corporation - New Zealand Banking Group	Westpac Banking Corporation	100
Westpac New Zealand Limited	Westpac Banking Corporation	100

Credit ratings
as at 31 December 2024

	Standard & Poor's		Fitch Ratings		Moody's	
Registered banks	Rating	Outlook	Rating	Outlook	Rating	Outlook
ANZ Bank New Zealand Limited	AA-	Stable	A+	Stable	A1	Stable
ASB Bank Limited	AA-	Stable	A+	Stable	Aa3	Stable
Australia and New Zealand Banking Group Limited - New Zealand Banking Group[12]	AA-	Stable	AA-	Stable	Aa1	Stable
Bank of Baroda (New Zealand) Limited			BBB-	Stable		
Bank of China (New Zealand) Limited	A	Stable			A1	Negative
Bank of China New Zealand Banking Group[13]	A	Stable	A	Negative	A1	Negative
Bank of India (New Zealand) Limited			BBB-	Stable		
Bank of New Zealand	AA-	Stable	A+	Stable	A1	Stable
China Construction Bank (New Zealand) Limited			A	Negative	A1	Negative
China Construction Bank New Zealand Banking Group[14]	A	Stable	A	Negative	A1	Negative
Citibank, N.A. New Zealand Branch[15]	A+	Stable	A+	Stable	Aa3	Stable
Commonwealth Bank of Australia New Zealand Operations[16]	AA-	Stable	AA-	Stable	Aa2	Stable
Coöperatieve Rabobank U.A. New Zealand Banking Group[17]	A+	Stable	A+	Stable	Aa2	Stable
Heartland Bank Limited			BBB	Stable		
Industrial and Commercial Bank of China (New Zealand) Limited	A	Stable			A1	Negative
Industrial and Commercial Bank of China New Zealand Banking Group[18]	A	Stable	A	Negative	A1	Negative
JPMorgan Chase Bank, N.A., New Zealand Banking Group[19]	AA-	Stable	AA	Stable	Aa1	Negative
Kiwibank Limited			AA	Stable	A1	Stable
Kookmin Bank Auckland Branch[20]	A+	Stable	A	Stable	Aa3	Stable
MUFG Bank, Ltd., Auckland Branch[21]	A	Stable	A	Stable	A1	Stable
Rabobank New Zealand Limited	A	Stable			Aa2	Stable
Southland Building Society			BBB	Stable		
The Co-operative Bank Limited			BBB+	Stable		
The Hongkong and Shanghai Banking Corporation Limited, New Zealand Banking Group[22]	AA-	Stable	AA-	Stable	Aa3	Stable
TSB Bank Limited			BBB+	Stable		
Westpac Banking Corporation - New Zealand Banking Group[23]	AA-	Stable	AA-	Stable	Aa2	Stable
Westpac New Zealand Limited	AA-	Stable	A+	Stable	A1	Stable

Descriptions of the credit rating grades

Long-term credit rating grades assigned by Standard & Poor's	Description of the steps in the Standard & Poor's credit rating grades for the rating of the long-term senior unsecured obligations payable in New Zealand, in New Zealand dollars.
AAA	Extremely strong capacity to meet financial commitments. Highest rating.
AA	Very strong capacity to meet financial commitments.
A	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.
BBB	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions.
BB	Less vulnerable in the near-term, but faces major ongoing uncertainties to adverse business, financial and economic conditions.
B	More vulnerable to adverse business, financial and economic conditions, but currently has the capacity to meet financial commitments.
CCC	Currently vulnerable and dependent on favourable business, financial and economic conditions to meet financial commitments.
CC	Currently highly vulnerable. Default has not yet occurred, but is expected to be a virtual certainty.
Plus (+) or Minus (-)	The ratings AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.
BB, B, CCC, and CC	Borrowers rated BB, B, CCC and CC are regarded as having significant speculative characteristics. BB indicates the least degree of speculation and CC the highest. While such borrowers will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

Long-term credit rating grades assigned by Standard & Poor's	Description of the steps in the Standard & Poor's credit rating grades for the rating of the long-term senior unsecured obligations payable in New Zealand, in New Zealand dollars.
Assigned by Fitch Ratings	Fitch Ratings applies 'investment grade' rates 'AAA' to 'BBB' to indicate relatively low to moderate credit risk, while for those in the 'speculative' or 'non-investment grade' categories which have either signalled a higher level of credit risk or that a default has already occurred, Fitch Ratings applies a 'BB' to 'D' rating. The modifiers '+' or '-' may be appended to a rating to denote relative status within the major rating categories. Credit ratings express risk in relative rank order, which is to say they are ordinal measures of credit risk and not predictive of a specific frequency of default or loss.
Assigned by Moody's Investors Service	Moody's Investors Service appends numerical modifiers 1, 2 and 3 in each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates the lower end of that generic category.
Assigned by Rating and Investment Information, Inc.	Rating and Investment Information, Inc. applies a rating scale where the grades of 'AAA' to 'BB' indicate the highest level of creditworthiness supported by excellent factors, to a sufficient level of creditworthiness where some factors require attention at times. Grades of 'B' to 'C' are applied where creditworthiness is questionable and some factors require constant attention, to cases where an obligation is in default. Rating and Investment Information, Inc. include the use of modifiers, such as '+' or '-' to the categories of 'AA' to 'CCC' to indicate the relative standing within each rating category.

Definitions

Terms and ratios used in this survey	Definitions used in this survey
Gross impaired assets	Includes all impaired assets, restructured assets, and assets acquired through the enforcement of security, but excludes past due assets.
Gross loans and advances	Includes loans and advances, lease receivables (net of unearned income) and accrued interest receivable (where identifiable), but excludes amounts due from banks, marketable securities, loans to related parties, sundry debtors and prepayments.
Gross revenue	Includes gross interest income, gross operating lease and net other income.
Impaired asset expense	The charge to the Profit or Loss Account for bad debts and provisions for doubtful debts, which is net of recoveries (where identifiable).
Interest bearing liabilities	Customer deposits (including accrued interest payable where identifiable), balances with banks, debt securities, subordinated debt and balances with related parties.
Interest earning assets	Cash on hand, money on call and balances with banks, trading and investment securities, net loans and advances (including accrued interest receivable where identifiable), leased assets net of depreciation and balances with related parties.
Interest expense	Includes all forms of interest or returns paid on debt instruments.
Interest spread	Difference between the average interest rate on average interest earning assets, and the average interest rate on average interest bearing liabilities.
Net assets	Total assets less total liabilities.

Terms and ratios used in this survey	Definitions used in this survey
Net interest income	Interest income (including net income from acting as a lessor) less interest expense.
Net interest margin	Net interest income divided by average interest earning assets.
Net loans and advances	Loans and advances, net of provision for doubtful debts.
Operating expense	Includes all expenses charged to arrive at net profit before tax excluding interest expense, impaired asset expense, subvention payments, direct expense related to other income (where identifiable) and depreciation of leased assets where a lessor.
Operating income	Net interest income, net operating lease income and net other income (where direct expense related to other income is identifiable).
Past due assets	Includes any asset which has not been operated by the counterparty within its key terms for 90 days and which is not an impaired or restructured asset.
Provision for doubtful debts	Includes both collective and individual provisions for bad and doubtful debts.
Total assets	Excludes goodwill assets (unless specifically defined).
Ultimate shareholding	Identifies the ultimate holding company rather than any intermediate holding companies.
Underlying profit	Operating income less operating expense and impaired asset expense. Items of a non-recurring nature, unrelated to the ongoing operations of the entity, are excluded.

Endnotes

1	Our analysis of registered banks is from the view of the top geographic entities in New Zealand for each banking group and comprises 19 entities. The following entities hold a separate registered bank licence and are included within top level banking groups for the purposes of our analysis; ANZ Bank New Zealand Limited, ASB Bank Limited, Bank of China (New Zealand) Limited, China Construction Bank (New Zealand) Limited), Rabobank New Zealand Limited and Westpac New Zealand Limited.
2	The related articles are hyperlinked to provide the reader with the ability to access the respective news releases.
3	Centrix Credit Indicator February 2025
4	This data represents the top New Zealand level banking-licensed entity and is referred to using the name as per the entity's respective disclosure statements.
5	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.
6	Financial Stability Report November 2024
7	Global figures sourced from: MITSloan Management Review, Horizon Grand View Research, Hostinger, World Economic Forum. NZ figures sourced from Datacom 'State of AI Index'.
8	Discussion Paper 2019-03. Nowcasting GDP using machine learning algorithms: A real- time assessment. Adam Richardson, Thomas van Florenstein Mulder & Tuğrul Vehbi.
9	Reporting periods included those ending 31 December 2023 through to 30 September 2024. This covered the most recent disclosures lodged by the CREs on the Climate-Related Disclosure Register.

10	Banks' Climate-Related Disclosures: Benchmarking Banks' Climate-Related Disclosures in the 2023 Reporting Cycle, KPMG, June 2024.
11	Banks followed the PCAF guidelines for estimating and reporting the data quality of financed emissions. A score of one (1) is best, reflecting verified and disclosed customer emissions. A score of five (5) reflects the highest level of uncertainty (e.g. using sector average emissions).
12	Rating of Parent, Australia and New Zealand Banking Group Limited (Australia) - S&P's, Fitch and Moody's.
13	Rating of Parent, Bank of China Limited (China) - S&P's, Fitch and Moody's.
14	Rating of Parent, China Construction Bank Corporation (China) - S&P's, Fitch and Moody's.
15	Rating of Parent, Citibank N.A. (United States) - S&P's, Fitch and Moody's.
16	Rating of Parent, Commonwealth Bank of Australia (Australia) - S&P's, Fitch and Moody's.
17	Rating of Parent, Cooperative Rabobank U.A. (Netherlands) - S&P's, Fitch and Moody's.
18	Rating of Parent, Industrial and Commercial Bank of China Limited (China) - S&P's, Fitch and Moody's.
19	Rating of Parent, JPMorgan Chase Bank N.A. (United States) - S&P's, Fitch and Moody's.
20	Rating of Parent, Kookmin Bank (South Korea) - S&P's, Fitch and Moody's.
21	Rating of Parent, MUFG Bank Limited (Japan) - S&P's, Fitch and Moody's.
22	Rating of Parent, The Hongkong and Shanghai Banking Corporation Limited (Hong Kong) - S&P's, Fitch and Moody's.
23	Rating of Parent, Westpac Banking Corporation (Australia) - S&P's, Fitch and Moody's.

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About KPMG's Financial Services Team

KPMG's Financial Services team

provides focused and practical audit, tax and advisory services to the insurance, retail banking, corporate and investment banking, and investment management sectors.

Our professionals have an in-depth understanding of the key issues facing financial institutions.

Our team is led by senior partners

with a wealth of client experience and relationships with many of the market players, regulators and leading industry bodies.

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