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Financial Institutions
Performance Survey

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MARCH 2015 QUARTERLY RESULTS

Our cover image of the wind turbine mirrors the economy and the banks' performance this quarter. Like the wind, the economy can be intermittent; it can come or move in any direction, there can be lulls or gusts, all occurring at irregular intervals. The wind is not continuous or consistent and like those affected by the wind, those affected by the economy need to harness its changing force.

A positive start for 2015 as profits increase for the NZ Banking Sector

Net profit after tax (NPAT) for the March 2015 quarter in the New Zealand banking sector bounced back from the slight dip in the December 2014 quarter to continue the prior quarters trend of growth with a $98 million or an 8.55% increase over the first quarter of 2015. Of the five major banks, four showed improvements in their NPAT for the quarter. BNZ lead the way with a 16.38% increase driven mainly from an increase in other income of 50%. On the other end of the spectrum, Kiwibank suffered a 19.4% drop in NPAT due to increased operating expenses.

A prosperous labour market coupled with a steady, low interest rate environment has enabled New Zealand banks to become some of the top performers when compared to other OECD nations. Using the March 2015 quarter results as a platform, the banking sector is delicately poised between continuing to gather momentum in 2015 and facing pressure from the fallout in Europe and declining business confidence at home.

"Total assets have yet again reached a new record high with a 2.67% improvement since the December 2014 quarter to achieve a combined $412 billion.

Total assets achieve a record high

In what can be taken as a sign of confidence within the economy, total assets have yet again reached a new record high with a 2.67% improvement since the December 2014 quarter to achieve a combined $412 billion amongst the Survey participants. This is attributed to an increase of lending by 1.9% for the quarter with an annual increase of 6.05% as at 31 March 2015. In what is becoming commonplace for New Zealand's largest financial institutions in recent times, another record asset base puts New Zealand banks among the best performing in the developed world.

Economic outlook a little patchy

The positive start for the banking sector in 2015 has not necessarily been a reflection of the New Zealand economy as a whole. Gross Domestic Product rose only 0.2% during the March quarter, which was the slowest rate in two years and much lower than the 0.6% growth forecasted by the Reserve Bank of New Zealand (RBNZ). Some economists have now put into question the longer term growth prospects of the New Zealand economy and are expecting further Official Cash Rate (OCR) cuts during 2015.

Of further concern is the second consecutive quarter of Consumer Price Index decreases, falling 0.3% in March 2015. This is the first time this has occurred since the period December 1998 through to March 1999. Though, this quarter, the nature of inflationary drivers, being mainly petrol and dairy prices, can be seen as relatively temporary. When looked at in conjunction with an exchange rate that has declined significantly since its April 2015 peak but remained overvalued according to the RBNZ, the RBNZ deemed this as sufficient grounds to cut the OCR by 25 basis points (bps) to 3.25% in their June Monetary Policy Statement. This was an effort to ensure inflation moves closer to the midpoint of the 1-3% target in the near future.

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In the global economic outlook we can see that the growth rates experienced by China in the past decade of around 10% are beginning to slow down, bringing with it substantial risks to New Zealand who rely on China as its second largest trading partner. An oversupply of milk products in China has meant Global Dairy Auction prices continue to trend downwards, putting prolonged cash flow pressure on New Zealand's primary industry, particularly in the dairy sector. This was partially offset by the price of oil falling a further 11% during the March quarter injecting a much needed income boost for many industries; however, these indicators have tracked in the opposite direction since March with petrol prices rebounding and New Zealand as an oil importing nation beginning to feel the pinch. In the month of June, Business confidence in New Zealand was negative for the first time since the September 2011 earthquake, which is mostly due to struggling agriculture sector. Dairy prices are the lowest they have been since August 2009, and the RBNZ has estimated that around a quarter of dairy farmers are operating in negative cash flow. However on a positive note, retail sales experienced its largest increase in volume since December 2006, up 2.7% with higher sales volumes in all 15 industries surveyed by Statistics New Zealand. A close eye will be kept on the RBNZ's next move in the upcoming September Monetary Policy Statement with the hope that in the meantime the New Zealand economy will continue to tick over to that 'Goldilocks' growth rate of around 3% per annum.

Greece defaulted on their €1.6 billion debt to the International Monetary Fund, the first developed country in history to do so. On June 29, they had closed all banks for the week, restricted ATM withdrawals, and froze their Stock exchange, in order to prevent their banking system from fully collapsing. They are currently in negotiations for a loan extension with their European lenders, but getting little tolerance of their stance from lenders.

Regulatory environment

A consultation paper regarding a change in the Loan-to-value Ratio (LVR) rules to specifically focus on the Auckland housing market was published by the RBNZ on 3 June 2015. The proposal is that from 1 October 2015, banks will need to restrict the amount of loans to property investors in the Auckland region with an LVR of greater than 70% to no more than 10% of their total loan book. For non-Auckland residential loans with LVRs greater than 80%, the speed limit is proposed to increase from 10% of the total loan book to 15% of the total loan book.

The RBNZ is also establishing a new class of bank loans to residential property investors, which will have a higher risk weighting than owner-occupier mortgages.

This intent to curb house price inflation follows in a similar vein the recent announcement made in the Government's May Budget that from 1 October all residential properties bought and sold within two years will be taxed equivalent to the rate of the seller's income tax. While it is not a blanket capital gains tax with the assurance that family homes are excluded from the new policy, it is targeted at investors, particularly foreign buyers, attempting to cash up in the New Zealand property bubble. Finance Minister, Bill English, also hinted at a potential withholding tax for non-residents selling residential property that for now is only a possibility and should be kept on the regulatory radar.

Another piece of legislation that has been on the regulatory radar for some time now is the Responsible Lending code that received Cabinet sign off on 17 March to enforce regulation under the Credit Contracts and Consumer Finance Amendment Act 2014 regarding the disclosure of the cost of borrowing and repayment obligations, as well as exemptions for disclosures of securitisation and covered bond arrangements, plus other obligations imparted on Financial Service Providers.

What else is happening?

The struggles in European economies and the European banking sector appear to be impacting some of the European owned New Zealand branches. Both Deutsche Bank and Rabobank New Zealand Limited experienced a downgrade in their long term credit rating during the first six months of the year. Standard & Poor's lowered Deutsche Bank's credit rating in June to BBB+, which is only three notches above the "junk" rating of BBB-. Rabobank New Zealand Limited's drop in credit rating was not as severe, with Standard & Poor's downgrading the credit rating from A+ to A, due to the expiration of an unconditional guarantee from its parent company – Rabobank Nederland.

In order to more easily meet their regulatory requirements under the RBNZ's Basel III framework, on 1 May 2015 Kiwibank announced a $150 million issue of perpetual capital notes with credit ratings of BB- (Standard & Poor's). Kiwibank's intention is to use the proceeds of this issue to invest in regulatory capital instruments, which will allow them to be easily converted into ordinary shares or written off in the event of severe financial difficulty.

On 25 June 2015, Kiwibank's local currency long term credit rating was re-affirmed by Fitch Ratings at AA+, with a positive outlook.

ASB Bank and the IRD finally settled a tax dispute involving ASB Bank trying to claim $499.4 million worth of deductions from foreign exchange losses occurring during the global financial crisis in its 2008 and 2009 income tax returns.

Peer-to-peer lending appears to picking up some traction, with LendMe joining Harmoney as New Zealand's second licenced peer-to-peer lender on May 11, and is aiming for a mid-year launch. LendMe plans to target the non-consumer finance market, focusing on the rural sector, commercial property and business sector, and the home loan market, particularly borrowers who are struggling to meet the RBNZ's high LVR restrictions for residential mortgages. LendMe has also been in talks of forming an alliance with a currently undisclosed New Zealand bank.

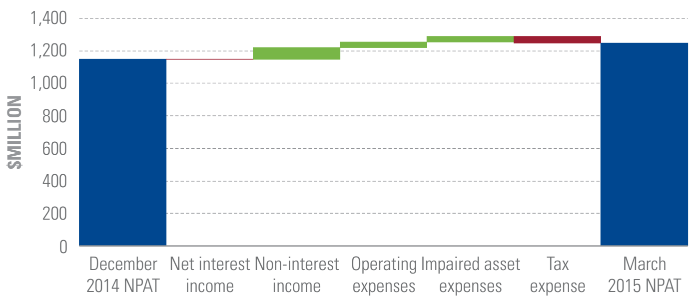
Quarterly analysis

Net profit after tax

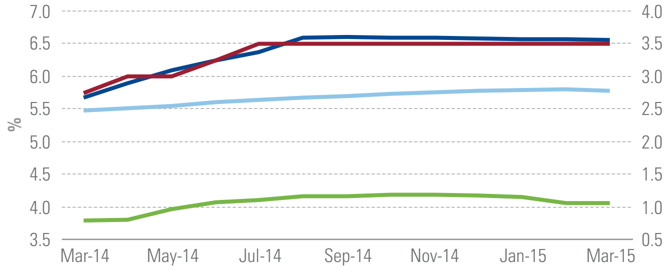
Net profit across the banking sector for the March 2015 quarter has improved by 8.55%, increasing by $98 million from $1,151 million to $1,249 million. This was driven by the strong performance of the four largest banks (ANZ, CBA, BNZ and Westpac) and TSB, who bounced back strongly after a loss during the December 2014 quarter due to the large write down of Solid Energy bonds. All the remaining banks, except for Heartland, experienced a decrease in NPAT.

Growth in other income, together with a reduction in operating and impaired asset expenses, were the main drivers for the industry-wide increase in NPAT,

1 MOVEMENT IN NET PROFIT AFTER TAX

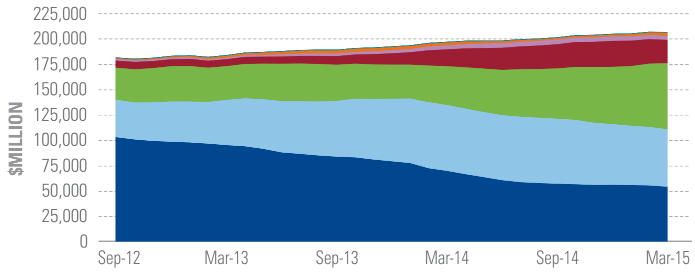


2 RETAIL INTEREST RATES ON LENDING AND DEPOSITS



Source: Reserve Bank of New Zealand Statistics

3 RESIDENTIAL MORTGAGE LOANS MATURITY PROFILE



Source: Reserve Bank of New Zealand Statistics

which outweighed the decline in the net interest income and increase in income tax expense. This is particularly evident with BNZ who saw a 50% increase in other income to produce a $38 million increase in NPAT for the quarter as well as the country's largest bank ANZ who rebounded from a disappointing final quarter in 2014 to post a $44 million rise in other income and a $27 million increase in NPAT.

Looking at the other major banks, CBA and Westpac remained fairly stable with a $4 million and $3 million increase respectively while Kiwibank was the only major bank to post a fall in profit due to increased operating expenses. CBA experienced a decline in both net interest income and other income, but managed to offset this with a reduction in operating expenses and impaired asset expense. Going against the grain of the other major banks, Westpac's other income decreased by $14 million, but had a net interest income improvement of $4 million due to the reduced balance of interest bearing liabilities.

Elsewhere, TSB moved back into profitable territory for the quarter after having to write off $53.9 million worth of Solid Energy bonds in the December quarter and Heartland began the year on a positive note with a solid yet unspectacular increase of 5.5% in profitability. The outlook was not as bright for the remaining two Survey participants with a 245 bps and 166 bps fall in profit for The Co-operative Bank and SBS Bank respectively. However, it must be concluded that the banking sector as a whole has made a strong start to achieve another year of healthy profits.

TABLE 1: MOVEMENT IN INTEREST MARGIN	31-Mar-15 Quarter ended (%)	Movement during the quarter (BP)	Movement for the 6 months (BP)	Movement for the 12 months (BP)
ANZ Banking Group[(a)]	2.23%	-10	-9	-7
Bank of New Zealand	2.34%	6	6	4
Commonwealth Bank of Australia[(a)]	2.27%	-13	-13	3
Heartland Bank	4.91%	-15	-8	46
Kiwibank Limited	2.12%	-5	-1	30
Southland Building Society	2.93%	-4	-4	35
The Co-operative Bank	2.80%	-10	-15	2
TSB Bank Limited	2.20%	5	-10	21
Westpac Banking Corporation[(a)]	2.26%	-2	3	12
Sector average	**2.29%**	**-5**	**-3**	**4**

TABLE 2: MOVEMENT IN IMPAIRED ASSET EXPENSE/ AVERAGE GROSS LOANS	31-Mar-15 Quarter ended (%)	Movement during the quarter (BP)	Movement for the 6 months (BP)	Movement for the 12 months (BP)
ANZ Banking Group[(a)]	0.07%	2	3	15
Bank of New Zealand	0.26%	24	14	13
Commonwealth Bank of Australia[(a)]	0.14%	-15	4	5
Heartland Bank	0.44%	-8	8	13
Kiwibank Limited	0.08%	-8	0	5
Southland Building Society	0.79%	36	44	36
The Co-operative Bank	0.05%	-2	-3	-2
TSB Bank Limited	0.04%	-602	-81	-1
Westpac Banking Corporation[(a)]	0.07%	-5	-6	13
Sector average	**0.13%**	**-4**	**3**	**12**

Footnote

(a) The results for Australia and New Zealand Banking Group, Commonwealth Bank of Australia and Westpac Banking Corporation relate to the total New Zealand operations of these entities.

A summary of the financial performance of the Survey participants is as follows:

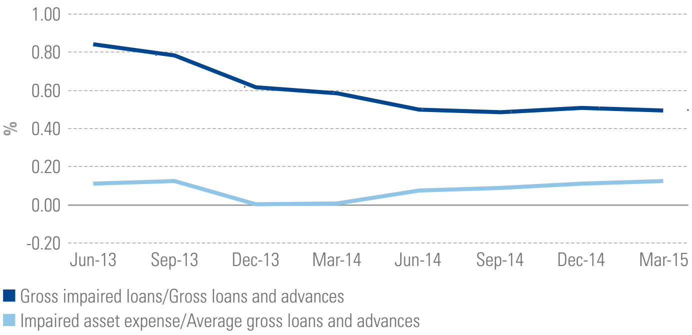
- Net interest income remained suffered a slight fall of 0.8%
- Non-interest income increased by 9.95%
- Operating expenses decreased by 2.9%
- Impaired asset expense reduced by 24.6%
- Tax expense increased by 9.5%.

Net interest income

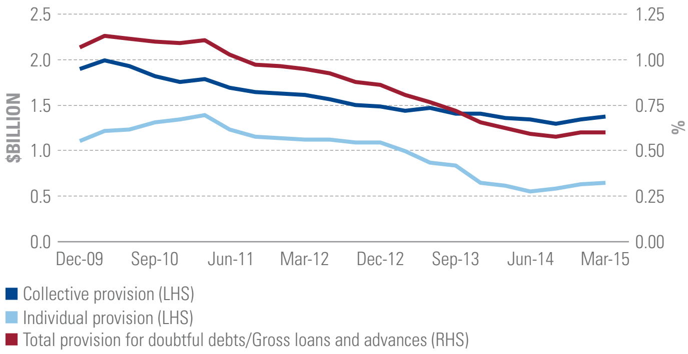
With interest rates being cut around the world, wholesale funding continues to be relatively cheap for New Zealand banks. However, strong margins are hard to come by as competition remains fierce, especially between the major banks in the residential mortgage market. Net interest margins (NIM) for all but two of the Survey participants reduced during the quarter, as can be seen in table 1. ANZ's interest margin tightened to 2.23% during the quarter, which was the smallest it has been since the March 2010 quarter. Even Heartland, whose NIM had been expanding for the past three consecutive quarters decreased during the March 2015 quarter.

While banks were able to benefit from decreased funding costs, it was improvements in interest income which posed the greatest difficulty. Cost of funds (being annualised interest expense over average interest bearing liabilities) during the quarter decreased for all Survey participants, due to lower deposit rates. Latest RBNZ data showed that six month deposit rates decreasing from 4.18% in December 2014 to 4.06% in May 2015, which can be seen in figure 2. This contributed to a 1.08% decrease in interest expense during the quarter. CBA had the largest increase; however, this

4 MAJOR BANKS: GROSS IMPAIRED VS IMPAIRED ASSET EXPENSE



5 MOVEMENT IN PROVISIONING



was only $1 million and a 0.15% increase over the prior quarter.

Despite interest expense decreasing, banks were unable to improve net interest income, as interest income dipped slightly during the quarter. Lending spreads are tightening due to customers continuing the switch to longer term fixed interest rates, especially between one and two year fixed, as can be seen in figure 3, which generally operate on lower margins. However, given that many commentators feel there may be another OCR cut this year, we may begin to see a shift back from fixed to floating rates. Of the major banks, Westpac was the only one to see their interest income improve. BNZ and Kiwibank remained unchanged while ANZ and CBA both reduced their interest income during the quarter. The result of this was that only BNZ experienced a solid increase in net interest income, which according to their latest media release was due to a focus on margin management, as improvements in deposit spreads offset the tightening lending spreads. This was through active rate management and ongoing portfolio optimisation. BNZ and TSB were the only Survey participants to have increased their net interest margins in the quarter.

Analysis of funding

The Survey participants encountered a consistent and gradual increase in the cost of funds during 2014 (see figure 7), so it would have been a welcome sight for them to see the interest expense over average interest bearing liability ratio decrease during the first quarter of 2015. This was in fact the case for all Survey participants with ANZ making the most headway with a 13 bps drop in their cost of funding.

The funding picture remains bright for New Zealand banks with favourable conditions giving rise to alternative sources of funding. Kiwibank announced in April 2015 that through their sister company (Kiwi Capital Funding Limited) they are seeking to borrow $150 million from the public through the issuance of perpetual capital notes. They are unsecured and BB- rated with proceeds used to meet the RBNZ enforced Basel III regulatory requirements.

Analysis of lending

Gross loans and advances have increased for all Survey participants over the quarter. This was due to a combination of increases in both business and consumer confidence, low dairy pay-outs, and rising house sales, which were up by 10.4% in the month of May, while national median house prices were up 1.1%.

Agriculture and business lending have shown the highest change in year-on-year growth, at 6.9% and 6.6% respectively as at 30 April 2015, compared to 4.3% and 4.4% respectively as at 31 December 2014.

After year-on-year growth rates for household lending steadily declining since October 2013, the first quarter of 2015 has seen the year-on-year growth rate start to rise again. As the changes to the LVR rules being proposed by the RBNZ will not come into effect until October, it is unlikely that house sales will slow done. Although residential construction has shown a strong increase during the first quarter, it appears that demand is still outweighing supply. Therefore, we expect banks to keep growing their loan books.

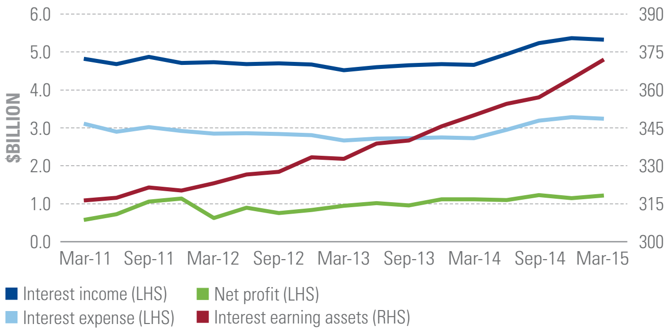
The use of mortgage brokers for new business is becoming more prevalent in the current environment. BNZ in particular, who hadn't used mortgage brokers for 12 years, has begun using them again, and expects to be dealing with all mortgage brokers within five years. ANZ sourced 38% of it home loans through brokers in the year ended 31 March 2015, compared to 32% two years ago.

In terms of new mortgage lending, ANZ led the way in lending with $1.28 billion during the quarter. Westpac followed with an extra $465 million of new mortgage lending during the quarter. Both of these banks were also able to do this while reducing their portion of high LVR lending.

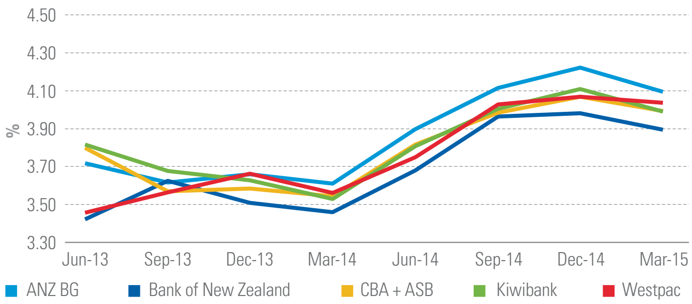
CBA had similar success, with significant growth in lending while also decreasing their portion of high LVR mortgage lending.

TABLE 3: ANALYSIS OF GROSS LOANS	Quarter ended		Quarterly analysis % increase	Quarter ended		Annual analysis % increase
	31-Mar-15 $Million	31-Dec-14 $Million		31-Mar-15 $Million	31-Mar-14 $Million	
ANZ Banking Group	109,906	108,018	1.75%	109,906	103,667	6.02%
Bank of New Zealand	66,601	65,569	1.57%	66,601	63,305	5.21%
Commonwealth Bank of Australia	67,881	66,066	2.75%	67,881	63,484	6.93%
Heartland Bank	2,248	2,159	4.10%	2,248	1,930	16.44%
Kiwibank Limited	15,420	15,111	2.04%	15,420	14,422	6.92%
Southland Building Society	2,410	2,351	2.50%	2,410	2,300	4.79%
The Co-operative Bank	1,566	1,532	2.19%	1,566	1,412	10.86%
TSB Bank Limited	3,290	3,235	1.73%	3,290	3,103	6.02%
Westpac Banking Corporation	67,569	66,561	1.51%	67,569	64,059	5.48%
Total	**336,891**	**330,602**	**1.90%**	**336,891**	**317,683**	**6.05%**

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



7 MAJOR BANKS: COST OF FUNDS



Kiwibank reported growth in their mortgage book of $304 million during the quarter, up from $270 million in December. However, unlike the four major banks, high LVR lending has begun to grow again. As their residential mortgage lending only makes up 8.2% of total lending, Kiwibank still managed to operate safely within the RBNZ's limit of 10%. However, if loans with deposits between 20% and 30% also become subject to the 10% limit being proposed by the RBNZ, the amount of high LVR lending may need to head down again.

Asset quality

Although on a total level we see impaired asset expense reducing by $35.1 million, if we ignore TSB's $53.9 million write off of their Solid Energy holdings in the prior quarter, we in fact see that impaired asset expense during the March 2015 quarter was the largest it had been since the December 2012 quarter. This is due to write backs continuing to decrease and provisioning continuing to reach more normalised levels. Looking at the growth in impairment expense over gross loans and advances, they appear to be slowly increasing at a similar rate compared to the prior three quarters. Individual provisions for doubtful debts over gross impaired assets for the Sector increased from 37.78% to 39.20%, while collective provisioning over net loans and advances had remained the same at 0.41%.

Banks with high exposures in the agriculture sector may be feeling some concerns regarding asset quality. The low Fonterra milk solid pay-outs are expected to continue into the next season, which may put pressure on highly indebted farmers ability to service their debt. The latest Global Dairy Trade auction in June showed dairy prices drop to a six year low.

ANZ has been reducing its lending to the Dairy sector from $13.1 billion in 2010 to $11.3 billion as at 31 March 2015. In contrast to this, CBA's rural lending has grown 10.3% in the year ending 31 March 2015, of which 73% is to dairy farmers. BNZ's agricultural lending has grown the most out of the big four banks and its lending to the diary sector accounts for 62% of their total agricultural exposure of $12.7 billion.

BNZ have put on resilience workshops, working with over 2,000 farmers to help them during these tough times. However, it is recognised that the huge reliance on the agriculture sector is a concern and a more diverse economic base is key in maintaining stability.

Operating expenses/Operating income

In an intensely competitive environment with a growing trend of new banks and other finance providers entering the market to chase the lure of growing profitability, the incumbents have shown a shift in focus towards cost cutting as a way to maintain competitive advantage. This was highlighted in our previous publication for the final quarter of 2014 and the movement has rolled over to 2015 to an even larger extent.

The average cost to income ratio across all Survey participants had fallen by 2.11%, with BNZ leading the way and reducing their ratio by an incredible 676 bps. Not only did operating expenses across the banking sector drop by 2.9%, but operating income for all of the Survey participants also increased by 2.4%, thus compounding the effect on the average cost to income ratio and indicating a more efficient use of resources with credit due to effective governance.

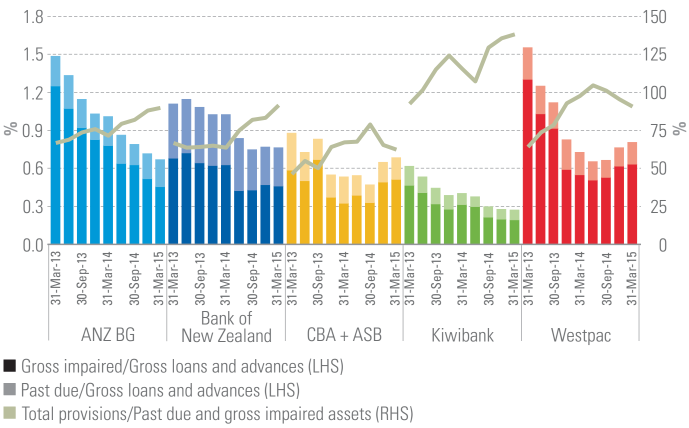
TABLE 4: MOVEMENT IN OVER 80% LVR LENDING (ON AND OFF BALANCE SHEET)

Quarterly analysis	Quarterly analysis				Six month analysis			
	31-Mar-15	31-Dec-14	Movement during the quarter	% Change	31-Mar-15	30-Sep-14	Movement during the six month period	% Change
	$Million	$Million	$Million		$Million	$Million	$Million	
ANZ Banking Group	9,121	9,477	-356	-3.76	9,121	9,712	-591	-6.09
Bank of New Zealand	3,403	3,594	-191	-5.31	3,403	3,746	-343	-9.16
Commonwealth Bank of Australia	8,637	8,919	-282	-3.16	8,637	9,296	-659	-7.09
Heartland Bank	22	20	2	11.85	22	24	-1	-4.90
Kiwibank Limited	2,076	2,054	22	1.07	2,076	2,078	-2	-0.10
Southland Building Society	366	363	3	0.90	366	359	6	1.76
The Co-operative Bank	161	161	-1	-0.40	161	157	4	2.25
TSB Bank Limited	388	388	0	-0.04	388	445	-57	-12.82
Westpac Banking Corporation	8,057	8,224	-167	-2.03	8,057	8,285	-228	-2.75
Total	**32,231**	**33,200**	**-969**	**-2.92**	**32,231**	**34,103**	**-1,871**	**-5.49**

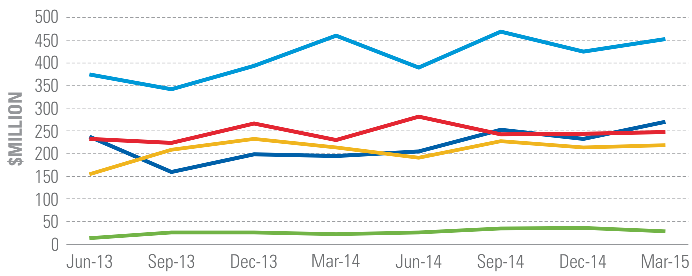
Retail banks – quarterly analysis

Major banks – quarterly analysis	Size & strength measures							
	30-Jun-13	30-Sep-13	31-Dec-13	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14	31-Mar-15
	Total assets[c] ($Million)							
ANZ Banking Group – New Zealand Banking Group[a]	129,169	126,399	128,109	129,529	132,422	135,074	135,290	140,253
Bank of New Zealand	75,930	75,127	75,481	76,740	75,845	79,522	79,658	81,926
Commonwealth Bank of Australia New Zealand Banking Group[a]	71,155	71,341	71,950	72,586	72,077	73,483	74,149	76,994
Heartland Bank	2,477	2,386	2,462	2,423	2,368	2,431	2,543	2,623
Kiwibank Limited Banking Group	15,145	15,596	16,032	16,344	16,590	16,882	17,064	17,948
Southland Building Society	2,868	2,809	2,806	2,784	2,786	2,825	2,826	2,858
The Co-operative Bank Limited	1,521	1,554	1,595	1,616	1,664	1,704	1,770	1,795
TSB Bank Limited	5,472	5,559	5,684	5,682	5,655	5,736	5,908	5,908
Westpac Banking Corporation – New Zealand Division[a]	77,003	76,840	76,807	78,857	80,392	80,963	82,442	82,087
Total	**380,740**	**377,612**	**380,926**	**386,561**	**389,799**	**398,619**	**401,649**	**412,392**
	Increase in gross loans and advances (%)							
ANZ Banking Group – New Zealand Banking Group[a]	1.15	1.14	1.81	0.99	1.30	1.31	1.53	1.75
Bank of New Zealand	1.41	0.77	0.69	0.42	1.45	0.93	1.16	1.57
Commonwealth Bank of Australia New Zealand Banking Group[a]	1.86	1.47	0.92	0.49	0.96	1.87	1.19	2.75
Heartland Bank	-0.63	-2.99	-2.96	-0.49	3.77	3.15	4.50	4.10
Kiwibank Limited Banking Group	1.42	1.82	3.73	2.87	1.85	0.66	2.20	2.04
Southland Building Society	0.10	1.38	0.62	0.03	-0.53	-0.10	2.88	2.50
The Co-operative Bank Limited	0.57	1.94	3.83	3.02	2.58	2.74	2.93	2.19
TSB Bank Limited	3.22	2.71	1.31	0.26	0.94	0.20	3.04	1.73
Westpac Banking Corporation – New Zealand Division[a]	0.85	1.77	1.17	1.16	0.95	1.24	1.67	1.51
Average	**1.29**	**1.28**	**1.32**	**0.88**	**1.22**	**1.30**	**1.50**	**1.90**
	Capital adequacy (%)							
ANZ Banking Group – New Zealand Banking Group[a,b]	11.40	12.20	11.20	12.10	12.10	12.70	11.80	12.60
Bank of New Zealand	13.06	12.61	12.06	12.13	11.82	12.04	12.28	12.90
Commonwealth Bank of Australia New Zealand Banking Group[a,b]	11.20	10.70	11.20	11.20	12.00	11.10	12.70	12.10
Heartland Bank	13.76	14.54	14.73	14.71	14.39	14.09	13.76	13.36
Kiwibank Limited Banking Group	12.60	11.70	11.50	11.60	13.00	13.20	13.30	12.40
Southland Building Society	14.33	13.41	13.69	13.69	15.64	16.02	16.07	15.61
The Co-operative Bank Limited	17.00	16.80	16.60	16.80	16.80	16.80	16.50	16.50
TSB Bank Limited	13.57	13.40	14.00	14.21	14.77	14.98	13.48	13.85
Westpac Banking Corporation – New Zealand Division[a,b]	11.80	12.30	11.30	12.10	11.70	12.30	11.60	12.10
	Net profit ($Million)							
ANZ Banking Group – New Zealand Banking Group[a]	375	342	393	460	390	468	425	452
Bank of New Zealand	238	159	198	195	205	252	232	270
Commonwealth Bank of Australia New Zealand Banking Group[a]	154	208	232	214	191	227	214	218
Heartland Bank	-10	9	9	9	10	10	10	11
Kiwibank Limited Banking Group	14	26	26	22	26	35	36	29
Southland Building Society	4	3	4	5	4	6	5	4
The Co-operative Bank Limited	1	2	2	2	2	2	3	2
TSB Bank Limited	15	8	14	13	16	12	-18	16
Westpac Banking Corporation – New Zealand Division[a]	232	223	266	230	281	242	244	247
Total	**1,023**	**979**	**1,144**	**1,150**	**1,125**	**1,254**	**1,151**	**1,249**

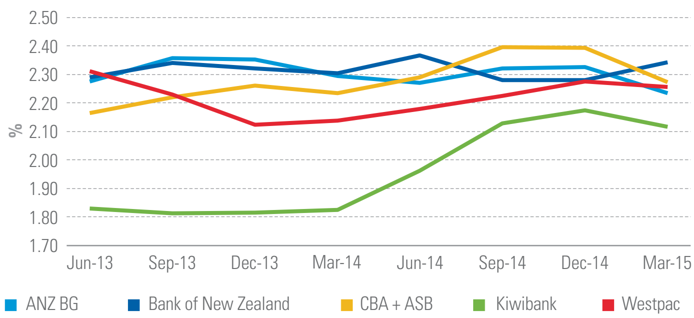
8 MAJOR BANKS: PAST DUE AND GROSS IMPAIRED ASSETS VS GROSS LOANS AND ADVANCES



9 MAJOR BANKS: NET PROFIT AFTER TAX



10 MAJOR BANKS: INTEREST MARGINS



Footnotes

(a) The results for Australia and New Zealand Banking Group, Commonwealth Bank of Australia and Westpac Banking Corporation relate to the total New Zealand operations of these entities.

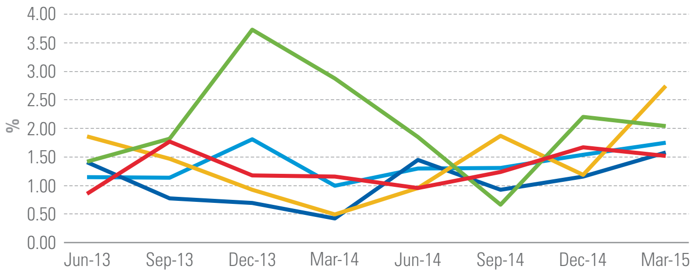
(b) The capital adequacy ratio's reported are for the overseas banking group.

(c) Total assets = Total assets - Intangible assets.

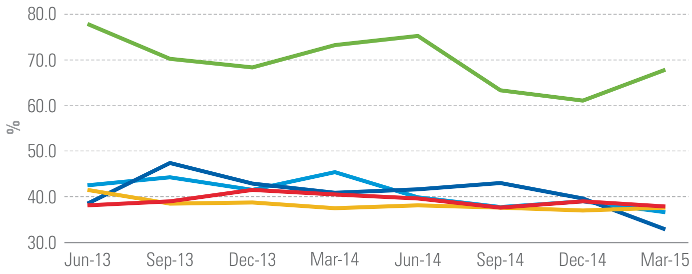
(d) Operating income for Heartland includes net interest income, net operating lease income, other income and fee income.

	Profitability measures							
	30-Jun-13	30-Sep-13	31-Dec-13	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14	31-Mar-15
	Interest margin (%)							
ANZ Banking Group – New Zealand Banking Group[a]	2.28	2.36	2.35	2.30	2.27	2.32	2.33	2.23
Bank of New Zealand	2.29	2.34	2.32	2.30	2.37	2.28	2.28	2.34
Commonwealth Bank of Australia New Zealand Banking Group[a]	2.16	2.22	2.26	2.24	2.29	2.40	2.40	2.27
Heartland Bank[b]	4.27	4.53	4.61	4.45	4.94	4.99	5.06	4.91
Kiwibank Limited Banking Group	1.83	1.81	1.82	1.82	1.96	2.13	2.17	2.12
Southland Building Society	2.41	2.45	2.53	2.58	2.81	2.97	2.97	2.93
The Co-operative Bank Limited	2.74	2.77	2.78	2.78	2.85	2.95	2.90	2.80
TSB Bank Limited	1.97	1.98	2.01	1.99	2.17	2.30	2.15	2.20
Westpac Banking Corporation – New Zealand Division[a]	2.31	2.23	2.12	2.14	2.18	2.23	2.28	2.26
Average	**2.26**	**2.29**	**2.27**	**2.25**	**2.28**	**2.32**	**2.34**	**2.29**
	Non-interest income/Total tangible assets (%)							
ANZ Banking Group – New Zealand Banking Group[a]	0.76	0.37	0.65	0.31	0.73	1.00	0.79	0.90
Bank of New Zealand	0.81	0.41	0.61	0.47	0.53	1.06	0.63	0.94
Commonwealth Bank of Australia New Zealand Banking Group[a]	0.68	0.70	0.64	0.59	0.64	0.58	0.63	0.56
Heartland Bank[b]	0.53	0.56	0.52	0.63	0.45	0.33	0.41	0.41
Kiwibank Limited Banking Group	1.16	1.17	1.16	1.24	1.09	1.22	1.25	1.05
Southland Building Society	0.72	0.74	0.74	0.71	0.77	0.93	0.96	1.03
The Co-operative Bank Limited	1.29	1.13	1.30	0.90	1.17	1.14	1.13	0.24
TSB Bank Limited	0.41	0.43	0.32	0.33	0.33	0.38	0.35	0.40
Westpac Banking Corporation – New Zealand Division[a]	0.82	0.75	0.80	0.69	0.73	0.78	0.73	0.66
Average	**0.78**	**0.56**	**0.69**	**0.52**	**0.68**	**0.88**	**0.73**	**0.79**
	Impaired asset expense/Average gross loans (%)							
ANZ Banking Group – New Zealand Banking Group[a]	0.02	0.07	-0.07	-0.08	0.07	0.04	0.05	0.07
Bank of New Zealand	0.04	0.22	0.11	0.13	0.11	0.12	0.02	0.26
Commonwealth Bank of Australia New Zealand Banking Group[a]	0.26	0.15	-0.06	0.09	0.16	0.10	0.29	0.14
Heartland Bank[b]	3.81	0.33	0.33	0.31	0.46	0.36	0.52	0.44
Kiwibank Limited Banking Group	0.15	-0.06	0.03	0.03	-0.11	0.08	0.16	0.08
Southland Building Society	0.44	0.60	0.38	0.43	0.51	0.35	0.43	0.79
The Co-operative Bank Limited	0.19	0.04	0.14	0.07	0.07	0.08	0.07	0.05
TSB Bank Limited	0.03	1.36	0.08	0.05	0.11	0.85	6.06	0.04
Westpac Banking Corporation – New Zealand Division[a]	0.18	0.14	0.08	-0.06	0.01	0.13	0.12	0.07
Average	**0.14**	**0.14**	**0.01**	**0.01**	**0.08**	**0.10**	**0.17**	**0.13**
	Operating expenses/Operating income (%)							
ANZ Banking Group – New Zealand Banking Group[a]	42.59	44.32	41.52	45.40	39.85	37.81	39.02	36.61
Bank of New Zealand	38.55	47.39	42.91	40.85	41.67	43.07	39.67	32.91
Commonwealth Bank of Australia New Zealand Banking Group[a]	41.51	38.58	38.78	37.52	38.15	37.66	37.04	37.60
Heartland Bank[d]	79.62	53.07	53.93	51.35	47.98	49.15	48.13	47.14
Kiwibank Limited Banking Group	77.88	70.18	68.38	73.17	75.20	63.31	61.11	67.88
Southland Building Society	65.96	67.35	64.55	61.20	63.33	62.83	66.27	62.82
The Co-operative Bank Limited	84.92	85.48	77.63	83.96	81.97	82.85	77.95	78.63
TSB Bank Limited	37.95	37.05	39.39	42.26	36.91	38.20	37.95	42.72
Westpac Banking Corporation – New Zealand Division[a]	38.19	39.03	41.57	40.54	39.64	37.70	38.97	37.89
Average	**42.91**	**44.24**	**42.98**	**43.69**	**41.95**	**40.61**	**40.43**	**38.32**

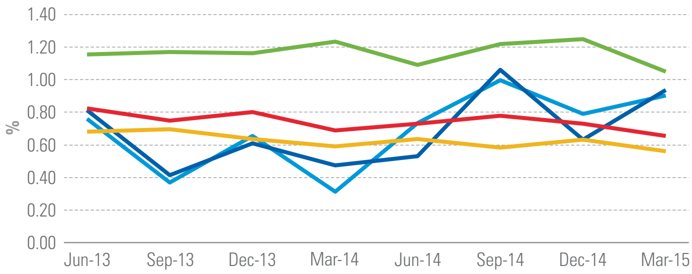
11 MAJOR BANKS: QUARTERLY INCREASE IN GROSS LOANS AND ADVANCES



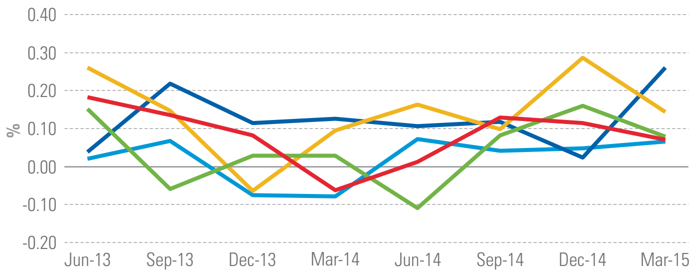
12 MAJOR BANKS: OPERATING EXPENSES VS OPERATING INCOME



13 MAJOR BANKS: NON-INTEREST INCOME VS AVERAGE TOTAL ASSETS



14 MAJOR BANKS: IMPAIRED ASSET EXPENSE VS AVERAGE GROSS LOANS AND ADVANCES



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