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FIPS quarterly

Financial Institutions
Performance Survey

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JUNE 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.

Executive summary

Economic outlook looking grey

The global economy has experienced a tumultuous 2015 with early optimism being overshadowed by a number of concerning international events as the year has progressed. At the forefront of this concern was the slowdown of China's economy, where manufacturing activity has fallen to a six and a half year low for the month of July. Compounding its impact was the fact that it followed a largely still unresolved Greek government-debt crisis where on 30 June 2015, Greece became the first developed country to fail to make an International Monetary Fund loan repayment over their €1.6 billion debt, instigating widespread fears of a Eurozone collapse at a macro level and chaos in the Greek Economy at a more micro level. As it currently stands the Eurozone leaders have reached a provisional agreement on a bailout programme to save Greece from bankruptcy pending further negotiation.

"The global economy has experienced a tumultuous 2015 with early optimism being overshadowed by a number of concerning international events as the year has progressed.

Notwithstanding these events, further global economic factors such as sharp declines in oil prices, a volatile Chinese equity market, uncertainty regarding timing of the United States Federal Bank decision to raise interest rates and an alarming lack of liquidity in global markets culminated in a dramatic sell down of stocks in the world's largest equity markets during the last week of August.

At first glance this does not make for good reading for the New Zealand economy and its financial institutions especially considering the fact that our nation relies on a quarter of its exports from the dairy industry. Certainly, the Chinese downturn has placed even more pressure on an industry that is already struggling with the Global Dairy Trade Price Index reaching a 13-year low in August. In saying this, the NZ Banking Sector will be thankful that New Zealand is partially insulated from the aforementioned global economic shocks for a number of reasons. Firstly, the NZD pegged itself back to a six-year low against the USD in August meaning greater value for exporters. Secondly, the RBNZ cut the Official Cash Rate (OCR) a further 25 basis points (bps) for the second time this year to 3% in July and a third time to 2.75% in September with the intention of stimulating economic activity. This should flow into interest rates. Thirdly, as an oil importing nation, the historically low oil prices have a positive impact on local production costs which has been positively felt by a number of local companies in a recent reporting season. Lastly, there are other industries like tourism, beef and kiwifruit that have remained robust and with the fall in the NZD they will benefit further.

The only certainty in the current economic climate is continuing uncertainty and while New Zealand's growth remains more stable than most, paying close attention to Central Bank actions and economic growth signals both here and abroad remains paramount.

Profits continue to increase despite the economic slowdown

The June 2015 quarter has been another profitable quarter for the banking Industry despite softening conditions prevailing in the global and local economic environment. Operating expenses have been a major factor this quarter, increasing by a total of $76 million with some banks having significant investment projects underway in developing technologies and software for mobile and other digital services such as ANZ, Kiwibank and Westpac. Despite this, a 2% improvement in net interest income and a 25% reduction in impaired asset expense more than offset the increase in operating expenses to result in an overall $9.8 million increase in net profit after tax (NPAT) for registered banks during the June 2015 quarter compared to the March 2015 quarter.

Results across the sector were quite mixed. Of the major banks, BNZ and Westpac had a combined $44 million increase in NPAT, while ANZ, CBA and Kiwibank combined for a $33 million decrease. However, non-interest income played a significant role in these fluctuations.

"Total assets reached yet another record high during the June quarter, growing from $412.4 billion at 31 March 2015 to $435.9 billion at 30 June 2015.

Total assets at a record high

Total assets reached yet another record high during the June quarter, growing from $412.4 billion at 31 March 2015 to $435.9 billion at 30 June 2015. New Zealand banks are seemingly well prepared for any significant downturn, with capital adequacy ratios all comfortably above the regulatory minimum of 8% at 30 June 2015. Lending shows no sign of slowing down, as all banks were once again able to increase the value of their loan books.

The key contributing factors to this increase in lending are the continued high demand for residential mortgages as the property market (in Auckland in particular) shows no signs of slowing down and increasingly the downward pressure on international milk prices experienced by the dairy industry has put many farmers under significant cash-flow pressure. Reserve Bank of New Zealand (RBNZ) data at 30 June 2015 showed total year on year growth for agriculture lending of 7.6%, and housing lending of 5.6%. Agricultural and housing lending have seen the fastest annual growth rate since September 2008 and November 2009 respectively.

Regulatory environment

It's no secret that the regulatory landscape surrounding prudential requirements for registered banks and non-bank deposit takers (NBDT's) has seen significant changes over the past few years and the RBNZ has recognised this by beginning public consultation on the changes to regulation by conducting a regulatory stocktake in the hope of enhancing efficiency, clarity and consistency within the dynamic environment. Submissions on the consultation are due by 16 September 2015 and any decisions arising from this are expected by the end of the year.

The RBNZ has also moved to reduce the disclosure requirements of registered banks in their full year disclosure statements. Currently registered banks are required to publish annual financial statements for both the banking group and the 'parent' entity. However, the RBNZ has changed this to remove the need for banks to prepare 'parent' entity accounts if they also prepare group accounts. The changes will take effect on banks with a full year reporting date of 30 September 2015 and onwards.

Elsewhere, house price inflation remains a major discussion point as well as the associated Loan-to-value Ratio (LVR) restrictions, particularly in Auckland where prices grew 24% on a year on year basis to July. On 21 August 2015, the RBNZ published its response to submissions on LVR rule changes and noted that restrictions on loans to owner occupiers in Auckland will continue to apply, with banks allowed to make up to 10% of their new mortgage lending to such borrowers with LVRs exceeding 80%. However, restrictions outside Auckland are being eased after 1 November with banks being able to make up to 15% of their new mortgage lending to borrowers with LVRs exceeding 80%, regardless of whether the borrowers are owner occupiers or residential property investors. In addition, a 5% speed limit for high-LVR loans to Auckland investors will apply, instead of 2% as originally proposed. RBNZ is also introducing an exemption for high-LVR lending to finance leaky building remediation and similar cases.

What else is happening?

On 14th August credit rating cuts spread to the country's four largest banks with ANZ, BNZ and Westpac having their Standard & Poor's (S&P) stand-alone credit ratings reduced one notch from A- to BBB+ and ASB's respective rating was downgraded from A to A-. In addition, S&P revised its New Zealand Banking Industry Risk Assessment to 4 from 3 (with 1 on the scale being the lowest risk and 10 the highest risk). The changes highlight the risk of the adverse effects that may arise if a sharp correction in Auckland's property market were to occur.

Meanwhile, credit rating agency Moody's affirmed the outlook of New Zealand banks as a whole as 'Aaa stable' and also assessing stable employment rates and a low interest rate environment as significant factors to outweigh weaker economic growth.

A third peer-to-peer (P2P) lender has been licensed by the Financial Markets Authority on 7th of August with Squirrel set to enter the emerging P2P market from September. Squirrel join Harmoney Corp and LendMe in this largely undeveloped lending market that aims to provide borrowers with an alternative source of funding and investors with higher interest rates than those offered on term deposits in this low interest rate environment.

Quarterly analysis

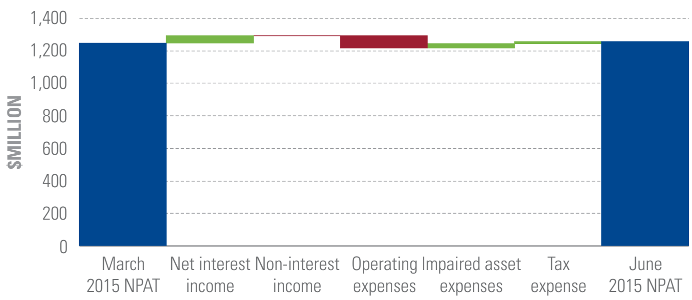
Net profit after tax

The banking sector experienced a rise in NPAT for the June quarter with Survey participants lifting their total bottom line results from $1,249 million to $1,259 million, which is equivalent to a growth rate of 0.8%. There was a mixed bag of results across the board. BNZ and Westpac were the only two major banks that managed to increase their quarterly performance and SBS and Co-operative Bank the only other non-major banking entities to contribute to the NPAT increase. The strong June quarter for these four entities was enough to slightly outweigh the decreases in NPAT felt by the remaining five participants.

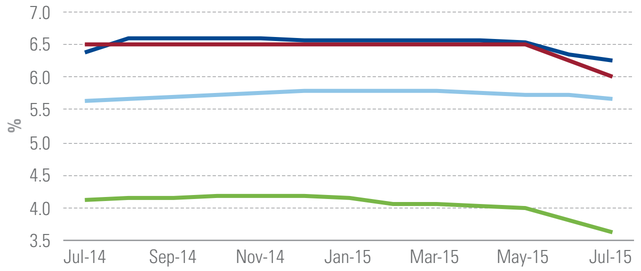
Improvements in net interest income across the board proved to be the main driver for increased profitability with further gains coming from continued reductions in impaired asset expenses. Positive results in both of these categories boded well for BNZ who increased net interest income by $10 million driven by growth in new mortgage lending, lower funding costs and reduced impaired asset expense by an impressive $26 million to post a healthy June quarter result with profits up $25 million. Not far behind were Westpac whose income, both net interest and non-interest, rose by $21 million and $20 million respectively to serve as the driving force behind the $19 million increase in net profit for the quarter.

The other major banks were not able to improve on their March quarterly figures with the June quarter bringing a fall in profits for CBA, ANZ and Kiwibank of 2.75%, 5.53% and 6.90% respectively. Each of these entities saw higher operating expenses for the quarter as they continued to invest in developing technologies and software for mobile and other digital services while also spending large amounts of capital on regulation and compliance programmes. Though the quarterly result for

1 MOVEMENT IN NET PROFIT AFTER TAX



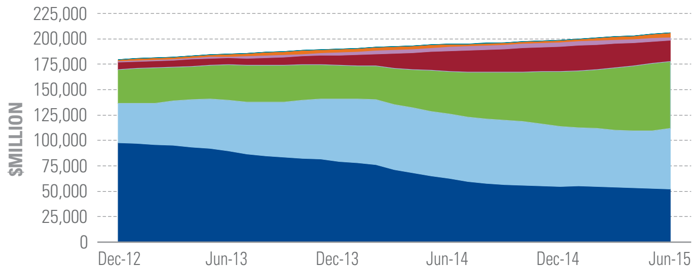
2 RETAIL INTEREST RATES ON LENDING AND DEPOSITS



Effective floating mortgage rate (LHS)
Effective fixed mortgage rate (LHS)
Six-month term deposit rate (LHS)
OCR rate (RHS)

Source: Reserve Bank of New Zealand Statistics

3 RESIDENTIAL MORTGAGE LOANS MATURITY PROFILE



Floating
< 1 year
1>2 years
2>3 years
3>4 years
4>5 years
5 years +

Source: Reserve Bank of New Zealand Statistics

Kiwibank was slightly down, the bank still achieved its strongest ever annual result as the yearly profit rose 27% to $127 million following diversified revenue growth, strong mortgage lending and customer deposits and an overall improvement in credit performance.

Outside of the five largest banks, SBS started their financial year with a strong three months that saw NPAT up by 50.46% from $4.15 million to $6.24 million due primarily to a significant fall in impaired asset expense. Following suit was Co-operative Bank who notched a small, but sustainable growth in profit of 3.32%. However, these positive movements could not be replicated by the remaining participants with Heartland and TSB dropping by 70 bps and 16 bps respectively. The decrease in profits for TSB was due to moving its 26.4% stake in Fisher Funds Management from the bank to a newly-created group owned by the TSB trust and also due to increases in operating costs from the opening of two new branches in Auckland.

Among themselves, the nine Survey participants experienced a series of mixed results, but on the whole an increase in total NPAT for the quarter, albeit slim, is a positive sign for the industry in what has been a testing environment so far in 2015.

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

- Net interest income improved by 2.11%
- Non-interest income fell ever so slightly by 0.02%
- Operating expenses grew by 6.64%
- Impaired asset expense dropped by 25.32%
- Tax expense decreased by 2.65%.

TABLE 1: MOVEMENT IN INTEREST MARGIN	30-Jun-15 Quarter ended (%)	Movement during the quarter (bps)	Movement for the 6 months (bps)	Movement for the 12 months (bps)
ANZ Banking Group[a]	2.21%	-2	-12	-6
Bank of New Zealand	2.36%	2	8	-1
Commonwealth Bank of Australia[a]	2.21%	-6	-19	-8
Heartland Bank	4.83%	-8	-23	-11
Kiwibank Limited	2.07%	-5	-10	11
Southland Building Society	2.86%	-7	-11	5
The Co-operative Bank	2.81%	1	-9	-4
TSB Bank Limited	2.12%	-8	-3	-5
Westpac Banking Corporation[a]	2.32%	6	4	14
Sector average	**2.28%**	**-1**	**-6**	**0**

TABLE 2: MOVEMENT IN IMPAIRED ASSET EXPENSE/ AVERAGE GROSS LOANS	30-Jun-15 Quarter ended (%)	Movement during the quarter (bps)	Movement for the 6 months (bps)	Movement for the 12 months (bps)
ANZ Banking Group[a]	0.10%	3	5	3
Bank of New Zealand	0.10%	-16	8	-1
Commonwealth Bank of Australia[a]	0.08%	-6	-21	-8
Heartland Bank	0.74%	30	22	28
Kiwibank Limited	0.03%	-5	-13	14
Southland Building Society	0.31%	-48	-12	-20
The Co-operative Bank	0.16%	11	9	9
TSB Bank Limited	0.07%	3	-599	-4
Westpac Banking Corporation[a]	0.08%	1	-4	7
Sector average	**0.09%**	**-4**	**-8**	**1**

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.

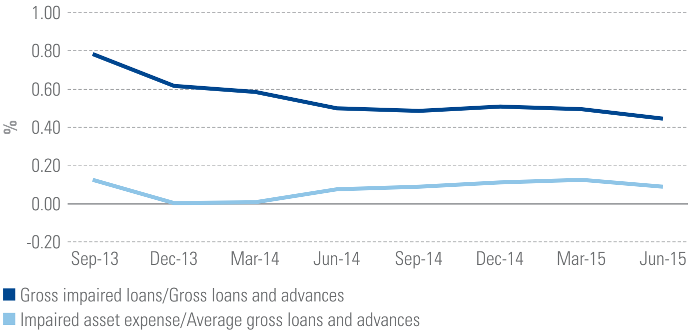
Net interest income

With the intense competition amongst the banks especially within the residential mortgage market leading to advertised rates at all-time lows, the banks are having to delicately balance the preservation of margins against maintaining their customer base.

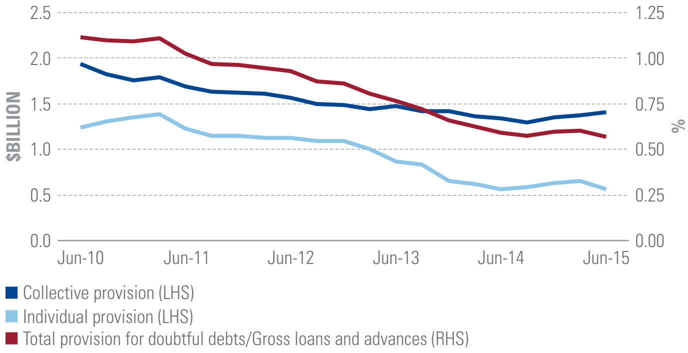
Table 1 shows that the majority of Survey participants saw a reduction in net interest margin (NIM) as a direct result of the competitive market since the prior quarter with the largest decreases experienced by Heartland and TSB of 8 bps, followed by SBS with a decrease of 7 bps. It should be noted that despite Heartland having the largest decrease in NIM, their margin is still significantly higher than other Survey participants owing to their niche focus. Looking at the major banks, only Westpac and BNZ managed to increase their NIM by 6 bps and 2 bps respectively, while CBA experienced a decrease of 6 bps. Westpac's increase was not only the largest amongst major banks, but for the sector overall as they managed to reduce their interest expense by $11 million, even though interest bearing liabilities went up from the previous quarter while increasing interest income by $10 million.

Despite the competitive environment driving lending rates down, global wholesale funding rates have remained relatively stable and depressed across the quarter with ongoing quantitative easing programmes taking place in some of the world's largest economies. Coupled with the RBNZ further decreasing the OCR in June to 3.25%,to 3.00% in July and to 2.75% on 10 September, the major banks have benefited from cost relief on both their long and short-term funding sources. A key example of this is deposits which continue to grow as a proportion of the banks total short-term funding requirements The latest RBNZ data shows that the six-month deposit rate as at 30 June 2015 decreased

4 MAJOR BANKS: GROSS IMPAIRED VS IMPAIRED ASSET EXPENSE



5 MOVEMENT IN PROVISIONING



by 24 bps since March 2015. Reflective of the decreasing funding costs and consistent with the prior edition of the Survey, the cost of funds (being annualised interest expense over average interest bearing liabilities) has decreased from 4.02% to 3.93% for the sector as a whole. However, it is important to recognise that this result is solely being driven by the major banks as the smaller Survey participants have all seen an increase in their cost of funding as they do not have the same access to global wholesale funding markets.

Reported net interest income of $2.22 billion for the 30 June quarter is an all-time high for the sector and a turnaround of the decrease seen in the prior quarter with seven of the Survey participants increasing their net interest income over the prior quarter by growing interest income more than interest expense. Westpac lead the way across all banks increasing their net interest income by $21 million while reducing interest expense from the 31 March quarter followed by ANZ with an increase of $13 million. TSB was the only bank to see a reduction in net interest income over the previous quarter, albeit minor at $0.74 million as growth in interest expense outstripped growth in interest income.

For the third consecutive quarter we have observed a decline in the return on interest earning assets (being annualised interest income over average interest earning assets) with a further 6 bps reduction in the current quarter. This ultimately reflects the challenges that the banks are facing extracting value from their assets in the current competitive environment and the importance of margin management.

Analysis of funding

Costs of funding results across the sector for the June quarter were varied with Kiwibank the only major bank to see a rise in the costs of funds as opposed to the non-major banks who all felt an increase in the cost of funds. Locally the funding conditions remained stable for the majority of the quarter with the OCR as the primary determinant, which has its first 25 bps reduction of the year to 3.25% on 11 June. Since the first OCR cut the RBNZ has reduced the rate by a further 25 bps in July and another 25 bps on 10 September meaning the funding costs should continue to fall from the December 2014 peak.

Notwithstanding the local funding environment, New Zealand banks still rely on offshore funding and remain wary that volatility in the international markets could have a prolonged impact on both the price and availability of funding. The current slowdown of the Chinese economy is a prime example of this though fortunately the Core Funding Ratio is still well above the RBNZ required threshold giving New Zealand banks a substantial buffer to obtain alternate sources of funding.

Lending

Continuing with the trend observed in previous quarters, banks have continued to grow their loan books, with ANZ contributing to just over half of the overall $7.9 billion increase in lending. Diminishing business and consumer confidence, low dairy pay outs, albeit somewhat mitigated by the weakening NZD, and house price inflation are becoming increasingly debt driven.

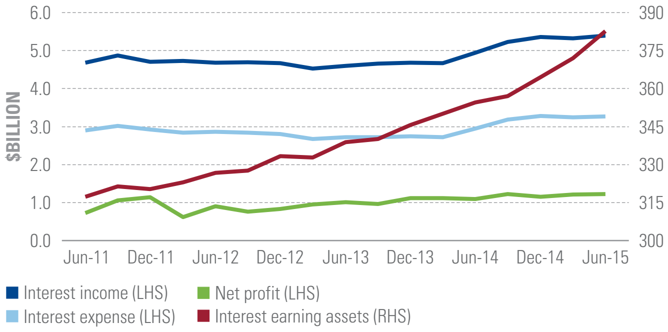
The latest RBNZ data showed lending to the agriculture and business sectors as having the highest year-on-year growth for the second consecutive quarter, at 7.9% and 6.7% respectively at 31 July 2015, compared to 6.9% and 6.6% respectively at 30 April 2015.

Despite the strong momentum in construction activity and new dwelling consents reaching a 10-year high in July 2015, property prices continued to climb with demand outstripping supply, with Quotable Value reporting a year to date increase of 11.3% nationally and 20.4% in Auckland, while prices in Christchurch are now easing, with annual growth recorded at around 2.5%. The value of residential building work consented in June 2015 had increased by $53 million year-on-year; however, this was offset by a $37 million decline in the value of non-residential building work, according to Statistics NZ. Ongoing pressures in the housing market are expected to lead to further growth in the banks' loan books.

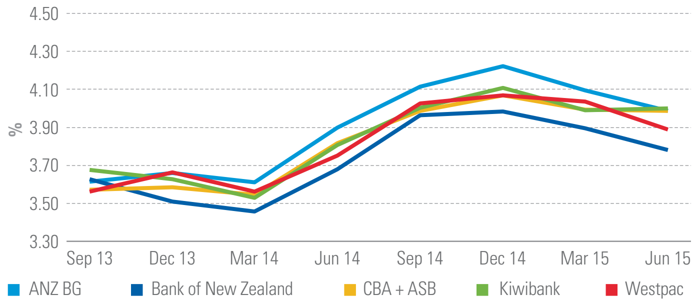
New mortgage lending continues on the rise, with ANZ lending an additional $1.85 billion during this quarter, followed by CBA with $750 million, Westpac with $401 million, and BNZ with $270 million. All these banks continue to improve their high-LVR positions, while growing their loan books. Strengthening property values may

TABLE 3: ANALYSIS OF GROSS LOANS	Quarter ended		Quarterly analysis % increase	Quarter ended		Annual analysis % increase
	30-Jun-15 $Million	31-Mar-15 $Million		30-Jun-15 $Million	30-Jun-14 $Million	
ANZ Banking Group	113,863	109,906	3.60%	113,863	105,014	8.43%
Bank of New Zealand	67,275	66,601	1.01%	67,275	64,222	4.75%
Commonwealth Bank of Australia	69,269	67,881	2.04%	69,269	64,093	8.08%
Heartland Bank	2,340	2,248	4.11%	2,340	2,003	16.82%
Kiwibank Limited	15,651	15,420	1.50%	15,651	14,689	6.55%
Southland Building Society	2,684	2,410	11.34%	2,684	2,288	17.30%
The Co-operative Bank	1,617	1,566	3.24%	1,617	1,449	11.57%
TSB Bank Limited	3,464	3,290	5.27%	3,464	3,133	10.56%
Westpac Banking Corporation	68,627	67,569	1.57%	68,627	64,669	6.12%
Total	**344,789**	**336,891**	**2.34%**	**344,789**	**321,560**	**7.22%**

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



7 MAJOR BANKS: COST OF FUNDS



have contributed to improvement in LVR positions for new refinance type lending.

Kiwibank grew its mortgage book by a further $188 million this quarter, and while its high LVR position has improved it remains close to the RBNZ's prescribed limits.

Asset quality

The overall impaired asset expense has reduced by $28 million this quarter, due to the combined effect of reduced gross impaired loans forming part of the total loan book and reduced levels of provisioning on those loans identified as impaired. It is down from 24.7% of gross impaired loans last quarter to 18.9% this quarter. This was attributable to an improvement in individual provisioning, down from 39.2% to 34.9% of gross impaired assets, while levels of collective provisioning remained at a steady 0.41% and broadly consistent with the average 0.42% reported during the past two years.

Exposure to the dairy industry remains of concern as global milk prices remain at depressed levels, with Fonterra's forecast farm gate milk price for the current season the lowest in a decade at $3.85 per kilo of milk solids(kgMS) and well below the $4.30/kgMS needed to break even. Media sources such as the NZ Herald and TVNZ reported in September 2015 that the New Zealand dairy farmers are the lowest paid compared to China at the other end of the scale at $11.00/kgMS, the United States at $8.15/kgMS, Argentina at $7.57/kgMS, and the UK at $6.95/kgMS, with Ireland's pay-out of $6.10/kgMS the closest to New Zealand's.

Prospects of recovery in the Dairy industry remain far from certain, and the prolonged low dairy pay-outs will put a strain on cash flows and the ability to service debt in this highly leveraged sector. However, it appears that banks are providing to dairy farmers the financial support needed in these tough times during the period of low pay-out. A recent survey from Federated Farmers has shown a high level of satisfaction of farmers with the relationship with their banks with only 6.6% of dairy farmers feeling under financial pressure from banks.

These recent adverse economic trends do not appear to have yet translated into diminished asset quality. However, any prolonged effects would have to be carefully managed and would be at the forefront of mind in the banking sector.

Operating expenses/Operating income

After four consecutive quarters of seeing decreases in operating expenses as a proportion of operating income, the ratio has deteriorated by 193 bps compared to March 2015 rising to 40.25% as operating expenses rose by $76 million compared to a $45.7 million increase in operating income.

Kiwibank saw the greatest deterioration in their ratio with an increase of 497 bps on the back of a substantial $9 million increase in operating expenses for the quarter as they continue to invest into their business operations. Substantial increases in operating expenses were also seen from BNZ, CBA who had increases of $18 million and Westpac with an increase of $22 million, which represented an increase in the ratio of between 1.1% and 3.6% across the three entities. SBS saw a 2.4% decrease in their ratio and was the only Survey participant to do so on the back of an increase in operating income and a decrease in operating expenses.

In previous editions of the Survey we have commented on the banks' continued focus on cost reduction as a way to obtain competitive advantage and gain more efficiencies. While the operating expenses to operating income ratio has deteriorated over the quarter, this is most likely not an indication of a change in the cost management focus, but more a reflection that the banks need to continually invest in their business in areas such as technology and regulation to maintain growth.

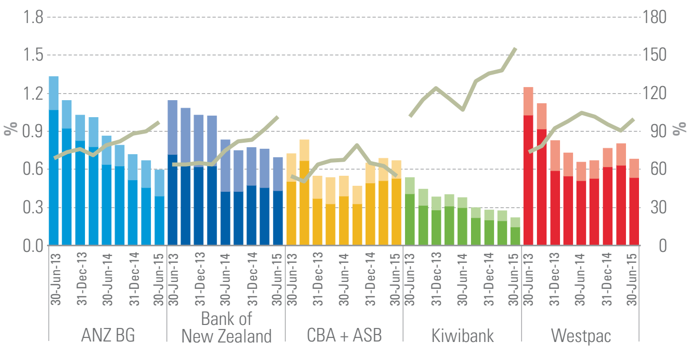
TABLE 4: MOVEMENT IN OVER 80% LVR LENDING (ON AND OFF BALANCE SHEET)

Quarterly analysis	Quarterly analysis				Six month analysis			
	30-Jun-15	31-Mar-15	Movement during the quarter	% Change	30-Jun-15	31-Dec-14	Movement during the six month period	% Change
	$Million	$Million	$Million		$Million	$Million	$Million	
ANZ Banking Group	8,871	9,121	-250	-2.74	8,871	9,477	-606	-6.39
Bank of New Zealand	3,347	3,403	-56	-1.65	3,347	3,594	-247	-6.87
Commonwealth Bank of Australia	8,153	8,637	-484	-5.60	8,153	8,919	-766	-8.59
Heartland Bank	19	22	-4	-16.07	19	20	-1	-6.12
Kiwibank Limited	2,053	2,076	-23	-1.11	2,053	2,054	-1	-0.05
Southland Building Society	377	366	12	3.19	377	363	15	4.12
The Co-operative Bank	183	161	22	13.75	183	161	21	13.29
TSB Bank Limited	386	388	-2	-0.52	386	388	-2	-0.56
Westpac Banking Corporation	7,960	8,057	-97	-1.20	7,960	8,224	-264	-3.21
Total	**31,349**	**32,231**	**-882**	**-2.74**	**31,349**	**33,200**	**-1,851**	**-5.58**

Retail banks – quarterly analysis

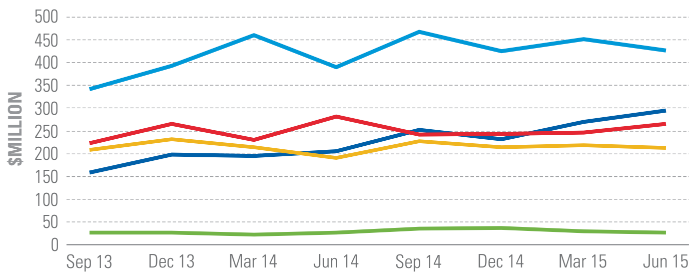
Major banks – quarterly analysis	Size & strength measures							
	30-Sep-13	31-Dec-13	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14	31-Mar-15	30-Jun-15
	Total assets[c] ($Million)							
ANZ Banking Group – New Zealand Banking Group[a]	126,399	128,109	129,529	132,422	135,074	135,290	140,253	150,664
Bank of New Zealand	75,127	75,481	76,740	75,845	79,522	79,658	81,926	85,657
Commonwealth Bank of Australia New Zealand Banking Group[a]	71,341	71,950	72,586	72,077	73,483	74,149	76,994	80,147
Heartland Bank	2,386	2,462	2,423	2,368	2,431	2,543	2,623	2,772
Kiwibank Limited Banking Group	15,596	16,032	16,344	16,590	16,882	17,064	17,948	18,228
Southland Building Society	2,809	2,806	2,784	2,786	2,825	2,826	2,858	3,094
The Co-operative Bank Limited	1,554	1,595	1,616	1,664	1,704	1,770	1,795	1,838
TSB Bank Limited	5,559	5,684	5,682	5,655	5,736	5,908	5,908	5,991
Westpac Banking Corporation – New Zealand Division[a]	76,840	76,807	78,857	80,392	80,963	82,442	82,087	87,455
Total	**377,612**	**380,926**	**386,561**	**389,799**	**398,619**	**401,649**	**412,392**	**435,846**
	Increase in gross loans and advances (%)							
ANZ Banking Group – New Zealand Banking Group[a]	1.14	1.81	0.99	1.30	1.31	1.53	1.75	3.60
Bank of New Zealand	0.77	0.69	0.42	1.45	0.93	1.16	1.57	1.01
Commonwealth Bank of Australia New Zealand Banking Group[a]	1.47	0.92	0.49	0.96	1.87	1.19	2.75	2.04
Heartland Bank	-2.99	-2.96	-0.49	3.77	3.15	4.50	4.10	4.11
Kiwibank Limited Banking Group	1.82	3.73	2.87	1.85	0.66	2.20	2.04	1.50
Southland Building Society	1.38	0.62	0.03	-0.53	-0.10	2.88	2.50	11.34
The Co-operative Bank Limited	1.94	3.83	3.02	2.58	2.74	2.93	2.19	3.24
TSB Bank Limited	2.71	1.31	0.26	0.94	0.20	3.04	1.73	5.27
Westpac Banking Corporation – New Zealand Division[a]	1.77	1.17	1.16	0.95	1.24	1.67	1.51	1.57
Average	**1.28**	**1.32**	**0.88**	**1.22**	**1.30**	**1.50**	**1.90**	**2.34**
	Capital adequacy (%)							
ANZ Banking Group – New Zealand Banking Group[a],[b]	12.20	11.20	12.10	12.10	12.70	11.80	12.60	12.50
Bank of New Zealand	12.61	12.06	12.13	11.82	12.04	12.28	12.90	12.59
Commonwealth Bank of Australia New Zealand Banking Group[a],[b]	10.70	11.20	11.20	12.00	11.10	12.70	12.10	12.70
Heartland Bank	14.54	14.73	14.71	14.39	14.09	13.76	13.36	12.86
Kiwibank Limited Banking Group	11.70	11.50	11.60	13.00	13.20	13.30	12.40	13.40
Southland Building Society	13.41	13.69	13.69	15.64	16.02	16.07	15.61	14.59
The Co-operative Bank Limited	16.80	16.60	16.80	16.80	16.80	16.50	16.50	16.30
TSB Bank Limited	13.40	14.00	14.21	14.77	14.98	13.48	13.85	13.71
Westpac Banking Corporation – New Zealand Division[a],[b]	12.30	11.30	12.10	11.70	12.30	11.60	12.10	12.40
	Net profit ($Million)							
ANZ Banking Group – New Zealand Banking Group[a]	342	393	460	390	468	425	452	427
Bank of New Zealand	159	198	195	205	252	232	270	295
Commonwealth Bank of Australia New Zealand Banking Group[a]	208	232	214	191	227	214	218	212
Heartland Bank	9	9	9	10	10	10	11	10
Kiwibank Limited Banking Group	26	26	22	26	35	36	29	27
Southland Building Society	3	4	5	4	6	5	4	6
The Co-operative Bank Limited	2	2	2	2	2	3	2	2
TSB Bank Limited	8	14	13	16	12	-18	16	13
Westpac Banking Corporation – New Zealand Division[a]	223	266	230	281	242	244	247	266
Total	**979**	**1,144**	**1,150**	**1,125**	**1,254**	**1,151**	**1,249**	**1,259**

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

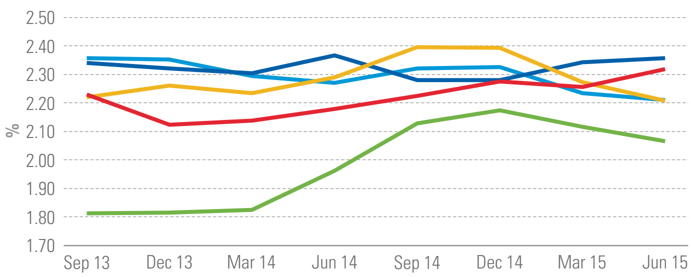


■ Gross impaired/Gross loans and advances (LHS)
■ Past due/Gross loans and advances (LHS)
■ Total provisions/Past due and gross impaired assets (RHS)

9 MAJOR BANKS: NET PROFIT AFTER TAX



10 MAJOR BANKS: INTEREST MARGINS



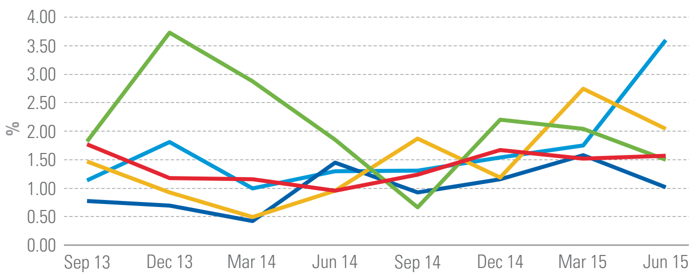
■ ANZ BG ■ Bank of New Zealand ■ CBA + ASB ■ Kiwibank ■ Westpac

Footnotes

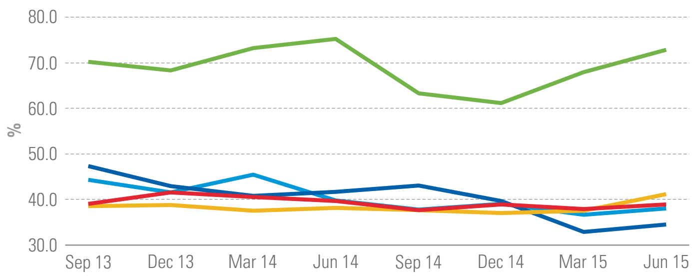
(a) The results for Australia and New Zealand Banking Group, Commonwealth Bank of Australia and Westpac Banking Corporation relate to the total New Zealand operations of these entities.
(b) The capital adequacy ratio's reported are for the overseas banking group.
(c) Total assets = Total assets - Intangible assets.
(d) Operating income for Heartland includes net interest income, net operating lease income, other income and fee income.

	Profitability measures							
	30-Sep-13	31-Dec-13	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14	31-Mar-15	30-Jun-15
	Interest margin (%)							
ANZ Banking Group – New Zealand Banking Group[a]	2.36	2.35	2.30	2.27	2.32	2.33	2.23	2.21
Bank of New Zealand	2.34	2.32	2.30	2.37	2.28	2.28	2.34	2.36
Commonwealth Bank of Australia New Zealand Banking Group[a]	2.22	2.26	2.24	2.29	2.40	2.40	2.27	2.21
Heartland Bank[b]	4.53	4.61	4.45	4.94	4.99	5.06	4.91	4.83
Kiwibank Limited Banking Group	1.81	1.82	1.82	1.96	2.13	2.17	2.12	2.07
Southland Building Society	2.45	2.53	2.58	2.81	2.97	2.97	2.93	2.86
The Co-operative Bank Limited	2.77	2.78	2.78	2.85	2.95	2.90	2.80	2.81
TSB Bank Limited	1.98	2.01	1.99	2.17	2.30	2.15	2.20	2.12
Westpac Banking Corporation – New Zealand Division[a]	2.23	2.12	2.14	2.18	2.23	2.28	2.26	2.32
Average	**2.29**	**2.27**	**2.25**	**2.28**	**2.32**	**2.34**	**2.29**	**2.28**
	Non-interest income/Total tangible assets (%)							
ANZ Banking Group – New Zealand Banking Group[a]	0.37	0.65	0.31	0.73	1.00	0.79	0.90	0.76
Bank of New Zealand	0.41	0.61	0.47	0.53	1.06	0.63	0.94	0.97
Commonwealth Bank of Australia New Zealand Banking Group[a]	0.70	0.64	0.59	0.64	0.58	0.63	0.56	0.52
Heartland Bank[b]	0.56	0.52	0.63	0.45	0.33	0.41	0.41	0.36
Kiwibank Limited Banking Group	1.17	1.16	1.24	1.09	1.22	1.25	1.05	1.08
Southland Building Society	0.74	0.74	0.71	0.77	0.93	0.96	1.03	0.98
The Co-operative Bank Limited	1.13	1.30	0.90	1.17	1.14	1.13	0.24	1.00
TSB Bank Limited	0.43	0.32	0.33	0.33	0.38	0.35	0.40	0.24
Westpac Banking Corporation – New Zealand Division[a]	0.75	0.80	0.69	0.73	0.78	0.73	0.66	0.73
Average	**0.56**	**0.69**	**0.52**	**0.68**	**0.88**	**0.73**	**0.79**	**0.76**
	Impaired asset expense/Average gross loans (%)							
ANZ Banking Group – New Zealand Banking Group[a]	0.07	-0.07	-0.08	0.07	0.04	0.05	0.07	0.10
Bank of New Zealand	0.22	0.11	0.13	0.11	0.12	0.02	0.26	0.10
Commonwealth Bank of Australia New Zealand Banking Group[a]	0.15	-0.06	0.09	0.16	0.10	0.29	0.14	0.08
Heartland Bank[b]	0.33	0.33	0.31	0.46	0.36	0.52	0.44	0.74
Kiwibank Limited Banking Group	-0.06	0.03	0.03	-0.11	0.08	0.16	0.08	0.03
Southland Building Society	0.60	0.38	0.43	0.51	0.35	0.43	0.79	0.31
The Co-operative Bank Limited	0.04	0.14	0.07	0.07	0.08	0.07	0.05	0.16
TSB Bank Limited	1.36	0.08	0.05	0.11	0.85	6.06	0.04	0.07
Westpac Banking Corporation – New Zealand Division[a]	0.14	0.08	-0.06	0.01	0.13	0.12	0.07	0.08
Average	**0.14**	**0.01**	**0.01**	**0.08**	**0.10**	**0.17**	**0.13**	**0.09**
	Operating expenses/Operating income (%)							
ANZ Banking Group – New Zealand Banking Group[a]	44.32	41.52	45.40	39.85	37.81	39.02	36.61	38.03
Bank of New Zealand	47.39	42.91	40.85	41.67	43.07	39.67	32.91	34.47
Commonwealth Bank of Australia New Zealand Banking Group[a]	38.58	38.78	37.52	38.15	37.66	37.04	37.60	41.19
Heartland Bank[d]	53.07	53.93	51.35	47.98	49.15	48.13	47.14	48.45
Kiwibank Limited Banking Group	70.18	68.38	73.17	75.20	63.31	61.11	67.88	72.86
Southland Building Society	67.35	64.55	61.20	63.33	62.83	66.27	62.82	60.39
The Co-operative Bank Limited	85.48	77.63	83.96	81.97	82.85	77.95	78.63	80.40
TSB Bank Limited	37.05	39.39	42.26	36.91	38.20	37.95	42.72	44.68
Westpac Banking Corporation – New Zealand Division[a]	39.03	41.57	40.54	39.64	37.70	38.97	37.89	38.95
Average	**44.24**	**42.98**	**43.69**	**41.95**	**40.61**	**40.43**	**38.32**	**40.25**

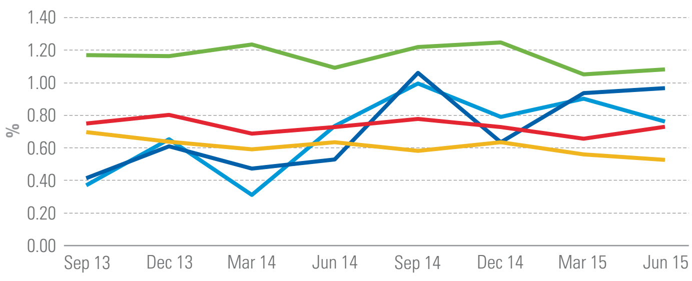
11 MAJOR BANKS: QUARTERLY INCREASE IN GROSS LOANS AND ADVANCES



12 MAJOR BANKS: OPERATING EXPENSES VS OPERATING INCOME



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



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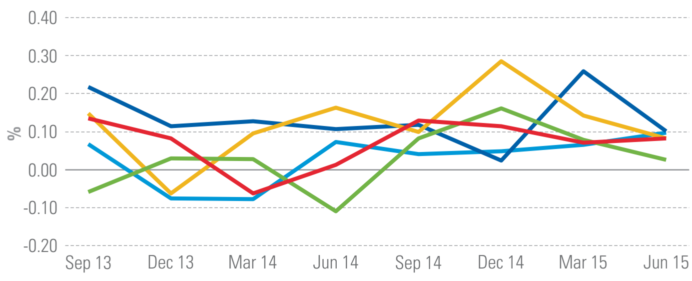
14 MAJOR BANKS: IMPAIRED ASSET EXPENSE VS AVERAGE GROSS LOANS AND ADVANCES



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