



Media Release

31 October, 2013

BNZ delivers another positive result on back of key investment commitments

Continued strong performance saw Bank of New Zealand (BNZ) today reporting statutory net profit for its banking group¹ for the year ended 30 September 2013 of \$695 million. This is an increase of \$115 million, or 19.8%, compared to the 2012 financial year.

Cash earnings² of \$788 million for BNZ's New Zealand banking operations³ continues the bank's positive growth trend over the past three years, and is an increase of \$47 million, or 6.3%, over the September 2012 financial year.

BNZ's drive for customer deposits has achieved excellent growth over the year, with average volumes increasing by \$4.0 billion or 11.6%³. Market share in deposits has also grown 49 basis points to 19.3%⁴. The ongoing rebalance of BNZ's funding base towards customer deposits supports the bank's AA-/Aa3 credit rating.

BNZ CEO Andrew Thorburn says, "We are pleased with this result, which reflects strong performance across our target sectors in an environment of intense competition.

"The result is also a reflection of the investment we have made in key areas, and builds on our market strengths. Over the financial year we significantly invested in our brand and customer experience, including agribusiness and New Zealand's vital SME sector. Our much sharper focus on the youth market and innovative digital products has also yielded pleasing gains for BNZ."

"BNZ maintained its support for the expansion of businesses in New Zealand over the past year. A stand out performer was our agribusiness unit, growing market share by 29 basis points to 22.0%⁴."

Average lending volumes across BNZ's business lending grew by \$1.6 billion, or 5.6%³ over the last financial year. Housing growth was \$1.1b or 3.9%.

Operating expenses rose by \$28 million or 3.7%³, due to increased investments in technology, improving customer service and BNZ's brand campaign focussed on helping customers to be good with money.

"We're particularly pleased that the new brand campaign has lifted our consideration among non-customers by 25%, a significant result in an environment where New Zealand customers have had more choice than ever before, and in which new regulatory pressure will test the sector as a whole," Mr Thorburn said.

"BNZ's \$400m 'NextGen' transformation project will ensure our business remains relevant to our customers and profitable well into the future.

1. "Banking Group": Bank of New Zealand's financial reporting group, which consists of Bank of New Zealand, all of its wholly owned entities and other entities consolidated for financial reporting purposes.

2. Cash earnings is a common measure of financial performance which excludes items introducing volatility and one-off distortions that are unrelated to BNZ's ongoing financial performance. Cash earnings is based on statutory net profit which is adjusted to exclude fair value movements, hedging gains/(losses) and the disposal of subsidiaries. These items are excluded from cash earnings as they introduce volatility and/or distortions and are shown in the cash earnings to net profit reconciliation included on the final page. Cash earnings is calculated in accordance with Group (NAB) policy.

3. "BNZ's New Zealand Banking operations": excludes BNZ's Group Capital Management and Wholesale Banking operations from the "Banking Group" and includes the Insurance operation in New Zealand for management reporting purposes.

4. Source: RBNZ (August 13). Retail deposits exclude some deposits by business banking customers captured in money market deposits in the BNZ Disclosure Statement.



“Our strength, and the investments we’ve made, contribute significantly to New Zealand and New Zealanders. We employ more than 5,000 New Zealanders and pay some \$250 million in tax,” says Mr Thorburn.

Bad and doubtful debts³ remained relatively flat compared with 2012, increasing by just \$1 million or 1.0% due to an increase in collective provisioning.

“It is immensely pleasing that others are recognising BNZ’s drive for innovation and for making a difference.

“For the third year running we won the *CANSTAR Best Small Business Bank* award, acknowledging BNZ’s strong product suite and the valuable contribution the bank makes to the country’s small business sector overall,” said Mr Thorburn.

In a New Zealand first, BNZ launched PayClip in September, transforming smart phones and tablets into mobile credit and debit card payment machines. This technology is only available from BNZ. The bank also launched New Zealand’s first mobile for business offering making it easier for businesses to manage their money.

In recognition of BNZ’s commitment to customer service, the bank’s contact centre was internationally lauded with a gold award for *Best Customer Service* at the World Contact Centre Awards in June this year.

The BNZ Kiwisaver Scheme, launched in February, has gone from strength to strength and now has 25,000 customers and more than \$100 million in funds under management. The conservative fund was recently awarded a five-star CANSTAR rating, with the balance and growth funds receiving a four-star CANSTAR rating.

Earlier this year BNZ was the inaugural winner of the *United Nations Women’s Empowerment Principles Benchmarking for Change Award* for its success in promoting gender equality and the empowerment of women.

“The New Zealand economy is embarking on a sustained, strong period of growth on the back of an accelerating dairy sector and construction industry. BNZ is proud of the contribution it is making to this story, through our investment, our innovation and the commitment of our people across New Zealand,” Mr Thorburn said.

Ends

For further information please contact:
Emily Davies, External Relations Manager, BNZ
T. 09-924 8658, M. 021 815 149, E. emily_davies@bnz.co.nz

BNZ Banking Group

Income Statement Summary

	Year to	
	Sep 13 NZ\$m	Sep 12 NZ\$m
Net interest income	1,565	1,503
Gains less losses on financial instruments	(94)	(233)
Other operating income	434	374
Total operating income	1,905	1,644
Operating expenses	(843)	(794)
Total operating profit before impairment losses on credit exposures and income tax expense	1,062	850
Impairment losses on credit exposures	(113)	(61)
Total operating profit before income tax expense	949	789
Income tax expense on operating profit	(254)	(209)
Net profit attributable to shareholders of Bank of New Zealand	695	580

Balance Sheet Summary

Spot Balances (NZ\$m)	Sep 13	Sep 12
Total assets	75,310	73,111
Total liabilities	69,623	67,834
Total shareholders' equity	5,687	5,277
Ordinary shareholder's equity	4,777	4,367
Contributed equity – perpetual preference shareholders	910	910
Total shareholders' equity	5,687	5,277

Capital Adequacy Ratios¹

	Sep 13	Sep 12
	Basel III	Basel II
Common Equity Tier One capital ratio	8.86%	N/A
Tier One capital ratio	10.67%	11.26%
Total qualifying capital ratio	12.59%	13.29%

1. Based on the RBNZ's Capital Adequacy Framework.

New Zealand Banking operations

	Year to		Sep 13 v Sep 12 %
	Sep 13 NZ\$sm	Sep 12 NZ\$sm	
Net interest income	1,466	1,425	2.9
Other operating income	499	456	9.4
Net operating income	1,965	1,881	4.5
Operating expenses	(791)	(763)	(3.7)
Underlying profit	1,174	1,118	5.0
Charge to provide for bad and doubtful debts	(99)	(98)	(1.0)
Cash earnings before tax	1,075	1,020	5.4
Income tax expense	(287)	(279)	(2.9)
Cash earnings (NZ Banking)¹	788	741	6.3

Reconciling items to statutory net profit (BNZ Banking Group)

Structural differences between NZ Banking and BNZ Banking Group ²	60	73	(17.8)
Fair value movements and hedging gains/(losses) ³	(221)	(339)	34.8
Disposal of subsidiaries ⁴	-	(4)	N/A
Taxation on reconciling items	68	109	(37.6)
Net profit attributable to shareholders of Bank of New Zealand⁵	695	580	19.8

Average Volumes (NZ\$bn)⁶

Gross loans and acceptances	60.6	57.9	4.7
Interest earning assets	62.0	59.6	4.0
Total assets	62.0	59.7	3.9
Customer deposits	38.5	34.5	11.6

Performance Measures⁶

Cash earnings on average assets	1.27%	1.24%	3 bps
Net interest margin	2.36%	2.39%	(3 bps)
Cost to income ratio	40.3%	40.6%	30 bps

1. BNZ's New Zealand Banking operations are reported as a separate division and include the Retail, Business, Agribusiness, Corporate and Insurance businesses. It excludes BNZ's Group Capital Management and Wholesale Banking operations reported at a Group (NAB) level.
2. BNZ Banking Group excludes the Insurance operation in New Zealand and includes BNZ's Group Capital Management and Wholesale Banking operations.
3. Includes unrealised fair value gains or losses on economic hedges that do not qualify for hedge accounting and ineffectiveness of designated hedge accounting relationships. Fair value movements are mainly driven by changes in interest rates, credit spreads and volatility on cross currency swaps.
4. Relates to the disposal of the Singapore branch.
5. Statutory net profit has been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). It complies with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards.
6. Average volumes and performance measures are based on BNZ's New Zealand Banking operations. Performance measures are calculated on a cash earnings basis.