



Media Release

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Strong result for BNZ based on deposits, customer focus and innovation

Bank of New Zealand (BNZ) has today reported cash earnings for its New Zealand banking operations* for the year ended 30 September 2012 of \$741 million. This is an increase of \$129 million or 21.1% compared to the 2011 financial year.

BNZ CEO Andrew Thorburn said: “This is a strong result for BNZ, underpinned by sound fundamentals, and ensures BNZ can go on making a very significant contribution to the New Zealand economy.

“This full year result is not only testament to a continued focus on local deposits, increased revenue performance and prudent cost management, but also to continual innovation and relentlessly keeping the customer at the heart of what we do.

“It’s the strength of our bank which allows BNZ to continue to give confidence to our depositors and rating agencies which in turn supports our balance sheet strength and funding capability. Importantly, it allows BNZ to continue to employ more than 5,000 New Zealanders, pay over \$700m to local suppliers and in salaries, as well as more than \$200m in tax over the past year.

“Our performance also enables us to invest in New Zealand’s future by facilitating business with our nationwide network of 33 Partners Business Centres. It means we can take pride in sponsoring iconic institutions and causes like Super Rugby and Plunket as well as undertaking major philanthropic work through BNZ’s annual Closed For Good initiative.”

Actively targeting customer deposits has seen BNZ strongly expand its deposit base over the past year. BNZ has increased retail deposits^ from \$31.1 billion in the prior financial year to \$34.5 billion, an increase of \$3.4 billion or 10.9%. Market share in deposits continues to grow, increasing by 76 basis points to 18.8%.

BNZ’s drive for local deposits has seen the bank reducing its reliance on volatile offshore funding markets. Customer deposit funding is fundamental to maintaining a robust balance sheet, and a key factor supporting BNZ’s AA-/Aa3 credit rating.

“Continuing to strengthen our balance sheet is imperative in the face of lingering global uncertainties. While we’re seeing signs of stabilisation domestically, the operating environment remains challenging with volatility in Europe and uncertainty around the timing of the Christchurch rebuild, as well as growth concerns in China and Australia.

*BNZ’s New Zealand Banking operations include Retail, Business, Agribusiness, Corporate and Insurance businesses. It excludes BNZ’s Wholesale banking operations.

^ Average volumes



“Having a strong capital and funding base has enabled the bank to maintain our cost of funds, and in turn, allows us to offer competitive rates to our customers, invest in staff and the business, and continue to support local suppliers,” said Mr Thorburn.

BNZ’s core funding ratio is comfortably above the upcoming 1 January 2013, Reserve Bank of New Zealand (RBNZ) minimum requirement of 75% and has been further boosted from the previous year. The focus on capital strength also saw BNZ Banking Group’s tier one capital ratio at 11.26% and total capital ratio at 13.29% as at 30 September 2012.

The full year charge for bad and doubtful debts decreased significantly by \$53 million or 35.1% from 2011 driven by lower collective provisions as customers benefited from historically low interest rates.

BNZ has grown market share in key segments over the past year, including agribusiness from 20.8% to 21.9% and retail deposits from 18.0% to 18.8%. The agricultural sector continues to be well supported by ongoing demand for protein in emerging markets. BNZ’s solid performance in the business segment also saw its share of business lending¹ increase from 26.5% to 26.7%.

A new brand campaign challenged Kiwis to not just think about their finances, but specifically what they do with their money, and whether they’re “good or bad” with it.

“With this new brand campaign, BNZ started important conversations for New Zealand and for the bank, underpinning our mission to be the bank for New Zealanders and help New Zealand become a high-achieving nation,” said Mr Thorburn.

This year BNZ has made a number of significant appointments to its executive team including chief marketing officer Craig Herbison, director of product and operations Shelley Ruha, chief risk officer Renee Roberts and most recently, Adrienne Duarte as the bank’s new chief financial officer. Ms Duarte will be the bank’s first female CFO with her appointment bringing the gender balance of BNZ’s executive team to 50% women.

BNZ’s continued drive to enhance its customers’ experience has led to a number of innovative developments. As the first New Zealand bank to develop and deliver mobile banking across all three mobile platforms - the mobile web, iPhone and Android - BNZ has further enhanced its offering by allowing potential customers to join the bank via their mobile phone from anywhere in New Zealand.

In March, BNZ’s innovative TotalMoney offset product, which has saved Kiwis more than \$134 million in interest charges in just five years, was recognised yet again with the bank picking up the annual CANSTAR CANNEX Innovation award.

The bank has almost completed its \$200 million investment in the transformation of its retail stores and Partners network. All of the 33 Partners Centres are now up and running and around 95% of the Retail store network has been refreshed.

BNZ continues to demonstrate its commitment to local communities with its third annual ‘Closed for Good’ initiative. On 8 May 2012, more than 3,000 BNZ staff worked as volunteers for over 500 different community projects across the country.

BNZ is the first carbon-neutral bank in New Zealand and one of the largest organisations in New Zealand to achieve carbon neutrality. Additionally, it is the largest Fair Trade business in the country.

¹ Business lending comprised overdrafts and terms loans (excludes housing and credit cards).



New Zealand Banking (includes BNZ Partners, Retail, BNZ Insurance and support units)

	Year to			Half Year to		
	Sep 12 NZ\$m	Sep 11 NZ\$m	Sep 12 v Sep 11 %	Sep 12 NZ\$m	Mar 12 NZ\$m	Sep 12 v Mar 12 %
Net interest income	1,425	1,324	7.6	714	711	0.4
Other operating income	456	451	1.1	223	233	(4.3)
Net operating income	1,881	1,775	6.0	937	944	(0.7)
Operating expenses	(763)	(747)	(2.1)	(388)	(375)	(3.5)
Underlying profit	1,118	1,028	8.8	549	569	(3.5)
Charge to provide for bad and doubtful debts	(98)	(151)	35.1	(64)	(34)	(88.2)
Cash earnings before tax	1,020	877	16.3	485	535	(9.3)
Income tax expense	(279)	(265)	(5.3)	(129)	(150)	14.0
Cash earnings	741	612	21.1	356	385	(7.5)

Average Volumes (NZ\$b)

Gross loans and acceptances	57.9	55.9	3.6	58.3	57.5	1.4
Interest earning assets	59.6	57.6	3.5	60.0	59.1	1.5
Total assets	59.7	58.1	2.8	60.2	59.3	1.5
Customer deposits	34.5	31.1	10.9	35.4	33.5	5.7

Performance Measures

Cash earnings on average assets	1.24%	1.05%	19 bps	1.18%	1.30%	(12 bps)
Net interest margin	2.39%	2.30%	9 bps	2.38%	2.41%	(3 bps)
Cost to income ratio	40.6%	42.1%	150 bps	41.4%	39.7%	(170 bps)

Ends

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Income Statement Summary

For the year ended 30 September 2012

Dollars in Millions	Consolidated 30/9/12
Net interest income	1,503
Gains less losses on financial instruments at fair value	(233)
Other operating income	374
Total operating income	1,644
Total operating profit before impairment losses on credit exposures and income tax expense	850
Total operating profit before income tax expense	789
Income tax expense on operating profit	209
Net profit attributable to shareholders of Bank of New Zealand	580

Balance Sheet Summary

As at 30 September 2012

Dollars in Millions	Consolidated 30/9/12
Total assets	73,111
Total liabilities	67,834
Net assets	5,277
Ordinary shareholder's equity	4,367
Contributed equity - perpetual preference shareholders	910
Total shareholders' equity	5,277
Tier One capital ratio	11.26%
Total qualifying capital ratio	13.29%