



Media Release

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Efficiency and Investment Support Sound Result for BNZ

Bank of New Zealand (BNZ) has today reported statutory net profit for its banking group¹ for the first six months to 31 March 2013 of \$298 million, demonstrating continued strong performance for the bank. This is an increase of \$70 million, or 30.7%, over the September 2012 half year.

Cash earnings² for BNZ's New Zealand banking operations³ of \$387 million continues the bank's positive growth trend of the past three years, and is an increase of \$31 million, or 8.7%, over the September 2012 half year.

BNZ CEO Andrew Thorburn said, "This is a robust result for BNZ, testament to our continued investment in the things that really matter; our customers, staff and network. It is a great time to be a customer and more than ever we're intensely focussed on innovating and investing for the benefit of New Zealanders, and our customer satisfaction ratings continue to perform strongly.

"Actively growing our deposit base, diversifying our presence in wholesale funding markets and holding prudent levels of liquidity represent a significant contribution to maintaining BNZ's rock-solid balance sheet and support our AA-/Aa3 credit rating."

Average volumes of customer deposits over the prior comparable period grew by \$3.6 billion or 10.7%³.

Mr Thorburn said that a deep customer focus, investment and drive for innovation continues to deliver big wins for BNZ and ensures the company maintains its significant contribution to New Zealand on a wide range of fronts.

"BNZ's ongoing support of New Zealand businesses is driving increased lending growth to business, particularly in the country's important agricultural sector. Total average lending volumes grew by \$1.9 billion or 3.3%³ over the prior comparable period."

Improving economic conditions and customers benefitting from the low interest rate environment have contributed to a 12.5%³ decrease in the charge to provide for bad and doubtful debts over the September 2012 half year. The overall quality of BNZ's lending portfolio has continued a trend of gradual improvement during the current half year with a reduction in impaired assets across business, agricultural and retail exposures.

1. "Banking Group" means 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 one-off events. 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 page 4. 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.



The bank's continued investment programme has contributed to a rise in operating expenses, which are up \$7 million or 1.8%³ over the September half year.

A growing focus for BNZ is its investment in digital channels which customers are enthusiastically adopting, particularly in the youth segment with the bank's Canstar Innovation Excellence Award-winning YouMoney product, launched in February. Another significant investment, BNZ's much anticipated KiwiSaver scheme, has gained more than 8,500 customers in the 10 weeks since its February launch.

BNZ has made great strides in its gender diversity aspirations and has equal representation at its executive team and at entry level management (50%). It has made advances in its senior management representation of 24% by building strength in its talent pipeline. The bank's target at this level is 26% by financial year end.

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 award reinforces how serious we are about gender equality at BNZ, and it's an issue we'll continue to advocate for publicly as part of a wider conversation about taking New Zealand business in new directions.

"On a range of key issues - our poor national savings record, policy settings, and the training and skills we equip our young people with - business has a responsibility to speak up and offer practical solutions that will make a positive difference to New Zealand's future," Mr Thorburn said.



BNZ Banking Group

Income Statement Summary

	Half Year to		
	Mar 13 NZ\$m	Sep 12 NZ\$m	Mar 12 NZ\$m
Net interest income	778	756	747
Gains less losses on financial instruments at fair value	(98)	(199)	(34)
Other operating income	209	183	191
Total operating income	889	740	904
Operating expenses	(409)	(408)	(386)
Total operating profit before impairment losses on credit exposures and income tax expense	480	332	518
Impairment losses on credit exposures	(73)	(31)	(30)
Total operating profit before income tax expense	407	301	488
Income tax expense on operating profit	(109)	(73)	(136)
Net profit attributable to shareholders of Bank of New Zealand	298	228	352

Balance Sheet Summary

Spot Balances (NZ\$m)	Mar 13	Sep 12	Mar 12
Total assets	72,798	73,111	71,716
Total liabilities	67,395	67,834	67,043
Total shareholders' equity	5,403	5,277	4,673
Ordinary shareholder's equity	4,493	4,367	3,763
Contributed equity – perpetual preference shareholders	910	910	910
Total shareholders' equity	5,403	5,277	4,673

Capital Adequacy Ratios¹

	Mar 13	Sep 12	Mar 12
Common Equity Tier One capital ratio	8.73% ²	N/A	N/A
Tier One capital ratio	10.68% ²	11.26%	9.59%
Total qualifying capital ratio	12.76% ²	13.29%	12.39%

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

2. The capital ratios for 31 March 2013 have been determined in accordance with the Reserve Bank's Basel III policy effective from 1 January 2013.

New Zealand Banking operations

	Half Year to			Mar 13 v Sep 12 %	Mar 13 v Mar 12 %
	Mar 13 NZ\$m	Sep 12 NZ\$m	Mar 12 NZ\$m		
Net interest income	732	714	711	2.5	3.0
Other operating income	249	223	233	11.7	6.9
Net operating income	981	937	944	4.7	3.9
Operating expenses	(395)	(388)	(375)	(1.8)	(5.3)
Underlying profit	586	549	569	6.7	3.0
Charge to provide for bad and doubtful debts	(56)	(64)	(34)	12.5	(64.7)
Cash earnings before tax	530	485	535	9.3	(0.9)
Income tax expense	(143)	(129)	(150)	(10.9)	4.7
Cash earnings (NZ Banking)¹	387	356	385	8.7	0.5

Reconciling items to statutory net profit (BNZ Banking Group)

Structural differences between NZ Banking and BNZ Banking Group ²	44	29	44	51.7	-
Fair value movements and hedging gains/(losses) ³	(188)	(226)	(113)	16.8	(66.4)
Disposal of subsidiaries ⁴	-	(4)	-	N/A	N/A
Taxation on reconciling items	55	73	36	(24.7)	52.8
Net profit attributable to shareholders of Bank of New Zealand⁵	298	228	352	30.7	(15.3)

Average Volumes (NZ\$b)⁶

Gross loans and acceptances	59.4	58.3	57.5	1.9	3.3
Interest earning assets	61.2	60.0	59.1	2.0	3.6
Total assets	61.3	60.2	59.3	1.8	3.4
Customer deposits	37.1	35.4	33.5	4.8	10.7

Performance Measures⁶

Cash earnings on average assets	1.27%	1.18%	1.30%	9 bps	(3 bps)
Net interest margin	2.40%	2.38%	2.41%	2 bps	(1 bp)
Cost to income ratio	40.3%	41.4%	39.7%	110 bps	(60 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.

Ends

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