KPMG

FIPS

Financial Institutions Performance Survey
December 2019 Quarterly Results

Overview

(Current as at 27 March 2020: 10 a.m.)

Economy and business outlook

In our recent publication *FIPS Banks: Review of 2019*[1] released on 18 February 2020, we discussed how despite market indicators being good and gross domestic product (GDP) still growing, confidence was down. Toward the end of 2019 confidence improved slightly compared to the rest of the year. One commonly held view was that because things had been so good for so long, people were expecting things to come down off the highs that had been reached because 'they surely can't keep getting better'. This expectation has now become a reality, although not in a way that anyone predicted.

ANZ's Chief Economist, Sharon Zollner's, preliminary results for the March ANZ *Business Outlook* survey show that all key activity indicators, including business confidence, employment and investment intentions gave up the gains made since their lowest point around August/September last year. Concerns around the potential impact of the global novel coronavirus (COVID-19) outbreak have caused New Zealand firms' export intentions and their own activity outlook to appear to have dropped significantly[2].

BNZ became the first major bank to predict a recession on 9 March, with their economists expecting the economy to contract in the first two quarters of the year and warning that the risk of recession in New Zealand has moved from 'plausible' to 'probable'. They are forecasting a 0.1% decline in GDP in both the first and second quarters of 2020.

Other bank economists were at this stage only forecasting a contraction in the March quarter, even though their outlooks are getting gloomier by the day[3].

ANZ economists upped the ante, calling for more fiscal stimulus, sooner. They believed that scrapping this year's minimum wage increase should be a 'no-brainer' for the Government, which needs to get comfortable borrowing up to $60 billion more than it originally intended. They called for the 1 April minimum wage rise from $17.70 to $18.90, to be frozen, saying the cost to businesses could lead to additional staff cuts, if not more businesses failing[3]. However, the Government has ruled this out in favour of people continuing to spend money and stimulate the economy.

The speed at which the COVID-19 outbreak is spreading is alarming, with significant reactions worldwide. We have seen the World Health Organisation (WHO) confirming a pandemic, governments announcing travel bans and lockdowns and the foreshadowed changes to people's business models, which are all resulting in macroeconomic forecasts being updated on an almost daily basis.

The speed at which the COVID-19 outbreak is spreading is alarming, with significant reactions worldwide.

While there is significant uncertainty regarding the future, one can say that it is fairly certain that COVID-19 will have significant economic implications given the magnitude and speed at which this situation is developing.

There is a social/moral angle to the containment of the virus and governments will be looking to curb the spread at the expense of any short-term economic costs and to maintain the health and safety of their citizens.

One can say that it is fairly certain that COVID-19 will have significant economic implications.

The economic impacts have already started to show locally, with export and tourism industries taking the biggest toll. Visitor arrivals from China were down 80% in the period between 1 February and 9 March. Indicative numbers from Statistics New Zealand showed forestry and seafood exports to China had declined in the past six weeks or so, although dairy exports remained resilient[4]. Initially, New Zealand had announced significant changes to its border regulations, making it compulsory for inbound travellers to self-isolate for fourteen days and then more recently on 19 March, closed its borders to all non-residents and non-citizens. This was followed by a major announcement by the Government on 23 March to put the country under complete lockdown for a minimum of four weeks.

This was followed by a major announcement by the Government on 23 March to put the country under complete lockdown for a minimum of four weeks.

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The Reserve Bank of New Zealand (RBNZ) and bank lobby group the New Zealand Bankers' Association (NZBA) issued a joint statement on 9 March in response to mounting concerns about the health and economic impacts of the COVID-19 outbreak in which they said that New Zealand banks are ready to respond to the impacts of COVID-19 and financially impacted customers should contact their banks[5].

New Zealand banks are ready to respond to the impacts of COVID-19 and financially impacted customers should contact their banks.

The COVID-19 outbreak has the potential to impact the operations of New Zealand's banking sector by affecting banks' staff, their funding markets and their customers' businesses. The RBNZ has asked all banks about their risk management approaches and preparedness for COVID-19. RBNZ Governor, Adrian Orr, said the responses from the banks show that the banks are prepared[6].

The RBNZ and NZBA on 9 March said that depending on a customer's situation, possible options for bank support include[6]:

- reducing or suspending principal loan payments and temporarily moving to interest-only repayments;
- helping restructure business loans, consolidating loans to help make repayments more manageable;
- providing access to short-term funding; and
- referring individual customers to budgeting services.

As the COVID-19 outbreak continues to escalate globally and locally, this will continue to have a range of impacts for New Zealand banks ranging from:

- large fluctuations in global financial market prices, exchange rates and the shape of the yield curve;
- deterioration of asset quality due to the widespread economic impact of the outbreak, cancelled orders, slower payment cycles, and widespread speculation that we could move into a recession necessitating banks to consider relief to impacted customers;
- potential decline in deposits or deposit retention putting additional pressure on liquidity management; and
- with the regulators taking some pressure off deadlines for regulatory compliance, this may give the banks a chance to consider their current plans, re-plan or review their approach. There is no question that banks have been under compliance pressure over the last year or two on multiple fronts. It may be that the relief granted here is needed to manage the COVID-19 outbreak impacts.

More specifically banks need to ensure they maintain operational resilience through this period. Malcolm Bruce and Jing Liu have discussed this in their article *Business resilience in epidemics and pandemics* on page 19.

Government response

The virus has spread to more than 190 countries and territories and a global recession is becoming more likely with every passing day. It's clear that global industrial production at least is going to be under huge pressure, as a result of supply chain disruption. This has the potential to feed through into employment and broader activity if sustained long enough. This in-turn will adversely affect New Zealand's commodity prices which would be expected to move with global demand slowing down[7].

A global recession is becoming more likely with every passing day.

To help combat the economic impacts, the Government is taking steps to help those who are worst affected from the COVID-19 pandemic. The Cabinet on 9 March had agreed to the development of a 'business continuity package' which would include a targeted wage subsidy scheme (similar to that used after the Canterbury and Kaikoura earthquakes), training and redeployment options for employees affected by COVID-19, and options around how the Government could work with banks to support companies that face temporary credit constraints[8].

On 17 March the Government launched a $12.1 billion stimulus package.

Following this, on 17 March the Government launched a $12.1 billion stimulus package to combat the economic impact of the COVID-19 outbreak, including $8.7 billion to support businesses and jobs. This is one of the largest stimulus initiatives per capita in the world, equating to around 4% of GDP, which shows that the Government understands the severity of the situation and is prepared to take action. Some key elements of the package include[9]:

- an initial $500 million boost to the health sector;
- $5.1 billion in wage subsidies for affected businesses;

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

- $126 million in support of people to take leave and go into self-isolation;
- $2.8 billion in income support, including a $25 a-week increase in benefits and a one-off doubling of the winter energy payment for this winter;
- $2.8 billion in business tax changes to free up cash flow, including a provisional tax threshold lift, the reinstatement of building depreciation for commercial buildings and the discretion to write off the interest on late tax payments; and
- $600 million in an initial aviation support package.

On 23 March, following the announcement by the Government of a complete lockdown in New Zealand, Government announced additional provisions to expand the fiscal package introduced earlier. The key announcement was regarding the wage subsidy scheme which would be expanded to cover all businesses, organisations, contractors and the self-employed. The $150,000 cap initially placed on the scheme was also removed. It was estimated that the earlier estimate of $5.1 billion would increase to $9.3 billion in light of these new measures[10].

On 23 March ... Government announced additional provisions to expand the fiscal package introduced earlier.

This comes on top of what the Government had already done so far in partnership with industries and business groups. This included[11]:

- support for the tourism and fisheries industries, an increase to regional business support funding, and directing Government departments to cut payment times to businesses to 10 working days;
- IRD and Ministry of Social Development (MSD) supporting businesses and workers on issues like provisional tax readjustments, late payment and filing fees, wage instalment plans and income support; and
- MSD's rapid response teams in place in regions like Tairawhiti where companies had been affected by the sudden drop in demand for logs, leading them to lay off many of their employees and contractors.

The Government together with the retail banks and the RBNZ also announced a financial support package for home owners and businesses affected by COVID-19 on 24 March. This includes a six-month mortgage holiday scheme for mortgage holders and businesses whose incomes have been affected. The $6.25 billion Business Finance Guarantee Scheme will provide short-term credit to cushion the financial distress on the small and medium-sized firms affected by the pandemic[12].

The Government together with the retail banks and the RBNZ also announced a financial support package for home owners and businesses affected by COVID-19 on 24 March.

It is welcoming to see that the stimulus package focusses on more upfront spending, provides additional funding to combat the pandemic and lessen the potential job losses and business failure. The package has been appreciated by the businesses throughout New Zealand[13] but there has also been some criticism from the National Party, which believes that more funds should have been directed to help the struggling businesses[14].

There is no doubt that significant work lies ahead, but the move by the Government has provided a sigh of relief for many.

Table 1 on page 5 summarises some key announcements since the outbreak of COVID-19.

Official Cash Rate (OCR)

The global policy response to COVID-19 has seen central banks slashing interest rates and governments pledging funds to mitigate the fallout and facilitate appropriate responses. The Reserve Bank of Australia (RBA) decided to cut the cash rate by 25 basis points (bps) at its monetary policy meeting on 3 March, the US Federal Reserve delivered an emergency 50 bps out-of-meeting cut and the Bank of Canada cut 50 bps at its scheduled meeting[15]. Following this, the Bank of England also announced a cut in interest rates of 50 bps to 0.25% on 11 March[16]. To further support the ability of banks to supply the credit needed to bridge a potentially challenging period, the Financial Policy Committee (FPC) has reduced the UK countercyclical capital buffer rate to 0% of banks' exposures to UK borrowers with immediate effect. The rate had been 1% and had been due to reach 2% by December 2020[16].

The global policy response to COVID-19 has seen central banks slashing interest rates.

This turned the spotlight to the RBNZ. In a speech launching its Principles on Using Unconventional Monetary Policy on 10 March, RBNZ Governor, Adrian Orr, said the RBNZ's activities involve continuous assessment of the monetary policy framework, including the most effective tools and their best application[17].

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Date	TABLE 1: Key announcements since the outbreak of COVID-19 (from 1 March to 24 March 2020)
09/03/20	The RBNZ asked all of the banks about their risk management approaches and preparedness for COVID-19 and suggested that all businesses should be preparing for possible disruptions.
09/03/20	The Government agreed to the development of a Business Continuity Package including a wages subsidy scheme, training and deployment options, and how it will work with banks.
10/03/20	In a speech launching its Principles on Using Unconventional Monetary Policy, the RBNZ's Governor stated that RBNZ has not, and still does not, need to use alternative monetary policy instruments to the OCR, but it is best to be prepared.
14/03/20	The Government put border controls into place. Everyone traveling to New Zealand after 23:59 p.m. on Sunday 15 March 2020 is to follow the Ministry of Health Guidance and self-isolate for 14 days.
16/03/20	The RBNZ cut the OCR to 0.25% for the next 12 months effective from 17 March 2020 and delayed the start date of increased capital requirements for banks to 1 July 2021.
17/03/20	The Government announced a $12.1 billion stimulus package to help New Zealanders deal with COVID-19.
18/03/20	The RBNZ provided further relief by deferring a number of its regulatory initiatives in order to support the economy and tackle the challenges created by COVID-19.
19/03/20	The Government further strengthened travel restrictions, closing New Zealand borders to almost all travellers, except citizens and residents from 23:59 on Thursday 19 March.
23/03/20	The RBNZ announced a plan to implement $30 billion Large Scale Asset Purchase programme of New Zealand Government bonds.
23/03/20	The Government announced plans to put New Zealand under lockdown for a minimum of four weeks and the Finance Minister announced further measures to strengthen the Government's initially proposed fiscal package.
24/03/20	The Government, retail banks and the RBNZ announced mortgage holiday and business finance support schemes to cushion COVID-19 impacts.

The Governor at that time said the RBNZ has not, and still does not, need to use alternative monetary policy instruments to the OCR, but it is best to be prepared.

Many expected that the RBNZ would cut the OCR by at least 50 bps at its next scheduled review on 25 March and it was expected that later in the year it could go as low as 0.25%. The RBNZ, however, made an emergency cut to the OCR by 75 bps to bring it down to 0.25% on 16 March following an extraordinary session of the Monetary Policy Committee. It also confirmed that the new rate will be in place for at least the next 12 months[18]. This was done to provide clarity to financial market participants that a negative OCR would not be implemented over this period.

The RBNZ said that the decision was made in response to the rapidly deteriorating economic situation relating to COVID-19 which has significantly affected global trade, travel, and business and consumer spending. With countries imposing travel bans and border restrictions to contain the spread and global financial markets slumping due to increased uncertainty, it has made the economic outlook bleak. This is bound to have a negative impact on the New Zealand economy with declining demand for New Zealand's goods and services and constrained domestic production.

The RBNZ typically implements monetary policy by controlling the OCR but as interest rates fall, this tool could be pushed to its limit in the future. Therefore, in recent years, the RBNZ has been considering the unconventional monetary policy tools and policy framework that it would use to meet its policy targets if need be.

Those tools include cutting the OCR to zero or even negative and using forward guidance to give a commitment to keep the OCR as low as it could go for as long as was needed. However, the RBNZ has ruled out any further cuts to the OCR for at least the next 12 months.

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The work to develop the RBNZ's preparation for unconventional monetary policies has involved[17]:

- identifying the suite of possible 'unconventional monetary policy tools' available to the RBNZ;
- defining and making explicit the criteria the RBNZ would use to assess these tools, against both each other and also alternative policies all together (e.g. fiscal policy options);
- considering the relative benefits and costs of the tools, so as to operate on a 'least surprise' basis, and to ensure the RBNZ works in collaboration and with the agreement of other fiscal authorities;
- considering not just the monetary policy efficacy of the tools, but also broader considerations related to our financial stability and efficiency mandate; and
- ensuring the tools are actually able to be utilised, including working with the important financial institutions that make up our financial system.

Lowering the OCR would not necessarily solve the problem, however, it can help to relieve some financial pressure on firms and households, bring the exchange rate down and pave the way for eventual recovery.

This move, however, would not come without consequences. With the OCR going down, banks see their net interest margins shrinking and given their reliance on deposit funding, they will only be able to reduce the deposit rates up to a certain point. This in turn can affect credit availability in the market. Given the important role of banks to help individuals and firms get through the slowdown, a constraint on banks' ability to lend is not desirable.

In order to address this concern, the RBNZ announced additional measures to support the provision of credit and market functioning.

To support credit availability, the RBNZ has decided to delay the start date of increased capital requirements for banks by 12 months to 1 July 2021[19].

The RBNZ has decided to delay the start date of increased capital requirements for banks by 12 months.

RBNZ Deputy Governor, Geoff Bascand, said that they are taking this action now to help support lending in the economy at a time when there is a lot of uncertainty. The decision to defer the capital framework implementation is estimated to enable banks to supply up to $47 billion more lending than would have been the case, had the decisions been implemented as planned.

The RBNZ announced on 18 March that they will defer the following regulatory initiatives, for at least six months[20]:

- review of the bank liquidity thematic review (and subsequent review of the liquidity policy) (BS13);
- review of the Insurance (Prudential Supervision) Act 2010;
- standard terms for Residential Mortgage Obligations;
- cyber resilience guidelines for all regulated entities;
- revisions to banks' disclosure of regulatory breaches;
- review of the stress-testing framework and planned bank stress-tests;
- revising the process for approving banks' internal capital adequacy models for credit risk; and
- the future of cash – standards for banknote-processing machines.

In addition to the above, the RBNZ said that it will also be extending the transition period for its revised outsourcing policy by 12 months which would mean the affected banks will now have to comply with the new requirements by 1 October 2023[20].

As the negative economic implications of the COVID-19 outbreak continue to intensify, the Monetary Policy Committee (MPC) on 23 March announced its plans to implement a Large Scale Asset Purchase programme of New Zealand Government bonds.

The Monetary Policy Committee (MPC) on 23 March announced its plans to implement a Large Scale Asset Purchase programme of New Zealand Government bonds.

This action was taken to reduce the regulatory burden on financial institutions and free up resources to support the economy and tackle the challenges created by COVID-19. The programme will purchase up to $30 billion of New Zealand Government bonds, across a range of maturities, in the secondary market over the next 12 months. This aims to provide further support to the economy, build confidence, and keep interest rates on government bonds low[21].

Lending and housing

The RBNZ cutting the OCR rate by 50 bps in August 2019 gave the banks more head room in setting margins and allowed them to drop mortgage rates to encourage volume. The announcement of the OCR rate drop gave rise to an unintended consequence of a mini 'mortgage war' between banks.

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Date	TABLE 2: Timeline of some key changes to mortgage rates
7/08/19	The RBNZ cut the OCR by 50 bps.
7/08/19	ASB became the first bank to pass the full 50 bps reduction on their floating rate to their customers[22]. The following changes were made: – Variable home loan rate was reduced by 0.50% from 5.70% p.a. to 5.20% p.a. – Orbit home loan rate was reduced by 0.45% from 5.75% p.a. to 5.30% p.a. – Two-year fixed home loan rate was lowered by 4 bps to 3.75% p.a.
16/08/19	Kiwibank offered market leading rates of 3.55% for a one-year fixed rate and 3.65% for a two-year fixed rate[23]. This was a cut of 24 bps and 14 bps respectively.
15/11/19	Kiwibank reduced one-year mortgage rates from 3.55% to 3.39%, setting a record low[24].
14/02/20	HSBC launched a new two-year fixed home loan premier offer. The first local bank to make a sharp cut from 3.54% to 3.20%[25]. However, it is not the lowest mortgage rate offered in New Zealand. China Construction Bank is offering 3.15% and 3.19% for some fixed term mortgages and the Industrial and Commercial Bank of China is offering 3.18% for the same term[25].
05/03/20	Westpac reduced its special home loan rates[26]: – Three year: reduced by 30 bps to 3.69%. – Four year: reduced by 56 bps to 3.79%. – Five year: reduced by 56 bps to 3.89%.
05/03/20	The lending rate cuts sparked TSB and BNZ to offer a matching rate in order to maintain market competitiveness. As a result, BNZ also cut their unique seven-year rate to 5.70%[27].
05/03/20	Heartland Bank made a trial foray into the home loan market, offering market leading fixed-term and floating mortgage rates via an online service with certain strict conditions such as having at least 20% deposit/ equity, the buyer must be planning to live in the house, and it must be a standalone house (i.e. investors and apartments are excluded from the offer). The following rates were on offer[28]: – One year: 2.89%. – Two year: 2.97%. – Three year: 3.39%. – Floating rate: 3.95%.
14/03/20	Kiwibank moved to match ASB's low 3.39% rate for two years (a 16 bps reduction) and also introduced a special rate for its three-year loan of 3.65% (a cut by 24 bps), which is the lowest among its rivals[29].
16/03/20	The RBNZ announced that it was cutting the OCR to 0.25% from 1% and it will remain at this level for the next 12 months.
16/03/20	Major banks were quick to respond to the RBNZ's 0.75% OCR rate cut[30]: – Westpac reduced the Choices Floating and Choices Offset Floating interest rate by 75 bps to 4.59% p.a. and Choices Everyday interest rate by 75 bps to 4.69% p.a. – BNZ said they would pass on the OCR cut in full for floating rates, taking their 5.30% rate down to 4.55%. – ANZ announced that their floating home loan rate will drop from 5.19% to 4.44% while the Flexi rate will drop from 5.30% to 4.55%. – ASB said that its variable home loan rate will be reduced by 75 bps to 5.20%, and its Orbit home loan rate will be reduced by 75 bps to 4.55%. – Kiwibank cuts its variable, revolving and offset mortgage rates by 75 bps to 4.40%, 4.45%, and 4.40%, respectively.

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Banks identified that an attractively priced mortgage rate is a strong tool for growing their mortgage books particularly when consumer loyalty is falling, and customers are price conscious. This was aggravated further by the OCR drop by the RBNZ on 16 March. See Table 2 on page 7. The table presents a high-level timeline of some key changes to mortgage rates over the last few months.

To summarise, what we have seen in the last few months is that:

- The RBNZ surprised the market with an unexpected 50 bps cut in August 2019 – that the market did not expect nor have priced in.
- However, the banks chose to only pass some of this cut onto the customers with rates on the lending side reduced by various levels across the curve.
- Over the last few months we have seen some signs of the impact of COVID-19 and an associated flattening of the curve.
- In March, the RBNZ acted strongly, cutting rates by 75 bps, partially to keep parity with global interest rate cuts (and prevent accretion in the currency), but we saw on this occasion the banks pass the full 75 bps on to customers.
- In an environment of such low interest rates, as we move closer to zero, it puts increasing pressure on bank margins, as the funding side has some natural floors which are required to keep the flow of funds.

Westpac New Zealand's chief economist, Dominick Stephens, is expecting the housing market to skid to a halt as a result of the COVID-19 pandemic, with growth in housing prices slowing down sharply in the June 2020 quarter[31]. Following the RBNZ's announcement of cutting the OCR and banks passing this on to their customers, the property market could further stimulate in the short term.

There is no doubt that significant uncertainty remains regarding the scope and duration of the slowdown. It will only be over time that we will be able to see the extent of the impact to the economy, including the finance sector and the housing market.

Results for the quarter

We have presented our analysis of the results for the quarter ended 31 December 2019 on pages 10 to 18. The highlights from the analysis are that net profit after tax (NPAT) decreased by 6.86% ($82.9 million) as compared to the quarter ended September 2019. This result was primarily driven by a decrease in non-interest income of $291.7 million (34.6%) and an increase in the impaired asset expense of $4.0 million (4.65%). This was partially offset by net interest income being up by $52.7 million (2.10%), operating expenses going down during the quarter by $154.7 million (9.63%) and a corresponding reduction in tax expense of $5.4 million (1.19%) driven by the lower profit figure.

Loan growth continued on its track of steady modest increases, with the major four banks seeing between 0.41% to 1.68% growth for the quarter. Kiwibank showed strong growth with its loan book growing by 3.57% in the quarter and also held the position of having the highest annual percentage increase of loans with a growth of 11.38% annually. TSB was in second place with an annual increase in gross loans of 8.79% despite being the only bank which saw its loan book shrink by 0.33% during the quarter.

A slight movement in asset quality was observed since the prior quarter, with the ratio of gross impaired loans to gross loans and advances decreasing to 0.31% compared to that of 0.34% in the prior quarter.

Provisioning levels, however, remained relatively stable, with the ratio of provisions to gross loans and advances just slightly dropping from 0.468% to 0.465%.

The number of new mortgages written in the quarter increased by 15.5% from the previous quarter, where it had shown a downward trend. From our analysis of the results, the percentage of new mortgages above 80% of the loan-to-value ratio decreased slightly from 10.88% in the previous quarter to 10.45% in the current financial quarter, and was up from 8.90% a year earlier in the quarter ended December 2018.

Overall, this quarter saw a growth in the consumer lending, housing and business lending, with agriculture lending going down mainly due to the impacts of the draught.

We have seen the margins held up over the quarter (overall) but as we head into a much lower interest rate environment, with pressure on global funding, we would expect to see margins under increasing pressure. Fees and costs both continue to be under pressure as we see rationalisation of products, increasing focus on good customer outcomes and increasing waiving of historical fees. Costs are also on the rise as banks ramp up conduct teams, product managers, etc. The offset will come as banks simplify their product sets and eliminate historical grandfathered products, following which we should see some rationalisation in the cost base.

On the following pages is an analysis of the results and position of the sector for the December 2019 quarter, including identifying the individual banks that are driving the changes from the previous quarter.

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Net profit after tax

Net interest income

2.10%

to $2,564.5 million

Driven by

	Net interest margin
ANZ/Westpac	10 bps ↑
Kiwibank/Heartland	10 bps ↓

Movement in net profit

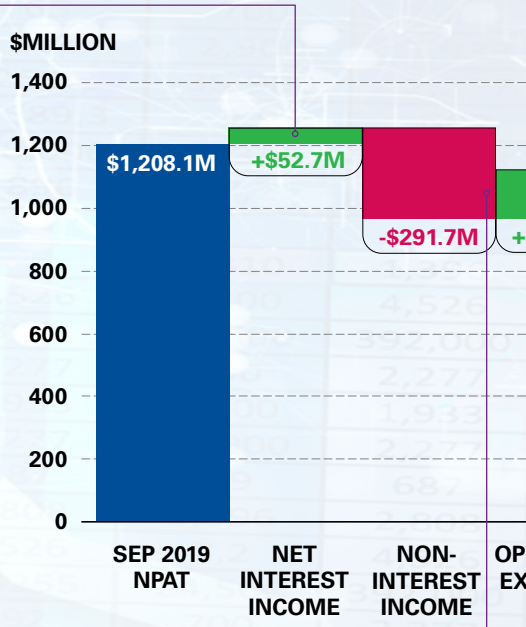


TABLE 3: Movement in interest margin

	31 Dec 19 quarter ended (%)[33]	Mvmt. during the quarter (bps)	Mvmt. for the 6 months (bps)	Mvmt. for the 12 months (bps)
ANZ	2.10	10	-10	-10
BNZ	2.10	0	0	-10
CBA	1.90	0	-10	-10
Heartland Bank	4.50	-10	0	20
Kiwibank	1.90	-10	-20	-20
SBS Bank	2.50	0	0	0
TSB Bank	1.80	0	0	-10
The Co-operative Bank	2.20	0	0	-10
Westpac	1.90	10	-20	-40

Non-interest income

Driven by

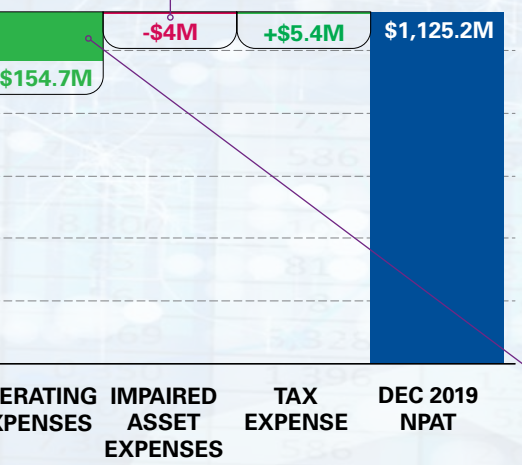
ANZ

Westpac

BNZ

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

6.86%
to $1,125.2 million



Impaired asset expenses 4.65%
up $4 million

Driven by

Westpac	$38M
ANZ	$28M
BNZ	$8M

34.60%
down $291.7 million

$153M	
$82M	
$38M	

Operating expenses 9.63%
down $154.7 million

Driven by

BNZ	$145M
ANZ	$59M
CBA	$36M

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Lending

Loans 1.07% to $441,329 million

Quarterly

Kiwibank	3.57%
Heartland	1.82%
Westpac	1.68%

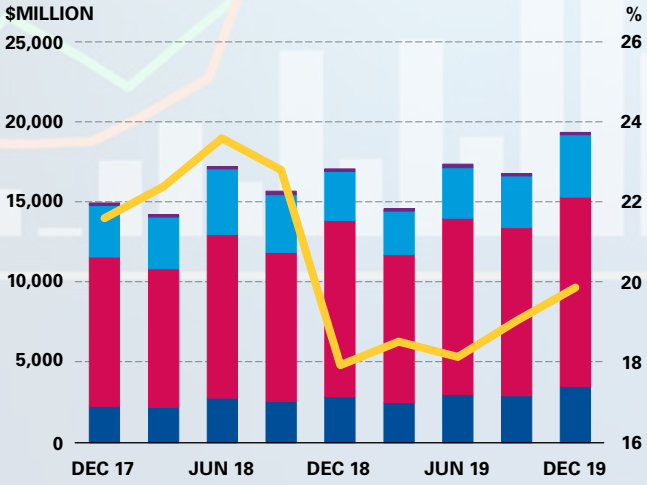
Year on year

Kiwibank	11.38%
TSB	8.79%
Heartland	6.45%

TABLE 4: Analysis of gross loans

Quarterly analysis	31 Dec 19 quarter ended $Million	30 Sep 19 quarter ended $Million	% Increase (Quarterly)
ANZ	134,999	133,763	0.92%
BNZ	88,814	88,453	0.41%
CBA	92,865	92,102	0.83%
Heartland Bank	3,748	3,681	1.82%
Kiwibank	21,639	20,893	3.57%
SBS Bank	4,166	4,099	1.63%
TSB Bank	6,184	6,205	-0.33%
The Co-operative Bank	2,537	2,510	1.08%
Westpac	86,378	84,947	1.68%
Total	**441,330**	**436,654**	**1.07%**
Annual analysis	**31 Dec 19 quarter ended $Million**	**31 Dec 18 quarter ended $Million**	**% Increase (Annual)**
ANZ	134,999	130,542	3.41%
BNZ	88,814	85,022	4.46%
CBA	92,865	88,525	4.90%
Heartland Bank	3,748	3,521	6.45%
Kiwibank	21,639	19,428	11.38%
SBS Bank	4,166	3,963	5.12%
TSB Bank	6,184	5,685	8.79%
The Co-operative Bank	2,537	2,441	3.92%
Westpac	86,378	81,734	5.68%
Total	**441,330**	**420,861**	**4.86%**

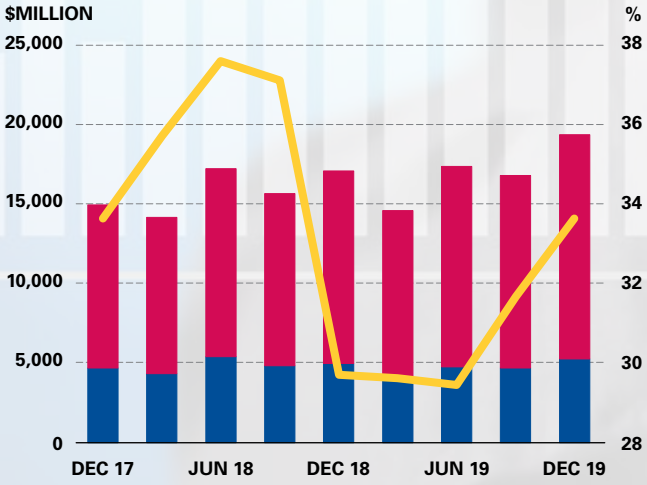
1 NEW MORTGAGE LENDING BY BORROWER TYPE



FIRST HOME BUYER (LHS)
OTHER OWNER OCCUPIER (LHS)
INVESTOR (LHS)
BUSINESS PURPOSES (LHS)
INVESTOR LENDING (%) (RHS)

SOURCE: RESERVE BANK OF NEW ZEALAND STATISTICS

2 NEW MORTGAGE LENDING BY PAYMENT TYPE



INTEREST ONLY (INCLUDING REVOLVING CREDIT) (LHS)
PRINCIPAL AND INTEREST (LHS)
PROPORTION OF NEW LENDING INTEREST ONLY – INVESTOR (%) (RHS)

SOURCE: RESERVE BANK OF NEW ZEALAND STATISTICS

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Asset quality

Individually assessed provisions

2.32%

down $9 million

Driven by

CBA $30M

BNZ $9M

Westpac $6M

Collectively assessed provisions

1.09%

up $18 million

Driven by

Westpac $9M

CBA $3M

BNZ $2M

3 MOVEMENT IN PROVISIONING

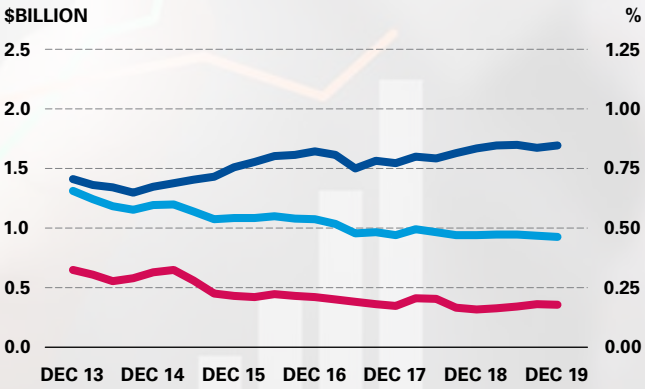
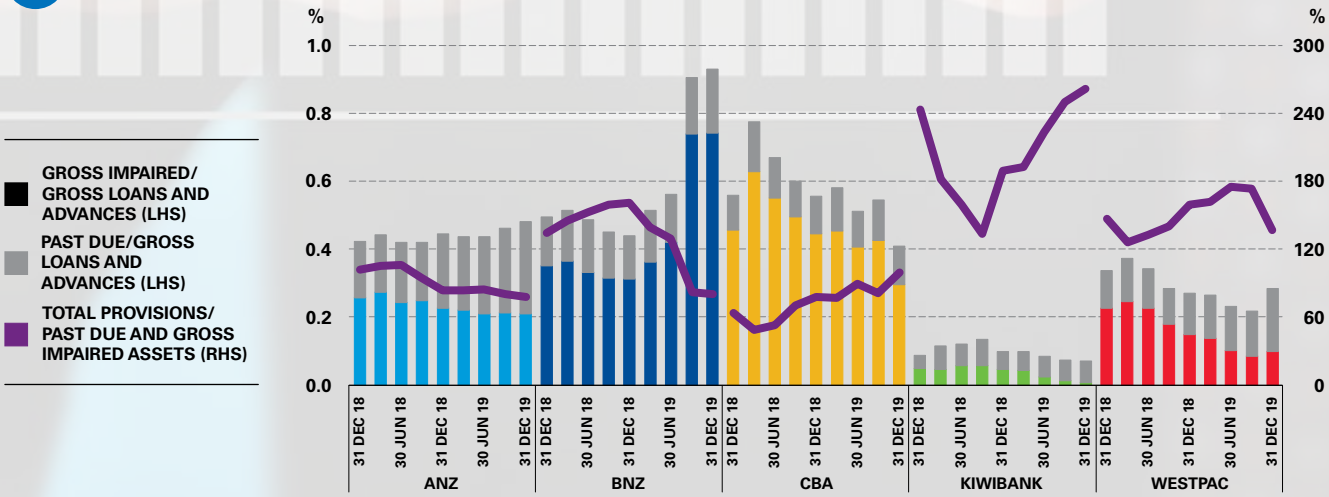


TABLE 5: Movement in impaired asset expense/ Average gross loans

	31 Dec 19 quarter ended (%)	Movement during the quarter (bps)	Movement for the 12 months (bps)
ANZ	0.05%	-8	1
BNZ	0.14%	-4	8
CBA	0.04%	-1	-12
Heartland Bank	0.47%	-3	-32
Kiwibank	0.06%	3	-1
SBS Bank	0.48%	13	10
TSB Bank	0.03%	5	19
The Co-operative Bank	0.10%	7	-3
Westpac	0.10%	18	7
Average	**0.08%**	**0**	**0**

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



© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Major banks - Quarterly analysis

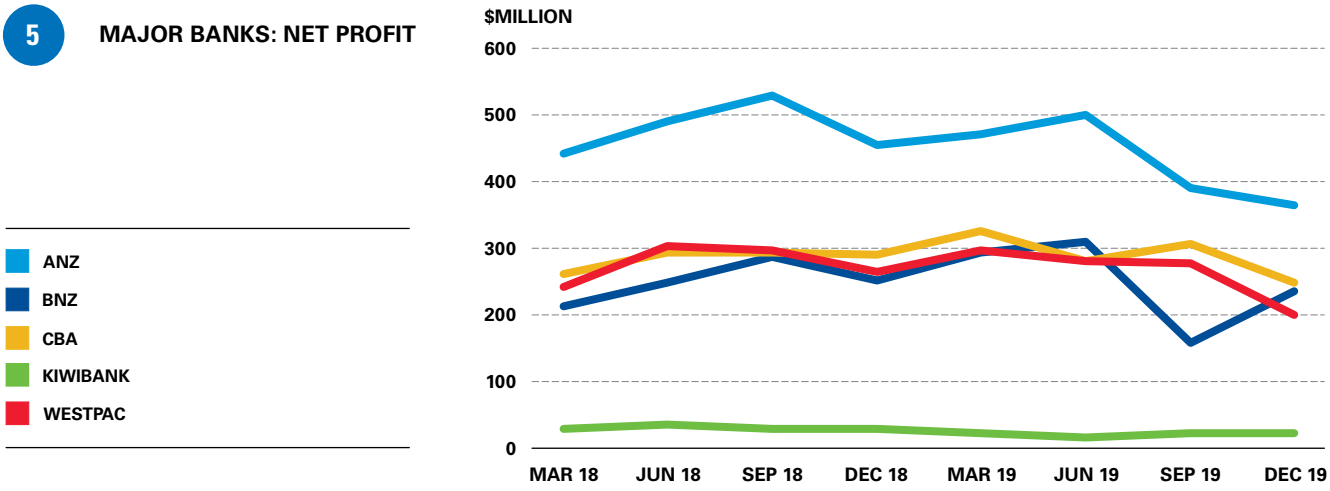
Entity	Size & strength measures							
	31 Mar 18	30 Jun 18	30 Sep 18	31 Dec 18	31 Mar 19	30 Jun 19	30 Sep 19	31 Dec 19
	Total assets[32] ($Million)							
ANZ	158,185	160,583	159,719	164,588	161,416	164,698	164,952	166,292
BNZ	95,315	97,742	97,065	101,678	99,991	102,536	103,758	105,313
CBA	92,801	97,762	98,643	101,338	101,906	103,157	105,388	107,075
Heartland Bank	4,222	4,307	4,388	4,496	4,596	4,018	4,054	4,139
Kiwibank	20,449	20,381	20,498	20,715	20,935	22,040	22,514	22,734
SBS Bank	4,237	4,347	4,455	4,501	4,574	4,660	4,755	4,791
TSB Bank	7,072	7,278	7,416	7,454	7,527	7,733	7,819	7,920
The Co-operative Bank	2,527	2,589	2,629	2,661	2,689	2,786	2,786	2,855
Westpac	95,666	96,041	96,216	98,438	96,656	98,537	100,180	101,464
Total	**480,474**	**491,031**	**491,030**	**505,868**	**500,290**	**510,164**	**516,204**	**522,583**
	Increase in gross loans and advances (%)							
ANZ	0.82	1.69	0.17	1.04	1.33	0.77	0.35	0.92
BNZ	0.51	2.01	1.64	1.46	1.35	1.56	1.07	0.41
CBA	0.97	1.68	1.11	1.76	1.68	0.91	1.40	0.83
Heartland Bank	2.48	2.69	3.12	-14.95	0.68	2.94	0.88	1.82
Kiwibank	1.01	0.93	2.49	2.93	2.85	2.89	1.63	3.57
SBS Bank	1.11	1.02	0.37	2.20	1.11	1.24	1.05	1.63
TSB Bank	2.95	2.66	1.88	1.88	2.40	3.77	2.72	-0.33
The Co-operative Bank	1.21	1.51	2.48	2.17	1.04	0.77	0.98	1.08
Westpac	1.79	0.89	0.67	0.68	1.34	0.79	1.75	1.68
Average	**1.04**	**1.58**	**0.93**	**1.16**	**1.48**	**1.13**	**1.10**	**1.07**
	Capital adequacy (%)							
ANZ	14.40	14.80	14.40	15.20	14.60	13.50	13.60	13.60
BNZ	13.10	13.20	13.60	13.30	13.60	13.70	13.90	14.40
CBA	13.60	13.90	13.90	14.80	14.30	14.00	13.50	14.20
Heartland Bank	14.10	14.10	13.40	13.30	13.10	13.50	12.90	12.80
Kiwibank	15.40	15.80	15.70	15.30	14.90	14.50	13.50	13.20
SBS Bank	12.80	13.00	13.10	14.10	14.20	14.30	14.20	14.20
TSB Bank	14.30	14.70	14.50	14.80	14.60	14.50	14.60	14.60
The Co-operative Bank	16.80	16.70	17.20	17.20	17.10	16.60	16.70	16.40
Westpac	16.60	17.10	16.60	16.90	16.50	16.70	15.90	15.90
	Net profit ($Million)							
ANZ	444	492	530	456	473	504	392	367
BNZ	215	250	289	253	296	313	160	238
CBA	264	296	297	292	329	282	310	252
Heartland Bank	18	19	17	13	18	20	18	18
Kiwibank	33	39	32	30	25	20	25	27
SBS Bank	7	8	8	8	6	8	8	6
TSB Bank	14	14	13	13	5	14	14	12
The Co-operative Bank	1	3	3	3	1	2	2	3
Westpac	246	305	299	266	300	284	280	203
Total	**1,242**	**1,423**	**1,489**	**1,335**	**1,455**	**1,447**	**1,208**	**1,125**

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

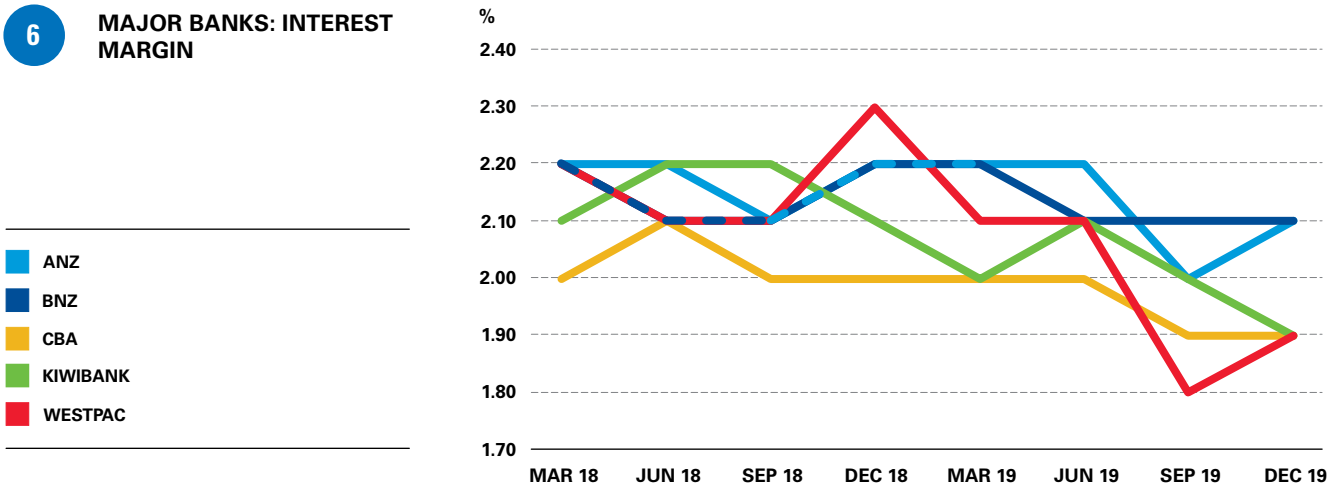
Entity	Profitability measures							
	31 Mar 18	30 Jun 18	30 Sep 18	31 Dec 18	31 Mar 19	30 Jun 19	30 Sep 19	31 Dec 19
	Interest margin[33] (%)							
ANZ	2.20	2.20	2.10	2.20	2.20	2.20	2.00	2.10
BNZ	2.20	2.10	2.10	2.20	2.20	2.10	2.10	2.10
CBA	2.00	2.10	2.00	2.00	2.00	2.00	1.90	1.90
Heartland Bank	4.50	4.40	4.40	4.30	4.70	4.50	4.60	4.50
Kiwibank	2.10	2.20	2.20	2.10	2.00	2.10	2.00	1.90
SBS Bank	2.60	2.60	2.60	2.50	2.50	2.50	2.50	2.50
TSB Bank	1.80	1.80	1.90	1.90	1.80	1.80	1.80	1.80
The Co-operative Bank	2.30	2.40	2.40	2.30	2.30	2.20	2.20	2.20
Westpac	2.20	2.10	2.10	2.30	2.10	2.10	1.80	1.90
	Non-interest income/Total assets[32] (%)							
ANZ	0.62	0.64	0.76	0.46	0.52	0.67	0.68	0.31
BNZ	0.63	0.55	0.64	0.36	0.67	0.79	0.45	0.30
CBA	0.62	0.67	0.63	0.71	0.78	0.64	0.67	0.57
Heartland Bank	0.32	0.67	0.27	0.23	0.32	0.44	0.42	0.46
Kiwibank	0.99	1.14	0.98	0.91	0.74	0.83	0.86	0.90
SBS Bank	0.85	0.82	0.88	0.92	0.81	0.75	0.78	0.82
TSB Bank	0.71	0.28	0.35	0.33	0.30	0.27	0.29	0.29
The Co-operative Bank	0.67	0.71	0.63	0.69	0.56	0.71	0.66	0.71
Westpac	0.48	0.74	0.60	0.43	0.69	0.59	0.70	0.37
Average	**0.61**	**0.66**	**0.68**	**0.50**	**0.64**	**0.67**	**0.63**	**0.41**
	Impaired asset expense/Average gross loans and advances (%)							
ANZ	0.19	0.02	-0.07	0.04	0.06	0.07	0.13	0.05
BNZ	0.20	0.14	0.03	0.06	0.13	0.12	0.18	0.14
CBA	0.16	0.06	0.05	0.16	0.14	0.14	0.05	0.04
Heartland Bank	0.60	0.60	0.61	0.79	0.45	0.38	0.50	0.47
Kiwibank	0.03	-0.04	0.01	0.07	0.08	0.08	0.03	0.06
SBS Bank	0.55	0.40	0.40	0.38	0.40	0.29	0.35	0.48
TSB Bank	0.08	-0.01	0.10	-0.16	0.36	-0.06	-0.02	0.03
The Co-operative Bank	0.12	0.17	0.15	0.13	0.16	0.13	0.03	0.10
Westpac	0.10	-0.01	-0.14	0.03	0.04	-0.03	-0.08	0.10
Average	**0.17**	**0.05**	**-0.02**	**0.08**	**0.10**	**0.08**	**0.08**	**0.08**
	Operating expenses/Operating income (%)							
ANZ	35.08	35.28	35.64	38.14	35.23	34.29	45.63	44.88
BNZ	46.85	40.48	37.85	40.42	35.66	35.47	61.11	40.38
CBA	37.05	37.20	35.39	35.22	33.58	37.72	35.89	43.48
Heartland Bank	39.76	41.07	41.60	47.60	39.96	40.16	42.77	44.23
Kiwibank	69.43	69.20	72.87	71.71	74.33	78.57	78.13	79.01
SBS Bank	61.60	61.38	60.91	62.97	65.97	62.14	64.21	65.58
TSB Bank	53.44	50.77	53.75	60.63	69.31	54.14	54.46	60.00
The Co-operative Bank	86.39	76.50	75.00	76.33	87.88	80.00	82.09	75.48
Westpac	39.29	36.77	38.26	39.89	37.45	39.91	41.82	47.07
Average	**41.20**	**39.46**	**39.15**	**40.91**	**38.27**	**39.21**	**47.89**	**46.59**

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

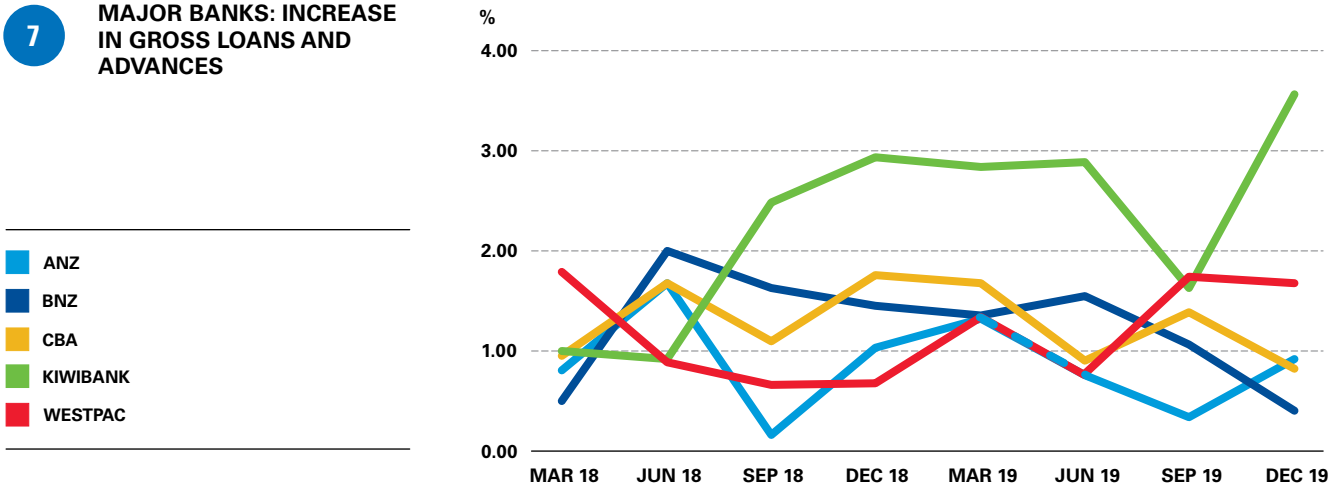
5 MAJOR BANKS: NET PROFIT



6 MAJOR BANKS: INTEREST MARGIN

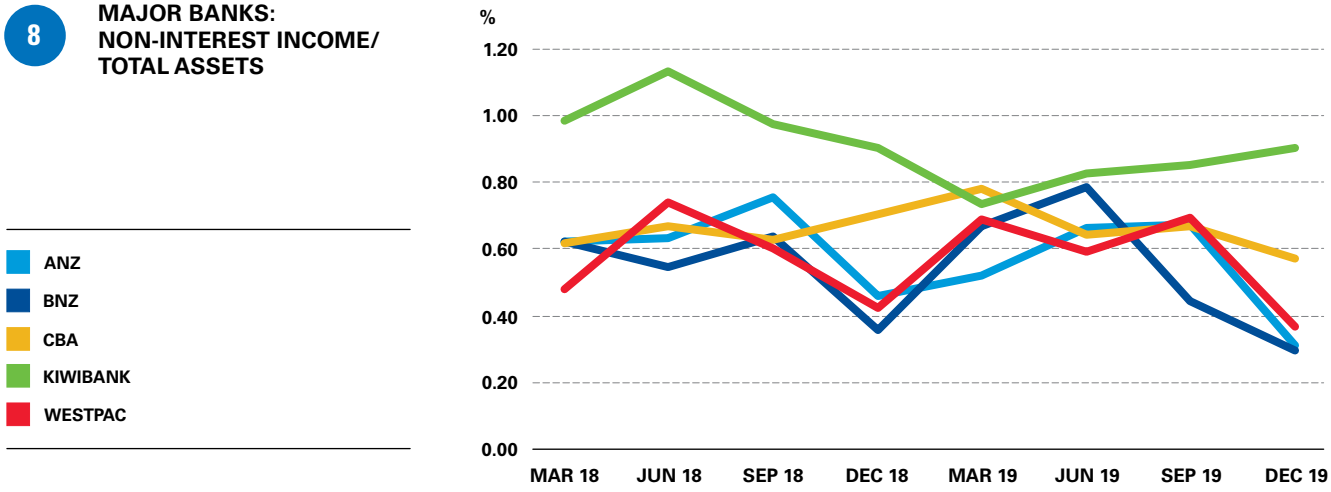


7 MAJOR BANKS: INCREASE IN GROSS LOANS AND ADVANCES

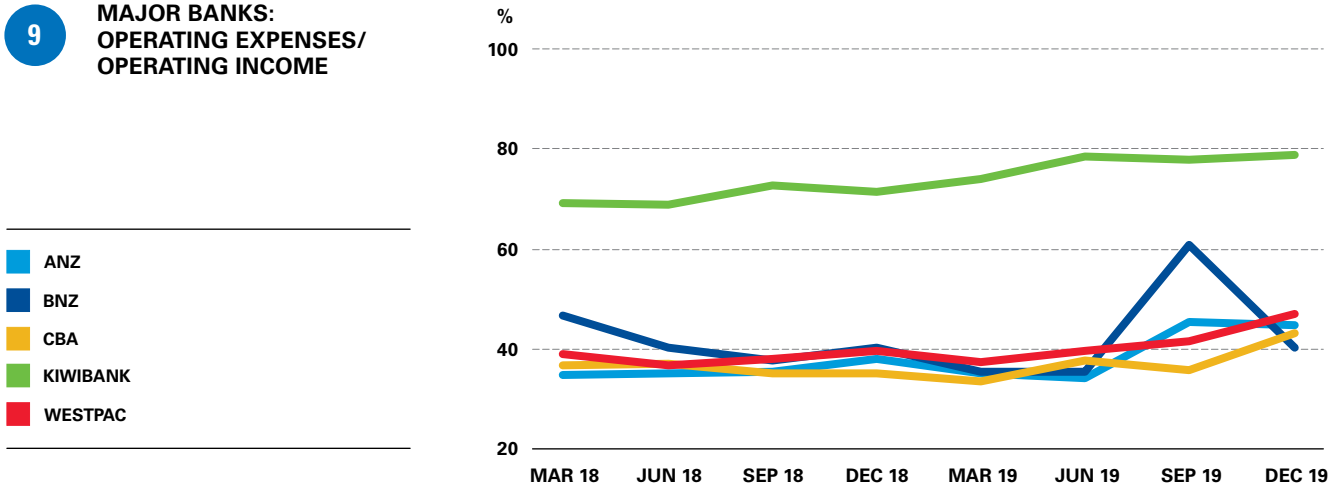


© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

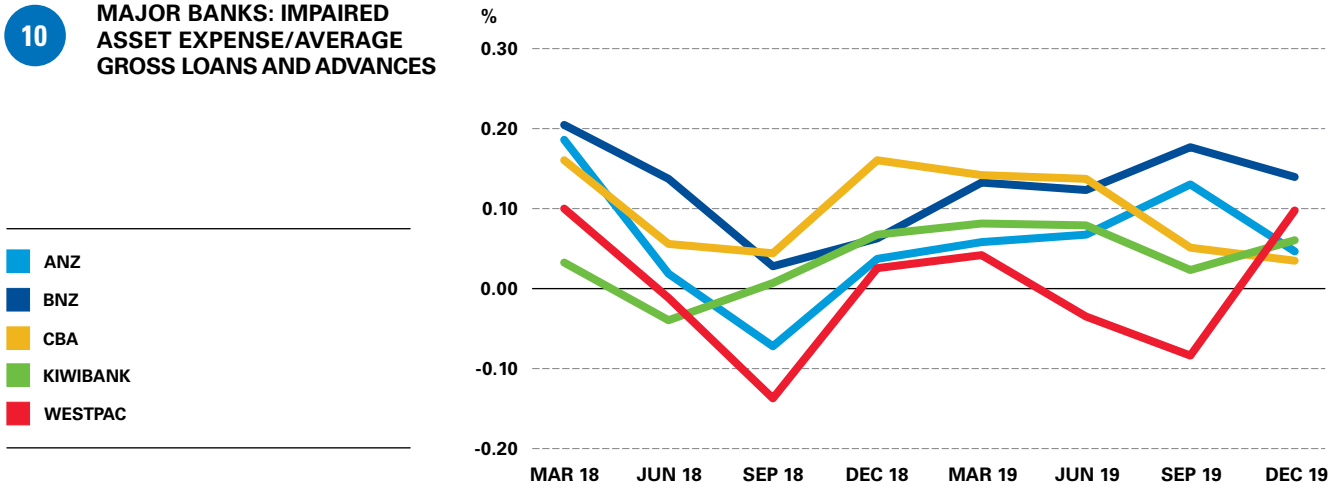
8 MAJOR BANKS: NON-INTEREST INCOME/ TOTAL ASSETS



9 MAJOR BANKS: OPERATING EXPENSES/ OPERATING INCOME

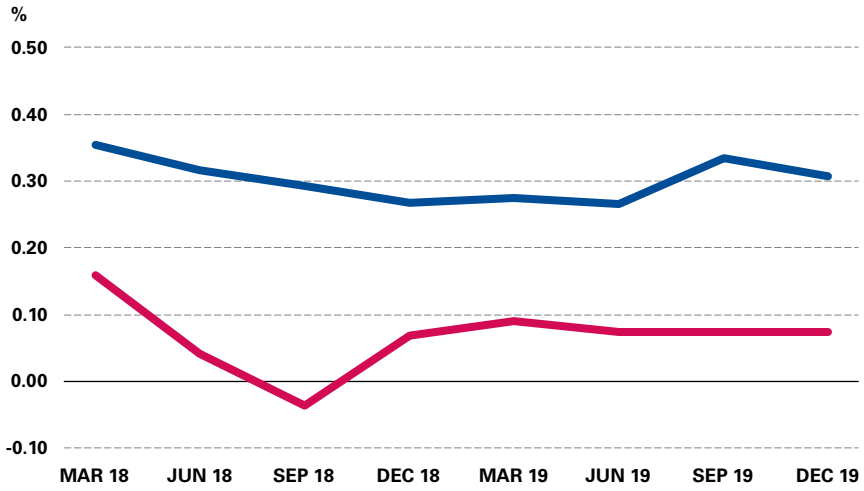


10 MAJOR BANKS: IMPAIRED ASSET EXPENSE/AVERAGE GROSS LOANS AND ADVANCES



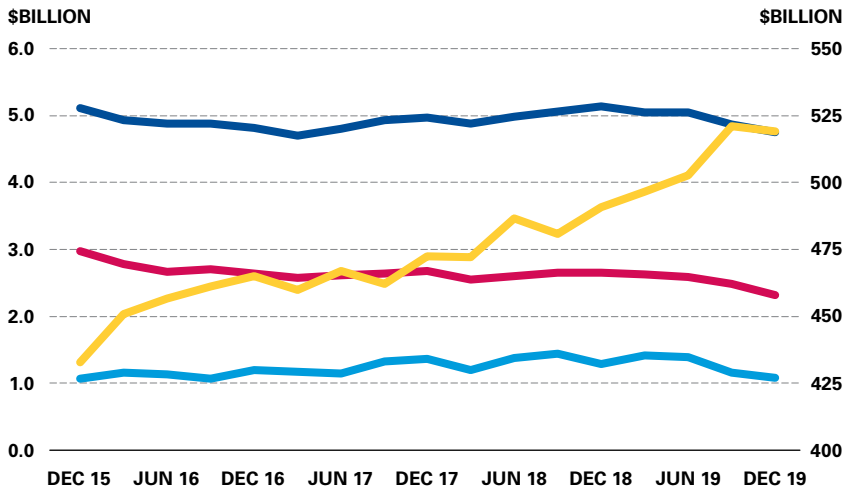
© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

11 MAJOR BANKS: GROSS IMPAIRED VS. IMPAIRED ASSET EXPENSE



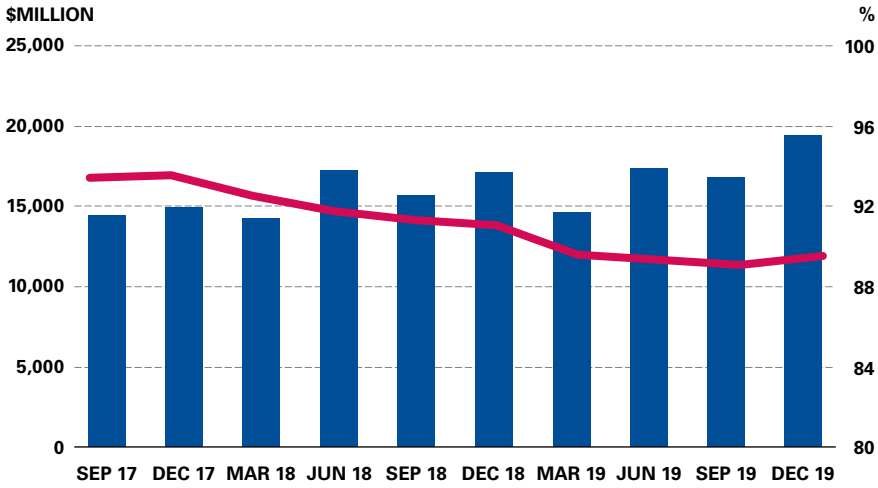
- GROSS IMPAIRED LOANS/ GROSS LOANS AND ADVANCES
- IMPAIRED ASSET EXPENSE/ AVERAGE GROSS LOANS AND ADVANCES

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



- INTEREST INCOME (LHS)
- INTEREST EXPENSE (LHS)
- NET PROFIT (LHS)
- TOTAL ASSETS (RHS)

13 LVR ANALYSIS OF RESIDENTIAL MORTGAGES



- NEW MORTGAGES (LHS)
- PROPORTION OF NEW MORTGAGES WITH LVR OF 80% OR BELOW (RHS)

SOURCE: RESERVE BANK OF NEW ZEALAND STATISTICS

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Business resilience in epidemics and pandemics

Malcolm Bruce
Principal – Risk Advisory
KPMG

Malcolm leads KPMG's Risk Advisory team and specialises in financial services risk and regulatory advisory work. The KPMG Risk Advisory team support clients across a broad range of areas from operational risks, non-financial risk management including conduct and culture, anti-money laundering, controls and compliance.

Jing Liu
Associate Director – Financial Risk Management, KPMG

Jing has 12 years of banking experience and specialises in Operational Risk management. Jing has actively contributed to a variety of crisis simulation exercises and managed a number of real life business continuity events during her time working in New York and London.

The novel coronavirus (COVID-19) outbreak continues to develop globally and locally to a level few of us could have foreseen. Almost every organisation is being thrown into a live test of their resilience plans. While the current priority is ensuring continuing operations, it's also an opportunity to consider how you might strengthen operational resilience and ensure your business continuity management practices learn from current stresses from prolonged disruptions or deterioration in conditions.

Business Continuity Management in major epidemics and/or pandemics

Major epidemics (or pandemics) are one of the key threats to the standard Business Continuity Management (BCM) practice. Compared with earthquakes (think 2011 and 2016), fires or power outages, the most prominent impacts on business operations caused by major epidemics include the difficulty with:

- defining the scope of the impact; and
- potential prolonged periods of significant disruptions.

Major epidemics (or pandemics) are one of the key threats to the standard Business Continuity Management (BCM) practice.

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

As the COVID-19 pandemic continues to evolve, it casts continual threat to people's wellness and movements. Additionally, a resulting negative psychological impact could be superimposed, creating a domino effect or perfect storm.

In a crisis such as we are seeing, two important elements of business recovery – people and access to premises – are restricted.

Many companies prepare their Business Continuity Plans (BCP) with a focus on buildings, systems, equipment, and products or services that may be disrupted to some extent, and assume that at least some employees can arrive onsite at the premises after the event to begin business recovery processes. In a crisis such as we are seeing, two important elements of business recovery – people and access to premises – are restricted. A major pandemic brings obvious 'ripple' effects, the impact on people will gradually extend and evolve into impacts across industries and society.

A major pandemic brings obvious 'ripple' effects, the impact on people will gradually extend and evolve into impacts across industries and society.

KPMG's learnings from other countries during the current pandemic

KPMG globally have been talking to our clients on their plans (and increasingly learnings) from having gone into lockdowns etc, and can summarise some of those learnings as follows:

Public and employee sentiment and its impact: This is a period of heightened emotional stress, and the resulting panic behaviour in a major pandemic causes unforeseen operational shocks and shortages of supplies, which can lead to a longer business recovery cycle. We are seeing information (some of which might meet President Trump's 'fake news' test, for example, do we really have a risk of toilet paper running out?) being rapidly shared through social media, some of the content is mixed, the authenticity is hard to ascertain, leading to increased stress and panic. In a social media world, distribution and presentation can override fact and logic-based news.

Impact of operational concentration: Businesses with highly concentrated operations (such as banks) need to assess and build strong business recovery capabilities across their key processes. As we are being hit with a full lock-down quarantine, it may result in a major impact on businesses. In the past few years, the centralised processing of middle and back-office functions (such as operations, payments, settlements, finance, etc) has brought people, office space, and capabilities closer together than ever before. In an epidemic and/or pandemic scenario, significant disruptions could occur if major operational sites and/or backup sites requires separate containment and the people cannot connect effectively with their teams, key stakeholders or customers.

Government, banks and businesses need to establish an orderly, effective and transparent information sharing mechanism.

Co-ordination, communication and information sharing: In response to major pandemics, Government, banks and businesses need to establish an orderly, effective and transparent information sharing mechanism (both internally and with customers) that monitors and responds actively to any changes in the event. The lack of timeliness of coordination, communication and information sharing, and inconsistent approaches, could all impact the success and business continuity outcomes in a material event, but also give rise to 'fake news' taking precedent.

The role of the Human Resources (HR)/People department: The primary focus in a pandemic must be on the health and safety of your people, and whether they can return to work safely. Failing to recognise the importance of engaging with your people, will dictate the success of any response. In this scenario, the HR/People department becomes one of the most important teams in this sort of business recovery.

Information security and control: In crisis or emergency situations, information security and separation of duties are easily compromised. As such, heightened vigilance on transactions conducted in this operating mode must be reviewed and monitored.

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Strategic impact on business models post pandemic recovery

Looking ahead to become more resilient in the future, take this opportunity to reassess your operational resilience and BCM capabilities and providing strong leadership. Areas you may wish to consider:

Liquidity management and stress testing: While most banks have an established Internal Capital Adequacy Assessment Processes (ICAAP), this may be the catalyst to review your equivalent liquidity framework – the Internal Liquidity Adequacy Assessment Process (ILAAP). Existing assumptions and historical patterns may now be required to be reassessed to reflect latest understanding and new patterns.

Office operating model: This may be an opportunity to expedite the transformation of the traditional centralised office, to increased remote working using video conferences, multi-user collaborative work applications, online interactive business process management, etc.

Service delivery method: Take training as an example, it could be transformed from the traditional classroom environment to an online model which allows for active interactions according to the needs of the employees.

The virus outbreak may highlight chokepoints in the supply chain.

Supply chain management: The virus outbreak may highlight chokepoints in the supply chain and provide an opportunity to conduct a comprehensive end-to-end supply chain management review. Enhancements such as increasing the ability to model and predict consumer behaviour especially during turbulent times, and the possibility of moving to a micro supply chain model should be tabled for consideration.

Information technology and communication channels: Assess your IT and communication infrastructure to ensure it provides convenient, high-speed and stable communication, which allows your people to continue to collaborate with each other and customers in a remote working environment, and can cope with increased demand (e.g. VPN).

Strategic reassessment of operational structures: This may be an opportunity to re-examine existing centralised operations strategies, and conduct detailed reviews of business impact assessments to ensure your structures could cope with a material event.

Resourcing and budget: This may also provide an opportunity to review and adjust your business resilience and BCM resourcing and investment to ensure it's sufficient to maintain your operations through a crisis.

Like a lot of macro disruptive events, the uncertainty of the COVID-19 situation and its implications on the wider community can feel overwhelming. Immediate actions such as safeguarding your people and coordinating communications will be vital to managing your exposure to the event. However, the medium to long-term opportunities such as transformation of operating models and supply chain are necessary to ensure your business learns from this experience and is better positioned for the future.

Please feel free to contact either the authors or your regular KPMG contact if you would like any further information.

"Medium to long-term opportunities such as transformation of operating models and supply chain are necessary to ensure your business learns from this experience and is better positioned for the future."

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Endnotes

1. https://home.kpmg/nz/en/home/insights/2020/02/fips-banks-review-of-2019.html
2. https://www.anz.co.nz/content/dam/anzconz/documents/economics-and-market-research/2020/ANZ-BusinessOutlook-20200310.pdf
3. https://www.interest.co.nz/news/103965/bnz-economists-expect-economy-contract-first-two-quarters-year-anz-economists-call
4. https://www.nbr.co.nz/story/finance-minister-says-containing-virus-will-help-economy-most?utm_medium=email&utm_source=Heads%20Up
5. https://www.interest.co.nz/banking/103971/reserve-bank-and-bank-lobby-group-issue-joint-statement-saying-new-zealand-banks-are
6. https://www.rbnz.govt.nz/news/2020/03/banking-sector-prepared-for-responding-to-covid-19
7. https://www.anz.co.nz/content/dam/anzconz/documents/economics-and-market-research/2020/ANZ-Rate-Cut-Odds-Growing-20200228.pdf
8. https://www.interest.co.nz/news/103969/government-develops-business-continuity-package-including-support-coronavirus-affected
9. https://www.nbr.co.nz/story/coalition-launches-121b-stimulus-package
10. https://www.nbr.co.nz/story/nz-lockdown-economic-package-expanded-help-all-businesses
11. https://www.beehive.govt.nz/release/cabinet-approves-business-continuity-package-response-covid-19
12. https://www.rbnz.govt.nz/news/2020/03/mortgage-holiday-and-business-finance-support-schemes-to-cushion-covid-impacts
13. https://www.nbr.co.nz/story/government-s-stimulus-package-surpasses-expectations-says-businessnz
14. https://www.nbr.co.nz/story/national-open-discussions-coalition-pandemic-response
15. https://www.anz.co.nz/content/dam/anzconz/documents/economics-and-market-research/2020/ANZ-Weekly-Focus-20200309.pdf
16. https://www.bankofengland.co.uk/news/2020/march/boe-measures-to-respond-to-the-economic-shock-from-covid-19
17. https://www.rbnz.govt.nz/news/2020/03/monetary-policy-with-very-low-interest-rates
18. https://www.rbnz.govt.nz/news/2020/03/ocr-reduced-to-025-percent-for-next-12-months
19. https://www.rbnz.govt.nz/news/2020/03/financial-system-sound-and-reserve-bank-providing-additional-support
20. https://www.rbnz.govt.nz/news/2020/03/regulatory-relief-to-provide-headroom-for-customer-focus-and-risk-management
21. https://www.rbnz.govt.nz/news/2020/03/rbnz-to-implement-30bn-large-scale-asset-purchase-programme-of-nz-govt-bonds
22. https://www.loanmarket.co.nz/news/shock-ocr-pumps-more-life-into-mortgage-wars-and-squeezes-savers
23. https://www.interest.co.nz/personal-finance/101221/mortgage-war-takes-interest-rate-down-levels-never-seen-fixed-home-loans
24. https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12285640
25. https://www.interest.co.nz/personal-finance/103645/hsbc-launches-new-low-two-year-fixed-home-loan-premier-offer-first-local
26. https://www.interest.co.nz/banking/103927/red-bank-takes-sharp-knife-its-three-four-and-five-year-fixed-home-loan-rates-making
27. https://www.interest.co.nz/news/103984/review-things-you-need-know-you-go-home-tuesday-some-td-rate-cuts-trucks-still-rolling
28. https://www.interest.co.nz/banking/103868/heartland-launches-online-home-loan-offers-aggressive-one-three-year-fixed-rates-and
29. https://www.interest.co.nz/personal-finance/104047/kiwibank-make-next-home-loan-rate-reductions-and-its-new-three-year-rate
30. https://www.interest.co.nz/personal-finance/104064/first-cuts-retail-rates-have-been-announced-following-emergency-rbnz
31. https://www.interest.co.nz/property/103938/westpac-slashes-forecasts-house-price-growth-and-gdp-coronavirus-starts-hit-jobs-and

32. For quarters ended 31 December 2017 and earlier, total assets excluded intangible assets. From 31 March 2018, intangible assets are no longer deducted as this information is not available in the RBNZ Dashboard.
33. In line with the information disclosed in the RBNZ Dashboard, the net interest margin is disclosed to 1 decimal place from 31 March 2018 onwards. As interest earning assets are not disclosed in the RBNZ Dashboard, average net interest margins cannot be calculated from 31 March 2018 onwards.

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

KPMG's Financial Services Team

John Kensington
Head of Banking and Finance
+64 (09) 367 5866
jkensington@kpmg.co.nz

Ross Buckley
Executive Chairman
+64 (09) 367 5344
rjbuckley@kpmg.co.nz

Godfrey Boyce
Chief Executive Officer
+64 (04) 816 4514
gboyce@kpmg.co.nz

Graeme Edwards
National Managing Partner – Audit
+64 (04) 816 4522
gdedwards@kpmg.co.nz

Jack Carroll
National Managing Partner – Advisory
+64 (04) 816 4516
jackcarroll@kpmg.co.nz

Ross McKinley
National Managing Partner – Tax
+64 (09) 367 5904
rdmckinley@kpmg.co.nz

Kay Baldock
National Managing Partner – Brand & Growth
+64 (09) 367 5316
kbaldock@kpmg.co.nz

Bruce Bernacchi
Partner – Head of Financial Services
+64 (09) 363 3288
bbernacchi@kpmg.co.nz

Matthew Prichard
Partner – Head of Funds Management
+64 (09) 367 5846
matthewprichard@kpmg.co.nz

Jamie Munro
Partner – Head of Insurance
+64 (09) 367 5829
jamiemunro@kpmg.co.nz

Brent Manning
Partner – Audit
+64 (04) 816 4513
bwmanning@kpmg.co.nz

Malcolm Bruce
Principal – Risk Advisory
+64 (09) 367 5990
malcolmbruce@kpmg.co.nz

Gary Ivory
Partner – Corporate Finance
+64 (09) 367 5943
givory@kpmg.co.nz

Mike Clarke
Partner – Head of IT Advisory
+64 (09) 363 3507
mikeclarke@kpmg.co.nz

Ceri Horwill
Partner – Advisory
+64 (09) 367 5348
cerihorwill@kpmg.co.nz

Rajesh S Megchiani
Partner – Risk Advisory
+64 (09) 363 3581
rmegchiani@kpmg.co.nz

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Contact us

Auckland
KPMG Centre
18 Viaduct Harbour Avenue
PO Box 1584
Tel: (09) 367 5800
Fax: (09) 367 5875

Hamilton
KPMG Centre
85 Alexandra Street
PO Box 929
Tel: (07) 858 6500
Fax: (07) 858 6501

Tauranga
Level 2
247 Cameron Road
PO Box 110
Tel: (07) 578 5179
Fax: (07) 578 2555

Wellington
10 Customhouse Quay
PO Box 996
Tel: (04) 816 4500
Fax: (04) 816 4600

Christchurch
The Terrace, Level 5
79 Cashel Street
PO Box 1739
Tel: (03) 363 5600
Fax: (03) 363 5629

Timaru
24 The Terrace
PO Box 526
Tel: (03) 683 1870
Fax: (03) 686 9062

Ashburton
151 Burnett Street
PO Box 564
Tel: (03) 307 6355
Fax: (03) 307 6358

kpmg.com/nz

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity. All rights reserved.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.