

Media Release

EMBARGOED UNTIL 5:00AM ON FRIDAY 31 AUGUST 2012

Report finds NZ banks continue to perform well

The New Zealand Bankers' Association said today that PwC's Banking Perspectives analysis of the major banks' results for the first half of their 2012 financial years showed New Zealand banks were continuing to perform well in the face of ongoing global uncertainty.

"Our banking industry is in good shape. It's well capitalised and regulated. Our strong and stable banks provide a great platform for the economic growth we need," said New Zealand Bankers' Association chief executive Kirk Hope.

"The increase in lending to the commercial sector is a sign that businesses are looking to invest more, which is good for the economy.

"There's been a significant improvement in asset quality. Bad debt expenses are down 27%. This demonstrates that banks are working hard with customers who themselves in financial difficulty. It's in both the customers' and banks' interests to deal with any issues as soon as possible.

"While the average net interest margin increased slightly to 2.4% in the first half of 2012, our banks continue to be very competitive. This is good news for customers. Interest rates are at historic lows and will likely stay down longer than expected. Banks are working hard to manage their funding costs."

Hope added it was important to acknowledge the industry's significant investment in New Zealand. "Not only do banks support our economy through lending and investment services, and providing a world-class payments system, they also make a big direct contribution. In 2011 the banking industry spent \$4.46 billion in New Zealand and paid \$1.3 billion in tax. Banks also provide employment for over 25,000 people in New Zealand."

ENDS

For further information please contact Matthew Herbert on 04 802 3350 or 027 417 8605.