

New Zealand

The information included in the three tables in *Banking Statistics – financial statements of banks* is for December years. Exceptions are mentioned under “sources of data”.

I. Institutional coverage

The statistics published in Tables 1 (income statement and balance sheet) and 3 (classification of assets and liabilities of banks) cover organisations registered as banks in New Zealand under the Reserve Bank of New Zealand Act 1989. A significant number of registered banks are branches of foreign banks. Values for branches of foreign banks included in the aggregate data are provided as memo items in Table A at the end of these notes. As at 31 December 2009, there were ten foreign bank branches, six locally-incorporated but overseas-owned banks, and three New Zealand-owned banks. A history of banks registered in New Zealand is available from the Reserve Bank of New Zealand (RBNZ) website (www.rbnz.govt.nz/nzbanks).

Other than for banks and the central bank, most of the rest of the data in Table 2 (Structure of the financial system) is from statistical surveys conducted by the RBNZ. These surveys capture aggregate asset values for institutions defined in Table 2 as “Other financial institutions” and “Insurance institutions”. Values are not comprehensive, but are estimated to cover more than 98% of total aggregate value.

Registered banks comprise around 80 per cent of financial system institutional assets. Other non-bank lending institutions account for a further 7 per cent, with the remainder comprising managed fund, pension and insurance assets.

During the year 2009, a locally-incorporated but overseas-owned bank and a foreign bank branch were registered and a foreign bank branch gave up its registration. There have been no changes in definitions used for Banking Statistics statistics.

II. Geographical coverage and degree of consolidation

The data in Table 1 has been aggregated from the financial statements published by registered banks in their quarterly General Disclosure Statements. General Disclosure Statements present the consolidated accounts of the business administered by the New Zealand head office of the registered bank. Less than 2% of this business is situated outside New Zealand.

The data in Table 2 is based on consolidated accounts.

Non-resident financial data in Table 3 is sourced from monthly standard statistical returns (SSRs). This data is reconciled to aggregate General Disclosure Statement (GDS) financial data, which is the source used to allocate residency to equity values.

III. Structure of the financial system

New Zealand's financial system comprises:

- Registered banks.
- Other financial institutions:
 - building societies;
 - finance companies;
 - savings and credit cooperatives;
 - credit unions;
 - friendly societies;
 - managed funds (long-term savings excluding pensions and life insurance).
- General and life insurance companies.
- Pension funds.

A range of specialist financial capital market institutions operate in New Zealand, including money market brokers, foreign exchange brokers, credit card issuers and investment and merchant banks.

In New Zealand there are no defined regulatory sub-categories for “banks” – e.g. “savings banks”, commercial banks, regional and public sector banks. The New Zealand financial market is not as deep as those of the G10, for example. Specialist financial institutions (e.g. money market dealers, foreign exchange dealers) are few in number.

Publications available on the RBNZ website that provide an overview of the financial market structure or comment on the New Zealand financial system include:

- From 2001 to 2004: Reserve Bank of New Zealand's June Bulletin – an article entitled “Developments in the New Zealand banking industry” (www.rbnz.govt.nz/research/bulletin).
- From October 2004 – Reserve Bank of New Zealand's Financial Stability Reports (www.rbnz.govt.nz/finstab/fsreport/index.html).
- Reserve Bank Bulletin, June 2003 – an article entitled “Financial intermediation beyond the banks” (www.rbnz.govt.nz/research/bulletin/2002_2006/jun2003.html)

A number of government agencies have financial system and market regulatory and/or supervisory responsibility. An overview of financial sector regulation in New Zealand can be found in “New Zealand financial sector regulation”, *Reserve Bank Bulletin*, December 2003 (www.rbnz.govt.nz/research/bulletin/2002_2006/dec2003.html).

Major agencies involved are:

- The Reserve Bank of New Zealand, which registers and supervises banks, regulates non-bank deposit-takers and is in the process of becoming the regulator and supervisor for the insurance sector (www.rbnz.govt.nz).
- The Commerce Commission, which enforces legislation promoting competition in New Zealand markets and prohibits misleading and deceptive conduct by traders (www.comcom.govt.nz).
- The Securities Commission – New Zealand's securities market regulator (www.sec-com.govt.nz).
- The Ministry of Economic Development (MED), which is responsible for regulatory policy development (www.med.govt.nz). Through the Companies Office it registers companies,

superannuation funds, incorporated societies, building societies, charitable trusts, unit trusts, friendly societies and credit unions (www.companies.govt.nz).

A comprehensive review of New Zealand's regulatory framework was begun in 2005. Information regarding the review may be found on the Ministry of Economic Development's website (www.med.govt.nz). Recommendations from the review are currently being implemented.

IV. Summary description of activities of banks

There are no restrictions on the type of financial products that may be offered by registered banks. There is a limit on the amount of insurance business that may be undertaken. A wide range of financial products is offered, with some banks offering a comprehensive range of products and others operating in niche markets.

The four largest banks operate in both the retail and wholesale markets. All branch banks operate in the wholesale markets and a minority of foreign-owned banks offer retail products. The three domestically-owned banks are small retail banks.

V. Reconciliation of national data with the OECD presentation

Income statement and balance sheet

In 1996, the RBNZ introduced a public disclosure regime requiring all banks to publish financial and other relevant information on a quarterly basis. These public documents, the most important of which are the General Disclosure Statements, replaced regulatory returns to the RBNZ.

The data in Table 1 has been aggregated from information in General Disclosure Statements (from 1996) and the pre-1996 regulatory return data.

As the consolidated data for a banking group is used, where a bank is a subsidiary of another bank it will be excluded from the aggregations.

Data are on a gross basis. For those registered banks netting a liability off against an asset under the right of set off accounting standard, the RBNZ has used the gross amounts.

Capital adequacy data only applies to New Zealand-incorporated banks.

Registered banks have different annual balance dates. Income data in these tables are derived from quarterly GDS, cumulating to an annual total at 31 December.

Up to 2004, the information provided is based on local accounting standards. New Zealand has moved from domestic accounting standards to those issued by the International Accounting Standards Board. Organisations could use these standards for annual accounting periods beginning on or after the 1 January 2005 but were not required to do so until their annual accounting period beginning on or after 1 January 2007. Some overseas-owned banks adopted the new standards in their financial year beginning in 2005 to be consistent with their global accounting practice. Other banks waited until 2007. Therefore aggregate data for 2005 and 2006 is a mix of both standards. From 2007, the data is fully based on international standards.

To ease the reporting burden on banks in "off quarters" (reporting periods covering three or nine months of earnings) reporting concessions are available and taken by most banks. For some banks, 31 December is an "off quarter". This means that aggregate time series data are less detailed than would be the case if all General Disclosure Statements at December related to a full or half year reporting period.

Explanation for individual items

Income statement

In New Zealand there is provision to report separately in the income statement, items that do not normally occur or are large enough to require separate disclosures. These items are included in non-interest income when they generate income and in operating expenses when they are a cost. When the item applies to provisioning, the amount concerned is added to provisions.

Provisions (net): charges against profits for loan losses and provisioning for future possible loan losses less any recoveries of previous charges. From 1994 to 1996, the value of recoveries exceeded the value of new provisions.

Distributed profit: dividend payments or profit repatriations by branches.

Assets

Cash and balance with Central bank: cash and current account balance with the central bank.

Interbank deposits: deposits and placements with other financial institutions (these funds are primarily interbank)

Loans: includes overdrafts, credit card lending, housing loans, personal loans, lease finance, commercial bills, redeemable preference share finance and other term lending, net of provisions for bad and doubtful debts.

Securities: includes trading and investment financial instruments.

Other assets: assets not included elsewhere.

Liabilities

Capital and reserves: equity of non branches plus the difference between assets and liabilities of branches.

Borrowings from Central bank: are included under customer deposits until 2003: from 2004 to 2007, they are included in interbank deposits due to lack of materiality. With the changing financial climate in 2008 the amount borrowed by banks from the central bank increased. Borrowing from the central bank is not reported separately in the data source used to compile the information for this publication. The value for borrowings by banks has been taken directly from the central bank's published accounts with the amount deducted from interbank deposits. This is only possible at the all bank level.

Interbank deposits: included under customer deposits up to 2003; covers deposits from other financial institutions (and are primarily interbank), includes borrowings from related parties. There is less borrowing from the central bank from 2008 for the all bank level.

Customer deposits: a breakdown of borrowings was not readily available until recently. Up to 2003, this item represents total borrowings including: interbank deposits, bonds, borrowings from Central bank as well as customer deposits.

Bonds: included under customer deposits up to 2003: from 2004 covers such items as repurchase agreements, subordinated debt, certificates of deposit, debt issues, commercial paper and debenture stock.

Other liabilities: liabilities not included elsewhere.

Balance-sheet total

End-year total: total assets (sum of cash and balance with Central bank, interbank deposits, loans, securities, and other assets).

Average total: calculated as an average of quarter end totals.

Memorandum items

Claims on non-residents: sum of New Zealand dollar claims and foreign dollar claims on non-residents from the RBNZ's money, credit and financial statistics.

Liabilities to non-residents: sum of New Zealand dollar funding and foreign dollar funding from non-residents from the RBNZ's money, credit and financial statistics.

Capital adequacy

Tier 1 Capital: for banks incorporated in New Zealand (non-branches).

Total net capital resources: for banks incorporated in New Zealand (non-branches).

Risk-weighted assets: sum of both on and off balance sheet exposures for banks incorporated in New Zealand (non-branches).

Supplementary information

Number of institutions (covered by the data): the number of banks registered on 31 December of the year. Much of the movement in bank numbers has been due to mergers and acquisitions.

Valuation of data

While most items are valued using historical cost, securities held for trading are valued at market by most banks. International accounting standards have been adopted in New Zealand.

Values for foreign branches included in bank figures

Aggregate values for foreign branches included in Table 1 are provided below. The data is on a consolidated basis. Therefore, where a branch owns a locally-incorporated subsidiary which is registered as a bank, that subsidiary's figures are included in Table A. In 2004 and 2005, two foreign branches had such subsidiaries. That increased to three branches in 2006 with a fourth branch from 2009. Figures are in New Zealand dollar millions.

VI. Sources

The main sources are:

- **For Central bank data:** RBNZ -Reserve Bank of New Zealand balance sheet published monthly (www.rbnz.govt.nz/statistics/rbnz).
- **For Registered bank data:** RBNZ – General Disclosure Statements (for Table 1) and the registered bank monthly Standard Statistical Return (for Table 3). For more information, see the RBNZ website(www.rbnz.govt.nz/statistics/monfin/rbssr/index.html) and (www.rbnz.govt.nz/statistics/banksys). Many registered bank websites carry their GDSs. Links to these websites are available through the RBNZ website (www.rbnz.govt.nz/nzbanks/0091622.html).
- **For Other financial institutions data:** RBNZ – Reserve Bank of New Zealand's non-bank financial institution (nbfi) survey (www.rbnz.govt.nz/statistics/monfin/nbfissr/index.html)

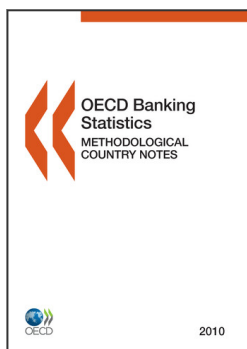
and funds under management survey (www.rbnz.govt.nz/statistics/monfin/c15/data.html); Annual RBNZ surveys of smaller nbfis and managed funds (unpublished); Registrar of Friendly Societies and Credit Unions' annual report.

- **For Insurance institutions:** RBNZ – Reserve Bank of New Zealand survey C15, “funds under management” and Statistics New Zealand for general insurance company assets. Statistics New Zealand data is balance date information and covers a range of dates. Those dates are predominantly 31 March: general insurance data is incorporated in these tables for the December of the preceding year.

New Zealand
The values in this table are memo items for Table A.
They are for the branches of foreign banks and their consolidated subsidiaries, included in Table A.
Income statement and balance sheet reconciliation

	2004	2005	2006	2007	2008	2009 ¹
Table A						
Income statement						
1. Interest income	6 967.363	8 234.026	9 736.03	11 243.23	13 073.745	16 576.541
2. Interest expenses	4 459.788	5 850.79	7 293.09	8 759.82	10 116.54	11 269.166
3. Net interest income	2 507.575	2 383.236	2 442.94	2 483.42	2 957.205	5 307.375
4. Net non-interest income	1 051.992	1 067.236	1 014.07	1 185.60	893.577	2 126.856
5. Net interest and non-interest income	3 559.567	3 450.472	3 457.01	3 669.02	3 850.782	7 434.231
6. Operating expenses	1 451.359	1 447.66	1 478.39	1 562.83	1 654.073	3 174.5
7. Net income before provisions	2 108.208	2 002.812	1 978.62	2 106.19	2 196.709	4 259.731
8. Net provisions	58.421	53.52	68.314	114.012	409.357	2 095.985
9. Income before tax	2 049.787	1 949.292	1 910.31	1 992.17	1 787.352	2 163.746
10. Income tax	623.492	566.471	556.488	628.26	553.306	1 795.76
11. Net income after tax	1 426.295	1 382.821	1 353.82	1 363.91	1 234.046	367.986
12. Distributed profit	294.528	579.167	1 696.11	1 066.97	2 128.74	370.382
13. Retained profit	1 131.767	803.654	-342.288	296.942	-894.694	-2.396
Balance sheet						
Assets						
14. Cash and balance with Central bank	447.747	445.853	1 894.31	3 790.14	5 141.445	7 849.186
15. Interbank deposits	1 618.609	1 977.171	4 184.86	2 598.23	1 278.917	4 942.165
16. Loans	85 019.024	88 778.948	102 859.74	118 122.82	129 599.855	223 446.15
17. Securities	14 176.058	14 222.039	12 781.65	10 904.59	13 572.654	21 493.258
18. Other assets	16 408.207	9 371.345	13 690.47	15 538.08	26 282.892	32 255.87
Liabilities						
19. Capital and reserves	8 024.905	7 696.134	7 982.14	8 359.99	8 016.804	16 278.976
20. Borrowing from Central bank
21. Interbank deposits	28 748.505	20 622.212	27 370.35	29 725.82	33 600.58	42 554.643
22. Customer deposits	51 735.018	56 199.232	63 497.43	72 642.15	77 732.595	136 108.748
23. Bonds	24 962.967	27 292.849	30 743.30	33 620.67	39 239.915	74 481.538
24. Other liabilities	4 198.25	2 984.929	5 817.80	6 605.22	17 285.869	20 562.724
Balance sheet total						
25. End-year total	117 669.645	114 795.356	135 411.02	150 953.86	175 875.763	289 986.629
26. Average total	111 170.258	119 171.356	124 753.76	144 778.79	161 200.775	298 887.259
Memorandum items						
Assets						
29. Shares and participations	154.926	135.07	321.457	340.171	68.524	167.217
Non-financial information						
37. Number of institutions	9	9	9	10	10	10

1. The substantial increase in the balance sheet values between 2008 and 2009 is due to the registration of a branch which owns the biggest locally incorporated bank in New Zealand.



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