

Bank of New Zealand

Supplemental Information

For the year ended September 30, 2019



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Presentation of Information

Basis of Presentation

Bank of New Zealand's financial reporting group consists of Bank of New Zealand, all of its wholly owned entities and other entities consolidated for financial reporting purposes (together, the "Banking Group"). The consolidated financial statements of the Banking Group are prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP"), the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

Certain differences exist between accounting principles generally accepted in the United States of America ("US GAAP") and NZ GAAP, NZ IFRS, IFRS and interpretations adopted by the IASB, which might be material to the financial information presented in this document. The Banking Group has not prepared a reconciliation of its consolidated financial statements and related notes to the financial statements between NZ GAAP, NZ IFRS and US GAAP. In making an investment decision, investors must rely upon their own examination of the Banking Group, the terms of the offering and the financial information incorporated into the offering documents in connection with such offering. Potential investors should consult their own professional advisors for an understanding of these differences, and whether or not they affect the financial information presented in this document.

Information disclosed in this document is based on the Banking Group. It is different from the information disclosed under the New Zealand Banking segment ("NZ Banking") in the Annual Financial Report and Full Year Results of National Australia Bank Limited, the Banking Group's ultimate parent ("NAB"). NZ Banking excludes the group capital management and markets trading operations of the Banking Group and includes NAB's insurance operation in New Zealand.

The consolidated full year financial statements of the Banking Group are audited by an external auditor in accordance with International Standards on Auditing (New Zealand), which differ from those applicable in the United States.

Certain comparative balances in historical information have been reclassified to align with the presentation used in the current financial year. These reclassifications have no material impact on the overall financial performance or financial position for the prior periods.

Certain Definitions

The Banking Group's financial year ends on September 30. The financial year ended September 30, 2019 is referred to as 2019 and other financial years are referred to in a corresponding manner.

Some information in this document has been derived from the consolidated financial statements of the Banking Group. Where certain items are not shown in the Banking Group's consolidated financial statements, they have been prepared for the purpose of this document. Accordingly, this information should be read in conjunction with and is qualified in its entirety by reference to the Banking Group's audited consolidated financial statements, which are included in the Disclosure Statement for the year ended September 30, 2019. In addition, in connection with an offer of notes by BNZ, under BNZ's Rule 144A sub-program which is associated with its US\$100,000,000,000 Global Medium Term Note Program, this information should be read in conjunction with the offering circular supplement for such notes, including the consolidated financial statements of the Banking Group contained in the Disclosure Statements incorporated therein.

In this document, unless the context otherwise requires:

- references to "Banking Group" are to 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;
- references to "BNZ" or the "Bank" are to Bank of New Zealand;
- references to "Disclosure Statements" are to the disclosure statements the Banking Group prepared for the relevant period in compliance with Reserve Bank of New Zealand requirements, which contain audited consolidated financial statements of BNZ for the periods specified and have been published and filed with the Commission de Surveillance du Secteur Financier (the "CSSF");
- references to "RBNZ" are to the Reserve Bank of New Zealand;
- references to "US\$", "USD" or "U.S. dollars" are to the lawful currency of the United States; and
- references to "\$", "New Zealand dollars", "NZD", "NZ\$" or "NZ dollars" are to the lawful currency of New Zealand.

Currency of Presentation and Exchange Rates

All currency amounts are expressed in New Zealand dollars unless otherwise stated. All amounts have been rounded to the nearest million dollars, except where indicated. Any discrepancies in the conversion between currencies contained in this document are due to rounding.

For the convenience of the reader, the financial data for the year ended September 30, 2019 has been translated from NZ dollars into U.S. dollars using the September 30, 2019 year end noon buying rate of USD 0.6262 = NZD 1.00.

Average Balance Sheet and Related Interest

The following tables show the major categories of interest earning assets and interest bearing liabilities, together with their respective interest rates earned or incurred by the Banking Group. Averages are predominantly daily averages. Impaired assets are included within loans and advances in interest earning assets.

	Consolidated								
	Average Balance	Interest	Average Rate (% p.a.)	Average Balance	Interest	Average Rate (% p.a.)	Average Balance	Interest	Average Rate (% p.a.)
Dollars in Millions	2019	2019	2019	2018	2018	2018	2017	2017	2017
Average interest earning assets									
Cash and due from central banks and other institutions	4,450	94	2.1%	5,197	104	2.0%	4,105	83	2.0%
Trading securities	7,341	146	2.0%	6,075	122	2.0%	5,309	118	2.2%
Loans and advances to customers (including impaired loans)	84,207	3,930	4.7%	79,413	3,800	4.8%	75,505	3,603	4.8%
Other interest earning assets ¹	1,137	25	N/A	1,424	29	N/A	2,180	39	N/A
Total average interest earning assets and interest income	97,135	4,195	4.3%	92,109	4,055	4.4%	87,099	3,843	4.4%
Total average non-interest earning assets	9,019			8,409			9,246		
Provision for credit impairment and credit risk adjustments	(629)			(597)			(555)		
Total average assets	105,525			99,921			95,790		
Average interest bearing liabilities									
Due to central banks and other institutions	2,216	26	1.2%	2,257	26	1.2%	1,824	21	1.2%
Deposits and other borrowings	60,728	1,432	2.4%	58,162	1,403	2.4%	54,750	1,270	2.3%
Bonds and notes	20,135	552	2.7%	19,338	567	2.9%	17,507	646	3.7%
Subordinated notes due to external investors	547	30	5.5%	545	30	5.5%	545	30	5.5%
Other interest bearing liabilities ²	2,399	94	N/A	2,256	83	N/A	2,088	82	N/A
Total average interest bearing liabilities and interest expense	86,025	2,134	2.5%	82,558	2,109	2.6%	76,714	2,049	2.7%
Total average non-interest bearing liabilities	11,698			10,165			12,078		
Total average liabilities	97,723			92,723			88,792		

¹Includes net due from related entities.

²Includes net due to related entities (including subordinated debt).

	Consolidated		
	2019	2018	2017
Net yield on interest earning assets			
Net yield on interest earning assets ³	2.12%	2.11%	2.06%

³ Net interest income divided by total average interest earning assets.

Average Balance Sheet and Related Interest

Volume and Rate Analysis

The following table attributes variances in interest income and interest expense to changes in volume and rate. Volume and rate variances have been calculated on the movement in average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities.

	Consolidated					
	Increase/(Decrease) due to		Total	Increase/(Decrease) due to		Total
	Change in Average Volume 2019	Change in Average Rate 2019		Change in Average Volume 2018	Change in Average Rate 2018	
Dollars in Millions						
Interest earning assets						
Cash and due from central banks and other institutions	(16)	6	(10)	22	(1)	21
Trading securities	25	(1)	24	15	(11)	4
Loans and advances to customers (including impaired loans)	224	(94)	130	187	10	197
Other interest earning assets	(4)	-	(4)	(10)	-	(10)
Change in interest income	229	(89)	140	214	(2)	212
Interest bearing liabilities						
Due to central banks and other institutions	-	-	-	5	-	5
Deposits and other borrowings	61	(32)	29	82	50	132
Bonds and notes	22	(37)	(15)	54	(133)	(79)
Subordinated notes due to external investors	-	-	-	-	1	1
Other interest bearing liabilities	11	-	11	1	-	1
Change in interest expense	94	(69)	25	142	(82)	60
Change in net interest income/(expense)	135	(20)	115	72	80	152

Investment Portfolio

Total Investments

The following table shows the total value of the Banking Group's investment portfolio.

Dollars in Millions	Consolidated		
	2019	2018	2017
Trading securities	7,267	6,842	5,778
Total investments	7,267	6,842	5,778

Trading Securities

The following table shows the fair value of the Banking Group's holdings of trading securities.

Dollars in Millions	Consolidated		
	2019	2018	2017
Government bonds, notes and securities ¹	2,498	2,817	3,275
Semi-government bonds, notes and securities ¹	2,850	2,037	843
Corporate and other institutions bonds, notes and securities	1,919	1,988	1,660
Total trading securities	7,267	6,842	5,778

¹References to Government comprise both the New Zealand Government and overseas governments.

Maturity Profile of Trading Securities

The following table shows the contractual maturity and weighted average yield of the Banking Group's trading securities.

Dollars in Millions	Consolidated (2019)					Average Rate (% p.a.) ²
	Up to 1 Year	Over 1 Year and up to 5 Years	Over 5 Years and up to 10 Years	Over 10 Years	Total	
Trading securities						
Government bonds, notes and securities	1,620	32	514	332	2,498	1.6%
Semi-government bonds, notes and securities	552	1,691	607	-	2,850	2.2%
Corporate and other institutions bonds, notes and securities	1,164	754	1	-	1,919	2.4%
Total trading securities	3,336	2,477	1,122	332	7,267	2.0%

² For the purposes of this table, average rate is calculated as interest income divided by average volume.

Loan Portfolio

Loan Portfolio by Industry

The following table shows the Banking Group's portfolio of net loans and advances to customer by the customer's industry sector.

Dollars in Millions	Consolidated				
	2019	2018	2017	2016	2015
Agriculture	14,963	14,672	14,358	13,847	13,242
Forestry and fishing	1,011	941	915	897	696
Mining	463	209	246	167	188
Manufacturing	3,371	3,429	3,076	2,905	2,969
Electricity, gas and water	740	683	743	797	650
Construction	1,300	1,147	1,032	876	865
Wholesale and retail trade	3,690	3,592	3,751	3,403	3,132
Accommodation, restaurants, culture and recreation	1,447	1,367	1,224	1,065	1,138
Transport and storage	2,166	2,003	1,591	1,347	1,154
Communications	242	156	173	223	289
Financial, investment and insurance	2,013	1,824	2,197	1,710	1,230
Property, business and personal services	10,727	10,386	10,246	9,730	8,409
Government, education, health and community services	2,089	1,954	1,549	1,292	1,063
Real estate - housing loans	42,883	39,727	37,358	34,914	31,830
Personal lending	1,385	1,447	1,445	1,520	1,575
Total gross loans and advances to customers	88,490	83,537	79,904	74,693	68,430
Deduct:					
Specific provision for credit impairment and credit risk adjustments on individual financial assets	157	105	104	100	92
Collective provision for credit impairment and credit risk adjustments on groups of financial assets	500	498	477	445	374
Deferred and other unearned future income	(59)	(74)	(77)	(84)	(45)
Fair value hedge adjustments	(149)	(43)	(41)	(146)	(207)
Total deductions	449	486	463	315	214
Total net loans and advances to customers	88,041	83,051	79,441	74,378	68,216

Maturity Profile on Gross Loans and Advances to Customers

The following table shows the Banking Group's contractual maturity distribution of loans and advances to customers.

Dollars in Millions	Consolidated (2019)			
	Up to 1 Year	Over 1 Year and up to 5 Years	Over 5 Years	Total
Agriculture	5,021	7,496	2,446	14,963
Forestry and fishing	778	198	35	1,011
Mining	382	80	1	463
Manufacturing	2,166	1,118	87	3,371
Electricity, gas and water	677	62	1	740
Construction	738	499	63	1,300
Wholesale and retail trade	1,934	1,652	104	3,690
Accommodation, restaurants, culture and recreation	533	830	84	1,447
Transport and storage	1,381	742	43	2,166
Communications	149	90	3	242
Financial, investment and insurance	1,849	154	10	2,013
Property, business and personal services	6,147	4,354	226	10,727
Government, education, health and community services	1,330	713	46	2,089
Real estate - housing loans	1,323	1,180	40,380	42,883
Personal lending	1,310	68	7	1,385
Total gross loans and advances to customers	25,718	19,236	43,536	88,490

During the year ended September 30, 2019, the Banking Group revised the maturity classification of certain loans from 'Over 5 Years' maturity and 'Over 1 Year and up to 5 Years' maturity to 'Up to 1 Year' maturity to reflect contractual repayment terms applicable to component loans under a facility. In prior years, these loans were classified according to the applicable facility maturity date.

Loan Portfolio

Sensitivities of Loans to Changes in Interest Rates

The following table shows the type of interest rate applicable to the Banking Group's contractual maturity distribution of loans and advances to customers.

Dollars in Millions	Consolidated (2019)			
	Up to 1 Year	Over 1 Year and up to 5 Years	Over 5 Years	Total
Variable interest rates	20,350	12,594	8,814	41,758
Fixed interest rates	5,368	6,642	34,722	46,732
Total gross loans and advances to customers	25,718	19,236	43,536	88,490

In addition to the revision of maturity classifications of certain loans from 'Over 5 Years' maturity and 'Over 1 Year and up to 5 Years' maturity to 'Up to 1 Year' maturity (refer to page 6), during the year ended September 30, 2019, the Banking Group revised the interest rate type classification of certain loans within the 'Up to 1 Year' maturity from fixed interest rate to variable interest rate, to reflect the variability of the base rate used to calculate the interest rates charged on those loans. This revision has increased the proportion of variable interest rates for 'Up to 1 Year' maturity by 38%.

Risk Elements

The changes in value of financial assets designated at fair value through profit or loss that are attributable to changes in credit risk have been calculated using a statistical-based calculation that estimates expected losses attributable to adverse movement in credit risks. The credit quality of assets that are neither past due nor impaired has been classified using the Banking Group's internal customer rating system and credit monitoring procedures required under internal policies, and in accordance with the RBNZ's Basel III capital adequacy framework. The Banking Group continuously monitors its credit risk to counterparties through the examination of key risk indicators such as irregular or delinquent accounts and early warning signals. In addition, the Strategic Business Services unit has specific responsibility for the management of accounts classified as categorized assets. These processes enable credit impairments to be identified at the earliest possible time. Credit impairment provisions are raised based on an expected credit loss model in line with the requirements of NZ IFRS 9. Recoverable amounts for impaired assets take into account the current market value of collateral held and the realizability of securities.

Impaired Assets

The following table shows the Banking Group's impaired assets.

Dollars in Millions	Consolidated				
	2019	2018	2017	2016	2015
Gross impaired assets¹					
Balance at beginning of year	265	250	253	215	277
Amounts written off	(66)	(68)	(49)	(59)	(126)
Loans newly classified into impaired assets categories during the year	580	271	268	314	276
Loans recovered or reclassified as non-impaired assets during the year	(126)	(188)	(222)	(217)	(212)
Total gross impaired assets balance at end of year	653	265	250	253	215
Deduct: Specific provision for credit impairment and credit risk adjustments on individual financial assets	157	105	104	100	92
Total net impaired assets	496	160	146	153	123

¹ Gross amounts are shown before taking into account any collateral held or other credit enhancements.

Past Due Assets Not Impaired

The following table shows the Banking Group's 90 days past due non-impaired assets.

Dollars in Millions	Consolidated				
	2019	2018	2017	2016	2015
Individually managed facilities 90 days past due	108	86	111	132	141
Portfolio managed facilities 90 to 180 days past due	38	27	39	41	55
Total 90 days past due non-impaired assets	146	113	150	173	196

Additional Information on Impaired Assets

The following table shows additional information on impaired assets.

Dollars in Millions	Consolidated				
	2019	2018	2017	2016	2015
Fair value of security ²	496	160	146	153	123

² For the purposes of this disclosure, where security held is valued at more than the corresponding credit exposure, coverage is capped at the value of the credit exposure.

Potential problem loans are those loans which are not impaired or past due, where the customer is in receivership, liquidation, statutory management or any other form of administration in New Zealand, or is in an equivalent form of voluntary or involuntary administration in an overseas jurisdiction. As at September 30, 2019, included within the Banking Group's loans and advances to customers were potential problem loans of \$5 million.

Loan Portfolio

Cross Border Outstandings

The following table shows cross border outstandings due from countries other than New Zealand where such outstandings individually exceed 0.75% of the Banking Group's total assets for the period specified.

Dollars in Millions	Consolidated		
	2019	2018	2017
Australia			
Banks and other financial institutions	723	180	823
Commercial and industrial	408	488	472
Total cross border outstanding	1,131	668	1,295
As a percentage of total assets	1.04%	0.67%	1.36%
United Kingdom			
Banks and other financial institutions	678	485	1,017
Commercial and industrial	93	108	116
Total cross border outstanding	771	593	1,133
As a percentage of total assets	0.71%	0.59%	1.19%
United States			
Banks and other financial institutions	906	882	498
Commercial and industrial	57	96	85
Total cross border outstanding	963	978	583
As a percentage of total assets	0.88%	0.98%	0.61%

For the purposes of the above disclosure, cross border outstandings are based on the country of domicile of the counterparty or guarantor of the ultimate risk, and comprise loans and advances to customers, balances due from other institutions, acceptances and other monetary assets including trading derivative assets and reverse repurchase agreements. Local currency activities with local residents by foreign branches and subsidiaries are excluded.

The reporting threshold used above is for disclosure guidance only and is not intended as an indicator of a prudent level of lending by the Banking Group to any one country.

Summary of Loan Loss Experience

Provision for Credit Impairment and Credit Risk Adjustments on Financial Assets

The following table shows the reconciliation of movements in the Banking Group's provision for credit impairment and credit risk adjustments on financial assets.

Dollars in Millions	Consolidated				
	2019	2018	2017	2016	2015
Specific provision for credit impairment and credit risk adjustments on individual financial assets					
Balance at beginning of year	105	104	100	92	120
Charge to income statement	107	50	31	53	88
Amounts written off	(66)	(68)	(49)	(59)	(126)
Recovery of amounts written off	15	23	24	14	10
Discount unwind	(4)	(4)	(2)	-	-
Balance at end of year	157	105	104	100	92
Collective provision for credit impairment and credit risk adjustments on groups of financial assets					
Balance at beginning of year	498	477	445	374	278
Restate for adoption for new accounting standard	-	-	-	-	49
Charge/(credit) to income statement	2	21	32	71	47
Balance at end of year	500	498	477	445	374
Total provision for credit impairment and credit risk adjustments on financial assets	657	603	581	545	466

Provision for Credit Impairment and Credit Risk Adjustments on Financial Assets by Industry

The following table shows the Banking Group's provision for credit impairment and credit risk adjustments on financial assets by the customer's industry sector.

Dollars in Millions	Consolidated (2019)						Percentage of Loans in Each Category to Gross Loans and Advances (%)
	Collective Provision 12-months ECL	Collective Provision Lifetime ECL Not Credit Impaired	Collective Provision Lifetime ECL Credit Impaired	Specific Provision Lifetime ECL Credit Impaired	Credit Risk Adjustment on Financial Assets	Total	
Agriculture	7	69	8	64	4	152	16.9
Forestry and fishing	1	5	1	-	-	7	1.1
Mining	2	4	-	10	-	16	0.5
Manufacturing	11	41	3	8	4	67	3.8
Electricity, gas and water	2	1	-	-	-	3	0.8
Construction	4	18	1	7	1	31	1.5
Wholesale and retail trade	9	38	3	12	-	62	4.2
Accommodation, restaurants, culture and recreation	2	11	2	1	-	16	1.6
Transport and storage	3	15	1	1	1	21	2.4
Communications	2	1	-	-	-	3	0.3
Financial, investment and insurance	5	6	-	23	1	35	2.3
Property, business and personal services	8	77	10	27	1	123	12.1
Government, education, health and community services	4	14	-	-	-	18	2.4
Real estate - housing loans	1	53	7	2	-	63	48.5
Personal lending	10	16	13	1	-	40	1.6
Total provision for credit impairment and credit risk adjustments on financial assets	71	369	49	156	12	657	100.0

Summary of Loan Loss Experience

Provision for Credit Impairment and Credit Risk Adjustments on Financial Assets by Industry *continued*

Consolidated (2018)							
Dollars in Millions	Collective Provision 12-months ECL	Collective Provision Lifetime ECL Not Credit Impaired	Collective Provision Lifetime ECL Credit Impaired	Specific Provision Lifetime ECL Credit Impaired	Credit Risk Adjustment on Financial Assets	Total	Percentage of Loans in Each Category to Gross Loans and Advances (%)
Agriculture	8	111	7	17	9	152	17.6
Forestry and fishing	1	2	1	1	-	5	1.1
Mining	-	2	-	10	-	12	0.3
Manufacturing	9	38	6	6	4	63	4.1
Electricity, gas and water	2	1	-	-	-	3	0.8
Construction	4	10	3	2	-	19	1.4
Wholesale and retail trade	9	42	3	11	1	66	4.3
Accommodation, restaurants, culture and recreation	2	12	1	1	-	16	1.6
Transport and storage	2	14	2	3	1	22	2.4
Communications	1	2	-	-	-	3	0.2
Financial, investment and insurance	7	13	1	23	1	45	2.2
Property, business and personal services	8	49	12	26	1	96	12.4
Government, education, health and community services	3	10	1	-	-	14	2.3
Real estate - housing loans	1	50	4	3	-	58	47.6
Personal lending	9	10	10	-	-	29	1.7
Total provision for credit impairment and credit risk adjustments on financial assets	66	366	51	103	17	603	100.0

Consolidated (2017)							
Dollars in Millions	Collective Provision 12-months ECL	Collective Provision Lifetime ECL Not Credit Impaired	Collective Provision Lifetime ECL Credit Impaired	Specific Provision Lifetime ECL Credit Impaired	Credit Risk Adjustment on Financial Assets	Total	Percentage of Loans in Each Category to Gross Loans and Advances (%)
Agriculture	8	107	27	24	19	185	18.0
Forestry and fishing	1	3	1	-	-	5	1.1
Mining	1	3	-	-	-	4	0.3
Manufacturing	8	27	5	12	3	55	3.9
Electricity, gas and water	3	1	1	-	1	6	0.9
Construction	3	9	2	2	-	16	1.3
Wholesale and retail trade	9	34	2	10	1	56	4.7
Accommodation, restaurants, culture and recreation	3	7	1	1	-	12	1.5
Transport and storage	1	8	1	4	-	14	2.0
Communications	1	1	-	-	-	2	0.2
Financial, investment and insurance	8	7	1	22	1	39	2.8
Property, business and personal services	8	38	16	20	2	84	12.8
Government, education, health and community services	3	6	-	-	1	10	1.9
Real estate - housing loans	2	51	6	7	-	66	46.8
Personal lending	10	7	10	-	-	27	1.8
Total provision for credit impairment and credit risk adjustments on financial assets	69	309	73	102	28	581	100.0

Summary of Loan Loss Experience

Provision for Credit Impairment and Credit Risk Adjustments on Financial Assets by Industry *continued*

Consolidated (2016)

Dollars in Millions	Collective Provision 12-months ECL	Collective Provision Lifetime ECL Not Credit Impaired	Collective Provision Lifetime ECL Credit Impaired	Specific Provision Lifetime ECL Credit Impaired	Credit Risk Adjustment on Financial Assets	Total	Percentage of Loans in Each Category to Gross Loans and Advances (%)
Agriculture	6	106	67	20	34	233	18.5
Forestry and fishing	1	3	2	2	1	9	1.2
Mining	1	1	-	6	-	8	0.2
Manufacturing	8	23	3	8	3	45	3.9
Electricity, gas and water	3	1	-	-	1	5	1.1
Construction	3	4	-	1	-	8	1.2
Wholesale and retail trade	9	26	4	2	2	43	4.6
Accommodation, restaurants, culture and recreation	2	5	1	2	1	11	1.4
Transport and storage	2	5	-	6	-	13	1.8
Communications	1	2	-	-	-	3	0.3
Financial, investment and insurance	5	7	-	21	1	34	2.3
Property, business and personal services	9	29	15	19	4	76	13.0
Government, education, health and community services	2	5	-	1	1	9	1.7
Real estate - housing loans	1	12	4	11	-	28	46.8
Personal lending	7	6	7	-	-	20	2.0
Total provision for credit impairment and credit risk adjustments on financial assets	60	235	103	99	48	545	100.0

Dollars in Millions	Consolidated				
	2019	2018	2017	2016	2015
Specific provision for credit impairment and credit risk adjustments on individual financial assets					
Agriculture	64	19	26	21	8
Forestry and fishing	-	1	-	2	1
Mining	10	10	-	6	5
Manufacturing	8	6	12	8	5
Construction	7	2	2	1	2
Wholesale and retail trade	12	11	10	2	4
Accommodation, restaurants, culture and recreation	1	1	1	2	2
Transport and storage	1	3	4	6	6
Financial, investment and insurance	23	23	22	21	21
Property, business and personal services	27	26	20	19	22
Government, education, health and community services	-	-	-	1	1
Real estate - housing loans	3	3	7	11	14
Personal lending	1	-	-	-	1
Total specific provision for credit impairment and credit risk adjustments on individual financial assets	157	105	104	100	92
Total collective provision for credit impairment and credit risk adjustments on groups of financial assets	500	498	477	445	374
Total provision for credit impairment and credit risk adjustments on financial assets	657	603	581	545	466

Summary of Loan Loss Experience

Provision for Credit Impairment and Credit Risk Adjustments on Financial Assets by Industry *continued*

	Consolidated				
As a Percentage of Total Loans	2019	2018	2017	2016	2015
Gross loans and advances to customers					
Agriculture	16.9	17.6	18.0	18.5	19.3
Forestry and fishing	1.1	1.1	1.1	1.2	1.0
Mining	0.5	0.3	0.3	0.2	0.3
Manufacturing	3.8	4.1	3.9	3.9	4.3
Electricity, gas and water	0.8	0.8	0.9	1.1	0.9
Construction	1.5	1.4	1.3	1.2	1.3
Wholesale and retail trade	4.2	4.3	4.7	4.6	4.6
Accommodation, restaurants, culture and recreation	1.6	1.6	1.5	1.4	1.7
Transport and storage	2.4	2.4	2.0	1.8	1.7
Communications	0.3	0.2	0.2	0.3	0.4
Financial, investment and insurance	2.3	2.2	2.8	2.3	1.8
Property, business and personal services	12.1	12.4	12.8	13.0	12.3
Government, education, health and community services	2.4	2.3	1.9	1.7	1.6
Real estate - housing loans	48.5	47.6	46.8	46.8	46.5
Personal lending	1.6	1.7	1.8	2.0	2.3
Total gross loans and advances to customers	100.0	100.0	100.0	100.0	100.0

Net Charge-Offs to Gross Average Loans

The following table shows the details of the Banking Group's ratio of net charge-offs to gross average loans outstanding. Net charge-offs are total bad debts written off less bad debts recovered.

	Consolidated				
As a percentage of total gross average loans	2019	2018	2017	2016	2015
Ratio of net charge-offs to gross average loans outstanding during the year ¹	0.1	0.1	-	0.1	0.2

¹ Net charge-offs divided by gross average interest earning loans outstanding.

Bad Debts Written Off

The following table shows bad debts written off by customer industry sector.

	Consolidated				
Dollars in Millions	2019	2018	2017	2016	2015
Agriculture	4	12	2	10	10
Forestry and fishing	2	1	1	1	-
Mining	-	-	1	-	44
Manufacturing	1	10	3	3	11
Construction	3	2	1	2	3
Wholesale and retail trade	13	2	2	3	2
Accommodation, restaurants, culture and recreation	2	2	1	1	6
Transport and storage	1	1	1	1	1
Financial, investment and insurance	-	-	1	-	-
Property, business and personal services	4	5	4	2	12
Government, education, health and community services	1	-	1	-	-
Real estate - housing loans	4	3	4	7	8
Personal lending	31	30	27	29	29
Total bad debts written off	66	68	49	59	126

Summary of Loan Loss Experience

Bad Debts Recovered

The following table shows bad debts recovered by customer industry sector.

Dollars in Millions	2019	Consolidated			
		2018	2017	2016	2015
Mining	2	10	14	-	-
Wholesale and retail trade	-	2	-	1	-
Financial, investment and insurance	3	-	-	-	-
Property, business and personal services	-	-	-	2	-
Personal lending	10	11	10	11	10
Total bad debts recovered	15	23	24	14	10

Deposits and Other Borrowings

The following table shows the Banking Group's liabilities in respect to deposits and other borrowings.

Dollars in Millions	Consolidated		
	2019	2018	2017
Term deposits	34,933	33,856	32,194
Certificates of deposit	1,349	1,794	1,351
On-demand and short-term deposits bearing interest	21,865	20,139	18,850
Deposits not bearing interest	6,267	5,781	5,087
Commercial paper	3,554	1,867	2,430
Total deposits and other borrowings	67,968	63,437	59,912

The following table shows the maturity profile of all certificates of deposit and term deposits issued with a value of \$100,000 or more.

Dollars in Millions	Consolidated (2019)				
	Up to 3 Months	Over 3 Months and up to 6 Months	Over 6 Months and up to 1 Year	Over 1 Year	Total
		6 Months	1 Year	1 Year	
Term deposits	12,154	10,520	4,667	1,832	29,173
Certificates of deposit	556	695	98	-	1,349
Total	12,710	11,215	4,765	1,832	30,522

Details of average deposits and short term borrowings are provided in the following table for the dates indicated. Averages are predominantly daily averages.

Dollars in Millions	Consolidated					
	Average Balance	Average Rate (% p.a.) ¹	Average Balance	Average Rate (% p.a.) ¹	Average Balance	Average Rate (% p.a.) ¹
	2019	2019	2018	2018	2017	2017
Term deposits	34,467	3.29%	33,738	3.34%	29,766	3.25%
Certificates of deposit	1,729	1.81%	1,874	1.95%	2,039	2.08%
On-demand and short-term deposits bearing interest	21,705	0.88%	20,406	0.92%	19,619	0.96%
Deposits not bearing interest	5,981	0.00%	5,455	0.00%	4,822	0.00%
	63,882		61,473		56,246	

¹For the purposes of this disclosure, average rate is calculated as interest expense divided by average volume.

Short Term Borrowings

The table below shows the Banking Group's commercial paper short term borrowings.

Dollars in Millions	Consolidated		
	2019	2018	2017
Balance outstanding at end of year	3,554	1,867	2,430
Approximate weighted average rate on the outstanding balance	2.33%	2.48%	1.49%
Maximum outstanding at any month end	3,554	2,728	3,743
Approximate average amount outstanding during the year	2,827	2,144	3,326
Approximate weighted average rate on average amount outstanding	2.67%	2.05%	1.30%

Return on Equity and Assets

The following table shows return on equity, return on assets and other ratios of the Banking Group.

	Consolidated		
	2019	2018	2017
Return on assets ¹	0.97%	1.03%	0.98%
Return on equity ²	13.10%	14.30%	13.39%
Dividend payout ratio ³	114.61%⁵	175.86% ⁵	74.72%
Equity to assets ratio ⁴	7.39%	7.20%	7.31%

¹ Net profit after tax divided by total average assets.

² Net profit after tax divided by total average equity (total average equity calculated by total average assets minus total average liabilities).

³ Dividend per ordinary share divided by net profit per ordinary share.

⁴ Total average equity divided by total average assets.

⁵ On December 7, 2018, the Bank paid dividends of \$945 million on its ordinary shares (December 8, 2017: \$1,405 million) and issued 600 million ordinary shares (December 8, 2017: 1,105 million).

