

## Income Statement summary

### Key points for September 2020:

- Banking sector profit increased \$291m to \$1.1b over the September quarter, rebounding off last quarter's low and reversing the declining trend set over the previous five quarters. The increase was driven by a large reduction in impaired asset expenses (-\$348m), with increases in net interest income (+\$58m) and other income (+\$11m).
- Impaired asset expenses (including credit risk adjustments) decreased by \$348m to \$167m this quarter, bringing the flows more in line with pre-COVID levels. Individual provisions for losses on loans fell \$168m to \$17m, while collective loan loss provisions declined by \$160m to \$112m. The percent share of impaired asset expenses over total operating income this quarter fell close to 11 percentage points down to 5.1%.
- Interest income declined \$227m to \$4.5b, driven by declines in mortgages (-\$77m) and business loans (-\$79m). Interest expense declined \$286m to \$1.8b, falling below \$2b for the first time, mainly due to declines in deposits (-\$191m). Overall, net interest income increased \$58m to \$2.7b.
- Selected key profitability ratios all increased over the September quarter. The net interest margin for the NZ banking system increased 3bp to 1.85%, the return on assets increased 20bp to 0.7% and the return on equity increased 1.9 percentage points to 9.2%.



