29 August 2014

**MEDIA RELEASE**

**Kiwibank profit hits $100 million**

Kiwi Group Holdings Limited (“KGH”), which includes Kiwibank Limited and associated companies involved in Wealth Management, Insurance and New Zealand Home Loans, has achieved an after tax profit of $107 million for the year ended 30 June 2014.

The bulk of the profit was made up by the Kiwibank Banking Group (“Kiwibank”) which achieved an after-tax profit of $100 million, an increase of three per cent over the previous year’s profit of $97 million.

Kiwibank Chief Executive Paul Brock said the underlying performance was very encouraging and emphasised the increasing contribution of the financial services group to the overall performance of the New Zealand Post Group.

Focusing on the bank’s performance, Mr Brock said loans and deposits showed healthy growth with the bank increasing market share in its key markets. There has been solid revenue growth and margin improvement along with investments into a new core banking system, the retail network and digital initiatives which have increased costs. This issue is being addressed with an internal restructure designed to improve both customer service and productivity and reduce costs.

In the last year, Kiwibank:

* Increased loans and advances by 10.6% from $13.2 billion to $14.6 billion
* Increased customer deposits by 5.8% from $12.1 billion to $12.8 billion

Mr Brock said the bank was now at an important stage of its growth. “After only 12 years of trading we have about 860,000 customers in what is a very competitive market.

This brings with it special challenges to ensure we maintain profitable growth as well as continuing to provide excellent customer service and that we operate where our customers are – both face to face and in an increasingly digital world.

This means we must continually look at how we do business including how we manage our costs. We are meeting this challenge head-on and I look forward to steadily improving results in the coming years.”

Mr Brock said there will be significant new investment in the bank’s infrastructure with approximately $100 million being spent over the next four years upgrading the core banking system.

Significant events during the financial year included the announcement of a new regional office in Hastings creating employment opportunities in that region.

“This project is a key part of our business continuity programme to ensure that there would be no disruption to banking services should there be a sustained service outage in Auckland or Wellington. Refurbishment is well underway and the site is expected to be operational by late November.”

Mr Brock said investor confidence in the bank was reinforced with a successful capital note offer in May. The issue raised $100m and contributed to a total capital ratio of 12.9% at the end of June.

For further information:

Bruce Thompson, Communications Manager (04) 460 6831