

MEDIA BRIEFING

Financial Results – 6 months ended 31 December 2013

Topics Covered

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Financial Highlights

- Profit after tax of \$52m for the 6 months ended 31 December 2013. This compares with the record profit after tax of \$58m for the 6 months to 31 December 2012

- Continued growth in balance sheet since June 2013:
 - Lending increased 5.7% from \$13.2bn to \$14.0bn
 - Customer deposits increased 2.4% from \$12.1bn to \$12.4bn
 - Continued customer growth

- Significant strategic investment in the future of the Bank

Financial Performance-Balance sheet

- Strong lending growth continues in a competitive market
- Matched by demand for Kiwibank's deposit products

Dollars in millions	31 Dec 2013	30 Jun 2013	31 Dec 2012	Growth YTD	Growth 12 months
Assets					
Loans and advances	13,952	13,202	12,842	5.7%	8.6%
Wholesale & other assets	2,160	2,007	2,390		
Total assets	16,112	15,209	15,232	5.9%	5.8%
Financed by:					
Liabilities					
Customer deposits	12,412	12,120	12,286	2.4%	1.0%
Securities issued & other liabilities	2,779	2,231	2,137		
Total liabilities	15,191	14,351	14,423	5.9%	5.3%
Shareholder's equity	921	858	809	7.3%	13.8%
Total liabilities & shareholder's equity	16,112	15,209	15,232	5.9%	5.8%

Financial Performance – Profit & Loss

- Maintained NII during a period of tightening lending margins and high competition
- 2013 calendar year has been a period of significant strategic investment for the future

Dollars in millions	6 months ended 31 Dec 2013	6 months ended 30 Jun 2013	% Growth	6 months ended 31 Dec 2012
Net interest income	140	136	2.9%	140
Other income	91	83	9.6%	87
Total operating revenue	231	219	5.5%	227
Operating expenses	(160)	(157)	1.9%	(147)
Impairment allowance	1	(7)	(114.3%)	-
Net profit before tax	72	55	30.9%	80
Income tax expense	(20)	(16)	25.0%	(22)
Net profit after tax	52	39	33.3%	58

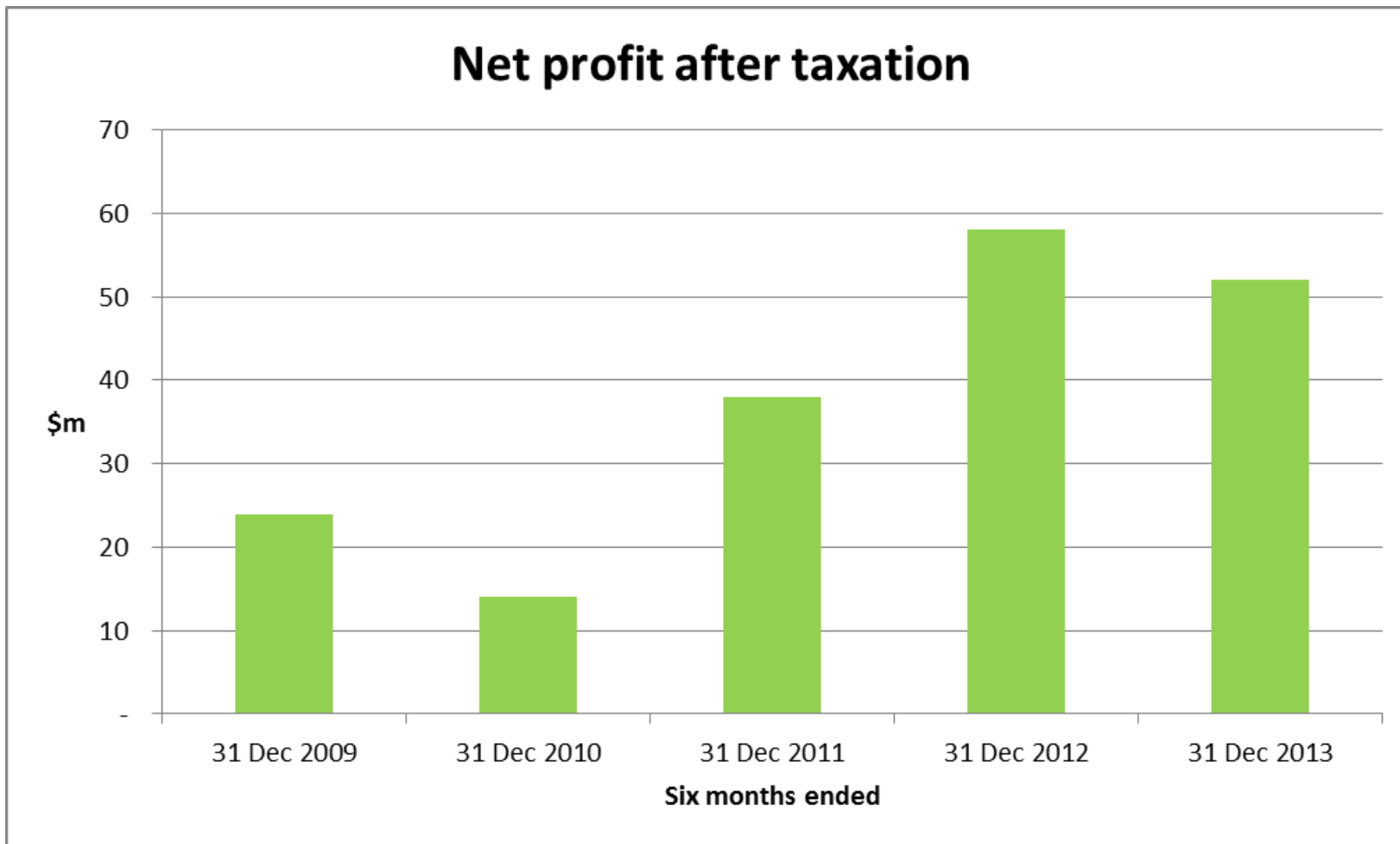
Financial Performance

Half Year Historical Summary

Dollars in millions	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
Interest income	387	400	381	348	268
Interest expense	(247)	(260)	(258)	(259)	(202)
Net interest income	140	140	123	89	66
Other income	91	87	81	80	88
Total operating revenue	231	227	204	169	154
Operating expenses	(160)	(147)	(133)	(118)	(111)
Impairment allowance	1	-	(18)	(31)	(10)
Net profit before tax	72	80	53	20	33
Income tax expense	(20)	(22)	(15)	(6)	(9)
Net profit after tax	52	58	38	14	24

Financial Performance

Half Year Historical Summary



Financial Performance (key ratios)

	6 Months to 31 Dec 2013	Year to 30 Jun 2013	6 Months to 31 Dec 2012
Profitability measures			
Net interest margin	1.82%	1.81%	1.83%
Rolling 6 monthly return on equity	13.0%	10.1%	16.6%
Efficiency measures			
Cost to income ratio	69.3%	68.1%	64.5%
Operating expenses / average total assets	2.0%	2.0%	2.0%
Capital ratios			
Capital adequacy ratio - Tier 1 Capital	10.2%	10.4%	10.6%
Capital adequacy ratio - Total Capital (Pillar1)	11.5%	12.6%	13.5%

Financial Performance-Capital Adequacy

- As at December 2013, **Kiwibank's** Common Equity Tier 1 capital ratio was 8.3%, 3.8% above the RBNZ minima
- Kiwibank called \$60m of subordinated debt in September 2013
- Kiwibank is exploring opportunities to issue a replacement instrument

Credit Quality (Impaired Assets)

- The top table shows total impaired assets as a % of gross loans and advances from Disclosure Statements dated 30 September 2013. Kiwibank remains favourably placed against other banks
- Continued improvement in the quality of Kiwibank's loan portfolio
- Impaired assets of \$39m at 31 December 2013 include all assets where interest charges have been suspended and a specific provision has been raised. Down from \$54m at 30 June 2013 and \$56m at 31 December 2012.
- A key focus from management and RBNZ is the total credit provisioning to gross loans and advances

Impaired assets as a % of Gross Loans and Advances

<u>Bank</u>	<u>31 December 2013</u>	<u>30 September 2013</u>
Kiwibank	0.28%	0.33%
ASB	0.39%	0.56%
BNZ *		0.65%
Westpac	0.59%	0.92%
ANZ	0.88%	0.98%

Credit Provisions as a % of Gross Loans and Advances

<u>Bank</u>	<u>31 December 2013</u>	<u>30 September 2013</u>
Kiwibank	0.48%	0.51%
ASB	0.32%	0.34%
BNZ *		0.69%
Westpac	0.77%	0.89%
ANZ	0.84%	0.90%

Source: 31 December 2013 Disclosure Statements.

**31 December 2013 not yet available.*

Kiwibank credit rating

In November 2013, Standard & Poor's affirmed **Kiwibank's** credit rating of A+ (outlook negative). This mirrors the rating of the **Bank's** owner, New Zealand Post.

Kiwibank business banking

Business Banking: A growth sector

- We serve SME business and their related personal needs
- Target market is New Zealand **SME's**. They represent over 90% of Kiwi business (Source: NZ Statistics, Feb 2013) and are core to our economy.
- Today we have 35,500 businesses
- 7% gross growth (3% net growth) in the period
- There are 120 Kiwibank business specialists nationwide
- Our current and future focus is to enable our customers to spend more time on their business by making their banking easy

Our Customers' IT Usage

Overall online usage

- 65% of all Kiwibank customers now use desktop internet banking (compared to 27% using the call centre)
- 36% use mobile banking

Segment usage

- 81% of high value customers use both desktop and mobile banking
- 71% of home loan customers use mobile banking

IT Advances – Core Banking System

- Kiwibank has announced it will invest in new core bank **systems to replace and supplement the bank's existing systems**
- The new systems will be provided by SAP and consist of elements of core banking specifically the product and payment manufacture components
- This **long-term investment is driven by the bank's strategy** to develop a long-term standardised platform that will create the foundations for future growth and enables the 2016-18 **'Strengthen the Bank' strategic phase**

Kiwi Group Holdings

Kiwibank is owned by Kiwi Group Holdings, which in turn is fully owned by New Zealand Post. **Kiwibank's** sister companies in Kiwi Group Holdings are New Zealand Home Loans (NZHL), Kiwi Insurance, and Gareth Morgan Investments (GMI).

As at 31 December 2013:

- NZHL has signed up \$0.6billion in home lending for the six months to 31 December 2013
- Group KiwiSaver (GMI and Kiwibank) had circa \$1.4 billion in investments and 105,000 members
- **GMI's** Funds Under Management grew to over \$2.35 billion

Awards

- 2013 **Reader's** Digest New Zealand – New **Zealand's** Most Trusted Bank Brand – 7 years in a row
- Roy Morgan Research 2013 Customer Satisfaction Awards – Major Bank of the Year
- 2013 Best Bank in New Zealand – Global Finance
- 2013 Sunday-Star Times Canstar Cannex Bank of the Year Awards
 - Most Price Competitive Bank
- NZI Sustainable Business Network Awards – Supreme Award 2013