MEDIA RELEASE

25 August 2011

KIWIBANK FULL YEAR FINANCIAL RESULT JUNE 2011

Kiwibank has announced an after-tax profit of $21.2 million for the year ended 30 June 2011, a decrease of 54 per cent from the previous year’s profit of $45.8 million.

Kiwibank Chief Executive Paul Brock said the strong underlying financial performance of the bank has been reduced by the remaining effects of the global financial crisis and the Canterbury earthquakes. He said provision for bad debts at year end is $87.1 million, compared with $19.5 million for the previous year.

Mr Brock said the vast majority of the bad debt provisioning can be regarded as “one offs” which gives considerable room for confidence for the present financial year.

In the last year, Kiwibank:

• Increased loans and advances by 10% from $10.4 billion to $11.5 billion  
• Increased retail deposits by 14% from $6.9 billion to $7.9 billion

Mr Brock said competition in the domestic loan and deposit market was intense and this had put pressure on margins, but that the bank continued to perform well in both sectors. He said there were many strong and positive underlying trends:

* Net interest income (NII) has increased during the year as customers switched from fixed to floating mortgages. This margin compared to average assets has increased from 1.18% to 1.47% year on year.
* An increased focus on cost reduction has led to an improvement in the cost to income ratio which, year on year, has improved from 72.6% to 68.5%.
* Throughout the year Kiwibank has maintained a strong focus on customer funding with deposits now accounting for 80% of all bank funding.

Mr Brock said the bank had continued to be innovative and to challenge conventional lending and deposit products available for customers.

“We launched 32 and 90-day Notice Saver accounts which provided strong returns for customers plus having more flexibility.

“We also continued to capture more than our natural share of the mortgage market with aggressive short-term fixed and variable rate offers.”

“Kiwibank continues to focus on growing its small and medium enterprise business banking client base and Mr Brock says there are “significant opportunities for growth in this sector.”

The bank’s personal banking market share continues to grow with the bank now having more than 750,000 customers.

During the year the Financial Advisers Act. was implemented   Kiwibank became a Qualifying Financial Entity (QFE) under that Act on 31 March 2011.

“This makes frontline people ‘QFE advisers’, which allows us to continue to provide a high standard of service to our customers.

“As a QFE Kiwibank is accountable to the Financial Markets Authority for the conduct of our QFE advisers and for ensuring that our customers receive adequate consumer protection,” Mr Brock said

“We also have Wealth Advisers who have become Authorised Financial Advisers (AFAs), which allows them to provide a wider range of services across a wider range of products.”

Kiwibank also retained the titles of best value bank (Canster/Sunday Star Times, five years); best New Zealand bank (The Banker Magazine, two years) and most trusted brand (Reader’s Digest four years).

During the financial year Kiwibank launched its own Kiwisaver retirement scheme, The scheme enables investors to make their own investment decision and be able to access the scheme to monitor progress and make changes. Kiwibank also has made its charges transparent.

Kiwibank continued its association with the New Zealander of the Year Award which has proved to have a significant following, particularly the recognition of “local heroes” who contribute their time to assisting small communities.

The bank launched appeals in association with Red Cross for Australian flood victims and closer to home for the Christchurch earthquake victims. More than $2 million was contributed to the appeal.

Looking to the future, Mr Brock said he strongly believed the worst was behind them and there are positive signs for growth and an improved financial performance.

“The Global Financial Crisis compounded by the earthquake has made things tough, but the bank is in strong shape and has weathered the storm,” Mr Brock said.

Mr Brock was appointed Chief Executive of Kiwibank in September 2010, replacing inaugural CEO, Sam Knowles. Mr Brock has been with Kiwibank for more than 10 years and was part of the original team that established the bank.

Inaugural Kiwibank Chairman Rt Hon Jim Bolger retired from the board and was replaced as chairman by independent director Ian Fitzgerald . Rob Morrison was also appointed to the board as an independent director and has subsequently taken over as chairman (from 1 July 2011).

For further information: Bruce Thompson, Communications Manager (04) 460 6831