



Media Briefing

Financial Results

6 months ended 31 December 2011



Topics Covered

- Key Milestones & Achievements
- Financial Performance
- Credit Quality
- The Future



Key Milestones & Achievements

- Profit after tax of \$38m for the six months ended 31 December 2011, a \$24m increase on the profit for the six months ended 31 December 2010 (\$14m).
- Continued growth in balance sheet since December 2010:
 - Lending increased 10% (\$1.1bn) to \$12.1bn
 - Retail deposits increased 13% from \$7.6bn to \$8.6bn
 - Net interest margin increased from 142bps to 169bps







Key Milestones & Achievements

- Net interest income has increased 38% over prior year to \$123m
- Improvement in cost income ratio to 65%, down from 70% in 2010
- Capital strengthened by \$50m capital injection in December 2011
- Encouraging growth in Kiwisaver membership, now at 15,000. Will exceed 70,000 members on completion of Gareth Morgan Investments acquisition



Financial Performance – Profit & Loss

- Net interest income has increased by 38% to \$123m
- Significant reduction in bad debts charge

Dollars in thousands	Dec-11	Dec-10	% growth	
Net interest income	123	89	38%	
Other income	81	80		
Total operating income	204	169	21%	
Operating expenses	(133)	(118)		
Impairment allowances	(18)	(31)		
Profit before taxation	53	20	165%	
Income tax expense	(15)	(6)		
Profit after tax	38	14	171%	



Financial Performance - Historical summary

Dollars in millions	Dec-11	Dec-10	Dec-09	Dec-08	Dec-07
Interest income	381	348	268	362	241
Interest expense	(258)	(259)	(202)	(283)	(188)
Net interest income	123	89	66	79	53
Other income	81	80	88	75	70
Total operating income	204	169	154	154	123
Operating expenses	(133)	(118)	(111)	(110)	(89)
Impairment allowances	(18)	(31)	(10)	(6)	(1)
Profit before taxation	53	20	33	38	33
Income tax expense	(15)	(6)	(9)	(12)	(10)
Profit after tax	38	14	24	26	23



Financial Performance - Balance sheet

Dollars in thousands	Dec-11	Dec-10	% growth	
Assets				
Loans and advances	12,068	10,933	10%	↑
Wholesale & other assets	2,317	2,035		↑
Total assets	14,386	12,969	11%	
Financed by:				
Liabilities				
Retail deposits	8,585	7,621	13%	↑
Wholesale deposits	3,131	3,520	(11%)	↓
Securities issued & other liabilities	1,971	1,228		
Total Liabilities	13,687	12,369	11%	
Shareholder's equity	699	600		
Total liabilities and shareholder's equity	14,386	12,969		
Ratio retail deposits to retail lending	71%	70%		



Financial Performance (key ratios)

<u>Ratios in percentage terms</u>	<u>Dec-11</u>	<u>Dec-10</u>
Profitability measures		
Net interest inc./avg.total assets	1.69%	1.42%
Net profit after tax/avg shareholder's funds	11.42%	4.68%
Efficiency measures		
Cost income ratio	65.1%	69.9%
Operating expenses/avg total assets	1.8%	1.9%
Capital ratios		
Total Capital ratio (Pillar I)	12.1%	11.7%



Financial Performance – Capital Adequacy

- Total Capital ratio under Basel II is 12.1% compared to RBNZ's minimum regulatory capital ratio of 8%
- Total capital increased by \$96m to \$824m, a 13% increase from December 2010.



Credit Quality (Impaired Assets)

- The table shows our total impaired assets as a % of total assets from latest available Disclosure Statements. Kiwibank remains favourably placed against other banks
- Impaired Assets of \$100m include all assets where interest charges have been suspended and a specific provision has been raised

Bank	Latest DS	Previous Quarter
Kiwibank	0.69%	0.70%
ASB	0.42%	0.54%
BNZ	0.89%	1.05%
Westpac	1.31%	1.43%
ANZ/National	1.45%	1.59%

Source: December 11 DS for Kiwibank and latest published Disclosure Statements for other banks



The Future

- Purchase of Gareth Morgan Investments (already achieved)
- Continued focus on expansion of lending and deposits
- Seizing opportunities to expand market share in SME market
- Increased growth in bancassurance and life insurance
- Continue to promote bank switching (heading inevitably to one million customers); and
- Retail store network enhancement

