

# MEDIA BRIEFING

Financial Results – 6 months ended 31 December 2015

# Topics Covered

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- Kiwibank
- Kiwi Wealth
- Kiwi Insurance and NZHL
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- Appendices
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# Highlights

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- KGH NPAT for 6 months to 31 Dec 2015 of \$73m (\$1m increase on same period last year which was 36% higher than the NPAT for the 6 months to 31 Dec 2013) in a much more competitive environment and in a period of significant spend on strategic initiatives.
- Strong balance sheet growth – customer loans over the period of \$751m and customer deposits of \$690m (both up 5% on the 30 June 2015 balances).
- Revenue diversification continues, with revenue from Wealth up 35% over the same period last year and now contributing 7% of KGH revenue.
- Funds under management up 6.7% to \$3.8bn.
- Dividend paid to NZ Post of \$24m, bringing total dividends paid in 2015 to \$46m.
- Successful implementation of phase 1 of the core banking system replacement with phase 2 almost complete.
- Highest Net Promoter score of the Main Banks.
- Highest KiwiSaver Net Promoter score.

# Kiwi Group Holdings

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- Kiwi Group Holdings has announced a profit of \$73 million after tax for the six months ended December 31, 2015.
- Diversification of revenue is a major strategy.
- Dividend of \$24m paid to NZ Post bringing total dividends for 2015 to \$46m.

# Banking Group

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- Profit after tax of \$71m for the 6 months ended 31 December 2015
  - This matches the \$71 million for the same period last year
  - Represents a healthy consolidation after spectacular growth for the same period last year of more than 35%
  
- Pleasing given highly competitive market and significant investment in strategic initiatives over the 6 month period

# Banking Group continued

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- Targeted profitable growth
  - Loan growth in the 6 months ended 31 December 2015 mainly funded through customer deposit growth
  - Maintained a customer deposit to loan ratio in excess of 88%
  
- Market leading Net Promoter Score in Business Banking for SMEs

# Banking Group continued

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## Customer growth

Kiwibank continues to grow its share of the competitive New Zealand banking market.

- 12.1% 'Main Bank' market share
- 8.38% Business banking SME market share
- 920,000 Customers
- 435,000 'Main Bank' customers

## Funds Under Management as at 31 December 2015

- Kiwi Wealth KiwiSaver Scheme:  
\$2.4bn (increase of 9% from 30 June 2015 and 25% from 31 December 2014)
- GMI Private Portfolios:  
\$1.4bn (increase of 3% from 30 June 2015 and 13% from 31 December 2014)
- Total FUM:  
\$3.8bn (increase of 7% from 30 June 2015 and 21% from 31 December 2014)
  
- Total number of KWKS members as at 31 December 2015:  
149k (increase of 7%)
  
- Profit after tax of \$6m for the 6 months ended 31 December 2015, up 35% on the same period last year.



# Kiwi Insurance & NZHL

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## Kiwi Insurance

- Profit after tax of \$1.3m for the 6 months ended 31 December 2015
- Annual in-force premiums have risen from \$11.7m at 31 December 2014 to \$13.2m at 31 December 2015 – a 13% increase
- Policy sales up 83% on the 6 months to 31 December 2014

## NZHL

- Profit after tax of \$2.4m for the 6 months ended 31 December 2015
- New home lending of \$762m signed up in the 6 months ended 31 December 2015

# Strategic initiatives

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- Core Modernisation
  - Multi year project to replace our core systems
  - Successful implementation of Phase 1, a SAP Payments Engine in August 2015
  - On course for implementation of phase 2, including the migration of the majority of our savings and transaction accounts
  
- The Digital Business
  - Customer behaviours changing
  - Launched Digital On-boarding for customers
  - At 31 Dec 2015, we already have c24% digital sales to existing customers and c12% to new customers
  - New native app for Android and Apple enhancing the customer experience usage up 33% in 2 months
  - Kiwi Wealth Retirement Income calculator launched



# Non-Financial Highlights

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- Standard & Poor's Rating Services affirmed Kiwibank's credit rating as A+ and revised its rating outlook from negative to stable
- Kiwibank was approved onto the panel for All of Government Contracts for payment services
- Opened two new regional Banking Centres in Tauranga and Nelson
  - Stand alone Kiwibank branches and associated offices to be established in Hamilton and Christchurch CBDs
- “indepem – dance” marketing campaign achieves major recognition and produces great results
- KiwiSaver default provider status

# Appendices

# Financial Performance – Profit & Loss

Dollars in millions	6 months ended 31 Dec 2015	6 months ended 30 Jun 2015	% Growth	6 months ended 31 Dec 2014
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## KGHL

<b>Net interest income</b>	<b>192</b>	<b>183</b>	<b>4.9%</b>	<b>182</b>
<b>Net gains/(losses) on financial instruments</b>	<b>7</b>	<b>2</b>	<b>Large</b>	<b>3</b>
<b>Net fee and other income</b>	<b>72</b>	<b>72</b>	<b>0.0%</b>	<b>73</b>
<b>Total operating revenue</b>	<b>271</b>	<b>257</b>	<b>5.4%</b>	<b>258</b>
Operating expenses	(160)	(165)	-3.0%	(146)
Impairment allowance	(6)	(4)	50.0%	(9)
Finance costs	(7)	(4)	75.0%	(3)
<b>Net profit before taxation</b>	<b>98</b>	<b>88</b>	<b>11.4%</b>	<b>100</b>
Income tax expense	(25)	(24)	4.2%	(28)
<b>Net profit after taxation</b>	<b>73</b>	<b>64</b>	<b>14.1%</b>	<b>72</b>

## Banking Group

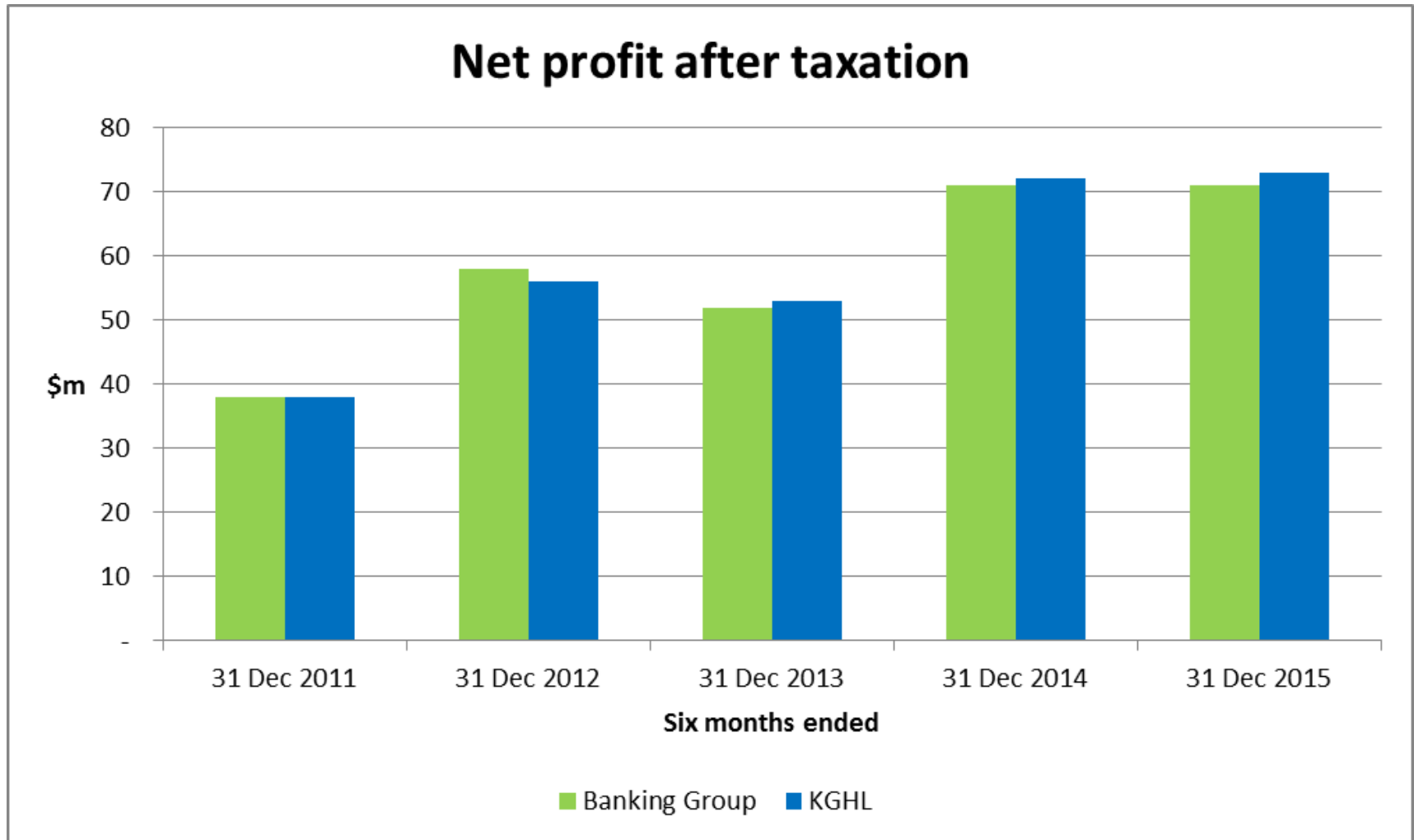
<b>Net interest income</b>	<b>189</b>	<b>182</b>	<b>3.8%</b>	<b>179</b>
<b>Net gains/(losses) on financial instruments</b>	<b>7</b>	<b>2</b>	<b>Large</b>	<b>3</b>
<b>Net fee and other income</b>	<b>49</b>	<b>49</b>	<b>0.0%</b>	<b>58</b>
<b>Total operating revenue</b>	<b>245</b>	<b>233</b>	<b>5.2%</b>	<b>240</b>
Operating expenses	(146)	(151)	-3.3%	(133)
Impairment allowance	(6)	(4)	50.0%	(9)
<b>Net profit before taxation</b>	<b>93</b>	<b>78</b>	<b>19.2%</b>	<b>98</b>
Income tax expense	(22)	(22)	0.0%	(27)
<b>Net profit after taxation</b>	<b>71</b>	<b>56</b>	<b>26.8%</b>	<b>71</b>

# Financial Performance-Balance sheet

Dollars in millions	31 Dec 2015	30 Jun 2015	31 Dec 2014	Growth 6 months to 31 Dec 2015	Growth 12 months to 31 Dec 2015
<b>KGHL</b>					
<b>Assets</b>					
Loans and advances	16,332	15,581	15,041	4.8%	8.6%
Wholesale & other assets	3,076	3,186	2,549	(3.5%)	20.7%
<b>Total assets</b>	<b>19,408</b>	<b>18,767</b>	<b>17,590</b>	<b>3.4%</b>	<b>10.3%</b>
Financed by:					
<b>Liabilities</b>					
Customer deposits	14,410	13,723	13,272	5.0%	8.6%
Securities issued & other liabilities	3,694	3,768	2,952	(2.0%)	25.1%
<b>Total liabilities</b>	<b>18,104</b>	<b>17,491</b>	<b>16,224</b>	<b>3.5%</b>	<b>11.6%</b>
Shareholder's equity	1,304	1,276	1,366	2.2%	(4.5%)
<b>Total liabilities &amp; shareholder's equity</b>	<b>19,408</b>	<b>18,767</b>	<b>17,590</b>	<b>3.4%</b>	<b>10.3%</b>
<b>Banking Group</b>					
<b>Assets</b>					
Loans and advances	16,349	15,598	15,054	4.8%	8.6%
Wholesale & other assets	2,647	2,746	2,107	(3.6%)	25.6%
<b>Total assets</b>	<b>18,996</b>	<b>18,344</b>	<b>17,161</b>	<b>3.6%</b>	<b>10.7%</b>
Financed by:					
<b>Liabilities</b>					
Customer deposits	14,430	13,740	13,283	5.0%	8.6%
Securities issued & other liabilities	3,492	3,571	2,840	(2.2%)	23.0%
<b>Total liabilities</b>	<b>17,922</b>	<b>17,311</b>	<b>16,123</b>	<b>3.5%</b>	<b>11.2%</b>
Shareholder's equity	1,074	1,033	1,038	4.0%	3.5%
<b>Total liabilities &amp; shareholder's equity</b>	<b>18,996</b>	<b>18,344</b>	<b>17,161</b>	<b>3.6%</b>	<b>10.7%</b>

# Financial Performance

## Half Year Historical Summary



# Financial Performance (key ratios)

	Six Months to 31 Dec 2015	Year to 30 June 2015	Six Months to 31 Dec 2014
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## KGHL

### Profitability measures

Net interest margin	2.14%	2.15%	2.19%
Rolling annual return on equity	13.56%	13.93%	13.93%

### Efficiency measures

Cost to income ratio	59.0%	60.4%	56.6%
Operating expenses / average total assets	1.7%	1.7%	1.7%

## Banking Group

### Profitability measures

Net interest margin	2.10%	2.12%	2.16%
Rolling annual return on equity	13.02%	13.37%	12.94%

### Efficiency measures

Cost to income ratio	59.6%	60.4%	55.7%
Operating expenses / average total assets	1.6%	1.6%	1.6%

	As at 31 Dec 2015	As at 30 June 2015	As at 31 Dec 2014
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### Capital ratios

Common Equity Tier 1 capital ratio	9.0%	9.3%	9.4%
Capital adequacy ratio - Tier 1 Capital	10.6%	11.0%	10.8%
Capital adequacy ratio - Total Capital	12.8%	13.4%	13.3%



# KGH Group Structure

