

MEDIA RELEASE

28 August 2015

Kiwibank announces strongest-ever result

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 \$132 million for the year ended 30 June 2015.

The bulk of the profit came from the Kiwibank Banking Group (“Kiwibank”) which achieved an after-tax profit of \$127 million, an increase of 27 per cent over the previous year’s profit of \$100 million.

Kiwibank Chief Executive Paul Brock said the strong result was largely driven by a focus on more profitable and diversified revenue growth, backed by solid performance in mortgage lending and customer deposits combined with a strong improvement in credit performance.

Mr Brock said that while there is still considerable investment being made into the business there is also an on-going focus to improve the cost to income ratio.

In the last year, Kiwibank:

- Increased revenue by 18.3% from \$400m to \$473m;
- Increased loans and advances by 6.6% from \$14.6 billion to \$15.6 billion;
- Increased customer deposits by 7.8% from \$12.8 billion to \$13.7 billion.

Mr Brock said the bank was now at an important stage of its growth. “We have about 900,000 customers in what is a very competitive market. That equates to one in four New Zealanders with a bank account having an account with Kiwibank.”

“While we continue to attract more customers, the way they interact with us is rapidly changing with around 89% of all our service transactions already being completed via digital channels. Changing customer needs means that the focus for the future lies in continuing to innovate to transform the Group into a digital business resulting in digitally-enabled sales supported by our people.”

Two key focus areas for the growth of the bank are in the small business and Wealth management markets, which Mr Brock described as critical to the continued prosperity of the country. The bank's share of the small business market grew from 6.3% to 7.8% during the year and the bank has held the Number One position for small business customer advocacy¹ for five years running. Additionally, the total number of Kiwi Wealth KiwiSaver Scheme members increased to 137,000 by 30 June 2015 and the scheme was awarded the Consumer NZ People's Choice award² for 2015.

Significant events during the financial year included the opening of a new regional office in Hastings by Prime Minister John Key which is planned to result in up to 200 jobs in Hawke's Bay over the next 3 years.

"The new office will help avoid any disruption to banking services should there be a sustained service outage in Auckland or Wellington, as well as providing a strong linkage into provincial New Zealand," Mr Brock said.

Mr Brock said investor confidence in the bank was reinforced with a \$150 million issue of perpetual capital notes in May this year.

Over the course of the year Kiwibank has also assumed management of the company owned branch network from New Zealand Post. Mr Brock said "significant work has been undertaken on a three year transformation and optimisation programme with a focus on customer experience within the branch environment".

He said the branch transformation aims to enable the bank to team up with more local businesses in communities to manage our services on our behalf. "The branch changes are designed to ensure our services and reach into communities is retained whilst acknowledging the changing way in which customers are interacting with us."

For further information:

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¹ TNS Conversa (Business Finance Monitor)

² Consumer NZ survey