



MEDIA RELEASE

Solid financial result reinforces Kiwibank mandate to challenge and innovate

Friday 24 August 2018 embargoed 10am

Commenting on a solid financial result, Chief Executive, Steve Jurkovich said Kiwibank's success is New Zealand's success.

"We are 100 percent New Zealand owned and our profits stay right here. New Zealand ownership of Kiwibank means robust, local accountability. These results indicate a reliable and sustainable bank, with a mandate to keep innovating for customers," Mr Jurkovich said.

Kiwi Group Holdings (The Group), which comprises Kiwibank Banking Group (Kiwibank) and associated wealth management, insurance and lending businesses, has achieved a net profit after tax (NPAT) of \$122 million for the year ended 30 June 2018. The bulk of the profit was provided by Kiwibank which achieved a net profit after tax of \$115 million.

The Group's underlying profit* of \$133 million is up three percent from \$129 million for 2017. Kiwibank's underlying profit was \$126 million compared to \$122 million for 2017.

Net interest income (NII) is up largely due to the cost of borrowing money improving. Bad debts were very low for the fifth year running, with net impairment losses of only \$1 million for the year. This reflected a benign credit environment but also the quality of Kiwibank's lending portfolio.

Mr Jurkovich said the increase in operating expenses reflected the final impact of closing the CoreMod project, investment in Kiwibank's strategy, and increased investment in the retail network including new standalone Kiwibank branches.

"Kiwibank is committed to doing the right thing by customers. With \$15 million of earthquake recoveries reflected in the fee line, the real story is that Kiwibank has significantly reduced fees for personal customers. This has been done through either dropping or removing fees altogether. Our personal banking customers are paying less for their banking than ever before," Mr Jurkovich said.

"From a customer perspective we have remained competitive in the lending market. A key area for Kiwibank is first home buyers and that is why we recently announced we will pre-approve loans requiring only a 10 percent deposit of the value of a KiwiBuild home for qualifying customers, and contribute \$2,000 to moving or legal expenses.

"Following changes to internet banking and our app, we've seen a huge increase in customers re-fixing their mortgages online, up 86 percent on the previous year.

“Customers are seeing more capability to manage their own affairs with upwards of 90 percent of total bank transactions now digital. There is no standing still when it comes to technology. Kiwibank continues to invest in new capabilities and offerings to stay relevant and meet customers’ expectations.”

Scrutiny and culture

Mr Jurkovich said Kiwibank had a responsibility to New Zealanders to be relevant and sustainable so it is here for future generations.

“Sustainability, transparency, trust and openness to scrutiny have never been more important for customers. As financial institutions face increased scrutiny and more competition, it is vital Kiwibank continues to build on the trust of its customers. Kiwibank’s culture is built on Kiwi values. New Zealanders own us and the whole Kiwibank team feels that. I consider this to be a unique and privileged position that means we put Kiwis first.”

That culture resulted in Kiwibank being rated first in Customer Experience for financial services in the KPMG New Zealand Customer Experience Excellence Report 2018. Kiwibank scored strongly in the Personalisation, Empathy and Integrity pillars. Kiwibank was also awarded Major Bank of the Year for the sixth-year running in the 2017 Roy Morgan New Zealand Customer Satisfaction Awards as well as the Financial Institution of the Year. Kiwibank was also the least likely of all banks to “try it on” or upsell in Consumer New Zealand’s Bank Satisfaction Survey 2018.

Community investment and social responsibility

Mr Jurkovich continued: "As the world changes, Kiwibank will continue to pride itself on being a dynamic and socially responsible bank."

This year Kiwibank:

- Continued its long-standing sponsorship of the Kiwibank New Zealander of the Year Awards and Local Hero of the Year Awards to honour extraordinary Kiwis whose selflessness, creativity and vision make us proud to call New Zealand home.
- Continued to partner with Banqer to fund 2,100 primary school classrooms to use its financial literacy platform for free and reach over 60,000 Kiwi kids. Kiwibank also committed to fund up to 3,300 classrooms in 2019.
- Facilitated the second Kiwibank FinTech Accelerator programme supporting Kiwi start-ups to build, launch, and expand products into global markets. And committed to a third FinTech Accelerator programme in 2019.
- Increased support to \$500,000 for Ngā Tangata Microfinance to provide small, no-interest and no-fee loans to help people on low incomes to reduce the burden of high-interest debt. Kiwibank also works with Aviva in Christchurch, providing no interest loans under a similar scheme.
- Partnered with the Department of Conservation for a second year to increase the capacity and capability of the world-leading conservation dogs. Kiwibank’s support increased quarantine activity in key biosecurity locations by 47 percent and surveillance to confirm pest-free island status by 35 percent.

Kiwi Group Holdings

Mr Jurkovich said Kiwi Wealth, New Zealand Home Loans and Kiwi Insure had all grown their businesses; particularly the wealth division, which at the end of the financial year managed \$5.5 billion of customer funds and over 198,000 KiwiSaver accounts, and has since broken the 200,000-member mark.

Other highlights included Kiwi Wealth being approved by the Financial Markets Authority (FMA) to provide personalised digital advice, making it the first financial services provider in New Zealand to be licensed to provide 'robo-advice'.

Digital proposition Future You® received several local and international awards during the year, recognising how the solution helps members of the Kiwi Wealth KiwiSaver Scheme plan for their retirement.

Additionally, Kiwi Wealth's KiwiSaver Scheme investment funds were independently certified as being responsibly invested by Australasia's leading certifier of responsible investors, the Responsible Investment Association Australasia (RIAA).

This financial year Kiwi Insure helped thousands of Kiwis get back on track with general insurance and life insurance. Kiwi Insurance Limited paid out over \$5.6m across its four life and disability insurance products. Its operating income increased 14 percent and the value of active policies rose by 18 percent to \$18.4m.

Overall, Mr Jurkovich said profitability and rates of return provides momentum into the next financial year.

* Refer to Summary of Key Financial Information for details of reconciling items between net profit after tax and unaudited underlying profit.

Notes to editors

Kiwi Group Holdings Limited is the holding company of Kiwibank Limited and subsidiaries, Kiwi Wealth Management Limited and subsidiaries, The New Zealand Home Loan Company Limited, Kiwi Capital Funding Limited, Kiwi Financial Services Retail Limited, and Kiwi Insurance Limited.

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Summary of Key Financial Information – Kiwibank Banking Group

\$m	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18
Interest income	798	957	898	831	879
Interest expense	(505)	(596)	(525)	(463)	(468)
Net Interest Income	293	361	373	368	411
Gains/(losses) on financial instruments at fair value	3	5	3	8	9
Net fee income	104	107	101	118	119
Operating expenses	(265)	(284)	(301)	(339)	(373)
Impairment reversals/(losses) on loans and advances	4	(13)	(11)	6	(1)
Other impairment losses	-	-	-	(90)	(11)
Profit before taxation	139	176	165	71	154
Income tax expense	(39)	(49)	(41)	(18)	(39)
Net profit after tax	100	127	124	53	115

Reconciliation of net profit after tax to underlying profit

Net profit after tax	100	127	124	53	115
Reconciling items (net of tax):					
Other impairment losses ¹	-	-	-	65	8
Operating costs incurred to wind down CoreMod ²	-	-	-	-	7
Net earthquake costs/(recoveries) ³	-	-	-	4	(4)
Underlying profit	100	127	124	122	126

Cost-to-income ratio	66%	60%	63%	69%	69%
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Dividends paid on ordinary shares	-	(22)	(29)	(5)	-
Other distributions paid	(9)	(9)	(11)	(13)	(11)

- Other impairment losses:** Impairment losses recognised in relation to computer software (the CoreMod IT project).
- Operating costs incurred to wind down CoreMod:** Operating costs incurred in relation to the Core-Mod IT project subsequent to the Board decision to close the project.
- Net earthquake costs/(recoveries):** Operating costs incurred as a result of the November 2016 Kaikoura earthquake net of insurance payments received to date.

\$m	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18
Assets					
Loans and advances	14,630	15,598	16,689	17,815	18,304
Other assets	2,046	2,746	2,668	2,801	2,411
Total Assets	16,676	18,344	19,357	20,616	20,715
Liabilities					
Deposits and other borrowings	12,751	13,740	14,782	15,983	16,173
Debt securities issued	2,143	2,397	2,207	2,258	2,265
Other liabilities	779	1,174	1,239	995	790
Total Liabilities	15,673	17,311	18,228	19,236	19,228
Equity					
Share Capital	400	400	400	737	737
Reserves	454	633	729	643	750
Non-controlling interest	149	-	-	-	-
Total equity	1,003	1,033	1,129	1,380	1,487
Total liabilities and shareholders' equity	16,676	18,344	19,357	20,616	20,715

Summary of Key Financial Information – Kiwi Group Holdings

\$m	Jun-18	Jun-17	Change
Income statement (extract)			
Net interest income	419	375	12%
Net fee & other income	193	180	7%
Operating expenses	(429)	(384)	12%
Net profit after tax	122	58	110%
Reconciliation of net profit after tax to underlying profit			
Net profit after tax	122	58	110%
Reconciling items (net of tax):			
Other impairment losses ¹	8	65	
Operating costs incurred to wind down CoreMod ²	7	-	
Net earthquake (recoveries)/costs ³	(4)	6	
Underlying profit	133	129	3%
Cost-to-income ratio			
	69%	68%	
Total assets	20,844	20,741	~
Total equity	1,558	1,455	7%

1. **Other impairment losses:** Impairment losses recognised in relation to computer software (the CoreMod IT project).
2. **Operating costs incurred to wind down CoreMod:** Operating costs incurred in relation to the CoreMod IT project subsequent to the Board decision to close the project.
3. **Net earthquake (recoveries)/cost:** Operating costs incurred as a result of the November 2016 Kaikoura earthquake net of insurance payments received to date.