

10am Friday 23 August 2019

Media release

Kiwibank full year financial results for the year ended 30 June 2019

Kiwibank marks growth in NZ economy

Kiwibank marked its growth within the New Zealand economy today announcing \$2.1 billion of growth in customer lending and \$2.1 billion in customer deposits.

The New Zealand-owned bank also delivered a net profit after tax (NPAT) of \$108 million for the year ended 30 June 2019.

CEO Steve Jurkovich said: "This result ensures we can continue to reinvest in future-proofing Kiwibank for the long-term.

"We were made in New Zealand, by New Zealand, for New Zealand. Our results show Kiwis are making the fundamental choice to bank with us and keep returns local.

"We had a record year for lending and deposit growth, margins generally remained firm, but profits were down slightly. A contributing factor was a reduction in fee income which is great for our customers," he said.

NPAT decreased \$7 million year-on-year partly due to fee reductions made in the current year and one-off revenue received in the prior year.

Significant growth was mainly derived through more customers choosing to join Kiwibank contributing to a \$34 million increase in net interest income.

However, the New Zealand-owned bank's commitment to leveraging technology and establishing more standalone branches to improve customer experience, led to an increase in investment costs for the period.

Lower revenue was partly driven by a reduction of \$12 million in banking fees as well as non-bank products such as bill pay being returned to New Zealand Post lowering income by a further \$7 million. Kiwibank also received less income from insurance payments, \$12 million lower when compared to the last financial year.

"Kiwibank is adjusting its business strategy to meet the changing preferences of customers. We are investing in our own branches where customers wish to interact with us face-to-face, as well as developing our technology capabilities," Mr Jurkovich said.

"Kiwibank and New Zealand Post businesses are responding to different customer demands. Although sometimes challenging, this move to increased independence for Kiwibank brings opportunity. In simplifying our business, we can focus on the areas that make the biggest difference for our customers and their long-term financial wellbeing.

“Kiwibank has a strong purpose and that is to make Kiwis better off. Our founding vision was for New Zealand to have a real and credible alternative to the offshore-owned banks, that remains at the heart of who we are and why we exist.

“Our first home buyer package makes the difficult jump into home ownership much more achievable and over the past year we have helped almost 2,000 first-time buyers into their new homes.

“With highly competitive rate offers we have also assisted 3,305 customers to switch to us, meaning even more New Zealanders are now in a position to become debt-free faster.

“Helping small and medium businesses operate and grow has always been a core focus, but increasingly over the past 12 months we have been able to support some of New Zealand’s larger businesses. The coming year will see new capabilities and with that Kiwi businesses can choose to partner with a New Zealand bank rather than an offshore-owned option.

“This past year was like no other with its focus on reputation and ensuring we have the right culture that focusses on the long term needs of our customers.

“Our customer satisfaction results and corporate reputation ratings are higher than ever.

“That does not mean we are complacent - as an increasingly significant player in the financial services industry, Kiwibank will continue to focus on strengthening our unique culture, along with frameworks, and processes to ensure a safer and stronger bank that continually delivers on the long term needs of our customers.

“With strong customer growth and the investment in technology that we are undertaking, we expect this to flatten profitability until we have migrated to the new technology platforms.

“Industry leadership in delivering change has been demonstrated by Kiwibank over the past 12 months, and led Kiwibank to make bold decisions such as [reducing interest rates on our low rate credit cards](#) and as well as [going cheque-free by February 2020](#).

“When it comes to cheques our customers have clearly indicated that they prefer faster, cheaper and safer payment options. But change isn’t easy, and we are very focused on the fact that some of our customers need greater support as they transition to alternative banking methods,” he said.

Through Kiwibank’s partnership with Digital Alliance Aotearoa, [online banking training with Stepping UP is available in 120 locations country-wide, and DORA, the Digital On-Road Access bus, delivers training opportunities in more isolated communities](#). Selected Kiwibank branches also offer one-on-one support and Tech Teas for those less familiar or confident around the change.

Kiwibank’s approach to sustainability and partnerships is driven by our commitment to the long-term wellbeing of New Zealand. This means partnering with organisations who are making a real difference across four main areas.

In the **environment** space we partner with Department of Conservation and support [Conservation Dogs](#).

Kiwibank's commitment to **financial capability** means working closely with [Banger](#) which saw 80,432 students using the financial literacy programme and with [Ngā Tangata Microfinance](#) where we enable \$1 million in social lending for those most vulnerable in our communities.

Mental wellbeing has been a new focus for us and we are proud of the work we've done to support Mike King and the [I AM HOPE Gumboot Friday](#) campaign, which raised \$1.6 million to fund counselling services for young people.

Kiwibank also continued its commitment to celebrating exceptional Kiwis through *Kiwibank Local Heroes* and the [New Zealander of the Year Awards](#).

“Over the coming year our priority is continued investment to ensure Kiwibank is fit to deliver on its purpose and meet its potential. By delivering on our strategy and supporting more customers we are more determined than ever to make a significant difference for New Zealanders and New Zealand,” Mr Jurkovich concluded.

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For more information:

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Notes to editors

Kiwibank was formed 17 years ago to be a credible local banking alternative. Today, it is the largest of the New Zealand-owned banks with over a million customers. It provides simple, honest banking products and services and its purpose is to make both Kiwis and New Zealand better off.

Kiwibank is wholly owned by Kiwi Group Holdings Limited (KGH) which is in turn owned by the New Zealand Government via three government entities: New Zealand Post Limited (53% shareholding), Accident Compensation Corporation (22%) and New Zealand Superannuation Fund (25%).

Kiwibank Banking Group
Summary of Key Financial Information

| Dollars in millions | Year ended | | | | | 30/06/2019 vs 30/06/2018 | |
|--|------------|------------|------------|------------|--------------|--------------------------|----------|
| | 30/06/2015 | 30/06/2016 | 30/06/2017 | 30/06/2018 | 30/06/2019 | Change | % Change |
| Interest income | 957 | 898 | 831 | 879 | 933 | 54 | 6.1% |
| Interest expense | (596) | (525) | (463) | (468) | (488) | (20) | 4.3% |
| Net interest income | 361 | 373 | 368 | 411 | 445 | 34 | 8.3% |
| Net gains on financial instruments at fair value | 5 | 3 | 8 | 9 | 3 | (6) | (66.7%) |
| Net fee and other income | 107 | 101 | 118 | 119 | 90 | (29) | (24.4%) |
| Operating expenses | (284) | (301) | (339) | (373) | (375) | (2) | 0.5% |
| Credit impairment losses/(reversals) | (13) | (11) | 6 | (1) | (12) | (11) | Large |
| Other impairment losses | - | - | (90) | (11) | - | 11 | Large |
| Profit before taxation | 176 | 165 | 71 | 154 | 151 | (3) | (1.9%) |
| Income tax expense | (49) | (41) | (18) | (39) | (43) | (4) | 10.3% |
| Profit after taxation | 127 | 124 | 53 | 115 | 108 | (7) | (6.1%) |
| Cost-to-income ratio | 60.0% | 63.1% | 68.6% | 69.2% | 69.7% | 0.5% | 0.7% |

| Dollars in millions | As at | | | | | 30/06/2019 vs 30/06/2018 | |
|--|------------|------------|------------|------------|---------------|--------------------------|----------|
| | 30/06/2015 | 30/06/2016 | 30/06/2017 | 30/06/2018 | 30/06/2019 | Change | % Change |
| Assets | | | | | | | |
| Loans and advances | 15,598 | 16,689 | 17,815 | 18,304 | 20,443 | 2,139 | 11.7% |
| Other assets | 2,746 | 2,668 | 2,801 | 2,411 | 2,291 | (120) | (5.0%) |
| Total assets | 18,344 | 19,357 | 20,616 | 20,715 | 22,734 | 2,019 | 9.7% |
| Liabilities | | | | | | | |
| Deposits and other borrowings | 13,740 | 14,782 | 15,983 | 16,173 | 18,240 | 2,067 | 12.8% |
| Debt securities issued | 2,397 | 2,207 | 2,258 | 2,265 | 2,078 | (187) | (8.3%) |
| Other liabilities | 1,174 | 1,239 | 995 | 790 | 867 | 77 | 9.7% |
| Total liabilities | 17,311 | 18,228 | 19,236 | 19,228 | 21,185 | 1,957 | 10.2% |
| Equity | | | | | | | |
| Share capital | 400 | 400 | 737 | 737 | 737 | - | 0.0% |
| Reserves | 633 | 729 | 643 | 750 | 812 | 62 | 8.3% |
| Total equity | 1,033 | 1,129 | 1,380 | 1,487 | 1,549 | 62 | 4.2% |
| Total liabilities and shareholders' equity | 18,344 | 19,357 | 20,616 | 20,715 | 22,734 | 2,019 | 9.7% |