

Kiwibank Half Year Results.

As at 31 December 2019.

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

Highlights of the half year



\$1.1B
NEW CUSTOMER
LENDING



\$1.0B
GROWTH IN CUSTOMER
DEPOSITS



WON CANSTAR'S AWARD FOR
**MOST SATISFIED
CUSTOMERS**
IN HOME LOANS AND CREDIT
CARDS



↓ 5%
DECREASE IN OUR TOTAL
CARBON EMISSIONS
COMPARED TO THE SAME
PERIOD IN PRIOR YEAR



\$51M
PROFITS
STAYING IN
NEW ZEALAND



#1
BANK FOR
CORPORATE
REPUTATION¹



**LEADERSHIP
CODE**
92% OF LEADERS COMPLETED
OUR LEADERSHIP
DEVELOPMENT PROGRAMME



2400
PEOPLE TRAINED ON
INTERNET BANKING
NATIONWIDE
THROUGH OUR DORA (DIGITAL TO BANK
ON-ROAD ACCESS) PARTNERSHIP AND
BRANCH NETWORK TECH TEA SESSIONS



17%
GROWTH IN
BUSINESS
LENDING



↑ 5%
INCREASE IN NET
LENDING FOR THE
SIX MONTHS TO
DECEMBER



LAUNCHED OUR
PARTNERSHIP WITH
**BANQER
HIGH**
BUILDING FINANCIAL
CONFIDENCE IN
YOUNG ADULTS



WON THE AWARD FOR
**BEST PURPOSE
DRIVEN
MARKETING
STRATEGY**
FOR OUR I AM HOPE CAMPAIGN AT
THE TVNZ-NZ MARKETING AWARDS

¹ Source: www.colmarbrunton.co.nz/corporate-reputation-reputations-of-home-grown-brands-shine/

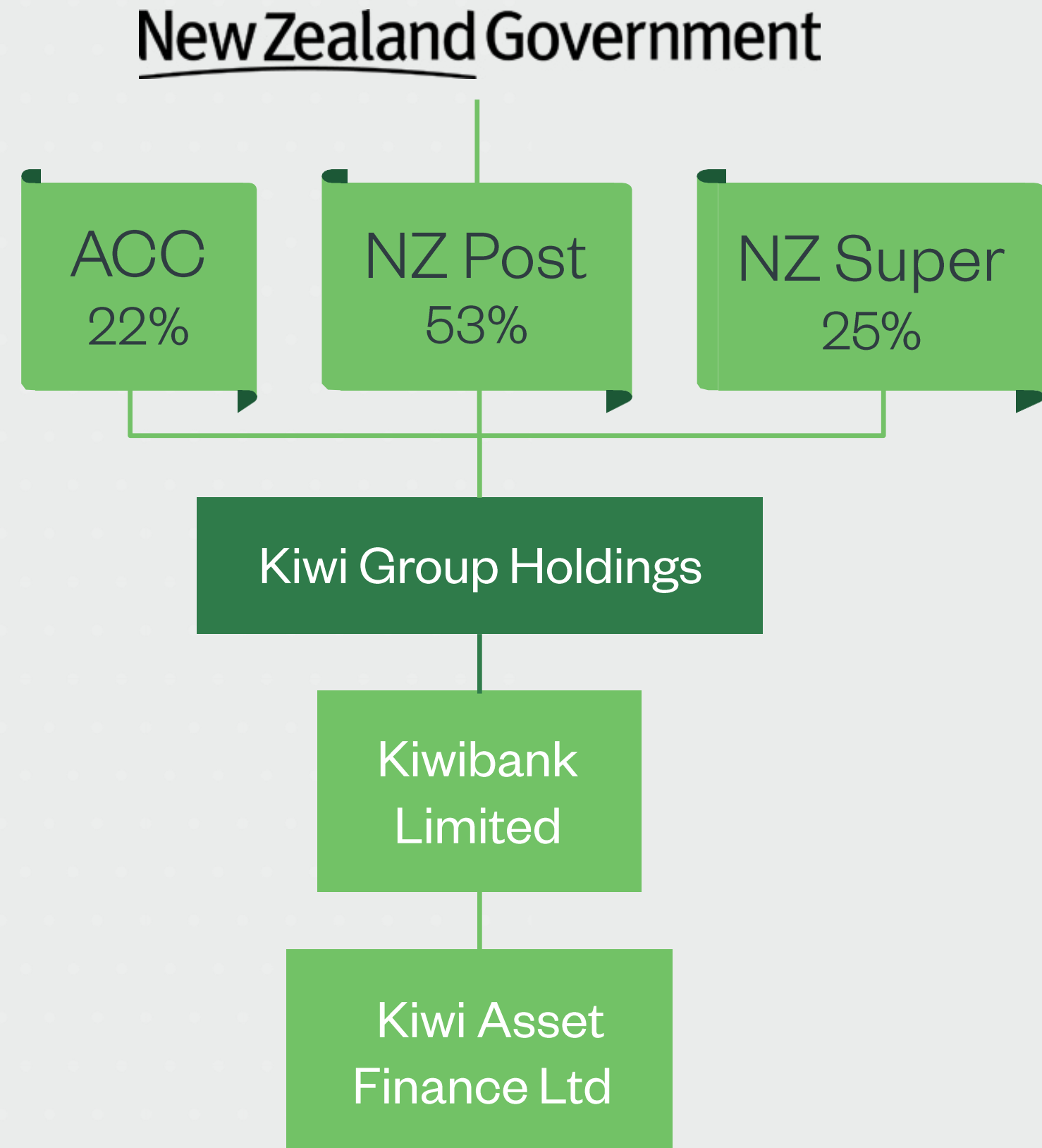
Who we are



Kiwibank is the largest New Zealand-owned bank with over a million customers.

It provides simple, relevant 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 New Zealand's three prominent organisations: New Zealand Post Limited, Accident Compensation Corporation and New Zealand Superannuation Fund.



FY20 - a first half of strong balance sheet growth



Operating Income \$277m	Cost to income 74.7%
Net profit after tax \$51m	Net interest margin 1.97%
Lending net growth \$1.1b	Deposit net growth \$1.0b

Key focus areas

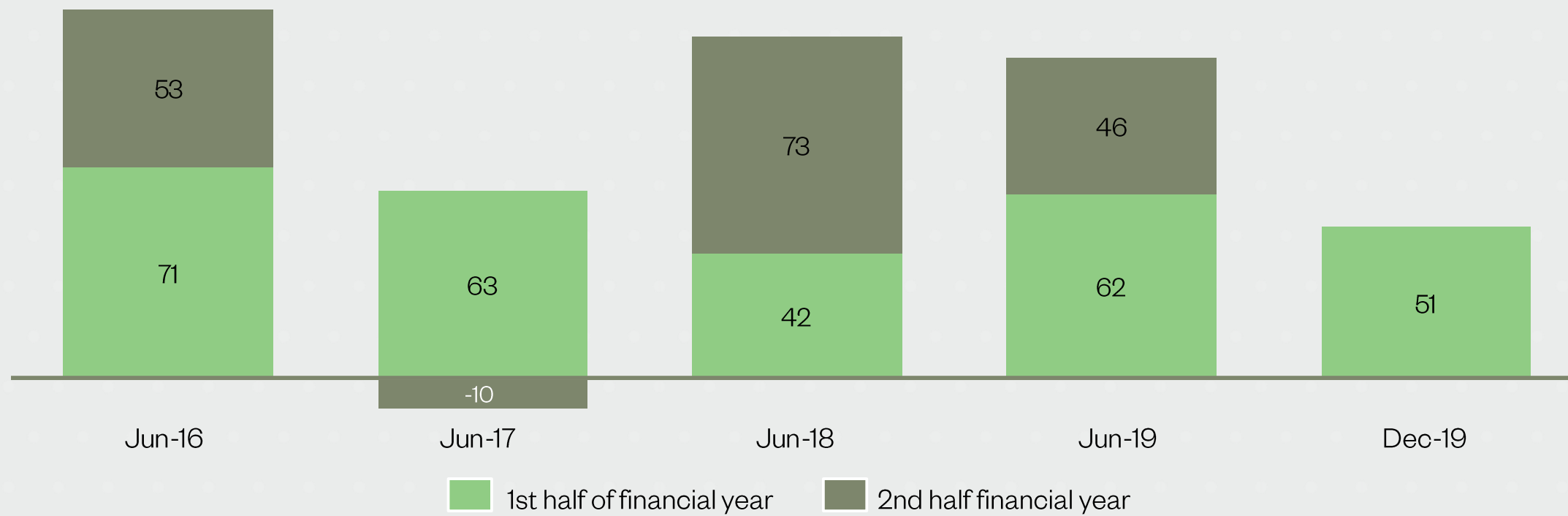
- Contraction in NIM¹ from 2.13%² to 1.97% following higher than expected falls in the official cash rate and limited movement in deposit rates.
- Despite lower NIM, modest growth in Operating Income was supported by above system growth in lending and deposits and a one off gain on sale of the Prezzy card business as part of our simplification process.
- NPAT and CTI were impacted by rising operating costs due to customer growth, investment in our transformation programme and industry-wide increased risk and compliance investment.
- Strong growth has continued in both lending and deposit portfolios.
- Return on Equity³ of 5.8% was down on the same time last year (7.5%) as a result of lower operating profit.

¹Net Interest Margin = net interest income / average interest earning assets
²Net Interest Margin = annualised net interest income (NII) / average interest earnings assets (Dec '18 annualised NII recalculated on a day count basis to align with the current period calculation)
³Return on Equity = (net profit after tax less distributions to holder of perpetual capital) / average equity

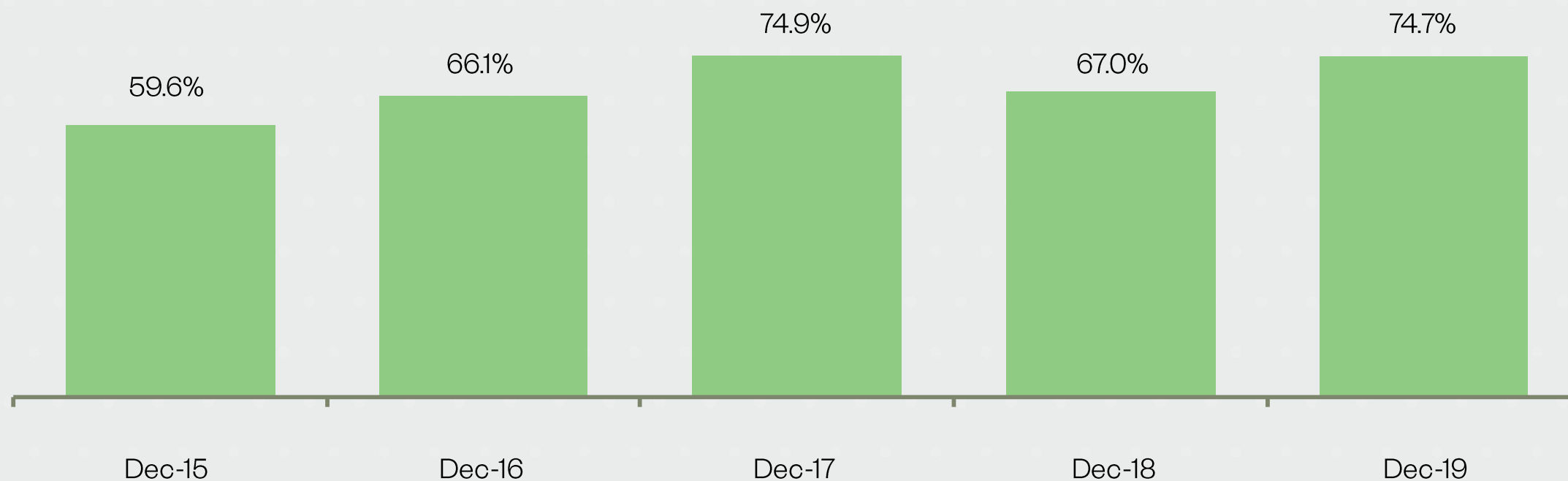
Growth in net interest income and increased investment



Reported Net Profit after Tax (\$m)



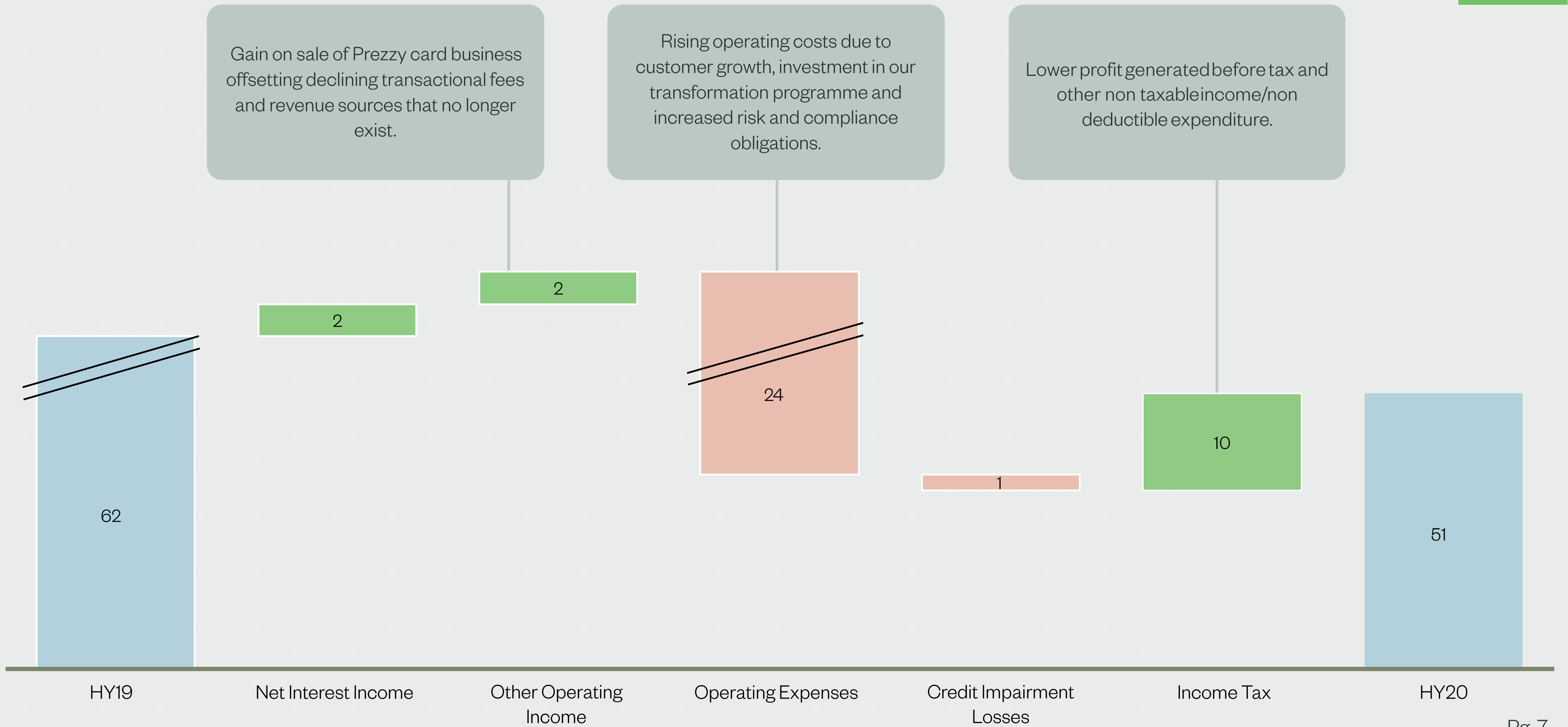
Cost to Income Ratio



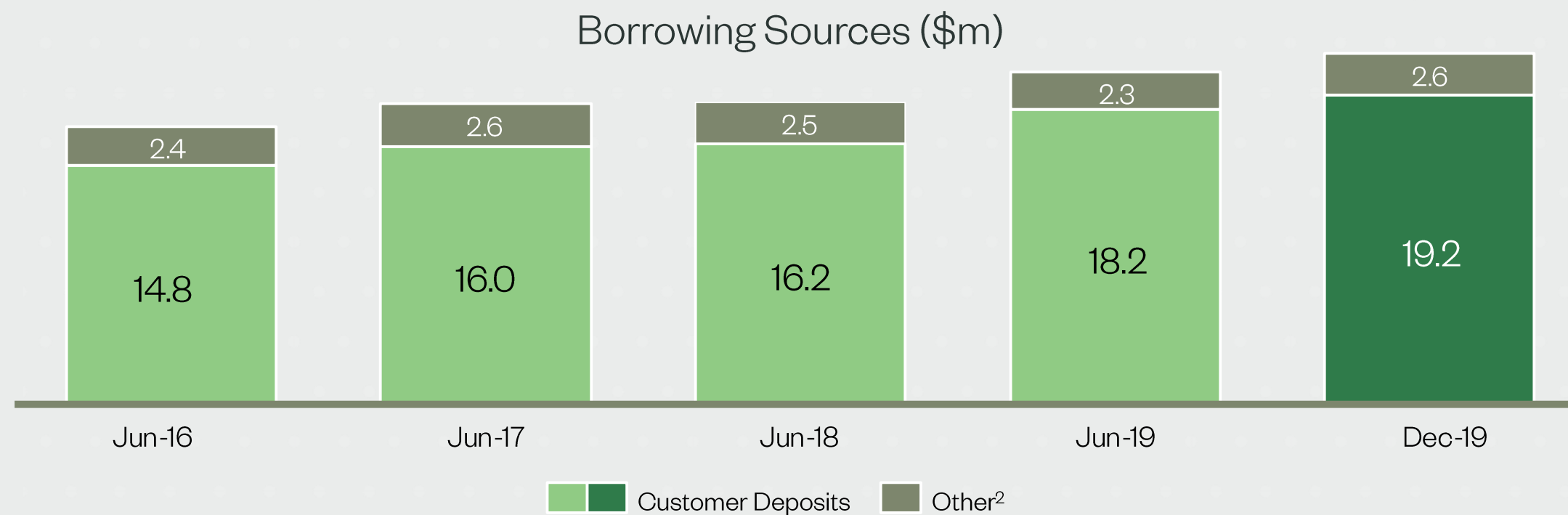
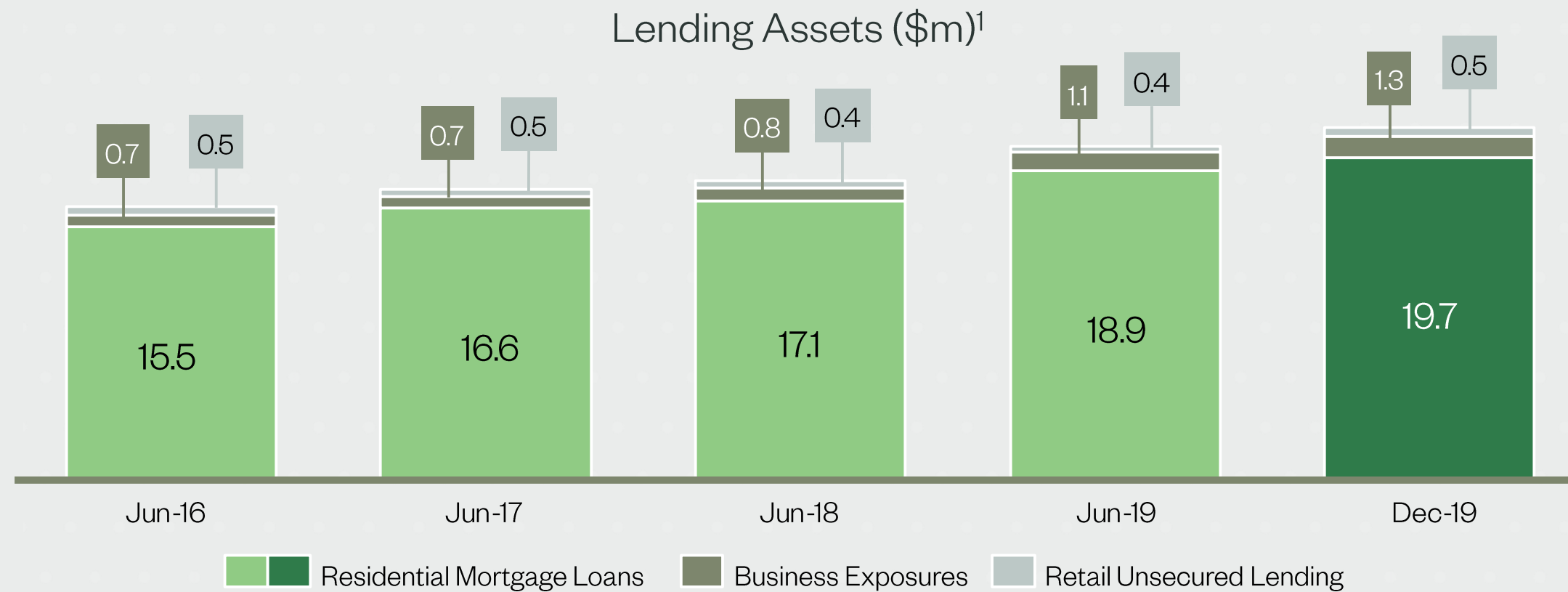
Key focus areas

- Net interest income was up on last year driven by a rise in interest bearing assets despite lower NIM.
- Underlying fee revenue has fallen as some revenue sources no longer exist compared to the comparative period (with the Agency business being the most significant).
- In the first half, we experienced higher operating costs driven by growth, investment in transformation and industry-wide risk and compliance investment.
- Profitability was also impacted by other impairment losses related to work that no longer matches our technology strategy (to adopt and avoid customising as much as possible).

Change in profitability (\$m)



Asset growth supported by retail deposit growth



Key focus areas

- Significant growth was mainly derived through more customers choosing to join Kiwibank.
- Growth in net lending assets of \$1.1b.
- Growth in customer deposits is down, but still above system growth.
- Helping small and medium businesses operate and grow has always been a core focus with Business lending growing 17% in the six months to 31 December 2019.
- Residential mortgage loans have grown 4% in the six months to 31 December 2019.

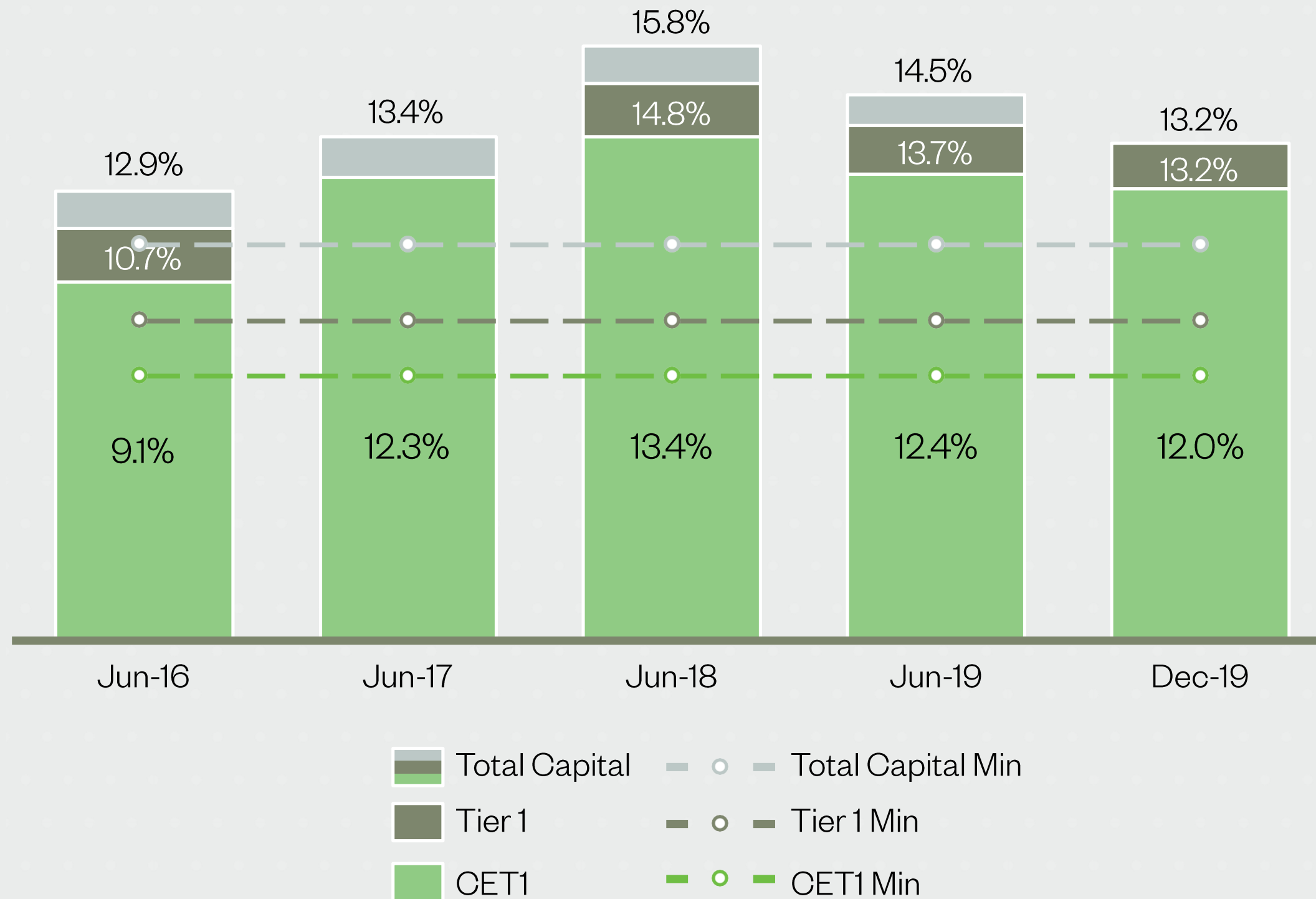
¹As categorised in note 5 Asset Quality in the Disclosure Statement. Business lending secured against residential property is included within 'Residential Mortgage Loans'.

²Includes short term debt, medium term notes, covered bonds and subordinated debt.

Capital for growth



Regulatory Capital Ratios



Key focus areas

- CET1 capital ratio of 12% down on last year driven by strong balance sheet growth.
- The Tier 2 capital instrument was redeemed in July 2019.
- Capital ratios comfortably surpass regulatory minimum requirements.
- RBNZ has signalled that the revised capital framework is expected to be in effect from July 2020.
- Return on Equity of 5.8% down on this time last year (7.5%) as a result of lower operating profit.

Kiwibank is evolving its business strategy to ensure it meets the fast changing needs of a diverse and progressive New Zealand - now and into the future.



Strategic Priorities

PROTECT



We find the best possible outcomes for our customers and protect our people, business and reputation.

PERFORM



It's easy for our customers to make us their first choice for savings, home ownership and business.

TRANSFORM



In a world that is rapidly changing we're purposefully adapting our business to deliver what our customers want.

OWN IT



We own what we do and the impact we have on our customers and New Zealand.

PEOPLE



We're a diverse and inclusive team determined to be the best we can be for our customers and each other.

Contact

Kara Tait
External Communications Manager

Kara.Tait@kiwibank.co.nz

+64 4 470 8565

Daria Murray
Advisor to the CFO and Chief Product & Strategy Officer

Daria.Murray@kiwibank.co.nz

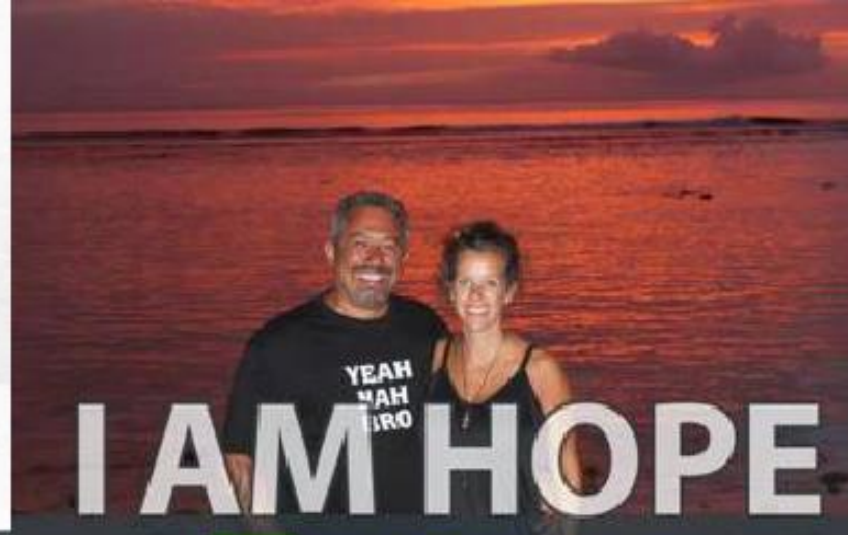
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I AM HOPE

Kiwi bank. NEW ZEALANDER OF THE YEAR

#gumbootupnz



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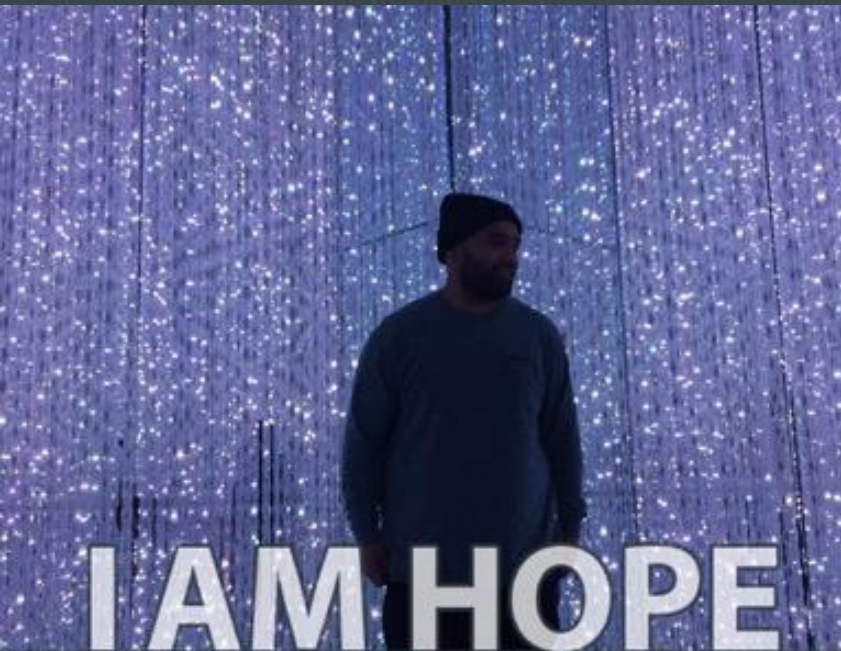
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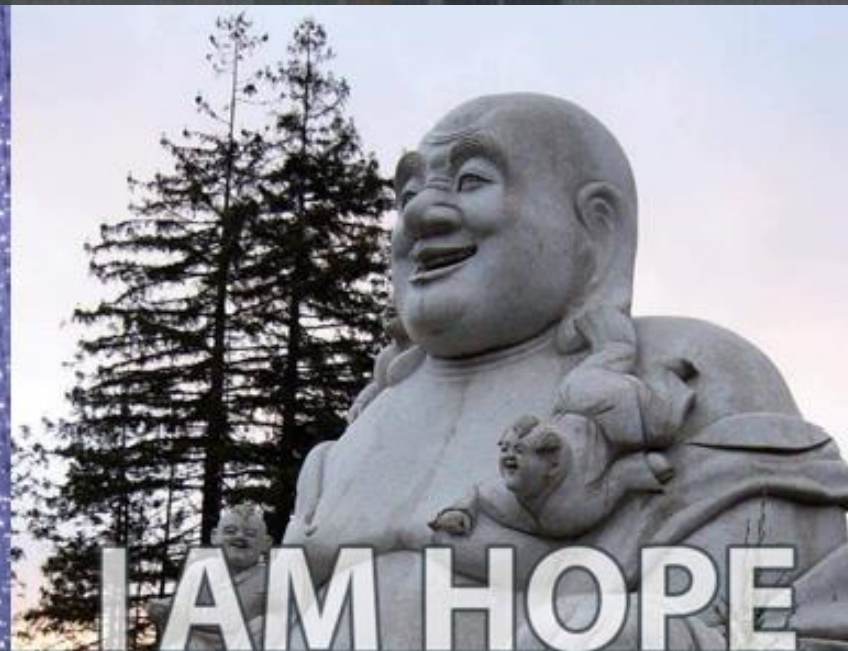
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