Kiwibank Full Year Results.

As at 30 June 2020.

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 that is fair and easy and that remains at the heart of who we are and why we exist.

Highlights of the full year

Financial

$1.8B
NEW CUSTOMER
LENDING
1.9 x SYSTEM GROWTH

$2.4B
GROWTH IN CUSTOMER
DEPOSITS
1.5 x SYSTEM GROWTH

$57M
PROFITS
STAYING IN NEW ZEALAND

1.94%
NET INTEREST MARGIN

Social Impact

WON CANSTAR'S AWARD FOR
MOST SATISFIED CUSTOMERS[1&2]
IN HOME LOANS AND CREDIT CARDS

51,078
PEOPLE DOWNLOADED
MENTEMIA FOR FREE

Kiwibank. Unite against COVID-19

6,361
FORMAL RECOVERY & RESILIENCE SUPPORT PACKAGES OFFERED FOR
COVID-19

4,586
NEW HOME LOAN CUSTOMERS
HELPED INTO HOMES THIS YEAR

1 Source: *https://www.canstar.co.nz/star-rating-reports/msc-home-loans-provider-award/*
2 Source: *https://www.canstar.co.nz/star-rating-reports/satisfied-customers-credit-card-provider-award/*

Highlights of the full year

Environmental Impact

↓ 26%

DECREASE IN OUR

TOTAL CARBON EMISSIONS*

↓ 30%

DECREASE IN OUR

ELECTRICITY USAGE*

215

DAYS OF SURVEILLANCE WORK DONE BY DOC'S

CONSERVATION DOGS

People and Culture

ACHIEVED

LIVING WAGE ACCREDITATION

ACHIEVED

RAINBOW TICK ACCREDITATION

↑ 37%

OF OUR SENIOR LEADERS

ARE WOMEN

359

PEOPLE RECEIVED WELLBEING TRAINING THROUGH OUR

GOODYARN & RESILIENCE WORKSHOPS

*Compared to the same period in 2018

FY20 – another year supporting customers

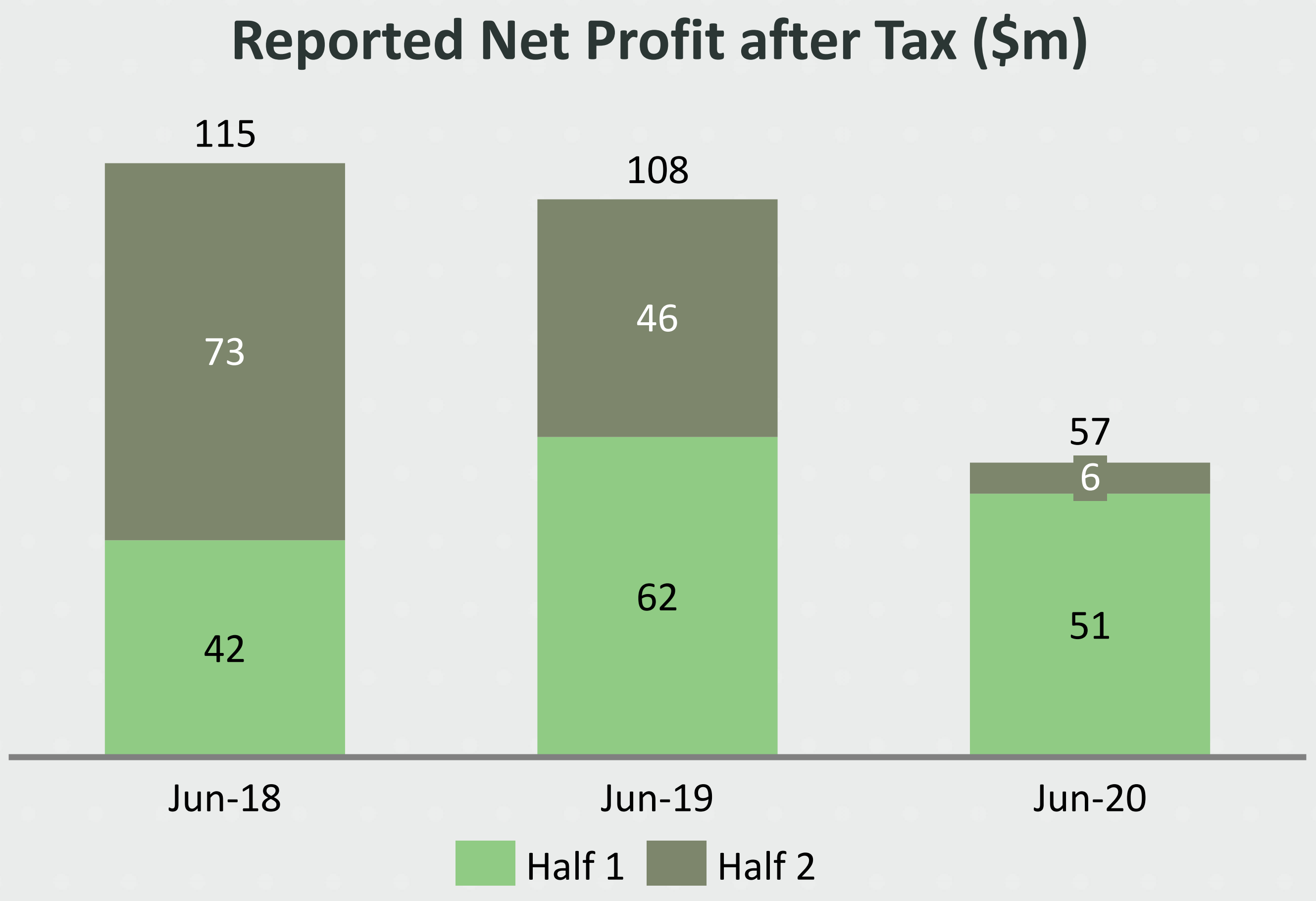
Operating income	Cost to income
$553m ($538m FY19)	**77.4%** (69.7% FY19)
Net profit after tax	**Net interest margin**
$57m ($108m FY19)	**1.94%**[1] (2.11% FY19)
Lending net growth	**Deposit net growth**
$1.8b ($2.1b FY19)	**$2.4b** ($2.1b FY19)

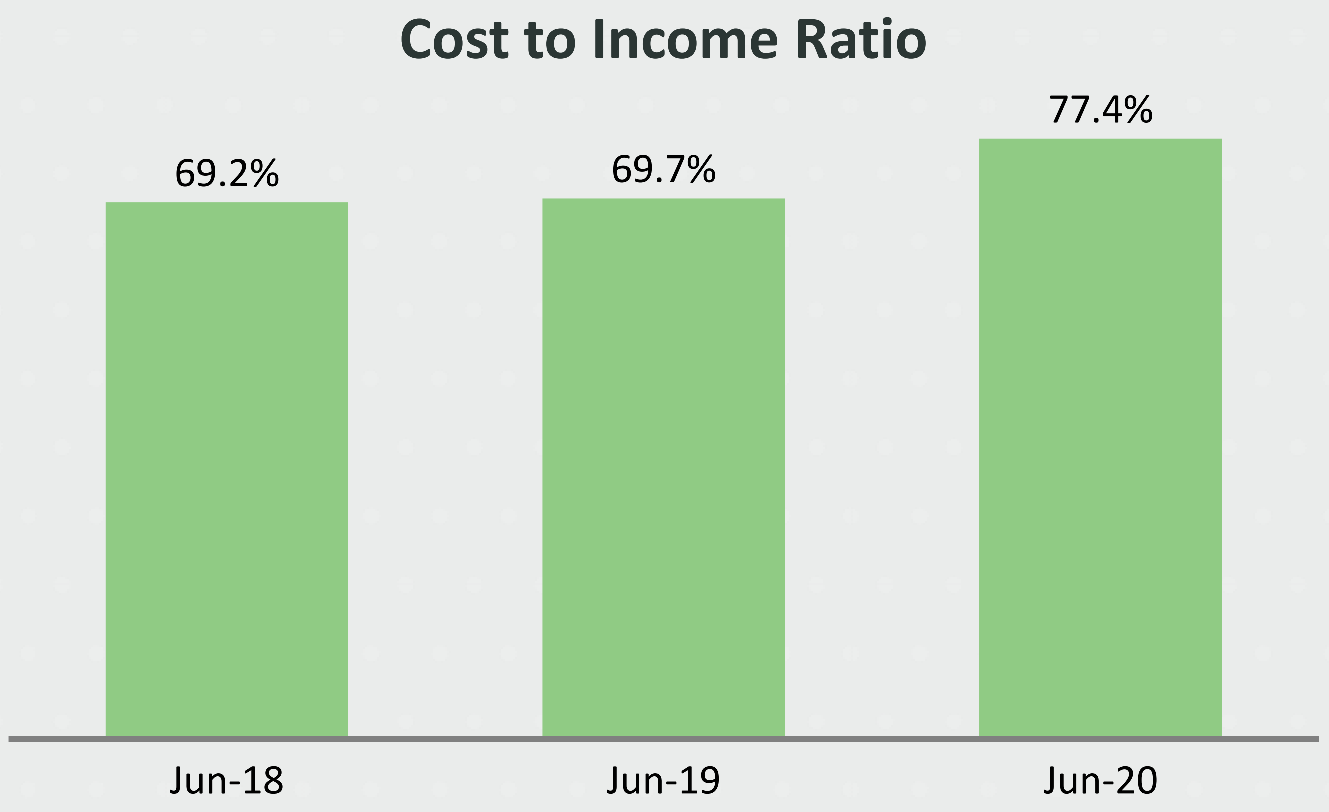
Key focus areas

- Growth in Operating Income was supported by above system growth in lending (9%) and deposits (13%) and a one off gain on sale of the Prezzy card business.
- NPAT was impacted by high level of credit provisioning, rising operating costs, investment in technology and strategic transformation, and industry-wide increased risk & compliance investment.
- Aligned to our purpose of making Kiwis better off, this year we've reduced our products, reduced interest rates on the Low Rate credit card and applied a 1.00% reduction to the variable lending rate.
- Return on Equity[2] of 3.0% was down on the same time last year (6.4%) as a result of lower operating profit.

[1] *Net Interest Margin = net interest income / average interest earning assets*
[2] *Return on Equity = (net profit after tax less distributions to holder of perpetual capital) / average equity*

Profit impacted by COVID-19 and new investment

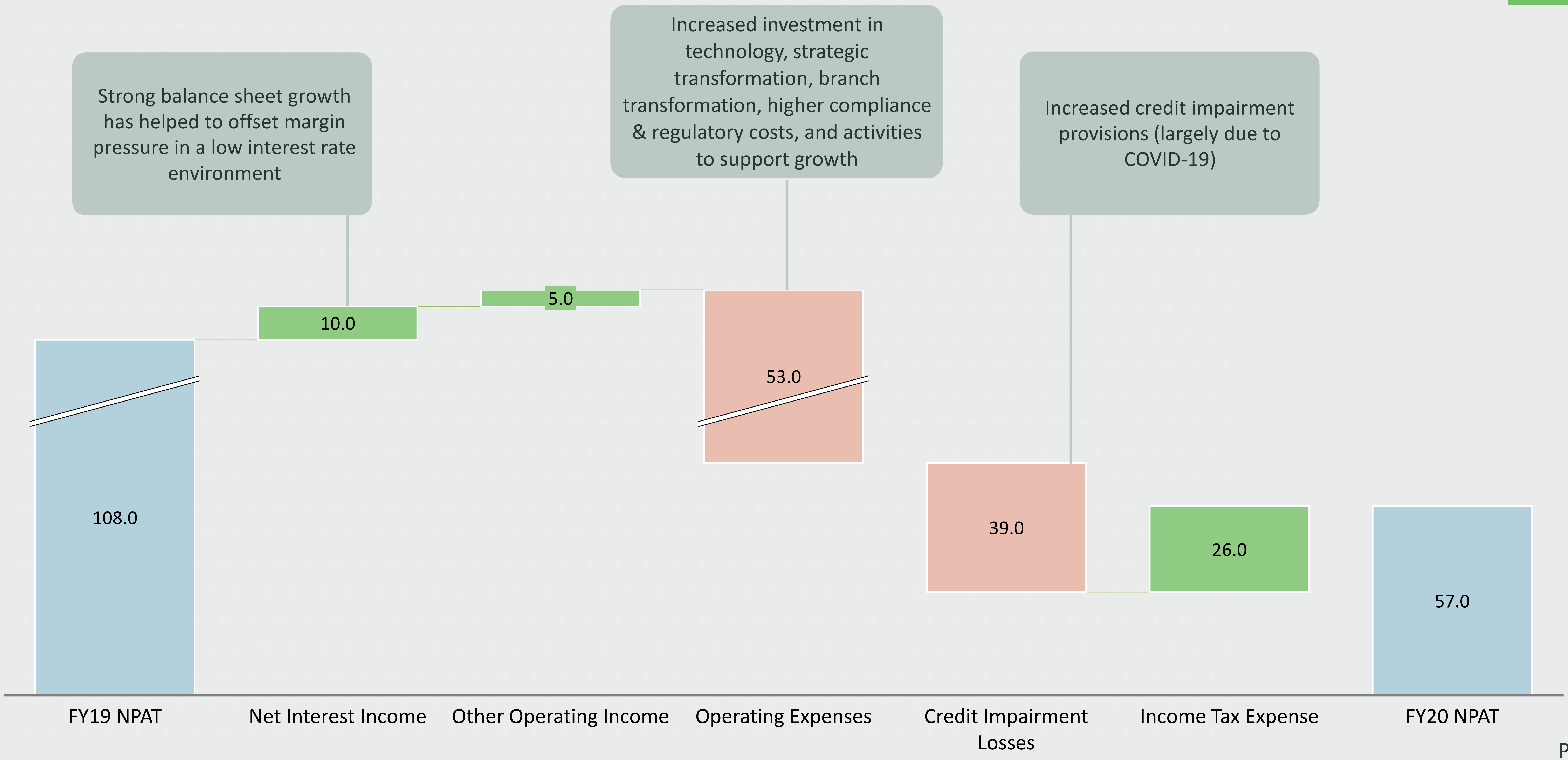




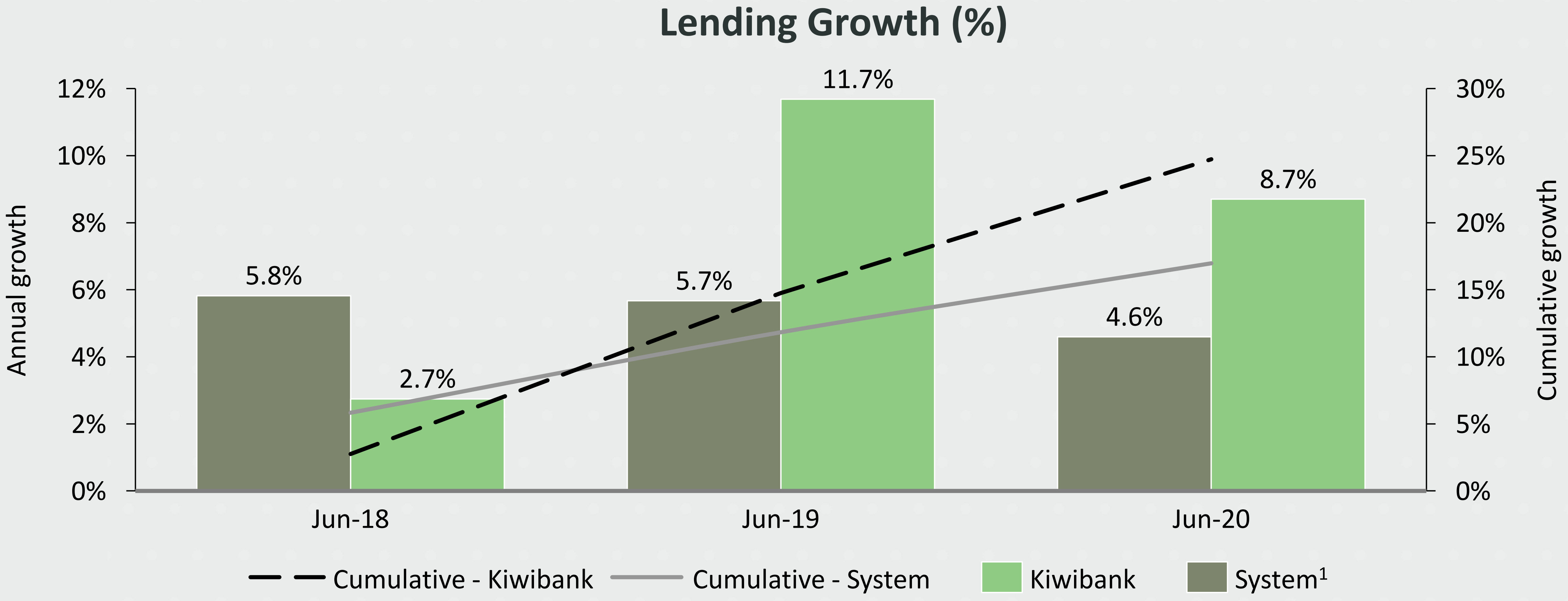
Key focus areas

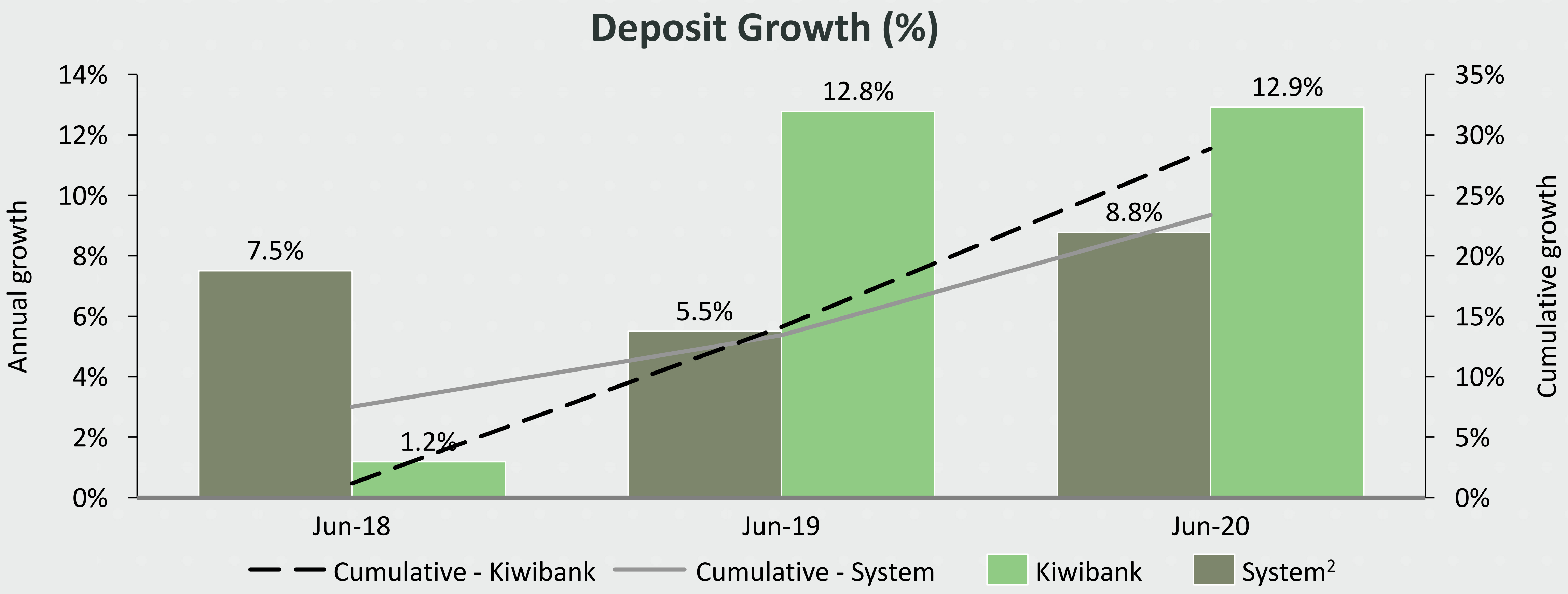
- NPAT was impacted by the higher level of change in FY20 (strategic transformation, separation from NZ Post, and additional regulatory activity). Whilst a proportion of these were expected the other major impact, not anticipated, was COVID-19 credit provisions.
- The lower interest rate environment has resulted in a drop in Net Interest Margin. Conversely Net Interest Income improved from last year due to higher lending volumes.
- Other operating income was lower due to a reduced product suite and change in the composition of credit and debit card spend through COVID-19.

Change in reported net profit between FY19 to FY20



More Kiwis backing Kiwibank



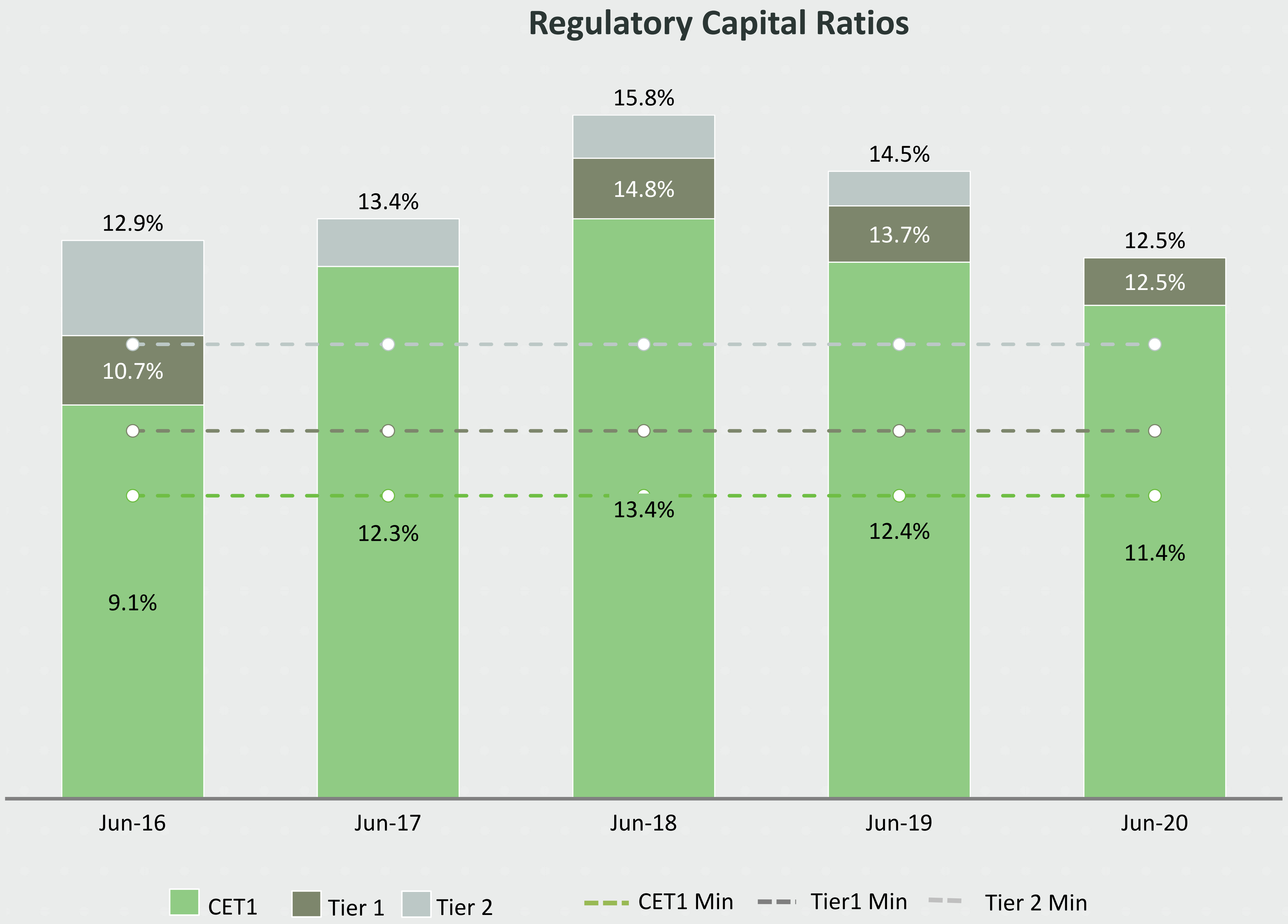


[1] *Source:* https://www.rbnz.govt.nz/statistics/c5
[2] *Source:* https://www.rbnz.govt.nz/statistics/s40-banks-liabilities-deposits-by-sector

Key focus areas

- Kiwibank has outperformed the market for the last two years in both lending and deposit growth.
- Strong growth in net lending assets of $1.8b (9%) has been further supported by the “buy NZ” national campaign following COVID-19.
- Growth of $2.4b (13%) in customer deposits was 1.5x system.
- Supporting SME (small and medium businesses) remains a core focus. Kiwibank has grown lending to this segment 36% in the last year.
- Residential mortgages has grown 7% in the last year.

Capital



Key focus areas

- CET1 capital ratio of 11.4% is down on last year driven by strong balance sheet growth and COVID-19 related provisioning.
- The Tier 2 capital instrument was redeemed in July 2019.
- Capital ratios comfortably surpass regulatory minimum requirements.
- In response to the COVID-19 crisis, the RBNZ has prohibited banks from redeeming capital instruments and paying ordinary dividends. As a result, Kiwibank did not redeem the AT1 instrument in May 2020. Distributions may continue to be paid on AT1 instruments.

Kiwibank is progressing 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

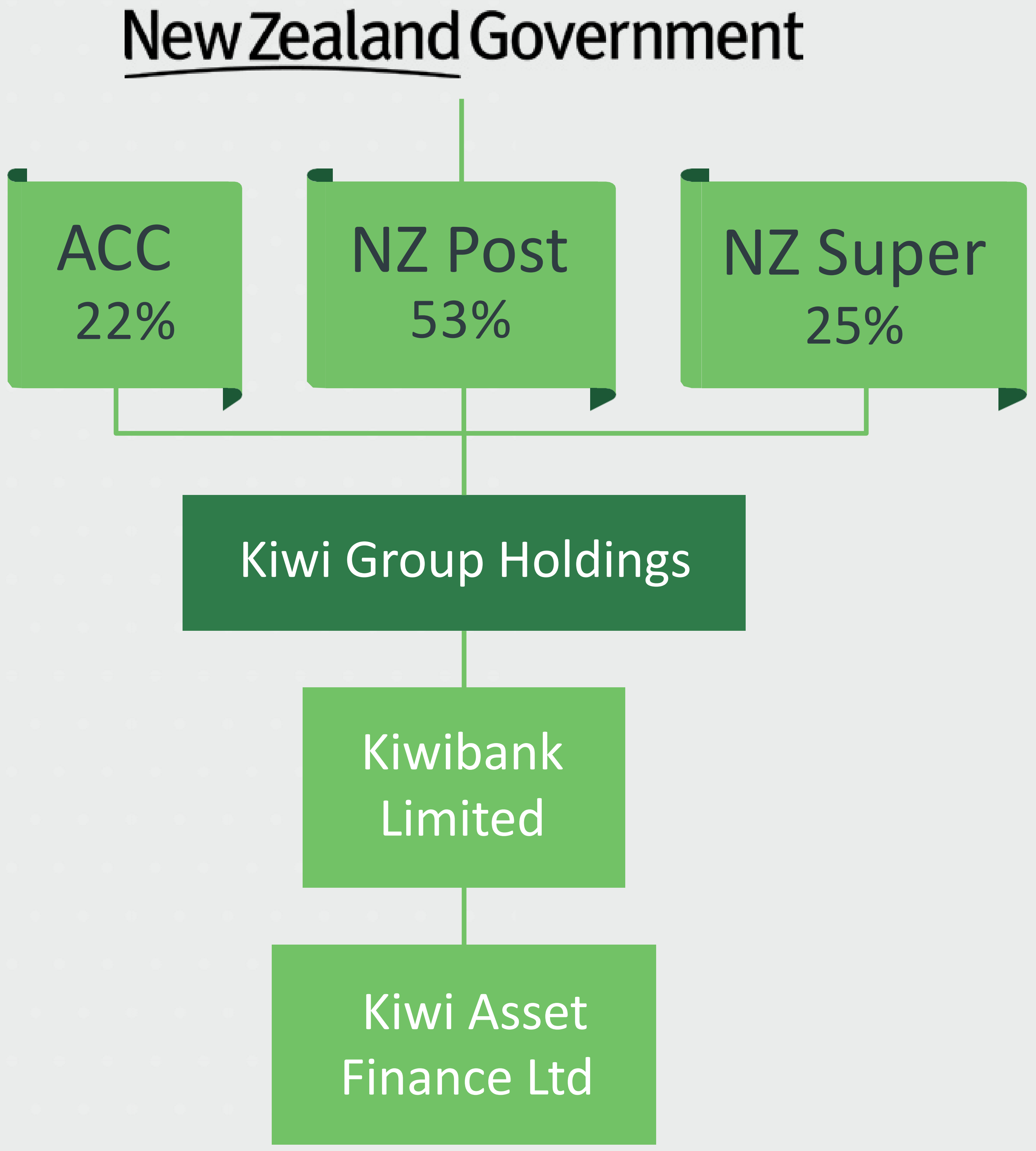
We're a diverse and inclusive team determined to be the best we can be for our customers and each other.

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.



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