



Kiwi Group Holdings Ltd

Half year results

for the 6 months to 31 December 2017

A scenic landscape photograph of a mountain range with snow-capped peaks under a blue sky with scattered clouds. In the foreground, there are green trees and a body of water reflecting the scene.

Investor Relations Presentation

23 February 2018



Kiwi
bank.



Kiwi
Wealth.



Kiwi
Insure.

the Kiwibank Financial Services Group

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Business highlights

Planning for the next phase of our story was a huge focus of the first half of FY2018 - with more investment of time, energy and resources to come as we work to keep the customer at the centre of everything we do...

- Highest Net Promoter Score for major bank **personal banking customers**
- Highest Net Promoter Score among **small business banking** customers
- **Investment in our branch network continues** with the opening of a third **standalone branch** in the Christchurch CBD, in addition to the Kiwibank only branches in Hamilton and Auckland CBD. A fourth standalone branch was created in New Plymouth in early January - with more anticipated for other locations around the country as we look to better match customer expectations and needs
- Funds invested in **Kiwi Wealth's KiwiSaver Scheme** became independently certified by Australasia's leading certifier of **responsible investors**, the Responsible Investment Association Australasia (RIAA)
- A second Kiwibank FinTech Accelerator was announced for 2018, aimed at helping start-ups onto the global stage
- Kiwibank partnered with *Banqer*, a digital **financial literacy** tool, now sponsoring over 2,100 classrooms for Years 2 – 8 children across NZ

KGH Group financial results

\$m	6 months to 31-Dec-17*	6 months to 31-Dec-16*	12 months to 30-Jun-17
Income statement (extract)			
Net interest income	202	185	375
Net fee and other income	97	85	180
Operating expenses	(224)	(183)	(384)
Net profit after tax	44	65	58
Reconciliation of net profit after tax to underlying profit			
Net profit after tax	44	65	58
Reconciling items (net of tax):			
Other impairment losses ¹	8	-	65
Operating costs incurred to wind down CoreMod ²	7	-	-
Earthquake costs ³	1	2	6
Underlying profit	60	67	129
CTI	74%	66%	68%
Total Assets	20,513	20,326	20,741
Total Equity	1,498	1,426	1,455

1. **Other impairment losses:** Impairment loss 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 project subsequent to the Board decision to close the project

3. **Earthquake costs:** Earthquake costs are operating expenses incurred by the Group as a result of the November 2016 Kaikoura earthquake net of insurance payments received to date

* Dec-16 and Dec-17 are unaudited

Kiwibank Banking Group*

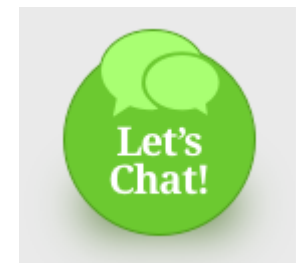
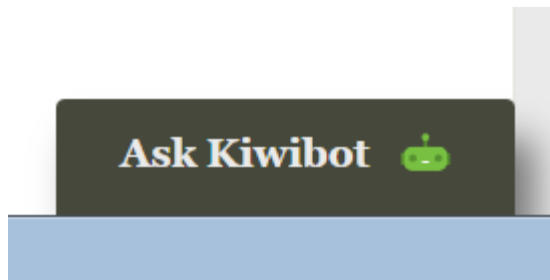


- **Net loans and advances to customers increased 3.4% year-on-year**
- **Customer deposits grew 3.9% year-on-year**
- **Asset quality high** with impaired assets remaining favourably low at just 0.05% of total gross loans and advances
- **Revenues:** lower funding costs, lighter liquidity requirements and market pricing opportunities, enabled **net interest margins to recover**, lifting revenues. NIM for the 6 months to December 2017 was 2.00%, up from 1.92% in June 2017 (see graph page 13)
- **Successful relaunch** of *Notice Saver* proves a useful diversification to the Bank's funding sources and long term margin management
- **Kiwibank Business Banking profile continues to rise**, building on the '*When you join us, we join you*' campaign
- **Kiwibank QuickPay** launched, enabling **business customers** to take card payments from their customers more efficiently

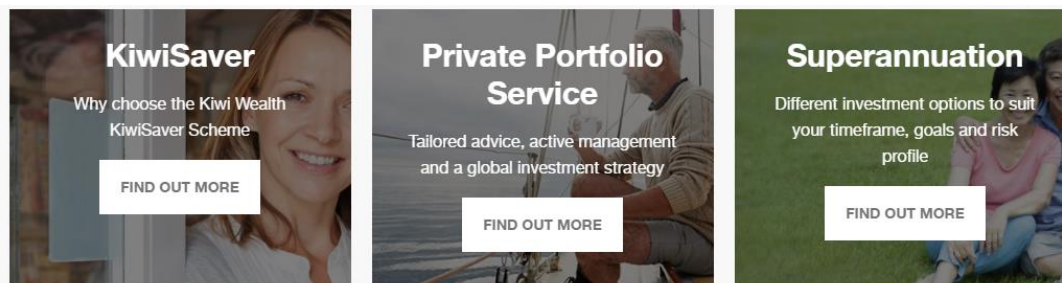
* As reflected in the Kiwibank Disclosure Statement 31 December 2017

Digital developments

- Introduction of **new channels** of customer interaction including *Kiwibot* and *Live Chat*
- **Kiwibank's ATM fleet has been upgraded.** Availability is at an all time high of 99.5% which has resolved a key customer pain point
- **Digital engagement continues to grow:** over 67% of our customers are digitally active with 32.2m interactions in the past month
- **Digital sales capability** now delivers **52% of total sales** for the Bank on the back of the successful delivery of simple sales in our mobile app



- **Strong performance from Kiwi Wealth** with revenue of \$22m, up c. 20% year on year. The contribution was driven by increasing KiwiSaver membership and strong investment performance
- **Customers joining** the Kiwi Wealth KiwiSaver Scheme grew by c. 5.8% or almost 3.5 times the industry growth of 1.7%
- **Funds under management** at 31 Dec 2017 **\$5.2b**, which includes **\$3.6b** of KiwiSaver.
- The flagship **Kiwi Wealth KiwiSaver Scheme Growth Fund** also provided market leading investment performance topping the Melville Jessup Weaver Investment Survey Growth category with a 19.2% return after fees*



- **Diversification strategy and performance** is on track in terms of sales and profitability
- **Life insurance sales volume** up by 40%
- **In-force premiums of \$17.3 million** as at 31 December 2017, growing well above market rates and up from \$14.8m held a year ago

- ▶ House insurance
- ▶ Contents Insurance
- ▶ Vehicle insurance



- ▶ Credit card travel insurance

- ▶ Life & Living Insurance
- ▶ Home loan insurance
- ▶ Credit card repayment insurance
- ▶ Travel insurance



Strategic update

Given the forces at work in the financial services industry, we have undertaken a **strategic review** to build on our core competitive advantage. Our **strategic priorities** aim to move us from being *just another provider of a commodity product* to putting customers firmly at the heart of our designs - with the purpose of ***Kiwis making Kiwis better off ...***

Our priorities focus on:



being valued by our customers as the most **trusted and transparent** bank



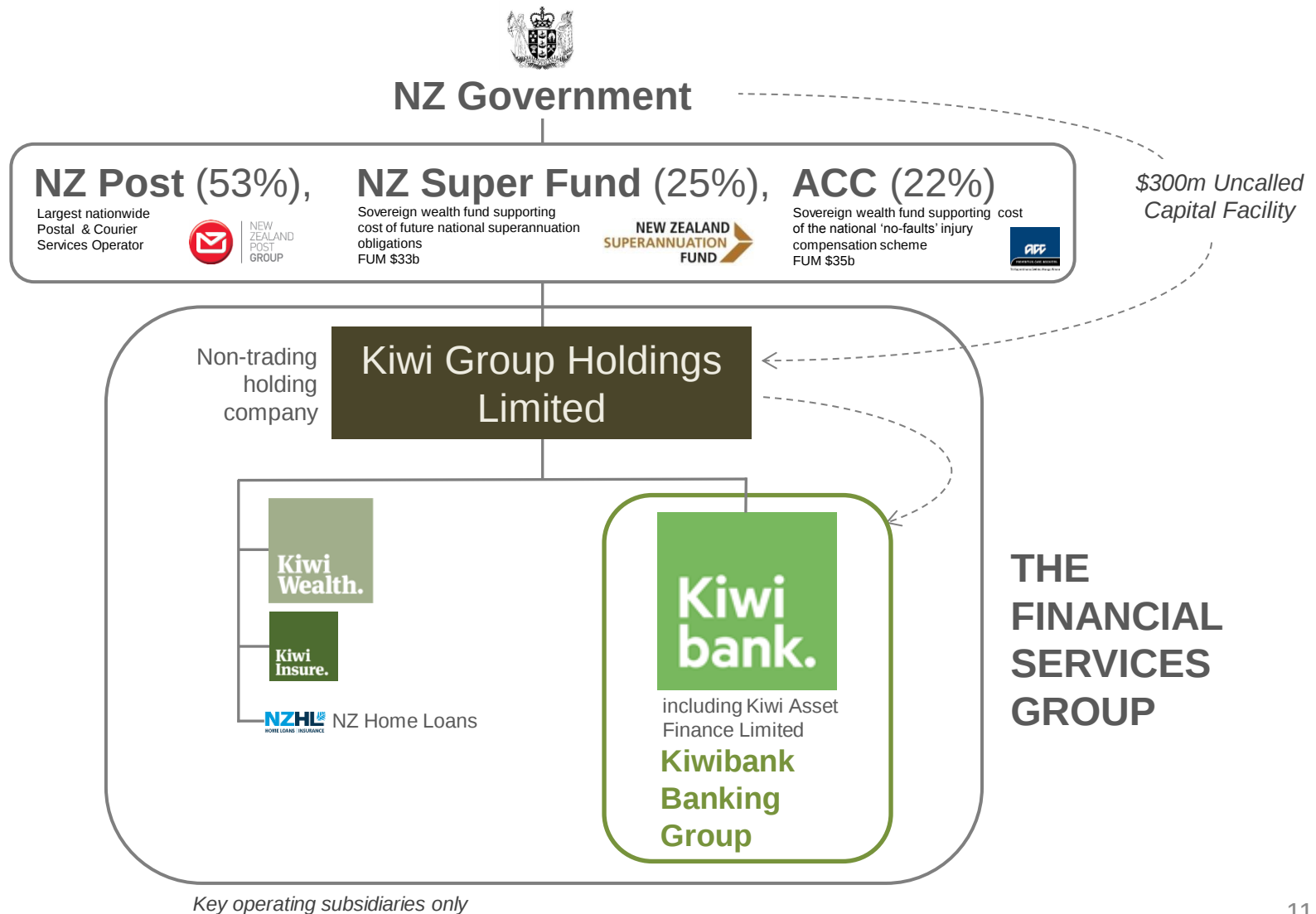
delivering value through **targeted holistic solutions**



working with **ambitious Kiwis** and their **growing businesses**

APPENDIX

Group structure and ownership



Banking Group – summary metrics

- Total lending **↑ 3.4% YOY**
- Customer deposits **↑ 3.9% YOY**
- Main bank share **11.6%**
- Foreign Currency Credit ratings:

Agency	Rating	Outlook
S&P	A	Stable
Moody's	A1	Stable
Fitch	AA-	Stable

	6 months to 31 Dec 2017*	6 months to 31 Dec 2016*	12 months to 30 Jun 2017
Net profit after tax	\$42m	\$63m	\$53m
Underlying profit [†]	\$58m	\$65m	\$122m
Cost to income ratio	75%	66%	69%
Net interest margin ^{††}	2.00%	1.94%	1.92%
Total equity	\$1,420m	\$1,295m	\$1,380m
Return on equity ^{†††}	8.5%	10.5%	10.1%
Tier 1 Capital Ratio	14.0%	11.3%	12.3%
CET1 Capital Ratio	12.6%	9.8%	12.3%
Customer deposits	\$15,960m	\$15,362m	\$15,983m
Loans & advances	\$18,027m	\$17,428m	\$17,815m
Impaired assets ^{††††}	0.05%	0.05%	0.07%

* Dec 2016 and Dec 2017 are unaudited

[†] See reconciliation to net profit after tax on page 14

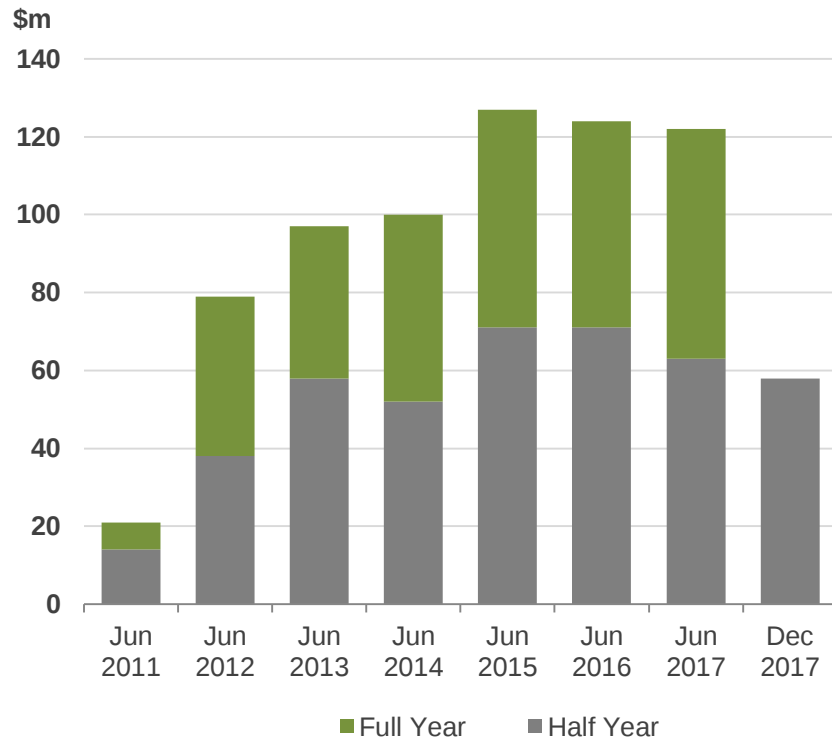
^{††} Source: Kiwibank

^{†††} As a percentage of total equity attributable to owners of the parent – adjusted for underlying profit after tax reconciling items

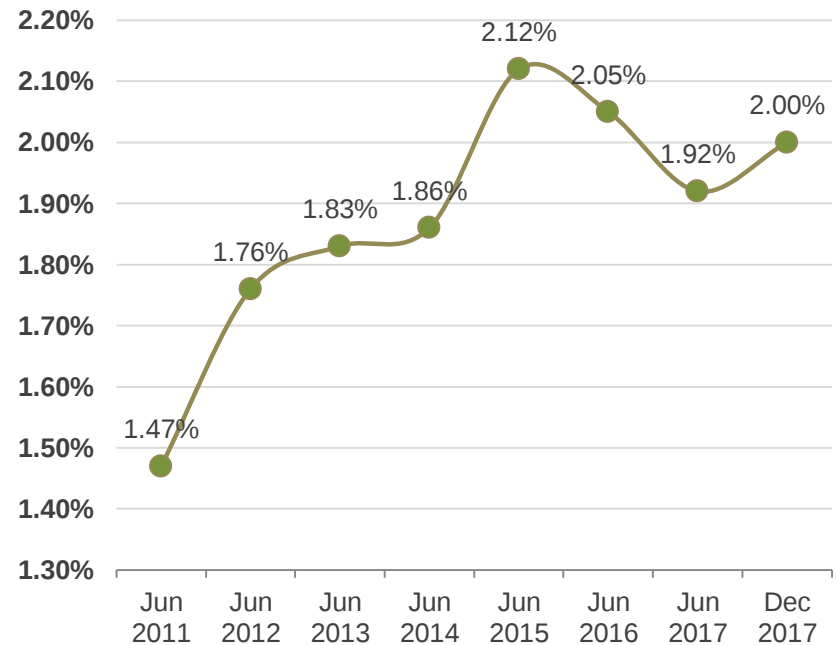
^{††††} Gross impaired assets as a percentage of gross loans and advances

Banking Group profitability

Net Profit After Tax ¹



NIM Kiwibank Banking Group



Source: Kiwibank Disclosure Statements (Dec 2017 unaudited)

1. Underlying profit for the Kiwibank Banking Group for Jun 2017 & Dec 2017. See reconciliation to net profit after tax on page 14

Banking Group performance history

\$m	6 months to 31-Dec-17*	6 months to 31-Dec-16*	12 months to 30-Jun-17
Interest income	438	413	831
Interest expense	(240)	(231)	(463)
Net Interest Income	198	182	368
Gains/(losses) on financial instruments at fair value	5	7	8
Net fee income	60	59	118
Operating expenses	(197)	(164)	(339)
Impairment (losses)/reversals on loans and advances	(1)	2	6
Other impairment losses	(11)	-	(90)
Profit before taxation	54	86	71
Income tax expense	(12)	(23)	(18)
Net profit after tax	42	63	53
Reconciliation of net profit after tax to underlying profit			
Net profit after tax	42	63	53
Reconciling items (net of tax):			
Other impairment losses ¹	8	-	65
Operating costs incurred to wind down CoreMod ²	7	-	-
Earthquake costs ³	1	2	4
Underlying profit	58	65	122
CTI	75%	66%	69%
Dividends paid on ordinary shares	-	(5)	(5)
Other distributions paid	(5)	(7)	(13)

1. **Other impairment losses:** Impairment loss recognised in relation to computer software (the CoreMod IT project)

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* Dec-16 and Dec-17 are unaudited

Banking Group balance sheet history

\$m	As at 31-Dec-17*	As at 31-Dec-16*	As at 30-Jun-17
Assets			
Loans and advances	18,027	17,428	17,815
Other assets	2,354	2,580	2,801
Total assets	20,381	20,008	20,616
Liabilities			
Deposits and other borrowings	15,960	15,362	15,983
Debt securities issued	2,170	2,446	2,258
Other liabilities	831	905	995
Total liabilities	18,961	18,713	19,236
Shareholders' equity			
Share capital	737	490	737
Reserves	683	805	643
Total shareholders' equity	1,420	1,295	1,380
Total liabilities and shareholders' equity	20,381	20,008	20,616

* Dec-16 and Dec-17 are unaudited

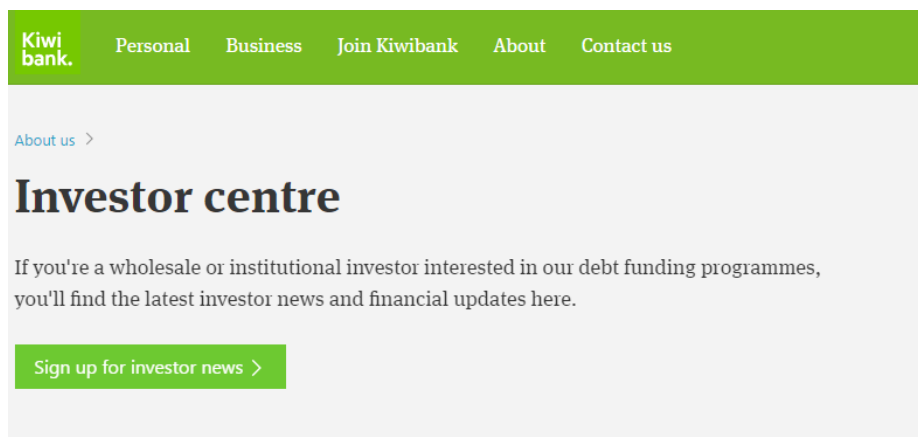
Banking Group debt funding programmes

Programme	Market	Term	Size	As at 31 Dec 2017
RCD	NZ	Short	Unlimited	NZ\$132m
RMBS	NZ	Short	NZ\$1,100m	-
ECP	Offshore	Short	US\$2,000m	NZ\$464m
MTN	NZ	Long	Unlimited	NZ\$740m
Capital Note (Jul 2024)	NZ	Long	Unlimited	NZ\$100m
Perpetual Capital Note (Jul 2024)	NZ	Perpetual	Unlimited	NZ\$150m
Covered Bond (Dec 2020)	NZ/Offshore	Long	NZ\$3b	CHF150m
Kangaroo	Australia	Long	A\$1,500m	A\$314m
Senior Bond (Apr 2019)	Switzerland	Long	Stand Alone	CHF175m

Investor Relations

Kiwibank Investor Relations:

www.kiwibank.co.nz/about-us/investor-centre



The screenshot shows the top navigation bar of the Kiwibank website with links: Personal, Business, Join Kiwibank, About, and Contact us. Below this is a breadcrumb trail 'About us >' followed by the heading 'Investor centre'. A paragraph states: 'If you're a wholesale or institutional investor interested in our debt funding programmes, you'll find the latest investor news and financial updates here.' Below this is a green button that says 'Sign up for investor news >'. At the bottom, there are two columns of links: 'Reports and presentations', 'Kiwi Capital Funding Limited', 'Credit ratings', 'Debt funding programmes', 'Investor news', and 'Covered bond investor reports'.

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Sustainability and Corporate Responsibility:

<https://www.kiwibank.co.nz/about-us/more-about-us/sustainability-and-corporate-responsibility/>

Awards:

<https://www.kiwibank.co.nz/about-us/more-about-us/awards.asp>

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