

Kiwibank

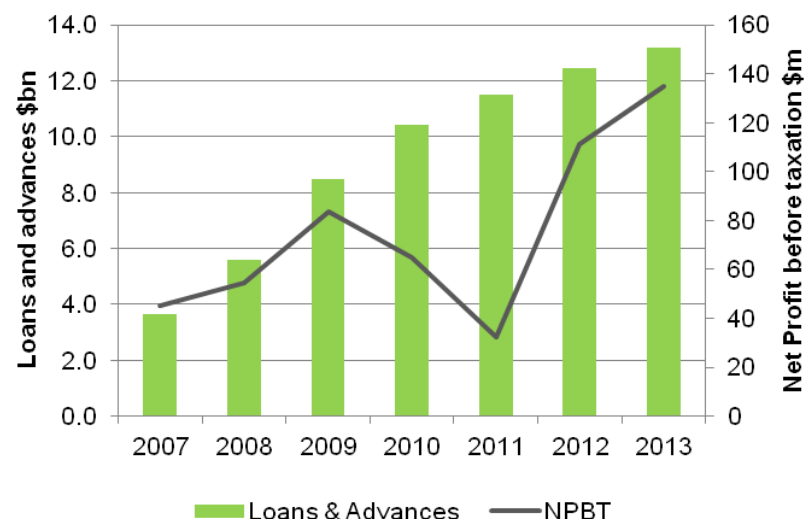
2013 Annual Results

Investor Relations Presentation

Headline Results

- Increased net interest income and controlled expenses helped lift after-tax profit 23%
- Release of bad debt provisioning from \$91m to \$72m highlights stronger credit position

Dollars in millions	2013	2012	% growth ↑
Net interest income	276	257	
Other income	170	162	
Total operating revenue	446	419	6%
Total expenses	(311)	(308)	1%
Profit before tax	135	111	22%
Income tax expense	(38)	(32)	
Profit after tax	97	79	23%



Healthy balance sheet position

- Lending growth continues despite a static home loan rate market
- Customer deposits still strong and provide 84% of all bank funding

Dollars in millions	30 June 2013	30 June 2012	% growth 
Assets			
Loans and advances	13,202	12,445	6%
Wholesale & other assets	2,007	2,300	
Total assets	15,209	14,745	3%
Financed by:			
Liabilities			
Customer deposits	12,120	11,565	5%
Securities issued & other liabilities	2,231	2,433	
Total Liabilities	14,351	13,998	3%
Shareholder's equity	858	747	15%
Total liabilities and shareholder's equity	15,209	14,745	

Segment Update

Personal Markets

Continued growth in balance sheet since June 2012:

- Lending increased 9% from \$9.8bn to \$10.7bn
- Customer deposits increased 4.8% from \$11.6bn to \$12.1bn
- Customer growth continued and now approximately 850,000
- Christchurch market share now estimated to exceed 12% with new lending exceeding pre-quake growth rates
- Comparatively low exposure to high LVR loans
- Overall main bank market share now at 10.3% (up from 9.5% last year)

Segment Update

Business Markets

Continued focus on credit quality and building a specialist SME business

- Our customer satisfaction and likelihood to recommend are number 1 in the SME market
- As a result we have grown our customer base by over 8% in the last year in a market that is predominantly flat.
- Our current and future focus is to enable our customers to spend more time on their business by simplifying their banking experience

Segment Update

Wealth

- A successful first full year of operations for GMI under Kiwibank, increasing FUM by 18% and performing ahead of expectations
- Successful distribution of Gareth Morgan KiwiSaver (GMK) through the Kiwibank/NZ Post network resulting in a 17% increase in GMK members
- Built out the Investment Strategy Team with key appointments
- Increased Kiwibank/NZ Post network sales from 3,500 in 2012 to over 13,000 in 2013

Insurance

- Kiwi Insurance Limited continues the transition to full in-house manufacturing capability for Life Insurance
- Kiwi Insurance received a Financial Strength Rating of A- (Excellent) from AM Best in September last year
- Launched the innovative “Life & Living” product in October last year
- Received a full licence from the Reserve Bank under the Insurance (Prudential Supervision) Act 2010 this year
- Continuing to facilitate house insurance in Christchurch

Mortgage lending metrics

- Kiwibank ranks favourably compared with other major banks in exposure to low loan-to-value ratio mortgages

Loan-to-value ratios at 30 June 2013	Kiwibank	Westpac	BNZ	ASB	ANZ
LVR 0-80%	84%	77%	85%	79%	77%
LVR >80-90%	13%	15%	8%	13%	15%
LVR 90%+	3%	8%	7%	8%	8%

Source: 30 June 2013 Disclosure Statements

- New RBNZ lending rules apply from 1 October 2013 require banks to restrict **new** lending on loans with LVRs greater than 80% to 10%
- Although the full implications of this new limit are yet to be assessed, as an initial response Kiwibank will prioritise first home buyers. Welcome Home loans, bridging and simple refinancing fall outside the 10% limit

Credit quality – impairments & provisioning

- A key focus from management and RBNZ is the total credit provisioning relative to gross loans and advances
- Kiwibank remains favourably placed against other banks for total impairments against gross loans & advances with impaired assets of \$54m (down from \$84m)

	30 June 2013	30 June 2012
Impairments		
Kiwibank	0.43%	0.67%
ASB	0.52%	0.47%
BNZ	0.72%	0.86%
Westpac	1.04%	1.61%
ANZ/National	1.14%	1.65%

	30 June 2013	30 June 2012
Provisioning		
Kiwibank	0.57%	0.73%
ASB	0.37%	0.41%
BNZ	0.73%	0.86%
Westpac	0.92%	1.08%
ANZ/National	0.99%	1.26%

Source: 30 June 2013 Disclosure Statements

Capital Adequacy

- Following the implementation of the more conservative Basel III regulations on 1 January 2013, Kiwibank's capital ratios remain strong and in excess of RBNZ required minima. Common Equity Tier 1 Ratio at 30 June 2013 was 8.4%, 3.9% above the required RBNZ minima
- Total capital increased by 20% to \$942m, resulting in a total capital ratio under Basel III of 12.6%
- Kiwibank raised \$150m of term subordinated debt in December 2012, the first issue of Tier 2 qualifying securities in New Zealand under the Reserve Bank's new Basel III rules, of which \$108m can be recognised as Tier 2 capital
- Successful first issuance into the Swiss market off Kiwibank's covered bond programme (CHF150m)
- Kiwi Income Securities (non-controlling preference shares) of \$150m are not compliant under Basel III and the capital contribution will decrease from January 2014 by 20%. First call date is May 2015
- Capital from self generation, market issuance and NZ Post will support the capital demands of the bank in the short to medium term

Debt funding programmes

Programmes	Market	Term	Size	At 30 June 2013
Registered Certificates of Deposit RCDs	NZ	Short	Unlimited	NZ\$252m
Medium Term Notes NZ MTN	NZ	Long	Unlimited	NZ\$238m
Residential Mortgage Backed Securities RMBS	NZ	Short	NZ\$600m	-
Euro-Commercial Paper ECP	Offshore	Short	US\$2,000m	NZ\$387m
Australian Medium Term Notes Kangaroo	Australia	Long	A\$1,500m	NZ\$425m
Covered Bond	NZ/Offshore	Long	NZ\$3b	NZ\$201m (CHF 150m)
Subordinated Bond	NZ	Long	Unlimited	NZ\$210m

The future

- Roll out of new branch layouts for NZ Post and Kiwibank following North Shore (Auckland) and Kapiti pilots
- On-going focus on helping customers switch to Kiwibank
- Increasing market share in the small and medium enterprise market
- Explore growth opportunities in the insurance business
- Consolidate market position as a bank of national and strategic importance
- Capture the growth of Kiwisaver membership across the industry
- Continued support of the Kiwibank New Zealander of the Year and local heroes awards

Appendices

Financial Performance - Historical Summary

Dollars in millions	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Financial performance					
Interest income	790	773	720	564	649
Interest expense	(514)	(516)	(529)	(430)	(485)
Net interest income	276	257	191	134	164
Other income	170	162	162	168	149
Total operating revenue	446	419	353	302	313
Operating expenses	(304)	(273)	(242)	(219)	(215)
Impairment allowances	(7)	(35)	(79)	(18)	(14)
Net profit before taxation	135	111	32	65	84
Income tax expense	(38)	(32)	(11)	(19)	(20)
Net profit after taxation	97	79	21	46	64

Key ratios

Ratios in percentage terms	30 June 2013	30 June 2012
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Profitability measures		
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Net interest income/average interest bearing assets	1.81%	1.8%
Net profit after tax/average shareholder's funds	12.1%	11.7%

Efficiency measures		
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Operating expenses/total income	68.1%	65.1%
Operating expenses/average total assets	2.0%	1.9%

Capital ratios		
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Total capital ratio	12.6%	11.3%
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Awards and achievements

- Global Finance Best Bank in NZ 2013
- Sunday Star Times Bank of Year Award
- Canstar Best Value Everyday banking Award
- Highest level of customer satisfaction (Roy Morgan)
- Most trusted bank brand (Reader's Digest)

Key contacts

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