

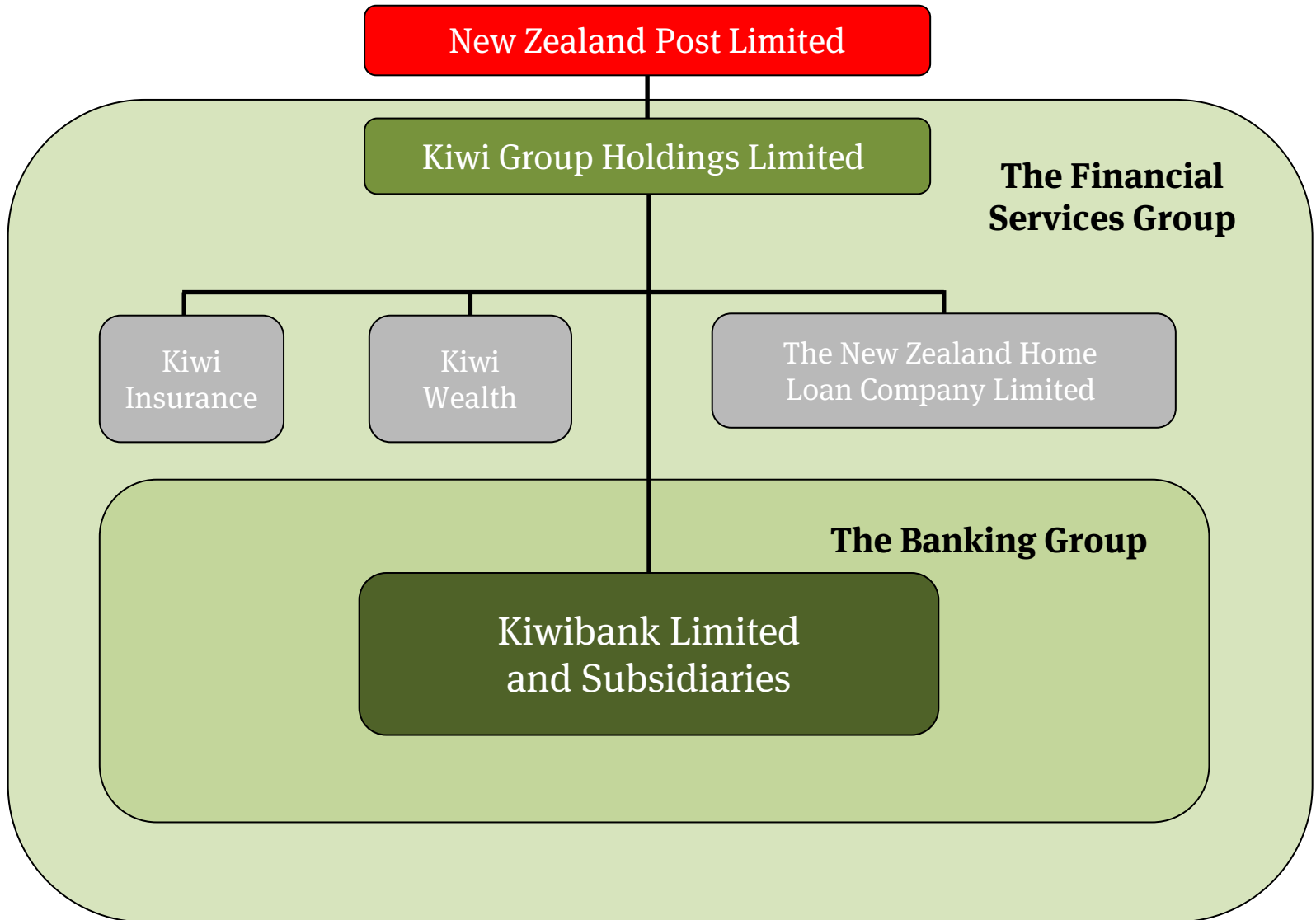
MEDIA BRIEFING

Financial Results – 30 June 2014

Topics Covered

- KGH Group Structure
- KGH Performance
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- The Future

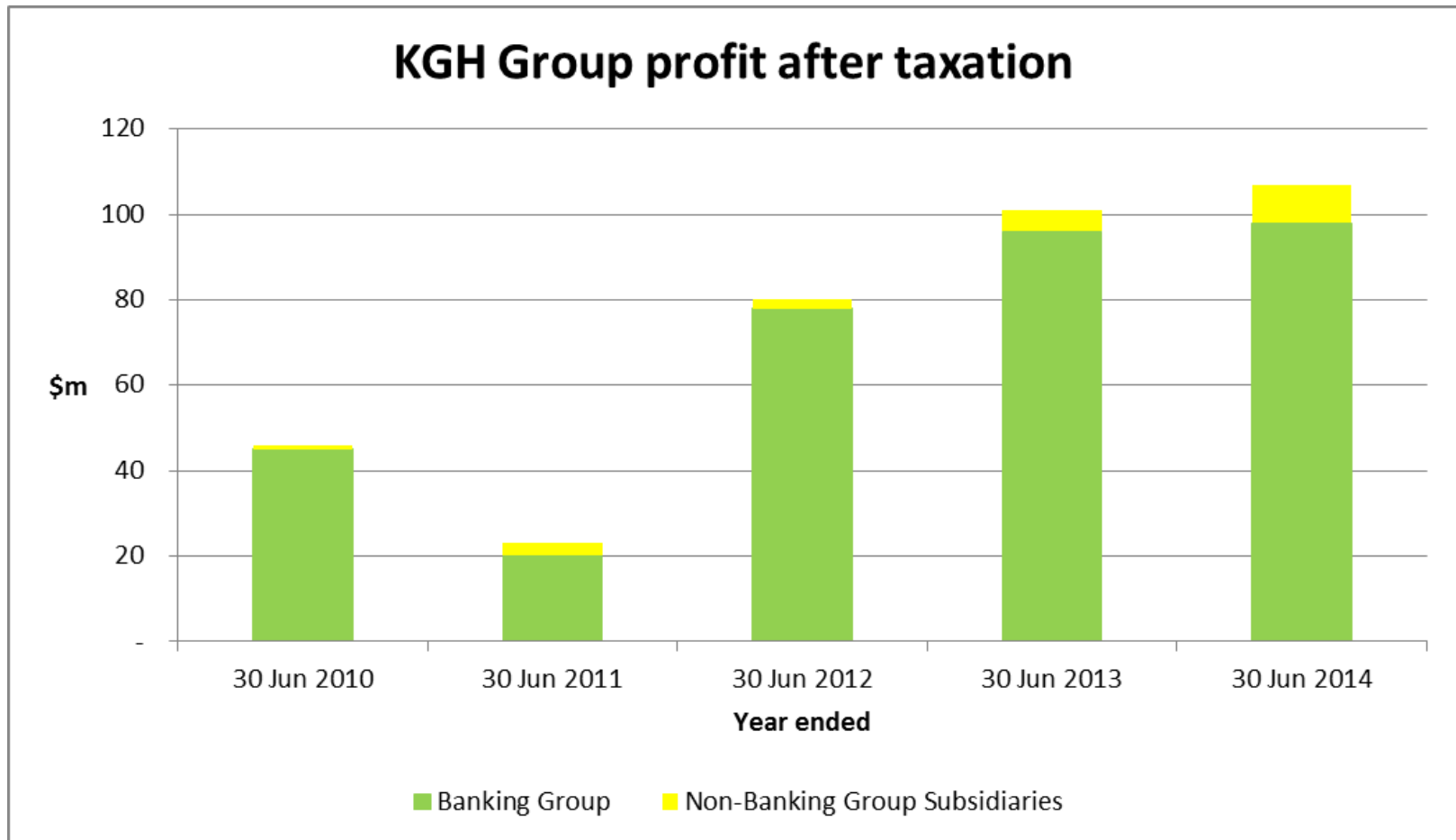
KGH Group Structure



The KGH Group

KGH Group - Key points

- The KGH Group achieved an after tax profit of \$107m for the year ended 30 June 2014.



Kiwi Wealth

- Funds under management increased by \$600 million to \$2.75 Billion
- Total number of KiwiSaver clients increased by 20,000 to 114,006
- After tax profit contribution to KGH group increased to \$7.6 million
- Implemented a range of change programs to meet the requirements of FMCA, FATCA, AML regulations and to complete the GMI integration

Kiwi Insurance

- Kiwi Insurance Limited achieved a profit after tax of \$2.1m for the year ended 30 June 2014
- The profit after tax for the year ended 30 June 2013 was \$1.4m
- Profitable growth continues with annual policy sales growing by 42% year on year
- 22,000 customers now have policies with Kiwi Insurance

The Banking Group

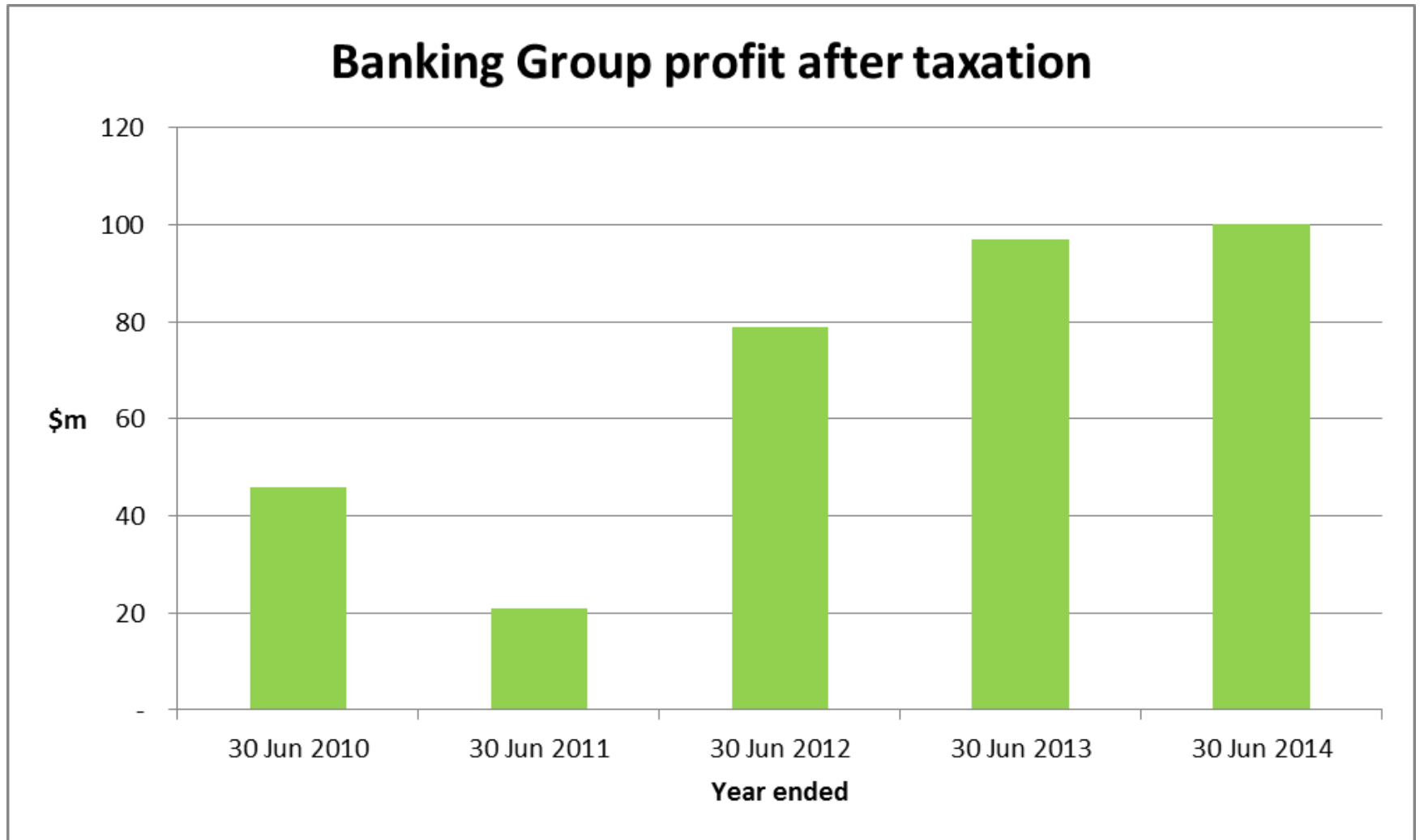
Banking Group - Key points

- The Kiwibank Banking Group achieved a profit after tax of \$100m for the year ended 30 June 2014.
- Continued growth in the balance sheet:
 - Lending increased 10.6% from \$13.2bn to \$14.6bn
 - Customer deposits increased 5.8% from \$12.1bn to \$12.8bn
 - Customer growth continued and now about 860,000
- Kiwibank has now been operating for 12 years

Banking Group - Key points continued

- Provisioning for bad debts reduced from \$72m to \$59m
- Customer deposits account for 81% of all bank funding
- Kiwibank's Standard and Poor's credit rating was reaffirmed at A+ (the same rating as NZ Post)
- Raised \$100m with a Tier 2 capital instrument

Financial Performance



Financial Performance – Profit & Loss

- Kiwibank increased total operating revenue by 7.4%

Dollars in millions	30 June 2014	30 June 2013	% Growth
Net interest income	293	276	6.2%
Other income	186	170	9.4%
Total operating revenue	479	446	7.4%
Operating expenses	(344)	(304)	13.2%
Impairment reversal/(allowance)	4	(7)	
Net profit before taxation	139	135	3.0%
Income tax expense	(39)	(38)	
Net profit after taxation	100	97	3.1%

Financial Performance-Balance sheet

- Lending growth continues despite a highly competitive home loan market
- Strong depositor support continues to maintain retail funding ratio

Dollars in millions	30 June 2014	30 June 2013	Growth
Assets			
Loans and advances	14,630	13,202	10.8%
Wholesale & other assets	2,046	2,007	1.9%
Total assets	16,676	15,209	9.6%
Financed by:			
Liabilities			
Customer deposits	12,751	12,120	5.2%
Securities issued & other liabilities	2,922	2,231	31.0%
Total liabilities	15,673	14,351	9.2%
Shareholder's equity	1,003	858	16.9%
Total liabilities & shareholder's equity	16,676	15,209	9.6%

Financial Performance (key ratios)

	Year to 30 Jun 2014	Year to 30 Jun 2013
Profitability measures		
Net interest margin	1.86%	1.81%
Return on equity	11.84%	13.25%
Efficiency measures		
Cost to income ratio	71.8%	68.1%
Operating expenses / average total assets	2.2%	2.0%
Capital ratios		
Capital adequacy ratio - Tier 1 Capital	10.4%	10.4%
Capital adequacy ratio - Total Capital (Pillar1)	13.0%	12.6%

Kiwibank: Most Trusted Bank



Kiwibank Customer Base

- Kiwibank continues to grow its share of the competitive New Zealand banking market.
- A key measure of the customer base is Main Financial Institution (wage, salary benefit and main banking transactions):
 - Kiwibank: 390,000 Main Financial Institution customers
 - 11% of total market
- Based on a total New Zealand banking market of 3.6 million customers, Kiwibank operates accounts for:
 - 860,000 customers

Home Lending

- Net growth in home lending of \$1.2 billion was 29% more than in 2013
- Kiwibank helped approx 1,000 First Home Buyers into new homes
- Kiwibank helped approx 5,000 refinancers leave their old bank
- Kiwibank now has 7% of the residential mortgage market

Unsecured Lending

- New Airpoints credit card launched in partnership with Air New Zealand
- Almost 27,000 Airpoints credit card customers
- Market share now 5.8% of credit card accounts

Financial Performance-Capital Adequacy

- Kiwibank's capital ratios remain strong and in excess of RBNZ required minima
- As at June 2014, Kiwibank's Common Equity Tier 1 Ratio was 9.0%, 4.4% above the required RBNZ minima
- Total capital increased by \$118m to \$1,060m, a 12.5% increase from 30 June 2013
 - Kiwibank raised \$100m with an issue of Basel III eligible Tier 2 debt
- Total capital ratio under Basel III increased to 12.9% at 30 June 2014

Credit Quality (Impaired Assets)

- The first table shows total impaired assets as a % of gross loans and advances. Kiwibank remains favourably placed against other banks
- Impaired Assets of \$44m include all assets where interest charges have been suspended and a specific provision has been raised. Down from \$54m at 30 June 2013.
- A key focus from management and the RBNZ is the total credit provisioning to gross loans and advances

Impaired assets as a % of Gross Loans and Advances

Bank	30 June 2014	30 June 2013
Kiwibank	0.30%	0.41%
ASB	0.36%	0.52%
BNZ	0.43%	0.72%
Westpac	0.51%	1.04%
ANZ/National	0.66%	1.14%

Credit Provisions as a % of Gross Loans and Advances

Bank	30 June 2014	30 June 2013
Kiwibank	0.40%	0.54%
ASB	0.33%	0.34%
BNZ	0.62%	0.73%
Westpac	0.69%	0.92%
ANZ/National	0.73%	0.99%

Source: 30 June 2013 and 2014 Disclosure Statements.

Kiwibank Credit Rating

- In November 2013, Standard & Poor's affirmed Kiwibank's credit rating of A+ (outlook negative)
- This mirrors the credit rating of Kiwibank's owner, New Zealand Post.

Core Banking System

- Kiwibank has launched its Core Modification Programme
- Four year programme to transform payment, transactional and back office IT systems
- Substantial investment for Kiwibank of about \$100m
- Programme of work is progressing as planned

Our digital future



Ongoing Investment in Retail Network

