

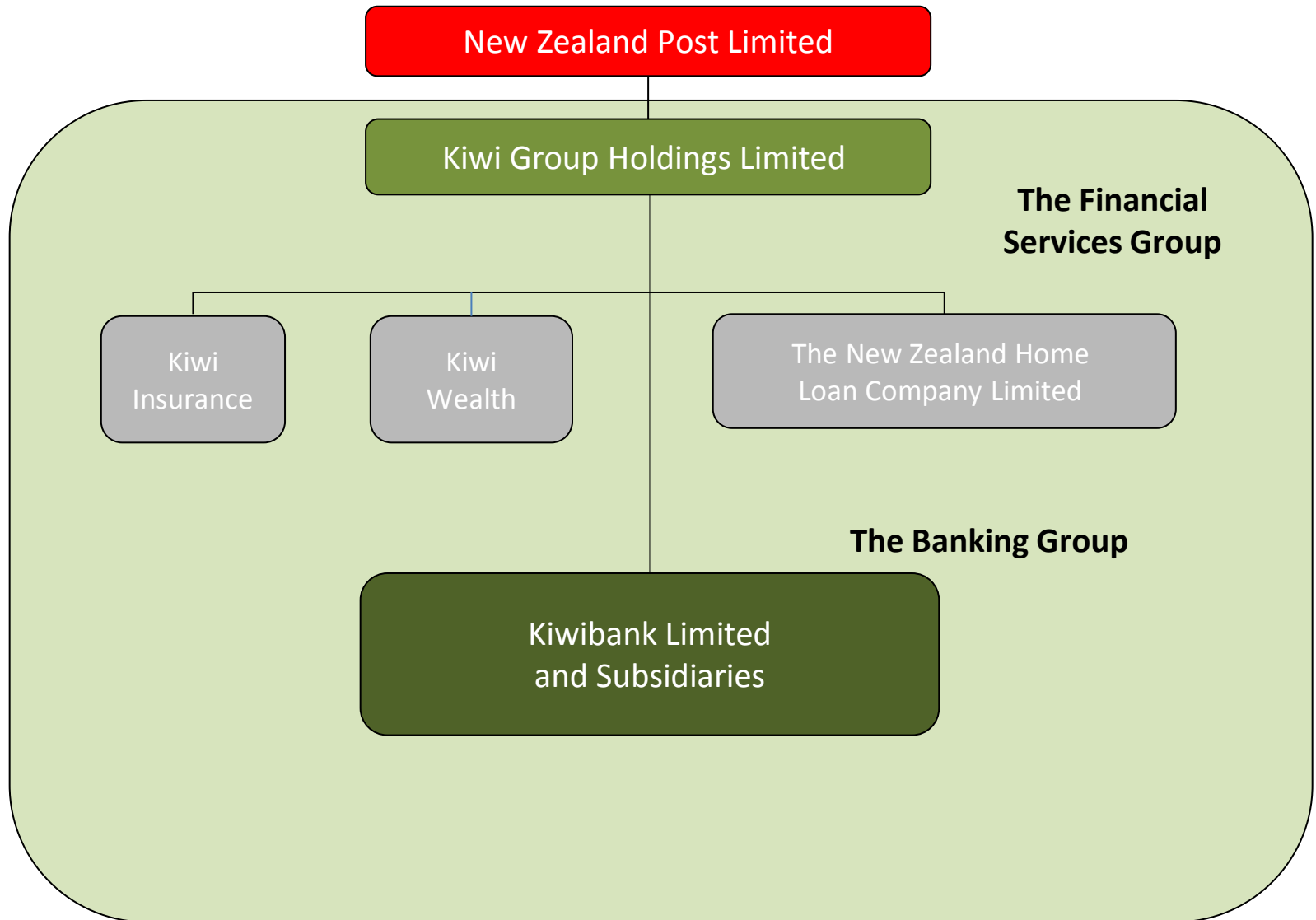
MEDIA BRIEFING

Financial Results – 30 June 2015

Topics Covered

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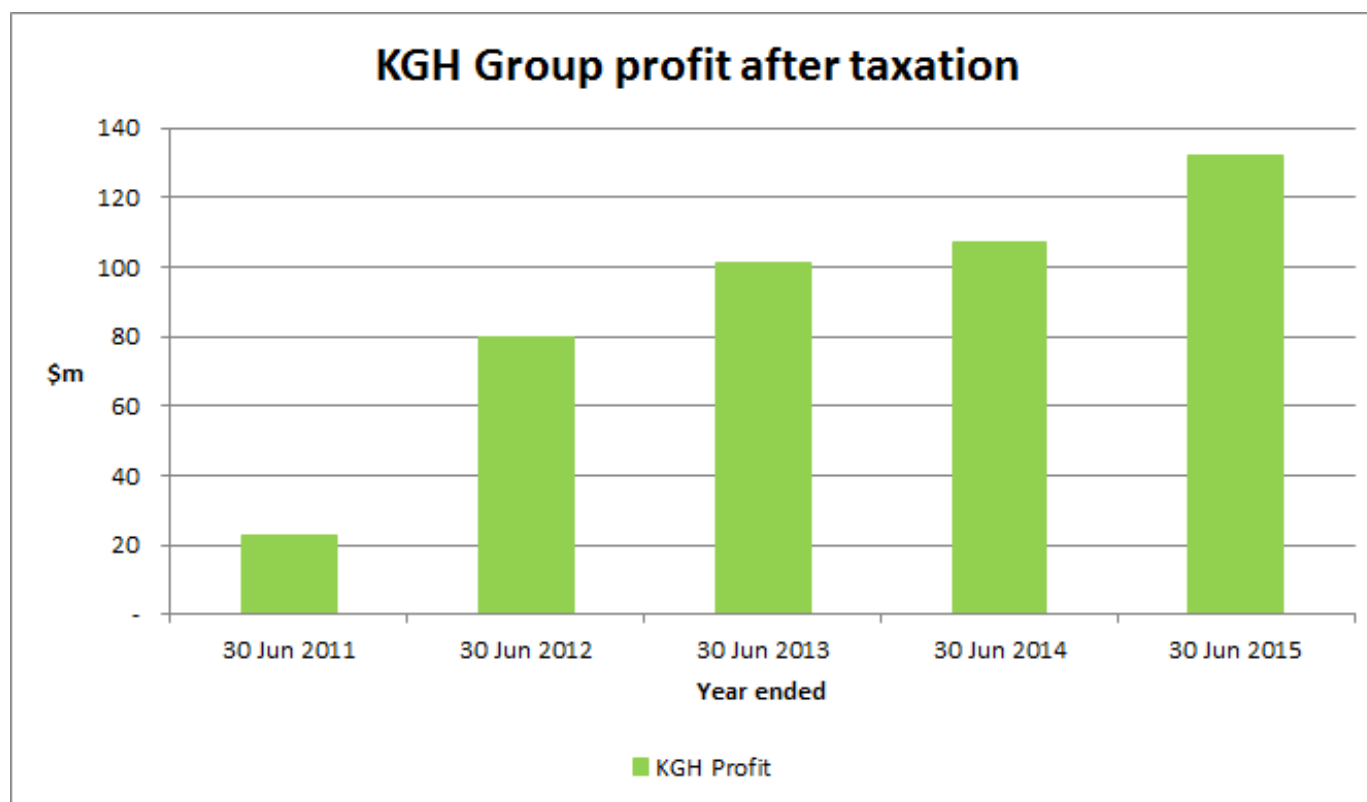
KGH Group Structure



The KGH Group

KGH Group Financial Performance

- The KGH Group achieved a profit after tax of \$132m for the year ended 30 June 2015
- \$22m dividend paid to NZ Post
- Non-Banking Group revenue increased 23% from 2014



Kiwi Wealth

- Funds under management increased 30% to \$3.59 billion
- Total number of Kiwi Wealth KiwiSaver Scheme members increased 20% to 137,000
- After tax profit contribution to KGH Group increased to \$9.1 million
- Awarded the Consumer NZ People's Choice award for 2015
- Became a Government appointed default provider in July 2014

Kiwi Insurance

- Kiwi Insurance Limited achieved a profit after tax of \$1.0m for the year ended 30 June 2015
- Profitable growth continues with annual policy sales growing by 45% year on year
- 23,000 customers now have policies with Kiwi Insurance

The Banking Group

Banking Group - key points

- The Kiwibank Banking Group achieved a profit after tax of \$127m for the year ended 30 June 2015, a 27% increase on 2014
- Continued growth in the balance sheet:
 - Lending increased 6.6% from \$14.6bn to \$15.6bn
 - Customer deposits increased 7.8% from \$12.8bn to \$13.7bn
- Customer growth continued and now about 900,000
- Customer deposits account for 81% of all Bank funding
- \$22m dividend paid

Banking Group - key points continued

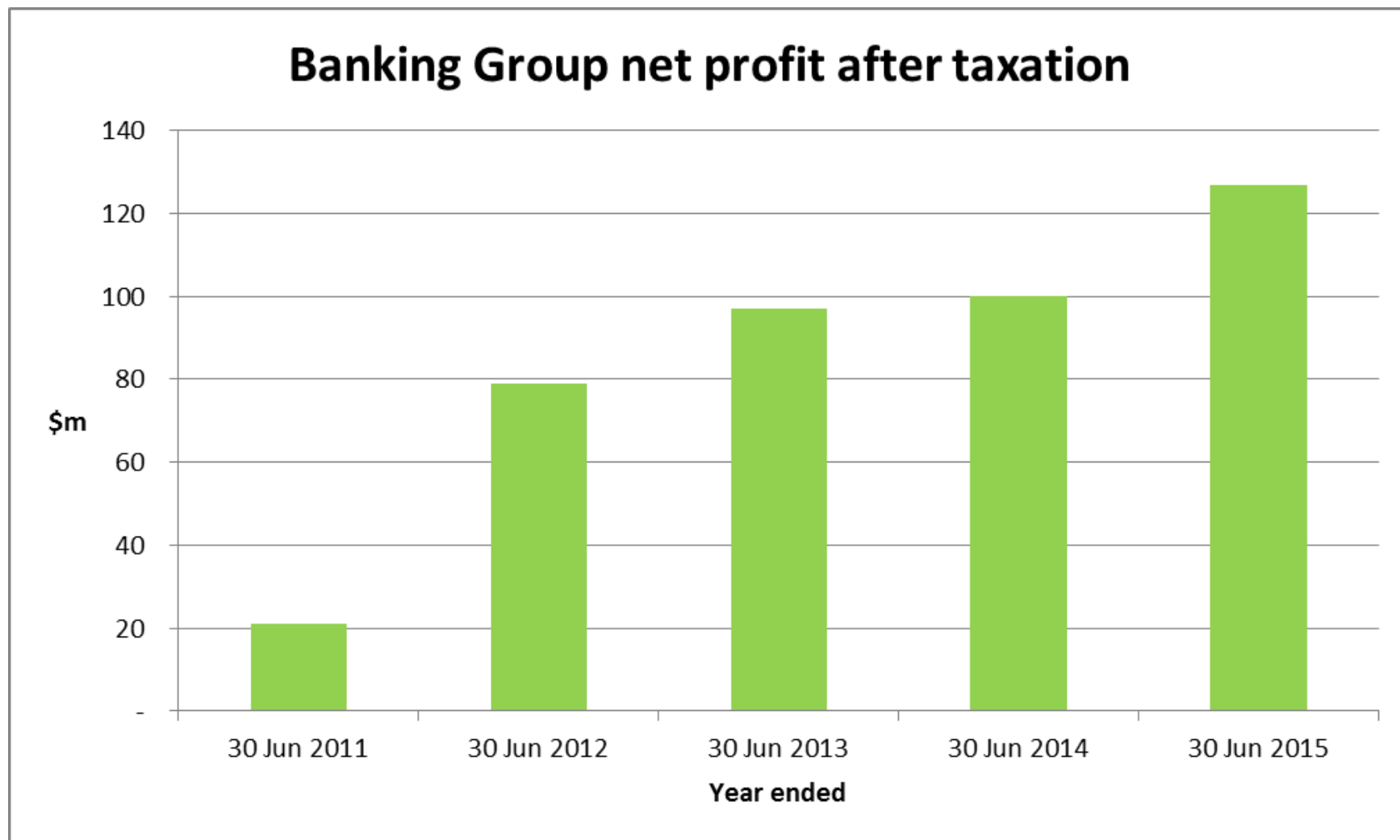
- Kiwibank's Standard and Poor's credit rating was reaffirmed at A+
- Provisioning for bad debts reduced from \$59m to \$53m
- SME market share increased from 6.3% to 7.8%
- Raised \$150m via an AT1 capital instrument

Kiwibank Customer Base

- Kiwibank continues to grow its share of the competitive New Zealand banking market
- A key measure for the customer base is Main Financial Institution (wage, salary, benefit and main banking transactions):
 - o Kiwibank: 427,000 Main Financial Institution customers (increase of 37,000)
 - o 12% of total market
- Based on a total New Zealand banking market of 3.6 million customers, Kiwibank operates accounts for:
 - o 903,000 customers (increase of 43,000)
 - o 25% of total market
- Highest “Main Bank” Customer Satisfaction¹ among the Major Banks

¹ (Roy Morgan)

Financial Performance



Financial Performance – Profit & Loss

- Record profit after tax of \$127m
- Kiwibank increased total operating revenue by 16.9%

Dollars in millions	30 June 2015	30 June 2014	% Growth
Net interest income	361	293	23.2%
Other income	199	186	7.0%
Total operating revenue	560	479	16.9%
Operating expenses	(384)	(340)	12.9%
Net profit before taxation	176	139	26.6%
Income tax expense	(49)	(39)	25.6%
Net profit after taxation	127	100	27.0%

Financial Performance-Balance sheet

- Lending growth continues to be strong in a highly competitive market
- Strong depositor support continues to maintain the customer funding ratio

Dollars in millions	30 Jun 2015	30 Jun 2014	Growth
Assets			
Loans and advances	15,598	14,630	6.6%
Wholesale & other assets	2,744	2,046	34.1%
Total assets	18,342	16,676	10.0%
Financed by:			
Liabilities			
Customer deposits	13,740	12,751	7.8%
Securities issued & other liabilities	3,570	2,922	22.2%
Total liabilities	17,310	15,673	10.4%
Shareholder's equity	1,032	1,003	2.9%
Total liabilities & shareholder's equity	18,342	16,676	10.0%

Financial Performance - key ratios

	Year to 30 Jun 2015	Year to 30 Jun 2014
Profitability measures		
Net interest margin	2.12%	1.86%
Return on equity	13.48%	11.84%
Efficiency measures		
Cost to income ratio	60.0%	66.3%
Operating expenses / average total assets	1.6%	1.7%
	As at 30 Jun 2015	As at 30 Jun 2014
Capital ratios		
Common Equity Tier 1 capital ratio	9.3%	9.0%
Capital adequacy ratio - Tier 1 Capital	11.0%	10.4%
Capital adequacy ratio - Total Capital	13.4%	13.0%

Home Lending

- Net growth in lending of nearly \$950 million in a highly competitive market
- Kiwibank helped 1,200 First Home Buyers into new homes (17% increase on last year)
- Kiwibank helped 4,000 refinancers leave their old bank
- Kiwibank now has 7% of the residential mortgage market

Unsecured Lending

- More than 40,000 Airpoints credit card accounts, a 40% increase on 2014
- We now have more than 150,000 credit card accounts
- Market share now 5.6% of credit card accounts and growing

Financial Performance-Capital Adequacy

- Kiwibank's capital ratios remain strong and in excess of RBNZ required minima
- As at June 2015, Kiwibank's Common Equity Tier 1 Ratio was 9.3%, 230bps above the RBNZ requirement of 7%
- Total capital increased by \$108m to \$1,168m, a 10.2% increase from 30 June 2014
 - Kiwibank raised \$150m with a Basel III compliant AT1 issuance
- Total capital ratio under Basel III increased to 13.4% at 30 June 2015

Credit Quality - Impaired Assets

- The top table shows total impaired assets as a % of gross loans and advances. Kiwibank remains favourably placed against other banks
- Impaired Assets of \$23m include all assets where interest charges have been suspended and a specific provision has been raised. Down from \$44m at 30 June 2014.
- A key focus from management is the total credit provisioning to gross loans and advances.

Impaired assets as a % of Gross Loans and Advances

Bank	30 June 2015	30 June 2014
Kiwibank	0.15%	0.30%
ASB	0.44%	0.36%
BNZ	0.43%	0.43%
Westpac	0.64%	0.51%
ANZ	0.39%	0.66%

Credit Provisions as a % of Gross Loans and Advances

Bank	30 June 2015	30 June 2014
Kiwibank	0.34%	0.40%
ASB	0.35%	0.33%
BNZ	0.65%	0.62%
Westpac	0.69%	0.69%
ANZ	0.60%	0.73%

Source: 30 June 2014 and 2015 Disclosure Statements.

Highlights in relation to our digital strategy:

- On-line mortgage re-fixing (from 0% to 45%)
- Around 20% of our sales to existing customers are done digitally today
- Simpler investment opening (contact centre sales uplift from 4% to 9%)
- 79% of our bank statements are digital
- 89% of all our service transactions already being completed via digital channels

Core Banking System

- Kiwibank has launched its Core Modification Programme.
- Four year programme in 3 phases to transform payment, transactional and back office IT systems.
- Programme of work is progressing as planned.
- Phase 1 went live this month.

The Future

- Transforming the KGH Group into a digital business resulting in digitally-enabled customers supported by physical options
- Continued focus on driving the cost-to income ratio down
- Ensuring there is a strong and scalable platform by investing in the core and IT systems
- A relentless drive to improve our customer driven culture