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MEDIA RELEASE

Kiwibank six-month financial announcement (July 2014- December 2014)

Kiwibank Banking Group has declared a profit after tax of \$71 million for the six months ended 31 December 2014, a 36% increase on the \$52 million profit for the same period in 2013.

Kiwibank Chief Executive Paul Brock said the Banking Group result was very encouraging and pointed to a record full year performance. The key financial results are:

- Total lending (home loans, business banking and credit cards) increased 2.9% from \$14.63 billion to \$15.05 billion
- Customer deposits increased 4.2% from \$12.75 billion to \$13.28 billion
- Operating revenue increased by 14.1% whilst operating expenses decreased by 4.3%

Mr Brock said the result continued the strong recovery after the financial constraints resulting from the Christchurch earthquakes and the global financial crisis. The underlying strength of the performance was improved net interest margin and containment of costs. Margin improvement was driven by favourable funding conditions as lower funding costs provided an offset to lower lending margins resulting from strong competition and customer preference for fixed term loans.

Mr Brock said deposits continued to account for more than 80% of all bank funding.

Mr Brock said that at the end of December, Kiwibank had 880,000 customers - basically one in four of all bank account holders in New Zealand. Of this number 418,000 were considered main bank customers (having most or all of their banking with Kiwibank). This represents an 11.6% market share.

Mr Brock said that now the bank has been operating for 13 years, its customer base has not only kept growing but has diversified to be a stable and growing base of mortgage holders, depositors and small to medium businesses. There continued to be strong performances by associated companies involved in KiwiSaver, wealth management and insurance.

Profit and loss

Dollars in millions	6 months ended 31 Dec 2014	6 months ended 30 Jun 2014	% Growth	6 months ended 31 Dec 2013
Net interest income	179	153	17.0%	140
Other income	104	95	9.5%	91
Total operating revenue	283	248	14.1%	231
Operating expenses	(176)	(184)	(4.3%)	(160)
Impairment allowance	(9)	3	Large	1
Net profit before tax	98	67	46.3%	72
Income tax expense	(27)	(19)	42.1%	(20)
Net profit after tax	71	48	47.9%	52

Balance Sheet

Dollars in millions	31 Dec 2014	30 Jun 2014	31 Dec 2013	Growth YTD	Growth 12 months
Assets					
Loans and advances	15,054	14,630	13,952	2.9%	7.9%
Wholesale & other assets	2,107	2,046	2,160	3.0%	(2.5%)
Total assets	17,161	16,676	16,112	2.9%	6.5%
Financed by:					
Liabilities					
Customer deposits	13,283	12,751	12,412	4.2%	7.0%
Securities issued & other liabilities	2,840	2,922	2,779	(2.8%)	2.2%
Total liabilities	16,123	15,673	15,191	2.9%	6.1%
Shareholder's equity	1,038	1,003	921	3.5%	12.7%
Total liabilities & shareholder's equity	17,161	16,676	16,112	2.9%	6.5%

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