

kiwi bank It's ours

Key information summary

Number 38

For the six months ended 31 December 2010



For your
attention

1. Introductory information

The purpose of this Key Information Summary is to provide customers and potential customers with information about the financial condition of their bank. The information contained in the Key Information Summary is explained in the Reserve Bank publication "Your Bank's Disclosure Statement – What's In It For You?", which can be obtained from the Reserve Bank.

2. Corporate information

Name of Registered Bank: Kiwibank Limited ("Kiwibank").

Ultimate Holding Company: New Zealand Post Limited ("NZP"), which is a New Zealand incorporated company.

On 29 November 2001, Kiwibank was registered as a bank under the Reserve Bank of New Zealand Act 1989 and was required to comply with the conditions of registration as laid down by the Reserve Bank of New Zealand from that date onwards.

The Banking Group comprises the Registered Bank and its subsidiaries, Kiwibank Nominees Limited, New Zealand Home Lending Limited, AMP Home Loans Limited, KB Custodial Services Limited, Kiwi Asset Finance Limited and Kiwibank Investment Management Limited. All of the subsidiaries are 100% owned by Kiwibank. In addition The Banking Group also consolidates the Portfolio Investment Entity Unit Trust, RMBS Trust, Kiwi Capital Management Limited and Kiwi Capital Securities Limited on the basis that Kiwibank is deemed to control these entities as their activities are conducted on behalf of Kiwibank according to Kiwibank's specific business needs.

3. Credit ratings

On 29 November 2001, Standard & Poor's (Australia) Pty Limited granted Kiwibank a credit rating of AA- for long-term senior unsecured obligations payable in New Zealand, in New Zealand dollars. There have been no changes made to the rating in the two years preceding 31 December 2010. This credit rating was reaffirmed on 29 December 2010 as AA- stable. NZP has a credit rating of AA- and has given Kiwibank a deed poll guarantee.

3A. Crown Retail Guarantee

- a. Kiwibank has a guarantee under the Crown wholesale funding guarantee scheme. The guarantor is the Crown. This scheme was withdrawn to new guarantees on 30 April 2010. However the Crown wholesale funding guarantee scheme still applies in relation to fixed rate bonds issued by Kiwibank on 20 October 2009.
- b. Additional information on the Crown wholesale funding guarantee scheme is available, free of charge and at all reasonable times, on the internet site maintained by the Treasury. The web-site address is www.treasury.govt.nz. Further, additional information on Kiwibank's guarantee under the scheme is available in Kiwibank's General Disclosure Statement for the year ended 30 June 2010 and in the Supplemental Disclosure Statement, which contains copies of both guarantees.

Dollars in thousands

	Unaudited 31/12/10	Unaudited 31/12/09
--	-------------------------------	-----------------------

4. Profitability

Net profit of the Banking Group after taxation for the six months ended 31 December	13,908	23,549
Net profit of the Banking Group after taxation for the twelve months ended 31 December expressed as a percentage of the average of total assets	0.3%	0.6%

5. Size

Total assets of the Banking Group as at 31 December	12,968,625	12,017,943
Percentage change in total assets of the Banking Group for the twelve months ended 31 December	7.9%	27.4%

Dollars in thousands

	Unaudited 31/12/10	Unaudited 31/12/09
--	-------------------------------	-----------------------

6. Capital adequacy

Tier One Capital as a percentage of total risk weighted exposures	9.5%	7.4%
Minimum percentage of tier one capital to risk weighted exposures permitted under Kiwibank's conditions of registration	4.0%	4.0%
Minimum Tier One Capital ratio under Crown Wholesale Guarantee	6.0%	6.0%
Total capital (Pillar I) expressed as a percentage of total risk weighted exposures	11.7%	9.8%
Minimum percentage of qualifying capital to risk weighted exposures permitted under Kiwibank's conditions of registration	8.0%	8.0%

7. Asset quality

Total individually impaired assets of the Banking Group	63,903	31,614
Total individually impaired assets of the Banking Group expressed as a percentage of total assets	0.5%	0.3%
Total individual credit impairment allowance of the Banking Group	31,627	5,840
Total individual credit impairment allowance of the Banking Group expressed as a percentage of total individually impaired assets	49.5%	18.5%
Total collective credit impairment allowance of the Banking Group	13,835	9,604
Total collective credit impairment allowance of the Banking Group expressed as a percentage of total individually impaired assets	21.7%	30.4%

8. Peak credit exposure concentrations

Peak end-of-day credit exposures have been calculated using the Banking Group's tier one capital at the end of the period. The number of individual counterparties, excluding connected persons and the central government of any country with a long-term credit rating of A- or A3 above, or its equivalent, where the peak end-of-day aggregate actual credit exposures, net of individual credit impairment allowance (which was nil), equalled or exceeded 10% of the Banking Group's shareholder's equity for the three months ended 31 December are:

	Unaudited 3 months ended 31/12/10		Unaudited 3 months ended 31/12/09	
	Non-Bank	Bank	Non-Bank	Bank
10% - 19%	-	1	1	2
20% - 29%	-	2	-	-
30% - 39%	-	2	-	1
40% - 49%	-	-	-	2
50% - 59%	-	-	-	-
70% - 79%	-	-	-	1
90% - 99%	-	-	-	-

9. Credit exposures to connected persons

Credit exposure concentrations are disclosed on the basis of actual exposures, and calculated on a gross basis (net of individual credit impairment allowances and excluding advances of a capital nature). The Banking Group does not have credit exposures to connected persons other than non-bank connected persons. Peak end-of-day credit exposures to non-bank connected persons have been calculated using the Banking Group's tier one capital at the end of the period. There is no individual impairment credit allowance against credit exposures to non-bank connected persons as at 31 December 2010 (31 December 2009: \$nil).

Dollars in thousands

	Unaudited 3 months ended 31/12/10	Unaudited 3 months ended 31/12/09
Peak credit exposures to non-bank connected persons during the period	16,052	13,020
Peak credit exposures to non-bank connected persons during the period expressed as a percentage of tier one capital	2.7%	3.1%

Kiwibank's Conditions of Registration require that aggregate credit exposures (of a non-capital nature and net of individual credit impairment allowance) of the Banking Group to all connected persons do not exceed 70 percent of tier one capital and that, within this limit, aggregate credit exposures (net of individual credit impairment allowance and gross of set-offs) to non-bank connected persons do not exceed 15 percent of tier one capital. The limits on aggregate credit exposure to connected persons and to non-bank connected persons in the Conditions of Registration have been complied with at all times during the last quarter.

10. Availability of disclosure statements

A copy of Kiwibank's most recent General Disclosure Statement and Supplemental Disclosure Statement, containing a copy of the NZP full guarantee contract and the Crown Wholesale Guarantee, is available at www.kiwibank.co.nz or will be provided:

- immediately at no charge to any person requesting a copy from Kiwibank's Head Office at Level 6, Radio New Zealand House, 155 The Terrace, Wellington, New Zealand, or
- at any branch of Kiwibank at no charge to any person within 5 working days of a request for a copy having been made.



Auditor's Review Statement

To the readers of Kiwibank Limited's Key Information Summary For the six months ended 31 December 2010

The Auditor-General is the auditor of Kiwibank Limited (the "Bank") and the Banking Group comprising the Bank and its subsidiaries. The Auditor-General has appointed me, Karen Shires, using the staff and resources of PwC, to carry out the annual audit of the Bank and the Banking Group, on her behalf.

In our capacity as auditor, we have examined the attached Key Information Summary. The information in the Key Information Summary has been taken from the Banking Group's General Disclosure Statement for the six months ended 31 December 2010. We have examined the interim financial statements and certain supplementary information contained within the General Disclosure Statement for the six months, on which we issued an unqualified review statement dated 24 February 2011.

Statement of Findings

Based on our examination of the Key Information Summary, we report that:

- (a) the Key Information Summary has been prepared in accordance with Clauses 20(1) to 20(5) and Schedule 2 of the Registered Bank Disclosure Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 2008 (the "Order"); and
- (b) the information contained in the Key Information Summary has been properly taken from the information contained in the General Disclosure Statement for the six months ended 31 December 2010.

For a better understanding of the scope of our examination of the Banking Group's General Disclosure Statement, and of the Banking Group's financial position, financial performance and cash flows for the six months ended 31 December 2010, this review statement should be read in conjunction with the Banking Group's General Disclosure Statement for the six months ended 31 December 2010.

Our work was completed on 24 February 2011 and our findings are stated as at that date.



The basis of our review statement is explained below. In addition, we outline the responsibilities of the Board of Directors and our role as reviewer, and explain our independence.

Basis of review statement

For the purpose of meeting our reporting responsibilities, we have examined the information contained in the Key Information Summary and compared it to the corresponding information contained in the General Disclosure Statement for the six months ended 31 December 2010.

Responsibilities of the Board of Directors and our role as Reviewer

The Board of Directors are responsible for the preparation and presentation of the Key Information Summary in accordance with the Order.

We are responsible for examining the Key Information Summary presented by the Directors for compliance with the Order, and reporting our findings to you. This responsibility is specified in the Order.

Independence

When carrying out the examination we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the examination we have carried out assignments in the areas of taxation advice and accounting advice and other assurance services, which are compatible with those independence requirements. In addition, certain partners and employees of our firm may deal with the Bank and Banking Group on normal terms within the ordinary course of trading activities of the Bank and Banking Group. Other than in our capacity as auditor acting on behalf of the Auditor-General and these assignments we have no relationship with or interests in the Bank or the Banking Group.

A handwritten signature in black ink, appearing to read 'Karen Shires'.

Karen Shires
On behalf of the Auditor-General
Wellington, New Zealand

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

Matters Relating to the Electronic Presentation of the Key Information Summary

This review statement relates to the Key Information Summary of Kiwibank Limited (the " Bank") for the six months ended 31 December 2010 included on the Bank's website. The Bank's Board of Directors is responsible for the maintenance and integrity of the Bank's website. We have not been engaged to report on the integrity of the Bank's website. We accept no responsibility for any changes that may have occurred to the Key Information Summary since it was initially presented on the website.

The review statement refers only to the Key Information Summary named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this Key Information Summary. If readers of this statement are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the Key Information Summary and related review statement dated 24 February 2011 to confirm the information included in the Key Information Summary presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.