

**Audit Report**

**To the readers of Kiwibank Limited and Group's Key Information Summary for the year ended 30 June 2007**

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 PricewaterhouseCoopers, to carry out the annual audit of the Bank and Banking Group, on his behalf for the year ended 30 June 2007.

In our capacity as auditor, we have examined the attached Key Information Summary. The information in the Key Information Summary has been extracted from the Bank's General Disclosure Statement for the year ended 30 June 2007. We have examined the financial statements and certain supplementary information contained within the General Disclosure Statements for the year, on which we issued an unqualified audit opinion dated 22 August 2007.

**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 5(1) to 5(6) of the Registered Bank Disclosure Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 2007 ("the Order"); and
- (b) the information contained in the Key Information Summary has been properly taken from the information contained in the Bank's General Disclosure Statement for the year ended 30 June 2007.

For a better understanding of the scope of our examination of the Bank's General Disclosure Statement, and of the Bank's financial position, financial performance and cash flows for the year ended 30 June 2007, this report should be read in conjunction with the Bank's General Disclosure Statement for the year ended 30 June 2007.

Our work was completed on 22 August 2007 and our findings are stated as at that date.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

**Basis of report**

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 Bank's General Disclosure Statement for the year ended 30 June 2007.

**Responsibilities of the Board of Directors and the Auditor**

The Board of Directors is 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 Board of 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 incorporated the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit we have carried out assignments in the areas of taxation 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. Other than the audit and these assignments, we have no relationship with or interests in the Bank or Banking Group.



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



PricewaterhouseCoopers

**Matters relating to the electronic presentation of the Key Information Summary**

This audit report relates to the Key Information Summary of Kiwibank Limited (the "Bank") and the Banking Group comprising the Bank and its subsidiaries for the year ended 30 June 2007 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 audit report 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 report 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 audit report dated 22 August 2007 to confirm the information included in the Key Information Summary presented on this website.

Legislation in New Zealand governing the preparation and dissemination of Key Information Summaries may differ from legislation in other jurisdictions.



# Key Information Summary

See how we are performing

Number 24  
For the year ended 30 June 2007



## 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.

Neither the New Zealand Government nor the Reserve Bank of New Zealand guarantees or insures bank deposits.

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, Kiwi Insurance Limited, Kiwibank Nominees Limited, New Zealand Home Lending Limited, AMP Home Loans Limited (established 23 March 2007) and The New Zealand Home Loan Company Limited. All of the subsidiaries are 100% owned by Kiwibank apart from The New Zealand Home Loan Company Limited. On 1 July 2006 Kiwibank purchased 51% of The New Zealand Home Loan Company Limited and is required to purchase the remaining shares in it by 1 July 2012 (or earlier at the option of either Kiwibank or The New Zealand Home Loan Company Limited).

## 3. Credit ratings

On 29 November 2001, Standard & Poor's (Australia) Pty Limited granted Kiwibank a credit rating of AA- for long term unsecured obligations payable in New Zealand, in New Zealand dollars. There have been no changes made to the rating in the two years preceding 30 June 2007. On 27 April 2007, this credit rating was reaffirmed as AA- but the outlook was revised from stable to negative. NZP has a credit rating of AA- and has given Kiwibank a deed poll guarantee.

Dollars in thousands

|  | Audited<br>30/06/07 | Audited<br>30/06/06 |
|--|---------------------|---------------------|
| <b>4. Profitability</b>  |                     |                     |
| Operating surplus of the Banking Group after taxation and minority interest for the year ended 30 June   | \$25,456            | \$15,771            |
| Operating surplus of the Banking Group after taxation for the twelve months ended 30 June expressed as a percentage of the average of total assets | 0.7%                | 0.6%                |
| <b>5. Size</b>   |                     |                     |
| Total assets of the Banking Group as at 30 June  | \$4,756,072         | \$3,072,982         |
| Percentage change in total assets of the Banking Group for the year ended 30 June  | 54.8%               | 65.1%               |
| <b>6. Capital adequacy</b>   |                     |                     |
| Total tier one capital of the Banking Group expressed as a percentage of total risk weighted exposures   | 10.3%               | 11.0%               |
| Minimum percentage of tier one capital to risk weighted exposures permitted under Kiwibank's conditions of registration                            | 4.0%                | 4.0%                |
| Capital of the Banking Group expressed as a percentage of total risk weighted exposures  | 13.4%               | 11.0%               |
| Minimum percentage of qualifying capital to risk weighted exposures permitted under Kiwibank's conditions of registration                          | 8.0%                | 8.0%                |
| <b>7. Asset quality</b>  |                     |                     |
| Total gross impaired assets of the Banking Group   | 64                  | 60                  |
| Total gross impaired assets of the Banking Group expressed as a percentage of total assets   | 0.0%                | 0.0%                |
| Total specific provisions of the Banking Group   | -                   | -                   |
| Total specific provisions of the Banking Group expressed as a percentage of total gross impaired assets  | N/A                 | N/A                 |

## 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 OECD governments, where the peak end-of-day aggregate actual credit exposures, net of specific provisions (which were nil), equalled or exceeded 10% of the Banking Group's shareholder's equity for the three months ended 30 June 2007 are:

|           | Audited<br>three months ended 30 June 2007 |      | Audited<br>three months ended 30 June 2006 |      |
|-----------|--|------|--|------|
|           | Non-Bank                                   | Bank | Non-Bank                                   | Bank |
| 10% - 19% | 1  | 4    | 1  | 2    |
| 20% - 29% | -  | 2    | -  | 1    |
| 30% - 39% | -  | 2    | -  | 2    |
| 50% - 59% | -  | 1    | -  | -    |
| 60% - 69% | -  | 1    | -  | 2    |

## 9. Peak credit exposures to connected persons

Credit exposure concentrations are disclosed on the basis of actual exposures, and calculated on a gross basis, (net of specific provisions 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 are no specific provisions against credit exposures to non-bank connected persons as at 30 June 2007 (30 June 2006: \$nil).

Dollars in thousands

|   | Audited<br>three months<br>ended<br>30/06/07 | Audited<br>three months<br>ended<br>30/06/06 |
|---|--|--|
| Peak credit exposures to non-bank connected persons during the period   | 283  | 284  |
| Peak credit exposures to non-bank connected persons during the period expressed as a percentage of tier one capital | 0.1%   | 0.2%   |

Kiwibank's conditions of registration require that aggregate credit exposures (of a non-capital nature and net of specific provisions) 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 specific provisions 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 full guarantee contract (from NZP), 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.