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Kiwibank delivers on profit

By Rachel Pannett

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State-owned Kiwibank today delivered on a promise to be in the black within three years, reporting a maiden full year profit of \$7.2 million.

That's a sharp turnaround on the \$500,000 loss recorded a year ago, and came despite a backdrop of fierce competition -- including a home loan price war -- from its larger rivals.

Chief executive Sam Knowles said to go from nothing to profit in three years was a "world-leading performance".

He added: "I have never come across another startup bank that has achieved profit in that time."

Kiwibank has hit the spot in terms of community-based banking where the Australian-owned Superbank has struggled, and he said it had been able to use the infrastructure New Zealand Post already had in place.

Mr Knowles added: "Customers are still growing at over 400 a day. The market is embracing us as a competitive alternative to the big banks."

Kiwibank's home loans rose 50 per cent in the year to June 30 to \$1.5 billion, surpassing its next smallest rival TSB, while retail deposits were up 48 per cent to \$1.42 billion.

Customer numbers climbed 40 per cent to 355,000.

The bank was particularly successful in courting wealthy retirees, with average term deposit balances climbing to \$46,000 from \$39,000 a year ago.

Kiwibank's fledgling business banking division is also expanding at full steam, and is expected to play a major role in accelerating overall growth in the year ahead.

"We expect to grow faster this year, in terms of both the size of the balance sheet and profit growth," Mr Knowles said.

The bank will be looking to its parent, NZ Post, for more funding in the coming year, and dividend payouts are unlikely.

Progressive leader Jim Anderton, who instigated Kiwibank in 2002, said it has proved its worth and is an asset that must be preserved.

"Families are benefiting from low interest mortgages, businesses from new low cost business services, and everyone can now use Kiwibank's own ATM network," Mr Anderton said.

Mr Anderton said the fact that profits went straight back to New Zealanders -- unlike the big overseas-owned banks -- should be enough to keep Kiwibank going no matter what government was in power.

"Any government would be mad to put Kiwibank at risk of sell-off or even partial sell-off."

Mr Knowles said there is plenty of room for growth.

"We're still not big in the market. We're in the region of 1.5-2 per cent range of market share, so there's plenty of scope to continue our strategy to compete against the majors."

The \$221 billion banking market is dominated by Australian-owned banks including ASB, ANZ, the

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