

MARSH MOST IMPROVED PERFORMANCE AWARD

Kiwibank

ON THE MONEY

It may have kicked off in an atmosphere of scepticism, but New Zealand's home-grown bank has proved to be the little Kiwi that could. Its rapid growth, high customer approval and an impressive 61 percent increase in profit over the past year are all factors that contributed to the choice of Kiwibank as recipient of the Marsh Most Improved Performance Award for 2007.

As the judges noted, this is a company that has "done everything it was set up to do and done it outstandingly well".

A brainchild of the 1999-2002 Labour Alliance coalition government, Kiwibank opened as a wholly owned subsidiary of New Zealand Post in 2001. Within a year its initial 211 branches had expanded to 285 and customer numbers had increased to 147,000. That number has now shot up to over 550,000 with new accounts being opened at a rate of around 2000 a week.

To improve access to its services the bank last year launched a mobile banking service – an initiative that recently earned it a TUANZ award for innovation. The bank also earns plaudits from those it serves – gaining top equal ranking on the latest Nielsen Consumer Finance Monitor as well as being declared "best value for money bank" for the second year running.

At the end of the 2007 financial year, the bank announced an after-tax profit of \$25.5 million (up 61 percent) while loans and advances rose by 39 percent (to \$3.63 billion) and deposits increased 64 percent (\$3.90 billion). The bank also completed purchase of a 51 percent shareholding in New Zealand Home Loans increasing its penetration into the home loan market.

It may be the new kid on the banking block but Kiwibank has shown it can successfully take on its bigger competitors.

JUDGES' COMMENTS

WINNER KIWIBANK

Kiwibank has done everything it was set up to do and done it outstandingly well. The bank has produced a stunning result and put the right people in place to build the business. It may be the new kid on the block, competing against some well-seasoned competition and aggressive overseas-owned banks but, it is unquestionably taking it to them.

Kiwibank has the undeniable advantage of government sponsorship but it is competing successfully and has now opened 300 branches. Last year it added 100,000 new customers, leveraging off the New Zealand Post network. Profits increased 61 percent in the year while simultaneously increasing its loan book and launching mobile banking services. And, for the second time, it was voted New Zealand's Best Value Bank.

It may have been ushered into existence amid controversy and scepticism, but so far Kiwibank has emphatically proved its detractors wrong and looks set to continue to do so.

FINALIST AIR NEW ZEALAND

Air New Zealand may have taken away passengers' biscuits and squeezed the gap between seats, but the nation's national carrier took off again last year with a healthy 123 percent profit increase and a 13 percent climb in revenue. Given prevailing tough market conditions, last year's very improved performance earned the airline a spot as an award finalist.

The company has also done a good job rationalising international routes which, in turn, has built on the company's strategy to build financial performance. Improved yields and strong demand were key drivers of the revenue growth which was partially offset by continuing fuel price rises.

FINALIST INFRATIL

A 336 percent profit hike is a greatly improved performance by any measure. But it was Infratil's consistency and the faultless management style deployed to deliver this dramatically improved result that most captivated the judges. The company is delivering on its promises to investors and in so doing has produced a result that surpassed all expectations this year.

Infratil's share price also went against the meltdown trend in August, a reflection of the market's understanding that this was a peak performance and should be recognised. The timing attached to realising on investments and then re-investing profits in other opportunities was impeccable.