

Kiwibank Debt Investor Update

March 2024

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Kiwibank Overview


Kiwibank.

Te Tītūtahi | Newmarket

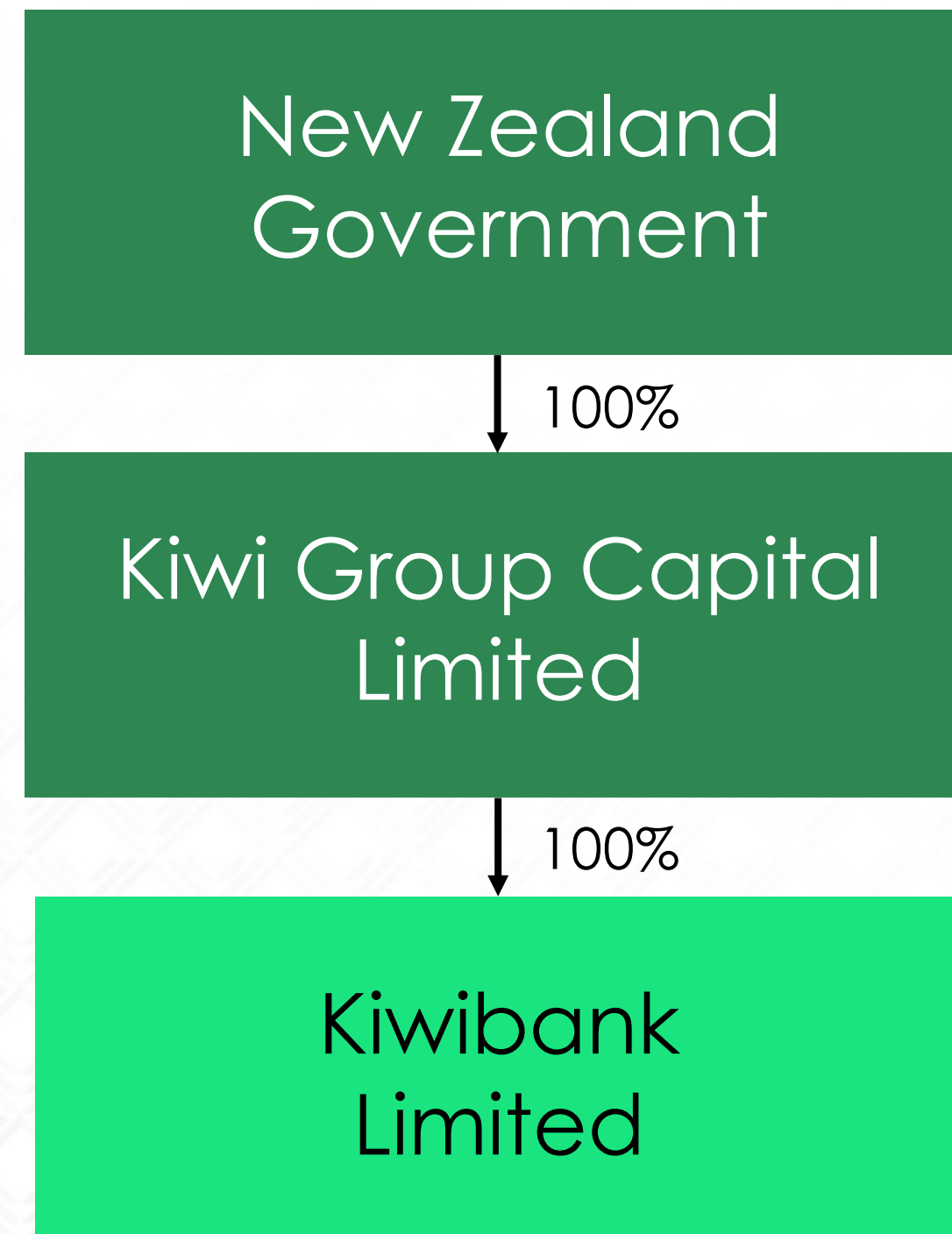
Kiwibank is the largest New Zealand-owned bank.

Kiwibank's founding vision was for New Zealand to have a real, relevant and credible alternative to the offshore-owned banks. That remains at the heart of who we are and why we exist.

Kiwibank is the only New Zealand government owned trading bank



- We are a purpose-led bank, balancing purpose with performance
- We're proud to be a B Corp certified company¹
- New Zealand's largest domestically-owned bank, with NZ\$35b² in total assets
- Full-service nationwide retail bank targeting personal customers and business banking
- Kiwibank's parent, Kiwi Group Capital Limited, is 100% owned by the New Zealand Government³



NZ Government: Foreign Currency Rating	
Moody's	Aaa (stable)
Fitch	AA+ (stable)

Issuer: Long Term Rating	
Moody's	A1 (stable)
Fitch	AA (stable)

¹ Certified B Corporations are committed to considering the impact of their decisions on workers, customers, suppliers, community, and the environment.

Further information available at <https://www.bcorporation.net/en-us/certification/>

² As at 31 December 2023

³ Kiwibank debt is not guaranteed by the New Zealand Government

This is Kiwi – our strategy



PURPOSE

Kiwi Making Kiwi Better Off

What we aim to achieve

- 1. Making our Tamariki (children) better off | Access to financial education
- 2. Making Kiwi (NZers) better off | Taking action to secure their financial future
- 3. Making Aotearoa (NZ) better off | Delivering sustainable finance to improve Kiwi businesses

GOAL

To be Customers' 1st Choice

- 1. More Kiwi and Kiwi businesses prefer us for their banking needs
- 2. More Kiwi choose us for their Home Lending and Business needs

OUR OFFER

Simple
Easy
Accessible
Expertise

- It's simple for our customers to bank with us | We communicate clearly and offer simple solutions
- It's easy for our customers to get things done with us | We deal with our customers' needs quickly, first time
- Our customers can bank with us where and when they need us | We enable customers to choose us more often
- Our customers trust our expertise | We have the expertise to help make Kiwi better off

BETTER BANK

Sustainable Growth
Impact
Trusted
Empowered

- We aim to be financially sustainable as we grow
- We aim to be a leading purpose-led employer that has impact in our communities
- We aim to be a trusted bank – we deliver good customer outcomes every time
- We aim to take ownership and act quickly for our customers

This is us.
NGĀ KAUIWAKA

Ka Tīmata i a Tātou
A **Place** to **Belong**

Me Māia
Rise to the **Challenge**

Tapatahi
Better Together

Ngā Kiritaki
Customer at the **Heart**

Sustainability highlights (6 months to Dec 23)



NZ\$71m sustainable finance lent to businesses



Supported 62,210 students to be financially savvy through Banquer



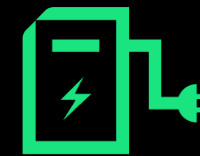
Released a financial wellbeing programme for our people with more than 150 mentors actively engaged



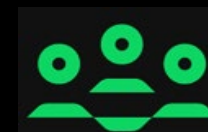
3% decrease in carbon emissions from same period of baseline year (2021)



12 Kāinga whenua champions within the business to assist lending to Māori



51% of our fleet are electric vehicles



38.8% women in leadership roles



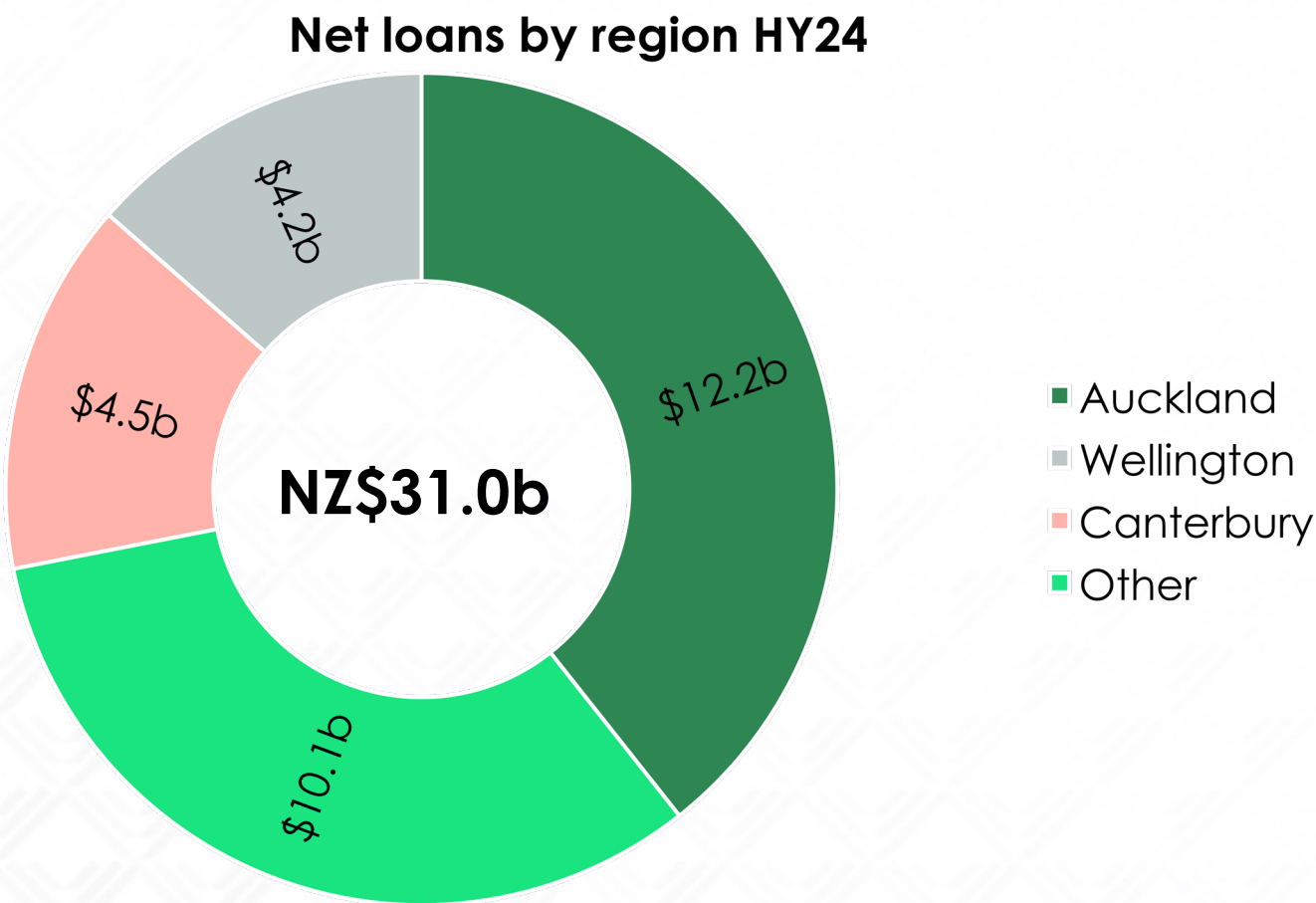
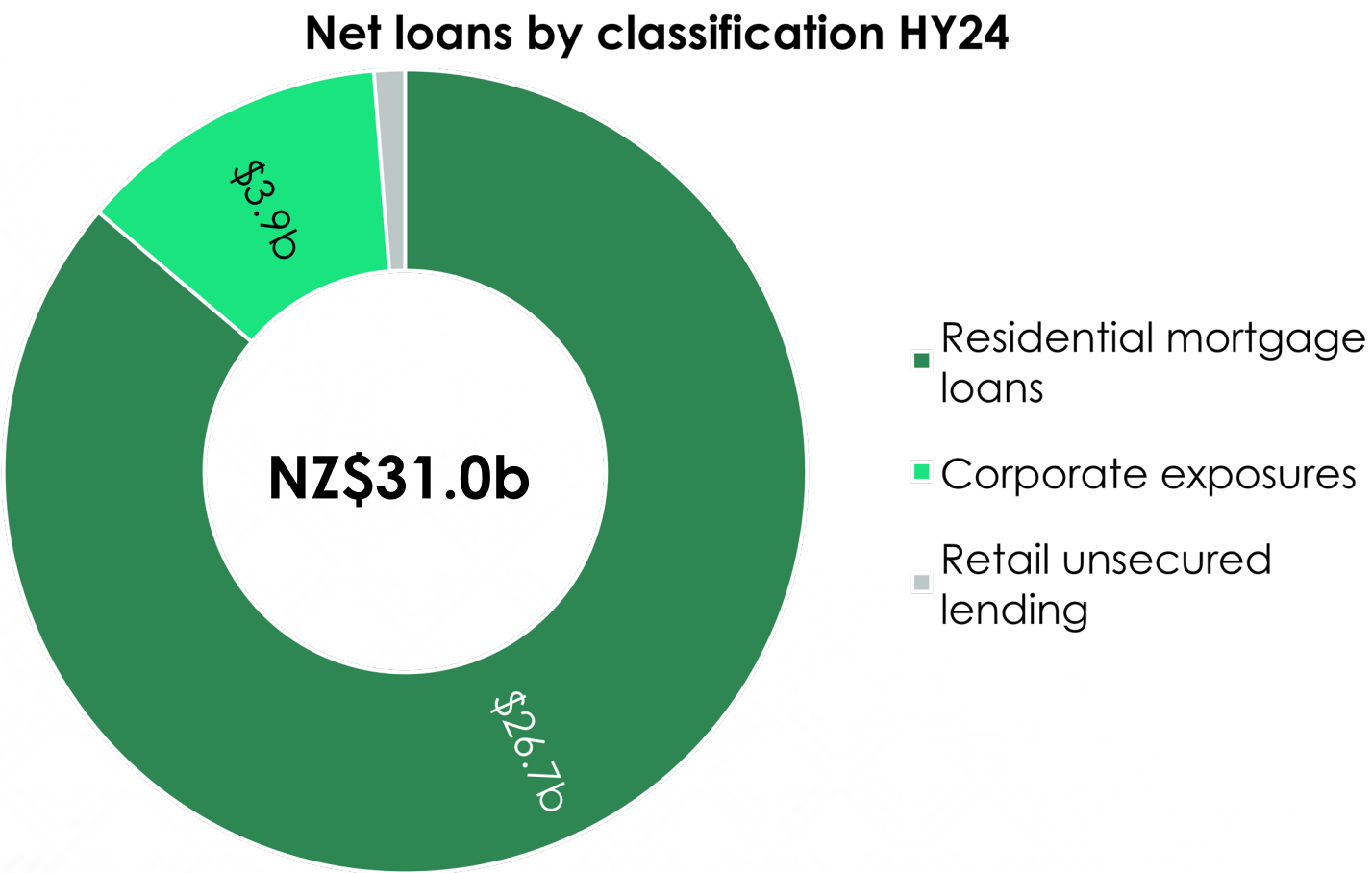
138 micro-loans delivered through Ngā Tāngata Microfinance Trust

Lending Portfolio



- Kiwibank is primarily a retail mortgage bank
- 7% share of mortgage market¹
- We also provide lending to SMEs, Commercial and Corporate clients
- No Institutional lending and no Agri lending within the farm gate

Home Loan Portfolio	HY24	FY23
Total home loan portfolio	NZ\$26.7b	NZ\$25.4b
Fixed/Floating	91%/9%	92%/8%
Average home loan balance	NZ\$388k	NZ\$385k
Interest only	17.1%	16.5%
LVR >80%	7.0%	6.5%

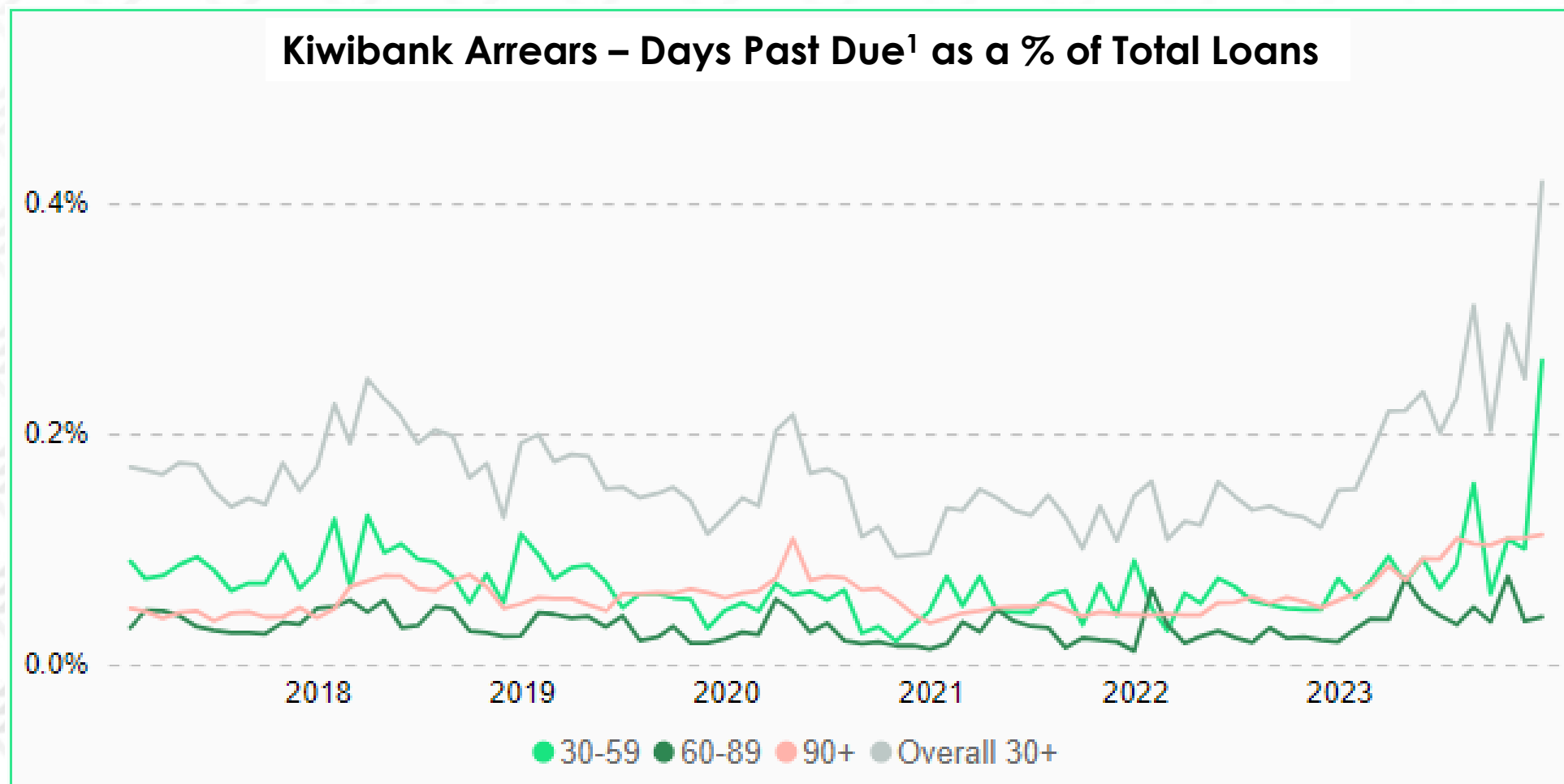


¹ Source: RBNZ statistics S31 Loans by Purpose as at 31 December 2023, <https://www.rbnz.govt.nz/statistics/series/registered-banks/banks-assets-loans-by-purpose>

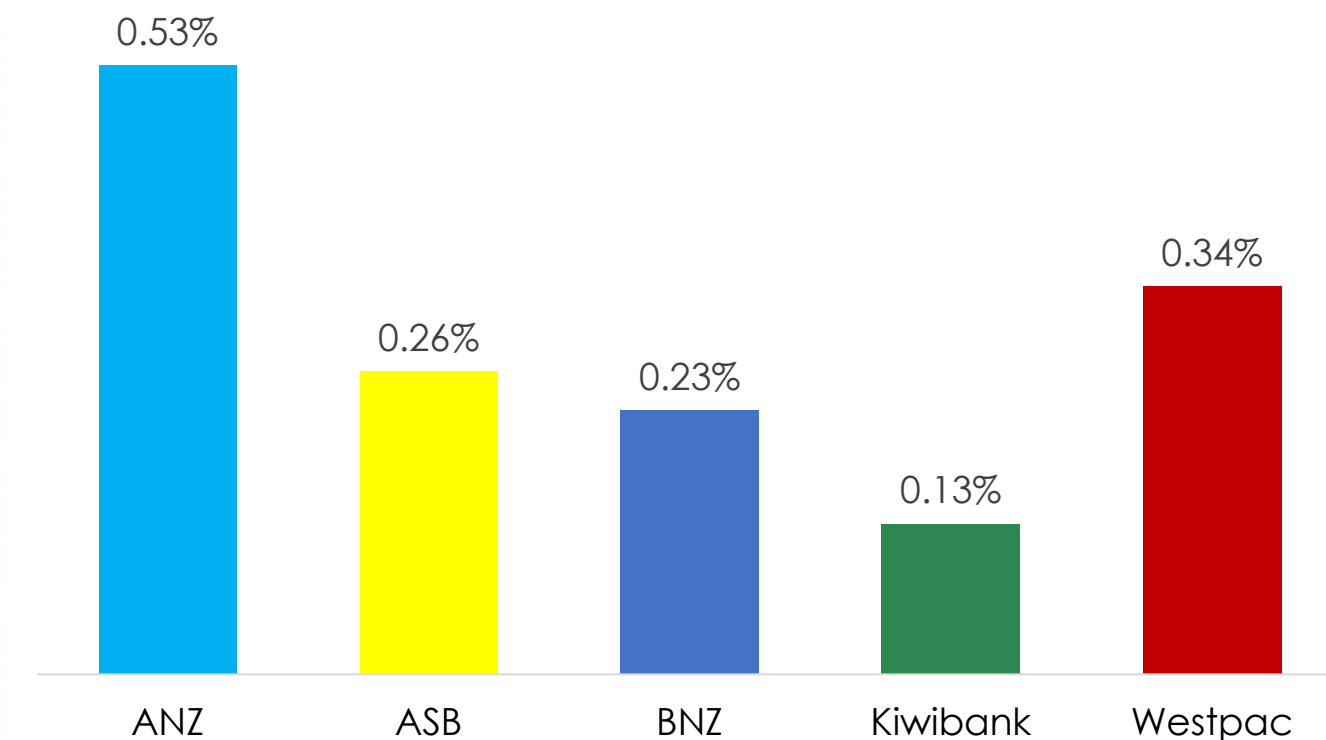
Asset Quality



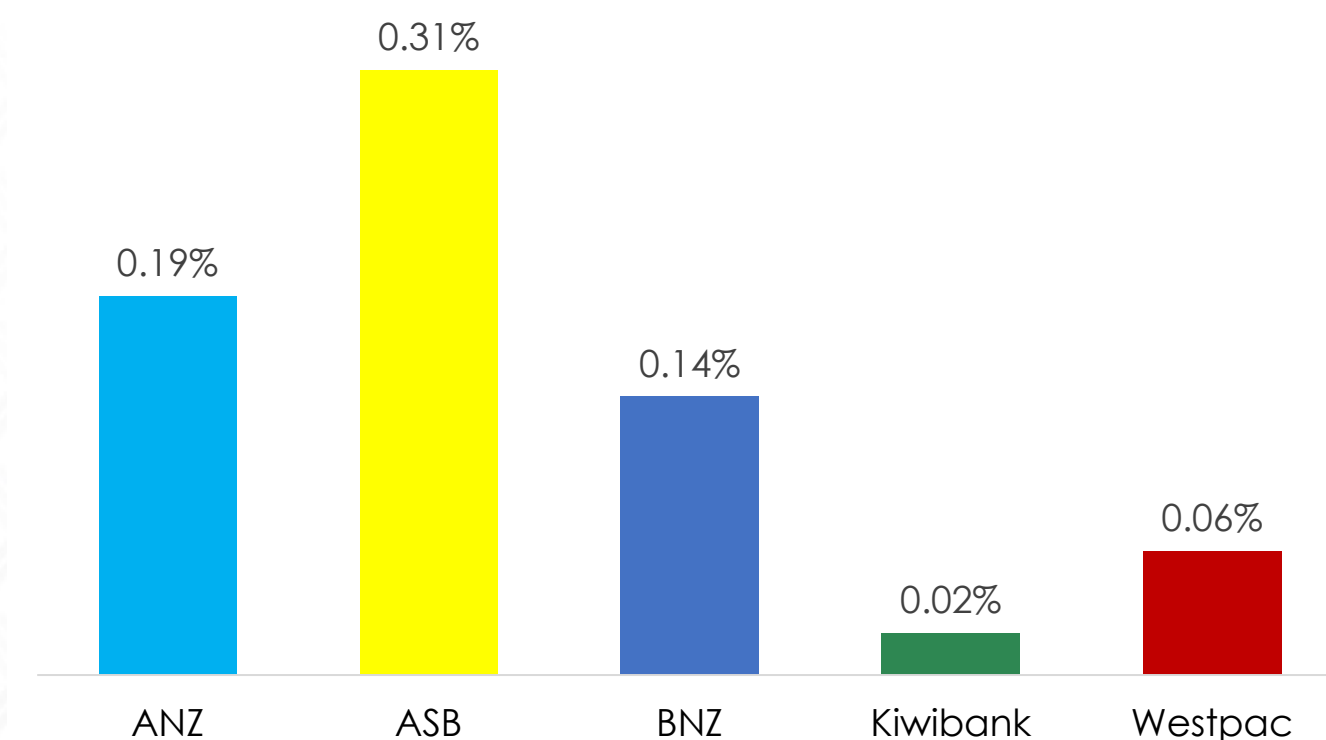
- Small increase in arrears across the banking system but no strong indication of significantly increased credit stress
- Kiwibank mortgage arrears and impairments remain low, below the industry average
- Payment support options have been established to assist home loan borrowers who may struggle with higher interest rates



90+ Days Past Due¹ as a % of Total Loans²



Impaired Loans as a % of Total Loans²



¹ Excluding impaired loans

² Source: RBNZ Financial Strength Dashboard as at 31 December 2023, <https://bankdashboard.rbnz.govt.nz/summary>

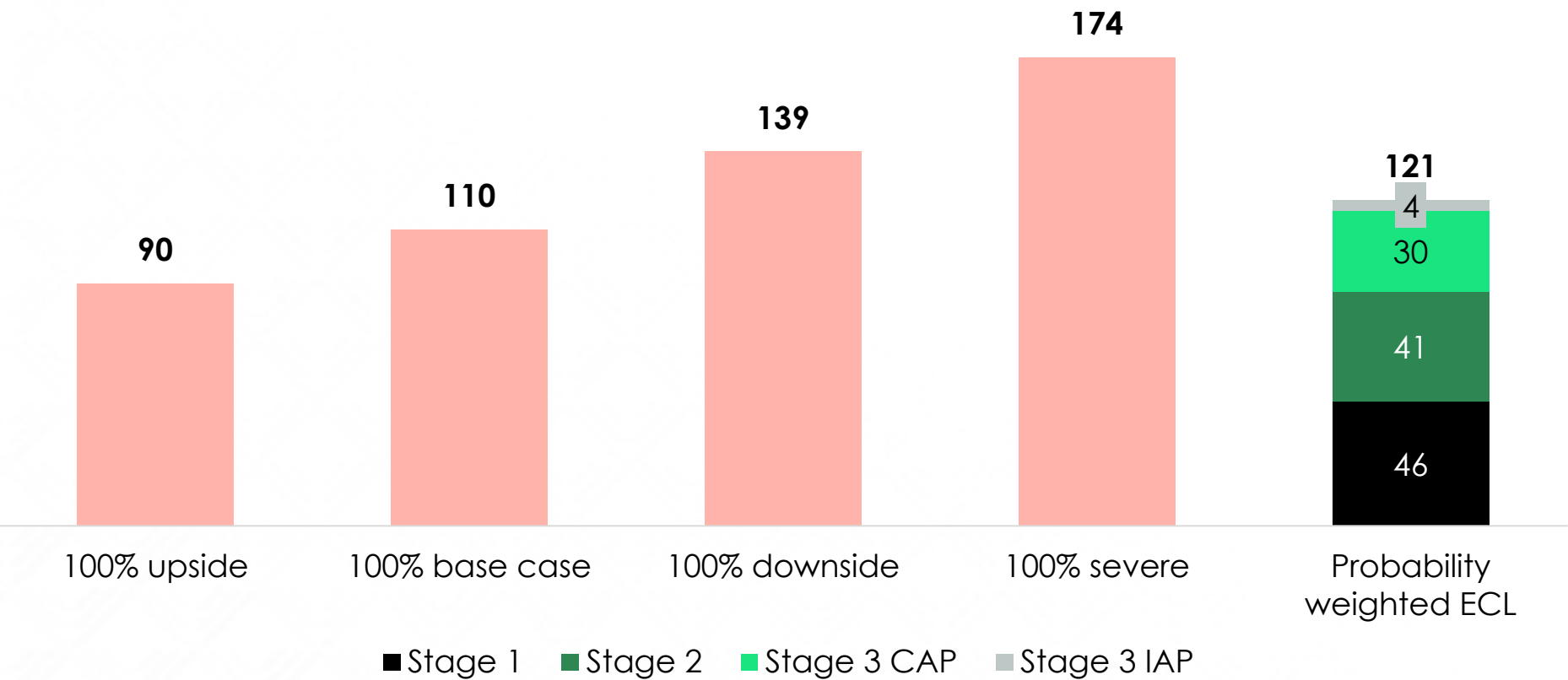
Credit Impairment Provisions



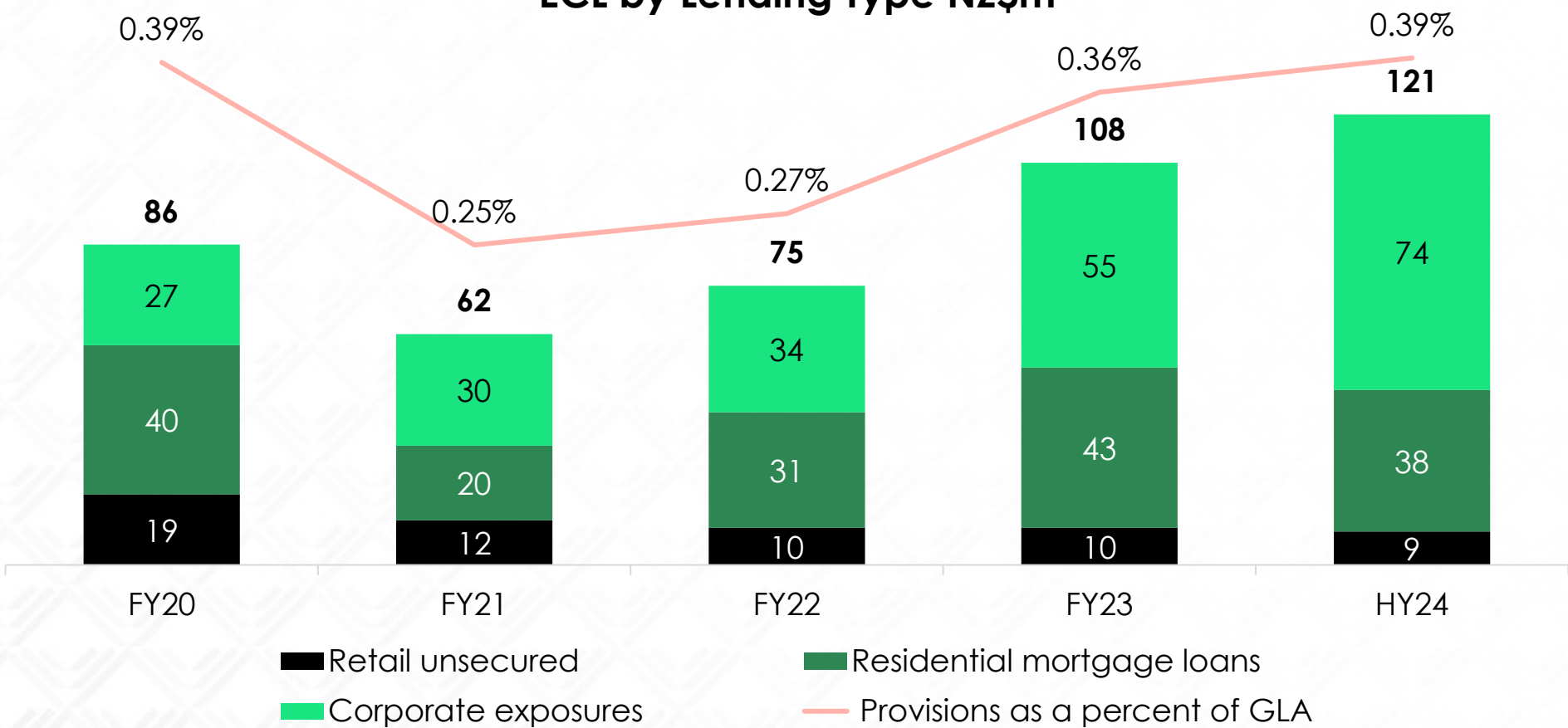
- Credit provisions have trended upwards due to asset growth and increased business customer risk
- Expected Credit Losses (ECL) are an estimate of forward-looking losses based on a probability weighted view of four different economic scenarios
- The severe stress scenario is based on the scenarios that were used in RBNZ's 2022 industry stress test
- The weightings applied to each scenario have been adjusted since FY23 to reflect the potential upside due to the surge in migration and monetary policy potentially loosening before 2025

Economic Scenario Weightings Applied	HY24	FY23
Central/Base Case	50%	45%
Upside	15%	10%
Downside	25%	35%
Severe Stress	10%	10%

ECL by Stage & Economic Scenario HY24 NZ\$m



ECL by Lending Type NZ\$m



ECL: Expected Credit Losses
 GLA: Gross Loans and Advances
 CAP: Collectively Assessed Provisions; IAP: Individually Assessed Provisions

Regulatory Landscape



Commerce Commission

Banking Market Study¹

- Focusing on competition for personal banking services
- Preliminary issues consultation completed, draft report expected in late March and the final report in due in August

RBNZ

Liquidity policy review²

- Retention of the RBNZ's existing mismatch and core funding ratio measures, and the adoption of a fee-based Committed Liquidity Facility (CLF) that will allow banks to treat eligible assets as an inflow
- Further consultation due in April with the final standard effective from early 2027

Deposit Compensation Scheme³

- Will compensate depositors in the event of a bank failure
- Protect up to NZ\$100,000 per depositor per financial institution
- Expected to take effect from mid-2025

Commerce and Consumer Affairs

- New government has announced review of the Credit Contracts and Consumer Finance Act (CCCFA)⁴
- Some prescriptive affordability requirements for lower risk lending are expected to be removed

¹ Further information available at <https://comcom.govt.nz/about-us/our-role/competition-studies/market-study-into-personal-banking-services>

² Further information available at <https://www.rbnz.govt.nz/have-your-say/2022/review-of-liquidity-policy>

³ Further information available at <https://www.rbnz.govt.nz/regulation-and-supervision/depositor-compensation-scheme>

⁴ Further information available at <https://www.beehive.govt.nz/release/reducing-barriers-financial-services>

Financial Results

Strong revenue result underpins performance



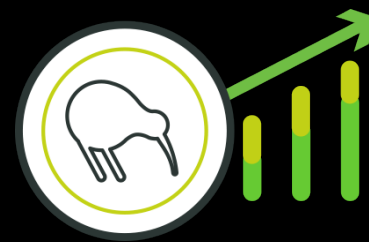
HY24 Financial Highlights



NZ\$1.3b NEW
CUSTOMER LENDING
(NZ\$1.9b FY23)
(NZ\$1.1b HY23)



NZ\$1.1b GROWTH IN
CUSTOMER DEPOSITS
(NZ\$1.5b FY23)
(NZ\$1.0b HY23)



NZ\$105m PROFIT
AFTER TAXATION
(NZ\$175m FY23)
(NZ\$98m HY23)



NZ\$448m
TOTAL OPERATING
INCOME
(NZ\$816m FY23)
(NZ\$415m HY23)



2.54%
NET INTEREST MARGIN¹
(2.48% FY23)
(2.44% HY23)



63.9%
COST TO INCOME (CTI)²
(65.5% FY23)
(63.4% HY23)

Highlights for the six months to 31 December 2023 (HY24)

- Net profit after tax of NZ\$105m for HY24, up 7% from HY23
- Growth in operating income driven by higher NIM
- Kiwibank home lending has continued to outperform the system growing 2.7 times faster than the market. Business lending remained flat as businesses continue to face challenges in a difficult market
- Investment in technology remains a strategic priority to improve scalability for future growth
- Introduction of Apple Pay for Kiwibank customers with an eligible Visa debit or credit card
- The launch of Business Thrive HQ on the Kiwibank website – a knowledge centre with tips and tools to assist businesses achieve their goals

¹ Net Interest Margin (NIM) = Net interest income divided by average Total interest earning and discount bearing assets

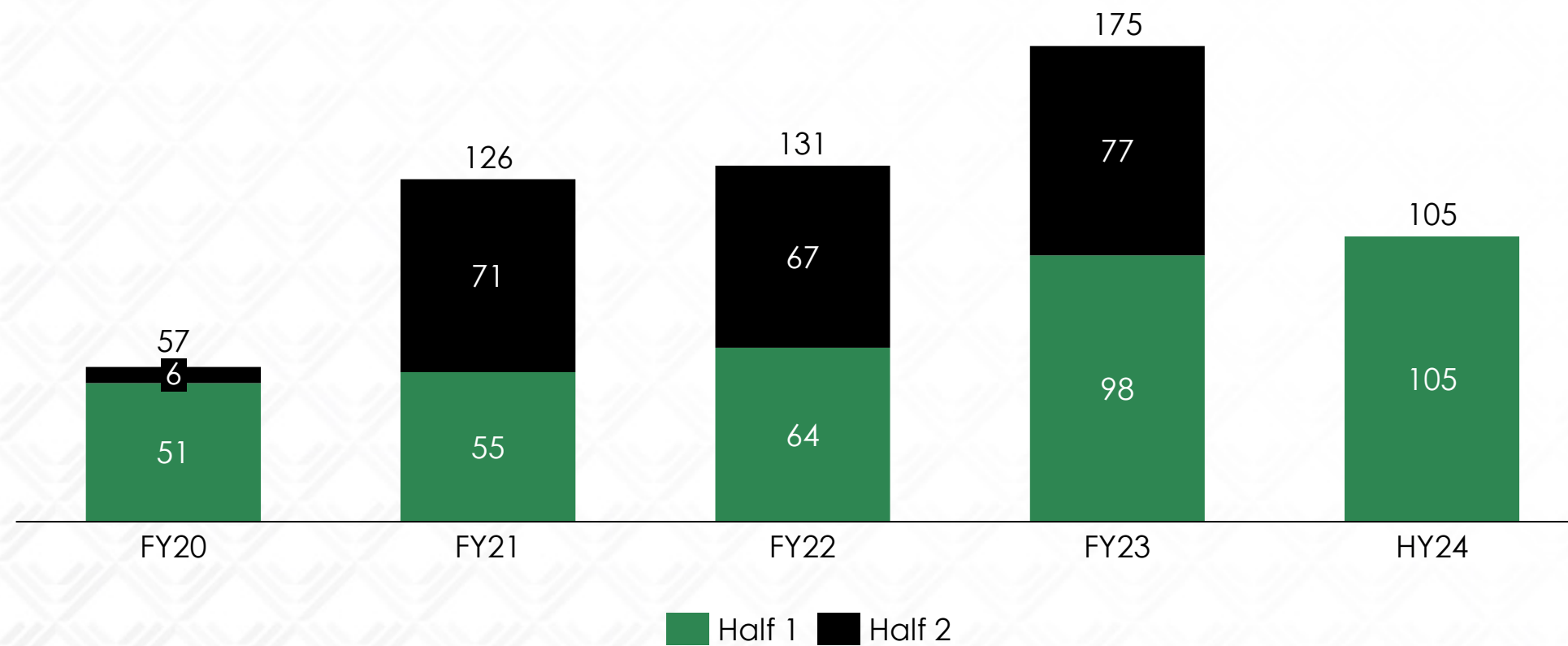
² Cost to Income (CTI) = Operating expenses divided by Total operating income

'FY' means the full-year to 30 June; 'HY' means the half-year from 1 July to 31 December of the prior year

Profit underpinned by net interest income



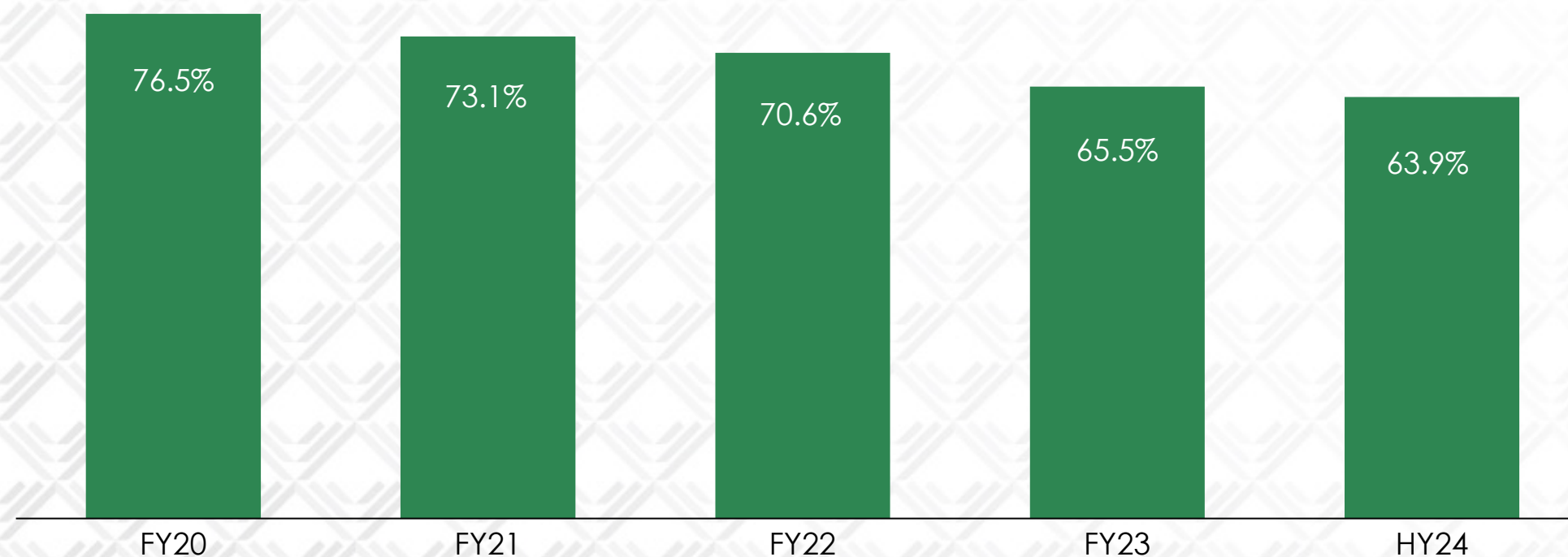
Reported Profit after Tax NZ\$m



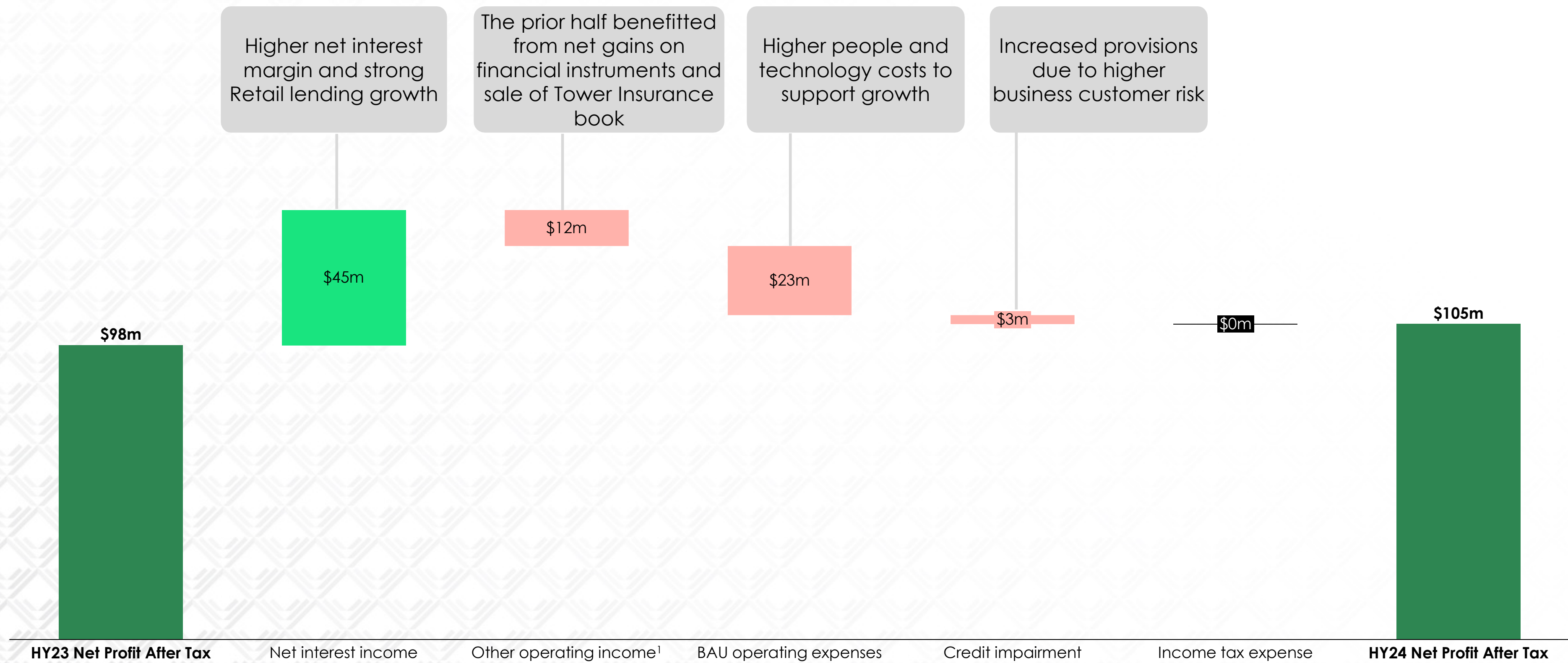
Highlights for HY24

- Net profit after tax of NZ\$105m for HY24 up 7% from HY23 due to higher operating income
- Higher operating income is driven by net interest income, 12% above HY23 due to strong lending growth and a higher interest rate environment
- CTI for HY24 is marginally higher than HY23. Operating income and operating expenses were both higher than in HY23. Increased operating expenses are due to higher people and technology costs to support growth

Cost to Income (CTI) Ratio (%)

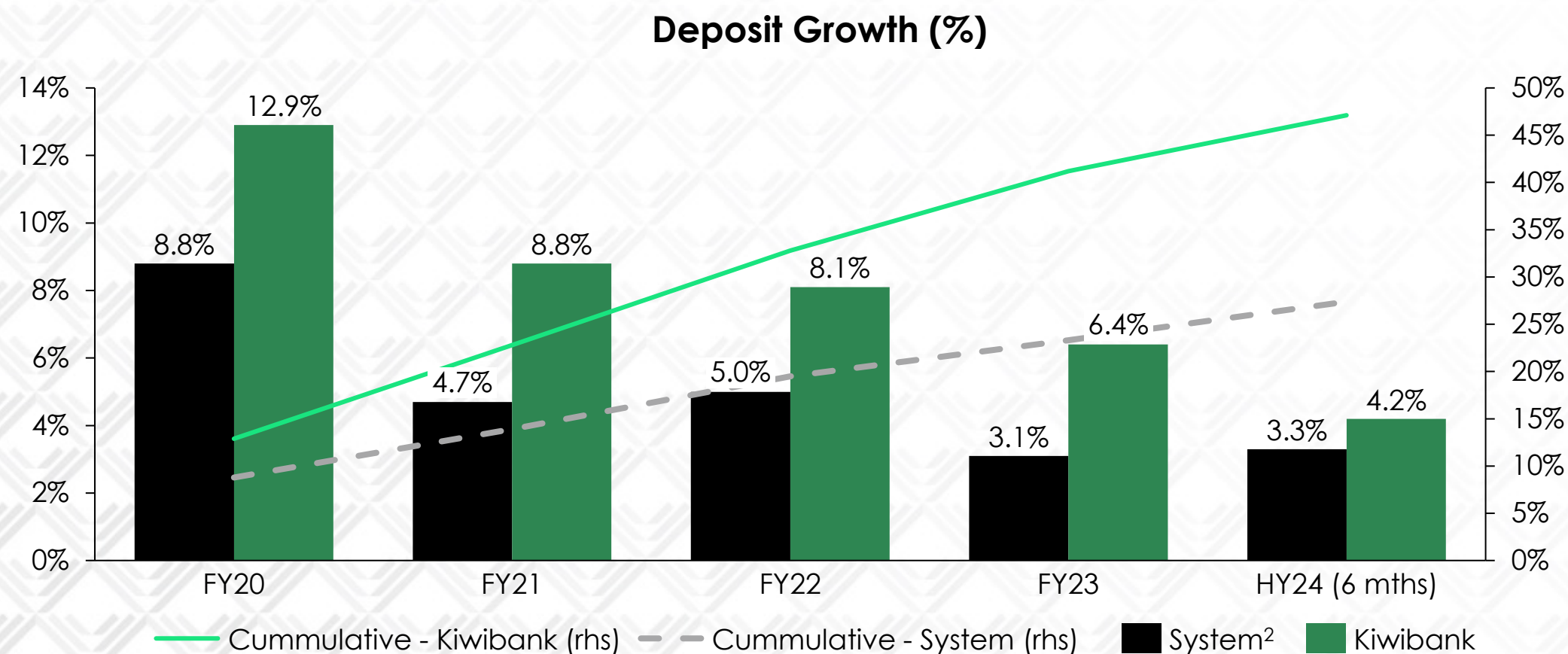
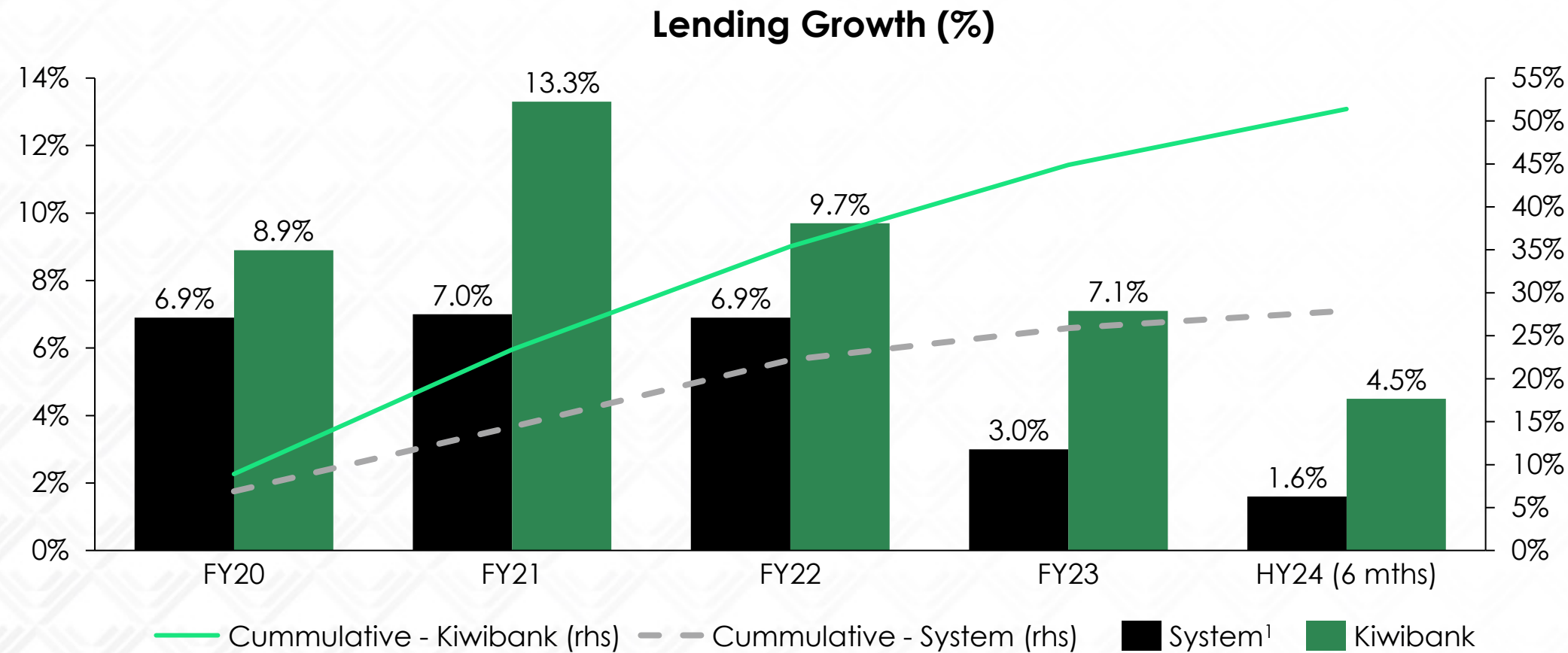


Change in reported net profit between HY23 & HY24



¹ Other Operating Income includes net gains on financial instruments

More Kiwi backing Kiwibank



Key Focus Areas for HY24

- Kiwibank continues to outperform the system in lending and deposit growth. Overall net lending growth was 2.8 times system, largely underpinned by home lending growth
- Kiwibank retail lending portfolio has grown by 5% in the 6 months to 31 December 2023, an increase of NZ\$1.3b. Home lending has grown 2.7 times faster than the market during the same period. Kiwibank continues to grow distribution capability by adding advisers and improving the adviser experience for our customers
- Kiwibank business lending remained flat while the business lending market contracted. Businesses continue to take a cautious approach to borrowing in the current economic and geo-political environment

¹ Source: RBNZ statistics C5 Sector Lending, <https://www.rbnz.govt.nz/statistics/series/lending-and-monetary/registered-banks-and-non-bank-lending-institutions-sector-lending>

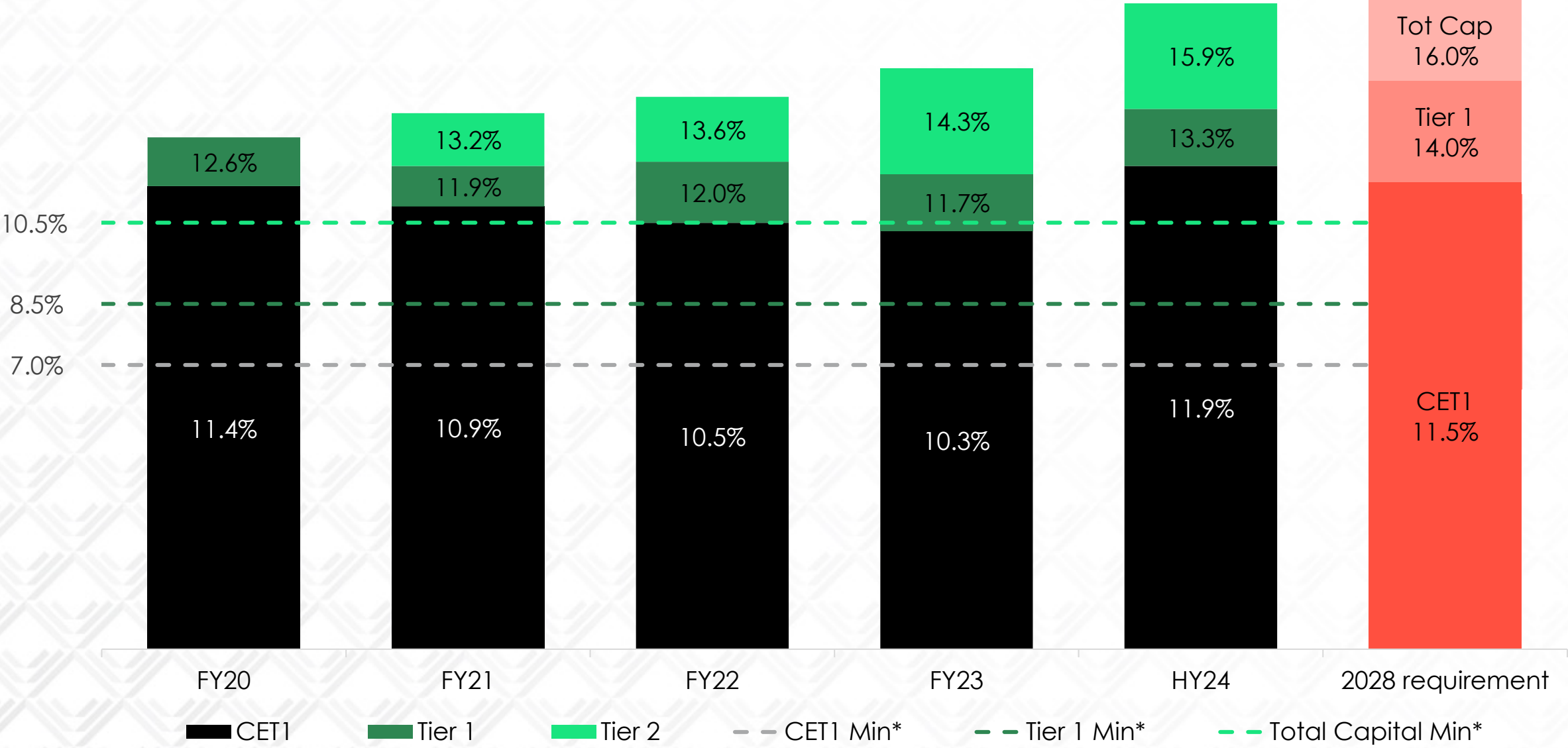
² Source: RBNZ statistics S40 Deposits by Sector, <https://www.rbnz.govt.nz/statistics/series/registered-banks/banks-liabilities-deposits-by-sector>

Capital, Funding and Liquidity

Regulatory Capital Ratios¹



Key focus areas



- Capital as at 31 December 2023 remains comfortably in excess of regulatory requirements
- Kiwibank is well placed to meet higher RBNZ capital requirements to be phased in by the 1 July 2028 transition date
- Kiwibank received a NZ\$225m capital injection from Kiwi Capital Group Limited on 31 July 2023 which immediately improved capital ratios by 1.3%

¹ Regulatory Capital Ratios as a percentage of Risk-Weighted Assets (RWA)

CET1: Common Equity Tier 1 capital

* Includes 2.5% capital conservation buffer

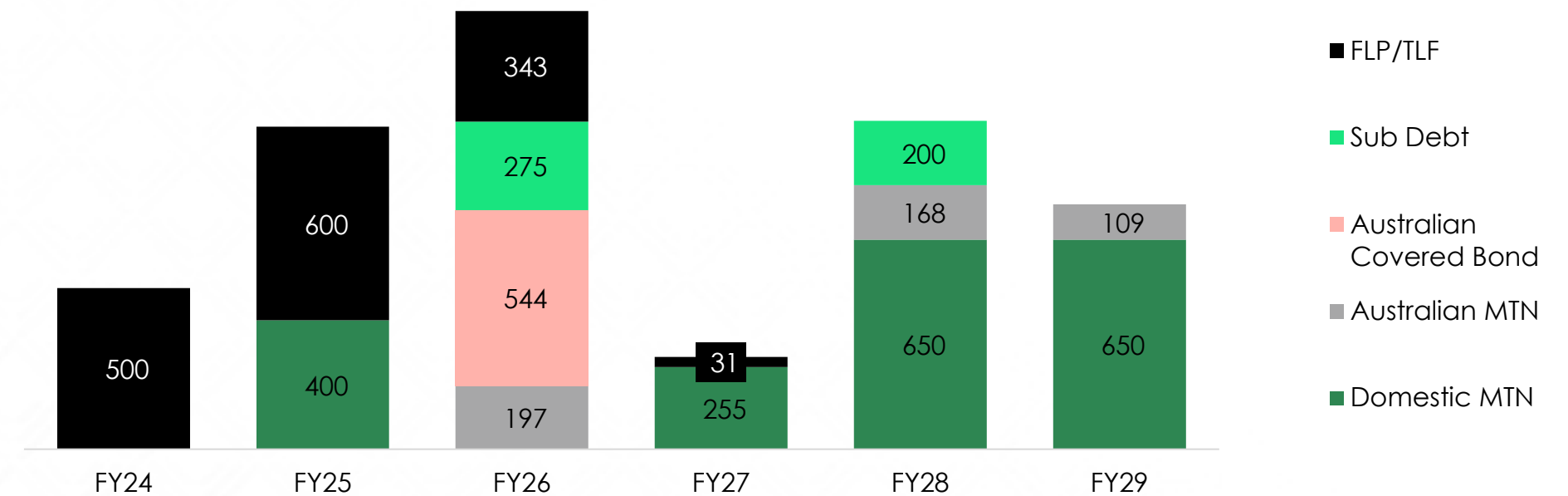
Funding Mix



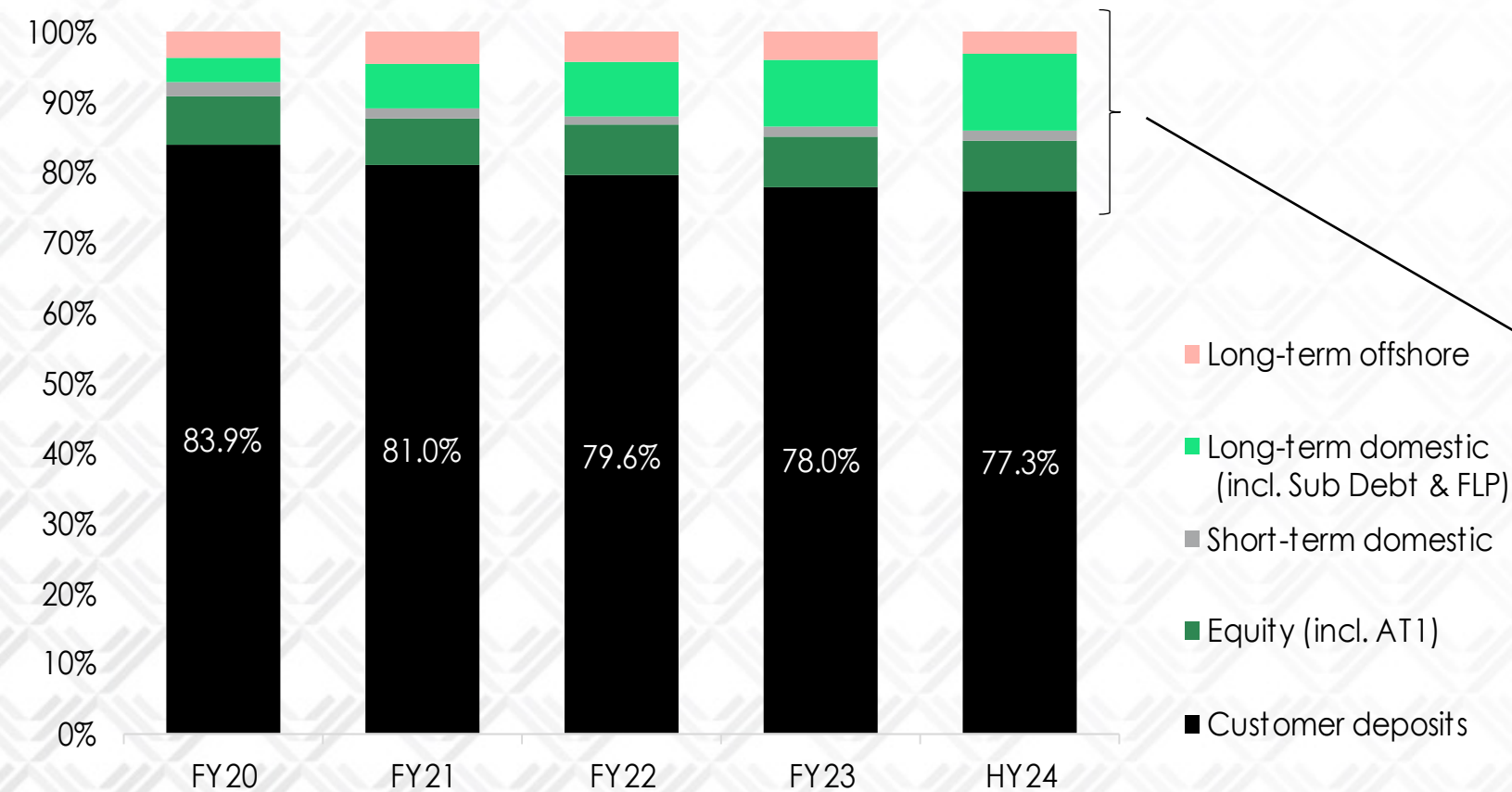
- Strong customer deposit base
- Mixture of domestic and offshore long-term funding
- Full utilisation of RBNZ's Funding for Lending (FLP) program which was launched as a response to Covid (equivalent to the RBA's Term Funding Facility)

Term Funding Maturity Profile by Type NZ\$m¹

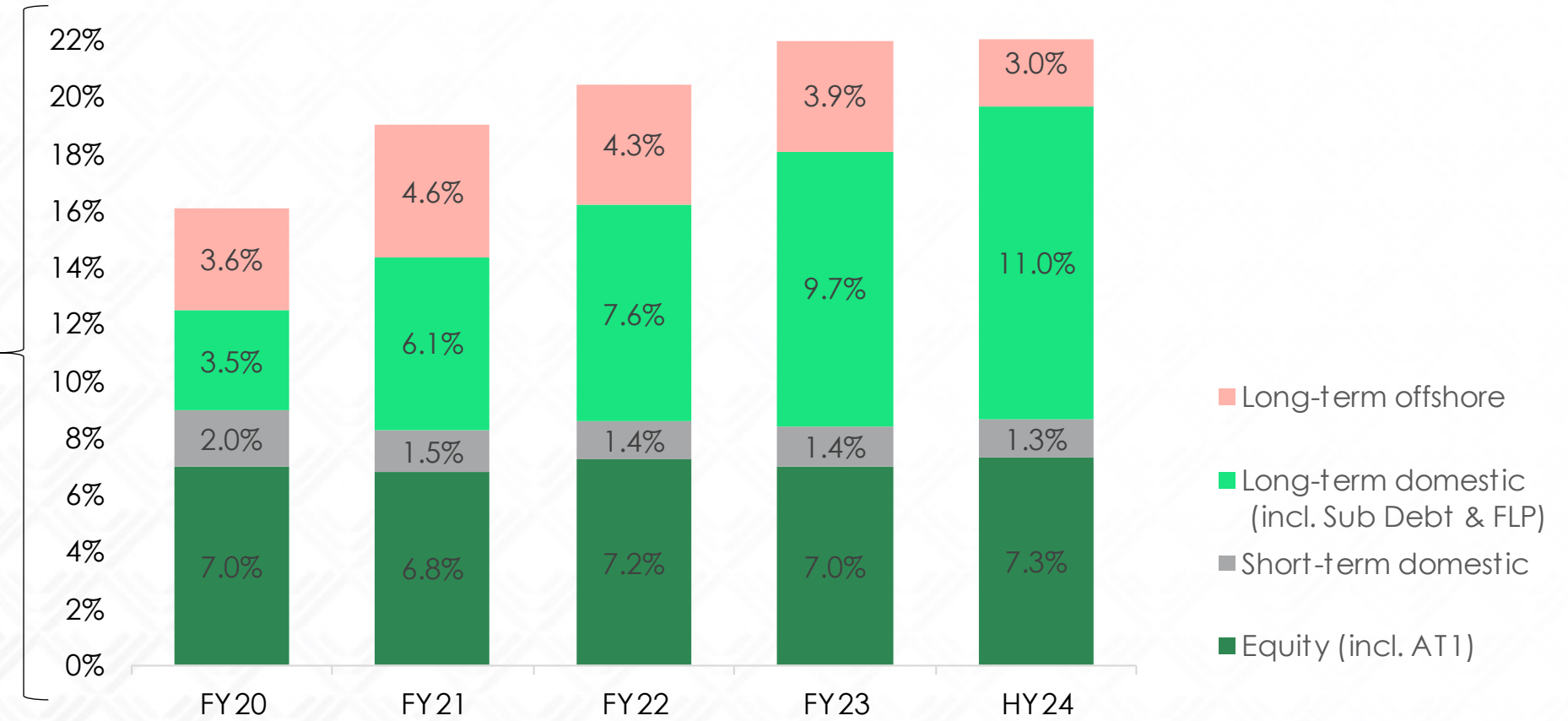
Weighted average remaining term to maturity = 2.3yrs



Funding Composition



Funding Composition: Market Funding



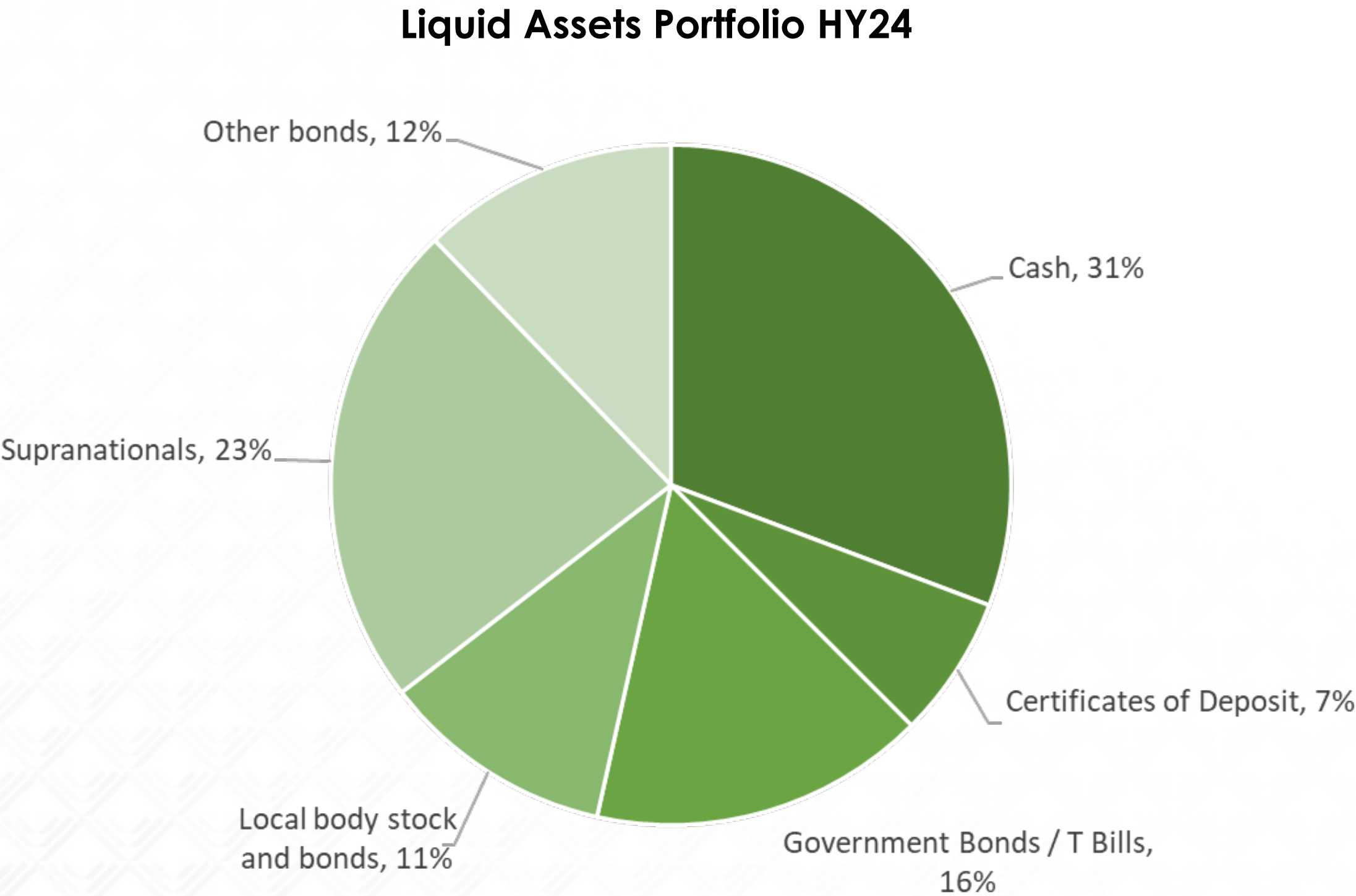
¹ Excludes Additional Tier 1 Capital (AT1), maturity of subordinated debt is based on the first call date
FLP: RBNZ's Funding for Lending programme; TLF: RBNZ's Term Lending Facility

Liquidity



- A diversified, high-quality portfolio of liquid assets
- All securities are repo-eligible in NZ
- Does not include NZ\$2.3b of unencumbered internal RMBS also available for liquidity purposes

Regulatory Liquidity Ratios	HY24	RBNZ Minima
Quarterly average 1-week mismatch ratio	10.7%	0.0%
Quarterly average 1-month mismatch ratio	10.9%	0.0%
Quarterly average core funding ratio	90.9%	75.0%



Appendix

Performance history



NZ\$m	FY20	FY21	FY22	FY23	HY24
Interest income	894	761	907	1,389	935
Interest expense	(439)	(233)	(277)	(595)	(504)
Net Interest Income	455	528	630	794	431
Net gains on financial instruments at fair value	13	8	7	(17)	-
Other operating income	65	41	43	39	17
Operating expenses	(408)	(422)	(480)	(534)	(286)
Credit impairment expenses	(51)	19	(16)	(37)	(15)
Other impairment expenses	-	-	-	-	-
Profit before taxation	74	174	184	245	147
Income tax expense	(17)	(48)	(53)	(70)	(42)
Net profit after tax	57	126	131	175	105
Dividends paid on ordinary shares	(17)	(6)	(17)	(14)	-
Other distributions paid	(11)	(6)	(7)	(9)	(4)
Cost-to-income ratio ¹	76.5%	73.1%	70.6%	65.5%	63.9%

Source: Kiwibank Disclosure Statements, <https://www.kiwibank.co.nz/about-us/governance/investor-centre/reports-and-presentations/>

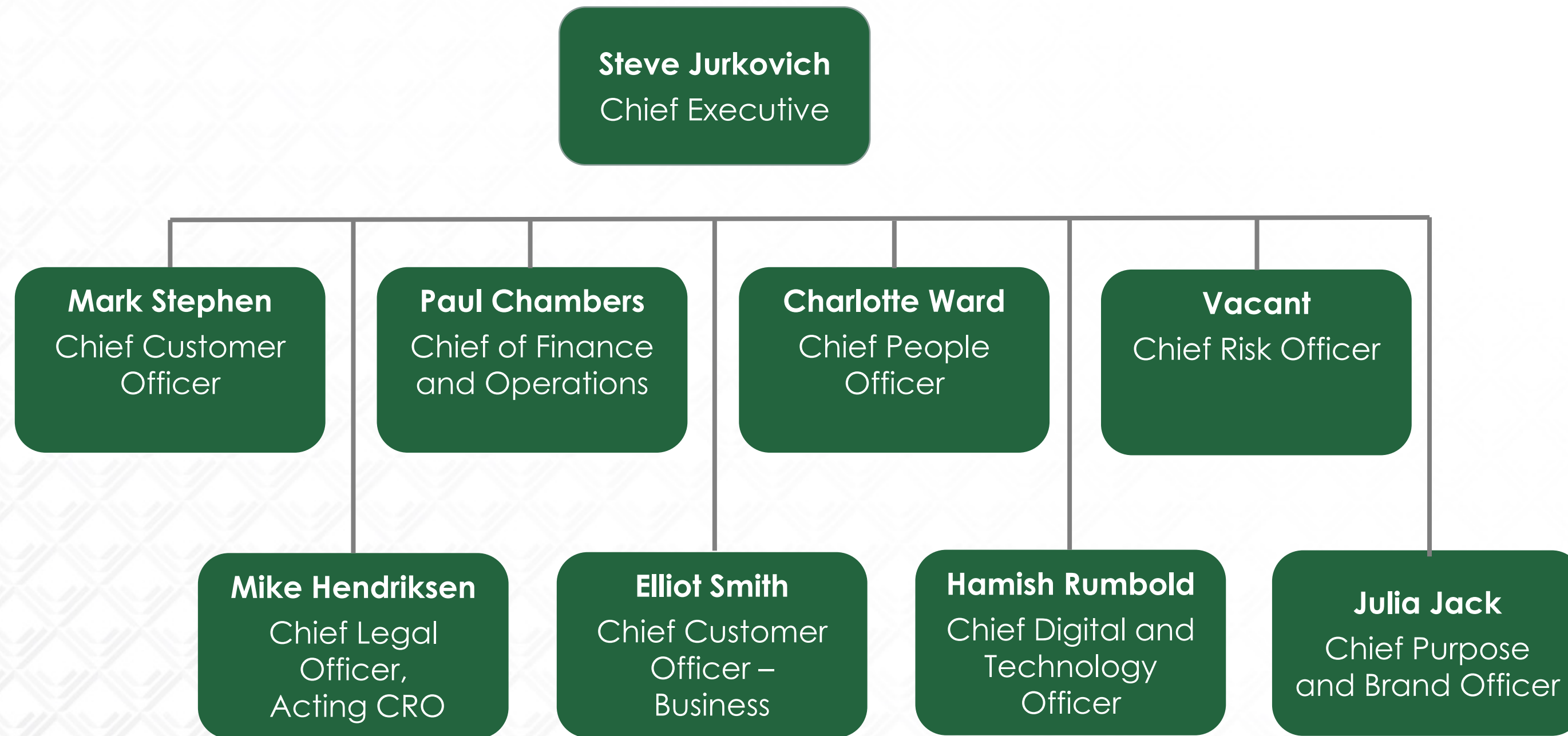
¹ CTI: Operating expenses / (Net Interest income + Net gains on financial instruments + Other operating income)

Balance sheet history

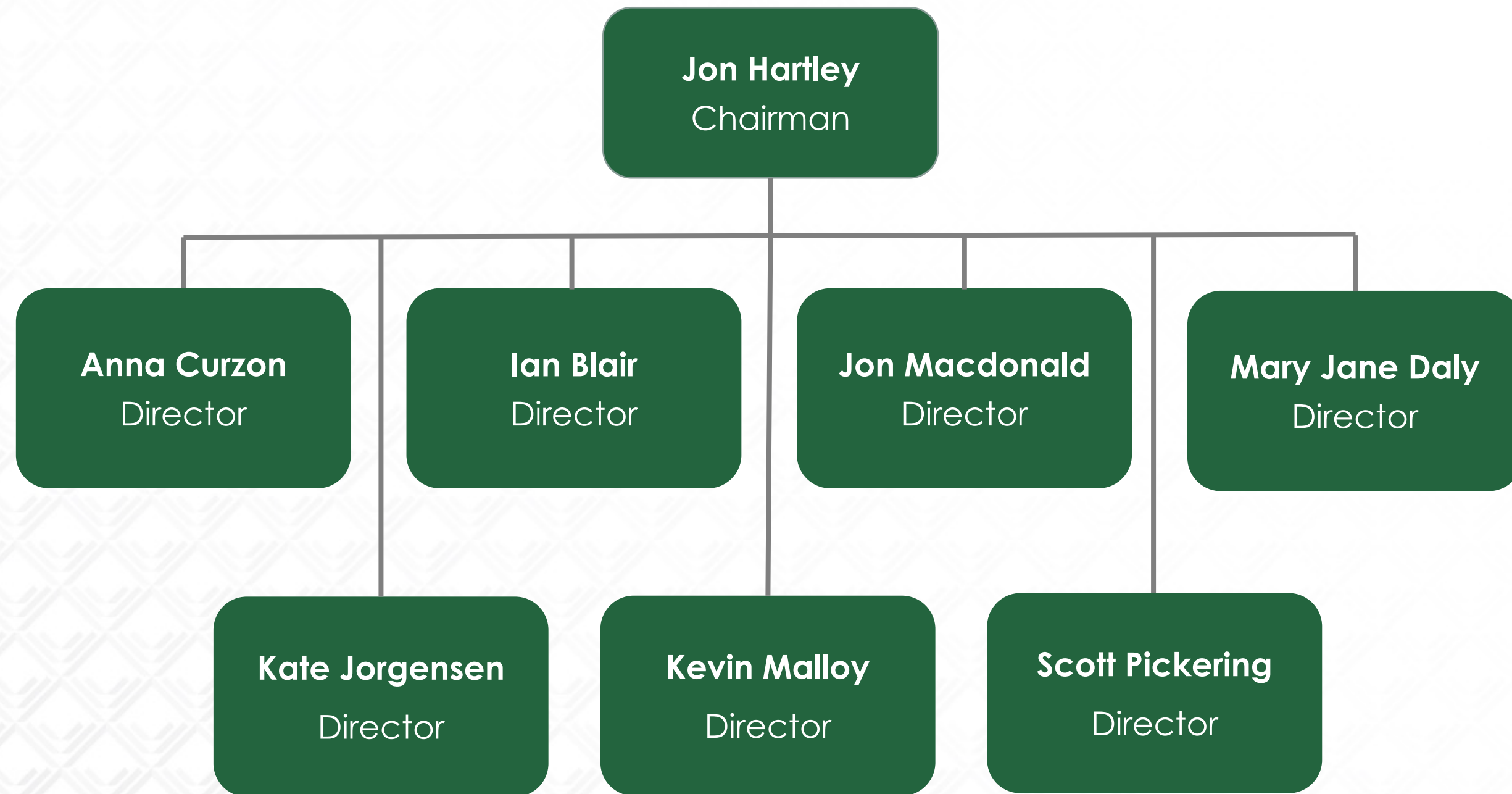


NZ\$m	FY20	FY21	FY22	FY23	HY24
Assets					
Loans and advances	22,222	25,283	27,751	29,682	30,988
Other assets	3,296	2,946	3,796	4,156	4,406
Total Assets	25,518	28,229	31,547	33,838	35,394
Liabilities					
Deposits and other borrowings	20,597	22,403	24,216	25,756	26,835
Debt securities issued	2,229	2,544	2,579	3,038	3,449
Other liabilities	1,122	1,558	2,550	2,733	2,572
Total Liabilities	23,948	26,505	29,345	31,527	32,856
Equity					
Share Capital	737	737	737	737	962
Perpetual Preference Shares	-	-	246	246	246
Reserves	833	987	1,219	1,328	1,330
Total equity	1,570	1,724	2,202	2,311	2,538

Kiwibank Executive



Kiwibank Board





Contact

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Kiwibank Disclosure Statement: https://media.kiwibank.co.nz/media/documents/General_disclosure_statement_Dec23.pdf

Kiwibank Sustainability Report: https://media.kiwibank.co.nz/media/documents/kiwibank_sustainability_report2023.pdf