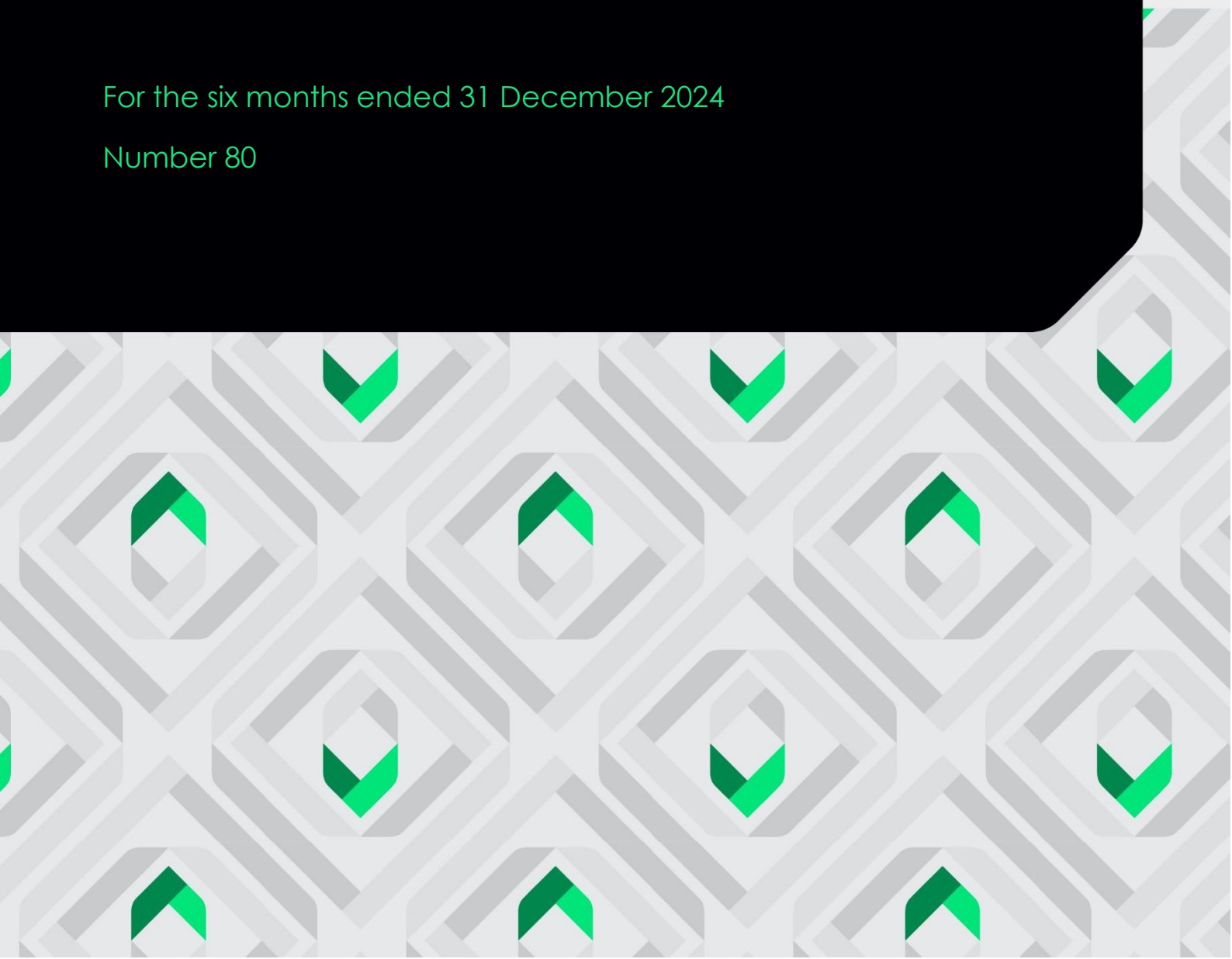




Registered Bank Disclosure Statement

For the six months ended 31 December 2024

Number 80



Contents

| | |
|--|----|
| General matters | 1 |
| Guarantees | 3 |
| Directors' statement | 4 |
| Interim financial statements | 5 |
| Notes to the interim financial statements | 9 |
| Capital adequacy and regulatory liquidity ratios | 26 |
| Independent auditor's review report | 32 |
| Limited assurance report on capital adequacy and regulatory liquidity ratios | 35 |



General matters

Details of incorporation

Kiwibank Limited ('**Kiwibank**' or the '**Bank**') is a company domiciled in New Zealand and was incorporated in New Zealand under the Companies Act 1993 on 4 May 2001. On 29 November 2001, the Bank was registered as a bank under the Reserve Bank of New Zealand Act 1989 (now the Banking (Prudential Supervision) Act 1989) and was required to comply with the conditions of registration as imposed by the Reserve Bank of New Zealand ('**RBNZ**') from that date onwards.

This Disclosure Statement has been issued by Kiwibank for the six months ended 31 December 2024, in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the '**Order**'). Words and phrases defined by the Order have the same meanings used in this Disclosure Statement.

In this Disclosure Statement, '**Banking Group**' means Kiwibank's financial reporting group, which consists of Kiwibank, all its wholly owned entities, and all other entities consolidated for financial reporting purposes.

Registered office and address for service

Kiwibank's registered office and address for service is: Kiwibank Limited, Level 9, 20 Customhouse Quay, Wellington 6011, New Zealand.

Other material matters

The Board is of the opinion that there are no other matters relating to the business or affairs of Kiwibank or the Banking Group which are not contained elsewhere in this Disclosure Statement that would, if disclosed, materially affect the decision of a person to subscribe for debt securities of which Kiwibank or any member of the Banking Group is the issuer.

Pending proceedings or arbitration

The Board is not aware of any pending legal proceedings or arbitration concerning Kiwibank or any member of the Banking Group, whether in New Zealand or elsewhere, that may have a material adverse effect on Kiwibank or the Banking Group.

Credit ratings

The Bank has the following credit ratings applicable to its long-term senior unsecured obligations payable in New Zealand dollars at the date the directors signed this Disclosure Statement.

| Rating Agency | Current Credit Rating | Rating Outlook |
|--|-----------------------|----------------|
| Moody's Investors Service (' Moody's ') | A1 | Stable |
| Fitch Ratings (' Fitch ') | AA | Stable |

Conditions of registration

Changes to conditions of registration

The following changes have been made since 30 June 2024 and were effective from 1 July 2024.

- The minimum total capital ratio of the Banking Group changed from 8% to 9%.
- The minimum tier 1 capital ratio of the Banking Group changed from 6% to 7%.
- Condition 4A relating to disclosure reporting which had been included on an interim basis was removed.
- The loan-to-valuation ratio ('**LVR**') conditions changed so that, for a LVR measurement period ending on or after 30 September 2024, there is:
 - a 5% limit on new lending in respect of property-investment residential mortgage loans with a LVR above 70% (increased from 65%);
 - a 20% limit (increased from 15%) on new lending in respect of non property-investment residential mortgage loans with a LVR above 80%.
- Changes to the version dates of certain amended Banking Prudential Requirements ('**BPR**') documents.

The following conditions have been added:

- Debt-to-income ('**DTI**') conditions have been introduced so that, for a DTI measurement period, there is:
 - a 20% limit on new lending in respect of property-investment residential mortgage loans with a DTI ratio greater than 7;
 - a 20% limit on new lending in respect of non property-investment residential mortgage loans with a DTI ratio greater than 6.

There have been no other changes to the Bank's conditions of registration from those which were in force on 30 June 2024.

Non-compliance with conditions of registration

There were no cases where Kiwibank has not complied in a material respect with a condition of registration during the period.

General matters continued

Directorate

There have been no changes in the Board since 30 June 2024.

Responsible persons

Jonathan Peter Hartley and Mary Jane Daly have been authorised in writing to sign this Disclosure Statement in accordance with Section 82 of the Banking (Prudential Supervision) Act 1989, on behalf of the directors, being:

| | |
|------------------------|--------------------------|
| Jonathan Peter Hartley | Mary Jane Daly |
| Kevin Mark Malloy | Kate Louise Jorgensen |
| Ian Cameron Blair | Anna Valerie Curzon |
| Scott John Pickering | Jonathan Keith Macdonald |

Auditor

The Auditor-General is the auditor of the Bank and the Banking Group. The Auditor-General has appointed Callum Dixon, using the staff and resources of PricewaterhouseCoopers, to perform the review of the interim financial statements of the Banking Group and limited assurance on capital adequacy and regulatory liquidity ratios on his behalf. Callum Dixon's address for service is: PricewaterhouseCoopers, PwC Centre, 10 Waterloo Quay, Wellington 6011, New Zealand.

Guarantees

At the date the Board approved this Disclosure Statement, payment obligations of Kiwibank in relation to certain debt securities issued by Kiwibank have the benefit of a guarantee by Kiwi Covered Bond Trustee Limited (the '**Covered Bond Guarantee**').

Payment obligations of Kiwibank owed at 28 February 2017 and still outstanding have the benefit of a deed poll guarantee by the New Zealand Crown (the '**Crown Guarantee**').

A summary of the details of each guarantee is set out below.

Covered Bond Guarantee

Certain debt securities ('**Covered Bonds**') issued by the Bank are guaranteed by Kiwi Covered Bond Trustee Limited (the '**Covered Bond Guarantor**'), solely in its capacity as Trustee of Kiwi Covered Bond Trust. No material conditions apply to the Covered Bond Guarantee other than non-performance by Kiwibank. There are no material legislative or regulatory restrictions in New Zealand which would have the effect of subordinating the claims under the guarantee of any creditors of the Banking Group on the assets of the Covered Bond Guarantor, to other claims on the Covered Bond Guarantor, in a winding up of the Covered Bond Guarantor. The Covered Bond Guarantee will remain in force until all monies payable under the Covered Bond Guarantee have been paid.

The Covered Bond Guarantee is limited to the payment of interest and the principal of Covered Bonds, and such guarantee is secured over a pool of assets. There are no other limits on the obligations guaranteed. The carrying amount of the Kiwi Covered Bond Trust pool as at 31 December 2024 was \$700m (30 June 2024: \$700m). On 17 January 2025, the Banking Group increased the carrying value of the Kiwi Covered Bond Trust pool from \$700m to \$1,400m.

The Covered Bond Guarantor's address for service is Level 16, SAP Tower, 151 Queen Street, Auckland 1010, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no applicable credit rating. The Covered Bonds have been assigned a long-term rating of Aaa and AAA by Moody's and Fitch respectively. There has been no change in the ratings over the past two years.

Crown Guarantee

The Crown Guarantee is an unsecured guarantee of all the payment obligations (excluding any payment obligations, the terms of which expressly provide in writing that they do not have the benefit of the Crown Guarantee) of Kiwibank owing at 28 February 2017 and still outstanding. No material conditions apply to the Crown Guarantee other than non-performance by Kiwibank. The Crown Guarantee has no expiry date in relation to the payment obligations that continue to be guaranteed.

The address for service of the Crown is: 1 The Terrace, Wellington 6011, New Zealand.

Information about this Crown Guarantee is available on the Kiwibank website: <https://www.kiwibank.co.nz/about-us/governance/legal-documents-and-information/legal-documents/#crown-guarantee-formally-known-as-new-zealand-post-guarantee>.

Further information on the Crown Guarantee can be found in the Banking Group's Disclosure Statement for the year ended 30 June 2024 which is available on the Kiwibank website: <https://www.kiwibank.co.nz/about-us/governance/investor-centre/reports-and-presentations/>.

Directors' statement

The directors of Kiwibank state that each director believes, after due inquiry, that:

As at the date on which the Disclosure Statement is signed:

- i) the Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended); and
- ii) the Disclosure Statement is not false or misleading.

During the six months ended 31 December 2024:

- i) Kiwibank has complied in all material respects with each condition of registration that applied during the period;
- ii) credit exposures to connected persons were not contrary to the interests of the Banking Group; and
- iii) Kiwibank had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated 26 February 2025 and has been signed by Jonathan Peter Hartley and Mary Jane Daly as Directors and as responsible persons on behalf of all other directors.



Jonathan Peter Hartley

Chair



Mary Jane Daly

Director

Interim financial statements

Income statement

| \$ millions | | Unaudited | Unaudited |
|--|------|--------------|------------|
| For the six months ended | Note | 31 Dec 24 | 31 Dec 23 |
| Interest income: | | | |
| Calculated using the effective interest method | | 1,169 | 924 |
| Other | | 5 | - |
| Total interest income | | 1,174 | 924 |
| Interest expense | | (744) | (505) |
| Net interest income | | 430 | 419 |
| Net gains on financial instruments | 2 | 6 | - |
| Other operating income | 3 | 25 | 29 |
| Total operating income | | 461 | 448 |
| Operating expenses | | (311) | (286) |
| Profit before credit impairment and tax | | 150 | 162 |
| Credit impairment charge | 4 | (21) | (15) |
| Profit before tax | | 129 | 147 |
| Income tax expense | | (37) | (42) |
| Profit after tax | | 92 | 105 |

Certain comparative information has been restated to align with the current period presentation. Refer to Note 1.6 for further details.

Statement of comprehensive income

| \$ millions | Unaudited | Unaudited |
|--|-------------|-------------|
| For the six months ended | 31 Dec 24 | 31 Dec 23 |
| Profit after tax | 92 | 105 |
| Other comprehensive income, net of tax | | |
| Items that may subsequently be reclassified to profit or loss: | | |
| - Net change in fair value reserve | 43 | 32 |
| - Net change in cash flow hedge reserve | (56) | (131) |
| Other comprehensive income, net of tax | (13) | (99) |
| Total comprehensive income | 79 | 6 |

The statements should be read in conjunction with the notes to these interim financial statements.

Interim financial statements continued

Statement of changes in equity

| \$ millions | Note | Ordinary shares | Retained earnings | Fair value reserve | Cash flow hedge reserve | Perpetual preference shares | Total equity |
|--|------|-----------------|-------------------|--------------------|-------------------------|-----------------------------|--------------|
| Unaudited for the six months ended 31 December 2023 | | | | | | | |
| Balance at 1 July 2023 | | 737 | 1,226 | (50) | 152 | 246 | 2,311 |
| Profit after tax | | - | 105 | - | - | - | 105 |
| Other comprehensive income, net of tax | | - | - | 32 | (131) | - | (99) |
| Total comprehensive income | | - | 105 | 32 | (131) | - | 6 |
| Transactions with owners: | | | | | | | |
| Ordinary shares issued | | 225 | - | - | - | - | 225 |
| Perpetual preference share distributions paid | | - | (4) | - | - | - | (4) |
| Balance at 31 December 2023 | | 962 | 1,327 | (18) | 21 | 246 | 2,538 |
| Unaudited for the six months ended 31 December 2024 | | | | | | | |
| Balance at 1 July 2024 | | 962 | 1,419 | (21) | 15 | 246 | 2,621 |
| Profit after tax | | - | 92 | - | - | - | 92 |
| Other comprehensive income, net of tax | | - | - | 43 | (56) | - | (13) |
| Total comprehensive income | | - | 92 | 43 | (56) | - | 79 |
| Transactions with owners: | | | | | | | |
| Perpetual preference shares issued | 14 | - | - | - | - | 271 | 271 |
| Perpetual preference share distributions paid | | - | (4) | - | - | - | (4) |
| Balance at 31 December 2024 | | 962 | 1,507 | 22 | (41) | 517 | 2,967 |

The statements should be read in conjunction with the notes to these interim financial statements.

Interim financial statements continued

Balance sheet

| \$ millions | Note | Unaudited 31 Dec 24 | Audited 30 June 24 |
|---|------|------------------------|-----------------------|
| Assets | | | |
| Cash and cash equivalents | | 1,274 | 1,005 |
| Due from other financial institutions | | 152 | 95 |
| Investment securities | | 2,958 | 2,658 |
| Derivative financial instruments | | 390 | 162 |
| Loans and advances | 5 | 34,416 | 32,445 |
| Deferred tax assets | | 103 | 65 |
| Premises and equipment | | 122 | 127 |
| Intangible assets | | 14 | 17 |
| Other assets | | 73 | 76 |
| Total assets | | 39,502 | 36,650 |
| <i>Total interest earning and discount bearing assets</i> | | 38,642 | 36,070 |
| Liabilities | | | |
| Due to other financial institutions | | 588 | 1,109 |
| Deposits | 9 | 29,961 | 28,176 |
| Derivative financial instruments | | 353 | 196 |
| Debt securities issued | 10 | 4,852 | 3,798 |
| Other liabilities | | 307 | 292 |
| Subordinated debt | | 474 | 458 |
| Total liabilities | | 36,535 | 34,029 |
| <i>Total interest and discount bearing liabilities</i> | | 31,467 | 29,379 |
| Net assets | | 2,967 | 2,621 |
| Equity | | | |
| Ordinary shares | | 962 | 962 |
| Retained earnings | | 1,507 | 1,419 |
| Reserves | | (19) | (6) |
| Perpetual preference shares | 14 | 517 | 246 |
| Total equity | | 2,967 | 2,621 |

The Board of Directors of Kiwibank Limited authorised these interim financial statements for issue on 26 February 2025.



Jonathan Peter Hartley



Mary Jane Daly

The statements should be read in conjunction with the notes to these interim financial statements.

Interim financial statements continued

Cash flow statement

| \$ millions | | Unaudited | Unaudited |
|--|------|--------------|--------------|
| For the six months ended | Note | 31 Dec 24 | 31 Dec 23 |
| Cash flows from operating activities | | | |
| Interest received | | 1,177 | 914 |
| Interest paid | | (686) | (427) |
| Fee, commission and other income received | | 48 | 57 |
| Fee and commission expense paid | | (26) | (25) |
| Operating expenses paid | | (309) | (257) |
| Income tax paid | | (35) | (94) |
| Net cash flows from operating activities before changes in operating assets and liabilities | | 169 | 168 |
| Net changes in operating assets and liabilities | | | |
| Due from other financial institutions | | (57) | 48 |
| Investment securities | | (239) | (241) |
| Loans and advances | | (1,990) | (1,217) |
| Due to other financial institutions | | (13) | (145) |
| Deposits | | 1,757 | 1,033 |
| Other liabilities | | - | (1) |
| Net cash flows from operating activities | | (373) | (355) |
| Cash flows from investing activities | | | |
| Purchase of premises and equipment | | (5) | (5) |
| Net cash flows from investing activities | | (5) | (5) |
| Cash flows from financing activities | | | |
| Repayment of repurchase agreements | | (508) | (181) |
| Proceeds from repurchase agreements | | - | 170 |
| Issue of debt securities | | 1,915 | 1,080 |
| Redemption of debt securities | | (1,022) | (737) |
| Payment of principal portion of lease liabilities | | (8) | (7) |
| Issue of ordinary shares | | - | 225 |
| Issue of perpetual preference shares | | 271 | - |
| Perpetual preference share distributions paid | 14 | (4) | (4) |
| Net cash flows from financing activities | | 644 | 546 |
| Increase in cash and cash equivalents | | 266 | 186 |
| Cash and cash equivalents at beginning of the period | | 1,005 | 1,027 |
| Effects of exchange rate changes on cash and cash equivalents | | 3 | (1) |
| Cash and cash equivalents at end of the period | | 1,274 | 1,212 |

Certain comparative information has been restated to align with the current period presentation. Refer to Note 1.6 for further details.

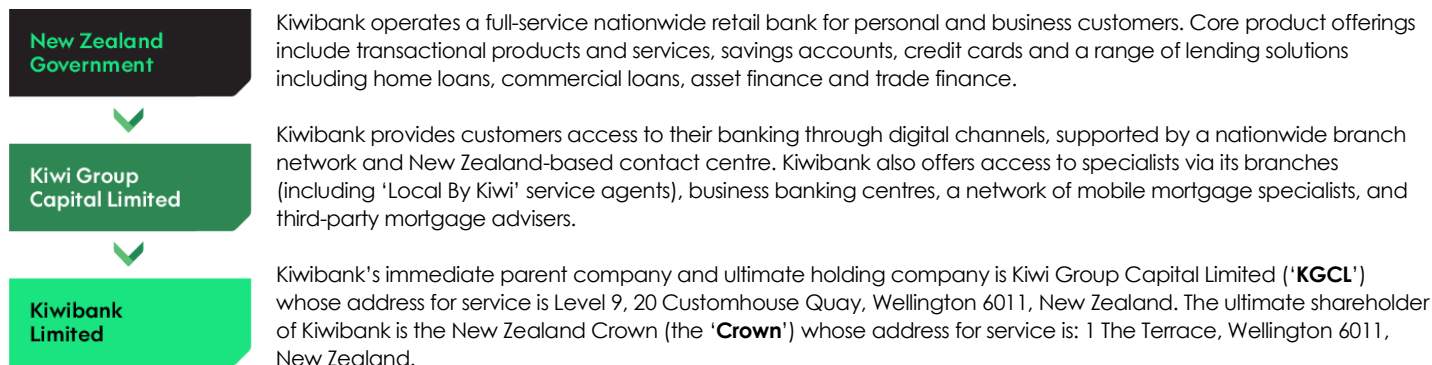
The statements should be read in conjunction with the notes to these interim financial statements.

Notes to the interim financial statements

1. About these interim financial statements

1.1 Reporting Entity

These condensed consolidated interim financial statements ('**interim financial statements**') are presented for the '**Banking Group**', which consists of Kiwibank Limited ('**Kiwibank**' or the '**Bank**'), all its wholly owned entities and all other entities consolidated for financial reporting purposes. Kiwibank is a for-profit entity incorporated and domiciled in New Zealand under the Companies Act 1993 and is registered as a bank under the Banking (Prudential Supervision) Act 1989 (previously the Reserve Bank of New Zealand Act 1989). The principal activity of the Banking Group is the provision of banking products and services to individuals and small to medium-sized businesses.



1.2 Basis of preparation

These interim financial statements are for the Banking Group for the six months ended 31 December 2024 and have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, as appropriate for for-profit entities. They comply with NZ IAS 34 *Interim Financial Reporting*, IAS 34 *Interim Financial Reporting* and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the '**Order**'). The interim financial statements have been reviewed, not audited. These interim financial statements should be read in conjunction with the Banking Group's financial statements for the year ended 30 June 2024.

The Banking Group's interim financial statements are presented in New Zealand dollars, which is the Bank's functional and presentation currency. All amounts are expressed in millions of New Zealand dollars, and have rounded values to the nearest million dollars, unless otherwise stated.

Measurement base

These interim financial statements are based on the general principles of historical cost accounting, modified by the application of fair value measurements for financial instruments held at fair value through other comprehensive income and financial instruments held at fair value through profit or loss. The carrying amounts of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to recognise changes in fair value attributable to the risks that are being hedged.

1.3 Critical accounting judgements, estimates and assumptions

The preparation of these interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and amounts reported. Estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to accounting estimates are recognised in the year in which the estimate is revised. Actual amounts may differ from those estimates.

The Banking Group considers the measurement of the credit impairment provision on loans and advances and credit commitments as an area that requires significant management judgement and estimation. Refer to 'Asset quality' (Note 6) for details of key judgements and assumptions.

1.4 Accounting policies

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Banking Group's annual financial statements for the year ended 30 June 2024.

1.5 New and amended standards and interpretations

In the current year, the Banking Group applied new standards, amendments to standards and interpretations that are effective for its annual reporting period commencing 1 July 2024. Their adoption has not had any material impact on the disclosures or amounts reported in these interim financial statements. No new standards, amendments to standards or interpretations that are not yet effective have been early adopted by the Banking Group in these interim financial statements.

Notes to the interim financial statements continued

1. About these interim financial statements continued

1.6 Comparative amounts

Comparative information has been restated or reclassified, where appropriate, to align with the current period presentation. All restatements and reclassifications have no impact on the previously reported profit after tax, total assets, total liabilities, or total equity.

During the year ended 30 June 2024, the Banking Group revised its accounting treatment to include estimated trail commissions payable to mortgage brokers as transaction costs in the calculation of the effective interest rate on loans and advances. In prior periods, including the six month period ended 31 December 2023, trail commissions paid to mortgage brokers were recognised in 'Fee and commission expense' (refer Note 3) within 'Other operating income'.

As a result, comparative information in the income statement has been restated to decrease net interest income by \$12m (decrease of 'Interest income' by \$11m and increase of 'Interest expense' by \$1m) and increase 'Other operating income' by \$12m. Comparative information in the cash flow statement has also been restated to decrease both 'Interest received' and 'Fee and commission expense paid' by \$12m.

2. Net gains on financial instruments

| \$ millions | Unaudited | Unaudited |
|--|-----------|-----------|
| For the six months ended | 31 Dec 24 | 31 Dec 23 |
| Financial instruments held for trading | 2 | (21) |
| Net ineffectiveness on qualifying fair value hedges | - | (1) |
| Cumulative losses transferred from fair value reserve | - | (1) |
| Cumulative gains transferred from cash flow hedge reserve ¹ | 42 | 9 |
| Net foreign exchange (losses)/gains | (38) | 14 |
| Total net gains on financial instruments | 6 | - |

Certain comparative information has been reclassified to align with the current period presentation.

¹The Banking Group de-designates interest rate swaps in cash flow hedge relationships to manage hedge capacity. Changes in interest rate swap values after de-designation of nil were recorded in financial instruments held for trading (six months ended 31 December 2023: \$(22)m). The amortisation of the interest rate swap values of nil were recorded in the cash flow hedge reserve before de-designation was recorded in cumulative gains transferred from cash flow hedge reserve (six months ended 31 December 2023: \$22m). Interest paid or received under the de-designated interest rate swaps is recorded in interest expense.

Net ineffectiveness on qualifying cash flow hedges was insignificant (six months ended 31 December 2023: insignificant).

3. Other operating income

| \$ millions | Unaudited | Unaudited |
|--|-----------|-----------|
| For the six months ended | 31 Dec 24 | 31 Dec 23 |
| Transactional account and other services | 16 | 20 |
| Card services | 30 | 30 |
| Lending services | 5 | 4 |
| Fee and commission income | 51 | 54 |
| Fee and commission expense | (26) | (25) |
| Net fee and commission income | 25 | 29 |
| Total other operating income | 25 | 29 |

Certain comparative information has been restated to align with the current period presentation. Refer to Note 1.6 for further details.

Notes to the interim financial statements continued

4. Credit impairment charge

| \$ millions | Unaudited | Unaudited |
|--|-------------|-------------|
| For the six months ended | 31 Dec 24 | 31 Dec 23 |
| Charged to the income statement for collectively assessed provisions | (7) | (14) |
| Charged to the income statement for individually assessed provisions | (11) | - |
| Bad debts written off directly to the income statement | (4) | (2) |
| Recovery of amounts previously written off | 1 | 1 |
| Total credit impairment charge | (21) | (15) |

5. Loans and advances

| \$ millions | Unaudited | Audited |
|---------------------------------|---------------|---------------|
| | 31 Dec 24 | 30 June 24 |
| Overdrafts | 241 | 267 |
| Credit cards | 366 | 337 |
| Term loans – housing | 28,017 | 26,737 |
| Other term lending | 5,140 | 4,542 |
| Other lending | 784 | 683 |
| Gross loans and advances | 34,548 | 32,566 |
| Credit impairment provision | (132) | (121) |
| Total loans and advances | 34,416 | 32,445 |

Reconciliation of mortgage-related amounts – On-balance sheet exposures

| \$ millions | Unaudited |
|---|---------------|
| | 31 Dec 24 |
| Term loans - housing¹ per 'Loans and advances' (note 5) | 28,017 |
| Other term lending (residentially secured) | 1,439 |
| Residential mortgage loans per 'Asset quality' (note 6) | 29,456 |
| Credit impairment provision | (35) |
| Deferred arrangement fees | (241) |
| Total on-balance sheet residential mortgage loans (see 'Capital adequacy and regulatory liquidity ratios') | 29,180 |

¹Term loans – housing' includes loans secured over residential property for owner-occupier and investment purposes.

6. Asset quality

Summary of lending

| \$ millions | Unaudited at 31 Dec 24 | | | Total |
|--|--------------------------|----------------------------|---------------------|---------------|
| | Retail unsecured lending | Residential mortgage loans | Corporate exposures | |
| Neither past due nor impaired | 392 | 29,232 | 4,547 | 34,171 |
| Past due but not individually impaired | 14 | 217 | 107 | 338 |
| Individually impaired | 1 | 7 | 31 | 39 |
| Gross loans and advances | 407 | 29,456 | 4,685 | 34,548 |
| Credit impairment provision | (8) | (35) | (89) | (132) |
| Total loans and advances | 399 | 29,421 | 4,596 | 34,416 |

Notes to the interim financial statements continued

6. Asset quality continued

Loans and advances past due but not individually impaired

| \$ millions | Unaudited at 31 Dec 24 | | | Total |
|--|--------------------------|----------------------------|---------------------|------------|
| | Retail unsecured lending | Residential mortgage loans | Corporate exposures | |
| Past due less than 30 days | 10 | 122 | 26 | 158 |
| Past due 30 - 59 days | 2 | 33 | 19 | 54 |
| Past due 60 - 89 days | 1 | 15 | 17 | 33 |
| Past due 90 days or greater | 1 | 47 | 45 | 93 |
| Total loans and advances past due but not individually impaired | 14 | 217 | 107 | 338 |

Modelled provision for expected credit losses ('ECL') on loans and credit commitments

Key inputs and assumptions

The modelled provision for ECL includes an estimate of forward-looking losses based on the Banking Group's view of four different economic scenarios. Kiwibank's assumptions around the macroeconomic factors used within each scenario and the weighting applied to each scenario are key judgements applied to the ECL models. The Banking Group has adjusted the macroeconomic variables used in the ECL model based on current internal macroeconomic forecasts.

The Banking Group's four macroeconomic scenarios have been updated for the six months ended 31 December 2024 as follows:

- **Central scenario:** The Banking Group's base case scenario assumes the RBNZ will continue to cut the official cash rate, reaching 3% in 2025 as inflation stabilises around the RBNZ target of 2%, boosting economic growth to 2.2% in 2025 and 2.6% annually thereafter. Unemployment may peak at 5.3% in 2025 before gradually improving.
- **Upside scenario:** this scenario assumes faster cuts to the official cash rate, to 2.5% (below neutral), as inflation falls below the 2% target. This would accelerate economic growth and further reduce the unemployment rate.
- **Downside scenario:** this scenario assumes stagflation, characterised by high inflation and low economic growth due to rising geopolitical tensions and global shocks. As a result, import prices may spike, prompting the RBNZ to maintain a high official cash rate. This could lead to a recession, with unemployment peaking at 9% and house prices falling by 11%.
- **Severe stress scenario:** this scenario is based on the severe economic stress test scenario used in the RBNZ 2022 Bank Solvency Stress Test. It assumes a prolonged contraction of the economy and more severe impacts on falling house prices (falling by 22%) in an environment where interest rates remain elevated and unemployment peaks at 11%.

The Banking Group forecasts assume the following key macroeconomic variables used in the central scenario as at 31 December 2024.

| Unaudited at 31 Dec 24 | Forecast financial year | | |
|--|-------------------------|------|------|
| Central scenario | 2025 | 2026 | 2027 |
| GDP (annual % change) | 0.3% | 2.7% | 2.6% |
| Unemployment rate (annual average) | 5.3% | 5.1% | 4.8% |
| House price index (annual % change) | 3.5% | 5.9% | 3.9% |
| Consumer price index (annual % change) | 2.1% | 2.3% | 2.0% |
| 90-day bank bill rate | 3.3% | 3.1% | 3.2% |

ECL scenario weightings

The scenario weightings applied in the calculation of ECL are in the table below. They remained unchanged from 30 June 2024.

| Scenario weighting applied | Unaudited 31 Dec 24 | Audited 30 June 24 |
|----------------------------|------------------------|-----------------------|
| Central | 50% | 50% |
| Upside | 15% | 15% |
| Downside | 25% | 25% |
| Severe stress | 10% | 10% |

Notes to the interim financial statements continued

6. Asset quality continued

Management overlays

Overlays are applied by management when the current inputs, assumptions, and modelling techniques do not capture all material risk factors relevant to the Banking Group's lending portfolios. Overlays are reviewed every six months and follow internal governance procedures. There have been no significant changes to the methods used in determining the overlays applied as of 31 December 2024, compared to those used for 30 June 2024.

The interest repricing overlay on the residential mortgage portfolio was first applied when interest rates peaked, to reflect the risk that some home loan borrowers may be unable to maintain loan payments as their loans reprice onto higher interest rates. This overlay was released during the period, as this risk has reduced due to monetary policy easing. The amount at 31 December 2024 was nil (30 June 2024: \$7m).

Other overlays are applied to reflect risks that are not yet incorporated into ECL models (for example due to limited loss histories, model limitations or emerging risks). These are expected to be maintained until the current limitations can be incorporated into future ECL models. The amounts at 31 December 2024 were \$1m on retail unsecured portfolio (30 June 2024: \$1m), \$3m on residential mortgage portfolio (30 June 2024: \$2m) and \$7m on corporate portfolio (30 June 2024: \$5m).

Sensitivity of modelled ECL to key judgements and assumptions

The assumptions which underlie each scenario, and the weightings applied may vary significantly from the actual track of the economy. Other events, including those with a low likelihood but a high impact on the economy and on credit losses, might also occur over the forecast period so that the actual economy might perform differently to the scenarios modelled. Those variances will result in an understatement or overstatement of the credit impairment provision. Given this uncertainty, and as the impact of judgements is significant, a sensitivity analysis is included below.

The following table outlines the sensitivity of the credit impairment provision to significant changes in credit risk ('SICR') and scenario weightings used to determine ECL as at 31 December 2024. The scenario weighting sensitivity includes giving each economic scenario a 100% weighting and adjusting some model overlays to reflect those scenario conditions while holding all other modelling factors constant.

| \$ millions | 31 Dec 24 | |
|--|-----------|--------|
| | Total ECL | Impact |
| Sensitivity to SICR assessment | | |
| If 1% of stage 1 exposure transitions to stage 2 | 149 | 8 |
| If 1% of stage 2 exposure transitions to stage 1 | 141 | - |
| Sensitivity to scenario weighting | | |
| Reported probability weighted ECL | 141 | |
| 100% upside scenario ECL | 117 | (24) |
| 100% central scenario ECL | 125 | (16) |
| 100% downside scenario ECL | 167 | 26 |
| 100% severe stress ECL | 194 | 53 |

The sensitivity outlined above represents the Banking Group's best estimate of the range of reasonably plausible outcomes but, due to economic uncertainty, the actual range might be significantly greater.

Definitions

'Charged/(credited) to income statement for collectively assessed provision' is referenced as 'Charged/(credited) to IS for CP' in the following tables.

'Charged/(credited) to income statement for individually assessed provision' is referenced as 'Charged/(credited) to IS for IP' in the following tables.

Notes to the interim financial statements continued

6. Asset quality continued

Movement in credit impairment provision – total exposures

| \$ millions | Unaudited at 31 Dec 24 | | | | |
|--|------------------------|-----------------------|-----------------------|-----------------------|---------|
| | Stage 1 | Stage 2 | Stage 3 | | Total |
| | Collectively assessed | Collectively assessed | Collectively assessed | Individually assessed | |
| Opening balance at 1 July 24 | 50 | 34 | 20 | 25 | 129 |
| Transfers between stages | 5 | (4) | (1) | - | |
| Net remeasurement of loss allowances | (7) | 22 | 8 | - | 23 |
| Additions and deletions | 5 | (3) | (2) | - | - |
| Amounts written off | - | (1) | - | - | (1) |
| Other changes | (14) | (2) | 1 | - | (15) |
| Total (credited)/charged to IS for CP | (16) | 16 | 7 | - | 7 |
| New and increased provision | - | - | - | 19 | 19 |
| Write-back of provision no longer required | - | - | - | (8) | (8) |
| Total charged/(credited) to IS for IP | - | - | - | 11 | 11 |
| Written off from individually assessed provision | - | - | - | (6) | (6) |
| Total credit impairment provision | 39 | 46 | 26 | 30 | 141 |
| Provision on loans and advances | 33 | 44 | 26 | 29 | 132 |
| Provision on undrawn commitments | 6 | 2 | - | 1 | 9 |
| Total credit impairment provision | 39 | 46 | 26 | 30 | 141 |
| Impact of changes in gross carrying amount and credit commitments on ECL | | | | | |
| Opening balance at 1 July 24 | 30,928 | 1,484 | 112 | 42 | 32,566 |
| Net transfers between stages | (346) | 312 | 25 | 9 | - |
| Additions | 5,748 | 110 | 13 | 12 | 5,883 |
| Deletions | (3,586) | (255) | (32) | (18) | (3,891) |
| Amounts written off | - | (4) | - | (6) | (10) |
| Gross carrying amount | 32,744 | 1,647 | 118 | 39 | 34,548 |
| Off-balance sheet credit commitments at 1 July 24 | 4,376 | 88 | 1 | 11 | 4,476 |
| Net transfers between stages | (28) | 27 | 1 | - | - |
| Additions | 1,328 | 24 | - | 1 | 1,353 |
| Deletions | (1,294) | (40) | (1) | (8) | (1,343) |
| Off-balance sheet credit commitments | 4,382 | 99 | 1 | 4 | 4,486 |

Notes to the interim financial statements continued

6. Asset quality continued

Movement in credit impairment provision – retail unsecured lending

| \$ millions | Unaudited at 31 Dec 24 | | | | |
|--|------------------------|-----------------------|-----------------------|-----------------------|------------|
| | Stage 1 | Stage 2 | Stage 3 | | Total |
| | Collectively assessed | Collectively assessed | Collectively assessed | Individually assessed | |
| Opening balance at 1 July 24 | 5 | 3 | 1 | 1 | 10 |
| Transfers between stages | 1 | (1) | - | - | - |
| Net remeasurement of loss allowances | (1) | 2 | 1 | - | 2 |
| Additions and deletions | - | - | (1) | - | (1) |
| Amounts written off | - | (1) | - | - | (1) |
| Other changes | (1) | - | - | - | (1) |
| Total (credited)/charged to IS for CP | (2) | 1 | - | - | (1) |
| New and increased provision | - | - | - | 1 | 1 |
| Write-back of provision no longer required | - | - | - | (1) | (1) |
| Total charged/(credited) to IS for IP | - | - | - | - | - |
| Written off from individually assessed provision | - | - | - | - | - |
| Total credit impairment provision | 4 | 3 | 1 | 1 | 9 |
| Provision on loans and advances | 3 | 3 | 1 | 1 | 8 |
| Provision on undrawn commitments | 1 | - | - | - | 1 |
| Total credit impairment provision | 4 | 3 | 1 | 1 | 9 |

Impact of changes in gross carrying amount and credit commitments on ECL

| | | | | | |
|---|------------|-----------|----------|----------|------------|
| Opening balance at 1 July 24 | 291 | 80 | 1 | 1 | 373 |
| Net transfers between stages | 2 | (3) | - | 1 | - |
| Additions | 122 | 16 | - | 1 | 139 |
| Deletions | (87) | (11) | (1) | (2) | (101) |
| Amounts written off | - | (4) | - | - | (4) |
| Gross carrying amount | 328 | 78 | - | 1 | 407 |
| Off-balance sheet credit commitments at 1 July 24 | 826 | 25 | - | - | 851 |
| Net transfers between stages | (4) | 4 | - | - | - |
| Additions | 92 | 6 | - | - | 98 |
| Deletions | (111) | (10) | - | - | (121) |
| Off-balance sheet credit commitments | 803 | 25 | - | - | 828 |

The decrease of \$1m in the credit impairment provision on retail unsecured lending for the six months ended 31 December 2024 reflects:

- remeasurement of ECL due to exposures migrating to higher risk grades (+\$2m);
- decreases due to a reduction in Stage 3 exposures and other changes (-\$2m); and
- \$4m of gross balances that were written off(-\$1m).

Notes to the interim financial statements continued

6. Asset quality continued

Movement in credit impairment provision – residential mortgage loans

| \$ millions | Unaudited at 31 Dec 24 | | | | |
|--|------------------------|-----------------------|-----------------------|-----------------------|------------|
| | Stage 1 | Stage 2 | Stage 3 | | Total |
| | Collectively assessed | Collectively assessed | Collectively assessed | Individually assessed | |
| Opening balance at 1 July 24 | 18 | 16 | 7 | 4 | 45 |
| Transfers between stages | 5 | (5) | - | - | - |
| Net remeasurement of loss allowances | (5) | 5 | 4 | - | 4 |
| Additions and deletions | - | (1) | (2) | - | (3) |
| Amounts written off | - | - | - | - | - |
| Other changes | (9) | - | - | - | (9) |
| Total (credited)/charged to IS for CP | (14) | 4 | 2 | - | (8) |
| New and increased provision | - | - | - | - | - |
| Write-back of provision no longer required | - | - | - | (1) | (1) |
| Total charged/(credited) to IS for IP | - | - | - | (1) | (1) |
| Written off from individually assessed provision | - | - | - | - | - |
| Total credit impairment provision | 9 | 15 | 9 | 3 | 36 |
| Provision on loans and advances | 8 | 15 | 9 | 3 | 35 |
| Provision on undrawn commitments | 1 | - | - | - | 1 |
| Total credit impairment provision | 9 | 15 | 9 | 3 | 36 |

Impact of changes in gross carrying amount and credit commitments on ECL

| | | | | | |
|---|---------------|--------------|-----------|----------|---------------|
| Opening balance at 1 July 24 | 26,990 | 967 | 51 | 8 | 28,016 |
| Net transfers between stages | (141) | 120 | 20 | 1 | - |
| Additions | 4,288 | 52 | 2 | - | 4,342 |
| Deletions | (2,770) | (112) | (18) | (2) | (2,902) |
| Gross carrying amount | 28,367 | 1,027 | 55 | 7 | 29,456 |
| Off-balance sheet credit commitments at 1 July 24 | 2,644 | 35 | - | - | 2,679 |
| Net transfers between stages | (5) | 5 | - | - | - |
| Additions | 658 | 6 | - | - | 664 |
| Deletions | (725) | (15) | - | - | (740) |
| Off-balance sheet credit commitments | 2,572 | 31 | - | - | 2,603 |

The decrease of \$9m in the credit impairment provision on residential mortgage loans for the six months ended 31 December 2024 reflects:

- remeasurement of ECL due to exposures migrating to higher risk grades (+\$1m);
- release of the interest repricing management overlay and changes due to model enhancements (-\$9m); and
- write-back of individually assessed provisions (-\$1m).

Reconciliation of mortgage-related amounts – off-balance sheet exposures

| \$ millions | Unaudited 31 Dec 24 |
|---|------------------------|
| Gross residential mortgages per 'Asset quality' (note 6) | 2,603 |
| Adjustment for off-balance sheet credit conversion factor | (1,841) |
| Residential mortgages total off-balance sheet exposures (per 'Capital adequacy and regulatory liquidity ratios') | 762 |

Notes to the interim financial statements continued

6. Asset quality continued

Movement in credit impairment provision – corporate exposures

| \$ millions | Unaudited at 31 Dec 24 | | | | |
|--|------------------------|-----------------------|-----------------------|-----------------------|-----------|
| | Stage 1 | Stage 2 | Stage 3 | | Total |
| | Collectively assessed | Collectively assessed | Collectively assessed | Individually assessed | |
| Opening balance at 1 July 24 | 27 | 15 | 12 | 20 | 74 |
| Transfers between stages | (1) | 2 | (1) | - | - |
| Net remeasurement of loss allowances | (1) | 15 | 3 | - | 17 |
| Additions and deletions | 5 | (2) | 1 | - | 4 |
| Amounts written off | - | - | - | - | - |
| Other changes | (4) | (2) | 1 | - | (5) |
| Total (credited)/charged to IS for CP | - | 11 | 5 | - | 16 |
| New and increased provision | - | - | - | 18 | 18 |
| Write-back of provision no longer required | - | - | - | (6) | (6) |
| Total charged/(credited) to IS for IP | - | - | - | 12 | 12 |
| Written off from individually assessed provision | - | - | - | (6) | (6) |
| Total credit impairment provision | 26 | 28 | 16 | 26 | 96 |
| Provision on loans and advances | 22 | 26 | 16 | 25 | 89 |
| Provision on undrawn commitments | 4 | 2 | - | 1 | 7 |
| Total credit impairment provision | 26 | 28 | 16 | 26 | 96 |

Impact of changes in gross carrying amount and credit commitments on ECL

| | | | | | |
|---|--------------|------------|-----------|-----------|--------------|
| Opening balance at 1 July 24 | 3,647 | 437 | 60 | 33 | 4,177 |
| Net transfers between stages | (207) | 195 | 5 | 7 | - |
| Additions | 1,338 | 42 | 11 | 11 | 1,402 |
| Deletions | (729) | (132) | (13) | (14) | (888) |
| Amounts written off | - | - | - | (6) | (6) |
| Gross carrying amount | 4,049 | 542 | 63 | 31 | 4,685 |
| Off-balance sheet credit commitments at 1 July 24 | 906 | 28 | 1 | 11 | 946 |
| Net transfers between stages | (19) | 18 | 1 | - | - |
| Additions | 578 | 12 | - | 1 | 591 |
| Deletions | (458) | (15) | (1) | (8) | (482) |
| Off-balance sheet credit commitments | 1,007 | 43 | 1 | 4 | 1,055 |

The increase of \$22m in the credit impairment provision on corporate exposures for the six months ended 31 December 2024 reflects:

- remeasurement of ECL due to asset growth and exposures migrating to higher risk grades (+\$21m);
- changes due to model enhancements and management overlays (-\$5m); and
- a net increase in individually assessed provisions (+\$6m), including balances that were written off.

Notes to the interim financial statements continued

6. Asset quality continued

Other asset quality information

| \$ millions | Unaudited at 31 December 24 | | | |
|---|-----------------------------|----------------------------|---------------------|-------|
| | Retail unsecured lending | Residential mortgage loans | Corporate exposures | Total |
| Undrawn lending commitments to counterparties with individually impaired assets | - | - | 4 | 4 |
| Other assets under administration | - | 1 | 2 | 3 |

7. Concentration of credit risk

| \$ millions | Unaudited at 31 Dec 24 | | |
|---|-----------------------------------|------------------------------------|---------------------------------|
| | On-balance sheet financial assets | Off-balance sheet financial assets | Maximum exposure to credit risk |
| New Zealand | | | |
| Agriculture | 41 | 3 | 44 |
| Food and other manufacturing | 563 | 112 | 675 |
| Electricity, gas and water | 50 | 14 | 64 |
| Construction | 698 | 313 | 1,011 |
| Retail and wholesale trade | 499 | 136 | 635 |
| Transport and storage | 333 | 39 | 372 |
| Communications | 74 | 5 | 79 |
| Finance, investment and insurance | 602 | 178 | 780 |
| Property and business services | 3,384 | 167 | 3,551 |
| Professional, scientific and technical services | 147 | 36 | 183 |
| Government, local authorities and services | 2,764 | 2 | 2,766 |
| Education | 29 | 5 | 34 |
| Personal and other services | 134 | 36 | 170 |
| Health and community services | 264 | 37 | 301 |
| Households | 28,224 | 3,396 | 31,620 |
| Overseas | | | |
| Finance, investment and insurance | 1,557 | 7 | 1,564 |
| Total credit exposure | 39,363 | 4,486 | 43,849 |
| Less credit impairment provision | (132) | (9) | (141) |
| Total financial assets | 39,231 | 4,477 | 43,708 |

Australian and New Zealand Standard Industrial Classification ('ANZSIC') codes have been used as the basis for disclosing customer industry sectors in the above table.

Notes to the interim financial statements continued

7. Concentration of credit risk continued

Maximum exposure to credit risk

| \$ millions | Unaudited at 31 Dec 24 | | |
|---------------------------------------|--|---|---------------------------------------|
| | On-balance sheet financial assets | Off-balance sheet financial assets | Maximum exposure to credit risk |
| Credit risk exposure | | | |
| Cash and cash equivalents | 1,274 | - | 1,274 |
| Due from other financial institutions | 152 | - | 152 |
| Investment securities | 2,958 | - | 2,958 |
| Derivative financial instruments | 390 | - | 390 |
| Loans and advances | 34,548 | 4,486 | 39,034 |
| Other financial assets | 41 | - | 41 |
| Subtotal | 39,363 | 4,486 | 43,849 |
| Less credit impairment provision | (132) | (9) | (141) |
| Total | 39,231 | 4,477 | 43,708 |

The table above represents the maximum net credit risk exposure of the Banking Group as at 31 December 2024. The exposures set out are based on net carrying amounts as reported in the balance sheet.

The exposure of the Banking Group derived from loans and advances to retail and corporate customers is 89% of the total maximum exposure (30 June 2024: 91%).

Collateral management

The Banking Group holds financial charges over borrowers' specific assets and can enforce the collateral in satisfying the debt in the event borrowers fail to meet contractual obligations. The collateral held for mitigating credit risk for the Banking Group's lending portfolios is outlined below.

Fully secured exposures are those that have security cover greater than or equal to 100%, partially secured exposures are those that have security cover of 40.0% to 99.9% and unsecured exposures are those that have security cover of less than 40.0%.

Retail unsecured lending

Retail unsecured lending includes credit cards and overdrafts and is an unsecured portfolio. As at 31 December 2024, 100% of the maximum credit exposure is unsecured (30 June 2024: 100%).

Residential mortgage loans

Residential mortgages are secured by a charge over borrowers' residential property. Additional security can also include a charge over deposits and guarantees from borrowers' related parties. As at 31 December 2024, 99.4% is fully secured and 0.6% is partially secured (30 June 2024: 99.4% fully secured and 0.6% partially secured).

Corporate exposures

Corporate lending is typically secured by way of a charge over property; a charge over business assets, other assets or deposits; or guarantees from borrowers' related parties. As at 31 December 2024, 54.3% is fully secured, 12.9% is partially secured and 32.8% is unsecured (30 June 2024: 54.1% fully secured, 11.0% partially secured and 34.9% unsecured).

Collateral on credit impaired assets

As at 31 December 2024, 45.3% of the Banking Group's impaired gross loans is fully secured, 39.7% is partially secured and 15.0% is unsecured (30 June 2024: 56.4% fully secured, 34.4% partially secured and 9.2% unsecured).

Notes to the interim financial statements continued

8. Concentration of credit exposures to counterparties

Credit exposure to individual counterparties

Credit exposure concentrations to individual counterparties at the reporting date are disclosed based on actual credit exposures. Peak end-of-day aggregate credit exposures ('**Peak**') are calculated based on the maximum end-of-day aggregate amount of actual credit exposures over the six-month period (gross of set-offs) divided by the Banking Group's common equity tier 1 capital ('**CET1 capital**') at the end of the reporting period.

The individual counterparty exposures included in the following table exclude exposures to:

- connected persons;
- the central government or central bank of any country with a long-term credit rating of A- or A3 or above, or its equivalent; and
- any supranational or quasi-sovereign agency with a long-term credit rating of A- or A3 or above, or its equivalent.

| Unaudited for the six months ended | Exposure to banks | | Exposure to non-banks | |
|---|-------------------|-------------------|-----------------------|-------------------|
| | 31 Dec 24 | Peak ¹ | 31 Dec 24 | Peak ¹ |
| Total number of exposures that are greater than 10% of CET1 capital | - | - | 2 | 3 |
| with a long-term credit rating of A- or A3 or above, or its equivalent | - | - | 2 | 3 |
| - 10% to less than 15% of CET1 capital | - | - | 2 | 2 |
| - 15% to less than 20% of CET1 capital | - | - | - | 1 |
| with a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent | - | - | - | - |

¹Peak end-of-day over six months to 31 December 2024.

9. Deposits

| \$ millions | Unaudited | Audited |
|--------------------------------------|---------------|------------|
| | 31 Dec 24 | 30 June 24 |
| Deposits not bearing interest | 4,077 | 3,808 |
| On demand deposits | 7,503 | 7,116 |
| Term deposits | 18,381 | 17,252 |
| Total deposits from customers | 29,961 | 28,176 |

The Kiwibank PIE Unit Trust (the '**PIE Unit Trust**'), operates three funds: the PIE Term Deposit Fund, the Notice Saver Fund and PIE Online Call Fund. A subsidiary of Kiwibank (Kiwibank Investment Management Limited) is the issuer and manager (the '**Manager**'), Public Trust is the Supervisor and Kiwibank is the promoter of the Trust. Units in the Trust do not directly represent deposits or liabilities of Kiwibank; however, the PIE Unit Trust is invested exclusively in term and on demand deposits with Kiwibank.

As at 31 December 2024, \$7,250m of the PIE Unit Trust's funds were invested in Kiwibank products or securities (30 June 2024: \$6,979m). Kiwibank guarantees the payment obligations of the Manager and any amounts owing to Unit holders under the Trust Deed in respect of their units. Kiwibank agrees to pay to Unit holders any shortfall between the amount they may receive on redeeming their units or in the winding up of the Trust and the balance of their unit accounts.

Notes to the interim financial statements continued

10. Debt securities issued

| | Unaudited | Audited |
|-------------------------------------|--------------|--------------|
| \$ millions | 31 Dec 24 | 30 June 24 |
| Short-term debt | | |
| Commercial paper | 816 | - |
| Certificates of deposit | 284 | 244 |
| Long-term debt | | |
| Medium term notes | 3,184 | 3,047 |
| Covered bonds | 552 | 547 |
| Fair value hedge adjustments | 16 | (40) |
| Total debt securities issued | 4,852 | 3,798 |

During the period, the Banking Group recommenced issuing offshore commercial paper under its Euro Commercial Paper Programme, which provides short-term funding to the Banking Group.

The Banking Group has not issued or redeemed any covered bonds during the six months ended 31 December 2024 (year ended 30 June 2024: nil). There have been no defaults of principal, interest or other breaches with respect to debt securities issued during the six months ended 31 December 2024 (year ended 30 June 2024: no defaults).

11. Concentration of funding

Concentrations of funding arise where the Banking Group is funded by industries of a similar nature or in particular geographies. ANZSIC codes have been used as the basis for disclosing industry sectors. An analysis of financial liabilities by industry sector and geography at the reporting date is as follows:

| | Unaudited |
|---|---------------|
| \$ millions | 31 Dec 24 |
| New Zealand | |
| Agriculture | 42 |
| Food and other manufacturing | 217 |
| Electricity, gas and water | 46 |
| Construction | 441 |
| Retail and wholesale trade | 316 |
| Transport and storage | 224 |
| Communications | 203 |
| Finance, investment and insurance | 5,224 |
| Property and business services | 552 |
| Professional, scientific and technical services | 539 |
| Government, local authorities and services | 834 |
| Education | 238 |
| Personal and other services | 368 |
| Health and community services | 446 |
| Households | 23,139 |
| Overseas | |
| Finance, investment and insurance | 2,964 |
| Households | 435 |
| Total funding | 36,228 |
| Other financial liabilities | 186 |
| Total financial liabilities | 36,414 |

Notes to the interim financial statements continued

12. Financial instruments

Fair value hierarchy and measurement

Assets and liabilities carried at fair value have been classified into three levels based on the observability of inputs used to measure the fair values. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuations are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3 – Valuations where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data.

There have been no transfers between levels 1 and 2 during the six months ended 31 December 2024 (six months ended 31 December 2023: no transfers). There were also no transfers into/out of level 3 during the six months ended 31 December 2024 (six months ended 31 December 2023: no transfers).

Financial assets and financial liabilities carried at fair value

The fair values of assets and liabilities carried at fair value were determined by application of the following methods and assumptions.

Investment securities

Estimates of fair value for investment securities are based on quoted market prices (mid-price) or determined using market-accepted valuation models as appropriate, including discounted cash flow models with inputs including an interest rate yield curve developed from quoted rates and market-observable credit spreads.

Derivative financial instruments

Where the Banking Group's derivative financial assets and derivative financial liabilities are not traded on an exchange, they are valued using valuation techniques, including discounted cash flow models and option pricing models, as appropriate. The models make maximum use of market observable inputs, including interest rate yield curves and foreign exchange ('FX') rates.

The table below presents financial assets and financial liabilities carried at fair value in accordance with their fair value hierarchy:

| \$ millions | Unaudited at 31 Dec 24 | | | | Audited at 30 June 24 | | | |
|--|------------------------|---------|---------|-------|-----------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value | | | | | | | | |
| Investment securities | 912 | 2,046 | - | 2,958 | 597 | 2,061 | - | 2,658 |
| Derivative financial assets | - | 390 | - | 390 | - | 162 | - | 162 |
| Financial liabilities at fair value | | | | | | | | |
| Derivative financial liabilities | - | 353 | - | 353 | - | 196 | - | 196 |

Financial assets and liabilities measured at amortised cost

The following table compares the carrying amounts (as presented in the Banking Group's balance sheet) with the estimated fair values of financial instruments not measured at fair value. The fair values presented in the tables are at a specific date and may be significantly different from the amounts which will be paid or received on the maturity or settlement date.

| \$ millions | Unaudited at 31 Dec 24 | | Audited at 30 June 24 | |
|------------------------------|------------------------|----------------------|-----------------------|----------------------|
| | Carrying amount | Estimated fair value | Carrying amount | Estimated fair value |
| Financial assets | | | | |
| Loans and advances | 34,416 | 34,499 | 32,445 | 32,294 |
| Financial liabilities | | | | |
| Deposits | 29,961 | 30,021 | 28,176 | 28,187 |
| Debt securities issued | 4,852 | 4,889 | 3,798 | 3,814 |
| Subordinated debt | 474 | 475 | 458 | 459 |

The carrying amounts of the following financial instruments are a reasonable approximation of fair value because, for example, they are short-term in nature or reprice to current market rates frequently: cash and cash equivalents, due from other financial institutions, other financial assets, due to other financial institutions and other financial liabilities.

Notes to the interim financial statements continued

12. Financial instruments continued

Financial assets pledged as collateral for liabilities

Collateral paid is recognised within due from other financial institutions and is the collateral pledged by Kiwibank in respect of its credit support annex obligations to derivative counterparties. As at 31 December 2024, \$152m was pledged as collateral for liabilities (30 June 2024: \$95m).

As at 31 December 2024, \$511m of residential mortgage-backed securities ('**RMBS**') have been pledged as approved eligible collateral in relation to the RBNZ's Funding for Lending Programme (30 June 2024: \$1,156m). As at 31 December 2024, \$46m of RMBS have been pledged as approved eligible collateral in relation to the RBNZ's Term Lending Facility (30 June 2024: \$56m).

The covered bonds issued by the Banking Group are guaranteed by Kiwi Covered Bond Trustee Limited, solely in its capacity as Trustee of Kiwi Covered Bond Trust and are secured over a pool of assets recognised within loans and advances. As at 31 December 2024, \$700m of assets were pledged as collateral (30 June 2024: \$700m).

13. Related entities

The table below shows balances outstanding at the reporting date with related entities. No individually assessed credit impairment provision has been recognised for loans issued to or receivables due from related entities. All outstanding balances are unsecured.

| \$ millions | Unaudited | Audited |
|--|-----------|------------|
| | 31 Dec 24 | 30 June 24 |
| Included in loans and advances | 1 | 2 |
| Total due from related entities | 1 | 2 |
| Included in deposits | 14 | 33 |
| Included in other liabilities | 45 | 45 |
| Total due to related entities | 59 | 78 |

14. Perpetual preference shares

In October 2024, Kiwibank issued 275 million perpetual preference shares ("**PPS**"). The shares were recognised as equity with a carrying amount of \$271m (\$275m less transaction costs of \$4m). The purpose of this issuance was to help Kiwibank meet RBNZ Banking Prudential Requirements, as the PPS qualify as Additional Tier 1 capital for Capital Adequacy calculation purposes.

The total authorised number of PPS in Kiwibank at the reporting date was 525 million (30 June 2024: 250 million). All issued PPS are fully paid and do not carry any voting rights. The PPS are classified as equity instruments as there is no contractual obligation for Kiwibank to either deliver cash or another financial instrument or to exchange financial instruments on a potentially unfavourable basis.

Refer to 'Capital adequacy and regulatory liquidity ratios' section of the Disclosure Statement for further details on terms and conditions.

15. Insurance business

The Banking Group does not conduct any insurance business. However, the Bank markets and distributes insurance products for the following entities: The Ando Insurance Group, Tower Insurance Limited and nib nz insurance Limited. None of these are related to the Banking Group.

16. Segment analysis

There have been no changes to the Banking Group's segmental reporting since 30 June 2024. The Banking Group continues to operate and report as a single segment business consistent with the internal reporting provided to the chief operating decision-maker.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Banking Group's total revenue (six months ended 31 December 2023: nil).

17. Risk management

There have been no material changes to the Banking Group's policies for managing risk, or material exposures to new categories of risk since 30 June 2024.

Notes to the interim financial statements continued

18. Liquidity

Liquid assets portfolio

The Banking Group holds a diversified portfolio of high-quality liquid securities to support its management of liquidity risk. The size of the Banking Group's liquidity portfolio is based on the amount required to meet its internal and regulatory liquidity requirements.

The Bank also holds unencumbered internal residential mortgage-backed securities which would entitle the Banking Group to enter into repurchase transactions. Residential mortgage-backed securities disclosed below are available to be utilised for liquidity purposes.

| \$ millions | 31 Dec 24 | 30 June 24 |
|--|--------------|--------------|
| Cash and cash equivalents | 1,224 | 955 |
| Certificates of deposit | 134 | 213 |
| Government bonds and Treasury bills | 912 | 716 |
| Local body stock and bonds | 413 | 441 |
| Supranational bonds | 930 | 882 |
| Other bonds | 569 | 406 |
| Residential mortgage-backed securities | 3,523 | 2,868 |
| Total liquidity portfolio | 7,705 | 6,481 |

Maturity analysis of financial liabilities

The following table presents the Banking Group's cash flows for financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows and include principal and future interest cash flows, therefore may not agree to the carrying amounts reported in the balance sheet. The Banking Group does not manage liquidity risk based on the information provided below.

| \$ millions | Unaudited at 31 Dec 24 | | | | | | Carrying amount |
|---|------------------------|----------------|----------------|---------------------|-------------------|-------------------------------|-----------------|
| | On demand | Up to 3 months | 3 to 12 months | Between 1 & 5 years | More than 5 years | Gross nominal inflow/ outflow | |
| Non-derivative cash flows | | | | | | | |
| Due to other financial institutions | (20) | (99) | (479) | - | - | (598) | (588) |
| Deposits | (11,676) | (8,344) | (9,138) | (1,228) | - | (30,386) | (29,961) |
| Debt securities issued | - | (840) | (989) | (3,510) | - | (5,339) | (4,852) |
| Lease liabilities | - | (4) | (13) | (50) | (31) | (98) | (88) |
| Other financial liabilities | - | (35) | (18) | (46) | (2) | (101) | (98) |
| Subordinated debt ¹ | - | (5) | (289) | (232) | - | (526) | (474) |
| Total | (11,696) | (9,327) | (10,926) | (5,066) | (33) | (37,048) | (36,061) |
| Derivative cash flows | | | | | | | |
| Net settled | - | (20) | (191) | (90) | (4) | (305) | |
| Gross settled - inflows | - | 286 | 386 | 457 | - | 1,129 | |
| Gross settled - outflows | - | (300) | (406) | (479) | - | (1,185) | |
| Total | - | (34) | (211) | (112) | (4) | (361) | |
| Off-balance sheet cash flows | | | | | | | |
| Letters of credit and performance-related contingencies | (180) | - | - | - | - | (180) | |
| Loan commitments | (4,306) | - | - | - | - | (4,306) | |
| Total | (4,486) | - | - | - | - | (4,486) | |

¹ All subordinated debt instruments have been included at their next call date. Refer to 'Capital adequacy and regulatory liquidity ratios' section of the Disclosure Statement for subordinated debt call dates.

Notes to the interim financial statements continued

19. Interest repricing

The following table, prescribed by the Order, presents a breakdown of the Banking Group's assets, liabilities and off-balance sheet instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Banking Group does not manage its interest rate risk based on the information below.

| | Unaudited at 31 Dec 24 | | | | | | |
|---------------------------------------|------------------------|-----------------------------|-------------------|------------------|-----------------------|------------------------|-----------------|
| \$ millions | Total | Non- interest bearing | Up to 3 months | 3 to 6 months | 6 months to 1 year | Between 1 & 2 years | Over 2 years |
| Financial assets | | | | | | | |
| Cash and cash equivalents | 1,274 | 7 | 1,267 | - | - | - | - |
| Due from other financial institutions | 152 | - | 152 | - | - | - | - |
| Investment securities | 2,958 | - | 590 | 296 | 124 | 490 | 1,458 |
| Derivative financial instruments | 390 | 390 | - | - | - | - | - |
| Loans and advances | 34,416 | 151 | 12,478 | 7,542 | 8,627 | 4,243 | 1,375 |
| Other financial assets | 41 | 41 | - | - | - | - | - |
| Total financial assets | 39,231 | 589 | 14,487 | 7,838 | 8,751 | 4,733 | 2,833 |
| Financial liabilities | | | | | | | |
| Due to other financial institutions | (588) | (20) | (529) | (14) | (25) | - | - |
| Deposits | (29,961) | (4,388) | (15,718) | (5,813) | (2,960) | (551) | (531) |
| Derivative financial instruments | (353) | (353) | - | - | - | - | - |
| Debt securities issued | (4,852) | - | (1,739) | (267) | (10) | (493) | (2,343) |
| Other financial liabilities | (186) | (186) | - | - | - | - | - |
| Subordinated debt | (474) | - | - | - | (269) | - | (205) |
| Total financial liabilities | (36,414) | (4,947) | (17,986) | (6,094) | (3,264) | (1,044) | (3,079) |
| On-balance sheet gap | 2,817 | (4,358) | (3,499) | 1,744 | 5,487 | 3,689 | (246) |
| Net derivative notional principals | 154 | - | 4,923 | (181) | (6,207) | (2,191) | 3,810 |
| Net effective interest rate gap | 2,971 | (4,358) | 1,424 | 1,563 | (720) | 1,498 | 3,564 |

20. Capital expenditure commitments

Capital expenditure commitments contracted for at 31 December 2024, but not provided for in these interim financial statements, total \$2m (30 June 2024: \$2m). All capital expenditure commitments are due to be settled within the next 12 months.

21. Contingent liabilities and credit commitments

Undrawn credit commitments at the reporting date are as follows:

| \$ millions | Unaudited | Audited |
|---|--------------|--------------|
| | 31 Dec 24 | 30 June 24 |
| Letters of credit, guarantees and performance related contingencies | 180 | 143 |
| Undrawn credit facilities | 4,306 | 4,333 |
| Total undrawn credit commitments | 4,486 | 4,476 |

There are no pending legal proceedings or arbitration concerning Kiwibank or any member of the Banking Group, which may have a material adverse effect on Kiwibank or the Banking Group.

22. Events after the reporting period

There have been no material events that occurred after the reporting period which require adjustment or additional disclosure in these interim financial statements.

Capital adequacy and regulatory liquidity ratios

Unaudited

RBNZ Capital Adequacy Framework

The Banking Group is subject to regulation by the Reserve Bank of New Zealand ('RBNZ'). Following an internationally agreed framework (commonly known as Basel III) the RBNZ sets minimum regulatory capital requirements for registered banks in New Zealand.

Basel III consists of three pillars – Pillar I covers the capital requirements for operational, market, and credit risks. Pillar II covers all other material risks that are not already included in Pillar I. Pillar III relates to market disclosure.

In accordance with its conditions of registration, Kiwibank applies the 'standardised approach' under RBNZ's Banking Prudential Requirements ('BPR') for estimating adequate prudential capital and calculating regulatory capital requirements. Regulatory capital adequacy ratios are calculated by expressing capital as a percentage of risk-weighted exposures. In addition, there are increasing constraints on capital distributions if a bank's Prudential Capital Buffer ratio falls below the Buffer Trigger ratio.

Capital management policies

Kiwibank's Board has ultimate responsibility for capital adequacy and approves the Banking Group's capital policy, the results of the Internal Capital Adequacy Assessment Process ('ICAAP') and sets minimum internal capital levels and limits. The Board and Senior management actively monitor the Banking Group's reported actual and forecast capital ratios against these limits. Refer to Note 30 (Risk Management) to the financial statements included in the Banking Group's Disclosure Statement for the year ended 30 June 2024, for further details.

Qualifying capital

RBNZ BPR110 *Capital definitions* provides guidance on which categories of capital may be used in calculating capital adequacy ratios. Total regulatory capital is divided into Tier 1 and Tier 2 capital. Tier 1 capital is divided into Common Equity Tier 1 ('CET1') capital and Additional Tier 1 capital ('AT 1'). Tier 1 capital is permanently and freely available to absorb losses without the bank being obliged to cease trading, while Tier 2 capital generally only absorbs losses in a winding up.

The following table shows the qualifying capital for the Banking Group.

| \$ millions | 31 Dec 24 |
|--|--------------|
| Common equity Tier 1 capital | |
| Paid up ordinary shares issued | 962 |
| Retained earnings (net of appropriations) | 1,507 |
| Accumulated other comprehensive income and other disclosed reserves ¹ | (19) |
| Less deductions from common equity Tier 1 capital | |
| Intangible assets | (14) |
| Cash flow hedge reserve | 41 |
| Deferred tax assets | (103) |
| Total common equity Tier 1 capital | 2,374 |
| Additional Tier 1 capital | |
| Perpetual preference shares ² | 517 |
| Total additional Tier 1 capital | 517 |
| Total Tier 1 capital | 2,891 |
| Tier 2 capital | |
| Subordinated notes ³ | 472 |
| Total Tier 2 capital | 472 |
| Total capital | 3,363 |

¹ Includes fair value reserve of \$22m and cash flow hedge reserve of \$(41)m.

² Perpetual preference shares issued by Kiwibank Limited are classified as equity of the Banking Group under generally accepted accounting practice.

³ Subordinated notes are classified as a liability of the Banking Group under generally accepted accounting practice.

Capital adequacy and regulatory liquidity ratios

Capital structure

Ordinary shares – CET 1 capital

The ordinary shares issued by the Bank are fully paid. All ordinary shares have equal voting rights and share equally in dividends and any distribution of surplus assets of the Bank in the event of liquidation.

Retained earnings – CET 1 capital

Retained earnings is the accumulated profit or loss that has been retained by the Banking Group.

Accumulated other comprehensive income and other disclosed reserves

This consists of the fair value reserve and cash flow hedge reserves, disclosed as reserves on the balance sheet.

- Fair value reserve comprises the cumulative net change in the fair value of investment securities until the investment is derecognised or impaired. This is included in CET1 capital.
- The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of designated cash flow hedging instruments related to hedged forecasted transactions that have not yet occurred. The cash flow hedge reserve is not eligible for inclusion in capital under BPR110 *Capital Definitions*.

Perpetual preference shares – AT 1 capital

The perpetual preference shares ('PPS') are fully paid and do not carry any voting rights. They are classified as equity instruments as there is no contractual obligation for the Bank to either deliver cash or another financial instrument to holders. The PPS have no fixed maturity date and holders have no right to require that the PPS be redeemed. Distributions are discretionary, non-cumulative and paid quarterly in arrears. Distributions are subject to the Bank being solvent on the payment date and immediately after making the payment. In the event of liquidation, holders of PPS rank behind the claims of all depositors and other creditors of Kiwibank (including holders of Tier 2 capital instruments), equally with other PPS holders and ahead of holders of ordinary shares.

The PPS are quoted on the NZX Debt Market and key terms are as follow:

| | FY 22 PPS issue | FY 25 PPS issue |
|-------------------------------------|--|--|
| Issue date | 2 November 2021 | 24 October 2024 |
| Issue amount (NZD) | \$250 million | \$275 million |
| First optional redemption | 2 November 2026 | 24 April 2030 |
| Distribution rate | 4.93% per annum until 2 November 2026 (after which it will be at a rate equal to NZ 5-year swap rate plus 2.60%) | 7.38% per annum until 24 April 2030 (after which it will be at a rate equal to NZ 3-month bank bill rate plus 3.70%) |
| Distribution rate reset date | 2 November 2026 (and 5 yearly intervals after that date) | 24 April 2030 (and quarterly intervals after that date) |

Subordinated notes – Tier 2 capital

The subordinated notes are fully paid and have no voting rights. The notes have a fixed maturity date and holders have no right to require early repayment. Interest payments are subject to the Bank being solvent on the payment date and immediately after making the payment. Unpaid interest will accumulate and will be paid at the earlier of when the Bank is solvent again or at maturity. In the event of liquidation, holders of subordinated notes rank behind the claims of all depositors and other creditors of Kiwibank, equally with other subordinated notes holders and ahead of holders of PPS and ordinary shares.

The key terms are as follows:

| | FY 21 Subordinated debt issue | FY 23 Subordinated debt issue |
|--------------------------------------|---|--|
| Issue date | 11 December 2020 | 12 May 2023 |
| Issue amount (NZD face value) | \$275 million | \$200 million |
| Final maturity date | 11 December 2030 | 12 May 2033 |
| Early repayment option | 11 December 2025 (or on any interest payment date thereafter) | 12 May 2028 (or on any interest payment date thereafter) |
| Interest rate | 2.36% per annum until 11 December 2025 (after which it will be at a rate equal to NZ 5-year swap rate plus 1.90%) | 6.40% per annum until 12 May 2028 (after which it will be at a rate equal to NZ 5-year swap rate plus 2.20%) |

Capital adequacy and regulatory liquidity ratios

Regulatory capital ratios

The following table shows the capital adequacy ratios, minimum capital ratio requirements and conservation buffers for the Banking Group. Kiwibank Limited solo capital ratios are the same as those disclosed for the Banking Group.

| | Minimum ratio requirement | 31 Dec 24 | Minimum ratio requirement | 31 Dec 23 |
|------------------------------------|---------------------------|--------------|---------------------------|-----------|
| Common Equity Tier 1 capital ratio | 4.5% | 11.5% | 4.5% | 11.9% |
| Tier 1 capital ratio | 7.0% | 14.0% | 6.0% | 13.3% |
| Total capital ratio | 9.0% | 16.3% | 8.0% | 15.9% |
| Prudential Capital Buffer ratio | | 7.0% | | 7.3% |
| Buffer Trigger ratio | | 2.5% | | 2.5% |

Regulatory minimum capital requirements for material risks (Pillar I)

The Bank's minimum capital requirements are outlined in the BPR documents set out in the conditions of registration. Throughout the period, Kiwibank and the Banking Group complied with both regulatory and internal capital adequacy requirements.

Pillar I specifies how banks should determine the capital requirements they should meet for identified material risks. These requirements take the form of minimum capital ratios. These ratios are calculated by expressing capital as a percentage of risk-weighted exposures.

Risk-weighted exposures are derived by assigning risk-weight percentages to certain material risk categories of exposures. These material risks are (a) operational risk, (b) market risk and (c) credit risk. The following pages summarise the capital requirements of each material risk for the six months ended 31 December 2024. The table below summarises the total capital requirements for the Banking Group.

| \$ millions | 31 Dec 24 | | |
|-------------------------------|---|--|--|
| | Total exposure after credit risk mitigation | Risk weighted exposure or implied risk weighted exposure | Total capital requirement ¹ |
| Total credit risk plus equity | 46,243 | 17,440 | 1,570 |
| Operational risk | n/a | 2,249 | 202 |
| Market risk | n/a | 978 | 88 |
| Total Pillar I risk | | 20,667 | 1,860 |

¹ The total capital requirement increased from 8% to 9% of risk weighted exposure or implied risk weighted exposure from 1 July 2024 in accordance with the Banking Group's conditions of registration and RBNZ BPR100 *Capital Adequacy*.

(a) Operational risk capital requirement

Operational risk is the risk of loss, resulting from inadequate or failed internal processes (including legal risks), people and systems and from external events. The total operational risk capital requirement is computed in accordance with RBNZ BPR150 *Standardised Operational Risk*.

As at 31 December 2024, the Banking Group had an implied risk weighted exposure of \$2,249m and a total operational risk capital requirement of \$180m. The implied risk weighted exposure is equal to 12.5 times the total operational risk capital requirement in accordance with RBNZ BPR100 *Capital Adequacy*. The total capital requirement for operational risk calculated at 9% of implied risk weighted exposure is presented in the table above.

(b) Market risk capital requirement

Market risk is the vulnerability of earnings to movements in interest rates, equity prices and currency volatility. The aggregate capital charge has been calculated in accordance with RBNZ BPR140 *Market Risk*. Implied risk weighted exposures are equal to 12.5 times the aggregate capital charge in accordance with RBNZ BPR100 *Capital Adequacy*. The peak end-of-day aggregate capital charges are the maximum over the period at the close of each business day. The total capital requirement for market risk calculated at 9% of implied risk weighted exposure is presented in the table above.

| \$ millions | 31 Dec 24 | | | |
|-----------------------|--------------------------------|------------|--------------------------|-----------|
| | Implied risk weighted exposure | | Aggregate capital charge | |
| | End of period | Peak | End of period | Peak |
| Interest rate risk | 853 | 900 | 68 | 72 |
| Foreign currency risk | 125 | 130 | 10 | 10 |
| Equity risk | - | - | - | - |

Capital adequacy and regulatory liquidity ratios

Regulatory minimum capital requirements for material risks (Pillar I) continued

(c) Credit risk capital requirement

Credit risk is the vulnerability of lending and investment portfolios to systemic counterparty default. The risk-based capital allocation is computed in accordance with RBNZ BPR130 *Credit Risk RWAs Overview*, RBNZ BPR131 *Standardised Credit Risk RWAs*, RBNZ BPR132 *Credit Risk Mitigation* and BPR160 *Insurance, Securitisation, and Loan Transfers*.

On-balance sheet exposures

The following table shows the calculation of risk weighted exposures for on-balance sheet exposures for the Banking Group.

| \$ millions | 31 Dec 24 | | |
|--|---|-------------|------------------------|
| | Total exposure after credit risk mitigation | Risk weight | Risk weighted exposure |
| Cash and gold bullion | 6 | 0% | - |
| Sovereigns and central banks | 2,102 | 0% | - |
| Multilateral development banks and other international organisations | 871 | 0% | - |
| | 49 | 20% | 10 |
| Public sector entities | 353 | 20% | 71 |
| Banks | 298 | 20% | 60 |
| | 200 | 50% | 100 |
| Corporate | 448 | 20% | 90 |
| | 41 | 50% | 21 |
| | 4,537 | 100% | 4,537 |
| Residential mortgages not past due | | | |
| Non-property investment residential mortgage loans | 1,072 | 20% | 214 |
| | 16,742 | 35% | 5,860 |
| | 1,285 | 50% | 643 |
| | 31 | 75% | 23 |
| | 102 | 100% | 102 |
| Property investment residential mortgage loans | 9,763 | 40% | 3,905 |
| | 70 | 70% | 49 |
| | 38 | 90% | 34 |
| | 35 | 100% | 35 |
| Residential mortgages past due > 90 days | | | |
| Past due but not impaired | 1 | 35% | 1 |
| | 1 | 50% | - |
| | 37 | 100% | 37 |
| Past due and impaired | 3 | 100% | 3 |
| Other | | | |
| Past due but not impaired | 7 | 100% | 7 |
| | 32 | 150% | 48 |
| Past due and impaired | 3 | 100% | 3 |
| | 3 | 150% | 4 |
| Other assets | 16 | 20% | 3 |
| | 793 | 100% | 793 |
| All other equity holdings (not deducted from capital) | - | 400% | 2 |
| Non risk-weighted assets | 507 | 0% | - |
| Total on-balance sheet exposures | 39,446 | | 16,655 |

Capital adequacy and regulatory liquidity ratios

Regulatory minimum capital requirements for material risks (Pillar I) continued

(c) Credit risk capital requirement continued

Off-balance sheet exposures and counterparty credit risk

The following table shows the calculation of risk weighted exposures for off-balance sheet exposures for the Banking Group. Total exposure amounts are net of credit impairment provision.

| \$ millions | 31 Dec 24 | | | | |
|--|----------------|--------------------------|--------------------------|---------------------|------------------------|
| | Total exposure | Credit conversion factor | Credit equivalent amount | Average risk weight | Risk weighted exposure |
| Direct credit substitute | 107 | 100% | 107 | 100% | 107 |
| Performance-related contingency | 70 | 50% | 35 | 100% | 35 |
| Other commitments where original maturity is more than one year | 1,344 | 50% | 672 | 60% | 403 |
| Other commitments where original maturity is less than or equal to one year | 1,670 | 20% | 334 | 37% | 123 |
| Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice | 1,286 | 0% | - | 0% | - |
| Counterparty credit risk: ¹ | | | | | |
| (a) Foreign exchange contracts | 4,898 | n/a | 134 | 57% | 76 |
| (b) Interest rate contracts | 39,860 | n/a | 33 | 17% | 6 |
| (c) Other – CVA | - | n/a | - | n/a | 34 |
| (d) Other – CCP initial margin | 56 | n/a | - | 2% | 1 |
| Total off-balance sheet exposures | 49,291 | | 1,315 | | 785 |

¹ The credit equivalent amount for counterparty credit risk exposures was calculated using the current exposure method and is a net exposure amount i.e., after credit risk mitigation.

Exposures arising from trades settled on Qualifying Central Counterparties (QCCP)

| \$ millions | 31 Dec 24 | | |
|---|-------------------------------------|---------------------|-------------------------|
| | Trade exposure or collateral amount | Average risk weight | Risk weighted exposures |
| Exposures arising from trades settled on Qualifying Central Counterparties | | | |
| Bank as QCCP clearing member, clearing own trades | - | - | - |
| Collateral posted for clearing own trades | - | - | - |
| Bank as client of QCCP member, clearing trades through that member | 24 | 2% | - |
| Collateral posted for clearing via member bank | 56 | 2% | 1 |
| Total | 80 | | 1 |

Capital adequacy and regulatory liquidity ratios

Regulatory minimum capital requirements for material risks (Pillar I) continued

(c) Credit risk capital requirement continued

Credit risk mitigation

The Banking Group uses the comprehensive method to measure the mitigating effects of collateral.

| \$ millions | 31 Dec 24 | |
|-----------------------|---|--|
| | Total value of on- and off-balance sheet exposures covered by eligible collateral (after haircutting) | Total value of on- and off-balance sheet exposures covered by guarantees or credit derivatives |
| Exposure class | | |
| Bank | 3,174 | - |
| Corporate | 39,320 | - |
| Total | 42,494 | - |

Residential mortgages by loan-to-valuation ratio ('LVR')

The LVR classification below is calculated in compliance with the Order. The off-balance sheet amounts disclosed in the table below are credit equivalent amounts disclosed net of the relevant credit conversion factor.

| \$ millions | 31 Dec 24 | | |
|-----------------------------|------------------|-------------------|---------------|
| | On-balance sheet | Off-balance sheet | Total |
| LVR does not exceed 80% | 26,696 | 745 | 27,441 |
| LVR exceeds 80% and not 90% | 1,931 | 13 | 1,944 |
| LVR exceeds 90% | 553 | 4 | 557 |
| Total | 29,180 | 762 | 29,942 |

Other material risks (Pillar II)

The Basel III capital adequacy regime intends to ensure that banks have adequate capital to support all material risks inherent in their business activities. Consequently, banks are required to maintain an ICAAP for assessing overall capital adequacy in relation to their risk profile. Kiwibank's ICAAP methodology requires it to hold capital against other material risks including cyber, climate change, and external fraud risks. For these other material risks, the Bank has made an internal capital allocation of \$40m (30 June 2024: \$40m).

Regulatory liquidity ratios

The Banking Group calculates regulatory liquidity ratios in accordance with the RBNZ's BS13: *Liquidity Policy*. Ratios are calculated daily, and the quarterly averages of each daily ratio are disclosed below.

| For the three months ended | The Banking Group | |
|--|-------------------|------------|
| | 31 Dec 24 | 30 Sept 24 |
| Quarterly average 1-week mismatch ratio | 10.7% | 11.3% |
| Quarterly average 1-month mismatch ratio | 9.9% | 10.3% |
| Quarterly average core funding ratio | 89.3% | 90.1% |



Independent auditor's review report

To the shareholder of Kiwibank Limited

This report is for the Banking Group, comprising Kiwibank Limited (the "Bank") and the entities it controlled as at 31 December 2024 or from time to time during the six months ended on that date.

The Auditor-General is the auditor of the Bank and the Banking Group. The Auditor-General has appointed me, Callum Dixon, using the staff and resources of PricewaterhouseCoopers, to carry out the review of the interim financial statements and the supplementary information (excluding the supplementary information relating to capital adequacy and regulatory liquidity requirements) included in the Disclosure Statement of the Banking Group, on his behalf.

Report on the condensed consolidated interim Financial Statements and the Supplementary Information (excluding the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9)

Our conclusion

We have reviewed the condensed consolidated interim financial statements (the "Financial Statements") for the six month period ended 31 December 2024 of the Banking Group as required by clause 25 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") and the supplementary information disclosed in accordance with Schedules 5, 7, 13, 16 and 18 of the Order (the "Supplementary Information"), excluding the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order contained in the half year disclosure statement (the "Disclosure Statement").

The Financial Statements comprise the balance sheet as at 31 December 2024, the related income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended and selected explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying:

- Financial Statements have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34) and International Accounting Standard 34 *Interim Financial Reporting* (IAS 34); and
- Supplementary Information that is required to be disclosed in accordance with Schedules 5, 7, 13, 16 and 18 of the Order:
 - does not present fairly, in all material respects, the matters to which it relates; or
 - is not disclosed, in all material respects, in accordance with those schedules.

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410 (Revised)"). Our responsibilities are further described in the *Auditor's responsibilities for the review of the Financial Statements and the Supplementary Information* section of our report.



We are independent of the Banking Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit of the annual financial statements and this review, our firm carries out other services for the Banking Group in the areas of:

- limited assurance over capital adequacy and regulatory liquidity requirements for the half year and year end;
- reasonable assurance over registry compliance and limited assurance over compliance with certain matters in the trust deed in respect of a controlled entity within the Banking Group;
- agreed-upon procedures over debt programmes; and
- pre-conditions assessment and assurance over greenhouse gas emissions reporting.

These services are compatible with those independence requirements. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the business. We have no other relationship with, or interests in, the Banking Group.

Responsibilities of the Directors for the Disclosure Statement

The Directors are responsible, on behalf of the Bank, for the preparation and fair presentation of the Financial Statements in accordance with clause 25 of the Order, NZ IAS 34 and IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the Financial Statements and the Supplementary Information that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible on behalf of the Bank for the preparation and fair presentation of the Disclosure Statement which includes:

- all of the information prescribed in Schedule 3 of the Order; and
- the information prescribed in Schedules 5, 7, 9, 13, 16 and 18 of the Order.

The Directors are also responsible for the publication of the Disclosure Statement, whether in printed or electronic form.

Auditor's responsibilities for the review of the Financial Statements and the Supplementary Information

Our responsibility is to express a conclusion on the Financial Statements and the Supplementary Information based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the:

- Financial Statements, taken as a whole, have not been prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34; and
- Supplementary Information that is required to be disclosed in accordance with Schedules 5, 7, 13, 16 and 18 of the Order:
 - does not present fairly, in all material respects, the matters to which it relates; or
 - is not disclosed, in all material respects, in accordance with those schedules; or
 - if applicable, has not been prepared, in all material respects, in accordance with any conditions of registration relating to disclosure requirements imposed under section 74(4)(c) of the Banking (Prudential Supervision) Act 1989.



A review in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Financial Statements and the Supplementary Information.

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

Callum Dixon
On behalf of the Auditor-General
Wellington, New Zealand
26 February 2025

The PricewaterhouseCoopers logo, written in a stylized, cursive script font.

PricewaterhouseCoopers



Independent Assurance Report

To the shareholder of Kiwibank Limited

This report is for the Banking Group, comprising Kiwibank Limited (the “Bank”) and the entities it controlled as at 31 December 2024 or from time to time during the six months ended on that date.

The Auditor-General is the auditor of the Bank and the Banking Group. The Auditor-General has appointed me, Callum Dixon, using the staff and resources of PricewaterhouseCoopers, to carry out a limited assurance engagement in respect of the information relating to capital adequacy and regulatory liquidity requirements included in the Disclosure Statement of the Banking Group, on his behalf.

Limited assurance report on compliance with the information required on capital adequacy and regulatory liquidity requirements

Our conclusion

We have undertaken a limited assurance engagement on the Bank’s compliance, in all material respects, with clause 22 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the “Order”) which requires information prescribed in Schedule 9 of the Order relating to capital adequacy and regulatory liquidity requirements to be disclosed in its half year Disclosure Statement for the six month period ended 31 December 2024 (the “Disclosure Statement”). The Disclosure Statement containing the information prescribed in Schedule 9 of the Order relating to capital adequacy and regulatory liquidity requirements will accompany our report, for the purpose of reporting to the shareholder.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Bank’s information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 22 of the Order and disclosed in the Capital adequacy and regulatory liquidity ratios section on pages 26 to 31 of the Disclosure Statement, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

Basis for conclusion

We have conducted our engagement in accordance with Standard on Assurance Engagements 3100 (Revised) *Compliance Engagements* (“SAE 3100 (Revised)”) issued by the New Zealand Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Directors’ responsibilities

The Directors are responsible on behalf of the Bank for compliance with the Order, including clause 22 of the Order which requires information relating to capital adequacy and regulatory liquidity requirements prescribed in Schedule 9 of the Order to be included in the Disclosure Statement, for the identification of risks that may threaten compliance with that clause, controls that would mitigate those risks and monitoring ongoing compliance.



Our independence and quality management

We have complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board. PES 1 is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour; and
- quality management requirements, which incorporate the requirements of Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (PES 3). PES 3 requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of the Banking Group. In addition to the audit of the annual financial statements, the half year review of the interim financial statements and this limited assurance engagement, our firm carries out other services for the Banking Group in the areas of:

- limited assurance over capital adequacy and regulatory liquidity requirements for the full year;
- reasonable assurance over registry compliance and limited assurance over compliance with certain matters in the trust deed in respect of a controlled entity within the Banking Group;
- agreed-upon procedures over debt programmes; and
- pre-conditions assessment and assurance over greenhouse gas emissions reporting.

These services are compatible with those independence requirements. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the business. We have no other relationship with, or interests in, the Banking Group.

Assurance practitioner's responsibilities

Our responsibility is to express a limited assurance conclusion on whether the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 22 of the Order is not, in all material respects, disclosed in accordance with Schedule 9 of the Order. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 22 of the Order, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with clause 22 of the Order in respect of the information relating to capital adequacy and regulatory liquidity requirements is likely to arise.

Given the circumstances of the engagement we:

- obtained an understanding of the process, models, data and internal controls implemented over the preparation of the information relating to capital adequacy and regulatory liquidity requirements;
- obtained an understanding of the Bank's compliance framework and internal control environment to ensure the information relating to capital adequacy and regulatory liquidity requirements is in compliance with the Reserve Bank of New Zealand's (the "RBNZ") prudential requirements for banks;
- obtained an understanding and assessed the impact of any matters of non-compliance with the RBNZ's prudential requirements for banks that relate to capital adequacy and regulatory liquidity requirements and inspected relevant correspondence with the RBNZ;
- performed analytical and other procedures on the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order, and considered its consistency with the interim financial statements; and
- agreed the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order to information extracted from the Bank's models, accounting records or other supporting documentation.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion on compliance with the compliance requirements.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance with the compliance requirements may occur and not be detected.

A limited assurance engagement on the Bank's information relating to capital adequacy and regulatory liquidity requirements prescribed in Schedule 9 of the Order to be included in the Disclosure Statement in compliance with clause 22 of the Order does not provide assurance on whether compliance will continue in the future.

Use of report

This report has been prepared for use by the Bank's shareholder for the purpose of establishing that these compliance requirements have been met.

Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Bank and the Bank's shareholder, or for any purpose other than that for which it was prepared.



Callum Dixon
On behalf of the Auditor-General
Wellington, New Zealand
26 February 2025



PricewaterhouseCoopers