Annual Report and Disclosure Statement

For the year ended 30 June 2025

Number 81

Contents

General information

In this Disclosure Statement, unless the context requires otherwise:

- '**Banking Group**' means Kiwibank's financial reporting group, which consists of Kiwibank Limited, all of its wholly owned entities and all other entities consolidated for financial reporting purposes; and
- Words and phrases defined by the Order have the same meanings when used in this Annual Report and Disclosure Statement.

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.

Registered office and address for service

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

Ultimate holding company

The ultimate holding company of Kiwibank is Kiwi Group Capital Limited ('**KGCL**') whose address for service is Level 9, 20 Customhouse Quay, Wellington 6011, New Zealand.

Voting securities and power to appoint directors

As at 30 June 2025, there are 962 million voting shares in the Bank. KGCL is the registered and beneficial holder of all voting shares in the Bank. KGCL and the Sovereign in right of New Zealand, acting by and through the Minister of Finance and the Minister for State-Owned Enterprises (the Crown) (as the ultimate parent of KGCL) are the only holders of a direct or indirect qualifying interest in the voting shares of the Bank.

KGCL has the ability to directly appoint 100% of the Board of Directors of Kiwibank (the '**Board**'). No appointment of any director, chief executive, or executive, who reports or is accountable directly to the chief executive, shall be made in respect of the Bank unless:

1. the RBNZ has been supplied with a copy of the curriculum vitae of the proposed appointee; and
2. the RBNZ has advised that it has no objection to that appointment.

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.

Priority of creditors' claims

In the event of the liquidation of Kiwibank, claims of secured creditors and those creditors set out in Schedule 7 of the Companies Act 1993 would rank ahead of the claims of unsecured creditors. Customer deposits are unsecured and rank equally with other unsecured liabilities of the Bank, and such liabilities rank ahead of any subordinated instruments issued by the Bank. The priority of creditors is covered in 'Deposits' (Note 18), 'Debt securities issued' (Note 19), and 'Subordinated debt' (Note 20). In addition, all payment obligations of Kiwibank that existed on 28 February 2017, and still outstanding, are guaranteed under the Crown Guarantee but only in relation to and to the extent of those obligations.

General information continued

Directorate

Independent non-executive director, Chair

Jonathan Peter Hartley QSO
Qualifications: BA (Hons), FCA (E&W), FCA (ANZ), FAICD
Primary occupation: Company director
Country of residence: New Zealand
Audit and Risk Committee member: Yes

External Directorships: Director of Timberlands Limited, Ngāi Tahu Holdings Corporation Limited.

Independent non-executive directors

Kevin Mark Malloy
Qualifications: Dip Advertising & Marketing, CMInstD
Primary occupation: Company director
Country of residence: New Zealand
Audit and Risk Committee member: No

External Directorships: Director of each of KM54 Limited, NZ Cricket Board, Halberg Disability Sport Foundation, Super Rugby Governance Board.

Mary Jane Daly
Qualifications: BCom, MBA, CFInstD
Primary occupation: Company director
Country of residence: New Zealand
Audit and Risk Committee member: Yes (Chair)

External Directorships: Director of each of Kiwi Property Group Limited, FSF Management Company Limited, AIG Insurance New Zealand Limited, Partners Life Limited.

Ian Cameron Blair
Primary occupation: Managing director
Country of residence: New Zealand
Audit and Risk Committee member: Yes

External Directorships: Director of each of Sapience Limited, WSP New Zealand Limited, Blair Family Corporate Trustee Limited, Te Awa Kairangi Ki Uta Holdings Limited.

Kate Louise Jorgensen
Qualifications: MTF, CA, BBus, CMInstD
Primary occupation: Company director
Country of residence: New Zealand
Audit and Risk Committee member: Yes

External Directorships: Director of each of Chorus New Zealand Limited, Chorus Limited, Vero Liability Insurance Limited, Vero Insurance New Zealand Limited, Southern Cross Medical Care Society.

Scott John Pickering
Qualifications: Associate Certified Insurance Professional, Certificate of Insurance (Non-Life)
Primary occupation: Company director
Country of residence: New Zealand
Audit and Risk Committee member: No

External Directorships: Director of Engage Consulting Limited, Insurance Australia Group (IAG) Limited, IAG New Zealand Limited, IAG (NZ) Holdings Limited, Bowls New Zealand Aotearoa, Fidelity Life Assurance Company Limited, NZ Healthcare HoldCo Limited, NZ Healthcare BidCo Limited (Trading as Evolution Healthcare), CGU Australia Pty Ltd.

Anna Valerie Curzon
Qualifications: PGDipCom (Management), BCom (Marketing)
Primary occupation: Company director
Country of residence: New Zealand
Audit and Risk Committee member: No

External Directorships: Director of each of Atomic.io Limited, Jade Software Corporation Limited, Tickstar AB.

Jonathan Keith Macdonald
Qualifications: BE (Hons), CMInstD
Primary occupation: Company director
Country of residence: New Zealand
Audit and Risk Committee member: No

External Directorships: Director of each of Sharesies Group Limited, Sharesies Limited, Mitre 10 (New Zealand) Limited, Titan Parent New Zealand Limited, Contact Energy Limited.

Changes in Board of Directors

There were no changes in Board of Directors during the year. Jon Hartley has decided not to seek reappointment for the role as Chair of the Kiwibank Board, when his current term ends in November 2025.

General information continued

Directorate continued

Audit and Risk Committee

The charter of the Audit and Risk Committee provides that the membership of the Committee must include a majority of independent directors, and at least one member with material accounting experience. In this disclosure period, the Committee was made up of four directors (each independent non-executive directors).

Executive directors

There are no executive directors of the Bank.

Communications with directors

Communications addressed to the directors and responsible persons may be sent to the Bank's address for service.

Policy for avoiding and dealing with conflicts of interest

The policy and current practice of the Board is that conflicts of interest which may arise from the personal, professional or business interests of the directors, or any of them, must be disclosed to the Board. Directors are not entitled to vote on any matter in which they have an interest, unless KGCL has approved the waiver of this requirement. However, directors can be counted in the quorum for any part of a Board meeting in respect of which they have a conflict.

The Companies Act 1993 requires each director's interest to be entered in the interests register and disclosed to the Board if:

a) the nature and monetary value of the director's interest if its monetary value is able to be quantified; or

b) the nature and extent of the director's interest if its monetary value is not able to be quantified.

Directors' benefits

There is no transaction which any director or immediate relative or close business associate of any director has with Kiwibank which either has been entered into on terms other than those which would, in the ordinary course of business of Kiwibank, be given to any other person of like circumstances or means or could otherwise be reasonably likely to influence materially the exercise of that director's duties.

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 audit of the 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.

Climate-related disclosures

The Bank is a climate reporting entity and produces a group climate statement in compliance with the Financial Markets Conduct Act 2013 ('**FMCA**') and the Aotearoa New Zealand Climate Standards ('**NZ CS**'). The Banking Group is using a mix of internal analysis and the procurement of technical information from specialised third parties in order to identify, understand and ultimately disclose in accordance with the FMCA and the NZ CS.

The Bank has opted to publish its Climate Statement separately from this Annual Report and Disclosure Statement. The climate statement will provide further information on Kiwibank's approach to managing climate risks. The Bank intends to publish its climate statement in October 2025. Further information can be found here: https://www.kiwibank.co.nz/about-us/who-we-are/our-purpose/sustainability/

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

Recent rating actions and changes in credit ratings

The most recent rating actions and any changes in the credit ratings or rating outlooks shown above that were made in the two years prior to signing date are outlined below:

Moody's

- There have been no changes in the credit rating or rating outlook over the past two years.

Fitch

- There have been no changes in the credit rating or rating outlook over the past two years.

The following table describes the steps in the applicable rating scales for each rating agency:

	Moody's	Fitch
Investment grade:		
Highest credit quality – ability to repay debt obligations is extremely strong	Aaa	AAA
Ability to repay debt obligations is very strong	Aa	AA
Ability to repay is strong although somewhat susceptible to adverse changes in circumstances or in economic conditions	A	A
Adequate ability to repay debt obligations though changes in circumstances or in economic conditions are more likely to impair this capacity	Baa	BBB
Speculative grade:		
Significant ongoing uncertainties exist which could affect the capacity to repay debt obligation on a timely basis	Ba	BB
Greater vulnerability and therefore greater risk of default	B	B
Significant risk of default. Repayment of debt obligations requires favourable financial conditions	Caa	CCC
Highest risk of default	Ca	CC to C
Obligations currently in default	C	RD to D

Credit ratings between AA and CCC by Fitch may be modified by the addition of a plus or minus sign (signalling higher and lower ends of the scale respectively). Moody's applies numeric modifiers 1, 2 and 3 to each generic rating classification between Aa and Caa with 1 indicating a higher rating and 3 indicating a lower rating within that generic rating category.

Guarantees

As 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 as at 28 February 2017, and still outstanding, have the benefit of a deed poll guarantee by the Crown (the '**Crown Guarantee**').

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

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 (refer to the ratings scale provided on the previous page). 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 as 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 guarantee is available on the Kiwibank website – https://www.kiwibank.co.nz/about-us/governance/legal-documents-and-information/legal-documents/#crown-guarantee-formerly-known-as-new-zealand-post-guarantee.

The financial statements of the Crown are available here – https://www.treasury.govt.nz/publications/financial-statements-government.

The Crown has a credit rating applicable to its long-term unsecured obligations payable in New Zealand, in New Zealand dollars, as set out below:

Rating agency	Current credit rating	Rating outlook
Moody's Investors Service ('**Moody's**')	Aaa	Stable
Fitch Ratings ('**Fitch**')	AA+	Stable
S&P Global Ratings ('**S&P**')	AAA	Stable

S&P's credit rating scale is consistent with the scale provided for Fitch on the previous page, with the exception of obligations currently in default where S&P only uses a rating of D.

Depositor Compensation Scheme

The Depositor Compensation Scheme ('**DCS**') came into effect on 1 July 2025 (under The Deposit Takers Act 2023). The DCS provides eligible depositors with confidence that their deposits, in the event of a deposit taker failure, are eligible for compensation up to $100,000 per depositor, per deposit taker. DCS is a government backed scheme funded by deposit takers and administered by the RBNZ. It is designed to strengthen trust and security in New Zealand's financial system and align New Zealand with the protection available in many other countries.

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 year ended 30 June 2025:

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.

With agreement of the shareholder, the Bank has taken advantage of the concessions available to it under section 211(3) of the Companies Act 1993.

This Disclosure Statement is dated 20 August 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

Historical summary of financial statements

$ millions For the year ended 30 June	2025	2024	2023	2022	2021
Income statement					
Interest income	**2,325**	1,983	1,389	907	834
Interest expense	**(1,467)**	(1,159)	(595)	(277)	(306)
Net gains/(losses) on financial instruments	**10**	3	(17)	7	8
Other operating income	**44**	53	39	43	41
Operating expenses	**(619)**	(582)	(534)	(480)	(422)
Credit impairment (charge)/reversals	**(29)**	(24)	(37)	(16)	19
Profit before tax	**264**	274	245	184	174
Income tax expense	**(73)**	(72)	(70)	(53)	(48)
Profit after tax	**191**	202	175	131	126

$ millions As at 30 June	2025	2024	2023	2022	2021
Balance sheet					
Total assets	**40,660**	36,650	33,838	31,547	28,229
Individually impaired assets	**46**	42	8	2	1
Total liabilities	**37,581**	34,029	31,527	29,345	26,505
Total equity	**3,079**	2,621	2,311	2,202	1,724
Other items included in equity:					
Ordinary dividends paid	**-**	-	(14)	(17)	(6)
Perpetual capital bond distributions paid	**-**	-	-	(3)	(6)
Perpetual preference share distributions paid	**(16)**	(9)	(9)	(4)	-

The amounts included in this historical summary have been taken from audited financial statements of the Banking Group. Where amounts have been restated in a subsequent period, the restated amounts have been presented.

Financial statements

Income statement

$ millions For the year ended 30 June	Note	2025	2024
Interest income:			
Calculated using the effective interest method	2	**2,313**	1,983
Other		**12**	-
Total interest income		**2,325**	1,983
Interest expense	2	**(1,467)**	(1,159)
Net interest income		**858**	824
Net gains on financial instruments	3	**10**	3
Other operating income	4	**44**	53
Total operating income		**912**	880
Operating expenses	5	**(619)**	(582)
Profit before credit impairment and tax		**293**	298
Credit impairment charge	6	**(29)**	(24)
Profit before tax		**264**	274
Income tax expense	7	**(73)**	(72)
Profit after tax		**191**	202

Statement of comprehensive income

$ millions For the year ended 30 June	Note	2025	2024
Profit after tax		**191**	202
Other comprehensive income, net of tax			
Items that may subsequently be reclassified to profit or loss:			
- Net change in fair value reserve	27	**47**	29
- Net change in cash flow hedge reserve	27	**(35)**	(137)
Other comprehensive income, net of tax		**12**	(108)
Total comprehensive income		**203**	94

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

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
For the year ended 30 June 2024							
Balance at 1 July 2023		737	1,226	(50)	152	246	2,311
Profit after tax		-	202	-	-	-	202
Other comprehensive income, net of tax		-	-	29	(137)	-	(108)
Total comprehensive income		-	202	29	(137)	-	94
Transactions with owners:							
Ordinary shares issued	27	225	-	-	-	-	225
Perpetual preference share distributions paid	27	-	(9)	-	-	-	(9)
Balance at 30 June 2024		962	1,419	(21)	15	246	2,621
For the year ended 30 June 2025							
Balance at 1 July 2024		962	1,419	(21)	15	246	2,621
Profit after tax		**-**	**191**	**-**	**-**	**-**	**191**
Other comprehensive income, net of tax		**-**	**-**	**47**	**(35)**	**-**	**12**
Total comprehensive income		**-**	**191**	**47**	**(35)**	**-**	**203**
Transactions with owners:							
Perpetual preference shares issued	27	**-**	**-**	**-**	**-**	**271**	**271**
Perpetual preference share distributions paid	27	**-**	**(16)**	**-**	**-**	**-**	**(16)**
Balance at 30 June 2025		**962**	**1,594**	**26**	**(20)**	**517**	**3,079**

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

Financial statements continued

Balance sheet

$ millions As at 30 June	Note	2025	2024
Assets			
Cash and cash equivalents	14	**1,058**	1,005
Due from other financial institutions	15	**129**	95
Investment securities	16	**3,055**	2,658
Derivative financial instruments	23	**296**	162
Loans and advances	8	**35,840**	32,445
Deferred tax assets	7	**87**	65
Premises and equipment		**120**	127
Intangible assets		**10**	17
Other assets		**65**	76
Total assets		**40,660**	36,650
Total interest earning and discount bearing assets		***39,905***	*36,070*
Liabilities			
Due to other financial institutions	17	**437**	1,109
Deposits	18	**30,337**	28,176
Derivative financial instruments	23	**324**	196
Debt securities issued	19	**5,693**	3,798
Other liabilities	26	**313**	292
Subordinated debt	20	**477**	458
Total liabilities		**37,581**	34,029
Total interest and discount bearing liabilities		***32,541***	*29,379*
Net assets		**3,079**	2,621
Equity			
Ordinary shares	27	**962**	962
Retained earnings		**1,594**	1,419
Reserves	27	**6**	(6)
Perpetual preference shares	27	**517**	246
Total equity		**3,079**	2,621

The Board of Directors of Kiwibank Limited authorised these financial statements for issue on 20 August 2025.

Jonathan Peter Hartley

Mary Jane Daly

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

Financial statements continued

Cash flow statement

$ millions For the year ended 30 June	Note	2025	2024
Cash flows from operating activities			
Interest received		**2,351**	1,980
Interest paid		**(1,423)**	(1,011)
Fees, commission and other income received		**97**	111
Fees and commission expense paid		**(53)**	(50)
Operating expenses paid		**(600)**	(551)
Income tax paid		**(48)**	(126)
Net cash flows from operating activities before changes in operating assets and liabilities		**324**	353
Net changes in operating assets and liabilities			
Due from other financial institutions		**(34)**	34
Investment securities		**(332)**	(317)
Loans and advances		**(3,438)**	(2,611)
Due to other financial institutions		**(54)**	(138)
Deposits		**2,178**	2,321
Other liabilities		**(1)**	(1)
Net cash flows from operating activities		**(1,357)**	(359)
Cash flows from investing activities			
Purchase of premises and equipment		**(12)**	(8)
Purchase of intangible assets		**-**	(1)
Net cash flows from investing activities		**(12)**	(9)
Cash flows from financing activities			
Repayment of repurchase agreements		**(618)**	(521)
Issue of debt securities	19	**4,165**	1,842
Redemption of debt securities	19	**(2,366)**	(1,176)
Payment of principal portion of lease liabilities	26	**(16)**	(15)
Issue of ordinary shares	27	**-**	225
Issue of perpetual preference shares	27	**271**	-
Perpetual preference share distributions paid		**(16)**	(9)
Net cash flows from financing activities		**1,420**	346
Increase/(decrease) in cash and cash equivalents		**51**	(22)
Cash and cash equivalents at beginning of the year		**1,005**	1,027
Effect of exchange rate changes on cash and cash equivalents		**2**	-
Cash and cash equivalents at end of the year	14	**1,058**	1,005

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

Financial statements continued

Cash flow statement continued

$ millions For the year ended 30 June	2025	2024
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	**191**	202
Non-cash movements and non-operating activities		
Unrealised fair value adjustments	**(10)**	(3)
Amortisation and depreciation	**36**	38
Movement in deferred expenditure	**34**	21
Credit impairment charge	**29**	24
Movement in accrued interest receivable	**(5)**	(21)
Movement in accrued interest payable	**41**	145
Movement in current and deferred tax	**24**	(54)
Other non-cash movements	**(16)**	1
Net movement in operating assets and operating liabilities		
Due from other financial institutions	**(34)**	34
Investment securities	**(332)**	(317)
Loans and advances	**(3,438)**	(2,611)
Due to other financial institutions	**(54)**	(138)
Deposits	**2,178**	2,321
Other liabilities	**(1)**	(1)
Net cash flows from operating activities	**(1,357)**	(359)

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

Notes to the financial statements

1. About these financial statements

1.1. Reporting Entity

These consolidated 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 business customers.

Kiwibank operates a full-service nationwide retail bank for personal and business customers. Core product offerings include transactional products and services, savings accounts, credit cards and a range of lending solutions including home loans, commercial loans, asset finance and trade finance.

Kiwibank provides customers access to their banking through digital channels, supported by a nationwide branch network and New Zealand-based contact centre. Kiwibank also offers access to specialists via its branches (including 'Local By Kiwi' service agents), business banking centres, a network of mobile mortgage specialists, and third-party advisers.

Kiwibank's immediate parent company and ultimate holding company is Kiwi Group Capital Limited ('**KGCL**') whose address for service is Level 9, 20 Customhouse Quay, Wellington 6011, New Zealand. The ultimate shareholder of Kiwibank is the New Zealand Crown (the '**Crown**') whose address for service is: 1 The Terrace, Wellington 6011, New Zealand.

1.2. Basis of preparation

The Banking Group's 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.

Foreign currency transactions are translated into the functional currency at the exchange rate at the date of the transaction. At the reporting date, foreign currency denominated monetary assets and liabilities are translated at the closing exchange rate. Any foreign currency translation gains and losses are recognised in the income statement.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Kiwibank and its subsidiaries for the year ended 30 June 2025. Subsidiaries are entities that are controlled by the Banking Group. Control is achieved when the Banking Group is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee.

Structured entities are entities that are designed so that their activities are not governed by way of voting rights. In assessing whether the Banking Group has power over such entities in which it has an interest, the Banking Group also considers factors such as:

- the purpose and design of the entity;
- its practical ability to direct the relevant activities of the entity;
- the nature of the relationship with the entity; and
- the size of its exposure to the variability of returns of the entity.

The Banking Group reassesses whether it controls an investee if facts and circumstances indicate that there have been changes to the elements of control.

All intra-group balances, transactions, income, or expenses are fully eliminated on consolidation. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Banking Group's accounting policies.

Measurement base

These 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 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.

Notes to the financial statements continued

1. About these financial statements continued

1.3. Critical accounting judgements, estimates and assumptions

The preparation of these 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.

Provision for expected credit losses

The Banking Group considers the measurement of the provision for expected credit losses ('**ECL**') on loans and advances and credit commitments to customers as an area that requires significant management judgement and estimation. When measuring the provision for ECL, management makes several key judgements and assumptions, including but not limited to the following components:

- modelling inputs – probability of default, loss-given default and exposure at default;
- the criteria under which exposures move between stages, particularly when moving to and from stage 1 and stage 2;
- the macroeconomic inputs used within each of the economic scenarios;
- the weightings given to each economic scenario; and
- any model overlays required to adjust modelled outcomes due to potential loss events from emerging risks where those risk parameters have not yet been incorporated into the ECL models.

These judgements and assumptions are reviewed and assessed at least half-yearly or when underlying economic conditions materially change. Refer to 'Provision for expected credit losses' (Note 9) for details of key judgements and assumptions and 'Risk management' (Note 31) for details of credit risk management.

1.4. Accounting policies

These financial statements are general purpose financial statements prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with New Zealand Equivalents to International Financial Reporting Standards ('**NZ IFRS**') and other applicable Financial Reporting Standards that apply to for-profit entities, the Financial Markets Conduct Act 2013 and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the '**Order**'). These financial statements also comply with International Financial Reporting Standards Accounting Standards ('**IFRS Accounting Standards**') as issued by the International Accounting Standards Board ('**IASB**').

Material accounting policies that are relevant to an understanding of the financial statements are set out below and in the relevant notes to the financial statements. These policies have been consistently applied to all financial years presented unless otherwise noted.

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 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 financial statements.

The New Zealand Accounting Standards Board ('**NZ ASB**') issued a new standard 'NZ IFRS 18, Presentation and Disclosure in Financial Statements' which replaces 'NZ IAS 1, Presentation of Financial Statements' and is effective for reporting periods beginning on or after 1 January 2027. NZ IFRS 18 introduces a defined structure for the Income statement, requiring income and expenses to be categorised into operating, investing, financing, income taxes and discontinued operations. Other requirements include additional guidance on disaggregation/aggregation principles applied to all financial statements and notes. This standard is effective for the Banking Group's annual reporting period beginning on 1 July 2027, unless early adopted. The Banking Group has yet to assess the impact of the new standard.

NZ ASB published amendments to 'NZ IFRS 9 Financial Instruments' and 'NZ IFRS 7 Financial Instruments: Disclosures' which will:

- provide guidance on the classification of financial assets (e.g. 'loans and advances') with environmental, social and corporate governance ('**ESG**') and similar features;
- clarify the date on which a financial asset or financial liability settled through an electronic payment system is derecognised, and provide an accounting policy option to allow an entity to derecognise a financial liability before it delivers cash on the settlement date if specified criteria are met; and
- introduce additional disclosure requirements regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features, for example, features tied to ESG-linked targets.

The amendments are effective for reporting periods beginning on or after 1 January 2026. The Banking Group has yet to assess the impact of the amendments.

1.6. Comparative amounts

Comparative amounts are from the audited financial statements for the year ended 30 June 2024. 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.

Notes to the financial statements continued

1. About these financial statements continued

1.7 Financial instruments

Recognition

Purchases and sales of financial assets in regular way transactions are recognised on the trade date (the date on which the Banking Group commits to purchase or sell an asset). Financial assets and financial liabilities, other than regular way transactions, are recognised when the Banking Group becomes a party to the terms of the contract, which is generally on the settlement date (the date payment is made or cash advanced).

Financial instruments are initially measured at fair value, and for items not at fair value through profit or loss, adjusted by transaction costs directly attributable to its acquisition or issue.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Banking Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full, without material delay, to a third party under a 'pass-through' arrangement and cannot sell or re-pledge the asset other than to the transferee; or
- either the Banking Group has transferred substantially all the risks and rewards of the asset, or the Banking Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A situation may arise where the Banking Group transfers its right to receive cash flows from an asset or enters into a pass-through arrangement. In some cases, the Banking Group would have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of these assets. Should this occur, to the extent that the Banking Group has continuing involvement in the asset, the asset continues to be recognised in the balance sheet.

The Banking Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ('**FVOCI**') or fair value through profit or loss ('**FVTPL**').

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('**SPPI**').

Financial assets measured at amortised cost include 'Cash and cash equivalents' (Note 14), 'Due from other financial institutions' (Note 15), 'Loans and advances' (Note 8), and other financial assets.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

Financial assets measured at FVOCI include 'Investment securities' (Note 16).

All other financial assets are classified as measured at FVTPL. Financial assets measured at FVTPL include derivative financial instruments and certain other assets.

On initial recognition of an equity investment that is not held for trading, the Banking Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

In addition, on initial recognition, the Banking Group may irrevocably designate a financial asset as at FVTPL that otherwise meets the requirements to be measured at amortised cost or at FVOCI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

Financial liabilities in 'Derivative financial instruments' (Note 23) are classified as measured at FVTPL. All other financial liabilities are classified as measured at amortised cost. Financial liabilities in this category include 'Due to other financial institutions' (Note 17), 'Deposits' (Note 18), 'Debt securities issued' (Note 19), 'Subordinated debt' (Note 20), and other financial liabilities.

Notes to the financial statements continued

2. Interest income and interest expense

Accounting policy

Interest income and interest expense recognition

Interest income and interest expense for all interest earning financial assets and interest-bearing financial liabilities at amortised cost or FVOCI are recognised using the effective interest rate method. Interest income and interest expense on financial instruments at FVTPL is recognised on an accrual basis with reference to contractual interest rates.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument. When calculating the effective interest rate for financial instruments, the Banking Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. The calculation of the effective interest rate includes fees paid or received which are an integral part of the financial instrument. All other fees paid or received are recognised within 'Other operating income' (Note 4) as incurred.

Interest income and interest expense by measurement category

$ millions For the year ended 30 June	2025	2024
Interest income		
Financial assets measured at amortised cost	**2,217**	1,944
Financial assets measured at FVOCI	**115**	107
Financial assets measured at FVTPL[1]	**(7)**	(68)
Total interest income	**2,325**	1,983
Interest expense		
Financial liabilities measured at amortised cost	**1,401**	1,357
Financial liabilities measured at FVTPL	**66**	(198)
Total interest expense	**1,467**	1,159

[1]Interest income from financial assets measured at FVTPL includes a net loss of $19m arising from related qualifying hedging relationships to which hedge accounting was applied and forms part of interest income calculated using the effective interest method (2024: net loss of $68m).

Notes to the financial statements continued

2. Interest income and interest expense continued

$ millions For the year ended 30 June	2025	2024
Interest income		
Cash and cash equivalents	**42**	48
Due from other financial institutions	**8**	6
Loans and advances:		
Retail loans	**1,694**	1,458
Business loans	**473**	432
Other	**(7)**	(68)
Investment securities	**115**	107
Total interest income	**2,325**	1,983
Interest expense		
Due to other financial institutions	**27**	75
Deposits:		
Retail deposits	**868**	864
Business deposits	**106**	100
Other	**193**	(130)
Debt securities issued	**237**	211
Subordinated debt	**30**	33
Other interest expense	**6**	6
Total interest expense	**1,467**	1,159

Interest income and interest expense presented in relation to loans and advances, deposits, and debt securities also includes interest from derivative financial instruments used for hedging. Interest on derivative financial instruments is classified as interest income or interest expense consistent with the interest classification of the products and instruments economically hedged. Within the interest grouping of 'Loans and advances' and 'Deposits' interest on derivative financial instruments is classified as 'Other'.

3. Net gains on financial instruments

Accounting policy

Accounting policies relating to gains/(losses) on financial instruments at fair value are set out in Notes 16, 19, 20 and 23.

$ millions For the year ended 30 June	2025	2024
Cumulative losses transferred from fair value reserve	**-**	(1)
Cumulative gains transferred from cash flow hedge reserve[1]	**9**	45
Net foreign exchange gains/(losses)	**1**	(14)
Other	**-**	(27)
Total net gains on financial instruments	**10**	3

[1] The 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 are recognised in other and was insignificant (2024: ($26m)). The amortisation of the interest rate swap values recognised in the cash flow hedge reserve before de-designation was recognised in cumulative gains transferred from cash flow hedge reserve and was insignificant (2024: $26m). Interest paid or received under the de-designated interest rate swaps is recognised in interest expense or interest income.

Net ineffectiveness recognised on qualifying cash flow hedges was insignificant (2024: insignificant). Net ineffectiveness recognised on qualifying fair value hedges was insignificant (2024: insignificant).

Notes to the financial statements continued

4. Other operating income

Accounting policy

Fee and commission income recognition

Fee and commission income is recognised as services are performed and the related performance obligations are fulfilled. The transaction price for contracts with customers, including any estimated variable consideration, is allocated to each distinct performance obligation within each contract. The allocation of the transaction price to a performance obligation is based on the exact terms of the contract or, in the absence of exact terms, an appropriate method is used to estimate the price such as an adjusted market assessment approach, expected cost plus a margin approach, the residual approach, or a combination of these methods. The nature and timing of the satisfaction of performance obligations in contracts with customers for each type of service are outlined further below.

The Banking Group receives fee and commission income from third parties when acting as agent by arranging a third party to provide goods or services to a banking customer. In such cases, the Banking Group does not control the provision of the goods or services and recognises the net revenue received within fee and commission income.

Fee and commission expenses

Fee and commissions expenses are those that are not considered to form an integral part of the effective interest rate of a financial instrument. These include incremental costs that vary directly with the provision of goods or services to customers. Incremental costs are those that would not have been incurred if a specific good or service had not been provided to a specific customer.

The nature and timing of the satisfaction of performance obligations in contracts with customers is outlined below:

Transactional account and other services

This includes services provided to customers and covers transactional accounts and other related services. Fees are generally charged monthly or are transaction-based fees charged at the point of the transaction. Revenue is recognised when the transaction takes place or at the time it is charged for monthly fees.

Card services

This includes credit card and debit card services offered to customers along with related long-term contracts with card schemes. Account or set-up fees are generally charged up front at the point the card is issued with a regular renewal period. The period covered by the fee is generally six to twelve months. These types of revenue are recognised on a straight-line basis over the period covered by the fee. Certain transaction-based fees are charged and recognised as income when the transaction takes place. For longer-term contracts, revenue is recognised over time, consistent with when the Banking Group satisfies each performance obligation based on output methods measuring the value of the services transferred to date.

Lending services

This includes fees related to lending and ancillary services provided to customers where the revenue is not treated as part of the effective interest rate. Fees are generally transaction-based fees charged at the point of the transaction. Revenue is recognised when the transaction takes place.

$ millions		**2025**			2024	
For the year ended 30 June	**Retail**	**Business**	**Total**	Retail	Business	Total
Transactional account and other services	**23**	**6**	**29**	30	6	36
Card services	**54**	**2**	**56**	58	2	60
Lending services	**1**	**8**	**9**	1	7	8
Fee and commission income	**78**	**16**	**94**	89	15	104
Fee and commission expense	**(52)**	**(1)**	**(53)**	(50)	(1)	(51)
Net fee and commission income	**26**	**15**	**41**	39	14	53
Other income	**3**	**-**	**3**	-	-	-
Total other operating income	**29**	**15**	**44**	39	14	53

Notes to the financial statements continued

5. Operating expenses

Accounting policy

Operating expense recognition

Operating expenses are recognised over the period in which services are received, assets are consumed, or as liabilities are created.

Research and development costs

Research and development costs primarily relate to software-as-a-service ('**SaaS**') arrangements. SaaS arrangements are cloud computing applications where the underlying software and associated infrastructure are hosted by a service provider independent of the Banking Group. SaaS arrangements do not generally meet the intangible asset recognition criteria. If costs do not meet the definition of an intangible asset, they are expensed as research and development expenditure in the period within which they are incurred in accordance with the definitions in 'NZ IAS 38 Intangible Assets'.

Research and development tax incentives ('**RDTI**') are recognised as a credit to expenses when there is reasonable assurance that conditions of the RDTI have been met and the grant will be received.

Employee benefits

Employee entitlements to salaries and wages, incentives, annual leave, and other similar benefits are recognised in the income statement when they accrue to employees, and are calculated based on expected payments.

Leases

The Banking Group recognises the depreciation expense related to right-of-use assets within operating expenses and interest costs related to lease liabilities within interest expense.

$ millions For the year ended 30 June	2025	2024
Salaries and wages	**341**	304
Other personnel related costs	**49**	45
Information technology and system costs	**115**	115
Premises costs	**15**	18
Amortisation and depreciation	**36**	38
Other expenses	**63**	62
Total operating expenses	**619**	582

A total of $78m of operating expenses recognised during the year ended 30 June 2025 related to research and development expenditure classified in accordance with NZ IAS 38 (2024: $63m).

For the year ended 30 June 2025, a credit for RDTI of $4m was recognised in relation to Inland Revenue's approval of eligible expenditure (2024: a credit for RDTI of $4m).

Included within salaries and wages is $13m of expenses paid to defined contribution plans for the year ended 30 June 2025 (2024: $12m).

6. Credit impairment charge

$ millions For the year ended 30 June	2025	2024
Charged to the income statement for collectively assessed provision for ECL	**(1)**	(2)
Charged to the income statement for individually assessed provision for ECL	**(22)**	(21)
Bad debts written off directly to the income statement	**(8)**	(3)
Recovery of amounts previously written off	**2**	2
Total credit impairment charge	**(29)**	(24)

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

Notes to the financial statements continued

7. Income tax

Accounting policy

Income tax expense

The income tax expense charged to the income statement includes both current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Goods and services tax

Revenue, expenses and assets are recognised net of GST recoverable from the New Zealand Inland Revenue.

Current tax

Current tax is the expected tax payable on the taxable income for the current year, using tax rates enacted or substantively enacted at the reporting date, after taking advantage of all allowable deductions under current taxation legislation and any adjustment to tax payable in previous years.

Deferred tax

Deferred tax is provided in full, using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that a future taxable profit will be available against which the temporary differences can be utilised.

Current or deferred tax related to fair value measurement of investment securities and cash flow hedges, which is charged or credited to other comprehensive income, is subsequently recognised in the income statement if and when the deferred gain or loss on the related asset or liability affects profit or loss.

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority and there is a legally enforceable right to offset, and the Banking Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income tax expense

$ millions **For the year ended 30 June**	**2025**	2024
Profit before tax	**264**	274
Tax calculated at a rate of 28%	**(74)**	(77)
Tax effect of:		
Income not subject to tax and non-deductible expenses	**1**	1
Prior period adjustment	**-**	4
Income tax expense as per the income statement	**(73)**	(72)
Represented by:		
Current tax	**(86)**	(80)
Deferred tax	**13**	8
Income tax expense as per the income statement	**(73)**	(72)
The deferred tax benefit/(expense) comprises the following movement in temporary differences:		
Accelerated tax depreciation	**9**	2
Right-of-use assets	**2**	-
Provision for ECL	**1**	6
Other provisions and accruals	**3**	-
Lease liabilities	**(2)**	-
Total movement in temporary differences	**13**	8

Notes to the financial statements continued

7. Income tax continued

Deferred tax

$ millions As at 30 June	2025	2024
Deferred tax		
Balance at the beginning of the year	**65**	38
Prior period adjustment	**3**	(3)
Credited to profit or loss	**10**	11
Credited to other comprehensive income	**9**	19
Balance at the end of the year	**87**	65
Deferred income tax assets		
Accelerated tax depreciation	**32**	23
Provision for ECL	**37**	36
Other provisions and accruals	**11**	8
Lease liabilities	**23**	25
Cash flow hedges	**4**	-
Total deferred income tax assets	**107**	92
Deferred income tax liabilities		
Right-of-use assets	**(20)**	(22)
Cash flow hedges	**-**	(5)
Total deferred income tax liabilities	**(20)**	(27)
Net deferred tax assets	**87**	65

At 30 June 2025, the Banking Group had a current tax liability of $30m, which is included in 'Other liabilities' on the balance sheet (30 June 2024: a current tax asset of $12m was included in 'Other assets').

Imputation credit account

Kiwibank is a member and the nominated company of the 'Kiwibank Consolidated Tax Group' which includes Kiwi Group Capital Limited and its subsidiaries. The amount of imputation credits available to all members of the Kiwibank Consolidated Tax Group as at 30 June 2025 is $227m (30 June 2024: $151m). This amount includes imputation credits that will arise from the payment of income tax recognised as at 30 June 2025.

Notes to the financial statements continued

8. Loans and advances

Accounting policy

Loans and advances are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses ('**ECL**').

Under the effective interest method, fee income and costs directly related to the origination of the loan are deferred over the expected life of the asset (referred to below as 'deferred acquisition costs'). Interest income, ECL and reversals are recognised in the income statement.

$ millions As at 30 June	2025	2024
Overdrafts	**252**	267
Credit cards	**339**	337
Term loans – housing[1]	**29,154**	26,737
Other term lending	**5,403**	4,542
Other lending	**816**	683
Gross loans and advances	**35,964**	32,566
Provision for ECL	**(124)**	(121)
Net loans and advances	**35,840**	32,445
Residual contractual maturity:		
Current	**3,425**	2,893
Non-current	**32,415**	29,552

Reconciliation of mortgage related amounts – On-balance sheet exposures

$ millions As at 30 June	2025
Term loans - housing[1] per 'Loans and advances' (Note 8)	**29,154**
Other term lending (residentially secured)	**1,543**
Residential mortgage loans per 'Asset quality' (Note 10)	**30,697**
Provision for ECL	**(39)**
Deferred acquisition costs	**(264)**
Total on-balance sheet residential mortgage loans (see 'Capital adequacy and regulatory liquidity ratios' section)	**30,394**

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

Notes to the financial statements continued

9. Provision for expected credit losses

Accounting policy

The Banking Group recognises a provision for expected credit losses ('**ECL**') on the following financial instruments:

- financial assets measured at amortised cost;
- debt instruments measured at fair value through other comprehensive income ('**FVOCI**'); and
- certain loan commitments and financial guarantees.

In accordance with the Order, loans and advances are classified as:

- retail unsecured lending (including other exposures but excluding exposures to sovereigns and central banks, multilateral development banks and other international organisations, public-sector entities, and banks);
- residential mortgage loans; and
- corporate exposures.

Provision for ECL is presented in the balance sheet as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the asset;
- where a financial instrument includes an undrawn component, the Banking Group presents the provision for ECL on the undrawn component in 'Other liabilities' to the extent that it exceeds any drawn component; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the balance sheet because the carrying amount of these assets is their fair value. However, the provision for ECL is recognised in the fair value reserve.

Measurement of provision for ECL

A three-stage approach is applied to measuring provision for ECL based on credit migration between the stages. Movement between stages can be impacted by a significant increase in credit risk ('**SICR**') or where assets are considered credit impaired as follows:

Stage 1	Stage 2	Stage 3
Performing (initial recognition)	**Credit quality deteriorated** (assets with SICR since initial recognition)	**Credit impaired** (assets considered credit impaired due to one or more events)
12-month ECL (collectively assessed)	Lifetime ECL (collectively assessed)	Lifetime ECL (individually or collectively assessed)

ECL are probability-weighted and determined by evaluating a range of possible outcomes, considering the time value of money, past events, current conditions and forecasts of future economic conditions.

The ECL models use three main components to determine ECL (as well as the time value of money):

Probability of default ('PD'):	the probability that a counterparty will default.
Loss-given default ('LGD'):	the loss that is expected to arise in the event of default.
Exposure at default ('EAD'):	the estimated outstanding amount of credit exposure at the time of default.

Changes to ECL are assessed through four economic scenarios: a central scenario reflecting the expected track for the economy, an upside scenario, a downside scenario, and a severe stress scenario.

The macroeconomic variables used in these scenarios are based on current economic forecasts, including the Consumer Price Index ('**CPI**'), Gross Domestic Product ('**GDP**'), unemployment rate, interest rates, and the house price index. The probability weightings attached to each scenario are reviewed by Kiwibank's Executive Risk Committee at least half-yearly, with the scenarios and the associated probability weightings reviewed more frequently when there are material changes in macroeconomic conditions impacting the economy. Details of the scenarios and the probability weightings applying at year-end are outlined in this note.

9. Provision for expected credit losses continued

Accounting policy continued

*Significant increase in credit risk ('**SICR**')*

Loans are moved from stage 1 to stage 2 if they experience a SICR event or are 30 days past due arrears. The Banking Group uses 30 days past due arrears as a backstop criteria for moving loans from stage 1 to stage 2.

The determination of a SICR event is based on changes in internally assessed customer credit risk characteristics since origination of the loan facility. Those changes include arrears on loan facilities (at or less than the 30-day backstop), material movements in customer credit ratings or behavioural scores, or other information the Banking Group becomes aware of which indicates that there has been a significant increase in credit risk since origination. Where the contractual terms of a financial asset have been renegotiated but not been substantially modified, the existing financial asset is not derecognised, and its date of origination continues to be used to determine SICR. When SICR conditions are no longer applicable, they move back to stage 1, with no probationary period applied.

Credit-impaired financial assets

At each reporting date, the Banking Group assesses whether financial assets carried at amortised cost and debt instruments measured at FVOCI are credit impaired. A financial asset is 'credit impaired' when it is overdue for 90 days or more (i.e., in default), or when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When the ECL is greater than the modelled collectively assessed provision, the exposure is individually assessed and a specific provision is raised. The specific provision is calculated as the difference between contracted cash flows and the estimated realisable value of the security.

Evidence that a financial asset may be credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Banking Group on terms that it would not consider otherwise;
- the borrower entering bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a temporary deterioration in the borrower's condition is usually transitioned to stage 2 (e.g., due to hardship). These renegotiated loans would not be considered credit impaired unless there is evidence that deterioration may be for an extended period so that a detrimental impact has occurred on the estimated future cash flows for that loan. When SICR conditions are no longer applicable or the financial asset is no longer credit-impaired, they move back to earlier stage designations, with no probationary period applied.

Model overlays

When assessing ECL, other credit risks are considered where there is an identified risk but no observable data demonstrating historical losses is available. Model overlays can be used in these circumstances where the existing inputs, assumptions and model techniques do not fully capture all the risk factors to the Banking Group's lending portfolios.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or partially. This is generally the case when the Banking Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'Credit impairment charge' in the income statement. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Banking Group's procedures for recovery of amounts due.

9. Provision for expected credit losses continued

Modelled provision for ECL on loans and advances 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 year ended 30 June 2025 as follows:

- **Central scenario**: the Banking Group's base case scenario assumes a slow down in global growth due to tariffs, reducing demand for New Zealand exports. The outlook predicts economic growth rising to 2.8% annually from 2026. Unemployment and inflation will peak in September 2025 at 5.3% and 2.7% p.a., respectively, before declining, with inflation dropping below the RBNZ's 2% target, prompting further cuts in the cash rate to 2.5%.
- **Upside scenario:** this scenario projects a faster economic recovery, declining unemployment, and a stronger housing market with 7-8% annual gains. Inflation exceeds RBNZ's target as the 3.25% cash rate marks the cycle low; tightening begins in FY2026 when inflation rises above 3%.
- **Downside scenario**: this scenario assumes heightened geopolitical tensions and disruptions in international trade. Under these conditions, a substantial slowdown in global economic growth is expected, pushing the New Zealand economy into recession during 2026 with the unemployment rate rising above 6%. House prices are forecast to continue declining annually, with recovery in 2028. A wider negative output gap leads to inflation falling below 1% p.a., with cash rate cuts required from the RBNZ.
- **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 30 June 2025	**Forecast financial year**		
Central scenario	**2026**	**2027**	**2028**
GDP (annual % change)	**2.6%**	**2.8%**	**2.7%**
Unemployment rate (annual average)	**5.0%**	**4.6%**	**4.3%**
House price index (annual % change)	**4.3%**	**4.3%**	**2.7%**
Consumer price index (annual % change)	**1.9%**	**2.0%**	**2.2%**
90-day bank bill rate	**2.6%**	**2.7%**	**3.4%**

As at 30 June 2024	Forecast financial year		
Central scenario	2025	2026	2027
GDP (annual % change)	2.2%	2.9%	2.5%
Unemployment rate (annual average)	5.1%	4.9%	4.5%
House price index (annual % change)	5.4%	3.0%	3.5%
Consumer price index (annual % change)	2.3%	2.1%	2.0%
90-day bank bill rate	4.5%	3.1%	2.7%

ECL scenario weightings

The scenario weightings applied in the calculation of ECL are in the table below. These have been reassessed and adjusted to reflect the potential downside risk due to rising geopolitical tensions.

Scenario weighting applied **As at 30 June**	**2025**	2024
Central	**50%**	50%
Upside	**10%**	15%
Downside	**30%**	25%
Severe stress	**10%**	10%

Notes to the financial statements continued

9. Provision for expected credit losses 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 at least half-yearly and follow internal governance procedures. There have been no significant changes to the methods used in determining the overlays applied as of 30 June 2025, compared to those used for 30 June 2024.

The interest repricing overlay on the residential mortgage loans 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 year, as this risk has reduced due to monetary policy easing. The amount at 30 June 2025 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 30 June 2025 were nil on retail unsecured portfolio (30 June 2024: $1m), $3m on the residential mortgage portfolio (30 June 2024: $2m) and $6m on the corporate portfolio (30 June 2024: $5m). Management have considered and concluded that no overlay is required for climate risk or adverse weather events for 30 June 2025. Refer to 'Risk management' (Note 31) for more information on climate change risks.

Sensitivity of modelled ECL to key judgements and assumptions

The underlying assumptions and weightings applied to each scenario 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 expected 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 provision for ECL. 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 collectively assessed provision for ECL to changes in credit risk (using the SICR assessment) and scenario weightings used to determine ECL as at 30 June 2025 and 30 June 2024. The sensitivity analysis includes applying a 100% weighting to each scenario and adjusting some model overlays to reflect those scenario conditions while holding all other modelling factors constant.

As at 30 June	2025		2024	
$ millions	Total ECL	Impact	Total ECL	Impact
Sensitivity to SICR assessment				
If 1% of stage 1 exposure transitions to stage 2	**140**	**8**	136	7
If 1% of stage 2 exposure transitions to stage 1	**132**	-	129	-
Sensitivity to scenario weighting				
Reported probability weighted ECL	**132**		129	
100% upside scenario ECL	**110**	**(22)**	103	(26)
100% central scenario ECL	**123**	**(9)**	119	(10)
100% downside scenario ECL	**141**	**9**	149	20
100% severe stress ECL	**178**	**46**	178	49

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

Movement in provision for ECL and gross carrying amounts

The tables on the following pages summarise the movement in the total provision for ECL and for each category of loans and advances, being retail unsecured lending, residential mortgage loans, and corporate exposures.

The movement tables are presented on the following basis:

- Transfers between stages shows the net impact of the transfers between Stage 1, Stage 2 and Stage 3, prior to remeasurement.
- Net remeasurement of ECL includes the subsequent increase or decrease of the provision for transferred amounts and the impact of changes in credit quality of existing lending.
- Additions are amounts from new commitments and facilities drawn during the period.
- Deletions are amounts repaid or closed and commitments utilised or closed during the period.
- Other changes include model or management overlay changes.

Notes to the financial statements continued

9. Provision for expected credit losses continued

Movement in provision for ECL – total exposures

As at 30 June	2025				
	Stage 1	Stage 2	Stage 3		
$ millions	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	Total
Opening balance at 1 July 24	50	34	20	25	129
Transfers between stages	**7**	**(7)**	**(2)**	**2**	**-**
Net remeasurement of ECL	**(9)**	**25**	**15**	**23**	**54**
Additions and deletions	**4**	**(4)**	**(6)**	**4**	**(2)**
Other changes	**(21)**	**(4)**	**3**	**2**	**(20)**
Write-back of provision no longer required	**-**	**-**	**-**	**(9)**	**(9)**
Total credit impairment charge	**(19)**	**10**	**10**	**22**	**23**
Amounts written off	**-**	**(3)**	**-**	**(17)**	**(20)**
Total provision for ECL	**31**	**41**	**30**	**30**	**132**
Provision on loans and advances	**27**	**39**	**29**	**29**	**124**
Provision on undrawn commitments	**4**	**2**	**1**	**1**	**8**
Total provision for ECL	**31**	**41**	**30**	**30**	**132**
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	**(367)**	**274**	**62**	**31**	**-**
Additions	**10,244**	**329**	**13**	**8**	**10,594**
Deletions	**(6,687)**	**(403)**	**(61)**	**(17)**	**(7,168)**
Amounts written off	**-**	**(9)**	**(1)**	**(18)**	**(28)**
Gross carrying amount	**34,118**	**1,675**	**125**	**46**	**35,964**
Off-balance sheet credit commitments at 1 July 24	4,376	88	1	11	4,476
Net transfers between stages	**(39)**	**37**	**2**	**-**	**-**
Additions	**1,778**	**32**	**1**	**-**	**1,811**
Deletions	**(1,532)**	**(59)**	**(2)**	**(10)**	**(1,603)**
Off-balance sheet credit commitments	**4,583**	**98**	**2**	**1**	**4,684**

Notes to the financial statements continued

9. Provision for expected credit losses continued

Movement in provision for ECL – retail unsecured lending

As at 30 June	2025				
	Stage 1	Stage 2	Stage 3		
$ millions	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	Total
Opening balance at 1 July 24	5	3	1	1	10
Transfers between stages	**1**	**(1)**	**-**	**-**	**-**
Net remeasurement of ECL	**(1)**	**4**	**1**	**-**	**4**
Additions and deletions	**-**	**(1)**	**(1)**	**-**	**(2)**
Other changes	**(1)**	**-**	**-**	**-**	**(1)**
Write-back of provision no longer required	**-**	**-**	**-**	**(1)**	**(1)**
Total credit impairment charge	**(1)**	**2**	**-**	**(1)**	**-**
Amounts written off	**-**	**(3)**	**-**	**-**	**(3)**
Total provision for ECL	**4**	**2**	**1**	**-**	**7**
Provision on loans and advances	**3**	**2**	**1**	**-**	**6**
Provision on undrawn commitments	**1**	**-**	**-**	**-**	**1**
Total provision for ECL	**4**	**2**	**1**	**-**	**7**
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	**3**	**(4)**	**1**	**-**	**-**
Additions	**115**	**26**	**-**	**-**	**141**
Deletions	**(106)**	**(17)**	**(1)**	**-**	**(124)**
Amounts written off	**-**	**(9)**	**-**	**-**	**(9)**
Gross carrying amount	**303**	**76**	**1**	**1**	**381**
Off-balance sheet credit commitments at 1 July 24	826	25	-	-	851
Net transfers between stages	**(5)**	**5**	**-**	**-**	**-**
Additions	**116**	**7**	**-**	**-**	**123**
Deletions	**(122)**	**(14)**	**-**	**-**	**(136)**
Off-balance sheet credit commitments	**815**	**23**	**-**	**-**	**838**

The decrease of $3m in provision for ECL on retail unsecured lending for the year ended 30 June 2025 reflects:

- remeasurement of ECL due to exposures migrating to higher risk grades, partly offset by changes in management overlays (+$3m);
- decreases due to a reduction in credit deteriorated collectively assessed exposures and writebacks (-$3m); and
- $9m of gross balances that were written off (-$3m).

9. Provision for expected credit losses continued

Movement in provision for ECL – residential mortgage loans

As at 30 June	2025				
	Stage 1	Stage 2	Stage 3		
$ millions	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	Total
Opening balance at 1 July 24	18	16	7	4	45
Transfers between stages	**7**	**(6)**	**(2)**	**1**	**-**
Net remeasurement of ECL	**(7)**	**8**	**5**	**4**	**10**
Additions and deletions	**-**	**(2)**	**(3)**	**2**	**(3)**
Other changes	**(10)**	**(1)**	**-**	**1**	**(10)**
Write-back of provision no longer required	**-**	**-**	**-**	**(2)**	**(2)**
Total credit impairment charge	**(10)**	**(1)**	**-**	**6**	**(5)**
Amounts written off	**-**	**-**	**-**	**(1)**	**(1)**
Total provision for ECL	**8**	**15**	**7**	**9**	**39**
Provision on loans and advances	**8**	**15**	**7**	**9**	**39**
Provision on undrawn commitments	**-**	**-**	**-**	**-**	**-**
Total provision for ECL	**8**	**15**	**7**	**9**	**39**
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	**(153)**	**106**	**34**	**13**	**-**
Additions	**8,131**	**150**	**3**	**3**	**8,287**
Deletions	**(5,367)**	**(201)**	**(33)**	**(3)**	**(5,604)**
Amounts written off	**-**	**-**	**-**	**(2)**	**(2)**
Gross carrying amount	**29,601**	**1,022**	**55**	**19**	**30,697**
Off-balance sheet credit commitments at 1 July 24	2,644	35	-	-	2,679
Net transfers between stages	**(13)**	**13**	**-**	**-**	**-**
Additions	**925**	**6**	**-**	**-**	**931**
Deletions	**(900)**	**(23)**	**-**	**-**	**(923)**
Off-balance sheet credit commitments	**2,656**	**31**	**-**	**-**	**2,687**

The decrease of $6m in provision for ECL on residential mortgage loans for the year ended 30 June 2025 reflects:

- remeasurement of ECL due to exposures migrating to higher risk grades for collectively assessed exposures (+$6m)
- reduction in credit deteriorated collectively assessed exposures (-$5m);
- release of management overlays (including the interest repricing overlay) and model changes (-$11m);
- an increase in individually assessed provisions (+$5m); and
- $2m of gross balances that were written off (-$1m).

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

$ millions	30 June 2025
Gross residential mortgages per 'Provision for expected credit losses' (Note 9)	**2,687**
Adjustment for off-balance sheet credit conversion factor	**(1,905)**
Residential mortgages total off-balance sheet exposures (per 'Capital adequacy and regulatory liquidity ratios' section)	**782**

Notes to the financial statements continued

9. Provision for expected credit losses continued

Movement in provision for ECL – corporate exposures

As at 30 June	2025				
	Stage 1	Stage 2	Stage 3		
$ millions	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	Total
Opening balance at 1 July 24	27	15	12	20	74
Transfers between stages	**(1)**	**-**	**-**	**1**	**-**
Net remeasurement of ECL	**(1)**	**13**	**9**	**19**	**40**
Additions and deletions	**4**	**(1)**	**(2)**	**2**	**3**
Other changes	**(10)**	**(3)**	**3**	**1**	**(9)**
Write-back of provision no longer required	**-**	**-**	**-**	**(6)**	**(6)**
Total credit impairment charge	**(8)**	**9**	**10**	**17**	**28**
Amounts written off	**-**	**-**	**-**	**(16)**	**(16)**
Total provision for ECL	**19**	**24**	**22**	**21**	**86**
Provision on loans and advances	**16**	**22**	**21**	**20**	**79**
Provision on undrawn commitments	**3**	**2**	**1**	**1**	**7**
Total provision for ECL	**19**	**24**	**22**	**21**	**86**
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	**(217)**	**172**	**27**	**18**	**-**
Additions	**1,998**	**153**	**10**	**5**	**2,166**
Deletions	**(1,214)**	**(185)**	**(27)**	**(14)**	**(1,440)**
Amounts written off	**-**	**-**	**(1)**	**(16)**	**(17)**
Gross carrying amount	**4,214**	**577**	**69**	**26**	**4,886**
Off-balance sheet credit commitments at 1 July 24	906	28	1	11	946
Net transfers between stages	**(21)**	**19**	**2**	**-**	**-**
Additions	**737**	**19**	**1**	**-**	**757**
Deletions	**(510)**	**(22)**	**(2)**	**(10)**	**(544)**
Off-balance sheet credit commitments	**1,112**	**44**	**2**	**1**	**1,159**

The increase of $12m in provision for ECL on corporate exposures for the year ended 30 June 2025 reflects:

- remeasurement of ECL due to exposures migrating to higher risk grades, net asset growth, and changes to macroeconomic scenarios and weightings for collectively assessed exposures (+$22m);
- changes due to model overlays (-$10m); and
- a net increase in individually assessed provisions (+$16m), offset by balances that were written off (-$16m).

Notes to the financial statements continued

9. Provision for expected credit losses continued

Movement in provision for ECL – total exposures

As at 30 June	2024				
	Stage 1	Stage 2	Stage 3		
$ millions	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	Total
Opening balance at 1 July 23	56	33	14	5	108
Transfers between stages	8	(14)	(3)	9	-
Net remeasurement of ECL	(8)	18	6	14	30
Additions and deletions	4	(1)	3	1	7
Other changes	(10)	(1)	-	1	(10)
Write-back of provision no longer required	-	-	-	(4)	(4)
Total credit impairment charge	(6)	2	6	21	23
Amounts written off	-	(1)	-	(1)	(2)
Total provision for ECL	50	34	20	25	129
Provision on loans and advances	44	33	20	24	121
Provision on undrawn commitments	6	1	-	1	8
Total provision for ECL	50	34	20	25	129
Impact of changes in gross carrying amount and credit commitments on ECL					
Opening balance at 1 July 23	28,461	1,266	48	8	29,783
Net transfers between stages	(433)	347	31	55	-
Additions	8,642	217	57	4	8,920
Deletions	(5,742)	(342)	(24)	(24)	(6,132)
Amounts written off	-	(4)	-	(1)	(5)
Gross carrying amount	30,928	1,484	112	42	32,566
Off-balance sheet credit commitments at 1 July 23	4,029	80	3	1	4,113
Net transfers between stages	(32)	23	(1)	10	-
Additions	1,594	30	-	2	1,626
Deletions	(1,215)	(45)	(1)	(2)	(1,263)
Off-balance sheet credit commitments	4,376	88	1	11	4,476

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

Notes to the financial statements continued

9. Provision for expected credit losses continued

Movement in provision for ECL – retail unsecured lending

As at 30 June	2024				
	Stage 1	Stage 2	Stage 3		
$ millions	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	Total
Opening balance at 1 July 23	6	3	-	1	10
Transfers between stages	1	(1)	-	-	-
Net remeasurement of ECL	(1)	2	1	-	2
Additions and deletions	-	-	-	-	-
Other changes	(1)	-	-	-	(1)
Total credit impairment charge	(1)	1	1	-	1
Amounts written off	-	(1)	-	-	(1)
Total provision for ECL	5	3	1	1	10
Provision on loans and advances	4	3	1	1	9
Provision on undrawn commitments	1	-	-	-	1
Total provision for ECL	5	3	1	1	10
Impact of changes in gross carrying amount and credit commitments on ECL					
Opening balance at 1 July 23	288	81	-	1	370
Net transfers between stages	1	(3)	1	1	-
Additions	112	22	-	-	134
Deletions	(110)	(16)	-	(1)	(127)
Amounts written off	-	(4)	-	-	(4)
Gross carrying amount	291	80	1	1	373
Off-balance sheet credit commitments at 1 July 23	839	21	-	-	860
Net transfers between stages	(9)	9	-	-	-
Additions	125	9	-	-	134
Deletions	(129)	(14)	-	-	(143)
Off-balance sheet credit commitments	826	25	-	-	851

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

The unchanged provision for ECL of $10m on retail unsecured lending for the year ended 30 June 2024 reflects:

- remeasurement of ECL due to exposures migrating to higher risk grades (+$2m);
- changes to management overlays (-$1m); and
- $4m of gross balances that were written off from stage 2 (-$1m).

Notes to the financial statements continued

9. Provision for expected credit losses continued

Movement in provision for ECL – residential mortgage loans

As at 30 June	2024				
	Stage 1	Stage 2	Stage 3		
$ millions	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	Total
Opening balance at 1 July 23	23	15	4	1	43
Transfers between stages	8	(8)	-	-	-
Net remeasurement of ECL	(6)	10	3	4	11
Additions and deletions	1	(1)	-	-	-
Other changes	(8)	-	-	-	(8)
Total credit impairment charge	(5)	1	3	4	3
Amounts written off	-	-	-	(1)	(1)
Total provision for ECL	18	16	7	4	45
Provision on loans and advances	16	16	7	4	43
Provision on undrawn commitments	2	-	-	-	2
Total provision for ECL	18	16	7	4	45
Impact of changes in gross carrying amount and credit commitments on ECL					
Opening balance at 1 July 23	24,489	920	26	1	25,436
Net transfers between stages	(142)	109	26	7	-
Additions	6,994	108	11	1	7,114
Deletions	(4,351)	(170)	(12)	-	(4,533)
Amounts written off	-	-	-	(1)	(1)
Gross carrying amount	26,990	967	51	8	28,016
Off-balance sheet credit commitments at 1 July 23	2,469	29		-	2,498
Net transfers between stages	(13)	13	-	-	-
Additions	920	10	-	-	930
Deletions	(732)	(17)	-	-	(749)
Off-balance sheet credit commitments	2,644	35	-	-	2,679

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

The increase of $2m in provision for ECL on residential mortgage loans for the year ended 30 June 2024 reflects:

- remeasurement of ECL due to asset growth, model changes and exposures migrating to higher risk grades (+$7m);
- changes to judgemental overlays (-$8m); and
- an increase in individually assessed provisions (+$4m), partly offset by balances that were written off (-$1m).

Notes to the financial statements continued

9. Provision for expected credit losses continued

Movement in provision for ECL – corporate exposures

As at 30 June	2024				
	Stage 1	Stage 2	Stage 3		
$ millions	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	Total
Opening balance at 1 July 23	27	15	10	3	55
Transfers between stages	(1)	(5)	(3)	9	-
Net remeasurement of ECL	(1)	6	2	10	17
Additions and deletions	3	-	3	1	7
Other changes	(1)	(1)	-	1	(1)
Write-back of provision no longer required	-	-	-	(4)	(4)
Total credit impairment charge	-	-	2	17	19
Amounts written off	-	-	-	-	-
Total provision for ECL	27	15	12	20	74
Provision on loans and advances	24	14	12	19	69
Provision on undrawn commitments	3	1	-	1	5
Total provision for ECL	27	15	12	20	74
Impact of changes in gross carrying amount and credit commitments on ECL					
Opening balance at 1 July 23	3,684	265	22	6	3,977
Net transfers between stages	(292)	241	4	47	-
Additions	1,536	87	46	3	1,672
Deletions	(1,281)	(156)	(12)	(23)	(1,472)
Amounts written off	-	-	-	-	-
Gross carrying amount	3,647	437	60	33	4,177
Off-balance sheet credit commitments at 1 July 23	721	30	3	1	755
Net transfers between stages	(10)	1	(1)	10	-
Additions	549	11	-	2	562
Deletions	(354)	(14)	(1)	(2)	(371)
Off-balance sheet credit commitments	906	28	1	11	946

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

The increase of $19m in provision for ECL on corporate exposures for the year ended 30 June 2024 reflects:

- remeasurement of ECL due to asset growth and exposures migrating to higher risk grades (+$13m);
- changes to the macroeconomic scenarios and weightings and management overlays (-$2m); and
- an increase in individually assessed provisions (+$12m), partly offset by balances that were written off (-$4m).

Notes to the financial statements continued

10. Asset quality

Summary of lending

As at 30 June	2025			
$ millions	Retail unsecured lending	Residential mortgage loans	Corporate exposures	Total
Neither past due nor impaired	**367**	**30,469**	**4,745**	**35,581**
Past due but not individually impaired	**13**	**209**	**115**	**337**
Individually impaired	**1**	**19**	**26**	**46**
Gross loans and advances	**381**	**30,697**	**4,886**	**35,964**
Provision for ECL	**(6)**	**(39)**	**(79)**	**(124)**
Net loans and advances	**375**	**30,658**	**4,807**	**35,840**

As at 30 June	2024			
$ millions	Retail unsecured lending	Residential mortgage loans	Corporate exposures	Total
Neither past due nor impaired	353	27,848	4,023	32,224
Past due but not individually impaired	19	160	121	300
Individually impaired	1	8	33	42
Gross loans and advances	373	28,016	4,177	32,566
Provision for ECL	(9)	(43)	(69)	(121)
Net loans and advances	364	27,973	4,108	32,445

Loans and advances past due but not individually impaired

As at 30 June	2025			
$ millions	Retail unsecured lending	Residential mortgage loans	Corporate exposures	Total
Past due less than 30 days	**10**	**115**	**29**	**154**
Past due 30 – 59 days	**1**	**33**	**30**	**64**
Past due 60 – 89 days	**1**	**20**	**5**	**26**
Past due 90 days or greater	**1**	**41**	**51**	**93**
Total loans and advances past due but not individually impaired	**13**	**209**	**115**	**337**

As at 30 June	2024			
$ millions	Retail unsecured lending	Residential mortgage loans	Corporate exposures	Total
Past due less than 30 days	15	87	60	162
Past due 30 – 59 days	2	22	15	39
Past due 60 – 89 days	1	16	3	20
Past due 90 days or greater	1	35	43	79
Total loans and advances past due but not individually impaired	19	160	121	300

Notes to the financial statements continued

10. Asset quality continued

Other asset quality information

As at 30 June	2025			
$ millions	**Retail unsecured lending**	**Residential mortgage loans**	**Corporate exposures**	**Total**
Undrawn lending commitments to counterparties with individually impaired assets	**-**	**-**	**1**	**1**
Other assets under administration	**-**	**1**	**6**	**7**

As at 30 June	2024			
$ millions	Retail unsecured lending	Residential mortgage loans	Corporate exposures	Total
Undrawn lending commitments to counterparties with individually impaired assets	-	-	11	11
Other assets under administration	-	1	4	5

11. Credit quality

The Banking Group's credit portfolio is divided into two asset categories to measure credit risk: retail and corporate.

Retail

This consists of housing loans, credit cards and personal lending facilities, and business lending up to $1 million. These portfolios are managed on a group basis using statistical predictive characteristics, forward looking information, and account conduct (i.e., days past due) to measure credit quality and are assigned an account credit rating ('**ACR**'), PD and LGD.

Corporate

This consists of lending to businesses and includes bank and government exposures. Each exposure is assigned an internal customer credit rating ('**CCR**') that is based on an assessment of the probability of default. Credit rated exposures are reviewed at least annually and the CCR reassessed.

Credit quality of loans and advances and undrawn credit commitments

The credit quality of loans and advances to customers that were neither past due nor impaired can be assessed by reference to the Banking Group's credit risk grades. At the origination of loans and advances to customers, retail advances are assessed on a combination of debt-servicing ability, demographic characteristics, and loan-to-valuation ratios ('**LVR**'). Corporate loans and advances are individually risk-graded against similar characteristics and assigned an internal CCR. The behavioural credit characteristics are reviewed periodically for adverse changes during the loan's life.

A large portion of credit exposures for loans and advances, such as residential and commercial mortgages, are secured. That is, the fair value of the associated security is sufficient to ensure that the Banking Group will recover the entire amount owing over the life of the loan facility and there is reasonable assurance that collection efforts will result in payment of the amounts due in a timely manner. Refer to 'Concentration of credit risk' (Note 12) for more details of the collateral management.

CCRs are used in estimates of ECL. Refer to 'Provision for expected credit losses' (Note 9) for further details on accounting policy.

Notes to the financial statements continued

11. Credit quality continued

Credit quality risk grades

Risk grade	ACR/CCR	Retail rating classification	Corporate rating classification	S&P rating
Strong	0 – 4	Retail facilities portfolio-managed with good account conduct over an extended period.	Corporate lending individually assessed as being of low credit risk.	AAA to BBB
Satisfactory	5 – 7	Retail facilities portfolio-managed with acceptable conduct over time. Potentially vulnerable to adverse economic conditions.	Sound management and financial performance over the medium-to-long term. Potentially vulnerable to adverse economic conditions.	BBB- to B+
Weak	8 – 9	Retail facilities operating outside of agreed arrangements.	Increased risk due to management or financial instability. Customer is on the watchlist or is outside agreed arrangements.	B to CCC/C
Credit impaired	10 – 12	Defaulted, 90 days past due, or impaired with individually assessed provision for ECL.	Defaulted, 90 days past due, or impaired with individually assessed provision for ECL.	D

The table below shows the Banking Group's total credit exposure by risk grade for loans and advances and undrawn credit commitments.

As at 30 June	2025				
	Stage 1	Stage 2	Stage 3		
$ millions	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	Total
Strong	**32,382**	**-**	**-**	**-**	**32,382**
Satisfactory	**6,310**	**1,381**	**-**	**-**	**7,691**
Weak	**9**	**392**	**-**	**-**	**401**
Credit impaired	**-**	**-**	**128**	**46**	**174**
Total credit exposure by risk grade	**38,701**	**1,773**	**128**	**46**	**40,648**

As at 30 June	2024				
	Stage 1	Stage 2	Stage 3		
$ millions	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	Total
Strong	28,924	-	-	-	28,924
Satisfactory	6,366	1,348	-	-	7,714
Weak	14	224	-	-	238
Credit impaired	-	-	113	53	166
Total credit exposure by risk grade	35,304	1,572	113	53	37,042

Credit quality of investment securities

All investment securities held by the Banking Group are investment grade, primarily AAA rated, and considered low risk.

Credit quality of other financial assets

In addition to loans and advances and investment securities, the Banking Group has assessed credit quality and impairment for cash and cash equivalents, due from other financial institutions, and other financial assets. All material other financial assets are considered high credit quality and are neither past due nor impaired.

Financial assets at FVTPL are not assessed for impairment as their fair value reflects the credit quality of the instrument. Exposures on derivative financial assets are primarily held via a central clearing counterparty ('**CCP**') and collateral is held as set out in 'Offsetting financial assets and financial liabilities' (Note 24). The identified impairment charge for all other financial assets, excluding loans and advances, was immaterial.

Notes to the financial statements continued

12. Concentration of credit risk

Credit risk is concentrated when a number of customers are engaged in similar activities or have similar economic characteristics and therefore may be similarly impacted by changes in economic or other conditions. The Banking Group monitors its credit portfolio to allow it to manage concentrations and rebalance the portfolio as required.

Analysis of financial assets by industry sector presented in the table below and is based on Australian and New Zealand Standard Industrial Classification ('**ANZSIC**').

As at 30 June	2025			2024		
$ millions	On-balance sheet financial assets	Off-balance sheet financial assets	Maximum exposure to credit risk	On-balance sheet financial assets	Off-balance sheet financial assets	Maximum exposure to credit risk
New Zealand						
Agriculture	**41**	**3**	**44**	29	3	32
Food and other manufacturing	**513**	**111**	**624**	491	123	614
Electricity, gas and water	**118**	**26**	**144**	52	14	66
Construction	**758**	**285**	**1,043**	669	333	1,002
Retail and wholesale trade	**475**	**142**	**617**	420	128	548
Transport and storage	**334**	**48**	**382**	303	65	368
Communications	**97**	**5**	**102**	21	6	27
Finance, investment and insurance	**600**	**230**	**830**	669	71	740
Property and business services	**3,462**	**259**	**3,721**	2,991	173	3,164
Professional, scientific and technical services	**139**	**43**	**182**	140	76	216
Government, local authorities and services	**2,729**	**3**	**2,732**	2,287	3	2,290
Education	**29**	**4**	**33**	24	6	30
Personal and other services	**137**	**34**	**171**	123	37	160
Health and community services	**286**	**31**	**317**	220	23	243
Households	**29,321**	**3,451**	**32,772**	26,962	3,407	30,369
Overseas						
Finance, investment and insurance	**1,496**	**9**	**1,505**	1,123	8	1,131
Total credit exposure	**40,535**	**4,684**	**45,219**	36,524	4,476	41,000
Less provision for ECL	**(124)**	**(8)**	**(132)**	(121)	(8)	(129)
Total financial assets	**40,411**	**4,676**	**45,087**	36,403	4,468	40,871

Notes to the financial statements continued

12. Concentration of credit risk continued

Maximum exposure to credit risk – by financial asset

The table below shows the maximum net credit risk exposure of the Banking Group by asset type. The exposures set out are based on net carrying amounts as reported in the balance sheet.

As at 30 June	2025			2024		
$ millions	On-balance sheet financial assets	Off-balance sheet financial assets	Maximum exposure to credit risk	On-balance sheet financial assets	Off-balance sheet financial assets	Maximum exposure to credit risk
Cash and cash equivalents	**1,058**	**-**	**1,058**	1,005	-	1,005
Due from other financial institutions	**129**	**-**	**129**	95	-	95
Investment securities	**3,055**	**-**	**3,055**	2,658	-	2,658
Derivative financial instruments	**296**	**-**	**296**	162	-	162
Loans and advances	**35,964**	**4,684**	**40,648**	32,566	4,476	37,042
Other financial assets	**33**	**-**	**33**	38	-	38
Subtotal	**40,535**	**4,684**	**45,219**	36,524	4,476	41,000
Less provision for ECL	**(124)**	**(8)**	**(132)**	(121)	(8)	(129)
Total	**40,411**	**4,676**	**45,087**	36,403	4,468	40,871

The exposure of the Banking Group derived from loans and advances to retail and corporate customers is 90% of the total maximum exposure (30 June 2024: 91%).

Collateral management on loans and advances

The Banking Group holds financial charges over borrowers' specific assets and is able to enforce the collateral in satisfying the debt in the event borrowers fail to meet contractual obligations. 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%.

The collateral held for mitigating credit risk for the Banking Group's lending portfolios is outlined below.

As at 30 June	2025				2024			
$ millions	Maximum exposure to credit risk	Fully secured	Partially secured	Unsecured	Maximum exposure to credit risk	Fully secured	Partially secured	Unsecured
Retail unsecured lending[1]	**1,219**	**-**	**-**	**100.0%**	1,224	-	-	100.0%
Residential mortgage loans[2]	**33,384**	**99.6%**	**0.4%**	**-**	30,695	99.4%	0.6%	-
Corporate exposures[3]	**6,045**	**53.4%**	**14.6%**	**32.0%**	5,123	54.1%	11.0%	34.9%
Total	**40,648**				37,042			

[1] Retail unsecured lending includes credit cards and overdrafts and is an unsecured portfolio.

[2] 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.

[3] Corporate exposures are typically secured by way of a charge over property; a charge over business assets, other assets or deposits; or guarantees from borrowers' related parties.

Collateral on credit impaired assets

As at 30 June 2025, 47.6% of the Banking Group's impaired gross loans were fully secured, 37.8% is partially secured and 14.5% were unsecured (30 June 2024: 56.4% fully secured, 34.4% partially secured and 9.2% unsecured).

Notes to the financial statements continued

13. 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.

	Exposure to banks		Exposure to non-banks	
	30 June 25	Peak[1]	30 June 25	Peak[1]
Total number of exposures that are greater than 10% of CET1 capital	-	-	1	3
with a long-term credit rating of A- or A3 or above, or its equivalent	-	-	1	3
- 10% to less than 15% of CET1 capital	-	-	1	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	-	-	-	-

[1]Peak end-of-day over six months to 30 June 2025.

Credit exposure to connected persons

The Banking Group's credit exposure to connected persons has been derived in accordance with its conditions of registration and the RBNZ's 'Connected Exposures Policy' (BS8). Credit exposures are disclosed on the basis of actual credit exposures measured net of individual provision for ECL and exclude advances to connected persons of a capital nature.

Peak end-of-day aggregate credit exposures to connected persons have been calculated based on the maximum end-of-day aggregate amount of actual credit exposures over the full year accounting period divided by the Banking Group's Tier 1 capital at the end of the reporting period.

The rating-contingent limit that applied to the Banking Group as at 30 June 2025 was 60%. There have been no rating-contingent limit changes during the year. Within the rating-contingent limit there is a sub-limit of 15% of the Banking Group's Tier 1 capital, which applies to the aggregate credit exposure to non-bank connected persons.

Aggregate credit exposure to connected persons has been calculated on a gross basis rather than a bilateral net basis. As at 30 June 2025, the Banking Group has no contingent exposures to connected persons arising from unfunded contingent credit protection arrangements provided by any connected persons in respect of credit exposures to counterparties (excluding counterparties that are connected persons).

The Banking Group does not have any credit exposures to bank connected persons.

	Non-bank connected persons	
	$ millions	% of Tier 1 capital
Aggregate credit exposure		
As at 30 June 2025	18	0.60%
Peak end-of-day over the year ended 30 June 2025	18	0.60%

As at 30 June 2025, the Banking Group's credit exposures to non-bank connected persons were not credit impaired.

Notes to the financial statements continued

14. Cash and cash equivalents

Accounting policy

Cash and cash equivalents are considered to include notes and coins on hand, current accounts with banks, overnight bank deposits net of bank overdrafts and balances held with RBNZ, with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in value and are used by the Banking Group in the management of its short-term commitments.

$ millions		
As at 30 June	**2025**	2024
Cash in hand	**6**	5
Cash with central bank	**975**	923
Call and overnight advances to financial institutions	**77**	77
Total cash and cash equivalents	**1,058**	1,005

15. Due from other financial institutions

Accounting policy

Collateral paid balances are initially measured at fair value plus incremental direct transaction costs and subsequently measured at their amortised cost using the effective interest method. Any interest calculated using the effective interest method, ECL and reversals, and foreign exchange gains and losses are recognised in the income statement.

All amounts due from other financial institutions are considered current assets.

$ millions		
As at 30 June	**2025**	2024
Collateral paid	**129**	95
Total due from other financial institutions	**129**	95

Collateral paid is the collateral pledged by Kiwibank in respect of its credit support annex obligations to derivative counterparties.

Notes to the financial statements continued

16. Investment securities

Accounting policy

Investment securities are debt securities measured at FVOCI. Gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost: any interest calculated using the effective interest method; ECL and reversals; and foreign exchange gains and losses. On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement. Refer to 'Net gains on financial instruments' (Note 3).

All investment securities are considered current assets.

As at 30 June 2025, the fair value of investment securities pledged under repurchase agreements was nil (30 June 2024: nil).

$ millions As at 30 June	2025	2024
Government securities	**1,235**	726
Supranational securities	**962**	872
Local authority securities	**438**	441
Other securities	**420**	619
Total investment securities	**3,055**	2,658

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

17. Due to other financial institutions

Accounting policy

Amounts due to other financial institutions are initially measured at fair value minus incremental direct transaction costs and subsequently measured at amortised cost using the effective interest method. Amortisation and foreign exchange gains and losses are recognised in the income statement, as is any gain or loss when the liability is derecognised.

Under repurchase agreements, collateral in the form of securities is advanced to a third party and the Banking Group receives cash in exchange. The counterparty has an obligation to return the collateral at the maturity of the contract. The Banking Group has determined that it retains substantially all the risks and rewards of the securities advanced and therefore they are not derecognised and are retained within the relevant security portfolio and accounted for accordingly. Liability accounts are used to record the obligation to repurchase. The difference between the sale and repurchase price represents interest expense and is recognised in the income statement over the term of the repurchase agreement.

$ millions As at 30 June	2025	2024
Cash collateral received	**71**	22
Transaction balances with other financial institutions	**13**	68
Repurchase agreements	**353**	1,019
Total due to other financial institutions	**437**	1,109
Residual contractual maturity:		
Current	**412**	798
Non-current	**25**	311

Notes to the financial statements continued

17. Due to other financial institutions continued

Funding for Lending Programme

In November 2020, the RBNZ announced a Funding for Lending Programme ('**FLP**') as one of the tools to 'maintain low and stable inflation and support full employment'. The FLP allows the Bank to borrow directly from the RBNZ at the floating Official Cash Rate ('**OCR**'), refixed on the date that a revised OCR comes into effect, for a term of three years and was effective to 6 December 2022.

A total of $386m of residentially mortgage-backed securities ('**RMBS**') has been pledged as approved eligible collateral (30 June 2024: $1,156m). As at 30 June 2025, $323m of borrowings from the FLP is currently outstanding (30 June 2024: $885m). Refer to 'Transfer of financial assets' (Note 25) for further information.

Term Lending Facility

In May 2020, the RBNZ established a Term Lending Facility ('**TLF**') to support the functioning of the Business Finance Guarantee Scheme ('**BFGS**'), with financing under the TLF tied to the utilisation of the BFGS. Under the TLF, each eligible counterparty in the BFGS can draw down an amount equivalent to the outstanding BFGS amount for that participant. Kiwibank's drawings under the TLF have a term of five years fixed at the then OCR of 0.25%, subject to annual renewal. The BFGS ended on 30 June 2021 and the TLF ended on 28 July 2021.

A total of $35m of RMBS has been pledged as approved eligible collateral (30 June 2024: $56m). As at 30 June 2025, $29m of borrowings from the TLF is currently outstanding (30 June 2024: $47m). Refer to 'Transfer of financial assets' (Note 25) for further information.

18. Deposits

Accounting policy

Deposits are initially measured at fair value minus incremental direct transaction costs and subsequently measured at their amortised cost using the effective interest method. Amortisation and foreign exchange gains and losses are recognised in the income statement, as is any gain or loss when the liability is derecognised.

$ millions **As at 30 June**	**2025**	2024
Deposits not bearing interest	**4,122**	3,808
On demand deposits	**7,602**	7,116
Term deposits	**18,613**	17,252
Total deposits from customers	**30,337**	28,176
Residual contractual maturity:		
Current	**29,245**	27,433
Non-current	**1,092**	743

In the event of the liquidation of Kiwibank, deposit holders will rank equally with all other creditors but ahead of subordinated debt holders, shareholders and holders of perpetual preference shares. In addition, all payment obligations of Kiwibank that existed on 28 February 2017, and still outstanding, excluding any payment obligations where the terms expressly provide that they do not have the benefit of the guarantee, are guaranteed under the Crown Guarantee but only in relation to and to the extent of those obligations.

Notes to the financial statements continued

19. Debt securities issued

Accounting policy

Debt securities issued are initially measured at fair value minus incremental direct transaction costs and subsequently measured at their amortised cost using the effective interest method. Amortisation and foreign exchange gains and losses are recognised in the income statement, as is any gain or loss when the liability is derecognised. See 'Derivative financial instruments and hedging activities' (Note 23) for the accounting policy including fair value hedge adjustments.

In the event of the liquidation of Kiwibank, holders of these debt securities, except for covered bonds, will rank equally with all other creditors but ahead of subordinated debt holders, shareholders and holders of perpetual preference shares. The guarantee arrangements and other details relating to covered bonds are disclosed in 'Transfer of financial assets' (Note 25).

$ millions As at 30 June	2025	2024
Short-term debt		
Certificates of deposit	**170**	244
Commercial paper	**690**	-
Long-term debt		
Medium-term notes	**3,634**	3,047
Covered bonds	**1,156**	547
Fair value hedge adjustment	**43**	(40)
Total debt securities issued	**5,693**	3,798
Residual contractual maturity:		
Current	**1,626**	644
Non-current	**4,067**	3,154

Reconciliation of movement in liability arising from financing activities

$ millions As at 30 June	2025	2024
Opening balance	3,798	3,038
Issuances	**4,165**	1,842
Repayments	**(2,366)**	(1,176)
Total cash movements	**1,799**	666
Effect of changes in foreign exchange rates	**(28)**	16
Fair value and other movements	**124**	78
Closing balance	**5,693**	3,798

During the year ended 30 June 2025, the Banking Group issued CHF 300m (NZD $618m) of covered bonds (2024: nil) and has not redeemed any covered bonds (2024: nil).

During the year ended 30 June 2025, Kiwibank has not had any defaults of principal, interest or other breaches with respect to debt securities issued (2024: no defaults).

20. Subordinated debt

Accounting policy

Subordinated debt issues are initially measured at fair value minus incremental direct transaction costs and subsequently measured at amortised cost using the effective interest method. Amortisation is recognised in the income statement, as is any gain or loss when the liability is derecognised. See 'Derivative financial instruments and hedging activities' (Note 23) for the accounting policy including fair value hedge adjustments.

All subordinated debt is considered a non-current asset based on final maturity.

$ millions As at 30 June	2025	2024
Subordinated notes	**475**	473
Fair value hedge adjustments	**2**	(15)
Total subordinated debt	**477**	458

During the year ended 30 June 2025, the Banking Group has not issued any subordinated notes (2024: nil) and has not had any defaults of principal, interest or other breaches with respect to subordinated debt (2024: nil).

As at 30 June 2025, $473m of subordinated debt qualified as Tier 2 capital for Capital Adequacy calculation purposes (30 June 2024: $472m). The contractual terms of subordinated debt instruments on issue expressly stipulate that they do not have the benefit of the Crown Guarantee.

The subordinated debt instruments on issue are subordinate to all other general liabilities of the Banking Group but rank ahead of shareholders and holders of perpetual preference shares and are denominated in New Zealand dollars.

The key terms and conditions of the subordinated debt instruments on issue are as follows:

Instrument	Issue date	Amount ($m)	Coupon rate	Next reset date	Maturity date
Subordinated notes	11 December 2020	275	2.36% p.a.	11 December 2025	11 December 2030
Subordinated notes	12 May 2023	200	6.40% p.a.	12 May 2028	12 May 2033

Interest is paid quarterly in arrears.

Reconciliation of movement in liability arising from financing activities

$ millions As at 30 June	2025	2024
Opening balance	458	446
Interest paid	**(19)**	(19)
Total cash movements	**(19)**	(19)
Interest accrued	**19**	19
Fair value and other movements	**19**	12
Closing balance	**477**	458

21. Concentration of funding

The Banking Group aims to maintain a mix of retail and wholesale funding to manage liquidity and funding risk. Sources of funding are regularly reviewed to maintain a wide diversification of product, term, geography and currency.

$ millions As at 30 June	Note	2025	2024
Total funding comprises:			
Due to other financial institutions	17	**437**	1,109
Deposits	18	**30,337**	28,176
Debt securities issued	19	**5,693**	3,798
Subordinated debt	20	**477**	458
Total funding		**36,944**	33,541

Concentrations of funding arise where the Banking Group is funded by industries of a similar nature or geographies. Analysis of funding by industry sector is presented in the table below and is based on Australian and New Zealand Standard Industrial Classification ('**ANZSIC**').

$ millions As at 30 June	Note	2025	2024
Deposits from customers by industry - New Zealand			
Agriculture		**46**	45
Food and other manufacturing		**210**	146
Electricity, gas and water		**32**	17
Construction		**421**	419
Retail and wholesale trade		**298**	255
Transport and storage		**131**	74
Communications		**275**	176
Finance, investment and insurance		**1,946**	1,966
Property and business services		**515**	517
Professional, scientific and technical services		**422**	461
Government, local authorities and services		**676**	561
Education		**270**	233
Personal and other services		**348**	368
Health and community services		**496**	400
Households		**23,774**	22,033
Total deposits from customers by industry - New Zealand		**29,860**	27,671
Deposits from customers by industry - Overseas			
Finance, investment and insurance		**64**	103
Households		**413**	402
Total deposits from customers by industry - Overseas		**477**	505
Total deposits from customers	18	**30,337**	28,176
Wholesale funding by geography			
New Zealand		**3,625**	3,759
Overseas		**2,982**	1,606
Total wholesale funding		**6,607**	5,365
Total funding		**36,944**	33,541

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

22. Fair value of financial instruments

Accounting policy

The Banking Group measures certain financial instruments at fair value at each reporting date. In addition, the fair values of certain financial instruments which are measured at amortised cost are disclosed.

Fair value is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the reporting date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability and assuming market participants act in their own economic best interest.

The Banking Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Banking Group determines whether any transfers between levels in the hierarchy have occurred by reassessing categorisation at the end of each reporting period. Refer to accounting policies in Note 1.7 for further details.

a) Measurement basis of financial assets and financial liabilities

The following table presents the carrying amounts of the financial assets and financial liabilities by category.

As at 30 June	2025			
$ millions	Amortised cost	FVOCI	FVTPL[1]	Total
Cash and cash equivalents	1,058	-	-	1,058
Due from other financial institutions	129	-	-	129
Investment securities	-	3,055	-	3,055
Derivative financial instruments	-	-	296	296
Loans and advances	35,840	-	-	35,840
Other financial assets	33	-	-	33
Total financial assets	**37,060**	**3,055**	**296**	**40,411**
Due to other financial institutions	437	-	-	437
Deposits	30,337	-	-	30,337
Derivative financial instruments	-	-	324	324
Debt securities issued	5,693	-	-	5,693
Subordinated debt	477	-	-	477
Other financial liabilities	192	-	-	192
Total financial liabilities	**37,136**	**-**	**324**	**37,460**

Notes to the financial statements continued

22. Fair value of financial instruments continued

As at 30 June	2024			
$ millions	Amortised cost	FVOCI	FVTPL[1]	Total
Cash and cash equivalents	1,005	-	-	1,005
Due from other financial institutions	95	-	-	95
Investment securities	-	2,658	-	2,658
Derivative financial instruments	-	-	162	162
Loans and advances	32,445	-	-	32,445
Other financial assets	38	-	-	38
Total financial assets	33,583	2,658	162	36,403
Due to other financial institutions	1,109	-	-	1,109
Deposits	28,176	-	-	28,176
Derivative financial instruments	-	-	196	196
Debt securities issued	3,798	-	-	3,798
Subordinated debt	458	-	-	458
Other financial liabilities	192	-	-	192
Total financial liabilities	33,733	-	196	33,929

[1] FVTPL includes derivatives held for trading; refer to 'Derivative financial instruments and hedging activities' (Note 23).

b) Financial assets and financial liabilities carried at fair value

The fair values of assets and liabilities carried at fair value were determined by the 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:

As at 30 June	**2025**				2024			
$ millions	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial assets at fair value								
Investment securities	**1,046**	**2,009**	**-**	**3,055**	597	2,061	-	2,658
Derivative financial assets	**-**	**296**	**-**	**296**	-	162	-	162
Financial liabilities at fair value								
Derivative financial liabilities	**-**	**324**	**-**	**324**	-	196	-	196

There have been no transfers between levels 1 and 2 during the year (2024: no transfers). There were also no transfers into/out of level 3 during the year (2024: no transfers).

Notes to the financial statements continued

22. Fair value of financial instruments continued

c) Financial assets and financial liabilities carried at amortised cost

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

Loans and advances

The Banking Group provides loans and advances to retail and corporate customers at both variable and fixed rates. The carrying amount of the variable rate loans and advances is assumed to be their fair value. For fixed-rate lending, the estimate of fair value is based on the discounted contractual cash flows of the loan until it next reprices. The discount rate reflects the time until the loan next reprices, prevailing market interest rates, the Bank's cost of funding above swap rates and recently observed lending margins for the loan type.

Impaired and past due loans and advances

For impaired and past due loans, fair value is estimated by discounting the expected future cash flows using current market interest rates incorporating an appropriate risk factor or, where such loans are collateralised and have been written down to the current market value of the collateral, the estimated fair value is based on the written-down carrying amount.

Deposits

For fixed-term deposits by customers, fair values have been estimated using a discounted cash flow model with reference to market interest rates. For other deposits by customers, the carrying amount is a reasonable estimate of fair value.

Debt securities issued and subordinated debt

The fair values of these instruments are calculated based on quoted mid-market prices, where available. For those instruments where quoted market prices are not available, a discounted cash flow model is used based on inputs including an interest rate yield curve developed from quoted rates and market-observable credit spreads.

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

As at 30 June	**2025**					2024				
$ millions	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying amount**	Level 1	Level 2	Level 3	Total	Carrying amount
Financial assets at amortised cost										
Loans and advances	**-**	**-**	**35,916**	**35,916**	**35,840**	-	-	32,294	32,294	32,445
Financial liabilities at amortised cost										
Deposits	**-**	**-**	**30,379**	**30,379**	**30,337**	-	-	28,187	28,187	28,176
Debt securities issued	**-**	**5,732**	**-**	**5,732**	**5,693**	-	3,814	-	3,814	3,798
Subordinated debt	**-**	**477**	**-**	**477**	**477**	-	459	-	459	458

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. No fair value disclosures are required for lease liabilities.

Notes to the financial statements continued

23. Derivative financial instruments and hedging activities

Accounting policy

The Banking Group uses derivatives as part of its asset and liability management activities to manage exposures to interest rate and foreign currency, including exposures arising from forecast transactions. These derivatives include swaps, futures, forwards, options and other contingent or exchange-traded contracts in the interest rate and foreign exchange markets.

Fair values are obtained using recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. Derivatives are presented as assets when fair value is positive and as liabilities when fair value is negative.

Derivative financial instruments are classified as either held for trading or held for hedging.

- *Derivatives held for trading* include derivatives transacted as part of the trading activity of the Banking Group, as well as derivatives transacted as economic hedges that do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.
- *Derivatives held for hedging* are instruments held for risk management purposes, which meet the criteria for hedge accounting.

The method of recognising the resulting fair value gain or loss depends on the nature of the item being hedged. The Banking Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or firm commitments (a '**fair value hedge**'); or,
- hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (a '**cash flow hedge**').

Hedge accounting is used for derivatives designated in this way, provided that certain criteria are met.

The Banking Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging transactions. The Banking Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

As permitted by NZ IFRS 9 *Financial Instruments*, the Banking Group has elected to continue to apply the hedge accounting requirements of NZ IAS 39 *Financial Instruments: Recognition and Measurement*.

Fair value hedge ('**FVH**')

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity.

Cash flow hedge ('**CFH**')

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Notes to the financial statements continued

23. Derivative financial instruments and hedging activities continued

The Banking Group's approach to managing market risk, including interest rate and foreign exchange risk, is discussed in 'Risk management' (Note 31).

The Banking Group uses the following derivative instruments for both hedging and non-hedging purposes:

- *Currency forwards* represent commitments to purchase or sell foreign currency, including undelivered spot transactions.
- *Interest rate futures* are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date, established in an organised financial market. The credit risk is negligible, as futures contracts are collateralised by cash or marketable securities, and changes in the futures' contract value are settled daily with the exchange.
- *Forward rate agreements* are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.
- *Currency and interest rate swaps* are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (e.g., fixed rate for floating rate) or a combination of all these (i.e., cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps. The Banking Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the current fair value. To control the level of credit risk taken, the Banking Group assesses counterparties using the same techniques as for its lending activities.
- *Foreign currency options* are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange risk. The Banking Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Banking Group's exposure to credit or price risks. Derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates as applicable relative to their terms. The aggregate contractual or notional amount of derivative financial instruments held and the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and derivative financial liabilities, can fluctuate significantly from time to time.

The following tables present the fair value of derivative instruments:

As at 30 June	2025			2024		
	Notional	Fair values		Notional	Fair values	
$ millions	amount	Assets	Liabilities	amount	Assets	Liabilities
Derivatives held for trading[1]	**12,224**	**49**	**(75)**	13,983	37	(37)
Derivatives held for hedging	**28,648**	**247**	**(249)**	24,340	125	(159)
Total derivative financial instruments	**40,872**	**296**	**(324)**	38,323	162	(196)
Residual contractual maturity:						
Current		**78**	**(198)**		56	(50)
Non-current		**218**	**(126)**		106	(146)

[1] Derivatives held for trading includes those transacted as economic hedges.

Notes to the financial statements continued

23. Derivative financial instruments and hedging activities continued

Derivatives held for trading

As at 30 June	2025			2024		
	Notional	**Fair value**		Notional	Fair value	
$ millions	**amount**	**Assets**	**Liabilities**	amount	Assets	Liabilities
Foreign exchange contracts						
Forwards	**2,572**	**26**	**(56)**	1,638	10	(10)
Options	**129**	**2**	**(2)**	110	2	(2)
Total foreign exchange contracts	**2,701**	**28**	**(58)**	1,748	12	(12)
Interest rate contracts						
Swaps	**9,523**	**21**	**(17)**	12,235	25	(25)
Total interest rate contracts	**9,523**	**21**	**(17)**	12,235	25	(25)
Total derivatives held for trading	**12,224**	**49**	**(75)**	13,983	37	(37)

Derivatives held for hedging

Interest rate derivatives

The Banking Group hedges benchmark interest rate risk. Hedge accounting is applied where economic hedge relationships meet the hedge accounting criteria.

Before hedge accounting is applied by the Banking Group, the Banking Group determines whether an economic relationship between the hedged item and the hedging instrument exists based on an evaluation of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Banking Group considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Banking Group evaluates whether the fair value of the hedged item and the hedging instrument are effectively correlated to similar risks.

The Banking Group establishes a hedge ratio by aligning the par amount of the exposure to be hedged and the notional amount of the interest rate swap designated as a hedging instrument. The hedge relationship is reviewed monthly, and the hedging instruments and hedged items are de-designated, if necessary, based on the effectiveness test results and changes in the hedged exposure.

The Banking Group's hedge accounting strategies are as follows:

- Micro fair value hedge accounting is applied to receive fixed interest rate swaps designated as hedges of interest rate risk arising from fixed-rate subordinated debt (refer to 'Subordinated debt' (Note 20)) and medium-term notes (refer to 'Debt securities issued' (Note 19)).
- Micro fair value hedge accounting is applied to pay fixed interest rate swaps designated as hedges of interest rate risk arising from fixed-rate investment securities.
- Portfolio (macro) cash flow hedge accounting is applied to interest rate swaps designated as hedges of the Banking Group's portfolios of floating-rate assets and liabilities. The effective portion of the fair value gains and losses on the hedging instrument is initially recognised directly in other comprehensive income within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in 'Net gains on financial instruments' (Note 3) in the income statement.

Interest and foreign exchange derivatives

The interest and foreign currency risk arising from the Banking Group's foreign currency 'Debt securities issued' (Note 19) is hedged using cross-currency swaps. The foreign currency legs of the cross-currency swaps match the critical terms of the hedged debt securities issued, creating economic hedge relationships that meet hedge accounting criteria.

These are designated as either cash flow or both fair value and cash flow hedges (split designation) to manage the different components of foreign currency and interest rate risk as follows:

- Fair value hedge relationship where cross-currency swaps are used to manage the interest rate risk in relation to foreign-currency-denominated borrowing with fixed interest rates.
- Cash flow hedge relationship where cross-currency swaps are used to manage the variability in cash flows arising from interest rate movements on floating interest rate payments and foreign exchange movements on payments of principal and interest on the Banking Group's foreign currency debt securities issued.

Notes to the financial statements continued

23. Derivative financial instruments and hedging activities continued

Foreign exchange derivatives

The foreign currency risk arising from the Banking Group's foreign currency expenses is hedged using forward foreign exchange contracts. Under these contracts, the Bank agrees to purchase specified amounts of foreign currency to create an economic hedge relationship that meets hedge accounting criteria.

These are designated as cash flow hedge relationships of the foreign currency risk of highly probable vendor payments.

Summary of designated hedge relationships

The following table shows the maturity of the notional amounts of interest rate swaps, cross-currency swaps, and foreign exchange forwards as hedging instruments in fair value and cash flow hedge relationships.

As at 30 June		2025					
		Notional amount				Fair value	
$ millions	Hedged risk	Up to 1 year	Between 1 & 5 years	Over 5 years	Total	Assets	Liabilities
Fair value hedges							
Interest rate swap	Interest rate	**200**	**1,671**	**-**	**1,871**	**52**	**(7)**
Cross-currency swap	Interest rate	**231**	**761**	**330**	**1,322**	**12**	**(10)**
Total designated in fair value hedges		**431**	**2,432**	**330**	**3,193**	**64**	**(17)**
Cash flow hedges							
Interest rate swap	Interest rate	**13,943**	**10,512**	**-**	**24,455**	**125**	**(222)**
Cross-currency swap	Interest rate & FX	**770**	**1,111**	**330**	**2,211**	**58**	**(8)**
Foreign exchange	FX	**75**	**36**	**-**	**111**	**-**	**(2)**
Total designated in cash flow hedges		**14,788**	**11,659**	**330**	**26,777**	**183**	**(232)**
Less derivatives in both FVH and CFH		**(231)**	**(761)**	**(330)**	**(1,322)**	**-**	**-**
Total derivatives held for hedging		**14,988**	**13,330**	**330**	**28,648**	**247**	**(249)**

As at 30 June		2024					
		Notional amount				Fair value	
$ millions	Hedged risk	Up to 1 year	Between 1 & 5 years	Over 5 years	Total	Assets	Liabilities
Fair value hedges							
Interest rate swap	Interest rate	200	1,521	-	1,721	12	(34)
Cross-currency swap	Interest rate	-	711	-	711	-	(37)
Total designated in fair value hedges		200	2,232	-	2,432	12	(71)
Cash flow hedges							
Interest rate swap	Interest rate	10,312	10,680	-	20,992	90	(108)
Cross-currency swap	Interest rate & FX	-	1,614	-	1,614	23	20
Foreign exchange	FX	12	1	-	13	-	-
Total designated in cash flow hedges		10,324	12,295	-	22,619	113	(88)
Less derivatives in both FVH and CFH		-	(711)	-	(711)	-	-
Total derivatives held for hedging		10,524	13,816	-	24,340	125	(159)

The average fixed interest rate of hedging instruments used to hedge interest rate risk as at 30 June 2025 was 3.81% for fair value hedges and 3.65% for cash flow hedges (30 June 2024: 3.51% for fair value hedges and 4.39% for cash flow hedges).

The average exchange rates related to foreign exchange and cross-currency swaps used to hedge foreign currency risk against NZD as at 30 June 2025 were AUD 0.92, GBP 0.46, HKD 5.51 and USD 0.60 (30 June 2024: AUD 0.92, GBP 0.49, HKD 5.51 and USD 0.62).

23. Derivative financial instruments and hedging activities continued

Hedge Ineffectiveness

For all hedge strategies, ineffectiveness arises from the following sources:

- differences in timing of cash flows of hedged items and hedging instruments;
- different interest rate curves applied to discount the hedged items and hedging instruments; and
- the effect of changes in counterparties' credit risk on the fair values of hedging instruments.

The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in 'Net gains on financial instruments' (Note 3) in the income statement.

The following table sets out the changes in fair value of the Banking Group's hedged items and hedging instruments used for calculating hedge ineffectiveness.

For the year ended 30 June		2025		2024	
$ millions	Hedged risk	Change in value of hedged item	Change in value of hedging instrument	Change in value of hedged item	Change in value of hedging instrument
Fair value hedges					
Interest rate swap	Interest rate	**(61)**	**61**	(41)	41
Cross currency swap	Interest rate	**(39)**	**39**	(11)	11
Total		**(100)**	**100**	(52)	52
Cash flow hedges					
Interest rate swap	Interest rate	**86**	**(86)**	(57)	57
Cross currency swap	Interest rate & FX	**(9)**	**9**	(4)	4
Foreign exchange	FX	**-**	**-**	-	-
Total		**77**	**(77)**	(61)	61

Hedged items in fair value hedge relationships

The following table sets out the Banking Group's hedged items in fair value hedge relationships, and the accumulated amount of fair value hedge adjustments included in their carrying amounts. During the year ended 30 June 2025, there were no adjustments relating to discontinued hedge relationships (2024: nil).

As at 30 June		2025		2024	
$ millions	Hedged risk	Carrying amount	Accumulated fair value hedge adjustments	Carrying amount	Accumulated fair value hedge adjustments
Subordinated debt	Interest rate	**(402)**	**(2)**	(386)	15
Debt securities issued	Interest rate	**(1,511)**	**(41)**	(1,318)	3
Debt securities issued	Interest rate & FX	**(1,325)**	**(2)**	(673)	37
Total		**(3,238)**	**(45)**	(2,377)	55

Notes to the financial statements continued

23. Derivative financial instruments and hedging activities continued

Cash flow hedge reserve

The table below sets out the movements in the Banking Group's cash flow hedge reserve during the year. This includes the impact of both continuing and discontinued cash flow hedge relationships on profit after tax and other comprehensive income (excluding hedge ineffectiveness):

As at 30 June	2025			2024		
	Type of risk			Type of risk		
$ millions	Interest rate	Interest rate and FX	Total	Interest rate	Interest rate and FX	Total
Opening balance	18	(3)	15	156	(4)	152
Gross changes in fair value[1]	**(86)**	**9**	**(77)**	57	4	61
Reclassified to Income statement:						
Interest income	**19**	**-**	**19**	72	-	72
Interest expense	**22**	**(4)**	**18**	(295)	16	(279)
Net gains on financial instruments	**-**	**(9)**	**(9)**	(26)	(19)	(45)
Deferred tax	**13**	**1**	**14**	54	-	54
Closing balance	**(14)**	**(6)**	**(20)**	18	(3)	15

[1] Changes in the fair value of the hedging instrument recognised in other comprehensive income.

As at 30 June 2025, $200m of interest rate swaps had been de-designated from cash flow hedge relationships to manage hedge capacity (30 June 2024: nil). The forecast transactions for these de-designated interest rate swaps were still expected to occur. Therefore, the cumulative gains or losses recognised directly in the cash flow hedge reserve while the hedge instruments were designated remain in equity until the forecast transaction occurs.

During the year ended 30 June 2025, amortisation of the fair value of de-designated interest rate swaps reclassified from the cash flow hedge reserve to 'Net gains on financial instruments' (Note 3) in the income statement was insignificant (2024: $26m).

As at 30 June 2025, the cumulative gains or losses on de-designated interest rate swaps remaining in the cash flow hedge reserve was insignificant (30 June 2024: nil).

Notes to the financial statements continued

24. Offsetting financial assets and financial liabilities

Accounting policy

The Banking Group enters into contractual arrangements with counterparties to manage the credit risks associated primarily with over-the-counter derivatives, repurchase and reverse repurchase transactions. The Banking Group also has agreements with some of its institutional counterparties to settle certain derivatives via a central clearing counterparty ('**CCP**'). These netting agreements and similar arrangements enable counterparties to offset financial liabilities against financial assets if an event of default or other predetermined event occurs and may require the posting of collateral; however, these generally do not result in net settlement in the ordinary course of business. Consequently, the Banking Group does not offset its financial assets and financial liabilities in the balance sheet even if these amounts are subject to enforceable netting arrangements.

The Banking Group has an agreement to settle New Zealand dollar interest rate swaps and overnight indexed swaps via a CCP. The Banking Group continues to recognise these derivatives on a gross basis.

The following tables set out the effect or potential effect of netting arrangements on the Banking Group's financial position. This includes the effect or potential effect of rights of offset associated with the Banking Group's recognised financial assets and recognised financial liabilities that are subject to an enforceable master netting arrangement or are cleared through a CCP, irrespective of whether they are offset in accordance with the above accounting policy.

The financial instruments included in the following table are subject to offsetting, enforceable master netting arrangements or are cleared through a CCP.

As at 30 June		**2025**					
					Related amounts not offset in the balance sheet		
$ millions	Note	**Gross amounts of recognised financial instruments**	**Amounts offset in the balance sheet**	**Net amounts of financial instruments presented in the balance sheet**	**Financial instruments**	**Cash collateral**	**Net amount**
Derivative financial assets	23	**296**	**-**	**296**	**(222)**	**(64)**	**10**
Total		**296**	**-**	**296**	**(222)**	**(64)**	**10**
Derivative financial liabilities	23	**324**	**-**	**324**	**(222)**	**(88)**	**14**
Repurchase agreements[1]		**353**	**-**	**353**	**(353)**	**-**	**-**
Total		**677**	**-**	**677**	**(575)**	**(88)**	**14**

As at 30 June		2024					
					Related amounts not offset in the balance sheet		
$ millions	Note	Gross amounts of recognised financial instruments	Amounts offset in the balance sheet	Net amounts of financial instruments presented in the balance sheet	Financial instruments	Cash collateral	Net amount
Derivative financial assets	23	162	-	162	(137)	(21)	4
Total		162	-	162	(137)	(21)	4
Derivative financial liabilities	23	196	-	196	(137)	(46)	13
Repurchase agreements[1]		1,019	-	1,019	(1,019)	-	-
Total		1,215	-	1,215	(1,156)	(46)	13

[1] $421m of residentially mortgage-backed securities have been pledged as collateral under a collateralised borrowing arrangement (repurchase agreements) (30 June 2024: $1,212m). Refer to 'Due to other financial institutions' (Note 17) for further details.

25. Transfer of financial assets

The following financial assets have been transferred but have not been derecognised.

Kiwibank RMBS Trust Series 2009-1 (the 'RMBS Trust')

The RMBS Trust was established to hold individual residentially secured mortgages (loans and advances) and to restructure these assets into internal residential mortgage-backed securities ('**RMBS**') which are eligible for repurchase under agreements with the RBNZ. The Banking Group can borrow from the RBNZ using the RMBS as collateral until repurchased at a later date, in order to manage its liquidity requirements.

The carrying amount of the RMBS pool as at 30 June 2025 is $4,250m (30 June 2024: $4,250m). These securities are ring-fenced to ensure they are not used as collateral outside of agreements established with the RMBS Trust.

The assets and liabilities associated with the RMBS Trust do not qualify for derecognition as the Banking Group retains a continuing involvement and retains substantially all the risks and rewards of ownership of the transferred assets (funding, liquidity and credit risk remains with the Banking Group).

Kiwi Covered Bond Trust (the 'Covered Bond Trust')

The Covered Bond Trust was established to hold individual residentially secured mortgages (loans and advances) and to provide guarantees to certain debt securities issued by the Banking Group. Substantially all of the assets of the Covered Bond Trust comprise housing loans originated by Kiwibank which are security for the guarantee of issuances of covered bonds by the Banking Group, provided by Kiwi Covered Bond Trustee Limited as Trustee of the Covered Bond Trust. The assets of the Covered Bond Trust are not available to creditors of Kiwibank, although the Banking Group (or its liquidator or statutory manager) may have a claim against the residual assets of the Covered Bond Trust (if any) after all prior ranking creditors of the Covered Bond Trust have been satisfied.

The carrying amount of the Covered Bond Trust pool as at 30 June 2025 is $1,400m (30 June 2024: $700m). These securities are ring-fenced to ensure they are not used as collateral outside of agreements established with the Covered Bond Trust.

The assets and liabilities associated with the Covered Bond Trust do not qualify for derecognition as the Banking Group retains a continuing involvement and retains substantially all the risks and rewards of ownership of the transferred assets (funding, liquidity and credit risk remains with the Banking Group).

Repurchase agreements

The Banking Group enters into sale and repurchase agreements with the wider market in order to manage liquidity. Under the repurchase agreements, collateral in the form of securities is advanced to a third party and the Banking Group receives cash in exchange. The counterparty is allowed to sell or re-pledge the collateral advanced under repurchase agreements in the absence of default by the Banking Group but has an obligation to return the collateral at the maturity of the contract. The Banking Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them (funding, liquidity and credit risk remains with the Banking Group). In addition, it recognises a financial liability for cash received which is included in 'Due to other financial institutions' (Note 17).

As at 30 June 2025, the Banking Group has recognised liabilities for outstanding repurchase agreements of $353m (30 June 2024: $1,019m).

*Funding for Lending Programme ('**FLP**') and Term Lending Facility ('**TLF**')*

The Banking Group has entered into an agreement with the RBNZ to draw down funds under the FLP and the TLF. RMBS have been pledged as approved eligible collateral. Refer to 'Due to other financial institutions' (Note 17) for further information.

Transferred financial assets that are derecognised in their entirety but where the Banking Group has a continuing involvement

As at 30 June 2025, the Banking Group has not derecognised any financial assets where they have a continuing involvement (30 June 2024: nil).

Notes to the financial statements continued

26. Other liabilities

Accounting policy

Other liabilities are initially measured at fair value and subsequently at amortised cost using the effective interest method. Amortisation and foreign exchange gains and losses are recognised in the income statement as is any gain or loss when the liability is derecognised.

Provisions

The Banking Group recognises provisions where there is a present obligation arising from a past event, an outflow of economic resources is probable, and the amount of the provision can be measured reliably. Provisions involve judgements regarding the outcome of future events including estimating the expenditure required to satisfy obligations. The appropriateness of the underlying assumptions is reviewed on a regular basis and adjustments are made to provisions to reflect the most likely outcome.

Contract liabilities

Where the transaction price for a contract with a customer is received before the Banking Group has satisfied the related performance obligations, a contract liability is recognised.

Lease liabilities

At the commencement date of the lease, the Banking Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and any amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Banking Group and payments of penalties for terminating the lease, if the lease term reflects the Banking Group exercising the option to terminate. The Banking Group's leases primarily relate to property leases for corporate offices and retail branch sites that are either direct leases or subleases.

$ millions As at 30 June	2025	2024
Trade and other payables	**23**	30
Employee entitlements	**50**	48
Current tax liabilities	**30**	-
Contract liabilities	**9**	9
Provision for ECL on undrawn commitments	**8**	8
Provisions	**11**	17
Lease liabilities	**85**	92
Trail commission payable	**76**	66
Other liabilities	**21**	22
Total other liabilities	**313**	292
Residual contractual maturity:		
Current	**190**	175
Non-current	**123**	117

In the event of liquidation, the creditors reported within 'Other liabilities' rank in priority to subordinated debt holders, shareholders and holders of perpetual preference shares and will rank equally with deposit holders and other unsecured creditors.

Notes to the financial statements continued

26. Other liabilities continued

Movement in provisions

As at 30 June	2025			2024		
$ millions	Remediation	Other	Total	Remediation	Other	Total
Opening balance	2	15	17	7	14	21
New and increased provisions	**2**	**17**	**19**	2	13	15
Provisions used	**(2)**	**(22)**	**(24)**	(5)	(12)	(17)
Unused amounts reversed	**(1)**	**-**	**(1)**	(2)	-	(2)
Closing balance	**1**	**10**	**11**	2	15	17

Remediation

This is a customer remediation provision recognised in respect of regulatory and customer remediations for expected refunds or payments to customers and other counterparties where the Banking Group has completed an assessment and reliably estimated the likely loss.

Other provisions

Other provisions include make good for leased buildings, employee long-term incentive schemes and redundancy provisions.

Movement in lease liabilities

As at 30 June	2025			2024		
$ millions	Property	Other	Total	Property	Other	Total
Opening balance	88	4	92	84	4	88
Additions/(disposals)	**8**	**1**	**9**	16	3	19
Accretion of interest	**2**	**-**	**2**	3	-	3
Payments	**(16)**	**(2)**	**(18)**	(15)	(3)	(18)
Closing balance	**82**	**3**	**85**	88	4	92

27. Equity

Accounting policy

Share capital

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs. Dividends distributed in respect of ordinary shares are recognised as a liability in the financial statements in the reporting period in which the dividend distribution is approved.

Perpetual preference shares are recognised at the amount paid up per share, net of directly attributable issue costs. Discretionary distributions made in respect of perpetual preference shares are recognised as deductions from equity when paid.

Other reserves

The fair value reserve includes changes in the fair value of investment securities, net of tax. When the asset is derecognised these changes in fair value are transferred to the income statement. If an investment security asset held at FVOCI is impaired, the associated impairment charge is recognised in the income statement.

The cash flow hedge reserve includes the fair value gains or losses associated with the effective portion of designated cash flow hedging instruments, net of tax.

Ordinary shares

The total number of issued and fully paid ordinary shares in Kiwibank at the reporting date was 962 million (30 June 2024: 962 million). There were no ordinary shares issued during the year (2024: 225 million).

All ordinary shares have equal voting rights and share equally in dividends and surpluses on winding up. Ordinary shares do not have a par value. As at 30 June 2025 and 30 June 2024, all issued ordinary shares are owned by KGCL, which is incorporated in New Zealand.

There were no dividends paid during the year on ordinary shares (2024: nil).

Notes to the financial statements continued

27. Equity continued

Perpetual preference shares

During the year ended 30 June 2025, 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.

For the year ended 30 June 2025, $16m (3.70 cents per share) of perpetual preference share distributions were paid (2024: $9m (3.55 cents per share)).

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

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative change in the fair value of designated cash flow hedging instruments related to hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction.

$ millions For the year ended 30 June	2025	2024
Opening balance	15	152
Gross changes in fair value	**(77)**	61
Tax effect of changes in fair value	**22**	(12)
Cumulative losses/(gains) transferred to the income statement	**28**	(252)
Tax effect of items transferred to income statement	**(8)**	66
Closing balance	**(20)**	15

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of investment securities until the investment is derecognised or impaired.

$ millions For the year ended 30 June	2025	2024
Opening balance	(21)	(50)
Gross changes in fair value	**65**	39
Tax effect of changes in fair value	**(18)**	(11)
Cumulative losses transferred to the income statement	**-**	1
Closing balance	**26**	(21)

Notes to the financial statements continued

27. Equity continued

Capital

The Banking Group's regulatory capital is analysed in two tiers:

- Tier 1 capital, which comprises Common Equity Tier 1 capital and Additional Tier 1 capital; and
- Tier 2 capital, which includes subordinated notes.

As at 30 June 2025 and 30 June 2024, Common Equity and Additional Tier 1 capital comprises ordinary shares, retained earnings, fair value reserve and PPS less deductions for intangible assets and deferred tax assets.

The Banking Group maintains a capital base to cover risks inherent in the business and meet the capital adequacy requirements of the RBNZ. The adequacy of the Banking Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision as adopted by the RBNZ in supervising the Banking Group. Further details can be found in the 'Capital adequacy and regulatory liquidity ratios' section of this Disclosure Statement.

Capital management

The primary objectives of the Banking Group's capital management are to ensure that the Banking Group complies with internal and externally imposed capital requirements and maintains strong credit ratings in order to support its business.

A series of increases in the internal capital limits began from 1 July 2022 in response to the confirmation of increased prudential requirements and the RBNZ's Capital Buffer Response Framework. No other material changes have been made to the objectives, policies and processes from the previous year; however, they are under regular review by the Board.

RBNZ Capital Review

The RBNZ's bank capital adequacy requirements are set out in the RBNZ's Banking Prudential Requirements documents. The new capital adequacy requirements are being implemented in stages over a seven-year transition period from 1 October 2021. The key changes to the regulatory capital requirements for the Banking Group over the seven-year period are:

- increase in the Common Equity Tier 1 capital ratio required from 4.5% to 11.5%;
- increase in Tier 1 capital ratio required from 6% to 14%; and
- increase in the Total capital ratio required from 8% to 16%.

From 1 July 2024, Tier 1 capital ratio requirement increased from 6% to 7% and total capital ratio requirement increased from 8% to 9%.

Kiwibank expects to meet the regulatory capital requirements through a combination of growth in retained earnings and the issuance of qualifying capital instruments or ordinary shares over the transition period.

Notes to the financial statements continued

28. Related parties

Accounting policy

The Banking Group sponsors the formation of special purpose vehicles ('**SPV**') in the ordinary course of business, primarily to provide funding and liquidity. SPVs are typically set up for a single, pre-defined purpose, have a limited life and generally are not operating entities nor do they have employees.

An SPV is consolidated and reported as part of the Banking Group if it is controlled by the Bank. The definition of control is outlined in Note 1.2.

The Banking Group consists of Kiwibank and all of its controlled entities. At the reporting date, Kiwibank had the following controlled entities:

As at 30 June		2025	2024
Name of entity	**Principal activity**	**Interest held by Kiwibank Limited**	
Kiwibank Investment Management Limited	Provision of investment management services	**100%**	100%
Kiwibank PIE Unit Trust ("PIE Unit Trust")	Managed portfolio investment entity	-	-
Kiwibank RMBS Trust Series 2009-1	Securitisation finance entity	-	-
Kiwi Covered Bond Trust	Securitisation finance entity	-	-

The Banking Group consolidates the following SPVs: PIE Unit Trust, the Kiwibank RMBS Trust Series 2009-1 and the Kiwi Covered Bond Trust on the basis that Kiwibank controls these entities. All Banking Group entities have a reporting date of 30 June and are incorporated and/or domiciled in New Zealand.

Transactions with Kiwi Group Capital Limited ('KGCL') and The New Zealand Home Loan Company Limited ('NZHL')

During the year the Banking Group had transactions with KGCL and its subsidiary, NZHL. All transactions with KGCL and NZHL were conducted within the Banking Group's approved policies.

The table below shows material transactions with related entities.

$ millions For the year ended 30 June	2025	2024
Interest expense		
KGCL	**(1)**	(3)
Other transactions		
Commissions paid to NZHL	**(29)**	(29)

Transactions conducted with related entities, including KGCL include:

- Certain shared service activities have been provided by the Banking Group to KGCL and NZHL. The fee charged for these services is based on activity and a mutually agreed fee. During the year, the fee charged was $0.4m and $40k for KGCL and NZHL respectively (2024: $0.4m and $40k for KGCL and NZHL respectively).
- Kiwibank is a member of, and benefits from any tax losses incurred by members of the 'Kiwibank Consolidated Tax Group'. Refer to 'Income tax' (Note 7) for further details. During the year ended 30 June 2025, no tax losses were recognised (2024: nil).
- There is a revolving credit facility provided to NZHL, which is secured by a general security agreement given by NZHL. The facility limit is $6m and the interest rate on the outstanding principal amount is based on the Kiwibank business base rate less a negotiated discount, with a line fee of 1% per annum on the facility limit. The facility is repayable on demand and the balance outstanding is disclosed in the table below. During the year ended 30 June 2025, Kiwibank received interest income of $69k from NZHL (2024: $181K).
- KGCL has a call account and term deposits with the Banking Group with interest rates ranging from 3.25% to 6.20% per annum and maturities within a year (2024: a call account and a term deposit with interest rates ranging from 4.25% to 6.20% per annum and maturities within a year).
- During the year ended 30 June 2025, KGCL purchased 20 million perpetual preference shares issued by Kiwibank. Kiwibank paid KGCL a perputual preference distribution of $0.5m (2024: nil).

Notes to the financial statements continued

28. Related parties continued

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

$ millions As at 30 June	2025	2024
Loans and advances		
NZHL	**-**	2
Total due from related entities included in loans and advances	**-**	2
Total due from related entities	**-**	2
Deposits		
KGCL	**12**	33
NZHL	**1**	-
Total due to related entities included in deposits	**13**	33
Other liabilities		
NZHL - trail commission payable	**45**	45
Total due to related entities included in other liabilities	**45**	45
Total due to related entities	**58**	78

Transactions with other government-related entities

The Banking Group enters into banking transactions with other entities controlled by the Crown in the normal course of business on standard terms and conditions. In addition, the Banking Group has a commercial arrangement with Air New Zealand Limited (an entity controlled by the Crown) in relation to credit card loyalty programmes.

Transactions with key management personnel

Loans made to and deposits held by key management personnel (including close family members of key management personnel and entities that are controlled or jointly controlled by key management personnel or their close family members) are made in the ordinary course of business on normal commercial terms and conditions, no more favourable than those given to other employees. Loans are on terms of repayment that range between fixed and variable, all of which have been made in accordance with the Banking Group's lending policies. No individually assessed provision for ECL has been recognised for loans made to key management personnel (30 June 2024: nil). Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. This includes the Board and members of the Executive Committee ('**EXCO**').

$ thousands	2025	2024
Directors' fees	**1,099**	1,022

The table below shows benefits paid or payable to key management personnel within the Banking Group for services rendered.

$ millions For the year ended 30 June	2025	2024
Salaries and short-term employee benefits	**8**	9
Long-term benefits	**3**	2
Termination benefits	**-**	1
Total key management personnel compensation	**11**	12

The table below shows the amount of loans to and deposits from key management personnel within the Banking Group.

As at 30 June	2025	2024
Loans to key management personnel and their related parties[1]	**4**	2
Deposits from key management personnel and their related parties[1]	**3**	4

[1] 'Loans to' and 'deposits from' in the table above include close family members of key management personnel.

Notes to the financial statements continued

28. Related parties continued

Long-term benefits

During the year ended 30 June 2021, the Bank entered into a cash-based long-term incentive scheme ('**LTI**') with members of the EXCO. The LTI covers the period from 1 July 2020 to 30 June 2025, and vests in three tranches. At each vesting date certain conditions are required to be met including financial and performance targets for the Banking Group. The key assumption in measuring the LTI is the probability of meeting the targets. As at 30 June 2025, the estimated liability of the LTI amounted to $5m and is included within 'Other liabilities' (Note 26) in the balance sheet (30 June 2024: $5m).

During the year ended 30 June 2025, the Bank introduced a deferral element to the existing short-term incentive scheme ('**STI**') for EXCO participants only. The STI for EXCO will vest over three years. As at 30 June 2025, the estimated liability for the deferred STI amounted to $1m and is included within 'Other liabilities' (Note 26) in the balance sheet (30 June 2024: nil).

29. Fiduciary activities, securitisation, and funds under management

Insurance business, marketing and distribution of insurance products

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 entities are related to the Banking Group.

Securitised assets

The Banking Group has an in-house RMBS facility and covered bond programme, which are discussed further in 'Transfer of financial assets' (Note 25).

Funds management

The Kiwibank PIE Unit Trust (the '**PIE Unit Trust**'), established in May 2008, 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 – see 'Related parties' (Note 28)) 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 bearing interest with Kiwibank.

As at 30 June 2025, $7,293m 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.

The Banking Group has a strategic partnership with Fisher Funds Management Limited to refer Kiwibank customers to the Fisher Funds KiwiSaver Plan which is managed by Fisher Funds Wealth Limited and private portfolio services provided by members of the Fisher Funds group.

Financial services provided to entities conducting the above activities

During the year, financial services provided by Kiwibank to entities conducting the above activities are provided on arm's length terms and conditions and at fair value.

Assets purchased from entities conducting the above activities

During the year, any assets purchased by Kiwibank from entities conducting the above activities have been purchased on arm's length terms and conditions and at fair value.

Arrangements to ensure no adverse impacts arising from the above activities

The Banking Group has in place policies and procedures that are designed to ensure that the activities listed above are conducted in an appropriate manner and will not adversely impact on the Banking Group. These policies and procedures include comprehensive and prominent disclosure of information regarding products including relevant rates, fees and terms and conditions, internal controls and formal reviews of operations and relevant policies by management. Further information explaining the Banking Group's risk management strategies is included in 'Risk management' (Note 31).

Notes to the financial statements continued

30. Segment analysis

The Banking Group operates and reports as a single segment business consistent with the internal reporting provided to the chief operating decision-maker ('**CODM**'). Judgement has been applied in determining the CODM. The CODM, who is responsible for allocating resources and assessing performance of the Banking Group, has been identified as the Kiwibank Executive Committee ('**EXCO**'), which consists of the chief executive and their direct reports. The Banking Group operates a centralised shared infrastructure for operations and support functions. Capital is calculated and allocated at an entity level. As a result, performance is assessed, resources allocated, and other strategic and financial management decisions are determined by the EXCO based on assessing the Banking Group's business as a whole.

Revenue from transactions with a single external customer or counterparty did not amount to 10% or more of the Banking Group's total revenue (2024: same).

31. Risk management

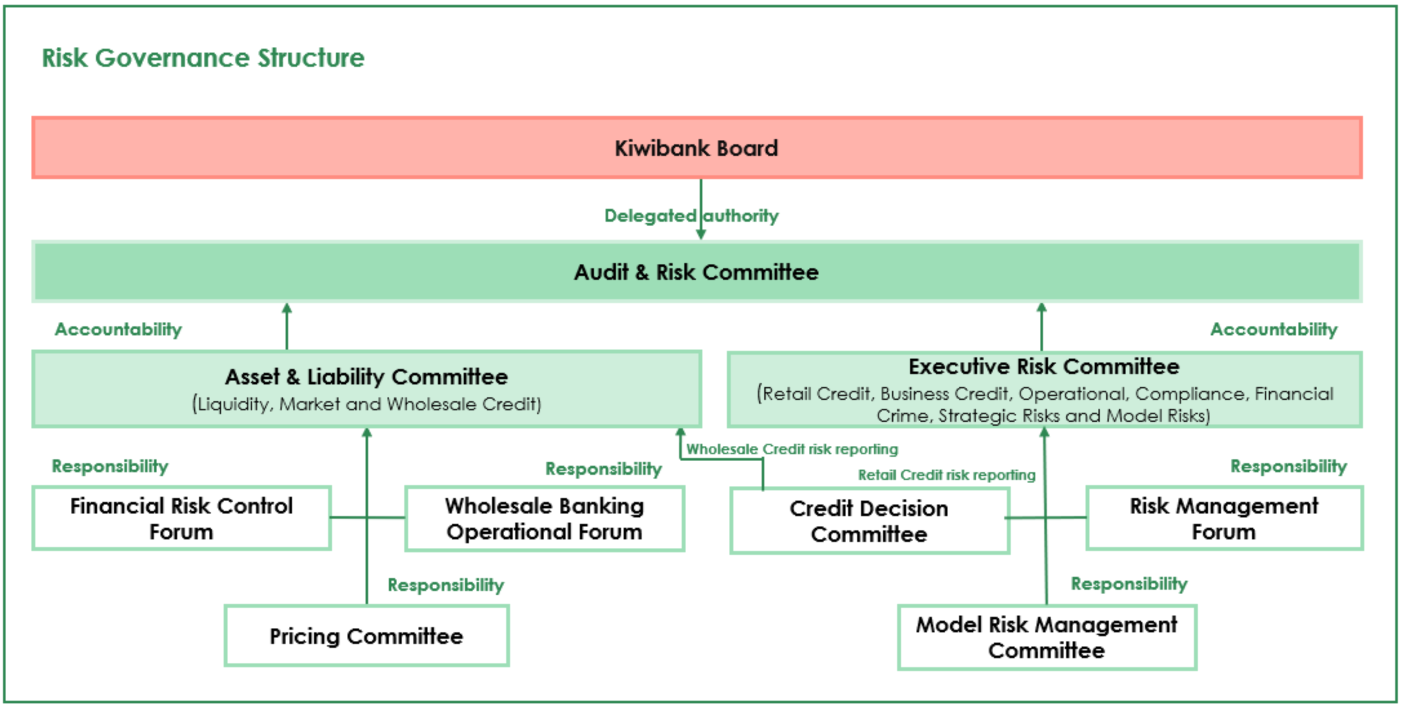
The Banking Group's exposure to risk arises primarily from its business activities as a financial intermediary and financial markets participant. The Banking Group recognises the importance of effective risk management to its customers and business success. Risk management enables the Banking Group to both increase its business opportunities and mitigate potential loss or damage.

The Banking Group's risks are identified, managed, mitigated, and monitored using a risk management framework that embeds risk accountability and responsibility throughout the organisation. This is the foundation for the delivery of effective risk control.

Governance

The Banking Group supports the risk management framework with an organisational governance framework that is characterised by three lines of defence, which separate risk management, oversight, and assurance.

Governance is maintained through delegation of authority from the Board down to employees. Executives are supported by an Executive and Management Committee structure, described below, which is designed to ensure open challenge and enable effective decision making.



Notes to the financial statements continued

31. Risk management continued

The Kiwibank Board ('**Board**'), through the Enterprise Risk Management Framework ('**ERMF**') and the Risk Appetite Statement ('**RAS**'), approves the Banking Group's approach to its risks and is ultimately responsible for ensuring that the Banking Group has effective risk management practices in place to adequately monitor and control its risks.

The Board Charter outlines the full roles and responsibilities of the Board in relation to risk management, which includes:

- approving the ERMF;
- setting the risk appetite within which it expects management to operate and approves the RAS;
- establishing a sound risk culture that supports the Banking Group to develop and execute its strategy consistently within its risk appetite;
- overseeing the operation of the ERMF by ensuring that management monitor and manage all material risks consistent with the strategic objectives, RAS and Board-approved policies;
- ensuring that the operational structure facilitates effective risk management;
- ensuring that policies and processes are developed for risk-taking that are consistent with the established risk appetite;
- ensuring that sufficient resources are dedicated to risk management, including ensuring the Second Line Risk Management function is adequately resourced with personnel that have clearly defined roles, responsibilities, experience and qualifications; and adequate IT systems; and
- recognising uncertainties, limitations and assumptions attached to the measurement of each material risk.

The Board has delegated authority, which includes frequent and detailed monitoring of the financial and non-financial risk metrics, to the Audit and Risk Committee ('**ARC**') with internal governance via the Executive and Management Committees.

ARC advises the Board, liaises with other Board Committees and guides management to establish and maintain a sound approach to risk and manage performance in ways that ensures that the Banking Group delivers on its Purpose. ARC provides oversight of all material risks across the Banking Group, including risk appetite, frameworks, financial reporting, audit, internal controls, and compliance. The ARC Chair also meets periodically with the Remuneration, People and Culture Committee ('**RPC**') Chair to discuss executive-related risks and share relevant information.

The ARC's Charter outlines its roles and responsibilities and the manner in which it discharges those responsibilities.

The Banking Group has an independent risk management function, headed by the Chief Risk Officer ('**CRO**') who:

- is responsible for overseeing the ERMF and RAS;
- can effectively challenge activities and decisions that materially affect the Banking Group's risk profile; and
- has an independent reporting line to ARC to enable the appropriate escalation of concerns, issues or risks.

The risk management function has teams which operate alongside the Banking Group's business units to manage the financial and non-financial risks.

These teams are responsible for an independent appraisal of risk positions and the control environment. Where applicable, they identify and quantify risks and work with business units, as subject matter experts, to implement appropriate policies, standards and controls to manage and mitigate risks. The Banking Group, through its training, management standards and procedures, aims to maintain a disciplined and robust control environment in which all employees understand their roles and obligations.

Enterprise Risk Management Framework

The ERMF enables the Banking Group to make informed, risk-based decisions, protect financial and operational resilience and support the bank's long-term strategic objectives, while maintaining regulatory compliance and customer trust. The ERMF establishes a structured, consistent and integrated approach to risk management across the Banking Group. It describes the systems, structures, policies, processes and people within the Banking Group that identify, measure, evaluate, monitor, report on and control or mitigate all internal and external sources of material risk.

The key requirements of the ERMF are:

1. Risk Appetite Statement

The RAS expresses the amount and type of risk (qualitative statements and quantitative metrics) the Banking Group is willing to accept in pursuing its strategic objectives. First Line Risk Owners (Executive Team) are responsible for developing the RAS for the risks they own, as part of the annual strategy setting process. Board-level tolerances are formally cascaded into more detailed executive and management business appetite metrics and limits to support decision-making. Exceeding a risk limit requires escalation to the ARC as soon as practicable, with a proposed treatment plan, to bring the risk back to within appetite. The Board is responsible for approving the RAS annually.

Notes to the financial statements continued

31. Risk management continued

2. Monitoring and oversight of risk limits

Regular monitoring and comprehensive reporting to all levels of management and the Board ensures appetite limits are maintained and subject to stress analysis at a risk-type and portfolio level as appropriate. Stress testing is a risk management tool that the Banking Group uses to support an understanding of the vulnerabilities within the business model. The Banking Group undertakes an annual programme of stress-testing activity as part of the Internal Capital Adequacy Assessment Programme ('**ICAAP**'), which informs the planning process and the calibration of risk appetite. Refer to 'Capital adequacy and regulatory liquidity ratios' section for further details analysis on the Banking Group's capital position.

3. Governance frameworks

The Banking Group uses risk management governance frameworks for all domains within the ERMF, supported by detailed policies and standards.

4. Three lines of defence model

The Banking Group has a three lines of defence approach to risk management, which delineates responsibilities between control over day-to-day operations, risk monitoring/oversight and independent assurance activities. This approach ensures all employees play an active role in identifying and managing risk and operating within the Banking Group's risk appetite.

First line of defence	Second line of defence	Third line of defence
Operational management/ Business units	**Risk management and compliance functions**	**Internal audit**
Consists of the business area whose role is to identify risk then take action to manage and mitigate the risk in line with risk appetite.	Sets standards through establishing policies, standards and providing risk oversight specialists. The Second line will provide support and challenge to the First line risk management activities.	Provides independent assurance to the Board. Internal audit adds value and improves Kiwibank's operations by helping to evaluate and improve the effectiveness of governance, risk management and internal controls.

Internal audit

The Banking Group has an independent internal audit function, which provides independent assurance on the effectiveness of governance, risk management and internal controls across the Banking Group's operations. The internal audit function reports to the Chief of Finance and Operations with an independent reporting line to the Chair of the ARC.

The Internal Audit Plan covers the work plan for each financial year and is developed using a risk-based approach. The frequency and scope of audits are based on the risk-based plan and assessment of risk. The ARC reviews and approves the plan including any significant changes to it.

The outcomes of the internal audit work against the plan are reported to the ARC and management. The ARC considers the findings from the work conducted and assesses if appropriate action is taken by management. Internal audit tracks and monitors issues and agreed actions for remediation to ensure that actions agreed are undertaken.

Reviews of Banking Group's risk management systems

Internal audit undertakes periodic reviews of the Banking Group's risk management systems as part of the Internal Audit Plan approved by the ARC. These reviews are not conducted by a party external to the Banking Group however internal audit uses external parties to provide specialist expertise and additional resources as required.

Material risks

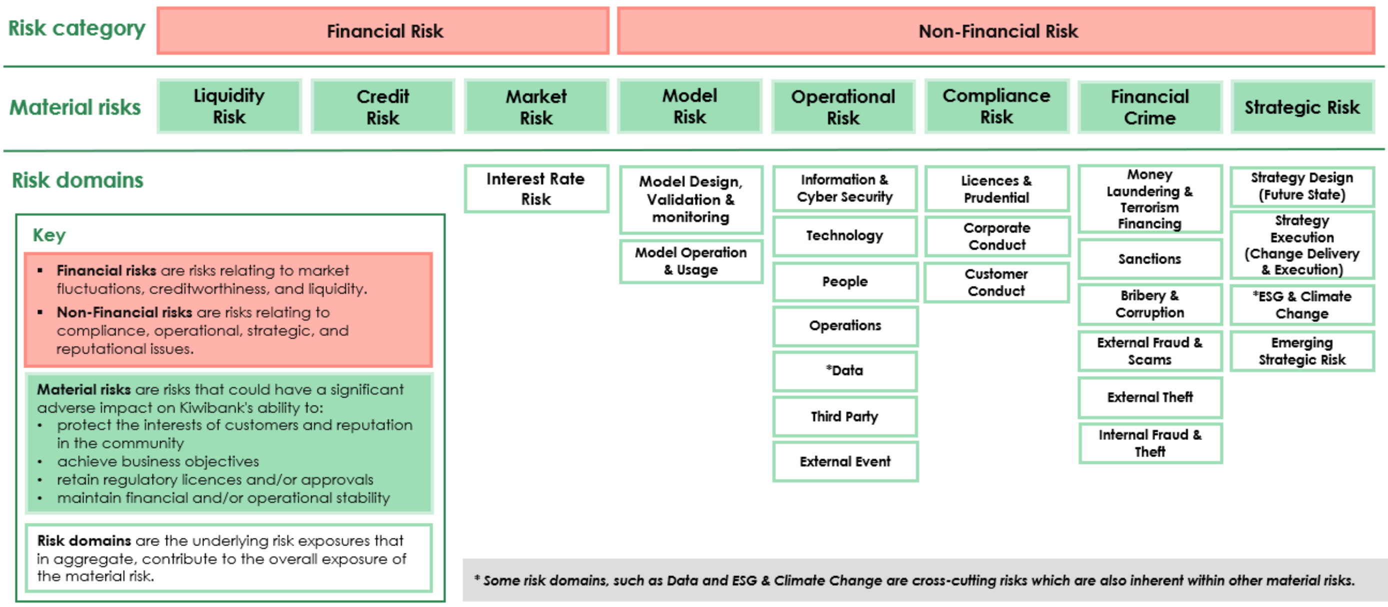
The ERMF sets out the minimum standards for managing the Banking Group's material risks. A material risk is any risk that, if it should occur, could have a significant adverse impact on the Banking Groups ability to:

- protect the interests of its customers and its reputation in the community;
- achieve its business objectives, strategy and business plans;
- retain its regulatory licences and/or approvals; and
- maintain financial and/or operational stability.

Notes to the financial statements continued

31. Risk management continued

Material risks and underlying domains are illustrated in the diagram below.



The material risks for the Banking Group are defined as follows:

- **Liquidity risk** – the risk that the Banking Group cannot meet its financial and transactional cash flow obligations as they fall due and the risk of loss of access to funding channels.
- **Credit risk** – the risk of customers or counterparties failing to meet their contractual payment obligations because of economic downturns increasing borrower defaults, high concentration of credit in specific segments, or ineffective lending practices.
- **Market risk** – the risk of the Banking Group's earnings or capital being reduced due to unfavourable changes in financial market factors, including changes in interest rates, foreign exchange rates and credit/basis spreads.
- **Model risk** - the risk of potential adverse consequences, such as incorrect decision-making, financial losses, and regulatory non-compliance, arising from the use of inaccurate, misused, or improperly validated models.
- **Operational risk** – the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events, including those related to the Banking Group's IT systems and applications.
- **Compliance risk** - the risk of legal or regulatory sanction resulting from failure to abide by the laws, regulations and industry standards that govern the Banking Group's business and operations.
- **Financial crime risk** - the risk of the Banking Group being used to facilitate money laundering, fraud, terrorist financing, or other financial crimes.
- **Strategic risk** – the risk of Banking Group making inappropriate strategic decisions, not implementing its strategies and business plans successfully, or not responding effectively to changes in the environment.

The Banking Group's management of climate change risk is a domain of Strategic risk. See '8. Strategic risk' below for more information.

Within the context of the material risks and domains above, the Banking Group continually identifies, assesses, and monitors emerging risks through the ERMF. These are new or evolving risks where the impact is uncertain and the probability, timescale and/or materiality may be difficult to accurately assess. Emerging risks can cover risks such as technology, reputation and sustainability risks and operational resilience (including cybercrime). The Banking Group reviews these risks on a periodic basis.

Notes to the financial statements continued

31. Risk management continued

1. Liquidity and funding risk

Liquidity risk overview

Liquidity risk is the risk that the Banking Group cannot meet its financial and transactional cash flow obligations as they fall due and the risk of loss of access to funding channels.

The Banking Group accesses domestic and global debt capital markets to fund its business, together with customer deposits. Amounts the Banking Group owes under its borrowing activities will be due at different times to amounts it receives under its lending activities. This mismatch gives rise to liquidity risk.

Disruptions, uncertainty, or volatility in any debt capital markets may adversely affect the Banking Group's funding and liquidity position, increase the cost of funding, limit the Banking Group's ability to replace maturing liabilities in a timely manner or maintain a high-quality portfolio of liquid assets. The Banking Group's ability to raise funding may be adversely affected if its credit ratings deteriorate, due to matters either within or outside its control.

Liquidity risk management policies

Funding and liquidity risk are measured by and managed in accordance with the policies and processes defined in the Board-approved Liquidity Policy. This sets out the Banking Group's funding and liquidity risk appetite; roles and responsibilities of key people managing funding and liquidity risk within the Banking Group; risk reporting and control processes; and limits used to manage the Banking Group's balance sheet.

The Banking Group maintains a Contingency Funding Plan ('**CFP**') which describes the approach to managing through a period of liquidity stress. The CFP establishes different operating states, assigned roles and responsibilities, and balance sheet and communication strategies for managing the Banking Group through the stress event.

Management of liquidity and funding risks is documented in the Liquidity Management Standard and Funding Plan approved by ALCO. The Funding Plan is prepared as part of the annual business planning process, to support balance sheet growth and strategic objectives, and to ensure that the funding base is prudently maintained and adequately diversified. In preparing the Funding Plan, the Banking Group ensures it appropriately reflects the financial profile of the Bank, including credit ratings. Under normal business conditions, the Banking Group seeks to satisfy the majority of its funding needs from retail liabilities.

The Treasury business unit has day-to-day responsibility for the measurement and management of liquidity risk. Liquidity and funding risk is monitored by Financial Risk Control Forum with executive oversight by ALCO.

Measuring and monitoring liquidity and funding risk

The Banking Group monitors liquidity risk daily, primarily by forecasting future cash requirements, both under normal conditions and over a range of short term stressed scenarios.

The Banking Group uses asset and liability cash flow modelling to determine appropriate liquidity and funding strategies. This modelling helps ensure that an appropriate portion of the Banking Group's assets is funded by customer liabilities, bank borrowing, and equity.

Board approved liquidity risk limits define the risk tolerance for liquidity risk within regulatory requirements and risk appetite to maintain positive net cashflows and strong core funding levels across a range of short term stressed scenarios. Management limits are set to reduce liquidity risks in wholesale funding and liquid asset portfolios. Early warning indicators are monitored for signs of market stress.

Liquidity risk management

The Banking Group's liquidity management responsibilities include:

- Day-to-day liquidity requirements. The RBNZ's prudential liquidity ratios and internal liquidity metrics are calculated and monitored daily to ensure that the Banking Group:
  - is compliant with part 13 of the conditions of registration and the RBNZ's 'Liquidity Policy' (BS13);
  - maintains a prudent level of cash and highly liquid assets ('primary liquid assets') and marketable assets of limited credit risk ('secondary liquid assets') to meet both expected and projected outflows under severe funding stress from the wholesale and retail balance sheet over a one-week and one-month period; and
  - maintains a diversified stable funding base;
- Securing an appropriately matched profile of future cash flows from maturing assets and liabilities;
- Implementing the Banking Group's funding plan; and
- Ensuring that the Banking Group has sufficient sources of liquidity with appropriate diversity and term to meet future projected outflows over a range of short term stressed scenarios.

Refer to 'Liquidity' (Note 33) for further details of the Banking Group's liquid assets and a maturity analysis of the non-derivative financial liabilities.

31. Risk management continued

2. Credit risk

Credit risk overview, management, and control responsibilities

Credit risk is the risk of customers or counterparties failing to meet their contractual payment obligations because of economic downturns increasing borrower defaults, high concentration of credit in specific segments, or ineffective lending practices. The Banking Group's credit risk arise from lending to customers and exposures to counterparties arising out of its treasury, financial markets, international trade, and underwriting activities. These credit risks can impact the Banking Group through actual credit losses when a customer or counterparty fails to meet their payment obligations, and it can result in increases in the provision for ECL due to changes in credit quality of the customer.

Factors such as deteriorating economic conditions, including higher inflation, interest rates, unemployment and declining property market valuations, and external events like extreme weather, natural disasters, and pandemics, can impact the ability of customers to meet their payment obligations and the value of property used as security. This may result in an increase in expected credit losses.

Credit risk may arise because of climate change, including physical climate-related events (such as rising sea levels or a storm surge, flood, fire, or drought) or the transition to a low-carbon, climate-resilient economy. Specifically, credit risk from climate change can arise through:

- impairment due to customers being impacted by increasingly frequent and intense physical climate impacts, and/or unfolding transitional impacts (like carbon pricing, new regulations, customer preferences, technology and market changes); and
- the value of property provided as security being affected by physical or transitional climate impacts (including through direct damage, security owners unable to afford repairs, reduced insurance availability, and/or changing market perceptions).

Refer to '8. Strategic risk' for information on how the Banking Group monitors, assesses and manages climate-related credit risk.

The ARC provides oversight and approves the Credit Risk Management Framework ('**CRMF**') which ensures the Banking Group has a consistent approach to identify, measure, and monitor the credit risk appetite set by the Board. The Board requires sound lending growth for appropriate returns and is assisted and advised by the ARC in discharging its duty to oversee credit risk. The ARC monitors the risk profile of the lending portfolios on a quarterly basis and is responsible for approving the credit risk appetite, credit risk management strategies, credit approval framework, and material credit policies that are consistent with responsible lending and regulatory standards. The ARC delegates responsibility for monitoring credit risk to the Bank's Executive Risk Committee ('**ERC**'), with regular ongoing management of the CRMF being the responsibility of the Credit Risk function.

An independent credit management function exists to monitor and manage the Banking Group's internal credit rating models; provide independent credit decisions; support front-line lenders in the application of sound credit practices; and provide centralised remedial management of troublesome and impaired accounts. The output from these models supports the Banking Group's day-to-day credit risk management decisions including origination, pricing, approval levels, regulatory capital adequacy, and provisioning for expected credit losses.

These functions are segregated so that no one person can control all significant stages of the credit process, thereby reducing the chance of error or misappropriation. Execution of lending documentation only occurs after an independent officer in the operations division has verified that the credit application has been properly approved and the loan documentation matches the terms of the credit approval.

Credit risk management policies and credit approval standards

The Banking Group has clearly defined credit underwriting policies and standards for all lending, which incorporate income and servicing capacity, acceptable terms, security, and loan documentation criteria. Portfolio credit risk is managed through a combination of sector specific policies and standards, concentration limits and risk appetite statements. This is further managed through a tiered structure of delegated lending authorities designed to control approvals, limits, and the judgemental elements of credit risk management.

In the first instance, the Banking Group relies on the assessed integrity and character of the customer and their capacity to honour their financial obligations for repayment. Adequate and sustainable debt servicing capacity is required along with security cover within loan-to-valuation ratios as set out in the Banking Group's credit policies.

Credit risk monitoring

Exposure to credit risk is managed through monthly portfolio and asset quality monitoring, analysis, and reporting. The Banking Group's lending portfolio is divided into two asset classes: retail and corporate. Refer to 'Credit quality' (Note 11) for more detail on the asset classes and risk grades.

The credit quality of the retail asset class is managed by monitoring key risk indicators such as delinquency trends, behavioural scorecards, and early warning signals. The credit quality of the corporate asset class is monitored on an individual exposure basis at least annually.

Credit exposures are monitored regularly through the review of delinquent accounts. This enables increases in credit risk to be immediately identified so that individual provision for ECL can be established as early as possible. Problem credit facilities are monitored to ensure collection and recovery strategies are established and enacted promptly to minimise risk of potential losses.

The integrity and effectiveness of the Banking Group's credit risk management practices, asset quality and compliance with policy are supported by independent assessments by the Internal Audit function.

Notes to the financial statements continued

31. Risk management continued

Credit risk mitigation and collateral

The Banking Group uses eligible collateral for on- and off-balance sheet exposures to mitigate credit risk in the event of default.

Collateral security in the form of real estate, other physical property and/or general security interest over business assets is generally taken for longer term credit exposures, except for government, bank, and corporate counterparties of strong financial standing. Short-term lending to customers (overdraft and credit cards) is generally unsecured. The Banking Group requires adequate and sustainable debt servicing capacity and may also require security cover within loan-to-valuation ratios as set out in the Banking Group's credit policy.

The Banking Group's wholesale credit management policy sets out the parameters for which it can enter into credit exposures arising from on- and off-balance sheet transactions. This policy requires a maximum limit be set in respect of credit risk associated with the counterparty based on their credit rating, the types of instruments being transacted and the maturity profile.

The Banking Group also has legal arrangements with its major institutional counterparties that allows netting of derivative exposures, along with collateral management arrangements. The Banking Group uses International Swaps and Derivatives ('**ISDA**') Master Agreements to document derivative transactions and limit exposures to credit losses. Collateral is provided by the counterparty when their position is out of the money or provided to the counterparty when the Banking Group's position is out of the money. Under ISDA protocols, in the event of default, all contracts with the counterparty are terminated and settled on a net basis. The Banking Group also utilises central clearing counterparties to mitigate risk arising on derivatives.

The Banking Group does not use credit derivatives. The Banking Group uses the comprehensive method to measure the mitigating effects of collateral.

Measurement of impaired assets

'Provision for expected credit losses' (Note 9) and 'Credit quality' (Note 11) explain the approach the Banking Group uses for calculating the individual and collective provision for ECL. Loan portfolios are assessed for impairment monthly. The recoverable amount of loans and advances is reported as net loans and advances, which are calculated as gross loans less provision for ECL.

Index of disclosures relevant to credit risk management

Provision for expected credit losses	**Note 9**	Accounting policy for provision for ECL and analysis of asset quality by ECL stage and portfolio
Asset quality	**Note 10**	Analysis of asset quality by type of credit exposure and past due assets
Credit quality	**Note 11**	Explanation of the portfolio structure and internal customer credit rating system and classification of exposures by risk grade
Concentrations of credit risk	**Note 12**	Analysis of concentrations of credit risk by ANZSIC business category and further details of the level of collateral held against exposures
Offsetting financial assets and financial liabilities	**Note 24**	Further description of relevant policies and processes the Banking Group follows for on- and off- balance sheet netting and the extent of netting that applies
Capital adequacy and regulatory liquidity ratios		Details of credit risk mitigation and the credit exposure to central clearing counterparties

3. Market risk

Market risk is defined as the risk of the Banking Group's earnings or capital being reduced due to unfavourable changes in financial market factors, including changes in interest rates, foreign exchange rates and credit/basis spreads. The Banking Group is exposed to market risk from customers' borrowing and deposit preferences, liquidity and funding management, and customer generated flow. The Asset and Liability Committee ('**ALCO**') has management oversight for the market risk management framework and policy. The Market Risk Policy sets out the requirements for the governance and management of market risk, in line with Board-approved market risk appetite. The Financial Risk team independently monitors and reports market risk against limits daily.

Market risk is primarily measured and controlled using Value at Risk ('**VaR**') and sensitivity analysis.

To manage exposure to market risk, the Banking Group transacts in derivative instruments such as swaps, options, and futures. These activities are managed using structural limits (including volume and basis point value limits) in conjunction with scenario analysis.

Traded market risk

The Banking Group's financial markets business unit is predominantly exposed to interest rate risk and currency risk from sales of financial markets products to customers and are managed within traded market risk limits. Traded market risk is primarily measured and controlled using VaR, sensitivity analysis and exposure limits.

Trading VaR is calculated using historical simulation of market valuations using 260 business days of historical interest rate and currency movements, at a 99% confidence level and a 1-day holding period. Trading VaR is managed within risk limits and is not material.

Notes to the financial statements continued

31. Risk management continued

Non-traded market risk

Interest rate risk is the predominant source of market risk from the Banking Group's balance sheet. This interest rate risk primarily arises from the provision of retail and wholesale (non-traded) banking products and services and Treasury business unit's funding and liquidity management when the interest rate repricing date for loans (assets) is different to the repricing date for deposits (liabilities).

Interest rate risk management

The main objective of the management of interest rate risk is to achieve a balance between reducing risk to earnings from the adverse effect of interest rate movements and enhancing net interest income through the correct anticipation of the direction and extent of interest rate changes. Interest rate risk is managed by the Treasury business unit within approved limits.

The Banking Group reduces interest rate risk by seeking to match the repricing of assets and liabilities. A portion of customer deposits and lending is at variable rates, which are periodically adjusted to reflect market movements. Non-interest rate bearing products are behaviourally modelled. Where natural hedging still leaves an interest rate mismatch, the residual risks are managed within limits using interest rate swaps and other derivative financial instruments.

Refer to 'Interest rate repricing' (Note 32) for an interest repricing schedule of the Banking Group's assets, liabilities and off-balance sheet instruments categorised by the earlier of contractual repricing date or maturity date.

Interest rate sensitivity

The table below summarises the sensitivity to changes in interest rates in the banking book. The Basis Point Sensitivity ('**BPS**') calculates the absolute net impact of a reasonably possible movement in interest rates.

$ millions	30 June 25	30 June 24
Banking book basis point sensitivity (+/- 100 bps)	**10**	2

Currency risk management

Currency risk results from the mismatch of foreign currency denominated assets and liabilities. These mismatches arise from the purchase and sale of foreign currency, foreign currency cash accounts, future expenditures, and from debt securities, deposit and lending activity in foreign currencies. The Banking Group has a policy of hedging foreign currency exposures into New Zealand dollars within ALCO approved risk limits using derivatives, such as forwards, swaps, and options. Residual currency risks are monitored daily in terms of open positions in each currency.

The Banking Group does not carry any material net foreign currency exposure.

Equity risk

Equity risk results from repricing equity investments. The Banking Group does not undertake equity trading and there are no material exposures to equity instruments.

4. Model risk

Model risk is the risk of potential adverse consequences, such as incorrect decision-making, financial losses, and regulatory non-compliance, arising from the use of inaccurate, misused, or improperly validated models. An independent team in the Risk function oversees the model risk management framework and model risk policy, which sets the foundation for managing and mitigating model risk.

5. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events, including those related to the Banking Group's IT systems and applications.

Operational risk is inherent in the Banking Group's activities due to the range of products and services provided to customers. Inadequate practices to identify and assess operational risk could lead to non-compliance (including fines/penalties and/or regulatory scrutiny), financial loss, reputational damage and poor customer outcomes. This includes the heightened risk of failure of processes and systems during transformational change to those processes and systems.

Operational risk covers a broad spectrum of activities and is mitigated by implementing the necessary processes, systems, and training regimes that maintain an effective control environment.

31. Risk management continued

Operational risk management within the Banking Group is based on the following core elements:

- Operational risk management relies on the support and participation of all Banking Group employees. Senior management is accountable to the Board for maintaining an effective control environment that is commensurate with the Banking Group's risk appetite and business objectives. This includes regular monitoring, reporting and reviewing of risks and the control environment.
- Operational risk and Compliance teams provide guidance, review and assurance, and challenge any bank-wide risk reporting to relevant governance committees.
- Business units are responsible for the management of their operational risks. Each business area is responsible for the identification, measurement, monitoring and mitigation of operational risk in their areas of responsibility. Event management is also a fundamental element of managing operational risk and compliance. All business units are required to report risk events and ensure they are documented, escalated, and remediated based on a risk-based assessment of the potential impact.

Technology risk domain

Most of the Banking Group's operations depend on technology. The reliability, resilience, and security of the Banking Group's information technology systems and infrastructure are essential to the effective operation of its business.

The Banking Group's information technology systems and infrastructure could potentially be disrupted for reasons including technical failure, third-party failure and human error. The Banking Group also faces external threats, such as cyber-attacks or other criminal activity, which may impact technology systems and operations. The growing sophistication and activities of organised crime have resulted in increased information security risks for banks including Kiwibank.

Any disruption to the Banking Group's information technology systems may result in business interruption, data loss or corruption, the loss of customers, reputational damage, and the weakening of the Banking Group's competitive position, all of which could have an adverse impact on the Banking Group's financial performance and position.

The Banking Group has systems and processes in place to manage these risks. However, any disruption to the Banking Group's information technology systems may be wholly or partially beyond the Banking Group's control.

Disruption events may adversely impact the Banking Group's operations

The Banking Group is exposed to business disruption risk from events such as extreme weather, natural disasters, pandemics or failures in people, processes or third parties that the Banking Group relies on. Business disruption could impact the Banking Group's delivery of products and services through branch sites and sites of significant operations or infrastructure. The risks of these events increase as climate change risks increase.

Regional diversity in operations is key to ensuring business continuity if a particular region is impacted by an event. The Banking Group has business continuity and crisis management processes in place to protect the safety and well-being of customers and employees and ensure continuity of service.

6. Compliance risk

Compliance risk is the risk of legal or regulatory sanction resulting from failure to abide by the laws, regulations and industry standards that govern the Banking Group's business and operations.

Compliance risk is managed through the Operational Risk and Compliance Policy, Compliance Management Framework and Compliance Standards.

7. Financial crime risk

Financial crime risk is the risk of the Banking Group being used to facilitate money laundering, fraud, terrorist financing, or other financial crimes. The Banking Group maintains strong controls for identifying, assessing, mitigating and reporting financial crime risks and complying with applicable global and local financial crime obligations.

Financial Crime risk is managed through the Anti-Money Laundering ('**AML**') and Countering Financing of Terrorism ('**CFT**') Policy which sets out the key elements required for the Banking Group to comply with the AML/CFT Act. This together with the AML/CFT Standard and associated processes constitutes the AML/CFT Programme.

The Economic and Trade Sanctions Policy establishes the principles the Banking Group follows to ensure compliance with New Zealand and international sanctions.

The Anti-Bribery and Anti-Corruption Policy sets out how the Banking Group complies with all applicable legislation and best practice to prevent bribery and corruption.

Notes to the financial statements continued

31. Risk management continued

8. Strategic risk

Strategic risk is the risk that the Banking Group fails to:

- deliver the winning aspirations agreed with the Board, either because it makes decisions that are not aligned with the agreed strategy to deliver those outcomes, or because it fails to identify changes in the external environment that impact the effectiveness of the strategy to deliver those outcomes;
- deliver significant transformational changes. If those changes take longer or cost more than planned, this could have an adverse impact on the Banking Group's business, financial results, access to capital and competitive position; and
- account for cross-cutting risks such as climate change or ESG and that has a significant reputational impact and adversely impacts its business objectives.

The strategy delivers the winning aspirations that have been set for it by the Board. These choices consider external market trends and uncertainties alongside the internal shifts that need to be achieved to deliver the winning aspirations.

While the strategy is set over a multi-year horizon, management and the Board will regularly review the progress of the business toward the delivery of the strategy, identify and test the strategy against new uncertainties, and monitor external market signposts on a regular basis to ensure the strategy is still relevant.

The Business Plan outlining the upcoming year's financial plan, and Objectives and Key Results ('**OKR**') is approved by the Board in the context of the strategy. The Business Plan includes an assessment of the key financial risks to the delivery of the plan and the potential impact of failing to mitigate these by adapting to internal and external market changes. Management and the Board receive monthly reporting on progress against the Business Plan and updates on the management of critical risks.

The Banking Group has three core business risk management strategies aimed at supporting its business strategies. Specifically:

- establishment and maintenance of an internal organisational environment in which business and strategic risk can meaningfully be monitored and managed;
- establishment and maintenance of structures, measurement basis and risk management processes for the evaluation and management of business and strategic risks; and
- building capability of the staff and systems within the Banking Group to enable both the pursuit of opportunities and mitigation of vulnerabilities.

Strategy execution (change delivery and execution) risk domain

The Banking Group is making significant changes to the way it carries on business to reduce risks, improve customer experience, and make the bank more resilient and adaptable. This will impact the Banking Group's systems, processes, and people. Making these changes over the short-to-medium term depends on the successful management and implementation of a significant amount of work. This includes enhancing the Banking Group's information systems and technology and transforming customer service delivery. The required changes are ongoing and complex and are being implemented progressively.

ESG and climate change risk domain

The Banking Group recognises climate change will have a significant impact on New Zealand's environment and economy. The key risks are financial and non-financial, derived from both physical risks (climate-related events) and transition risks resulting from, for example, the process of adjustment towards a low-carbon economy. There is a focus on these risks by key stakeholders including customers, shareholders, governments, and regulators.

The Banking Group considers ESG and climate risk to be a distinct strategic risk domain, as well as a cross-cutting risk within all material risk categories. The credit risk section above sets out how climate change risk interacts with credit risk. The sections below summarise the Banking Group's current approach to managing climate risks:

- *Governance*: The ARC has responsibility for the oversight of all risk domains, including climate risk. The Banking Group's strategic response to climate risk is in development.
- *Strategy*: Climate scenario analysis has been undertaken to support identification of the Banking Group's climate risks and opportunities.
- *Risk management*: The Banking Group is developing its climate change risk management approach to ensure the Banking Group's activities appropriately consider climate-related risks and opportunities.
- *Metrics and targets*: The Banking Group has current metrics and targets related to the reduction of carbon emissions created through its operations, but excluding financed emissions. The Banking Group is also progressing analysis of its exposure to climate risk, and flood risk in particular, and intends to incorporate the identified risks into risk management policies as the analysis is completed.

Notes to the financial statements continued

32. Interest rate repricing

The following tables present 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.

As at 30 June	2025						
$ 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	**1,058**	**6**	**1,052**	**-**	**-**	**-**	**-**
Due from other financial institutions	**129**	**-**	**129**	**-**	**-**	**-**	**-**
Investment securities	**3,055**	**-**	**648**	**64**	**304**	**753**	**1,286**
Derivative financial instruments	**296**	**296**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**35,840**	**171**	**13,859**	**5,828**	**10,112**	**4,803**	**1,067**
Other financial assets	**33**	**33**	**-**	**-**	**-**	**-**	**-**
Total financial assets	**40,411**	**506**	**15,688**	**5,892**	**10,416**	**5,556**	**2,353**
Financial liabilities							
Due to other financial institutions	**(437)**	**(13)**	**(420)**	**-**	**(4)**	**-**	**-**
Deposits	**(30,337)**	**(4,390)**	**(15,575)**	**(5,466)**	**(3,814)**	**(592)**	**(500)**
Derivative financial instruments	**(324)**	**(324)**	**-**	**-**	**-**	**-**	**-**
Debt securities issued	**(5,693)**	**-**	**(1,965)**	**(289)**	**(227)**	**(446)**	**(2,766)**
Other financial liabilities	**(192)**	**(192)**	**-**	**-**	**-**	**-**	**-**
Subordinated debt	**(477)**	**-**	**-**	**(272)**	**-**	**-**	**(205)**
Total financial liabilities	**(37,460)**	**(4,919)**	**(17,960)**	**(6,027)**	**(4,045)**	**(1,038)**	**(3,471)**
On-balance sheet gap	**2,951**	**(4,413)**	**(2,272)**	**(135)**	**6,371**	**4,518**	**(1,118)**
Net derivative notional principals	**31**	**-**	**5,732**	**(782)**	**(4,881)**	**(4,362)**	**4,324**
Net interest rate repricing gap	**2,982**	**(4,413)**	**3,460**	**(917)**	**1,490**	**156**	**3,206**

Notes to the financial statements continued

32. Interest rate repricing continued

As at 30 June	2024						
$ 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	1,005	6	999	-	-	-	-
Due from other financial institutions	95	-	95	-	-	-	-
Investment securities	2,658	-	657	127	289	189	1,396
Derivative financial instruments	162	162	-	-	-	-	-
Loans and advances	32,445	127	10,536	5,799	8,004	5,791	2,188
Other financial assets	38	38	-	-	-	-	-
Total financial assets	36,403	333	12,287	5,926	8,293	5,980	3,584
Financial liabilities							
Due to other financial institutions	(1,109)	(68)	(1,020)	-	(21)	-	-
Deposits	(28,176)	(4,094)	(14,697)	(4,736)	(3,906)	(318)	(425)
Derivative financial instruments	(196)	(196)	-	-	-	-	-
Debt securities issued	(3,798)	-	(1,451)	(23)	(78)	(216)	(2,030)
Other financial liabilities	(192)	(192)	-	-	-	-	-
Subordinated debt	(458)	-	-	-	-	(261)	(197)
Total financial liabilities	(33,929)	(4,550)	(17,168)	(4,759)	(4,005)	(795)	(2,652)
On-balance sheet gap	2,474	(4,217)	(4,881)	1,167	4,288	5,185	932
Net derivative notional principals	54	-	7,258	(1,117)	(2,949)	(5,549)	2,411
Net interest rate repricing gap	2,528	(4,217)	2,377	50	1,339	(364)	3,343

33. 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. Refer to 'Transfer of financial assets' (Note 25) for more detail.

The table below provides details of liquid assets held by the Banking Group for the purpose of managing liquidity risk.

$ millions		
As at 30 June	**2025**	2024
Cash and cash equivalents	**1,010**	955
Government securities	**1,235**	716
Local authority and Supranational securities	**1,400**	1,323
Other securities	**420**	619
Residential mortgage-backed securities	**3,660**	2,868
Total liquidity portfolio	**7,725**	6,481

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

Notes to the financial statements continued

33. Liquidity continued

Maturity analysis of financial liabilities

The following tables present 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 amount reported in the balance sheet. The Banking Group does not manage liquidity risk based on the information provided below.

As at 30 June	2025						
$ millions	On demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	Over 5 years	Gross nominal inflow/ outflow	Carrying amount
Non-derivative cash flows							
Financial liabilities							
Due to other financial institutions	**(13)**	**(396)**	**(4)**	**(25)**	**-**	**(438)**	**(437)**
Deposits	**(11,806)**	**(8,069)**	**(9,608)**	**(1,230)**	**-**	**(30,713)**	**(30,337)**
Debt securities issued	**-**	**(1,128)**	**(687)**	**(4,060)**	**(447)**	**(6,322)**	**(5,693)**
Lease liabilities	**-**	**(6)**	**(13)**	**(48)**	**(29)**	**(96)**	**(85)**
Other financial liabilities	**-**	**(38)**	**(19)**	**(49)**	**(2)**	**(108)**	**(107)**
Subordinated debt	**-**	**(5)**	**(19)**	**(112)**	**(521)**	**(657)**	**(477)**
Total	**(11,819)**	**(9,642)**	**(10,350)**	**(5,524)**	**(999)**	**(38,334)**	**(37,136)**
Derivative cash flows							
Net settled	**-**	**(55)**	**(128)**	**(64)**	**(4)**	**(251)**	
Gross settled – Inflows	**-**	**1,402**	**649**	**733**	**-**	**2,784**	
Gross settled – outflows	**-**	**(1,446)**	**(662)**	**(750)**	**-**	**(2,858)**	
Total	**-**	**(99)**	**(141)**	**(81)**	**(4)**	**(325)**	
Off-balance sheet cash flows							
Letters of credit and performance-related contingencies	**(202)**	**-**	**-**	**-**	**-**	**(202)**	
Loan commitments	**(4,482)**	**-**	**-**	**-**	**-**	**(4,482)**	
Total	**(4,684)**	**-**	**-**	**-**	**-**	**(4,684)**	

Notes to the financial statements continued

33. Liquidity continued

Maturity analysis of financial liabilities continued

As at 30 June	2024						
$ millions	On demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	Over 5 years	Gross nominal inflow/ outflow	Carrying amount
Non-derivative cash flows							
Financial liabilities							
Due to other financial institutions	(68)	(382)	(362)	(330)	-	(1,142)	(1,109)
Deposits	(11,043)	(7,674)	(9,062)	(854)	-	(28,633)	(28,176)
Debt securities issued	-	(561)	(246)	(3,527)	-	(4,334)	(3,798)
Lease liabilities	-	(4)	(13)	(52)	(34)	(103)	(92)
Other financial liabilities	-	(41)	(17)	(42)	(1)	(101)	(100)
Subordinated debt[1]	-	(5)	(14)	(113)	(553)	(685)	(458)
Total	(11,111)	(8,667)	(9,714)	(4,918)	(588)	(34,998)	(33,733)
Derivative cash flows							
Net settled	-	(39)	(52)	(80)	(4)	(175)	
Gross settled – inflows	-	366	339	563	-	1,268	
Gross settled – outflows	-	(377)	(343)	(573)	-	(1,293)	
Total	-	(50)	(56)	(90)	(4)	(200)	
Off-balance sheet cash flows							
Letters of credit and performance-related contingencies	(143)	-	-	-	-	(143)	
Loan commitments	(4,333)	-	-	-	-	(4,333)	
Total	(4,476)	-	-	-	-	(4,476)	

[1]Comparative information has been restated to align with current period presentation to include cash flows up to final maturity date.

34. Auditor's remuneration

$ thousands		
For the year ended 30 June	**2025**	2024
Audit and review of financial statements[1]	**1,952**	1,909
Audit related services:		
Assurance engagements[2]	**11**	10
Agreed-upon procedures engagements[3]	**43**	21
Other assurance services and other agreed-upon procedures engagements:		
Other assurance services[4]	**130**	-
Total auditor's remuneration	**2,136**	1,940

[1] Fees for the annual audit of the financial statements of the Banking Group and its subsidiaries, the review of the interim financial statements of the Banking Group, and limited assurance over compliance with information required on capital adequacy and regulatory liquidity requirements included in the Disclosure Statements of the Banking Group.

[2] Fees for reasonable assurance over registry compliance for the PIE Unit Trust and limited assurance over compliance with certain matters in the PIE Unit Trust's Trust Deed.

[3] Fees for agreed-upon procedures over debt programmes.

[4] Fees for pre-conditions assessments and limited assurance over greenhouse gas emissions reporting.

Notes to the financial statements continued

35. Capital expenditure commitments

Capital expenditure commitments contracted for as at 30 June 2025 (but not provided for in these financial statements) was $1m (30 June 2024: $2m). All capital expenditure commitments are due to be settled within the next 12 months.

36. Contingent liabilities and credit commitments

Accounting policy

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the balance sheet but are disclosed unless the likelihood of payment is remote.

Compliance, regulation, and remediation

The Banking Group is subject to regulatory oversight and regularly assesses compliance with terms and conditions and relevant legislation to identify any potential remediation claims in relation to the provision of products and services to customers. A contingent liability may exist, in respect of actual or potential claims, where the law is uncertain, or the potential liability cannot accurately be determined. All potential remediation claims are assessed on a case-by-case basis. Where the Banking Group has carried out an assessment and determined that it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated, an appropriate provision is recognised. Any material claim that has not yet met the conditions to be recognised is disclosed as a contingent liability.

Credit commitments

The Banking Group enters into lending arrangements with customers with credit commitments which are only recognised in the balance sheet as loans and advances when cash is advanced. Letters of credit and performance-related contingencies include transactions where the Banking Group is obliged to make payments to a third party if a customer fails to fulfil its obligations under a contract.

Contingent liabilities

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

Credit commitments

Credit commitments as at the reporting date are as follows:

$ millions As at 30 June	2025	2024
Letters of credit and performance related contingencies	**202**	143
Loan commitments	**4,482**	4,333
Total undrawn credit commitments	**4,684**	4,476

37. Events after the reporting period

On 24 July 2025 and 4 August 2025 Kiwibank paid a distribution of $3.7m and $2.2m respectively, to holders of its perpetual preference shares. These payments were approved by the Board on 25 June 2025.

In July 2025, the Government approved for KGCL to proceed with a potential capital raise of up to $500 million to enable Kiwibank's continued growth and enhance its competitive position in the New Zealand banking sector. Any resulting transaction is expected to occur prior to 30 June 2026.

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

Capital adequacy and regulatory liquidity ratios

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

The Banking Group's capital management strategy seeks to ensure the Banking Group is adequately capitalised while recognising capital is often an expensive form of funding or insurance. The Board have ultimate responsibility for capital adequacy and approve the Banking Group's capital policy, the results of the ICAAP, and set minimum internal capital limits. The Board and Senior management actively monitor the Banking Group's reported actual and forecast capital ratios against these limits. Refer to 'Equity' (Note 27).

The Banking Group seeks to maintain and acquire capital in an economically efficient manner to:

- support future development and growth aspirations;
- comply with regulatory capital requirements;
- maintain a strong internal capital base to cover all material inherent risks; and
- maintain an investment grade credit rating.

The Banking Group undertakes the ICAAP to ensure that it has sufficient financial resources to continue to meet current and future regulatory capital requirements even if it suffers a severe but plausible stress event (whether systemic or idiosyncratic). This risk assessment includes risks that are captured within prudential capital ratios as well as those that are not, or not fully captured. The assessment is carried out by specialists from across the business with oversight and approval from Senior management and the Board.

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	30 June 25
Common Equity Tier 1 capital	
Paid up ordinary shares issued	**962**
Retained earnings (net of appropriations)	**1,594**
Accumulated other comprehensive income and other disclosed reserves[1]	**6**
Less deductions from Common Equity Tier 1 capital	
Intangible assets	**(10)**
Cash flow hedge reserve	**20**
Deferred tax assets	**(87)**
Total Common Equity Tier 1 capital	**2,485**
Additional Tier 1 capital	
Perpetual preference shares[2]	**517**
Total Additional Tier 1 capital	**517**
Total Tier 1 capital	**3,002**
Tier 2 capital	
Subordinated notes[3]	**473**
Total Tier 2 capital	**473**
Total capital	**3,475**

[1] Includes fair value reserve of $26m and cash flow hedge reserve of ($20m).

[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 hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction. 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:

	FY22 PPS issue	FY25 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 note holders and ahead of holders of PPS and ordinary shares.

The key terms are as follows:

	FY21 Subordinated debt issue	FY23 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	**30 June 25**	Minimum ratio requirement	30 June 24
Common Equity Tier 1 capital ratio	**4.5%**	**11.7%**	4.5%	11.9%
Tier 1 capital ratio	**7.0%**	**14.1%**	6.0%	13.2%
Total capital ratio	**9.0%**	**16.3%**	8.0%	15.6%
Prudential Capital Buffer ratio		**7.1%**		7.2%
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 year ended 30 June 2025. The table below summarises the total capital requirements for the Banking Group.

	30 June 25		
$ millions	**Total exposure after credit risk mitigation**	**Risk weighted exposure or implied risk weighted exposure**	**Total capital requirement[1]**
Total credit risk plus equity	**48,574**	**18,006**	**1,621**
Operational risk	**n/a**	**2,354**	**212**
Market risk	**n/a**	**916**	**82**
Total Pillar I risk		**21,276**	**1,915**

[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 30 June 2025, the Banking Group had an implied risk weighted exposure of $2,354m and a total operational risk capital requirement of $188m. The implied risk weighted exposure is equal to 12.5 times the total operational risk capital requirement in accordance with RBNZ BPR100 *Capital Adequacy*.

(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.

	30 June 25			
	Implied risk weighted exposure		**Aggregate capital charge**	
$ millions	**End of period**	**Peak**	**End of period**	**Peak**
Interest rate risk	**801**	**904**	**64**	**72**
Foreign currency risk	**115**	**126**	**9**	**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.

	The Banking Group		
	As at 30 June 2025		
$ millions	Total exposure after credit risk mitigation	Risk weight	Risk weighted exposure
Cash and gold bullion	6	0%	-
Sovereigns and central banks	2,211	0%	-
Multilateral development banks and other international organisations	942	0%	-
	20	20%	4
Public-sector entities	418	20%	84
Banks	223	20%	45
	191	50%	96
Corporate	221	20%	44
	4,755	100%	4,755
Residential mortgages not past due			
Non-property investment residential mortgage loans	1,284	20%	257
	17,185	35%	6,015
	1,380	50%	690
	32	75%	24
	35	100%	35
Property investment residential mortgage loans	10,336	40%	4,134
	69	70%	48
	26	90%	23
	2	100%	2
Past due residential mortgages			
Past due but not impaired	1	35%	-
	1	50%	1
	34	100%	34
Past due and impaired	9	100%	9
Other			
Past due but not impaired	10	100%	10
	36	150%	54
Past due and impaired	5	100%	5
Other assets	17	20%	3
	777	100%	777
All other equity holdings (not deducted from capital)	-	400%	2
Non risk weighted assets	393	0%	-
Total on-balance sheet exposures	**40,619**		**17,151**

Capital adequacy and regulatory liquidity ratios

Regulatory minimum capital requirements for material risks (Pillar I) 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 provision for ECL.

	The Banking Group				
	As at 30 June 2025				
$ millions	Total exposure	Credit conversion factor	Credit equivalent amount	Average risk weight	Risk weighted exposure
Direct credit substitute	124	100%	124	100%	124
Performance-related contingency	75	50%	37	100%	37
Other commitments where original maturity is greater than one year	1,472	50%	735	63%	462
Other commitments where original maturity is less than or equal to one year	1,733	20%	347	37%	128
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	1,272	0%	-	0%	-
Counterparty credit risk:[1]					
a) Foreign exchange contracts	4,983	n/a	101	54%	55
b) Interest rate contracts	35,848	n/a	37	16%	6
c) Other - CVA	-	n/a	-	n/a	42
d) Other - CCP initial margin	41	n/a	-	2%	1
Total off-balance sheet exposures	**45,548**		**1,381**		**855**

[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')

	30 June 25		
$ millions	Trade exposure or collateral amount	Average risk weight	Risk weighted exposures
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	27	2%	1
Collateral posted for clearing via member bank	41	2%	1
Total	**68**		**2**

Capital adequacy and regulatory liquidity ratios

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

Credit risk mitigation

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

	30 June 25	
$ millions	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	**2,317**	-
Corporate	**35,276**	-
Total	**37,593**	-

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.

	The Banking Group 30 June 2025		
$ millions	On-balance sheet	Off-balance sheet	Total
LVR does not exceed 80%	**27,716**	**764**	**28,480**
LVR exceeds 80% and not 90%	**2,144**	**15**	**2,159**
LVR exceeds 90%	**534**	**3**	**537**
Total	**30,394**	**782**	**31,176**

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 $39m (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.

	The Banking Group	
For the three months ended	30 June 25	31 March 25
Quarterly average 1-week mismatch ratio	**11.4%**	11.2%
Quarterly average 1-month mismatch ratio	**10.5%**	10.7%
Quarterly average core funding ratio	**89.9%**	89.6%

Conditions of registration

Under section 74 of the Banking (Prudential Supervision) Act 1989, Kiwibank Limited is subject to the following conditions of registration set by the Reserve Bank of New Zealand, which were applicable as at 30 June 2025:

Conditions of registration for Kiwibank Limited

These conditions apply on and after 1 July 2024.

The registration of Kiwibank Limited (the 'bank') as a registered bank is subject to the following conditions.

1. That:

   a) the Total capital ratio of the banking group is not less than 9%;
   b) the Tier 1 capital ratio of the banking group is not less than 7%;
   c) the Common Equity Tier 1 capital ratio of the banking group is not less than 4.5%; and
   d) the Total capital of the Banking Group is not less than $30 million.

   For the purposes of this condition of registration:

   – 'Total capital ratio', 'Tier 1 capital ratio', and 'Common Equity Tier 1 capital ratio' have the same meaning as in Subpart B2 of BPR100 *Capital Adequacy*;
   – 'Total capital' has the same meaning as in BPR110 *Capital Definitions*.

1A. That:

   a) the bank has an internal capital adequacy assessment process ('**ICAAP**') that accords with the requirements set out in Part D of BPR100 *Capital Adequacy*;
   b) under its ICAAP, the bank identifies and measures its 'other material risks' defined in Part D of BPR100 *Capital Adequacy*; and
   c) the bank determines an internal capital allocation for each identified and measured 'other material risk'.

1B. That, if the prudential capital buffer ratio of the banking group is 2.5% or less, the bank must:

   a) according to the following table, limit the aggregate distributions of the bank's earnings, other than discretionary payments payable to holders of Additional Tier 1 capital instruments, to the percentage limit on distributions that corresponds to the banking group's buffer ratio; and

The Banking Group's PCB ratio	Percentage limit on distributions of the Bank's earnings	Capital Buffer Response Framework stage
0% – 0.5%	0%	Stage 3
>0.5% – 1%	30%	Stage 2
>1% – 2%	60%	Stage 1
>2% – 2.5%	100%	None

   b) comply with the Capital Buffer Response Framework requirements as set out in Part D of BPR120 *Capital Adequacy Process Requirements*.

   For the purposes of this condition of registration:

   – 'prudential capital buffer ratio', 'distributions', and 'earnings' have the same meaning as in Subpart B2 of BPR100 *Capital Adequacy*;
   – an Additional Tier 1 capital instrument is an instrument that meets the requirements of B2.2(2)(a), (c) or (d) of BPR110 *Capital Definitions*.

1BA. That the bank must not make any distribution on a transitional AT 1 capital instrument on or after the date on which on any conversion or write-off provision in the terms and conditions of the instrument is triggered due to either a loss absorption trigger event or a non-viability trigger event.

   For the purposes of this condition of registration, 'transitional AT 1 capital instrument' has the meaning given in section A2.3 of BPR110 *Capital Definitions* and 'loss absorption trigger event' and 'non-viability trigger event' have the meanings given in sub-section C2.2(3) of BPR120 *Capital Adequacy Process Requirements*.

1C. That:

   a) the bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued on or after 1 July 2021 in the calculation of its capital ratios unless it has completed the notification requirements in Part B of BPR120 *Capital Adequacy Process Requirements* in respect of the instrument; and
   b) the bank meets the requirements of Part C of BPR120 *Capital Adequacy Process Requirements* in respect of regulatory capital instruments.

Conditions of registration continued

For the purposes of this condition of registration:

- an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection B2.2(2)(a) or (c) of BPR110 *Capital Definitions*;
- a Tier 2 capital instrument is an instrument that meets the requirements of subsection B3.2(2)(a) or (c) of BPR110 *Capital Definitions*.

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

   In this condition of registration, the meaning of 'material' is based on generally accepted accounting practice.

3. That the banking group's insurance business is not greater than 1% of its total consolidated assets.

   For the purposes of this condition of registration, the banking group's insurance business is the sum of the following amounts for entities in the banking group:

   a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and
   b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

   In determining the total amount of the banking group's insurance business:

   a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and
   b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

   For the purposes of this condition of registration:

   - 'insurance business' means the undertaking or assumption of liability as an insurer under a contract of insurance;
   - 'insurer' and 'contract of insurance' have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

4. The bank must comply with all the requirements set out in the following document: BS8 *Connected Exposures* dated 1 October 2023.

5. That exposures to connected persons are not on more favourable terms (e.g., as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the bank complies with the following corporate governance requirements:

   a) the board of the bank must have at least five directors;
   b) the majority of the board members must be non-executive directors;
   c) at least half of the board members must be independent directors:
   d) an alternate director:
      i) for a non-executive director must be non-executive; and
      ii) for an independent director must be independent;
   e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
   f) the chairperson of the board of the bank must be independent; and
   g) the bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e., the bank).

   For the purposes of this condition of registration, 'non-executive' and 'independent' have the same meaning as in the Reserve Bank of New Zealand document entitled 'Corporate Governance' (BS14) dated July 2014.

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer is made in respect of the bank, unless:

   a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   b) the Reserve Bank has advised that it has no objection to that appointment.

8. That a person must not be appointed as chairperson of the board of the bank, unless:

   a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   b) the Reserve Bank has advised that it has no objection to that appointment.

Conditions of registration continued

9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:

   a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;
   b) the committee must have at least three members;
   c) every member of the committee must be a non-executive director of the bank;
   d) the majority of the members of the committee must be independent; and
   e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

   For the purposes of this condition of registration, 'non-executive' and 'independent' have the same meaning as in the Reserve Bank of New Zealand document entitled 'Corporate Governance' (BS14) dated July 2014.

10. That a substantial proportion of the bank's business is conducted in and from New Zealand.

11. That the bank must comply with the Reserve Bank of New Zealand document 'Outsourcing Policy' (BS11) dated September 2022.

12. That:

    a) the business and affairs of the bank are managed by, or under the direction or supervision of, the board of the bank;
    b) the employment contract of the chief executive officer of the bank or person in an equivalent position (together 'CEO') is with the bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decisions relating to the employment or termination of employment of the CEO are made by, the board of the bank; and
    c) all staff employed by the bank shall have their remuneration determined by (or under the delegated authority of) the board or the CEO of the bank and be accountable (directly or indirectly) to the CEO of the bank.

13. That the banking group complies with the following quantitative requirements for liquidity-risk management:

    a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
    b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
    c) the one-year core funding ratio of the banking group is not less than 75 per cent at the end of each business day.

    For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled 'Liquidity Policy' (BS13) dated July 2022 and 'Liquidity Policy Annex: Liquid Assets' (BS13A) dated July 2022.

14. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the bank's liquidity risk at a prudent level, and that, in particular:

    a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
    b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
    c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
    d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.

15. That no more than 10% of total assets may be beneficially owned by a SPV.

    For the purposes of this condition:

    – 'total assets' means all assets of the banking group plus any assets held by any SPV that are not included in the banking group's assets;
    – 'SPV' means a person
      a) to whom any member of the banking group has sold, assigned, or otherwise transferred any asset;
      b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and
      c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the Banking Group under a covered bond:
    – 'covered bond' means a debt security issued by any member of the banking group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

16. That:

    a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:

       i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and
       ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document 'Significant Acquisitions Policy' (BS15) dated December 2011; and

Conditions of registration continued

b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold, unless:

   i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;
   ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document 'Significant Acquisitions Policy' (BS15) dated December 2011; and
   iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

For the purposes of this condition of registration, 'qualifying acquisition or business combination', 'notification threshold' and 'non-objection threshold' have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document 'Significant Acquisitions Policy' (BS15) dated December 2011.

17. That the bank is pre-positioned for Open Bank Resolution and in accordance with a direction from the Reserve Bank, the bank can:

   a) close promptly at any time of the day and on any day of the week and that effective upon the appointment of the statutory manager:
      i) all liabilities are frozen in full; and
      ii) no further access by customers and counterparties to their accounts (deposits, liabilities or other obligations) is possible;
   b) apply a *de minimis* to relevant customer liability accounts;
   c) apply a partial freeze to the customer liability account balances;
   d) reopen by no later than 9am the next business day following the appointment of a statutory manager and provide customers access to their unfrozen funds;
   e) maintain a full freeze on liabilities not pre-positioned for open bank resolution; and
   f) reinstate customers' access to some or all of their residual frozen funds.

   For the purposes of this condition of registration, 'de minimis', 'partial freeze', 'customer liability account' and 'frozen and unfrozen funds' have the same meaning as in the Reserve Bank of New Zealand document 'Open Bank Resolution (OBR) Pre-positioning Requirements Policy' (BS17) dated June 2022.

18. That the bank has an Implementation Plan that:

   a) is up to date; and
   b) demonstrates that the bank's pre-positioning for Open Bank Resolution meets the requirements set out in the Reserve Bank document: 'Open Bank Resolution Pre-positioning Requirements Policy' (BS17) dated June 2022.

   For the purposes of this condition of registration, 'Implementation Plan' has the same meaning as in the Reserve Bank of New Zealand document 'Open Bank Resolution (OBR) Pre-positioning Requirements Policy' (BS17) dated June 2022.

19. That the bank has a compendium of liabilities that:

   a) at the product-class level, lists all liabilities, indicating which are:
      i) pre-positioned for Open Bank Resolution; and
      ii) not pre-positioned for Open Bank Resolution;
   b) is agreed to by the Reserve Bank; and
   c) if the Reserve Bank's agreement is conditional, meets the Reserve Bank's conditions.

   For the purposes of this condition of registration, 'compendium of liabilities' and 'pre-positioned and non-pre-positioned liabilities' have the same meaning as in the Reserve Bank of New Zealand document 'Open Bank Resolution (OBR) Pre-positioning Requirements Policy' (BS17) dated June 2022.

20. That, on an annual basis, the bank tests all the component parts of its Open Bank Resolution solution that demonstrates the bank's prepositioning for Open Bank Resolution as specified in the bank's Implementation Plan.

   For the purposes of this condition of registration, 'Implementation Plan' has the same meaning as in the Reserve Bank of New Zealand document 'Open Bank Resolution (OBR) Pre-positioning Requirements Policy' (BS17) dated June 2022.

21. That, for a loan-to-valuation measurement period ending on or after 30 September 2024, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with loan-to-valuation ratio of more than 70% must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

22. That, for a loan-to-valuation measurement period ending on or after 30 September 2024, the total of the bank's qualifying new mortgage lending amount in respect of non-property-investment residential mortgage loans with loan-to-valuation ratio of more than 80%, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

23. That, for a debt-to-income measurement period, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a debt-to-income ratio of more than 7, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the debt-to-income measurement period.

Conditions of registration continued

24. That, for a debt-to-income measurement period, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a debt-to-income ratio of more than 6, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the debt-to-income measurement.

25. That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

    In these conditions of registration:

    – 'banking group' means Kiwibank Limited (as a reporting entity), and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of Part 7 of that Act; and
    – 'generally accepted accounting practice' has the same meaning as in section 8 of the Financial Reporting Act 2013.

    In these conditions of registration, the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement ('**BPR**') documents that are referred to in the capital adequacy conditions 1 to 1C, or are referred to in turn by those documents or by Banking Supervision Handbook ('**BS**') documents, are:

BPR document	Version date
BPR100: Capital adequacy	1 July 2024
BPR110: Capital definitions	1 October 2023
BPR120: Capital adequacy process requirements	1 October 2023
BPR130: Credit risk RWAs overview	1 July 2024
BPR131: Standardised credit risk RWAs	1 July 2024
BPR132: Credit risk mitigation	1 July 2024
BPR133: IRB credit risk RWAs	1 July 2024
BPR134: IRB minimum system requirements	1 July 2024
BPR140: Market risk exposure	1 July 2024
BPR150: Standardised operational risk	1 July 2024
BPR151: AMA operational risk	1 July 2024
BPR160: Insurance, securitisation, and loan transfers	1 July 2024
BPR001: Glossary	1 October 2023

In conditions of registration 21 and 22:

– 'loan-to-valuation ratio', 'non property-investment residential mortgage loan', 'property-investment residential mortgage loan', 'qualifying new mortgage lending amount in respect of property-investment residential mortgage loans' and 'qualifying new mortgage lending amount in respect of non-property-investment residential mortgage loans' have the same meaning as in the Reserve Bank of New Zealand document entitled 'Framework for Restrictions on High-LVR Residential Mortgage Lending' (BS19) dated October 2021; and

– 'loan-to-valuation measurement period' means a rolling period of three calendar months ending on the last day of the third calendar month.

In conditions of registration 23 and 24:

– 'debt-to-income ratio', 'debt-to-income measurement period', 'non property-investment residential mortgage loan', 'property-investment residential mortgage loan', 'qualifying new mortgage lending amount in respect of property-investment residential mortgage loans', and 'qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans' have the same meaning as in the Reserve Bank of New Zealand document entitled 'Framework for Restrictions on High Debt-To-Income Residential Mortgage lending' (BS20) dated 3 April 2023:

– 'debt-to-income measurement period' means:

  (a) the initial period of six calendar months from the date of this conditions of registration (1 July 2024) ending on 31 December 2024; and

  (b) thereafter, a rolling period of three calendar months ending on the last day of the third calendar month, the first of which ends on 31 January 2025 and covers the months of November and December 2024 and January 2025.

In condition of registration 25:

- 'residential mortgage loan' has the same meaning as in the Reserve Bank of New Zealand document entitled 'Framework for Restrictions on High Debt-To-Income Residential Mortgage lending' (BS20) dated 3 April 2023.

Conditions of registration continued

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.

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.

Independent auditor's 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 30 June 2025 or from time to time during the financial year.

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 this audit on his behalf.

Our opinion

In our opinion, the accompanying:

- consolidated financial statements, excluding the information disclosed in accordance with Schedules 4, 7, 9, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order"), of the Banking Group, present fairly, in all material respects, the financial position of the Banking Group as at 30 June 2025, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards Accounting Standards ("IFRS Accounting Standards"); and
- information disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order (the "Supplementary Information"), in all material respects:
  - presents fairly the matters to which it relates; and
  - is disclosed in accordance with those schedules.

What we have audited

- The Banking Group's consolidated financial statements (the "Financial Statements") required by clause 24 of the Order, comprising:
  - the balance sheet as at 30 June 2025;
  - the income statement for the year then ended;
  - the statement of comprehensive income for the year then ended;
  - the statement of changes in equity for the year then ended;
  - the cash flow statement for the year then ended; and
  - the notes to the Financial Statements, which include material accounting policy information and other explanatory information, but excludes the Supplementary Information and the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order.
- The Supplementary Information within the balance sheet and notes 8, 9, 10, 11, 12, 13, 24, 25, 27, 29, 31, 32 and 33 of the Financial Statements for the year ended 30 June 2025 of the Banking Group.

  We have not audited the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order within the *Capital adequacy and regulatory liquidity ratios* section on pages 80 to 85 of the Disclosure Statement and our opinion does not extend to this information.

Basis for opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Statements and the Supplementary Information* section of our report.

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

Independence

We are independent of the Banking Group in accordance with the Auditor-General's Auditing Standards, which incorporate 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In addition to the audit, our firm also provides other assurance and agreed-upon procedures services, which 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements and the Supplementary Information of the current year. These matters were addressed in the context of our audit of the Financial Statements and the Supplementary Information as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

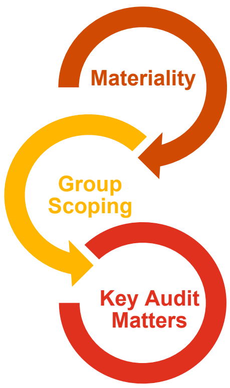
Description of the key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses on loans and advances and credit commitments As disclosed in Note 9 of the Financial Statements, the Banking Group has recognised a provision for expected credit losses (ECL) as at 30 June 2025 of $132 million (30 June 2024: $129 million) which includes both collectively assessed and individually assessed provisions. The Banking Group's provision for ECL is probability weighted and determined by evaluating a range of possible outcomes, taking into account the time value of money, past events, current conditions and forecast of future economic conditions. The ECL models to determine the collectively assessed provision for ECL involve significant judgement to determine macroeconomic scenarios (MES), scenario weightings, the assessment of significant increases in credit risk (SICR), and in identifying and calculating adjustments to model outputs (overlays). There is also a significant volume of data used in the models, which is sourced from multiple information technology (IT) systems. For loans and advances and credit commitments that meet specific risk-based criteria and quantitative criteria, the provision for ECL is individually assessed by the Banking Group. The provision for ECL is a key audit matter due to the subjective judgements and assumptions made by the Banking Group in determining the timing of recognition, the level of provision for ECL, and the nature and extent of audit effort needed.	We obtained an understanding of the relevant controls implemented by management over the provision for ECL. Our audit procedures also included assessing the design and implementation, and testing the operating effectiveness of selected controls relating to the Banking Group's ECL estimation process, which included controls over the data, changes to models, assumptions and governance used in determining the provision for ECL on loans and advances and credit commitments, as well as IT general controls related to in-scope IT systems. In addition to controls testing, we, along with our actuarial experts, where their involvement was determined to be needed, performed the following audit procedures, amongst others: ● evaluated the appropriateness of the models and the reasonableness of significant assumptions applied within the models, and assessed these against the requirements of NZ IFRS 9; ● assessed the Banking Group's judgements, including the reasonableness of forward-looking information incorporated into the ECL models, by comparing the forecasts, assumptions and probability weightings applied in determining the MES against current market conditions and other available evidence; ● assessed the appropriateness of post-model overlays identified by the Banking Group against supporting information; ● tested the accuracy of a sample of CDEs used in the ECL models by agreeing them to relevant source documentation or through recalculation where relevant;

Description of the key audit matter	How our audit addressed the key audit matter
The key judgements and assumptions in determining the provision for ECL include: ● modelling inputs for probability of default (PD), exposure at default (EAD) and loss given default (LGD); ● the criteria under which exposures move between NZ IFRS 9 stages, particularly when moving between fully performing (stage 1) and demonstrating a significant increase in credit risk (stage 2); ● the macroeconomic inputs used within each of the economic scenarios (central, upside, downside, severe stress); ● the weightings given to each economic scenario; and ● post-model overlays required to provide for potential loss events that could occur, as well as those which have occurred but for which the impacts have not yet been incorporated into the ECL models. The nature and extent of audit effort involved the use of professionals with specialised skills and knowledge, testing of the critical data elements (CDEs) used in the models, and testing of the IT general controls for the relevant IT systems used in determining the provision for ECL on loans and advances and credit commitments. Refer to Notes 1.3 and 9 in the Financial Statements which explains the critical accounting estimates and judgements in determining the provision for ECL on loans and advances and credit commitments.	● for a sample of corporate loans and advances and credit commitments identified as not credit impaired, obtained and examined the borrower's latest financial information provided to the Banking Group to assess the reasonableness of the customer credit rating that had been assigned to the borrower, a CDE which involves significant management judgement; ● for a sample of loans and advances and credit commitments identified as credit impaired and for which an individually assessed provision has been recorded, reviewed the reasonableness of the assumptions made to determine the individually assessed provision for ECL; ● recalculated the ECL model results for a sample of loans and advances and credit commitments; ● performed a peer bank comparison and considered whether, with the inclusion of overlays, the overall collectively assessed provision for ECL sits within a range of acceptable outcomes based on our professional judgement; ● inspected the review and approval by the Executive Risk Committee and the Audit and Risk Committee of MES, scenario weightings, and post-model overlays, and assessed the reasonableness of the decisions made; ● considered the results of management's model monitoring; and ● considered the impact of events occurring subsequent to balance date on the provision for ECL on loans and advances and credit commitments. We also assessed the appropriateness of the Banking Group's disclosures in the Financial Statements. We considered the results of the procedures above satisfactory in forming our opinion on the Financial Statements as a whole.
Operation of Information Technology (IT) systems and controls The Banking Group's operations and financial reporting processes are heavily reliant on IT systems, including automated processes and controls for the capture, processing, storage and extraction of significant volumes of transactions. In considering the complexity of the Banking Group's processes and the design of the internal control environment, there are certain areas of the audit where we seek to place reliance on system-generated reports, automated controls and calculations, and certain system-enforced access controls. The effective operation of these areas is dependent on the Banking Group's IT General Control (ITGC) environment.	For material financial statement transactions and balances, our procedures included gaining an understanding of the business processes, key controls and IT systems used to generate and support those transactions and balances, and the associated IT application controls and IT dependent manual controls. Where relevant to our planned audit approach we, along with our IT specialists, assessed the design and implementation, and tested the operating effectiveness of the key controls that support the continued integrity of the in-scope IT systems that are relevant to financial reporting.

Description of the key audit matter	How our audit addressed the key audit matter
This includes: ● user access controls which are important because they help ensure that staff have appropriate access to IT systems and that access is monitored; and ● change management internal controls which are important because they help ensure that changes to applications and data are appropriately processed and authorised. IT systems and controls affect the financial recording and reporting of transactions, and our audit approach could differ significantly depending on the effective design and operation of the Banking Group's IT general controls. For this reason we have determined this to be a key audit matter.	This included assessing: ● user access: how users are on-boarded, reviewed and removed on a timely basis from critical IT applications and supporting infrastructure. We also examined how privileged roles and functions are managed across each in-scope IT application and supporting infrastructure; and ● change management: how changes are initiated, documented, approved, tested, and authorised prior to migration into the production environment of critical IT applications. We also assessed the appropriateness of users with access to make changes to in-scope IT applications across the Banking Group. We also carried out tests, on a sample basis, of IT application controls and IT dependent manual controls that were key to our audit testing strategy, in order to assess the accuracy of system-generated reports and relevant calculations performed by IT applications, and the operation of certain automated controls and system-enforced access controls. A number of IT control deficiencies exist that impacted our audit approach. Where we identified deficiencies in the design or operating effectiveness of matters relating to in-scope IT systems and controls, we performed additional and/or alternative audit procedures.

Our audit approach

Overview



The overall Banking Group materiality is $13 million, which represents approximately 5% of the profit before tax for the year ended 30 June 2025.

We chose profit before tax because, in our view, it is the benchmark against which the performance of the Banking Group is most commonly measured by users, and is a generally accepted benchmark.

A full scope audit was performed for the financially significant entity within the Banking Group, being the parent entity, Kiwibank Limited. Specified audit procedures were performed on the remaining entities.

As reported above, we have two key audit matters, being:

- Provision for expected credit losses on loans and advances and credit commitments; and
- Operation of Information Technology (IT) systems and controls

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements and the Supplementary Information. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the Financial Statements and the Supplementary Information are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements and the Supplementary Information.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Banking Group materiality for the Financial Statements and the Supplementary Information, as a whole, as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the Financial Statements and the Supplementary Information, as a whole.

How we tailored our group audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Financial Statements and the Supplementary Information, as a whole, taking into account the structure of the Banking Group, the financial reporting processes and controls, and the industry in which the Banking Group operates.

The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, the financial significance of components and other qualitative factors (including history of misstatement through fraud or error).

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Disclosure Statement presented in accordance with Schedule 2 of the Order on pages 1 to 7, and 86 to 91, and the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order within the *Capital adequacy and regulatory liquidity ratios* section on pages 80 to 85, but does not include the Financial Statements, the Supplementary Information and our auditor's report thereon. Other than the Climate Statement which we will receive at a later date, we have received all the other information expected to be included in the Annual Report and Disclosure Statement.

Our opinion on the Financial Statements and the Supplementary Information does not cover the other information and we do not and will not express any form of audit opinion or assurance conclusion thereon. We issue a separate limited assurance report on the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order.

In connection with our audit of the Financial Statements and the Supplementary Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements and the Supplementary Information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

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 24 of the Order, NZ IFRS and IFRS Accounting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of 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 2 of the Order; and
- the information prescribed in Schedules 4, 7, 9, 13, 14, 15 and 17 of the Order.

In preparing the Financial Statements, the Directors are responsible for assessing the Banking Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Banking Group or to cease operations, or have no realistic alternative but to do so.

The Directors' responsibilities also arise from the Financial Markets Conduct Act 2013.

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

Our objectives are to obtain reasonable assurance about whether the Financial Statements and the Supplementary Information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements and the Supplementary Information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements and the Supplementary Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Banking Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Banking Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements and the Supplementary Information, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Banking Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements and the Supplementary Information, including the disclosures, and whether the Financial Statements and the Supplementary Information represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Banking Group's audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Banking Group as a basis for forming an opinion on the Financial Statements and the Supplementary Information. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Banking Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the Financial Statements and the Supplementary Information of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

PricewaterhouseCoopers

Callum Dixon
On behalf of the Auditor-General
Wellington, New Zealand
20 August 2025

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 30 June 2025 or from time to time during the financial year.

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 Bank's compliance with the information required on 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 21 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 full year Disclosure Statement for the year ended 30 June 2025 (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 21 of the Order and disclosed in the *Capital adequacy and regulatory liquidity ratios* section on pages 80 to 85 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 21 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 this engagement and our role as the auditor of the statutory financial statements on behalf of the Auditor-General, our firm also provides other assurance and agreed-upon procedures services, which 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 21 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 21 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 21 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 annual 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 21 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
20 August 2025

PricewaterhouseCoopers