Annual Report

For the year ended 30 June 2025

Kiwi Group Capital

Contents

General matters

This annual report has been issued by Kiwi Group Capital Limited ('**KGCL**', or the '**Parent**'), which consists of Kiwi Group Capital Limited and its subsidiaries (the '**Group**'), for the year ended 30 June 2025.

KGCL's subsidiary, Kiwibank Limited ('**Kiwibank**'), is the Parent entity of the '**Banking Group**' which consists of Kiwibank, all of its wholly owned entities and all other entities consolidated for financial reporting purposes.

Details of incorporation

Kiwi Group Capital Limited is domiciled in New Zealand and was incorporated in New Zealand under the Companies Act 1993 on 23 November 2022.

Registered office and address for service

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

Ultimate holding company

The ultimate holding company of Kiwi Group Capital Limited is the New Zealand Crown, whose address for service is:

1 The Terrace, Wellington Central, Wellington 6011, New Zealand.

Directorate

Non-Executive Director, Chair

David McLean

Non-Executive Directors

Sir Brian Roche (Ceased 30 October 2024)

Rukumoana Schaafhausen

Michael (Mike) Pohio

Catherine Savage (Appointed 20 May 2025)

Communications with directors

Communications addressed to the directors may be sent to the Parent's address for service.

Auditor

The Auditor-General is the auditor of the Group. The Auditor-General has appointed Callum Dixon, using the staff and resources of PricewaterhouseCoopers, to perform the audit of the consolidated financial statements of the Group on his behalf. Callum Dixon's address for service is: PricewaterhouseCoopers, PwC Centre, 10 Waterloo Quay, Wellington 6011, New Zealand.

Guarantees

As at the date the Board of Directors of KGCL (the '**Board**') approved these consolidated financial statements, 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 New Zealand Crown (the '**Crown Guarantee**').

Covered Bond Guarantee

Certain debt securities ('**Covered Bonds**') issued by Kiwibank 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 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 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 at 30 June 2025 was $1,400m (30 June 2024: $700m).

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

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 of Kiwibank 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 Reserve Bank of New Zealand ('**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.

Statement of Responsibility

The Board and management of Kiwi Group Capital Limited are responsible for:

- the preparation of these consolidated financial statements, and the judgements used in them;
- establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and
- end-of-year performance information provided by KGCL under section 19A of the Public Finance Act 1989.

In the opinion of the Board and management these consolidated financial statements fairly reflect the financial position of Kiwi Group Capital Limited and its subsidiaries as at 30 June 2025 and its financial performance and cash flows for the year ended on that date. A statement of performance is not required for the year ended 30 June 2025.

For and on behalf of the Board,

David McLean Director	Rukumoana Schaafhausen Director

Consolidated financial statements

Income statement

For the year ended 30 June 2025

$ millions	Note	**2025**	2024
Interest income:	2		
Calculated using the effective interest method		**2,325**	1,994
Other		**12**	-
Total interest income		**2,337**	1,994
Interest expense	2	**(1,465)**	(1,155)
Net interest income		**872**	839
Net gains on financial instruments	3	**10**	3
Other operating income	4	**54**	64
Total operating income		**936**	906
Operating expenses	5	**(643)**	(602)
Profit before credit impairment and tax		**293**	304
Credit impairment charge	6	**(29)**	(24)
Profit before tax		**264**	280
Income tax expense	7	**(74)**	(75)
Profit after tax		**190**	205
Attributable to:			
Owners of the Parent		**175**	195
Non-controlling interests		**15**	10

Statement of comprehensive income

For the year ended 30 June 2025

$ millions	Note	**2025**	2024
Profit after tax		**190**	205
Other comprehensive income, net of tax			
Items that may subsequently be reclassified to profit or loss:			
- Net change in fair value reserve	25	**47**	29
- Net change in cash flow hedge reserve	25	**(35)**	(137)
Other comprehensive income, net of tax		**12**	(108)
Total comprehensive income		**202**	97
Attributable to:			
Owners of the Parent		**187**	87
Non-controlling interests		**15**	10

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

Consolidated financial statements continued

Statement of changes in equity

For the year ended 30 June 2025

$ millions	Note	Ordinary share capital	Retained earnings	Fair value reserve	Cash flow hedge reserve	Total equity attributable to owners of the Parent	Non-controlling interests	Total equity
Balance at 1 July 2023		2,108	123	(50)	152	2,333	247	2,580
Correction of error (net of tax)[1]		-	17	-	-	17	-	17
Restated total equity at 1 July 2023		2,108	140	(50)	152	2,350	247	2,597
For the year ended 30 June 2024								
Profit after tax		-	195	-	-	195	10	205
Other comprehensive income, net of tax		-	-	29	(137)	(108)	-	(108)
Total comprehensive income		-	195	29	(137)	87	10	97
Transactions with owners								
Distributions to non-controlling interests	25	-	-	-	-	-	(9)	(9)
Balance at 30 June 2024 (restated)		2,108	335	(21)	15	2,437	248	2,685
For the year ended 30 June 2025								
Balance at 1 July 2024		2,108	335	(21)	15	2,437	248	2,685
Profit for the year		**-**	**175**	**-**	**-**	**175**	**15**	**190**
Other comprehensive income, net of tax		**-**	**-**	**47**	**(35)**	**12**	**-**	**12**
Total comprehensive income		**-**	**175**	**47**	**(35)**	**187**	**15**	**202**
Transactions with owners								
Perpetual preference shares issued	25	**-**	**-**	**-**	**-**	**-**	**251**	**251**
Distributions to non-controlling interests	25	**-**	**-**	**-**	**-**	**-**	**(15)**	**(15)**
Balance at 30 June 2025		**2,108**	**510**	**26**	**(20)**	**2,624**	**499**	**3,123**

[1] Refer to Note 1.6 for further details on the restatement of opening retained earnings.

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

Consolidated financial statements continued

Balance sheet

As at 30 June 2025

$ millions	Note	2025	2024
Assets			
Cash and cash equivalents	12	**1,059**	1,005
Due from other financial institutions	13	**129**	95
Investment securities	14	**3,055**	2,658
Derivative financial instruments	20	**296**	162
Loans and advances	8	**35,813**	32,416
Deferred tax assets	7	**87**	65
Premises and equipment		**123**	130
Intangible assets	23	**39**	44
Other assets		**74**	87
Total assets		**40,675**	36,662
Liabilities			
Due to other financial institutions	15	**437**	1,109
Deposits	16	**30,324**	28,143
Derivative financial instruments	20	**324**	196
Debt securities issued	17	**5,693**	3,798
Other liabilities	24	**297**	273
Subordinated debt	18	**477**	458
Total liabilities		**37,552**	33,977
Net assets		**3,123**	2.685
Equity			
Share capital	25	**2,108**	2,108
Retained earnings		**510**	335
Reserves	25	**6**	(6)
Total equity attributable to owners of the Parent		**2,624**	2,437
Non-controlling interests	25	**499**	248
Total equity		**3,123**	2,685

Comparative amounts have been restated. Refer to Note 1.6 for further details on the restatement of comparative amounts.

The Board of Directors of Kiwi Group Capital Limited authorised these consolidated financial statements for issue on 28 August 2025.

David McLean
Director

Rukumoana Schaafhausen
Director

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

Consolidated financial statements continued

Cash flow statement

For the year ended 30 June 2025

$millions	Note	2025	2024
Cash flows from operating activities			
Interest received		**2,337**	1,984
Interest paid		**(1,418)**	(1,009)
Fees, commission and other income received		**146**	148
Fees and commission expense paid		**(89)**	(78)
Operating expenses paid		**(618)**	(570)
Income tax paid		**(50)**	(129)
Net cash flows from operating activities before changes in operating assets and liabilities		**308**	346
Net changes in operating assets and operating liabilities			
Due from other financial institutions		**(34)**	34
Investment securities		**(332)**	(316)
Loans and advances		**(3,417)**	(2,602)
Due to other financial institutions		**(54)**	(138)
Deposits		**2,198**	2,545
Other liabilities		**-**	(1)
Net cash flows from operating activities		**(1,331)**	(132)
Cash flows from investing activities			
Purchase of premises and equipment		**(13)**	(9)
Purchase of intangible assets	23	**(4)**	(2)
Net cash flows from investing activities		**(17)**	(11)
Cash flows from financing activities			
Repayments of repurchase agreements		**(618)**	(521)
Issue of debt securities	17	**4,165**	1,842
Redemption of debt securities	17	**(2,366)**	(1,176)
Payment of principal portion of lease liabilities	24	**(17)**	(15)
Issue of perpetual preference shares	25	**251**	-
Perpetual preference share distributions paid	25	**(15)**	(9)
Net cash flows from financing activities		**1,400**	121
Increase/(decrease) in cash and cash equivalents		**52**	(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	12	**1,059**	1,005

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

Consolidated financial statements continued

Cash flow statement continued

For the year ended 30 June 2025

$ millions	2025	2024
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	**190**	205
Non-cash movements and non-operating activities		
Unrealised fair value adjustments	**(10)**	(4)
Amortisation and depreciation	**38**	39
Movement in deferred expenditure	**11**	12
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	**(10)**	(2)
Net movement in operating assets and operating liabilities		
Due from other financial institutions	**(34)**	34
Investment securities	**(332)**	(316)
Loans and advances	**(3,417)**	(2,602)
Due to other financial institutions	**(54)**	(138)
Deposits	**2,198**	2,545
Other liabilities	**-**	1
Net cash flows from operating activities	**(1,331)**	(132)

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

Notes to the consolidated financial statements

1. About these financial statements

1.1 Reporting Entity

These consolidated financial statements presented are for the '**Group**', which consists of Kiwi Group Capital Limited ('**KGCL**' or the '**Parent**') and its subsidiaries. KGCL is a for-profit entity incorporated and domiciled in New Zealand under the Companies Act 1993. KGCL was incorporated on 23 November 2022.

The principal activities of the Group are the provision of banking products and services to individuals and business customers, through the Kiwibank Banking Group (the '**Banking Group**') as disclosed in the Kiwibank Annual Report and Disclosure Statement, and the distribution of products from providers of home loans and insurance through The New Zealand Home Loan Company Limited and its subsidiaries ('**NZHL**').

KGCL is owned by the New Zealand Crown (the '**Crown**'), whose address for service is: 1 The Terrace, Wellington 6011, New Zealand.

1.2 Basis of preparation

The Group's financial statements are presented in New Zealand dollars, which is the Parents' 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 the Parent and its subsidiaries for the year ended 30 June 2025. Subsidiaries are entities that are controlled by the Group. Control is achieved when the 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 their activities are not governed by way of voting rights. In assessing whether the Group has power over such entities in which it has an interest, the 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 Group reassesses whether it controls an investee if facts and circumstances indicate that there have been changes to the elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. On the date of acquisition of a subsidiary, identifiable assets and liabilities acquired are initially measured at fair value.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets acquired, the difference is recognised directly in the income statement.

Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired is, from the date of acquisition, allocated to each of the Group's cash-generating units ('**CGU**') that are expected to benefit from the acquisition, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

The interest of non-controlling shareholders is stated at their proportion of the net profit and net assets of a subsidiary attributable to equity interests that are not owned directly or indirectly by the Group. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

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 Group's accounting policies.

Notes to the consolidated financial statements
continued

1. About these consolidated financial statements continued

1.2 Basis of preparation continued

Measurement base

These consolidated financial statements are based on the general principles of historical cost accounting, modified by the application of fair value measurements for financial instruments measured 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.

1.3 Critical accounting judgements, estimates and assumptions

The preparation of these consolidated 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 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 ('**PD**'), loss-given default ('**LGD**') and exposure at default ('**EAD**');
- 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 27) for details of credit risk management.

Impairment of goodwill

Testing goodwill for impairment involves a significant amount of estimation. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition.

Refer to 'Intangible assets' (Note 23) for further details of key judgements and assumptions.

1.4 Accounting policies

These consolidated 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, and the Companies Act 1993. These consolidated 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 consolidated financial statements are set out below and in the relevant notes to the consolidated 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 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 Group in these consolidated 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 Group's annual reporting period beginning on 1 July 2027, unless early adopted. The Group has yet to assess the impact of the new standard.

Notes to the consolidated financial statements
continued

1. About these consolidated financial statements continued

1.5 New and amended standards and interpretations continued

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 Group has yet to assess the impact of the amendments.

1.6 Comparative amounts

Comparative amounts are from the audited consolidated 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.

Restatement of opening retained earnings – Intercompany elimination of broker commissions

During the current financial year, the Group identified a prior period error relating to the elimination of intercompany broker commission payments made by Kiwibank to NZHL. Historically, a portion of these commissions was incorrectly eliminated on consolidation. However, these amounts were subsequently paid by NZHL to third-party franchisees who are external to the Group. As such, they do not qualify for elimination on consolidation.

In accordance with NZ IFRS 9 Financial Instruments, these commission payments should have been capitalised as transaction costs within loans and advances on initial recognition and recognised in net interest income using the effective interest rate method, consistent with the treatment applied to all broker commissions paid to third-party mortgage brokers.

The error has been corrected retrospectively in accordance with NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Comparative amounts have been restated in the Balance Sheet as at 30 June 2024 as follows:

$ millions	Previously reported	Adjustment	Restated amount
Loans and advances	32,392	24	32,416
Deferred tax assets	72	(7)	65
Retained earnings	318	17	335

The adjustments for the prior period error as at the start of the comparative period are consistent with the table above, resulting in a $17 million restatement of opening retained earnings as at 1 July 2023 as presented in the statement of changes in equity.

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 Group commits to purchase or sell an asset). Financial assets and financial liabilities, other than regular way transactions, are recognised when the 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 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 Group has transferred substantially all the risks and rewards of the asset, or the 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 Group transfers its right to receive cash flows from an asset or enters into a pass-through arrangement. In some cases, the 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 Group has continuing involvement in the asset, the asset continues to be recognised in the balance sheet. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Notes to the consolidated financial statements
continued

1. About these consolidated financial statements continued

1.7 Financial instruments continued

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 12), 'Due from other financial institutions' (Note 13), '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 14).

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 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 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 20) 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 15), 'Deposits' (Note 16), 'Debt securities issued' (Note 17), 'Subordinated debt' (Note 18), and other financial liabilities.

Notes to the consolidated 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 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	Year ended 30 June 25	Year ended 30 June 24
Interest income		
Financial assets measured at amortised cost	**2,229**	1,955
Financial assets measured at FVOCI	**115**	107
Financial assets measured at FVTPL[1]	**(7)**	(68)
Total interest income	**2,337**	1,994
Interest expense		
Financial liabilities measured at amortised cost	**1,399**	1,353
Financial liabilities measured at FVTPL	**66**	(198)
Total interest expense	**1,465**	1,155

[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 consolidated financial statements
continued

2. Interest income and interest expense continued

$ millions	Year ended 30 June 25	Year ended 30 June 24
Interest income		
Cash and cash equivalents	**43**	48
Due from other financial institutions	**8**	6
Loans and advances	**2,171**	1,833
Investment securities	**115**	107
Total interest income	**2,337**	1,994
Interest expense		
Due to other financial institutions	**27**	75
Deposits	**1,166**	832
Debt securities issued	**237**	211
Subordinated debt	**30**	33
Other interest expense	**5**	4
Total interest expense	**1,465**	1,155

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.

3. Net gains on financial instruments

Accounting policy

Accounting policies relating to gains/(losses) on financial instruments are set out in Notes 14, 17, 18 and 20.

$ millions	Year ended 30 June 25	Year ended 30 June 24
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 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 in the cash flow hedge reserve before de-designation was recognised in cumulative gain transferred from cash flow hedge reserve and was insignificant (2024: $26m). Interest received or paid 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 consolidated 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 Group receives fee and commission income from third parties when acting as agent by arranging a third party to provide goods or services to customers. In such cases, the 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 commission 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 and 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 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. Commission received by NZHL is recognised as revenue on loan settlement for home loans. NZHL receives trail commission on loans they have settled that were originated by NZHL. The trail commissions are received over the life of the loan based on the loan book balance outstanding, and are recognised as and when they are receivable. This approach depicts the delivery of the performance obligation and ongoing customer service obligations to the customer.

Commission for arranging insurance services

The Group receives commissions from insurance providers when acting as agent by arranging a third party to provide insurance policies to a customer. Commission is recognised as revenue on issuance of the insurance policies. Trail commissions are received over the life of the insurance policy, and are recognised as and when they are receivable, reflecting the value and timing of the fulfilment of the policy renewal service to the customer.

Notes to the consolidated financial statements continued

4. Other operating income continued

The table below further disaggregates revenue from contracts with customers by major service categories.

$ millions	Year ended 30 June 25	Year ended 30 June 24
Transactional account and other services	**24**	30
Card services	**56**	60
Lending services	**38**	35
Commission for arranging insurance services	**23**	20
Fee and commission income	**141**	145
Fee and commission expense	**(89)**	(81)
Net fee and commission income	**52**	64
Other income	**2**	-
Total other operating income	**54**	64

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

Notes to the consolidated financial statements
continued

5. Operating expenses continued

$ millions	**Year ended 30 June 25**	Year ended 30 June 24
Salaries and wages	**352**	313
Other personnel related costs	**51**	47
Information technology and system costs	**116**	116
Premises costs	**15**	18
Amortisation and depreciation	**38**	39
Other expenses	**71**	69
Total operating expenses	**643**	602

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	**Year ended 30 June 25**	Year ended 30 June 24
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)
Amounts 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.

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 recognized 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.

7. Income tax continued

Accounting policy continued

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 Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Kiwibank Consolidated Tax Group includes Kiwi Group Capital Limited and its subsidiaries for tax purposes.

Income tax expense

$ millions	Year ended 30 June 25	Year ended 30 June 24
Profit before tax	**264**	280
Tax calculated at a rate of 28%	**(74)**	(79)
Tax effect of:		
Prior period adjustment	**-**	3
Income not subject to tax and non-deductible expenses	**-**	1
Income tax expense as per the income statement	**(74)**	(75)
Represented by:		
Current tax	**(87)**	(83)
Deferred tax	**13**	8
Income tax expense as per the income statement	**(74)**	(75)
The deferred income tax benefit/(expense) comprises the following movement in temporary differences:		
Provision for ECL	**-**	6
Accelerated tax depreciation	**9**	2
Other provisions and accruals	**3**	-
Lease liabilities	**(2)**	1
Right-of-use assets	**3**	(1)
Total movement in temporary differences	**13**	8

Notes to the consolidated financial statements
continued

7. Income tax continued

Deferred tax

$ millions	30 June 25	30 June 24
Deferred tax		
Balance at beginning of the year	**65**	45
Charged to retained earnings[1]	**-**	(7)
Prior period adjustment	**3**	(3)
Credited to profit or loss	**10**	11
Credited to other comprehensive income	**9**	19
Balance at end of the year	**87**	65
Deferred tax assets		
Provision for ECL	**37**	37
Accelerated tax depreciation	**32**	23
Other provisions and accruals[1]	**11**	9
Lease liabilities	**23**	25
Cash flow hedges	**4**	-
Total deferred tax assets	**107**	94
Deferred tax liabilities		
Cash flow hedges	**-**	(5)
Right-of-use-assets	**(20)**	(23)
Other	**-**	(1)
Total deferred tax liabilities	**(20)**	(29)
Net deferred tax assets	**87**	65

[1] Comparative amounts have been restated. Refer to Note 1.6 for further details on the restatement of comparative amounts.

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

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.

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. Interest income, ECL and reversals are recognised in the income statement.

$ millions	30 June 25	30 June 24
Overdrafts	**252**	264
Credit cards	**339**	337
Term loans – housing[1]	**29,127**	26,711
Other term lending	**5,403**	4,542
Other lending	**816**	683
Gross loans and advances	**35,937**	32,537
Provision for ECL	**(124)**	(121)
Total net loans and advances	**35,813**	32,416
Residual contractual maturity:		
Current	**3,417**	2,884
Non-current	**32,396**	29,532

[1] Comparative amounts have been restated. Refer to Note 1.6 for further details on the restatement of comparative amounts.

Summary of lending

$ millions	30 June 25	30 June 24
Neither past due nor impaired[1]	**35,554**	32,195
Past due but not individually impaired	**337**	300
Individually impaired	**46**	42
Gross loans and advances	**35,937**	32,537
Provision for ECL	**(124)**	(121)
Net loans and advances	**35,813**	32,416

[1] Comparative amounts have been restated. Refer to Note 1.6 for further details on the restatement of comparative amounts.

Loans and advances past due but not individually impaired

$ millions	30 June 25	30 June 24
Past due less than 30 days	**154**	162
Past due 30 – 59 days	**64**	39
Past due 60 – 89 days	**26**	20
Past due 90 days or greater	**93**	79
Total loans and advances past due but not individually impaired	**337**	300

Notes to the consolidated financial statements

continued

9. Provision for expected credit losses

Accounting policy

The 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.

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 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.

*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 Group uses 30 days past due arrears as a backstop criteria for moving loans from stage 1 to stage 2.

Notes to the consolidated financial statements
continued

9. Provision for expected credit losses continued

Accounting policy continued

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 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 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 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 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 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 Group's procedures for recovery of amounts due.

Notes to the consolidated financial statements
continued

9. Provision for expected credit losses continued

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

Key inputs and assumptions

The modelled provision for ECL is an estimate of forward-looking losses based on the Group's view of four different economic scenarios. The Group'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 Group has adjusted the macroeconomic variables used in the ECL model based on current internal macroeconomic forecasts.

The Group's four macroeconomic scenarios have been updated for the year ended 30 June 2025 as follows:

- **Central scenario**: the 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 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	**30 June 25**	30 June 24
Central	**50%**	50%
Upside	**10%**	15%
Downside	**30%**	25%
Severe stress	**10%**	10%

Notes to the consolidated 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 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 total amount of other overlays at 30 June 2025 was $9m (30 June 2024: $8m). 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 27) 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 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.

	Year ended 30 June 25		Year ended 30 June 24	
$ 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 scenario ECL	**178**	**46**	178	49

The sensitivity outlined above represents the 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 consolidated financial statements
continued

9. Provision for expected credit losses continued

	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	30,899	1,484	112	42	32,537
Net transfers between stages	**(367)**	**274**	**62**	**31**	**-**
Additions	**10,244**	**329**	**13**	**8**	**10,594**
Deletions	**(6,685)**	**(403)**	**(61)**	**(17)**	**(7,166)**
Amounts written off	**-**	**(9)**	**(1)**	**(18)**	**(28)**
Gross carrying amount	**34,091**	**1,675**	**125**	**46**	**35,937**
Off-balance sheet credit commitments at 1 July 24	4,372	88	1	11	4,472
Net transfers between stages	**(39)**	**37**	**2**	**-**	**-**
Additions	**1,776**	**32**	**1**	**-**	**1,809**
Deletions	**(1,532)**	**(59)**	**(2)**	**(10)**	**(1,603)**
Off-balance sheet credit commitments	**4,577**	**98**	**2**	**1**	**4,678**

The increase of $3m in the provision for ECL on total exposures for the year ended 30 June 2025 reflects:

- remeasurement of ECL due to asset growth and exposures migrating to higher risk grade - corporate exposures (+$43m), residential mortgage loans (+$7m), and retail unsecured lending (+$2m);
- release of management overlays (including the interest repricing overlay) and model changes (-$20m);
- write-back of provision no longer required (-$9m); and
- amounts written off - corporate exposures (-$16m), residential mortgage loans (-$1m), and retail unsecured lending (-$3m).

Notes to the consolidated financial statements
continued

9. Provision for expected credit losses continued

Movement in provision for ECL

	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[1]					
Opening balance at 1 July 23	28,458	1,266	48	8	29,780
Net transfers between stages	(433)	347	31	55	-
Additions	8,616	217	57	4	8,894
Deletions	(5,742)	(342)	(24)	(24)	(6,132)
Amounts written off	-	(4)	-	(1)	(5)
Gross carrying amount	30,899	1,484	112	42	32,537
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	1,590	30	-	2	1,622
Deletions	(1,215)	(45)	(1)	(2)	(1,263)
Off-balance sheet credit commitments	4,372	88	1	11	4,472

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

[1] Comparative amounts for gross carrying amounts at 1 July 2023 and 30 June 2024 have been restated. Refer to Note 1.6 for further details on the restatement of comparative amounts

The increase of $21m in credit impairment provisions on total exposures for the year ended 30 June 2024 reflects:

- remeasurement of ECL due to asset growth, model changes and exposures migrating to higher risk grades (+$21m);
- changes to the macroeconomic scenarios and weightings and management overlays (-$3m);
- changes to judgemental overlays (-$8m); and
- an increase in individually assessed provisions (+$16m), partly offset by balances that were either written-back or written off (-$5m).

Notes to the consolidated financial statements
continued

10. Credit quality

The 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 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 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 11) 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.

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

Notes to the consolidated financial statements
continued

10. Credit quality continued

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

	30 June 25				
	Stage 1	Stage 2	Stage 3		
$ millions	**Collectively assessed**	**Collectively assessed**	**Collectively assessed**	**Individually assessed**	**Total**
Strong	**32,349**	**-**	**-**	**-**	**32,349**
Satisfactory	**6,310**	**1,381**	**-**	**-**	**7,691**
Weak	**9**	**392**	**-**	**-**	**401**
Credit impaired	**-**	**-**	**128**	**46**	**174**
Total credit exposure by risk grade	**38,668**	**1,773**	**128**	**46**	**40,615**

	30 June 24				
	Stage 1	Stage 2	Stage 3		
$ millions	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	Total
Strong[1]	28,907	-	-	-	28,907
Satisfactory	6,350	1,348	-	-	7,698
Weak	14	224	-	-	238
Credit impaired	-	-	113	53	166
Total credit exposure by risk grade	35,271	1,572	113	53	37,009

[1] Comparative amounts have been restated. Refer to Note 1.6 for further details on the restatement of comparative amounts.

Credit quality of investment securities

All investment securities held by the 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 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 21).

The identified impairment charge for all other financial assets, excluding loans and advances, was immaterial.

Notes to the consolidated financial statements
continued

11. Concentration of credit risk

Maximum exposure to credit risk

The table below represents the maximum net credit risk exposure of the Group at 30 June 2025 and 30 June 2024. The exposures set out are based on net carrying amounts as reported in the balance sheet.

	30 June 2025			30 June 2024		
$ millions	**On-balance sheet financial assets**	**Off-balance sheet commitments**	**Maximum exposure to credit risk**	On-balance sheet financial assets	Off-balance sheet commitments	Maximum exposure to credit risk
Cash and cash equivalents	**1,059**	**-**	**1,059**	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[1]	**35,937**	**4,678**	**40,615**	32,537	4,472	37,009
Other financial assets	**32**	**-**	**32**	47	-	47
Subtotal	**40,508**	**4,678**	**45,186**	36,404	4,472	40,976
Less provision for ECL	**(124)**	**(8)**	**(132)**	(121)	(8)	(129)
Total	**40,384**	**4,670**	**45,054**	36,383	4,464	40,847

[1] Comparative amounts have been restated. Refer to Note 1.6 for further details on the restatement of comparative amounts.

Collateral management on loans and advances

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

The 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 Group's lending portfolios is outlined below.

	30 June 2025				30 June 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]	**33,357**	**99.6%**	**0.4%**	**-**	30,668[4]	99.4%	0.6%	-
Corporate exposures[3]	**6,039**	**53.4%**	**14.6%**	**32.0%**	5,117	54.1%	11.0%	34.9%
Total	**40,615**				37,009			

[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.

[4] Comparative amounts have been restated. Refer to Note 1.6 for further details on the restatement of comparative amounts.

Collateral on credit-impaired assets

As at 30 June 2025, 47.6% of the 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 consolidated financial statements
continued

12. 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 Group in the management of its short-term commitments.

$ millions	30 June 25	30 June 24
Cash in hand	**6**	5
Cash with central bank	**975**	923
Call and overnight advances to financial institutions	**78**	77
Total cash and cash equivalents	**1,059**	1,005

13. 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	30 June 25	30 June 24
Collateral paid	**129**	95
Total due from other financial institutions	**129**	95

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

14. 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.

$ millions	30 June 25	30 June 24
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.

The fair value of investment securities pledged under repurchase agreements is nil for the year ended 30 June 2025 (2024: nil).

Notes to the consolidated financial statements
continued

15. 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 Group receives cash in exchange. The counterparty has an obligation to return the collateral at the maturity of the contract. The 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	30 June 25	30 June 24
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

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 Kiwibank 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 22) 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 22) for further information.

Notes to the consolidated financial statements
continued

16. 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	30 June 25	30 June 24
Deposits not bearing interest	**4,122**	3,808
On demand deposits	**7,599**	7,114
Term deposits	**18,603**	17,221
Total deposits from customers	**30,324**	28,143
Residual contractual maturity:		
Current	**29,232**	27,400
Non-current	**1,092**	743

All deposits held are liabilities of Kiwibank. In the event of the liquidation of Kiwibank, deposit holders will rank equally with all other creditors of Kiwibank but ahead of holders of subordinated debt and perpetual preference shares issued by Kiwibank, and the shareholders. 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.

17. 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 20) 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 of Kiwibank 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 22).

$ millions	30 June 25	30 June 24
Short-term debt		
Commercial paper	**690**	-
Certificates of deposit	**170**	244
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	30 June 25	30 June 24
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 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).

Notes to the consolidated financial statements
continued

18. Subordinated debt

Accounting policy

Subordinated debt issues are initially measured at fair value less incremental direct transaction costs, and subsequently measured at their 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 20) for the accounting policy including fair value hedge adjustments.

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

$ millions	30 June 25	30 June 24
Subordinated notes	**475**	473
Fair value hedge adjustments	**2**	(15)
Total subordinated debt	**477**	458

During the year ended 30 June 2025, the 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).

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	30 June 25	30 June 24
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

19. Fair value of financial instruments

Accounting policy

The 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 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 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.

	30 June 25			
$ millions	**Amortised cost**	**FVOCI**	**FVTPL[1]**	**Total**
Cash and cash equivalents	1,059	-	-	1,059
Due from other financial institutions	129	-	-	129
Investment securities	-	3,055	-	3,055
Loans and advances	35,813	-	-	35,813
Derivative financial instruments	-	-	296	296
Other financial assets	32	-	-	32
Total financial assets	**37,033**	**3,055**	**296**	**40,384**
Due to other financial institutions	437	-	-	437
Deposits	30,324	-	-	30,324
Derivative financial instruments	-	-	324	324
Debt securities issued	5,693	-	-	5,693
Subordinated debt	477	-	-	477
Other financial liabilities	175	-	-	175
Total financial liabilities	**37,106**	**-**	**324**	**37,430**

19. Fair value of financial instruments continued

	30 June 24			
$ 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
Loans and advances[2]	32,416	-	-	32,416
Derivative financial instruments	-	-	162	162
Other financial assets	47	-	-	47
Total financial assets	33,563	2,658	162	36,383
Due to other financial institutions	1,109	-	-	1,109
Deposits	28,143	-	-	28,143
Derivative financial instruments	-	-	196	196
Debt securities issued	3,798	-	-	3,798
Subordinated debt	458	-	-	458
Other financial liabilities	173	-	-	173
Total financial liabilities	33,681	-	196	33,877

[1] FVTPL includes derivatives held for trading; refer to 'Derivative financial instruments and hedging activities' (Note 20).

[2] Comparative amounts have been restated. Refer to Note 1.6 for further details on the restatement of comparative amounts.

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 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:

	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 consolidated financial statements
continued

19. 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 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 Group'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 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.

	30 June 25					30 June 24				
$ 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[1]	**-**	**-**	**35,889**	**35,889**	**35,813**	-	-	32,265	32,265	32,416
Financial liabilities at amortised cost										
Deposits	**-**	**-**	**30,366**	**30,366**	**30,324**	-	-	28,154	28,154	28,143
Debt securities issued	**-**	**5,732**	**-**	**5,732**	**5,693**	-	3,814	-	3,814	3,798
Subordinated debt	**-**	**477**	**-**	**477**	**477**	-	459	-	459	458

[1] Comparative amounts have been restated. Refer to Note 1.6 for further details on the restatement of comparative amounts.

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 consolidated financial statements
continued

20. Derivative financial instruments and hedging activities

Accounting policy

The Group uses derivatives as part of its asset and liability management activities to manage exposures to interest rates 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 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 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 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 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 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.

20. Derivative financial instruments and hedging activities continued

The Group's approach to managing market risk, including interest rate and foreign exchange risk, is discussed in 'Risk management' (Note 27).

The 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 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 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 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 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 on hand 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 presents the fair value of derivative instruments:

	30 June 25			30 June 24		
		Fair values			Fair values	
$ millions	**Notional amount**	**Assets**	**Liabilities**	Notional 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 consolidated financial statements
continued

20. Derivative financial instruments and hedging activities continued

Derivatives held for trading

$ millions	30 June 25 Notional amount	30 June 25 Fair values Assets	30 June 25 Fair values Liabilities	30 June 24 Notional amount	30 June 24 Fair values Assets	30 June 24 Fair values 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 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 Group, the 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 Group considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Group evaluates whether the fair value of the hedged item and the hedging instrument are effectively correlated to similar risks.

The 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.

Hedge accounting strategies:

- 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 18)) and medium-term notes (refer to ‘Debt securities issued’ (Note 17)).
- 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 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.

Notes to the consolidated financial statements
continued

20. Derivative financial instruments and hedging activities continued

Interest and foreign exchange derivatives

The interest and foreign currency risk arising from the Group's foreign currency 'Debt securities issued' (Note 17) 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:

- 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 Group's foreign currency debt securities issued.

Foreign exchange derivatives

The foreign currency risk arising from the Group's foreign currency expenses is hedged using forward foreign exchange contracts. Under these contracts, the Group 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 continuing fair value and cash flow hedge relationships.

		30 June 25					
		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)

20. Derivative financial instruments and hedging activities continued

$ millions	Hedged risk	30 June 24					
		Notional amount				Fair value	
		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).

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 Group's hedged items and hedging instruments used for calculating hedge ineffectiveness.

$ millions	Hedged risk	30 June 25		30 June 24	
		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

Notes to the consolidated financial statements
continued

20. Derivative financial instruments and hedging activities continued

Hedged items in fair value hedge relationships

The following table sets out the Group's hedged items in fair value hedge accounting 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).

		30 June 25		30 June 24	
$ 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

Cash flow hedge reserve

The table below sets out the movements in the 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):

	30 June 25			30 June 24		
	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 consolidated financial statements
continued

21. Offsetting financial assets and financial liabilities

Accounting policy

The 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 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, they generally do not result in net settlement in the ordinary course of business. Consequently, the 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 Group has an arrangement to settle New Zealand dollar interest rate swaps and overnight indexed swaps via a CCP. The 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 Group's financial position. This includes the effect or potential effect of rights of set-off associated with the 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 set off 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.

		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	20	**296**	**-**	**296**	**(222)**	**(64)**	**10**
Total		**296**	**-**	**296**	**(222)**	**(64)**	**10**
Derivative financial liabilities	20	**324**	**-**	**324**	**(222)**	**(88)**	**14**
Repurchase agreements[1]		**353**		**353**	**(353)**		**-**
Total		**677**	**-**	**677**	**(575)**	**(88)**	**14**

		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	20	162	-	162	(137)	(21)	4
Total		162	-	162	(137)	(21)	4
Derivative financial liabilities	20	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 15) for further details.

Notes to the consolidated financial statements
continued

22. 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 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 value of the RMBS pool 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 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 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 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 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 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 value of the Covered Bond Trust pool 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 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 Group).

Repurchase agreements

The 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 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 Group but has an obligation to return the collateral at the maturity of the contract. The 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 within the Group). In addition, it recognises a financial liability for cash received which is included in 'Due to other financial institutions' (Note 15).

As at 30 June 2025, the 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 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 15) for further information.

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

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

Funds management

A subsidiary of the Group, Kiwibank Investment Management Limited, is the issuer and manager (the "**Manager**") for the Kiwibank PIE Unit Trust (the '**PIE Unit Trust**'). The PIE Unit Trust was established in May 2008 and operates three funds: the PIE Term Deposit Fund, the Notice Saver Fund and PIE Online Call Fund. Public Trust is the Supervisor and Kiwibank is the promoter of the PIE Unit Trust. Units in the PIE Unit Trust do not directly represent deposits or liabilities of the Group; however, the PIE Unit Trust is invested exclusively in term and on demand deposits bearing interest with Kiwibank (refer to Note 16). At 30 June 2025, a total of $7,293m of funds under management were invested in Kiwibank's products or securities (30 June 2024: $6,979m).

23. Intangible assets

Accounting policy

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the fair value of the purchase consideration over the fair value of the Group's share of the assets acquired and the liabilities (and contingent liabilities) assumed on the date of the acquisition.

Computer software

Internally developed software assets expected to generate net economic benefits beyond 12 months are recognised as intangible assets. The cost of software assets primarily includes the cost of all direct labour on the project, and an appropriate proportion of variable and fixed overheads. Software intangible assets are amortised over their estimated useful lives (primarily three to ten years).

Testing for impairment

The Group tests intangible assets for impairment:

- at least annually for indefinite life intangible assets, intangible assets not yet available for use and goodwill; and
- where there is an indication that the intangible asset may be impaired (which is assessed at least each reporting date); or
- where there is an indication that previously recognised impairment (on assets other than goodwill) may have changed.

Assets are impaired if their recoverable amount is less than their carrying amount. An impairment loss is recognised in profit or loss for the difference. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ('**CGU**')).

Any impairment loss is recognised in the income statement as an operating expense. The expected useful life of intangible assets, including software assets, is reviewed on an annual basis.

Impairment testing of non-financial assets

Impairment testing involves a significant amount of estimation. This involves assessing the recoverable amount of the assets by calculating the higher of the value in use or fair value less costs of disposal ('**FVLCOD**').

The recoverable amount calculated under the value in use method includes cash flow projections that necessarily take into account changes in the market in which a business operates including the level of growth, competitive activity and the impacts of regulatory change. Determining both the cash flows and the risk-adjusted discount rate appropriate to the operating unit requires the exercise of judgement. The estimation of cash flows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding long-term sustainable cash flows.

The recoverable amount calculated under the fair value less cost of disposal method involves estimating the price a willing buyer would be prepared to pay to a willing seller less direct costs. The FVLCOD is estimated using a variety of methods including discounted cash flows, earnings multiples and net tangible asset multiples. In addition to estimating cash flows, the risk-adjusted discount rate, and future maintainable earnings, this approach uses observable market inputs for trading multiples of similar entities. All of these inputs require judgement and have an impact on the estimated FVLCOD.

The assessment of impairment requires judgement to be applied and consideration of a number of factors including but not limited to: changes in business strategy, technology, regulations, and customer preferences or requirements.

Impairment of goodwill

Testing goodwill for impairment involves a significant amount of estimation. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition.

Notes to the consolidated financial statements
continued

23. Intangible assets continued

$ millions	**Year ended 30 June 25**	Year ended 30 June 24
Goodwill	**20**	20
Computer software[1 2]	**13**	22
Other[3]	**6**	2
Total intangible assets	**39**	44

[1] $12m of 'Computer software' is internally generated (30 June 2024: $21m).

[2] There were no additions or transfers to 'Computer software' for the year ended 30 June 2025 (2024: additions of $1m and transfers of $1m).

[3] Brands and acquired customer relationships.

Impairment testing of goodwill

Goodwill is allocated to operations according to the CGU as follows:

$ millions	**30 June 25**	30 June 24
The New Zealand Home Loan Company Limited	**18**	18
Link Financial Group	**2**	2
Total net book value of goodwill	**20**	20

The New Zealand Home Loan Company Limited CGU *('**NZHL CGU**')*

The NZHL CGU provides agency services for mortgage lending and insurance through NZHL. The recoverable amount of NZHL is based on fair value less costs of disposal FVLCOD calculations. The methodologies used by the Group contain unobservable inputs and are considered level 3 in the fair value hierarchy. Judgement is required in determining whether key assumptions used in projections are reasonable.

The key inputs and assumptions used by management when determining the recoverable amount are detailed in the table below.

Key inputs	
Forecast period and projections	Five years.
Revenue growth	Represents the Group's view of short-term growth in net revenue. This is the average annual growth in net revenue over the forecast period.
Terminal growth rate	Represents the Group's view of long-term growth of the CGU. This rate is consistent with forecast CPI growth and population growth.
Discount rate	Incorporates market-observable inputs where possible including relevant comparable market risk premiums and risk-free rates.

Key assumptions	**30 June 2025**	30 June 2024
Revenue growth	**4.5%**	4.2%
Terminal growth	**3.0%**	3.0%
Discount rate	**14.0%**	14.2%

CGU carrying amount did not exceed the recoverable amount and therefore no impairment of non-financial assets is recognised.

Revenue growth is a key assumption reflected in the financial forecasts. The break-even rate of annualised revenue growth is 3.0% (30 June 2024: 3.6%) (below which impairment would be recognised if all other assumptions remain unchanged).

Notes to the consolidated financial statements
continued

23. Intangible assets continued

Sensitivity analysis

The table below summarises the effect of a reasonably possible change in the key assumptions for the NZHL CGU. The impact reflects the change in the calculated recoverable amount and impairment of goodwill.

$ millions	30 June 25		30 June 24	
	Change in recoverable amount	**Impairment**	Change in recoverable amount	Impairment
Net revenue cash flows[1] [-10% p.a.]	**(14)**	**6**	(13)	9
Terminal growth rate [-1%]	**(2)**	**-**	(2)	-
Discount rate [+1%]	**(3)**	**-**	(3)	-

[1] Net revenue cash flows (calculated assuming 4.5% annual revenue growth as shown in table above) have been reduced by 10%.

*Link Financial Group CGU (‘**LFG CGU**’)*

The LFG CGU provides advisor services for mortgage lending and insurance. The recoverable amount of the LFG CGU is based on FVLCOD calculations. The methodologies used by the Group contain unobservable inputs and are considered level 3 in the fair value hierarchy. Judgement is required in determining whether key assumptions used in projections are reasonable. No assumptions were considered material for the Group.

No impairment of non-financial assets was recognised for LFG based on the recoverable amount from the FVLCOD calculations exceeding the carrying amount of the CGU. A reasonably possible change in assumptions would not result in impairment.

24. 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 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 Group has satisfied the related performance obligations, a contract liability is recognised.

Lease liabilities

At the commencement date of the lease, the 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 Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. The Group’s leases primarily relate to property leases for corporate offices and retail branch sites that are either direct leases or subleases.

24. Other liabilities continued

$ millions	30 June 25	30 June 24
Trade and other payables	**32**	35
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	**87**	95
Trail commission payable	**50**	39
Other liabilities	**20**	22
Total other liabilities	**297**	273
Residual contractual maturity:		
Current	**189**	164
Non-current	**108**	109

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.

Movement in provisions

	30 June 2025			30 June 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 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.

Lease liabilities

	30 June 2025			30 June 2024		
$ millions	**Property**	**Other**	**Total**	Property	Other	Total
Opening balance	**91**	**4**	**95**	87	4	91
Additions/(disposals)	**8**	**1**	**9**	16	3	19
Accretion of interest	**2**	**-**	**2**	3	-	3
Payments	**(17)**	**(2)**	**(19)**	(15)	(3)	(18)
Closing balance	**84**	**3**	**87**	91	4	95

25. Equity

Accounting policy

Share capital

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs.

Non-controlling interests

Perpetual preference shares are recognised at the amount paid up per perpetual preference share, net of directly attributable issue costs.

Discretionary distributions made in respect of perpetual preference shares are recognised as a liability in the consolidated financial statements in the reporting period in which the distribution is approved and are recognised as deductions from equity.

Equity attributable to the non-controlling interests of Link Financial Group.

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 authorised number of ordinary shares in the Parent at the reporting date was 2,107.9 million (30 June 2024: 2,107.9 million). All issued ordinary shares are fully paid. 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. Of the issued ordinary share capital, 50% is owned by the Minister of Finance and 50% is owned by the Minister for State-Owned Enterprises. No dividends were paid during the year on ordinary shares (2024: nil).

Perpetual preference shares

Non-controlling interests at the end of the year include 505 million perpetual preference shares ('**PPS**') issued by Kiwibank, net of directly attributable issue costs, and $1m relating to the non-controlling interests of Link Financial Group.

The PPS were issued in two tranches, November 2021 and October 2024 for the purpose of helping Kiwibank meet the RBNZ's Banking Prudential Requirements as the PPS qualify as Additional Tier 1 capital for the Banking Group 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). Of these shares, 20 million have been acquired by the Parent in October 2024. All issued PPS are fully paid and do not carry any voting rights. The PPS are classified as equity instruments within the Banking Group 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.

Distributions to holders of the PPS are payable quarterly at the discretion of the directors of Kiwibank and are non-cumulative. Kiwibank must not resolve to pay any dividend to KGCL or make any other distribution on its ordinary shares until the next preference distribution payment date if the directors elect not to pay a distribution on the PPS. For the year ended 30 June 2025, the Group paid a dividend of 3.69 cents per share (30 June 2024; 3.55 cents per share).

$ millions	30 June 25	30 June 24
Opening balance	**248**	247
Issuance of perpetual preference shares (net of issue costs)	**251**	-
Profit after tax attributed to non-controlling interests	**15**	10
Distributions to holders of perpetual preference shares	**(15)**	(9)
Closing balance	**499**	248

Notes to the consolidated financial statements
continued

25. Equity continued

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 forecasted transaction.

$ millions	30 June 25	30 June 24
Opening balance	**15**	152
Gross changes in fair value	**(77)**	61
Tax on changes in fair value	**22**	(12)
Cumulative losses transferred to the income statement	**28**	(252)
Tax effect of items transferred to the 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	30 June 25	30 June 24
Opening balance	**(21)**	(50)
Gross changes in fair value	**65**	39
Tax on changes in fair value	**(18)**	(11)
Cumulative losses transferred to the income statement	**-**	1
Closing balance	**26**	(21)

Capital management

The primary objective of the Group's capital management policy is to ensure that it continues as a going concern and to maintain optimal returns to shareholders. The Parent does not have any externally imposed capital requirements.

The Banking Group is subject to capital requirements imposed by the RBNZ. The primary objective of the Banking Group's capital management policy is 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. The Banking Group manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, Kiwibank may adjust the amount of dividend payment to its shareholder, return capital to its shareholder or issue capital securities.

A series of increases in the Banking Group's 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 of Kiwibank.

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, the Tier 1 capital ratio requirement increased from 6% to 7% and the 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.

26. Related parties

Accounting policy

The 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 Group if it is controlled by the Group. The definition of control is outlined in Note 1.2.

At the reporting date, the consolidated financial statements of the Group includes the Parent and the following controlled entities:

		Equity interest	
Name of entity	**Principal activity**	**30 June 25**	30 June 24
Kiwi Group Capital Limited	Parent entity	-	-
Kiwibank Limited	Registered bank	100%	100%
The New Zealand Home Loan Company Limited	Provision of mortgage and insurance services	100%	100%
NZHL Holdings Limited[1]	Provision of mortgage and insurance services	100%	100%
NZHL Mortgage Advisory Limited[1]	Provision of mortgage and insurance services	100%	100%
Advice Link (NZ) Limited[2]	Provision of customer relationship management software platform	60.5%	60.5%
Link Advisory Services Limited[2]	Provision of insurance services	75.5%	75.5%
Link Financial Group 2022 Limited[2]	Provision of mortgage and insurance aggregation services	75.5%	75.5%
Insurance Link General Limited[2]	Provision of insurance services	38.5%	38.5%
Kiwibank Investment Management Limited	Provision of investment management services	100%	100%
Kiwibank PIE Unit Trust[3] (‘**PIE Unit Trust**’)	Managed portfolio investment entity	-	-
Kiwibank RMBS Trust Series 2009-1[3]	Securitisation finance entity	-	-
Kiwi Covered Bond Trust[3]	Securitisation finance entity	-	-

[1] These entities are part of NZHL Group. NZHL Holdings Limited was incorporated on 3 November 2022. NZHL Mortgage Advisory Limited was incorporated on 24 March 2023.

[2] These entities are part of the Link Financial Group and NZHL Group. Advice Link (NZ) Limited was acquired on 30 November 2022. Link Financial Group 2022 Limited, Link Advisory Services Limited and Insurance Link General Limited were acquired on 17 April 2023.

[3] The Group consolidates the PIE Unit Trust, the Kiwibank RMBS Trust Series 2009-1, and the Kiwi Covered Bond Trust on the basis that it is deemed to control these entities.

All entities have a reporting date of 30 June and are incorporated and/or domiciled in New Zealand.

Transactions with related entities

For the year ended 30 June 2025, there were no material transactions with related entities (2024: nil).

Transactions with other government-related entities

The 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 Group has a commercial arrangement with Air New Zealand Limited (an entity controlled by the Crown) in relation to credit card loyalty programmes.

Refer to ‘Equity’ (Note 25) for details of dividends paid to shareholders.

26. Related parties continued

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 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 members of the Parent and Kiwibank, and members of the senior executive team of the Parent and Kiwibank.

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

$ millions	Year ended 30 June 25	Year ended 30 June 24
Salaries and short-term benefits	**9**	10
Long-term benefits	**3**	2
Termination benefits	**-**	1
Total key management personnel compensation	**12**	13

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

$ millions	30 June 25	30 June 24
Loans to key management personnel[1]	**4**	2
Deposits from key management personnel[1]	**3**	4

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

Long-term benefits

During the year ended 30 June 2021, Kiwibank entered into a cash-based long-term incentive scheme ('**LTI**') with members of its Executive Committee ('**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 24) in the balance sheet (30 June 2024: $5m).

During the year ended 30 June 2025, Kiwibank 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 24) in the balance sheet (30 June 2024: nil).

Notes to the consolidated financial statements
continued

27. Risk management

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

The 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. Risks are primarily managed at the Kiwibank and NZHL Board and Board committee levels with KGCL Board providing further oversight.

1. Liquidity and funding risk

Liquidity risk is the risk that the 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 Group accesses domestic and global debt capital markets to fund its business, together with customer deposits. Amounts the 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 Group's funding and liquidity position, increase the cost of funding, limit the Group's ability to replace maturing liabilities in a timely manner or maintain a high-quality portfolio of liquid assets. The 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 Kiwibank 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 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 Group through the stress event.

Management of liquidity and funding risks is documented in the Liquidity Management Standard and Funding Plan approved by Kiwibank's Asset and Liability Committee ('**ALCO**'). The Funding Plan is prepared as part of Kiwibank's 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 Kiwibank, including credit ratings. Under normal business conditions, the Banking Group seeks to satisfy the majority of its funding needs from retail liabilities.

Kiwibank's 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

Measuring and monitoring liquidity and funding risk is primarily performed at the Banking Group level. 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.

Kiwibank's 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 28) for further details of the Group's liquid assets and a maturity analysis of the non-derivative financial liabilities.

27. 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 '9. Strategic risk' for information on how the Group monitors, assesses and manages climate-related credit risk.

Kiwibank's Audit & Risk Committee ('**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 Kiwibank Board. The Kiwibank 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 Kiwibank's Executive Risk Committee ('**ERC**'), with regular ongoing management of the CRMF being the responsibility of Kiwibank's 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 10) 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 an 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 Kiwibank's Internal Audit function.

27. 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) explains 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 other note disclosures relevant to credit risk management

Loans and advances	**Note 8**	Analysis of asset quality by past due assets.
Provision for expected credit losses	**Note 9**	Accounting policy for provision for ECL and analysis of asset quality by ECL stage.
Credit quality	**Note 10**	Explanation of the portfolio structure and internal customer credit rating system and classification of exposures by risk grade.
Concentrations of credit risk	**Note 11**	Analysis of concentrations of credit risk and further details of the level of collateral held against exposures.
Offsetting financial assets and financial liabilities	**Note 21**	Further description of relevant policies and processes the Group follows for on- and off- balance sheet netting and the extent of netting that applies.

3. Market risk

Market risk is defined as the risk of the 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 Group is exposed to market risk from customers' borrowing and deposit preferences, liquidity and funding management, and customer generated flow. Kiwibank's **ALCO** has management oversight for the market risk management framework and policy. Kiwibank's Market Risk Policy sets out the requirements for the governance and management of market risk, in line with the Kiwibank Board-approved market risk appetite. The Kiwibank 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.

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 the Kiwibank 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).

Notes to the consolidated financial statements
continued

27. Risk management continued

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.

Interest rate sensitivity

The table below summarises the sensitivity to changes in interest rates in the Group's 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 Group does not carry any material net foreign currency exposure.

Equity risk

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

4. Capital risk

Capital risk is the risk that the Group has insufficient capital to allow strategic initiatives to be undertaken or to maintain the level of capital required by prudential regulators and other key stakeholders such as shareholders, debt investors, depositors, and rating agencies.

The Group's capital management strategy seeks to ensure the Group is adequately capitalised while recognising capital is often an expensive form of funding or insurance. The Group seeks to maintain and acquire capital in an economically effective 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 for Kiwibank.

The Banking Group undertakes the Internal Capital Adequacy Assessment Programme ('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 Kiwibank's Senior management and the Kiwibank Board.

The Kiwibank 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 Kiwibank Board and Senior management actively monitor the Banking Group's reported actual and forecast capital ratios against these limits.

Refer to 'Equity' (Note 25) for further detailed analysis of the Group's capital position.

5. 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. At the Banking Group level, an independent team in the Kiwibank Risk function oversees the model risk management framework and model risk policy, which sets the foundation for managing and mitigating model risk.

6. 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 Group's IT systems and applications.

Notes to the consolidated financial statements
continued

27. Risk management continued

Operational risk is inherent in the 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.

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

- Operational risk management relies on the support and participation of all Group employees. Senior management is accountable to the Board for maintaining an effective control environment that is commensurate with the 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 Group's operations depend on technology. The reliability, resilience, and security of the Group's information technology systems and infrastructure are essential to the effective operation of its business.

The Group's information technology systems and infrastructure could potentially be disrupted for reasons including technical failure, third-party failure and human error. The 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 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 Group's competitive position, all of which could have an adverse impact on the Group's financial performance and position.

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

Disruption events may adversely impact the Group's operations

The 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 Group relies on. Business disruption could impact the 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 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.

7. 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 Group's business and operations.

Compliance risk is managed through the relevant policies, frameworks and standards developed at the Banking Group and NZHL group level.

8. Financial crime risk

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

The Banking Group's 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 consolidated financial statements
continued

27. Risk management continued

9. Strategic risk

Strategic risk is the risk that the Group fails to:

- deliver the winning aspirations, 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 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.

While the strategy is set over a multi-year horizon, management and the Boards 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 Banking Group's Business Plan outlining the upcoming year's financial plan, and Objectives and Key Results ('**OKR**') is approved by the Kiwibank 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. Kiwibank's Management and the Kiwibank 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 delivery and execution risk

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

The 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.

ESG and climate risk cuts across several areas of risk. 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 Kiwibank 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.

28. Liquidity

Liquid assets portfolio

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

Kiwibank also holds unencumbered internal residential mortgage-backed securities which would entitle the 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 22) for more detail.

$ millions	30 June 25	30 June 24
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.

Maturity analysis of financial liabilities

The following tables present the 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 Group does not manage liquidity risk based on the information provided below.

	30 June 25						
$ 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	**(11,803)**	**(8,061)**	**(9,606)**	**(1,230)**	**-**	**(30,700)**	**(30,324)**
Debt securities issued	**-**	**(1,128)**	**(687)**	**(4,060)**	**(447)**	**(6,322)**	**(5,693)**
Lease liabilities	**-**	**(6)**	**(13)**	**(50)**	**(31)**	**(100)**	**(87)**
Other financial liabilities	**-**	**(44)**	**(11)**	**(32)**	**(1)**	**(88)**	**(88)**
Subordinated debt	**-**	**(5)**	**(19)**	**(112)**	**(521)**	**(657)**	**(477)**
Total	**(11,816)**	**(9,640)**	**(10,340)**	**(5,509)**	**(1,000)**	**(38,305)**	**(37,106)**
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	**(4,476)**	**-**	**-**	**-**	**-**	**(4,476)**	
Total	**(4,678)**	**-**	**-**	**-**	**-**	**(4,678)**	

Notes to the consolidated financial statements
continued

28. Liquidity continued

$ millions	On demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	Over 5 years	Gross nominal inflow/ outflow	Carrying amount
	30 June 24						
Non-derivative cash flows							
Financial liabilities							
Due to other financial institutions	(68)	(382)	(362)	(330)	-	(1,142)	(1,109)
Deposits	(11,041)	(7,642)	(9,062)	(854)	-	(28,599)	(28,143)
Debt securities issued	-	(561)	(246)	(3,527)	-	(4,334)	(3,798)
Lease liabilities	-	(5)	(13)	(54)	(36)	(108)	(95)
Other financial liabilities	-	(43)	(9)	(26)	-	(78)	(79)
Subordinated debt[1]	-	(5)	(14)	(113)	(553)	(685)	(458)
Total	(11,109)	(8,638)	(9,706)	(4,904)	(589)	(34,946)	(33,682)
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	(4,329)	-	-	-	-	(4,329)	
Total	(4,472)	-	-	-	-	(4,472)	

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

Notes to the consolidated financial statements
continued

29. Auditor's remuneration

$ thousands	Year ended 30 June 25	Year ended 30 June 24
Audit and review of financial statements[1]	**2,684**	2,583
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	**2,868**	2,614

[1] Fees for the annual audit of the financial statements of the 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 Kiwibank Limited.

[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.

30. Capital expenditure commitments

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

31. 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 Group is subject to regulatory oversight and also 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 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 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 Group is obliged to make payments to a third party if a customer fails to fulfil its obligations under a contract.

31. Contingent liabilities and loan commitments continued

Contingent liabilities

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

Credit commitments

Credit commitments as at the reporting date are as follows:

$ millions	30 June 25	30 June 24
Letters of credit and performance-related contingencies	**202**	143
Loan commitments	**4,476**	4,329
Total undrawn credit commitments	**4,678**	4,472

32. Events after the reporting period

Kiwibank

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.

Statutory disclosures

Disclosures – Companies Act 1993

The following disclosures are for Kiwi Group Capital Limited and its subsidiaries ('**KGC Group**') for the year ended 30 June 2025.

Donations

During the year, KGC Group made donations of $50,219. No donations were made to political parties.

Remuneration bands

Section 211(1)(g) of the Companies Act 1993, as well as section 152(1)(c) of the Crown Entities Act 2004, requires disclosure of the number of employees or former employees of the Company whose remuneration and other benefits received by them during the year, in their capacity as employees, was equal to or exceeded $100,000 per annum and to state the number of employees or former employees in brackets of $10,000.

Remuneration includes base salary, incentive payments and other benefits, termination payments, and superannuation payments made to employees and former employees between 1 July 2024 and 30 June 2025 for KGC Group. Termination payments (i.e., redundancy compensation) to former employees are included where relevant. The information below relates to companies within the KGC Group as at 30 June 2025.

Band	KGC Group Total in band for year ended 30 June 25
$100,000-$109,999	171
$110,000-$119,999	174
$120,000-$129,999	142
$130,000-$139,999	141
$140,000-$149,999	137
$150,000-$159,999	134
$160,000-$169,999	116
$170,000-$179,999	98
$180,000-$189,999	71
$190,000-$199,999	68
$200,000-$209,999	54
$210,000-$219,999	47
$220,000-$229,999	26
$230,000-$239,999	18
$240,000-$249,999	27
$250,000-$259,999	17
$260,000-$269,999	11
$270,000-$279,999	14
$280,000-$289,999	8
$290,000-$299,999	10
$300,000-$309,999	9
$310,000-$319,999	5
$320,000-$329,999	4
$330,000-$339,999	4
$340,000-$349,999	7
$350,000-$359,999	2
$360,000-$369,999	2
$370,000-$379,999	5
$380,000-$389,999	2
$390,000-$399,999	2
$400,000-$409,999	3

Statutory disclosures

Remuneration bands continued

Band	KGC Group Total in band for year ended 30 June 25
$410,000-$419,999	2
$420,000-$429,999	5
$430,000-$439,999	2
$440,000-$449,999	3
$450,000-$459,999	1
$460,000-$469,999	1
$480,000-$489,999	3
$520,000-$529,999	1
$530,000-$539,999	2
$540,000-$549,999	2
$640,000-$649,999	1
$650,000-$659,999	1
$720,000-$729,999	1
$770,000-$779,999	1
$840,000-$849,999	1
$1,000,000-$1,009,999	1
$1,010,000-$1,019,999	1
$1,070,000-$1,079,999	1
$1,190,000-$1,199,999	1
$1,510,000-$1,519,999	1
$2,680,000-$2,689,999	1

Directors' fees and benefits

The total fees paid to members of the Kiwi Group Capital Limited Board during the year ended 30 June 2025 were $273,453[1].

David McLean (Chair)	$126,310
Sir Brian Roche (Ceased Directorship as at 30 October 2024)	$20,833
Rukumoana Schaafhausen	$63,155
Michael (Mike) Pohio	$63,155
Catherine Savage (Appointed Director as at 20 May 2025)[2]	$0

[1] These fees exclude GST (if any) and relate to the Kiwi Group Capital Limited Board only (including fees for Board committees).

[2] Payment of fees from the appointment date to 30 June 2025 totalled $6,993 and were paid after 30 June 2025.

Statutory disclosures

Directors of Kiwi Group Capital Limited subsidiaries

Director	Subsidiary	Total directors' fees and benefits paid during year ended 30 June 2025 (NZD)
Paul Barnes	NZHL Mortgage Advisory Limited	-
	NZHL Holdings Limited	-
	Link Advisory Services Limited	-
	Link Financial Group 2022 Limited	-
	Advice Link (NZ Limited)	-
	Insurance Link General Limited	-
Ian Blair	Kiwibank Limited	$120,000* * includes fees paid in role as member of the Audit & Risk Committee
Josua Bronkhorst	Link Advisory Services Limited	-
	Link Financial Group 2022 Limited	-
	Advice Link (NZ) Limited	-
	Insurance Link General Limited	-
Monique Cairns	The New Zealand Home Loan Company Limited (Deputy Chair)	$68,250* * includes fees paid as Deputy Chair and Directors' Continuing Professional Development allowance
Kirsty Campbell	The New Zealand Home Loan Company Limited	$57,000
Anna Curzon	Kiwibank Limited	$105,000
Paul Chambers	Kiwibank Investment Management Limited (Chair)	-
Mary Jane Daly	Kiwibank Limited	$135,000* *includes fees paid as Chair of the Audit & Risk Committee
Matthew Gilbert (Ceased Directorship as at 11 December 2024)	Advice Link (NZ) Limited	-
Kip Hanna	NZHL Mortgage Advisory Limited	-
	NZHL Holdings Limited	-
	Link Advisory Services Limited	-
	Link Financial Group 2022 Limited	-
	Advice Link (NZ) Limited	-
	Insurance Link General Limited	-
Jonathan (Jon) Hartley QSO	Kiwibank Limited (Chair)	$215,525* *includes fees paid as Board Chair and member of the Audit & Risk Committee and Directors' Continuing Professional Development allowance
Kate Jorgensen	Kiwibank Limited	$120,443* *includes fees paid as a member of the Audit & Risk Committee and Directors' Continuing Professional Development allowance
Jonathan Macdonald	Kiwibank Limited	$105,000

Statutory disclosures

Directors of Kiwi Group Capital Limited subsidiaries continued

Director	Subsidiary	Total directors' fees and benefits paid during year ended 30 June 2025 (NZD)
Kevin Malloy	Kiwibank Limited	$124,960*
		*includes fees paid as Chair of Remuneration, People and Culture Committee and Directors' Continuing Professional Development allowance
Doris Murphy	NZHL Holdings Limited	-
	Link Advisory Services Limited	-
	Link Financial Group 2022 Limited	-
	Advice Link (NZ) Limited	-
	Insurance Link General Limited	-
Scott Pickering	Kiwibank Limited	$105,000
Elliot Smith	Kiwibank Investment Management Limited	-
Robert (Rob) Smith	The New Zealand Home Loan Company Limited	$57,000
Richard Westlake	The New Zealand Home Loan Company Limited (Chair)	$100,000

Disclosure of interests by directors

No specific disclosures were given by directors pursuant to section 140(1) of the Companies Act 1993. The following are particulars of general disclosures of interest made by directors holding office as at 30 June 2025, pursuant to section 140(2) of the Companies Act 1993. Any changes to entries disclosed during the year to 30 June 2025 are noted in brackets for the purpose of section 211(1)(e) of the Companies Act 1993.

Director	Interest
David McLean	Trustee, Bibi McLean Trustee Limited
(Chair)	Director, FM Trustees 248 Limited
	Director, NZ Memorial Museum Trust
	Member of Council of Victoria University of Wellington
	Member, NACEW
	Chair, NZ Rail Corporation Ltd
	Chair, KiwiRail Holdings Limited (until July 2024)
Michael (Mike) Pohio	Chair, Rotoiti 15 Limited Partnership
	Chair, Mana Ahuriri Management Limited Partnership
	Director, Argosy Property Limited
	Settlor, Trustee and Beneficiary, Pohio Family Trust
	Settlor, Trustee and Beneficiary, 3PO Whanau Trust Limited
	Director, 4PO Limited
	Director, Whakapoungakau 24 Limited Partnership (from February 2025)
	Chair, Te Tawharau o Te Whakatohea (from January 2025)
Catherine Savage	Non-Executive Director, Beca Group Limited
	Director & indirect shareholder, Savage Group Limited & Subsidiaries
	Director & indirect shareholder, Savage Capital Holdings Limited & Subsidiaries
	Director, The Griffin Savage Company Limited
	Director & indirect shareholder, Industrial Distributors Limited
	Director & indirect shareholder Comrad Medical Systems Limited & Subsidiaries
	Director, New Zealand Rugby
	Director, New Zealand Rugby Commercial
Rukumoana Schaafhausen	Member, Department of Internal Affairs – Strategic Advisory Committee
	Member, Ministry of Housing and Urban Development – Strategic Advisory Committee
	Director, Watercare (June 2025)
	Director, Te Rau o te Korimako Limited
	Director, Alvarium Investments (NZ) Limited
	Director, Contact Energy Limited
	Shareholder and Director, Kaitiaki Guardian Services Limited

Statutory disclosures

Disclosure of interests by directors continued

Director	Interest
Rukumoana Schaafhausen (continued)	Trustee, Waikato Endowed Colleges Trust
	Trustee, The Tindall Foundation
	Trustee, The Prince's Trust New Zealand
	Director, Miro Trading GP Limited
	Director, Miro-Tupu Ake Limited
	Director, Hautupua GP Limited
	Director, Te Whata a Tamihana Limited
	Director, Te Waharoa Investments (GP) Limited
	Shareholder and Director, Schaafhausen Inc Limited
	Director, Waikato-Tainui Koiora Limited (until May 2025)
	Director, Alvarium Wealth (NZ) (February 2024)
	Director, Alvarium (NZ) Wealth Management Holdings Limited (February 2024)
	Director, Pathfinder Asset Management Limited (February 2024)

Subsidiary directors' disclosures

Director	Interest
Paul Barnes	Director, PMB Trustee Limited
Ian Blair	Director and Shareholder, Sapience Limited
	Director, WSP New Zealand
	Director and Shareholder, Blair Family Corporate Trustee Limited
	Director, Te Awa Kairangi Ki Uta Holdings Limited
	Committee member, Royal Auckland and Grange Golf Club
Josua Bronkhorst	Director and Shareholder, LG 2023 Limited
	Director and Shareholder, Bronkurst Property Group Limited
Monique Cairns	Executive Director and Shareholder, Caribou Consulting Limited
	Trustee, NZ Portrait Gallery
	Director, Harmoney Corp Limited
	Director, Ingenium NZ Ltd (from October 2024)
	Director, Younity Limited (from October 2024)
	Director and Independent Chair, 30 Seconds Group Limited (from May 2025)
	Director, 30 Seconds Limited
	Shareholder, Boatco R3500-5 Limited
Kirsty Campbell	Director and shareholder, Clarity Advisory Limited
	Independent Director and Chair, Enviro-Mark Solutions Limited
	Chair of Advisory Board, Polymer Group Limited
	Sole Director and shareholder, Ptarmigan Consulting Limited
	Panel Member, NZ Markets Disciplinary Tribunal
	Advisory Board Member, Guardian Angel Safety Limited
	Chair and Independent Director, Mitchell Vranjes Consulting Engineers Ltd (until April 2025)
	Director and Shareholder, Black Grouse Investments Limited
	Advisory Board member, ASAP Finance Limited
	Independent Director, Mercer (N.Z.) Limited (from April 2025)
	Director, Salt Investment Funds Ltd (until December 2024)
	Director, Salt Funds Management Ltd (until December 2024)
	Director, Ando Insurance Group Limited (until February 2025)
	Shareholder, Citizen Holdings Limited

Statutory disclosures

Subsidiary directors' disclosures continued

Director	Interest
Paul Chambers	Director, Port of Auckland Limited Director, Kiwibank Investment Management Limited
Anna Curzon	Member, APEC Business Advisory Council (ABAC) Director, Tickstar AB Chair, Director and Shareholder, Atomic.io Limited (Shareholder from March 2025 and Chair from June 2025) Director, Jade Software Corporation Limited Minority investor, The Curve Platform Adviser, various entities (adviser to various entities including but not limited to Generate Zero and Data Insight)
Mary Jane Daly	Director, Kiwi Property Group Limited (until June 2025) Trustee, The M J Daly Family Trust Trustee, The W Marshall Trust Trustee, The Declan Marshall Trust Chair, AIG Insurance New Zealand Limited Chair, Fonterra Shareholders Fund Management Company Limited Member, Risk and Advisory Committee – Ministry of Business, Innovation and Employment (MBIE) Chair and Director, Partners Life Limited (from December 2024)
Jonathan (Jon) Hartley QSO (Chair)	Trustee, Hartley Family Trust Director and Chair, Timberlands Limited Advisor, Wellington Diocesan Board of Trustees Director, Ngāi Tahu Holdings Corporation Limited
Kip Hanna	-
Kate Jorgensen	Director, Vero Liability Insurance Limited Director and Member of Audit & Risk Committee, Vero Liability Insurance Limited Director and Member of Audit & Risk Committee, Vero Insurance New Zealand Limited Director and Chair of Audit and Risk Committee, Chorus Limited and Chorus New Zealand Limited Trustee, Donovan Trust Director and Chair of Audit and Risk Committee, Southern Cross Medical Care Society (Director from February 2025 and Chair of Audit and Risk Committee from April 2025) Director and Member of Audit & Risk Committee, Asteron Life Limited (until January 2025)
Jonathan Macdonald	Director and Chair, Remuneration Committee, Sharesies Group Limited and Sharesies Limited Director, Sharsies Innovation Limited (from June 2025) Director, Sharsies Innovation Nominee Limited (from June 2025) Director and Chair, Membership Committee, Mitre 10 (New Zealand) Limited Director, Titan Parent New Zealand Ltd Director and Chair, People Committee, Contact Energy
Kevin Malloy	Vice chair, Halberg Disability Sport Foundation Director, KM54 Limited Director, NZ Cricket Board Director, Super Rugby Governance Board Advisor, Giltrap Motor Group Advisor, Harness Racing NZ Advisor, Genesis Energy
Doris Murphy	-

Statutory disclosures

Subsidiary directors' disclosures continued

Director	Interest
Scott Pickering	Director, Engage Consulting Limited Director, Insurance Australia Group (IAG) Director, IAG New Zealand Limited and IAG (NZ) Holdings Ltd Director, Bowls New Zealand Aotearoa Director, Fidelity Life Assurance Company Limited External Advisor, Bain International Inc. CGU Australia Pty Ltd (effective May 2025) NZ Healthcare HoldCo Limited & NZ Healthcare BidCo Limited. Trading as Evolution Healthcare (effective July 2024)
Elliot Smith	Director, Hessey Investment Limited Kiwibank Investment Management Limited Institute of Finance Professionals NZ Inc (INFINZ)
Robert (Rob) Smith	Director, Bizadvisor Limited Director, Te Aria Properties Akl Limited Director, Warren Street Developments Wanaka Ltd Director, Peak Properties Wanaka Limited Director and Chair, Bruto Group Limited
Richard Westlake (Chair)	Founder & Managing Director, Westlake Governance Limited President and Committee Member, Kāpiti Districts Aero Club Inc Chair, Hospice New Zealand Inc. Director and Interim Chair, Global Governance Advisory Pty Limited (from 1 May 2025)

Other disclosures made in the Interests Register

Use of company information	In accordance with section 145(3) of the Companies Act 1993, and with effect from 31 October 2016, Representative Directors on the Boards of Kiwi Group Capital Limited and its subsidiaries (including Kiwibank Limited and its subsidiaries) have been authorised to disclose Company Information to the Kiwi Group Capital Limited Shareholders in accordance with their respective company constitutions, and subject to conditions set out in the Board resolutions. Every other Director of Kiwibank Limited and Kiwi Group Capital Limited subsidiaries (including Kiwibank's subsidiaries) are authorised to pass all information that come into their possession as Directors, to the Kiwi Group Capital Limited Shareholders in accordance with their respective constitutions, subject to conditions set out in the Board resolutions.
Kiwibank only – Directors' Continuing Professional Development ('**CPD**')	On 20 September 2017, the Board approved a spend equivalent to 4.5% of each Director's annual remuneration towards ongoing Director education/development.
NZHL only	The NZHL board approved a budget allocation for NZHL Board Director development of $12,000 total ($5,000 Chair and ~$2,000 for other Directors)

Directors and employees' indemnity and insurance

Kiwi Group Capital Limited has insured the directors and officers of Kiwi Group Capital Limited and its subsidiaries against costs or liabilities of the type referred to in section 162(5) of the Companies Act 1993. Kiwi Group Capital Limited has also agreed to indemnify directors of Kiwi Group Capital Limited and its subsidiaries and Kiwi Group Capital Limited and subsidiary appointed directors of associate companies against any costs or liabilities of the type referred to in section 162(4) of the Companies Act 1993 that are incurred in any proceedings of the type referred to in section 162(3) of the Companies Act 1993.

Independent auditor's report

To the readers of Kiwi Group Capital Limited's consolidated financial statements for the year ended 30 June 2025.

The Auditor-General is the auditor of Kiwi Group Capital Limited and its controlled entities (collectively referred to as the "Group"). The Auditor-General has appointed me, Callum Dixon, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the consolidated financial statements of the Group on his behalf.

Opinion

We have audited the consolidated financial statements of the Group on pages 4 to 63, that comprise the balance sheet as at 30 June 2025, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the consolidated financial statements that include material accounting policy information and other explanatory information.

In our opinion the consolidated financial statements of the Group on pages 4 to 63:

- present fairly, in all material respects:
  - its financial position as at 30 June 2025; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards Accounting Standards ("IFRS Accounting Standards").

Our audit was completed on 28 August 2025. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the consolidated financial statements, we comment on other information, and we explain our independence.

Basis for opinion

We carried out 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 *Responsibilities of the auditor for the audit of the consolidated financial statements* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible on behalf of the Group for preparing consolidated financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Companies Act 1993, Public Finance Act 1989 and the Crown Entities Act 2004.

Responsibilities of the auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, 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 carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these consolidated financial statements.

We did not evaluate the security and controls over the electronic publication of the consolidated financial statements.

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. Also:

- We identify and assess the risks of material misstatement of the consolidated financial statements, 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.
- We 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 Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of 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 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 consolidated financial statements 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 Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We plan and perform the Group's audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of 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.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 3 and pages 64 to 70, but does not include the consolidated financial statements, and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.

Independence

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

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 Group on normal terms within the ordinary course of trading activities of the business. We have no other relationship with, or interests in, the Group.

PricewaterhouseCoopers

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

PricewaterhouseCoopers