

Statement of Performance Expectations

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For the year ending 30 June 2027

Final due 30 June 2026

Prepared in accordance with section 149C of the Crown Entities Act 2004



**Kiwi
Group
Capital**

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Statement of responsibility

This Statement of Performance Expectations is submitted by the Board of Directors of Kiwi Group Capital Limited (KGC), pursuant to the Crown Entities Act 2004.

This Statement of Performance Expectations sets out the forecast performance of the KGC Group (KGC) (made up of Kiwibank Limited (Kiwibank) and its subsidiaries, and The New Zealand Home Loan Company Limited (NZHL) and its subsidiaries). KGC is a for-profit entity incorporated and domiciled in New Zealand under the Companies Act 1993.

The KGC Group's prospective financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The KGC Group's audited accounts for the year ending 30 June 2026 will be prepared in accordance with NZ GAAP and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for for-profit entities, the Financial Markets Conduct Act 2013 and also comply with International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards) as issued by the International Accounting Standards Board (IASB).

For and on behalf of the Board,



David McLean
Director



Scott Pickering
Director

29 June 2026

Our purpose and approach

KGC was established in November 2022 as a holding company to oversee the investment in its subsidiaries Kiwibank and NZHL, and indirectly through those subsidiaries, to carry on and develop their businesses, including the provision of banking and financial services. The principal activities of the KGC Group are the provision of banking products and services to individuals and business customers through Kiwibank, and the distribution of products from providers of home loans, and other financial services products through NZHL.

KGC's Constitution establishes it as a commercial enterprise that:

- seeks to maximise long-term value and returns to the owner;
- is as profitable and efficient as comparable privately-owned businesses; and,
- exhibits a sense of social and environmental responsibility.

These are KGC's objectives for its subsidiaries, Kiwibank and NZHL.

For Kiwibank specifically, KGC also has the objective for it to be a sufficiently sized competitive alternative to any larger bank in New Zealand, capable of disrupting the market to the benefit of both banking customers and KGC's shareholders.

KGC is a Public Finance Act 1989, Schedule 4A Company. Under section 45OA of the Public Finance Act 1989, certain provisions of the Crown Entities Act 2004 apply to KGC as if it were a Crown entity company. KGC has a Board of Directors appointed by the Minister of Finance and the Minister for State-Owned Enterprises. KGC operates as an independent commercial entity on an arm's length basis from the Crown.

The Board is accountable to the Minister of Finance and the Minister for State-Owned Enterprises and is supported by a dedicated General Manager. Kiwi Group Capital also receives Company Secretariat resource and other shared services support from Kiwibank.

Reportable classes of output

KGC has no reportable classes of output for the financial year 2026/27.

Financial performance measures

The relevant financial performance measures are:

	Actual 2025	Forecast 2026	Forecast 2027
Profit after tax (\$m)	190	176	165
Cost to Income (CTI) ¹	68.7%	71.0%	74.0%
Return on Equity (RoE) ²	7.0%	5.8%	5.1%

¹CTI is calculated as operating expenditure divided by total revenue.

²RoE is calculated as annualised profit after tax less distributions to holders of perpetual capital divided by average equity.

Key forecast assumption

Official Cash Rate (OCR)

The OCR track is forecast based on external data and subject matter expert judgement. Market pricing at the time of preparing the Business Plan indicated OCR of 2.25% and then rising to 4.0% in FY29.

Lending growth

In FY27, Kiwibank's expected credit market growth rate for both home lending and business lending is 5.4%. Lending growth is a function of credit market growth and is assumed to grow in line with historical long run averages.

Deposit growth

Deposits provide funding to enable lending growth. Deposit growth is a function of lending growth and is assumed to grow in line with historical averages.

Inflation

Operating and capital expenditure forecasts take into account the level of inflation and wage inflation expected to the existing cost base. The rate of inflation and wage inflation is based on external forecasts.

The prospective financial statements are based on assumptions about future events and management actions that are expected to occur as at the date of approval. Actual results are likely to differ from the prospective financial statements, as anticipated events frequently do not occur as expected, and the variations may be material.

Prospective consolidated financial statements

Prospective Statement of comprehensive income

For the year ending 30 June 2027

\$ millions	2027
Operating income	1,002
Operating expenses	(741)
Profit before credit impairment and tax	261
Credit impairment charge	(30)
Profit before tax	231
Income tax expense	(66)
Profit after tax	165
Other comprehensive income, net of tax	(10)
Total comprehensive income	155

Prospective Statement of changes in equity

For the year ending 30 June 2027

\$ millions	2027
Equity at the start of the year	3,304
Profit after tax	165
Other comprehensive income, net of tax	(10)
Perpetual preference shares redeemed	(246)
Transactions with owners	(16)
Equity at the end of the year	3,197

Prospective Balance sheet

As at 30 June 2027

\$ millions	2027
Total assets	48,393
Total liabilities	45,196
Net assets	3,197
Equity	
Share capital	2,110
Reserves	836
Perpetual preference shares	251
Total equity	3,197

Prospective Cash flow statement

For the year ending 30 June 2027

\$millions	2027
Net cash flows from operating activities	(773)
Net cash flows from investing activities	(30)
Net cash flows from financing activities	811
Increase in cash and cash equivalents	8
Cash and cash equivalents at beginning of the year	1,082
Cash and cash equivalents at end of the year	1,090

Accounting policies

The accounting policies adopted in the preparation of these forecast consolidated financial statements are consistent with those followed in the preparation of the KGC Group's annual financial statements for the year ended 30 June 2025. Our accounting policies and standards are described in our Annual Report.

These forecast consolidated financial statements are general purpose financial statements prepared in accordance with NZ GAAP. They comply with NZ IFRS and other applicable Financial Reporting Standards that apply to for-profit entities, and the Companies Act 1993. These forecast consolidated financial statements also comply with IFRS Accounting Standards as issued by the IASB.

Critical accounting judgements, estimates and assumptions

The preparation of these forecast 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

KGC 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;
- the criteria under which exposures move between stages;
- 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.

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.