



Annual Report and Disclosure Statement

For the year ended 30 June 2026

Number 83



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General information

In this Disclosure Statement, unless the context requires otherwise:

- **'Banking Group'** means Kiwibank's financial reporting group, which consists of Kiwibank Limited, all of its wholly owned entities and all other entities consolidated for financial reporting purposes; and
- Words and phrases defined by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the **'Order'**) have the same meanings when used in this Annual Report and Disclosure Statement.

Details of incorporation

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

Registered office and address for service

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

Ultimate holding company

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

Voting securities and power to appoint directors

As at 30 June 2026, there are 962 million voting shares in the Bank. KGCL is the registered and beneficial holder of all voting shares in the Bank. KGCL and the Sovereign in right of New Zealand, acting by and through the Minister of Finance and the Minister for State-Owned Enterprises (the Crown) (as the ultimate parent of KGCL) are the only holders of a direct or indirect qualifying interest in the voting shares of the Bank.

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

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

Priority of creditors' claims

In the event of the liquidation of Kiwibank, claims of secured creditors and those creditors set out in Schedule 7 of the Companies Act 1993 would rank ahead of the claims of unsecured creditors. Customer deposits are unsecured and rank equally with other unsecured liabilities of the Bank, and such liabilities rank ahead of any subordinated instruments issued by the Bank. The priority of creditors is covered in 'Deposits' (Note 18), 'Debt securities issued' (Note 19), and 'Subordinated debt' (Note 20).

Guarantees

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

Covered Bond Guarantee

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

The Covered Bond Guarantee is limited to the payment of interest and principal of Covered Bonds, and such guarantee is secured over a pool of assets. There are no other limits on the amount of obligations guaranteed. The carrying amount of the Kiwi Covered Bond Trust pool as at 30 June 2026 was \$1,600m (30 June 2025: \$1,400m).

General information continued

Guarantees continued

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

Pending proceedings or arbitration

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

Credit ratings

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

Rating agency	Current credit rating	Rating outlook
Moody's Investors Service (' Moody's ')	A1	Stable
Fitch Ratings (' Fitch ')	AA	Negative

Recent rating actions and changes in credit ratings

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

- **Moody's:** There have been no changes in the credit rating or rating outlook over the past two years.
- **Fitch:** On 24 March 2026, Fitch revised Kiwibank's ratings outlook to negative from stable and affirmed the long-term credit rating at AA following Fitch's revision of the New Zealand Government's credit outlook to negative.

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

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

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

General information continued

Directorate

Independent non-executive director, Chair

Susan Ruth Peterson

Qualifications: BCom, LLB, CFInstD

Primary occupation: Company director

Country of residence: New Zealand

Audit and Risk Committee member: Yes

External Directorships: Director of each of Kiwi Group Capital Limited, Vista Group International Limited (Chair), Mercury NZ Limited, Xero Limited, Craigs Investment Partners Limited (including Crown HoldCo Limited, Crown TopCo Limited and CIP Holdings Limited).

Independent non-executive directors

Kevin Mark Malloy

Qualifications: Dip Advertising & Marketing, CMInstD

Primary occupation: Company director

Country of residence: New Zealand

Audit and Risk Committee member: No

External Directorships: Director of each of KM54 Limited, NZ Cricket Board, Super Rugby Governance Board, Tourism New Zealand.

Mary Jane Daly

Qualifications: BCom, MBA, CFInstD

Primary occupation: Company director

Country of residence: New Zealand

Audit and Risk Committee member: Yes (Chair)

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

Ian Cameron Blair

Primary occupation: Managing director

Country of residence: New Zealand

Audit and Risk Committee member: Yes

External Directorships: Director of each of Sapience Limited, WSP New Zealand Limited, Blair Family Corporate Trustee Limited, Te Awa Kairangi Ki Uta Holdings Limited, Royal Auckland and Grange Golf Club, Harmonic Analytics Limited.

Kate Louise Jorgensen

Qualifications: MTF, CA, BBus, CMInstD

Primary occupation: Company director

Country of residence: New Zealand

Audit and Risk Committee member: Yes

External Directorships: Director of each of Chorus New Zealand Limited, Chorus Limited, Vero Liability Insurance Limited, Vero Insurance New Zealand Limited.

Anna Valerie Curzon

Qualifications: PGDipCom (Management), BCom (Marketing)

Primary occupation: Company director

Country of residence: New Zealand

Audit and Risk Committee member: No

External Directorships: Director of each of Atomic.io Limited, Jade Software Corporation Limited, Gallagher Holdings Limited, Fisher & Paykel Healthcare Corporation Limited.

Jonathan Keith Macdonald

Qualifications: BE (Hons), CMInstD

Primary occupation: Company director

Country of residence: New Zealand

Audit and Risk Committee member: No

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

Ian Park

Primary occupation: Company director

Country of residence: New Zealand

Audit and Risk Committee member: Yes

External Directorships: Director of each of Carlisle Consulting Limited, Aggie Rose Limited.

General information continued

Directorate continued

Non-independent non-executive directors

Rukumoana Tira Marie Schaafhausen

Qualifications: LLB

Primary occupation: Company director

Country of residence: New Zealand

Audit and Risk Committee member: No

External Directorships: Director of each of Kiwi Group Capital Limited, Watercare Services Limited, Te Rau o te Korimako Limited, Contact Energy Limited, Kaitiaki Guardian Services Limited, The Tindall Foundation, The Prince's Trust New Zealand, Te Whata a Tamihana Limited, Te Waharoa Investments (GP) Limited, Tainui Group Holdings Limited, Shareholder and Director of Schaafhausen Inc Limited.

Changes in Board of Directors

Scott John Pickering ceased to be an independent director of Kiwibank Limited, effective from 30 September 2025.

Jonathan Peter Hartley ceased to be an independent director and Chair of Kiwibank Limited, effective from 29 November 2025.

Susan Ruth Peterson was appointed as an independent director and the Chair of Kiwibank Limited, effective from 30 November 2025.

Rukumoana Tira Marie Schaafhausen was appointed as a non-independent director of Kiwibank Limited effective from 22 June 2026.

Ian Park was appointed as an independent director of Kiwibank Limited effective from 15 July 2026.

Ian Cameron Blair ceased to be an independent director of Kiwibank Limited, effective from 31 July 2026.

Audit and Risk Committee

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

Executive directors

There are no executive directors of the Bank.

Communications with directors

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

Policy for avoiding and dealing with conflicts of interest

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

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

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

Directors' benefits

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

General information continued

Auditor

The Auditor-General is the auditor of the Bank and the Banking Group. The Auditor-General has appointed Callum Dixon, using the staff and resources of PricewaterhouseCoopers, to perform the audit of the financial statements of the Banking Group and a limited assurance engagement in respect of the Bank's compliance with the information required on capital adequacy and regulatory liquidity requirements included in the Disclosure Statement. Callum Dixon's address for service is PricewaterhouseCoopers, PwC Centre, 10 Waterloo Quay, Wellington 6011, New Zealand.

Climate-related disclosures

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

The Bank has opted to publish its Climate Statement separately from this Annual Report and Disclosure Statement. The Climate Statement will provide further information on Kiwibank's approach to managing climate risks. The Bank intends to publish its Climate Statement in September 2026. Further information can be found here: <https://www.kiwibank.co.nz/about-us/who-we-are/our-purpose/sustainability/>

Other material matters

Depositor Compensation Scheme

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

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

Directors' statement

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

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

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

During the year ended 30 June 2026:

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

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

This Disclosure Statement is dated 19 August 2026 and has been signed by Susan Ruth Peterson and Mary Jane Daly as Directors and as responsible persons on behalf of all other directors.

Susan Ruth Peterson

Chair

Mary Jane Daly

Director

Historical summary of financial statements

\$ millions					
For the year ended 30 June	2026	2025	2024	2023	2022
Income statement					
Interest income	2,134	2,325	1,983	1,389	907
Interest expense	(1,261)	(1,467)	(1,159)	(595)	(277)
Net gains/(losses) on financial instruments	18	10	3	(17)	7
Other operating income	47	44	53	39	43
Operating expenses	(656)	(619)	(582)	(534)	(480)
Credit impairment (charge)/reversals	(41)	(29)	(24)	(37)	(16)
Profit before tax	241	264	274	245	184
Income tax expense	(67)	(73)	(72)	(70)	(53)
Profit after tax	174	191	202	175	131

\$ millions					
As at 30 June	2026	2025	2024	2023	2022
Balance sheet					
Total assets	44,878	40,660	36,650	33,838	31,547
Individually impaired assets	71	46	42	8	2
Total liabilities	41,607	37,581	34,029	31,527	29,345
Total equity	3,271	3,079	2,621	2,311	2,202
Other items included in equity:					
Ordinary dividends paid	-	-	-	(14)	(17)
Perpetual capital bond distributions paid	-	-	-	-	(3)
Perpetual preference share distributions paid	(24)	(16)	(9)	(9)	(4)

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

Financial statements

Income statement

\$ millions			
For the year ended 30 June	Note	2026	2025
Interest income:			
Calculated using the effective interest method		2,128	2,313
Other		6	12
Total interest income	2	2,134	2,325
Interest expense	2	(1,261)	(1,467)
Net interest income		873	858
Net gains on financial instruments	3	18	10
Other operating income	4	47	44
Total operating income		938	912
Operating expenses	5	(656)	(619)
Profit before credit impairment and tax		282	293
Credit impairment charge	6	(41)	(29)
Profit before tax		241	264
Income tax expense	7	(67)	(73)
Profit after tax		174	191

Statement of comprehensive income

\$ millions			
For the year ended 30 June	Note	2026	2025
Profit after tax		174	191
Other comprehensive income, net of tax			
Items that may subsequently be reclassified to profit or loss:			
- Net change in fair value reserve	27	1	47
- Net change in cash flow hedge reserve	27	41	(35)
Other comprehensive income, net of tax		42	12
Total comprehensive income		216	203

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

Financial statements continued

Statement of changes in equity

\$ millions	Note	Ordinary shares	Retained earnings	Fair value reserve	Cash flow hedge reserve	Perpetual preference shares	Total equity
For the year ended 30 June 2025							
Balance at 1 July 2024		962	1,419	(21)	15	246	2,621
Profit after tax		-	191	-	-	-	191
Other comprehensive income, net of tax		-	-	47	(35)	-	12
Total comprehensive income		-	191	47	(35)	-	203
Transactions with owners:							
Perpetual preference shares issued	27	-	-	-	-	271	271
Perpetual preference share distributions paid	27	-	(16)	-	-	-	(16)
Balance at 30 June 2025		962	1,594	26	(20)	517	3,079
For the year ended 30 June 2026							
Balance at 1 July 2025		962	1,594	26	(20)	517	3,079
Profit after tax		-	174	-	-	-	174
Other comprehensive income, net of tax		-	-	1	41	-	42
Total comprehensive income		-	174	1	41	-	216
Transactions with owners:							
Perpetual preference share distributions paid	27	-	(24)	-	-	-	(24)
Balance at 30 June 2026		962	1,744	27	21	517	3,271

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

Financial statements continued

Balance sheet

\$ millions				
As at 30 June	Note	2026	2025	
Assets				
Cash and cash equivalents	14	1,149	1,058	
Due from other financial institutions	15	120	129	
Investment securities	16	3,962	3,055	
Derivative financial instruments	23	464	296	
Loans and advances	8	38,908	35,840	
Deferred tax assets	7	88	87	
Premises and equipment		113	120	
Intangible assets		4	10	
Other assets		70	65	
Total assets		44,878	40,660	
<i>Total interest earning and discount bearing assets</i>		43,906	39,905	
Liabilities				
Due to other financial institutions	17	450	437	
Deposits	18	32,699	30,337	
Derivative financial instruments	23	204	324	
Debt securities issued	19	7,337	5,693	
Other liabilities	26	319	313	
Subordinated debt	20	598	477	
Total liabilities		41,607	37,581	
<i>Total interest and discount bearing liabilities</i>		35,853	32,541	
Net assets		3,271	3,079	
Equity				
Ordinary shares	27	962	962	
Perpetual preference shares	27	517	517	
Retained earnings		1,744	1,594	
Reserves	27	48	6	
Total equity		3,271	3,079	

The Board of Directors of Kiwibank Limited authorised these financial statements for issue on 19 August 2026.



Susan Ruth Peterson

Chair



Mary Jane Daly

Director

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

Financial statements continued

Cash flow statement

\$ millions				
For the year ended 30 June		Note	2026	2025
Cash flows from operating activities				
Interest received			2,091	2,351
Interest paid			(1,217)	(1,423)
Fees, commission and other income received			81	97
Fees and commission expense paid			(42)	(53)
Operating expenses paid			(635)	(600)
Income tax paid			(80)	(48)
Net cash flows from operating activities before changes in operating assets and liabilities			198	324
Net changes in operating assets and liabilities				
Due from other financial institutions			9	(34)
Investment securities			(931)	(332)
Loans and advances			(3,035)	(3,438)
Due to other financial institutions			352	(54)
Deposits			2,384	2,178
Other liabilities			-	(1)
Net cash flows from operating activities			(1,023)	(1,357)
Cash flows from investing activities				
Purchase of premises and equipment			(8)	(12)
Net cash flows from investing activities			(8)	(12)
Cash flows from financing activities				
Repayment of repurchase agreements			(302)	(618)
Issue of debt securities	19		4,723	4,165
Redemption of debt securities	19		(3,388)	(2,366)
Payment of principal portion of lease liabilities	26		(16)	(16)
Issue of subordinated debt	20		400	-
Redemption of subordinated debt	20		(275)	-
Issue of perpetual preference shares	27		-	271
Perpetual preference share distributions paid			(24)	(16)
Net cash flows from financing activities			1,118	1,420
Increase/(decrease) in cash and cash equivalents			87	51
Cash and cash equivalents at beginning of the year			1,058	1,005
Effect of exchange rate changes on cash and cash equivalents			4	2
Cash and cash equivalents at end of the year		14	1,149	1,058

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

Financial statements continued

Cash flow statement continued

\$ millions		
For the year ended 30 June	2026	2025
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	174	191
Non-cash movements and non-operating activities		
Unrealised fair value adjustments	(16)	(10)
Amortisation and depreciation	36	36
Movement in deferred expenditure	12	34
Credit impairment charge	41	29
Movement in accrued interest receivable	62	(5)
Movement in accrued interest payable	(38)	41
Movement in current and deferred tax	3	24
Other non-cash movements	(76)	(16)
Net movement in operating assets and liabilities		
Due from other financial institutions	9	(34)
Investment securities	(931)	(332)
Loans and advances	(3,035)	(3,438)
Due to other financial institutions	352	(54)
Deposits	2,384	2,178
Other liabilities	-	(1)
Net cash flows from operating activities	(1,023)	(1,357)

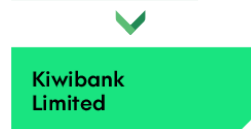
The statements should be read in conjunction with the notes to these financial statements.

Notes to the financial statements

1. About these financial statements

1.1. Reporting Entity

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



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

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

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

1.2. Basis of preparation

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

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Kiwibank and its subsidiaries for the year ended 30 June 2026. Subsidiaries are entities that are controlled by the Banking Group. Control is achieved when the Banking Group is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee.

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

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

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

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

Measurement base

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

Notes to the financial statements continued

1. About these financial statements continued

1.3. Critical accounting judgements, estimates and assumptions

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

Provision for expected credit losses

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

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

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

1.4. Accounting policies

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

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

1.5. New and amended standards and interpretations

In the current year, the Banking Group applied new standards, amendments to standards and interpretations that are effective for its annual reporting period commencing 1 July 2025. Their adoption has not had any material impact on the disclosures or amounts reported in these financial statements. No new standards, amendments to standards or interpretations that are not yet effective have been early adopted by the Banking Group in these financial statements.

'NZ IFRS 18, Presentation and Disclosure in Financial Statements', replaces 'NZ IAS 1, Presentation of Financial Statements' and is effective from 1 July 2027 for the Banking Group, unless early adopted. NZ IFRS 18 introduces defined categories and subtotals to the income statement to enhance comparability and provides additional guidance on disaggregation/aggregation principles applied to all financial statements and notes. The Banking Group is currently assessing the full impact of NZ IFRS 18. The standard is expected to result in changes to the presentation, classification and disclosure of information within the financial statements, it is not expected to have a material impact on the recognition or measurement of amounts reported.

Amendments to 'NZ IFRS 9 Financial Instruments' (NZ IFRS 9) and 'NZ IFRS 7 Financial Instruments: Disclosures', effective for the Banking Group from 1 July 2026 include:

- guidance on the classification of financial assets (e.g. 'loans and advances') with environmental, social and corporate governance ('ESG') and similar features;
- guidance on the recognition/derecognition of a financial asset or financial liability settled through an electronic payment system; and
- 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 features.

The Banking Group will continue to assess their impact as its sustainable finance products evolve.

On adoption of NZ IFRS 9, the Banking Group elected to comply with hedge accounting requirements under 'NZ IAS 39 Financial Instruments: Recognition and Measurement' as permitted by the standard. The Banking Group intends to adopt the hedge accounting requirements of NZ IFRS 9 effective from 1 July 2026, for designated hedge relationships. On transition to NZ IFRS 9 the Banking Group expects:

- all existing hedge relationships will continue to qualify for hedge accounting.
- to retrospectively exclude foreign currency basis spreads on cross-currency swap hedge relationships from the designated hedging instrument.
- to reclassify amounts relating to foreign currency basis spreads, within equity, from the cash flow hedge reserve to a separate cost of hedging reserve. The transition impact will be based on the valuation of derivatives at 1 July 2026.

Notes to the financial statements continued

1. About these financial statements continued

1.6. Comparative amounts

Comparative amounts are from the audited financial statements for the year ended 30 June 2025. Comparative information has been reclassified, where appropriate, to align with the current period presentation. All reclassifications have no impact on the previously reported profit after tax, total assets, total liabilities, or total 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 Banking Group commits to purchase or sell an asset). Financial assets and financial liabilities, other than regular way transactions, are recognised when the Banking Group becomes a party to the terms of the contract, which is generally on the settlement date (the date payment is made or cash advanced).

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

Derecognition

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

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

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

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

Classification

Financial assets

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

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

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

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

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

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

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

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

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

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

Financial liabilities

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

Notes to the financial statements continued

2. Interest income and interest expense



Accounting policy

Interest income and interest expense recognition

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

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

Interest income and interest expense by measurement category

\$ millions		
For the year ended 30 June	2026	2025
Interest income		
Financial assets measured at amortised cost	1,945	2,217
Financial assets measured at FVOCI	127	115
Financial assets measured at FVTPL ¹	62	(7)
Total interest income	2,134	2,325
Interest expense		
Financial liabilities measured at amortised cost	1,117	1,401
Financial liabilities measured at FVTPL	144	66
Total interest expense	1,261	1,467

¹Interest income from financial assets measured at FVTPL includes a net gain of \$56m arising from related qualifying hedging relationships to which hedge accounting was applied and forms part of interest income calculated using the effective interest method (2025: net loss of \$19m).

Notes to the financial statements continued

2. Interest income and interest expense continued

\$ millions		
For the year ended 30 June		
	2026	2025
Interest income		
Cash and cash equivalents	23	42
Due from other financial institutions	3	8
<i>Loans and advances:</i>		
Retail loans	1,490	1,694
Business loans	429	473
Other	62	(7)
Investment securities	127	115
Total interest income	2,134	2,325
Interest expense		
Due to other financial institutions	9	27
<i>Deposits:</i>		
Retail deposits	611	868
Business deposits	78	106
Other	288	193
Debt securities issued	243	237
Subordinated debt	25	30
Other interest expense	7	6
Total interest expense	1,261	1,467

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

3. Net gains on financial instruments



Accounting policy

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

\$ millions		
For the year ended 30 June		
	2026	2025
Cumulative gains transferred from cash flow hedge reserve	213	9
Net foreign exchange (losses)/gains	(220)	1
Other	25	-
Total net gains on financial instruments	18	10

The Banking Group de-designates interest rate swaps in cash flow hedge relationships to manage hedge capacity. Interest paid or received under the de-designated interest rate swaps is recognised in interest expense or interest income.

Amortisation of \$23m of losses recognised in the cash flow hedge reserve prior to de-designation of interest rate swaps was recognised in cumulative gains transferred from cash flow hedge reserve (2025: nil). The amortisation is offset by subsequent fair value movements of \$23m on those de-designated interest rate swaps, which are recognised in 'Other' (2025: nil).

Net ineffectiveness recognised on qualifying cash flow hedges and qualifying fair value hedges was insignificant (2025: insignificant).

Notes to the financial statements continued

4. Other operating income



Accounting policy

Fees and commission income recognition

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

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

Fees and commission expenses

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

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

Transactional account and other services

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

Card services

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

Lending services

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

\$ millions	2026			2025		
For the year ended 30 June	Retail	Business	Total	Retail	Business	Total
Transactional account and other services	20	10	30	23	6	29
Card services	51	2	53	54	2	56
Lending services	-	7	7	1	8	9
Fees and commission income	71	19	90	78	16	94
Fees and commission expense	(41)	(2)	(43)	(52)	(1)	(53)
Net fees and commission income	30	17	47	26	15	41
Other income	-	-	-	3	-	3
Total other operating income	30	17	47	29	15	44

Notes to the financial statements continued

5. Operating expenses



Accounting policy

Operating expense recognition

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

Research and development costs

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

Employee benefits

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

Leases

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

\$ millions		
For the year ended 30 June	2026	2025
Salaries and wages	371	341
Other personnel related costs	31	49
Information technology and system costs	144	121
Premises costs	16	15
Amortisation and depreciation	36	36
Other expenses	58	57
Total operating expenses	656	619

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

A total of \$84m of operating expenses recognised during the year ended 30 June 2026 related to research and development expenditure classified in accordance with NZ IAS 38 (2025: \$78m).

For the year ended 30 June 2026, a credit for Research and Development Tax Incentive ('RDTI') of \$4m was recognised in relation to Inland Revenue's approval of eligible expenditure (2025: \$4m credit).

Included within 'Salaries and wages' is \$15m of expenses paid to defined contribution plans for the year ended 30 June 2026 (2025: \$13m).

6. Credit impairment charge

\$ millions		
For the year ended 30 June	2026	2025
Charged to the income statement for collectively assessed provision for ECL	(8)	(1)
Charged to the income statement for individually assessed provision for ECL	(31)	(22)
Bad debts written off directly to the income statement	(5)	(8)
Recovery of amounts previously written off	3	2
Total credit impairment charge	(41)	(29)

Notes to the financial statements continued

7. Income tax



Accounting policy

Income tax expense

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

Goods and services tax

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

Current tax

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

Deferred tax

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

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

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

Income tax expense

\$ millions		
For the year ended 30 June	2026	2025
Profit before tax	241	264
Tax calculated at a rate of 28%	(67)	(74)
Tax effect of:		
Income not subject to tax and non-deductible expenses	-	1
Income tax expense as per the income statement	(67)	(73)
Represented by:		
Current tax	(83)	(86)
Deferred tax	16	13
Income tax expense as per the income statement	(67)	(73)
The deferred tax benefit/(expense) comprises the following movement in temporary differences:		
Accelerated tax depreciation	15	9
Right-of-use assets	-	2
Provision for ECL	5	1
Other provisions and accruals	(4)	3
Lease liabilities	-	(2)
Total movement in temporary differences	16	13

Notes to the financial statements continued

7. Income tax continued

Deferred tax

\$ millions		
As at 30 June	2026	2025
Deferred tax		
Balance at the beginning of the year	87	65
Prior period adjustment	(2)	3
Credited to profit or loss	18	10
Credited to other comprehensive income	(15)	9
Balance at the end of the year	88	87
Deferred income tax assets		
Accelerated tax depreciation	47	32
Provision for ECL	42	37
Other provisions and accruals	7	11
Lease liabilities	23	23
Cash flow hedges	-	4
Total deferred income tax assets	119	107
Deferred income tax liabilities		
Right-of-use assets	(20)	(20)
Cash flow hedges	(11)	-
Total deferred income tax liabilities	(31)	(20)
Net deferred tax assets	88	87

At 30 June 2026, the Banking Group had a current tax liability of \$30m included in 'Other liabilities' on the balance sheet (30 June 2025: \$30m).

Imputation credit account

Kiwibank is a member and the nominated company of the 'Kiwibank Consolidated Tax Group' which includes KGCL and its subsidiaries. The amount of imputation credits available to all members of the Kiwibank Consolidated Tax Group as at 30 June 2026 is \$308m (30 June 2025: \$227m). This amount includes imputation credits that will arise from the payment of income tax recognised as at 30 June 2026.

Notes to the financial statements continued

8. Loans and advances



Accounting policy

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

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

\$ millions		
As at 30 June	2026	2025
Overdrafts	289	252
Credit cards	277	339
Term loans – housing ¹	31,574	29,154
Other term lending	6,003	5,403
Other lending	908	816
Gross loans and advances	39,051	35,964
Provision for ECL	(143)	(124)
Net loans and advances	38,908	35,840
Current	3,677	3,425
Non-current	35,231	32,415

Reconciliation of mortgage related amounts – On-balance sheet exposures

\$ millions	
As at 30 June	2026
Term loans - housing¹ per 'Loans and advances' (Note 8)	31,574
Other term lending (residentially secured)	1,742
Residential mortgage loans per 'Asset quality' (Note 10)	33,316
Provision for ECL	(36)
Deferred acquisition costs	(321)
Total on-balance sheet residential mortgage loans (see 'Capital adequacy and regulatory liquidity ratios' section)	32,959

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

Notes to the financial statements continued

9. Provision for expected credit losses



Accounting policy

The Banking Group recognises a provision for ECL on the following financial instruments:

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

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

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

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the asset;
- where a financial instrument includes an undrawn component, the provision for ECL is presented 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. The provision for ECL is recognised in the fair value reserve.

Measurement of provision for ECL

A three-stage approach is applied to measuring the 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 Gross Domestic Product ('GDP'), the unemployment rate, the house price index, the consumer price index, and interest rates. 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.

Notes to the financial statements continued

9. Provision for expected credit losses continued



Accounting policy continued

Significant increase in credit risk ('SICR')

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

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

Credit impaired financial assets

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

When the ECL is greater than the modelled collectively assessed provision, the exposure is individually assessed, and an individually assessed provision is raised. The individually assessed provision is measured as the present value of the difference between the contractual cash flows due and the cash flows expected to be received, including recoveries from collateral.

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

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

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

ECL 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. ECL model overlays can be used in these circumstances where the existing inputs, assumptions and model techniques do not fully capture all the risk factors to the Banking Group's lending portfolios.

Write-off

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

Notes to the financial statements continued

9. Provision for expected credit losses continued

Modelled provision for ECL on loans and advances and credit commitments

Key inputs and assumptions

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

The Banking Group's four macroeconomic scenarios have been updated for the year ended 30 June 2026 as follows:

Central scenario: the Banking Group's base case assumes the Middle East conflict ends by September 2026, with elevated oil prices temporarily increasing inflation before it returns to within target levels by 2027. Economic growth remains subdued in the near term before recovering, unemployment rises moderately in 2027, and the RBNZ tightens monetary policy modestly in 2027 and housing activity remains soft until mid-2027 before improving.

Upside scenario: this scenario assumes an earlier resolution of Middle East conflict, prompting a bounce-back in confidence, economic activity and employment. Stronger demand supports housing market growth, and higher inflation leading to a more restrictive monetary policy response from the RBNZ.

Downside scenario: this scenario assumes a prolonged Middle East conflict extending to December 2026, disrupting trade and pushing New Zealand back into recession. Unemployment rises, house prices decline across 2026–2028, and inflation falls prompting the RBNZ to ease monetary policy settings.

Severe stress scenario: this scenario is based on the severe economic stress test scenario used in the RBNZ '2025 Bank Solvency Stress Test'. It assumes a severe global trade shock and geopolitical tensions with a prolonged economic downturn, and a significant contraction in economic activity, materially higher unemployment and a sharp decline in house prices, significantly above historical norms.

The Banking Group forecasts assume the following key macroeconomic variables used in the central scenario:

As at 30 June 2026	Forecast financial year		
Central scenario	2027	2028	2029
GDP (annual % change)	2.1%	3.1%	3.1%
Unemployment rate (annual average)	5.6%	4.9%	4.9%
House price index (annual % change)	1.8%	3.6%	4.0%
Consumer price index (annual % change)	1.9%	2.0%	2.0%
90-day bank bill rate	3.3%	3.4%	3.3%

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%

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 downside risk in the central scenario due to the ongoing geopolitical tensions.

Scenario weighting applied		
As at 30 June	2026	2025
Central	65%	50%
Upside	10%	10%
Downside	15%	30%
Severe stress	10%	10%

Notes to the financial statements continued

9. Provision for expected credit losses continued

Overlays

Overlays are applied by management when the current inputs, assumptions, and modelling techniques do not capture all material risk factors relevant to the Banking Group's lending portfolios. Overlays are reviewed at least half-yearly and follow internal governance procedures, including a review by the Audit and Risk Committee.

During the year, a new temporary overlay was introduced for the corporate portfolio to address heightened credit risk in sectors most exposed to the ongoing Middle East conflict reflecting fuel cost, supply-chain and cashflow pressures that are not yet fully captured in the ECL models.

Overlays are also applied for risks that are not yet reflected in ECL models, including 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.

At 30 June 2026, overlay amounts were nil on retail unsecured lending (30 June 2025: nil), \$2m on residential mortgage loans (30 June 2025: \$3m) and \$10m on corporate exposures (30 June 2025: \$6m).

There have been no significant changes to the methods used in determining the overlays applied as of 30 June 2026, compared to those used for 30 June 2025.

Management have considered and concluded that no overlay is required for climate risk or adverse weather events as at 30 June 2026. Refer to 'Risk management' (Note 31) for more information on climate change risks.

Sensitivity of modelled ECL to key judgements and assumptions

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

The following table outlines the sensitivity of the collectively assessed provision for ECL to changes in credit risk (using the SICR assessment) and scenario weightings used to determine ECL as at 30 June 2026 and 30 June 2025. The sensitivity analysis includes applying a 100% weighting to each scenario and adjusting some ECL model overlays to reflect those scenario conditions while holding all other modelling factors constant.

As at 30 June \$ millions	2026		2025	
	Total ECL	Impact	Total ECL	Impact
Sensitivity to SICR assessment				
If 1% of stage 1 exposure transitions to stage 2	159	9	140	8
If 1% of stage 2 exposure transitions to stage 1	150	-	132	-
Sensitivity to scenario weighting				
Reported probability weighted ECL	150		132	
100% upside scenario ECL	144	(6)	110	(22)
100% central scenario ECL	148	(2)	123	(9)
100% downside scenario ECL	160	10	141	9
100% severe stress ECL	164	14	178	46

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

Definitions

Movement in provision for ECL and gross carrying amounts

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

The movement tables are presented on the following basis:

- *Transfers between stages* shows the net impact of the transfers between stage 1, stage 2 and stage 3, prior to remeasurement.
- *Net remeasurement of ECL* includes the subsequent increase or decrease of the provision for ECL 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 overlay changes.

Notes to the financial statements continued

9. Provision for expected credit losses continued

Movement in provision for ECL – total exposures

As at 30 June	2026				
	Stage 1	Stage 2	Stage 3		Total
	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	
\$ millions					
Opening balance at 1 July 25	31	41	30	30	132
Transfers between stages	9	(9)	(5)	5	-
Net remeasurement of ECL	(7)	13	4	19	29
Additions and deletions	10	(1)	(8)	12	13
Other changes	2	-	-	-	2
Write-back of provision no longer required	-	-	-	(5)	(5)
Total credit impairment charge	14	3	(9)	31	39
Amounts written off	-	(2)	-	(19)	(21)
Total provision for ECL	45	42	21	42	150
Provision on loans and advances	40	41	21	41	143
Provision on credit commitments	5	1	-	1	7
Total provision for ECL	45	42	21	42	150

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

Opening balance at 1 July 25	34,118	1,675	125	46	35,964
Net transfers between stages	(134)	57	38	39	-
Additions	11,947	320	15	30	12,312
Deletions	(8,612)	(509)	(54)	(24)	(9,199)
Amounts written off	-	(6)	-	(20)	(26)
Gross carrying amount	37,319	1,537	124	71	39,051
Off-balance sheet credit commitments at 1 July 25	4,583	98	2	1	4,684
Net transfers between stages	(18)	16	1	1	-
Additions	1,956	31	1	1	1,989
Deletions	(1,756)	(54)	-	(2)	(1,812)
Off-balance sheet credit commitments	4,765	91	4	1	4,861

Notes to the financial statements continued

9. Provision for expected credit losses continued

Movement in provision for ECL – retail unsecured lending

As at 30 June	2026				
	Stage 1	Stage 2	Stage 3		Total
	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	
\$ millions					
Opening balance at 1 July 25	4	2	1	-	7
Transfers between stages	1	(1)	-	-	-
Net remeasurement of ECL	-	3	-	-	3
Additions and deletions	-	-	-	-	-
Other changes	(1)	-	-	-	(1)
Write-back of provision no longer required	-	-	-	-	-
Total credit impairment charge	-	2	-	-	2
Amounts written off	-	(2)	-	-	(2)
Total provision for ECL	4	2	1	-	7
Provision on loans and advances	3	2	1	-	6
Provision on credit commitments	1	-	-	-	1
Total provision for ECL	4	2	1	-	7

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

Opening balance at 1 July 25	303	76	1	1	381
Net transfers between stages	2	(2)	-	-	-
Additions	91	26	-	-	117
Deletions	(140)	(15)	(1)	(1)	(157)
Amounts written off	-	(6)	-	-	(6)
Gross carrying amount	256	79	-	-	335
Off-balance sheet credit commitments at 1 July 25	815	23	-	-	838
Net transfers between stages	(5)	5	-	-	-
Additions	116	6	-	-	122
Deletions	(193)	(13)	-	-	(206)
Off-balance sheet credit commitments	733	21	-	-	754

Provisions for ECL on retail unsecured lending remained stable for the year ended 30 June 2026 reflects:

- net remeasurement of ECL due to exposures migrating to higher risk grades and other portfolio movements (+\$2m); and
- \$6m of gross balances that were written off (-\$2m).

Notes to the financial statements continued

9. Provision for expected credit losses continued

Movement in provision for ECL – residential mortgage loans

As at 30 June	2026				
	Stage 1	Stage 2	Stage 3		Total
	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	
\$ millions					
Opening balance at 1 July 25	8	15	7	9	39
Transfers between stages	4	(3)	(1)	-	-
Net remeasurement of ECL	(4)	7	3	2	8
Additions and deletions	-	(2)	(3)	-	(5)
Other changes	(1)	-	-	-	(1)
Write-back of provision no longer required	-	-	-	(4)	(4)
Total credit impairment charge	(1)	2	(1)	(2)	(2)
Amounts written off	-	-	-	(1)	(1)
Total provision for ECL	7	17	6	6	36
Provision on loans and advances	7	17	6	6	36
Provision on credit commitments	-	-	-	-	-
Total provision for ECL	7	17	6	6	36

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

Opening balance at 1 July 25	29,601	1,022	55	19	30,697
Net transfers between stages	(123)	88	27	8	-
Additions	9,456	166	3	1	9,626
Deletions	(6,720)	(246)	(28)	(11)	(7,005)
Amounts written off	-	-	-	(2)	(2)
Gross carrying amount	32,214	1,030	57	15	33,316
Off-balance sheet credit commitments at 1 July 25	2,656	31	-	-	2,687
Net transfers between stages	(10)	10	-	-	-
Additions	980	9	-	-	989
Deletions	(887)	(17)	-	-	(904)
Off-balance sheet credit commitments	2,739	33	-	-	2,772

The decrease of \$3m in provision for ECL on residential mortgage loans for the year ended 30 June 2026 reflects:

- net remeasurement of ECL due to exposures migrating to higher risk grades for collectively assessed exposures (+\$6m)
- net decrease from portfolio movements, including, changes in the macroeconomic outlook and overlays, partly offset by asset growth (-\$6m); and
- a net increase in individually assessed provisions (+\$2m), partially offset by balances that were written off (-\$1m) and writebacks (-\$4m).

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

\$ millions	30 June 2026
Gross residential mortgages per 'Provision for expected credit losses' (Note 9)	2,772
Adjustment for off-balance sheet credit conversion factor	(1,973)
Residential mortgages total off-balance sheet exposures (per 'Capital adequacy and regulatory liquidity ratios')	799

Notes to the financial statements continued

9. Provision for expected credit losses continued

Movement in provision for ECL – corporate exposures

As at 30 June	2026				
	Stage 1	Stage 2	Stage 3		Total
	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	
\$ millions					
Opening balance at 1 July 25	19	24	22	21	86
Transfers between stages	4	(5)	(4)	5	-
Net remeasurement of ECL	(3)	3	1	17	18
Additions and deletions	10	1	(5)	12	18
Other changes	4	-	-	-	4
Write-back of provision no longer required	-	-	-	(1)	(1)
Total credit impairment charge	15	(1)	(8)	33	39
Amounts written off	-	-	-	(18)	(18)
Total provision for ECL	34	23	14	36	107
Provision on loans and advances	30	22	14	35	101
Provision on credit commitments	4	1	-	1	6
Total provision for ECL	34	23	14	36	107

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

Opening balance at 1 July 25	4,214	577	69	26	4,886
Net transfers between stages	(13)	(29)	11	31	-
Additions	2,400	128	12	29	2,569
Deletions	(1,752)	(248)	(25)	(12)	(2,037)
Amounts written off	-	-	-	(18)	(18)
Gross carrying amount	4,849	428	67	56	5,400
Off-balance sheet credit commitments at 1 July 25	1,112	44	2	1	1,159
Net transfers between stages	(3)	1	1	1	-
Additions	860	16	1	1	878
Deletions	(676)	(24)	-	(2)	(702)
Off-balance sheet credit commitments	1,293	37	4	1	1,335

The increase of \$21m in provision for ECL on corporate exposures for the year ended 30 June 2026 reflects:

- net remeasurement of ECL on exposures that migrated to higher risk grades for collectively assessed exposures (+\$1m),
- a net increase from portfolio movements, including asset growth, model changes and overlays (+\$10m); and
- a net increase in individually assessed provisions (+\$29m), partially offset by balances that were written off (-\$18m) and writebacks (-\$1m).

Notes to the financial statements continued

9. Provision for expected credit losses continued

Movement in provision for ECL – total exposures

As at 30 June	2025				
	Stage 1	Stage 2	Stage 3		Total
	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	
\$ millions					
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 credit commitments	4	2	1	1	8
Total provision for ECL	31	41	30	30	132

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

Opening balance at 1 July 24	30,928	1,484	112	42	32,566
Net transfers between stages	(367)	274	62	31	-
Additions	10,244	329	13	8	10,594
Deletions	(6,687)	(403)	(61)	(17)	(7,168)
Amounts written off	-	(9)	(1)	(18)	(28)
Gross carrying amount	34,118	1,675	125	46	35,964
Off-balance sheet credit commitments at 1 July 24	4,376	88	1	11	4,476
Net transfers between stages	(39)	37	2	-	-
Additions	1,778	32	1	-	1,811
Deletions	(1,532)	(59)	(2)	(10)	(1,603)
Off-balance sheet credit commitments	4,583	98	2	1	4,684

Notes to the financial statements continued

9. Provision for expected credit losses continued

Movement in provision for ECL – retail unsecured lending

As at 30 June	2025				
	Stage 1	Stage 2	Stage 3		Total
	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	
\$ millions					
Opening balance at 1 July 24	5	3	1	1	10
Transfers between stages	1	(1)	-	-	-
Net remeasurement of ECL	(1)	4	1	-	4
Additions and deletions	-	(1)	(1)	-	(2)
Other changes	(1)	-	-	-	(1)
Write-back of provision no longer required	-	-	-	(1)	(1)
Total credit impairment charge	(1)	2	-	(1)	-
Amounts written off	-	(3)	-	-	(3)
Total provision for ECL	4	2	1	-	7
Provision on loans and advances	3	2	1	-	6
Provision on credit commitments	1	-	-	-	1
Total provision for ECL	4	2	1	-	7

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

Opening balance at 1 July 24	291	80	1	1	373
Net transfers between stages	3	(4)	1	-	-
Additions	115	26	-	-	141
Deletions	(106)	(17)	(1)	-	(124)
Amounts written off	-	(9)	-	-	(9)
Gross carrying amount	303	76	1	1	381
Off-balance sheet credit commitments at 1 July 24	826	25	-	-	851
Net transfers between stages	(5)	5	-	-	-
Additions	116	7	-	-	123
Deletions	(122)	(14)	-	-	(136)
Off-balance sheet credit commitments	815	23	-	-	838

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

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

Notes to the financial statements continued

9. Provision for expected credit losses continued

Movement in provision for ECL – residential mortgage loans

As at 30 June	2025				
	Stage 1	Stage 2	Stage 3		Total
	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	
\$ millions					
Opening balance at 1 July 24	18	16	7	4	45
Transfers between stages	7	(6)	(2)	1	-
Net remeasurement of ECL	(7)	8	5	4	10
Additions and deletions	-	(2)	(3)	2	(3)
Other changes	(10)	(1)	-	1	(10)
Write-back of provision no longer required	-	-	-	(2)	(2)
Total credit impairment charge	(10)	(1)	-	6	(5)
Amounts written off	-	-	-	(1)	(1)
Total provision for ECL	8	15	7	9	39
Provision on loans and advances	8	15	7	9	39
Provision on credit commitments	-	-	-	-	-
Total provision for ECL	8	15	7	9	39

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

Opening balance at 1 July 24	26,990	967	51	8	28,016
Net transfers between stages	(153)	106	34	13	-
Additions	8,131	150	3	3	8,287
Deletions	(5,367)	(201)	(33)	(3)	(5,604)
Amounts written off	-	-	-	(2)	(2)
Gross carrying amount	29,601	1,022	55	19	30,697
Off-balance sheet credit commitments at 1 July 24	2,644	35	-	-	2,679
Net transfers between stages	(13)	13	-	-	-
Additions	925	6	-	-	931
Deletions	(900)	(23)	-	-	(923)
Off-balance sheet credit commitments	2,656	31	-	-	2,687

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

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

Notes to the financial statements continued

9. Provision for expected credit losses continued

Movement in provision for ECL – corporate exposures

As at 30 June	2025				
	Stage 1	Stage 2	Stage 3		Total
	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	
\$ millions					
Opening balance at 1 July 24	27	15	12	20	74
Transfers between stages	(1)	-	-	1	-
Net remeasurement of ECL	(1)	13	9	19	40
Additions and deletions	4	(1)	(2)	2	3
Other changes	(10)	(3)	3	1	(9)
Write-back of provision no longer required	-	-	-	(6)	(6)
Total credit impairment charge	(8)	9	10	17	28
Amounts written off	-	-	-	(16)	(16)
Total provision for ECL	19	24	22	21	86
Provision on loans and advances	16	22	21	20	79
Provision on credit commitments	3	2	1	1	7
Total provision for ECL	19	24	22	21	86

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

Opening balance at 1 July 24	3,647	437	60	33	4,177
Net transfers between stages	(217)	172	27	18	-
Additions	1,998	153	10	5	2,166
Deletions	(1,214)	(185)	(27)	(14)	(1,440)
Amounts written off	-	-	(1)	(16)	(17)
Gross carrying amount	4,214	577	69	26	4,886
Off-balance sheet credit commitments at 1 July 24	906	28	1	11	946
Net transfers between stages	(21)	19	2	-	-
Additions	737	19	1	-	757
Deletions	(510)	(22)	(2)	(10)	(544)
Off-balance sheet credit commitments	1,112	44	2	1	1,159

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

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

Notes to the financial statements continued

10. Asset quality

Summary of lending

As at 30 June	2026			
	Retail unsecured lending	Residential mortgage loans	Corporate exposures	Total
\$ millions				
Neither past due nor impaired	324	33,080	5,256	38,660
Past due but not individually impaired	11	221	88	320
Individually impaired	-	15	56	71
Gross loans and advances	335	33,316	5,400	39,051
Provision for ECL	(6)	(36)	(101)	(143)
Net loans and advances	329	33,280	5,299	38,908

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

Loans and advances past due but not individually impaired

As at 30 June	2026			
	Retail unsecured lending	Residential mortgage loans	Corporate exposures	Total
\$ millions				
Past due less than 30 days	9	123	23	155
Past due 30 – 59 days	2	28	6	36
Past due 60 – 89 days	-	19	6	25
Past due 90 days or greater	-	51	53	104
Total loans and advances past due but not individually impaired	11	221	88	320

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

Notes to the financial statements continued

10. Asset quality continued

Other asset quality information

As at 30 June	2026			
	Retail unsecured lending	Residential mortgage loans	Corporate exposures	Total
\$ millions				
Undrawn lending commitments to customers with individually impaired assets	-	-	1	1
Other assets under administration	-	1	8	9

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

11. Credit quality

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

Retail

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

Corporate

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

Credit quality of loans and advances and credit commitments

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

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

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

Notes to the financial statements continued

11. Credit quality continued

Credit quality risk grades

Risk grade	ACR/CCR	PD%	S&P rating	Retail rating classification	Corporate rating classification
Strong	0 – 4	0 - 0.32%	AAA to BBB	Retail facilities portfolio-managed with good account conduct over an extended period.	Corporate lending individually assessed as being of low credit risk.
Satisfactory	5 – 7	0.32 – 5.03%	BBB- to B+	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.
Weak	8 – 9	5.03 – 99.99%	B to CCC/C	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.
Credit impaired	10 – 12	100%	D	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.

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

As at 30 June	2026				
	Stage 1	Stage 2	Stage 3		Total
	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	
\$ millions					
Strong	34,753	-	-	-	34,753
Satisfactory	7,331	1,344	-	-	8,675
Weak	-	284	-	-	284
Credit impaired	-	-	128	72	200
Total credit exposure by risk grade	42,084	1,628	128	72	43,912

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

Credit quality of investment securities

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

Credit quality of other financial assets

The Banking Group has assessed credit quality and impairment for cash and cash equivalents, due from other financial institutions, and other financial assets. All cash and cash equivalents, due from other financial institutions and material other financial assets are considered high credit quality and are neither past due nor impaired.

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

Notes to the financial statements continued

12. Concentration of credit risk

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

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

As at 30 June	2026			2025		
	On-balance sheet financial assets	Off-balance sheet financial assets	Maximum exposure to credit risk	On-balance sheet financial assets	Off-balance sheet financial assets	Maximum exposure to credit risk
\$ millions						
New Zealand						
Agriculture	46	3	49	41	3	44
Food and other manufacturing	639	119	758	513	111	624
Electricity, gas and water	163	75	238	118	26	144
Construction	864	352	1,216	758	285	1,043
Retail and wholesale trade	427	197	624	475	142	617
Transport and storage	372	59	431	334	48	382
Communications	96	32	128	97	5	102
Finance, investment and insurance	807	149	956	600	230	830
Property and business services	4,172	279	4,451	3,462	259	3,721
Professional, scientific and technical services	165	57	222	139	43	182
Government, local authorities and services	3,627	4	3,631	2,729	3	2,732
Education	34	6	40	29	4	33
Personal and other services	155	48	203	137	34	171
Health and community services	278	34	312	286	31	317
Households	31,249	3,439	34,688	29,321	3,451	32,772
Overseas						
Finance, investment and insurance	1,687	8	1,695	1,496	9	1,505
Total credit exposure	44,781	4,861	49,642	40,535	4,684	45,219
Less provision for ECL	(143)	(7)	(150)	(124)	(8)	(132)
Total financial assets	44,638	4,854	49,492	40,411	4,676	45,087

Notes to the financial statements continued

12. Concentration of credit risk continued

Maximum exposure to credit risk – by financial asset

The table below shows the maximum credit risk exposure of the Banking Group by asset type.

As at 30 June	2026			2025		
	On-balance sheet financial assets	Off-balance sheet financial assets	Maximum exposure to credit risk	On-balance sheet financial assets	Off-balance sheet financial assets	Maximum exposure to credit risk
\$ millions						
Cash and cash equivalents	1,149	-	1,149	1,058	-	1,058
Due from other financial institutions	120	-	120	129	-	129
Investment securities	3,962	-	3,962	3,055	-	3,055
Derivative financial instruments	464	-	464	296	-	296
Loans and advances	39,051	4,861	43,912	35,964	4,684	40,648
Other financial assets	35	-	35	33	-	33
Subtotal	44,781	4,861	49,642	40,535	4,684	45,219
Less provision for ECL	(143)	(7)	(150)	(124)	(8)	(132)
Total	44,638	4,854	49,492	40,411	4,676	45,087

The exposure of the Banking Group derived from loans and advances to retail and corporate customers is 88% of the total maximum exposure (30 June 2025: 90%).

Collateral management on loans and advances

The Banking Group holds financial charges over borrowers' specific assets and is able to enforce the collateral in satisfying the debt in the event borrowers fail to meet contractual obligations. Fully secured exposures are those that have security cover greater than or equal to 100%, partially secured exposures are those that have security cover of 40.0% to 99.9% and unsecured exposures are those that have security cover of less than 40.0%.

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

As at 30 June	2026				2025			
	Maximum exposure to credit risk	Fully secured	Partially secured	Unsecured	Maximum exposure to credit risk	Fully secured	Partially secured	Unsecured
\$ millions								
Retail unsecured lending ¹	1,089	-	-	100.0%	1,219	-	-	100.0%
Residential mortgage loans ²	36,088	99.3%	0.7%	-	33,384	99.6%	0.4%	-
Corporate exposures ³	6,735	51.6%	14.7%	33.7%	6,045	53.4%	14.6%	32.0%
Total	43,912				40,648			

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

² Residential mortgages are secured by a charge over borrowers' residential property. Additional security can also include a charge over deposits and guarantees from borrowers' related parties.

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

Collateral on credit impaired assets

As at 30 June 2026, 38.8% of the Banking Group's impaired gross loans were fully secured, 47.4% were partially secured and 13.8% were unsecured (30 June 2025: 47.6% fully secured, 37.8% partially secured and 14.5% unsecured).

Notes to the financial statements continued

13. Concentration of credit exposures to counterparties

Credit exposure to individual counterparties

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

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

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

	Exposure to banks		Exposure to non-banks	
	30 June 26	Peak ¹	30 June 26	Peak ¹
Total number of exposures that are greater than 10% of CET1 capital	-	-	1	2
with a long-term credit rating of A- or A3 or above, or its equivalent	-	-	1	2
- 10% to less than 15% of CET1 capital	-	-	-	1
- 15% to less than 20% of CET1 capital	-	-	1	1
with a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent	-	-	-	-

¹Peak end-of-day over six months to 30 June 2026.

Credit exposure to connected persons

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

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

The rating-contingent limit that applied to the Banking Group as at 30 June 2026 was 60%. There have been no rating-contingent limit changes during the year. Within the rating-contingent limit there is a sub-limit of 15% of the Banking Group's Tier 1 capital, which applies to the aggregate credit exposure to non-bank connected persons.

Aggregate credit exposure to connected persons has been calculated on a gross basis rather than a bilateral net basis. As at 30 June 2026, the Banking Group has no contingent exposures to connected persons arising from unfunded contingent credit protection arrangements provided by any connected persons in respect of credit exposures to counterparties (excluding counterparties that are connected persons).

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

	Non-bank connected persons	
	\$ millions	% of Tier 1 capital
Aggregate credit exposure		
As at 30 June 2026	22	0.69%
Peak end-of-day over the year ended 30 June 2026	22	0.69%

As at 30 June 2026, the Banking Group's credit exposures to non-bank connected persons were not credit impaired.

Notes to the financial statements continued

14. Cash and cash equivalents



Accounting policy

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

\$ millions		
As at 30 June	2026	2025
Cash in hand	15	6
Cash with central bank	1,048	975
Call and overnight advances to financial institutions	86	77
Total cash and cash equivalents	1,149	1,058

15. Due from other financial institutions



Accounting policy

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

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

\$ millions		
As at 30 June	2026	2025
Collateral paid	117	129
Non-recourse bills discounted	3	-
Total due from other financial institutions	120	129

Collateral paid is collateral pledged by Kiwibank under credit risk mitigation arrangements with derivative counterparties and central clearing counterparties.

Notes to the financial statements continued

16. Investment securities



Accounting policy

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

All investment securities are considered current assets.

\$ millions		
As at 30 June	2026	2025
Government securities	1,847	1,235
Supranational securities	1,037	962
Local authority securities	568	438
Other securities	510	420
Total investment securities	3,962	3,055

As at 30 June 2026, no investment securities were pledged under repurchase agreements (30 June 2025: none).

17. Due to other financial institutions



Accounting policy

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

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

\$ millions		
As at 30 June	2026	2025
Cash collateral received	270	71
Transaction balances with other financial institutions	19	13
Repurchase agreements	12	353
Unsettled transactions	149	-
Total due to other financial institutions	450	437
Current	450	412
Non-current	-	25

Notes to the financial statements continued

17. Due to other financial institutions continued

Funding for Lending Programme

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

The Bank had repaid all borrowings under the FLP as at 30 June 2026 (30 June 2025: \$323m outstanding). At 30 June 2026, there were no residential mortgage-backed securities ('**RMBS**') pledged as approved eligible collateral (30 June 2025: \$386m). Refer to 'Transfer of financial assets' (Note 25) for further information.

Term Lending Facility

In May 2020, the RBNZ established a Term Lending Facility ('**TLF**') to support the functioning of the Business Finance Guarantee Scheme ('**BFGS**'), with financing under the TLF tied to the utilisation of the BFGS. Under the TLF, each eligible counterparty in the BFGS could 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 \$14m of RMBS has been pledged as approved eligible collateral (30 June 2025: \$35m). As at 30 June 2026, \$12m of borrowings from the TLF is currently outstanding (30 June 2025: \$29m). Refer to 'Transfer of financial assets' (Note 25) for further information.

18. Deposits



Accounting policy

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

\$ millions		
As at 30 June	2026	2025
Deposits not bearing interest	4,827	4,122
On demand deposits	7,707	7,602
Term deposits	20,165	18,613
Total deposits from customers	32,699	30,337
Current	31,391	29,245
Non-current	1,308	1,092

In the event of the liquidation of Kiwibank, deposit holders will rank equally with all other creditors but ahead of subordinated debt holders, shareholders and holders of perpetual preference shares.

Notes to the financial statements continued

19. Debt securities issued



Accounting policy

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

\$ millions		
As at 30 June	2026	2025
Short-term debt		
Certificates of deposit	291	170
Commercial paper	1,009	690
Long-term debt		
Medium-term notes	4,761	3,634
Covered bonds	1,256	1,156
Fair value hedge adjustment	20	43
Total debt securities issued	7,337	5,693
Current	2,171	1,626
Non-current	5,166	4,067

Reconciliation of movement in liability arising from financing activities

\$ millions		
As at 30 June	2026	2025
Opening balance	5,693	3,798
Issuances	4,723	4,165
Repayments	(3,388)	(2,366)
Total cash movements	1,335	1,799
Effect of changes in foreign exchange rates	287	(28)
Fair value and other movements	22	124
Closing balance	7,337	5,693

During the year ended 30 June 2026, the Banking Group issued CHF 275m (NZD \$602m) of covered bonds (2025: issued CHF 300m (NZD \$618m) of covered bonds) and redeemed AUD 500m (NZD \$544m) of maturing covered bonds (2025: nil).

During the year ended 30 June 2026, Kiwibank had no defaults of principal, interest or other breaches with respect to debt securities issued (2025: no defaults).

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

Notes to the financial statements continued

20. Subordinated debt



Accounting policy

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

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

\$ millions		
As at 30 June	2026	2025
Subordinated notes	597	475
Fair value hedge adjustments	1	2
Total subordinated debt	598	477

During the year ended 30 June 2026, the Banking Group issued \$400m of subordinated notes (2025: nil) and redeemed \$275m of subordinated notes (2025: nil). During the year ended 30 June 2026, the Banking Group had no defaults of principal, interest or other breaches with respect to subordinated debt (2025: no defaults).

As at 30 June 2026, \$594m of subordinated debt qualified as Tier 2 capital for Capital Adequacy calculation purposes (30 June 2025: \$473m).

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

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

Instrument	Issue date	Amount (\$m)	Coupon rate	Next reset date	Maturity date
Subordinated notes	12 May 2023	200	6.40% p.a.	12 May 2028	12 May 2033
Subordinated notes	12 December 2025	400	4.93% p.a.	12 March 2031	12 March 2036

Interest is paid quarterly in arrears.

Reconciliation of movement in subordinated debt arising from financing activities

\$ millions		
As at 30 June	2026	2025
Opening balance	477	458
Issuances	400	-
Issuance costs	(5)	-
Repayments	(275)	-
Interest paid	(26)	(19)
Total cash movements	94	(19)
Interest accrued	27	19
Fair value and other movements	-	19
Closing balance	598	477

Notes to the financial statements continued

21. Concentration of funding

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

\$ millions			
As at 30 June	Note	2026	2025
Funding sources:			
Due to other financial institutions	17	450	437
Deposits	18	32,699	30,337
Debt securities issued	19	7,337	5,693
Subordinated debt	20	598	477
Total funding		41,084	36,944

Concentrations of funding arise where the Banking Group is funded by industries of a similar nature or geographies. Analysis of funding by industry sector is presented in the table below and is based on ANZSIC.

\$ millions			
As at 30 June	Note	2026	2025
Deposits from customers by industry - New Zealand			
Agriculture		108	46
Food and other manufacturing		187	210
Electricity, gas and water		37	32
Construction		440	421
Retail and wholesale trade		452	298
Transport and storage		238	131
Communications		329	275
Finance, investment and insurance		2,163	1,946
Property and business services		591	515
Professional, scientific and technical services		405	422
Government, local authorities and services		663	676
Education		385	270
Personal and other services		367	348
Health and community services		617	496
Households		25,059	23,774
Total deposits from customers by industry - New Zealand		32,041	29,860
Deposits from customers by industry - Overseas			
Finance, investment and insurance		178	64
Households		480	413
Total deposits from customers by industry - Overseas		658	477
Total deposits from customers	18	32,699	30,337
Wholesale funding by geography			
New Zealand		4,158	3,625
Overseas		4,227	2,982
Total wholesale funding		8,385	6,607
Total funding		41,084	36,944

Notes to the financial statements continued

22. Fair value of financial instruments



Accounting policy

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

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

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

The Banking Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Assets and liabilities carried at fair value have been classified into three levels based on the observability of inputs used to measure the fair values.

The three levels of the fair value hierarchy are defined as follows:

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

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

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

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

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

a) Measurement basis of financial assets and financial liabilities

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

As at 30 June \$ millions	2026			
	Amortised cost	FVOCI	FVTPL	Total
Cash and cash equivalents	1,149	-	-	1,149
Due from other financial institutions	120	-	-	120
Investment securities	-	3,962	-	3,962
Derivative financial instruments	-	-	464	464
Loans and advances	38,908	-	-	38,908
Other financial assets	35	-	-	35
Total financial assets	40,212	3,962	464	44,638
Due to other financial institutions	450	-	-	450
Deposits	32,699	-	-	32,699
Derivative financial instruments	-	-	204	204
Debt securities issued	7,337	-	-	7,337
Subordinated debt	598	-	-	598
Other financial liabilities	206	-	-	206
Total financial liabilities	41,290	-	204	41,494

Notes to the financial statements continued

22. Fair value of financial instruments continued

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

b) Financial assets and financial liabilities carried at fair value

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

Investment securities

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

Derivative financial instruments

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

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

As at 30 June \$ millions	2026				2025			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value								
Investment securities	1,247	2,715	-	3,962	1,046	2,009	-	3,055
Derivative financial assets	-	464	-	464	-	296	-	296
Financial liabilities at fair value								
Derivative financial liabilities	-	204	-	204	-	324	-	324

During the year ended 30 June 2026, there were no transfers between levels 1 and 2 (2025: none) and no transfers into/out of level 3 (2025: none).

Notes to the financial statements continued

22. Fair value of financial instruments continued

c) Financial assets and financial liabilities carried at amortised cost

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

Loans and advances

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

Impaired and past due loans and advances

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

Deposits

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

Debt securities issued and subordinated debt

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

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

As at 30 June	2026					2025				
	Level 1	Level 2	Level 3	Total	Carrying amount	Level 1	Level 2	Level 3	Total	Carrying amount
\$ millions										
Financial assets at amortised cost										
Loans and advances	-	-	38,936	38,936	38,908	-	-	35,916	35,916	35,840
Financial liabilities at amortised cost										
Deposits	-	-	32,717	32,717	32,699	-	-	30,379	30,379	30,337
Debt securities issued	-	7,379	-	7,379	7,337	-	5,732	-	5,732	5,693
Subordinated debt	-	601	-	601	598	-	477	-	477	477

The carrying amounts of the following financial instruments are a reasonable approximation of fair value because, for example, they are short term in nature or reprice to current market rates frequently: cash and cash equivalents, due from other financial institutions, other financial assets, due to other financial institutions and other financial liabilities. No fair value disclosures are required for lease liabilities.

Notes to the financial statements continued

23. Derivative financial instruments and hedging activities



Accounting policy

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

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

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

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

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

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

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

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

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

Fair value hedge ('FVH')

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

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

Cash flow hedge ('CFH')

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

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

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

Notes to the financial statements continued

23. Derivative financial instruments and hedging activities continued

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

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

- *Currency forwards* represent commitments to purchase or sell foreign currency, including undelivered spot transactions.
- *Interest rate futures* are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date, established in an organised financial market.
- *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.
- *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 notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Banking Group's exposure to credit or price risks. Derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates as applicable relative to their terms. The aggregate contractual or notional amount of derivative financial instruments held and the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and derivative financial liabilities, can fluctuate significantly from time to time.

The following tables present the fair value of derivative instruments:

As at 30 June	2026			2025		
	Notional amount	Fair values		Notional amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
\$ millions						
Derivatives held for trading	23,110	93	(85)	12,224	49	(75)
Derivatives held for hedging	31,278	371	(119)	28,648	247	(249)
Total derivative financial instruments	54,388	464	(204)	40,872	296	(324)
Current		160	(99)		78	(198)
Non-current		304	(105)		218	(126)

Notes to the financial statements continued

23. Derivative financial instruments and hedging activities continued

Derivatives held for trading

Derivatives held for trading includes those transacted as economic hedges.

As at 30 June	2026			2025		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
\$ millions						
Foreign exchange contracts						
Forwards	2,838	75	(30)	2,572	26	(56)
Options	213	3	(3)	129	2	(2)
Total foreign exchange contracts	3,051	78	(33)	2,701	28	(58)
Interest rate contracts						
Swaps	20,059	15	(52)	9,523	21	(17)
Total interest rate contracts	20,059	15	(52)	9,523	21	(17)
Total derivatives held for trading	23,110	93	(85)	12,224	49	(75)

Derivatives held for hedging

Interest rate derivatives

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

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

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

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

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

Interest and foreign exchange derivatives

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

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

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

Notes to the financial statements continued

23. Derivative financial instruments and hedging activities continued

Foreign exchange derivatives

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

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

Summary of designated hedge relationships

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

As at 30 June		2026					
		Notional amount				Fair value	
		Up to 1 year	Between 1 & 5 years	Over 5 years	Total	Assets	Liabilities
\$ millions	Hedged risk						
Fair value hedges							
Interest rate swap	Interest rate	200	1,871	-	2,071	38	(2)
Cross-currency swap	Interest rate	213	1,485	579	2,277	13	(22)
Total designated in fair value hedges		413	3,356	579	4,348	51	(24)
Cash flow hedges							
Interest rate swap	Interest rate	8,819	17,169	100	26,088	105	(116)
Cross-currency swap	Interest rate & FX	608	1,820	579	3,007	210	21
Foreign exchange	FX	78	34	-	112	5	-
Total designated in cash flow hedges		9,505	19,023	679	29,207	320	(95)
Less derivatives in both FVH and CFH		(213)	(1,485)	(579)	(2,277)	-	-
Total derivatives held for hedging		9,705	20,894	679	31,278	371	(119)

As at 30 June		2025					
\$ millions	Hedged risk	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	1,671	-	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)

The average fixed interest rate of hedging instruments used to hedge interest rate risk as at 30 June 2026 was 4.1% for fair value hedges and 3.3% for cash flow hedges (30 June 2025: 3.8% for fair value hedges and 3.7% 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 2026 were AUD 0.91, GBP 0.44, HKD 4.93, CHF 0.48 and USD 0.60 (30 June 2025: AUD 0.92, GBP 0.46, HKD 5.51, CHF 0.51 and USD 0.60).

Notes to the financial statements continued

23. Derivative financial instruments and hedging activities continued

Hedge Ineffectiveness

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

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

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

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

For the year ended 30 June		2026		2025	
\$ millions	Hedged risk	Change in value of hedged item	Change in value of hedging instrument	Change in value of hedged item	Change in value of hedging instrument
Fair value hedges					
Interest rate swap	Interest rate	13	(13)	(61)	61
Cross currency swap	Interest rate	11	(11)	(39)	39
Total		24	(24)	(100)	100
Cash flow hedges					
Interest rate swap	Interest rate	51	(51)	86	(86)
Cross currency swap	Interest rate & FX	(261)	261	(9)	9
Foreign exchange	FX	(10)	10	-	-
Total		(220)	220	77	(77)

Hedged items in fair value hedge relationships

The following table sets out the Banking Group's hedged items in fair value hedge relationships, and the accumulated amount of fair value hedge adjustments included in their carrying amounts. During the year ended 30 June 2026, there were no adjustments relating to discontinued hedge relationships (2025: nil).

As at 30 June		2026		2025	
\$ millions	Hedged risk	Carrying amount	Accumulated fair value hedge adjustments	Carrying amount	Accumulated fair value hedge adjustments
Subordinated debt	Interest rate	(601)	(1)	(402)	(2)
Debt securities issued	Interest rate	(1,499)	(29)	(1,511)	(41)
Debt securities issued	Interest rate & FX	(2,269)	9	(1,325)	(2)
Total		(4,369)	(21)	(3,238)	(45)

Notes to the financial statements continued

23. Derivative financial instruments and hedging activities continued

Cash flow hedge reserve

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

As at 30 June	2026				2025		
	Type of risk				Type of risk		
\$ millions	FX risk	Interest rate	Interest rate and FX	Total	Interest rate	Interest rate and FX	Total
Opening balance	-	(14)	(6)	(20)	18	(3)	15
Gross changes in fair value ¹	10	(51)	261	220	(86)	9	(77)
Reclassified to Income statement:							
Interest income	-	(56)	-	(56)	19	-	19
Interest expense	-	131	(22)	109	22	(4)	18
Operating expenses	(3)	-	-	(3)	-	-	-
Net (gains)/losses on financial instruments	-	23	(236)	(213)	-	(9)	(9)
Deferred tax	(2)	(13)	(1)	(16)	13	1	14
Closing balance	5	20	(4)	21	(14)	(6)	(20)

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

As at 30 June 2026, interest rate swaps with a notional balance of \$4,124m was outstanding that had been de-designated from cash flow hedge relationships to manage hedge capacity (2025: \$200m).

During the year ended 30 June 2026, \$23m of losses (2025: nil) was reclassified from the cash flow hedge reserve to 'Net gains on financial instruments' (Note 3) in the income statement. This is the amortisation of the fair value of de-designated interest rate swaps at the time the hedge designation was revoked. The amortisation is offset by subsequent fair value movements in those de-designated interest rate swaps of \$23m (2025: nil).

As at 30 June 2026, cumulative gains of \$2m remained in the cash flow hedge reserve relating to de-designated interest rate swaps (30 June 2025: nil).

Notes to the financial statements continued

24. Offsetting financial assets and financial liabilities



Accounting policy

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

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

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

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

As at 30 June		2026					
\$ millions	Note	Gross amounts of recognised financial instruments	Amounts offset in the balance sheet	Net amounts of financial instruments presented in the balance sheet	Related amounts not offset in the balance sheet		
					Financial instruments	Cash collateral	Net amount
Derivative financial assets	23	464	-	464	(184)	(258)	22
Total financial assets		464	-	464	(184)	(258)	22
Derivative financial liabilities	23	204	-	204	(184)	(13)	7
Repurchase agreements ¹		12	-	12	(12)	-	-
Total financial liabilities		216	-	216	(196)	(13)	7

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

¹ \$14m of RMBS have been pledged as collateral under a collateralised borrowing arrangement (repurchase agreements) (30 June 2025: \$421m). Refer to 'Due to other financial institutions' (Note 17) for further details.

Notes to the financial statements continued

25. Transfer of financial assets

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

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

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

The carrying amount of the RMBS pool as at 30 June 2026 is \$4,250m (30 June 2025: \$4,250m). These securities are ring-fenced to ensure they are not used as collateral outside of agreements established with the RMBS Trust.

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

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

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

The carrying amount of the Covered Bond Trust pool as at 30 June 2026 is \$1,600m (30 June 2025: \$1,400m). These securities are ring-fenced to ensure they are not used as collateral outside of agreements established with the Covered Bond Trust.

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

Repurchase agreements

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

As at 30 June 2026, the Banking Group has recognised liabilities for outstanding repurchase agreements of \$12m (30 June 2025: \$353m).

Term Lending Facility ('TLF')

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

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

As at 30 June 2026, the Banking Group has not derecognised any financial assets where they have a continuing involvement (30 June 2025: nil).

Notes to the financial statements continued

26. Other liabilities



Accounting policy

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

Provisions

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

Contract liabilities

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

Lease liabilities

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

\$ millions		
As at 30 June	2026	2025
Trade and other payables	29	23
Employee entitlements	51	50
Current tax liabilities	30	30
Contract liabilities	5	9
Provision for ECL on credit commitments	7	8
Provisions	8	11
Lease liabilities	84	85
Trail commission payable	89	76
Other liabilities	16	21
Total other liabilities	319	313
Current	190	190
Non-current	129	123

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

Notes to the financial statements continued

26. Other liabilities continued

Movement in provisions

As at 30 June \$ millions	2026			2025		
	Remediation	Other	Total	Remediation	Other	Total
Opening balance	1	10	11	2	15	17
New and increased provisions	-	15	15	2	17	19
Provisions used	(1)	(17)	(18)	(2)	(22)	(24)
Unused amounts reversed	-	-	-	(1)	-	(1)
Closing balance	-	8	8	1	10	11

Remediation

Remediation includes provisions in respect of regulatory and customer remediations for expected refunds or payments to customers and other counterparties where the Banking Group has completed an assessment and reliably estimated the likely cost.

Other

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

Movement in lease liabilities

As at 30 June \$ millions	2026			2025		
	Property	Other	Total	Property	Other	Total
Opening balance	82	3	85	88	4	92
Additions/(disposals)	13	2	15	8	1	9
Accretion of interest	3	-	3	2	-	2
Payments	(17)	(2)	(19)	(16)	(2)	(18)
Closing balance	81	3	84	82	3	85

27. Equity



Accounting policy

Share capital

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

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

Other reserves

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

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

Ordinary shares

The total number of issued and fully paid ordinary shares in Kiwibank at the reporting date was 962 million (30 June 2025: 962 million). There were no ordinary shares issued during the year (2025: nil).

All ordinary shares have equal voting rights and share equally in dividends and surpluses on winding up. Ordinary shares do not have a par value. As at 30 June 2026 and 30 June 2025, all issued ordinary shares are owned by KGCL, which is incorporated in New Zealand.

There were no dividends paid during the year on ordinary shares (2025: nil).

Notes to the financial statements continued

27. Equity continued

Perpetual preference shares

During the year ended 30 June 2026, the Banking Group has not issued or redeemed any perpetual preference shares ('PPS') (2025: issued 275 million PPS with a carrying amount of \$271m (\$275m less transaction costs of \$4m)).

The total authorised number of PPS in Kiwibank at the reporting date was 525 million (30 June 2025: 525 million). All issued PPS are fully paid and do not carry any voting rights. The PPS are classified as equity instruments as there is no contractual obligation for Kiwibank to either deliver cash or another financial instrument or to exchange financial instruments on a potentially unfavourable basis. PPS qualify as Additional Tier 1 capital for Capital Adequacy calculation purposes.

For the year ended 30 June 2026, \$24m (4.47 cents per share) of perpetual preference share distributions were paid (2025: \$16m (3.70 cents per share)).

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

Cash flow hedge reserve

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

\$ millions		
For the year ended 30 June	2026	2025
Opening balance	(20)	15
Gross changes in fair value	220	(77)
Tax effect of changes in fair value	(62)	22
Cumulative (gains)/losses transferred to the income statement	(163)	28
Tax effect of items transferred to income statement	46	(8)
Closing balance	21	(20)

Fair value reserve

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

\$ millions		
For the year ended 30 June	2026	2025
Opening balance	26	(21)
Gross changes in fair value	1	65
Tax effect of changes in fair value	-	(18)
Cumulative losses/(gains) transferred to the income statement	-	-
Closing balance	27	26

Notes to the financial statements continued

27. Equity continued

Regulatory Capital

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

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

As at 30 June 2026 and 30 June 2025, Common Equity and Additional Tier 1 capital comprised ordinary shares, PPS, retained earnings and fair value reserve less deductions for intangible assets and deferred tax assets.

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

Capital management

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

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

RBNZ Capital Review

The RBNZ's bank capital adequacy requirements are set out in the RBNZ's Banking Prudential Requirements documents. In 2019, the RBNZ revised the capital adequacy requirements that apply to New Zealand locally incorporated registered banks, requiring Kiwibank to materially increase the level of capital it holds. Implementation of the revised requirements has been underway since 2021 and was scheduled to continue through to July 2028. However, the RBNZ reviewed its key capital requirements in 2025, announcing its decisions in December 2025.

The RBNZ's decisions include:

- the minimum Common Equity Tier 1 capital ratio will progressively increase to 11.0%;
- the minimum Total capital ratio will progressively increase to 14.0%;
- Additional Tier 1 capital will be removed from the regulatory capital stack and the recognition of existing Additional Tier 1 capital instruments will be phased out; and
- the introduction of more granular risk weights.

The RBNZ's decisions, once implemented, represent a reduction in Kiwibank's capital requirements relative to the 2028 settings under the 2019 review decisions, but an increase relative to the current settings.

From 1 July 2025, the Prudential Capital Buffer requirement increased from 2.5% to 3.5%. This is required to be held in Common Equity Tier 1 capital.

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

Notes to the financial statements continued

28. Related parties



Accounting policy

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

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

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

As at 30 June		2026	2025
Name of entity	Principal activity	Interest held by Kiwibank Limited	
Kiwibank Investment Management Limited	Provision of investment management services	100%	100%
Kiwibank PIE Unit Trust ("PIE Unit Trust")	Managed portfolio investment entity	-	-
Kiwibank RMBS Trust Series 2009-1	Securitisation finance entity	-	-
Kiwi Covered Bond Trust	Securitisation finance entity	-	-

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

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

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

The table below shows material transactions with related entities.

\$ millions		2026	2025
For the year ended 30 June			
Interest paid to KGCL		-	1
Distributions paid to KGCL		1	-
Commissions paid to NZHL		30	29

Transactions conducted with related entities include:

- Certain shared service activities have been provided by the Banking Group to KGCL and NZHL. The fee charged for these services is based on activity and a mutually agreed fee. During the year ended 30 June 2026, the fee charged was \$0.4m for KGCL (2025: \$0.4m) and \$40k for NZHL (2025: \$40k).
- Kiwibank is a member of, and benefits from, any tax losses incurred by members of the 'Kiwibank Consolidated Tax Group'. Refer to 'Income tax' (Note 7) for further details. During the year ended 30 June 2026, no tax losses were recognised (2025: nil).
- There is a revolving credit facility provided to NZHL, which is secured by a general security agreement given by NZHL. The facility limit is \$6m and the interest rate on the outstanding principal amount is based on the Kiwibank business base rate less a negotiated discount, with a line fee of 1% per annum on the facility limit. The facility is repayable on demand and the balance outstanding is disclosed in the table below. During the year ended 30 June 2026, Kiwibank received interest income of \$31k from NZHL (2025: \$69k).
- KGCL has a call account and term deposits with the Banking Group with interest rates ranging from 2.25% to 4.30% per annum and maturities within a year (2025: 3.25% to 6.20% per annum and maturities within a year).
- KGCL holds 20 million perpetual preference shares issued by Kiwibank (2025: 20 million). During the year ended 30 June 2026, Kiwibank paid KGCL a perpetual preference distribution of \$1.1m (2025: \$0.5m).

Notes to the financial statements continued

28. Related parties continued

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

\$ millions		
As at 30 June	2026	2025
Deposits		
KGCL	7	12
NZHL	2	1
Total due to related entities included in deposits	9	13
Other liabilities		
NZHL - trail commission payable	47	45
Total due to related entities included in other liabilities	47	45
Total due to related entities	56	58

Transactions with other government-related entities

The Banking Group enters into transactions with the Crown and other entities controlled by the Crown in the normal course of business on standard terms and conditions. These transactions include investments in New Zealand Government securities and banking transactions with other government-related entities. In addition, the Banking Group previously had a commercial arrangement with Air New Zealand Limited (an entity controlled by the Crown) in relation to credit card loyalty programmes. The arrangement terminated in October 2025.

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 subject to a range of repayment terms and either fixed or variable interest rates, all of which have been made in accordance with the Banking Group's lending policies. No individually assessed provision for ECL has been recognised for loans made to key management personnel (30 June 2025: nil). Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. This includes the Board and members of the Executive Committee ('EXCO').

\$ thousands	2026	2025
Directors' fees	1,077	1,099

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

\$ millions		
For the year ended 30 June	2026	2025
Salaries and short-term employee benefits	10	8
Long-term benefits	1	3
Total key management personnel compensation	11	11

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

As at 30 June	2026	2025
Loans to key management personnel and their related parties ¹	4	4
Deposits from key management personnel and their related parties ¹	4	3

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

Notes to the financial statements continued

28. Related parties continued

Long-term benefits

During the year ended 30 June 2025, the Bank introduced a deferral element to the existing short-term incentive scheme ('STI') for EXCO participants only. The STI for EXCO will vest over three years. As at 30 June 2026, the estimated liability for the deferred portion of STI amounted to \$1m and is included within 'Other Liabilities' (Note 26) in the balance sheet (30 June 2025: \$1m).

The long-term incentive scheme ('LTI') with members of the EXCO covered the period from 1 July 2020 to 30 June 2025 and vested in three tranches. At each vesting date certain conditions were required to be met including financial and performance targets for the Banking Group. The key assumption in measuring the LTI was the probability of meeting the targets. During the year ended 30 June 2026, the LTI was settled and the remaining liability was paid to participants (30 June 2025: \$5m recognised within 'Other Liabilities' (Note 26)).

29. Fiduciary activities, securitisation, and funds under management

Insurance business, marketing and distribution of insurance products

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

Securitised assets

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

Funds management

The Kiwibank PIE Unit Trust (the '**PIE Unit Trust**'), established in May 2008, operates three funds: the PIE Term Deposit Fund, the Notice Saver Fund and PIE Online Call Fund. A subsidiary of Kiwibank (Kiwibank Investment Management Limited – see 'Related parties' (Note 28)) is the issuer and manager (the '**Manager**'), Public Trust is the Supervisor and Kiwibank is the promoter of the Trust. Units in the Trust do not directly represent deposits or liabilities of Kiwibank; however, the PIE Unit Trust is invested exclusively in term and on demand deposits bearing interest with Kiwibank.

As at 30 June 2026, \$7,201m of the PIE Unit Trust's funds were invested in Kiwibank products or securities (30 June 2025: \$7,293m). Kiwibank guarantees the payment obligations of the Manager and any amounts owing to Unit holders under the Trust Deed in respect of their units. Kiwibank agrees to pay to Unit holders any shortfall between the amount they may receive on redeeming their units or in the winding up of the Trust and the balance of their unit accounts.

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

Financial services provided to entities conducting the above activities

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

Assets purchased from entities conducting the above activities

Assets purchased by Kiwibank from entities conducting the above activities have been purchased on arm's length terms and conditions and at fair value.

Arrangements to ensure no adverse impacts arising from the above activities

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

30. Segment analysis

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

Revenue from transactions with a single external customer or counterparty did not amount to 10% or more of the Banking Group's total revenue (2025: same).

Notes to the financial statements continued

31. Risk management

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

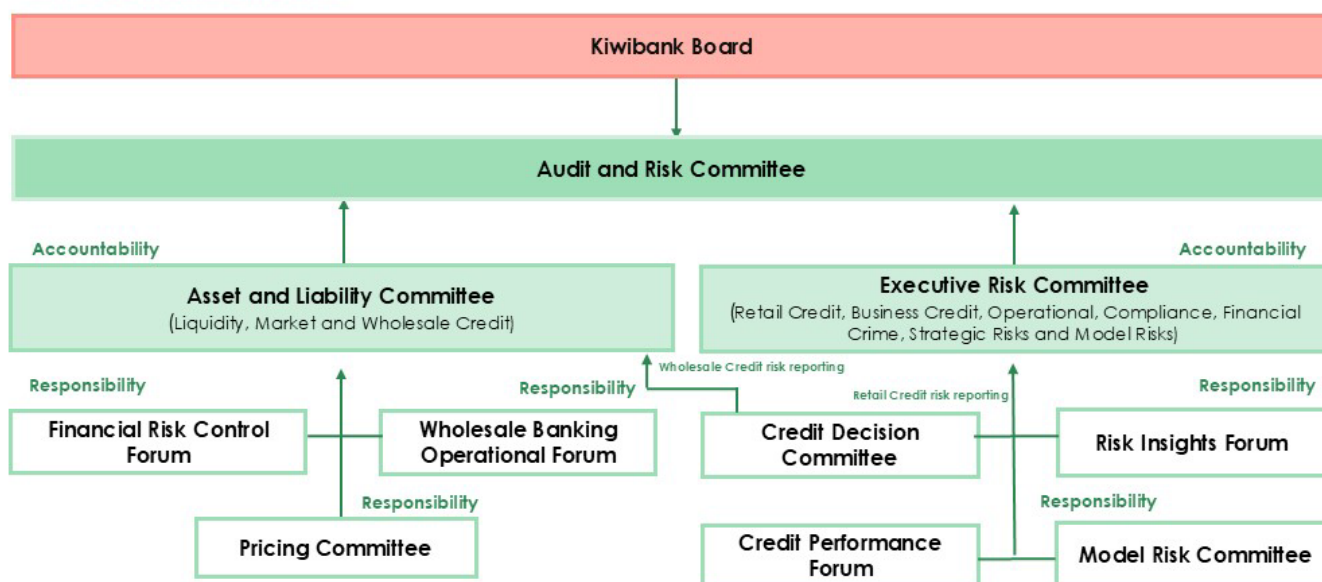
The Banking Group's risks are identified, managed, mitigated, and monitored using a risk management framework that embeds risk accountability and responsibility throughout the organisation.

Governance

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

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

Risk Governance Structure



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

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

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

The Board has delegated authority, which includes frequent and detailed monitoring of the financial and non-financial risk metrics, to the Audit & Risk Committee ('**ARC**') with internal governance via the Executive and Management Committees. The ARC's Charter outlines its roles and responsibilities and the manner in which it discharges those responsibilities.

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

Notes to the financial statements continued

31. Risk management continued

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

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

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

Enterprise Risk Management Framework

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

The key requirements of the ERMF are:

1. Risk Appetite Statement

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

2. Monitoring and oversight of risk limits

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

3. Governance frameworks

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

4. Three lines of defence model

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

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

Notes to the financial statements continued

31. Risk management continued

Internal audit

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

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

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

Reviews of Banking Group's risk management systems

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

Material risks

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

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

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

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

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

Within the context of the material risks and domains above, the Banking Group continually identifies, assesses, and monitors emerging risks through the ERMF. These are new or evolving risks where the impact is uncertain and the probability, timescale and/or materiality may be difficult to accurately assess. The Banking Group reviews these risks on a periodic basis.

Notes to the financial statements continued

31. Risk management continued

1. Liquidity risk

Liquidity risk overview

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

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

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

Liquidity risk management policies

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

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

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

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

Measuring and monitoring liquidity risk

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

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

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

Liquidity risk management

The Banking Group's liquidity management responsibilities include:

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

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

Notes to the financial statements continued

31. Risk management continued

2. Credit risk

Credit risk overview, management, and control responsibilities

Credit risk is the risk of financial loss where a customer or counterparty fails to meet their contractual payment obligations. The Banking Group's credit risks arise from lending to customers and exposures to counterparties arising out of its treasury, financial markets and international trade activities. These risks can increase due to ineffective lending practices (including high concentration of credit in specific segments) and can be affected by external factors.

These risks can impact the Banking Group through actual credit losses when a customer or counterparty fails to meet their payment obligations. It can also result in increases in the provision for ECL due to changes in credit quality of the customer or counterparty.

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, pandemics and geo-political events (such as conflicts, war and acts of terrorism), can impact the ability of customers and counterparties to meet their payment obligations and the value of property used as security.

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

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

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

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

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

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

Credit risk management policies and credit approval standards

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

The Banking Group has an independent credit assurance oversight process to ensure adherence with our credit underwriting policies and standards.

Credit risk monitoring

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

The credit quality of the lending portfolio is managed by monitoring key risk indicators such as early warning signals, delinquency trends covenant compliance, behavioural scorecards, and credit reviews.

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 if required. Problem credit facilities are monitored to ensure collection and recovery strategies are established and enacted promptly to minimise risk of potential losses.

Notes to the financial statements continued

31. Risk management continued

Credit risk monitoring continued

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

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 utilises central clearing counterparties to mitigate risk arising on derivatives. 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 also uses International Swaps and Derivatives Association ('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 does not use credit derivatives. The Banking Group uses the comprehensive method to measure the mitigating effects of collateral.

Measurement of credit impairments

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

Index of disclosures relevant to credit risk management

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

3. Market risk

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

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

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

Traded market risk

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

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

Notes to the financial statements continued

31. Risk management continued

Non-traded market risk

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

Interest rate risk management

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

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

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

Interest rate sensitivity

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

\$ millions	30 June 26	30 June 25
Banking book basis point sensitivity (+/- 100 bps)	5	10

Currency risk management

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

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

Equity risk

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

4. Model risk

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

5. Operational risk

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

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

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

Notes to the financial statements continued

31. Risk management continued

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

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

Technology risk domain

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

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

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

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

Disruption events may adversely impact the Banking Group's operations

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

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

6. Compliance risk

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

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

7. Financial crime risk

Financial crime risk is the risk of the Banking Group being used to facilitate money laundering, fraud, terrorist financing, or other financial crimes. Not meeting our financial crime obligations could lead to fines, penalties and/or regulatory scrutiny, financial losses, reputational damage and poor customer outcomes. The Banking Group has policies and maintains strong controls for identifying, assessing, mitigating and reporting financial crime risks and complying with applicable global and local financial crime obligations.

8. Strategic risk

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

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

Notes to the financial statements continued

31. Risk management continued

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

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

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

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

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

ESG and climate change risk domain

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

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

- *Governance:* The ARC has responsibility for the oversight of all risk domains, including climate risk. The Banking Group's strategic response to climate risk progressed during the year with the development of our Transition Plan. We are continuing work to determine our strategic response, including the alignment of actions and targets, to the material climate-related risks and opportunities we have identified, and how our business model and strategy might change.
- *Strategy:* Climate scenario analysis has been undertaken and the Banking Group's climate risks and opportunities have been identified.
- *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 appropriate.

Notes to the financial statements continued

32. Interest rate repricing

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

As at 30 June	2026						
\$ millions	Total	Non-interest bearing	Up to 3 months	3 to 6 months	6 months to 1 year	Between 1 & 2 years	Over 2 years
Financial assets							
Cash and cash equivalents	1,149	15	1,134	-	-	-	-
Due from other financial institutions	120	-	120	-	-	-	-
Investment securities	3,962	-	926	482	493	630	1,431
Derivative financial instruments	464	464	-	-	-	-	-
Loans and advances	38,908	218	12,139	4,753	8,790	9,914	3,094
Other financial assets	35	35	-	-	-	-	-
Total financial assets	44,638	732	14,319	5,235	9,283	10,544	4,525
Financial liabilities							
Due to other financial institutions	(450)	(168)	(282)	-	-	-	-
Deposits	(32,699)	(5,063)	(17,093)	(5,064)	(4,170)	(634)	(675)
Derivative financial instruments	(204)	(204)	-	-	-	-	-
Debt securities issued	(7,337)	-	(2,590)	(592)	(248)	(845)	(3,062)
Other financial liabilities	(206)	(206)	-	-	-	-	-
Subordinated debt	(598)	-	-	-	-	(204)	(394)
Total financial liabilities	(41,494)	(5,641)	(19,965)	(5,656)	(4,418)	(1,683)	(4,131)
On-balance sheet gap	3,144	(4,909)	(5,646)	(421)	4,865	8,861	394
Net derivative notional principals	282	-	11,213	(1,560)	(4,045)	(8,262)	2,936
Net interest rate repricing gap	3,426	(4,909)	5,567	(1,981)	820	599	3,330

Notes to the financial statements continued

32. Interest rate repricing continued

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

33. Liquidity

Liquid assets portfolio

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

The Bank also holds unencumbered internal residential mortgage-backed securities which would entitle the Banking Group to enter into repurchase transactions. Residential mortgage-backed securities disclosed below are available to be utilised for liquidity purposes. Refer to 'Transfer of financial assets' (Note 25) for more detail.

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

\$ millions		
As at 30 June	2026	2025
Cash and cash equivalents	1,099	1,010
Government securities	1,698	1,235
Local Government Funding Authority and Supranational securities	1,605	1,400
Other securities	510	420
Residential mortgage-backed securities	4,066	3,660
Total liquidity portfolio	8,978	7,725

Notes to the financial statements continued

33. Liquidity continued

Maturity analysis of financial liabilities

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

As at 30 June	2026						
\$ 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							
Due to other financial institutions	(20)	(430)	-	-	-	(450)	(450)
Deposits	(12,582)	(9,500)	(9,520)	(1,475)	-	(33,077)	(32,699)
Debt securities issued	-	(960)	(1,436)	(4,948)	(734)	(8,078)	(7,337)
Lease liabilities	-	(5)	(14)	(52)	(23)	(94)	(84)
Other financial liabilities	-	(41)	(21)	(58)	(2)	(122)	(122)
Subordinated debt	-	(8)	(24)	(129)	(735)	(896)	(598)
Total	(12,602)	(10,944)	(11,015)	(6,662)	(1,494)	(42,717)	(41,290)
Derivative cash flows							
Net settled	-	(54)	(62)	(56)	(2)	(174)	
Gross settled – Inflows	-	420	348	563	282	1,613	
Gross settled – outflows	-	(440)	(373)	(586)	(240)	(1,639)	
Total	-	(74)	(87)	(79)	40	(200)	
Off-balance sheet cash flows							
Letters of credit and performance-related contingencies	(244)	-	-	-	-	(244)	
Loan commitments	(4,617)	-	-	-	-	(4,617)	
Total	(4,861)	-	-	-	-	(4,861)	

Notes to the financial statements continued

33. Liquidity continued

Maturity analysis of financial liabilities continued

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

34. Auditor's remuneration

\$ thousands		
For the year ended 30 June	2026	2025
Audit and review of financial statements ¹	1,981	1,952
Audit or review related services:		
Assurance engagements ²	11	11
Agreed-upon procedures engagements ³	21	43
Other assurance services and other agreed-upon procedures engagements:		
Other assurance services ⁴	61	130
Total auditor's remuneration	2,074	2,136

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

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

³ Fees for agreed-upon procedures over debt programmes.

⁴ Fees for limited assurance over greenhouse gas emissions reporting for both periods and, for the year ended 30 June 2025 only, fees for pre-conditions assessments for assurance over greenhouse gas emissions reporting.

Notes to the financial statements continued

35. Capital expenditure commitments

Capital expenditure commitments contracted for as at 30 June 2026 (but not provided for in these financial statements) was \$3m (30 June 2025: \$1m). All capital expenditure commitments are due to be settled within the next 12 months.

36. Contingent liabilities and credit commitments



Accounting policy

Contingent liabilities

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

Compliance, regulation, and remediation

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

Credit commitments

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

Contingent liabilities

Kiwibank or any member of the Banking Group is not party to any pending or current legal proceedings or arbitration that may have a material adverse effect on Kiwibank or the Banking Group.

Credit commitments

Credit commitments as at the reporting date are as follows:

\$ millions		
As at 30 June	2026	2025
Letters of credit and performance related contingencies	244	202
Loan commitments	4,617	4,482
Total credit commitments	4,861	4,684

37. Events after the reporting period

On 24 July 2026 and 3 August 2026 Kiwibank paid a distribution of \$4m and \$2m respectively, to holders of its perpetual preference shares.

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

Capital adequacy and regulatory liquidity ratios

RBNZ Capital Adequacy Framework

The Banking Group is subject to regulation by the Reserve Bank of New Zealand ('RBNZ'). Following an internationally agreed framework (commonly known as Basel III) the RBNZ sets minimum regulatory capital requirements for registered banks in New Zealand. Basel III consists of three pillars – Pillar I covers the capital requirements for operational, market, and credit risks. Pillar II covers all other material risks that are not already included in Pillar I. Pillar III relates to market disclosure.

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

Capital management policies

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

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

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

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

Qualifying capital

RBNZ BPR110 *Capital definitions* provides guidance on which categories of capital may be used in calculating capital adequacy ratios. Total regulatory capital is divided into Tier 1 and Tier 2 capital. Tier 1 capital is divided into Common Equity Tier 1 ('CET1') capital and Additional Tier 1 capital ('AT1'). Tier 1 capital is permanently and freely available to absorb losses without the bank being obliged to cease trading, while Tier 2 capital generally only absorbs losses in a winding up.

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

\$ millions		30 June 26
Common Equity Tier 1 capital		
Paid up ordinary shares issued		962
Retained earnings (net of appropriations)		1,744
Accumulated other comprehensive income and other disclosed reserves ¹		48
Less deductions from Common Equity Tier 1 capital		
Intangible assets		(4)
Cash flow hedge reserve		(21)
Deferred tax assets		(88)
Total Common Equity Tier 1 capital		2,641
Additional Tier 1 capital		
Perpetual preference shares ²		517
Total Additional Tier 1 capital		517
Total Tier 1 capital		3,158
Tier 2 capital		
Subordinated notes ³		594
Total Tier 2 capital		594
Total capital		3,752

¹ Includes fair value reserve of \$27m and cash flow hedge reserve of \$21m.

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

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

Capital adequacy and regulatory liquidity ratios

Capital structure

Ordinary shares – CET 1 capital

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

Retained earnings – CET 1 capital

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

Accumulated other comprehensive income and other disclosed reserves

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

- Fair value reserve comprises the cumulative net change in the fair value of investment securities until the investment is derecognised or impaired. This is included in CET1 capital.
- The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of designated cash flow hedging instruments related to hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction. The cash flow hedge reserve is not eligible for inclusion in capital under BPR110 *Capital Definitions*.

Perpetual preference shares – AT1 capital

The perpetual preference shares ('PPS') are fully paid and do not carry any voting rights. They are classified as equity instruments as there is no contractual obligation for the Bank to either deliver cash or another financial instrument to holders. The PPS have no fixed maturity date and holders have no right to require that the PPS be redeemed.

Distributions are discretionary, non-cumulative and paid quarterly in arrears. Distributions are subject to the Bank being solvent on the payment date and immediately after making the payment. If for any reason a distribution on the PPS has not been paid in full, Kiwibank must not make any distributions or payments on or issue any bonus securities in respect of its ordinary shares or any other preference shares or other securities that rank equally with the PPS.

In the event of liquidation, holders of PPS rank behind the claims of all depositors and other creditors of Kiwibank (including holders of Tier 2 capital instruments), equally with other PPS holders and ahead of holders of ordinary shares.

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

	FY22 PPS issue	FY25 PPS issue
Issue date	2 November 2021	24 October 2024
Issue amount (NZD)	\$250 million	\$275 million
First optional redemption	2 November 2026	24 April 2030
Distribution rate	4.93% per annum until 2 November 2026 (after which it will be at a rate equal to NZ 5-year swap rate plus 2.60%)	7.38% per annum until 24 April 2030 (after which it will be at a rate equal to NZ 3-month bank bill rate plus 3.70%)
Distribution rate reset date	2 November 2026 (and 5 yearly intervals after that date)	24 April 2030 (and quarterly intervals after that date)

Subordinated notes – Tier 2 capital

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

The subordinated notes are quoted on the NZX Debt Market and key terms are as follows:

	FY23 Subordinated debt issue	FY26 Subordinated debt issue
Issue date	12 May 2023	12 December 2025
Issue amount (NZD face value)	\$200 million	\$400 million
Final maturity date	12 May 2033	12 March 2036
Early repayment option	12 May 2028 (or on any interest payment date thereafter)	12 March 2031 (or on any interest payment date thereafter)
Interest rate	6.40% per annum until 12 May 2028 (after which it will be at a rate equal to NZ 5-year swap rate plus 2.20%)	4.93% per annum until 12 March 2031 (after which it will be at a rate equal to NZ 3-month bank bill rate plus 1.45%)

Capital adequacy and regulatory liquidity ratios

Regulatory capital ratios

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

	Minimum ratio requirement	30 June 26	Minimum ratio requirement	30 June 25
Common Equity Tier 1 capital ratio	4.5%	11.5%	4.5%	11.7%
Tier 1 capital ratio	7.0%	13.7%	7.0%	14.1%
Total capital ratio	9.0%	16.3%	9.0%	16.3%
Prudential Capital Buffer ratio		6.7%		7.1%
Buffer Trigger ratio		3.5%		2.5%

Regulatory minimum capital requirements for material risks (Pillar I)

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

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

Risk-weighted exposures are derived by assigning risk-weight percentages to certain material risk categories of exposures. These material risks are (a) operational risk, (b) market risk and (c) credit risk. The following pages summarise the capital requirements of each material risk for the year ended 30 June 2026. The table below summarises the total capital requirements for the Banking Group.

\$ millions	30 June 26		
	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Total capital requirement
Total credit risk plus equity	51,290	19,618	1,766
Operational risk	n/a	2,574	232
Market risk	n/a	806	73
Total Pillar I risk	n/a	22,998	2,071

(a) Operational risk capital requirement

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

As at 30 June 2026, the Banking Group had an implied risk weighted exposure of \$2,574m and a total operational risk capital requirement of \$206m. The implied risk weighted exposure is equal to 12.5 times the total operational risk capital requirement in accordance with RBNZ BPR100 *Capital Adequacy*. The total capital requirement for operational risk calculated at 9% of implied risk weighted exposure is presented in the table above.

(b) Market risk capital requirement

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

\$ millions	30 June 26			
	Implied risk weighted exposure		Aggregate capital charge	
	End of period	Peak	End of period	Peak
Interest rate risk	692	953	55	76
Foreign currency risk	113	124	9	10
Equity risk	1	-	-	-

Capital adequacy and regulatory liquidity ratios

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

(c) Credit risk capital requirement

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

On-balance sheet exposures

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

\$ millions	As at 30 June 2026		
	Total exposure after credit risk mitigation	Risk weight	Risk weighted exposure
Cash and gold bullion	15	0%	-
Sovereigns and central banks	2,898	0%	-
Multilateral development banks and other international organisations	935	0%	-
	101	20%	20
Public-sector entities	509	20%	102
Banks	253	20%	51
	166	50%	83
Corporate	258	20%	52
	5,247	100%	5,247
Residential mortgages not past due			
Non-property investment residential mortgage loans	1,822	20%	364
	17,732	35%	6,206
	1,922	50%	961
	27	75%	20
	3	100%	3
Property investment residential mortgage loans	11,256	40%	4,502
	114	70%	80
	1	75%	1
	27	90%	24
	1	100%	1
Past due residential mortgages			
Past due but not impaired	2	35%	1
	1	50%	1
	42	100%	42
Past due and impaired	1	50%	1
	8	100%	8
Other past due assets			
Past due but not impaired	9	100%	9
	34	150%	51
Past due and impaired	20	100%	20
Other assets	36	20%	7
	778	100%	778
All other equity holdings (not deducted from capital)	1	400%	3
Non risk weighted assets	557	0%	-
Total on-balance sheet exposures	44,776		18,638

Capital adequacy and regulatory liquidity ratios

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

Off-balance sheet exposures and counterparty credit risk

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

\$ millions	As at 30 June 2026				
	Total exposure	Credit conversion factor	Credit equivalent amount	Average risk weight	Risk weighted exposure
Direct credit substitute	152	100%	152	100%	152
Performance-related contingency	89	50%	45	100%	45
Other commitments where original maturity is greater than one year	1,463	50%	731	62%	453
Other commitments where original maturity is less than or equal to one year	1,808	20%	362	37%	134
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	1,342	0%	-	0%	-
Counterparty credit risk:¹					
a) Foreign exchange contracts	6,123	n/a	194	54%	105
b) Interest rate contracts	48,218	n/a	51	11%	6
c) Other – Credit Valuation Adjustment	-	n/a	-	n/a	83
d) Other - CCP initial margin	102	n/a	-	2%	2
Total off-balance sheet exposures	59,297		1,535		980

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

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

\$ millions	30 June 26		
	Trade exposure or collateral amount	Average risk weight	Risk weighted exposures
Bank as QCCP clearing member, clearing own trades	-	-	-
Collateral posted for clearing own trades	-	-	-
Bank as client of QCCP member, clearing trades through that member	41	2%	1
Collateral posted for clearing via member bank	102	2%	2
Total	143		3

Capital adequacy and regulatory liquidity ratios

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

Credit risk mitigation

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

\$ millions	30 June 26	
	Total value of on- and off-balance sheet exposures covered by eligible collateral (after haircutting)	Total value of on- and off-balance sheet exposures covered by guarantees or credit derivatives
Exposure class		
Bank	5,202	-
Corporate	47,581	-
Total	52,783	-

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

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

\$ millions	30 June 2026		
	On-balance sheet	Off-balance sheet	Total
LVR does not exceed 80%	29,202	774	29,976
LVR exceeds 80% and not 90%	3,007	20	3,027
LVR exceeds 90%	750	5	755
Total	32,959	799	33,758

Other material risks (Pillar II)

The Basel III capital adequacy regime intends to ensure that banks have adequate capital to support all material risks inherent in their business activities. Consequently, banks are required to maintain an ICAAP for assessing overall capital adequacy in relation to their risk profile. Kiwibank's ICAAP methodology requires it to hold capital against other material risks including cyber, climate change, and external fraud risks. For these other material risks, the Bank has made an internal capital allocation of \$44m (30 June 2025: \$39m).

Regulatory liquidity ratios

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

For the three months ended	The Banking Group	
	30 June 26	31 March 26
Quarterly average 1-week mismatch ratio	11.4%	11.2%
Quarterly average 1-month mismatch ratio	9.8%	9.8%
Quarterly average core funding ratio	91.1%	90.6%

Conditions of registration

Under section 74 of the Banking (Prudential Supervision) Act 1989, Kiwibank Limited is subject to the following conditions of registration set by the Reserve Bank of New Zealand ('Reserve Bank'), which were applicable as at 30 June 2026:

Conditions of registration for Kiwibank Limited

These conditions apply on and after 1 December 2025.

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

1. That:

- the Total capital ratio of the banking group is not less than 9%;
- the Tier 1 capital ratio of the banking group is not less than 7%;
- the Common Equity Tier 1 capital ratio of the banking group is not less than 4.5%; and
- the Total capital of the Banking Group is not less than \$30 million.

For the purposes of this condition of registration:

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

1A. That:

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

1B. That, if the prudential capital buffer ratio of the banking group is 3.5% or less, the bank must:

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

The Banking Group's PCB ratio	Percentage limit on distributions of the Bank's earnings	Capital Buffer Response Framework stage
0% – 0.5%	0%	Stage 3
>0.5% – 2%	30%	Stage 2
>2% – 3%	60%	Stage 1
>3% – 3.5%	100%	None

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

For the purposes of this condition of registration:

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

1BA. That the bank must not make any distribution on a transitional AT1 capital instrument on or after the date on which on any conversion or write-off provision in the terms and conditions of the instrument is triggered due to either a loss absorption trigger event or a non-viability trigger event.

For the purposes of this condition of registration, 'transitional AT1 capital instrument' has the meaning given in section A2.3 of BPR110 *Capital Definitions* and 'loss absorption trigger event' and 'non-viability trigger event' have the meanings given in sub-section C2.2(3) of BPR120 *Capital Adequacy Requirements*.

1C. That:

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

Conditions of registration continued

For the purposes of this condition of registration:

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

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

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

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

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

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

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

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

For the purposes of this condition of registration:

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

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

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

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

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

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

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

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

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

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

Conditions of registration continued

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

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

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

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

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

12. That:

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

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

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

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

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

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

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

For the purposes of this condition:

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

16. That:

- a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:
 - i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and
 - ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document 'Significant Acquisitions Policy' (BS15) dated December 2011; and

Conditions of registration continued

- b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold, unless:
 - i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;
 - ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document 'Significant Acquisitions Policy' (BS15) dated December 2011; and
 - iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

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

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

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

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

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

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

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

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

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

21. That, for a loan-to-valuation measurement period ending on or after 28 February 2026, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 70% must not exceed 10% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
22. That, for a loan-to-valuation measurement period ending on or after 28 February 2026, the total of the bank's qualifying new mortgage lending amount in respect of non-property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 25% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
23. That, for a debt-to-income measurement period, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a debt-to-income ratio of more than 7, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the debt-to-income measurement period.

Conditions of registration continued

24. That, for a debt-to-income measurement period, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a debt-to-income ratio of more than 6, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the debt-to-income measurement period.
25. That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

In these conditions of registration:

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

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

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

In conditions of registration 21 and 22:

- 'loan-to-valuation ratio', 'non property-investment residential mortgage loan', 'property-investment residential mortgage loan', 'qualifying new mortgage lending amount in respect of property-investment residential mortgage loans' and 'qualifying new mortgage lending amount in respect of non-property-investment residential mortgage loans' have the same meaning as in the Reserve Bank of New Zealand document entitled 'Framework for Restrictions on High-LVR Residential Mortgage Lending' (BS19) dated October 2021:
- 'loan-to-valuation measurement period' means a rolling period of three calendar months ending on the last day of the third calendar month.

In conditions of registration 23 and 24:

- 'debt-to-income ratio', 'debt-to-income measurement period', 'non property-investment residential mortgage loan', 'property-investment residential mortgage loan', 'qualifying new mortgage lending amount in respect of property-investment residential mortgage loans', and 'qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans' have the same meaning as in the Reserve Bank of New Zealand document entitled 'Framework for Restrictions on High Debt-To-Income Residential Mortgage lending' (BS20) dated 3 April 2023:
- 'debt-to-income measurement period' means:
 - (a) the initial period of six calendar months from the date of this conditions of registration (1 July 2024) ending on 31 December 2024; and
 - (b) thereafter, a rolling period of three calendar months ending on the last day of the third calendar month, the first of which ends on 31 January 2025 and covers the months of November and December 2024 and January 2025.

In condition of registration 25:

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

Conditions of registration continued

Non-compliance with conditions of registration

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

Changes to conditions of registration

The RBNZ issued revisions to the conditions of registration for Kiwibank effective on and after 1 July 2025, to implement changes to the Prudential Capital Buffer ('**PCB**') ratio requirement in line with decisions announced by the RBNZ in the 2019 Capital Review. The revisions were as follows:

- An increase in the PCB ratio requirement to 3.5% (up from 2.5%); and
- Updates to the PCB ratio bands included in the CET1 dividend restriction condition of registration to reflect the impact of this increase.

The RBNZ issued revisions to the conditions of registration for Kiwibank effective on and after 1 December 2025. The loan-to-valuation ratio ('**LVR**') conditions were revised as follows (for a LVR measurement period ending on or after 28 February 2026):

- For owner occupiers, the limit on the share of new lending allowed with an LVR above 80% was increased to 25% (up from 20%); and
- For investors, the limit on the share of new lending allowed with an LVR above 70% was increased to 10% (up from 5%).

There have been no other changes to the Bank's conditions of registration from those which were in force on 30 June 2025.

Independent Auditor's Report

To the shareholder of Kiwibank Limited

This report is for the Banking Group, comprising Kiwibank Limited (the Bank) and the entities it controlled as at 30 June 2026 or from time to time during the financial year.

The Auditor-General is the auditor of the Bank and the Banking Group. The Auditor-General has appointed me, Callum Dixon, using the staff and resources of PricewaterhouseCoopers, to carry out this audit on his behalf.

Opinion

In our opinion, the accompanying:

- consolidated financial statements, excluding the information disclosed in accordance with Schedules 4, 7, 9, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the Order), of the Banking Group, present fairly, in all material respects, the financial position of the Banking Group as at 30 June 2026, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards); and
- information disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order (the Supplementary Information), in all material respects:
 - presents fairly the matters to which it relates; and
 - is disclosed in accordance with those schedules.

What we have audited

- The Banking Group's consolidated financial statements (the Financial Statements) required by clause 24 of the Order, comprising:
 - the balance sheet as at 30 June 2026;
 - the income statement for the year then ended;
 - the statement of comprehensive income for the year then ended;
 - the statement of changes in equity for the year then ended;

- the cash flow statement for the year then ended; and
- the notes to the Financial Statements, which include material accounting policy information and other explanatory information, but excludes the Supplementary Information and the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order.
- The Supplementary Information within the balance sheet and notes 8, 9, 10, 11, 12, 13, 24, 25, 27, 29, 31, 32 and 33 of the Financial Statements for the year ended 30 June 2026 of the Banking Group.

We have not audited the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order within the *Capital adequacy and regulatory liquidity ratios* section on pages 79 to 84 of the Disclosure Statement and our opinion does not extend to this information.

Basis for our opinion

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

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

Independence

We are independent of the Banking Group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, as applicable for audits of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In addition to the audit, our firm also provides other assurance and agreed-upon procedures services, which are compatible with those independence requirements. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the business. We have no other relationship with, or interests in, the Banking Group.

Key audit matters

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

Description of the key audit matter	How we addressed this matter
Provision for expected credit losses on loans and advances and credit commitments	
As disclosed in Note 9 of the Financial Statements, the Banking Group has recognised a provision for expected credit losses (ECL) on loans and advances and credit commitments as at 30 June 2026 of \$150 million (30 June 2025: \$132 million), which includes both collectively assessed and individually assessed provisions. The Banking Group's provision for ECL is a probability-weighted estimate of credit losses determined by evaluating a range of possible outcomes, taking into account the time value of money, past events, current conditions and forecasts of future economic conditions. The ECL models to determine the collectively assessed provision for ECL involve significant judgement to determine forward-looking macroeconomic scenarios (MES), scenario weightings, when significant increases in credit risk (SICR) have occurred, and in identifying and calculating adjustments to model outputs (overlays). There is also a significant volume of data used in the ECL models, which is sourced from multiple information technology (IT) systems. When the ECL on loans and advances and credit commitments is greater than the modelled collectively assessed provision, the exposure is individually assessed and an individually assessed provision is raised. The provision for ECL is a key audit matter due to the significant audit effort required and the inherent estimation uncertainty present in its determination, which is specifically due to the complexity, subjectivity and extent of judgements and assumptions made by the Banking Group in its recognition and measurement.	Our approach to addressing this matter included the following procedures, among others: We obtained an understanding of the relevant controls implemented by management over the provision for ECL. Our audit procedures also included assessing the design and implementation, and testing the operating effectiveness of selected controls relating to the Banking Group's ECL estimation process, which included controls over the data, changes to models, assumptions and governance used in determining the provision for ECL on loans and advances and credit commitments, as well as IT general controls related to in-scope IT systems. In addition to controls testing, we, along with our credit risk modelling experts, where their involvement was determined to be needed, performed the following audit procedures: - evaluated the appropriateness of the ECL models, including changes made during the year, and the reasonableness of significant assumptions applied within the models, and assessed these against the requirements of NZ IFRS 9; - assessed the Banking Group's judgements, including the reasonableness of forward-looking information incorporated into the ECL models, by comparing the forecasts, assumptions and probability weightings applied in determining the MES against current market conditions and other available evidence; - assessed the appropriateness of overlays identified by the Banking Group against supporting information to provide evidence that these are reasonable; - tested the accuracy of a sample of CDEs used in the ECL models by agreeing them to relevant source documentation or through recalculation where relevant; - for a sample of corporate loans and advances and credit commitments identified as not credit impaired, obtained and examined the borrower's latest financial information provided to the Banking Group to assess the

Description of the key audit matter	How we addressed this matter
The key judgements and assumptions in determining the provision for ECL include: • modelling inputs for probability of default (PD), exposure at default (EAD) and loss given default (LGD); • the criteria under which exposures move between NZ IFRS 9 stages, particularly when moving between fully performing (stage 1) and demonstrating a significant increase in credit risk (stage 2); • the macroeconomic inputs used within each of the economic scenarios (central, upside, downside, severe stress); • the weightings given to each economic scenario; and • overlays applied where the existing inputs, assumptions and model techniques do not fully capture all the risk factors. The nature and extent of audit effort involved the use of professionals with specialised skills and knowledge, testing of the critical data elements (CDEs) used in the models, and testing of the IT general controls for the relevant IT systems used in determining the provision for ECL on loans and advances and credit commitments. Refer to Notes 1.3 and 9 in the Financial Statements which explain the critical accounting estimates and judgements in determining the provision for ECL on loans and advances and credit commitments.	• reasonableness of the customer credit rating that had been assigned to the borrower, a CDE which involves significant management judgement; • for a sample of loans and advances and credit commitments identified as credit impaired and for which an individually assessed provision has been recorded, reviewed the reasonableness of the assumptions made to determine the individually assessed provision for ECL; • recalculated the ECL model results for a sample of loans and advances and credit commitments; • inspected the review and approval by the Executive Risk Committee and the Audit and Risk Committee of MES, scenario weightings, and overlays, and assessed the reasonableness of the decisions made; and • considered the impact of events occurring subsequent to balance date on the provision for ECL on loans and advances and credit commitments. We also assessed the appropriateness of the Banking Group's disclosures in the Financial Statements against the requirements of NZ IFRS. We considered the results of the procedures above satisfactory in forming our opinion on the Financial Statements as a whole.

Description of the key audit matter	How we addressed this matter
Operation of Information Technology (IT) systems and controls	
As disclosed in Note 31 <i>Risk Management</i>, the reliability, resilience, and security of the Banking Group's IT systems and infrastructure are essential to the effective operation of its business. In particular, the Banking Group's financial reporting processes rely extensively on automated processes and controls for the capture, processing, storage and extraction of significant volumes of transactions. In considering the complexity of the Banking Group's processes and the design of the internal control environment, there are certain areas of the audit where we seek to place reliance on system-generated reports, automated controls and calculations, and certain system-enforced access controls. The effective operation of these areas is dependent on the Banking Group's IT general control environment. This includes: • user access controls which are important because they help ensure that staff have appropriate access to IT systems and that access is monitored; and • change management internal controls which are important because they help ensure that changes to systems, applications and data are appropriately processed and authorised. IT systems and controls affect the financial recording and reporting of transactions, and our audit approach could differ significantly depending on the effective design and operation of the Banking Group's IT general controls. For this reason we have determined this to be a key audit matter.	Our approach to addressing this matter included the following procedures, among others: For material financial statement transactions and balances, our procedures included gaining an understanding of the business processes, key controls and IT systems used to generate and support those transactions and balances, and the associated IT application controls and IT dependent manual controls. Where relevant to our planned audit approach we, along with our IT specialists, assessed the design and implementation, and tested the operating effectiveness of the key controls that support the continued integrity of the in-scope IT systems that are relevant to financial reporting. This included assessing: • user access: how users are on-boarded, reviewed and removed on a timely basis from critical IT systems and supporting infrastructure. We also examined how privileged roles and functions are managed across each in-scope IT system and supporting infrastructure; and • change management: how changes are initiated, documented, approved, tested, and authorised prior to migration into the production environment of critical IT systems. We also assessed the appropriateness of users with access to make changes to in-scope IT systems across the Banking Group. We also carried out tests, on a sample basis, of IT application controls and IT dependent manual controls that were key to our audit testing strategy in order to assess the accuracy of system-generated reports and relevant calculations performed by IT applications, and the operation of certain automated controls and system-enforced access controls. A number of IT control deficiencies exist that impacted our audit approach. Where we identified deficiencies in the design or operating effectiveness of matters relating to in-scope IT systems and controls, we performed additional and/or alternative audit procedures.

Our audit approach

Overview

The overall Banking Group materiality is \$12 million, which represents approximately 5% of the profit before tax for the year ended 30 June 2026.

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

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

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

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

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

Materiality

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

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

How we tailored our group audit scope

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Disclosure Statement presented in accordance with Schedule 2 of the Order on pages 1 to 7, and 85 to 90, and the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order within the *Capital adequacy and regulatory liquidity ratios* section on pages 79 to 84, but does not include the Financial Statements, the Supplementary Information and our auditor's report thereon. Other than the Climate Statement which we will receive at a later date, we have received all the other information expected to be included in the Annual Report and Disclosure Statement.

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

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

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

Responsibilities of the Directors for the Disclosure Statement

The Directors are responsible, on behalf of the Bank, for the preparation and fair presentation of the Financial Statements in accordance with clause 24 of the Order, NZ IFRS and IFRS Accounting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements and the Supplementary Information that are free from material misstatement, whether due to fraud or error.

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

- all of the information prescribed in Schedule 2 of the Order; and
- the information prescribed in Schedules 4, 7, 9, 13, 14, 15 and 17 of the Order.

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

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

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

Our objectives are to obtain reasonable assurance about whether the Financial Statements and the Supplementary Information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements and the Supplementary Information.

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

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

- Evaluate the overall presentation, structure and content of the Financial Statements and the Supplementary Information, including the disclosures, and whether the Financial Statements and the Supplementary Information represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Banking Group's audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Banking Group as a basis for forming an opinion on the Financial Statements and the Supplementary Information. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Banking Group audit. We remain solely responsible for our audit opinion.

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

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

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

Our responsibilities arise from the Public Audit Act 2001.



Callum Dixon
PricewaterhouseCoopers
On behalf of the Auditor-General
Wellington, New Zealand
19 August 2026

Independent Assurance Report

To the shareholder of Kiwibank Limited

This report is for the Banking Group, comprising Kiwibank Limited (the Bank) and the entities it controlled as at 30 June 2026 or from time to time during the financial year.

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

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

Our conclusion

We have undertaken a limited assurance engagement on the Bank's compliance, in all material respects, with clause 21 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the Order) which requires information prescribed in Schedule 9 of the Order relating to capital adequacy and regulatory liquidity requirements to be disclosed in its full year Disclosure Statement for the year ended 30 June 2026 (the Disclosure Statement). The Disclosure Statement containing the information prescribed in Schedule 9 of the Order relating to capital adequacy and regulatory liquidity requirements will accompany our report, for the purpose of reporting to the shareholder.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order and disclosed in the *Capital adequacy and regulatory liquidity ratios* section on pages 79 to 84 of the Disclosure Statement, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

Basis for conclusion

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

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

Directors' responsibilities

The Directors are responsible on behalf of the Bank for compliance with the Order, including clause 21 of the Order which requires information relating to capital adequacy and regulatory liquidity requirements prescribed in Schedule 9 of the Order to be included in the Disclosure Statement, for the identification of risks that may threaten compliance with that clause, controls that would mitigate those risks and monitoring ongoing compliance.

Independence and quality management

We complied with the Auditor-General's independence and other ethical requirements, which incorporate Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board, as applicable for audits of public interest entities. PES 1 is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. These principles for example, do not permit us to be involved in the preparation of the current year's information required on capital adequacy and regulatory liquidity requirements included in the Disclosure Statement as doing so would compromise our independence.

We have also complied with the Auditor-General's quality management requirements, which incorporate the requirements of Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (PES 3) and Professional and Ethical Standard 4 *Engagement Quality Reviews* (PES 4) issued by the New Zealand Auditing and Assurance Standards Board. PES 3 requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. PES 4 deals with an engagement quality reviewer's appointment, eligibility, and responsibilities.

We are independent of the Banking Group. In addition to this engagement and our role as the auditor of the statutory financial statements on behalf of the Auditor-General, our firm also provides other assurance and agreed-upon procedures services, which are compatible with those independence requirements. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the business. We have no other relationship with, or interests in, the Banking Group.

Assurance practitioner's responsibilities

Our responsibility is to express a limited assurance conclusion on whether the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order is not, in all material respects, disclosed in accordance with Schedule 9 of the Order. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with clause 21 of the Order in respect of the information relating to capital adequacy and regulatory liquidity requirements is likely to arise.

Given the circumstances of the engagement we:

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

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

Inherent limitations

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

A limited assurance engagement on the Bank's information relating to capital adequacy and regulatory liquidity requirements prescribed in Schedule 9 of the Order to be included in the Disclosure Statement for the year ended 30 June 2026 in compliance with clause 21 of the Order does not provide assurance on whether compliance will continue in the future.

Use of report

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

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

A handwritten signature in black ink, appearing to read 'Callum Dixon', with a long horizontal stroke extending to the right.

Callum Dixon
PricewaterhouseCoopers
On behalf of the Auditor-General
Wellington, New Zealand
19 August 2026