

The Treasury

Project Korimako - Release of advice

December 2022

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- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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Reference: T2021/2926 SE-2-12-4-2-3

Date: 19 November 2021

To: Minister of Finance (Hon Grant Robertson)

Deadline: None
(if any)

Aide Memoire: Kiwi Wealth developments

No surprises advice received earlier this week

On Wednesday, 17 November, Kiwi Group Holdings Limited (KGH) advised on a no surprises basis that it is exploring options to progress a potential sales process for Kiwi Wealth and has appointed a financial adviser. KGH noted that this process remains confidential and that KGH will inform Shareholding Ministers and Treasury on a no surprises basis if a sales process is progressed beyond the current stage.

[26], [37] and [38]

Treasury discussion with NZ Superannuation Fund

Following KGH's no surprises advice, the Treasury has engaged with the New Zealand Superannuation Fund (NZSF) to get more information on the matter.

[26], [37] and [38]

[34]

[26], [37], [38]

[26], [37], [38] , the KGH board has now commissioned a specialist in mergers and acquisitions to provide it further advice [26], [37], [38] , what KGH's options are and how it might move forward. NZSF advises us that the advisor is to come back to the board with preliminary views before Christmas, [26], [37], [38]

[26]. [37] and [38]

Treasury's next steps

We are preparing an overview of Kiwi Wealth and its position in the marketplace to provide you with further context by the first week of December. If requested, we can also provide advice on how the developments regarding Kiwi Wealth outlined above may be considered in the context of Cabinet's upcoming discussion of KGH ownership pathways.

Meanwhile, we are taking the necessary steps to ensure we have appropriate external commercial and legal advisors for Project Korimako. The procurement process for appointments is being prepared and will be formally initiated once we have confirmation of the Government's preferred pathway and associated Cabinet approval for funding of associated expenses.

David Stanley, Principal Advisor, Commercial Performance, [39]
Shelley Hollingsworth, Manager, Commercial Performance, [39]

Appendix: Background information

(i) On KGH as a holding company

KGH is the holding company for multiple operating businesses and assets. As KGH advised in its note this week, it is continually assessing the contribution and strategic fit of each of these assets within the Group.

As at 30 June 2021, the main components of KGH were as shown in the figure below:

Figure 1: Deloitte valuation of KGH as at 30 June 2021

| | \$ million | % |
|--|------------|---|
| Kiwibank | [25] | |
| Kiwi Wealth | | |
| Hatch | | |
| Kiwi Insurance | | |
| New Zealand Home Loans | | |
| Less: Net debt | | |
| Value of KGH ordinary and preference shares | | |

Since 30 June 2021, KGH has entered into agreements to sell Hatch (the sale price has not been disclosed but we estimate it to be between \$40 million and \$45 million), and Kiwi Insurance [25]

(ii) On Kiwi Wealth

Kiwi Wealth is a wholly owned subsidiary of KGH offering the following core wealth management services: KiwiSaver, Managed Funds, Private Portfolio Services, Super Scheme and an investment service for wholesale and private investors. Kiwi Wealth contributed approximately [25] of KGH's overall revenue in FY2021.

In its report to KGH shareholders in June 2021, Deloitte notes that Kiwi Wealth management expected [25], [26]

[25], [26]

Kiwi Wealth is projecting its FUM to increase from around \$8.5 billion in June 2021 to [25], [26]

[25], [26] This is supported by Kiwi Wealth's successful retention of its default Kiwisaver status and the reduction in the number of default providers to six (including Kiwi Wealth) from nine previously. This has also increased the attractiveness of Kiwi Wealth as an acquisition target.