

Kiwibank

Subordinated Notes Offer – Investor Presentation

Steve Jurkovich – Chief Executive
Tim Main - Treasurer

30 November 2020

Joint Lead Managers



FORSYTH BARR



JARDEN

Kiwi
bank.

Disclaimer

This presentation provides information in summary form only and is not intended to be complete. The information in this presentation has been obtained from sources which Kiwibank believes to be reliable and accurate at the date of preparation, but its accuracy, correctness and completeness cannot be guaranteed.

The information in this presentation is of a general nature and does not constitute financial product advice, investment advice or any recommendation by Kiwibank, the Arranger, the Joint Lead Managers or any of their respective directors, officers, employees, affiliates, agents or advisers to invest in the Subordinated Notes. Nothing in this presentation constitutes legal, financial, tax or other advice. The information in this presentation does not take into account the particular investment objectives, financial situation, taxation position or needs of any person. You should seek independent financial and taxation advice before deciding to invest.

The Subordinated Notes are riskier than a bank deposit and carry similar risks to shares but do not have the same opportunity for growth as shares. If Kiwibank experiences financial difficulty, the Subordinated Notes can be written off completely. This means you could lose all of your investment.

This presentation contains certain forward-looking statements in respect of Kiwibank. These forward-looking statements are based on estimates, projections and assumptions made by Kiwibank about circumstances and events that have not yet occurred. Although Kiwibank believes these estimates, projections and assumptions to be reasonable, they are inherently uncertain. Therefore, reliance should not be placed upon these estimates or forward-looking statements and they should not be regarded as a representation or warranty by Kiwibank or any of its directors, officers, employees or advisers or any other person that those forward-looking statements will be achieved or that the assumptions underlying the forward-looking statements will in fact be correct. It is likely that actual results will vary from those contemplated by these forward-looking statements and such variations may be material.

A limited disclosure document (**LDD**) has been prepared in respect of the offer. The LDD is available on the online Disclose Register maintained by the Companies Office (www.disclose-register.companiesoffice.govt.nz/ (offer number OFR13006)) or by contacting one of the Joint Lead Managers or your usual financial adviser. You should read the LDD before deciding whether to invest in the Subordinated Notes.

No action has been or will be taken by Kiwibank which would permit a public offering of the Subordinated Notes, or possession or distribution of this presentation, the LDD or any other offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand).

The Subordinated Notes may only be offered for sale or sold in conformity with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered. No product disclosure statement, information memorandum, prospectus, circular, advertisement or other offering material in respect of any Subordinated Notes may be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws and regulations.

To the maximum extent permitted by law, none of Kiwibank, the Arranger, the Joint Lead Managers nor any of their respective directors, officers, employees, affiliates, agents or advisers accept any liability for any errors, omissions or loss (including because of negligence or otherwise) arising directly or indirectly from this presentation or information contained in it.

> Kiwibank has a strong purpose that is to make Kiwi better off. Our founding vision was for New Zealand to have a real, relevant and credible alternative to the offshore-owned banks that is fair and easy and that remains at the heart of who we are and why we exist.

Offer highlights

	Details
Issuer	Kiwibank Limited
Description of the Subordinated Notes	Unsecured subordinated loss absorbing notes
Offer amount	Up to \$275 million
Maturity	10 year notes maturing 11 December 2030
Optional Redemption Date	11 December 2025
Credit rating	The Subordinated Notes have been rated Baa3 by Moody's Investors Service
Quotation	Application to quote the Subordinated Notes on the NZX Debt Market has been made. NZX ticker code KWB010 has been reserved for the Subordinated Notes
Purpose	The Offer will raise Tier 2 Capital to help Kiwibank meet its regulatory capital requirements and manage its capital position. The proceeds of the Offer will be used for Kiwibank's general corporate purposes
Joint Lead Managers	Craigs Investment Partners, Forsyth Barr and Jarden

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1. About Kiwibank

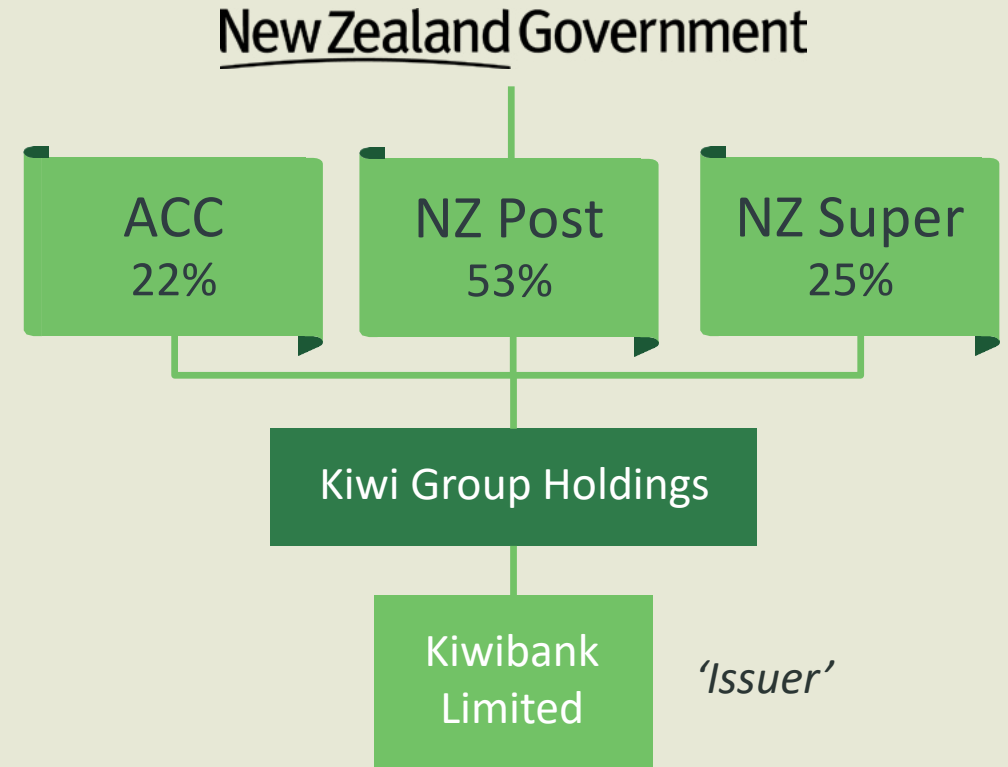
A wholly New Zealand-owned bank

Kiwibank is the largest New Zealand-owned bank with over a million customers.

Its purpose is to make both Kiwi and New Zealand better off.

Kiwibank offers a full range of simple, relevant personal banking products, including transactional and savings accounts, term deposits, mortgage and personal lending, along with credit cards and international services.

Kiwibank also provides business banking products to small-to-medium-sized enterprises (SME), including transactional and savings accounts, commercial lending, credit cards, asset finance and international and trade services.

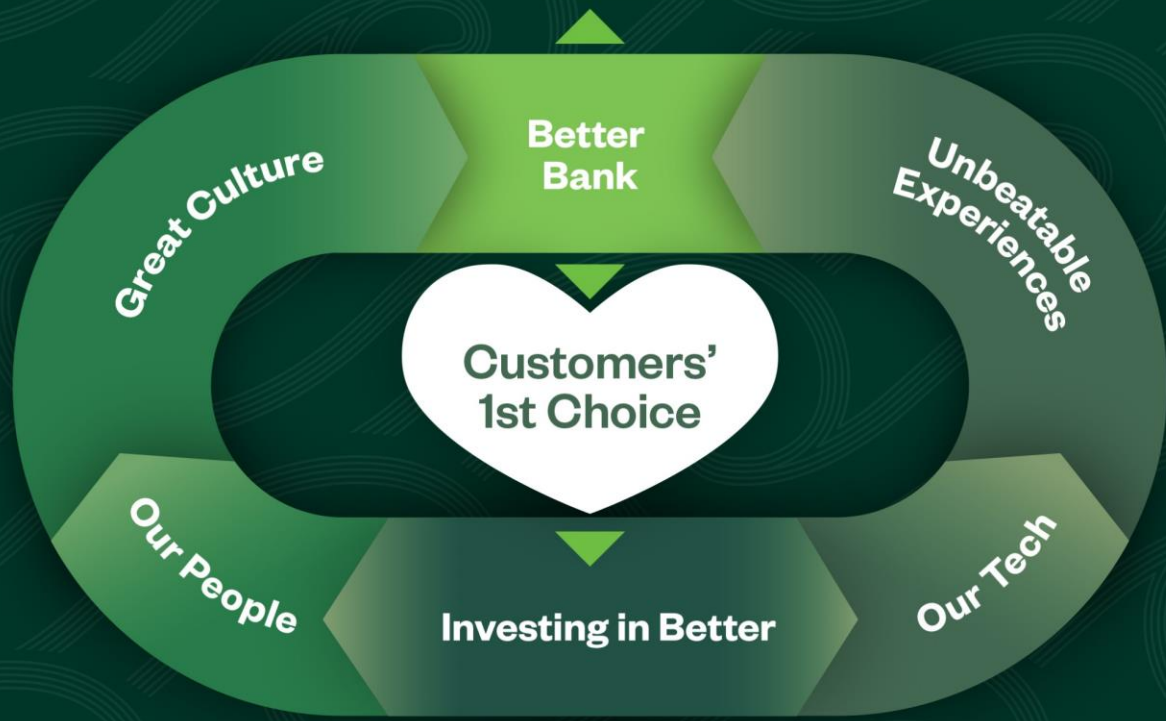


TE
ARA
HOU

The journey to
'better off'

Kiwi making
Kiwi better off

Kia tautoko tātou
i a tātou anō



Gutsy

Side
by side

Keep
it real

Highlights of the year (to June 2020)

Financial



\$1.8B
NEW CUSTOMER
LENDING
1.9 x SYSTEM
GROWTH¹



\$2.4B
GROWTH IN CUSTOMER
DEPOSITS
1.5 x SYSTEM
GROWTH¹



\$57M
PROFITS
STAYING IN
NEW ZEALAND



1.94%
NET INTEREST
MARGIN⁴

Social Impact



WON CANSTAR'S AWARD FOR
**MOST SATISFIED
CUSTOMERS^{2&3}**
IN HOME LOANS AND
CREDIT CARDS



51,078
PEOPLE DOWNLOADED
MENTEMIA
FOR FREE



6,361
FORMAL RECOVERY &
RESILIENCE SUPPORT
PACKAGES OFFERED FOR
COVID-19



4,586
NEW HOME
LOAN CUSTOMERS
HELPED INTO HOMES DURING THE
YEAR

¹ Percentage growth across NZ banks (e.g. if system deposit growth is 5% annually for NZ banks, 7.5% Kiwibank growth would represent 1.5 x system growth)

² Source: www.canstar.co.nz/star-rating-reports/msc-home-loans-provider-award/

³ Source: www.canstar.co.nz/star-rating-reports/satisfied-customers-credit-card-provider-award/

⁴ Net Interest Margin = net interest income / average interest earning assets

Highlights of the year (cont.)

Environmental Impact



↓ **26%**

DECREASE IN OUR
TOTAL CARBON
EMISSIONS*



↓ **30%**

DECREASE IN OUR
ELECTRICITY
USAGE*



215

DAYS OF SURVEILLANCE
WORK DONE BY DOC'S
CONSERVATION
DOGS



RELEASED OUR
RESPONSIBLE
BUSINESS
BANKING
POLICY

People and Culture



ACHIEVED
LIVING WAGE
ACCREDITATION



ACHIEVED
RAINBOW TICK
ACCREDITATION



↑ **37%**
OF OUR SENIOR LEADERS
ARE WOMEN



359
PEOPLE RECEIVED WELLBEING
TRAINING THROUGH OUR
GOODYARN &
RESILIENCE
WORKSHOPS

Financial performance (to June 2020)

Operating income

\$553m

(\$538m FY19)

Cost to income

77.4%

(69.7% FY19)

Net profit after tax

\$57m

(\$108m FY19)

Net interest margin

1.94%¹

(2.11% FY19)

Lending net growth

\$1.8b

(\$2.1b FY19)

Deposit net growth

\$2.4b

(\$2.1b FY19)

Key focus areas

- Growth in Operating Income was supported by above system growth in lending (9%) and deposits (13%) and a one-off gain on the sale of the Prezzy card business.
- NPAT was impacted by a high level of credit provisioning for COVID-19, rising operating costs, investment in technology and strategic transformation, and industry-wide increased risk and compliance investment.
- Aligned to our purpose of making Kiwi better off, Kiwibank has reduced product fees and interest rates on the Low Rate credit card and applied a 1% reduction to the variable lending rate.
- Return on Equity² of 3.0% for FY20 was down on FY19 (6.4%) as a result of lower operating profit.

Source: Kiwibank as at 30 June 2020

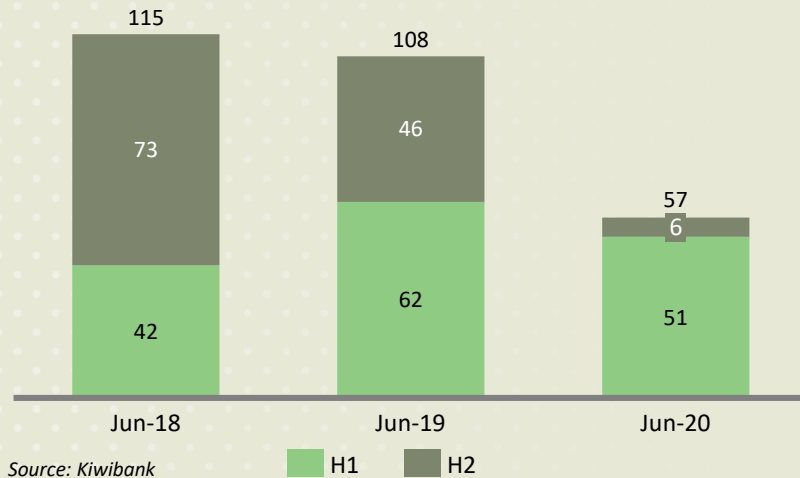
¹ Net Interest Margin = net interest income / average interest earning assets

² Return on Equity = (net profit after tax less distributions to holders of perpetual capital securities) / average equity

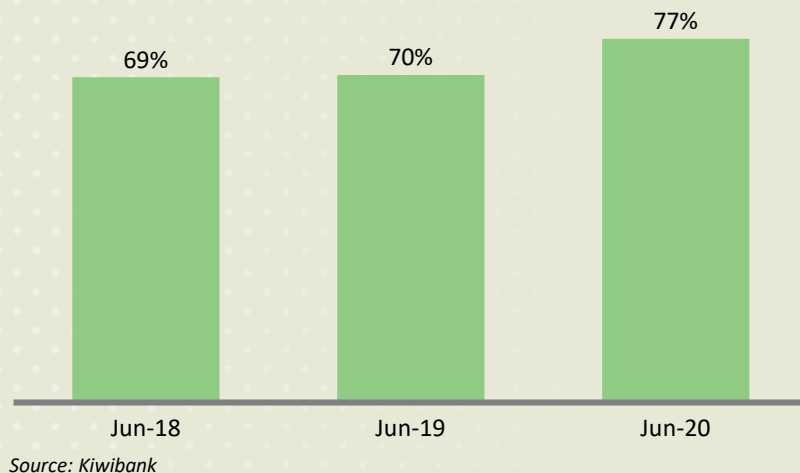
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Drivers of results (to June 2020)

Reported Net Profit after Tax (\$m)



Cost to Income Ratio

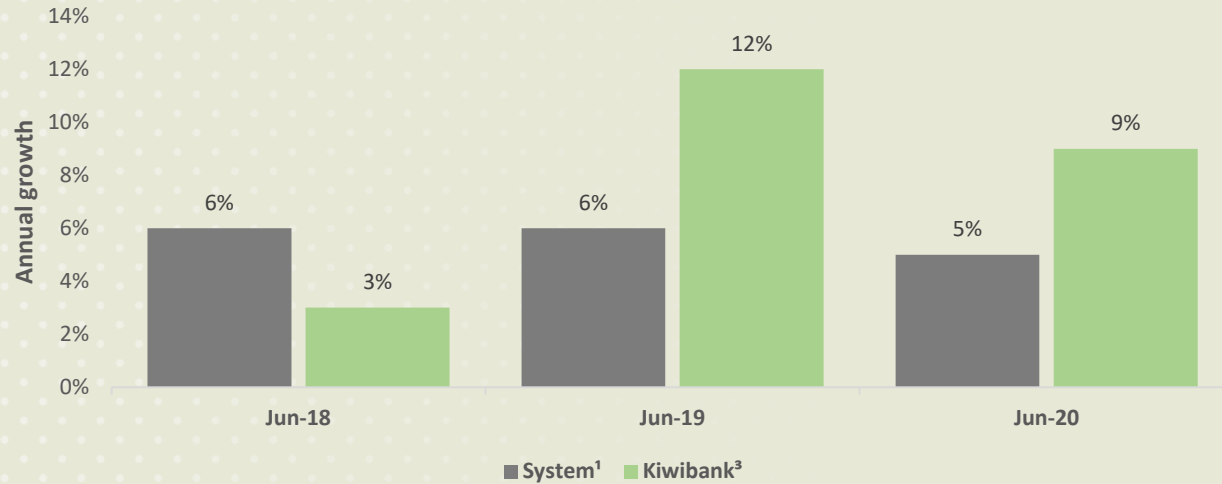


Key focus areas

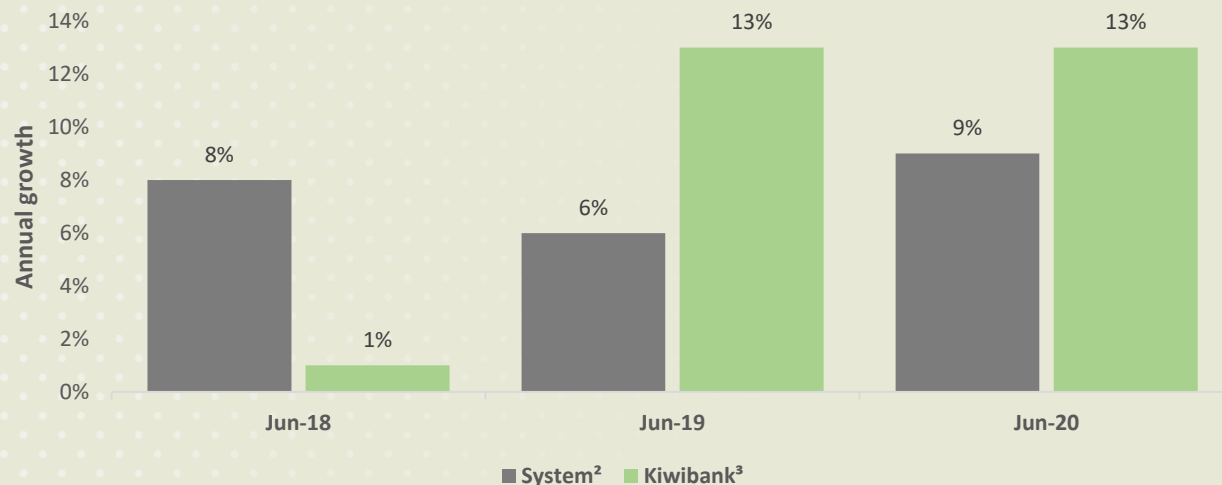
- NPAT was impacted by a high level of change in FY20 (strategic transformation, separation from NZ Post and additional regulatory activity). Whilst a proportion of these were expected, the major impact of COVID-19 credit provisions was not anticipated.
- The lower interest rate environment has resulted in a decrease in Net Interest Margin. Conversely Net Interest Income increased on FY19 due to higher lending volumes.
- Other operating income was lower due to a reduced product suite and change in the composition of credit and debit card spend through COVID-19.

Drivers of results (cont.)

Lending Growth (%)



Deposit Growth (%)



Key focus areas

- Kiwibank has outperformed the market over FY19 and FY20 in both lending and deposit growth.
- Strong growth in net lending assets in FY20 of \$1.8b (9%) has been further supported by the “Buy NZ” national campaign following COVID-19.
- Growth of \$2.4b (13%) in customer deposits over FY20 was 1.5x system growth.
- Supporting Small and Medium Businesses (SMEs) remains a core focus. Kiwibank has grown lending to this segment 36% compared to FY19.
- Residential mortgages have grown 7% compared to FY19.



¹ Source: www.rbnz.govt.nz/statistics/c5

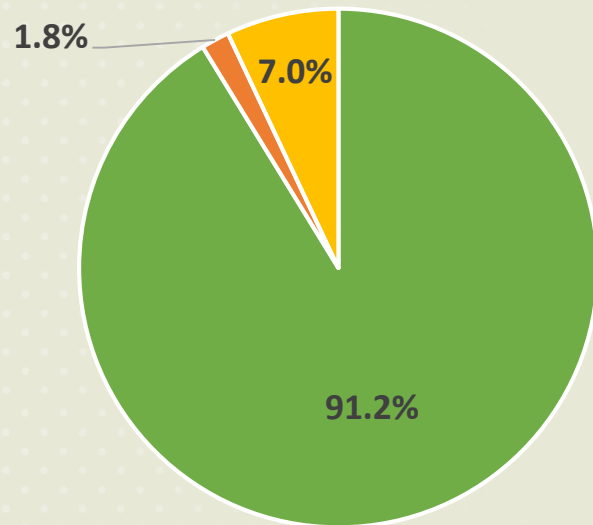
² Source: www.rbnz.govt.nz/statistics/s40-banks-liabilities-deposits-by-sector

³ Source: Kiwibank

Lending portfolio

Lending Category	30 June 2020 (NZ\$b)
Residential mortgage loans	\$20.3
Retail unsecured lending	\$0.4
Business exposures	\$1.6
Net Loans and Advances	\$22.2

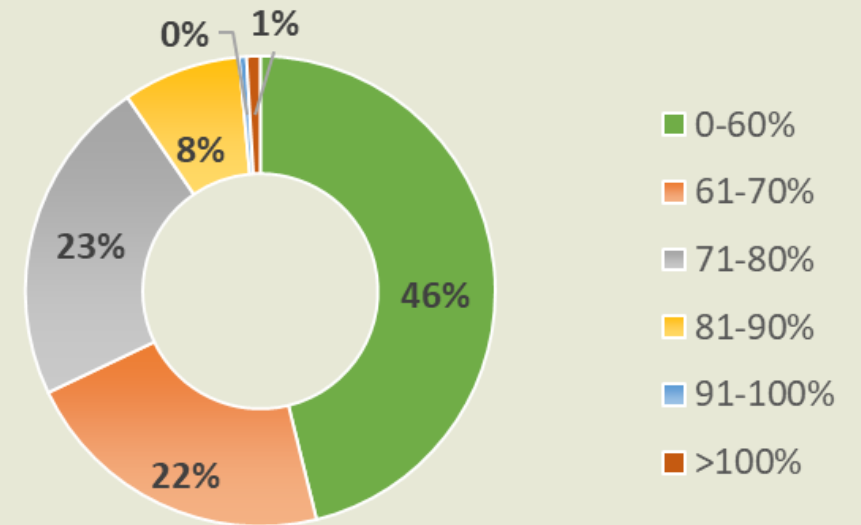
Net Loans and Advances - June 2020



■ Residential mortgages
 ■ Retail unsecured
 ■ Business exposures

Source: Kiwibank

Residential Mortgages - LVR Split



Source: Kiwibank



A strong first quarter in FY21

Net lending growth¹

\$686m

(\$336m PCP²)

Deposit growth¹

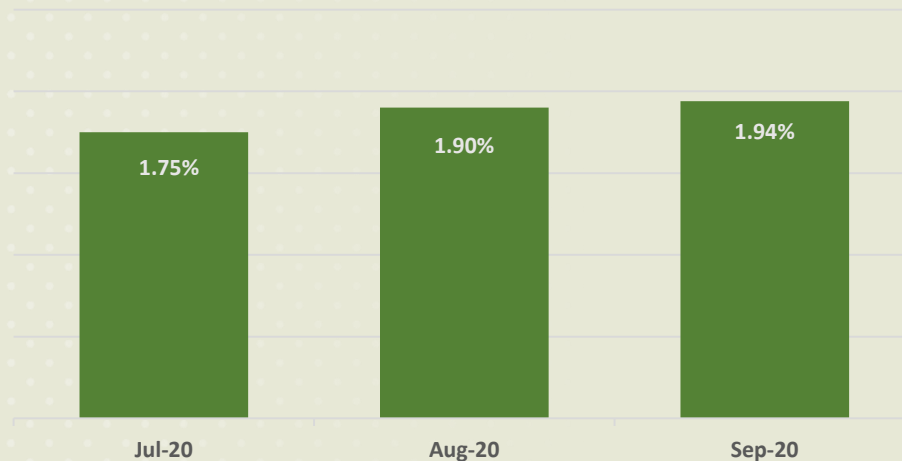
\$515m

(\$527m PCP²)

Highlights

- Strong asset growth in September quarter.
- Retail lending driven by first home buyers, investors and NZers returning from overseas.
- Net Interest Margin is beginning to benefit from lower term deposit repricing and a growing proportion of floating rate retail lending.

Net Interest Margin³ - FY21



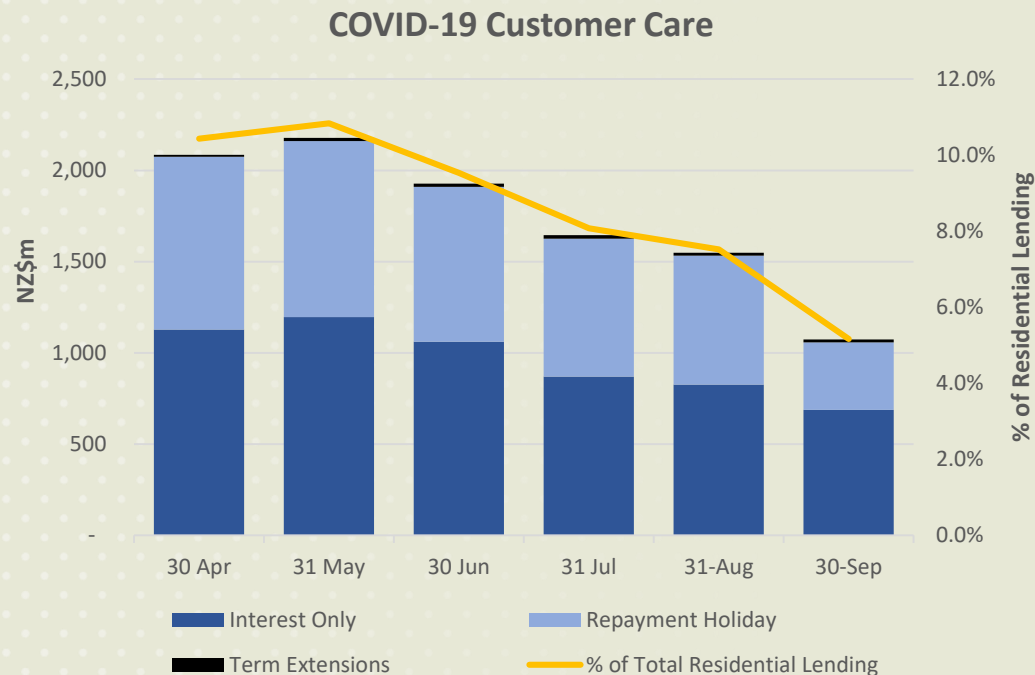
Source: Kiwibank

¹ Source: Kiwibank as at 30 September 2020

² Prior Comparative Period

³ Net Interest Margin = net interest income / average interest earning assets

COVID-19 – Kiwibank Response



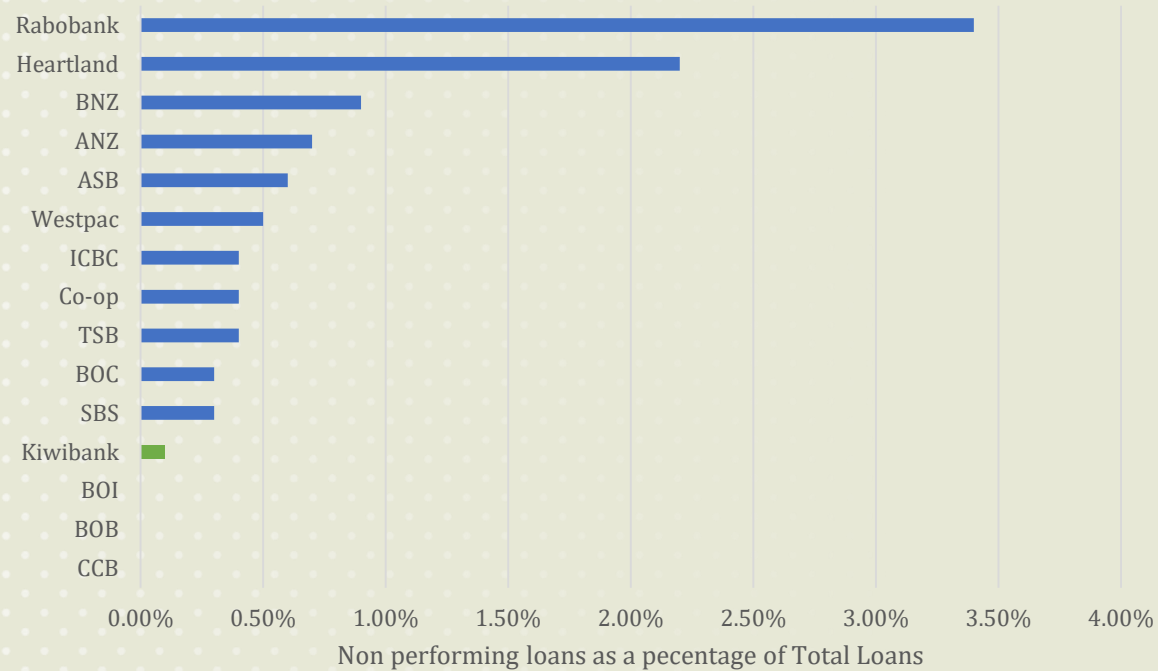
- Customers seeking mortgage relief peaked in May

Key focus areas

- Kiwibank’s Relief and Resilience programme provided support to more than 8,000 personal and business banking customers for loans totalling more than \$2 billion.
- Supporting businesses by moving from paying suppliers monthly to paying accounts weekly.
- We continue to take a competitive position in the fixed home loan market and introduced a significant reset to variable home loan rates with a one percentage point drop.
- The temporary closure of bank branches during lockdown and redeployment of our people into areas where they could continue to support our customers.
- Supporting our Kiwibank people as they supported our customers, by making a commitment not to reduce jobs, hours or pay.

Asset quality

Non-performing loan ratio



Source: RBNZ Financial Strength Dashboard – September 2020

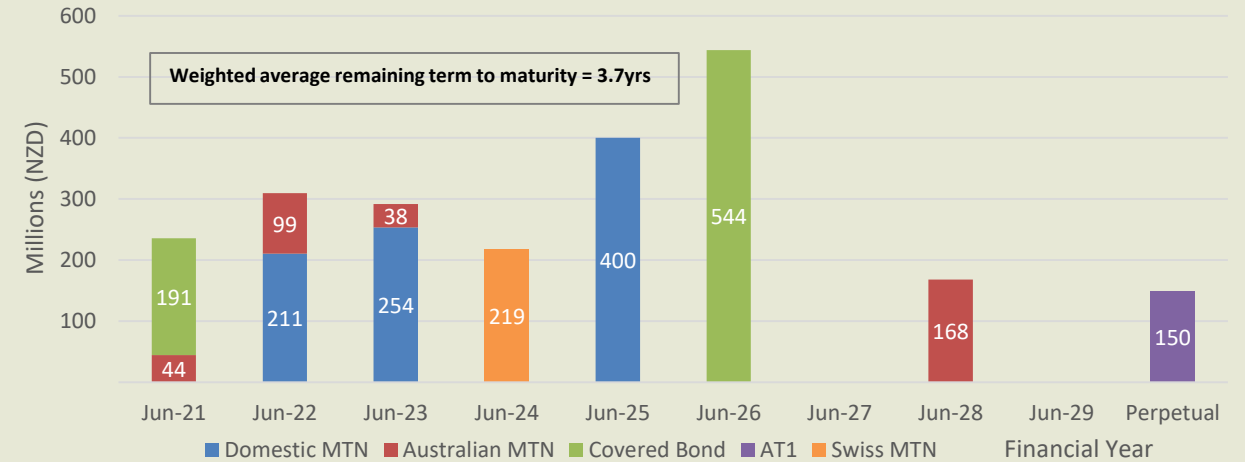
- Kiwibank’s non-performing loan ratio is currently among the lowest in the industry.
- This reflects the high quality of the lending portfolio together with active management of deteriorating customers.

Funding mix

Credit Ratings

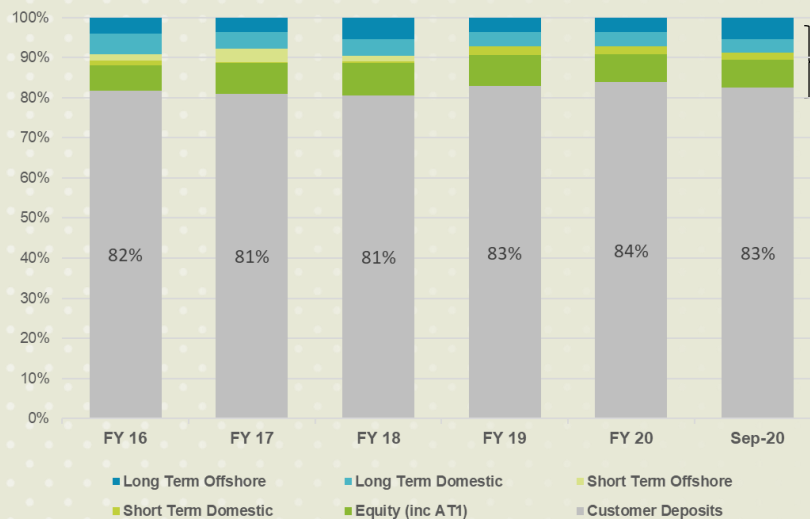
	Long-term	Short-term	Outlook
Fitch	AA	F1+	Stable
Moody's	A1	P-1	Stable
Standard & Poor's	A	A-1	Stable

Term Funding Maturity Profile by Type as at 30 Sep 20



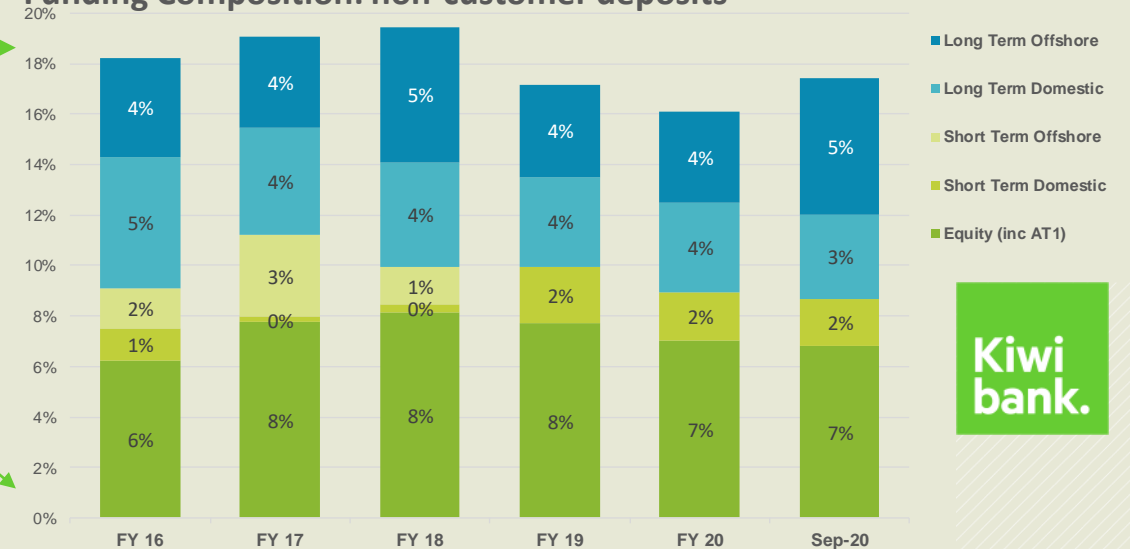
Source: Kiwibank as at 30 Sept 2020

Funding Composition



Source: Kiwibank as at 30 Sept 2020

Funding Composition: non-customer deposits

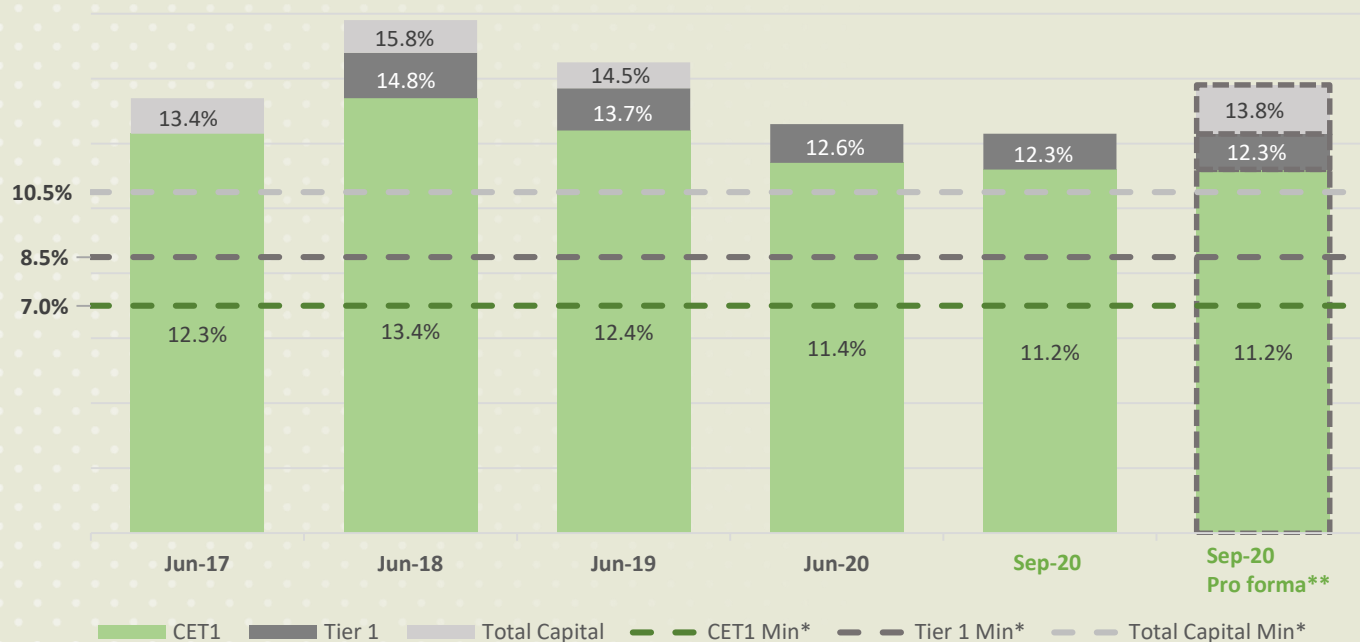


Source: Kiwibank as at 30 Sept 2020



Capital

Regulatory Capital Ratios



* includes 2.5% capital conservation buffer

** assuming that the net proceeds raised by the issue of Subordinated Notes are \$275m, and using the method of calculation required by the RBNZ's banking standards, this will increase the Kiwibank Group's 30 September 2020 Total Capital Ratio by approximately 1.5%. The Kiwibank Group's capital adequacy ratios will also be impacted by organic capital growth, changes in provisions and risk weighted assets growth since 30 September 2020

Source: Kiwibank

Key focus areas

- June 2020 CET1 capital ratio of 11.4% is down on last year driven by strong balance sheet growth and COVID-19 related provisioning.
- Capital ratios comfortably above RBNZ minimum requirements.
- In response to the COVID-19 crisis, the RBNZ has prohibited banks from redeeming capital instruments and paying ordinary dividends. As a result, Kiwibank did not redeem the AT1 instrument in May 2020. Distributions may continue to be paid on AT1 instruments.
- Implementation of higher RBNZ capital ratios delayed from July 2020 to July 2022.
- Successfully raising \$275m in this offer will increase total capital by \$198m (72% being the proportion of the Subordinated Notes expected to be recognised as Tier 2 Capital by the RBNZ) less transaction costs.

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2. Subordinated Notes Overview

Key terms of the Subordinated Notes

Issuer	Kiwibank Limited
Description of the Subordinated Notes	Unsecured subordinated loss absorbing notes, ranked below all senior debt obligations including deposits
Maturity	10 year notes maturing 11 December 2030
Optional Redemption Date	11 December 2025
Interest rate	The Interest Rate will be fixed for the first five years, after which it will be reset for the remaining five years to be equal to the five year swap rate plus the Margin, but will not be less than 0%
Interest payments	Quarterly
Early redemption	Kiwibank may, subject to certain conditions, choose to repay the Subordinated Notes early: <ul style="list-style-type: none">• on the Optional Redemption Date or on any Scheduled Interest Payment Date after that date; or• on an earlier Scheduled Interest Payment Date if a Tax Event or a Regulatory Event has occurred
Solvency Condition	The payment of interest on each Scheduled Interest Payment Date is subject to Kiwibank satisfying the Solvency Condition on the Scheduled Interest Payment Date
Write Off	If a Non-Viability Trigger Event occurs before the Transition Date, all or some of the Subordinated Notes will be Written Off
Credit rating	The Subordinated Notes have been rated Baa3 by Moody's Investors Service

Loss absorption on Non-Viability

- If a Non-Viability Trigger Event occurs before the Transition Date, all or some of the Subordinated Notes will be written off
 - a Non-Viability Trigger Event cannot occur after the Transition Date.
- The Transition Date is 1 July 2021 or such later date on which the changes to the eligibility criteria for Tier 2 Capital in the Reserve Bank's prudential standards take effect.
- A Non-Viability Trigger Event occurs if:
 - the RBNZ gives a direction under section 113 of the Reserve Bank Act that Kiwibank must write-off the Subordinated Notes (see next slide); or
 - Kiwibank is placed into statutory management and the Statutory Manager decides that Kiwibank must write-off the Notes.
- If some but not all of a class of capital instruments that includes the Subordinated Notes is required to be converted into common equity or written off, Kiwibank must first convert or write off such number of its 2015 Additional Tier 1 capital instruments as is sufficient to meet that requirement.

Section 113 of the Reserve Bank Act

- The grounds on which the RBNZ could give a direction to write-off Subordinated Notes under section 113 would not be met unless Kiwibank experiences severe financial difficulty. Those grounds are:
 - Actual or likely insolvency
 - The suspension of or inability to meet payment obligations
 - Affairs of Kiwibank being conducted in a manner prejudicial to the financial system
 - Circumstances of Kiwibank being prejudicial to the soundness of the financial system
 - Business of Kiwibank not being conducted in a prudent manner
- “the guiding principle for the Reserve Bank will be that such a direction [for either conversion or write off] will be issued when the Reserve Bank determines that, without conversion or write-off, the registered bank would become non-viable.”
Reserve Bank, BS1 Statement of Principles, April 2020

Changes to Tier 2 eligibility criteria

- Kiwibank is seeking to issue Tier 2 Capital to boost its regulatory capital.
- Under the RBNZ's current rules, to qualify as Tier 2 Capital, an instrument must have the ability to absorb losses, either by conversion into ordinary equity or write off.
- The RBNZ has conducted a comprehensive review of its capital framework for banks.
- One of the key decisions is to change the eligibility criteria for Tier 2 Capital to remove the ability for those instruments to include contractual features that give rise to conversion or write-off at the point of non-viability.
- The new eligibility criteria for Tier 2 Capital are expected to come into effect on 1 July 2021 (the Transition Date).
- Kiwibank is not expecting any other changes to the eligibility criteria for Tier 2 instruments, but there may be additional changes to the criteria that Kiwibank is unable to anticipate.
- Kiwibank may amend terms of the Subordinated Notes without Holder consent if, subject to certain limitations, it is necessary or expedient for the purpose of enabling the Subordinated Notes to continue to qualify as Tier 2 Capital with effect from the Transition Date.
 - Note: any amendments to the terms of the Subordinated Notes cannot change payment dates, reduce amounts payable to Holders, remove express rights of Holders or impose new obligations on Holders.

Interest payments

- Interest will be paid quarterly in arrear in equal payments on 11 March, 11 June, 11 September and 11 December in each year, with the first Scheduled Interest Payment Date being 11 March 2021.
- The Interest Rate will be fixed for the first five years, after which it will be reset for the remaining five years to be equal to the five year swap rate plus the Margin, but will not be less than 0%.
- The first Interest Rate and the Margin for the period from 11 December 2020 to 10 December 2025 will be determined following the Bookbuild on the Rate Set Date (4 December 2020).
- Interest payments on the Subordinated Notes are subject to Kiwibank satisfying the Solvency Condition.

Early redemption

- Kiwibank may, subject to the conditions described below, choose to redeem the Subordinated Notes early:
 - on the Optional Redemption Date (11 December 2025), or on any Scheduled Interest Payment Date after that date; or
 - on an earlier Scheduled Interest Payment Date if a Tax Event or Regulatory Event has occurred.
- Kiwibank may only choose to redeem the Subordinated Notes early if:
 - the Reserve Bank has consented to the repayment of the Subordinated Notes; and
 - the Solvency Condition will be satisfied immediately after repaying the Subordinated Notes.
- If the Subordinated Notes are repaid on the Optional Redemption Date or on any Scheduled Interest Payment Date after that date, holders will receive the Face Value plus accrued interest.
- If the Subordinated Notes are redeemed prior to the Optional Redemption Date due to a Tax Event or Regulatory Event, holders will receive the greater of Face Value and Market Value plus accrued interest.

Credit rating

- Kiwibank has an issuer credit rating of A1 by Moody's Investors Service
- The Subordinated Notes, which rank behind depositors and other senior debt holders, have been rated Baa3 by Moody's Investors Service
- Capital instruments are notched from the relevant Baseline Credit Assessment

Explaining the Baa3 credit rating of the Subordinated Notes

Kiwibank issuer credit rating	A1
Deduction for removing Group support	3 Notches
Kiwibank Baseline Credit Assessment	Baa1
Deduction for subordination	1 Notch
Deduction for explicit loss absorption	1 Notch
Subordinated Notes credit rating	Baa3

3. The Offer

Key terms of the Offer

Purpose	The Offer will raise Tier 2 Capital to help meet Kiwibank's regulatory capital requirements and manage its capital position Kiwibank's Tier 2 Capital will increase by 72% of the amount raised (less transaction costs)
Use of proceeds	The proceeds of the Offer will be used for Kiwibank's general corporate purposes
Offer amount	Up to \$275 million
Minimum application amount	\$5,000 and in multiples of \$1,000 thereafter
Brokerage	0.50% on firm allocations plus 0.50% retail brokerage, paid by the Issuer
Quotation	Application has been made for the Subordinated Notes to be quoted on the NZX Debt Market under the ticker code KWB010
Joint Lead Managers	Craigs Investment Partners, Forsyth Barr and Jarden

Important dates

Important dates for the Offer	Date
LDD lodgement date	27 November 2020
Opening Date	30 November 2020
Rate Set Date	4 December 2020
Closing Time	12:00 p.m. on 4 December 2020
Issue Date and allotment date	11 December 2020
Expected date of initial quotation	14 December 2020

Important dates for the Subordinated Notes	Date
Scheduled Interest Payment Dates	11 March, 11 June, 11 September and 11 December in each year
First Scheduled Interest Payment Date	11 March 2021
Transition Date	1 July 2021 or such later date determined by the RBNZ
Rate Reset Date and Optional Redemption Date	11 December 2025
Maturity Date	11 December 2030

4. Questions

5. Contact details



Investor relations

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Limited Disclosure Document

for an offer of unsecured subordinated loss absorbing
notes by

Kiwibank Limited

Date: 27 November 2020

This document gives you important information about this investment
to help you decide whether you want to invest.

There is other useful information about this offer on
www.disclose-register.companiesoffice.govt.nz.

Kiwibank Limited has prepared this document in accordance with the
Financial Markets Conduct Act 2013. You can also seek advice from a
financial adviser to help you to make an investment decision.



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1. Key information summary

What is this?

This is an offer of unsecured subordinated loss absorbing notes ("**Notes**"). The Notes are debt securities issued by Kiwibank Limited ("**Kiwibank**"). You give Kiwibank money, and in return Kiwibank promises to pay you interest and repay the money at the end of the term. If Kiwibank runs into financial trouble, you might lose some or all of the money you invested.

Warning

These Notes carry similar risks to shares but do not have the same opportunity for growth as shares. If Kiwibank experiences financial difficulty, the Notes can be written off completely. This means you could lose all of your investment.

About the Kiwibank Banking Group

The Kiwibank Banking Group offers a range of personal and business banking services. Kiwibank is the main operating company in the Kiwibank Banking Group and is a registered bank under the Reserve Bank of New Zealand Act 1989 ("**RBNZ Act**").

Information about Kiwibank and Kiwibank's financial statements are published half-yearly in disclosure statements Kiwibank prepares under the RBNZ Act. Kiwibank's disclosure statements are available at www.kiwibank.co.nz/about-us/governance/legal-documents-and-information/legal-documents/.

Purpose of this offer

The Offer will raise Tier 2 Capital to help Kiwibank meet its regulatory capital requirements and manage its capital position. The proceeds of the Offer will be used for Kiwibank's general corporate purposes.

Key terms of the Offer

Description of the debt securities	Unsecured subordinated loss absorbing notes.
Term	10 years, ending on the Maturity Date (11 December 2030) if not repaid earlier by Kiwibank or written off.
Offer amount	Up to \$275 million.
Issue Price and Face Value	\$1.00 per Note.
Minimum subscription amount	\$5,000, and in multiples of \$1,000 thereafter.
Opening Date	30 November 2020.
Closing Time	12:00 p.m. on 4 December 2020.
Interest Rate	<p>The Interest Rate for the first 5 years of the Term will be the sum of the Swap Rate (a benchmark interest rate for a 5 year period) on the Rate Set Date (4 December 2020) plus the Margin.</p> <p>If the Notes are not repaid early on the Optional Redemption Date (11 December 2025), the Interest Rate will be reset and fixed for the remaining 5 years of the Term to be equal to the Swap Rate on the Rate Reset Date (11 December 2025) plus the same Margin.</p> <p>The initial Interest Rate and the Margin will be announced by Kiwibank on the Rate Set Date and available at www.kiwibank.co.nz/about-us/governance/investor-centre/kiwibank-capital-notes.</p>
Interest Payment Dates	Interest on your Notes is scheduled to be paid quarterly in arrear on each Scheduled Interest Payment Date and the Maturity Date.
Interest payments are conditional	The payment of interest on each Scheduled Interest Payment Date is subject to Kiwibank satisfying the Solvency Condition on the Scheduled Interest Payment Date. See Section 5.2 of this LDD (Interest).
Unpaid interest accumulates	Unpaid interest accumulates. This means that if interest is not paid on your Notes on a Scheduled Interest Payment Date, on account of the Solvency Condition not being satisfied, the unpaid interest will remain owing, will itself bear interest, and will be payable on the earlier of the next

	date on which the Solvency Condition is able to be satisfied and the date of repayment of your Notes. See Section 5.2 of this LDD (Interest).
Fees and charges	You are not required to pay brokerage or any charges to Kiwibank in relation to the Offer. However, you may have to pay brokerage or other fees to the Bookbuild participant from whom you receive an allocation of Notes. You should ask your broker or financial adviser about this before acquiring any Notes.
Consequences of a Non-Viability Trigger Event	If a Non-Viability Trigger Event occurs before the Transition Date, all or some of your Notes will be written off and you will lose your investment in those Notes. See Section 5.4 of this LDD (Write-off following a Non-Viability Trigger Event). The Notes cannot be written off unless a Non-Viability Trigger Event occurs before the Transition Date.
How can a Non-Viability Trigger Event occur?	A Non-Viability Trigger Event can occur if Kiwibank experiences severe financial difficulty before the Transition Date. See Section 5.4 of this LDD (Write-off following a Non-Viability Trigger Event).
Transition Date	The Transition Date is expected to be 1 July 2021. See Section 9.2.5 of this LDD (Capital reforms).

No guarantee

Your Notes are not guaranteed by any member of the Kiwibank Banking Group, Kiwibank's ultimate shareholders, the Government or any other person. Kiwibank is solely responsible for the repayment of your Notes.

How you can get your money out early

Repayment of your Notes

Your Notes are a long term investment with a Term of 10 years, and must be repaid by Kiwibank on the Maturity Date (11 December 2030).

However, Kiwibank may repay all of your Notes early on the Optional Redemption Date (11 December 2025) or on any Scheduled Interest Payment Date after that date, or on an earlier Scheduled Interest Payment Date if a Tax Event or Regulatory Event occurs. Early repayment is subject to certain conditions being met (including the Solvency Condition being satisfied and Kiwibank obtaining the Reserve Bank's consent).

See Section 5.3 of this LDD (Repayment of the Notes).

You do not have a right to request your Notes be repaid early for any reason.

Sale on NZX

Kiwibank intends to quote these Notes on the NZX Debt Market. This means you may be able to sell them on the NZX Debt Market before the end of their term if there are interested buyers. If you sell your Notes, the price you get will vary depending on factors such as the financial condition of the Kiwibank Banking Group and movements in the market interest rates. You may receive less than the full amount that you paid for them.

How the Notes rank for repayment

In a liquidation of Kiwibank, each Note gives you the right to payment of an amount equal to the Face Value plus all accrued and unpaid interest. Your right to payment of this amount will rank:

- after the claims of all depositors and holders of other liabilities, securities and other obligations of Kiwibank, except for the claims described below;
- equally with the rights of other Holders and the rights and claims of holders of any securities that rank equally with your Notes; and
- ahead of the rights of Kiwibank's shareholders and holders of any other securities that rank below the Notes.

In a liquidation of Kiwibank it is unlikely that there will be surplus assets available for the liquidator to pay any amount to you in respect of your Notes. Also, if Kiwibank becomes insolvent before the Transition Date it is likely your Notes would have been written off and you would have lost your investment. **You will have no claim in a liquidation of Kiwibank in respect of any of your Notes that are written off.**

Section 5.6 of this LDD (Ranking) explains how the Notes rank in a liquidation of Kiwibank.

No security

The Notes are not secured against any asset of any member of the Kiwibank Banking Group, the Government or any other person.

Key risks affecting this investment

If Kiwibank experiences financial difficulty before the Transition Date, the Notes may be written off. You

will not have any choice as to whether a write-off occurs, and you may not have a chance to sell your Notes before the write-off. If the Notes are written off in part or in whole you will lose some or all of your investment.

Interest may not always be paid on the Notes although missed payments will accumulate.

Investments in debt securities have risks. A key risk is that Kiwibank does not meet its commitments to repay you or pay you interest (credit risk). Section 6 of this document (Risks of investing) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The Interest Rate for these Notes should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the Offer is fair.

Kiwibank considers that the most significant risk factors are:

- *The economic impact of the COVID-19 pandemic is extremely uncertain, but it has increased credit risk across Kiwibank's lending portfolio*

A potential impact for Kiwibank is an increase in the risk that customers will fail to meet their obligations to Kiwibank in accordance with agreed terms (ie credit risk). Increased credit risk can result in both an increase in losses when customers default on their loan obligations and higher capital requirements through an increase in the probability of default.

- *Disruption to Kiwibank's information technology systems*

Kiwibank's information technology systems and infrastructure could be disrupted as a result of technical failure, human error, cyber attacks or other criminal activity.

Any disruption to Kiwibank's information technology systems may be wholly or partially beyond Kiwibank's control, and may result in business interruption, data loss or corruption, the loss of customers, damaged reputation and the weakening of Kiwibank's competitive position, all of which could have an adverse impact on Kiwibank's financial performance and position.

- *External events may adversely impact Kiwibank's operations*

External events such as extreme weather, natural disasters, pandemics and biological hazards may cause property damage and business disruption, which may adversely impact Kiwibank's financial performance and lead to reputational damage if Kiwibank is not able to manage the impacts of an external event.

If one or more of these risks eventuate, either individually or in combination, the detrimental impact on Kiwibank's financial performance may in turn:

- adversely affect the market price and liquidity of your Notes;
- result in Kiwibank not making a payment on your Notes; and/or
- before the Transition Date, result in a Non-Viability Trigger Event, meaning that all or some of your Notes will be written off and you will lose your investment in those Notes.

This summary does not cover all of the risks of investing in the Notes. You should also read Section 5 (Key features of the Notes) and Section 6 (Risks of investing) of this LDD.

What is the Notes' credit rating?

A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words, its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment. A credit rating should be considered alongside all other relevant information when making an investment decision.

The Notes have been rated by Moody's Investors Service ("**Moody's**"). Moody's gives ratings from Aaa through to Ca, excluding ratings attached to entities in default, as set out in the table below.

Moody's applies numerical modifiers 1, 2, and 3 to each rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its rating category, the modifier 2 indicates a mid-range ranking, and the modifier 3 indicates a ranking in the lower end of that rating category.

As at the date of this LDD, the Notes have a credit rating of Baa3 from Moody's.

Credit ratings for Moody's	Aaa	Aa	A	Baa The Notes Baa3	Ba	B	Caa	Ca
Likelihood that the issuer may not meet its financial obligations when due	Lowest	Very low	Low	Moderate	Substantial	High	Very high	Likely in, or very near, default

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2. Key dates and Offer process

Opening Date	30 November 2020
Rate Set Date	4 December 2020
Closing Time	12:00 p.m. on 4 December 2020
Issue Date/allotment date	11 December 2020
Expected date of initial quotation and trading of the Notes on the NZX Debt Market	14 December 2020
First Scheduled Interest Payment Date	11 March 2021
Scheduled Interest Payment Dates	11 March, 11 June, 11 September and 11 December
Rate Reset Date and Optional Redemption Date	11 December 2025
Maturity Date	11 December 2030

The Opening Date and the Closing Time may change. Kiwibank has the right in its absolute discretion to open or close the Offer early and to extend the Closing Time. If Kiwibank changes the Opening Date and/or the Closing Time, the changes will be announced as soon as reasonably practicable at www.kiwibank.co.nz/about-us/governance/investor-centre/kiwibank-capital-notes. If the Closing Time is extended, the Issue

Date, the expected date of initial quotation and trading of your Notes on the NZX Debt Market, the Scheduled Interest Payment Dates, the Optional Redemption Date and the Rate Reset Date may be extended accordingly. Any such changes will not affect the validity of any applications received.

Kiwibank reserves the right to cancel the Offer and the issue of the Notes.

3. Terms of the Offer

3.1. Description of the Notes

The Notes	
Issuer	Kiwibank Limited.
Description	Unsecured subordinated loss absorbing notes.
Term	10 years, ending on the Maturity Date (11 December 2030) if not repaid earlier by Kiwibank or written off.
Interest Rate	<p>The Interest Rate for the first 5 years of the Term will be the sum of the Swap Rate (a benchmark interest rate for a 5 year period) on the Rate Set Date (4 December 2020) plus the Margin.</p> <p>If the Notes are not repaid early on the Optional Redemption Date (11 December 2025), the Interest Rate will be reset and fixed for the remaining 5 years of the Term to be equal to the Swap Rate on the Rate Reset Date (11 December 2025) plus the Margin.</p> <p>If the sum of the Swap Rate plus the Margin is less than zero, the Interest Rate will be 0% per annum.</p> <p>The initial Interest Rate and the Margin will be determined following the Bookbuild on the Rate Set Date, and will be announced by Kiwibank and available at www.kiwibank.co.nz/about-us/governance/investor-centre/kiwibank-capital-notes on</p>

The Notes	
	<p>the Rate Set Date. When the Interest Rate is reset, the new Interest Rate will be announced by Kiwibank via NZX and at www.kiwibank.co.nz/about-us/governance/investor-centre/kiwibank-capital-notes.</p> <p>The Margin will not change during the Term.</p>
Interest Payment Dates	<p>Interest on your Notes is scheduled to be paid quarterly in arrear on:</p> <ul style="list-style-type: none"> • each Scheduled Interest Payment Date, being 11 March, 11 June, 11 September and 11 December in each year during the Term, commencing on 11 March 2021; and • the Maturity Date. <p>If an Interest Payment Date is not a Business Day, Kiwibank will make payment on the next Business Day, and no adjustment will be made to the amount of interest payable as a result of the delay.</p>
Interest payments are conditional	<p>The payment of interest on each Scheduled Interest Payment Date is subject to the Solvency Condition being satisfied on the Scheduled Interest Payment Date.</p> <p>See Section 5.2 of this LDD (Interest).</p>
Unpaid interest accumulates	<p>Unpaid interest accumulates. This means that if interest is not paid on a Scheduled Interest Payment Date on account of the Solvency Condition not being satisfied, the unpaid interest will remain owing, will itself bear interest, and will be paid on the earlier of the next date on which the Solvency Condition is able to be satisfied and the date of repayment of your Notes.</p>
Fees and charges	<p>You are not required to pay brokerage or any charges to Kiwibank in relation to the Offer. However, you may have to pay brokerage or other fees to the Bookbuild participant from whom you receive an allocation of Notes. You should ask your broker or financial adviser about this before acquiring any Notes.</p>
Repayment	<p>Your Notes must be repaid by Kiwibank on the Maturity Date (11 December 2030).</p> <p>However, Kiwibank may repay all of your Notes earlier on the Optional Redemption Date (11 December 2025) or on any Scheduled Interest Payment Date after that date, or on an earlier Scheduled Interest Payment Date if a Tax Event or Regulatory Event occurs.</p> <p>Early repayment is subject to certain conditions being met (including the Solvency Condition being satisfied and Kiwibank obtaining the Reserve Bank's consent).</p> <p>See Section 5.3 of this LDD (Repayment of the Notes).</p> <p>You have no right to request that your Notes be repaid early.</p>
Write-off following a Non-Viability Trigger Event	<p>If a Non-Viability Trigger Event occurs before the Transition Date, all or some of your Notes will automatically and immediately be written off, and all rights (including to payment of interest and repayment of the Face Value) in respect of those Notes will be terminated.</p> <p>A Non-Viability Trigger Event can occur if Kiwibank encounters severe financial difficulty before the Transition Date.</p> <p>See Sections 5.4 of this LDD (Write-off following a Non-Viability Trigger Event) and 9.2.5 of this LDD (Capital reforms).</p> <p>The Notes cannot be written off unless a Non-Viability Trigger Event occurs before the Transition Date.</p>

The Notes	
Entitlement to payments	<p>Interest payments on the Notes will be made to the persons who are the Holders as at 5pm (New Zealand time) on the 10th day before the relevant Interest Payment Date or, if that day is not a Business Day, the immediately preceding Business Day.</p> <p>Any other payments on the Notes will be made to the persons who are the Holders on the relevant date for payment.</p>
Ranking of the Notes	In a liquidation of Kiwibank the Notes rank as unsecured term subordinated debt of Kiwibank, and your claim will rank behind depositors and other general creditors. See Section 5.6 of this LDD (Ranking).

3.2. Description of the Offer

The Offer	
Offer amount	Up to \$275 million.
Opening Date, Closing Time and Issue Date	See Section 2 of this LDD (Key dates and Offer process).
Issue Price and Face Value	Each Note is issued at par (\$1.00 per Note).
Minimum subscription amount	\$5,000 and in multiples of \$1,000 thereafter.
Offer	There is no public pool for the Notes. All Notes will be reserved for subscription by clients of the Joint Lead Managers and Primary Market Participants and other persons invited to join the Bookbuild.
Allocation of Notes	Following the Bookbuild, Kiwibank will allocate Notes to each of the successful Bookbuild participants. Those participants will in turn be solely responsible for allocating the Notes to individual investors. This means that Kiwibank has no direct role in determining the allocation that you receive from your financial adviser.
Offer in New Zealand	<p>This LDD does not constitute an offer of Notes in any jurisdiction other than New Zealand. See Section 10 of this LDD (Other information relating to the Offer).</p> <p>Under the Deed Poll you indemnify Kiwibank, the Registrar, the Arranger and the Joint Lead Managers (and their respective directors, officers, employees and agents) in respect of any loss incurred as a result of you breaching the selling restrictions contained in Section 10 of this LDD (Other information relating to the Offer).</p>
Governing law	The Notes, the Deed Poll and the Offer are governed by New Zealand law.

3.3. Trading your Notes on the NZX Debt Market

Kiwibank intends to have the Notes quoted on the NZX Debt Market. NZX ticker code KWBO10 has been reserved for the Notes. NZX takes no responsibility for the content of this LDD. NZX is a licensed market operator and the NZX Debt Market is a licensed market under the Financial Markets Conduct Act 2013.

To be eligible to trade your Notes on the NZX Debt Market, you must have an account with a Primary Market Participant, a common shareholder number or CSN and an authorisation code (FIN). If you do not have an account with a Primary Market Participant, you should be aware that opening an account can take a number of days depending on the Primary Market Participant's new client procedures.

If you do not have a CSN, you will be automatically assigned one if you invest in the Notes. If you do not have an authorisation code, it is expected that you

will be sent one by the Registrar. If you have an account with a Primary Market Participant and have not received an authorisation code by the date you want to trade your Notes, your Primary Market Participant can arrange to obtain your authorisation code from the Registrar. Your Primary Market Participant will be charged a fee for requesting your authorisation code from the Registrar and may pass this cost on to you.

You may only transfer your Notes in aggregate Face Value multiples of \$1,000, and after any transfer you and the transferee must each hold Notes with an aggregate Face Value of no less than \$5,000, or no Notes.

You will likely have to pay brokerage on any transfer of Notes you make through a Primary Market Participant.

3.4. Deed Poll

The terms of the Notes are set out in the Deed Poll. Holders are bound by, and are deemed to have notice of, the Deed Poll. If you require further information in relation to the Deed Poll, you may obtain a copy of

the Deed Poll from the Disclose Register at www.disclose-register.companiesoffice.govt.nz/ (offer number OFR13006).

4. Purpose of the Offer

As a registered bank, Kiwibank is required by the Reserve Bank to maintain an adequate level of capital to provide a buffer to absorb losses from its activities. The Offer raises Tier 2 Capital to help Kiwibank meet its regulatory capital requirements and manage its capital position. The proceeds of the Offer will be used for Kiwibank's general corporate purposes.

The use of the money raised under the Offer will not change depending on the total amount that is raised. The Offer is not underwritten.

See Section 9 of this LDD (Information about Kiwibank) for more information about Kiwibank's regulatory capital requirements and capital management.

5. Key features of the Notes

5.1. General

A number of the key features of the Notes are described in Section 3 of this LDD (Terms of the Offer). Other key features of the Notes and further

detail about some of the key features described earlier in Section 3 of this LDD (Terms of the Offer) are described below.

5.2. Interest

This Section 5.2 contains further detail on when interest is payable, the Interest Rate and how interest payments are calculated.

Interest Payment Dates	Interest on your Notes is scheduled to be paid quarterly in arrear on each Scheduled Interest Payment Date and the Maturity Date (see Section 5.3 of this LDD (Repayment of the Notes)).
Interest payments are conditional	<p>The payment of interest on each Scheduled Interest Payment Date is subject to the Solvency Condition being satisfied on the Scheduled Interest Payment Date.</p> <p>The Solvency Condition will be satisfied on a date if Kiwibank and the Kiwibank Banking Group will be Solvent immediately after the payment is made on the date.</p> <p>The Solvency Condition does not apply to payments that are required to be made on the Maturity Date.</p>
Unpaid interest accumulates	Unpaid interest accumulates. This means that if interest is not paid on a Scheduled Interest Payment Date on account of the Solvency Condition not being satisfied the unpaid interest will remain owing, will itself bear interest, and will be paid on the earlier of the next date on which the Solvency Condition is able to be satisfied and the date of repayment of your Notes.
Interest Rate	<p>The Interest Rate will be fixed for the first 5 years of the Term, after which, if the Notes are not repaid early on the Optional Redemption Date, it will be reset and fixed for the remaining 5 years of the Term.</p> <p>The Interest Rate for the period from (and including) the Issue Date to (but excluding) the Optional Redemption Date (11 December 2025) will be set on the Rate Set Date (4 December 2020) following the Bookbuild. The Interest Rate for this period will be the sum of the Swap Rate on the Rate Set Date plus the Margin.</p> <p>The Interest Rate for the period from (and including) the Optional Redemption Date to (but excluding) the Maturity Date (11 December 2030) will be reset on the Rate Reset Date (11 December 2025). The interest rate for this period will be the sum of the Swap Rate on the Rate Reset Date plus the Margin.</p> <p>If the sum of the Swap Rate plus the Margin is less than zero, the Interest Rate will be 0% per annum.</p> <p>The initial Interest Rate and the Margin will be announced by Kiwibank and available at www.kiwibank.co.nz/about-us/governance/investor-centre/kiwibank-capital-notes on the Rate Set Date. When the Interest Rate is reset, the new Interest Rate will be announced by Kiwibank via NZX and at www.kiwibank.co.nz/about-us/governance/investor-centre/kiwibank-capital-notes.</p>
Swap Rate	A swap rate is a benchmark interest rate commonly used in New Zealand by major financial institutions. The Swap Rate is a benchmark interest rate for a 5 year period.

	Swap rates change to reflect market conditions over time, so the Swap Rate on the Rate Set Date will likely be different to the Swap Rate on the Rate Reset Date.
Margin	<p>The Margin is the percentage rate per annum determined by Kiwibank in consultation with the Joint Lead Managers following the Bookbuild, and will be announced by Kiwibank and available at www.kiwibank.co.nz/about-us/governance/investor-centre/kiwibank-capital-notes on the Rate Set Date.</p> <p>The Margin for the Notes will not change.</p>
Calculation of interest payments	The amount of interest payable on each Scheduled Interest Payment Date and the Maturity Date will be calculated on an annual basis and paid in equal quarterly instalments.

5.3. Repayment of the Notes

Your Notes are a long term investment with a Term of 10 years. However, Kiwibank may repay your Notes early in certain circumstances. This Section

5.3 contains further detail on when Kiwibank may repay your Notes.

Maturity Date	Your Notes must be repaid by Kiwibank on the Maturity Date (11 December 2030). The repayment of your Notes on the Maturity Date is not subject to the Solvency Condition.
When Kiwibank may choose to repay your Notes early	<p>Kiwibank may, subject to the conditions described below, choose to repay your Notes early:</p> <ul style="list-style-type: none"> on the Optional Redemption Date or on any Scheduled Interest Payment Date after that date; or on an earlier Scheduled Interest Payment Date if a Tax Event or a Regulatory Event has occurred.
Optional Redemption Date	The Optional Redemption Date is 11 December 2025.
Tax Event	<p>A Tax Event occurs if Kiwibank determines that:</p> <ul style="list-style-type: none"> there has been a change in New Zealand law, regulation or directive (including by way of the imposition of any New Zealand law, regulation or directive) that applies, or is to apply, after the Issue Date; there has been a change in the interpretation or administration of any New Zealand law, regulation or directive by any authority (including the New Zealand Inland Revenue Department) that applies, or is to apply, after the Issue Date; or Kiwibank is or will be required to comply with any change in New Zealand law, regulation or directive or changed interpretation or administration, <p>that directly or indirectly affects the taxation treatment in relation to the Notes and that would result in more than a minimal increase in Kiwibank's costs in respect of the Notes, provided such event is not minor and could not have been anticipated when the Notes were issued.</p>
Regulatory Event	<p>A Regulatory Event occurs if:</p> <ul style="list-style-type: none"> Kiwibank determines that: <ul style="list-style-type: none"> there has been a change in New Zealand law, regulation or directive (including by way of the imposition of any New Zealand law, regulation or directive) that applies, or is to apply, after the Issue Date;

	<ul style="list-style-type: none"> - there has been a change in the interpretation or administration of any New Zealand law, regulation or directive by any authority (including the Reserve Bank) that applies, or is to apply, after the Issue Date; or - Kiwibank is or will be required to comply with any change in New Zealand law, regulation or directive or changed interpretation or administration, that adversely affects, or will adversely affect, Kiwibank in relation to its regulatory capital treatment of the Notes, provided such event is not minor and was not anticipated when the Notes were issued; or • Kiwibank determines that, as a result of the occurrence of an event or circumstance that is not minor and was not anticipated as at the Issue Date, that some or all of the Notes are not or will not be Tier 2 Capital instruments.
Conditions to Kiwibank choosing to repay your Notes early	<p>Kiwibank may only choose to repay your Notes early if:</p> <ul style="list-style-type: none"> • the Reserve Bank has consented to the repayment of the Notes; and • the Solvency Condition will be satisfied immediately after repaying the Notes. <p>The Solvency Condition will be satisfied on a date if Kiwibank and the Kiwibank Banking Group will be Solvent immediately after the payment is made on the date.</p> <p>These conditions do not apply to the repayment of your Notes on the Maturity Date.</p>
When repayment following a Tax Event or Regulatory Event can occur	<p>In addition to the conditions described above, Kiwibank may only repay your Notes early following the occurrence of a Tax Event or a Regulatory Event if:</p> <ul style="list-style-type: none"> • Kiwibank gives at least 30 days' (and no more than 60 days') notice to you; and • the Notes are repaid on a Scheduled Interest Payment Date that is no more than 6 months after the date on which Kiwibank determines that the Tax Event or Regulatory Event (as applicable) has occurred.
Amount that is payable to you if your Notes are repaid	<p>You will receive (i) the Face Value plus (ii) all accrued but unpaid interest on the Notes when your Notes are repaid on the Maturity Date or if your Notes are repaid early on the Optional Redemption Date or on any Scheduled Interest Payment Date after that date.</p> <p>You will receive (i) the greater of the Face Value and Market Value, plus (ii) all accrued but unpaid interest on the Notes if your Notes are repaid early following the occurrence of a Tax Event or a Regulatory Event.</p>
Market Value	<p>The Market Value of your Notes will be determined by an independent valuer appointed by Kiwibank who will assess the value of the Notes in accordance with the process set out in the Deed Poll.</p>
No certainty that Kiwibank will choose to repay the Notes early	<p>Kiwibank is under no obligation to repay the Notes early. There is no certainty that Kiwibank will choose to repay the Notes on the Optional Redemption Date or any Scheduled Interest Payment Date after that date or that Kiwibank will be able to satisfy the conditions that apply to early repayment. In particular, there is no certainty that the Reserve Bank would consent to an early repayment.</p>
 Holders cannot choose to have the Notes repaid early	<p>You do not have a right to request your Notes be repaid early for any reason.</p>

5.4. Write-off following a Non-Viability Trigger Event

All or some of your Notes may be written off if a Non-Viability Trigger Event occurs before the Transition Date. The Notes cannot be written off unless a Non-Viability Trigger Event occurs before the Transition

Date. This Section 5.4 explains what a Non-Viability Trigger Event is and contains more information about writing off your Notes.

Non-Viability Trigger Event	<p>The RBNZ Act gives the Reserve Bank broad powers that may be exercised if a bank encounters severe financial difficulty. Those powers include giving directions to the bank or recommending that the bank be placed in statutory management.</p> <p>A Non-Viability Trigger Event will occur if, as a result of Kiwibank encountering severe financial difficulty before the Transition Date:</p> <ul style="list-style-type: none">• the Reserve Bank directs Kiwibank to write off the Notes; or• following the Reserve Bank's recommendation, a statutory manager is appointed in respect of Kiwibank and the statutory manager decides that Kiwibank must write off the Notes.
Transition Date	<p>The Transition Date is 1 July 2021 or such later date on which the changes to the eligibility criteria for Tier 2 Capital in the Reserve Bank's prudential standards take effect as part of the capital reforms described in the document published by the Reserve Bank in 2019 entitled "Capital Review Decisions 2019". These changes include no longer permitting Tier 2 Capital instruments to include contractual features that give rise to conversion or write-off at the point of non-viability. See Section 9.2.5 of this LDD (Capital reforms).</p> <p>Kiwibank will announce the final Transition Date via NZX once it has been confirmed by the Reserve Bank.</p>
Write-off of your Notes	<p>If a Non-Viability Trigger Event occurs before the Transition Date and any of your Notes are written off, all rights (including to payment of interest and repayment of the Face Value) in respect of those Notes will be terminated. You will lose your investment in those Notes and you will not receive any compensation.</p> <p>Your Notes cannot be written off unless a Non-Viability Trigger Event occurs before the Transition Date.</p>
It is possible only some of your Notes will be written off following a Non-Viability Trigger Event	<p>If a Non-Viability Trigger Event occurs before the Transition Date, it is possible that the Reserve Bank or the statutory manager of Kiwibank will require some, but not all, of the Notes to be written off.</p> <p>In that case:</p> <ul style="list-style-type: none">• the number of Notes that will be written off will be the number that is sufficient to satisfy the Reserve Bank or statutory manager that Kiwibank is viable without further write-off; and• Kiwibank will determine which Notes will be written off and in making that determination may make any decisions with respect to the identity of the Holders at that time as may be necessary or desirable to ensure write-off occurs immediately in an orderly manner. <p>Kiwibank will write off Notes on an approximately pro-rata basis or in a manner that is otherwise, in the opinion of Kiwibank, fair and reasonable, provided that this does not impede the immediate write-off of the relevant number of Notes.</p> <p>You will continue to hold your remaining Notes that were not written off.</p>

5.5. Events of Default

The Notes have very limited events of default and your rights are limited if an event of default occurs, as described below.

Events of default	Consequences
<p>Payment default</p> <p>An event of default will occur if:</p> <ul style="list-style-type: none"> • Kiwibank does not pay any Face Value due in respect of the Notes within 7 days of its due date; or • Kiwibank does not pay any interest due in respect of the Notes within 15 days of its due date. <p>To the extent that a scheduled payment on the Notes is not required to be made on a date because of the Solvency Condition not being satisfied, the amount is not due and payable and a payment default cannot occur.</p>	<p>If a payment default occurs, Holders may only bring proceedings:</p> <ul style="list-style-type: none"> • to recover any amount then due and payable but unpaid on your Notes (as long as Kiwibank is able to make the payment and remain Solvent); • to obtain an order for specific performance of any other obligation in respect of your Notes; or • for the liquidation of Kiwibank. <p>The outcome of any proceedings brought before a court may be uncertain, and a court may decide not to grant the remedies sought.</p>
<p>Commencement of liquidation</p> <p>An event of default will occur on the commencement of liquidation of Kiwibank.</p>	<p>In addition to the consequences listed above, in the case of the commencement of liquidation of Kiwibank, the Face Value of each Note and any accrued but unpaid interest on the Notes will immediately become due and payable, and Holders may prove in the liquidation for that amount.</p> <p>In this circumstance, your claim as a Holder will be subordinated as described in Section 5.6 of this LDD (Ranking), and it is unlikely that you will receive payment of the full amount owing on your Notes.</p>

5.6. Ranking of your Notes

Your Notes are term unsecured subordinated debt securities issued by Kiwibank. In a liquidation of Kiwibank, each Note gives you the right to payment of an amount equal to the Face Value plus accrued and unpaid interest. Your right to payment of this amount will rank:

- after the claims of all depositors and holders of other liabilities, securities and other obligations of Kiwibank, except for the claims described below;
- equally with the rights of other Holders and the rights and claims of holders of any securities that rank equally with your Notes; and
- ahead of the rights of Kiwibank's shareholders and holders of any other securities that rank below the Notes.

In a liquidation of Kiwibank it is unlikely that there will be surplus assets available for the liquidator to pay any amount to you in respect of your Notes.

The following diagram shows how Kiwibank's liabilities and other capital instruments issued by Kiwibank (including the Notes) rank in a liquidation of Kiwibank. The diagram does not describe every type of liability or security that Kiwibank may have while the Notes are outstanding.

The diagram is presented on the basis that the Notes are still outstanding in a liquidation of Kiwibank. However, if Kiwibank is in liquidation before the Transition Date, it is likely that a Non-Viability Trigger Event would have already occurred, and that all of your Notes would have been written off. If all of your Notes have already been written off you will have no claim in a liquidation of Kiwibank and you will lose all of your investment in them.

	Ranking in a liquidation of Kiwibank	Description	Examples	Indicative amount of existing liabilities and equity of Kiwibank (\$m)
Higher ranking ↑ ↓ Lower ranking	Liabilities that rank in priority to the Notes	Secured debt and creditors preferred by law	Kiwibank covered bonds	787.7
			Liabilities given preference by law including employee entitlements and certain taxes	35.8
		Unsubordinated unsecured debt	Depositors and other general creditors	26,472.8
	Liabilities that rank equally with the Notes (including the Notes)	Term subordinated debt	The Notes	275.0
	Liabilities that rank below the Notes	Perpetual subordinated debt	Kiwibank perpetual bonds issued in May 2015	150.0
Equity	Equity	Ordinary shares, reserves and retained earnings	1,596.1	

Basis of preparation of table

Amounts in the table above are indicative amounts derived from Kiwibank's unaudited management accounts prepared as at 30 September 2020. The table has been adjusted to reflect the issue of Notes, based on an estimated issue size of \$275 million. This adjustment does not affect the other amounts listed in the table. Amounts shown are presented in millions of New Zealand dollars and may be subject to rounding adjustments.

Secured liabilities include \$787.7 million (New Zealand dollar equivalent) of covered bonds issued by Kiwibank and guaranteed by Kiwi Covered Bond Trustee Limited as trustee of the Kiwi Covered Bond Trust. \$246.5 million (New Zealand dollar equivalent) of covered bonds are scheduled to be redeemed on 23 December 2020.

Covered bonds are an unsecured claim on Kiwibank but are secured over housing loan assets sold by Kiwibank to Kiwi Covered Bond Trustee Limited. Those housing loans are recognised as assets in the consolidated financial statements of the Kiwibank Banking Group.

No restrictions on issuing further securities or creating further liabilities

There are no restrictions on Kiwibank issuing further securities or creating further liabilities after the Notes have been issued that rank equally with, or in priority to, the Notes in a liquidation of Kiwibank.

Kiwibank could therefore, at any time after the Issue Date, issue further securities or create further liabilities that rank equally with or in priority to the Notes.

5.7. No set-off

You do not have any right to set-off any amounts that Kiwibank owes to you in connection with the Notes against any amounts that you owe to Kiwibank (whether in connection with the Notes or otherwise).

5.8. Amendments to the Deed Poll

The terms of the Notes as set out in the Deed Poll may be amended without your consent if in Kiwibank's opinion the amendment:

- is of a formal, minor or technical nature;
- is made to cure any ambiguity or correct any manifest error;
- is necessary or expedient for the purpose of enabling the Notes to be quoted or to remain quoted on a stock exchange or to be lodged or to remain lodged in a clearing system or to be offered for sale or for subscription under the laws for the time being in force in any place;
- is necessary or expedient for the purpose of complying with the provisions of any statute, the requirements of any statutory authority, the NZX Listing Rules or the listing or quotation requirements of any securities exchange on which Kiwibank may propose to seek a listing or quotation of the Notes;
- is necessary or expedient for the purpose of enabling the Notes to continue to qualify as "Tier 2" capital under the Reserve Bank's prudential standards with effect from the Transition Date, provided the amendment does not result in:
 - any change to a date on which a payment is required to be made to Holders;

- any reduction in an amount that is specified to be payable to Holders on a particular date;
 - the loss of an express right of the Holders under the Notes; or
 - the imposition of a new obligation on the Holders under the Notes; or
- is not materially prejudicial to the interests of Holders as a whole.

The terms of the Notes as set out in the Deed Poll may also be amended with the approval of a special resolution of Holders. A "special resolution" means a resolution passed at a meeting of Holders by Holders holding Notes with a Face Value of no less than 75% of the aggregate Face Value of the Notes held by those persons who are entitled to vote and who vote on the question.

However, no amendment can be made to the terms of the Notes as set out in Deed Poll if the amendment would affect the capital treatment of the Notes under the Reserve Bank's prudential standards at the relevant time unless the Reserve Bank has been notified of the proposed amendment and, if necessary, has not objected to it.

Amendments made in accordance with the terms of the Notes as set out in the Deed Poll are binding on you even if you did not agree to them.

6. Risks of investing

6.1. Introduction

This Section 6 describes potential risks associated with an investment in the Notes. This Section 6 describes certain:

- general risks associated with an investment in the Notes;
- significant specific risks relating to Kiwibank's creditworthiness;
- significant specific risks associated with a Non-Viability Trigger Event; and
- other risks associated with the Notes specifically.

The selection of risks relating to Kiwibank's creditworthiness has been based on an assessment of a combination of the probability of a risk occurring and the impact of the risk if it did occur. That assessment is based on Kiwibank's business as at the date of this LDD. There is no guarantee or assurance that after the date of this LDD the significance of

6.2. General risks

An investment in the Notes is subject to the following general risks:

The risk that Kiwibank encounters financial difficulty which has an adverse effect on your investment

If Kiwibank encounters financial difficulty, this may in turn:

- adversely affect the market price and liquidity of your Notes;
- result in Kiwibank not making a payment on your Notes; and/or
- before the Transition Date, result in a Non-Viability Trigger Event occurring, meaning that all or some of your Notes will be written off and you will lose your investment in those Notes.

If Kiwibank becomes insolvent and is placed in liquidation, it is highly likely that you will lose all of your investment.

different risks will not change or that other risks will not arise over time.

Investors should carefully consider these risk factors (together with the other information in this LDD) before deciding to invest in the Notes.

This Section 6 does not cover all of the risks of investing in the Notes.

The statement of risks in this Section 6 does not take account of the personal circumstances, financial position or investment requirements of any particular investor. It is important, therefore, that before making any investment decision, investors give consideration to the suitability of an investment in the Notes in light of their individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues).

Market risks associated with the Notes

The market price of the Notes may fluctuate up or down and the Notes may trade below their Face Value

The market price of the Notes on the NZX Debt Market may fluctuate due to various factors. The Notes may trade at a market price below their Face Value, and the market price of the Notes may be more sensitive to changes in factors such as economic conditions, liquidity and risk tolerances than that of senior securities issued by Kiwibank or other issuers. This means that you would lose some of the money you invested if you were to sell your Notes at a time when the market price of the Notes was lower than the Face Value.

The liquidity of the Notes may be low

The market for the Notes may not be liquid and may be less liquid than that of other comparable securities issued by Kiwibank or other issuers. If liquidity is low, there is a risk that if you wish to sell your Notes, you may not be able to do so at an acceptable price, or at all.

6.3. Specific risks relating to Kiwibank's creditworthiness

Described below are the circumstances that Kiwibank is aware of that exist or could arise that significantly increase the risk that payments may not be made on the Notes when scheduled or that a Non-Viability Trigger Event may occur. The assessment of these circumstances is based on Kiwibank's business as at the date of this LDD. If the nature or scope of this business changes, other circumstances or events could give rise to this risk.

Kiwibank expects some of the risks below to arise in the normal course of its business. When they do, this can lead to a loss, an increase in costs or a reduction in revenues. Kiwibank uses an organisational risk framework to closely manage and escalate the reporting of these risks and in the normal course of business these risks are not expected to have a material adverse impact on Kiwibank. However, unforeseen circumstances can also arise. The occurrence of any such circumstance may make the risks more difficult to manage and the impact on Kiwibank more severe.

In extreme circumstances, a failure to manage these risks over a sustained period of time could mean that Kiwibank is not able to make payments on the Notes when scheduled or that, before the Transition Date, a Non-Viability Trigger Event may occur. In addition, a deterioration in the financial performance and creditworthiness of Kiwibank may adversely affect its credit ratings and/or the market value of the Notes.

Credit risk

Credit risk is the risk that customers will fail to meet their obligations to Kiwibank in accordance with agreed terms. Credit risk arises from both Kiwibank's lending activities and markets and trading activities.

The economic impact of the COVID-19 pandemic is extremely uncertain, but it has increased credit risk across Kiwibank's lending portfolio

The COVID-19 pandemic has created economic and financial disruptions that could materially and adversely affect Kiwibank's business and operations. The extent of these effects will depend on future developments, which are highly uncertain and cannot be predicted.

A potential material and adverse impact for Kiwibank is an increase in credit risk. Increased credit risk can result in both an increase in losses when customers default on their loan obligations and higher capital requirements through an increase in the probability of default.

To date customer access to bank-lending support packages as well as the various government assistance schemes, such as wage subsidies, have alleviated the potential negative credit impacts of COVID-19 on Kiwibank's customers. Although Kiwibank made additional credit impairment provisions for the year ending 30 June 2020, there is no certainty that Kiwibank has accurately assessed the potential impact of COVID-19 for its lending customers.

Credit risk across Kiwibank's business may increase further if the economic consequences of the COVID-19 pandemic become more severe across the economy, or if COVID-19 containment arrangements escalate, leading to a more widespread downturn in business and economic activity.

A decline in property market valuations may result in higher losses on defaulting loans

Kiwibank's lending portfolio is primarily made up of residential housing loans, and home lending activities account for most of Kiwibank's credit risk. The economic impacts of the COVID-19 pandemic and the measures in place to control it, have the potential to lead to a material decline in residential property prices as a result of increased unemployment, a reduction in income and the closure of businesses.

If there is a reduction in residential property prices, the declining value of the residential property used as security by borrowers may give rise to greater losses to Kiwibank resulting from customer defaults, which may impact Kiwibank's financial performance and position.

Climate change and extreme climate patterns may lead to increasing customer defaults and may decrease the value of property provided as security

Credit risk may arise as a result of climate change, including from:

- extreme weather and climate change-related events (such as rising sea levels) affecting property values and causing losses through damage to property;
- the effect of new laws and regulations designed to mitigate climate change; and
- the costs of transitioning to a renewable and low carbon-intensity economy.

In addition, increased insurance costs reflecting the increasing risks resulting from climate change may reduce the value of property provided as security as well as reduce the ability of customers to repay their borrowing from insurance proceeds in the event of material damage or loss. In addition to increased credit losses experienced as a result of climate change, Kiwibank may see prospects for future

growth adversely impacted as the housing market adjusts to the changing risk assessments of specific locations or regions.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events.

Disruption to Kiwibank's information technology systems may adversely impact its reputation and operations

Most of Kiwibank's operations depend on technology. The reliability, resilience and security of Kiwibank's information technology systems and infrastructure therefore are essential to the effective operation of its business. Kiwibank's information technology systems and infrastructure could be disrupted as a result of technical failure, human error, cyber attacks or other criminal activity.

Any disruption to Kiwibank's information technology systems may be wholly or partially beyond Kiwibank's control. To manage this risk Kiwibank has recovery and systems continuity plans in place, which continue to be developed. However, any failure in these systems could result in business interruption, data loss or corruption, the loss of customers, damaged reputation and weakening of Kiwibank's competitive position.

Kiwibank also faces external threats 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. Kiwibank may incur financial and reputational losses as a result of cyber-attacks and other information security breaches.

Kiwibank has systems and processes in place to manage these risks. However, threats to information security are constantly evolving and becoming increasingly sophisticated. It may not always be possible to anticipate a security threat, or to implement effective information security policies, procedures and controls to prevent or minimise the resulting damage.

External events may adversely impact Kiwibank's operations

External events such as extreme weather, natural disasters, pandemics and biological hazards may cause property damage and business disruption, which may adversely impact Kiwibank's financial performance and lead to reputational damage if Kiwibank is not able to manage the impacts of an external event.

Kiwibank operates across New Zealand, has significant operations in Wellington, and is exposed to the risk of future earthquakes. Alternative sites have been developed in Auckland and Hastings to

improve regional diversity, although they too face the possibility of natural disasters. In recent years Kiwibank's business continuity plan has been successfully initiated to protect the health, safety and well-being of customers and employees using these alternate sites but also working from home based on mobile technology.

Events in any major metropolitan area could result in the loss of property provided as security or reductions in the value of this property. It could also result in loss of employment and incomes for Kiwibank customers in affected regions, impacting their ability to make payments on their loans. If customers become unable to make payments on their loans, then Kiwibank may suffer losses which could have an adverse effect on its financial condition.

Deficient policies, processes, controls and models pose a significant risk to Kiwibank's operations

Kiwibank's business is highly dependent on its ability to process and monitor a large number of transactions daily. Kiwibank's systems may fail to operate properly, affecting its ability to process these transactions or provide customer services. In addition, failure of operational processes due to mistakes or unauthorised activity could also result in critical data being incomplete, inaccurate or unavailable and other errors, leading to customer dissatisfaction, financial loss and reputational harm.

Kiwibank may not be able to attract and retain suitable personnel

Failure to adequately manage human resources could impact Kiwibank's ability to perform critical functions and achieve business objectives. Kiwibank needs to attract and retain key employees with an understanding of banking and technology to run its business. In addition, Kiwibank needs to manage key person risk to ensure appropriate alternates are available for all critical activities.

Compliance risk

Compliance risk is the risk of failing to understand and comply with relevant laws, regulations, licence conditions, supervisory requirements, self-regulatory industry codes of conduct and voluntary initiatives.

Risks relating to the extensive regulation of Kiwibank

Kiwibank's banking activities are subject to extensive regulation.

Kiwibank is unable to predict the nature of future regulatory change and its impact on Kiwibank. Implementing changes to meet new or amended regulations could result in additional cost. Further changes to regulations, including those affecting Kiwibank's required levels of capital, the size and composition of Kiwibank's liquid asset portfolio

and/or the fees which Kiwibank can charge on the financial services it provides could have an adverse impact on Kiwibank's financial results or operations.

Failure to comply with regulations could subject Kiwibank to regulatory enforcement actions, fines and penalties, cause loss for Kiwibank, adversely affect Kiwibank's regulatory or licensing status, or harm its reputation among customers and investors in the marketplace, and cause harm to Kiwibank's ability to do business and future prospects.

Kiwibank has compliance and legal functions in place to manage these risks.

Strategic risk

Strategic risk is the risk associated with the pursuit of Kiwibank's strategic objectives, including the risk that Kiwibank fails to execute its chosen strategy effectively or in a timely manner.

Risks relating to the execution of Kiwibank's business plan and strategy

The achievement of Kiwibank's business plan and strategy over the short-to-medium term depends on the successful management and execution of a significant amount of work, including major strategic projects. This work includes enhancing Kiwibank's information systems and technology, transforming customer service delivery and responding to extensive regulatory change and action. Kiwibank's change management programme is complex and executing it may take longer or cost more than planned. This may result in Kiwibank failing to fully execute its business plan and strategy. A failure to successfully manage and execute this work could have an adverse impact on Kiwibank's business, financial results, access to capital and competitive position.

6.4. Specific risks associated with a Non-Viability Trigger Event

If a Non-Viability Trigger Event occurs before the Transition Date and any of the Notes are written off, you will lose your investment in those Notes (see

Kiwibank has management and delivery frameworks in place to guide and monitor activities against strategy and plan.

Balance sheet and liquidity risk

Balance sheet and liquidity risk comprises liquidity risk, funding risk and capital risk.

Risks relating to Kiwibank's ability to access funding and its ability to meet liquidity needs

Kiwibank accesses domestic and global debt capital markets to help fund its business, together with customer deposits. Disruptions, uncertainty or volatility in any of those markets may adversely affect Kiwibank's funding and liquidity position, increase the cost of funding, limit its ability to replace maturing liabilities in a timely manner or maintain a high-quality portfolio of liquid assets. Kiwibank's ability to raise funding may be adversely affected if its credit ratings deteriorate, due to matters either within or outside its control. Any of those outcomes could adversely affect Kiwibank's financial performance, financial position and prospects.

Limited access to regulatory capital could constrain Kiwibank's business prospects

Kiwibank may need to access regulatory capital to meet higher regulatory ratios, to support strong lending growth or to implement a transformation strategy. The amount of regulatory capital available to Kiwibank is dependent on Kiwibank's profitability, the ability and willingness of its shareholders to provide common equity, and on Kiwibank's ability to access Additional Tier 1 or Tier 2 Capital in the New Zealand market. Failure to access regulatory capital could constrain Kiwibank's future financial performance. See section 9.2 of this LDD (Kiwibank's regulatory capital requirements).

6.5. Risks associated with your Notes specifically

Holders have no rights against Kiwibank if interest is not paid on account of the Solvency Condition not being satisfied on the payment date

Kiwibank's obligation to pay interest on your Notes on a Scheduled Interest Payment Date is subject to the Solvency Condition being satisfied on the Scheduled Interest Payment Date. If Kiwibank does not pay interest on a Scheduled Interest Payment Date on account of the Solvency Condition not being satisfied, it will not constitute a default by Kiwibank and you will have no right to take action against

Section 5.4 of this LDD (Write-off following a Non-Viability Trigger Event)).

Kiwibank or any other person in respect of that non-payment. See Sections 5.2 of this LDD (Interest).

Changes in Interest Rate

The Interest Rate is fixed for the first 5 years of the Term, after which it will be reset and fixed for the remaining 5 years of the Term to be equal to the applicable Swap Rate plus the Margin. There is a risk that when the Interest Rate is reset it will be lower than the rate that applied for a prior period. See Section 5.2 of this LDD (Interest).

You have no right to request early repayment of your Notes

The Notes are a long term investment with a Term of 10 years. You have no right to request that your Notes be repaid early. Unless your Notes are repaid early by Kiwibank, to realise your investment before the Maturity Date you would need to sell your Notes on the NZX Debt Market at the prevailing market price. You may not be able to sell your Notes, and even if you can, the price may be less than what you paid for your Notes. See Section 5.3 of this LDD (Repayment of the Notes).

Kiwibank may repay your Notes early if certain events occur

In certain circumstances, Kiwibank can repay your Notes early (see Section 5.3 of this LDD (Repayment of the Notes)). There is a risk that you may be disadvantaged if the Notes are repaid early. For instance, if the Notes are repaid early you may not be able to reinvest the proceeds at a comparable return. See Section 5.3 of this LDD (Repayment of the Notes).

Changes to the Reserve Bank's capital rules

The eligibility criteria for Tier 2 Capital are expected to change on 1 July 2021. The Reserve Bank has announced its decisions on these changes, including its decision that Tier 2 Capital instruments will no longer be permitted to include contractual features

that give rise to conversion or write-off at the point of non-viability. However, as at the date of this LDD, the changes have not yet been finalised, and there may be additional changes to the criteria that Kiwibank is unable to anticipate.

For the purpose of enabling the Notes to comply with the revised criteria when they come into effect, the terms of the Notes provide that write-off can only occur if a Non-Viability Trigger Event occurs before the Transition Date. Kiwibank is also permitted to amend the terms of the Notes without the consent of Holders in some circumstances, including (subject to certain limitations) if it is necessary or expedient for the purpose of enabling the Notes to continue to qualify as Tier 2 Capital with effect from the Transition Date. See Section 5.8 of this LDD (Amendments to the Deed Poll). However, there can be no assurance that the Notes will comply with the new criteria from the Transition Date.

If the Notes cease to qualify as Tier 2 Capital from the Transition Date, it is possible that a Regulatory Event could occur. If a Regulatory Event did occur, then subject to certain conditions being met, Kiwibank could elect to repay your Notes early. There can be no assurance that your Notes will be repaid early if the Notes cease to qualify as Tier 2 Capital, but if they are repaid early, there is a risk that you may be disadvantaged. See Section 5.3 of this LDD (Repayment of the Notes).

Changes to Kiwibank's conditions of registration

As a registered bank Kiwibank is subject to conditions of registration that are imposed on it by the Reserve Bank. The Reserve Bank is entitled to modify the conditions of registration that apply to Kiwibank, including conditions that relate to capital requirements. The Reserve Bank could, for instance, impose new conditions that restrict or prevent Kiwibank from paying interest on the Notes or from repaying the Notes in certain circumstances.

7. Tax

The returns on the Notes will be affected by taxes. The information set out in this Section 7 and in Section 8 of this LDD is based on the law in force at the date of this LDD, does not constitute tax advice to any Holder, is general in nature and is limited to New Zealand taxation only.

Holders that are New Zealand tax residents, or are non-residents that are engaged in business in New Zealand through a fixed establishment in New Zealand and either (1) hold the Notes for the purpose of that business or (2) are a registered bank in New Zealand and are not associated with Kiwibank, ("**New Zealand Holders**") will have resident withholding tax ("**RWT**") deducted from the interest (including amounts deemed to be interest for New

Zealand withholding tax purposes) that is payable under the Notes, unless the Holder has notified the Registrar that the Holder has RWT-exempt status no later than 5 Business Days before the relevant payment date.

If a Holder is subject to the deduction of RWT, that Holder should provide the Registrar with the Holder's IRD number and applicable RWT rate. If the Holder does not provide the Holder's IRD number, RWT will be deducted at the non-declaration rate of 45%. If a Holder provides the Holder's IRD number, but not the Holder's applicable RWT rate, RWT will be deducted at the default rate of 33% (or 28% if the Holder is a company that is not a Maori authority).

There may be other tax consequences from acquiring or disposing of the Notes, and from the redemption or maturity of the Notes.

If you have any questions regarding the tax consequences of investing in the Notes you should seek advice from a tax adviser.

8. Tax consequences for overseas Holders

The information in this Section 8 is based on the law in force at the date of this LDD.

If a Holder is not a New Zealand Holder, approved issuer levy ("AIL") will be deducted from interest (including amounts deemed to be interest for New Zealand withholding tax purposes) paid to the Holder in lieu of deducting non-resident withholding tax ("NRWT") (unless the Holder elects for NRWT to be deducted or the payment of AIL is not effective to reduce the applicable rate of NRWT to 0%). If NRWT is deducted, Kiwibank will not pay any additional amount in respect thereof.

If Kiwibank applies the AIL regime as described above, Kiwibank will apply a zero rate of AIL, if possible. Otherwise, AIL will be deducted at the standard rate of 2% from the interest payment and

Kiwibank will not pay any additional amount in respect thereof.

Where a Holder who is not a New Zealand Holder holds the Note jointly with a person who is a New Zealand tax resident, NRWT must be deducted from interest paid to the non-resident at the applicable rate of RWT. Payment of AIL does not allow a zero per cent rate of NRWT in this case. Further, if a non-resident Holder is entitled to relief from New Zealand tax on the non-resident's interest income under a double tax agreement, the non-resident must separately apply to Inland Revenue for that relief by filing a return, as double tax agreement relief does not apply at source in this scenario.

Overseas Holders may be subject to tax in their own jurisdiction and should seek advice from a tax adviser.

9. Information about Kiwibank

9.1. Kiwibank's business

Information about Kiwibank's business is contained in half-yearly disclosure statements Kiwibank prepares under the RBNZ Act. Kiwibank's disclosure statements are available at www.kiwibank.co.nz/about-us/governance/legal-documents-and-information/legal-documents/.

Further information about Kiwibank's business is contained in the investor presentation for the Offer, which is available on the Disclose Register at www.disclose-register.companiesoffice.govt.nz/ (offer number OFR13006).

9.2. Kiwibank's regulatory capital requirements

The Notes will count as Tier 2 Capital for Kiwibank under the Reserve Bank's current prudential standards. Those standards include capital adequacy requirements that banks must comply with under their conditions of registration. These requirements are intended to ensure that an adequate level of capital is maintained, thereby providing a buffer to absorb losses from its activities before depositors and other senior creditors are affected. The Reserve Bank's approach to assessing capital adequacy focuses on the credit risk associated with the bank's exposures, market and operational risks and the quality and quantity of a bank's capital.

9.2.1. Types of regulatory capital

The Reserve Bank currently classifies a bank's regulatory capital into three tiers for its supervisory purposes. These are referred to as Tier 1 Capital (consisting of Common Equity Tier 1 Capital and Additional Tier 1 Capital) and Tier 2 Capital.

Common Equity Tier 1 Capital comprises the highest quality components of capital and includes paid up ordinary shares, certain reserves and retained earnings less certain deductions.

Additional Tier 1 Capital comprises high quality components of capital and consists of certain securities not classified as Common Equity Tier 1 Capital but retaining certain loss absorbing characteristics.

Tier 2 Capital consists of subordinated instruments and, whilst a lesser form of capital than Tier 1 Capital, still has a capacity to absorb losses and strengthens the bank's overall capital position. Tier 2 Capital together with Tier 1 Capital constitutes Total Capital and the ratio of Total Capital to risk-weighted assets is called the Total Capital Ratio.

See Section 9.2.3 of this LDD (Loss absorbing features of regulatory capital) for a description of loss absorption.

9.2.2. Minimum regulatory capital requirements

Most New Zealand incorporated registered banks, including Kiwibank, have been required to comply with the following minimum capital ratios, measured in relation to their risk-weighted assets:

- a Common Equity Tier 1 Capital Ratio (being the ratio of Common Equity Tier 1 Capital to risk-weighted assets) of 4.5%;
- a Tier 1 Capital Ratio (being the ratio of Tier 1 Capital to risk-weighted assets) of 6.0%; and
- a Total Capital Ratio (being the ratio of Tier 1 and Tier 2 Capital to risk-weighted assets) of 8.0%.

The Reserve Bank also requires most New Zealand incorporated registered banks, including Kiwibank, to maintain a conservation buffer of Common Equity Tier 1 Capital of 2.5% above the minimum ratios or face restrictions on distributions. This means Kiwibank has to maintain at least 7% of Common Equity Tier 1 Capital in order to meet both the 4.5% minimum requirement and the additional requirement for the 2.5% capital buffer. The Reserve Bank also has the discretion to apply a counter-cyclical buffer of Common Equity Tier 1 Capital with an indicative range of between 0 and 2.5%, although there is no formal upper limit. As at the date of this LDD, the counter-cyclical buffer is set at 0%.

9.2.3. Loss absorbing features of regulatory capital

In very general terms, a capital instrument has loss absorbing qualities if the holder of the instrument has no ability to demand repayment of the instrument. One of the ways in which the Reserve Bank's prudential standards provide for loss absorption is for capital instruments to be written off if the bank experiences severe financial difficulty. Losses are borne (or absorbed) by the holders of those capital instruments before other persons (such as depositors, general creditors or taxpayers).

9.2.4. Loss absorbing features of the Notes

The Notes will count as Tier 2 Capital, and the required loss absorbing features are incorporated in the terms of the Notes. In particular:

- interest payments on each Scheduled Interest Payment Date are subject to the Solvency Condition being satisfied on the Scheduled Interest Payment Date;

- you have no ability to demand early repayment of your investment;
- the Notes are subordinated to senior creditors of Kiwibank (including depositors); and
- if a Non-Viability Trigger Event occurs before the Transition Date and your Notes are written off, you will lose your investment.

9.2.5. Capital reforms

In 2017, the Reserve Bank commenced a comprehensive review of its capital framework for banks. The review process was completed in 2019 with the publication by the Reserve Bank of a document entitled "Capital Review Decisions 2019".

The key decisions made by the Reserve Bank included:

- to require non-systemically important banks (which includes Kiwibank) to have a Tier 1 Capital Ratio of 14% and a Total Capital Ratio of 16%;
- to permit Tier 2 Capital instruments to contribute to Total Capital requirements up to a maximum of 2% of risk-weighted assets;
- to permit Additional Tier 1 Capital instruments to contribute to Tier 1 Capital requirements up to a maximum of 2.5% of risk-weighted assets; and
- to make changes to the eligibility criteria for Additional Tier 1 and Tier 2 Capital instruments, including to remove the ability for those instruments to include contractual features that give rise to conversion or write-off if a non-viability event occurs.

Reflecting the decision to change the eligibility criteria for Tier 2 Capital instruments, the requirement for the Notes to be written off if a Non-Viability Trigger Event occurs will cease to apply from the Transition Date. Kiwibank intends that the Notes will continue to be recognised as Tier 2 Capital with effect from the Transition Date. However, there can be no assurance that the Notes will comply with the new eligibility criteria.

If the Notes cease to qualify as Tier 2 Capital from the Transition Date, it is possible that a Regulatory Event could occur. If a Regulatory Event did occur, then subject to certain conditions being met, Kiwibank could elect to repay your Notes early. There can be no assurance that your Notes will be repaid early if the Notes cease to qualify as Tier 2 Capital.

9.3. Kiwibank's capital management

9.3.1. The Kiwibank Banking Group's capital management strategy

Adequacy, efficiency and flexibility are the core components of the Kiwibank Banking Group's capital management strategy. The Kiwibank Banking Group's capital objective is to maintain at all times a capital level that is above the minimum levels set by Kiwibank's board, which are in turn set above the Reserve Bank's regulatory capital requirements. In setting the minimum capital level for the Kiwibank Banking Group, the Kiwibank board considers the regulatory capital requirements, the risk position of the Kiwibank Banking Group's balance sheet, the capital position of Kiwibank's major competitors and market expectations.

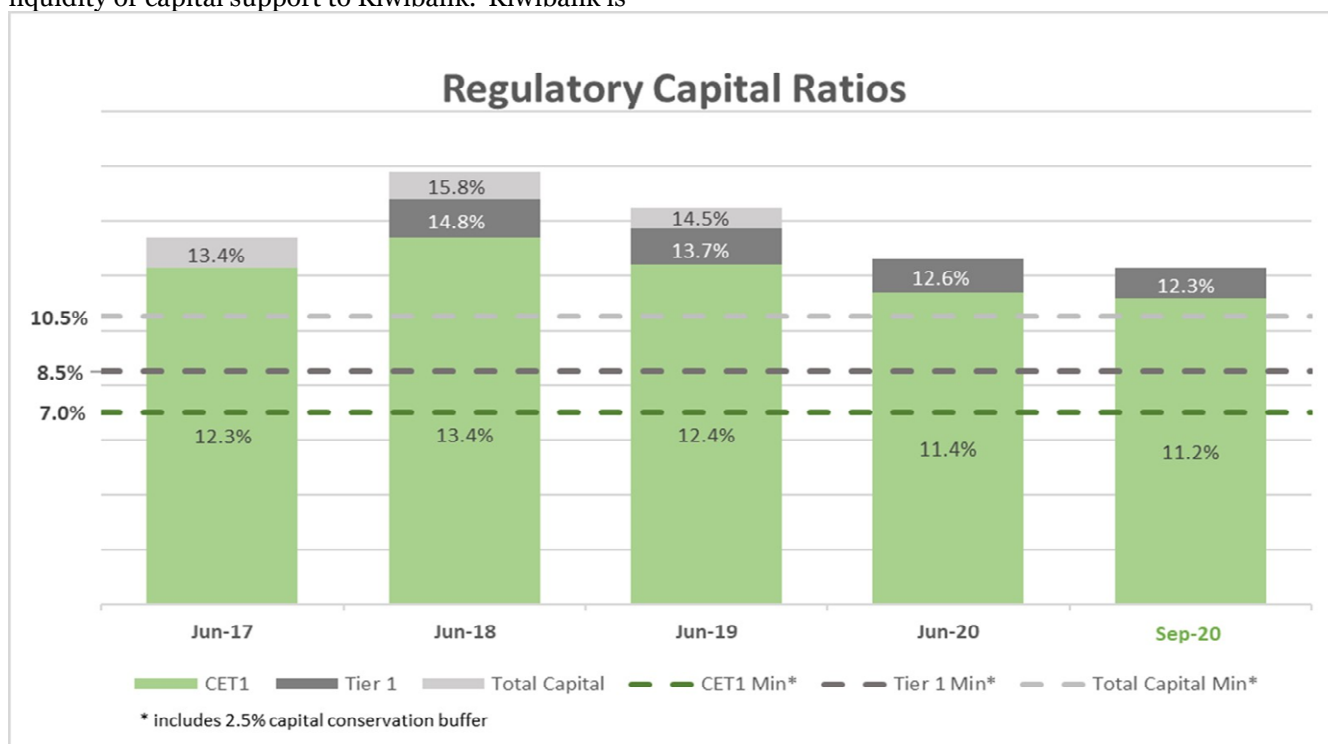
9.3.2. Uncalled Capital Facility

The Kiwibank Banking Group's capital position is strengthened by the uncalled capital facility ("UCF Arrangements") that the Crown has entered into with KGHL. Under the UCF Arrangements, the Crown commits to provide up to \$300 million of funding to KGHL to enable KGHL to provide liquidity or capital support to Kiwibank. Kiwibank is

able to request this support to be provided to it under the UCF Arrangements if, as a consequence of external events or circumstances beyond Kiwibank's control, there is a material risk that Kiwibank will not comply with the minimum capital requirements set by the Kiwibank board (which are higher than the minimum capital requirements imposed by the Reserve Bank) or any of the liquidity ratios set out in Kiwibank's conditions of registration. The liquidity or capital support provided to Kiwibank by KGHL may take the form of ordinary shares (either issued directly or on conversion of another instrument) or another capital instrument. The UCF Arrangements are reviewed annually, and may be cancelled in certain circumstances. There can be no assurance that the UCF Arrangements will remain in place for the duration of the Term.

9.3.3. The Kiwibank Banking Group's regulatory capital position

The graph below shows the Kiwibank Banking Group's historical regulatory capital position under the applicable Reserve Bank rules since 30 June 2017.



The information in the graph is based on information in Kiwibank's disclosure statement for each period (except the final bar, which is based on Kiwibank's unaudited management accounts prepared as at 30 September 2020). It is illustrative only and does not guarantee or forecast the future regulatory capital position for the Kiwibank Banking Group.

The Kiwibank Banking Group's Common Equity Tier 1 Ratio of 11.2% as at 30 September 2020 is in excess of the Reserve Bank's minimum prudential capital requirements and equates to \$1,542 million.

10. Other information relating to the Offer

10.1. Offer in New Zealand only

This LDD does not constitute an offer of Notes in any jurisdiction other than New Zealand. No action has been or will be taken by Kiwibank which would permit a public offering of Notes, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand). The Notes may only be offered for sale or sold in conformity with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered. No product disclosure statement, information memorandum, prospectus, circular,

advertisement or other offering material in respect of any Notes may be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws and regulations.

Under the Deed Poll you indemnify Kiwibank, the Registrar, the Arranger and the Joint Lead Managers (and their respective directors, officers, employees and agents) in respect of any loss incurred as a result of you breaching the above selling restrictions.

10.2. Role of the Arranger and Joint Lead Managers

This LDD does not constitute a recommendation by the Arranger, any Joint Lead Manager or any of their respective directors, officers, employees, agents or advisers to subscribe for, or purchase, any Notes.

The role of the Arranger in relation to the Offer is solely to provide assistance with arranging the Offer and organising the Bookbuild. The Joint Lead

Managers will assist with the marketing and distribution of the Notes but are not otherwise involved in the Offer.

Each recipient of this LDD must make their own independent investigation and assessment of the financial condition and affairs of Kiwibank before deciding whether or not to invest in the Notes.

11. How to complain

You can direct any complaints about your Notes to:

The Issuer

Chief Executive
Kiwibank Limited
Level 9
20 Customhouse Quay
Wellington 6011

Tel: (04) 462 7991

Banking Ombudsman

If you are not satisfied with the response you receive, you may direct your complaint to the Banking Ombudsman Scheme, which is an approved dispute resolution scheme, at the following address

Freepost 218002
PO Box 25327
Featherston Street
Wellington 6146

Email: help@bankomb.org.nz

or by phoning: 0800 805 950 or
(04) 915 0400.

The Banking Ombudsman Scheme will not charge a fee to any complainant to investigate or resolve a complaint.

Financial Markets Authority

Complaints may also be directed to the Financial Markets Authority through its website at www.fma.govt.nz

12. Where you can find more information

12.1. Disclose Register

Further information relating to Kiwibank and the Notes is available free of charge on the online Disclose Register maintained by the Companies Office. The Disclose Register can be accessed at www.disclose-register.companiesoffice.govt.nz/ (search offer number OFR13006). A copy of the information on the Disclose Register is also available on request to the Registrar of Financial Service

Providers at www.fsp-register.companiesoffice.govt.nz/. The information contained on the Disclose Register includes financial information relating to Kiwibank, a copy of the Deed Poll, the investor presentation for the Offer, a credit rating report from Moody's in relation to the Notes, and other material information.

12.2. NZX

Notices to the Holders may be given by making an announcement on NZX and will be available free of charge at www.nzx.com/companies/KWB.

12.3. Disclosure statements

Kiwibank's half-yearly disclosure statements are available at www.kiwibank.co.nz/about-us/governance/legal-documents-and-information/legal-documents/.

13. How to apply

13.1. How to apply

All of the Notes offered under the Offer have been reserved for subscription by clients of the Joint Lead Managers and other approved financial intermediaries invited to participate in a bookbuild conducted by the Joint Lead Managers.

There is no public pool for the Notes. This means you can only apply for the Notes through a Primary Market Participant or approved financial intermediary who has obtained an allocation. You can find a Primary Market Participant by visiting www.nzx.com/investing/find-a-participant.

The Primary Market Participant or approved financial intermediary will:

- provide you with a copy of this LDD (if you have not already received a copy);
- explain what you need to do to apply for the Notes; and
- explain what payments need to be made by you (and by when).

The Primary Market Participant or approved financial intermediary can also explain what arrangements will need to be put in place for you to trade the Notes (including obtaining a CSN, a FIN and opening an account with a Primary Market Participant) as well as the costs and timeframes for putting such arrangements in place.

13.2. Personal information rights

Personal information provided by you will be held by Kiwibank and the Registrar, and will be used for the purpose of managing your investment. You have a right to access and correct any personal information

about you under the Privacy Act 2020. You can also access your information on the Link Market Services website: www.linkmarketservices.co.nz. You will be required to enter your holder number and FIN.

14. Contact information

Issuer:

Kiwibank Limited

Level 9
20 Customhouse Quay
Wellington 6011
Phone: (04) 439 6932

Registrar:

Link Market Services Limited

Level 11, Deloitte Centre
80 Queen Street
Auckland 1010
PO Box 91976
Auckland 1142
Phone: +64 9 375 5998
Email: enquiries@linkmarketservices.co.nz

Arranger and Joint Lead Manager:

Craigs Investment Partners Limited

Level 36, Vero Centre
48 Shortland Street
Auckland 1010
Phone: 0800 226 263

Joint Lead Managers:

Forsyth Barr Limited

Level 23, Lumley Centre
88 Shortland Street
Auckland 1010
Phone: 0800 367 227

Jarden Securities Limited

Level 32, PwC Tower
15 Customs Street West
Commercial Bay
Auckland 1010
Phone: 0800 005 678

15. Glossary

Additional Tier 1 Capital	is described in Section 9.2 of this LDD (Kiwibank's regulatory capital requirements).
Arranger	Craigs Investment Partners Limited.
Bookbuild	the process conducted before the Offer opens where invited parties bid for Notes and, on the basis of those bids, Kiwibank, in consultation with the Joint Lead Managers, determines the Margin and Kiwibank sets the initial Interest Rate.
Business Day	a day (other than a Saturday or Sunday) on which banks are open for business in Wellington and Auckland.
Closing Time	the "Closing Time" specified in Section 2 of this LDD (Key dates and Offer process).
Common Equity Tier 1 Capital	is described in Section 9.2 of this LDD (Kiwibank's regulatory capital requirements).
Deed Poll	the deed poll made by Kiwibank and under which the Notes will be issued.
Disclose Register	the online offer register maintained by the Companies Office and the Registrar of Financial Service Providers known as "Disclose", which can be accessed at www.disclose-register.companiesoffice.govt.nz/ .
Face Value and Issue Price	\$1.00 per Note.
Holder	a person whose name is entered in the Register as a holder of Notes.
Interest Payment Date	each Scheduled Interest Payment Date and the Maturity Date (see Section 5.2 of this LDD (Interest)).
Interest Rate	<p>means:</p> <ul style="list-style-type: none"> • for the period from (and including) the Issue Date to (but excluding) the Optional Redemption Date, the sum of the Swap Rate on the Rate Set Date plus the Margin; and • for the period from (and including) the Optional Redemption Date to (but excluding) the Maturity Date, the sum of the Swap Rate on the Rate Reset Date plus the Margin. <p>If the sum of the Swap Rate plus the Margin is less than zero, the Interest Rate will be 0% per annum.</p>
Issue Date	the "Issue Date" specified in Section 2 of this LDD (Key dates and Offer process).
Joint Lead Managers	Craigs Investment Partners Limited, Forsyth Barr Limited and Jarden Securities Limited.
KGHL	Kiwi Group Holdings Limited.
Kiwibank	Kiwibank Limited.
Kiwibank Banking Group	Kiwibank, its wholly owned entities and all other entities consolidated for financial reporting purposes, as specified in its latest financial statements, on a consolidated and not an individual basis.

LDD	this Limited Disclosure Document.
Margin	means the margin determined by Kiwibank in consultation with the Joint Lead Managers on the Rate Set Date following the Bookbuild, and will be announced by Kiwibank and available at www.kiwibank.co.nz/about-us/governance/investor-centre/kiwibank-capital-notes on the Rate Set Date.
Maturity Date	the "Maturity Date" specified in Section 2 of this LDD (Key dates and Offer process).
Moody's	Moody's Investors Service
Non-Viability Trigger Event	is described in Section 5.4 of this LDD (Write-off following Non-Viability Trigger Event).
Notes	the unsecured subordinated loss absorbing notes offered by Kiwibank under this LDD.
NZX	NZX Limited, and includes any person or authority which may in the future assume and perform the functions of NZX Limited.
NZX Debt Market	the debt market operated from time to time by NZX.
NZX Listing Rules	means the listing rules of NZX, as amended, varied or waived (whether in respect of Kiwibank or generally) from time to time.
Offer	the offer of Notes made in this LDD.
Opening Date	the "Opening Date" specified in Section 2 of this LDD (Key dates and Offer process).
Optional Redemption Date	11 December 2025.
Primary Market Participant	has the meaning given in the NZX Participant Rules, as amended from time to time.
Rate Reset Date	the "Rate Reset Date" specified in Section 2 of this LDD (Key dates and Offer process).
Rate Set Date	the "Rate Set Date" specified in Section 2 of this LDD (Key dates and Offer process).
RBNZ Act	the Reserve Bank of New Zealand Act 1989.
Register	the register of Notes established and maintained by the Registrar on behalf of Kiwibank.
Registrar	Link Market Services Limited.
Regulatory Event	has the meaning given in Section 5.3 of this LDD (Repayment of the Notes).
Reserve Bank	the Reserve Bank of New Zealand.
Scheduled Interest Payment Dates	11 March, 11 June, 11 September and 11 December in each year.
Solvency Condition	a condition to the payment of interest on a Scheduled Interest Payment Date and any early repayment of your Notes, requiring the following:

	<ul style="list-style-type: none"> • In order for Kiwibank to pay interest on a Scheduled Interest Payment Date, Kiwibank and the Kiwibank Banking Group must be Solvent on that Scheduled Interest Payment Date, and must remain Solvent immediately after making the payment. • In order for Kiwibank to repay your Notes early, Kiwibank and the Kiwibank Banking Group must be Solvent on the early repayment date, and must remain Solvent immediately after making the repayment.
Solvent	<p>means:</p> <ul style="list-style-type: none"> • in relation to Kiwibank, Kiwibank satisfying the solvency test contained in section 4 of the Companies Act 1993; and • in relation to the Kiwibank Banking Group, the Kiwibank Banking Group satisfying the solvency test contained in section 4 of the Companies Act 1993, applied to the Kiwibank Banking Group as if it was a single entity and taking due account of the ability and willingness of the members of the Kiwibank Banking Group to meet each other's debts.
Swap Rate	<p>means:</p> <ul style="list-style-type: none"> • the mid-market swap rate for an interest rate swap with a term of 5 years commencing on the relevant date, as calculated by Kiwibank at or about 11am on that date in accordance with market convention with reference to Bloomberg page 'ICNZ4' (or its successor page); or • if a rate is unable to be determined in accordance with the process above or if Kiwibank forms a view, on reasonable grounds, that the rate so determined is not an accurate reflection of market rates, the average of the mean bid and offered swap rates quoted by each of ANZ Bank New Zealand Limited, ASB Bank Limited, Bank of New Zealand and Westpac New Zealand Limited (or any additional or replacement reference banks selected by Kiwibank from time to time) at or about 11am on the relevant date for an interest rate swap with a term of 5 years commencing on that date, <p>in each case expressed on a percentage basis, adjusted for quarterly payments and rounded, if necessary, to the nearest two decimal places with five being rounded up.</p> <p>For the purposes of this definition, the relevant date means the Rate Set Date or the Rate Reset Date (as applicable).</p>
Tax Event	has the meaning given in Section 5.3 of this LDD (Repayment of the Notes).
Term	the term of the Notes, being 10 years ending on the Maturity Date (11 December 2030).
Tier 1 Capital	is described in Section 9.2 of this LDD (Kiwibank's regulatory capital requirements).
Tier 2 Capital	is described in Section 9.2 of this LDD (Kiwibank's regulatory capital requirements).
Transition Date	has the meaning given in Section 5.4 of this LDD (Write-off following a Non-Viability Trigger Event).

