

**Kiwi Capital
Funding Limited**

Investment Statement

for an offer of Perpetual Capital Notes
of up to \$150 million

17 April 2015

**Kiwi
bank.**

**It's
Ours.**

**This investment is riskier than a bank deposit.
The securities are not call deposits or term deposits
with Kiwi Capital Funding Limited or Kiwibank Limited
and may not be suitable for many investors.**

JOINT ARRANGERS AND JOINT LEAD MANAGERS

JOINT LEAD MANAGERS

DeutscheCRAIGS

**Kiwi
bank.**

 **FORSYTH BARR**

 **MACQUARIE**

Important information

(The information in this section is required under the Securities Act 1978.)

Investment decisions are very important. They often have long term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.	

The Financial Markets Authority regulates conduct in financial markets

The Financial Markets Authority regulates conduct in New Zealand's financial markets. The Financial Markets Authority's main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets.

For more information about investing, go to <http://www.fma.govt.nz>.

Financial advisers can help you make investment decisions

Using a financial adviser cannot prevent you from losing money, but it should be able to help you make better investment decisions.

Financial advisers are regulated by the Financial Markets Authority to varying levels, depending on the type of adviser and the nature of the services they provide. Some financial advisers are only allowed to provide advice on a limited range of products.

When seeking or receiving financial advice, you should check –

- the type of adviser you are dealing with:
- the services the adviser can provide you with:
- the products the adviser can advise you on.

A financial adviser who provides you with personalised financial adviser services may be required to give you a disclosure statement covering these and other matters. You should ask your adviser about how he or she is paid and any conflicts of interest he or she may have.

Financial advisers must have a complaints process in place and they, or the financial services provider they work for, must belong to a dispute resolution scheme if they provide services to retail clients. So if there is a dispute over an investment, you can ask someone independent to resolve it.

Most financial advisers, or the financial services provider they work for, must also be registered on the financial service providers register. You can search for information about registered financial service providers at <http://www.fspr.govt.nz>.

You can also complain to the Financial Markets Authority if you have concerns about the behaviour of a financial adviser.

Warning Statement¹

This is an offer by Kiwi Capital Funding Limited (“**KCFL**”) for you to invest in Perpetual Capital Notes. An investment by you in Perpetual Capital Notes is riskier than a bank deposit. Perpetual Capital Notes are complex instruments and might not be suitable for many investors.

Perpetual Capital Notes carry similar risks to an investment in perpetual convertible subordinated bonds issued by Kiwibank Limited (“**Kiwibank**”). This is because KCFL invests 100% of the proceeds of Perpetual Capital Notes in perpetual convertible subordinated bonds issued by Kiwibank (“**Kiwibank Perpetual Bonds**”), and KCFL's ability to make payments on your Perpetual Capital Notes is entirely dependent on KCFL receiving payments from Kiwibank on that investment. Although the returns on your Perpetual Capital Notes are derived from the returns KCFL receives on its investment in Kiwibank Perpetual Bonds, at no time will you yourself hold any Kiwibank Perpetual Bonds (only KCFL does).

The risks associated with your Perpetual Capital Notes could result in the loss of your investment and associated income.

Perpetual Capital Notes are not guaranteed by Kiwibank, the Government, or any other person.

If Kiwibank experiences severe financial difficulties, the Kiwibank Perpetual Bonds held by KCFL may be converted into ordinary shares in Kiwibank or written off. If the Kiwibank

¹ This warning statement and the warning statement on the cover of this Investment Statement are based on the form of FMA warning statements that banks relying on the Securities Act (Banks' Regulatory Capital) Exemption Notice 2014 must include in their investment statements. Although KCFL is not relying on that exemption notice it has agreed to include similar warning statements in this Investment Statement.

Perpetual Bonds held by KCFL are converted into ordinary shares in Kiwibank, the returns on your Perpetual Capital Notes will be derived from the returns KCFL receives on those ordinary shares. These returns will not be paid on scheduled dates or in fixed amounts, and may not be paid at all.

The value of your Perpetual Capital Notes is likely to fall if the Kiwibank Perpetual Bonds held by KCFL are converted. If the Kiwibank Perpetual Bonds held by KCFL are written off you will lose all of your investment in Perpetual Capital Notes.

All shares in Kiwibank that are issued on conversion of the Kiwibank Perpetual Bonds held by KCFL will be held by KCFL, and not you. An investment in Perpetual Capital Notes will not result in you becoming a shareholder in Kiwibank or KCFL in any circumstances.

Neither you, nor KCFL as the holder of the Kiwibank Perpetual Bonds, will have any choice as to whether a conversion or write-off of the Kiwibank Perpetual Bonds occurs, and you may not have a chance to sell your Perpetual Capital Notes before the conversion or write-off of the Kiwibank Perpetual Bonds held by KCFL.

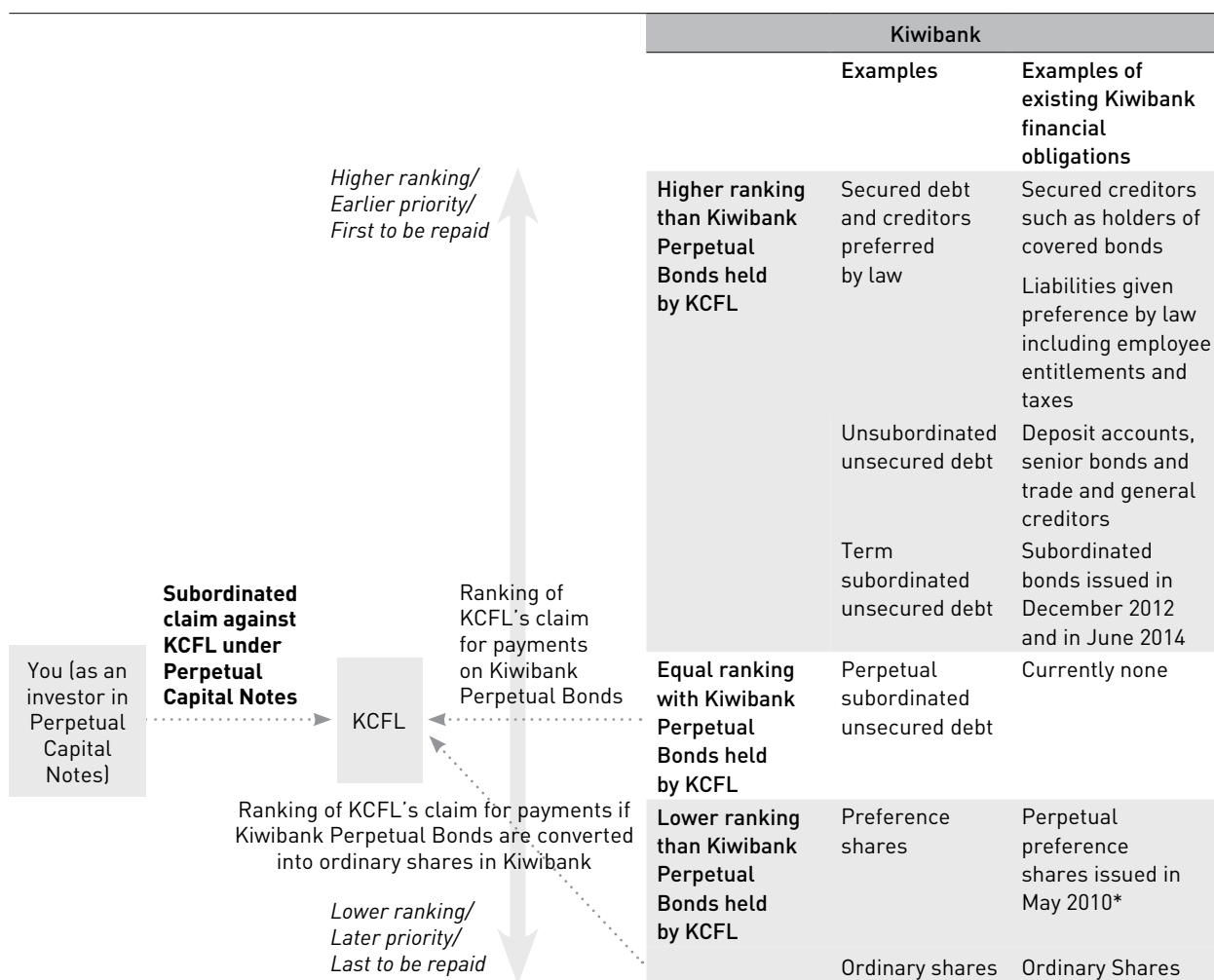
The Perpetual Capital Notes are perpetual subordinated obligations of KCFL. This means that your claim in a liquidation of KCFL will rank after the claims of KCFL's term

subordinated creditors, general unsecured creditors and any other higher ranking claims. KCFL has existing term subordinated creditors, being investors in the capital notes it issued in June 2014. KCFL is not expected to have any secured creditors and is not expecting to have any material obligations to unsecured, unsubordinated creditors. See Section 5.6.11 for more detail.

The ranking of the Kiwibank Perpetual Bonds held by KCFL is most relevant for investors because KCFL relies on payments made on those bonds to make payments to investors. The Kiwibank Perpetual Bonds held by KCFL are perpetual subordinated obligations of Kiwibank. This means KCFL's claim in a liquidation of Kiwibank will rank after the claims of Kiwibank's term subordinated creditors, general unsecured creditors (including depositors) and any other higher ranking claims.

The table below illustrates how the liquidation of Kiwibank would affect payments to you by KCFL on your Perpetual Capital Notes.

We recommend that you consult an independent financial adviser before deciding whether or not to invest and that you make certain that you are comfortable that this investment is suitable for your needs. Further information about key risks of this investment can be found in Section 5.6.



* These preference shares will be redeemed prior to the Kiwibank Perpetual Bonds being issued.

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1. Key information

This is an investment statement for the purposes of the Securities Act 1978.

Some capitalised words and expressions used in this Investment Statement have defined meanings. The Glossary in Section 9 defines these words and expressions.

What are Perpetual Capital Notes?	Perpetual Capital Notes are perpetual, non-cumulative, unsecured, subordinated, loss absorbing debt securities issued by KCFL.	
About KCFL, Kiwibank and KGHL	<p>Both KCFL and Kiwibank are wholly owned subsidiaries of Kiwi Group Holdings Limited ("KGHL"). KGHL itself is a wholly owned subsidiary of New Zealand Post Limited ("New Zealand Post"). KCFL has been established solely for the purpose of issuing debt securities (such as your Perpetual Capital Notes) and using the proceeds to subscribe for regulatory capital instruments issued by Kiwibank (such as the Kiwibank Perpetual Bonds to be held by KCFL).</p> <p>Kiwibank is a registered bank under the RBNZ Act. Kiwibank offers a range of personal and business transactional banking, savings account, term deposit, home loan, credit card and business loan products. More information on Kiwibank is contained in this Investment Statement and the Prospectus and also is available at www.kiwibank.co.nz/about-us/investor-centre/.</p> <p>KGHL is a non-operating holding company. KGHL owns (through its subsidiaries) 4 operating businesses: banking provided by Kiwibank; insurance provided by Kiwi Insurance Limited; wealth provided by Kiwi Wealth Management Limited; and the distribution of home loans by The New Zealand Home Loan Company Limited.</p>	See Sections 6, 7 and 8
Use of funds	<p>KCFL will use the proceeds of the Perpetual Capital Notes to invest in Kiwibank Perpetual Bonds. Kiwibank will use the proceeds of the Kiwibank Perpetual Bonds issued to KCFL to help meet its regulatory capital requirements. The Kiwibank Perpetual Bonds held by KCFL are expected to count as Additional Tier 1 Capital for Kiwibank under the RBNZ's prudential standards.</p> <p>You can find more information on these capital requirements and Kiwibank's capital position in Section 7. Section 7 also explains how Kiwibank's capital position is enhanced by New Zealand Post's uncalled capital facility with the Crown.</p>	See Sections 7 and 8
Relationship between your Perpetual Capital Notes and the Kiwibank Perpetual Bonds held by KCFL	<p>It is important that you understand the difference between your Perpetual Capital Notes and the Kiwibank Perpetual Bonds held by KCFL. You invest in Perpetual Capital Notes. KCFL uses the proceeds it receives from the Perpetual Capital Notes to invest in the Kiwibank Perpetual Bonds. KCFL's ability to make payments to you on your Perpetual Capital Notes is entirely dependent on KCFL receiving payments from Kiwibank on KCFL's investment in the Kiwibank Perpetual Bonds. You do not and will not hold any Kiwibank Perpetual Bonds (only KCFL does).</p> <p>The Kiwibank Perpetual Bonds held by KCFL may be required to convert into Ordinary Shares in Kiwibank if a Trigger Event occurs (this is described below). If this happens, you will not hold any shares in Kiwibank or have any rights (such as voting rights) in relation to those shares (again, KCFL alone will hold the Ordinary Shares that are issued on conversion).</p> <p>Your Perpetual Capital Notes are not convertible in any circumstances, but the returns on them will change if the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares.</p>	See Sections 5.1 and 5.5

<p>Trigger Events</p>	<p>There are two Trigger Events that can apply to the Kiwibank Perpetual Bonds:</p> <ul style="list-style-type: none"> ■ a Common Equity Capital Trigger Event; and ■ a Non-Viability Trigger Event. <p>A Common Equity Capital Trigger Event will occur if the amount of common equity capital held by the Kiwibank Group is less than 5.125% of its risk-weighted assets. Information about the capital requirements specified by the RBNZ and Kiwibank's capital position is contained in Section 7.</p> <p>A Non-Viability Trigger Event will occur if the RBNZ directs Kiwibank to convert Kiwibank Perpetual Bonds held by KCFL into Ordinary Shares or write off Kiwibank Perpetual Bonds or if a statutory manager is appointed to Kiwibank and decides Kiwibank must convert Kiwibank Perpetual Bonds held by KCFL into Ordinary Shares or write off Kiwibank Perpetual Bonds. The RBNZ direction can only be given, or a statutory manager can only be appointed, in limited circumstances where Kiwibank encounters severe financial difficulty.</p>	<p>See Sections 5.1, 5.5 and 7</p>
<p>How returns are paid on your Perpetual Capital Notes</p>	<p>The returns on your Perpetual Capital Notes will change if a Trigger Event occurs.</p> <p><i>No Trigger Event occurs</i></p> <p>Your Perpetual Capital Notes have terms (such as being perpetual, the interest rate and interest payment dates) that match the terms of the Kiwibank Perpetual Bonds held by KCFL.</p> <div data-bbox="416 1016 1294 1223" data-label="Diagram"> <pre> graph LR Kiwibank -- "Kiwibank Perpetual Bonds" --> KCFL KCFL -- "Perpetual Capital Notes" --> You </pre> <ul style="list-style-type: none"> ■ quarterly fixed interest payments ■ quarterly fixed interest payments </div> <p>There may also be a return of principal as described below under the headings "Repayment of the Principal Amount" and "Scheduled Call".</p> <p><i>Trigger Event occurs</i></p> <p>If a Trigger Event occurs and the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares, interest will only be paid to you on your Perpetual Capital Notes if KCFL receives a dividend payment from Kiwibank on the Ordinary Shares it will then hold. You should be aware that the payment of dividends is at the discretion of the board of Kiwibank and so there is no certainty that dividends will be paid in the future, particularly following a Trigger Event.</p> <div data-bbox="416 1554 1294 1816" data-label="Diagram"> <pre> graph LR Kiwibank -- "Ordinary Shares" --> KCFL KCFL -- "Perpetual Capital Notes" --> You Kiwibank -- "Dividend Payments" --> KCFL </pre> <ul style="list-style-type: none"> ■ interest payments are based on dividends received by KCFL (no scheduled dates) ■ dividend payments if paid (no scheduled dates) </div> <p>If the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares, your Perpetual Capital Notes will only be repaid if there is a sale of, or capital reduction involving, the Ordinary Shares issued to KCFL on conversion of those Kiwibank Perpetual Bonds. See Section 5.5.8, "Repayment of the Loss Absorbing Amount" for more detail.</p> <p>Amounts received by KCFL from Kiwibank on the Kiwibank Perpetual Bonds (or the Ordinary Shares into which they convert) prior to KCFL's liquidation will be held on trust for you and other Holders of the Perpetual Capital Notes.</p>	<p>See Sections 5.1 and 5.5</p> <p>See Section 5.1.2</p>

If it is not possible for Kiwibank Perpetual Bonds held by KCFL to convert into Ordinary Shares when required, then those Kiwibank Perpetual Bonds will be written off. If the Kiwibank Perpetual Bonds held by KCFL are written off in part or in whole, you will lose a corresponding amount of your investment in Perpetual Capital Notes.

The Scheduled Call (described below) will not apply if any of the Kiwibank Perpetual Bonds are converted into Ordinary Shares or written off.

Key terms of your Perpetual Capital Notes		
No maturity	Your Perpetual Capital Notes are perpetual. This means that your Perpetual Capital Notes have no fixed maturity date and will remain on issue indefinitely unless repaid by KCFL, purchased by KGHL under the Scheduled Call or written off.	See Sections 5.5.7 and 5.5.8
Repayment of the Principal Amount	Some or all of your Perpetual Capital Notes may be repaid on a Reset Date (Reset Dates occur at 5-yearly intervals, commencing on 27 May 2020) or if a Tax Event or Regulatory Event occurs, but only if specified conditions are satisfied (including obtaining RBNZ consent). You do not have a right to request your Perpetual Capital Notes be repaid for any reason.	See Sections 5.5.7 and 5.5.8
Scheduled Call	All of your Perpetual Capital Notes will be purchased by KGHL on the Scheduled Call Date, if they are outstanding at that time. The Scheduled Call Date is the earlier of the First Call Date (27 May 2022) and the first Interest Payment Date thereafter on which the Scheduled Call Conditions are met. Your Perpetual Capital Notes will not be purchased by KGHL under the Scheduled Call unless the Scheduled Call Conditions are met. There is no certainty that the Scheduled Call Conditions will be met on the First Call Date, or on any other date. The Scheduled Call will cease to apply if any of the Kiwibank Perpetual Bonds are converted into Ordinary Shares or written off.	See Section 5.5.9
Interest payments	Interest on your Perpetual Capital Notes is scheduled to be paid quarterly in arrear on each Interest Payment Date. KCFL's obligation to pay interest on your Perpetual Capital Notes is subject to the condition that KCFL receives a corresponding payment of interest from Kiwibank on its investment in the Kiwibank Perpetual Bonds. Interest payments on the Kiwibank Perpetual Bonds are subject to Kiwibank's absolute discretion and the following payment conditions: <ul style="list-style-type: none"> ■ Kiwibank and the Kiwibank Group being Solvent immediately after making the payment; and ■ Kiwibank being in compliance with the RBNZ's then current capital adequacy requirements in its conditions of registration immediately after making the payment (these requirements restrict distributions by Kiwibank in certain circumstances). KCFL's obligation to pay interest on your Perpetual Capital Notes changes or will terminate if the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares or written off - see "What happens if the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares or written off?".	See Sections 5.5.5, 5.5.6 and 8
Non-cumulative	Interest payments are non-cumulative. This means that, if interest is not paid on your Perpetual Capital Notes on an Interest Payment Date because a corresponding payment of interest has not been made on the Kiwibank Perpetual Bonds, that interest will never be paid by KCFL to you and you have no right to receive it at all.	See Section 5.5.6
Restrictions on Kiwibank if interest is not paid	Kiwibank will be restricted in its ability to pay dividends on its Ordinary Shares, to undertake a capital reduction, and to make payments on capital instruments that rank equally with or junior to the Kiwibank Perpetual Bonds if interest is not paid on the Kiwibank Perpetual Bonds by Kiwibank on a scheduled interest payment date.	See Section 5.5.6

<p>Interest Rate</p>	<p>The Interest Rate is a fixed rate that is reset at 5-yearly intervals:</p> <ul style="list-style-type: none"> ■ The Interest Rate for the period from the Issue Date to the first Reset Date (27 May 2020) will be set on the Rate Set Date and announced by KCFL via NZX and at www.kiwibank.co.nz/about-us/investor-centre/ on or before the Opening Date. ■ The Interest Rate will be reset on the first Reset Date and at 5-yearly intervals thereafter (on each subsequent Reset Date) to be equal to the 5 Year Swap Rate as at the Reset Date plus the Margin. <p>How interest on your Perpetual Capital Notes is determined changes if the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares - see "What happens if the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares or written off?".</p>	<p>See Section 5.5.6</p>
<p>Determination of the Margin and the 5 Year Swap Rate</p>	<p>The Margin will be determined by KCFL and the Joint Lead Managers on the Rate Set Date, and announced via NZX and at www.kiwibank.co.nz/about-us/investor-centre/ on or before the Opening Date. The 5 Year Swap Rate to apply from a Reset Date will be determined by KCFL and announced via NZX on that date. The Margin will not change during the term of your Perpetual Capital Notes.</p>	<p>See Section 5.5.6</p>
<p>What happens if the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares or written off?</p>	<p>The returns on your Perpetual Capital Notes are derived from the returns KCFL receives on its investment in Kiwibank Perpetual Bonds. This means that if all of the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares, the returns on your Perpetual Capital Notes will change. In particular:</p> <ul style="list-style-type: none"> ■ interest will no longer be payable on scheduled dates and at a fixed rate. Interest on your Perpetual Capital Notes will only be paid if and to the extent KCFL receives a dividend payment from Kiwibank on the Ordinary Shares issued to KCFL on conversion of the Kiwibank Perpetual Bonds held by KCFL. The payment of dividends is at the discretion of the board of Kiwibank and so there is no certainty that dividends will be paid in the future, particularly following a Trigger Event; and ■ your Perpetual Capital Notes will only be repaid if and to the extent that KCFL receives the proceeds of a sale of, or capital reduction involving, the Ordinary Shares issued to KCFL on a conversion of the Kiwibank Perpetual Bonds held by KCFL. <p>If Kiwibank is required to convert Kiwibank Perpetual Bonds held by KCFL into Ordinary Shares but conversion is not possible, the Kiwibank Perpetual Bonds held by KCFL that were required to convert will be written off instead. If the Kiwibank Perpetual Bonds held by KCFL are written off in part or in whole, you will lose a corresponding amount of your investment in Perpetual Capital Notes.</p> <p><i>Partial conversion or write off of the Kiwibank Perpetual Bonds held by KCFL</i></p> <p>It is possible that, if a Trigger Event occurs, some but not all of the Kiwibank Perpetual Bonds held by KCFL will be converted into Ordinary Shares or written off. In that case, the number of Perpetual Capital Notes you hold will remain the same, but the returns on a part only of each of your Perpetual Capital Notes (equal to the proportion of the Kiwibank Perpetual Bonds held by KCFL that are converted into Ordinary Shares or written off) will change or be written off to reflect the partial conversion or write off of the Kiwibank Perpetual Bonds held by KCFL.</p> <p>The Scheduled Call (described above) will not apply if any of the Kiwibank Perpetual Bonds are converted into Ordinary Shares or written off.</p>	<p>See Section 5.5.3, "Interest Payments on the Loss Absorbing Amount" in Section 5.5.6 and Sections 5.5.8 and 8</p>
<p>No guarantee or security of your Perpetual Capital Notes</p>	<p>Your Perpetual Capital Notes are not guaranteed by Kiwibank, the Government or any other person. Your Perpetual Capital Notes are unsecured.</p>	<p>See Section 5.6.5, "No guarantee"</p>
<p>Credit rating of your Perpetual Capital Notes</p>	<p>At the date of this Investment Statement, KCFL has obtained a rating of BB- from Standard & Poor's for your Perpetual Capital Notes. This is lower than Kiwibank's issuer credit rating for long term senior unsecured obligations of A+ (negative outlook) because the returns on your Perpetual Capital Notes are derived from the performance of the Kiwibank Perpetual Bonds held by KCFL, and those Kiwibank Perpetual Bonds are subordinated obligations of Kiwibank which have discretionary interest payments and may be converted into Ordinary Shares or written off if a Trigger Event occurs.</p>	<p>See Section 5.1.5</p>

<p>Risks that KCFL doesn't meet its commitments</p>	<p>A description of the key risks that may affect your returns and repayment of your investment in Perpetual Capital Notes is set out in Section 5.6 under the heading "What are my risks?" You should read that section in full before deciding to invest in Perpetual Capital Notes. Those risks include:</p> <ul style="list-style-type: none"> ■ KCFL's ability to make payments on your Perpetual Capital Notes is entirely dependent on KCFL receiving payments from Kiwibank on the Kiwibank Perpetual Bonds it holds. Accordingly, if KCFL does not receive a corresponding payment from Kiwibank, KCFL will not be able to make payments to you on your Perpetual Capital Notes. If interest is not paid to you on an Interest Payment Date because KCFL has not received a corresponding payment from Kiwibank, that interest will not be paid to you on a later date and you have no right to receive it. ■ If a Trigger Event occurs: <ul style="list-style-type: none"> – all or some of the Kiwibank Perpetual Bonds held by KCFL may be either: <ul style="list-style-type: none"> – converted into Ordinary Shares, which will affect the returns on your Perpetual Capital Notes, including that there will be no scheduled interest payments; or – written off, in which case your investment in Perpetual Capital Notes will lose all of its value, you will not have your capital repaid and you will not receive any compensation; and – the Scheduled Call will not apply. ■ Risks associated with Kiwibank's business may affect Kiwibank's ability to make payments on the Kiwibank Perpetual Bonds held by KCFL, the likelihood of a Trigger Event occurring, and the ability of KGHL to satisfy the Scheduled Call Conditions, any of which may affect the value of your Perpetual Capital Notes and the likelihood of you receiving the returns on your Perpetual Capital Notes on the scheduled dates. ■ The Scheduled Call is subject to the Scheduled Call Conditions and there is no certainty that they will be satisfied on the First Call Date (27 May 2022) or on any other date. ■ Risks that reflect the features of your Perpetual Capital Notes. For example, each of your Perpetual Capital Notes and the Kiwibank Perpetual Bonds held by KCFL are subordinated debt obligations of the relevant issuer and are not guaranteed by any person. The Perpetual Capital Notes are perpetual instruments and you have no right to be repaid. But nor can you prevent KCFL from repaying your Perpetual Capital Notes if the Kiwibank Perpetual Bonds held by KCFL are repaid by Kiwibank. In addition, the Interest Rate is a fixed interest rate that is reset at 5-yearly intervals (although the Margin will not change). ■ Market-related risks, such as the risk that the market for your Perpetual Capital Notes is not liquid or the risk that the market price of your Perpetual Capital Notes fluctuates, both of which mean you may be unable to sell your Perpetual Capital Notes at an acceptable price, or at all. 	<p>See Section 5.6</p>
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2. The Offer

Issue amount	Up to \$150 million.
Issue price	\$1 per Perpetual Capital Note.
Minimum application	\$5,000, and in multiples of \$1,000 thereafter.
Scaling	The Joint Lead Managers, in consultation with KCFL, reserve the right to scale applications at their discretion.
Offer process	All Perpetual Capital Notes are reserved for subscription by clients of the Joint Lead Managers, Primary Market Participants (as defined in the NZX's "Participant Rules") and other persons invited to participate in the distribution of Perpetual Capital Notes. There is no public pool.
How to apply	Instructions on how to make an application for Perpetual Capital Notes are contained under the heading "How much do I pay?" in Section 5.3 and the Application Instructions in Section 11.
Early bird interest	KCFL will pay interest on application moneys for applications that are accepted at 4.50% per annum (less any applicable withholding taxes). This interest will be paid within 5 Business Days of the Issue Date, and will be calculated for the period from the date on which those application moneys are banked until (but excluding) the Issue Date.
Brokerage	You are not required to pay brokerage to KCFL for Perpetual Capital Notes under this Offer.
No underwriting	The Offer is not underwritten.
NZX Debt Market quotation and trading your Perpetual Capital Notes	<p>Application has been made to NZX for permission to quote Perpetual Capital Notes on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the date of this Investment Statement have been duly complied with. However, Perpetual Capital Notes have not yet been approved for quotation and NZX accepts no responsibility for any statement in this Investment Statement. NZX is a licensed market operator and the NZX Debt Market is a licensed market under the Financial Markets Conduct Act 2013.</p> <p>NZX has approved, under Listing Rule 11.1.5, the inclusion of provisions in the Trust Deed allowing KCFL to refuse a transfer of Perpetual Capital Notes if the transfer is not in multiples of 1,000 Perpetual Capital Notes or would result in the transferee or transferor holding less than the Minimum Holding of Perpetual Capital Notes (5,000 Perpetual Capital Notes).</p> <p>Information on how to trade your Perpetual Capital Notes is contained in Section 5.8.</p>
NZX Debt Market ticker code	NZX Debt Market ticker code KCFHA has been reserved for the Perpetual Capital Notes.
Offer in New Zealand only	<p>This Investment Statement does not constitute an offer of Perpetual Capital Notes in any jurisdiction other than New Zealand. No action has been or will be taken by KCFL or Kiwibank which would permit a public offering of Perpetual Capital 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). Perpetual Capital 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 information memorandum, prospectus, circular, advertisement or other offering material in respect of any Perpetual Capital 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.</p> <p>Under the Trust Deed you indemnify KCFL in respect of any loss incurred as a result of you breaching the above selling restrictions.</p>

3. Important dates

Rate Set Date:	1 May 2015
Opening Date:	4 May 2015
Closing Time:	5.00pm on 22 May 2015
Issue Date:	27 May 2015
Expected date of quotation on the NZX Debt Market:	28 May 2015
Expected date of commencement of trading on the NZX Debt Market:	28 May 2015
First Interest Payment Date:	27 August 2015
Subsequent Interest Payment Dates:	each 27 February, 27 May, 27 August and 27 November*
Reset Dates:	27 May 2020 and every 5 years thereafter
First Call Date:	27 May 2022**

KCFL may vary the timetable, including by extending the Closing Time or withdrawing the Offer at any time before Perpetual Capital Notes are issued. If the Closing Time is extended, the Issue Date and all subsequent dates will also be adjusted accordingly.

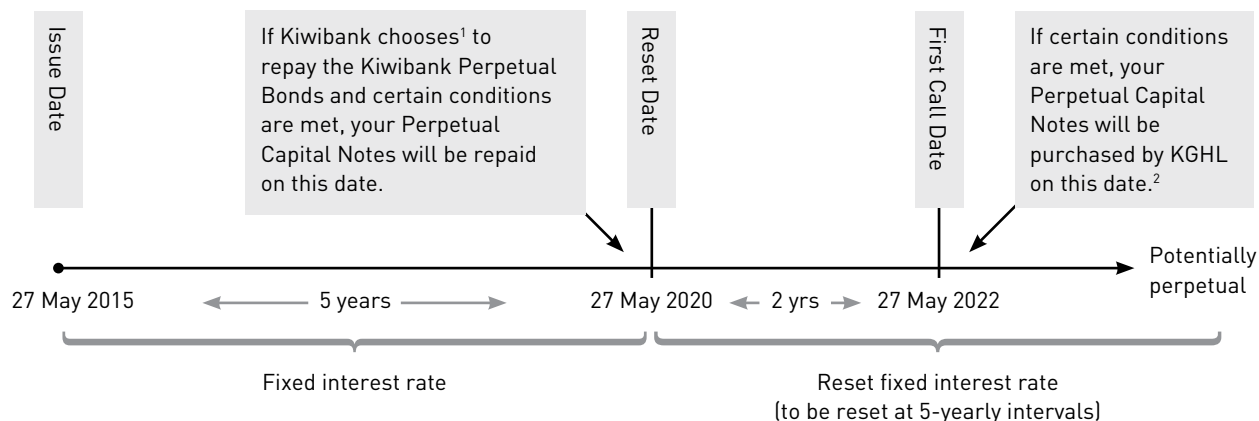
If the Offer is withdrawn before the issue of Perpetual Capital Notes, all application payments received by KCFL from you will be refunded (without interest) to you as soon as possible after the withdrawal and, in any event, within five Business Days of the withdrawal.

In addition, as described in more detail in this Investment Statement, if a Trigger Event occurs you may not receive payments on your Perpetual Capital Notes, including payments of interest, on the scheduled dates set out above, or at all.

* If the Perpetual Capital Notes are repaid (see Section 5.5.7), the day on which they are repaid will also be an Interest Payment Date.

** If the Scheduled Call Conditions are not satisfied on this date, the Scheduled Call Date will not be the First Call Date and will be deferred to the first Interest Payment Date after that date on which the Scheduled Call Conditions are satisfied.

Issue timeline



1 Kiwibank cannot choose to repay the Kiwibank Perpetual Bonds unless it has first obtained the consent of the RBNZ. If the Kiwibank Perpetual Bonds are not repaid on this Reset Date, Kiwibank can choose to repay the Kiwibank Perpetual Bonds on a subsequent Reset Date (again, subject to first obtaining the consent of the RBNZ, and with repayment being subject to conditions being met).

2 If the Scheduled Call Conditions are not satisfied on that date, the Scheduled Call will be deferred until the first Interest Payment Date on which they are satisfied. The Scheduled Call Conditions may never be satisfied and the Scheduled Call may never occur. The Scheduled Call will cease to apply if any of the Kiwibank Perpetual Bonds are converted into Ordinary Shares or written off.

4. Letter to investors

Dear Investor,

The Board and Management of Kiwibank are pleased to offer you an opportunity to subscribe for Perpetual Capital Notes to be issued by Kiwi Capital Funding Limited (KCFL). The Perpetual Capital Notes are being issued by KCFL, a member of the New Zealand Post Group (that includes Kiwibank) that has been specifically established to raise capital on behalf of Kiwibank.

The proceeds of the Offer will be used by KCFL to invest in bonds to be issued by Kiwibank. These “Kiwibank Perpetual Bonds” will provide Kiwibank with Additional Tier 1 Capital, replacing a \$150 million perpetual instrument which will be called on 4 May 2015. This is the third offer of capital instruments for Kiwibank that has been undertaken in recent years. At its completion Kiwibank will have a fully Basel III compliant capital structure providing it with the external capital it requires to support the meeting of its business objectives over the coming years.

Kiwibank’s vision is to be a bank which meets the needs of Kiwis and Kiwi businesses. 100% New Zealand owned and operated, Kiwibank was established in 2002 as a bank with a value based offering to challenge the New Zealand banking sector. Kiwibank has secured a sizeable portion of the market and now has a customer base of more than 800,000 spread across retail, business, wealth and insurance segments. In addition, Kiwibank is now regarded by the Reserve Bank as a systemically important bank, recognising that Kiwibank is becoming an ever more important financial player in the New Zealand economy.

Kiwibank’s position is underpinned by strong brand awareness. Its current strategy is focused on diversifying revenue streams, strengthening its capital position and further improving profitability.

Kiwibank’s unaudited financial performance in the six months to 31 December 2014 showed a record net profit of \$71 million after tax, an increase of 36% over the same period to 31 December 2013. The strong improvement in Kiwibank’s financial performance means Kiwibank now expects to be self-sufficient in meeting its capital needs, and so has commenced paying distributions to its shareholder.

The Perpetual Capital Notes are perpetual, non-cumulative, unsecured, subordinated obligations of KCFL and all payments KCFL makes on the Perpetual Capital Notes are dependent on KCFL receiving payments from Kiwibank on KCFL’s investment in Kiwibank Perpetual Bonds. The Perpetual Capital Notes are expected to pay fixed quarterly interest payments. However, if Kiwibank experiences severe financial difficulty, this may lead to an adverse change in the returns on the Perpetual Capital Notes. If the Kiwibank Perpetual Bonds are converted into ordinary shares in Kiwibank, future interest payments on the Perpetual Capital Notes will only be made if and when KCFL receives a dividend from Kiwibank. If the Kiwibank Perpetual Bonds are written off, you will lose your investment. The Perpetual Capital Notes are not guaranteed by any entity in the New Zealand Post Group, including Kiwibank, or the Government.

Kiwibank has a credit rating of A+ (negative outlook) from Standard & Poor’s. The Perpetual Capital Notes have been assigned a lower rating of BB- by Standard & Poor’s because they are subordinated, have discretionary interest payments, and include specific loss absorption features. Reflecting these increased investment risks, the Perpetual Capital Notes will have a noticeably higher return than is available from investing in Kiwibank term deposits.

If after reading this Investment Statement you wish to invest in the Perpetual Capital Notes we welcome your participation in this Offer. As with any investment, Kiwibank recommends that you consult an independent financial adviser before you decide whether or not to invest.

Yours sincerely



Robert Morrison
Chairman
Kiwibank Limited



Paul Brock
Chief Executive
Kiwibank Limited

5. Answers to important questions

Section 5 provides answers to the questions that are prescribed by the Securities Regulations 2009 and are designed to help you make your investment decisions.

5.1 What sort of investment is this?

5.1.1 Overview

The Offer is for the issue of Perpetual Capital Notes to raise up to \$150 million.

Perpetual Capital Notes are perpetual, non-cumulative, unsecured, subordinated, loss absorbing debt securities issued by KCFL. KCFL will use 100% of the proceeds of the Offer to subscribe for Kiwibank Perpetual Bonds issued by Kiwibank that count as Additional Tier 1 Capital for Kiwibank. Perpetual Capital Notes have terms (such as being perpetual, the interest rate and interest payment dates) that match the terms of the Kiwibank Perpetual Bonds held by KCFL, unless the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares.

Your Perpetual Capital Notes are expected to pay fixed interest quarterly in arrear. Your Perpetual Capital Notes may be repaid if certain conditions are satisfied, including Kiwibank choosing to repay the Kiwibank Perpetual Bonds held by KCFL, and the RBNZ providing its consent to the repayment. There is no certainty that any of these conditions will be satisfied.

All of your Perpetual Capital Notes will be purchased by KGHL on the Scheduled Call Date, if your Perpetual Capital Notes are outstanding at that time. The Scheduled Call Date will be the earlier of the First Call Date (27 May 2022) and the first Interest Payment Date thereafter on which the Scheduled Call Conditions are satisfied. **Your Perpetual Capital Notes will not be purchased by KGHL under the Scheduled Call unless the Scheduled Call Conditions are met.** There is no certainty that any of the Scheduled Call Conditions will be satisfied.

In the unlikely event that a Trigger Event occurs and the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares, the returns paid to you on your Perpetual Capital Notes will be derived from the returns KCFL receives on the Ordinary Shares it will then hold. **The Scheduled Call will not apply if any of the Kiwibank Perpetual Bonds are converted into Ordinary Shares or written off.**

5.1.2 Loss Absorbency

To qualify as Additional Tier 1 Capital for Kiwibank, the Kiwibank Perpetual Bonds held by KCFL are required to absorb losses if Kiwibank does not hold enough common equity tier 1 capital or suffers severe financial difficulty. The Kiwibank Perpetual Bonds held by KCFL meet this requirement. If a Trigger Event occurs, the Kiwibank Perpetual Bonds held by KCFL must be converted into Ordinary Shares. However, if conversion is not possible, the Kiwibank Perpetual Bonds held by KCFL will be written off. The Kiwibank Perpetual Bonds held by KCFL will not be converted or written off in any other circumstances.

There are two Trigger Events: a Common Equity Capital Trigger Event and a Non-Viability Trigger Event.

Common Equity Capital Trigger Event

A Common Equity Capital Trigger Event occurs if Kiwibank determines, or the RBNZ has notified Kiwibank in writing that it believes, that the Common Equity Tier 1 Capital Ratio of the Kiwibank Group is less than 5.125%. The Common Equity Tier 1 Capital Ratio is the ratio of common equity tier 1 capital to risk-weighted assets. More information about the Common Equity Tier 1 Capital Ratio is contained in Section 7.

Non-Viability Trigger Event

The RBNZ Act gives the RBNZ 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. A Non-Viability Trigger Event will occur if, as a result of severe financial difficulty encountered by Kiwibank:

- (a) the RBNZ directs Kiwibank to convert or write off Kiwibank Perpetual Bonds held by KCFL; or
- (b) following the RBNZ's recommendation, a statutory manager is appointed in respect of Kiwibank and the statutory manager decides that Kiwibank must convert or write off Kiwibank Perpetual Bonds held by KCFL.

More information about what constitutes a Non-Viability Trigger Event, including the circumstances in which the RBNZ may exercise the powers described above, is set out in Section 8.

Effect of loss absorbency on your Perpetual Capital Notes

The returns on your Perpetual Capital Notes will change if the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares. If all of the Kiwibank Perpetual Bonds held by KCFL are written off, your Perpetual Capital Notes will be automatically and irrevocably written off, meaning you will lose your investment. This is explained in Section 5.5, headed "What returns will I get?"

5.1.3 No claims against Kiwibank and no rights as shareholders

KCFL's ability to make payment on your Perpetual Capital Notes is entirely dependent on KCFL receiving payments from Kiwibank on the Kiwibank Perpetual Bonds it holds or, if a conversion has occurred, the Ordinary Shares that are issued to KCFL. However you:

- have only limited rights to make a claim on KCFL in respect of your Perpetual Capital Notes (your rights to make a claim on KCFL are described under the heading "Limited enforcement rights of Holders of Perpetual Capital Notes" in Section 5.6.12);
- do not have any claim on Kiwibank, and your Perpetual Capital Notes are not guaranteed by Kiwibank or any other person; and
- will not become a shareholder in Kiwibank and do not have any rights of a shareholder in Kiwibank.

5.1.4 Comparison of Perpetual Capital Notes to other instruments issued by Kiwibank and related companies

Your Perpetual Capital Notes are different from other instruments issued by Kiwibank or its related companies. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding to apply for Perpetual Capital Notes.

	Term deposits	Perpetual Preference Shares ("PPS") issued in May 2010	Capital Notes issued in June 2014 ("2014 Capital Notes")	Perpetual Capital Notes offered in this Investment Statement
Issuer	Kiwibank	Kiwi Capital Securities Limited ("KCSL")	KCFL	KCFL
Term	Varies	Perpetual, subject to repayment (see below)	10 years, subject to early repayment (see below)	Perpetual, subject to repayment (see below)*
Interest/dividend rate	Varies	Fixed (although reset at 5-yearly intervals)	Fixed (although reset if the related Kiwibank bonds held by KCFL are not repaid on 15 July 2019)	Fixed (although reset at 5-yearly intervals)*
Interest/dividend payment dates	Varies	Quarterly	Semi-annually	Quarterly*
Conditions to payment of interest/dividends	None	Yes, subject to KCSL's absolute discretion and other payment conditions	Yes, subject to KCFL receiving a corresponding payment from Kiwibank (Kiwibank must pay interest on the related Kiwibank bonds held by KCFL unless Kiwibank or the Kiwibank Group would not be Solvent immediately after making the payment)	Yes, subject to KCFL receiving a Corresponding Payment from Kiwibank (Kiwibank's obligation to pay interest is subject to its absolute discretion and other payment conditions)
Cumulative rights to unpaid interest/dividend	Cumulative	Non-cumulative	Cumulative	Non-cumulative
Transferable	No	Yes - quoted on NZX Debt Market as "KCSHA"	Yes - quoted on NZX Debt Market as "KCF010"	Yes - expected to be quoted on the NZX Debt Market as "KCFHA"
Issuer has repayment option on fixed date	No	Yes	Yes	Yes
Issuer has other repayment options	No	Yes, tax, regulatory and liquidation events	Yes, tax and regulatory events	Yes, tax and regulatory events
Scheduled call	None	None	None	Yes
Loss absorption	None	None	Yes	Yes

* You should note that the returns on your Perpetual Capital Notes will change if the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares or will terminate if the Kiwibank Perpetual Bonds held by KCFL are written off. See the "Loss absorption" and "Consequences of the loss absorption" rows of the table.

	Term deposits	Perpetual Preference Shares ("PPS") issued in May 2010	Capital Notes issued in June 2014 ("2014 Capital Notes")	Perpetual Capital Notes offered in this Investment Statement
Consequences of loss absorption	Not applicable	Not applicable	The related Kiwibank bonds held by KCFL will be converted into Ordinary Shares (in which case, the returns on the 2014 Capital Notes will change) or, if this is not possible, written off (in which case, the 2014 Capital Notes will also be written off)	The Kiwibank Perpetual Bonds held by KCFL will be converted into Ordinary Shares (in which case, the returns on your Perpetual Capital Notes will change (see Sections 5.5.6 and 5.5.8)) or, if this is not possible, written off (in which case, your Perpetual Capital Notes will also be written off (see Section 5.5.3))
Capital classification for Kiwibank	Not applicable	Tier 1	Tier 2	Additional Tier 1
Ranking	Unsubordinated unsecured	Preference shares	The 2014 Capital Notes and the related Kiwibank bonds held by KCFL are both subordinated and unsecured	The Perpetual Capital Notes and the Kiwibank Perpetual Bonds held by KCFL are both subordinated (ranking below term subordinated debt) and unsecured
Credit rating by Standard & Poor's	A+ (negative outlook)	BB+	BB+	BB-

5.1.5 Credit rating of your Perpetual Capital Notes

At the date of this Investment Statement your Perpetual Capital Notes have a credit rating of BB- from Standard & Poor's. This is lower than Kiwibank's issuer credit rating for long term senior unsecured obligations of A+ (negative outlook) because the returns on your Perpetual Capital Notes are derived from the performance of the Kiwibank Perpetual Bonds held by KCFL, which are subordinated obligations of Kiwibank having discretionary interest payments and may be converted into Ordinary Shares or written off if a Trigger Event occurs.

A credit rating in respect of an entity (an issuer rating) is an independent opinion of the capability and willingness of an entity to repay its debts - in other words, its financial strength or creditworthiness. A credit rating in respect of a security (such as your Perpetual Capital Notes) is an independent opinion of the capability and willingness of an entity to repay the debt under that security. A rating is not a guarantee that the securities being offered are a safe investment or that any or all amounts payable under that security will be repaid.

Standard & Poor's gives ratings from "AAA" through to "CC", as set out in the table below. Credit ratings of "AAA" to "BBB" are considered to be investment grade.

Credit ratings below "BBB" are regarded by Standard & Poor's as having significant speculative characteristics. "BB" indicates the least degree of speculation. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions. An obligation rated "BB" is less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

The ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus sign (-) to show relative standing within the major rating categories. Ratings may also be subject to positive, negative or stable outlooks. Although not included in the diagram, ratings of "C" and "D" can also be given if insolvency proceedings have been commenced or there are payment defaults on financial commitments.

Further information about the ratings criteria used by Standard & Poor's can be found on the Standard & Poor's website (www.standardandpoors.com).

Credit ratings are not a recommendation to buy, sell or hold Perpetual Capital Notes. Credit rating agencies may withdraw, revise or suspend credit ratings or change the methodology by which securities are rated.

Rating	AAA	AA	A	BBB	BB	B	CCC	CC
Capacity to meet financial commitments	Extremely strong	Very strong	Strong	Adequate	Less vulnerable	More vulnerable	Currently vulnerable	Currently highly vulnerable
					Perpetual Capital Notes BB-			

5.2 Who is involved in providing it for me?

Issuer of your Perpetual Capital Notes

KCFL is the issuer of your Perpetual Capital Notes. KCFL's full name is Kiwi Capital Funding Limited. As at the date of this Investment Statement, KCFL's registered office is:

Level 12
New Zealand Post House
7 Waterloo Quay
Wellington 6011

KCFL's registered office may change from time to time. KCFL's current registered office may be viewed on www.business.govt.nz/companies. As at the date of this Investment Statement, KCFL's directors are:

Paul Robert Brock
Gary Douglas Crawford

KCFL's directors may change from time to time. A list of KCFL's current directors is available on the "Directors" tab on KCFL's record on the Companies Office website, www.business.govt.nz/companies.

KCFL's activities

KCFL was incorporated as a limited liability company on 17 March 2014. KCFL was incorporated for the sole purpose of issuing debt securities and utilising the proceeds to subscribe for regulatory capital instruments issued by Kiwibank. In June 2014 KCFL issued \$100 million capital notes to the public, and used the proceeds of that issue to subscribe for \$100 million tier 2 regulatory capital instruments issued by Kiwibank.

Trustee

The New Zealand Guardian Trust Company Limited has been appointed trustee in respect of your Perpetual Capital Notes. As at the date of this Investment Statement, the Trustee's registered office is:

Level 14, 191 Queen Street
Auckland Central
Auckland 1010

The Trustee's registered office may change from time to time. The Trustee's current registered office may be viewed on www.business.govt.nz/companies.

The Trustee has been granted a licence under section 16(1) of the Securities Trustees and Statutory Supervisors Act 2011 to act as a trustee in respect of debt securities, unit trusts,

and KiwiSaver schemes, and as a statutory supervisor for participatory securities, for a term expiring 16 March 2018.

A copy of the Trustee's licence, including the conditions on the licence, can be obtained at the FMA's website: www.fma.govt.nz by clicking on "Compliance", "Supervisors", "Licensed Supervisors", "The New Zealand Guardian Trust Company Limited" or the Trustee's website: www.guardiantrust.co.nz. All conditions and reporting obligations have been duly satisfied by the required dates. If you have any queries about the licence please contact the Trustee in the first instance. More information on the Trustee is contained in the Prospectus.

Promoter

Kiwibank and each of its directors are promoters of your Perpetual Capital Notes. As at the date of this Investment Statement, Kiwibank's registered office is:

Level 12
New Zealand Post House
7 Waterloo Quay
Wellington 6011

Kiwibank's registered office may change from time to time. Kiwibank's current registered office may be viewed on www.business.govt.nz/companies. As at the date of this Investment Statement, Kiwibank's directors are:

Carol Anne Campbell
Michael John Cullen
Alison Rosemary Gerry
Robert William Bentley Morrison
Brian Joseph Roche
Catherine Maria Savage
David Stephen Willis
Lindsay Megan Wright

Kiwibank's directors may change from time to time. A director can only be appointed if the RBNZ has advised that it has no objections to the appointment. A list of Kiwibank's current directors is available on the "Directors" tab on Kiwibank's records on the Companies Office website, www.business.govt.nz/companies. The directors of Kiwibank can be contacted through Kiwibank at its registered office.

More information on Kiwibank is contained in Section 6.

Registrar

The Registrar of your Perpetual Capital Notes is Link Market Services Limited. Link Market Services Limited's address is:

Level 7, Zurich House
21 Queen Street
Auckland 1010

or
PO Box 91976
Auckland 1142

www.linkmarketservices.co.nz

KGHL

KCFL has arranged for KGHL to provide the Scheduled Call. If your Perpetual Capital Notes are purchased by KGHL on the Scheduled Call Date, KGHL will pay you the Call Price (being \$1.00) for each of your Perpetual Capital Notes outstanding at that time. The Scheduled Call is described in more detail in Section 5.5.9. More information on KGHL is contained in Section 6.4.

5.3 How much do I pay?

Issue price

You must pay \$1.00 for each Perpetual Capital Note.

You must pay the issue price for each Perpetual Capital Note you apply for in full to KCFL at the time of application in accordance with the instructions set out in Section 11.

Minimum investment

The minimum amount of Perpetual Capital Notes you can subscribe for is \$5,000 (and you must subscribe for multiples of \$1,000 thereafter). There is no maximum limit on the amount of Perpetual Capital Notes you can subscribe for.

Application payment

You must pay your application payment by direct debit, by a cheque delivered with the application form (attached to this Investment Statement) prior to the Closing Time, through the NZClear system or other method acceptable to KCFL. Further details on how to make your application and application payment are set out in Section 11.

Applications

Your application and application payment must be received by the Registrar on or before the Closing Time (5.00 pm on 22 May 2015).

All Perpetual Capital Notes are reserved for subscription by clients of the Joint Lead Managers, Primary Market Participants (as defined in the NZX's "Participant Rules") and other persons invited to participate in the distribution of Perpetual Capital Notes.

You should contact your financial adviser for details of the application process for Perpetual Capital Notes as there is no public pool for Perpetual Capital Notes.

KCFL reserves the right to refuse any application or accept any application in part only without giving a reason.

Any application money received from you in respect of an application which is not accepted by KCFL, whether because of late receipt or otherwise, will be returned (without interest) to you as soon as reasonably practicable after KCFL decides not to accept the application and, in any event, within 5 Business Days of the Issue Date.

If KCFL accepts an application in part, the balance of the application money will be refunded (without interest) as soon as reasonably practicable and, in any event, within 5 Business Days of the Issue Date.

If your payment for Perpetual Capital Notes is dishonoured, any Perpetual Capital Notes issued to you will be forfeited, and KCFL may seek to recover from you any losses it suffers.

No cooling-off

There is no cooling-off period in relation to Perpetual Capital Notes. Consequently, once your application has been lodged, you cannot withdraw or revoke it, unless KCFL determines otherwise in its sole discretion.

5.4 What are the charges?

You pay no fees or charges to KCFL in respect of your initial investment in Perpetual Capital Notes (other than the issue price of \$1.00 per Perpetual Capital Note). However, you may have to pay a fee or commission and other applicable fees to any financial intermediary you received a firm allocation from, or any person who recommends the investment to you or who arranges the application for you.

KCFL will pay to approved financial intermediaries a firm fee of 0.50% of the Principal Amount on firm allocations and brokerage of 0.75% of the Principal Amount on applications accepted bearing their stamp. Pursuant to the Administration Agreement (described in more detail in Section 5.6.11), Kiwibank has agreed to pay these brokerage costs on behalf of KCFL.

5.5 What returns will I get?

The information set out in this section should be read in conjunction with the information set out under the heading "What are my risks?" in Section 5.6. Certain events could reduce or eliminate the returns you expected to receive from holding Perpetual Capital Notes.

The information set out in this section under the heading "What returns will I get?" contains:

- An overview of the returns (Section 5.5.1)
- A list of the key factors that determine your returns (Section 5.5.2)
- Explanations of some important concepts for understanding what returns you will receive:
 - how the principal on which returns are determined may vary (Section 5.5.3)
 - who is legally responsible to pay returns (Section 5.5.4)
 - what receipt of a Corresponding Payment means (Section 5.5.5)

- A description of the interest that is payable (including after a Trigger Event) (Section 5.5.6)
- A description of when your Perpetual Capital Notes may be repaid (including after a Trigger Event) (Sections 5.5.7 - 5.5.8)
- A description of the Scheduled Call (Section 5.5.9)
- Information about payments (Section 5.5.10)
- Information about taxation in relation to your Perpetual Capital Notes (Section 5.5.11)

5.5.1 Overview

The returns you receive on your Perpetual Capital Notes will be in the nature of interest payments and the repayment of principal if Kiwibank repays the Kiwibank Perpetual Bonds held by KCFL. Except for repayment of principal, payments are expected to be made on scheduled Interest Payment Dates. The returns will reflect the returns received by KCFL on its investment in the Kiwibank Perpetual Bonds.

In addition, if your Perpetual Capital Notes are purchased by KGHL on the Scheduled Call Date, your returns will be in the form of the payment of the Call Price (being \$1.00 per Perpetual Capital Note).

If the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares, you may not receive any further returns on your Perpetual Capital Notes. If returns are received, they will be in the nature of interest payments and the repayment of principal. The returns will reflect the returns received by KCFL on the Ordinary Shares issued to it on conversion of the Kiwibank Perpetual Bonds held by KCFL. It is not possible to predict if or when any returns will be paid in these circumstances, or the amount of the returns. The Scheduled Call will not apply if any of the Kiwibank Perpetual Bonds are converted into Ordinary Shares or written off.

The table below summarises what will happen to your investment if certain events occur. Many of the potential outcomes are subject to conditions being satisfied (for example, the payment of interest on the Kiwibank Perpetual Bonds held by KCFL is subject to Kiwibank's absolute discretion and certain payment conditions being met) and some of which (such as the approval of the RBNZ) are outside of Kiwibank's control. Some outcomes also depend on choices being made by Kiwibank (for instance, choosing to repay the Kiwibank Perpetual Bonds held by KCFL). The potential outcomes are discussed in more detail in this Section 5.5.

Event				What value will you receive from KCFL in relation to your Perpetual Capital Notes?
	When?	RBNZ approval needed?	Do other conditions apply?	
Kiwibank makes a scheduled interest payment to KCFL on Kiwibank Perpetual Bonds held by KCFL	Quarterly on each Interest Payment Date	No	Yes, subject to Kiwibank's absolute discretion and certain payment conditions	KCFL must pay you interest on your Perpetual Capital Notes
Kiwibank does not make a scheduled interest payment to KCFL on Kiwibank Perpetual Bonds held by KCFL	Quarterly on each Interest Payment Date	No	No	No interest is payable to you by KCFL and that interest will never be paid to you
Kiwibank repays the Kiwibank Perpetual Bonds held by KCFL on a Reset Date	Each Reset Date	Yes	Yes, including Solvency	KCFL must repay your Perpetual Capital Notes
Kiwibank does not repay the Kiwibank Perpetual Bonds held by KCFL on a Reset Date	Each Reset Date	No	No	No change to your Perpetual Capital Notes except that the Interest Rate will be reset. (Kiwibank is not obliged to repay the Kiwibank Perpetual Bonds held by KCFL on a Reset Date so you should not expect your Perpetual Capital Notes to be repaid on any of those dates)
Kiwibank repays Kiwibank Perpetual Bonds held by KCFL following a Tax Event or Regulatory Event	If a Tax Event or Regulatory Event occurs	Yes	Yes, including Solvency	KCFL must repay your Perpetual Capital Notes

	Event			What value will you receive from KCFL in relation to your Perpetual Capital Notes?
	When?	RBNZ approval needed?	Do other conditions apply?	
The Scheduled Call Conditions are met	The First Call Date (27 May 2022) or on an Interest Payment Date thereafter	Yes, if Kiwibank funds the payment of the Call Price by providing a loan directly or indirectly to KGHL	Yes, relating to KGHL's ability to pay the Call Price and Solvency	KGHL will purchase your Perpetual Capital Notes for the Call Price (\$1.00 per Perpetual Capital Note)
The Scheduled Call Conditions are not met	The First Call Date (27 May 2022) and each Interest Payment Date thereafter	No	No	No change. You continue to hold your Perpetual Capital Notes. (KGHL is not obliged to purchase your Perpetual Capital Notes unless the Scheduled Call Conditions are met)
Potential outcomes following a Trigger Event				
Conversion of Kiwibank Perpetual Bonds held by KCFL into Ordinary Shares in Kiwibank	If a Trigger Event occurs	No	No	The returns on your Perpetual Capital Notes will change. As described below, returns will only be paid if and to the extent Kiwibank pays a dividend to KCFL or there is a sale of, or capital reduction involving, the Ordinary Shares issued to KCFL. The Scheduled Call will not apply
Following conversion of the Kiwibank Perpetual Bonds held by KCFL Kiwibank pays dividends on its Ordinary Shares to KCFL	No scheduled dates	No	Yes, including Solvency	KCFL must pay you interest on your Perpetual Capital Notes, the amount of which is determined by reference to the dividends received by KCFL
Following conversion of the Kiwibank Perpetual Bonds held by KCFL there is a sale of, or capital reduction involving, the Ordinary Shares held by KCFL	No scheduled date	No	Yes, for example, a share buy back must be completed in accordance with the Companies Act 1993	KCFL must pay you a proportion of the proceeds it receives (equal to the proportion of the Perpetual Capital Notes you hold) less applicable tax and other expenses
Write off of Kiwibank Perpetual Bonds held by KCFL in part or in whole	If a Trigger Event occurs and conversion is not possible	No	No	A corresponding amount of each of your Perpetual Capital Notes will be automatically and irrevocably written off, meaning you will lose that amount of your investment. The Scheduled Call will not apply
The First Call Date falls on or after the date on which the Kiwibank Perpetual Bonds held by KCFL are converted or written off	First Call Date	No	No	No change. You continue to hold your Perpetual Capital Notes. The Scheduled Call terminates when the Kiwibank Perpetual Bonds are converted or written off

If a Trigger Event occurs, it is possible only some, but not all, of the Kiwibank Perpetual Bonds held by KCFL will be converted into Ordinary Shares or, if conversion is not possible, written off. In those circumstances, more than one of the potential outcomes may apply to your Perpetual Capital Notes - see Section 5.5.3.

If you sell your Perpetual Capital Notes you will receive the market price for your Perpetual Capital Notes at that time which may be more or less than the amount you paid for your Perpetual Capital Notes.

If the Kiwibank Perpetual Bonds held by KCFL are written off in part or in whole, you will lose a corresponding amount of your investment in Perpetual Capital Notes.

5.5.2 Key factors that determine returns

The key factors that determine your returns on your Perpetual Capital Notes are:

- the Interest Rate applicable to your Perpetual Capital Notes over the term of your investment - see Section 5.5.6;
- the extent to which KCFL receives a Corresponding Payment from Kiwibank and so is able to make payments on your Perpetual Capital Notes when scheduled - see Section 5.5.5;
- the financial condition of KCFL, Kiwibank, KGHL and the Kiwibank Group - see Sections 5.6, 6 and 7;
- fluctuations in the price of your Perpetual Capital Notes sold on a secondary market, as described under the heading “What are my risks?” in Section 5.6;
- whether the Kiwibank Perpetual Bonds held by KCFL are repaid - see Section 5.5.7;
- whether your Perpetual Capital Notes are purchased by KGHL under the Scheduled Call - see Section 5.5.9;
- any applicable taxes - see Section 5.5.11;
- whether any Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares or written off - see Sections 5.5.3 and 8; and
- the other risk factors described under the heading “What are my risks?” in Section 5.6.

5.5.3 The principal on which returns are determined may vary

Most debt securities determine returns to investors by reference to a principal amount that does not vary during the term of the investment. Your Perpetual Capital Notes are structured differently, with each of your Perpetual Capital Notes having a Principal Amount and a Loss Absorbing Amount. On the Issue Date, the Principal Amount will be \$1.00 and the Loss Absorbing Amount will be zero. These amounts will only change if there is a Trigger Event.

The total return on your Perpetual Capital Notes is made up of the return on each of the Principal Amount and the Loss Absorbing Amount, described in Section 5.5.6 under the headings “Interest Payments on the Principal Amount” and “Interest Payments on the Loss Absorbing Amount”.

This section describes the ways in which the Principal Amount and Loss Absorbing Amount can change following a Trigger Event.

No Trigger Event occurs

For so long as the Kiwibank Perpetual Bonds held by KCFL have not been converted into Ordinary Shares or written off, the Principal Amount of each of your Perpetual Capital Notes will remain at \$1.00 and the Loss Absorbing Amount will remain zero. This is shown below, by reference to 10,000 Perpetual Capital Notes that have an aggregate Principal Amount of \$10,000 on the Issue Date, and which are repaid on a Reset Date following Kiwibank repaying the Kiwibank Perpetual Bonds.

Composition of Perpetual Capital Notes on Issue Date		Composition of Perpetual Capital Notes when repaid
Principal Amount \$10,000	→ No conversion or write off of the Kiwibank Perpetual Bonds held by KCFL	Principal Amount \$10,000
<ul style="list-style-type: none"> ■ no fixed maturity ■ scheduled fixed interest payments on \$10,000 		<ul style="list-style-type: none"> ■ repayment of principal on a Reset Date ■ payment of final interest payment on \$10,000

A Trigger Event occurs

If a Trigger Event occurs, some or all of the Kiwibank Perpetual Bonds held by KCFL may be converted into Ordinary Shares or, if this is not possible, written off.

If a Trigger Event occurs and all of the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares, the number of Perpetual Capital Notes you hold will remain the same, but the Principal Amount of each of your Perpetual Capital Notes will reduce to zero and the Loss Absorbing Amount of each of your Perpetual Capital Notes will increase to \$1.00.

If a Trigger Event occurs and only some of the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares, the number of Perpetual Capital Notes you hold will remain the same, but the Principal Amount of each of your Perpetual Capital Notes will reduce by an amount equal to the proportion of the Kiwibank Perpetual Bonds held by KCFL that have converted into Ordinary Shares, and the Loss Absorbing Amount will increase by the same amount.

If a Trigger Event occurs and all of the Kiwibank Perpetual Bonds held by KCFL are written off, all of your Perpetual Capital Notes will be written off and you will lose your investment. If a Trigger Event occurs and only some of the Kiwibank Perpetual Bonds held by KCFL are written off, the number of Perpetual Capital Notes you hold will remain the same, but the Principal Amount of each of your Perpetual Capital Notes will reduce by the proportion of the Kiwibank Perpetual Bonds held by KCFL that are written off and you will lose that amount of your investment. There is no increase in the Loss Absorbing Amount in these circumstances.

If a Trigger Event occurs, not all of the Kiwibank Perpetual Bonds held by KCFL will need to be converted into Ordinary Shares or written off if Kiwibank (in consultation with the RBNZ) or the statutory manager of Kiwibank (as applicable) determines that:

- in the case of a Common Equity Capital Trigger Event, Kiwibank’s Common Equity Tier 1 Capital Ratio is able to be increased to at least 5.125% without converting or writing off all of the Kiwibank Perpetual Bonds; or
- in the case of a Non-Viability Trigger Event, Kiwibank will be viable following conversion or write off of only some of the Kiwibank Perpetual Bonds.

More detail on the conversion and write off processes is set out in Section 8, “The Kiwibank Perpetual Bonds held by KCFL” and in the Prospectus.

The potential adjustments to the Principal Amount and Loss Absorbing Amount of your Perpetual Capital Notes are shown below for three different scenarios, by reference to a holding of 10,000 Perpetual Capital Notes that have an aggregate Principal Amount of \$10,000 on the Issue Date.

Scenario 1: 100% of the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares (also held by KCFL)

Composition of Perpetual Capital Notes on Issue Date	→	Composition of Perpetual Capital Notes after conversion
Principal Amount \$10,000		Loss Absorbing Amount \$10,000
<ul style="list-style-type: none"> ■ no fixed maturity ■ scheduled fixed interest payments on \$10,000 		<ul style="list-style-type: none"> ■ no fixed maturity ■ interest determined by reference to Kiwibank dividends received by KCFL ■ your Perpetual Capital Notes will be repaid only if a capital reduction or share sale occurs

Scenario 2: 40% of the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares (also held by KCFL)

Composition of Perpetual Capital Notes on Issue Date	→	Composition of Perpetual Capital Notes after conversion	
Principal Amount \$10,000		Principal Amount \$6,000	Loss Absorbing Amount \$4,000
<ul style="list-style-type: none"> ■ no fixed maturity ■ scheduled fixed interest payments on \$10,000 		<ul style="list-style-type: none"> ■ no fixed maturity ■ repayment of \$6,000 if Kiwibank repays the remaining Kiwibank Perpetual Bonds ■ scheduled fixed interest payments on \$6,000 	<ul style="list-style-type: none"> ■ no fixed maturity ■ interest determined by reference to Kiwibank dividends received by KCFL ■ the balance of your Perpetual Capital Notes will be repaid only if a capital reduction or share sale occurs

Scenario 3: 40% of the Kiwibank Perpetual Bonds held by KCFL are written off

Composition of Perpetual Capital Notes on Issue Date	→	Composition of Perpetual Capital Notes after write off
Principal Amount \$10,000		Principal Amount \$6,000
<ul style="list-style-type: none"> ■ no fixed maturity ■ scheduled fixed interest payments on \$10,000 		<ul style="list-style-type: none"> ■ repayment of \$6,000 if Kiwibank repays the remaining Kiwibank Perpetual Bonds ■ scheduled fixed interest payments on \$6,000 ■ the balance of your Perpetual Capital Notes (\$4,000) is written off and you lose that amount of your investment

Each of the adjustments described above occurs automatically whenever a conversion or write off of the Kiwibank Perpetual Bonds held by KCFL occurs and is irreversible.

In addition, if there has been a conversion of Kiwibank Perpetual Bonds held by KCFL into Ordinary Shares following a Trigger Event:

- the Loss Absorbing Amount of each Perpetual Capital Note will be adjusted if there is a sale (including by a liquidator of KCFL) of, or capital reduction involving, the Ordinary Shares issued to KCFL on conversion of the Kiwibank Perpetual Bonds held by KCFL to reflect the net value of those shares; and
- the Principal Amount of each Perpetual Capital Note will be reduced when the Principal Amount is repaid and the Loss Absorbing Amount of each Perpetual Capital Note will be reduced if the Loss Absorbing Amount is repaid.

5.5.4 Person legally responsible to pay returns

The person legally responsible to make interest and principal payments on your Perpetual Capital Notes (if they become payable) is KCFL. It is not possible to quantify as at the date of this Investment Statement the exact amount of returns you will receive, and therefore no such amount can be promised by KCFL. Your Perpetual Capital Notes are not guaranteed by any person, and neither Kiwibank nor any other person guarantees KCFL.

While KCFL is the only person obliged to make interest and principal payments on your Perpetual Capital Notes, KCFL's obligation to make these payments on your Perpetual Capital Notes is subject to KCFL receiving a Corresponding Payment from Kiwibank.

The person legally responsible to make payments under the Scheduled Call is KGHL. KGHL's obligation to pay the Call Price is subject to the Scheduled Call Conditions being met. KGHL's obligations in relation to the Scheduled Call will cease if any of the Kiwibank Perpetual Bonds are converted into Ordinary Shares or written off. KGHL is entitled to designate another entity as the purchaser of your Perpetual Capital Notes under the Scheduled Call. There are no plans to do this at present, and if it does occur, KGHL will remain responsible for ensuring the Call Price is paid when required.

5.5.5 What does receipt of a Corresponding Payment mean?

Receipt of a Corresponding Payment (and similar expressions) means that KCFL has received a payment from Kiwibank on the relevant date either in respect of the Kiwibank Perpetual Bonds held by KCFL or, following the conversion of the Kiwibank Perpetual Bonds held by KCFL, in respect of the Ordinary Shares issued to KCFL on conversion of those Kiwibank Perpetual Bonds.

Corresponding Payments will take the form of interest payments and the repayment of principal by Kiwibank to KCFL on those Kiwibank Perpetual Bonds (if Kiwibank elects, and is permitted, to repay the Kiwibank Perpetual Bonds). In relation to Ordinary Shares issued to KCFL on conversion of the Kiwibank Perpetual Bonds held by KCFL, Corresponding Payments will take the form of dividends paid on those Ordinary Shares to KCFL or the proceeds received by KCFL of a sale of, or capital reduction involving, those Ordinary Shares.

This is explained in more detail in the Prospectus.

Each Corresponding Payment received by KCFL prior to KCFL's liquidation will be held on trust by KCFL for the benefit of you and the other Holders until paid by KCFL to you and the other Holders.

KCFL will not receive a Corresponding Payment if Kiwibank does not satisfy the conditions to it making payments on the Kiwibank Perpetual Bonds

The obligation of Kiwibank to pay interest on the Kiwibank Perpetual Bonds held by KCFL is subject to Kiwibank's absolute discretion and to Kiwibank meeting the following payment conditions:

- that Kiwibank and the Kiwibank Group will be Solvent immediately after the payment is made; and
- that Kiwibank is in compliance with the RBNZ's then current capital adequacy requirements in its conditions of registration immediately after the payment is made (these requirements restrict distributions by Kiwibank in certain circumstances; for instance, the amount of earnings able to be distributed (by way of dividends, share buy-backs and payments on Additional Tier 1 Capital instruments) becomes increasingly restricted the further Kiwibank's Common Equity Tier 1 Capital Ratio falls below 7.00%).

Kiwibank may, with the consent of the RBNZ, elect to repay the Kiwibank Perpetual Bonds in certain circumstances. Even if the RBNZ gives its consent, the repayment of the Kiwibank Perpetual Bonds is still conditional upon Kiwibank and the Kiwibank Group being Solvent immediately after the payment is made.

If any of these conditions are not satisfied, KCFL will not receive the Corresponding Payment from Kiwibank.

5.5.6 Interest Payments

You will receive interest payments on the Principal Amount outstanding based on the Interest Rate then applicable. The Principal Amount will be \$1.00 unless there has been a Trigger Event, in which case the Principal Amount will be reduced as described earlier in Section 5.5.3. **You will have no right to receive any more interest payments on any part of the Principal Amount that has been reduced, whether following a conversion of the Kiwibank Perpetual Bonds held by KCFL into Ordinary Shares or a write off of the Kiwibank Perpetual Bonds held by KCFL.**

If Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares following a Trigger Event then you will be entitled to receive interest payments on the Loss Absorbing Amount.

How interest payments are calculated for the Principal Amount and the Loss Absorbing Amount is described below.

Interest Payments on the Principal Amount

Interest on your Perpetual Capital Notes is scheduled to be paid on the Principal Amount of each of your Perpetual Capital Notes quarterly in arrear on each Interest Payment Date. **KCFL's obligation to pay interest on your Perpetual Capital Notes is conditional on KCFL receiving a Corresponding Payment from Kiwibank.** KCFL may not receive a Corresponding Payment, meaning interest on your Perpetual Capital Notes may not always be paid when expected on scheduled Interest Payment Dates.

If interest is not paid when scheduled because KCFL has not received a Corresponding Payment, that interest will not be paid on a later date and it will never be paid to you. **Non-payment of interest on a scheduled Interest Payment Date because no Corresponding Payment has been received by KCFL will not constitute a default by KCFL and you will have no right to take action against KCFL, KGHL or any member of the Kiwibank Group in respect of that non-payment.** See Section 5.5.5 for a description of the conditions that Kiwibank must meet before it is able to pay interest on the Kiwibank Perpetual Bonds.

The Interest Rate on your Perpetual Capital Notes is a fixed rate that is reset at 5-yearly intervals. The Interest Rate for the period from the Issue Date to the first Reset Date (27 May 2020) will be set on the Rate Set Date and announced by KCFL via NZX and at www.kiwibank.co.nz/about-us/investor-centre/ on or before the Opening Date. The Interest Rate will be reset on the first Reset Date and at 5-yearly intervals thereafter (on each subsequent Reset Date) to be equal to the sum of the 5 Year Swap Rate as at the Reset Date and the Margin.

Reset Date - what is the 5 Year Swap Rate?

A swap rate is a benchmark interest rate used in the New Zealand financial markets and is commonly used as a reference by major financial institutions. The 5 Year Swap Rate is the reference rate for an instrument with a five year term. Swap rates change to reflect market conditions over time. They are volatile and today's 5 Year Swap Rate is no indication of what the 5 Year Swap Rate will be in five years' time.

Reset Date - what is the Margin?

The Margin is the percentage rate per annum set by KCFL in conjunction with the Joint Lead Managers and announced via NZX and at www.kiwibank.co.nz/about-us/investor-centre/ on or before the Opening Date. On each Reset Date, the Margin is added to the 5 Year Swap Rate as at that date to determine the interest rate that will apply for the period from that Reset Date to the next Reset Date. The Margin will not change during the term of your Perpetual Capital Notes.

Restrictions on the payment of dividends by Kiwibank

If for any reason an interest payment on the Kiwibank Perpetual Bonds has not been paid in full on an Interest Payment Date, Kiwibank must not, without approval of an extraordinary resolution of the holders of the Kiwibank Perpetual Bonds:

- (a) resolve to pay or pay any dividend on its Ordinary Shares;
- (b) undertake any capital reduction; or
- (c) make any payments on other capital instruments that rank equally with or junior to the Kiwibank Perpetual Bonds (unless the payment is made in respect of capital instruments that rank equally with the Kiwibank Perpetual Bonds and a pro rata payment is made in respect of the Kiwibank Perpetual Bonds at the same time).

These restrictions will apply until:

- (a) Kiwibank pays the interest payments in full on two subsequent consecutive Interest Payment Dates; and
- (b) either:
 - (i) the interest payments on your Perpetual Capital Notes are paid in full on those dates; or
 - (ii) there are no Perpetual Capital Notes outstanding.

Interest Payments on the Loss Absorbing Amount (This only applies if the Kiwibank Perpetual Bonds held by KCFL have been converted into Ordinary Shares.)

If a Trigger Event occurs and some or all of the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares, you will be entitled to interest payments on the Loss Absorbing Amount.

Interest Payment Dates in respect of the Loss Absorbing Amount

Each date on which Kiwibank pays a dividend on the Ordinary Shares to KCFL will be an Interest Payment Date in relation to the Loss Absorbing Amount if the Kiwibank Perpetual Bonds held by KCFL have been converted into Ordinary Shares. **There are no scheduled Interest Payment Dates in respect of the Loss Absorbing Amount as the payment of dividends (if any) is at the discretion of the Kiwibank board. This means that you will not receive interest payments in respect of the Loss Absorbing Amount on the Interest Payment Dates specified in Section 3, "Important Dates".**

How will interest on the Loss Absorbing Amount be calculated?

If there is an Interest Payment Date in relation to the Loss Absorbing Amount, the amount of interest paid to you on the Loss Absorbing Amount of each of your Perpetual Capital Notes will be calculated by dividing (i) the total amount of dividends paid on that date by Kiwibank to KCFL in respect of the Ordinary Shares issued to KCFL on conversion of the Kiwibank Perpetual Bonds held by KCFL by (ii) the total number of Perpetual Capital Notes held by you and all other Holders.

Payment of interest on the Loss Absorbing Amount is conditional on KCFL receiving a Corresponding Payment.

5.5.7 Optional repayment of the Principal Amount

Your Perpetual Capital Notes are perpetual instruments with no fixed maturity date. Despite this, KCFL must repay your Perpetual Capital Notes in certain circumstances, as described below.

KCFL is only obliged to repay your Perpetual Capital Notes if:

- (a) Kiwibank has exercised a repayment option in respect of the Kiwibank Perpetual Bonds held by KCFL, which it may do (if the RBNZ consents):
 - (i) on a Reset Date (Reset Dates occur at 5-yearly intervals, commencing on 27 May 2020); or
 - (ii) if a Tax Event or a Regulatory Event has occurred; and
- (b) the RBNZ has consented to the repayment of the Kiwibank Perpetual Bonds held by KCFL; and
- (c) all other pre-conditions to the exercise of the repayment option by Kiwibank have been satisfied; and
- (d) KCFL has received a Corresponding Payment from Kiwibank.

Tax Event and Regulatory Event are defined in the Glossary. Broadly:

- (a) a **Tax Event** occurs when there has been, or will be, a change in taxation which would result in a more than minimal increase in costs for Kiwibank in relation to the Kiwibank Perpetual Bonds held by KCFL or for KCFL in relation to your Perpetual Capital Notes; and
- (b) a **Regulatory Event** occurs when there has been, or will be, a change in regulation which adversely affects, or will adversely affect, in more than a minor way, Kiwibank's regulatory capital treatment of the Kiwibank Perpetual Bonds held by KCFL.

Kiwibank is under no obligation to repay the Kiwibank Perpetual Bonds. There is no certainty that Kiwibank will elect to exercise a repayment option or that Kiwibank will be able to satisfy the pre-conditions to the exercise of the option. In particular, there is no certainty that the consent of the RBNZ would be provided.

5.5.8 Repayment of the Loss Absorbing Amount (This only applies if the Kiwibank Perpetual Bonds held by KCFL have been converted into Ordinary Shares.)

If, following a conversion of all or some of the Kiwibank Perpetual Bonds held by KCFL into Ordinary Shares, there is a sale of, or capital reduction involving, the Ordinary Shares issued to KCFL on conversion, KCFL must pay to you an amount (the "**Loss Absorbing Payment Amount**") in respect of each of your Perpetual Capital Notes calculated by dividing (i) the total proceeds of the share sale or capital reduction paid to KCFL in respect of those Ordinary Shares (less any applicable tax or expenses payable by KCFL (or by the consolidated tax group of which KCFL is a member)) by (ii) the total number of Perpetual Capital Notes held by you

and other Holders. The Loss Absorbing Payment Amount is described in more detail in the Prospectus.

KCFL has no obligation to repay the Loss Absorbing Amount in any other circumstances.

KCFL must not accept an offer made by Kiwibank for a capital reduction involving Ordinary Shares held by KCFL, or an offer from a purchaser to buy Ordinary Shares held by KCFL, without approval by an Extraordinary Resolution of Holders.

5.5.9 Scheduled Call

The Scheduled Call Date is the earlier of the First Call Date (27 May 2022) and the first Interest Payment Date thereafter on which the Scheduled Call Conditions are met.

All of your Perpetual Capital Notes will be purchased by KGHL on the Scheduled Call Date, if they are outstanding at that time.

Your Perpetual Capital Notes will not be purchased by KGHL under the Scheduled Call unless the Scheduled Call Conditions are met. The Scheduled Call Conditions are that:

- KGHL is satisfied, in its sole discretion, that it has sufficient funds to pay the Call Price (being \$1.00 per Perpetual Capital Note) of all of the Perpetual Capital Notes outstanding at that time;
- if payment of the aggregate Call Price of the Perpetual Capital Notes is to be funded by Kiwibank providing a loan directly or indirectly to KGHL, the RBNZ has given its consent to Kiwibank to that funding being provided; and
- KGHL is satisfied, in its sole discretion, that it will be Solvent immediately after paying the Call Price for each Perpetual Capital Note.

With effect from the Scheduled Call Date:

- each Perpetual Capital Note will be immediately and irrevocably transferred to KGHL free of any encumbrance; and
- the Call Price (being \$1.00 per Perpetual Capital Note) for each Perpetual Capital Note that is transferred to KGHL free of any encumbrance shall be paid to the Holder of the Perpetual Capital Note.

The transfer of Perpetual Capital Notes under the Scheduled Call will occur automatically on the Scheduled Call Date without any act or consent of the Holders of Perpetual Capital Notes or any other person being required. Upon the transfer of your Perpetual Capital Notes to KGHL you will cease to have any rights under those Perpetual Capital Notes. However, the transfer of a Perpetual Capital Note under the Scheduled Call will not affect your entitlement (if any) to interest on the Perpetual Capital Note on the Interest Payment Date that falls on the same day as the Scheduled Call Date.

KGHL is entitled to designate another person (not being a member of the Kiwibank Group) as the entity that will purchase the Perpetual Capital Notes under the Scheduled Call. There are no plans to do this at present. If it does occur, the Perpetual Capital Notes will be transferred to the

designated purchaser on the Scheduled Call Date instead of KGHL and the designated purchaser must pay the Call Price, although KGHL will still be responsible for ensuring the Call Price is paid when required.

KCFL will notify Holders of Perpetual Capital Notes via NZX promptly upon becoming aware of whether or not the Scheduled Call Conditions will be satisfied. Notification by KCFL regarding whether or not the Scheduled Call Conditions are satisfied will be final and binding.

The Scheduled Call will cease to apply if any of the Kiwibank Perpetual Bonds are converted into Ordinary Shares or written off.

Kiwibank is under no obligation to make funds available directly or indirectly to KGHL for the purpose of paying the Call Price. Kiwibank must not provide a loan directly or indirectly to KGHL for the purpose of funding the payment of the Call Price unless the consent of the RBNZ is obtained and the Kiwibank Perpetual Bonds are repaid on or shortly after the Scheduled Call Date. There is no certainty that, if Kiwibank wished to provide a loan to KCFL for these purposes, the RBNZ's consent would be provided.

You irrevocably acknowledge that you have no remedies against, and have no rights to compensation from:

- KCFL on account of a failure by KGHL to pay the Call Price on the Scheduled Call Date; or
- Kiwibank or any other member of the Kiwibank Group on account of a failure by KGHL to pay the Call Price on the Scheduled Call Date.

More information regarding the Scheduled Call is contained in the Prospectus.

5.5.10 Payments

Payments on each Perpetual Capital Note will be made to the person registered as the Holder of the Perpetual Capital Note as at the Record Date for the payment.

Payments will be made to the bank account you nominated on your application form or such other bank account as you may advise the Registrar in writing from time to time (provided you give such notice prior to the Record Date for the payment).

If a payment date is not a Business Day, payment will be made on the next date which is a Business Day, but the amount paid will not be adjusted.

There are no reserves or retentions that will impact on returns to investors.

5.5.11 Taxation

The return on your Perpetual Capital Notes will be affected by taxes. If a law requires KCFL to deduct an amount in respect of taxes from a payment under a Perpetual Capital Note, then KCFL will deduct the amount and pay it to the relevant authority. KCFL is not obliged to pay you any additional amounts in relation to any such deduction.

Under the terms of your Perpetual Capital Notes, you indemnify KCFL in respect of any tax which KCFL becomes liable to pay on your behalf. KCFL may deduct any indemnity payment from future amounts payable.

You must notify the Registrar:

- of your country of residence for tax purposes; and
- if you are not a New Zealand tax resident, whether you are engaged in business in New Zealand through a fixed establishment; and
- if your country of residence for tax purposes changes.

The information set out below does not constitute taxation advice to you or any other Holder of Perpetual Capital Notes. The information detailed below is general in nature and KCFL understands it to be correct as at the date of this Investment Statement. Taxation laws are subject to change, and such changes may materially affect your tax position with respect to an investment in Perpetual Capital Notes. You should seek qualified, independent financial and taxation advice in relation to your circumstances before deciding to invest.

Resident withholding tax

If you are either a New Zealand resident for tax purposes or you are engaged in business through a fixed establishment (as defined in the Income Tax Act 2007 ("Tax Act")) in New Zealand ("Resident Holder"), KCFL will deduct resident withholding tax ("RWT") from the gross amount of interest (and other payments deemed to be interest) paid to you in accordance with the provisions of the Tax Act.

If you are an individual or hold Perpetual Capital Notes as trustee, and have supplied your IRD number to the Registrar, you may elect for RWT to be deducted at a rate of 10.5%, 17.5%, 30% or 33%. You may elect a rate of 10.5% only if you are an individual (not acting as a trustee) and you have a reasonable expectation at the time of making the election that your income for the income year applicable to you (eg 1 April 2015 to 31 March 2016) will be \$14,000 or less, or if you are holding Perpetual Capital Notes as trustee of certain testamentary trusts. If you are an individual or hold Perpetual Capital Notes as trustee and you do not supply your IRD number to the Registrar, KCFL will deduct RWT at 33%. If the Commissioner of Inland Revenue determines that the rate you have notified to KCFL is inconsistent with your marginal tax rate, the Commissioner may require KCFL to deduct RWT at a different rate to the rate you elected.

KCFL will deduct RWT at 28% from interest paid to a Holder that is a company (not acting as a trustee) that has supplied its IRD number to the Registrar and that has not elected that RWT be deducted at 33%. KCFL will deduct RWT at 33% from interest paid to a company that has not supplied its IRD number to the Registrar.

KCFL will not deduct RWT if you provide a copy of an appropriate RWT exemption certificate to the Registrar at least five Business Days before the Record Date for the relevant payment.

Non-resident withholding tax

If at any time you hold a Perpetual Capital Note and are not a New Zealand tax resident and are not engaged in business through a fixed establishment (as defined in the Tax Act) in New Zealand ("Non-resident Holder"), KCFL will deduct non-resident withholding tax ("NRWT"), where

appropriate, at the rate required by law from payments made to you. If KCFL is lawfully able to pay approved issuer levy (as defined in section 86F of the Stamp and Cheque Duties Act 1971) (“AIL”) in respect of any payment of interest (or deemed interest) to you, KCFL will pay the AIL (currently equal to 2 percent of such payments of interest) to the appropriate authority and will deduct the amount paid from the interest (or deemed interest) payable to you in lieu of deducting NRWT. If Perpetual Capital Notes qualify for the zero percent rate of AIL under section 86IB of the Stamp and Cheque Duties Act 1971 and KCFL takes the steps necessary to apply the zero percent rate, KCFL will not deduct any amount from the interest (or deemed interest) payable to you on account of AIL or NRWT.

If you are a Non-resident Holder you may request in writing that NRWT be deducted from interest (or deemed interest) paid to you instead of AIL.

If you are a Non-resident Holder and derive interest under Perpetual Capital Notes jointly with one or more New Zealand tax residents, the AIL regime is not applicable and withholding tax will be deducted from interest paid or credited at the applicable RWT rate. Non-resident Holders may then be entitled to claim a refund from Inland Revenue to the extent that tax was withheld in excess of their applicable NRWT rate.

Financial arrangements rules

Under the financial arrangements rules, gains you make on the sale or other disposal (including repayment by KCFL) of your Perpetual Capital Notes will generally be taxable to you if you are resident in New Zealand for tax purposes. If you are a non-resident for tax purposes, you may also be subject to tax on such gains. You should consult your own taxation advisers about the effect of taxes on your investment in any Perpetual Capital Notes.

Application of FATCA

FATCA is a US tax reporting and withholding regime aimed at identifying assets of US persons held outside of the US, including by requiring certain foreign financial institutions to report those assets to the United States Internal Revenue Service (“IRS”) and, in some cases, withholding amounts from payments. To comply with FATCA, KCFL (or, if Perpetual Capital Notes are held through another financial institution, such other financial institution) may be required (pursuant to an agreement with the IRS or otherwise under applicable law) to request certain information from Holders or beneficial owners of Perpetual Capital Notes, which may in turn be provided to the IRS. Under current law relating to FATCA (including the agreement with the IRS) KCFL should not be required to withhold any amount on account of FATCA from payments in relation to Perpetual Capital Notes.

If KCFL or any other person is required to withhold amounts under or in connection with FATCA from any payments made in relation to Perpetual Capital Notes, holders and beneficial owners of Perpetual Capital Notes will not be entitled to receive any gross up or additional amounts to compensate them for such withholding.

This information is based on guidance issued by the IRS as at the date of this Investment Statement. Future guidance may affect the application of FATCA to KCFL, Holders or beneficial owners of Perpetual Capital Notes.

5.6 What are my risks?

5.6.1 Key Risks

Your Perpetual Capital Notes are an investment and there are risks you need to be aware of, including those described in this section. You need to consider how these risks apply to your personal circumstances, and KCFL recommends that you talk to an authorised financial adviser about the investment options available to you before deciding whether to invest in Perpetual Capital Notes.

The selection of risks has been based on an assessment as at the date of this Investment Statement of a combination of the probability of the risk occurring and impact of the risk if it did occur. There is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge.

If you have any questions about these risks you should seek advice from your financial adviser or other professional adviser before deciding to invest in Perpetual Capital Notes.

More information on these risks is contained in the Prospectus.

5.6.2 KCFL is reliant on payments being made by Kiwibank

There is a risk that Kiwibank will not make payments on the Kiwibank Perpetual Bonds held by KCFL when due. KCFL’s obligation to make any payments on your Perpetual Capital Notes is conditional on it receiving a Corresponding Payment from Kiwibank. This means that if Kiwibank does not make a payment to KCFL on its investment in the Kiwibank Perpetual Bonds, KCFL is not obliged to make the corresponding payment to you on your Perpetual Capital Notes. This will occur, for instance, if Kiwibank does not pay interest on the Kiwibank Perpetual Bonds on a scheduled interest payment date. Interest payments on the Kiwibank Perpetual Bonds are subject to Kiwibank’s absolute discretion and the following payment conditions:

- Kiwibank and the Kiwibank Group being Solvent immediately after making the payment; and
- Kiwibank being in compliance with the RBNZ’s then current capital adequacy requirements in its conditions of registration immediately after making the payment (these requirements restrict distributions by Kiwibank in certain circumstances).

Interest payments on your Perpetual Capital Notes are non-cumulative. This means that if interest is not paid to you on a scheduled Interest Payment Date because KCFL has not received a Corresponding Payment, that interest will not be paid to you on a later date and it will never be paid to you. You have no right to take action against KCFL, KGHL or any member of the Kiwibank Group if KCFL does not pay you interest on an Interest Payment Date because KCFL has not received a Corresponding Payment from Kiwibank.

Kiwibank has also agreed to pay certain costs and other amounts that KCFL will owe to the Trustee, the Registrar and NZX in connection with your Perpetual Capital Notes. If Kiwibank does not meet those costs, in a liquidation of KCFL those other creditors would be paid before you (see Section 5.6.5 below, “Perpetual Capital Notes are subordinated obligations of KCFL”). As a member of the New Zealand Post consolidated group for income tax purposes, KCFL may be jointly and severally liable for taxes payable by the consolidated group. However, the tax liability of the consolidated group is expected to be paid by one or more of the other members. Therefore, KCFL is not expected to have any liabilities for tax except in the unlikely event that the consolidated group’s tax liability is not met by any other member.

5.6.3 Conversion or write off of the Kiwibank Perpetual Bonds held by KCFL following a Trigger Event

If all of the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares, the returns on your Perpetual Capital Notes will change and there will be no scheduled interest payments. The returns on your Perpetual Capital Notes after the conversion will reflect the returns received by KCFL on the Ordinary Shares issued to KCFL on conversion of the Kiwibank Perpetual Bonds held by it. It is not possible to predict if or when any returns will be paid in these circumstances, or the amount of the returns.

For instance, interest payments on your Perpetual Capital Notes following conversion of the Kiwibank Perpetual Bonds held by KCFL into Ordinary Shares will be derived from dividends paid by Kiwibank to KCFL on the Ordinary Shares then held by KCFL. In addition, KCFL has no obligation to repay the Loss Absorbing Amount unless there is a sale of, or capital reduction involving, the Ordinary Shares issued to KCFL on conversion of the Kiwibank Perpetual Bonds held by KCFL. If there is a sale of, or capital reduction involving, the Ordinary Shares held by KCFL, KCFL is only obliged to pay you an amount equal to the Loss Absorbing Payment Amount on each of your Perpetual Capital Notes, which may be less than the Loss Absorbing Amount prior to the share sale or capital reduction.

In all likelihood, Kiwibank’s financial position following the Trigger Event that resulted in the conversion of the Kiwibank Perpetual Bonds held by KCFL into Ordinary Shares would not be strong enough to permit payment of a dividend. Also, even if Kiwibank’s financial position subsequently improved, payment of a dividend is at the discretion of the Kiwibank board. Directors cannot be compelled to pay a dividend, even if Kiwibank’s financial position would allow it. If Kiwibank did have funds available to pay a dividend, the dividend would not be paid solely to KCFL, but would be paid to KCFL and Kiwibank’s other shareholders (currently KGHL). Similarly, in these circumstances, if KCFL wished to sell the Ordinary Shares held by it, it may be difficult for KCFL to find a purchaser for those Ordinary Shares at an acceptable price, or at all, or for Kiwibank to be able, if it wished, to offer to buy back Ordinary Shares or do a capital

reduction. These matters may adversely affect the price at which you can sell your Perpetual Capital Notes or whether you can sell them at all if insufficient liquidity exists in the market for Perpetual Capital Notes.

If, following a Trigger Event, conversion of the Kiwibank Perpetual Bonds held by KCFL into Ordinary Shares is not possible within 5 Business Days after the Trigger Event occurred, the Kiwibank Perpetual Bonds held by KCFL required to be converted will not be converted into Ordinary Shares, but instead, will be written off. If write off occurs, all rights (including to interest payments) in respect of the Kiwibank Perpetual Bonds held by KCFL will be terminated. As the returns on your Perpetual Capital Notes are derived from the returns on the Kiwibank Perpetual Bonds held by KCFL, if the Kiwibank Perpetual Bonds held by KCFL are written off in part or in whole, you will lose a corresponding amount of your investment in Perpetual Capital Notes, you will not have that amount of your capital repaid, and you will not receive any compensation.

In addition, the Scheduled Call will not apply if any of the Kiwibank Perpetual Bonds are converted into Ordinary Shares or written off.

5.6.4 Risks associated with Kiwibank’s business which may affect the Kiwibank Perpetual Bonds held by KCFL or KGHL’s ability to satisfy the Scheduled Call Conditions, which in turn may affect your Perpetual Capital Notes

If the financial performance or position of Kiwibank declines, or if market participants anticipate that it may decline, an investment in Perpetual Capital Notes could decline in value even if Kiwibank Perpetual Bonds held by KCFL have not been converted into Ordinary Shares. Accordingly, when you evaluate whether to invest in Perpetual Capital Notes, you should carefully evaluate the investment risks associated with an investment in Kiwibank. The principal risks and uncertainties associated with Kiwibank are set out below.

Kiwibank’s businesses may be adversely affected by the uncertainty in the global credit markets and associated impacts

Kiwibank’s business is impacted by the operation of these global markets, either directly or indirectly, including through exposures in securities, loans, derivatives and other activities. In addition, turmoil in the financial markets has flowed into the real economy, with major global economies either slowing substantially or contracting. As a financial institution, Kiwibank may be impacted in a number of ways by the current economic climate.

A downturn in the New Zealand economy could adversely impact Kiwibank’s results

Kiwibank’s results may be influenced by the level and cyclical nature of business activity in New Zealand. New Zealand’s business activity is impacted by both domestic and international economic and political events. A weakening in the New Zealand economy may have an adverse impact on Kiwibank’s operations or future results.

Kiwibank may incur losses associated with its counterparty exposures

Kiwibank faces the possibility that a counterparty may be unable to honour its contractual obligations to it. These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons.

Adverse credit market conditions or changes to Kiwibank's credit rating may significantly affect Kiwibank's ability to access domestic and international funding, raise the cost of funding and impair its ability to meet liquidity needs

Disruptions, uncertainty or volatility in the credit markets may limit Kiwibank's access to funding at a cost that is acceptable to Kiwibank. These market conditions may limit Kiwibank's ability to replace, in a timely manner, maturing liabilities, access the funding necessary to grow its business and maintain a high-quality portfolio of liquid assets to support its business, which may negatively affect Kiwibank's business. Kiwibank's ability to raise capital and funding and other aspects of its performance may be affected if it fails to maintain its credit ratings.

Kiwibank is subject to extensive regulation, which could impact its results or operations

Kiwibank's banking activities are subject to extensive regulation, mainly relating to capital, liquidity levels, solvency and provisioning. Its business and earnings are also affected by the fiscal or other policies that are adopted by various regulatory authorities of the New Zealand Government.

Any change in regulation, including changes that increase the requirements of regulatory capital could have an adverse impact on Kiwibank's results or operations.

The RBNZ possesses a number of crisis management powers. Those powers include recommending that a bank's registration be cancelled, investigating the affairs of a registered bank, giving directions to a registered bank, removing, replacing or appointing a director of a registered bank or recommending that a registered bank be subject to statutory management.

Regulatory actions taken now or in the future may significantly affect Kiwibank's operations and financial condition

Since 2007, events in the financial services industry and, more generally, in the international financial markets and the global economy, have led to various changes in the regulation of the financial services industry.

Changes in regulation may require changes to certain business practices, and may expose Kiwibank to additional costs.

Kiwibank may face operational risks associated with being a complex financial institution and may incur losses as a result of ineffective risk management processes and strategies

Kiwibank's businesses are highly dependent on its ability to process and monitor, on a daily basis, a very large number of transactions, many of which are highly complex, across numerous and diverse markets in many currencies.

Kiwibank's financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond its control, such as a spike in transaction volume, adversely affecting its ability to process these transactions or provide these services. In addition, Kiwibank is exposed to the risk of loss resulting from human error, the failure of internal or external processes and systems or from external events.

Risks relating to information technology systems

Like all banks, Kiwibank is highly dependent on information systems and technology and there is a risk that these, or the services they use or are dependent on, might fail. To manage some of these risks, Kiwibank has adequate recovery and systems continuity plans in place, which continue to be developed as Kiwibank grows. 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 and could adversely impact the business and have a material adverse effect on Kiwibank's financial condition and operations.

Kiwibank considers it must constantly update and implement new information technology systems, in part to assist with satisfying regulatory demands, ensuring information security, enhancing computer-based banking services for customers and integrating the various segments of the business. These implementation projects may not be organised effectively or executed efficiently, which could lead to increased project costs, delays in the ability to comply with regulatory requirements, failure of information security controls or a decrease in Kiwibank's ability to enhance services to customers. Kiwibank has determined that it is appropriate to modernise its core banking system. This significant change programme commenced in 2014 and will continue until around 2017. There will be a high level of investment during this period which will be actively managed to minimise the risk of unplanned costs or operational risk.

Market, interest rate and currency risks could adversely impact Kiwibank's results

Kiwibank is subject to the risks typical of banking such as interest rate fluctuations, exchange rate variations and capital market volatility. Many of the events or circumstances giving rise to these risks are outside Kiwibank's control. The results of Kiwibank's banking operations are affected by Kiwibank's management of interest rate sensitivity. Activity in the securities markets generally also affects its banking business. Kiwibank also offers a number of financial products that expose it to risks associated with fluctuations in interest rates.

Kiwibank faces intense competition, which could adversely impact its results

Kiwibank faces intense competition in all of its principal areas of operation in New Zealand.

Access to capital

Kiwibank maintains its capital position, in part, through issuing capital instruments to the market. Access to capital markets will always be subject to the conditions prevailing at the relevant time.

Reputational damage and legal and regulatory issues could harm Kiwibank's business and prospects

Various issues may give rise to reputational risk and legal and regulatory consequences and cause harm to Kiwibank's business and prospects. Failure to address these issues appropriately could also give rise to additional legal risk, 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.

A group called Fair Play on Fees announced in June 2013 its intention to launch a representative action against New Zealand banks in relation to certain default fees charged to New Zealand customers. In November 2013 the group issued proceedings against Kiwibank. The potential outcome of the proceedings cannot be determined with any certainty at this stage.

The RBNZ has raised some concerns with Kiwibank regarding Kiwibank's compliance with the Anti-Money Laundering and Countering Financing of Terrorism Act 2009. Kiwibank is addressing all of the concerns raised by the RBNZ and is continuing discussions with the RBNZ regarding any further steps that may be taken. This will not materially impact on Kiwibank's financial performance.

Acquisitions

Kiwibank has undertaken, and may further undertake, acquisitions as part of its business strategy. There is no assurance that acquired businesses will be successfully integrated into the Kiwibank Group, that existing customer relationship and revenue levels will be maintained or that synergies or economies of scale will be achieved. Integration costs and failure to achieve the expected synergies or other benefits may have an adverse impact on Kiwibank's financial performance and business operations.

Pursuing capital and structural options could have a material adverse effect on Kiwibank

New Zealand Post's shareholders expect the New Zealand Post Group to maintain an efficient and effective capital structure, and have had an ongoing interest in the structural options available to the New Zealand Post Group with respect to its various lines of business. Related to this, Kiwibank and New Zealand Post regularly examine a range of strategic opportunities, including alternative funding and capital options, with a view to determining whether those opportunities will enhance Kiwibank's financial performance and position.

Options may in the future be considered regarding the structure of the New Zealand Post Group and its operating subsidiaries, including arrangements or relationships with third parties.

Any option that is pursued could, for a variety of reasons, turn out to have a material adverse effect on Kiwibank.

Kiwibank and New Zealand Post currently both utilise the New Zealand Post Group's physical retail distribution network. As both Kiwibank and New Zealand Post's Mail & Logistics business develop their respective overall distribution strategies, the structure of, level of investment in, and cost of operating, the overall physical network needs to be optimised and addressed. A failure to address this in a timely manner, or in a way that meets the needs of both businesses, risks ongoing or additional costs for Kiwibank.

5.6.5 Risks associated with your Perpetual Capital Notes specifically

Perpetual Capital Notes are subordinated obligations of KCFL

Your Perpetual Capital Notes are subordinated obligations of KCFL, meaning that, in the event of a liquidation of KCFL, you will not be entitled to any payment of principal until all prior ranking creditors of KCFL have been paid in full. Further information about the subordination of your Perpetual Capital Notes is set out in Section 5.6.11, under the heading "Prior ranking claims".

Restrictions on KCFL's rights and ranking in a liquidation of Kiwibank

You have no claim against Kiwibank in respect of your Perpetual Capital Notes. However, if the Kiwibank Perpetual Bonds held by KCFL have not been converted into Ordinary Shares or written off, KCFL will be entitled to claim in Kiwibank's liquidation for an amount equal to the principal amount of the Kiwibank Perpetual Bonds held by it. KCFL's claim for this amount is a deeply subordinated claim and ranks behind the claims of all other creditors of Kiwibank, other than claims that are expressed to rank equally with the Kiwibank Perpetual Bonds (presently none). If there is a shortfall of funds available to pay claims ranking senior to and equally with Kiwibank Perpetual Bonds held by KCFL, KCFL will not be able to pay amounts owing to you on your Perpetual Capital Notes.

KCFL's claim in a liquidation of Kiwibank will be adversely affected if a Trigger Event occurs. If Kiwibank Perpetual Bonds held by KCFL have been converted into Ordinary Shares, KCFL will have the rights of a holder of Ordinary Shares in Kiwibank. In a liquidation of Kiwibank, the Ordinary Shares issued to KCFL on conversion of the Kiwibank Perpetual Bonds held by KCFL will rank equally with other Ordinary Shares and behind all preferred shareholders and creditors of Kiwibank. If there is a shortfall of funds available to pay all claims ranking senior to Ordinary Shares, KCFL will not be able to pay amounts owing to you on your Perpetual Capital Notes.

If Kiwibank Perpetual Bonds held by KCFL are written off then KCFL will have no claim in the liquidation of Kiwibank in respect of those Kiwibank Perpetual Bonds. In these circumstances a corresponding amount of your Perpetual Capital Notes would also have been written off.

There is a significant risk that you will lose all or some of your investment should Kiwibank become insolvent.

Changes in interest rates

The Interest Rate is a fixed rate that is reset at 5-yearly intervals by adding a fixed Margin to the then applicable 5 Year Swap Rate. There is a risk that the resetting of the Interest Rate will result in its reduction compared to the interest rate that applied during the prior 5 year period.

You have no right to request repayment of your Perpetual Capital Notes

You have no right to request that your Perpetual Capital Notes be repaid. Unless your Perpetual Capital Notes are repaid by KCFL or purchased by KGHL under the Scheduled Call, to realise your investment you would need to sell your Perpetual Capital Notes on the NZX Debt Market at the prevailing market price. You may not be able to sell your Perpetual Capital Notes, and even if you can, the price may be less than what you paid for your Perpetual Capital Notes.

No guarantee

The payment of interest and repayment of your Perpetual Capital Notes is not guaranteed by Kiwibank, the Government or any other person. The New Zealand Post Deed Poll Guarantee dated 22 November 2001 (as amended from time to time) that applies to certain payment obligations of Kiwibank does not apply to the Kiwibank Perpetual Bonds held by KCFL. Your Perpetual Capital Notes are issued by KCFL under the terms contained in the Trust Deed. You have no claim on KCFL in respect of your Perpetual Capital Notes except as provided in the Trust Deed. Your Perpetual Capital Notes are unsecured.

KCFL may repay your Perpetual Capital Notes if a Regulatory Event occurs

The RBNZ has issued a notice of non-objection to Kiwibank that the Kiwibank Perpetual Bonds held by KCFL will constitute Additional Tier 1 Capital for the purposes of Kiwibank's regulatory capital requirements. However, if the RBNZ subsequently determines that all of the Kiwibank Perpetual Bonds held by KCFL are not or will not qualify as Additional Tier 1 Capital for Kiwibank, Kiwibank may decide that a Regulatory Event has occurred. A Regulatory Event will not occur if the event is minor or could have been anticipated when the Kiwibank Perpetual Bonds were issued to KCFL. A Regulatory Event will allow Kiwibank to repay the Kiwibank Perpetual Bonds held by KCFL at its option (subject to the RBNZ's prior written approval) - see Section 5.5.7. If the Kiwibank Perpetual Bonds held by KCFL are repaid, KCFL will apply the amount received from Kiwibank to repay your Perpetual Capital Notes.

KCFL may repay your Perpetual Capital Notes if a Tax Event occurs

If Kiwibank determines that there has been, or will be, a change in, or a change in the application, interpretation or administration of any, New Zealand law, regulation, ruling or directive, that applies, or is to apply, after the Issue Date, which affects the taxation treatment in relation to the Kiwibank Perpetual Bonds held by KCFL or your Perpetual Capital Notes (provided such event is not minor or could not have been anticipated when the Kiwibank Perpetual Bonds were issued to KCFL) Kiwibank is entitled to repay

the Kiwibank Perpetual Bonds held by KCFL at its option (subject to the RBNZ's prior written approval) – see Section 5.5.7. If the Kiwibank Perpetual Bonds held by KCFL are repaid, KCFL will apply the amount received from Kiwibank to repay your Perpetual Capital Notes.

Amendment of the terms of your Perpetual Capital Notes or the Kiwibank Perpetual Bonds held by KCFL

The terms of your Perpetual Capital Notes may be amended without your consent as described in Section 5.7.1 under the heading "Amendment without consent". You will be bound by any such amendments despite the fact that you may not agree with the amendments and that the changes may adversely affect the market price of and/or liquidity of the market for your Perpetual Capital Notes.

In addition, Kiwibank may, provided regulatory consents are obtained in certain circumstances, amend the terms of the Kiwibank Perpetual Bonds held by KCFL without KCFL's consent. However, this can only occur in the limited circumstances described in Section 5.7.2.

The Scheduled Call is subject to conditions that may never be met

The Scheduled Call Date is the earlier of the First Call Date (27 May 2022) and the first Interest Payment Date thereafter on which the Scheduled Call Conditions are satisfied. **Your Perpetual Capital Notes will not be purchased by KGHL under the Scheduled Call unless the Scheduled Call Conditions are met.** The Scheduled Call Conditions are described in Section 5.5.9.

The Scheduled Call Conditions will not be satisfied if KGHL, in its sole discretion, is not satisfied that it has sufficient funds available to pay the aggregate Call Price of the Perpetual Capital Notes. KGHL is a non-operating holding company. This means it is entirely reliant on obtaining funds from one or more of the following sources:

- its shareholder, New Zealand Post, through capital contributions or loans;
- its operating subsidiaries, Kiwibank, Kiwi Insurance Limited, Kiwi Wealth Management Limited and The New Zealand Home Loan Company Limited, through dividends, capital returns or loans; or
- unrelated parties, such as banks, making loans to it.

Neither KGHL's shareholder nor any of its operating subsidiaries has made any commitment to provide it with funding for this purpose, and investors should not expect that any of them will do so in the future. As a state-owned enterprise, the ability of New Zealand Post to provide funding to KGHL for any purpose will also be influenced by changes in Government policy. There is no certainty that KGHL's subsidiaries will pay any dividends or other capital returns will be paid in the future. KGHL is under no obligation to obtain funding that will enable it to pay the aggregate Call Price. KGHL is not obliged to obtain funding from banks or other third parties, and there is no certainty that it could obtain this funding on suitable terms, if it attempted to do so.

Kiwibank has announced that its intention is to be capital self-sufficient by generating sufficient profit to meet its on-going capital needs. Consistent with this, Kiwibank has commenced paying dividends to its shareholder, KGHL.

If payment of the aggregate Call Price for the Perpetual Capital Notes is to be funded by Kiwibank providing a loan directly or indirectly to KGHL, the RBNZ must provide its consent to Kiwibank to that funding being provided and the Kiwibank Perpetual Bonds must be repaid on or shortly after the Scheduled Call Date. There is no certainty that, if Kiwibank wished to provide a loan to KCFL for these purposes, the RBNZ's consent will be given. If the RBNZ's consent is required but is not obtained, the Scheduled Call Conditions will not be satisfied.

The Scheduled Call Conditions will not be satisfied if KGHL, in its sole discretion, is not satisfied it will be Solvent immediately after paying the aggregate Call Price for the Perpetual Capital Notes.

5.6.6 Liquidity

There may be no liquid market for your Perpetual Capital Notes. The market for your Perpetual Capital Notes may be less liquid than the market for comparable securities issued by Kiwibank or other entities. If you wish to sell your Perpetual Capital Notes, you may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for your Perpetual Capital Notes.

5.6.7 Financial market conditions

The market price of your Perpetual Capital Notes may fluctuate due to various factors, including investor perceptions, worldwide economic conditions, interest rates, credit spreads, movements in the market price of senior or subordinated debt, and factors that may affect the financial performance and position of Kiwibank. Your Perpetual Capital Notes may trade at a market price below the price you paid for your Perpetual Capital Notes.

The market price of your Perpetual Capital Notes may be affected by changes in interest rates and credit spreads. Increases in interest rates or Kiwibank's credit spread may adversely affect the market price of your Perpetual Capital Notes because the return on your Perpetual Capital Notes will become less attractive compared to returns that are available from other investments.

5.6.8 Changes to the credit rating of your Perpetual Capital Notes

Credit rating agencies may withdraw, revise or suspend credit ratings or change the methodology by which they assign credit ratings. Such changes could adversely affect the credit rating, market price and liquidity of your Perpetual Capital Notes.

5.6.9 Future issues or redemptions of securities by KCFL and Kiwibank

Your Perpetual Capital Notes and the Kiwibank Perpetual Bonds held by KCFL do not in any way restrict KCFL or Kiwibank from issuing further securities or from incurring further indebtedness.

Your investment in Perpetual Capital Notes carries no right to participate in any future issue of securities by KCFL (whether related to Tier 1 Capital or Tier 2 Capital issued by Kiwibank - see Section 7).

No prediction can be made as to the effect, if any, which the future issue of securities by KCFL and/or Kiwibank may have on the market price or liquidity of your Perpetual Capital Notes or of the likelihood of Kiwibank making payments on the Kiwibank Perpetual Bonds held by KCFL, thereby enabling KCFL to make payments on your Perpetual Capital Notes.

Similarly, the Kiwibank Perpetual Bonds held by KCFL do not restrict Kiwibank from redeeming or otherwise repaying its other existing securities, including other existing securities which rank equally with or junior to Kiwibank Perpetual Bonds.

Kiwibank may redeem or otherwise repay existing securities, including existing equal or junior ranking securities before, during or after the issue of the Kiwibank Perpetual Bonds held by KCFL. KCFL's investment in Kiwibank Perpetual Bonds held by KCFL carries no right to be redeemed or otherwise repaid at the same time as Kiwibank redeems or otherwise repays other securities (whether equity, Additional Tier 1 Capital, subordinated or senior debt or otherwise).

No prediction can be made as to the effect, if any, which the future redemption or repayment by Kiwibank of existing securities may have on the market price or liquidity of your Perpetual Capital Notes or on Kiwibank's financial position or performance.

As a result of subsequent issues or redemptions of securities, if you wish to sell your Perpetual Capital Notes, you may be unable to do so at an acceptable price, or at all.

5.6.10 More information

Kiwibank's latest interim and full year disclosure statements published under section 81 of the RBNZ Act contain more information on the risks Kiwibank faces in carrying on its business as a registered bank, and the steps Kiwibank takes to mitigate these risks. You can obtain a copy of the latest interim and full year disclosure statements (which contain Kiwibank's most recent financial statements), free of charge, from Kiwibank's registered office at Level 12, New Zealand Post House, 7 Waterloo Quay, Wellington 6011 or at www.kiwibank.co.nz/about-us/legal-docs/.

5.6.11 Consequences of insolvency

Status of your Perpetual Capital Notes

If KCFL becomes insolvent for any reason, you may be unable to recover from KCFL all or some of your investment in Perpetual Capital Notes. Therefore, you may not receive the returns described in Section 5.5.

Your Perpetual Capital Notes are unsecured, subordinated obligations of KCFL. In a liquidation of KCFL, your rights to payment of:

- (a) the Principal Amount of each of your Perpetual Capital Notes will rank:
 - (i) after the claims of all secured creditors, unsecured unsubordinated creditors and term subordinated creditors of KCFL;
 - (ii) equally with claims of other Holders for payment of the Principal Amount of Perpetual Capital Notes and with holders of other securities that rank or are expressed to rank equally with claims for payment of the Principal Amount of Perpetual Capital Notes with respect to priority of payment in a liquidation; and
 - (iii) ahead of claims of KCFL's shareholders; and
- (b) the Loss Absorbing Amount of each of your Perpetual Capital Notes will rank:
 - (i) after the claims of all other creditors of KCFL (other than creditors referred to in paragraph (ii) below);
 - (ii) equally with claims of other Holders for payment of a Loss Absorbing Amount and holders of other claims that rank or are expressed to rank equally with the Loss Absorbing Amount with respect to priority of payment in a liquidation; and
 - (iii) ahead of claims of KCFL's shareholders.

However, to the extent that KCFL receives a Corresponding Payment from Kiwibank prior to KCFL's liquidation, those funds are held on trust for you and the other Holders of Perpetual Capital Notes, so should not be treated as assets of KCFL were KCFL to become subject to insolvency proceedings.

Prior ranking claims

KCFL is not expected to have any secured creditors and is not expecting to have any material obligations to unsecured, unsubordinated creditors. KCFL issued \$100 million capital notes in June 2014. The holders of those capital notes are term subordinated creditors whose claims rank ahead of your claims under the Perpetual Capital Notes (other than any funds held on trust for you, as described above) with respect to the payment of principal and interest.

KCFL will owe amounts to certain creditors in connection with your Perpetual Capital Notes, for example, brokerage relating to subscriptions for Perpetual Capital Notes and fees payable to the Trustee, the Registrar and NZX. However, KCFL and Kiwibank have entered into an Administration Agreement under which Kiwibank has agreed to pay these amounts on behalf of KCFL. These unsecured, unsubordinated creditors are able to claim directly against Kiwibank under the Administration Agreement if amounts owing to them are not paid when due. As a member of the New Zealand Post consolidated group for income tax purposes, KCFL may be jointly and severally liable for taxes payable by the consolidated group. However, the tax liability of the consolidated group is expected to be paid by one or more of the other members, and not by KCFL. If no other member meets the tax liability of the consolidated group Inland Revenue is able to claim directly against KCFL.

5.6.12 Limited enforcement rights of Holders of Perpetual Capital Notes

Holders of Perpetual Capital Notes may not take any enforcement action in relation to:

- (a) a failure by KCFL to pay an amount on its scheduled payment date to you, except to the extent KCFL has received a Corresponding Payment; or
- (b) a breach by KCFL of any other obligation under the Trust Deed, except to apply for an order for specific performance by KCFL of the relevant obligation.

In particular, holders of Perpetual Capital Notes are not entitled to:

- (a) bring proceedings against KCFL to recover any amounts that were not paid on the scheduled payment date for those amounts, except to the extent KCFL has received a Corresponding Payment;
- (b) apply for an order for specific performance by KCFL of any obligation to make a payment unless the order being sought relates to a payment in respect of which KCFL has received the Corresponding Payment; or
- (c) apply to have a liquidator appointed in relation to KCFL.

Under no circumstances may a Holder of Perpetual Capital Notes seek to have any obligations of KCFL accelerated.

It is not a default by KCFL if it withholds or refuses any payment in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment.

In the event of liquidation of KCFL, you are entitled to prove in the liquidation of KCFL for the amounts owing on your Perpetual Capital Notes, although payment of those amounts is subordinated as described in Section 5.6.11.

5.6.13 Acknowledgement by Holders

You irrevocably acknowledge that:

- (a) you will be bound by any adjustment to the Principal Amount and Loss Absorbing Amount made in accordance with the Trust Deed (as described in Section 5.5.3 and the Prospectus) and you have no rights to compensation from, or any other remedies against, KCFL, the Trustee or Kiwibank in relation to any such adjustment or the consequences thereof;
- (b) you have no rights, title or interest in relation to any Ordinary Shares issued to KCFL on conversion of the Kiwibank Perpetual Bonds held by KCFL;
- (c) KCFL's ownership of Ordinary Shares is not subject to any agency, trust or fiduciary arrangements in your favour or in favour of Holders generally; and
- (d) except as expressly limited by the Trust Deed, KCFL may exercise all rights as shareholder, and otherwise deal with, the Ordinary Shares it holds as it thinks fit.

More information relating to the status of your Perpetual Capital Notes and your rights to take enforcement action against KCFL is contained in the Prospectus.

You will not, in any circumstances, be liable to pay money in addition to the issue price of \$1.00 per Perpetual Capital Note to any person as a result of KCFL's insolvency.

5.7 Can the investment be altered?

5.7.1 Limited right to amend the terms of your Perpetual Capital Notes

No provision of the Trust Deed may be cancelled, varied or amended by you, KCFL or any other person while any Perpetual Capital Notes are outstanding except as described below:

Amendment without consent

The Trust Deed may be amended without your consent where:

- (a) the amendment, in the opinion of the Trustee is of a minor or technical nature, is to correct a manifest error, or is to comply with the requirements or a modification of the requirements of any applicable law or the Listing Rules, and, in any such case, the directors of KCFL have resolved that such amendment will not be materially prejudicial to the interests of Holders and the Trustee is of the opinion that such amendment will not be materially prejudicial to the interests of Holders generally; or
- (b) the Trustee is of the reasonable opinion that the amendment will not adversely affect the interests of affected Holders; or
- (c) the amendment has the effect of disapplying a provision that had been deemed by law to be included in the Trust Deed and is no longer deemed by law to be so included.

Amendment approved by Extraordinary Resolution

The Trust Deed may be amended if the amendment has been approved by an Extraordinary Resolution of the Holders or relevant class of Holders and notified in accordance with the Trust Deed.

5.7.2 Amendment to the terms of the Kiwibank Perpetual Bonds held by KCFL

An amendment to the Deed Poll, which sets out the terms of the Kiwibank Perpetual Bonds held by KCFL, could affect your Perpetual Capital Notes. However, the Deed Poll can only be amended:

- with the consent of all the holders of bonds issued under the Deed Poll, including KCFL as holder of the Kiwibank Perpetual Bonds (although KCFL may not consent to any amendment unless KCFL's directors have resolved that the amendment will not be adverse to Holders' interests and have certified this to the Trustee); or
- without the consent of the holders of bonds issued under the Deed Poll if the amendment is of a minor or technical nature or will not be of any prejudice to the holders of bonds issued under the Deed Poll or is expressed to be inapplicable to any outstanding bonds issued under the Deed Poll or is made to comply with applicable law.

5.8 How do I cash in my investment?

Optional repayment

You have no right to require KCFL to repay the Principal Amount of your Perpetual Capital Notes.

However if Kiwibank repays the Kiwibank Perpetual Bonds held by KCFL then, provided that KCFL receives a Corresponding Payment from Kiwibank, KCFL will be required to repay your Perpetual Capital Notes on the same day.

KCFL is not obliged to repay the Loss Absorbing Amount on any of your Perpetual Capital Notes unless it receives the proceeds of a sale of, or capital reduction involving, the Ordinary Shares issued to it on conversion of Kiwibank Perpetual Bonds it holds. In that case KCFL will pay you the Loss Absorbing Payment Amount on your Perpetual Capital Notes.

All of your Perpetual Capital Notes will be purchased by KGHL on the Scheduled Call Date, if they are outstanding at that time. The Scheduled Call Date will not occur unless the Scheduled Call Conditions are met and will not occur at all if any of the Kiwibank Perpetual Bonds are converted into Ordinary Shares or written off. See Section 5.5.9.

Transfer of Perpetual Capital Notes

You are entitled to sell or transfer your Perpetual Capital Notes at any time provided that the sale or transfer is not restricted by the terms of the Perpetual Capital Notes and applicable securities laws and regulations, including the Listing Rules (if applicable).

You should not attempt to sell Perpetual Capital Notes until you know whether, and how many, Perpetual Capital Notes have been allotted to you. Neither KCFL or any of its directors or employees or any other person accepts any liability or responsibility should you attempt to sell or otherwise deal with any Perpetual Capital Notes before receiving a statement recording the number of Perpetual Capital Notes (if any) allotted to you.

You may transfer part of your interest in your Perpetual Capital Notes if the transfer is for 1,000 Perpetual Capital Notes or an integral multiple of 1,000 Perpetual Capital Notes. However, KCFL will not register any transfer of your Perpetual Capital Notes or any part of your interest in a Perpetual Capital Note if the transfer would result in you or the transferee holding or continuing to hold less than the Minimum Holding of Perpetual Capital Notes (5,000 Perpetual Capital Notes), unless you would then hold no Perpetual Capital Notes.

Application has been made to NZX for permission to quote Perpetual Capital Notes on the NZX Debt Market. To be eligible to trade your Perpetual Capital Notes on the NZX Debt Market, you must have an account with a NZX Primary Market Participant (broker), a Common Shareholder Number (CSN) and an Authorisation Code (FIN). If you do not have an account with a broker you should be aware that opening an account can take a number of days depending on the NZX Primary Market Participant's new client procedures. If you do not have a CSN you will be automatically assigned one. You will also be able to obtain your CSN by calling the

Registrar on 09 375 5998 from 28 May 2015. You will receive a CSN from the Registrar when you receive your “Holding Statement” (which is expected to be sent on 28 May 2015). If you do not have a FIN, it is expected that you will be sent one as a separate communication by the Registrar on 28 May 2015. If you have a broker and have not received a FIN by the date you want to trade your Perpetual Capital Notes, your broker can arrange to obtain your FIN from the Registrar. Your broker may incur a cost for requesting your FIN from the Registrar and may pass this cost on to you.

While it is expected that a secondary trading market for your Perpetual Capital Notes will develop over time, there can be no assurance of the liquidity of such a market. Consequently, you may not be able to sell your Perpetual Capital Notes readily or at all, or at prices that will enable you to realise a yield comparable to that of similar instruments, if any, with a developed secondary market.

If your holding of Perpetual Capital Notes is, in aggregate, less than the Minimum Holding, KCFL may require you to sell those Perpetual Capital Notes, in accordance with the Trust Deed.

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

KCFL and the Registrar are entitled to accept and assume the authenticity and genuineness of any instrument of transfer or other document, and will not incur any liability for registering any instrument of transfer which is subsequently discovered to be a forgery or otherwise defective, unless KCFL or the Registrar had actual notice of such forgery or defect at the time of registration of such instrument of transfer.

5.9 Who do I contact with inquiries about my investment?

You can direct any inquiries in relation to your Perpetual Capital Notes to:

The Registrar

Link Market Services Limited
Level 7, Zurich House
21 Queen Street
Auckland 1010

or

PO Box 91976
Auckland 1142

Telephone for investor enquiries: (09) 375 5998

Facsimile: (09) 375 5990

Email: enquiries@linkmarketservices.co.nz

or

The Issuer

Communications Manager
Kiwi Capital Funding Limited
Level 12, New Zealand Post House
7 Waterloo Quay
Wellington 6011

Telephone: (04) 473 1133

Facsimile: (04) 462 7941

5.10 Is there anyone to whom I can complain if I have problems with the investment?

You can direct any complaints about your Perpetual Capital Notes to:

The Registrar

Link Market Services Limited
Level 7, Zurich House
21 Queen Street
Auckland 1010

or

PO Box 91976
Auckland 1142

Telephone for investor enquiries: (09) 375 5998

Facsimile: (09) 375 5990

Email: enquiries@linkmarketservices.co.nz

or

The Issuer

Communications Manager
Kiwi Capital Funding Limited
Level 12, New Zealand Post House
7 Waterloo Quay
Wellington 6011

Telephone: (04) 473 1133

Facsimile: (04) 462 7941

or

The Trustee

The New Zealand Guardian Trust Company Limited
Level 14, 191 Queen Street
Auckland Central
Auckland 1010

Telephone: (09) 909 5100

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.

5.11 What other information can I obtain about this investment?

Additional information about KCFL and your Perpetual Capital Notes is contained or referred to in the Prospectus, the Trust Deed and the Scheduled Call Deed.

Additional information about Kiwibank is contained or referred to in Kiwibank’s latest interim and full year disclosure statements (which contain Kiwibank’s most recent financial statements) and information about the Kiwibank Perpetual Bonds held by KCFL is contained in the Deed Poll.

You may obtain a copy of the Prospectus, the Trust Deed, the Scheduled Call Deed, the Deed Poll, and further copies of this Investment Statement free of charge, on request, during normal business hours from:

The Registrar

Link Market Services Limited
Level 7, Zurich House
21 Queen Street
Auckland 1010

Telephone for investor enquiries: (09) 375 5998

Facsimile: (09) 375 5990

Email: enquiries@linkmarketservices.co.nz

or

The Issuer

Communications Manager
Kiwi Capital Funding Limited
Level 12, New Zealand Post House
7 Waterloo Quay
Wellington 6011

Telephone: (04) 473 1133

Facsimile: (04) 462 7941

You can obtain a copy of KCFL's latest financial statements and Kiwibank's latest disclosure statement free of charge, on request, during normal business hours at Kiwibank's registered office at Level 12, New Zealand Post House, 7 Waterloo Quay, Wellington (or at any of Kiwibank's branches in the case of Kiwibank's latest disclosure statement) and

from www.kiwibank.co.nz/about-us/legal-docs/. Where you make the request at any branch, the disclosure statement will be provided, free of charge, within two working days.

The Prospectus and other documents of, or relating to, KCFL and Kiwibank's full year disclosure statements (which contain Kiwibank's full year financial statements) and other documents of, or relating to, Kiwibank, are filed on a public register. You may view them on the Companies Office website (www.business.govt.nz/companies). You may also obtain copies of the publicly filed documents (on payment of a fee) by telephoning the Companies Office on 0508 266 726.

In addition to the above information, you (whether you subscribe for Perpetual Capital Notes from KCFL or purchase them from someone else) will receive a holding statement from the Registrar setting out various information in relation to your holding of Perpetual Capital Notes within five Business Days after the date of allotment of the Perpetual Capital Notes or registration of the relevant transfer (as the case may be).

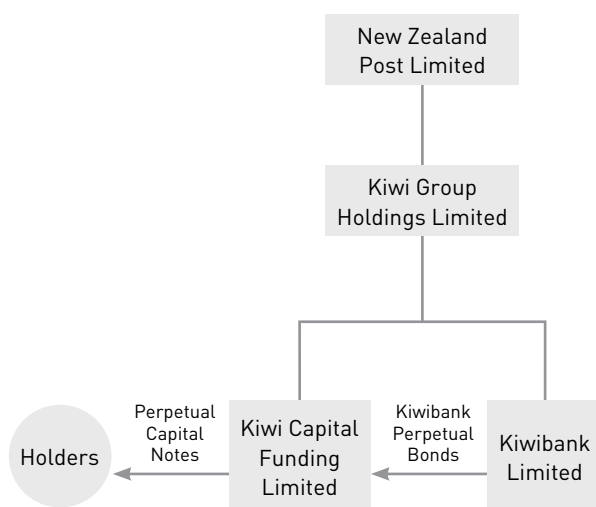
The Registrar will provide you with a RWT certificate (subject to minimum interest thresholds being met) each time an interest payment is made that states the amount of interest that has been paid to you and, if applicable, the RWT deducted from interest paid or credited to you in respect of your Perpetual Capital Notes.

Important information relating to your Perpetual Capital Notes, KCFL and Kiwibank will be disclosed in accordance with the continuous disclosure provisions of the Listing Rules.

6. About KCFL and Kiwibank

6.1 The companies involved in the Offer

Both KCFL and Kiwibank are wholly owned subsidiaries of KGHL. KGHL is a wholly owned subsidiary of New Zealand Post. New Zealand Post is a state enterprise under the State-Owned Enterprises Act 1986, wholly owned by the Government. New Zealand Post is the main postal services provider in New Zealand. The ownership structure of the companies involved in the Offer is set out below:



None of Kiwibank, the Government or any other person guarantees your Perpetual Capital Notes.

6.2 KCFL

KCFL was incorporated for the sole purpose of issuing debt securities and using the proceeds to subscribe for regulatory capital instruments issued by Kiwibank and will not undertake any business that is not related to those purposes. KCFL will invest 100% of the proceeds of Perpetual Capital Notes in Kiwibank Perpetual Bonds issued by Kiwibank.

6.3 Kiwibank

Although KCFL is the issuer of your Perpetual Capital Notes, the returns on your Perpetual Capital Notes are derived from the performance of the Kiwibank Perpetual Bonds issued to it by Kiwibank. Accordingly, set out below is information about Kiwibank and its business.

6.3.1 Background

Kiwibank opened for business early in 2002 as a New Zealand-owned banking alternative seeking to effectively compete in the New Zealand banking sector based on its service, products, fees and interest rates.

Kiwibank's strategy drew from the country's past where historically there had been a bank operating through the Post Office network and it looked to the future by embracing new technology and a new way of dealing with customers. Kiwibank's strategy is to capture and retain customers through offering high levels of customer service, competitive pricing and continuous innovation in financial products. Kiwibank employs about 1,300 staff.

6.3.2 Registration

On 29 November 2001, Kiwibank was registered as a bank under the RBNZ Act. Kiwibank is required to comply with the conditions of registration as laid down by the RBNZ.

The conditions of registration include, but are not limited to: minimum capital levels; risk measurement processes; board composition and quantitative liquidity risk management requirements. Kiwibank's full conditions of registration can be found in Kiwibank's latest Disclosure Statement at www.kiwibank.co.nz/about-us/legal-docs.

6.3.3 Principal activities

Kiwibank offers a range of personal and business transactional banking, savings account, term deposit, home loan and business loan products, along with credit card, pre-paid and debit products. Additional products include domestic and international payments, insurance, personal loans, and technological innovations not previously available in New Zealand – such as smartphone access to online relationship managers. Kiwibank intends to continually add to its product suite.

Kiwibank's overall share of the main banking market was 11.6% at the end of 2014, up from 10.6% at the end of 2013.

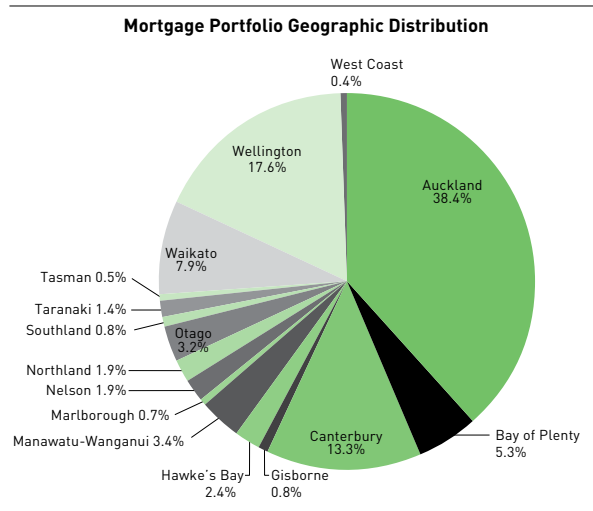
6.3.4 Distribution channels

Customer access is gained via the coverage of main urban centres and rural New Zealand through the New Zealand Post store network, a team of Kiwibank mobile mortgage specialists, and direct services through its Wellington headquarters. Other distribution channels include call centres, a network of around 243 Kiwibank ATMs, access agreements for the use of all ATMs operated by registered banks in New Zealand, and telephone, mobile and internet banking. Kiwibank's mobile banking service enables its customers to carry out their everyday banking needs as well as accessing an online relationship manager service. Home loans are also distributed through The New Zealand Home Loan franchise network throughout New Zealand.

6.3.5 Home loan market

Kiwibank's core business is the New Zealand home loan market in which it has increased its share from 4% in 2008 to 7% as at 31 December 2014.

Mortgage lending enquiries are serviced by a team of around 37 specialist mobile mortgage managers nationwide, a direct lending team in Wellington and over 60 lending specialists in the branch network across the country. Reflecting its wide distribution network, Kiwibank's mortgage portfolio has broad geographic distribution as shown below (as at 31 December 2014).



For the majority of housing loan applications, Kiwibank has decision-making using automated application scoring systems. For the remainder of applications, decision-making is made by Kiwibank's credit management team.

6.3.6 Business banking

Kiwibank considers that many of the service and pricing dynamics that create opportunities in the home loan market are also apparent in the small to medium sized business market. Kiwibank offers business banking through its retail channels and specialist business banking centres throughout New Zealand. Kiwibank services a wide range of businesses across many different sectors of the economy.

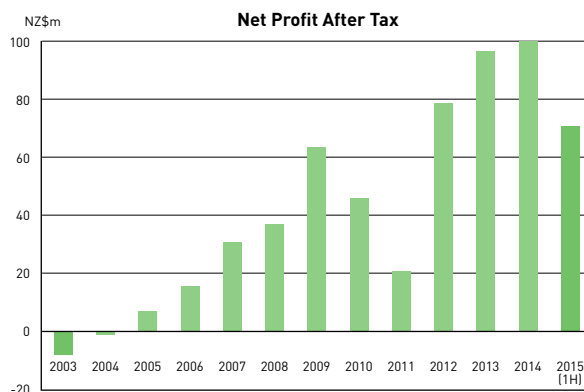
The business banking focus is on growing Kiwibank's market share in the small to medium-sized business market, utilising Kiwibank's relationship model to generate strong deposit and lending growth from both business and personal customer relationships.

6.3.7 Other activities

Kiwibank also manages an agency business and the delivery of Travellex and Western Union services in branch under the New Zealand Post brand. The agency business includes over-the-counter payments and identity services including RealMe. Kiwibank is the issuer of New Zealand Post distributed prepaid cards. Kiwibank also distributes wealth management products. This includes Kiwi Wealth Kiwisaver issued by Kiwi Wealth Limited, a related company of Kiwibank. Kiwibank is not an issuer or promoter of those products.

6.3.8 Financial performance

In the twelve months to 30 June 2014, Kiwibank announced an audited net profit of \$100 million after tax, a 3% improvement over the \$97 million after tax net profit reported for the year ended 30 June 2013. In the six months to 31 December 2014, Kiwibank announced an unaudited net profit of \$71 million after tax, a 36% improvement over the \$52 million after tax net profit reported for the six months to 31 December 2013. This record performance was underpinned by increased total lending, improved interest margin and containment of costs.



6.3.9 Directors and management

Kiwibank's directors are listed in Section 5.2 "Who is involved in providing it for me?". Kiwibank's directors, chief executive officer and any executive who reports to, or is accountable directly to Kiwibank's chief executive officer can only be appointed if the RBNZ has been provided with a copy of the curriculum vitae of the proposed appointee, and the RBNZ has advised that it has no objection to that appointment. More information about Kiwibank's directors and chief executive can be found at www.kiwibank.co.nz/about-us/more-about-us/key-people.asp.

6.4 KGHL

KGHL is a wholly-owned subsidiary of New Zealand Post. KGHL itself is a non-operating holding company that owns Kiwibank, Kiwi Insurance Limited, Kiwi Wealth Management Limited and The New Zealand Home Loan Company Limited. KGHL also owns all of the shares in KCFL. Kiwi Insurance Limited is a licenced insurer and provides a range of insurance products to the public in New Zealand. Kiwi Wealth Management Limited, through its subsidiaries, provides a range of investment and wealth products to the public in New Zealand. The New Zealand Home Loan Company Limited distributes home loans in New Zealand.

KCFL has arranged for KGHL to provide the Scheduled Call. More information on the Scheduled Call is contained in Section 5.5.9. KGHL's obligations under the Scheduled Call are subject to the Scheduled Call Conditions, including that KGHL is satisfied, in its sole discretion, that it has sufficient funds available to pay the aggregate Call Price (being \$1.00 per Perpetual Capital Note) at the relevant time. There is no certainty that KGHL will be able to satisfy this condition (or the other Scheduled Call Conditions) on the First Call Date (27 May 2022) or at all. See "The Scheduled Call is subject to conditions that may never be met" in Section 5.6.5.

7. Capital and funding for banks, including Kiwibank

This section sets out information about the capital requirements applicable to Kiwibank. Certain terms of the Kiwibank Perpetual Bonds held by KCFL, including the terms relating to conversion of those Kiwibank Perpetual Bonds into Ordinary Shares and write off, are required in order for the Kiwibank Perpetual Bonds held by KCFL to constitute Additional Tier 1 Capital for Kiwibank.

7.1 Prudential regulation

The prudential supervisor of banks in New Zealand is the RBNZ.

RBNZ's website at www.rbnz.govt.nz/regulation_and_supervision/banks/ includes further details of its functions and prudential standards.

The RBNZ imposes capital adequacy requirements on banks. These requirements are intended to ensure that an adequate level of capital is maintained, thereby providing a buffer to absorb unanticipated losses from activities. The RBNZ's approach to assessing capital adequacy focuses on credit risk associated with the bank's exposures, market and operational risks and the quality and quantity of a bank's capital.

RBNZ currently classifies a bank's regulatory capital into three tiers for its supervisory purposes; referred to as Common Equity Tier 1 Capital; 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. The ratio of Common Equity Tier 1 Capital to risk-weighted assets is called the Common Equity Tier 1 Capital Ratio.

Additional Tier 1 Capital comprises high quality components of capital and consists of certain securities not classified as Common Equity Tier 1 Capital but with loss absorbing characteristics. Additional Tier 1 Capital together with Common Equity Tier 1 Capital constitutes Tier 1 Capital and the ratio of Tier 1 Capital to risk-weighted assets is called the Tier 1 Capital Ratio.

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.

From 1 January 2013, most New Zealand incorporated registered banks, including Kiwibank, have been required to comply with the following capital ratios, measured in relation to their risk-weighted assets:

- a Common Equity Tier 1 Capital Ratio of 4.5%;
- a Tier 1 Capital Ratio of 6.0% (Common Equity Tier 1 and Additional Tier 1); and
- a Total Capital Ratio (Tier 1 and Tier 2) of 8.0%.

RBNZ has issued a notice of non-objection to Kiwibank that the Kiwibank Perpetual Bonds held by KCFL will constitute Additional Tier 1 Capital for the purposes of Kiwibank's regulatory capital requirements.

From 1 January 2014, the RBNZ has also required most New Zealand incorporated registered banks, including Kiwibank, to maintain a conservation buffer of 2.5% above the minimum ratios or face restrictions on distributions. The RBNZ also has the discretion to apply a countercyclical buffer of common equity with an indicative range of between 0 and 2.5%, although there is no formal upper limit.

If the Kiwibank Group's Capital Ratios fall within the RBNZ's capital buffer range (currently being Total Capital Ratio of 10.5% or less; Tier 1 Capital Ratio of 8.5% or less; Common Equity Tier 1 Capital Ratio of 7% or less):

- KCFL will immediately notify NZX;
- distributions to Kiwibank's ordinary and preference shareholders may be restricted;
- a condition to Kiwibank paying interest on the Kiwibank Perpetual Bonds may not be satisfied, so interest may not be paid on the Kiwibank Perpetual Bonds or the Perpetual Capital Notes; and
- Kiwibank will submit a capital plan to restore the buffer ratio to the RBNZ for approval.

7.2 The Kiwibank Group's capital management strategy

Adequacy, efficiency and flexibility are the core components of the Kiwibank Group's capital management strategy. The Kiwibank 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 RBNZ's regulatory capital requirements. In setting the minimum capital level for the Kiwibank Group, Kiwibank's board considers the regulatory capital requirements, the risk position of the Kiwibank Group's balance sheet, the capital position of Kiwibank's major competitors and market expectations.

As at 31 December 2014, the Kiwibank Group's capital principally comprised:

- (a) \$400 million of ordinary share capital contributed by New Zealand Post;
- (b) \$507 million of retained earnings;
- (c) \$117 million from the issuance of perpetual non-cumulative preference shares; and
- (d) \$208 million from the issuance of subordinated bonds.

The Kiwibank Group's capital position is further enhanced by an uncalled capital facility that the Crown has entered into with New Zealand Post. The \$300 million uncalled capital facility is available to New Zealand Post to draw down to meet contingent events concerning Kiwibank's conditions of registration and in relation to the Kiwibank Group maintaining levels of capital and liquidity approved by Kiwibank's board, which are set above the regulatory minimum levels.

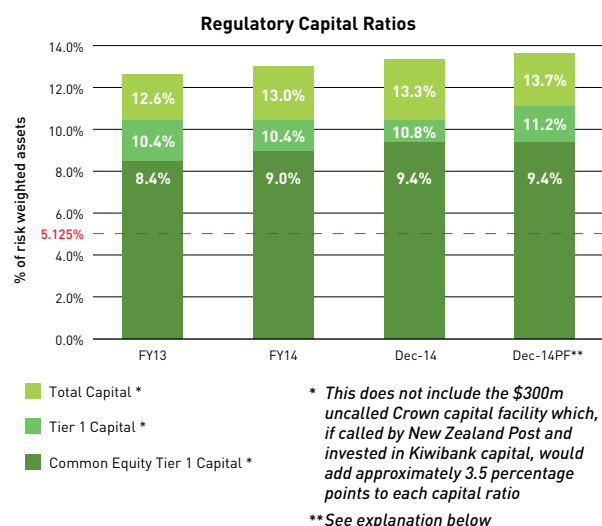
7.3 The Kiwibank Group's capital adequacy position

The Kiwibank Group's capital adequacy position for its most recent half year and annual reporting periods is set out below, showing an increase in capital over this period:

	Common Equity Tier 1 Capital Ratio	Minimum Common Equity Tier 1 Capital Ratio ¹	Tier 1 Capital ratio	Minimum Tier 1 Capital ratio ¹	Total Capital ratio	Minimum Total Capital ratio ¹
Dec 2014	9.4%	4.5%	10.8%	6.0%	13.3%	8.0%
Jun 2014	9.0%	4.5%	10.4%	6.0%	13.0%	8.0%
Jun 2013	8.4%	4.5%	10.4%	6.0%	12.6%	8.0%

¹ These are minimum ratios set by the RBNZ. With effect from 1 January 2014, most New Zealand incorporated registered banks, including Kiwibank, have also been required to maintain a capital conservation buffer of 2.5% above these minimum ratios.

Kiwibank has announced that its intention is for the Kiwibank Group to be capital self-sufficient by generating sufficient profit to meet its on-going capital needs. Consistent with this, Kiwibank has commenced paying dividends to its shareholder, KGHL.



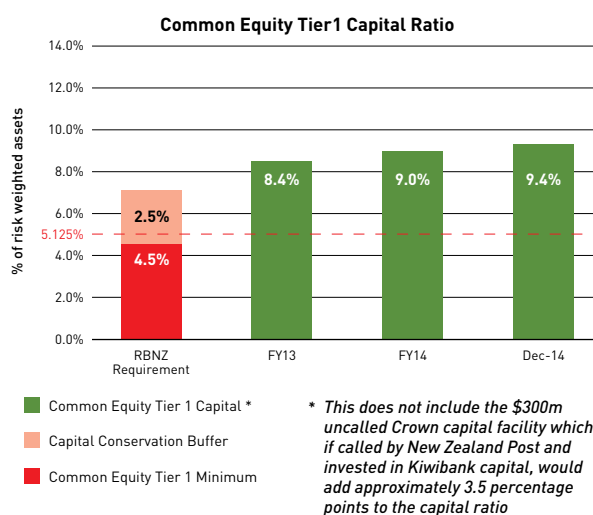
Assuming that the net proceeds raised by the issue of Perpetual Capital Notes are \$150 million, the perpetual non-cumulative preference shares are called on 4 May 2015 and using the method of calculation required by the RBNZ's banking standards, this would have increased each of the Kiwibank Group's 31 December 2014 Tier 1 Capital Ratio and Total Capital Ratio by approximately 0.4% to 11.2% and 13.7% respectively (see Dec-14 PF column above). The Kiwibank Group's capital adequacy ratios will also be impacted by organic capital growth, changes in provisions and risk-weighted assets growth since 31 December 2014.

7.4 The Kiwibank Group's Common Equity Tier 1 Capital Ratio

The Common Equity Tier 1 Capital Ratio is the ratio of Common Equity Tier 1 Capital to risk-weighted assets.

A Common Equity Capital Trigger Event will occur if the amount of Common Equity Tier 1 Capital held by the Kiwibank Group is less than the amount necessary to meet a capital ratio specified by the RBNZ, that ratio being 5.125% of risk-weighted assets.

The chart below highlights the Kiwibank Group's historic Common Equity Tier 1 Capital Ratio compared to RBNZ requirements, for its most recent half year and annual reporting periods:



7.5 Funding and liquidity

The primary objective of Kiwibank's liquidity policy is to ensure that it has adequate sources of reliable, diversified and cost effective funds that are continually available to satisfy current and prospective financial commitments under both normal and contemplated stress conditions.

Kiwibank maintains a diversified and high quality portfolio of liquid assets to meet its regulatory requirements and internal liquidity targets. This portfolio is supplemented by a residential mortgage backed securities programme which can, if required, be used to access additional funds from the RBNZ.

Kiwibank obtains its funding from a variety of sources. The dominant form of funding is customer deposits. As at 31 December 2014, those deposits stood at \$13.3 billion, which currently makes up 82% of all funding. Other sources of wholesale funding include bonds issued in New Zealand and overseas.

8. The Kiwibank Perpetual Bonds held by KCFL

KCFL will invest 100% of the proceeds of the Perpetual Capital Notes in Kiwibank Perpetual Bonds. KCFL's ability to make payments on your Perpetual Capital Notes is entirely dependent on KCFL receiving payments from Kiwibank on the Kiwibank Perpetual Bonds it holds. The Perpetual Capital Notes to be issued by KCFL have terms (such as being perpetual, the interest rate and interest payment dates) that match the terms of the Kiwibank Perpetual Bonds unless the Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares or written off.

Set out below is a description of the key terms of the Kiwibank Perpetual Bonds held by KCFL:

Issuer	Kiwibank
Subscriber	KCFL
Status	Perpetual, subordinated, unsecured, convertible bonds that are expected to count as Additional Tier 1 Capital for Kiwibank.
Issue date	27 May 2015
Issue amount	The amount of Kiwibank Perpetual Bonds issued to KCFL will be equal to the total amount of Perpetual Capital Notes issued.
Repayment	Kiwibank may, but is not obliged to, repay the Kiwibank Perpetual Bonds on 27 May 2020, each Reset Date after 27 May 2020, or if a Tax Event or Regulatory Event occurs. Repayment in all cases is subject to specified conditions being satisfied (including RBNZ consent). See Section 5.5.7.
Interest payments	<p>Interest on the Kiwibank Perpetual Bonds held by KCFL is scheduled to be paid quarterly in arrear on each interest payment date. The interest payment dates on the Kiwibank Perpetual Bonds held by KCFL are the same as the Interest Payment Dates on the Principal Amount of your Perpetual Capital Notes. The payment of interest on an interest payment date is subject to Kiwibank's absolute discretion and the following payment conditions:</p> <ul style="list-style-type: none"> ■ that Kiwibank and the Kiwibank Group would be Solvent after the payment is made; and ■ that Kiwibank would be in compliance with the capital adequacy requirements in its conditions of registration after the payment is made. <p>See Section 5.5.5.</p> <p>Interest payments are non-cumulative. This means that if Kiwibank does not pay interest to KCFL on an Interest Payment Date, Kiwibank will not pay that interest on a later date and KCFL has no right to receive it at all or to take action against Kiwibank in respect of that interest.</p>
Restrictions on Kiwibank if interest is not paid	Kiwibank will be restricted in its ability to pay dividends on its Ordinary Shares, to undertake a capital reduction, and to make payments on capital instruments that rank equally with or junior to the Kiwibank Perpetual Bonds if interest is not paid on the Kiwibank Perpetual Bonds by Kiwibank on a scheduled interest payment date.
Interest rate	The interest rate on the Kiwibank Perpetual Bonds held by KCFL will be the same as the interest rate on the Principal Amount of your Perpetual Capital Notes. See Section 5.5.6.
Loss absorbency	<p>The Kiwibank Perpetual Bonds held by KCFL are expected to count as Additional Tier 1 Capital for Kiwibank under the RBNZ's prudential standards. To qualify as Additional Tier 1 Capital, the Kiwibank Perpetual Bonds held by KCFL must be able to absorb losses by either converting into common equity of Kiwibank or being written off if Kiwibank does not hold enough Common Equity Tier 1 Capital or suffers severe financial difficulty.</p> <p>The Kiwibank Perpetual Bonds held by KCFL may be required to be converted into Ordinary Shares (or written off if conversion into Ordinary Shares is not possible) if a Trigger Event occurs. The Trigger Events are a Common Equity Capital Trigger Event or a Non-Viability Trigger Event.</p>
Common Equity Capital Trigger Event	A Common Equity Capital Trigger Event means Kiwibank determines, or the RBNZ has notified Kiwibank in writing that it believes, that the Common Equity Tier 1 Capital Ratio of the Kiwibank Group is less than 5.125%. The Common Equity Tier 1 Capital Ratio is the ratio of Common Equity Tier 1 Capital to risk-weighted assets.
Non-Viability Trigger Event	<p>A Non-Viability Trigger Event means the earlier of:</p> <p>(a) a direction given, by notice in writing, to Kiwibank by the RBNZ under section 113 of the RBNZ Act, on the basis that the financial position of Kiwibank is such that it meets any of the grounds in subsections 113(1)(a)-(e) of the RBNZ Act, requiring Kiwibank to exercise its right of conversion or write off of its capital instruments; or</p>

	<p>(b) Kiwibank being made subject to statutory management by an Order in Council issued pursuant to section 117 of the RBNZ Act and the statutory manager deciding that Kiwibank exercise its right of conversion or write off of Kiwibank's capital instruments.</p> <p>The grounds on which a direction may be given by the RBNZ are that the RBNZ has reasonable grounds to believe:</p> <p>(a) Kiwibank is insolvent or is likely to become insolvent;</p> <p>(b) Kiwibank is about to suspend payment or is unable to meet its obligations as and when they fall due;</p> <p>(c) the affairs of Kiwibank are being conducted in a manner prejudicial to the soundness of the financial system;</p> <p>(d) the circumstances of Kiwibank are such as to be prejudicial to the soundness of the financial system; or</p> <p>(e) the business of Kiwibank has not been, or is not being, conducted in a prudent manner.</p>
Conversion	<p>If Kiwibank is required to convert some or all of the Kiwibank Perpetual Bonds held by KCFL into Ordinary Shares, the number of Ordinary Shares to be issued to KCFL will be determined by dividing (i) the total of the principal amount of the Kiwibank Perpetual Bonds being converted by (ii) the value per share of the existing Ordinary Shares. The value per share of the existing Ordinary Shares will be determined by dividing (i) the value of Kiwibank's net tangible assets by (ii) the number of existing Ordinary Shares on issue. Unless Kiwibank appoints an independent expert to determine the market value, Kiwibank will determine the value of its net tangible assets by reference to its most recent management accounts and such other information as Kiwibank reasonably considers appropriate. However, if this would result in the value per share being zero or a negative number, the value of Kiwibank's net tangible assets will be deemed to be \$1 million for the purposes of determining the value per share. Kiwibank is not obliged to appoint an independent expert and it may not be practicable to do so in the circumstances to enable conversion to occur when required.</p> <p>Kiwibank (in consultation with the RBNZ) or the statutory manager determines how many Kiwibank Perpetual Bonds are converted but it must be sufficient to satisfy the RBNZ or the statutory manager of Kiwibank that the Kiwibank Group's Common Equity Tier 1 Capital Ratio is able to be increased to at least 5.125% or that Kiwibank is viable (as applicable) without further conversion or write off. If Kiwibank has more than one loss absorbing capital instrument on issue, Kiwibank will, to the extent that it is able, convert or write off:</p> <p>(a) first, any Tier 1 Capital instruments that have loss absorbing terms whose terms require or permit them to be converted or written off before the Kiwibank Perpetual Bonds; and</p> <p>(b) second, if the conversion or write off of those Tier 1 Capital instruments having loss absorbing terms is insufficient, any other Tier 1 Capital instruments having loss absorbing terms (including the Kiwibank Perpetual Bonds held by KCFL),</p> <p>on an approximately pro rata basis. The Kiwibank Perpetual Bonds will be converted or written off before any Tier 2 capital instruments are converted or written off.</p>
Write off if conversion is not possible	<p>If, following a Trigger Event, conversion of the Kiwibank Perpetual Bonds held by KCFL into Ordinary Shares is not possible within five Business Days of the date on which the Trigger Event occurred those Kiwibank Perpetual Bonds will not be converted, but instead will be written off. Conversion will not be possible if Kiwibank is prevented from converting any Kiwibank Perpetual Bonds held by KCFL into Ordinary Shares, including by applicable law or order of any court or action of any governmental agency (including regarding the dissolution or statutory management of Kiwibank).</p>
No guarantee	<p>The Kiwibank Perpetual Bonds held by KCFL are not guaranteed by the Government or any other person.</p>
No rights as shareholders	<p>In no circumstances will investors in Perpetual Capital Notes become holders of Kiwibank Perpetual Bonds or shareholders in Kiwibank.</p>
Documentation	<p>The Kiwibank Perpetual Bonds held by KCFL will be issued on the terms set out in the Deed Poll dated 30 April 2014 (as amended on 14 May 2014) made by Kiwibank, constituting the issue of "Term Subordinated Bonds" and "Perpetual Subordinated Bonds". You can request a copy of the Deed Poll from KCFL or the Registrar as set out in Section 5.11.</p>

9. Glossary

“5 Year Swap Rate” means, on a Reset Date:

- (a) the average of the bid and offered swap rates (interpolated if necessary and rounded, if necessary, to the nearest three decimal places with five being rounded up) as displayed on Reuters page “ICAPAUKIWISWAP” or its successor page at or about 11am on that date for a fixed/floating interest rate swap having a term of 5 years, expressed on a percentage basis; or
- (b) if a rate is unable to be determined in accordance with (a) above, then the average (rounded if necessary to the nearest three decimal places with five being rounded up) 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 further or replacement reference banks selected by KCFL in consultation with Kiwibank from time to time) at or about 11am on that date for a fixed/floating interest rate swap having a term of 5 years, expressed on a percentage basis.

“Additional Tier 1 Capital” is described in Section 7 under the heading “Prudential Regulation”.

“Administration Agreement” means the agreement dated 30 April 2014 between Kiwibank and KCFL and described in Section 5.6.11, under the heading “Prior ranking claims”.

“Business Day” means a day (other than a Saturday or Sunday) on which banks are open for business in Wellington and Auckland.

“Call Price” means \$1.00 per Perpetual Capital Note.

“Closing Time” means the “Closing Time” specified in Section 3, “Important Dates”.

“Common Equity Capital Trigger Event” is described in Section 8, “The Kiwibank Perpetual Bonds held by KCFL”.

“Corresponding Payment” is described in Section 5.5.5, under the heading “What does receipt of a Corresponding Payment mean?”.

“Deed Poll” means the deed poll dated 30 April 2014 made by Kiwibank and under which the Kiwibank Perpetual Bonds will be issued to KCFL (as amended on 14 May 2014).

“Extraordinary Resolution” means a resolution passed at a meeting of Holders, properly convened and held in accordance with the provisions of the Trust Deed, at which not less than three fourths of the persons voting upon a show of hands or, if a poll is properly demanded, not less than three fourths of the votes given on such a poll voted in favour of the resolution.

“FATCA” means Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (or any consolidation, amendment, re-enactment or replacement of those sections and including any current or future regulations or official interpretations issued, agreements entered into or non-US laws enacted in relation to those sections).

“First Call Date” means 27 May 2022.

“Holder” means, in relation to a Perpetual Capital Note at any time, the person whose name is recorded in the Register as the holder of the Perpetual Capital Note at that time.

“Interest Payment Date” means each date specified as being an “Interest Payment Date” in Section 3, “Important Dates”, whether or not an interest payment is, or is able to be, paid on that date and, if Kiwibank Perpetual Bonds held by KCFL are converted into Ordinary Shares, each date on which Kiwibank pays a dividend on the Ordinary Shares to KCFL.

“Interest Rate” means:

- (a) for the period from the Issue Date to the first Reset Date, the interest rate set on the Rate Set Date and announced by KCFL via NZX and at www.kiwibank.co.nz/about-us/investor-centre/ on or before the Opening Date; and
- (b) for the period from a Reset Date to the following Reset Date, the interest rate equal to the aggregate of the 5 Year Swap Rate as at that first mentioned Reset Date plus the Margin.

“Issue Date” means the “Issue Date” specified in Section 3, “Important Dates”.

“Joint Lead Managers” means the joint lead managers specified in the Directory in Section 10.

“KCFL” means Kiwi Capital Funding Limited.

“KGHL” means Kiwi Group Holdings Limited.

“Kiwibank” means Kiwibank Limited.

“Kiwibank Perpetual Bonds” means the perpetual, convertible, non-cumulative, unsecured, subordinated debt securities to be issued by Kiwibank for which KCFL will subscribe using the proceeds of this Offer.

“Kiwibank Group” means 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.

“Listing Rules” means the listing rules of the NZX relating to the NZX Debt Market in force from time to time.

“Loss Absorbing Amount” means, in relation to each Perpetual Capital Note:

- (a) if there has not been any conversion of the Kiwibank Perpetual Bonds held by KCFL into Ordinary Shares, zero; and
- (b) following a conversion of Kiwibank Perpetual Bonds held by KCFL into Ordinary Shares, the aggregate of (i) the amount of the Loss Absorbing Amount immediately prior to the conversion and (ii) an amount equal to the amount of the reduction to the Principal Amount upon the conversion occurring; or
- (c) if there is a sale (including by a liquidator of KCFL) of, or capital reduction involving, the Ordinary Shares issued to KCFL on conversion of Kiwibank Perpetual Bonds held by KCFL, an amount that reflects the aggregate value of the Ordinary Shares issued to KCFL on conversion of those Kiwibank Perpetual Bonds and held by KCFL

immediately prior to the share sale or capital reduction divided by the total amount of Perpetual Capital Notes held by you and other Holders (where the value of the Ordinary Shares is determined by reference to the net proceeds of the share sale or capital reduction),

as such amount may be reduced upon payment of the Loss Absorbing Payment Amount.

“**Loss Absorbing Payment Amount**” is described in Section 5.5.8, under the heading “Repayment of the Loss Absorbing Amount”.

“**Margin**” means the margin set on the Rate Set Date and announced by KCFL via NZX and at www.kiwibank.co.nz/about-us/investor-centre/ on or before the Opening Date.

“**Minimum Holding**” means 5,000 Perpetual Capital Notes.

“**New Zealand Post**” means New Zealand Post Limited.

“**Non-Viability Trigger Event**” is described in Section 8, “The Kiwibank Perpetual Bonds held by KCFL”.

“**NZX**” means NZX Limited, and includes any person or authority which may in the future assume and perform the functions of NZX Limited.

“**NZX Debt Market**” means the debt market operated from time to time by NZX.

“**Offer**” means the offer of Perpetual Capital Notes made in this Investment Statement.

“**Opening Date**” means the “Opening Date” specified in Section 3, “Important Dates”.

“**Ordinary Shares**” means ordinary shares issued by Kiwibank.

“**Perpetual Capital Notes**” means the perpetual, non-cumulative, unsecured, subordinated, loss absorbing debt securities offered by KCFL under this Investment Statement.

“**Principal Amount**” means, in relation to each Perpetual Capital Note:

- (a) at any time prior to conversion of Kiwibank Perpetual Bonds held by KCFL into Ordinary Shares or write off of Kiwibank Perpetual Bonds held by KCFL, an amount equal to \$1.00; and
- (b) at any time thereafter, the amount adjusted to reflect the proportion of Kiwibank Perpetual Bonds held by KCFL that have been converted into Ordinary Shares or written off, as described in Section 5.5.3 and in more detail in the Prospectus,

in each case, as such amount may be reduced by a repayment of the Principal Amount of the Perpetual Capital Note.

“**Prospectus**” means the registered prospectus for the Offer.

“**Rate Set Date**” means the “Rate Set Date” specified in Section 3, “Important Dates”.

“**RBNZ**” means the Reserve Bank of New Zealand.

“**RBNZ Act**” means the Reserve Bank of New Zealand Act 1989.

“**Record Date**” means, in relation to a payment due on a Perpetual Capital Note, the close of business on the 10th calendar day before the due date for that payment or, if that day is not a Business Day, the preceding Business Day.

“**Register**” means the register of Perpetual Capital Notes maintained by the Registrar in accordance with the provisions of the Trust Deed and the Agency Agreement dated 30 April 2014 between KCFL and the Registrar.

“**Registrar**” means Link Market Services Limited.

“**Regulatory Event**” means a determination by Kiwibank to the effect that:

- (a) 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;
- (b) there has been a change in the interpretation or administration of any New Zealand law, regulation or directive by any authority (including the RBNZ) that applies, or is to apply, after the Issue Date; or
- (c) 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 Kiwibank Perpetual Bonds held by KCFL, provided such event is not minor and could not have been anticipated when the Kiwibank Perpetual Bonds held by KCFL were issued.

“**Reset Date**” means each “Reset Date” specified in Section 3, “Important Dates”.

“**Scheduled Call**” means the purchase of all of the Perpetual Capital Notes by KGHL (or another designated purchaser) for the Call Price on the Scheduled Call Date. The Scheduled Call is described in Section 5.5.9.

“**Scheduled Call Conditions**” means the conditions to the Schedule Call. The Scheduled Call Conditions are described in Section 5.5.9.

“**Scheduled Call Date**” means the earlier of the First Call Date and the first Interest Payment Date thereafter on which the Scheduled Call Conditions are satisfied.

“**Scheduled Call Deed**” means the deed dated 16 April 2015 entered into by KCFL and KGHL in respect of the Scheduled Call.

“**Solvent**” means:

- (a) in relation to Kiwibank or KGHL, Kiwibank or KGHL, as the case may be, satisfying the solvency test contained in section 4 of the Companies Act 1993; and
- (b) in relation to the Kiwibank Group, satisfying the solvency test contained in section 4 of the Companies Act 1993, applied to the Kiwibank Group as if the Kiwibank Group was a single entity and taking due account of the ability and willingness of the members of the Kiwibank Group to meet the debts of the other members of the Kiwibank Group,

and “**Solvency**” has corresponding meanings.

“**Tax Event**” means a determination by Kiwibank to the effect that:

- (a) 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;
- (b) 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
- (c) Kiwibank is or will be required to comply with any change in New Zealand law, regulation or directive or changed interpretation or administration,

that directly or indirectly affects the taxation treatment in relation to the Kiwibank Perpetual Bonds held by KCFL or the Perpetual Capital Notes and that would result in more than a minimal increase in Kiwibank’s costs in respect of the Kiwibank Perpetual Bonds held by KCFL or KCFL’s costs in respect of the Perpetual Capital Notes, provided such event is not minor and could not have been anticipated when the Kiwibank Perpetual Bonds held by KCFL were issued.

“**Tier 2 Capital**” is described in Section 7, under the heading “Prudential regulation”.

“**Trigger Event**” means a Common Equity Capital Trigger Event or a Non-Viability Trigger Event.

“**Trust Deed**” means the master trust deed dated 30 April 2014 entered into by KCFL and the Trustee (as amended on 14 May 2014), together with a supplemental trust deed dated 16 April 2015 entered into by KCFL and the Trustee, under which Perpetual Capital Notes will be issued.

“**Trustee**” means The New Zealand Guardian Trust Company Limited.

10. Directory

KCFL

Kiwi Capital Funding Limited
Level 12, New Zealand Post House
7 Waterloo Quay
Wellington 6011

Kiwibank

Kiwibank Limited
Level 12, New Zealand Post House
7 Waterloo Quay
Wellington 6011

Joint Lead Managers

Deutsche Craigs Limited
Level 36, Vero Centre
48 Shortland Street
Auckland 1010
or
PO Box 1196
Auckland 1140

Kiwibank Limited
Level 12, New Zealand Post House
7 Waterloo Quay
Wellington 6011

Forsyth Barr Limited
Level 9, Forsyth Barr House
The Octagon
Dunedin 9016

Macquarie Capital (New Zealand) Limited
Level 17, Lumley Centre
88 Shortland Street
Auckland 1010

Organising Participant

Craigs Investment Partners Limited
Craigs Investment Partners House
158 Cameron Road
Tauranga 3110
or
PO Box 13155
Tauranga 3141

Trustee

The New Zealand Guardian Trust Company Limited
Level 14, 191 Queen Street
Auckland Central
Auckland 1010

Registrar

Link Market Services Limited
Level 7, Zurich House
21 Queen Street
Auckland 1010
or
PO Box 91976
Auckland 1142

Legal advisers to KCFL and Kiwibank

Russell McVeagh
Level 24, Vodafone on the Quay
157 Lambton Quay
Wellington 6143
or
PO Box 10-214
Wellington 6011

Legal advisers to the Trustee

Buddle Findlay
PwC Tower
188 Quay Street
Auckland 1010
or
PO Box 1433
Auckland 1140

11. Application instructions

Applications to subscribe for Perpetual Capital Notes must be made on the application form contained in this Investment Statement.

Investor details

Insert your full name(s), address and telephone numbers.

Applications must be in the name(s) of natural persons, companies or other legal entities, up to a maximum of three names per application.

Use the table below to see how to write your name correctly.

Type of Investor	Correct way to write name	Incorrect way to write name
Individual person	JOHN SMITH	J SMITH
More than one person	JOHN SMITH, MICHELLE SMITH	J & M SMITH
Company	ABC LIMITED	ABC
Trusts	JOHN SMITH, [JOHN SMITH FAMILY TRUST A/C]	SMITH FAMILY TRUST
Partnerships	JOHN SMITH, MICHAEL SMITH, [JOHN SMITH AND SONS A/C]	JOHN SMITH & SONS
Clubs and unincorporated associations	JOHN SMITH, [SMITH INVESTMENT CLUB A/C]	SMITH INVESTMENT CLUB
Superannuation funds	JOHN SMITH LIMITED [SUPERANNUATION FUND A/C]	JOHN SMITH, SUPERANNUATION FUND

Application details

- Complete the Principal Amount of Perpetual Capital Notes applied for. Note the minimum number (5,000) and minimum multiples for Perpetual Capital Notes (1,000).
- If you have other investments registered under a Common Shareholder Number (CSN) you must supply your CSN in the space provided. The name and address details on your application form must correspond with the registration details under that CSN.
- Provide your IRD number and elect the rate at which you wish resident withholding tax to be deducted by ticking the relevant box. If you do not elect a rate, withholding tax will be deducted at 33% or, in the case of a company (not acting as a trustee or being a Maori authority), at 28%.
- Tick the relevant box if you hold a resident withholding tax (RWT) exemption certificate and please attach a photocopy of the exemption certificate and supply the expiry date.
- Please provide your email address to enable KCFL to provide investor communications to you electronically. Delivery is immediate and it is better for the environment.
- Select whether you wish to receive payments of interest and principal in respect of Perpetual Capital Notes into a nominated bank account or into a Cash Management Account with a financial intermediary.

Signing and dating

Read the application form carefully and sign and date the form.

The application form must be signed by the applicant(s) personally, or by two directors of a company (or one director if there is only one director, whose signature must be witnessed), or in either case by an attorney or duly authorised agent.

If the application form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the certificate of non-revocation of power of attorney on the reverse of the application form.

If the application form is signed by an agent, the agent must complete the certificate of non-revocation of agency on the reverse of the application form.

Joint applicants must each sign the application form.

Payment

Perpetual Capital Notes are issued at \$1.00 so the payment amount is an amount equal to the number of Perpetual Capital Notes for which you apply. Payment must be made in New Zealand dollars.

Investors must pay for the Perpetual Capital Notes applied for by direct debit (option 1), by a cheque delivered with the application form prior to the Closing Time (see below) (option 2), through the NZClear System (option 3) or by another payment method approved by KCFL.

Option 1 (Direct Debit)

If you choose the direct debit option you must tick the box authorising the Registrar to direct debit the bank account nominated on the application form, **on the day the application form is received by the Registrar**, for the amount applied for on the application form. You cannot specify a direct debit date and you must ensure that:

- the bank account details supplied are correct;
- the application funds in the bank account for direct debit are available on the **day the Registrar receives the application form**;
- **the person(s) giving the direct debit instruction has/have the authority to operate the account solely/jointly**; and
- the bank account you nominated is a transactional account eligible for direct debit transactions. If you are uncertain you should contact your bank.

Should your direct debit fail, your application will be rejected.

If requested, a direct debit authority form will be provided to you by the Registrar. Refer to the contact details above.

Option 2 (Cheque)

Cheques must be drawn on a New Zealand registered bank and must be made in NZ Dollars. Cheques must be made payable to “KCFL Perpetual Capital Note Offer”, crossed “Not Transferable” **and must not be post-dated as cheques will be banked on the day of receipt**. If your cheque is dishonoured, KCFL may cancel your allotment of Perpetual Capital Notes and pursue any other remedies available to it at law.

If you pay by cheque, please supply your bank account details to enable KCFL to pay your interest into your nominated bank account. Future interest payments from KCFL will be made to you by direct credit.

Option 3 (NZClear)

Investors who are members of NZClear may, by prior arrangement with the Registrar, settle their applications for Perpetual Capital Notes on the Issue Date through the NZClear system.

Other than where otherwise required by law, interest earned on application money will be paid to KCFL.

Closing Time

This Offer will close at 5.00pm on 22 May 2015 (the “**Closing Time**”). The Closing Time may be changed at the sole discretion of KCFL. Changes will be advised by announcement.

KCFL reserves the right to refuse to accept applications received by the Registrar after the Closing Time.

Delivery

Applications received cannot be revoked or withdrawn.

Your Application Form should be received by the Registrar by the Closing Time.

All Perpetual Capital Notes are reserved for subscription by clients of the joint lead managers, Primary Market Participants (as defined in the NZX’s “Participant Rules”) and other persons invited to participate in the distribution of Perpetual Capital Notes. Retail investors should contact their broker for details of the application process for Perpetual Capital Notes as there is no public pool for Perpetual Capital Notes.

Personal information rights

Personal information provided by you will be held by KCFL and the Registrar at their respective addresses shown in Section 5.2 or at such other place as is notified upon request. This information 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 1993. 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.

This application form is issued with the Investment Statement prepared as at 17 April 2015, issued by Kiwi Capital Funding Limited (KCFL). Please complete this application form and return it to, or lodge it with, an appropriate person as specified in the section 'Application Instructions' in Section 11 of the Investment Statement. Before completing this application form, applicants should read the Investment Statement to which this application relates.

BROKER STAMP	Broker code
	Advisor code

Application form

1. Application details and information (please print in block letters)

<input style="width: 95%; height: 20px;" type="text" value="First name(s)"/> <input style="width: 95%; height: 20px;" type="text" value="Last name"/> <input style="width: 95%; height: 20px;" type="text" value="First name(s)"/> <input style="width: 95%; height: 20px;" type="text" value="Last name"/> <input style="width: 95%; height: 20px;" type="text" value="First name(s)"/> <input style="width: 95%; height: 20px;" type="text" value="Last name"/> <input style="width: 95%; height: 20px;" type="text" value="Company or Designated Account name"/> <input style="width: 95%; height: 20px;" type="text"/>	<input style="width: 95%; height: 20px;" type="text" value="Postal address"/> <input style="width: 95%; height: 20px;" type="text"/> <input style="width: 95%; height: 20px;" type="text" value="Suburb"/> <input style="width: 95%; height: 20px;" type="text" value="Town/City"/> <input style="width: 150px; height: 20px;" type="text" value="Postcode"/>
Telephone number <input style="width: 95%; height: 20px;" type="text" value="Mobile []"/> <input style="width: 95%; height: 20px;" type="text" value="Business hours []"/>	
<small>If you supply your mobile phone number Link Market Services Limited (Link) will notify you by text message if there is any change in your holding (including your allotment), your address, bank account or if a new FIN is issued. This is an added security feature.</small>	

2. Common Shareholder Number (CSN)

Please note that the application must be in the same name as the CSN below otherwise the application will be deemed to be made without a CSN. If you do not have a CSN please leave this section blank and a CSN and Authorisation Code (FIN) will be allocated.

If you hold any other securities under a CSN, please enter your CSN here:

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3. Application amount and payment

Your application form must be received by Link by the Closing Time (5.00pm on 22 May 2015).
 Applications must be for a minimum of NZ\$5,000 and, thereafter, in multiples of NZ\$1,000.

Amount of Perpetual Capital Notes applied for:

You may choose only ONE of the options below for payment of your application moneys. Please tick the box next to your selected option

Option 1 – Direct debit

Please direct debit my bank account stated below for the amount of Perpetual Capital Notes applied for above (or any lesser amount as determined by KCFL). By ticking this box and signing this application form, I agree that Link is authorised to direct debit my account for the full amount of Perpetual Capital Notes applied for (or any lesser amount as determined by KCFL).

NEW ZEALAND DOLLAR BANK ACCOUNT DETAILS FOR DIRECT DEBIT

<input style="width: 95%; height: 20px;" type="text" value="Name of Bank"/>			
<input style="width: 95%; height: 20px;" type="text" value="Account Name"/>			
Bank	Branch	Account number	Suffix

Option 2 – Cheque

Please find attached my payment by cheque payable to "KCFL Perpetual Capital Note Offer" and crossed "Not Transferable". I have supplied my bank account details below for the purpose of direct crediting any future interest paid by KCFL.

Option 3 – NZClear System

Payment will be made by NZClear as arranged with Link (authorised institutional investors only).

New Zealand Dollar Bank Account Details For Your Future Interest Payments:

Please provide your NZ bank account for future interest payments if this is different from the account provided for direct debit purposes or if you paid by cheque or via NZClear.

<input style="width: 95%; height: 20px;" type="text" value="Name of Bank"/>			
<input style="width: 95%; height: 20px;" type="text" value="Account Name"/>			
Bank	Branch	Account number	Suffix

OR for the purpose of interest payments only, direct credit to my Cash Management Account

Name of NZX Participant where Cash Management Account held:

Cash Management Account Client Account Number:

4. IRD number and resident withholding tax rate

IRD number (only one IRD number is required in respect of a joint application):

Deduct Resident Withholding Tax (RWT) from my interest earned at the following rate (please tick ✓ one).

Please note that companies (other than a company which is acting as a trustee or a company which is a Maori authority) do not need to tick any box unless they hold an RWT exemption certificate. Tax will automatically be deducted at 28%.

10.5% 17.5% 30% 33%

Exempt – please tick this box if you hold an RWT exemption certificate from IRD and attach a copy of your RWT exemption certificate. The RWT exemption certificate must relate to the IRD number provided.

Country of residence for tax purposes:

<input style="width: 95%; height: 20px;" type="text" value="First Applicant"/>
<input style="width: 95%; height: 20px;" type="text" value="Second Applicant"/>
<input style="width: 95%; height: 20px;" type="text" value="Third Applicant"/>

4. IRD number and resident withholding tax rate (continued)

If not a New Zealand tax resident, are you engaged in business in New Zealand through a fixed establishment in New Zealand?

First Applicant: Yes / No (delete one)

Second Applicant: Yes / No (delete one)

Third Applicant: Yes / No (delete one)

5. Electronic Correspondence & Reporting

To enable KCFL to provide you with your investor correspondence in relation to your holding in this security electronically, please complete your email address below. If you do not provide an email address, investor correspondence will be mailed to you at the address provided on this application form.

Email

6. Agreement of terms

I/We hereby acknowledge that I/we have received and read the Investment Statement for Perpetual Capital Notes, and apply for the Principal Amount of Perpetual Capital Notes set out above and agree to accept such Perpetual Capital Notes (or such lesser number as may be allotted to me/us) on, and subject to, the terms and conditions set out in the Investment Statement.

All applicants on the Application Form must sign.

Signature

Date

D | D | M | M | Y | Y | Y | Y

Signature

Date

D | D | M | M | Y | Y | Y | Y

Signature

Date

D | D | M | M | Y | Y | Y | Y

7. Terms and conditions of application

- By signing (or authorising an attorney or agent to sign) this application form:
 - the applicant acknowledges that this form was distributed with the Investment Statement; and
 - the applicant acknowledges that he/she/it has read and understood the statements made in the Investment Statement relating to the Privacy Act 1993 in the section of the Investment Statement entitled 'Application Instructions'.
- An application received by the Registrar cannot be withdrawn or revoked by the applicant.
- KCFL reserves the right to decline any application, in whole or in part, without giving any reason. KCFL may decide not to accept any applications whatsoever.
- Applications must conform with the application instructions in the section of the Investment Statement entitled 'Application Instructions' in Section 11.
- A joint application must be signed by all applicants. Only the address of the first named of the joint applicants will be recorded on the Register and all interest payments, notices, and other correspondence will be sent to that address.
- Applications lodged by individuals must be signed personally or by their attorney or agent. If this application form is signed by an attorney, the attorney must complete the certificate of non-revocation of power of attorney set out below. If this application form is signed by an agent, the agent must complete the certificate of non-revocation of agency set out below.
- Terms defined in the Investment Statement have the same meaning in this application form.
- This application form, the Offer and any contract arising out of its acceptance are governed by New Zealand law. KCFL has customer due diligence obligations under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 ("AML Act"). You agree, if requested, to provide your financial adviser, KCFL and their agents with all required information relating to KCFL's due diligence obligations under the AML Act, and also agree that your financial adviser may provide KCFL and its agents with all due diligence information relating to the AML Act that is held by, or later provided to, your financial adviser and that is required by KCFL to satisfy its obligations under the AML Act.

8. Certificate of non-revocation of agency

Complete this section if you are acting as agent on behalf of the applicant on this Application Form.

I, Full name

of Place & country of residence

Occupation

hereby certify that:

- By the agency agreement dated D | D | M | M | Y | Y | Y | Y

(date of instrument creating the power of agency),

Full name

(full name of person/body corporate which appointed you as agent)

of Place & country of residence

(place and country of residence of person/body corporate which appointed you as agent**)

Appointed me

His/her/its name

agent;

- That I have executed the application for Perpetual Capital Notes printed on this application form under that appointment and pursuant to the powers thereby conferred on me; and
- That I have not received notice or information of the revocation of my appointment as agent.

Signature of agent

Date

D | D | M | M | Y | Y | Y | Y

**If a donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

9. Certificate of non-revocation of power of attorney

Complete this section if you are acting on behalf of the applicant on this application form for whom you have power of attorney.

I, Full name

of Place & country of residence

Occupation

hereby certify that:

- By deed dated D | D | M | M | Y | Y | Y | Y

(date of instrument creating the power of attorney),

Full name

(full name of person/body corporate which granted power of attorney)

of Place & country of residence

(place and country of residence of person/body corporate which granted the power of attorney**)

Appointed me

His/her/its name

attorney;

- That I have executed the application for Perpetual Capital Notes printed on this application form under that appointment and pursuant to the powers thereby conferred on me; and
- That I have not received notice of any event revoking the power of attorney.

Signed at

Location when signed

Signature of attorney

Date

D | D | M | M | Y | Y | Y | Y

**If a donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

This application form is issued with the Investment Statement prepared as at 17 April 2015, issued by Kiwi Capital Funding Limited (KCFL). Please complete this application form and return it to, or lodge it with, an appropriate person as specified in the section 'Application Instructions' in Section 11 of the Investment Statement. Before completing this application form, applicants should read the Investment Statement to which this application relates.

BROKER STAMP

Broker code

Advisor code

Application form

1. Application details and information (please print in block letters)

First name(s)	Postal address
Last name	
First name(s)	Suburb
Last name	Town/City
First name(s)	Postcode
Last name	
Company or Designated Account name	Telephone number
	Mobile []
	Business hours []

If you supply your mobile phone number Link Market Services Limited (Link) will notify you by text message if there is any change in your holding (including your allotment), your address, bank account or if a new FIN is issued. This is an added security feature.

2. Common Shareholder Number (CSN)

Please note that the application must be in the same name as the CSN below otherwise the application will be deemed to be made without a CSN. If you do not have a CSN please leave this section blank and a CSN and Authorisation Code (FIN) will be allocated.

If you hold any other securities under a CSN, please enter your CSN here:

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

3. Application amount and payment

Your application form must be received by Link by the Closing Time (5.00pm on 22 May 2015).

Applications must be for a minimum of NZ\$5,000 and, thereafter, in multiples of NZ\$1,000.

Amount of Perpetual Capital Notes applied for:

\$

You may choose only ONE of the options below for payment of your application moneys. Please tick the box next to your selected option

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Please direct debit my bank account stated below for the amount of Perpetual Capital Notes applied for above (or any lesser amount as determined by KCFL). By ticking this box and signing this application form, I agree that Link is authorised to direct debit my account for the full amount of Perpetual Capital Notes applied for (or any lesser amount as determined by KCFL).

NEW ZEALAND DOLLAR BANK ACCOUNT DETAILS FOR DIRECT DEBIT

Name of Bank

Account Name

Bank	Branch	Account number	Suffix

Option 2 – Cheque

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NZClear mnemonic

New Zealand Dollar Bank Account Details For Your Future Interest Payments:

Please provide your NZ bank account for future interest payments if this is different from the account provided for direct debit purposes

or if you paid by cheque or via NZClear.

Name of Bank

Account Name

Bank	Branch	Account number	Suffix

OR for the purpose of interest payments only, direct credit to my Cash Management Account

Name of NZX Participant where Cash Management Account held:

Cash Management Account Client Account Number:

4. IRD number and resident withholding tax rate

IRD number (only one IRD number is required in respect of a joint application):

Deduct Resident Withholding Tax (RWT) from my interest earned at the following rate (please tick ✓ one).

Please note that companies (other than a company which is acting as a trustee or a company which is a Maori authority) do not need to tick any box unless they hold an RWT exemption certificate. Tax will automatically be deducted at 28%.

10.5% 17.5% 30% 33%

Exempt – please tick this box if you hold an RWT exemption certificate from IRD and attach a copy of your RWT exemption certificate. The RWT exemption certificate must relate to the IRD number provided.

Country of residence for tax purposes:

First Applicant

Second Applicant

Third Applicant

4. IRD number and resident withholding tax rate (continued)

If not a New Zealand tax resident, are you engaged in business in New Zealand through a fixed establishment in New Zealand?

First Applicant: Yes / No (delete one)

Second Applicant: Yes / No (delete one)

Third Applicant: Yes / No (delete one)

5. Electronic Correspondence & Reporting

To enable KCFL to provide you with your investor correspondence in relation to your holding in this security electronically, please complete your email address below. If you do not provide an email address, investor correspondence will be mailed to you at the address provided on this application form.

Email

6. Agreement of terms

I/We hereby acknowledge that I/we have received and read the Investment Statement for Perpetual Capital Notes, and apply for the Principal Amount of Perpetual Capital Notes set out above and agree to accept such Perpetual Capital Notes (or such lesser number as may be allotted to me/us) on, and subject to, the terms and conditions set out in the Investment Statement.

All applicants on the Application Form must sign.

Signature

Date

D | D | M | M | Y | Y | Y | Y

Signature

Date

D | D | M | M | Y | Y | Y | Y

Signature

Date

D | D | M | M | Y | Y | Y | Y

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- Applications must conform with the application instructions in the section of the Investment Statement entitled 'Application Instructions' in Section 11.
- A joint application must be signed by all applicants. Only the address of the first named of the joint applicants will be recorded on the Register and all interest payments, notices, and other correspondence will be sent to that address.
- Applications lodged by individuals must be signed personally or by their attorney or agent. If this application form is signed by an attorney, the attorney must complete the certificate of non-revocation of power of attorney set out below. If this application form is signed by an agent, the agent must complete the certificate of non-revocation of power of attorney set out below.
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- This application form, the Offer and any contract arising out of its acceptance are governed by New Zealand law. KCFL has customer due diligence obligations under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 ("AML Act"). You agree, if requested, to provide your financial adviser, KCFL and their agents with all required information relating to KCFL's due diligence obligations under the AML Act, and also agree that your financial adviser may provide KCFL and its agents with all due diligence information relating to the AML Act that is held by, or later provided to, your financial adviser and that is required by KCFL to satisfy its obligations under the AML Act.

8. Certificate of non-revocation of agency

Complete this section if you are acting as agent on behalf of the applicant on this Application Form.

I, Full name

of Place & country of residence

Occupation

hereby certify that:

- By the agency agreement dated D | D | M | M | Y | Y | Y | Y

(date of instrument creating the power of agency),

Full name

(full name of person/body corporate which appointed you as agent)

of Place & country of residence

(place and country of residence of person/body corporate which appointed you as agent**)

Appointed me

His/her/its name

agent;

- That I have executed the application for Perpetual Capital Notes printed on this application form under that appointment and pursuant to the powers thereby conferred on me; and
- That I have not received notice or information of the revocation of my appointment as agent.

Signature of agent

Date

D | D | M | M | Y | Y | Y | Y

**If a donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

9. Certificate of non-revocation of power of attorney

Complete this section if you are acting on behalf of the applicant on this application form for whom you have power of attorney.

I, Full name

of Place & country of residence

Occupation

hereby certify that:

- By deed dated D | D | M | M | Y | Y | Y | Y

(date of instrument creating the power of attorney),

Full name

(full name of person/body corporate which granted power of attorney)

of Place & country of residence

(place and country of residence of person/body corporate which granted the power of attorney**)

Appointed me

His/her/its name

attorney;

- That I have executed the application for Perpetual Capital Notes printed on this application form under that appointment and pursuant to the powers thereby conferred on me; and
- That I have not received notice of any event revoking the power of attorney.

Signed at

Location when signed

Signature of attorney

Date

D | D | M | M | Y | Y | Y | Y

**If a donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

