

Perpetual Preference Shares

Indicative Terms Sheet

For an issue of up to NZ\$250 million
Perpetual Preference Shares by

Kiwibank Limited

18 October 2021

The Kiwibank logo consists of a green square containing the text "Kiwi bank." in white. The word "Kiwi" is on the top line and "bank." is on the bottom line. To the right of the green square, there is a grey area with diagonal white lines.

Kiwi
bank.

Indicative terms sheet (Terms Sheet)

This is a summary only. Full details are contained in the product disclosure statement for the Offer dated 8 October 2021 (PDS).

The PDS is available free of charge on the online Disclose Register maintained by the Companies Office at www.disclose-register.companiesoffice.govt.nz/ (offer number OFR13177) or can be obtained from the Joint Lead Managers and Co-manager or your usual financial adviser.

These PPS do not have the same rights (including voting rights), privileges and opportunity for growth as ordinary shares. Scheduled distributions may be cancelled (and those cancelled distributions will not be paid at a later date). The PPS are perpetual and have no fixed term. Holders have no right to require repayment for any reason.

Capitalised terms used but not defined in this Terms Sheet have the meaning given to them in the PDS unless the context otherwise requires.

Issuer	Kiwibank Limited (Kiwibank).
Description	Perpetual preference shares (PPS).
Kiwibank Banking Group	Kiwibank, its wholly owned entities and all other entities consolidated for financial reporting purposes, as specified in its latest financial statements on a consolidated and not an individual basis.
Joint Arrangers	Craigs Investment Partners Limited and Forsyth Barr Limited.
Joint Lead Managers	Bank of New Zealand, Craigs Investment Partners Limited and Forsyth Barr Limited.
Co-manager	JBWere (NZ) Pty Limited.
Purpose	The Offer will raise Additional Tier 1 Capital to help Kiwibank meet its regulatory capital requirements and manage its capital position. The proceeds of the Offer will be used for Kiwibank's general corporate purposes.
Issue amount	Up to NZ\$250 million.
Regulatory treatment	Additional Tier 1 Capital.
Legal form	Equity.
Accounting form	Equity.
Ranking and rights in liquidation	In a liquidation of Kiwibank each PPS confers upon the Holder, in the distribution of surplus assets of Kiwibank, the right to payment in cash of a maximum amount equal to the Issue Price, which ranks: • after the claims of all depositors and holders of other liabilities, securities and other obligations of Kiwibank (including Tier 2 securities), except for the claims described below; • equally with the rights of other Holders and the rights and claims of holders of any other preference shares or other securities that rank equally with the PPS; and • ahead of the rights of Kiwibank's ordinary shareholders.

No set-off and offsetting rights	Except to the extent required by law, a Holder will not have any right to set-off any amounts owing to it by Kiwibank in connection with the PPS against any amounts owing by it to Kiwibank in connection with the PPS or otherwise.
No guarantee	The PPS are not guaranteed by any member of the Kiwibank Banking Group, Kiwibank's ultimate shareholders, the Government or any other person.
Issue Price	NZ\$1.00 per PPS.
Term	The PPS have no fixed term.
Rate Set Date	21 October 2021
Issue Date	2 November 2021.
Optional Redemption Dates and Rate Reset Dates	2 November 2026 and each five year anniversary of that date.
Kiwibank redemption rights	Kiwibank may at its option repay all of the PPS: • on an Optional Redemption Date for their Issue Price; or • following the occurrence of a Tax Event or Regulatory Event, in each case for the greater of their Issue Price and their Market Value, but only if the Redemption Conditions are satisfied.
Redemption notice	If Kiwibank elects to repay the PPS, it must give at least 15 Business Days' notice to Holders. The redemption notice must specify the date on which the redemption will occur (Redemption Date), which must be either: • an Optional Redemption Date; or • in the case of a Regulatory Event or Tax Event, the next Distribution Payment Date that falls not less than 15 Business Days after the date on which the redemption notice was given.

Redemption conditions	Kiwibank may only exercise its redemption option if (i) either • prior to, or concurrent with, redemption, Kiwibank replaces the PPS with a paid-up capital instrument of the same or better quality and contributing at least the same regulatory capital amount (for the purposes of the Reserve Bank capital adequacy requirements applying to Kiwibank at the relevant time), the terms and conditions of which are sustainable for the income capacity of the Kiwibank Banking Group; or • if Kiwibank does not intend to replace the PPS, Kiwibank has demonstrated to the Reserve Bank's satisfaction that, after the redemption, the Kiwibank Banking Group's capital ratios would be sufficiently above their respective minimums and its prudential capital buffer ratio would be sufficiently above its buffer trigger ratio; (ii) Kiwibank has provided to the Reserve Bank any required information and supporting documentation; (iii) the Reserve Bank has given its prior written approval to the redemption. Approval is at the absolute discretion of the Reserve Bank; and (iv) Kiwibank will remain Solvent immediately after the redemption of the PPS and otherwise comply with any applicable law, directive or requirement.
Market Value	The Market Value of the PPS will be determined by an independent valuer appointed by Kiwibank who will assess the value of the PPS in accordance with the process set out in the Terms.
Holder redemption rights	Holders have no right to require that the PPS be repaid.
Distribution Payment Dates	Distributions on the PPS are scheduled to be paid in arrear: • quarterly on 2 February, 2 May, 2 August and 2 November in each year (Scheduled Distribution Payment Dates), commencing on 2 February 2022 until (but excluding) the Redemption Date; and • on the Redemption Date. Distributions are discretionary and subject to conditions (see below).
Distributions	Distributions on the PPS are expected to comprise a cash amount plus imputation credits. The cash distribution and any imputation credits will together provide a gross return per annum equal to the Distribution Rate.

Cash distribution amount	The cash distribution paid to Holders on each Scheduled Distribution Payment Date and on the Redemption Date (if it falls on a date that would otherwise be a Scheduled Distribution Payment Date) is calculated according to the following formula: $\text{Cash distribution payable} = \frac{\text{Distribution Rate} \times (1 - \text{Tax Rate}) \times \text{Issue Price}}{4}$ The cash distribution payable on any other Distribution Payment Date is calculated in accordance with the following formula: $\text{Cash distribution payable} = \frac{\text{Distribution Rate} \times (1 - \text{Tax Rate}) \times \text{Issue Price} \times N}{365}$ For the purposes of the above calculations: "N" is the number of days from (and including) the previous Distribution Payment Date (or the Issue Date if the first Distribution Payment Date has not occurred) to (but excluding) the Distribution Payment Date; and "Tax Rate" means the New Zealand corporate tax rate on the relevant Distribution Payment Date (expressed as a decimal).
Imputation credits	Distributions on the PPS are expected to be fully imputed. If any Distribution is not fully imputed, the cash distribution will be increased by an amount in dollars equal to the shortfall in imputation credits.
Fixed Rate Periods	• The period from (and including) the Issue Date to (but excluding) the first Optional Redemption Date. • Thereafter, each period from (and including) an Optional Redemption Date to (but excluding) the next Optional Redemption Date.
Distribution Rate	The Distribution Rate for the first Fixed Rate Period will be the sum of the Swap Rate calculated on the Rate Set Date plus the Margin. The Distribution Rate for each subsequent Fixed Rate Period will be reset on the applicable Rate Reset Date to be equal to the Swap Rate on the Rate Reset Date plus the same Margin. If the sum of the Swap Rate plus the Margin is less than zero, the Distribution Rate will be 0% per annum. The initial Distribution Rate and the Margin will be announced by Kiwibank via NZX on the Rate Set Date and available at www.kiwibank.co.nz/about-us/governance/investor-centre/kiwibank-capital-instruments. When the Distribution Rate is reset, the new Distribution Rate will be announced by Kiwibank via NZX and at www.kiwibank.co.nz/about-us/governance/investor-centre/kiwibank-capital-instruments.

Swap Rate	The Swap Rate will be calculated by Kiwibank in accordance with market convention with reference to Bloomberg page ICNZ4 (or its successor page) adjusted for quarterly payments and rounded to 2 decimal places if necessary, with five being rounded up. • The Swap Rate for the first Fixed Rate Period will be calculated on the Rate Set Date as the mid-market rate for an interest rate swap with a term of 5 years commencing on the Rate Set Date. • The Swap Rate for each subsequent Fixed Rate Period will be calculated at or about 11am on the applicable Rate Reset Date as the mid-market swap rate for an interest rate swap with a term of 5 years commencing on the first day of the Fixed Rate Period.
Margin	The Margin (which may be above or below the indicative Margin range) will be determined by Kiwibank in consultation with the Joint Lead Managers on the Rate Set Date following the bookbuild and will be announced by Kiwibank via NZX and available at www.kiwibank.co.nz/about-us/governance/investor-centre/kiwibank-capital-instruments on the Rate Set Date. The Margin for the PPS will not change.
Indicative Margin range	2.60% to 2.80% per annum
Distributions are discretionary and subject to conditions	Kiwibank has full discretion at all times to cancel Distributions on the PPS. In addition, the payment of any Distribution on any Distribution Payment Date is subject to: • the payment of the Distribution not resulting in a breach of Kiwibank's conditions of registration as at the time of the payment; and • Kiwibank satisfying the Solvency Condition.
Solvency Condition	In order for Kiwibank to pay a Distribution on a Distribution Payment Date, Kiwibank must satisfy the solvency test contained in section 4 of the Companies Act 1993, as modified by section 52, on that Distribution Payment Date, and must continue to do so immediately after making the payment.
Distributions are non-cumulative	Distributions are non-cumulative. If payment of a Distribution is not made for any reason, Kiwibank has no liability to pay that unpaid Distribution. No interest accrues on any unpaid Distributions and a Holder has no claim or entitlement in respect of interest on any unpaid Distribution.

Distribution stopper	If a Distribution is not paid in full on a Distribution Payment Date then Kiwibank must not: • make any distributions or payments on, or issue any bonus securities in respect of, its Ordinary Shares; or • make any distributions or payments on, or issue any bonus securities in respect of, any other preference shares or other securities that rank equally with the PPS (other than on a pro-rata basis with the PPS); unless and until: • Kiwibank pays Distributions in full on two subsequent consecutive Scheduled Distribution Payment Dates; or • there are no PPS outstanding.						
Limited enforcement rights	The Terms do not include events of default or any other provisions entitling Holders to require that the PPS be repaid. No Holder has any right to apply for the liquidation or administration of Kiwibank or any other member of the Kiwibank Banking Group, or to cause a receiver or receiver and manager to be appointed in respect of Kiwibank or any other member of the Kiwibank Banking Group on the grounds of Kiwibank’s failure or potential failure to pay Distributions on the PPS or for any other reason in connection with Kiwibank’s compliance with the terms of the PPS.						
No restrictions on other securities or liabilities	There are no restrictions on Kiwibank issuing further securities or creating further liabilities after the PPS have been issued that rank equally with, or in priority to, the PPS in a liquidation of Kiwibank. Kiwibank could therefore, at any time after the Issue Date, issue further securities or create further liabilities that rank equally with or in priority to the PPS.						
No voting rights	No Holder will have the right to attend or vote at meetings of ordinary shareholders of Kiwibank or any other member of the Kiwibank Banking Group.						
No other rights	A Holder of the PPS has no right to subscribe for new securities of Kiwibank, to participate in any bonus issues of securities of Kiwibank, or to otherwise participate in the profits or property of Kiwibank, except by receiving payments on the PPS.						
Conversion or exchange	Not applicable.						
Business Days	Auckland, Wellington.						
Record Date (for Distribution payment purposes)	10 calendar days before the relevant Distribution Payment Date. If a Record Date is a day which is not a Business Day, then the Record Date will be the immediately preceding Business Day.						
Credit rating	<table><tr><th colspan="2">Kiwibank Senior Credit Rating</th><th>PPS Credit Rating</th></tr><tr><td>Moody’s Investors Service</td><td>A1</td><td>Ba1</td></tr></table> A credit rating is not a recommendation to buy, sell or hold the PPS or any securities issued by Kiwibank. Ratings are subject to suspension, revision or withdrawal at any time.	Kiwibank Senior Credit Rating		PPS Credit Rating	Moody’s Investors Service	A1	Ba1
Kiwibank Senior Credit Rating		PPS Credit Rating					
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Fees	0.50% on firm allocations plus 0.50% retail brokerage, payable by Kiwibank.
No gross up	There will be no gross up for RWT, NRWT or any other form of withholding.
Registrar	Link Market Services Limited. The PPS will be accepted for settlement within the NZClear System.
ISIN	NZKIWD0001S3
NZX quotation	Application has been made to NZX for permission to quote the PPS on the NZX Debt Market. However, NZX accepts no responsibility for any statement in this Terms Sheet. NZX is a licensed market operator and the NZX Debt Market is a licensed market under the Financial Markets Conduct Act 2013. NZX ticker code KWBHA has been reserved for the PPS.
Documents	PDS relating to the offer of PPS dated 8 October 2021. The constitution of Kiwibank Limited. Terms of the PPS. Other documents and information are available on the online Disclose Register maintained by the Companies Office at www.disclose-register.companiesoffice.govt.nz/ (offer number OFR13177).
Governing law	New Zealand.
Minimum subscription amount	NZ\$5,000 and in multiples of NZ\$1,000 thereafter.
No public pool	There will be no public pool for the PPS. All PPS will be reserved for subscription by clients of the Joint Lead Managers, the Co-manager, Primary Market Participants and other persons invited to participate in the bookbuild.
Selling restrictions	The PDS constitutes an offer of PPS to New Zealand retail and institutional investors. The PPS may only be offered for sale or sold in New Zealand. Kiwibank has not taken and will not take any action which would permit a public offering of PPS, or possession or distribution of any offering material in respect of the PPS, in any country or jurisdiction where action for that purpose is required (other than New Zealand).
No underwriting	The Offer is not underwritten.

Important dates for the Offer	
Opening Date	18 October 2021
Closing Time	12:00pm on 21 October 2021
Rate Set Date	21 October 2021
Issue Date/allotment date	2 November 2021

Important dates for the Perpetual Preference Shares	
Expected quotation on NZX Debt Market	3 November 2021
Scheduled Distribution Payment Dates	2 February, 2 May, 2 August and 2 November in each year
First Scheduled Distribution Payment Date	2 February 2022
First Optional Redemption Date and Rate Reset Date	2 November 2026

Dates may change

The “Important dates for the Offer” (listed above) are indicative only and subject to change. Kiwibank may, in its absolute discretion and without notice, vary such dates (including by closing the Offer early and changing the Closing Time). If the Closing Time is changed, all subsequent dates may also change. Any such changes will not affect the validity of any applications received.

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

Key Risks

The PDS should be read in full before deciding whether to invest in the PPS.

The PDS includes: Section 1 “*Key information summary*”, Section 5 “*Key features of the PPS*” and Section 6 “*Risks of investing*”. The key features of the PPS are outlined in sections 1 and 5, and the risks of investing are outlined in sections 1 and 6, including risks relating to Kiwibank's creditworthiness and risks associated with the PPS specifically.