

Kiwibank

Offer of Perpetual Preference Shares – Investor Presentation

Steve Jurkovich – Chief Executive

Tim Main – Treasurer

8 October 2021

Joint Lead Managers

Co-Manager



FORSYTH BARR

JBWere

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A product disclosure statement (PDS) has been prepared in respect of the offer. The PDS is available on the online Disclose Register maintained by the Companies Office (www.disclose-register.companiesoffice.govt.nz/ (offer number OFR13177)) or by contacting one of the Joint Lead Managers, the Co-Manager or your usual financial adviser. You should read the PDS before deciding whether to invest in the PPS.

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The PPS may only be offered for sale or sold in conformity with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered. No product disclosure statement, information memorandum, prospectus, circular, advertisement or other offering material in respect of any PPS 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.

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Offer Highlights

Issuer	Kiwibank Limited
Description	Perpetual Preference Shares (PPS)
Offer amount	Up to \$250 million
Term	The PPS have no fixed term
Optional Redemption Dates	2 November 2026 and each five year anniversary of that date
Credit rating	The PPS have been rated Ba1 by Moody's Investors Service
Quotation	Application has been made to quote the PPS on the NZX Debt Market. NZX ticker code KWBHA has been reserved for the PPS
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
Joint Lead Managers	BNZ, Craigs Investment Partners and Forsyth Barr
Co-Manager	JBWere

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1. About Kiwibank

A modern, minimalist interior space, likely a bank branch. The room features light-colored walls, a dark ceiling with exposed ductwork, and a light wood floor. A large, dark, dome-shaped pendant light hangs from the ceiling. On the left, there is a grey upholstered bench and a small table. A colorful, abstract artwork is displayed on the wall above the bench. In the center, a large, square, green living wall features the text "Kiwi bank." in white. To the right, a wooden table with two black stools is set up. The wall behind the table has the text "Kia Ora" in large, brown, 3D letters. A circular rug with a colorful, abstract pattern is on the floor near the table.

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

Kiwibank's founding vision was for New Zealand to have a real, relevant and credible alternative to the offshore-owned banks. That remains at the heart of who we are and why we exist.



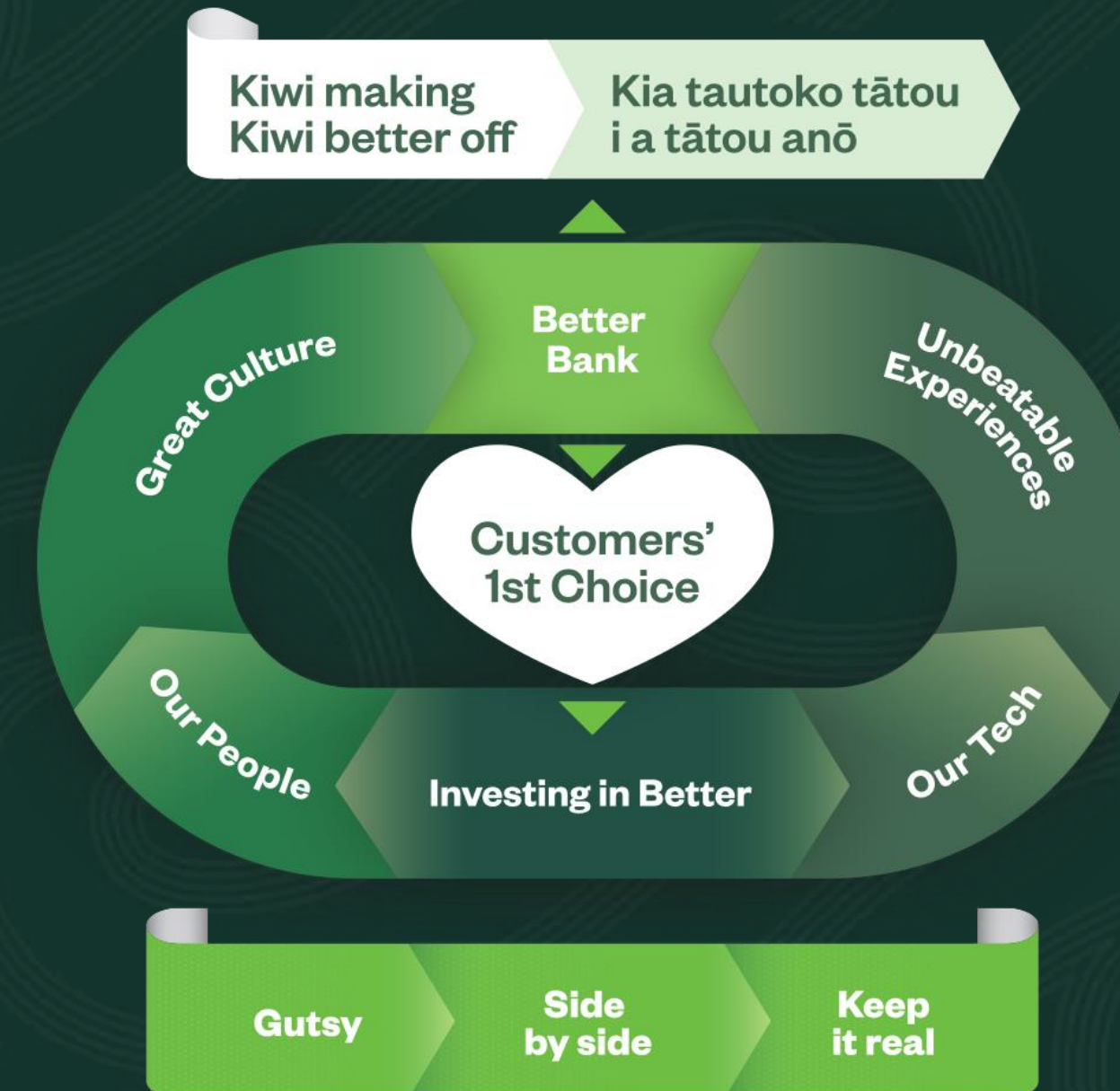
The journey to better off

Kiwi making Kiwi better off

Our Purpose is why we exist. It guides the business and our people and is the lens we apply when making business decisions. We do this by asking how does this make customers better off and support **the financial security of Kiwi and the sustainability of their businesses?** Ultimately, it's about delivering **long-term sustainable value** for our people, our customers, communities, and shareholders.

Investing in Our People

We are Investing in Our People to lift our expertise and become the first choice for Kiwi to come to do their best work, learn and grow. We will achieve this by building and sustaining a **Great Culture that strives for Unbeatable Performance** and puts our people, our customers, and our partners at the heart of everything we do.



Better Bank

To support being the Customers' 1st Choice and the benefits associated with that (e.g. sustainable growth) we need **to radically simplify and improve what we do** in order to achieve a significant lift in productivity. This will ensure we are delivering what matters and are flexible and adaptive to change while meeting the requirements of our licence to operate (both social and regulatory).

Customers' 1st Choice

Our goal is to become **Customers' 1st Choice** for home lending and business. This means we will be chosen by even more customers in the moments that matter for them (e.g. buying a house or building their business). We will do this by delivering:

- **unbeatable customer experiences** that are consistent with our Purpose.
- **simple, easy to use products and services** that meet their needs.
- **easy access to our experts and expertise** when it matters most.

Investing in Our Tech

We are Investing in Our Tech to build a solid foundation that helps us create Unbeatable Experiences for our people and our customers. We will do this by providing tools that make it easy for us to do our jobs and by building a new platform for our banking services that makes it easy for customers to choose us.

Social, environmental and cultural highlights of the year



 BECAME A CERTIFIED B CORP¹ MEETING THE HIGHEST STANDARDS OF SOCIAL & ENVIRONMENTAL IMPACT	 127 CUSTOMERS HAVE PUT A VOLUNTARY GAMBLING BLOCK ON THEIR VISA CARDS	 RELEASED OUR RESPONSIBLE BUSINESS BANKING POLICY	 5,144 PEOPLE HAVE RECEIVED DIGITAL EDUCATION FROM OUR DIGITAL ANGELS AND DIAA WORKSHOPS	 OVER 7,500 CUSTOMERS HELPED WITH VARIOUS COVID CUSTOMER CARE PACKAGES	 WON CANSTAR AWARDS FOR: CREDIT CARD AND HOME LOAN BANK OF THE YEAR INNOVATION EXCELLENCE FOR OUR FAST CAPITAL TOOL
 LAUNCHED OUR RAUTAKI MĀORI	 ↓ 53% DECREASE IN OUR CARBON EMISSIONS SINCE 2018²	 39% (↑2%) OF OUR SENIOR LEADERS ARE WOMEN³	 94% OF KIWIBANK STAFF ATTENDED WORKSHOPS TO CO-CREATE OUR CULTURE FOR THE COMING YEARS	 ACHIEVED RAINBOW & GENDER TICK REACCREDITATION	 MOVED INTO TE KUPENGA A 6 GREEN STAR RATED BUILDING

¹ With a score of 90.3 points (a company has to score at least 80 points to be a certified B Corp)

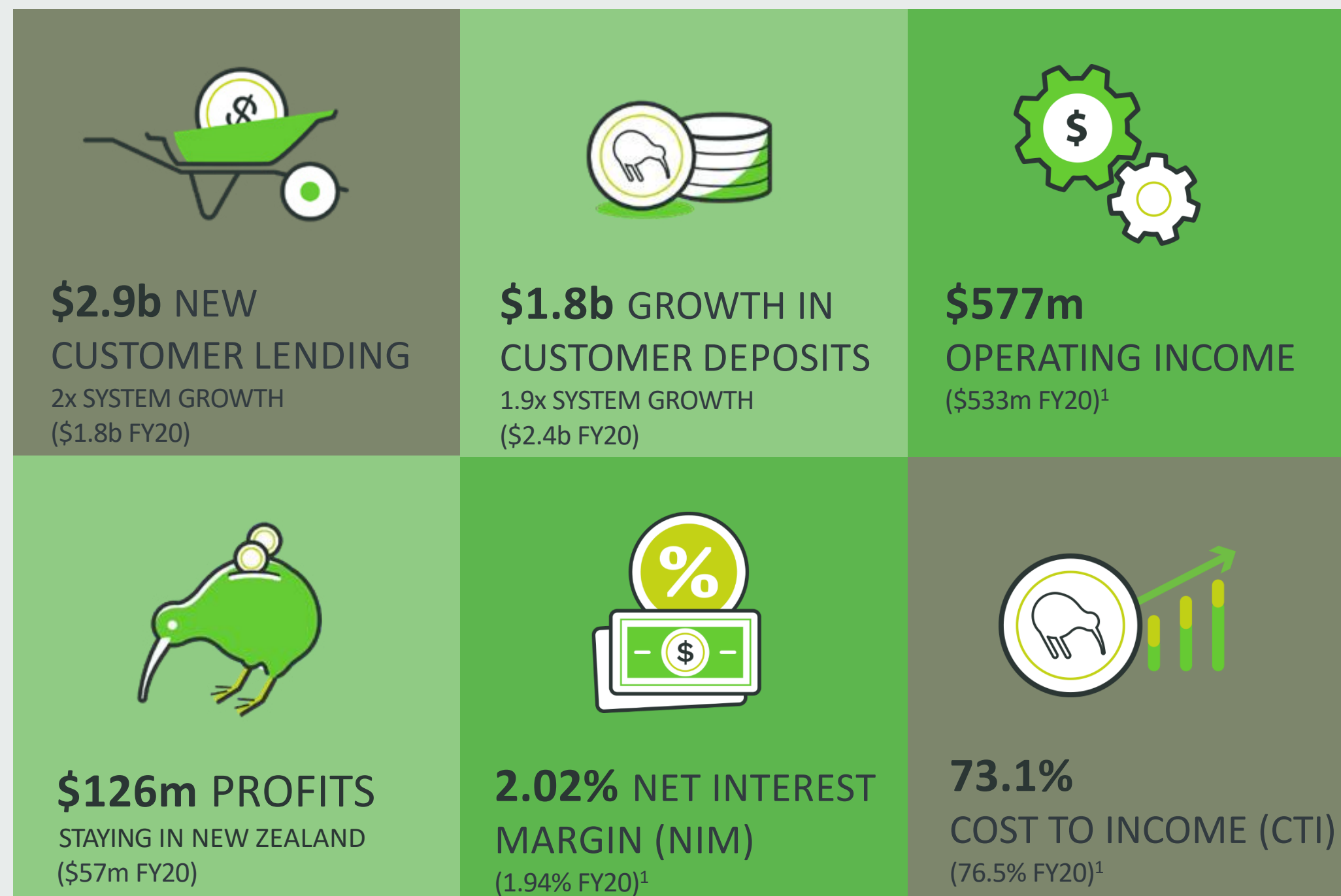
² 2018 is baseline period

³ Compared to FY20

We know customers are increasingly choosing businesses that align with their values. Kiwibank has achieved B Corp certification, meeting the required standards of social and environmental performance, accountability, and transparency.

Strong asset growth whilst maintaining cost discipline

FY21 Financial Highlights



Key focus areas

- Growth in operating income was driven by a buoyant residential market and increased exposure to business customers (total net asset growth \$2.9b). This was combined with higher NIM as a result of lower funding costs.
- Improvement in CTI was achieved by higher operating income noted above and cost discipline (operating income grew faster than operating costs). This combined with the release of the COVID-19 credit provisions contributed to the doubling of FY20 NPAT.
- Through COVID-19 we helped ~3,500 customers with interest only lending support (\$1.3b), ~2,500 customers with deferred payments on their mortgages (\$1.2b), 1,200 overdraft and credit card customers and a further ~180 business customers with Business Finance Guarantee Scheme loans (\$120m).

¹ FY20 Comparatives have been restated to align with treatment of some expenses as direct fee expenses rather than Opex in FY21 Disclosure Statement

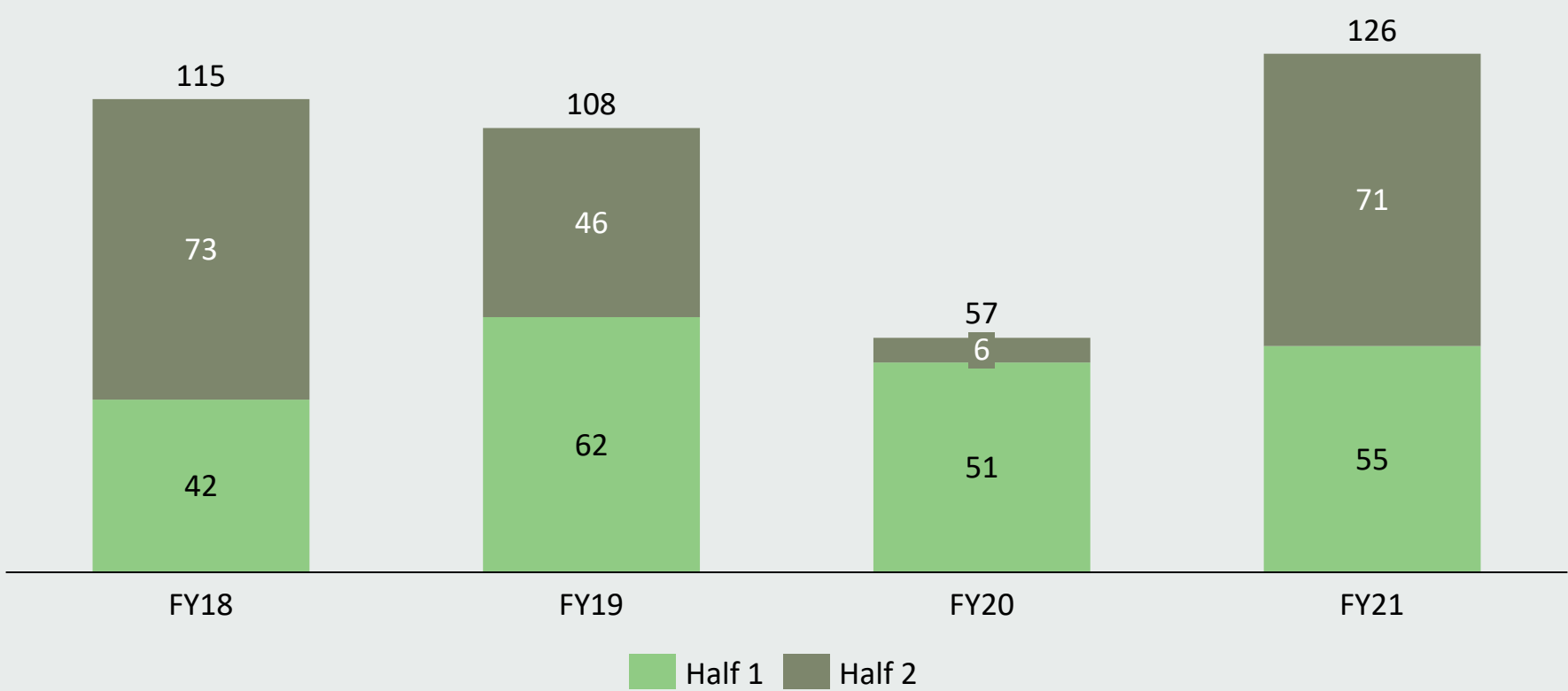
² Net Interest Margin = net interest income / average interest earning assets

³ Return on Equity = (net profit after tax less distributions to holders of perpetual capital) / average equity

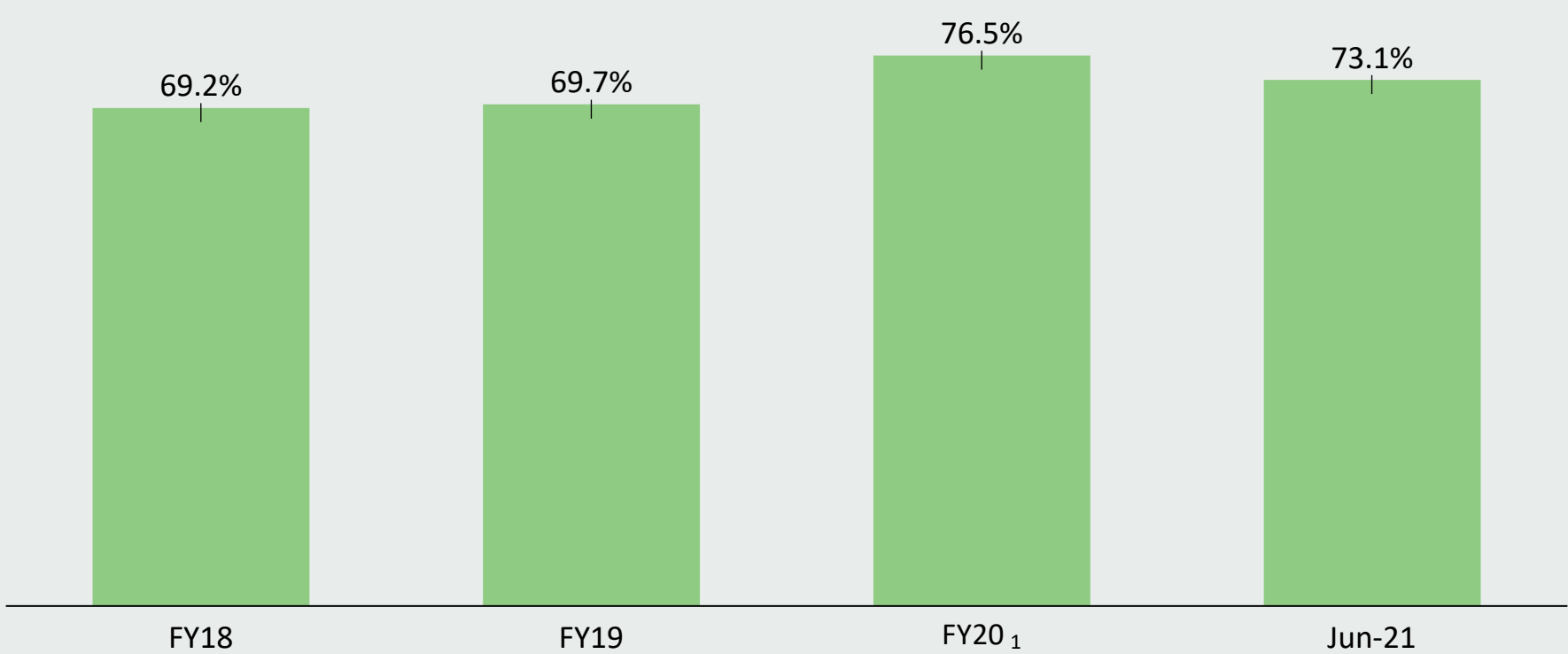
Profit underpinned by strong lending growth and unwinding of COVID-19 related provisions



Reported Profit after Tax (\$m)



Cost to Income Ratio

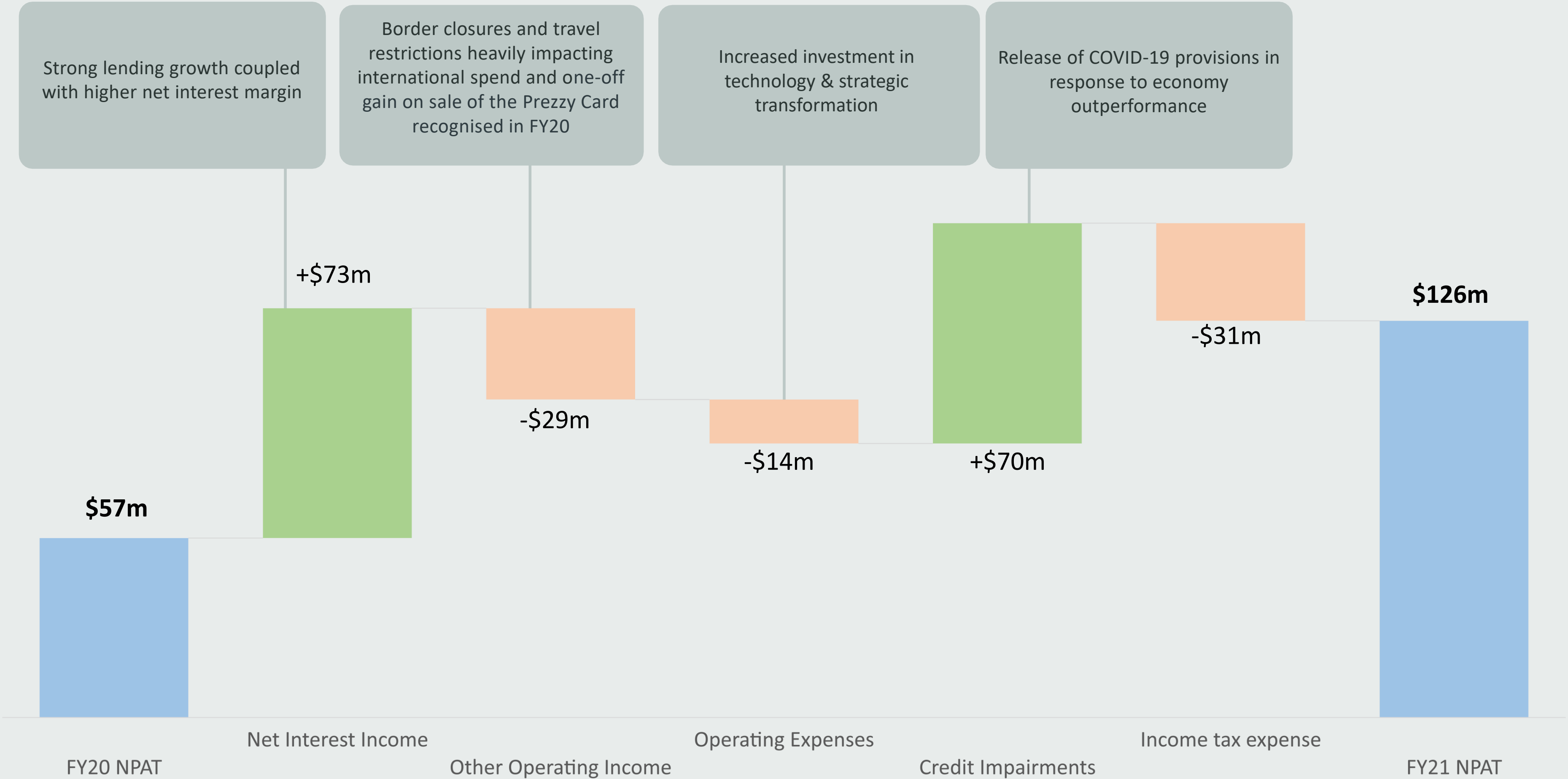


Key focus areas

- Kiwibank has benefited from the better than expected performance of the New Zealand economy. Economic growth, employment and house prices are all much stronger than forecast at the onset of COVID-19.
- Profit after tax increased significantly on prior year due to net asset growth, favourable NIM and release of COVID-19 credit provisions.
- Other operating income was down on the prior year due to the one-off gain on sale of the Prezzy Card business recognised in FY20 and the lower international transaction volumes associated with COVID-19 international travel restrictions.
- Despite the increase in operational activity a focus on cost discipline has ensured underlying costs were held flat which has contributed to an improved CTI on prior year.

¹ FY20 Comparatives have been restated to align with treatment of some expenses as direct fee expenses rather than Opex in FY21 Disclosure Statement

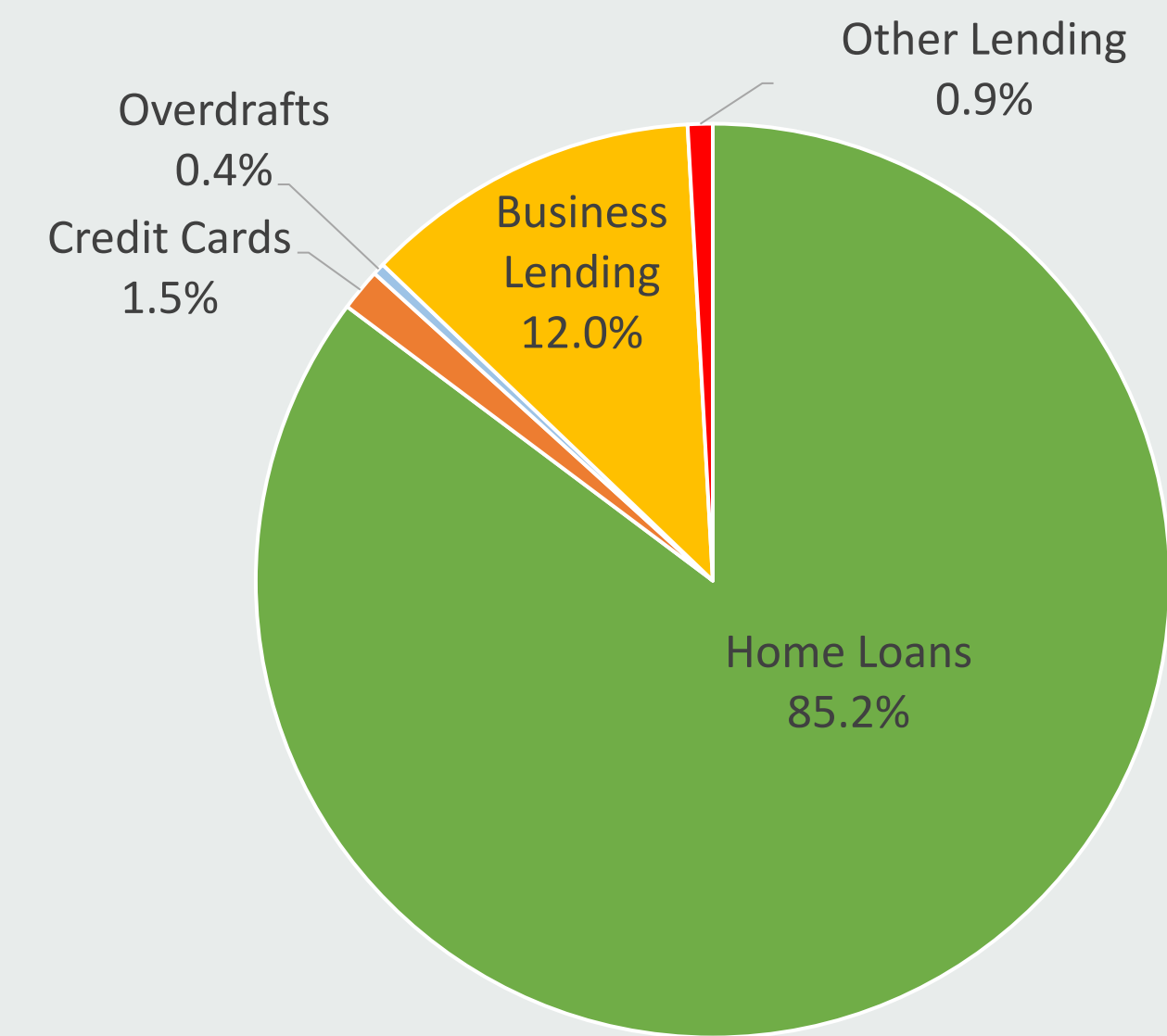
Change in reported net profit after tax from FY20 to FY21 (\$m)



Lending Portfolio



Net Loans and Advances – June 2021



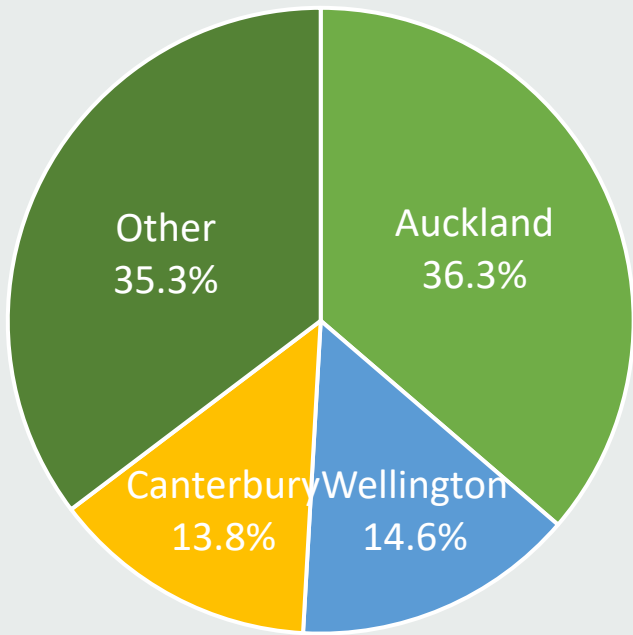
Lending Category	30 June 2021 (\$b)
Home Loans	\$21.5
Credit Cards	\$0.4
Overdrafts	\$0.1
Other Term Lending	\$3.0
Other Lending	\$0.2
Net Loans and Advances	\$25.2

Mortgage Portfolio – 30 June 2021

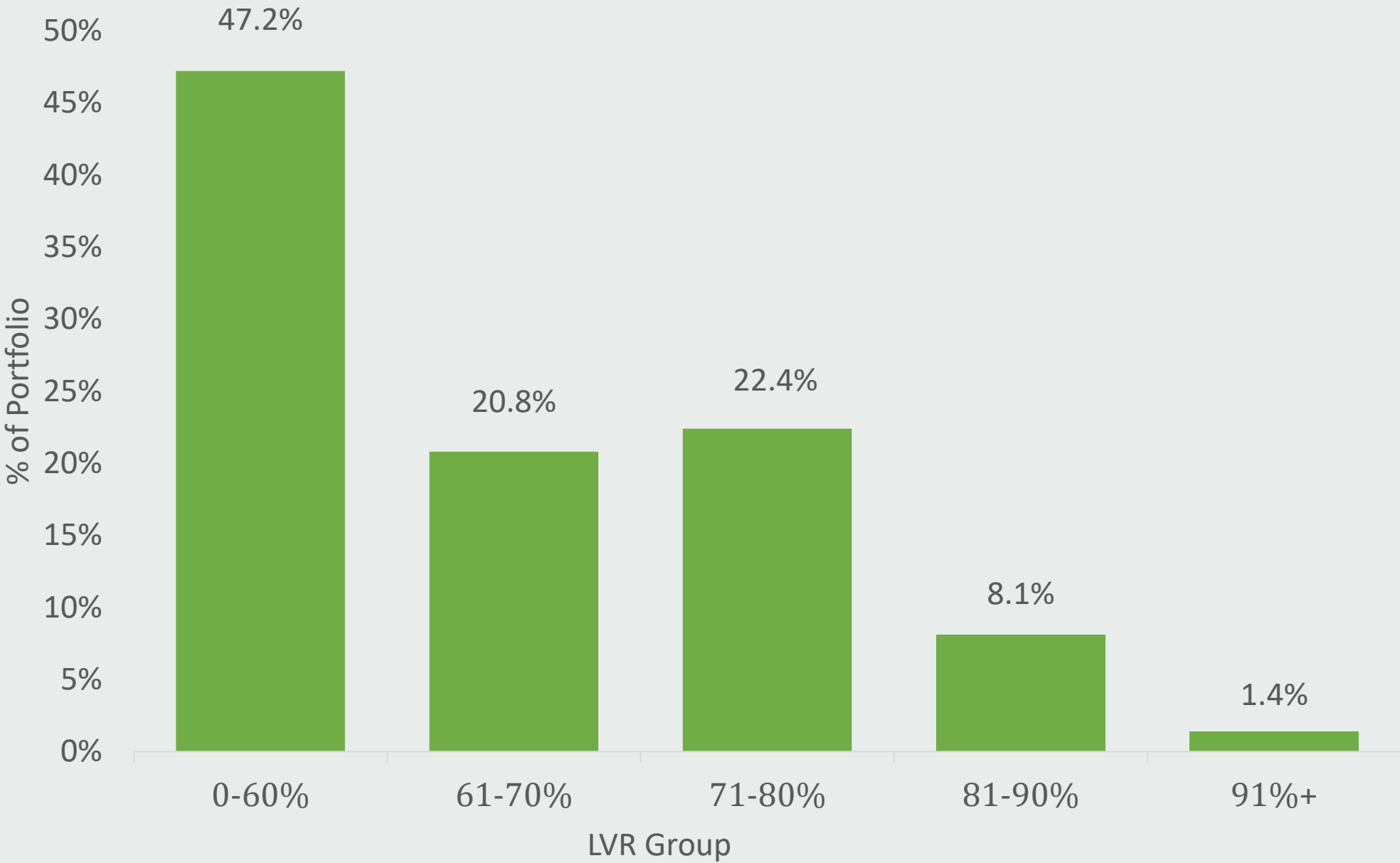


Total home loan portfolio	\$21.5b
Fixed/Floating	84%/16%
Average home loan balance	\$320k
Interest only	14%
LVR >80% - origination	9.5%

Home Loan Portfolio - Regional Profile



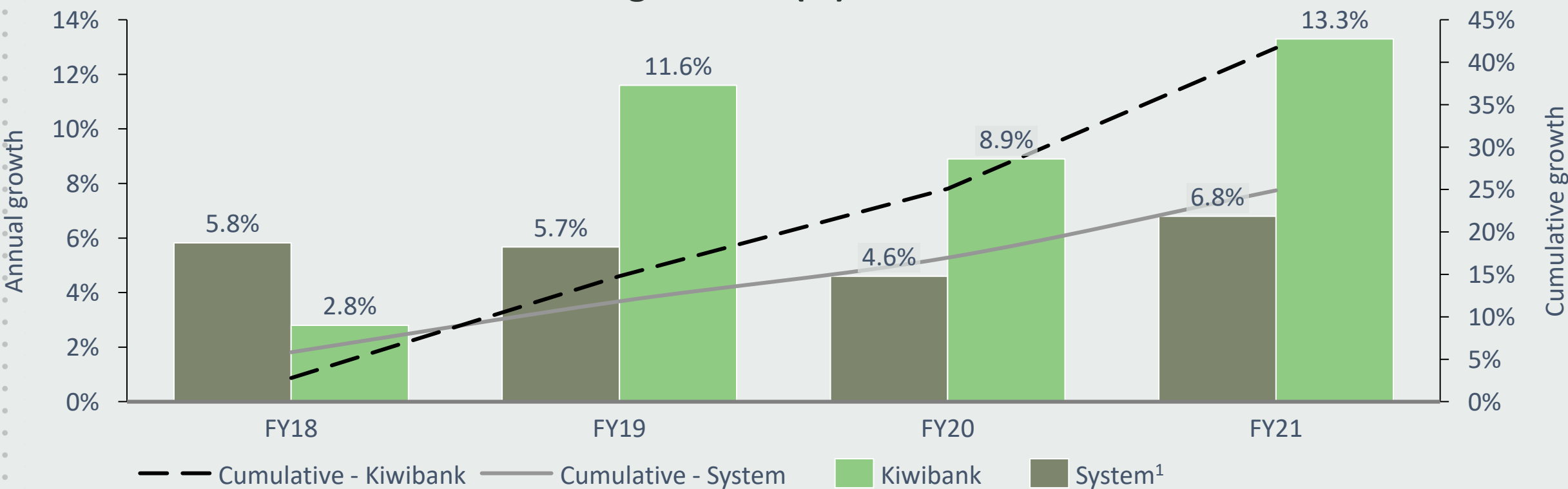
Home Loan Portfolio - LVR



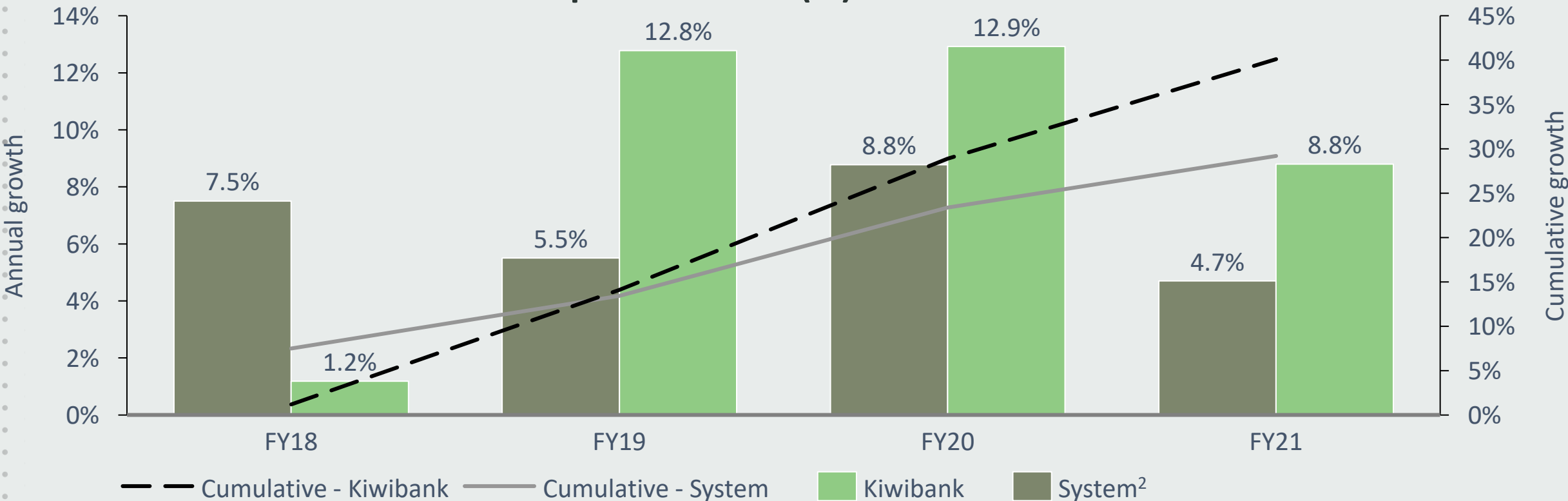
More Kiwi backing Kiwibank



Lending Growth (%)



Deposit Growth (%)



Key focus areas

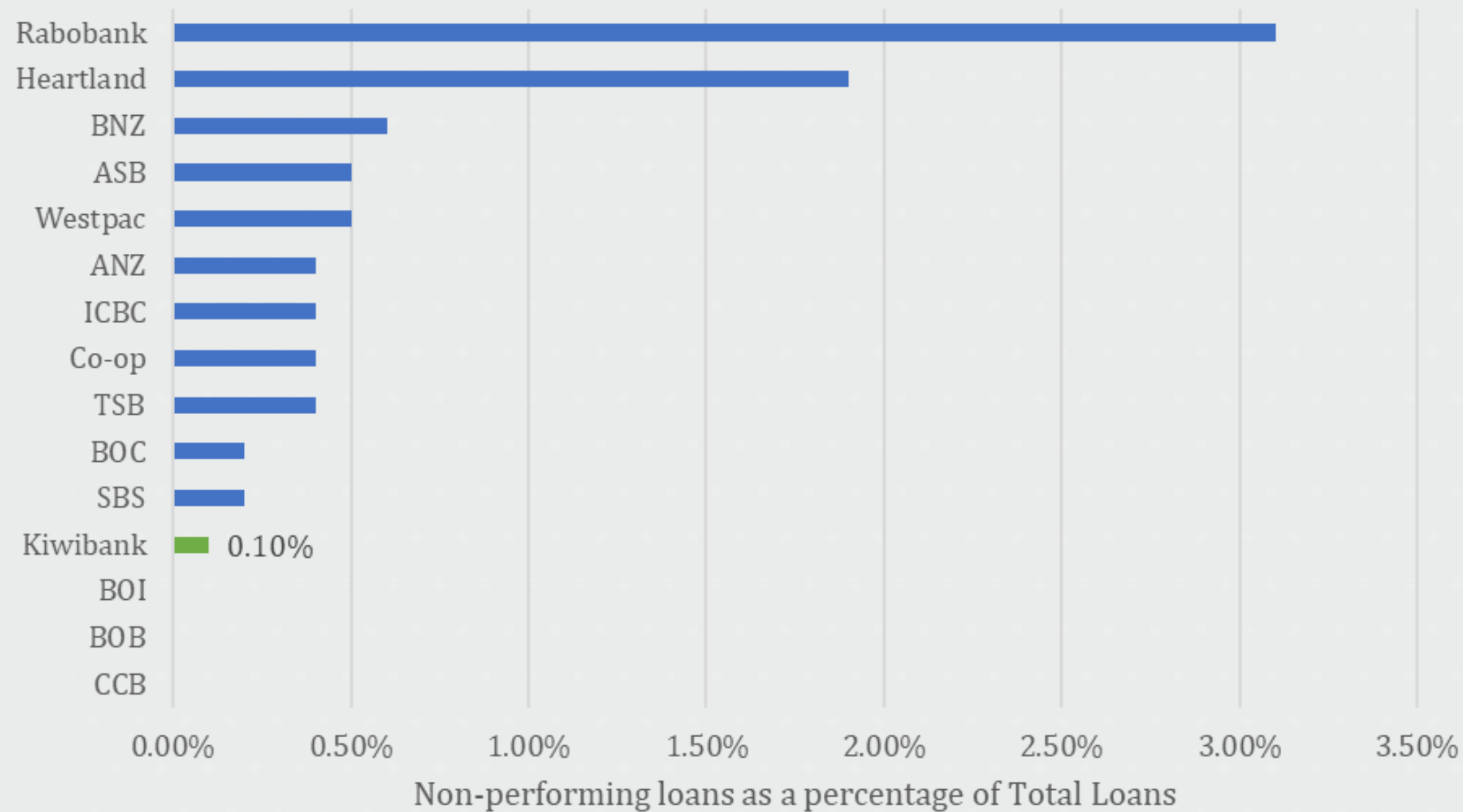
- Kiwibank has outperformed the system for the last three years in both lending and deposit growth.
- Growth of \$1.8b (9%) in customer deposits in FY21.
- Kiwibank business lending continues to outperform system as supporting SME (small and medium businesses) remains a core focus.
- Residential mortgage lending has grown by 11% in the last year, reflecting growth of \$2.2b, a record high for the bank. We remain focussed on improving customer experience by reducing time to decision, growing our frontline banking expertise and expanding our reach via advisers.
- We are building our new technology platform designed to deliver great customer experiences and a scalable cost base.

¹ Source: www.rbnz.govt.nz/statistics/c5
² Source: www.rbnz.govt.nz/statistics/s40-banks-liabilities-deposits-by-sector

Asset quality



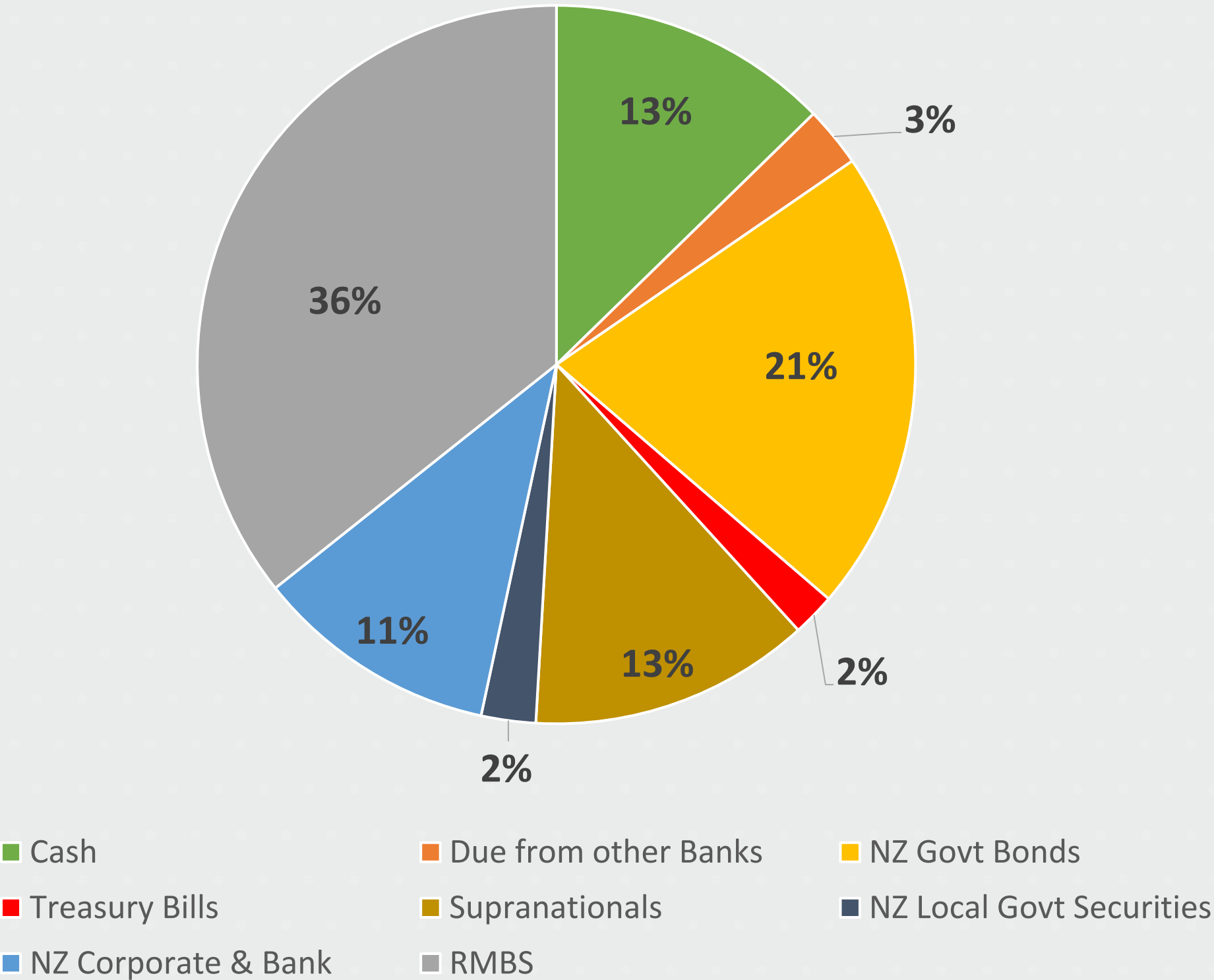
Non-performing loan ratio



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

Source: RBNZ Financial Strength Dashboard – June 2021

High Quality Liquid Assets



- Kiwibank has a diverse portfolio of liquid assets.
- The bulk of the \$3.8b portfolio qualifies as High Quality Liquid Assets as defined by the RBNZ. This represents 15.2% of total loans and advances.
- Internal Residential Mortgage Backed Securities programme upsized to provide primary liquid assets as well as support drawdowns under the RBNZ Funding for Lending programme.

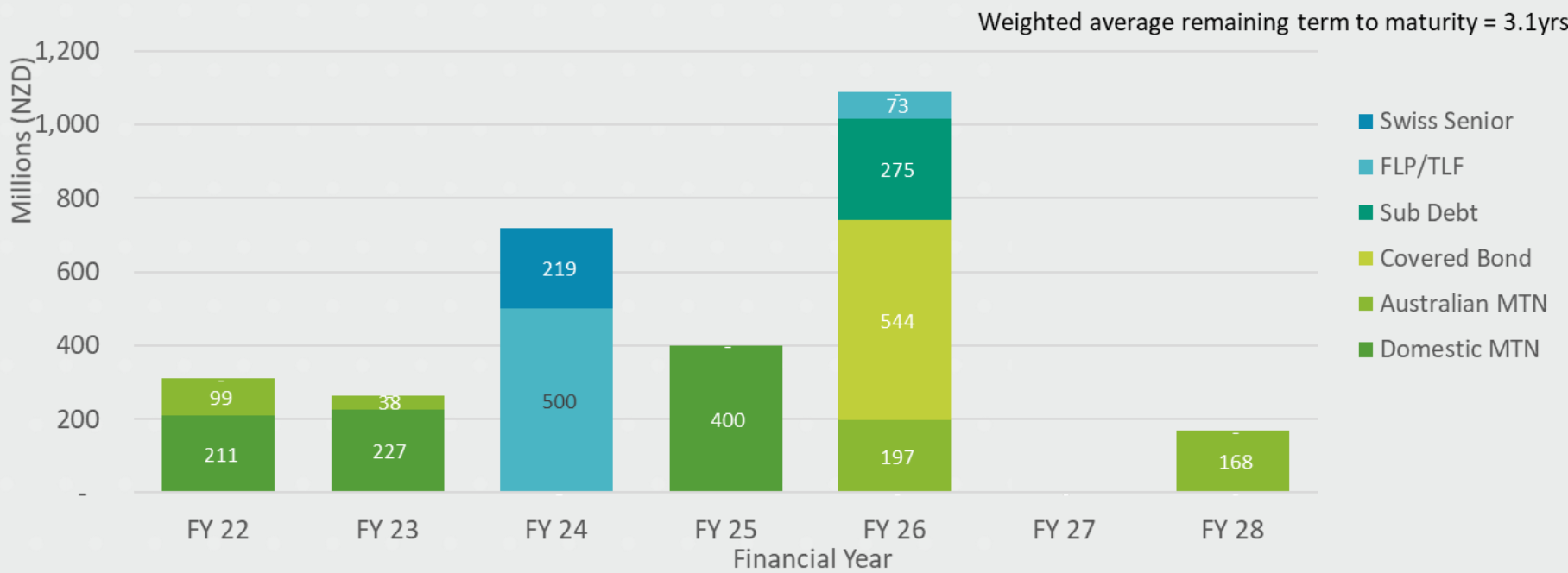
Funding mix (as at 30 June 2021)



Issuer Credit Ratings

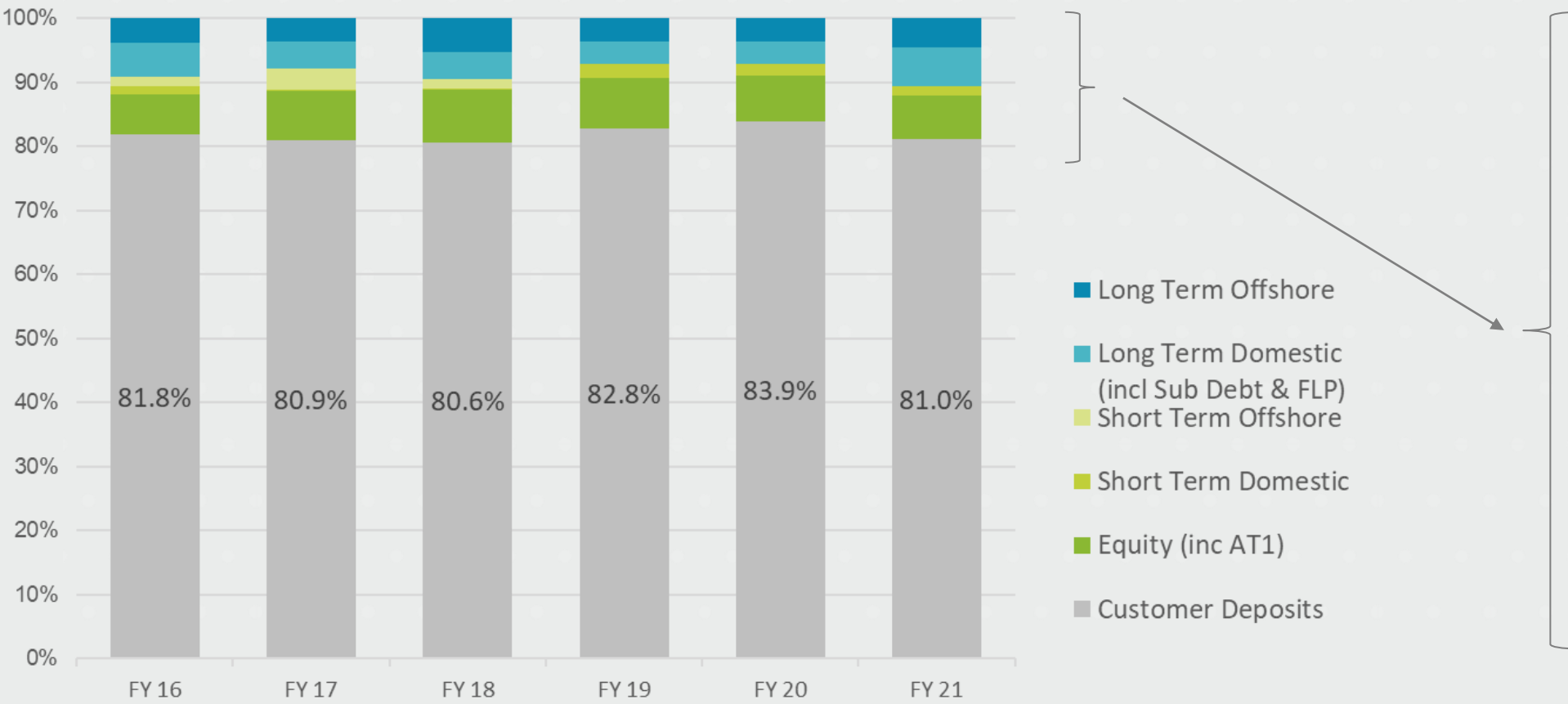
	Long-term	Short-term	Outlook
Fitch	AA	F1+	Stable
Moody's	A1	P-1	Stable

Term Funding Maturity Profile by Type *



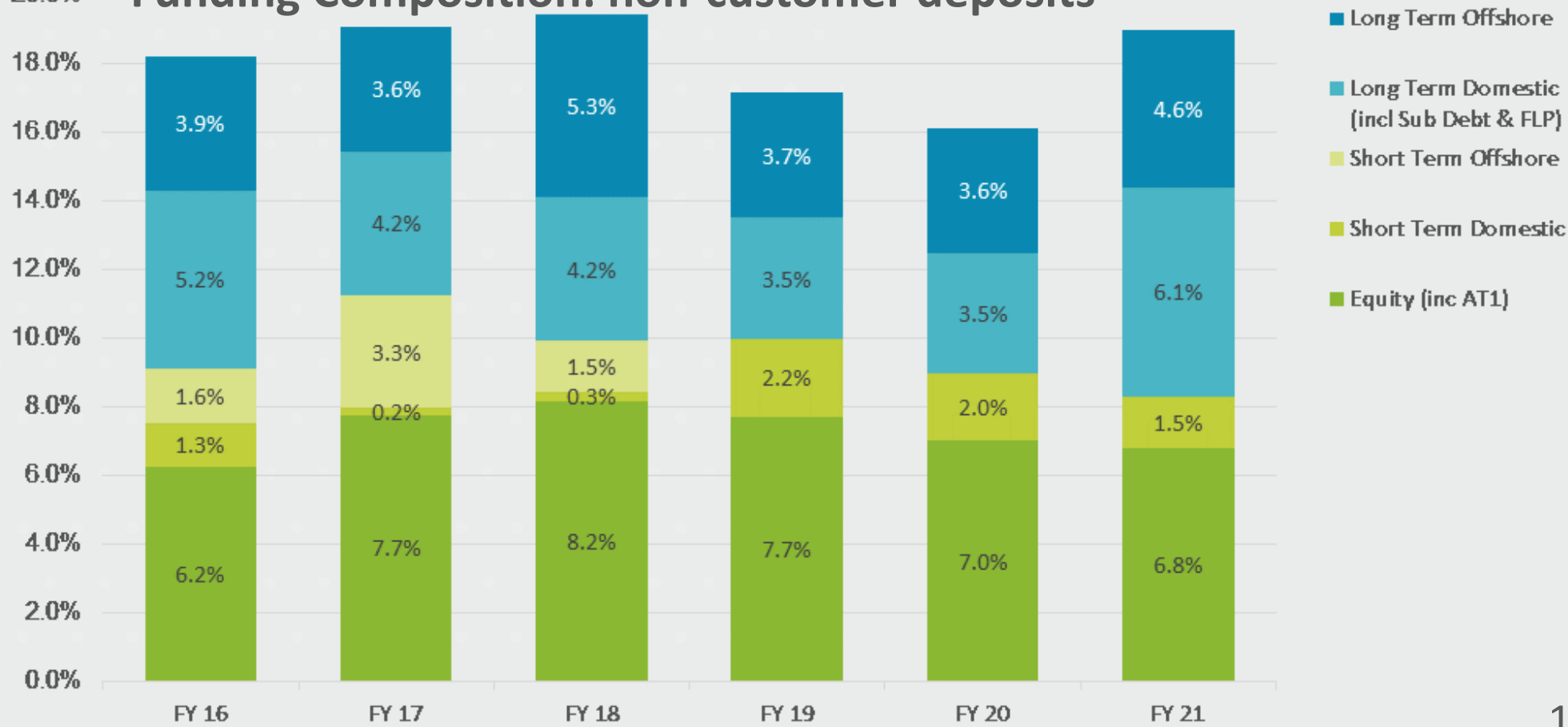
Source: Kiwibank as at 30 June 2021
 * Excludes AT1. Sub debt profile based on the next callable date

Funding Composition



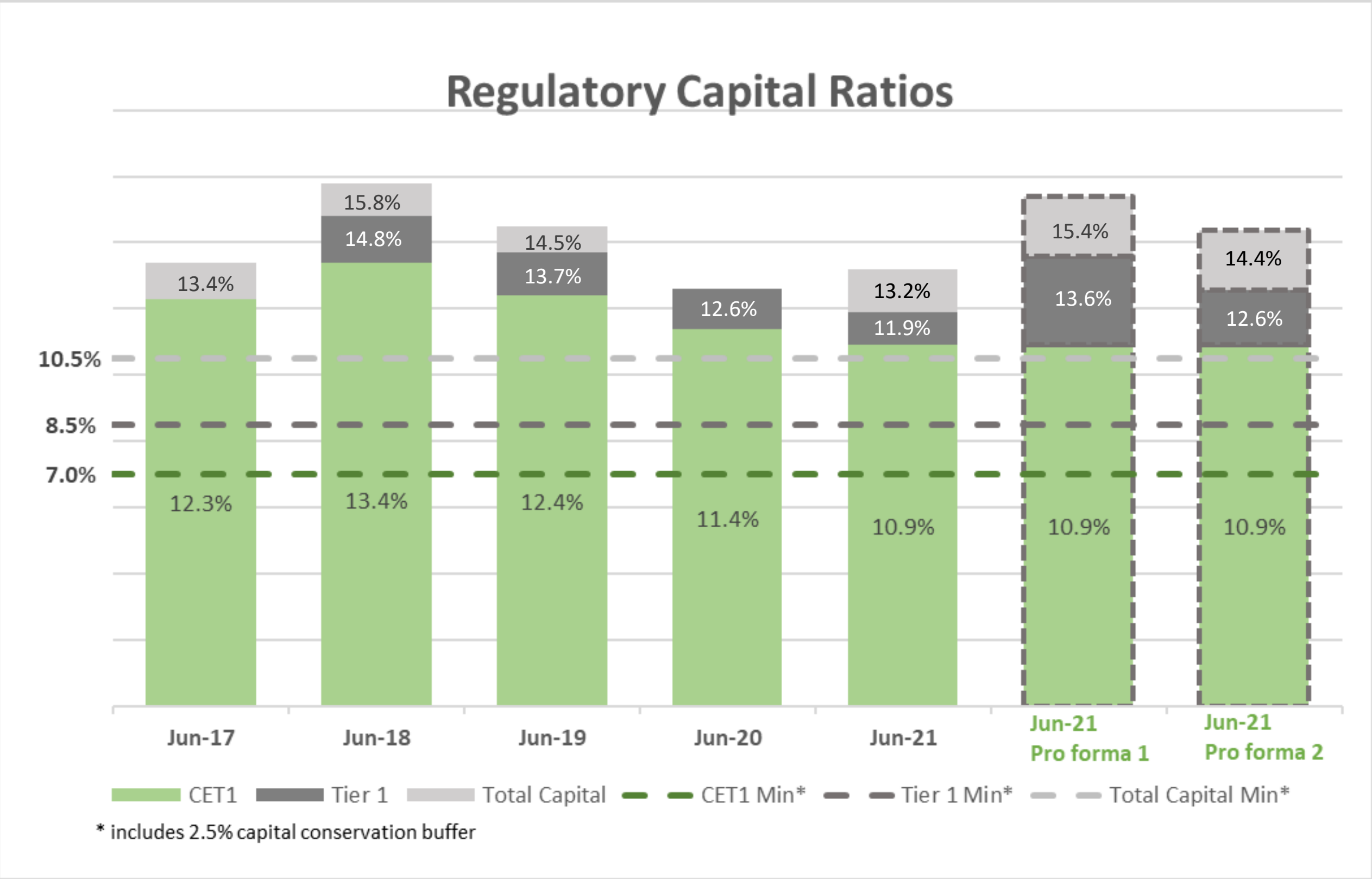
Source: Kiwibank as at 30 June 2021

Funding Composition: non-customer deposits



Source: Kiwibank as at 30 June 2021

Capital ratios are comfortably above regulatory minimum requirements



Key focus areas

- Common Equity Tier 1 capital ratio (CET1) of 10.9% declined 50bps on the prior year due to strong asset growth.
- \$275m Tier 2 capital raised in December 2020.
- PPS issue will increase Tier 1 and Total Capital ratios.

Pro Forma 1

- \$250m PPS issuance
- 100% capital recognition for \$275m Tier 2 (following RBNZ capital rule changes from 1 Oct 2021)

Pro Forma 2

- \$250m PPS issuance
- 100% capital recognition for \$275m Tier 2 (following RBNZ capital rule changes from 1 Oct 2021)
- \$150m KCFHA AT1 redeemed (following 1 October regulatory event Kiwibank has the option to redeem, subject to RBNZ approval)

Risks of investing

An investment in the PPS involves risk. Kiwibank considers that the most significant risks are:

- The economic impact of the COVID-19 pandemic remains uncertain, and has increased potential credit risk across Kiwibank's lending portfolio
- Disruption to Kiwibank's information technology systems
- External events may adversely impact Kiwibank's operations

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

- adversely affect the market price and liquidity of the PPS; and/or
- result in Kiwibank not making a payment on the PPS

This summary does not cover all of the risks of investing in the PPS. Further information on risks is available in Sections 5 and 6 of the PDS.

2. Perpetual Preference Shares Overview

Perpetual Preference Shares – Key Terms



Issuer	Kiwibank Limited
Description	Perpetual preference shares
Ranking	The PPS are ranked below all Kiwibank’s liabilities and debt obligations including deposits and subordinated debt but ahead of common equity
Term	The PPS have no fixed term
Distribution Rate	The Distribution Rate will be fixed for the first five years, after which it will be reset every five years to be equal to the five year swap rate plus the Margin. The Distribution Rate will not be less than 0%
Margin	Set on the Rate Set Date, announced by Kiwibank and will not change
Distributions	Distributions are discretionary, subject to certain conditions and are non-cumulative. They are scheduled to be paid quarterly and are expected to comprise cash and imputation credits
Redemption rights	Kiwibank may, subject to certain conditions, choose to repay the PPS: • on an Optional Redemption Date; or • if a Tax Event or a Regulatory Event has occurred Holders have no right to require the PPS be redeemed
First Optional Redemption Date	2 November 2026

Optional Redemption of the PPS

- Kiwibank may, subject to the conditions described below, choose to redeem the PPS:
 - on the first Optional Redemption Date (November 2026), or on any Optional Redemption Date after that date; or
 - following a Tax Event or a Regulatory Event
- Kiwibank may only choose to redeem the PPS if:
 - the Reserve Bank has approved the redemption of the PPS; and
 - the Solvency Condition will be satisfied immediately after redemption of the PPS
- If the PPS are redeemed on an Optional Redemption Date, holders will receive the Issue Price
- If the PPS are redeemed on a date other than an Optional Redemption Date due to a Tax Event or Regulatory Event, holders will receive the greater of the Issue Price and the Market Value

Credit rating



- Kiwibank has an issuer credit rating of A1 from Moody's Investors Service (Moody's)
- The PPS have been rated Ba1 by Moody's

Explaining the Ba1 credit rating of the PPS

Kiwibank issuer credit rating	A1
- Deduction for removing shareholder support	3 Notches
- Deduction for subordination and discretionary distributions	3 Notches
PPS credit rating	Ba1

Moody's Rating	Likelihood an issuer does not meet financial obligations
Aaa	Lowest
Aa	Very low
A	Low
Baa	Moderate
Ba	Substantial
B	High
Caa	Very high
Ca	Likely in, or very near default

3. The Offer

Key terms of the Offer



Purpose	The Offer will raise Additional Tier 1 capital to help Kiwibank meet its regulatory capital requirements
Use of proceeds	The proceeds of the Offer will be used for Kiwibank's general corporate purposes
Offer amount	Up to \$250 million
Minimum subscription amount	\$5,000 and in multiples of \$1,000 thereafter
Brokerage	0.50% on firm allocations plus 0.50% retail brokerage
Quotation	Application has been made for the PPS to be quoted on the NZX Debt Market under the ticker code KWBHA
Joint Lead Managers	BNZ, Craigs Investment Partners, Forsyth Barr
Co-Manager	JBWere

Important Dates

Important dates for the Offer	Date
PDS lodgement date	8 October 2021
Opening Date	18 October 2021
Closing Time	12:00 p.m. on 21 October 2021
Rate Set Date	21 October 2021
Issue Date / allotment date	2 November 2021
Expected date of initial quotation	3 November 2021
Important dates for the PPS	Date
Scheduled Distribution Payment Dates	2 February, 2 May, 2 August and 2 November in each year
First Scheduled Distribution Payment Date	2 February 2022
Rate Reset Date and Optional Redemption Date	2 November 2026 and every 5 years thereafter

4. Questions

Contact

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