

# Kiwibank

## Offer of Perpetual Preference Shares – Investor Presentation

11 October 2024

Joint Lead Managers



FORSYTH BARR

# Important information



This presentation has been prepared by Kiwibank Limited (**Kiwibank**) in relation to its offer (**Offer**) of perpetual preference shares (**PPS**).

A limited disclosure document (**LDD**) has been prepared in respect of the Offer. The LDD is available on the online Disclose Register maintained by the Companies Office ([www.disclose-register.companiesoffice.govt.nz/](http://www.disclose-register.companiesoffice.govt.nz/) (offer number OFR13831)) or by contacting one of the Joint Lead Managers or your usual financial advice provider.

**The PPS do not have the same rights (including voting rights) or privileges, or the same opportunity to increase in value, as ordinary shares. Scheduled distributions may be cancelled and Kiwibank is under no obligation to pay cancelled distributions at a later date. The PPS are perpetual and have no fixed term. You have no right to require that the PPS be redeemed for any reason.**

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

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

You should carefully read and consider the LDD, consider the suitability of an investment in the PPS in light of your individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues) and consult your financial, legal, tax and other professional advisers before deciding to invest in the PPS.

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

The 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.

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

Financial data in this presentation is as at 30 June 2024 unless otherwise indicated.

Information contained in or otherwise accessible through the websites mentioned in this presentation do not form part of the presentation unless we specifically state that the information is incorporated by reference and thereby forms part of the presentation.

New Zealand International Financial Reporting Standards (**NZ IFRS**)/New Zealand generally accepted accounting principles (**NZ GAAP**) financial measures: Kiwibank reports and describes in this presentation certain non-NZ GAAP financial measures. Non-NZ GAAP financial measures are not calculated in accordance with NZ IFRS. Non-NZ GAAP financial measures should be considered in addition to, and not as substitutes for or superior to, financial measures of financial performance or financial position prepared in accordance with NZ IFRS.

Capitalised terms in this presentation have the same meaning as set out in the LDD, unless the context requires otherwise.

# Offer highlights



<b>Issuer</b>	Kiwibank Limited ( <b>Kiwibank</b> )
<b>Description of the equity securities</b>	Perpetual preference shares ( <b>PPS</b> )
<b>No fixed maturity date</b>	The PPS have no fixed maturity date and will remain on issue indefinitely if not redeemed by Kiwibank
<b>Offer amount</b>	Up to \$100 million. Kiwibank reserves the right to accept oversubscriptions at its discretion
<b>Optional Redemption Dates</b>	24 April 2030 and each quarterly Scheduled Distribution Payment Date after that date
<b>Distribution Rate and distributions</b>	The Distribution Rate will be a fixed rate for a period of 5 and a half years, after which it will change to a floating rate that resets at quarterly intervals. Distributions are non-cumulative, discretionary and subject to conditions
<b>Conversion, exchange or non-viability triggers</b>	The PPS have no conversion or exchange options and no non-viability triggers
<b>Credit rating</b>	The PPS have been rated Ba1 by Moody's Investors Service
<b>Quotation</b>	Application has been made to quote the PPS on the NZX Debt Market. NZX ticker code KWBHB has been reserved for the PPS
<b>Purpose</b>	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
<b>Joint Lead Managers</b>	Bank of New Zealand, Craigs Investment Partners Limited and Forsyth Barr Limited

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# About Kiwibank





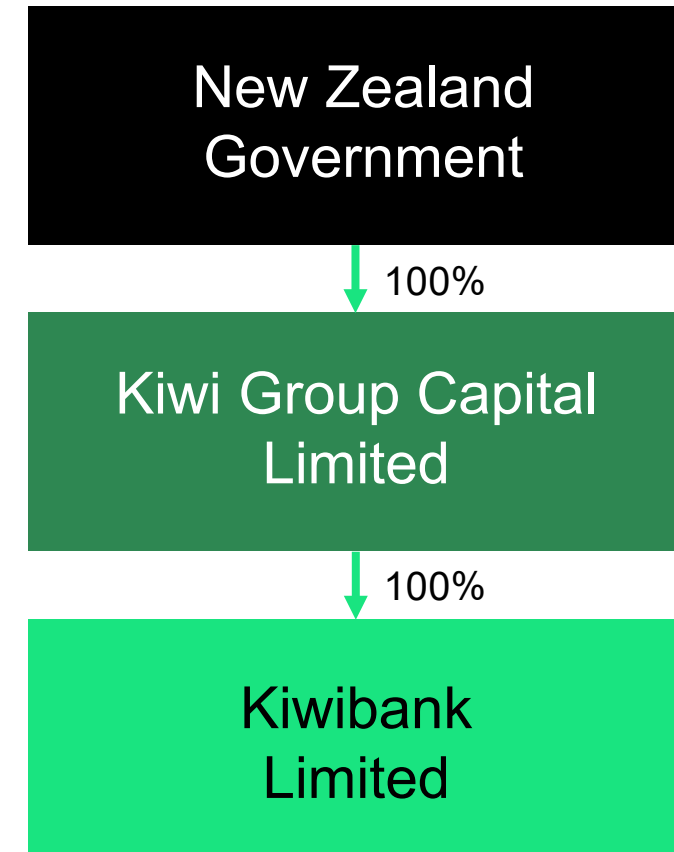
Kiwibank is the largest New Zealand-owned bank, with over one million customers.

Kiwibank's founding vision remains as relevant today as it has ever been - for New Zealand to have a real, relevant and credible alternative to the offshore-owned banks.

# Kiwibank – who we are



- We are a purpose-led bank
- We are proud to be a B Corp certified company<sup>1</sup>
- We are the largest New Zealand-owned bank, with \$37b in total assets<sup>2</sup>
- Full-service nationwide bank targeting personal and business banking customers
- Kiwibank's parent, Kiwi Group Capital Limited, is 100% owned by the New Zealand Government<sup>3</sup>



<sup>1</sup> Certified B Corporations are committed to considering the impact of their decisions on workers, customers, suppliers, community, and the environment

Further information available at: <https://www.bcorporation.net/en-us/certification/>

<sup>2</sup> Per Kiwibank's Disclosure Statement for the year ended 30 June 2024

<sup>3</sup> The PPS are not guaranteed by the New Zealand Government or any other person. The PPS are not protected deposits of Kiwibank for the purposes of the Deposit Takers Act 2023

# Our strategy



## PURPOSE

Kiwi Making  
Kiwi Better Off



## GOAL

To be Customers'  
1st Choice



## OUR OFFER

Simple  
Easy  
Accessible  
Expertise



## BETTER BANK

Sustainable Growth  
Impact  
Trusted  
Empowered

This is us.  
**NGĀ KAUWAKA**

*Ka Tīmata i a Tātou*  
**A Place to Belong**

*Me Māia*  
**Rise to the Challenge**

*Tapatahi*  
**Better Together**

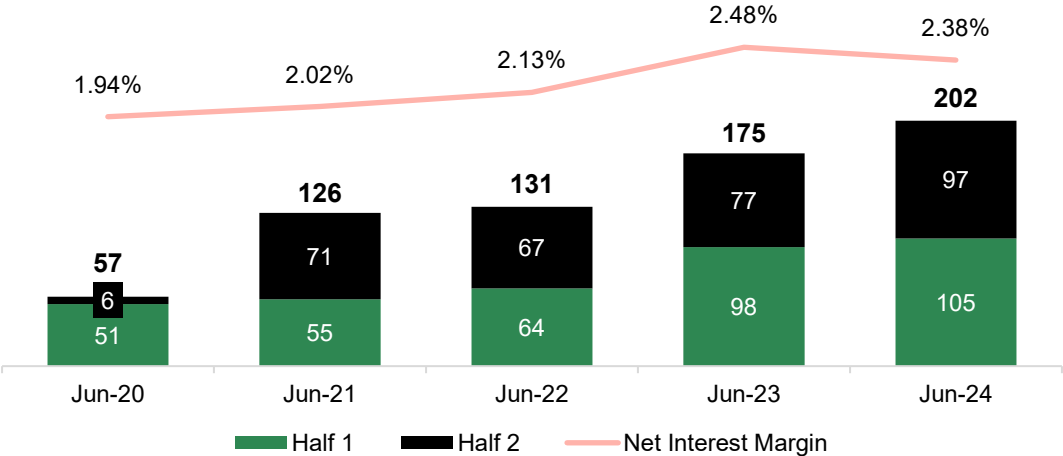
*Ngā Kiritaki*  
**Customer at the Heart**



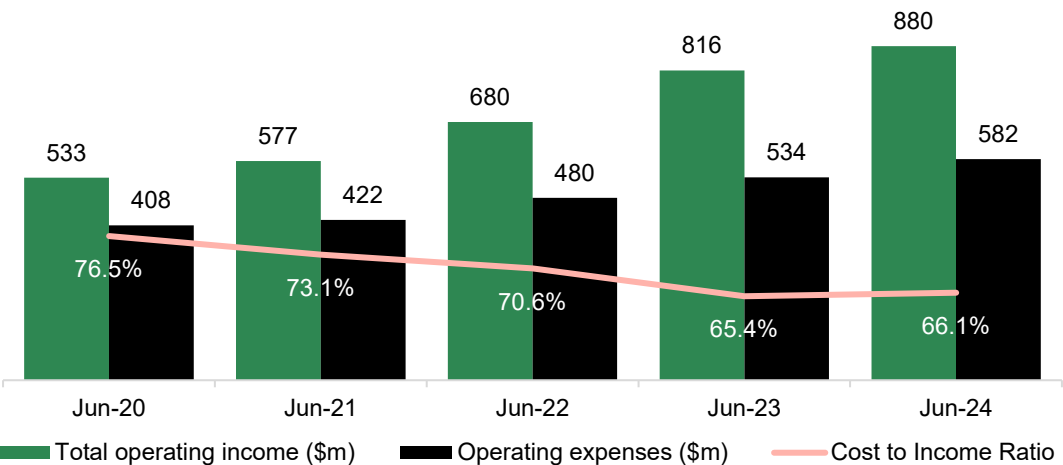
# Profit underpinned by net interest income



Net Profit after Tax (\$m) and Net Interest Margin<sup>1</sup>



Cost to Income Ratio<sup>2</sup>



## A record full year profit for the bank

- Net profit after tax of \$202m, a 15% increase from the prior year
- Higher net interest income was driven by net lending growth of \$2.8b or 9%, well above system growth (see page 10)
- Investment in technology remains a strategic priority to materially improve scalability for future growth

## Non-financial highlights

- Named the number one bank in Kantar's 2024 Corporate Reputation Index, the only bank in the top 20 companies<sup>3</sup>
- More than 62,000 students used Banquer, a financial education platform, in the 2023 calendar year, bringing the total to more than 350,000 since 2016
- 29% reduction in measured operational carbon emissions since baseline year (year ended 30 June 2021)
- Developed our first Climate Statement

Sourced from Kiwibank's Disclosure Statements

<sup>1</sup> Net Interest Margin = net interest income divided by average total interest and discount-bearing assets

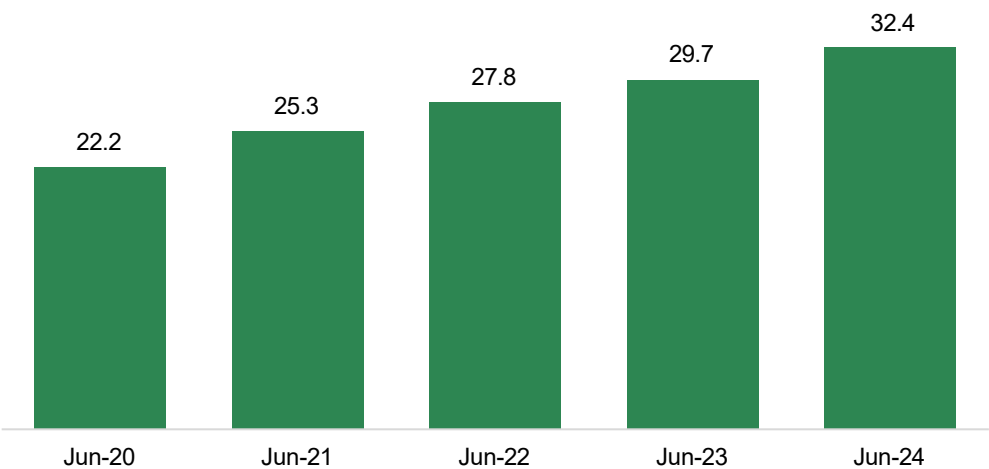
<sup>2</sup> Cost to Income ratio = operating expenses divided by total operating income

<sup>3</sup> Kantar Corporate Reputation Index 2024: <https://www.kantarnewzealand.com/corporate-reputation-index-2024>

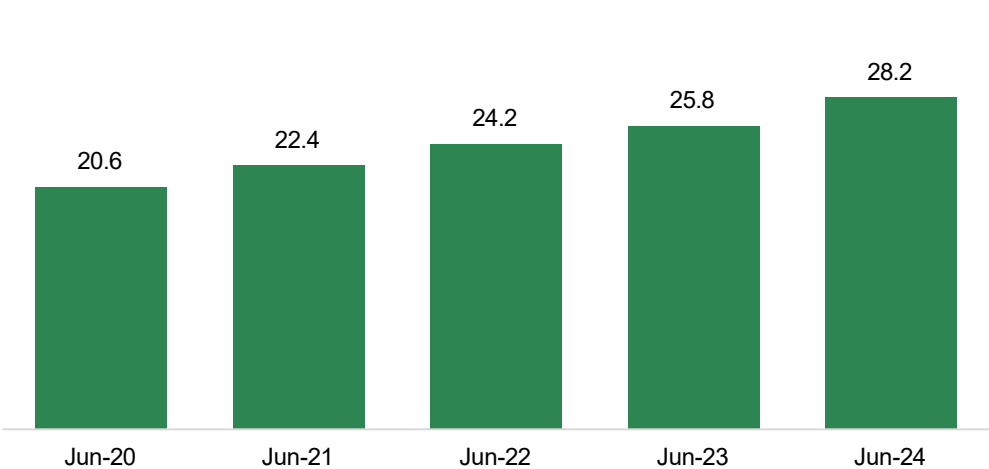
# More Kiwi backing Kiwibank



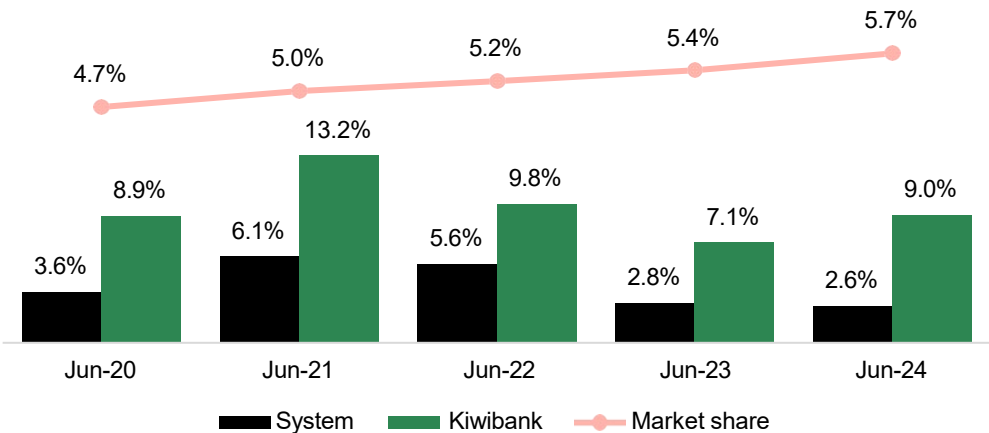
Loans and Advances (\$b)<sup>1</sup>



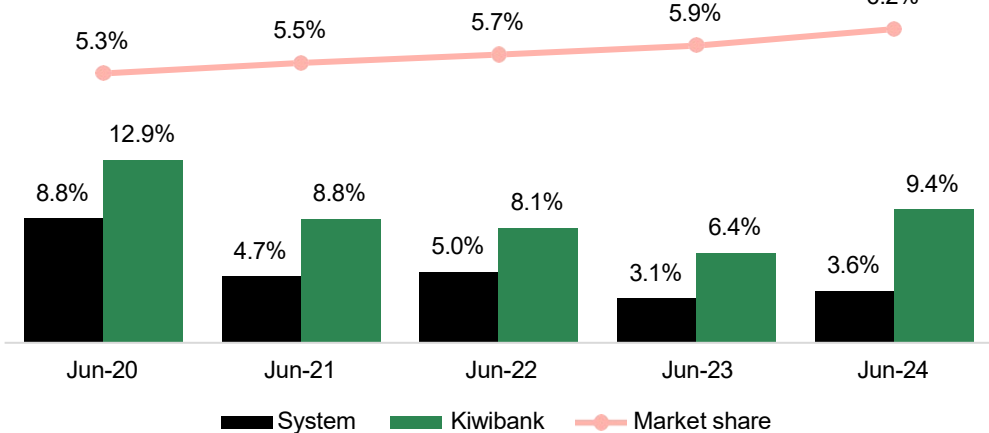
Deposits (\$b)<sup>1</sup>



Lending Growth vs System<sup>2,3</sup>



Deposit Growth vs System<sup>3</sup>

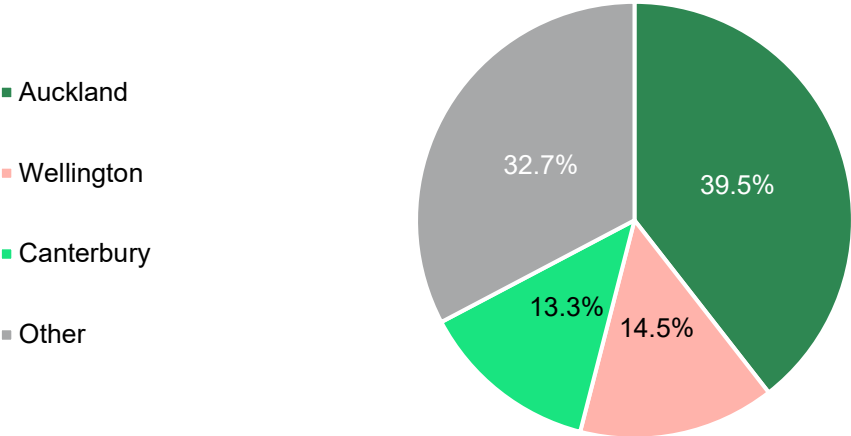


<sup>1</sup> Sourced from Kiwibank's Disclosure Statements  
<sup>2</sup> Lending growth figures are calculated based on gross loans and advances excluding direct transaction costs, and so will differ from loans and advances per the Disclosure Statement  
<sup>3</sup> System figures are based on Reserve Bank statistical series for registered banks (loans – S31 series; deposits – S40 series). Market share is Kiwibank's total divided by System total at period end

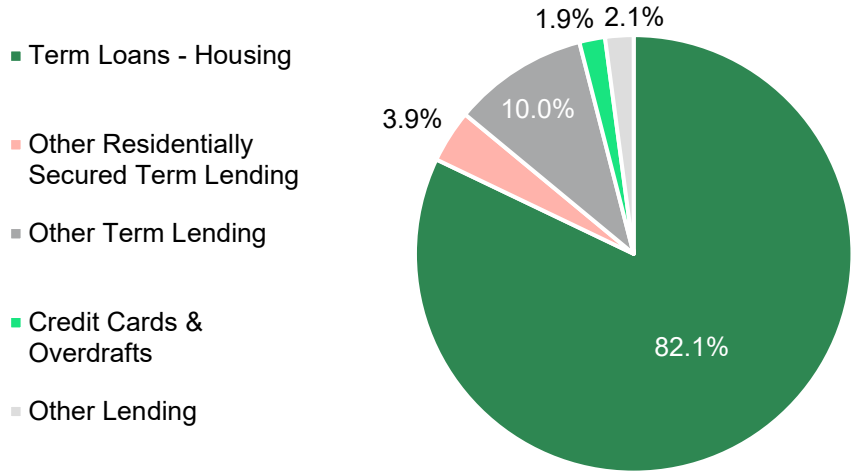
# Lending portfolio



Total Loans by Region



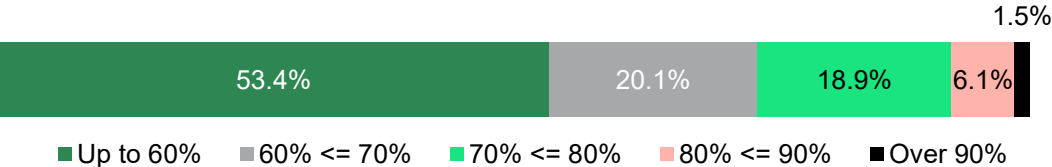
Total Loans by Category



- Kiwibank is primarily a retail mortgage bank
- 8% share of mortgage market<sup>1</sup>
- We also provide business lending to SMEs, commercial and corporate clients
- Institutional and agricultural lending are not part of our core business proposition

Residential Mortgage Portfolio	Jun-23	Jun-24
Total residential mortgage portfolio	\$25.4b	\$28.0b
Fixed / floating	92% / 8%	91% / 9%
Average customer balance (drawn)	\$354k	\$373k
Interest only / revolving	16.50%	17.26%
LVR > 80%	6.50%	7.57%

Residential Mortgages – Regulatory LVR<sup>2</sup> Profile



<sup>1</sup> Based on Reserve Bank statistics (S31), registered banks total housing loans as at 30 June 2024: <https://www.rbnz.govt.nz/statistics/series/registered-banks/banks-assets-loans-by-purpose>

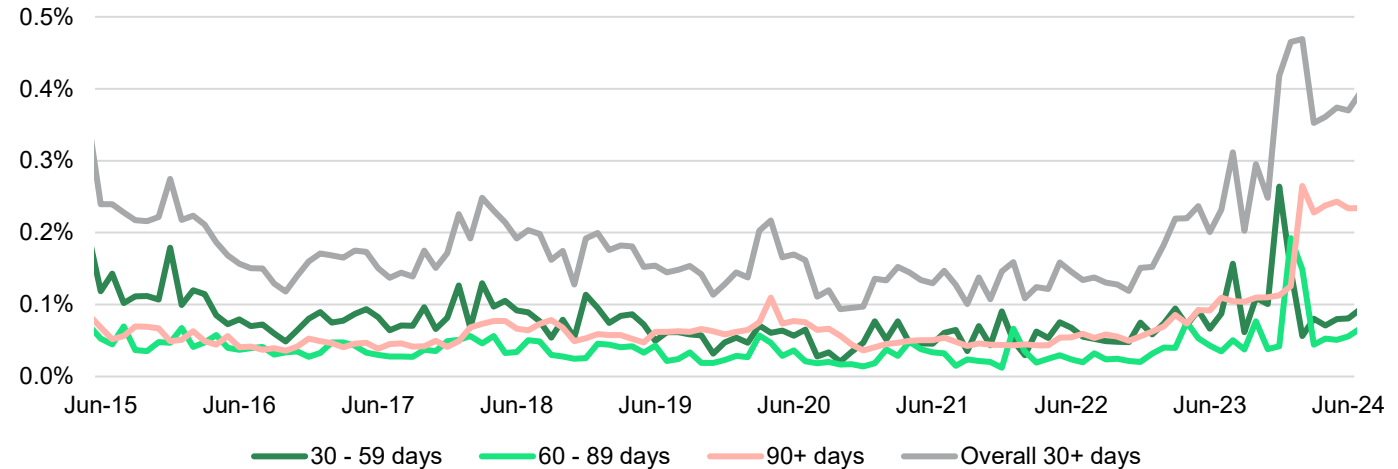
<sup>2</sup> Regulatory Loan-to-Valuation Ratios (LVR) are calculated in compliance with Reserve Bank requirements

# Asset quality

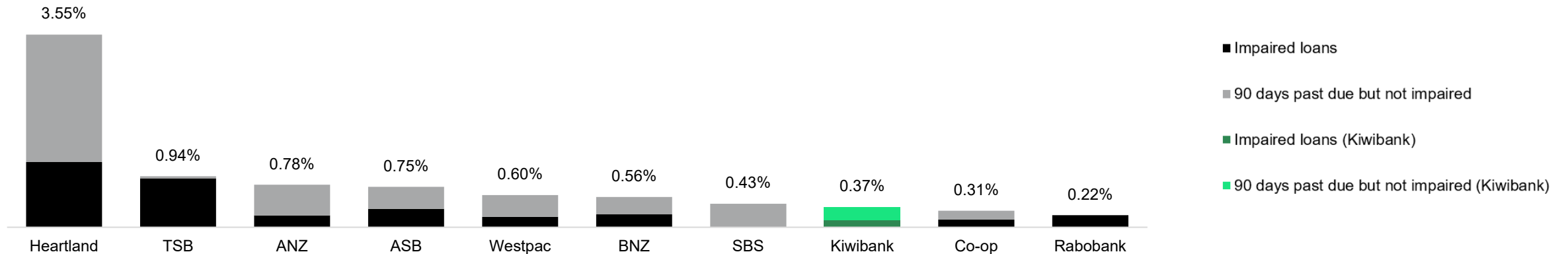


- Kiwibank mortgage arrears and impairments remain amongst the lowest in the industry<sup>1</sup>
- Payment support options are available to assist home loan customers who may struggle with higher interest rates

Loans Past Due but not Impaired (% of Total Kiwibank Loans)



Non-performing Loans (% of Total Loans)<sup>1</sup>

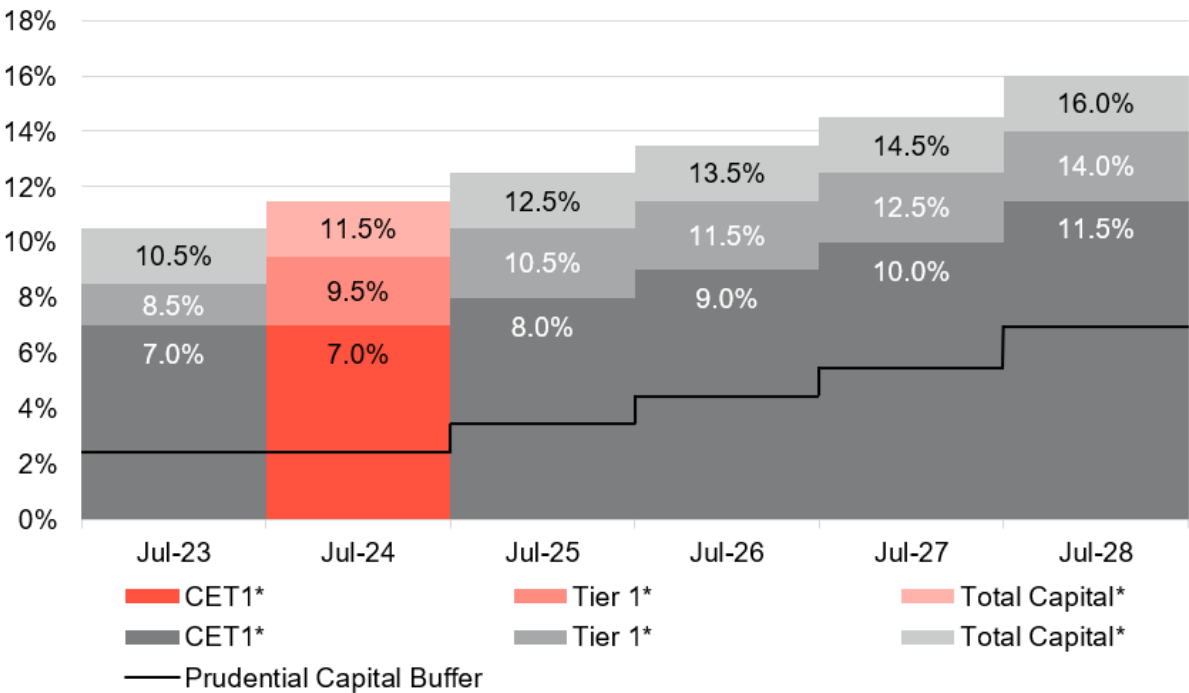


<sup>1</sup> Compared to locally incorporated banks with over \$3b total loans. Source is Reserve Bank Financial Strength Dashboard as at 30 June 2024: <https://bankdashboard.rbnz.govt.nz/asset-quality>

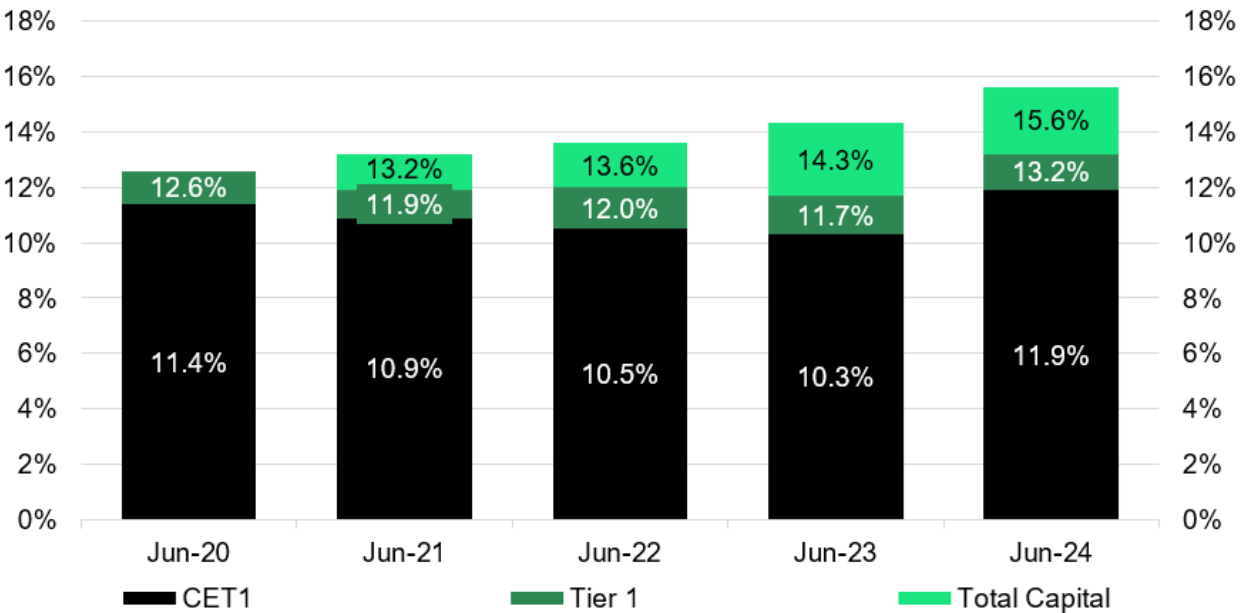
# Capital profile



Reserve Bank Minimum Capital Requirements\*



Kiwibank Capital Ratios



Kiwibank received a \$225m capital injection from Kiwi Capital Group Limited on 31 July 2023 which increased capital ratios by 1.3% at that time

\* Includes prudential capital buffer ratio  
Capital ratios are expressed as a percentage of Risk-Weighted-Assets (RWA), sourced from Kiwibank's Disclosure Statements  
CET1: Common Equity Tier 1 Capital

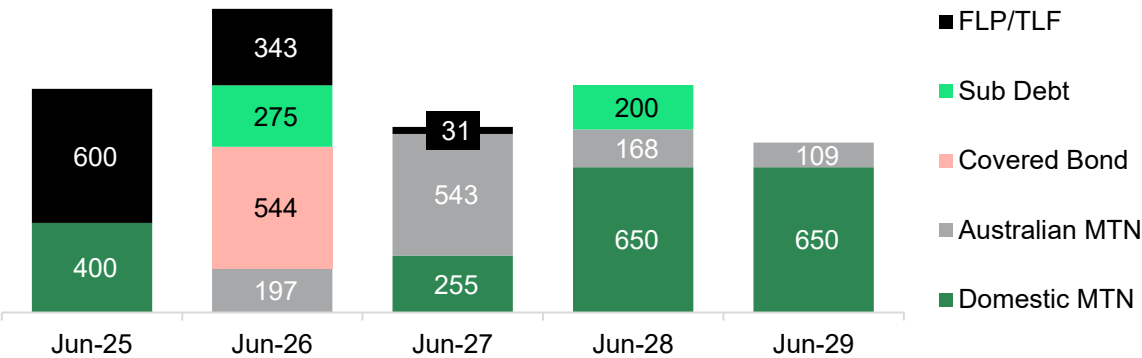


# Funding profile

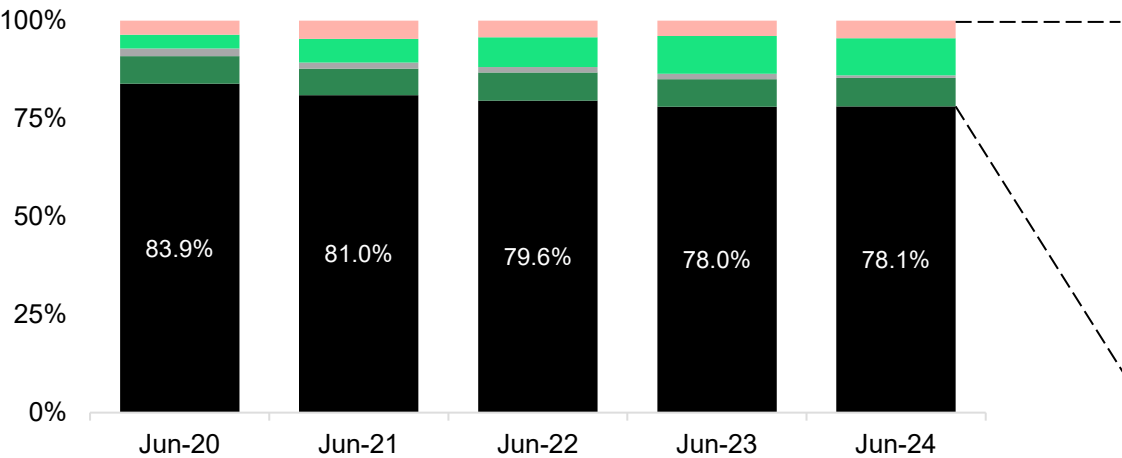


- Kiwibank maintains a diversified range of funding sources, both domestic and offshore covering short and long-term
- Weighted average remaining term to maturity is 2.2 years<sup>1</sup>

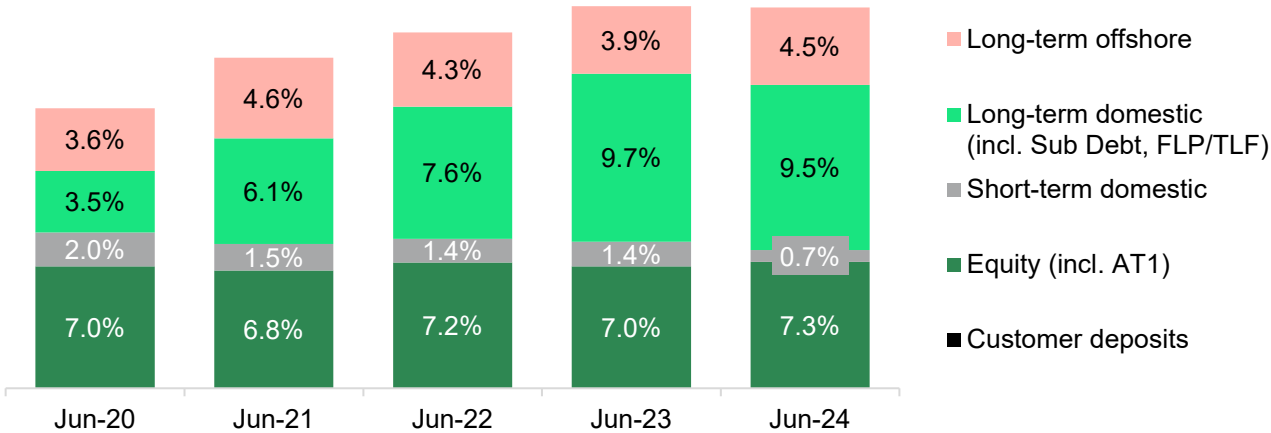
Term Funding Maturity Profile by Type<sup>1</sup> (\$m)



Funding Composition



Funding Composition: Non-Customer Deposits



<sup>1</sup> Excludes Additional Tier 1 Capital (AT1); maturity of subordinated debt is based on the first call date for these purposes, but there is no certainty that the debt will be redeemed at that time  
FLP/TLF: The Reserve Bank's Funding for Lending Programme and Term Lending Facility

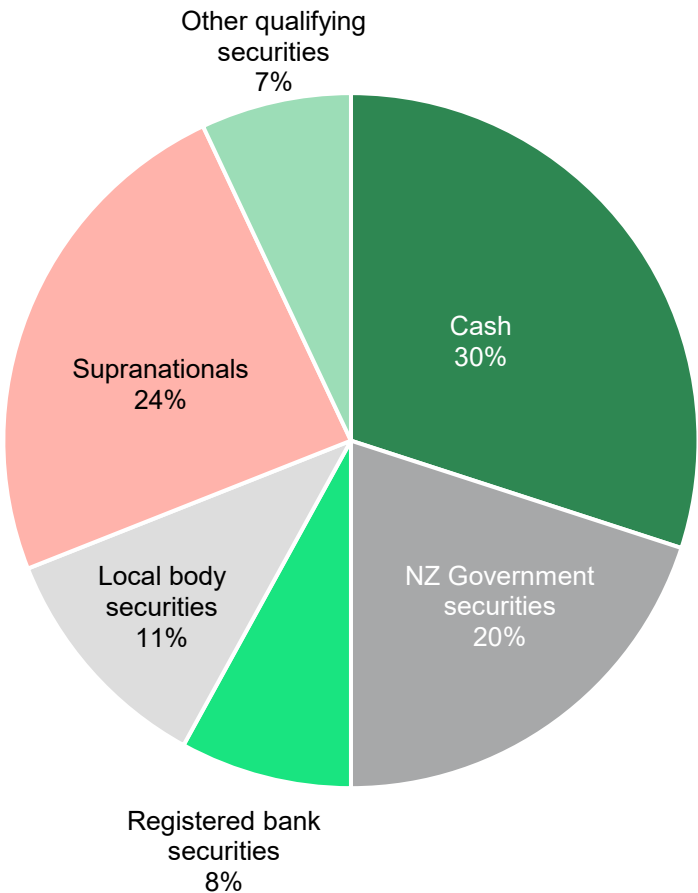
# Liquidity



- Liquid asset holdings of \$3.6b
- A diversified, high-quality portfolio
- In addition, Kiwibank holds \$2.9b of unencumbered internal RMBS which is also available for liquidity purposes

Regulatory Liquidity Ratios	RBNZ Minima	31 Mar 24	30 Jun 24
Quarterly average one-week mismatch ratio	0.0%	11.0%	<b>11.0%</b>
Quarterly average one-month mismatch ratio	0.0%	10.9%	<b>10.7%</b>
Quarterly average core funding ratio	75.0%	89.7%	<b>90.3%</b>

Liquid Assets<sup>1</sup>



RMBS: Residential Mortgage-Backed Securities  
<sup>1</sup> Liquid assets are post haircut qualifying liquid assets per the Reserve Bank’s liquidity policy, and therefore differ from NZ GAAP

# Perpetual Preference Shares

## Overview

# Key terms of the PPS



<b>Issuer</b>	Kiwibank Limited ( <b>Kiwibank</b> )
<b>Description</b>	Perpetual preference shares ( <b>PPS</b> )
<b>Ranking</b>	In a liquidation of Kiwibank, a Holder's right to payment in respect of each PPS is subordinated, ranking ahead of the rights of Kiwibank's ordinary shareholders only
<b>No fixed maturity date</b>	The PPS have no fixed maturity date and will remain on issue indefinitely if not redeemed by Kiwibank
<b>Distributions</b>	Distributions on the PPS are expected to be fully imputed. This means the return a Holder receives when a distribution is paid is expected to comprise a cash amount and imputation credits
<b>Distribution Rate</b>	<p>The Distribution Rate until the First Optional Redemption Date (24 April 2030) will be a fixed rate equal to the sum of the Swap Rate (a reference rate for a 5 and a half year period) on the Rate Set Date (17 October 2024) plus the Margin.</p> <p>The Distribution Rate after the First Optional Redemption Date will be a floating rate which will be reset quarterly to be equal to the sum of the applicable 3 Month Bank Bill Rate (a benchmark interest rate for a 3 month period) plus the same Margin. The Distribution Rate will not be less than 0%</p>
<b>Margin</b>	The Margin is the percentage rate per annum determined by Kiwibank in consultation with the Joint Lead Managers following the Bookbuild. The Margin will be announced by Kiwibank via NZX. The Margin for the PPS will not change
<b>Distributions are discretionary and subject to conditions</b>	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 certain conditions, including Kiwibank satisfying the Solvency Condition and compliance with Kiwibank's Conditions of Registration
<b>Distributions are non-cumulative</b>	If a distribution is not paid when scheduled, Kiwibank is under no obligation to pay that distribution at a later date
<b>Restrictions on ordinary shares if distributions are not paid</b>	<p>If for any reason a distribution is not paid in full on a Distribution Payment Date, Kiwibank must not authorise or pay a dividend on its ordinary shares, or undertake any discretionary buy-back or capital reduction in respect of its ordinary shares, unless and until:</p> <ul style="list-style-type: none"> <li>• Kiwibank pays a distribution in full on a subsequent Scheduled Distribution Payment Date; or</li> <li>• there are no longer any PPS outstanding</li> </ul>
<b>Redemption rights</b>	<p>Kiwibank may, subject to certain conditions, choose to redeem all of the PPS:</p> <ul style="list-style-type: none"> <li>• on an Optional Redemption Date; or</li> <li>• if a Tax Event or a Regulatory Event has occurred.</li> </ul> <p>Holders have no right to require that the PPS be redeemed for any reason</p>
<b>First Optional Redemption Date</b>	24 April 2030

# Optional redemption of the PPS



Kiwibank may, subject to the conditions described below, choose to redeem all (but not some) of the PPS:

- on an Optional Redemption Date; or
- on any Business Day following a Tax Event or Regulatory Event

Kiwibank may only choose to redeem the PPS if certain circumstances are met, including:

- the Reserve Bank having given its prior written approval to the redemption of the PPS; and
- Kiwibank satisfying the Solvency Condition

The Solvency Condition will be satisfied if Kiwibank is Solvent at the time the payment is due and Kiwibank is able to pay the amount and still be Solvent immediately after paying that amount





# 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
<b>PPS credit rating</b>	<b>Ba1</b>



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

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



# The Offer

# Key terms of the Offer



<b>Purpose</b>	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
<b>Offer amount</b>	Up to \$100 million. Kiwibank reserves the right to accept oversubscriptions at its discretion
<b>Minimum subscription amount</b>	\$5,000 and in multiples of \$1,000 after that
<b>Brokerage</b>	0.50% on firm allocations plus 0.50% brokerage
<b>Quotation</b>	Application has been made to quote the PPS on the NZX Debt Market. NZX ticker code KWBHB has been reserved for the PPS
<b>Joint Lead Managers</b>	Bank of New Zealand, Craigs Investment Partners Limited and Forsyth Barr Limited



# Important dates



Important dates for the Offer	
LDD lodgement date	11 October 2024
Opening Date	14 October 2024
Closing Time	11.00am on 17 October 2024
Rate Set Date	17 October 2024
Issue Date / allotment date	24 October 2024
Expected quotation on NZX Debt Market	25 October 2024
Important dates for the PPS	
No fixed maturity date	The PPS have no fixed maturity date and will remain on issue indefinitely if not redeemed by Kiwibank
Scheduled Distribution Payment Dates	24 January, 24 April, 24 July and 24 October in each year
First Scheduled Distribution Payment Date	24 January 2025
First Optional Redemption Date	24 April 2030
Optional Redemption Dates	The First Optional Redemption Date and each quarterly Scheduled Distribution Payment Date after that date

# Questions





# Contact

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