



Kiwibank

Offer of Subordinated Notes – Investor Presentation

Steve Jurkovich – Chief Executive
Belinda Newman – Treasurer

26 April 2023

Joint Lead Managers



Disclaimer

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The Notes are riskier than a bank deposit. The Notes are complex financial products that are not suitable for many investors. If you do not fully understand how they work or the risks associated with them, you should not invest in them.

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A limited disclosure document (**LDD**) has been prepared in respect of the offer. The LDD is available on the online Disclose Register maintained by the Companies Office (www.disclose-register.companiesoffice.govt.nz/ (offer number OFR13513)) or by contacting one of the Joint Lead Managers or your usual financial adviser. You should read the LDD before deciding whether to invest in the Notes.

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

The 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 limited disclosure document, product disclosure statement, information memorandum, prospectus, circular, advertisement or other offering material in respect of any Notes may be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws and regulations.

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Offer highlights

Issuer	Kiwibank Limited
Description	Unsecured subordinated notes (Notes)
Offer amount	Up to \$200 million
Term	10 years, ending on the Maturity Date (12 May 2033) if not repaid earlier
Early repayment	Kiwibank has the option to repay on 12 May 2028 or on any Scheduled Interest Payment Date after that date ¹
Credit rating	The Notes have been rated Baa2 by Moody's Investors Service
Quotation	Kiwibank intends to quote the Notes on the NZX Debt Market. NZX ticker code KWB1T2 has been reserved for the Notes.
Purpose	The Offer will raise Tier 2 Capital to help Kiwibank meet its regulatory capital requirements and manage its capital position. The proceeds of the Offer will be used for Kiwibank's general corporate purposes.
Joint Lead Managers	Bank of New Zealand, Craigs Investment Partners and Forsyth Barr

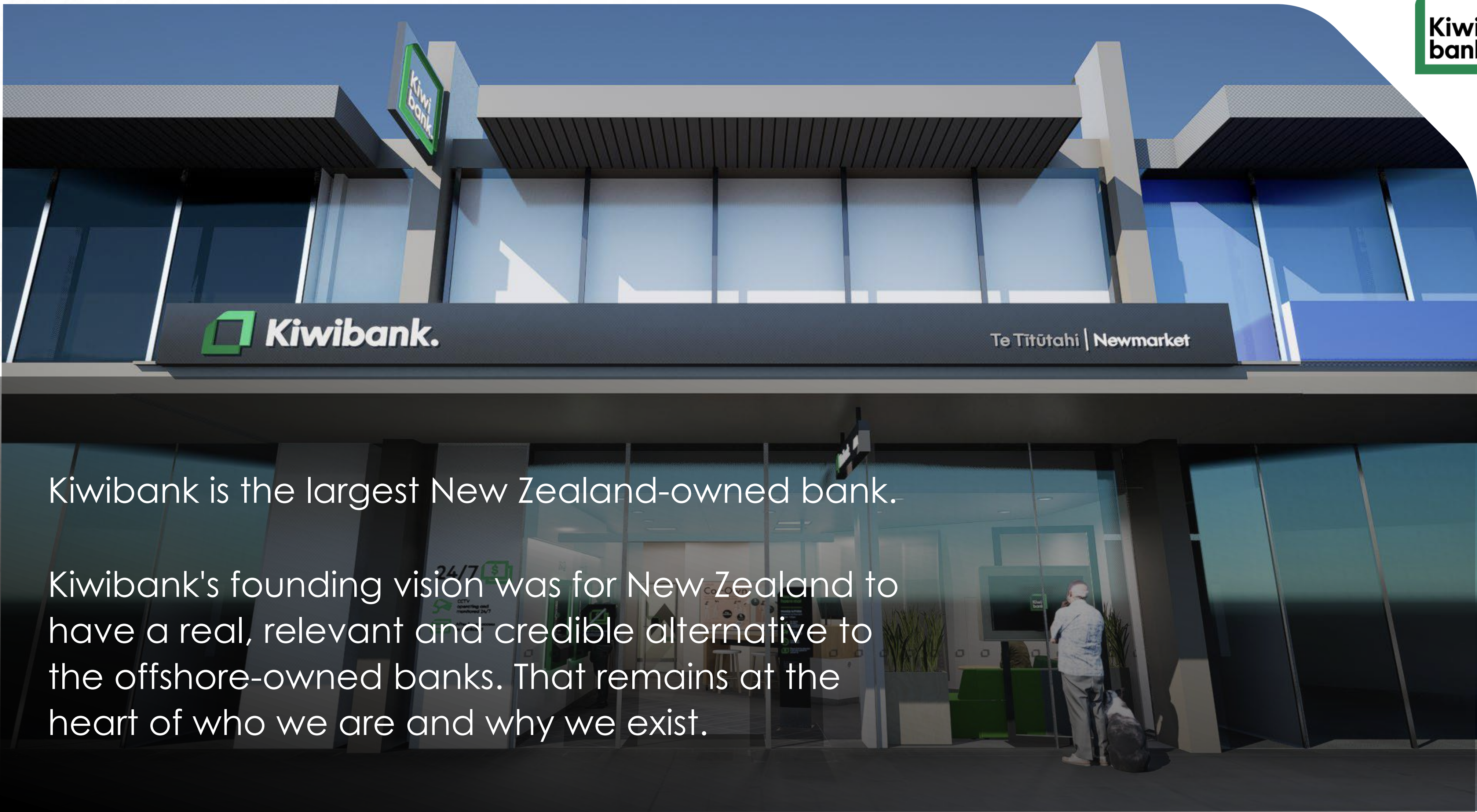
¹ Kiwibank may also repay all of the Notes on any earlier Scheduled Interest Payment Date if a Tax Event or Regulatory Event has occurred

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1. About Kiwibank



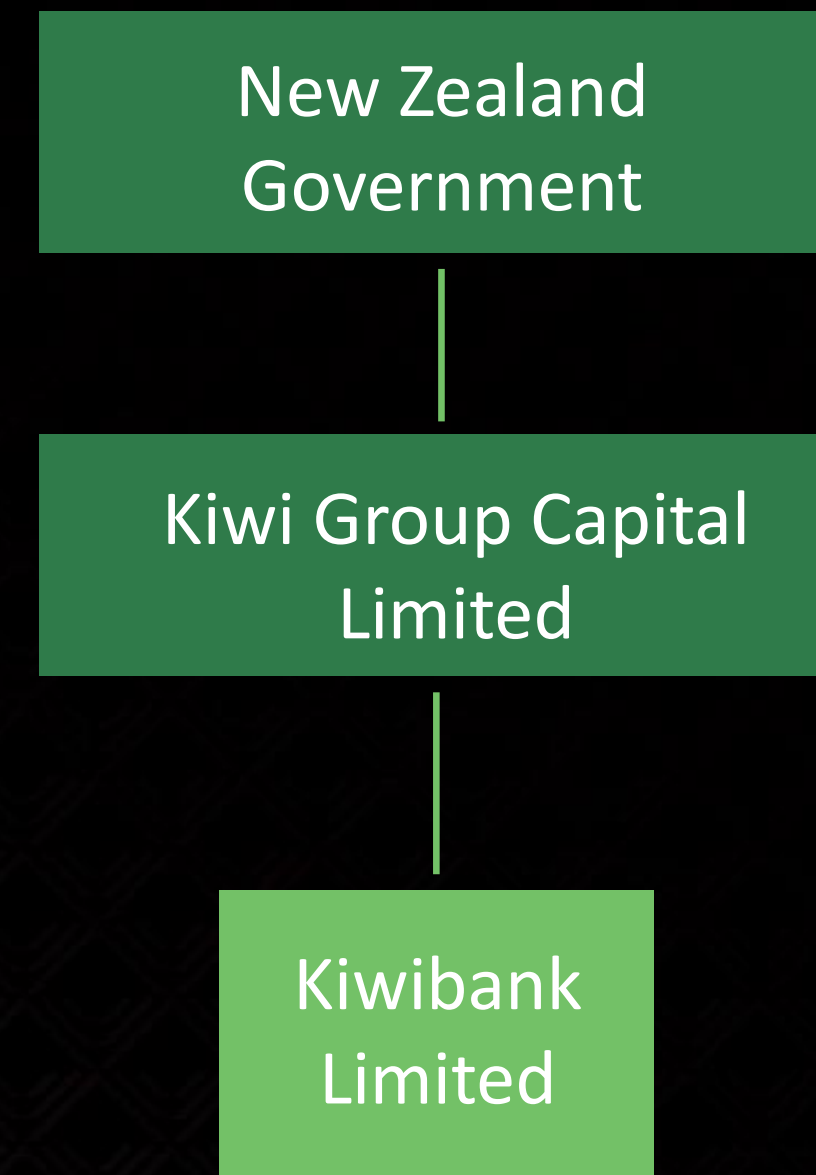
Kiwibank is the largest New Zealand-owned bank.

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.

Kiwibank – who we are



- We are a purpose-led bank, balancing purpose with performance
- We're proud to be a B Corp certified company¹
- New Zealand's largest domestically-owned bank, with approximately NZ\$33b² in total assets
- Full-service nationwide retail bank targeting personal customers and business banking
- Kiwibank's parent, Kiwi Group Capital Limited, is 100% owned by the New Zealand Government³
- A reducing branch presence reflects customers' digital preference



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

² As at 31 December 2022 (unaudited)

³ Kiwibank debt is not guaranteed by the New Zealand Government

This is Kiwi – our strategy



What we aim to achieve

- 1. Making our Tamariki better off
- 2. Making Kiwi better off
- 3. Making Aotearoa better off

PURPOSE

Kiwi Making Kiwi
Better Off

GOAL

To be Customers’
1st Choice

- 1. More Kiwi and Kiwi businesses prefer us for their banking needs
- 2. More Kiwi choose us for their Home Lending and Business needs

BANKING WITH US

Simple
Easy
Accessible
Expertise

BETTER BANK

Sustainable growth
Impact
Trusted
Empowered

This is us.
NGĀ KAUIWAKA

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

Me Māia
Rise to the **Challenge**

Tapatahi
Better Together

Ngā Kiritaki
Customer at the **Heart**

Social, environmental and cultural highlights of the half year¹



CERTIFIED B CORP²
MEETING HIGH STANDARDS
OF SOCIAL AND
ENVIRONMENTAL IMPACT



57,140 STUDENTS
USED BANQER IN 2022



292 COMPUTERS
DONATED TO SCHOOLS
AND CHARITIES AT THE
END OF THEIR LIFE



141 MICRO-LOANS
DELIVERED THROUGH
NGĀ TĀNGATA
MICROFINANCE TRUST



12 KĀINGA WHENUA
(MĀORI HOME OWNERSHIP
SCHEME) CULTURE
CHAMPIONS APPOINTED
WITHIN THE BUSINESS



4% INCREASE IN CARBON
EMISSIONS COMPARED TO
SAME PERIOD OF BASELINE
YEAR (2021)



PILOTED A FINANCIAL
WELLBEING PROGRAMME FOR
OUR STAFF



43% WOMEN IN
LEADERSHIP ROLES



\$23.3M SUSTAINABLE
FINANCE LENT TO BUSINESSES

Source: Kiwibank

¹ Half year 2023

² With a score of 90.3 points (a company has to score at least 80 points to be a certified B Corp)

Strong revenue and cost control drive financial performance

Highlights for half year 2023

Half year 2023 Financial Highlights



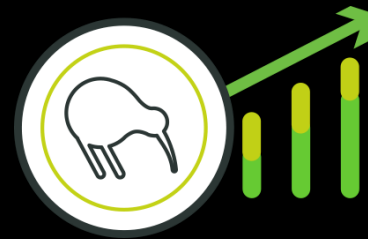
NZ\$1.1B GROWTH IN
CUSTOMER LENDING

(NZ\$2.5b FY22)
(NZ\$1.9b HY22)



NZ\$1.0B GROWTH IN
CUSTOMER DEPOSITS

(NZ\$1.8b FY22)
(NZ\$1.4b HY22)



NZ\$98M
PROFIT BEFORE TAXATION

(NZ\$131m FY22)
(NZ\$64m HY22)



NZ\$415M
TOTAL OPERATING INCOME

(NZ\$680m FY22)
(NZ\$328m HY22)



2.44%
NET INTEREST MARGIN¹

(2.13% FY22)
(2.06% HY22)



63.4%
COST TO INCOME²

(70.6% FY22)
(70.8% HY22)

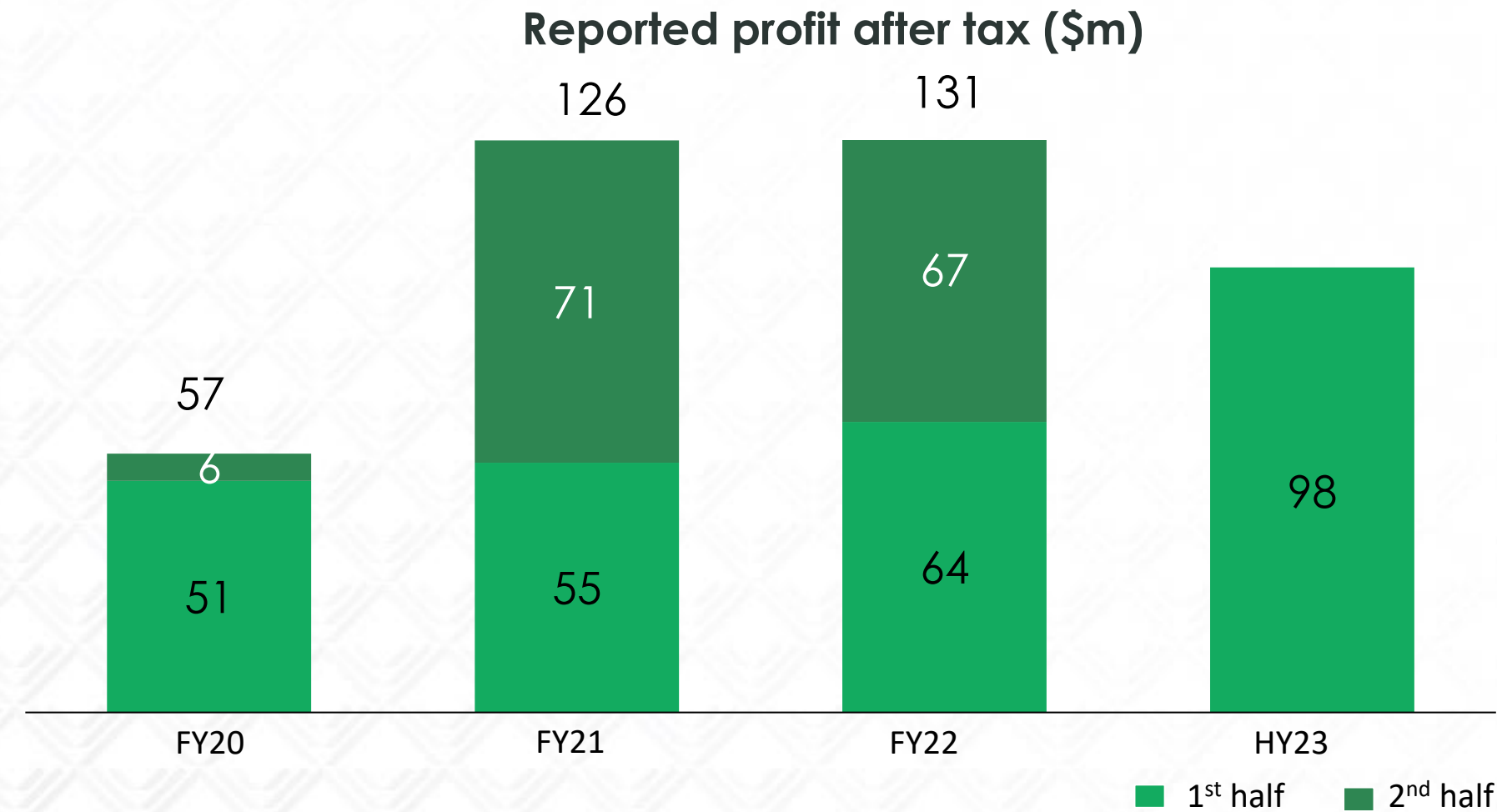
- Improved operating income was driven by growth in customer lending along with higher NIM
- Improvement in CTI resulted from higher operating income noted above while exercising cost discipline
- Investment in technology remains a strategic priority to improve scalability for future growth

¹ Net Interest Margin (NIM) = Net interest income divided by average total interest earning and discount bearing assets

² Cost to Income (CTI) = Operating expenses divided by total operating income

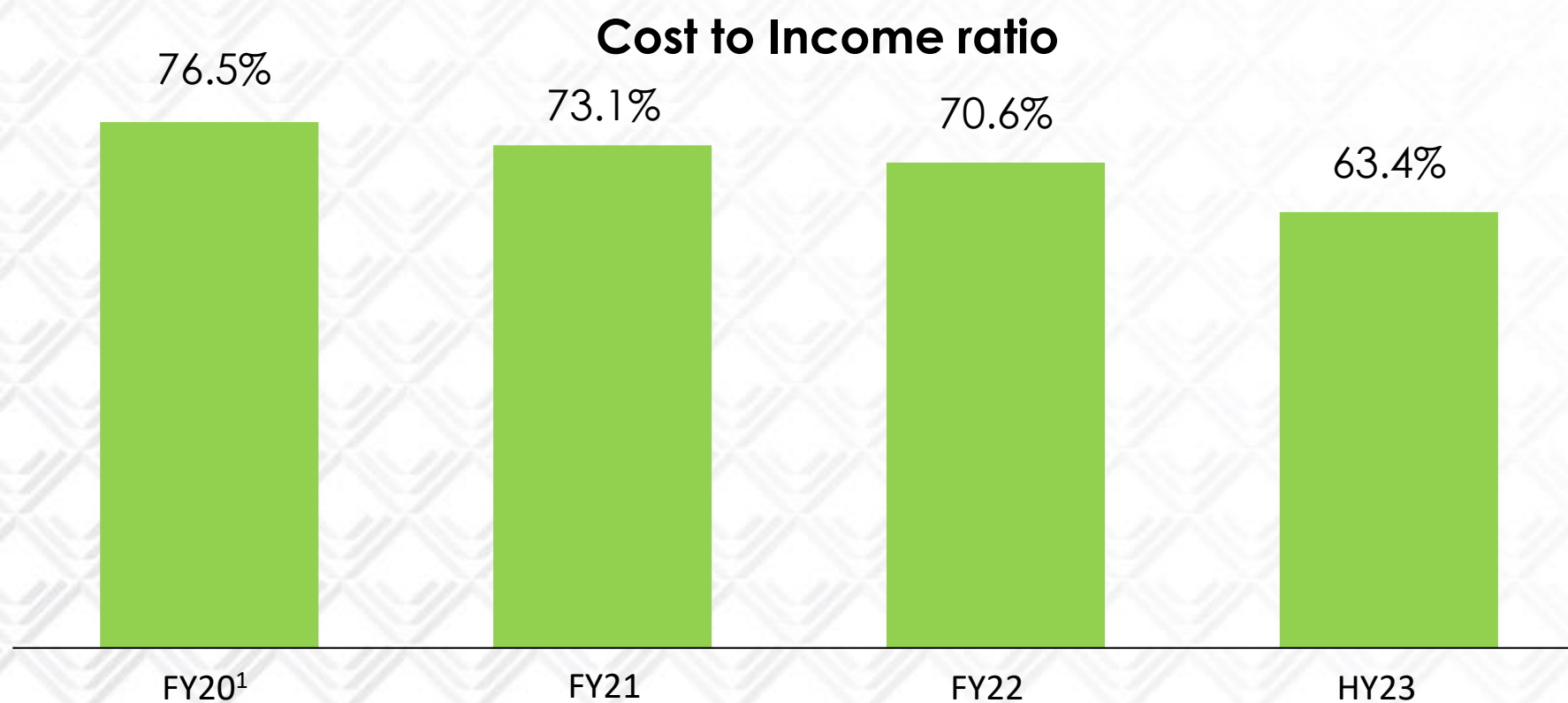
'FY' means the full-year to 30 June; 'HY' and 'half year' means the half-year from 30 June to 31 December of the prior year

Profit driven by higher revenue



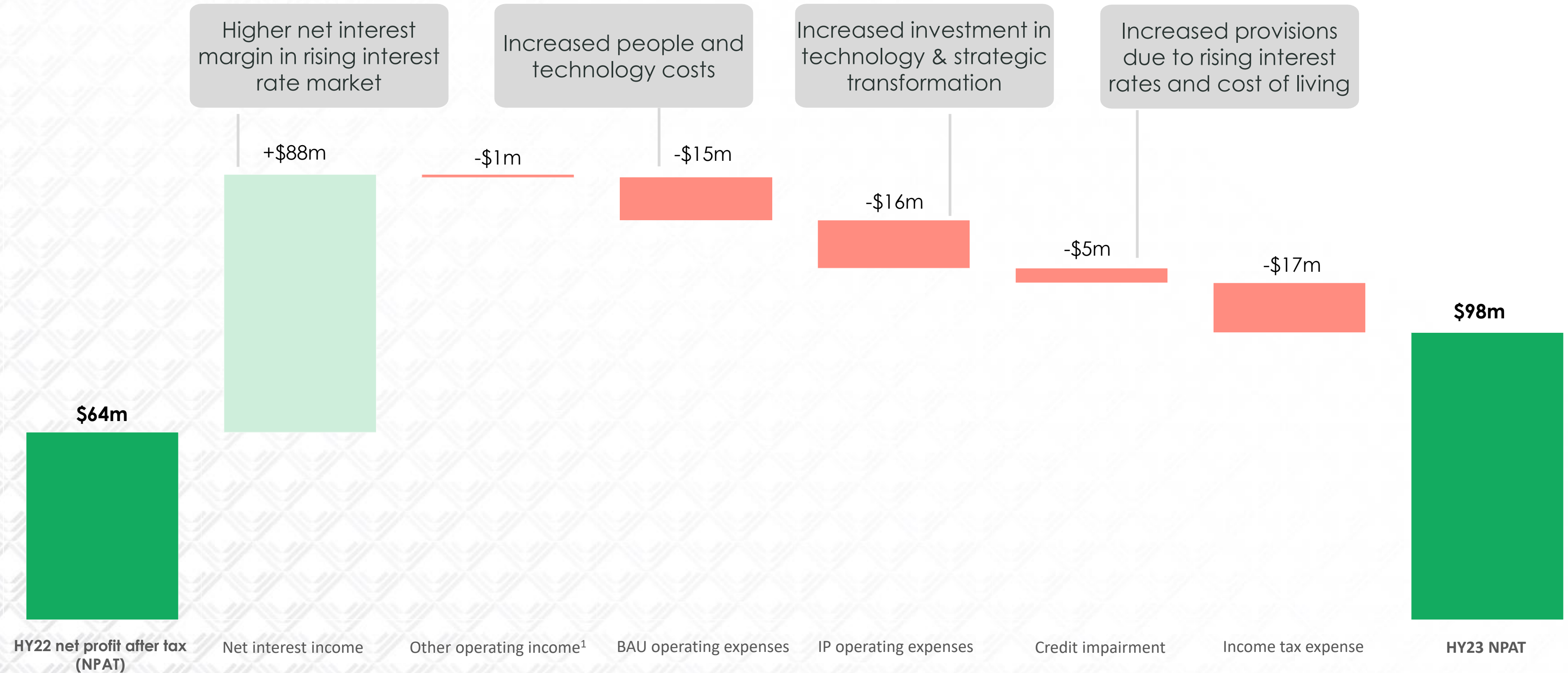
Highlights for half year 2023

- Profit after tax increased on prior period due to higher revenue
- Higher revenue is driven by net interest income being 29.5% above prior period, a result of the rising interest rate environment
- Despite continuing to invest heavily in building a better bank for the future, CTI has improved compared to prior period supported by continued cost discipline



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

Change in reported net profit between half year 2022 and half year 2023



1 Other operating income includes net gains on financial instruments

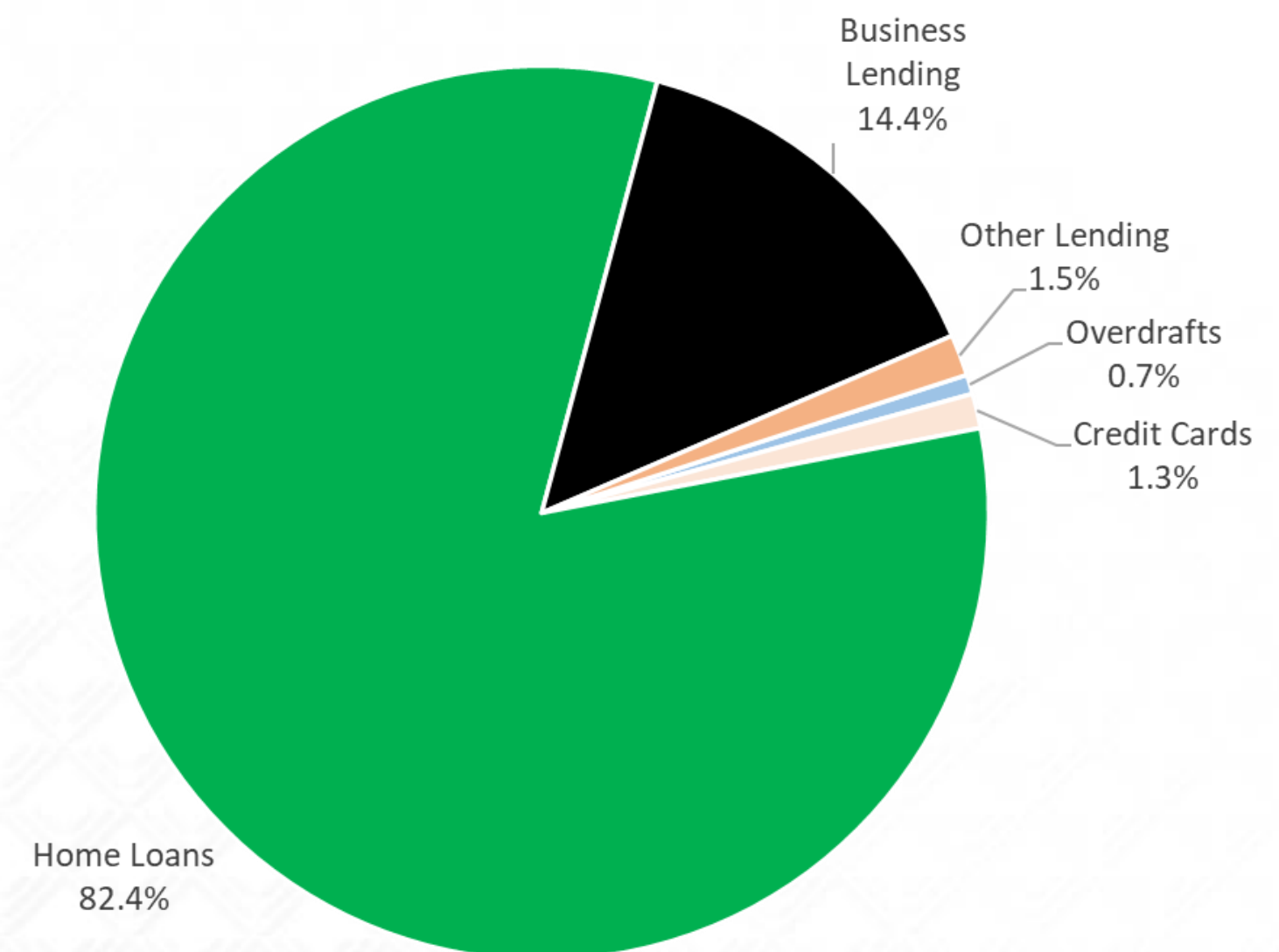
Lending portfolio



- Kiwibank is primarily a retail mortgage bank
- 7.1% share of NZ mortgage market¹

Lending Category	31 December 2022 (NZ\$b)
Home Loans	\$23.8
Credit Cards	\$0.4
Overdrafts	\$0.2
Business Lending	\$4.2
Other Lending	\$0.4
Net Loans and Advances	\$29.0

Net Loans and Advances²



Source: Kiwibank; Kiwibank Disclosure Statement 31 December 2022

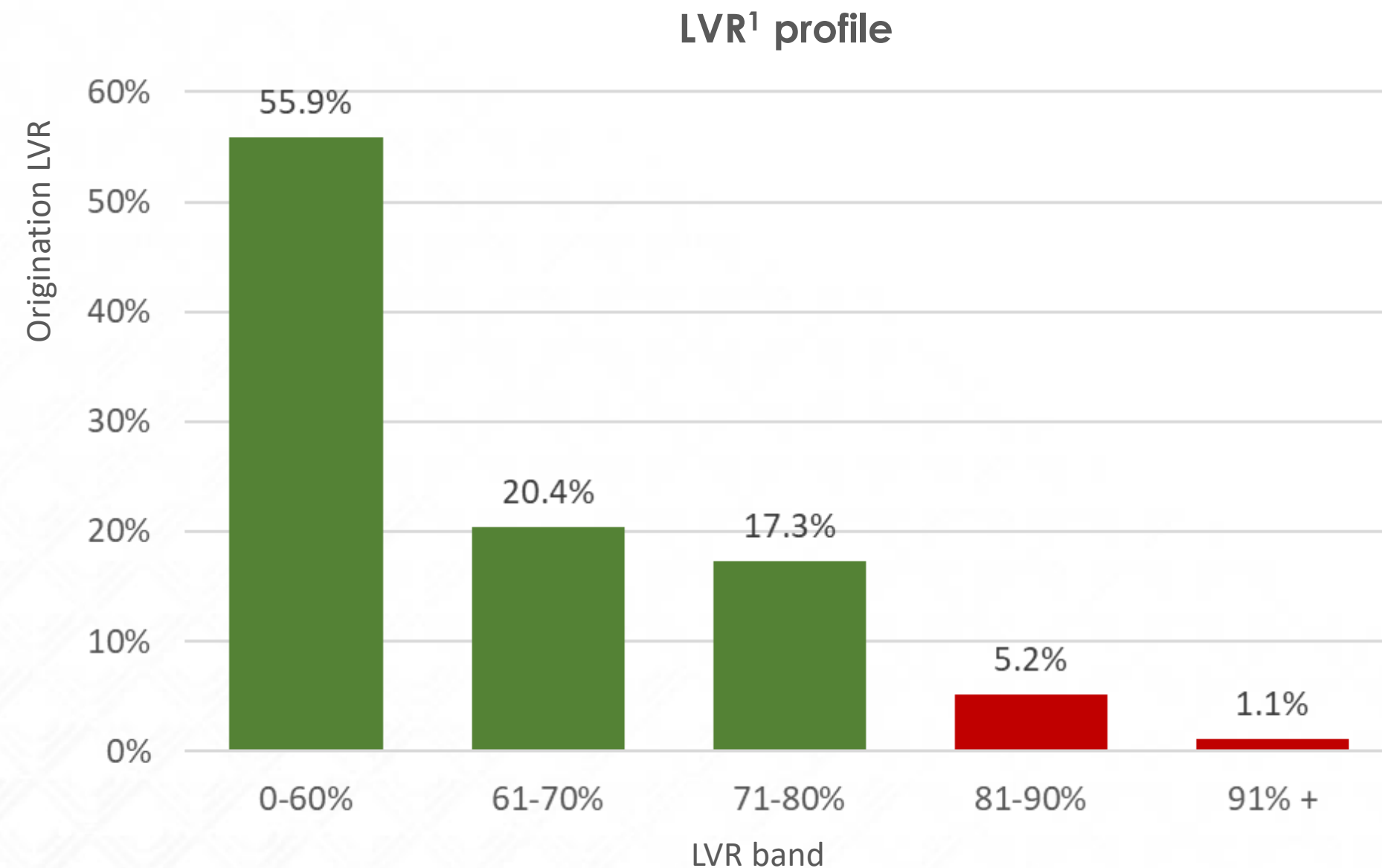
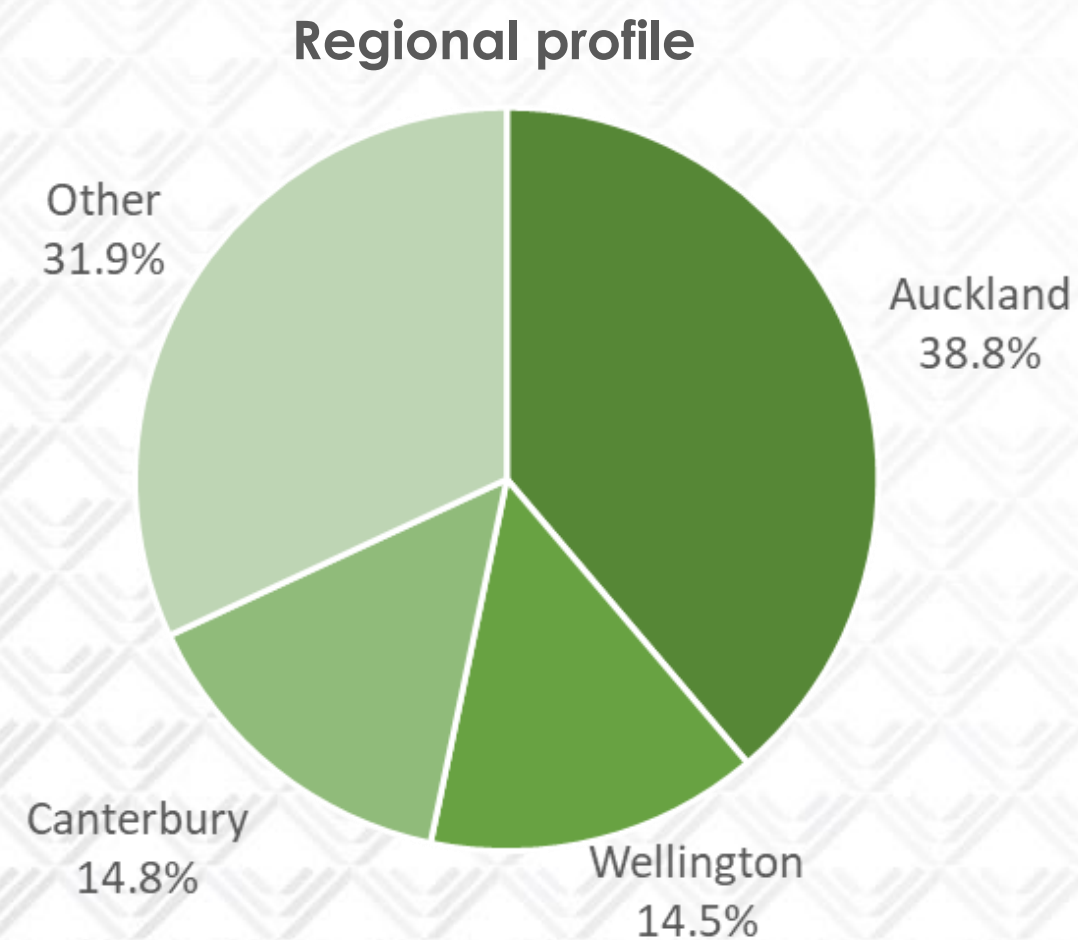
1 as at 31 December 2022

2 may not add to 100% due to rounding

Mortgage portfolio



Total home loan portfolio	\$23.8b
Fixed/Floating	91%/9%
Average home loan balance	\$373k
Interest only (by value)	16.2%
LVR ¹ >80%	6.3%

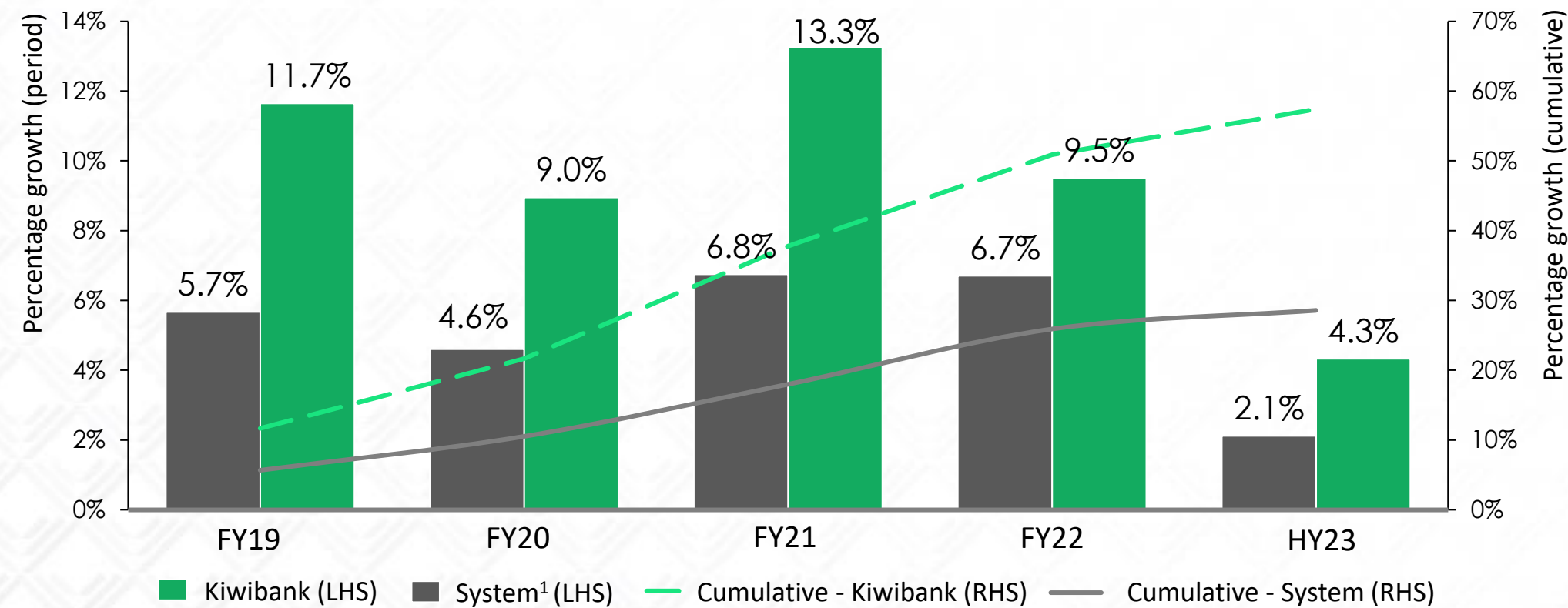


- The devastation caused by the recent Cyclone Gabrielle is not expected to have a material impact on Kiwibank's credit impairment provisions

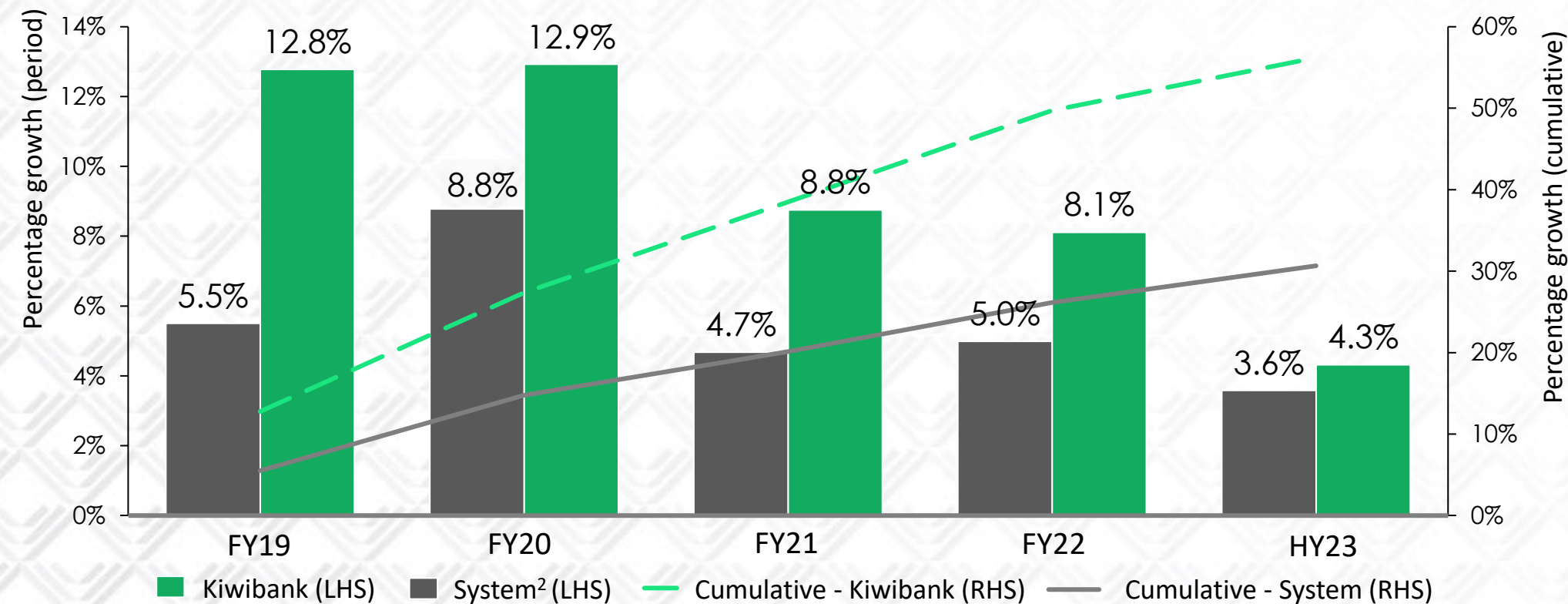
More kiwi backing Kiwibank



Lending Growth



Deposit Growth



Key Focus Areas

- Kiwibank continues to outperform the system (banking sector) in lending and deposit growth
- Kiwibank business lending continues to be a standout with lending growth of \$0.5b during half year 2023
- Residential mortgage lending has grown by 3% during half year 2023, an increase of \$0.6b. Kiwibank continued to deepen its relationship with advisers and grow the expertise of its home loan specialist team

Source: Kiwibank

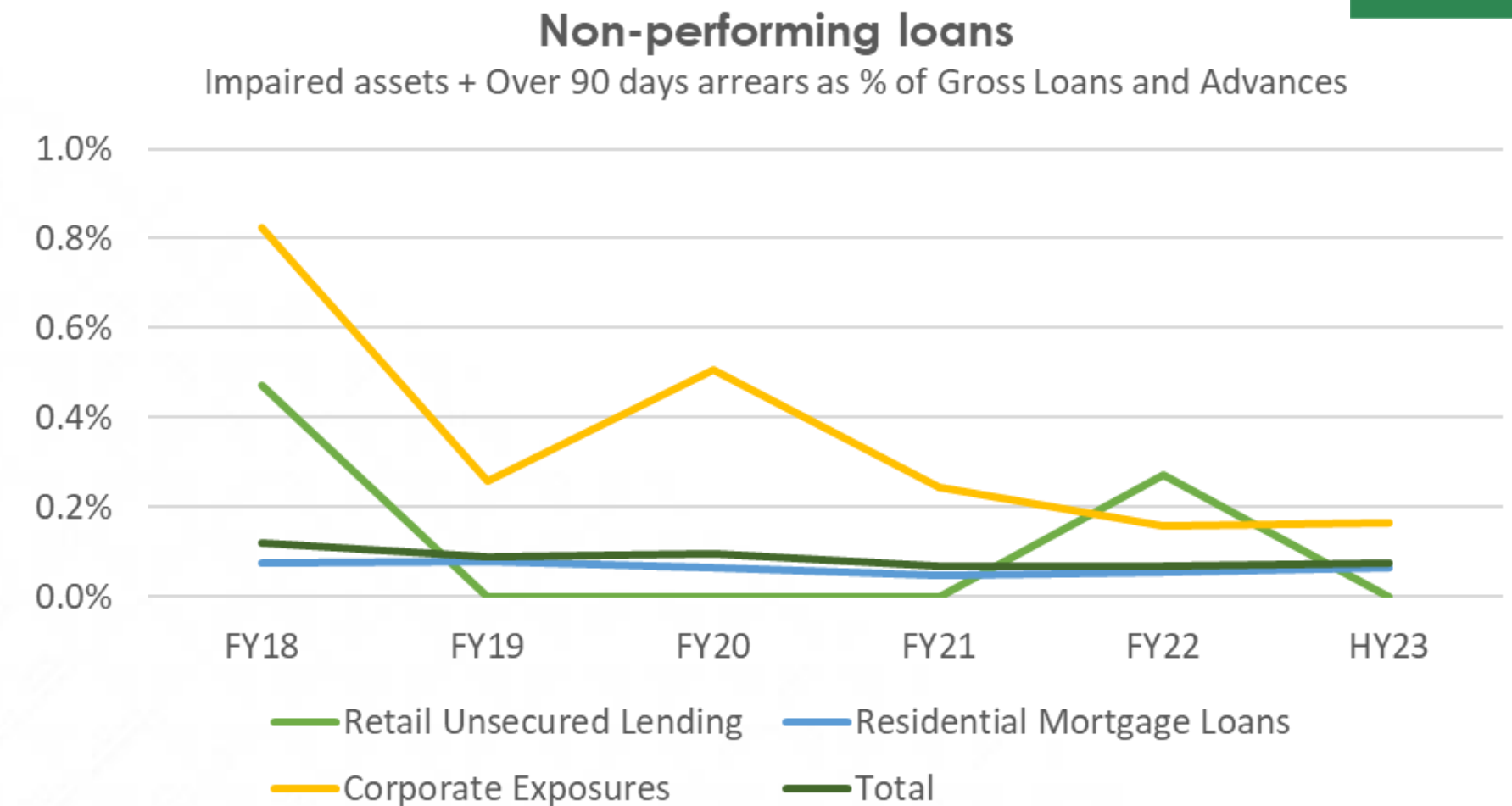
1 Source: <https://www.rbnz.govt.nz/statistics/c5> Housing & Personal consumer C1 + Business D1

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

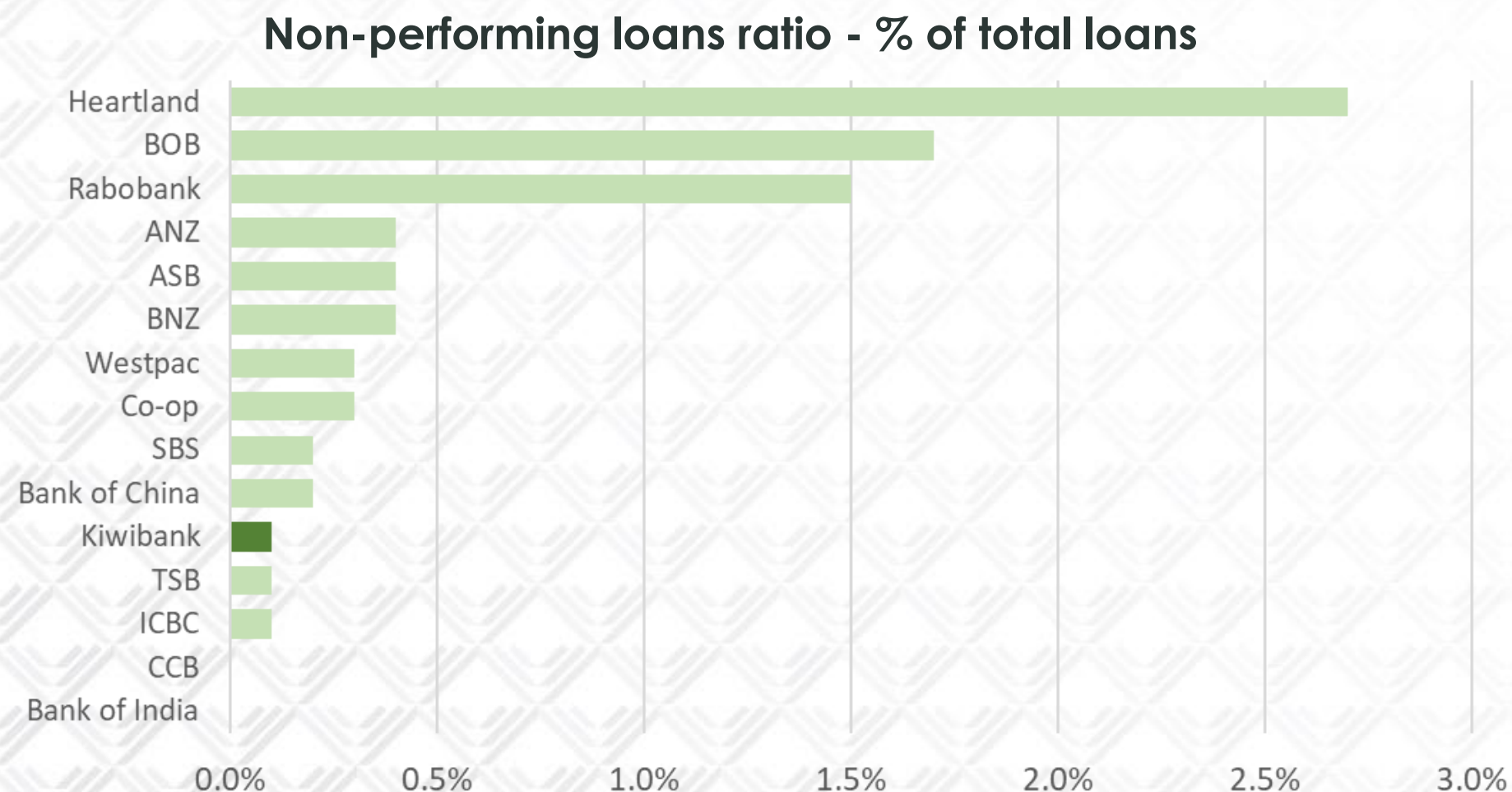
Asset quality



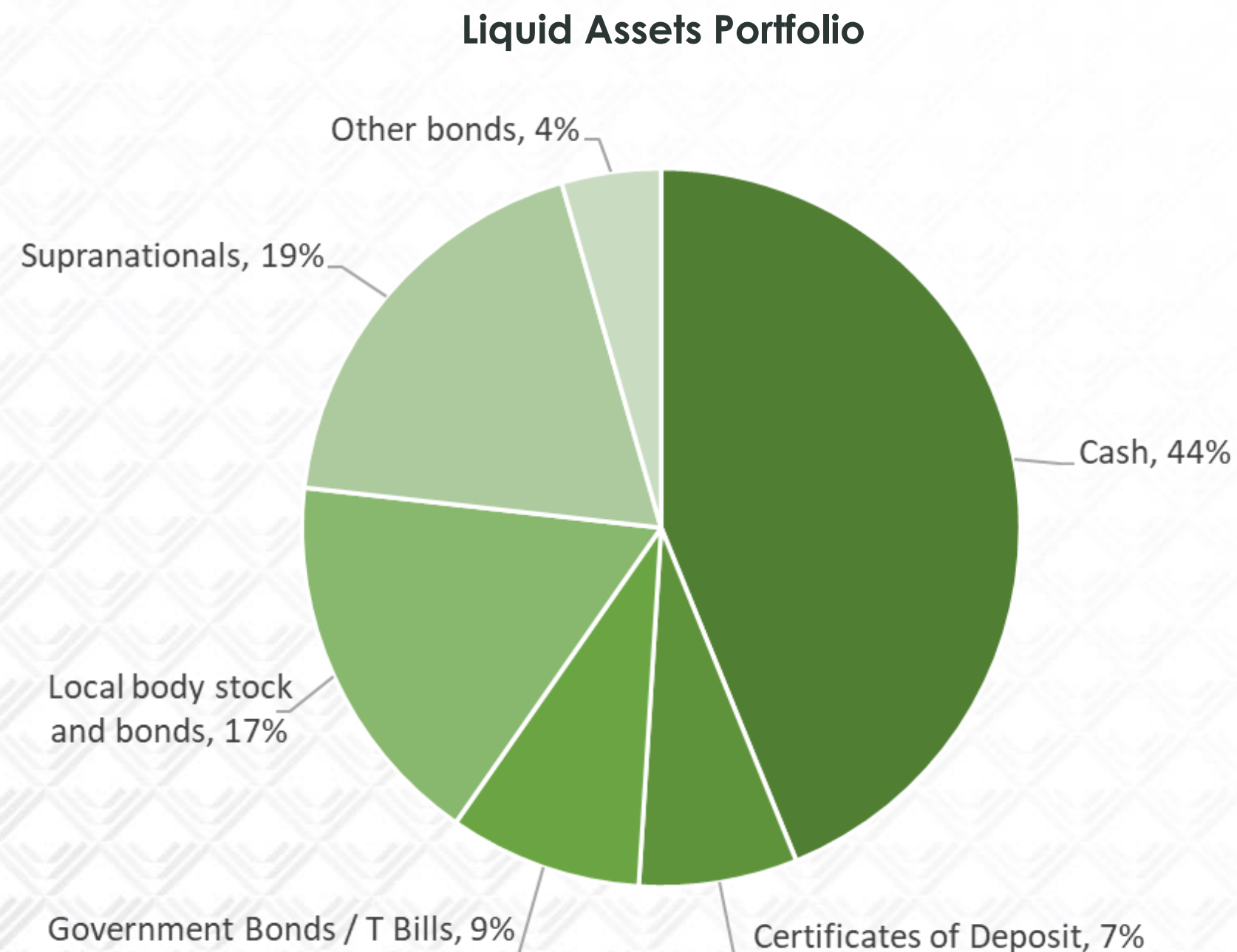
Total credit exposure by industry	Dec-22	Dec-21
Households	73%	75%
Property and business services	7%	7%
Government and local authorities	6%	6%
Finance, investment & insurance	6%	5%
Construction	3%	3%
Other	5%	4%



- 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



High quality liquid assets

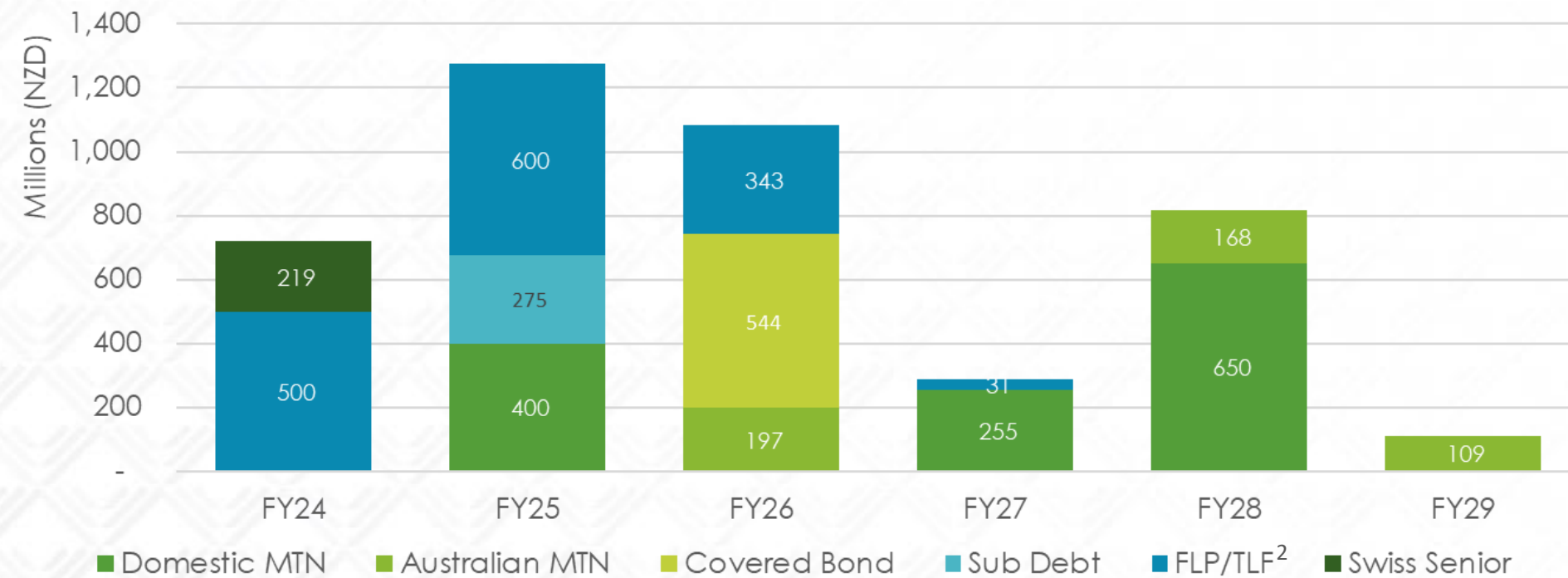


- Kiwibank has a diversified portfolio of liquid assets, which can quickly be converted into cash
- Liquid Assets portfolio was \$3.15b, as at 31 December
- In addition Kiwibank held unencumbered internal residential mortgage-backed securities available to provide additional liquid assets, with a value of \$1.8b, as at 31 December 2022
- Kiwibank actively manages its interest rate risk within an appropriate limit. The limit is set by the Kiwibank board and is closely monitored

Funding mix

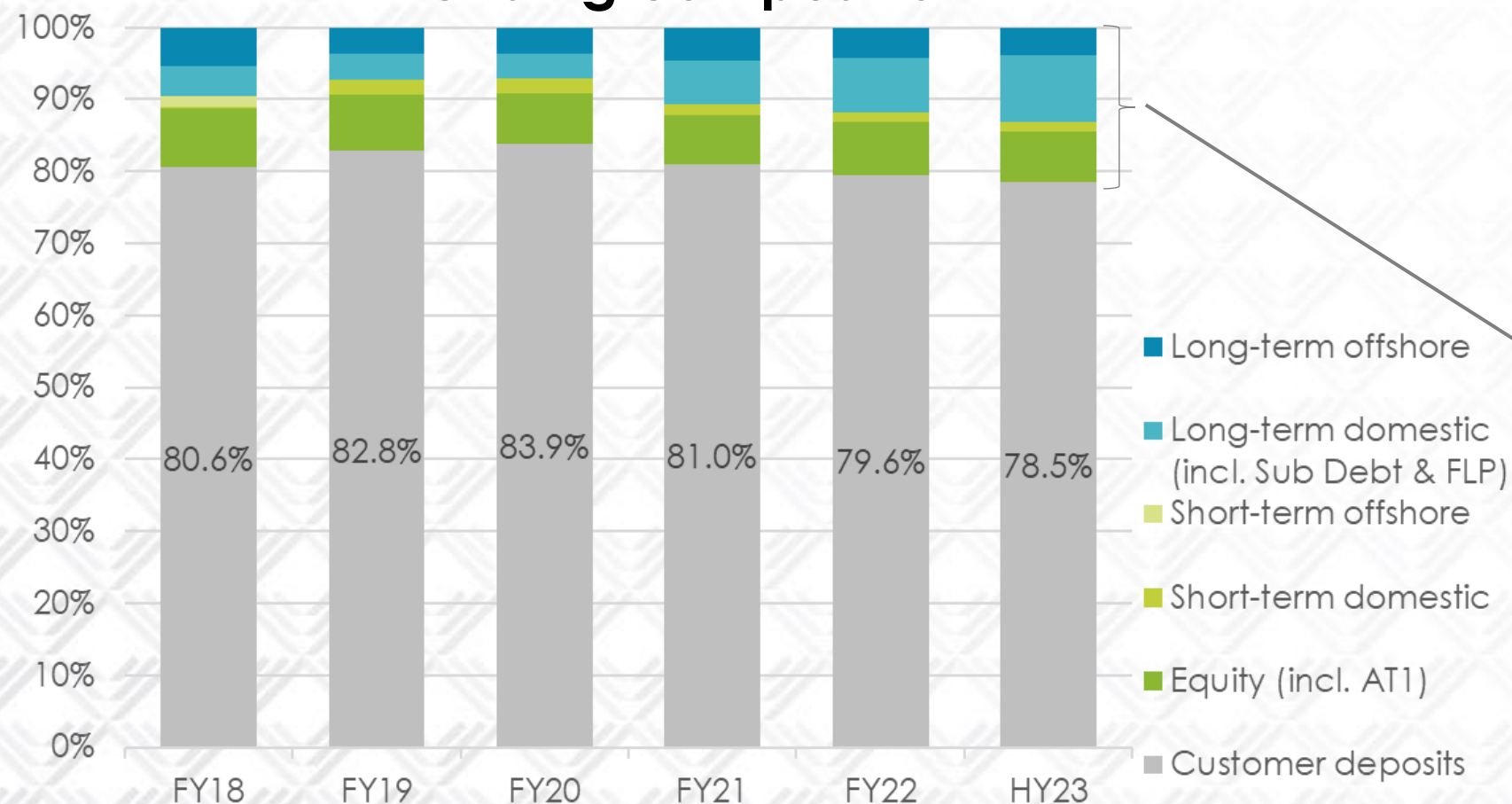


Term funding maturity profile by type¹

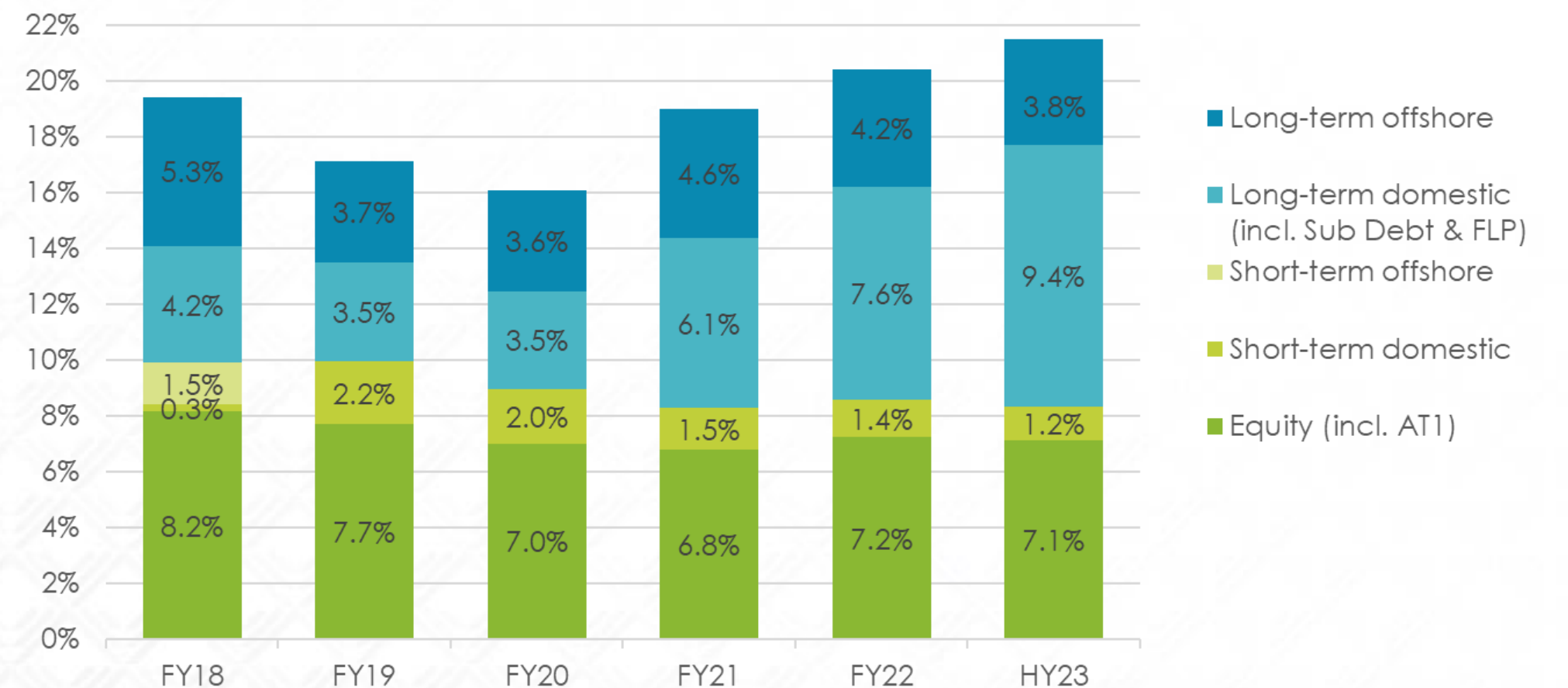


- Kiwibank maintains a diversified range of funding sources, both domestic and offshore covering short and long-term
- Weighted average remaining term to maturity 2.7yrs¹

Funding composition



Funding composition: non-customer deposits



Source: Kiwibank as at 31 December 2022

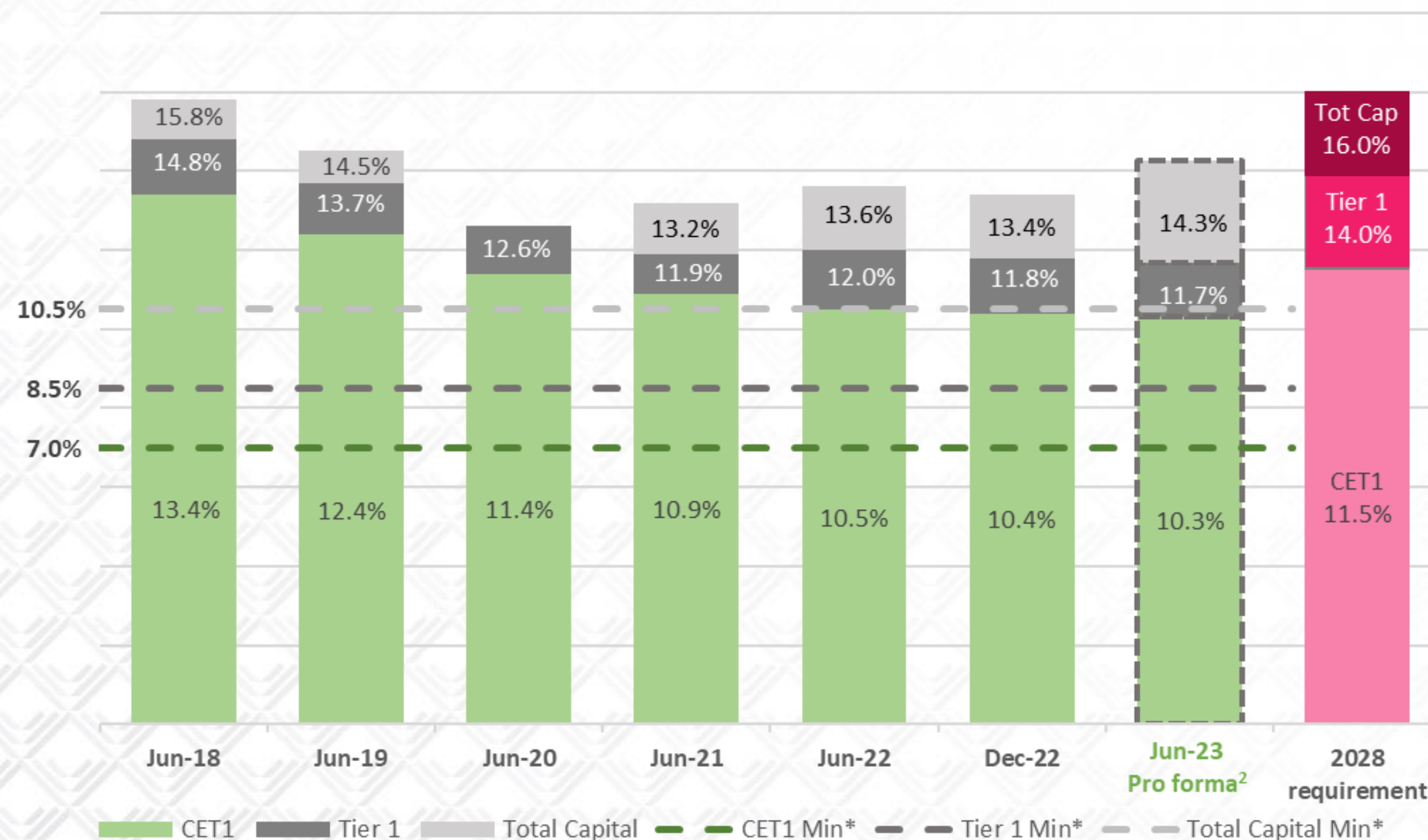
¹ Long-term funding only, excludes Additional Tier 1 Capital, Subdebt profile based on next available call date

² RBNZ Funding for Lending Programme (FLP) RBNZ Term Lending Facility (TLF)

Capital ratios



Regulatory Capital Ratios¹



Key focus areas

- Capital as at 31 December 2022 remains more than sufficient to meet current regulatory minimum requirements
- Subordinated Notes issue will increase Kiwibank's Total Capital ratio
- The RBNZ is increasing the total capital requirements for registered banks, such as Kiwibank, from 10.5% to 16% of RWA. That increase will be progressively applied until 1 July 2028

Source: Kiwibank

* includes 2.5% prudential capital buffer

1 as a percentage of Risk-Weighted Assets (RWA); CET1 means common equity tier 1 capital (CET1)

2 Pro-forma based on projected capital position as at 30 June 2023 assuming \$200m Notes issued

2. Subordinated Notes Overview

Key terms of the Notes



Issuer	Kiwibank Limited
Description	Unsecured subordinated notes (Notes)
Ranking	In a liquidation of Kiwibank the Notes will rank behind depositors and other unsubordinated creditors of Kiwibank, but ahead of Kiwibank's shareholders (including holders of perpetual preference shares)
Term	10 years, ending on the Maturity Date (12 May 2033) if not repaid earlier
Interest rate	The interest rate for the first five years will be a fixed rate equal to the sum of the Swap Rate on the Rate Set Date plus the Margin. It will then be reset to be a fixed rate equal to the Swap Rate on the Rate Reset Date plus the same Margin. The interest rate will not be less than 0% per annum.
Margin	Set on the Rate Set Date, announced by Kiwibank and will not change
Interest payments	Interest payments are scheduled to be paid quarterly in arrear and are subject to Kiwibank satisfying the solvency condition. If interest is not paid on a Scheduled Interest Payment Date it will remain owing and will itself bear interest.
Early repayment	Kiwibank has the option to repay on 12 May 2028 or on any Scheduled Interest Payment Date after that date ¹ . Holders have no right to require the Notes be repaid early.
No guarantee	The Notes are not guaranteed by any member of the Kiwibank Banking Group, the Government or by any other person

¹ Kiwibank may also repay all of the Notes on any earlier Scheduled Interest Payment Date if a Tax Event or Regulatory Event has occurred

Repayment of the Notes



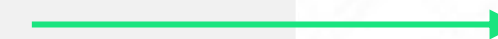
- Kiwibank must repay your Notes on the Maturity Date (12 May 2033) if not repaid earlier
- Kiwibank may, subject to the conditions described below, choose to repay all (but not some) of the Notes early:
 - a) on the First Optional Redemption Date (12 May 2028), or on any Scheduled Interest Payment Date after that date; or
 - b) on any earlier Scheduled Interest Payment Date following a Tax Event or a Regulatory Event
- Kiwibank may only choose to repay the Notes early if:
 - a) the Reserve Bank has approved the repayment of the Notes; and
 - b) the Solvency Condition is satisfied immediately after repayment of the Notes
- If the Notes are repaid on the First Optional Redemption Date or on a Scheduled Interest Payment Date after that date, or the Maturity Date, holders will receive the Face Value of the Notes plus all accrued but unpaid interest
- If the Notes are repaid on another date due to a Tax Event or Regulatory Event, holders will receive the greater of the Face Value and the Market Value plus all accrued but unpaid interest

Credit rating



- Kiwibank has an issuer credit rating of A1 from Moody's Investors Service (Moody's)
- The Notes have been rated Baa2 by Moody's

Explaining the Baa2 credit rating of the Notes	
Kiwibank issuer credit rating	A1
- Deduction for removing shareholder support	3 Notches
- Deduction for subordination	1 Notch
Notes credit rating	Baa2



Moody's Rating ¹	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

¹ 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.

Risks of investing



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

- Risks related to Kiwibank's information technology systems
- External events may adversely impact Kiwibank's operations
- A material decline in property market valuations may result in higher losses on defaulting loans
- Increased credit risk arising from deteriorating economic conditions
- Climate change and extreme climate patterns may lead to increased credit risk
- Geological and biological hazards may result in losses across Kiwibank's lending portfolio
- Risks relating to Kiwibank's ability to access funding and its ability to meet liquidity needs
- Risks relating to the extensive regulation of Kiwibank
- Strategic delivery risk

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 Notes; and/or
- result in Kiwibank not making a payment on the Notes

This summary does not cover all of the risks of investing in the Notes. Further information on risks is available in Sections 5 and 6 of the Limited Disclosure Document.

3. The Offer

Key terms of the offer



Purpose	The Offer will raise Tier 2 capital to help Kiwibank meet its regulatory capital requirements and manage its capital position
Use of proceeds	The proceeds of the Offer will be used for Kiwibank's general corporate purposes
Offer amount	Up to \$200 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 Notes to be quoted on the NZX Debt Market under the ticker code KWB1T2
Joint Lead Managers	Bank of New Zealand, Craigs Investment Partners and Forsyth Barr

Important dates



Important dates for the Offer	
LDD Lodgement Date	26 April 2023
Opening Date	2 May 2023
Closing Time	11:00 a.m. on 5 May 2023
Rate Set Date	5 May 2023
Issue Date / Allotment Date	12 May 2023
Expected date of initial quotation	15 May 2023
Important dates for the Notes	
Scheduled Interest Payment Dates	12 February, 12 May, 12 August and 12 November
First Scheduled Interest Payment Date	12 August 2023 ¹
Rate Reset Date and First Optional Redemption Date	12 May 2028
Maturity Date	12 May 2033

¹ which is not a Business Day meaning the first interest payment will be made on 14 August 2023

4. Questions

Contact

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