

29 May 2017

Client and Market Services
NZX Limited

Reserve Bank of New Zealand confirms decision on Kiwibank's convertible capital instruments held by Kiwi Capital Funding Limited (KCFL)

Kiwibank has been informed by the Reserve Bank of New Zealand (RBNZ) that the RBNZ has confirmed its March 2017 preliminary view that as from today the following two capital instruments issued by Kiwibank no longer qualify as regulatory capital under Document BS2A of the RBNZ's Capital Adequacy Framework (Standardised Approach):

- Kiwibank's Tier 2 convertible subordinated bond issued on 6 June 2014 (\$100m); and
- Kiwibank's Additional Tier 1 perpetual bond issued on 27 May 2015 (\$150m)

The Tier 2 bond and the AT1 bond (together, the Kiwibank Bonds) are the related bonds for, respectively, Capital Notes (ticker code KCF010) and Perpetual Capital Notes (ticker code KCFHA) issued by Kiwi Capital Funding Limited (KCFL).

Kiwibank will not be calling (ie seek early repayment of) the two securities issued by KCFL at this time. Kiwibank continually assesses the quantity and mix of capital required to support its operations and meet regulatory and rating agency requirements.

Capital position supported

Following the RBNZ's March 2017 preliminary view, Kiwibank's shareholders (NZ Post, ACC and NZ Super Fund) pre-emptively injected, through Kiwi Group Holdings Limited (KGHL), \$247m of common equity into Kiwibank on 10 April 2017 to ensure the capital position of the bank would be maintained despite the actions taken by the RBNZ today.

Reasons for the change in capital treatment

The RBNZ had previously provided Kiwibank with letters of 'non-objection' in relation to the Kiwibank Bonds. However, it has concluded that Kiwibank, as issuer of the Kiwibank Bonds, had levels of control or significant influence over KCFL which it now views as inconsistent with the securities qualifying as regulatory capital.

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Amendments still under RBNZ review

Changes made by Kiwibank in an effort to address the concerns raised in March are still being reviewed by the RBNZ.

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Head of Funding

ENDS