

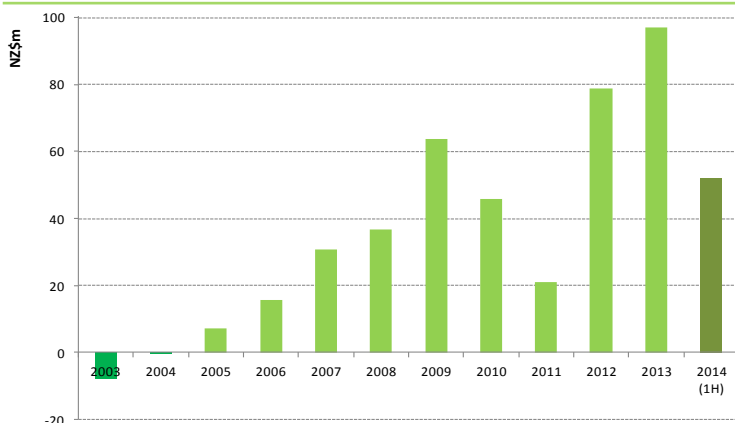
The Capital Notes are issued by Kiwi Capital Funding Limited (“KCFL”). KCFL will invest the proceeds of the Offer in subordinated bonds issued by Kiwibank Limited (“Kiwibank”) (the “Kiwibank Bonds”). The returns on the Capital Notes will be derived from the performance of the Kiwibank Bonds. Additional information about Kiwibank is contained or referred to in Kiwibank’s latest interim and full year Disclosure Statements, available free of charge at www.kiwibank.co.nz/about-us/legal-docs or any Kiwibank branch

Background and principal activities of Kiwibank

- Wholly-owned subsidiary of New Zealand Post, a state enterprise under the State-Owned Enterprises Act 1986¹
- Opened for business early in 2002 as a New Zealand-owned banking alternative seeking to effectively compete in the New Zealand banking sector based on its service, products, fees and interest rates
- Offers a range of personal and business transactional banking, savings account, term deposit, home loan, credit card and business loan products. Additional products include insurance, personal loans, and technological innovations such as smartphone access to online relationship managers
- Distribution channels through New Zealand Post’s network and mobile mortgage specialists
- Core business is the New Zealand home loan market - market share is increasing in this area
- Business banking conducted through its retail channel and specialist business banking centres throughout New Zealand - focussed on growing market share of small and medium enterprises

1. The Capital Notes are not guaranteed by Kiwibank or KCFL’s parent companies (including New Zealand Post Limited), the Crown or any other person

Net Profit After Tax

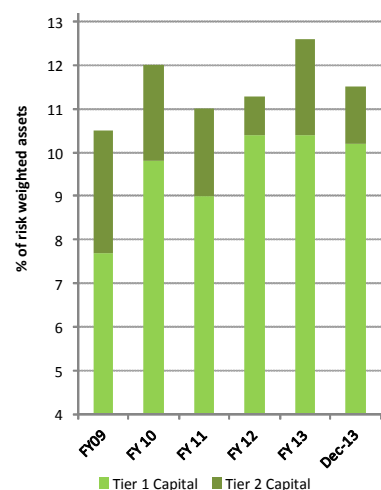


- Audited net profit of \$97m after tax in the year to 30 June 2013, a 23% improvement over the previous year
- Unaudited net profit of \$52m after tax in the six months to 31 December 2013
- 2011 result impacted by the Christchurch earthquakes

Capital and funding (at 31 December 2013)

- Total capital ratio of 11.5% (exceeding the 8% minimum required by the RBNZ)
- Kiwibank’s capital principally comprised:
 - \$360m ordinary share capital contributed by NZ Post
 - \$397m retained earnings
 - \$147m of tier 1 perpetual non-cumulative preference shares
 - \$108m of tier 2 capital from subordinated bonds
- \$300m uncalled capital facility
 - New Zealand Post can drawdown capital from the Crown for contingent events concerning Kiwibank’s conditions of registration and relating to the Group maintaining levels of capital and liquidity approved by Kiwibank’s board

Historic regulatory capital ratios²



2. Under RBNZ rules applicable at the relevant time

KCFL Capital Notes

An Investment Statement for the Offer of Capital Notes has been prepared by KCFL. For information about the Offer and to obtain a copy of the Investment Statement, please contact your financial adviser. You should read the Investment Statement before deciding whether to invest. Capitalised terms in this document are as defined in the Investment Statement

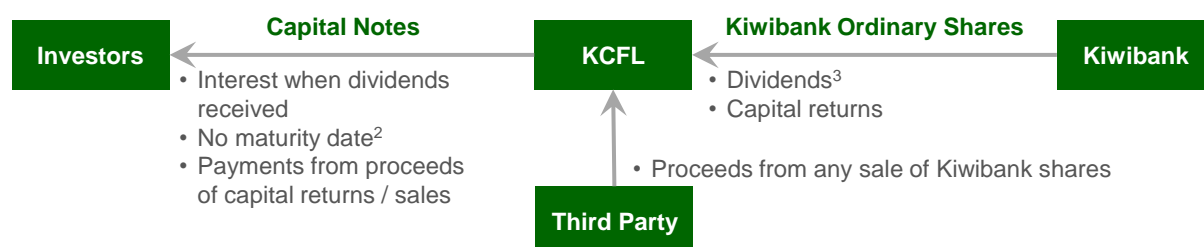
Introduction

- The purpose of the Offer is to increase the regulatory capital of Kiwibank. This will be achieved through KCFL using the proceeds to subscribe for subordinated bonds issued by Kiwibank (“Kiwibank Bonds”)
- The Kiwibank Bonds are Tier 2 capital instruments and so incorporate loss absorption
 - If Kiwibank encounters financial difficulty severe enough to result in a Non-Viability Trigger Event, then some or all of the Kiwibank Bonds may be converted into Kiwibank Ordinary Shares
 - If conversion cannot occur, the applicable Kiwibank Bonds will instead be written off
- You will hold Capital Notes. The Capital Notes are structured to replicate the returns, as far as possible, you would receive had you invested directly in the Kiwibank Bonds held by KCFL
 - If no loss absorption has occurred, interest and principal payments will be the same as KCFL receives on its investment in the Kiwibank Bonds
 - If loss absorption has occurred and all of the Kiwibank Bonds have been converted into Kiwibank Ordinary Shares held by KCFL, the terms of the Capital Notes will change and you may not receive any further returns
 - Interest payments on the Capital Notes will be derived solely from the dividends, if any, that KCFL receives on the Kiwibank Ordinary Shares it then holds
 - Repayment of the Capital Notes will only occur to that extent that KCFL receives a payment from the sale of, or capital reduction involving, the Kiwibank Ordinary Shares
 - Capital Note holders will not own Kiwibank Bonds or Kiwibank Ordinary Shares
 - If the Kiwibank Bonds held by KCFL have been written off, then the Capital Notes will also be written off and you will not receive any further returns on the Capital Notes
 - These cash flows on the Capital Notes are illustrated in the diagrams below

Cash flows – before any loss absorption – based on Principal Amount



Cash flows – after any loss absorption by conversion – based on Loss Absorbing Amount



1. Or an early repayment

2. Capital Notes only repaid if there is a capital return or the Kiwibank Ordinary Shares are sold to a third party

3. Payment of dividends is at discretion of the board of Kiwibank. There is no certainty that dividends will be paid in the future

Introduction (continued)

- If only some of the Kiwibank Bonds held by KCFL are converted or written off then the return on each Capital Note will change in proportion to the number of Kiwibank Bonds converted or will terminate in proportion to the number of Kiwibank Bonds written off
 - Documented by each Capital Note having a Principal Amount and a Loss Absorbing Amount
 - If loss absorption has occurred, the Principal Amount will be reduced by the proportion of Kiwibank Bonds converted or written off
 - Upon conversion of the Kiwibank Bonds, the Loss Absorbing Amount will increase by the same amount. If the Kiwibank Bonds have been written off there will be no adjustment to the Loss Absorbing Amount
 - This is illustrated in the table below

Scenario	On issue date		After conversion or write-off	
	Principal Amount		Principal Amount	Loss Absorbing Amount
No conversion or write off	\$10,000	→	\$10,000	\$0
100% of Kiwibank Bonds converted	\$10,000	→	\$0	\$10,000
40% of Kiwibank Bonds converted	\$10,000	→	\$6,000	\$4,000
40% of Kiwibank Bonds written-off	\$10,000	→	\$6,000	\$0 ¹

1. The remaining \$4,000 of principal is written off and you lose that amount of your investment

Overview

Issuer	Kiwi Capital Funding Limited
Description	Subordinated, unsecured, capital notes (“Capital Notes”)
No guarantee	The Capital Notes are not guaranteed by Kiwibank, KCFL’s parent companies (including New Zealand Post Limited), the Crown or any other person
Issue Amount	Up to \$100 million
Credit Rating	Kiwibank is rated A+ (negative outlook) from Standard & Poor’s. The Capital Notes are rated BB+, reflecting their subordination and loss absorption features
Principal Amount	The Principal Amount, and interest payments thereon, will be subordinated, unsecured obligations of KCFL. The Principal Amount is initially \$1.00. If there is a conversion or write-off of the Kiwibank Bonds, the Principal Amount will be immediately and irrevocably written off
Loss Absorbing Amount	The Loss Absorbing Amount will be a subordinated, unsecured obligation of KCFL. This amount will rank behind all other creditors in the event of a liquidation of KCFL. The Loss Absorbing Amount is initially nil but will increase if there has been a conversion of the Kiwibank Bonds into Kiwibank ordinary shares (“Kiwibank Ordinary Shares”). The Loss Absorbing Amount will not increase if the Kiwibank Bonds are written-off
Maturity Date	15 July 2024. The Principal Amount must be repaid on the Maturity Date
First Optional Repayment Date & Reset Date	15 July 2019

Overview (continued)

Early repayment	<p>Other than if called for tax or regulatory reasons, the Principal Amount cannot be repaid prior to the first Optional Repayment Date. The Principal Amount is able to be repaid on the first Optional Repayment Date and any subsequent Interest Payment Date. Any early repayment is subject to an early repayment of the Kiwibank Bonds, which requires consent from the RBNZ. The RBNZ is under no obligation to provide consent.</p> <p>The repayment amount will be at par if called on the first Optional Repayment Date, and at the higher of par or market value if called on an Interest Payment Date (other than if called for tax or regulatory reasons)</p>
Interest payments on the Principal Amount	<p>Semi-annually in arrear at the interest rate.</p> <p>The first interest payment date is 15 July 2014 and will be paid to the original subscriber (ITOS). Interest for that payment will accrue from the date that application monies are banked until but not including the Issue Date</p>
Interest rate on the Principal Amount	<p>The interest rate for the period until the Reset Date and the Margin will be set following a bookbuild process. The margin range for the bookbuild process has been set at 2.15% to 2.35% per annum.</p> <p>On the Reset Date the interest rate for the next five year period will reset to the then five year swap rate plus the Margin.</p>
Non-payment of interest on the Principal Amount	<p>Payment of interest on the Principal Amount is subject to KCFL receiving a corresponding payment from Kiwibank on the Kiwibank Bonds.</p> <p>Kiwibank must pay interest on the Kiwibank Bonds unless Kiwibank or the Kiwibank Group would fail the Solvency Test immediately following the applicable payment. Non-payment of such interest due to a failure of Kiwibank or the Group to meet the Solvency Test will not be an Event of Default (except on the Maturity Date)</p>
Repayment of the Loss Absorbing Amount	<p>The Loss Absorbing Amount has no maturity date. Therefore repayment of the Loss Absorbing Amount can only occur to the extent that KCFL receives proceeds (less related expenses and taxes) from a capital return or sale of the Kiwibank Ordinary Shares. The repayment amount may be more or less than the amount of the Loss Absorbing Amount immediately prior to the repayment. There may be multiple repayments of the Loss Absorbing Amount</p>
Interest payments on the Loss Absorbing Amount	<p>Interest payments on the Loss Absorbing Amount will be derived from the dividends received by KCFL on the Kiwibank Ordinary Shares</p>
Non-payment of interest on the Loss Absorbing Amount	<p>Payment of interest on the Loss Absorbing Amount is subject to KCFL receiving a corresponding payment from Kiwibank on the Kiwibank Ordinary Shares.</p> <p>The payment of dividends by Kiwibank is at the discretion of Kiwibank's directors</p>
Minimum application	<p>\$5,000 and in multiples of \$1,000 thereafter</p>
Listing	<p>It is expected the Capital Notes will be quoted under the code KCF010 on the NZX Debt Market¹</p>

1. Application has been made to NZX Limited ("NZX") for permission to quote Capital Notes on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the date of this flyer have been duly complied with. However, Capital Notes have not yet been approved for quotation and NZX accepts no responsibility for any statement in this flyer. NZX is a registered exchange and the NZX Debt Market is a registered market under the Securities Markets Act 1988.

Risks

An overview of the key risks that may affect your returns and repayment of your investment in the Capital Notes is contained in the Investment Statement

Key dates²

Rate Set Date	14 May 2014	Trading commences	9 June 2014
Opening Date	15 May 2014	First Interest Payment Date	15 July 2014
Closing Time	5pm on 3 June 2014	Subsequent Interest Payment Dates	15 January & 15 July

2. Key dates are subject to change at the Issuer's discretion