



Bank of New Zealand

(incorporated in New Zealand with limited liability under registered number 428849)

and

BNZ International Funding Limited, acting through its London Branch

(incorporated in New Zealand with limited liability under registered number 1635202 and registered as a branch in England & Wales under numbers BR008377 and FC026206)

NZ\$7,000,000,000 BNZ Covered Bond Programme

unconditionally and irrevocably guaranteed as to payments of interest and principal by

CBG Trustee Company Limited

(incorporated in New Zealand with limited liability under registered number 2467131)

as trustee of the BNZ Covered Bond Trust and Covered Bond Guarantor

and

unconditionally and irrevocably guaranteed as to the payment of all amounts owing by BNZ

International Funding Limited, acting through its London Branch by

Bank of New Zealand

(incorporated in New Zealand with limited liability under registered number 428849)

as Guarantor (in the case of Covered Bonds issued by BNZ International Funding Limited)

Under the NZ\$7,000,000,000 BNZ Covered Bond Programme (the **Programme**) established by Bank of New Zealand (**BNZ** and an **Issuer**) and BNZ International Funding Limited, acting through its London Branch (**BNZ-IF** and an **Issuer**), and together with BNZ, the **Issuers**) on the Programme Date, the Issuers may from time to time issue bonds (the **Covered Bonds**, which term shall include bonds issued under the Australian Deed Poll (as defined in the Terms and Conditions of the Australian Covered Bonds) (the **Australian Covered Bonds**)) denominated in any currency agreed between the relevant Issuer and the relevant Dealer(s) (as defined below). The price and amount of the Covered Bonds to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions. Any Covered Bonds issued under the Programme on or after the date of this **Prospectus** are issued subject to the provisions described herein.

The payment of all amounts owing by BNZ-IF in respect of the Covered Bonds issued by BNZ-IF will be unconditionally and irrevocably guaranteed by BNZ (**Guarantor**).

CBG Trustee Company Limited (the **Covered Bond Guarantor**) has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee which is secured over the Mortgage Loans and the Related Security (as defined below) and its other assets. Recourse against the Covered Bond Guarantor under its guarantee is limited to the Mortgage Loans and the Related Security and such assets.

Covered Bonds may be issued in bearer or registered form (with the exception of Australian Covered Bonds, which may only be issued in registered form). The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed NZ\$7,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Covered Bonds may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the relevant Issuer (each, a **Dealer** and together, the **Dealers**), which appointment may be to a specific issue or on an ongoing basis. References in this Prospectus to the **relevant Dealers** shall, in the case of an issue of Covered Bonds being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Covered Bonds.

See Risk Factors on page 10 of this Prospectus for a discussion of certain factors to be considered in connection with an investment in the Covered Bonds.

This Prospectus constitutes a base prospectus for the purposes of the Prospectus Directive – Directive 2003/71/EC as amended, which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant member state. Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg act relating to prospectuses for securities (the **Prospectus Act 2005**) (*loi relative aux prospectus pour valeurs mobilières*) (the **Competent Authority**) to approve this Prospectus. The CSSF assumes no responsibility as to the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of either of the Issuers in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for the Covered Bonds issued under the Programme to be admitted to the official list (the **Official List**) and traded on the regulated market (the **Regulated Market**) of the Luxembourg Stock Exchange in accordance with Directive 2003/71/EC (the **Prospectus Directive**). Admission to the Official List together with admission to the Regulated Market of the Luxembourg Stock Exchange constitutes official listing on the Luxembourg Stock Exchange. References in this Prospectus to Covered Bonds being "listed" (and all related references) shall mean that such Covered Bonds have been admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and have been admitted to the Official List. Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds which are applicable to each Series (as defined under "*Terms and Conditions of the Covered Bonds*") of Covered Bonds will be set out in a separate document containing the final terms for that Series (**Final Terms**) which, with respect to Covered Bonds to be admitted to the Official List and admitted to trading by the Luxembourg Stock Exchange, will be delivered to the Competent Authority and the Luxembourg Stock Exchange on or before the date of issue of such Series of Covered Bonds.

The Programme provides that Covered Bonds may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or regulated or unregulated markets as may be agreed between the relevant Issuer, the Guarantor (if BNZ-IF is the Issuer), the Covered Bond Guarantor, the Bond Trustee (as defined below) and the relevant Dealer(s). The Issuers may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any regulated or unregulated market, or Covered Bonds governed by other laws, including Australian Covered Bonds. In each case, Covered Bonds will be subject to the provisions of the Programme Documents (as defined below).

The Covered Bonds, the Guarantee and the Covered Bond Guarantee (as defined below) have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), or with any securities regulatory authority of any state or other jurisdiction of the United States. Unless they are so registered, the Covered Bonds, the Guarantee and the Covered Bond Guarantee may be offered only in transactions that are exempt from, or not subject to registration under, the Securities Act or the securities laws of any other jurisdiction of the United States. Accordingly, the Covered Bonds may be offered only (i) within the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act (**Rule 144A**) and (ii) outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act (**Regulation S**). Prospective purchasers of Covered Bonds are hereby notified that the seller of the Covered Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "*Form of the Covered Bonds*" for a description of the manner in which Covered Bonds will be issued. Covered Bonds are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*".

The relevant Issuer, the Guarantor (if BNZ-IF is the Issuer) and the Covered Bond Guarantor may agree with any Dealer and the Bond Trustee that Covered Bonds may be issued in a form not contemplated by the Terms and Conditions of the Covered Bonds herein, in which event (in the case of Covered Bonds admitted to the Official List only) a new Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Covered Bonds.

The Covered Bonds issued under the Programme are expected on issue to be assigned an "Aaa" rating by Moody's Investors Service Pty Ltd (**Moody's**) and an "AAA" rating by Fitch Australia Pty Ltd (**Fitch** and, together with Moody's, the **Rating Agencies**). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Please also refer to "*Ratings of the Covered Bonds*" in the *Risk Factors* section of this Prospectus.

Moody's and Fitch are not established in the European Union and have not applied for registration under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 as amended by Regulation (EC) No. 513/2011 of the European Parliament and of the Council of 11 May 2011 on credit rating agencies (the **CRA Regulation**) and their credit ratings are endorsed on an ongoing basis by Moody's Investors Service Ltd and Fitch Ratings Limited, respectively, pursuant to and in accordance with the CRA Regulation. Moody's Investors Service Ltd and Fitch Ratings Limited are established in the European Union and registered under the CRA Regulation. As such Moody's Investors Service Ltd and Fitch Ratings Limited are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. The European Securities and Markets Authority has indicated that ratings issued in Australia which have been endorsed by Moody's Investors Service Ltd and Fitch Ratings Limited may be used in the EU by the relevant market participants.

Arranger and Dealer for the Programme
Barclays

The date of this Prospectus is 14 September 2015

IMPORTANT INFORMATION

The Covered Bonds, the Guarantee and the Covered Bond Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the Securities Act) or the securities laws of any state or other jurisdiction of the United States and may include Covered Bonds in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Covered Bonds, the Guarantee and the Covered Bond Guarantee may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (Regulation S)). Accordingly, the Covered Bonds may be offered only (i) within the United States to qualified institutional buyers (QIBs) in reliance on Rule 144A under the Securities Act (Rule 144A) and (ii) outside the United States to non-U.S. persons in reliance on Regulation S. Covered Bonds offered and sold to qualified institutional buyers in reliance upon Rule 144A will be represented by beneficial interests in one or more permanent global notes in fully registered form without interest coupons. Covered Bonds offered and sold outside the United States to non-U.S. persons pursuant to Regulation S will be represented by beneficial interests in (i) one or more temporary or permanent global covered bonds in bearer form with or without interest coupons or (ii) one or more permanent global covered bonds in fully registered form without interest coupons. Except as described in any applicable drawdown prospectus, beneficial interests in the Registered Covered Bonds will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC, Euroclear and Clearstream, Luxembourg and owners of beneficial interests in the Registered Covered Bonds will not be entitled to have the Covered Bonds registered in their names, will not receive or be entitled to receive physical delivery of the Covered Bonds in definitive form and will not be considered holders of the Covered Bonds under the Covered Bonds and the Agency Agreement.

This Prospectus has been approved by the Competent Authority as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU (the 2010 PD Amending Directive)) (the Prospectus Directive). This Prospectus is not a prospectus for the purposes of Section 12(a)(2) or any other provision or order under the Securities Act.

The Issuers, the Guarantor and the Covered Bond Guarantor (each a Responsible Person) each accept responsibility for the information contained in this Prospectus (the Prospectus) and the Final Terms for each Tranche of Covered Bonds issued under the Programme. To the best of the knowledge and belief of each of the Issuers, the Guarantor and the Covered Bond Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information sourced from third parties contained in this Prospectus has been accurately reproduced (and is clearly sourced where it appears in the document) and, as far as the Issuers, the Guarantor and the Covered Bond Guarantor are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Copies of each set of Final Terms (in the case of Covered Bonds to be admitted to the Official List) will be available from the registered office of the relevant Issuer (and the Guarantor if BNZ-IF is the Issuer) and (in the case of Covered Bonds to be admitted to the Official List, to listing on any other regulated or unregulated market or stock exchange and also all unlisted Covered Bonds) from the specified office set out below of the Paying Agents (as defined below).

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below). This Prospectus shall, save as specified herein, be read and construed on the basis that such documents are so incorporated herein by reference and form part of this Prospectus.

The information contained in this Prospectus was obtained from the Issuers, the Seller, the Guarantor and the Covered Bond Guarantor and other sources (identified herein), but no assurance can be given by the Arranger, the Dealers, the Agents, the Bond Trustee, the Trust Manager or the Security Trustee as to the accuracy or completeness of this information. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, the Dealers, the Agents, the Bond Trustee, the Trust Manager or the Security Trustee as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information provided, by the Seller, the Issuers, the Guarantor and the Covered Bond Guarantor in connection with the Programme. None of the Arranger, the Dealers, the Bond Trustee, the Trust Manager nor the Security Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuers, the Seller, the Guarantor and the Covered Bond Guarantor in connection with the Programme.

No person is or has been authorised by the Issuers, the Guarantor, the Covered Bond Guarantor, the Seller, the Arranger, any of the Dealers, the Agents, the Bond Trustee, the Trust Manager or the Security Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Programme or the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, the Guarantor, the Covered Bond Guarantor, the Seller, the Arranger, the Agents, any of the Dealers, the Bond Trustee, the Trust Manager or the Security Trustee.

Neither this Prospectus nor any other information supplied in connection with the Programme or any Covered Bonds (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuers, the Guarantor, the Covered Bond Guarantor, the Seller, the Arranger, any of the Dealers, any of the Agents, the Bond Trustee or the Security Trustee that any recipient of this Prospectus or any other information supplied in connection with the Programme or any Covered Bonds should purchase any Covered Bonds. Each investor contemplating purchasing any Covered Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuers, the Guarantor and/or the Covered Bond Guarantor. Neither this Prospectus nor any other information supplied in connection with the Programme or the issue of any Covered Bonds constitutes an offer or invitation by or on behalf of the Issuers, the Guarantor, the Covered Bond Guarantor, the Seller, the Arranger, any of the Dealers, any of the Agents, the Bond Trustee or the Security Trustee to any person to subscribe for or to purchase any Covered Bonds.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Covered Bonds shall in any circumstances imply that the information contained herein concerning the Issuers, the Guarantor and/or the Covered Bond Guarantor and/or the Seller is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers, the Arranger, the Agents, the Bond Trustee and the Security Trustee expressly do not undertake to review the financial condition or affairs of the Issuers, the Guarantor, the Covered Bond Guarantor or the Seller during the life of the Programme or to advise any investor in the Covered Bonds of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to purchase any Covered Bonds.

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act. The Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this

paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Covered Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Covered Bonds may be restricted by law in certain jurisdictions. The Issuers, the Guarantor, the Covered Bond Guarantor, the Seller, the Arranger, the Dealers, the Bond Trustee and the Security Trustee do not represent that this Prospectus may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers, the Guarantor, the Covered Bond Guarantor, the Seller, the Arranger, the Dealers, the Bond Trustee or the Security Trustee which would permit a public offering of any Covered Bonds or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bonds may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Covered Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Covered Bonds. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Covered Bonds in the United States and the United Kingdom, see "*Subscription and Sale and Transfer and Selling Restrictions*".

Credit ratings are for distribution only to a person (a) who is not a "retail client" within the meaning of section 761G of the Corporations Act 2001 of Australia and who is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Part 6D.2 of the Corporations Act 2001 of Australia and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this Prospectus and anyone who receives this Prospectus must not distribute it to any person who is not entitled to receive it.

All references in this document to "New Zealand Dollar", "NZD" and "NZ\$" refer to the lawful currency for the time being of New Zealand, references to "A\$", "AUD" and "Australian Dollar" are to the lawful currency of Australia, references to "U.S.\$", "U.S. dollars" or "dollars" are to the lawful currency of the United States of America and references to "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

In connection with the issue of any Tranche of Covered Bonds, the Dealer or Dealers (if any) named as the stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) in the applicable Final Terms may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilising manager(s) (or persons acting on behalf of a stabilising manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the relevant stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) in accordance with all applicable laws and rules.

In making an investment decision, investors must rely on their own examination of the Issuers, the Guarantor and the Covered Bond Guarantor and the terms of the Covered Bonds being offered,

including the merits and risks involved. The Covered Bonds may not be a suitable investment for all investors. Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Covered Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Covered Bonds unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of the Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

The Covered Bonds have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is unlawful.

None of the Arranger, the Dealers, the Issuers, the Guarantor, the Covered Bond Guarantor, the Seller, the Agents, the Security Trustee or the Bond Trustee makes any representation to any investor in the Covered Bonds regarding the legality of its investment under any applicable laws. Any investor in the Covered Bonds should be able to bear the economic risk of an investment in the Covered Bonds for an indefinite period of time.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (ANNOTATED) (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN

EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Covered Bonds that are “restricted securities” as defined in Rule 144(a)(3) of the Securities Act, the Issuer has undertaken in the Programme Agreement to furnish, upon the request of a holder of such Covered Bonds or any beneficial interest therein, to such holder or to a prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

FORWARD-LOOKING STATEMENTS

This Prospectus includes “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding the BNZ Group’s (as defined on page 149) financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the BNZ Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the BNZ Group and the environment in which they will operate in the future. These forward-looking statements speak only as of the date of this Prospectus. BNZ Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the expectations of the BNZ Group with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

TABLE OF CONTENTS

Risk Factors	10
Principal Characteristics of the Programme	55
Documents Incorporated by Reference	57
Structure Overview	60
General Description of the Programme	66
Form of the Covered Bonds	75
Form of Final Terms in respect of Covered Bonds to be Issued under the Programme by BNZ-IF with a minimum denomination of at least EUR 100,000 (or its equivalent in another currency)	80
Form of Final Terms in respect of Covered Bonds to be issued under the Programme by BNZ with a minimum denomination of at least EUR 100,000 (or its equivalent in another currency)	89
Terms and Conditions of the Covered Bonds	97
Use of Proceeds	145
Bank of New Zealand	146
BNZ International Funding Limited (acting through its London Branch)	150
The BNZ Covered Bond Trust	153
Overview of the Principal Documents	155
Credit Structure	194
Cashflows	197
The Mortgage Loan Portfolio	211
Book-Entry Clearance Systems	212
Taxation	214
Independent Auditors	222
Subscription and Sale and Transfer and Selling Restrictions	223
General Information	230
Glossary	233

RISK FACTORS

Introduction

BNZ, BNZ-IF and the Covered Bond Guarantor believe that the following factors may affect their ability to fulfil their obligations under the Covered Bonds issued under the Programme. All of these factors are contingencies which may or may not occur and neither BNZ, BNZ-IF nor the Covered Bond Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

These factors are not listed in order of significance and in the event that one or more of these risks occur, the business, operations, financial condition and future performance of BNZ, BNZ-IF or the Covered Bond Guarantor may be adversely impacted.

In addition, factors which are material for the purpose of assessing the market risks associated with the Covered Bonds issued under the Programme are also described below.

BNZ, BNZ-IF and the Covered Bond Guarantor believe that the factors described below represent the principal risks inherent in investing in the Covered Bonds issued under the Programme, but the inability of BNZ, BNZ-IF or the Covered Bond Guarantor to pay interest, principal or other amounts on or in connection with any of the Covered Bonds may occur for other reasons which may not be considered significant risks by BNZ, BNZ-IF or the Covered Bond Guarantor based on information currently available to them or which they may not currently be able to anticipate. There may be other risks faced by BNZ, BNZ-IF or the Covered Bond Guarantor that are currently unknown or are deemed to be immaterial, but which may subsequently become known or become material. These may individually or in aggregate adversely impact the future financial performance and position of BNZ, BNZ-IF or the Covered Bond Guarantor. Accordingly, no assurances or guarantees of future performance, profitability, distributions or returns of capital are given by BNZ, BNZ-IF or the Covered Bond Guarantor.

Prospective investors should also read the detailed information set out elsewhere or incorporated by reference in this Prospectus and reach their own views prior to making any investment decision.

Investors should be aware that the materialisation of any of the below risks may adversely affect the value of any securities.

General Risk Factors

The relevant Issuer and Guarantor (if BNZ-IF is the Issuer) are liable to make payments when due on the Covered Bonds

The relevant Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) will be liable to make payments when due on the Covered Bonds issued by it. The obligations of the relevant Issuer under the Covered Bonds and the Guarantor under the Guarantee will be direct, unsecured, unconditional and unsubordinated obligations, ranking *pari passu* (and in the case of the Covered Bonds, without any preference amongst themselves) and (subject to applicable law and any applicable statutory provisions) equally with all other present and future direct, unsecured, unconditional and unsubordinated obligations (save for any obligations to be preferred by law).

The obligations of the Covered Bond Guarantor under the Covered Bond Guarantee will be secured by the Security created under the Security Deed. However, the Covered Bond Guarantor will have no obligation to pay the Guaranteed Amounts payable under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the relevant Issuer, the Guarantor and the Covered Bond Guarantor of an Issuer Acceleration Notice and service by the Bond Trustee on the Covered Bond Guarantor of a Notice to Pay or, if earlier, following the occurrence of a Covered Bond Guarantor Event of Default and

service by the Bond Trustee on the Covered Bond Guarantor, the Issuers and the Guarantor of a Covered Bond Guarantee Acceleration Notice. The occurrence of an Issuer Event of Default does not constitute a Covered Bond Guarantor Event of Default. However, failure by the Covered Bond Guarantor to pay amounts when Due for Payment under the Covered Bond Guarantee would constitute a Covered Bond Guarantor Event of Default which will entitle the Bond Trustee to accelerate the obligations of the Issuers and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) under the Covered Bonds (if they have not already become due and payable) and the obligations of the Covered Bond Guarantor under the Covered Bond Guarantee and will entitle the Security Trustee to enforce the Security.

Obligations under the Covered Bonds

The Covered Bonds will not represent an obligation or be the responsibility of any of the Arranger, the Dealers, the Bond Trustee, the Security Trustee, any member of the National Australia Bank Limited (**NAB**) and its controlled entities (the **NAB Group**) (other than BNZ and BNZ-IF in their capacities as Issuers and Guarantor under the Programme Documents) or any other party to the Programme, their officers, members, directors, employees, security holders or incorporators, other than the Issuers, the Guarantor (in the case of Covered Bonds issued by BNZ-IF) and the Covered Bond Guarantor. The Issuers, the Guarantor (in the case of Covered Bonds issued by BNZ-IF) and the Covered Bond Guarantor will each be liable solely in their corporate capacity for their obligations in respect of the Covered Bonds and such obligations will not be the obligations of their respective officers, members, directors, employees, security holders or incorporators.

Covered Bonds issued under the Programme

Save in respect of the first issue of Covered Bonds issued under the Programme, Covered Bonds issued under the Programme will either be fungible with an existing Series of Covered Bonds (in which case they will form part of such Series) or have different terms from an existing Series of Covered Bonds (in which case they will constitute a new Series).

All Covered Bonds issued from time to time will rank *pari passu* with each other in all respects (save as set out in the Guarantee Priority of Payments) and will share in the security granted by the Covered Bond Guarantor under the Security Deed. Prior to the occurrence of a Covered Bond Guarantor Event of Default, if an Issuer Event of Default occurs in respect of a particular Series of Covered Bonds then, following the service of an Issuer Acceleration Notice on the Issuers, the Guarantor and the Covered Bond Guarantor, the Covered Bonds of all Series then outstanding will accelerate at the same time as against the Issuers and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) but will be subject to, and have the benefit of, payments made by the Covered Bond Guarantor under the Covered Bond Guarantee (following service of a Notice to Pay). If a Covered Bond Guarantor Event of Default occurs in respect of a particular Series of Covered Bonds, then following the service of a Covered Bond Guarantee Acceleration Notice, the Covered Bonds of all Series outstanding will accelerate as against the Issuers and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) (if not already accelerated following the occurrence of an Issuer Event of Default and the service of the Issuers, the Guarantor and the Covered Bond Guarantor of an Issuer Acceleration Notice) and the obligations of the Covered Bond Guarantor under the Covered Bond Guarantee will accelerate.

In order to ensure that any further issue of Covered Bonds under the Programme does not adversely affect the existing Covered Bondholders:

- BNZ (as Intercompany Loan Provider) will be obliged to make a Term Advance to the Covered Bond Guarantor in the same currency as, and in an amount equal to the Principal Amount Outstanding of, such further issue of Covered Bonds, and for a matching term. The Covered Bond Guarantor will use the proceeds of such Term Advance (if not denominated in NZ Dollars, upon exchange into NZ Dollars under the applicable Covered Bond Swap) only: (i) to fund (in whole or in part) the Purchase Price of a New Mortgage Loan Portfolio (consisting of Mortgage Loans and the Related Security) purchased from the Seller in accordance with the terms of the Mortgage Sale

Agreement; and/or (ii) to invest in Substitution Assets in an amount not exceeding the prescribed limit (as specified in the Establishment Deed) to the extent required to meet the Asset Coverage Test and thereafter the Covered Bond Guarantor may use such proceeds (subject to complying with the Asset Coverage Test) only:

- (a) to make a repayment of the Demand Loan; and/or
 - (b) if an existing Series or Tranche, or part of an existing Series or Tranche, of Covered Bonds is being refinanced (by the issue of a further Series or Tranche of Covered Bonds to which the Term Advance relates), to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced (after exchange into the currency of the Term Advance(s) being repaid, if necessary); and/or
 - (c) to make a deposit of all or part of the proceeds in the GIC Account (including, without limitation, to fund the Reserve Fund);
- the Asset Coverage Test will be required to be met both before and immediately after any further issue of Covered Bonds; and
 - on or prior to the date of issue of any further Covered Bonds, the relevant Issuer will be obliged to obtain written confirmation from each of the Rating Agencies that such further issue would not adversely affect the then current ratings of the existing Covered Bonds.

For further information on Rating Agency confirmations in respect of the Programme see the section of this Prospectus entitled "*Risk Factors – Rating Affirmation Notice in respect of Covered Bonds*" below.

However, there is no assurance that the issue of a further series of Covered Bonds would not be ultimately adverse to the interests of any existing holder of the Covered Bonds, because for instance the level of collateralisation in the cover pool is reduced.

The Seller will, subject to the satisfaction of certain conditions (including the criteria for Qualifying Mortgage Loans) be permitted to sell further Mortgage Loans to the Covered Bond Guarantor from time to time.

Security Trustee's powers may affect the interests of the Covered Bondholders

Except where expressly provided otherwise in the Security Deed, the Security Trustee shall exercise, or refrain from exercising, all of its rights, powers, authorities, discretions and remedies under the Security Deed and the other Programme Documents, and shall form opinions, and give consents, approvals and waivers under the Security Deed and the other Programme Documents, in accordance with the direction or instructions of (for so long as there are any Covered Bonds outstanding) the Bond Trustee or (where no Covered Bonds are outstanding) the Majority Senior Creditors. If there is at any time a conflict between a duty owed by the Security Trustee to the Covered Bondholders and a duty owed by the Security Trustee to any other Secured Creditor or class of Secured Creditor, then the Security Trustee shall have regard only to the interests of the Covered Bondholders while any of the Covered Bonds remain outstanding and shall not be required to have regard to the interests of any other Secured Creditor or any other person or to act upon or comply with any direction or request of any other Secured Creditor or any other person while any amount remains owing to any Covered Bondholders.

Where the Security Trustee is required to have regard to the Covered Bondholders (or any Series thereof), it shall have regard to the general interests of the Covered Bondholders (or any Series thereof) as a class and shall not have regard to any interests arising from circumstances particular to individual Covered Bondholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular country,

territory or any political subdivision thereof and the Security Trustee shall not be entitled to require, nor shall any Covered Bondholder or Couponholder be entitled to claim from, the Issuers, the Guarantor, the Covered Bond Guarantor, the Bond Trustee, the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Covered Bondholders or Couponholders, except to the extent already provided for in Condition 7 (*Taxation*).

If, in connection with the exercise of its powers, trusts, authorities or discretions, the Security Trustee is of the opinion that the interests of the holders of the Covered Bonds of any one or more Series could or would be materially prejudiced thereby, the Security Trustee may determine that it shall not exercise such power, trust, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a direction in writing of such Covered Bondholders of not less than 25 per cent. of the NZ Dollar Equivalent of the Principal Amount Outstanding of the Covered Bonds of the relevant Series then outstanding, and which has not been contradicted by a direction in writing of such Covered Bondholders of an equal or greater NZ Dollar Equivalent received by the Security Trustee prior to exercise thereof.

Extendable obligations under the Covered Bond Guarantee

If the applicable Final Terms for a Series of Covered Bonds provide that such Covered Bonds are subject to an Extended Due for Payment Date (**Extendable Maturity Covered Bonds**) then (subject to no Covered Bond Guarantor Event of Default having occurred) following the failure by the relevant Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) to pay, in full, the Final Redemption Amount of the relevant Series of Extendable Maturity Covered Bonds on their Final Maturity Date (subject to applicable grace periods) and if, following the service of a Notice to Pay on the Covered Bond Guarantor (by no later than the date which falls one Business Day prior to the Extension Determination Date), payment of the Guaranteed Amounts corresponding to the unpaid portion of such Final Redemption Amount in respect of the relevant Series of Extendable Maturity Covered Bonds are not paid in full by no later than the Extension Determination Date, then the payment of such Guaranteed Amounts shall be automatically deferred to the Extended Due for Payment Date for the relevant Series of Extendable Maturity Covered Bonds. The relevant Issuer is not required to notify Covered Bondholders of such deferral.

To the extent that the Covered Bond Guarantor has received a Notice to Pay in sufficient time and has sufficient moneys available to pay in whole or in part the Guaranteed Amounts corresponding to the relevant unpaid portion of the Final Redemption Amount in respect of the relevant Series of Extendable Maturity Covered Bonds, the Covered Bond Guarantor will be required to make such payment in accordance with the Guarantee Priority of Payments and as described in Condition 6(a) (*Final redemption*) on any Interest Payment Date (from, and including, subject to applicable grace periods, the Final Maturity Date for such Covered Bonds) up to and including the relevant Extended Due for Payment Date. Payment of the unpaid amount shall be deferred automatically until the applicable Extended Due for Payment Date. The Extended Due for Payment Date of the relevant Series of Covered Bonds will be specified in the relevant Final Terms. Interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 4 (*Interest*) and the Covered Bond Guarantor will pay Guaranteed Amounts constituting Scheduled Interest on each Original Due for Payment Date and the Extended Due for Payment Date. In these circumstances, except where the Covered Bond Guarantor has failed to apply money in accordance with the Guarantee Priority of Payments, failure by the Covered Bond Guarantor to make payment in respect of the Final Redemption Amount on the Final Maturity Date (or such later date within any applicable grace period) shall not constitute a Covered Bond Guarantor Event of Default. However, failure by the Covered Bond Guarantor to pay Guaranteed Amounts corresponding to the Final Redemption Amount or the balance thereof, as the case may be, on the Extended Due for Payment Date and/or pay Guaranteed Amounts constituting Scheduled Interest on any Original Due for Payment Date up to and including the Extended Due for Payment Date will (subject to any applicable grace period) be a Covered Bond Guarantor Event of Default.

The Final Maturity Dates for different Series of Covered Bonds may not be the same. In the case of a Series of Extendable Maturity Covered Bonds, if the principal amounts have not been repaid in full by the

Extension Determination Date, then the repayment of unpaid principal amounts shall be deferred until the Extended Due for Payment Date. This means that a Series of Covered Bonds having an earlier Final Maturity Date than such Extended Due for Payment Date may start receiving principal repayments in advance of the Series of Extendable Maturity Covered Bonds in respect of which unpaid principal amounts have been deferred until such Extended Due for Payment Date.

The Extended Due for Payment Dates for different Series of Extendable Maturity Covered Bonds may not be the same. On each Trust Payment Date following the service of a Notice to Pay on the Covered Bond Guarantor (but prior to the service of a Covered Bond Guarantee Acceleration Notice and/or the commencement of winding-up proceedings against the Trust and/or the realisation of the Security), the Covered Bond Guarantor will apply Available Revenue Receipts and Available Principal Receipts in accordance with the Guarantee Priority of Payments. To the extent that the amount available for distribution under the Guarantee Priority of Payments would be insufficient to pay the Scheduled Interest, the Scheduled Principal or the Final Redemption Amount of any Series of Covered Bonds to which an Extended Due for Payment Date applies, the shortfall will be divided amongst all such Series of Covered Bonds on a *pro rata* and *pari passu* basis.

The Covered Bond Guarantor will be entitled to apply principal collections it receives in respect of the Mortgage Loans together with the principal proceeds of the sale of any Substitution Assets it holds in order to repay earlier maturing Series of Covered Bonds, which may mean that there may be fewer assets available to support later maturing Series of Covered Bonds.

Liquidity in the secondary market may adversely affect the market value of the Covered Bonds

There is, at present, a limited active and liquid secondary market for the Covered Bonds, but there can be no assurance that a secondary market for the Covered Bonds will continue to develop or develop at any specific rate. The Covered Bonds have not been, and will not be, registered under the Securities Act or any other applicable securities laws and are subject to certain restrictions on the resale and other transfer thereof as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*". If a secondary market does develop, it may not continue for the life of the Covered Bonds or it may not provide Covered Bondholders with liquidity of investment with the result that a Covered Bondholder may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the Covered Bondholder to realise a desired yield. Consequently, a Covered Bondholder must be able to bear the economic risk of an investment in a Covered Bond for an indefinite period of time.

Ratings of the Covered Bonds

The ratings assigned to a Series of Covered Bonds to be issued under the Programme by Fitch address the likelihood of full and timely payment to Covered Bondholders of all payments of interest on each Interest Payment Date and the Final Maturity Date and the likelihood of ultimate payment of principal on the Final Maturity Date. The rating assigned to the Covered Bonds by Moody's address the probability of default, the loss given by default and the expected loss posed to potential investors.

The expected ratings of a Series of the Covered Bonds will be set out in the relevant Final Terms for such Series of Covered Bonds. In addition, the Final Terms will specify which Rating Agencies are giving a credit rating to the relevant Series of Covered Bonds. A relevant Series of Covered Bonds may be rated by one or more Rating Agencies as set out therein. However Covered Bondholders should be aware that any issuance of Covered Bonds will, subject to the comments made below in "*Risk Factors - Rating Affirmation Notice in respect of Covered Bonds*", be subject to written confirmation from each Rating Agency that such issuance will not adversely affect the then current ratings of the existing Covered Bonds. Any Rating Agency may lower its rating or withdraw its rating if, in the sole judgment of the Rating Agency, the credit quality of the Covered Bonds has declined or is in question. In the event that a rating assigned to the Covered Bonds or BNZ is subsequently lowered or withdrawn or qualified for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Covered Bonds,

the Issuers and the Guarantor may be adversely affected, the market value of the Covered Bonds is likely to be adversely affected and the ability of the Issuers and the Guarantor to make payment under the Covered Bonds may be adversely affected.

In addition, at any time any Rating Agency may revise its relevant rating methodology with the result that, amongst other things, any rating assigned to the Covered Bonds may be lowered. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may be reduced.

In general, European regulated investors (such as investment firms, insurance and reinsurance undertakings, UCITS funds and certain hedge fund managers) are restricted under the CRA Regulation from using credit ratings issued by a credit rating agency for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (ESMA) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings referred to in this Prospectus, is set out in "*General Description of the Programme – Ratings*" of this Prospectus.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time (including as a result of changes to rating methodologies). A credit rating may not reflect the potential impact of all of the risks related to the structure, market, additional factors discussed above and other factors that may affect the value of the Covered Bonds. A downgrade in the rating of BNZ may have a negative impact on the ratings of the Covered Bonds.

Rating Affirmation Notice in respect of Covered Bonds

Each Series of Covered Bonds to be issued under the Programme will, unless otherwise specified in the applicable Final Terms, be rated "Aaa" by Moody's and "AAA" by Fitch. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency.

The terms of certain of the Programme Documents provide that, if certain events or circumstances occur, the Seller must deliver a Rating Affirmation Notice to the Covered Bond Guarantor (and copied to the Trust Manager and each Rating Agency) confirming that it has notified each Rating Agency of the events or circumstances and that the Seller is satisfied, for the purposes of the Programme Documents, following discussions with each Rating Agency, that the events or circumstances, as applicable will not result in a reduction, qualification or withdrawal of the ratings then assigned by such Rating Agency and if a Rating Agency confirmation is required for the purposes of the Programme Documents (a **Rating Affirmation Notice**) and the Rating Agency does not consider such confirmation necessary the Seller shall be entitled to assume that the then current rating of the Covered Bonds from that Rating Agency will not be downgraded or withdrawn by such Rating Agency as a result of such event or circumstance.

Any Rating Affirmation Notice, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction of which the securities form part since the issuance closing date. A Rating Affirmation Notice is given on the basis that it will not be construed as advice for the benefit of any parties to the transaction.

If a Rating Agency does not respond to a written request for a confirmation or affirmation such non response shall not be interpreted to mean that such Rating Agency has given any deemed confirmation or affirmation of rating or other response in respect of such action or step.

By acquiring the Covered Bonds, investors will be deemed to have acknowledged and agreed that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to Covered Bondholders, including, without limitation, in the case of a Rating Affirmation Notice, whether any action proposed to be taken by the Issuers, the Guarantor, the Covered Bond Guarantor, the Seller, the Servicer, the Calculation Manager, the Bond Trustee, the Security Trustee or any other party to a Programme Document is either (i) permitted by the terms of the relevant Programme Document, or (ii) in the best interests of, or not materially prejudicial to, some or all of the Covered Bondholders. In being entitled to have regard to the fact that a Rating Agency has confirmed that the then current ratings of the Covered Bonds would not be adversely affected or withdrawn, each of the Issuers, the Guarantor, the Covered Bond Guarantor, the Bond Trustee, the Security Trustee and the Secured Creditors (including the Covered Bondholders) is deemed to have acknowledged and agreed that the above does not impose or extend any actual or contingent liability on a Rating Agency to the relevant Issuer, the Guarantor, the Covered Bond Guarantor, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person or create any legal relations between the Rating Agencies and the relevant Issuer, the Guarantor, the Covered Bond Guarantor, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person whether by way of contract or otherwise.

A credit rating is an assessment of credit and does not address other matters that may be of relevance to Covered Bondholders, including, without limitation, in the case of a Rating Affirmation Notice, whether any action proposed to be taken by the relevant Issuer, the Guarantor, the Covered Bond Guarantor, the Seller, the Servicer, the Trust Manager, the Calculation Manager, the Bond Trustee, the Security Trustee or any other party to a Programme Document is either (i) permitted by the terms of the relevant Programme Document, or (ii) in the best interests of, or not materially prejudicial to, some or all of the Covered Bondholders. The fact that a Rating Agency has not advised that the then current ratings of the Covered Bonds would not be adversely affected or withdrawn does not impose or extend any actual or contingent liability on such Rating Agency to the relevant Issuer, the Guarantor, the Covered Bond Guarantor, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person or create any legal relations between such Rating Agency and the Issuer, the Guarantor, the Covered Bond Guarantor, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person whether by way of contract or otherwise.

Any such confirmation affirmation or response by a Rating Agency may be given or not given at the sole discretion of such Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a confirmation, affirmation or response in the time available or at all, and the Rating Agency will not be responsible for the consequences thereof. Such confirmation, affirmation or response if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction of which the securities form part since the issuance closing date. A Rating Affirmation Notice represents only a restatement of the opinions given, and is given on the basis that it will not be construed as advice for the benefit of any parties to the transaction. The Covered Bonds may not be a suitable investment for all investors.

Covered Bonds not in physical form

Unless the Bearer Global Covered Bonds or the Registered Global Covered Bonds are exchanged for Bearer Definitive Covered Bonds or Registered Definitive Covered Bonds, respectively, which exchange will only occur in the limited circumstances set out under “*Form of the Covered Bonds – Bearer Covered Bonds*” and “*Form of the Covered Bonds – Registered Covered Bonds*” below, the beneficial ownership of the Covered Bonds will be recorded in book-entry form only with Euroclear and Clearstream, Luxembourg. For the

avoidance of doubt, any NZ Registered Covered Bonds issued by BNZ will not be recorded in book-entry form with Euroclear and Clearstream, Luxembourg. The beneficial ownership of Australian Covered Bonds will be recorded in a register established and maintained by the Australian Agent (or such other registrar as is specified in the applicable Final Terms or otherwise appointed in accordance with the Conditions of the Australian Covered Bonds or the Australian Agency Agreement). The fact that the Covered Bonds are not represented in physical form could, among other things:

- result in payment delays on the Covered Bonds because distributions on the Covered Bonds will be sent by or on behalf of the relevant Issuer to Euroclear, Clearstream, Luxembourg or DTC instead of directly to Covered Bondholders;
- make it difficult for Covered Bondholders to pledge the Covered Bonds as security if Covered Bonds in physical form are required or necessary for such purposes; and
- hinder the ability of Covered Bondholders to resell the Covered Bonds because some investors may be unwilling to buy Covered Bonds that are not in physical form.

RISK FACTORS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF COVERED BONDS

Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Zero Coupon Covered Bonds (or a combination of any of the foregoing) may be issued under the Programme. A number of these Covered Bonds may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Covered Bonds subject to Optional Redemption by the relevant Issuer

If an Issuer Call is specified in the applicable Final Terms, the relevant Issuer may elect to redeem all or some of the Covered Bonds at the Optional Redemption Amount (specified in the applicable Final Terms) plus Accrued Interest. An optional redemption feature of Covered Bonds is likely to limit the market value of such Covered Bonds. During any period when the relevant Issuer may elect to redeem Covered Bonds, the market value of those Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Covered Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Fixed Rate Covered Bonds

Investment in Fixed Rate Covered Bonds involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Covered Bonds, this will adversely affect the value of the Fixed Rate Covered Bonds.

Fixed/Floating Rate Covered Bonds

The relevant Issuer may issue Covered Bonds which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the relevant Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Covered Bonds since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Covered Bonds may be less favourable than the prevailing spreads on comparable Floating

Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the relevant Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than the then prevailing market rates.

Covered Bonds issued at a substantial discount or premium

The market values of securities issued at a substantial discount (such as Zero Coupon Covered Bonds) or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

The Bond Trustee and the Security Trustee may agree to modifications to the Programme Documents without, respectively, the Covered Bondholders' or other Secured Creditors' prior consent

Pursuant to and subject to the terms of the Bond Trust Deed and the Security Deed, the Bond Trustee and the Security Trustee may without the consent or sanction of any of the Covered Bondholders of any Series, the related Couponholders and without the consent of the other Secured Creditors at any time and from time to time concur with the relevant Issuer, the Guarantor and the Covered Bond Guarantor (or the Trust Manager on its behalf) and any other party in making any modification to the Covered Bonds of one or more Series, the related Coupons or to the Bond Trust Deed, the Security Deed or the other Programme Documents (a) which in the opinion of the Bond Trustee and the Security Trustee may be expedient to make provided that each of the Bond Trustee and the Security Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Covered Bondholders of any Series, (b) which is of a formal, minor or technical nature, or which in the opinion of the Bond Trustee and the Security Trustee is made to correct a manifest error or to comply with mandatory provisions of law (and for this purpose the Bond Trustee and the Security Trustee may disregard whether any such modification relates to a Series Reserved Matter) or (c) which is made to enable Covered Bondholders and Secured Creditors to obtain the protection and/or other benefits of any legislation or regulations or any directive of any regulatory body including, without limitation, the RBNZ that are introduced in New Zealand for the purpose of regulating covered bonds provided that each of the Bond Trustee and the Security Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Covered Bondholders of any Series.

Certain decisions of the Covered Bondholders taken at Programme level

Any Extraordinary Resolution to direct the Bond Trustee to serve an Issuer Acceleration Notice following an Issuer Event of Default, to direct the Bond Trustee to serve a Covered Bond Guarantee Acceleration Notice following a Covered Bond Guarantor Event of Default and any direction to the Bond Trustee or Security Trustee to take any enforcement action must be passed at a single meeting of the holders of all Covered Bonds of all Series then outstanding and therefore the holders of a single Series of Covered Bonds may not be able to give any directions to the Bond Trustee or the Security Trustee without the agreement of the holders of other outstanding Series of Covered Bonds.

Neither the Bond Trustee nor the Security Trustee shall be bound to take enforcement proceedings in relation to the Bond Trust Deed, the Covered Bonds or the Coupons, the Security or any other Programme Document unless the Bond Trustee or Security Trustee, as applicable, shall have been indemnified and/or prefunded and/or secured to its satisfaction and provided that neither the Bond Trustee nor the Security Trustee shall be bound to take any enforcement proceedings which may, in the opinion of the Bond Trustee or the Security Trustee, as applicable, in its absolute discretion, result in the Bond Trustee or the Security Trustee, as applicable, failing to receive any payment to which it is or would be entitled.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Covered Bonds are legal investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing, (3) Covered Bonds can be used as repo-eligible securities and (4) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

Enforceability of Priority of Excluded Swap Termination Payment

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor (so-called "flip clauses"). In particular, recent cases have focused on provisions involving the subordination of a hedging counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty. Such provisions are similar in effect to the terms which are included in the Programme Documents (in particular the Establishment Deed and the Security Deed) relating to the subordination of Excluded Swap Termination Amounts.

As the Supreme Court of the United Kingdom has held in *Belmont Park Investments Pty Limited v BNY Corporate Trustee Services Ltd* and *Lehman Brothers Special Financing Inc* [2011] UKSC 38 (the **Belmont Decision**) that a flip clause as described above is valid under English law, it is likely that, based on the principles applied in the *Belmont* decision, a New Zealand court would consider such a subordination provision to be valid under New Zealand law.

Contrary to this however, the U.S. Bankruptcy Court has held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. The implications of this conflict remain unresolved, particularly as several subsequent challenges to the U.S. decision have been settled and certain other actions which raise similar issues are pending but have not progressed for some time. It is unclear whether and when such action will be progressed.

If a Swap Provider or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales or New Zealand (including, but not limited to, the U.S.), and it is owed a payment by the Covered Bond Guarantor, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of the subordination provisions of the relevant Priority of Payments which refer to the ranking of the Swap Providers' payment rights in respect of Excluded Swap Termination Amounts. In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy laws. Such laws may be relevant in certain circumstances with respect to a range of entities which may act as Swap Provider, including U.S. established entities and certain non-U.S. established entities with assets or operations in the U.S. (although the scope of any such proceedings may be limited if the relevant non-U.S. entity is a bank with a licensed branch in a U.S. state). Currently, BNZ is the only Swap Provider.

In general, if a subordination provision included in the relevant Programme Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Covered Bondholders, the market value of the Covered Bonds and/or the ability of the Guarantor or the Covered Bond Guarantor to satisfy its obligations under the Guarantee or the Covered Bond Guarantee, respectively.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Programme Documents will include terms providing for the subordination of Excluded Swap Termination Amounts, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the New Zealand courts) may result in negative rating pressure in respect of the Covered Bonds. If any rating assigned to the Covered Bonds is lowered, the market value of the Covered Bonds may reduce.

If a subordination provision included in the Programme Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside New Zealand, it is not clear whether the relevant foreign judgement or order would be recognised by a New Zealand court. A New Zealand court would be unlikely to apply a law other than the law of New Zealand to the priority of distribution in respect of Excluded Swap Termination Amounts under the Establishment Deed.

Mortgage Loans regulated by the Credit Contracts Act 1981, the Credit Contracts and Consumer Finance Act 2003 and the Fair Trading Act 1986

The Credit Contracts Act 1981 of New Zealand (CCA) and the Credit Contracts and Consumer Finance Act 2003 of New Zealand (CCCFA) impose requirements on Mortgage Loans which are regulated credit contracts. Certain provisions of the Fair Trading Act 1986 (FTA) can also affect the Mortgage Loans.

Each Mortgage Loan is a credit contract regulated by the CCCFA or the CCA. The CCCFA applies to all credit contracts entered into from 1 April 2005, and the CCA applies to all credit contracts entered into prior to 1 April 2005 unless an election has been made for the CCCFA to apply to the relevant credit contract. The CCCFA was substantially amended by the Credit Contracts and Consumer Finance Amendment Act 2014 of New Zealand (the **CCCFA Amendment Act**), which came fully into force on 6 June 2015. The CCCFA Amendment Act applies to all credit contracts entered into on or after 6 June 2015 (the **2015 Contracts**). For credit contracts entered into between 1 April 2005 and 6 June 2015 (the **Existing Contracts**), the CCCFA as in force immediately prior to 6 June 2015 continues to apply other than in relation to certain variation and disclosure obligations.

Both the CCA and the CCCFA set out specific requirements for certain credit contracts in relation to required initial and ongoing disclosure, fees and terms provided by the credit contracts and the exercise of powers by the creditor under the credit contracts. Where a credit contract is entered into between a natural person and a creditor in the business of providing credit, and in the case of the CCCFA the contract is entered into wholly or predominantly for personal, domestic or household purposes, the contract is a "controlled credit contract" under the CCA or a "consumer credit contract" under the CCCFA.

Pursuant to the terms of the Mortgage Sale Agreement the Seller has represented and warranted that each Mortgage Loan and its Related Security complies with the relevant requirements for controlled credit contracts and consumer credit contracts in the CCA and the CCCFA (to the extent that those statutes are applicable to the Mortgage Loan and the Related Security) (or to the extent of any non-compliance, such non-compliance would not affect the enforceability of the Mortgage Loan and the Related Security). In the event of a material breach of this representation and warranty, or if the representation and warranty proves to be materially untrue, the Covered Bond Guarantor may require the Seller to repurchase the relevant Mortgage Loan and the Related Security (unless the Related Security also secures another Mortgage Loan in the Mortgage Loan Portfolio) in accordance with the terms of the Mortgage Sale Agreement.

Reopening oppressive credit contracts

Part 1 of the CCA and part 5 of the CCCFA set out provisions for reopening oppressive credit contracts. The relevant provisions give a court power to reopen a credit contract where the court considers that the contract is oppressive, a party to the contract has exercised a power conferred by the contract in an oppressive manner or a party to the contract has induced the other party to enter into the credit contract by oppressive means. In this context, "oppressive" means harsh, unjustly burdensome, unconscionable or in contravention of

reasonable standards of commercial practice. Where a court reopens a credit contract it has a wide discretion to make the orders it thinks necessary to remedy the matters that caused the contract to be reopened. Orders can include ordering a party to transfer property or pay a sum the court thinks fit to any other party, altering obligations under the contract, ordering compliance with or performance of obligations under the contract, setting aside the contract or terms of the contract, ordering a party to indemnify another party and ordering a party to refrain from doing any act or thing in relation to any other party.

Variations to agreements regulated by the CCA & CCCFA

Variation of controlled credit contracts is regulated under the CCA and variation of consumer credit contracts is regulated under the CCCFA.

Under the CCA, an agreement for variation of a controlled credit contract must be disclosed to every debtor (and guarantor) under the controlled credit contract not later than 15 working days after the contract for the variation is entered into. The provisions relating to disclosure of variations under the CCA do not apply where the creditor has exercised a power or made a determination under the credit contract, or released security, reduced amounts outstanding, altered the cost of credit, the period of the contract or altered the number, frequency or amounts of payments under the contract.

Under the CCCFA, the parties may enter into an agreement to change the consumer credit contract. In those circumstances disclosure of the variation must be made to the relevant debtor before the change takes effect. However, if the change reduces the debtor's obligations, extends the time for payment, releases any security or increases any credit limit under a consumer credit contract, disclosure may instead be made either within five working days of the day on which the change takes effect or, if the creditor is required to make continuing disclosure, at the same time as the creditor provides the debtor with the next continuing disclosure statement after the change takes effect. Where the creditor exercises a power under the contract to make changes in relation to the interest rates, payments (including amounts, time for payments, frequency or method of calculating payments), fees or charges under the contract, or the credit limit under the contract, disclosure to the debtor must be made within five working days of the change taking effect, unless the change reduces the obligations of the debtor or extends time for payment, in which case disclosure may be made within five working days of the change taking effect (or if applicable, in the next continuing disclosure statement).

Ability to charge and recover fees on the Mortgage Loans

The CCCFA prohibits consumer credit contracts from providing for credit fees or default fees which are unreasonable. A court has the power to reduce or annul fees under a consumer credit contract if it is satisfied that those fees are unreasonable. "Credit fees" means fees or charges payable by the debtor under the credit contract, or payable by the debtor to, or for the benefit of the creditor in connection with the credit contract, other than interest charges, charges for optional services, default fees or default interest charges and government charges, duties, taxes or levies. Establishment fees, prepayment fees and insurance premiums payable for credit-related insurance in some cases are credit fees.

In determining whether an establishment fee is unreasonable the court must have regard to whether the fee is equal to or less than the reasonable costs of the creditor in connection with the application for credit, processing and considering the application, documenting the contract and advancing the credit, or whether those costs are equal to or less than the average costs for that category of credit contract.

Prepayment fees will only be unreasonable where they exceed a reasonable estimate of the creditor's loss from the part or full prepayment of the contract. A formula for calculating reasonable credit fees on full prepayment is prescribed by regulations. Creditors can use the prescribed formula or may use another appropriate formula set out in the relevant consumer credit contract. Where the creditor uses the prescribed formula to calculate the fee on full prepayment, the fee will be treated by a court as a reasonable estimate of the creditor's loss.

In determining whether other fees payable under Existing Contracts are unreasonable, the court must have regard to whether the fee reasonably compensates the creditor for costs incurred by the creditor and to the reasonable standards of commercial practice.

For 2015 Contracts, in determining whether other fees are unreasonable, the court must have regard to whether the fee reasonably compensates the creditor for any costs incurred by the creditor. In determining whether the fee reasonably compensates the creditor for any costs, the court must have regard to reasonable standards of commercial practice.

Lender responsibility principles

In relation to 2015 Contracts, every lender must comply with the "lender responsibility principles". The lender responsibility principles set out lenders' responsibilities to borrowers and guarantors and generally require lenders to exercise the care, diligence and skill of a responsible lender when advertising, before agreeing to provide credit or taking guarantees, and in all subsequent dealings with borrowers and guarantors. The lender responsibility principles impose obligations on the lender to make reasonable inquiries before entering into an agreement, assist borrowers to make informed decisions, treat borrowers and their property reasonably and in an ethical manner, comply with all of their other legal obligations to borrowers (including those relating to unfair contract terms under the FTA described below), ensure that the relevant credit contract is not oppressive and that the lender does not deal with borrowers and guarantors by oppressive means.

Enforceability

A breach of the obligation to register as a financial service provider under the Financial Service Providers (Registration and Dispute Resolution) Act 2008 of New Zealand or non-compliance with certain provisions of the CCCFA can affect the enforceability of credit contracts and, in some circumstances, the ability of the lender to recover costs of borrowing and other fees in relation to the credit contracts.

Fair Trading Act 1986

Each Mortgage Loan is a "standard form consumer contract" for the purposes of the FTA. For standard form consumer contracts entered into, varied or renewed after 17 March 2015, the Commerce Commission may apply to a court for a declaration that a term in a standard form consumer contract is an "unfair contract term". If the court makes such a declaration, a person must not include, apply, enforce, or rely on, the unfair contract term in a standard form contract. A term in a standard form consumer contract will be unfair for the purposes of the FTA if the court is satisfied that the term would cause a significant imbalance in the parties' rights and obligations, is not reasonably necessary in order to protect the legitimate interests of the party who would be advantaged by the term, and would cause detriment to a party if it were applied, enforced, or relied upon.

Banking Ombudsman Scheme

BNZ is a participating bank under the Banking Ombudsman scheme which provides a free dispute resolution service for persons who want to resolve a complaint about a particular bank and who have not been able to resolve it by contacting that bank. Under the Banking Ombudsman Terms of Reference, the Banking Ombudsman is required to consider complaints relating to activities and transactions not exceeding the financial limit under its jurisdiction and facilitate the satisfaction, settlement or withdrawal of such claims having regard to what, in the Banking Ombudsman's opinion, would be fair in all the circumstances of the case, any applicable rule of law or relevant judicial authority and general principles of good banking practice. Complaints brought before the Banking Ombudsman for consideration must be decided on a case by case basis, with reference to the particular facts of any individual case. Subject to certain exceptions, including where claims exceed the financial limit, relate to the bank's commercial judgement or interest rate policies or where the Banking Ombudsman considers that the case would be more appropriately dealt with

by a court, the Banking Ombudsman has the power to consider complaints in respect of participating banks. Complaints to the Banking Ombudsman must first have been considered by the internal complaint procedures of the relevant bank in circumstances where a deadlock in relation to the complaint has been reached. The Banking Ombudsman may order a money award to a Borrower, which may adversely affect the value at which the Mortgage Loans could be realised and accordingly the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee and may have an adverse effect on BNZ and its businesses and operations.

Restrictions On Transfer

The Covered Bonds, the Guarantee and the Covered Bond Guarantee have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold in the United States or to or for the benefit of U.S. persons unless such securities are registered under the U.S. Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

No sale, assignment, participation, pledge or transfer of a Covered Bond or any interest therein may be made unless made in compliance with the transfer and selling restrictions set forth under "*Subscription and Sale and Transfer and Selling Restrictions*" below.

EU Savings Directive and other withholding tax obligations

Under EC Council Directive 2003/48/EC (the **EU Savings Directive**) on the taxation of savings income, EU Member States are required to provide to the tax authorities of other EU Member States details of certain payments of interest or similar income paid by a person established in a EU Member State to or for the benefit of an individual resident in that other EU Member State or certain limited types of entities established in that other EU Member State.

For a transitional period, Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the **Amending Directive**) amending and broadening the scope of the requirements described above. The Amending Directive requires EU Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. The Directive would also expand the circumstances in which payments must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other EU Member States (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the Savings Directive, although it does not impose withholding taxes. The proposal also

provides that, if it proceeds, EU Member States will not be required to apply the new requirements of the Amending Directive.

If a payment were to be made or collected through a EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a EU Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

The Covered Bonds may be subject to withholding taxes and in the circumstances where the Issuer is not obliged to make gross up payments, this would result in the Covered Bondholders receiving less interest than expected and could significantly adversely affect their return on the Covered Bonds.

U.S. Foreign Account Tax Compliance Act withholding

Whilst the Covered Bonds are in global form and held within Euroclear Bank SA/NV, Clearstream Banking, société anonyme (together, the **ICSDs**), or the NZClear System maintained by the Reserve Bank of New Zealand in accordance with the NZClear Regulations (**NZClear**), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) will affect the amount of any payment received by the ICSDs or NZClear (see section "*Taxation – Foreign Account Tax Compliance Act*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuers' obligations under the Covered Bonds are discharged once they have paid the common depository for the ICSDs or New Zealand Central Securities Depository Limited as depository for NZClear (in each case, as bearer or registered holder of the Covered Bonds) and the Issuers therefore have no responsibility for any amount thereafter transmitted through the ICSDs or NZClear and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an **IGA**) are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

Changes of law and/or regulatory, accounting and/or administrative practices

The structure of the issue of the Covered Bonds and the ratings which are to be assigned to them are based on New Zealand law, regulatory, accounting and administrative practice in effect as at the date of this Prospectus and having due regard to the expected tax treatment of all relevant entities under New Zealand tax law and the published practice of the New Zealand Inland Revenue Department in force or applied in New Zealand as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to New Zealand law, regulatory, accounting or administrative practice in New Zealand or to New Zealand tax law, or the interpretation or administration thereof, or to the published practice of the New Zealand Inland Revenue Department as applied in New Zealand after the date of this Prospectus, nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuers and/or Guarantor to make payments under the Covered Bonds or the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee when due.

RISK FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH COVERED BONDS ISSUED UNDER THE PROGRAMME

Risk factors relating to the Issuers and the Guarantor, including the ability of the relevant Issuer and the Guarantor (if BNZ-IF is the Issuer) to fulfil their obligations under the Covered Bonds and the Guarantee (in the case of Covered Bonds issued by BNZ-IF)

The Covered Bonds and the Guarantee will constitute direct, unsecured and unconditional obligations of the relevant Issuer and the Guarantor, respectively. A purchaser of Covered Bonds relies on the creditworthiness of the relevant Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) and no other person (other than the Covered Bond Guarantor in respect of payments under the Covered Bond Guarantee). Investment in the Covered Bonds involves the risk that subsequent changes in actual or perceived creditworthiness of the relevant Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) may adversely affect the market value of the Covered Bonds.

BNZ-IF is BNZ's offshore funding entity

BNZ-IF is a funding entity, the primary business of which is the carrying out of BNZ's offshore wholesale funding through the issuance of debt securities (see "*BNZ International Funding Limited (acting through its London Branch)*" on pages 150 to 152 of this Prospectus for further details). BNZ-IF's debt securities have the benefit of a guarantee from BNZ to enable BNZ-IF to carry out such fund-raising activities. As all funds raised by BNZ-IF will be on-lent to BNZ, the ability of BNZ-IF to fund its debt obligations in respect of Covered Bonds will be dependent on the ability of BNZ to fund its debt obligations to BNZ-IF.

By virtue of its dependence on BNZ, each of the risks described below that affect BNZ will also indirectly affect BNZ-IF

Risks specific to the banking and financial services industry

The nature and impact of these external risks are generally not predictable and are often beyond the direct control of BNZ.

BNZ may be adversely impacted by the risk of changes in general business and economic conditions in New Zealand.

BNZ primarily conducts business in New Zealand. The business activities of BNZ are dependent on the level of banking, financial services and products required by its customers.

In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, market interest rates and macroeconomic and financial market conditions and forecasts. As BNZ primarily conducts its business in New Zealand, its performance is influenced by the level and cyclical nature of business activity in New Zealand, which is, in turn, affected by both domestic and international economic and political events. There can be no assurance that a weakening in the New Zealand economy will not have a material effect on BNZ's future results.

A material downturn in the New Zealand economy could adversely impact BNZ's results of operations, liquidity, capital resources and financial condition. Economic and political factors and events in New Zealand that could adversely affect BNZ's financial performance and position include, but are not limited to, changes in: short-term and long-term interest rates, inflation, monetary supply, commodity prices, debt and/or equity capital markets, foreign exchange rates, consumer and business confidence and the relative strength of the New Zealand economy. A downturn in the housing market or the rural property market (including a decline in housing or rural property prices), a sustained decrease in immigration, a sustained increase in unemployment or other events may negatively affect household or corporate incomes in New Zealand. On 17 May 2015, the New Zealand Government announced changes to the way that gains on residential property sales will be taxed from 1 October 2015 (in certain circumstances). At this stage, the

potential impact of these tax changes on the financial performance and position of BNZ cannot be determined with any certainty. Changes in the economic environment may adversely impact BNZ's financial performance and position by, for example, decreasing BNZ's asset values and the demand for BNZ's loan and non-loan products and services and increasing the number of BNZ's customers who fail to pay interest or repay principal on their loans.

BNZ may be adversely impacted by macroeconomic risks and financial market conditions

New Zealand and international economic conditions and forecasts are influenced by a number of factors, such as economic growth rates, cost and availability of capital, central bank intervention, inflation and deflation rates and market volatility and uncertainty. Economic conditions may also be impacted by major shock events, such as natural disasters, war and terrorism, political and social unrest, and sovereign debt restructuring and defaults.

Volatility or uncertainty in credit, currency, commodity and equity markets, and adverse economic conditions have led to, and in the future may lead to:

- increased cost of funding or lack of available funding;
- deterioration in the value and liquidity of assets (including collateral);
- inability to price certain assets;
- increased likelihood of counterparty default and credit losses (including the purchase and sale of protection as part of hedging strategies);
- higher provisions for bad and doubtful debts;
- mark to market losses in equity and trading positions;
- lack of available or suitable derivative instruments for hedging purposes;
- lower growth, business revenues and earnings; and
- increased cost of insurance or lack of available or suitable insurance.

The following are examples of certain macroeconomic and financial market conditions that are currently relevant to BNZ and may adversely impact its financial performance and position:

- There is widespread market expectation that certain central banks may tighten their monetary policy to lift interest rates back to levels that appear more "neutral" and nearer to historical norms and reduce quantitative easing, while other central banks are expected to keep interest rates low and undertake quantitative easing for a considerable time. A prolonged period of low interest rates carries the risk that market participants have taken on more risk than they expected in a "search for yield", leaving them exposed to an earlier and more rapid than expected tightening in monetary policy. In the past, periods of tightening monetary policy in the United States have been associated with greater volatility in the volume and pricing of capital flows into emerging market economies. Several capital importing emerging market economies remain vulnerable to a sudden or marked change in United States interest rates and expectations on the interest rate outlook.
- Both Australia and New Zealand are increasingly integrated with Asian economies, resulting in a sizeable exposure in both of these economies to changes in the pace of economic growth in the Asian region, particularly in China. The outlook for the Chinese economy is uncertain as the government is trying to re-balance the composition of growth toward a greater contribution from

domestic consumption, with less reliance on export-driven foreign consumption and internal investment.

- Some governments in the Eurozone are heavily indebted and uncertainty remains over the financial strength of the banking sector. Unemployment also remains exceptionally high in several Eurozone nations. Furthermore, continued difficulty in resolving structural problems may result in one or more Eurozone member states exiting the monetary union, resulting in uncertainty as to which countries constitute the currency union and the Eurozone more broadly in the long term.
- Outside the Eurozone, increases in the level of sovereign debt in a number of countries have generally been reflected in a downgrading in the rating of their external liabilities by the various rating agencies. Both the gross level of Japanese sovereign debt and its ratio to gross domestic product have received particular attention, and the importance of low interest rates for the sustainable funding of that debt has been widely recognised. Chinese growth has been reliant on rapid credit growth and the resulting build-up of corporate and local government debt owed to the shadow banking sector has raised particular concern.

BNZ is subject to extensive regulation. Regulatory changes may adversely impact BNZ's operations, financial performance and position

BNZ is subject to laws, regulations and codes of practice in New Zealand and other jurisdictions in which it conducts business or in respect of which it has some other connection. These regulations may have broad implications across BNZ's business.

Regulations vary across jurisdictions, and are designed to protect the interests of depositors, policy holders, security holders, and the banking and financial services system as a whole. Changes to laws and regulations or changes to regulatory policy or interpretation can be unpredictable, are beyond BNZ's control, and may not be harmonised across the jurisdictions in which BNZ conducts business. Regulatory change may result in significant capital and compliance costs, changes to corporate structure and increasing demands on management, employees and information technology systems.

In particular, BNZ's banking activities are subject to extensive regulation, mainly relating to its liquidity levels, capital, solvency and provisioning. As a result of the global financial crisis, BNZ continues to expect increased regulatory focus on capital and liquidity requirements, customer relations and other aspects of its business that may impose increased regulatory burdens. For example, the Reserve Bank of New Zealand (the **RBNZ**), the Basel Committee on Banking Supervision (**BCBS**) and regulators in other jurisdictions have revised standards and released discussion papers, proposals and decisions in regard to strengthening the resilience of the banking and insurance sectors, including proposals and decisions to strengthen capital and liquidity requirements for the banking sector (widely known as **Basel III**).

Regulatory changes (particularly where they are multi-jurisdictional and unharmonised in terms of scope, requirements and implementation timeframes) may adversely affect BNZ's businesses, operations, corporate structures and ultimately its financial performance and position.

The New Zealand Government and its agencies, including the RBNZ, the Commerce Commission and the Financial Markets Authority, as well as the Australian Prudential Regulation Authority (**APRA**), have supervisory oversight over BNZ. To the extent that BNZ has operations or has some other connection with countries other than New Zealand, then such activities may be subject to the laws of, and regulation by agencies in, such countries, such as APRA and U.S. governmental agencies, including the Federal Reserve Board, the U.S. Department of Treasury and the Office of the Comptroller of the Currency, and United Kingdom agencies, including the Prudential Regulation Authority and the Financial Conduct Authority, and other financial industry regulatory bodies in those countries and in other relevant countries. To the extent that these regulatory requirements limit BNZ's operations or flexibility, they may adversely impact on profitability and prospects. In addition, BNZ's failure to comply with applicable laws, regulations or codes

of practice could result in the imposition of sanctions by regulatory agencies, compensatory action by affected persons, and could damage BNZ's reputation, in any jurisdiction.

These regulatory and other governmental agencies (including revenue and tax authorities) frequently review banking and tax laws, regulations and policies. Changes to laws, regulations or codes of practice, including changes in interpretation or implementation of laws, regulations or policies, could affect BNZ in substantial and unpredictable ways and may even conflict with each other. These may include increasing required levels of bank liquidity and capital adequacy, requiring changes to systems and processes, limiting the types of financial services and products BNZ may offer, constraining outsourcing or offshoring arrangements and/or increasing the ability of non-banks to offer competing financial services and products, as well as changes to accounting standards, taxation laws and prudential regulatory requirements.

BNZ is registered under the Reserve Bank of New Zealand Act 1989 of New Zealand and supervised by the RBNZ. As part of its registration, BNZ is subject to Conditions of Registration imposed by the RBNZ. The Conditions of Registration may be changed at any time, though the RBNZ is required to give BNZ notice and consider submissions made by BNZ prior to any such change.

Examples of current and potential regulatory changes impacting BNZ are set out below.

The BCBS's Basel III reforms are expected to be fully implemented by 2019 and are intended to strengthen the resilience of the banking sector. The RBNZ has implemented the Basel III Capital Adequacy Framework as modified to reflect New Zealand conditions, including core Basel III capital adequacy ratios and a requirement for most New Zealand-incorporated banks, including BNZ, to maintain a conservation buffer of 2.5 per cent. above the minimum ratios or face restrictions on distributions. The RBNZ also has the discretion to apply a countercyclical buffer of common equity with an indicative range of between 0 per cent. and 2.5 per cent., although there is no formal upper limit.

New Zealand-registered banks, including BNZ, are required to comply with the RBNZ's Liquidity Policy (BS13). The Liquidity Policy requires banks to meet a minimum core-funding ratio of 75 per cent. Basel III proposes a liquidity policy, which the RBNZ considers broadly similar to the intent of Liquidity Policy (BS13). The RBNZ has previously indicated that it considers that certain aspects of the new liquidity standards are not suitable for adoption in New Zealand. For example, the requirement that government securities comprise the bulk of high quality liquid assets held by banks is not suitable because New Zealand does not have a sufficient volume of government debt on issue. The RBNZ has stated that it will be reviewing its liquidity policy later in 2015 in light of the BCBS's new liquidity requirements. Implementation of Basel III reforms could increase the regulatory compliance costs to BNZ.

The CCCFA Amendment Act came fully into force on 6 June 2015, and introduced responsible lending principles and strengthened consumer rights in lending transactions. A responsible lending code was released on 17 March 2015, which provides guidance on compliance with the responsible lending principles in the CCCFA Amendment Act.

The Financial Reporting Act 2013 of New Zealand and parts of the Financial Markets Conduct Act 2013 of New Zealand came into force on 1 April 2014, implementing new financial reporting requirements. Amongst other changes, the new legislation removes the requirement for BNZ to prepare parent financial statements. The RBNZ has also decided to remove the requirement for solo annual financial statements in its disclosure requirements.

The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the **Dodd-Frank Act**) instituted major changes to the U.S. banking and financial institutions regulatory regimes. These include additional supervisory requirements and prudential standards for non-U.S. banking organisations, and their affiliates, with a U.S. banking presence and total global consolidated assets of at least US\$50 billion (which includes NAB, BNZ's ultimate parent, together with its consolidated subsidiaries). A number of these regulatory requirements impact BNZ and BNZ-IF. The legislation and its implementing regulations include, among other things, additional capital, liquidity and risk management requirements. The Dodd-Frank Act

also contains the “Volcker Rule,” which prohibits proprietary trading and the sponsorship of, and investment in, hedge, private equity or other similar funds by certain foreign banking organisations and their affiliates, like BNZ and BNZ-IF. The majority of the requirements under the Dodd-Frank Act have become effective, and their specific impact on BNZ’s businesses and in the markets in which it conducts business continue to be assessed and monitored as part of compliance with the requirements.

Over The Counter (**OTC**) derivative market reforms are being implemented in the United States through the Dodd-Frank Act, and in other countries, including Australia and certain countries in Europe. In Europe, the European Market Infrastructure Regulation has introduced new requirements to improve transparency and reduce the risks associated with the derivatives market, which are being progressively implemented. Where there is variation in the scope and implementation timeframes for OTC reforms across jurisdictions, there may be added costs and complexity in achieving regulatory compliance for BNZ.

Open Bank Resolution (**OBR**) is a policy option of the RBNZ aimed at resolving a bank failure quickly, in such a way, including by suspending payment of a portion of liabilities, that the bank can be promptly reopened for business, thus minimizing stresses on the overall banking and payments system. Banks were consulted in 2011 on the systems requirements to ensure the concept could be put into operation. As a standard condition of registration, New Zealand-incorporated banks with retail deposits over NZ\$1 billion (which includes BNZ) are required to comply with the OBR Pre-positioning Requirements Policy (BS17), which describes the policy, the OBR process and the requirements on banks.

The RBNZ is undertaking a staged review of New Zealand-incorporated banks’ capital adequacy requirements for housing loans. As a consequence of stage one of the review, higher housing correlation factors for highly leveraged loans (i.e., loans with a loan-to-value ratio of greater than 80 per cent.) took effect from 30 September 2013, thereby increasing the capital adequacy requirements for such loans of banks using the internal ratings-based approach for calculating capital adequacy ratios and increasing reported risk weighted assets. The RBNZ also released in June 2014 a summary of submissions and final implementation decision relating to stage two of the housing review. The review mainly focused on remedying definitional inconsistencies and ambiguities currently contained in the RBNZ’s capital requirements. Most elements consulted on as part of stage two of the housing review took effect on 1 July 2014. Following consultation, the RBNZ is establishing a new sub-asset class for loans to residential property investors. The changes will increase the amount of capital that New Zealand banks are expected to hold for property-investment residential mortgage loans (i.e., loans for non-owner occupier purposes). This new sub-asset class will take effect with respect to new loans from 1 November 2015, with a further phase-in period of 12 months for the reclassification of existing loans.

The RBNZ has macro-prudential tools that may be used from time to time to manage financial system risks. These tools include: restrictions on high loan-to-value ratio (**LVR**) loans; sectoral capital requirements; adjustments to the minimum RBNZ core funding ratio requirements; and the Basel III countercyclical capital buffer. Since 1 October 2013, New Zealand-registered banks have been required to comply with the requirements of the RBNZ Framework for LVR Restrictions (BS19). This limits the inflow of new high LVR (over 80 per cent.) residential mortgage lending to no more than 10 per cent. of the dollar value of a bank’s total new residential mortgage lending. On 13 May 2015, the RBNZ announced proposed changes to its policy on high LVR lending to recognise the financial stability risks arising from housing market conditions in Auckland (New Zealand’s most populous region), which are proposed to be introduced from 1 November 2015 with a six month first compliance period for all banks. The changes involve restrictions on loans to residential property investors in the Auckland region with an LVR greater than 70 per cent. and, for all residential lending outside of the Auckland region, lifting the existing LVR restriction for loans with an LVR of greater than 80 per cent. from 10 per cent. to 15 per cent. (to recognise relatively subdued housing market conditions outside of Auckland).

Later in 2015, the RBNZ plans to undertake a review of current bank capital requirements in light of global and domestic changes affecting the banking system in recent years, including the Financial System Inquiry in Australia (which made recommendations that are likely to result in an increase in the amount of capital held by Australian banks against housing lending) and consultations by the BCBS (including on a revised

standardised approach, permanent capital floors within the internal ratings-based framework, and the modelling approach to operational risk).

The RBNZ is currently consulting on a proposed revision of its Outsourcing Policy (BS11). The proposals would extend the current outsourcing policy to more explicitly deal with bank failure and directly link to the RBNZ's OBR policy. The proposed policy described in the relevant consultation paper includes a requirement for banks to have effective control (within the subsidiary and not reliant on the parent) over the following functions: the general ledger, regulatory reporting and the SWIFT gateway. Under the proposed policy, the RBNZ would also require banks to maintain a compendium of outsourced services and proposals to outsource any services that are not excluded from the scope of the policy would need to be notified to the RBNZ and may be subject to the RBNZ's approval. Banks would also be required to maintain a separation plan for abrupt separation from the parent that is signed off by the bank's senior management and board of directors and provided to the RBNZ for approval. Once the policy is finalised it is proposed that banks will have six months to develop a plan for how they intend to comply with the new outsourcing policy with a further two years after that six month period to amend their operations to ensure compliance with the final policy.

APRA has engaged authorised deposit-taking institutions in Australia (including NAB) in relation to eliminating all non-equity exposures to their New Zealand subsidiaries (which, in the case of NAB, includes BNZ) and branches during ordinary times, other than routine day-to-day exposures which are to be maintained at prudent levels. Consultation with APRA is ongoing regarding these arrangements and their potential impact on the non-equity financial support that can be provided by NAB to BNZ; however, at this stage, BNZ considers that it is well-placed to meet any resulting requirements given NAB currently has no outstanding senior unsecured loans to BNZ and does not conduct any business through a branch structure in New Zealand.

The U.S. Foreign Account Tax Compliance Act (**FATCA**) requires certain foreign financial institutions to provide information regarding U.S. account holders to U.S. tax authorities. Non-compliance with FATCA may subject a foreign financial institution to a 30 per cent. withholding tax applied on certain amounts derived from U.S. sources and certain payments attributable to such amounts. On 12 June 2014, the New Zealand Government entered into an intergovernmental agreement with the government of the U.S. in respect of FATCA to ease the burden of compliance on New Zealand financial institutions. Under such agreements, foreign financial institutions in such jurisdictions will generally be exempt from withholding under FATCA if they comply with requirements imposed by the relevant jurisdictions. The New Zealand Government has passed legislation bringing the obligations under the intergovernmental agreement into New Zealand law. Under the intergovernmental agreement, New Zealand financial institutions will send information on U.S. reportable accounts to New Zealand's Inland Revenue Department, which will be responsible for collating and passing the information on to the U.S. Internal Revenue Service. BNZ has registered for FATCA as a New Zealand financial institution and has been complying with FATCA since 1 July 2014. FATCA has required significant investment by affected institutions in compliance and reporting frameworks that will meet FATCA standards. In the event of significant non-compliance with FATCA, it is possible that BNZ may become subject to onerous U.S. withholding taxes under FATCA.

In addition to the aforementioned changes, other areas of ongoing regulatory change and review include additional prudential and conduct reforms, changes to accounting and reporting requirements, tax legislation, bank-specific tax levies, anti-money laundering / counter-terrorism financing regulations, payments, privacy laws and increased supervisory expectations around data quality and controls.

The full effect of these current and potential regulatory reforms on BNZ's operations, capital requirements, business and prospects, or how any of the proposals discussed above will be implemented (if at all in some cases) is not known. Depending on the specific nature of any requirements and how they are enforced, they may have an adverse impact on BNZ's operations, structure, compliance costs or capital requirements and ultimately its financial performance and position.

BNZ faces intense competition, which may adversely impact its financial performance and position

There is substantial competition across the markets in which BNZ conducts business. BNZ faces competition from established financial services providers as well as new market entrants, including foreign banks and non-bank competitors with lower cost operating models. Increasing competition for customers can lead to compression in profit margins, increased advertising and other related expenses, decreased customer loyalty or loss of market share. As technology evolves and customer needs and preferences change, there is an increased risk of disruptive innovation or a failure by BNZ to introduce new products or services to keep pace with industry developments and meet customer expectations. BNZ's financial performance and position may be adversely affected by competitive market conditions and industry trends.

The financial services sector in New Zealand is highly competitive, particularly in those segments that are considered to provide higher growth prospects. Factors contributing to this include industry deregulation, mergers and acquisitions, changes in customers' needs and preferences, entry of new participants, development of new distribution and service methods, increased diversification of products by competitors and regulated changes in the rules governing the operations of banks and non-bank competitors. For example, in New Zealand, non-banks are able to offer products and services traditionally provided by banks, such as automatic payment systems, housing loans, and credit cards. In addition, banks organised in jurisdictions outside New Zealand are subject to different levels of regulation and consequently some may have lower cost structures. Competition in the financial services sector can be intense and difficult to predict. Currently, there is significant competition for customer deposits and housing loans among New Zealand banks. This is likely to continue as banks seek to diversify their sources of funding and drive lending growth.

BNZ's financial performance and position have been, and may continue to be, adversely affected by competitive market conditions and/or industry trends.

Risks specific to BNZ

There are a number of risks which arise directly from the operations of BNZ as a major participant in the New Zealand banking and financial services industry and from the specific structure of BNZ. BNZ's financial performance and position have been, and in the future may continue to be, impacted by these risks.

Relative to its New Zealand-based banking peers, BNZ's business model and portfolio mix is more heavily weighted towards business lending than housing lending.

The risks specific to BNZ are set out below.

BNZ is exposed to credit risk, which may adversely impact its financial performance and position

Credit risk is the potential that a counterparty or customer will fail to meet its obligations to BNZ in accordance with agreed terms. Lending activities account for most of BNZ's credit risk; however, other sources of credit risk also exist, including the banking book, the trading book, and other financial instruments and loans, as well as the extension of commitments and guarantees and the settlement of transactions.

Major sub-segments within BNZ's lending portfolio include:

- residential housing loans, which at 31 March 2015 represented approximately 47 per cent. of gross loans and advances;
- agricultural lending, which at 31 March 2015 represented approximately 19 per cent. of gross loans and advances; and

- commercial real estate loans, which at 31 March 2015 represented approximately 11 per cent. of the portfolio as measured by gross loans and advances with the majority of the counterparties to these loans domiciled in New Zealand.

Adverse business or economic conditions, including a deterioration in property valuations, employment markets or the political environment, may result in failure by counterparties and customers to meet their obligations in accordance with agreed terms. BNZ's portfolio of interest-only loans may be particularly susceptible to losses in the event of a decline in residential property prices. These conditions may be prompted by events outside of BNZ's core markets. This may adversely impact the financial performance and position of BNZ.

BNZ's proportion of business lending in New Zealand exposes BNZ to potential losses should adverse conditions be experienced across this sector. Similarly, BNZ has a large market share in the New Zealand agricultural sector (particularly dairy). As a consequence, volatility in commodity prices, foreign exchange rate movements, climatic events (including drought), disease, export restrictions, quarantine restrictions, introduction of pathogens and pests, and other risks that may impact this sector, may have an adverse impact on BNZ's financial results.

BNZ provides for losses incurred in relation to loans, advances and other assets. Estimating losses incurred in the loan portfolio is, by its very nature, uncertain. The accuracy of these estimates depends on many factors, including general economic conditions, forecasts and assumptions, and involves complex modelling and judgments. If the information or the assumptions upon which assessments are made proves to be inaccurate, the provisions for credit impairment may need to be revised. This may adversely impact BNZ's financial performance and position.

BNZ may suffer losses due to its exposure to operational risks

Operational risk is the risk of loss resulting from inadequate internal processes and controls, people and systems or from external events. Operational risk includes legal risk but excludes strategic or reputational risk.

Operational risks are a core component of doing business as they arise from the day-to-day operational activities of BNZ as well as strategic projects and business change initiatives. Given that operational risks cannot be fully mitigated, BNZ determines an appropriate balance between accepting potential losses and incurring costs of mitigation.

An operational risk event may give rise to substantial losses, including financial loss, fines, penalties, personal injuries, reputational damage, loss of market share, theft of property, customer redress and litigation. Losses from operational risk events may adversely impact BNZ's financial performance and position.

Examples of operational risk events include:

- fraudulent or unauthorised acts by employees, contractors and external parties seeking to misappropriate funds or gain unauthorised access to customer or sensitive data;
- systems, technology and infrastructure failures, or cyber incidents, including denial of service and malicious software attacks;
- process errors or failures arising from human error or inadequate design of processes or controls;
- operational failures by third parties (including off-shored and outsourced service providers);
- weaknesses in employment practices, including those with respect to diversity, discrimination and workplace health and safety;

- deficiencies in product design or maintenance; and
- business disruption and property damage arising from external events such as natural disasters, biological hazards or acts of terrorism.

In addition, BNZ is dependent on its ability to retain and attract key management and operating personnel. The unexpected loss of any key resources, or the inability to attract personnel with suitable experience, may adversely impact BNZ's ability to operate effectively and efficiently, or to meet strategic objectives.

Models are used extensively in the conduct of BNZ's business; for example, in calculating capital requirements and measuring and stressing exposures. If the models used prove to be inadequate or are based on incorrect or invalid assumptions, judgments or inputs, this may adversely affect BNZ's financial performance and position.

BNZ may be exposed to risk from non-compliance with laws or standards which may adversely impact its reputation, financial performance and position

BNZ is exposed to compliance risk arising from failure or inability to comply with laws, regulations, license conditions, standards and codes applicable to BNZ, and related internal policies. If BNZ's compliance controls were to fail significantly, be set inappropriately, or not meet legal or regulatory expectations, BNZ may be exposed to fines, public censure, litigation, settlements, restitution to customers, regulators or other stakeholders, or enforced suspension of operations or loss of license to operate all or part of BNZ's businesses. This may adversely impact BNZ's reputation, corporate structure, financial performance and position.

BNZ has ongoing discussions with key regulators on industry-wide issues and matters specific to BNZ. The global banking and financial services industry is increasingly subject to information requests, scrutiny and investigations by its conduct based regulators, which have led to a number of international firms facing high profile enforcement actions, including substantial fines, for breaches of laws or regulations. Regulators globally are continuing their investigations into manipulation of financial benchmarks.

Risk may arise through inappropriate conduct by employees in breach of BNZ's policies and evolving regulatory standards, such as selling or coercing customers into inappropriate products and services, conducting inappropriate market practices, non-adherence to fiduciary requirements or providing inappropriate financial advice.

Provisions held in respect of conduct and litigation matters are based on a number of assumptions derived from a combination of past experience, estimated future experience, industry comparison and the exercise of subjective judgment based on, where appropriate, external professional advice. Risks and uncertainties remain in relation to these assumptions and the ultimate costs of redress to BNZ. These factors mean that the eventual costs of conduct and compliance related matters may differ materially from those estimated and further provisions may be required, adversely impacting the financial performance and position of BNZ.

Damage to the reputation of BNZ or other members of the NAB Group may adversely impact BNZ's financial performance and position

BNZ's reputation may be damaged by the actions, behavior or performance of the NAB Group, its employees, affiliates, suppliers, counterparties or customers, or the financial services industry generally. A risk event, such as a compliance breach or an operational or technology failure, may adversely affect the perceptions of BNZ held by the public, shareholders, investors, customers, regulators or ratings agencies. The risk event itself may expose BNZ to direct losses as a result of litigation, fines and penalties, remediation costs, loss of key personnel or diversion of significant management time and attention. Reputational damage may adversely impact BNZ's ability to attract and retain customers or employees in the short-term and long-term and the ability to pursue new business opportunities. It may result in a higher risk premium being applied to BNZ, and also impact the cost of funding, its operations or its financial condition.

Disruption of technology systems or breaches of data security may adversely impact BNZ's operations, reputation and financial position

Most of the day-to-day operations of BNZ are computer-based, and therefore the reliability and security of BNZ's information technology systems and infrastructure are essential to its business. Technology risk may arise from events including a failure of these systems to operate effectively, an inability to restore or recover such systems in acceptable timeframes, a breach of data security, or other form of cyber-attack. These events may be wholly or partially beyond the control of BNZ. Such events may result in disruption to operations, reputation damage and litigation, loss or theft of customer data, or regulatory investigations and penalties. This may adversely impact BNZ's financial performance and position.

The rapid evolution of technology in the financial services industry and the increased expectation of customers for internet and mobile services on demand expose BNZ to new challenges in these areas.

BNZ processes, stores and transmits large amounts of personal and confidential information through its computer systems and networks. BNZ invests significant resources in protecting the confidentiality and integrity of this information. However, threats to information security are constantly evolving and techniques used to perpetrate cyber-attacks are increasingly sophisticated. BNZ may not be able to anticipate a security threat, or be able to implement effective measures to prevent or minimise the resulting damage. An information security breach may result in operational disruption, regulatory enforcement actions, financial losses, theft of customer data, or breach of applicable privacy laws, all of which may adversely impact BNZ's reputation, financial performance and position.

As with other business activities, BNZ uses select external providers (both in New Zealand and overseas) to continue to develop and provide its technology solutions. There is increasing regulatory and public scrutiny of outsourced and off-shored activities and their associated risks, including, for example, the appropriate management and control of confidential data. The failure of any external providers to perform their obligations to BNZ or the failure of BNZ to appropriately manage those providers may adversely impact BNZ's reputation, financial performance and position.

BNZ may be exposed to losses if critical accounting judgments and estimates are subsequently found to be incorrect

The preparation of BNZ's financial statements requires management to make estimates and assumptions and to exercise judgment in applying relevant accounting policies, each of which may directly impact the reported amounts of assets, liabilities, income and expenses. Some areas involving a higher degree of judgment, or where assumptions are significant to the financial statements, include the valuation of provisions (including those pertaining to conduct related matters), the valuation of goodwill and intangible assets, and the fair value of financial instruments. For example, effective 1 October 2014, BNZ adopted the impairment and classification and measurement requirements of the New Zealand equivalent Financial Reporting Standard (NZ IFRS) 9 "Financial Instruments", the application of which involves management estimates, assumptions and judgments.

If the judgments, estimates and assumptions used by BNZ in preparing its consolidated financial statements are subsequently found to be incorrect there could be a significant loss to BNZ beyond that anticipated or provided for which could have an adverse effect on BNZ's reputation, results of operations, financial condition or prospects.

Litigation and contingent liabilities arising from BNZ's business conduct may adversely impact its reputation, financial performance and position

BNZ may be involved from time to time in legal proceedings arising from the conduct of its business. The aggregate potential liability in respect thereof cannot be accurately assessed. Any material legal proceedings may adversely impact BNZ's reputation, financial performance and position.

See “General Information—Litigation” on page 231 of this Prospectus for details in relation to BNZ’s legal proceedings and contingent liabilities.

Insufficient capital may adversely impact BNZ’s operations, financial performance and position

Capital risk is the risk that BNZ does not have sufficient capital and reserves to meet prudential standard requirements, achieve its strategic plans and objectives, cover the risks to which it is exposed, or protect against unexpected losses. BNZ is required in New Zealand to maintain minimum levels of capital and reserves relative to the balance sheet size and risk profile of its operations. Any changes, including regulatory changes arising from the Basel capital adequacy reforms, may limit BNZ’s ability to manage capital of BNZ and across its wholly owned entities and other entities consolidated for financial reporting purposes (the **Banking Group**) or may require the Banking Group to raise or use more, or higher quality, capital. Such changes may adversely impact BNZ’s operations, financial performance and position.

BNZ’s funding and liquidity position may be adversely impacted by dislocation in global capital markets

Funding risk is the risk that BNZ is unable to raise short-term and long-term funding to support its ongoing operations, strategic plans and objectives. The New Zealand banking sector accesses domestic and global capital markets to help fund its businesses. Any dislocation in these funding markets, or a reduction in investor appetite for holding BNZ’s securities, may adversely affect BNZ’s ability to access funds or require BNZ to access funds at a higher cost or on unfavorable terms.

Liquidity risk is the risk that BNZ is unable to meet its financial obligations as they fall due. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of borrowings and loan capital as they mature, the payment of interest on borrowings and the payment of operating expenses and taxes. Any significant deterioration in BNZ’s liquidity position may lead to an increase in the cost of BNZ’s borrowings or constrain the volume of new lending. This may adversely impact BNZ’s profitability, financial performance and position.

A significant downgrade in BNZ’s or NAB’s credit ratings may adversely impact its borrowing costs, market access and competitive position

Credit ratings are an important reference for market participants in evaluating BNZ, BNZ-IF and their products, services and securities.

Credit rating agencies conduct ongoing review activity which can result in changes to credit rating settings and outlooks for BNZ or for sovereign governments in countries in which BNZ conducts business. Review activity is based on a number of factors including BNZ’s financial strength and outlook, the assumed level of support for BNZ from the government of New Zealand and NAB in a crisis and the strength of the New Zealand Government and NAB, and the condition of the financial services industry and of the markets generally. Credit ratings may also be affected by changes in the rating methodologies used by the agencies.

A downgrade in the credit ratings of BNZ or NAB, or of their respective securities or the securities of BNZ-IF, or a downgrade in the sovereign rating of one or more of the countries in which BNZ conducts business may increase BNZ’s borrowing costs or limit its access to the capital markets. A downgrade may also trigger additional collateral requirements in derivative contracts and other secured funding arrangements. A downgrade to BNZ’s credit ratings relative to peers could also adversely impact BNZ’s competitive position.

Changes in interest rates may impact BNZ’s financial performance and position

Interest rate risk is the risk to BNZ’s financial performance and position caused by changes in interest rates. As interest rates and yield curves change over time, BNZ may be exposed to a loss in earnings and economic value due to the interest rate profile of its balance sheet. In the banking industry, such exposure commonly arises from the mismatch between the maturity profile of a bank’s lending portfolio compared to its deposit portfolio (and other funding sources). Interest rate risk also includes the risk arising out of customers’

demands for interest rate-related products with various repricing profiles. It is also possible that both short-term and long-term interest rates may change in a way that BNZ has not correctly anticipated, and this may have an adverse impact on BNZ's financial performance and position.

BNZ is exposed to foreign exchange and translation risk, which may adversely impact its financial performance and position

Foreign exchange and translation risk arises from the impact of currency movements on the value of BNZ's cash flows, profit and loss, and assets and liabilities as a result of participation in global financial markets and international operations.

BNZ and BNZ-IF conduct business in different currencies, mainly New Zealand, Australian and U.S. dollars, British pounds sterling and euros. BNZ's businesses may therefore be affected by a change in currency exchange rates, a full or partial break-up of the Eurozone, or a change in the reserve status of any of these currencies. Any unfavorable movement in foreign exchange rates may adversely impact BNZ's financial performance and position.

BNZ's financial statements are prepared and presented in New Zealand dollars, and any fluctuations in the New Zealand dollar against other currencies in which BNZ invests or transacts and generates profits (or incurs losses) may adversely impact its financial performance and position.

A material reduction in the fair value of an equity investment held by BNZ may adversely impact its financial performance and position

BNZ carries equity investments in its banking book at fair value. Currently, BNZ has no material equity investments. Fair value represents mark to market valuations derived from market prices, independent valuations and methodologies or other valuation techniques. The fair value of an equity investment may be impacted by factors such as economic, operational, currency and market risk. A material reduction in the fair value of an equity investment in BNZ's banking book may adversely impact the financial performance and position of BNZ.

BNZ may suffer significant losses from its trading activities

Traded market risk is the risk of losses arising from trading activities undertaken by BNZ. Losses can arise from a change in the value of positions in financial instruments or their hedges due to adverse movements in market prices. Any significant losses from such trading activities may adversely impact BNZ's financial performance and position.

Failure to sell down underwriting risk may result in losses to BNZ

As a financial intermediary, BNZ underwrites or guarantees many different types of transactions, risks and outcomes, including the placement of listed and unlisted debt. The underwriting obligation or guarantee may be over the pricing and placement of these securities, and BNZ may therefore suffer losses if it fails to sell down some or all of this risk to other market participants.

Certain strategic decisions, including acquisitions or divestments, may adversely impact BNZ's financial performance and position

There is a risk that the assumptions on which BNZ's strategic decisions are based are, or may prove to be, incorrect or that the conditions underpinning those strategic decisions may change. In addition, any one or more of BNZ's strategic initiatives may prove to be too difficult or costly to execute effectively.

BNZ regularly examines a range of corporate opportunities (including acquisitions, divestments and joint ventures) and evaluates these opportunities against strategic priorities and risk appetite and considers their ability to enhance BNZ's financial performance, position or prospects.

Any corporate opportunity that is pursued may change BNZ's risk profile and capital structure. Changes to BNZ's risk profile or capital structure may contribute to negative sentiment or a negative impact on BNZ's credit ratings.

Risks associated with the execution of a transaction may result from an over-valuation of an acquisition or joint venture, or an under-valuation of a divestment or joint venture. There may be reputational and economic risks associated with ongoing exposure to a divested business, for example, through the provision of continued services and infrastructure or the retention of liabilities.

Other risks may also arise through BNZ's integration or separation of a business, including failure to realise expected synergies, loss of customers, disruption to operations, application of additional regulation, diversion of management resources or higher than expected costs. Once commenced or executed, corporate actions or other strategic initiatives may be unable to be reversed. These factors may adversely impact BNZ's financial performance and position.

Climate-related, geological and other extrinsic events could adversely impact BNZ's operations and financial results

BNZ may be exposed to geological events (e.g., volcanic eruptions, seismic activity or tsunamis), extreme weather events, plant or animal diseases or other extrinsic events, such as flu pandemics. These may severely disrupt normal business activity and have a negative effect on BNZ's business, operations and financial condition. For example, major earthquakes occurred in 2011 and 2013, respectively, in the Canterbury and Wellington areas. While much of the widespread property damage in these earthquakes was covered by public (Earthquake Commission) and private insurance, there were material impacts on property (and hence collateral) values and on levels of insurance and reinsurance coverage across New Zealand. A reduction in the value of New Zealand property as a result of geological events such as earthquakes could increase lending losses for properties and businesses that are under-insured, which may adversely affect BNZ's business operations and financial condition. As a consequence of BNZ's large market share in the New Zealand agricultural sector (particularly dairy), and the importance of the agricultural sector to the performance of the New Zealand economy, climatic, disease, bio-security related (including pathogens and pests) and other risks that can have a large impact on these sectors could adversely impact BNZ's financial results.

A failure of BNZ's risk management framework may adversely impact its financial performance and position

BNZ operates within a risk management framework comprising systems, structures, policies, processes and people that identify, measure, evaluate, monitor, report and mitigate risks.

As with any risk management strategy, there is no guarantee that this framework is sufficient to mitigate known risks or to address or rapidly adapt to unanticipated existing, changing or emerging risks. As such, perceived or actual ineffectiveness or inadequacies in the risk management framework and its implementation may adversely impact BNZ's reputation, financial performance and position.

Other risks

The risks outlined above do not represent an exhaustive list of the risks associated with BNZ and BNZ-IF. Other risks not specifically referenced in this Prospectus (including a failure to accurately identify and manage all risks faced by BNZ) may adversely impact the future financial performance and position of BNZ. Accordingly, no assurances or guarantees of future performance, profitability, distributions or returns of capital are given by BNZ.

Risk factors relating to the Covered Bond Guarantor, including the ability of the Covered Bond Guarantor to fulfil its obligations in relation to the Covered Bond Guarantee

Covered Bond Guarantor only obliged to pay Guaranteed Amounts when the same are Due for Payment

Subsequent to an Issuer Event of Default, the Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding or if so directed by an Extraordinary Resolution of the Covered Bondholders shall, give an Issuer Acceleration Notice to the Issuers and the Guarantor that as against the Issuers and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) (but not, for the avoidance of doubt, as against the Covered Bond Guarantor) each Covered Bond shall thereupon immediately become due and repayable at its Early Redemption Amount together with accrued interest.

Upon the Covered Bonds becoming immediately due and repayable against the Issuers and the Guarantor (in the case of Covered Bonds issued by BNZ-IF), the Bond Trustee shall forthwith serve a Notice to Pay on the Covered Bond Guarantor and the Covered Bond Guarantor shall be required to make payments of Guaranteed Amounts when the same shall become Due for Payment in accordance with the terms of the Covered Bond Guarantee.

Following service of a Notice to Pay on the Covered Bond Guarantor the Covered Bond Guarantor shall pay or procure to be paid on each Scheduled Payment Date to or to the order of the Bond Trustee (for the benefit of Covered Bondholders) an amount equal to those Guaranteed Amounts which shall have become Due for Payment in accordance with the terms of the Bond Trust Deed but which have not been paid by the relevant Issuer or the Guarantor (in the case of Covered Bonds issued by BNZ-IF) provided that no Notice to Pay shall be served on the Covered Bond Guarantor until an Issuer Acceleration Notice has been served by the Bond Trustee on the Issuers and the Guarantor.

Covered Bond Guarantor's obligations in respect of additional amounts

All payments of principal and interest (if any) in respect of Covered Bonds by the Covered Bond Guarantor will be made subject to withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges required by law. In the event of a withholding or deduction being made by the Covered Bond Guarantor, the Covered Bond Guarantor will not be obliged to pay any additional amounts as a consequence. In addition, the Covered Bond Guarantor will not be obliged at any time to make any payments in respect of additional amounts which may become payable by the Issuers or the Guarantor (in the case of Covered Bonds issued by BNZ-IF) under Condition 7 (*Taxation*). Prior to service on the Covered Bond Guarantor of a Covered Bond Guarantee Acceleration Notice, the Covered Bond Guarantor will not be obliged to make payment in respect of any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums, default interest or interest upon interest which may accrue on or in respect of the Covered Bonds.

Covered Bond Guarantor's failure to pay

Subject to any grace period, if the Covered Bond Guarantor fails to make a payment when Due for Payment under the Covered Bond Guarantee or any other Covered Bond Guarantor Event of Default occurs, then the Bond Trustee may, and if so requested in writing by the holders of at least 25 per cent. of the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding or if so directed by an Extraordinary Resolution of the Covered Bondholders shall, accelerate the obligations of the Covered Bond Guarantor under the Covered Bond Guarantee by service of a Covered Bond Guarantee Acceleration Notice, whereupon the Bond Trustee will have a claim under the Covered Bond Guarantee for an amount equal to the Early Redemption Amount of each Covered Bond, together with accrued interest and all other amounts then due under the Covered Bonds (other than additional amounts payable under Condition 7 (*Taxation*)), although in such circumstances the Covered Bond Guarantor will not be obliged to gross up in respect of any withholding which may be required in respect of any payment. Following service of a

Covered Bond Guarantee Acceleration Notice and/or the commencement of winding up proceedings against the Covered Bond Guarantor, the Security Trustee may enforce the Security over the Charged Property. The proceeds of enforcement and realisation of the Security shall be applied by the Security Trustee in accordance with the Post-Enforcement Priority of Payments in the Security Deed, and Covered Bondholders will receive amounts from the Covered Bond Guarantor on an accelerated basis.

Excess Proceeds received by the Bond Trustee

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Bond Trustee may receive Excess Proceeds. The Excess Proceeds will be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the Covered Bond Guarantor for its own account, as soon as practicable, and will be held by the Covered Bond Guarantor in the GIC Account and the Excess Proceeds will thereafter form part of the Security and will be used by the Covered Bond Guarantor in the same manner as all other moneys from time to time standing to the credit of the GIC Account. Any Excess Proceeds received by the Bond Trustee will discharge *pro tanto* the obligations of the relevant Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) in respect of the Covered Bonds and Coupons (subject to restitution of the same if such Excess Proceeds shall be required to be repaid by the Covered Bond Guarantor). However, the obligations of the Covered Bond Guarantor under the Covered Bond Guarantee are (following service of a Covered Bond Guarantee Acceleration Notice) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds will not reduce or discharge any such obligations.

By subscribing for Covered Bonds, each holder of the Covered Bonds will be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the Covered Bond Guarantor in the manner as described above.

Finite resources available to the Covered Bond Guarantor to make payments due under the Covered Bond Guarantee

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice on the Issuers, the Guarantor and the Covered Bond Guarantor, all amounts payable under the Covered Bonds will be accelerated by the Bond Trustee as against the Issuers and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) and a Notice to Pay will be served by the Bond Trustee on the Covered Bond Guarantor. The Covered Bond Guarantor's ability to meet its obligations under the Covered Bond Guarantee will depend on: (i) the realisable value of Selected Mortgage Loans and the Related Security in the Mortgage Loan Portfolio; (ii) the amount of Mortgage Loan Revenue Receipts and Mortgage Loan Principal Receipts generated by the Mortgage Loan Portfolio and the timing thereof; (iii) amounts received from the Swap Providers; (iv) the realisable value of Substitution Assets and Authorised Investments held by it and; (v) the receipt by it of credit balances and interest on credit balances on the GIC Account. Recourse against the Covered Bond Guarantor under the Covered Bond Guarantee is limited to the aforementioned assets and the Covered Bond Guarantor will not have any other source of funds available to meet its obligations under the Covered Bond Guarantee.

If a Covered Bond Guarantor Event of Default occurs and the Security created by or pursuant to the Security Deed is enforced, the realisation of the Charged Property may not be sufficient to meet the claims of all the Secured Creditors, including the Covered Bondholders.

If, following enforcement of the Security constituted by or pursuant to the Security Deed, the Secured Creditors have not received the full amount due to them pursuant to the terms of the Programme Documents, then they may still have an unsecured claim against the relevant Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) for the shortfall. There is no guarantee that the relevant Issuer or the Guarantor (if applicable) will have sufficient funds to pay that shortfall.

Covered Bondholders should note that the Asset Coverage Test has been structured to ensure that the Adjusted Aggregate Mortgage Loan Amount is an amount at least equal to the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding, which should reduce the risk of a shortfall (although there is no assurance of this – in particular, the sale of further Mortgage Loans and Related Security by the Seller to the Covered Bond Guarantor may be required to avoid or remedy a breach of the Asset Coverage Test).

The Covered Bond Guarantor will be required to ensure that, following the service of a Notice to Pay on the Covered Bond Guarantor (but prior to the enforcement of the Security in accordance with the Security Deed), the Amortisation Test is met on each Calculation Date. A breach of the Amortisation Test will constitute a Covered Bond Guarantor Event of Default and will entitle the Bond Trustee to serve a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor, the Issuers and the Guarantor. The Asset Coverage Test, the Amortisation Test, the Interest Rate Shortfall Test, the Yield Shortfall Test and the Pre-Maturity Test have in the aggregate been structured to ensure that the Asset Pool is sufficient to pay amounts due on the Covered Bonds and senior expenses (which will include costs relating to the maintenance, administration and winding-up of the Asset Pool whilst the Covered Bonds are outstanding). However no assurance can be given that the Asset Pool will in fact generate sufficient amounts for such purposes (see "*Overview of the Principal Documents – Establishment Deed – Asset Coverage Test*" and "*Credit Structure – Asset Coverage Test*", "*Overview of the Principal Documents - Establishment Deed - Amortisation Test*" and "*Credit Structure - Amortisation Test*", "*Overview of the Principal Documents – Servicing Agreement – Interest Shortfall Test and Yield Shortfall Test*", "*Overview of the Principal Documents – Establishment Deed – Pre-Maturity Test*" and "*Credit Structure – Pre-Maturity Test*").

Reliance of the Covered Bond Guarantor on third parties

The Covered Bond Guarantor has entered into agreements with a number of third parties, which have agreed to perform services for the Covered Bond Guarantor. In particular, but without limitation,

- (a) the Servicer has been appointed to administer and service the Mortgage Loans in the Mortgage Loan Portfolio and to provide the Asset Registry Services on behalf of the Covered Bond Guarantor and to provide certain other administration and management services to the Covered Bond Guarantor pursuant to the provisions of the Servicing Agreement;
- (b) the Trust Manager has been appointed to provide the administration and cash management services set out in the Programme Documents including, without limitation, operating the Trust Accounts, keeping and maintaining records, causing annual accounts of the Trust to be audited and investing moneys standing to the credit of the GIC Account in Substitution Assets or Authorised Investments;
- (c) the Calculation Manager has been appointed to provide the calculation services set out in the Programme Documents including, without limitation, doing all calculations on each Calculation Date which are required to determine whether the Mortgage Loan Portfolio is in compliance with the Asset Coverage Test, the Amortisation Test or the Pre-Maturity Test, as the case may be, and providing information to the Asset Monitor;
- (d) the Asset Monitor has been appointed to report on the accuracy of the Calculation Manager's calculations, the maintenance by the Servicer of the Asset Register and its compliance with the procedures and internal controls for ensuring the Asset Register is kept up-to-date and accurate and that the Asset Pool remains consistent with any Asset Class Designation; and
- (e) the Account Bank has been appointed to operate each of the Trust Accounts in accordance with the relevant Account Bank Mandate pursuant to the Account Bank Agreement.

In the event that any of those third parties fails to perform its obligations under the relevant agreement to which it is a party, the realisable value of the Mortgage Loan Portfolio and other assets in the Asset Pool or

any part thereof or pending such realisation (if the Mortgage Loan Portfolio and other assets in the Asset Pool or any part thereof cannot be sold) the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee may be affected. For example, if the Servicer fails to adequately administer the Mortgage Loans in the Mortgage Loan Portfolio, this may lead to higher incidences of non-payment or default by Borrowers.

The Covered Bond Guarantor will also be reliant on the Swap Providers to provide it with the funds matching its obligations under the Intercompany Loan Agreement, the Demand Loan Agreement and the Covered Bond Guarantee, as described below.

The Servicer is required to act as collecting agent for the Covered Bond Guarantor in respect of Mortgage Loan Scheduled Payments made by a Borrower. If the Servicer receives, during a Calculation Period, any money whatsoever arising from the Mortgage Loans in the Mortgage Loan Portfolio and the Related Security which money belongs to the Covered Bond Guarantor and such money is to be credited to the GIC Account pursuant to the Servicing Agreement, the Servicer shall hold such money on trust for the Covered Bond Guarantor. The Servicer is entitled to commingle such money with any other money held by it. In the event of an insolvency of the Servicer, the ability of the Covered Bond Guarantor to trace and recover any such commingled money may be impaired. The risk of the Servicer not making payment on each Calculation Date is mitigated by an obligation of the Servicer to transfer the collections into the GIC Account within two NZ Business Days of receipt if the Servicer's short term credit ratings are downgraded below P-1 (by Moody's) or F1 (by Fitch) or long term credit ratings are downgraded below A (Fitch).

The Servicer has no obligation itself to advance payments that Borrowers fail to make in a timely fashion. Covered Bondholders will have no right to consent to or approve of any actions taken by the Servicer under the Servicing Agreement.

Neither the Security Trustee nor the Bond Trustee is obliged in any circumstances to act as a Servicer or to monitor the performance by the Servicer of its obligations.

If a Servicer Termination Event occurs, then the Covered Bond Guarantor or the Trust Manager on its behalf (with the consent of the Security Trustee), or the Security Trustee may (acting on the direction (for so long as there are Covered Bonds outstanding) of the Bond Trustee or (where no Covered Bonds are outstanding) the Majority Secured Creditors) terminate the appointment of the Servicer. Following such termination of the appointment of the Servicer, the Covered Bond Guarantor (with the prior consent of the Security Trustee) shall use its reasonable endeavours to appoint a substitute servicer. Any termination of the appointment of the Servicer and the appointment of a substitute servicer is conditional upon the Seller having delivered a Rating Affirmation Notice to the Covered Bond Guarantor, the Trust Manager, the Servicer, the substitute servicer and the Rating Agencies in respect of such termination and appointment. There can be no assurance that either (a) a substitute servicer with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Mortgage Loans in the Mortgage Loan Portfolio and perform the Asset Registry Services on the terms of the Servicing Agreement, or (b) a Rating Affirmation Notice could be delivered by the Seller in respect of such substitute servicer. The ability of a replacement servicer to perform fully the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a replacement servicer may affect payments on the Mortgage Loans in the Mortgage Loan Portfolio, the realisable value of such Mortgage Loans and/or the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee.

If a Trust Manager Termination Event occurs, then the Covered Bond Guarantor (with the consent of the Security Trustee) or the Security Trustee may terminate the appointment of the Trust Manager. The Covered Bond Guarantor will be required to use its reasonable endeavours to appoint a replacement trust manager. There can be no assurance that a replacement trust manager would be found who would be willing and able to provide such trust management services on the terms of the Establishment Deed and the Management Agreement. The Security Trustee will not be obliged in any circumstances to act as a Trust Manager or to

monitor or supervise the performance by the Trust Manager (or any replacement trust manager) of its obligations.

If a Calculation Manager Termination Event occurs, then the Covered Bond Guarantor or the Trust Manager on its behalf and/or the Security Trustee will be entitled to terminate the appointment of the Calculation Manager. The Covered Bond Guarantor will be required to use its reasonable endeavours to appoint a replacement calculation manager. There can be no assurance that a replacement calculation manager would be found who would be willing and able to provide such calculation management services on the terms of the Establishment Deed and the Management Agreement. The Security Trustee will not be obliged in any circumstances to act as the Calculation Manager or to monitor or supervise the performance by the Calculation Manager (or any replacement calculation manager) of its obligations.

Any delay or inability to appoint a replacement trust manager or calculation manager may affect payments to and from the Transaction Accounts in accordance with the terms of the Programme Documents, and/or the provision of the asset coverage reports and other information to, among others, the Rating Agencies, the Security Trustee and the Covered Bond Guarantor and may ultimately affect the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee.

The Trust Manager has no obligation itself to advance payments that Borrowers fail to make in a timely fashion. Covered Bondholders will have no right to consent to or approve of any actions taken by the Trust Manager under the Establishment Deed or the Management Agreement.

Neither the Security Trustee nor the Bond Trustee is obliged in any circumstances to act as a Trust Manager or to monitor the performance by the Trust Manager of its obligations.

Reliance on Swap Providers

In order to hedge certain interest rate, currency or other risks in respect of amounts received by the Covered Bond Guarantor under the Mortgage Loans, the amounts standing to the credit of the GIC Account, any Substitution Assets or Authorised Investments and any other assets that the Covered Bond Guarantor may hold from time to time, and amounts payable by the Covered Bond Guarantor under the Intercompany Loan Agreement and/or the Demand Loan Agreement to BNZ and/or amounts payable under the Covered Bond Guarantee in respect of the Covered Bonds on issue, the Covered Bond Guarantor will enter into certain swap transactions with swap providers (each, a **Swap Provider**).

If the Covered Bond Guarantor fails to make timely payments of amounts due under any Swap Agreement, then it will have defaulted under that Swap Agreement and such Swap Agreement may be terminated. Further, a Swap Provider is only obliged to make payments to the Covered Bond Guarantor if the Covered Bond Guarantor complies with its payment obligations under the relevant Swap Agreement. If a Swap Agreement terminates or the relevant Swap Provider is not obliged to make payments or if it defaults in its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the Covered Bond Guarantor on the payment date under such Swap Agreements, the Covered Bond Guarantor will be exposed to changes in the relevant currency exchange rates to NZ Dollars (where relevant) and to any changes in the relevant rates of interest. Unless a replacement swap is entered into, the Covered Bond Guarantor may have insufficient funds to make payments under the Intercompany Loan Agreement, the Demand Loan Agreement or the Covered Bond Guarantee.

If a Swap Agreement terminates, then the Covered Bond Guarantor may be obliged to make a termination payment to the relevant Swap Provider. There can be no assurance that the Covered Bond Guarantor will have sufficient funds available to make a termination payment under the relevant Swap Agreement or to make any upfront payment required by a replacement swap counterparty, nor can there be any assurance that the Covered Bond Guarantor will be able to find a replacement swap counterparty which has both sufficiently high ratings as may be required by any of the Rating Agencies and which agrees to enter into a replacement swap agreement on similar commercial terms.

If the Covered Bond Guarantor is obliged to pay a termination payment under any Swap Agreement, any such termination payment in respect of:

- (i) the Interest Rate Swap will rank ahead of amounts due on the Covered Bonds; and
- (ii) the Covered Bond Swap will rank *pari passu* with amounts due on the Covered Bonds,

except where default by, or downgrade of, the relevant Swap Provider has caused the relevant Swap Agreement to terminate. The obligation to pay a termination payment may adversely affect the ability of the Covered Bond Guarantor to meet its obligations under the Covered Bond Guarantee.

Differences in timings of obligations of the Covered Bond Guarantor and the Covered Bond Swap Providers under the Covered Bond Swaps

With respect to the Covered Bond Swaps, the Covered Bond Guarantor will pay a quarterly amount, on each Trust Payment Date, to each Covered Bond Swap Provider based on the Bank Bill Rate. A Covered Bond Swap Provider may not be obliged to make corresponding swap payments to the Covered Bond Guarantor under a Covered Bond Swap for up to 12 months until amounts are due and payable by the Covered Bond Guarantor under the relevant Term Advance under the Intercompany Loan Agreement (prior to the service of a Notice to Pay or Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor) or are Due for Payment under the Covered Bond Guarantee (after the service of a Notice to Pay or Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor). If a Covered Bond Swap Provider does not meet its payment obligations to the Covered Bond Guarantor under the relevant Covered Bond Swap and such Covered Bond Swap Provider does not make a termination payment that has become due from it to the Covered Bond Guarantor, the Covered Bond Guarantor may have a larger shortfall in funds with which to make payments under the Covered Bond Guarantee with respect to the Covered Bonds than if the Covered Bond Swap Provider's payment obligations coincided with Covered Bond Guarantor's payment obligations under the Covered Bond Guarantee. Hence, the difference in timing between the obligations of the Covered Bond Guarantor and the Covered Bond Swap Providers under the Covered Bond Swaps may affect the Covered Bond Guarantor's ability to make payments under the Covered Bond Guarantee with respect to the Covered Bonds.

Change of counterparties

The parties to the Programme Documents who receive and hold moneys pursuant to the terms of such documents (such as the Servicer and the Account Bank) will be required to satisfy certain criteria, pursuant to those Programme Documents, in order to continue to receive and hold moneys.

These criteria will include requirements in relation to the short-term and long-term, unguaranteed and unsecured ratings ascribed to such party by Fitch and Moody's. If the party concerned ceases to satisfy the applicable criteria, including such ratings criteria, then the rights and obligations of that party (including the right or obligation to receive moneys on behalf of the Covered Bond Guarantor) may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the Programme Documents.

In addition, should the applicable criteria cease to be satisfied, then the parties to the relevant Programme Document may agree to amend or waive certain of the terms of such document, including the applicable criteria, in order to avoid the need for a replacement entity to be appointed. The consent of Covered Bondholders may not be required in relation to such amendments and/or waivers.

Limited description of the Mortgage Loan Portfolio

Covered Bondholders may not receive detailed statistics or information in relation to the Mortgage Loans in the Mortgage Loan Portfolio because it is expected that the constitution of the Mortgage Loan Portfolio will frequently change due to, for instance:

- the Seller selling additional Mortgage Loans and the Related Security (or Mortgage Loans of New Product Types and the Related Security) to the Covered Bond Guarantor;
- payments by the Borrowers on those Mortgage Loans; and
- the Seller repurchasing Mortgage Loans and the Related Security in accordance with the Mortgage Sale Agreement, in particular, in relation to non-compliance with the Representations and Warranties and in the case of a Further Advance, Cash Redraw or Product Switch or where the Mortgage for a Mortgage Loan also secures Associated Debt that is in default (see "*Overview of the Principal Documents - The Mortgage Sale Agreement - Repurchase by the Seller*").

There is no assurance that the characteristics of the New Mortgage Loans sold to the Covered Bond Guarantor on any Transfer Date will be the same as those of the other Mortgage Loans in the Mortgage Loan Portfolio as at the relevant Transfer Date. However, each Mortgage Loan sold to the Covered Bond Guarantor will be required to be a Qualifying Mortgage Loan and the Seller will also be required to make the Representations and Warranties set out in the Mortgage Sale Agreement on such date – see "*Overview of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of Mortgage Loans and Related Security*" (although the criteria for Qualifying Mortgage Loans and Representations and Warranties may change in certain circumstances – see "*The Bond Trustee and the Security Trustee may agree to modifications to the Programme Documents without, respectively the Covered Bondholders' or Secured Creditors' prior consent*" above). In addition, the Asset Coverage Test is intended to ensure that on each Calculation Date the Adjusted Aggregate Mortgage Loan Amount is an amount at least equal to the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding. Pursuant to the terms of the Management Agreement, the Calculation Manager will provide quarterly reports (the **Asset Coverage Reports**) that will set out certain information in relation to the Asset Coverage Test.

If any Mortgage Loans have been originated under revised Servicing Procedures and the Mortgage Loans are then sold to the Covered Bond Guarantor in accordance with and pursuant to the terms of the Mortgage Sale Agreement, the characteristics of the Mortgage Loan Portfolio could at such time change. This could adversely affect the ability of the Covered Bond Guarantor to meet its obligations under the Covered Bond Guarantee.

Maintenance of Portfolio

Asset Coverage Test

The Asset Coverage Test is intended to test the asset coverage of the Covered Bond Guarantor's assets in respect of the Covered Bonds on a three-monthly basis. This is to ensure that the assets of the Covered Bond Guarantor do not fall below a certain threshold and are sufficient for the Covered Bond Guarantor to meet its obligations under the Covered Bond Guarantee and senior expenses which rank in priority or *pari passu* with amounts due on the Covered Bonds. Pursuant to the terms of the Mortgage Sale Agreement, the Seller has agreed to use all reasonable efforts to transfer Mortgage Loans and the Related Security to the Covered Bond Guarantor in order to ensure that the Mortgage Loan Portfolio is in compliance with the Asset Coverage Test. The consideration payable to the Seller for the sale of such Mortgage Loans and Related Security to the Covered Bond Guarantor may be funded by (i) cash available to the Covered Bond Guarantor to pay for such Mortgage Loans and Related Security in accordance with the Pre-Acceleration Principal Priority of Payments; and/or (ii) a drawing under the Demand Loan Agreement.

Alternatively, the Covered Bond Guarantor may purchase Substitution Assets or request drawings under the Demand Loan Agreement in order to ensure that the Covered Bond Guarantor is in compliance with the Asset Coverage Test. If the Asset Coverage Test is not complied with on a Calculation Date and also on the next following Calculation Date the Asset Coverage Test will be breached and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the Covered Bond Guarantor (subject to the Bond Trustee having actual knowledge or express notice of the breach). The Bond Trustee shall be deemed to revoke an Asset Coverage Test Breach Notice if, on the next Calculation Date to occur following the service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is subsequently satisfied and neither a Notice to Pay nor a Covered Bond Guarantee Acceleration Notice has been served. If the Bond Trustee is deemed to revoke an Asset Coverage Test Breach Notice, the Covered Bond Guarantor (or the Trust Manager on its behalf) shall immediately notify in writing the Bond Trustee thereof. If the Asset Coverage Test Breach Notice is not revoked by the Bond Trustee on or before the next Calculation Date, then an Issuer Event of Default will occur.

Amortisation Test

The Amortisation Test is intended to ensure that, following service of a Notice to Pay, the assets of the Covered Bond Guarantor do not fall below a certain threshold to ensure that the assets of the Covered Bond Guarantor are sufficient to meet its obligations under the Covered Bond Guarantee and senior expenses which rank in priority or *pari passu* with amounts due on the Covered Bonds. Pursuant to the Establishment Deed, the Covered Bond Guarantor must ensure that on each Calculation Date following service of a Notice to Pay on the Covered Bond Guarantor but prior to the enforcement of the Security in accordance with the Security Deed, the Amortisation Test Aggregate Mortgage Loan Amount is in an amount at least equal to the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding under the Covered Bonds.

If the aggregate collateral value of the Mortgage Loan Portfolio has not been maintained in accordance with the terms of the Asset Coverage Test or the Amortisation Test, then that may affect the realisable value of the Mortgage Loan Portfolio or any part thereof (both before and after the occurrence of a Covered Bond Guarantor Event of Default) and/or the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee. Failure to satisfy the Amortisation Test on any Calculation Date following an Issuer Event of Default will constitute a Covered Bond Guarantor Event of Default, thereby entitling the Bond Trustee to accelerate the Covered Bonds against the Issuers and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) (to the extent not already accelerated against the Issuers and the Guarantor) and also the Covered Bond Guarantor's obligations under the Covered Bond Guarantee against the Covered Bond Guarantor subject to and in accordance with the Conditions.

Asset Registry Services

Pursuant to the Servicing Agreement, the Servicer must establish and maintain the Asset Register so that it is an up-to-date and accurate record of the assets of the Trust (including the Mortgage Loan Portfolio, the Authorised Investments, the Substitution Assets and Trust Accounts) held by the Covered Bond Guarantor. This includes updating the Asset Register within five NZ Business Days of receiving notice from the Covered Bond Guarantor (or the Trust Manager on its behalf) of the occurrence of a transaction involving the assets of the Trust and assessing whether the assets of the Trust remain consistent with any Asset Class Designation.

Asset Monitor to test calculations and Asset Registry Services

Prior to the occurrence of an Issuer Event of Default, the Asset Monitor will, subject to receipt of the relevant information from the Calculation Manager, test the arithmetic accuracy of the calculations performed by the Calculation Manager in relation to the Asset Coverage Test once each year on the Calculation Date immediately preceding an anniversary of the Programme Date. If and for so long as the long-term unsecured, unguaranteed and unsubordinated debt obligation ratings of the Calculation Manager (or if the Calculation Manager is not so rated, if the long-term unsecured, unguaranteed and unsubordinated

debt obligation ratings of the Calculation Manager's holding company) fall below Baa2 by Moody's or BBB- by Fitch (and for as long as they remain below such ratings), the Asset Monitor shall conduct the tests of the Calculation Manager's calculations, in respect of the Programme Date and/or every Calculation Date thereafter.

Following the occurrence of an Issuer Event of Default, the Asset Monitor will be required to test the calculations performed by the Calculation Manager in respect of the Amortisation Test, as appropriate.

The Asset Monitor will also, subject to receipt of the relevant information from the Servicer and the Trust Manager, assess the Servicer's compliance, or non-compliance, as the case may be, with its obligations in relation to the Asset Register once each year on the Calculation Date immediately preceding an anniversary of the Programme Date.

See further "*Overview of the Principal Documents – Asset Monitor Agreement*".

Neither the Security Trustee nor the Bond Trustee shall be responsible for monitoring compliance with, nor the monitoring of, the Asset Coverage Test or the Amortisation Test or any other test, or supervising the performance by any other party of its obligations under any Programme Document.

RBNZ Regulatory Limit on Covered Bonds

The RBNZ imposes a regulatory limit on the issuance of covered bonds by New Zealand banks. Under the Conditions of Registration imposed on BNZ, no more than 10 per cent. of the total assets of the BNZ banking group (plus any assets held by the relevant special purpose vehicle that are not included in the BNZ banking group's assets) may be beneficially owned by a special purpose vehicle that has granted security over those assets for the benefit of any holder of covered bonds. The RBNZ may review this limit from time to time, taking into account evidence as it emerges in the market. This regulatory limit could constrain the ability of the Seller to sell Mortgage Loans to the Covered Bond Guarantor.

Sale of Selected Mortgage Loans and the Related Security following service of an Asset Coverage Test Breach Notice or a Notice to Pay

Following the Demand Loan Provider making demand that the Demand Loan (or part of it) be repaid (subject to the Asset Coverage Test being met) or the service of an Asset Coverage Test Breach Notice on the Covered Bond Guarantor or a breach of the Pre-Maturity Test or the service of a Notice to Pay on the Covered Bond Guarantor, the Covered Bond Guarantor shall sell Selected Mortgage Loans (selected on a basis that is representative of the Mortgage Loans in the Mortgage Loan Portfolio as a whole) and the Related Security, unless the Related Security also secures another Mortgage Loan in the Mortgage Loan Portfolio. The proceeds from any such sale shall be deposited into the GIC Account and applied in accordance with the applicable Priority of Payments (see "*Overview of the Principal Documents – Establishment Deed – Sale of Selected Mortgage Loans*").

There is no guarantee the Covered Bond Guarantor will, where the Covered Bond Guarantor is obliged to sell Selected Mortgage Loans, find a buyer to buy Selected Mortgage Loans and the Related Security at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained, which may affect payments under the Covered Bond Guarantee. Following the service of an Asset Coverage Test Breach Notice (but prior to the service of a Notice to Pay) the Selected Mortgage Loans may not be sold by the Covered Bond Guarantor for an amount less than the Current Principal Balance of the Selected Mortgage Loans plus the Arrears of Interest and Accrued Interest thereon. Following a breach of the Pre-Maturity Test or service of a Notice to Pay on the Covered Bond Guarantor, the Selected Mortgage Loans may not be sold by the Covered Bond Guarantor for an amount less than the Adjusted Required Redemption Amount for the relevant Series of Covered Bonds. However, if the Selected Mortgage Loans have not been sold by the date which is six months prior to either (a) the Final Maturity Date in respect of the Earliest Maturing Covered Bonds, or (b) the Extended Due for Payment Date in respect of the Earliest Maturing

Covered Bonds, or (c) in respect of a sale in connection with the Pre-Maturity Test, the Final Maturity Date of the relevant Series of Hard Bullet Covered Bonds, the Covered Bond Guarantor will offer the Selected Mortgage Loans for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount.

If Selected Mortgage Loans are not sold for an amount equal to or in excess of the Adjusted Required Redemption Amount, the Covered Bond Guarantor may have insufficient funds available to make payment in respect of the Covered Bonds.

On each Trust Payment Date the Covered Bond Guarantor will apply Available Revenue Receipts and Available Principal Receipts to redeem or repay in part the relevant Series of Covered Bonds, to the extent a) due and payable and; b) that the Covered Bond Guarantor has sufficient moneys available to make such payments in accordance with the Guarantee Priority of Payments. Available Principal Receipts will include the sale proceeds of Selected Mortgage Loans (including any excess sale proceeds resulting from the sale of Selected Mortgage Loans sold in respect of another Series of Covered Bonds) and all principal repayments received on the Mortgage Loans in the Mortgage Loan Portfolio generally. This may adversely affect later maturing Series of Covered Bonds if the Selected Mortgage Loans sold to redeem or repay in part an earlier maturing Series of Covered Bonds are sold for less than the Adjusted Required Redemption Amount and accordingly the Covered Bond Guarantor is required to apply other assets in the Mortgage Loan Portfolio (such as Mortgage Loan Principal Receipts) to redeem that earlier maturing Series of Covered Bonds.

Sale of Selected Mortgage Loans and the Related Security if Pre-Maturity Test is breached

The Establishment Deed will provide for the sale of Selected Mortgage Loans and the Related Security in circumstances where the Pre-Maturity Test has been breached in relation to a Series of Hard Bullet Covered Bonds. The Pre-Maturity Test will be breached in relation to a Series of Hard Bullet Covered Bonds if the ratings of BNZ fall below a specified level and such Series of Hard Bullet Covered Bonds is due for repayment within a specified period of time thereafter. If the Pre-Maturity Test is breached the Covered Bond Guarantor will, subject to first utilising the proceeds of any advance made by the Demand Loan Provider under the Demand Loan Agreement, be obliged to sell Selected Mortgage Loans and the Related Security in order to enable the Covered Bond Guarantor to pay the NZ Dollar Equivalent of the Required Redemption Amount on a Series of Hard Bullet Covered Bonds under the Covered Bond Guarantee. In the event that the Pre-Maturity Test is breached in respect of any Series of Hard Bullet Covered Bonds during the Pre-Maturity Test Period and the Covered Bond Guarantor is unable to sell sufficient Selected Mortgage Loans and the Related Security within a specified period of time, an Issuer Event of Default will occur.

There is no guarantee that a suitable buyer will be found to acquire Selected Mortgage Loans and the Related Security at the times required and there can be no guarantee or assurance as to the price which the Covered Bond Guarantor may be able to obtain, which may affect payments under the Covered Bond Guarantee.

Realisation of Charged Property following the occurrence of a Covered Bond Guarantor Event of Default and/or the commencement of winding up proceedings against the Covered Bond Guarantor

If a Covered Bond Guarantor Event of Default occurs and a Covered Bond Guarantee Acceleration Notice is served on the Covered Bond Guarantor, the Issuers and the Guarantor and/or winding up proceedings are commenced against the Trust, then the Security Trustee will be entitled to enforce the Security created under and pursuant to the Security Deed and the proceeds from the realisation of the Charged Property will be applied by the Security Trustee towards payment of all secured obligations in accordance with the Post-Enforcement Priority of Payments described in "Cashflows" below.

There is no guarantee that the proceeds of realisation of the Charged Property will be in an amount sufficient to repay all amounts due to the Secured Creditors (including the Covered Bondholders) under the Covered Bonds and the Programme Documents.

If a Covered Bond Guarantee Acceleration Notice is served on the Covered Bond Guarantor, the Issuers and the Guarantor then the Covered Bonds may be repaid sooner or later than expected or not at all.

Factors that may affect the realisable value of the Mortgage Loan Portfolio or any part thereof or the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee

Following the occurrence of an Issuer Event of Default, the service on the Issuers, the Guarantor and the Covered Bond Guarantor of an Issuer Acceleration Notice and the service on the Covered Bond Guarantor of a Notice to Pay, the realisable value of Selected Mortgage Loans and the Related Security comprised in the Mortgage Loan Portfolio may be reduced (which may affect the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee) by:

- representations or warranties not being given by the Covered Bond Guarantor or (unless otherwise agreed with the Seller) the Seller;
- default by Borrowers of amounts due on their Mortgage Loans;
- changes to the Servicing Procedures of the Seller;
- the Covered Bond Guarantor not having legal title to the Mortgage Loans in the Mortgage Loan Portfolio;
- risks in relation to some types of Mortgage Loans which may adversely affect the value of Mortgage Loan Portfolio or any part thereof;
- limited recourse to the Seller;
- possible regulatory changes by the Commerce Commission in New Zealand and other regulatory authorities;
- regulations in New Zealand that could lead to some terms of the Mortgage Loans being unenforceable;
- restrictions on the disposal of All Moneys Mortgages which are subject to an All Moneys Mortgage Trust; and
- other issues which impact on the enforceability of the Mortgage Loans.

Some of these factors are considered in more detail below. However, it should be noted that the Asset Coverage Test, the Amortisation Test, the Pre-Maturity Test and the criteria for Qualifying Mortgage Loans are intended to ensure that there will be an adequate amount of Mortgage Loans in the Mortgage Loan Portfolio and moneys standing to the credit of the GIC Account to enable the Covered Bond Guarantor to repay the Covered Bonds following an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuers, the Guarantor and the Covered Bond Guarantor and service of a Notice to Pay on the Covered Bond Guarantor and accordingly it is expected (but there is no assurance) that Selected Mortgage Loans and the Related Security could be realised for sufficient values to enable the Covered Bond Guarantor to meet its obligations under the Covered Bond Guarantee.

No representations or warranties to be given by the Covered Bond Guarantor or the Seller if Selected Mortgage Loans and the Related Security are to be sold

Following a breach of the Pre-Maturity Test and/or the occurrence of an Issuer Event of Default, service on the Issuers, the Guarantor and the Covered Bond Guarantor of an Issuer Acceleration Notice and service on the Covered Bond Guarantor of a Notice to Pay (but prior to the service of a Covered Bond Guarantee

Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings against the Trust), the Covered Bond Guarantor will be obliged to sell Selected Mortgage Loans and the Related Security to third party purchasers, subject to a right of pre-emption enjoyed by the Seller pursuant to the terms of the Mortgage Sale Agreement (see "*Overview of the Principal Documents – Establishment Deed – Method of Sale of Selected Mortgage Loans and the Related Security*"). In respect of any sale of Selected Mortgage Loans and the Related Security to third parties, however, the Covered Bond Guarantor will not be permitted to give representations, warranties or indemnities in respect of those Selected Mortgage Loans and the Related Security (unless expressly permitted to do so by the Security Trustee). There is no assurance that the Seller would give any warranties or representations in respect of the Selected Mortgage Loans and the Related Security originated by it and sold to the Covered Bond Guarantor. Any Representations or Warranties previously given by the Seller in respect of the Mortgage Loans in the Mortgage Loan Portfolio may not have value for a third party purchaser if the Seller is then insolvent. Accordingly, there is a risk that the realisable value of the Selected Mortgage Loans and the Related Security could be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the Covered Bond Guarantor to meet its obligations under the Covered Bond Guarantee.

New Zealand Housing Market

BNZ's business includes mortgage lending in New Zealand with loans secured against residential property. A fall in property prices resulting from the deterioration in the housing market could result in losses being incurred by lenders where the net recovery proceeds are insufficient to redeem the outstanding loan. Any deterioration in the quality of the Mortgage Loan Portfolio could have an adverse effect on the Covered Bond Guarantor's ability to make payment under the Covered Bond Guarantee. There can be no assurance that the housing market will not deteriorate.

The current New Zealand economic environment may affect the rate at which the Seller originates new Mortgage Loans and may also affect the level of attrition of the Seller's existing Borrowers, which could in turn adversely affect the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee.

Geographic concentration of the Mortgage Loans

To the extent that specific geographic regions have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions, a concentration of the Mortgage Loans in such a region may be expected to exacerbate all of the risks relating to the Mortgage Loans described in this section. The Covered Bond Guarantor can predict neither when nor where such regional economic declines may occur nor to what extent or for how long such conditions may continue but if the timing and payment of the Mortgage Loans in the Mortgage Loan Portfolio is adversely affected as described above, the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee could be reduced or delayed.

Default by Borrowers in paying amounts due on their Mortgage Loans

Borrowers may default on their obligations due under the Mortgage Loans. Defaults may occur for a variety of reasons. The Mortgage Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal on the Mortgage Loans. These factors include changes in the national, regional or international economic climate such as: volatility in interest rates; lack of liquidity in wholesale funding markets in periods of stressed economic conditions, economic or political crisis; illiquidity and downward price pressure; commencement of recession and employment fluctuations; the availability of financing; consumer perception as to the continuing availability of credit and price competition which may have an adverse impact on delinquency and repossession rates; inflation; yields on alternative investments; and political developments and government policies, including changes in tax laws. Other factors in Borrowers' individual, personal or financial circumstances may also affect the ability of Borrowers to repay the

Mortgage Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Mortgage Loans.

The rate of prepayments on Mortgage Loans may be increased due to Borrowers refinancing their Mortgage Loans and sales of any property charged by a Mortgage (either voluntarily by Borrowers or as a result of enforcement action taken), as well as the receipt of proceeds from buildings insurance and life assurance policies. The rate of prepayment of Mortgage Loans may also be influenced by the presence or absence of early repayment charges.

In addition, the ability of a Borrower to sell a property charged by a Mortgage which secures a Mortgage Loan at a price sufficient to repay the amounts outstanding under that Mortgage Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values and the property market in general at the time of such proposed sale. The downturn in the New Zealand economy has had and could continue to have a negative effect on the housing market.

Further, the mortgage loan market in New Zealand is highly competitive. This competitive environment may affect the rate at which the Seller originates new Mortgage Loans and may also affect the repayment rate of existing Mortgage Loans.

If the timing and payment of the Mortgage Loans is adversely affected by any of the risks described above, the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee could be reduced or delayed.

The Current Principal Balance of any Defaulted Mortgage Loans in the Mortgage Loan Portfolio will be given a zero weighting for the purposes of any calculation of the Asset Coverage Test and the Amortisation Test.

Value of the Mortgage Loan Portfolio

The guarantee granted by Covered Bond Guarantor in respect of the Covered Bonds, will, inter alia, be backed by the Covered Bond Guarantor's interest in the Mortgage Loan Portfolio. Since the economic value of the Mortgage Loan Portfolio may increase or decrease, the value of the Covered Bond Guarantor's assets may decrease (for example if there is a general decline in property values). Neither the Issuers, the Guarantor nor the Covered Bond Guarantor makes any representation, warranty or guarantee that the value of a Property will remain at the same level as it was on the date of the origination of the related Mortgage Loan or at any other time. The value of the Mortgage Loan Portfolio may have been significantly reduced by the overall decline in property values experienced by the residential property market in New Zealand and may also be further reduced by any additional decline in such property values. This, ultimately, may result in losses to the Covered Bondholders if such security is required to be enforced.

The Servicing Procedures

Each of the Mortgage Loans in the Mortgage Portfolio originated by the Seller will have been originated in accordance with the Seller's Servicing Procedures applicable at the time of origination. The Seller's Servicing Procedures consider a variety of factors such as a potential Borrower's credit history, employment history and status and repayment ability, as well as the value of the Property to be mortgaged. In the event of the sale of any new Mortgage Loans and the Related Security to the Covered Bond Guarantor, representations and warranties will at such time be given by the Seller to the Covered Bond Guarantor and the Security Trustee that those new Mortgage Loans and the Related Security were originated in accordance with the Seller's Servicing Procedures then applicable at the time of the origination of such new Mortgage Loans. However, the Seller retains the right to revise its Servicing Procedures as determined from time to time.

If any new Mortgage Loans which have been originated under revised Servicing Procedures are then sold to the Covered Bond Guarantor pursuant to the terms of the Mortgage Sale Agreement, the characteristics of the Mortgage Loan Portfolio could at such time change. This could lead to a delay or reduction in the payments received by the Covered Bondholders under the Covered Bond Guarantee.

Seller to initially retain legal title to the Mortgages

Each sale by the Seller to the Covered Bond Guarantor of the benefit of the Mortgage Loans is an absolute assignment of a legal thing in action under section 50 of the Property Law Act 2007 of New Zealand.

This means that all the rights of the Seller in relation to the Mortgage Loans, all the remedies of the Seller in relation to the Mortgage Loans and the power to give a good discharge to the relevant Borrower pass to the Covered Bond Guarantor. It is not necessary for notice to be provided to the relevant Borrower before the rights, remedies and powers in relation to the Mortgage Loans pass to the Covered Bond Guarantor. However, the passing of those rights, remedies and powers is subject to any equities in relation to the Mortgage Loan that arise before the relevant Borrower has actual notice of the assignment. Payment by a Borrower to the Seller of all or part of the debt under a Mortgage Loan before the Borrower receives actual notice of the assignment discharges the liability of the Borrower to the extent of the payment. The registration of a financing statement on the PPSR in relation to the transfer of Mortgage Loans under the Mortgage Sale Agreement does not constitute notice of the assignment to the relevant Borrowers.

The transfer of the Mortgages by the Seller to the Covered Bond Guarantor is an equitable assignment of an existing legal interest in land. The Mortgage Sale Agreement does not, without more, convey or transfer to the Covered Bond Guarantor the legal title to the Mortgages. The transfer of the legal title to the Mortgages over registered land would require the execution of an A&I Form or submission by way of e-dealing to record the Covered Bond Guarantor's legal interest in the Mortgage at LINZ.

The Covered Bond Guarantor will, however, have the right to execute A&I Forms or make a submission by way of e-dealing at LINZ to transfer legal title to the Mortgages to the Covered Bond Guarantor and deliver notifications to relevant Borrowers notifying such Borrowers of the sale of the Mortgage Loans in the Mortgage Loan Portfolio and the Related Security to the Covered Bond Guarantor in the limited circumstances described in "*Overview of the Principal Documents – Mortgage Sale Agreement – Perfection of title to the Mortgage Loans to the Covered Bond Guarantor*" and until such right arises the Covered Bond Guarantor will not give notice of the sale of the Mortgage Loans and the Related Security to any Borrower or register or record its interest in the Mortgages at LINZ or take any other steps to perfect its title to the Mortgages.

At any time during which the Covered Bond Guarantor does not hold legal title to the Mortgages by registration LINZ or submission of e-dealing or has not provided notification to the relevant Borrower, the following risks exist:

- (a) *first*, if the Seller wrongly sells a Mortgage, which has already been sold to the Covered Bond Guarantor, to another person and that person acted in good faith and did not have notice of the interests of the Covered Bond Guarantor in the Mortgage, then such person might obtain good title to the Mortgage Loan and the Related Security, free from the interests of the Covered Bond Guarantor. If this occurred then the Covered Bond Guarantor would not have good title to the affected Mortgage Loan. However, the risk of third party claims obtaining priority to the interests of the Covered Bond Guarantor would be likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or fraud, negligence or mistake on the part of the Seller or the Covered Bond Guarantor or their respective personnel or agents;
- (b) *second*, until notice of the transfer to the Covered Bond Guarantor has been provided to the relevant Borrowers, the rights of the Covered Bond Guarantor may be subject to the rights of the Borrowers against the Seller, as applicable, such as rights of set-off, which occur in relation to transactions

made between Borrowers and the Seller, and the rights of Borrowers to redeem their Mortgages by repaying the Mortgage Loans directly to the Seller; and

- (c) *third*, unless the Covered Bond Guarantor, or the Trust Manager on its behalf, has perfected its title to the Mortgages (which it is only entitled to do in certain limited circumstances), the Covered Bond Guarantor would not be able to enforce any Borrower's obligations under a Mortgage itself but would have to join the Seller as a party to any legal proceedings.

If the risks described in (a), (b) or (c) above were to occur, then the realisable value of the Mortgage Loan Portfolio or any part thereof and/or the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee may be affected.

Where an entity becomes subject to statutory management under either the RBNZ Act or the Corporations (Investigation and Management) Act 1989 of New Zealand (the **CIM Act**), a moratorium will apply, which, among other things, prohibits any sale or transfer of property of an entity in statutory management and any person from acting as the agent of an entity in statutory management without the consent of the statutory manager. However, the RBNZ Act provides that nothing in the moratorium provisions of the RBNZ Act or the CIM Act prevents:

- (a) the transfer of the legal title to assets in a cover pool from the issuer of covered bonds to a covered bond SPV; or
- (b) a covered bond SPV from exercising a power of attorney granted by the issuer of covered bonds in relation to assets in a cover pool.

This means that a statutory management of the Seller will not prevent legal title to the Mortgages being transferred to the Covered Bond Guarantor or the Covered Bond Guarantor from acting as the Seller's attorney under the Seller Power of Attorney for the purposes of transferring the legal title to the Mortgages to the Covered Bond Guarantor.

Limited recourse to the Seller

The Covered Bond Guarantor, the Bond Trustee and the Security Trustee will not undertake any investigations, searches or other actions on any Mortgage Loan or the Related Security and will rely instead on the Representations and Warranties given in the Mortgage Sale Agreement by the Seller in respect of the Mortgage Loans sold by the Seller to the Covered Bond Guarantor.

In the event of a material breach of any of the Representations and Warranties made by the Seller or if any of the Representations and Warranties proves to be materially untrue, in each case in respect of any Mortgage Loan in the Mortgage Loan Portfolio and/or the Related Security as at the Transfer Date of that Mortgage Loan (having regard to, among other things, whether a loss is likely to be incurred in respect of the Mortgage Loan to which the breach relates after taking into account the likelihood of recoverability or otherwise of any sums under any applicable Insurance Policies), and further provided that (a) the Covered Bond Guarantor (with the consent of the Security Trustee) or the Security Trustee has given the Seller not less than 28 days' notice in writing, and (b) such breach or untruth, where capable of remedy, is not remedied to the satisfaction of, or waived by, the Covered Bond Guarantor (with the consent of the Security Trustee) or the Security Trustee within the 28 day period referred to in (a) (or such longer period as may be agreed), then the Covered Bond Guarantor may serve upon the Seller a notice in the form of a Mortgage Loan Repurchase Notice whereupon the Covered Bond Guarantor will be required to sell and the Seller will be required to repurchase the relevant Mortgage Loan and the Related Security, unless the Related Security also secures another Mortgage Loan in the Mortgage Loan Portfolio, together for a repurchase price equal to the Current Principal Balance of the Mortgage Loan plus all Accrued Interest and Arrears of Interest and expenses payable as at the date of completion.

There can be no assurance that the Seller, in the future, will have the financial resources to repurchase from the Covered Bond Guarantor a Mortgage Loan or Mortgage Loans and the Related Security. However, if the Seller does not repurchase those Mortgage Loans and the Related Security which are in material breach of the Representations and Warranties then the Current Principal Balance of those Mortgage Loans will be excluded from the calculation of the Asset Coverage Test. There is no further recourse to the Seller in respect of a material breach of a Representation or Warranty.

General

No assurance can be given that additional regulations, laws or guidance from regulatory authorities in New Zealand will not arise with regard to the mortgage market in New Zealand generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments or compliance costs may have a material adverse effect on the Mortgage Loans, the Seller, the Covered Bond Guarantor, the Guarantor, the Issuers and/or the Servicer and their respective businesses and operations. This may adversely affect the ability of the Covered Bond Guarantor to dispose of the Mortgage Loan Portfolio or any part thereof in a timely manner and/or the realisable value of the Portfolio or any part thereof and accordingly affect the ability of the Covered Bond Guarantor to meet its obligations under the Covered Bond Guarantee when due.

Implementation of and/or changes to the Basel III framework may affect the capital requirements and/or the liquidity associated with a holding of the Covered Bonds for certain investors

In Europe, the U.S. and elsewhere, there is significant focus on fostering greater financial stability through increased regulation of financial institutions, and their corresponding capital and liquidity positions. This has resulted in a number of regulatory initiatives which are currently at various stages of implementation and which may have an impact on the regulatory position for certain investors in covered bond exposures and/or on the incentives for certain investors to hold covered bonds, and may thereby affect the liquidity of such securities. Investors in the Covered Bonds are responsible for analysing their own regulatory position and none of the Issuers, the Guarantor, the Covered Bond Guarantor, the Dealers or the Arranger makes any representation to any prospective investor or purchaser of the Covered Bonds regarding the treatment of their investment on the date of issuance of any Covered Bond or at any time in the future.

In particular, it should be noted that the Basel Committee on Banking Supervision (the **BCBS**) approved significant changes to the Basel regulatory capital and liquidity framework in 2011 (such changes being commonly referred to as **Basel III**). Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "back-stop" for financial institutions and certain minimum liquidity standards (referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio). BCBS member countries agreed to implement the Basel III from 1 January 2013, subject to transitional and phase-in arrangements for certain requirements (e.g. the Liquidity Coverage Ratio requirements refer to implementation from the start of 2015, with full implementation by January 2019, and the Net Stable Funding Ratio requirements refer to implementation from January 2018). As implementation of Basel III requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of covered bonds (e.g. as LCR eligible assets or not), may be subject to some level of national variation and this may affect the liquidity and/or value of the Covered Bonds. It should also be noted that changes to regulatory capital requirements are coming for insurance and reinsurance undertakings through national initiatives, such as the Solvency II framework in Europe.

Prospective investors should therefore consult their own advisors and/or make themselves aware of the requirements described above (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other applicable regulatory requirements with respect to their investment in the Covered Bonds. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

Covered Bonds where denominations involve integral multiples: definitive Covered Bonds

In relation to any issue of Covered Bonds that have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Covered Bonds may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a Covered Bondholder who, as a result of trading such amounts, holds an amount which (after deducting integral multiples of such minimum Specified Denomination) is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Covered Bond in respect of such holding (should definitive Covered Bonds be printed) and would need to purchase a principal amount of Covered Bonds such that its holding amounts to a Specified Denomination. If definitive Covered Bonds are issued, Covered Bondholders should be aware that definitive Covered Bonds that have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Exchange rate risks and exchange controls

The Issuers and the Guarantor (in the case of Covered Bonds issued by BNZ-IF), as the case may be, will pay principal and interest on the Covered Bonds and the Covered Bond Guarantor will make any payments under the Covered Bond Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than the Specified Currency (the **Investor's Currency**). These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Covered Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (3) the Investor's Currency-equivalent market value of the Covered Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the relevant Issuer to make payments in respect of the Covered Bonds. As a result, investors may receive less interest or principal than expected, or no interest or principal.

PRINCIPAL CHARACTERISTICS OF THE PROGRAMME

The following synopsis does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus. For further information, namely regarding the Asset Coverage Test and the Amortisation Test please see "*Overview of the Principal Documents*".

Issuers:	Bank of New Zealand: incorporated as a company under the Companies Act 1993 of New Zealand (the NZ Companies Act) with company number 428849 and having its registered office at Level 4, 80 Queen Street, Auckland 1010, New Zealand. BNZ International Funding Limited, acting through its London Branch: incorporated as a company under the NZ Companies Act with company number 1635202 and having its registered office at Level 4, 80 Queen Street, Auckland 1010, New Zealand, acting through its London Branch at 88 Wood Street, London EC2V 7QQ, United Kingdom.
Guarantor (or BNZ):	Bank of New Zealand: incorporated as a company under the NZ Companies Act with company number 428849 and having its registered office at Level 4, 80 Queen Street, Auckland 1010, New Zealand.
Covered Bond Guarantor:	CBG Trustee Company Limited, a company incorporated in New Zealand with limited liability under registration number 2467131, having its registered office at Level 9, 34 Shortland Street, Auckland 1010, New Zealand, as trustee of the BNZ Covered Bond Trust.
Nature of eligible property:	Residential Mortgage Loans and the Related Security, Substitution Assets, and Authorised Investments.
Location of eligible residential property securing Mortgage Loans:	New Zealand.
Asset Coverage Test:	Yes, see " <i>Credit Structure</i> " on page 194.
Amortisation Test:	Yes, see " <i>Credit Structure</i> " on page 194.
Pre-Maturity Test:	Yes, see " <i>Credit Structure</i> " on page 194.
Reserve Fund:	A Reserve Fund to trap a specified amount of Available Revenue Receipts will be established if BNZ's short term, unsecured, unsubordinated and unguaranteed obligations fall below F1+ by Fitch and P-1 by Moody's.
Maximum Asset Percentage:	97%.
Extendable Maturities:	Available.
Hard Bullet Maturities:	Available.
Asset Monitor:	Ernst & Young.

Asset Segregation from Issuer:	Yes.
Crown Wholesale Guarantee:	No. As described in more detail under “ <i>Description of the Guarantor</i> ”, Covered Bonds issued under the Programme are not guaranteed by NZ Government Guarantor under the NZ Wholesale Guarantee Scheme.
Terms:	As set out in the Final Terms for the relevant Series or Tranche of Covered Bonds.
Listing and admission to trading:	Application has been made to admit Covered Bonds issued under the Programme to the Official List and to admit the Covered Bonds to trading on the Regulated Market of the Luxembourg Stock Exchange. Covered Bonds issued under the Programme may be unlisted or may be listed on such other or further stock exchanges or regulated or unregulated markets, as may be agreed between the relevant Issuer, the Guarantor (if BNZ-IF is the Issuer), the Covered Bond Guarantor, the Bond Trustee and the relevant Dealer(s). Covered Bonds may also be governed by laws other than English law, including the laws of Australia. Any NZ Registered Covered Bonds issued by BNZ may be unlisted. In each case, Covered Bonds will be subject to the provisions of the Programme Documents.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the CSSF shall be incorporated by reference in, and form part of, this Prospectus:

- (a) BNZ's Disclosure Statements for the financial years ended 30 September 2013 and 30 September 2014 and the six months ended 31 March 2015;
- (b) BNZ-IF's Annual Report and Financial Statements for the financial years ended 30 September 2013 and 30 September 2014;
- (c) the statutory documents of BNZ and BNZ-IF;
- (d) Financial Statements of the Trust, as prepared on behalf of the Covered Bond Guarantor, in its capacity as a Trustee of the Trust, for the years ended 30 September 2013 and 30 September 2014;
- (e) the sections entitled "Terms and Conditions of the Covered Bonds" set out in the prospectuses dated 27 August 2014 (on pages 98 to 145 inclusive), 24 April 2013 (on pages 90 to 137 inclusive), 15 November 2011 (on pages 102 to 150 inclusive), 5 November 2010 (on pages 91 to 139 inclusive) and 2 June 2010 (on pages 118 to 169 inclusive) (for the avoidance of doubt, the applicable Final Terms for a Series or Tranche of Covered Bonds will indicate the Terms and Conditions applicable to such Series or Tranche and unless otherwise indicated in the applicable Final Terms, the Terms and Conditions of all Covered Bonds issued after the date hereof shall be those set out in full in this Prospectus. The remaining portions of the prospectuses dated 15 November 2011, 5 November 2010 and 2 June 2010 are not relevant for prospective investors); and
- (f) the sections headed "Summary of Second Supplemental Trust Deed, Supplemental Agency Agreement and Australian Agency Agreement" (on pages 7 to 22 inclusive) and "Terms and Conditions of the Australian Covered Bonds" (on pages 23 to 50 inclusive) (the **Terms and Conditions of the Australian Covered Bonds**) from the fourth supplement dated 12 May 2011 to the prospectus dated 5 November 2010,

save that any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus (i) to the extent that a statement contained herein modifies or supersedes such earlier statement and (ii) to the extent that a later document incorporated by reference herein modifies or supersedes such earlier statement, in each case, whether expressly, by implication or otherwise.

The sections of the documents listed in paragraphs (g) and (h) that are not incorporated by reference in this Prospectus are either no longer relevant for investors in the Covered Bonds or have been superseded by the information in this Prospectus.

Documents that are themselves incorporated by reference in any of the documents incorporated by reference above shall not be incorporated in, or form part of, this Prospectus.

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) 809/2004.

The Issuers will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated

herein by reference unless such documents have been modified or superseded as specified above. Written and oral requests for such documents should be directed to the relevant Issuer at the address set out at the end of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF), from the specified offices of the Paying Agent for the time being in London and Luxembourg, and on the website of the Luxembourg Stock Exchange at *www.bourse.lu*. In addition, for the purposes of the NZ Registered Covered Bonds, such documents will be available from the specified offices of the NZ Registrar for the time being at 159 Hurstmere Road, Takapuna, Auckland 0622, Private Bag 92119, Victoria Street West, Auckland 1142, New Zealand.

Where only parts of a document are being incorporated by reference, the non-incorporated parts of that document are either not relevant for an investor or are covered elsewhere in this Prospectus.

Cross Reference List

	Disclosure Statement to 31 March 2015	Disclosure Statement to 30 September 2014	Disclosure Statement to 30 September 2013
BNZ			
Balance Sheet	Page 5	Page 10	Page 10
Income Statement	Page 3	Page 8	Page 8
Cash Flow Statement	N/A	Pages 11-12	Pages 11-12
Condensed Cash Flow Statement	Page 6	N/A	N/A
Statement of changes in equity	Page 4	Page 9	Page 9
Notes to and forming part of the Financial Statements	Pages 7-38	Pages 13-86	Pages 13-88
Auditor's Report	N/A	Pages 87-88	Pages 89-90
Auditor's Independent Review Report	Pages 39-40	N/A	N/A
	Annual Report and Financial Statements to 30 September 2014	Annual Report and Financial Statements to 30 September 2013	
BNZ-IF			
Balance Sheet	Page 3	Page 3	
Income Statement	Page 1	Page 1	
Cash Flow Statement	Pages 4-5	Pages 4-5	
Statement of changes in equity	Page 2	Page 2	
Notes to and forming part of the Financial Statements	Pages 6-17	Pages 6-18	
Auditor's Report	Appended to Annual Report and Financial Statements	Appended to Annual Report and Financial Statements	
	Financial Statements to 30 September 2014	Financial Statements to 30 September 2013	
BNZ Covered Bond Trust			
Balance Sheet	Page 7	Page 7	
Income Statement	Page 5	Page 5	
Cash Flow Statement	Page 8	Page 8	
Statement of changes in Trust Capital	Page 6	Page 6	
Notes to the Financial Statements	Pages 9-19	Pages 9-18	
Auditor's Report	Appended to Financial Statements	Appended to Financial Statements	

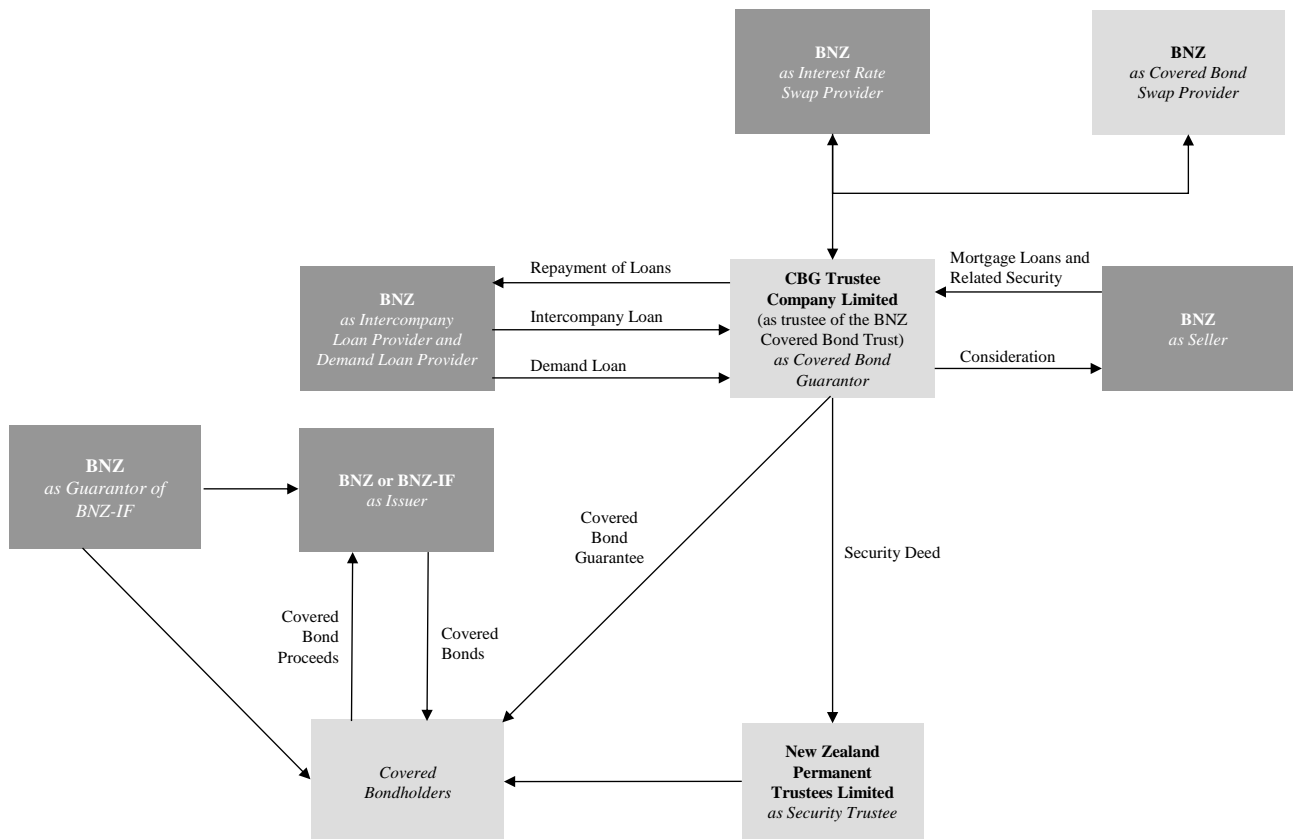
The information incorporated by reference that is not included in the cross-reference list is considered additional information and is not required by relevant schedules of the Prospectus Regulation.

STRUCTURE OVERVIEW

The information in this section is an overview of the structure relating to the Programme and does not purport to be complete. This Structure Overview must be read as an introduction to this Prospectus and any decision to invest in any Covered Bonds should be based on a consideration of this Prospectus as a whole, including the documents incorporated herein by reference. Words and expressions defined elsewhere in this Prospectus shall have the same meanings in this Structure Overview. A glossary of certain defined terms used in this document is contained at the end of this Prospectus on page 233.

The Reserve Bank of New Zealand (Covered Bonds) Amendment Act 2013 came into force on 10 December 2013 and provides that on and from 10 September 2014 covered bonds may only be issued under registered covered bond programmes. The Programme was registered with the RBNZ on 8 August 2014.

Structure Diagram



Structure Overview

Programme: Pursuant to the terms of the Programme, the relevant Issuer will issue Covered Bonds to the Covered Bondholders on the Issue Date. The Covered Bonds will be direct, unsecured, unsubordinated and unconditional obligations of the relevant Issuer.

Intercompany Loan Agreement: Pursuant to the terms of the Intercompany Loan Agreement, BNZ as Intercompany Loan Provider will make a Term Advance to the Covered Bond Guarantor in the same currency as, and in an amount equal to, the Principal Amount Outstanding on the Issue Date of each Series or, as applicable, each Tranche of Covered Bonds, and for a matching term. Payments by the relevant Issuer or the Guarantor (in the case of Covered Bonds issued by BNZ-IF) of amounts due under the Covered Bonds will not be conditional upon receipt by BNZ of payments from the Covered Bond Guarantor pursuant to the Intercompany Loan Agreement. Amounts owed by the Covered Bond Guarantor under the Intercompany Loan Agreement will be subordinated to amounts owed by the Covered Bond Guarantor under the Covered Bond Guarantee in accordance with the applicable Priority of Payments.

Guarantee: Pursuant to the terms of the Bond Trust Deed, the Guarantor has guaranteed payments of interest and principal under the Covered Bonds issued by BNZ-IF and all other amounts payable by BNZ-IF under the Bond Trust Deed. The obligations of the Guarantor under the Guarantee constitute direct, unsecured and unconditional obligations of the Guarantor and rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor from time to time outstanding.

Covered Bond Guarantee: Pursuant to the terms of the Bond Trust Deed, the Covered Bond Guarantor has guaranteed payments of interest and principal under the Covered Bonds issued by the Issuers. The Covered Bond Guarantor has agreed to pay an amount equal to the Guaranteed Amounts when the same shall become Due for Payment but which would otherwise be unpaid by the relevant Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF). The obligations of the Covered Bond Guarantor under the Covered Bond Guarantee constitute direct, unconditional (following service of a Notice to Pay or a Covered Bond Guarantee Acceleration Notice) and unsubordinated obligations of the Covered Bond Guarantor, secured as provided in the Security Deed. The Bond Trustee will be required to serve a Notice to Pay on the Covered Bond Guarantor following the occurrence of an Issuer Event of Default (whereupon the Covered Bonds will become immediately due and payable as against the relevant Issuer (and the Guarantor if BNZ-IF is the Issuer) but not at such time as against the Covered Bond Guarantor).

A Covered Bond Guarantee Acceleration Notice may be served by the Bond Trustee on the Issuers, the Guarantor and the Covered Bond Guarantor following the occurrence of a Covered Bond Guarantor Event of Default. If a Covered Bond Guarantee Acceleration Notice is served, the Covered Bonds will become immediately due and payable (if they have not already become due and payable) and the obligations of the Covered Bond Guarantor under the Covered Bond Guarantee will be accelerated and the Security Trustee will be entitled to enforce the Security. Payments made by the Covered Bond Guarantor under the Covered Bond Guarantee will be made subject to, and in accordance with, the Guarantee Priority of Payments or the Post-Enforcement Priority of Payments, as applicable.

The proceeds of Term Advances: The Covered Bond Guarantor will use the proceeds of the Term Advances received under the Intercompany Loan Agreement from time to time (if not denominated in NZ Dollars, upon exchange into NZ Dollars under the applicable Covered Bond Swap): (i) to fund (in whole or part) the Purchase Price of a New Mortgage Loan Portfolio (consisting of Mortgage Loans and the Related Security originated by the Seller) from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or (ii) to invest in Substitution Assets in an amount not exceeding the prescribed limit (as specified in the Establishment Deed) to the extent required to meet the requirements of the Asset Coverage Test; and thereafter the Covered Bond Guarantor may use such proceeds (subject to complying with the Asset Coverage Test (as described below)): (A) if an existing Series or Tranche or part of an existing Series or Tranche of Covered Bonds is being refinanced (by the issue of a further Series or Tranche of Covered Bonds to which the Term Advance relates) to repay the Term Advance(s) corresponding to the Covered Bonds

being so refinanced (after exchange into the currency of the Term Advance(s) being repaid, if necessary); and/or (B) to make a repayment of the Demand Loan; and/or (C) to make a deposit of all or part of the proceeds into the GIC Account (including, without limitation, to fund the Reserve Fund).

Security: To secure its obligations under the Covered Bond Guarantee and the Programme Documents to which it is a party, the Covered Bond Guarantor will grant security over the Charged Property (which consists of the Covered Bond Guarantor's interest in the Mortgage Loans, the Related Security, the Substitution Assets, the Authorised Investments, the Programme Documents to which it is a party and the Trust Accounts) in favour of the Security Trustee (for itself and on behalf of the other Secured Creditors) pursuant to the Security Deed.

Cashflows:

Pre-Acceleration Revenue Priority of Payments and Pre-Acceleration Principal Priority of Payments

Prior to service of a Notice to Pay and/or service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and/or the realisation of the Security and/or the commencement of winding up proceedings against the Trust, the Covered Bond Guarantor will:

- (a) apply Available Revenue Receipts (i) to pay interest due and payable on the Term Advances and/or (ii) to pay interest due and payable on the Demand Loan. However, these payments will only be made after payment of certain items ranking higher in the Pre-Acceleration Revenue Priority of Payments (including, but not limited to, certain expenses and amounts due to the Swap Providers, and amounts (if any) to be credited to the Reserve Fund; and
- (b) apply Available Principal Receipts towards making repayments of the Demand Loan but only after payment of certain items ranking higher in the Pre-Acceleration Principal Priority of Payments (including, but not limited to, funding any liquidity that may be required in respect of Hard Bullet Covered Bonds following any breach of the Pre-Maturity Test and acquiring New Mortgage Loans and the Related Security offered by the Seller to the Covered Bond Guarantor). In addition, these repayments of the Demand Loan will not be made on a Trust Payment Date if the Demand Loan Provider has given notice to the Covered Bond Guarantor that it does not require the Demand Loan to be repaid on the Trust Payment Date.

Application of monies following service of an Asset Coverage Test Breach Notice

At any time after service on the Covered Bond Guarantor of an Asset Coverage Test Breach Notice (which has not been revoked), but prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice (or, if earlier, the occurrence of a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor, the Issuers and the Guarantor) and/or the commencement of winding up proceedings against the Trust and/or realisation of the Security, all Available Revenue Receipts and all Available Principal Receipts will continue to be applied in accordance with the applicable Priority of Payments save that, whilst any Covered Bonds remain outstanding, no monies will be applied to (i) acquire New Mortgage Loans and the Related Security to ensure compliance with the Asset Coverage Test, (ii) repay the amounts due or to become due and payable to the Intercompany Loan Provider in respect of each Term Advance, (iii) pay the purchase price for New Mortgage Loans and the Related Security sold to the Covered Bond Guarantor in accordance with clause 4.3 of the Mortgage Sale Agreement (see further "*Overview of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of Mortgage Loans and Related Security*"), (iv) reimburse the Seller for funding Further Advances and/or Cash Redraws, (v) repay the principal amount outstanding on the Demand Loan (or to deposit an amount in the GIC Account that would otherwise have been applied in repayment of the Demand Loan), or (vi) pay the subordinated servicing fee payable to the Servicer under the Subordinated Servicing Fee Letter, and the remainder (if any) will be deposited into the GIC Account and applied as Available Revenue Receipts or Available Principal Receipts, as the case may be, on the next succeeding Trust Payment Date.

Application of monies following service of a Notice to Pay

Following service on the Covered Bond Guarantor of a Notice to Pay (but prior to a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor, the Issuers and the Guarantor and/or the realisation of the Security and/or the commencement of winding up proceedings against the Trust) the Covered Bond Guarantor will use all monies (other than Third Party Amounts) to pay Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment, subject to paying certain higher ranking obligations of the Covered Bond Guarantor in the Guarantee Priority of Payments. In such circumstances, the Intercompany Loan Provider, the Demand Loan Provider and the Servicer will only be entitled to receive any remaining income of the Trust after all amounts due under the Covered Bond Guarantee in respect of the Covered Bonds have been paid in full or have otherwise been provided for.

Acceleration of the Covered Bonds

Following the occurrence of a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor, the Issuers and the Guarantor and/or the realisation of the Security and/or the commencement of winding up proceedings against the Covered Bond Guarantor, the Covered Bonds will become immediately due and repayable (if not already due and payable as against the relevant Issuer (and the Guarantor if BNZ-IF is the Issuer) and the Bond Trustee will then have a claim against the Covered Bond Guarantor under the Covered Bond Guarantee for an amount equal to the Early Redemption Amount in respect of each Covered Bond together with accrued interest and any other amounts due under the Covered Bonds (other than additional amounts payable by the relevant Issuer and the Guarantor (if BNZ-IF is the Issuer) under Condition 7 (*Taxation*)) and the Security created by the Covered Bond Guarantor over the Charged Property will become enforceable (if not already realised). Any moneys received or recovered by the Security Trustee following enforcement of the Security created by the Covered Bond Guarantor over the Charged Property will be distributed according to the Post-Enforcement Priority of Payments.

Asset Coverage Test: To protect the value of the Mortgage Loan Portfolio, the Establishment Deed provides that, prior to the service of a Notice to Pay on the Covered Bond Guarantor, the assets of the Covered Bond Guarantor are subject to the Asset Coverage Test. Accordingly, for so long as Covered Bonds remain outstanding, the Covered Bond Guarantor must ensure that on each Calculation Date, the Adjusted Aggregate Mortgage Loan Amount will be in an amount equal to or in excess of the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds from time to time. The Asset Coverage Test will be undertaken by the Calculation Manager on each Calculation Date.

If the Adjusted Aggregate Mortgage Loan Amount is less than the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds on a Calculation Date and also on the next following Calculation Date, the Asset Coverage Test will be breached and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the Covered Bond Guarantor (subject to the Bond Trustee having actual knowledge or express notice of the breach). The Bond Trustee shall be deemed to revoke an Asset Coverage Test Breach Notice if, on the next Calculation Date to occur following the service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is subsequently satisfied and neither a Notice to Pay nor a Covered Bond Guarantee Acceleration Notice has been served. If the Asset Coverage Test Breach Notice is not revoked on the next Calculation Date after service of such Asset Coverage Test Breach Notice an Issuer Event of Default will occur.

Amortisation Test: In addition, on each Calculation Date following service of a Notice to Pay on the Covered Bond Guarantor (but prior to enforcement of the Security in accordance with the Security Deed) and, for so long as Covered Bonds remain outstanding, the Covered Bond Guarantor must ensure that the Amortisation Test Aggregate Mortgage Loan Amount, as calculated on such Calculation Date, will be in an amount at least equal to the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds on such Calculation Date. A breach of the Amortisation Test will constitute a Covered Bond Guarantor Event of Default and the Bond Trustee shall be entitled (and, in certain circumstances, may be

required) to serve a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor, the Issuers and the Guarantor declaring the Covered Bonds immediately due and repayable and the Security Trustee shall be entitled (and, in certain circumstances, may be required) to enforce the Security.

Pre-Maturity Test: Each Series of Hard Bullet Covered Bonds is subject to a Pre-Maturity Test on each Business Day during the Pre-Maturity Test Period prior to the occurrence of an Issuer Event of Default and/or a Covered Bond Guarantor Event of Default. The Pre-Maturity Test is intended to provide liquidity for such Covered Bonds when BNZ's credit ratings fall to a certain level within a specified period prior to the maturity of such Covered Bonds. If the Pre-Maturity Test is breached within such specified period and certain actions are not taken, an Issuer Event of Default will occur.

Reserve Fund: If, on a Calculation Date, BNZ's short-term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least P-1 by Moody's and F1+ by Fitch the Covered Bond Guarantor is required to establish a reserve fund within the GIC Account and to credit, on the next Trust Payment Date, to the Reserve Fund the proceeds of Available Revenue Receipts or the remaining proceeds of a Term Advance up to an amount equal to (a) the higher of the NZ Dollar Equivalent of the interest (i) that will accrue on each Series of Covered Bonds then outstanding from (and including) such Calculation Date to (but excluding) the date falling three months after such Calculation Date, and (ii) due for payment on each Series of Covered Bonds from (and including) such Calculation Date to (but excluding) the date falling three months after such Calculation Date, and (b) an amount equal to one-quarter of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) and (b) of the Pre-Acceleration Revenue Priority of Payments.

Demand Loan Agreement: Pursuant to the Demand Loan Agreement, BNZ as Demand Loan Provider will make a Demand Loan Facility available to the Covered Bond Guarantor. The Covered Bond Guarantor may draw Demand Loan Advances denominated in NZ Dollars from time to time under the Demand Loan Facility. The Demand Loan Facility is a revolving credit facility. Demand Loan Advances may be used by the Covered Bond Guarantor: (i) as partial consideration for the acquisition of Mortgage Loans and the Related Security from the Seller on a Transfer Date; (ii) to prevent or rectify a failure to meet the Asset Coverage Test; (iii) to rectify a breach of the Pre-Maturity Test; or (iv) to rectify an Interest Rate Shortfall. Each Demand Loan Advance will be consolidated to form the Demand Loan. Amounts owed by the Covered Bond Guarantor under the Demand Loan Agreement will be subordinated to amounts owed by the Covered Bond Guarantor under the Covered Bond Guarantee and the Intercompany Loan Agreement in accordance with the applicable Priority of Payments.

Mortgage Sale Agreement: Under the terms of the Mortgage Sale Agreement, the consideration payable to the Seller for the sale of Mortgage Loans and the Related Security originated by the Seller to the Covered Bond Guarantor on any Transfer Date will be a cash payment paid by the Covered Bond Guarantor to the Seller on the applicable Transfer Date (unless the sale is made pursuant to clause 4.3 of the Mortgage Sale Agreement (see further "*Overview of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of Mortgage Loans and Related Security*"), in which case the cash payment will be made on the immediately following Trust Payment Date). The Seller will, subject to the satisfaction of certain conditions be permitted to sell Qualifying Mortgage Loans and the Related Security to the Covered Bond Guarantor from time to time.

Servicing Agreement: In its capacity as Servicer, BNZ has entered into the Servicing Agreement with the Covered Bond Guarantor and the Security Trustee, pursuant to which the Servicer has agreed to provide administrative services in respect of, inter alia, the Mortgage Loans, the Asset Register and the Related Security sold by BNZ (in its capacity as Seller) to the Covered Bond Guarantor.

Dual recourse; Excess Proceeds to be paid to Covered Bond Guarantor: Following the occurrence of an Issuer Event of Default, the Bond Trustee may serve an Issuer Acceleration Notice on the relevant Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) and a Notice to Pay on the Covered Bond Guarantor.

Following service of an Issuer Acceleration Notice and a Notice to Pay, any moneys received by the Bond Trustee from the relevant Issuer or the Guarantor (or any administrator, receiver, receiver and manager, liquidator, statutory manager or other similar official appointed in relation to the relevant Issuer or the Guarantor) will be paid by the Bond Trustee to the Covered Bond Guarantor and shall be used by the Covered Bond Guarantor in the same manner as all other monies available to it from time to time.

Following service of a Notice to Pay on the Covered Bond Guarantor, the Covered Bond Guarantor will, subject to the terms of the Bond Trust Deed, pay or procure to be paid on each Scheduled Payment Date to or to the order of the Bond Trustee (for the benefit of the Covered Bondholders) an amount equal to those Guaranteed Amounts which shall have become Due for Payment, but which have not been paid by the relevant Issuer or the Guarantor (in the case of Covered Bonds issued by BNZ-IF).

Payments by the Covered Bond Guarantor under the Covered Bond Guarantee will be made in accordance with the Guarantee Priority of Payments.

For a more detailed description of the transactions summarised above relating to the Covered Bonds see, amongst other relevant sections of this Prospectus, "*Programme Overview*", "*Risk Factors*", "*Overview of the Principal Documents*", "*Credit Structure*", "*Cashflows*", "*The Mortgage Loan Portfolio*" and "*Terms and Conditions of the Covered Bonds*", below.

GENERAL DESCRIPTION OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms. Words and expressions defined elsewhere in this Prospectus shall have the same meanings in this overview. A glossary of certain defined terms is contained at the end of this Prospectus on page 233.

Issuers:

Bank of New Zealand: incorporated as a company under the NZ Companies Act with company number 428849 and having its registered office at Level 4, 80 Queen Street, Auckland 1010, New Zealand.

BNZ International Funding Limited, acting through its London Branch: incorporated as a company under the NZ Companies Act with company number 1635202 and having its registered office at Level 4, 80 Queen Street, Auckland 1010, New Zealand acting through its London Branch at 88 Wood Street, London EC2V 7QQ, United Kingdom.

Covered Bond Guarantor:

CBG Trustee Company Limited, a company incorporated in New Zealand with limited liability under registration number 2467131, having its registered office at Level 9, 34 Shortland Street, Auckland 1010, New Zealand, as trustee of the BNZ Covered Bond Trust.

The Covered Bond Guarantor's business is to acquire, *inter alia*, Mortgage Loans and the Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement and to guarantee certain payments in respect of the Covered Bonds. The Covered Bond Guarantor will hold the Mortgage Loan Portfolio and the other Charged Property in accordance with the terms of the Programme Documents.

The Covered Bond Guarantor has provided a guarantee covering all Guaranteed Amounts when the same shall become Due for Payment, but only following an Issuer Event of Default and the service on the Covered Bond Guarantor of a Notice to Pay, or if earlier, a Covered Bond Guarantee Acceleration Notice. The obligations of the Covered Bond Guarantor under the Covered Bond Guarantee and the other Programme Documents to which it is a party are secured by the Charged Property from time to time of the Covered Bond Guarantor and recourse against the Covered Bond Guarantor is limited to such Charged Property.

The Guarantor:

Bank of New Zealand: incorporated as a company under the NZ Companies Act with company number 428849 and having its registered office at Level 4, 80 Queen Street, Auckland 1010, New Zealand.

The Guarantor has provided a guarantee covering all moneys payable on the due dates by BNZ-IF under the Bond Trust Deed, the Covered Bonds and the Coupons, following service on the Guarantor of a written demand.

The Trust:	BNZ Covered Bond Trust. The purpose of the Trust is the acquisition, management and sale of amongst other things, Mortgage Loans and the Related Security, the borrowing of moneys to fund the acquisition of such assets, the hedging of risks associated with such assets and such funding, the acquisition, management and sale of Substitution Assets and Authorised Investments, the giving of guarantees, the granting of security and any other business as the Trust Manager shall direct.
The Beneficiaries:	SAVY. SAVY is a charitable trust which aims to instil good financial habits in young adults throughout New Zealand.
Trust Manager:	BNZ Facilities Management Limited with company number 1844086 and having its registered office at Level 4, 80 Queen Street, Auckland 1010, New Zealand (BNZFML). BNZFML is a wholly owned subsidiary of BNZ.
Seller:	The Seller under the Programme is BNZ, which is in the business, <i>inter alia</i> , of originating and acquiring residential mortgage loans and conducting other banking related activities.
Servicer:	Pursuant to the terms of the Servicing Agreement, BNZ has been appointed to service, on behalf of the Covered Bond Guarantor, the Mortgage Loans and Related Security sold to the Covered Bond Guarantor by the Seller.
Calculation Manager:	BNZ has been appointed, <i>inter alia</i> , to do all calculations which are required to determine whether the Mortgage Loan Portfolio is in compliance with the Asset Coverage Test, the Amortisation Test and the Pre-Maturity Test, as the case may be, and providing information to the Asset Monitor.
NZ Registrar and NZ Paying Agent:	Computershare Investor Services Limited having its registered office at Level 2, 159 Hurstmere Road, Takapuna, Auckland, New Zealand has been appointed pursuant to the NZ Registry Agreement as NZ Registrar and NZ Paying Agent.
UK Paying Agent:	Deutsche Bank, London Branch, whose registered office is at Winchester House, 1 Great Winchester Street, London, EC2N 2DB has been appointed pursuant to the Principal Agency Agreement as UK Paying Agent.
Exchange Agent and Transfer Agent:	Deutsche Bank, London Branch, whose registered office is at Winchester House, 1 Great Winchester Street, London, EC2N 2DB has been appointed pursuant to the Principal Agency Agreement as Exchange Agent and Transfer Agent.

**Luxembourg Registrar and
Luxembourg Paying Agent:**

Deutsche Bank Luxembourg S.A., whose registered office is at 2, Boulevard Konrad Adenauer, L-115 Luxembourg has been appointed pursuant to the Principal Agency Agreement as Luxembourg Registrar and Luxembourg Paying Agent.

Australian Agent:

Computershare Investor Services Pty Limited (ABN 48 078 279 277) having its registered office at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067, Australia, has been appointed pursuant to the Principal Agency Agreement as Australian Agent. Australian Covered Bondholders (as defined in the Terms and Conditions of the Australian Covered Bonds) also have the benefit of the Australian Agency Agreement (as defined in the Terms and Conditions of the Australian Covered Bonds).

Bond Trustee:

Deutsche Trustee Company Limited, whose registered office is at Winchester House, 1 Great Winchester Street, London EC2N 2DB has been appointed to act as Bond Trustee on behalf of the Covered Bondholders in respect of the Covered Bonds and holds the benefit of, *inter alia*, the covenant to pay and the Covered Bond Guarantee on behalf of the Covered Bondholders pursuant to the Bond Trust Deed.

Security Trustee:

New Zealand Permanent Trustees Limited whose registered office is at Level 9, 34 Shortland Street, Auckland 1010, New Zealand has been appointed to act as Security Trustee to hold the benefit of the Security granted by the Covered Bond Guarantor to the Security Trustee (for the Secured Creditors) pursuant to the Security Deed.

Asset Monitor:

Ernst & Young having its registered office at Ernst & Young Building, 2 Takutai Square, Britomart Auckland 1010, New Zealand has been appointed as Asset Monitor pursuant to the Asset Monitor Agreement as an independent monitor to perform tests in respect of the Asset Coverage Test or Amortisation Test, as applicable, and assess compliance with the Servicer's obligations in relation to the Asset Register on the Calculation Date prior to each anniversary of the Programme Date.

Covered Bond Swap Providers:

Each swap provider which agrees to act as Covered Bond Swap Provider to the Covered Bond Guarantor to hedge certain interest rate, currency and/or other risks in respect of amounts received by the Covered Bond Guarantor under the Mortgage Loans and the Interest Rate Swaps and amounts payable by the Covered Bond Guarantor under the Intercompany Loan Agreement (prior to the service of a Notice to Pay) and under the Covered Bond Guarantee in respect of the Covered Bonds (after service of a Notice to Pay) by entering into one or more Covered Bond Swaps with the Covered Bond Guarantor and the Security Trustee under a Covered Bond Swap Agreement in respect of each relevant Series or Tranche of Covered Bonds (where applicable).

Interest Rate Swap Provider:

BNZ (in its capacity as the Interest Rate Swap Provider) has agreed to act as a swap provider to the Covered Bond Guarantor to hedge possible variances between the rates of interest payable on the Mortgage Loans in the Mortgage Loan Portfolio, the Substitution

Assets, Authorised Investments and certain other amounts deposited into the GIC Account and the interest basis payable by the Covered Bond Guarantor under the Covered Bond Swaps and the Demand Loan, by entering into the Interest Rate Swaps with the Covered Bond Guarantor and the Security Trustee under the Interest Rate Swap Agreement.

Account Bank:	BNZ has been appointed the initial Account Bank to the Covered Bond Guarantor pursuant to the terms of the Account Bank Agreement.
Programme Description:	Global Covered Bond Programme.
Arranger:	Barclays Bank PLC.
Dealer:	Barclays Bank PLC and any other Dealer appointed from time to time in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Covered Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see the section of this Prospectus entitled " <i>Subscription and Sale and Transfer and Selling Restrictions</i> " below).
Programme Size:	Up to NZ\$7,000,000,000 (or its equivalent in other currencies determined as described in the Programme Agreement) outstanding at any time as described herein. The Issuers may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Covered Bonds may be distributed under the Programme by way of private or public placement and in each case on a syndicated or non-syndicated basis, subject to the restrictions set forth in the section of this Prospectus entitled " <i>Subscription and Sale and Transfer and Selling Restrictions</i> " below.
Specified Currencies:	Subject to any applicable legal or regulatory restrictions, such currency or currencies as may be agreed from time to time by the relevant Issuer, the relevant Dealer(s), the Principal Paying Agent and the Bond Trustee (as set out in the applicable Final Terms).
Maturities:	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.
Issue Price:	Covered Bonds may be issued at par or at a premium or discount to par on a fully-paid basis or partly-paid basis, as set out in the relevant Final Terms.
Form of Covered Bonds:	The Covered Bonds will be issued in bearer or registered form as

described in the section of this Prospectus entitled "*Form of the Covered Bonds*" below. Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds and *vice versa*. Australian Covered Bonds will be issued in registered form, as described in the section of this Prospectus entitled "*Form of the Covered Bonds*" below.

Covered Bonds may be Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Zero Coupon Covered Bonds, or a combination of any of the foregoing, depending on the applicable Final Terms, and subject, in each case, to confirmation from the Rating Agencies that the then current ratings of any outstanding Series of Covered Bonds will not be adversely affected by the issuance of such Covered Bonds.

Fixed Rate Covered Bonds:

Fixed Rate Covered Bonds will bear interest at a fixed rate which will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Floating Rate Covered Bonds:

Floating Rate Covered Bonds will bear interest at a rate determined:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer(s),

in each case as set out in the applicable Final Terms.

The Margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer(s) for each issue of Floating Rate Covered Bonds as set out in the applicable Final Terms.

Other provisions in relation to Floating Rate Covered Bonds:

Floating Rate Covered Bonds may also have a maximum interest rate, a minimum interest rate or both (as indicated in the applicable Final Terms). Interest on Floating Rate Covered Bonds in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer(s), as set out in the relevant Final Terms.

Zero Coupon Covered Bonds:

Zero Coupon Covered Bonds may be offered and sold at a discount to their nominal amount and will not bear interest except in the case of late payment unless otherwise specified in the applicable Final Terms.

Rating Affirmation Notice:

The issuance of each Series of Covered Bonds shall be subject to confirmation by each of the Rating Agencies that the then current ratings for any outstanding Covered Bonds will not be adversely affected by the issuance of such types of Covered Bonds. For more information on Rating Agency confirmations in respect of the Programme see the section of this Prospectus entitled "*Risk Factors – Rating Affirmation Notice in respect of Covered Bonds*" above.

Redemption:

The applicable Final Terms for a Series of Covered Bonds will indicate either that the relevant Covered Bonds of such Series cannot be redeemed prior to their stated maturity (other than for taxation reasons or if it becomes unlawful for any Term Advance or the Demand Loan to remain outstanding or following an Issuer Event of Default or a Covered Bond Guarantor Event of Default) or that such Covered Bonds will be redeemable at the option of the relevant Issuer upon giving notice to the Covered Bondholders, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Extendable obligations under the Covered Bond Guarantee:

If an Extended Due for Payment Date is set out in the Final Terms for a Series of Covered Bonds and (a) the relevant Issuer (or the Guarantor if BNZ-IF is the Issuer) fails to pay, in full, the Final Redemption Amount for such Covered Bonds on the Final Maturity Date for such Covered Bonds (or by the end of the applicable grace period) and (b) following the service of a Notice to Pay on the Covered Bond Guarantor by no later than the date falling one Business Day prior to the Extension Determination Date, it fails to pay, in full, the Guaranteed Amount equal to the unpaid portion of such Final Redemption Amount by no later than the Extension Determination Date for such Covered Bonds in accordance with the terms of the Covered Bond Guarantee (for example because, following the service of a Notice to Pay on the Covered Bond Guarantor, there are insufficient moneys available to it to pay, in accordance with the Guarantee Priority of Payments, such Guaranteed Amounts in full), then the obligation of the Covered Bond Guarantor to pay the unpaid portion of such Guaranteed Amount, or any part thereof will be deferred (and a Covered Bond Guarantor Event of Default shall not occur as a result of such failure) until the first Interest Payment Date thereafter on which sufficient moneys are available (after providing for liabilities ranking in priority thereto or *pari passu* therewith subject to and in accordance with the Guarantee Priority of Payments) to fund the payment of such unpaid portion, or any part thereof, provided that such payment shall not be deferred beyond the Extended Due for Payment Date when the unpaid portion of such Guaranteed Amount (together with accrued interest) shall be due and payable. Interest will accrue on any such unpaid portion during such extended period and will be due and payable on each Interest Payment Date up to, and including, the Extended Due for Payment Date in accordance with Condition 4 (*Interest*) of the Conditions.

Hard Bullet Covered Bonds:

Hard Bullet Covered Bonds may be offered and will be subject to a

Pre-Maturity Test. The intention of the Pre-Maturity Test is to provide liquidity for the Hard Bullet Covered Bonds if the Issuer's (in the case of Covered Bonds issued by BNZ) or the Guarantor's (in the case of Covered Bonds issued by BNZ-IF) credit ratings have fallen below a certain level.

Denomination of Covered Bonds: Covered Bonds will be issued in denominations of €100,000 or such other denominations as may be agreed between the relevant Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms provided that the minimum denomination of each Covered Bond will be €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, at least the equivalent amount in such currency) or such other higher amount as may be required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and, in the case of NZ Registered Covered Bonds offered in New Zealand, the minimum subscription amount in respect of an issue or transfer is NZ\$500,000 (disregarding any amount lent by the offeror, the relevant Issuer or any associated person of the offeror or Issuer) (or, if the NZ Registered Covered Bonds are denominated in a currency other than NZ Dollars, at least the equivalent amount in such currency).

Taxation: All payments in respect of the Covered Bonds will be made without deduction or withholding for or on account of any taxes imposed by the United Kingdom or New Zealand, subject as provided in Condition 7 (*Taxation*). If any such deduction or withholding is made by the relevant Issuer (and the Guarantor if BNZ-IF is the Issuer), (i) in the case of Covered Bonds issued by BNZ-IF and save in the limited circumstances provided in Condition 7 (*Taxation*), the Issuer or the Guarantor (as the case may be) will pay additional amounts in respect of the amounts so deducted or withheld and (ii) in the case of Covered Bonds issued by BNZ no additional amount will be required to be paid. If any payments made by the Covered Bond Guarantor under the Covered Bond Guarantee are or become subject to any such withholding or deduction, the Covered Bond Guarantor will not be obliged to pay any additional amount as a consequence under Condition 7 (*Taxation*).

Cross Default: If an Issuer Acceleration Notice is served in respect of any Series of Covered Bonds, then the Covered Bonds of all Series outstanding will be accelerated against the Issuers.

If a Covered Bond Guarantee-Acceleration Notice is served in respect of any Series of Covered Bonds, then the obligation of the Covered Bond Guarantor to pay Guaranteed Amounts in respect of all Series of Covered Bonds outstanding will be accelerated.

Status of the Covered Bonds: The Covered Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and will rank *pari passu* without any preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the relevant Issuer, from time to time outstanding.

Status of the Guarantee:

Only Covered Bonds issued by BNZ-IF will be guaranteed by the Guarantor under the Guarantee. The Guarantee will constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and will rank (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor from time to time outstanding. The Guarantee is unsecured.

Covered Bond Guarantee:

Payment of Guaranteed Amounts in respect of the Covered Bonds when Due for Payment will be irrevocably guaranteed by the Covered Bond Guarantor under the Covered Bond Guarantee. The Covered Bond Guarantor will be under no obligation to make payment in respect of the Guaranteed Amounts when Due for Payment unless (a) an Issuer Event of Default has occurred, and a Notice to Pay is served on the Covered Bond Guarantor or, (b) a Covered Bond Guarantor Event of Default has occurred and a Covered Bond Guarantee Acceleration Notice is served on the Covered Bond Guarantor, the Issuers and the Guarantor. The obligations of the Covered Bond Guarantor under the Covered Bond Guarantee will accelerate against the Covered Bond Guarantor and the Guaranteed Amounts will become immediately due and payable upon the service of a Covered Bond Guarantee Acceleration Notice. The obligations of the Covered Bond Guarantor under the Covered Bond Guarantee constitute direct obligations of the Covered Bond Guarantor secured against the assets from time to time of the Covered Bond Guarantor and recourse against the Covered Bond Guarantor is limited to such assets.

Ratings:

Covered Bonds to be issued under the Programme have the ratings specified in the applicable Final Terms on issuance. Whether or not each credit rating applied for in relation to a relevant Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms.

Moody's and Fitch are not established in the European Union and have not applied for registration under the CRA Regulation. However, their credit ratings are endorsed on an ongoing basis by Moody's Investors Service Ltd and Fitch Ratings Limited, respectively, pursuant to and in accordance with the CRA Regulation. Moody's Investors Service Ltd and Fitch Ratings Limited are established in the European Union and registered under the CRA Regulation. As such Moody's Investors Service Ltd and Fitch Ratings Limited are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. The European Securities and Markets Authority has indicated that ratings issued in Australia which have been endorsed by Moody's Investors Service Ltd and Fitch Ratings Limited may be used in the EU by the relevant market participants.

Please also refer to "*Ratings of the Covered Bonds*" in the "*Risk Factors*" section of this Prospectus.

Ratings are not a recommendation or suggestion, directly or

indirectly, to any investor or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. The Rating Agencies are not advisors, and nor do the Rating Agencies provide investors or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services.

Listing and admission to trading:

Application has been made to admit Covered Bonds issued under the Programme to the Official List and to admit the Covered Bonds to trading on the Regulated Market of the Luxembourg Stock Exchange. Covered Bonds issued under the Programme may be unlisted or, in the event that the relevant Issuer and the Guarantor (if BNZ-IF is the Issuer) is unable to maintain listing and/or trading having used all reasonable endeavours or if the maintenance of such listing and/or trading becomes in the opinion of the Issuer and the Guarantor (if BNZ-IF is the Issuer) unduly onerous on the Issuer and the Guarantor (if BNZ-IF is the Issuer), the Issuer and the Guarantor (if BNZ-IF is the Issuer) may procure the listing, trading and/or quotation of the Covered Bonds on some listing authority, stock exchange and/or quotation system acceptable to the Bond Trustee. The Final Terms relating to each Series or Tranche of the Covered Bonds will state whether or not the Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or markets.

Governing Law:

The Covered Bonds, the Bond Trust Deed, the Interest Rate Swap Agreement, each Covered Bond Swap Agreement, the Principal Agency Agreement and the Programme Agreement are governed by, and will be construed in accordance with, English law.

The Establishment Deed, the Mortgage Sale Agreement, the Servicing Agreement, the Intercompany Loan Agreement, the Demand Loan Agreement, the Management Agreement, the Security Deed, the Definitions Schedule, the Asset Monitor Agreement, the Account Bank Agreement and the NZ Registry Agreement are governed by, and will be construed in accordance with, New Zealand law.

The Australian Covered Bonds, the Australian Deed Poll and the Australian Agency Agreement are governed by, and will be construed in accordance with, the law in force in New South Wales, Australia.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of any Tranche of Covered Bonds. See the section of this Prospectus entitled "*Subscription and Sale and Transfer and Selling Restrictions*" below.

Risk Factors:

There are certain risks related to any issue of Covered Bonds under the Programme, which investors should ensure they fully understand. Principal risks inherent in investing in the Covered Bonds under the Programme are set out in the section of this Prospectus entitled "*Risk Factors*" from page 10 of this Prospectus.

FORM OF THE COVERED BONDS

The Covered Bonds of each Series will be in either bearer form, with or without interest coupons and/or talons attached, or registered form, without interest coupons and/or talons attached. Bearer Covered Bonds will be issued outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act (**Regulation S**) and Registered Covered Bonds may be issued both outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S and within the United States or to, or for the account of or benefit of, U.S. persons in reliance on Rule 144A or otherwise in private transactions that are exempt from the registration requirements under the Securities Act.

Bearer Covered Bonds

Each Tranche of Bearer Covered Bonds will be initially issued in the form of a temporary global covered bond without interest coupons attached (a **Temporary Global Covered Bond**) or, if so specified in the applicable Final Terms, a permanent global covered bond without interest coupons attached (a **Permanent Global Covered Bond** and, together with the Temporary Global Covered Bonds, the **Bearer Global Covered Bonds** and each a **Bearer Global Covered Bond**) which, in either case, will:

- (a) if the Bearer Global Covered Bonds are intended to be issued in new global covered bond (**NGCB**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**); and
- (b) if the Bearer Global Covered Bonds are not intended to be issued in NGCB form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream Luxembourg.

Whilst any Bearer Covered Bond is represented by a Temporary Global Covered Bond, payments of principal, interest (if any) and any other amount payable in respect of the Bearer Covered Bonds due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Covered Bond if the Temporary Global Covered Bond is not intended to be issued in NGCB form) only to the extent that certification to the effect that the beneficial owners of interests in such Bearer Covered Bond are not U.S. persons for U.S. federal income tax purposes or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Covered Bond is issued, interests in such Temporary Global Covered Bond will be exchangeable (free of charge) upon a request as described therein either for: (i) interests in a Permanent Global Covered Bond of the same Series; or (ii) for Bearer Definitive Covered Bonds of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of Bearer Definitive Covered Bonds, to such notice period as is specified in the applicable Final Terms), in each case against certification of non-US beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Covered Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Covered Bond for an interest in a Permanent Global Covered Bond or for Bearer Definitive Covered Bonds is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Covered Bond will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Covered Bond if the Permanent Global Covered Bond is not intended to be issued in NGCB form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Bearer Definitive Covered Bonds with, where applicable, interest coupons and talons attached upon either: (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) to the Principal Paying Agent as described therein; or (ii) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that: (i) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bearer Covered Bonds represented by the Permanent Global Covered Bond in definitive form. The Issuer will promptly give notice to the Covered Bondholders of each Series of Bearer Global Covered Bonds in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) or the Bond Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Bearer Global Covered Bonds and Bearer Definitive Covered Bonds will be issued pursuant to the Agency Agreement.

Bearer Global Bonds and Bearer Definitive Covered Bonds will bear the restrictive legend described under "*Subscription and Sale and Transfer and Selling Restrictions*".

The following legend will appear on all Bearer Global Covered Bonds and Bearer Definitive Covered Bonds which have an original maturity of more than one year and on all interest coupons relating to such Bearer Covered Bonds:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Covered Bonds or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Bearer Covered Bonds or interest coupons.

Covered Bonds which are represented by a Bearer Global Covered Bond will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Covered Bonds

The Registered Covered Bonds of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global covered bond in registered form (a **Regulation S Global Covered Bond**). Prior to expiry of the Distribution Compliance Period (as defined in Regulation S) applicable to each Tranche of Covered Bonds, beneficial interests in a Regulation S Global Covered Bond may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg, and such Regulation S Global Covered Bond will bear a legend regarding such restrictions on transfer.

The Registered Covered Bonds of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions exempt from registration under the Securities Act to **qualified institutional buyers** within the meaning of Rule 144A under the Securities Act (**QIBs**). The Registered Covered Bonds of each Tranche sold to QIBs will be represented by a global covered bond in registered form (a **Rule 144A Global Covered Bond** and, together with a Regulation S Global Covered Bond, the **Registered Global Covered Bonds**).

Registered Global Covered Bonds will either: (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg; or (ii) be deposited with a common depository or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, or in the name of a nominee of the common safekeeper as specified in the applicable Final Terms. In the case of a Regulation S Global Covered Bond registered in the name of a nominee of DTC, prior to the end of the distribution compliance period (as defined in Regulation S) applicable to the Covered Bonds represented by such Regulation S Global Covered Bond, interests in such Regulation S Global Covered Bond may only be held through the accounts of Euroclear and Clearstream, Luxembourg.

Persons holding beneficial interests in Registered Global Covered Bonds will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Covered Bonds in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Covered Bonds will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 5(d)) as the registered holder of the Registered Global Covered Bonds. None of the Issuer, the Guarantor, the Covered Bond Guarantor, the Bond Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Covered Bonds in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 5(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Registered Definitive Covered Bonds without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that: (i) in the case of Covered Bonds registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Covered Bonds and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act; (ii) in the case of Covered Bonds registered in the name of a nominee for a common depository or in the name of a nominee of the common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Covered Bonds represented by the Registered Global Covered Bond in definitive form. The Issuer will promptly give notice to the Covered Bondholders of each Series of Registered Global Covered Bonds in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any registered holder of an interest in such Registered Global Covered Bond) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Definitive Rule 144A Covered Bonds will be issued only in minimum denominations of U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency).

Transfer of Interests

Interests in a Registered Global Covered Bond may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Covered Bond. No beneficial owner of an interest in a Registered Global Covered Bond will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Registered Covered Bonds are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "*Subscription and Sale and Transfer and Selling Restrictions*".

Australian Covered Bonds

The Australian Covered Bonds are issued in registered form and are reflected by an entry in the Australian Register (as defined in the Terms and Conditions of the Australian Covered Bonds) maintained by the Australian Agent.

Entry of the name of the person in the Australian Register in respect of an Australian Covered Bond constitutes the obtaining or passing of title and is conclusive evidence that the person so entered is the registered holder of the Australian Covered Bonds. Australian Covered Bonds which are held in Austraclear will be registered in the name of Austraclear Limited ABN 94 002 060 773. No certificate or other evidence of title will be issued to holders of the Australian Covered Bonds unless the Issuer determines that certificates should be available or it is required to do so pursuant to any applicable law or regulation.

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Covered Bonds*"), the Principal Paying Agent shall arrange that, where a further Tranche of Covered Bonds is issued which is intended to form a single Series with an existing Tranche of Covered Bonds, the Covered Bonds of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Covered Bonds of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period applicable to the Covered Bonds of such Tranche.

Any reference herein to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Bond Trustee.

No Covered Bondholder or Couponholder shall be entitled to proceed directly against the Issuer, the Guarantor or the Covered Bond Guarantor unless the Bond Trustee or, as the case may be, the Security Trustee, having become so bound to proceed, fails to do so within a reasonable period and the failure shall be continuing.

The Issuers (or either of them) may agree with any Dealer that Covered Bonds may be issued in a form not contemplated by the Terms and Conditions of the Covered Bonds, in which case (if the Covered Bonds are intended to be listed) a new Prospectus will be made available which will describe the effect of the agreement reached in relation to such Covered Bonds.

Eurosystem eligibility

The relevant Issuer will notify the ICSDs and the Paying Agents upon issue whether the Covered Bonds are

intended, or are not intended, to be held in a manner which would allow Eurosystem eligibility and deposited with one of the ICSDs as common safekeeper (and in the case of registered Covered Bonds, registered in the name of a nominee of one of the ICSDs acting as common safekeeper). Where the Covered Bonds are not intended to be deposited with one of the ICSDs as common safekeeper upon issuance, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting such criteria, the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper. Where the Covered Bonds are so deposited with one of the ICSDs as common safekeeper (and in the case of registered Covered Bonds, registered in the name of a nominee of one of the ICSDs acting as a common safekeeper) upon issuance or otherwise, this does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at issuance or at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

**FORM OF FINAL TERMS IN RESPECT OF COVERED BONDS TO BE ISSUED UNDER THE
PROGRAMME BY BNZ-IF WITH A MINIMUM DENOMINATION OF AT LEAST EUR 100,000
(OR ITS EQUIVALENT IN ANOTHER CURRENCY)**

[Date]

BNZ International Funding Limited, acting through its London Branch (the Issuer)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]

guaranteed by the Covered Bond Guarantor

and guaranteed by Bank of New Zealand

under the NZ \$7,000,000,000

BNZ Covered Bond Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the **Conditions**) set forth in the prospectus dated 14 September 2015 [and the supplement to the prospectus dated [●]] ([together,] the **Prospectus**), which constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (as amended) (the **Prospectus Directive**). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuer, the Guarantor and the Covered Bond Guarantor and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Prospectus. Pursuant to Article 14(2) of the Prospectus Directive, the Offering Circular is available, free of charge, at the registered office of the Issuer and on the website of the Luxembourg Stock Exchange (www.bourse.lu) and copies may be obtained, free of charge, from the registered office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London, EC2N 2DB.]

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the **Conditions**) set forth in the prospectus dated [27 August 2014][24 April 2013][15 November 2011][5 November 2010][2 June 2010] which are incorporated by reference in the prospectus dated 14 September 2015. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of Directive 2003/71/EC (as amended) (the **Prospectus Directive**) and must be read in conjunction with the prospectus dated 14 September 2015 [and the supplement[s] to the prospectus dated [●][and [●]]] which [together] constitute[s] a base prospectus (the **Prospectus**) for the purposes of the Prospectus Directive, including the Conditions incorporated by reference in the Prospectus. Full information on the Issuer, the Guarantor and the Covered Bond Guarantor and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Prospectus. Pursuant to Article 14(2) of the Prospectus Directive, copies of such Prospectus are available, free of charge, at the registered office of the Issuer and on the website of the Luxembourg Stock Exchange (www.bourse.lu) and copies may be obtained, free of charge, from the registered office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London, EC2N 2DB.]

1. (a) Series Number: [●]
- (b) Tranche Number: [●]

- (c) Series with which Covered Bonds will be consolidated and form a single Series: [●]/[Not Applicable]
- (d) Date on which the Covered Bonds will be consolidated and form a single Series with the Series specified above: [●]/[Issue Date]/[Not Applicable]
2. Specified Currency or Currencies: [●]
3. Nominal Amount of Covered Bonds to be issued: [●]
4. Aggregate Nominal Amount of Covered Bonds admitted to trading:
- (a) Series: [●]
- (b) Tranche: [●]
5. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6. (a) Specified Denominations: [●]/[[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Covered Bonds in definitive form will be issued with a denomination above [€199,000].]
- (b) Calculation Amount: [●]
7. (a) Issue Date: [●]
- (b) Interest Commencement Date: [●]/[Issue Date]/[Not Applicable]
8. Final Maturity Date: [●]/[Interest Payment Date falling in or nearest to [●]]
9. Extended Due for Payment Date: [●]/Interest Payment Date falling in or nearest to [●]/[Not Applicable]
- [If an Extended Due for Payment Date is specified and the Final Redemption Amount is not paid in full on the Final Maturity Date, payment of the unpaid amount will be automatically deferred until the Extended Due for Payment Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Final Maturity Date may be paid by the Issuer on any Interest Payment Date occurring thereafter up to (and including) the relevant Extended Due for Payment Date. See Condition [6(a)].]
10. Interest Basis: [[●] per cent. per annum Fixed Rate]
[[LIBOR/EURIBOR/BBSW/BKBM/HIBOR/BA-CDOR/SIBOR/NIBOR] +/- [●] per cent. per annum

Floating Rate]/
[Zero Coupon]

(further particulars specified below)

11. Change of Interest Basis: [Not Applicable]/[from, and including the Final Maturity Date to, but excluding the Extended Due for Payment Date the following Interest Provisions apply: [●]]
12. Put/Call Options: [Investor Put][and][Issuer Call]/[Not Applicable]
13. Date Board approval for issuance of Covered Bonds and Guarantee obtained: [] [and []], respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Covered Bond Provisions: [Applicable/Not Applicable]
- (a) Rate(s) of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
- (b) Interest Payment Date(s): [●] in each year from (and including) [●] up to and (including) the [Final Maturity Date]/[Extended Due for Payment Date, if applicable], subject to adjustment in accordance with the Business Day Convention set out below
- (c) Fixed Coupon Amount(s): [●] per Calculation Amount
- (d) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]/[Not Applicable]
- (e) Day Count Fraction: [30/360]
[Actual/Actual (ICMA)]
[RBA Bond Basis/Australian Bond Basis]
[Actual/Actual (ISDA)][Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30E/360] [Eurobond Basis]
[30E/360 (ISDA)]
[NZ Government Bond Basis]
- (f) Business Day Convention: [Floating Rate Convention]/
[Following Business Day Convention]/
[Modified Following Business Day Convention]/
[Preceding Business Day Convention]
- Interest Amounts Non-Adjusted: [Applicable/Not Applicable]
- (g) Additional Business Centres: [●]
- (h) Determination Date(s): [●] in each year / [Not Applicable]

- 15. Floating Rate Covered Bond Provisions:** [Applicable/Not Applicable]
- (a) Specified Period(s)/Specified Interest Payment Dates: [●] in each year from (and including) [●] up to (and including) the [Final Maturity Date]/[Extended Due for Payment Date, if applicable,] subject to adjustment in accordance with the Business Day Convention set out below
 - (b) Business Day Convention: [Floating Rate Convention]/
[Following Business Day Convention]/
[Modified Following Business Day Convention]/
[Preceding Business Day Convention]
 - (c) Additional Business Centre(s): [●]
 - (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
 - (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [●]
 - (f) Screen Rate Determination: [Applicable]/[Not Applicable]
 - Reference Rate and relevant financial centre: Reference Rate: [●] month
[LIBOR/EURIBOR/BBSW/BKBM/HIBOR/BA-CDOR/SIBOR/NIBOR]

Relevant financial centre:
[London]/[Brussels]/[Stockholm]/[Hong Kong]/[Toronto]/[Oslo]/
[New York]/[Singapore]/[Tokyo]/[Sydney]/
[Auckland and Wellington]
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
 - (g) ISDA Determination: [Applicable]/[Not Applicable]
 - Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [Condition 4(b)(ii) applies]/[●]
 - (h) Margin(s): [+/-] [●] per cent. per annum
 - (i) Minimum Rate of Interest: [●] per cent. per annum
 - (j) Maximum Rate of Interest: [●] per cent. per annum

- (k) Day Count Fraction: [30/360]
 [Actual/Actual (ICMA)]
 [Actual/Actual (ISDA)] [Actual/Actual]
 [Actual/365 (Fixed)]
 [Actual/365 (Sterling)]
 [Actual/360]
 [30E/360] [Eurobond Basis]
 [30E/360 (ISDA)]
- (l) Interest Amounts Non-Adjusted: [Applicable]/[Not Applicable]
- 16.** Zero Coupon Covered Bond Provisions: [Applicable]/[Not Applicable]
- (a) Accrual Yield: [●] per cent. per annum
- (b) Reference Price: [●]
- (c) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 6(f) and 6(i) apply]/ [●]

PROVISIONS RELATING TO REDEMPTION

- 17.** Issuer Call: [Applicable]/[Not Applicable]
- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount: [●] per Calculation Amount
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [●]
- (ii) Maximum Redemption Amount: [●]
- 18.** Investor Put: [Applicable]/[Not Applicable]
- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- 19.** Final Redemption Amount: [[●] per Calculation Amount/]
- 20.** Early Redemption Amount payable on redemption for taxation reasons or illegality of the Intercompany Loan Agreement or the Demand Loan Agreement or on event of default [●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

- 21. (a) Form of Covered Bonds:** [Bearer Covered Bonds:
- [Temporary Bearer Global Covered Bond exchangeable for a Permanent Bearer Global Covered Bond which is exchangeable for Definitive Covered Bonds [on 60 days' notice given at any time/only upon an Exchange Event]. The Covered Bonds shall not be physically delivered in Belgium, except to a clearing system, a depositary or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]
- [Temporary Bearer Global Covered Bond exchangeable for Definitive Covered Bonds on and after the Exchange Date. The Covered Bonds shall not be physically delivered in Belgium, except to a clearing system, a depositary or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]
- [Permanent Bearer Global Covered Bond exchangeable for Definitive Covered Bonds [on 60 days' notice given at any time/only upon an Exchange Event]. The Covered Bonds shall not be physically delivered in Belgium, except to a clearing system, a depositary or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]]
- [Registered Covered Bonds:
- Regulation S Global Covered Bond (U.S.\$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]/Rule 144A Global Covered Bond (U.S.\$[●] nominal amount) registered in the name of a nominee for [DTC/ a common depositary for Euroclear and Clearstream, Luxembourg]]]
- (b) New Global Covered Bond: [Yes][No]
- (c) Global Covered Bond held under the New Safekeeping Structure: [Yes][No]
- 22. Additional Financial Centre(s):** [●]/[Not Applicable]
- 23. Talons for future Coupons to be attached to Definitive Bearer Covered Bonds:** [Yes, as the Covered Bonds have more than 27 coupon payments, Talons may be required if on exchange into definitive form more than 27 coupon payments are still to be made]/[No.]
- 24. Redenomination applicable:** [Not Applicable]/[The provisions in Condition 5(h)

apply]

Signed on behalf of BNZ International Funding Limited, acting through its London Branch: Signed on behalf of Bank of New Zealand:

By:

Duly authorised

By:

Duly authorised

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: [Application [is expected to be]/[has been] made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading [on the Regulated Market of the Luxembourg Stock Exchange]/[on the SIX Swiss Stock Exchange [(in accordance with the Standard of Bonds of the SIX Swiss Stock Exchange)]] with effect from [●].][Application is expected to be made by the Issuer (or on its behalf) for the Covered Bonds to be listed on the official list of the [Luxembourg Stock Exchange][*other*]] with effect from [].]/ [Not Applicable.]
- (ii) Estimate of total expenses [●]
related to admission to trading:

2. RATINGS

Ratings: The Covered Bonds to be issued [have been][are expected to be] rated:

[Fitch: []]
[Moody's: []]
[The ratings issued by the Rating Agencies have been endorsed by Moody's Investors Service Limited and Fitch Ratings Limited.]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged and may in the future engage in investment banking and/or commercial banking transactions with and may perform other services for the Issuer and/or the Guarantor and/or it or their affiliates in the ordinary course of business.

4. OPERATIONAL INFORMATION

- (i) ISIN Code: [●]
- (ii) Common Code: [●]
- (iii) CUSIP Code: [●]
- (iv) CINS Code: [●]
- (v) Any clearing system(s) other than [●]/[Not Applicable]
Euroclear and Clearstream,
Luxembourg and DTC and
the relevant identification
number(s):

- (vi) Name(s) and address(es) of initial Paying Agent(s): [●]
- (vii) Name(s) and address(es) of additional Paying Agent(s) (if any): [●]
- (viii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as a common safekeeper)] *[include this text for Registered Covered Bonds]* and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]
- [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] *[include this text for Registered Covered Bonds]*. Note that this does not necessarily mean that the Covered Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]] *[include this text if "no" selected]*

5. DISTRIBUTION

U.S. Selling Restrictions: [[Reg. S Compliance Category [1/2/3]]; [TEFRA D/TEFRA C/TEFRA not applicable]]

6. YIELD (Fixed Rate Covered Bonds only)

Indication of yield: [●]

**FORM OF FINAL TERMS IN RESPECT OF COVERED BONDS TO BE ISSUED UNDER THE
PROGRAMME BY BNZ WITH A MINIMUM DENOMINATION OF AT LEAST EUR 100,000 (OR
ITS EQUIVALENT IN ANOTHER CURRENCY)**

[Date]

Bank of New Zealand (the Issuer)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]

guaranteed by the Covered Bond Guarantor

under the NZ \$7,000,000,000

BNZ Covered Bond Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the **Conditions**) set forth in the prospectus dated 14 September 2015 [and the supplement to the prospectus dated [●]] ([together,] the **Prospectus**), which constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (as amended) (the **Prospectus Directive**). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuer and the Covered Bond Guarantor and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Prospectus. Pursuant to Article 14(2) of the Prospectus Directive, the Offering Circular is available, free of charge, at the registered office of the Issuer and on the website of the Luxembourg Stock Exchange (www.bourse.lu) and copies may be obtained, free of charge, from the registered office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London, EC2N 2DB.]/

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the **Conditions**) set forth in the prospectus dated [27 August 2014][24 April 2013][15 November 2011][5 November 2010][2 June 2010] which are incorporated by reference in the prospectus dated 14 September 2015. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of Directive 2003/71/EC (as amended) (the **Prospectus Directive**) and must be read in conjunction with the prospectus dated 14 September 2015 [and the supplement[s] to the prospectus dated [●]][and [●]]] which [together] constitute[s] a base prospectus (the **Prospectus**) for the purposes of the Prospectus Directive, including the Conditions incorporated by reference in the Prospectus. Full information on the Issuer and the Covered Bond Guarantor and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Prospectus. Pursuant to Article 14(2) of the Prospectus Directive, copies of such Prospectus are available, free of charge, at the registered office of the Issuer and on the website of the Luxembourg Stock Exchange (www.bourse.lu) and copies may be obtained, free of charge, from the registered office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London, EC2N 2DB.]

1. (a) Series Number: [●]
- (b) Tranche Number: [●]
- (c) Series with which Covered Bonds will be consolidated and form a single Series: [●]/[Not Applicable]

- (d) Date on which the Covered Bonds will be consolidated and form a single Series with the Series specified above: [●]/[Issue Date]/[Not Applicable]
2. Specified Currency or Currencies: [●]
3. Nominal amount of Covered Bonds to be issued: [●]
4. Aggregate Nominal Amount of Covered Bonds admitted to trading:
- (a) Series: [●]
- (b) Tranche: [●]
5. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6. (a) Specified Denominations: [●]/[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Covered Bonds in definitive form will be issued with a denomination above [€199,000].]
- (b) Calculation Amount: [●]
7. (a) Issue Date: [●]
- (b) Interest Commencement Date: [●]/[Issue Date]/[Not Applicable]
8. Final Maturity Date: [●]/[Interest Payment Date falling in or nearest to [●]]
9. Extended Due for Payment Date: [●]/Interest Payment Date falling in or nearest to [●]/[Not Applicable]
- [If an Extended Due for Payment Date is specified and the Final Redemption Amount is not paid in full on the Final Maturity Date, payment of the unpaid amount will be automatically deferred until the Extended Due for Payment Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Final Maturity Date may be paid by the Issuer on any Interest Payment Date occurring thereafter up to (and including) the relevant Extended Due for Payment Date. See Condition [6(a)].]
10. Interest Basis: [●] per cent. per annum Fixed Rate]
 [[LIBOR/EURIBOR/BBSW/BKBM/HIBOR/BA-CDOR/SIBOR/NIBOR] + [] per cent. per annum Floating Rate]
 [Zero Coupon]

(further particulars specified below)

11. Change of Interest Basis: [Not Applicable]/[From, and including the Final Maturity Date to, but excluding the Extended Due for Payment Date the following Interest Provisions apply: [●]]
12. Put/Call Options: [Investor Put] [and] [Issuer Call]/
[Not Applicable]
13. Date Board approval for issuance of Covered Bonds and Guarantee obtained: [●] [and [●], respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Covered Bond Provisions: [Applicable/Not Applicable]
- (a) Rate(s) of Interest: [●] per cent. per annum [payable annually/semi-annually/quarterly] in arrear]
- (b) Interest Payment Date(s): [●] in each year from (and including) [●] up to and (including) the [Final Maturity Date]/[Extended Due for Payment Date, if applicable], subject to adjustment in accordance with the Business Day Convention set out below
- (c) Fixed Coupon Amount(s): [●] per Calculation Amount
- (d) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]/[Not Applicable]
- (e) Day Count Fraction: [30/360]
[Actual/Actual (ICMA)]
[RBA Bond Basis/Australian Bond Basis]
[Actual/Actual (ISDA)] [Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30E/360] [Eurobond Basis]
[30E/360 (ISDA)]
[NZ Government Bond Basis]
- (f) Business Day Convention: [Floating Rate Convention]/
[Following Business Day Convention]/
[Modified Following Business Day Convention]/
[Preceding Business Day Convention]
- Interest Amounts Non-Adjusted: [Applicable/Not Applicable]
- (g) Additional Business Centres: [●]
- (h) Determination Date(s): [●]/[Not Applicable]
15. Floating Rate Covered Bond Provisions: [Applicable/Not Applicable]

- (a) Specified Period(s)/Specified Interest Payment Dates: [●] in each year from (and including) [●] up to (and including) the Final Maturity Date subject to adjustment in accordance with the Business Day Convention set out below
- (b) Business Day Convention: [Floating Rate Convention]/
[Following Business Day Convention]/
[Modified Following Business Day Convention]/
[Preceding Business Day Convention]
- (c) Additional Business Centre(s): [●]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [●]
- (f) Screen Rate Determination: [Applicable]/[Not Applicable]
- Reference Rate and relevant financial centre: Reference Rate: [●] month [LIBOR]
[LIBOR/EURIBOR/BBSW/BKBM/HIBOR/BA-CDOR/SIBOR/NIBOR]

Relevant financial centre:
[London]/[Brussels]/[Stockholm]/[Hong Kong]/[Toronto]/[Oslo]/
[New York]/[Singapore]/[Tokyo]/[Sydney]/
[Auckland and Wellington]
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
- (g) ISDA Determination: [Applicable]/[Not Applicable]
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [Condition 4(b)(ii) applies]/[●]
- (h) Margin(s): [+/-] [●] per cent. per annum
- (i) Minimum Rate of Interest: [●] per cent. per annum
- (j) Maximum Rate of Interest: [●] per cent. per annum
- (k) Day Count Fraction: [30/360]
[Actual/Actual (ICMA)]
[Actual/Actual (ISDA)] [Actual/Actual]

[Actual/365 (Fixed)]
 [Actual/365 (Sterling)]
 [Actual/360]
 [30E/360] [Eurobond Basis]
 [30E/360 (ISDA)]

(l) Interest Amounts Non-Adjusted: [Applicable]/[Not Applicable]

16. Zero Coupon Covered Bond Provisions: [Applicable/Not Applicable]

(a) Accrual Yield: [●] per cent. per annum

(b) Reference Price: [●]

(c) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 6(f) and 6(i) apply]/[●]

PROVISIONS RELATING TO REDEMPTION

17. Issuer Call: [Applicable]/[Not Applicable]

(a) Optional Redemption Date(s): [●]

(b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [●] per Calculation Amount

(c) If redeemable in part:

(i) Minimum Redemption Amount: [●]

(ii) Maximum Redemption Amount: [●]

18. Investor Put: [Applicable]/[Not Applicable]

(a) Optional Redemption Date(s): [●]

(b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[●] per Calculation Amount/specify other/see Appendix]

19. Final Redemption Amount: [●] per Calculation Amount

20. Early Redemption Amount payable on redemption for taxation reasons or illegality of the Intercompany Loan Agreement or the Demand Loan Agreement or on event of default: [●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

21. Any applicable Tax Jurisdiction: [●]/[Not applicable]

22. (a) Form of Covered Bonds:

[Registered Covered Bonds:

Registered Global Covered Bond (NZ\$[●] nominal amount) registered in the name of a nominee for the depository for NZClear exchangeable for Definitive Registered Covered Bonds only upon an Exchange Event]

23. Additional Financial Centre(s) or other special provisions relating to Payment Days: [●]/[Not Applicable]

24. Talons for future Coupons to be attached to Definitive Bearer Covered Bonds: [Yes, as the Covered Bonds have more than 27 coupon payments, Talons may be required if on exchange into definitive form more than 27 coupon payments are still to be made]/[No]

25. Redenomination applicable: [Not Applicable]/[The provisions in Condition 5(h) apply]

Signed on behalf of Bank of New Zealand:

By:

Duly authorised

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: [Application [is expected to be]/[has been] made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading [on the Regulated Market of the Luxembourg Stock Exchange]/[on the SIX Swiss Stock Exchange [(in accordance with the Standard of Bonds of the SIX Swiss Stock Exchange)]] with effect from [●].][Application is expected to be made by the Issuer (or on its behalf) for the Covered Bonds to be listed on the official list of the [Luxembourg Stock Exchange][other]] with effect from [].] / [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: [●]

2. RATINGS

- Ratings: The Covered Bonds to be issued [have been][are expected to be] rated:
- [Fitch: [●]]
[Moody's: [●]]
[The ratings issued by the Rating Agencies have been endorsed by Moody's Investors Service Limited and Fitch Ratings Limited.]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged and may in the future engage in investment banking and/or commercial banking transactions with and may perform other services for the Issuer and/or the Guarantor and/or it or their affiliates in the ordinary course of business.

4. OPERATIONAL INFORMATION

- (i) ISIN Code: [●.]
- (ii) Common Code: [●]
- (iii) CUSIP Code: [●]
- (iv) CINS Code: [●]
- (v) Any clearing system(s) other than NZClear and the relevant identification number(s): [●]/[Not Applicable]
- (vi) Name(s) and address(es) of initial [●]

Paying Agent(s):

(vii) Name(s) and address(es) of ☐ additional Paying Agent(s) (if any):

5. YIELD (*Fixed Rate Covered Bonds only*)

Indication of yield: ☐

6. DISTRIBUTION

U.S. Selling Restrictions: [[Reg. S Compliance Category [1/2/3]]; [TEFRA D/TEFRA C/TEFRA not applicable]]

TERMS AND CONDITIONS OF THE COVERED BONDS

The following are the Terms and Conditions of the Covered Bonds which will be incorporated by reference into each Global Covered Bond (as defined below) and each Definitive Covered Bond, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the relevant Issuer and the relevant Dealer(s) at the time of issue but, if not so permitted and agreed, such Definitive Covered Bond will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Covered Bond and Definitive Covered Bond.

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by Bank of New Zealand (**BNZ** and an **Issuer** and, in its capacity as guarantor of Covered Bonds issued by BNZ-IF (as defined below), the **Guarantor**) or BNZ International Funding Limited, acting through its London Branch (**BNZ-IF** and an **Issuer** and together with BNZ, the **Issuers** and references in these Terms and Conditions to the Issuer shall mean the Issuer named as such in the applicable Final Terms) constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the **Bond Trust Deed**) dated 2 June 2010 (the **Programme Date**) made between the Issuers, the Guarantor, CBG Trustee Company Limited as covered bond guarantor (the **Covered Bond Guarantor**) and Deutsche Trustee Company Limited as bond trustee (in such capacity, the **Bond Trustee**, which expression shall include any successor as Bond Trustee).

Save as provided for in Conditions 9 (Events of Default and Enforcement) and 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution), references herein to the **Covered Bonds** shall be references to the Covered Bonds of this Series and shall mean:

- (i) in relation to any Covered Bonds represented by a global covered bond (a **Global Covered Bond**), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Covered Bond;
- (iii) any Definitive Covered Bonds in bearer form (**Bearer Definitive Covered Bonds**) issued in exchange for a Global Covered Bond in bearer form; and
- (iv) any Definitive Covered Bonds in registered form (**Registered Definitive Covered Bonds**) (whether or not issued in exchange for a Global Covered Bond in registered form).

The Covered Bonds and the Coupons (as defined below) have the benefit of a principal agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time the **Principal Agency Agreement**) dated the Programme Date and made between the Issuers, the Covered Bond Guarantor, the Guarantor, the Bond Trustee and Deutsche Bank, London Branch as issuing and UK paying agent and agent bank (in such capacity, the **UK Paying Agent**, which expression shall include any successor UK paying agent) and Deutsche Bank Luxembourg S.A. as Luxembourg paying agent (in such capacity, the **Luxembourg Paying Agent**, which expression shall include any successor Luxembourg Paying Agent) (together with the UK Paying Agent and the NZ Paying Agent (as defined below), the **Paying Agents**, which expression shall include any additional or successor paying agents), Deutsche Bank, London Branch as UK exchange agent (in such capacity, the **UK Exchange Agent**, which expression shall include any additional or successor exchange agent) and as UK transfer agent (in such capacity, a **UK Transfer Agent**), Deutsche Bank, Luxembourg, S.A. as Luxembourg registrar (in such capacity, the **Luxembourg Registrar**, which expression shall include any successor registrar and together with the UK Transfer Agent, the **UK Transfer Agents**, which expression shall include any additional or successor transfer agents).

NZ Registered Covered Bonds (and related Coupons) also have the benefit of a NZ registry and agency agreement (such registry and agency agreement as amended and/or supplemented and/or restated from time to time, the **NZ Registry Agreement** and, together with the Principal Agency Agreement, the **Agency Agreements**) dated the Programme Date and made between BNZ as Issuer, the Covered Bond Guarantor,

the Security Trustee, the Trust Manager and Computershare Investor Services Limited as NZ registrar (the **NZ Registrar**). Prior to service of a Notice to Pay, BNZ (and any successor paying agent appointed in respect of the Trust) shall act as NZ paying agent (in respect of NZ Registered Covered Bonds recorded in NZClear) and following service of a Notice to Pay, the NZ Registrar shall act as NZ Paying Agent (in respect of NZ Registered Covered Bonds) (**NZ Paying Agent**).

As used herein, **Agents** shall mean each Paying Agent and each Exchange Agent, each Transfer Agent and each Registrar, **Principal Paying Agent** shall mean, in relation to a Tranche or Series of Covered Bonds, the UK Paying Agent or, in the case of NZ Registered Covered Bonds, the NZ Paying Agent, or such other paying agent as the Final Terms for that Tranche or Series may specify, **Registrar** shall mean, in relation to a Tranche or Series of Covered Bonds (other than NZ Registered Covered Bonds), the Luxembourg Registrar or, in the case of NZ Registered Covered Bonds, the NZ Registrar, or such other registrar as the Final Terms for that Tranche or Series may specify, **Transfer Agent** shall mean, in relation to a Tranche or Series of Covered Bonds, the UK Transfer Agent or such other transfer agent as the Final Terms for that Tranche or Series may specify and **Exchange Agent** shall mean, in relation to a Tranche or Series of Covered Bonds, the UK Exchange Agent or such other exchange agent as the Final Terms for that Tranche or Series may specify.

Interest-bearing Bearer Definitive Covered Bonds have interest coupons (**Coupons**) and, in the case of Covered Bonds which when issued in definitive form have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Covered Bonds (which include Registered Global Covered Bonds and/or Registered Definitive Covered Bonds as the case may be) and Global Covered Bonds do not have Coupons or Talons attached on issue.

The final terms for this Covered Bond (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Covered Bond and complete these terms and conditions (the **Conditions**). References to the "**applicable Final Terms**" are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Covered Bond.

The Bond Trustee acts as trustee for the holders for the time being of the Covered Bonds (the **Covered Bondholders**, which expression shall, in relation to any Covered Bonds represented by a Global Covered Bond, be construed as provided below) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), and for holders of each other Series of Covered Bonds in accordance with the provisions of the Bond Trust Deed.

As used herein, **Tranche** means Covered Bonds which are identical in all respects (including as to listing or admission to trading) and **Series** means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are: (i) expressed to be consolidated and form a single series; and (ii) identical in all respects (including as to listing or admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Guarantor has (in respect of Covered Bonds issued by BNZ-IF), in the Bond Trust Deed, unconditionally guaranteed the due and punctual payment of all amounts (including default interest) due from BNZ-IF under or in respect of such Covered Bonds and the Bond Trust Deed, as and when the same shall become due and payable.

The Covered Bond Guarantor has, in the Bond Trust Deed, irrevocably and unconditionally guaranteed the due and punctual payment of Guaranteed Amounts in respect of the Covered Bonds as and when the same shall become due for payment on certain dates in accordance with the Bond Trust Deed (**Due for Payment**), but only after service of a Notice to Pay on the Covered Bond Guarantor following an Issuer Event of Default and service by the Bond Trustee of an Issuer Acceleration Notice on the relevant Issuer and the Guarantor or the occurrence of Covered Bond Guarantor Event of Default and service by the Bond Trustee of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor.

The security for the obligations of the Covered Bond Guarantor under the Covered Bond Guarantee and the other Programme Documents to which it is a party has been created in and pursuant to, and on the terms set out in, a security agreement governed by New Zealand law (such security as amended and/or supplemented and/or restated from time to time, the **Security Deed**) dated the Programme Date and made between the Covered Bond Guarantor, the Issuers, the Guarantor, the Bond Trustee, New Zealand Permanent Trustees Limited (the **Security Trustee**) and certain other Secured Creditors.

These Conditions include summaries of, and are subject to, the provisions of the Bond Trust Deed, the Security Deed and the Agency Agreements (as applicable).

Copies of the Bond Trust Deed, the Security Deed, the Definitions Schedule (as defined below), the Agency Agreements and each of the other Programme Documents are available for inspection free of charge during normal business hours at the registered office for the time being of the Bond Trustee being at the Programme Date at Winchester House, 1 Great Winchester Street, London EC2N 2DB and at the specified office of each of the UK Paying Agent and the NZ Paying Agent. Copies of the applicable Final Terms for all Covered Bonds of each Series (including in relation to unlisted Covered Bonds of any Series) are obtainable during normal business hours at the specified office of the UK Paying Agent and any Covered Bondholder must produce evidence satisfactory to the relevant Issuer and the Bond Trustee or, as the case may be, the relevant Paying Agent as to its holding of Covered Bonds and identity. The Covered Bondholders and the Couponholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Bond Trust Deed, the Security Deed, the BNZ Covered Bond Trust Definitions Schedule, the relevant Agency Agreements, each of the other Programme Documents and the applicable Final Terms which are applicable to them and to have notice of each set of Final Terms relating to each other Series.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Conditions shall bear the meanings given to them in the Bond Trust Deed, the applicable Final Terms and/or the BNZ covered bond trust definitions schedule made between the parties to the Programme Documents on the Programme Date (the **Definitions Schedule**) (as the same may be amended and/or supplemented and/or restated from time to time), a copy of each of which may be obtained as described above. In the event of inconsistency between the Bond Trust Deed and the Definitions Schedule, the Bond Trust Deed will prevail and in the event of inconsistency between the Bond Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

1. Form, Denomination and Title

The Covered Bonds are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of Definitive Covered Bonds (being Bearer Definitive Covered Bond(s) and/or, as the context may require, Registered Definitive Covered Bond(s)), serially numbered, in the Specified Currency and the Specified Denomination(s). Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination and Bearer Covered Bonds may not be exchanged for Registered Covered Bonds and vice versa.

This Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond, a Zero Coupon Covered Bond or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms, and subject, in each case, to confirmation from the Rating Agencies that the then current ratings of any outstanding Series of Covered Bonds will not be adversely affected by the issuance of this Covered Bond.

Bearer Definitive Covered Bonds are issued with Coupons attached, unless they are Zero Coupon Covered Bonds in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Covered Bonds and Coupons will pass by delivery and title to the Registered Covered Bonds will pass upon registration of transfers in accordance with the

provisions of the relevant Agency Agreement. The Issuers, the Guarantor, the Covered Bond Guarantor, the Paying Agents, the Security Trustee and the Bond Trustee will (except as otherwise required by law) deem and treat the bearer of any Bearer Covered Bond or Coupon and the registered holder of any Registered Covered Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Covered Bond, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Covered Bonds is represented by a Global Covered Bond held on behalf of, or, as the case may be, registered in the name of a common depository (in the case of a CGCB) or common safekeeper (in the case of a NGCB) for Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) or The Depository Trust Company (**DTC**) or registered in the name of New Zealand Central Securities Depository Limited (**NZCSD**) as depository of the NZClear System maintained by the Reserve Bank of New Zealand in accordance with the NZClear Regulations (**NZClear**) (in the case of NZ Registered Covered Bonds) each person (other than Euroclear or Clearstream, Luxembourg DTC or NZClear) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg, DTC or NZClear as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg, DTC or NZClear as to the nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error and any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including, without limitation, Euroclear's EUCLID or Clearstream's Cedcom system) in accordance with its usual procedures and in which the holder of a particular nominal amount of the Covered Bonds is clearly identified with the amount of such holding) shall be treated by the Issuer, the Guarantor (in the case of Covered Bonds issued by BNZ-IF), the Covered Bond Guarantor, the Paying Agents, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Covered Bonds, and, in the case of DTC or its nominee, voting, giving consents and making requests, for which purpose the bearer of the relevant Global Covered Bond or the registered holder of the relevant Registered Global Covered Bond shall be treated by the Issuer, the Guarantor (in the case of Covered Bonds issued by BNZ-IF), the Covered Bond Guarantor, any Paying Agent, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond and the expression **Covered Bondholder** and related expressions shall be construed accordingly.

Covered Bonds which are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, or NZClear as the case may be.

References to DTC, NZClear, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits (but not in the case of any NGCB), be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

2. Transfers of Registered Covered Bonds

(a) *Transfers of interests in Registered Global Covered Bonds*

Transfers of beneficial interests in Rule 144A Global Covered Bonds (as defined below) and Regulation S Global Covered Bonds (as defined below) (together, the **Registered Global Covered Bonds**) will be effected by DTC, NZClear, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Covered Bond will, subject to compliance with all applicable legal

and regulatory restrictions, be exchangeable for Covered Bonds in definitive form or for a beneficial interest in another Registered Global Covered Bond only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, NZClear, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the relevant Agency Agreement. Transfers of a Registered Global Covered Bond registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Covered Bond, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

(b) *Transfers of Registered Covered Bonds in definitive form*

Subject as provided in Conditions 2(e), 2(f) and 2(g), upon the terms and subject to the conditions set forth in the relevant Agency Agreement, a Registered Covered Bond in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer: (i) the holder or holders must: (A) surrender the Registered Covered Bond for registration of the transfer of the Registered Covered Bond (or the relevant part of the Registered Covered Bond) at the specified office of the relevant Registrar or the relevant Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and (B) complete and deposit such other certifications as may be required by the relevant Registrar or, as the case may be, the relevant Transfer Agent; and (ii) the relevant Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the relevant Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 5 to the Principal Agency Agreement). Subject as provided above, the relevant Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Covered Bond in definitive form of a like aggregate nominal amount to the Registered Covered Bond (or the relevant part of the Registered Covered Bond) transferred. In the case of the transfer of part only of a Registered Covered Bond in definitive form, a new Registered Covered Bond in definitive form in respect of the balance of the Registered Covered Bond not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the address specified by the transferor.

(c) *Registration of transfer upon partial redemption*

In the event of a partial redemption of Covered Bonds under Condition 6, the Issuer shall not be required to register the transfer of any Registered Covered Bond, or part of a Registered Covered Bond, called for partial redemption.

(d) *Costs of registration*

Covered Bondholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) *Transfers of interests in Regulation S Global Covered Bonds*

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Covered Bond to a transferee in the United States or

who is a U.S. person will only be made upon receipt by the Registrar of a written certification substantially in the form set out in the Principal Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of the Luxembourg Registrar or any UK Transfer Agent, from the transferor of the Covered Bond or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the circumstances set out in this Condition 2(e), such transferee may take delivery through a Legended Covered Bond in global or definitive form. Prior to the end of the applicable Distribution Compliance Period beneficial interests in Regulation S Global Covered Bonds registered in the name of a nominee for DTC may only be held through the accounts of Euroclear and Clearstream, Luxembourg. After expiry of the applicable Distribution Compliance Period: (i) beneficial interests in Regulation S Global Covered Bonds registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC or indirectly through a participant in DTC; and (ii) such certification requirements will no longer apply to such transfers.

(f) *Transfers of interests in Legended Covered Bonds*

Transfers of Legended Covered Bonds or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Covered Bond, upon receipt by the Luxembourg Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, in the case of a Regulation S Global Covered Bond registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Covered Bonds being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (ii) to a transferee who takes delivery of such interest through a Legended Covered Bond where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Legended Covered Bonds, or upon specific request for removal of the Legend therein, the Luxembourg Registrar shall deliver only Legended Covered Bonds or refuse to remove the Legend therein, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) *Exchanges and transfers of Registered Covered Bonds generally*

Holders of Registered Covered Bonds in definitive form may exchange such Covered Bonds for interests in a Registered Global Covered Bond of the same type at any time.

(h) *Definitions*

In the Conditions, the following expressions shall have the following meanings:

CGCB means a Temporary Global Covered Bond or a Permanent Global Covered Bond, in either case in respect of which the applicable Final Terms specify that it is not a NGCB;

Distribution Compliance Period means the period that ends 40 days after the later of the commencement of the offering and the Issue Date;

Legended Covered Bonds means Registered Covered Bonds (whether in definitive form or represented by a Registered Global Covered Bond) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

NGCB means a Temporary Global Covered Bond or a Permanent Global Covered Bond, in either case in respect of which the applicable Final Terms specify that it is a new global covered bond;

QIB means a "qualified institutional buyer" within the meaning of Rule 144A;

Regulation S means Regulation S under the Securities Act;

Regulation S Global Covered Bond means a Registered Global Covered Bond representing Covered Bonds sold outside the United States in reliance on Regulation S;

Rule 144A means Rule 144A under the Securities Act;

Rule 144A Global Covered Bond means a Registered Global Covered Bond representing Covered Bonds sold in the United States to QIBs in reliance on Rule 144A; and

Securities Act means the United States Securities Act of 1933, as amended.

3. Status of the Covered Bonds and the Covered Bond Guarantee

(a) Status of the Covered Bonds

The Covered Bonds and any relative Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference or priority among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (other than any obligation preferred by mandatory provisions of applicable law).

(b) Status of the Guarantee

The due and punctual payment of principal and interest in respect of the Covered Bonds issued by BNZ-IF and all other monies (including default interest) payable by BNZ-IF under or pursuant to the Bond Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor pursuant to a guarantee (the **Guarantee**) as set out in the Bond Trust Deed. The obligations of the Guarantor under the Guarantee constitute its direct, unconditional, unsubordinated and unsecured obligations and rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Guarantor, other than any obligations preferred by mandatory provisions of applicable law.

(c) Status of the Covered Bond Guarantee

The payment of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment has been unconditionally and irrevocably guaranteed by the Covered Bond Guarantor (the **Covered Bond Guarantee**) as set out in the Bond Trust Deed. However, the

Covered Bond Guarantor shall have no obligation under the Covered Bond Guarantee to pay any Guaranteed Amounts until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuers and the Guarantor of an Issuer Acceleration Notice and service by the Bond Trustee on the Covered Bond Guarantor of a Notice to Pay or, if earlier, following the occurrence of a Covered Bond Guarantor Event of Default and service by the Bond Trustee of a Covered Bond Guarantee Acceleration Notice. The obligations of the Covered Bond Guarantor under the Covered Bond Guarantee are (following an Issuer Event of Default, service of an Issuer Acceleration Notice and service of a Notice to Pay or a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice), direct, unconditional (subject as provided in Condition 17 (*Limited Recourse, Covered Bond Guarantee and non-petition*)) and unsubordinated obligations of the Covered Bond Guarantor, which are secured as provided in the Security Deed.

Any payment made by the Covered Bond Guarantor under the Covered Bond Guarantee shall (unless such obligation shall have been discharged as a result of the payment of Excess Proceeds to the Bond Trustee pursuant to Condition 9) discharge *pro tanto* the obligations of the relevant Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) in respect of such payment under the Covered Bonds and Coupons and the Guarantee except where such payment has been declared void, voidable or otherwise recoverable in whole or in part and recovered from the Bond Trustee or the Covered Bondholders.

4. Interest

(a) *Interest on Fixed Rate Covered Bonds*

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the **Interest Commencement Date** at the rate(s) per annum equal to the Rate(s) of Interest payable, subject as provided in these Conditions, in arrear on the Interest Payment Date(s) in each year up to (and including) the Final Maturity Date. If a Notice to Pay is served on the Covered Bond Guarantor, the Covered Bond Guarantor shall pay Guaranteed Amounts in equivalent amounts to those described in the preceding sentence under the Covered Bond Guarantee in respect of the Covered Bonds on the Original Due for Payment Dates or, if applicable, the Extended Due for Payment Date.

If the Covered Bonds are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the fixed coupon amount specified in the Final Terms (the **Fixed Coupon Amount**). Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the broken amount specified in the relevant Final Terms (the **Broken Amount**) so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Covered Bonds in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (i) in the case of Fixed Rate Covered Bonds which are represented by a Global Covered Bond, the aggregate outstanding nominal amount of the Fixed Rate Covered Bonds represented by such Global Covered Bond; or
- (ii) in the case of Fixed Rate Covered Bonds in definitive form, the Calculation Amount;

and in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Covered Bond in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Covered Bond shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

- (i) if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:
 - (A) in the case of Covered Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (B) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (ii) if **30/360** is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and
- (iii) if **NZ Government Bond Basis** is specified in the applicable Final Terms:
 - (A) for amounts paid and/or calculated in respect of Interest Payment Dates, one divided by the number of Interest Payment Dates in a year; and
 - (B) for amounts paid and/or calculated in respect of dates other than Interest Payment Dates, **Actual/Actual (ICMA)**.

In these Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or

the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

Original Due for Payment Date means, in respect of the payment of Guaranteed Amounts, prior to the occurrence of a Covered Bond Guarantor Event of Default and following the delivery of a Notice to Pay on the Covered Bond Guarantor, the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, or, if later, the day which is two Business Days following service of a Notice to Pay on the Covered Bond Guarantor in respect of such Guaranteed Amounts, or if the applicable Final Terms specify that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, the Scheduled Payment Date that would have applied if the Final Maturity Date of such Series of Covered Bonds had been the Extended Due for Payment Date.

Principal Amount Outstanding means in respect of a Covered Bond on any day the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant Covered Bondholder in respect thereof on or prior to that day.

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, euro 0.01.

(b) Interest on Floating Rate Covered Bonds

(i) Interest Payment Dates

Each Floating Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (1) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (2) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, the expression **Interest Period** shall mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (3) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(2) above, the **Floating Rate Convention**, such Interest Payment Date: (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis*; or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the

month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

- (4) the **Following Business Day Convention**, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (5) the **Modified Following Business Day Convention**, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (6) the **Preceding Business Day Convention**, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means a day which is:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Auckland and Wellington and, if the Covered Bonds are not NZ Registered Covered Bonds, in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively or (2) in relation to any Covered Bonds denominated or payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto (the **TARGET2 System**) is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Covered Bonds will be determined in the manner specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Covered Bonds

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the relevant Principal Paying Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the relevant Principal Paying Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the **ISDA Definitions**) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;

- (2) the Designated Maturity is the period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either: (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (**LIBOR**), the Euro-zone inter-bank offered rate (**EURIBOR**), the Hong Kong inter-bank offered rate (**HIBOR**), the Toronto inter-bank offered rate (**BA-CDOR**) or the Australian Bank Bill Swap Rate (**BBSW**) for a currency, the first day of that Interest Period or (ii) if the applicable Floating Rate Option is based on the Singapore inter-bank offered rate (**SIBOR**), the second Singapore business day prior to the start of each Interest Period or (iii) if the applicable Floating Rate Option is based on the New Zealand inter-bank offered rate (**BKBM**), the first day of that Interest Period or (iv) if the applicable Floating Rate Option is based on the Oslo inter-bank offered rate (**NIBOR**), the second Oslo business day prior to the start of each Interest Period; or (ii) in any other case, as specified in the applicable Final Terms.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

For the purposes of this subparagraph (A) Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity and Reset Date have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Covered Bonds

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards or, in the case of NZ Registered Covered Bonds only, rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which either (i) in the case of NZ Registered Covered Bonds, appears or appear, as the case may be, on the Relevant Screen Page as at 10.45 a.m. (Auckland time) on the Interest Determination Date in question plus or minus the Margin (if any), all as determined by the NZ Paying Agent, or (ii) otherwise, appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. London time (in the case of **LIBOR**), at 11.00 a.m. Brussels time (in the case of **EURIBOR**), at 10.30 a.m. Sydney time (in the case of **BBSW**), at 10.45 a.m. Auckland time (in the case of **BKBM**), at 11.00 a.m. Hong Kong time (in the case of **HIBOR**), at 10.00 a.m. Toronto time (in the case of **BA-CDOR**), at 11.00 a.m. Singapore time (in the case of **SIBOR**), at 12.00 noon Oslo time (in the case of **NIBOR**) or (in the case of any other Reference Rate) local time in the relevant financial centre specified in the applicable Final Terms) on the Interest Determination Date in question plus or minus the Margin (if any), all as determined by the UK Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by

the relevant Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

In the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph, the UK Paying Agent shall request each of the Reference Banks to provide the UK Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the time specified in the previous paragraph on the Interest Determination Date in question. If two or more of the Reference Banks provide the UK Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the UK Paying Agent. If one only or none of the Reference Banks provides the UK Paying Agent with an offered quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the UK Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the UK Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the time specified in the paragraph above on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London interbank market (if the Reference Rate is LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), the Australian Bank Bill Swap Rate (if the Reference Rate is BBSW), the New Zealand Bank Bill reference rate (if the Reference Rate is BKBM), the Hong Kong inter-bank offered rate (if the Reference Rate is HIBOR), the Toronto inter-bank offered rate (if the Reference Rate is BA-CDOR), the Singapore inter-bank offered rate (if the Reference Rate is SIBOR), the Norwegian inter-bank offered rate (if the Reference Rate is NIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the UK Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the time specified in the previous paragraph on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the UK Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), the Australian Bank Bill Swap Rate (if the Reference Rate is BBSW), the New Zealand Bank Bill reference rate (if the Reference Rate is BKBM), the Hong Kong inter-bank offered rate (if the Reference Rate is HIBOR), the Toronto inter-bank offered rate (if the Reference Rate is BA-CDOR), the Singapore inter-bank offered rate (if the Reference Rate is SIBOR), the Norwegian inter-bank offered rate (if the Reference Rate is NIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in

accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The relevant Principal Paying Agent, in the case of Floating Rate Covered Bonds, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The relevant Principal Paying Agent will calculate the amount of interest payable on the Floating Rate Covered Bonds in respect of each Specified Denomination (each an **Interest Amount**) for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to:

- (A) In the case of Floating Rate Covered Bonds which are represented by a Global Covered Bond, the aggregate outstanding nominal amount of the Covered Bonds represented by such Global Covered Bond; or
- (B) In the case of Floating Rate Covered Bonds in definitive form, the Calculation Amount;

and, in each case multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Covered Bond in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Covered Bond shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

If "Interest Amounts Non-Adjusted" is specified in the applicable Final Terms then notwithstanding the bringing forward or postponement (as applicable) of an Interest Payment Date as a result of the application of the Business Day Convention set out in the applicable Final Terms, the Interest Amount in respect of the relevant Interest Period and each subsequent Interest Period shall be calculated as aforesaid on the basis of the original Interest Payment Dates without adjustment in accordance with the applicable Business Day Convention.

Day Count Fraction means, in respect of the calculation of an amount of interest for any Interest Period:

- (A) if **Actual/Actual** or **Actual/Actual (ISDA)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and
- (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

- (B) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if **Actual/365 (Sterling)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (E) if **30/360, 360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (F) if **30E/360** or **Eurobond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30;

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (G) if **30E/360 (ISDA)** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30;

"D2" is the calendar day, expressed as a number, immediately following the last day of the Interest Period, unless (i) that day is the last day of February but not the Final Maturity Date (or, as the case may be, the Extended Due for Payment Date) or (ii) such number would be 31, in which case D2 will be 30.

(v) *Notification of Rate of Interest and Interest Amounts*

The relevant Principal Paying Agent (in the case of Floating Rate Covered Bonds) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Bond Trustee and to any stock exchange or other relevant competent authority or quotation system on which the relevant Floating Rate Covered Bonds are for the time being listed, quoted and/or traded or by which they have been admitted to listing and to be published in accordance with Condition 13 (*Notices*) as soon as possible after their determination but in no event later than the fourth Business Day (as defined in Condition 4(b)(i)) thereafter by the relevant Principal Paying Agent. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to the Bond Trustee and each stock exchange or other relevant authority on which the relevant Floating Rate Covered Bonds are for the time

being listed or by which they have been admitted to listing and to the Covered Bondholders in accordance with Condition 13 (*Notices*).

(vi) *Determination or Calculation by Bond Trustee*

If for any reason at any relevant time after the Issue Date, the relevant Principal Paying Agent defaults in its obligation to determine the Rate of Interest or the relevant Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (ii)(A) or (ii)(B) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (iv) above, the Bond Trustee may determine (or appoint an agent to determine) the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Bond Trustee may calculate (or appoint an agent to calculate) the Interest Amount(s) in such manner as it shall deem fair and reasonable. In making any such determination or calculation, the Bond Trustee may appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). Each such determination or calculation shall be deemed to have been made by the relevant Principal Paying Agent.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the relevant Principal Paying Agent or the Bond Trustee shall (in the absence of wilful default, bad faith or manifest error or proven error) be binding on the Issuer, the Guarantor (in the case of Covered Bonds issued by BNZ-IF), the Covered Bond Guarantor, the relevant Principal Paying Agent, the other Paying Agents, the Bond Trustee and all the Covered Bondholders and Couponholders and (in the absence of wilful default or bad faith or proven error) no liability to the Issuer, the Guarantor, the Covered Bond Guarantor, the Covered Bondholders or the Couponholders shall attach to the relevant Principal Paying Agent or the Bond Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Accrual of interest*

Interest (if any) will cease to accrue on each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused or default is otherwise made in the payment thereof, in which event interest will continue to accrue as provided in the Bond Trust Deed.

5. Payments

(a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or electronic transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be (i) Sydney or (ii) Auckland or Wellington, respectively); and

- (ii) payments in euro will be made by credit or electronic transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement). References to Specified Currency will include any successor currency under applicable law.

(b) *Presentation of Bearer Definitive Covered Bonds and Coupons*

Payments of principal and interest (if any) in respect of Bearer Definitive Covered Bonds will (subject as provided below) be made in the manner provided in Condition 5(a) above only against presentation and surrender of Bearer Definitive Covered Bonds or Coupons, as the case may be, at any specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Covered Bonds in definitive bearer form (other than Long Maturity Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall include Coupons falling to be issued on exchange of matured Talons), failing which an amount equal to the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon amounts in respect of any Fixed Rate Covered Bond in definitive bearer form becoming due and repayable by the Issuer (in the absence of a Notice to Pay) or the Covered Bond Guarantor under the Covered Bond Guarantee prior to its Final Maturity Date (or, as the case may be, Extended Due for Payment Date), all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Covered Bond or Long Maturity Covered Bond in definitive bearer form, all unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Covered Bond** is a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond. If the date for redemption of any Bearer Definitive Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Bearer Definitive Covered Bond.

(c) *Payments in respect of Bearer Global Covered Bonds*

Payments of principal and interest (if any) in respect of Covered Bonds represented by any Bearer Global Covered Bond will (subject as provided below) be made in the manner specified above in relation to Bearer Definitive Covered Bonds and otherwise in the manner specified in the relevant Global Covered Bond (against presentation or surrender, as the case may be, of such Global Covered Bond if the Bearer Global Covered Bond is not intended to be issued in NGCB form at the specified office of any Paying Agent outside the United States). On the occasion of each payment, (i) in the case of any Bearer Global Covered Bond which is not issued in NGCB form, a record of such payment made on such Bearer Global Covered Bond, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Covered Bond by the Paying Agent and such record shall be *prima facie* evidence that the payment in question has been made and (ii) in the case of any Global Covered Bond which is issued in NGCB form, the Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

(d) ***Payments in respect of Registered Covered Bonds***

Payments of principal in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Covered Bond at the specified office of the relevant Registrar or, in the case of NZ Registered Covered Bonds, the NZ Paying Agent, or in any other case any of the Paying Agents (other than the NZ Paying Agent). Such payments will be made by electronic transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the register of holders of the Registered Covered Bonds maintained by the relevant Registrar (the **Register**) either (i) in the case of NZ Registered Covered Bonds, at the close of business on the tenth calendar day (being for this purpose a day on which banks are open for business in the city where the specified office of the NZ Registrar is located) before the relevant due date, or (ii) in any other case, at the close of business on the third Business Day (being for this purpose a day on which banks are open for business in the city where the specified office of the Luxembourg Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Covered Bonds held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland and Wellington, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Covered Bond (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the Business Day in the city where the specified office of the relevant Registrar is located on the relevant due date to the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the Register either (i) in the case of NZ Registered Covered Bonds, at the close of business on the tenth calendar day (being for this purpose a day on which banks are open for business in the city where the specified office of the NZ Registrar is located) before the relevant due date, (ii) in the case of a Global Covered Bond which clears through Euroclear or Clearstream, Luxembourg, at the close of business on the day (being for this purpose a day on which Euroclear or Clearstream, Luxembourg are open for business) or (iii) in any other case, at the close of business on the 15th day (whether or not such 15th day is a Business Day) before the relevant due date (in either case, the **Record Date**) at the holder's address shown in the Register on the Record Date and at the holder's risk. Upon application of the holder to the specified office of the relevant Registrar not less than three Business Days in the city where the specified office of the relevant Registrar is located

before the due date for any payment of interest in respect of a Registered Covered Bond, the payment may be made by electronic transfer on the due date in the manner provided in the preceding paragraph. Any such application for electronic transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Covered Bonds which become payable to the holder who has made the initial application until such time as the relevant Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Covered Bond on redemption will be made in the same manner as payment of the principal in respect of such Registered Covered Bond.

Holders of Registered Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Covered Bond as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the relevant Registrar in respect of any payments of principal or interest in respect of the Registered Covered Bonds.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. dollars shall be paid by electronic transfer by the Luxembourg Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Principal Agency Agreement.

None of the Issuer, the Guarantor, the Covered Bond Guarantor, the Bond Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) *General provisions applicable to payments*

The holder of a Global Covered Bond (or, as provided in the Bond Trust Deed, the Bond Trustee) shall be the only person entitled to receive payments in respect of Covered Bonds represented by such Global Covered Bond and the relevant Issuer, the Guarantor (in the case of Covered Bonds issued by BNZ-IF) or, as the case may be, the Covered Bond Guarantor will be discharged by payment to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of DTC, NZClear, Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Covered Bonds represented by such Global Covered Bond must look solely to DTC, NZClear, Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the relevant Issuer, the Guarantor (in the case of Covered Bonds issued by BNZ-IF) or the Covered Bond Guarantor to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be). No person other than the holder of the relevant Global Covered Bond (or, as provided in the Bond Trust Deed, the Bond Trustee) shall have any claim against the relevant Issuer, the Guarantor or the Covered Bond Guarantor in respect of any payments due on that Global Covered Bond.

Notwithstanding the foregoing provisions of this Condition, payments of principal and/or interest in U.S. Dollars in respect of the Bearer Covered Bonds will only be made at the specified office of a Paying Agent in the United States if:

- (i) the relevant Issuer and (if applicable) the Guarantor has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of interest on the Bearer Covered Bonds in the manner provided above when due;

- (ii) payment of the full amount of such principal and interest at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the relevant Issuer, the Guarantor and the Covered Bond Guarantor, adverse tax consequences to the Issuer, the Guarantor or the Covered Bond Guarantor.

(f) *Payment Day*

If the date for payment of any amount in respect of any Covered Bond or Coupon is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment of the relevant amount due until the next following Payment Day and shall not be entitled to any interest or other sum in respect of any such delay. In this Condition (unless otherwise specified in the applicable Final Terms), **Payment Day** means any day which (subject to Condition 8 (*Prescription*)) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) the relevant place of presentation;
 - (B) Auckland and Wellington and, in the case of Covered Bonds that are not NZ Registered Covered Bonds, London; and
 - (C) any Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the places specified in Condition 5(f)(i) and which if the Specified Currency is Australian dollars shall be Sydney) or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open; and
- (iii) in the case of any payment in respect of a Registered Global Covered Bond denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Covered Bond) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(g) *Interpretation of principal and interest*

Any reference in these Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*) or under any undertakings or covenants given in addition thereto, or in substitution therefor, pursuant to the Bond Trust Deed;
- (ii) the Final Redemption Amount of the Covered Bonds;
- (iii) the Early Redemption Amount of the Covered Bonds;

- (iv) the Optional Redemption Amount(s) (if any) of the Covered Bonds;
- (v) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 6(f));
- (vi) any premium and any other amounts (other than interest) which may be payable under or in respect of the Covered Bonds; and
- (vii) any Excess Proceeds which may be payable by the Bond Trustee under or in respect of the Covered Bonds.

Any reference in these Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*) or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Bond Trust Deed.

(h) *Redenomination*

Where redenomination is specified in the applicable Final Terms as being applicable, the relevant Issuer may, without the consent of the Covered Bondholders and the Couponholders, on giving prior written notice to the Bond Trustee, the Security Trustee, the Principal Paying Agent, the Luxembourg Registrar (in the case of Registered Covered Bonds), Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Covered Bondholders in accordance with Condition 13 (*Notices*), elect that, with effect from the Redenomination Date specified in the notice, the Covered Bonds shall be redenominated in euro. In relation to any Covered Bonds where the applicable Final Terms provides for a minimum Specified Denomination in the Specified Currency which is equivalent to at least euro 100,000 and which are admitted to trading on a regulated market in the European Economic Area, it shall be a term of any such redenomination that the holder of any Covered Bonds held through Euroclear and/or Clearstream, Luxembourg and/or DTC must have credited to its securities account with the relevant clearing system a minimum balance of Covered Bonds of at least euro 100,000.

The election will have effect as follows:

- (i) the Covered Bonds shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Covered Bond equal to the nominal amount of that Covered Bond in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, in consultation with the Principal Paying Agent and the Bond Trustee, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Covered Bondholders, the competent listing authority, stock exchange and/or market (if any) on or by which the Covered Bonds may be listed and/or admitted to trading and the Paying Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Covered Bonds will be calculated by reference to the aggregate nominal amount of Covered Bonds presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (iii) if Definitive Covered Bonds are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of euro 100,000 and/or such higher amounts as the Principal Paying Agent may determine and notify to the Covered Bondholders and any remaining amounts less than euro 100,000 shall be redeemed by the

Issuer and paid to the Covered Bondholders in euro in accordance with Condition 6 (*Redemption and Purchase*);

- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Covered Bonds) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Covered Bonds and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Covered Bonds and Coupons so issued will also become void on that date although those Covered Bonds and Coupons will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Covered Bonds and Coupons will be issued in exchange for Covered Bonds and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Covered Bondholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Covered Bonds;
- (v) after the Redenomination Date, all payments in respect of the Covered Bonds and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Covered Bonds to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;
- (vi) if the Covered Bonds are Fixed Rate Covered Bonds and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:
 - (a) in the case of Covered Bonds represented by a Global Covered Bond, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Covered Bonds represented by such Global Covered Bonds; and
 - (b) in the case of Definitive Covered Bonds, by applying the Rate of Interest to the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Covered Bond in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Covered Bond shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding;

- (vii) if the Covered Bonds are Floating Rate Covered Bonds, the applicable Final Terms will specify any relevant changes to the provisions relating to interest; and
- (viii) such other changes shall be made to this Condition (and the Programme Documents) as the Issuer may decide, after consultation with the Principal Paying Agent and the Bond Trustee, and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in euro.

(i) **Definitions**

In these Conditions, the following expressions have the following meanings:

Calculation Amount has the meaning given to it in the applicable Final Terms.

Established Rate means the rate for the conversion of the relevant Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty.

euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty.

Rate of Interest means the rate of interest payable from time to time in respect of a Series of Covered Bonds, as determined in, or as determined in the manner specified in, the applicable Final Terms.

Redenomination Date means (in the case of interest bearing Covered Bonds) any date for payment of interest under the Covered Bonds or (in the case of Zero Coupon Covered Bonds) any date, in each case specified by the Issuer in the notice given to the Covered Bondholders pursuant to Condition 5(h)(i) and which falls on or after the date on which the country of the relevant Specified Currency first participates in the third stage of European economic and monetary union.

Reference Rate means the relevant LIBOR, EURIBOR, STIBOR, HIBOR, SIBOR or TIBOR rate specified in the applicable Final Terms.

Treaty means the Treaty on the Functioning of the European Union, as amended.

6. Redemption and Purchase

(a) *Final redemption*

Unless previously redeemed in full or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at 100 per cent. of its nominal value (the **Final Redemption Amount**) in the relevant Specified Currency on the Final Maturity Date specified in the applicable Final Terms.

Without prejudice to Condition 9 (*Events of Default and Enforcement*), if an Extended Due for Payment Date is specified as applicable in the Final Terms for a Series of Covered Bonds and the relevant Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) have failed to pay the Final Redemption Amount on the Final Maturity Date specified in the Final Terms (or after expiry of the grace period set out in Condition 9(a)(i) and, following the service of a Notice to Pay on the Covered Bond Guarantor by no later than the date falling one Business Day prior to the Extension Determination Date, the Covered Bond Guarantor has insufficient monies available under the Guarantee Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the date falling on the earlier of (a) the date which falls two Business Days after service of such Notice to Pay on the Covered Bond Guarantor or, if later, the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(b)(i)) under the terms of the Covered Bond Guarantee and (b) the Extension Determination Date, then (subject as provided below) payment of the unpaid amount by the Covered Bond Guarantor under the Covered Bond Guarantee shall be deferred until the Extended Due for Payment Date, provided that the Covered Bond Guarantor may pay any amount representing the Final Redemption Amount on the relevant Final Maturity Date and any amount representing the Final Redemption Amount due and remaining unpaid on the earlier of (a) and (b) above may also be paid by the Covered Bond Guarantor on any Interest Payment Date thereafter up to (and including) the Extended Due for Payment Date. The Issuer shall confirm to the relevant Principal Paying Agent

as soon as reasonably practicable and in any event at least four Business Days prior to the Final Maturity Date of a Series of Covered Bonds whether (x) payment will be made in full of the Final Redemption Amount in respect of a Series of Covered Bonds on that Final Maturity Date or (y) payment will not be made in full of the Final Redemption Amount in respect of a Series of Covered Bonds on that Final Maturity Date. Any failure by the Issuer to notify the relevant Principal Paying Agent shall not affect the validity or effectiveness of the extension.

The Covered Bond Guarantor shall notify the relevant Covered Bondholders (in accordance with Condition 13 (*Notices*)), the Rating Agencies, the Bond Trustee, the Security Trustee, the relevant Principal Paying Agent and the relevant Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least one Business Day prior to the dates specified in (a) and (b) of the preceding paragraph of any inability of the Covered Bond Guarantor to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of a Series of Covered Bonds pursuant to the Covered Bond Guarantee. Any failure by the Covered Bond Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party. In such circumstances, the Covered Bond Guarantor shall on the earlier of (a) the date falling two Business Days after the service of a Notice to Pay on the Covered Bond Guarantor or if later the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(b)(i)) and (b) the Extension Determination Date, under the Covered Bond Guarantee, apply the monies (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the Guarantee Priority of Payments) *pro rata* in part payment of an amount equal to the Final Redemption Amount of each Covered Bond of the relevant Series of Covered Bonds and shall pay Guaranteed Amounts constituting the Scheduled Interest in respect of each such Covered Bond on such date. The obligation of the Covered Bond Guarantor to pay any amounts in respect of the balance of the Final Redemption Amount not so paid shall be deferred as described above. Such failure to pay by the Covered Bond Guarantor shall not constitute an Covered Bond Guarantor Event of Default.

Any discharge of the obligations of the relevant Issuer and the Guarantor as the result of the payment of Excess Proceeds to the Bond Trustee shall be disregarded for the purposes of determining the amounts to be paid by the Covered Bond Guarantor under the Covered Bond Guarantee in connection with this Condition 6(a).

For the purposes of these Conditions:

Extended Due for Payment Date means, in relation to any Series of Covered Bonds, the date, if any, specified as such in the applicable Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Final Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Extension Determination Date; and

Extension Determination Date means, in respect of a Series of Covered Bonds, the date falling two Business Days after the expiry of seven days starting on (and including) the Final Maturity Date of such Series of Covered Bonds.

Guarantee Priority of Payments means the guarantee priority of payments relating to the allocation and distribution of all Available Revenue Receipts and Available Principal Receipts following service of a Notice to Pay on the Covered Bond Guarantor, but prior to service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor in accordance with clause 12.5 of the Establishment Deed.

Rating Agency means any one of Moody's Investors Service Pty Limited and Fitch Australia Pty Limited (together, the **Rating Agencies**) or their successors, to the extent they provide ratings in respect of the Covered Bonds.

(b) ***Redemption for taxation reasons***

The Covered Bonds may be redeemed at the option of the Issuer in whole, or in part, at any time (if this Covered Bond is not a Floating Rate Covered Bond) or on any Interest Payment Date (if this Covered Bond is a Floating Rate Covered Bond), on giving not less than 30 nor more than 60 days' notice to the Bond Trustee and, in accordance with Condition 13 (*Notices*), the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that, on the occasion of the next Interest Payment Date, the Issuer is or will be required to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) or (in the case of Covered Bonds issued by BNZ-IF) the Guarantor would be or would become so obliged, if demand was made under the Guarantee. Covered Bonds redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in Condition 6(f) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) ***Redemption at the option of the Issuer (Issuer Call)***

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bond Trustee, the relevant Principal Paying Agent, (in the case of the redemption of Registered Covered Bonds) the relevant Registrar and, in accordance with Condition 13 (*Notices*), the Covered Bondholders (which notice shall be irrevocable) redeem all or some only (as specified in the applicable Final Terms) of the Covered Bonds then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). Upon expiry of such notice, the Issuer shall be bound to redeem the Covered Bonds accordingly. In the event of a redemption of some only of the Covered Bonds, such redemption must be for an amount being the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the **Redeemed Covered Bonds**) will be selected individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and in accordance with the rules of DTC, NZClear, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of DTC, NZClear, Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) (or any alternative or additional clearing system as may be specified in the Final Terms), in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in each case, not more than 60 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 13 (*Notices*) not less than 30 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by Definitive Covered Bonds shall bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of Definitive Covered Bonds outstanding bears to the aggregate nominal amount of the Covered Bonds outstanding, in each case on the Selection Dates, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Covered Bonds represented by a Global Covered Bond shall be equal to the balance of the Redeemed Covered Bonds. No exchange of the relevant Global Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6(c) and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 13 (*Notices*) at least 30 days prior to the Selection Date.

(d) ***Redemption at the option of the Covered Bondholders***

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Covered Bond giving the Issuer not less than 30 nor more than 60 days' written notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Covered Bond on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of a Covered Bond the holder thereof must, if the Covered Bond is in definitive form and held outside Euroclear and Clearstream, Luxembourg, NZClear or DTC, deliver, at the specified office of either (i) in the case of NZ Registered Covered Bonds, the NZ Paying Agent, or (ii) in any other case, any Paying Agent other than the NZ Paying Agent, at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 6(d) accompanied by this Covered Bond. If this Covered Bond is represented by a Global Covered Bond held through Euroclear or Clearstream, Luxembourg, or NZClear or DTC to exercise the right to require redemption of this Covered Bond the holder of this Covered Bond must, within the notice period, give notice to the relevant Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg, NZClear or DTC, (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg, NZClear or DTC, or any common depository or common safekeeper, as the case may be, for them to the relevant Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg, NZClear or DTC from time to time and, if this Covered Bond is represented by a Global Covered Bond, at the same time present or procure the presentation of the relevant Global Covered Bond to the Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg, NZClear or DTC, given by a holder of any Covered Bond pursuant to this Condition 6(d) shall be irrevocable except where, prior to the due date of redemption, an Issuer Event of Default or a Covered Bond Guarantor Event of Default has occurred and is continuing and the Bond Trustee has declared the Covered Bonds to be due and payable pursuant to Condition 9 (*Events of Default and Enforcement*), in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6(d) and instead request or direct the Bond Trustee to declare such Covered Bond forthwith due and payable pursuant to Condition 9 (*Events of Default and Enforcement*).

(e) ***Redemption due to illegality***

The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agents, the Registrars and, in accordance with Condition 13 (*Notices*), all the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that it has, or will before the next Interest Payment Date of any Covered Bond of any Series, become unlawful for the Intercompany Loan Provider and/or the Demand Loan Provider to make, fund or allow to remain outstanding any Term Advance and/or the Demand Loan (or, in either case, any part thereof) made by the Intercompany Loan Provider or the Demand Loan Provider, as the case may be to the Covered Bond Guarantor pursuant to the Intercompany Loan Agreement or the Demand Loan Agreement, as the case may be, as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such Interest Payment Date.

Covered Bonds redeemed pursuant to this Condition 6(e) will be redeemed at their Early Redemption Amount referred to in Condition 6(f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(f) *Early Redemption Amounts*

For the purpose of Conditions 6(b) and 6(e) above and 6(i) below and Condition 9 (*Events of Default and Enforcement*), each Covered Bond will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Covered Bond with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Covered Bond (other than a Zero Coupon Covered Bond) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Covered Bond is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Covered Bond, at an amount (the **Amortised Face Amount**) equal to the sum of:
 - (a) the Reference Price; and
 - (b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable,

or such other calculation basis as may be provided for in the applicable Final Terms.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made (i) in the case of a Zero Coupon Covered Bond payable in a Specified Currency other than euro, on the basis of a 360-day year consisting of 12 months of 30 days each or (ii) in the case of a Zero Coupon Covered Bond payable in euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non leap year divided by 365) or (iii) on such other calculation basis as may be specified in the applicable Final Terms.

(g) *Purchases*

The Issuer, the Guarantor or any of their respective subsidiaries or the Covered Bond Guarantor may at any time purchase or otherwise acquire Covered Bonds (provided that, in the case of Bearer Definitive Covered Bonds, all unmatured Coupons and Talons appertaining thereto are attached thereto or surrendered therewith) at any price and in any manner. If purchases are made by tender, tenders must be available to all the Covered Bondholders alike. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer or the Guarantor or the relevant subsidiary, surrendered to the relevant Registrar and/or either: (i) in the case of NZ Registered Covered Bonds, to the NZ Paying Agent, or (ii) in any other case to any Paying Agent other than the NZ Paying Agent, for cancellation (except that any Covered Bonds purchased or otherwise acquired by the Covered Bond Guarantor must immediately be surrendered to the relevant Registrar and/or either: (i) in the case of NZ Registered Covered Bonds, to the NZ Paying Agent, or (ii) in any other case to any Paying Agent other than the NZ Paying Agent for cancellation).

(h) Cancellation

All Covered Bonds which are redeemed in full will forthwith be cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Covered Bonds so cancelled and any Covered Bonds purchased and surrendered for cancellation pursuant to Condition 6(g) above and cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the relevant Principal Paying Agent and cannot be held, reissued or resold.

(i) Late payment on Zero Coupon Covered Bonds

If the amount payable in respect of any Zero Coupon Covered Bond upon redemption of such Zero Coupon Covered Bond pursuant to Condition 6(a), 6(b), 6(c), 6(d) or 6(e) above or upon its becoming due and repayable as provided in Condition 9 (*Events of Default and Enforcement*) is improperly withheld or refused or default is otherwise made in the payment thereof, the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated as provided in Condition 6(f)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Covered Bond becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Covered Bond have been paid; and
- (ii) the date on which the full amount of the monies payable in respect of such Zero Coupon Covered Bonds has been received by the relevant Principal Paying Agent or the Bond Trustee or the relevant Registrar and notice to that effect has been given to the Covered Bondholders either in accordance with Condition 13 (*Notices*) or individually.

(j) Certification on redemption under Condition 6(b) and 6(e)

Prior to the publication of any notice of redemption pursuant to Condition 6(b) or 6(e), the Issuer shall deliver to the Bond Trustee a certificate signed by two Authorised Signatories (as defined in the Definitions Schedule) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Bond Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all holders of the Covered Bonds and Couponholders.

7. Taxation

All payments of principal and interest (if any) in respect of the Covered Bonds and Coupons by or on behalf of the relevant Issuer, the Guarantor (in the case of Covered Bonds issued by BNZ-IF) or the Covered Bond Guarantor, as the case may be, will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or New Zealand or any political sub-division thereof or by any authority therein or thereof having power to tax unless such withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In the event of a withholding or deduction being made by the Issuer or the Guarantor (as the case may be) in respect of a payment made by it, the Issuer or the Guarantor (as the case may be) will pay such additional amounts as shall be necessary in order that the net amounts received by the Covered Bondholders or Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Covered Bonds or Coupons, as the case may be, in the absence of such withholding or deduction; except that the foregoing obligation to pay additional amounts shall apply only in the case

of Covered Bonds issued by BNZ-IF and shall not apply to any such tax, assessment, governmental charge or duty:

- (a) which is payable otherwise than by deduction or withholding from payments of principal of and interest on such Covered Bond or Coupon;
- (b) which is payable (other than in respect of New Zealand resident withholding tax) by reason of the Covered Bondholder or Couponholder or beneficial owner (or any one of them in case of principal or interest derived by two or more persons jointly) having, or having had, some personal or business connection with New Zealand or a Tax Jurisdiction (other than mere ownership of or receipt of payment under the Covered Bonds or Coupon or the fact that payments are, or for the purposes of taxation are deemed to be, from sources in, or secured in New Zealand or a Tax Jurisdiction);
- (c) which is payable solely by reason of the Covered Bondholder's or Couponholder's or beneficial owner's failure to comply with any certification, identification or other reporting requirement concerning nationality, residence, identity, connection with taxing jurisdiction of the Covered Bondholder or Couponholder or other beneficial owner of such Covered Bond;
- (d) which is payable by reason of a change in law that becomes effective more than thirty days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5(f) (Payments)); or
- (e) which is an estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other charge;
- (f) which is payable by reason of the Covered Bondholder or Couponholder or beneficial owner of such Covered Bond or Coupon being associated with the Issuer or the Guarantor or the Covered Bond Guarantor for the purposes of the approved issuer levy and non-resident withholding tax rules in the Income Tax Act 2007 of New Zealand or any modification or equivalent thereof;
- (g) which, if the Issuer is BNZ-IF, is payable solely by reason of the relevant Covered Bond or Coupon being presented for payment in New Zealand;
- (h) which is imposed or withheld as a consequence of the New Zealand Inland Revenue Department applying section BG1 of the Income Tax Act 2007 of New Zealand (or any modification or equivalent thereof) with the consequence that withholding tax is payable in respect of a payment in circumstances where the payment would not have been subject to withholding tax in the absence of the application of such provision;
- (i) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (j) where such withholding or deduction is for or on account of New Zealand resident withholding tax;
- (k) which is payable on the Covered Bonds and Coupons presented for payment by or on behalf of a Covered Bondholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Covered Bond or Coupon to another Paying Agent in a member state of the European Union;

- (l) with respect to any payment of principal of or interest (including original issue discount) on the Covered Bonds and Coupons by the Issuer (or the Guarantor, as the case may be) to any Covered Bondholder or Couponholder who is a fiduciary or partnership or other than the sole beneficial owner of any such payment to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or any other beneficial owner would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of such Covered Bonds and Coupons;
- (m) where such withholding or deduction is required pursuant to an agreement described in Section 1471(b) of the Code or is otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement); or
- (n) any combination of (a) through (m) above.

If any payments made by the Covered Bond Guarantor under the Covered Bond Guarantee are or become subject to any withholding or deduction, on account of any taxes, duties or other charges of whatever nature, imposed or levied by or on behalf of New Zealand or by any other authority having power to tax, the Covered Bond Guarantor will not be obliged to pay any additional amount as a consequence and for the avoidance of doubt will not be required to pay any amount of approved issuer levy (under Part VI B of the Stamp and Cheque Duties Act 1971) in respect of such payments.

As used herein:

- (i) **Tax Jurisdiction** means (a) in relation to any Series or Tranche of Covered Bonds issued by BNZ-IF – the United Kingdom; and (b) in relation to any Series or Tranche of Covered Bonds issued by BNZ, the jurisdiction, if any, named in the applicable Final Terms as being the jurisdiction wherein BNZ’s borrowing office is located for such Tranche of Covered Bonds if such borrowing office is not located in New Zealand; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Bond Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13 (*Notices*).

Where used in the remaining provisions of this Condition 7, interest means interest (as defined under the Income Tax Act 2007 of New Zealand or any modification or equivalent thereof) for withholding tax purposes, which includes the excess of the redemption amount over the issue price of any Covered Bond, as well as interest paid on such Covered Bond. The Issuer is, and the Guarantor and the Covered Bond Guarantor (where applicable) may be required by law to deduct New Zealand resident withholding tax from the payment of interest to a Covered Bondholder or Couponholder, if:

- (a) the Covered Bondholder or Couponholder, as the case may be, is a resident of New Zealand for income tax purposes or is otherwise subject to the New Zealand resident withholding tax rules (a **New Zealand Covered Bondholder**); and
- (b) at the time of such payment, the New Zealand Covered Bondholder does not hold a valid certificate of exemption for New Zealand resident withholding tax purposes.

Prior to any date on which interest is payable or the Final Maturity Date, any New Zealand Covered Bondholder:

- (A) must notify the Issuer or, as the case may be, the Guarantor or the Covered Bond Guarantor or any Paying Agent, that the New Zealand Covered Bondholder is the holder of a Covered Bond or Coupon; and
- (B) must notify the Issuer or, as the case may be, the Guarantor, or the Covered Bond Guarantor or a Paying Agent, of any circumstances, and provide the Issuer or, as the case may be, the Guarantor, or the Covered Bond Guarantor or the relevant Paying Agent, with any information that may enable the Issuer or, as the case may be, the Guarantor or the Covered Bond Guarantor, to make payment of interest to the New Zealand Covered Bondholder without deduction on account of New Zealand resident withholding tax.

The New Zealand Covered Bondholder must notify the Issuer or, as the case may be, the Guarantor or the Covered Bond Guarantor, prior to any date on which interest is payable, of any change in the New Zealand Covered Bondholder's circumstances from those previously notified that could affect the payment or withholding obligations of the Issuer or, as the case may be, the Guarantor or the Covered Bond Guarantor, in respect of this Covered Bond or Coupon. By accepting payment of the full face amount of a Covered Bond or Coupon, as the case may be or any interest thereon, the New Zealand Covered Bondholder indemnifies the Issuer or, as the case may be, the Guarantor or the Covered Bond Guarantor, for all purposes in respect of any liability the Issuer or, as the case may be, the Guarantor or the Covered Bond Guarantor may incur for not deducting any amount from such payment on account of New Zealand resident withholding tax.

Only a New Zealand Covered Bondholder will be obliged to make the notification referred to above and no other holder will be required to make any certification that is not a New Zealand Covered Bondholder.

8. Prescription

The Covered Bonds (whether in bearer or registered form) and Coupons will become void unless presented for payment within 10 years (in the case of principal) and five years (in the case of interest) in each case from the Relevant Date (as defined in Condition 7 (*Taxation*)) therefor, subject in each case to the provisions of Condition 5 (*Payments*).

There shall not be included in any Coupon sheet issued on exchange of a Talon, any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5 (*Payments*) or any Talon which would be void pursuant to Condition 5 (*Payments*).

9. Events of Default and Enforcement

(a) Issuer Events of Default

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this purpose or the purpose of any Extraordinary Resolution referred to in this Condition (a) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Bond Trust Deed) then outstanding, as if they were a single Series (with the Principal Amount Outstanding of Covered Bonds not denominated in NZ Dollars converted into NZ Dollars at the relevant Swap Rate) or if so directed by an Extraordinary Resolution of the Covered Bondholders shall, (but in the case of the happening of any of the events mentioned in subparagraph (iii), (iv), (v), (vi), (viii) or (ix) inclusive below, only if the Bond Trustee shall have certified in writing to the Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series) (subject in each case to being indemnified and/or secured and or prefunded to its satisfaction) give notice (an **Issuer Acceleration Notice**) in writing to the Issuer and the Guarantor that as against the Issuer and the Guarantor (but not, for the avoidance of doubt, as against the Covered Bond Guarantor under the

Covered Bond Guarantee) each Covered Bond of each Series is, and each such Covered Bond shall, unless such event shall have been cured by the Issuer or the Guarantor (in the case of Covered Bonds issued by BNZ-IF) prior to the Issuer's or the Guarantor's (as the case may be) receipt of the notice in writing from the Bond Trustee, thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Bond Trust Deed if any of the following events (each an **Issuer Event of Default**) shall occur:

- (i) default by the Issuer and, in respect of the Covered Bonds issued by BNZ-IF, the Guarantor, in any payment when due of principal on the Covered Bonds or any of them and the default continues for a period of seven days;
- (ii) default by the Issuer and, in respect of the Covered Bonds issued by BNZ-IF, the Guarantor, in payment when due of any instalment of interest on the Covered Bonds or any of them and the default continues for a period of 30 days;
- (iii) a failure by the Issuer or, in respect of the Covered Bonds issued by BNZ-IF, the Guarantor, to perform or observe any of its other obligations under the Conditions or the Bond Trust Deed and the failure continues for the period of 30 days next following the service by the Bond Trustee on the Issuer or the Guarantor, as the case may be, of notice requiring the same to be remedied;
- (iv) a distress or execution or other legal process is levied or enforced upon or sued out or put in force against any part of the property, assets or revenues of the Issuer or the Guarantor (in respect of the Covered Bonds issued by BNZ-IF) and such distress or execution or other legal process, as the case may be, is not discharged or stayed within 14 days of having been so levied, enforced or sued out;
- (v) an encumbrancer takes possession or a receiver or administrator is appointed of the whole or any part of the undertaking, property, assets or revenues of the Issuer or the Guarantor (in respect of the Covered Bonds issued by BNZ-IF) (other than in respect of monies borrowed or raised on a non-recourse basis);
- (vi) the Issuer or the Guarantor (in respect of the Covered Bonds issued by BNZ-IF) (a) becomes insolvent or is unable to pay its debts as they mature; or (b) applies for or consents to or suffers the appointment of a liquidator or receiver or administrator of the Issuer or the Guarantor (in respect of the Covered Bonds issued by BNZ-IF) or of the whole or any part of the undertaking, property, assets or revenues of the Issuer or the Guarantor (in respect of the Covered Bonds issued by BNZ-IF) (other than in respect of monies borrowed or raised on a non-recourse basis); or (c) takes any proceeding under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or any arrangement or composition with or for the benefit of creditors;
- (vii) other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency either (a) a court order is made for the appointment of a liquidator of BNZ-IF or the Guarantor (in the case of Covered Bonds issued by BNZ-IF) (as applicable); or (b) the board of directors of BNZ-IF or the Guarantor (in the case of Covered Bonds issued by BNZ-IF) (as applicable), on the occurrence of an event specified in BNZ-IF's or the Guarantor's (in the case of Covered Bonds issued by BNZ-IF) (as applicable) constitution appoints a liquidator; or (c) an effective resolution is passed by shareholders or members for the appointment of a liquidator of the Issuer or the Guarantor (in the case of Covered Bonds issued by BNZ-IF) (as applicable);
- (viii) a moratorium shall be agreed or declared in respect of any indebtedness of the Issuer or the Guarantor (in respect of the Covered Bonds issued by BNZ-IF), or any governmental authority or agency shall have condemned, seized or compulsorily purchased or expropriated

all or in the opinion of the Bond Trustee a substantial part of the assets of or capital of the Issuer or the Guarantor (in respect of the Covered Bonds issued by BNZ-IF);

- (ix) (a) BNZ ceases to carry on general banking business in New Zealand; or (b) BNZ ceases to be registered as a bank in New Zealand; or (c) the Issuer or the Guarantor (in respect of the Covered Bonds issued by BNZ-IF) enters into any arrangement or agreement for any sale or disposal of the whole of its respective business by amalgamation or otherwise other than, in the case of (c) only, (A) under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency which, in respect of the Issuers results in a substitution of the principal debtor under the Covered Bonds and Coupons or, in the case of the Guarantor (in respect of the Covered Bonds issued by BNZ-IF), results in a substitution of the Guarantor under the Bond Trust Deed, in each case pursuant to Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*); or (B) with the consent of the Covered Bondholders by Extraordinary Resolution;
- (x) (where the Issuer is BNZ-IF) the Guarantee is terminated or shall cease to be in full force and effect;
- (xi) if an Asset Coverage Test Breach Notice has been served and remains outstanding (in accordance with the terms of the Programme Documents) on the next Calculation Date after service of such Asset Coverage Test Breach Notice on the Covered Bond Guarantor; or
- (xii) if the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds is breached during the Pre-Maturity Test Period and the Covered Bond Guarantor has not taken the required actions set out in clause 9.4 of the Establishment Deed following that breach by the earlier to occur of:
 - (a) ten NZ Business Days from the date that the Seller is notified of that breach; and
 - (b) the Final Maturity Date of that Series of Hard Bullet Covered Bonds.

Notwithstanding any other provision of this Condition 9(a), no Issuer Event of Default (other than Condition 9(a)(vii)) in respect of the Covered Bonds shall occur solely on account of any failure by the Issuer or the Guarantor (in respect of the Covered Bonds issued by BNZ-IF) to perform or observe any of its obligations in relation to, or the agreement or declaration of any moratorium with respect to, or the taking of any proceeding in respect of, any share, note or other security or instrument constituting Tier 1 Capital or Tier 2 Capital (as defined by the Australian Prudential Regulation Authority from time to time).

Upon the Covered Bonds becoming immediately due and repayable against the Issuer and the Guarantor pursuant to this Condition 9 (a), the Bond Trustee shall forthwith serve a notice to pay (the **Notice to Pay**) on the Covered Bond Guarantor pursuant to the Covered Bond Guarantee and the Covered Bond Guarantor shall be required to make payments of Guaranteed Amounts when the same shall become Due for Payment in accordance with the terms of the Covered Bond Guarantee.

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Bond Trustee may or shall take such proceedings or other action or step against the Issuer and the Guarantor in accordance with Condition 9(c).

The Bond Trust Deed provides that all monies received by the Bond Trustee following the occurrence of an Issuer Event of Default and the delivery of an Issuer Acceleration Notice and Notice to Pay, from the Issuer, the Guarantor or any receiver, liquidator, administrator or other similar official appointed in relation to the Issuer or the Guarantor following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay (the **Excess Proceeds**), shall be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant

Series to the Covered Bond Guarantor for its own account, as soon as practicable, and shall be held by the Covered Bond Guarantor in the GIC Account and the Excess Proceeds shall thereafter form part of the Security and shall be used by the Covered Bond Guarantor as Available Principal Receipts in the same manner as all other monies from time to time standing to the credit of the GIC Account pursuant to the Security Deed and the Establishment Deed. Any Excess Proceeds received by the Bond Trustee shall discharge *pro tanto* the obligations of the Issuer and the Guarantor (in respect of Covered Bonds issued by BNZ-IF) in respect of the payment of the amount of such Excess Proceeds under the Guarantee, Covered Bonds and Coupons (as applicable and to the extent of the amount so received and subject to restitution of the same if such Excess Proceeds shall be required to be repaid by the Covered Bond Guarantor) (but shall be deemed not to have done so for the purposes of subrogation rights of the Covered Bond Guarantor contemplated by the Bond Trust Deed). However, the obligations of the Covered Bond Guarantor under the Covered Bond Guarantee are (following service of an Issuer Acceleration Notice and a Notice to Pay or if earlier, Service of a Covered Bond Guarantee Acceleration Notice) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds and payment to the Covered Bond Guarantor of such Excess Proceeds shall not reduce or discharge any of such obligations.

By subscribing for Covered Bond(s), each Covered Bondholder shall be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the Covered Bond Guarantor in the manner as described above.

(b) Covered Bond Guarantor Events of Default

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this purpose and the purpose of any Extraordinary Resolution referred to in this Condition 9(b) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Bond Trust Deed) then outstanding as if they were a single Series (with the Principal Amount Outstanding of Covered Bonds not denominated in NZ Dollars converted into NZ Dollars at the relevant Swap Rate) or if so directed by an Extraordinary Resolution of all the Covered Bondholders shall, (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), but in the case of the happening of any of the events described in paragraph (ii) below, only if the Bond Trustee shall have certified in writing to the Issuer, the Guarantor and the Covered Bond Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series, give notice (the **Covered Bond Guarantee Acceleration Notice**) in writing to the Issuer, the Guarantor and to the Covered Bond Guarantor, that (x) each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer and the Guarantor (if not already due and repayable against it following an Issuer Event of Default), thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest and (y) all amounts payable by the Covered Bond Guarantor under the Covered Bond Guarantee shall thereupon immediately become due and payable at the Guaranteed Amount corresponding to the Early Redemption Amount for each Covered Bond of each Series together with accrued interest, in each case as provided in the Bond Trust Deed and thereafter the Security shall become enforceable if any of the following events (each a **Covered Bond Guarantor Event of Default**) shall occur and be continuing:

- (i) default is made by the Covered Bond Guarantor for a period of 14 days or more in the payment of any Guaranteed Amounts when Due for Payment in respect of the Covered Bonds of any Series except in the case of the payments of a Guaranteed Amount when Due for Payment under Condition 6(a) where the Covered Bond Guarantor shall be required to make payments of Guaranteed Amounts which are Due for Payment on the dates specified therein; or

- (ii) if default is made by the Covered Bond Guarantor in the performance or observance of any other obligation, condition or provision binding on it (other than any obligation for the payment of Guaranteed Amounts in respect of the Covered Bonds of any Series) under the Bond Trust Deed, the Security Deed or any other Programme Document to which the Covered Bond Guarantor is a party (other than the Programme Agreement or any Subscription Agreement) and, except where such default is or the effects of such default are, in the opinion of the Bond Trustee, not capable of remedy when no such continuation and notice as is hereinafter mentioned will be required, such default continues for 30 days (or such longer period as the Bond Trustee may permit) after written notice thereof has been given by the Bond Trustee to the Covered Bond Guarantor requiring the same to be remedied; or
- (iii) if the Covered Bond Guarantor ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (iv) the Covered Bond Guarantor shall stop payment or shall be unable, or shall admit inability, to pay its debts generally as they fall due or shall be adjudicated or found bankrupt or insolvent; or
- (v) proceedings are initiated against the Covered Bond Guarantor under any applicable liquidation, winding up, insolvency, bankruptcy, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition or the filing of documents with a court or any registrar for its winding-up, administration or dissolution or the giving notice of the intention to appoint an administrator (whether out of court or otherwise)); or a receiver and/or manager, administrative receiver, administrator, trustee or other similar official shall be appointed (whether out of court or otherwise) in relation to the Covered Bond Guarantor or in relation to the whole or any part of its assets, or a distress, diligence or execution or other process shall be levied or enforced upon or sued out against the whole or any part of its assets, or if the Covered Bond Guarantor shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, winding up, insolvency, bankruptcy, composition, reorganisation or other similar laws or shall make a conveyance, assignment or assignation for the benefit of, or shall enter into any composition with, its creditors generally; or
- (vi) a failure to satisfy the Amortisation Test (as set out in the Establishment Deed) on any Calculation Date following an Issuer Event of Default; or
- (vii) the Covered Bond Guarantee is not, or is claimed by the Covered Bond Guarantor not to be, in full force and effect.

Following the occurrence of a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor each of the Bond Trustee and the Security Trustee may or shall take such proceedings or steps in accordance with the first and third paragraphs, respectively, of Condition 9(c) and the Covered Bondholders shall have a claim against the Covered Bond Guarantor, under the Covered Bond Guarantee, for an amount equal to the Early Redemption Amount for each Covered Bond of each Series together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 7 (*Taxation*)) as provided in the Bond Trust Deed in respect of each Covered Bond.

(c) *Enforcement*

The Bond Trustee may at any time, at its discretion and without further notice, following service of an Issuer Acceleration Notice (in the case of the Issuer and the Guarantor) or, if earlier, following service of a Covered Bond Guarantee Acceleration Notice (in the case of the Covered Bond Guarantor) take such proceedings or other action or step as it may think fit against or in relation to

the Issuer and/or the Guarantor (in the case of Covered Bonds issued by BNZ-IF) and/or the Covered Bond Guarantor, as the case may be, and/or any other person as it may think fit to enforce the provisions of the Bond Trust Deed, the Covered Bonds and the Coupons or any other Programme Document, but it shall not be bound to take any such enforcement proceedings or other action or step in relation to the Bond Trust Deed, the Covered Bonds or the Coupons or any other Programme Document unless (i) it shall have been so directed by an Extraordinary Resolution of the Covered Bondholders of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and converted into NZ Dollars at the relevant Swap Rate as aforesaid) or so requested in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and converted into NZ Dollars at the relevant Swap Rate as aforesaid) and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

In exercising any of its powers, trusts, authorities and discretions the Bond Trustee shall only have regard to the interests of the Covered Bondholders of all Series equally and shall not have regard to the interests of any other Secured Creditors.

The Bond Trustee may at any time, following service of a Covered Bond Guarantee Acceleration Notice at its discretion and without further notice, direct the Security Trustee to take such steps or proceedings against the Covered Bond Guarantor and/or any other person as it may think fit to enforce the provisions of the Security Deed or any other Programme Document and may, at any time after the Security has become enforceable, direct the Security Trustee to take such steps as it may think fit to enforce the Security, but it shall not be bound to give any such direction and the Security Trustee shall not be bound to take any such steps or proceedings unless (i) the Bond Trustee shall have been so directed by an Extraordinary Resolution of the Covered Bondholders of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and converted into NZ Dollars at the relevant Swap Rate as aforesaid) or so requested in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and converted into NZ Dollars at the relevant Swap Rate as aforesaid); and (ii) each of the Bond Trustee and Security Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction. In exercising any of its powers, trusts, authorities and discretions under this paragraph each of the Bond Trustee and the Security Trustee shall only have regard to the interests of the Covered Bondholders of all Series equally and shall not have regard to the interests of any other Secured Creditors.

No Covered Bondholder or Couponholder shall be entitled to institute proceedings directly against the Issuer, the Guarantor (in the case of Covered Bonds issued by BNZ IF) or the Covered Bond Guarantor or to take any action with respect to the Bond Trust Deed, the Covered Bonds, the Coupons, or the Security unless the Bond Trustee or the Security Trustee, as applicable, having become bound so to proceed, fails so to do within a reasonable time and such failure is continuing in which event any Covered Bondholder or Couponholder may, on giving an indemnity and/or security satisfactory to the Bond Trustee, in the name of the Bond Trustee (but not otherwise) himself institute such proceedings and/or prove in the winding up, administration or liquidation of the Issuer and/or the Guarantor or the Covered Bond Guarantor to the same extent and in the same jurisdiction (but not further or otherwise than the Bond Trustee would have been entitled to do so in respect of the Covered Bonds and Coupons and/or the Bond Trust Deed).

10. Replacement of Covered Bonds, Coupons and Talons

Should any Covered Bond, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the UK Paying Agent in London (in the case of Bearer Covered Bonds or Coupons) or the specified office of the relevant Registrar (in the case of Registered Covered Bonds), or any other place approved by the Bond Trustee of which notice shall have been

published in accordance with Condition 13 (*Notices*) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Covered Bonds, Coupons or Talons must be surrendered before replacements will be issued.

11. UK Paying Agent, NZ Paying Agent, Paying Agents, Luxembourg Registrar, NZ Registrar, Transfer Agent and Exchange Agent

The names of the initial UK Paying Agent, NZ Paying Agent, the other initial Paying Agents, the initial Luxembourg Registrar, the NZ Registrar, the initial Transfer Agent, the initial Exchange Agent and their initial specified offices are set out below.

In the event of the appointed office of any such bank being unable or unwilling to continue to act as the UK Paying Agent, or failing duly to determine the Rate of Interest, if applicable, or to calculate the Interest Amounts for any Interest Period, the Issuer shall appoint the London office of such other bank as may be approved by the Bond Trustee to act as such in its place. The UK Paying Agent may not resign its duties or be removed from office without a successor having been appointed as aforesaid.

In the event of the appointed NZ Paying Agent and/or NZ Registrar being unable or unwilling to continue to act as the NZ Paying Agent and/or NZ Registrar, or failing duly to determine the Interest Rate, if applicable, or to calculate the Interest Amounts for any Interest Period, the Issuer shall appoint such other paying agent and/or registrar as may be approved by the Bond Trustee to act as such in its place. Each of the NZ Paying Agent and the NZ Registrar may not resign its duties or be removed from office without a successor having been appointed as aforesaid.

The Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) are entitled, with the prior written approval of the Bond Trustee (not to be unreasonably withheld), to vary or terminate the appointment of any Paying Agent or Registrar and/or appoint additional or other Paying Agents or Registrars and/or approve any change in the specified office through which any Paying Agent or Registrar acts, provided that:

- (a) there will at all times be a UK Paying Agent, a Luxembourg Registrar and, so long as any NZ Registered Covered Bonds are outstanding, a NZ Paying Agent and a NZ Registrar;
- (b) so long as any of the Covered Bonds are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Covered Bonds) and a Transfer Agent (in the case of Registered Covered Bonds) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or as the case may be, other relevant authority;
- (c) so long as any of the Registered Global Covered Bonds payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent;
- (d) the Issuer will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive; and
- (e) the Issuer will ensure that it appoints a Paying Agent in a Member State of the European Union (other than the United Kingdom) in the event that it is required to withhold or deduct tax on payments made in the United Kingdom.

In addition, the Issuer shall, when necessary appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(e). Notice of any such variation, termination, appointment or change will be given by the Issuer to the Covered Bondholders as soon as reasonably practicable in accordance with Condition 13 (*Notices*).

In acting under the Agency Agreements, the Agents act solely as agents of the Issuer, the Guarantor and the Covered Bond Guarantor and do not assume any obligation to, or relationship of agency or trust with, any Covered Bondholders or Couponholders. Each Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

12. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the UK Paying Agent or any other Paying Agent (other than the NZ Paying Agent) in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 8 (*Prescription*).

13. Notices

All notices regarding the Bearer Covered Bonds will be valid if published (a) in a leading English language daily newspaper of general circulation in London, and (b) if and for so long as the Bearer Covered Bonds are admitted to trading on, and listed on the Regulated Market of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg and/or the Luxembourg Stock Exchange's website, *www.bourse.lu*. It is expected that any such newspaper publication will be made in the *Financial Times* in London and the *Luxembourger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Covered Bonds are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers or where published in such newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Bond Trustee shall approve.

All notices regarding the Registered Covered Bonds will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Covered Bonds are admitted to trading on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any Definitive Covered Bonds are issued, there may, so long as the Covered Bonds are represented in their entirety by any Global Covered Bonds held on behalf of NZClear and/or DTC and/or Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to NZClear and/or DTC and/or Euroclear and/or Clearstream, Luxembourg for communication by them to the Covered Bondholders and, in addition, for so long as any Covered Bonds are listed on a stock exchange or admitted to trading by any other relevant authority and the rules of that stock exchange, or as the case may be, other relevant authority so require, such notice or notices will be published in a daily

newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the Covered Bondholders on the day on which the said notice was given to NZClear and/or DTC and/or Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Covered Bondholder shall be in writing and given by lodging the same, together (in the case of any Covered Bond in definitive form) with the relative Covered Bond or Covered Bonds, with the Agent (in the case of the Bearer Covered Bonds) or the Registrar (in the case of Registered Covered Bonds). Whilst any of the Covered Bonds are represented by a Global Covered Bond, such notice may be given by any holder of a Covered Bond to the relevant Principal Paying Agent or the Registrar through NZClear and/or Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the relevant Principal Paying Agent, the Registrar and NZClear and/or Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

14. Meetings of Covered Bondholders, Modification, Waiver and Substitution

Covered Bondholders, Couponholders and other Secured Creditors should note that the Issuer, the Guarantor, the Covered Bond Guarantor and the relevant Principal Paying Agent may without their consent or the consent of the Bond Trustee or the Security Trustee agree to modify any provision of any Final Terms which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provisions of law.

The Bond Trust Deed contains provisions for convening meetings of the Covered Bondholders of any Series to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions or the provisions of the Bond Trust Deed. The quorum at any such meeting in respect of the Covered Bonds of any Series for passing an Extraordinary Resolution is one or more persons holding or representing not less than a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing the Covered Bondholders of such Series whatever the Principal Amount Outstanding of the Covered Bonds of such Series so held or represented, except that at any meeting the business of which includes any Series Reserved Matter, the quorum shall be one or more persons holding or representing not less than two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding. The expression Extraordinary Resolution when used in these Conditions means: (a) a resolution passed at a meeting of the Covered Bondholders duly convened and held in accordance with the Bond Trust Deed by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three fourths of the votes cast on such poll; or (b) a resolution in writing signed by or on behalf of Covered Bondholders holding not less than seventy five per cent. in Principal Amount Outstanding of the Covered Bonds then outstanding, which resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Covered Bondholders. An Extraordinary Resolution passed at any meeting of the Covered Bondholders of a Series shall, subject as provided below, be binding on all the Covered Bondholders of such Series, whether or not they are present at the meeting, and on all Couponholders in respect of such Series of Covered Bonds. Pursuant to the Bond Trust Deed, the Bond Trustee may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Bond Trustee there is no conflict between the respective interests of such Covered Bondholders, in which event the provisions of this paragraph shall apply thereto *mutatis mutandis*.

Notwithstanding the provisions of the immediately preceding paragraph, any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 9(a) or

to give a Covered Bond Guarantee Acceleration Notice pursuant to Condition 9(b) (*Events of Default and Enforcement*) or to direct the Bond Trustee or the Security Trustee or to direct the Bond Trustee to direct the Security Trustee to take any enforcement action or to direct the Bond Trustee to determine that any Issuer Event of Default, Potential Issuer Event of Default, Covered Bond Guarantor Event of Default or Potential Covered Bond Guarantor Event of Default shall not be treated as such for the purposes of the Bond Trust Deed (each a **Programme Resolution**) shall only be capable of being passed at a single meeting of the Covered Bondholders of all Series then outstanding. Any such meeting to consider a Programme Resolution may be convened by the Issuer, the Guarantor, the Covered Bond Guarantor or the Bond Trustee or by the Covered Bondholders of any Series. The quorum at any such meeting for passing a Programme Resolution is one or more persons holding or representing at least a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding or at any adjourned such meeting one or more persons holding or representing Covered Bonds whatever the Principal Amount Outstanding of the Covered Bonds of any Series so held or represented. A Programme Resolution passed at any meeting of the Covered Bondholders of all Series shall be binding on all the Covered Bondholders of all Series, whether or not they are present at the meeting, and on all related Couponholders.

In connection with any meeting of the holders of Covered Bonds of more than one Series where such Covered Bonds are not denominated in NZ Dollars, the Principal Amount Outstanding of the Covered Bonds of any Series not denominated in NZ Dollars shall be converted into NZ Dollars at the relevant Swap Rate.

The Bond Trustee may, without the consent or sanction of any of the Covered Bondholders of any Series, the related Couponholders and without the consent of the other Secured Creditors, at any time and time to time, concur with the relevant Issuer, the Guarantor (in the case of Covered Bonds issued by BNZ-IF), the Covered Bond Guarantor or any other party or direct the Security Trustee to concur with the Issuers, the Guarantor, the Covered Bond Guarantor or any other party in making any modification of the Covered Bonds of one or more Series, the related Coupons or any Programme Document:

- (a) which in the opinion of the Bond Trustee may be expedient to make provided the Bond Trustee is of the opinion that such modification is not materially prejudicial to the interests of the Covered Bondholders of any Series but such power does not extend to any such modification referred to in the definition of Series Reserved Matter; or
- (b) which is in the opinion of the Bond Trustee of a formal, minor or technical nature, or in the opinion of the Bond Trustee is made to correct a manifest error or is made to comply with mandatory provisions of law (and for this purpose the Bond Trustee may disregard whether any such modification relates to a Series Reserved Matter; or
- (c) (without prejudice to (a) and (b) above) which is made to enable Covered Bondholders and Secured Creditors to obtain the protection and/or other benefits of any legislation or regulations or any directive of any regulatory body including, without limitation, the RBNZ that are introduced in New Zealand for the purpose of regulating covered bonds provided that the Bond Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Covered Bondholders of any Series.

Notwithstanding the above the Bond Trustee and the Security Trustee shall not be obliged to agree to any amendment, which, in the sole opinion of the Bond Trustee or the Security Trustee, (as applicable), would have the effect of (i) exposing the Bond Trustee or the Security Trustee, (as applicable), to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the protections, of the Bond Trustee or the Security Trustee, (as applicable), in the Bond Trust Deed, the other Programme Documents and/or the Conditions.

The Bond Trustee may without the consent of any of the Covered Bondholders of any Series, the related Couponholders and without the consent of any other Secured Creditor and without prejudice to its rights in respect of any subsequent breach, Issuer Event of Default, Potential Issuer Event of Default, Covered Bond Guarantor Event of Default or Potential Covered Bond Guarantor Event of Default from time to time and at any time but only if in so far as in its opinion the interests of the Covered Bondholders of any Series shall not be materially prejudiced thereby, waive or authorise, or direct the Security Trustee to waive or authorise, any breach or proposed breach by an Issuer, the Guarantor or the Covered Bond Guarantor or any other person of any of the covenants or provisions contained in the Bond Trust Deed, the other Programme Documents or the Conditions or determine that any Issuer Event of Default, Potential Issuer Event of Default, Covered Bond Guarantor Event of Default or Potential Covered Bond Guarantor Event of Default shall not be treated as such for the purposes of the Bond Trust Deed, PROVIDED ALWAYS THAT the Bond Trustee shall not exercise any powers conferred on it in contravention of any express direction given by Extraordinary Resolution or by a request under Condition 9(a) or (b) (Events of Default and Enforcement) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made. Any such waiver, authorisation or determination may be given or made on such terms and subject to such conditions (if any) as the Bond Trustee may determine, shall be binding on the Covered Bondholders, the related Couponholders and, if, but only if, the Bond Trustee shall so require, shall be notified by the Issuer, the Guarantor or the Covered Bond Guarantor (as the case may be) to the Covered Bondholders in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

Subject to as provided below, the Bond Trustee shall be bound to waive or authorise, or direct the Security Trustee to waive or authorise, any breach or proposed breach by an Issuer, the Guarantor or the Covered Bond Guarantor or any other person of any of the covenants or provisions contained in the Bond Trust Deed, the other Programme Documents or the Conditions or determine that any Issuer Event of Default, Potential Issuer Event of Default, Covered Bond Guarantor Event of Default or Potential Covered Bond Guarantor Event of Default shall not be treated as such for the purposes of the Bond Trust Deed if it is: (i) in the case of such waiver or authorisation, (a) so directed by Extraordinary Resolution of the Covered Bondholders of the relevant one or more Series (with the Covered Bonds of all such Series taken together as a single Series in the circumstances provided in the Bond Trust Deed and, if applicable, converted into NZ Dollars at the relevant Swap Rate) or (b) requested to do so in writing by the holders of not less than 25 per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant one or more Series (with the Covered Bonds of all such Series taken together as a single Series in the circumstances provided in the Bond Trust Deed and, if applicable, converted into NZ Dollars at the relevant Swap Rate) or (ii), in the case of any such determination, (a) so directed by an Extraordinary Resolution of the Covered Bondholders of all Series then outstanding with the Covered Bonds of all Series taken together as a single Series and, if applicable, converted into NZ Dollars at the relevant Swap Rate) or (b) requested to do so in writing by the holders of not less than 25 per cent. of the Principal Amount Outstanding of the Covered Bonds of all Series then outstanding with the Covered Bonds of all Series taken together as a single Series and, if applicable, converted into NZ Dollars as aforesaid), and at all times then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

The Security Trustee may, without the consent of the Secured Creditors (other than any Secured Creditor who is a party to the relevant document) and without prejudice to its right in respect of any further or other breach, from time to time and at any time, but only if so directed by (a) the Bond Trustee, so long as there are any Covered Bonds outstanding or (b) all of the other Secured Creditors, if there are no Covered Bonds outstanding, authorise or waive any proposed or actual breach of any of the covenants or provisions contained in any Programme Document and/or agree to any modification to any Programme Document. Any such authorisation or waiver or modification shall be binding on the Secured Creditors and, unless the Bond Trustee otherwise agrees, notice

thereof shall be given by the Issuer or the Guarantor or the Covered Bond Guarantor (as the case may be) to the Secured Creditors as soon as practicable thereafter.

Any such modification, waiver, authorisation or determination shall be binding on all the Covered Bondholders of all Series of Covered Bonds for the time being outstanding, the related Couponholders and the other Secured Creditors, and unless the Bond Trustee otherwise agrees, any such modification shall be notified by the Issuer, to the Covered Bondholders of all Series of Covered Bonds for the time being outstanding and the other Secured Creditors in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Bond Trustee and the Security Trustee shall have regard to the general interests of the Covered Bondholders of each Series as a class (but shall not have regard to any interests arising from circumstances particular to individual Covered Bondholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Covered Bondholders, the related Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee and the Security Trustee shall not be entitled to require, nor shall any Covered Bondholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, the Covered Bond Guarantor, the Bond Trustee, the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Covered Bondholders and/or Couponholders, except to the extent already provided for in Condition 7 (*Taxation*) and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Bond Trust Deed.

Prior to the Bond Trustee and/or the Security Trustee making or granting any waiver, authorisation or determination pursuant to this Condition, the Guarantor must send written confirmation to the Bond Trustee and Security Trustee that: (i) any such waiver, authorisation or determination would not require the RBNZ to be notified; or (ii) if such waiver, authorisation or determination would require the RBNZ to be notified, the Guarantor has provided all information required to be provided to the RBNZ and, if consent or confirmation of non-objection is required, the RBNZ has given its consent or confirmed its non-objection to the proposed waiver, authorisation or determination.

Subject to any required RBNZ consent, the Bond Trustee and Security Trustee shall concur in and effect any modifications to the Programme Documents that are requested by the Covered Bond Guarantor or the Trust Manager to accommodate the accession of a new Servicer, new Swap Provider or new Agent to the Programme provided that (a) each of the Swap Providers provide written confirmation to the Security Trustee consenting to such modification of those documents to which they are a party (such consent not to be unreasonably withheld); (b) the Covered Bond Guarantor or the Trust Manager, as the case may be, has certified to the Security Trustee and the Bond Trustee in writing that such modifications are required in order to accommodate the addition of the new Servicer, new Swap Provider or new Agent to the Programme; and (c) all other conditions precedent to the accession of the new Servicer, new Swap Provider or new Agent to the Programme set out in the Programme Documents have been satisfied at the time of the accession.

Substitution

The Bond Trust Deed provides that the Bond Trustee may, without the consent of the Covered Bondholders or Couponholders agree with the Issuer and (where applicable) the Guarantor, to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Covered Bonds, Coupons and the Bond Trust Deed of another company, being a subsidiary of the Issuer or, in the case of Covered Bonds issued by BNZ-IF, the Guarantor, subject to (a) (where the Issuer is BNZ-IF) the Covered Bonds continuing to be guaranteed by the Guarantor,

(b) the Bond Trustee being satisfied that the interests of the Covered Bondholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Bond Trust Deed being complied with.

The Bond Trust Deed provides that in connection with any scheme of amalgamation or reconstruction of the Issuer or, as the case may be, the Guarantor not involving the bankruptcy or insolvency of the Issuer or, as the case may be, the Guarantor and (A) where the Issuer or, as the case may be, the Guarantor does not survive the amalgamation or reconstruction or (B) where all or substantially all of the assets and business of the Issuer or the Guarantor, as the case may be, will be disposed of to, or succeeded to, by another entity (whether by operation of law or otherwise), the Bond Trustee shall, if requested by the Issuer and (where applicable) the Guarantor, be obliged, without the consent of the Covered Bondholders or Couponholders, at any time to agree to the substitution in the place of (a) the Issuer as principal debtor under the Covered Bonds, Coupons and the Bond Trust Deed or (b) the Guarantor (in the case of Covered Bonds issued by BNZ-IF) as guarantor of Covered Bonds issued by BNZ-IF, of another company (the **Substituted Debtor**) being the entity with and into which the Issuer or the Guarantor, as the case may be, amalgamates or the entity to which all or substantially all of the business and assets of the Issuer or the Guarantor is transferred, or succeeded to, pursuant to such scheme of amalgamation or reconstruction (whether by operation of law or otherwise), subject to, *inter alia*:

- (i) the Substituted Debtor entering into a supplemental trust deed in form and manner satisfactory to the Bond Trustee agreeing to be bound by the Bond Trust Deed with any consequential amendments which the Bond Trustee may deem appropriate as fully as if the Substituted Debtor had been named in the Bond Trust Deed as principal debtor or guarantor in place of the Issuer or the Guarantor, as the case may be;
- (ii) the Substituted Debtor acquiring or succeeding to pursuant to such scheme of amalgamation or reconstruction all or substantially all of the assets and business of the Issuer or the Guarantor, as the case may be;
- (iii) (in the case of the substitution of BNZ-IF) the obligations of the Substituted Debtor being or remaining guaranteed by the Guarantor on the terms set out in the Bond Trust Deed; and
- (iv) confirmations being received by the Bond Trustee from each Rating Agency that the substitution will not adversely affect the rating of the Covered Bonds.

Any such supplemental trust deed or undertaking shall, if so expressed, operate to release the relevant Issuer or the Guarantor, as the case may be, or in either case the previous substitute as aforesaid from all of its obligations as principal debtor or guarantor, as the case may be, under the Bond Trust Deed.

In addition, subject as further provided in the Bond Trust Deed, the Bond Trustee may without the consent of the Covered Bondholders or Couponholders at any time agree with the relevant Issuer and (in the case of Covered Bonds issued by BNZ-IF) the Guarantor to the substitution in place of the relevant Issuer (or any previous substitute under this Condition) as the principal debtor under the Covered Bonds, Coupons and the Bond Trust Deed of any Subsidiary of the relevant Issuer or (in the case of Covered Bonds issued by BNZ-IF) the Guarantor subject to (a) where the Issuer is BNZ-IF, all amounts payable under the Bond Trust Deed continuing to be guaranteed by the Guarantor, (b) the Bond Trustee being satisfied that the interests of the Covered Bondholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Bond Trust Deed being complied with.

Any substitution pursuant to this Condition 14 shall be binding on the Covered Bondholders and the Couponholders and, unless the Bond Trustee agrees otherwise, shall be notified by the Issuer to the

Covered Bondholders not later than 14 days after any such substitution in accordance with Condition 13 (*Notices*).

It shall be a condition of any substitution pursuant to this Condition 14 that the Covered Bond Guarantee shall remain in place or be modified to apply *mutatis mutandis* and continue in full force and effect in relation to any Substituted Debtor.

Rating Agencies

If:

- (a) a confirmation or affirmation of rating or other response by a Rating Agency is a condition to any action or step under any Programme Document; and
- (b) a written request for such confirmation or response is delivered to that Rating Agency by any of the Covered Bond Guarantor, the Issuer, the Guarantor, the Seller, the Servicer, the Bond Trustee and/or the Security Trustee, as applicable (each a **Requesting Party**) and the Rating Agency indicates that it does not consider such confirmation, affirmation or response necessary in the circumstances,

the Requesting Party shall be entitled to assume for the purposes of the Programme Documents that the then current ratings of the Covered Bonds in issue will not be downgraded or withdrawn by such Rating Agency as a result of such action or step.

The Bond Trustee shall be entitled to treat as conclusive a certificate signed by an Authorised Signatory of the Issuer or the Covered Bond Guarantor as to any matter referred to in (b) above and the Bond Trustee shall not be responsible for any loss, liabilities, costs, damages, expenses or inconvenience that may be caused as a result.

For the purposes of this Condition 14:

Potential Issuer Event of Default means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Issuer Event of Default;

Potential Covered Bond Guarantor Event of Default means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute a Covered Bond Guarantor Event of Default; and

Series Reserved Matter in relation to Covered Bonds of a Series means: (i) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds; (ii) alteration of the currency in which payments under the Covered Bonds and Coupons are to be made, other than pursuant to Condition 5(h) (*Redenomination*); (iii) alteration of the quorum or majority required to pass an Extraordinary Resolution; (iv) any amendment to the Guarantee, the Covered Bond Guarantee or the Security Deed; (v) except in accordance with Condition 6(h) (*Cancellation*) or the provision relating to substitution in this Condition 14, the sanctioning of any scheme or proposal for the exchange or sale of the Covered Bonds for or the conversion of the Covered Bonds into, or the cancellation of the Covered Bonds in consideration of, shares, stock, Covered Bonds, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, Covered

Bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the Covered Bondholders to execute an instrument of transfer of the Registered Covered Bonds held by them in favour of the persons with or to whom the Covered Bonds are to be exchanged or sold respectively; and (vi) alteration of the proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Bond Trust Deed or the alteration of this definition.

15. Indemnification of the Bond Trustee and the Security Trustee and the Bond Trustee and Security Trustee contracting with the Issuer, the Guarantor and/or the Covered Bond Guarantor

If, in connection with the exercise of its powers, trusts, authorities or discretions the Bond Trustee is of the opinion that the interests of the Covered Bondholders of any one or more series would be materially prejudiced thereby, the Bond Trustee shall not exercise such power, trust, authority or discretion without the approval of such Covered Bondholders of the relevant Series by Extraordinary Resolution or by a direction in writing of such Covered Bondholders of at least 25 per cent. of the Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding or as otherwise required under the Programme Documents.

The Bond Trust Deed and the Security Deed contain provisions for the indemnification of the Bond Trustee and the Security Trustee and for their relief from responsibility, including provisions relieving them from taking any action unless indemnified and/or secured and/or prefunded to their satisfaction.

The Bond Trust Deed and the Security Deed also contain provisions pursuant to which each of the Bond Trustee and Security Trustee, respectively, is entitled, *inter alia*: (i) to enter into business transactions with the Issuer, the Guarantor, the Covered Bond Guarantor and/or any of their respective Subsidiaries and affiliates and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Guarantor, the Covered Bond Guarantor and/or any of their respective Subsidiaries and affiliates; (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Covered Bondholders or Couponholders or the other Secured Creditors and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Neither the Bond Trustee nor the Security Trustee will be responsible for any loss, expense or liability which may be suffered as a result of any Mortgage Loans or Related Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons whether or not on behalf of the Bond Trustee and/or the Security Trustee. Neither the Bond Trustee nor the Security Trustee will be responsible for *inter alia*: (i) supervising the performance by the Issuer, the Guarantor or any other party to the Programme Documents of their respective obligations under the Programme Documents and the Bond Trustee and the Security Trustee will be entitled to assume, until they each have written notice to the contrary, that all such persons are properly performing their duties; (ii) considering the basis on which approvals or consents are granted by the Issuer, the Guarantor or any other party to the Programme Documents under the Programme Documents; (iii) monitoring the Mortgage Loan Portfolio, including, without limitation, whether the Mortgage Loan Portfolio is in compliance with the Asset Coverage Test, the Pre-Maturity Test or the Amortisation Test; or (iv) monitoring whether Mortgage Loans and Related Security satisfy the Eligibility Criteria. Neither the Bond Trustee nor the Security Trustee will be liable to any Covered Bondholder or other Secured Creditor for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent secured

creditor in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Programme Documents.

The Bond Trustee may refrain from taking any action or exercising any right, power, authority or discretion vested in it relating to the transactions contemplated in the Programme Documents until it has been indemnified and/or secured and/or prefunded to its satisfaction against any and all actions, charges, claims, costs, damages, demands, expenses, liabilities, losses and proceedings which might be sustained by it as a result and will not be required to do anything which may cause it to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights, powers, authorities or discretions if it has reasonable grounds for believing that repayment of such funds or adequate indemnity, security or prefunding against such liability is not assured to it.

16. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Covered Bondholders or the Couponholders to create and issue further bonds having terms and conditions the same as the Covered Bonds of any Series or the same in all respects save for the amount and date of the first payment of interest thereon, issue date and/or purchase price and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds of such Series.

17. Limited Recourse, Covered Bond Guarantee and non-petition

- (a) Only the Security Trustee may pursue the remedies available under the general law or under the Security Deed to enforce the Security and no Transaction Party shall be entitled to proceed directly against the Covered Bond Guarantor to enforce the Security. In particular, each Transaction Party (other than the Covered Bond Guarantor and the Security Trustee) has agreed with and acknowledges to each of the Covered Bond Guarantor and the Security Trustee, and the Security Trustee agreed with and acknowledged to the Covered Bond Guarantor, that:
 - (i) none of the Transaction Parties (nor any person on their behalf, other than the Security Trustee where appropriate) is entitled, otherwise than as permitted by the Programme Documents, to direct the Security Trustee to enforce the Security or take any proceedings against the Covered Bond Guarantor to enforce the Security;
 - (ii) none of the Transaction Parties (other than the Security Trustee) shall have the right to take or join any person in taking any steps against the Covered Bond Guarantor for the purpose of obtaining payment of any amount due from the Covered Bond Guarantor to any of such Transaction Parties;
 - (iii) until the date falling two years after the Vesting Date none of the Transaction Parties nor any person on their behalf shall initiate or join any person in initiating an Insolvency Event in relation to the Trust other than a Receiver appointed under clause 15 of the Security Deed; and
 - (iv) none of the Transaction Parties shall be entitled to take or join in the taking of any corporate action, legal proceedings or other procedure or step which would result in the Priorities of Payments not being complied with.
- (b) The Covered Bondholders agree with and acknowledge to each of the Covered Bond Guarantor and the Security Trustee, and the Security Trustee has agreed with and acknowledged to the Covered Bond Guarantor, that notwithstanding any other provision of any Programme Document, all obligations of the Covered Bond Guarantor to such party including, without limitation, the Secured Obligations, are limited in recourse to the Covered Bond Guarantor as set out below:

- (i) it will have a claim only in respect of the Charged Property and will not have any claim, by operation of law or otherwise, against, or recourse to, any of the Covered Bond Guarantor's other assets;
 - (ii) sums payable to each party in terms of the Covered Bond Guarantor's obligations to such party shall be limited to the lesser of (a) the aggregate amount of all sums due and payable to such party and (b) the aggregate amounts received, realised or otherwise recovered and immediately available for payment by or for the account of the Covered Bond Guarantor in respect of the Charged Property whether pursuant to enforcement of the Security or otherwise, net of any sums which are payable by the Covered Bond Guarantor in accordance with the Priorities of Payments in priority to or *pari passu* with sums payable to such party; and
 - (iii) upon the Security Trustee giving written notice to the relevant party that it has determined in its opinion, and the Servicer having certified to the Security Trustee, that there is no reasonable likelihood of there being any further realisations in respect of the Charged Property (whether arising from an enforcement of the Security or otherwise) which would be available to pay unpaid amounts outstanding under the relevant Programme Document, the relevant party shall have no further claim against the Covered Bond Guarantor in respect of any such unpaid amounts and the obligations to pay such unpaid amounts shall be discharged in full.
- (c) To the extent permitted by law, no recourse under any obligation, covenant, or agreement of any person contained in the Programme Documents shall be had against any shareholder, officer, agent or director of such person as such, by the enforcement of any assessment or by any legal proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that the Programme Documents are corporate obligations of each person expressed to be a party thereto and no personal liability shall attach to or be incurred by the shareholders, officers, agents or directors of such person as such, or any of them, under or by reason of any of the obligations, covenants or agreements of such person contained in the Programme Documents, or implied therefrom, and that any and all personal liability for breaches by such person of any of such obligations, covenants or agreements, either under any applicable law or by statute or constitution, of every such shareholder, officer, agent or director is expressly waived by each person expressed to be a party thereto as a condition of and consideration for execution of the Programme Documents.

18. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Covered Bond under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

19. Governing Law

The Bond Trust Deed (including the Covered Bond Guarantee), the Principal Agency Agreement, the Covered Bonds and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law unless specifically stated to the contrary. The NZ Agency Agreement and any non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with New Zealand law.

USE OF PROCEEDS

The gross proceeds from each issue of Covered Bonds issued by BNZ-IF will be on lent to BNZ.

The gross proceeds from each issue of Covered Bonds (or in the case of an issue of Covered Bonds issued by BNZ-IF, the proceeds of the on-loan of such gross proceeds from BNZ-IF to BNZ) will be used for the general corporate purposes of BNZ (which include making a profit) and its subsidiaries.

BANK OF NEW ZEALAND

INFORMATION ABOUT BNZ

History and development of BNZ

The legal name of BNZ is Bank of New Zealand and it trades commercially as "Bank of New Zealand" and, particularly within New Zealand, as "BNZ".

BNZ is registered in New Zealand with registration number 428849, and is a registered bank under the Reserve Bank of New Zealand Act 1989.

BNZ was incorporated on 29 July 1861, under the New Zealand Bank Act 1861. The Bank of New Zealand Act 1945 enabled the Government of New Zealand to acquire all privately owned shares in BNZ. From 1945 to 1987, BNZ was a trading bank and statutory corporation, wholly-owned, but not guaranteed, by the Government of New Zealand. Legislation was passed in 1986 to facilitate a public minority shareholding. In March 1989, the Bank of New Zealand Act 1988 became effective, resulting in a complete sale of the Government's interest in BNZ, and the incorporation of BNZ as a limited liability company under the New Zealand Companies Act 1955. In March 1997, BNZ was re-registered under the NZ Companies Act. NAB assumed control of BNZ and the group of companies of which it is the parent company (**BNZ Group**) on 1 October 1992.

BNZ is a company with limited liability incorporated in New Zealand and it operates under the NZ Companies Act. Its registered office is Level 4, 80 Queen Street, Auckland 1010, New Zealand (telephone number +64 9928 0507).

BUSINESS OVERVIEW

Principal activities

BNZ is a full service bank providing a broad range of banking and financial products to retail, business, agribusiness, corporate and institutional clients.

The BNZ Group's business is organised into the following two operating and reportable segments: Retail and Marketing, and BNZ Partners. These segments are supported by the specialist units of Products and Technology, Customer Fulfilment Services, Strategy and Business Performance, Finance, Risk, and People & Communications. The BNZ Group raises offshore funding through BNZ-IF.

Retail and Marketing

Retail and Marketing provides transactional banking, savings and investment products, home loans, credit cards, personal loans and insurance to individual and small business customers.

BNZ Partners

BNZ Partners provides financial services and products to business, agribusiness, private bank, institutional and corporate customers.

BNZ-IF

BNZ-IF raises external offshore funding for the BNZ Group through the issuance of commercial paper, medium term notes and Covered Bonds.

ORGANISATIONAL STRUCTURE

National Australia Bank Limited is the ultimate parent company of BNZ, through the intermediate holding companies National Australia Group (NZ) Limited (the registered and beneficial holder of the voting securities of BNZ) and National Equities Limited (the immediate parent company of National Australia Group (NZ) Limited).

TREND INFORMATION

There has been no material adverse change in the prospects of BNZ since 30 September 2014.

PROFIT FORECASTS OR ESTIMATES

BNZ does not intend to make or imply any profit forecasts or profit estimates in this Prospectus. No statement contained in this Prospectus should be interpreted as such a forecast or estimate.

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The name, occupation and country of residence of each director of BNZ as at the date of this Prospectus are listed below. Unless otherwise indicated, the business address of each director is Level 4, 80 Queen Street, Auckland 1010, New Zealand.

Non-Executive Director, Chairman

Douglas Alexander McKay, ONZM, Company Director, New Zealand. Other appointments: Chair, Eden Park Trust. Director, AMI Insurance Limited, Chartered Accountants Australia and New Zealand, Genesis Energy Limited, IAG New Zealand Limited, IAG (NZ) Holdings Limited, Lumley General Insurance (NZ) Limited, Ryman Healthcare Limited, Tourism Transport Limited and Wymac Consulting Limited.

Executive Director

Anthony John Healy, Managing Director and Chief Executive Officer, BNZ, New Zealand. Other appointments: Chair of the Council of the New Zealand Bankers' Association. Director, JBWere (NZ) Holdings Limited.

Non-Executive Directors

Gavin Robin Slater, Director and Group Executive, Personal Banking, NAB, Australia (Business address: National Australia Bank Limited, Level 1, 800 Bourke Street, Docklands, Victoria 3008, Australia).

Michaela Jane Healey, Director and Group Executive, Governance & Reputation, NAB, Australia (Business address: National Australia Bank Limited, Level 1, 800 Bourke Street, Docklands, Victoria 3008, Australia). Other appointments: Director, Amantec Pty Limited, Dareanow Holdings Pty Limited, Dareanow Nominees Pty Limited, DS SMSF Pty Limited and Waterfall Venture Pty Limited. Member of the Big Issue Advisory Board. Victoria State Chair of Chief Executive Women. President of International Women's Forum Australia.

Independent Non-Executive Directors

Mai Chen, Barrister and Solicitor, New Zealand. Other appointments: Partner, Chen Palmer New Zealand Public and Employment Law Specialists. Director, Asianz CEO Limited, Chen & Palmer Office Services Limited, Chen Palmer Limited, Chen Palmer New Zealand Public Law Specialists Limited, Chen Palmer NZ Public Law Specialists Limited, Chen Palmer NZPLS Limited, CP New Zealand Public Law Specialists Limited, NZPLS Limited, New Zealand Public Law Specialists Limited, Public Law Toolbox Limited and Superdiversity Centre for Law, Policy and Business Limited.

Prudence Mary Flacks, Company Director, New Zealand. Other appointments: Director, BBULL Family Trust Limited, Chorus Limited, Chorus LTI Limited, Mighty River Power Limited, Mighty River Power LTI Limited and Planboe Limited.

Dr. Susan Carrel Macken, Company Director, New Zealand. Other appointments: Director, Blossom Bear Limited, Development Auckland Limited, ESR Limited, FA Ventures One Limited, Fertility Associates Limited, Fertility Associates Holdings Limited, Fertility Associates Trustee Limited, STG Limited and Tamaki Redevelopment Company Limited. Non-Executive Board Member of the New Zealand Treasury.

Stephen John Moir, Company Director, New Zealand. Other appointments: Chair, BNZ Life Insurance Limited and BNZ Insurance Services Limited. Director, Board of the Guardians of the New Zealand Superannuation Fund and Ijap Limited.

Dr. Andrew John Pearce, Company Director, New Zealand. Other appointments: Chair, Focus Genetics Management Limited and Hawke's Bay Regional Investment Company Limited. Director, Christchurch City Holdings Limited, FAUNA Limited and Seon Pearce & Associates Limited.

At the date of this Prospectus, except as detailed in the paragraph below, no conflicts of interest and no potential conflicts of interest exist between any duties owed to BNZ by the members of the board of directors of BNZ (**BNZ Board**) and their private interests or duties of the BNZ Group.

Mr. McKay was appointed as a director of IAG New Zealand Limited, IAG (NZ) Holdings Limited and AMI Insurance Limited, a subsidiary of IAG. New Zealand Limited, on 10 February 2014 and a director of Lumley General Insurance (N.Z.) Limited on 30 June 2014, following its acquisition by IAG New Zealand Limited. As at the date of this Prospectus, BNZ contracts with IAG New Zealand Limited for the provision of insurance products and services. The BNZ Board receives regular management reports, both directly and through the BNZ Board Risk Committee, which may contain sensitive information.

BNZ has a process for the management of any conflicts of interest or potential conflicts of interest that may arise. BNZ's constitution and company secretarial management processes dictate that when a potential conflict of interest arises, the director concerned will not receive copies of the relevant BNZ Board papers and will not be present at the BNZ Board meeting while such matters are considered. Accordingly, in such circumstances, the director concerned takes no part in discussions and exercises no influence over other members of the BNZ Board. If a director has a significant conflict of interest which cannot be resolved, the director is expected to tender his or her resignation after consultation with the Chair of the BNZ Board.

The BNZ Board has adopted a board charter which sets out the BNZ Board's purpose, powers and responsibilities.

MAJOR SHAREHOLDERS

BNZ is wholly owned by National Australia Group (NZ) Limited and BNZ is ultimately owned and controlled by NAB.

National Australia Group (NZ) Limited, NAB and National Equities Limited (the immediate parent company of National Australia Group (NZ) Limited) are the only holders of a direct or indirect qualifying interest in the voting securities of BNZ. National Australia Group (NZ) Limited is the registered and beneficial holder of all BNZ's voting securities.

The NAB Group has examined the possibility of adopting a non-operating holding company (**NOHC**) structure to support its operations in the longer term. The process is complex, with many regulatory, tax, legal, accounting and other issues to address. While a number of issues have now been resolved, no decision on whether to proceed to a NOHC structure has yet been taken. Otherwise, BNZ is not aware of any arrangements that are in place the operation of which may result in a change of control of BNZ.

FINANCIAL INFORMATION CONCERNING BNZ'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

Historical financial information

The financial information relating to BNZ contained in this Prospectus has been prepared in accordance with New Zealand Generally Accepted Accounting Practice (**New Zealand GAAP**). In relation to BNZ's Disclosure Statements for the financial years ended 30 September 2013 and 30 September 2014 and for the six months ended 31 March 2015, which are incorporated by reference in this Prospectus, New Zealand GAAP comprises New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**) and other applicable financial reporting standards and interpretations as appropriate for profit-orientated entities.

The financial information in relation to BNZ for its financial years ended 30 September 2013 and 30 September 2014 and for the six months ended 31 March 2015 is contained in its Disclosure Statements for these financial periods, which are incorporated by reference in this Prospectus. Such financial statements contain information about BNZ and consolidated information about the BNZ Group and the BNZ and BNZ Group financial information complies with NZ IFRS and International Financial Reporting Standards (**IFRS**). See further "*Documents Incorporated by Reference*" above.

Auditing of historical annual financial information

The historical financial information in relation to BNZ for its financial years ended 30 September 2013 and 30 September 2014 described above has been audited; please see the "*Auditor's Report*" at pages 89 and 90 of the Disclosure Statement for the year ended 30 September 2013 and at pages 87 and 88 of the Disclosure Statement for the year ended 30 September 2014 of BNZ, both incorporated by reference in this Prospectus.

The historical financial information in relation to BNZ for its six months ended 31 March 2015 described above has not been audited; please see the "*Auditor's Independent Review Report*" at pages 39 and 40 of the Disclosure Statement for the six months ended 31 March 2015 incorporated by reference in this Prospectus. No other information in this Prospectus has been audited by the auditors of BNZ.

Legal and arbitration proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BNZ is aware) in the 12-month period before the date of this Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of BNZ or the BNZ Group.

In March 2013, a potential representative action against New Zealand banks (including, potentially, BNZ) was announced in relation to certain fees. Litigation Lending Services (NZ) Limited is funding the action. On 20 August 2014, representative proceedings were filed against BNZ. On 24 September 2014 and again on 30 April 2015, these proceedings were stayed pending the outcome of proceedings in Australia (currently on appeal). The potential outcome of these proceedings cannot be determined with any certainty as at the date of this Prospectus.

Recent events

There are no recent events particular to BNZ that are, to a material extent, relevant to the evaluation of its solvency.

Significant change in the financial or trading position of BNZ

There has been no significant change in the financial or trading position of the BNZ Group which has occurred since 31 March 2015 (being the date of the last unaudited consolidated half year financial statements for the six months ended 31 March 2015).

**BNZ INTERNATIONAL FUNDING LIMITED
(ACTING THROUGH ITS LONDON BRANCH)**

INFORMATION ABOUT BNZ-IF

History and development of BNZ-IF

The legal and commercial name of BNZ-IF is BNZ International Funding Limited.

BNZ-IF is registered in New Zealand with registration number 1635202 and in England & Wales under branch number BR008377 and company number FC026206. For the purposes of the Programme, it is acting through its London Branch (**London Branch**).

BNZ-IF was incorporated on 2 June 2005.

BNZ-IF is a company with limited liability incorporated in New Zealand and it operates under the NZ Companies Act. Its registered office is Level 4, 80 Queen Street, Auckland 1010, New Zealand (telephone number +64 9 928 0507) and the address of the London Branch is 88 Wood Street, London EC2V 7QQ, United Kingdom (telephone number +44 20 7710 2952).

BUSINESS OVERVIEW

Principal activities

BNZ-IF has been established to carry on various funding and other related activities.

The London Branch has prime responsibility for carrying out BNZ's offshore wholesale funding arising from the issuance of debt securities. In addition to its role as an Issuer under the Programme, the London Branch also issues short term debt securities via a global commercial paper programme and a United States commercial paper programme and medium term securities via a global medium term note programme.

Funds raised by the London Branch are on-lent to BNZ on terms and conditions which match the terms and conditions of the original funding (including the same principal amount, currency, term and interest rate basis, and with corresponding redemption events and status (except that the funds on-lent to BNZ will not be guaranteed)).

The constitution of BNZ-IF contains a provision to the effect that if BNZ-IF issues any debt securities which are guaranteed by BNZ, BNZ-IF must on-lend to BNZ an amount equal to the proceeds raised by that debt issue, on terms and conditions which match the terms and conditions of that debt issue.

ORGANISATIONAL STRUCTURE

BNZ-IF is a wholly-owned subsidiary of BNZ. In turn, BNZ is ultimately a wholly-owned subsidiary of NAB, through the intermediate holding companies National Australia Group (NZ) Limited (the registered and beneficial holder of the voting securities of BNZ) and National Equities Limited (the immediate parent company of National Australia Group (NZ) Limited).

BNZ-IF is dependent upon the guarantee of BNZ to enable it to carry out its fund-raising activities. As all funds raised by BNZ-IF will be on-lent to BNZ, the ability of BNZ-IF to fund its debt obligations will be dependent on the ability of BNZ to fund its debt obligations to BNZ-IF. BNZ will also fund the income of BNZ-IF.

NAB and/or BNZ also supply settlement, accounting, tax, regulatory compliance and legal services and seconded staff, as required.

TREND INFORMATION

There has been no material adverse change in the prospects of BNZ-IF since 30 September 2014.

PROFIT FORECASTS OR ESTIMATES

BNZ-IF does not intend to make or imply any profit forecasts or profit estimates in this Prospectus. No statement contained in this Prospectus should be interpreted as such a forecast or estimate.

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The board of directors of BNZ-IF (**BNZ-IF Board**) manages and exercises control of BNZ-IF from New Zealand. The BNZ-IF Board is comprised of the following, all of whom have a business address of Level 4, 80 Queen Street, Auckland 1010, New Zealand:

- Neil Watson Bradley, Treasurer, BNZ
- David James Bullock, Director, Products & Technology, BNZ
- Graeme David Liddell, Head of Markets, BNZ
- Fiona Jane Stolberger, Head of Product, BNZ

BNZ's governance and control framework apply to BNZ-IF and London Branch.

There are no conflicts of interest between any duties of these people to BNZ-IF and their private interests or their other duties.

MAJOR SHAREHOLDERS

BNZ-IF is directly wholly-owned and controlled by BNZ.

Save as disclosed on page 148 under "*Bank of New Zealand – Major Shareholders*", there are no arrangements in place the operation of which may result in a change of control of BNZ-IF.

FINANCIAL INFORMATION CONCERNING BNZ-IF'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

Historical financial information

The financial information relating to BNZ-IF contained in this Prospectus has been prepared in accordance with New Zealand GAAP. In relation to BNZ-IF's Annual Report and Financial Statements for the financial years ended 30 September 2013 and 30 September 2014, which are incorporated by reference in this Prospectus, New Zealand GAAP comprises NZ IFRS and other applicable financial reporting standards and interpretations as appropriate for profit-orientated entities.

The financial information in relation to BNZ-IF for the financial years ended 30 September 2013 and 30 September 2014 is contained in its Annual Report and Financial Statements for such financial periods which are incorporated by reference into this Prospectus. See further "*Documents Incorporated by Reference*" above. Financial reports for BNZ-IF will also be posted at <http://bnzif.com/>, a dedicated investor reporting page provided by BNZ-IF in its capacity as Issuer under the Programme.

Auditing of historical annual financial information

The historical financial information described above has been audited; please see the Auditor's Report attached to the Annual Report and Financial Statements of BNZ-IF for the financial years ended 30 September 2013 and 30 September 2014, respectively, each as incorporated by reference into this Prospectus.

No other information in this Prospectus has been audited by the auditors of BNZ-IF.

Legal and arbitration proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BNZ-IF is aware) in the 12-month period before the date of this Prospectus which may have, or have had in the recent past, significant effects on BNZ-IF's financial position or the profitability of BNZ-IF.

Recent events

There are no recent events particular to BNZ-IF that are, to a material extent, relevant to the evaluation of its solvency.

Significant change in the financial or trading position of BNZ-IF

BNZ-IF's directors approved a dividend of NZ\$8,000,000 which was paid to BNZ on 20 August 2015. There has been no other significant change in the financial or trading position of BNZ-IF since 30 September 2014.

THE BNZ COVERED BOND TRUST

BNZ Covered Bond Trust (**Trust**) is a special purpose trust established by the Establishment Deed dated 2 June 2010, under New Zealand law. The Covered Bond Guarantor is the trustee of the Trust.

The Covered Bond Guarantor is a company incorporated in New Zealand with limited liability on 6 May 2010 under registration number 2467131. The Covered Bond Guarantor's principal office is at Level 9, 34 Shortland Street, Auckland 1010, New Zealand. The telephone number of the Covered Bond Guarantor's principal office is +64 9 985 5300.

The Covered Bond Guarantor is dependent on the Trust Manager, the Servicer and the Calculation Manager (among others) to provide certain management and administrative services to it, on the terms of the Establishment Deed and the other Programme Documents.

The principal activities of the Trust are set out in the Establishment Deed and include the acquisition, management and sale of, amongst other things, Mortgage Loans and the Related Security, the borrowing of moneys to fund the acquisition of such assets, the hedging of risks associated with such assets and such funding, the acquisition, management and sale of Substitution Assets and Authorised Investments, the giving of guarantees, the granting of security and any other business as the Trust Manager shall direct (with the prior written consent of the Security Trustee, prior to the release of the Security constituted by the Security Deed for as long as the Covered Bonds are outstanding).

The Trust has not engaged since its establishment, and will not engage whilst the Covered Bonds or the Intercompany Loan remains outstanding, in any material activities other than activities incidental to its establishment, activities contemplated under the Programme Documents to which it is or will be a party and other matters which are incidental or ancillary to the foregoing.

Beneficiaries

The Residual Income Beneficiary and the Residual Capital Beneficiary of the Trust as at the date of this Prospectus is SAVVY.

Trust Manager

As at the date of this Prospectus, the Trust Manager is BNZ Facilities Management Limited. The registered office of the Trust Manager is Level 4, 80 Queen Street, Auckland 1010, New Zealand.

Pursuant to the Establishment Deed, the Trust Manager will act as manager of the Trust and will provide certain administrative services required by the Trust pursuant to the Programme Documents. As compensation for the performance of the Trust Manager's obligations under the Establishment Deed and as reimbursement for its related expenses, the Trust Manager will be entitled to a fee which will be paid in accordance with the applicable Priority of Payments.

The name and function of each of the directors of the Trust Manager are listed below:

- David James Bullock, Director, Products & Technology, BNZ
- Martin Andrew Gaskell, Director, Customer Fulfilment Services, BNZ Partners
- Graeme David Liddell, Head of Markets, BNZ

As at the date of this Prospectus, there are no existing or potential conflicts of interest between any duties owed to BNZ Facilities Management Limited by its directors and the private interests or external duties of those directors.

Delegation by the Trust Manager

The Trust Manager may in performing its functions under the Establishment Deed and the other Programme Documents, delegate to any service provider the performance of any of its functions and appoint any person to be delegate or sub-delegate, in each case subject to and in accordance with the provisions of the Establishment Deed and the Management Agreement, as the case may be.

Trend Information

There has been no material adverse change in the prospects of the Trust since 30 September 2014.

Historical financial information

The financial information relating to the Trust contained in this Prospectus has been prepared in accordance with New Zealand GAAP. In relation to the Financial Statements of the Trust, as prepared on behalf of the Covered Bond Guarantor, in its capacity as Trustee of the Trust, for the financial years ended 30 September 2013 and 30 September 2014, which are incorporated by reference in this Prospectus, New Zealand GAAP comprises NZ IFRS and other applicable financial reporting standards and interpretations as appropriate for profit-orientated entities. The financial information in relation to the Trust for the financial years ended 30 September 2013 and 30 September 2014 complies with IFRS.

The financial information in relation to the Trust for the financial years ended 30 September 2013 and 30 September 2014 is contained in its Financial Statements for such financial periods which are incorporated by reference into this Prospectus. See further "*Documents Incorporated by Reference*" above.

Such financial statements contain information of the Trust, as prepared on behalf of the Covered Bond Guarantor, in its capacity as Trustee of the Trust.

Auditing of historical annual financial information

The historical financial information described above has been audited, please see the Auditor's Report attached to the Financial Statements of the Trust for the financial years ended 30 September 2013 and 30 September 2014 respectively, as incorporated by reference in this Prospectus.

No other information in this Prospectus has been audited by the auditors of the Trust.

Significant change in the financial or trading position of Covered Bond Guarantor

There has been no significant change in the financial or trading position of the Covered Bond Guarantor which has occurred since 30 September 2014.

OVERVIEW OF THE PRINCIPAL DOCUMENTS

Bond Trust Deed

The Bond Trust Deed entered into between the Issuers, BNZ in its capacity as Guarantor (in the case of Covered Bonds issued by BNZ-IF), the Covered Bond Guarantor and the Bond Trustee on the Programme Date as supplemented on 5 November 2010, on 24 April 2013 and 14 September 2015, is the principal agreement governing the Covered Bonds. The Bond Trust Deed contains provisions relating to:

- (a) the constitution of the Covered Bonds and the terms and conditions of the Covered Bonds (in each case, other than the Australian Covered Bonds) (as more fully set out under "*Terms and Conditions of the Covered Bonds*" below);
- (b) the covenants of the Issuers, the Guarantor and the Covered Bond Guarantor;
- (c) the terms of the Guarantee and the Covered Bond Guarantee (as described below);
- (d) the enforcement procedures relating to the Covered Bonds, the Guarantee and the Covered Bond Guarantee; and
- (e) the appointment, powers and responsibilities of the Bond Trustee and the circumstances in which the Bond Trustee may resign or retire or be removed.

The Guarantee and the Covered Bond Guarantee

The Guarantee

Where the Issuer is BNZ-IF, the Guarantor has guaranteed to the Bond Trustee, for the benefit of Covered Bondholders, the prompt performance by BNZ-IF of its obligations to pay on the due dates all moneys payable under the Bond Trust Deed, the Covered Bonds and the Coupons.

If BNZ-IF defaults in the payment on the due date of any moneys payable under or pursuant to the Bond Trust Deed, the Covered Bonds or the Coupons, the Guarantor, as principal obligor shall, following service of a written demand on the Guarantor by the Bond Trustee, pay or procure to be paid to or to the order of the Bond Trustee (for the benefit of the Covered Bondholders (to be applied in accordance with the Programme Documents)), in the currency and at the place and in a manner specified by the Bond Trust Deed, the amount in respect of which such default has been made or to the extent only of any amounts still then unpaid.

The Covered Bond Guarantee

The Covered Bond Guarantor has guaranteed to the Bond Trustee, for the benefit of Covered Bondholders, the prompt performance by the Issuers and the Guarantor of their obligations to pay Guaranteed Amounts as and when the same shall become Due for Payment.

Following the occurrence of an Issuer Event of Default and the service by the Bond Trustee of an Issuer Acceleration Notice on the Issuers and the Guarantor and a Notice to Pay on the Covered Bond Guarantor, the Covered Bond Guarantor shall pay or procure to be paid on each Scheduled Payment Date (or on such later date provided for in the Bond Trust Deed) to or to the order of the Bond Trustee (for the benefit of the Covered Bondholders), an amount equal to those Guaranteed Amounts which shall have become Due for Payment in accordance with the terms of the Bond Trust Deed (or which would have become Due for Payment but for any variation, release or discharge of the Guaranteed Amounts), but which have not been paid by the relevant Issuer or the Guarantor (in the case of Covered Bonds issued by BNZ-IF) to the relevant Covered Bondholder and/or Couponholders on the relevant date for payment provided that no Notice to Pay

shall be so served until an Issuer Acceleration Notice has been served by the Bond Trustee on the relevant Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF).

Following the occurrence of a Covered Bond Guarantor Event of Default and the service by the Bond Trustee of a Covered Bond Guarantee Acceleration Notice on the Issuers and the Guarantor and the Covered Bond Guarantor, in respect of the Covered Bonds of each Series which shall have become immediately due and repayable (or which would have become Due for Payment but for any variation, release or discharge of the Guaranteed Amounts), the Covered Bond Guarantor shall pay or procure to be paid to or to the order of the Bond Trustee (for the benefit of itself and the Covered Bondholders) in the manner described in the Bond Trust Deed), the Guaranteed Amounts.

Subject to the grace periods specified in Condition 9(b) (*Covered Bond Guarantor Events of Default*), failure by the Covered Bond Guarantor to pay the Guaranteed Amounts when Due for Payment will constitute a Covered Bond Guarantor Event of Default.

Covered Bond Guarantor not obliged to pay additional amounts

All payments of principal and interest (if any) in respect of the Covered Bonds and Coupons by or on behalf of the Covered Bond Guarantor will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessment or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or New Zealand or any political sub-division thereof or by any authority therein or thereof having power to tax unless such withholding or deduction is required by law. If any such withholding or deduction is required, the Covered Bond Guarantor shall pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The Covered Bond Guarantor shall not be obliged to pay any additional amount to the Bond Trustee or any holder of Covered Bonds and/or Coupons in respect of the amount of such withholding or deduction.

See further "*Taxation*".

Guarantor and Covered Bond Guarantor as principal debtor and not merely as surety

The Guarantor and the Covered Bond Guarantor have each agreed that its obligations under the Bond Trust Deed shall be as if it were principal debtor and not merely as surety or guarantor and shall be absolute and (in the case of the Covered Bond Guarantor following service of an Issuer Acceleration Notice and Notice to Pay or a Covered Bond Guarantee Acceleration Notice) unconditional, irrespective of, and unaffected by, any invalidity, irregularity, illegality or unenforceability of, or defect in, any provisions of the Bond Trust Deed or any other Programme Document, or the absence of any action to enforce the same or the waiver, modification or consent by the Bond Trustee, any of the Covered Bondholders or Couponholders in respect of any provisions of the same or the obtaining of any judgment or decree against an Issuer or the Guarantor or any action to enforce the same or any other circumstances which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

Application of moneys

All moneys (other than Excess Proceeds, as described below) received by the Bond Trustee under the Bond Trust Deed from the relevant Issuer and/or the Guarantor or, as the case may be, the Covered Bond Guarantor or any administrator, administrative receiver, receiver, liquidator, trustee in sequestration or other similar official appointed in relation to the relevant Issuer and/or the Guarantor and/or the Covered Bond Guarantor (including any moneys which represent principal or interest in respect of Covered Bonds or Coupons which have become void or in respect of which claims have become prescribed under Condition 8 (*Prescription*) and including the proceeds of any enforcement of the Security) shall, unless and to the extent attributable, in the opinion of the Bond Trustee, to a particular Series of the Covered Bonds, be apportioned *pari passu* and rateably between each Series of the Covered Bonds, and all moneys received by the Bond Trustee under the Trust Presents from the relevant Issuer and/or the Guarantor or, as the case may be, the

Covered Bond Guarantor to the extent attributable in the opinion of the Bond Trustee to a particular Series of the Covered Bonds or which are apportioned to such Series as aforesaid, be held by the Bond Trustee upon trust to apply them (subject to the Bond Trustee's power under the Bond Trust Deed to invest such moneys pending payment):

- (a) *First*: (except in relation to any such moneys received by the Bond Trustee following the occurrence of an Issuer Event of Default and the service by the Bond Trustee of an Issuer Acceleration Notice and a Notice to Pay) in payment or satisfaction of all amounts of remuneration and indemnification then due and unpaid under the Bond Trust Deed to the Bond Trustee and/or any appointee;
- (b) *Secondly*: in or towards payment *pari passu* and rateably of all principal and interest then due and unpaid in respect of the Covered Bonds of that Series;
- (c) *Thirdly*: in or towards payment *pari passu* and rateably of all principal and interest then due and unpaid in respect of the Covered Bonds of each other Series; and
- (d) *Fourthly*: in payment of the balance (if any) to the relevant Issuer (to the extent received from the Issuer), the Guarantor (if received from the Guarantor) or the Covered Bond Guarantor (if received from the Covered Bond Guarantor).

Excess Proceeds

Following the occurrence of an Issuer Event of Default and the delivery of an Issuer Acceleration Notice, and Notice to Pay any Excess Proceeds which are received by the Bond Trustee from the relevant Issuer, the Guarantor (in the case of Covered Bonds issued by BNZ-IF) or any receiver, liquidator, administrator, or other similar official appointed in relation to the relevant Issuer or the Guarantor, and are then held by it or under its control shall be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the Covered Bond Guarantor for its own account, as soon as practicable, and shall be held by the Covered Bond Guarantor in the GIC Account and the Excess Proceeds shall thereafter form part of the Security and shall be used by the Covered Bond Guarantor in the same manner as all other moneys from time to time standing to the credit of the GIC Account pursuant to the Security Deed and the Establishment Deed. Any Excess Proceeds received by the Bond Trustee and held by it or under its control shall discharge *pro tanto* the obligations of the relevant Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) in respect of the Guarantee, the Covered Bonds and Coupons (as applicable and to the extent of the amount so received and subject to restitution of the same if such Excess Proceeds shall be required to be repaid by the Covered Bond Guarantor) (but shall be deemed not to have done so for the purposes of subrogation rights of the Covered Bond Guarantor contemplated by the Covered Bond Guarantee and the Bond Trust Deed). However, the obligations of the Covered Bond Guarantor under the Covered Bond Guarantee are (following service of an Issuer Acceleration Notice and Notice to Pay or if earlier, service of an Covered Bond Guarantee Acceleration Notice) unconditional and irrevocable and the receipt by, or on behalf of, the Bond Trustee of any Excess Proceeds shall not reduce or discharge any such obligations.

By subscribing for Covered Bonds, each Covered Bondholder shall be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the Covered Bond Guarantor in the manner as described above.

For the avoidance of doubt, any payments by the Covered Bond Guarantor to the Covered Bondholders out of the Excess Proceeds, shall reduce the Guaranteed Amounts *pro tanto*.

The Bond Trust Deed is governed by English law.

Australian Deed Poll

The Australian Deed Poll was made by BNZ-IF as Issuer on 12 May 2011 and constitutes and contains the terms and conditions of the Australian Covered Bonds (as set out in the Terms and Conditions of the Australian Covered Bonds).

Intercompany Loan Agreement

On each Issue Date, the Intercompany Loan Provider will lend an amount equal to the proceeds of a Series or Tranche of the Covered Bonds issued on that Issue Date to the Covered Bond Guarantor by way of a Term Advance pursuant to the Intercompany Loan Agreement. Each Term Advance will be made in the Specified Currency of the related Series or Tranche of Covered Bonds and will have a term matching the term of the related Series or Tranche of Covered Bonds. Where a Series of Covered Bonds is issued in a Specified Currency other than NZ Dollars the proceeds of the related Term Advance will be swapped into NZ Dollars by the Covered Bond Guarantor under the applicable Covered Bond Swap. The NZ Dollar Equivalent of each Term Advance will be used by the Covered Bond Guarantor: (i) as consideration in part for the acquisition of Mortgage Loans and the Related Security from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or (ii) to invest in Substitution Assets in an amount not exceeding the prescribed limit to the extent required to meet the Asset Coverage Test; and thereafter the Covered Bond Guarantor may use such proceeds: (A) if an existing Series or Tranche or part of an existing Series or Tranche of Covered Bonds is being refinanced by the issue of a further Series or Tranche of Covered Bonds to which the Term Advance relates, to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced (after exchange into the currency of the Term Advance(s) being repaid, if necessary); and/or (B) to make a repayment of the Demand Loan, provided that the Calculation Manager has determined the outstanding balance of the Demand Loan by calculating the Asset Coverage Test as at the Intercompany Loan Drawdown Date having taken into account such repayment and the Calculation Manager has confirmed that the Asset Coverage Test will continue to be met after giving effect to such repayment; and/or (C) to make a deposit of all or part of the proceeds in the GIC Account (including, without limitation, to fund the Reserve Fund).

Neither Issuer nor the Guarantor (in the case of Covered Bonds issued by BNZ-IF) will be relying on repayment of any Term Advance in order to meet their respective repayment obligations under the Covered Bonds. The Covered Bond Guarantor will pay amounts due in respect of Term Advances in accordance with the relevant Priority of Payments. Prior to the service of a Notice to Pay on the Covered Bond Guarantor, amounts due in respect of each Term Advance will be paid by the Covered Bond Guarantor to, or as directed by, the Intercompany Loan Provider on each Intercompany Loan Interest Payment Date, subject to paying all higher ranking amounts in the Pre-Acceleration Revenue Priority of Payments or, as applicable, the Pre-Acceleration Principal Priority of Payments. Any failure by the Covered Bond Guarantor to pay any amounts due on the Term Advances will not affect the liability of the relevant Issuer or the Guarantor (in the case of Covered Bonds issued by BNZ-IF) to pay the relevant amount due on the Covered Bonds.

Any amounts owing by the Intercompany Loan Provider (as Issuer or Guarantor of a particular Series or Tranche of Covered Bonds (as the case may be)) to the Covered Bond Guarantor in respect of amounts paid by the Covered Bond Guarantor under the Covered Bond Guarantee in relation to the particular Series or Tranche of Covered Bonds or the purchase of the particular Series or Tranche of Covered Bonds by the Covered Bond Guarantor, as applicable, shall be set-off automatically (and without any action being required by the Covered Bond Guarantor, the Trust Manager, the Calculation Manager, the Intercompany Loan Provider or the Security Trustee) against any amounts payable by the Covered Bond Guarantor under the Intercompany Loan Agreement and the Demand Loan Agreement as described below. The amount set-off shall be the amount of the payment made by the Covered Bond Guarantor under the Covered Bond Guarantee in relation to the relevant Covered Bonds or the Principal Amount Outstanding of any relevant Covered Bonds purchased or otherwise acquired and cancelled in accordance with Condition 6(g) or Condition 6(h), as applicable, which amount shall be applied to reduce amounts payable under the

Intercompany Loan Agreement in relation to the Term Advance corresponding to the relevant Covered Bonds in the following order of priority:

- (a) *first*, to reduce and discharge interest (including accrued interest) due and unpaid on the outstanding principal balance of such Term Advance;
- (b) *second*, to reduce and discharge the outstanding principal balance of such Term Advance;
- (c) *third*, to reduce and discharge any other amounts due and payable by the Covered Bond Guarantor to the Intercompany Loan Provider under the Intercompany Loan Agreement; and
- (d) *fourth*, to reduce and discharge amounts due and payable by the Covered Bond Guarantor to the Demand Loan Provider under the Demand Loan Agreement (see below).

The Intercompany Loan Agreement is governed by New Zealand law.

Demand Loan Agreement

Under the Demand Loan Agreement, the Demand Loan Provider agrees to make available to the Covered Bond Guarantor a NZ Dollar revolving credit facility under which the Demand Loan Provider may make Demand Loan Advances to the Covered Bond Guarantor. Each Demand Loan Advance will be denominated in NZ Dollars. The interest rate on the Demand Loan will be equal to the Bank Bill Rate for three month NZ Dollar deposits plus a spread to be determined by the Demand Loan Provider. The balance of the Demand Loan will fluctuate over time, as described below.

The proceeds of each Demand Loan Advance may only be used by, or on behalf of, the Covered Bond Guarantor (i) as partial consideration for the acquisition of Mortgage Loans and Related Security from the Seller on a Transfer Date where the aggregate proceeds of the related Term Advance made on that date and/or (subject to clause 11.4 of the Establishment Deed) the Available Principal Receipts are not sufficient to pay the Purchase Price for the relevant New Mortgage Loan Portfolio; (ii) to prevent or rectify a failure to meet the Asset Coverage Test; (iii) to rectify a breach of the Pre-Maturity Test; or (iv) to rectify an Interest Rate Shortfall.

The Covered Bond Guarantor shall repay the principal on the Demand Loan in accordance with the applicable Priority of Payments and the terms of the Demand Loan Agreement and the Establishment Deed, using (i) funds in the Transaction Accounts; and/or (ii) proceeds from the sale of Substitute Assets and/or Authorised Investments; and/or (iii) proceeds of the sale, pursuant to the Establishment Deed, of Mortgage Loans and the Related Security to the Seller or to another person subject to the Sellers right of pre-emption (see "*Cashflows*" below).

At any time prior to an Issuer Event of Default and provided the conditions precedent have been satisfied, the Covered Bond Guarantor may re-borrow any amount of the Demand Loan repaid by the Covered Bond Guarantor in accordance with the Demand Loan Agreement and the relevant Priority of Payments. Unless otherwise agreed by the Demand Loan Provider, no further Demand Loan Advances will be made to the Covered Bond Guarantor under the Demand Loan Facility following an Issuer Event of Default.

Subject to the applicable Priority of Payments, the principal amount of the Demand Loan shall be repaid on each Trust Payment Date by the maximum amount (as calculated by the Calculation Manager) that will not result in a breach of the Asset Coverage Test occurring after giving effect to such repayment unless the Demand Loan Provider has given notice to the Covered Bond Guarantor and the Trust Manager that it does not require the Demand Loan to be repaid on the Trust Payment Date, in which case an amount not exceeding the amount that otherwise would have been applied in repayment of the Demand Loan shall be deposited into the GIC account. If on any Trust Payment Date the Asset Coverage Test will be breached after giving effect to a repayment of the Demand Loan, no amount will be repayable on the Demand Loan on such date. The Demand Loan Provider may from time to time request the Covered Bond Guarantor to make

repayment of the Demand Loan (subject to the Asset Coverage Test being met). If such a request is made, the provisions the Establishment Deed shall apply (*see Establishment Deed - Sale of Selected Mortgage Loans following the Demand Loan Provider making demand that the Demand Loan be repaid*) and any proceeds will be applied in accordance with the applicable Priority of Payments.

Any amounts owing by the Demand Loan Provider (as Issuer or Guarantor of a particular Series or Tranche of Covered Bonds (as the case may be)) to the Covered Bond Guarantor in respect of amounts paid by the Covered Bond Guarantor under the Covered Bond Guarantee in relation to the particular Series or Tranche of Covered Bonds or the purchase of the particular Series or Tranche of Covered Bonds, as applicable, which are not set-off in accordance with the order of priority contained in the Intercompany Loan Agreement (set out above) shall be set-off automatically (and without any action being required by the Covered Bond Guarantor, the Trust Manager, the Calculation Manager, the Intercompany Loan Provider or the Security Trustee) against any amounts payable by the Covered Bond Guarantor under the Demand Loan Agreement in the following order of priority:

- (a) *first*, to reduce and discharge interest (including accrued interest) due and unpaid on the Demand Loan;
- (b) *second*, to reduce and discharge the outstanding principal balance of the Demand Loan;
- (c) *third*, to reduce and discharge any other amounts due and payable by the Covered Bond Guarantor to the Demand Loan Provider under the Demand Loan Agreement.

The Demand Loan Agreement is governed by New Zealand law.

Mortgage Sale Agreement

The Seller

Mortgage Loans and the Related Security have been and will be sold to the Covered Bond Guarantor from time to time on a fully serviced basis pursuant to the terms of the Mortgage Sale Agreement entered into on the Programme Date between BNZ (in its capacities as Seller, Calculation Manager, Issuer, Guarantor, Servicer, Interest Rate Swap Provider and All Moneys Mortgage Beneficiary), BNZ-IF, the Covered Bond Guarantor, the Trust Manager and the Security Trustee.

Sale by the Seller of Mortgage Loans and Related Security

The Mortgage Loan Portfolio will consist of Mortgage Loans and the Related Security sold from time to time by the Seller to the Covered Bond Guarantor in accordance with the terms of the Mortgage Sale Agreement. The types of Mortgage Loans forming part of the Mortgage Loan Portfolio will vary over time provided that the Mortgage Loans are Qualifying Mortgage Loans (as described below) on the relevant Transfer Date. Accordingly, New Mortgage Loans sold by the Seller to the Covered Bond Guarantor on a Transfer Date may have characteristics that differ from Mortgage Loans already in the Mortgage Loan Portfolio as at that date.

Prior to the occurrence of an Issuer Event of Default or a Covered Bond Guarantor Event of Default, the Covered Bond Guarantor will acquire Mortgage Loans and Related Security from the Seller in the four circumstances described below:

- (a) *first*, in relation to the issue of Covered Bonds from time to time in accordance with the Programme, the Intercompany Loan Provider will make Term Advances to the Covered Bond Guarantor, the proceeds of which (after being swapped into NZ Dollars at the applicable Swap Rate if the Term Advance is not denominated in NZ Dollars), together with (if applicable) any Available Principal Receipts available for that purpose and/or a Demand Loan Advance, may be applied in whole or in

part by the Covered Bond Guarantor to acquire Mortgage Loans and the Related Security from the Seller on the relevant Issue Date;

- (b) *second*, pursuant to clause 4.3 of the Mortgage Sale Agreement, if at any time prior to the service of an Asset Coverage Test Breach Notice (which has not been revoked) both:
- (i) the amount of Available Principal Receipts available for distribution on the immediately following Trust Payment Date exceeds the amount required to be applied under paragraphs (a) to (d) inclusive of the Pre-Acceleration Principal Priority of Payments; and
 - (ii) the Trust Manager considers (having regard to the composition of the Mortgage Loan Portfolio, and the amount of Substitution Assets and Authorised Investments held by the Covered Bond Guarantor, at that time) that all or part of the Available Principal Receipts remaining after application under paragraphs (a) to (d) inclusive of the Pre-Acceleration Principal Priority of Payments should be utilised to acquire New Mortgage Loans and the Related Security,

then the Covered Bond Guarantor shall use the Available Principal Receipts to acquire New Mortgage Loans and Related Security from the Seller on a Calculation Date (but with the purchase price being paid on the immediately succeeding Trust Payment Date (as described below));

- (c) *third*, the Covered Bond Guarantor and the Seller are required to ensure that the Adjusted Aggregate Mortgage Loan Amount is maintained at all times in compliance with the Asset Coverage Test (as determined by the Calculation Manager on each Calculation Date). If on any Calculation Date the Adjusted Aggregate Mortgage Loan Amount is less than the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds the Seller will use all reasonable efforts to offer to sell sufficient New Mortgage Loans and the Related Security to the Covered Bond Guarantor so the Asset Coverage Test is met on or before the next Calculation Date; and
- (d) *fourth*, if the Servicer notifies the Covered Bond Guarantor and the Seller that the Interest Rate Shortfall Test has not been met and the Covered Bond Guarantor and the Security Trustee notify the Servicer and the Seller that further Mortgage Loans and the Related Security should be sold to the Covered Bond Guarantor to rectify the Interest Rate Shortfall the Seller will use all reasonable efforts to offer to sell in accordance with the Mortgage Sale Agreement sufficient New Mortgage Loans and the Related Security to the Covered Bond Guarantor on or before the next succeeding Calculation Date to rectify the Interest Rate Shortfall on that Calculation Date.

In exchange for the sale of the Mortgage Loans and the Related Security to the Covered Bond Guarantor, the Seller will receive a cash payment of the purchase price equal to the Current Principal Balance of those Mortgage Loans sold by it as at the Transfer Date.

The Seller and the Covered Bond Guarantor may agree that all or part of the purchase price for each New Mortgage Loan Portfolio shall be set-off against any amount payable on the Transfer Date by BNZ as Intercompany Loan Provider and/or Demand Loan Provider under the Intercompany Loan Agreement and/or the Demand Loan Agreement.

The purchase price for a New Mortgage Loan Portfolio shall be paid on the applicable Transfer Date, unless the sale is occurring in accordance with clause 4.3 of the Mortgage Sale Agreement (as described in (b) above), in which case the purchase price shall be paid on the immediately succeeding Trust Payment Date by the application of Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

The Seller will also be required to repurchase Mortgage Loans and the Related Security sold to the Covered Bond Guarantor in the circumstances described below under "*Repurchase of Mortgage Loans*".

Qualifying Mortgage Loans

The sale of Mortgage Loans and the Related Security to the Covered Bond Guarantor will be subject to various conditions being satisfied on the relevant Transfer Date, including that each Mortgage Loan is a Qualifying Mortgage Loan. A Qualifying Mortgage Loan is a Mortgage Loan that satisfies the following conditions:

- (a) it is due from a Qualifying Borrower;
- (b) it is repayable in NZ Dollars;
- (c) the term of the Mortgage Loan does not exceed 30 years;
- (d) it is freely capable of being dealt with by the Seller as contemplated by the Mortgage Sale Agreement and any New Mortgage Loan Portfolio Notice;
- (e) each Mortgage Loan is secured by a Mortgage over Property in New Zealand which is either:
 - (i) a registered first ranking mortgage; or
 - (ii) a registered second ranking mortgage where:
 - (A) there are two mortgages over the Property securing the Mortgage Loan and the Seller is the registered first mortgagee; and
 - (B) the registered first ranking mortgage is also being or has been acquired by the Covered Bond Guarantor;
- (f) the Property subject to a Mortgage has erected on it a residential dwelling which is not under construction (excluding renovations permitted by the terms of the Mortgage Loan);
- (g) the Mortgage Loan is not a Defaulted Mortgage Loan; and
- (h) its Current Principal Balance then outstanding does not exceed \$2,500,000.

On each Transfer Date, the Representations and Warranties (described below in "*Representations and Warranties*") will be given by the Seller in respect of the Mortgage Loans and the Related Security sold by the Seller to the Covered Bond Guarantor on that Transfer Date.

Transfer of Title to the Mortgage Loans to the Covered Bond Guarantor

Mortgage Loans will be sold by the Seller to the Covered Bond Guarantor by way of statutory assignment. Notice of the sale will not be initially provided to the Borrowers. Mortgages will be sold by the Seller to the Covered Bond Guarantor by way of equitable assignment.

The completion and delivery of transfers of Mortgages to the Covered Bond Guarantor and the notifications to the relevant Borrowers notifying such Borrowers of the sale of Mortgage Loans in the Mortgage Loan Portfolio and the Related Security to the Covered Bond Guarantor and the transfer of custody of the Mortgage Loan Files to the Covered Bond Guarantor may be completed by the Covered Bond Guarantor, or the Trust Manager on its behalf, after the earliest to occur of the following events (**Title Perfection Events**):

- (a) the occurrence of an Issuer Event of Default and the service on the Issuers and the Guarantor of an Issuer Acceleration Notice and the service on the Covered Bond Guarantor of a Notice to Pay unless the Seller has notified the Covered Bond Guarantor that it will accept the offer set out in a Selected Mortgage Loan Offer Notice within the prescribed time in relation to the Mortgage Loans and the

Related Security specified in the Selected Mortgage Loan Offer Notice, in which case, the completion and delivery of transfers to the Covered Bond Guarantor and the notifications to the relevant Borrowers and the transfer of custody shall not occur in relation to the Mortgage Loans and the Related Security as specified; or

- (b) in respect of Selected Mortgage Loans and the Related Security only, at the request of the Covered Bond Guarantor, or the Trust Manager on its behalf, following the acceptance of an offer to sell the Selected Mortgage Loans and the Related Security (in accordance with the Programme Documents) to any person who is not the Seller; or
- (c) the Seller and/or the Covered Bond Guarantor being required to perfect legal title to the Mortgage Loans and the Related Security by law or by an order of a court of competent jurisdiction; or
- (d) the Security under the Security Deed or any material part of the Security being in the opinion of the Security Trustee (acting reasonably) in jeopardy and the Security Trustee determining or being required by the Bond Trustee or, if there are no Covered Bonds outstanding, the Majority Secured Creditors, to take that action to reduce that jeopardy; or
- (e) the termination of BNZ's role as Servicer under the Servicing Agreement unless (i) at the relevant date of termination any Substitute Servicer is a member of the NAB Group or (ii) the Security Trustee otherwise consents (such consent to be given if the Rating Agencies have confirmed to the Covered Bond Guarantor and the Security Trustee that the termination of BNZ's role as Servicer would not adversely affect the then current ratings of the Covered Bonds); or
- (f) the Seller requesting a transfer by giving notice in writing to the Covered Bond Guarantor and the Security Trustee; or
- (g) the occurrence of an Insolvency Event in relation to the Seller; or
- (h) the Seller's unsecured, unsubordinated, long-term senior debt obligations have been downgraded below Baa2 by Moody's or BBB- by Fitch.

The Seller undertakes (to the extent that any of the following is vested in it) to hold all right, title, interest and benefit (both present and future) in and under (i) the Mortgage Loans in the Mortgage Loan Portfolio and the Related Security, following the acquisition of such Mortgage Loans and the Related Security by the Covered Bond Guarantor and (ii) any sums that are or may become due in respect thereof, on trust for the Covered Bond Guarantor (excluding from such trust any Mortgage Loans which have been repurchased by the Seller).

On the Programme Date, the Seller delivered a registrable power of attorney appointing the Covered Bond Guarantor as its attorney, with full powers of substitution, to: (i) sign, execute, deliver and submit by way of e-dealing any client authority and instruction form for an e-dealing that conforms with the Land Transfer Act 1952 and is approved by the New Zealand Law Society and the Registrar General of Land (**A&I Form**) relating to any Mortgage Loans in accordance with the Mortgage Sale Agreement; and (ii) sign and/or perform all other instruments, assurances, acts, matters and things which in the opinion of the Seller and the Covered Bond Guarantor or any person who replaces the Covered Bond Guarantor as trustee of the Trust (as conclusively evidenced by the execution or performance by the Covered Bond Guarantor of any instrument, assurance, act, matter or thing) are or may be necessary, incidental or desirable in relation to the execution, sealing, delivery or submission of an A&I Form or any other step necessary to perfect the Covered Bond Guarantor's legal title to the Mortgage Loans. The power of attorney will not be exercisable by the Covered Bond Guarantor until the occurrence of a Title Perfection Event. Upon the occurrence of a Title Perfection Event, the Servicer must deliver to or at the written direction of the Covered Bond Guarantor all Mortgage Loan Files, and the Covered Bond Guarantor must as soon as practicable take all necessary steps to protect the Covered Bond Guarantor's interest in, and title to, the Mortgage Loans and the Related Security, including: (i) signing, in accordance with the New Zealand Law Society guidelines, the necessary A&I

Forms (where necessary under the Seller's Power of Attorney) and submitting by way of e-dealing any transfer or caveat with LINZ; (ii) initiating legal proceedings to take possession of the Mortgage Loan Files that have not been delivered by the Servicer; and (iii) the giving of notice of the transfers to the relevant Borrowers, insurers and other interested persons.

The Seller shall indemnify each of the Covered Bond Guarantor and the Security Trustee from and against any and all costs, fees and expenses (including, without limitation, legal fees and expenses and any applicable GST thereon) which may be properly incurred by the Covered Bond Guarantor and/or the Security Trustee by reason of doing any act, matter or thing in order to perfect legal title to the Mortgage Loans and the Related Security (where entitled to do so as provided above) including, without limitation, those relating to the discharge of any Security Interests in favour of a third party which have not been postponed to a Further Advance.

Representations and Warranties

Neither the Covered Bond Guarantor nor the Security Trustee has made or has caused to be made on its behalf any enquiries, searches or investigations in respect of the Mortgage Loans and the Related Security to be sold to the Covered Bond Guarantor. Instead, each will rely entirely on the Representations and Warranties made by the Seller and contained in the Mortgage Sale Agreement. The Seller's Representations and Warranties in relation to a Mortgage Loan sold or to be sold to the Covered Bond Guarantor include substantially the following:

- (a) At the time the Seller entered into the Mortgage Loan the related Mortgage and each Related Security complied with all applicable laws.
- (b) The Mortgage Loan was originated by the Seller in accordance with its Servicing Procedures in force at the time of the origination of the Mortgage Loan and the exercise of any discretion by the Seller in making the Mortgage Loan was consistent with the practice of a Prudent Mortgage Lender.
- (c) Immediately prior to making the Mortgage Loan, the nature and amount of the Mortgage Loan and the Related Security and the circumstances of the relevant Borrower and the relevant Property satisfied the Servicing Procedures in all material respects.
- (d) The Servicing Procedures of the Seller are consistent with those of a Prudent Mortgage Lender.
- (e) The terms of the Mortgage Loan, the related Mortgage and any Related Security, have not been impaired, waived, altered or modified in any respect, except by a written instrument forming part of the mortgage documentation applicable to the Mortgage Loan.
- (f) The Mortgage Loan and its Related Security have been made on the terms of, or on terms not materially different from, documents forming part of the standard mortgage documentation of the Seller and the Mortgage Conditions applying to the Mortgage Loan have not been varied in any material respect since the date of completion of the Mortgage Loan, other than as required to comply with any applicable law or regulation.
- (g) The Mortgage Loan, the related Mortgage and any Related Security are enforceable in accordance with their terms against the relevant Borrower or security provider (as the case may be) (subject to laws relating to insolvency and creditors' rights generally).
- (h) The Mortgage Loan is a Qualifying Mortgage Loan except that the Seller makes no representation as to the sanity of any Borrower.
- (i) The Mortgage Loan was originated in the ordinary course of the residential secured lending activities of the Seller.

- (j) At the time the Seller entered into the Mortgage Loan, it had not received any notice of the insolvency or bankruptcy of the Borrower or that the Borrower did not have the legal capacity to enter into the Mortgage Loan.
- (k) The Seller is the sole legal and beneficial owner of the Mortgage Loan, the related Mortgage and any other Related Security, and no Security Interest exists in relation to its right, title and interests in the Mortgage Loan, the related Mortgage and any other Related Security, and the Seller has not received notice from any person that claims to have a Security Interest ranking in priority to or equal with the related Mortgage or Related Security (other than Security Interests arising by operation of law and any Secondary Security).
- (l) To the best of the Seller's knowledge and belief it holds, or it is able to obtain, all documents (whether in paper or electronic form) necessary to enforce the provisions of, and the security created by, the related Mortgage and each Related Security.
- (m) The Seller has complied with its material obligations under the Mortgage Loan.
- (n) The Mortgage Loan is (or is a combination of) a fixed rate Mortgage Loan or a variable rate Mortgage Loan. If it is a variable rate Mortgage Loan, the terms of the Mortgage Loan allow the Seller to change the applicable variable rate in accordance with the applicable Mortgage Conditions.
- (o) Except if the Mortgage Loan is subject to a fixed rate of interest at any time and, except as may be provided by applicable laws or any binding code or arrangement applicable to banks or other lenders in the business of making retail home loans, the interest payable on the Mortgage Loan is not subject to any limitation and no consent, additional memoranda or other writing is required from the Borrower to give effect to a change in the interest rate payable on the relevant Mortgage Loan and any change will be effective on notice being given to the Borrower in accordance with the Mortgage Conditions.
- (p) Prior to making the Mortgage Loan, the Seller instructed, or required to be instructed on its behalf, solicitors or conveyancing practitioners to carry out, in relation to the relevant Property, all investigations, searches and other actions and enquiries which a Prudent Mortgage Lender or its solicitors or conveyancing practitioners normally would have made when lending to an individual an amount equal to the amount advanced on the security of residential property in New Zealand as permitted under the Servicing Procedures, and received a solicitor's certificate which, either initially or after further investigation, revealed no material matter which would have caused a Prudent Mortgage Lender to decline the Mortgage Loan, having regard to the Servicing Procedures.
- (q) Prior to making the Mortgage Loan, and where required under the relevant Servicing Procedures the relevant Property was valued in accordance with the Servicing Procedures and, where the Servicing Procedures required a full registered valuation, by an independent registered valuer chosen from the panel of valuers from time to time appointed by the Seller or as otherwise permitted under the Servicing Procedures, and the results of each such valuation would be acceptable to a Prudent Mortgage Lender.
- (r) The Seller has not agreed to waive any of its rights against any valuer, solicitor, conveyancing practitioner or other professional who has provided information, carried out work or given advice in connection with the Mortgage Loan or its Related Security.
- (s) Except in the case of Cash Redraws, there is no obligation on the Seller under the Mortgage Loan to make any further advance to the relevant Borrower.
- (t) Each Mortgage Loan and its Related Security complies with the relevant requirements for credit contracts and consumer credit contracts in the CCA and the CCCFA (to the extent those statutes are applicable to the Mortgage Loan and its Related Security) (or to the extent that it does not, the non-

compliance will not affect the enforceability of the terms of the Mortgage Loan or the Related Security).

- (u) The Seller has not been notified of any application to a court in respect of any Mortgage Loan or other document included in the Mortgage Loan Files by the Commerce Commission or any Borrower or guarantor under the CCCFA:
 - (i) for the annulment or reduction of a fee in accordance with Part 2, subpart 6 of the CCCFA; or
 - (ii) to reopen a credit contract in accordance with section 125 of the CCCFA.
- (v) So far as the Seller is aware, the relevant Borrower is not in material breach of the terms of the Mortgage Loan.
- (w) None of the provisions of the agreement in respect of the Mortgage Loan were (at the time any such agreement was entered into) or have since been waived, altered or modified except a change to the terms of the Mortgage Loan to which a reasonable and prudent mortgage lender would have agreed.
- (x) The Seller has taken such steps as a Prudent Mortgage Lender would take to ensure that, at the date of completion of the Mortgage Loan, the relevant Property was insured under a policy with an insurance company against fire and other commercial risks usually covered by a Prudent Mortgage Lender for an amount not less than the full reinstatement value of the Property at or around the time that the Mortgage Loan was made.
- (y) The relevant Property subject to a Mortgage is a residential property situated in New Zealand.
- (z) In respect of each Property subject to a Mortgage, the Seller has received a solicitor's certificate stating that the Mortgage will on settlement create a registrable interest in the Property as required by the Seller in its instructions to the solicitor.
- (aa) Since the origination of the Mortgage Loan, full and proper accounts, books and records have been kept showing clearly all material transactions, payments, receipts, notices and proceedings relating to the Mortgage Loan and its Related Security and all such accounts, books and records are up to date, accurate in all material respects and have been kept to standards acceptable to a Prudent Mortgage Lender and are in the possession of the Seller.
- (bb) So far as the Seller is aware, no fraud has been perpetrated by the relevant Borrower or other person (whether or not an agent or staff member of the Seller, or otherwise) in or in relation to or in connection with the origination or completion of the Mortgage Loan or its Related Security and none of the documents, reports, applications, forms and deeds given, made, drawn up or executed in relation to such origination or completion has been given, made, drawn up or executed in a fraudulent manner.
- (cc) The Seller has not received written notice of any litigation or claim calling into question in any material way the title of the Seller to the Mortgage Loan and/or the Related Security.
- (dd) The Seller is lawfully entitled to assign the Mortgage Loan, the related Mortgage and any other Related Security, upon the terms and conditions of the Mortgage Sale Agreement and no consent to the sale and assignment of the Mortgage Loan, the related Mortgage and any other Related Security, or notice of that sale and assignment is required to be given by or to any person including, without limitation, any Borrower and such sale and assignment of the Mortgage Loan, the related Mortgage and any other Related Security is permitted under the Mortgage Conditions and the terms of the related Mortgage and any other Related Security.

- (ee) Upon the acceptance of the offer contained in a New Mortgage Loan Portfolio Notice, beneficial ownership of the Mortgage Loan, the related Mortgage and any other Related Security, will vest in the Covered Bond Guarantor free and clear of all Security Interests (other than Security Interests arising by operation of law and any Secondary Security).
- (ff) Neither the entry by the Seller into the Mortgage Sale Agreement nor the sale of the rights, title, interests and benefits in the Mortgage Loans and the Related Security contemplated by the Mortgage Sale Agreement will have a material adverse effect on any Mortgage Loan or its Related Security.
- (gg) All formal approvals, consents and other steps necessary to permit the sale of the Mortgage Loan and the Related Security under the Mortgage Sale Agreement have been obtained or taken.
- (hh) The Mortgage Conditions preserve the Seller's ability to appropriate moneys paid into an account by a Borrower in such way as the Seller determines.
- (ii) The Mortgage Loan was entered into in New Zealand.
- (jj) The relevant Borrower is not associated with the Covered Bond Guarantor. "Associated" for this purpose has the same meaning as in subpart YB of the Tax Act.

All Moneys Mortgage Trust

The Mortgage in respect of a Mortgage Loan in the Mortgage Loan Portfolio may constitute an "all money mortgage" in that such Mortgage purports to secure the repayment of indebtedness which a Borrower owes, or may owe, to the Seller, as applicable, from time to time that is not assigned to the Covered Bond Guarantor (such as business loans) (**Associated Debt**) as well as securing the repayment of the Mortgage Loan (each, an **All Moneys Mortgage**). Pursuant to a trust to be established on the date that an All Moneys Mortgage is assigned by the Seller to the Covered Bond Guarantor (each such trust, an **All Moneys Mortgage Trust**), the Covered Bond Guarantor will hold the beneficial interest in such All Moneys Mortgage and the proceeds of enforcement of such All Moneys Mortgage on trust for the benefit of itself and the Seller, as applicable, (such property being the **All Moneys Mortgage Trust Property**). Each of the Covered Bond Guarantor and the Seller, as applicable, will have an interest in the trust property, but in the event that enforcement proceedings are instituted against a Borrower under the terms of the All Moneys Mortgage, any proceeds which are available to be distributed will be distributed under the terms of the All Moneys Mortgage Trust, first, to meet all costs, charges and expenses of the All Moneys Mortgage Trustee (being the Covered Bond Guarantor), the Trust Manager or the relevant mortgagee or any receiver, receiver and manager or attorney incurred in the enforcement of the Mortgage Loan and the Related Security; second, to the Covered Bond Guarantor, the amount required to pay, in full, the Current Principal Balance of each related Mortgage Loan in the Mortgage Loan Portfolio together with Accrued Interest and Arrears of Interest and expenses payable, the payment of which is secured by the All Moneys Mortgage; third, following the repayment in full of the amounts referred to above, to the Seller the amount required to pay, in full, all amounts due and payable under the related Associated Debt (including accrued interest and any other amounts due in respect thereof), the payment of which is secured by the All Moneys Mortgage; and fourth, as to any excess, to the Borrower of the relevant All Moneys Mortgage. An All Moneys Mortgage may be enforceable on the occurrence of a default by the relevant Borrower of the terms of the Mortgage Loan or of the terms of the Associated Debt. The Covered Bond Guarantor or, following the service of a Covered Bond Guarantee Acceleration Notice, the Security Trustee may not dispose of, or create an interest in, an All Moneys Mortgage that secures Associated Debt of the Seller, or the Mortgage Loan secured by that All Moneys Mortgage, unless the terms of any agreement with respect to the disposal of, or the creation of the interest in, the All Moneys Mortgage or the Mortgage Loan (except where the agreement is with the Seller) includes trust back undertakings by the relevant third party acquirer on the same terms as those contained in the Mortgage Sale Agreement which are in favour of, and enforceable by, the Seller and any third party purchaser of the All Moneys Mortgage unless expressly agreed otherwise by the Seller.

Repurchase by the Seller following breach of Representations and Warranties

If the Seller receives a Mortgage Loan Repurchase Notice from the Covered Bond Guarantor identifying a Mortgage Loan in the Mortgage Loan Portfolio which did not, as at the relevant Transfer Date, materially comply with the Representations and Warranties set out in the Mortgage Sale Agreement, then the Seller will be required to repurchase any such Mortgage Loan and the Related Security, unless the Related Security also secures another Mortgage Loan in the Mortgage Loan Portfolio. The repurchase price payable for each Mortgage Loan will be an amount equal to (if the Interest Rate Swap Provider is the Seller) the Current Principal Balance of such Mortgage Loan as at the date of repurchase plus all Accrued Interest and Arrears of Interest and expenses payable as at the date of completion, or (if the Interest Rate Swap Provider is not the Seller) the market value of the Mortgage Loan as at the date of completion. The repurchase proceeds received by the Covered Bond Guarantor will be applied (other than Accrued Interest and Arrears of Interest and expenses payable) in accordance with the Pre-Acceleration Principal Priority of Payments (see "Cashflows" below).

Product Switches, Further Advances and Cash Redraws

A Mortgage Loan in the Mortgage Loan Portfolio will be subject to a Product Switch when the Seller agrees to a variation in the Mortgage Conditions applicable to a Borrower's Mortgage Loan and/or moving a Borrower to an alternative mortgage product, including a change in Product Type.

If the Seller agrees to make a Product Switch in relation to a Mortgage Loan in the Mortgage Loan Portfolio the Covered Bond Guarantor shall be required to sell and the Seller shall be required to repurchase the Mortgage Loan and (if applicable) the Related Security on the next Calculation Date to occur after the Product Switch by the Seller serving a Seller Mortgage Loan Repurchase Notice on the Covered Bond Guarantor, unless:

- (a) the Product Switch is a change to another Product Type which at that time has been approved for acceptance by the Covered Bond Guarantor or the Trust Manager on its behalf; or
- (b) the Seller has obtained the written agreement of the Covered Bond Guarantor or the Trust Manager on its behalf that the Mortgage Loan may remain in the Mortgage Loan Portfolio.

The Covered Bond Guarantor is under no obligation whatsoever to agree that a Mortgage Loan to which an offer of a Product Switch relates may remain in the Mortgage Loan Portfolio, and any such decision shall be made at the Covered Bond Guarantor's absolute discretion provided that in no circumstances shall the Covered Bond Guarantor agree that a Mortgage Loan to which an offer of a Product Switch relates may remain in the Mortgage Loan Portfolio if the Mortgage Loan would not be a Qualifying Mortgage immediately after the Product Switch occurs. Any Mortgage Loan subject to a Product Switch repurchased by the Seller shall be repurchased at a price equal to (if the Interest Rate Swap Provider is the Seller) the Current Principal Balance of the Mortgage Loan together with all Accrued Interest and Arrears of Interest and expenses payable as at the date of completion, or (if the Interest Rate Swap Provider is not the Seller) the market value of the Mortgage Loan as at the date of completion.

A Mortgage Loan in the Mortgage Loan Portfolio will be subject to a Further Advance if an existing Borrower requests further moneys to be advanced to him or her under the relevant Mortgage Loan in circumstances which do not amount to a Cash Redraw and such request is granted. A Mortgage Loan in the Mortgage Loan Portfolio will be subject to a Cash Redraw when the Seller agrees to a re-advance by the Seller of some or all of the Overpayments that the Borrower has made under the Mortgage Loan.

If the Seller agrees to make a Further Advance or a Cash Redraw in relation to a Mortgage Loan in the Mortgage Loan Portfolio the Seller may request the Covered Bond Guarantor to reimburse the Seller for funding the Further Advance or Cash Redraw. The Covered Bond Guarantor is under no obligation whatsoever to reimburse the Seller for funding a Further Advance or Cash Redraw, and any such decision shall be made at the Covered Bond Guarantor's absolute discretion, provided that in no circumstances shall

the Covered Bond Guarantor agree to reimburse the Seller for funding a Further Advance or Cash Redraw if: (i) the Mortgage Loan would not be a Qualifying Mortgage immediately after the Further Advance or Cash Redraw is made; or (ii) following the Seller's request to be reimbursed, it is determined by the Trust Manager that there are insufficient Available Principal Receipts that are able to be applied for that purpose in accordance with the Pre-Acceleration Principal Priority of Payments. The Covered Bond Guarantor, or the Trust Manager on its behalf, shall notify the Seller on the relevant Calculation Date as to whether it has agreed to reimburse the Seller for funding the related Further Advance or Cash Redraw.

If the Covered Bond Guarantor, or the Trust Manager on its behalf, notifies the Seller that it has declined a request from the Seller to reimburse the Seller for funding a Further Advance or Cash Redraw then the Seller shall be required to repurchase the relevant Mortgage Loan and (if applicable) the Related Security in accordance with the Mortgage Sale Agreement on the next Calculation Date to occur following the notification by the Covered Bond Guarantor (or the Trust Manager on its behalf) by serving a Seller Mortgage Loan Repurchase Notice on the Covered Bond Guarantor. Any Mortgage Loan subject to a Further Advance or Cash Redraw repurchased by the Seller shall be repurchased at a price equal to (if the Interest Rate Swap Provider is the Seller) the Current Principal Balance of the Mortgage Loan less the Further Advance or the Cash Redraw (as the case may be) together with all Accrued Interest and Arrears of Interest and expenses payable as at the date of completion, or (if the Interest Rate Swap Provider is not the Seller) the market value of the Mortgage Loan as at the date of completion.

Defaulted Mortgage Loans

If a Mortgage Loan becomes a Defaulted Mortgage Loan, then that Defaulted Mortgage Loan will be attributed a zero value in the calculation of the Asset Coverage Test and the Amortisation Test on the relevant Calculation Date.

General ability to repurchase

The Seller may, at any time prior to the occurrence of an Issuer Event of Default, by serving a Seller Mortgage Loan Repurchase Notice on the Covered Bond Guarantor (copied to the Trust Manager) offer to repurchase a Mortgage Loan and its Related Security (unless the Related Security also secures another Mortgage Loan in the Mortgage Loan Portfolio that is not subject to the offer contained in the Seller Mortgage Loan Repurchase Notice) from the Covered Bond Guarantor for a repurchase price equal to (if the Interest Rate Swap Provider is the Seller) the Current Principal Balance plus Accrued Interest and Arrears of Interest and expenses payable of the relevant Mortgage Loan, or (if the Interest Rate Swap Provider is not the Seller) the market value of the Mortgage Loan as at the date of completion. The Covered Bond Guarantor shall be under no obligation whatsoever to accept such an offer. In no circumstances shall the Covered Bond Guarantor accept any such offer unless the Calculation Manager has first confirmed that, after giving effect to the sale of the Mortgage Loan and Related Security, the Asset Coverage Test will be met.

Repurchase of All Moneys Mortgage securing Associated Debt

The Seller may, at any time prior to an Issuer Event of Default, in relation to any Mortgage Loan secured by an All Moneys Mortgage in respect of which the related Associated Debt is in default, serve a Seller Mortgage Loan Repurchase Notice on the Covered Bond Guarantor (copied to the Trust Manager). On receipt of such notice the Covered Bond Guarantor will be required to sell, and the Seller will be required to repurchase the relevant Mortgage Loan, its Related Security and any other Mortgage Loan secured by that Related Security for a repurchase price equal to (if the Interest Rate Swap Provider is the Seller) the Current Principal Balance plus All Accrued Interest and Arrears of Interest thereon and expenses payable as at the date of completion, or (if the Interest Rate Swap Provider is not the Seller) the market value of the Mortgage Loan as at the date of completion.

Timing of repurchase and payment of repurchase price

A repurchase of the right, title and interest in a Mortgage Loan and Related Security in the circumstances described under "*Repurchase by the Seller following breach of Representations and Warranties*", "*Product Switches, Further Advances and Cash Redraws*", "*General ability to repurchase*" and "*Repurchase of All Moneys Mortgage securing Associated Debt*" will take place on the relevant Calculation Date or, if specified in the Seller Mortgage Loan Repurchase Notice, on a Final Maturity Date for a Series of Covered Bonds, and the Seller shall pay to the Covered Bond Guarantor the Repurchase Price on the Trust Payment Date immediately following such Calculation Date, or on the Final Maturity Date for a Series of Covered Bonds.

Right of pre-emption

Under the terms of the Mortgage Sale Agreement, the Seller will have a right of pre-emption in respect of any sale, in whole or in part, of Selected Mortgage Loans and the Related Security. The Covered Bond Guarantor may be required to sell selected Mortgage Loans and Related Security in the circumstances described in "*Establishment Deed - Sale of Selected Mortgage Loans and Related Security if the Pre-Maturity Test is breached*", "*Establishment Deed - Sale of Selected Mortgage Loans following the Demand Loan Provider making demand that the Demand Loan be repaid*", "*Establishment Deed - Sale of Selected Mortgage Loans and Related Security following service of an Asset Coverage Test Breach Notice*" and "*Establishment Deed - Sale of Selected Mortgage Loans and Related Security following service of a Notice to Pay*" below.

In connection with the sale of Mortgage Loans and Related Security the Covered Bond Guarantor will serve on the Seller a Selected Mortgage Loan Offer Notice offering to sell those Selected Mortgage Loans and the Related Security for the best price reasonably available but in any event: (i) following the service of an Asset Coverage Test Breach Notice (but prior to the service of a Notice to Pay), for an amount not less than the Current Principal Balance of the Selected Mortgage Loans plus the Arrears of Interest and Accrued Interest thereon; and (ii) following a breach of the Pre-Maturity Test or service of a Notice to Pay on the Covered Bond Guarantor, for an amount not less than the Adjusted Required Redemption Amount for the relevant Series of Covered Bonds. If the Seller accepts the Covered Bond Guarantor's offer to sell the Selected Mortgage Loans and the Related Security in accordance with the foregoing, the Seller shall, within 10 Business Days of service of the Selected Mortgage Loan Offer Notice on the Seller, countersign and return to the Covered Bond Guarantor the relevant Selected Mortgage Loan Offer Notice provided that if an Issuer Event of Default has occurred but no liquidator or administrator has been appointed to the Seller, the Seller's right to accept the offer (and therefore its right of pre-emption) will be conditional upon the delivery within such 10 NZ Business Day period of a solvency certificate in a form acceptable to the Covered Bond Guarantor (or the Trust Manager on its behalf) and the Security Trustee (each acting reasonably). Upon receipt by the Covered Bond Guarantor of a counter-signed Selected Mortgage Loan Offer Notice the Seller will repurchase from the Covered Bond Guarantor and the Covered Bond Guarantor shall transfer to the Seller free from the Security created by the Security Deed: (i) the relevant Selected Mortgage Loans referred to in the relevant Selected Mortgage Loan Offer Notice; and (ii) unless the Related Security also secures another Mortgage Loan in the Mortgage Loan Portfolio that is not also subject to the offer contained in the Selected Mortgage Loan Offer Notice, the Related Security. Completion of such repurchase shall take place on the next following Calculation Date after receipt by the Covered Bond Guarantor (or the Trust Manager on its behalf) of the Selected Mortgage Loan Offer Notice countersigned by the Seller or such date as the Covered Bond Guarantor (or the Trust Manager on its behalf) may direct (provided that such date shall not be later than the earlier to occur of the date which is (a) 10 NZ Business Days after receipt by the Covered Bond Guarantor (or the Trust Manager on its behalf) of the Selected Mortgage Loan Offer Notice countersigned by the Seller or (b) the Final Maturity Date of the Earliest Maturing Covered Bonds) when the Seller shall pay to the GIC Account (or as the Covered Bond Guarantor (or the Trust Manager on its behalf) shall direct) an amount in cash equal to the repurchase price specified in the relevant Selected Mortgage Loan Offer Notice.

If the Seller rejects the Covered Bond Guarantor's offer or fails to accept it in accordance with the foregoing, the Covered Bond Guarantor will offer to sell the Selected Mortgage Loans and the Related Security to other Purchasers (as described under "*Establishment Deed – Sale of Selected Mortgage Loans and their Related Security following the occurrence of an Issuer Event of Default*", below).

For the purposes hereof:

Adjusted Required Redemption Amount means in relation to a Series of Covered Bonds:

- (a) the NZ Dollar Equivalent of the Required Redemption Amount; plus or minus
- (b) the NZ Dollar Equivalent of any swap termination amounts payable under the Covered Bond Swaps corresponding to the Series to or by the Covered Bond Guarantor less (where applicable) amounts standing to the credit of (i) the Pre-Maturity Ledger, (ii) the GIC Account and (iii) the principal balance of any Substitution Assets and Authorised Investments (excluding all amounts to be applied on the next following Trust Payment Date to repay higher ranking amounts in the relevant Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds); plus or minus
- (c) the NZ Dollar Equivalent of any swap termination amounts payable to or by the Covered Bond Guarantor under the Interest Rate Swaps.

Further drawings under the Mortgage Loans

The Seller will be solely responsible for funding all further drawings, if any, in respect of Mortgage Loans in the Mortgage Loan Portfolio (including, but not limited to, Further Advances and Cash Redraws).

Offset Mortgage Loans

If a Mortgage Loan in the Mortgage Loan Portfolio is an Offset Mortgage Loan the Seller shall, on each Calculation Date, credit to the GIC Account an amount equal to the unpaid interest that was not paid during the Calculation Period ending on the Calculation Date in respect of the Mortgage Loan.

The Mortgage Sale Agreement is governed by New Zealand law.

Servicing Agreement

Pursuant to the terms of the Servicing Agreement entered into on the Programme Date between the Covered Bond Guarantor, BNZ (in its separate capacities as Servicer and as Seller), the Trust Manager and the Security Trustee, the Servicer will agree to service on behalf of the Covered Bond Guarantor the Mortgage Loans and the Related Security sold by the Seller to the Covered Bond Guarantor.

The Servicer will be required to administer and service the Mortgage Loans in the Mortgage Portfolio and the Related Security in accordance with:

- (a) the Servicer's Servicing Procedures. The Servicer's **Servicing Procedures** are the originating, lending and underwriting, administration, arrears and enforcement policies and procedures which are applied from time to time by the Seller to Mortgage Loans and the Related Security for their repayment which are beneficially owned by the Seller and which may be amended by the Seller from time to time; and
- (b) the terms and provisions of the Servicing Agreement.

The Servicer will have the power to exercise the rights, powers and discretions and to perform the duties of the Covered Bond Guarantor and the Seller (according to their respective estates and interests) in relation to

the Mortgage Loans and the Related Security that it is servicing pursuant to the terms of the Servicing Agreement, and to do anything which it reasonably considers necessary, convenient or incidental to the administration of the Mortgage Loans and the Related Security.

The Servicer will be required to provide the Asset Registry Services in accordance with:

- (a) the Asset Register Procedures; and
- (b) the terms and provisions of the Servicing Agreement.

Undertakings of the Servicer

Pursuant to the terms of the Servicing Agreement, the Servicer will undertake in relation to those Mortgage Loans and their Related Security that it is servicing, among other things, to:

- (a) administer and service the Mortgage Loans in the Mortgage Loan Portfolio and the Related Security in accordance with the Servicing Procedures;
- (b) provide the Asset Registry Services in accordance with the Asset Register Procedures;
- (c) provide the Services in such manner and with the same level of skill, care and diligence as would a Prudent Mortgage Lender;
- (d) comply with any directions, orders and instructions which the Covered Bond Guarantor (or the Trust Manager on its behalf) or the Seller may from time to time give to it in accordance with the provisions of the Servicing Agreement and, in the event of any conflict, those of the Covered Bond Guarantor (or the Trust Manager on its behalf) shall prevail;
- (e) keep in force all licences, approvals, authorisations and consents which may be necessary in connection with the performance of the Services and prepare and submit, on a timely basis, all necessary applications and requests for any further approval, authorisation, consent or licence required in connection with the performance of the Services;
- (f) not fail to comply with any legal and/or regulatory requirements in the performance of the Services;
- (g) make all payments required to be made by it pursuant to the Servicing Agreement on the due date for payment thereof in NZ Dollars (or as otherwise required under the Programme Documents) in immediately available funds for value on such day without set-off (including, without limitation, any fees owed to it) or counterclaim, but subject to any deductions required by law;
- (h) not without the prior written consent of the Covered Bond Guarantor, the All Moneys Mortgage Trustee and the Security Trustee amend or terminate any of the Programme Documents save in accordance with their terms; and
- (i) for so long as the Seller is the Servicer, forthwith upon becoming aware of any event which may reasonably give rise to an obligation of the Seller to repurchase any Mortgage Loan pursuant to the Mortgage Sale Agreement, notify the Covered Bond Guarantor in writing of such event.

Interest Rate Shortfall Test

The Servicer shall determine on each Calculation Date, having regard to:

- (a) the standard variable rate and any other discretionary rate or margin in respect of the Mortgage Loans in the Mortgage Loan Portfolio which the Servicer proposes to set under the Servicing Agreement for the next succeeding Trust Payment Period (**relevant Trust Payment Period**); and

- (b) the other resources available to the Covered Bond Guarantor including the Swap Agreements and the Reserve Fund (as advised by the Covered Bond Guarantor, or the Trust Manager on its behalf),

whether the Covered Bond Guarantor would receive an amount of income during the relevant Trust Payment Period which, when aggregated with the funds otherwise available to the Covered Bond Guarantor, is less than the amount which is the aggregate of (1) the amount of interest which would be payable (or provisioned to be paid) by or on behalf of the Covered Bond Guarantor under the Intercompany Loan Agreement (or, if a Notice to Pay has been served on the Covered Bond Guarantor, the Covered Bond Guarantee), and the Demand Loan Agreement on the Trust Payment Date falling at the end of the relevant Trust Payment Period and the relevant amounts payable (or provisioned to be paid) to the Swap Providers under the Swap Agreements in respect of all Covered Bonds on the Trust Payment Date falling at the end of the relevant Trust Payment Period; and (2) the other expenses payable (or provisioned to be paid) by the Covered Bond Guarantor on the Trust Payment Date falling at the end of the relevant Trust Payment Period ranking in priority thereto in accordance with the relevant Priority of Payments applicable prior to a Covered Bond Guarantor Event of Default (the **Interest Rate Shortfall Test**).

If the Servicer determines that the Interest Rate Shortfall Test will not be met, it will give written notice to the Covered Bond Guarantor and the Seller (copied to the Trust Manager and the Security Trustee), within five NZ Business Days of the relevant Calculation Date, of the amount of the Interest Rate Shortfall following which (i) (subject to the Servicing Agreement and the Mortgage Sale Agreement) the Servicer shall set the standard variable rate and/or other discretionary rates or margins applicable to Mortgage Loans in the Mortgage Loan Portfolio at such levels as may be required in order for the Interest Rate Shortfall to be rectified on the next succeeding Calculation Date; and/or (ii) the Covered Bond Guarantor or the Security Trustee may notify the Servicer and the Seller that, having regard to the obligations of the Covered Bond Guarantor and the amount of the Interest Rate Shortfall, further Mortgage Loans and the Related Security should be sold by the Seller to the Covered Bond Guarantor pursuant to the Mortgage Sale Agreement to rectify the Interest Rate Shortfall, in which case, the Seller will use all reasonable efforts to offer to sell in accordance with the Mortgage Sale Agreement sufficient New Mortgage Loans and the Related Security to the Covered Bond Guarantor on or before the next succeeding Calculation Date to rectify the Interest Rate Shortfall on that Calculation Date.

Yield Shortfall Test

In addition, the Servicer shall determine on each Calculation Date following an Issuer Event of Default (which remains unremedied), having regard to the aggregate of:

- (a) the standard variable rate and any other discretionary rate or margin, in respect of the Mortgage Loans in the Mortgage Loan Portfolio which the Servicer proposes to set under the Servicing Agreement for the relevant Trust Payment Period; and
- (b) the resources available to the Covered Bond Guarantor under the Swap Agreements,

whether the Covered Bond Guarantor would receive an aggregate amount of interest from the Mortgage Loans in the Mortgage Loan Portfolio and amounts under the Swap Agreements during the relevant Trust Payment Period which would give a weighted average yield on the Mortgage Loans in the Mortgage Loan Portfolio that is sufficient to enable the Covered Bond Guarantor to make the payments and provisions in clause 10.4(a)-(i) (inclusive) of the Establishment Deed in full on the next Trust Payment Date to occur following the end of the Calculation Period commencing on the relevant Calculation Date (the **Yield Shortfall Test**).

If the Servicer determines that the Yield Shortfall Test will not be met, it will give written notice to the Covered Bond Guarantor and the Security Trustee, within one NZ Business Day of the relevant Calculation Date, of the amount of the shortfall and the standard variable rate and the other discretionary rates or margins in respect of the Mortgage Loans in the Mortgage Loan Portfolio which would, in the Servicer's opinion, need to be set in order for no shortfall to arise, and the Yield Shortfall Test to be met, having regard to the

date(s) on which the change to the standard variable rate and the other discretionary rates or margins would take effect and at all times acting in accordance with the standards of a Prudent Mortgage Lender. If the Covered Bond Guarantor or the Security Trustee notifies the Servicer that, having regard to the obligations of the Covered Bond Guarantor, the standard variable rate and/or the other discretionary rates or margins should be increased, the Servicer will take all steps which are necessary to increase the standard variable rate and/or any other discretionary rates or margins including giving any notice which is required in accordance with the Mortgage Conditions or the Servicing Agreement.

Asset Registry Services

The Servicer shall provide the Asset Registry Services, which will include, but not be limited to, in accordance with the Asset Register Procedures:

- (a) establishing and maintaining the Asset Register so that it is an up-to-date and accurate record of the assets of the Trust;
- (b) updating the Asset Register, within five NZ Business Days of receiving notice from the Covered Bond Guarantor (or the Trust Manager on its behalf) of the occurrence of the relevant transaction (as defined below), to record the following:
 - (i) the acquisition of a New Mortgage Loan Portfolio;
 - (ii) the sale of a Mortgage Loan in the Mortgage Loan Portfolio and (if applicable) the Related Security;
 - (iii) the repayment in full of the Current Principal Balance of a Mortgage Loan in the Mortgage Loan Portfolio;
 - (iv) the acquisition of an Authorised Investment or a Substitution Asset;
 - (v) the redemption or sale of an Authorised Investment or a Substitution Asset; and
 - (vi) the opening or closing of a Trust Account,(each of (i) to (vi) above, a **relevant transaction**); and
- (c) assessing whether the Asset Pool remains consistent with any Asset Class Designation.

Remuneration

In accordance with the applicable Priority of Payments, the Servicer is entitled to an administration fee for the provision of the Services which shall be agreed in writing between the Covered Bond Guarantor (or the Trust Manager on its behalf), the Security Trustee and the Servicer. The Covered Bond Guarantor will on each Trust Payment Date, subject to the applicable Priorities of Payments as further consideration for the Services supplied to it by the Servicer under the Servicing Agreement:

- (a) pay to the Servicer a subordinated servicing fee in accordance with the Subordinated Servicing Fee Letter; and
- (b) reimburse the Servicer for all out-of-pocket costs, expenses and charges properly incurred by the Servicer in the performance of the Services, including any such costs, expenses or charges not reimbursed to the Servicer on any previous Trust Payment Date.

Collections

The Servicer acts as collecting agent for the Covered Bond Guarantor in respect of Mortgage Loan Scheduled Payments made by a Borrower. If the Servicer receives, during a Calculation Period, any money whatsoever arising from the Mortgage Loans in the Mortgage Loan Portfolio and the Related Security which money belongs to the Covered Bond Guarantor and such money is to be credited to the GIC Account pursuant to the Servicing Agreement, the Servicer shall hold such money on trust for the Covered Bond Guarantor. All such amounts described above received by the Servicer during a Collection Period shall be credited to the GIC Account either on the last day of the Calculation Period (for so long as BNZ has short term credit ratings of P-1 from Moody's and F1 from Fitch and a long term credit rating of A from Fitch) or in any other case within two NZ Business Days of receipt.

BNZ shall, if it credits money received during a Calculation Period to the GIC Account in accordance with the Servicing Agreement, on the Calculation Date immediately following the end of that Calculation Period credit an additional amount to the GIC Account calculated as interest on the amount of money held by BNZ during that Calculation Period. Any such interest is to be calculated on the Calculation Date by BNZ in its absolute discretion on the daily balance of the amount of money held by BNZ during the Calculation Period and at a rate determined on the first day of that Calculation Period as the rate equal to the applicable Bank Bill Rate for three month NZ Dollar deposits determined by BNZ in its sole discretion.

Removal or resignation of the Servicer

The Covered Bond Guarantor, or the Trust Manager on its behalf (with the consent of the Security Trustee), or the Security Trustee acting on the directions of (for so long as there are any Covered Bonds outstanding) the Bond Trustee or (where there are no Covered Bonds outstanding) the Majority Secured Creditors, may, upon written notice to the Servicer, terminate the Servicer's rights and obligations immediately if any of the following events (each a **Servicer Termination Event**) occurs:

- (a) the Servicer fails to pay any amount due and payable by it to the Covered Bond Guarantor under the Servicing Agreement and such failure is not remedied for a period of five NZ Business Days after becoming aware of the default;
- (b) the Servicer fails to comply with any of its other obligations under the Servicing Agreement or any of the other Programme Documents which the Security Trustee considers, acting on the directions of (for so long as there are any Covered Bonds outstanding) the Bond Trustee or (where no Covered Bonds are outstanding) the Majority Secured Creditors, is materially prejudicial to Covered Bondholders and such failure is not remedied or waived within a period of 20 NZ Business Days after the Servicer becomes aware of such failure;
- (c) it becomes unlawful for the Servicer to administer and service the Mortgage Loans in the Mortgage Loan Portfolio;
- (d) an Insolvency Event occurs in relation to the Servicer;
- (e) the Servicer's unsecured, unsubordinated, long-term senior debt obligations have been downgraded below Baa3 by Moody's or BBB by Fitch.

Any termination of the appointment of the Servicer (or appointment of a Substitute Servicer as described below) is conditional upon the Seller having delivered a Rating Affirmation Notice to the Covered Bond Guarantor, the Trust Manager, the Servicer, the Substitute Servicer and the Rating Agencies in respect of such termination of the appointment of the Servicer and the appointment of the Substitute Servicer.

In addition, subject to the fulfilment of a number of conditions, including, without limitation, that a Substitute Servicer has been appointed and that the Covered Bond Guarantor (or the Trust Manager on its behalf) the Seller and the Security Trustee consent in writing to the resignation, the Servicer may voluntarily

resign by giving not less than 12 months' notice to the Covered Bond Guarantor, the Trust Manager, the Security Trustee and the All Moneys Mortgage Beneficiaries. Any such Substitute Servicer must have experience of administering mortgage loans secured on residential mortgaged properties in New Zealand, shall have all authorisations, permissions and licences for the purposes of administering and servicing mortgages of residential property in New Zealand and must have entered into an agreement with the Covered Bond Guarantor, the Trust Manager and the Security Trustee substantially on the same terms as the Servicing Agreement.

If the appointment of the Servicer is terminated, the Servicer must deliver the Mortgage Loan Files, all books of account, papers, records, registers, correspondence and documents in its possession or under its control relating to the affairs of, or belonging to, the Covered Bond Guarantor and the Mortgage Loans in the Mortgage Loan Portfolio and the Related Security, (if practicable, on the date of receipt) any moneys and any other assets then held by the Servicer on behalf of the Covered Bond Guarantor and any other assets of the Trust to, or at the direction of, the Covered Bond Guarantor and the Servicer shall take such further action as the Covered Bond Guarantor (or the Trust Manager on its behalf) and the Security Trustee, as applicable, shall require.

The Servicing Agreement will terminate automatically at such time as the Covered Bond Guarantor has no further interest in any of the Mortgage Loans in the Mortgage Loan Portfolio or the Related Security.

The Servicer may sub-contract or delegate the performance of its duties under the Servicing Agreement provided that it meets conditions as set out in the Servicing Agreement.

Neither the Bond Trustee nor the Security Trustee is obliged to act as Servicer in any circumstances.

The Servicing Agreement is governed by New Zealand law.

Asset Monitor Agreement

Under the terms of the Asset Monitor Agreement entered into on the Programme Date between the Asset Monitor, the Covered Bond Guarantor, the Trust Manager, BNZ (in its capacities as Issuer, Guarantor, Seller and Calculation Manager), BNZ-IF, the Bond Trustee and the Security Trustee, the Asset Monitor has agreed, subject to due receipt of the information to be provided by the Calculation Manager, the Servicer or the Trust Manager to the Asset Monitor, to report on the arithmetic accuracy of the calculations performed by the Calculation Manager and the compliance of the Servicer with its obligations in relation to the Asset Register on the Calculation Date immediately prior to each anniversary of the Programme Date with a view to confirmation of compliance by the Covered Bond Guarantor with the Asset Coverage Test or the Amortisation Test, as applicable, and its obligations in relation to the Asset Register on that Calculation Date.

If the long-term ratings of the Calculation Manager (or if the Calculation Manager is not so rated, if the long-term unsecured, unguaranteed and unsubordinated debt obligation ratings of the Calculation Manager's holding company) fall below Baa2 by Moody's or BBB- by Fitch (and for as long as they remain below such ratings), the Asset Monitor will, subject to receipt of the relevant information from the Calculation Manager, be required to report on such arithmetic accuracy following each Calculation Date.

Following a determination by the Asset Monitor of any errors in the calculations performed by the Calculation Manager such that the Asset Coverage Test has been failed on the applicable Calculation Date (where the Calculation Manager had recorded it as being satisfied) or the Adjusted Aggregate Mortgage Loan Amount or the Amortisation Test Aggregate Mortgage Loan Amount is mis-stated by the Calculation Manager by an amount exceeding one per cent. of the actual Adjusted Aggregate Mortgage Loan Amount or the Amortisation Test Aggregate Mortgage Loan Amount, as applicable, (as at the date of the relevant Asset Coverage Test or the relevant Amortisation Test), the Asset Monitor will be required to conduct such tests following each Calculation Date until the Asset Monitor is satisfied that the relevant test does not reveal

arithmetical inaccuracies (and in any event for a period ending six months after the Asset Coverage Test and/or Amortisation Test which included the relevant arithmetical errors).

If any assessment of the Servicer's compliance with its obligations in respect of the Asset Register reveals that the Servicer is not in compliance with these obligations, the Asset Monitor will conduct the assessment in respect of the Calculation Date following the date of the assessment that revealed the non-compliance until the Asset Monitor is satisfied the Servicer is in compliance.

The Asset Monitor will be entitled, in the absence of manifest error, to assume that all information provided to it by the Calculation Manager for the purpose of reporting on the arithmetic accuracy or by the Servicer or Trust Manager for the purpose of assessing the Servicer's compliance with its obligations in relation to the Asset Register is true and correct and complete and not misleading, and is not required to conduct an audit or otherwise take steps to verify the accuracy of any such information. The Asset Monitor Report will be delivered to the Calculation Manager, the Servicer, the Covered Bond Guarantor, the Trust Manager, BNZ, BNZ-IF, the Bond Trustee and the Security Trustee.

The Covered Bond Guarantor will pay to the Asset Monitor a fee of \$3,000 per Asset Monitor Report (plus GST, if any) and \$9,000 per Asset Register Report (plus GST if any) for the performance by the Asset Monitor of its obligations under the Asset Monitor Agreement.

The Covered Bond Guarantor, or the Trust Manager on its behalf may, at any time, but only with the prior written consent of the Security Trustee, terminate the appointment of the Asset Monitor by giving at least 60 days' prior written notice to the Asset Monitor, and the Asset Monitor may, at any time, resign by giving at least 60 days' prior written notice to the Covered Bond Guarantor, the Trust Manager and the Security Trustee (copied to the Rating Agencies).

Upon giving notice of termination or receiving notice of resignation, the Covered Bond Guarantor, or the Trust Manager on its behalf, shall use its best endeavours to promptly appoint a substitute asset monitor that is a Qualifying Asset Monitor pursuant to an agreement on substantially the same terms as the terms of the Asset Monitor Agreement, to provide the services set out in the Asset Monitor Agreement. If a substitute asset monitor is not appointed by the date which is 30 days prior to a Calculation Date in respect of which a test or assessment is to be conducted by the Asset Monitor in accordance with the Asset Monitor Agreement, then the Covered Bond Guarantor, or the Trust Manager on its behalf, shall use all reasonable endeavours to appoint a substitute asset monitor that is a Qualifying Asset Monitor to carry out the relevant tests and assessments on a one-off basis. The Covered Bond Guarantor, or the Trust Manager on its behalf, shall promptly notify the Rating Agencies of the appointment of any substitute asset monitor to carry out the relevant tests and assessments.

The liability of the Asset Monitor for any loss, liability, claim, expense or damage suffered or incurred by any of the other parties to the Asset Monitor Agreement caused by breach of any provision of the Asset Monitor Agreement, tort (including negligence), breach of fiduciary duty or other actionable wrong of any kind shall be limited to the amount of \$500,000 in relation to the subject of the loss, liability, claim, expense or damage. In the event that loss, liability, claim, expense or damage is suffered by more than one of the other parties to the Asset Monitor Agreement, the liability cap of \$500,000 is the total limit of the Asset Monitor's liability.

Neither the Bond Trustee nor the Security Trustee will be obliged to act as Asset Monitor in any circumstances.

The Asset Monitor Agreement is governed by New Zealand law.

Establishment Deed

The Establishment Deed, made between the Covered Bond Guarantor, the Trust Manager, BNZ as Issuer, Guarantor, Seller, Servicer and Calculation Manager, BNZ-IF as Issuer, the Bond Trustee and the Security

Trustee, establishes the Trust and provides that the Covered Bond Guarantor will be the trustee of the Trust. Pursuant to the Establishment Deed, the purpose of the Trust is the acquisition, management and sale of, amongst other things, Mortgage Loans and the Related Security, the borrowing of moneys to fund the acquisition of such assets, the hedging of risks associated with such assets and such funding, the acquisition, management and sale of Substitution Assets and Authorised Investments, the giving of guarantees, the granting of security and any other business as the Trust Manager shall direct (with the prior written consent of the Security Trustee, prior to the release of the Security constituted by the Security Deed for as long as the Covered Bonds are outstanding).

Beneficiaries

The Beneficiaries of the Trust are the Residual Income Beneficiary and the Residual Capital Beneficiary. Pursuant to the Establishment Deed, the Residual Income Beneficiary is entitled to an annual distribution equal to the net income, if any, of the Trust for each fiscal year. The Residual Capital Beneficiary is not entitled to receive any distributions in respect of the Trust other its right to receive the settlement amount of NZ\$2,000 on the vesting date.

Asset Register

Under the terms of the Establishment Deed, the Covered Bond Guarantor shall maintain, or ensure that there is maintained, in accordance with the Asset Register Procedures a full and complete asset register that contains an up-to-date and accurate record of the assets of the Trust.

Asset Coverage Test

Under the terms of the Establishment Deed, the Covered Bond Guarantor must ensure that for so long as Covered Bonds remain outstanding on each Calculation Date prior to the service of a Notice to Pay on the Covered Bond Guarantor, the Adjusted Aggregate Mortgage Loan Amount is in an amount at least equal to the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date (the **Asset Coverage Test**).

If on any Calculation Date prior to the service of a Notice to Pay on the Covered Bond Guarantor the Adjusted Aggregate Mortgage Loan Amount is less than the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date, then the Covered Bond Guarantor (or the Trust Manager on its behalf) shall immediately notify the Bond Trustee and the Security Trustee in writing thereof and the Covered Bond Guarantor will use all reasonable endeavours to acquire sufficient further Mortgage Loans and Related Security from the Seller in accordance with the Mortgage Sale Agreement (see "*Overview of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of Mortgage Loans and Related Security*") or the Covered Bond Guarantor will use all reasonable endeavours to purchase Substitution Assets or make a drawing under the Demand Loan Agreement to ensure that the Asset Coverage Test is met on any date on or before the immediately succeeding Calculation Date (by reference to the Adjusted Aggregate Mortgage Loan Amount and the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds, in each case as calculated on such date). If the Adjusted Aggregate Mortgage Loan Amount is less than the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds on the immediately following Calculation Date referred to above, the Asset Coverage Test will be breached and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the Covered Bond Guarantor (subject to the Bond Trustee having actual knowledge or express notice of the breach). The Bond Trustee shall be deemed to revoke an Asset Coverage Test Breach Notice if, on the next Calculation Date to occur following the service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is subsequently satisfied and neither a Notice to Pay nor a Covered Bond Guarantee Acceleration Notice has been served. If the Bond Trustee is deemed to revoke an Asset Coverage Test Breach Notice, the Covered Bond Guarantor (or the Trust Manager on its behalf) shall immediately notify in writing the Bond Trustee thereof.

Following service of an Asset Coverage Test Breach Notice (which has not been revoked):

- (a) the Covered Bond Guarantor may be required to sell Selected Mortgage Loans and the Related Security (as further described under "*Sale of Selected Mortgage Loans and Related Security following service of an Asset Coverage Test Breach Notice*");
- (b) prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or, if earlier, the occurrence of a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice, the Pre-Acceleration Priority of Payments will be modified as more particularly described in "*Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice*" below; and
- (c) the Issuers will not be permitted to issue any further Covered Bonds.

If an Asset Coverage Test Breach Notice has been served and not been revoked by the Bond Trustee on or before the next Calculation Date to occur following the service of the Asset Coverage Test Breach Notice, then an Issuer Event of Default shall occur and the Bond Trustee shall be entitled and in certain circumstances required to serve an Issuer Acceleration Notice. Following service of an Issuer Acceleration Notice, the Bond Trustee will be required to serve a Notice to Pay on the Covered Bond Guarantor.

For the purposes hereof:

Adjusted Aggregate Mortgage Loan Amount means the amount calculated on each Calculation Date as follows:

$$(A+B+C+D+E) - Z$$

where,

A = on the relevant Calculation Date, the Asset Percentage multiplied by the aggregate of the Adjusted Mortgage Loan Balance Amounts of the Mortgage Loans in the Mortgage Loan Portfolio as at such Calculation Date (for the avoidance of doubt, excluding any Mortgage Loans being repurchased by the Seller on such Calculation Date but including any Mortgage Loans being purchased by the Covered Bond Guarantor on such Calculation Date).

The **Adjusted Mortgage Loan Balance Amount** shall be calculated for a Mortgage Loan, on the relevant Calculation Date, as:

- (a) for each Mortgage Loan in the Mortgage Loan Portfolio that is not then a Defaulted Mortgage Loan, the lesser of (A) the outstanding Current Principal Balance of the Mortgage Loan as at the relevant Calculation Date and (B):
 - (aa) if the relevant Calculation Date falls on or prior to the Latest Valuation Cessation Date, the lesser of (1) 80% of the Indexed Valuation for the Property charged by a Mortgage which secures the Mortgage Loan as at the relevant Calculation Date (but without double counting across Mortgage Loans) and (2) 80% of the Latest Valuation for the Property charged by a Mortgage which secures the Mortgage Loan as at the relevant Calculation Date (but without double counting across Mortgage Loans); or
 - (bb) if the relevant Calculation Date falls after the Latest Valuation Cessation Date, 80% of the Indexed Valuation for the Property charged by a Mortgage which secures the Mortgage Loan as at the relevant Calculation Date (but without double counting across Mortgage Loans); and
- (b) for each Mortgage Loan in the Mortgage Loan Portfolio that is then a Defaulted Mortgage Loan, zero;

less:

- (1) where a Mortgage Loan in the Mortgage Loan Portfolio or the Related Security was, in the immediately preceding Calculation Period, known by the Covered Bond Guarantor or the Trust Manager to be in breach of the Representations and Warranties contained in the Mortgage Sale Agreement as at the date of its sale to the Covered Bond Guarantor, and the Seller has not repurchased the Mortgage Loan and the Related Security to the extent required by the terms of the Mortgage Sale Agreement: an amount equal to the Adjusted Mortgage Loan Balance Amount (as calculated on the relevant Calculation Date) for each Mortgage Loan to which this paragraph (1) applies; and
- (2) where the Seller, in any preceding Calculation Period, was in material breach of any other warranty under the Mortgage Sale Agreement and/or the Servicer was, in any preceding Calculation Period, in material breach of a term of the Servicing Agreement: an amount equal to the resulting financial loss incurred by the Covered Bond Guarantor in the immediately preceding Calculation Period (such financial loss to be calculated by the Trust Manager without double counting and to be reduced by any amount paid (in cash or in kind) to the Covered Bond Guarantor by the Seller or by the Servicer (as applicable) to indemnify the Covered Bond Guarantor for such financial loss);

B = the aggregate amount of any proceeds of any Term Advances and/or any Demand Loan Advances which have not been applied as at the relevant Calculation Date;

C = the aggregate principal balance of any Substitution Assets and Authorised Investments as at the relevant Calculation Date;

D = the aggregate amount of Mortgage Loan Principal Receipts standing to the credit of the GIC Account as at the relevant Calculation Date (without double counting any amounts already covered in B above) but excluding any amounts due to be applied on or before the next Trust Payment Date in accordance with the applicable Priority of Payments;

E = the amount of any Sale Proceeds standing to the credit of the Pre-Maturity Ledger as at the relevant Calculation Date (without double counting any amounts already covered in D above); and

Z = the weighted average remaining maturity of all Covered Bonds (expressed in years) then outstanding calculated by the Calculation Manager as at the relevant Calculation Date multiplied by the NZ Dollar Equivalent of the then aggregate Principal Amount Outstanding of the Covered Bonds all multiplied by the then Negative Carry Factor, where the "Negative Carry Factor" is (i) zero, for so long as the Interest Rate Swaps are in effect in accordance with the terms thereof; or (ii) if the Interest Rate Swaps are not in effect in accordance with the terms thereof, then either: (a) 0.50 per cent. if the then weighted average margin of the interest rate then payable on the Covered Bonds is less or equal to 0.10 per cent. per annum; or (b) 0.50 per cent, plus such weighted average margin minus 0.10 per cent., if such weighted average margin is greater than 0.10 per cent, per annum (provided that if the weighted average remaining maturity of all Covered Bonds (expressed in years) then outstanding is less than one, such weighted average remaining maturity shall be deemed for the purposes of this calculation, to be one).

Asset Percentage means, on any Calculation Date, save where otherwise agreed, the lowest of:

- (a) 97 per cent; and

- (b) such percentage figure determined on the Calculation Date falling in March, June, September and December of each year (and on such other dates as may be agreed, from time to time, with Fitch) in accordance with the terms of the Establishment Deed, being the percentage figure that is necessary to ensure that the Covered Bonds maintain the then current ratings assigned to them by Fitch (break even asset percentage); and
- (c) such percentage figure as may be selected by the Covered Bond Guarantor, or the Calculation Manager acting on its behalf, from time to time, in accordance with the terms of the Establishment Deed, and notified to Moody's and the Security Trustee on the Calculation Date, or if no notification is made to Moody's and the Security Trustee on such Calculation Date, on the last date of such notification. This percentage figure will be the difference between 100 and the percentage amount of credit enhancement that is necessary to ensure that there is sufficient credit enhancement for the Covered Bonds to achieve an Aaa rating by Moody's using Moody's expected loss methodology (regardless of the actual Moody's rating of the Covered Bonds at the time).

The Asset Percentage may not, at any time, exceed 97 per cent. unless otherwise agreed with the Rating Agencies.

There is no obligation on the Covered Bond Guarantor to ensure that an Aaa rating is maintained by Moody's and the Covered Bond Guarantor is under no obligation to change the percentage figure selected by it and notified to Moody's and the Security Trustee in line with the level of credit enhancement required to ensure an Aaa rating by Moody's using Moody's expected loss methodology.

Amortisation Test

The Covered Bond Guarantor must ensure that for so long as Covered Bonds are outstanding on each Calculation Date following service of a Notice to Pay on the Covered Bond Guarantor (but prior to enforcement of the Security in accordance with the Security Deed) the Amortisation Test Aggregate Mortgage Loan Amount will be in an amount at least equal to the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.

If on any Calculation Date following service of a Notice to Pay on the Covered Bond Guarantor (but prior to the service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor, the relevant Issuer and the Guarantor and/or the commencement of winding-up proceedings against the Trust and/or the realisation of the Security), the Amortisation Test Aggregate Mortgage Loan Amount is less than the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date, then the Amortisation Test will be breached and a Covered Bond Guarantor Event of Default will occur. The Covered Bond Guarantor, or the Trust Manager on its behalf, shall immediately notify the Security Trustee and (for so long as Covered Bonds are outstanding) the Bond Trustee of any breach of the Amortisation Test.

The **Amortisation Test Aggregate Mortgage Loan Amount** will be calculated on each Calculation Date following the service of a Notice to Pay on the Covered Bond Guarantor as follows:

$$A + B + C - Z$$

where,

A = the aggregate of the "**Amortisation Test Current Principal Balance**" of each Mortgage Loan, which shall be the product of:

- (x) the lesser of (1) the outstanding Current Principal Balance of the Mortgage Loan as calculated on the relevant Calculation Date and (2):

- (aa) if the relevant Calculation Date falls on or prior to the Latest Valuation Cessation Date, the lesser of (1) 80% of the Indexed Valuation for the Property charged by a Mortgage which secures the Mortgage Loan as at the relevant Calculation Date (but without double counting across Mortgage Loans) and (2) 80% of the Latest Valuation for the Property charged by a Mortgage which secures the Mortgage Loan as at the relevant Calculation Date (but without double counting across Mortgage Loans); or
 - (bb) if the relevant Calculation Date falls after the Latest Valuation Cessation Date, 80% of the Indexed Valuation for the Property charged by a Mortgage which secures the Mortgage Loan as at the relevant Calculation Date (but without double counting across Mortgage Loans); and
- (y) M, where:
- (1) for each Mortgage Loan that is not then a Defaulted Mortgage Loan $M = 1.0$; or
 - (2) for each Mortgage Loan that is then a Defaulted Mortgage Loan, $M = \text{zero}$;
- B** = the sum of the amount of any cash standing to the credit of the GIC Account and the principal amount of any Authorised Investments (excluding any Mortgage Loan Revenue Receipts received in the immediately preceding Calculation Period and any principal amounts due to be applied on or before the next Trust Payment Date in accordance with the applicable Priority of Payments);
- C** = the aggregate principal balance of any Substitution Assets not taken into account elsewhere in this calculation;
- Z** = the weighted average remaining maturity of all Covered Bonds (expressed in years) then outstanding multiplied by the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds multiplied by the Negative Carry Factor.

Sale of Selected Mortgage Loans and Related Security if the Pre-Maturity Test is breached

The Establishment Deed provides for the sale of Selected Mortgage Loans and the Related Security in circumstances where the Pre-Maturity Test has been breached in relation to a Series of Hard Bullet Covered Bonds. The Pre-Maturity Test will be breached in relation to a Series of Hard Bullet Covered Bonds if the ratings of BNZ fall below a specified level and such Series of Hard Bullet Covered Bonds is due for repayment within a specified period of time thereafter. The Covered Bond Guarantor will be obliged to sell Selected Mortgage Loans and the Related Security, subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Mortgage Loans and the Related Security pursuant to the terms of the Mortgage Sale Agreement and subject to any Pre-Maturity Demand Loan Advance having been made by the Demand Loan Provider from time to time. The proceeds from any such sale will be credited to the GIC Account. If the relevant Issuer fully repays a Series of Hard Bullet Covered Bonds on their Final Maturity Date, any amount standing to the credit of the Pre-Maturity Ledger on the GIC Account following such repayment in full shall be applied by the Covered Bond Guarantor, or the Trust Manager on its behalf, in accordance with the applicable Priority of Payments unless an Issuer is failing the Pre-Maturity Test in respect of any other Series of Hard Bullet Covered Bonds, in which case sufficient cash shall be retained on the Pre-Maturity Ledger in order to provide liquidity for that other Series of Hard Bullet Covered Bonds. Otherwise, the proceeds will be applied as set out in "*Credit Structure*" below.

For a description of the Pre-Maturity Test, see "*Credit Structure - Pre-Maturity Liquidity*" below.

Sale of Selected Mortgage Loans following the Demand Loan Provider making demand that the Demand Loan be repaid

If, prior to the service of an Asset Coverage Test Breach Notice or a Notice to Pay, the Demand Loan Provider has demanded that the Demand Loan be repaid, the Covered Bond Guarantor will, subject to first utilising any Available Principal Receipts that are available for that purpose in accordance with the applicable Priority of Payments be obliged to sell Selected Mortgage Loans and the Related Security in the Mortgage Loan Portfolio in accordance with the Establishment Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Mortgage Loans and the Related Security pursuant to the Mortgage Sale Agreement. The proceeds from any such sale will be credited to the GIC Account and applied as set out in the applicable Priority of Payments. Any such sale will be subject to the condition that the Asset Coverage Test is satisfied after receipt of the proceeds of such sale and repayment, after giving effect to such repayment.

Sale of Selected Mortgage Loans and Related Security following service of an Asset Coverage Test Breach Notice

After service of an Asset Coverage Test Breach Notice (which has not been revoked) but prior to service of a Notice to Pay, the Covered Bond Guarantor will, subject to first utilising the proceeds of any advance made by the Demand Loan Provider under the Demand Loan Agreement, be obliged to sell Selected Mortgage Loans and the Related Security in the Mortgage Loan Portfolio in accordance with the Establishment Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Mortgage Loans and the Related Security pursuant to the Mortgage Sale Agreement. The proceeds from any such sale will be credited to the GIC Account and applied as set out in Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice.

Sale of Selected Mortgage Loans and Related Security following service of a Notice to Pay

After a Notice to Pay has been served on the Covered Bond Guarantor following the occurrence of an Issuer Event of Default, the Covered Bond Guarantor will be obliged to sell Selected Mortgage Loans and the Related Security in the Mortgage Loan Portfolio in accordance with the Establishment Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Mortgage Loans and the Related Security pursuant to the Mortgage Sale Agreement. The proceeds from any such sale will be credited to the GIC Account and applied as set out in the Guarantee Priority of Payments.

Method of Sale of Selected Mortgage Loans

If the Covered Bond Guarantor is required to sell Selected Mortgage Loans and the Related Security to Purchasers following the Demand Loan being demanded by the Demand Loan Provider, service of an Asset Coverage Test Breach Notice, a breach of the Pre-Maturity Test or the service of a Notice to Pay on the Covered Bond Guarantor, the Covered Bond Guarantor will be required to ensure that before offering Selected Mortgage Loans for sale:

- (a) the Selected Mortgage Loans are selected on a basis that is representative of the Mortgage Loans in the Mortgage Loan Portfolio as a whole and that if a Mortgage Loan is selected, its Related Security is also selected unless the Related Security also secures a Mortgage Loan in the Mortgage Loan Portfolio that is not also a Selected Mortgage Loan; and
- (b) the Selected Mortgage Loans have an aggregate Current Principal Balance in an amount (the **Required Current Principal Balance Amount**) which is as close as possible to the amount calculated as follows:
 - (i) following the Demand Loan Provider making demand that the Demand Loan (or a part of it) be repaid, such amount that would ensure that, if the Selected Mortgage Loans were sold at

their Current Principal Balance plus the Arrears of Interest and Accrued Interest thereon, the amount of the Demand Loan that the Demand Loan Provider has made demand for repayment as calculated on the date of the demand could be repaid, subject to satisfaction of the Asset Coverage Test; or

- (ii) following the service of an Asset Coverage Test Breach Notice (but prior to service of a Notice to Pay), such amount that would ensure that, if the Selected Mortgage Loans were sold at their Current Principal Balance plus the Arrears of Interest and Accrued Interest thereon, the Asset Coverage Test would be satisfied on the next Calculation Date taking into account the payment obligations of the Covered Bond Guarantor on the Trust Payment Date following that Calculation Date; or
- (iii) following a breach of the Pre-Maturity Test or service of a Notice to Pay:

$$N \times \frac{\text{Aggregate Current Principal Balance for all Mortgage Loans in the Mortgage Loan Portfolio}}{\text{The NZ Dollar Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding}}$$

where "N" is an amount equal to the NZ Dollar Equivalent of:

- (x) in respect of Selected Mortgage Loans and the Related Security being sold following a breach of the Pre-Maturity Test in respect of a Series of Hard Bullet Covered Bonds, the Required Redemption Amount of the relevant Series of Hard Bullet Covered Bonds less amounts standing to the credit of the relevant Pre-Maturity Ledger that are not otherwise required to provide liquidity for any Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant series of Hard Bullet Covered Bonds; or
- (y) in respect of Selected Mortgage Loans and the Related Security being sold following the service of a Notice to Pay on the Covered Bond Guarantor, the Required Redemption Amount of the Earliest Maturing Covered Bonds less amounts standing to the credit of the GIC Account and the principal amount of any Authorised Investments (excluding all amounts to be applied on the next following Trust Payment Date to repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds).

The Covered Bond Guarantor or the Trust Manager on its behalf will offer the Selected Mortgage Loans and the Related Security for sale to Purchasers for the best price reasonably available but in any event:

- (a) following the service of an Asset Coverage Test Breach Notice (but prior to the service of a Notice to Pay), for an amount not less than the Current Principal Balance of the Selected Mortgage Loans plus the Arrears of Interest and Accrued Interest thereon; and
- (b) following a breach of the Pre-Maturity Test or service of a Notice to Pay on the Covered Bond Guarantor, for an amount not less than the Adjusted Required Redemption Amount for the relevant Series of Covered Bonds.

Following a breach of the Pre-Maturity Test or the service of a Notice to Pay if the Selected Mortgage Loans and the Related Security have not been sold (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount by the date which is six months prior to, either:

- (a) the Final Maturity Date in respect of the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto) (where the Covered Bonds are not subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee);
- (b) the Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto) (where the Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee); or
- (c) in respect of a sale in connection with the Pre-Maturity Test, the Final Maturity Date of the relevant Series of Hard Bullet Covered Bonds,

then the Covered Bond Guarantor, or the Trust Manager on its behalf, will offer the Selected Mortgage Loans for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount. Following the service of a Notice to Pay but prior to the occurrence of a Covered Bond Guarantor Event of Default, in addition to offering Selected Mortgage Loans for sale to Purchasers in respect of the Earliest Maturing Covered Bonds, the Covered Bond Guarantor, or the Trust Manager on its behalf, (subject to the right of pre-emption in favour of the Seller in the Mortgage Sale Agreement) is permitted to offer for sale a portfolio of Selected Mortgage Loans, in accordance with the provisions summarised above, in respect of other Series of Covered Bonds.

The Covered Bond Guarantor or the Trust Manager on its behalf is also permitted to offer for sale to Purchasers a Partial Portfolio. Except in circumstances where the portfolio of Selected Mortgage Loans is being sold within six months of, as applicable, the Final Maturity Date or, if the Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the Extended Due for Payment Date in respect of the Series of Covered Bonds to be repaid from such proceeds, the sale price of the Partial Portfolio shall (as a proportion of the Adjusted Required Redemption Amount) be at least equal to the proportion that the aggregate Current Principal Balance of the Mortgage Loans in the Partial Portfolio bears to the aggregate Current Principal Balance of the Mortgage Loans in the relevant portfolio of Selected Mortgage Loans.

The Covered Bond Guarantor, or the Trust Manager on its behalf, will through a tender process appoint a portfolio manager of recognised standing on a basis intended to incentivise the portfolio manager to achieve the best price for the sale of the Selected Mortgage Loans (if such terms are commercially available in the market) to advise it in relation to the sale of the Selected Mortgage Loans to Purchasers (except where the Seller is buying the Selected Mortgage Loans in accordance with its right of pre-emption in the Mortgage Sale Agreement). The terms of the agreement giving effect to the appointment in accordance with such tender shall be approved by the Security Trustee.

In respect of any sale of Selected Mortgage Loans and the Related Security following service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay, the Covered Bond Guarantor, or the Trust Manager on its behalf, will instruct the portfolio manager to use all reasonable endeavours to procure that Selected Mortgage Loans are sold as quickly as reasonably practicable (in accordance with the recommendations of the portfolio manager), taking into account the market conditions at that time and the scheduled repayment dates of the Covered Bonds and the terms of the Establishment Deed.

The terms of any sale and purchase agreement with respect to the sale of Selected Mortgage Loans (which shall give effect to the recommendations of the portfolio manager) will be subject to the prior written approval of the Security Trustee (unless the Selected Mortgage Loans are being sold to the Seller following the exercise of its rights of pre-emption under clause 19 of the Mortgage Sale Agreement). The Security Trustee will not be required to release the Selected Mortgage Loans from the Security unless the conditions relating to the release of the Security (as described under "*Security Deed – Release of Security*" below) are satisfied.

Following the service of a Notice to Pay, if Purchasers accept the offer or offers from the Covered Bond Guarantor so that some or all of the Selected Mortgage Loans and the Related Security shall be sold prior to the next following Final Maturity Date or, if the Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the next following Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds, then the Covered Bond Guarantor, or the Trust Manager on its behalf, will, subject to the paragraph above, enter into a sale and purchase agreement with the related Purchasers, which will require, amongst other things, a cash payment from the relevant Purchasers. Any such sale will not include any representations or warranties from the Covered Bond Guarantor or the Seller in respect of the Selected Mortgage Loans and the Related Security unless expressly agreed by the Security Trustee or otherwise agreed with the Seller.

Limit on Investing in Substitution Assets and Authorised Investments

Provided no Asset Coverage Test Breach Notice is outstanding and prior to the service of a Notice to Pay on the Covered Bond Guarantor, the Covered Bond Guarantor, or the Trust Manager on its behalf, will be permitted to invest Available Revenue Receipts, Available Principal Receipts and the proceeds of Term Advances and Demand Loan Advances standing to the credit of the GIC Account in Substitution Assets, provided that the aggregate amount so invested in Substitution Assets does not exceed 15 per cent of the total assets of the Trust at any one time and provided that such investments are made in accordance with the terms of the Management Agreement and the Establishment Deed. Depositing any amounts in any Trust Account will not constitute an investment in Substitution Assets for these purposes.

Following the service of a Notice to Pay on the Covered Bond Guarantor or a breach of the Pre-Maturity Test, all Substitution Assets shall be sold by the Covered Bond Guarantor, or the Trust Manager on its behalf, as quickly as reasonably practicable, and the proceeds credited to the GIC Account after which the Covered Bond Guarantor shall be permitted to invest all available moneys in Authorised Investments, provided that such sales or investments are made in accordance with the terms of the Management Agreement and the Establishment Deed.

Covenants of the Covered Bond Guarantor

The Covered Bond Guarantor covenants that, except as provided in or permitted by the Programme Documents, it will not:

- (a) create or permit to subsist any Security Interest over the whole or any part of the assets of the Trust;
- (b) transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of the assets of the Trust or any interest, estate, right, title or benefit therein or thereto or agree or attempt or purport to do so;
- (c) have an interest in any bank account;
- (d) incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any such indebtedness;
- (e) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
- (f) have any employees or premises or subsidiaries;
- (g) acquire any assets;
- (h) enter into any contracts, agreements or other undertakings;
- (i) compromise, compound or release any debt due to it; and

- (j) commence, defend, settle or compromise any litigation or other claims relating to it or any of its assets.

The Covered Bond Guarantor further covenants that it will:

- (a) remain Tax Resident in New Zealand throughout the period for which it is acting as trustee of the Trust; and
- (b) not perform any of its duties, or exercise any rights in relation to the Trust outside of New Zealand.

Other Provisions

The allocation and distribution of Available Revenue Receipts, Available Principal Receipts and all other amounts received by the Covered Bond Guarantor is described under Cashflows below.

The Establishment Deed is governed by New Zealand law.

Management Agreement

The Trust Manager will provide certain Cash Management Services and the Calculation Manager will provide certain Calculation Management Services to the Covered Bond Guarantor and the Security Trustee pursuant to the terms of the Management Agreement entered into on the Programme Date between the Covered Bond Guarantor, the Trust Manager, BNZ (in its capacities as Seller, Servicer, Account Bank and Calculation Manager) and the Security Trustee (as the same may be amended and/or supplemented and/or restated from time to time).

The Cash Management Services will include but will not be limited to:

- (a) maintaining the Ledgers on behalf of the Covered Bond Guarantor;
- (b) determining the amount of Mortgage Loan Revenue Receipts and the Mortgage Loan Principal Receipts received and Available Revenue Receipts and Available Principal Receipts to be distributed in accordance with the Priorities of Payments described under "*Cashflows*", below;
- (c) determining the amount of Losses incurred on the Mortgage Loans in the Mortgage Loan Portfolio during each Calculation Period and the amounts payable by the Covered Bond Guarantor on the immediately following Trust Payment Date under the applicable Priority of Payments described under "*Cashflows*", below;
- (d) distributing the Available Revenue Receipts and the Available Principal Receipts in accordance with the Priorities of Payment described under "*Cashflows*", below;
- (e) maintaining records of all Authorised Investments and Substitution Assets, as applicable.

The Calculation Management Services will include but will not be limited to:

- (a) determining whether the Asset Coverage Test is satisfied on each Calculation Date prior to an Issuer Event of Default and service of a Notice to Pay on the Covered Bond Guarantor in accordance with the Establishment Deed, as more fully described under "*Credit Structure - Asset Coverage Test*" below;
- (b) determining whether the Amortisation Test is satisfied on each Calculation Date following an Issuer Event of Default and service of a Notice to Pay on the Covered Bond Guarantor but prior to the service of a Covered Bond Guarantee Acceleration Notice in accordance with the Establishment Deed, as more fully described under "*Credit Structure – Amortisation Test*", below;

- (c) on each NZ Business Day during the Pre-Maturity Test Period, determining whether the Pre-Maturity Test for each Series of Hard Bullet Covered Bonds is satisfied, as more fully described under "*Credit Structure – Pre Maturity Liquidity*" below.

In certain circumstances the Covered Bond Guarantor and/or the Security Trustee will each have the right to terminate the appointment of the Calculation Manager, in which event the Covered Bond Guarantor will appoint a substitute (the identity of which will be subject to the Security Trustee's prior written approval). Any substitute calculation manager will have substantially the same rights and obligations as the Calculation Manager (although the fee payable to the substitute calculation manager may be higher).

In certain circumstances the Covered Bond Guarantor and/or the Security Trustee may terminate the appointment of the Trust Manager to perform the Cash Management Services, in which event the Covered Bond Guarantor will appoint a substitute (the identity of which will be subject to the Security Trustee's prior written approval). Any substitute trust manager will have substantially the same rights and obligations as the Trust Manager (although the fee payable to the substitute trust manager may be higher).

The Management Agreement is governed by New Zealand law.

Swap Agreements

In order to hedge certain interest rate, currency or other risks in respect of amounts received by the Covered Bond Guarantor under the Mortgage Loans, the Substitution Assets, Authorised Investments and certain other amounts deposited into the GIC Account and amounts payable by the Covered Bond Guarantor under the Intercompany Loan Agreement to BNZ and/or amounts payable by the Covered Bond Guarantor under the Covered Bond Guarantee to Covered Bondholders in respect of the Covered Bonds on issue and amounts payable by the Covered Bond Guarantor under the Demand Loan Agreement to BNZ, the Covered Bond Guarantor will enter into certain swap transactions with swap providers as described below.

Each such swap transaction (including, without limitation, the Interest Rate Swaps and each Covered Bond Swap) (the **Swaps**) will be between a swap provider (the **Swap Provider**) and the Covered Bond Guarantor (and the Trust Manager and the Security Trustee) and will be governed by, and subject to, the 2002 ISDA Master Agreement (Multicurrency-Cross Border) as published by the International Swaps & Derivatives Association, Inc. (ISDA) and Schedule and Credit Support Annex thereto, (such Credit Support Annex to be in the form of the 1995 Credit Support Annex (Transfer - English Law) published by ISDA) and the Confirmation evidencing the relevant swap transaction (together, the **Swap Agreements**).

Interest Rate Swap Agreement

Some of the Mortgage Loans in the Mortgage Loan Portfolio from time to time pay a variable amount of interest. Other Mortgage Loans pay a fixed rate of interest for a period of time. However, the NZ Dollar payments to be made by the Covered Bond Guarantor under the Covered Bond Swaps and the Demand Loan will be based on the Bank Bill Rate for three month NZ Dollar deposits. To provide a hedge against the variance between:

- (a) the rates of interest payable on the Mortgage Loans in the Mortgage Loan Portfolio, the Substitution Assets, Authorised Investments and certain other amounts deposited into the GIC Account; and
- (b) the Bank Bill Rate for three month NZ Dollar deposits,

the Covered Bond Guarantor, the Trust Manager, the Security Trustee and the Interest Rate Swap Provider will enter into Interest Rate Swaps under the Interest Rate Swap Agreement.

The Interest Rate Swap Agreement is governed by English law.

Covered Bond Swap Agreements

The Covered Bond Guarantor will enter into one or more Covered Bond Swaps with one or more Covered Bond Swap Providers.

Each Covered Bond Swap will provide a hedge against certain interest rate, currency and/or other risks in respect of amounts received by the Covered Bond Guarantor under the Mortgage Loans and the Interest Rate Swaps and amounts payable by the Covered Bond Guarantor under the Intercompany Loan Agreement (prior to service of a Notice to Pay) and under the Covered Bond Guarantee in respect of the Covered Bonds (after service of a Notice to Pay).

Where required to hedge such risks, there will be one (or more) Covered Bond Swap Agreement(s) and Covered Bond Swap(s) in relation to each Series or Tranche, as applicable, of Covered Bonds.

If a Series or Tranche of Covered Bonds is denominated in NZ Dollars and the interest rate payable on such Series or Tranche of Covered Bonds is a fixed rate of interest, the Covered Bond Swap Provider will pay to the Covered Bond Guarantor on each Intercompany Loan Interest Payment Date an amount equal to the relevant amounts that would be payable by the Covered Bond Guarantor under either the related Term Advance in accordance with the provisions of the Intercompany Loan Agreement or the Covered Bond Guarantee in respect of interest payable under the relevant Series or Tranche of Covered Bonds. In return, the Covered Bond Guarantor will pay to the Covered Bond Swap Provider on each Trust Payment Date an amount in NZ Dollars calculated by reference to the Bank Bill Rate for three month NZ Dollar Deposits plus a spread.

If a Series or Tranche of Covered Bonds is not denominated in NZ Dollars, on the relevant Issue Date, the Covered Bond Guarantor will pay to the Covered Bond Swap Provider an amount equal to the amount received by the Covered Bond Guarantor under the related Term Advance (being the aggregate nominal amount of such Series or Tranche, as applicable, of Covered Bonds) and in return the Covered Bond Swap Provider will pay to the Covered Bond Guarantor the NZ Dollar Equivalent of the first mentioned amount. Thereafter, the Covered Bond Swap Provider will pay to the Covered Bond Guarantor on each Intercompany Loan Interest Payment Date an amount equal to the relevant amounts that would be payable by the Covered Bond Guarantor under either the related Term Advance in accordance with the terms of the Intercompany Loan Agreement or the Covered Bond Guarantee in respect of interest and principal payable under the relevant Series or Tranche of Covered Bonds. In return, the Covered Bond Guarantor will pay to the Covered Bond Swap Provider on each Trust Payment Date an amount in NZ Dollars calculated by reference to the Bank Bill Rate for three month NZ Dollar deposits plus a spread and the NZ Dollar Equivalent of the relevant portion of any principal due to be repaid in respect of the related Term Advance in accordance with the Intercompany Loan Agreement.

Each Covered Bond Swap will terminate on the earlier of:

- (a) the Final Maturity Date of the relevant Series or Tranche of Covered Bonds or, if the Covered Bond Guarantor notifies the Covered Bond Swap Provider, prior to the Final Maturity Date, of the inability of the Covered Bond Guarantor to pay in full or in part Guaranteed Amounts corresponding to the Final Redemption Amount in respect of such Series or Tranche of Covered Bonds, the final Interest Payment Date on which an amount representing any or all of the Final Redemption Amount is paid (but in any event not later than the Extended Due for Payment Date); and
- (b) the final date on which the Security Trustee distributes the proceeds of the Security in accordance with the Post-Enforcement Priority of Payments following the enforcement of the Security pursuant to Condition 9(c).

Rating Downgrade Event

Under the terms of each Swap Agreement, in the event that the rating(s) of the Swap Provider is downgraded by a Rating Agency below the rating(s) specified in the relevant Swap Agreement (in accordance with the requirements of the Rating Agencies) for that Swap Provider, that Swap Provider will, in accordance with the relevant Swap Agreement, be required to take certain remedial measures which may include:

- (a) providing collateral for its obligations under the Swap Agreement, or
- (b) arranging for its obligations under the relevant Swap Agreement to be transferred to a replacement entity provided that either (i) such entity is an entity with the ratings required by the relevant Rating Agency or (ii) the relevant Rating Agency has confirmed that such transfer will not adversely affect the ratings of the then outstanding Series of Covered Bonds, or
- (c) procuring another entity to become co-obligor or guarantor in respect of its obligations under the Swap Agreement provided that either (i) such entity is an entity with the ratings required by the relevant Rating Agency or (ii) the relevant Rating Agency has confirmed that such co-obligor or guarantor will not adversely affect the ratings of the then outstanding Series of Covered Bonds, or
- (d) taking such other action or putting in place such alternative hedging as it may agree with the relevant Rating Agency.

A failure to take such steps within the time periods specified in the Swap Agreement will allow the Covered Bond Guarantor to terminate the Swap Agreement.

Other Termination Events

A Swap Agreement may also be terminated early in certain other circumstances, including:

- (a) at the option of any party to the Swap Agreement, if there is a failure by the other party to pay any amounts due under such Swap Agreement;
- (b) upon the occurrence of an insolvency event in relation to the Swap Provider, or the Covered Bond Guarantor, or the merger of one of the parties to such Swap Agreement without an assumption of the obligations under such Swap Agreement (except in respect of a transfer by the Covered Bond Guarantor to the Security Trustee in its fiduciary capacity);
- (c) there is a change of law, a change in application of the relevant law or consolidation, amalgamation, merger, transfer of assets, reorganisation, reincorporation or reconstruction of or by a party which results in the Covered Bond Guarantor or the Swap Provider (or both) being obliged to make a withholding or deduction on account of a tax on a payment to be made by such party to the other party under such Swap Agreement and the Swap Provider thereby being required under the terms of such Swap Agreement to gross up payments made to the Covered Bond Guarantor, or to receive net payments from the Covered Bond Guarantor (who is not required under the terms of such Swap Agreement to gross up payments made to the Swap Provider);
- (d) an event or circumstance occurs which results in the illegality of the obligations to be performed by either party under the Swap Agreement or a force majeure event which renders performance impossible or impractical;
- (e) in relation to a Covered Bond Swap only, if the corresponding Series of Covered Bonds are redeemed or cancelled; and
- (f) the making of an amendment (without the consent of the Swap Provider) to the Priorities of Payment which has a material adverse effect on the amounts paid to the Swap Provider under the Priorities of Payments such that the Covered Bond Guarantor's obligations under the Swap Agreement are further contractually subordinated to its obligations to any other Secured Creditor.

Upon the termination of a Swap Agreement, the Covered Bond Guarantor or the Swap Provider may be liable to make a termination payment to the other party in accordance with the provisions of the relevant Swap Agreement.

Swap Agreement Credit Support Document

The Covered Bond Guarantor and each Swap Provider will also enter into a credit support document in the form of the ISDA 1995 Credit Support Annex (Transfer-English Law) to the ISDA Master Agreement (the **Swap Agreement Credit Support Document**). The Swap Agreement Credit Support Document will provide that, from time to time, if required to do so following its downgrade and subject to the conditions specified in the Swap Agreement Credit Support Document, the relevant Swap Provider will make transfers of collateral to the Covered Bond Guarantor in support of its obligations under the Swap Agreement (the **Swap Collateral**) and the Covered Bond Guarantor will be obliged to return equivalent collateral in accordance with the terms of the Swap Agreement Credit Support Document. The Swap Agreement Credit Support Document will be governed by English Law.

Swap Collateral required to be posted by the relevant Swap Provider pursuant to the terms of the Swap Agreement Credit Support Document will be delivered in the form of cash. Cash amounts will be paid into an account designated as a **Swap Collateral Cash Account**. References to a Swap Collateral Cash Account and to payments from such accounts are deemed to be a reference to payments from such accounts as and when opened by the Covered Bond Guarantor.

If a Swap Collateral Cash Account is opened, cash (and all income in respect thereof) transferred as collateral will only be available to be applied in returning collateral (and income thereon) or in satisfaction of amounts owing by the Swap Provider in accordance with the terms of the Swap Agreement Credit Support Document.

Any Swap Collateral Excluded Amounts will be paid to the relevant Swap Provider directly and not via the Priorities of Payments.

Limited Recourse

All obligations of the Covered Bond Guarantor to the relevant Swap Provider under the Swap Agreements are limited in recourse to the Charged Property.

Governing Law

The Swap Agreements will be governed by English Law.

Account Bank Agreement

Pursuant to the terms of the Account Bank Agreement entered into on the Programme Date between the Covered Bond Guarantor (in its capacity as Covered Bond Guarantor, All Moneys Mortgage Trustee and All Moneys Mortgage Beneficiary), BNZ (in its capacities as Account Bank, Calculation Manager and All Moneys Mortgage Beneficiary), the Trust Manager and the Security Trustee (as the same may be amended and/or supplemented and/or restated from time to time), the Covered Bond Guarantor will maintain with the Account Bank the GIC Account described below, the Transactions Accounts, the All Moneys Mortgage Trust Account and the Swap Collateral Cash Account, which will be operated in accordance with the Management Agreement, the Establishment Deed, the Security Deed and the relevant Swap Agreements.

The Covered Bond Guarantor or the Security Trustee may, upon written notice to the Account Bank, terminate the appointment of the Account Bank if the following matters occur:

- (a) if a deduction or withholding for or on account of any Tax is imposed, or it appears likely that such a deduction or withholding will be imposed, in respect of the interest payable on any Trust Account, as applicable; or
- (b) if the Account Bank fails to make payment on the due date of any payment due and payable by it under the Account Bank Agreement and such default is not waived by the Covered Bond Guarantor (with the prior written consent of the Security Trustee) or the Security Trustee, as applicable, and such default continues unremedied for a period of five NZ Business Days; or
- (c) if the Account Bank fails to perform any of its other material obligations under the Account Bank Agreement, the Security Deed or any other Programme Document to which it is a party which is, in the opinion of the Security Trustee, materially prejudicial to the holders of Covered Bonds (and such failure is not waived by the Covered Bond Guarantor with the prior written consent of the Security Trustee (acting on the directions of the Bond Trustee (for so long as any Covered Bonds are outstanding) or (if there are no Covered Bonds outstanding) of the Majority Secured Creditors)) and such failure remains unremedied for a period of 10 NZ Business Days after the Trust Manager or the Security Trustee has given notice of such failure to the Account Bank,

and the Covered Bond Guarantor and the Security Trustee shall, upon written notice to the Account Bank, terminate the appointment of the Account Bank if the following matters occur:

- (d) if the Account Bank ceases to be a Qualified Institution and the Account Bank does not, within 30 days of the occurrence of such event, obtain a guarantee of its obligations under the Account Bank Agreement from a Qualified Institution and provided further that the Rating Agencies have confirmed that the then current ratings of the Covered Bonds would not be reduced, qualified or withdrawn as a result of obtaining such guarantee; or
- (e) if an Insolvency Event occurs in respect of the Account Bank.

The Account Bank Agreement is governed by New Zealand law.

Security Deed

Pursuant to the terms of the Security Deed entered into on the Programme Date by, *inter alia*, the Covered Bond Guarantor, the Trust Manager, the Security Trustee and the other Secured Creditors, as security for payment of the Secured Obligations, the Covered Bond Guarantor:

- (a) grants a security interest in all of its present and after acquired right, title and interest in the assets of the Trust which comprise present and after-acquired personal property to which the PPSA applies (**Charged Personal Property**) in favour of the Security Trustee; and
- (b) charges all of its present and future right, title and interest in, and all of its present and future rights in relation to, any assets of the Trust which are land and any other property other than any Charged Personal Property (**Charged Other Property**), in favour of the Security Trustee.

The Security is a fixed charge in respect of all Charged Other Property except where, but only to the extent that, the Security is not legally and fully effective as a fixed charge, in which event the Security shall be a floating charge. Any floating charge shall become a fixed charge automatically and immediately in respect of all Charged Other Property subject to the floating charge:

- (c) without the need for any notice to or act by the Security Trustee, following the service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor; and
- (d) in respect of any such Charged Other Property specified in any notice which may be given by the Security Trustee to the Covered Bond Guarantor and the Trust Manager at any time if, in the opinion

of the Security Trustee, that Charged Other Property is at risk of being seized, taken or becoming subject to any Security Interest other than any Security Interest expressly permitted under the Programme Documents.

Release of Security

In the event of any sale of Mortgage Loans (including Selected Mortgage Loans) and their Related Security (and any other related rights under the same) by or on behalf of the Covered Bond Guarantor pursuant to and in accordance with the Programme Documents, such Mortgage Loans and the Related Security (and any other related rights under the same) shall no longer form part of the Mortgage Loan Portfolio and the Security Trustee shall, if so requested in writing by the Covered Bond Guarantor (or the Trust Manager on its behalf) (at the sole cost and expense of the Covered Bond Guarantor) take all reasonable steps necessary to ensure the release or discharge of those Mortgage Loans and the Related Security (and any other related rights under the same) from the Security Interests created by and pursuant to the Security Deed on or prior to the date of such sale, provided that:

- (a) the Security Trustee provides its prior written consent to the terms of such sale as described under "*Establishment Deed – Method of Sale of Selected Mortgage Loans*" above; and
- (b) the Trust Manager shall have provided to the Security Trustee a certificate that such sale of Mortgage Loans and the Related Security has been made in accordance with the terms of the Programme Documents and, in the case of Selected Mortgage Loans only, that the Selected Mortgage Loans have been selected on a basis that is representative of the Mortgage Loans in the Mortgage Loan Portfolio as a whole.

Enforcement

If a Covered Bond Guarantee Acceleration Notice is served on the Covered Bond Guarantor, the Security Trustee shall be entitled to appoint a Receiver, and/or enforce the Security constituted by the Security Deed (including selling the Mortgage Loan Portfolio), and/or take such steps as it shall deem necessary, subject in each case to being indemnified and/or prefunded and/or secured to its satisfaction. All proceeds received by the Security Trustee from the enforcement or realisation of the Security will be applied in accordance with the Post-Enforcement Priority of Payments described under "*Cashflows*" below.

The Security Deed is governed by New Zealand law.

Issuer-ICSDs Agreement

Prior to the issuance of any NGCBs, the Bank will enter into an Issuer-ICSDs Agreement with the ICSDs in respect of any Covered Bonds issued in NGCB form. The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any such NGCBs, maintain their respective portion of the issue outstanding amount through their records.

The Issuer-ICSDs Agreement will be governed by English law.

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured and unconditional obligations of the relevant Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF). The Covered Bond Guarantor has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuers and the Guarantor of an Issuer Acceleration Notice and on the Covered Bond Guarantor of a Notice to Pay or, if earlier, following the occurrence of a Covered Bond Guarantor Event of Default, service by the Bond Trustee on the Covered Bond Guarantor, the Issuers and the Guarantor of a Covered Bond Guarantee Acceleration Notice. Neither the Issuers nor the Guarantor will be relying on any payments by the Covered Bond Guarantor in order to pay interest or repay principal under the Covered Bonds or amounts under the Guarantee (in the case of Covered Bonds issued by BNZ-IF).

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to Covered Bondholders, as follows:

- (a) the Covered Bond Guarantee provides credit support to the relevant Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF);
- (b) the Pre-Maturity Test is intended to provide liquidity to the Covered Bond Guarantor in relation to amounts of principal due on the Final Maturity Date of the Hard Bullet Covered Bonds;
- (c) the Asset Coverage Test is intended to test the asset coverage of the Covered Bond Guarantor's assets in respect of the Covered Bonds on a three-monthly basis;
- (d) the Amortisation Test is intended to test the asset coverage of the Covered Bond Guarantor's assets in respect of the Covered Bonds following the occurrence of an Issuer Event of Default, service on the Issuers, the Guarantor and the Covered Bond Guarantor of an Issuer Acceleration Notice and service of a Notice to Pay on the Covered Bond Guarantor;
- (e) a Reserve Fund will be established in the GIC Account to trap Available Revenue Receipts if BNZ's short term, unsecured, unsubordinated and unguaranteed obligations fall below F1+ by Fitch and P-1 by Moody's; and
- (f) under the terms of the Account Bank Agreement, the Account Bank has agreed to pay a rate of interest per annum equal to the Bank Bill Rate for three month NZ Dollar deposits (which shall be the rate determined by the Account Bank on each Calculation Date or, in the case of the first Calculation Period, the First Issue Date) on all amounts held by the Covered Bond Guarantor in the GIC Account.

Certain of these factors are considered more fully in the remainder of this section.

Covered Bond Guarantee

Pursuant to the terms of the Bond Trust Deed, the Covered Bond Guarantor has guaranteed payments of interest and principal under the Covered Bonds issued by the Issuers. The Covered Bond Guarantor has agreed to pay an amount equal to the Guaranteed Amounts when the same shall become Due for Payment but which would otherwise be unpaid by the relevant Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF). The obligations of the Covered Bond Guarantor under the Covered Bond Guarantee constitute direct, unconditional (following service of a Notice to Pay or a Covered Bond Guarantee Acceleration Notice) and unsubordinated obligations of the Covered Bond Guarantor, secured as provided in the Security Deed. The Bond Trustee will be required to serve a Notice to Pay on the Covered Bond Guarantor following the occurrence of an Issuer Event of Default (whereupon the Covered Bonds will

become immediately due and payable as against the relevant Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) but not at such time as against the Covered Bond Guarantor).

A Covered Bond Guarantee Acceleration Notice may be served by the Bond Trustee on the Issuers, the Guarantor and the Covered Bond Guarantor following the occurrence of a Covered Bond Guarantor Event of Default. If a Covered Bond Guarantee Acceleration Notice is served, the Covered Bonds will become immediately due and payable (if they have not already become due and payable) and the obligations of the Covered Bond Guarantor under the Covered Bond Guarantee will be accelerated and the Security Trustee will be entitled to enforce the Security. Payments made by the Covered Bond Guarantor under the Covered Bond Guarantee will be made subject to, and in accordance with, the Guarantee Priority of Payments or the Post-Enforcement Priority of Payments, as applicable.

See further "*Overview of the Principal Documents — Bond Trust Deed*" as regards the terms of the Covered Bond Guarantee.

See further "*Cashflows — Guarantee Priority of Payments*" as regards the payment of amounts payable by the Covered Bond Guarantor to Covered Bondholders and other Secured Creditors following service of a Notice to Pay.

Pre-Maturity Liquidity

Each Series of Hard Bullet Covered Bonds is subject to a Pre-Maturity Test on each Business Day during the Pre-Maturity Test Period prior to the occurrence of an Issuer Event of Default and/or a Covered Bond Guarantor Event of Default. The Pre-Maturity Test is intended to provide liquidity for such Covered Bonds when BNZ's credit ratings fall to a certain level within a specified period prior to the maturity of such Covered Bonds. If the Pre-Maturity Test is breached within such specified period and certain actions are not taken, an Issuer Event of Default will occur.

Asset Coverage Test

The Asset Coverage Test is intended to test the asset coverage of the Covered Bond Guarantor's assets in respect of the Covered Bonds on a three-monthly basis. This is to ensure that the assets of the Covered Bond Guarantor do not fall below a certain threshold and are sufficient for the Covered Bond Guarantor to meet its obligations under the Covered Bond Guarantee and senior expenses which rank in priority or *pari passu* with amounts due on the Covered Bonds.

The Establishment Deed provides that, prior to the service of a Notice to Pay on the Covered Bond Guarantor, the assets of the Covered Bond Guarantor are subject to the Asset Coverage Test. Accordingly, for so long as Covered Bonds remain outstanding, the Covered Bond Guarantor must ensure that on each Calculation Date, the Adjusted Aggregate Mortgage Loan Amount will be in an amount equal to or in excess of the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds from time to time. The Asset Coverage Test will be tested by the Calculation Manager on each Calculation Date.

Pursuant to the terms of the Mortgage Sale Agreement, the Seller has agreed to use all reasonable efforts to transfer Mortgage Loans and the Related Security to the Covered Bond Guarantor in order to ensure that the Mortgage Loan Portfolio is in compliance with the Asset Coverage Test. The consideration payable to the Seller for the sale of such Mortgage Loans and Related Security to the Covered Bond Guarantor may be funded by (i) cash available to the Covered Bond Guarantor to pay for such Mortgage Loans and Related Security in accordance with the Pre-Acceleration Principal Priority of Payments; and/or (ii) a drawing under the Demand Loan Agreement.

Alternatively, the Covered Bond Guarantor may purchase Substitution Assets or request drawings under the Demand Loan Agreement (as directed by the Trust Manager) in order to ensure that the Covered Bond Guarantor is in compliance with the Asset Coverage Test.

If the Adjusted Aggregate Mortgage Loan Amount is less than the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds on a Calculation Date and also on the next following Calculation Date, the Asset Coverage Test will be breached and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the Covered Bond Guarantor (subject to the Bond Trustee having actual knowledge or express notice of the breach). The Bond Trustee shall be deemed to revoke an Asset Coverage Test Breach Notice if, on the next Calculation Date to occur following the service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is subsequently satisfied and neither a Notice to Pay nor a Covered Bond Guarantee Acceleration Notice has been served. If the Asset Coverage Test Breach Notice is not revoked on the next Calculation Date after service of such Asset Coverage Test Breach Notice an Issuer Event of Default will occur.

See further "*Overview of the Principal Documents – Establishment Deed – Asset Coverage Test*", above.

Amortisation Test

The Amortisation Test is intended to ensure that, following service of a Notice to Pay, the assets of the Covered Bond Guarantor do not fall below a certain threshold to ensure that the assets of the Covered Bond Guarantor are sufficient to meet its obligations under the Covered Bond Guarantee and senior expenses which rank in priority or *pari passu* with amounts due on the Covered Bonds.

Pursuant to the Establishment Deed, the Covered Bond Guarantor must ensure that on each Calculation Date following service of a Notice to Pay on the Covered Bond Guarantor but prior to the enforcement of the Security in accordance with the Security Deed, the Amortisation Test Aggregate Mortgage Loan Amount is in an amount at least equal to the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding under the Covered Bonds.

See further "*Overview of the Principal Documents — Establishment Deed — Amortisation Test*", above.

Reserve Fund

If, on a Calculation Date, BNZ's short-term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least P-1 by Moody's and F1+ by Fitch the Covered Bond Guarantor is required to establish a reserve fund within the GIC Account and to credit, on the next Trust Payment Date, to the Reserve Fund the proceeds of Available Revenue Receipts or the remaining proceeds of a Term Advance up to an amount equal to (a) the higher of the NZ Dollar Equivalent of the interest (i) that will accrue on each Series of Covered Bonds then outstanding from (and including) such Calculation Date to (but excluding) the date falling three months after such Calculation Date, and (ii) due for payment on each Series of Covered Bonds from (and including) such Calculation Date to (but excluding) the date falling three months after such Calculation Date, and (b) an amount equal to one-quarter of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) and (b) of the Pre-Acceleration Revenue Priority of Payments.

CASHFLOWS

As described above under Credit Structure, until a Notice to Pay or Covered Bond Guarantee Acceleration Notice is served on the Covered Bond Guarantor, the Covered Bonds will be obligations of the relevant Issuer and the Guarantor (in the case of Covered Bonds issued by BNZ-IF) only. The relevant Issuer or the Guarantor (in the case of Covered Bonds issued by BNZ-IF) are liable to make payments when due on the Covered Bonds, whether or not BNZ has received any corresponding payment from the Covered Bond Guarantor.

This section summarises the Priorities of Payments of the Covered Bond Guarantor, as to the allocation and distribution of amounts standing to the credit of the Transaction Accounts and their order of priority:

- (a) prior to the service of a Notice to Pay or a Covered Bond Guarantee Acceleration Notice and/or commencement of winding-up proceedings against the Trust and/or realisation of the Security;
- (b) following service of a Notice to Pay (but prior to the service of a Covered Bond Guarantee Acceleration Notice and/or commencement of winding-up proceedings against the Trust and/or realisation of the Security); and
- (c) following the service of a Covered Bond Guarantee Acceleration Notice and/or commencement of winding-up proceedings against the Trust and/or realisation of the Security,

all in accordance with the Establishment Deed and Security Deed, as applicable.

If a Transaction Account is closed in accordance with the terms of the Account Bank Agreement, any payment to be made to or from the relevant Transaction Account shall, as applicable, be made to or from the GIC Account, or no payment shall be made at all if such payment is expressed to be from the GIC Account to the relevant Transaction Account.

Allocation and distribution of Available Revenue Receipts prior to the service of a Notice to Pay, or a Covered Bond Guarantee Acceleration Notice and/or the commencement of winding up proceedings against the Trust and/or the realisation of the Security

Prior to the service of a Notice to Pay or a Covered Bond Guarantee Acceleration Notice and/or the commencement of winding-up proceedings against the Trust and/or realisation of the Security, Available Revenue Receipts standing to the credit of the Transaction Accounts shall be allocated and distributed as described below.

On the Calculation Date immediately preceding each Trust Payment Date, the Covered Bond Guarantor, or the Trust Manager on its behalf, shall calculate:

- (a) the amount of Available Revenue Receipts available for distribution on the following Trust Payment Date;
- (b) the Reserve Fund Required Amount if applicable; and
- (c) if the Pre-Maturity Test has been breached in respect of a Series of Hard Bullet Covered Bonds, on each Calculation Date falling within the Pre-Maturity Test Period, whether or not the amount standing to the credit of the Pre-Maturity Ledger at such date is less than the NZ Dollar Equivalent of the Required Redemption Amount for the relevant Series of Hard Bullet Covered Bonds at such date (after deducting from the balance standing to the credit of the Pre-Maturity Ledger such amount as is then required to repay any Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds).

On each Trust Payment Date, the Covered Bond Guarantor, or the Trust Manager on its behalf, shall transfer funds from the GIC Account to the Transaction Accounts, in an amount equal to the lower of (a) the amount required to make the payments or credits described below and (b) the amount of Available Revenue Receipts standing to the credit of the GIC Account.

Pre-Acceleration Revenue Priority of Payments

On each Trust Payment Date (except for amounts due to third parties by the Covered Bond Guarantor described below under (a) which in each case shall be paid when due and except for Swap Collateral Excluded Amounts due to the Swap Provider by the Covered Bond Guarantor under the relevant Swap Agreement which shall be paid directly to the relevant Swap Provider), the Covered Bond Guarantor, or the Trust Manager on its behalf, will apply Available Revenue Receipts from the Transaction Accounts to make the following payments and provisions in the following order of priority (**Pre-Acceleration Revenue Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction of any amounts due and payable by the Covered Bond Guarantor to itself as trustee of the Trust, the Bond Trustee and the Security Trustee, any remuneration due and payable to each Agent under the provisions of the Agency Agreements and any amounts due and payable to other third parties and incurred without breach by the Covered Bond Guarantor of the Programme Documents to which it is a party (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments) and to provide for any such amounts expected to become due and payable by the Covered Bond Guarantor in the Trust Payment Period in which such Trust Payment Date occurs and to discharge any liability of the Covered Bond Guarantor for Taxes;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any remuneration (other than for the subordinated servicing fee (if any) that is payable under paragraph (k) below) then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer under the provisions of the Servicing Agreement in the Trust Payment Period in which such Trust Payment Date occurs, together with applicable GST (or other similar Taxes) thereon;
 - (ii) any remuneration then due and payable to the Calculation Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Calculation Manager under the provisions of the Management Agreement in the Trust Payment Period in which such Trust Payment Date occurs, together with applicable GST (or other similar Taxes) thereon;
 - (iii) amounts (if any) due and payable to the Account Bank (including costs) pursuant to the terms of the Account Bank Agreement, together with applicable GST (or other similar Taxes) thereon;
 - (iv) amounts due and payable to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement (other than the amounts referred to in paragraph (i) below), together with applicable GST (or other similar Taxes) thereon; and
 - (v) any remuneration then due and payable to the Trust Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Trust Manager pursuant to the Establishment Deed and the Management Agreement in the Trust Payment Period in which such Trust Payment Date occurs, together with any applicable GST (or other similar Taxes) thereon;

- (c) *third*, in or towards payment on the Trust Payment Date or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Trust Manager may reasonably determine of any amount due or to become due and payable to the Interest Rate Swap Provider in respect of the Interest Rate Swaps (including any termination payment due and payable by the Covered Bond Guarantor under the Interest Rate Swaps but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premium received from any replacement Interest Rate Swap Provider) pursuant to the terms of the Interest Rate Swap Agreements;
- (d) *fourth*, in or towards payment on the Trust Payment Date or to provide for payment on such date in the future of such proportion of the relevant payments falling due in the future as the Trust Manager may reasonably determine, *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any amounts due or to become due and payable to the Covered Bond Swap Provider (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable (other than in respect of principal) by the Covered Bond Guarantor under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from any relevant replacement Covered Bond Swap Provider) in accordance with the terms of the relevant Covered Bond Swap Agreement; and
 - (ii) any amounts due or to become due and payable (excluding principal amounts) to the Intercompany Loan Provider *pro rata* and *pari passu* in respect of each Term Advance pursuant to the terms of the Intercompany Loan Agreement, but in the case of any such payment, after taking into account any amounts (other than principal) receivable from the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the Trust Payment Date or such date in the future as the Calculation Manager may reasonably determine,

but, in the case of any such payment or provision, after taking into account any amounts receivable from the Interest Rate Swap Provider under the Interest Rate Swap Agreements and, if applicable, any amounts (other than principal) receivable from the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the Trust Payment Date or such date in the future as the Trust Manager may reasonably determine;

- (e) *fifth*, in or towards payment on the Trust Payment Date of, if the Covered Bond Guarantor, or the Trust Manager on its behalf, is required to make a deposit to the Pre-Maturity Ledger following a breach of the Pre-Maturity Test, the amount of that deposit towards a credit to the Pre-Maturity Ledger and deposit into the GIC Account of an amount equal to (A) the NZ Dollar Equivalent of the Required Redemption Amount for the relevant Series of Hard Bullet Covered Bonds calculated as at the immediately preceding Calculation Date, less (B) any amounts standing to the credit of the Pre-Maturity Ledger as at the immediately preceding Calculation Date after having deducted the NZ Dollar Equivalent of the Required Redemption Amount of all other Series of Hard Bullet Covered Bonds, as calculated on such Calculation Date, which mature prior to or on the same date as such relevant Series of Hard Bullet Covered Bonds referred to in (A);
- (f) *sixth*, if a Servicer Termination Event has occurred, all remaining Available Revenue Receipts to be deposited into the GIC Account (with a corresponding credit to the Revenue Ledger) until such Servicer Termination Event is either remedied by the Servicer or waived by the Security Trustee (acting on the directions of the Bond Trustee, or, if no Covered Bonds are outstanding, the Majority Secured Creditors) or a replacement servicer is appointed to service the Mortgage Loan Portfolio (or the relevant part thereof);

- (g) *seventh*, in or towards a credit to the Reserve Ledger and deposit into the GIC Account of an amount up to but not exceeding the amount by which the Reserve Fund Required Amount exceeds the existing balance on the Reserve Ledger as calculated on the immediately preceding Calculation Date;
- (h) *eighth*, in or towards payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any Excluded Swap Termination Amounts due and payable by the Covered Bond Guarantor under the Swap Agreements, except to the extent such amounts have been paid out of any premiums received from any relevant replacement Swap Provider;
- (i) *ninth*, in or towards payment of any indemnity amount due to the Asset Monitor pursuant to the Asset Monitor Agreement;
- (j) *tenth*, any interest amount due, or to become due and payable in respect of the Demand Loan, to the Demand Loan Provider pursuant to the terms of the Demand Loan Agreement;
- (k) *eleventh*, as a subordinated servicing fee to the Servicer, the amount that is payable to the Servicer as a servicing fee in accordance with the Subordinated Servicing Fee Letter; and
- (l) *twelfth*, the remainder:
 - (i) subject to sub-paragraph (ii) below:
 - (A) except for the Trust Payment Date that occurs on or immediately after the day on which the Net Annual Income of the Trust for a Fiscal Period has vested absolutely in the Residual Income Beneficiary in accordance with the Establishment Deed, to be deposited into the GIC Account (with a corresponding credit to the Residual Income Beneficiary Ledger); and
 - (B) on the Trust Payment Date that occurs on or immediately after the day on which the Net Annual Income of the Trust for a Fiscal Period has vested absolutely in the Residual Income Beneficiary in accordance with the Establishment Deed, to the Residual Income Beneficiary by way of distribution of the Net Annual Income of the Trust which has vested absolutely in the Residual Income Beneficiary (with a corresponding debit to the Residual Income Beneficiary Ledger); and
 - (ii) to the extent the Covered Bond Guarantor, or the Trust Manager on its behalf, is not satisfied that the Residual Income Beneficiary has paid or made provision for payment of income tax (if any) in respect of the income of the Trust and distributions made or to be made under this paragraph (l), to be deposited into the GIC Account (with a corresponding credit to the Residual Income Beneficiary Ledger) and either:
 - (A) paid to the Commissioner of Inland Revenue to meet any unpaid income tax liability in respect of the income of the Trust and distribution of income of the Trust; or
 - (B) upon being satisfied that the Residual Income Beneficiary has paid or made provision for payment of income tax (if any) in respect of the income of the Trust and distributions made or to be made under this paragraph (l), paid to the Residual Income Beneficiary by way of distribution of the income of the Trust (with a corresponding debit to the Residual Income Beneficiary Ledger).

Allocation and Distribution of Available Revenue Receipts following service of an Asset Coverage Test Breach Notice

At any time after service on the Covered Bond Guarantor of an Asset Coverage Test Breach Notice (which has not been revoked), but prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or, if earlier, the occurrence of a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice and/or the commencement of winding up proceedings against the Trust and/or realisation of the Security, all Available Revenue Receipts will continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments save that, whilst any Covered Bonds remain outstanding, no moneys will be applied under paragraphs (d)(ii), (j), (k) or (l) of the Pre-Acceleration Revenue Priority of Payments, and the remainder (if any) will be deposited into the GIC Account (with a corresponding credit to the Revenue Ledger) and applied as Available Revenue Receipts on the next succeeding Trust Payment Date.

Allocation and Distribution of Available Principal Receipts prior to service of a Notice to Pay, or a Covered Bond Guarantee Acceleration Notice and/or the commencement of winding up proceedings against the Trust and/or the realisation of the Security

Prior to the service of a Notice to Pay or a Covered Bond Guarantee Acceleration Notice and/or the commencement of winding-up proceedings against the Trust and/or the realisation of the Security, Available Principal Receipts standing to the credit of the Transaction Accounts shall be allocated and distributed as described below.

On each Calculation Date, the Covered Bond Guarantor, or the Trust Manager on its behalf, shall calculate the amount of Available Principal Receipts available for distribution on the immediately following Trust Payment Date.

On each Trust Payment Date, the Covered Bond Guarantor, or the Trust Manager on its behalf, will transfer funds from the GIC Account to the Transaction Accounts, in an amount equal to the lower of (a) the amount required to make the payments or credits described below and (b) the amount of all Available Principal Receipts standing to the credit of the GIC Account.

Pre-Acceleration Principal Priority of Payments

On each Trust Payment Date, the Covered Bond Guarantor, or the Trust Manager on its behalf, will apply Available Principal Receipts from the Transaction Accounts (other than Swap Collateral Excluded Amounts due to the Swap Provider by the Covered Bond Guarantor under the relevant Swap Agreement which shall be paid directly to the relevant Swap Provider in accordance with the terms of the relevant Swap Agreement) in making the following payments or provisions or credits in the following order or priority (**Pre-Acceleration Principal Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been paid in full to the extent the same are payable on the relevant Trust Payment Date):

- (a) *first*, if the Pre-Maturity Test has been breached by the Issuers in respect of any Series of Hard Bullet Covered Bonds, towards a credit to the Pre-Maturity Ledger and deposit into the GIC Account in an amount up to, but not exceeding the difference between:
 - (i) the NZ Dollar Equivalent of the Required Redemption Amount calculated on the immediately preceding Calculation Date for the relevant Series of Hard Bullet Covered Bonds; and
 - (ii) any amounts standing to the credit of the Pre-Maturity Ledger on the immediately preceding Calculation Date after having deducted the NZ Dollar Equivalent of the Required Redemption Amount of all other Series of Hard Bullet Covered Bonds, as calculated on that

Calculation Date, which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds;

- (b) *second*, to acquire New Mortgage Loans and the Related Security offered to the Covered Bond Guarantor by the Seller in accordance with the terms of the Mortgage Sale Agreement in an amount sufficient to ensure that taking into account the other resources available to the Covered Bond Guarantor, the Covered Bond Guarantor is in compliance with the Asset Coverage Test and thereafter to acquire Substitution Assets in an amount not to exceed the prescribed limit (as specified herein) sufficient to ensure that, after taking into account the other resources available to the Covered Bond Guarantor, the Covered Bond Guarantor is in compliance with the Asset Coverage Test;
- (c) *third*, to deposit the remaining Available Principal Receipts into the GIC Account (with a corresponding credit to the Principal Ledger) in an amount sufficient to ensure that, taking into account the other resources available to the Covered Bond Guarantor, the Covered Bond Guarantor is in compliance with the Asset Coverage Test;
- (d) *fourth*, in or towards repayment on the Trust Payment Date (or to provide for repayment on such date in the future of such proportion of the relevant payment falling due in the future as the Trust Manager may reasonably determine) of each relevant Term Advance by making the following payments:
 - (i) the amounts (in respect of principal) due or to become due and payable to the Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment (relating solely to principal) due and payable by the Covered Bond Guarantor under the Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from any replacement Swap Provider) in accordance with the terms of the Covered Bond Swap Agreement; and
 - (ii) where appropriate, after taking into account any amounts in respect of principal receivable from a Covered Bond Swap Provider on the Trust Payment Date or such date in the future as the Trust Manager may reasonably determine, the amounts (in respect of principal) due or to become due and payable to the Intercompany Loan Provider *pro rata* and *pari passu* in respect of each relevant Term Advance;
- (e) *fifth*, to:
 - (i) pay the Purchase Price for New Mortgage Loans and the Related Security sold to the Covered Bond Guarantor in accordance with the Mortgage Sale Agreement following receipt by the Seller of a notice from the Covered Bond Guarantor or the Security Trustee; and
 - (ii) reimburse the Seller for funding any Further Advances and/or Cash Redraws that the Covered Bond Guarantor has agreed to reimburse the Seller for in accordance with the Mortgage Sale Agreement;
- (f) *sixth*, to:
 - (i) if the Demand Loan Provider has given written notice to the Covered Bond Guarantor and the Trust Manager that it does not require the Demand Loan to be repaid on the Trust Payment Date, deposit into the GIC account (with a corresponding credit to the Principal Ledger) an amount determined by the Trust Manager that does not exceed the amount that otherwise would have been applied in repayment of the Demand Loan under this Pre-Acceleration Principal Priority of Payments; and

- (ii) repay the principal outstanding on the Demand Loan pursuant to the terms of the Demand Loan Agreement, to the extent that such payment would not cause the Asset Coverage Test to be breached; and
- (g) *seventh*, as a subordinated servicing fee to the Servicer, the amount payable to the Servicer as a servicing fee in accordance with the Subordinated Servicing Fee Letter.

Allocation and Distribution of Available Principal Receipts following service of an Asset Coverage Test Breach Notice

At any time after the service on the Covered Bond Guarantor of an Asset Coverage Test Breach Notice (which has not been revoked), but prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or, if earlier, the occurrence of a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice and/or the commencement of winding up proceedings against the Trust and/or realisation of the Security, all Available Principal Receipts will continue to be applied in accordance with the Pre-Acceleration Principal Priority of Payments save that, whilst any Covered Bonds remain outstanding, no moneys will be applied under paragraphs (b), (d)(ii), (e), (f) or (g) of the Pre-Acceleration Principal Priority of Payments, and the remainder (if any) will be deposited into the GIC Account (with a corresponding credit to the Principal Ledger) and applied as Available Principal Receipts on the next succeeding Trust Payment Date.

Allocation and Distribution of Available Revenue Receipts and Available Principal Receipts following service of a Notice to Pay

At any time after the service of a Notice to Pay on the Covered Bond Guarantor, but prior to service of a Covered Bond Guarantee Acceleration Notice and/or the commencement of winding-up proceedings against the Trust and/or the realisation of the Security, all Available Revenue Receipts and Available Principal Receipts will be applied as described below.

On each Trust Payment Date, the Covered Bond Guarantor, or the Trust Manager on its behalf, will transfer funds from the GIC Account to the Transaction Accounts, an amount equal to the lower of (a) the amount required to make the payments set out in the Guarantee Priority of Payments, as described below and (b) the amount of all Available Revenue Receipts and Available Principal Receipts standing to the credit of the GIC Account.

The Covered Bond Guarantor, or the Trust Manager on its behalf, will create and maintain ledgers for each Series of Hard Bullet Covered Bonds and record amounts allocated to such Series of Hard Bullet Covered Bonds, and such amounts, once allocated, will only be available to pay amounts due under the Covered Bond Guarantee and amounts due under the relevant Covered Bond Swap in respect of the relevant Series of Hard Bullet Covered Bonds on the scheduled repayment dates thereof.

If a Notice to Pay has been served on the Covered Bond Guarantor, on the Final Maturity Date of a Series of Hard Bullet Covered Bonds, the Covered Bond Guarantor, or the Trust Manager on its behalf, shall apply all moneys (if any) standing to the credit of the Pre-Maturity Ledger (and transferred from the GIC Account to the Transaction Accounts) to repay the relevant Series.

Guarantee Priority of Payments

On each Trust Payment Date (except for amounts due to third parties described below under (b)(ii) which in each case shall be paid when due, and except for Swap Collateral Excluded Amounts due to the Swap Provider by the Covered Bond Guarantor under the relevant Swap Agreement which shall be paid directly to the relevant Swap Provider) the Covered Bond Guarantor, or the Trust Manager on its behalf, will apply Available Revenue Receipts and Available Principal Receipts to make the following payments and provisions in the following order of priority (**Guarantee Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) all amounts due and payable or to become due and payable to the Bond Trustee (excluding all amounts otherwise payable to the Covered Bondholders, Receiptholders and Couponholders under the Guarantee Priority of Payments) in the Trust Payment Period in which such Trust Payment Date occurs under the provisions of the Bond Trust Deed together with interest and applicable GST (or other similar Taxes) thereon;
 - (ii) all amounts due and payable or to become due and payable to the Security Trustee (excluding all amounts otherwise payable to the Covered Bondholders, Receiptholders and Couponholders under the Guarantee Priority of Payments) in the Trust Payment Period in which such Trust Payment Date occurs under the provisions of the Security Deed together with interest and applicable GST (or other similar Taxes) thereon;
 - (iii) all amounts due and payable or to become due and payable to itself as trustee of the Trust in the Trust Payment Period in which such Trust Payment Date occurs under the Establishment Deed together with interest and any applicable GST thereon;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any remuneration then due and payable to the Agents under the provisions of the Agency Agreements together with applicable GST (or other similar Taxes) thereon; and
 - (ii) any amounts then due and payable by the Covered Bond Guarantor to third parties and incurred without breach by the Covered Bond Guarantor of the Programme Documents to which it is a party (and for which payment has not been provided for elsewhere in this Guarantee Priority of Payments) and to provide for any such amounts expected to become due and payable by the Covered Bond Guarantor in the Trust Payment Period in which such Trust Payment Date occurs and to pay or discharge any liability of the Covered Bond Guarantor for Taxes;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any remuneration (other than for the subordinated servicing fee (if any) that is payable under paragraph (m) below) then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the Trust Payment Period in which such Trust Payment Date occurs under the provisions of the Servicing Agreement together with applicable GST (or other similar Taxes) thereon;
 - (ii) any remuneration then due and payable to the Calculation Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Calculation Manager in the Trust Payment Period in which such Trust Payment Date occurs under the provisions of the Management Agreement, together with applicable GST (or other similar Taxes) thereon;
 - (iii) amounts (if any) due and payable to the Account Bank (including costs) pursuant to the terms of the Account Bank Agreement, together with applicable GST (or other similar Taxes) thereon;
 - (iv) amounts due and payable to the Trust Manager under the Establishment Deed and the Management Agreement;

- (v) amounts due and payable to the Asset Monitor (other than the amounts referred to in paragraph (k) below) pursuant to the terms of the Asset Monitor Agreement, together with applicable GST (or other similar Taxes) thereon;
- (d) *fourth*, in or towards payment on the Trust Payment Date, or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Trust Manager may reasonably determine, of any amount due or to become due and payable to the Interest Rate Swap Provider in respect of the Interest Rate Swaps (including any termination payment due and payable by the Covered Bond Guarantor under the Interest Rate Swaps but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from any replacement Interest Rate Swap Provider) in accordance with the terms of the Interest Rate Swap Agreement;
- (e) *fifth*, in or towards payment on the Trust Payment Date or to provide for payment on such date in the future of such proportion of the relevant payments falling due in the future as the Trust Manager may reasonably determine, *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any amounts due or to become due and payable to the Covered Bond Swap Provider (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable (other than in respect of principal) by the Covered Bond Guarantor under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from any relevant replacement Covered Bond Swap Provider) in accordance with the terms of the Covered Bond Swap Agreement; and
 - (ii) Scheduled Interest that is Due for Payment (or that will become Due for Payment in the Trust Payment Period in which such Trust Payment Date occurs) under the Covered Bond Guarantee in respect of each Series of Covered Bonds to the Bond Trustee or (if so directed by the Bond Trustee) the applicable Agent on behalf of the Covered Bondholders, Receiptholders and Couponholders *pro rata* and *pari passu* in respect of each Series of Covered Bonds,

but, in the case of any such payment or provision, after taking into account any amounts receivable from the Interest Rate Swap Provider under the Interest Rate Swap Agreement and, if applicable, any amounts (other than principal) receivable from the Covered Bond Swap Provider under the Covered Bond Swap Agreements on the Trust Payment Date or such date in the future as the Trust Manager may reasonably determine, provided that if the amount available for distribution under this paragraph (e) (excluding any amounts received or to be received from the Covered Bond Swap Provider) would be insufficient to pay the NZ Dollar Equivalent of the Scheduled Interest that is or will be Due for Payment in respect of each Series of Covered Bonds under sub-paragraph (ii) above, the shortfall will be divided amongst all such Series of Covered Bonds on a *pro rata* and *pari passu* basis and the amount payable by the Covered Bond Guarantor to the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement in respect of each relevant Series of Covered Bonds or provision to be made in respect thereof under sub-paragraph (i) above will be correspondingly reduced to take into account the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (f) *sixth*, in or towards payment on the Trust Payment Date or to provide for payment in the immediately succeeding Trust Payment Period, *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any amounts (in respect of principal) due or to become due and payable to any Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable (in respect of principal) by the

Covered Bond Guarantor under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from any relevant replacement Covered Bond Swap Provider) in accordance with the terms of the Covered Bond Swap Agreement; and

- (ii) (where appropriate, after taking into account any amounts in respect of principal receivable from the Covered Bond Swap Provider and available to make payments in respect thereof) Scheduled Principal that is Due for Payment (or that will become Due for Payment in the immediately succeeding Trust Payment Period) under the Covered Bond Guarantee in respect of each Series of Covered Bonds to the Bond Trustee or (if so directed by the Bond Trustee) the applicable Agent on behalf of the Covered Bonds *pro rata* and *pari passu* in respect of each Series of Covered Bonds,

provided that if the amount available for distribution under this paragraph (f) (excluding any amounts received or to be received from the Covered Bond Swap Provider) would be insufficient to pay the NZ Dollar Equivalent of the Scheduled Principal that is or will be Due for Payment in respect of each Series of Covered Bonds under sub-paragraph (ii) above, the shortfall will be divided amongst all such Series of Covered Bonds on a *pro rata* and *pari passu* basis and the amount payable by the Covered Bond Guarantor to the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement in respect of each relevant Series of Covered Bonds or provision to be made in respect thereof under sub-paragraph (i) above will be correspondingly reduced to take into account the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (g) *seventh*, in or towards payment on the Trust Payment Date (if such date is an Interest Payment Date) or to provide for payment on any Interest Payment Date prior to the immediately succeeding Trust Payment Date of the Final Redemption Amount (or portion thereof remaining unpaid) of any Series of Covered Bonds to which an Extended Due for Payment Date applies and whose Final Redemption Amount was not paid in full by the Extension Determination Date, by making the following payments, *pro rata* and *pari passu* according to the respective amounts thereof of:

- (i) any amounts due or to become due and payable to the Covered Bond Swap Provider (whether or not in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable by the Covered Bond Guarantor under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from any relevant replacement Covered Bond Swap Provider) in accordance with the terms of the relevant Covered Bond Swap Agreement; and
- (ii) such Final Redemption Amount *pro rata* and *pari passu* under the Covered Bond Guarantee in respect of each relevant Series of Covered Bonds to the Bond Trustee or (if so directed by the Bond Trustee) the applicable Agent on behalf of the Covered Bondholders,

but, in the case of any such payment or provision, after taking into account any amounts receivable from the Interest Rate Swap Provider in respect of the Interest Rate Swap Agreements and, if applicable, any amounts (whether or not in respect of principal) receivable from the Covered Bond Swap Provider in respect of the relevant Covered Bond Swap, provided that if the amount available for distribution under this paragraph (g) (excluding any amounts received or to be received from the Covered Bond Swap Provider) would be insufficient to pay the NZ Dollar Equivalent of such Final Redemption Amount in respect of the relevant Series of Covered Bonds under subparagraph (ii) above, the shortfall will be divided amongst all such Series of Covered Bonds on a *pro rata* and *pari passu* basis and any amount payable by the Covered Bond Guarantor to the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement in respect of each Series of Covered Bonds under sub-paragraph (i) above will be correspondingly reduced to take into account the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (h) *eighth*, to deposit the remaining moneys in the GIC Account for application on the immediately succeeding Trust Payment Date in accordance with the priority of payments described in paragraphs (a)-(g) (inclusive) above, until the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds);
- (i) *ninth*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amount due and payable by the Covered Bond Guarantor under the Swap Agreements, except to the extent that such amounts have been received from any relevant replacement Swap Provider;
- (j) *tenth*, in and towards payment of any amounts due or to become due and payable in the immediately succeeding Trust Payment Period (whether in respect of principal or interest) under the Intercompany Loan Agreement *pro rata* and *pari passu* in respect of each Term Advance pursuant to the terms of the Intercompany Loan Agreement;
- (k) *eleventh*, in or towards payment of certain costs, expenses and indemnity amounts due by the Covered Bond Guarantor to the Asset Monitor pursuant to the Asset Monitor Agreement;
- (l) *twelfth*, any amounts due or to become due and payable, in respect of the Demand Loan pursuant to the terms of the Demand Loan Agreement to the extent that such payment would not cause the Amortisation Test to be breached;
- (m) *thirteenth*, as a subordinated servicing fee to the Servicer, an amount equal to that part of the remainder that is payable to the Servicer as a servicing fee in accordance with the Subordinated Servicing Fee Letter; and
- (n) *fourteenth*, the remainder:
 - (i) subject to sub-paragraph (ii) below:
 - (A) except for the Trust Payment Date that occurs on or immediately after the day on which the Net Annual Income of the Trust for a Fiscal Period has vested absolutely in the Residual Income Beneficiary in accordance with the Establishment Deed, to be deposited into the GIC Account (with a corresponding credit to the Residual Income Beneficiary Ledger); and
 - (B) on the Trust Payment Date that occurs on or immediately after the day on which the Net Annual Income of the Trust for a Fiscal Period has vested absolutely in the Residual Income Beneficiary in accordance with the Establishment Deed to the Residual Income Beneficiary by way of distribution of the Net Annual Income of the Trust which has vested absolutely in the Residual Income Beneficiary (with a corresponding debit to the Residual Income Beneficiary Ledger); and
 - (ii) to the extent the Covered Bond Guarantor, or the Trust Manager on its behalf, is not satisfied that the Residual Income Beneficiary has paid or made provision for payment of income tax (if any) in respect of the income of the Trust and distributions made or to be made under this paragraph (n) to be deposited into the GIC Account (with a corresponding credit to the Residual Income Beneficiary Ledger) and either:
 - (A) paid to the Commissioner of Inland Revenue to meet any unpaid income tax liability in respect of the income of the Trust and distribution of income of the Trust; or
 - (B) upon being satisfied that the Residual Income Beneficiary has paid or made provision for payment of income tax (if any) in respect of the income of the Trust

and distributions made or to be made under this paragraph (n) paid to the Residual Income Beneficiary by way of distribution of the income of the Trust (with a corresponding debit to the Residual Income Beneficiary Ledger).

Termination payments in respect of Swaps, premiums received in respect of replacement Swaps

If the Covered Bond Guarantor receives any termination payment from a Swap Provider in respect of a Swap, such termination payment will first be used (prior to the occurrence of a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice and/or the commencement of winding up proceedings against the Trust and/or realisation of the Security) to pay a replacement Swap Provider to enter into a replacement Swap with the Covered Bond Guarantor (and, for the avoidance of doubt the amount of such termination payment to the replacement Swap Provider shall not form part of the Available Revenue Receipts or Available Principal Receipts), unless a replacement Swap has already been entered into on behalf of the Covered Bond Guarantor in which case the termination payment shall be applied in accordance with the applicable Priorities of Payment. If the Covered Bond Guarantor receives any premium from a replacement Swap Provider in respect of a replacement Swap, such premium will first be used to make any termination payment due and payable by the Covered Bond Guarantor with respect to the previous Swap (and, for the avoidance of doubt, the amount of such termination payment paid from such premium shall not form part of the Available Revenue Receipts or Available Principal Receipts), unless such termination payment has already been made on behalf of the Covered Bond Guarantor in which case the premium shall be applied in accordance with the applicable Priorities of Payment.

Application of moneys received by the Security Trustee following the service of a Covered Bond Guarantee Acceleration Notice and/or realisation of the Security and/or the commencement of winding-up proceedings against the Trust

From and including the time when the Bond Trustee serves a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and/or winding-up proceedings are commenced against the Trust and/or the Security is realised, no amount may be withdrawn from the Trust Accounts without the prior written consent of the Security Trustee.

Post-Enforcement Priority of Payments

All moneys received or recovered by the Security Trustee or any Receiver (excluding all amounts due or to become due in respect of any Third Party Amounts and excluding Swap Collateral Excluded Amounts due to the Swap Providers by the Covered Bond Guarantor, under the relevant Swap Agreement which shall be paid directly to the relevant Swap Provider), after the service of a Covered Bond Guarantee Acceleration Notice and/or the commencement of winding-up proceedings against the Trust and/or the realisation of the Security, for the benefit of the Secured Creditors in respect of the Secured Obligations, shall be held by it in the Trust Accounts on trust to be applied (save to the extent required otherwise by law), in the following order of priority (and, in each case, only if and to the extent that payments or provisions of a higher order of priority have been made in full) (the **Post-Enforcement Priority of Payments**):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) all amounts due and payable or to become due and payable to the Bond Trustee under the provisions of the Bond Trust Deed (but not including amounts otherwise payable to Covered Bondholders under this Post-Enforcement Priority of Payments) together with interest and any applicable GST (or similar Taxes) thereon;
 - (ii) all amounts due and payable or to become due and payable to the Security Trustee and any Receiver appointed by the Security Trustee under the provisions of the Security Deed (but not including amounts otherwise payable to Covered Bondholders under this Post-

Enforcement Priority of Payments) together with interest and any applicable GST (or similar Taxes) thereon; and

- (iii) all amounts due and payable or to become due and payable to the Covered Bond Guarantor under the provisions of the Establishment Deed together with interest and any applicable GST (or similar Taxes) thereon;
- (b) *second*, in or towards satisfaction of any remuneration then due and payable to the Agents under or pursuant to the Agency Agreements together with any applicable GST (or similar Taxes) thereon as provided therein;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof:
 - (i) any remuneration (other than for the subordinated servicing fee (if any) that is payable under paragraph (i) below) then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer under the provisions of the Servicing Agreement, together with any applicable GST (or other similar Taxes) thereon;
 - (ii) any remuneration then due and payable to the Calculation Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Calculation Manager under the provisions of the Management Agreement, together with any applicable GST (or other similar Taxes) thereon;
 - (iii) amounts due to the Account Bank (including any costs, charges, liabilities and expenses) pursuant to the terms of the Account Bank Agreement, together with any applicable GST (or other similar Taxes) thereon; and
 - (iv) any remuneration then due and payable to the Trust Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Trust Manager under the provisions of the Establishment Deed and the Management Agreement in the Trust Payment Period during which the application of moneys is made, together with any applicable GST (or other similar Taxes) thereon;
- (d) *fourth*, in or towards satisfaction of any amounts due and payable to the Interest Rate Swap Provider (including any termination payment, but excluding any Excluded Swap Termination Amount) pursuant to the terms of the Interest Rate Swap Agreements;
- (e) *fifth*, in or towards satisfaction of *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any amounts due and payable to the Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable by the Covered Bond Guarantor under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) in accordance with the terms of the relevant Covered Bond Swap Agreement; and
 - (ii) the amounts due and payable under the Covered Bond Guarantee, to the Bond Trustee or (if so directed by the Bond Trustee) the relevant Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* in respect of interest and principal due and payable on each Series of Covered Bonds,

provided that if the amount available for distribution under this paragraph (e) (excluding any amounts received from the Covered Bond Swap Provider) would be insufficient to pay the NZ Dollar Equivalent of the amounts due and payable under the Covered Bond Guarantee in respect of each Series of Covered Bonds under sub-paragraph (ii) above, the shortfall will be divided amongst

all such Series of Covered Bonds on a *pro rata* and *pari passu* basis and any amount payable by the Covered Bond Guarantor to the Covered Bond Swap Provider under the relevant Covered Bond Swap in respect of each relevant Series of Covered Bonds or provision to be made in respect thereof under sub-paragraph (i) above will be correspondingly reduced to take account of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (f) *sixth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of any Excluded Swap Termination Amounts due and payable by the Covered Bond Guarantor under the Swap Agreements;
- (g) *seventh*, in or towards payment of all amounts outstanding under the Intercompany Loan Agreement;
- (h) *eighth*, in or towards payment of any amounts outstanding under the Demand Loan Agreement;
- (i) *ninth*, as a subordinated servicing fee to the Servicer, an amount equal to that part of the remainder that is payable to the Servicer as a servicing fee in accordance with the Subordinated Servicing Fee Letter; and
- (j) *tenth*, the remainder as a distribution to the Beneficiaries in accordance with the Establishment Deed.

THE MORTGAGE LOAN PORTFOLIO

Each New Mortgage Loan Portfolio acquired by the Covered Bond Guarantor consists of Mortgage Loans and the Related Security sold by the Seller to the Covered Bond Guarantor from time to time, in accordance with the terms of the Mortgage Sale Agreement, as more fully described under “*Overview of the Principal Documents – Mortgage Sale Agreement*”.

For the purposes hereof:

New Mortgage Loan Portfolio means a portfolio of New Mortgage Loans and the Related Security (other than any New Mortgage Loans and the Related Security included in such portfolio which have been redeemed in full prior to the relevant Transfer Date in respect of such portfolio), particulars of which are set out in, or attached to, a New Mortgage Loan Portfolio Notice, and all right, title, interest and benefit of the Seller in and to the rights and assets set out in paragraphs (a) to (f) (inclusive) below:

- (a) all sums of principal and interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest, Capitalised Expenses and Capitalised Arrears) and any other sum due or to become due under or in respect of such New Mortgage Loans and the Related Security on or after the Transfer Date in respect of such New Mortgage Loans and including, without limitation, the right to demand, sue for, recover and give receipts for all such principal, interest or other amounts, the right to sue on all covenants and undertakings made or expressed to be made in favour of the Seller under the applicable Mortgage Conditions;
- (b) the benefit of all other securities for such principal, interest and other sums payable (including without limitation any interest of the Seller in any life policy), any guarantee in respect of such New Mortgage Loans or any other collateral security for the repayment of the relevant Mortgage Loans secured by the Related Security;
- (c) the right to exercise all the powers of the Seller in relation thereto subject to and in accordance with the relevant Mortgage Conditions;
- (d) all the estate, title and interest in the Properties in relation thereto vested in the Seller;
- (e) to the extent they are assignable or capable of being put into trust, each certificate of title and Valuation Report and any right of action of the Seller against any solicitor, valuer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with any such New Mortgage Loans and the Related Security, or any part thereof affecting the decision of the Seller to make or offer to make such Mortgage Loans or part thereof; and
- (f) the benefit of certain Insurance Contracts, in each case so far as they relate to such New Mortgage Loans comprised in that portfolio of New Mortgage Loans and the Related Security, including the right to receive the proceeds of all claims made or to be made by or on behalf of the Seller or to which the Seller is or may become entitled.

Any schedule of New Mortgage Loans attached to any New Mortgage Loan Portfolio Notice may be provided in a document stored upon electronic media (including, but not limited to, electronic mail and CD-ROM).

See also the following risk factors under *Risk Factors – Risk Factors relating to the Covered Bonds – Limited description of the Portfolio, Risk Factors relating to the Trust, including the ability of the Trust to fulfil its obligations in relation to the Covered Bond Guarantee – Maintenance of Portfolio and Changes to the Lending Criteria of the Seller*.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuers, the Guarantor and the Covered Bond Guarantor believe to be reliable, but none of the Issuers, the Guarantor, the Covered Bond Guarantor, the Bond Trustee nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuers, the Guarantor, the Covered Bond Guarantor nor any other party to the Agency Agreements will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Covered Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-entry Systems

Clearing and settlement in New Zealand

Upon the issuance of a NZ Registered Covered Bond, the relevant Issuer will (unless otherwise agreed with the Covered Bondholder) procure that the NZ Registered Covered Bond is entered into NZClear. Upon entry the New Zealand Central Securities Depository Limited (NZCSD) (in its capacity as custodian of NZClear) will become the sole registered holder (Registered Holder) of the NZ Registered Covered Bond.

Members of NZClear (Accountholders) may acquire rights against the Registered Holder in relation to those Covered Bonds. If potential investors are not Accountholders, they may hold their interest in the relevant Covered Bond through a nominee who is an Accountholder. All payments by the relevant Issuer in respect of Covered Bonds entered in NZClear will be made directly to an account of the Registered Holder or as it directs in accordance with the rules and regulations of NZClear.

Secondary market transfers

Secondary market transfers of Covered Bonds held in NZClear will be conducted in accordance with the rules and regulations of NZClear.

Relationship of Accountholders with the Registered Holder

Each of the persons shown in the records of NZClear as having an interest in the Covered Bonds issued by the relevant Issuer must look solely to NZClear for such person's share of each payment made by the relevant Issuer to the Registered Holder and to any other rights arising under the Covered Bonds, subject to and in accordance with the rules and regulations of NZClear. Unless and until such Covered Bonds are uplifted from NZClear and registered in the name of an Accountholder, such person has no claim directly against the relevant Issuer in respect of payments by the relevant Issuer and such obligations of the relevant Issuer will be discharged by payment to the Registered Holder (or as it directs) in respect of each amount so paid. Where a Registered Holder is registered as the holder of Covered Bonds that are lodged in NZClear, the Registered Holder may, in its absolute discretion, instruct the NZ Registrar to transfer or "uplift" the Covered Bonds to the person in whose "Security Account" (as defined in the NZClear System Rules) those Covered Bonds are recorded without any consent or action of such transferee and, as a consequence, remove those Covered Bonds from NZClear.

NZClear System and Cross-Trading with Euroclear and Clearstream

Subject to the rules of the relevant clearing and settlement system, Covered Bondholders may elect to hold interests in NZ Registered Covered Bonds (i) directly through NZClear, (ii) indirectly through Euroclear or Clearstream if they are participants in such systems or (iii) indirectly through organisations which are

participants in NZClear, Euroclear or Clearstream Luxembourg. The Issuers have been advised that Euroclear and Clearstream, Luxembourg will hold interests on behalf of their participants through customers' securities accounts in their respective names on the books of their respective New Zealand subcustodians (being HSBC Nominees Limited as sub-custodian of Euroclear or ANZ Nominees Limited as sub-custodian of Clearstream, Luxembourg), which in turn will hold such interests in customers' securities accounts in the names of the New Zealand subcustodians on the books of NZCSD. The rights of a holder of interests in NZ Registered Covered Bonds held through Euroclear or Clearstream, Luxembourg are subject to the respective rules and regulations for accountholders of Euroclear and Clearstream, Luxembourg, the terms and conditions of agreements between Euroclear and Clearstream, Luxembourg and their respective nominee and the rules and regulations of the NZClear system. Participants in any of such systems should contact the relevant clearing system(s) if they have any questions in relation to clearing, settlement and cross-market transfers and/or trading.

Clearing and settlement in Australia

The Australian Covered Bonds are intended to be entered in the system operated by Austraclear Limited (ABN 94 002 060 773) for holding securities and the electronic recording and settling of transactions in those securities between members of that system (the **Austraclear System**). Australian Covered Bonds entered into the Austraclear System will be transferable only in accordance with the Austraclear Regulations (as defined in the Terms and Conditions of the Australian Covered Bonds).

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

TAXATION

New Zealand Taxation

The comments below are of a general nature based on current New Zealand law and practice. They relate only to the position of persons who are the absolute beneficial owners of their Covered Bonds and all payments made thereon. The comments relate only to withholding and do not deal with any other aspect of the New Zealand taxation treatment that may be applicable to holders of Covered Bonds (including, for instance, income tax). Prospective holders of Covered Bonds should note that the particular terms of issue of any Series of Covered Bonds as specified in the applicable Final Terms may affect the tax treatment of that and any other Series of Covered Bonds and should be treated with appropriate caution. The comments below do not deal with the tax consequences of any substitution of the relevant Issuer in accordance with Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) of the Covered Bonds.

Any holders of Covered Bonds who are in doubt as to their tax position should consult their professional advisers. Holders of Covered Bonds who may be liable to taxation in jurisdictions other than New Zealand in respect of their acquisition, holding or disposal of Covered Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and, if so, under the laws of which jurisdictions), since the following comments relate only to certain New Zealand taxation aspects of payments in respect of the Covered Bonds. In particular, holders of Covered Bonds should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Covered Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of New Zealand.

The New Zealand tax consequences may vary according to whether the Covered Bonds are issued by BNZ or by BNZ-IF. Accordingly, certain of the New Zealand tax consequences addressed in this summary are addressed separately for Covered Bonds issued by BNZ and for Covered Bonds issued by BNZ-IF.

Resident Withholding Tax

The relevant Issuer, the Guarantor or the Covered Bond Guarantor, as the case may be, will deduct any applicable New Zealand resident withholding tax at the rate required by law from the payment of interest (including amounts deemed to be interest) to the Covered Bondholder or Couponholder if:

- (a) the person deriving the interest is a resident of New Zealand for income tax purposes or is engaged in business in New Zealand through a fixed establishment in New Zealand (a **New Zealand Bondholder**); and
- (b) at the time of such payment the New Zealand Bondholder does not hold a valid RWT exemption certificate.

If resident withholding tax is required to be deducted from the payment of any interest by the relevant Issuer, the Guarantor or the Covered Bond Guarantor, the relevant Issuer, the Guarantor or the Covered Bond Guarantor (as the case may be) will not be obliged to pay any additional amount.

Non-Resident Withholding Tax: Covered Bonds issued by BNZ

New Zealand law requires, in certain circumstances, a deduction on account of non-resident withholding tax to be made from the payment of interest (including amounts deemed to be interest) with a New Zealand source to a Covered Bondholder or Couponholder who is not a New Zealand Bondholder. If non-resident withholding tax is required to be deducted from the payment of any interest by the Issuer in the case of Covered Bonds issued by BNZ, BNZ will not be obliged to pay any additional amount as a consequence, or (for the avoidance of doubt) to pay the approved issuer levy. Provided it is lawfully able to do so, BNZ

intends to have approved issuer status and to register the Programme with the New Zealand Inland Revenue Department for the purposes of the approved issuer levy regime. Accordingly, a Covered Bondholder or Couponholder who is not a New Zealand Bondholder may request that BNZ, and BNZ may agree to, pay the approved issuer levy (currently equal to 2 per cent. of such payments of interest) in lieu of deducting non-resident withholding tax, in which case BNZ shall deduct the amount of approved issuer levy so paid from the interest payable to that Covered Bondholder or Couponholder. See further the section entitled "*Non-Resident Withholding Tax: General*" below for more information regarding the approved issuer levy.

Non-Resident Withholding Tax: Covered Bonds issued by BNZ-IF

If non-resident withholding tax is required to be deducted from the payment of any interest by the Issuer in the case of Covered Bonds issued by BNZ-IF, BNZ-IF intends to reduce the applicable rate of non-resident withholding tax to zero per cent. as a result of receiving or having received approved issuer status, registering or having registered the Programme with the New Zealand Inland Revenue Department and paying, on its own account, an approved issuer levy (currently equal to 2 per cent. of such payments of interest). If non-resident withholding tax is required to be deducted from the payment of any interest by the Guarantor, BNZ-IF and the Guarantor intend to reduce the applicable rate of non-resident withholding tax to zero per cent. if permitted by law as a result of receiving or having received approved issuer status, registering or having registered the Programme with the New Zealand Inland Revenue Department and paying, on the Guarantor's own account, the approved issuer levy. See further the section entitled "*Non-Resident Withholding Tax: General*" below for more information regarding the approved issuer levy.

Non-Resident Withholding Tax: General

Where the relevant Issuer is associated with the Covered Bondholder or Couponholder under the Income Tax Act 2007, payment of the approved issuer levy does not allow a zero per cent. rate of non-resident withholding tax. The relevant Issuer will not pay an additional amount to the Covered Bondholder or Couponholder in respect of non-resident withholding tax deducted in that case. (Other exceptions to the obligation to pay an additional amount in the case of Covered Bonds issued by BNZ-IF are set out in Condition 7 (*Taxation*) of the Covered Bonds.)

Where a Covered Bondholder or Couponholder who is not a New Zealand Bondholder holds the Covered Bond or Coupon jointly with a person who is a New Zealand tax resident, non-resident withholding tax must be deducted from interest paid to the non-resident at the applicable rate of resident withholding tax. Payment of the approved issuer levy does not allow a zero per cent. rate of non-resident withholding tax in this case. Relief from New Zealand tax under an applicable double taxation treaty may be available, but only on application to the New Zealand Inland Revenue Department for a refund of over-deducted tax. The relevant Issuer will not pay an additional amount to the Covered Bondholder or Couponholder in respect of non-resident withholding tax deducted in that case.

In May 2015, the New Zealand Inland Revenue released an issues paper outlining possible future amendments to the New Zealand non-resident withholding tax rules. If the changes proposed in the issues paper were to be enacted, a deduction on account of non-resident withholding tax would be required to be made from any payments of interest (including amounts deemed to be interest) by the Issuer, the Guarantor or the Covered Bond Guarantor under the Covered Bonds to a person who is not a resident of New Zealand for income tax purposes and does not hold the Covered Bonds or Coupon for the purposes of a business carried on by that person through a fixed establishment in New Zealand. As set out above, in such circumstances, the Issuer or the Guarantor (as applicable) intends to utilise the approved issuer levy regime to reduce the rate of non-resident withholding tax to zero per cent. As set out below, in such circumstances, the Covered Bond Guarantor will not be obliged to pay any additional amount or pay the approved issuer levy. The changes as proposed would apply to interest paid under Covered Bonds issued on or after enactment of the amending legislation. In relation to Covered Bonds issued before enactment of the amending legislation, the changes would apply to interest payments made in financial years of the Issuer commencing more than five years after enactment. The issues paper anticipates enactment to be some time in the second half of 2016. For example, if the relevant amendments were enacted on or before 30

September 2016, the amendments would not apply (assuming the Issuer maintains a 30 September balance date) until 1 October 2021 for interest paid under Covered Bonds issued prior to enactment.

Payments by the Covered Bond Guarantor

If resident withholding tax or non-resident withholding tax is required to be deducted from the payment of any interest by the Covered Bond Guarantor under the Covered Bond Guarantee, the Covered Bond Guarantor will not be obliged to pay any additional amount as a consequence, or (for the avoidance of doubt) to pay the approved issuer levy.

Information

Covered Bondholders and Couponholders should note that the New Zealand Inland Revenue Department has the power to obtain information (including the name and address of a beneficial owner of the interest) from any person in New Zealand who pays or credits interest to, or receives interest for the benefit of, a Covered Bondholder or Couponholder. Any information obtained may be exchanged by the New Zealand Inland Revenue Department with tax authorities of any other relevant jurisdiction.

United Kingdom Taxation

The comments below are of a general nature based on current United Kingdom law and HM Revenue & Customs (**HMRC**) published practice and are not intended to be exhaustive. They relate only to the position of persons who are the absolute beneficial owners of their Covered Bonds and all payments made thereon. The comments relate only to withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of Covered Bonds and to certain United Kingdom reporting requirements in respect of the Covered Bonds and do not deal with any other aspect of the United Kingdom taxation treatment that may be applicable to holders of Covered Bonds (including, for instance, income tax, capital gains tax and corporation tax). Prospective holders of Covered Bonds should note that the particular terms of issue of any Series of Covered Bonds as specified in the applicable Final Terms may affect the tax treatment of that and any other Series of Covered Bonds and should be treated with appropriate caution. The comments below do not deal with the tax consequences of any substitution of the relevant Issuer in accordance with Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) of the Covered Bonds.

Any holders of Covered Bonds who are in doubt as to their tax position should consult their professional advisers. Holders of Covered Bonds who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of Covered Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and, if so, under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Covered Bonds. In particular, holders of Covered Bonds should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Covered Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Payment of interest by BNZ-IF in respect of the Covered Bonds

While the Covered Bonds issued by BNZ-IF are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007 (the **ITA**), payments of interest may be made by BNZ-IF without withholding or deduction for or on account of United Kingdom income tax. The Luxembourg Stock Exchange is a recognised stock exchange for the purposes of section 1005 of the ITA. Securities will be treated as listed on the Luxembourg Stock Exchange if they are officially listed in Luxembourg in accordance with the provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Regulated Market of, and admitted to the Official List of, the Luxembourg Stock Exchange.

Interest on Covered Bonds may be paid by BNZ-IF without withholding or deduction for or on account of United Kingdom income tax provided the maturity of the Covered Bonds is less than 365 days and those Covered Bonds do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the Covered Bonds that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20%), subject to any available exemptions and reliefs, including an exemption for certain payments of interest to which a company within the charge to United Kingdom corporation tax is beneficially entitled. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Holder of Covered Bonds, HMRC can issue a notice to the Issuer to pay interest to the holder of Covered Bonds without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Payments by the Covered Bond Guarantor

If the Covered Bond Guarantor, pursuant to the Covered Bond Guarantee, makes any payment in respect of interest on the Covered Bonds (or any other amounts due under the Covered Bonds other than the repayment of amounts subscribed for under the Covered Bonds), such payment may be subject to United Kingdom withholding tax, whether or not the Covered Bonds are listed on a "recognised stock exchange" within the meaning of Section 1005 of ITA. If payments by the Covered Bond Guarantor are subject to any withholding or deduction for or on account of tax, the Covered Bond Guarantor will not be required to pay any additional amounts.

Payments by the Guarantor

If the Guarantor makes any payment in respect of interest on the Covered Bonds (or any other amounts due under the Covered Bonds other than the repayment of amounts subscribed for under the Covered Bonds), such payment may be subject to United Kingdom withholding tax, whether or not the Covered Bonds are listed on a "recognised stock exchange" within the meaning of Section 1005 of ITA. If payments by the Guarantor are subject to any withholding or deduction for or on account of tax, the Guarantor will be required to pay additional amounts subject to the exceptions set out in Condition 7 (*Taxation*) of the Covered Bonds.

Information Reporting Requirements

HMRC has powers to obtain information and documents relating to the Covered Bonds, including in relation to issues of and other transactions in the Covered Bonds, interest, payments treated as interest and other payments derived from the Covered Bonds. This may include details of the beneficial owners of the Covered Bonds, of the persons for whom the Covered Bonds are held and of the persons to whom payments derived from the Covered Bonds are or may be paid. Information may be obtained from a range of persons including persons who effect or are a party to such transactions on behalf of others, registrars and administrators of such transactions, the registered holders of the Covered Bonds, persons who make, receive or are entitled to receive payments derived from the Covered Bonds and persons by or through whom interest and payments treated as interest are paid or credited.

Information relating to the Covered Bonds may also be required to be provided automatically to HMRC by "financial institutions" under regulations made under section 222 of the Finance Act 2013, which implement the requirements of various automatic information exchange programmes, including FATCA, Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended), the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014, and arrangements between the United Kingdom and its overseas territories and crown dependencies.

Information obtained by HMRC may be provided to tax authorities in other jurisdictions.

Luxembourg Taxation

The following information is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Covered Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Withholding Tax

(i) Non-resident holders of Covered Bonds

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Covered Bonds, nor on accrued but unpaid interest in respect of the Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Covered Bonds held by non-resident holders of Covered Bonds.

(ii) Resident holders of Covered Bonds

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the **Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Covered Bonds, nor on accrued but unpaid interest in respect of Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Covered Bonds held by Luxembourg resident holders of Covered Bonds.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg or to a residual entity (within the meaning of the laws of 21 June 2005 implementing the council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependant and associated territories of EU Member States (the **Territories**), as amended) established in an EU Member State (other than Luxembourg) or one of the Territories and securing such payments for the benefit of such individual beneficial owner will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg Paying Agent. Payments of interest under the Covered Bonds coming within the scope of the Law would be subject to withholding tax of 10 per cent.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the **EU Savings Directive**) on the taxation of savings income, EU Member States are required to provide to the tax authorities of other EU Member States details of certain payments of interest or similar income paid by a person established in a EU Member State to or for the benefit of an individual resident in that other EU Member State or to certain limited types of entities established in that other EU Member State.

For a transitional period, Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the **Amending Directive**) amending and broadening the scope of the requirements described above. The Amending Directive requires EU Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. The Directive would also expand the circumstances in which payments must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other EU Member States (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the Savings Directive, although it does not impose withholding taxes. The proposal also provides that, if it proceeds, EU Member States will not be required to apply the new requirements of the Amending Directive.

The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Covered Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of Covered Bonds should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Covered Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicated an intention to implement the FTT progressively by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate. Prospective holders of Covered Bonds are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA)

that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States Account” of an Issuer (a **Recalcitrant Holder**). The Issuers are classified as FFIs.

The new withholding regime is now in effect for payments from sources within the United States and will apply to proceeds from the disposal of certain United States assets and **foreign passthru payments** (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Covered Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the **grandfathering date**, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Covered Bonds characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Covered Bonds are issued on or before the grandfathering date, and additional Covered Bonds of the same series are issued after that date, the additional Covered Bonds may not be treated as grandfathered, which may have negative consequences for the existing Covered Bonds, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the “Model 1” and “Model 2” IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. On 12 September 2012, the United States and the United Kingdom concluded a Model 1 IGA (the **U.S.–U.K. IGA**) and, on 12 June 2014, the United States and New Zealand concluded a Model 1 IGA (the **U.S.–New Zealand IGA**).

The Issuers expect to be treated as Reporting FIs pursuant to the U.S.-UK IGA and the U.S.-New Zealand IGA and do not anticipate being obliged to deduct any FATCA Withholding on payments they make. There can be no assurance, however, that the Issuers will be treated as Reporting FIs, or that they would in the future not be required to deduct FATCA Withholding from payments they make. Accordingly, the Issuers and financial institutions through which payments on the Covered Bonds are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Covered Bonds is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Covered Bonds are in global form and held within the ICSDs or the NZClear System maintained by the Reserve Bank of New Zealand, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Covered Bonds by the Issuers, the Guarantor, any paying agent, the common depositary and New Zealand Central Securities Depository Limited (as depositary for NZClear), given that each of the entities in the payment chain between the Issuers and the participants in the ICSDs and NZClear is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Covered Bonds. The documentation expressly contemplates the possibility that the Covered Bonds may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Covered Bonds will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations and official guidance which may be subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on

how these rules may apply to the Issuers and to payments they may receive in connection with the Covered Bonds.

INDEPENDENT AUDITORS

The consolidated financial statements of BNZ and financial statements of BNZ-IF as of and for the years ended 30 September 2013 and 30 September 2014, incorporated by reference in this Prospectus as described in “*Documents Incorporated by Reference*” above, have been audited without qualification in accordance with International Standards on Auditing (New Zealand) by Ernst & Young, independent public accountants, as stated in their reports appearing therein.

Audit reports in respect of BNZ and BNZ-IF are signed in the name of the firm of Ernst & Young. Ernst & Young is registered under the Auditor Regulation Act 2011 (the **Act**). The partner who signs the audit report in the name of the Firm is licensed under the Act.

With respect to the unaudited interim financial statements of BNZ as at and for the six months ended 31 March 2015, incorporated by reference in this Prospectus as described in “*Documents Incorporated by Reference*” above, Ernst & Young has reported that they applied limited procedures in accordance with professional standards in New Zealand for a review of such financial statements. Their independent review report appearing therein states that they did not perform an audit on the interim financial statements and accordingly they do not express an audit opinion on those interim financial statements.

The auditors of BNZ and BNZ-IF have no material interest in BNZ and BNZ-IF.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a Programme Agreement (as the same may be amended and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 2 June 2010 and amended and restated on 5 November 2010, on 24 April 2013 and on 27 August 2014, agreed with the Issuers, the Guarantor and the Covered Bond Guarantor a basis upon which such Dealers or any of them may from time to time agree to purchase Covered Bonds. Any such agreement for any particular purchase by a Dealer will extend to those matters stated under the sections of this Prospectus entitled "*Form of the Covered Bonds*" and "*Terms and Conditions of the Covered Bonds*" above. The relevant Issuer may pay the Dealers commission from time to time in connection with the sale of any Covered Bonds. In the Programme Agreement, each Issuer has agreed to reimburse and indemnify the Dealers for certain of their expenses and liabilities in connection with the establishment and any future updates of the Programme and the issue of Covered Bonds under the Programme. The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase Covered Bonds under the Programme Agreement in certain circumstances prior to payment to the relevant Issuer.

Transfer Restrictions

As a result of the following restrictions, purchasers of Covered Bonds in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Covered Bonds.

Each purchaser of Registered Global Covered Bonds or a beneficial interest therein within the United States, by its acceptance or purchase thereof, will be deemed to have acknowledged, represented to and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

(i) that it is a qualified institutional buyer (**QIB**), purchasing (or holding) the Covered Bonds for its own account or for the account of one or more QIBs for whom it is authorised to act and it is aware that any sale to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A;

(ii) that it understands that the Covered Bonds are being offered and sold in a transaction not involving a public offering in the United States (within the meaning of the Securities Act), and that the Covered Bonds have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be reoffered, resold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(iii) that, if in the future it decides to offer, resell, pledge or otherwise transfer the Covered Bonds or any beneficial interests in the Covered Bonds, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the relevant Issuer or an affiliate of the relevant Issuer was the owner of such Covered Bonds, only (a) to the relevant Issuer or any subsidiary thereof, (b) to a QIB or an offeree or purchaser whom the seller reasonably believes to be a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act covering the Covered Bonds, in each case in accordance with any applicable securities laws of the states of the United States and any other jurisdiction;

(iv) that it will, and will require each subsequent holder to, notify any purchaser of the Covered Bonds from it of the resale restrictions referred to in paragraph (iii) above;

(v) that Covered Bonds initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Covered Bonds;

(vi) that the Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the relevant Issuer:

“THIS SECURITY AND ANY GUARANTEE IN RESPECT THEREOF HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THIS SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE AGENCY AGREEMENT) AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITY OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDER OF SUCH SECURITY SENT TO ITS REGISTERED ADDRESS, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A”;

(vii) that, before any interest in Registered Global Covered Bonds represented by a Rule 144A Global Covered Bond may be offered, sold, pledged or otherwise transferred to a person who will take delivery in the form of an interest in such Registered Global Covered Bonds represented by a Regulation S Global

Covered Bond, it will be required to provide the Registrar with a Transfer Certificate as to compliance with applicable securities laws; and

(viii) that the relevant Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements deemed to have been made by it are no longer accurate, it shall promptly notify the relevant Issuer; and if it is acquiring any Covered Bonds as a fiduciary or agent for one or more investor accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Each purchaser of Covered Bonds or a beneficial interest therein outside of the United States and each subsequent purchaser of such Covered Bonds or a beneficial interest therein in resales prior to the expiration of the Distribution Compliance Period will, by its acceptance at purchase thereof, be deemed to have acknowledged, represented to and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

(i) that it is located outside the United States and is not a U.S. person and is not an affiliate of the relevant Issuer or a person acting on behalf of such an affiliate;

(ii) that it understands that the Covered Bonds are being offered and sold in a transaction not involving a public offering in the United States (within the meaning of the Securities Act), and that the Covered Bonds have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(iii) that Covered Bonds offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Covered Bonds;

(iv) that if it should offer, resell, pledge or otherwise transfer the Covered Bonds or any beneficial interest in the Covered Bonds prior to the expiration of the Distribution Compliance Period, it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act or (ii) to a QIB or an offeree or purchaser whom the seller reasonably believes to be a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A and (b) in accordance with any applicable state securities law of the states of the United States and any other jurisdiction;

(v) that the Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the relevant Issuer:

“THIS SECURITY AND ANY GUARANTEE IN RESPECT THEREOF HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR ANY APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE AGENCY AGREEMENT) AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE ISSUE DATE, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO U.S. PERSONS UNLESS MADE (I) PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (II) TO "QUALIFIED INSTITUTIONAL BUYERS" AS DEFINED IN, AND IN TRANSACTIONS PURSUANT TO, RULE 144A UNDER THE SECURITIES ACT”;

(vi) that, prior to the expiration of the Distribution Compliance Period, before any interest in Registered Notes represented by a Regulation S Global Covered Bonds may be offered, sold, pledged or otherwise transferred to a person who will take delivery in the form of an interest in such Registered Covered Bonds represented by a Rule 144A Global Covered Bonds, it will be required to provide the Registrar with a Transfer Certificate as to compliance with applicable securities laws; and

(vii) that the relevant Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the relevant Issuer; and if it is acquiring any Covered Bonds as a fiduciary or agent for one or more investor accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Selling Restrictions

United States

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, transferred, pledged, encumbered or otherwise disposed of, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in transactions not subject to, the registration requirements of the Securities Act. Accordingly, the Covered Bonds and the Covered Bond Guarantee are being offered hereby only (A) to QIBs in reliance upon the exemptions provided by Rule 144A and (B) outside the United States to persons other than U.S. persons in reliance upon Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder.

In connection with any Covered Bonds which are offered or sold outside the United States in reliance on Regulation S (**Regulation S Covered Bonds**), each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not offered or sold or, in the case of Covered Bonds in bearer form, delivered any such Regulation S Covered Bond, and will not offer, sell or deliver any such Regulation S Covered Bond within the United States or to, or for the account or benefit of, U.S. persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Tranche of Covered Bonds of which such Covered Bonds are a part, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Each Dealer has further agreed that it will send to each distributor, dealer or persons receiving a selling concession, fee or other remuneration to which it sells any Regulation S Covered Bond during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of such Regulation S Covered Bond within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of a Tranche of Covered Bonds, an offer or sale of such Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Covered Bonds to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds is hereby

notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

New Zealand

No action has been or will be taken by any Issuer, the Guarantor, the Covered Bond Guarantor or the Dealers which would permit a public or regulated offering of any of the Covered Bonds, or possession or distribution of any offering material in relation to the Covered Bonds, in New Zealand.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered and will not directly or indirectly offer, sell or deliver any Covered Bond, and it will not distribute any prospectus or advertisement in relation to any offer of Covered Bonds, in New Zealand, other than to any or all of the following persons only:

- (i) "wholesale investors" as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the Financial Markets Conduct Act 2013 of New Zealand (**FMC Act**), being a person who is:
 - (A) an "investment business";
 - (B) "large"; or
 - (C) a "government agency",in each case as defined in Schedule 1 to the FMC Act; and
- (ii) in other circumstances where there is no contravention of the FMC Act, provided that (without limiting paragraph (i) above) Covered Bonds may not be offered or transferred to any "eligible investors" (as defined in the FMC Act) or any person that meets the investment activity criteria specified in clause 38 of Schedule 1 to the FMC Act.

In addition, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Covered Bonds to persons whom it believes to be persons to whom any amounts payable on the Covered Bonds are or would be subject to New Zealand resident withholding tax, unless such persons certify that they hold a valid RWT exemption certificate for New Zealand resident withholding tax purposes and provide a New Zealand tax file number to such Dealer (in which event the Dealer shall provide details thereof to the relevant Issuer, the NZ Registrar or to a Paying Agent).

United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the Covered Bond Guarantor;
- (b) it has complied and will comply with all applicable provisions of the FSMA (and all rules and regulations made pursuant to the FSMA) with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom; and

- (c) in relation to Covered Bonds which have a maturity of less than one year (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Covered Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Covered Bonds would otherwise constitute a contravention of Section 19 of FSMA by the relevant Issuer.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Covered Bonds which are the subject of an offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) (inclusive) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

General

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Prospectus or any Final Terms and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuers, the Guarantor, the Covered Bond Guarantor, the Seller, the Bond Trustee, the Security Trustee nor any of the other Dealers shall have any responsibility therefor. Furthermore, they will not directly or indirectly offer, sell or deliver any Covered Bonds or distribute or publish any form of application, prospectus, advertisement or other offering material except under circumstances that will, to the best of their knowledge and belief, result in compliance with any applicable

laws and regulations, and all offers, sales and deliveries of Covered Bonds by them will be made on the same terms.

None of the Issuers, the Guarantor, the Covered Bond Guarantor, the Seller, the Bond Trustee, the Security Trustee or any of the Dealers has represented that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. With regard to each Series or Tranche, the relevant Dealer(s) will be required to comply with such other additional or modified restrictions (if any) as the relevant Issuer and the relevant Dealer(s) shall agree as a term of issue and purchase as indicated in the applicable Final Terms.

Each Dealer will, unless prohibited by applicable law, furnish to each person to whom they offer or sell Covered Bonds a copy of this Prospectus as then amended or supplemented or, unless delivery of the Prospectus is required by applicable law, inform each such person that a copy will be made available upon request. The Dealers are not authorised to give any information or to make any representation not contained in the Prospectus in connection with the offer and sale of Covered Bonds to which this Prospectus relates.

This Prospectus may be used by the Dealers for offers and sales related to market-making transactions in the Covered Bonds. Any or each of the Dealers may act as principal or agent in these transactions. These sales will be made at prices relating to prevailing market prices at the time of sale. None of the Dealers has any obligation to make a market in the Covered Bonds, and any market-making may be discontinued at any time without notice. The Dealers are participating in the initial distribution of the Covered Bonds.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Covered Bonds have been duly authorised by a resolution of a committee of the BNZ Board dated 23 April 2010, a resolution of the BNZ Board dated 28 October 2010 and by resolutions of the BNZ-IF Board dated 14 April 2010 and 14 October 2010. The giving of the Covered Bond Guarantee has been duly authorised by a resolution of the Covered Bond Guarantor dated 1 June 2010.

The update of the Programme has been duly authorised by a resolution of the BNZ Board dated 19 April 2013 and by resolutions of the BNZ-IF Board dated 12 April 2013.

Listing and admission to trading of Covered Bonds

It is expected that each Tranche of Covered Bonds which is to be admitted to the Official List and to trading on the Regulated Market of the Luxembourg Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Temporary Global Covered Bond or a Permanent Global Covered Bond, as the case may be, initially representing the Covered Bonds of such Tranche. The Regulated Market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). The listing of the Programme in respect of Covered Bonds is expected to be granted on or about 14 September 2015.

Documents Available

So long as Covered Bonds are capable of being issued under the Programme, copies of the following documents will, when published, be available to the Covered Bondholders during usual business hours and upon reasonable notice on any weekday (Saturdays, Sundays and public holidays excepted) from the registered office of the relevant Issuer and from the specified office of the UK Paying Agent and the NZ Paying Agent:

- (i) the constitutive documents of the Covered Bond Guarantor, the Guarantor and the Issuers;
- (ii) the forms of the Global Covered Bonds, the Definitive Covered Bonds, the Coupons and the Talons;
- (iii) a copy of this Prospectus and all documents incorporated by reference herein;
- (iv) any future prospectuses, information memoranda and supplements to this Prospectus and any Final Terms (save that Final Terms relating to an unlisted Covered Bond will be available for inspection only by the relevant Dealer or Dealers specified in such Final Terms or, upon proof satisfactory to the relevant Principal Paying Agent or the Registrar, as the case may be, as to the identity of the holder of any Covered Bond to which such Final Terms relate) and any other documents incorporated therein by reference; and
- (v) each Programme Document (other than the Final Terms as specified above).

In addition, copies of this Prospectus, any documents incorporated by reference and each Final Terms relating to the Covered Bonds which are admitted to trading on the Regulated Market and admitted to the Official List of the Luxembourg Stock Exchange will also be available for inspection on the website of the Luxembourg Stock Exchange at www.bourse.lu.

Clearing Systems

The Bearer Covered Bonds to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Covered Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg.

No Significant Change and No Material Adverse Change

There has been no significant change in the financial or trading position of the BNZ Group taken as a whole since 31 March 2015 (being the date of the last unaudited consolidated half year financial statements for the six months ended 31 March 2015).

There has been no material adverse change in the prospects of the BNZ Group taken as a whole since 30 September 2014 (the date to which the latest audited published financial information of the BNZ Group was prepared).

There has been no significant change in the financial or trading position of the Covered Bond Guarantor since 30 September 2014 (the date to which the latest audited published financial information of the Trust was prepared).

There has been no material adverse change in the prospects of the Covered Bond Guarantor since 30 September 2014 (the date to which the latest audited published financial information of the Trust was prepared).

Litigation

Neither the Covered Bond Guarantor nor the Guarantor is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Covered Bond Guarantor or the Guarantor are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Covered Bond Guarantor or the Guarantor. For more detail on governmental, legal or arbitration proceedings in respect of the profitability of BNZ, BNZ-IF or the BNZ Group see the sections entitled “*Bank of New Zealand—Legal and arbitration proceedings*” and “*BNZ International Funding (acting through its London Branch)—Legal and arbitration proceedings*”, above.

Reports

The Bond Trust Deed provides that the Bond Trustee may rely and/or act on the advice or report or opinion or any information from professional advisers or other experts whether or not instructed by the Bond Trustee and/or addressed to the Bond Trustee in accordance with the provisions of the Bond Trust Deed, whether or not any such report or other information, or engagement letter or other document entered into by the Bond Trustee and the relevant person in connection therewith, contains any monetary or other limit on the liability of the relevant person.

The Calculation Manager prepares and delivers quarterly Asset Coverage Reports detailing, amongst other things, compliance with the Asset Coverage Test. Copies of the applicable Final Terms for each series (including in relation to unlisted Covered Bonds of any Series) and the Asset Coverage Reports are available to Covered Bondholders during normal business hours at the registered office of the Issuers and at the specified office of each of the Paying Agents. Investor reports will also be posted at <http://bnzif.com/>, a dedicated investor reporting page provided by BNZ-IF in its capacity as Issuer under the Programme.

Contracts

The Issuer is not aware of any material contracts having been entered into outside the ordinary course of the relevant Issuer's business, and which could result in any member of the BNZ Group being under an obligation or entitlement that is material to its ability to meet its obligation to Covered Bondholders in respect of the Covered Bonds that may be issued.

The Covered Bond Guarantor is not aware of any material contracts having been entered into outside the ordinary course of the Covered Bond Guarantor's business, and which could result in it or any of its subsidiaries being under an obligation or entitlement that is material to its ability to meet its obligation to Covered Bondholders in respect of the Covered Bonds that may be issued.

GLOSSARY

Terms defined in this Glossary do not relate to terms used solely in relation to Australian Covered Bonds and references to Conditions are to Conditions contained in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*". Investors should refer to the Terms and Conditions of the Australian Covered Bonds for any defined terms in relation to Australian Covered Bonds.

30/360	has the meaning given to it in Condition 4(a) (<i>Interest on Fixed Rate Covered Bonds</i>).
30E/360	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).
30E/360 (ISDA)	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).
360/360	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).
A&I Forms	means client authority and instruction forms for e-dealing that conforms with the Land Transfer Act 1952 and are approved by the New Zealand Law Society and the Registrar General of Land of New Zealand, and each an A & I Form .
Account Bank	means BNZ in its capacity as Account Bank pursuant to the Account Bank Agreement.
Account Bank Agreement	means the account bank agreement entered into on the Programme Date between the Covered Bond Guarantor, the All Moneys Mortgage Trustee, the All Moneys Mortgage Beneficiaries, the Trust Manager, the Account Bank, the Calculation Manager and the Security Trustee (as the same may be amended and/or supplemented and/or restated from time to time).
Account Bank Mandates	means the GIC Account Mandate, the All Moneys Mortgage Trust Account Mandate, the Swap Collateral Cash Account Mandate and any other applicable Transaction Account mandate(s).
Accrual Period	has the meaning given to it in Condition 4(a) (<i>Interest on Fixed Rate Covered Bonds</i>).
Accrual Yield	in relation to a Zero Coupon Covered Bond, has the meaning given in the applicable Final Terms.
Accrued Interest	means in respect of a Mortgage Loan in the Mortgage Loan Portfolio as at any date, the aggregate of all interest accrued but not yet due and payable on the Mortgage Loan from (and including) the Mortgage Loan Scheduled Payment Date immediately preceding the relevant date to (but excluding) the relevant date.
Actual/Actual (ICMA)	has the meaning given to it in Condition 4(a) (<i>Interest on Fixed Rate Covered Bonds</i>).
Actual/Actual or Actual/Actual (ISDA)	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).

Actual/365 (Fixed)	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).
Actual/365 (Sterling)	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).
Actual/360	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).
Additional Business Centre	means, in relation to a Series of Covered Bonds, the Additional Business Centre as specified in the applicable Final Terms.
Adjusted Aggregate Mortgage Loan Amount	has the meaning given to it on page 179 of this Prospectus.
Adjusted Mortgage Loan Balance Amount	has the meaning given to it on pages 179 to 180 of this Prospectus.
Adjusted Required Redemption Amount	<p>means in relation to a Series of Covered Bonds:</p> <ul style="list-style-type: none"> (a) the NZ Dollar Equivalent of the Required Redemption Amount; plus or minus (b) the NZ Dollar Equivalent of any swap termination amounts payable under the Covered Bond Swaps corresponding to the Series to or by the Covered Bond Guarantor less (where applicable) amounts standing to the credit of (i) the Pre-Maturity Ledger, (ii) the GIC Account and (iii) the principal balance of any Substitution Assets and Authorised Investments (excluding all amounts to be applied on the next following Trust Payment Date to repay higher ranking amounts in the relevant Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds); plus or minus; (c) the NZ Dollar Equivalent of any swap termination amounts payable to or by the Covered Bond Guarantor under the Interest Rate Swaps.
Agency Agreements	has the meaning given to them in the Conditions.
Agents	has the meaning given to them in the Conditions.
All Moneys Mortgage	means a Mortgage that secures or purports to secure the repayment of Associated Debt as well as a Mortgage Loan.
All Moneys Mortgage Beneficiaries	means in relation to the All Moneys Mortgage Trust the Covered Bond Guarantor and the Seller as beneficiaries of the All Moneys Mortgage Trust and "All Moneys Mortgage Beneficiary" means any one of them.
All Moneys Mortgage Trust	means, in respect of an All Moneys Mortgage, the trust established or, as the case may be, to be established pursuant to the Mortgage Sale Agreement on the date that such All Moneys Mortgage is sold by the Seller to the Covered Bond Guarantor.
All Moneys Mortgage	means the account in the name of the Covered Bond Guarantor held at the

Trust Account	Account Bank for the Covered Bond Guarantor and maintained pursuant to the terms of the Account Bank Agreement and such additional or replacement bank account of the Covered Bond Guarantor designated as such, as may, from time to time, be in place pursuant to the terms of the Account Bank Agreement and the Mortgage Sale Agreement.
All Moneys Mortgage Trust Account Mandate	means the resolutions, instructions and signature authorities relating to the All Moneys Mortgage Trust Account substantially in the form set out in schedule 1 to the Account Bank Agreement.
All Moneys Mortgage Trustee	has the meaning given to it in clause 15 of the Mortgage Sale Agreement.
All Moneys Mortgage Trust Property	means, in relation to an All Moneys Mortgage, the Covered Bond Guarantor's whole right, title, benefit and interest in and to such All Moneys Mortgage and the other Related Security and the proceeds of enforcement of such All Moneys Mortgage and other Related Security.
Amortisation Test	has the meaning given to it on page 181 of this Prospectus.
Amortisation Test Aggregate Mortgage Loan Amount	has the meaning given to it on pages 181 to 182 of this Prospectus;
Amortisation Test Current Principal Balance	has the meaning given to it on page 181 and 182 of this Prospectus.
Amortised Face Amount	has the meaning given to it in Condition 6(f) (<i>Early Redemption Amounts</i>).
Annual Accounting Date	means in respect of the Trust, 30 September in each year or such other date as the Covered Bond Guarantor (acting on the directions of the Trust Manager) may determine.
applicable Final Terms	means, in relation to a Series of Covered Bonds, the Final Terms (or the relevant provisions thereof) attached to or endorsed on the Covered Bonds.
Appointee	means any attorney, manager, Receiver, agent, delegate, nominee, custodian or other person appointed by the Bond Trustee under the Bond Trust Deed or by the Security Trustee under the Security Deed.
Arranger	has the meaning given to it in the Programme Agreement.
Arrears of Interest	means, as at any date in respect of any Mortgage Loan in the Mortgage Loan Portfolio, interest (other than interest that is capitalised as Capitalised Arrears or interest that is Accrued Interest) on that Mortgage Loan which is currently due and payable and unpaid on that date.
Asset Class Designation	means the designation (if any) of the Programme to a particular class of registered covered bond programme by the RBNZ in accordance with the RBNZ Act.
Asset Coverage Reports	means the quarterly reports in a form agreed from time to time between the parties to the Management Agreement, and each an "Asset Coverage Report".

Asset Coverage Test	has the meaning given to it on page 178 of this Prospectus.
Asset Coverage Test Breach Notice	means the notice required to be served by the Bond Trustee if the Asset Coverage Test is not satisfied on two consecutive Calculation Dates.
Asset Monitor	means Ernst & Young whose office is at Ernst & Young Building, 2 Takutai Square, Britomart, Auckland 1010, New Zealand or such replacement asset monitor appointed pursuant to the Asset Monitor Agreement from time to time.
Asset Monitor Agreement	means the asset monitor agreement entered into on the Programme Date, between the Asset Monitor, the Covered Bond Guarantor, the Trust Manager, the Calculation Manager, the Issuers, the Guarantor, the Seller, the Bond Trustee and the Security Trustee.
Asset Monitor Fee	has the meaning given to it in clause 6.1 of the Asset Monitor Agreement.
Asset Monitor Report	means the results of the tests of the arithmetic accuracy of the calculations in relation to the Asset Coverage Test or the Amortisation Test, as applicable, conducted by the Asset Monitor in accordance with the Asset Monitor Agreement to be delivered to the Calculation Manager, the Covered Bond Guarantor, the Trust Manager, the relevant Issuer, the Guarantor, the Bond Trustee and the Security Trustee in accordance with the Asset Monitor Agreement.
Asset Percentage	has the meaning given to it on pages 180 to 181 of this Prospectus.
Asset Pool	<p>means the pool of assets owned at any time by the Covered Bond Guarantor which back the payment of claims attached to the Covered Bonds and may comprise the following items:</p> <ul style="list-style-type: none"> (a) the Mortgage Loan Portfolio and the Related Securities held by the Covered Bond Guarantor; (b) Authorised Investments; (c) Substitution Assets; (d) the rights of the Covered Bond Guarantor in the Programme Documents and the Trust Accounts; (e) the benefit of all representations, warranties, undertakings, covenants, indemnities and promises made by any party in favour of the Covered Bond Guarantor under the Programme Documents; and (f) amounts derived or accrued from any of the assets referred to in the preceding paragraphs of this definition.
Asset Register	means the register of assets established and maintained in accordance with the Asset Register Procedures which contains an up-to-date and accurate record of the assets of the Trust.
Asset Register Procedures	means the document produced by the Servicer that specifies the procedures and internal controls that ensure:

- (a) the up-to-date and accurate keeping of the Asset Register; and
- (b) that the assets in the Asset Pool remain consistent with any Asset Class Designation,

which are applied by the Servicer from time to time and which may be amended by the Servicer from time to time.

Asset Register Report means the results of the assessments of the Servicer's compliance with its obligations relating to the Asset Register conducted by the Asset Monitor in accordance with the Asset Monitor Agreement to be delivered to the Servicer, the Covered Bond Guarantor, the Trust Manager, the Issuers, the Guarantor, the Bond Trustee and the Security Trustee in accordance with the Asset Monitor Agreement.

Asset Registry Services means the asset registry services to be provided by the Servicer pursuant to the Servicing Agreement.

Associated Debt means the indebtedness which a Borrower owes or may owe to the Seller from time to time which (i) is not a Mortgage Loan in the Mortgage Loan Portfolio or (ii) is not transferable to the Covered Bond Guarantor pursuant to the terms of the Mortgage Sale Agreement.

Attorney means any attorney appointed under the Security Deed.

Auditors means the auditors for the time being of the Issuers and the Guarantor or, as the case may be, the Trust or, in the event of their being unable or unwilling promptly to carry out any action requested of them pursuant to the provisions of the trust presents, such other firm of accountants as may be nominated or approved by the Bond Trustee and the Security Trustee for the purposes of the trust presents, and each an "Auditor".

Authorised Institution means a registered bank as defined in the RBNZ Act.

Authorised Investments means NZ Dollar demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper) (which may include deposits into any account which earns a rate of interest related to the Bank Bill Rate) provided that in all cases such investments have a maturity date of 90 days or less and mature on or before the next following Trust Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an Authorised Institution) are rated at least equal to "P-1" by Moody's and "F1+" by Fitch or which are otherwise acceptable to the Rating Agencies (if they are notified in advance) to maintain the then current rating of the Covered Bonds.

Authorised Signatory in relation to a Transaction Party, means an officer of the Transaction Party, or such other person appointed by the Transaction Party to act as its authorised signatory and notified to the other Transaction Parties.

Available Principal Receipts means on a Calculation Date, an amount equal to the aggregate of (without double counting):

- (a) the amount of Mortgage Loan Principal Receipts received during the

immediately preceding Calculation Period and credited to the Principal Ledger on the GIC Account;

- (b) any other amount standing to the credit of the Principal Ledger including (i) the proceeds of any Demand Loan Advance (where such proceeds have not been applied to acquire New Mortgage Loan Portfolios or to invest in Substitution Assets or Authorised Investments and (ii) the proceeds from any sale of Selected Mortgage Loans pursuant to the terms of the Establishment Deed or the Mortgage Sale Agreement but excluding any amount of principal received under the Swap Agreements and (iii) any Excess Proceeds;
- (c) the amount of any termination payment received from a Swap Provider which is not applied to acquire a replacement for the relevant terminated swap; and
- (d) following repayment of any Hard Bullet Covered Bonds, any amounts standing to the credit of the Pre-Maturity Ledger (unless such amounts are required to be retained in accordance with clause 9.11 of the Establishment Deed),

less

- (e) Swap Collateral Excluded Amounts which shall be applied in accordance with the terms of the relevant Swap Agreements.

Available Revenue Receipts

means on a relevant Calculation Date, an amount equal to the aggregate of:

- (a) the amount of Mortgage Loan Revenue Receipts received during the immediately preceding Calculation Period and credited to the Revenue Ledger on the GIC Account;
- (b) other net income of the Covered Bond Guarantor received during the immediately preceding Calculation Period, including all amounts of interest received on the Trust Accounts, the Substitution Assets and Authorised Investments, the amount paid to the Covered Bond Guarantor under clause 5.4 of the Servicing Agreement, the amount equal to Unpaid Interest paid to the Covered Bond Guarantor under clause 7.13 of the Mortgage Sale Agreement, and the proceeds from any sale of Mortgage Loans (including, but not limited to, Selected Mortgage Loans) pursuant to the terms of the Establishment Deed and the Mortgage Sale Agreement to the extent that such proceeds comprise Accrued Interest and Arrears of Interest or other interest amounts but excluding amounts received by the Covered Bond Guarantor under the Swap Agreements;
- (c) prior to the service on the Covered Bond Guarantor of a Notice to Pay or an Asset Coverage Test Breach Notice, amounts standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount;
- (d) following the service on the Covered Bond Guarantor of a Notice to Pay or an Asset Coverage Test Breach Notice, amounts standing to the credit of the Reserve Fund; and

- (e) any other revenue receipts not referred to in paragraphs (a) to (d) (inclusive) above received during previous Calculation Periods and standing to the credit of the Revenue Ledger on the GIC Account,

less

- (f) Third Party Amounts, which shall be paid on receipt in cleared funds to the Seller; and
- (g) Swap Collateral Excluded Amounts which shall be applied in accordance with the terms of the relevant Swap Agreements.

BA-CDOR

means Toronto inter-bank offered rate.

Bank Bill Rate

means in relation to any period:

- (a) the bid settlement rate (rounded, if necessary, to the nearest four decimals) as displayed at or about 10:45am on the first day of that period on the Reuters Monitor Screen page BKBM FRA (or its successor page) for bank-accepted bills of exchange having a term approximately equal to that period; or
- (b) if there is no such rate displayed for bank bills of exchange having a term approximately equal to that period, then the average of the rates quoted by the Reference Banks as being their respective buy rates for such bank-accepted bills of exchange at or about that time on that date; or
- (c) if the rate cannot be determined pursuant to paragraph (a) or (b) above, the rate per annum reasonably determined by the Account Bank.

Base Rate

means the official cash rate most recently announced by the RBNZ as published from time to time on Reuters page "RBNZ02" or any successor thereto.

Basis Swap

means an ISDA Master Agreement, the schedule relating to it and each confirmation between the Interest Rate Swap Provider, the Covered Bond Guarantor and the Trust Manager under which the Covered Bond Guarantor pays to the Interest Rate Swap Provider an amount in respect of Mortgage Loans forming part of the Mortgage Loan Portfolio that do not bear interest at a fixed rate and under which the Swap Provider pays to the Covered Bond Guarantor an amount calculated by reference to the Bank Bill Rate.

BBSW

means Australian Bank Bill Swap Rate.

Bearer Covered Bonds

means Covered Bonds in bearer form.

Bearer Definitive Covered Bonds

has the meaning given to it in the Conditions.

Bearer Global Covered Bonds

means together, the Temporary Bearer Global Covered Bond and the Permanent Bearer Global Covered Bond, and Bearer Global Covered Bond means either one of them.

Beneficiaries	means the Residual Capital Beneficiary and Residual Income Beneficiary, and Beneficiary means either of them.
BKBM	means New Zealand inter-bank offered rate.
Block Voting Instruction	has the meaning given to such term in schedule 4 to the Bond Trust Deed.
BNZ	means Bank of New Zealand.
BNZ Group	means BNZ and the group of companies of which it is the parent company.
BNZ-IF	means BNZ International Funding Limited, acting through its London Branch.
BNZFML	means BNZ Facilities Management Limited having its registered office at Level 4, 80 Queen Street, Auckland 1010, New Zealand.
Bond Basis	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).
Bond Trust Deed	has the meaning given to it in the Conditions.
Bond Trustee	means Deutsche Trustee Company Limited, in its capacity as bond trustee under the Bond Trust Deed together with any additional bond trustee appointed from time to time in accordance with the terms of the Bond Trust Deed.
Borrower	means in relation to a Mortgage Loan, the individual or individuals specified as such in the relevant Mortgage together with the individual or individuals (if any) from time to time assuming an obligation to repay such Mortgage Loan or any part of it.
Broken Amount	has the meaning given to it in Condition 4(a) (<i>Interest on Fixed Rate Covered Bonds</i>).
Buildings Policies	means all buildings insurance policies relating to Properties which have been taken out in the name of the relevant Borrower or in the name of the Borrower and the Seller or in the name of the Borrower with the interest of the Seller noted, in accordance with the applicable Mortgage Conditions.
Business Day	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).
Calculation Agency Agreement	means the agreement in substantially the form set out in schedule 1 of the Principal Agency Agreement.
Calculation Agent	means in relation to all or any Series of the Covered Bonds, the person initially appointed as calculation agent in relation to such Covered Bonds by the Issuers, the Guarantor and the Covered Bond Guarantor pursuant to the relevant Agency Agreement or such other person specified in the applicable Final Terms or, if applicable, any successor or separately appointed calculation agent in relation to all or any Series of the Covered Bonds.
Calculation Date	means the 18th day of each of March, June, September and December provided that if without giving effect to this proviso the Calculation Date and the immediately preceding day would not be NZ Business Days, the Calculation

Date shall be the next day in the month in which both the Calculation Date and the immediately preceding day are NZ Business Days unless the Calculation Date would fall in the following month, in which case the Calculation Date shall be the previous day in the month in which both the Calculation Date and the immediately preceding day are NZ Business Days.

Calculation Management Services	has the meaning given to it in clause 3.2 of the Management Agreement.
Calculation Manager	means BNZ, in its capacity as calculation manager under the Management Agreement.
Calculation Manager Termination Event	has the meaning given to it in clause 11.1 of the Management Agreement.
Calculation Period	means the period from (and including) a Calculation Date (or the First Issue Date in the case of the first Calculation Period) to (but excluding) the next Calculation Date.
Capitalised Arrears	means for any Mortgage Loan in the Mortgage Loan Portfolio at any date, interest or other amounts which are overdue in respect of that Mortgage Loan and which as at that date have been added to the Current Principal Balance of that Mortgage Loan in accordance with the Mortgage Conditions or interest that is capitalised by agreement from time to time with the relevant Borrower (excluding for the avoidance of doubt any Arrears of Interest which have not been so capitalised on that date).
Capitalised Expenses	means for any Mortgage Loan in the Mortgage Loan Portfolio at any date, fees and expenses in respect of that Mortgage Loan and which as at that date have been added to the Current Principal Balance of that Mortgage Loan in accordance with the Mortgage Conditions or fees and expenses that are capitalised by agreement from time to time with the relevant Borrower.
Cash Management Services	means the cash management services to be provided by the Trust Manager pursuant to the Management Agreement.
Cash Redraws	means, in respect of a Mortgage Loan in the Mortgage Loan Portfolio, a re-advance by the Seller of some or all of the Overpayments that the Borrower has made under the Mortgage Loan, and each a "Cash Redraw".
CCA	means the Credit Contracts Act 1981 of New Zealand.
CGCBG	has the meaning given to it in Condition 2(h) (<i>Definitions</i>).
CCCFA	means the Credit Consumer and Consumer Finance Act 2003 of New Zealand.
Charged Other Property	has the meaning given to it on page 192 of this Prospectus.
Charged Personal Property	has the meaning given to it on page 192 of this Prospectus.
Charged Property	means the Charged Other Property and Charged Personal Property.
Clearing Systems	means DTC, Euroclear, Clearstream, Luxembourg and/or NZClear and shall be deemed to include references to any additional or alternative clearing system as

is approved by the Issuers, the Principal Paying Agent and the Bond Trustee or as may otherwise be specified in the applicable Final Terms.

Clearstream, Luxembourg	has the meaning given to it in Condition 1 (<i>Form, Denomination and Title</i>).
Collections Account Interest Ledger	means the ledger of such name maintained by the Trust Manager pursuant to the Management Agreement to record credits and debits of interest paid by BNZ pursuant to clause 5.4 of the Servicing Agreement and distribution of the same in accordance with the Establishment Deed.
Companies Act	means the Companies Act 1985 (UK), or to the extent the Companies Act 1985 (UK) has been repealed and replaced or to the extent otherwise relevant at the relevant time, the Companies Act 2006 (UK) (and, in each case, any regulations made pursuant to the relevant Act).
Conditions	means the terms and conditions of the Covered Bonds.
Couponholders	has the meaning given to it in the Conditions.
Coupons	has the meaning given to it in the Conditions.
Covered Bond Guarantee	has the meaning given to it in Condition 3(c) (<i>Status of Covered Bond Guarantee</i>).
Covered Bond Guarantee Acceleration Notice	has the meaning given to it in Condition 9(b) (<i>Covered Bond Guarantor Events of Default</i>).
Covered Bond Guarantor	means CBG Trustee Company Limited, solely in its capacity as trustee of the Trust.
Covered Bond Guarantor Event of Default	has the meaning given to it in Condition 9(b) (<i>Covered Bond Guarantor Events of Default</i>).
Covered Bondholders	has the meaning given to it in the Conditions.
Covered Bonds	means the covered bonds issued or to be issued pursuant to the Programme Agreement and which are or are to be constituted under the Bond Trust Deed, which covered bonds may be represented by a Global Covered Bond or any Definitive Covered Bond and includes any replacements or a Covered Bond issued pursuant to Condition 10 (<i>Replacement of Covered Bonds, Coupons and Talons</i>), and each a Covered Bond .
Covered Bonds Ledger	means the ledger of such name to record amounts allocated to a Tranche or Series of Covered Bonds in accordance with the provisions of the Establishment Deed.
Covered Bond Swap	means each swap and/or basis transaction entered into between the Covered Bond Guarantor, the Trust Manager and a Covered Bond Swap Provider with respect to each Series or Tranche of Covered Bonds.
Covered Bond Swap Agreement	means a Swap Agreement entered into between the Covered Bond Guarantor, the Trust Manager and a Covered Bond Swap Provider governing a Covered

	Bond Swap.
Covered Bond Swap Provider	means the covered bond swap provider appointed from time to time under the Covered Bond Swaps together with any transferee or successor thereto.
Current Principal Balance	<p>means in relation to any Mortgage Loan in the Mortgage Loan Portfolio as at any given date, the principal balance of that Mortgage Loan to which the Seller applies the relevant interest rate to and at which interest on that Mortgage Loan accrues interest, and is the aggregate (but avoiding double counting) of:</p> <ul style="list-style-type: none"> (a) the original principal amount advanced to the relevant Borrower and any further amount advanced on or before any given date to the relevant Borrower under that Mortgage Loan secured or intended to be secured by the Related Security; and (b) the amount of any Cash Redraws and Further Advances secured or purported to be secured by the Related Security; and (c) any Capitalised Arrears or Capitalised Expenses, <p>less any repayment or payment of any of the foregoing made on or before the end of the NZ Business Day immediately preceding that given date.</p>
Day Count Fraction	In relation to Fixed Rate Covered Bonds, has the meaning given to it in Condition 4(a) (<i>Interest on Fixed Rate Covered Bonds</i>) and, in relation to Floating Rate Covered Bonds, has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).
Dealer and Dealers	have the meanings given to them in the Programme Agreement.
Deed of Accession	means any deed of accession entered into between, amongst others, the Covered Bond Guarantor, the Trust Manager and Security Trustee on the terms substantially set out in the form set out in schedule 1 of the Security Deed.
Defaulted Mortgage Loan	means any Mortgage Loan in the Mortgage Loan Portfolio which is more than three months in arrears.
Definitions Schedule	has the meaning given to it in the Conditions.
Definitive Covered Bond	means a Bearer Definitive Covered Bond and/or, as the context may require, a Registered Definitive Covered Bond.
Demand Loan	means the aggregate principal amount of each Demand Loan Advance, as reduced by repayment under the Demand Loan Agreement.
Demand Loan Advances	means advances made or to be made by the Demand Loan Provider under the Demand Loan Facility, and each a Demand Loan Advance .
Demand Loan Agreement	means the demand loan agreement entered into on the Programme Date between the Covered Bond Guarantor, the Trust Manager, the Demand Loan Provider, the Seller, the Calculation Manager and the Security Trustee.
Demand Loan Facility	has the meaning given to it in clause 2.1 of the Demand Loan Agreement.
Demand Loan Ledger	means the ledger of such name to be maintained by the Trust Manager in

accordance with the Management Agreement.

Demand Loan Provider	means BNZ.
Designated Account	has the meaning given to it in Condition 5(d) (<i>Payments in respect of Registered Covered Bonds</i>).
Designated Bank	has the meaning given to it in Condition 5(d) (<i>Payments in respect of Registered Covered Bonds</i>).
Determination Period	has the meaning given to it in Condition 4(a) (<i>Interest on Fixed Rate Covered Bonds</i>).
Distribution Compliance Period	has the meaning given to it in Condition 2(h) (<i>Definitions</i>).
DTC	has the meaning given to it in Condition 1 (<i>Form, Denomination and Title</i>).
Due for Payment	<p>means the requirement by the Covered Bond Guarantor to pay any Guaranteed Amount following the delivery of a Notice to Pay on the Covered Bond Guarantor:</p> <p>(a) prior to the occurrence of a Covered Bond Guarantor Event of Default and the service of a Covered Bond Guarantee Acceleration Notice on the Issuers, the Guarantor and the Covered Bond Guarantor, on the later of:</p> <p>(i) the date on which the Scheduled Payment Date in respect of such Guaranteed Amount occurs or, if later, the day which is two Business Days following the date of service of a Notice to Pay on the Covered Bond Guarantor of such Guaranteed Amounts or if the applicable Final Terms specified that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, the Interest Payment Date falling on the Final Maturity Date as if such date had been the Extended Due for Payment Date (Original Due for Payment Date); and</p> <p>(ii) in relation to any Guaranteed Amounts in respect of the Final Redemption Amount payable on the Final Maturity Date for a Series of Covered Bonds only, the Extended Due for Payment Date, but only (i) if in respect of the relevant Series of Covered Bonds the Covered Bond Guarantee is subject to an Extended Due for Payment Date pursuant to the terms of the applicable Final Terms and (ii) to the extent that the Covered Bond Guarantor having received a Notice to Pay no later than the date falling one Business Day prior to the Extension Determination Date does not pay Guaranteed Amounts equal to the Final Redemption Amount in respect of such Series of Covered Bonds by the Extension Determination Date, as the Covered Bond Guarantor has insufficient moneys available under the Guarantee Priority of Payments to pay such Guaranteed Amounts in full on the earlier of (a) the date which falls two Business Days after service of such Notice to Pay on the Covered Bond Guarantor or, if later, the Final Maturity Date (or, in each case, after the expiry of the grace period set</p>

out in Condition 9(b)(i)) under the terms of the Covered Bond Guarantee or (b) the Extension Determination Date,

or if, in either case, such day is not a Business Day, the next following Business Day. For the avoidance of doubt, Due for Payment does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due under the guaranteed obligations, by reason of prepayment, acceleration of maturity, mandatory or optional redemption or otherwise; or

(b) following the occurrence of a Covered Bond Guarantor Event of Default, the date on which a Covered Bond Guarantee Acceleration Notice is served on the relevant Issuer and the Covered Bond Guarantor.

Earliest Maturing Covered Bonds

means at any time, the Series of the Covered Bonds (other than any Series which is fully collateralised by amounts standing to the credit of the GIC Account) that has or have the earliest Final Maturity Date as specified in the applicable Final Terms (ignoring any acceleration of amounts due under the Covered Bonds prior to the occurrence of a Covered Bond Guarantor Event of Default).

Early Redemption Amount

in relation to a Series of Covered Bonds, means the early redemption amount determined in accordance with Condition 6(f) (*Early Redemption Amounts*).

Early Repayment Charges

means any charge or fee which a Borrower is required to pay in accordance with the Mortgage Conditions applicable to a Mortgage Loan in the event that the Borrower repays all or part of the relevant Mortgage Loan before a specified date.

Established Rate

has the meaning given to it in Condition 5(i) (*Definitions*).

Establishment Deed

means the trust deed entered into on the Programme Date, between the Covered Bond Guarantor, the Trust Manager, the Issuers, the Guarantor, the Bond Trustee, the Security Trustee, the Seller, the Servicer and the Calculation Manager (as the same may be amended and/or supplemented and/or restated from time to time).

EURIBOR

means Euro-Zone inter-bank offered rate.

euro

means the currency introduced at the start of the third state of European economic and monetary union pursuant to the Treaty.

Eurobond Basis

has the meaning given to it in Condition 4(b) (*Interest on Floating Rate Covered Bonds*).

Euroclear

means Euroclear Bank S.A./N.V..

Excess Proceeds

means moneys received (following the occurrence of an Issuer Event of Default and delivery of an Issuer Acceleration Notice) by the Bond Trustee from the relevant Issuer or the Guarantor or any administrator, receiver, receiver and manager, liquidator, statutory manager or other similar official appointed in relation to the relevant Issuer or the Guarantor.

Exchange Agent

has the meaning given to it in the Conditions.

Exchange Date	means on or after the date which is 40 days after a Temporary Bearer Global Covered Bond is issued.
Exchange Notice	has the meaning given to it in Condition 5(h) (<i>Redenomination</i>).
Excluded Swap Termination Amount	means in relation to a Swap Agreement, an amount equal to the amount of any termination payment due and payable (a) to the relevant Swap Provider as a result of a Swap Provider Default with respect to such Swap Provider or (b) to the relevant Swap Provider following a Swap Provider Downgrade Event with respect to such Swap Provider.
Existing Covered Bonds	means, at any time, the Covered Bonds of all Series outstanding at such time.
Existing Series	means each of the NZ\$250,000,000 6.425 per cent. Fixed Rate Covered Bonds due 30 June 2017 (ISIN NZBCBDT002C5), EUR1,000,000,000 3.125 per cent. Fixed Rate Covered Bonds due 23 November 2017 (ISIN XS0562630391), NZ\$300,000,000 3 month NZ\$ BKBM + 1.27 per cent. Floating Rate Covered Bonds due 31 March 2019 (ISIN NZBCBDT003C3), AU\$700,000,000 6.25 per cent. Fixed Rate Covered Bonds due 14 June 2016 (ISIN AU3CB0177673) and NZ\$350,000,000 5.733 per cent. Fixed Rate Covered Bonds due 19 January 2018 (ISIN NZBCBDT345C8).
Extendable Maturity Covered Bonds	means, in relation to a Series or Tranche (as applicable) of Covered Bonds, Covered Bonds that are subject to an Extended Due for Payment Date, as specified in the applicable Final Terms.
Extended Due for Payment Date	has the meaning given to it in Condition 6(a) (<i>Final Redemption</i>).
Extension Determination Date	has the meaning given to it in Condition 6(a) (<i>Final Redemption</i>).
Extraordinary Resolution	means a resolution of the Covered Bondholders passed as such under the terms of the Bond Trust Deed.
Final Maturity Date	means, in relation to a Series of Covered Bonds, the Interest Payment Date specified as such in the applicable Final Terms on which such Series of Covered Bonds is required to be redeemed at their Principal Amount Outstanding in accordance with the Conditions.
Final Redemption Amount	means, in relation to a Series of Covered Bonds, 100 per cent. of the nominal value of each Covered Bond which will be redeemed by the relevant Issuer in the relevant Specified Currency on the Final Maturity Date specified in the applicable Final Terms.
Final Terms	means the final terms prepared in relation to each Series or Tranche of Covered Bonds (substantially in the form of Annex 3 Part II of the Procedures Memorandum (in respect of Covered Bonds to be issued by BNZ with a minimum denomination of at least NZD 100,000 (or its equivalent in another currency)) or Annex 3 Part I of the Procedures Memorandum (in respect of Covered Bonds to be issued by BNZ-IF with a minimum denomination of at least euro 100,000 (or its equivalent in another currency))) issued under the Programme and giving details of that Series or Tranche and, in relation to any particular Tranche of Covered Bonds, "applicable Final Terms" means the

Final Terms applicable to that Tranche.

First Issue Date	means the first Issue Date on which it is intended to be the date of issue of the first Series of Covered Bonds under the Programme.
Fiscal Period	means a period beginning on 1 October in each year and ending on and including the next following Annual Accounting Date, except for the first Fiscal Period which is the period beginning on 2 June 2010 and ending on the Annual Accounting Date falling on 30 September 2011.
Fitch	means Fitch Australia Pty Ltd. and includes any successor to its ratings business.
Fixed Coupon Amount	has the meaning given to it in Condition 4(a) (<i>Interest on Fixed Rate Covered Bonds</i>).
Fixed Interest Period	has the meaning given to it in Condition 4(a) (<i>Interest on Fixed Rate Covered Bonds</i>).
Fixed Rate Mortgage Loans	means each Mortgage Loan which is subject to a fixed interest rate for a specified period of time and at the expiration of that period is generally subject to a variable rate.
Fixed Rate Swap	means an ISDA Master Agreement, the schedule relating to it and each confirmation between the Interest Rate Swap Provider, the Covered Bond Guarantor and the Trust Manager, under which the Covered Bond Guarantor pays to the Swap Provider an amount in respect of Fixed Rate Mortgage Loans forming part of the Mortgage Loan Portfolio and under which the Interest Rate Swap Provider pays to the Covered Bond Guarantor an amount calculated by reference to the Bank Bill Rate.
Floating Rate Convention	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).
Following Business Day Convention	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).
Further Advances	means in relation to a Mortgage Loan in the Mortgage Loan Portfolio, any advances of further money to the relevant Borrower following the making of the initial advance of moneys in respect of such Mortgage Loan (Initial Advance) which is secured by the same Mortgage as the Initial Advance but does not include any Redraw, and each a Further Advance .
GIC Account	means the account in the name of the Covered Bond Guarantor held with the Account Bank and maintained subject to the terms of the Account Bank Agreement and the Security Deed and/or such additional or replacement account as may from time to time be in place pursuant to the terms of the Account Bank Agreement and the Security Deed.
GIC Account Mandate	means the resolutions, instructions and signature authorities relating to the GIC Account substantially in the form set out in schedule 1 to the Account Bank Agreement.
GIC Balance	has the meaning given to it in clause 15.2 of the Account Bank Agreement.

GIC Rate	has the meaning given to it in clause 15.2 of the Account Bank Agreement.
Global Covered Bond	has the meaning given to it in the Conditions.
Governmental Authority	shall mean any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government in any relevant jurisdiction.
GST	means goods and services tax chargeable under the Goods and Services Act 1985 of New Zealand.
Guarantee	has the meaning given to it in Condition 3(b) (<i>Status of the Guarantee</i>).
Guarantee Priority of Payments	has the meaning given to it in Condition 6(a) (<i>Final Redemption</i>).
Guaranteed Amounts	means (a) prior to the service of a Covered Bond Guarantee Acceleration Notice, with respect to any Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, the sum of Scheduled Interest and Scheduled Principal, in each case, payable on that Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, or (b) after service of a Covered Bond Guarantee Acceleration Notice, an amount equal to the relevant Early Redemption Amount as specified in the Conditions plus all accrued and unpaid interest and at other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts, all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the Covered Bond Guarantor under the Bond Trust Deed.
Guarantor	means BNZ as guarantor pursuant to the Guarantee in respect of Covered Bonds issued by BNZ-IF.
Hard Bullet Covered Bonds	means a Series of Covered Bonds which is scheduled to be redeemed in full on the Final Maturity Date for such Covered Bonds and without any provision for scheduled redemption other than on the Final Maturity Date.
HIBOR	means Hong Kong inter-bank offered rate.
Higher Redemption Amount	means the amount (if any) specified in the applicable Final Terms.
House Price Index Supplier	means: <ul style="list-style-type: none"> (a) Data Insight Limited; or (b) such other recognised professional New Zealand residential property valuation supplier that is selected by the Trust Manager to replace the previous supplier and in respect of which a Rating Affirmation Notice has been given.
Indexed Valuation	means on any day in relation to a Property: <ul style="list-style-type: none"> (a) where the Latest Valuation of the Property is equal to or greater than the Reference Indexed Valuation as at that date, the Reference Indexed Valuation; or

- (b) where the Latest Valuation of the Property is less than the Reference Indexed Valuation as at that date, the Latest Valuation plus 85 percent of the difference between the Latest Valuation and the Reference Indexed Valuation.

Initial Advance

has the meaning given to it in the definition of **Further Advance**.

Insolvency Event

means:

- (a) in respect of a Transaction Party (other than the Trust Manager) (for the purposes of this paragraph (a) the **Relevant Entity**) the happening of any of these events:
 - (i) a statutory manager is appointed in respect of the Relevant Entity under the Corporations (Investigation and Management) Act 1989 of New Zealand or the RBNZ Act;
 - (ii) except for the purpose of a solvent reconstruction or amalgamation:
 - (A) an application or an order is made, proceedings are commenced, a resolution is passed or proposed in a notice of meeting or an application to a court or other steps (other than frivolous or vexatious applications, proceedings, notices and steps) are taken for:
 - I the liquidation or dissolution of the Relevant Entity; or
 - II the Relevant Entity entering into an arrangement, compromise or composition with or assignment for the benefit of its creditors or a class of them; or
 - (B) the Relevant Entity ceases, suspends or threatens to cease or suspend the conduct of all or substantially all of its business or disposes of or threatens to dispose of substantially all of its assets; or
 - (iii) the Relevant Entity is, or under applicable legislation is taken to be, unable to pay its debts (other than as the result of a failure to pay a debt or claim the subject of a good faith dispute) or stops or suspends or threatens to stop or suspend payment of all or a class of its debts (except, in the case of the Covered Bond Guarantor, where this occurs in relation to another trust of which it is the trustee);
 - (iv) a receiver or receiver and manager is appointed (by the Relevant Entity or by any other person) to all or substantially all of the assets and undertaking of the Relevant Entity or any part thereof (except, in the case of the Covered Bond Guarantor, where this occurs in relation to another trust of which it is the trustee) and such appointment is not revoked within 15 NZ Business Days;

- (v) an administrator is appointed to the Relevant Entity or any steps are taken for the appointment of an administrator to the relevant corporation; or
 - (vi) anything analogous to an event referred to in subparagraphs (i) to (v) (inclusive) or having substantially similar effect, occurs with respect to the Relevant Entity;
- (b) in relation to any other body corporate, the happening of any of these events:
 - (i) an application (other than a frivolous or vexatious application or an application which is stayed within 15 NZ Business Days) is made to a court or any order is made that the relevant body corporate be wound up other than for the purposes of a solvent reconstruction or amalgamation;
 - (ii) an application is made to a court or an order appointing a liquidator or provisional liquidator in respect of the relevant body corporate, or one of them is appointed, whether or not under an order;
 - (iii) a receiver, receiver and manager, liquidator, trustee or similar officer is appointed in respect of any part of the property of the relevant body corporate and such appointment is not revoked within 15 NZ Business Days;
 - (iv) an administrator is appointed to the relevant body corporate or any steps are taken for the appointment of an administrator to the relevant body corporate;
 - (v) the relevant body corporate commences negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of its indebtedness or makes a general assignment for the benefit of or a composition with its creditors;
 - (vi) the relevant body corporate is or states that it is unable to pay its debts as and when they fall due or is deemed unable to pay its debts under any applicable legislation (other than as a result of the failure to pay a debt or claim which is the subject of a good faith dispute);
 - (vii) anything analogous or having a substantially similar effect to any of the events specified above happens under the laws of any applicable jurisdiction.

Insurance Contracts

means any insurance contract or policy arranged by the Seller from time to time and in which the Seller has an interest relating to the Mortgage Loans in the Mortgage Loan Portfolio, and **Insurance Contract** means any one of them.

Insurance Policies

means:

- (a) the Buildings Policies; and

(b) the Lender's Mortgage Insurance Policies,
and each an **Insurance Policy**.

Intercompany Loan Agreement	means the intercompany loan agreement dated the Programme Date, between the Intercompany Loan Provider, the Covered Bond Guarantor, the Trust Manager, the Seller, the Calculation Manager and the Security Trustee.
Intercompany Loan Drawdown Date	means, in relation to a Term Advance, the date specified in the Intercompany Loan Drawdown Request for the making of the Term Advance, which must be a Business Day.
Intercompany Loan Interest Payment Date	Means, in relation to a Term Advance, the date specified in the Term Advance Notice.
Intercompany Loan Provider	means BNZ.
Interest Amount	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>) .
Interest Commencement Date	has the meaning given to it in Condition 4(a) (<i>Interest on Fixed Rate Covered Bonds</i>).
Interest Payment Date	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).
Interest Period	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).
Interest Rate Shortfall	has the meaning given to it in clause 4.3 of the Servicing Agreement.
Interest Rate Shortfall Test	has the meaning given to it on pages 172 to 173 of this Prospectus.
Interest Rate Swap Agreements	means the Interest Rate Swap Agreements entered into on the Programme Date between the Covered Bond Guarantor, the Trust Manager and the Swap Provider governing the Interest Rate Swaps.
Interest Rate Swap Provider	means BNZ in its capacity as interest rate swap provider under the Interest Rate Swaps together with any successor thereto.
Interest Rate Swaps	means the Basis Swap and Fixed Rate Swap transactions entered into between the Covered Bond Guarantor and the Interest Rate Swap Provider.
ISDA	means the International Swaps and Derivatives Association, Inc.
ISDA 1995 Credit Support Annex	means the ISDA 1995 credit support annex (Transfer English law) as published by ISDA.
ISDA Definitions	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).
ISDA Master Agreement	means the 2002 ISDA master agreement, as published by ISDA.

ISDA Rate	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).
Issue Date	means a date on which an Issuer issues Covered Bonds under the Programme.
Issue Price	means, in relation to a Series or Tranche (as applicable) of Covered Bonds, the price, generally expressed as a percentage of the nominal amount of the Covered Bonds, at which the Covered Bonds will be issued and which is specified in the applicable Final Terms.
Issuer	means BNZ (in respect of Covered Bonds issued by BNZ) or BNZ-IF (in respect of Covered Bonds issued by BNZ-IF), and Issuers means both of them and references to the relevant Issuer shall in relation to any Series or Tranche of Covered Bonds be references to the Issuer which is, or is intended to be, the Issuer of such Covered Bonds as indicated in the applicable Final Terms.
Issuer Acceleration Notice	has the meaning given to it in Condition 9(a) (<i>Issuer Events of Default</i>).
Issuer Event of Default	has the meaning given to it in Condition 9(a) (<i>Issuer Events of Default</i>).
Land	Means <ul style="list-style-type: none"> (a) any estate or interest whether at law or in equity in freehold or leasehold land situated in New Zealand, including all improvements on that land; and (b) any unit and any lot, common property and land comprising a unit within the meaning of the Unit Titles Act 1972 of New Zealand.
Latest House Price Index	means, on any particular date, the most recent quarterly index of increases or decreases in house prices produced on a regional basis by the House Price Index Supplier, or, if that index ceases to be produced or is not produced in the period of 12 months prior to the particular date, a suitably widely recognised property price index selected by the Trust Manager (in its discretion).
Latest Valuation	means, in relation to a Property, the value given to the Property by the most recent Valuation Report held by the Seller or the purchase price of the Property (if there is no Valuation Report).
Latest Valuation Cessation Date	means the first date on which none of the Existing Series remain outstanding.
Lead Manager	has the meaning given to it in the Programme Agreement.
Ledgers	has the meaning given to it in clause 19.1 of the Establishment Deed.
Legended Covered Bonds	has the meaning given to it in Condition 2(h).
Lender's Mortgage Insurance Policies	means all insurance policies in favour of the Seller in respect of a Mortgage Loan to protect the Seller against any shortfall between the net sale proceeds of any Property the subject of a Mortgage and the total amount owing by the relevant Borrower to the Seller under the Mortgage Loan.

Liabilities	means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever including properly incurred legal fees and penalties incurred by that person, and "Liability" shall be construed accordingly.
Liability Payment	has the meaning given to it in clause 5.4 of the Mortgage Sale Agreement.
LIBOR	means London inter-bank offered rate.
LINZ	means Land Information New Zealand.
listed	(and all related references) means that such Covered Bonds have been admitted to trading on the regulated market of the Luxembourg Stock Exchange and have been admitted to the Official List or on such other or further stock exchanges or regulated or unregulated markets, as may be agreed between the relevant Issuer, the Guarantor (if BNZ-IF is the Issuer), the Covered Bond Guarantor, the Bond Trustee and the relevant Dealer(s) in relation to each issue.
Long Maturity Covered Bond	has the meaning given to it in Condition 5(b) (<i>Presentation of Bearer Definitive Covered Bonds and Coupons</i>).
Losses	means the realised losses on the Mortgage Loans which are in the Mortgage Loan Portfolio.
Losses Ledger	means the ledger maintained by the Trust Manager pursuant to the provisions of the Management Agreement to record the Losses in relation to Mortgage Loans in the Mortgage Loan Portfolio.
Luxembourg Paying Agent	has the meaning given to it in the Conditions.
Luxembourg Registrar	has the meaning given to it in the Conditions.
Majority Secured Creditors	means Secured Creditors whose Secured Obligations amount in aggregate to more than 66% of the total Secured Obligations.
Management Agreement	means the management agreement entered into on the Programme Date, between the Seller, the Servicer, the Account Bank, the Calculation Manager, the Covered Bond Guarantor, the Trust Manager and the Security Trustee (as the same may be amended and/or supplemented and/or restated from time to time).
Minimum Redemption Amount	means the amount (if any) specified in the applicable Final Terms.
Modified Following Business Day Convention	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).
Moody's	means Moody's Investors Service Pty Limited and includes any successor to its rating business.
Mortgage	means a registered mortgage over Land situated in New Zealand, which creates, or is intended to create a Security Interest, which is originally granted

to the Seller and securing the repayment of the principal amount of a Mortgage Loan and all other moneys payable under the Mortgage Loan, notwithstanding that by its terms the mortgage may also secure other liabilities to the Seller.

Mortgage Account	means as the context requires (i) all Mortgage Loans secured on the same Property and thereby forming a single mortgage account or (ii) an account maintained by the Servicer in respect of a particular Mortgage Loan to record all amounts due in respect of that Mortgage Loan (whether by way of principal, interest or otherwise) and all amounts received in respect thereof.
Mortgage Conditions	means all the terms and conditions applicable to a Mortgage Loan at any time.
Mortgage Guarantor	means, in relation to a Mortgage Loan in the Mortgage Loan Portfolio, a guarantor of that Mortgage Loan.
Mortgage Loan	means, unless otherwise specified, a mortgage loan originated by the Seller referenced by its mortgage loan identifier number and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other moneys due or owing with respect to that mortgage loan under the relevant Mortgage Conditions by a Borrower on the security of a Mortgage from time to time outstanding or, as the context may require, the Borrower's obligations in respect of the same but excluding, for the avoidance of doubt, any Associated Debt.
Mortgage Loan Files	means the file or files relating to each Mortgage Loan in the Mortgage Loan Portfolio (including files kept in microfiche or scanned format or similar electronic data retrieval system) containing, amongst other things the mortgage documentation applicable to the Mortgage Loan, each letter of offer for that Mortgage Loan and, the Valuation Report (if applicable).
Mortgage Loan Portfolio	means on any particular date, each New Mortgage Loan Portfolio sold to the Covered Bond Guarantor pursuant to the terms of the Mortgage Sale Agreement prior to such date, after taking account of, among other things, amortisation of the Mortgage Loans and the addition and/or removal of Mortgage Loans and the Related Security to or from the Mortgage Loan Portfolio since the Programme Date.
Mortgage Loan Principal Receipts	means any payment in respect of principal received from time to time in respect of any Mortgage Loan in the Mortgage Loan Portfolio (including, without limitation whether as all or part of a Mortgage Loan Scheduled Payment by a Borrower on the relevant Mortgage Loan, on redemption (in whole or in part), on enforcement or on disposal of such Mortgage Loan or otherwise (including pursuant to any Insurance Policy)).
Mortgage Loan Repurchase Notice	means the notice served upon the Seller (copied to the Trust Manager and the Security Trustee) by the Covered Bond Guarantor requiring the repurchase by the Seller of specified Mortgage Loans and the Related Security, as set out in schedule 3 to the Mortgage Sale Agreement.
Mortgage Loan Revenue Receipts	means any payment received from time to time in respect of any Mortgage Loan which is not a Mortgage Loan Principal Receipt (whether as all or part of a Mortgage Loan Scheduled Payment by a Borrower on the relevant Mortgage Loan, on redemption (in whole or in part), on enforcement or on disposal of such Mortgage Loan or otherwise (including pursuant to any Insurance Contract)).

Mortgage Loan Scheduled Payment	means in respect of a Mortgage Loan, the amount which the applicable Mortgage Conditions require a Borrower to pay on a Mortgage Loan Scheduled Payment Date in respect of such Mortgage Loan.
Mortgage Loan Scheduled Payment Date	means, in relation to any Mortgage Loan, the day on which a Borrower is required to make a payment of interest and, if applicable, principal in accordance with the Mortgage Conditions applicable to such Mortgage Loan.
Mortgage Rate	means the rate at which interest accrues on a Mortgage Loan from time to time.
Mortgage Sale Agreement	means the mortgage sale agreement to be entered into on the Programme Date, between the Seller, the Covered Bond Guarantor, the Trust Manager, the Security Trustee, the Calculation Manager, the Issuers, the Guarantor, the Servicer, the Interest Rate Swap Provider, the All Moneys Mortgage Beneficiaries and the All Moneys Mortgage Trustee.
NAB	means National Australia Bank Limited.
NAB Group	means the National Australia Bank Group, which comprises, amongst others, BNZ, BNZ-IF and National Australia Bank Limited.
Negative Carry Factor	has the meaning given to it on page 180 of this Prospectus.
Net Annual Income	means the net income of the Trust under the provisions of the Income Tax Act 2007 for a Fiscal Period reduced to the extent of any available tax loss the Trust is able to subtract from that net income, provided that Net Annual Income for a Fiscal Period shall not be less than zero.
New Mortgage Loans	means Mortgage Loans which the Seller may transfer to the Covered Bond Guarantor pursuant to the Mortgage Sale Agreement.
New Mortgage Loan Portfolio	<p>means a portfolio of New Mortgage Loans and the Related Security (other than any New Mortgage Loans and the Related Security included in such portfolio which have been redeemed in full prior to the relevant Transfer Date in respect of such portfolio), particulars of which are set out in, or attached to, a New Mortgage Loan Portfolio Notice, and all right, title, interest and benefit of the Seller in and to the rights and assets set out in paragraphs (a) to (f) (inclusive) below:</p> <ul style="list-style-type: none"> (a) all sums of principal and interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest, Capitalised Expenses and Capitalised Arrears) and any other sum due or to become due under or in respect of such New Mortgage Loans and the Related Security on or after the Transfer Date in respect of such New Mortgage Loans and including, without limitation, the right to demand, sue for, recover and give receipts for all such principal, interest or other amounts, the right to sue on all covenants and undertakings made or expressed to be made in favour of the Seller under the applicable Mortgage Conditions; (b) the benefit of all other securities for such principal, interest and other sums payable (including without limitation any interest of the Seller in any life policy), any guarantee in respect of such New Mortgage Loans or any other collateral security for the repayment of the relevant

Mortgage Loans secured by the Related Security;

- (c) the right to exercise all the powers of the Seller in relation thereto subject to and in accordance with the relevant Mortgage Conditions;
- (d) all the estate, title and interest in the Properties in relation thereto vested in the Seller;
- (e) to the extent they are assignable or capable of being put into trust, each certificate of title and Valuation Report and any right of action of the Seller against any solicitor, valuer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with any such New Mortgage Loans and the Related Security, or any part thereof affecting the decision of the Seller to make or offer to make such Mortgage Loans or part thereof; and
- (f) the benefit of certain Insurance Contracts, in each case so far as they relate to such New Mortgage Loans comprised in that portfolio of New Mortgage Loans and the Related Security, including the right to receive the proceeds of all claims made or to be made by or on behalf of the Seller or to which the Seller is or may become entitled.

New Mortgage Loan Portfolio Notice

means a notice in the form set out in schedule 2 to the Mortgage Sale Agreement served in accordance with the terms of the Mortgage Sale Agreement.

New Product Type

means a new type of mortgage loan originated or acquired by the Seller, which the Seller intends to transfer to the Covered Bond Guarantor, the terms and conditions of which are materially different (in the opinion of the Seller, acting reasonably) from the Mortgage Loans in the Mortgage Loan Portfolio. For the avoidance of doubt, a Mortgage Loan will not constitute a New Product Type if it differs from the Mortgage Loans in the Mortgage Loan Portfolio due to it having different interest rates and/or interest periods and/or time periods for which it is subject to a fixed rate, capped rate, tracker rate or any other interest rate or the benefit of any discounts, cash-backs and/or rate guarantees.

New Secured Creditor

means any person which becomes a Secured Creditor after the Programme Date pursuant to and in accordance with the Security Deed.

New Zealand Covered Bondholder

has the meaning given to it in Condition 7 (*Taxation*).

NGCB

has the meaning given to it in Condition 2(h) (*Definitions*).

NIBOR

means Norwegian inter-bank offered rate.

Non-Cash Redraw

means a Payment Holiday under a Mortgage Loan included in the Mortgage Loan Portfolio.

Notice to Pay

means the notice to pay served by the Bond Trustee on the Covered Bond Guarantor pursuant to the Covered Bond Guarantee which requires the Covered Bond Guarantor to make payments of Guaranteed Amounts when they shall become Due for Payment in accordance with the terms of the Covered Bond Guarantee.

NZ Business Day	means any day (other than a Saturday, Sunday or public holiday) on which banks are open for business in Auckland and Wellington.
NZ Companies Act	means the Companies Act 1993 of New Zealand.
NZClear	has the meaning given to it in Condition 1 (<i>Form, Denomination and Title</i>).
NZClear Regulations	means the regulations known as the NZClear System Rules established by the RBNZ to govern the use of NZClear and includes the operating guidelines deemed to form part of those rules.
NZCSD	has the meaning given to it in Condition 1 (<i>Form, Denomination and Title</i>).
NZ Dollar Equivalent	means in relation to an amount which is denominated in (a) a currency other than NZ Dollars, the NZ Dollar equivalent of such amount ascertained using the relevant Swap Rate and (b) NZ Dollars, the applicable amount in NZ Dollars.
NZ Dollar Transaction Account	means the NZ Dollar account designated as the Transaction Account in the name of the Covered Bond Guarantor, held with the Account Bank and maintained subject to the terms of the Account Bank Agreement and the Security Deed.
NZ Dollar Transaction Account Mandate	means the resolutions, instructions and signature authorities relating to the NZ Dollar Transaction substantially in the form set out in schedule 1 to the Account Bank Agreement.
NZ Government Bond Basis	has the meaning given to it in Condition 4(a) (<i>Interest on Fixed Rate Covered Bonds</i>).
NZ Paying Agent	means BNZ in its capacity as paying agent and any successor paying agent appointed in respect of the Trust.
NZ Registered Covered Bonds	means Registered Covered Bonds where the Register is maintained by the NZ Registrar.
NZ Registrar	has the meaning given to it in the Conditions.
NZ Registry Agreement	has the meaning given to it in the Conditions.
Offering Circular	has the meaning given to it in the Programme Agreement.
Offset Mortgage Loan	means a Mortgage Loan which allows the relevant Borrower to link the Mortgage Loan with certain deposit and/or current accounts that are held by the Seller for the purpose of offsetting interest.
Original Due for Payment Date	has the meaning given to it in Condition 4(a) (<i>Interest on Fixed Rate Covered Bonds</i>).
Outstanding	or means, in relation to the Covered Bonds of all or any Series, all the Covered Bonds of such Series issued other than:
outstanding	
	(a) those Covered Bonds which have been redeemed in full and cancelled pursuant to the Trust Presents and/or the Conditions;

- (b) those Covered Bonds in respect of which the date (including, where applicable, any deferred date) for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest payable thereon) have been duly paid to the Bond Trustee or to the Principal Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relative Covered Bondholders in accordance with Condition 13 (*Notices*) of the Conditions and remain available for payment against presentation of the relevant Covered Bonds and/or Receipts and/or Coupons;
- (c) those Covered Bonds which have been purchased and cancelled in accordance with Conditions 6(g) (*Redemption and Purchase – Purchases*) and 6(h) (*Redemption and Purchase – Cancellation*) of the Conditions and any equivalent provision in the Conditions;
- (d) those Covered Bonds which have become void or in respect of which claims have become prescribed, in each case under Condition 8 (*Prescription*) of the Conditions;
- (e) those mutilated or defaced Covered Bonds which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 10 (*Replacement of Covered Bonds, Coupons and Talons*) of the Conditions;
- (f) (for the purpose only of ascertaining the Principal Amount Outstanding of the Covered Bonds outstanding and without prejudice to the status for any other purpose of the relevant Covered Bonds) those Covered Bonds which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 10 (*Replacement of Covered Bonds, Coupons and Talons*);
- (g) any Global Covered Bond to the extent that it shall have been exchanged for definitive Covered Bonds or another Global Covered Bond pursuant to its provisions, the provisions of the Trust Presents and the Agency Agreement; and
- (h) those Legended Covered Bonds which have been exchanged for Unlegended Covered Bonds and those Unlegended Covered Bonds which have been exchanged for Legended Covered Bonds, in each case pursuant to their provisions, the provisions of the Trust Presents and the Principal Agency Agreement,

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the holders of the Covered Bonds of any Series, to give instruction or direction to the Bond Trustee and for the purposes of a resolution in writing as envisaged by paragraph 20 of Schedule 4 (Provisions of Meetings for Covered Bondholders) to the Bond Trust Deed;
- (ii) the determination of how many and which Covered Bonds of any Series are for the time being outstanding for the purposes of clause 10

(Proceedings, Action And Indemnification) of the Bond Trust Deed, Conditions 9 (Events of Default and Enforcement) and 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) of the Conditions and paragraphs 2, 5, 6, and 9 of Schedule 4 (Provisions of Meetings for Covered Bondholders) to the Bond Trust Deed;

- (iii) any discretion, power or authority (whether contained in the Trust Presents or vested by operation of law) which the Bond Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the holders of the Covered Bonds of any Series; and
- (iv) the determination by the Bond Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the holders of the Covered Bonds of any Series,

those Covered Bonds of the relevant Series (if any) which are for the time being held by or on behalf of or for the benefit of the relevant Issuer, the Guarantor or the Covered Bond Guarantor, any Subsidiary or holding company of any of them or any other Subsidiary of any such holding company, in each case as beneficial owner shall (unless and until ceasing to be so held) be deemed not to remain outstanding except in the case of the relevant Issuer, the Guarantor or the Covered Bond Guarantor, any Subsidiary or holding company of any of them or any other Subsidiary of any such holding company (each a Relevant Person) holding, by itself or together with any other Relevant Person, all of the Covered Bonds then outstanding or, in respect of a Series of Covered Bonds holds all Covered Bond of such Series.

Overpayment

means in respect of a Mortgage Loan in the Mortgage Loan Portfolio, any additional amounts of Mortgage Loan Principal Receipts received above the regular Mortgage Loan Scheduled Payments due in respect of such Mortgage Loan, paid by the relevant Borrower which (a) is permitted by the terms of such Mortgage Loan or by agreement with the Borrower and (b) reduces the Current Principal Balance of such Mortgage Loan.

Partial Portfolio

means part of any portfolio of Selected Mortgage Loans.

Paying Agents

has the meaning given to it in the Conditions.

Payment Day

has the meaning given to it in Condition 5(f) (*Payment Day*).

Payment Holiday

means the right of a Borrower, under the applicable Mortgage Conditions, to not make a monthly payment for one or more months in certain circumstances and, in respect of any Mortgage Loan in the Mortgage Loan Portfolio, a period of one or more scheduled payment dates under the Mortgage Loan when the relevant Borrower is permitted by the Seller in accordance with the relevant Mortgage Conditions not to make the payments due on such scheduled payments dates.

**Permanent Bearer
Global Covered Bond**

means a global bearer covered bond in the form or substantially in the form set out in Part 2 (*Form of Permanent Bearer Global Covered Bond*) of Schedule 2 (*Forms of Global and Definitive Covered Bonds, Coupons and Talons*) to the Bond Trust Deed together with the copy of the applicable Final Terms annexed thereto and with such modifications (if any) as may be agreed between the relevant Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), comprising some or all of the Covered Bonds of the same Series,

issued by the relevant Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the Trust Presents in exchange for the whole or part of any Temporary Bearer Global Covered Bond issued in respect of such Covered Bonds.

Permitted Investments	means: <ul style="list-style-type: none"> (a) Mortgage Loans and the Related Security; (b) Substitution Assets; (c) Authorised Investments; and (d) amounts deposited in the Trust Accounts, in each case acquired in accordance with the Programme Documents, and "Permitted Investment" means any of them.
PLA	means the Property Law Act 2007 of New Zealand.
Post-Enforcement Priority of Payments	has the meaning given to it on page 208 of this Prospectus.
Potential Issuer Event of Default	means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Issuer Event of Default.
Potential Covered Bond Guarantor Event of Default	means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute a Covered Bond Guarantor Event of Default.
PPSA	means the Personal Property Securities Act 1999 of New Zealand.
PPSR	means the Personal Property Securities Register established under section 139 of the PPSA.
Pre-Acceleration Priority of Payments	means the Pre-Acceleration Principal Priority of Payments and the Pre-Acceleration Revenue Priority of Payments.
Pre-Acceleration Principal Priority of Payments	has the meaning given to it on page 201 of this Prospectus.
Pre-Acceleration Revenue Priority of Payments	has the meaning given to it on page 198 of this Prospectus.
Preceding Business Day Convention	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).
Pre-Maturity Demand	has the meaning given to it in clause 5.3 of the Demand Loan Agreement.

Loan Advance

Pre-Maturity Ledger	means the ledger maintained by the Trust Manager pursuant to the Management Agreement to record the credits and debits of moneys available to repay any Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof if the Pre-Maturity Test in respect of such Series of Hard Bullet Covered Bonds has been breached.
Pre-Maturity Test	has the meaning given to it in clause 9.3 of the Establishment Deed.
Pre-Maturity Test Date	has the meaning given to it in clause 9.2 of the Establishment Deed.
Pre-Maturity Test Period	means, in relation to a Series of Hard Bullet Covered Bonds, in respect of: <ul style="list-style-type: none">(a) BNZ's long-term credit rating from Moody's, the period commencing on the day six months prior to the Final Maturity Date of the Series; or(b) BNZ's short-term credit rating from Moody's or from Fitch, the period commencing on the day 12 months prior to the Final Maturity Date of the Series.
Principal Agency Agreement	has the meaning given to it in the Conditions.
Principal Amount Outstanding	has the meaning given to it in Condition 4(a) (<i>Interest on Fixed Rate Covered Bonds</i>).
Principal Ledger	means the ledger of such name maintained by the Trust Manager pursuant to the Management Agreement to record the credits and debits of Mortgage Loan Principal Receipts and the other amounts described in paragraph (b) of the definition of Available Principal Receipts in accordance with the terms of the Establishment Deed.
Principal Paying Agent	has the meaning given to it in the Conditions.
Priorities of Payments	means the orders of priority for the allocation and distribution of amounts standing to the credit of the Trust Accounts in different circumstances, and each a "Priority of Payments".
Procedures Memorandum	means the procedures memorandum in the form for the time being current as amended or varied from time to time, in respect of any Tranche or Series, by agreement between the relevant Issuer(s), the Guarantor (in the case of Covered Bonds issued by BNZ-IF) and the relevant Dealer(s) with the approval in writing of the Principal Paying Agent, the Bond Trustee and, if applicable, the Registrar.
Product Switch	means a variation, from time to time, in the Mortgage Conditions applicable to a Borrower's Mortgage Loan which means that the Mortgage Loan would no longer be a Qualifying Mortgage Loan and/or moving a Borrower to an alternative mortgage product, including a change in Product Type.
Product Type	means a type of mortgage loan originated by the Seller.
Programme	means the covered bond programme established by BNZ and BNZ-IF.

Programme Agreement	means the agreement dated on the Programme Date, entered into by the Issuers, the Guarantor, the Covered Bond Guarantor, the Seller, the Arranger and the Dealers to agree a basis upon which the Dealer(s) or any of them may from time to time agree to purchase Covered Bonds.
Programme Date	has the meaning given to it in the Conditions.
Programme Documents	<p>means the following documents:</p> <ul style="list-style-type: none"> (a) Mortgage Sale Agreement (and any documents entered into (including but not limited to any document setting out particulars of each New Mortgage Loan Portfolio) pursuant to the Mortgage Sale Agreement); (b) Servicing Agreement; (c) Asset Monitor Agreement; (d) Intercompany Loan Agreement; (e) Demand Loan Agreement; (f) Establishment Deed; (g) Management Agreement; (h) Interest Rate Swap Agreement; (i) Covered Bond Swap Agreement; (j) Account Bank Agreement; (k) Security Deed (and any documents entered into pursuant to the Security Deed, including without limitation each Deed of Accession); (l) Bond Trust Deed; (m) Programme Agreement; (n) each Agency Agreement; (o) each Subscription Agreement (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement); (p) Seller's Power of Attorney; and (q) Definitions Schedule, <p>and each document, agreement or deed ancillary or supplemental to any of such documents and each a Programme Document.</p>
Programme Limit	has the meaning given to such term in the Bond Trust Deed.
Programme Resolution	has the meaning given to it in Condition 14 (<i>Meetings of Covered Bondholders, Modification, Waiver and Substitution</i>).

Property	means Land which is subject to a Mortgage.
Prospectus	means, at any time, the most recent published Prospectus, Offering Circular or prospectus, including any supplement thereto, issued by the Issuers and the Guarantor in relation to the Programme.
Prospectus Directive	means Directive 2003/71/EC as amended.
Prudent Mortgage Lender	means a reasonably prudent residential mortgage lender lending to borrowers in New Zealand which generally satisfies the lending criteria of traditional sources of residential mortgage capital.
Purchase Price	means, (i) if the Seller is the Interest Rate Swap Provider, in relation to a Mortgage Loan and the Related Security being sold and the corresponding Interest Rate Swap being entered into, an amount equal to the Current Principal Balance of the Mortgage Loan being sold, and in relation to a Mortgage Loan Portfolio, an amount equal to the aggregate of the Current Principal Balances of the Mortgage Loans in the Mortgage Loan Portfolio and (ii) if the Seller is not the Interest Rate Swap Provider, in relation to a Mortgage Loan and the Related Security being sold, an amount equal to the market value of the Mortgage Loan being sold, and in relation to a Mortgage Loan Portfolio, an amount equal to the aggregate of the market values of the Mortgage Loans in the Mortgage Loan Portfolio.
Purchaser	means the Seller or any third party to whom the Covered Bond Guarantor offers to sell Selected Mortgage Loans.
Put Notice	has the meaning given to it in Condition 6(d) (<i>Redemption at the option of the Covered Bondholders</i>).
Qualifying Asset Monitor	means any person who is: <ul style="list-style-type: none"> (a) independent of BNZ; and (b) one or more of the following: <ul style="list-style-type: none"> (i) a licensed auditor under the Auditor Regulation Act 2011; (ii) (if BNZ ensures that appropriate arrangements are in place to ensure that the functions of the Asset Monitor are performed by, or under the supervision of, a licensed auditor) a registered audit firm under the Auditor Regulation Act 2011; or (iii) a member of any other class of persons or firms that has been approved by the RBNZ.
QIB	has the meaning given to it in Condition 2(h) (<i>Definitions</i>).
Qualified Institution	means an Authorised Institution (i) which pays any relevant interest in the ordinary course of its business and (ii) whose short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least P-1 by Moody's, or F1 by Fitch and whose long term unsecured, unsubordinated and unguaranteed debt obligations are rated at least A from Fitch.

Qualifying Borrower	means a Borrower which: <ul style="list-style-type: none"> (a) is not a Borrower in respect of a Defaulted Mortgage Loan; and (b) is not dead, bankrupt, insane or the subject of an Insolvency Event, and any other person which, notwithstanding this definition, the Covered Bond Guarantor approves and notifies in writing to the Seller as being a Qualifying Borrower .
Qualifying Mortgage Loan	means a Mortgage Loan which satisfies the qualifying mortgage loan eligibility criteria set out in schedule 8 of the Mortgage Sale Agreement.
Rate of Interest	has the meaning given to it in Condition 5(i) (<i>Definitions</i>).
Rating Agencies	has the meaning given to them in Condition 6(a) (<i>Final redemption</i>).
Rating Affirmation Notice	means, in relation to an event or circumstances, a notice in writing from the Seller to the Covered Bond Guarantor (and copied to the Trust Manager and each Rating Agency) confirming that it has notified each Rating Agency of the event or circumstances and that the Seller is satisfied, for the purposes of the Programme Documents, following discussions with each Rating Agency, that the event or circumstances, as applicable, will not result in a reduction, qualification or withdrawal of the ratings then assigned by such Rating Agency and if a Rating Agency confirmation is required for the purposes of the Programme Documents and the Rating Agency does not consider such confirmation necessary the Seller shall be entitled to assume that the then current rating of the Covered Bonds from that Rating Agency will not be downgraded or withdrawn by such Rating Agency as a result of such event or circumstance.
RBNZ	means the Reserve Bank of New Zealand.
RBNZ Act	means the Reserve Bank of New Zealand Act 1989 of New Zealand.
Receiptholders	means the holders of Receipts.
Receipts	means, in respect of Bearer Definitive Covered Bonds previously issued under the Programme that are repayable in instalments, the receipts attached for the payment of the instalments of principal (other than the final instalment).
Receiver	means any person or persons appointed (and any additional person or persons appointed or substituted pursuant thereto) by the Security Trustee as a receiver, receiver, manager, or receiver and manager of the property charged or secured under the Security Deed.
Record Date	has the meaning given to it in Condition 5(d) (<i>Payments in respect of Registered Covered Bonds</i>).
Redeemed Covered Bonds	has the meaning given to it in Condition 6(c) (<i>Redemption at the option of the Issuer (Issuer Call)</i>).
Redenomination Date	has the meaning given to it in Condition 5(i) (<i>Definitions</i>).

Redraw	means either of a Cash Redraw or a Non-Cash Redraw.
Reference Banks	means BNZ, ANZ National Bank Limited and Westpac Banking Corporation.
Reference Indexed Valuation	means on any day in relation to any Property, the Latest Valuation of the Property increased or decreased (as appropriate) by the appropriate regional increase or decrease in the Latest House Price Index since the date of that Latest Valuation.
Reference Price	in respect of a Zero Coupon Covered Bond, has the meaning given in the applicable Final Terms.
Reg. S Compliance Category 1	means the conditions set out in Rule 903(b)(1) of Regulation S. For further information on Regulation S, please refer to " <i>Subscription and Sale and Transfer and Selling Restrictions – Selling Restrictions – United States</i> ".
Reg. S Compliance Category 2	means the conditions set out in Rule 903(b)(2) of Regulation S. For further information on Regulation S, please refer to " <i>Subscription and Sale and Transfer and Selling Restrictions – Selling Restrictions – United States</i> ".
Reg. S Compliance Category 3	means the conditions set out in Rule 903(b)(1) of Regulation S. For further information on Regulation S, please refer to " <i>Subscription and Sale and Transfer and Selling Restrictions – Selling Restrictions – United States</i> ".
Register	means the register of holders of the Registered Covered Bonds maintained by the relevant Registrar.
Registered Covered Bonds	means Covered Bonds issued in registered form (being Registered Global Covered Bonds and/or Registered Definitive Covered Bonds, as the case may be).
Registered Definitive Covered Bond	has the meaning given to it in the Conditions.
Registered Global Covered Bond	has the meaning given to it in Condition 2(a) (<i>Transfers of interests in Registered Global Covered Bonds</i>).
Registrar	has the meaning given to it in the Conditions.
Regulated Market	means the regulated market of the Luxembourg Stock Exchange.
Regulation S	means Regulation S under the Securities Act.
Regulation S Covered Bond	A Covered Bond represented by a Regulation S Global Covered Bond.
Regulation S Global Covered Bond	has the meaning given to it in " <i>Form of the Covered Bonds</i> ".
Related Company	has the meaning given to it in section 2(3) of the NZ Companies Act.
Related Security	means in relation to a Mortgage Loan, the security for the repayment of that Mortgage Loan including the relevant Mortgage and all other documents, matters and things related thereto and which constitute all or part of the

security for the payment of all sums due in respect of the Mortgage Loan, including for the avoidance of doubt, guarantees, security over life policies, and any replacement security for a Mortgage Loan that is transferred to the Covered Bond Guarantor in accordance with the Mortgage Sale Agreement, and with respect to any Related Security that constitutes an All Moneys Mortgage, the beneficial interest of the Covered Bond Guarantor in the All Moneys Mortgage Trust declared in respect of that Mortgage.

Relevant Covered Bonds	has the meaning given to it in clause 7.4 of the Intercompany Loan Agreement.
Relevant Date	means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Bond Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13 (<i>Notices</i>).
Representations and Warranties	means the representations and warranties set out in schedule 1 of the Mortgage Sale Agreement.
Repurchase Price	means the price payable by the Seller to the Covered Bond Guarantor for the repurchase of a Mortgage Loan and the Related Security, as described in clause 11.4, 11.5, 11.6 or 11.7 or 19.3 of the Mortgage Sale Agreement (as applicable).
Requesting Party	has the meaning given in Condition 14 (<i>Meetings of Covered Bondholders, Modification, Waiver and Substitution</i>).
Required Current Principal Balance Amount	has the meaning given to it in of clause 15.2 of the Establishment Deed.
Required Redemption Amount	<p>means, in respect of a Series of Covered Bonds, the amount calculated in accordance with the following formula:</p> $A \times \left(1 + \left(B \times \frac{C}{365} \right) \right)$ <p>where,</p> <p>A = the Principal Amount Outstanding of the relevant Series of Covered Bonds;</p> <p>B = the Negative Carry Factor; and</p> <p>C = days to maturity of the relevant Series of Covered Bonds.</p>
Reserve Fund	means the reserve fund that the Covered Bond Guarantor will be required to establish in the GIC Account which will be credited with the proceeds of Available Revenue Receipts or a Term Advance up to an amount equal to the Reserve Fund Required Amount.
Reserve Fund Required Amount	means, on a Calculation Date, if BNZ's short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least P-1 by Moody's and F1+ by Fitch, nil or such other amount as BNZ shall advise the Covered Bond

Guarantor from time to time and otherwise, an amount equal to:

- (a) the higher of the NZ Dollar Equivalent of the interest:
 - (i) that will accrue on each Series of Covered Bonds from (and including) such Calculation Date to (but excluding) the date falling three months after such Calculation Date; and
 - (ii) due for payment on each Series of Covered Bonds from (and including) such Calculation Date to (but excluding) the date falling three months after such Calculation Date; and
- (b) an amount equal to one-quarter of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) and (b) of the Pre-Acceleration Revenue Priority of Payments.

Reserve Ledger	means the ledger of such name maintained by the Trust Manager pursuant to the Management Agreement, to record the crediting of Mortgage Loan Revenue Receipts to the Reserve Fund and the debiting of such Reserve Fund in accordance with the terms of the Establishment Deed.
Residual Capital Beneficiary	means SAVY.
Residual Income Beneficiary	means SAVY.
Residual Income Beneficiary Ledger	means the ledger of such name maintained by the Trust Manager in accordance with the Management Agreement.
Revenue Ledger	means the ledger of such name maintained by the Trust Manager pursuant to the Management Agreement to record credits and debits of Mortgage Loan Revenue Receipts and the other amounts described in paragraph (b) of the definition of Available Revenue Receipts in accordance with the terms of the Establishment Deed.
Rule 144A	has the meaning given to it in Condition 2(h) (<i>Definitions</i>).
Rule 144A Global Covered Bond	has the meaning given to it in Condition 2(h) (<i>Definitions</i>).
Sale Proceeds	means the cash proceeds realised from the sale of Selected Mortgage Loans and the Related Security.
Scheduled Interest	means an amount equal to the amount in respect of interest which would have been due and payable under the Covered Bonds on each Interest Payment Date as specified in Condition 4 (<i>Interest</i>) (but excluding any additional amounts relating to premiums, default interest or interest upon interest (Excluded Scheduled Interest Amounts) payable by the relevant Issuer following an Issuer Event of Default but including such amounts (whenever the same arose) following service of a Covered Bond Guarantee Acceleration Notice) as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date or, if the Final Terms specified that an Extended Due for Payment Date is applicable to the relevant Covered Bonds, as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date (but taking into

account any principal repaid in respect of such Covered Bonds or any Guaranteed Amounts paid in respect of such principal prior to the Extended Due for Payment Date), less any additional amounts the relevant Issuer would be obliged to pay as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 7 (*Taxation*).

Scheduled Payment Date means in relation to payments under the Covered Bond Guarantee, each Interest Payment Date or the Final Maturity Date as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date.

Scheduled Principal means an amount equal to the amount in respect of principal which would have been due and repayable under the Covered Bonds on each Interest Payment Date or the Final Maturity Date (as the case may be) as specified in Condition 6(a) (*Final redemption*) and Condition 6(e) (*Redemption due to illegality*) (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest (the **Excluded Scheduled Principal Amounts**) payable by the relevant Issuer following an Issuer Event of Default but including such amounts (whenever the same arose) following service of a Covered Bond Guarantee Acceleration Notice) as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date or, if the Final Terms specify that an Extended Due for Payment Date is applicable to the relevant Covered Bonds, as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date.

Secondary Security means, in relation to a Mortgage Loan in the Mortgage Loan Portfolio, any Related Security provided by a Mortgage Guarantor that also secures a Mortgage Loan that has been transferred to a trust established under the BNZ Mortgage Trust master trust deed dated 11 November 2008 between Perpetual Trust Limited and National Australia Managers Limited.

Secured Creditors means the Security Trustee (in its own capacity and on behalf of the other Secured Creditors), the Bond Trustee (in its own capacity and on behalf of the Covered Bondholders), the Covered Bondholders, the Receiptholders, the Couponholders, the Issuers, the Guarantor, the Seller, the Servicer, the Intercompany Loan Provider, the Demand Loan Provider, the Account Bank, the Calculation Manager, the Swap Providers, the Trust Manager, the Asset Monitor, the Agents and any other person who becomes a Secured Creditor pursuant to the Security Deed, and each a **Secured Creditor**.

Secured Obligations means all amounts (whether actual or contingent, present or future) which at any time for any reason or circumstance in connection with any Programme Document that relates to, or applies to, the Trust or the Security Deed or any transactions contemplated by any of them (insofar as such transactions relate to, or apply to, the Trust), whatsoever whether at law, in equity, under statute or otherwise:

- (a) are payable, are owing but not currently payable, are contingently owing, or remain unpaid by the Covered Bond Guarantor to the Security Trustee on its own account or for the account of the Secured Creditors or to any Secured Creditor or to any Receiver;
- (b) have been advanced or paid by the Security Trustee on its own account or for the account of the Secured Creditors or by any Secured Creditor:

- (i) at the express request of the Covered Bond Guarantor; and
- (ii) on behalf of the Covered Bond Guarantor;
- (c) which the Security Trustee on its own account or for the account of the Secured Creditors or any Secured Creditor is liable to pay by reason of any act or omission of the Covered Bond Guarantor or has paid or advanced in the protection or maintenance of the Charged Property or the Security and the charge created by the Security Deed following an act or omission by the Covered Bond Guarantor; or

are reasonably foreseeable as likely, after that time, to fall within any of paragraphs (a), (b) or (c) above,

and references to Secured Obligations includes references to any of them but shall exclude Liability Payments.

This definition applies:

- (i) irrespective of the capacity in which the Covered Bond Guarantor, the Security Trustee or any Secured Creditor became entitled or is liable in respect of the amount concerned;
- (ii) whether the Covered Bond Guarantor, the Security Trustee or any Secured Creditor is liable as principal debtor or surety or otherwise;
- (iii) whether the Covered Bond Guarantor is liable alone or jointly, or jointly and severally with another person;
- (iv) whether the Security Trustee or any Secured Creditor is the original obligee or an assignee or a transferee of the Secured Obligations and whether or not:
 - (A) the assignment or transfer took place before or after the delivery of the Security Deed; or
 - (B) the Covered Bond Guarantor consented to or was aware of the assignment or transfer; or
 - (C) the assigned or transferred obligation was secured; or
- (v) whether the Security Trustee or any Secured Creditor is the original Security Trustee or an original Secured Creditor or an assignee or a transferee of the original Security Trustee or an original Secured Creditor, and whether or not the Covered Bond Guarantor consented to or was aware of the assignment or transfer.

Securities Act

means the U.S. Securities Act of 1933, as amended.

Security

means the Security Interests over the Charged Property granted pursuant to the Security Deed.

Security Deed

has the meaning given to it in the Conditions.

Security Interest	means any mortgage, security interest, charge, encumbrance, pledge, lien, hypothecation, assignment by way of security or other security interest or title retention arrangement and any agreement, trust or arrangement having substantially the same economic or financial effect as any of the foregoing (other than a lien arising in the ordinary course of business or by operation of law).
Security Trust	means the trust formed under the Security Deed.
Security Trustee	means New Zealand Permanent Trustees Limited, in its capacity as security trustee under the Establishment Deed and the Security Deed together with any additional security trustee appointed from time to time in accordance with the terms of the Security Deed.
Selected Mortgage Loan Offer Notice	means a notice substantially in the form of schedule 6 of the Mortgage Sale Agreement from the Covered Bond Guarantor served on the Seller offering to sell Selected Mortgage Loans and the Related Security to the Seller.
Selected Mortgage Loans	means Mortgage Loans and the Related Security to be sold by the Covered Bond Guarantor pursuant to the terms of the Establishment Deed having in aggregate the Required Current Principal Balance Amount.
Selection Date	has the meaning given to it in Condition 6(c) (<i>Redemption at the option of the Issuer (Issuer Call)</i>).
Seller	means BNZ in its capacity as seller pursuant to the Mortgage Sale Agreement.
Seller Mortgage Loan Repurchase Notice	means the notice served on the Covered Bond Guarantor by the Seller offering to purchase certain Mortgage Loans and the Related Security specified in the notice, as set out in schedule 5 to the Mortgage Sale Agreement.
Seller's Power of Attorney	means the Seller Power of Attorney in favour of the Covered Bond Guarantor in substantially the form set out at schedule 4 to the Mortgage Sale Agreement.
Series	has the meaning given to it in the Conditions.
Series Reserved Matter	has the meaning given to it in Condition 14 (<i>Meetings of Covered Bondholders, Modification, Waiver and Substitution</i>).
Servicer	means BNZ in its capacity as Servicer under the Servicing Agreement.
Servicer Termination Event	has the meaning given to it in clause 17.1 of the Servicing Agreement.
Services	means the services to be provided by the Servicer pursuant to the Servicing Agreement.
Servicing Agreement	means the servicing agreement entered into on the Programme Date, between the Covered Bond Guarantor, the Trust Manager, the Seller, the All Moneys Mortgage Trustee, the Servicer and the Security Trustee.
Servicing Procedures	means the originating, lending and underwriting, administration, arrears and enforcement policies and procedures which are applied from time to time by the Seller to Mortgage Loans and the Related Security for their repayment

which are beneficially owned solely by the Seller and which may be amended by the Seller from time to time.

Servicing Statement	has the meaning given in clause 10.3(c) of the Servicing Agreement.
Settlement Amount	means \$2,000.
Settlor	means BNZFML.
SIBOR	means Singapore inter-bank offered rate.
Specified Currency	means subject to any applicable legal or regulatory restrictions, NZ Dollars, euro, Sterling, U.S. Dollars and such other currency or currencies as may be agreed from time to time by the relevant Issuer, the Guarantor, the relevant Dealer(s), the Principal Paying Agent and the Bond Trustee and specified in the applicable Final Terms.
Specified Time	means 11.00 am (London time, in the case of determination of LIBOR).
STIBOR	means Stockholm inter-bank offered rate.
Stock Exchange	means the Luxembourg Stock Exchange or any other or further stock exchange(s) on which any Covered Bonds may from time to time be listed or admitted to trading and references to the relevant Stock Exchange shall, in relation to any Covered Bonds, be references to the Stock Exchange on which such Covered Bonds are, from time to time, or are intended to be, listed or admitted to trading.
Subordinated Servicing Fee Letter	means the letter dated on the Programme Date between the Servicer, the Covered Bond Guarantor, the Trust Manager and the Security Trustee in relation to the payment of a subordinated servicing fee.
Subscription Agreement	has the meaning given to it in the Programme Agreement
Subsidiary	has the meaning given in section 5 of the NZ Companies Act.
Substituted Debtor	has the meaning given to it in Condition 14 (<i>Meetings of Covered Bondholders, Modification, Waiver and Substitution</i>).
Substitution Assets	means each of: <ul style="list-style-type: none">(a) NZ Dollar demand or time deposits, certificates of deposit, long term debt obligations and short term debt obligations (including commercial paper) provided that in all cases such investments have a remaining period to maturity of one year or less and the short term unsecured, unguaranteed and unsubordinated debt obligations or, as applicable, the long term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an Authorised Institution) are rated P-1/ Aa3 by Moody's and F1 + by Fitch or their equivalents by three other internationally recognised rating agencies; and(b) NZ Dollar denominated government and public securities provided that such investments have a remaining period to maturity of one year

or less and which are rated at least Aaa by Moody's and F1+ by Fitch or their equivalents by three other internationally recognised rating agencies,

provided that such substitution asset satisfies the requirements for eligible assets that may collateralise covered bonds in accordance with RBNZ requirements (if any).

Substitute Servicer	has the meaning in clause 17.2 of the Servicing Agreement.
sub-unit	has the meaning given to it in Condition 4(a) (<i>Interest on Fixed Rate Covered Bonds</i>).
Swap Agreements	means each agreement between the Covered Bond Guarantor, the Trust Manager, a Swap Provider and the Security Trustee governing Swaps entered into with such Swap Provider in the form of an ISDA Master Agreement, including a schedule, any relevant Swap Agreement Credit Support Document and confirmations, and each a "Swap Agreement".
Swap Agreement Credit Support Document	means a credit support document entered into between the Covered Bond Guarantor and a Swap Provider in the form of the ISDA 1995 credit support annex (Transfer - English law) to the ISDA Master Agreement.
Swap Collateral	means at any time, an amount of cash which is paid or transferred by a Swap Provider to the Covered Bond Guarantor as collateral to secure the performance by such Swap Provider of its obligations under the relevant Swap Agreement together with any income or distributions received in respect of such cash.
Swap Collateral Account Mandate	means the resolutions, instructions and signature authorities relating to the Swap Collateral Cash Accounts.
Swap Collateral Available Amounts	means, at any time, the amount of Swap Collateral which under the terms of the relevant Swap Agreement may be applied at that time in satisfaction of the relevant Swap Provider's obligations to the Covered Bond Guarantor following termination of the Swap to the extent that such obligations relate to payments to be made in connection with the Pre-Acceleration Priority of Payments or the Guarantee Priority of Payments.
Swap Collateral Cash Account	means the account in the name of the Covered Bond Guarantor held with the Account Bank and maintained subject to the terms of the Account Bank Agreement and the relevant Swap Agreement Credit Support Document into which cash is deposited by a Swap Provider as collateral to secure the performance by such Swap Provider of its obligations under the relevant Swap Agreement.
Swap Collateral Excluded Amounts	means at any time, the amount of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the relevant Swap Provider's obligations to the Covered Bond Guarantor, including Swap Collateral, which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the Swap Agreements and ultimately upon termination of the relevant Swap Agreement.
Swap Collateral Ledger	has the meaning given to such term in the Management Agreement.

Swap Provider Default	means, in relation to a Swap Agreement, the occurrence of an Event of Default or Termination Event (each as defined in such Swap Agreement) where the relevant Swap Provider is the Defaulting Party or the Affected Party (as defined in such Swap Agreement), as applicable, other than a Swap Provider Downgrade Event.
Swap Provider Downgrade Event	means, in relation to a Swap Agreement, the occurrence of an Additional Termination Event (as defined in such Swap Agreement) following a failure by the Swap Provider to comply with the requirements of the ratings downgrade provisions set out in such Swap Agreement.
Swap Providers	means the Interest Rate Swap Provider and the Covered Bond Swap Providers, and each a Swap Provider .
Swap Rate	means in relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in the Covered Bond Swap Agreement relating to such Covered Bond or Series of Covered Bonds or, if the Covered Bond Swap Agreement has terminated, the applicable spot rate.
Swaps	means the Interest Rate Swaps and the Covered Bond Swaps.
Talons	have the meaning given to them in the Conditions.
TARGET2 System	has the meaning given to it in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds</i>).
Taxes	mean all present and future taxes, levies, imposts, duties, fees, deductions, withholdings or charges of any nature whatsoever and wheresoever imposed, including, without limitation, income tax, corporation tax, GST or other tax in respect of added value and any franchise, transfer, sales, gross receipts, use, business, occupation, excise, personal property, real property or other tax imposed by any national, local or supranational taxing or fiscal authority or agency together with any penalties, fines or interest thereon and Tax or Taxation shall be construed accordingly.
Tax Act	means the Income Tax Act 2007 of New Zealand.
Tax Authority	means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world including the Inland Revenue Department of New Zealand.
Tax Jurisdiction	has the meaning given to it in Condition 7 (<i>Taxation</i>).
Tax Resident in New Zealand	means resident in New Zealand for the purposes of the Tax Act.
TEFRA C	means U.S. Treas. Reg. Sec. 1.163-5(c)(2)(i)(C) (or any successor United States Treasury regulation section, including without limitation, successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010).
TEFRA D	means U.S. Treas. Reg. Sec. 1.163-5(c)(2)(i)(D) (or any successor United States Treasury regulation section, including without limitation, successor

regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010).

**Temporary Bearer
Global Covered Bond**

means a temporary bearer global covered bond in the form or substantially in the form set out in Part 1 (*Form of Temporary Bearer Global Covered Bond*) of Schedule 2 (*Forms of Global and Definitive Covered Bonds, Coupons and Talons*) to the Bond Trust Deed together with the copy of the applicable Final Terms annexed thereto with such modifications (if any) as may be agreed between the relevant Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), comprising some or all of the Covered Bonds of the same series, issued by the relevant Issuer pursuant to the Programme Agreement or any other agreement between the relevant Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the Trust Presents.

Term Advances

means advances made or to be made by the Intercompany Loan Provider to the Covered Bond Guarantor under the Intercompany Loan Agreement, and each a "Term Advance".

Term Advances Ledger

means the ledger of such name maintained by the Trust Manager in accordance with the Management Agreement.

Term Advance Notice

means a term advance notice substantially in the form of schedule 2 to the Intercompany Loan Agreement.

Third Party Amounts

means each of:

- (a) payments by a Borrower of any fees (including Early Repayment Charges) and other charges which are due to the Seller; and
- (b) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service (including giving insurance cover) to any of that Borrower or the Seller or the Covered Bond Guarantor,

which amounts may be paid daily from moneys on deposit in the GIC Account. It does not, for the avoidance of doubt, include interest payable on the Mortgage Loans.

TIBOR

means Tokyo inter-bank offered rate.

Title Perfection Event

has the meaning given to it in clause 9.1 of the Mortgage Sale Agreement.

**Total Credit
Commitment**

means NZ\$4,556,392,152 (or such greater amount as may be agreed between the relevant Issuer and the Covered Bond Guarantor from time to time and notified in writing to the Rating Agencies).

**Total Demand Loan
Credit Commitment**

means NZ\$5,467,000,000 (or such greater amount as may be agreed between the Demand Loan Provider and the Covered Bond Guarantor from time to time and notified in writing by the Trust Manager to the Security Trustee and the Rating Agencies).

Tranche

has the meaning given to it in the Conditions.

Transaction Accounts	means the GIC Account and such other accounts as may for the time being be in place with the prior consent of the Security Trustee and designated as such and Transaction Account shall denote any one of the Transaction Accounts.
Transaction Party	means any person who is a party to a Programme Document and "Transaction Parties" means some or all of them.
Transfer Agent	has the meaning given to it in the Conditions.
Transfer Certificate	has the meaning given to it in the Condition 2(e) (<i>Transfers of interests in Regulation S Global Covered Bonds</i>).
Transfer Date	means the date on which the Seller, subject to the fulfilment of certain conditions, sells a New Mortgage Loan Portfolio to the Covered Bond Guarantor in accordance with the Mortgage Sale Agreement.
Treaty	has the meaning given to it in Condition 5(i) (<i>Definitions</i>).
Trust	means the trust known as the "BNZ Covered Bond Trust" formed under the Establishment Deed.
Trust Accounts	means the Transaction Accounts, the GIC Account, the All Moneys Mortgage Trust Account, the Swap Collateral Cash Account or any other applicable currency transaction account.
Trust Manager	means BNZFML, or any other person from time to time appointed to perform the role of trust manager under the Establishment Deed.
Trust Manager Termination Event	has the meaning given to it in clause 23.1 of the Establishment Deed.
Trust Payment Date	means each of 31 March, 30 June, 30 September and 31 December or, if such day is not a Business Day, the preceding Business Day.
Trust Payment Period	means the period from (and including) a Trust Payment Date (or the Issue Date in the case of the first Trust Payment Period) to (but excluding) the next Trust Payment Date.
Trust Presents	means the Bond Trust Deed and the schedules thereto and any supplemental bond trust deed and schedules (if any), thereto, all as from time to time modified in accordance with the provisions therein contained.
UK Exchange Agent	has the meaning given to it in the Conditions.
UK Paying Agent	has the meaning given to it in the Conditions.
UK Transfer Agent	has the meaning given to it in the Conditions.
Unlegended Covered Bonds	means those of the Registered Covered Bonds which are not Legended Covered Bonds.
Unpaid Interest	means in relation to an Offset Mortgage Loan, the amount of interest which would, but for the offset arrangement in the Offset Mortgage Loan, have been payable in respect of the relevant Mortgage Loan on the relevant Scheduled

Payment Date for such Mortgage Loan.

Unpaid Interest Ledger	means the ledger of such name maintained by the Trust Manager pursuant to the Management Agreement to record all credits and debits of amounts equal to Unpaid Interest paid by the Seller in accordance with clause 7.6 of the Mortgage Sale Agreement and distribution of the same in accordance with the Establishment Deed.
Valuation Report	means the valuation report or reports for mortgage purposes from Quotable Value or from an independent firm of professional valuers selected from a panel of approved valuers by the Seller or from such other source allowed by the Servicing Procedures.
Vesting Date	means, in relation to the Trust, the earliest of: <ul style="list-style-type: none">(a) the day preceding the eightieth anniversary of the Programme Date;(b) the date upon which the Trust terminates by operation of law or in accordance with the Establishment Deed; and(c) following the occurrence of a Covered Bond Guarantor Event of Default, the date on which the Security Trustee has notified the Covered Bond Guarantor in writing that it has enforced the Security and has distributed all of the amounts which it is required to distribute under the Security Deed.
Written Resolution	means a written resolution of Covered Bondholders passed as such under the terms of the Bond Trust Deed.
Yield Shortfall	has the meaning given to it in clause 4.4 of the Servicing Agreement.
Yield Shortfall Test	has the meaning given to it on page 173 of this Prospectus.
Zero Coupon Covered Bonds	means Covered Bonds which will be offered and sold at a discount to their nominal amount and which will not bear interest.

ISSUERS

Bank of New Zealand

Level 4
80 Queen Street
Auckland 1010
New Zealand

BNZ International Funding Limited

acting through its London Branch

88 Wood Street
London EC2V 7QQ
United Kingdom

GUARANTOR, SELLER, SERVICER AND CALCULATION MANAGER

Bank of New Zealand

Level 4
80 Queen Street
Auckland 1010
New Zealand

COVERED BOND GUARANTOR

CBG Trustee Company Limited

Level 9
34 Shortland Street
Auckland 1010
New Zealand

ARRANGER AND DEALER

Barclays Bank PLC

5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

TRUST MANAGER

BNZ Facilities Management Limited

Level 4
80 Queen Street
Auckland 1010
New Zealand

SECURITY TRUSTEE

New Zealand Permanent Trustees Limited

Level 9
34 Shortland Street
Auckland 1010
New Zealand

BOND TRUSTEE

Deutsche Trustee Company Limited

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

NZ PAYING AGENT AND REGISTRAR

Computershare Investor Services Limited

Level 2 159 Hurstmere Road
Takapuna
Auckland 0622
Private Bag 92119
Victoria Street West
Auckland 1142
New Zealand

**UK PAYING AGENT, EXCHANGE AGENT
AND TRANSFER AGENT**

Deutsche Bank, London Branch

1 Great Winchester Street
London EC2N 2DB
United Kingdom

**LUXEMBOURG REGISTRAR AND
LUXEMBOURG PAYING AGENT**

Deutsche Bank Luxembourg S.A.

2, Boulevard Konrad Adenauer, L-115
Luxembourg

ASSET MONITOR AND AUDITORS TO THE ISSUERS

Ernst & Young

Ernst & Young Building
2 Takutai Square
Britomart
Auckland 1010
New Zealand

LEGAL ADVISERS

To the Issuers and the Guarantor as to English Law

Allen & Overy LLP

One Bishops Square
London E1 6AD
United Kingdom

*To the Issuers and the Guarantor as to New Zealand
law*

Russell McVeagh

Level 24
157 Lambton Quay
Wellington
New Zealand

To the Covered Bond Guarantor and the Security Trustee as to New Zealand law

Chapman Tripp

10 Customhouse Quay
PO Box 993
Wellington 6140
New Zealand

To the Bond Trustee as to English law

Linklaters LLP

One Silk Street
London EC2Y 8HQ
United Kingdom

To the Dealers as to English law

Linklaters LLP

One Silk Street
London EC2Y 8HQ
United Kingdom