Westpac Securities NZ Limited

(*incorporated with limited liability in New Zealand, company number 1859984*)

€5 billion
Global Covered Bond Programme
unconditionally guaranteed by

Westpac New Zealand Limited

(*incorporated with limited liability in New Zealand, company number 1763882*)
and
unconditionally and irrevocably guaranteed as to payments of interest and principal by

Westpac NZ Covered Bond Limited

(*incorporated with limited liability in New Zealand, company number 3201526*)

Under this €5 billion global covered bond programme (the **Programme**), Westpac Securities NZ Limited (the **Issuer**) may from time to time issue bonds (the **Covered Bonds**) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below).

The payments of all amounts due in respect of the Covered Bonds have been unconditionally guaranteed by Westpac New Zealand Limited (in such capacity, the **Group Guarantor**). Westpac NZ Covered Bond Limited (the **CB Guarantor** and, together with the Group Guarantor, the **Guarantors**) has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee which is secured over the Portfolio (as defined below) and its other assets. Recourse against the CB Guarantor under its guarantee is limited to the Portfolio and such assets.

Covered Bonds may be issued in bearer or registered form. The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €5,000,000,000 (or its equivalent in other currencies calculated as described in the Dealership 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 Issuer (each a **Dealer** and, together, the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the **relevant Dealer(s)** shall, in the case of an issue of Covered Bonds which are to be subscribed for by one or more Dealers, be to all Dealers agreeing to subscribe for such Covered Bonds.

Application has been made to the Financial Conduct Authority (the **FCA**) in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended (the **FSMA**) for Covered Bonds issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the official list of the FCA (the **Official List**) and an application has been made to the London Stock Exchange plc (the **London Stock Exchange**) for such Covered Bonds to be admitted to trading on the London Stock Exchange's Regulated Market.

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 London Stock Exchange's Regulated Market and have been admitted to the Official List. The London Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments.

For the purposes of the Covered Bonds, this Prospectus shall be valid for a period of 12 months from its date of approval other than in circumstances where an exemption is available under Article 1(4) and/or Article 3(3) of Regulation (EU) 2017/1129 (the **Prospectus Regulation**).

The price and amount of Covered Bonds to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions. Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds and any other terms and conditions not contained herein which are applicable to each Tranche (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 Tranche (the **Final Terms Document**) which, with respect to Covered Bonds to be listed on the London Stock Exchange, will be delivered to the FCA and the London Stock Exchange on or before the date of issue of such Tranche of Covered Bonds.

See *Risk Factors* for a discussion of certain factors to be considered in connection with an investment in the Covered Bonds.

The Covered Bonds, the Covered Bond Guarantee and the Group Guarantee (each 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 the securities laws or "blue sky" laws of any state or other jurisdiction of the United States or the securities law of any other jurisdiction, and the Covered Bonds, the Covered Bond Guarantee and the Group Guarantee only are being offered and sold outside the United States to, or for the account or benefit of, non-U.S. persons in reliance upon Regulation S under the Securities Act (**Regulation S**). In addition, the Issuer has not been registered and does not intend to register as an investment company under the U.S. Investment Company Act of 1940, as amended (the **Investment Company Act**). See *Form of the Covered Bonds*. Registered Covered Bonds (as defined below) are subject to certain restrictions on transfer: see *Subscription and Sale and Transfer and Selling Restrictions*.

Amounts payable under the Covered Bonds may be calculated by reference to one of the London inter-bank offered rate (**LIBOR**), the Euro-zone inter-bank offered rate (**EURIBOR**), the Singapore inter-bank offered rate (**SIBOR**), the Hong Kong inter-bank offered rate (**HIBOR**), the Secured Overnight Finance Rate (**SOFR**), the Sterling Overnight Index Average (**SONIA**), the Canadian dollar offered rate (**CDOR**), or the New Zealand bank bill benchmark rate (**BKBM**) as specified in the relevant Final Terms Document. As at the date of this Prospectus, the administrator of LIBOR (ICE Benchmark Administration Limited), the administrator of EURIBOR (the European Money Markets Institute) and the administrator of CDOR (Thomson Reuters Benchmark Services Limited) appear on the register of administrators and benchmarks (the **Register**) established by the European Securities and Markets Authority (**ESMA**) under Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the **BMR**). As at the date of this Prospectus, the administrator of SIBOR (ABS Benchmarks Administration Co Pte Ltd), the administrator of HIBOR (the Hong Kong Association of Banks), the administrator of SOFR (the Federal Reserve Bank of New York) and the administrator of SONIA (the Bank of England) do not appear on the Register. As far as the Issuer is aware, the transitional provisions in Article 51 of the BMR apply, such that the administrators of SIBOR, HIBOR, SOFR and SONIA are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

The Covered Bonds issued under the Programme are expected on issue to be assigned an "AAA" rating by Fitch Australia Pty Ltd (**Fitch** or **Fitch Ratings**) and an "Aaa" rating by Moody's Investors Service Limited (**Moody's**), to the extent each such agency is a Rating Agency (as defined below) at the time of the issue of the Covered Bonds. 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. Moody's is established in the European Union and is registered under Regulation (EU) No. 1060/2009, as amended (the **CRA Regulation**). Fitch is not established in the European Union and has not applied for registration under the CRA Regulation. However, the credit ratings of Fitch are endorsed on an ongoing basis by Fitch Ratings Limited pursuant to and in accordance with the CRA Regulation. References in this Prospectus to Fitch shall be construed accordingly.

The rating of certain Series (as defined below) of Covered Bonds to be issued under the Programme may be specified in the applicable Final Terms Document. Whether or not each credit rating applied for in relation to 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 Document. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended).

Arrangers for the Programme

BARCLAYS WESTPAC BANKING CORPORATION

Dealers

BARCLAYS WESTPAC BANKING CORPORATION

The date of this Prospectus is 11 December 2019.

This prospectus (the **Prospectus**) has been approved as a base prospectus by the FCA, as competent authority under the Prospectus Regulation. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer, the Group Guarantor or the CB Guarantor or of the quality of the Covered Bonds that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Covered Bonds. 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 Issuer, the Group Guarantor and the CB Guarantor each accepts responsibility for the information contained in this Prospectus and the Final Terms Document for each Tranche of Covered Bonds issued under the Programme. To the best of the knowledge of each of the Issuer, the Group Guarantor and the CB Guarantor the information contained in this Prospectus is in accordance with the facts and this Prospectus does not omit anything likely to affect the import of such information.

Copies of each Final Terms Document (in the case of Covered Bonds to be admitted to the Official List) will be available from the registered office of the Issuer and from the specified office of each of the Paying Agents (as defined below). Final Terms Documents relating to the Covered Bonds which are admitted to trading on the London Stock Exchange's Regulated Market will be available for inspection on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see the section entitled *Documents Incorporated by Reference* below). This Prospectus shall be read and construed on the basis that such documents are so incorporated and form part of this Prospectus approved by the FCA for the purpose of the Prospectus Regulation.

The information contained in this Prospectus was obtained from the Issuer, the Group Guarantor and the CB Guarantor and no assurance can be given by the Arrangers, the Dealers, the Agents, the Bond Trustee or the Security Trustee (as defined below) 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 Arrangers, the Dealers, the Agents, the Bond Trustee or the Security Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer, the Group Guarantor and the CB Guarantor in connection with the Programme. None of the Arrangers, the Dealers, the Agents, the Bond Trustee or 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 Issuer, the Group Guarantor and the CB Guarantor in connection with the Programme.

Any third party information contained or incorporated by reference in this Prospectus is accurately reproduced and, as far as the Issuer, the Group Guarantor and the CB Guarantor are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render any reproduced information inaccurate or misleading. Where such information has been provided, the source of that information is stated.

The only persons authorised to use this Prospectus in connection with an offer of Covered Bonds are the persons named in the applicable Final Terms Document as the relevant Dealers.

No person is or has been authorised by the Issuer, the Group Guarantor, the CB Guarantor, the Arrangers, the Dealers, the Agents, the Bond Trustee or the Security Trustee to give any information or to make any representation not contained in or not consistent with the information contained or incorporated by reference in 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 Issuer, the Group Guarantor, the CB Guarantor, the Arrangers, the Dealers, the Agents, the Bond Trustee or the Security Trustee.

Neither the information contained or incorporated by reference in 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 or statement of opinion (or a report of either of those things) by the Issuer, the Group Guarantor, the CB Guarantor, the Arrangers, the Dealers, 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. In making an investment decision, investors must rely on their own examination of the Issuer, the Group Guarantor and the CB Guarantor and the terms of the Covered Bonds being offered, including the merits and risks involved. 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 Issuer, the Group Guarantor and the CB 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 Issuer, the Group Guarantor, the CB Guarantor, the Arrangers, the Dealers, 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 offer, sale or delivery of any Covered Bonds shall in any circumstances imply that the information contained or incorporated by reference herein concerning the Issuer, the Group Guarantor and the CB Guarantor is correct at any time subsequent to the date of the document in which it appears 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 Arrangers, the Dealers, the Bond Trustee and the Security Trustee expressly do not undertake to review the financial condition or affairs of the Issuer, the Group Guarantor or the CB Guarantor during the life of the Programme or to advise any investor in the Covered Bonds of any information coming to their attention.

As set forth in the applicable Final Terms, the Covered Bonds are being offered and sold in reliance upon Regulation S to non-U.S. persons in offshore transactions (each as defined in Regulation S). No Covered Bonds shall be issued in circumstances where the exemption provided by Rule 144A of the Securities Act is intended to be relied upon. See *Subscription and Sale and Transfer and Selling Restrictions* herein.

Unless otherwise stated, a reference in this Prospectus to "S&P Global Ratings" shall be a reference to S&P Global Ratings Australia Pty Limited. S&P Global Ratings are not established in the European Union and are not registered under the CRA Regulation. However, the credit ratings of S&P Global Ratings are endorsed on an ongoing basis by Standard & Poor's Credit Markets Services Europe Limited (under its trading name Standard & Poor's Ratings Services) which is registered under the CRA Regulation and established in the European Union, pursuant to and in accordance with the CRA Regulation. References in this Prospectus to S&P Global Ratings shall be construed accordingly.

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 Issuer, the Group Guarantor, the CB Guarantor, the Arrangers, 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 Issuer, the Group Guarantor, the CB Guarantor, the Arrangers, the Dealers, the Bond Trustee or the Security Trustee which would permit a public offering of any Covered Bonds outside the European Economic Area 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 New Zealand, Australia, the United States, the European Economic Area (including the United Kingdom, the Netherlands, the Republic of Italy and the Republic of France), Japan, Singapore and Hong Kong; see *Subscription and Sale and Transfer and Selling Restrictions*. This Prospectus has been prepared on the basis that any offer of Covered Bonds in any Member State of the European Economic Area will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly, any person making or intending to make an offer in a Member State of Covered Bonds which are the subject of an offering contemplated in this Prospectus as completed by a Final Terms in relation to the offer of those Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do any of them authorise, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

This Prospectus has not been submitted for clearance to the *Autorite des marches financiers* in France.

In connection with the issue of any Tranche of Covered Bonds, the Dealer or Dealers (if any) disclosed as the Stabilising Manager(s) in the applicable Final Terms Document or any person acting for it or them may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds of the Series of which such Tranche forms part 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 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 person(s) 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 Issuer, the Group Guarantor and the CB Guarantor and the terms of the Covered Bonds being offered, including the merits and risks involved.

None of the Arrangers, the Dealers, the Issuer, the Group Guarantor, the CB Guarantor, 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 SINGAPORE INVESTORS

Notification under Section 309B of the Securities and Futures Act, Chapter 289 of Singapore – Unless otherwise stated in the Final Terms Document in respect of any Covered Bonds, all Covered Bonds issued or to be issued under the Programme shall be capital markets products other than prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

IMPORTANT – EEA INVESTORS

If the Final Terms Document in respect of any Covered Bonds include a legend entitled "Prohibition of Sales to EEA Retail Investors", the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms Document in respect of any Covered Bonds may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a distributor) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the MiFID Product Governance Rules), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

FORWARD-LOOKING STATEMENTS

Disclosure regarding forward-looking statements

This Prospectus contains statements that constitute 'forward-looking statements' within the meaning of Section 21E of the U.S. Securities Exchange Act of 1934 *(*the **Exchange Act**), as amended.

Forward-looking statements are statements about matters that are not historical facts. Forward-looking statements appear in a number of places in this Prospectus and include statements regarding Westpac New Zealand Limited (**WNZL**) and its Consolidated Subsidiaries (collectively, the **Westpac NZ Group**) intent, belief or current expectations with respect to its business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions and financial support to certain borrowers. When used in this Prospectus, words such as 'will', 'may', 'expect', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'estimate', 'anticipate', 'believe', 'probability', 'risk', 'aim' or other similar words are used to identify forward-looking statements. These forward-looking statements reflect the Westpac NZ Group's current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond its control, and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon the Westpac NZ Group. There can be no assurance that future developments will be in accordance with the Westpac NZ Group's expectations or that the effect of future developments on it will be those anticipated. Actual results could differ materially from those which the Westpac NZ Group expects, depending on the outcome of various factors, including, but not limited to:

- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy, particularly changes to liquidity, leverage and capital requirements;
- regulatory investigations and other actions, inquiries, litigation, fines, penalties, restrictions or other regulator-imposed conditions, including as a result of the Westpac NZ Group's actual or alleged failure to comply with laws (such as financial crime laws), regulations or regulatory policy;
- internal and external events which may adversely impact the Westpac NZ Group's reputation;
- information security breaches, including cyberattacks;
- reliability and security of the technology of WBC or the Westpac NZ Group and risks associated with changes to technology systems;
- the stability of New Zealand, Australian and international financial systems and disruptions to financial markets and any losses or business impacts the Westpac NZ Group or its customers or counterparties may experience as a result;
- market volatility, including uncertain conditions in funding, equity and asset markets;
- adverse asset, credit or capital market conditions;
- an increase in defaults in credit exposures because of a deterioration in economic conditions;
- the conduct, behaviour or practices of the Westpac NZ Group and WBC or their staff;
- changes to the credit ratings of the Westpac NZ Group or WBC or to the methodology used by credit rating agencies;
- levels of inflation, interest rates, exchange rates and market and monetary fluctuations;

- market liquidity and investor confidence;
- changes in economic conditions, consumer spending, saving and borrowing habits in New Zealand, Australia and in other countries in which the Westpac NZ Group or its customers or counterparties conduct their operations and their ability to maintain or to increase market share, margins and fees and control expenses;
- the effects of competition, including from established providers of financial services and from non-financial services entities, in the geographic and business areas in which the Westpac NZ Group conducts its operations;
- the timely development and acceptance of new products and services and the perceived overall value of these products and services by customers;
- the effectiveness of the Westpac NZ Group's risk management policies, including its internal processes, systems and employees;
- the incidence or severity of insured events of the Westpac NZ Group or WBC;
- the occurrence of environmental change (including as a result of climate change) or external events in countries in which the Westpac NZ Group or its customers or counterparties conduct their operations;
- changes to the value of the Westpac NZ Group's intangible assets;
- changes in political, social or economic conditions in any of the major markets in which the Westpac NZ Group or its customers or counterparties operate;
- the success of strategic decisions involving diversification or innovation, in addition to business expansion activity, business acquisitions and the integration of new businesses; and
- various other factors beyond the Westpac NZ Group's control.

The above list is not exhaustive. For certain other factors that may impact on forward-looking statements made by the Westpac NZ Group, refer to the 'Risk factors' section of this Prospectus. When relying on forward-looking statements to make decisions with respect to the Westpac NZ Group, investors and others should carefully consider the foregoing factors and other uncertainties and events.

The Westpac NZ Group does not undertake any obligation to publicly release the result of any revision to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, unless such events or circumstances require the Issuer to publish a supplementary prospectus in accordance with the requirements of the London Stock Exchange's Regulated Market or any other listing authority or stock exchange in a Member State on which the Covered Bonds are listed and/or admitted to trading.

In this Prospectus, all references to "billions" are references to one thousand millions. Due to rounding, the numbers presented throughout this Prospectus may not add up precisely, and percentages may not precisely reflect absolute figures.

All references in this document to **U.S. Dollars**, **US$** and **$** are to the currency of the United States of America, to **A$**, **Australian Dollars**, **Australian $**, and **AUD** are to the lawful currency of Australia, to **NZ$**, **NZ Dollars** and **New Zealand Dollars** are to the lawful currency of New Zealand and to **euro** and **€** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

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:

(a) 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;

(b) 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;

(c) 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;

(d) understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

(e) 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.

Some 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 which are complex financial instruments 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 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 and (3) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

Please consider carefully the risk factors set out in the sections herein entitled *Risk Factors*.

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DOCUMENTS INCORPORATED BY REFERENCE

Except as provided in any supplement hereto, the following documents, which have previously been published and have been filed with the National Storage Mechanism, shall be deemed to be incorporated in, and to form part of, this Prospectus and approved by the FCA for the purpose of the Prospectus Regulation:

(a) the non-consolidated audited annual financial statements (including the auditors' report thereon and notes thereto) of Westpac Securities NZ Limited in respect of the years ended 30 September 2018 and 30 September 2019;

(b) the consolidated audited annual financial statements (including the auditors' report thereon and notes thereto) of the Group Guarantor in respect of the years ended 30 September 2018 and 30 September 2019, which appear on pages 7 to 86 (inclusive) of the Group Guarantor's Disclosure Statement for the year ended 30 September 2018 and pages 8 to 121 (inclusive) of the Group Guarantor's Disclosure Statement for the year ended 30 September 2019 respectively;

(c) the non-consolidated audited annual financial statements (including the auditors' report thereon and notes thereto) of the CB Guarantor in respect of the years ended 30 September 2018 and 30 September 2019;

(d) the section entitled "Terms and Conditions of the Covered Bonds" which appears on pages 91 to 146 (inclusive) of the prospectus dated 21 December 2010 in respect of the Programme;

(e) the section entitled "Terms and Conditions of the Covered Bonds" which appears on pages 95 to 151 (inclusive) of the prospectus dated 20 February 2012 in respect of the Programme;

(f) the section entitled "Terms and Conditions of the Covered Bonds" which appears on pages 85 to 139 (inclusive) of the prospectus dated 23 July 2013 in respect of the Programme;

(g) the section entitled "Terms and Conditions of the Covered Bonds" which appears on pages 83 to 138 (inclusive) of the prospectus dated 28 May 2014 in respect of the Programme;

(h) the section entitled "Terms and Conditions of the Covered Bonds" which appears on pages 85 to 140 (inclusive) of the prospectus dated 16 December 2014 in respect of the Programme;

(i) the section entitled "Terms and Conditions of the Covered Bonds" which appears on pages 86 to 141 (inclusive) of the prospectus dated 11 December 2015;

(j) the section entitled "Terms and Conditions of the Covered Bonds" which appears on pages 87 to 141 (inclusive) of the prospectus dated 13 December 2016;

(k) the section entitled "Terms and Conditions of the Covered Bonds" which appears on pages 90 to 144 (inclusive) of the prospectus dated 11 December 2017; and

(l) the section entitled "Terms and Conditions of the Covered Bonds" which appears on pages 96 to 157 (inclusive) of the prospectus dated 18 December 2018.

Following the publication of this Prospectus a supplement may be prepared by the Issuer and approved by the FCA in accordance with the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so

modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered head office of the Group Guarantor and from the offices of the Issuer at Westpac Securities NZ Limited, Camomile Court, 23 Camomile Street, London EC3A 7LL, and from the specified office of the Principal Paying Agent in London and will be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

Please note that websites and URLs referred to herein do not form part of this Prospectus.

For the purposes of the Prospectus Regulation, to the extent that any document incorporated by reference in this Prospectus incorporates further information by reference, such further information does not form part of this Prospectus.

Any information contained in a document incorporated by reference herein which is not incorporated in, and does not form part of, this Prospectus is either not relevant for investors or is contained elsewhere in this Prospectus.

STRUCTURE OVERVIEW

This 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 by reference. Words and expressions defined elsewhere in this Prospectus shall have the same meanings in this overview. A glossary of certain defined terms used in this document is contained at the end of this Prospectus.

Background and New Zealand legislative framework

Each issue of Covered Bonds will be subject to and undertaken in compliance with Part 5 of the New Zealand Reserve Bank of New Zealand Act 1989 (the **Reserve Bank Act**).

The legislative framework established under the Reserve Bank Act for the issuance of covered bonds by New Zealand registered banks or their subsidiaries is summarised in the following sections.

The legislative framework introduced a number of requirements including the following:

(a) the requirement for all covered bond programmes to be registered with the Reserve Bank of New Zealand (the **RBNZ**) and all issues of covered bonds to be notified to the RBNZ;

(b) the requirement for the cover pool assets of all covered bond programmes to be held by a special purpose vehicle; and

(c) the requirement for a cover pool monitor to be appointed to covered bond programmes to assess compliance with certain testing and asset registration requirements.

Registration of Programme

The legislative framework set out in the Reserve Bank Act will apply only to covered bonds issued under programmes which have been registered with the RBNZ and under which a New Zealand registered bank is either the issuer of, or a guarantor of, the covered bonds. The Programme was registered with the RBNZ on 4 April 2014.

Programme requirement

In order for the Programme to be accepted by the RBNZ for registration, the Transaction Documents (as defined herein) were amended in January 2014 to meet the legislative requirements. These changes included appointing the Asset Monitor as the cover pool monitor, requiring a register of cover pool assets to be maintained, providing procedures and internal controls to ensure the up-to-date and accurate keeping of the register of cover pool assets and including a test to determine whether the value of the cover pool assets is at least equal to the Principal Amount Outstanding under the Covered Bonds issued under the Programme.

Cover pool monitor

Under the Reserve Bank Act, the cover pool monitor is required to assess (inter alia) the arithmetical accuracy of the Asset Coverage Tests carried out under the Programme and compliance with the requirements set out in the Reserve Bank Act in relation to the keeping and maintaining of the register of cover pool assets, including assessing compliance with the procedures and internal controls put in place to ensure that the register is kept up-to-date and accurate. The cover pool monitor is required to report on the results of such assessments at intervals of not more than 12 months.

If the cover pool monitor is not satisfied as to the arithmetic accuracy of the tests conducted or compliance with the requirements in relation to the keeping and maintaining of the register, then the cover pool monitor is required to report on such matters at intervals of not more than three months until such time as the cover pool monitor is satisfied that the inaccuracies have been resolved.

Statutory protections provided to the CB Guarantor

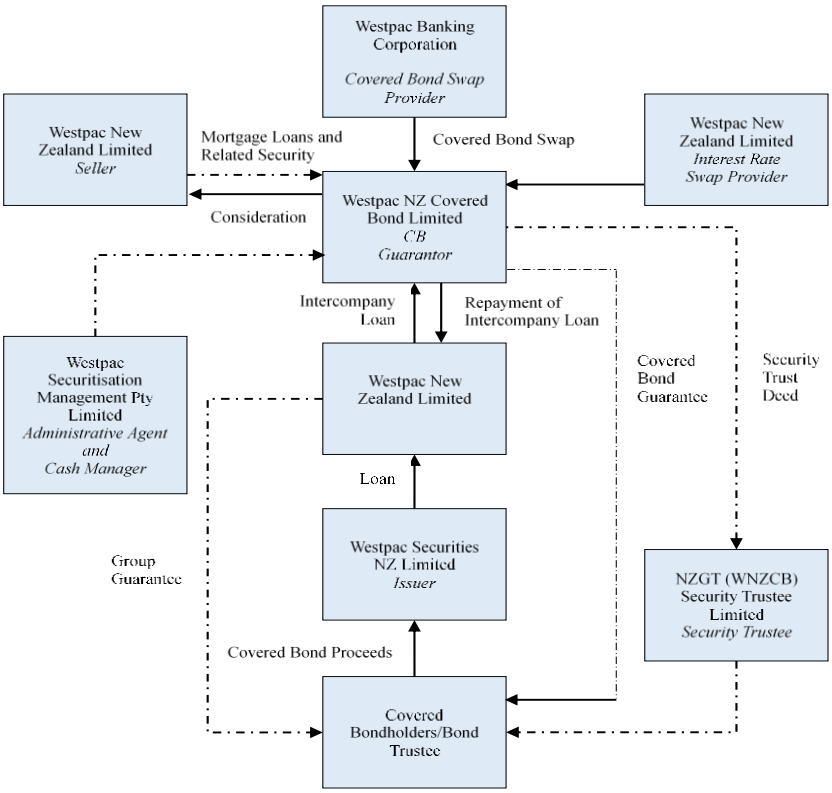
As the Programme is registered with the RBNZ, the CB Guarantor is deemed not to be:

(a) a "subsidiary" or an "associated person" of any person (including the Issuer, WNZL or WBC) for the purposes of the Reserve Bank Act, New Zealand Corporations (Investigations and Management) Act 1989 (**CIMA**) or the New Zealand Insurance (Prudential Supervision) Act 2010; or

(b) a "related company" of any person (including the Issuer, WNZL or WBC) for the purposes of the New Zealand Companies Act 1993.

Accordingly, the CB Guarantor will be statutorily protected from being included in the statutory management of the Issuer, WNZL or WBC due to it being a subsidiary or associated person of those entities. Furthermore, the legislative framework makes it clear that, to the extent that the moratorium provisions of the New Zealand statutory management regimes may have otherwise prevented the CB Guarantor from gaining full legal title to the cover pool assets or being able to access moneys collected on its behalf by WNZL (as Servicer), or have prevented the transfer of any documentation or data relating to the cover pool assets from the Issuer or WNZL to the CB Guarantor, such provisions will not apply. See *Potential application of the New Zealand statutory management regime to the CB Guarantor*.

Structure Diagram



Structure Overview

- *Programme*: Under the terms of the Programme, the Issuer will issue Covered Bonds to Covered Bondholders on each Issue Date. The Covered Bonds will be direct, unsecured and unconditional obligations of the Issuer.

- *Group Guarantee*: The Group Guarantor has, under the terms of the Trust Deed, provided a guarantee, as to payments of principal and interest under the Covered Bonds issued from time to time by the Issuer under the Programme and all other amounts payable by the Issuer under the Trust Deed in relation to the Covered Bonds. The obligations of the Group Guarantor under the Group Guarantee constitute direct, unconditional, unsubordinated and unsecured obligations of the Group Guarantor, and will rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Group Guarantor, other than any obligations preferred by mandatory provisions of applicable law.

- *Covered Bond Guarantee*: Under the terms of the Trust Deed, the CB Guarantor has also provided a guarantee, on a several basis as between the Group Guarantor and itself, as to payments of interest and principal under the Covered Bonds. The CB Guarantor has agreed to pay an amount equal to the Guaranteed Amounts when the same shall become Due for Payment and which have otherwise been unpaid by the Issuer or the Group Guarantor. The obligations of the CB Guarantor under the Covered Bond Guarantee constitute direct and (following service of a Notice to Pay or a CBG Acceleration Notice) unconditional obligations of the CB Guarantor, secured as provided in the Security Trust Deed. Recourse to the CB Guarantor in respect of its obligations under the Covered Bond Guarantee and the Transaction Documents is limited to such secured assets.

  The Bond Trustee will be required to serve a Notice to Pay on the CB Guarantor following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice pursuant to which, as against the Issuer and the Group Guarantor (but not, for the avoidance of doubt, as against the CB Guarantor under the Covered Bond Guarantee), the Covered Bonds will become immediately due and repayable. A CBG Acceleration Notice may be served by the Bond Trustee on the CB Guarantor following the occurrence of a CBG Event of Default.

  If a CBG Acceleration Notice is served, the Covered Bonds will (if an Issuer Acceleration Notice has not already been served) become immediately due and repayable as against the Issuer and the Group Guarantor and the CB Guarantor's obligations under the Covered Bond Guarantee will be accelerated. Following service of a Notice to Pay or a CBG Acceleration Notice, payments made by the CB 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.

- *Intercompany Loan Agreement*: Under the terms of the Intercompany Loan Agreement, Westpac New Zealand Limited in its capacity as lender under the Intercompany Loan Agreement (being defined as the Intercompany Loan Provider for the purposes of this Prospectus), has agreed to make available to the CB Guarantor the Intercompany Loan, in an amount up to the Intercompany Loan Facility Amount. The Intercompany Loan comprises the Guarantee Loan and the Demand Loan and is denominated in New Zealand Dollars.

  The initial Advance was the amount sufficient to acquire the Initial Portfolio.

  The interest rate on each Advance under the Intercompany Loan is a NZ Dollar floating rate to be determined by the Intercompany Loan Provider from time to time. Interest payments due and accruing under the Intercompany Loan will not exceed the gross amount payable by the Interest Rate Swap Provider to the CB Guarantor (prior to any netting or set-off) under the Interest Rate Swap less an amount for certain expenses of the CB Guarantor.

The Guarantee Loan at any relevant time is in an amount equal to the NZ Dollar Equivalent of the Principal Amount Outstanding of the Covered Bonds at that time plus an amount equal to that portion of the Portfolio required as additional collateral for the Covered Bonds in excess of the amount of then outstanding Covered Bonds as determined in accordance with the Asset Coverage Test: see *Summary of the Principal Documents – Intercompany Loan Agreement* and *Summary of the Principal Documents – Participation Agreement – Asset Coverage Test*.

The Demand Loan at any relevant time is in an amount equal to the difference between the outstanding principal balance of the Intercompany Loan and the amount of the Guarantee Loan at that time. Except as described below, the respective balances of the Guarantee Loan and Demand Loan will fluctuate with the issuances and redemptions of Covered Bonds and the requirements of the Asset Coverage Test.

If a Notice to Pay or a CBG Acceleration Notice is served on the CB Guarantor then the amount of the Demand Loan and the Guarantee Loan will be fixed as at the date on which the Asset Percentage is next calculated and thereafter only adjusted to reflect permitted repayments (which will be deducted first from the Demand Loan) and further Advances (which will be added to the Guarantee Loan).

At any time prior to an Issuer Event of Default, a CBG Event of Default or a Demand Loan Repayment Event, the CB Guarantor may re-borrow any amount repaid by the CB Guarantor under the Intercompany Loan for a permitted purpose.

Payments by the Issuer of amounts due under the Covered Bonds are not conditional upon receipt by the Intercompany Loan Provider of payments from the CB Guarantor pursuant to the Intercompany Loan Agreement. Pursuant to the Priorities of Payments, amounts owed by the CB Guarantor under (i) the Guarantee Loan will be subordinated to amounts owed by the CB Guarantor under the Demand Loan and, following the service of a Notice to Pay or a CBG Acceleration Notice, the Covered Bond Guarantee and (ii) the Demand Loan will be paid in priority to amounts owed by the CB Guarantor to the other Secured Creditors (including the Covered Bondholders).

- *Proceeds of the Intercompany Loan*: The CB Guarantor has used the initial Advance under the Intercompany Loan to purchase the Initial Portfolio consisting of Loans and their Related Security from the Seller in accordance with the terms of the Mortgage Sale Agreement and will use additional Advances to:

  (a) purchase New Loans and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement;

  (b) invest in Substitution Assets (in an amount up to but not exceeding the prescribed limit in the Participation Agreement) and to make investments in Authorised Investments;

  (c) subject to written confirmation from the Cash Manager that the Asset Coverage Test is met on the relevant Drawdown Date (both before and immediately following the making of the relevant repayment), repay Subordinated Advances, if any, under the Subordinated Loan Agreement; and/or

  (d) make a deposit of the proceeds in the GI Account (including, without limitation, to fund the Reserve Fund, the Title Perfection Reserve and the Pre-Maturity Liquidity Ledger).

- *Consideration*: Under the terms of the Mortgage Sale Agreement, the consideration payable to the Seller for the sale of Loans and their Related Security to the CB Guarantor will be comprised of a cash payment in NZ Dollars made by the CB Guarantor, in the manner that the Seller directs, from

the proceeds of an Advance under the Intercompany Loan Agreement and/or Available Principal Receipts paid in accordance with the Pre-Acceleration Principal Priority of Payments.

In respect of each sale of Loans and their Related Security to the CB Guarantor by the Seller under the Mortgage Sale Agreement, the Purchase Price will be calculated by reference to the Outstanding Principal Balance of such Loans as of the relevant Cut-Off Date and there shall be an adjustment made to the Purchase Price on the second CBG Payment Date falling after the relevant Assignment Date to take account of (*inter alia*) arrears of interest and amounts received by the Seller under those Loans in the period from (but excluding) the Cut-Off Date in respect of those Loans to (but excluding) the relevant Assignment Date in respect of those Loans.

In certain circumstances, the Seller will be required to repurchase Loans in the Portfolio if they do not materially comply with the applicable Representations and Warranties made in respect of those Loans on the relevant Cut-Off Date.

- *Subordinated Loan Agreement*: Under the terms of the Subordinated Loan Agreement, the Subordinated Loan Provider may make Subordinated Advances available to the CB Guarantor.

  Except for Deemed Subordinated Advances, the Subordinated Loan Facility is uncommitted and the Subordinated Loan Provider is not obliged to make Subordinated Advances to the CB Guarantor.

  The Subordinated Loan is subordinated to, *inter alia*, payments of principal and interest on the Covered Bonds, and all other payments or provisions ranking in priority to payments to be made to the Subordinated Loan Provider, in each case in accordance with the applicable Priorities of Payments: see *Summary of the Principal Documents – Subordinated Loan Agreement.*

- *Security*: To secure its obligations under the Covered Bond Guarantee and the Transaction Documents to which it is a party, the CB Guarantor has granted security over the Charged Property (which consists principally of the CB Guarantor's interest in the Portfolio, the Substitution Assets, the Transaction Documents to which it is a party, the CBG Accounts and any Authorised Investments it holds) in favour of the Security Trustee (for itself and on behalf of the other Secured Creditors) pursuant to the Security Trust Deed.

- *Cashflows*: Prior to service on the CB Guarantor of an Asset Coverage Test Breach Notice, a Notice to Pay or a CBG Acceleration Notice and/or the realisation of the Security, the CB Guarantor will:

  (a) apply Available Revenue Receipts to paying interest due to the Intercompany Loan Provider under the Intercompany Loan, to paying certain expenses and amounts due to the Interest Rate Swap Providers, to funding the Pre-Maturity Liquidity Ledger, the Reserve Ledger and the Title Perfection Ledger and to paying interest and principal due to the Subordinated Loan Provider under the Subordinated Loan, in each case in accordance with the Pre-Acceleration Revenue Priority of Payments. For further details of the Pre-Acceleration Revenue Priority of Payments: see *Cashflows* below; and

  (b) apply Available Principal Receipts to acquiring New Loans and their Related Security offered by the Seller to the CB Guarantor, acquiring Substitution Assets, making deposits in the GI Account, repaying principal due to the Intercompany Loan Provider under the Intercompany Loan and funding any liquidity that may be required in respect of Hard Bullet Covered Bonds following any breach of the Pre-Maturity Test, to paying interest and principal due to the Subordinated Loan Provider under the Subordinated Loan, in each case in accordance with and subject to the Pre-Acceleration Principal Priority of Payments. For further details of the Pre-Acceleration Principal Priority of Payments: see *Cashflows* below.

Following service on the CB Guarantor of an Asset Coverage Test Breach Notice (which has not been revoked) but prior to service of a Notice to Pay or a CBG Acceleration Notice and/or the realisation of the Security, the CB Guarantor will continue to apply Available Revenue Receipts and Available Principal Receipts as described above, except that, while any Covered Bonds remain outstanding:

(a) in respect of Available Revenue Receipts, no further amounts will be paid to the Intercompany Loan Provider under the Intercompany Loan Agreement (but payments will, for the avoidance of doubt, continue to be made under the Interest Rate Swap): see *Cashflows* below;

(b) in respect of Available Principal Receipts, no payments will be made other than into the GI Accounts or credited to the Pre-Maturity Liquidity Ledger, or to acquire New Loans and their Related Security offered by the Seller to the CB Guarantor or Substitution Assets and or Authorised Investments: see *Cashflows* below.

Following service of a Notice to Pay on the CB Guarantor (but prior to service of a CBG Acceleration Notice), the CB Guarantor will apply Available Revenue Receipts and Available Principal Receipts to pay Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment in accordance with the Guarantee Priority of Payments. In such circumstances, the Intercompany Loan Provider will only be entitled to receive payment of any amount owing in respect of the Guarantee Loan and the Subordinated Loan Provider will only be entitled to receive payment of any amounts owing in respect of the Subordinated Loan 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: see *Cashflows* below.

Following service of a CBG Acceleration Notice on the CB Guarantor, the Covered Bonds will become immediately due and repayable (if not already due and repayable following service of an Issuer Acceleration Notice) and the Bond Trustee will then have a claim against the CB 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 under Condition 8 (*Taxation*) and the security created by the CB Guarantor over the Charged Property will become enforceable. Any monies received or recovered (other than Tax Credits, Trust Back Assets, Swap Collateral Excluded Amounts, Third Party Amounts, premium received by the CB Guarantor from a replacement Swap Provider to the extent it is used to make a termination payment due and payable by the CB Guarantor with respect to the Swap being replaced (including any Excluded Swap Termination Amount) or termination payment received from a Swap Provider which is applied to acquire a replacement Swap) by the Security Trustee from realisation of the Charged Property following enforcement of the Security created by the CB Guarantor in accordance with the Security Trust Deed) will be distributed according to the Post-Enforcement Priority of Payments: see *Cashflows* below.

- *Asset Coverage*: The Programme provides that the assets of the CB Guarantor are subject to an asset coverage test in respect of the Covered Bonds. Accordingly, for so long as Covered Bonds remain outstanding, the CB Guarantor must ensure that, as of each Calculation Date, the Adjusted Aggregate Loan Amount will be in an amount equal to or in excess of the aggregate NZ Dollar Equivalent of the Principal Amount Outstanding of the Covered Bonds as at such date. The Asset Coverage Test will be tested by the Cash Manager on each Test Date as of the immediately preceding Calculation Date. A breach of the Asset Coverage Test as of a Calculation Date which is not remedied as of the immediately succeeding Calculation Date will require the Bond Trustee to serve an Asset Coverage Test Breach Notice on the CB Guarantor. The Asset Coverage Test Breach Notice will be revoked if, as of the Calculation Date immediately succeeding the date on which an Asset Coverage Test Breach Notice is served, the Asset Coverage Test is satisfied and neither a

Notice to Pay nor a CBG Acceleration Notice has been served: See *Summary of the Principal Documents – Participation Agreement – Asset Coverage Test*.

If an Asset Coverage Test Breach Notice has been delivered and has not been revoked:

(a) the application of Available Revenue Receipts and Available Principal Receipts will be restricted;

(b) the CB Guarantor may sell Selected Loans; and

(c) the Issuer will not be permitted to issue any further Series of Covered Bonds.

If an Asset Coverage Test Breach Notice has been served and not revoked on or before the Test Date following service of such Asset Coverage Test Breach Notice, then an Issuer Event of Default shall occur and the Bond Trustee shall be entitled (and, in certain circumstances, may be required), in each case subject to being indemnified and/or secured to its satisfaction, to serve an Issuer Acceleration Notice on the Issuer and the Group Guarantor. Following service of an Issuer Acceleration Notice, the Bond Trustee must serve a Notice to Pay on the CB Guarantor.

- *Amortisation Test*: Following the service of a Notice to Pay (but prior to service of a CBG Acceleration Notice) and, for so long as Covered Bonds remain outstanding, the CB Guarantor must ensure that, as of each following Calculation Date, the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the aggregate NZ Dollar Equivalent of the Principal Amount Outstanding of the Covered Bonds as at such date. The Amortisation Test will be carried out by the Cash Manager on each Test Date as of the immediately preceding Calculation Date following service of a Notice to Pay. A breach of the Amortisation Test will constitute a CBG Event of Default. Following the occurrence of a CBG Event of Default, the Bond Trustee may, by service of a CBG Acceleration Notice, accelerate the obligations of the CB Guarantor under the Covered Bond Guarantee and require all amounts under the Covered Bond Guarantee to become immediately due and payable. Thereafter, the Security Trustee may enforce the Security over the Charged Property.

- *Interest Rate Swap Agreement*: To provide a hedge against possible variances between the interest revenues received by the CB Guarantor, being primarily linked to the rates of interest payable on the Loans in the Portfolio (which may, for instance, include variable rates of interest or fixed rates of interest), and the interest amounts payable on the Intercompany Loan and (following the service of a Notice to Pay on the CB Guarantor) the Covered Bond Swap Agreements, the CB Guarantor has entered into the Interest Rate Swap with the Interest Rate Swap Provider on the terms set out in the Interest Rate Swap Agreement. The CB Guarantor and the Interest Rate Swap Provider have agreed to swap the amount of interest received by the CB Guarantor in respect of the Loans in the Portfolio and interest received by the CB Guarantor on the GI Account, the Substitution Assets and any Authorised Investments in exchange for an amount sufficient to pay the interest payable on the Intercompany Loan and, following service of a Notice to Pay on the CB Guarantor, the amounts payable by the CB Guarantor under the Covered Bond Swap Agreements, plus, in each case, a certain amount for expenses, including an amount to cover the AIL payable in respect of payments under the Covered Bond Guarantee: See *Risk Factors – No gross-up under the Covered Bond Guarantee* below.

- *Covered Bond Swap Agreement*: To provide a hedge against currency and/or other risks in respect of amounts received by the CB Guarantor under the Interest Rate Swap and amounts payable or that may become payable in respect of its obligations under the Covered Bond Guarantee, the CB Guarantor has entered into the Covered Bond Swap Agreement with the Covered Bond Swap Provider, and may enter into one or more new schedules and confirmations thereunder for each Tranche and/or Series of Covered Bonds at the time such Covered Bonds are issued. The Covered Bond Swap Provider and the CB Guarantor will agree to swap NZ Dollar floating rate amounts

received by the CB Guarantor under the Interest Rate Swap into foreign currency amounts reflecting the amounts payable under the relevant Tranche and/or Series of Covered Bonds. No cash flows will be exchanged under the Covered Bond Swap Agreement unless and until the service of a Notice to Pay on the CB Guarantor.

- *Extendable obligations under the Covered Bond Guarantee*: An Extended Due for Payment Date may be specified as applying in relation to a Series of Covered Bonds in the applicable Final Terms Document. This means that if (a) the Issuer and the Group Guarantor fail to pay the Final Redemption Amount of the relevant Series of Covered Bonds on the Maturity Date (in each case subject to the applicable grace period), (b) a Notice to Pay has been served and (c) the Guaranteed Amounts equal to the Final Redemption Amount of the relevant Series of Covered Bonds are not paid in full by the CB Guarantor on the date falling on the earlier of (i) the date which falls two Business Days after service of a Notice to Pay on the CB Guarantor or, if later, the Maturity Date (in each case subject to the applicable grace period) and (ii) the Extension Determination Date (for example because, following service of a Notice to Pay, the CB Guarantor has insufficient monies available in accordance with the Guarantee Priority of Payments to pay in full the Guaranteed Amounts equal to the Final Redemption Amount of the relevant Series of Covered Bonds on the relevant date calculated in accordance with Condition 6.1 (*Scheduled redemption*)), then payment of the unpaid portion of the Final Redemption Amount pursuant to the Covered Bond Guarantee shall be automatically deferred (without a CBG Event of Default occurring as a result of such non-payment). The unpaid portion of the Final Redemption Amount shall be due and payable on the Extended Due for Payment Date (subject to the applicable grace period and provided that the CB Guarantor shall to the extent it has the funds available to it pay such unpaid portion of the Final Redemption Amount on any Interest Payment Date up until the Extended Due for Payment Date). The CB Guarantor will pay the Guaranteed Amounts constituting Scheduled Interest on each Original Due for Payment Date and on the Extended Due for Payment Date.

- *Servicing*: WNZL, in its capacity as Servicer, has entered into the Servicing Agreement with the CB Guarantor and the Security Trustee, pursuant to which it has agreed to provide administrative services in respect of the Loans and their Related Security sold by the Seller to the CB Guarantor. In addition, the Seller agrees to pay an amount equal to the Loan Offset Interest Amount (being the interest amount foregone in relation to any loan offset arrangements) to the CB Guarantor under the Servicing Agreement. See *Summary of the Principal Documents – Servicing Agreement – Loan offset arrangements* below.

- *Risk Factors*: WNZL's business activities depend on the level of banking, finance and financial services that its customers require. Customer demand can fluctuate based on prevailing economic, interest rate and other conditions. In significant part, the Issuer funds WNZL's business activities through access to the institutional debt markets. The Issuer's continued ability to fund WNZL's business in this manner depends on a number of factors, including many outside of its control, such as general market conditions. The CB Guarantor relies on a third-party servicer to provide calculation and other servicing functions in relation to the Loans. Failure of the Servicer to perform these functions could affect payment on the Covered Bonds. Further, the CB Guarantor relies on swap providers to hedge against possible variances in the interest revenues received by the CB Guarantor which are primarily linked to the rates of interest payable on the Loans in the Portfolio and to hedge against interest rate and currency risks in respect of amounts received by the CB Guarantor under the Interest Rate Swap and amounts payable by the CB Guarantor under the Covered Bond Guarantee. The performance of the Swap Providers and the CB Guarantor under their mutual swap agreements can affect both the rating of, and payment on, the Covered Bonds.

- *New Sellers*: Subject to meeting certain conditions precedent, New Sellers, who are members of the Bank Group, may in the future accede to the Programme and sell Loans and their Related Security to

the CB Guarantor. Where used in this document, the term **Seller** includes, where relevant, any **New Seller**, as the context so permits.

- *Further Information*: For a more detailed description of the transactions summarised above relating to the Covered Bonds see, among other relevant sections of this Prospectus, *Overview of the Programme*, *Risk Factors*, *Terms and Conditions of the Covered Bonds*, *Summary of the Principal Documents*, *Credit Structure*, *Cashflows* and *The Portfolio* below.

OVERVIEW OF THE PROGRAMME

The following overview describes the Programme, including the Covered Bonds and the Covered Bond Guarantee, and related documents in general terms only, and 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 Document. You should read the overview together with the more detailed information that is contained in the remainder of this Prospectus and in relation to any particular Tranche of Covered Bonds, the applicable Final Terms Document. 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.

Issuer:	Westpac Securities NZ Limited (**WSNZL**), a limited liability company incorporated in New Zealand (company number 1859984) (Legal Entity Identifier (**LEI**): 549300W0N3O6Q4RCKE25). For a more detailed description of the Issuer, see *Westpac Securities NZ Limited* below.
Group Guarantor:	Westpac New Zealand Limited (**WNZL**), a limited liability company incorporated in New Zealand (company number 1763882), has unconditionally guaranteed payment of principal, interest and all other amounts payable on the Covered Bonds issued from time to time under the Programme and all other amounts payable by the Issuer under the Trust Deed in relation to the Covered Bonds. WNZL, in its capacity as Intercompany Loan Provider, has also agreed to provide the Intercompany Loan to the CB Guarantor. For a more detailed description of the Group Guarantor, see *Westpac New Zealand Limited* below.
CB Guarantor:	Westpac NZ Covered Bond Limited, a limited liability company incorporated in New Zealand (company number 3201526). Pursuant to its constitution, the CB Guarantor is a special purpose company whose purpose is to give the Covered Bond Guarantee, and in connection with, and for the purpose of, giving the Covered Bond Guarantee, *inter alia*, to acquire Loans and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement. The CB Guarantor holds the Portfolio and the other Charged Property in accordance with the terms of the Transaction Documents. The CB Guarantor has provided a guarantee covering all Guaranteed Amounts when the same shall become Due for Payment following service of an Issuer Acceleration Notice and a Notice to Pay or a CBG Acceleration Notice. The obligations of the CB Guarantor under the Covered Bond Guarantee and the other Transaction Documents to which it is a party are secured by the assets from time to time of the CB Guarantor and recourse against the CB Guarantor is limited to such assets.

	For a more detailed description of the CB Guarantor, see *Westpac NZ Covered Bond Limited* below.
Administrative Agent:	Westpac Securitisation Management Pty Limited (ABN 73 081 709 211) (**WSM**), a company incorporated under the laws of Australia, has agreed to act as Administrative Agent to the CB Guarantor pursuant to the terms of the Administration Agreement and has the right, power and authority to act for and on behalf of the CB Guarantor in respect of certain matters.
Seller:	WNZL, which is in the business of originating residential mortgage loans and other banking activities. For a more detailed description of the Seller, see *Westpac New Zealand Limited* below.
Intercompany Loan Provider:	WNZL. To ensure the effectiveness of the right of set-off in the Intercompany Loan Agreement between amounts owed by the Group Guarantor to the CB Guarantor under an indemnity in the Participation Agreement and amounts owed by the CB Guarantor to the Intercompany Loan Provider under the Intercompany Loan Agreement, it is expected that, for so long as the Group Guarantee and Intercompany Loan Agreement remain in place, the Group Guarantor and the Intercompany Loan Provider will be the same person.
Subordinated Loan Provider:	WNZL.
Servicer:	WNZL has been appointed to service, on behalf of the CB Guarantor, the Loans and Related Security in the Portfolio pursuant to the terms of the Servicing Agreement. For a more detailed description of the Servicer, see *Westpac New Zealand Limited* below.
Cash Manager:	WSM has also been appointed, *inter alia*, to provide cash management services to the CB Guarantor and to monitor compliance by the CB Guarantor with the Asset Coverage Test and the Amortisation Test pursuant to the Cash Management Agreement.
Principal Paying Agent, Exchange Agent and Transfer Agent:	The Bank of New York Mellon, acting through its office at One Canada Square, London E14 5AL, has been appointed pursuant to the Agency Agreement as issuing and principal paying agent, exchange agent and transfer agent.
Registrar:	The Bank of New York Mellon SA/NV, Luxembourg Branch, acting through its office at Vertigo Building – Polaris, 2-4 rue Eugene Ruppert, L2453 Luxembourg, has been appointed pursuant to the Agency Agreement as registrar.
Bond Trustee:	BNY Mellon Corporate Trustee Services Limited (formerly BNY Corporate Trustee Services Limited), acting through its office at One

	Canada Square, London E14 5AL, 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 Covered Bond Guarantee on behalf of the Covered Bondholders pursuant to the Trust Deed.
Security Trustee:	NZGT (WNZCB) Security Trustee Limited has been appointed to act as security trustee to hold the benefit of the security granted by the CB Guarantor to the Security Trustee (for itself, the Covered Bondholders and the other Secured Creditors) under the Security Trust Deed. The Security Trustee has a limited role and, unless any Transaction Document expressly records that the Security Trustee may act in its discretion, the Security Trustee will not be bound to act unless directed to do so by the Bond Trustee or (if there are no Covered Bonds outstanding) the Secured Creditors.
Asset Monitor:	A licenced auditor or registered audit firm under the New Zealand Auditor Regulation Act 2011 acceptable to the Rating Agencies appointed pursuant to the Asset Monitor Agreement as an independent monitor to perform tests in respect of the Asset Coverage Test and the Amortisation Test when required and to act as the Programme's cover pool monitor under the Reserve Bank Act. The current Asset Monitor is PricewaterhouseCoopers (New Zealand).
Covered Bond Swap Provider:	Each Swap Provider which agrees to act as a provider of a Covered Bond Swap to the CB Guarantor to hedge certain interest rate, currency and/or other risks in respect of amounts received by the CB Guarantor under the Interest Rate Swap and amounts payable by the CB Guarantor under the Covered Bond Guarantee. The initial Covered Bond Swap Provider is Westpac Banking Corporation (ABN 33 007 457 141), a bank under the laws of Australia, acting through its New Zealand Branch. In the event that the ratings of the Covered Bond Swap Provider fall below a specified ratings level, the Covered Bond Swap Provider will be required to obtain a guarantee of its obligations from an appropriately rated guarantor or put in place other appropriate credit support arrangements (including transferring the covered bond swap arrangements to another appropriately rated covered bond swap provider).
Interest Rate Swap Provider:	The initial Interest Rate Swap Provider is WNZL. In the event that the ratings of the Interest Rate Swap Provider fall below a specified ratings level, the Interest Rate Swap Provider will be required to obtain a guarantee of its obligations from an appropriately rated guarantor or put in place other appropriate credit support arrangements (including transferring the interest rate swap arrangements to another appropriately rated interest rate swap provider). For a more detailed description of the Interest Rate Swap Provider,

	see *Westpac New Zealand Limited* below.
Account Bank:	WNZL has agreed to act as Account Bank to the CB Guarantor pursuant to the Bank Account Agreement.
Stand-by Account Bank:	WBC, acting through its New Zealand branch, has agreed to act as Stand-by Account Bank to the CB Guarantor pursuant to the Stand-by Bank Account Agreement.
Programme description:	Global Covered Bond Programme.
Arrangers:	Barclays Bank PLC and WBC.
Dealers:	To be selected from time to time in accordance with the terms of the Dealership Agreement. As at the date of this Prospectus, the Dealers are Barclays Bank PLC and WBC.
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 be issued only in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time. There are restrictions on the offer, sale and transfer of Covered Bonds in the United States, the European Economic Area (including the United Kingdom, the Netherlands, the Republic of Italy and the Republic of France), Japan, Australia, New Zealand, Singapore and Hong Kong. Other restrictions may apply in connection with the offering and sale of a particular Tranche of Covered Bonds. See *Subscription and Sale and Transfer and Selling Restrictions* below.
Programme size:	Up to €5 billion (or its equivalent in other currencies calculated as described in the Dealership Agreement) outstanding at any time as described herein. The Issuer, the Group Guarantor and the CB Guarantor may increase the amount of the Programme in accordance with the terms of the Dealership Agreement.
Distribution:	Covered Bonds may be distributed 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 *Subscription and Sale and Transfer and Selling Restrictions* below.
Specified Currency:	Subject to any applicable legal or regulatory restrictions, such currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Bond Trustee (as set out in the applicable Final Terms Document).
Maturities:	The Covered Bonds will have such maturities as may be agreed between the Issuer and the relevant Dealer(s) and indicated in the applicable Final Terms Document, subject to such minimum or maximum maturities as may be allowed or required from time to time by any relevant central bank (or equivalent body) or any laws or regulations applicable to the 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.
Form of Covered Bonds:	The Covered Bonds will be issued in bearer or registered form as described in *Form of the Covered Bonds*. Registered Covered Bonds will not be exchangeable into Bearer Covered Bonds and Bearer Covered Bonds will be exchangeable into Registered Covered Bonds only in the circumstances set out in Condition 3.7. Principal and interest on Covered Bonds in bearer form will only be payable outside the United States and its possessions.
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 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 Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms Document).
Fixed Rate Reset Covered Bonds:	Fixed Rate Reset Covered Bonds will bear interest: (a) in respect of the period from (and including) the Interest Commencement Date to (but excluding) the Fixed Rate Reset Date (or, if there is more than one Reset Period, the first Fixed Rate Reset Date occurring after the Interest Commencement Date), at the rate per annum equal to the Initial Rate of Interest; and (b) in respect of the Reset Period (or, if there is more than one Reset Period, each successive Reset Period thereafter), at such rate per annum as is equal to the relevant Reset Rate, as determined by the Calculation Agent on the relevant Reset Determination Date in accordance with the Conditions, and such interest is payable in arrear on each Interest Payment Date, subject as provided in the Conditions.
Floating Rate Covered Bonds:	Floating Rate Covered Bonds will bear interest at a rate determined: (a) 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 (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s), as set out in the applicable Final Terms Document. The Margin (if any) relating to such floating rate will be agreed

between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Covered Bonds, as set out in the applicable Final Terms Document.

Other provisions in relation to Floating Rate Covered Bonds: Floating Rate Covered Bonds may also have a Maximum Rate of Interest, a Minimum Rate of Interest or both (as indicated in the applicable Final Terms Document). Interest on Floating Rate Covered Bonds in respect of each Interest Period, as agreed prior to issue by the 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, in each case as may be agreed between the Issuer and the relevant Dealer(s).

Zero Coupon Covered Bonds: Zero Coupon Covered Bonds, bearing no interest, may be offered and sold at a discount to their nominal amount unless otherwise specified in the applicable Final Terms Document.

Redemption: The applicable Final Terms Document relating to each Tranche of Covered Bonds will indicate either that such Covered Bonds cannot be redeemed prior to their stated maturity (other than in specified circumstances, if applicable, for taxation reasons or as a consequence of the coming into force of any covered bond legislation in New Zealand at any time after the Programme Date) or that such Covered Bonds will be redeemable at the option of (a) the Issuer upon giving not more than 60 or less than five days' irrevocable notice (or such other period of notice (if any) as is indicated in the applicable Final Terms Document) to the Bond Trustee, the Principal Paying Agent (in the case of the redemption of Bearer Covered Bonds), the Registrar (in the case of the redemption of Registered Covered Bonds) and the Covered Bondholders or (b) the Covered Bondholders upon the deposit, not less than 45 days before the relevant Optional Redemption Date (Put) (as defined below) of the Covered Bond with any Paying Agent (in the case of the redemption of Bearer Covered Bonds) or the Registrar (in the case of the redemption of Registered Covered Bonds) and a duly completed irrevocable Put Option Notice (as defined below), in each case on one or more specified dates prior to their stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms Document).

Extendable obligations under the Covered Bond Guarantee: The applicable Final Terms Document may also provide that the CB Guarantor's obligations under the Covered Bond Guarantee to pay the Guaranteed Amounts equal to the Final Redemption Amount of the applicable Series of Covered Bonds on their Maturity Date may be deferred until the Extended Due for Payment Date. The Extended Due for Payment Date will be a date not less than 12 months from the relevant Maturity Date. In such case, such deferral will occur automatically if (a) the Issuer and the Group Guarantor fail to pay the Final Redemption Amount of the relevant Series of Covered Bonds on their Maturity Date (in each case subject to the applicable grace period), (b) a Notice to Pay has been served on the CB Guarantor and (c) the Guaranteed Amounts equal to the Final Redemption Amount in respect of such Series of Covered Bonds are not paid in full by the

	CB Guarantor on the date falling on the earlier of (i) the date which falls two Business Days after service of a Notice to Pay on the CB Guarantor or, if later, the Maturity Date (in each case subject to the applicable grace period) and (ii) the Extension Determination Date because (for example) the CB Guarantor has insufficient monies to pay in full the Guaranteed Amounts equal to the Final Redemption Amount in respect of the relevant Series of Covered Bonds after payment of higher ranking amounts and taking into account amounts ranking *pari passu* in the Guarantee Priority of Payments. To the extent that the CB Guarantor has received a Notice to Pay by the time specified in Condition 6.1 (*Scheduled redemption*) and has sufficient monies under the Guarantee Priority of Payments to pay in part the Final Redemption Amount, partial payment of the Final Redemption Amount shall be made as described in Condition 6.1 (*Scheduled redemption*). The CB Guarantor shall, to the extent it has the funds available to it, make payments in respect of the unpaid portion of the Final Redemption Amount on any Interest Payment Date up until the Extended Due for Payment Date. When a deferral occurs, interest will continue to accrue and be payable on the unpaid portion of the Final Redemption Amount up to the Extended Due for Payment Date in accordance with Condition 5 (*Interest*) and the CB Guarantor will make payments of Guaranteed Amounts constituting Scheduled Interest on each Original Due for Payment Date and the Extended Due for Payment Date.
Hard Bullet Covered Bonds:	Hard Bullet Covered Bonds may be offered and will have the benefit of a Pre-Maturity Test. The intention of the Pre-Maturity Test is to provide liquidity for the Hard Bullet Covered Bonds if the Group Guarantor's credit ratings have fallen to a certain level.
Denomination of Covered Bonds:	The Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and set out in the applicable Final Terms Document save that, except in certain limited circumstances, the minimum denomination of each Covered Bond will be €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as is required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.
Taxation:	All payments in respect of the Covered Bonds will be made without withholding or deduction for or on account of New Zealand and/or United Kingdom Taxes (or stamp duty), save as may be required by law. If any such withholding or deduction for or on account of New Zealand and/or United Kingdom Taxes (or stamp duty) is required by law, the Issuer or, as the case may be, the Group Guarantor will, save as provided in Condition 8 (*Taxation*), be required to pay additional amounts in respect of the amounts so withheld or deducted. Under the Covered Bond Guarantee, the CB Guarantor will not be liable to pay any amount in respect of the additional amounts payable by the Issuer or the Group Guarantor under Condition 8 (*Taxation*) or to pay any additional amount in respect of withholdings or deductions that it may be required by law to make for or on account of New Zealand

	and/or United Kingdom Taxes (or stamp duty). However, where New Zealand non-resident withholding tax is required to be deducted and the rate of that Tax could be reduced to 0% if New Zealand Approved Issuer Levy (**AIL**) was paid, the CB Guarantor will be required to pay the AIL (provided it is lawfully able).
Cross Default:	If an Issuer Acceleration Notice is served in respect of any one Series of Covered Bonds, then the obligations of the Issuer and the Group Guarantor (but not the CB Guarantor) to pay all amounts in respect of each Series of Covered Bonds then outstanding will be accelerated. If a CBG Acceleration Notice is served in respect of any one Series of Covered Bonds, then the obligation of the CB Guarantor to pay Guaranteed Amounts in respect of all Series of Covered Bonds then outstanding will be accelerated.
Status of the Covered Bonds:	The Covered Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank at least *pari passu* without any preference among themselves and (save for any obligations required to be preferred by law) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding, other than any obligations preferred by mandatory provisions of applicable law.
Group Guarantee:	Payments of interest, principal and all other amounts payable on the Covered Bonds will be irrevocably and unconditionally guaranteed by the Group Guarantor. The obligations of the Group Guarantor under the Group Guarantee constitute direct, unconditional, unsubordinated and unsecured obligations of the Group Guarantor, and will rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Group Guarantor, other than any obligations preferred by mandatory provisions of applicable law.
Covered Bond Guarantee:	Payment of Guaranteed Amounts in respect of the Covered Bonds when Due for Payment will be irrevocably guaranteed by the CB Guarantor, on a several basis as between the Group Guarantor and itself. The obligations of the CB Guarantor to make payment in respect of the Guaranteed Amounts when Due for Payment are subject to the condition that (in the case where an Issuer Event of Default has occurred) the Bond Trustee has served an Issuer Acceleration Notice on the Issuer and the Group Guarantor and a Notice to Pay on the CB Guarantor or (in the case where a CBG Event of Default has occurred) the Bond Trustee has served a CBG Acceleration Notice on the Issuer, the Group Guarantor and the CB Guarantor, following which the obligations of the CB Guarantor under the Covered Bond Guarantee will accelerate against the CB Guarantor. The obligations of the CB Guarantor under the Covered Bond Guarantee constitute direct obligations of the CB Guarantor secured against the assets from time to time of the CB Guarantor and recourse against the CB Guarantor is limited to such assets.
Interest Rate Swap Agreement:	To provide a hedge against possible variances between interest revenues received by the CB Guarantor and the amounts payable by

	the CB Guarantor on the Intercompany Loan and (following the service of a Notice to Pay on the CB Guarantor) the Covered Bond Swap Agreements, plus, in each case, a certain amount for expenses, the CB Guarantor, WSM and the Security Trustee have entered into the Interest Rate Swap with the Interest Rate Swap Provider on the terms set out in the Interest Rate Swap Agreement.
Covered Bond Swap Agreement:	To hedge certain interest rate, currency and/or other risks arising, following the service of a Notice to Pay on the CB Guarantor, in respect of amounts received by the CB Guarantor under the Interest Rate Swap and amounts payable under the Covered Bond Guarantee, the CB Guarantor, WSM and the Security Trustee have entered into the Covered Bond Swap Agreement with the Covered Bond Swap Provider.
Ratings:	Covered Bonds to be issued under the Programme will, unless otherwise specified in the applicable Final Terms Document, be rated "AAA" by Fitch Ratings and "Aaa" by Moody's, to the extent each such agency is a Rating Agency.
Listing and admission to trading:	Application has been made to the FCA for Covered Bonds issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the Official List and to the London Stock Exchange for such Covered Bonds to be admitted to trading on the London Stock Exchange's Regulated Market.
Governing law:	The Covered Bonds, the Covered Bond Guarantee, the Group Guarantee, the Agency Agreement, the Trust Deed, the Dealership Agreement, the Covered Bond Swaps, the floating charge created pursuant to the Security Trust Deed and any non-contractual obligations arising out of or in connection therewith are or will be governed by, and construed in accordance with, English law. The Mortgage Sale Agreement, the Participation Agreement, the Administration Agreement, the Servicing Agreement, the Asset Monitor Agreement, the Interest Rate Swap, the Cash Management Agreement, the Bank Account Agreement, the Stand-by Bank Account Agreement, the Security Trust Deed (other than the floating charge created pursuant thereto), the Subordinated Loan Agreement and the Intercompany Loan Agreement are governed by and construed in accordance with the laws of New Zealand.

RISK FACTORS

The Issuer and the Guarantors believe that the following material factors may affect their ability to fulfil their respective obligations under the Covered Bonds issued under the Programme, the Group Guarantee and the Covered Bond Guarantee. In addition, risk factors which are specific to the Covered Bonds are also described below.

Prospective investors should consult their own financial and legal advisers about risks associated with investment in the Covered Bonds and the suitability of investing in the Covered Bonds in light of their particular circumstances.

The Issuer and the Guarantors believe that the factors described below represent the material risks inherent in investing in the Covered Bonds issued under the Programme. However, the inability of the Issuer and the Guarantors to pay interest, principal or other amounts on or in connection with any Covered Bonds may occur for other reasons which are not considered to be significant or which are currently unknown or which the Issuer and the Guarantors are unable to anticipate, and accordingly the Issuer and the Guarantors do not represent that the statements below regarding the risks of holding any Covered Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in the Terms and Conditions of the Covered Bonds below or elsewhere in this Prospectus have the same meanings in this section, unless otherwise stated.

1. RISK FACTORS RELATING TO THE ISSUER AND THE GROUP GUARANTOR, INCLUDING THE ABILITY OF THE ISSUER AND THE GROUP GUARANTOR TO FULFIL THEIR RESPECTIVE OBLIGATIONS UNDER THE COVERED BONDS

Issuer and Group Guarantor are liable to make payments when due on the Covered Bonds

The Issuer and the Group Guarantor are liable to make payments when due on the Covered Bonds. The obligations of the Issuer under the Covered Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, and will rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than any obligations preferred by mandatory provisions of applicable law. The obligations of the Group Guarantor under the Group Guarantee constitute direct, unconditional, unsubordinated and unsecured obligations of the Group Guarantor, and will rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Group Guarantor, other than any obligations preferred by mandatory provisions of applicable law.

The CB Guarantor has no obligation to pay the Guaranteed Amounts payable under the Covered Bond Guarantee until service of a Notice to Pay following service of an Issuer Acceleration Notice or a CBG Acceleration Notice following the occurrence of a CBG Event of Default.

The occurrence of an Issuer Event of Default does not constitute a CBG Event of Default. However, failure by the CB Guarantor to pay amounts when Due for Payment under the Covered Bond Guarantee would constitute a CBG Event of Default.

Following the occurrence of a CBG Event of Default, the Bond Trustee may accelerate the obligations of the CB Guarantor under the Covered Bond Guarantee by serving a CBG Acceleration Notice. Service of a CBG Acceleration Notice will also accelerate the obligations of the Issuer and the Group Guarantor under the Covered Bonds (if they have not already become due and payable following service of an Issuer Acceleration Notice). The Security Trustee would then become entitled to enforce the Security.

2. RISKS RELATING TO WNZL'S BUSINESS

2.1 Legal and regulatory risk

WNZL's businesses are highly regulated and WNZL could be adversely affected by changes in laws, regulations or regulatory policy

As a financial institution, WNZL is subject to detailed laws and regulations in each of the jurisdictions in which it or the Issuer operates or obtains funding including New Zealand, the United Kingdom, the United States, Switzerland and various jurisdictions in Asia. WNZL is also supervised by a number of different regulatory and supervisory authorities which have broad administrative powers over its businesses. The RBNZ and the Financial Markets Authority have supervisory oversight of WNZL's operations. As a subsidiary of WBC, WNZL is also subject to certain regulations imposed by the Australian Prudential Regulation Authority (**APRA**).

WNZL's business, reputation, prospects, financial performance and financial condition could all be affected by changes to law and regulation, changes to policies and changes in the supervisory activities and expectations of its regulators.

WNZL is operating in an environment where there is currently increased scrutiny of the financial services sector and specifically, increased scrutiny of financial services providers from regulators. In this environment, WNZL faces increasing supervision and regulation in the jurisdictions in which it operates and obtains funding. This environment has also served to increase the pace and scope of regulatory change.

Regulatory change could directly and adversely affect WNZL's financial condition and financial position. In recent years, new laws have required WNZL to maintain increased levels of liquidity and hold higher levels of, and better quality, capital and funding. Regulatory change may continue in this area. Regulation also affects the way WNZL operates its business. New regulation could require WNZL to change its existing business models (including by imposing restrictions on the types of businesses WNZL can conduct or requiring WNZL to amend its corporate structure).

Regulatory changes of this type could adversely affect one or more of WNZL's businesses, restrict its flexibility, require it to incur substantial costs, impact the profitability of one or more of its business lines, result in WNZL being unable to increase or maintain market share and/or create pressure on its margins and fees, any of which could adversely affect WNZL's business, prospects, financial performance or financial condition. There are numerous sources of regulatory change that could affect WNZL's business. In some cases, changes to regulation are driven by international bodies.

It is also possible that governments or regulators in jurisdictions in which WNZL operates or obtains funding might revise their application of existing regulatory policies that apply to, or impact, WNZL's business (including by instituting macro-prudential limits on lending). Regulators or governments may take this action for a variety of reasons, including for reasons relating to national interest and/or systemic stability.

Regulatory changes and the timing of their introduction continue to evolve and WNZL manages its businesses in the context of regulatory uncertainty and complexity. The nature and impact of future changes are not predictable and are beyond WNZL's control. Regulatory compliance and the management of regulatory change are an important part of WNZL's planning processes. WNZL expects that it will be required to continue to invest significantly in compliance and the management and implementation of regulatory change and, at the same time, significant management attention and resources will be required to update existing, or implement new, processes to comply with new regulations (such as obligations to provide certain data and information to regulators) or new interpretations of existing laws or regulations. The failure of WNZL to appropriately manage and implement regulatory change, including by failing to implement effective processes to comply with new regulations, has, in some instances, resulted in, and could in the future result in, WNZL failing to meet a compliance obligation.

WNZL's businesses are highly regulated and could be adversely affected by failing to comply with laws, regulations or regulatory policy

WNZL is responsible for ensuring that it complies with all applicable legal and regulatory requirements and industry codes of practice in the jurisdictions in which it operates or obtains funding, as well as meeting its ethical standards.

WNZL is subject to compliance risk, which is the risk of legal or regulatory sanction or financial or reputational loss, arising from WNZL's failure to abide by the compliance obligations required of it. This risk is exacerbated by the increasing complexity and volume of regulation and can also arise where WNZL interprets its obligations and rights differently to its regulators or a court. The potential for this to occur may be heightened in circumstances where regulation is untested and/or not accompanied by extensive regulatory guidance.

WNZL employs a compliance management system which is designed to identify, assess and manage compliance risk. While this system is currently in place, it may not always have been or continue to be effective. Breakdowns may occur in this system due, for example, to flaws in the design of controls or processes. This could result in, potential breaches of WNZL's compliance obligations, as well as poor customer outcomes.

WNZL also depends on its employees, contractors, agents, authorised representatives and external service providers to 'do the right thing' for it to meet its compliance obligations. Inappropriate conduct by these individuals, such as neglecting to follow a policy or engaging in misconduct, could result in poor customer outcomes and a failure by WNZL to comply with compliance obligations.

WNZL's failure, or suspected failure, to comply with a compliance obligation could lead to a regulator commencing surveillance or an investigation. This may, depending on the circumstances, result in the regulator taking administrative or enforcement action against WNZL and/or its representatives. Regulators could seek to pursue civil or criminal proceedings, seeking substantial fines, civil penalties or other enforcement outcomes. In addition, the failure or alleged failure of its competitors to comply with their obligations could lead to increased regulatory scrutiny across the financial services sector.

In many cases, WNZL's regulators have broad powers. An example is the power available to the RBNZ in certain circumstances to issue a direction to WNZL (such as a direction to comply with a prudential requirement, to conduct an audit, to remove a Director, executive officer or employee, to take remedial action or not to undertake transactions) or require WNZL to hold additional capital. The powers exercisable and penalties that can be imposed by WNZL's regulators may also be expanded in the future. Changes may also occur in the oversight approach of regulators, which could result in a regulator preferring its enforcement powers over a more consultative approach.

In recent years, there have been significant increases in the nature and scale of regulatory investigations, enforcement actions and the quantum of fines issued by global regulators.

The provision of new powers to regulators, coupled with the increasingly active supervisory and enforcement approaches adopted by them, may increase the prospect of adverse regulatory action being brought against WNZL.

Regulatory action brought against WNZL may expose WNZL to an increased risk of litigation brought by third parties (including through class action proceedings), which may require WNZL to pay compensation to third parties and/or undertake further remediation activities.

The failure to comply with financial crime obligations could have an adverse effect on WNZL's business and reputation

WNZL is subject to anti-money laundering and counter financing of terrorism (**AML/CFT**) laws, anti-bribery and corruption laws, economic and trade sanctions laws and tax transparency laws in the jurisdictions in which it operates. These laws can be complex, and in some circumstances, impose a diverse range of obligations. For example, AML/CFT laws require WNZL and other regulated institutions to (amongst other things) undertake customer identification and verification, conduct ongoing due diligence on customers, maintain and comply with an AML/CFT programme, and undertake ongoing risk assessments. AML/CFT laws also require WNZL to report certain matters and transactions to regulators and ensure that certain information is not disclosed to third parties in a way that would contravene the 'tipping off' provisions in AML/CFT legislation. In recent years there has been increased focus on compliance with financial crime obligations, with regulators around the globe commencing large-scale investigations and taking enforcement action where they have identified non-compliance (often seeking significant monetary penalties). Further, due to the large volume of transactions that WNZL processes, the undetected failure or the ineffective implementation, monitoring or remediation of a system, policy, process or control (including in relation to a regulatory reporting obligation) could result in a significant number of breaches of AML/CFT obligations. This in turn could lead to significant monetary penalties.

While WNZL has systems, policies, processes and controls in place that are designed to manage its financial crime obligations (including its reporting obligations), these have not always been, and may not in the future always be, effective. If WNZL fails to comply with these obligations, it could face regulatory enforcement action such as litigation, significant fines, penalties and the revocation, suspension or variation of licence conditions. Non-compliance with financial crime obligations could also lead to litigation commenced by third parties (including class action proceedings) and cause reputational damage. These actions could, either individually or in aggregate, adversely affect WNZL's business, prospects, reputation, financial performance or financial condition.

Refer to page 174 for details regarding the Australian Transaction Reports and Analysis Centre (**AUSTRAC**) (the Australian money laundering regulator) issuing proceedings against WBC.

2.2 Risks relating to the core operations supporting WNZL's activities

Reputational damage could harm WNZL's business and prospects

WNZL's ability to attract and retain customers and its prospects could be adversely affected if its reputation is damaged.

Reputation risk is the risk of loss of reputation, stakeholder confidence or public trust and standing. It arises where there are differences between stakeholders' current and emerging perceptions, beliefs and expectations and WNZL's past, current and planned activities, processes, performance and behaviours.

There are various potential sources of reputational damage. WNZL's reputation may be damaged where any of its policies, processes, practices or behaviours result in a negative outcome for a customer or a class of customers. Other potential sources of reputational damage include the failure to effectively manage risks in accordance with WNZL's risk management frameworks, failure to comply with legal and regulatory requirements, adverse findings from regulatory reviews (including WNZL specific and industry wide reviews), environmental, social and ethical issues, failure of information security systems, technology failures, security breaches and inadequate record keeping which may prevent WNZL from demonstrating that a past decision was appropriate at the time it was made.

WNZL may suffer reputational damage where its conduct, practices, behaviours or business activities do not align with the evolving standards and expectations of the community, WNZL's regulators or other stakeholders. As these expectations may exceed the standard required in order to comply with the law,

WNZL may incur reputational damage even where it has met its legal obligations. WNZL's reputation could also be adversely affected by the actions of the financial services industry in general or from the actions of related companies (including WBC), its competitors, customers, suppliers, strategic partners and other counterparties. Refer to page 174 for details regarding AUSTRAC (the Australian money laundering regulator) issuing proceedings against WBC. Furthermore, the risk of reputational damage may be heightened by factors such as the increasing use of social media or the increasing prevalence of groups which seek to publicly challenge WNZL's strategy or approach to aspects of its business.

Failure, or perceived failure, to appropriately address issues that could or do give rise to reputational risk could also impact the regulatory change agenda, give rise to additional legal risk, subject WNZL to regulatory investigations, regulatory enforcement actions, fines and penalties or litigation brought by third parties (including class actions), require it to remediate and compensate customers and incur remediation costs or harm its reputation among customers, investors and the marketplace. This could lead to loss of business which could adversely affect WNZL's business, prospects, financial performance or financial condition.

WNZL could suffer losses due to litigation (including class action proceedings)

WNZL may, from time to time, be involved in legal proceedings (including class action proceedings), regulatory actions or arbitration arising from the conduct of its business and the performance of its legal and regulatory obligations. These may, either individually or in aggregate, adversely affect WNZL's business, operations, prospects or financial condition. Such matters are subject to many uncertainties (for example, the outcome may not be able to be predicted accurately) and WNZL may be required to pay money such as damages, fines, penalties or legal costs. There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

In recent years, there has been an increase in the number of class action proceedings brought against financial services companies (and other organisations more broadly), many of which have resulted in significant monetary settlements. The risk of class action proceedings being commenced is heightened by findings from regulatory investigations or inquiries, adverse media, an adverse judgment or the settlement of proceedings brought by a regulator. Furthermore, there is a risk that class action proceedings commenced against a competitor could lead to similar class action proceedings being commenced against WNZL.

WNZL could suffer information security risks, including cyberattacks

The proliferation of new technologies, the increasing use of the internet and telecommunications to conduct financial transactions and the growing sophistication and activities of attackers (including organised crime and state-sponsored actors) have resulted in increased information security risks for major financial institutions such as WNZL and its external service providers.

While WNZL has systems in place to protect against, detect and respond to cyberattacks, these systems have not always been, and may not in the future always be, effective. There can be no assurance that WNZL will not suffer losses from cyberattacks or other information security breaches. WNZL may not be able to anticipate and prevent a cyberattack, or it may not be able to implement effective measures to respond to a cyberattack in progress. Further, there is a risk that WNZL will not be able to rectify or minimise the damage resulting from a cyberattack.

If WNZL incurs a successful cyberattack, technology systems might fail to operate properly or become disabled and it could result in the unauthorised release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of WNZL, its employees, customers or third parties or otherwise adversely impact network access, business operations or availability of services.

In addition, as cyber threats continue to evolve, WNZL may be required to expend significant additional resources to modify or enhance its systems or to investigate and remediate any vulnerabilities or incidents.

WNZL's operations rely on the secure processing, storage and transmission of information on its computer systems and networks, and the systems and networks of external suppliers. Although WNZL implements measures to protect the security, integrity and confidentiality of its information, there is a risk that the computer systems, software and networks on which WNZL relies may be subject to security breaches, unauthorised access, malicious software, external attacks or internal breaches that could have an adverse impact on WNZL's confidential information or that of its customers and counterparties.

Major banks in other jurisdictions have suffered security breaches from sophisticated cyberattacks. WNZL's external service providers, other parties that facilitate its business activities and financial platforms and infrastructure (such as clearing houses, payment systems and exchanges) are also subject to the risk of cyberattacks.

Any such security breach could result in the loss of customers and business opportunities, significant disruption to WNZL's operations, misappropriation of WNZL's confidential information and/or that of its customers and damage to WNZL's computers or systems and/or those of its customers.

Such a security breach could also result in reputational damage, claims for compensation and regulatory investigations and penalties, which could adversely affect WNZL's business, prospects, financial performance, or financial condition.

WNZL's risk and exposure to such threats remains heightened because of the evolving nature of technology, WNZL's prominence within the financial services industry, the prominence of its customers (including those in the government sector), increasing obligations to make data and information available to external third parties and its plans to continue to improve and expand its internet and mobile banking infrastructure.

WNZL could suffer losses due to technology failures or its inability to appropriately manage and upgrade its technology

The reliability, integrity and security of WNZL's information and technology is crucial in supporting its customers' banking requirements and meeting its compliance obligations and regulators' expectations.

While WNZL has a number of processes in place to provide for and monitor the availability and recovery of its systems, there is a risk that its information and technology systems might fail to operate properly or become disabled, including as a result of events that are wholly or partially beyond its control. If WNZL incurs a technology failure it may fail to meet a compliance obligation. This could potentially result in reputational damage, remediation costs and a regulator commencing an investigation and/or taking administrative or enforcement action against WNZL. The overuse or overreliance on legacy or outdated systems may heighten the risk of a technology failure occurring.

Further, in order to continue to deliver new products and services to customers, comply with WNZL's regulatory obligations (such as obligations to report certain data and information to regulators) and meet the ongoing expectations of WNZL's regulators and customers, WNZL needs to regularly renew and enhance its technology. WNZL is constantly managing technology projects including projects to consolidate technology platforms, simplify and enhance its technology and operations environment, assist in complying with legal obligations, improve productivity and provide for a better customer experience.

Failure to implement these projects or manage associated change effectively could result in cost overruns, unrealised productivity, operational instability, failure to meet compliance obligations, reputational damage and/or result in the loss of market share to competitors. In turn, this could place WNZL at a competitive disadvantage and adversely affect its financial performance.

2.3 Risks related to WNZL's financial situation

Adverse credit and capital market conditions or depositor preferences may significantly affect WNZL's ability to meet funding and liquidity needs and may increase its cost of funding

WNZL relies on deposits and credit and capital markets to fund its business and as a source of liquidity. WNZL's liquidity and costs of obtaining funding are related to credit and capital market conditions.

Global credit and capital markets can experience periods of extreme volatility, disruption and decreased liquidity as was demonstrated during the Global Financial Crisis. While there have now been extended periods of stability in these markets, the environment remains unpredictable. The main risks WNZL faces are damage to market confidence, changes to the access and cost of funding and a slowing in global activity or through other impacts on entities with which WNZL does business.

As of 30 September 2019, approximately 22 per cent. of WNZL's total funding originated from domestic and international wholesale markets (30 September 2018: 18 per cent.). Of this, around 79 per cent. was sourced outside New Zealand (30 September 2018: 79 per cent.). As of 30 September 2019, WNZL's deposits provided around 74 per cent. of total funding (30 September 2018: 76 per cent.). Customer deposits held by WNZL are comprised of both term deposits which can be withdrawn after a certain period of time and at call deposits which can be withdrawn at any time.

A shift in investment preferences could result in deposit withdrawals by customers which could increase WNZL's need for funding from other, potentially less stable or more expensive, forms of funding.

If market conditions deteriorate due to economic, financial, political or other reasons, there may also be a loss of confidence in bank deposits and WNZL could experience unexpected deposit withdrawals. In this situation WNZL's funding costs may be adversely affected and its liquidity, funding and lending activities may be constrained.

If WNZL's current sources of funding prove to be insufficient, WNZL may be forced to seek alternative financing. The availability of such alternative financing, and the terms on which it may be available, will depend on a variety of factors, including prevailing market conditions, the availability of credit, WNZL's credit ratings and credit market capacity. Even if available, these alternatives may be more expensive or on unfavourable terms, which could adversely affect WNZL's financial performance, liquidity, capital resources or financial condition. There is no assurance that WNZL will be able to obtain adequate funding and do so at acceptable prices, nor that it will be able to recover any additional costs.

If WNZL is unable to source appropriate funding, it may also be forced to reduce its lending or begin selling liquid securities. Such actions may adversely impact WNZL's business, prospects, liquidity, capital resources, financial performance or financial condition. If WNZL is unable to source appropriate funding for an extended period, or if it can no longer sell liquid securities, there is a risk that WNZL will be unable to pay its debts as and when they become due and payable.

WNZL enters into collateralised derivative obligations, which may require it to post additional collateral based on movements in market rates, which have the potential to adversely affect WNZL's liquidity or ability to use derivative obligations to hedge its interest rate, currency and other financial instrument risks.

Sovereign risk may destabilise financial markets adversely

Sovereign risk is the risk that governments will default on their debt obligations, will be unable to refinance their debts as they fall due, or will nationalise parts of their economy, including assets of financial institutions such as WNZL.

Sovereign defaults could negatively impact the value of WNZL's holdings of investment grade liquid assets. There may also be a cascading effect to other markets and countries, the consequences of which, while difficult to predict, may be similar to or worse than those experienced during the Global Financial Crisis. Such an event could destabilise global financial markets adversely affecting WNZL's liquidity, financial performance or financial condition.

Failure to maintain credit ratings could adversely affect WNZL's cost of funds, liquidity, competitive position and access to capital markets

Credit ratings are independent opinions on WNZL's creditworthiness. WNZL's credit ratings can affect the cost and availability of its funding from capital markets and other funding sources and they may be important to customers or counterparties when evaluating WNZL's products and services. Therefore, maintaining high credit ratings is important.

The credit ratings assigned to WNZL by rating agencies are based on an evaluation of a number of factors, including WNZL's financial strength, WNZL's position as part of the WBC Group, the quality of WNZL's governance, structural considerations regarding the New Zealand financial system and the credit rating of the New Zealand Government. A credit rating downgrade could be driven by a downgrade of the New Zealand Government, the occurrence of one or more of the other risks identified in this section or by other events including changes to the methodologies used by the rating agencies to determine ratings.

The credit ratings of a subsidiary are generally linked to the credit ratings of its parent entity. Consequently, should the long-term issuer credit rating of WBC be downgraded, it is likely that WNZL's long-term issuer credit rating would also be downgraded which would adversely affect its cost of funds and related margins, collateral requirements, liquidity, competitive position and access to capital markets.

A downgrade or series of downgrades to WNZL's credit ratings could have an adverse effect on its cost of funds and related margins, collateral requirements, liquidity, competitive position and its access to capital markets. The extent and nature of these impacts would depend on various factors, including the extent of any ratings change, whether WNZL's ratings differ among agencies (split ratings) and whether any ratings changes also impact WNZL's competitors or the sector.

A systemic shock in relation to the New Zealand, Australian or other financial systems could have adverse consequences for WNZL or its customers or counterparties that would be difficult to predict and respond to

There is a risk that a major systemic shock could occur that causes an adverse impact on the New Zealand, Australian or other financial systems.

During the past decade the financial services industry and capital markets have been, and may continue to be, adversely affected by market volatility, global economic conditions, geopolitical instability (such as threats of or actual conflict occurring around the world) and political developments. In particular, there are significant and ongoing global political developments that have the potential to impact major global economies, including Brexit and the introduction of tariffs and other protectionist measures by various countries, such as the US and China. A shock to one of the major global economies could result in currency and interest rate fluctuations and operational disruptions that negatively impact WNZL.

Any such market and economic disruptions could adversely affect financial institutions such as WNZL because consumer and business spending may decrease, unemployment may rise and demand for the products and services WNZL provides may decline, thereby reducing its earnings. These conditions may also affect the ability of WNZL's borrowers to repay their loans or WNZL's counterparties to meet their obligations, causing WNZL to incur higher credit losses and affect investors' willingness to invest in WNZL. These events could also result in the undermining of confidence in the financial system, reducing liquidity, impairing WNZL's access to funding and impairing WNZL's customers and counterparties and their

businesses. If this were to occur, WNZL's business, prospects, financial performance or financial condition could be adversely affected.

The nature and consequences of any such event are difficult to predict and there can be no certainty that WNZL could respond effectively to any such event.

Declines in asset markets could adversely affect WNZL's operations or profitability

Declines in New Zealand, Australian or other asset markets, including equity, residential and commercial property and other asset markets, could adversely affect WNZL's operations and profitability.

Declining asset prices also impact WNZL's fees from the distribution of wealth management products. These fees are, in part, dependent on asset values because it typically receives fees based on the value of securities and/or assets held or managed. A decline in asset prices could negatively impact these fees.

Declining asset prices could also impact customers and counterparties and the value of security (including residential and commercial property) WNZL holds against loans and derivatives. This may impact its ability to recover amounts owing to it if customers or counterparties were to default. It may also affect WNZL's level of provisioning which in turn impacts its profitability and financial condition.

A weakening of the real estate market in New Zealand could adversely affect WNZL

Loans secured by residential mortgages are important to WNZL's business. As at 30 September 2019, housing loans represented approximately 61 per cent. of WNZL's gross loans and advances (30 September 2018: 61 per cent.).

A sustained decrease in property valuations in New Zealand could increase the losses WNZL may experience from its existing housing loans and decrease the amount of new housing loans WNZL is able to originate, which could materially and adversely affect WNZL's financial condition, financial performance and future performance.

WNZL's business is substantially dependent on the New Zealand and Australian economies

WNZL's revenues and earnings are dependent on economic activity and the level of financial services its customers require. In particular, lending is dependent on various factors including economic growth, business investment, business and consumer sentiment, levels of employment, interest rates, asset prices and trade flows in the countries in which WNZL operates.

WNZL conducts the majority of its business in New Zealand and, consequently, its performance is influenced by the level and cyclical nature of lending in New Zealand. These factors are in turn impacted by both domestic and international economic conditions, natural disasters and political events. A significant decrease in New Zealand housing valuations could adversely impact WNZL's home lending activities because borrowers with loans in excess of their property value show a higher propensity to default and in the event of defaults WNZL's security would be eroded, causing it to incur higher credit losses. The demand for WNZL's home lending products may also decline due to adverse changes in tax legislation (such as changes to tax rates, concessions or deductions), regulatory requirements or other buyer concerns about decreases in values.

Adverse changes to economic and business conditions in New Zealand and other countries such as Australia, China, India, Japan, and the United States could also adversely affect the New Zealand economy and WNZL's customers. In particular, due to the current economic relationship between New Zealand, Australia and China, a slowdown in the economic growth of China or Australia, including as the result of the implementation of tariffs or other protectionist trade measures, could negatively impact the New Zealand economy. Changes in commodity prices, Chinese government policies and broader economic conditions

could in turn result in reduced demand for WNZL's products and services and affect the ability of its borrowers to repay their loans. If this were to occur, it could negatively impact WNZL's business, prospects, financial performance or financial condition.

Monetary policy can also significantly affect WNZL. Interest rate settings (including low or negative rates), as well as other actions taken by central banks (such as quantitative easing), may adversely affect its cost of funds, the value of its lending and investments and its margins. Monetary policies also impact the broader economic conditions of the various jurisdictions that WNZL operates or obtains funding in. These policies could affect demand for its products and services and/or have a negative impact on WNZL's customers and counterparties, potentially increasing the risk that they will default on their obligations to WNZL. All of these factors could adversely affect its business, prospects, financial performance or financial condition.

2.4 Risks related to WNZL's business activities and industry

An increase in defaults in credit exposures could adversely affect WNZL's liquidity, capital resources, financial performance or financial condition

Credit risk is the risk of financial loss where a customer or counterparty fails to meet their financial obligations to WNZL. It is a significant risk and arises primarily from WNZL's lending activities.

WNZL establishes provisions for credit impairment based on current information and WNZL's expectations. If economic conditions deteriorate outside of WNZL's expectations, some customers and/or counterparties could experience higher levels of financial stress and WNZL may experience a significant increase in defaults and write-offs, and be required to increase its provisioning. Such events would diminish available capital and could adversely affect WNZL's liquidity, capital resources, financial performance or financial condition.

Credit risk also arises from certain derivative, clearing and settlement contracts WNZL enters into and from its dealings with, and holdings of, debt securities issued by other banks, financial institutions, companies, clearing houses, governments and government bodies the financial conditions of which may be affected to varying degrees by economic conditions in global financial markets.

WNZL faces intense competition in all aspects of its business

The financial services industry is highly competitive. WNZL competes, both domestically and internationally, with retail and commercial banks, asset managers, investment banking firms, brokerage firms, other financial service firms and businesses in other industries with emerging financial services aspirations. This includes specialist competitors that may not be subject to the same capital and regulatory requirements and therefore may be able to operate more efficiently. Digital technologies are changing consumer behaviour and the competitive environment. The use of digital channels by customers to conduct their banking continues to rise and emerging competitors are increasingly utilising new technologies and seeking to disrupt existing business models, including in relation to digital payment services. WNZL faces competition from established providers of financial services as well as from banking businesses developed by non-financial services companies.

If WNZL is unable to compete effectively in the increasingly competitive environment in which its various businesses operate, its market share may decline. This may adversely affect WNZL by diverting business to its competitors or creating pressure to lower margins and fees.

Increased competition for deposits could also increase WNZL's cost of funding and lead it to access other types of funding or reduce lending. WNZL relies on bank deposits to fund a significant portion of its balance sheet and deposits have been a relatively stable source of funding. WNZL competes with banks and other financial services firms for such deposits. To the extent that WNZL is not able to successfully compete for

deposits, it would be forced to rely more heavily on other, potentially less stable or more expensive forms of funding, or reduce lending.

WNZL is also dependent on its ability to offer products and services that match evolving customer preferences. If WNZL is not successful in developing or introducing new products and services or responding or adapting to changes in customer preferences and habits, it may lose customers to its competitors. This could adversely affect its business, prospects, financial performance or financial condition.

WNZL could suffer losses due to market volatility

WNZL is exposed to market risk as a consequence of its trading activities in financial markets, its defined benefit plan and through the asset and liability management of its financial position. This is the risk of an adverse impact on earnings resulting from changes in market factors such as foreign exchange rates, commodity prices, equity prices and interest rates including the potential for low or negative interest rates. This includes interest rate risk in the banking book, such as the risk to interest income from a mismatch between the duration of assets and liabilities that arises in the normal course of business activities.

Changes in market factors could be driven by a number of developments. As an example, in July 2017, the FCA, which regulates LIBOR, announced that it would not require panel banks to continue to submit rates for the calculation of the LIBOR benchmark after 2021. Accordingly, the continuation of LIBOR in its current form will not be guaranteed after 2021, and it appears likely that LIBOR will be discontinued or modified by 2021. Any such developments or future changes in the administration of LIBOR or any other benchmarks could result in adverse consequences to the return on, value of and market for, securities and other instruments whose returns are linked to any such benchmark, including those securities or other instruments issued by WNZL.

If WNZL were to suffer substantial losses due to any market volatility (including changes in the return on, value of or market for, securities or other instruments) it may adversely affect its business, prospects, liquidity, capital resources, financial performance or financial condition.

WNZL could suffer losses due to operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It also includes, among other things, reputational risk, technology risk, model risk and outsourcing risk, as well as the risk of business disruption due to external events such as natural disasters, environmental hazard, damage to critical utilities, and targeted activism and protest activity. While WNZL has policies, processes and controls in place to manage these risks, these may not always have been, or continue to be, effective.

Ineffective processes and controls could result in an adverse outcome for WNZL's customers. For example, an ineffective process or a process breakdown could result in a customer not receiving a product on the terms and conditions, or at the pricing, they agreed to. In addition, inadequate record keeping may prevent WNZL from demonstrating that a past decision was appropriate at the time it was made or that a particular action or activity was undertaken. If this was to occur, WNZL may incur significant costs in paying refunds and compensation to customers, as well as remediating any underlying process breakdown. Failed or ineffective processes could also result in WNZL incurring losses because it is not able to enforce its contractual rights. This could arise in circumstances where WNZL did not correctly document its rights or failed to perfect a security interest. These types of operational failures may also result in increased regulatory scrutiny and, depending on the nature of the failure and its impact, result in a regulator potentially commencing an investigation and/or taking other enforcement, administrative or supervisory action.

WNZL could incur losses from fraudulent applications for loans or from incorrect or fraudulent payments and settlements, particularly real-time payments. Fraudulent conduct can also emerge from external parties seeking to access WNZL's systems and customers' accounts. If systems, procedures and protocols for

managing fraud fail, or are ineffective, they could lead to losses which could adversely affect WNZL's customers, as well as its business, prospects, reputation, financial performance or financial condition.

WNZL also relies on a number of suppliers, both in New Zealand and overseas, to provide services to it and its customers. Failure by these suppliers to deliver services as required could disrupt services and adversely impact WNZL's operations, profitability or reputation. WNZL could also be adversely affected by events that cause disruption within the banking and financial services industry. For example, there is a risk that if central banks adopt negative interest rates in the future, the technology systems used by WNZL, its counterparties and/or financial infrastructure providers may fail to operate correctly and this may cause loss or damage to WNZL and/or its counterparties.

Operational risks can impact WNZL's reputation and result in financial losses (including through decreased demand for its products and services) which would adversely affect its financial performance or financial condition.

Operational risk, technology risk, conduct risk or compliance risk events could require WNZL to undertake customer remediation activity

WNZL relies on a large number of policies, processes, procedures, systems and people to conduct its business. Breakdowns or deficiencies in one of these areas (arising from one or more operational risk, technology risk, conduct risk or compliance risk events) have resulted, and could in the future result, in adverse outcomes for customers which WNZL is required to remediate.

These events could require WNZL to incur significant remediation costs (which may include compensation payments to customers and costs associated with correcting the underlying issue) and could result in reputational damage.

There are significant challenges and risks involved in customer remediation activities. WNZL's ability to investigate an adverse customer outcome that may require remediation could be impeded if the issue is a legacy matter spanning beyond WNZL's record retention period, or if WNZL's record keeping is inadequate. Depending on the nature of the issue, it may be difficult to quantify and scope the remediation activity. Determining how to properly and fairly compensate customers can also be a complicated exercise involving numerous stakeholders, such as the affected customers, regulators and industry bodies. WNZL's proposed approach to a remediation may be affected by a number of events, such as a group of affected customers commencing class action proceedings on behalf of the broader population of affected customers, or a regulator exercising their powers to require that a particular approach to remediation be taken. These factors could impact the time frame for completing the remediation activity, potentially resulting in WNZL failing to execute the remediation in a timely manner. A failure of this type could lead to a regulator commencing enforcement action against WNZL. The ineffective or slow completion of a remediation also exposes WNZL to reputational damage, with WNZL potentially being criticised by regulators, affected customers, the media and other stakeholders, resulting in reputational damage. The significant challenges and risks involved in scoping and executing remediations in a timely way also create the potential for remediation costs actually incurred to be higher than those initially estimated by WNZL.

If WNZL cannot effectively scope, quantify or implement a remediation activity in a timely way, there could be a negative impact on WNZL's business, prospects, reputation, financial performance or financial condition.

A failure or interruption of WNZL's data practices could affect its business, results of operations and financial condition

Accurate and complete data is critical to ensure that WNZL's systems (both customer facing and back-office) and financial reporting processes operate effectively. In some areas of its business and operations, WNZL is affected by poor data quality. This has arisen and could in the future arise in a number of ways, including

through inadequacies in systems, processes and policies. This could lead to deficiencies or failings in customer service, risk management, financial reporting (including in the calculation of risk weighted assets), credit systems and processes, compliance with legal obligations (including obligations to provide data to regulators) and also result in poor decision making, including in relation to the provision of credit and the terms on which it is provided. Poor data quality could affect the ability of WNZL to improve systems and processes. WNZL is also exposed to model risk, being the risk of loss arising from errors or inadequacies in data or a model, or in the control and use of a model.

WNZL is required to retain and access data and documentation for specific retention periods in order to satisfy its compliance obligations. In some cases, WNZL also retains data to enable it to demonstrate that a past decision was appropriate at the time it was made. Failings in systems, processes and policies could all adversely affect WNZL's ability to retain and access data.

In recent times, financial services entities have been increasingly sharing data with third parties, such as suppliers and regulators (both domestic and offshore), in order to conduct their business activities and meet regulatory obligations. A breakdown in a process or control related to the transfer, storage or protection of data transferred to a third party, or the failure of a third party to use and handle this data correctly, could result in WNZL failing to meet a compliance obligation (including any relevant privacy obligations) and/or have an adverse impact on WNZL and its customers.

WNZL could suffer losses due to conduct risk

Conduct risk is the risk that WNZL's provision of services and products results in unsuitable or unfair outcomes for its stakeholders or undermines market integrity.

Conduct risk could occur through the provision of products and services to WNZL's customers that do not meet their needs or do not support market integrity, as well as the poor conduct of WNZL's employees, contractors, agents, authorised representatives and external service providers, which could include deliberate attempts by such individuals to circumvent WNZL's controls, processes and procedures. This could occur through a failure to meet professional obligations to specific clients (including fiduciary and suitability requirements), poor product design and implementation, failure to adequately consider customer needs, or selling products and services outside of customer target markets. Conduct risk may also arise where there has been a failure to adequately provide a product or services that WNZL had agreed to provide a customer.

While WNZL has frameworks, policies, processes and controls that are designed to manage poor conduct outcomes, these policies and processes may not always have been or continue to be effective. The failure of these policies and processes could result in financial losses and reputational damage and this could adversely affect WNZL's business, prospects, financial performance or financial condition.

WNZL could suffer losses and its business has been and could be adversely affected by the failure of, or failure to adopt and implement, effective risk management

WNZL has implemented risk management strategies, policies and internal controls involving processes and procedures intended to identify, monitor and manage risks. However, WNZL's risk management framework has not always been, or may not in the future prove to be, effective.

This could be because the design of the framework may be inadequate, which could result in key information not being provided to decision-makers in the right form and in a timely manner, or because of weaknesses in underlying data. There is also the possibility that key risk management policies, controls and processes may be ineffective, either due to inadequacies in their design, or because of the poor implementation of these policies, controls and processes.

There are also inherent limitations with any risk management framework as there may exist, or emerge in the future, risks that WNZL has not anticipated or identified and WNZL's controls may not be effective.

Risk management frameworks may also prove ineffective because of weaknesses in risk culture, which may result in risks and control weaknesses not being identified, escalated and acted upon. Further, while the development of appropriate remuneration structures can play an important role in supporting a sound risk culture, a deficiency in the design or operation of its remuneration structures could have a negative effect, potentially resulting in staff engaging in excessive risk taking behaviours.

Risk management failings of the type outlined above could adversely affect WNZL in numerous ways, with WNZL potentially being exposed to higher levels of risk than expected, which may result in WNZL incurring unexpected losses, breaches of compliance obligations and reputational damage.

As part of WNZL's risk management framework, WNZL measures and monitors risks against its risk appetite. Where WNZL identifies a risk as being out-of-appetite, WNZL needs to take steps to bring this risk back into appetite in a timely way. However, WNZL may not always be able to achieve this within proposed timeframes. This may occur because, for example, WNZL experiences delays in enhancing its information technology systems to better manage the out-of-appetite risk, or in recruiting sufficient numbers of appropriately trained staff to undertake required activities. It is also possible that, because of external factors beyond WNZL's control, certain risks may be inherently outside of appetite for periods of time. In addition, WNZL is required to periodically review its risk management framework to determine whether it remains appropriate.

If WNZL is unable to bring risks back into appetite, or if it is determined that the limits under WNZL's risk management framework are no longer appropriate, WNZL may incur unexpected losses and be required to undertake considerable remedial work. The failure to remedy this situation could result in increased scrutiny from regulators, who could take supervisory action such as requiring WNZL to hold additional capital or directing WNZL to spend money to enhance its risk management systems and controls. Inadequacies in addressing risks or in WNZL's risk management framework could also result in WNZL failing to meet a compliance obligation and/or financial losses.

If any of WNZL's governance or risk management processes and procedures prove ineffective or inadequate or are otherwise not appropriately implemented, WNZL could suffer unexpected losses and reputational damage which could adversely affect its business, prospects, financial performance or financial condition.

WNZL's failure to recruit and retain key executives, employees and Directors may have adverse effects on its business

Key executives, employees and Directors play an integral role in the operation of WNZL's business and its pursuit of its strategic objectives. The unexpected departure of an individual in a key role, or WNZL's failure to recruit and retain appropriately skilled and qualified persons into these roles, could each have an adverse effect on its business, prospects, reputation, financial performance or financial condition.

Climate change may have adverse effects on WNZL's business

WNZL, its customers and external suppliers may be adversely affected by the physical risks of climate change, including increases in temperatures, sea levels, and the frequency and severity of adverse climatic events including fires, storms, floods, and droughts. These effects, whether acute or chronic in nature, may directly impact WNZL and its customers through reputational damage, environmental factors, insurance risk, and business disruption and may have an adverse impact on financial performance (including through an increase in defaults in credit exposures).

Initiatives to mitigate or respond to adverse impacts of climate change may impact market and asset prices, economic activity, and customer behaviour, particularly in geographic locations and industry sectors adversely affected by these changes. Failure to effectively manage these transition risks could adversely affect WNZL's business, prospects, reputation, financial performance or financial condition.

WNZL could suffer losses due to environmental factors

WNZL and its customers operate businesses and hold assets in a diverse range of geographic locations. Any significant environmental change or external event (including fire, storm, flood, earthquake, pandemic, civil unrest or terrorism) in any of these locations has the potential to disrupt business activities, impact on WNZL's operations, damage property and otherwise affect the value of assets held in the affected locations and WNZL's ability to recover amounts owing to it. In addition, such an event could have an adverse impact on economic activity, consumer and investor confidence, or the levels of volatility in financial markets, all of which could adversely affect WNZL's business, prospects, financial performance or financial condition.

Changes in critical accounting estimates and judgements could expose WNZL to losses

WNZL is required to make estimates, assumptions and judgements when applying accounting policies and preparing its financial statements, particularly in connection with the calculation of provisions (including those related to remediations or credit losses) and the determination of the fair value of financial instruments. A change in a critical accounting estimate, assumption and/or judgement resulting from new information or from changes in circumstances or experience could result in WNZL incurring losses greater than those anticipated or provided for. This may have an adverse effect on WNZL's financial performance, financial condition and reputation. WNZL's financial performance and financial condition may also be impacted by changes to accounting standards or to generally accepted accounting principles.

WNZL could suffer losses due to impairment of capitalised software, goodwill and other intangible assets that may adversely affect its business, operations and financial condition

In certain circumstances WNZL may be exposed to a reduction in the value of intangible assets. As at 30 September 2019, WNZL carried goodwill principally related to its investments in New Zealand, as well as intangible capitalised software balances.

WNZL is required to assess the recoverability of the goodwill and other intangible asset balances on at least an annual basis or wherever an indicator of impairment exists. For this purpose WNZL uses a discounted cash flow calculation. Changes in the methodology or assumptions upon which the calculation is based, together with changes in expected future cash flows, could materially impact this assessment, resulting in the potential write-off of part or all of the intangible assets.

In the event that an asset is no longer in use or its value has been reduced or that its estimated useful life has declined, an impairment will be recorded, adversely impacting WNZL's financial condition. The estimates and assumptions used in assessing the useful life of an asset can be affected by a range of factors including changes in strategy and the rate of external changes in technology and regulatory requirements.

WNZL could suffer losses if it fails to syndicate or sell down underwritten securities

As a financial intermediary WNZL underwrites listed and unlisted debt securities. Underwriting activities include the development of solutions for corporate and institutional customers who need capital and investor customers who have an appetite for certain investment products. WNZL may guarantee the pricing and placement of these facilities. WNZL could suffer losses if it fails to syndicate or sell down its risk to other market participants. This risk is more pronounced in times of heightened market volatility.

Certain strategic decisions may have adverse effects on WNZL's business

WNZL, at times, evaluates and may implement strategic decisions and objectives including diversification, innovation, divestment or business expansion initiatives, including acquisitions of businesses. The expansion, or integration of a new business, or entry into a new business, can be complex and costly and may require WNZL to comply with additional local or foreign regulatory requirements which may carry additional risks. In addition, WNZL may be unable to successfully divest businesses or assets.

These activities may, for a variety of reasons, not deliver the anticipated positive business results and could have a negative impact on WNZL's business, prospects, reputation, engagement with regulators, financial performance or financial condition.

3. FACTORS AFFECTING THE ISSUER

The Issuer is a wholly-owned indirect subsidiary of WNZL and, as such, is affected by the same risk factors which affect WNZL. There are no additional risk factors solely affecting the Issuer.

4. RISK FACTORS RELATING TO THE CB GUARANTOR, INCLUDING THE ABILITY OF THE CB GUARANTOR TO FULFIL ITS OBLIGATIONS IN RELATION TO THE COVERED BOND GUARANTEE

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

Following service of a Notice to Pay (but prior to service of a CBG Acceleration Notice), the CB Guarantor will be obliged under the terms of the Covered Bond Guarantee to pay Guaranteed Amounts as and when the same are Due for Payment. However, the CB Guarantor will only be obliged to make payments in respect of the Final Redemption Amount that are due and payable on any Interest Payment Date up until the Maturity Date or the Extended Due for Payment Date to the extent that it has sufficient monies available under the Guarantee Priority of Payments to do so.

Payments by the CB Guarantor under the Covered Bond Guarantee will be made subject to any applicable withholding or deduction and the CB Guarantor will not be obliged to pay any additional amounts as a consequence. Prior to service on the CB Guarantor of a CBG Acceleration Notice, the CB Guarantor will not be obliged to make any payments in respect of broken funding indemnities, penalties, premiums or default interest which may accrue on or in respect of the Covered Bonds. In addition, subject to the payment of AIL discussed below, the CB Guarantor will not be obliged at any time to make any payments in respect of additional amounts which may become payable by the Issuer or the Group Guarantor under Condition 8 (*Taxation*). Where New Zealand non-resident withholding tax is required to be deducted, and the rate of that Tax could be reduced to 0% if AIL was paid, the CB Guarantor will (provided it is lawfully able) be required to pay the AIL. There can be no assurance that the rate of New Zealand non-resident withholding tax can be reduced to 0% by paying AIL. The CB Guarantor may also be required by law to pay AIL in the event New Zealand non-resident withholding tax would be payable but for an exemption under a double tax agreement. See further *No gross-up under the Covered Bond Guarantee* below.

Subject to the applicable grace period in the Terms and Conditions, if (after service of a Notice to Pay) the CB Guarantor fails to make a payment when Due for Payment under the Covered Bond Guarantee or any other CBG Event of Default occurs, then the Bond Trustee may accelerate the obligations of the CB Guarantor under the Covered Bond Guarantee by service of a CBG 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, in each case, additional amounts payable under Condition 8 (*Taxation*)). Where New Zealand non-resident withholding tax is required to be deducted, and the rate of that Tax could be reduced to 0% if AIL was paid, the CB Guarantor will (provided it is lawfully able) be required to pay the AIL (also see above). Following service of a CBG Acceleration Notice, 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 Trust Deed, and Covered Bondholders will receive amounts from the CB Guarantor on an accelerated basis.

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

The CB Guarantor's ability to meet its obligations under the Covered Bond Guarantee will depend on (a) the realisable value of Selected Loans and their Related Security in the Portfolio and any Substitution Assets and/or Authorised Investments, (b) the amount of Available Revenue Receipts and Available Principal Receipts generated by the Portfolio and any Substitution Assets and/or Authorised Investments and the timing thereof, (c) amounts received from, and payable to, the Swap Providers and (d) the receipt by it of credit balances and interest on credit balances on the GI Account, if applicable, the Stand-by GI Account and the other CBG Accounts. The CB Guarantor will not have any other source of funds available to meet its obligations under the Covered Bond Guarantee.

If, following the occurrence of a CBG Event of Default and service of a CBG Acceleration Notice, the Security created by or pursuant to the Security Trust Deed is enforced, 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 Trust Deed, the Secured Creditors have not received the full amount due to them pursuant to the terms of the Transaction Documents, then they may still have an unsecured claim against the Issuer and the Group Guarantor for the shortfall. There is no guarantee that the Issuer and the Group Guarantor will have sufficient funds to pay that shortfall.

In addition, all obligations of the CB Guarantor to the Covered Bondholders in respect of the Secured Obligations owing to the Covered Bondholders are limited in recourse to the Charged Property. If:

(a) there is no Charged Property remaining which is capable of being realised or otherwise converted into cash;

(b) all amounts available from the Charged Property have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Security Trust Deed; or

(c) there are insufficient amounts available from the Charged Property to pay in full, in accordance with the provisions of the Security Trust Deed, the Secured Obligations,

then the Covered Bondholders shall have no further claim against the CB Guarantor in respect of the amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged and any relevant payment rights shall be deemed to cease.

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 Transaction Documents.

Covered Bondholders should note that the Asset Coverage Test has been structured to test whether the Adjusted Aggregate Loan Amount is equal to or greater than the aggregate NZ Dollar Equivalent of the Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding, which should reduce the risk of there being a shortfall (although there is no assurance of this): see *Summary of the Principal Documents – Participation Agreement – Asset Coverage Test*. The Asset Coverage Test has been structured to test whether the Portfolio is sufficient to pay amounts due on the Covered Bonds and senior ranking expenses which will include costs relating to the maintenance, administration and winding-up of the Portfolio while the Covered Bonds are outstanding. However no assurance can be given that the Portfolio will yield sufficient amounts for such purpose.

Maintenance of Portfolio

Asset Coverage Test: The Asset Coverage Test is met if the Adjusted Aggregate Loan Amount is equal to or exceeds the aggregate NZ Dollar Equivalent of the Principal Amount Outstanding of the Covered Bonds from time to time. Pursuant to the terms of the Participation Agreement, the CB Guarantor agrees to use all commercially reasonable endeavours to acquire Loans and their Related Security in order to ensure that the Portfolio is in compliance with the Asset Coverage Test. The Portfolio is not static and its composition will change over time.

If a breach of the Asset Coverage Test occurs as of any Calculation Date and is not cured as of the following Calculation Date, the Bond Trustee will serve an Asset Coverage Test Breach Notice on the CB Guarantor which (unless and until it is revoked) may result, *inter alia*, in the sale of Selected Loans: see further *Summary of the Principal Documents – Participation Agreement – Sale of Selected Loans following Service of an Asset Coverage Test Breach Notice*. If an Asset Coverage Test Breach Notice has been served and not revoked on or before the Test Date following service of such Asset Coverage Test Breach Notice, then an Issuer Event of Default shall occur and the Bond Trustee shall be entitled (and, in certain circumstances, may be required) to serve an Issuer Acceleration Notice on the Issuer and the Group Guarantor. Following service of an Issuer Acceleration Notice, the Bond Trustee must serve a Notice to Pay on the CB Guarantor.

Amortisation Test: Pursuant to the Participation Agreement, the CB Guarantor must ensure, as of each Calculation Date following service of a Notice to Pay but prior to service of a CBG Acceleration Notice and/or realisation of the Security, that the Amortisation Test Aggregate Loan Amount is in an amount at least equal to the aggregate NZ Dollar Equivalent of the Principal Amount Outstanding of the Covered Bonds. The Amortisation Test is intended to test whether the assets of the CB Guarantor fall below a certain threshold, and therefore whether the assets of the CB Guarantor are sufficient to meet its obligations under the Covered Bond Guarantee and senior expenses that rank in priority to or *pari passu* with amounts due on the Covered Bonds.

If the value of the Portfolio has not been maintained in accordance with the terms of the Asset Coverage Test and, if applicable, the Amortisation Test, then that may affect the realisable value of the Portfolio or any part thereof (both before and after the occurrence of a CBG Event of Default) and/or the ability of the CB Guarantor to make payments under the Covered Bond Guarantee.

Prior to service of a Notice to Pay or a CBG Acceleration Notice, the Asset Monitor will, subject to receipt of the relevant information from the Cash Manager, test the calculations performed by the Cash Manager in respect of the Asset Coverage Test once each year as of the Calculation Date immediately prior to each anniversary of the Programme Date and more frequently in certain circumstances. Following service of a Notice to Pay (but prior to service of a CBG Acceleration Notice), the Asset Monitor will be required to test the calculations performed by the Cash Manager in respect of the Amortisation Test: see further *Summary of the Principal Documents – Asset Monitor Agreement.*

Asset Register: In order to meet the requirements of the Reserve Bank Act, the Administrative Agent is required to maintain a register of cover pool assets that complies with procedures and internal controls put in place to ensure that the register is kept up-to-date and accurate, and that the cover pool assets remain consistent with any asset class designation specified by the RBNZ. Currently no asset class designation has been specified by the RBNZ. The Asset Monitor is required to assess compliance with the requirements set out in the Reserve Bank Act in relation to the keeping and maintaining of the register, including assessing compliance with the procedures and internal controls put in place to ensure that the register is kept up-to-date and compliance with the requirements of any asset class designation specified by the RBNZ.

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

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

The realisable value of Selected Loans and their Related Security comprised in the Portfolio may be reduced (which may affect the ability of the CB Guarantor to make payments under the Covered Bond Guarantee) by:

(a) default by Borrowers in payment of amounts due on their Loans;

(b) the Loans of New Sellers being included in the Portfolio;

(c) changes to the lending criteria of the Seller;

(d) issues affecting the CB Guarantor's title to the Loans and their Related Security in the Portfolio;

(e) set-off risks in relation to some Loans in the Portfolio;

(f) no representations or warranties being given by the CB Guarantor or the Seller if Selected Loans and their Related Security are to be sold;

(g) limited recourse to the Seller (including in respect of breaches of the Representations and Warranties);

(h) the Seller or any New Seller advancing amounts to Borrowers over their Mortgage's specified priority amount;

(i) the effect of the New Zealand Credit Contracts and Consumer Finance Act on the Loans and their Related Security in the Portfolio; and

(j) the application of the Banking Ombudsman Scheme to the Seller.

Each of these factors is considered in more detail below. However, it should be noted that the Asset Coverage Test, the Amortisation Test and the Eligibility Criteria are intended to ensure that there will be an adequate amount of Loans in the Portfolio and monies standing to the credit of the GI Account to enable the CB Guarantor to repay the Covered Bonds following service on the CB Guarantor of a Notice to Pay or a CBG Acceleration Notice.

Default by Borrowers in paying amounts due on their Loans

Borrowers may default on their obligations under the Loans in the Portfolio. Defaults may occur for a variety of reasons. The 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, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the 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 Loans. In addition, the ability of a Borrower to sell a property given as security for a Loan at a price sufficient to repay the amounts outstanding under that Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time. Any of the above may affect the realisable value of the Portfolio or any part thereof or the ability of the CB Guarantor to make payments under the Covered Bond Guarantee.

Any Defaulted Loans in the Portfolio will be given a zero weighting for the purposes of any calculation of the Asset Coverage Test and the Amortisation Test.

The Loans of New Sellers may be included in the Portfolio

New Sellers may in the future accede to the Programme and sell Loans and their Related Security to the CB Guarantor. However, this would only be permitted if the conditions precedent relating to New Sellers acceding to the relevant Transaction Documents (more fully described under *Summary of the Principal Documents – Mortgage Sale Agreement – New Sellers* below) are met. Provided that those conditions are met, the consent of Covered Bondholders to the accession of any New Seller to the relevant Transaction Documents will not need to be obtained.

Any loans originated by a New Seller will have been originated in accordance with the lending criteria of the New Seller, which may differ from the Lending Criteria for Loans originated by the Seller. If the lending criteria differ in a way that affects the creditworthiness of the Loans in the Portfolio, that may lead to increased defaults by Borrowers and may affect the realisable value of the Portfolio or any part thereof or the ability of the CB Guarantor to make payments under the Covered Bond Guarantee. As noted above, however, Defaulted Loans in the Portfolio will be given a zero weighting for the purposes of the calculation of the Asset Coverage Test and the Amortisation Test.

Changes to the Lending Criteria of the Seller

Each of the Loans originated by the Seller or the Originator will have been originated in accordance with its Lending Criteria at the time of origination. It is expected that the Seller's Lending Criteria will generally consider type of property, term of loan, age of applicant, the loan-to-value ratio, status of applicant, credit history and serviceability. In the event of the assignment of any Loans and their Related Security to the CB Guarantor, the only warranty the Seller will give in respect of its Lending Criteria is that such Loans and Related Security were originated in accordance with its Lending Criteria applicable at the time of origination. The Seller retains the right to revise its Lending Criteria from time to time but would do so only to the extent that such a change would be acceptable to a Reasonable, Prudent Mortgage Lender. If the Lending Criteria change in a manner that affects the creditworthiness of the Loans, that may lead to increased defaults by Borrowers and may affect the realisable value of the Portfolio, or part thereof, and the ability of the CB Guarantor to make payments under the Covered Bond Guarantee. As noted above, however, Defaulted Loans in the Portfolio will be given a zero weighting for the purposes of the calculation of the Asset Coverage Test and the Amortisation Test.

Issues affecting the CB Guarantor's title to the Loans and their Related Security in the Portfolio

On the relevant Assignment Date the CB Guarantor will only take an equitable assignment of the relevant Loans and their Related Security, and will not have legal title to such Loans and their Related Security. Consequently, certain New Zealand statutes could impact on the value of the equitable interest in the Loans and their Related Security that the CB Guarantor receives.

Assignment under the New Zealand Property Law Act

The Loans and their Related Security are subject to the provisions of the New Zealand Property Law Act 2007 (**PLA**). The sale of the Loans and their Related Security will be by equitable assignment, meaning the Seller, and not the CB Guarantor, will hold legal title to the Loans and their Related Security (and will be the registered owner of the Mortgages) on the relevant Assignment Date. The CB Guarantor's rights as assignee of the Loans and their Related Security are subject to any equities in relation to the Loans and their Related Security that arise before the relevant Borrower has actual notice of the assignment. For a further description, see *Set-off risks in relation to some Loans in the Portfolio* below.

Until notice of the assignment is received by a Borrower, any payment by that Borrower to the Seller discharges the Borrower's debt to the extent of the payment. As the CB Guarantor will not have the right to give notice of the assignment to the Borrower until one of the circumstances described in *Summary of the Principal Documents – Mortgage Sale Agreement – Perfection of the Assignment of the Loans and their Related Security to the CB Guarantor* has occurred, there is, therefore, a risk that a Borrower may make payments to the Seller after the Seller has become insolvent, but before the Borrower receives notice of the assignment of the relevant Loan and Related Security. These payments may not be able to be recovered by the CB Guarantor. The financing statement (further described below) that has been registered in respect of the Loans and their Related Security is not sufficient to constitute notice to the Borrowers of the assignment.

Until legal title is transferred to the CB Guarantor, the CB Guarantor will need to join the Seller as a party to any legal proceedings to enforce its rights under the Loans and their Related Security.

Application of the New Zealand Personal Property Securities Act

The sale of the Loans and any Related Security that is not an interest in land (such as a Mortgage) is a deemed security interest under the New Zealand Personal Property Securities Act 1999 (**PPSA**), as it is a transfer of "accounts receivable" (as defined in the PPSA). Consequently, in order to obtain a first priority security interest in these accounts receivable, the CB Guarantor needs to register a financing statement in respect of the Loans (and any Related Security that is not a Mortgage) on the Personal Property Securities Register against the Seller, prior to any other person registering a financing statement against the Seller in respect of the same Loans (and any Related Security that is not a Mortgage). Such a financing statement was registered by the CB Guarantor prior to the sale of the Initial Portfolio to the CB Guarantor, and that financing statement extends to any further sales of Loans (and any Related Security that is not a Mortgage) to the CB Guarantor by the Seller.

Under the PPSA, the CB Guarantor takes each Loan (and any Related Security that is not a Mortgage) subject to the terms of the relevant Loan and its Related Security, any defences or claim arising from the Loan and its Related Security or a closely connected contract, and also subject to any defence or claim of the Borrower against the Seller that accrues before the Borrower acquires notice of the assignment. Accordingly, there may be rights that arise in favour of a Borrower prior to the Borrower acquiring notice of the assignment that could affect the value of the Loans and their Related Security. See *Set-off risks in relation to some Loans in the Portfolio* below.

Application of New Zealand's system of registration of title to the Mortgages

As described above, legal title to the Loans and their Related Security will not be transferred to the CB Guarantor until after one of the circumstances described in *Summary of the Principal Documents – Mortgage Sale Agreement – Perfection of the Assignment of the Loans and their Related Security to the CB Guarantor* has occurred. In relation to the Mortgages, under New Zealand's system of registration of title, subject to fraud on the part of the registered owner, registration gives the registered owner indefeasible title to the relevant Mortgage. Due to the operation of this system, and the fact that the Seller, and not the CB Guarantor, will be registered as the legal owner of the Mortgages, it is possible that the CB Guarantor's interest in the Mortgages could be adversely affected.

This could occur in relation to any particular Mortgage if the Seller transfers the legal title to the Mortgage to a third party, discharges the Mortgage (including by way of exercising mortgagee powers of sale and selling the property to a third party), charges the Mortgage to a third party, or consents to a dealing in favour of a third party that affects the value of the Mortgage. Registration of any such transaction in favour of the third party under the New Zealand Land Transfer Act 2017 (**LTA**) would make the third party's interest, in the absence of fraud (defined in the LTA as “forgery or other dishonest conduct”) by the third party, indefeasible, and would result in the CB Guarantor being unable to enforce the Mortgage or the Mortgage having a reduced value to the CB Guarantor.

Under the LTA, the Courts are authorised to make an order altering the land register in cases of 'manifest injustice'. However, the threshold for determining whether a manifest injustice has occurred is high. The Courts are required to take a variety of factors into account when determining whether to make an order, and the existence of forgery or other dishonest conduct does not, of itself, constitute manifest injustice. The provision is likely to only be of practical effect where damages and compensation are not adequate remedies. Additionally, the provision cannot be relied on where the estate or interest has been transferred to a third person.

For the CB Guarantor's interest in the Mortgages to be negatively affected as described above, the Seller would have to breach its contractual obligations to the CB Guarantor, make a mistake, or act in a fraudulent or negligent manner.

It is unlikely that a third party would acquire a Mortgage without also acquiring the underlying Loan and any Related Security that is not a Mortgage. A search by such third party of the Personal Property Securities Register would show the financing statement in respect of the Loans and Related Security that underlie the Mortgage registered in favour of the CB Guarantor, thereby putting the third party on notice of the CB Guarantor's interest in these assets. Although this notice alone is not enough to constitute fraud on the part of the third party, it would make the occurrence of any of the transactions described above less likely.

Claims against Borrowers

For so long as the CB Guarantor does not have legal title, the Seller will undertake for the benefit of the CB Guarantor and the Secured Creditors that it will, if reasonably required to do so by the CB Guarantor or the Security Trustee, participate or join in any legal proceedings to the extent necessary to protect, preserve and enforce the Seller's, the CB Guarantor's or the Security Trustee's title to or interest in any Loan or its Related Security, and take such other steps as may be reasonably required by the CB Guarantor or the Security Trustee in relation to any legal proceedings in respect of the Loans and their Related Security.

Set-off risks in relation to some Loans in the Portfolio

As noted in the immediately preceding risk factor, under both the PLA and the PPSA, the CB Guarantor takes the Loans and their Related Security subject to any equities, claims or defences as between the Borrower and the Seller that had arisen or accrued prior to the Borrower receiving notice of the assignment. Included in such equities, claims and defences are any rights of set-off by the Borrower against the Seller that accrue or arise before the Borrower receives notice of the assignment, such as rights of set-off which occur in relation to transactions or deposits made between Borrowers and the Seller.

However, any right of set-off should be precluded or extinguished by an express provision in the underlying contract or contracts between the Borrower and the Seller under which the Loans and their Related Security are constituted that disclaims any right of set-off. Such rights of set-off are disclaimed in the Seller's standard form of Mortgage and certain forms of Loans. Where a Borrower's loan obligations are secured by a Mortgage granted by the Borrower, such rights of set-off should not arise. If a Borrower's loan is not secured by a Mortgage granted by the Borrower, but is secured by a mortgage granted by a third party guarantor, then, unless the Borrower's Loan includes an express provision precluding any right of set off, the Borrower will not have disclaimed any rights of set-off and so as between the Borrower and the CB Guarantor such rights of set-off may arise. However, to the extent that the Borrower may have any residual rights of set-off, on a claim by the CB Guarantor under the guarantee the third party guarantor will have no right to benefit from the Borrower's entitlement to claim a right of set-off.

The exercise of set-off rights by Borrowers may adversely affect the realisable value of the Portfolio and/or the ability of the CB Guarantor to make payments under the Covered Bond Guarantee.

Loan offsets

The Loans may contain certain features which permit Borrowers to reduce the amount of interest payable on their Loans by the amount of interest earned on any designated account. This feature of the Loans could reduce the amount of interest payable to the CB Guarantor. In relation to such Loans, the Seller represents and warrants that each Loan Offset Document provides the Seller with the right to terminate the applicable loan offset arrangement by giving not more than 14 days' notice (or such other longer minimum period of notice required by Law or in any code of practice that Reasonable, Prudent Mortgage Lenders are subject to). In addition, if a Title Trigger Event has occurred, the Servicer and the Seller must terminate each Loan Offset Document and each related loan offset arrangement, or take such other steps or action, or enter into such other agreements or arrangements, in relation to the Loan Offset Documents and their related loan offset arrangements, that have the effect of avoiding a further downgrade of the then current ratings of the Covered Bonds.

No representations or warranties to be given by the CB Guarantor or the Seller if Selected Loans and their Related Security are to be sold

Following a failure of the Pre-Maturity Test or service of an Asset Coverage Test Breach Notice (which is not revoked) or a Notice to Pay on the CB Guarantor (but in each case prior to the service of a CBG Acceleration Notice and/or realisation of the Security), the CB Guarantor may sell Selected Loans and their Related Security to third party purchasers, subject to a right of pre-emption in favour of the Seller pursuant to the terms of the Participation Agreement: see *Summary of the Principal Documents – Participation Agreement – Method of sale of Selected Loans.* In respect of any sale of Selected Loans and their Related Security to third parties, however, the CB Guarantor will not be permitted to give representations and warranties or indemnities in respect of those Selected Loans and their Related Security (unless expressly permitted to do so by the Seller and the Security Trustee). There is no assurance that the Seller would give any representations and warranties or indemnities in respect of the Selected Loans and their Related Security. It should be noted that any Representations and Warranties previously given by the Seller to the CB Guarantor in respect of the Loans in the Portfolio under the Mortgage Sale Agreement do not pass to any third party acquiring the Selected Loans and their Related Security from the CB Guarantor. Accordingly, there is a risk that the realisable value of the Selected Loans and their Related Security could be adversely affected by the lack of representations and warranties or indemnities which in turn could adversely affect the ability of the CB Guarantor to meet its obligations under the Covered Bond Guarantee.

Limited recourse to the Seller (including in respect of breaches of the Representations and Warranties)

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

In the event of a material breach of any of the Representations and Warranties in respect of any Loan and/or its Related Security or if any Representations or Warranties prove to be materially untrue as at the relevant Cut-Off Date in respect of each such Loan and its Related Security, and provided that:

(a) the CB Guarantor (or the Servicer on its behalf) has given the Seller not less than ten NZ and Sydney Business Days' notice in writing of such material breach or such Representation or Warranty proving to be materially untrue as of the relevant date;

(b) the CB Guarantor (or the Servicer on its behalf) has given notice in writing of such material breach or such Representation or Warranty proving to be materially untrue as of the relevant date to the Security Trustee; and

(c) such breach or untruth is not waived by the parties or, where capable of remedy, not remedied by the Seller to the reasonable satisfaction of the Security Trustee (acting in its discretion) within the ten NZ and Sydney Business Day period (or such longer period as the Security Trustee (acting in its discretion) may direct the CB Guarantor in writing),

then the CB Guarantor shall serve upon the Seller a Loan Repurchase Notice requiring the Seller to purchase the relevant Loan and its Related Security (and any other Loan secured or intended to be secured by that Related Security or any part of it).

There can be no assurance that the Seller will have the financial resources to repurchase a Loan or Loans and its or their Related Security. There is no recourse to the Seller in respect of a breach of a Representation or Warranty other than in relation to its obligation to repurchase and should the Seller fail to repurchase any such loans, the retention of such loans in the Portfolio could ultimately affect the realisable value of the Portfolio.

The Seller or any New Seller may advance amounts to Borrowers over their Mortgage's specified priority amount

There is a risk that the Seller or any New Seller may advance amounts under a Mortgage to a Borrower in excess of the stated priority limit of the Borrower's Mortgage. Subject to any arrangement between the Seller and the subsequent mortgagee, the priority of the Seller's (and therefore the CB Guarantor's) security under the Mortgage will not extend to amounts advanced over the stated priority limit, ahead of a subsequent mortgagee.

However, the Seller's internal policy specifies that a priority limit must be specified in each Mortgage, and internal controls prohibit lending over this limit. Accordingly, the risk of the above situation arising is considered unlikely to occur, especially so in the context of a material number of the Mortgages in the Portfolio.

Effect of the New Zealand Credit Contracts and Consumer Finance Act on the Loans and their Related Security in the Portfolio

The New Zealand Credit Contracts and Consumer Finance Act 2003 (**CCCFA**) applies to the Loans, which are "consumer credit contracts" for the purposes of the CCCFA. The CCCFA imposes a number of obligations and requirements on creditors of consumer credit contracts, and non-compliance with these obligations and requirements could impact on the CB Guarantor (as the creditor) and affect the realisable value of the Loans and their Related Security.

In particular non-compliance with certain provisions of the CCCFA can affect the enforceability of consumer credit contracts and related guarantees and in some circumstances, the ability of the lender to recover costs of borrowing and other fees in relation to certain credit contracts.

Responsible lending principles

Since June 2015 creditors have been required to comply with various responsible lending principles set out in the CCCFA, which are elaborated on in a non-binding responsible lending code. The responsible lending principles set out lenders' responsibilities to borrowers and guarantors, and generally require lenders to exercise the care, diligence and skill of a responsible lender in their dealings with borrowers and guarantors. They also impose obligations on the lender to make reasonable enquiries before entering into a consumer credit contract and to ensure that the relevant credit contract is not oppressive. A breach of the responsible lending principles could lead to a contract being reopened for oppression.

The Credit Contracts Legislation Amendment Bill, currently before Parliament, proposes further amendments to the CCCFA to, among other things, provide for stricter requirements around suitability and

affordability assessments and introduce interest rate caps for high-cost consumer credit contracts. They will also increase the potential consequences of a breach of responsible lending principles, such as providing for statutory damages in certain cases, and limiting the enforceability of guarantees related to loans entered into after a failure to make appropriate affordability enquires. The changes are expected to be enacted in late 2019 and come into force at various times between enactment and April 2021.

Disclosure requirements

The CCCFA imposes various disclosure requirements, initial disclosure, continuing disclosure, variation disclosure, request disclosure, guarantee disclosure and transfer disclosure (discussed below). If these requirements are breached, the debtor may sue the creditor for statutory damages and, in some cases, the costs of borrowing will be unable to be charged to the debtor during the period of non-disclosure. These disclosure breaches can also be enforced by the New Zealand Commerce Commission (**NZCC**).

Fees not to be unreasonable

The CCCFA provides that the fees charged in relation to a consumer credit contract must not be unreasonable. These include establishment fees, prepayment fees, default fees and other credit fees. If the fee is unreasonable a Court may cancel it or reduce it on the application of a debtor (or guarantor) or the NZCC.

In determining whether the fees are reasonable, a Court considers whether the fee reasonably compensates the creditor for any cost incurred by the creditor, and, in relation to default fees, whether the fee reasonably compensates the creditor for any cost incurred by the creditor and/or whether the fee is a reasonable estimate of any loss incurred by the creditor. In each case, the Court must also have regard to reasonable standards of commercial practice when making a determination.

Unforeseen hardship

The CCCFA provides debtors with a right to apply to a creditor for certain changes to the terms of the credit contract in cases of unforeseen hardship, so long as certain conditions are met, including that the debtor is not already in default. A debtor who is unable reasonably to meet its obligations because of illness, injury, loss of employment or the end of a relationship or other reasonable cause can apply to a creditor for a change in the terms of the credit contract provided it reasonably expects to be able to discharge its obligations if the change is made and the debtor can make the amended payments without substantial hardship.

Reopening of consumer credit contracts if they are oppressive

The CCCFA also provides for consumer credit contracts and any related guarantee to be reopened if they are oppressive (that is "oppressive, harsh, unjustly burdensome, unconscionable, or in breach of reasonable standards of commercial practice"). If a Court reopens a credit contract, it may make any orders that it thinks necessary to remedy the matters that caused it to reopen the contract.

Need to register as a financial service provider

All creditors under consumer credit contracts are required to register as financial service providers under the Financial Service Providers (Registration and Dispute Resolution) Act 2008 of New Zealand (**FSP(RDR)A**). A breach of this obligation can affect the enforceability of the relevant consumer credit contracts and related guarantees and the ability of the lender to recover costs of borrowing and other fees in relation to certain consumer credit contracts.

The proposals before Parliament referred to above also include amending the FSP(RDR)A from 2021 to include certification requirements for creditors and their senior managers and directors (including fit and proper person requirements for those senior managers and directors).

Unfair contract terms

In 2015 changes were made to New Zealand's Fair Trading Act 1986 (**FTA**) to allow the NZCC to apply to the Court for a declaration that a term of a "standard form consumer contract" that was entered into, varied or renewed after 17 March 2015 is an "unfair contract term", and is deemed void. Each Loan is a "standard form consumer contract" for the purposes of the FTA.

A term (other than certain key terms) in a standard form consumer contract will be an "unfair contract term" 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 a detriment to a party if it were applied, enforced, or relied upon.

Whether a term in a contract is an "unfair contract term" will depend on the facts and circumstances surrounding each contract. 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.

The application of the Banking Ombudsman Scheme to the Seller

The Seller is a participating bank under the Banking Ombudsman Scheme. Under the Banking Ombudsman Terms of Reference, the Banking Ombudsman will consider complaints relating to financial services and facilitate the resolution, settlement or withdrawal of such complaints 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 including any relevant judicial authority and general principles of good banking practice. The Banking Ombudsman has the power to consider complaints in respect of participating banks, subject to certain exceptions, including where claims exceed the financial limit (NZ$350,000 as of 1 April 2019), that 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 or other tribunal or arbitrator. Complaints to the Banking Ombudsman must first have been considered by the internal complaint procedures of the relevant bank. The Banking Ombudsman may order a money award to a Borrower, which may adversely affect the value at which the Loans and Related Security could be realised. As a matter of practice complaints in respect of Loans and their Related Security are normally satisfactorily settled through the Seller's internal complaint procedures, and so awards by the Banking Ombudsman on such issues are rare.

Valuation methodology and insurance requirements

Not all Loans in the Portfolio have been originated after a formal valuation of the property securing such Loans has been obtained. The Lending Criteria allow a range of valuation methodologies to be used. These depend on the loan to value ratio applicable to the particular Loan. In a number of cases the loan to value ratio would have been sufficiently low such that the loan to value ratio for such Loans will have been determined by reference to the purchase price of the relevant property only. In a number of other cases "desktop valuations", using an automated valuation model provided by an independent third party or valuations used by local councils for rating purposes, will have been used. Only in respect of Loans where the loan to value ratio is above a certain level would a specific, formal, valuation of the relevant property have been obtained. In addition, other than when a Further Advance is made, the Seller does not generally require revaluations of properties over the term of a Loan to reassess the relevant loan to value ratio. In this context it should be noted that there is no general housing valuation index in New Zealand against which the value of properties is able to be assessed. The Seller's policies with regard to valuations and revaluations reflect New Zealand market practice.

The Seller does not hold any general insurance policy as either a primary or "back-up" dwelling/building damage or destruction insurance for properties in respect of which it provides Loans in the Portfolio. Under the Mortgage Terms for each Loan, Borrowers are required to take out their own dwelling/building insurance, with an obligation to have the Seller's interest in such insurances noted on the policy. As part of

its Lending Criteria the Seller generally requires evidence of such dwelling/building insurance as a condition to taking the Mortgage. However, the Seller does not generally take steps to confirm that such insurances remain in place once the Mortgage is held. Instead the Seller relies on Borrowers complying with the insurance covenant in the Mortgage Terms. The Seller's policy of imposing on the Borrower the obligation to obtain such insurance, and the Seller's approach to verifying the existence of such insurance, reflect New Zealand market practice.

Impact of the termination of the Interest Rate Swap

The Loans in the Portfolio are likely substantially to consist of fixed rate Loans (reflecting the current position in the New Zealand housing loan market generally, where a significant majority of loans are fixed rate loans). Accordingly, in the event that the Interest Rate Swap was terminated, any delay in replacing the Interest Rate Swap could have an adverse impact on the CB Guarantor and its ability to meet its obligations under the Transaction Documents.

As the Interest Rate Swap has been entered into on market terms and the obligations of the Interest Rate Swap Provider will be collateralised, in the event that its credit ratings are downgraded below specified ratings, it is expected that the CB Guarantor would be able promptly to find a replacement Interest Rate Swap Provider. However, there is a risk that this may not occur.

In the event of any delay in finding a replacement Interest Rate Swap Provider, the CB Guarantor would set the rates on the variable rate Loans so as to achieve a rate in aggregate at least equal to the Threshold Rate, enabling the CB Guarantor to meet its obligations under the Transaction Documents.

If the rate set on the variable rate Loans was higher than the existing rate on the variable rate Loans, this could place additional stress on the underlying Borrowers' ability to meet their interest obligations under the Loans. In addition, if the Threshold Rate was such that the rate set on those variable rate Loans was significantly above interest rates charged by other lenders, it is possible that the Threshold Rate could be subject to challenge under the CCCFA on the basis that such interest rate is oppressive (see *Effect of the New Zealand Credit Contracts and Consumer Finance Act on the Loans and their Related Security in the Portfolio* above) or could trigger regulatory pressure to reduce such rate. This could affect the ability of the CB Guarantor to set the rate on variable rate Loans at a rate sufficient to achieve the Threshold Rate, and this could lead to a failure to receive sufficient Revenue Receipts for the CB Guarantor to comply with its obligations.

Reliance of the CB Guarantor on third parties

The CB Guarantor has entered into agreements with a number of third parties, which have agreed to perform services for the CB Guarantor. In particular, but without limitation, the Servicer has been appointed to service Loans in the Portfolio, the Cash Manager has been appointed to calculate and monitor compliance with the Asset Coverage Test and the Amortisation Test and to provide cash management services to the CB Guarantor, the Account Bank has been appointed to receive and hold monies on behalf of the CB Guarantor and to provide an agreed rate of interest thereon and the Administrative Agent has been appointed to manage the business of the CB Guarantor. In the event that any of those parties fails to perform its obligations under the relevant agreement to which it is a party, the realisable value of the Portfolio or any part thereof or pending such realisation (if the Portfolio or any part thereof cannot be sold) the ability of the CB Guarantor to make payments under the Covered Bond Guarantee may be affected. For instance, if the Servicer has failed to adequately administer the Loans, this may lead to higher incidences of non-payment or default by Borrowers. The CB Guarantor is also reliant on the Swap Providers to provide it with the funds matching its obligations under the Covered Bond Guarantee, as described in the following two risk factors.

If a Servicer Termination Event occurs pursuant to the terms of the Servicing Agreement, then the CB Guarantor and/or the Security Trustee (acting on the instructions of the Bond Trustee) will be entitled to terminate the appointment of the Servicer and appoint a new servicer in its place. There can be no assurance

that a substitute servicer with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Loans in the Portfolio on the terms of the Servicing Agreement. The ability of a substitute servicer to perform fully the required services would depend on, among other things, the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect the realisable value of the Portfolio or any part thereof and/or the ability of the CB Guarantor to make payments under the Covered Bond Guarantee, and could potentially result in unforeseen additional costs.

The Servicer has no obligation itself to advance payments that Borrowers fail to make in a timely fashion. The Servicer will not be required to seek the consent or approval of the Covered Bondholders before taking any action 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 Cash Manager Termination Event occurs pursuant to the terms of the Cash Management Agreement, then the CB Guarantor and/or the Security Trustee (acting on the instructions of the Bond Trustee) will be entitled to terminate the appointment of the Cash Manager. The CB Guarantor agrees to use its reasonable endeavours to appoint a substitute cash manager. There can be no assurance that a substitute cash manager with appropriate experience will be found who would be willing and able to provide such cash management services on substantially the same terms as the Cash Management Agreement. Any delay or inability to appoint a substitute cash manager may affect the ongoing provision of the cash management services (including operating the CBG Accounts, calculating and monitoring compliance with the Asset Coverage Test and the Amortisation Test, providing information to the Asset Monitor, and carrying out calculations or determinations in respect of the Intercompany Loan Agreement and/or the Subordinated Loan Agreement), which may affect the ability of the CB Guarantor to make payments under the Covered Bond Guarantee.

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

Reliance on Swap Providers

To provide a hedge against possible variances between the interest revenues received by the CB Guarantor, being primarily linked to the rates of interest payable on the Loans in the Portfolio (which may, for instance, include variable rates of interest, discounted rates of interest, fixed rates of interest or rates of interest which track a base rate), and the one month BKBM rate for NZ Dollar deposits, the CB Guarantor has entered into the Interest Rate Swap with the Interest Rate Swap Provider on the terms set out in the Interest Rate Swap Agreement. In addition, to provide a hedge against interest rate, currency and/or other risks in respect of amounts received by the CB Guarantor under the Interest Rate Swap and amounts payable by the CB Guarantor under the Covered Bond Guarantee (after the service of a Notice to Pay on the CB Guarantor) in respect of a Series of Covered Bonds, the CB Guarantor will enter into a Covered Bond Swap with a Covered Bond Swap Provider in respect of that Series of Covered Bonds under a Covered Bond Swap Agreement between the CB Guarantor and that Covered Bond Swap Provider.

If the CB Guarantor fails to make timely payments of amounts due under any Swap Agreement, then it will have defaulted under that Swap Agreement. A Swap Provider is only obliged to make payments to the CB Guarantor as long as the CB Guarantor complies with its payment obligations under the relevant Swap Agreement.

If the Swap Provider of a particular Series is not obliged to make payments or if it defaults on its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the CB Guarantor on the due date for payment under the relevant Swap Agreement, the CB Guarantor will be exposed to changes in the relevant currency exchange rates to the NZ Dollar and to any changes in the relevant rates of interest. Unless a replacement swap is entered into, following the service of a Notice to Pay

on the CB Guarantor, the CB Guarantor may have insufficient funds to make payments under the Covered Bond Guarantee. This may affect an investor in a Series of Covered Bonds even if the non-paying Swap Provider relates to a different Series of Covered Bonds, since the failure to pay on the affected Series of Covered Bonds may affect all of the Covered Bonds under the Covered Bond Programme.

If a Swap Agreement terminates, then the CB Guarantor may also be obliged to make a termination payment to the relevant Swap Provider. There can be no assurance that the CB Guarantor will have sufficient funds available to make a termination payment under the relevant Swap Agreement, nor can there be any assurance that the CB Guarantor will be able to enter into a replacement swap agreement or, if one is entered into, that the credit rating of the replacement swap counterparty will be sufficiently high to prevent a downgrade of the then current ratings of the Covered Bonds by the Rating Agencies. Any such downgrade could lead to a reduction in market value of the Covered Bonds.

If the CB Guarantor is obliged to make a termination payment under any Swap Agreement, such termination payment will rank in priority of payment ahead of amounts due on the Covered Bonds (in respect of the Interest Rate Swap) and *pari passu* with amounts due on the Covered Bonds (in respect of the Covered Bond Swaps), except where default by, or downgrade of, the relevant Swap Provider has caused the relevant Swap Agreement to terminate. The obligation of the CB Guarantor to make a termination payment may adversely affect the ability of the CB Guarantor to meet its obligations under the Covered Bond Guarantee.

There can be no assurance that the Interest Rate Swap and/or the Covered Bond Swap Agreements will hedge all interest rate, exchange rate or other risks associated with a Tranche or Series of Covered Bonds.

The risk relating to default by a Covered Bond Swap Provider is mitigated in two ways.

First, if a Covered Bond Swap Provider's credit rating is downgraded to certain levels or withdrawn, the Covered Bond Swap Provider may be required, pursuant to the terms of the Covered Bond Swap Agreement, to post collateral with the CB Guarantor if the CB Guarantor's net exposure to the Covered Bond Swap Provider under the Covered Bond Swap Agreement exceeds a certain threshold level. However, there remains a risk of the Covered Bond Swap Provider defaulting before posting collateral or before posting sufficient collateral.

Secondly, where a Covered Bond Swap Provider is obliged to make payments under a Covered Bond Swap during a CBG Payment Period following a CBG Payment Date, the Cash Manager may, in its sole discretion, and based on whatever recommendations or advice or circumstances that it may choose to take into account, assume that a Covered Bond Swap Provider may not make payments when due in that CBG Payment Period. If it does make that determination, then, on the relevant CBG Payment Date, an amount equal to the Hedged Series Amount will be retained (subject to paying or providing for higher ranking amounts in the Guarantee Priority of Payments) in the GI Account, and a corresponding credit made to the Hedged Series Amount Ledger. The Hedged Series Amount is an amount equal to the NZ Dollar Equivalent of Scheduled Interest on the relevant Series of Covered Bonds that will become Due for Payment in the CBG Payment Period commencing on that CBG Payment Date. If the Covered Bond Swap Provider subsequently does default, then those funds would be applied towards payment of that amount of Scheduled Interest on the relevant Series of Covered Bonds. If the Covered Bond Swap Provider does not default, then the funds would be applied in accordance with the Guarantee Priority of Payments on the next CBG Payment Date. The provisioning for Hedged Series Amounts applies only following the service of a Notice to Pay on the CB Guarantor and before the service of a CBG Acceleration Notice. The provisioning for Hedged Series Amounts does not mitigate all risks associated with the potential default of a Covered Bond Swap Provider – in particular, the Cash Manager may not make the relevant determination; there may not be enough funds to make the relevant provisioning; and the provisioning only covers an amount up to the next amount of Scheduled Interest then Due for Payment on the affected Series of Covered Bonds.

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

The CB Guarantor will, following service of a Notice to Pay on the CB Guarantor, pay or provide for payment of an amount to each corresponding Covered Bond Swap Provider on a monthly basis based on the one month BKBM rate for NZ Dollar deposits. The Covered Bond Swap Provider may not be obliged to make corresponding swap payments to the CB Guarantor under a Covered Bond Swap until amounts are Due for Payment under the Covered Bond Guarantee. If a Covered Bond Swap Provider does not meet its payment obligations to the CB Guarantor under the Covered Bond Swap Agreement or such Covered Bond Swap Provider does not make a termination payment that has become due from it to the CB Guarantor under the Covered Bond Swap Agreement, the CB 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 the CB Guarantor's payment obligations under the Covered Bond Swap. Hence, the difference in timing between the obligations of the CB Guarantor and the obligations of the Covered Bond Swap Providers under the Covered Bond Swaps may affect the CB Guarantor's ability to make payments, following service of a Notice to Pay on the CB Guarantor, under the Covered Bond Guarantee with respect to the Covered Bonds. If a Covered Bond Swap Provider's credit rating is downgraded to certain levels or withdrawn, the Covered Bond Swap Provider may be required, pursuant to the terms of the Covered Bond Swap Agreement, to post collateral with the CB Guarantor if the CB Guarantor's net exposure to the Covered Bond Swap Provider under the Covered Bond Swap Agreement exceeds a certain threshold level.

Insolvency proceedings and subordination provisions

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. 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 Transaction Documents relating to the subordination of Excluded Swap Termination Amounts.

The Supreme Court of the United Kingdom recently confirmed the English Court of Appeal decision that such a subordination provision is valid under English law. It is likely (but not certain) that a New Zealand court would also consider such a subordination provision to be valid under New Zealand law. Contrary to the determination of the Supreme Court of the United Kingdom, the U.S. Bankruptcy Court 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 conflicting judgment are not yet known.

If a creditor of the CB Guarantor (such as a Covered Bond 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 CB 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 subordination provisions included in the English law or New Zealand law governed Transaction Documents (such as a provision of the Priorities of Payments which refers to the ranking of the Covered Bond 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 a Covered Bond 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). In general, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant

jurisdiction outside England and Wales or New Zealand and any relevant foreign judgment or order was recognised by the English courts or the New Zealand 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 Issuer to satisfy its obligations under the Covered Bonds.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction 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 English courts or 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.

Change of counterparties

The parties to the Transaction Documents who receive and hold monies pursuant to the terms of such documents (such as the Account Bank) are required to satisfy certain criteria in order that they can continue to receive and hold monies.

These criteria include requirements in relation to the ratings ascribed to such party by the Rating Agencies. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the CB 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 relevant Transaction Document.

In addition, should the applicable criteria cease to be satisfied, then the parties to the relevant Transaction 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.

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

If an Asset Coverage Test Breach Notice or a Notice to Pay is served on the CB Guarantor (and, in the case of an Asset Coverage Test Breach Notice, for as long as such notice has not been revoked), the CB Guarantor may sell Selected Loans and their Related Security in order to remedy a breach of the Asset Coverage Test or to make payments to the CB Guarantor's creditors, including payments under the Covered Bond Guarantee, as appropriate: see *Summary of the principal documents – Participation Agreement – Sale of Selected Loans following service of an Asset Coverage Test Breach Notice* and *Summary of the Principal Documents – Participation Agreement – Sale of Selected Loans following service of a Notice to Pay.*

There is no guarantee that a buyer will be found to acquire Selected Loans and their Related Security at the times required and there can be no guarantee or assurance as to the price which the CB Guarantor may be able to obtain, which may affect the ability of the CB Guarantor to make payments under the Covered Bond Guarantee. However, if a Notice to Pay has been served, the Selected Loans may not be sold by the CB Guarantor for less than an amount equal to the Adjusted Required Redemption Amount for the relevant Series of Covered Bonds until six months prior to the Maturity Date in respect of such Covered Bonds or (if the same is specified as applicable in the relevant Final Terms Document) the Extended Due for Payment Date in respect of such Covered Bonds. In the six months prior to, as applicable, the Maturity Date or Extended Due for Payment Date, the CB Guarantor may sell the Selected Loans and their Related Security for the best price reasonably available notwithstanding that such price may be less than the Adjusted Required Redemption Amount. Any sale at a price less than the Adjusted Required Redemption Amount could affect the CB Guarantor’s ability to make payments under the Covered Bond Guarantee.

Sale of Selected Loans and their Related Security prior to maturity of Hard Bullet Covered Bonds where there is a breach of the Pre-Maturity Test

If there is a breach of the Pre-Maturity Test, the CB Guarantor may (unless the Intercompany Loan Provider makes sufficient Advances under the Intercompany Loan Agreement or the Subordinated Loan Provider chooses to make sufficient Subordinated Advances under the Subordinated Loan Agreement or there are sufficient Available Principal Receipts) sell Selected Loans and their Related Security to seek to generate sufficient cash to enable the CB Guarantor to pay the Final Redemption Amount on any Hard Bullet Covered Bond, should the Issuer or the Group Guarantor fail to pay such amounts: see *Summary of the Principal Documents – Participation Agreement – Sale of Selected Loans following a breach of the Pre-Maturity Test.*

There is no guarantee that a buyer will be found to acquire Selected Loans and their 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.

Excess Proceeds received by the Bond Trustee

Following the occurrence of an Issuer Event of Default and the 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 CB Guarantor for its own account, as soon as practicable, and will be held by the CB Guarantor in the GI Account. The Excess Proceeds will thereafter form part of the Security and will be used by the CB Guarantor in the same manner as all other monies from time to time standing to the credit of the GI Account. Any Excess Proceeds received by the Bond Trustee will discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds and Coupons and the obligations of the Group Guarantor under the Group Guarantee (subject to restitution of the same if such Excess Proceeds shall be required to be repaid by the CB Guarantor). However, the obligations of the CB Guarantor under the Covered Bond Guarantee are (following service of an Issuer Acceleration Notice and a Notice to Pay or, if earlier, following the service of a CBG 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 the Covered Bonds, each of the Covered Bondholders will be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the CB Guarantor in the manner as described above.

Potential application of the New Zealand statutory management regime to the CB Guarantor

As a measure of last resort, both corporations and registered banks may be placed in statutory management. Corporations are subject to the statutory management regime under CIMA, while registered banks are subject to the statutory management regime under the Reserve Bank Act. Registered banks are also subject to the CIMA regime, in addition to the Reserve Bank Act regime, subject to the notice and consultation requirements in the CIMA.

The purpose of the statutory management regime is to allow the orderly resolution of unusually large or complex business failures, particularly in relation to the failure of a group of companies whose business, and the running of which, are inextricably entwined. Statutory management is also used to effectively manage business failures that have widespread or systemic consequences for the New Zealand economy or financial system.

The decision to appoint a statutory manager is made by the relevant minister of the New Zealand Government following a recommendation from either the Financial Markets Authority (in the case of CIMA) or the RBNZ (in the case of the Reserve Bank Act). The statutory manager is formally appointed by the Governor-General by an Order in Council on the advice of the relevant minister. Statutory managers can only be appointed by an Order in Council; they cannot be appointed by the organisation or its creditors.

Subsidiaries and associated persons of corporations and registered banks may also be placed in statutory management. In the case of subsidiaries, these are automatically placed in statutory management if the corporation or registered bank is placed in statutory management, unless they are expressly excluded by the relevant Order in Council. In the case of associated persons, they must independently satisfy the relevant grounds for being placed in statutory management.

Under the CIMA any corporation (or an associated person of that corporation) can be placed in statutory management if:

(a) the Financial Markets Authority is satisfied on reasonable grounds that the corporation (or the associated person) is being operated fraudulently or recklessly; or

(b) it is considered appropriate to appoint a statutory manager in order to preserve the interests of the corporation's (or the associated person's) creditors, members or beneficiaries (where the corporation (or the associated person) is a trust), or it is otherwise in the public interest (and those creditors, members or beneficiaries or the public interest cannot otherwise be adequately protected under New Zealand law).

Under the Reserve Bank Act any registered bank (or an associated person of that registered bank) can be placed in statutory management if:

(a) the registered bank (or the associated person) is insolvent or is likely to become insolvent; or

(b) the registered bank (or the associated person) is about to suspend payment or is unable to meet its obligations as and when they fall due; or

(c) the affairs of the registered bank (or the associated person) are being conducted in a manner prejudicial to the soundness of the financial system; or

(d) the circumstances of the registered bank (or the associated person) are such as to be prejudicial to the soundness of the financial system; or

(e) in the case of registered banks only, the business of the registered bank has not been, or is not being, conducted in a prudent manner.

If a corporation or registered bank is placed into statutory management, a moratorium will apply and, among other things, no person or entity may commence any proceedings, enforce any judgment or enforce any rights under any security against that corporation or registered bank. In addition, the statutory manager has extensive powers to carry on the business of the corporation or registered bank, including the power to suspend all debts and other payments and to sell assets (including assets subject to a security interest).

The CB Guarantor is a corporation for the purposes of the CIMA, and, accordingly, a statutory manager could be appointed to the CB Guarantor if the above requirements were met.

However, as the Programme has been registered with the RBNZ, the CB Guarantor would not become subject to statutory management if either WNZL or WBC were placed in statutory management. This is because the CB Guarantor is deemed not to be a subsidiary or associated person (in each case, as defined in the CIMA or the Reserve Bank Act) of either entity.

5. RISK FACTORS RELATING TO THE COVERED BONDS

Extendable obligations under the Covered Bond Guarantee

Following the failure by the Issuer and the Group Guarantor to pay the Final Redemption Amount of a Series of Covered Bonds on their Maturity Date (in each case subject to the applicable grace period) and if, following service of a Notice to Pay on the CB Guarantor (by no later than the date which falls one Business Day (and for such purposes Business Day includes Brussels business days) prior to the Extension Determination Date), payment of the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of such Series of Covered Bonds is not made in full on or before the Extension Determination Date, then the payment of such Guaranteed Amounts may be automatically deferred. This will occur (subject to no CBG Acceleration Notice having been served) if the Final Terms Document for such Series of Covered Bonds (the **relevant Series of Covered Bonds**) provides that such Covered Bonds are subject to an Extended Due for Payment Date.

To the extent that the CB Guarantor has received a Notice to Pay by the time specified above and has sufficient monies available under the Guarantee Priority of Payments to pay in part the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the relevant Series of Covered Bonds, the CB Guarantor shall make partial payment of the Final Redemption Amount in accordance with the Guarantee Priority of Payments as described in Condition 6.1 (*Scheduled redemption*). Payment of the unpaid portion of the Final Redemption Amount shall be deferred automatically until the applicable Extended Due for Payment Date. The Extended Due for Payment Date will fall one year after the Maturity Date. The CB Guarantor shall be entitled to make payments in respect of the Final Redemption Amount on any Interest Payment Date up until the Extended Due for Payment Date. Interest will continue to accrue and be payable on the unpaid portion of the Final Redemption Amount in accordance with Condition 5 (*Interest*) and the CB Guarantor will pay Guaranteed Amounts constituting Scheduled Interest on each Interest Payment Date and the Extended Due for Payment Date. In these circumstances, except where the CB Guarantor has failed to apply any amount in accordance with the Guarantee Priority of Payments, failure by the CB Guarantor to make payment in respect of the Final Redemption Amount on the Maturity Date (subject to the applicable grace period) shall not constitute a CBG Event of Default. However, failure by the CB 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 or to pay Guaranteed Amounts constituting Scheduled Interest on any Original Due for Payment Date or the Extended Due for Payment Date (in each case subject to the applicable grace period) shall constitute a CBG Event of Default.

Limited description of the Portfolio

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

(a) the Seller selling New Loans and their Related Security to the CB Guarantor;

(b) the Seller repurchasing Loans and their Related Security from the CB Guarantor in accordance with the Mortgage Sale Agreement and the Participation Agreement; and

(c) New Sellers acceding to the Transaction Documents and selling and/or repurchasing New Seller Loans and their Related Security to or from the CB Guarantor.

There is no assurance that the characteristics of the New Loans or New Seller Loans assigned to the CB Guarantor on any Assignment Date will be the same as those Loans in the Portfolio as at that Assignment Date. However, each Loan will be required to meet the Eligibility Criteria and the Representations and Warranties set out in the Mortgage Sale Agreement – see *Summary of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of the Loans and Related Security* (although the Eligibility Criteria and

Representations and Warranties may change in certain circumstances – see *The Bond Trustee and the Security Trustee may agree to modifications to the Transaction Documents without, respectively, the Covered Bondholders' or Secured Creditors' prior consent* below). In addition, the Asset Coverage Test is intended to test whether the Adjusted Aggregate Loan Amount is an amount equal to or in excess of the aggregate NZ Dollar Equivalent of the Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding (although there is no assurance that it will do so) and the Cash Manager will provide monthly reports that will set out certain information in relation to the Asset Coverage Test.

Any decision of the Covered Bondholders to continue to hold Covered Bonds or to resell the Covered Bonds in the secondary market will need to be made having regard to the limited information available in relation to the Portfolio, as described above.

Ratings of the Covered Bonds

The ratings assigned to the Covered Bonds by Fitch Ratings address the likelihood of default and loss given default on financial obligations under the Covered Bonds.

The ratings assigned by Moody's address the expected loss posed to investors. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have significant effect on yield to investors.

The expected ratings of the Covered Bonds are set out in the relevant Final Terms Document for each Series of Covered Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this section, and other factors that may affect the value of the Covered Bonds or the standing of the Issuer, the Group Guarantor or the CB Guarantor. 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, or for any other reason such Rating Agency deems sufficient. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may reduce.

In addition, at any time any Rating Agency may revise its relevant rating methodology with the result that, among other things, any rating assigned to the Covered Bonds may be lowered.

Limitation on obligations under the Covered Bonds

The Covered Bonds will not represent an obligation or be the responsibility of the Arrangers, the Dealers, the Agents, the Bond Trustee, the Security Trustee, the Cash Manager, the Administrative Agent or any other party to the Programme, their officers, members, directors, employees, security holders or incorporators, other than the Issuer, the Group Guarantor and the CB Guarantor. The Issuer, the Group Guarantor and the CB Guarantor will 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.

The liability of the CB Guarantor to the Covered Bondholders under the Covered Bond Guarantee is limited in recourse to the Charged Property. If:

(a) there is no Charged Property remaining which is capable of being realised or otherwise converted into cash;

(b) all amounts available from the Charged Property have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Security Trust Deed; or

(c) there are sufficient amounts available from the Charged Property to pay in full, in accordance with the provisions of the Security Trust Deed, the Secured Obligations,

then the Covered Bondholders shall have no further claim against the CB Guarantor in respect of the amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged and any relevant payment rights shall be deemed to cease.

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 Transaction Documents.

In addition, except as provided in the Security Trust Deed, no person shall:

(a) obtain a judgment for the payment of money or damages by the CB Guarantor;

(b) issue any demand under section 289 of the New Zealand Companies Act 1993 (**NZ Companies Act**) (or any analogous provision under any other Law) against the CB Guarantor (and, for the avoidance of doubt, the service on the CB Guarantor of a Notice to Pay or a CBG Acceleration Notice shall not constitute such a demand);

(c) apply for the liquidation or dissolution of the CB Guarantor;

(d) levy or enforce any distress or other execution to, on, or against any assets of the CB Guarantor;

(e) apply for the appointment by a court of a receiver to any of the assets of the CB Guarantor;

(f) exercise or seek to exercise any set-off or counterclaim against the CB Guarantor;

(g) appoint, or agree to the appointment of, any administrator to the CB Guarantor;

(h) take any step which would lead to a recommendation being made by the New Zealand Financial Markets Authority to the New Zealand Minister of Justice supporting the appointment of a statutory manager in respect of the CB Guarantor; or

(i) propose or approve any proposal for a compromise under Part XIV of the NZ Companies Act in respect of the CB Guarantor,

or take proceedings for any of the above.

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

Except where a Transaction Document expressly records that the Security Trustee may act in its discretion, in the exercise of its powers, trusts, authorities and discretions, the Security Trustee shall act on the directions of the Bond Trustee (who shall only have regard to the interests of the Covered Bondholders), for so long as there are any Covered Bonds outstanding and, thereafter, the Security Trustee shall act on the directions of all of the other Secured Creditors. If, in connection with the exercise of its powers, trusts, authorities or discretions (including giving any directions to the Security Trustee), the Bond Trustee is of the opinion that the interests of the holders of the Covered Bonds 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 by Extraordinary Resolution or by a direction in writing of such Covered Bondholders of at least 25% of the NZ Dollar Equivalent of the Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding.

Covered Bondholders will be bound by the Bond Trustee's exercise of any of its powers, trusts, authorities or discretions, notwithstanding that they have not approved such Extraordinary Resolution or discretion in writing.

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

Pursuant to the terms of the Trust Deed and the Security Trust Deed, for so long as there are any Covered Bonds outstanding:

(a) the Bond Trustee and the Security Trustee may, without the consent or sanction of any of the Covered Bondholders or any of the other Secured Creditors, concur with any person in making or sanctioning any modification to the Transaction Documents and the Terms and Conditions of the Covered Bonds, provided that (in the case of the Bond Trustee) the Bond Trustee is of the sole opinion that such modification will not be materially prejudicial to the interests of any of the Covered Bondholders and (in the case of the Security Trustee) the Security Trustee is so directed by the Bond Trustee, or any modification that is, in the opinion of the Bond Trustee or the Security Trustee (as the case may be), of a formal, minor or technical nature or is to correct a manifest error or ambiguity or an error which in the opinion of the Bond Trustee or the Security Trustee (as the case may be) is proven or to comply with mandatory provisions of applicable Law or any requirements of any Governmental Agency;

(b) at the written request of the Issuer, the Bond Trustee shall, without the consent or sanction of any of the Covered Bondholders of any Series, the related Couponholders, at any time and from time to time, concur with the Issuer and the Guarantors and any other party, or direct the Security Trustee to concur with the Issuer and the Guarantors and any other party, in making any modification (for this purpose the Bond Trustee may disregard whether any such modification relates to a matter as specified in sub-paragraph (d) of the definition of a Series Reserved Matter (under the Trust Deed)) to the Trust Deed and/or any other Transaction Document that is certified by the Issuer to the Bond Trustee to be necessary or appropriate in order to implement or comply with, or to enable the Issuer, any Guarantor, any Series or the Programme to receive the benefit of, any legislation, rules or guidance issued by any governmental authority in or of New Zealand including, without limitation, the Government of New Zealand or the RBNZ coming into force after the Programme Date and which relates to the issuance of covered bonds provided that the Bond Trustee shall not be obliged to agree to any such modification which, in the sole opinion of the Bond Trustee, would have the effect of: (i) exposing the Bond Trustee to any Liability against which it has not been indemnified and/or secured to its satisfaction or (ii) imposing any material obligations or duties on the Bond Trustee or materially increasing the obligations or duties of the Bond Trustee under the trust presents or the other Transaction Documents;

(c) the Bond Trustee and the Security Trustee may (and, in the case of the Security Trustee, if it is so directed by the Bond Trustee, it shall), without the consent or sanction of any of the Covered Bondholders or any of the other Secured Creditors, waive or authorise any breach or proposed breach in respect of the Transaction Documents and the Terms and Conditions of the Covered Bonds, provided that the Bond Trustee or the Security Trustee (as the case may be) is of the opinion that such waiver or authorisation will not be materially prejudicial to the interests of any of the Covered Bondholders (in the case of the Bond Trustee) or any of the Secured Creditors (in the case of the Security Trustee); and

(d) at the written request of the Issuer, the Bond Trustee shall, and shall direct the Security Trustee to, without the consent or sanction of any of the Covered Bondholders or the Couponholders, in the case of an update in the published Rating Agency criteria applicable to the Programme, concur with the Issuer, the Guarantors and any other party in making modifications to the Transaction Documents (other than any modification which would constitute a Series Reserved Matter) subject to receipt by

the Bond Trustee of written notice from the Administrative Agent certifying to the Bond Trustee that:

(i) the updated Rating Agency criteria have been published and the relevant modifications to the Transaction Documents, as determined by the Administrative Agent, are being made solely to implement and reflect such updated, published Rating Agency criteria; and

(ii) the then current ratings of the Covered Bonds will not be downgraded or withdrawn by the Rating Agencies as a result of such modifications.

Such notice, determination and certification shall be conclusive and binding on the Bond Trustee, the Covered Bondholders and the Couponholders, provided that the Bond Trustee shall not be obliged to concur in, and/or direct the Security Trustee to concur in, any modifications which, in the sole opinion of the Bond Trustee and/or the Security Trustee, would have the effect of (A) exposing the Bond Trustee and/or Security Trustee to any costs against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (B) imposing any obligations or duties on the Bond Trustee and/or the Security Trustee or increasing the obligations or duties, or decreasing the protections, of the Bond Trustee and/or Security Trustee under the Transaction Documents. Such modifications, once implemented, shall be conclusive and binding on all parties and all Secured Creditors (including the Covered Bondholders).

Covered Bondholders will be bound by the terms of any such modification, waiver or authorisation, notwithstanding that they have not consented or sanctioned the actions of the Bond Trustee and/or the Security Trustee.

Certain decisions of 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 or to direct the Bond Trustee to serve a CBG Acceleration Notice following a CBG Event of Default and any direction to the Bond Trustee to take any enforcement action or to direct the 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. Holders of Covered Bonds of a particular Series will be bound by such Extraordinary Resolution notwithstanding that they did not vote in favour of it.

Realisation of Charged Property following the occurrence of a CBG Event of Default and service of a CBG Acceleration Notice

If a CBG Event of Default occurs and a CBG Acceleration Notice is served on the CB Guarantor, then the Security Trustee will (at the direction of the Bond Trustee) be entitled to enforce the Security created under and pursuant to the Security Trust 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 Transaction Documents.

If, following the occurrence of a CBG Event of Default, a CBG Acceleration Notice is served on the CB Guarantor then the Covered Bonds may be repaid sooner or later than expected or not at all.

Absence of secondary market

No assurance is provided that a secondary market for the Covered Bonds will develop. None of the Covered Bonds, the Covered Bond Guarantee or the Group Guarantee has been, or will be, registered under the

Securities Act or any other applicable securities laws and they are subject to certain restrictions on the resale and other transfer thereof as set forth under *Subscription and Sale and Transfer and Selling Restrictions*. To the extent that a secondary market develops, 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.

This may be particularly the case for Covered Bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Covered Bonds would generally have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Covered Bonds.

In addition, potential investors in Covered Bonds should be aware of the prevailing global credit market conditions, whereby there has been a history of prolonged lack of liquidity in the secondary market for instruments similar to the Covered Bonds. As a result, there continues to exist additional risks to the Issuer and the investors which may affect the returns on the Covered Bonds to investors.

In addition, from time to time, liquidity crises have stalled the primary market for a number of financial products including instruments similar to the Covered Bonds. If a liquidity crisis occurs for certain sectors of the global credit markets, there can be no assurance that the market for securities similar to the Covered Bonds will recover at the same time or to the same degree as such other recovering global credit market sectors.

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 and/or DTC and/or the CMU Service. The fact that the Covered Bonds are not represented in physical form could, among other things:

(a) result in payment delays on the Covered Bonds because distributions on the Covered Bonds will be sent by or on behalf of the Issuer to Euroclear, Clearstream, Luxembourg, DTC or the CMU Service instead of directly to Covered Bondholders;

(b) 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

(c) 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.

Covered Bonds subject to redemption for tax reasons

In the event that the Issuer or the Group Guarantor (if a demand was made under the Group Guarantee) is or will be obliged to pay additional amounts:

(a) in respect of any Series of Covered Bonds due to any withholding or deduction for any Taxes (or stamp duty) imposed, levied, collected, withheld or assessed by or on behalf of New Zealand or the United Kingdom or any political subdivision or any authority or any agency thereof or therein having power to tax, as a result of any change in laws or regulations (or the application or official interpretation thereof) which becomes effective on or after the date of issue of the first Tranche of

the relevant Series of Covered Bonds or any other date specified in the applicable Final Terms Document and such obligation cannot be avoided by the Issuer or, as the case may be, the Group Guarantor taking reasonable measures available to it; or

(b) in respect of New Zealand non-resident withholding tax which may be, or which may become, applicable to any Series of Covered Bonds and either:

(i) such obligation cannot be avoided by the Issuer or, as the case may be, the Group Guarantor paying AIL at the rate applying on the date that the first Tranche of the relevant Series of Covered Bonds was issued or taking any other reasonable measures available to it (but not including the payment of any additional AIL); or

(ii) in order to avoid any New Zealand non-resident withholding tax the Issuer or, as the case may be, the Group Guarantor becomes obliged, as a result of any change in laws, regulations or rulings of New Zealand or any political subdivision or any authority or any agency therein or thereof (or the application or interpretation or administration thereof), to pay AIL at a rate exceeding the rate applying on the date that the first Tranche of the relevant Series of Covered Bonds was issued or incurs any other cost in excess of that applicable under New Zealand law on the date that the first Tranche of the relevant Series of Covered Bonds was issued,

the Issuer may, subject to certain conditions, redeem all of the outstanding affected Series of Covered Bonds in accordance with Condition 6.2 (*Redemption for tax reasons*).

Modification and waiver

The Terms and Conditions of the Covered Bonds and the Trust Deed contain provisions for convening meetings of Covered Bondholders to consider any matters affecting their interests generally. These provisions permit defined percentages of Covered Bondholders to bind all Covered Bondholders, including Covered Bondholders who did not attend and vote at the relevant meeting and Covered Bondholders who voted in a manner contrary to such defined percentages of Covered Bondholders and therefore the result of such a meeting may not be in the interests of a specific Covered Bondholder.

No gross-up under the Covered Bond Guarantee

Under the terms of the Trust Deed and the Terms and Conditions the CB Guarantor is not under any obligation to make any payment in respect of amounts due from the Issuer or the Group Guarantor pursuant to Condition 8 (*Taxation*) or to make any additional payment under the Covered Bond Guarantee to the Bond Trustee or any holder of Covered Bonds and/or Coupons in respect of the amount of any withholding or deduction for, or on account of, any present or future Taxes (or stamp duty).

Under New Zealand Tax legislation, a withholding or deduction for New Zealand non-resident withholding tax may be required in respect of any New Zealand sourced payment made to any holder or beneficial owner of Covered Bonds who is not a New Zealand Holder (see *Taxation – New Zealand Taxation – Non-resident withholding tax* below for further detail). However, the CB Guarantor has agreed that, where New Zealand non-resident withholding tax is required to be deducted, and the rate of that Tax could be reduced to 0% if AIL (currently 2% of the relevant interest payment) was paid to the New Zealand Inland Revenue Department, the CB Guarantor will (provided it is lawfully able) be required to pay the AIL. There can be no assurance that the rate of New Zealand non-resident withholding tax can be reduced to 0% by paying AIL. Payment of the AIL will rank ahead of payments to Covered Bondholders under the applicable Priorities of Payments.

Under the terms of the Interest Rate Swap, part of the floating rate amount payable by the Interest Rate Swap Provider is to cover any AIL amounts required to be paid in respect of payments under the Covered Bond Guarantee.

The above arrangements assume that the AIL rate will remain at 2%. However, it is possible for the AIL rate to be increased. An increase in the AIL rate could affect the amounts that the CB Guarantor otherwise has available to pay to Covered Bondholders, as amounts payable in respect of the AIL are payable in the Priorities of Payments ahead of payments to Covered Bondholders.

6. RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF COVERED BONDS

Different types of Covered Bonds 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 Issuer

Where the relevant Final Terms Document specifies Redemption at the option of the Issuer (Call) as being applicable, the Covered Bonds may be redeemed at the Issuer's option in certain circumstances and accordingly the Issuer may choose to redeem the Covered Bonds at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Covered Bonds.

An optional redemption feature of Covered Bonds is likely to limit their market value. During any period when the 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.

If the Issuer elects to call a Series of Covered Bonds which has an optional redemption feature, those Covered Bonds may be redeemed before the Maturity Date and before any of the existing Series of Covered Bonds. This should be taken into account when investing in a Series of Covered Bonds.

Fixed Rate Covered Bonds

Investment in Fixed Rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Covered Bonds.

Fixed Rate Reset Covered Bonds

Fixed Rate Reset Covered Bonds will initially earn interest at the Initial Rate of Interest (as defined in the Conditions) until (but excluding) the first Fixed Rate Reset Date (as defined in the Conditions). On the first Fixed Rate Reset Date, however, and on each Fixed Rate Reset Date (if any) thereafter, the interest rate will be reset to (i) a different fixed rate of interest per annum or (ii) a rate per annum equal to the sum of the applicable Mid-Market Swap Rate (as defined in the Conditions) and the Mid-Swap Re-Offer Spread (as defined in the Conditions) (each such rate, a Subsequent Reset Rate). The Subsequent Reset Rate for any Reset Period could be less than the Initial Rate of Interest or the Reset Rate for prior Reset Periods and could affect the market value of an investment in the Fixed Rate Reset Covered Bonds.

Fixed/Floating Rate Covered Bonds

The Issuer may issue Covered Bonds which bear interest at a rate that may convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Covered Bonds since the Issuer may be expected to

convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, 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 Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing rates on its Covered Bonds.

Covered Bonds issued at a substantial discount or premium and future Covered Bonds

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

In the future, the Issuer may issue, not under this Prospectus, Covered Bonds with different features and different risks associated with them such as index linked, dual currency, variable interest and partly paid covered bonds. It is not expected that the consent of the Covered Bondholders will be obtained in order to provide for the inclusion of such Covered Bonds in the Programme.

7. GENERAL RISK FACTORS

Risk factors associated with the priority of the security granted under the Security Trust Deed

Under the terms of the Security Trust Deed, the Security Trustee has taken a general security interest in all of the CB Guarantor's present and after acquired personal property for the purposes of the New Zealand Personal Property Securities Act 1999 (**PPSA**) subject to certain rights in respect of the Swap Agreements and the Intercompany Loan Agreement. A financing statement was registered by the Security Trustee against the CB Guarantor on the Personal Property Securities Register immediately following the execution of the Security Trust Deed, in order to perfect the security interest and have priority over other security interests in respect of the CB Guarantor's present and after acquired personal property, and any unsecured obligations of the CB Guarantor.

However, the priority of the security interest in respect of the CB Guarantor's rights in personal property is limited to the extent that certain other claims have, or can obtain, priority over the security interests created by the Security Trust Deed. This could occur, in particular, for the following reasons:

(a) by virtue of statute (e.g. the preference given to certain claims under the NZ Companies Act, including, but not limited to, certain rates and taxes and certain amounts owing to employees, which may be paid out of the proceeds of inventory and accounts receivable in priority to the secured claims of secured creditors); and

(b) by virtue of certain exceptions provided by the PPSA to the principle that registered security interests take priority according to the order in which they are registered (e.g. the priority granted to certain purchase money security interests).

The PPSA also imposes certain obligations on secured creditors which cannot be varied by contract, including the obligations to exercise or discharge all rights, duties or obligations in good faith in accordance with reasonable standards of commercial practice, and the obligation on exercising a power of sale to obtain the best price reasonably obtainable. The PPSA may also affect the enforcement of certain rights and remedies contained in the Security Trust Deed to the extent that those rights and remedies are inconsistent with, or contrary to, certain provisions of the PPSA.

The security interest created under the PPSA only relates to personal property of the CB Guarantor, and does not constitute a security interest in relation to property that is not personal property, such as interests in land

(including the Mortgages). Accordingly, the Security Trust Deed has also created a first priority charge over non-personal property which includes the Mortgages.

The enforceability and priority of the security in respect of non-personal property is subject to general law and statutory duties, obligations and limitations, including:

(a) the right of a mortgagor to redeem mortgaged property by tender of payment in full of the monies secured at any time prior to the sale of the property;

(b) the provisions of the PLA and the LTA in respect of the enforcement or priority of a security in respect of land: see *Issues affecting the CB Guarantor's title to the Loans and their Related Security in the Portfolio* above;

(c) the obligation of a mortgagee to exercise its power of sale in good faith and in a manner which is not reckless, harsh or unconscionable and to take reasonable care to obtain an honest sale at a proper price or true market value for the property sold; and

(d) the obligation of the mortgagee in possession of mortgaged property to account to the mortgagor.

In addition, in respect of any receiver appointed under the Security Trust Deed, a receiver is subject to certain provisions of the New Zealand Receiverships Act 1993, including the obligation to exercise its powers in good faith for a proper purpose and the duty to obtain the best price reasonably obtainable at the time of sale.

The security interest is also subject to all insolvency, moratorium, voluntary administration, statutory management, reorganisation, or similar laws affecting creditors' rights generally, including the laws affecting insolvent transactions and preferential charges under the NZ Companies Act.

In particular, it is possible that the CB Guarantor could become subject to statutory management under the CIMA, which contains moratorium and other provisions which affect the obligations of entities subject to the regime and the rights of creditors of such entities (see *Potential application of the New Zealand statutory management regime to the CB Guarantor* above for further detail).

The CB Guarantor could also become subject to the voluntary administration regime under the NZ Companies Act. Where a company is subject to that regime, a moratorium prevents the enforcement of charges, taking possession of property, court proceedings, enforcement proceedings or the making of demands under a guarantee in relation to that company. However, a secured creditor that has a charge over the whole, or substantially the whole, of the property of a company in administration has the ability to enforce this charge (in relation to all property of the company subject to it), before or during the ten working days (as defined in the NZ Companies Act) from either when the notice of appointment of the administrator is given to the secured creditor, or otherwise from when the administration begins.

Therefore, if a voluntary administrator is appointed to the CB Guarantor under the NZ Companies Act, the Security Trustee (which holds security over all of the CB Guarantor's assets) will have a period of ten working days (as defined in the NZ Companies Act) to enforce the Security created pursuant to the Security Trust Deed. If the Security Trustee does not enforce the Security within this time, under the voluntary administration regime the Security Trustee may not take any enforcement action during the ensuing moratorium period except with the leave of the New Zealand High Court.

English law security considerations

To the extent that the assets of the CB Guarantor are subject only to a floating charge governed by English law, in certain circumstances under the provisions of the Insolvency Act 1986 as it applies in England and Wales, certain limited floating charge realisations which would otherwise be available to satisfy the claims

of Secured Creditors under the Security Trust Deed may be used to satisfy any claims of unsecured creditors. While certain of the covenants given by the CB Guarantor in the Transaction Documents are intended to ensure it has no significant creditors other than the Secured Creditors under the Security Trust Deed, it will be a matter of fact as to whether the CB Guarantor has any other such creditors at any time. There can be no assurance that the Covered Bondholders will not be adversely affected by any such reduction in the floating charge realisations upon the enforcement of the Security.

No obligation to maintain listing

The Issuer is not under any obligation to Covered Bondholders to maintain any listing of Covered Bonds and may, in certain circumstances, seek to terminate the listing of any Series of Covered Bonds. These circumstances include the implementation of any future law or EU Directive that imposes other requirements (including new corporate governance requirements) on the Issuer that the Issuer in good faith determines are impractical or unduly burdensome in order to maintain the continued listing of any Covered Bonds issued under the Programme on a regulated market in the European Economic Area.

In these circumstances, the Issuer may, in its sole discretion, determine that it is unduly burdensome to maintain such listing and seek to terminate the listing of such Covered Bonds issued by it provided it uses all commercially reasonable endeavours to seek an alternative admission to listing, trading and/or quotation of such Covered Bonds by another listing authority, securities exchange and/or quotation system that it deems appropriate. However, if such alternative listing authority, securities exchange and/or quotation system is not available or, in the opinion of the Issuer, is impractical or unduly burdensome, an alternative listing may not be obtained.

Although there is no assurance as to the liquidity of any Covered Bonds as a result of the listing on a regulated market in the European Economic Area, delisting such Covered Bonds may have a material effect on the ability of investors to (a) continue to hold such Covered Bonds or (b) resell the Covered Bonds in the secondary market.

In addition, if any Covered Bonds cease to be listed on a recognised stock exchange within the meaning of section 1005 of ITA, UK source interest on such Covered Bonds may no longer be payable by the Issuer without withholding or deduction for or on account of United Kingdom Tax. (For further details, see the section entitled *United Kingdom Taxation* on page 252).

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 English law, New Zealand law and New Zealand regulatory, accounting and administrative practice in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English law or New Zealand law or New Zealand regulatory, accounting or administrative practice 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 Issuer to make payments under the Covered Bonds, the ability of the Group Guarantor to make payments under the Group Guarantee or the ability of the CB Guarantor to make payments under the Covered Bond Guarantee.

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 a principal amount which (after deducting integral multiples of such minimum Specified Denomination) is less than the minimum Specified Denomination in its 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 an additional principal amount of Covered Bonds such that its holding amounts to the minimum 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 Issuer will pay principal and interest on the Covered Bonds and the CB 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 (a) the Investor's Currency-equivalent yield on the Covered Bonds, (b) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (c) 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. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Where interest payable in respect of Floating Rate Covered Bonds is linked to LIBOR, there is a risk that after the end of 2021, LIBOR may perform differently or may be eliminated entirely, which could lead to other unpredicted consequences

In a speech on 27 July 2017, Andrew Bailey, the Chief Executive of the FCA, announced the FCA's intention to cease using its influence to persuade, or its legal powers to compel, panel banks to contribute to LIBOR from the end of 2021. It is possible that the LIBOR administrator, ICE Benchmark Administration, and the panel banks could continue to produce LIBOR on the current basis after 2021. However, the survival of LIBOR in its current form, or at all, is not guaranteed after 2021. The potential elimination of LIBOR or changes to the manner in which LIBOR is administrated could lead to unanticipated consequences in respect of any Floating Rate Covered Bonds that are linked to LIBOR. Any such events could adversely affect the value of or return on such Floating Rate Covered Bonds.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of interest rates and indices which are deemed to be "benchmarks" (including the application of the Benchmark Regulation, which has applied from 1 January 2018), could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations. This may have the effect of discouraging market participants from continuing to administer or contribute to the benchmark, trigger changes in the rules or methodologies used to calculate or determine the benchmark, or lead to the disappearance of the benchmark. Any such events could adversely affect the value of or return on such Floating Rate Covered Bonds.

In particular, investors should be aware that if LIBOR, or any other benchmark, were discontinued or otherwise unavailable, the rate of interest on Floating Rate Covered Bonds which are linked to such benchmarks or the interest rate on Fixed Rate Covered Bonds which are reset by reference to a mid-swap rate linked to such benchmarks will be determined for the relevant period by the fallback provisions under Condition 5 (Interest) of the Terms and Conditions of the Covered Bonds. These fallback arrangements may require or result in adjustments to the interest calculation provisions of the Terms and Conditions of the Covered Bonds.

Where Screen Rate Determination is specified in the applicable Final Terms, the fallback arrangements will include the possibility that:

(A) the relevant interest rate (or, as applicable, component thereof) could be set or, as the case may be, determined by reference to a successor rate or an alternative rate (as applicable); and

(B) such successor rate or alternative rate (as applicable) may be adjusted (if required) by the relevant Independent Adviser or the Issuer (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors as a result of the replacement of the relevant benchmark.

No consent of the Covered Bondholders shall be required in connection with effecting any successor rate or alternative rate (as applicable). In addition, no consent of the Covered Bondholders shall be required in connection with any other related adjustments and/or amendments to the Terms and Conditions of the Covered Bonds (or any other document) which are made in order to effect any successor rate or alternative rate (as applicable). Any such adjustment could have unexpected commercial consequences and there can be no assurance that, due to the particular circumstances of each Covered Bondholder, any such adjustment will be favourable to each Covered Bondholder.

In certain circumstances, the ultimate fallback for a particular Interest Accrual Period (as defined in the Terms and Conditions of the Covered Bonds), including where no successor rate or alternative rate (as applicable) is determined, may be that the interest rate for the last preceding Interest Accrual Period is used for the following Interest Accrual Period. This may result in the effective application of a fixed rate for any Floating Rate Covered Bonds, and any Fixed Rate Covered Bonds for which the interest rate was due to be reset, being the Rate of Interest which was applicable as at the last preceding Interest Determination Date or as at the last preceding reset date (as applicable), or, if none, at the Interest Commencement Date. In addition, due to the uncertainty concerning the availability of successor rates and alternative rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any affected Covered Bonds and could affect the ability of the Issuer to meet its obligations under the relevant Covered Bonds or could have a material adverse effect on the value or liquidity of, and the amount payable under, such Covered Bonds.

Prospective investors should note that, in the case of affected Covered Bonds, the relevant Independent Adviser or the Issuer (as applicable) will have discretion to adjust the relevant successor rate or alternative rate (as applicable) in the circumstances described above.

The market continues to develop in relation to SONIA and SOFR as a reference rate for Floating Rate Covered Bonds

Investors should be aware that the market continues to develop in relation to SONIA and SOFR as reference rates in the capital markets and their adoption as an alternative to LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA and SOFR, including term reference rates (which seek to measure the market's forward expectation of an average rate over a designated term).

SOFR is published by the Federal Reserve Bank of New York (the **Federal Reserve**) and is intended to be a broad measure of the cost of borrowing cash overnight collateralised by Treasury securities and a current preferred replacement rate to USD LIBOR. Publication of SOFR began on 3 April 2018 and it therefore has a very limited history. In addition, the future performance of SOFR cannot be predicted based on its historical performance. The level of SOFR over the term of Floating Rate Covered Bonds may bear little or no relation to the historical level of SOFR. Prior observed patterns, if any, in the behaviour of market

variables, such as correlations, may change in the future. While some pre-publication hypothetical performance data has been published by the Federal Reserve, such data inherently involves assumptions, estimates and approximations. Since the initial publication of SOFR, daily changes in the rate have, on occasion, been more volatile than daily changes in other benchmark or market rates, such as LIBOR, during corresponding periods. In addition, although changes in compounded SOFR generally are not expected to be as volatile as changes in daily levels of SOFR, the return on, and value of, Floating Rate Covered Bonds linked to, or which reference a SOFR rate, may fluctuate more than floating rate debt securities that are linked to less volatile rates.

The market or a significant part thereof may adopt an application of SONIA and/or SOFR that differs significantly from that set out in the terms and conditions of the Covered Bonds and used in relation to Floating Rate Covered Bonds that reference a SONIA or SOFR rate issued under this Prospectus. The Issuer may in the future also issue Floating Rate Covered Bonds referencing SONIA or SOFR that differ materially in terms of interest determination when compared with any previous Floating Rate Covered Bonds referencing SONIA or SOFR under this Programme.

As each of SONIA and SOFR is published and calculated by third parties based on data received from other sources, the Issuer has no control over their respective determinations, calculations or publications. There can be no guarantee that SONIA and/or SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in Floating Rate Covered Bonds linked to or which reference a SONIA rate or a SOFR rate (or that any applicable benchmark fallback provisions provided for in the Terms and Conditions will provide a rate which is economically equivalent for Covered Bondholders). Neither the Bank of England nor the Federal Reserve has an obligation to consider the interests of Covered Bondholders in calculating, adjusting, converting, revising or discontinuing SONIA or SOFR, respectively. If the manner in which SONIA and/or SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on such Floating Rate Covered Bonds and the trading prices of such Floating Rate Covered Bonds. Furthermore, the Rate of Interest payable on Floating Rate Covered Bonds which reference a SONIA rate or a SOFR rate is only capable of being determined at the end of the relevant Observation Period (as defined in the Conditions) and shortly prior to the relevant Interest Payment Date (as defined in the Conditions). It may therefore be difficult for investors in Floating Rate Covered Bonds which reference a SONIA rate or a SOFR rate to reliably estimate the amount of interest which will be payable on such Floating Rate Covered Bonds.

Further, in contrast to LIBOR-based Floating Rate Covered Bonds, if Floating Rate Covered Bonds referencing SONIA or SOFR become due and payable as a result of an Event of Default under Condition 9 (*Events of Default*), or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest payable in respect of such Floating Rate Covered Bonds shall only be determined on or immediately prior to the date on which the Floating Rate Covered Bonds become due and payable and shall not be reset thereafter.

Investors should also be aware that the manner of adoption or application of SONIA or SOFR as reference rates in the international debt capital markets may differ materially compared with the application and adoption of SONIA and SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SONIA or SOFR as reference rates across these markets may impact any hedging or other arrangements which they may put in place in connection with any acquisition, holding or disposal of Floating Rate Covered Bonds linked to or which reference a SONIA rate or a SOFR rate.

Since SONIA and SOFR are relatively new market indices, Floating Rate Covered Bonds linked to or which reference a SONIA rate or a SOFR rate may have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities linked to or which reference a SONIA rate or a SOFR rate may evolve over time and trading prices of such Floating Rate Covered Bonds may be lower than those of the later issued Floating Rate Covered Bonds that are linked to or which reference a SONIA rate or a SOFR rate as a result. Further, if SONIA or SOFR do not

prove to be widely used in securities like the Floating Rate Covered Bonds, the trading price of Floating Rate Covered Bonds linked to or which reference a SONIA rate or a SOFR rate may be lower than those of Floating Rate Covered Bonds linked to or which reference indices that are more widely used. Investors in such Floating Rate Covered Bonds may not be able to sell such Floating Rate Covered Bonds at all or may not be able to sell such Floating Rate Covered Bonds at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

Investors should consider these matters when making their investment decision with respect to any such Floating Rate Covered Bonds linked to or which reference a SONIA rate or a SOFR rate

The Interest Payment Dates for any series of Floating Rate Covered Bonds for which Payment Delay is specified in the applicable Final Terms as the Observation Method for SOFR will be a number of business days (as may be specified in the applicable Final Terms) after the Interest Period End Date in respect of the relevant Interest Period

The Interest Payment Dates for Floating Rate Covered Bonds for which Payment Delay is specified as the Observation Method for SOFR in the applicable Final Terms (**Payment Delay Covered Bonds**) will be a number of business days (as may be specified in the applicable Final Terms) after the Interest Period End Date in respect of the relevant Interest Period. This convention differs from the convention that has been used historically for floating rate debt securities linked to other benchmark or market rates, such as LIBOR, where interest typically has been paid on the last day of an interest period. As a result, holders of Payment Delay Covered Bonds will receive payments of interest on a delayed basis as compared to other Floating Rate Covered Bonds in which they may have previously invested.

With respect to any Payment Delay Covered Bonds, in determining the Rate of Interest in the final Interest Period, the SOFR rate for any day from, and including, the Cut-off Date to, but excluding, the Maturity Date (or the Optional Redemption Date (Put) or the Optional Redemption Date (Call), if and as applicable) will be the SOFR rate in respect of the relevant Cut-off Date

For the final Interest Period with respect to any Payment Delay Covered Bonds, the SOFR rate for any day from, and including, the Cut-off Date to, but excluding, the Maturity Date (or the Optional Redemption Date (Put) or the Optional Redemption Date (Call), if and as applicable) will be the SOFR rate in respect of the Cut-off Date. The Cut-off Date will be a date which is a number of business days prior to the Maturity Date (or the Optional Redemption Date (Put) or the Optional Redemption Date (Call), if and as applicable) as specified in the applicable Final Terms. Therefore, holders of Payment Delay Covered Bonds will not receive the benefit of any increase in the level of SOFR on any date subsequent to the Cut-off Date, which could reduce the amount of interest that may be payable.

Exchange of the Covered Bonds following any Covered Bond legislation in New Zealand changing

The Terms and Conditions of the Covered Bonds permit the Issuer to exchange, without the consent of the Bond Trustee, the Security Trustee or the Covered Bondholders, any existing Covered Bonds then outstanding for new Covered Bonds following the coming into force in New Zealand at any time after the Programme Date of any legislation relating to the issue of covered bonds in New Zealand or any rules, regulations or guidelines published by any governmental authority relating to the issue of covered bonds in New Zealand provided that, among other things, each of the Rating Agencies then rating the existing Covered Bonds confirms in writing that any such new Covered Bonds will be assigned the same ratings as are then applicable to the existing Covered Bonds. Any such new Covered Bonds will qualify as covered bonds under such new legislation, rules, regulations or guidelines and will be in identical form, amounts and denominations and will be subject to the same economic terms and conditions as the existing Covered Bonds then outstanding.

Basel Capital Accord

The BCBS approved significant changes to the Basel II regulatory capital and liquidity framework in 2011 (such changes being commonly referred to as "**Basel III**"). In particular, 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 "backstop" for financial institutions and certain minimum liquidity standards (referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio). It is intended that member countries will implement the new capital standards and the new Liquidity Coverage Ratio as soon as possible (with provision for phased implementation, meaning that the measure will not apply in full until January 2019) and the Net Stable Funding Ratio from January 2018. Implementation of Basel III requires national legislation and therefore the final rules and the timetable for their implementation in each jurisdiction may be subject to some level of national variation.

Implementation of the Basel framework and any changes as described above may have an impact on the capital requirements in respect of the Covered Bonds and/or on incentives to hold the Covered Bonds for investors that are subject to requirements that follow the relevant framework and, as a result, may affect the liquidity and/or value of the Covered Bonds.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Covered Bonds and as to the consequences for and effect on them of any changes to the Basel II framework (including the changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

FORM OF THE COVERED BONDS

The Covered Bonds of each Series will be in either bearer form, with or without receipts, interest coupons and/or talons attached, or registered form, without receipts, interest coupons and/or talons attached.

Bearer Covered Bonds

Each Tranche of Bearer Covered Bonds will be initially issued in the form of a temporary global covered bond without receipts and interest coupons attached (a **Temporary Global Covered Bond**), unless the applicable Final Terms Document specifies otherwise, which will:

(a) if the Bearer Global Covered Bonds (as defined below) are issued in new global covered bond (**NGCB**) form, as stated in the applicable Final Terms Document, be delivered on or prior to the issue date of the relevant Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**); and

(b) if the Bearer Global Covered Bonds are not issued in NGCB form, be delivered on or prior to the issue date of the relevant Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg or lodged on or before the relevant issue date thereof with a sub-custodian in Hong Kong for the CMU Service.

Bearer Covered Bonds will only be delivered outside the United States and its possessions.

While 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 issued in NGCB form) only outside the United States and its possessions and to the extent that certification as to the beneficial ownership thereof, as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Covered Bond or in such other form as is customarily issued in such circumstances by the relevant clearing system), has been received by Euroclear and/or Clearstream, Luxembourg and/or the CMU Lodging Agent and Euroclear and/or Clearstream, Luxembourg, and/or the CMU Lodging Agent as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

If the applicable Final Terms indicate that a Temporary Global Covered Bond may be exchanged for Bearer Definitive Covered Bonds, trading of such Covered Bonds in Euroclear and Clearstream, Luxembourg will only be permitted in amounts which are an integral multiple of the minimum Specified Denomination.

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 (a) interests in a permanent global covered bond without receipts and 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**) of the same Series or (b) Bearer Definitive Covered Bonds of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms Document and subject, in the case of Bearer Definitive Covered Bonds, to such notice period as is specified in the applicable Final Terms Document), in each case against certification of non-U.S. beneficial ownership as described above unless such certification has already been given, provided that the CMU Service may require that any such exchange for interests in a Permanent Global Covered Bond is made in whole, and not in part and, in such event, no such exchange will be effected until all relevant accountholders (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service) have so certified. Purchasers in the United States and certain U.S. persons will not be able to receive Bearer Definitive Covered Bonds or interests in the Permanent Global Covered Bond. 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. Bearer Covered Bonds will be subject to certain restrictions on transfer set forth therein or will bear a legend regarding such restrictions.

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

Interests in a Permanent Global Covered Bond will be exchanged by the Issuer in whole but not in part only at the option of the holder of such Permanent Global Covered Bond, for Definitive Covered Bonds and/or (in the case of a Series comprising both Bearer and Registered Covered Bonds and if so specified in the applicable Final Terms Document) Registered Covered Bonds, (a) if either the Issuer or the Group Guarantor has or will become subject to adverse Tax (or stamp duty) consequences that would not be suffered were the Permanent Global Covered Bond (and any interests therein) exchanged for Definitive Covered Bonds and/or, as the case may be, Registered Covered Bonds; (b) if Euroclear, Clearstream, Luxembourg or the CMU Service or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so; or (c) if so specified in the applicable Final Terms Document, at the option of the holder of such Permanent Global Covered Bond upon such holder's request, in all cases at the cost and expense of the Issuer (each, an **Exchange Event**). In order to exercise the option contained in paragraph (c) of the preceding sentence the holder must, not less than 45 days before the date upon which the delivery of such Definitive Covered Bonds and/or Registered Covered Bonds is required, deposit the relevant Permanent Global Covered Bond with the Principal Paying Agent at its specified office with the form of exchange notice endorsed thereon duly completed. If the Issuer does not make the required delivery of Definitive Covered Bonds and/or Registered Covered Bonds by 6.00 p.m. (London time) on the day on which the relevant notice period expires or, as the case may be, the 30th day after the day on which such Permanent Global Covered Bond becomes due to be exchanged and, in the case of (a) above, such Covered Bond is not duly redeemed (or the funds required for such redemption are not available to the Principal Paying Agent for the purposes of effecting such redemption and remain available for such purpose) by 6.00 p.m. (London time) on the 30th day after the day at which such Covered Bond became immediately redeemable such Permanent Global Covered Bond will become void in accordance with its terms but without prejudice to the rights conferred by the Trust Deed.

The exchange upon notice described above should not be expressed to be applicable if the relevant Covered Bonds have denominations consisting of a minimum Specified Denomination plus one or more integral multiples of another smaller amount.

Bearer Global Covered Bonds, Bearer Definitive Covered Bonds and any Coupons or Talons attached thereto will be issued pursuant to the Agency Agreement.

The following legend will appear on all Bearer Covered Bonds that have an original maturity of more than one year (other than Temporary Global Covered Bonds) and on all receipts, talons and 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 U.S. persons (as defined for U.S. federal tax purposes), with certain exceptions, will not be entitled to deduct any loss on Bearer Covered Bonds, receipts, talons or interest coupons and will not be entitled to capital gains treatment of any gain on any sale or other disposition in respect of such Bearer Covered Bonds, receipts, talons 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, Clearstream, Luxembourg or the CMU Service, as the case may be.

Registered Covered Bonds

The Registered Covered Bonds of each Tranche offered and sold in reliance on Regulation S will initially be represented by a global covered bond in registered form (a **Regulation S Global Covered Bond or a Registered Global Covered Bond**). Prior to expiry of the Distribution Compliance Period 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 (*Form and Denomination*) 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 (see *Subscription and Sale and Transfer and Selling Restrictions*).

Registered Global Covered Bonds will either (a) be deposited with a custodian for, and registered in the name of a nominee of, the Depositary Trust Company (**DTC**) or its nominee or (b) be deposited with the Common Depositary or Common Safekeeper, as the case may be, for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg or deposited with the CMU Service, as specified in the applicable Final Terms Document. 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 or the CMU Service. 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 any provision to the contrary, be made to the person shown on the Register as the registered holder of the Registered Global Covered Bonds. None of the Issuer, the Group Guarantor, the CB 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 any provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.2(b)) 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 receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (a) in the case of a Registered Global Covered Bond registered in the name of DTC or its nominee, either DTC has notified the

Issuer that it is unwilling or unable to continue to act as depositary 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, (b) in the case of a Registered Global Covered Bond registered in the name of the Common Depositary or Common Safekeeper, as the case may be, or its nominee or the CMU Service, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg or the CMU Service, as the case may be, have been closed for business for a continuous period of 14 days (other than by reason of holiday, whether 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, (c) the Issuer or the Group Guarantor has or will become subject to adverse Tax (or stamp duty) consequences which would not be suffered were the Registered Global Covered Bond (and any interests therein) exchanged for Registered Definitive Covered Bonds. The Issuer will promptly give notice to Covered Bondholders of each Series of Registered Global Covered Bonds in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear, Clearstream, Luxembourg and/or the CMU Service (acting on the instructions of any registered holder of an interest in such Registered Global Covered Bond) or the Bond Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (c) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

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, Clearstream, Luxembourg and the CMU Service, in each case to the extent applicable. **Registered Covered Bonds are also subject to the restrictions on transfer set forth herein and will bear a legend regarding such restrictions, see *Subscription and Sale and Transfer and Selling Restrictions.***

General

Any reference herein to DTC, Euroclear, Clearstream, Luxembourg and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system and/or additional or alternative clearing system specified in the applicable Final Terms Document 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 Group Guarantor or the CB Guarantor unless the Bond Trustee or, as the case may be, the Security Trustee, having become so bound to proceed, fails so to do within a reasonable period and the failure shall be continuing.

Where Bearer Global Covered Bonds are issued in respect of any Tranche in NGCB form or Registered Covered Bonds are held under the NSS, Euroclear and Clearstream, Luxembourg will be notified whether or not such Global Covered Bonds are intended to be held in a manner which would allow Eurosystem eligibility. Depositing the Global Covered Bonds with the Common Safekeeper does not necessarily mean that the relevant 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 satisfaction of the Eurosystem eligibility criteria.

FORM OF FINAL TERMS DOCUMENT

[**NOTIFICATION UNDER SECTION 309B OF THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE**: The Covered Bonds are [capital markets products other than prescribed capital markets products/prescribed capital markets products] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 and [Specified Investment Products/Excluded Investment Products] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).][1]

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][2]

[**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate [*consider any negative target market*]. Any person subsequently offering, selling or recommending the Covered Bonds (a distributor) should take into consideration the manufacturer[s'/'s] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer[s'/'s] target market assessment) and determining appropriate distribution channels.][3]

[1] **Note:** Issuer to determine whether the Covered Bonds remain as capital markets products other than prescribed capital markets products at each drawdown. Legend for capital markets products other than prescribed capital markets products should be used unless Issuer determines otherwise.

[2] **Note:** Legend to be included on front of the Final Terms Document if the Covered Bonds potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the item entitled "Prohibition of Sales to EEA Retail Investors" should be specified to be "Applicable".

[3] **Note:** Legend to be included where the Issuer and/or the Dealer(s) are Manufacturers for MiFID II purposes.

Westpac Securities NZ Limited
(Legal Entity Identifier (LEI): 549300W0N3O6Q4RCKE25)

Issue of [Aggregate Principal Amount of Tranche] [Title of Covered Bonds]
unconditionally guaranteed by Westpac New Zealand Limited and
irrevocably and unconditionally guaranteed as to payment of principal and interest by
Westpac NZ Covered Bond Limited
under the €5 billion
Global 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 set forth in the Prospectus dated [*date*] [and the supplemental Prospectus dated [*date*]] which [together] constitute[s] a base prospectus for the purposes of Regulation (EU) 2017/1129 (the **Prospectus Regulation**). This document constitutes the final terms of the Covered Bonds described herein for the purposes the Prospectus Regulation and must be read in conjunction with the Prospectus [as so supplemented] in order to obtain all the relevant information. Copies of the Prospectus [and the supplemental Prospectus] are available free of charge to the public at Camomile Court, 23 Camomile Street, London EC3A 7LL, United Kingdom and from the specified office of each of the Paying Agents and will be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html .]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the **Terms and Conditions**) set forth in the Prospectus dated [*original date*]. This document constitutes the final terms of the Covered Bonds described herein for the purposes of Regulation (EU) 2017/1129 (the **Prospectus Regulation**) and must be read in conjunction with the Prospectus dated [*current date*] [and the supplemental Prospectus dated [*date*]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation in order to obtain all the relevant information, save in respect of the Terms and Conditions which are extracted from the Prospectus dated [*original date*] and are incorporated by reference in the Prospectus dated [*current date*]. Copies of such Prospectuses are available free of charge to the public at Camomile Court, 23 Camomile Street, London EC3A 7LL, United Kingdom and from the specified office of each of the Paying Agents and will be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html .]]

1.	(a)	Issuer:	Westpac Securities NZ Limited
	(b)	Guarantors:	Westpac New Zealand Limited and Westpac NZ Covered Bond Limited
	(c)	Series Number:	[●]
	(d)	Tranche Number:	[●]
	(e)	Date on which Covered Bonds will be consolidated and form a single Series:	[●]
2.		Specified Currency or Currencies of denomination:	[●]

3.	Aggregate Principal Amount of Covered Bonds:		
	[(a)	Series:	[●]]
	[(b)]	Tranche:	[●]
4.	Issue Price:		[●]
5.	Denominations:		[●]
6.	(a)	Issue Date:	[●]
	(b)	Interest Commencement Date:	[●]
7.	(a)	Maturity Date:	[●]
	(b)	Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Covered Bond Guarantee:	[●]
8.	Interest Basis:		[[●]% Fixed Rate] [SONIA][SOFR][[USD LIBOR/GBP LIBOR/CDOR/EURIBOR/CHF LIBOR/JPY LIBOR/SIBOR/HIBOR/BKBM/CNH HIBOR] [●]% Floating Rate] [Zero Coupon] [Fixed Rate Reset]
9.	Redemption/Payment Basis:		[Redemption at par][Hard Bullet][Soft Bullet]
10.	Change of Interest Basis or Redemption/Payment Basis:		[Not Applicable] [From Floating to Fixed] [From Fixed to Floating]
11.	Put/Call Options:		[Investor Put] [Issuer Call]
12.	[Date of [Board] approval for issuance of Covered Bonds and Guarantees obtained:		Issuer, 15 September 2006, Group Guarantor 11 August 2010 [and [●], respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	Fixed Rate Covered Bond provisions:		[Applicable/Not Applicable]
	(a)	Rate of Interest:	[●] per cent. per annum [payable [annually/ semi-annually/quarterly/monthly/other] in arrear] on each Interest Payment Date

(b)	Interest Payment Date(s):		[●]
(c)	Interest Period End Date(s):		[●]
(d)	Business Day Convention:		[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/FRN Convention/Eurodollar Convention/No adjustment]
	(i)	[for Interest Payment Dates:	[●]]
	(ii)	[for Interest Period End Dates:	[●]]
	(iii)	[for Maturity Date:	[●]]
(e)	Additional Business Centre(s):		[Auckland, New Zealand] [Wellington, New Zealand] [Sydney, Australia] [●]
(f)	Fixed Coupon Amount(s):		[●] per [●]
(g)	Broken Amount(s):		[●] [Not Applicable]
(h)	Day Count Fraction:		[Actual/365] [Actual/365 (Fixed)] [30/360] [Actual/Actual (ICMA)] [Actual/360] [30E/360] [30E/360 (ISDA)] [Eurobond Basis] [Not Adjusted]
(i)	Accrual Feature:		[Not Applicable/Applicable]
	(i)	Applicable Swap Rate:	[USD-ISDA-Swap Rate/[●] (as defined in the ISDA Definitions)
	(ii)	Applicable Swap Rate thresholds:	Greater than or equal to [●]per cent. and less than or equal to [●] per cent.
	(iii)	Observation Period:	[The period which starts [●] New York and [Interest Accrual Period]/[●] New York and London Banking Days prior to the beginning of the relevant Interest Accrual Period and ending [●] New York and London Banking Days prior to the end of such relevant Interest Accrual Period]
	(iv)	Designated Maturity:	[●]

14.	Fixed Rate Reset Covered Bond Provisions		[Applicable/Not Applicable]
	(a)	Initial Rate of Interest:	[●]% per annum payable [annually/ semi annually/quarterly/monthly/other] in arrear
	(b)	Fixed Rate Reset Date(s):	[●]
	(c)	Reset Rate(s):	[[●]% per annum payable [annually/ semi annually/ quarterly/ monthly/ other] in arrear]/[A rate per annum equal to the sum of (a) the Reset Reference Rate and (b) the Mid-Swap Re-Offer Spread]
	(d)	Reset Reference Rate:	[Mid-Market Swap Rate]/[Not Applicable]
		(i) Relevant Screen Page:	[●]/[Not Applicable]
		(ii) Mid Swap Maturity	[●]/[Not Applicable]
	(e)	Interest Payment Dates:	[●]
	(f)	Interest Period End Date(s):	[●]
	(g)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/FRN Convention/Eurodollar Convention/No adjustment]
		(i) [for Interest Payment Dates:	[●]]
		(ii) [for Interest Period End Dates:	[●]]
		(iii) [for Maturity Date:	[●]]
	(h)	Additional Business Centre(s):	[Auckland, New Zealand] [Wellington, New Zealand] [Sydney, Australia] [London, United Kingdom] [●]
	(i)	Fixed Coupon Amount(s):	[●] per [●]
	(j)	Broken Amount(s):	[●]/[Not Applicable]
	(k)	Day Count Fraction:	[Actual/365] [Actual/365 (Fixed)] [30/360] [Actual/Actual (ICMA)] [Actual/360] [30E/360] [30E/360 (ISDA)] [RBA Bond Basis/Australian Bond Basis]

			[Eurobond Basis] [Not adjusted]
	(l)	Accrual Feature:	[Not Applicable/Applicable]
		(i) Applicable Swap Rate:	[USD-ISDA-Swap Rate/[●] (as defined in the ISDA Definitions)]
		(ii) Applicable Swap Rate thresholds:	Greater than or equal to [●]% and less than or equal to [●]%
		(iii) Observation Period:	[Interest Accrual Period]/[[●] New York and London Banking Days prior to the beginning of the relevant Interest Accrual Period and ending [●] New York and London Banking Days prior to the end of the relevant Interest Accrual Period]
		(iv) Designated Maturity:	[●]
	(m)	Determination Date:	[●]
	(n)	Mid-Swap Re-Offer Spread:	[●]
	(o)	Reset Determination Date(s):	[●]/[Not Applicable]
	(p)	Reset Rate Time:	[●]/[Not Applicable]
15.	Floating Rate Covered Bond provisions:		[Applicable/Not Applicable]
	(a)	Specified Period(s):	[●]
	(b)	Interest Payment Dates:	[●]
	(c)	Interest Period End Dates or (if the applicable Business Day Convention below is the FRN Convention) Interest Accrual Period:	[●]
	(d)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/FRN Convention/Eurodollar Convention/No adjustment]
		(i) [for Interest Payment Dates:	[●]]
		(ii) [for Interest Period End Dates:	[●]]
		(iii) [for Maturity Date:	[●]]
		(iv) [for any other date:	[●]]
	(e)	Additional Business Centre(s):	[Auckland, New Zealand] [Wellington, New Zealand]

		[Sydney, Australia] [●]
(f)	Manner in which the Rate of Interest and Interest Amount are to be determined:	[Screen Rate Determination/ISDA Determination]
(g)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the [Principal Paying Agent/Calculation Agent]):	[●]
(h)	Screen Rate Determination:	[Applicable/Applicable (Overnight Rate)/ Applicable (Term Rate)/Not Applicable]
	Reference Rate:	[SONIA][SOFR] [●] month [●] [except for the Interest Period ending on [●] in which the Rate of Interest will be determined using a linear interpolation between [●] month [●] and [●] month [●]]
	Interest Determination Date(s):	[●] [[●]Banking Days/London Banking Days (if SONIA)/U.S. Government Securities Business Days (if SOFR) prior to the end of each Interest Accrual Period] [[●] U.S. Government Securities Business Days following the end of each Interest Accrual Period, provided that in respect of the final Interest Accrual Period, the Interest Determination Date shall be [●] U.S. Government Securities Business Days following the Cut-off Date]
	[SOFR Averaging Method:	[Compounded Daily]/[Weighted Average]]
	[Observation Look-Back Period:	[●] London Banking Days (*if SONIA*)/U.S. Government Securities Business Days (*if SOFR*)]
	[Observation Method:	[Lag]/ [Lock-out]/ [Payment Delay]]
	[Cut-off Date:	[[●] U.S. Government Securities Business Days prior to the Maturity Date [or Optional Redemption Date [(Put)]/[(Call)], as applicable]]
	Relevant Screen Page:	[●] [Not Applicable]
	Relevant Time:	[●] [Not Applicable]
	Relevant Financial Centre:	[●] [Not Applicable]
(i)	ISDA Determination:	[Applicable/Not Applicable]

	Floating Rate Option:		[●]
	Designated Maturity:		[●]
	Reset Date:		[●]
(j)	Margin(s):		[+/-] [●]per cent. per annum
(k)	Minimum Rate of Interest:		[●]per cent. per annum
(l)	Maximum Rate of Interest:		[●]per cent. per annum
(m)	Day Count Fraction:		[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/360 30/360 30E/360 30E/360 (ISDA) Eurodollar Convention] [Not adjusted]
(n)	Accrual Feature:		[Not Applicable/[●]]
	(i)	Applicable Swap Rate:	[USD-ISDA-Swap Rate/[●] (as defined in the ISDA Definitions)
	(ii)	Applicable Swap Rate thresholds:	Greater than or equal to [●]per cent. and less than or equal to [●]per cent.
	(iii)	Observation Period:	[Interest Accrual Period]/[[●] New York and London Banking Days prior to the beginning of the relevant Interest Accrual Period and ending [●] New York and London Banking Days prior to the end of such Interest Accrual Period]
	(iv)	Designated Maturity:	[●]
(o)	Broken Amounts:		[●]
16.	Zero Coupon Covered Bond provisions:		[Applicable/Not Applicable]
(a)	Accrual Yield:		[●]per cent. per annum
(b)	Reference Price:		[●]
(c)	Business Day Convention:		[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/FRN Convention/Eurodollar Convention/No Adjustment]
(d)	Additional Business Centre(s):		[Auckland, New Zealand] [Wellington, New Zealand]

			[Sydney, Australia] [●]
17.	Coupon Switch Option:		[Applicable/Not Applicable]
	Coupon Switch Option Date:		[●]

PROVISIONS RELATING TO REDEMPTION

18.	Redemption at the option of the Issuer (Call):		[Applicable/Not Applicable]
	(a)	Optional Redemption Date(s) (Call):	[●]
	(b)	Series redeemable in part:	[Yes/No]
	(c)	Optional Redemption Amount of each Covered Bond (Call) and method, if any, of calculation of such amount(s):	[●] per Covered Bond of [●] specified denomination
	(d)	Notice period (if other than as set out in the Terms and Conditions):	Minimum Period: [●] days Maximum Period: [●] days
19.	Partial redemption (Call):		[Applicable/Not Applicable]
20.	(a)	Minimum Redemption Amount:	[●] per [●] Specified Denomination
	(b)	Maximum Redemption Amount:	[●] per [●] Specified Denomination
	(c)	Notice Period:	[●]
21.	Redemption at the option of the Covered Bondholders (Put):		[Applicable/Not Applicable]
	(a)	Optional Redemption Date(s) (Put):	[●]
	(b)	Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s):	[●] per Covered Bond of [●] Specified Denomination
	(c)	Notice Period:	Minimum Period: [●] days Maximum Period: [●] days
22.	Final Redemption Amount of each Covered Bond:		[[●] per [●] Specified Denomination]
23.	Early Redemption for Tax reasons:		
	(a)	Early Redemption Amount (Tax) of each Covered Bond:	[●] per [●] Specified Denomination
	(b)	Date after which changes in law, etc. entitle Issuer to redeem:	[●]

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

24.	(a)	Form of Covered Bonds:	[Bearer Covered Bonds: [Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Bearer Definitive Covered Bonds [on 60 days' notice given at any time/only upon an Exchange Event]] [Temporary Global Covered Bond exchangeable for Bearer Definitive Covered Bonds] [Permanent Global Covered Bond exchangeable for Bearer Definitive Covered Bonds [on 60 days' notice given at any time/only after an Exchange Event]] [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/Common Safekeeper for Euroclear and Clearstream, Luxembourg]
	(b)	Talons for future Coupons to be attached to Definitive Covered Bonds:	[Yes/No]
25.		Events of Default (Condition 9)	[●]
		Early Redemption Amount	
26.		[New Global Covered Bond:	[Yes/No]]
27.		Payments:	
		Unmatured Coupons missing upon Early Redemption	[●]

DISTRIBUTION

28.		U.S. Selling Restrictions:	[Reg. S Compliance Category. TEFRA D applicable/TEFRA C applicable/TEFRA not applicable]
29.		Prohibition of Sales to EEA Retail Investors	[Applicable/Not Applicable] *(If the Covered Bonds clearly do not constitute "packaged" products, or the Covered Bonds constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged" products and no key information document*

will be prepared, "Applicable" should be specified.)

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING:

	Application for admission to the Official List and for admission to trading [has been/is expected to be] made to the London Stock Exchange's Regulated Market
	[Date from which admission effective[●]]

2. RATINGS:

Ratings:	The Covered Bonds [have been] [are expected to be] rated:
	[Fitch Ratings: [●]]
	[Moody's: [●]]

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

[●]/[Save for the fees payable to the Dealers, so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer. The 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, the CB Guarantor and their affiliates.]

4. ESTIMATED TOTAL EXPENSES:

Estimated total expenses:	[●]

5. YIELD: (*Fixed Rate Covered Bonds and Fixed Rate Reset Covered Bonds only*)

Indication of yield:	[●]

6. OPERATIONAL INFORMATION:

(a)	ISIN Code:	[●]
(b)	Common Code:	[●]
(c)	CFI:	[See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]
(d)	FISN:	[See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]

		(*If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable".*)
[(e)]	CMU Service Instrument Number:	[●]
[(f)]	WKN:	[●]
[(g)]	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 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 ECB 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 ECB being satisfied that Eurosystem eligibility criteria have been met.]
[(f)]	[●]:	[●]
[(g)]	Any clearing system(s) other than DTC, Euroclear, Clearstream, Luxembourg or the CMU Service and the relevant identification number(s):	[Not Applicable/[●]]
[(h)]	Name and address of initial Paying Agent(s):	[●]
[(i)]	Names and addresses of additional Paying Agent(s) (if any):	[●]

Signed on behalf of the Issuer:

By:

Duly authorised

Signed on behalf of the Group Guarantor:

By:

Duly authorised

Signed on behalf of the CB Guarantor:

By:

Duly authorised

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 (as defined below), in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the 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 Document (or the relevant provisions thereof) will be endorsed on, or attached to, each Global Covered Bond and Definitive Covered Bond. Reference should be made to Form of the Covered Bonds for a description of the content of the Final Terms Document which will specify which of such terms are to apply in relation to the relevant Covered Bonds.

No Covered Bonds shall be issued in circumstances where the exemption provided by Rule 144A of the Securities Act is intended to be relied upon. As a consequence, all references to Rule 144A Global Covered Bonds below shall be ignored, Condition 3.11 shall not operate and the Terms and Conditions shall be construed accordingly.

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by Westpac Securities NZ Limited (acting through its London branch) (the **Issuer**) constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 26 November 2010 (the **Signing Date**) made between the Issuer, Westpac New Zealand Limited as guarantor (in such capacity, the **Group Guarantor**), Westpac NZ Covered Bond Limited (the **CB Guarantor** and, together with the Group Guarantor, the **Guarantors** and each a **Guarantor**, which expression shall include any additional or successor Guarantor) and BNY Mellon Corporate Trustee Services Limited (formerly BNY Corporate Trustee Services 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 13 (*Meetings of Covered Bondholders, Waiver, Authorisation, Determination and Consent*), references herein to the **Covered Bonds** shall be references to the Covered Bonds of this Series and shall mean:

(a) any global covered bond representing Covered Bonds (a **Global Covered Bond**);

(b) in relation to any Covered Bonds represented by a Global Covered Bond, units of each specified denomination in the Specified Currency;

(c) any Definitive Covered Bonds in bearer form (**Bearer Definitive Covered Bonds**) issued in exchange for a Global Covered Bond in bearer form; and

(d) any Definitive Covered Bonds in registered form (**Registered Definitive Covered Bonds** and, together with Bearer Definitive Covered Bonds, **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 an agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated the Signing Date and made between the Issuer, the Group Guarantor, the CB Guarantor, the Bond Trustee, The Bank of New York Mellon, as issuing and principal paying agent (in such capacity, the **Principal Paying Agent**, which expression shall include any successor principal paying agent and, together with any additional paying agents, the **Paying Agents**), as exchange agent (in such capacity, the **Exchange Agent**, which expression shall include any successor exchange agent) and as transfer agent (in such capacity, the **Transfer Agent**, which expression shall include any successor transfer agent) and The Bank of New York Mellon (Luxembourg) S.A. (now known as The Bank of New York Mellon SA/NV, Luxembourg Branch) as registrar (the **Registrar**, which expression shall include any successor registrar and

together with the Paying Agents, the Exchange Agent, the Transfer Agent and any Calculation Agent referred to below, the **Agents**).

Interest-bearing Bearer Definitive Covered Bonds have (unless otherwise indicated in the applicable Final Terms Document) interest coupons (**Coupons**) and, if indicated in the applicable Final Terms Document, 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 and Global Covered Bonds do not have Coupons or Talons attached on issue.

The Final Terms Document for the Covered Bonds (or the relevant provisions thereof) is endorsed on or attached to this Covered Bond and supplements these Terms and Conditions (the **Terms and Conditions** or the **Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Terms and Conditions, replace or modify the Terms and Conditions for the purposes of the Covered Bonds. References to the **applicable Final Terms Document** are to the Final Terms Document (or the relevant provisions thereof) endorsed on or attached to this Covered Bond.

The Bond Trustee acts for the benefit of 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 the holders of each other Series of Covered Bonds in accordance with the provisions of the Trust Deed.

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

The Group Guarantor has, in the Trust Deed, unconditionally and irrevocably guaranteed the due and punctual payment of the principal of, and interest on, all Covered Bonds and of all other amounts payable by the Issuer in relation to such Covered Bonds.

The CB Guarantor has, in the Trust Deed, irrevocably and unconditionally guaranteed (on a several basis as between the Group Guarantor and itself) the due and punctual payment of Guaranteed Amounts in respect of the Covered Bonds as and when the same shall become Due for Payment, but only after service of a Notice to Pay on the CB Guarantor following service of an Issuer Acceleration Notice on the Issuer and the Group Guarantor (after the occurrence of an Issuer Event of Default) or service of a CBG Acceleration Notice on the Issuer, the Group Guarantor and the CB Guarantor (after the occurrence of a CBG Event of Default).

The security for the obligations of the CB Guarantor under the Covered Bond Guarantee and the other Transaction 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 Trust Deed**) dated the Signing Date and made between the CB Guarantor, the Issuer, the Group Guarantor, the Bond Trustee, NZGT (WNZCB) Security Trustee Limited (the **Security Trustee**) and certain other Secured Creditors.

These Terms and Conditions include summaries of, and are subject to, the provisions of the Trust Deed, the Security Trust Deed and the Agency Agreement.

Copies of the Trust Deed, the Security Trust Deed, the Master Definitions and Construction Agreement (as defined below) and the Agency Agreement are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Final Terms Document for all Covered Bonds of each Series are obtainable during normal business hours at the registered office of the Issuer and at the specified office of each of the Paying Agents save that, if the relevant Series of Covered

Bonds is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Regulation, the applicable Final Terms Document will be obtainable only by a Covered Bondholder holding one or more Covered Bonds of such Series and such Covered Bondholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such 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 Trust Deed, the Security Trust Deed, the Master Definitions and Construction Agreement, the Agency Agreement, each of the other Transaction Documents and the applicable Final Terms Document which are applicable to them and to have notice of each of the Final Terms Documents relating to each other Series.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Terms and Conditions (including the preceding paragraphs) shall bear the meanings given to them in the applicable Final Terms Document and/or the master definitions and construction agreement made between the parties to the Transaction Documents dated the Signing Date (as amended and/or supplemented and/or restated from time to time, the **Master Definitions and Construction Agreement**), a copy of each of which may be obtained as described above.

1. Interpretation

1.1 Definitions:

In these Terms and Conditions the following expressions have the following meanings:

Accrual Feature means the result of the fraction of which the numerator is the number of days in the relevant Interest Accrual Period on which interest will be deemed to have accrued by reference to the following formula:

N divided by **D** where:

N is the number of calendar days in the relevant Observation Period where the Applicable Swap Rate is within the thresholds specified in the Final Terms;

D is the total number of calendar days in the relevant Observation Period;

Applicable Swap Rate means the USD-ISDA-Swap Rate or such other rate set out in the ISDA Definitions and specified in the Final Terms;

Calculation Date means for each calendar day in the relevant Observation Period, that calendar day, provided that, if that calendar day is not a New York and London Banking Day, the relevant Calculation Date will be immediately preceding New York and London Banking Day;

New York and London Banking Day means any day on which commercial banks are open for general business (including dealings in foreign currency deposits) in New York and London;

Observation Period means either the Interest Accrual Period or the period which starts on the number of New York and London Banking Days prior to the beginning of the relevant Interest Accrual Period and ends on the number of New York and London Banking Days prior to the end of the relevant Interest Accrual Period, in each case as specified in the Final Terms;

USD-ISDA-Swap Rate means the rate determined in accordance with the ISDA Definitions with the following modifications:

(a) the Designated Maturity (as defined in the ISDA Definitions) is, in respect of each Interest Accrual Period, a period specified for such Interest Accrual Period in the relevant Final Terms; and

(b) the words "Reset Date" shall be replaced with the words "Calculation Date", the words "on the day that is two U.S. Government Securities Business Days preceding that Reset Date" shall be replaced with "on that Calculation Date" and the words "as the applicable Floating Rate Option" shall be replaced with "as defined in the ISDA Definitions".

In the event that no quotations are available pursuant to the USD-ISDA-Swap Rate with the relevant designated maturity, including the fallback option "USD-CMS-Reference Banks" (as defined in the ISDA Definitions) or the Issuer or an Independent Adviser appointed by the Issuer determines that no suitable Reference Bank (as defined in the ISDA Definitions) which is prepared to quote is available, then the Issuer or the Independent Adviser shall reasonably determine the applicable rate (or method for determining such rate) in its sole discretion, taking into consideration all available information that in good faith it deems appropriate;

Accrual Yield has the meaning given in the applicable Final Terms Document;

Additional Business Centre(s) means the city or cities specified as such in the applicable Final Terms Document;

Adjustment Spread means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which is required to be applied to a Successor Reference Rate or an Alternative Reference Rate (as applicable) as a result of the replacement of the Reference Rate with such Successor Reference Rate or Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(a) in the case of a Successor Reference Rate, is formally recommended in relation to the replacement of the Reference Rate with such Successor Reference Rate by any Relevant Nominating Body; or

(b) in the case of a Successor Reference Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the relevant Independent Adviser or the Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by such Successor Reference Rate or Alternative Reference Rate (as applicable); or

(c) if no such customary market usage is recognised or acknowledged, the relevant Independent Adviser or the Issuer (as applicable) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Reference Rate or the Alternative Reference Rate (as applicable); or

(d) if no such industry standard is recognised or acknowledged, the relevant Independent Adviser or the Issuer (as applicable) in its discretion determines (acting in good faith and in a commercially reasonable manner) to be appropriate;

Alternative Reference Rate means the rate which the Independent Adviser and the Issuer agree has replaced the Reference Rate in customary market usage in the international debt capital markets for the purposes of determining floating rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Accrual Periods, or, if the relevant Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as such Independent Adviser or the Issuer (as applicable) determines in its discretion is most comparable to the Reference Rate;

Benchmark Event means, in respect of any Reference Rate:

(a) the relevant Reference Rate ceasing to be published for a period of at least five Business Days; or

(b) a public statement by the administrator of the relevant Reference Rate that it will, by a specified date within the following six months (or, if later, the next Interest Determination Date), cease, or that it has ceased, publishing the relevant Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate); or

(c) a public statement by the supervisor of the administrator of the relevant Reference Rate, the central bank for the currency of the Reference Rate, an insolvency official with jurisdiction over the administrator for the Reference Rate, a resolution authority with jurisdiction over the administrator for the Reference Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the Reference Rate, that the relevant Reference Rate has been or will, by a specified date within the following six months (or, if later, the next Interest Determination Date), be permanently or indefinitely discontinued; or

(d) a public statement by the supervisor of the administrator of the relevant Reference Rate that means the relevant Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months (or, if later, the next Interest Determination Date); or

(e) it has become unlawful for any Paying Agent, the Issuer or any other party to calculate any payments due to be made to any holder of the Covered Bonds using the relevant Reference Rate; or

(f) a public statement or publication of information by the supervisor of the administrator of the relevant Reference Rate announcing that the Reference Rate is no longer representative.

Broken Amount has the meaning given in the applicable Final Terms Document;

Business Day means:

(a) for the purposes of Condition 7.1(d) (*Payments on business days*) only, a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; or

(b) in relation to any sum payable, either:

(i) where such sum is payable in a 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) the Principal Financial Centre and any Additional Business Centre(s) specified in the applicable Final Terms Document; or

(ii) where such sum is payable in 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, each (if any) Additional Business Centre(s) specified in the applicable Final Terms Document and a TARGET Settlement Day; or

(c) for all other purposes, 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 and any Additional Business Centre(s) specified in the applicable Final Terms Document;

Business Day Convention, in relation to any particular date which is not a Business Day, has the meaning given in the applicable Final Terms Document and, if so specified in the applicable Final Terms Document, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) **Following Business Day Convention** means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) **Modified Following Business Day Convention** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day;

(c) **Preceding Business Day Convention** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) **FRN Convention**, **Floating Rate Convention** or **Eurodollar Convention** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the applicable Final Terms Document as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) **No Adjustment** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

Calculation Agent means the person initially appointed as calculation agent by the Issuer, the Group Guarantor and the CB Guarantor pursuant to the Agency Agreement or, if applicable, any successor calculation agent specified in the applicable Final Terms Document as the party

responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the applicable Final Terms Document;

CBG Event of Default has the meaning given to it in Condition 9.2 (*CBG Events of Default*);

CMU Service has the meaning given to it in Condition 2.4;

Code means the U.S. Internal Revenue Code of 1986, as amended;

Coupon Sheet means, in respect of a Covered Bond, a coupon sheet relating to the Covered Bond;

Coupon Switch Option has the meaning given in the applicable Final Terms Document;

Coupon Switch Option Date has the meaning given in the applicable Final Terms Document;

Day Count Fraction means, in respect of the calculation of an amount of interest for any Interest Period, such day count fraction as may be specified in these Terms and Conditions or in the applicable Final Terms Document having the meaning specified below:

(i) if Actual/Actual (ICMA) is specified in the applicable Final Terms Document:

(A) where the number of days in the relevant Interest Accrual Period is equal to or shorter than the Regular Period during which the Interest Accrual Period ends, the actual number of days in the Interest Accrual Period divided by the product of (I) the actual number of days in such Regular Period and (II) the number of Regular Periods normally ending in any year; or

(B) where the Interest Accrual Period is longer than one Regular Period, the sum of:

I. the actual number of days in such Interest Accrual Period falling in the Regular Period in which it begins divided by the product of (x) the actual number of days in such Regular Period and (y) the number of Regular Periods in any year; and

II. the number of days in such Interest Accrual Period falling in the next Regular Period divided by the product of (x) the actual number of days in such Regular Period and (y) the number of Regular Periods normally ending in any year;

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

(iii) if Actual/365 (Fixed) is specified in the applicable Final Terms Document, the actual number of days in the Interest Accrual Period divided by 365;

(iv) if Actual/360 is specified in the applicable Final Terms Document, the actual number of days in the Interest Accrual Period divided by 360;

(v) if 30/360, 360/360 or Bond Basis is specified in the applicable Final Terms Document, the number of days in the Interest Accrual 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 Accrual Period falls;

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

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

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

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

(vi) if 30E/360 or Eurobond Basis is specified in the applicable Final Terms Document, the number of days in the Interest Accrual 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 Accrual Period falls;

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

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

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

"D1" is the first calendar day, expressed as a number, of the Interest Accrual Period, unless such number would be 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 Accrual Period, unless such number would be 31, in which case D2 will be 30;

(vii) if 30E/360 (ISDA) is specified in the applicable Final Terms Document, the number of days in the Interest Accrual 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 Accrual Period falls;

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

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

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

"D1" is the first calendar day, expressed as a number, of the Interest Accrual 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; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Accrual Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30; or

(viii) such other Day Count Fraction as may be specified in the applicable Final Terms Document.

Early Redemption Amount means the Early Redemption Amount (Tax) or, in respect of Conditions 9.1 and 9.2, subject to Condition 6.8, the amount specified in the Final Terms Document, as applicable;

Early Redemption Amount (Tax) means, in respect of any Covered Bond, its Principal Amount Outstanding or such other amount as may be specified in the applicable Final Terms Document;

EURIBOR means the Euro-zone inter-bank offered rate;

Extraordinary Resolution means a resolution of the Covered Bondholders passed as such under the terms of the Trust Deed;

FATCA means sections 1471 to 1474 of the Code, including any regulations or official interpretations issued, agreements (including, without limitation, intergovernmental agreements) entered into or non-U.S. laws enacted with respect thereto;

Final Redemption Amount means, in respect of any Covered Bond, its Principal Amount Outstanding or such other amount as may be specified in the applicable Final Terms Document;

Fixed Coupon Amount has the meaning given in the applicable Final Terms Document;

Fixed Rate Reset Date has the meaning given in the applicable Final Terms Document;

Initial Rate of Interest has the meaning given in the applicable Final Terms Document;

Independent Adviser means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets;

Interest Accrual Period means, in respect of an Interest Period, each successive period beginning on and including an Interest Period End Date and ending on but excluding the next succeeding Interest Period End Date during that Interest Period provided always that the first Interest Accrual Period shall commence on and include the Interest Commencement Date and the final Interest Accrual Period shall end on but exclude the date of redemption of the Covered Bonds;

Interest Amount means, in relation to a Covered Bond and an Interest Period, the amount of interest payable in respect of that Covered Bond for that Interest Period;

Interest Commencement Date means the Issue Date of the Covered Bonds or such other date as may be specified as the Interest Commencement Date in the applicable Final Terms Document;

Interest Determination Date has the meaning given in the applicable Final Terms Document;

Interest Payment Date means the date or dates specified as such in, or determined in accordance with the provisions of, the applicable Final Terms Document and, if a Business Day Convention is specified in the applicable Final Terms Document:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the applicable Final Terms Document as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

Interest Period means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

Interest Period End Date means the date or dates specified as such in, or determined in accordance with the provisions of, the applicable Final Terms Document and, if a Business Day Convention is specified in the applicable Final Terms Document, as the same may be adjusted in accordance with the relevant Business Day Convention or, if the Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the applicable Final Terms Document as the Interest Accrual Period, such dates as may occur in accordance with the FRN Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Period End Date) or the previous Interest Period End Date (in any other case) or, if none of the foregoing is specified in the applicable Final Terms Document, means the date or each of the dates which correspond with the Interest Payment Date(s) in respect of the Covered Bonds;

ISDA Definitions means the 2006 ISDA Definitions as amended and updated as at the date of issue of the first Tranche of the Covered Bonds of the relevant Series (as specified in the applicable Final Terms Document) and as published by the International Swaps and Derivatives Association, Inc.;

Issue Date has the meaning given in the applicable Final Terms Document;

Issuer Acceleration Notice has the meaning given to it in Condition 9.1 (*Issuer Events of Default*);

Issuer Event of Default has the meaning given to it in Condition 9.1 (*Issuer Events of Default*);

LIBOR means the London inter-bank offered rate;

local banking day means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Covered Bond or, as the case may be, Coupon;

Margin has the meaning given in the applicable Final Terms Document;

Maturity Date means the date specified as such in, or determined in accordance with, the provisions of the applicable Final Terms Document and, if a Business Day Convention is specified in the applicable Final Terms Document, as the same may be adjusted in accordance with the relevant Business Day Convention;

Maximum Rate of Interest has the meaning given in the applicable Final Terms Document;

Maximum Redemption Amount has the meaning given in the applicable Final Terms Document;

Mid-Market Swap Rate means, for any Reset Period, the arithmetic mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Covered Bonds during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (a) has a term equal to the relevant Reset Period and commencing on the relevant Fixed Rate Reset Date, (b) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (c) has a floating leg based on the Mid Swap Benchmark Rate for the Mid Swap Maturity (as specified in the applicable Final Terms Document) (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent);

Mid Swap Benchmark Rate means EURIBOR if the Specified Currency is euro, LIBOR if the Specified Currency is Sterling or the interbank offered rate for the Specified Currency if the Specified Currency is not euro or Sterling;

Mid Swap Maturity has the meaning given in the applicable Final Terms Document;

Mid Swap Re-Offer Spread has the meaning given in the applicable Final Terms Document;

Minimum Rate of Interest has the meaning given in the applicable Final Terms Document;

Minimum Redemption Amount has the meaning given in the applicable Final Terms Document;

Optional Redemption Amount (Call) means, in respect of any Covered Bond, its Principal Amount Outstanding or such other amount as may be specified in, or determined in accordance with, the applicable Final Terms Document;

Optional Redemption Amount (Put) means, in respect of any Covered Bond, its Principal Amount Outstanding or such other amount as may be specified in, or determined in accordance with, the applicable Final Terms Document;

Optional Redemption Date (Call) means the date(s) specified in the applicable Final Terms Document;

Optional Redemption Date (Put) has the meaning given in the applicable Final Terms Document;

Person means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

Potential CBG 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 CBG Event of Default;

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;

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;

Principal Financial Centre means, in relation to any currency, the principal financial centre for that currency provided, however, that:

(a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

Put Option Notice means a notice which must be delivered to a Paying Agent or the Registrar by any Covered Bondholder wanting to exercise a right to redeem a Covered Bond at the option of the Covered Bondholder;

Put Option Receipt means a receipt issued by a Paying Agent to a depositing Covered Bondholder upon deposit of a Covered Bond with such Paying Agent by any Covered Bondholder wanting to exercise a right to redeem a Covered Bond at the option of the Covered Bondholder;

Rate of Interest means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Covered Bonds specified in the applicable Final Terms Document or calculated or determined in accordance with the provisions of these Terms and Conditions and/or the applicable Final Terms Document and, in respect of any Covered Bond to which Condition 5.4 (*Floating Rate Covered Bond provisions*) applies, and where so indicated in the applicable Final Terms Document, may be any interpolated rate calculated in accordance with the applicable Final Terms Document;

Redemption Amount means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put) or such other amount in the nature of a redemption amount as may be specified in the applicable Final Terms Document;

Reference Banks has the meaning given in the applicable Final Terms Document or, if none are specified, four major banks selected by the Issuer or an Independent Adviser appointed by the Issuer in the market that is most closely connected with the Reference Rate or Reset Reference Rate, as applicable;

Reference Price has the meaning given in the applicable Final Terms Document;

Reference Rate means either "USD LIBOR", "GBP LIBOR", "CDOR", "EURIBOR", "CHF LIBOR", "JPY LIBOR", "SIBOR", "HIBOR", "BKBM", "CNH HIBOR", "SOFR" or "SONIA" in each case for the relevant period, as may be specified in the relevant Final Terms Document;

Regular Period means:

(a) in the case of Covered Bonds where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) in the case of Covered Bonds where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **Regular Date** means the day and month (but not the year) on which any Interest Payment Date falls; and

(c) in the case of Covered Bonds where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **Regular Date** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

Relevant Date means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Covered Bondholders;

Relevant Financial Centre has the meaning given in the applicable Final Terms Document;

Relevant Nominating Body means, in respect of any Reference Rate:

(a) the central bank for the currency to which such Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of such Reference Rate; or

(b) any working group or committee established, approved or sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which such Reference Rate relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of such Reference Rate, (iii) a group of the aforementioned central banks or other supervisory authorities or (iv) the Financial Stability Board or any part thereof.

Relevant Screen Page means, in relation to the applicable Reference Rate, the page, section or other part of a particular information service (including, without limitation, the Reuters Monitor Money Rates Service) specified as the Relevant Screen Page in the applicable Final Terms Document, or

such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

Relevant Time has the meaning given in the applicable Final Terms Document;

Reset Determination Date means, for each Reset Period, the date as specified in the applicable Final Terms falling on or before the commencement of such Reset Period on which the Rate of Interest applying during such Reset Period will be determined;

Reset Period means the period from (and including) the Fixed Rate Reset Date to (but excluding) the Maturity Date if there is only one Reset Period or, if there is more than one Reset Period, each period from (and including) one Fixed Rate Reset Date (or the first Fixed Rate Reset Date) to (but excluding) the next Fixed Rate Reset Date (or the Maturity Date);

Reset Rate for any Reset Period means either (i) the rate per annum specified in the applicable Final Terms Document or (ii), in the event (i) above does not apply, a rate per annum equal to the sum of (a) the applicable Reset Reference Rate and (b) the Mid Swap Re-Offer Spread;

Reset Rate Time has the meaning given in the applicable Final Terms Document;

Reset Reference Rate means, if Mid-Market Swap Rate is specified in the applicable Final Terms Document, the Mid-Market Swap Rate appearing on the Relevant Screen Page at or around the Reset Rate Time on the relevant Reset Determination Date for the relevant Reset Period;

Solvent Reconstruction has the meaning given in Condition 9.1(d);

Specified Currency has the meaning given in the applicable Final Terms Document;

Specified Period has the meaning given in the applicable Final Terms Document;

Subsidiary means, in relation to any Person (the **first Person**) at any particular time, any other Person (the **second Person**):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

Successor Reference Rate means the rate which has been formally published, endorsed, approved, recommended or recognised as a successor or replacement to the relevant Reference Rate by any Relevant Nominating Body;

Talon means a talon for further Coupons;

TARGET Settlement Day means any day on which TARGET2 is operating credit or transfer instructions in respect of euro;

TARGET2 means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

Winding-Up means any procedure whereby the Issuer, Group Guarantor or the CB Guarantor may be wound up, dissolved, liquidated, sequestered or cease to exist as a body corporate whether brought or instigated by a Covered Bondholder or any other person, other than, in respect of the Issuer, the Group Guarantor, or the CB Guarantor under or in connection with a Solvent Reconstruction (as defined in Condition 9.1(d)); and

Zero Coupon Covered Bond means a Covered Bond specified as such in the applicable Final Terms Document.

1.2 Interpretation

In these Terms and Conditions:

(a) if the Covered Bonds are Zero Coupon Covered Bonds, references to Coupons are not applicable;

(b) if Talons are specified in the applicable Final Terms Document as being attached to the Covered Bonds at the time of issue, references to Coupons shall be deemed to include references to Talons;

(c) if Talons are not specified in the applicable Final Terms Document as being attached to the Covered Bonds at the time of issue, references to Talons are not applicable;

(d) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 8 (*Taxation*), any premium payable in respect of a Covered Bond and any other amount in the nature of principal payable pursuant to these Terms and Conditions;

(e) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 8 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Terms and Conditions;

(f) references to Covered Bonds being "outstanding" shall be construed in accordance with the Trust Deed; and

(g) if an expression is stated in Condition 1.1 (*Definitions*) to have the meaning given in the applicable Final Terms Document, but the applicable Final Terms Document gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Covered Bonds.

2. Form and denomination

2.1 Covered Bonds are issued in bearer form (**Bearer Covered Bonds**) or in registered form (**Registered Covered Bonds**), as specified in the applicable Final Terms Document and are serially numbered. Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds.

2.2 Each Tranche of Bearer Covered Bonds is represented upon issue by a temporary global Covered Bond (a **Temporary Global Covered Bond**), unless the applicable Final Terms Document specifies otherwise.

Interests in the Temporary Global Covered Bond may be exchanged for:

(a) interests in a permanent global Covered Bond (a **Permanent Global Covered Bond**); or

(b) if so specified in the applicable Final Terms Document, definitive covered bonds in bearer form (**Definitive Covered Bonds**) and/or (in case of a series comprising both Bearer Covered Bonds and Registered Covered Bonds and if so specified in the applicable Final Terms Document) Registered Covered Bonds.

Exchanges of interests in a Temporary Global Covered Bond for a Permanent Global Covered Bond will be made only on or after the Exchange Date and provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Covered Bond or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received by Euroclear Bank SA/NV (**Euroclear**), Clearstream Banking, société anonyme (**Clearstream, Luxembourg**), the CMU Lodging Agent or any other relevant clearing system (or a person acting on their behalf).

2.3 The holder of any Temporary Global Covered Bond shall not (unless, upon due presentation of such Temporary Global Covered Bond for exchange (in whole but not in part only) for a Permanent Global Covered Bond or for delivery of Definitive Covered Bonds and/or Registered Covered Bonds in accordance with Condition 2.5 below, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Covered Bonds represented by such Temporary Global Covered Bond which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.

2.4 Subject to Condition 2.3 above, if any date on which a payment of interest is due on the Covered Bonds of a Tranche occurs while any of the Covered Bonds of that Tranche are represented by a Temporary Global Covered Bond, the related interest payment will be made on the Temporary Global Covered Bond only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Covered Bond or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received by Euroclear, Clearstream, Luxembourg, a sub-custodian in Hong Kong for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the **CMU Service**) or any other relevant clearing system (or a person acting on their behalf). Payments of interest due in respect of a Permanent Global Covered Bond will be made through Euroclear, Clearstream, Luxembourg, the CMU Service or any other relevant clearing system without any requirement for certification.

2.5 Interests in a Permanent Global Covered Bond will be exchanged by the Issuer in whole but not in part only at the option of the holder of such Permanent Global Covered Bond, for Definitive Covered Bonds and/or (in the case of a Series comprising both Bearer and Registered Covered Bonds and if so specified in the applicable Final Terms Document) Registered Covered Bonds, (a) if the Issuer or the Group Guarantor has or will become subject to adverse Tax (or stamp duty) consequences which would not be suffered were the Permanent Global Covered Bond (and any interests therein) exchanged for Definitive Covered Bonds and/or as the case may be Registered Covered Bonds; or (b) if Euroclear or Clearstream, Luxembourg, the CMU Service or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so; or (c) if so specified in the applicable Final Terms Document, at the option of the holder of such Permanent Global Covered Bond upon such holder's request, in all cases at the cost and expense of the Issuer (each, an **Exchange Event**). In order to exercise the option contained in paragraph (c) of the preceding sentence the holder must, not less than 45 days before the date upon which the delivery of such Definitive Covered Bonds and/or Registered Covered Bonds is required, deposit the relevant Permanent Global Covered Bond with the Principal Paying Agent at its specified office with the form of exchange notice endorsed thereon duly completed. If the Issuer does not make the required delivery of Definitive Covered Bonds and/or Registered Covered Bonds by 6.00 p.m.

(London time) on the day on which the relevant notice period expires or, as the case may be, the 30th day after the day on which such Permanent Global Covered Bond becomes due to be exchanged and, in the case of (a) above, such Covered Bond is not duly redeemed (or the funds required for such redemption are not available to the Principal Paying Agent for the purposes of effecting such redemption and remain available for such purpose) by 6.00 p.m. (London time) on the 30th day after the day on which such Covered Bond became immediately redeemable such Permanent Global Covered Bond will become void in accordance with its terms but without prejudice to the rights conferred by the Trust Deed.

The Issuer will promptly give notice to Covered Bondholders of each Series of Bearer Global Covered Bonds in accordance with Condition 14 (*Notices*) if an Exchange Event specified in (a) or (b) above 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 (b) 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.

Registered Covered Bonds

2.6 The Registered Covered Bonds of each Tranche offered and sold in reliance on Regulation S will initially be represented by a global covered bond in registered form (a Regulation S Global Covered Bond). Prior to expiry of a period of 40 days after the later of the commencement of the offering and the Issue Date (the Distribution Compliance Period) in respect of 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 3 (Title and Transfer) and may not be held otherwise than through Euroclear or Clearstream, Luxembourg.

2.7 The Registered Covered Bonds of each Tranche offered and sold in the United States or to U.S. persons will be offered and sold without registration under the Securities Act, in reliance upon the exemption provided by Rule 144A under the Securities Act to QIBs who agree to purchase the Covered Bonds for their own account or for the account of one or more QIBs and not with a view to the distribution thereof. 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**).

2.8 Registered Global Covered Bonds will either (i) be deposited with a custodian for, and registered in the name of a nominee of, the Depositary Trust Company (**DTC**) or (ii) be deposited with the Common Depositary or Common Safekeeper, as the case may be, for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, or the CMU Service, as specified in the applicable Final Terms Document.

2.9 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 receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (a) in the case of a Registered Global Covered Bond registered in the name of DTC or its nominee, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depositary 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, (b) in the case of a Registered Global Covered Bond registered in the name of the Common Depositary or Common Safekeeper, as the case may be, or its nominee or the CMU Service, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg or the CMU Service or any other clearing system, as the case may be, have been closed for business for a continuous period of 14 days (other than by reason of holiday,

whether 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 and (c) the Issuer or the Group Guarantor has or will become subject to adverse Tax (or stamp duty) consequences which would not be suffered were the Registered Global Covered Bond (and any interests therein) exchanged for Registered Definitive Covered Bonds. The Issuer will promptly give notice to Covered Bondholders of each affected Series of Registered Global Covered Bonds in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear, Clearstream, Luxembourg and/or the CMU Service (acting on the instructions of any registered holder of an interest in such Registered Global Covered Bond) or the Bond Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (c) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Definitive Covered Bonds

2.10 Interest-bearing Bearer Definitive Covered Bonds have attached thereto at the time of their initial delivery coupons (**Coupons**), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. Interest-bearing Bearer Definitive Covered Bonds, if so specified in the applicable Final Terms Document, have attached thereto at the time of their initial delivery a talon (**Talon**) for further coupons and the expression "Coupons" shall, where the context so requires, include Talons.

Denomination

Denomination of Bearer Covered Bonds

2.11 Bearer Covered Bonds are in the denomination or denominations (each of which denominations is integrally divisible by each smaller denomination) specified in the applicable Final Terms Document. Bearer Covered Bonds of one denomination may not be exchanged for Bearer Covered Bonds of any other denomination.

Denomination of Registered Covered Bonds

2.12 Registered Covered Bonds are in the minimum denomination specified in the applicable Final Terms Document or integral multiples thereof.

Currency of Covered Bonds

2.13 The Covered Bonds are denominated in such currency as may be specified in the applicable Final Terms Document (the **Specified Currency**). Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

3. Title and Transfer

3.1 Title to Bearer Covered Bonds and Coupons passes by delivery. References herein to the **holders** of Bearer Covered Bonds or Coupons are, subject as provided in Condition 3.4 below, to the bearers of such Bearer Covered Bonds or Coupons.

3.2 Title to Registered Covered Bonds passes by transfer and registration in the register which the Issuer shall procure to be kept by the Registrar. References herein to the **holders** of Registered Covered Bonds are, subject as provided in Condition 3.4 below, to the Persons in whose names such Registered Covered Bonds are so registered in the relevant register.

3.3 Subject as provided in Condition 3.4 below, the holder of any Bearer Covered Bond, Coupon or Registered Covered Bond will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no Person shall be liable for so treating such holder.

3.4 For so long as any of the Covered Bonds are represented by a Global Covered Bond held on behalf of or, as the case may be, registered in the name of a common depositary for, Euroclear, Clearstream, Luxembourg, DTC, or the CMU Service, each person (other than Euroclear or Clearstream, Luxembourg, DTC or the CMU Service) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg, DTC or the CMU Service as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg, DTC or the CMU Service 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 printout of electronic records provided by the relevant clearing system (including, without limitation, Euroclear's EUCLID or Clearstream's Creation on-line 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 Group Guarantor, the CB Guarantor, the Paying Agents 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 Bearer Global Covered Bond or the registered holder of the relevant Registered Global Covered Bond shall be treated by the Issuer, the Guarantor, any Paying Agent 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 expressions "Covered Bondholder" and "holder of Covered Bonds" and related expressions shall be construed accordingly.

Transfer of Registered Covered Bonds and exchange of Bearer Covered Bonds for Registered Covered Bonds

3.5 Transfers of beneficial interests in Registered Global Covered Bonds will be effected by Euroclear, Clearstream, Luxembourg, DTC or the CMU Service, 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 Registered Definitive Covered Bonds or for a beneficial interest in another Registered Global Covered Bond only in the authorised denominations set out in the applicable Final Terms Document and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Rule 144A Global Covered Bond registered in the name of a nominee for DTC shall be limited to transfers of such Rule 144A Global Covered Bond, in whole but not in part, to another nominee of DTC or to a successor of DTC or to such successor's nominee.

3.6 A Registered Definitive Covered Bond may, upon the terms and subject to the conditions set forth in the Trust Deed, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum denomination specified in the applicable Final Terms Document) upon the surrender of the Registered Covered Bond to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new Registered Covered Bond will be issued to the transferee and, in the case of a transfer of part only of

a Registered Covered Bond, a new Registered Covered Bond in respect of the balance not transferred will be issued to the transferor.

3.7 If so specified in the applicable Final Terms Document, the holder of Bearer Covered Bonds may exchange the same for the same aggregate principal amount of Registered Covered Bonds upon the terms and subject to the conditions set forth in the Trust Deed. In order to exchange a Bearer Covered Bond for a Registered Covered Bond, the holder thereof shall surrender such Bearer Covered Bond at the specified office outside the United States (which expression, as used in this Condition 3 (*Title and Transfer*), 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) of any Paying Agent or of the Registrar together with a written request for the exchange. Each Bearer Covered Bond so surrendered must be accompanied by all unmatured Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined in Condition 3.8) where the exchange date would, but for the provisions of Condition 3.8, occur between the Record Date (as defined in Condition 7.2(b)) for such payment of interest and the date on which such payment of interest falls due.

3.8 Each new Registered Covered Bond to be issued upon the transfer of a Registered Covered Bond or the exchange of a Bearer Covered Bond for a Registered Covered Bond will, within three Relevant Banking Days of the transfer date or, as the case may be, the exchange date, be available for collection by each relevant holder at the specified office of the Registrar or, at the option of the holder requesting such exchange or transfer be mailed (by uninsured post at the risk of the holder(s) entitled thereto) to such address(es) as may be specified by such holder. For these purposes, a form of transfer or request for exchange received by the Registrar or any Paying Agent after the Record Date in respect of any payment due in respect of Registered Covered Bonds shall be deemed not to be effectively received by the Registrar or the Paying Agent until the day following the due date for such payment.

For the purposes of these Terms and Conditions:

(a) **Relevant Banking Day** means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Covered Bond for a Registered Covered Bond where such request for exchange is made to a Paying Agent, in the place where the specified office of such Paying Agent is located;

(b) the **exchange date** shall be the Relevant Banking Day following the day on which the relevant Bearer Covered Bond shall have been surrendered for exchange in accordance with Condition 3.7; and

(c) the **transfer date** shall be the Relevant Banking Day following the day on which the relevant Registered Covered Bond shall have been surrendered for transfer in accordance with Condition 3.6.

3.9 The issue of new Registered Covered Bonds on transfer or on the exchange of Bearer Covered Bonds for Registered Covered Bonds will be effected without charge by or on behalf of the Issuer, any Paying Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Paying Agent or the Registrar may require in respect of) any Tax or stamp duty which may be imposed in relation thereto.

3.10 Upon the transfer, exchange or replacement of Registered Covered Bonds bearing the restrictive legend (the **Restrictive Legend**) set forth in the form of Registered Covered Bond scheduled to the Trust Deed, the Registrar shall deliver only Registered Covered Bonds that also bear such legend

unless either (i) the transferor is not and has not been an affiliate of the Issuer, the Group Guarantor or the CB Guarantor during the preceding three months and such transfer, exchange or replacement occurs one or more years after the later of (1) the original Issue Date of such Covered Bonds or (2) the last date on which the Issuer or any affiliates (as defined below) of the Issuer as notified to the Registrar by the Issuer as provided in the following sentence, was the beneficial owner of such Covered Bond (or any predecessor of such Covered Bond) or (ii) there is delivered to the Registrar an opinion reasonably satisfactory to the Issuer of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States to the effect that neither such legend nor the restrictions on transfer set forth therein are required in order to maintain compliance with the provisions of such laws. The Issuer covenants and agrees that it will not acquire any beneficial interest, and will cause its "affiliates" (as defined in paragraph (a)(1) of Rule 144 under the U.S. Securities Act of 1933, as amended (the **Securities Act**)) not to acquire any beneficial interest in any Registered Covered Bond bearing the Restrictive Legend unless it notifies the Registrar of such acquisition. The Registrar and all Covered Bondholders shall be entitled to rely without further investigation on any such notification (or lack thereof).

3.11 For so long as any of the Registered Covered Bonds bearing the Restrictive Legend remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Group Guarantor covenants and agrees that it shall, during any period in which it is not subject to Section 13 or Section 15(d) under the U.S. Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) under such Act, make available to any Covered Bondholder in connection with any sale thereof and any prospective purchaser of such Covered Bonds from such Covered Bondholder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

4. Status of the Covered Bonds and the Guarantees

4.1 *Status of the Covered Bonds*

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

4.2 *Status of the Group Guarantee*

The payment of principal and interest in respect of the Covered Bonds and all other monies (including default interest) payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Group Guarantor pursuant to a guarantee (the **Group Guarantee**) in the Trust Deed. The obligations of the Group Guarantor under the Group 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 Group Guarantor, other than any obligations preferred by mandatory provisions of applicable law.

4.3 *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 CB Guarantor (on a several basis as between the Group Guarantor and itself) pursuant to a guarantee (the **Covered Bond Guarantee**) in the Trust Deed. However, the CB Guarantor shall have no obligation under the Covered Bond Guarantee to pay any Guaranteed Amounts when the same shall become Due for Payment under the Covered Bonds or the Trust Deed until service of a Notice to Pay by the Bond Trustee on the CB Guarantor (which the Bond Trustee will be required to serve following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice by the Bond

Trustee on the Issuer and the Group Guarantor) or, if earlier, the occurrence of a CBG Event of Default and service of a CBG Acceleration Notice by the Bond Trustee on the CB Guarantor. The obligations of the CB Guarantor under the Covered Bond Guarantee are, subject as aforesaid, direct, unconditional and unsubordinated obligations of the CB Guarantor, which are secured as provided in the Security Trust Deed.

Any payment made by the CB 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 9.1 (*Issuer Events of Default*)) discharge *pro tanto* the obligations of the Issuer and the Group Guarantor in respect of such payment under the Covered Bonds and Coupons and the Group Guarantee respectively, except where such payment by the CB Guarantor has been declared void, voidable or otherwise recoverable in whole or in part and recovered from the Bond Trustee or the Covered Bondholders.

As security for the CB Guarantor's obligations under the Covered Bond Guarantee and the other Transaction Documents to which it is a party, the CB Guarantor has granted a Security Interest in all of the Personal Property, a charge over all of the Non-Personal Property and a floating charge over all of its assets under the Security Trust Deed (subject to certain rights in respect of the Swap Agreements and the Intercompany Loan Agreement) in favour of the Security Trustee (for itself and on behalf of the other Secured Creditors). The obligations of the CB Guarantor to the Covered Bondholders pursuant to the Covered Bond Guarantee shall be limited to the CBG Charged Assets as set out in Condition 9.3 (*Enforcement*).

Following the service of a Notice to Pay on the CB Guarantor, the CB Guarantor may exercise all of the rights of the Issuer in respect of the Covered Bonds.

5. Interest

5.1 *Interest*

Covered Bonds may be interest-bearing or non interest-bearing, as specified in the applicable Final Terms Document. Words and expressions appearing in this Condition 5 (*Interest*) and not otherwise defined herein or in the applicable Final Terms Document shall have the meanings given to them in Condition 1.1 (*Definitions*).

5.2 *Fixed Rate Covered Bond provisions*

(a) *Application*: This Condition 5.2 (*Fixed Rate Covered Bond provisions*) is applicable to the Covered Bonds only if the Fixed Rate Covered Bond provisions are specified in the applicable Final Terms Document as being applicable.

(b) *Accrual of interest*: The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest and such interest is payable in arrear on each Interest Payment Date, subject as provided in Condition 7 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless, upon due presentation, payment in full of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (*Interest*) (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Covered Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount*: The amount of interest payable in respect of each Covered Bond for any Interest Period shall be the relevant Fixed Coupon Amount (or, in respect of the Interest Period beginning on the Interest Commencement Date or the Interest Period ending on the Maturity Date, the Broken Amount, if so specified in the applicable Final Terms Document) and, if the Covered Bonds are in more than one denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant denomination.

(d) *Calculation of interest amount*: The amount of interest payable in respect of each Covered Bond for any Interest Accrual Period for which a Fixed Coupon Amount is not specified shall be calculated (i) by applying the Rate of Interest to the Principal Amount Outstanding of such Covered Bond and multiplying the product by the relevant Day Count Fraction or (ii) if so specified in the applicable Final Terms Document, by applying the Rate of Interest to the Principal Amount Outstanding of such Covered Bonds, multiplying such product by the product of the Accrual Feature and the relevant Day Count Fraction and, in the case of (i) or (ii) above, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a **sub-unit** means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

5.3 *Fixed Rate Reset Covered Bond provisions*

(a) *Application*: This Condition 5.3 (*Fixed Rate Reset Covered Bond provisions*) is applicable to the Covered Bonds only if the Fixed Rate Reset Covered Bond provisions are specified in the applicable Final Terms Document as being applicable.

(b) *Accrual of interest*: The Covered Bonds bear interest:

(i) in respect of the period from (and including) the Interest Commencement Date to (but excluding) the Fixed Rate Reset Date (or, if there is more than one Reset Period, the first Fixed Rate Reset Date occurring after the Interest Commencement Date), at the rate per annum equal to the Initial Rate of Interest; and

(ii) in respect of the Reset Period (or, if there is more than one Reset Period, each successive Reset Period thereafter), at such rate per annum as is equal to the relevant Reset Rate, as determined by the Calculation Agent on the relevant Reset Determination Date in accordance with this Condition 5.3.

and such interest is payable in arrear on each Interest Payment Date, subject as provided in Condition 7 (*Payments*).

(c) *Reset Reference Rate determination – Relevant Screen Page*: If the Reset Reference Rate does not appear on the Relevant Screen Page at or around the Reset Rate Time on the relevant Reset Determination Date, or, if the Relevant Screen Page is unavailable, except as provided in Condition 5.7 (*Benchmark Replacement*) below, the Calculation Agent will request the principal Relevant Financial Centre office of the Reference Banks to provide a quotation of the Mid-Market Swap Rate at approximately the Reset Rate Time on the relevant Reset Determination Date.

If two or more of the Reference Banks provide quotations as requested by the Calculation Agent, the Mid-Market Swap Rate will be the arithmetic mean of the provided quotations, expressed as a percentage and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards).

If on any Reset Determination Date:

(i) only one of the Reference Banks provides a quotation as requested by the Calculation Agent, the Mid-Market Swap Rate shall be a rate equal to the quotation provided by such Reference Bank; or

(ii) none of the Reference Banks provides a quotation as requested by the Calculation Agent, the Mid-Market Swap Rate shall be a rate equal to the Initial Rate of Interest less the Mid-Swap Re-Offer Spread.

(d) *Fixed Coupon Amount*: The amount of interest payable in respect of each Covered Bond in respect of the period from (and including) the Interest Commencement Date to (but excluding) the Fixed Rate Reset Date (or, if there is more than one Reset Period, the first Fixed Rate Reset Date occurring after the Interest Commencement Date) shall be the relevant Fixed Coupon Amount (or, in respect of the Interest Period beginning on the Interest Commencement Date or the Interest Period ending on the Maturity Date, the Broken Amount, if so specified in the applicable Final Terms) and, if the Covered Bonds are in more than one denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant denomination.

(e) *Calculation of Interest Amount:* The amount of interest payable in respect of each Covered Bond for any Interest Accrual Period for which a Fixed Coupon Amount is not specified shall be calculated by the Calculation Agent. The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to the relevant Interest Accrual Period, calculate the Interest Amount payable in respect of each Covered Bond for such Interest Accrual Period (i) by applying the Rate of Interest to the Principal Amount Outstanding of such Covered Bond and multiplying the product by the relevant Day Count Fraction or (ii) if so specified in the applicable Final Terms, by applying the Rate of Interest to the Principal Amount Outstanding of such Covered Bond, multiplying such product by the product of the Accrual Feature and the relevant Day Count Fraction and, in the case of (i) or (ii) above, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a sub-unit means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(f) *Publication***:** The Calculation Agent (or the Issuer or the Independent Adviser (as applicable)) will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents, the Issuer, the CB Guarantor, the Bond Trustee, the Registrar and each Stock Exchange (if any) on or by which the Covered Bonds are then listed, quoted and/or traded as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Covered Bondholders. The Calculation Agent (or the Issuer or the Independent Adviser (as applicable)) will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

(g) *Notifications etc.*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent (or the Issuer or the Independent Adviser (as applicable)) or the Bond Trustee will (in the absence of proven or manifest error) be binding on the Issuer, the CB Guarantor, the Principal Paying Agent, the other Paying Agents, the Registrar, all Covered Bondholders and Couponholders.

If for any reason at any relevant time the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Interest Amount in accordance with this Condition 5.3 (Fixed Rate Reset Covered Bond provisions) or as otherwise specified in the applicable Final Terms, as the case may be, the Bond Trustee shall determine or cause to be determined 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 5.3 (Fixed Rate Reset Covered Bond provisions), 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 and/or, as the case may be, the Bond Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances. 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 Calculation Agent.

The Bond Trustee shall have no liability to any person in connection with any determination or calculation made by it or its agent pursuant to this Condition or any failure to make such determination or calculation or any failure to appoint such an agent willing or able to make such determination or calculation, and the Bond Trustee shall not be in any way responsible for any liabilities incurred by reason of any misconduct or default on the part of any such agent or be bound to supervise the proceedings or acts of any such agent.

5.4 *Floating Rate Covered Bond provisions*

(a) *Application*: This Condition 5.4 (*Floating Rate Covered Bond provisions*) is applicable to the Covered Bonds only if the Floating Rate Covered Bond provisions are specified in the applicable Final Terms Document as being applicable.

(b) *Accrual of interest*: The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest and such interest is payable in arrear on each Interest Payment Date, subject as provided in Condition 7 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless, upon due presentation, payment in full of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Covered Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination – Term Rate*: If Screen Rate Determination – Applicable (Term Rate) is specified in the relevant Final Terms Document as the manner in which the Rate(s) of Interest is/are to be determined, save where the Reference Rate is SONIA or SOFR (in which case Condition 5.4(d) shall apply), the Rate of Interest applicable to the Covered Bonds for each Interest Accrual Period will be the sum of the Margin and the rate determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, except as provided in Condition 5.7 below, the Calculation Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations;

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (rounded, if necessary, to the nearest one-hundred-thousandth of a percentage point, 0.000005 per cent. being rounded up to 0.00001 per cent.) quoted by major banks in the Principal Financial Centre of the Specified Currency, requested by the Calculation Agent, upon selection of the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Accrual Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Accrual Period and in an amount that is representative for a single transaction in that market at that time, and the Rate of Interest for such Interest Accrual Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Accrual Period, the Rate of Interest applicable to the Covered Bonds during such Interest Accrual Period will be the sum of the Margin and the rate (or as the case may be the arithmetic mean of the rates) last determined in relation to the Covered Bonds in respect of the last preceding Interest Accrual Period.

(d) *Screen Rate Determination – Overnight Rate*

(i) SONIA

If Screen Rate Determination – Applicable (Overnight Rate) is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and the Reference Rate is specified in the relevant Final Terms as being SONIA, the Rate of Interest applicable to the Covered Bonds for each Interest Accrual Period will be the rate of return of a daily compounded interest investment plus or minus (as indicated in the relevant Final Terms) the Margin, and will be calculated by the Calculation Agent on the Interest Determination Date as follows, with the resulting percentage rounded if necessary to the fifth decimal place (with 0.000005 being rounded upwards):

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SONIA_{i\text{-pLBD}}\times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

where for the purposes of this Condition 5.4(d)(i):

d is the number of calendar days in the relevant Interest Accrual Period;

$\mathbf{d_O}$ is the number of London Banking Days in the relevant Interest Accrual Period;

i is a series of whole numbers from one to d_O, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in the relevant Interest Accrual Period to, but excluding, the last London Banking Day in the relevant Interest Accrual Period;

Lock-out Period means the period from, and including, the day following the Interest Determination Date to, but excluding, the corresponding Interest Payment Date;

London Banking Day or **LBD** means any day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for general business and to settle payments in London;

n_i, for any London Banking Day i, means the number of calendar days from and including such London Banking Day "i" up to but excluding the following London Banking Day;

Observation Look-back Period means the number of days specified as such in the applicable Final Terms;

Observation Method means the method specified as such in the applicable Final Terms;

Observation Period means, in respect of an Interest Accrual Period, the period from and including the date falling "p" London Banking Days prior to the first day of the relevant Interest Accrual Period and ending on, but excluding, the date which is "p" London Banking Days prior to the Interest Payment Date for such Interest Accrual Period (or the date falling "p" London Banking Days prior to such earlier date, if any, on which the Covered Bonds become due and payable);

p means, for any Interest Accrual Period:

(A) where "Lag" is specified as the Observation Method in the applicable Final Terms, the number of London Banking Days included in the Observation Look-Back Period specified in the applicable Final Terms (or if no such number is specified, five London Banking Days); or

(B) where "Lock-out" is specified as the Observation Method in the applicable Final Terms, zero;

SONIA means:

(A) where in the applicable Final Terms "Lag" is specified as the Observation Method, in respect of any London Banking Day, SONIA in respect of such London Banking Day;

(B) where in the applicable Final Terms "Lock-out" is specified as the Observation Method:

I. in respect of any London Banking Day "i" that is a Reference Day, SONIA in respect of the London Banking Day immediately preceding such Reference Day; and

II. in respect of any London Banking Day "i" that is not a Reference Day (being a London Banking Day in the Lock-out Period), SONIA in respect of the London Banking Day immediately preceding the last Reference Day of the relevant Interest Accrual Period (such last Reference Day coinciding with the Interest Determination Date),

where SONIA in respect of any London Banking Day is equal to the daily Sterling Overnight Index Average rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors, provided that:

(A) if, in respect of any London Banking Day in the relevant Observation Period, the SONIA reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA reference rate shall be: (i) the Bank of England's Bank Rate (the **Bank Rate**) prevailing at close of business on the relevant London Banking Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate;

(B) notwithstanding the paragraph above, and subject to Condition 5.7 below, in the event that the Bank of England publishes guidance as to (i) how the SONIA rate is to be determined or (ii) any rate that is to replace the SONIA rate, the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall, to the extent that it is reasonably practicable, follow such guidance in order to determine SONIA, for purposes of the relevant Series of Covered Bonds for so long as the SONIA rate is not available or has not been published by the authorised distributors; and

(C) in the event that SONIA cannot be determined in accordance with the foregoing provisions, but without prejudice to Condition 5.7, the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period) or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to the relevant Series of Covered Bonds for the first Interest Accrual Period had the relevant Series of Covered Bonds been in issue for a period equal in duration to the scheduled first Interest Accrual Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Accrual Period),

and for the avoidance of doubt, the preceding paragraphs in this definition of SONIA will apply prior to the application of Condition 5.7 (if applicable);

$SONIA_{i\text{-}pBD}$ means the applicable SONIA rate set out in the definition of "SONIA" above for, where "Lag" is specified as the Observation Method in the applicable Final Terms, the London Banking Day (being a London Banking Day falling in the relevant Observation Period) falling "p" London Banking Days prior to the relevant London Banking Day "i" or, where "Lock-out" is specified as the Observation Method in the applicable Final Terms, the relevant London Banking Day "i"; and

Reference Day means each London Banking Day in the relevant Interest Accrual Period, other than any London Banking Day in the Lock-out Period.

(ii) SOFR

If Screen Rate Determination – Applicable (Overnight Rate) is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and:

(A) the Reference Rate is specified in the relevant Final Terms as being SOFR and the Averaging Method is specified in the relevant Final Terms as being Compounded Daily, the Rate of Interest applicable to the relevant Series of Covered Bonds for each Interest Accrual Period will be Compounded Daily SOFR plus or minus (as indicated in the relevant Final Terms) the Margin; or

(B) the Reference Rate is specified in the relevant Final Terms as being SOFR and the Averaging Method is specified in the relevant Final Terms as being Weighted Average, the Rate of Interest applicable to the relevant Series of Covered Bonds for each Interest Accrual Period will be Weighted Average SOFR plus or minus (as indicated in the relevant Final Terms) the Margin,

in each case as calculated by the Calculation Agent on the Interest Determination Date, with the resulting percentage rounded if necessary to the fifth decimal place (with 0.000005 being rounded upwards), where for the purposes of this Condition 5.4(d)(ii):

Compounded Daily SOFR means the rate of return of a daily compound interest investment (with SOFR as the reference rate for the calculation of interest) as calculated by the Calculation Agent on the Interest Determination Date as follows, with the resulting percentage rounded if necessary to the fifth decimal place (with 0.000005 being rounded upwards):

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SOFR_{i-pUSBD}\ \mathrm{x}\ n_i}{360}\right)-1\right]\mathrm{x}\ \frac{360}{d}$$

Weighted Average SOFR means:

(A) where "Lag" is specified as the Observation Method in the applicable Final Terms, the arithmetic mean of "SOFR" in effect for each calendar day during the relevant Observation Period, calculated by multiplying the relevant rate by the number of days such rate is in effect, determining the sum of such products and dividing such

sum by the number of calendar days in the relevant Observation Period (and for these purposes, "SOFR" in respect of any calendar day which is not a Reference Day shall be deemed to be the rate in respect of the Reference Day immediately preceding such calendar day);

(B) where "Lock-out" is specified as the Observation Method in the applicable Final Terms, the arithmetic mean of "SOFR" in effect for each calendar day during the relevant Interest Accrual Period, calculated by multiplying the relevant rate by the number of days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Interest Accrual Period (and for these purposes, "SOFR" in respect of any calendar day which is not a Reference Day shall be deemed to be the rate in respect of the Reference Day immediately preceding such calendar day), provided however that for any calendar day of such Interest Accrual Period falling in the Lock-out Period, "SOFR" shall be deemed to be the rate in respect of the Reference Day immediately preceding the relevant Interest Determination Date; and

(C) where "Payment Delay" is specified as the Observation Method in the applicable Final Terms, the arithmetic mean of "SOFR" in effect for each calendar day during the relevant Interest Accrual Period, calculated by multiplying the relevant rate by the number of days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Interest Accrual Period (and for these purposes, "SOFR" in respect of any calendar day which is not a Reference Day shall be deemed to be the rate in respect of the Reference Day immediately preceding such calendar day), provided however that for any calendar day of the final Interest Accrual Period falling in the Cut-off Period, "SOFR" shall be deemed to be the rate in respect of the Cut-off Date;

Averaging Method means the method specified as such in the applicable Final Terms;

Cut-off Date has the meaning given in the applicable Final Terms;

Cut-off Period means the period from, and including, the day following the Cut-off Date, to, but excluding, the Maturity Date or Optional Redemption Date (Put) or the Optional Redemption Date (Call), as applicable;

d is the number of calendar days in the relevant Interest Accrual Period;

$\mathbf{d_O}$ is the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

i is a series of whole numbers from one to d_O, each representing the relevant U.S. Government Securities Business Day in chronological order from, and including, the first U.S. Government Securities Business Day in the relevant Interest Accrual Period to, but excluding, the last U.S. Government Securities Business Day in the relevant Interest Accrual Period;

Lock-out Period means the period from, and including, the day following the Interest Determination Date to, but excluding, the corresponding Interest Payment Date;

$\mathbf{n_i}$, for any U.S. Government Securities Business Day "i", means the number of calendar days from and including such U.S. Government Securities Business Day "i" up to but excluding the following U.S. Government Securities Business Day;

New York Fed's Website means the website of the Federal Reserve Bank of New York currently at http://www.newyorkfed.org or any successor website of the Federal Reserve Bank of New York;

Observation Look-back Period means the number of days specified as such in the applicable Final Terms;

Observation Method means the method specified as such in the applicable Final Terms;

Observation Period means, in respect of an Interest Accrual Period, the period from and including the date falling "p" U.S. Government Securities Business Days prior to the first day of the relevant Interest Accrual Period and ending on, but excluding, the date which is "p" U.S. Government Securities Business Days prior to the Interest Payment Date for such Interest Accrual Period (or the date falling "p" U.S. Government Securities Business Days prior to such earlier date, if any, on which the relevant Series of Covered Bonds become due and payable);

p means, for any Interest Accrual Period:

(A) where "Lag" is specified as the Observation Method in the applicable Final Terms, the number of U.S. Government Securities Business Days included in the Observation Look-Back Period specified in the applicable Final Terms (or if no such number is specified, five U.S. Government Securities Business Days);

(B) where "Lock-out" is specified as the Observation Method in the applicable Final Terms, zero; or

(C) where "Payment Delay" is specified as the Observation Method in the applicable Final Terms, zero;

Reference Day means each U.S. Government Securities Business Day in the relevant Interest Accrual Period or Observation Period (as applicable), other than any U.S. Government Securities Business Day in the Lock-out Period (in respect of any Covered Bonds for which "Lock-out" is specified as the Observation Method in the applicable Final Terms) or the Cut-off Period (in respect of any Covered Bonds for which "Payment Delay" is specified as the Observation Method in the applicable Final Terms).

SOFR means:

(A) where "Lag" is specified as the Observation Method in the applicable Final Terms, SOFR in respect of such U.S. Government Securities Business Day;

(B) where "Lock-out" is specified as the Observation Method in the applicable Final Terms:

I. in respect of any U.S. Government Securities Business Day "i" that is a Reference Day, SOFR in respect of the U.S. Government Securities Business Day immediately preceding such Reference Day; and

II. in respect of any U.S. Government Securities Business Day "i" that is not a Reference Day (being a U.S. Government Securities Business Day in the Lock-out Period), SOFR in respect of the U.S. Government Securities Business Day immediately preceding the last Reference Day of the relevant

Interest Accrual Period (such last Reference Day coinciding with the Interest Determination Date); or

(C) where "Payment Delay" is specified as the Observation Method in the applicable Final Terms:

I. in respect of any U.S. Government Securities Business Day "i" that is a Reference Day, SOFR in respect of such U.S. Government Securities Business Day; and

II. in respect of any U.S. Government Securities Business Day "i" that is not a Reference Day (being a U.S. Government Securities Business Day in the Cut-off Period), SOFR in respect of the Cut-off Date,

where SOFR shall be a reference rate equal to:

I. the daily Secured Overnight Financing Rate as published by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate) (the **daily Secured Overnight Financing Rate**) on the New York Fed's Website at or about 8:00 a.m. (New York City time) on the next succeeding U.S. Government Securities Business Day; or

II. if the daily Secured Overnight Financing Rate is not published and the Issuer has not determined that a SOFR Index Cessation Event has occurred, the SOFR for the first preceding U.S. Government Securities Business Day on which the SOFR was published on the New York Fed's Website; or

III. if the daily Secured Overnight Financing Rate is not published and the Issuer determines that a SOFR Index Cessation Event has occurred, the Reference Rate will be the rate (inclusive of any spreads or adjustments) that was recommended as the replacement for the daily Secured Overnight Financing Rate by the Federal Reserve Board and/or the Federal Reserve Bank of New York or by a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a replacement for the daily Secured Overnight Financing Rate (which rate may be produced by the Federal Reserve Bank of New York or other designated administrator), provided that:

(i) subject to sub-paragraph (ii) below, if the Issuer determines that a SOFR Index Cessation Event has occurred and no such rate has been recommended within one U.S. Government Securities Business Day of the occurrence of the SOFR Index Cessation Event, then the Reference Rate will be determined as if, for each U.S. Government Securities Business Day occurring on or after the date of such SOFR Index Cessation Event, references to:

(x) "SOFR" were references to the daily Overnight Bank Funding Rate as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate), on the New York Fed's Website on or about 9:00 a.m. (New York City time) on each day on which commercial banks are open for

general business (including dealings in foreign exchange and foreign currency deposits) in New York City (**New York City Banking Day**) in respect of the New York City Banking Day immediately preceding such day (**OBFR**); and

(y) "U.S. Government Securities Business Day" were references to "New York City Banking Day", and

(ii) if the rate specified in sub-paragraph (i) above is not provided and if the Issuer determines that a Benchmark Event has occurred with respect to OBFR (the **OBFR Benchmark Event**), then the Reference Rate will be determined as if, for each Business Day occurring on or after the date of such OBFR Benchmark Event, references in this definition to:

(x) "SOFR" were references to the short-term interest rate target set by the Federal Open Market Committee and published on the website of the Board of Governors of the Federal Reserve System currently at http://www.federalreserve.gov, or any successor website of the Board of Governors of the Federal Reserve System (the **Federal Reserve's Website**) or, if the Federal Open Market Committee does not target a single rate, the midpoint of the short-term interest rate target range set by the Federal Open Market Committee and published on the Federal Reserve's Website (calculated as the arithmetic average of the upper bound of the target range and the lower bound of the target range, rounded, if necessary, to the nearest second decimal place, 0.005 being rounded upwards);

(y) "U.S. Government Securities Business Day" were references to "New York City Banking Day"; and

(z) the "New York Fed's Website" were references to the "Federal Reserve's Website",

and for the avoidance of doubt, limb (III) of this definition of SOFR will apply prior to the application of Condition 5.7 (if applicable);

$SOFR_{i\text{-}pUSBD}$ means the applicable SOFR rate set out in the definition of "SOFR" above for:

(A) where "Lag" is specified as the Observation Method in the applicable Final Terms, the U.S. Government Securities Business Day (being a U.S. Government Securities Business Day falling in the relevant Observation Period) falling "p" U.S. Government Securities Business Days prior to the relevant U.S. Government Securities Business Day "i";

(B) where "Lock-out" is specified as the Observation Method in the applicable Final Terms, the relevant U.S. Government Securities Business Day "i"; or

(C) where "Payment Delay" is specified as the Observation Method in the applicable Final Terms, the relevant U.S. Government Securities Business Day;

SOFR Index Cessation Event means the occurrence of one or more of the following events:

(A) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the daily Secured Overnight Financing Rate) announcing that it has ceased or will cease to publish or provide the daily Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide a daily Secured Overnight Financing Rate;

(B) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the daily Secured Overnight Financing Rate) has ceased or will cease to provide the daily Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time there is no successor administrator that will continue to publish or provide the daily Secured Overnight Financing Rate; or

(C) a public statement by a U.S. regulator or other U.S. official sector entity prohibiting the use of the daily Secured Overnight Financing Rate that applies to, but need not be limited to, all swap transactions, including existing swap transactions; and

USBD or **U.S. Government Securities Business Day** means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

If the relevant Series of Covered Bonds become due and payable in accordance with Condition 9 (*Events of Default*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms, be deemed to be the date on which such Covered Bonds became due and payable and the Rate of Interest on such Covered Bonds shall, for so long as any such Covered Bond remains outstanding, be that determined on such date.

(e) *ISDA Determination*: If ISDA Determination is specified in the applicable Final Terms Document as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Accrual Period will be the sum of the Margin and the relevant ISDA Rate where **ISDA Rate** in relation to any Interest Accrual Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the applicable Final Terms Document;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the applicable Final Terms Document; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is the first day of that Interest Accrual Period.

(f) *Maximum or Minimum Rate of Interest*: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the applicable Final Terms Document, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(g) *Calculation of Interest Amount*: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Accrual Period, calculate the Interest Amount payable in respect of each Covered Bond for such Interest Accrual Period. The Interest Amount will be calculated (i) by applying the Rate of Interest for such Interest Accrual Period to the Principal Amount Outstanding of such Covered Bond during such Interest Accrual Period and multiplying the product by the relevant Day Count Fraction or (ii) if so specified in the applicable Final Terms Document, by applying the Rate of Interest for such Interest Accrual Period to the Principal Amount Outstanding of such Covered Bonds, and multiplying such product by the product of the Accrual Feature and the relevant Day Count Fraction, and, in the case of (i) or (ii) above, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a **sub-unit** means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period will be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

(h) *Calculation of other amounts*: If the applicable Final Terms Document specifies that any other amount is to be calculated by the Calculation Agent (including, in respect of the Interest Period beginning on the Interest Commencement Date or the Interest Period ending on the Maturity Date, the Broken Amount, if so specified in the applicable Final Terms Document), the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the applicable Final Terms Document.

(i) *Publication*: The Calculation Agent (or the Issuer or the Independent Adviser (as applicable)) will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents, the Issuer, the Group Guarantor, the CB Guarantor, the Bond Trustee and each listing authority and/or stock exchange (if any) by which the Covered Bonds are then listed and/or traded as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Covered Bondholders. The Calculation Agent (or the Issuer or the Independent Adviser (as applicable)) will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

(j) *Notifications etc.*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent (or the Issuer or the Independent Adviser (as applicable)) or the Bond Trustee will (in the absence of manifest error) be binding on the Issuer, the Group Guarantor, the CB Guarantor, the Principal Paying Agent, the other Paying Agents, all Covered Bondholders and Couponholders.

If for any reason at any relevant time the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Interest Amount in accordance with this Condition 5.4 (*Floating Rate Covered Bond provisions*) or as otherwise specified in the applicable Final Terms Document, as the case may be, the Bond Trustee shall determine or cause to be determined 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 5.4 (*Floating Rate Covered Bond provisions*), but subject always to any Minimum

Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms Document), it shall deem fair and reasonable in all the circumstances and/or, as the case may be, the Bond Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances. 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 Calculation Agent.

The Bond Trustee shall have no liability to any person in connection with any determination or calculation made by it or its agent pursuant to this Condition or any failure to make such determination or calculation or any failure to appoint such an agent willing or able to make such determination or calculation, and the Bond Trustee shall not be in any way responsible for any liabilities incurred by reason of any misconduct or default on the part of any such agent or be bound to supervise the proceedings or acts of any such agent.

5.5 *Zero Coupon Covered Bond provisions*

(a) *Application*: This Condition 5.5 (*Zero Coupon Covered Bond provisions*) is applicable to the Covered Bonds only if the Zero Coupon Covered Bond provisions are specified in the applicable Final Terms Document as being applicable.

(b) *Late payment on Zero Coupon Covered Bonds*: If the Redemption Amount payable in respect of any Zero Coupon Covered Bond is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Covered Bondholder that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

5.6 *Coupon Switch Option provisions*

(a) *Application*: This Condition 5.6 (*Coupon Switch Option provisions*) is applicable to the Covered Bonds only if the Coupon Switch Option is specified in the applicable Final Terms Document as being applicable and each Covered Bond shall bear interest on the following basis (unless otherwise specified in the applicable Final Terms Document).

(b) The applicable Final Terms Document shall specify whether the Fixed Rate Covered Bond provisions or, as the case may be, the Floating Rate Covered Bond provisions are applicable to the Covered Bonds from and including the Issue Date to but excluding the Coupon Switch Option Date. Upon the Issuer giving the requisite notice (which, for the purposes of this Condition 5.6 (*Coupon Switch Option provisions*) only, shall be five Business Days prior to the Coupon Switch Option Date or such other notice period as may be specified in the applicable Final Terms Document) to exercise its Coupon Switch Option, from and including the Coupon Switch Option Date, interest shall accrue on a different basis from the basis which was applicable prior to such Coupon Switch Option Date. The applicable Final Terms Document shall specify whether the Fixed Rate Covered Bond provisions or, as the case may be, the Floating Rate Covered Bond provisions are applicable, upon the exercise

by the Issuer of the Coupon Switch Option, from and including such Coupon Switch Option Date to but excluding the Maturity Date.

5.7 *Benchmark Replacement*

Notwithstanding the provisions above in this Condition 5, if the Issuer determines that a Benchmark Event has occurred in respect of a Reference Rate where any Rate of Interest (or any component thereof) remains to be determined by reference to such Reference Rate, then the following provisions shall apply to the relevant Covered Bonds (provided that limb (III) of the definition of SOFR shall apply prior to the provisions of this Condition 5.7):

(a) the Issuer shall use reasonable endeavours to appoint an Independent Adviser, at the Issuer's own expense, to determine a Successor Reference Rate or, if such Independent Adviser is unable so to determine a Successor Reference Rate, an Alternative Reference Rate and, in each case, an Adjustment Spread (if any) (in any such case, acting in good faith and in a commercially reasonable manner) for the purposes of determining the Rate of Interest applicable to the Covered Bonds for all future Interest Accrual Periods (subject to the subsequent operation of this Condition 5.7);

(b) If:

(i) the relevant Independent Adviser (acting in good faith and in a commercially reasonable manner), no later than five Business Days prior to the Interest Determination Date relating to the next Interest Accrual Period (the **IA Determination Cut-off Date**) determines a Successor Reference Rate or, if such Independent Adviser fails so to determine a Successor Reference Rate, an Alternative Reference Rate and, in each case, an Adjustment Spread (if any) (in any such case, acting in good faith and in a commercially reasonable manner) for the purposes of determining the Rate of Interest applicable to the Covered Bonds for all future Interest Accrual Periods (subject to the subsequent operation of this Condition 5.7 during any other future Interest Accrual Period(s)); or

(ii) the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by the Issuer in accordance with paragraph (a) of this Condition 5.7 fails to determine a Successor Reference Rate or an Alternative Reference Rate prior to the relevant IA Determination Cut-off Date, the Issuer (acting in good faith and in a commercially reasonable manner), no later than three Business Days prior to the interest Determination Date relating to the next Interest Accrual Period (the **Issuer Determination Cut-off Date**), determines a Successor Reference Rate or, if the Issuer fails to determine a Successor Reference Rate, an Alternative Reference Rate (as applicable) and, in each case, an Adjustment Spread (if any) (in any such case, acting in good faith and in a commercially reasonable manner) for the purposes of determining the Rate of Interest applicable to the Covered Bonds for all future Interest Accrual Periods (subject to the subsequent operation of this Condition 5.7 during any other future Interest Accrual Period(s));

then:

(iii) such Successor Reference Rate or Alternative Reference Rate (as applicable) shall be the Reference Rate for all future Interest Accrual Periods (subject to the subsequent operation of this Condition 5.7 during any other future Interest Accrual Period(s)).

Without prejudice to the definitions thereof, for the purposes of determining a Successor Reference Rate or Alternative Reference Rate, the Issuer will take into account relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets and such other materials as the Issuer, in its sole discretion, considers appropriate; and

(iv) if the relevant Independent Adviser or the Issuer (as applicable):

(A) determines that an Adjustment Spread is required to be applied to the Successor Reference Rate or Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to such Successor Reference Rate or Alternative Reference Rate (as applicable) for all future Interest Accrual Periods (subject to the subsequent operation of this Condition 5.7); or

(B) is unable to determine the quantum of, or a formula or methodology for determining, an Adjustment Spread, or determines that no such Adjustment Spread is required, then such Successor Reference Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread for all future Interest Accrual Periods (subject to the subsequent operation of this Condition 5.7).

Without prejudice to the definition thereof, for the purposes of determining an Adjustment Spread (if any), the Issuer will take into account relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets and such other materials as the Issuer, in its sole discretion, considers appropriate.

(C) Notwithstanding paragraph (B) above, if:

I. the Independent Adviser appointed by the Issuer in accordance with paragraph (a) of this Condition 5.7 notifies the Issuer prior to the IA Determination Cut-off Date that it has determined that no Successor Reference Rate or Alternative Reference Rate exists;

II. the Independent Adviser appointed by the Issuer in accordance with paragraph (a) of this Condition 5.7 fails to determine a Successor Reference Rate or an Alternative Reference Rate prior to the relevant IA Determination Cut-off Date, without notifying the Issuer as contemplated in sub-paragraph (c)(I) of this Condition 5.7, and the Issuer (acting in good faith and in a commercially reasonable manner) determines prior to the IA Determination Cut-off Date that no Successor Reference Rate or Alternative Reference Rate exists; or

III. neither a Successor Reference Rate nor an Alternative Reference Rate is otherwise determined in accordance with paragraph (B) above prior to the Issuer Determination Cut-off Date,

the Rate of Interest applicable to the Covered Bonds shall be (in respect of Floating Rate Covered Bonds) the Rate of Interest as at the last preceding Interest Determination Date or (in respect of a reset of the Rate of Interest

for Fixed Rate Covered Bonds) the Rate of Interest as at the last preceding reset date, or, if none, as at the Interest Commencement Date.

This paragraph (C) shall apply to the relevant Interest Accrual Period or reset date only. Any subsequent Interest Accrual Period(s) or reset dates shall be subject to the operation of this Condition 5.7.

(D) An Independent Adviser appointed pursuant to this Condition 5.7 will act in good faith and in a commercially reasonable manner, and (in the absence of bad faith, gross negligence or wilful misconduct) shall have no liability whatsoever to the Issuer, the Calculation Agent, any Paying Agent or the holders of a Series of Covered Bonds for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 5.7.

(E) The Bond Trustee and the Paying Agents shall, at the direction and expense of the Issuer, and with no liability to any person for acting on such direction, effect such waivers and consequential amendments to the Trust Deed, the Agency Agreement, these Terms and Conditions and any other document as may be required to give effect to any application of this Condition 5.7 (or any determination of SOFR in accordance with limb (III) of the definition of "SOFR"), including, but not limited to:

I. changes to these Terms and Conditions which the relevant Independent Adviser or the Issuer (as applicable) acting in good faith and in a commercially reasonable manner determines may be required in order to follow market practice (determined according to factors including, but not limited to, public statements, opinions and publications of industry bodies and organisations) in relation to SOFR, such Successor Reference Rate or Alternative Reference Rate (as applicable), including, but not limited to (1) the relevant Business Centre(s), Business Day, Business Day Convention, Day Count Fraction, Interest Determination Date, Reference Banks, Relevant Financial Centre, Relevant Screen Page and/or Relevant Time applicable to the Covered Bonds and (2) the method for determining the fallback to the Rate of Interest in relation to the Covered Bonds if SOFR (as determined in accordance with limb (III) of the definition of "SOFR"), such Successor Reference Rate or Alternative Reference Rate (as applicable) is not available; and

II. any other changes which the relevant Independent Adviser or the Issuer (as applicable) acting in good faith and in a commercially reasonable manner determines are reasonably necessary to ensure the proper operation and comparability to the Reference Rate of such Successor Reference Rate or Alternative Reference Rate (as applicable).

Neither the Bond Trustee nor any Agent shall be obliged to agree to any modification if, in the sole opinion of the Bond Trustee or such Agent doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce rights and/or the protective provisions afforded to the Bond Trustee or such Agent in these Terms and Conditions, the Agency Agreement or the Trust Deed.

No consent of the Covered Bondholders shall be required in connection with effecting the relevant Successor Reference Rate or Alternative Reference Rate as described in this Condition 5.6 or such other relevant adjustments pursuant to this Condition 5.6, or any Adjustment Spread, including for the execution of, or amendment to, any documents or the taking of other steps by the Issuer or any of the parties to the Trust Deed and/or the Agency Agreement (if required).

5.8 *Interest following a Notice to Pay*

If a Notice to Pay is served on the CB Guarantor, the CB Guarantor shall, in accordance with the terms of the Trust Deed, pay Guaranteed Amounts corresponding to the amounts of interest described under this Condition 5 (*Interest*) (as the case may be) under the Covered Bond Guarantee in respect of the Covered Bonds on the Original Due for Payment Dates and, if applicable, the Extended Due for Payment Date.

6. Redemption and Purchase

6.1 *Scheduled redemption*

Unless previously redeemed, or purchased and cancelled, or unless such Covered Bond is stated in the applicable Final Terms Document as having no fixed maturity date, the Covered Bonds will be redeemed at their Final Redemption Amount, together with interest accrued (if any) on the Maturity Date, subject as provided in Condition 7 (*Payments*).

Without prejudice to Condition 9 (*Events of Default*), if an Extended Due for Payment Date is specified in the applicable Final Terms Document for a Series of Covered Bonds and the Issuer and the Group Guarantor have failed to pay the Final Redemption Amount on the Maturity Date specified in the Final Terms Document (in each case after the expiry of the grace period set out in Condition 9.1(a) (*Issuer Events of Default*)) and following service of a Notice to Pay on the CB Guarantor by no later than the date falling one Business Day (and for such purposes Business Days include Brussels business days) prior to the Extension Determination Date, the CB 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 a Notice to Pay on the CB Guarantor or, if later, the Maturity Date (in each case after the expiry of the grace period set out in Condition 9.1(a) (*Issuer Events of Default*)) and (b) the Extension Determination Date, under the Covered Bond Guarantee, then (subject as provided below) payment of the unpaid portion of the Final Redemption Amount by the CB Guarantor under the Covered Bond Guarantee shall be deferred until the Extended Due for Payment Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the earlier of (a) and (b) above will be paid by the CB Guarantor to the extent that it has sufficient monies available under the Guarantee Priority of Payments on any Interest Payment Date thereafter up to (and including) the relevant Extended Due for Payment Date.

The CB Guarantor shall notify the relevant Covered Bondholders (in accordance with Condition 14 (*Notices*)), the Rating Agencies, the Bond Trustee, the Security Trustee, the Principal Paying Agent and (in the case of Registered Covered Bonds) the Registrar as soon as reasonably practicable and in any event at least one Business Day prior to the date specified in (a) or (b) of the preceding paragraph (as appropriate) of any inability of the CB 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 CB Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor shall any rights accrue to any of them by virtue thereof.

In the circumstances outlined above, the CB Guarantor shall, on the earlier of (a) the date falling two Business Days after service of a Notice to Pay or, if later, the Maturity Date, 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 corresponding part of Scheduled Interest in respect of each such Covered Bond on such date. The obligation of the CB 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 CB Guarantor shall not constitute a CBG Event of Default.

Any discharge of the obligations of the Issuer and the Group Guarantor as the result of the payment of Excess Proceeds to the Bond Trustee shall be disregarded for the purposes of determining the liabilities of the CB Guarantor under the Covered Bond Guarantee in connection with this Condition 6.1 (*Scheduled redemption*).

6.2 *Redemption for tax reasons*

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part:

(a) at any time (if the Floating Rate Covered Bond provisions are not specified in the applicable Final Terms Document as being applicable); or

(b) on any Interest Payment Date (if the Floating Rate Covered Bond provisions are specified in the applicable Final Terms Document as being applicable),

on giving not less than 30 or more than 60 days' notice to the Bond Trustee and, in accordance with Condition 14 (*Notices*), to the Covered Bondholders (which notice shall be irrevocable) or as otherwise specified in the applicable Final Terms Document, at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

(i) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) (or the Group Guarantor would be or would become so obliged, if demand was made under the Group Guarantee) as a result of any change in, or amendment to, the laws or regulations or rulings of New Zealand or the United Kingdom or any political subdivision or any authority or any agency thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Covered Bonds or any other date specified in the applicable Final Terms Document; and

(B) such obligation cannot be avoided by the Issuer or, as the case may be, the Group Guarantor taking reasonable measures available to it; or

(ii) the Issuer has or will become obliged to pay additional amounts (or the Group Guarantor would be or would become so obliged, if demand was made under the Group Guarantee) in respect of New Zealand non-resident withholding tax which may be, or which may become, applicable to the Covered Bonds and either:

(A) such obligation cannot be avoided by the Issuer or, as the case may be, the Group Guarantor paying (if it is not already doing so) New Zealand approved issuer levy at a rate not exceeding the rate of the levy charged at the date of issue of the first Tranche of the Covered Bonds under section 86J of the Stamp and Cheque Duties Act 1971 of New Zealand (the **Approved Issuer Levy Rate**) on the payments of principal or interest or taking any other reasonable measures available to it (but not including the payment of any additional approved issuer levy); or

(B) in order to avoid any New Zealand non-resident withholding tax (under current law or any change of law) the Issuer or, as the case may be, the Group Guarantor becomes obliged, as a result of any change in, or amendment to, the laws, regulations or rulings of New Zealand or any political subdivision or any authority or any agency therein or thereof having power to tax or any change in the application or in the interpretation or administration of any such laws, regulations or rulings, to pay approved issuer levy at a rate exceeding the Approved Issuer Levy Rate or incurs any other cost in excess of that applicable under New Zealand law at the date of issue of the first Tranche of the Covered Bonds,

provided, however, that no such notice of redemption shall be given earlier than:

I. where the Covered Bonds may be redeemed at any time, 90 days prior to the earliest date on which the Issuer or, as the case may be, the Group Guarantor, would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due; or

II. where the Covered Bonds may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or, as the case may be, the Group Guarantor would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer or, as the case may be, the Group Guarantor shall deliver to the Bond Trustee (and the Bond Trustee shall be entitled to rely without further enquiry upon):

(A) a certificate signed by two authorised signatories 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

(B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Group Guarantor has or will become obliged (or would have become or would become so obliged if demand was made under the Group Guarantee) to pay such additional amounts and that:

I. (in the case of paragraph (i) above) the relevant obligation arises as a result of any such change or amendment as is specified in sub-paragraph (i)(A) above and cannot be avoided by the Issuer or, as the case may be, the Group Guarantor taking reasonable measures available to it;

II. (in the case of sub-paragraph (ii)(A) above) the relevant obligation cannot be avoided by the Issuer or, as the case may be, the Group Guarantor paying New Zealand approved issuer levy at a rate not exceeding the Approved Issuer Levy Rate or taking any other reasonable measures available to it (not including the payment of any additional approved issuer levy); or

III. (in the case of sub-paragraph (ii)(B) above) in order to avoid the relevant obligation, the Issuer or, as the case may be, the Group Guarantor would be obliged, as a result of any such change or amendment as is specified in that sub-paragraph, to pay approved issuer levy at a rate exceeding the Approved Issuer Levy Rate or to incur any other cost in excess of that applicable under New Zealand law at the date of issue of the first Tranche of Covered Bonds.

Upon the expiry of any such notice as is referred to in this Condition 6.2 (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Covered Bonds in accordance with this Condition 6.2 (*Redemption for tax reasons*). The Issuer may not exercise such option in respect of any Covered Bond which is the subject of the prior exercise by the Covered Bondholder thereof of its option to require the redemption of such Covered Bond under Condition 6.6 (*Redemption at the option of the Covered Bondholders*).

6.3 *Legislative Exchange*

Following the coming into force in New Zealand, at any time after the Programme Date, of (i) any legislation relating to the issue of covered bonds in New Zealand or (ii) any rules, regulations or guidelines published by any governmental authority relating to the issue of covered bonds in New Zealand, the Issuer may, at its option and without the consent of the Bond Trustee, the Security Trustee, the holders of the Covered Bonds or the Couponholders, exchange all (but not some only) of the Covered Bonds of all Series then outstanding (the **Existing Covered Bonds**) for new Covered Bonds which are governed by such new legislation, rules, regulations or guidelines (the **New Covered Bonds**) in identical form, amounts and denominations as the Existing Covered Bonds and on the same economic terms and conditions as the Existing Covered Bonds (the **Legislative Exchange**) if not more than 60 or less than 30 days' notice is given to the holders of the Covered Bonds (in accordance with Condition 14 (*Notices*)) and the Bond Trustee and provided that:

(i) on the date on which such notice expires the Issuer and the Group Guarantor deliver to the Bond Trustee a certificate signed by two Directors or authorised signatories of each of the Issuer and the Group Guarantor and a certificate signed by an authorised signatory of the Administrative Agent on behalf of the CB Guarantor confirming that, in the case of each of the Issuer and the Group Guarantor, no Issuer Event of Default or Potential Issuer Event of Default and, in the case of the CB Guarantor, no CBG Event of Default or Potential CBG Event of Default, shall have occurred and be continuing;

(ii) unless the Legislative Exchange is required by law, each of the Rating Agencies then rating the Existing Covered Bonds has confirmed in writing that the New Covered Bonds will be assigned the same ratings as are then applicable to the Existing Covered Bonds; and

(iii) if the Existing Covered Bonds are listed, quoted and/or traded on or by a competent and/or relevant listing authority, stock exchange and/or quotation system on or before the date on which such notice expires each of the Issuer and the Group Guarantor delivers to the Bond Trustee a certificate signed by two Directors or authorised signatories of each of the Issuer and the Group Guarantor confirming that (A) all applicable rules of such competent and/or relevant listing authority, stock exchange and/or quotation system have been or will be complied with and (B) the New Covered Bonds will be listed, quoted and/or traded on the same listing authority, stock exchange and/or quotation system.

The Existing Covered Bonds will be cancelled concurrently with the issue of the New Covered Bonds and with effect on and from the date of issue thereof all references herein to Covered Bonds shall be deemed to be references to the New Covered Bonds.

6.4 *Redemption at the option of the Issuer*

If redemption at the option of the Issuer (Call) is specified in the applicable Final Terms Document as being applicable, the Covered Bonds may be redeemed at the option of the Issuer in whole or, if so specified in the applicable Final Terms Document, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer giving not less than five or more than 60 days' notice, or such other notice period as may be specified in the applicable Final Terms Document to the Bond Trustee, the Principal Paying Agent, the Registrar (in the case of redemption of Registered Covered Bonds) and the Covered Bondholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable and shall oblige the Issuer to redeem all of the Covered Bonds of the relevant Series or, as the case may be, the Covered Bonds specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date). In the case of a partial redemption of the 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 and procedures of the relevant clearing system (to be reflected in the records of the relevant clearing system as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Covered Bonds represented by a Global Covered Bond, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). The Issuer may not exercise such option in respect of any Covered Bond which is the subject of the prior exercise by the Covered Bondholder thereof of its option to require the redemption of such Covered Bond under Condition 6.6 (*Redemption at the option of the Covered Bondholders*).

6.5 *Partial Redemption*

If the Covered Bonds are to be redeemed in part only on any date in accordance with Condition 6.4 (*Redemption at the option of the Issuer*):

(a) in the case of Bearer Covered Bonds (other than a Temporary Global Covered Bond or a Permanent Global Covered Bond) the Covered Bonds to be redeemed shall be selected by the drawing of lots in such European city as the Bond Trustee approves and in such manner as the Bond Trustee considers appropriate in its sole and absolute discretion;

(b) in the case of a Global Covered Bond, the Covered Bonds to be redeemed shall be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or DTC and/or the CMU Service and/or any other relevant clearing system; and

(c) in the case of Registered Covered Bonds (other than a Global Covered Bond), the Covered Bonds shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, provided always that the amount redeemed in respect of each Covered Bond shall be equal to the minimum denomination thereof or an integral multiple thereof,

subject always to compliance with applicable law and the rules of each listing authority and/or stock exchange on or by which the Covered Bonds are then listed and/or traded and the notice to Covered Bondholders referred to in Condition 6.4 (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Covered Bonds so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the applicable Final Terms Document, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

In the case of the redemption of part only of a Registered Covered Bond, a new Registered Covered Bond in respect of the unredeemed balance shall be issued in accordance with Conditions 3.6 to 3.11

which shall apply as in the case of a transfer of Registered Covered Bonds as if such new Registered Covered Bond were in respect of the untransferred balance.

6.6 *Redemption at the option of the Covered Bondholders*

If redemption at the option of the Covered Bondholders (Put) is specified in the applicable Final Terms Document as being applicable, the Issuer shall, at the option of the holder of any Covered Bond, redeem such Covered Bond on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 6.6 (*Redemption at the option of the Covered Bondholders*), the holder of a Covered Bond must, not less than 45 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent (in the case of a Bearer Covered Bond) or the Registrar (in the case of a Registered Covered Bond) such Covered Bond together with all unmatured Coupons relating thereto (other than any Coupon maturing on or before the Optional Redemption Date (Put) (failing which the provisions of Condition 7.1(f) apply)) and a duly completed irrevocable Put Option Notice in the form obtainable from any Paying Agent or, as the case may be, the Registrar, specifying in the case of a Temporary Global Covered Bond or Permanent Global Covered Bond or Registered Covered Bond, the aggregate principal amount in respect of which such option is exercised (which must be the minimum denomination specified in the applicable Final Terms Document or an integral multiple thereof). The Paying Agent or Registrar with which a Covered Bond is so deposited shall deliver a duly completed Put Option Receipt to the depositing Covered Bondholder. No Covered Bond, once deposited with a duly completed Put Option Notice in accordance with this Condition 6.6 (*Redemption at the option of the Covered Bondholders*), may be withdrawn. For so long as any outstanding Covered Bond is held by a Paying Agent or Registrar in accordance with this Condition 6.6 (*Redemption at the option of the Covered Bondholders*), the depositor of such Covered Bond and not such Paying Agent or Registrar shall be deemed to be the holder of such Covered Bond for all purposes.

In the case of the redemption of part only of a Registered Covered Bond, a new Registered Covered Bond in respect of the unredeemed balance shall be issued in accordance with Conditions 3.6 to 3.11 which shall apply as in the case of a transfer of Registered Covered Bonds as if such new Registered Covered Bond were in respect of the untransferred balance.

The holder of a Covered Bond may not exercise such option in respect of any Covered Bond which is the subject of an exercise by the Issuer of its option to redeem such Covered Bond under either Condition 6.2 (*Redemption for tax reasons*) or Condition 6.4 (*Redemption at the option of the Issuer*).

6.7 *No other redemption*

The Issuer shall not be entitled to redeem the Covered Bonds otherwise than as provided in Conditions 6.1 (*Scheduled redemption*) to 6.6 (*Redemption at the option of the Covered Bondholders*) above, but without limitation to Condition 9 (*Events of Default*).

6.8 *Early redemption of Zero Coupon Covered Bonds*

Unless otherwise specified in the applicable Final Terms Document, the Redemption Amount payable on redemption of a Zero Coupon Covered Bond at any time before the Maturity Date shall be an 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 to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Covered Bond becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the applicable Final Terms Document for the purposes of this Condition 6.8 (*Early redemption of Zero Coupon Covered Bonds*) or, if none is so specified, a Day Count Fraction of 30/360.

6.9 *Purchase*

The Issuer, the Group Guarantor, the CB Guarantor or any of their respective Subsidiaries may at any time purchase Covered Bonds in the open market or otherwise and at any price, provided that all unmatured Coupons are purchased therewith.

6.10 *Cancellation*

All Covered Bonds so redeemed by the Issuer, the Group Guarantor, the CB Guarantor or any of their respective Subsidiaries and all unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold and all Covered Bonds so purchased by the Issuer, the Group Guarantor, the CB Guarantor or any of their respective Subsidiaries may, at the option of the Issuer, the Group Guarantor, the CB Guarantor or any of their respective Subsidiaries (as the case may be), be cancelled, held, reissued or resold.

7. Payments

7.1 *Bearer Covered Bonds*

(a) *Principal*. Payments of principal due in respect of Bearer Covered Bonds shall be made only against presentation and (provided that payment is made in full) surrender of the relevant Bearer Covered Bonds at the specified office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account outside the United States denominated in that currency or to which such currency may be transferred and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

(b) *Interest*. Payment of amounts in respect of interest on Bearer Covered Bonds will be made:

(i) in the case of a Temporary Global Covered Bond or Permanent Global Covered Bond, against presentation of the relevant Temporary Global Covered Bond or Permanent Global Covered Bond at the specified office of any of the Paying Agents outside New Zealand and (unless Condition 7.1(c) (*Payments in New York City*) applies) the United States and, in the case of a Temporary Global Covered Bond, upon due certification as required therein, by cheque drawn in the currency in which the payment is due on, or by transfer to an account outside the United States denominated in that currency (or, if that currency is euro, any other account outside the United States to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency;

(ii) in the case of Definitive Covered Bonds without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Covered Bonds at the specified office of any of the Paying Agents outside New Zealand and (unless Condition 7.1(c) (*Payments in New York City*) applies) the United States by

cheque drawn in the currency in which the payment is due on, or by transfer to an account outside the United States denominated in that currency (or, if that currency is euro, any other account outside the United States to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency; and

(iii) in the case of Definitive Covered Bonds delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Definitive Covered Bonds, in either case at the specified office of any of the Paying Agents outside New Zealand and (unless Condition 7.1(c) (*Payments in New York City*) applies) the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account outside the United States denominated in that currency (or, if that currency is euro, any other account outside the United States to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

(c) *Payments in New York City*. Payments of principal and interest on the Bearer Covered Bonds and exchanges of Talons for Coupon Sheets in accordance with Condition 7.1(f) (*Exchange of Talons*) may be made at the specified office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Covered Bonds in U.S. Dollars, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of interest in U.S. Dollars and (iii) payment is permitted by applicable United States law.

(d) *Payments on business days*. If the due date for payment of any amount in respect of any Covered Bond or Coupon is not a Business Day in the place of presentation, the Covered Bondholder shall not be entitled to payment in such place of the amount due until the next succeeding Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(e) Each Definitive Covered Bond initially delivered with Coupons or Talons attached thereto shall be presented and, save in the case of partial payment of the Redemption Amount, surrendered for final redemption together with all unmatured Coupons and Talons relating thereto, failing which:

(i) if the applicable Final Terms Document specifies that this paragraph (i) of Condition 7.1(e) is applicable (and, in the absence of specification this paragraph (i) shall apply to Definitive Covered Bonds which bear interest at a fixed rate or rates or in fixed amounts) and subject as hereinafter provided, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the Redemption Amount paid bears to the total Redemption Amount due) (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within ten years of the Relevant Date applicable to payment of such Redemption Amount;

(ii) if the applicable Final Terms Document specifies that this paragraph (ii) of Condition 7.1(e) is applicable (and, in the absence of specification, this paragraph

(ii) shall apply to Covered Bonds which bear interest at a floating rate or rates or in variable amounts) all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) relating to such Definitive Covered Bonds (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them; and

(iii) in the case of Definitive Covered Bonds initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them.

The provisions of paragraph (i) of this Condition 7.1(e) notwithstanding, if any Definitive Covered Bonds are issued with a Maturity Date and a Rate of Interest or Rates of Interest such that, on the presentation for payment of any such Definitive Covered Bond without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the Redemption Amount otherwise due for payment, then, upon the due date for redemption of any such Definitive Covered Bond, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof as shall be required so that, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the Redemption Amount otherwise due for payment). Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Covered Bond to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

(f) *Exchange of Talons*. In relation to Definitive Covered Bonds initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon Sheet matures, the Talon comprised in the Coupon Sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 7.1(c) (*Payments in New York City*) applies) the United States in exchange for a further Coupon Sheet (including any appropriate further Talon), subject to the provisions of Condition 10 (*Prescription*) below. Each Talon shall, for the purpose of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relevant Coupon Sheet matures.

(g) *Payments other than in respect of matured Coupons*. Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Covered Bonds at the specified office of any Paying Agent outside the United States (or in New York City if permitted by Condition 7.1(c) (*Payments in New York City*)).

(h) *Partial payments*. If a Paying Agent makes a partial payment in respect of any Covered Bond or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

7.2 *Registered Covered Bonds*

(a) Payment of the Redemption Amount due in respect of Registered Covered Bonds (together with accrued interest thereon (if any)) will be made against presentation and, save in the case of partial payment of the Redemption Amount, surrender of the relevant Registered Covered Bonds at the specified office of the Registrar. If the due date for payment of the Redemption Amount of any Registered Covered Bond is not a Business Day then the holder thereof will not be entitled to payment thereof until the next Business Day and thereafter will be entitled to receive payment by cheque on any local banking day, and will be entitled to payment by

transfer to a designated account on any day which is a local banking day, a Business Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions, in which event interest shall continue to accrue as provided in Condition 5 (*Interest*) as appropriate.

(b) Payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Covered Bonds will be paid to the holder thereof (or, in the case of joint holders, the first-named) as appearing in the register kept by the Registrar as at the close of the business day (local time in the place of the specified office of the Registrar) on the clearing system business day immediately prior to the Relevant Banking Day (as defined in Condition 3.8) (where for the purposes of this Condition 7.2(b) "clearing system business day" means Monday to Friday inclusive except 25 December and 1 January) before the due date for such payment (the **Record Date**).

(c) Payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Covered Bonds will be made in the currency in which such amount is due by cheque to the holder thereof (or, in the case of joint holders, the first-named) on the Relevant Banking Day (as defined in Condition 3.8) not later than the relevant due date for payment unless prior to the relevant Record Date the holder thereof (or, in the case of joint holders, the first-named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency, in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Business Day then the holder thereof will not be entitled to payment thereof until the first day thereafter which is a Business Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5 (*Interest*), as appropriate.

(d) 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 transfer by the Registrar (i) to an account identified to DTC by a participant in DTC in respect of its holding of such Covered Bonds, or (ii) to an account in the relevant Specified Currency of the Exchange Agent for conversion into and payment in U.S. Dollars in accordance with the provisions of the Agency Agreement.

7.3 *General provisions applicable to payments*

(a) Save as otherwise specified in these Terms and Conditions, this Condition 7.3 (*General provisions applicable to payments*) is applicable in relation to both Bearer Covered Bonds and Registered Covered Bonds.

(b) Payments will, without prejudice to the provisions of Condition 8 (*Taxation*), be subject in all cases to any applicable fiscal or other laws and any other directives, agreements and administrative practices and procedures of fiscal and other authorities in relation to Tax (or stamp duty), anti-money-laundering and other requirements which may apply to payments of amounts due (whether principal, Redemption Amount, interest or otherwise) in respect of Covered Bonds (including, without limitation, any withholding or deduction arising under or

in connection with FATCA). No commissions or expenses shall be charged to the holders of Covered Bonds or Coupons in respect of such payments.

(c) If any withholding or deduction arises under or in connection with FATCA, none of the Issuer, the Group Guarantor or the CB Guarantor will be required to pay any additional amounts under Condition 8 (*Taxation*) on account of such withholding or deduction and, accordingly, the Issuer or the Group Guarantor or the CB Guarantor, as the case may be, shall be acquitted and discharged of so much money as is represented by any such withholding or deduction as if such sum had been actually paid to the holders of the Covered Bonds or Coupons.

(d) Except to the extent that the Issuer or the Group Guarantor or the CB Guarantor, as the case may be, is required to pay any additional amounts under Condition 8 (*Taxation*) on account of a withholding or deduction, none of the Issuer, the Group Guarantor or the CB Guarantor will be required to pay any additional amounts on account of a withholding or deduction for, or on account of, any present or future Taxes (or stamp duty) required by any law. If any such withholding or deduction is required, then the Issuer or the Group Guarantor or the CB Guarantor, as the case may be, shall pay the amounts payable net of, and after deducting the applicable amount of, such withholding or deduction and shall account to the appropriate Tax authority for the amount required to be withheld or deducted and, accordingly, the Issuer or the Group Guarantor or the CB Guarantor, as the case may be, shall be acquitted and discharged of so much money as is represented by any such withholding or deduction as if such sum had been actually paid to the holders of the Covered Bonds or Coupons.

For the purposes of Condition 7.1, the "United States", when being used as a location, shall include the United States and its possessions.

8. Taxation

8.1 *Gross-up by Issuer and Group Guarantor*

All payments of principal and interest in respect of the Covered Bonds and the Coupons by or on behalf of the Issuer or the Group Guarantor, as the case may be, shall be made free and clear of, and without withholding or deduction for or on account of, any present or future Taxes (or stamp duty) imposed, levied, collected, withheld or assessed by or on behalf of New Zealand and/or the United Kingdom or any political subdivision or any authority or any agency thereof or therein having power to tax, unless such withholding or deduction is required by any law. In the event of a withholding or deduction for or on account of any present or future Taxes (or stamp duty) imposed, levied, collected, withheld or assessed by or on behalf of New Zealand and/or the United Kingdom or any political subdivision or any authority or any agency thereof or therein having power to tax being made by the Issuer or the Group Guarantor in respect of a payment made by it, the Issuer or (as the case may be) the Group Guarantor shall pay such additional amounts as will result in the receipt by the holders of the Covered Bonds or Coupons, after any withholding or deduction for or on account of such Taxes (or stamp duty), of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Covered Bond or Coupon:

(a) presented for payment or held by, or by a third party on behalf of, a holder of, or any beneficial owner of any interest in, or rights in respect of, such Covered Bond or Coupon where such withholding or deduction is required by reason of the holder or beneficial owner having some connection (whether past or present) with New Zealand and/or the United Kingdom other than (i) the mere holding of such Covered Bond or Coupon or (ii) the receipt of principal, interest or any other amount in respect of such Covered Bond or Coupon; or

(b) presented for payment or held by, or by a third party on behalf of, a holder of, or any beneficial owner of any interest in, or rights in respect of, such Covered Bond or Coupon, who could lawfully avoid (but has not so avoided) such withholding or deduction by complying (or procuring that a third party complies) with any statutory requirements in force at the present time or in the future or by making (or procuring that a third party makes) a declaration of non-residence or other claim or filing for exemption; or

(c) presented for payment more than 30 days after the Relevant Date, except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Covered Bond or Coupon on the last day of such period of 30 days; or

(d) for or on account of: (i) New Zealand resident withholding tax (under the Income Tax Act 2007 of New Zealand); and/or (ii) New Zealand non-resident withholding tax (under the Income Tax Act 2007 of New Zealand) imposed at a resident withholding tax rate as a consequence of a holder or beneficial owner deriving interest under a Covered Bond jointly with one or more other persons at least one of which is a resident of New Zealand for income tax purposes; or

(e) presented for payment by, or by a third party on behalf of, a holder of, or any beneficial owner of any interest in, or rights in respect of, such Covered Bond or Coupon, who would have been able to avoid such withholding or deduction by presenting (or procuring that a third party presents) the relevant Covered Bond or Coupon to another Paying Agent; or

(f) for or on account of any withholding or deduction arising under or in connection with FATCA.

8.2 *No gross-up by CB Guarantor*

(a) Subject to Condition 8.2(b), the CB Guarantor will not be obliged to pay any additional amount under the Covered Bond Guarantee either (i) in respect of amounts due from the Issuer or the Group Guarantor pursuant to Condition 8 (*Taxation*) or (ii) as a consequence of any payments made by the CB Guarantor under the Covered Bond Guarantee being or becoming subject to any withholding or deduction for or on account of any present or future Taxes (or stamp duty) imposed, levied, collected, withheld or assessed by or on behalf of New Zealand and/or the United Kingdom or any political subdivision or any authority or any agency thereof or therein having power to tax.

(b) Where there is a requirement to make any withholding or deduction for or on account of New Zealand non-resident withholding tax in respect of payments made by the CB Guarantor under the Covered Bond Guarantee and such obligation can be avoided by paying New Zealand approved issuer levy in respect of payments made under the Covered Bond Guarantee at the rate charged from time to time under section 86J of the Stamp and Cheque Duties Act 1971 of New Zealand on the payments of principal or interest, the CB Guarantor undertakes, for so long as any such withholding or deduction can be avoided by paying an amount on account of New Zealand approved issuer levy, to pay such New Zealand approved issuer levy in respect of payments made by the CB Guarantor under the Covered Bond Guarantee. All such amounts shall be paid in accordance with the relevant Priorities of Payments.

(c) If any withholding or deduction arises under or in connection with FATCA, the CB Guarantor will not be required to pay any additional amount under the Covered Bond Guarantee on account of such withholding or deduction.

8.3 *New Zealand resident withholding tax*

The Issuer may be required by New Zealand law to deduct New Zealand resident withholding tax from the payment of interest or other amounts to the holder on any Interest Payment Date or, if applicable, the Maturity Date (as specified in the applicable Final Terms Document), if:

(a) the holder is a resident of New Zealand for income tax purposes or otherwise is a person, the payment of interest (as defined for New Zealand Tax purposes) to whom will be subject to New Zealand resident withholding tax (a **New Zealand Holder**); and

(b) at the time of such payment the New Zealand Holder does not hold a valid RWT exemption certificate (as defined in the Income Tax Act 2007 of New Zealand) issued to it or otherwise does not have exempt status for New Zealand resident withholding tax purposes.

Prior to any Interest Payment Date or, if applicable, the Maturity Date (as specified in the applicable Final Terms Document), any New Zealand Holder:

(c) must notify the Issuer, the Registrar or any Paying Agent (a) that the New Zealand Holder is the holder of a Covered Bond and (b) if it derives interest under a Covered Bond jointly with any other Person, that it does so; and

(d) must notify the Issuer, the Registrar or any Paying Agent of any circumstances, and provide the Issuer, the Registrar or that Paying Agent with its New Zealand Tax file number and any information (including a copy of a valid RWT exemption certificate), that may enable the Issuer to make the payment of interest to the New Zealand Holder without deduction for or on account of New Zealand resident withholding tax.

A New Zealand Holder must notify the Issuer, prior to any Interest Payment Date or the Maturity Date (as specified in the applicable Final Terms Document) of any change in the New Zealand Holder's circumstances from those previously notified that could affect the Issuer's payment obligations in respect of any Covered Bond. By accepting payment of the full face amount of any Covered Bond or any interest thereon or other amounts in respect thereof on any Interest Payment Date or the Maturity Date, a New Zealand Holder agrees to indemnify the Issuer for all purposes on an after-Tax basis in respect of any liability that the Issuer may incur for not deducting any amount from such payment on account of New Zealand resident withholding tax.

Only a New Zealand Holder will be obliged to make the notifications referred to above and no other holder will be required to do so.

While the Covered Bonds are held in Euroclear, Clearstream, Luxembourg or any other clearing system, Euroclear, Clearstream, Luxembourg and any such other clearing system shall not be responsible to the Issuer, the Registrar, any Paying Agent, its accountholders credited with such Covered Bonds or any other Person with regard to the collection or preparation of certificates, or otherwise in connection with this Condition 8.3 (*New Zealand resident withholding tax*).

8.4 Any reference in these Terms and Conditions to "principal" and/or "interest" in respect of the Covered Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition 8 (*Taxation*). Unless the context otherwise requires, any reference in these Terms and Conditions to "principal" shall include any premium payable in respect of a Covered Bond, any Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and "interest" shall include all amounts payable pursuant to Condition 5 (*Interest*) and any other amounts in the nature of interest payable pursuant to these Terms and Conditions.

8.5 *Taxing jurisdiction*. If the Issuer or the Group Guarantor is, or becomes, subject at any time to Tax on all or part of its net income, profits or gains in any taxing jurisdiction(s) other than or in addition to New Zealand or the United Kingdom, Condition 6.2 (*Redemption for tax reasons*) and this Condition 8 (*Taxation*) shall be read and construed as including references to such other taxing jurisdiction(s) instead of or in addition to (as the case may be) New Zealand and/or the United Kingdom (as the case may be).

9. Events of Default

9.1 *Issuer Events of Default*

The Bond Trustee at its sole and absolute 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 9.1 (*Issuer Events of Default*) means the Covered Bonds of each Series constituted by the Trust Deed then outstanding as if they were a single Series (with the nominal amount of Covered Bonds not denominated in NZ Dollars converted into NZ Dollars at the relevant Covered Bond 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 to its satisfaction), give notice (an **Issuer Acceleration Notice**) in writing to the Issuer and the Group Guarantor that as against the Issuer and the Group Guarantor (but not, for the avoidance of doubt, against the CB Guarantor under the Covered Bond Guarantee) each Covered Bond of each Series is, and each such Covered Bond shall thereupon immediately become, due and repayable at its Early Redemption Amount together with (to the extent not included in the Early Redemption Amount) accrued interest as provided in the Trust Deed if any of the following events (each an **Issuer Event of Default**) shall occur and be continuing:

(a) the Issuer or the Group Guarantor fails to pay any amount of principal in respect of the Covered Bonds of the relevant Series or any of them within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of the Covered Bonds of the relevant Series or any of them within 14 days of the due date for payment thereof; or

(b) the Issuer or the Group Guarantor defaults in the performance or observance of any of its or their other obligations under or in respect of any of the Covered Bonds of the relevant Series, the Trust Deed or any other Transaction Document to which the Issuer or the Group Guarantor is a party (other than the Dealership Agreement and any Subscription Agreement), but excluding any obligation of the Issuer or the Group Guarantor to comply with the Asset Coverage Test or any Representations and Warranties given by the Issuer or the Group Guarantor thereunder or pursuant thereto, and (except where the Bond Trustee considers such default is incapable of remedy when no such continuation or notice, as is hereinafter mentioned, will be required) such default remains unremedied for 30 days (or such longer period as the Bond Trustee may permit) following the service by the Bond Trustee on the Issuer and the Group Guarantor of notice requiring the same to be remedied; or

(c) an order is made or an effective resolution is passed for the Winding-Up of the Issuer or the Group Guarantor; or

(d) either the Issuer or the Group Guarantor ceases to carry on all or substantially all of its business other than under or in connection with an amalgamation or reconstruction not involving a bankruptcy or insolvency where the obligations of the Issuer or the Group Guarantor in relation to the outstanding Covered Bonds are assumed (in the case of the Issuer) or unconditionally and irrevocably guaranteed (in the case of the Group Guarantor) by the successor entity to which all, or substantially all, of the property, assets and

undertaking of the Issuer or Group Guarantor are transferred or where an arrangement with similar effect not involving a bankruptcy or insolvency is implemented (a **Solvent Reconstruction**); or

(e) an encumbrancer takes possession or a receiver is appointed of the whole or any substantial part of the assets or undertaking of, or an official manager is appointed to, the Issuer or the Group Guarantor or a distress or execution is levied or enforced upon or sued out against any substantial part of the assets or undertaking of the Issuer or the Group Guarantor and is not removed, paid out or otherwise discharged within 30 days unless the same is being contested in good faith; or

(f) either the Issuer or the Group Guarantor shall be unable to pay its debts as they fall due; or

(g) the Group Guarantee ceases to be, or is claimed by the Group Guarantor not to be, in full force and effect other than under or in connection with a Solvent Reconstruction; or

(h) if an Asset Coverage Test Breach Notice has been served and is not revoked (in accordance with the terms of the Transaction Documents) on or before the first Test Date following the service of such Asset Coverage Test Breach Notice, unless such Asset Coverage Test Breach Notice has not been revoked as a result of a failure, for any reason whatsoever, of the Bond Trustee to do so where permitted in accordance with the terms of the Transaction Documents; or

(i) if the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds is breached and the CB Guarantor has not funded the Pre-Maturity Liquidity Ledger in accordance with Clause 3.3(c) of the Participation Agreement by the later of:

  (i) six months prior to the Maturity Date of the relevant Series of Hard Bullet Covered Bonds; or

  (ii) the earlier to occur of: (i) 20 NZ and Sydney Business Days from the date that the Seller, the Issuer and the Group Guarantor are notified by the CB Guarantor (or the Cash Manager on its behalf) of the breach of the Pre-Maturity Test and (ii) the Maturity Date of that Series of Hard Bullet Covered Bonds,

provided that any condition, event or act described in subparagraphs (b), (d) and (e) shall only constitute an Issuer Event of Default if the Bond Trustee shall have certified in writing to the Issuer, the Group Guarantor and the CB Guarantor that such condition, event or act is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series.

Upon the Covered Bonds becoming immediately due and payable against the Issuer and the Group Guarantor pursuant to this Condition 9.1 (*Issuer Events of Default*), the Bond Trustee shall forthwith serve a notice to pay (the **Notice to Pay**) on the CB Guarantor pursuant to the Covered Bond Guarantee. If a Notice to Pay has been served, the CB 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.

The Trust Deed provides that all monies received by the Bond Trustee from the Issuer, the Group Guarantor or any administrator, liquidator, trustee in sequestration, receiver or other similar official appointed in relation to the Issuer or the Group Guarantor following service of an Issuer Acceleration Notice (the **Excess Proceeds**), shall be paid by the Bond Trustee on behalf of the holders of the relevant Series of Covered Bonds to the CB Guarantor for its own account, as soon as practicable, and shall be held by the CB Guarantor in the GI Account and the Excess Proceeds shall thereafter form part of the Security and shall be used by the CB Guarantor in the same manner as all

other monies from time to time standing to the credit of the GI Account pursuant to the Security Trust Deed and the Trust Deed. Any Excess Proceeds received by the Bond Trustee shall discharge *pro tanto* the obligations of the Issuer in respect of the payment of the amount of such Excess Proceeds under the Covered Bonds and Coupons and the Group Guarantor under the Group Guarantee (subject to restitution of the same if such Excess Proceeds shall be required to be repaid by the CB Guarantor). However, the obligations of the CB Guarantor under the Covered Bond Guarantee are (following service of an Issuer Acceleration Notice and a Notice to Pay or, if earlier, following the service of a CBG Acceleration Notice) unconditional and irrevocable and the receipt by the Bond Trustee of any 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 CB Guarantor in the manner as described above.

9.2 *CBG Events of Default*

The Bond Trustee at its sole and absolute 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 9.2 (*CBG Events of Default*) means the Covered Bonds of each Series constituted by the Trust Deed then outstanding as if they were a single Series (with the nominal amount of Covered Bonds not denominated in NZ Dollars converted into NZ Dollars at the relevant Covered Bond 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 to its satisfaction), give notice (the **CBG Acceleration Notice**) in writing to the Issuer, the Group Guarantor, the CB Guarantor and the Security Trustee that (i) each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer and the Group Guarantor (if not already due and repayable against the Issuer and the Group Guarantor following service of an Issuer Acceleration Notice) thereupon immediately become, due and repayable at its Early Redemption Amount together with (to the extent not already included in the Early Redemption Amount) accrued interest, and (ii) all amounts payable by the CB 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 (to the extent not already included in the Early Redemption Amount) accrued interest, in each case as provided in the Trust Deed, and at such time the Security shall become enforceable if any of the following events (each a **CBG Event of Default**) shall occur and be continuing:

(a) the CB Guarantor fails to pay any Guaranteed Amounts which are Due for Payment on the day on which the Guaranteed Amounts are otherwise Due for Payment (the **Guaranteed Amounts Due Date**) for a period of seven days or more (in respect of Guaranteed Amounts that constitute Scheduled Principal) or 14 days or more (in respect of Guaranteed Amounts that constitute Scheduled Interest) in respect of the Covered Bonds of any Series except in the case of the payment of a Guaranteed Amount which is Due for Payment under Condition 6.1 (*Scheduled redemption*) in which case the CB Guarantor fails to make payments of Guaranteed Amounts which are Due for Payment on the dates specified therein for a period of seven days or more (in respect of Guaranteed Amounts that constitute Scheduled Principal) or 14 days or more (in respect of Guaranteed Amounts that constitute Scheduled Interest); or

(b) the CB Guarantor defaults in the performance or observance of any of its obligations (other than any obligation for the payment of Guaranteed Amounts in respect of the Covered Bonds of any Series) under the Trust Deed, the Security Trust Deed or any other Transaction Document (other than the obligation to satisfy the Asset Coverage Test in accordance with the Participation Agreement and to pay amounts due under the Intercompany Loan

Agreement or the Subordinated Loan Agreement) to which the CB Guarantor is a party and (except where the Bond Trustee considers such default is incapable of remedy when no such continuation or notice, as is hereinafter mentioned, will be required) such default remains unremedied for 30 days (or such longer period as the Bond Trustee may permit) following the service by the Bond Trustee on the CB Guarantor of notice requiring the same to be remedied; or

(c) an order is made or an effective resolution is passed for the Winding-Up of the CB Guarantor; or

(d) the CB Guarantor ceases or threatens to cease to carry on its business or substantially the whole of its business other than under or in connection with a Solvent Reconstruction; or

(e) an encumbrancer takes possession or a receiver is appointed of the whole or any substantial part of the assets or undertaking of, or an official manager is appointed to, the CB Guarantor or a distress or execution is levied or enforced upon or sued out against any substantial part of the assets or undertaking of the CB Guarantor and is not removed, paid out or otherwise discharged within 30 days unless the same is being contested in good faith; or

(f) the CB Guarantor shall be unable to pay its debts as they fall due; or

(g) the Covered Bond Guarantee ceases to be, or is claimed by the CB Guarantor not to be, in full force and effect other than under or in connection with a Solvent Reconstruction; or

(h) there is a failure to satisfy the Amortisation Test (as set out in the Participation Agreement) on any Test Date following service of a Notice to Pay,

provided that any condition, event or act described in subparagraphs (b), (d) and (e) above shall only constitute a CBG Event of Default if the Bond Trustee shall have certified in writing to the Issuer, the Group Guarantor and the CB Guarantor that such condition, event or act is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series.

Following service of a CBG Acceleration Notice, the Security shall become enforceable subject to Condition 9.3 (*Enforcement*).

Upon service of a CBG Acceleration Notice, the Bond Trustee (on behalf of the Covered Bondholders) shall have a claim against the CB Guarantor, under the Covered Bond Guarantee, for an amount equal to the Early Redemption Amount in respect of each Covered Bond together with (to the extent not included in the Early Redemption Amount) accrued interest and any other amount due under such Covered Bonds (other than additional amounts payable under Condition 8 (*Taxation*)) as provided in the Trust Deed.

9.3 *Enforcement*

The Bond Trustee may at any time, at its sole and absolute discretion and without further notice, take such steps or proceedings against the Issuer and the Group Guarantor or the CB Guarantor, as the case may be, and/or any other person as it may think fit to enforce the provisions of the Trust Deed, the Covered Bonds, the Coupons or any other Transaction Document, but it shall not be bound to take any such steps or enforcement proceedings in relation to the Trust Deed, the Covered Bonds, the Coupons or any other Transaction Document unless (i) it shall have been so directed by an Extraordinary Resolution of all the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series as aforesaid) or so requested in writing by the holders of not less than 25% of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series

then outstanding (taken together and converted into NZ Dollars at the relevant Covered Bond Swap Rate as aforesaid) and (ii) it shall have been indemnified and/or secured to its satisfaction.

In exercising any of its powers, trusts, authorities and discretions the Bond Trustee shall have regard only to the interests of the Covered Bondholders of the relevant Series or, as the case may be, all Series and shall not have regard to the interests of any individual Covered Bondholder or any other Secured Creditors.

The Bond Trustee may at any time, at its discretion and without notice, direct the Security Trustee to take such steps or proceedings against the CB Guarantor and/or any other person as it may think fit to enforce the provisions of the Security Trust Deed or any other Transaction Document in accordance with its terms and may, at any time after the Security has become enforceable, direct the Security Trustee to take such proceedings or 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 proceedings or steps, unless (i) the Bond Trustee shall have been so directed by an Extraordinary Resolution of all the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series as aforesaid) or so requested in writing by the holders of not less than 25% of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together and converted into NZ Dollars at the relevant Covered Bond Swap Rate as aforesaid) and (ii) the Bond Trustee shall have been indemnified and/or secured to its satisfaction. In exercising any of its powers, trusts, authorities and discretions or giving any direction to the Security Trustee under this paragraph the Bond Trustee shall only have regard to the interests of the Covered Bondholders of all Series and shall not have regard to the interests of any individual Covered Bondholder or any other Secured Creditors.

No Covered Bondholder or Couponholder shall be entitled to proceed directly against the Issuer, the Group Guarantor or the CB Guarantor or to take any action with respect to the Trust Deed, any other Transaction Document, 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 period and such failure shall be continuing.

Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the CB Guarantor to the Covered Bondholders under the Covered Bond Guarantee are limited in recourse to the property, assets and undertakings of the CB Guarantor the subject of any security created by the Security Trust Deed (the **CBG Charged Assets**). If:

(a) there are no CBG Charged Assets remaining which are capable of being realised or otherwise converted into cash;

(b) all amounts available from the CBG Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Security Trust Deed; and

(c) there are insufficient amounts available from the CBG Charged Assets to pay in full, in accordance with the provisions of the Transaction Documents (including the Priorities of Payments), all Guaranteed Amounts,

then the Covered Bondholders shall have no further claim against the CB Guarantor in respect of any Guaranteed Amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

10. Prescription

10.1 Claims against the Issuer for payment of principal and interest in respect of Covered Bonds will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date for payment thereof.

10.2 In relation to Definitive Covered Bonds initially delivered with Talons attached thereto, there shall not be included in any Coupon Sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 7.1(f) (*Exchange of Talons*) or the due date for the payment of which would fall after the due date for the redemption of the relevant Covered Bond or which would be void pursuant to this Condition 10 (*Prescription*) or any Talon the Maturity Date of which would fall after the due date for redemption of the relevant Covered Bond.

11. The Principal Paying Agent, the Paying Agents, the Registrar and the Calculation Agent

11.1 The names of the initial Principal Paying Agent and the initial Registrar and their respective initial specified offices are specified below. The Calculation Agent in respect of any Covered Bonds shall be specified in the applicable Final Terms Document.

The Issuer and the Guarantors reserve the right at any time, with the prior written approval of the Bond Trustee, to vary or terminate the appointment of any Agent and/or to appoint additional or other Agents provided that they will at all times maintain (i) a Principal Paying Agent, (ii) in the case of Registered Covered Bonds, a Registrar, (iii) so long as the Covered Bonds are listed on the Official List of the FCA and/or admitted to listing and/or trading on or by any other competent listing authority and/or stock exchange, a Paying Agent with a specified office in London and/or in such other place as may be required by such competent listing authority and/or stock exchange, (iv) in the circumstances described in Condition 7.1(c) (*Payments in New York City*), a Paying Agent with a specified office in New York City, (v) a Calculation Agent where required by these Terms and Conditions applicable to any Covered Bonds (in the case of (i), (ii) and (iii) with a specified office located in such place (if any) as may be required by these Terms and Conditions), and (vi) for so long as any Covered Bonds are represented by a Temporary Global Covered Bond or a Permanent Global Covered Bond which is held in the CMU Service, a Paying Agent with a specified office in Hong Kong. The Paying Agents, the Registrar and the Calculation Agent reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of any Paying Agent, the Registrar or the Calculation Agent will be given promptly by the Issuer to the Bond Trustee and the Covered Bondholders in accordance with Condition 14 (*Notices*).

11.2 The Paying Agents, the Registrar and the Calculation Agent act solely as agents of the Issuer, the Group Guarantor and the CB Guarantor and, in certain circumstances as specified in the Agency Agreement, the Bond Trustee and do not assume any obligations towards or relationship of agency or trust for any Covered Bondholders or Couponholders and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

12. Replacement of Covered Bonds

If any Covered Bond or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent specified for such purpose in the applicable Final Terms Document (in the case of Bearer Covered Bonds and Coupons) or of the Registrar (in the case of Registered Covered Bonds) (the **Replacement Agent**) subject to all applicable laws and the requirements of any stock exchange and/or competent listing authority on or by which the Covered Bonds are listed and/or traded upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the

Issuer and the Replacement Agent may require. Mutilated or defaced Covered Bonds and Coupons must be surrendered before replacements will be delivered therefor.

13. Meetings of Covered Bondholders, Waiver, Authorisation, Determination and Consent

The Trust Deed contains provisions (which shall have effect as if incorporated herein) for convening meetings of the Covered Bondholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Terms and Conditions or the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Group Guarantor, the CB Guarantor, the Bond Trustee or (in relation to a meeting for the passing of a Programme Resolution) the Covered Bondholders of any Series and shall be convened by the Issuer at the request in writing of Covered Bondholders holding not less than 10% of the Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding. The quorum at any such meeting in respect of any Covered Bonds of any Series for passing an Extraordinary Resolution or a Programme Resolution is one or more persons holding or representing more than 50% 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 Covered Bondholders of such Series whatever the nominal amount of the Covered Bonds of such Series so held or represented, except that at any meeting the business of which includes the modification of 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. 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 whether or not voting, and on all Couponholders in respect of such Series of Covered Bonds.

Unless otherwise provided herein, in the Trust Deed or the other Transaction Documents, the Bond Trustee may convene a single meeting of the holders of Covered Bonds of more than one Series only if in the opinion of the Bond Trustee there is no conflict of interest between the holders of such Covered Bonds or if the meeting is to consider a Programme Resolution, in which event the provisions of this paragraph shall apply thereto *mutatis mutandis*. 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 nominal amount of the Covered Bonds of any Series not denominated in NZ Dollars shall be converted into NZ Dollars at the relevant Covered Bond Swap Rate.

The Bond Trustee may, without the consent of the Covered Bondholders of any Series, the related Couponholders and without prejudice to its rights in respect of any subsequent breach, Issuer Event of Default, Potential Issuer Event of Default, CBG Event of Default or Potential CBG Event of Default, from time to time, but only 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 the Issuer or either of the Guarantors of any of the provisions of the Trust Deed or the other Transaction Documents, or determine that any Issuer Event of Default, Potential Issuer Event of Default, CBG Event of Default or Potential CBG Event of Default shall not be treated as such, provided that the Bond Trustee shall not exercise any such powers conferred on it in contravention of any express direction given by Extraordinary Resolution of the Covered Bondholders of all Series or by a request by the Covered Bondholder of all Series under Condition 9 (*Events of Default*) but 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 of all Series and, if, but only if, the Bond Trustee shall so require, shall be notified by the Issuer to the Covered Bondholders in accordance with Condition 14 (*Notices*) as soon as practicable thereafter.

The Bond Trustee may without the consent or sanction of any of the Covered Bondholders of any Series, the related Couponholders at any time and from time to time concur with the Issuer and the Guarantors and any other party, or direct the Security Trustee to concur with the Issuer and the Guarantors and any other party, in making any modification (and for this purpose the Bond Trustee may disregard whether any such modification relates to a Series Reserved Matter) (i) to the Trust Deed and/or the other Transaction Documents provided that the Bond Trustee is of the sole opinion that such modification will not be materially prejudicial to the interests of any of the Covered Bondholders of any Series or (ii) to the Trust Deed or the other Transaction Documents which in the sole opinion of the Bond Trustee is of a formal, minor or technical nature or which in the sole opinion of the Bond Trustee, is to correct a manifest error or an error which in the opinion of the Bond Trustee is proven or to comply with mandatory provisions of applicable Law or any requirements of any Governmental Agency. Any such modification may be made on such terms and subject to such conditions (if any) as the Bond Trustee may determine, shall be binding upon the Covered Bondholders, and/or the Couponholders of all Series and, unless the Bond Trustee otherwise agrees, shall be notified by the Issuer to the Covered Bondholders in accordance with Condition 14 (*Notices*) as soon as practicable thereafter.

In establishing whether an error is proven as such, the Bond Trustee may have regard to any evidence on which the Bond Trustee considers it reasonable to rely, and may, but shall not be obliged to, have regard to a certificate from the Arrangers, confirmation that the correction of the error would not cause the then current rating of the Covered Bonds to be adversely affected and/or an opinion of counsel.

At the written request of the Issuer, the Bond Trustee shall, without the consent or sanction of any of the Covered Bondholders of any Series, the related Couponholders, at any time and from time to time, concur with the Issuer and the Guarantors and any other party, or direct the Security Trustee to concur with the Issuer and the Guarantors and any other party, in making any modification (for this purpose the Bond Trustee may disregard whether any such modification relates to a matter as specified in sub-paragraph (d) of the definition of a Series Reserved Matter) to the Trust Deed and/or any other Transaction Document that is certified by the Issuer to the Bond Trustee to be necessary or appropriate in order to implement or comply with, or to enable the Issuer, any Guarantor, any Series or the Programme to receive the benefit of, any legislation, rules or guidance issued by any governmental authority in or of New Zealand (including, without limitation, the Government of New Zealand or the RBNZ) coming into force after the Programme Date and which relates to the issuance of covered bonds provided that the Bond Trustee shall not be obliged to agree to any such modification which, in the sole opinion of the Bond Trustee, would have the effect of: (a) exposing the Bond Trustee to any Liability against which it has not been indemnified and/or secured to its satisfaction or (b) imposing any material obligations or duties on the Bond Trustee or materially increasing the obligations or duties of the Bond Trustee under the trust presents or the other Transaction Documents.

Notwithstanding the provisions of the three immediately preceding paragraphs, the Bond Trustee shall be bound to concur with the Issuer and the Guarantors and any other party, or to direct the Security Trustee to concur with the Issuer and the Guarantors and any other party, in making any of the above-mentioned modifications if it is (i) so directed by an Extraordinary Resolution or (ii) requested to do so in writing by the holders of not less than twenty-five per cent. of the Principal Amount Outstanding of the Covered Bonds (with the Covered Bonds of all Series taken together as a

single Series as provided in the Trust Deed and, if applicable, converted into NZ Dollars at the relevant Covered Bond Swap Rate) then outstanding and at all times then only if it shall first be indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

The prior consent of the Bond Trustee, the Security Trustee and the other Secured Creditors will not be required and will not be obtained in relation to the accession of any New Seller to the Programme provided that the relevant conditions precedent in the Transaction Documents are satisfied at the time of the intended accession.

The Bond Trustee may give, or direct the Security Trustee to give, any consent or approval for the purposes of the Trust Deed or any other Transaction Document if, in its opinion, the interests of the Covered Bondholders of any Series will not be materially prejudiced thereby. For the avoidance of doubt, the Bond Trustee shall not have any duty to the Covered Bondholders in relation to such matters other than that which is contained in this Condition. Any such consent or approval may be given on such terms and subject to such conditions (if any) as the Bond Trustee thinks fit.

14. Notices

14.1 *To holders of Bearer Covered Bonds*. Notices to holders of Bearer Covered Bonds will, save where another means of effective communication has been specified herein or in the applicable Final Terms Document, be deemed to be validly given if:

(a) published in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times); or

(b) if such publication is not practicable, published in a leading English language daily newspaper having general circulation in Europe;

(c) if permitted by the rules of the relevant competent listing authority and/or stock exchange, in the case of Covered Bonds represented by a Global Covered Bond, delivered to Euroclear and/or Clearstream, Luxembourg and/or DTC and/or any other relevant clearing system for communication by them to the Persons shown in their respective records as having interests therein; or

(d) in the case of Covered Bonds represented by a Global Covered Bond which is held in the CMU Service, given to the persons shown in a "CMU Covered Bond Position Report" issued by the CMU Service on the Business Day immediately before the preceding Interest Payment Date, or (in the case of notices given pursuant to Condition 6.4 (*Redemption at the option of the Issuer*) on the Business Day immediately before the date on which such notices are given, or any other day as agreed between the relevant Paying Agent and the CMU Service, as holding interests in the relevant Global Covered Bond.

The Issuer shall also ensure that notices are duly published in compliance with the requirements of each competent listing authority and/or stock exchange on or by which the Covered Bonds are listed and/or traded. Any notice so given will be deemed to have been validly given (a) on the date of first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers) or (b) unless it has been specified otherwise in the applicable Final Terms Document on the date of such delivery to Euroclear and/or Clearstream, Luxembourg and/or DTC and/or such other clearing system, or the persons shown in the "CMU Covered Bond Position Report". Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to holders of Bearer Covered Bonds in accordance with this Condition 14.1 (*To holders of Bearer Covered Bonds*). A copy of

each notice given pursuant to this Condition will in any event be delivered to Euroclear, Clearstream, Luxembourg, DTC, the CMU Service and/or any other relevant clearing system.

14.2 *To holders of Registered Definitive Covered Bonds*. Notices to holders of Registered Definitive Covered Bonds will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day.

15. Further Issues

The Issuer may from time to time, without the consent of the Bond Trustee or the holders of any Covered Bonds or Coupons (but subject to confirmation from the Rating Agencies that the then current ratings of each Series of Covered Bonds then outstanding will not be adversely affected), create and issue further instruments, bonds or debentures having the same terms and conditions as the Covered Bonds of any Series in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination or the Issue Price thereof) so as to be consolidated to form a single series with the Covered Bonds of such Series.

16. Substitution of the Issuer

16.1 If so requested by the Issuer and the Group Guarantor, the Bond Trustee shall (and shall direct the Security Trustee to), without the consent of the Covered Bondholders or Couponholders or any other Secured Creditor, agree with the Issuer and the Guarantors to the substitution in place of the Issuer (or of the previous substitute under this Condition 16 (*Substitution of the Issuer*)) as the principal debtor under the Trust Deed and the Covered Bonds (and all other Transaction Documents) of any body corporate incorporated in any country in the world (such substituted issuer being hereinafter called the **New Company**) provided that in each case a trust deed is executed and other forms of undertaking are given by the New Company in the form and manner satisfactory to the Bond Trustee, agreeing to be bound by the provisions of the Covered Bonds, the Trust Deed and the other Transaction Documents to which the Issuer is a party and with any consequential amendments which the Bond Trustee may deem appropriate as fully as if the New Company had been named in the Trust Deed and the Covered Bonds and the other Transaction Documents as the principal debtor in place of the Issuer (or of the previous substitute under this Condition 16 (*Substitution of the Issuer*)), and provided further that:

(a) the Issuer, the Group Guarantor and the CB Guarantor shall deliver to the Bond Trustee a certificate of two authorised officers of the Issuer, the Group Guarantor and the CB Guarantor stating that immediately after giving effect to such transaction no Issuer Event of Default (in respect of the Issuer and the Group Guarantor) or CBG Event of Default (in respect of the CB Guarantor), respectively and no Potential Issuer Event of Default (in respect of the Issuer or the Group Guarantor) or Potential CBG Event of Default (in respect of the CB Guarantor), respectively, shall have occurred and be continuing;

(b) the Issuer and the New Company have entered into such documents (the **Documents**) as are necessary to give effect to the substitution and in which the New Company has undertaken in favour of each holder of the Covered Bonds to be bound by the Terms and Conditions, the provisions of the Trust Deed and any other relevant Transaction Document as the debtor in respect of such Covered Bonds in place of the Issuer (or of the previous substitute under this Condition 16 (*Substitution of the Issuer*));

(c) if the New Company is resident for Tax purposes in a territory (the **New Residence**) other than that in which the Issuer prior to such substitution was resident for Tax purposes

(the **Former Residence**), the Documents will contain an undertaking and/or such other provisions as may be necessary to ensure that each holder of the Covered Bonds has the benefit of an undertaking in terms corresponding to the provisions of Condition 8 (*Taxation*) and is subject to the terms of Condition 6.2 (*Redemption for tax reasons*), in each case with, where appropriate, the substitution of references to the Former Residence with references to the New Residence;

(d) (except where the Group Guarantor is to be the New Company) the Group Guarantor guarantees the obligations of the New Company in relation to outstanding Covered Bonds on terms in all material respects similar to the Group Guarantee;

(e) the CB Guarantor guarantees the obligations of the New Company in relation to the outstanding Covered Bonds on terms in all material respects similar to the Covered Bond Guarantee;

(f) the New Company and the Issuer have obtained all necessary governmental approvals and consents for such substitution and for the performance by the New Company of its obligations under the Documents and for the performance by the Guarantors of their obligations under the guarantees referred to above as they relate to the obligations of the New Company under the Documents;

(g) each competent listing authority and/or stock exchange, on or by which the Covered Bonds are admitted to listing and/or trading shall have confirmed that, following the proposed substitution of the New Company, the Covered Bonds will continue to be admitted to listing and/or trading by the relevant competent listing authority and/or stock exchange; and

(h) if applicable, the New Company has appointed a process agent as its agent in England and Wales to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Covered Bonds and any Coupons.

16.2 Not later than 14 days after the execution of the Documents and compliance with all necessary governmental approvals and consents, the Issuer and the New Company shall give notice thereof in a form previously approved by the Bond Trustee to the Covered Bondholders in the manner provided in Condition 14 (*Notices*) with a copy to the Rating Agencies.

16.3 Upon such substitution the New Company shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Covered Bonds and the Trust Deed with the same effect as if the New Company had been named as the Issuer therein, and the Issuer shall be released from its obligations under the Relevant Covered Bonds and under the Trust Deed.

16.4 After a substitution pursuant to this Condition 16 (*Substitution of the Issuer*), the New Company may, without the consent of any Covered Bondholder, effect a further substitution. All the provisions specified in this Condition 16 (*Substitution of the Issuer*) shall apply *mutatis mutandis*, and references in these Terms and Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further New Company.

17. Substitution of Group Guarantor

17.1 If so requested by the Issuer and the Group Guarantor, the Bond Trustee shall (and shall direct the Security Trustee to), without the consent of the Covered Bondholders or Couponholders or any other Secured Creditor, agree with the Issuer and the Guarantors to the substitution in place of the Group Guarantor (or of the previous substitute under this Condition 17 (*Substitution of Group Guarantor*)) as the guarantor under the Group Guarantee and in that capacity in all other Transaction Documents to which it is a party of another member of the WBC Group (such substituted guarantor being hereinafter called the **New Group Guarantor**) provided that in each case a trust deed is executed and other forms of undertaking are given by the New Group Guarantor in the form and manner satisfactory to the Bond Trustee, agreeing to be bound by the provisions of the trust presents and the other Transaction Documents to which the Group Guarantor is a party and with any consequential amendments which the Bond Trustee may deem appropriate as fully as if the New Group Guarantor had been named in the trust presents and the other relevant Transaction Documents as the guarantor in place of the Group Guarantor (or of the previous substitute under this Condition 17.1 (*Substitution of Group Guarantor*)), and provided further that:

(c) the Issuer, the Group Guarantor and the CB Guarantor shall deliver to the Bond Trustee a certificate of two authorised officers of the Issuer, the Group Guarantor and the CB Guarantor stating that immediately after giving effect to such transaction no Issuer Event of Default (in respect of the Issuer and the Group Guarantor) or CBG Event of Default (in respect of the CB Guarantor), respectively and no Potential Issuer Event of Default (in respect of the Issuer or the Group Guarantor) or Potential CBG Event of Default (in respect of the CB Guarantor), respectively, shall have occurred and be continuing;

(d) the Issuer and the New Group Guarantor have entered into such documents (the **Documents**) as are necessary to give effect to the substitution and in which the New Group Guarantor has undertaken in favour of each holder of the Covered Bonds to be bound by these Conditions, the provisions of this Trust Deed and any other relevant Transaction Document as the guarantor in respect of such Covered Bonds in place of the Group Guarantor (or of the previous substitute under this Condition 17.1 (*Substitution of Group Guarantor*);

(e) if the New Group Guarantor is resident for Tax purposes in a territory (the **New Residence**) other than that in which the Group Guarantor prior to such substitution was resident for Tax purposes (the **Former Residence**), the Documents will contain an undertaking and/or such other provisions as may be necessary to ensure that each holder of the Covered Bonds has the benefit of an undertaking in terms corresponding to the provisions of Condition 8 (*Taxation*) and is subject to the terms of Condition 6.2 (*Redemption for tax reasons*), in each case with, where appropriate, the substitution of references to the Former Residence with references to the New Residence;

(f) the New Group Guarantor and the Group Guarantor have obtained all necessary governmental approvals and consents for such substitution and for the performance by the New Group Guarantor of its obligations under the Documents;

(g) each competent listing authority and/or stock exchange, on or by which the Covered Bonds are admitted to listing and/or trading shall have confirmed that, following the proposed substitution of the New Group Guarantor, the Covered Bonds will continue to be admitted to listing and/or trading by the relevant competent listing authority and/or stock exchange;

(h) if applicable, the New Group Guarantor has appointed a process agent as its agent in England and Wales to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Covered Bonds and any Coupons;

(i) the assumption by the New Group Guarantor of the rights and obligations of the Group Guarantor under the Transaction Documents would not cause the then current ratings of the Covered Bonds to be adversely affected;

(j) the Group Guarantee and the Covered Bond Guarantee is or remains in place on the same basis as that set out in the Trust Deed (*mutatis mutandis*); and

(k) the Issuer and the Guarantors deliver to the Bond Trustee legal opinions from lawyers approved by the Bond Trustee in (a) New Zealand; (b) the jurisdiction of incorporation of the New Group Guarantor; and (c) England and Wales, in each case in form and substance satisfactory to the Bond Trustee.

17.2 Not later than 14 days after the execution of such documents and compliance with such requirements, the New Group Guarantor shall give notice thereof in a form previously approved by the Bond Trustee to the Covered Bondholders in the manner provided in Condition 14 (*Notices*).

17.3 Upon such substitution, the New Group Guarantor shall succeed to, and be substituted for, and may exercise every right and power of, the Group Guarantor under the Covered Bonds and the Trust Deed with the same effect as if the New Group Guarantor had been named as the Group Guarantor therein, and the Group Guarantor shall be released from its obligations under the Covered Bonds and the Trust Deed.

17.4 After a substitution pursuant to this Condition 17 (*Substitution of Group Guarantor*), the New Group Guarantor may, without the consent of any holder, effect a further substitution. All the provisions specified in this Condition 17 (*Substitution of Group Guarantor*), shall apply *mutatis mutandis* and references in these Terms and Conditions to the Group Guarantor shall, where the context so requires, be deemed to be or include references to any such further New Group Guarantor.

17.5 If so requested by the Issuer and the Group Guarantor, the Bond Trustee shall (and shall direct the Security Trustee to), without the consent of the Covered Bondholders or Couponholders or any other Secured Creditor, agree with the Issuer and the Guarantors to the resignation of the Group Guarantor and the withdrawal of its guarantee provided that the long-term unsecured, unsubordinated and unguaranteed ratings of the Issuer (if independently rated) are at least equal to the ratings (at the time of the resignation) of the Group Guarantor and provided further that:

(a) the Issuer, the Group Guarantor and the CB Guarantor shall deliver to the Bond Trustee a certificate of two authorised officers of the Issuer, the Group Guarantor and the CB Guarantor stating that immediately after giving effect to such transaction no Issuer Event of Default (in respect of the Issuer and the Group Guarantor) or CBG Event of Default (in respect of the CB Guarantor), respectively and no Potential Issuer Event of Default (in respect of the Issuer or the Group Guarantor) or Potential CBG Event of Default (in respect of the CB Guarantor), respectively, shall have occurred and be continuing;

(b) the Covered Bond Guarantee remains in full force and effect and unaffected by the withdrawal of the Group Guarantee; and

(c) any such resignation shall be notified by the Issuer to the Covered Bondholders in accordance with Condition 14 (*Notices*) with a copy to the Rating Agencies as soon as practicable thereafter.

17.6 Upon compliance with such requirements, the Bond Trustee shall (and shall direct the Security Trustee to) enter into a deed supplemental to the Trust Deed to release the Group Guarantor from all of its obligations as Group Guarantor under the Trust Deed, the Covered Bonds and the other Transaction Documents to which it is a party in this capacity.

18. Merger, Consolidation and Amalgamation

18.1 The Issuer and the Group Guarantor may each without the consent of the Covered Bondholders or Couponholders of any Series or any other Secured Creditor (including the Bond Trustee and the Security Trustee) consolidate with, merge or amalgamate into or transfer its assets substantially as an entirety to, any body corporate incorporated in any country in the world (where the surviving entity or transferee company is not the Issuer or the Group Guarantor, such surviving entity or transferee company shall be referred to as the **New Entity**).

18.2 The following further conditions shall apply to Condition 18.1 above:

(a) the Issuer, the Group Guarantor and the CB Guarantor shall deliver to the Bond Trustee a certificate of two authorised officers of the Issuer, the Group Guarantor and the CB Guarantor stating that immediately after giving effect to such transaction no Issuer Event of Default (in respect of the Issuer and the Group Guarantor) or CBG Event of Default (in respect of the (CB Guarantor), respectively and no Potential Issuer Event of Default (in respect of the Issuer or the Group Guarantor) or Potential CBG Event of Default (in respect of the CB Guarantor), respectively, shall have occurred and be continuing;

(b) the Issuer or the Group Guarantor (as the case may be) and the New Entity have entered into such documents (the **Documents**) as are necessary to give effect to the merger, consolidation or amalgamation and in which the New Entity has undertaken in favour of each holder of the Covered Bonds to be bound by the Terms and Conditions, the provisions of the Trust Deed and any other relevant Transaction Document as the debtor (in the case of the Issuer) or the guarantor (in the case of the Group Guarantor) in respect of such Covered Bonds in place of the Issuer or the Group Guarantor (as the case may be) (or of any previous new entity under this Condition 18 (*Merger, Consolidation and Amalgamation*);

(c) if the surviving entity is not the Issuer or the Group Guarantor (as the case may be), where the New Entity is resident for Tax purposes in a territory (the **New Residence**) other than that in which the Issuer or the Group Guarantor (as the case may be) prior to such merger, consolidation or amalgamation was resident for Tax purposes (the **Former Residence**), the Documents will contain an undertaking and/or such other provisions as may be necessary to ensure that each holder of the Covered Bonds has the benefit of an undertaking in terms corresponding to the provisions of Condition 8 (*Taxation*) and is subject to the terms of Condition 6.2 (*Redemption for tax reasons*), in each case with, where appropriate, the substitution of references to the Former Residence with references to the New Residence;

(d) the assumption by the New Entity of the rights and obligations of the Issuer or the Group Guarantor under the Transaction Documents would not cause the then current ratings of the Covered Bonds to be adversely affected;

(e) the CB Guarantor guarantees the obligations of the New Entity in relation to the outstanding Covered Bonds on terms in all material respects similar to the Covered Bond Guarantee;

(f) except where the Group Guarantor is to be the New Entity or where both the Issuer and the Group Guarantor amalgamate into, or transfer their assets substantially as an entirety to, a New Entity, the Group Guarantor guarantees the obligations of the New Entity in relation to the outstanding Covered Bonds on terms in all material respects similar to the Group Guarantee; and

(g) the Issuer and the Guarantors shall deliver to the Bond Trustee legal opinions obtained from lawyers approved by the Bond Trustee in (i) New Zealand and (ii) the jurisdiction of

incorporation of the New Entity and (iii) England and Wales, in each case in form and substance satisfactory to the Bond Trustee.

18.3 Not later than 14 days after such consolidation, merger and/or transfer, the New Entity shall give notice thereof in a form previously approved by the Bond Trustee to the Covered Bondholders in the manner provided in Condition 14 (*Notices*).

18.4 Upon such substitution, the New Entity shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer or the Group Guarantor (as the case may be) under the Covered Bonds and the Trust Deed with the same effect as if the New Entity had been named as the Issuer or the Group Guarantor (as the case may be) therein, and the Issuer or the Group Guarantor (as the case may be) shall be released from its obligations under the Covered Bonds and under the Trust Deed.

18.5 After a merger, consolidation or amalgamation pursuant to this Condition 18 (*Merger, Consolidation and Amalgamation*), the New Entity may, without the consent of any holder, effect a further merger, consolidation or amalgamation. All the provisions specified in this Condition 18 (*Merger, Consolidation and Amalgamation*) shall apply *mutatis mutandis*, and references in the Terms and Conditions to the Issuer or the Group Guarantor (as the case may be) shall, where the context so requires, be deemed to be or include references to any such further New Entity.

19. Currency indemnity

The currency or currencies in which the Covered Bonds are payable from time to time, as specified in these Terms and Conditions or the applicable Final Terms Document (each a **Contractual Currency** and together the **Contractual Currencies**), is the only currency or are the only currencies of account and payment for applicable sums payable by the Issuer or the Group Guarantor in respect of the Covered Bonds, including damages. Any amount received or recovered in a currency other than the Contractual Currency applicable to the payment to which such amount is referable (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any holder of a Covered Bond or Coupon in respect of any sum expressed to be due to it from the Issuer or the Group Guarantor in such Contractual Currency shall only constitute a discharge to the Issuer or the Group Guarantor to the extent of the amount in such Contractual Currency which such holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the applicable Contractual Currency expressed to be due to any holder of a Covered Bond or Coupon in respect of such Covered Bond or Coupon, the Issuer or the Group Guarantor shall indemnify such holder against any loss sustained by such holder as a result. In any event, the Issuer or the Group Guarantor shall indemnify each such holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute separate and independent obligations from the Issuer's or the Group Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder of a Covered Bond or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Covered Bonds or Coupons or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant holder of a Covered Bond or Coupon and no proof or evidence of any actual loss will be required by the Issuer or the Group Guarantor.

20. Waiver and remedies

No failure to exercise, and no delay in exercising, on the part of the Bond Trustee, the Security Trustee or the holder of any Covered Bond, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law.

No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

21. Indemnification of the Bond Trustee and/or Security Trustee and Bond Trustee and/or Security Trustee contracting with the Issuer and/or the Group Guarantor and/or the CB Guarantor

If, in connection with the exercise of its powers, trusts, authorities or discretions (including giving any directions to the Security Trustee), the Bond Trustee is of the opinion that the interests of the holders of the Covered Bonds 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 by Extraordinary Resolution or by a direction in writing of such Covered Bondholders of at least 25% of the NZ Dollar Equivalent of the Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding.

The Trust Deed contains provisions for the indemnification of the Bond Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified and/or secured to its satisfaction.

The Security Trust Deed contains provisions obliging the Security Trustee to exercise its powers, trusts, authorities and discretions at the direction of the Bond Trustee for so long as any Covered Bonds are outstanding. The Security Trust Deed further contains provisions for the indemnification of the Security Trustee and for its relief from responsibility, including provisions relieving it from taking any action (whether at the direction of the Bond Trustee or otherwise) unless indemnified and/or secured to its satisfaction.

The Trust Deed and the Security Trust 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 Group Guarantor, the CB Guarantor or any other party to the Transaction Documents 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 Group Guarantor, the CB Guarantor or any other party to the Transaction Documents 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 any 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 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 on behalf of the Bond Trustee and/or the Security Trustee. Neither the Bond Trustee nor the Security Trustee will be responsible for (i) supervising the performance by the Issuer, the Group Guarantor, the CB Guarantor or any other party to the Transaction Documents of their respective obligations under the Transaction 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 Group Guarantor, the CB Guarantor or any other party to the Transaction Documents under the Transaction Documents, (iii) monitoring the Portfolio, including, without limitation, whether the Portfolio is in compliance with the Asset Coverage Test, the Amortisation Test or the Pre-Maturity Test or (iv) monitoring whether 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 chargee in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

22. Rating Agency Confirmations

22.1 *Rating Agency Confirmations and Amendments*

By subscribing for or purchasing Covered Bond(s), each Covered Bondholder shall be deemed to have acknowledged and agreed that a credit rating of a Series of Covered Bonds is an assessment of credit risk and does not address other matters that may be of relevance to Covered Bondholders, including, without limitation, in the case of a confirmation by a Rating Agency that any action proposed to be taken by some, or all, of the Issuer, the Group Guarantor, the Subordinated Loan Provider, the CB Guarantor, the Seller, the Servicer, the Cash Manager, the Administrative Agent, the Bond Trustee, the Security Trustee or any other party to a Transaction Document would not cause the then current ratings of the Covered Bonds to be adversely affected (a **Rating Agency Confirmation**), whether such action is either (i) permitted by the terms of the relevant Transaction Document or (ii) in the best interests of, or not 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 relevant Series of Covered Bonds would not be adversely affected by any particular action, each of the Issuer, the Group Guarantor, the Subordinated Loan Provider, the CB Guarantor, the Seller, the Servicer, the Cash Manager, the Administrative Agent, the Bond Trustee, the Security Trustee and the Secured Creditors (including the Covered Bondholders) is deemed to have acknowledged and agreed that a Rating Agency Confirmation does not impose or extend any actual or contingent liability on the Rating Agencies to the Issuer, the Group Guarantor, the Subordinated Loan Provider, the CB Guarantor, the Seller, the Servicer, the Cash Manager, the Administrative Agent, 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 Issuer, the Group Guarantor, the Subordinated Loan Provider, the CB Guarantor, the Seller, the Servicer, the Cash Manager, the Administrative Agent, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person whether by way of contract or otherwise.

By subscribing for or purchasing Covered Bond(s) each Covered Bondholder shall be deemed to have acknowledged and agreed that:

(a) a Rating Agency Confirmation may, or may not, be given at the sole discretion of each Rating Agency;

(b) 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 Rating Agency Confirmation in the time available, or at all, and the Rating Agency shall not be responsible for the consequences thereof;

(c) a Rating Agency Confirmation, (if, and when, 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 Covered Bonds form a part; and

(d) a Rating Agency Confirmation (if, and when, given), represents only a restatement of the opinions given, and shall not be construed as advice for the benefit of any Covered Bondholder or any other party.

22.2 *Amendments to take into account changes to the methodologies of the Rating Agencies*

At the written request of the Issuer, the Bond Trustee shall, and shall direct the Security Trustee to, without the consent or sanction of any of the Covered Bondholders or the Couponholders, in the case of an update in the published Rating Agency criteria applicable to the Programme, concur with the Issuer, the Guarantors and any other party in making modifications to the Transaction Documents (other than any modification which would constitute a Series Reserved Matter) subject to receipt by the Bond Trustee of written notice from the Administrative Agent certifying to the Bond Trustee that:

(a) the updated Rating Agency criteria have been published and the relevant modifications to the Transaction Documents, as determined by the Administrative Agent, are being made solely to implement and reflect such updated, published Rating Agency criteria; and

(b) the then current ratings of the Covered Bonds will not be downgraded or withdrawn by the Rating Agencies as a result of such modifications.

Such notice, determination and certification shall be conclusive and binding on the Bond Trustee, the Covered Bondholders and the Couponholders, provided that the Bond Trustee shall not be obliged to concur in, and/or direct the Security Trustee to concur in, any modifications which, in the sole opinion of the Bond Trustee and/or the Security Trustee, would have the effect of (a) exposing the Bond Trustee and/or Security Trustee to any costs against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) imposing any obligations or duties on the Bond Trustee and/or the Security Trustee or increasing the obligations or duties, or decreasing the protections, of the Bond Trustee and/or Security Trustee under the Transaction Documents. Such modifications, once implemented, shall be conclusive and binding on all parties and all Secured Creditors (including the Covered Bondholders).

23. Governing Law and Jurisdiction

23.1 The Covered Bonds and any non-contractual obligations arising out of or in connection with them shall be governed by, and construed in accordance with, English law.

23.2 Subject as provided in Condition 23.4, the courts of England and Wales have exclusive jurisdiction to settle any dispute (a **Dispute**) arising from or connected with the Covered Bonds.

23.3 Each of the Issuer, the Group Guarantor and the CB Guarantor agrees that the courts of England and Wales are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

23.4 Condition 23.2 is for the benefit of the Bond Trustee and the Security Trustee only. As a result, nothing in this Condition 23 (*Governing Law and Jurisdiction*) shall prevent the Bond Trustee or the Security Trustee from taking proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, the Bond Trustee and the Security Trustee may take concurrent Proceedings in any number of jurisdictions.

23.5 The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to it at Camomile Court, 23 Camomile Street, London EC3A 7LL or at any address of the Issuer in Great Britain at which service of process may be served on it in accordance with Section 1139 of the Companies Act 2006. Nothing in this Condition shall affect the right of the Bond Trustee, the Security Trustee or any holder of Covered Bonds to serve process in any other manner permitted by law. This Condition 23.5 applies to Proceedings in England and Wales and to Proceedings elsewhere.

23.6 The Group Guarantor and the CB Guarantor each agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to the Issuer at Camomile Court, 23 Camomile Street, London EC3A 7LL or, if different, its registered office for the time being or at any address of the Group Guarantor in Great Britain at which process may be served on it in accordance with Section 1139 of the Companies Act 2006. If the Issuer is not or ceases to be effectively appointed to accept service of process on behalf of the Group Guarantor and/or the CB Guarantor, each of the Group Guarantor and the CB Guarantor shall appoint a further Person in England and Wales to accept service of process on its behalf. Nothing in this Condition shall affect the right of the Bond Trustee, the Security Trustee or any holder of Covered Bonds to serve process in any other manner permitted by law. This Condition 23.6 applies to Proceedings in England and Wales and to Proceedings elsewhere.

24. Third Parties

No Person shall have any right to enforce any term or condition of any Covered Bond under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy of a third party which exists or is available apart from that Act.

USE OF PROCEEDS

The net proceeds from each issue of Covered Bonds will be used by the Issuer to on-lend to WNZL which will use the proceeds for general funding purposes.

WESTPAC NEW ZEALAND LIMITED

Overview

WBC has a long-standing commitment to New Zealand, dating from 1861 when it commenced operating as the Bank of New South Wales. Since 1 November 2006, as a result of a change of policy by the RBNZ requiring all systemically-important banks to be incorporated as local entities in New Zealand, the WBC Group has conducted its New Zealand banking business through both the NZ Branch and a separate New Zealand banking subsidiary, WNZL.

WNZL was incorporated on 14 February 2006 as a limited liability company under the NZ Companies Act (company number 1763882). The head office of WNZL is situated at Westpac on Takutai Square, 16 Takutai Square, Auckland 1010, New Zealand and the address for service of process on WNZL is Westpac on Takutai Square, 53 Galway Street, Auckland 1010, New Zealand.

WNZL is one of New Zealand's largest banking organisations and provides a wide range of consumer, business and institutional banking, wealth and insurance products and services to consumers, businesses, government and institutional customers in New Zealand.

Until 1 November 2006, WBC operated through a branch in New Zealand. Effective 1 November 2006, WBC has operated in New Zealand through both the NZ Branch (carrying on financial markets operations, international trade and international payments and, until 1 November 2011, institutional banking activities) and WNZL (a locally incorporated subsidiary of WBC carrying on WBC Group's New Zealand consumer and business banking operations). On 1 November 2011, the NZ Branch transferred additional business activities and associated employees to WNZL pursuant to the Westpac New Zealand Act 2011. The following business activities were transferred to WNZL:

- institutional customer deposits;
- institutional banking, relationship banking and agency banking;
- institutional customer lending (other than trade finance activities);
- debt capital markets activities carried out in assisting corporate customers to obtain funding, such as loan syndication and securitisation arrangements, but excluding the debt securities team activities, such as arrangement of commercial paper and bond programmes;
- corporate advisory; and
- customer foreign currency accounts, overdrafts and term deposits.

The transfer to WNZL consisted of NZ$6,446 million of assets consisting primarily of loans to corporate customers of NZ$6,336 million and NZ$5,303 million of liabilities consisting primarily of deposits of NZ$5,060 million.

As at 30 September 2019, WNZL and its controlled entities had consolidated total assets of NZ$96,676 million.

Competition and trends

WNZL operates in the New Zealand financial services sector providing services to consumers, businesses, government and institutional customers.

The New Zealand market is dominated by the locally incorporated subsidiaries of the four major Australian banks: WNZL, ANZ Bank New Zealand Limited (a subsidiary of Australia and New Zealand Banking Group Limited), ASB Bank Limited (a subsidiary of the Commonwealth Bank of Australia) and Bank of New Zealand (a subsidiary of National Australia Bank). All these major banks offer comprehensive financial services products to consumers and business customers throughout the country. In addition, there is competition from a number of smaller market participants that focus on niche opportunities within the retail and business sectors. Kiwibank Limited, ultimately owned by the New Zealand Government, is also a significant competitor principally operating in the consumer segment across both lending and deposits.

New Zealand's economic growth slowed from 3 per cent. in 2017 to 2.4 per cent. in mid-2019 due to a slowdown in the housing market, weakening in the global environment, and a decline in business confidence. However, the unemployment rate has remained low, and is currently 4.2 per cent. The RBNZ has responded by reducing the Official Cash Rate to 1.0 per cent.

House price inflation slowed to 1 per cent. in the year to April 2019 but lower interest rates and the removal of plans to impose a capital gains tax, has seen house price growth rising and mortgage credit growth lifting in recent months. House prices are expected to rise further in the year ahead.

This lift in house prices and other asset prices is likely to increase household consumption in the short term. While household debt levels remain elevated, debt servicing costs remain very low and the labour market is in good shape. With lingering softness in inflation, it is likely that interest rates will remain low for an extended period.

The New Zealand Government is increasing its expenditure, mostly via transfers to households, higher pay for civil servants, and the provision of additional services, while running a budget surplus.

Overall, it is expected that this fiscal and monetary stimulus will lift gross domestic product (**GDP**) growth to around 2.6 per cent. over 2020, and 2.9 per cent. in 2021. However, further ahead slower GDP growth is expected as fiscal and monetary stimulus wanes, the housing market cools, and population growth slows.

Major shareholders and share capital

WNZL is a direct wholly-owned subsidiary of Westpac New Zealand Group Limited (**WNZGL**), a New Zealand company, which, in turn, is a wholly-owned subsidiary of Westpac Overseas Holdings No.2 Pty Limited (**WOHL**), an Australian company. WOHL is, in turn, a wholly-owned subsidiary of WBC, an Australian company. WBC is incorporated in Australia under the Corporations Act and its address for service of process is Level 18, Westpac Place, 275 Kent Street, Sydney, New South Wales 2000, Australia.

At 30 September 2019, WNZGL had a direct qualifying interest in 100 per cent. of the voting securities of WNZL. WBC has an indirect qualifying interest in 100 per cent. of the voting securities of WNZL.

WNZL has no partly paid share capital.

The Board of Directors

The roles and responsibilities of the Board of Directors of WNZL (**Board**) are formalised in WNZL's constitution and Board Charter. The business and affairs of WNZL must be managed by, or under the direction or supervision of, the Board. In doing so, the Board will provide strategic guidance for WNZL and its subsidiaries and effective oversight of management. The Board is also required to act in the best interests of WNZL. In addition, the Board has delegated certain functions to management.

WNZGL has the ability to directly appoint up to 100 per cent. of the Board and, as indirect holding companies of WNZL, both WBC and WOHL have the ability to indirectly appoint up to 100 per cent. of the Board.

In addition, WBC has the power under WNZL's constitution to directly appoint up to 100 per cent. of the Board from time to time by giving written notice to WNZL. No Director may be appointed to the Board unless the RBNZ has advised it has no objection to that appointment.

Directors

The Directors of WNZL, and their respective principal outside activities, where significant, at the date of this Prospectus are as set out below. The business address of each of the Directors should be regarded for the purposes of this Prospectus as Westpac on Takutai Square, 16 Takutai Square, Auckland 1010, New Zealand.

Janice (Jan) Amelia Dawson, B.Com, F.C.A. – Chair

Jan was appointed a Director of WNZL on 19 July 2011 and Board Chair on 19 February 2015. Jan was previously Chair and Chief Executive of KPMG New Zealand, a position she held from 2006 to July 2011. During this time, she was a Regional Board member of KPMG - Asia Pacific, a Board member of KPMG Australia and a Councillor of KPMG International. Jan is Deputy Chair of Air New Zealand Limited and a director of each of AIG Insurance New Zealand Limited, Meridian Energy Limited, Erua Limited and Jan Dawson Limited. She is a member of each of the Capital Investment Committee of the National Health Board, the Council of the University of Auckland and World Sailing Council Vice-President and Director.

David Alexander McLean, LL.B. (Hons) – Director

David was appointed as Chief Executive of WNZL on 2 February 2015, having been Acting Chief Executive of WNZL since June 2014, and was appointed to the Board on the same day. Since joining Westpac in February 1999, David has held a number of senior roles including Head of Debt Capital Markets New Zealand, General Manager, Private, Wealth and Insurance New Zealand, Head of Westpac Institutional Bank New Zealand, and between October 2012 and June 2014, David was Managing Director of the Westpac Banking Corporation New York Branch. Before joining Westpac, David was Director, Capital Markets at Deutsche Morgan Grenfell where he was responsible for starting and developing a new debt capital markets origination business. He also established the New Zealand branch of Deutsche Bank and was New Zealand Resident Branch Manager. David is also a Director of each of Westpac New Zealand Group Limited, Westpac NZ Operations Limited, Westpac Securities NZ Limited, BT Financial Group (NZ) Limited and BT Funds Management (NZ) Limited. He is a member of each of the Mastercard Asia/Pacific Advisory Board, the New Zealand Prime Minister's Business Advisory Council and the Capital Markets 2029 Steering Committee, Chair of the New Zealand Bankers' Association and Co-Chair of Champions for Change.

Malcolm Guy Bailey, B.Ag. Econ. – Director

Malcolm was appointed a Director of WNZL on 1 September 2012. Malcolm has a strong economic background and has also been involved in farming, land ownership and governance of the industry. Malcolm is Chair of each of the Dairy Companies Association of New Zealand, Red Meat Profit Partnership General Partner Limited, the NZ International Business Forum and the Central Economic Development Agency Limited. Malcolm is a Director of each of Bailey Agriculture Limited, Bailey Family Properties Limited, BBD Industrial Properties Limited, Etech NZ Limited, Gleneig Holdings Limited, RMI NZ Limited, Etech Engineering Services Limited, Tadpole NZ Limited and Greentech NZ Limited. Prior to farming, he was an economist with the RBNZ and is a former RBNZ External Monetary Policy Adviser.

Jonathan Parker Mason, M.B.A., M.A., B.A. – Director

Jonathan was appointed a Director of WNZL on 18 June 2015. Jonathan has more than 30 years' experience as a Chief Financial Officer in major corporates operating in competitive markets in the USA and New Zealand. He was appointed Chair of WNZL's Board Audit Committee with effect from 1 January 2016. Jonathan is a Director of Zespri Group Limited, Zespri International Limited, Vector Communications

Limited, Air New Zealand Limited, Alvarium Wealth (NZ) Limited, Allagash Limited, Vector Metering Data Services Limited, NGC Holdings Limited, Vector Limited, Vector Gas Trading Limited, On Gas Limited, Advanced Metering Assets Limited, Advanced Metering Services Limited, Arc Innovations Limited and Vector Advanced Metering Assets (Australia) Limited. Earlier governance experience includes seven years on the Board of Carter Holt Harvey as well as being a Director of a US-based investment funds business, Natixis. He also held not-for-profit board roles at his own University, Beloit College and for the University of Auckland Foundation. Jonathan serves as an Adjunct Professor of Management at the University of Auckland, specialising in international finance. He is a Board Member of the American Chamber of Commerce NZ. Jonathan joined Fonterra in 2009 as Chief Financial Officer from US-based chemicals company Cabot Corporation where he was Executive Vice-President and Chief Financial Officer. Prior to this, he was employed as the Chief Financial Officer at forest products company, Carter Holt Harvey, and also held senior financial management positions at US-based International Paper.

Mary Patricia Leonie Quin, PhD, MBA, BSc (Hons)

Mary Quin was appointed a director of WNZL on 18 May 2016 and Chair of the WNZL Board Technology Committee in May 2019. Until 31 July 2016 she was the CEO of Callaghan Innovation, a government agency which supports the commercialisation of innovation by New Zealand firms to grow the manufacturing and digital sectors of the economy. Mary grew up in New Zealand but spent most of her career in the USA where she held senior management and strategy positions at Xerox Corporation and Eastman Kodak Company as well as with start up high tech companies such as digital video editing pioneer Avid Technology.

Her early career experience as an industrial research scientist was with Raychem Corporation in California and France. Prior to returning to New Zealand in 2013 Mary spent seven years as President of NMS, an outsourced services company in Alaska jointly owned by an Inupiat Alaska Native Corporation and French multi-national corporation, Sodexo.

Mary's prior governance experience in New Zealand includes ASB Bank Limited and NZ Food Innovation Auckland (The FoodBowl). In the USA Mary served as a director for Material Sciences Corporation in Chicago; as director and Chair of the board for CEDPA, an international agency for women's health and human rights based in Washington DC; and on the board of Garth Fagan Dance Company in Rochester, New York. She was named the NZ Herald's New Zealander of the Year in 2014 for her role as the key witness in an international terrorism trial in New York City.

Philippa (Pip) Mary Greenwood - LLB

Pip was appointed a WNZL director with effect from 1 April 2019 and Chair of the WNZL Board Risk & Compliance Committee on 1 December 2019.

Pip brings significant experience in capital markets, mergers and acquisitions, telecommunications and governance, and was one of New Zealand's leading commercial lawyers and a partner at Russell McVeagh.

Pip was with Russell McVeagh for 18 years, and has more than ten years' experience on the firm's board, previously serving as Board Chair and interim CEO of the firm. Over the years, Pip has advised on many high profile New Zealand corporate transactions.

Pip was a member of the New Zealand Takeovers Panel from 2007 to 2011 and is a current director of Fisher & Paykel Healthcare Corporation Limited, Spark New Zealand Limited, The A2 Milk Company Limited, Vulcan Steel Limited and a trustee of the Auckland Writers Festival.

Director independence and avoidance of conflicts of interest by a Director

The Board of WNZL is aware of its obligations to ensure that Directors of WNZL properly deal with conflicts of interest between their duties to WNZL and their own interests. In accordance with the requirements of the NZ Companies Act, a Director of WNZL must, forthwith after becoming aware of the fact that he or she is "interested" (as defined in the NZ Companies Act) in a transaction or proposed transaction with WNZL, cause to be entered in WNZL's interests register certain details regarding that interest.

In accordance with WNZL's Board Charter and constitution, each Director must give notice to the Board of any direct or indirect interest in a matter relating to the affairs of WNZL as soon as practicable after the relevant facts have come to that Director's knowledge. Where a matter is to be considered at a Directors' meeting in which one or more Directors have an interest, the Board's practice is to manage any conflict of interest on a case by case basis, depending on the circumstances.

Further, the RBNZ's Conditions of Registration for WNZL (as a registered bank) (**RBNZ Conditions of Registration**) include a requirement that WNZL's constitution must not include any provision permitting a Director, when exercising powers or performing duties as a Director, to act other than in what he or she believes is the best interests of WNZL.

The RBNZ Conditions of Registration require that Directors of WNZL can only be appointed after the RBNZ has been supplied with a copy of the curriculum vitae of the proposed appointee and the RBNZ has advised that it has no objections to the appointment.

Since 1 April 2012, the RBNZ Conditions of Registration have also required that at least half of the Directors must be independent, the majority of the Board must be non-executive Directors and at least half of the independent Directors must be ordinarily resident in New Zealand. Directors are considered to be independent if they are not an employee of WNZL, and are not a director, trustee or employee of any holding company of WNZL, or any other entity capable of controlling or significantly influencing WNZL.

In assessing independence, consideration is given to whether the Director has a business or other relationship with WNZL directly or as a partner, shareholder or officer of a company or other entity that has an interest, or a business or other relationship, with WNZL or another WBC Group member.

Information about any such interests or relationships, including any related financial or other details, is assessed to determine whether the relationship could, or could reasonably be perceived to, materially interfere with the exercise of a Director's unfettered and independent judgement.

There are a range of policies within the WBC Group relating to the management of conflicts of interest, such as the Conflicts of Interest and the Securities Trading Policies. Where these types of conflicts apply to the Board there is a consistent approach adopted. In certain circumstances, the Directors are subject to policies that restrict trading in WBC ordinary shares except in specified trading window periods and restrictions on participating in new offers initiated by WBC under the WBC Group Securities Trading Policy.

In addition, a Director is required to disclose any actual or potential conflict of interest on appointment as a Director and is required to keep these disclosures up to date.

As at the date of this Prospectus there are no existing or potential conflicts of interest between any duties owed to WNZL by its Directors and the private interests or external duties of those Directors. There have been no transactions entered into by any Director, or any immediate relative or close business associate of any Director, with WNZL or any of its subsidiaries, on terms other than those that would, in the ordinary course of business of WNZL or any of its subsidiaries, be given to any other person of like circumstances or means, or which could otherwise be reasonably likely to influence materially the exercise of the Director's duties.

In respect of potential conflicts of interest that may arise in the future, WNZL will manage such conflicts in accordance with the WBC Group Conflicts of Interest Policy and/or the WNZL Conflicts of Interest Policy as applicable.

WNZL's corporate governance

Framework and approach to corporate governance and responsibility

WNZL is not listed on the NZSX (the New Zealand main board equity security market, operated by NZX Limited). However, it is subject to regulatory oversight by the RBNZ as a registered bank and by the Financial Markets Authority as a provider of financial services.

The WBC Group's approach to corporate governance is based on a set of values and behaviours that underpin everyday activities, ensure transparency and fair dealing, and protect stakeholder interests.

This approach includes a commitment to the highest standards of governance, which the Board sees as fundamental to the sustainability of business and performance.

WNZL Board Committees

The Board is supported by the WNZL Board Audit Committee (**WNZL BAC**) and WNZL Board Risk & Compliance Committee (**WNZL BRCC**).

WNZL Board Audit Committee

The WNZL BAC currently comprises all of the non-executive Directors of the Board, five of whom are independent. The WNZL BAC assists the Board in fulfilling its responsibilities in relation to external reporting of financial information and the efficiency and effectiveness of audit and compliance with regulatory and statutory reporting requirements. It reviews the interim and annual financial statements, quarterly disclosure statements for WNZL, the activities of WNZL's and its subsidiaries' auditors and monitors the relationship between management and the external auditors.

WNZL Board Risk & Compliance Committee

The WNZL BRCC currently comprises all of the non-executive Directors of the Board, five of whom are independent. The WNZL BRCC has power delegated by the Board to set risk appetites, approve frameworks, policies and processes for the management of risk and to accept risks beyond the approval discretion provided to management.

Recent Developments

Chris Moller retired as a Director of WNZL effective 1 December 2019 and Peter King retired as a Director of WNZL effective 9 December 2019. There have been no other changes in the composition of the Board of Directors of WNZL since 30 September 2019.

RBNZ Conditions of Registration

In June 2019, in response to a review under section 95 of the Reserve Bank of New Zealand Act 1989 of WNZL's compliance with advanced internal rating based aspects of the RBNZ's 'Capital Adequacy Framework (Internal Models Based Approach)' (**BS2B**), WNZL presented the RBNZ with a submission providing an overview of its credit risk rating system and activities undertaken to address compliance issues and enhance risk management practices.

On 30 October 2019, the RBNZ informed WNZL that it had accepted the submission and measures undertaken by WNZL to achieve satisfactory compliance with BS2B, and that WNZL would retain its accreditation to use internal models for credit risk in the calculation of its regulatory capital requirements. It also advised WNZL that, with effect from 31 December 2019, the RBNZ will remove the requirement imposed on WNZL since 31 December 2017 to maintain minimum regulatory capital ratios which are two percentage points higher than the ratios applying to other locally incorporated banks.

WNZL's non-compliance with BS2B is disclosed as an "Emphasis of matter" in PwC New Zealand's report on the consolidated audited annual financial statements of WNZL in respect of the year ended 30 September 2019 (as incorporated by reference herein).

Credit ratings

As at the date of this Prospectus, WNZL's credit rating issued by S&P Global Ratings is AA- with a 'stable' outlook, WNZL's credit rating issued by Moody's is A1 with a 'stable' outlook and WNZL's credit rating issued by Fitch is AA- with a 'negative' outlook.

AUSTRAC proceedings issued against WBC

On 20 November 2019 WBC received a statement of claim from AUSTRAC (the Australian money laundering regulator) commencing civil proceedings in relation to alleged contraventions of WBC's obligations under Australia's Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth). The proceedings relate to the alleged failure to report a large number of international fund transfer instructions and alleged failings in relation to correspondent banking, risk assessments, customer due diligence, transaction monitoring, record keeping and the passing on of certain data in funds transfer instructions.

No related proceedings have been commenced against WNZL or its controlled entities (the **WNZL Group**) in New Zealand.

Regulatory Developments

Reserve Bank of New Zealand (RBNZ) – Revised Outsourcing Policy

As at 30 September 2019, WNZL is continuing to work towards compliance with the RBNZ's revised Outsourcing Policy (BS11) (**Revised Outsourcing Policy**) by 30 September 2022 in line with the regulatory timeline.

As a result of complying with the Revised Outsourcing Policy, the ongoing cost of operating the WNZL business is expected to increase, in addition to the costs of implementing the changes

RBNZ Capital Review

On 5 December 2019, the RBNZ announced changes to the capital adequacy framework in New Zealand. The new framework includes the following key components:

- Setting a Tier 1 capital requirement of 16 per cent. of risk weighted assets (**RWA**) for systemically important banks (including WNZL) and 14 per cent. for all other banks;
- Additional Tier 1 capital (**AT1**) can comprise no more than 2.5 per cent. of the 16 per cent. Tier 1 capital requirement;
- Eligible Tier 1 capital will comprise common equity and redeemable perpetual preference shares. Existing AT1 instruments will be phased out over a seven year period;

- Maintaining the existing Tier 2 capital requirement of 2 per cent. of RWA; and

- Recalibrating RWA for internal rating based banks, such as WNZL, such that aggregate RWA will increase to 90 per cent. of standardised RWA.

WNZL is already strongly capitalised with a Tier 1 capital ratio of 13.9 per cent. at 30 September 2019 based on the current RBNZ rules. On a pro forma basis, (including the new RWA and capital requirements) at 30 September 2019 and assuming a Tier 1 capital ratio of 16-17 per cent., WNZL would require a further NZ$2.3-NZ$2.9 billion of Tier 1 capital to meet the new requirements that are fully effective in 2027.

The RBNZ's new capital regime will take effect from 1 July 2020, and banks will be given up to seven years to comply.

Review of the Reserve Bank of New Zealand Act

In November 2017, the New Zealand Government announced it would undertake a review of the Reserve Bank of New Zealand Act 1989 (**RBNZ Review**). The RBNZ Review will consist of two phases. The legislation for the recommended Phase 1 related changes to New Zealand's monetary policy framework received royal assent on 20 December 2018, and came into force on 1 April 2019.

The terms of reference for Phase 2 were released in June 2018 and will consider the overarching objectives of the RBNZ's institutional governance and decision-making, the macro-prudential framework, the current prudential supervision model, trans-Tasman coordination, supervision and enforcement and resolution and crisis management. Final policy decisions on all components of the review are expected to be made in 2020.

RBNZ/Financial Markets Authority – Financial Services Conduct and Culture Review

In May 2018, the RBNZ and the Financial Markets Authority commenced a review in respect of New Zealand's 10 major banks and 15 life insurers, including WNZL and Westpac Life-NZ-Limited (**Westpac Life**), to explain why conduct issues highlighted by the Australian Royal Commission are not present in New Zealand. An industry thematic review report for the banks was released on 5 November 2018. WNZL submitted a plan responding to recommendations in the review report and in WNZL's individual feedback letters to the regulators on 29 March 2019.

The industry thematic review report into life insurers, including Westpac Life, was released on 29 January 2019. The report identified extensive weaknesses in life insurers' systems and controls, governance and management of conduct risks. Westpac Life provided its plan to address the findings to the regulators in June 2019.

Conduct of Financial Institutions Review

Following the developments and findings of the Financial Services Conduct and Culture Review and the Australian Royal Commission, the Minister of Commerce announced a proposal to introduce a conduct licensing regime for banks, insurers and non-bank deposit takers in respect of their conduct in relation to retail customers. The regime will require licensed institutions to meet a fair treatment standard, and implement effective policies, processes, systems and controls to meet this standard. The regime will also create obligations relating to remuneration and sales incentives. Legislation is expected to be introduced to Parliament by the end of 2019.

Reform of Credit Contracts and Consumer Finance Legislation

In April 2019, the Credit Contracts Legislation Amendment Bill was introduced to Parliament and was reported back by the Select Committee in November 2019. The bill introduces a number of changes to the Credit Contracts and Consumer Finance Act, including new duties for directors and senior managers and

increased penalties and statutory damages. The bill also introduces stricter requirements around suitability and affordability assessments as well as a cap for interest and fees of 'high cost' loans (being loans with annualised interest exceeding 50 per cent.). The proposals are expected to be enacted in late 2019 and come into force at various times between enactment and April 2021.

Limits on material financial support by Australian parent bank

On 19 November 2015, APRA informed WBC that its Extended Licensed Entity (**ELE**) non-equity exposures to New Zealand banking subsidiaries is to transition to be below a limit of five per cent. of WBC's Level 1 Tier 1 capital, as part of an initiative to reduce Australian bank non-equity exposure to their respective New Zealand banking subsidiaries and branches

The ELE consists of WBC and its subsidiary entities that have been approved by APRA to be included in the ELE for the purposes of measuring capital adequacy.

APRA has allowed a period of five years commencing on 1 January 2016 to transition to be less than the five per cent. limit. Exposures for the purposes of this limit include all committed, non-intraday, non-equity exposures including derivatives and off-balance sheet exposures. For the purposes of assessing this exposure, the five per cent. limit excludes equity investments and holdings of capital instruments in New Zealand banking subsidiaries. As at 30 September 2019, the ELE's non-equity exposures to New Zealand banking subsidiaries affected by the limit were below 5 per cent. of Level 1 Tier 1 capital of WBC.

APRA has also confirmed the terms on which WBC 'may provide contingent funding support to a New Zealand banking subsidiary during times of financial stress'. APRA has confirmed that, at this time, only covered bonds meet its criteria for contingent funding arrangements.

OTC Derivatives Reform

International regulatory reforms relating to over-the-counter (**OTC**) derivatives continue to be implemented across the globe, with a current focus on initial margin and risk mitigation practices for non-centrally cleared derivatives.

As of 1 September 2019, WNZL is subject to initial margin requirements. Global initial margin requirements will continue to be introduced in phases until 1 September 2021.

Brexit

There continues to be uncertainty on the timing and process for the United Kingdom's withdrawal from the European Union.

As WBC's and WNZL's businesses and operations are based predominantly in Australia and New Zealand, WBC and WNZL expect that the direct impact of the United Kingdom's departure from the European Union is unlikely to be material to WBC and WNZL.

However, it remains difficult to predict the impact that Brexit may have on financial markets, the global economy and the global financial services industry. The WBC Group has contingency planning in place and has been active in dialogue with affected customers.

Other matters

In addition to those matters identified above, the WNZL Group remains subject to continued regulatory engagement in the nature of ongoing investigations and reviews which may result in further regulatory change or requirements for customer remediation. The WNZL Group continues to identify and remediate conduct issues and risks as they arise.

The WNZL Group has other contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the WNZL Group's likely loss in respect of these matters has been made on a case-by-case basis and provision has been made in WNZL's financial statements where appropriate.

Organisational structure

As at 30 September 2019, WNZL's controlled entities were: Westpac NZ Operations Limited (a holding company), Westpac Securities NZ Limited (a funding company), Westpac (NZ) Investments Limited (a property company), The Home Mortgage Company Limited (a residential mortgage company), Number 120 Limited (a finance company), Westpac NZ Securitisation Holdings Limited (a holding company), Westpac NZ Securitisation Limited (a funding company), Westpac NZ Securitisation No. 2 Limited (a non-active company), Westpac NZ Covered Bond Holdings Limited (a holding company), Westpac NZ Covered Bond Limited (a guarantor), Aotearoa Financial Services Limited (a non-active company), the Westpac Term PIE Fund (a portfolio investment entity), the Westpac Cash PIE Fund (a portfolio investment entity), Westpac Notice Saver PIE Fund (a portfolio investment entity) and Westpac New Zealand Staff Superannuation Scheme Trustee Limited (a trustee company). The ultimate parent of WNZL and its subsidiaries is WBC.

Westpac New Zealand Staff Superannuation Scheme Trustee Limited, a wholly owned subsidiary of Westpac NZ Operations Limited, was incorporated on 30 June 2016 to provide services as the trustee of the Westpac New Zealand Staff Superannuation Scheme.

WESTPAC SECURITIES NZ LIMITED

The Covered Bonds are issued by WSNZL acting through its London branch. The London branch of WSNZL is not a separate legal entity, or a subsidiary, of WSNZL. The obligations of WSNZL in respect of the Covered Bonds issued by WSNZL acting through its London branch are the obligations of WSNZL as a company incorporated in New Zealand, and are not limited to the London branch or any other branch of WSNZL. Accordingly, investors have recourse to WSNZL as a company, and not just the London branch or any branch of WSNZL, in respect of WSNZL's obligations under the Covered Bonds.

WSNZL is a funding company directly wholly owned by WNZOL, which is a wholly-owned subsidiary of WNZL. As at 30 September 2019, WSNZL had 651,185 ordinary shares on issue. As at the date of this Prospectus, WSNZL has no partly paid share capital. Its ultimate parent is WBC. WSNZL was incorporated on 29 August 2006 as a limited liability company under the laws of New Zealand with registration number 1859984. WSNZL's NZ Business Number is 9429033900759. The registered office of WSNZL is Westpac on Takutai Square, 16 Takutai Square, Auckland 1010, New Zealand. WSNZL commenced operating from 1 November 2006. The principal activity of WSNZL is to raise and manage offshore wholesale funding for WNZL. This enables the diversification of WNZL's funding sources, response to funding opportunities through its presence in the United Kingdom, and the generation of funding in maturities and volumes that fulfil WNZL's funding strategy. As a wholly-owned indirect subsidiary of WNZL, WSNZL will be dependent upon WNZL for the guarantee of the due and punctual payment of all amounts due under the Covered Bonds issued from time to time by WSNZL. The business address and telephone number of WSNZL in New Zealand and its London branch are Westpac on Takutai Square, 16 Takutai Square, Auckland 1010, New Zealand (telephone number (64 9) 367 3539) and Camomile Court, 23 Camomile Street, London EC3A 7LL, United Kingdom (telephone number (+44 20) 7621 7540) respectively.

Directors

The Directors of WSNZL at the date of this Prospectus are:

Name	**Principal activity outside Westpac Securities NZ Limited**
David Alexander McLean	Chief Executive Officer, WNZL
Mark Broughton Weenink	General Manager Regulatory Affairs, Corporate Legal Services and General Counsel NZ, WNZL
Carolyn Mary Kidd	Chief Risk Officer, WNZL
Johanna Claire Sawden	Head of Commercial Services, WNZL

The business address of each of the Directors is Westpac on Takutai Square, 16 Takutai Square, Auckland, 1010, New Zealand.

WSNZL is not listed on the NZSX (the New Zealand main board equity security market, operated by NZX Limited), and is not an issuer of securities to the public in New Zealand. Accordingly, WSNZL is not subject to NZX Limited's Corporate Governance Best Practice Code.

The Board of WSNZL is aware of its obligations to ensure that Directors properly deal with conflicts of interest between their duties to WSNZL and their own interests. In accordance with the requirements of the NZ Companies Act, a Director of WSNZL must, forthwith after becoming aware of the fact that he or she is "interested" (as defined in the NZ Companies Act) in a transaction or proposed transaction with WSNZL, cause to be entered in WSNZL's interests register certain details regarding that interest.

In addition, as a WBC Group subsidiary, WSNZL's Directors are covered by the range of policies of WBC relating to the management of conflicts of interest, including the WBC Group Conflicts of Interest Policy and WBC Group Securities Trading Policy.

As at the date of this Prospectus, there are no existing or potential conflicts of interest between any duties owed to WSNZL by its Directors and the private interests or external duties of those Directors.

In respect of potential conflicts of interest that may arise in the future, WSNZL will manage such conflicts in accordance with the WBC Group Conflicts of Interest Policy.

In relation to the responsibilities of the Board of Directors of WSNZL, the NZ Companies Act provides that the business of WSNZL must be managed by, or under the direction or supervision of, the Board. In addition, the Board has all the powers necessary for managing, and directing and supervising the management of, the business and offices of WSNZL.

WESTPAC NZ COVERED BOND LIMITED

Introduction

The CB Guarantor was established on 22 November 2010 as a limited liability company under the laws of New Zealand, with company number 3201526. Its NZ Business Number is 9429031300551. Its registered office is at Westpac on Takutai Square, 16 Takutai Square, Auckland, New Zealand.

The CB Guarantor has 1,000 ordinary shares, which are held by Westpac NZ Covered Bond Holdings Limited. The 1,000 shares in Westpac NZ Covered Bond Holdings Limited are in turn held as follows:

- 95 by Westpac NZ Operations Limited, a direct wholly owned subsidiary of the Group Guarantor;
- 95 by Westpac Holdings -NZ- Limited, which is indirectly wholly owned by WBC; and
- 810 by The New Zealand Guardian Trust Company Limited as trustee of the Westpac NZ Covered Bond Trust.

The CB Guarantor has no subsidiaries. As at the date of this Prospectus, the CB Guarantor has no partly paid share capital.

Management

The Directors of the CB Guarantor at the date of this Prospectus are:

Name	Principal activity outside the CB Guarantor
James Bennett Reardon*	Treasurer, WNZL
Mark Broughton Weenink*	General Manager Regulatory Affairs, Corporate Legal Services and General Counsel NZ, WNZL
Euan Hamilton Abernethy	Independent Director

* Carolyn Mary Kidd (Chief Risk Officer, WNZL) is an alternate director for both James Reardon and Mark Weenink.

The business address of James Reardon and Mark Weenink and alternate director Carolyn Kidd is Westpac on Takutai Square, 16 Takutai Square, Auckland 1010, New Zealand. The business address of Euan Abernethy is Suite 12b, 186 The Terrace, Wellington 6011, New Zealand.

The Board of the CB Guarantor is aware of its obligations to ensure that Directors properly deal with conflicts of interest between their duties to the CB Guarantor and their own interests. In accordance with the requirements of the NZ Companies Act, a director of the CB Guarantor must, forthwith after becoming aware of the fact that he or she is "interested" (as defined in the NZ Companies Act) in a transaction or proposed transaction with the CB Guarantor, cause to be entered in the CB Guarantor interests register certain details regarding that interest.

Notwithstanding that the CB Guarantor is not a WBC Group subsidiary, the CB Guarantor is covered by the range of policies relating to the management of conflicts of interest, including the WBC Group Conflicts of Interest Policy and WBC Group Securities Trading Policy. As at the date of this Prospectus, there are no existing or potential conflicts of interest between any duties owed to the CB Guarantor by its Directors and the private interest or external duties of those Directors.

In respect of potential conflicts of interest that may arise in the future, the CB Guarantor will manage such conflicts in accordance with the WBC Group Conflicts of Interest Policy, such that it does not expect that any actual conflict of interest would arise.

In relation to the responsibilities of the Board of the CB Guarantor, the NZ Companies Act provides that the business of the CB Guarantor must be managed by or under the direction of the Board, subject to any requirements of the NZ Companies Act. In addition, the Board has all the powers necessary for managing and directing the business of the CB Guarantor.

Principal activities

The CB Guarantor's activities are restricted by its constitution to carrying out the activities required under the Programme. These activities include the giving of the Covered Bond Guarantee and in connection with, and for the purpose of, giving the Covered Bond Guarantee, *inter alia*, acquiring Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement, borrowing money, and doing all such things as are incidental or conducive to the carrying on of such activities.

The CB Guarantor has not since its establishment engaged in any material activities other than activities relating to its establishment or to the establishment of the Programme (including entering into a number of the Transaction Documents and acquiring the Initial Portfolio and New Portfolios) and other matters incidental or ancillary to the foregoing. While the Covered Bonds or any Guarantee Loan remain outstanding, the CB Guarantor will not engage in any material activities other than the activities contemplated under the Transaction Documents to which it is or will be a party, and other matters incidental or ancillary to the foregoing.

The CB Guarantor is dependent on the Administrative Agent to provide certain management and administration services to it, on the terms of the Administration Agreement.

The CB Guarantor has no employees.

The CB Guarantor's accounting reference date is 30 September of each year.

SUMMARY OF THE PRINCIPAL DOCUMENTS

Trust Deed

The Trust Deed, made between the Issuer, the Group Guarantor, the CB Guarantor and the Bond Trustee on the Signing Date, is the principal agreement governing the Covered Bonds. The Trust Deed contains provisions relating to, *inter alia*:

- the constitution of the Covered Bonds and the terms and conditions of the Covered Bonds (as more fully set out under *Terms and Conditions of the Covered Bonds* above);
- the covenants of the Issuer and the Guarantors;
- the terms of the Group Guarantee and the Covered Bond Guarantee (as described below);
- the enforcement procedures relating to the Covered Bonds, the Group Guarantee and the Covered Bond Guarantee; and
- the appointment, powers and responsibilities of the Bond Trustee and the circumstances in which the Bond Trustee may resign or retire or be removed.

Group Guarantee

Under the terms of the Group Guarantee, if the Issuer defaults in the payment on the due date of any monies due and payable under or pursuant to the Trust Deed or any Covered Bonds or Coupons, the Group Guarantor has irrevocably and unconditionally agreed to pay on demand or procure to be paid on demand the amount in respect of which such default has been made.

The Group Guarantor has agreed that its obligations under the Group Guarantee shall be as principal debtor and not merely as surety and shall be absolute and unconditional, irrespective of, and unaffected by, any invalidity, irregularity, illegality or unenforceability of, or defect in, any other provisions of the Trust Deed or any Covered Bonds or Coupons or any other Transaction Document or the absence of any action to enforce the same or the waiver, modification or consent by the Bond Trustee or by any of the Covered Bondholders or Couponholders in respect of any provisions of the same or the obtaining of any judgment or decree against the Issuer or any action to enforce the same or any other circumstances which might otherwise constitute a legal or equitable discharge or defence of or to a guarantor.

Under the Trust Deed, the Group Guarantee may be withdrawn if the long-term unsecured, unsubordinated and unguaranteed ratings of the Issuer (if independently rated) are at least equal to the ratings (at the time of the resignation) of the Group Guarantor and provided further that: (a) immediately after giving effect to such transaction no Issuer Event of Default, CBG Event of Default, no Potential Issuer Event of Default and no Potential CBG Event of Default shall have occurred and be continuing; and (b) the Covered Bond Guarantee remains in full force and effect and unaffected by the withdrawal of the Group Guarantee.

All payments of principal and interest in respect of the Covered Bonds under the Group Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future Taxes (or stamp duty) imposed, levied, collected, withheld or assessed by or on behalf of New Zealand and/or the United Kingdom or any political subdivision or any authority or any agency thereof or therein having power to tax, unless such withholding or deduction is required by law. In the event of a withholding or deduction for or on account of any present or future Taxes (or stamp duty) imposed, levied, collected, withheld or assessed by or on behalf of New Zealand and/or the United Kingdom or any political subdivision or any authority or any agency thereof or therein having power to tax being made in respect of a payment made by it, then, save in certain special circumstances (including, on account of any withholding or

deduction arising under or in connection with FATCA), the Group Guarantor shall pay such additional amounts as will result in the receipt by the holders of the Covered Bonds or Coupons, after such withholding or deduction, of such amounts as would have been received by them if no such withholding or deduction had been required.

Subject as provided in the Transaction Documents, the Group Guarantee will remain in force in relation to each Series of Covered Bonds until all monies payable by the Issuer under or pursuant to the Trust Deed and the Covered Bonds of the relevant Series and amounts ranking in priority thereto in the relevant Priorities of Payments have been paid.

Covered Bond Guarantee

Under the terms of the Covered Bond Guarantee, if the Issuer and the Group Guarantor default in the payment on the due date of any monies due and payable under or pursuant to the Trust Deed or the Covered Bonds or Coupons, or if any other Issuer Event of Default occurs (other than by reason of non-payment), and, in any such case, if the Bond Trustee has served an Issuer Acceleration Notice on the Issuer and the Group Guarantor, the CB Guarantor has agreed (subject as described below) to pay or procure to be paid (following service of a Notice to Pay on the CB Guarantor) unconditionally and irrevocably to or to the order of the Bond Trustee (for the benefit of the Covered Bondholders) an amount equal to that portion of the Guaranteed Amounts which shall become Due for Payment but would otherwise be unpaid, as of any Original Due for Payment Date or, if applicable, the Extended Due for Payment Date, by the Issuer or the Group Guarantor. Payment by the CB Guarantor of the Guaranteed Amounts pursuant to the Covered Bond Guarantee will be made on the Guaranteed Amounts Due Date. In addition, the CB Guarantor shall, to the extent it has funds available to it, make payments in respect of the unpaid portion of the Final Redemption Amount on any Interest Payment Date up until the Extended Due for Payment Date. The Bond Trustee will be required to serve a Notice to Pay on the CB Guarantor following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice on the Issuer and the Group Guarantor.

Under the Covered Bond Guarantee, the Guaranteed Amounts will become due and payable on any earlier date on which, following the occurrence of a CBG Event of Default, a CBG Acceleration Notice is served in accordance with Condition 9.2 (*CBG Events of Default*). Following service of a CBG Acceleration Notice, the Covered Bonds will (if an Issuer Acceleration Notice has not already been served) become immediately due and payable as against the Issuer and the Group Guarantor and the obligations of the CB Guarantor under the Covered Bond Guarantee will be accelerated.

All payments of Guaranteed Amounts by or on behalf of the CB Guarantor will be made net of any withholding or deduction for, or on account of, any present or future New Zealand and/or United Kingdom Taxes (or stamp duty) and the CB Guarantor will account to the appropriate tax authority for the amount required to be withheld or deducted. The CB Guarantor will not be obliged to pay any amount to the Bond Trustee or any Covered Bondholders in respect of the amount of such withholding or deduction. In addition, if any withholding or deduction arises under or in connection with FATCA, the CB Guarantor will not be required to pay any additional amounts on account of such withholding or deduction.

Where New Zealand non-resident withholding tax is required to be deducted, and the rate of that Tax could be reduced to 0% if AIL was paid, the CB Guarantor will be required to pay the AIL. The CB Guarantor may also be required by law to pay AIL in the event New Zealand non-resident withholding tax would be payable but for an exemption under a double tax agreement. Also see *Risk Factors – No gross-up under the Covered Bond Guarantee*.

Under the terms of the Covered Bond Guarantee, the CB Guarantor has agreed that its obligations under the Covered Bond Guarantee shall be as principal debtor and not merely as surety or guarantor and shall be absolute and unconditional (subject to the service of a Notice to Pay or, as the case may be, a CBG Acceleration Notice on the CB Guarantor), irrespective of, and unaffected by, any invalidity, irregularity, illegality or unenforceability of, or defect in, any provisions of the Trust Deed or the Covered Bonds or

Coupons or any other Transaction Documents or the absence of any action to enforce the same or the waiver, modification or consent by the Bond Trustee or any of the Covered Bondholders or Couponholders in respect of any provisions of the same or the obtaining of any judgment or decree against the Issuer or the Group 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.

Subject to the grace period specified in Condition 9.2(a) of the Terms and Conditions, failure by the CB Guarantor to pay the Guaranteed Amounts which are Due for Payment on the relevant Guaranteed Amounts Due Date will result in a CBG Event of Default.

The Trust Deed provides that any Excess Proceeds shall be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the CB Guarantor for its own account, as soon as practicable, and shall be held by the CB Guarantor in the GI Account and the Excess Proceeds shall thereafter form part of the Security and shall be used by the CB Guarantor in the same manner as all other monies from time to time standing to the credit of the GI Account. Any Excess Proceeds received by the Bond Trustee shall discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds and Coupons and the obligations of the Group Guarantor under the Group Guarantee (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 CB Guarantor). However, the obligations of the CB Guarantor under the Covered Bond Guarantee are (following service of a Notice to Pay or, as the case may be, a CBG Acceleration Notice) unconditional and irrevocable and the receipt by the Bond Trustee of any 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 CB Guarantor in the manner as described above.

The Trust Deed is governed by English law.

Intercompany Loan Agreement

Under the terms of the Intercompany Loan Agreement, the Intercompany Loan Provider agrees to make available to the CB Guarantor, on a secured basis, an intercompany loan facility for a maximum amount equal to the Intercompany Loan Facility Amount, subject to increases and decreases as described below. The initial Advance was an amount sufficient to acquire the Initial Portfolio. The Intercompany Loan comprises a guarantee loan portion (the **Guarantee Loan**) and a demand loan portion (the **Demand Loan**) and is denominated in New Zealand Dollars. The interest rate on each Advance under the Intercompany Loan is a New Zealand Dollar floating rate to be determined by the Intercompany Loan Provider. The aggregate amount of interest payable under the Intercompany Loan in respect of any interest period will not exceed the gross amount payable to the CB Guarantor under the Interest Rate Swap Agreement (prior to any netting) in that period less an amount for certain expenses of the CB Guarantor.

The Guarantee Loan at any relevant time will be in an amount equal to the lesser of (i) the aggregate principal balance of the Intercompany Loan and (ii) the aggregate principal balance of the Intercompany Loan minus the Adjusted Aggregate Loan Amount (as determined in accordance with the Asset Coverage Test: see *Summary of the Principal Documents—Participation Agreement—Asset Coverage Test*) plus the NZ Dollar Equivalent of the Principal Amount Outstanding of the Covered Bonds. The Guarantee Loan will be repaid in accordance with the applicable Priorities of Payments and is subordinated to the Demand Loan and, following service of a Notice to Pay or CBG Acceleration Notice, the Covered Bond Guarantee in accordance with such Priority of Payments.

The Demand Loan at any relevant time will be equal to the difference between the outstanding principal balance of the Intercompany Loan and the amount of the Guarantee Loan at that time.

Except as described below, the respective balances of the Guarantee Loan and the Demand Loan will fluctuate according to the Asset Coverage Test (see *Participation Agreement – Asset Coverage Test* below) and with the issuances and redemptions of Covered Bonds.

If a Notice to Pay or a CBG Acceleration Notice is served on the CB Guarantor then the amount of the Demand Loan and the Guarantee Loan will be fixed as at the date on which the Asset Percentage is recalculated and thereafter will only be adjusted to reflect permitted repayments (as described below and which will be deducted first from the Demand Loan) and further Advances (which will be added to the Guarantee Loan).

The CB Guarantor has used the initial Advance to purchase the Initial Portfolio from the Seller in accordance with the terms of the Mortgage Sale Agreement and will use additional Advances:

(a) to purchase further Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement;

(b) to invest in Substitution Assets (in an amount up to but not exceeding the prescribed limit in the Participation Agreement) and to make investments in Authorised Investments;

(c) subject to written confirmation from the Cash Manager that the Asset Coverage Test is met on the relevant repayment date (both before and immediately following the making of the relevant repayment), to repay Subordinated Advances, if any; and/or

(d) to make a deposit of the proceeds in the GI Account (including, without limitation, to fund the Reserve Fund and/or the Title Perfection Reserve, in each case to an amount not exceeding the limit prescribed in the Participation Agreement, and to fund the Pre-Maturity Liquidity Ledger in accordance with the Participation Agreement).

The CB Guarantor may re-borrow any amount repaid by the CB Guarantor under the Intercompany Loan for a permitted purpose provided:

(i) such re-borrowing does not result in the Intercompany Loan (excluding deferred interest) exceeding the Intercompany Loan Facility Amount;

(ii) no Issuer Event of Default, CBG Event of Default or Demand Loan Repayment Event has occurred and is outstanding or would result from the Advance.

Deemed Advances will also arise under the Intercompany Loan if:

(i) the outstanding balance of a Loan in the Portfolio increases as a result of a Further Advance, Capitalised Interest and/or Capitalised Arrears;

(ii) an amount is credited to the Reserve Ledger, the Title Perfection Ledger or the Pre-Maturity Liquidity Ledger pursuant to the Pre-Acceleration Revenue Priority of Payments or the Pre-Acceleration Principal Priority of Payments: see *Cashflows* below;

(iii) there is a Deemed Subordinated Advance; and

in any case, the Deemed Advance Preconditions are satisfied.

The Deemed Advance Preconditions are:

(i) the aggregate outstanding amount of Advances (excluding all deferred interest) after giving effect to such Deemed Advance does not exceed the Intercompany Loan Facility Amount; and

(ii) no Issuer Event of Default, CBG Event of Default or Demand Loan Repayment Event has occurred and is outstanding or would result from the Deemed Advance.

If any of the Deemed Advance preconditions are not satisfied then the relevant amount will constitute a Deemed Subordinated Advance under the Subordinated Loan Agreement.

Unless otherwise agreed by the Intercompany Loan Provider, no Advances will be made to the CB Guarantor following the occurrence of an Issuer Event of Default, a CBG Event of Default or a Demand Loan Repayment Event.

Prior to service of an Asset Coverage Test Breach Notice, a Notice to Pay, a Demand Loan Repayment Event or a CBG Acceleration Notice or following revocation of an Asset Coverage Test Breach Notice, the Intercompany Loan Provider may demand repayment of the Demand Loan, in which case the principal amount of the Demand Loan in respect of which demand has been made will be repayable in accordance with the below:

(a) on each CBG Payment Date immediately following the last day of the Calculation Period in which the demand is made, the CB Guarantor will apply Available Principal Receipts in repayment of the principal amount of the Demand Loan in respect of which demand has been made subject to, and in accordance with, the Pre-Acceleration Principal Priority of Payments: see *Cashflows* below: and

(b) the CB Guarantor will, if required by the Intercompany Loan Provider, endeavour to sell Selected Loans in the Portfolio and their Related Security in order to fund repayment of the principal amount of the Demand Loan in respect of which demand has been made and, subject to the exercise of any set-off or netting in accordance with the Mortgage Sale Agreement, such principal amount of the Demand Loan will be repaid on the CBG Payment Date following the first Calculation Date following such sale: see *Participation Agreement – Sale of Selected Loans after a Demand Loan Repayment Event has occurred or the Intercompany Loan Provider has otherwise demanded that the Demand Loan be repaid* below.

No amount of the Demand Loan will be repaid as required above unless the Cash Manager has determined that the Asset Coverage Test will continue to be met after giving effect to the repayment. If the Asset Coverage Test will not be satisfied after giving effect to such repayment, then only the amount of the Demand Loan which could be repaid without breach of the Asset Coverage Test will be repayable.

Following the service of a Notice to Pay or a CBG Acceleration Notice, the CB Guarantor must recalculate the Asset Percentage under the Asset Coverage Test and the amount of the Demand Loan calculated on the basis of the new Asset Percentage will be repayable by the CB Guarantor out of principal repayments from, and the proceeds of sale of, a specified portfolio of Loans selected by the Cash Manager for this purpose (the **Demand Loan Portfolio**). Such repayments will be made in accordance with the applicable Priorities of Payments (see *Cashflows* below) as follows:

(a) on each CBG Payment Date the CB Guarantor will repay an amount of the Demand Loan equal to the aggregate of all principal receipts from the Demand Loan Portfolio received during the immediately preceding Calculation Period; and

(b) on the CBG Payment Date following the first Calculation Date after the completion of the sale of the Demand Loan Portfolio the CB Guarantor will repay an amount of the Demand Loan equal to the sale proceeds of the Demand Loan Portfolio. Any such sale shall be made in accordance with the Participation Agreement: see *Participation Agreement – Method of Sale of Selected Loans* below.

If:

(i) WNZL, as the Interest Rate Swap Provider, is required to assign any Interest Rate Swap Agreement to a third party;

(ii) to the extent Moody's or Fitch Ratings is a Rating Agency, WNZL, as the Group Guarantor, fails to have a long-term unsecured and unsubordinated rating of at least Baa2 from Moody's or BBB from Fitch Ratings; or

(iii) termination of the Intercompany Loan Agreement has occurred,

(each of (i), (ii) and (iii) above, a **Demand Loan Repayment Event**), the CB Guarantor must recalculate the Asset Percentage under the Asset Coverage Test and the amount of the Demand Loan calculated on the basis of the new Asset Percentage will be repayable by the CB Guarantor on:

(a) if it is not necessary for the CB Guarantor to sell Selected Loans in the Portfolio and their Related Security in order to fund such repayment, the CBG Payment Date following the first Calculation Date following the determination of the Asset Percentage; or

(b) if it is necessary for the CB Guarantor to sell Selected Loans in the Portfolio and their Related Security in order to fund such repayment, the CBG Payment Date following the first Calculation Date after completion of such sale. Any such sale shall be made in accordance with the Participation Agreement: see *Participation Agreement – Sale of Selected Loans after a Demand Loan Repayment Event has occurred or the Intercompany Loan Provider has otherwise demanded that the Demand Loan be repaid* below.

The Demand Loan will not be repayable to the extent that the Asset Coverage Test will not be satisfied after giving effect to such repayment (in which case only the amount, if any, which could be repaid while remaining in compliance with the Asset Coverage Test shall be repaid).

If the CB Guarantor makes a payment under the Covered Bond Guarantee then the Group Guarantor will be indebted to the CB Guarantor for an amount equal to that Covered Bond Guarantee payment pursuant to an indemnity in the Participation Agreement. The obligation of the Group Guarantor to pay that indemnity amount to the CB Guarantor will be setoff against an equivalent amount of the Intercompany Loan (comprising principal and interest as determined by the Cash Manager). Repayments of principal will reduce the Demand Loan first and then the Guarantee Loan.

Neither the Issuer nor the Group Guarantor will be relying on repayment of the Intercompany Loan in order for them to meet their respective repayment obligations under the Covered Bonds. The CB Guarantor will pay amounts due in respect of the Intercompany Loan in accordance with the applicable Priorities of Payments. Prior to service of an Asset Coverage Test Breach Notice, a Notice to Pay or a CBG Acceleration Notice on the CB Guarantor, amounts due in respect of the Intercompany Loan will be paid by the CB Guarantor to the Intercompany Loan Provider on each CBG 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 CB Guarantor to pay any amounts due on the Intercompany Loan, however, will not affect the liability of the Issuer or the Group Guarantor to pay the relevant amount due on the Covered Bonds.

The Intercompany Loan Agreement is governed by the laws of New Zealand.

Mortgage Sale Agreement

The Seller

Loans and their Related Security have been and will be sold to the CB Guarantor from time to time pursuant to the terms of the Mortgage Sale Agreement entered into on the Signing Date between WNZL (in its capacity as Seller), the CB Guarantor and the Security Trustee.

Sale by the Seller of the Loans and Related Security

The Portfolio will consist of the Loans and their Related Security sold from time to time by the Seller to the CB Guarantor in accordance with the terms of the Mortgage Sale Agreement. The types of Loans forming the Portfolio will vary over time provided that the Eligibility Criteria (as described below) in respect of such Loans are met on the Cut-Off Date immediately preceding the relevant Assignment Date. Accordingly, the Portfolio may, at any time, include Loans with different characteristics from Loans that were included in the Portfolio or were being offered to Borrowers on previous Assignment Dates.

Prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or a CBG Event of Default and service of a CBG Acceleration Notice, the CB Guarantor may acquire the Loans and their Related Security from the Seller in certain circumstances.

In particular, the CB Guarantor is required to ensure that the Portfolio is maintained at all times in compliance with the Asset Coverage Test (as determined by the Cash Manager on each Calculation Date). If on any Calculation Date there is a breach of the Asset Coverage Test, the Seller will use all reasonable endeavours to offer to sell sufficient New Loans and their Related Security to the CB Guarantor on or before the next Calculation Date to ensure compliance with the Asset Coverage Test as at the next Calculation Date, provided that the Seller is not obliged to offer to sell New Loans and their Related Security to the CB Guarantor if, in the reasonable opinion of the Seller, the sale would adversely affect the business of the Seller.

In addition, at the time that Covered Bonds are issued under the Programme, the Intercompany Loan Provider may make Advances to the CB Guarantor, the proceeds of which may be applied in whole or in part by the CB Guarantor to acquire Loans and their Related Security from the Seller.

The CB Guarantor may also, in certain circumstances, use the Available Principal Receipts to acquire New Loans and their Related Security from the Seller and/or Substitution Assets (in respect of any Substitution Assets up to the prescribed limit) on each CBG Payment Date.

In exchange for the sale of the Loans and their Related Security to the CB Guarantor, the Seller will receive an amount equal to the Outstanding Principal Balance of those Loans sold by it as at the Cut-Off Date immediately preceding the Assignment Date. This will be satisfied by a cash payment in New Zealand Dollars to be made by the CB Guarantor from the proceeds of either an Advance under the Intercompany Loan Agreement or a Subordinated Advance under the Subordinated Loan Agreement made on such Assignment Date and/or Available Principal Receipts paid in accordance with the Pre-Acceleration Principal Priority of Payments, as determined by the Administrative Agent.

Subject to the paragraph below, on the second CBG Payment Date falling after the relevant Assignment Date the CB Guarantor will pay to the Seller the Accrued Interest Adjustment Amount as of such Assignment Date in respect of the Loans and their Related Security comprised in the sale.

In the event that any Related Security in respect of a Loan comprised in the sale becomes materially impaired or is enforced, or as of the relevant Cut-Off Date there were Arrears of Interest in respect of a Loan comprised in the sale and such Loan becomes a Delinquent Mortgage at any time prior to the second CBG Payment Date falling after the relevant Assignment Date, then the CB Guarantor may by notice to the Seller

require the Seller to repurchase such Loan and its Related Security for an amount equal to the Outstanding Principal Balance of such Loan as of the relevant Cut-Off Date. Provided that the Seller receives such notice no later than five NZ and Sydney Business Days prior to the last day of the Calculation Period falling immediately prior to the second CBG Payment Date falling after the relevant Assignment Date, completion of such repurchase shall take place on the NZ and Sydney Business Day that falls immediately prior to the last day of the Calculation Period during which the Seller received such notice, or such later date as the CB Guarantor may direct in the notice (provided that the date so specified by the CB Guarantor shall not be later than 90 days after receipt by the Seller of such notice).

Conditions to the sale of Loans and their Related Security

The sale of Loans and their Related Security to the CB Guarantor will be subject to various conditions being satisfied on the relevant Assignment Date. These are as follows:

(a) there shall have been neither an Issuer Event of Default and service of an Issuer Acceleration Notice nor a CBG Event of Default and service of a CBG Acceleration Notice as at the relevant Assignment Date;

(b) the CB Guarantor, acting on the advice of the Administrative Agent, is not aware, and could not reasonably be expected to be aware, that the proposed purchase by the CB Guarantor of the Loans and their Related Security on the relevant Assignment Date would cause the then current ratings of the Covered Bonds to be adversely affected.

(c) the Assignment Date not being more than 42 days after the Cut-Off Date in respect of the Loans and their Related Security being assigned on the relevant Assignment Date; and

(d) that notice of such assignment has been given to the Rating Agencies and the Security Trustee.

On the Cut-Off Date immediately preceding the relevant Assignment Date, the Representations and Warranties (described below under – *Representations and Warranties*) will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the CB Guarantor on that Assignment Date.

The Seller shall not be obliged to complete the sale of any Loans and their Related Security on any Assignment Date if it is aware, as of such date, that the Representation and Warranty in respect of the Eligibility Criteria is untrue in respect of those Loans and their Related Security, and the Seller will have no liability if it does not complete the sale of the relevant Loans and their Related Security as a consequence.

The sale of the Loans and their Related Security by the Seller to the CB Guarantor is, and will take effect as, an equitable assignment (including an equitable assignment for the purposes of section 50(5) of the Property Law Act 2007 (NZ) (the **PLA**)) of the Seller's rights, title, interest and benefit in and to the Loans, their Related Security and the other assets which are being sold.

Perfection of the Assignment of the Loans and their Related Security to the CB Guarantor

The perfection of the assignment of the Loans and their Related Security comprised in the Portfolio to the CB Guarantor will only take place in the limited circumstances described below.

The perfection of the assignment of the Loans and their Related Security comprised in the Portfolio (or, where specified, the Selected Loans and their Related Security) to the CB Guarantor will occur after the earliest of the following (each a **Title Trigger Event**):

(a) service of a Notice to Pay (unless the Seller has notified the CB Guarantor that it will accept the offer set out in the Selected Loan Offer Notice within the prescribed time) or a CBG Acceleration Notice on the CB Guarantor;

(b) in respect of Selected Loans only, at the request of the CB Guarantor following the acceptance of any offer to sell the Selected Loans and their Related Security to any person who is not the Seller;

(c) the Seller and/or the CB Guarantor being required, by an order of a court of competent jurisdiction, or by a regulatory authority to which the Seller is subject, to perfect legal title to the Loans and their Related Security comprised in the Portfolio;

(d) it being rendered necessary by law to take such actions;

(e) the termination of the Seller's role as Servicer under the Servicing Agreement unless the substitute servicer, if any, is an affiliate of WBC;

(f) the Seller calling for a perfection of the assignment of the Loans and the Related Security comprised in the Portfolio by giving notice in writing to the CB Guarantor and the Security Trustee;

(g) the occurrence of an Insolvency Event in relation to the Seller;

(h) the rating from Fitch Ratings of the Seller's unsecured, unsubordinated long-term debt obligation falls below BBB-; or

(i) the rating from Moody's of the Seller's unsecured, unsubordinated long-term debt obligations falls below Baa3.

Pending perfection of the assignment, the right of the CB Guarantor to exercise the powers of the legal owner of the Mortgages will be secured by an irrevocable power of attorney granted by the Seller in favour of the CB Guarantor and the Security Trustee.

Upon the CB Guarantor (or the Servicer on its behalf) becoming aware of a Title Trigger Event, the CB Guarantor (or the Servicer on its behalf) will:

(a) in the case of the Mortgages comprised in the Portfolio, within 20 NZ and Sydney Business Days, complete, execute and register with Land Information New Zealand (or any successor organisation thereof) as the Seller's attorney a Transfer Instrument in respect of each Mortgage or any Priority Instrument in respect of a Mortgage transferring the remaining interest of the Seller in such Mortgage to the CB Guarantor; and

(b) within 25 NZ and Sydney Business Days give notice to each Borrower of the Relevant Loans and their Related Security or any other relevant person (including any Loan Guarantor) of the assignment of that Borrower's Loan and its Related Security to the CB Guarantor in accordance with the terms of the Mortgage Sale Agreement.

Upon the occurrence of a Title Trigger Event, there will automatically occur, without the need for any action on the part of the Seller or the CB Guarantor, an absolute assignment of all of the Seller's right, title, interest and benefit in the Loans and their Related Security comprised in the Portfolio which is not a Mortgage for the purposes of section 50 of the PLA.

In addition, on the occurrence of a Title Trigger Event, the Servicer shall:

(a) collate the Title Deeds (if any) and Customer Files relating to each Loan comprised in the Portfolio which are held in a physical form into a separate physical packet; and

(b) deliver the Title Deeds (if any) and Customer Files related to each Loan comprised in the Portfolio to the CB Guarantor, or as it directs.

If the Servicer does not comply with the above requirements within 25 NZ and Sydney Business Days of the Servicer becoming aware of the occurrence of a Title Trigger Event (or such longer period of time as the Servicer, the CB Guarantor and the Security Trustee (acting in its discretion, but acting reasonably) may agree from time to time provided that (i) such parts of the Title Deeds (if any) and Customer Files relating to each Loan comprised in the Portfolio as the Servicer is able to deliver to the CB Guarantor within such 25 NZ and Sydney Business Days are so delivered, (ii) such agreement to a longer period would not cause the then current ratings of the Covered Bonds to be adversely affected and (iii) the CB Guarantor (or the Administrative Agent on its behalf) notifies the Bond Trustee and the Rating Agencies of such agreement to a longer period on or prior to it becoming effective), the CB Guarantor (or its agent) may enter any premises (including any relevant third party premises) where the Title Deeds (if any) and Customer Files are kept and take possession of, and remove the relevant Title Deeds (if any) and Customer Files. The Servicer is to assist in this process. If the CB Guarantor (or its agent) or the Security Trustee does not have possession of the Title Deeds (if any) and Customer Files relating to each Loan comprised in the Portfolio within the period, the CB Guarantor must, to the extent that it has information available to it to do so, lodge caveats in relation to and/or take all other action it, or the Security Trustee, considers necessary to protect its, the CB Guarantor's or the Security Trustee's, interests in the Loans and their Related Security comprised in the Portfolio for which the CB Guarantor does not hold the Title Deeds (if any) and Customer Files.

The Seller will be liable for all costs and expenses associated with taking such actions.

Following a Title Trigger Event, the Seller may, by notice to the CB Guarantor, assign to the CB Guarantor all of the Seller's right, title, interest and benefit in and to:

(a) Other Secured Liabilities; and/or

(b) Related Securities,

which secure Other Secured Liabilities (but which are not Related Securities comprised in the Portfolio), in each case as specified in such notice. Such assignment will take effect as:

(a) in relation to any interest that is subject to the PLA or capable of being assigned pursuant to the PLA, an absolute assignment of such interest for the purposes of section 50 of the PLA without actual notice of assignment having been given to the debtor (as referred to in the PLA); and

(b) in relation to any other interest, an equitable assignment of such interest,

of the Seller's right, title, interest and benefit in and to such Other Secured Liabilities and Trust Back Related Securities.

In addition, promptly on the Servicer or Seller becoming aware that a Title Trigger Event has occurred, the Servicer or Seller (as applicable) will either terminate each loan offset arrangement or take other steps in relation to the loan offset arrangements that avoids a further downgrade of the then current ratings of the Covered Bonds: see *Servicing Agreement – Loan offset arrangements* below.

All Other Secured Liabilities and Trust Back Related Securities assigned to the CB Guarantor will form part of the Trust Back Assets and will be held by the CB Guarantor on, and subject to, the trusts set out in, and the terms and conditions of the trust back provisions set out in the Mortgage Sale Agreement: see *Mortgage Sale Agreement – Trust Back* below.

Representations and Warranties

None of the CB Guarantor, the Security Trustee or the Bond Trustee has made or has caused to be made on its behalf any enquiries, searches or investigations in respect of the Loans and their Related Security to be sold to the CB Guarantor. Instead, each is relying entirely on the Representations and Warranties by the

Seller contained in the Mortgage Sale Agreement. The parties to the Mortgage Sale Agreement may waive, amend or modify any of the Representations and Warranties in the Mortgage Sale Agreement to the extent that any such waiver, amendment or modification would not cause the then current ratings of the Covered Bonds to be adversely affected and provided that notice of such waiver, amendment or modification is given to the Rating Agencies.

The material Representations and Warranties are as follows and are given on the Cut-Off Date immediately preceding the relevant Assignment Date in respect of the Loans and Related Security to be sold to the CB Guarantor only on that date:

(a) each Loan was made and its Related Security taken substantially on the terms of the Standard Documentation without any material variation thereto and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect;

(b) the Seller or the Originator either:

(i) is under no obligation to make further amounts available or to release retentions or to pay fees or other sums relating to each Loan or its Related Security to any Borrower; or

(ii) has the right to cancel any obligation to make further amounts available under each Loan or its Related Security to any Borrower,

other than, in each case, as required by Law;

(c) each Borrower has made at least one monthly payment or two fortnightly payments;

(d) other than with respect to monthly or fortnightly payments, no steps have been taken by the Seller to enforce any Related Security in respect of each Loan as a result of a Borrower being, or having been, since the date of the relevant Mortgage, in material breach of any obligation owed in respect of the relevant Loan or under the Related Security;

(e) the Outstanding Principal Balance, all Accrued Interest and all Arrears of Interest on each Loan constitute a valid debt due to the Seller from the relevant Borrower and the terms of each Loan and its Related Security constitute valid, binding and enforceable obligations of the Borrower;

(f) interest on each Loan is paid monthly or fortnightly in arrear;

(g) prior to the taking of each Mortgage in respect of each Loan, the Seller or the Originator:

(i) instructed its solicitor or licensed conveyancer to carry out an investigation of title to the relevant Property and to undertake such other searches, investigations, enquiries and other actions on behalf of the Seller as are set out in its standard Solicitor's Instruction Letter (or other comparable or successor instructions and/or guidelines as may for the time being be in place), subject only to such variations as would be acceptable to a Reasonable, Prudent Mortgage Lender; and

(ii) received a Solicitor's Certificate from the solicitor or licensed conveyancer referred to in paragraph (i) above relating to such Property the contents of which were such as would be acceptable to a Reasonable, Prudent Mortgage Lender;

(h) the Mortgage Terms in respect of each Loan and its Related Security require that a policy of insurance is arranged by the Borrower for each Property subject to a Mortgage in accordance with the relevant Mortgage Terms;

(i) neither the Seller nor the Originator nor any of their respective agents has received written notice of any litigation or dispute (subsisting, threatened or pending) in respect of any Borrower, any Property, each Loan or its Related Security which might have a material adverse effect on that Loan or its Related Security;

(j) each Loan and its Related Security was originated in accordance with the Lending Criteria in force at the time of its origination (which such Lending Criteria included policies in respect of origination, valuations, credit collection, arrears management and mortgagees in possession) and such Lending Criteria were consistent with the Lending Criteria of Reasonable, Prudent Mortgage Lenders at that time;

(k) at the time each Loan or its Related Security was entered into it complied in all material respects with applicable laws (including the Credit Contracts Act 1981 (NZ) or the Credit Contracts and Consumer Finance Act 2003 (NZ));

(l) each Loan and each New Loan (as the case may be) and its related Mortgage satisfied the Eligibility Criteria (as set out below) on the Cut-Off Date in respect of each such Loan (in respect of Loans and their related Mortgages that form part of the Initial Portfolio), on the Cut-Off Date in respect of each such New Loan (in respect of New Loans and their related Mortgages that form part of a New Portfolio) and as at the date of the relevant Product Switch or Further Advance is made (in respect of Loans and their related Mortgages comprised in the Portfolio that are the subject of the Product Switch or Further Advance);

(m) the Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits agreed to be sold by the Seller to the CB Guarantor pursuant to the Mortgage Sale Agreement free and clear of all mortgages, securities, charges, liens, encumbrances, claims and equities (including, without limitation, rights of set-off or counterclaim and unregistered interests which override a first priority mortgage) and the Seller is not in breach of any covenant or obligation implied by reason of its selling each Loan and its Related Security;

(n) all steps necessary to perfect the Seller's or the Originator's title to each Loan and its Related Security (including, to the extent applicable, having each Loan and its Related Security fully stamped) were duly taken at the appropriate time or are in the process of being taken, in each case (where relevant) within any applicable priority periods or time limits for registration or stamping (as the case may be) with all due diligence and without undue delay;

(o) the seller or the Originator has, since the making of each Loan, kept or procured the keeping of full and proper accounts, books and records showing clearly all transactions, payments, receipts, proceedings and notices relating to such Loan;

(p) all authorisations, approvals, licences or consents required as appropriate for the Seller to enter into or to perform the obligations under the Mortgage Sale Agreement or to render the Mortgage Sale Agreement legal, valid, binding, enforceable and admissible in evidence have been obtained;

(q) where the Borrower of a Loan is not an individual, at least one of the obligors under the Related Security in relation to that Loan is an individual; and

(r) under the Mortgage Terms in respect of each Loan and its Related Security, each Borrower has expressly contracted out of, waived or given up, to the maximum extent allowed by Law, any right to setoff any amounts owed by the Seller to the Borrower against amounts owed by the Borrower under the relevant Loan and its Related Security.

The Eligibility Criteria are as follows:

Each Loan is a loan:

(a) which is denominated and payable only in New Zealand Dollars in New Zealand;

(b) which is secured by a Mortgage that constitutes a first ranking mortgage over Property which is registered under the New Zealand Real Property Legislation, other than Property the certificate of title in respect of which contains a notation to the effect that it is Maori freehold land;

(c) which is secured by a Mortgage over a Property which has erected on it a residential dwelling;

(d) which was approved and originated by the Seller or the Originator in the ordinary course of its business;

(e) under which the Outstanding Principal Balance owed by the relevant Borrower is not more than NZ$1,500,000;

(f) under which the relevant Borrower is required to repay the Loan within 30 years of the relevant Assignment Date;

(g) which is not a Delinquent Mortgage or a Defaulted Loan;

(h) which the sale of an interest in, or the sale of an interest in any Related Security, does not contravene or conflict with any Law;

(i) which is subject to the terms and conditions of Westpac New Zealand Limited's standard loan offer for Choices Home Loans or any similar loan product, however named, the product features of which are notified in writing to the Rating Agencies;

(j) which is not governed or regulated by any rural, primary production, moratorium or mediation legislation, other than the Credit Contracts Act 1981 (NZ) or the Credit Contracts and Consumer Finance Act 2003 (NZ) (or any replacement thereof);

(k) which is not a loan with an interest only payment type and a bullet prepayment at the end of the interest only period;

(l) under which the relevant Borrower is a resident of New Zealand; and

(m) under which, if the purpose of the loan was for constructing a residential dwelling, all progress drawings have been made by the Borrower and the residential dwelling has been completed.

Repurchase of Loans and their Related Security on a breach of a representation and warranty

In the event of a material breach of any of the Representations or Warranties in respect of any Loan and/or its Related Security comprised in the Portfolio, or if any of those Representations or Warranties proves to be materially untrue as at the relevant Cut-Off Date in respect of each such Loan and its Related Security, and provided that:

(a) the CB Guarantor (or the Servicer on its behalf) has given the Seller not less than ten NZ and Sydney Business Days notice in writing of such material breach or such Representation or Warranty proving to be materially untrue as of the relevant date;

(b) the CB Guarantor (or the Servicer on its behalf) has given notice in writing of such material breach or such Representation or Warranty proving to be materially untrue as of the relevant date to the Security Trustee; and

(c) such breach or untruth is not waived by the parties, or, where capable of remedy, not remedied by the Seller to the reasonable satisfaction of the Security Trustee (acting in its discretion) within the said ten NZ and Sydney Business Day period (or such longer period as the Security Trustee may direct the CB Guarantor in writing),

then the CB Guarantor shall serve upon the Seller a Loan Repurchase Notice requiring the Seller to repurchase the relevant Loan and its Related Security (and any other Loan secured or intended to be secured by that Related Security or any part of it) comprised in the Portfolio.

The repurchase price payable upon the repurchase of any such Loan or Loans comprised in the Portfolio is an amount equal to the Outstanding Principal Balance thereof as of the Cut-Off Date together with any amounts deducted from the amounts outstanding under such Loan or Loans comprised in the Portfolio in accordance with the Mortgage Sale Agreement as at the relevant repurchase date.

On the first CBG Payment Date falling after the relevant date of completion of any repurchase:

(a) the Seller shall pay to the CB Guarantor an amount equal to all the Arrears of Interest and Accrued Interest on the Loan and its Related Security repurchased from the CB Guarantor, up to (but excluding) the relevant repurchase completion date which has accrued since (but excluding) the relevant Cut-Off Date; and

(b) the CB Guarantor will pay to the Seller an amount equal to any Principal Receipts received by the CB Guarantor (or the Servicer on its behalf) in relation to such Loan and its Related Security from (but excluding) the relevant Cut-Off Date to (but excluding) the relevant repurchase completion date.

The repurchase proceeds received by the CB Guarantor will be applied (other than Accrued Interest and Arrears of Interest) in accordance with the Pre-Acceleration Principal Priority of Payments (see *Cashflows* below).

The CB Guarantor's and the Security Trustee's sole remedy in respect of a breach of any of the Representations and Warranties shall be to sell the relevant Loan and its Related Security to the Seller and each of the CB Guarantor, and the Security Trustee acknowledges and agrees that it shall have no right to make any claim for damages, costs, losses or any other amounts against the Seller as a consequence of such breach, other than as a direct consequence of the Seller failing to perform its obligations to repurchase the applicable Loan (and all other Loans under the relevant Mortgage Account) and its Related Security comprised in the Portfolio.

General ability to repurchase (including Defaulted Loans)

The Seller may at any time offer to repurchase any Loan and its Related Security comprised in the Portfolio (including, without limitation, any Defaulted Loan and its Related Security, any financial obligation owing by a Borrower to the CB Guarantor arising as a consequence of, or remaining after, the enforcement of, or the sale of the Property secured by, any Related Security in respect of a Loan comprised in the Portfolio after that Loan has become a Defaulted Loan, any Loan and its Related Security comprised in the Portfolio that is or is to be the subject of a Product Switch or a Further Advance (as the case may be), or any Loan and its Related Security comprised in the Portfolio in respect of which there is change to the Related Security) from the CB Guarantor for a purchase price of not less than the aggregate Outstanding Principal Balance thereof as of the Cut-Off Date for the repurchase of the relevant Loan and its Related Security. The CB Guarantor shall be deemed to have automatically accepted that offer without needing to take any further action. If an Issuer Event of Default has occurred and is continuing, the Seller's right to repurchase Loans and their

Related Security comprised in the Portfolio will be conditional upon the delivery by the Seller of a solvency certificate to the CB Guarantor and the Security Trustee.

On the first CBG Payment Date falling after the relevant date of completion of any repurchase:

(a) the Seller shall pay to the CB Guarantor an amount equal to all the Arrears of Interest and Accrued Interest on the Loan and its Related Security repurchased from the CB Guarantor, up to (but excluding) the relevant repurchase completion date which has accrued since (but excluding) the relevant Cut-Off Date; and

(b) the CB Guarantor will pay to the Seller an amount equal to any Principal Receipts received by the CB Guarantor (or the Servicer on its behalf) in relation to such Loan and its Related Security from (but excluding) the relevant Cut-Off Date to (but excluding) the relevant repurchase completion date.

Right of Pre-emption

Under the terms of the Mortgage Sale Agreement, the Seller has a right of pre-emption in respect of any sale, in whole or in part, of Selected Loans and their Related Security comprised in the Portfolio.

The CB Guarantor will serve on the Seller a Selected Loan Offer Notice offering to sell those Selected Loans and their Related Security (a) where there is a breach of the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds, (b) following the service of an Asset Coverage Test Breach Notice (which has not been revoked), (c) following the service of a Notice to Pay, (d) following the occurrence of a Demand Loan Repayment Event, or (e) following the Intercompany Loan Provider otherwise demanding repayment of the Demand Loan. The Seller shall have ten NZ and Sydney Business Days in which to accept such an offer. For further details see below under *Participation Agreement – Sale of Selected Loans following service of an Asset Coverage Test Breach Notice, Sale of Selected Loans following service of a Notice to Pay, Sale of Selected Loans following a breach of the Pre-Maturity Test* and *Sale of Selected Loans after a Demand Loan Repayment Event has occurred or the Intercompany Loan Provider has otherwise demanded that the Demand Loan be repaid* and *Participation Agreement – Method of Sale of Selected Loans*.

If an Issuer Event of Default has occurred and is continuing, the Seller's right to accept the offer (and therefore its right of pre-emption) will be conditional upon the delivery by the Seller of a solvency certificate to the CB Guarantor and the Security Trustee. If the Seller rejects the CB Guarantor's offer or fails to accept it in accordance with the foregoing, the CB Guarantor shall offer to sell the Selected Loans and their Related Security to other Purchasers (as described under *Summary of Principal Documents – Participation Agreement – Method of Sale of Selected Loans* below).

If the Seller validly accepts the CB Guarantor's offer to sell the Selected Loans and their Related Security, the CB Guarantor will, within three NZ and Sydney Business Days of such acceptance, serve a Selected Loan Repurchase Notice on the Seller. The Seller will sign and return a duplicate copy of the Selected Loan Repurchase Notice and will repurchase from the CB Guarantor, free from the Security created by and pursuant to the Security Trust Deed, the relevant Selected Loans and their Related Security (and any other Loan secured or intended to be secured by that Related Security or any part of it) comprised in the Portfolio referred to in the relevant Selected Loan Repurchase Notice and the CB Guarantor will cease to have any interest in, or right to, that Loan and its Related Security, and the Seller shall hold both its legal and beneficial interest in that Loan and its Related Security. Completion of such repurchase shall take place on:

(a) subject to paragraph (b) below, provided that the Seller receives such Selected Loan Repurchase Notice no later than five NZ and Sydney Business Days prior to the last day of the relevant Calculation Period, the NZ and Sydney Business Day that falls immediately prior to the last day of the Calculation Period during which the Seller received such Selected Loan Repurchase Notice or such later date as the CB Guarantor may direct in the Selected Loan Repurchase Notice; and

(b) where a Notice to Pay has been served on the CB Guarantor, the earlier to occur of the date which is (i) ten NZ and Sydney Business Days after receipt by the CB Guarantor of the returned Selected Loan Repurchase Notice and (ii) the Maturity Date of the Earliest Maturing Covered Bonds.

If Selected Loans and their Related Security are sold by or on behalf of the CB Guarantor as described below under *Participation Agreement – Sale of Selected Loans following service of an Asset Coverage Test Breach Notice, Sale of Selected Loans following service of a Notice to Pay, Sale of Selected Loans following a breach of the Pre-Maturity Test* and *Sale of Selected Loans after a Demand Loan Repayment Event has occurred or the Intercompany Loan Provider has otherwise demanded that the Demand Loan be repaid* the obligations of the Seller insofar as they relate to those Selected Loans and their Related Security will cease to apply.

Further Advances and Product Switches

The Seller is solely responsible for funding all Further Advances in respect of Loans sold by the Seller to the CB Guarantor, if any. The Intercompany Loan Provider will be deemed as having made an Advance in each case, in an amount equal to the amount of the Further Advance.

If the Seller accepts an application from, or makes an offer (which is accepted) to, a Borrower for a Product Switch or Further Advance which constitutes an unconditional obligation on the part of the Seller to make such Product Switch or Further Advance in respect of any Loan comprised in the Portfolio and if, as a consequence of such Product Switch or Further Advance, the Representation and Warranty in respect of the Eligibility Criteria (subject to certain modifications) are no longer satisfied in respect of such Loan and its Related Security on the date on which the Product Switch or Further Advance (as applicable) is made, then the Seller shall be deemed to have automatically offered to repurchase such Loan and its Related Security on such date, and the CB Guarantor shall be deemed to have automatically accepted that offer without needing to take any further action.

The repurchase price payable upon the repurchase of any such Loan and its Related Security is an amount equal to the Outstanding Principal Balance thereof as of the Cut-Off Date for the repurchase of the Loan and its Related Security. On the first CBG Payment Date falling after the relevant date of completion of any repurchase:

(a) the Seller shall pay to the CB Guarantor an amount equal to all the Arrears of Interest and Accrued Interest on the Loan and its Related Security repurchased from the CB Guarantor, up to (but excluding) the relevant repurchase completion date which have accrued since (but excluding) the relevant Cut-Off Date; and

(b) the CB Guarantor will pay to the Seller an amount equal to any Principal Receipts received by the CB Guarantor (or the Servicer on its behalf) in relation to such Loan and its Related Security from (but excluding) the relevant Cut-Off Date to (but excluding) the relevant repurchase completion date.

A Loan will be subject to a **Product Switch** if there is a variation in the financial terms and conditions applicable to the relevant Borrower's Loan other than:

(a) any variation agreed with a Borrower to control or manage arrears on the Loan;

(b) any variation in the term of the Loan;

(c) any variation imposed by Law;

(d) any variation of the principal available and/or the rate of interest payable in respect of the Loan where that variation or rate is offered to the Borrowers under Loans which constitute 10per cent. or

more by outstanding principal amount of Loans comprised in the Portfolio in any CBG Payment Period; or

(e) any variation in the frequency with which the interest payable in respect of the Loan is charged.

New Sellers

In the future, it is expected that New Sellers (which are members of the Bank Group) may accede to the Programme and sell loans and their related security to the CB Guarantor. Any such New Seller will be required to enter into a New Mortgage Sale Agreement, which will be in substantially the same form and contain substantially the same provisions as the Mortgage Sale Agreement entered into on the Signing Date between the Seller, the CB Guarantor and the Security Trustee. The sale of New Seller Loans and their Related Security by New Sellers to the CB Guarantor will be subject to certain conditions, including the following:

(a) each New Seller accedes to such Transaction Documents and enters into such other documents as may be required by the Security Trustee, the Bond Trustee, the CB Guarantor and/or the Cash Manager (in each case acting reasonably) to give effect to the addition of a New Seller to the transactions contemplated under the Programme provided that neither the Bond Trustee nor Security Trustee shall be responsible for ensuring such effect;

(b) any New Seller Loans and their Related Security sold by a New Seller to the CB Guarantor comply with the eligibility criteria set out in the New Mortgage Sale Agreement;

(c) either the Servicer services the New Seller Loans and their Related Security sold by a New Seller on the terms set out in the Servicing Agreement (with such subsequent amendments as may be agreed by the parties thereto) or the New Seller (or its nominee) enters into a servicing agreement with the CB Guarantor and the Security Trustee which sets out the servicing obligations of the New Seller (or its nominee) in relation to the New Seller Loans and their Related Security and which is on terms substantially similar to the terms set out in the Servicing Agreement (provided that the fees payable to the Servicer or the New Seller (or its nominee) acting as servicer of such New Seller Loans and their Related Security would be determined on or around the date of the accession of the New Seller to the Programme); and

(d) either (i) the CB Guarantor has notified the Rating Agencies then rating the Covered Bonds in writing of the proposed acquisition of the New Seller Loans and their Related Security from a New Seller (together with all relevant documents and supporting information) and such acquisition of the New Seller Loans and their Related Security would not cause the then current ratings of the Covered Bonds to be adversely affected, or (ii) such acquisition has been approved by an Extraordinary Resolution.

If the above conditions are met (other than where (d)(ii) applies), the consent of Covered Bondholders will not be required in relation to the accession of a New Seller to the Programme.

Trust Back

Where any Loans and their Related Security comprised in the Portfolio secure, or relate to, Other Secured Liabilities and/or where any Trust Back Loans or Trust Back Related Securities are assigned to the CB Guarantor whether under the Mortgage Sale Agreement or by operation of Law, then such Trust Back Assets shall be held by the CB Guarantor on bare trust for the Seller subject to certain conditions set out in the Mortgage Sale Agreement.

Subject to the terms of the Mortgage Sale Agreement and the Servicing Agreement, the Seller is entitled to deal with the Trust Back Assets in its absolute discretion, and the CB Guarantor must not deal with any Trust

Back Assets other than in accordance with directions given by the Seller, in accordance with the Transaction Documents or, to the extent necessary, to exercise and enforce any Loan or Related Security comprised in the Portfolio.

The CB Guarantor must act in accordance with any direction given to it by the Seller in respect of any Trust Back Assets, except that the CB Guarantor is not obliged to act in accordance with the direction of the Seller where to do so would be illegal, or would materially prejudice the exercise of the CB Guarantor's rights and interests in relation to the relevant Loan or Related Security, or otherwise be contrary to the terms of the Transaction Documents. However, the Seller may, at any time, direct the CB Guarantor to assign, transfer, re-assign or re-transfer to the Seller (or its nominee) any Trust Back Loans or Trust Back Related Securities on such terms as the Seller may specify and the CB Guarantor shall act in accordance with any such directions. No consideration is payable by the Seller in respect of such assignment, transfer, re-assignment or re-transfer.

Subject to the priority of payments in respect of Trust Back Assets (as described below), the Seller may retain any proceeds received by it from any Trust Back Assets, and the CB Guarantor must immediately on becoming aware that it has received any proceeds of Trust Back Assets, pay to the Seller any proceeds the CB Guarantor receives in respect of the Trust Back Assets.

If a Title Trigger Event occurs and the CB Guarantor has been notified by the Seller, the Servicer or the Administrative Agent that any Loan and/or Related Security is subject to a Trust Back, then the CB Guarantor (or the Servicer on its behalf) is to notify the Security Trustee of the Loan and/or Related Security which is affected by a Trust Back, and neither the CB Guarantor nor the Security Trustee shall dispose of, or create any interest in, that Loan and/or Related Security unless the person receiving that Related Security or that interest is first notified of the relevant Trust Back, and neither the CB Guarantor nor the Security Trustee shall grant, provide or agree to any release, discharge, surrender, waiver or variation of any such Related Security without the prior written consent of the Seller.

The CB Guarantor and the Security Trustee agree not to dispose of, or create an interest in, a Loan and/or Related Security which also secures, or relates to, Other Secured Liabilities, unless the terms of any agreement in respect of the disposal of, or the creation of the interest in, such Loan and/or Related Security (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 an Other Secured Liability.

If the Seller reasonably believes that the CB Guarantor or the Security Trustee intends to dispose of, or create an interest in, a Loan and/or Related Security which also secures, or relates to, Other Secured Liabilities without notifying the relevant third party acquirer of the relevant Trust Back or requiring the third party acquirer to give trust back undertakings in favour of the Seller, the Seller may lodge a caveat to protect its interest in the relevant Trust Back Assets.

In the event that the Seller disposes of, or creates any interest in an Other Secured Liability to, or in favour of, a third party, then, unless expressly agreed otherwise by the Seller, the CB Guarantor agrees to do such acts or things as the Seller may reasonably require the CB Guarantor to do, including entering into trust back undertakings in favour of the relevant third party on the same terms as those contained in the Mortgage Sale Agreement, so as to transfer to the relevant third party the benefit of the Trust Back in respect of such Other Secured Liabilities.

The CB Guarantor is to indemnify the Seller against any liability, loss, cost or expense incurred by the Seller as a result of the CB Guarantor or the Security Trustee failing to comply with its obligations under the Trust Back provisions in the Mortgage Sale Agreement.

All monies received by the Seller, the Servicer, the Administrative Agent or the CB Guarantor or any receiver, receiver and manager or attorney under or in relation to any Loan or Related Security comprised in

the Portfolio or any Other Secured Liability as a result of the enforcement of any Loan or a Related Security comprised in the Portfolio (but not Trust Back Loans or Trust Back Related Securities) is to be applied in the following order of priority (in each case if and only to the extent that payments or provisions of a higher priority have been paid in full):

(a) first, subject to certain exceptions in respect of enforcement expenses, in the following order of priority (in each case if and only to the extent that payments or provisions of a higher priority have been paid in full):

    (i) all costs, charges and expenses of the relevant mortgagee or any receiver, receiver and manager or attorney incurred in or incidental to the exercise or performance or attempted exercise or performance of any right, power or remedy in relation to such Related Security;

    (ii) all outgoings in relation to such Related Security which the mortgagee or any receiver, receiver and manager or attorney thinks fit to pay; and

    (iii) the remuneration of any receiver or receiver and manager;

(b) second, in satisfaction of amounts owing to the CB Guarantor under such Loan or the Related Security; and

(c) third, the Other Secured Liability for all amounts now or in the future owing under that Other Secured Liability and/or secured by the Related Security that relate to that Other Secured Liability.

The priority of payments set out above applies in respect of any amounts received as a result of the enforcement of a Loan or a Related Security comprised in the Portfolio prior to, and separate from, any Priorities of Payments, so that only amounts received or receivable by the CB Guarantor after the application of the priority of payments set out above shall be applied under any Priorities of Payments. The CB Guarantor shall not be liable for any shortfall arising as a result of the application of receipts in accordance with the priorities of payments set out above.

Asset Performance Fee

Pursuant to the Mortgage Sale Agreement the CB Guarantor shall pay to the Seller for the quality and revenue generating performance of the Loans and their Related Security comprised in the Portfolio an Asset Performance Fee (which shall be inclusive of an amount in respect of any applicable GST) which shall be paid to the Seller in arrears on each CBG Payment Date in the manner contemplated by, and in accordance with, the applicable Priorities of Payments (including, where applicable, from amounts standing to the credit of the CBG Residual Account).

The Mortgage Sale Agreement is governed by the laws of New Zealand.

Servicing Agreement

Pursuant to the terms of the Servicing Agreement entered into on the Signing Date between the Seller, the CB Guarantor, the Servicer and the Security Trustee, the Servicer has agreed to service on behalf of the CB Guarantor the Loans and their Related Security comprised in the Portfolio.

The Servicer is required to administer the Loans and their Related Security in accordance with the Servicing Agreement:

(a) as if the Loans and their Related Security sold by the Seller to the CB Guarantor had not been sold to the CB Guarantor but remained with the Seller;

(b) in accordance with the Seller's administration, arrears and enforcement policies and procedures forming part of the Seller's policy from time to time as they apply to those Loans; and

(c) by exercising the same level of skill, care and diligence as would a Reasonable, Prudent Mortgage Lender.

All acts of the Servicer in servicing the Loans and their Related Security comprised in the Portfolio in accordance with the relevant Seller's Policy are binding on the CB Guarantor.

The Servicer has the power to exercise the rights, powers and discretions and to perform the duties of the CB Guarantor and the Seller (according to their respective estates and interests) in relation to the Loans and their Related Security comprised in the Portfolio 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 Loans and their Related Security comprised in the Portfolio.

Right of delegation by the Servicer

The Servicer may from time to time sub-contract or delegate the performance of its duties under the Servicing Agreement, provided that it will nevertheless remain liable at all times for servicing the Loans and their Related Security comprised in the Portfolio and for the acts or omissions of any delegate or sub-contractor. Any such sub-contracting or delegation may be varied or terminated at any time by the Servicer.

Undertakings of the Servicer

Pursuant to the terms of the Servicing Agreement, the Servicer undertakes in relation to those Loans and their Related Security that it is servicing, *inter alia*, to:

(a) maintain the data base used by it as a master record of the Loans and their Related Security composed in the Portfolio and electronically tag the Loans so that they can be readily identified;

(b) hold as custodian the Title Deeds (if any) and Customer Files relating to each Loan in the Portfolio in accordance with its standard safekeeping practices;

(c) ensure that the Title Deeds (if any) and Customer Files relating to each Loan comprised in the Portfolio are capable of identification and are kept on the Premises in a secure environment in accordance with the Servicer's standard safekeeping practices;

(d) open and maintain in safe custody a record of physical movement from the Premises of such of the Title Deeds (if any) and Customer Files relating to each Loan comprised in the Portfolio which are held by it in a physical form from time to time;

(e) update the Loans Register and to give a copy of the Loans Register to the CB Guarantor and Security Trustee if requested by the CB Guarantor or Security Trustee in writing after the occurrence of any of the following:

(i) not later than three months after the First Assignment Date;

(ii) if either the Servicer or WBC has a long-term, unsecured, unsubordinated debt obligation rating of at least A3 from Moody's or A- from Fitch Ratings, not later than the last NZ and Sydney Business Day of each calendar year during the term of the Programme;

(iii) if neither the Servicer nor WBC has such a rating, on the last NZ and Sydney Business Day of each calendar month during the term of the Programme; or

(iv) within 30 days of a written request by the CB Guarantor or the Security Trustee if the CB Guarantor or the Security Trustee (in each case in its discretion, but acting reasonably) believes that the Servicer or the Seller is breaching its obligations under the Servicing Agreement or the Mortgage Sale Agreement (as the case may be);

(f) ensure that at all times it is able to locate each Title Deed (if any) and Customer File relating to each Loan comprised in the Portfolio by way of a periodic document audit;

(g) take all reasonable steps to cure any non-compliance identified in the audits carried out by an independent auditor of the Servicer's custodial role;

(h) prepare and submit, on or before each Calculation Date, to the CB Guarantor and the Security Trustee a report on Principal Receipts and Revenue Receipts, and provide such other information as the CB Guarantor or the Security Trustee reasonably requires;

(i) enforce any Loan which is in default in accordance with the Seller's enforcement procedures or, to the extent that such enforcement procedures are not applicable having regard to the nature of the default in question, with the procedures that would be undertaken by a Reasonable, Prudent Mortgage Lender on behalf of the CB Guarantor;

(j) carry out certain customer due diligence, record keeping, suspicious transaction reporting and other activities associated with New Zealand's anti-money laundering and countering financing of terrorism regime; and

(k) on becoming aware of a Title Trigger Event either terminate each Loan Offset Document and each related loan offset arrangement, or take such other steps or action or enter into such other agreement or arrangement, in relation to the Loan Offset Documents and their related loan offset arrangements, that have the effect of avoiding a further downgrade of the then current ratings of the Covered Bonds.

The Servicer on behalf of, and as agent for, the CB Guarantor may accept applications from Borrowers for Product Switches and may agree to any such Product Switches provided that the Servicer acts in accordance with the Seller's Policy and such Product Switches would be acceptable to a Reasonable, Prudent Mortgage Lender. Where the Seller accepts an application for a Product Switch, and if, as a consequence of such Product Switch, the Representation and Warranty in respect of the Eligibility Criteria (subject to certain modifications) is no longer satisfied then the Servicer will procure that the Seller shall repurchase such Loan in accordance with the Mortgage Sale Agreement.

The Servicer also undertakes that, on the Servicer ceasing to be assigned a long term, unsecured, unsubordinated debt obligation rating of at least Baa2 from Moody's or BBB from Fitch Ratings, it will use reasonable endeavours to enter into a new servicing agreement with a third party either (i) substantially on the same terms as the Servicing Agreement or (ii) on such other terms as the CB Guarantor and the Security Trustee (acting in its discretion) may reasonably agree, in each case within 30 days, under which such third party will undertake the servicing obligations in relation to the Portfolio.

Loan offset arrangements

WNZL has introduced a facility whereby customers can agree that the amount of interest payable on the Loan is reduced by an amount equal to the interest that they would have otherwise received on certain accounts and accounts of certain close relations.

If a Loan Offset Account is linked to a Loan, the Seller shall pay an amount on each date that interest in respect of that Loan is paid (or would otherwise have been payable) into the GI Account that is equal to Loan Offset Interest Amount.

The Seller also represents and warrants to the CB Guarantor that each Loan Offset Document provides the Seller with the right to terminate the applicable loan offset arrangement by giving not more than 14 days' notice (or such other longer minimum period of notice required by Law or in any code of practice to which Reasonable, Prudent Mortgage Lenders are subject).

Each of the Seller and the Servicer also covenants with the CB Guarantor that:

(i) it will not take any action, or enter into any agreement, that has the effect of removing from any Loan Offset Document the right of termination described above; and

(ii) promptly on becoming aware of the occurrence of any of Title Trigger Events, it will either:

(A) terminate each Loan Offset Document, and each related loan offset arrangement; or

(B) take such other steps or action, or enter into such other agreements or arrangements, in relation to the Loan Offset Documents and their related loan offset arrangements, that have the effect of avoiding a further downgrade of the then current ratings of the Covered Bonds (being the ratings applying following the occurrence of any of the Title Trigger Events).

Calculation of Threshold Rate

If at any time the Interest Rate Swap is terminated and for so long as no replacement interest rate swap is entered into, the CB Guarantor (or the Administrative Agent on its behalf) is to, so long as there are Variable Rate Loans comprised in the Portfolio, on each of:

(a) the earlier of:

(i) the date which is three NZ and Sydney Business Days following the date on which the Interest Rate Swap is terminated; and

(ii) the Calculation Date immediately following the date on which the Interest Rate Swap is terminated; and

(b) each successive Calculation Date,

calculate the Threshold Rate as at that date and notify the CB Guarantor (if applicable), the Security Trustee and the Servicer of that Threshold Rate on the relevant CBG Payment Date, provided that, for the avoidance of doubt, once a replacement interest rate swap is put in place the CB Guarantor and the Administrative Agent may agree to continue to calculate the Threshold Rate as aforesaid.

If the Servicer is notified of a Threshold Rate, it will, not more than seven NZ and Sydney Business Days following the date on which the Threshold Rate is notified to it, ensure that the process is commenced to change the interest rate payable on some or all of the Loans comprised in the Portfolio which are subject to a variable rate set, as permitted by the terms of the relevant Loan. Such rates are to be determined by the Seller, but the Seller shall ensure that the weighted average interest rate payable on all variable rate Loans comprised in the Portfolio after the completion of such change in the interest rate shall not be less than the Threshold Rate. The Servicer shall promptly notify the CB Guarantor and the Security Trustee when that process has been commenced and completed.

Collections of monies

The Seller shall, on behalf of the CB Guarantor, collect and receive the amounts due from Borrowers under the Loans and Related Security comprised in the Portfolio in relation to which the Seller retains an ownership interest. All such amounts shall be held by the Seller on trust for the CB Guarantor.

Where a Loan is subject to a loan offset arrangement, the Seller is also required to pay an amount on each date that interest in respect of that Loan is paid (or would otherwise have been payable) into the GI Account that is equal to the Loan Offset Interest Amount.

In collecting and receiving the amounts due from Borrowers under the Loans and Related Security comprised in the Portfolio in relation to which it retains an ownership interest, the Seller shall:

(a) act in accordance with the standards and practices applied by the Seller to other assets which it owns in the ordinary course of its business and in accordance with the Seller's Policy; and

(b) exercise the same level of skill, care and diligence as would a Reasonable, Prudent Mortgage Lender.

The Seller may, from time to time if it is not the Servicer, delegate to the Servicer the collection and receipt of the amounts due from Borrowers. The Seller may revoke that delegation at any time. The Seller shall remain liable despite any delegation.

Following the perfection of title to any Loan and Related Security comprised in the Portfolio, the Servicer shall, on behalf of the CB Guarantor, collect and receive amounts due from Borrowers in respect of that Loan and Related Security comprised in the Portfolio.

Remuneration

The CB Guarantor shall pay to the Servicer a services fee (inclusive of GST) for its services. Such services fee shall be calculated in relation to each Calculation Period and shall be payable to the Servicer in arrear on each CBG Payment Date. The CB Guarantor will also reimburse the Servicer in accordance with the Priorities of Payments on each CBG Payment Date for all out-of-pocket costs and expenses properly incurred by the Servicer in the performance of the services.

Removal or resignation of the Servicer

The CB Guarantor and the Security Trustee may, upon written notice to the Servicer, terminate the Servicer's appointment under the Servicing Agreement if any of the following events (each a **Servicer Termination Event**) occurs:

(a) the Servicer defaults in the payment on the due date of any amount due and payable by it under the Servicing Agreement and does not remedy that default for a period of five NZ and Sydney Business Days after the earlier of the Servicer becoming aware of the default or receipt by the Servicer of written notice from the CB Guarantor or the Security Trustee requiring the default to be remedied;

(b) the Servicer defaults in the performance or observance of its obligations to commence the process to change the interest rate payable on certain Loans once it is notified of a Threshold Rate, in accordance with the Servicing Agreement;

(c) the Servicer defaults in the performance or observation of any of its other covenants and obligations under the Servicing Agreement, which failure in the reasonable opinion of the CB Guarantor or the Security Trustee has had, or if continued will have, an Adverse Effect, and it does not remedy that

default within 30 days after receipt by the Servicer of written notice from the CB Guarantor or the Security Trustee, as the case may be, requiring the default to be remedied; or

(d) an Insolvency Event occurs in relation to the Servicer.

Subject to the fulfilment of a number of conditions, the Servicer may voluntarily resign by giving not less than three months' written notice to the Security Trustee and the CB Guarantor provided that a suitably qualified substitute servicer has been appointed and enters into a servicing agreement with the CB Guarantor substantially on the same terms as the Servicing Agreement. The resignation of the Servicer is conditional on the resignation and appointment of a new servicer not causing the then current ratings of the Covered Bonds to be adversely affected unless the Covered Bondholders agree otherwise by Extraordinary Resolution, and notice of such termination and appointment of a new servicer being given to the Rating Agencies.

If the appointment of the Servicer is terminated, the Servicer must deliver the Title Deeds (if any) and Customer Files relating to the Loans comprised in the Portfolio in its possession to, or at the direction of, the CB Guarantor, including all relevant information contained on computer records in the form of magnetic tape, CD-ROM and/or other form of electronic media. The Servicing Agreement will terminate at such time as the CB Guarantor has no further interest in any of the Loans or their Related Security serviced under the Servicing Agreement that have been comprised in the Portfolio.

Neither the Bond Trustee nor the Security Trustee is obliged to act as servicer in any circumstances.

The Servicing Agreement is governed by the laws of New Zealand.

Asset Monitor Agreement

Under the terms of the Asset Monitor Agreement as amended and restated on 20 September 2018 between the Asset Monitor, the CB Guarantor, the Group Guarantor, the Servicer, the Cash Manager, the Administrative Agent, the Issuer and the Security Trustee, the Asset Monitor has agreed to perform certain agreed procedures and notification duties in relation to the calculations performed by the Cash Manager in relation to the Asset Coverage Test and the Amortisation Test, the keeping and maintenance of the register of cover pool assets and the compliance of that register with any asset class designation specified by the RBNZ.

The Asset Monitor has agreed subject to due receipt of the information to be provided by the Cash Manager to the Asset Monitor, to conduct tests in respect of the arithmetical accuracy of the calculations performed by the Cash Manager, prior to service of a Notice to Pay or a CBG Acceleration Notice, on the Calculation Date immediately prior to the Calculation Testing Date with a view to confirmation of the arithmetic accuracy or inaccuracy of such calculations. If and for so long as the long-term ratings of the Issuer or the Group Guarantor or the Cash Manager (or if the Issuer or the Cash Manager is not independently rated and, as the case may be, is an affiliate of WBC, the long-term ratings of WBC, such ratings, the **Deemed Ratings**) are below the ratings set out in the Asset Monitor Agreement or following the service of an Asset Coverage Test Breach Notice (which has not been revoked), the Asset Monitor will, subject to receipt of the relevant information from the Cash Manager, be required to conduct such tests following each Calculation Date. Following service of a Notice to Pay (but prior to service of a CBG Acceleration Notice), the Asset Monitor will also be required to test the arithmetical accuracy of the calculations performed by the Cash Manager in respect of the Amortisation Test with a view to confirmation of the arithmetic accuracy or inaccuracy of such calculations.

Following a determination by the Asset Monitor of any errors in the arithmetic accuracy of the calculations performed by the Cash Manager such that the Asset Coverage Test or the Amortisation Test has been failed on the applicable Calculation Date (where the Cash Manager had recorded it as being satisfied) or the Adjusted Aggregate Loan Amount or the Amortisation Test Aggregate Loan Amount was mis-stated by an amount exceeding one per cent. of the actual Adjusted Aggregate Loan Amount or the actual Amortisation

Test Aggregate 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 for a period of six months thereafter.

The Asset Monitor is entitled, except in certain limited circumstances, to assume that all information provided to it by the Cash Manager for the purpose of conducting such tests in relation to the arithmetic accuracy of the calculations performed by the Cash Manager is true and correct and not misleading. The Asset Monitor Report will be delivered to the Cash Manager, the Administrative Agent, the Servicer, the CB Guarantor, the Issuer, the Group Guarantor and the Security Trustee.

In addition, under the terms of the Asset Monitor Agreement, the Asset Monitor has agreed to perform the functions of a cover pool monitor for the purposes of the Reserve Bank Act. The Asset Monitor will assess compliance with the Reserve Bank Compliance Requirements as soon as practicable (but within the timeframe required under the Reserve Bank Act) after receipt of all relevant information to be provided by the Administrative Agent or the Cash Manager as appropriate, such information to be provided to the Asset Monitor within 10 NZ and Sydney Business Days after:

(a) each Calculation Testing Date falling prior to the service of a Notice to Pay or a CBG Acceleration Notice; and

(b) each date falling every 3 months after the annual assessment reveals that the Reserve Bank Compliance Requirements have not been met to the Asset Monitor's satisfaction,

or, in each case, at such other time required by the Reserve Bank Act. The Asset Monitor provides its report on the compliance with the Reserve Bank Compliance Requirements to the RBNZ, the Cash Manager, the Administrative Agent, the Servicer, the CB Guarantor, the Issuer, the Group Guarantor and the Security Trustee.

The CB Guarantor will pay to the Asset Monitor a fee for the services to be performed by the Asset Monitor.

The CB Guarantor may, at any time, terminate the appointment of the Asset Monitor:

(a) by giving at least 30 days' prior written notice to the Asset Monitor, provided that (i) the prior consent of the Security Trustee is obtained to such termination where the CB Guarantor terminates the appointment of the Asset Monitor more than twice in any period of 12 consecutive months and (ii) such termination may not be effected unless and until a replacement asset monitor (which is an Eligible Asset Monitor) approved by the Security Trustee has been found by the CB Guarantor (such replacement being deemed approved by the Security Trustee if the replacement is an accountancy firm of international standing or of national standing in New Zealand or Australia (which is an Eligible Asset Monitor) which agrees to perform the duties of the Asset Monitor set out in the Asset Monitor Agreement (or substantially similar duties)); or

(b) immediately upon providing the Asset Monitor written notice where the Asset Monitor ceases to be, or intends to cease to be, an Eligible Asset Monitor.

The Asset Monitor may, at any time, resign by giving at least 30 days' prior written notice to the CB Guarantor and the Security Trustee (copied to the Rating Agencies), and may resign by giving immediate notice in the event of a professional conflict of interest caused by the action of any recipient of its reports.

Upon the Asset Monitor giving notice of resignation, the CB Guarantor shall immediately use all reasonable endeavours to appoint a replacement (such replacement to be an Eligible Asset Monitor and either an accounting firm of international standing or of national standing in New Zealand or Australia, or approved by the Security Trustee) which agrees to perform the duties of the Asset Monitor set out in the Asset Monitor Agreement. If a replacement is not appointed by the date which is 30 days prior to the date when tests or

assessments (as the case may be) are next to be carried out in accordance with the terms of the Asset Monitor Agreement, then the CB Guarantor shall use all reasonable endeavours to appoint an accountancy firm of national standing in New Zealand or Australia which is an Eligible Asset Monitor to carry out the relevant tests on a one-off basis. The CB Guarantor will promptly notify the Rating Agencies and the Group Guarantor, the Servicer, the Cash Manager, the Administrative Agent, the Issuer and the Security Trustee of the appointment of any substitute or replacement asset monitor.

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 the laws of New Zealand.

Participation Agreement

Asset Coverage Test

Under the terms of the Participation Agreement, the CB Guarantor must ensure that, as of each Calculation Date, the Adjusted Aggregate 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 as of the relevant Calculation Date (the **Asset Coverage Test**). For a further discussion of the Asset Coverage Test see: *Credit Structure – Asset Coverage Test* below.

The CB Guarantor (or the Cash Manager on its behalf) must calculate the Adjusted Aggregate Loan Amount (as of each Calculation Date) on or prior to each Test Date, which is the fifth NZ and Sydney Business Day after each Calculation Date.

If on any Test Date the Adjusted Aggregate Loan Amount is less than the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds, all calculated as of the Calculation Date immediately preceding that Test Date, then the CB Guarantor (or the Cash Manager on its behalf) will notify the Seller, the Issuer, the Group Guarantor, the Rating Agencies the Bond Trustee, the Security Trustee and (where applicable in order to satisfy any requirements of the Reserve Bank Act) the RBNZ thereof and the CB Guarantor will use all commercially reasonable endeavours to acquire further Loans and their Related Security from the Seller and/or obtaining an Advance or a Subordinated Advance to ensure that the Asset Coverage Test is met as of the next Calculation Date.

If on the next following Test Date the Adjusted Aggregate Loan Amount is less than the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds (all calculated as of the Calculation Date immediately preceding that Test Date), the Asset Coverage Test will be breached and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the CB Guarantor. The Bond Trustee will be deemed to have revoked an Asset Coverage Test Breach Notice if, on the Test Date immediately succeeding service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is satisfied and neither a Notice to Pay nor a CBG Acceleration Notice has been served.

Following service of an Asset Coverage Test Breach Notice on the CB Guarantor (which has not been revoked):

(a) the CB Guarantor may be required to sell Selected Loans and remit the proceeds to the GI Account as more particularly described in *Participation Agreement – Sale of Selected Loans 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 CBG Event of Default and service of a CBG Acceleration Notice, the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments will be modified as more particularly described in *Cashflows – Allocation and*

Distribution of Available Revenue Receipts and Available Principal Receipts following service on the CB Guarantor of an Asset Coverage Test Breach Notice (which has not been revoked) below; and

(c) the Issuer will not be permitted to issue any further Series of Covered Bonds.

If an Asset Coverage Test Breach Notice has been served and not revoked by the Bond Trustee on or before the Test Date immediately succeeding service of such Asset Coverage Test Breach Notice, then an Issuer Event of Default will occur and the Bond Trustee will be entitled 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 CB Guarantor.

For the purposes hereof:

The **Adjusted Aggregate Loan Amount** in respect of a Calculation Date means:

A + B + C + D – Z

where,

A = the lower of (a), (b) and (c) (or, if (a) is no longer applicable as provided below, the lower of (b) and (c)), where:

(a) = the sum of the **LTV Adjusted Outstanding Principal Balance** of each Loan in the Portfolio as at the relevant Calculation Date, which shall be the lower of:

(i) the actual Outstanding Principal Balance of the relevant Loan in the Portfolio as calculated as of the relevant Calculation Date; and

(ii) the aggregate of the Valuation of each Property subject to a Related Security relating to that Loan, in each case multiplied by M:

(A) where, for all Loans that are not Defaulted Loans, M = 0.75; and

(B) where, for all Loans that are Defaulted Loans M = 0,

minus

the aggregate sum of the following deemed reductions to the aggregate LTV Adjusted Outstanding Principal Balance of the Loans in the Portfolio if either of the following occurred during the Calculation Period ending on such Calculation Date:

(1) the Seller was, in respect of a Loan or its Related Security, in breach of any of the Representations and Warranties contained in the Mortgage Sale Agreement or subject to any other obligation of the Seller to repurchase the relevant Loan and its Related Security, and in each case the Seller has not repurchased the Loan or Loans of the relevant Borrower and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement. In this event, the aggregate LTV Adjusted Outstanding Principal Balance of the Loans in the Portfolio (as calculated as of the relevant

Calculation Date) will be deemed to be reduced by an amount equal to the LTV Adjusted Outstanding Principal Balance of the relevant Loan or Loans (as calculated as of the relevant Calculation Date) of the relevant Borrower; and/or

(2) the Seller was, in such Calculation Period or any preceding Calculation Period, in breach of any other material warranty under the Mortgage Sale Agreement and/or the Servicer was, during such Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate LTV Adjusted Outstanding Principal Balance of the Loans in the Portfolio (as calculated as of the relevant Calculation Date) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the CB Guarantor, in such Calculation Period (such financial loss to be calculated by the Cash Manager without double counting (including in respect of amounts under (1) above) and net of any amount paid (in cash or in kind) to the CB Guarantor by the Seller to indemnify the CB Guarantor for such financial loss);

PROVIDED THAT the calculation above in respect of the LTV Adjusted Outstanding Principal Balance shall be applicable only for so long as any Covered Bond issued on or before 23 July 2013 remains outstanding.

AND

(b) = the sum of the **Asset Percentage Adjusted Outstanding Principal Balance** of each Loan in the Portfolio as at the relevant Calculation Date which shall be the lower of:

(i) the actual Outstanding Principal Balance of the relevant Loan in the Portfolio as calculated as of the relevant Calculation Date; and

(ii) the aggregate of the Valuation of each Property subject to a Related Security relating to that Loan, in each case multiplied by N:

(A) where for all Loans that are not Defaulted Loans, N = 1.00; and

(B) where, for all Loans that are Defaulted Loans, N = 0,

minus

the aggregate sum of the following deemed reductions to the aggregate Asset Percentage Adjusted Outstanding Principal Balance of the Loans in the Portfolio if either of the following occurred during the Calculation Period ending on such Calculation Date:

(1) the Seller was, in respect of a Loan or its Related Security, in breach of any of the Loan Representations and Warranties contained in the Mortgage Sale Agreement or subject to any other obligation of the Seller to repurchase the relevant Loan and its Related Security, and in each case the Seller has not repurchased the Loan or Loans of the relevant Borrower and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement. In this

event, the aggregate Asset Percentage Adjusted Outstanding Principal Balance of the Loans in the Portfolio (as calculated as of the relevant Calculation Date) will be deemed to be reduced by an amount equal to the Asset Percentage Adjusted Outstanding Principal Balance of the relevant Loan or Loans (as calculated as of the relevant Calculation Date) of the relevant Borrower; and/or

(2) the Seller was, in such Calculation Period or any preceding Calculation Period, in breach of any other material warranty under the Mortgage Sale Agreement and/or the Servicer was, in such Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Asset Percentage Adjusted Outstanding Principal Balance of the Loans in the Portfolio (as calculated as of the relevant Calculation Date) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the CB Guarantor in such Calculation Period (such financial loss to be calculated by the Cash Manager without double counting (including in respect of amounts under (1) above) and net of any amount paid (in cash or in kind) to the CB Guarantor by the Seller to indemnify the CB Guarantor for such financial loss),

the result of *the calculation in this paragraph (b) being multiplied by* the Asset Percentage (as determined below);

AND

(c) = the sum of the **Indexed LTV Adjusted Outstanding Principal Balance** of each Loan in the Portfolio as at the relevant Calculation Date, which shall be the lower of:

(i) the actual Outstanding Principal Balance of the relevant Loan in the Portfolio as calculated as of the relevant Calculation Date; and

(ii) the aggregate of the Indexed Valuation of each Property subject to a Related Security relating to that Loan, in each case multiplied by M:

(A) where, for all Loans that are not Defaulted Loans, M = 0.75; and

(B) where, for all Loans that are Defaulted Loans M = 0,

minus

the aggregate sum of the following deemed reductions to the aggregate Indexed LTV Adjusted Outstanding Principal Balance of the Loans in the Portfolio if either of the following occurred during the Calculation Period ending on such Calculation Date:

(1) the Seller was, in respect of a Loan or its Related Security, in breach of any of the Representations and Warranties contained in the Mortgage Sale Agreement or subject to any other obligation of the Seller to repurchase the relevant Loan and its Related Security, and in each case the Seller has not repurchased the Loan or Loans of the relevant Borrower and its or their Related Security to the extent

required by the terms of the Mortgage Sale Agreement. In this event, the aggregate Indexed LTV Adjusted Outstanding Principal Balance of the Loans in the Portfolio (as calculated as of the relevant Calculation Date) will be deemed to be reduced by an amount equal to the Indexed LTV Adjusted Outstanding Principal Balance of the relevant Loan or Loans (as calculated as of the relevant Calculation Date) of the relevant Borrower; and/or

(2) the Seller was, in such Calculation Period or any preceding Calculation Period, in breach of any other material warranty under the Mortgage Sale Agreement and/or the Servicer was, during such Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Indexed LTV Adjusted Outstanding Principal Balance of the Loans in the Portfolio (as calculated as of the relevant Calculation Date) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the CB Guarantor in such Calculation Period (such financial loss to be calculated by the Cash Manager without double counting (including in respect of amounts under (1) above) and net of any amount paid (in cash or in kind) to the CB Guarantor by the Seller to indemnify the CB Guarantor for such financial loss).

B = the aggregate amount of any Principal Receipts on the Loans in the Portfolio up to the end of the Calculation Period ending on such Calculation Date (as recorded in the Principal Ledger) which have not been applied as at the relevant Calculation Date to acquire further Loans and their Related Security or otherwise applied in accordance with the Participation Agreement and/or the other Transaction Documents (including, for the avoidance of doubt, any amount then standing to the credit of the GI Account (including amounts standing to the credit of the Title Perfection Ledger, the Reserve Ledger and the Pre-Maturity Liquidity Ledger) (but without double counting));

C = the aggregate amount of Advances under the Intercompany Loan and Subordinated Advances under the Subordinated Loan Agreement which have not been applied as at the relevant Calculation Date to acquire further Loans and their Related Security or otherwise applied in accordance with the Participation Agreement and/or the other Transaction Documents;

D = the aggregate outstanding principal balance of any Substitution Assets and Authorised Investments as at the relevant Calculation Date; and

Z = the weighted average remaining maturity of all Covered Bonds (expressed in years) then outstanding *multiplied by* the aggregate NZ Dollar Equivalent of the Principal Amount Outstanding of all Covered Bonds *multiplied by* the Negative Carry Factor where the **Negative Carry Factor** is (i) zero, for so long as the Interest Rate Swap is in effect in accordance with the terms thereof; or (ii) X plus the weighted average margin of the interest rates payable by the CB Guarantor under the Covered Bond Swaps (provided that if the weighted average remaining maturity is less than one, the weighted average shall be deemed, for the purposes of this calculation, to be one), and X is 0.45 per cent. or such higher percentage figure that the CB Guarantor (or the Cash Manager acting on its behalf) may from time to time determine and which is promptly notified to the Rating Agencies, the Bond Trustee and the Security Trustee.

The **Asset Percentage** shall be determined in accordance with the following:

(a) The Asset Percentage on any date shall be the lowest of:

(i) 90%;

(ii) such lesser percentage figure as selected by the CB Guarantor (or the Cash Manager acting on its behalf) from time to time and notified to Fitch Ratings and the Bond Trustee and the Security Trustee in accordance with paragraph (b) below, being the asset percentage that is necessary to ensure that the Covered Bonds maintain the then current ratings assigned to them by Fitch Ratings, subject to the restriction in paragraph (c) below; and

(iii) the percentage figure most recently selected by the CB Guarantor (or the Cash Manager acting on its behalf) and notified to Moody's and the Bond Trustee and the Security Trustee in accordance with paragraph (b) below, as the percentage figure that would be necessary to ensure the Covered Bonds maintain the then current ratings assigned to them by Moody's using Moody's expected loss methodology, subject to the restriction in paragraph (c) below.

The Asset Percentage determined in this paragraph (a) shall be published in the Investor Report for the relevant period.

(b) On any NZ and Sydney Business Day (including, but not limited to, any Calculation Date) as may be selected from time to time by and at the option of the CB Guarantor (or the Cash Manager acting on its behalf), the CB Guarantor (or the Cash Manager acting on its behalf) will send written notice to (i) the Bond Trustee, the Security Trustee and Fitch Ratings of the percentage figure that has been selected by the CB Guarantor (or the Cash Manager acting on its behalf) in accordance with paragraph (a)(ii), and/or (as applicable) (ii) the Bond Trustee, the Security Trustee and Moody's of the percentage figure that has been selected by the CB Guarantor (or the Cash Manager acting on its behalf) in accordance with paragraph (a)(iii), that, in each case, will be applied on the immediately following Calculation Date, being the required Asset Percentage to achieve the amount of credit enhancement required for the Covered Bonds to achieve an AAA rating by Fitch Ratings or an Aaa rating by Moody's using Moody's expected loss methodology (as the case may be) (regardless of the actual Fitch Ratings or Moody's rating of the Covered Bonds at the current time). Any notification to Fitch Ratings or Moody's (as applicable) and the Bond Trustee and the Security Trustee pursuant to this paragraph (b) shall be made in the form of Schedule 1 (Percentage Notification) to Schedule A of the Participation Agreement and such notice shall be delivered to the Bond Trustee and the Security Trustee in accordance with the provisions of Clause 4 of the Master Definitions and Construction Agreement and to Fitch Ratings or Moody's (as applicable) by email, which email shall be deemed to be received once sent provided that an email sent after 5:00 p.m. on any NZ and Sydney Business Day shall be deemed to be received on the next following NZ and Sydney Business Day.

(c) Notwithstanding paragraph (b) above, the CB Guarantor is not obliged to ensure that the Covered Bonds maintain an AAA rating by Fitch Ratings or an Aaa rating by Moody's (as the case may be) and the CB Guarantor is not obliged to change the figure selected by it in accordance with paragraphs (a)(ii) or (a)(iii) above and notified to Fitch Ratings or Moody's (as applicable) and the Bond Trustee and the Security Trustee in order to maintain the level of credit enhancement required to ensure that the Covered Bonds maintain an AAA rating by Fitch Ratings or an Aaa rating by Moody's using Moody's expected loss methodology (as the case may be). Following any downgrade of the Covered Bonds by Fitch Ratings, the percentage figure in paragraph (a)(ii) may not exceed the Asset Percentage that applied as of the last time the Covered Bonds were rated AAA by Fitch Ratings, and, following any downgrade of the Covered Bonds by Moody's, the percentage figure in paragraph (a)(iii) may not exceed the Asset Percentage that applied as of the last time the Covered Bonds were rated by Aaa by Moody's.

(d) On any NZ and Sydney Business Day (including, but not limited to any Calculation Date) as may be selected from time to time by and at the option of the CB Guarantor (or the Cash Manager acting on its behalf) the CB Guarantor (or the Cash Manager acting on its behalf) will send written notice to the Bond Trustee and the Security Trustee and the Rating Agencies of the swap rate(s) that has been selected by the CB Guarantor (or the Cash Manager acting on its behalf) that will be applied on the immediately following Interest Periods under the Interest Rate Swap Agreement(s). Any notification to the Rating Agencies and the Bond Trustee and the Security Trustee pursuant to this paragraph (d) shall be made in the form of Schedule 2 (Swap Fixed Rate Notification) to Schedule A of the Participation Agreement and such notice shall be delivered to the Bond Trustee and the Security Trustee in accordance with the provisions of Clause 4 of the Master Definitions and Construction Agreement and to the Rating Agencies by email, which email shall be deemed to be received once sent provided that an email sent after 5:00 p.m. New Zealand time on any NZ and Sydney Business Day shall be deemed to be received on the next following NZ and Sydney Business Day.

Where there is more than one Loan in the Portfolio secured on the same Property subject to a Related Security, the calculation of the Asset Coverage Test will be calculated in respect of such Loans on a consolidated basis as if all Loans in the Portfolio secured on the same Property subject to a Related Security were a single Loan.

The practical effect of the proviso at the end of (a) above in the calculation of Adjusted Aggregate Loan Amount is that, for so long as the Covered Bonds that were issued on or prior to 23 July 2013 remain outstanding, the LTV Adjusted Outstanding Principal Balance will apply for the purposes of calculating the Adjusted Aggregate Loan Amount in respect of all Covered Bonds, whether issued before or after 23 July 2013. The LTV Adjusted Outstanding Principal Balance will be replaced by the Indexed LTV Adjusted Outstanding Principal Balance only once the last of those existing Covered Bonds is repaid in full.

All Covered Bonds that were issued on or prior to 23 July 2013 have been repaid in full and therefore the LTV Adjusted Outstanding Principal Balance is no longer relevant for the purposes of calculating the Adjusted Aggregate Loan Amount.

Amortisation Test

The CB Guarantor must ensure that as of each Calculation Date following service of a Notice to Pay on the CB Guarantor (but prior to service of a CBG Acceleration Notice) and for so long as Covered Bonds remain outstanding, the Amortisation Test Aggregate 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 as of the relevant Calculation Date (the **Amortisation Test**). For a further discussion of the Amortisation Test see: *Credit Structure – Amortisation Test* below.

The CB Guarantor (or the Cash Manager on its behalf) must calculate the Adjusted Aggregate Loan Amount (as of each Calculation Date) on or prior to each Test Date following service of a Notice to Pay (but prior to service of a CBG Acceleration Notice).

If on any Test Date following service of a Notice to Pay on the CB Guarantor, the Amortisation Test Aggregate Loan Amount is less than the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds, all calculated as of the Calculation Date immediately preceding that Test Date, then the Amortisation Test will be deemed to be breached and a CBG Event of Default will occur. The CB Guarantor (or the Cash Manager on its behalf) will immediately notify the Seller, the Issuer, the Group Guarantor, the Rating Agencies, the Security Trustee, the Bond Trustee and (where applicable in order to satisfy any requirements of the Reserve Bank Act) the RBNZ of any breach of the Amortisation Test.

The **Amortisation Test Aggregate Loan Amount** will be calculated as at each Calculation Date as follows:

$$A+B+C-Z$$

where:

A = the lower of (a) and (b) (or, where (a) is no longer applicable as provided below, A = (b)), where:

(a) = the sum of the **Amortisation Test Outstanding Principal Balance** of each Loan, which balance will be the lower of:

(a) the actual Outstanding Principal Balance of the relevant Loan, as calculated on the relevant Calculation Date; and

(b) the aggregate of the Valuation of each Property subject to a Related Security relating to such Loan multiplied by M,

where for all Loans that are not Defaulted Loans M = 0.75 and for all the Loans that are Defaulted Loans M = 0;

PROVIDED THAT the calculation above in respect of the Amortisation Test Outstanding Principal Balance shall be applicable only for so long as any Covered Bond issued on or before 23 July 2013 remains outstanding.

AND

(b) = the sum of the **Indexed Amortisation Test Outstanding Principal Balance** of each Loan in the Portfolio, which balance shall be the lower of:

(a) the actual Outstanding Principal Balance of the relevant Loan, as calculated as of the relevant Calculation Date; and

(b) the aggregate of the Indexed Valuation of each Property subject to a Related Security relating to such Loan multiplied by M.

Where for all Loans that are not Defaulted Loans M = 0.75, and for all Loans that are Defaulted Loans M =0.

B = the sum of the amount of any cash standing to the credit of the GI Account and the principal amount of any Authorised Investments (excluding any Available Revenue Receipts received in the Calculation Period ending on such Calculation Date);

C = the aggregate outstanding principal balance of any Substitution Assets; and

Z = the weighted average remaining maturity of all Covered Bonds (expressed in years) then outstanding *multiplied by* the aggregate NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds *multiplied by* the Negative Carry Factor.

Where there is more than one Loan in the Portfolio secured on the same Property subject to a Related Security, the calculation of the Amortisation Test will be calculated in respect of such Loans on a consolidated basis as if all Loans in the Portfolio secured on the same Property subject to a Related Security were a single Loan.

The practical effect of the proviso at the end of (a) above in the calculation of Amortisation Test Aggregate Loan Amount is that, for so long as the Covered Bonds that were issued on or prior to 23 July 2013 remain

outstanding, the Amortisation Test Outstanding Principal Balance will apply for the purposes of calculating the Amortisation Test Aggregate Loan Amount in respect of all Covered Bonds, whether issued before or after 23 July 2013. The Amortisation Test Outstanding Principal Balance will be replaced by the Indexed Amortisation Test Outstanding Principal Balance only once the last of those existing Covered Bonds is repaid in full.

All Covered Bonds that were issued on or prior to 23 July 2013 have been repaid in full and therefore only the Indexed Amortisation Test Outstanding Principal Balance is relevant for the purposes of calculating the Amortisation Test Aggregate Loan Amount.

Sale of Selected Loans after a Demand Loan Repayment Event has occurred or the Intercompany Loan Provider has otherwise demanded that the Demand Loan be repaid

If, prior to the service of an Asset Coverage Test Breach Notice, a Notice to Pay or a CBG Acceleration Notice, a Demand Loan Repayment Event has occurred or the Intercompany Loan Provider has demanded that the Demand Loan be repaid, the CB Guarantor may or, if required by the Intercompany Loan Provider, shall sell Selected Loans in accordance with the Participation Agreement (as described below – see *Method of Sale of Selected Loans*), subject to the rights of pre-emption in favour of the Seller to buy the Selected Loans and their Related Security pursuant to the Mortgage Sale Agreement.

Sale of Selected Loans following a breach of the Pre-Maturity Test

The Pre-Maturity Test will be breached if the ratings of the Issuer's unsecured and unsubordinated debt obligations fall below a specified level and a Hard Bullet Covered Bond is due for repayment within a specified period of time thereafter: see further *Credit Structure – Pre-Maturity Liquidity*. If the Pre-Maturity Test is breached prior to service of a Notice to Pay, the CB Guarantor may or, if necessary to comply with its obligations to fund the Pre-Maturity Liquidity Ledger, shall sell Selected Loans in accordance with the Participation Agreement (as described below – see *Method of Sale of Selected Loans*), subject to the rights of pre-emption in favour of the Seller to buy the Selected Loans pursuant to the terms of the Mortgage Sale Agreement. If the Issuer and the Group Guarantor fail to repay any Series of Hard Bullet Covered Bonds on the Maturity Date thereof, then following the occurrence of an Issuer Event of Default and service of a Notice to Pay on the CB Guarantor, the proceeds from any sale of Selected Loans standing to the credit of the Pre-Maturity Liquidity Ledger will be applied to repay the relevant Series of Hard Bullet Covered Bonds. Otherwise, the proceeds will be applied as set out in *Credit Structure – Pre-Maturity Liquidity* below.

Sale of Selected Loans following service of an Asset Coverage Test Breach Notice

After service of an Asset Coverage Test Breach Notice on the CB Guarantor (which has not been revoked) but prior to service of a Notice to Pay, the CB Guarantor shall, if it has not obtained an Advance or a Subordinated Advance in order to meet the Asset Coverage Test, sell Selected Loans in accordance with the Participation Agreement (as described below – see *Method of Sale of Selected Loans*), subject to the rights of pre-emption in favour of the Seller to buy the Selected Loans pursuant to the Mortgage Sale Agreement. The proceeds from any such sale will be credited to the GI Account and applied as set out in *Cashflows – Allocation and Distribution of Available Revenue Receipts and Available Principal Receipts following service on the CB Guarantor of an Asset Coverage Test Breach Notice (which has not been revoked)* below.

Sale of Selected Loans following service of a Notice to Pay

After service of a Notice to Pay on the CB Guarantor, but prior to service of a CBG Acceleration Notice:

(a) in order to meet its obligations other than in respect of the Demand Loan, the CB Guarantor may, or to the extent necessary to meet those obligations, shall, sell Selected Loans; and

(b) in order to repay the Demand Loan, the CB Guarantor shall sell Selected Loans,

in each case in accordance with the Participation Agreement (as described below – see *Method of Sale of Selected Loans*), subject to the rights of pre-emption in favour of the Sellers to buy the Selected Loans pursuant to the Mortgage Sale Agreement. The proceeds from any such sale will be credited to the GI Account and applied as set out in *Cashflows – Allocation and Distribution of Funds Following Service of a Notice to Pay* below.

Method of Sale of Selected Loans

Following a breach of the Pre-Maturity Test, the occurrence of a Demand Loan Repayment Event, the Demand Loan being demanded by the Group Guarantor or the service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay, the CB Guarantor is required to ensure that before offering Selected Loans for sale the Selected Loans have an aggregate Outstanding Principal Balance in an amount (the **Required Outstanding Principal Balance**) which is as close as possible to the amount calculated as follows:

(a) following a Demand Loan Repayment Event or the Demand Loan being demanded by the Intercompany Loan Provider but prior to service of an Asset Coverage Test Breach Notice or a Notice to Pay, such amount that would ensure that, if the Selected Loans were sold at their Outstanding Principal Balance, the Demand Loan (or the part of the Demand Loan required to be repaid) as calculated on the date of the demand could be repaid, subject to satisfaction of the Asset Coverage Test; or

(b) 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 Loans were sold at their Outstanding Principal Balance plus the Arrears of Interest and Accrued Interest thereon, the Asset Coverage Test would be satisfied as of the next Calculation Date taking into account the payment obligations of the CB Guarantor on the CBG Payment Date following that Calculation Date (including the CB Guarantor's obligation to repay the Demand Loan) (assuming for this purpose that the Asset Coverage Test Breach Notice is not revoked on the Test Date following the next Calculation Date); or

(c) following a breach of the Pre-Maturity Test, an amount which is not less than the amount calculated as follows:

$$A = N \times \frac{O - D}{E}$$

where:

"A" is the Required Outstanding Principal Balance of the Selected Loans; and

"N" is an amount equal to the NZ Dollar Equivalent of the Required Redemption Amount of the relevant Series of Hard Bullet Covered Bonds less amounts standing to the credit of the Pre-Maturity Liquidity Ledger that are not otherwise required to provide liquidity for any Series of Hard Bullet Covered Bonds which mature within 12 months of the date of such calculation;

"O" is the Outstanding Principal Balance of all the Loans in the Portfolio;

"D" is the outstanding balance of the Demand Loan;

"E" is the NZ Dollar Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding.

For the avoidance of doubt, if A is zero or a negative number then no Selected Loans in the Portfolio and their Related Securities need be sold; or

(d) following service of a Notice to Pay but prior to service of a CBG Acceleration Notice, in relation to a sale to meet the CB Guarantor's obligations other than in respect of the repayment of the Demand Loan, an amount which is not less than the amount calculated as follows:

$$A - N \times \frac{O - D}{E}$$

where:

"A" is the Required Outstanding Principal Balance of the Selected Loans;

"N" is an amount equal to the NZ Dollar Equivalent of the Required Redemption Amount of the Earliest Maturing Covered Bonds less:

(i) amounts standing to the credit of the GI Account and the principal amount of any Substitution Assets or Authorised Investments (excluding all amounts to be applied on the next following CBG Payment Date to repay higher ranking amounts in the Guarantee Priority of Payments (including the Demand Loan) and those amounts that are required to repay any Series of Covered Bonds which have a Maturity Date prior to or on the same date as the relevant Series of Covered Bonds and any amounts standing to the credit of the Pre-Maturity Liquidity Ledger); and

(ii) if the Earliest Maturing Covered Bonds are Hard Bullet Covered Bonds, any amount standing to the credit of the Pre-Maturity Liquidity Ledger in respect of those Hard Bullet Covered Bonds.

"O" is the Outstanding Principal Balance of all the Loans in the Portfolio;

"D" is the outstanding balance of the Demand Loan calculated pursuant to the Intercompany Loan Agreement following the determination of the Asset Percentage;

"E" is the aggregate NZ Dollar Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding.

For the avoidance of doubt, if A is zero or a negative number then no Selected Loans in the Portfolio and their Related Security need be sold; or

(e) following service of a Notice to Pay but prior to service of a CBG Acceleration Notice, in relation to a sale to repay the Demand Loan, an amount which is not less than, and is as close as practicable to, the principal amount of the Demand Loan as calculated in accordance with the Intercompany Loan Agreement: see *Intercompany Loan Agreement* above. The Selected Loans will not include Defaulted Loans and will constitute the **Demand Loan Portfolio**.

For the purposes hereof:

Required Redemption Amount means, in respect of a Series of Covered Bonds, the amount calculated as follows:

$$\text{the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds} \times \text{1 + Negative Carry Factor} \times \text{(days to maturity of the relevant Series of Covered Bonds/365)}$$

The CB Guarantor will offer the Selected Loans for sale to Purchasers for the best price reasonably available but in any event:

(a) following (i) a Demand Loan Repayment Event, the Demand Loan being demanded by the Intercompany Loan Provider or (ii) the service of an Asset Coverage Test Breach Notice (but prior to service of a Notice to Pay) or (iii) a breach of the Pre-Maturity Test but prior to service of a Notice to Pay, in each case, for an amount not less than the sum of the aggregate Outstanding Principal Balance of the Selected Loans, plus the Arrears of Interest and Accrued Interest thereon, except as described below;

(b) following service of a Notice to Pay, in relation to a sale to meet the CB Guarantor's obligations other than in respect of the repayment of the Demand Loan, for an amount not less than the sum of the Adjusted Required Redemption Amount for the relevant Series of Covered Bonds, except as described below, where the Adjusted Required Redemption Amount means the NZ Dollar Equivalent of:

(i) the Required Redemption Amount of the relevant Earliest Maturing Covered Bonds;

plus or minus

(ii) any swap termination amounts (other than Excluded Swap Termination Amounts) payable by the CB Guarantor or any premium payments payable to the CB Guarantor under each Covered Bond Swap Agreement in respect of the relevant Series or Tranche within such Series of Covered Bonds;

plus or minus

(iii) any swap termination amounts (other than Excluded Swap Termination Amounts) payable by the CB Guarantor or any premium payments payable to the CB Guarantor under any Interest Rate Swap Agreement in respect of the sale of the Selected Loans in the Portfolio;

(c) following service of a Notice to Pay, in relation to a sale to repay the Demand Loan, for an amount not less than the Outstanding Principal Balance of the Demand Loan Portfolio.

Following service of an Asset Coverage Test Breach Notice but prior to service of a Notice to Pay, if the CB Guarantor determines (taking into account any advice or recommendations of the Sale Advisor) that it is unlikely that the Selected Loans will be able to be sold for such an amount, or that it is unlikely that a sale of the Selected Loans for such an amount will be able to be effected in time to enable the Asset Coverage Test to be satisfied as of the next Calculation Date, then the CB Guarantor may:

(i) sell additional Selected Loans; and/or

(ii) offer the Selected Loans and the additional Selected Loans for the best price possible (in accordance with the recommendations of the Sale Advisor).

Following a breach of the Pre-Maturity Test but prior to service of a Notice to Pay, if Selected Loans have not been sold (in whole or in part) in an amount not less than the price described in (a) above by the date which is three months prior to the date by which the Pre-Maturity Liquidity Ledger must be funded, and the Pre-Maturity Liquidity Ledger is not otherwise funded (see further *Credit Structure – Pre-Maturity Liquidity* below), then the CB Guarantor will offer the Selected Loans for sale at the best price reasonably obtainable.

Following service of a Notice to Pay, if the Selected Loans in relation to a sale to meet the CB Guarantor's obligations other than in respect of the repayment of the Demand Loan have not been sold (in whole or in part) in an amount not less than the amount described in (b) above by the date which is six months prior to,

or if a Notice to Pay is served on a date which is less than six months prior to, as applicable, if the Earliest Maturing Covered Bonds are Hard Bullet Covered Bonds, the Maturity Date of the Earliest Maturing Covered Bonds or if the Earliest Maturing 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 Earliest Maturing Covered Bonds, then the CB Guarantor will offer the Selected Loans for sale to Purchasers for the best price reasonably available.

Following service of a Notice to Pay, if the Selected Loans in the Demand Loan Portfolio, in relation to a sale to repay the Demand Loan, have not been sold (in whole or in part) in an amount not less than the amount described in (c) above by the date which is 60 days following the date on which the principal amount of the Demand Loan was calculated pursuant to the Intercompany Loan Agreement then the CB Guarantor will offer the Selected Loans in the Demand Loan Portfolio for sale for the best price reasonably available.

Prior to the service of a CBG Acceleration Notice, the CB Guarantor will not sell the Selected Loans in the Demand Loan Portfolio:

(i) for a price which is less than the amount described in (c) above; or

(ii) to the extent that the Outstanding Principal Balance of the Loans sold would exceed 20 per cent. of the Outstanding Principal Balance of all the Loans in the Portfolio at the time of sale,

within the period that is six months prior to, as applicable, the Maturity Date of a Series of Hard Bullet Covered Bonds or the Extended Due for Payment Date of any other Series of Covered Bonds, unless in either case the Required Redemption Amount for that Series of Covered Bonds has been reserved and/or otherwise provided for by the CB Guarantor.

In respect of any sale of Selected Loans the CB Guarantor will either:

(i) prior to service of a Notice to Pay, appoint the Group Guarantor or WBC; or

(ii) following service of a Notice to Pay, through a tender process appoint a portfolio manager, investment bank, bank or other institution or advisor of recognised standing on a basis intended to incentivise it to achieve the best price for the sale of the Selected Loans (if such terms are commercially available in the market), provided that, in relation to the sale of Selected Loans in a Demand Loan Portfolio, the Group Guarantor may require that it or WBC is appointed,

(in each case, the **Sale Advisor**) to advise it in relation to the sale of the Selected Loans to Purchasers (except where the Seller is buying the Selected Loans in accordance with its right of pre-emption in the Mortgage Sale Agreement). The terms of the agreement giving effect to the appointment of the Sale Advisor in accordance with such tender shall be approved by the Security Trustee (acting in its discretion).

Following service of a Notice to Pay or a breach of the Pre-Maturity Test, in addition to offering Selected Loans for sale to Purchasers in respect of the Earliest Maturing Covered Bonds or the relevant Series of Hard Bullet Covered Bonds, as applicable, the CB Guarantor (subject to the right of pre-emption in favour of the Seller in the Mortgage Sale Agreement) may offer for sale a portfolio of Selected Loans in respect of other Series of Covered Bonds.

The CB Guarantor is permitted to offer for sale to Purchasers part of any portfolio of Selected Loans (a **Partial Portfolio**). Where a Notice to Pay has been served, except in circumstances where the portfolio of Selected Loans is being sold for a price less than the price described in (a), (b) or (c) above, the sale price of the Partial Portfolio (as a proportion of the Adjusted Required Redemption Amount) shall be at least equal to the proportion that the Partial Portfolio bears to the relevant portfolio of Selected Loans.

The terms of any sale and purchase agreement with respect to the sale of Selected Loans (except where the Seller is buying the Selected Loans in accordance with its right of pre-emption in the Mortgage Sale Agreement) will be subject to the prior written approval of the Security Trustee (acting in its discretion) except that:

(a) the sale and purchase agreements will not include any representations and warranties from the CB Guarantor or the Seller unless expressly agreed by the CB Guarantor and the Security Trustee (acting in its discretion) in the case of the CB Guarantor or by the Seller in the case of the Seller;

(b) the sale and purchase agreements will include trust back undertakings by Purchasers on the same terms as those contained in Clauses 13 and 14 of the Mortgage Sale Agreement unless expressly agreed otherwise by the Seller. See *Mortgage Sale Agreement – Trust Back* above; and

(c) the sale and purchase agreements will require a cash payment from the relevant Purchasers in immediately available funds on or prior to the date of sale of the Selected Loans.

Limit on Investing in Substitution Assets and Authorised Investments

Prior to service on the CB Guarantor of an Asset Coverage Test Breach Notice or a Notice to Pay or following revocation of an Asset Coverage Test Breach Notice, the CB Guarantor will be permitted to invest Available Revenue Receipts, Available Principal Receipts and the proceeds of Advances and Subordinated Advances in Substitution Assets, provided that the aggregate amount so invested does not exceed 15% of the total assets of the CB Guarantor at any one time and provided that such investments are made in accordance with the terms of the Cash Management Agreement.

Amounts represented by the balance of the Title Perfection Ledger, the Reserve Ledger and the Pre-Maturity Liquidity Ledger may not be invested in Substitution Assets and must be either credit balances on the GI Account or invested in Authorised Investments.

Following service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay on the CB Guarantor, all Substitution Assets may be sold by the CB Guarantor (or the Cash Manager on its behalf) for the best price possible taking into account market conditions at that time and the nature of the Substitution Assets and the proceeds credited to the GI Account.

The CB Guarantor is permitted to invest all available funds in Authorised Investments, provided that such investments are made in accordance with the terms of the Cash Management Agreement.

There is no limit on the amounts that the CB Guarantor is entitled to invest in Authorised Investments or that may be credited to the GI Account.

Other Provisions

The allocation and distribution of Revenue Receipts, Principal Receipts and all other amounts received by the CB Guarantor is described under *Cashflows* below.

The Participation Agreement also provides for:

(a) the payment of a Guarantee Fee by the Issuer to the CB Guarantor in respect of each Tranche of Covered Bonds;

(b) an indemnity by the Group Guarantor in favour of the CB Guarantor in relation to the Covered Bond Guarantee with any indemnity amount being satisfied by set-off under the Intercompany Loan Agreement: see *Intercompany Loan Agreement* above.

The Participation Agreement is governed by the laws of New Zealand.

Cash Management Agreement

The Cash Manager is to provide certain cash management services to the CB Guarantor pursuant to the terms of the Cash Management Agreement entered into on the Signing Date between the CB Guarantor, WSM in its capacity as the Cash Manager, WNZL in its capacities as the Seller and the Servicer, and the Security Trustee.

The cash management services include but are not limited to:

(a) establishing, maintaining and operating the GI Account and other bank accounts on behalf of the CB Guarantor;

(b) maintaining the Ledgers on behalf of the CB Guarantor;

(c) maintaining records of all Authorised Investments and/or Substitution Assets, as applicable;

(d) distributing the Revenue Receipts and the Principal Receipts in accordance with the Priorities of Payment described under *Cashflows* below;

(e) determining whether the Asset Coverage Test is satisfied on each Test Date in accordance with the Participation Agreement, as more fully described under *Credit Structure – Asset Coverage Test* below;

(f) determining whether the Amortisation Test is satisfied on each Calculation Date following the service of a Notice to Pay in accordance with the Participation Agreement, as more fully described under *Credit Structure – Amortisation Test* below;

(g) on each NZ and Sydney Business Day, 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;

(h) providing the Asset Monitor with all necessary information to allow it to comply with its obligations under the Asset Monitor Agreement;

(i) making the calculations and determinations required by the Intercompany Loan Agreement;

(j) preparation of Investor Reports for the Covered Bondholders, the Rating Agencies and the Bond Trustee.

In certain circumstances, including an Insolvency Event occurring in respect of the Cash Manager, the CB Guarantor and the Security Trustee will each have the right to terminate the appointment of the Cash Manager and to appoint a substitute (the identity of which will be subject to the Security Trustee's approval). Any substitute cash manager will have substantially the same rights and obligations as the Cash Manager (although the fee payable to the substitute cash manager may be higher).

The Cash Manager's liability under the Cash Management Agreement is limited to losses caused by its negligence, fraud or wilful default.

The Cash Management Agreement is governed by the laws of New Zealand.

Subordinated Loan Agreement

From time to time, the Subordinated Loan Provider may make Subordinated Advances to the CB Guarantor (the **Subordinated Loan Facility**).

Except for Deemed Subordinated Advances (see below), the Subordinated Loan Facility is uncommitted and the Subordinated Loan Provider is not obliged to make Subordinated Advances to the CB Guarantor.

Each Subordinated Advance (except for Deemed Subordinated Advances) will be credited to the GI Account (with a corresponding credit to the Pre-Maturity Liquidity Ledger, the Reserve Ledger, the Title Perfection Ledger or the Principal Ledger) and may also be:

(a) invested in Substitution Assets (in an amount not exceeding the prescribed limit thereof) or Authorised Investments;

(b) used to purchase Loans and their Related Security; or

(c) used to fund the payment of all or any part of the Asset Performance Fee pursuant to the Mortgage Sale Agreement.

Where amounts are not able to constitute Deemed Advances under the Intercompany Loan Agreement because the Deemed Advance Preconditions are not satisfied, they will constitute Deemed Subordinated Advances.

The Security Trustee may request Subordinated Advances on behalf of the CB Guarantor in order to enable the CB Guarantor to meet its obligations under the Transaction Documents in relation to the Asset Coverage Test, the Amortisation Test, the Pre-Maturity Liquidity Ledger, the Title Perfection Reserve or the Reserve Fund.

The Subordinated Loan will bear interest as set out in the Subordinated Loan Agreement.

The outstanding principal amount of the Subordinated Loan at any time will equal the aggregate amount of any Subordinated Advances and Deemed Subordinated Advances minus the sum of any repayments. The CB Guarantor will make repayments to the Subordinated Loan Provider on each CBG Payment Date if, and to the extent that, no Asset Coverage Test Breach Notice has been served on it (or, if such notice has been served, it has not been revoked) and there are sufficient Available Principal Receipts and Available Revenue Receipts to make such payment in accordance with the applicable Priority of Payments. The Subordinated Loan will be subordinated to, *inter alia*, payments of principal and interest on the Intercompany Loan and the Covered Bond Guarantee, and all other payments or provisions ranking in priority to payments to be made to the Subordinated Loan Provider, in each case in accordance with the applicable Priorities of Payments.

The Subordinated Loan Agreement is governed by the laws of New Zealand.

Interest Rate Swap Agreement

To provide a hedge against possible variances between the interest revenues received by the CB Guarantor, being primarily linked to the rates of interest payable on the Loans in the Portfolio (which may, for instance, include variable rates of interest or fixed rates of interest), and the interest amounts payable on the Intercompany Loan and (following the service of a Notice to Pay on the CB Guarantor) the Covered Bond Swap Agreements, the CB Guarantor entered into the Interest Rate Swap Agreement on the Signing Date with the Interest Rate Swap Provider, WSM and the Security Trustee and entered into the Interest Rate Swap pursuant thereto, on the First Assignment Date. Under the terms of the Interest Rate Swap, the CB Guarantor and the Interest Rate Swap Provider agree to swap the amount of interest received by the CB

Guarantor in respect of the Loans in the Portfolio and interest received by the CB Guarantor on the GI Account, the Substitution Assets and any Authorised Investments in exchange for an amount sufficient to pay the interest payable on the Intercompany Loan and, following the service of a Notice to Pay on the CB Guarantor, the amounts payable by the CB Guarantor under the Covered Bond Swap Agreements, plus, in each case, a certain amount for expenses, including an amount to cover the AIL payable in respect of payments under the Covered Bond Guarantee. See *Risk Factors – No gross-up under the Covered Bond Guarantee* above for further details.

The Interest Rate Swap will terminate (unless terminated earlier by an Interest Rate Swap Early Termination Event) on the date on which the Capital Balance of all Loans comprised in the Mortgage Pool is reduced to zero.

The Interest Rate Swap Agreement may also be terminated in certain other circumstances (each referred to as an **Interest Rate Swap Early Termination Event**), including:

(a) at the option of any party to the Interest Rate Swap Agreement, if there is a failure by the other party to pay any amounts due under the Interest Rate Swap Agreement (for the avoidance of doubt, no such failure to pay by the CB Guarantor will entitle the Interest Rate Swap Provider to terminate the Interest Rate Swap Agreement if such failure is due to the assets available at such time to the CB Guarantor being insufficient to make the required payment in full);

(b) at the option of the CB Guarantor, in the event that the ratings of the unsecured and unsubordinated debt obligations of the Interest Rate Swap Provider, or any credit support provider, as applicable, are downgraded by the Rating Agencies below the ratings specified in the Interest Rate Swap Agreement and the Interest Rate Swap Provider does not take certain remedial measures which may include providing collateral for its obligations under the Interest Rate Swap Agreement, or arranging for its obligations under the Interest Rate Swap Agreement to be guaranteed by, or novated to, an entity whose unsecured and unsubordinated debt obligations have the ratings required by the relevant Rating Agencies, or taking such other action as it may agree with the relevant Rating Agencies;

(c) at the option of the Interest Rate Swap Provider, in the event that, following a CBG Event of Default, the Bond Trustee serves a CBG Acceleration Notice on the Issuer, the Group Guarantor and the CB Guarantor; and

(d) upon the occurrence of the insolvency of the Interest Rate Swap Provider or any guarantor of the Interest Rate Swap Provider's obligations, or the merger of the Interest Rate Swap Provider without an assumption of its obligations under the Interest Rate Swap Agreement.

Upon the termination of the Interest Rate Swap pursuant to an Interest Rate Swap Early Termination Event, the CB Guarantor or the Interest Rate Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the Interest Rate Swap Agreement.

The notional amount of the Interest Rate Swap Agreement will be adjusted to correspond to any sale of any Loans, including any sale of Selected Loans following any of (a) a breach of the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds, (b) the service of an Asset Coverage Test Breach Notice (which has not been revoked), (c) the service of a Notice to Pay, (d) the occurrence of a Demand Loan Repayment Event or (e) the Intercompany Loan Provider otherwise demanding that the Demand Loan be repaid, and swap termination payments (being a partial termination payment), calculated in accordance with the terms of the Interest Rate Swap, may be due and payable in accordance with the terms of the relevant Interest Rate Swap as a consequence thereof.

Any termination payment made by the Interest Rate Swap Provider to the CB Guarantor in respect of the Interest Rate Swap will first be used to pay a replacement Interest Rate Swap Provider to enter into a

replacement Interest Rate Swap Agreement with the CB Guarantor, unless a replacement Interest Rate Swap Agreement has already been entered into on behalf of the CB Guarantor. Any premium received by the CB Guarantor from a replacement Interest Rate Swap Provider in respect of a replacement Interest Rate Swap Agreement will first be used to make any termination payment due and payable by the CB Guarantor with respect to the previous Interest Rate Swap under the Interest Rate Swap Agreement, unless such termination payment has already been made on behalf of the CB Guarantor.

If at any time the CB Guarantor receives or obtains any Tax Credits in respect of the Interest Rate Swap, the cash benefit relating to such Tax Credits shall be paid to the Interest Rate Swap Provider as soon as practical after receipt of the same from the relevant taxing authority in accordance with the terms of the Interest Rate Swap Agreement and shall not be applied in accordance with the Priorities of Payments.

If withholding taxes are imposed on payments made by the Interest Rate Swap Provider to the CB Guarantor under the Interest Rate Swap Agreement, the Interest Rate Swap Provider will be obliged to gross-up those payments. If withholding taxes are imposed on payments made by the CB Guarantor to the Interest Rate Swap Provider under the Interest Rate Swap Agreement, the CB Guarantor will not be obliged to gross-up those payments.

Under the Interest Rate Swap Agreement, the CB Guarantor's obligations are limited in recourse to the Charged Property. To the extent that the CB Guarantor is unable to make any payment in full under the Interest Rate Swap Agreement due to its assets being insufficient to make such payment in full, the payment obligations of the Interest Rate Swap Provider will rateably reduce.

The Interest Rate Swap Agreement is governed by New Zealand law.

Covered Bond Swap Agreement

To provide a hedge against currency and/or other risks in respect of amounts received by the CB Guarantor under the Interest Rate Swap and amounts payable or that may become payable in respect of its obligations under the Covered Bond Guarantee, the CB Guarantor has entered into the Covered Bond Swap Agreement with the Covered Bond Swap Provider, WSM and the Security Trustee, and may enter into one or more new schedules and confirmations thereunder for each Tranche and/or Series of Covered Bonds at the time such Covered Bonds are issued. The Covered Bond Swap Provider and the CB Guarantor will agree to swap NZ Dollar floating rate amounts received by the CB Guarantor under the Interest Rate Swap into foreign currency amounts reflecting the amounts payable under the relevant Tranche and/or Series of Covered Bonds. No cash flows will be exchanged under the Covered Bond Swap Agreement unless and until the service of a Notice to Pay on the CB Guarantor.

If prior to (a) any applicable Business Day prior to the Maturity Date on which the relevant Series or Tranche of Covered Bonds is redeemed in part or whole; (b) the Maturity Date in respect of the relevant Series or Tranche of Covered Bonds, (c) any applicable Business Day falling after the Maturity Date but on or prior to the Extension Determination Date in respect of the relevant Series or Tranche of Covered Bonds, (d) each interest payment date in respect of the relevant Series or Tranche of Covered Bonds from, but excluding, the Extension Determination Date in respect of the relevant Series or Tranche of Covered Bonds to, but excluding, the Extended Due for Payment Date following a deferral of the Original Due for Payment Date to the Extended Due for Payment Date by the CB Guarantor pursuant to Condition 6.1 (*Scheduled redemption*) (if an Extended Due for Payment Date is specified as applicable in the Final Terms Document for a Series of Covered Bonds and the payment of the Final Redemption Amount or any part of it by the CB Guarantor under the Covered Bond Guarantee is deferred pursuant to Condition 6.1) (*Scheduled redemption*)), or (e) the said Extended Due for Payment Date, the CB Guarantor notifies the Covered Bond Swap Provider (pursuant to the terms of the Covered Bond Swap Agreement) of the amount in the Specified Currency to be paid by the Covered Bond Swap Provider on such date thereafter (such amount being equal to the Final Redemption Amount (or the Early Redemption Amount, as the case may be) or the relevant portion thereof payable by the CB Guarantor on such date under the Covered Bond Guarantee in respect of the

relevant Series or Tranche of Covered Bonds), and such notice is given at least two Business Days prior to the relevant date specified above, then the Covered Bond Swap Provider will pay the CB Guarantor such amount and the CB Guarantor will pay the Covered Bond Swap Provider the NZ Dollar Equivalent of such amount and, where applicable, following such payment the notional amount of the Covered Bond Swap Agreement will reduce accordingly.

The Covered Bond Swap Agreement will terminate (unless terminated earlier by a Covered Bond Swap Early Termination Event) on the earlier of:

(a) the Maturity Date for the final Tranche or Series of Covered Bonds or, if the CB Guarantor (or the Cash Manager acting on the CB Guarantor's behalf) notifies the Covered Bond Swap Provider, prior to the Maturity Date for such final Tranche or Series of Covered Bonds then outstanding, that the CB Guarantor will not pay in full Guaranteed Amounts corresponding to the Final Redemption Amount in respect of such Tranche or Series of Covered Bonds then outstanding on the Maturity Date therefor, the final date on which an amount representing the Final Redemption Amount for such final Tranche or Series of Covered Bonds then outstanding is paid (but in any event not later than the Extended Due for Payment Date for such Tranche or Series of Covered Bonds); and

(b) where the date upon which the Notice to Pay is served on the CB Guarantor is on or after the Maturity Date for the final Tranche or Series of Covered Bonds, but before the Extension Determination Date for such final Tranche or Series of Covered Bonds, and no notification is given by the CB Guarantor (as described in (a) above), the Extension Determination Date for such final Tranche or Series of Covered Bonds.

The Covered Bond Swap Agreement may also be terminated in certain other circumstances (each referred to as a **Covered Bond Swap Early Termination Event**), including:

(a) at the option of any party to the Covered Bond Swap Agreement, if there is a failure by the other party to pay any amounts due under the Covered Bond Swap Agreement (for the avoidance of doubt, no such failure to pay by the CB Guarantor will entitle the Covered Bond Swap Provider to terminate the Covered Bond Swap Agreement if such failure is due to the assets available at such time to the CB Guarantor being insufficient to make the required payment in full);

(b) at the option of the CB Guarantor, in the event that the ratings of the unsecured and unsubordinated debt obligations of the Covered Bond Swap Provider, or any credit support provider, as applicable, are downgraded by the Rating Agencies below the ratings specified in the Covered Bond Swap Agreement and the Covered Bond Swap Provider does not take certain remedial measures which may include providing collateral for its obligations under the Covered Bond Swap Agreement, or arranging for its obligations under the Covered Bond Swap Agreement to be guaranteed by, or novated to, an entity whose unsecured and unsubordinated debt obligations have the ratings required by the relevant Rating Agencies, or taking such other action as it may agree with the relevant Rating Agencies;

(c) at the option of the Covered Bond Swap Provider, in the event that, following a CBG Event of Default, the Bond Trustee serves a CBG Acceleration Notice on the Issuer, the Group Guarantor and the CB Guarantor; and

(d) upon the occurrence of the insolvency of the Covered Bond Swap Provider or any guarantor of the Covered Bond Swap Provider's obligations, or the merger of the Covered Bond Swap Provider without an assumption of its obligations under the Covered Bond Swap Agreement.

Upon the termination of the Covered Bond Swap Agreement pursuant to a Covered Bond Swap Early Termination Event, the CB Guarantor or the Covered Bond Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the Covered Bond Swap Agreement.

Any termination payment made by the Covered Bond Swap Provider to the CB Guarantor in respect of the Covered Bond Swap Agreement will first be used to pay a replacement Covered Bond Swap Provider to enter into a replacement Covered Bond Swap Agreement with the CB Guarantor, unless a replacement Covered Bond Swap Agreement has already been entered into on behalf of the CB Guarantor. Any premium received by the CB Guarantor from a replacement Covered Bond Swap Provider in respect of a replacement Covered Bond Swap Agreement will first be used to make any termination payment due and payable by the CB Guarantor with respect to the previous Covered Bond Swap(s) under the Covered Bond Swap Agreement, unless such termination payment has already been made on behalf of the CB Guarantor.

If at any time the CB Guarantor receives or obtains any Tax Credits in respect of the Covered Bond Swap Agreement, the cash benefit relating to such Tax Credits shall be paid to the Covered Bond Swap Provider as soon as practical after receipt of the same from the relevant taxing authority in accordance with the terms of the Covered Bond Swap Agreement and shall not be applied in accordance with the Priorities of Payments.

If withholding taxes are imposed on payments made by the Covered Bond Swap Provider to the CB Guarantor under the Covered Bond Swap Agreement, the Covered Bond Swap Provider will be obliged to gross-up those payments. If withholding taxes are imposed on payments made by the CB Guarantor to the Covered Bond Swap Provider under the Covered Bond Swap Agreement, the CB Guarantor will not be obliged to gross-up those payments.

Under the Covered Bond Swap Agreement, the CB Guarantor's obligations are limited in recourse to the Charged Property. To the extent that the CB Guarantor is unable to make any payment in full under the Covered Bond Swap Agreement due to its assets being insufficient to make such payment in full, the payment obligations of the Covered Bond Swap Provider will rateably reduce.

The Covered Bond Swap Agreement is governed by English law.

Bank Account Agreement

Pursuant to the terms of the Bank Account Agreement entered into on the Signing Date between the CB Guarantor, the Account Bank, the Cash Manager and the Security Trustee, the CB Guarantor is to maintain with the Account Bank the GI Account, which was opened on or prior to the First Assignment Date and operated in accordance with the Cash Management Agreement and the Security Trust Deed.

Amounts in the GI Account earn interest at the GIA Rate.

All amounts received from Borrowers in respect of Loans in the Portfolio will be paid into the GI Account and credited to the Revenue Ledger or the Principal Ledger, as the case may be. On each CBG Payment Date, as applicable, amounts required to meet the claims of the CB Guarantor's various creditors and amounts (if any) to be distributed to the CB Guarantor's shareholder will be transferred from the Revenue Ledger, the Principal Ledger, the Reserve Ledger, the Title Perfection Ledger and, in certain circumstances, the Hedged Series Amounts Ledger as applicable, to the Payment Ledger on the GI Account and applied by the Cash Manager in accordance with the Priorities of Payments described below under *Cashflows*.

The GI Account may be required to be transferred to an alternative bank in certain circumstances, including if the ratings assigned to the short-term, unsecured and unsubordinated debt obligations of the relevant Account Bank fall below P-1 by Moody's or F1 by Fitch Ratings, or if the long-term unsecured and unsubordinated debt obligations of the relevant Account Bank fall below A by Fitch Ratings.

The Bank Account Agreement is governed by the laws of New Zealand.

Stand-by Bank Account Agreement

Pursuant to the terms of a stand-by bank account agreement entered into on the Signing Date between the CB Guarantor, the Stand-by Account Bank, the Cash Manager and the Security Trustee, the CB Guarantor will open with the Stand-by Account Bank the Stand-by GI Account if the CB Guarantor cannot find a replacement account bank in accordance with the terms of the Bank Account Agreement or the relevant Account Bank cannot obtain a guarantee of its obligations, in each case if the ratings assigned to the short-term, unsecured and unsubordinated debt obligations of the Account Bank fall below the P-1 by Moody's or F1 by Fitch Ratings, or if the long-term unsecured and unsubordinated debt obligations of the relevant Account Bank fall below A by Fitch Ratings and the Bank Account Agreement is subsequently terminated or if the Bank Account Agreement is terminated for other reasons. The Stand-by GI Account will be operated in accordance with the Stand-by Bank Account Agreement, the Cash Management Agreement and the Security Trust Deed.

If the ratings assigned to the short-term, unsecured and unsubordinated debt obligations of the Stand-by Account Bank fall below P-1 by Moody's or F1 by Fitch Ratings, or if the long-term unsecured and unsubordinated debt obligations of the Stand-by Account Bank fall below A by Fitch Ratings, there will be a requirement that the Stand-by Account Bank either be replaced by, or have its obligations guaranteed by, a satisfactorily rated financial institution.

References in this Prospectus to the GI Account include references to the Stand-by GI Account when the Stand-by GI Account becomes operative.

The Stand-by Bank Account Agreement is governed by the laws of New Zealand.

Security Trust Deed

Security

Pursuant to the terms of the Security Trust Deed entered into on the Signing Date by the CB Guarantor, the Security Trustee and others of the Secured Creditors, the obligations of the CB Guarantor under or pursuant to the Transaction Documents to which it is a party are secured, *inter alia*, by a Security Interest in all of the CB Guarantor's Personal Property, a floating charge over all of the CB Guarantor's Non-Personal Property, and an English law floating charge over all of the CB Guarantor's assets (subject to certain rights in respect of the Swap Agreements and the Intercompany Loan Agreement). The Security Interest and charges are to take effect as first priority security interests.

Release of Security

In the event of any sale of Loans (including Selected Loans) and their Related Security comprised in the Portfolio by or on behalf of the CB Guarantor pursuant to and in accordance with the Transaction Documents, including the repurchase of a Loan and its Related Security by the Seller, such Loans and their Related Security will no longer form part of the Portfolio and will be expressly and unconditionally released from the security created under the Security Trust Deed. Notwithstanding this, the Security Trustee will if requested in writing by the CB Guarantor, and provided the CB Guarantor provides a certificate to the Security Trustee that such sale of Loans and their Related Security has been made in accordance with the terms of the Transaction Documents provide an executed release in respect of those Loans and their Related Security and/or register a financing change statement in respect of those Loans and their Related Security.

Subject to certain limited exceptions, the Security Trustee will not be bound to take any steps, institute any proceedings, exercise its rights and/or to take any other action under or in connection with any of the Transaction Documents unless the Security Trustee is directed to do so by the Bond Trustee (if there are any Covered Bonds outstanding) or, if there are no Covered Bonds outstanding, all of the other Secured Creditors (in each case, the **Instructing Party**) provided that the Security Trustee may at all times, whether or not so directed, take such action in respect of any right, power or discretion which is personal to the Security Trustee or is to preserve or protect the Security Trustee's position or is of a purely administrative nature.

Upon being directed, the Security Trustee will be bound to take the relevant action(s) in the manner directed by the Instructing Party provided that the Security Trustee has been indemnified and/or secured to its satisfaction against all liabilities to which it may render itself or which it may incur by doing so. The Security Trustee shall not be liable to any Secured Creditor for action it may take in accordance with any directions received in accordance with the above. The Security Trustee shall be entitled to seek clarification from the relevant Instructing Party with regard to such directions and may in its discretion elect not to act pending receipt of such clarification to its satisfaction from such Instructing Party.

Notwithstanding the above, where a Transaction Document expressly provides that the Security Trustee may take any step or action in its discretion then the Security Trustee may (but shall not be obliged to), at its discretion and without notice, take or not take such step or action, acting as it sees fit, provided that the Security Trustee must act in accordance with any direction from an Instructing Party (subject to the qualification above).

Enforcement

If a CBG Acceleration Notice is served on the CB Guarantor, the Security Trustee, may, and, if so directed by the Bond Trustee or, if there are no Covered Bonds outstanding, all of the Secured Creditors shall, subject to Part 9 of the PPSA, declare the Security immediately enforceable and/or declare the Secured Obligations immediately due and payable and/or appoint a Receiver over the Charged Property or exercise the powers that a Receiver would otherwise have if appointed under the Security Trust Deed. All monies (other than Tax Credits, Third Party Amounts, Trust Back Assets, Swap Collateral Excluded Amounts, premium received by the CB Guarantor from a replacement Swap Provider to the extent it is used to make a termination payment due and payable by the CB Guarantor with respect to the Swap being replaced (including any Excluded Swap Termination Amount) or termination payment from a Swap Provider which is applied to acquire a replacement terminated swap) received by the Security Trustee or any Receiver from the enforcement of the Security will be applied in accordance with the Post-Enforcement Priorities of Payments described under *Cashflows.*

Receipt of information under Transaction Documents

If the Security Trustee receives information pursuant to a Transaction Document and a Notice to Pay has not been served on the CB Guarantor, the Security Trustee is not under any obligation to act on the information so received, nor to pass such information to any other party (except where it is expressly required to do so under any Transaction Document). Following the service of a Notice to Pay on the CB Guarantor, the Security Trustee shall pass to the Bond Trustee such information as the Bond Trustee may request and which is in the control of the Security Trustee. The Security Trustee shall not be obliged to ensure that any party to any Transaction Document provides any information to the Security Trustee prior to the Security under the Security Trust Deed becoming enforceable and shall have no liability to any party for any failure by any person to provide such information. The receipt of any such information, whether before or after the service of a Notice to Pay on the CB Guarantor, shall not be deemed to put the Security Trustee on notice of any default unless it shall have received express written notice of such default.

Consent of Security Trustee

If a Transaction Document provides for the Security Trustee's agreement, consent or approval to any event, matter or thing or a request in writing is made to the Security Trustee by the CB Guarantor or any other person to give its agreement, consent or approval to any event, matter or thing, then:

(a) if the Transaction Document specifies that the Security Trustee is required to give its agreement, consent or approval to that event, matter or thing if certain specified conditions are satisfied in relation to that event, matter or thing, then the Security Trustee shall give its agreement, consent or approval to that event, matter or thing upon being satisfied that those specified conditions have been satisfied;

(b) unless the Transaction Document expressly provides that the Security Trustee may act in its discretion, and subject to certain provisions in relation to modifications and waivers, the Security Trustee shall give its agreement, consent or approval to that event, matter or thing only if so directed by (i) the Bond Trustee, if there are any Covered Bonds outstanding, or (ii) all of the other Secured Creditors, if there are no Covered Bonds outstanding; and

(c) if the Transaction Document expressly provides that the Security Trustee may act in its discretion then the Security Trustee may (but shall not be obliged to), at its discretion and without notice, give or not give its agreement, consent or approval to that event, matter or thing, acting as it sees fit.

Modification to Transaction Documents by Security Trustee

Subject to certain exceptions, the Security Trustee may from time to time and at any time without any consent or sanction of the Secured Creditors (other than any Secured Creditor that is a party to the relevant document) concur with any person in making or sanctioning any modification:

(a) to any of the Transaction Documents, provided that the Security Trustee is so directed by (i) the Bond Trustee, so long as there are any Covered Bonds outstanding, or (ii) all of the other Secured Creditors, if there are no Covered Bonds outstanding; or

(b) to any of the Transaction Documents which in the Security Trustee's opinion (acting in its discretion) is:

(i) of a formal, minor or technical nature or is to correct a manifest error or ambiguity or an error which is, in the opinion of the Security Trustee, proven; or

(ii) to comply with mandatory provisions of Law or any requirements of any Governmental Agency.

The CB Guarantor will promptly notify the Rating Agencies of any such modification, or procure such notification.

Each Secured Creditor agrees that any such modifications shall be binding on it and, notice thereof shall be given by the Security Trustee to the Secured Creditors as soon as practicable after the modifications have been made, provided that in the case of giving notice to the Covered Bondholders the Security Trustee's obligation shall be satisfied by giving notice to the Bond Trustee, and, if required by the Bond Trustee, the Issuer shall give notice thereof to the Covered Bondholders.

Authorisation or waiver of breach by Security Trustee

The Security Trustee may, if it is satisfied (in its discretion) that there will not be any material prejudice to the interests of the Secured Creditors, without the consent of the Secured Creditors and without prejudice to its right in respect of any further or other breach, from time to time and at any time, and shall (unless the relevant provisions in the Transaction Documents expressly provide otherwise) 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, on such terms and conditions (if any) as shall seem expedient to it, any proposed or actual breach of any of the covenants or provisions contained in the Security Trust Deed or any Transaction Document. Any such authorisation or waiver shall be binding on the Secured Creditors and notice thereof shall be given by the Security Trustee to the Secured Creditors as soon as practicable thereafter provided that in the case of giving notice to the Covered Bondholders, the Security Trustee's obligation shall be satisfied by giving notice to the Bond Trustee, and, if required by the Bond Trustee, the Issuer shall give notice thereof to the Covered Bondholders.

The Security Trust Deed is governed by the laws of New Zealand, except that the floating charge over all of the CB Guarantor's assets in the Security Trust Deed is governed by English law.

Administration Agreement

Pursuant to the Administration Agreement, Westpac Securitisation Management Pty Limited acts as administrator of the CB Guarantor and provides comprehensive administrative services required by the CB Guarantor pursuant to the Transaction Documents, including maintaining the register of cover pool assets required by the Reserve Bank Act and keeping and maintaining that register up-to-date and accurate and in accordance with internal policies, procedures and controls. As compensation for the performance of the Administrative Agent's obligations under the Administration Agreement, the Administrative Agent is entitled to a monthly administration fee which is to be paid in accordance with the applicable Priority of Payments.

The Administrative Agent's liability under the Administration Agreement is limited to losses caused by its negligence, fraud or wilful default.

The Administration Agreement is governed by the laws of New Zealand.

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer and the Group Guarantor. The CB Guarantor has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until service of a Notice to Pay on the CB Guarantor following service by the Bond Trustee of an Issuer Acceleration Notice or, if earlier, following the occurrence of a CBG Event of Default and service by the Bond Trustee of a CBG Acceleration Notice.

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:

- the Group Guarantee and the Covered Bond Guarantee provide credit support in relation to the Issuer's obligations;
- the Pre-Maturity Test is intended to provide liquidity to the CB Guarantor in respect of principal due on the Maturity Date of Hard Bullet Covered Bonds;
- the Asset Coverage Test is intended to test the asset coverage of the CB Guarantor's assets in respect of the Covered Bonds outstanding;
- the Amortisation Test is intended to test the asset coverage of the CB Guarantor's assets in respect of the Covered Bonds following service of a Notice to Pay on the CB Guarantor;
- if the Group Guarantor's short-term ratings, as applicable, fall below F1+ by Fitch Ratings or P-1 by Moody's, to the extent each such agency is a Rating Agency, Available Revenue Receipts will be trapped in the Reserve Fund, subject to payment of prior ranking obligations;
- if the Group Guarantor's short-term ratings, as applicable, fall below F1 by Fitch Ratings or P-1 by Moody's, to the extent each such rating agency is a Rating Agency, Available Revenue Receipts will be trapped in the Title Perfection Reserve, subject to payment of prior ranking obligations; and
- under the terms of the Bank Account Agreement, the Account Bank has agreed to pay a variable rate of interest on all amounts held by the CB Guarantor in the GI Account at the OCR.

Certain of these factors are considered more fully in the remainder of this section.

Guarantees

Under the terms of the Group Guarantee, if the Issuer defaults in the payment on the due date of any monies due and payable under or pursuant to the Trust Deed or any Covered Bonds or Coupons, the Group Guarantor has irrevocably and unconditionally agreed to pay on demand or procure to be paid upon demand the amount in respect of which such default has been made.

The Covered Bond Guarantee provided by the CB Guarantor under the Trust Deed guarantees payment of Guaranteed Amounts when the same become Due for Payment in respect of all Covered Bonds issued under the Programme. The Covered Bond Guarantee will not guarantee any amount becoming payable for any other reason, including any accelerated payment pursuant to Condition 9 (*Events of Default*) following the service of a Notice to Pay. In this circumstance (and until a CBG Event of Default occurs and a CBG Acceleration Notice is served), the CB Guarantor's obligations will be to pay only the Guaranteed Amounts as they fall Due for Payment. Should any payments made by the CB Guarantor under the Covered Bond Guarantee be subject to any withholding or deduction for or on account of any present or future Taxes (or stamp duty) imposed, levied, collected, withheld or assessed by or on behalf of New Zealand and/or the United Kingdom or any political subdivision or any authority or any agency thereof or therein having power

to tax, the CB Guarantor will not be obliged to pay any additional amount as a consequence. However, the CB Guarantor has agreed that, where New Zealand non-resident withholding tax is required to be deducted, and the applicable rate of non-resident withholding tax could be reduced to 0% if AIL was paid to the New Zealand Inland Revenue Department, the CB Guarantor will pay the AIL (provided it is lawfully able). Also see Risk Factors – No gross-up under the Covered Bond Guarantee.

See further *Summary of the Principal Documents – Trust Deed* as regards the terms of the Guarantees. See further *Cashflows – Guarantee Priority of Payments* as regards the payment of amounts payable by the CB Guarantor to Covered Bondholders and other Secured Creditors following service of a Notice to Pay.

Pre-Maturity Liquidity

Certain Series of Covered Bonds are scheduled to be redeemed in full on the Maturity Date therefor without any provision for scheduled redemption other than on the Maturity Date (the **Hard Bullet Covered Bonds**). The applicable Final Terms Document will identify whether any Series of Covered Bonds is a Series of Hard Bullet Covered Bonds. The Pre-Maturity Test is intended to provide liquidity for the Hard Bullet Covered Bonds when the Group Guarantor's credit ratings fall below a certain level. On each NZ and Sydney Business Day (each a **Pre-Maturity Test Date**) prior to the occurrence of an Issuer Event of Default or the occurrence of a CBG Event of Default, the CB Guarantor (or the Cash Manager on its behalf) will determine if the Pre-Maturity Test has been breached, and if so, it shall immediately notify the Seller, the Issuer, the Group Guarantor, the Rating Agencies and the Security Trustee thereof.

The Issuer will fail and be in breach of the Pre-Maturity Test in relation to a Series of Hard Bullet Covered Bonds on a Pre-Maturity Test Date if, to the extent each such agency is a Rating Agency:

(a) the rating from Fitch Ratings of the Issuer's unsecured and unsubordinated debt obligations falls below F1+ and the Maturity Date of the Series of Hard Bullet Covered Bonds falls within 12 months from the relevant Pre-Maturity Test Date; or

(b) the rating from Moody's of the Issuer's unsecured and unsubordinated debt obligations falls below P-1 and the Maturity Date of the Series of Hard Bullet Covered Bonds falls within 12 months from the relevant Pre-Maturity Test Date.

Following a failure of the Pre-Maturity Test in respect of a Series of Hard Bullet Covered Bonds, the CB Guarantor may be required to offer to sell Selected Loans to Purchasers (subject to the Seller's right of pre-emption pursuant to the Mortgage Sale Agreement) with the intention that there will be an amount standing to the credit of the Pre-Maturity Liquidity Ledger at least equal to the Required Redemption Amount of that Series of Hard Bullet Covered Bonds (taking into account the Required Redemption Amount of all other Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds) – see *Participation Agreement – Method of Sale of Loans*.

In addition to the sale of Loans, the Pre-Maturity Liquidity Ledger may be funded by:

(a) Subordinated Advances and/or Advances; and/or

(b) to the extent permitted by the Priorities of Payments, Available Revenue Receipts and Available Principal Receipts – see *Cashflows* below.

Failure by the Issuer and/or the Group Guarantor to pay the full amount due in respect of a Series of Hard Bullet Covered Bonds on the Maturity Date thereof will constitute an Issuer Event of Default.

Following service of a Notice to Pay on the CB Guarantor in relation to a Series of Hard Bullet Covered Bonds, the CB Guarantor shall apply funds standing to the Pre-Maturity Liquidity Ledger to repay the

relevant Series of Hard Bullet Covered Bonds but shall cease to further fund the Pre-Maturity Liquidity Ledger.

If the Issuer and/or the CB Guarantor fully repay the relevant Series of Hard Bullet Covered Bonds on the Maturity Date thereof or the breach of the Pre-Maturity Test is remedied, the amount standing to the credit of the Pre-Maturity Liquidity Ledger on the GI Account shall be applied by the CB Guarantor in accordance with the Pre-Acceleration Principal Priority of Payments, unless the Issuer is failing the Pre-Maturity Test in respect of any other Series of Hard Bullet Covered Bonds, in which case amounts shall remain credited on the Pre-Maturity Liquidity Ledger to the extent required to provide liquidity for that other Series of Hard Bullet Covered Bonds.

Asset Coverage Test

The Asset Coverage Test is intended to test whether the CB Guarantor can meet its obligations under the Covered Bond Guarantee prior to the service of a Notice to Pay or a CBG Acceleration Notice.

The Asset Coverage Test is a formula which calculates the Adjusted Aggregate Loan Amount by adjusting the Outstanding Principal Balance of the Loans in the Portfolio based on the methodologies and cashflow models prescribed or reviewed, as the case may be, by the Rating Agencies, and has further adjustments to take into account, among other things, the failure by the Seller, in accordance with Mortgage Sale Agreement, to repurchase Loans that do not materially comply with the Representations and Warranties on the relevant Cut-Off Date and the value of any Substitution Assets and/or Authorised Investments: see *Summary of the Principal Documents – Participation Agreement – Asset Coverage Test*.

Under the Participation Agreement, the CB Guarantor must ensure that as of each Calculation Date the Adjusted Aggregate Loan Amount will be in an amount equal to or in excess of the aggregate NZ Dollar Equivalent of the Principal Amount Outstanding of the Covered Bonds. If the Adjusted Aggregate Loan Amount is less than the aggregate NZ Dollar Equivalent of the Principal Amount Outstanding of the Covered Bonds as of such Calculation Date, the CB Guarantor will use all commercially reasonable efforts to ensure that the Adjusted Aggregate Loan Amount is in compliance with the Asset Coverage Test by purchasing additional Loans and their Related Security from the Seller, purchasing Substitution Assets and/or requesting an Advance under the Intercompany Loan Agreement or a Subordinated Advance under the Subordinated Loan Agreement to satisfy the shortfall.

If the Adjusted Aggregate Loan Amount is less than the aggregate NZ Dollar Equivalent of the Principal Amount Outstanding of all Covered Bonds as of 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 CB Guarantor.

An Asset Coverage Test Breach Notice will be deemed to be revoked by the Bond Trustee if, as of the Calculation Date following service of the Asset Coverage Test Breach Notice, the Asset Coverage Test is satisfied and neither a Notice to Pay nor a CBG Acceleration Notice has been served.

If an Asset Coverage Test Breach Notice has been served and not deemed to be revoked by the Bond Trustee as of the Test Date following service of an Asset Coverage Test Breach Notice, then an Issuer Event of Default will occur and the Bond Trustee will be entitled to serve an Issuer Acceleration Notice. Following service of an Issuer Acceleration Notice, the Bond Trustee must serve a Notice to Pay on the CB Guarantor.

Amortisation Test

The Amortisation Test is intended to test whether, following service of a Notice to Pay on the CB Guarantor (but prior to service on the CB Guarantor of a CBG Acceleration Notice), the assets of the CB Guarantor available to meet its obligations under the Covered Bond Guarantee have fallen to a level where Covered

Bondholders may not be repaid, in which case a CBG Event of Default will occur and all amounts owing under the Covered Bonds may be accelerated.

Under the Participation Agreement, the CB Guarantor must ensure that, as of each Calculation Date following service of a Notice to Pay on the CB Guarantor, the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the aggregate NZ Dollar Equivalent of the Principal Amount Outstanding of the Covered Bonds. The Amortisation Test is a formula which adjusts the Outstanding Principal Balance of the Loans in the Portfolio based on the methodologies and cashflow models prescribed or reviewed, as the case may be, by the Rating Agencies, and has further adjustments to take account of Defaulted Loans: see *Summary of the Principal Documents – Participation Agreement – Amortisation Test*.

Reserve Fund and Title Perfection Reserve

If, at any time prior to the occurrence of an Issuer Event of Default, the Group Guarantor's unsecured and unsubordinated debt obligations cease to have the ratings specified by any of the Rating Agencies set out in the Participation Agreement, the CB Guarantor will be required to credit Available Revenue Receipts to the Title Perfection Reserve and the Reserve Fund up to an amount equal to the Title Perfection Reserve Required Amount and the Reserve Fund Required Amount, respectively, subject to payment of prior ranking obligations under the Priorities of Payment: see further *Cashflows – Pre-Acceleration Revenue Priorities of Payments*. The CB Guarantor will not be required to maintain the Title Perfection Reserve or the Reserve Fund following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice.

The **Title Perfection Reserve Required Amount** is, if the Group Guarantor's short-term unsecured unsubordinated debt obligations are rated at least F1 by Fitch Ratings or P-1 by Moody's, nil or such other amount as the Group Guarantor shall advise the CB Guarantor from time to time and otherwise, an amount equal to NZ$1,500,000 or such higher amount as the Group Guarantor shall advise the CB Guarantor from time to time.

The **Reserve Fund Required Amount** means:

(a) if the Group Guarantor's short-term, unsecured, unsubordinated debt obligations are rated at least F1+ by Fitch Ratings and P-1 by Moody's and its long term, unsecured, unsubordinated debt obligations are rated at least A by Fitch Ratings, or such lower rating that will not cause the then current ratings of the Covered Bonds to be adversely affected, nil or such other amount as the Group Guarantor shall direct the CB Guarantor from time to time; or

(b) otherwise, an amount determined by the Cash Manager to be equal to the sum of:

  (i) the greater of the NZ Dollar Equivalent of:

    (1) an amount equal to the interest accrued on each Series of outstanding Covered Bonds for three months; and

    (2) in respect of each Series of Covered Bonds in respect of which an Interest Payment Date falls due in the next three months, an amount equal to the interest due for payment on each such Series of Covered Bonds; and

  (ii) an amount equal to one-quarter of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (iii) to (vi) (inclusive) of the Pre-Acceleration Revenue Priority of Payments (being paragraphs (c) to (f) of the Pre-Acceleration Revenue Priority of Payments set out on pages 237 to 239);

A Title Perfection Ledger and a Reserve Ledger will be maintained by the Cash Manager to record the balance from time to time of the Title Perfection Reserve and the Reserve Fund. Following the occurrence

of an Issuer Event of Default, service of an Issuer Acceleration Notice and service of a Notice to Pay on the CB Guarantor, amounts standing to the credit of the Title Perfection Reserve and the Reserve Fund will be added to certain other income of the CB Guarantor in calculating Available Revenue Receipts.

The balance on the Title Perfection Reserve and the Reserve Ledger in excess of the Title Perfection Reserve Required Amount and the Reserve Fund Required Amount respectively will form part of Available Revenue Receipts and be applied accordingly.

CASHFLOWS

As described above under *Credit Structure*, until a Notice to Pay or a CBG Acceleration Notice is served on the CB Guarantor, the Covered Bonds will be obligations of the Issuer and the Group Guarantor only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has ultimately received any corresponding payment from the CB Guarantor.

This section summarises the Priorities of Payments of the CB Guarantor, as to the allocation and distribution of amounts standing to the credit of the CBG Accounts and their order of priority:

(a) prior to service on the CB Guarantor of an Asset Coverage Test Breach Notice, a Notice to Pay or a CBG Acceleration Notice and/or realisation of the Security;

(b) following service of an Asset Coverage Test Breach Notice (and for so long as it has not been revoked);

(c) following service of a Notice to Pay; and

(d) following service of a CBG Acceleration Notice and/or realisation of the Security.

Calculation and Transfer of Available Revenue Receipts and Available Principal Receipts

(a) On or prior to the Test Date immediately prior to each CBG Payment Date, the CB Guarantor (or the Cash Manager on its behalf) shall calculate:

(i) the amount of Available Revenue Receipts available for distribution; and

(ii) the amount of Available Principal Receipts available for distribution,

in all cases, as of the Calculation Date immediately preceding that Test Date.

(b) Unless the paragraph headed "Allocation and Distribution of Funds following the Service of a Notice to Pay" below applies, on each CBG Payment Date, the CB Guarantor (or the Cash Manager on its behalf) will transfer:

(i) Available Revenue Receipts from the Revenue Ledger, the Reserve Ledger and the Title Perfection Ledger, as applicable, to the Payment Ledger on the GI Account, in an amount equal to the amount of Available Revenue Receipts standing to the credit of the GI Account; and

(ii) funds from the Principal Ledger, to the Payment Ledger on the GI Account, in an amount equal to the amount of Available Principal Receipts standing to the credit of the GI Account.

Allocation and Distribution of Available Revenue Receipts prior to service on the CB Guarantor of an Asset Coverage Test Breach Notice, a Notice to Pay or a CBG Acceleration Notice or following revocation of an Asset Coverage Test Breach Notice

Prior to service on the CB Guarantor of an Asset Coverage Test Breach Notice, a Notice to Pay or a CBG Acceleration Notice or following revocation of an Asset Coverage Test Breach Notice, Available Revenue Receipts shall be applied in accordance as described below.

On each CBG Payment Date the CB Guarantor (or the Cash Manager on its behalf) will apply Available Revenue Receipts standing to the credit of the Payment Ledger on the GI Account as set out in (b)(i) immediately above, to pay or provide for following obligations of the CB Guarantor in the following order of

priority (the **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 paid in full):

(a) *first*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) all amounts (other than principal) then due and payable in respect of the Demand Loan pursuant to the terms of the Intercompany Loan Agreement; and

(ii) all amounts (other than in respect of principal) then due and payable to the Seller under the indemnity in Clause 13.15 of the Mortgage Sale Agreement in respect of Trust Back Assets;

(b) *second*, in or towards payment of any liability of the CB Guarantor for Taxes;

(c) *third*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Bond Trustee and any costs, charges, liabilities and expenses then due or to become due and payable to the Bond Trustee under the Transaction Documents in the CBG Payment Period commencing on that CBG Payment Date, together with applicable amounts in respect of Taxes thereon; and

(ii) any remuneration then due and payable to the Security Trustee and any costs, charges, liabilities and expenses then due or to become due and payable to the Security Trustee under the Transaction Documents in the CBG Payment Period commencing on that CBG Payment Date, together with applicable amounts in respect of Taxes thereon;

(d) *fourth*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof:

(i) any remuneration then due and payable to the Agents and any costs, charges, liabilities and expenses then due or to become due and payable to the Agents under the Transaction Documents in the CBG Payment Period commencing on that CBG Payment Date, together with applicable amounts in respect of Taxes thereon; and

(ii) if the Servicer is not Westpac New Zealand Limited or an affiliate thereof, in or towards payment of any remuneration 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 CBG Payment Period commencing on that CBG Payment Date, together with applicable amounts in respect of Taxes thereon;

(e) *fifth*, in or towards payment of all amounts then due and payable to any Person (other than a party to a Transaction Document) and incurred without breach by the CB Guarantor of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in this Pre-Acceleration Revenue Priority of Payments) and any such amounts expected to become due and payable by the CB Guarantor in the CBG Payment Period commencing on that CBG Payment Date, together with applicable amounts in respect of Taxes thereon;

(f) *sixth*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) if (d)(ii) above does not apply, any remuneration 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 CBG Payment Period commencing on that CBG Payment Date, together with applicable Taxes thereon;

(ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager under

the provisions of the Cash Management Agreement in the CBG Payment Period commencing on that CBG Payment Date, together with applicable amounts in respect of Taxes thereon;

(iii) amounts (if any) then due and payable to the Account Bank or, as applicable, the Stand-by Account Bank (including any costs, charges, liabilities and expenses) pursuant to the terms of the Bank Account Agreement or the Stand-by Bank Account Agreement, as the case may be, together with applicable amounts in respect of Taxes thereon;

(iv) amounts then due and payable to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement, together with applicable amounts in respect of Taxes thereon; and

(v) amounts (including costs and expenses) then due and payable to the Administrative Agent pursuant to the terms of the Administration Agreement, together with applicable amounts in respect of Taxes thereon;

(g) *seventh*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) all amounts then due and payable to the relevant Interest Rate Swap Provider (including any termination payment due and payable by the CB Guarantor under the Interest Rate Swap, but excluding any Excluded Swap Termination Amount (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers)) pursuant to the terms of the Interest Rate Swap; and

(ii) all amounts then due and payable or to become due and payable in the CBG Payment Period commencing on that CBG Payment Date to the relevant Covered Bond Swap Providers (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 by the CB Guarantor under the relevant Covered Bond Swap Agreements, but excluding any Excluded Swap Termination Amount (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers)) pursuant to the terms of the relevant Covered Bond Swap Agreement;

(h) *eighth*, in or towards a credit to the GI Account (with a corresponding credit to the Title Perfection Ledger) of an amount up to but not exceeding the amount by which the Title Perfection Required Amount (if applicable) exceeds the existing balance on the Title Perfection Ledger as calculated as of the immediately preceding Calculation Date;

(i) *ninth*, in or towards a credit to the GI Account (with a corresponding credit to the Reserve Ledger) of an amount up to but not exceeding the amount by which the Reserve Fund Required Amount (if applicable) exceeds the existing balance on the Reserve Ledger as calculated as of the immediately preceding Calculation Date;

(j) *tenth*, if the Pre-Maturity Test has been breached in respect of any Series of Hard Bullet Covered Bonds, towards a credit to the GI Account (with a corresponding credit to the Pre-Maturity Liquidity Ledger) of an amount up to but not exceeding the difference between:

(i) the Required Redemption Amount as calculated as of the immediately preceding Calculation Date for all Series of Hard Bullet Covered Bonds which mature within 12 months of that Calculation Date; and

(ii) all amounts standing to the credit of the Pre-Maturity Liquidity Ledger as of the immediately preceding Calculation Date;

(k) *eleventh*, in or towards payment of all amounts then due and payable or to become due and payable (excluding principal amounts) in the CBG Payment Period commencing on that CBG Payment Date to the Intercompany Loan Provider in respect of the Guarantee Loan pursuant to the terms of the Intercompany Loan Agreement;

(l) *twelfth*, if a Servicer Termination Event has occurred, all remaining Available Revenue Receipts to be credited to the GI Account (with a corresponding credit to the Revenue Ledger) until such Servicer Termination Event is either remedied by the Servicer or waived by the Bond Trustee or a new servicer is appointed to service the Portfolio (or the relevant part thereof);

(m) *thirteenth*, 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 CB Guarantor under the Covered Bond Swap Agreements and the Interest Rate Swap Agreements, except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers;

(n) *fourteenth*, in or towards payment of all amounts then due and payable or to become due and payable (excluding principal amounts) in the CBG Payment Period commencing on that CBG Payment Date in respect of the Subordinated Advances to the Subordinated Loan Provider pursuant to the terms of the Subordinated Loan Agreement;

(o) *fifteenth*, in or towards repayment to the Group Guarantor of the Subordinated Loan;

(p) *sixteenth*, in or towards payment of any Asset Performance Fee then due and payable to the Seller pursuant to the terms of the Mortgage Sale Agreement;

(q) *seventeenth*, in or towards any distribution then due and payable to the Shareholders pursuant to the Constitution; and

(r) *eighteenth*, to deposit any remaining funds in the CBG Residual Account for application, at the sole discretion of the CB Guarantor, (i) in or towards payment of any Asset Performance Fee due and payable to the Seller and/or any distribution due and payable to the Shareholders pursuant to the Constitution, in each case, on any subsequent CBG Payment Date, and notwithstanding that payments or provisions of a higher priority have not been paid in full, (ii) in accordance with Clause 4.8 (*Application and Distribution of Funds when Covered Bonds Repaid*) of the Participation Agreement, (iii) in or towards the acquisition of New Loans and their Related Security offered to the CB Guarantor by the Seller in accordance with the terms of the Mortgage Sale Agreement, (iv) in or towards payment of any amount in connection with the CBG Residual Account (including any costs, charges, liabilities and expenses in connection therewith) or (v) in or towards payment of any other amount to any Person to the extent permitted under the Transaction Documents.

All amounts, other than Swap Collateral Excluded Amounts, received by the CB Guarantor under an Interest Rate Swap Agreement on or after the CBG Payment Date but prior to the next following CBG Payment Date will be applied in the following order of priority:

(a) *first*, to the extent that any amounts were not able to be paid or provided for as described above on the relevant CBG Payment Date due to the late receipt of payment by the CB Guarantor from an Interest Rate Swap Provider, promptly to pay or provide for those amounts in the order of priority specified in the Pre-Acceleration Revenue Priority of Payments; and

(b) *second*, as a credit to the GI Account (with a corresponding credit to the Revenue Ledger) and applied as Available Revenue Receipts on the next succeeding CBG Payment Date.

If any Swap Collateral Available Amounts are received by the CB Guarantor on a CBG Payment Date, such amounts shall be applied by the CB Guarantor or by the Cash Manager on its behalf on that CBG Payment Date in the same manner as it would have applied the receipts which such Swap Collateral Available Amounts replace.

Allocation and Distribution of Available Principal Receipts prior to service on the CB Guarantor of an Asset Coverage Test Breach Notice, a Notice to Pay, a CBG Acceleration Notice or following revocation of an Asset Coverage Test Breach Notice

Prior to service on the CB Guarantor of an Asset Coverage Test Breach Notice, a Notice to Pay or a CBG Acceleration Notice or following revocation of an Asset Coverage Test Breach Notice, Available Principal Receipts shall be applied as described below.

On each CBG Payment Date, the CB Guarantor (or the Cash Manager on its behalf) will apply all Available Principal Receipts then standing to the credit of the Payment Ledger on the GI Account in accordance with (b)(ii) under the heading "Calculation and Transfer of Available Revenue Receipts and Available Principal Receipts" above in making the following payments or provisions or credits in the following order of priority (the **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):

(a) *first*, if the Issuer is in breach of the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds, in or towards a credit to the GI Account (with a corresponding credit to the Pre-Maturity Liquidity Ledger) of an amount up to but not exceeding the difference between;

  (i) the Required Redemption Amount calculated as of the immediately preceding Calculation Date for all Series of Hard Bullet Covered Bonds which mature within 12 months of that Calculation Date; and

  (ii) all amounts standing to the credit of the Pre-Maturity Liquidity Ledger as of the immediately preceding Calculation Date;

(b) *second*, in or towards repayment *pro rata* and *pari passu* according to the respective amounts thereof of:

  (i) the principal amount of the Demand Loan payable on that CBG Payment Date in accordance with the Intercompany Loan Agreement; and

  (ii) all amounts in respect of principal then due and payable to the Seller under the indemnity in relation to Trust Back Assets under the Mortgage Sale Agreement in respect of Trust Back Assets;

(c) *third*, in or towards the acquisition of New Loans and their Related Security offered to the CB Guarantor by the Seller in accordance with the terms of the Mortgage Sale Agreement or to provide for such acquisition in the CBG Payment Period commencing on that CBG Payment Date;

(d) *fourth*, as a credit to the GI 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 CB Guarantor, the CB Guarantor is in compliance with the Asset Coverage Test (which amounts may be invested by the CB Guarantor in Substitution Assets and/or Authorised Investments, subject to the terms of Clause 2 (*CB Guarantor's Activities*) of the Participation Agreement and the Cash Management Agreement);

(e) *fifth*, in or towards repayment to the Intercompany Loan Provider of the Guarantee Loan;

(f) *sixth*, in or towards payment of all amounts then due and payable or to become due and payable (excluding principal amounts) in the CBG Payment Period commencing on that CBG Payment Date in respect of the Subordinated Loan to the Subordinated Loan Provider pursuant to the terms of the Subordinated Loan Agreement;

(g) *seventh*, in or towards repayment to the Group Guarantor of the Subordinated Loan;

(h) *eighth*, if the amount of the Guarantee Loan is zero, as a credit to the GI Account (with a corresponding credit to the Revenue Ledger) of some or all (as reasonably determined by the Cash Manager) of any realised capital or principal gain on any sale, disposition or realisation (including on maturity) of any Loans and their Related Securities or any Substitution Assets or Authorised Investments to enable the subsequent payment of the Asset Performance Fee; and

(i) *ninth*, as a credit to the GI Account (with a corresponding credit to the Principal Ledger).

Allocation and Distribution of Available Revenue Receipts and Available Principal Receipts following service on the CB Guarantor of an Asset Coverage Test Breach Notice (which has not been revoked)

At any time after the service on the CB Guarantor of an Asset Coverage Test Breach Notice (which has not been revoked) but prior to the service on the CB Guarantor of a Notice to Pay or a CBG Acceleration Notice, and for so long as any Covered Bonds remain outstanding, the CB Guarantor (or the Cash Manager on its behalf) will apply:

(a) Available Revenue Receipts in accordance with Pre-Acceleration Revenue Priority of Payments save that no funds will be applied under paragraphs (a)(i), (k), (n), (o), (p), (q) or (r) of the Pre-Acceleration Revenue Priority of Payments, and any remaining amounts shall be credited to the GI Account (with a corresponding credit to the Revenue Ledger);

(b) Available Principal Receipts in accordance with Pre-Acceleration Principal Priority of Payments save that no funds will be applied under paragraphs (b)(i), (e), (f), (g) or (h) of the Pre-Acceleration Principal Priority of Payments.

Allocation and Distribution of Funds Following Service of a Notice to Pay

On and from the service on the CB Guarantor of a Notice to Pay, but prior to the service on the CB Guarantor of a CBG Acceleration Notice, all Available Revenue Receipts and Available Principal Receipts shall be applied as described below.

On each CBG Payment Date, the CB Guarantor (or the Cash Manager on its behalf) shall transfer Available Revenue Receipts and Available Principal Receipts from the Revenue Ledger, the Principal Ledger, the Subordinated Loan Ledger, the Reserve Ledger, the Title Perfection Ledger, and, if paragraph (b) immediately below applies, the Hedged Series Amounts Ledger, as the case may be, to the Payment Ledger on the GI Account, in an amount equal to the amount of all Available Revenue Receipts and all Available Principal Receipts standing to the credit of such ledgers on the GI Account.

Any Hedged Series Amounts on the Hedged Series Amounts Ledger on a CBG Payment Date shall be applied during the CBG Payment Period commencing on that CBG Payment Date either:

(a) to pay Scheduled Interest payable pursuant to paragraph (h)(ii) of the Guarantee Priority of Payments if a Covered Bond Swap Provider has defaulted and has not made the requisite payment due during the CBG Payment Period commencing on that CBG Payment Date; or

(b) if not applied in accordance with paragraph (a) above during the CBG Payment Period commencing on that CBG Payment Date, the Hedged Series Amounts shall be transferred to the Payment Ledger and shall be available for application in accordance with the Guarantee Priority of Payments.

The CB Guarantor shall create and maintain ledgers for each Series of Covered Bonds and record amounts allocated to such Series of Covered Bonds in accordance with paragraph (a) immediately above or paragraphs (g), (i) or (j) of the Guarantee Priority of Payments, and such amounts, once allocated, will only be available to pay amounts due under the Covered Bond Guarantee and amounts due under the Covered Bond Swap in respect of the relevant Series of Covered Bonds on the scheduled payment dates therefor.

On each CBG Payment Date on and from the date that a Notice to Pay is served on the CB Guarantor, but prior to service on the CB Guarantor of a CBG Acceleration Notice, the CB Guarantor (or the Cash Manager on its behalf) will apply all Available Revenue Receipts and all Available Principal Receipts then standing to the credit of the Payment Ledger on the GI Account in accordance with the above to pay or provide for the following obligations of the CB Guarantor in the following order of priority (the **Guarantee Priority of Payments**) (in each case only if and to the extent that payments of provisions of a higher priority have been paid in full):

(a) *first*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) all amounts of interest then due and payable in respect of the Demand Loan pursuant to the terms of the Intercompany Loan Agreement;

(ii) the principal amount of the Demand Loan that is repayable by the CB Guarantor to the Intercompany Loan Provider on that CBG Payment Date pursuant to the Intercompany Loan Agreement; and

(iii) all amounts then due and payable to the Seller under the indemnity in respect of Trust Back Assets under the Mortgage Sale Agreement.

(b) *second*, in or towards payment of any liability of the CB Guarantor for Taxes;

(c) *third*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Bond Trustee and any costs, charges, liabilities and expenses then due or to become due and payable to the Bond Trustee under the Transaction Documents in the CBG Payment Period commencing on that CBG Payment Date, together with applicable Taxes thereon;

(ii) any remuneration then due and payable to the Security Trustee and any costs, charges, liabilities and expenses then due or to become due and payable to the Security Trustee under the Transaction Documents in the CBG Payment Period commencing on that CBG Payment Date, together with applicable Taxes thereon;

(d) *fourth*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Agents and any costs, charges, liabilities and expenses then due or to become due and payable to the Agents under the Transaction Documents in the CBG Payment Period commencing on that CBG Payment Date, together with applicable Taxes thereon; and

(ii) if the Servicer is not Westpac New Zealand Limited or an affiliate thereof, any remuneration 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 CBG Payment Period commencing on that CBG Payment Date under the provisions of the Servicing Agreement, together with applicable Taxes thereon;

(e) *fifth*, in or towards payment of all amounts then due and payable to any Person (other than a party to a Transaction Document) and incurred without breach by the CB Guarantor of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in this Guarantee Priority of Payments) and any such amounts expected to become due and payable by the CB Guarantor in the CBG Payment Period commencing on that CBG Payment Date, together with applicable amounts in respect of Taxes thereon;

(f) *sixth*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) if (d)(ii) above does not apply, any remuneration 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 CBG Payment Period commencing on that CBG Payment Date under the provisions of the Servicing Agreement, together with any applicable Taxes thereon;

(ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the CBG Payment Period commencing on that CBG Payment Date under the provisions of the Cash Management Agreement, together with any applicable Taxes thereon;

(iii) amounts (if any) then due and payable to the Account Bank or, if applicable, the Stand-by Account Bank (including any costs, charges, liabilities and expenses) pursuant to the terms of the Bank Account Agreement or the Stand-by Bank Account Agreement, as the case may be, together with any applicable Taxes thereon;

(iv) amounts then due and payable to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement, together with any applicable Taxes thereon; and

(v) amounts (including costs and expenses) then due and payable to the Administrative Agent pursuant to the terms of the Administration Agreement, together with any applicable Taxes thereon;

(g) *seventh*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of all amounts then due and payable to the relevant Interest Rate Swap Provider (including any termination payment due or to become due and payable by the CB Guarantor under the Interest Rate Swap, but excluding any Excluded Swap Termination Amount (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers)) pursuant to the terms of the Interest Rate Swap;

(h) *eighth*, in or towards payment, *pro rata* and *pari passu* according to the respective amounts thereof (and without double counting), of:

(i) the amounts then due and payable or to become due and payable in the CBG Payment Period commencing on that CBG Payment Date to the relevant Covered Bond Swap Providers (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 by the CB Guarantor under the relevant Covered Bond Swap Agreements, but excluding any Excluded Swap Termination Amount (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers)) pursuant to the terms of the relevant Covered Bond Swap Agreement; and

(ii) (where appropriate, after taking into account all amounts received or receivable from the Covered Bond Swap Providers (other than in respect of principal) and available to make payments in respect thereof) Scheduled Interest that is Due for Payment (or that will become Due for Payment in the CBG Payment Period commencing on that CBG Payment Date) 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 Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* in respect of each Series of Covered Bonds,

provided that if the amount available for distribution under this paragraph (h) (excluding all amounts received or to be received from the Covered Bond Swap Providers) 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 paragraph (h)(ii) above, the shortfall shall be divided among all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the CB Guarantor to the relevant 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 paragraph (h)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(i) *ninth*, in or towards a credit to the GI Account (with a corresponding credit to the Hedged Series Amounts Ledger) of any Hedged Series Amounts;

(j) *tenth*, in or towards payment, *pro rata* and *pari passu* according to the respective amounts thereof and after allowing for any payments made or to be made in respect of any Series of Hard Bullet Covered Bonds from the Pre-Maturity Liquidity Ledger, of:

(i) the amounts (in respect of principal) then due and payable or to become due and payable in the CBG Payment Period commencing on that CBG Payment Date to the relevant 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 CB 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 the relevant replacement Swap Providers)) in accordance with the terms of the relevant Covered Bond Swap Agreement; and

(ii) (where appropriate, after taking into account all amounts in respect of principal received or receivable from the Covered Bond Swap Providers and available to make payments in respect thereof) Scheduled Principal that is Due for Payment (or that will become Due for Payment in the CBG Payment Period commencing on that CBG Payment Date) 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 Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* in respect of each Series of Covered Bonds,

provided that if the amount available for distribution under this paragraph (j) (excluding all amounts received or to be received from the Covered Bond Swap Providers) 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 paragraph (j)(ii) above, the shortfall shall be divided among all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the CB Guarantor to the relevant 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 paragraph (j)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(k) *eleventh*, in or towards payment on the CBG Payment Date (if such date is an Interest Payment Date) or to provide for payment on any Interest Payment Date prior to the next following CBG 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:

(i) the amounts then due and payable or to become due and payable in the CBG Payment Period commencing on that CBG Payment Date to the relevant Covered Bond Swap Providers (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 CB 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 the relevant replacement Swap Providers)) in accordance with the terms of the relevant Covered Bond Swap Agreement; and

(ii) the Final Redemption Amount or the relevant proportion thereof *pro rata* and *pari passu* 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 Principal Paying Agent on behalf of the Covered Bondholders,

provided that if the amount available for distribution under this paragraph (k) (excluding all amounts received or to be received from the Covered Bond Swap Provider) would be insufficient to pay the NZ Dollar Equivalent of the Final Redemption Amount in respect of the relevant Series of the Covered Bonds under paragraph (k)(ii) above, the shortfall shall be divided among all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the CB Guarantor to the relevant Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement in respect of each Series of Covered Bonds under paragraph (k)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(l) *twelfth*, to deposit the remaining funds in the GI Account for application on the next following CBG Payment Date in accordance with the Guarantee Priority of Payments described in paragraphs (a) to (k) (inclusive) above, until the Covered Bonds have been fully repaid or repayment in full of the Covered Bonds has been provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds);

(m) *thirteenth*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amounts then due and payable by the CB Guarantor under the Covered Bond Swap Agreements and the Interest Rate Swap Agreements, except to the extent that such amounts have been paid out of any premium received from the relevant replacement Swap Providers;

(n) *fourteenth*, in or towards payment of all amounts (other than principal) then due and payable or to become due and payable in the CBG Payment Period commencing on that CBG Payment Date under the Intercompany Loan Agreement;

(o) *fifteenth*, in or towards repayment of the outstanding principal balance of Intercompany Loan;

(p) *sixteenth*, in or towards payment of all amounts (other than principal) then due and payable or to become due and payable in the CBG Payment Period commencing on that CBG Payment Date (whether in respect to principal or interest) under the Subordinated Loan Agreement;

(q) *seventeenth*, in or towards payment of the outstanding principal balance of the Subordinated Loan;

(r) *eighteenth*, in or towards payment of or provision for any current or future obligation of the CB Guarantor, as determined by the Cash Manager;

(s) *nineteenth*, in or towards payment of any Asset Performance Fee due to the Seller pursuant to the terms of the Mortgage Sale Agreement;

(t) *twentieth*, in or towards payment of any distributions then due and payable to the Shareholders pursuant to the Constitution; and

(u) *twenty first*, to deposit any remaining funds in the CBG Residual Account for application, at the sole discretion of the CB Guarantor, (i) in or towards payment of any Asset Performance Fee due and payable to the Seller and/or any distribution due and payable to the Shareholders pursuant to the Constitution, in each case, on any subsequent CBG Payment Date, and notwithstanding that payments or provisions of a higher priority have not been paid in full, (ii) in accordance with Clause 4.8 (*Application and Distribution of Funds when Covered Bonds Repaid*) of the Participation Agreement, (iii) in or towards payment of any amount in connection with the CBG Residual Account (including any costs, charges, liabilities and expenses in connection therewith) or (iv) in or towards payment of any other amount to any Person to the extent permitted under the Transaction Documents.

Any late amounts, other than Swap Collateral Excluded Amounts, received by the CB Guarantor under an Interest Rate Swap Agreement on or after the CBG Payment Date but prior to the next following CBG Payment Date will be applied to the extent that any amounts were not able to be paid or provided for under the Guarantee Priority of Payments on the relevant CBG Payment Date due to the late receipt of payment by CB Guarantor from an Interest Rate Swap Provider, promptly to pay or provide for those amounts in the order of priority specified in the above Guarantee Priority of Payments.

Any late amounts, other than Swap Collateral Excluded Amounts, received by the CB Guarantor under any Covered Bond Swap on or after the CBG Payment Date but prior to the next following CBG Payment Date will be applied promptly to make the corresponding payment or provision in respect of the relevant Series of Covered Bonds in accordance with, as applicable, paragraph (h), (j) and/or (k) of the Guarantee Priority of Payments unless, in the case of paragraph (h), such obligation has been paid or provided for out of Hedged Series Amounts, in which case the late amount shall be applied as an Available Revenue Receipt.

If the CB Guarantor requires any available funds to be exchanged into a currency other than NZ Dollars, and such exchange would not be subject to or covered by the terms of a Covered Bond Swap Agreement, then the CB Guarantor (or the Cash Manager on its behalf) shall perform all necessary currency conversions at the then prevailing spot rate of exchange.

If any Swap Collateral Available Amounts are received by the CB Guarantor on a CBG Payment Date, such amounts shall be applied by the CB Guarantor or by the Cash Manager on its behalf on that CBG Payment Date in the same manner as it would have applied the receipts which such Swap Collateral Available Amounts replace.

If a Notice to Pay is served on the CB Guarantor and, prior to the first CBG Payment Date thereafter, any Scheduled Interest and/or Scheduled Principal is Due for Payment under the Covered Bond Guarantee then the CB Guarantor (or the Cash Manager on its behalf) shall, out of Available Revenue Receipts and Available Principal Receipts then standing to the credit of the Revenue Ledger, the Principal Ledger, the Subordinated Loan Ledger, the Reserve Ledger and the Title Perfection Ledger on the GI Account, pay such Scheduled Interest and/or Scheduled Principal, together with any amounts, other than Swap Collateral Excluded Amounts, then due and payable under the relevant Covered Bond Swap, in accordance with paragraph (h) and paragraph (j) of the Guarantee Priority of Payments, as applicable, as if the relevant date was a CBG Payment Date and after providing for such portion (if any) of the payments and provisions to be made under paragraphs (a) to (g) of the Guarantee Priority of Payments on the first CBG Payment Date

following service of the Notice to Pay on the CB Guarantor as the CB Guarantor (or the Cash Manager on its behalf) shall determine in its sole discretion.

Termination payments received in respect of Swaps, premiums received in respect of replacement Swaps and Tax Credits received in respect of Swaps

(a) If at any time the CB Guarantor receives any termination payment from a Swap Provider in respect of a Swap, such termination payment will first be used to pay a replacement Swap Provider to enter into a replacement Swap with the CB Guarantor, unless a replacement Swap has already been entered into on behalf of the CB Guarantor.

(b) If at any time the CB 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 CB Guarantor with respect to the previous Swap (including any Excluded Swap Termination Amount), unless such termination payment has already been made on behalf of the CB Guarantor.

(c) If at any time the CB Guarantor receives or obtains any Tax Credits in respect of a Swap, the cash benefit relating to such Tax Credits (as determined in accordance with the relevant Swap Agreement) shall be paid to the relevant Swap Provider as soon as practical after receipt of the same from the relevant taxing authority in accordance with the terms of the relevant Swap Agreement and shall not be applied in accordance with the Priorities of Payments.

Payment of funds following service of CBG Acceleration Notice

Following the occurrence of a CBG Event of Default and service by the Bond Trustee on the CB Guarantor of a CBG Acceleration Notice, the Security shall become enforceable. All monies received or recovered by the Security Trustee or any Receiver (other than any Tax Credits, Third Party Amounts, Trust Back Assets, Swap Collateral Excluded Amounts, premium received by the CB Guarantor from a replacement Swap Provider to the extent it is used to make a termination payment due and payable by the CB Guarantor with respect to the Swap being replaced (including any Excluded Swap Termination Amount) or termination payment received from a Swap Provider which is applied to acquire a replacement for the relevant terminated Swap) will be applied, following enforcement of the Security, in accordance with the Post-Enforcement Priority of Payments (as described below).

Post-Enforcement Priority of Payments

On and from the service on the CB Guarantor of CBG Acceleration Notice, all monies received or recovered by the Security Trustee (other than any Tax Credits, Third Party Amounts, Trust Back Assets, Swap Collateral Excluded Amounts, premium received by the CB Guarantor from a replacement Swap Provider to the extent it is used to make a termination payment due and payable by the CB Guarantor with respect to the Swap being replaced (including any Excluded Swap Termination Amount) or termination payment received from a Swap Provider which is applied to acquire a replacement for the relevant terminated Swap) shall be applied in the following order of priority (the **Post-Enforcement Priority of Payments**) (in each case only if and to the extent that payments of provisions of a higher priority have been fully paid or otherwise provided for in full):

(a) *first*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) all amounts of interest then due and payable in respect of the Demand Loan pursuant to the terms of the Intercompany Loan Agreement;

(ii) the principal amount of the Demand Loan that is repayable by the CB Guarantor to the Intercompany Loan Provider pursuant to the Intercompany Loan Agreement; and

(iii) all amounts then due and payable to the Seller under the indemnity in Clause 13.15 of the Mortgage Sale Agreement in respect of Trust Back Assets;

(b) *second,* in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Bond Trustee and any costs, charges, liabilities and expenses then due or to become due and payable to the Bond Trustee under the Transaction Documents, together with applicable Taxes thereon;

(ii) any remuneration then due and payable to the Security Trustee and any costs, charges, liabilities and expenses then due or to become due and payable to the Security Trustee under the Transaction Documents, and to any Receiver appointed by the Security Trustee under the Security Trust Deed, together with applicable Taxes thereon;

(c) *third*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Agents and any costs, charges, liabilities and expenses due or to become due and payable to the Agents under the Transaction Documents, together with applicable Taxes thereon; and

(ii) if the Servicer is not Westpac New Zealand Limited or an affiliate thereof, any remuneration 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 applicable Taxes thereon;

(d) *fourth*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) if paragraph (c)(ii) above does not apply, any remuneration 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 Taxes thereon;

(ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with any applicable Taxes thereon;

(iii) amounts (if any) then due and payable to the Account Bank or, if applicable, the Stand-by Account Bank (including any costs, charges, liabilities and expenses) pursuant to the terms of the Bank Account Agreement or the Stand-by Bank Account Agreement, as the case may be, together with any applicable Taxes thereon;

(iv) amounts then due and payable to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement, together with any applicable Taxes thereon; and

(v) amounts (including costs and expenses) then due and payable to the Administrative Agent pursuant to the terms of the Administration Agreement, together with any applicable Taxes thereon;

(e) *fifth*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of all amounts due and payable to the relevant Interest Rate Swap Provider (including any termination payment due or to become due and payable by the CB Guarantor under the Interest Rate Swap, but

excluding any Excluded Swap Termination Amount (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers)) pursuant to the terms of the Interest Rate Swap;

(f) *sixth*, in payment of the amount of AIL required pursuant to Clause 7.6(b) of the Trust Deed to ensure that no withholding or deduction on account of New Zealand non-resident withholding tax is required in respect of any payment in accordance with paragraph (g)(ii) below;

(g) *seventh*, in or towards payment, *pro rata* and *pari passu* according to the respective amounts thereof (and without double counting), of:

(i) the amounts then due and payable or to become due and payable to the relevant Covered Bond Swap Providers *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable by the CB Guarantor under the relevant Covered Bond Swap Agreements, but excluding any Excluded Swap Termination Amount (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers)) pursuant to the terms of the relevant Covered Bond Swap Agreement; and

(ii) (where appropriate, after taking into account all amounts received or receivable from the Covered Bond Swap Providers and available to make payments in respect thereof) all Guaranteed Amounts that are then Due for Payment 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 Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* in respect of each Series of Covered Bonds.

provided that if the amount available for distribution under this paragraph (g) (excluding all amounts received or to be received from the Covered Bond Swap Providers) would be insufficient to pay the NZ Dollar Equivalent of the Guaranteed Amounts that are Due for Payment in respect of each Series of Covered Bonds under paragraph (g)(ii) above, the shortfall shall be divided among all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the CB Guarantor to the relevant 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 paragraph (g)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(h) *eighth*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amounts then due and payable by the CB Guarantor under the Covered Bond Swap Agreements and the Interest Rate Swap Agreements, except to the extent that such amount have been paid out of any premium received from the relevant replacement Swap Providers;

(i) *ninth*, in or towards payment of all amounts due and payable under the Intercompany Loan Agreement (other than amounts of interest and principal due and payable in respect of the Demand Loan under the Intercompany Loan Agreement);

(j) *tenth*, in or towards payment of all amounts then due and payable under the Subordinated Loan Agreement;

(k) *eleventh*, in or towards payment of any Asset Performance Fee due to the Seller pursuant to the terms of the Mortgage Sale Agreement; and

(l) *twelfth*, the remainder for the CB Guarantor.

For the avoidance of doubt, items described in paragraphs (h) to (l) inclusive above shall be paid only after all Guaranteed Amounts have been fully repaid or otherwise provided for.

THE PORTFOLIO

The Initial Portfolio and each New Portfolio acquired by the CB Guarantor (the **Portfolio**) consist of Loans and their Related Security sold by the Seller to the CB Guarantor from time to time, in accordance with the terms of the Mortgage Sale Agreement, as more fully described under *Summary of the Principal Documents – Mortgage Sale Agreement*.

Definitions

For the purposes hereof:

Initial Portfolio means the portfolio of Loans and their Related Security, particulars of which are set out in the Mortgage Sale Agreement (other than any Loan and its Related Security redeemed in full on or before the First Assignment Date), and all rights, title, interest and benefit of the Seller in and to:

(a) all payments of principal and interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest) and other sums due or to become due in respect of such Loans and Related Security described in the Initial Portfolio Notice including, without limitation, the right to demand, sue for, recover and give receipts for all principal monies, interest and costs and the right to sue on all covenants and any undertakings made or expressed to be made in favour of the Seller under the applicable Mortgage Terms;

(b) subject where applicable to the subsisting rights of redemption of Borrowers, all Priority Instruments, or any collateral security for the repayment of the relevant Loans secured by the Mortgages;

(c) the right to exercise all the powers of the Seller in relation thereto, subject to and in accordance with the applicable Mortgage Terms;

(d) all the estate and interest in the relevant Properties vested in the Seller; and

(e) to the extent they are assignable, each Valuation Report (in each case where available) and any right of action of the Seller against any solicitor, licensed conveyancer, valuer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with such Loan and its Related Security, or any part thereof or affecting the decision of the Seller to make or offer to make any such Loan or part thereof.

New Portfolio means each portfolio of New Loans and their Related Security (other than any New Loans and their Related Security which have been redeemed in full prior to the relevant Assignment Date, particulars of which are set out in the relevant New Portfolio Notice or in a document stored upon electronic media, and all right, title, interest and benefit of the Seller in and to the rights and assets set out in paragraphs (a) to (e) above.

Sales into the Portfolio

As of 30 November 2019, the aggregate Outstanding Principal Balance of Portfolios of Loans and their Related Security, which, in a series of sales, have been sold by the Seller to the CB Guarantor into the Portfolio, is approximately NZ$7.3 billion. In addition, the CB Guarantor also has other assets of approximately NZ$0.2 billion. These assets have been funded by the provision of Intercompany Loans, which, as at 30 November 2019, amounted to approximately NZ$7.5 billion.

Other

See also the following risk factors under *Risk Factors – Risk factors relating to the Covered Bonds – Limited description of the Portfolio* and – *Risk factors relating to the CB Guarantor, including the ability of the CB Guarantor to fulfil its obligations in relation to the Covered Bond Guarantee – Maintenance of Portfolio – Changes to the Lending Criteria of the Seller*.

Certain Information Regarding the Loans

The statistical and other information contained in the tables below has been compiled by reference to the Loans in the Portfolio as at 30 November 2019 (the **Portfolio Loan Summary Cut-off Date**). Except as otherwise indicated, these tables have been prepared using the current balance as at the Portfolio Loan Summary Cut-off Date, which includes all principal and accrued interest for the Loans in the Portfolio as at the Portfolio Loan Summary Cut-off Date and may no longer be a true reflection of the Portfolio. Unless otherwise indicated in a supplement to this Prospectus, the following information does not include any New Loans sold into the Portfolio since the Portfolio Loan Summary Cut-off Date and it does not reflect any redemption or sales out of the Portfolio since the Portfolio Loan Summary Cut-off Date.

The characteristics of the Portfolio as at the relevant Issue Date are not expected to differ materially from the characteristics of the Portfolio as at the Portfolio Loan Summary Cut-off Date, however, it should be noted that Loans may be removed from the Portfolio in the event that any such Loans are repaid in full or do not comply with the terms of the Mortgage Sale Agreement on the relevant Cut-Off Date or on or about the relevant Assignment Date. The Seller may also choose, in certain circumstances, to repurchase any of the Loans in accordance with the terms of the Mortgage Sale Agreement. The Group Guarantor (as provider of the Demand Loan) may require the retransfer or extinguishment of the CB Guarantor's interest in the Loans as repayment in kind of the Demand Loan in accordance with the terms of the Intercompany Loan Agreement. Additionally, New Loans may be sold into the Portfolio from time to time. Any such sales will be made in accordance with the Mortgage Sale Agreement and subject to compliance with the Eligibility Criteria. This information is provided for information purposes only.

The tables below show details of the Loans included the Portfolio, and stratify the Portfolio by reference to either Mortgage Account or Loan as appropriate. A Mortgage Account represents the total of all Loans secured on a single property. Columns stating percentage amounts may not add up to 100% due to rounding.

All amounts in New Zealand dollars

Portfolio Loan Summary	
Reporting Date	30-Nov-2019
Number of Housing Loans	48,049
Housing Loan Pool Size (NZ$)	7,293,391,251
Other Assets (Cash/Intercompany Balances) (NZ$)	206,608,749
Average Housing Loan Balance (NZ$)	151,791
Maximum Housing Loan Balance (NZ$)	1,500,000
Weighted Average Current Loan-to-Value Limit	56.29%
Weighted Average Current Loan-to-Value Ratio (Unindexed)	54.48%
Weighted Average Current Loan-to-Value Ratio (Indexed)[4]	39.75%
Weighted Average Interest Rate (%)	4.33%
Weighted Average Seasoning (months)	48
Weighted Average Remaining Term to Maturity (months)	272
Maximum Remaining Term to Maturity (months)	360
% of insured mortgages in the cover pool	0.00%

Portfolio Profile Distribution	**Balance**		**Number of loans**	
	NZ$	%		%
Payment Type				
Principal and Interest	6,324,877,266.71	86.72%	44,484	92.58%
Interest Only	966,282,155.81	13.25%	3,546	7.38%
Others	2,231,828.75	0.03%	19	0.04%
Total	7,293,391,251.27	100.00%	48,049	100.00%
Interest Rate Type				
Fixed Interest Amount	6,347,209,907.26	87.02%	36,325	75.60%
Variable Interest Amount	945,766,306.88	12.97%	11,719	24.39%
Capped Interest Amount	415,037.13	0.01%	5	0.01%
Total	7,293,391,251.27	100.00%	48,049	100.00%
Geographic Distribution				
Auckland	2,878,604,279.23	39.48%	12,877	26.81%
Bay of Plenty	386,659,674.88	5.30%	2,817	5.86%
Canterbury/West Coast	1,034,933,921.93	14.19%	7,713	16.05%
Gisborne/Hawkes Bay	216,145,478.49	2.96%	1,931	4.02%
Nelson/Marlborough	229,802,329.11	3.15%	1,885	3.92%
Otago/Southland	509,049,434.79	6.98%	4,884	10.16%
Northland	189,122,985.21	2.59%	1,429	2.97%
Taranaki/Wanganui	213,267,836.87	2.92%	2,094	4.36%
Waikato	622,667,564.66	8.54%	4,692	9.77%
Wellington	1,013,137,746.10	13.89%	7,727	16.08%
Total	7,293,391,251.27	100.00%	48,049	100.00%

[4] Index used: QV quarterly index

	Balance		Number of loans	
	NZ$	%		%
Current Loan Balance				
<= 50,000	346,946,935.25	4.77%	13,880	28.89%
50,001 - 100,000	684,083,741.22	9.38%	9,086	18.91%
100,001 - 150,000	842,886,609.68	11.56%	6,762	14.07%
150,001 - 200,000	965,535,087.09	13.24%	5,515	11.48%
200,001 - 250,000	845,278,304.56	11.59%	3,772	7.85%
250,001 - 300,000	770,473,480.03	10.56%	2,806	5.84%
300,001 - 350,000	570,242,717.58	7.82%	1,757	3.66%
350,001 - 400,000	491,026,547.82	6.73%	1,309	2.72%
400,001 - 450,000	375,446,894.28	5.15%	883	1.84%
450,001 - 500,000	316,151,700.36	4.33%	665	1.38%
500,001 - 750,000	748,381,043.46	10.26%	1,255	2.61%
750,001 - 1,000,000	219,153,398.01	3.00%	258	0.54%
1,000,001 - 1,500,000	117,784,791.93	1.61%	101	0.21%
Total	7,293,391,251.27	100.00%	48,049	100.00%
Current Loan To Value Ratio (Unindexed)				
Up to 50.00%	2,768,104,060.44	37.96%	24,454	50.90%
50.01% - 55.00%	615,572,021.57	8.44%	3,836	7.98%
55.01% - 60.00%	690,224,358.58	9.46%	4,004	8.33%
60.01% - 65.00%	752,541,370.08	10.32%	4,118	8.57%
65.01% - 70.00%	738,913,318.82	10.13%	3,868	8.05%
70.01% - 75.00%	779,842,588.77	10.69%	3,977	8.28%
75.01% - 80.00%	668,911,180.30	9.17%	2,795	5.82%
80.01% - 85.00%	144,381,879.72	1.98%	520	1.08%
85.01% - 90.00%	134,313,858.38	1.84%	475	0.99%
90.01% - 95.00%	586,614.61	0.01%	2	0.00%
95.01% - 100.00%	0.00	0.00%	0	0.00%
> 100.01%	0.00	0.00%	0	0.00%
Total	7,293,391,251.27	100.00%	48,049	100.00%
Current Loan To Value Ratio (Indexed)[5]				
Up to 50.00%	4,481,380,355.09	61.44%	34,472	71.75%
50.01% - 55.00%	527,394,444.70	7.23%	2,994	6.23%
55.01% - 60.00%	495,890,484.83	6.80%	2,696	5.61%
60.01% - 65.00%	481,201,992.05	6.60%	2,414	5.02%
65.01% - 70.00%	424,653,447.79	5.82%	2,033	4.23%
70.01% - 75.00%	385,275,234.14	5.28%	1,715	3.57%
75.01% - 80.00%	335,996,690.54	4.61%	1,258	2.62%
80.01% - 85.00%	105,916,067.27	1.45%	304	0.63%
85.01% - 90.00%	54,496,962.58	0.75%	160	0.33%
90.01% - 95.00%	1,185,572.28	0.02%	3	0.01%
95.01% - 100.00%	0.00	0.00%	0	0.00%
> 100.01%	0.00	0.00%	0	0.00%
Total	7,293,391,251.27	100.00%	48,049	100.00%

[5] Index used: QV quarterly index

	Balance		Number of loans	
	NZ$	%		%
Current Limit Loan To Value Ratio				
Up to 50.00%	2,474,528,794.39	33.93%	21,823	45.43%
50.01% - 55.00%	619,542,885.61	8.49%	3,990	8.30%
55.01% - 60.00%	700,863,412.14	9.61%	4,287	8.92%
60.01% - 65.00%	746,851,664.52	10.24%	4,221	8.78%
65.01% - 70.00%	810,075,942.15	11.11%	4,434	9.23%
70.01% - 75.00%	847,029,269.93	11.61%	4,584	9.54%
75.01% - 80.00%	801,520,905.98	10.99%	3,632	7.56%
80.01% - 85.00%	144,586,093.54	1.98%	552	1.15%
85.01% - 90.00%	147,805,668.40	2.03%	524	1.09%
90.01% - 95.00%	0.00	0.00%	0	0.00%
95.01% - 100.00%	0.00	0.00%	0	0.00%
> 100.01%	586,614.61	0.01%	2	0.00%
Total	7,293,391,251.27	100.00%	48,049	100.00%
Seasoning				
Less Than 6 mths	447,040,732.79	6.11%	2,606	5.42%
6 mths - 1yr	653,970,256.83	8.97%	3,830	7.97%
1yr - 2yrs	1,164,471,493.36	15.97%	7,079	14.73%
2yrs - 3yrs	1,084,270,331.94	14.87%	6,543	13.62%
3yrs - 4yrs	1,046,362,481.40	14.35%	5,909	12.30%
4yrs - 5yrs	829,313,914.52	11.37%	4,904	10.21%
5yrs - 6yrs	592,947,591.01	8.13%	4,141	8.62%
6yrs - 7yrs	413,342,305.06	5.67%	2,941	6.12%
7yrs - 8yrs	290,153,683.39	3.98%	2,256	4.70%
8yrs - 9yrs	164,101,357.08	2.25%	1,429	2.97%
9yrs - 10yrs	151,132,760.95	2.07%	1,515	3.15%
More Than 10yrs	456,284,342.94	6.26%	4,896	10.19%
Total	7,293,391,251.27	100.00%	48,049	100.00%
Interest Only Expiry Date Remaining Period				
Less Than 6 mths	139,233,815.74	14.41%	595	16.77%
6 mths - 1yr	141,907,789.19	14.69%	525	14.81%
1yr - 2yrs	244,000,689.66	25.25%	863	24.34%
2yrs - 3yrs	185,897,885.11	19.24%	658	18.56%
3yrs - 4yrs	125,699,677.89	13.01%	465	13.11%
4yrs - 5yrs	81,886,257.42	8.47%	310	8.74%
More Than 5 yrs	47,656,040.80	4.93%	130	3.67%
Total	966,282,155.81	100.00%	3,546	100.00%

	Balance		Number of loans	
	NZ$	%		%
Fixed Rate Expiry Date Remaining Period				
Less Than 6 mths	1,961,927,272.53	30.90%	11,071	30.47%
6 mths - 1yr	1,759,146,459.27	27.72%	10,114	27.84%
1yr - 2yrs	2,008,929,550.64	31.65%	11,565	31.84%
2yrs - 3yrs	563,998,734.97	8.89%	3,206	8.83%
3yrs - 4yrs	35,951,032.65	0.57%	254	0.70%
4yrs - 5yrs	17,256,857.20	0.27%	115	0.32%
More Than 5 yrs	0.00	0.00%	0	0.00%
Total	6,347,209,907.26	100.00%	36,325	100.00%
Remaining Tenor				
Less Than 1 yr	1,799,423.59	0.02%	238	0.50%
1yr - 5yrs	53,722,030.26	0.74%	2,356	4.90%
5yrs - 10yrs	236,161,396.98	3.24%	4,204	8.75%
10yrs - 15yrs	569,063,975.23	7.80%	5,738	11.94%
15yrs - 20yrs	1,162,875,913.82	15.94%	9,003	18.74%
20yrs - 25yrs	1,996,721,026.45	27.38%	12,242	25.48%
25yrs - 30yrs	3,273,047,484.94	44.88%	14,268	29.69%
Total	7,293,391,251.27	100.00%	48,049	100.00%
Delinquencies Information				
31-60 days	18,044,571.68	0.25%	92	0.19%
61-90 days	7,632,499.11	0.10%	42	0.09%
91-120 days	0.00	0.00%	0	0.00%
121 + days	0.00	0.00%	0	0.00%
Total	25,677,070.79	0.35%	134	0.28%

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 Issuer, the Group Guarantor and the CB Guarantor believe to be reliable, but none of the Issuer, the CB Guarantor, the Group 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 Issuer, the CB Guarantor, the Group Guarantor, nor any other party to the Agency Agreement 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

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 depositary 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.

The CMU Service

The CMU Service is a central depositary service provided by the Central Moneymarkets Unit of the Hong Kong Monetary Authority (the **HKMA**) for the safe custody and electronic trading between the members of this service (**CMU Members**) of capital markets instruments (**CMU Instruments**) which are specified in the CMU Reference Manual as capable of being held within the CMU Service.

The CMU Service is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such person. Membership of the CMU Service is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155) of Hong Kong and any other domestic or overseas financial institutions approved from time to time by the HKMA.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European clearing systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members.

Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Covered Bonds held in the CMU Service will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

Transfers of Covered Bonds represented by Registered Global Covered Bonds

Transfers of any interests in Covered Bonds represented by a Registered Global Covered Bond within DTC, the CMU Service, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Covered Bonds represented by a Registered Global Covered Bond to such persons may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to pledge such Covered Bonds to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Covered Bonds may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. The ability of any holder of Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to resell, pledge or otherwise transfer such Covered Bonds may be impaired if the proposed transferee of such Covered Bonds is not eligible to hold such Covered Bonds through a Direct or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Covered Bonds described under *Subscription and Sale and Transfer and Selling Restrictions*, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg, Euroclear and the CMU Service, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Covered Bonds have been deposited.

On or after the Issue Date for any Series, transfers of Covered Bonds of such Series between accountholders in Clearstream, Luxembourg, Euroclear and the CMU Service and transfers of Covered Bonds of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg, Euroclear or the CMU Service and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg, Euroclear and the CMU Service, on the other, transfers of interests in the relevant Registered Global Covered Bonds will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear, Clearstream, Luxembourg or the CMU Service accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg, Euroclear and the CMU Service have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Covered Bonds among participants and accountholders of DTC, Clearstream, Luxembourg, Euroclear and the CMU Service. However, they are under no obligation to perform or continue to perform such procedures, and such

procedures may be discontinued or changed at any time. None of the Bond Trustee, the Security Trustee, the Issuer, the CB Guarantor, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg, Euroclear or the CMU Service or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Covered Bonds represented by Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

This section applies only to Covered Bonds issued by the Issuer acting through its London branch.

The Covered Bonds are issued by WSNZL acting through its London branch. The London branch of WSNZL is not a separate legal entity, or a subsidiary, of WSNZL. The obligations of WSNZL in respect of the Covered Bonds issued by WSNZL acting through its London branch are the obligations of WSNZL as a company incorporated in New Zealand, and are not limited to the London branch or any other branch of WSNZL. Accordingly, investors have recourse to WSNZL as a company, and not just the London branch or any branch of WSNZL, in respect of WSNZL's obligations under the Covered Bonds.

New Zealand Taxation

The following is a generalised summary of the New Zealand taxation implications of investing in the Covered Bonds and is based on the taxation laws in force as at the date of this Prospectus under the Income Tax Act 2007 of New Zealand. The comments relate only to Covered Bonds issued pursuant to a binding agreement entered into on or after 30 March 2017. It is important to note that the tax implications of the investment will depend on the circumstances of each taxpayer. Prospective Covered Bondholders should consult a tax adviser on the tax implications of investing in the Covered Bonds in relation to each prospective Covered Bondholder's specific circumstances.

Resident withholding tax

A deduction on account of New Zealand resident withholding tax will be made from the payment of interest (including amounts deemed to be interest) by the Issuer, the Group Guarantor or the CB Guarantor, as the case may be, to a holder or beneficial owner if:

(a) the person deriving the interest is:

  (i) a resident of New Zealand for New Zealand tax purposes; or

  (ii) a person who carries on business in New Zealand through a fixed establishment (as defined for New Zealand tax purposes) in New Zealand and holds the Covered Bonds for the purposes of a business carried on through that fixed establishment; or

  (iii) a registered bank (as defined for New Zealand tax purposes) engaged in business through a fixed establishment in New Zealand,

  (each a **New Zealand Holder**); and

(b) at the time of such payment the New Zealand Holder does not hold a valid certificate of exemption or otherwise have exempt status for New Zealand resident withholding purposes.

The Issuer, Group Guarantor and CB Guarantor shall not make any additional payments to holders or beneficial owners of the Covered Bonds where any deduction on account of New Zealand resident withholding tax is made.

Non-resident withholding tax

New Zealand law requires a deduction on account of non-resident withholding tax to be made from the payment of NZ sourced interest made to any holder or beneficial owner of Covered Bonds who is not a New Zealand Holder.

Where non-resident withholding tax is required to be deducted from the payment of any interest (including amounts deemed to be interest) by the Issuer in respect of the Covered Bonds, the Issuer may either pay the full amount of such Tax and pay such additional amounts as may be necessary to ensure that the net amount actually received by the person entitled to such payment is equal to the amount such person would have received had no such Tax been withheld from such payment or may reduce the applicable rate of non-resident withholding tax to 0% by paying, on its own account, the AIL amount (currently 2% of the relevant interest payment). In addition, the Issuer may be required by law to pay AIL in the event New Zealand non-resident withholding tax would be payable but for an exemption under a double tax agreement. The Programme is registered for approved issuer levy. The Issuer shall not be required to pay any additional amount on account of any New Zealand non-resident withholding tax that would not have been imposed (i) but for the existence of any present or former personal or business connection between the person entitled to such payment (or the beneficial owner of such payment) and the taxing jurisdiction, other than the mere receipt of such payment or the ownership or holding of Covered Bonds, or (ii) but for the failure of the person entitled to such payment (or the beneficial owner of such payment) to comply with a request made by the Issuer to comply (to the extent that it was able to do so) with certification, information or other reporting requirements concerning the nationality, residence or identity of such person (or such beneficial owner).

Payments by the Group Guarantor

If any New Zealand non-resident withholding tax is imposed on payments by the Group Guarantor in respect of payments under the Group Guarantee, the Group Guarantor may either pay the full amount of such Tax and pay such additional amounts as may be necessary to ensure that the net amount actually received by the person entitled to such payment is equal to the amount such person would have received had no such Tax been withheld from such payment or may (where it is lawfully able) reduce the applicable rate of non-resident withholding tax to 0% by paying, on its own account, the AIL amount (currently 2% of the relevant interest payment). In addition, the Group Guarantor may be required by law to pay AIL in the event New Zealand non-resident withholding tax would be payable but for an exemption under a double tax agreement. The Group Guarantor shall not be required to pay any additional amount on account of any New Zealand non-resident withholding tax that would not have been imposed (i) but for the existence of any present or former personal or business connection between the person entitled to such payment (or the beneficial owner of such payment) and the taxing jurisdiction, other than the mere receipt of such payment or the ownership or holding of Covered Bonds, or (ii) but for the failure of the person entitled to such payment (or the beneficial owner of such payment) to comply with a request made by the Group Guarantor to comply (to the extent that it was able to do so) with certification, information or other reporting requirements concerning the nationality, residence or identity of such person (or such beneficial owner).

Payments by the CB Guarantor

If the CB Guarantor is at any time required by law to deduct or withhold an amount in respect of any withholding tax imposed by New Zealand or any political subdivision thereof in respect of payments under the Covered Bond Guarantee, the CB Guarantor may pay the full amount of such Tax.

Under the terms of the Trust Deed and the Terms and Conditions the CB Guarantor is not obliged to make any additional payment under the Covered Bond Guarantee in respect of the amount of any withholding or deduction for, or on account of, any present or future Taxes (or stamp duty).

However, the CB Guarantor has agreed that where New Zealand non-resident withholding tax is required to be deducted, and the applicable rate of non-resident withholding tax could be reduced to 0% if AIL (currently 2% of the relevant interest payment) was paid to the New Zealand Inland Revenue Department, the CB Guarantor will be required to pay the AIL (provided it is lawfully able). The CB Guarantor may also be required by law to pay AIL in the event New Zealand non-resident withholding tax would be payable but for an exemption under a double tax agreement

Joint holders

If a holder or beneficial owner of Covered Bonds derives interest (as defined for New Zealand Tax purposes, including any excess of the redemption amount of a Covered Bond over its issue price) jointly with one or more persons and at least one such person is resident for Tax purposes in New Zealand and the interest derived by that holder or beneficial owner is subject to New Zealand non-resident withholding tax, the rate of non-resident withholding tax is the applicable rate of resident withholding tax and that rate cannot be reduced to 0% by payment of an AIL amount. 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. Neither the Issuer nor the Group Guarantor shall make any additional payments to such joint holders of Covered Bonds where any deduction on account of New Zealand non-resident withholding tax is made.

United Kingdom Taxation

The following is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs practice at the date hereof in relation only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom Tax purposes) and certain other aspects of United Kingdom Tax in respect of Covered Bonds. The comments do not deal with other United Kingdom Tax aspects of acquiring, holding or disposing of Covered Bonds. The comments relate only to the position of persons who are the absolute beneficial owners of Covered Bonds. The following is a general guide and should be treated with appropriate caution. Covered Bondholders who are in any doubt as to their Tax position should consult their professional advisers.

Covered Bondholders 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). In particular, Covered Bondholders should be aware that they may be liable to Taxation under the laws of other jurisdictions in relation to payments in respect of 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.

A. United Kingdom withholding tax on United Kingdom source interest

The following comments apply to United Kingdom source interest. On the basis that Covered Bonds will be issued by the Issuer acting through its London branch, payments on Covered Bonds may be treated as having a United Kingdom source.

Covered Bonds listed on a recognised stock exchange

Covered Bonds issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a "recognised stock exchange". Pursuant to section 1005 of the Income Tax Act 2007 (**ITA**), securities are listed on a recognised stock exchange for these purposes if they are (i) admitted to trading on that exchange and (ii) included in the Official List (within the meaning of and in accordance with Part 6 of FSMA) or are officially listed in a qualifying country outside the United Kingdom in accordance with provisions corresponding to those generally applicable in EEA States. The London Stock Exchange is a recognised stock exchange for these purposes. While Covered Bonds are and continue to be quoted Eurobonds, payments of interest on Covered Bonds may be made without withholding or deduction for or on account of United Kingdom income tax.

Covered Bonds not listed on a recognised stock exchange

In cases falling outside the exemption described in the paragraph above, interest on the relevant Covered Bonds that has a United Kingdom source may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to such relief as may be available under the provisions of

any applicable double taxation treaty or to any other exemption or relief which may apply. However, this withholding will not apply if the relevant interest is paid on Covered Bonds with a maturity of less than 365 days from the date of issue and which are not issued under or form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for a total term of 365 days or more.

B. Payments by Guarantors

If either of the Guarantors makes any United Kingdom source payments in respect of the Covered Bonds, such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.), subject to such relief as may be available under the provisions of any applicable double taxation treaty or any other exemption or relief which may apply. Such payments by either of the Guarantors may not be eligible for all the reliefs and exemptions described in (A) above.

C. Other rules relating to United Kingdom withholding tax

(a) Covered Bonds may be issued at an issue price of less than 100 per cent. of their principal amount. Amounts representing a discount will not typically be treated as "interest" under UK tax law (to the extent that such amounts are not for other reasons re-characterised as interest) and should therefore not generally be subject to any United Kingdom withholding tax.

(b) Where Covered Bonds are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax.

(c) Where interest has been paid under deduction of United Kingdom income tax, Covered Bondholders who are resident for Tax purposes in a jurisdiction that has a double taxation treaty with the United Kingdom may be able to recover all or part of the Tax deducted if there is an appropriate provision in that applicable double taxation treaty.

(d) The references to "interest" above (including in A and B above) mean "interest" as understood in United Kingdom Tax law. The statements above do not take any account of any different definitions of "interest" which may prevail under any other law or which may be created by the Terms and Conditions of the Covered Bonds or any related documentation.

(e) The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 16 (Substitution of the Issuer) of the Terms and Conditions of the Covered Bonds and does not consider the Tax consequences of any such substitution.

The proposed financial transactions tax (FTT)

The European Commission has published a proposal for a Directive for a common FTT (including in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia, although Estonia has since stated that it will not participate (the **participating Member States**)).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Covered Bonds (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation EC No 1287/2006 are expected to be exempt.

Under current proposals 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.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. 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.

U.S. Foreign Account Tax Compliance Act (FATCA)

It is possible that, in order to comply with FATCA, one or more of the Issuer, the Group Guarantor and the CB Guarantor (or, if the Covered Bonds are held through another financial institution, such other financial institution) may be required (pursuant to an agreement entered into with the United States or under applicable Law (including pursuant to the terms of any applicable intergovernmental agreement entered into between the United States and any other jurisdiction)) (i) to request certain information from the Covered Bondholders or beneficial owners of the Covered Bonds, which information may be provided to the U.S. Internal Revenue Service (**IRS**), and (ii) to withhold U.S. tax on any portion of any payment with respect to the Covered Bonds treated as a foreign passthru payment made two years or more after the date on which the final regulations that define "foreign passthru payments" are published if such information is not provided or if payments are made to certain foreign financial institutions that have not entered into a similar agreement with the United States (and are not otherwise required to comply with the FATCA regime under applicable Law (including pursuant to the terms of any applicable intergovernmental agreement entered into between the United States and any other jurisdiction)).

If any of the Issuer, the Group Guarantor, the CB Guarantor or any other person is required to withhold or deduct amounts arising under or in connection with FATCA from any payments made with respect to the Covered Bonds, the Covered Bondholders and the beneficial owners of the Covered Bonds will not be entitled to receive any gross up or other additional amounts under Condition 8 (Taxation) of the Covered Bonds, or otherwise, on account of any such withholding or deduction. FATCA is complex and its application to the Covered Bonds remains uncertain. Each Covered Bondholder and beneficial owner is advised to consult their own tax advisors as to the application of FATCA to the Covered Bonds.

Other withholdings

There may be other occasions in other jurisdictions in which an amount of, or in respect of, tax is required to be withheld from a payment in respect of any Covered Bond and in respect of which neither the Issuer nor the Group Guarantor, nor the CB Guarantor, nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to such Covered Bond as set out in Condition 8 (*Taxation*) of the Covered Bonds.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have pursuant to a dealership agreement (as the same may be amended and/or supplemented and/or restated from time to time, the **Dealership Agreement**) dated 21 December 2010, agreed with the Issuer, the Group Guarantor and the CB Guarantor a basis upon which such Dealers or any of them may from time to time agree to purchase the Covered Bonds. Any such agreement for any particular purchase by a Dealer will extend to those matters stated under *Form of the Covered Bonds* and *Terms and Conditions of the Covered Bonds* above. As at the date of this Prospectus, the Dealers are Barclays Bank PLC and WBC, but the Issuer may appoint other dealers from time to time in accordance with the Dealership Agreement, which appointment may be for a specific issue or on an ongoing basis.

The Issuer may pay the Dealers commissions from time to time in connection with the sale of any Covered Bonds. In the Dealership Agreement, the Issuer (failing which, the Group Guarantor) 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 purchase Covered Bonds under the Dealership Agreement in certain circumstances prior to payment to the Issuer.

In order to facilitate the offering of any Tranche of the Covered Bonds, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Covered Bonds during and after the offering of the Tranche. Specifically, such persons may over-allot or create a short position in the Covered Bonds for their own account by selling more Covered Bonds than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Covered Bonds in the open market. In addition, such persons may stabilise or maintain the price of the Covered Bonds by bidding for or purchasing Covered Bonds in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Covered Bonds are reclaimed if Covered Bonds previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Covered Bonds at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Covered Bonds to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under U.K. laws and regulations, stabilising activities may only be carried on by the stabilising manager named in the applicable Final Terms Document and only for a period of 30 days following the Issue Date of the relevant Tranche of Covered Bonds.

Transfer restrictions

Each initial and subsequent purchaser of Registered Covered Bonds will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

(a) that the Covered Bonds, the Covered Bonds Guarantee and the Group Guarantee 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 have not been and will not be registered under the Securities Act or the securities laws or "blue sky" laws of any state or any other relevant jurisdiction of the United States or the securities law of any other jurisdiction and, accordingly, none of the Covered Bonds, the Covered Bonds Guarantee and the Group Guarantee may be offered, sold, transferred, pledged, encumbered or otherwise disposed of within the United States or to, or for the account or benefit of, U.S. persons (as defined under Regulation S of the Securities Act) unless in a transaction exempt from or not subject to the registration requirements under the Securities Act and any other applicable securities laws;

(b) that it is a purchaser acquiring such Registered Covered Bonds in an offshore transaction within the meaning of Regulation S and that it is not a "U.S. person" (and is not acquiring such Covered Bonds for the account or benefit of a U.S. person) within the meaning of Regulation S;

(c) that neither the Issuer, the CB Guarantor nor the Group Guarantor has any obligation to register the Covered Bonds, the Covered Bond Guarantee or the Group Guarantee under the Securities Act;

(d) that Covered Bonds initially offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Covered Bonds;

(e) if it holds Covered Bonds represented by a Regulation S Global Covered Bond or a Definitive Regulation S Covered Bond, that if it should resell or otherwise transfer the Covered Bonds prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the Issue Date), it will do so only outside the United States in compliance with Rule 903 or 904 under the Securities Act and in accordance with all applicable U.S. State securities laws; and it acknowledges that the Covered Bonds represented by a Regulation S Global Covered Bond or a Definitive Regulation S Covered Bond will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"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.

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**), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S OF THE SECURITIES ACT) EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE **AGENCY AGREEMENT**) AND PURSUANT TO AN EXEMPTION FROM OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS 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 PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT"; and

(f) that the Issuer, the Group Guarantor 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 Issuer and the Dealers through which it purchased any Covered Bonds; and if it is acquiring any Covered Bonds as a fiduciary or agent for one or more 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

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the Covered Bonds, the Covered Bond Guarantee and the Group Guarantee have not been and will not be registered under the Securities Act, the securities laws of any state or any relevant jurisdiction of the United States, and none of the Covered Bonds, the Covered Bond Guarantee or the Group Guarantee may 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, the Covered Bond Guarantee and the Group Guarantee are being offered hereby only 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 U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Each Dealer has agreed that it will not offer, sell or deliver a Covered Bond in bearer form within the United States or its possessions or to U.S. persons except as permitted by the Dealership Agreement. Terms used in this paragraph have the meanings given to them by the Code and U.S. Treasury regulations thereunder.

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that it has not entered and will not enter into any contractual arrangement with respect to the distribution or the delivery of the Covered Bonds, the Covered Bond Guarantee and the Group Guarantee, except with its affiliates or with the prior written consent of the Issuer.

In connection with any Covered Bond represented by a Regulation S Global Covered Bond or any Definitive Regulation S Covered Bond (**Regulation S Covered Bond**), the Covered Bond Guarantee and the Group Guarantee, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver any such Regulation S Covered Bond, the Covered Bond Guarantee and the Group Guarantee within the United States or to, or for the account or benefit of, U.S. persons (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (**Distribution Compliance Period**), and except in either case in accordance with Regulation S under the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer 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.

In addition, during the Distribution Compliance Period, any offer or sale of any Regulation S Covered Bond within the United States by any dealer (who is not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in reliance upon an exemption from or in a transaction not subject to the registration requirements under the Securities Act or pursuant to an effective registration statement under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", 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 otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the

offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**); and

(b) the expression an **offer** includes 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**.**

If the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, 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 made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms Document in relation thereto to the public in that Member State except that it may make an offer of Covered Bonds to the public in that Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Covered Bonds referred to in paragraphs (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in any 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 and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) in relation to any 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 any Covered Bonds other than to persons whose ordinary activities involve them in

acquiring, holding, managing or disposing of investments (as principal or as 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 the FSMA by the Issuer;

(b) 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 CB Guarantor or, in the case of the Issuer and WNZL, would not, if either were not an authorised person, apply to the Issuer or WNZL; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the UK.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act) in relation to the Programme or any Covered Bonds has been, or will be, lodged with the Australian Securities and Investments Commission (**ASIC**). The Prospectus is neither a prospectus nor a disclosure document for the purposes of the Corporations Act. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that unless the relevant Final Terms Document (or another supplement to any Prospectus) otherwise provides, it:

(a) has not made or invited, and will not make or invite, directly or indirectly, an offer of the Covered Bonds for issue, sale or purchase in or from Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, the Prospectus or any other offering material or advertisement relating to any Covered Bonds in Australia.

unless:

(i) the aggregate consideration payable on acceptance of the offer by each offeree or invitee is at least A$500,000 (or its equivalent in an alternative currency, in either case, disregarding monies lent by the offeror or its associates) or the offer or invitation does not otherwise require disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act;

(ii) the offer or invitation does not constitute an offer to a "retail client" as defined for the purposes of section 761G of the Corporations Act;

(iii) such action complies with any other applicable laws, regulations or directives in Australia; and

(iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

Hong Kong

In relation to each Tranche of Covered Bonds, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any Covered Bonds other than (i) to "professional investors" as defined in the Securities and Futures

Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Covered Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Covered Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended (the **FIEA**)) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Covered Bonds directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

The Republic of France

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 directly or indirectly, Covered Bonds to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France the Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds, and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French Code *monétaire et financier*.

Republic of Italy

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the offering of the Covered Bonds has not been registered pursuant to Italian securities legislation and, accordingly, the Covered Bonds may not be offered, sold or delivered, nor may copies of the Prospectus or any other document relating to the Covered Bonds be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-*ter*, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 11971**); or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-*ter* of Regulation No. 11971.

Furthermore, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer, sale or delivery of the Covered Bonds or distribution of copies of this Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under paragraph (a) or (b) above must:

(i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and

(ii) comply with any other applicable laws and regulations or requirement imposed by Commissione Nazionale per le Società e la Borsa (CONSOB), the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act, and the implementing guidelines of the Bank of Italy (as amended from time to time) and/or any other Italian authority.

The Netherlands

The Covered Bonds may not be offered or sold, directly or indirectly, as part of any initial distribution or at any time thereafter, directly or indirectly, to any person other than to professional market parties (*professionele marktpartijen*) as defined in *1:107 paragraph 2 of the Dutch Financial Markets Supervision Act* (*Wet op het financieel toezicht*), as amended, restated or re-enacted at any time, in The Netherlands.

In addition and without prejudice to the relevant restrictions set out directly above, each Dealer has represented, warranted and agreed that Zero Coupon Covered Bonds (as defined below) in definitive form of the Issuer may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of Euronext N.V. in full compliance with the *Dutch Savings Certificates Act* (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required in respect of (i) the initial issue of such Zero Coupon Covered Bonds to the first Holders thereof, (ii) the transfer and acceptance of Zero Coupon Covered Bonds in definitive form between individuals not acting in the conduct of a business or profession, or (iii) the transfer and acceptance of such Zero Coupon Covered Bonds within, from or into The Netherlands if all Zero Coupon Covered Bonds (either in definitive form or as rights representing an interest in a Zero Coupon Covered Bond in global form) of any particular Series or Tranche are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter.

As used herein "***Zero Coupon Covered Bonds***" are Covered Bonds that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

In addition and without prejudice to the relevant restrictions set out directly above, each Dealer has represented, warranted and agreed, and each further Dealer appointed will be required to represent, warrant and agree, that as of 1 January 2012 it shall include in:

(a) any offer of Covered Bonds to the public in The Netherlands other than an offer:

(i) in respect of which a prospectus (and, as the case may be, any supplement or supplements if required) approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (**AFM**) (or, where appropriate, by the competent authority in another Member State of the European Economic Area) has been made generally available; or

(ii) only to qualified investors as defined in the Prospectus Regulation; and

(b) any advertisement relating to such an offer, and any document in which the prospect of such offer is held out, that:

(A) no prospectus approved by the AFM has been or will be made generally available; and

(B) such offer is not supervised by the AFM,

in such manner as prescribed by the AFM from time to time.

For purposes of this provision the expression Prospectus Regulation shall have the meaning set out on page 1.

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 or sold and agrees it will not, directly or indirectly, offer, sell or deliver any Covered Bonds, Coupons and Talons in New Zealand or distribute any information memorandum (including the Prospectus), any Final Terms Document or other offering memorandum or any advertisement in relation to any offer of Covered Bonds, Coupons and Talons in New Zealand other than to "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 (**FMCA**), 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 FMCA. For the avoidance of doubt, Covered Bonds, Coupons and Talons may not be offered to or acquired by, and any information memorandum (including the Prospectus), any Final Terms Document or other offering memorandum or any advertisement in relation to any offer of Covered Bonds, Coupons and Talons may not be distributed to, any "eligible investor" (as defined in clause 41 of Schedule 1 to the FMCA) or to any person who, under clause 3(2)(b) of Schedule 1 to the FMCA meets the investment activity criteria specified in clause 38 of that Schedule.

Each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Covered Bonds, Coupons and Talons to persons whom it reasonably believes to be persons to whom any amounts payable on the Covered Bonds, Coupons and Talons are or would be subject to New Zealand resident withholding tax, unless such persons:

(i) certify they hold a valid RWT exemption certificate for New Zealand resident withholding tax purposes or otherwise have exempt status for New Zealand resident withholding tax purposes, and

(ii) provide a New Zealand tax file number to such Dealer (in which event the Dealer shall provide details thereof to the Issuer, the Registrar or the Principal Paying Agent).

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, 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 any Covered Bonds or caused such Covered Bonds to be made the subject of an invitation for

subscription or purchase and will not offer or sell such Covered Bonds or cause such Covered Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of, any Covered Bonds, whether directly or indirectly, to any person in Singapore other than:

(a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore, as modified or amended from time to time (the **Securities and Futures Act**) pursuant to Section 274 of the Securities and Futures Act;

(b) to a relevant person (as defined in Section 275(2) of the Securities and Futures Act) pursuant to Section 275(1) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018; or

(c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Covered Bonds may not be circulated or distributed, nor may the Covered Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than:

(a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act;

(b) to a relevant person pursuant to Section 275(1) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018; or

(c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where Covered Bonds are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Covered Bonds pursuant to an offer made under Section 275 of the Securities and Futures Act except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the Securities and Futures Act; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Notification under Section 309B of the Securities and Futures Act, Chapter 289 of Singapore – Unless otherwise stated in the Final Terms Document in respect of any Covered Bonds, all Covered Bonds issued or to be issued under the Programme shall be capital markets products other than prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to 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 the Prospectus or any Final Terms Document 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 Issuer, WNZL, the CB Guarantor or any of the other Dealers shall have any responsibility therefor.

None of the Issuer, WNZL, the CB Guarantor 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.

GENERAL INFORMATION

Authorisation

The establishment of the Programme was authorised pursuant to resolutions of the Group Guarantor's Directors passed on 9 November 2010, resolutions of the Issuer's Directors passed on 22 November 2010 and resolutions of the CB Guarantor's Directors passed on 23 November 2010. The Issuer and the Guarantors have obtained or will obtain from time to time all the necessary consents, approvals and authorisations in connection with the issue and performance of the Covered Bonds.

Listing of Covered Bonds

The admission of Covered Bonds to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Covered Bonds which is to be admitted to the Official List and to trading on the London Stock Exchange's Regulated Market will be admitted separately as and when issued, subject only to the issue of a Temporary Global Covered Bond, a Permanent Global Covered Bond or a Regulation S Global Covered Bond, as the case may be, initially representing the Covered Bonds of such Tranche.

Documents available

So long as Covered Bonds are capable of being issued under the Programme, copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the London offices of the Issuer at Westpac Securities NZ Limited, Camomile Court, 23 Camomile Street, London EC3A 7LL, United Kingdom and at the specified offices of the Paying Agents save that item (d) below will not be available at the specified offices of the Paying Agents:

(a) the constitutive documents of the Issuer, the Group Guarantor and the CB Guarantor;

(b) the audited financial statements of WSNZL and the Group Guarantor for the financial years ended 30 September 2018 and 30 September 2019;

(c) the audited financial statements of the CB Guarantor in respect of the financial years ended 30 September 2018 and 30 September 2019;

(d) the Dealership Agreement, the Agency Agreement, the Master Definitions and Construction Agreement, the Security Trust Deed, and the Trust Deed (which contains the Guarantees and the forms of Global Covered Bonds, Covered Bonds in definitive form, Coupons and Talons);

(e) this Prospectus;

(f) any future information memoranda, offering circulars, prospectuses and supplements to this Prospectus and any other documents incorporated herein or therein by reference;

(g) in the case of each issue of listed Covered Bonds subscribed for pursuant to a subscription agreement, the subscription agreement (or equivalent document); and

(h) each Final Terms Document.

For the period of 12 months following the date of this Prospectus:

(a) the up to date constitutional documents of the Issuer, the Group Guarantor and the CB Guarantor can be inspected at https://app.companiesoffice.govt.nz; and

(b) all reports, letters, and other documents, valuations and statements prepared by any expert at the Issuer's request, any part of which is included or referred to in the registration document can be inspected at https://www.westpac.com.au/about-westpac/investorcentre/fixed-income/investors/.

In addition, copies of this Prospectus, any supplementary prospectus, any documents incorporated by reference and each Final Terms Document relating to Covered Bonds which are admitted to trading on the London Stock Exchange's Regulated Market will also be available for inspection on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

Clearing systems

The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Covered Bonds allocated by Euroclear and Clearstream, Luxembourg, and if applicable, the FISN and/or CFI, will be specified in the applicable Final Terms Document. In addition, the Issuer may make an application for any Registered Covered Bonds to be accepted for trading in book-entry form by DTC and for any Bearer Covered Bonds to be accepted for clearance through the CMU Service. The CUSIP and/or CINS numbers for each Tranche of Registered Covered Bonds cleared through DTC, together with the relevant ISIN and Common Code, and if applicable, the FISN and/or CFI, will be specified in the applicable Final Terms Document. The CMU Service Instrument Number for each Series of Covered Bonds intended to clear through the CMU Service will be specified in the applicable Final Terms Document. 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 Document.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041-0099.

Significant or material change

Since 30 September 2019, there has been no material adverse change in the prospects of the Group Guarantor and its controlled entities (being the entities referred to on page 177 of this Prospectus) taken as a whole.

Since 30 September 2019, there has been no significant change in the financial position or the financial performance of the Group Guarantor and its controlled entities (being the entities referred to on page 177 of this Prospectus) taken as a whole.

Since 30 September 2019, there has been no material adverse change in the prospects of the Issuer.

Since 30 September 2019, there has been no significant change in the financial position or the financial performance of the Issuer.

Since 30 September 2019, there has been no material adverse change in the prospects of the CB Guarantor.

Since 30 September 2019, there has been no significant change in the financial position or the financial performance of the CB Guarantor.

Litigation

There are no, nor during the 12 months before the date of this Prospectus have there been any, legal, arbitration or governmental proceedings (including any such proceedings which are pending or threatened) of which the Issuer is aware which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer.

There are no, nor during the 12 months before the date of this Prospectus have there been any, legal, arbitration or governmental proceedings (including any such proceedings which are pending or threatened) of which the Group Guarantor is aware which may have, or have had in the recent past, significant effects on the financial position or profitability of the Group Guarantor or its controlled entities, taken as a whole.

There are no, nor during the 12 months before the date of this Prospectus have there been any, legal, arbitration or governmental proceedings (including any such proceedings which are pending or threatened) of which the CB Guarantor is aware which may have, or have had in the recent past, significant effects on the financial position or profitability of the CB Guarantor.

Independent auditors

PricewaterhouseCoopers New Zealand (**PwC New Zealand**), Chartered Accountants, audited Westpac New Zealand Limited's financial statements for the years ended 30 September 2018 and 30 September 2019.

PwC New Zealand audited Westpac Securities NZ Limited's financial statements for the years ended 30 September 2018 and 30 September 2019.

PwC New Zealand audited the CB Guarantor's financial statements for the years ended 30 September 2018 and 30 September 2019.

PwC New Zealand partners are members or affiliate members of CA ANZ. PwC New Zealand and the signing partner are licensed under the Auditor Regulation Act 2011.

Reports

The Trust Deed provides that the Bond Trustee may rely on reports or other information from professional advisers or other experts in accordance with the provisions of the 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.

Post-issuance information

The Cash Manager (on behalf of the Issuer) will prepare and make available a monthly Investor Report detailing, among other things, compliance with the Asset Coverage Test and other information relating to the Portfolio. This information will be available on a website maintained for this purpose. Initially this will be found in the "WSNZL Covered Bonds" section on the "Fixed Income Investors – Secured Funding" page on the Westpac Banking Corporation Investor Centre website: https://www.westpac.com.au/about-westpac/investor-centre/fixed-income-investors/wsnzl-secured-funding-disclaimer/.

Yield of Fixed Rate Covered Bonds

The inclusion in this Prospectus or any Final Terms of an indication of the yield of any Fixed Rate Covered Bonds is an indication of the yield at the Issue Date and is calculated at the Issue Date on the basis of the Issue Price. Potential investors in any Fixed Rate Covered Bonds should not regard it as an indication of future yield.

Contracts (Rights of Third Parties) Act 1999 (UK)

The Contracts (Rights of Third Parties) Act 1999 (the **Contracts (RTP) Act**) provides, *inter alia*, that persons who are not parties to a contract governed by the laws of England and Wales may be given enforceable rights under such contract. Unless specifically provided in the applicable Final Terms Document to the contrary, this Programme expressly excludes the application of the Contracts (RTP) Act to any issue of Covered Bonds under the Programme.

Legends

The following legend must appear on every form of Covered Bond, Coupon or Talon.

"IF THE HOLDER OF ANY PART HEREOF IS A RESIDENT OF NEW ZEALAND FOR TAX PURPOSES OR OTHERWISE IS A PERSON THE PAYMENT OF INTEREST (AS DEFINED FOR NEW ZEALAND INCOME TAX PURPOSES) TO WHOM WILL BE SUBJECT TO NEW ZEALAND RESIDENT WITHHOLDING TAX, THEN A DEDUCTION FOR NEW ZEALAND RESIDENT WITHHOLDING TAX MAY BE MADE FROM ANY AMOUNT PAYABLE UNDER THIS [TEMPORARY/PERMANENT/GLOBAL/DEFINITIVE/REGISTERED/
COVERED BOND/COUPON/TALON/] WHICH IS SUBJECT TO NEW ZEALAND RESIDENT WITHHOLDING TAX UNLESS ANY SUCH HOLDER CERTIFIES THAT IT HOLDS A VALID RWT EXEMPTION CERTIFICATE FOR NEW ZEALAND RESIDENT WITHHOLDING TAX PURPOSES OR OTHERWISE HAVE EXEMPT STATUS FOR NEW ZEALAND RESIDENT WITHHOLDING TAX PURPOSES AND PROVIDES THE HOLDER'S NEW ZEALAND TAX FILE NUMBER.

ON PRESENTATION OF THIS [TEMPORARY/PERMANENT/GLOBAL/DEFINITIVE/REGISTERED COVERED BOND/COUPON/TALON] FOR PAYMENT OR, IF APPLICABLE, UPON THE RECEIPT OF SUCH PAYMENT, THE HOLDER OF ANY PART HEREOF HEREBY CERTIFIES THAT IF IT IS A RESIDENT OF NEW ZEALAND FOR TAX PURPOSES OR OTHERWISE IS A PERSON THE PAYMENT OF INTEREST TO WHOM WILL BE SUBJECT TO NEW ZEALAND RESIDENT WITHHOLDING TAX, THAT IT HOLDS A VALID RWT EXEMPTION CERTIFICATE FOR NEW ZEALAND RESIDENT WITHHOLDING TAX PURPOSES OR OTHERWISE HAVE EXEMPT STATUS FOR NEW ZEALAND RESIDENT WITHHOLDING TAX PURPOSES."

Disclosure for U.S. tax purposes

Any Person (and each employee, representative, or other agent of such Person) may disclose to any and all Persons, without limitation of any kind, the United States federal income tax treatment and the United States federal income tax structure of the Covered Bond, Coupon or Talon and all materials of any kind (including opinions or other tax analyses) that are provided to such holder relating to such tax treatment and tax structure.

No obligation to maintain listing

No assurance is made as to the liquidity of the Covered Bonds as a result of listing on the Official List of the FCA and trading by the London Stock Exchange, delisting the Covered Bonds from the Official List of the FCA and the London Stock Exchange may have a material effect on a Covered Bondholder's ability to continue to hold such Covered Bonds or to resell its Covered Bonds in the secondary market.

GLOSSARY

30/360, **360/360** or **Bond Basis** has the meaning given to it in Condition 1.1 on page 103;

30E/360 or **Eurobond Basis** has the meaning given to it in Condition 1.1 on page 103;

30E/360 (ISDA) has the meaning given to it in Condition 1.1 on page 104;

€, **Euro** or **euro** means the lawful currency for the time being of the Member States of the European Union that have adopted or may adopt the single currency introduced at the start of the third stage of European Economic Monetary Union pursuant to the Treaty of Rome of 25 March 1957, as amended by, *inter alia*, the Single European Act of 1986 and the Treaty of European Union of 7 February 1992 and the Treaty of Amsterdam of 2 October 1997 establishing the European Community;

£, **Sterling**, **sterling** or **pounds sterling** means the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;

$**, **US$ or **U.S. Dollars** means the lawful currency for the time being of the United States of America;

A$, Australian Dollars, Australian $ or **AUD** means the lawful currency for the time being of Australia;

Accession Undertaking means a form of deed of accession to the Security Trust Deed substantially in the form set out in Schedule 1 to the Security Trust Deed;

Account Bank means Westpac New Zealand Limited, and any other financial institution which accedes to the Bank Account Agreement as an Account Bank in accordance with the Bank Account Agreement;

Accrual Feature has the meaning given to it in Condition 1.1 on page 98;

Accrual Yield has the meaning given to it in Condition 1.1 on page 99;

Accrued Interest means, in relation to a Loan as at any date, interest accrued but not yet due and payable on the Loan from (and including) the Mortgage Payment Day immediately preceding the relevant date to (but excluding) the relevant date;

Accrued Interest Adjustment Amount means an amount equal to:

(a) Arrears of Interest and Accrued Interest on the Loans and their Related Security comprised in the Initial Portfolio or any New Portfolio (as the case may be) as of (but excluding) the Assignment Date of that Portfolio; and

(b) amounts received by the Seller under the Loans comprised in the Initial Portfolio or any New Portfolio (as the case may be) in payment of interest under those Loans for the period from (but excluding) the Cut-Off Date in respect of those Loans to (but excluding) the Assignment Date of that Portfolio,

but without double counting or recovery for any such amounts;

Actual/360 has the meaning given to it in Condition 1.1 on page 102;

Actual/365 has the meaning given to it in Condition 1.1 on page 102;

Actual/365 (Fixed) has the meaning given to it in Condition 1.1 on page 102;

Actual/Actual or **Actual/Actual (ISDA)** has the meaning given to it in Condition 1.1 on page 102;

Actual/Actual (ICMA) has the meaning given to it in Condition 1.1 on page 102;

Additional Business Centre(s) has the meaning given to it in Condition 1.1 on page 99;

Adjusted Aggregate Loan Amount has the meaning given to it in Schedule A of the Participation Agreement;

Adjusted Required Redemption Amount has the meaning given to it in Clause 3.6(c) of the Participation Agreement;

Administration Agreement means the administration agreement dated the Signing Date and made between the CB Guarantor, the Security Trustee and the Administrative Agent (as the same may be amended, restated, supplemented, replaced or novated from time to time);

Administrative Agent means, initially, Westpac Securitisation Management Pty Limited, and thereafter any successor Administrative Agent appointed pursuant to the Administration Agreement;

Administrative Receiver means, in respect of a company:

(a) an administrative receiver as defined by section 29(2) of the Insolvency Act 1986 of Great Britain; or

(b) a receiver appointed under section 51 of the Insolvency Act 1986 of Great Britain in a case where the whole (or substantially the whole) of that company's property is attached by a floating charge;

Administrator means, in respect of a company, a person appointed under Schedule B1 of the Insolvency Act 1986 of Great Britain to manage that company's affairs, business and property;

Advances means an amount advanced, or to be advanced, by the Group Guarantor to the CB Guarantor under the Intercompany Loan Agreement, including any Deemed Advances but, for the avoidance of doubt, excluding any deferred interest under Clause 6.3 of the Intercompany Loan Agreement;

Adverse Effect means an event which will materially and adversely affect the amount of any payment to the Covered Bondholders, or will materially and adversely affect the timing of such payment;

AFM has the meaning given to it on page 271;

Agency Agreement means the agency agreement dated the Signing Date and made between (*inter alia*) the Issuer, the Group Guarantor, the CB Guarantor, the Bond Trustee, the Principal Paying Agent, the Exchange Agent, the Registrar and the Transfer Agent (as the same may be amended, restated, supplemented, replaced or novated from time to time);

Agents means the Paying Agents, the Registrar, the Exchange Agent, the Transfer Agents and any Calculation Agent;

Agreement Date means, in respect of any Covered Bond, the date on which agreement is reached for the issue of such Covered Bond as contemplated in Clause 2 of the Dealership Agreement which,

in the case of the Covered Bonds issued on a syndicated basis or otherwise in relation to which a Subscription Agreement is entered into, shall be the date on which the relevant Subscription Agreement is signed by or on behalf of all the parties to it;

AIL means New Zealand approved issuer levy imposed under the Stamp and Cheque Duties Act 1971 (NZ) and legislation (whether delegated or otherwise) replacing the same or supplemental thereto;

Amortisation Test has the meaning given to it in Clause 3.2(a) of the Participation Agreement;

Amortisation Test Aggregate Loan Amount has the meaning given to it in Schedule B of the Participation Agreement;

Amortisation Test Outstanding Principal Balance has the meaning given to it in Schedule B of the Participation Agreement;

Applicable Final Terms Document has the meaning given to it on page 97;

Applicable Swap Rate has the meaning given to it in Condition 1.1 on page 98;

Approved Issuer Levy Rate has the meaning given to it in Condition 6.2 on page 137;

Arrangers means Barclays Bank PLC and Westpac Banking Corporation;

in Arrears or **in arrears** means, in respect of a Mortgage Account or a Loan (as the case may be), that one or more payments in respect of such Mortgage Account or such Loan (as the case may be) have become due and remain unpaid by a Borrower;

Arrears of Interest means, in relation to a Loan as at any date, the aggregate of all interest which is due and payable and unpaid on that date, including any such interest that has been capitalised;

ASIC means the Australian Securities and Investments Commission;

Asset Coverage Test has the meaning given to it in Clause 3.1(a) of the Participation Agreement;

Asset Coverage Test Breach Notice means the notice required to be served by the Bond Trustee in the form set out in Schedule 6 to the Trust Deed if the Adjusted Aggregate Loan Amount is less than the NZ Dollar Equivalent of the Principal Amount Outstanding of all Covered Bonds as of two consecutive Calculation Dates;

Asset Monitor means PricewaterhouseCoopers (New Zealand), or any substitute asset monitor appointed as such in accordance with the Asset Monitor Agreement;

Asset Monitor Agreement means the asset monitor agreement entered into on the Signing Date and amended and restated on 20 September 2018 between the Asset Monitor, the CB Guarantor, the Cash Manager, the Administrative Agent, the Issuer, the Group Guarantor, the Servicer and the Security Trustee (as the same may be further amended, restated, supplemented, replaced or novated from time to time);

Asset Monitor Fee has the meaning given to it in Clause 7.1 of the Asset Monitor Agreement;

Asset Monitor Report means a report in the form set out in Schedule 2 to the Asset Monitor Agreement (or such other form of report as may be agreed between the Asset Monitor, the Cash Manager, the CB Guarantor and the Group Guarantor from time to time) containing the results of the tests conducted by the Asset Monitor in accordance with the Asset Monitor Agreement to be

delivered to (inter alia) the Cash Manager, the Servicer, the CB Guarantor, the Group Guarantor, the Issuer and the Security Trustee;

Asset Percentage means 90% or such lesser percentage figure as determined from time to time pursuant to Schedule A of the Participation Agreement;

Asset Percentage Adjusted Outstanding Principal Balance has the meaning given to it in Schedule A of the Participation Agreement;

Asset Performance Fee means a monthly fee payable by the CB Guarantor to the Seller, in respect of the quality and revenue generating performance of the Loans and their Related Security comprised in the Portfolio being, at any time prior to the service of a CBG Acceleration Notice and the enforcement of the Security, 99.75% of the Surplus Revenue for each Calculation Period, and, after the service of a CBG Acceleration Notice and the enforcement of the Security, 99.75per cent. of the Excess Amount;

Assignment Date means each of the First Assignment Date and each other date on which a New Portfolio is assigned to the CB Guarantor in accordance with the terms of the Mortgage Sale Agreement subject to the terms of the relevant New Portfolio Notice;

Authorised Investments means each of:

(a) NZ Dollar Government Stock having a remaining maturity date of 30 days or less and maturing on or before the next following CBG Payment Date;

(b) 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 30 days or less and mature on or before the next following CBG Payment Date and the short-term unsecured, unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being a registered bank under the Reserve Bank Act) are rated at least A-1 by S&P Global Ratings, P-1 by Moody's and F1 by Fitch Ratings (short term rating) and, to the extent that the instruments have a long term rating, at least A by Fitch Ratings (long term rating) or their equivalents by three other internationally recognised rating agencies; and

(c) NZ Dollar denominated government and public securities, provided that such investments have a remaining period to maturity of 30 days or less and mature on or before the next following CBG Payment Date and which are rated at least P-1 by Moody's, A-1 by S&P Global Ratings and F1 by Fitch Ratings (short term rating) and, to the extent that the instruments have a long term rating, at least A by Fitch Ratings (long term rating) or their equivalents by three other internationally recognised rating agencies;

Available Principal Receipts means, as of a Calculation Date, an amount equal to the aggregate of (without double counting):

(a) the amount of Principal Receipts received (whether by the CB Guarantor, the Servicer on its behalf or otherwise) during the immediately preceding Calculation Period and credited to the Principal Ledger;

(b) any other amount standing to the credit of the Principal Ledger, including (i) the proceeds of any Advances and Subordinated Advances (other than Deemed Advances or Deemed Subordinated Advances) (where such proceeds have not been applied to acquire New Portfolios, refinance an existing Advance, repay a Subordinated Advance, invest in

Substitution Assets or as a credit to the Pre-Maturity Liquidity Ledger, the Reserve Ledger or the Title Perfection Ledger), (ii) the proceeds from any sale of Loans (including, but not limited to, Selected Loans) pursuant to the terms of the Participation Agreement or the Mortgage Sale Agreement to the extent that such proceeds represent principal, (iii) the proceeds from the sale of Substitution Assets pursuant to the terms of the Participation Agreement to the extent such proceeds represent principal and (iv) the amount of any Excess Proceeds standing to the credit of the GI Account;

(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 by the Issuer and the Guarantors on the Maturity Date thereof or if the Issuer is no longer failing the Pre-Maturity Test, any amounts standing to the credit of the Pre-Maturity Liquidity Ledger in respect of such Series of Hard Bullet Covered Bonds (except where the CB Guarantor is required to retain such amounts on the Pre-Maturity Liquidity Ledger) as provided in Clause 3.3(g) of the Participation Agreement,

Less or excluding (as applicable):

(e) any Swap Collateral;

(f) any amount standing to the credit of the CBG Residual Account in the nature of principal;

(g) any amount of principal received under the Covered Bond Swap Agreements; and

(h) any Trust Back Assets in the nature of principal;

Available Revenue Receipts means, as of a Calculation Date, an amount equal to the aggregate of (without double counting):

(a) the amount of Revenue Receipts received (whether by the CB Guarantor, the Servicer on its behalf or otherwise) during the immediately preceding Calculation Period and credited to the Revenue Ledger less the amount of any Accrued Interest Adjustment Amount paid or payable to the Seller pursuant to the Mortgage Sale Agreement in the immediately preceding Calculation Period;

(b) other net income of the CB Guarantor received during the immediately preceding Calculation Period, including:

  (i) all amounts of interest received on the CBG Accounts (other than the Swap Collateral Accounts, but including Swap Collateral Available Amounts), the Substitution Assets and any Authorised Investments in the preceding Calculation Period;

  (ii) the proceeds received from any sale of Loans (including, but not limited to, Selected Loans) pursuant to the terms of the Participation Agreement or the Mortgage Sale Agreement to the extent that such proceeds comprise Accrued Interest and Arrears of Interest or other interest amounts; and

  (iii) amounts received by the CB Guarantor under the Interest Rate Swap Agreements;

(c) prior to the service of a Notice to Pay or an Asset Coverage Test Breach Notice (if not revoked), amounts standing to the credit of the Reserve Fund in excess of the Reserve Fund

Required Amount and amounts standing to the credit of the Title Perfection Ledger in excess of the Title Perfection Required Amount in each case as of that Calculation Date;

(d) following the service of a Notice to Pay or an Asset Coverage Test Breach Notice, amounts standing to the credit of the Reserve Fund and amounts standing to the credit of the Title Perfection Ledger in each case as of that Calculation Date;

(e) the proceeds of any Advance which the Cash Manager has determined shall be treated as Available Revenue Receipts under the Cash Management Agreement;

(f) the amount of any Guarantee Fee paid by the Issuer to the CB Guarantor under Clause 5.1 of the Participation Agreement during the immediately preceding Calculation Period;

(g) any amount credited to the Revenue Ledger under Clause 4.3(b)(viii) of the Participation Agreement during the immediately preceding Calculation Period;

(h) the amount of any premium received by the CB Guarantor from a new Swap Provider as consideration for the entry by the CB Guarantor into a new Swap during the immediately preceding Calculation Period, except to the extent applied to pay any termination payment under the relevant Swap being replaced; and

(i) any other revenue receipts not referred to in paragraphs (a) to (h) above received during the previous Calculation Period and standing to the credit of the Revenue Ledger;

Less or excluding (as applicable):

(j) Third Party Amounts, which shall be paid on receipt of cleared funds to the Seller;

(k) Tax Credits;

(l) any amounts in the nature of interest standing to the credit of the CBG Residual Account;

(m) any Swap Collateral Excluded Amounts;

(n) any Trust Back Assets in the nature of interest; and

(o) amounts in respect of interest received by the CB Guarantor under each Covered Bond Swap Agreement;

Bank Account Agreement means the bank account agreement between the CB Guarantor, the Account Bank, the Security Trustee and the Cash Manager dated the Signing Date (as the same may be amended, restated, supplemented, replaced or novated from time to time);

Bank Group means the Issuer, Group Guarantor and the Group Guarantor's Consolidated Subsidiaries;

Banking Act means the Financial Services Act and Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy, as amended;

Basel III has the meaning given to it on page 77;

BCBS means the Basel Committee on Banking Supervision;

Bearer Covered Bonds means Covered Bonds in bearer form;

Bearer Definitive Covered Bond means a Bearer Covered Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and the Trust Deed in exchange for either a Temporary Global Covered Bond or part thereof or a Permanent Global Covered Bond (all as indicated in the applicable Final Terms Document), such Bearer Covered Bond in definitive form being substantially in the form set out in Part 3 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) or Lead Manager (in the case of syndicated issues) and having the Terms and Conditions endorsed thereon or, if permitted by the relevant Stock Exchange, incorporating the Terms and Conditions by reference as indicated in the applicable Final Terms Document and having the relevant information supplementing, replacing or modifying the Terms and Conditions appearing in the applicable Final Terms Document endorsed thereon or attached thereto and (except in the case of a Zero Coupon Covered Bond in bearer form) having Coupons and where appropriate and/or Talons attached thereto on issue;

Bearer Global Covered Bonds means Global Covered Bonds in bearer form, comprising Temporary Global Covered Bonds and Permanent Global Covered Bonds, substantially in the forms set out in Parts 1 and 2, respectively, of Schedule 2 to the Trust Deed;

Beneficial Owner means each actual purchaser of each DTC Covered Bond;

BKBM and Base Rate means, for any date and in respect any period, the arithmetic mean of the offered quotations for NZ Dollar bills of exchange, with a tenor of such period, displayed on Reuters Page BKBM as of 10:45 a.m. New Zealand time on that date; in each case, displayed on the above mentioned Reuters page (or such replacement page on that service which displays the information) or, if that service ceases to display the information, the Cash Manager (after consultation with the Issuer and the Bond Trustee) may specify another page or service displaying the appropriate rate;

Bond Trustee means BNY Mellon Corporate Trustee Services Limited (formerly BNY Corporate Trustee Services Limited) in its capacity as bond trustee under the Trust Deed together with any successor or additional bond trustee appointed from time to time thereunder;

Borrower means, in relation to a Loan, each Person specified as such in the relevant Mortgage Terms together with each Person (if any) from time to time assuming an obligation to repay such Loan or any part of it;

Broken Amount has the meaning given to it in Condition 1.1 on page 100;

Business Day has the meaning given to it in Condition 1.1 on page 100;

Business Day Convention has the meaning given to it in Condition 1.1 on page 101;

Calculation Agent has the meaning given to it in Condition 1.1 on page 101;

Calculation Date means the first day after the end of the immediately preceding Calculation Period;

Calculation Period means each Month, being the period from (and including) the first day of each Month to (and including) the last day of each Month, except that the first Calculation Period shall commence on (and include) the First Assignment Date under the Programme and end on (and include) the last day of the Month in which the First Assignment Date occurs;

Calculation Testing Date means 30 September of each year, or such other date as the Group Guarantor may specify in writing from time to time, provided that the period between two consecutive Calculation Testing Dates shall not be greater than 12 months;

Capital Balance means for Loan at any date the principal balance of that Loan to which the Servicer applies the relevant interest rate at which interest on that Loan accrues;

Cash Management Agreement means the cash management agreement entered into on the Signing Date between the CB Guarantor, Westpac Securitisation Management Pty Limited in its capacity as the Cash Manager, the Group Guarantor in its capacity as Seller and Servicer, and the Security Trustee (as the same may be amended, restated, supplemented, replaced or novated from time to time);

Cash Manager means Westpac Securitisation Management Pty Limited in its capacity as cash manager or any successor cash manager appointed from time to time;

Cash Manager Termination Event has the meaning given to it in Clause 10.1 of the Cash Management Agreement;

CB Guarantor means Westpac NZ Covered Bond Limited, a company incorporated under the laws of New Zealand, whose registered office is at Westpac on Takutai Square, 16 Takutai Square, Auckland, New Zealand;

CBG Acceleration Notice means a notice in writing, substantially in the form set out in Schedule 4 of the Trust Deed, given by the Bond Trustee to the Issuer, the Group Guarantor, the CB Guarantor and the Security Trustee that each Covered Bond of each Series is, and each Covered Bond of each Series shall, as against the Issuer (if not already due and repayable against it following an Issuer Acceleration Notice) and as against the CB Guarantor, thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest, and all amounts payable by the CB Guarantor under the Covered Bond Guarantee shall thereupon immediately become due and payable subject to and in accordance with the Trust Deed, and thereafter the Security shall become enforceable;

CBG Accounts means the GI Account and any additional or replacement accounts opened in the name of the CB Guarantor, including each Swap Collateral Account and the Stand-by Accounts, but excluding the CBG Residual Account;

CBG Agreements means the Transaction Documents to which the CB Guarantor is a party and each agreement which is, at any time, treated as a CBG Agreement pursuant to any Accession Undertaking under the Security Trust Deed;

CBG Charged Assets has the meaning given to it in Condition 9.3 on page 152;

CBG Event of Default has the meaning given to it in Condition 9.2 on page 150;

CBG Payment Date means the 11th day of each Month or if not a NZ and Sydney Business Day the next following NZ and Sydney Business Day, unless such next following NZ and Sydney Business Day falls in the following Month, in which case the date will be the preceding day that is a NZ and Sydney Business Day, provided that, for the avoidance of doubt, the first CBG Payment Date shall be after the First Assignment Date;

CBG Payment Period means the period from (and including) the 11th day of each Month to (but excluding) the 11th day of the immediately following Month, with the first CBG Payment Period commencing on the First Assignment Date;

CCCFA means the New Zealand Credit Contracts and Consumer Finance Act 2003;

CBG Residual Account means the account in the name of the CB Guarantor held with Westpac New Zealand Limited (or such other financial institution as the CB Guarantor may determine) into which amounts remaining after all payments have been made in accordance with Clause 4.2(b)(i) – (xvii) or Clause 4.5(e)(i) – (xx) of the Participation Agreement are to be paid, or any amounts repaid by the Seller pursuant to Clause 12.2(d) of the Mortgage Sale Agreement are to be paid, and from which amounts may be applied from time to time, at the sole discretion of the CB Guarantor (a) in or towards payment of any Asset Performance Fee and/or any distribution under Clause 4.2(b)(xvi) or (xvii) (as the case may be) or Clause 4.5(e)(xix) or (xx) (as the case may be) of the Participation Agreement, (b) in accordance with Clause 4.8 of the Participation Agreement, (c) where applicable, in or towards the acquisition of New Loans and their Related Security offered to the CB Guarantor by the Seller in accordance with the terms of the Mortgage Sale Agreement, (d) in or towards payment of any amount in connection with the CBG Residual Account (including any costs, charges, liabilities and expenses in connection therewith) or (e) in or towards payment of any other amount to any Person to the extent permitted under the Transaction Documents;

Charged Property means all the Personal Property and the Non-Personal Property of the CB Guarantor;

CIMA has the meaning given to it on page 12;

Clearing Systems means DTC, Euroclear and/or Clearstream, Luxembourg and/or the CMU Service;

Clearstream, Luxembourg means Clearstream Banking, S.A. or its successors;

CMU Instruments has the meaning given to it on page 257;

CMU Lodging Agent means the person appointed by the Issuer from time to time as the agent in respect of the CMU Service;

CMU Members has the meaning given to it on page 257;

CMU Service has the meaning given to it in Condition 2.4 on page 111;

Code means the U.S. Internal Revenue Code of 1986, as amended;

Common Depositary means the common depositary for Euroclear and Clearstream, Luxembourg, the initial common depositary being The Bank of New York Mellon, acting through its London Branch, in its capacity as the common depositary for Euroclear and Clearstream, Luxembourg;

Common Safekeeper means Clearstream, Luxembourg or any entity so determined pursuant to Clause 2.8 of the Agency Agreement;

Consolidated Subsidiaries means an "in-substance" Subsidiary and any other person treated as a subsidiary under generally accepted accounting practice as defined in the Financial Reporting Act 1993 (NZ);

Constitution means the constitution of the CB Guarantor from time to time;

Contracts (RTP) Act has the meaning given to it on page 278;

Contractual Currency has the meaning given to it in Condition 19 on page 162;

Corporations Act means the Corporations Act 2001 of Australia;

Coupon means an interest coupon appertaining to a Bearer Definitive Covered Bond (other than a Zero Coupon Covered Bond), such coupon being:

(a) if appertaining to a Fixed Rate Covered Bond, substantially in the form set out in Part 5A of Schedule 2 to the Trust Deed or in such other form, having regard to the terms of issue of the Covered Bonds of the relevant Series, as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s); or

(b) if appertaining to a Floating Rate Covered Bond, substantially in the form set out in Part 5B of Schedule 2 to the Trust Deed or in such other form, having regard to the terms of issue of the Covered Bonds of the relevant Series, as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s); or

(c) if appertaining to a Bearer Definitive Covered Bond which is neither a Fixed Rate Covered Bond nor a Floating Rate Covered Bond, in such form as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s);

Coupon Sheet has the meaning given to it in Condition 1.1 on page 102;

Coupon Switch Option has the meaning given to it in Condition 1.1 on page 102;

Coupon Switch Option Date has the meaning given to it in Condition 1.1 on page 102;

Couponholders means the holders of the Coupons (which expression shall, unless the context otherwise requires, include the holders of the Talons);

Covered Bond means each covered bond issued or to be issued pursuant to the Dealership Agreement and which is or is to be constituted under the Trust Deed, which covered bond may be represented by a Global Covered Bond or any Definitive Covered Bond and includes any replacements for a Covered Bond issued pursuant to Condition 6.3 (*Legislative Exchange*) and Condition 12 (*Replacement of Covered Bonds*);

Covered Bond Guarantee means an unconditional and irrevocable guarantee by the CB Guarantor in the Trust Deed for the payment (following service of a Notice to Pay or a CBG Acceleration Notice) of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment;

Covered Bondholders means the several persons who are for the time being holders of outstanding Covered Bonds (being, in the case of Bearer Covered Bonds, the bearers thereof and, in the case of Registered Covered Bonds, the several persons whose names are entered in the register of holders of the Registered Covered Bonds as the holders thereof) save that, in respect of the Covered Bonds of any Series, for so long as such Covered Bonds or any part thereof are represented by a Bearer Global Covered Bond deposited with a common depositary for Euroclear and Clearstream, Luxembourg, or, as the case may be, the common safekeeper, or so long as DTC, Euroclear, Clearstream, Luxembourg or the CMU Service, or its nominee is the registered holder of a Registered Global Covered Bond, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an accountholder of Euroclear and Euroclear, if Euroclear shall be an accountholder of Clearstream, Luxembourg) or, as the case may be, DTC or the CMU Service, or its nominee, as the holder of a particular principal amount of the Covered Bonds of such Series shall be deemed to be the holder of such principal amount of such Covered Bonds (and the holder of the relevant Global Covered Bond shall be deemed not to be the holder) for all purposes of the trust presents other than

with respect to the payment of principal or interest on such principal amount of such Covered Bonds and, in the case of DTC or the CMU Service, or its nominee, voting, giving consents and making requests pursuant to the trust presents, the rights to which shall be vested, as against the Issuer, the Group Guarantor, the CB Guarantor and the Bond Trustee, solely in such common depositary or, as the case may be, DTC or the CMU Service, or its nominee and for which purpose such common depositary or, as the case may be, DTC or the CMU Service, or its nominee shall be deemed to be the holder of such principal amount of such Covered Bonds in accordance with and subject to its terms and the provisions of the trust presents and the expressions **Covered Bondholder**, **Holder** and **holder of Covered Bonds** and related expressions shall be construed accordingly;

Covered Bond Swaps means the interest rate and currency swaps entered into in connection with each Series or Tranche of Covered Bonds under the terms of a Covered Bond Swap Agreement;

Covered Bond Swap Agreement means each agreement between the CB Guarantor, a Covered Bond Swap Provider, the Security Trustee and the Cash Manager in respect of a Series or Tranche, as applicable, of Covered Bonds which provides a hedge against certain interest rate, currency and/or other risks in respect of amounts received by the CB Guarantor under the Loans in the Portfolio and any relevant Interest Rate Swap and amounts payable by the CB Guarantor under the Covered Bond Guarantee in respect of Covered Bonds (after service of a Notice to Pay) in the form of an ISDA Master Agreement, including a schedule, one or more confirmations and a credit support annex (as the same may be amended, restated, supplemented, replaced or novated from time to time);

Covered Bond Swap Early Termination Event means a Termination Event or Event of Default (each as defined in the relevant Covered Bond Swap Agreement), excluding a Swap Provider Downgrade Event, pursuant to which the Non-defaulting Party or the party that is not the Affected Party (each as defined in the relevant Covered Bond Swap Agreement), as applicable, may terminate the Covered Bond Swap Agreement;

Covered Bond Swap Provider means each provider of a Covered Bond Swap under a Covered Bond Swap Agreement;

Covered Bond Swap Rate means, in relation to a Series of Covered Bonds, the exchange rate specified in the Covered Bond Swap relating to such Covered Bonds or, if the relevant Covered Bond Swap Agreement has terminated and has not been replaced, the applicable spot rate;

CRA Regulation has the meaning given to it on page ii;

Custodian means any custodian with whom the relevant Registered Global Covered Bonds have been deposited;

Customer Files means the file or files relating to each Loan and its Related Security containing, *inter alia*:

(a) all material correspondence relating to that Loan; and

(b) to the extent applicable, the completed mortgage documentation applicable to the Loan and, if applicable, the solicitor's or licensed conveyancer's certificate,

whether original documentation, in electronic form or otherwise;

Cut-Off Date means:

(a) in relation to the Loans and their Related Security purchased on the First Assignment Date, the date specified as such in the Initial Portfolio Notice;

(b) in relation to the Loans and their Related Security purchased on any subsequent Assignment Date, the date specified as such in the relevant New Portfolio Notice;

(c) in relation to the repurchase of any Loans and their Related Security in accordance with Clause 8.7(a) of the Mortgage Sale Agreement, the date specified as such in the relevant Loan Repurchase Notice;

(d) in relation to the repurchase of any Loans and their Related Security in accordance with Clause 8.7(b) of the Mortgage Sale Agreement, the date on which the Seller offers, or is deemed to have offered, to repurchase the relevant Loans and their Related Security; and

(e) in relation to the repurchase of any Loans and their Related Security in accordance with Clause 11.4 of the Mortgage Sale Agreement, the date specified as such in the relevant Selected Loan Repurchase Notice;

D has the meaning given to it in Condition 1.1 on page 98;

Day Count Fraction has the meaning given to it in Condition 1.1 on page 102;

Dealers means Barclays Bank PLC, Westpac Banking Corporation and any other dealers appointed from time to time in accordance with the Dealership Agreement, which appointment may be for a specific issue or on an ongoing basis. References to the **relevant Dealer(s)** 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;

Dealership Agreement means the dealership agreement dated the Programme Date between the Issuer, the Group Guarantor, the CB Guarantor, the Arrangers and the Dealers named therein (or deemed named therein) concerning the purchase of Covered Bonds to be issued pursuant to the Programme (as the same may be amended, restated, supplemented, replaced or novated from time to time) together with any accession letters and/or agreements supplemental thereto;

Deemed Advance means an advance deemed to constitute an Advance under the Intercompany Loan in accordance with the terms of the Intercompany Loan Agreement;

Deemed Advance Preconditions has the meaning given to it in Clause 5.3(b) of the Intercompany Loan Agreement;

Deemed Subordinated Advances means an amount deemed to constitute a Subordinated Advance in accordance with Clause 4.4 of the Subordinated Loan Agreement;

Defaulted Loan means any Loan comprised in the Portfolio which is more than 90 days in arrears;

Definitive Covered Bond means a Bearer Definitive Covered Bond and/or a Registered Definitive Covered Bond, as the context may require;

Definitive Regulation S Covered Bond means a Registered Covered Bond in definitive form sold to non-U.S. persons outside the United States in reliance on Regulation S;

Delinquent Mortgage means any Loan comprised in the Portfolio in respect of which an amount is due and unpaid for more than 30 consecutive days;

Demand Loan has the meaning given to it in Clause 5.4 of the Intercompany Loan Agreement;

Demand Loan Portfolio has the meaning given to it in Clause 3.7(b) of the Participation Agreement;

Demand Loan Repayment Event has the meaning given to it in Clause 7.3 of the Intercompany Loan Agreement;

Designated Maturity has the meaning given to it in the ISDA Definitions;

Directors means the directors for the time being of the Issuer, the CB Guarantor or the Group Guarantor (as the case may be);

Direct Participants means direct participants in DTC and accountholders in Euroclear or Clearstream, Luxembourg or the CMU Service;

Dispute has the meaning given to it in Condition 23.2 on page 165;

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

Documents has the meaning given to it in Condition 16.1 on page 157;

Drawdown Date means, in respect of any Advance, the date on which that Advance is, or is to be, made by the Group Guarantor to the CB Guarantor as specified in the Request relating to that Advance;

DTC means The Depository Trust Company or its successors;

DTC Covered Bonds has the meaning given to it in Clause 8.11 of the Agency Agreement;

DTCC means The Depository Trust & Clearing Corporation;

DTC Rules means the rules, regulations and procedures creating and affecting DTC and its operations;

Due for Payment means the requirement by the CB Guarantor to pay any Guaranteed Amount:

(a) following service of a Notice to Pay but prior to service of a CBG Acceleration Notice:

(i) (except where paragraph (ii) below applies) on the date on which the Scheduled Payment Date in respect of such Guaranteed Amount is reached, and, if the applicable Final Terms Document specified that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, on the Interest Payment Date(s) that would have applied if the Maturity Date of such Series of Covered Bonds had been the Extended Due for Payment Date or such other Interest Payment Date(s) specified in the applicable Final Terms Document (the **Original Due for Payment Date**); or

(ii) in relation to any Guaranteed Amount in respect of the Final Redemption Amount payable on the Maturity Date of a Series of Covered Bonds for which an Extended Due for Payment Date is specified in the applicable Final Terms Document, on the Extended Due for Payment Date, but only to the extent that the CB Guarantor, having received the Notice to Pay, no later than the date falling one Business Day (and for such purposes Business Days include Brussels business days) prior to the Extension Determination Date, does not have sufficient monies under the Guarantee Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of such Series of Covered Bonds on the date falling on the earlier of (A) the date which falls two Business Days after service of

the Notice to Pay on the CB Guarantor or, if later, the Maturity Date (in each case after the expiry of the grace period set out in Condition 9.1(a) (*Issuer Event of Default*) of the Terms and Conditions) and (B) the Extension Determination Date.

For the avoidance of doubt, the term 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 service of a CBG Acceleration Notice, on the date on which the CBG Acceleration Notice is served on the Issuer and the CB 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 GI Account including, without limitation, any Series of Hard Bullet Covered Bonds in respect of which the Pre-Maturity Liquidity Ledger is fully funded in accordance with Clause 3.3 of the Participation Agreement) that has or have the earliest Maturity Date as specified in the applicable Final Terms Document (ignoring any acceleration of amounts due under the Covered Bonds prior to service of a CBG Acceleration Notice);

Early Redemption Amount has the meaning given to it in Condition 1.1 on page 104;

Early Redemption Amount (Tax) has the meaning given to it in Condition 1.1 on page 104;

Early Repayment Fee means any fee which a Borrower is required to pay in the event that his or her Loan becomes repayable for default or for any other mandatory reason or he or she repays all or any part of the relevant Loan before a specified date;

EEA States means all Member States, Iceland, Liechtenstein and Norway;

Eligible Asset Monitor means, subject to any other requirements set out in the Reserve Bank Act from time to time relating to cover pool monitors, a person who is independent of the Group Guarantor and any associated person (as that term is defined in the Reserve Bank Act) of the Group Guarantor and is either:

(i) a licensed auditor under the Auditor Regulation Act 2011 (NZ); or

(ii) a registered audit firm under the Audit Regulations Act 2011 (NZ), provided that in such a case the cover pool monitor functions carried out by the Asset Monitor under the Asset Monitor Agreement are performed by, or under the supervision of a licensed auditor under the Auditor Regulation Act 2011 (NZ);

Eligibility Criteria means the criteria set forth in Schedule 2 of the Mortgage Sale Agreement (or in the equivalent clause of any New Mortgage Sale Agreement);

Equity Linked Interest Covered Bonds means Covered Bonds in respect of which payments of interest will be calculated by reference to the price, value, performance or some other factor relating to one or more reference assets, as set out in the applicable Final Terms Document;

ESMA has the meaning given to it on page 2;

EU means the European Union;

EURIBOR means the Euro zone inter-bank offered rate;

Euroclear means Euroclear Bank S.A./N.V., or its successors;

European Economic Area means the countries comprising the EU together with Norway, Liechtenstein and Iceland;

Euro zone means the region comprised of Member States that adopt the Euro;

Excess Amount means, following the service of a CBG Acceleration Notice and enforcement of the Security, the amount (if any) by which the monies received or recovered by the Security Trustee or any Receiver for the benefit of the Secured Creditors exceed the amounts applied under Clause 8.2 of the Security Trust Deed (other than amounts applied under Clauses 8.2(k) and (l) of the Security Trust Deed);

Excess Proceeds means monies received (following the occurrence of an Issuer Event of Default and the delivery of an Issuer Acceleration Notice) by the Bond Trustee from the Issuer or the Group Guarantor or any administrator, voluntary administrator, liquidator, statutory manager or other similar officer appointed in relation to the Issuer or the Group Guarantor;

Exchange Act means the United States Securities Exchange Act of 1934, as amended;

Exchange Agent means The Bank of New York Mellon in its capacity as exchange agent (which expression shall include any successor exchange agent);

Exchange Date means the date on or after the date which is 40 days after a Temporary Global Covered Bond is issued;

exchange date has the meaning given to it in Condition 3.8 on page 115;

Exchange Event has the meaning given to it in Condition 2.5 on page 111;

Excluded Scheduled Interest Amounts means any additional amounts relating to premiums, default interest or interest upon interest payable by the Issuer in respect of the Covered Bonds in accordance with the Terms and Conditions following the occurrence of an Issuer Event of Default, or, as applicable, a CBG Event of Default;

Excluded Scheduled Principal Amounts means any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest payable by the Issuer in respect of the Covered Bonds in accordance with the Terms and Conditions following the occurrence of an Issuer Event of Default, or, as applicable, a CBG Event of Default;

Excluded Swap Termination Amount means, in relation to a Swap Agreement, an amount equal to the amount of any termination payment due and payable under that Swap Agreement (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 has the meaning given to it in Condition 6.3 on page 138;

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 Document to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full by the Extension Determination Date;

Extension Determination Date means, in respect of any Series of Covered Bonds, the date falling two Business Days after the expiry of seven days from (and including) the Maturity Date of such Series of Covered Bonds;

Extraordinary Resolution has the meaning given to it in Condition 1.1 on page 104;

FATCA means sections 1471 to 1474 of the Code, including any regulations or official interpretations issued, agreements (including, without limitation, intergovernmental agreements) entered into or non-U.S. laws enacted with respect thereto;

FCA means the U.K. Financial Conduct Authority and, prior to 1 April 2013, was known as the **Financial Services Authority** or **FSA**;

FIEA has the meaning given to it on page 270;

Final Redemption Amount has the meaning given to it in Condition 1.1 on page 104;

Final Terms means the final terms or other pricing supplement prepared and issued in relation to a Tranche or Series of Covered Bonds and which has been confirmed by the Issuer in writing;

Final Terms Document means the final terms which, with respect to each Tranche or Series of Covered Bonds to be admitted to the Official List and admitted to trading by the London Stock Exchange, will be delivered to the FCA and the London Stock Exchange on or before the date of issue of the applicable Tranche of Covered Bonds;

Financial Services Act means Legislative Decree No. 58 of 24 February 1998 of the Republic of Italy, as amended;

First Assignment Date means the date on which the Initial Portfolio is assigned to the CB Guarantor in accordance with the terms of the Mortgage Sale Agreement subject to the terms of the Initial Portfolio Notice;

first Person has the meaning given to it in Condition 1.1 on page 109;

Fitch Ratings or **Fitch** means Fitch Australia Pty Limited or its successors;

Fixed Coupon Amount has the meaning given to it in Condition 1.1 on page 104;

Fixed Rate Covered Bonds means Covered Bonds paying a fixed rate of interest on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s);

Fixed Rate Loans means those Loans where the interest rate payable by the Borrower does not vary and is fixed for a certain period of time by the Seller;

Fixed Rate Reset Covered Bonds means Covered Bonds which bear interest at a rate determined:

(a) in respect of the period from (and including) the Interest Commencement Date to (but excluding) the Fixed Rate Reset Date (or, if there is more than one Reset Period, the first Fixed Rate Reset Date occurring after the Interest Commencement Date), at the rate per annum equal to the Initial Rate of Interest; and

(b) in respect of the Reset Period (or, if there is more than one Reset Period, each successive Reset Period thereafter), at such rate per annum as is equal to the relevant Reset Rate, as determined by the Calculation Agent on the relevant Reset Determination Date in accordance with the Conditions,

and such interest is payable in arrear on each Interest Payment Date, subject as provided in the Conditions;

Fixed Rate Reset Date has the meaning given on page 105;

Floating Rate has the meaning given to it in the ISDA Definitions;

Floating Rate Convention, **FRN Convention** or **Eurodollar Convention** has the meaning given to it in Condition 1.1 on page 101;

Floating Rate Covered Bonds means Covered Bonds which bear interest at a rate determined:

(a) 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

(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or

(c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s),

as set out in the applicable Final Terms Document;

Floating Rate Option has the meaning given to it in the ISDA Definitions;

Following Business Day Convention has the meaning given to it in Condition 1.1 on page 101;

Form of Transfer means the form of transfer endorsed on a Registered Definitive Covered Bond substantially in the form set out in Part 9 of Schedule 2 to the Trust Deed;

Former Residence has the meaning given to it in Condition 16.1(c) on page 158, Condition 17.1(c) on page 159 and Condition 18.2(c) on page 161, as applicable;

FSMA means the Financial Services and Markets Act 2000, as amended;

FTA has the meaning given to it on page 54;

Further Advance means, in relation to a Loan, any advance of further money to the relevant Borrower following the making of the Initial Advance, which is secured by the same Mortgage as the Initial Advance, excluding the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage;

GI Account means the account in the name of the CB Guarantor held with the Account Bank and maintained subject to the terms of the Bank Account Agreement, the Security Trust Deed and the Participation Agreement or such additional or replacement account (including the Stand-by GI Account) as may for the time being be in place pursuant to the Cash Management Agreement;

GIA Balance means, on any day, the amount standing to the credit of the GI Account as at the opening of business on such day;

GIA Rate means the rate of interest accruing on the GIA Balance being, on any day, not less than the one month BKBM rate (as determined by the Cash Manager on the first NZ and Sydney Business Day of a month) that is applicable for the month in which that day falls, and, in the case of the period from the Signing Date to the end of the month immediately following the Signing Date, the one month BKBM rate that the Cash Manager determines applied at the beginning of that month;

Global Covered Bond means a Bearer Global Covered Bond and/or a Registered Global Covered Bond, as the context may require;

Governmental Agency means any government or governmental, semi-governmental or judicial entity or authority. It also includes any self-regulating organisation established under statute or any stock exchange;

Government Stock means securities issued by the New Zealand Government or Her Majesty the Queen in right of New Zealand;

Group means the Issuer, WNZL and WNZL's Consolidated Subsidiaries;

Group Guarantee means an unconditional and irrevocable guarantee by the Group Guarantor in the Trust Deed of the due and punctual payment of the principal of, and interest on, all Covered Bonds and of all other amounts payable by the Issuer in relation to the Covered Bonds and the relevant Coupons and the due and punctual performance and observance by the Issuer of each of the other provisions of the Trust Deed on its parts to be performed or observed in relation to all Covered Bonds and Coupons;

Group Guarantor means Westpac New Zealand Limited, a registered bank under the laws of New Zealand, having its registered office at Westpac on Takutai Square, 16 Takutai Square, Auckland, New Zealand;

GST or **Goods and Services Tax** means goods and services tax chargeable under the Goods and Services Tax Act 1985 (NZ) and legislation (whether delegated or otherwise) replacing the same or supplemental thereto and any similar turnover tax replacing or introduced in addition to any of the same;

Guarantee means the Covered Bond Guarantee and/or the Group Guarantee;

Guaranteed Amounts means, prior to the service of a CBG 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, after service of a CBG Acceleration Notice, an amount equal to the relevant Early Redemption Amount as specified in the Terms and Conditions plus all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds (other than, in each case, additional amounts payable under Condition 8 (*Taxation*) of the Terms and Conditions), including all Excluded Scheduled Interest Amounts, all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts otherwise payable by the CB Guarantor under the Trust Deed;

Guaranteed Amounts Due Date has the meaning given to it in Condition 9.2(a) on page 158;

Guarantee Fee means, in respect of a Tranche of Covered Bonds and a Calculation Date, the amount calculated as follows:

$$F = \frac{0.25\% \times P \times N}{365}$$

where:

F = the amount of the Guarantee Fee for that Tranche of Covered Bonds as at that Calculation Date;

P = the aggregate NZ Dollar Equivalent of the Principal Amount Outstanding of that Tranche of Covered Bonds on the previous Calculation Date (or, in the case of the first Guarantee Fee for a Tranche of Covered Bonds, the Issue Date of that Tranche of Covered Bonds); and

N = the number of days from (and including) the previous Calculation Date (or, in the case of the first Guarantee Fee for a Tranche of Covered Bonds, from the Issue Date of that Tranche of Covered Bonds) to (but excluding) that Calculation Date or, if earlier, (a) the date on which that Tranche of Covered Bonds is repaid in full; or (b) the date upon which a Notice to Pay or, if earlier, a CBG Acceleration Notice is issued;

Guarantee Loan has the meaning given to it in Clause 5.4 of the Intercompany Loan Agreement;

Guarantee Priority of Payments has the meaning given to it in Clause 4.5(e) of the Participation Agreement;

Guarantors mean collectively the Group Guarantor and the CB Guarantor;

Hard Bullet Covered Bonds means any Series of Covered Bonds that are scheduled to be redeemed in full on the Maturity Date thereof without any provision for scheduled redemption other than on the Maturity Date;

Hedged Series Amounts means, on any CBG Payment Date after service on the CB Guarantor of a Notice to Pay but prior to service on the CB Guarantor of a CBG Acceleration Notice, the NZ Dollar Equivalent of Scheduled Interest in relation to a Series of Covered Bonds that will become Due for Payment in the CBG Payment Period commencing on that CBG Payment Date under the Covered Bond Guarantee where the Cash Manager has (in its sole discretion) assumed that the Covered Bond Swap Provider under the Covered Bond Swap relating to that Series of Covered Bonds may not make payments when due in the CBG Payment Period commencing on that CBG Payment Date and in its sole discretion determined that there should be a Hedged Series Amount in relation to that Covered Bond Swap and that Scheduled Interest;

Hedged Series Amounts Ledger means the ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record credits and debits of Hedged Series Amounts in accordance with the terms of the Participation Agreement;

HKMA has the meaning given to it on page 257;

HMRC means HM Revenue and Customs;

ICSDs means Euroclear Bank S.A./N.V. and Clearstream Banking S.A.;

Indexed Amortisation Test Outstanding Principal Balance has the meaning given to it in Schedule B of the Participation Agreement;

Indexed LTV Adjusted Outstanding Principal Balance has the meaning given to it in Schedule A of the Participation Agreement;

Indexed Valuation at any date in relation to a Property means:

(a) where the Valuation of that Property is equal to or greater than the Reference Indexed Valuation as at that date, the Reference Indexed Valuation; or

(b) where the Valuation of that Property is less than the Reference Indexed Valuation as at that date, the Valuation plus 85 per cent. of the difference between the Valuation and the Reference Indexed Valuation;

Indirect Participants means indirect participants in DTC and accountholders in Euroclear, Clearstream, Luxembourg and/or the CMU Service that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly;

Initial Advance means, in respect of any Loan, the original principal amount advanced by the Seller or the Originator but excluding any Third Party Amounts in respect of such Loan;

Initial Portfolio means the portfolio of Loans and their Related Security (other than Loans and their Related Security which have been redeemed in full prior to the First Assignment Date), particulars of which are set out in the Initial Portfolio Notice or in a document stored upon electronic media which relates to the Initial Portfolio Notice, and all right, title, interest and benefit of the Seller in and to:

(a) all payments of principal and interest (including, for the avoidance of doubt, all Accrued Interest and Arrears of Interest) and other sums due or to become due in respect of such Loans and their Related Security described in the Initial Portfolio Notice including, without limitation, the right to demand, sue for, recover and give receipts for all principal monies, interest and costs and the right to sue on all covenants and undertakings made or expressed to be made in favour of the Seller under the applicable Mortgage Terms;

(b) subject where applicable to the subsisting rights of redemption of Borrowers, all Priority Instruments or any collateral security for the repayment of the relevant Loans secured by the Mortgages;

(c) the right to exercise all the powers of the Seller in relation thereto, subject to and in accordance with the applicable Mortgage Terms;

(d) all the estate and interest in the relevant Properties vested in the Seller; and

(e) to the extent they are assignable, each Valuation Report (in each case, where available) and any right of action of the Seller against any solicitor, barrister, licensed conveyancer, valuer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with such Loan and its Related Security, or any part thereof or affecting the decision of the Seller to make or offer to make any such Loan or part thereof;

Initial Portfolio Notice means a notice in the form scheduled to the Mortgage Sale Agreement served in accordance with the terms of the Mortgage Sale Agreement;

Initial Rate of Interest has the meaning given on page 105;

Insolvency Event means in respect of a person:

(a) in the case of an Australian corporation, an administrator (as defined in the Corporations Act 2001 (Australia)) of the person is appointed;

(b) in the case of a corporation, a statutory manager is appointed under the Corporations (Investigation and Management Act) 1989 (NZ) or the Reserve Bank Act;

(c) except for the purpose of a solvent reconstruction or amalgamation:

(i) 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:

(A) the liquidation or dissolution of the person; or

(B) the person entering into an arrangement, compromise or composition with or assignment for the benefit of its creditors or a class of them; or

(ii) the person 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

(d) the person is, or under applicable legislation is taken to be, unable to pay its debts (other than as a 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;

(e) (i) a receiver, receiver and manager, voluntary administrator or similar officer is appointed to; or

(ii) Security Interest is enforced over,

the person or all or substantially all of the assets and undertaking of the person;

(f) in the case of the CB Guarantor only, an Administrative Receiver or an Administrator is appointed to all or substantially all of the assets and undertaking of the CB Guarantor; and

(g) anything equivalent or analogous to anything referred to in paragraphs (a) to (f) above or having substantially similar effect under the laws of any jurisdiction, occurs with respect to the person;

Instructing Party has the meaning given to it on page 228;

Intercompany Loan means all Advances made by the Group Guarantor to the CB Guarantor under the Intercompany Loan Agreement;

Intercompany Loan Agreement means the loan agreement dated the Signing Date between the Group Guarantor, the CB Guarantor, the Cash Manager and the Security Trustee (as the same may be amended, restated, supplemented, replaced or novated from time to time);

Intercompany Loan Facility Amount means NZ$7,500,000,000 or such other amount as the Group Guarantor and the CB Guarantor agree from time to time;

Intercompany Loan Ledger means the ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record all payments of interest and repayments of principal on each of the Advances;

Intercompany Loan Provider means Westpac New Zealand Limited in its capacity as intercompany loan provider;

Interest Accrual Period has the meaning given to it in Condition 1.1 on page 105;

Interest Amount has the meaning given to it in Condition 1.1 on page 105;

Interest Commencement Date has the meaning given to it in Condition 1.1 on page 105;

Interest Determination Date has the meaning given to it in Condition 1.1 on page 105;

Interest Payment Date has the meaning given to it in Condition 1.1 on page 105;

Interest Period has the meaning given to it in Condition 1.1 on page 105;

Interest Period End Date has the meaning given to it in Condition 1.1 on page 105;

Interest Rate Swap means the interest rate swap entered into by the CB Guarantor and the Interest Rate Swap Provider under the terms of the Interest Rate Swap Agreement in respect of certain interest revenues received by the CB Guarantor (including in respect of the Fixed Rate Loans, the Variable Rate Loans, the GI Account, the Substitution Assets and any Authorised Investments) (as the same may be amended, restated, supplemented, replaced or novated from time to time), together with any other interest rate swaps entered into from time to time under the terms of the Interest Rate Swap Agreement;

Interest Rate Swap Agreement means each agreement between the CB Guarantor, the Interest Rate Swap Provider, the Security Trustee and the Cash Manager dated the Signing Date governing the Interest Rate Swap in the form of an ISDA Master Agreement, including a schedule, one or more confirmations and a credit support annex (as the same may be amended, restated, supplemented, replaced or novated from time to time);

Interest Rate Swap Early Termination Event means a Termination Event or an Event of Default (each as defined in the Interest Rate Swap Agreement), excluding a Swap Provider Downgrade Event, pursuant to which the Non-defaulting Party or the party that is not the Affected Party (each as defined in the Interest Rate Swap Agreement), as applicable, may terminate the Interest Rate Swap Agreement;

Interest Rate Swap Provider means the Group Guarantor in its capacity as interest rate swap provider under the Interest Rate Swap Agreement together with any successor or replacement interest rate swap provider;

International Financial Reporting Standards means the International Financial Reporting Standards issued by the International Accounting Standards Board, together with International Accounting Standards 1-41, Standing Interpretations Committee Interpretations 7-32 and all Interpretations issued by the International Financial Reporting Interpretations Committee;

Investor's Currency has the meaning given to it on page 73;

Investor Report means the monthly report to be prepared and made available by the Cash Manager pursuant to Clause 8.3(a)(ii) of the Cash Management Agreement setting out, *inter alia*:

(a) the balance outstanding and ratings on each Series of Covered Bonds issued and outstanding;

(b) summary statistics of the CB Guarantor's assets (including total balance, number of loans, weighted average LVR, seasoning);

(c) the Asset Coverage Test summary;

(d) tables showing the distribution of the CB Guarantor's assets (e.g. product type, interest rate, term to maturity, geographic diversity etc); and

(e) the Reference Index referred to for purposes of the definition of Reference Indexed Valuation,

and otherwise in such form as the CB Guarantor, the Issuer, the Group Guarantor, the Cash Manager and the Rating Agencies may agree;

IRS has the meaning given to it on page 264;

ISDA means the International Swaps and Derivatives Association, Inc;

ISDA Definitions has the meaning given to it in Condition 1.1 on page 105;

ISDA Determination the meaning given to it in Condition 5.3(d) on page 129;

ISDA Master Agreement means the 1992 ISDA Master Agreement (Multicurrency – Cross Border), as published by ISDA;

ISDA Rate has the meaning given to it in Condition 5.3 on page 129;

Issue Date has the meaning given to it in Condition 1.1 on page 105;

Issue Price means the price, generally expressed as a percentage of the nominal amount of the Covered Bonds, at which a Series or Tranche of Covered Bonds will be issued;

Issuer means Westpac Securities NZ Limited a company incorporated under the laws of New Zealand, whose registered office is at Westpac on Takutai Square, 16 Takutai Square, Auckland, New Zealand;

Issuer Acceleration Notice has the meaning given to it in Condition 1.1 on page 106;

Issuer Event of Default has the meaning given to it in Condition 1.1 on page 106;

ITA means the Income Tax Act 2007 (UK);

Law includes common or customary law and any constitution, decree, judgment, legislation, order, ordinance, regulation, statute, treaty or other legislative measure in any jurisdiction and any present or future directive, regulation, guideline, practice, concession, request or requirement whether or not having the force of law issued by any governmental body, agency or department or any central bank or other fiscal, monetary, Taxation, regulatory, self regulatory or other authority or agency;

Lead Manager means, in relation to any Tranche of Covered Bonds, the person named as the Lead Manager in the applicable Subscription Agreement or, when only one Dealer signs such Subscription Agreement, such Dealer;

Ledger means each of the Revenue Ledger, the Principal Ledger, the Reserve Ledger, the Pre-Maturity Liquidity Ledger, the Subordinated Loan Ledger, the Intercompany Loan Ledger, the Payment Ledger, the Title Perfection Reserve Ledger, the Demand Loan Portfolio Ledger and the Hedged Series Amounts Ledger;

Legislative Exchange has the meaning given to it in Condition 6.3 on page 138;

Lending Criteria means the lending criteria of the Seller from time to time, or such other criteria as would be acceptable to a Reasonable, Prudent Mortgage Lender;

Liability means any loss, damage, cost, charge, claim, demand, expense, judgment, decree, action, proceeding or other liability whatsoever (including, without limitation, in respect of Taxes, duties, levies, imposts and other charges and including any amounts in respect of GST or other Tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis);

LIBOR means the London inter-bank offered rate;

Listing Particulars means, with regard to the issue of Covered Bonds to be listed, quoted and/or traded on or by a Stock Exchange, any listing particulars (including supplementary listing particulars) approved under the Prospectus Rules by the relevant authority:

(a) in accordance with the provisions of Section 75 of the FSMA (including any supplementary listing particulars published in accordance with the Dealership Agreement or otherwise) in the case of Covered Bonds which are, or are to be, listed on the London Stock Exchange; and/or

(b) in accordance with their equivalent in the case of Covered Bonds which are, or are to be, listed on a Stock Exchange other than the London Stock Exchange;

Loan means each loan, financial obligation or other liability made by, or owed to, the Seller or any other Originator, and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other monies (including all Further Advances, Accrued Interest and Arrears of Interest) due or owing at any time with respect to that loan, financial obligation or other liability by a Borrower on the security of a Mortgage (irrespective of whether that Mortgage has been granted by the Borrower) from time to time outstanding or, as the context may require, the Borrower's obligations in respect of the same;

Loan Guarantor means any Person who from time to time guarantees the obligations of a Borrower under a Loan;

Loan Offset Accounts means, in relation to a Loan, any Loan Offset Deposit Account and/or any Loan Offset Contributor Account that is linked to that Loan;

Loan Offset Arrangement Agreement means an agreement entered into between a Borrower and the Seller entitled an "Offset Arrangement Agreement" (or such other form of loan offset agreement howsoever described entered into between a Borrower and the Seller), pursuant to which the Borrower has linked (or procured the linking of) the credit balance of one or more deposit accounts to a home loan account of the Borrower;

Loan Offset Arrangement Contributor Agreement means an agreement entered into between a Loan Offset Contributor and the Seller entitled an "Offset Arrangement Contributor Agreement" (or such other form of contribution agreement howsoever described entered into between a Loan Offset Contributor and the Seller), pursuant to which the Loan Offset Contributor has linked the credit balance of one or more deposit accounts to a home loan account of another person;

Loan Offset Contributor means any person who has entered into a Loan Offset Arrangement Contributor Agreement in connection with a Loan Offset Arrangement Agreement;

Loan Offset Contributor Account means any deposit account maintained by a Loan Offset Contributor with the Seller that is linked to a Loan, where an amount equal to the balance of the deposit account is deducted from the principal amount of the Loan for the purposes of calculating interest on that Loan;

Loan Offset Deposit Account means any deposit account maintained by a Borrower with the Seller that is linked to a Loan, where an amount equal to the balance of the deposit account is deducted from the principal amount of the Loan for the purposes of calculating interest on that Loan;

Loan Offset Documents means, in relation to a Loan, a Loan Offset Arrangement Agreement and/or a Loan Offset Arrangement Contributor Agreement that is linked to that Loan;

Loan Offset Interest Amount means, in relation to a Borrower under a Loan and in respect of any date, the amount (being a positive amount only) equal to the difference between:

(a) the interest that would have been payable by the Borrower in respect of that Loan under the Mortgage Terms on such date if the Loan Offset Documents were not in effect (and the principal amount of the Loan was deemed not to be reduced by an amount equal to the aggregate principal amount of the Loan Offset Accounts); and

(b) the interest that is payable by the Borrower in respect of that Loan under the Mortgage Terms on such date as a consequence of the Loan Offset Documents being in effect (and the principal amount of the Loan is deemed to be reduced by an amount equal to the aggregate principal amount of the Loan Offset Accounts);

Loan Repurchase Notice means a notice in substantially the form set out in Schedule 4 to the Mortgage Sale Agreement served by the CB Guarantor on the Seller in relation to the repurchase of Loans in the Portfolio by the Seller in accordance with the terms of the Mortgage Sale Agreement;

Loans Register means a register of Loans comprised in the Portfolio maintained by the Servicer and stored on computer disk or other electronic form. In relation to Mortgages it shall contain the information in respect of each Mortgage set out in Schedule 1 of the Servicing Agreement;

local banking day has the meaning given to it in Condition 1.1 on page 106;

local time means, in relation to any payment, the time in the city or town in which the relevant bank or the relevant branch or office thereof is located;

London Stock Exchange means the London Stock Exchange plc;

LTA has the meaning given to it on page 49;

LTV Adjusted Outstanding Principal Balance has the meaning given to it on page 208;

LVR means, at any time in relation to a Loan (and any other Loans under the same Mortgage Account) and their Related Security, the outstanding principal amount of such Loan(s) at that time, plus any other amount secured by any Mortgage for such Loan(s) (other than any Other Secured Liabilities owed to the Seller), at the date of determination divided by the aggregate value of the Property (determined as at the date of origination or the most recent valuation undertaken if later) subject to the related Mortgages comprised in the Portfolio for such Loan(s), expressed as a percentage;

Margin has the meaning given to it in Condition 1.1 on page 106;

Master Definitions and Construction Agreement means the master definitions and construction agreement made between the parties to the Transaction Documents (with the exception of the Arrangers and the Dealers) on the Signing Date (as the same may be amended, restated, supplemented, replaced or novated from time to time);

Maturity Date has the meaning given to it in Condition 1.1 on page 106;

Maximum Rate of Interest has the meaning given to it in Condition 1.1 on page 106;

Maximum Redemption Amount has the meaning given to it in Condition 1.1 on page 106;

Member State means, at any time, a state that has joined the European Union at that time;

Mid-Market Swap Rate has the meaning given on page 106;

Mid Swap Benchmark Rate has the meaning given on page 106;

Mid Swap Maturity has the meaning given on page 106;

Mid Swap Re-Offer Spread has the meaning given on page 106;

Minimum Rate of Interest has the meaning given to it in Condition 1.1 on page 106;

Minimum Redemption Amount has the meaning given to it in Condition 1.1 on page 106;

Modified Following Business Day Convention has the meaning given to it in Condition 1.1 on page 101;

Month means calendar month;

Moody's means Moody's Investors Service Pty Limited or its successors;

Mortgage means a registered mortgage of Property in New Zealand securing a Loan or any guarantee given in respect of a Loan;

Mortgage Account means the mortgage account into which all Loans secured on the same Property are incorporated;

Mortgage Payment means the amount which the relevant Mortgage Terms require a Borrower to pay on each Mortgage Payment Day in respect of that Borrower's Loan;

Mortgage Payment Day means the date on which interest (and principal in relation to a repayment mortgage) is due to be paid by a Borrower on a Loan or, if any such day is not a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Auckland or Wellington, the next following day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Auckland or Wellington;

Mortgage Pool means the Mortgages and/or Loans comprised in the Portfolio owned from time to time by the CB Guarantor;

Mortgage Sale Agreement or **MSA** means the mortgage sale agreement entered into on the Signing Date and made between, *inter alia*, the Seller, the CB Guarantor and the Security Trustee (as the same may be amended, restated, supplemented, replaced or novated from time to time) and, where

the context so requires, including any New Mortgage Sale Agreement entered into from time to time between, *inter alia*, any New Seller, the CB Guarantor and the Security Trustee;

Mortgage Terms means all the terms and conditions applicable to a Loan and each Mortgage that services that Loan;

N has the meaning given to it in Condition 1.1 on page 98;

Negative Carry Factor has the meaning given to it in paragraph (b) of Schedule A of the Participation Agreement;

New Company has the meaning given to it in Condition 16 on page 157;

New Covered Bonds has the meaning given to it in Condition 6.3 on page 138;

New Entity has the meaning given to it in Condition 18 on page 161;

New Group Guarantor has the meaning given to it in Condition 17 on page 159;

New Loan means Loans, other than the Loans comprised in the Initial Portfolio, which the Seller may assign to the CB Guarantor after the First Assignment Date pursuant to the Mortgage Sale Agreement;

New Mortgage Sale Agreement means any new mortgage sale agreement entered into between, *inter alia*, any New Seller, the CB Guarantor and the Security Trustee, which shall be substantially in the same form and contain substantially the same provisions (provided that variations may be made to the representations and warranties in relation to the relevant New Seller Loans and their Related Security if they would not cause the then current ratings of the Covered Bonds to be adversely affected) as the mortgage sale agreement entered into on the Signing Date between, *inter alia*, the Seller, the CB Guarantor and the Security Trustee;

New Portfolio means in each case the portfolio of New Loans and their Related Security (other than any New Loans and their Related Security which have been redeemed in full prior to the relevant Assignment Date), particulars of which are set out in the relevant New Portfolio Notice or in a document stored upon electronic media which relates to the relevant New Portfolio Notice, and all right, title, interest and benefit of the Seller in and to:

(a) all payments of principal and interest (including, for the avoidance of doubt, all Accrued Interest and Arrears of Interest) and other sums due or to become due in respect of such New Loans and their Related Security described in the relevant New Portfolio Notice including, without limitation, the right to demand, sue for, recover and give receipts for all principal monies, interest and costs and the right to sue on all covenants and undertakings made or expressed to be made in favour of the Seller under the applicable Mortgage Terms;

(b) subject where applicable to the subsisting rights of redemption of Borrowers, all Priority Instruments, or any collateral security for the repayment of the relevant New Loans;

(c) the right to exercise all the powers of the Seller in relation thereto subject to and in accordance with the applicable Mortgage Terms;

(d) all the estate and interest in the relevant Properties vested in the Seller; and

(e) to the extent that they are assignable, each Valuation Report (in each case, where available) and any right of action of the Seller against any solicitor, barrister, licensed conveyancer,

valuer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with any relevant New Loan and its Related Security, or any part thereof or affecting the decision of the Seller to make or offer to make any relevant New Loan or part thereof;

New Portfolio Notice means a notice in the form set out in Schedule 5 to the Mortgage Sale Agreement served in accordance with the terms of the Mortgage Sale Agreement;

New Residence has the meaning given to it in Condition 16.1(c) on page 157, Condition 17.1(c) on page 159 and Condition 18.2(c) on page 161, as applicable;

New Seller means any member of the Bank Group (other than the Group Guarantor) that accedes to the relevant Transaction Documents and sells New Seller Loans and their Related Security to the CB Guarantor in the future pursuant to a New Mortgage Sale Agreement;

New Seller Loans means Loans originated by a New Seller;

New York and London Banking Day has the meaning given to it in Condition 1.1 on page 98;

New Zealand Dollars has the meaning given to it on page 6;

New Zealand Holder has the meaning given to it in Condition 8.3 on page 147;

New Zealand Real Property Legislation means the Land Transfer Act 1952 (NZ), the PLA or any other law or regulation relating to the registration, priority or effectiveness of any mortgage over Property in New Zealand;

NGCB or **New Global Covered Bond** means a Temporary Global Covered Bond in the form set out in Part 1 of Schedule 2 to the Trust Deed or a Permanent Global Covered Bond in the form set out in Part 2 of Schedule 2 to the Trust Deed, in either case where the applicable Final Terms Document specifies that the Covered Bonds are in NGCB form;

No Adjustment has the meaning given to it in Condition 1.1 on page 101;

Non-Personal Property means all of the CB Guarantor's present and future interests in, and all of its present and future rights in relation to, any land and any other property, other than any Personal Property made subject to a Security Interest, or charged, by the CB Guarantor pursuant to Clause 3 of the Security Trust Deed;

notice means, in respect of notice to be given to Covered Bondholders, a notice validly given pursuant to Condition 14 (*Notices*) of the Terms and Conditions;

Notice to Pay has the meaning given to it in Condition 9.1 on page 149 and is substantially in the form set out in Schedule 5 to the Trust Deed;

NSS means the New Safekeeping Structure for registered global securities which are intended to constitute eligible collateral for Eurosystem monetary policy operations;

NZ and Sydney Business Day means a day (other than a Saturday or a Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Auckland, Wellington and Sydney;

NZ Branch or **WBC NZ Branch** means Westpac Banking Corporation's New Zealand branch;

NZ Companies Act means the New Zealand Companies Act 1993;

NZ Dollar Equivalent means, in relation to the calculation of any amount in relation to a Covered Bond (including any calculations of the Required Redemption Amount of a Covered Bond):

(a) where the Covered Bond is denominated in a currency other than NZ Dollars, the NZ Dollar equivalent of the relevant amount ascertained using the Covered Bond Swap Rate relating to the relevant Series of Covered Bonds;

(b) where the Covered Bond is denominated in a currency other than NZ Dollars but the relevant Covered Bond Swap Agreement has been terminated and no replacement swap agreement has been entered into, the relevant amount in NZ Dollars calculated at the prevailing spot rate; and

(c) where the Covered Bond is denominated in NZ Dollars, the relevant amount in NZ Dollars;

NZ Dollars and **NZ$** means the law currency of New Zealand from time to time;

NZCC has the meaning given to it on page 53;

Observation Period has the meaning given to it in Condition 1.1 on page 98;

OCR means Official Cash Rate;

Official List means the official list of the FCA;

Omnibus Proxy means the omnibus proxy mailed by DTC to the Issuer as soon as possible after the record date in accordance with DTC's usual procedures;

Optional Redemption Amount has the meaning (if any) given in the applicable Final Terms Document;

Optional Redemption Amount (Call) has the meaning given to it in Condition 1.1 on page 106;

Optional Redemption Amount (Put) has the meaning given to it in Condition 1.1 on page 106;

Optional Redemption Date has the meaning (if any) given in the applicable Final Terms Document;

Optional Redemption Date (Call) has the meaning given to it in Condition 1.1 on page 107;

Optional Redemption Date (Put) has the meaning given to it in Condition 1.1 on page 107;

Original Due for Payment Date has the meaning given to it in paragraph (a) of the definition of **Due for Payment**;

Originator means each of Westpac New Zealand Limited, Westpac Banking Corporation and TBNZ Limited (formerly Trust Bank New Zealand Limited) (and any of its Subsidiaries that have, from time to time, existed);

OTC has the meaning given to it on page 176;

Other Secured Liability means a loan, financial obligation or other liability made by, or owed to, the Seller or any other Originator, that is at any time secured (in whole or in part) by a Related Security, other than a Loan comprised in the Portfolio and, for the avoidance of doubt, includes (but

only to the extent that it relates to) any right under, or interest in, any Loan Offset Deposit Account or Loan Offset Contributor Account (including the balances of any such accounts) which is the subject of any Loan Offset Document;

outstanding means, in relation to the Covered Bonds of all or any Series, all the Covered Bonds of such Series issued other than:

(a) those Covered Bonds which have been redeemed pursuant to the trust presents;

(b) those Covered Bonds in respect of which the date (including, where applicable, any deferred date) for redemption in accordance with the Terms and Conditions has occurred and the redemption monies (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 14 (*Notices*) of the Terms and Conditions) and remain available for payment against presentation (unless the relevant Covered Bonds are in NGCB form) of the relevant Covered Bonds and/or Coupons;

(c) those Covered Bonds which have been purchased and cancelled in accordance with Conditions 6.9 (*Purchase*) and 6.10 (*Cancellation*) of the Terms and Conditions;

(d) those Covered Bonds which have become void or in respect of which claims have become prescribed, in each case under Condition 10 (*Prescription*) of the Terms and 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 12 (*Replacement of Covered Bonds*) of the Terms and 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 12 (*Replacement of Covered Bonds*) of the Terms and Conditions; and

(g) any Bearer Global Covered Bond to the extent that it shall have been exchanged for Bearer Definitive Covered Bonds or another Bearer Global Covered Bond pursuant to its provisions, the provisions of the trust presents and the 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 19 of Schedule 7 to the 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 Clauses 10.3 and 10.4 of the Trust Deed, Condition 9 (*Events of Default*) and Condition 13 (*Meetings of Covered Bondholders, Waiver, Authorisation, Determination and Consent*) of the Terms and Conditions and paragraphs 2, 5, 6 and 19 of Schedule 7 to the 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 the Issuer, the Group Guarantor or any of their respective Subsidiaries or the CB Guarantor as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

Outstanding Principal Balance means, in relation to a Loan at any date (being the **determination date**), the aggregate at such date (but avoiding double counting) of:

(a) the Initial Advance;

(b) any Arrears of Interest that have been capitalised; and

(c) Further Advances,

in each case relating to such Loan less any prepayment, repayment or payment of the foregoing made on or prior to such date;

Overpayment means a payment by a Borrower in an amount greater than the amount due on a Mortgage Payment Day which (a) is permitted by the terms of such Loan or by agreement with the Borrower and (b) reduces the Outstanding Principal Balance of such Loan;

Partial Portfolio means part of any portfolio of Selected Loans;

Participation Agreement means the Participation Agreement entered into on the Signing Date between the CB Guarantor, the Group Guarantor, the Seller, the Servicer, the Subordinated Loan Provider, the Account Bank, the Security Trustee, the Issuer, the Cash Manager, the Administrative Agent and the Stand-by Account Bank (as the same may be amended, restated, supplemental, replaced or novated from time to time);

Paying Agents means the Principal Paying Agent and any other paying agent appointed pursuant to the terms of the Agency Agreement;

Payment Ledger means the ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the credits and debits of the Available Revenue Receipts and Available Principal Receipts for application in accordance with the relevant Priority of Payments;

Permanent Global Covered Bond means a global covered bond substantially in the form set out in Part 2 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) or Lead Manager (in the case of syndicated issues), together with the copy of the applicable Final Terms Document annexed thereto, comprising some or all of the Covered Bonds of the same Series, issued by the Issuer pursuant to the Dealership Agreement or any other agreement between the 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 Global Covered Bond issued in respect of such Covered Bonds;

Person has the meaning given to it in Condition 1.1 on page 107;

Personal Property means all of the CB Guarantor's present and after-acquired personal property, and all of its present and future rights in relation to any personal property, in each case, to which the

PPSA applies and includes the rights of the CB Guarantor under the CBG Agreements and under all bank accounts made subject to a security interest, or charged, by the CB Guarantor pursuant to Clause 3 of the Security Trust Deed;

PLA means the Property Law Act 2007 (NZ);

Portfolio means the Initial Portfolio and any New Portfolio acquired by the CB Guarantor (other than any Loans and, as applicable, their Related Security which have been redeemed in full or repurchased by the Seller or a New Seller pursuant to Clauses 2.5, 4.13, 8 or 11 of the Mortgage Sale Agreement or otherwise sold by the CB Guarantor);

Portfolio Loan Summary Cut-Off Date has the meaning given to it on page 252;

Post-Enforcement Priority of Payments has the meaning given to it in Clause 8.2 of the Security Trust Deed;

Potential CBG Event of Default has the meaning given to it in Condition 1.1 on page 107;

Potential Issuer Event of Default has the meaning given to it in Condition 1.1 on page 107;

PPSA means the Personal Property Securities Act 1999 (NZ);

Pre-Acceleration Principal Priority of Payments has the meaning given to it in Clause 4.3(b) of the Participation Agreement;

Pre-Acceleration Priority of Payments means the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments;

Pre-Acceleration Revenue Priority of Payments has the meaning given to it in Clause 4.2(b) of the Participation Agreement;

Preceding Business Day Convention has the meaning given to it in Condition 1.1 on page 101;

Pre-Maturity Liquidity Ledger means the ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record the credits and debits of monies available to repay any Series of Hard Bullet Covered Bonds on the Maturity Date thereof if the Pre-Maturity Test has been breached;

Pre-Maturity Test has the meaning given to it in Schedule C of the Participation Agreement;

Pre-Maturity Test Date has the meaning given to it in Schedule C of the Participation Agreement;

Premises means the Christchurch Centre at 166 Cashel Street, Christchurch, New Zealand (including such offsite premises used by the Servicer from time to time to store historic documents related to Loans in the Portfolio) and/or such other premises as the Servicer may notify to the CB Guarantor in writing from time to time, including, but not limited to, Level 2, 7 Show Place, Addington, Christchurch;

Principal Amount Outstanding has the meaning given to it in Condition 1.1 on page 107;

Principal Financial Centre has the meaning given to it in Condition 1.1 on page 107;

Principal Ledger means the ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record the credits and debits of Principal Receipts in accordance with the terms of the Participation Agreement;

Principal Paying Agent means, in relation to all or any Series of the Covered Bonds, The Bank of New York Mellon or, if applicable, any successor principal paying agent in relation to all or any Series of the Covered Bonds;

Principal Receipts means any payment in respect of principal received in respect of any Loan comprised in the Portfolio whether as all or part of a Mortgage Payment in respect of such Loan, on redemption (including partial redemption) of such Loan, on enforcement of such Loan (including the proceeds of sale of the relevant Property) or on the disposal of such Loan or otherwise (without double counting but including principal received or treated as received after completion of the enforcement procedures) and, for the avoidance of doubt, excludes all payments in respect of Trust Back Assets;

Priorities of Payments means the orders of priority for the allocation and distribution of amounts standing to the credit of the CBG Accounts in different circumstances, as provided for in Clause 4 of the Participation Agreement and Clause 8 of the Security Trust Deed;

Priority Instrument means a memorandum, deed, agreement, instrument, authorisation or other document (whether paper or electronic) whereby a mortgagee of a Property agrees with the Seller to postpone its mortgage or security interest (as appropriate) over the Property so that the sums secured by it will rank for repayment after the sums secured by the relevant Mortgage;

Proceedings has the meaning given to it in Condition 23.4 on page 165;

Product Switch means a variation to the financial terms and conditions applicable to a Loan comprised in the Portfolio other than:

(a) any variation agreed with a Borrower to control or manage arrears on such Loan;

(b) any variation in the term of such Loan;

(c) any variation imposed by Law;

(d) any variation of the principal available and/or the rate of interest payable in respect of such Loan where that variation or rate is offered to (i) Borrowers under Loans comprised in the Portfolio which constitute 10% or more by outstanding principal amount of all Loans comprised in the Portfolio in any CBG Payment Period or (ii) all Borrowers of Loans comprised in the Portfolio which are Variable Rate Loans or to all Borrowers of Loans comprised in the Portfolio which are Fixed Rate Loans; or

(e) any variation in the frequency with which the interest payable in respect of such Loan is charged;

Programme means the €5 billion global covered bond programme established by the Issuer on the Programme Date;

Programme Date means 21 December 2010;

Programme Resolution means any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 9 (*Events of Default*) of the Terms and Conditions or to direct the Bond Trustee to require the Security Trustee to take any enforcement action pursuant to Condition 9 (*Events of Default*) of the Terms and Conditions;

Property means:

(a) any estate or interest, whether at law or in equity in fee simple, freehold or leasehold (strata or otherwise) land situated in New Zealand including all improvements on that land; and

(b) any unit, principle unit, accessory unit and any common property as described in the Unit Titles Act 2010 (NZ) (as the case may be) including all improvements thereon;

Prospectus means this prospectus prepared in connection with the Programme and constituting (in the case of Covered Bonds to be listed on the London Stock Exchange), to the extent specified in it, the Listing Particulars, as revised, supplemented or amended from time to time by the Issuer, WNZL and the CB Guarantor including any documents which are from time to time incorporated in the Prospectus by reference except that:

(a) in relation to each Tranche of Covered Bonds only, the applicable Final Terms Document shall be deemed to be included in the Prospectus; and

(b) for the purpose of Clauses 3.1 and 3.2 of the Dealership Agreement in respect of the Agreement Date and the Issue Date, the Prospectus means the Prospectus as at the Agreement Date, but not including any subsequent revision, supplement or amendment to it or incorporation of information in it;

Prospectus Regulation means Regulation (EU) 2017/1129;

Prospectus Rules means:

(a) in the case of Covered Bonds which are, or are to be, admitted to the Official List and admitted to trading on the London Stock Exchange's Regulated Market, the prospectus rules made under Section 84 of the FSMA; and

(b) in the case of Covered Bonds which are, or are to be, listed on a Stock Exchange other than the London Stock Exchange, the prospectus rules and regulations for the time being in force for that Stock Exchange;

Purchase Price means the purchase price to be paid by the CB Guarantor to the Seller in consideration of the Seller's sale of the Initial Portfolio and/or the relevant New Portfolio to the CB Guarantor;

Purchaser means any third party or the Seller or a New Seller to whom the CB Guarantor offers to sell Selected Loans in accordance with the Mortgage Sale Agreement or the Participation Agreement;

Put Option Notice has the meaning given to it in Condition 1.1 on page 107;

Put Option Receipt has the meaning given to it in Condition 1.1 on page 107;

PwC New Zealand has the meaning given to it on page 277;

Rate of Interest has the meaning given to it in Condition 1.1 on page 107;

Rating Agency Confirmation has the meaning given to it in Condition 22 (Rating Agency Confirmations) of the Terms and Conditions;

Rating Agencies means Moody's and Fitch Ratings and each is a **Rating Agency**;

RBNZ means the Reserve Bank of New Zealand;

Reasonable, Prudent Mortgage Lender means a lender acting within the policy applied by the Seller and/or the Servicer, as applicable, from time to time to the originating, underwriting, managing and servicing of mortgage loans beneficially owned by the Seller outside the Mortgage Pool;

Receiver means any person or persons appointed (and any additional person or persons appointed or substituted) as an administrative receiver (including an Administrative Receiver), receiver, manager, or receiver and manager of the Charged Property by the Security Trustee pursuant to Clause 11.1 of the Security Trust Deed;

Record Date has the meaning given to it in Condition 7.2(b) on page 144;

Redeemed Covered Bonds has the meaning given to it in Condition 6.4 on page 139;

Redemption Amount has the meaning given to it in Condition 1.1 on page 107;

Reference Banks has the meaning given to it in Condition 1.1 on page 108;

Reference Day has the meaning given on page 124;

Reference Index means any index of house prices in New Zealand that a Reasonable, Prudent Mortgage Lender would use for valuation purposes, as selected from time to time by the CB Guarantor (or the Cash Manager on its behalf) in its sole discretion and disclosed in each Investor Report;

Reference Indexed Valuation in relation to a Property at any date means the Valuation of the Property increased or decreased (as appropriate) by the increase or decrease in the Reference Index since the date of that Valuation;

Reference Price means, in respect of a Zero Coupon Covered Bond, the meaning given to it in the applicable Final Terms Document;

Reference Rate has the meaning given to it in Condition 1.1 on page 108;

Register means the register of holders of the Registered Covered Bonds maintained by the Registrar;

Registered Covered Bond means a Covered Bond in registered form;

Registered Definitive Covered Bond means a Registered Covered Bond in definitive form issued or, as the context may require, to be issued by the Issuer in accordance with the provisions of the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and the Trust Deed either on issue or in exchange for a Registered Global Covered Bond or part thereof (all as indicated in the applicable Final Terms Document), such Registered Covered Bond in definitive form being substantially in the form set out in Part 9 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and having the Terms and Conditions endorsed thereon or, if permitted by the relevant Stock Exchange, incorporating the Terms and Conditions by reference (where applicable to the Trust Deed) as indicated in the applicable Final Terms Document and having the relevant information supplementing, replacing or modifying the Terms and Conditions appearing in the applicable Final Terms Document endorsed thereon or attached thereto and having a Form of Transfer endorsed thereon;

Registered Global Covered Bonds means Global Covered Bonds in registered form, comprising Regulation S Global Covered Bonds, substantially in the form set out in Part 8 of Schedule 2 to the Trust Deed;

Registrar means The Bank of New York Mellon SA/NV, Luxembourg Branch, in its capacity as registrar (and any successor registrar);

Regular Date has the meaning given to it in Condition 1.1 on page 108;

Regular Period has the meaning given to it in Condition 1.1 on page 108;

Regulation No. 11971 has the meaning given to it on page 270;

Regulation S means Regulation S under the Securities Act;

Regulation S Covered Bond means a Covered Bond represented by a Regulation S Global Covered Bond and/or a Definitive Regulation S Covered Bond, as the context may require;

Regulation S Global Covered Bond means a Registered Global Covered Bond representing Covered Bonds sold to non-U.S. persons outside the United States in reliance on Regulation S and substantially in the form set out in Part 8 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) or Lead Manager (in the case of syndicated issues);

Related Security means, in relation to a Loan:

(a) the security for the repayment of that Loan including:

  (i) the relevant Mortgage;

  (ii) any guarantee; and

  (iii) all other matters applicable thereto, including the related Title Deeds (if any) relating to the related property subject to the relevant Mortgage;

(b) any other document which is entered into by or executed in favour of the Seller or the CB Guarantor (as the case may be) in connection with that Loan after the Cut-Off Date in relation to that Loan; and

(c) any amendment or replacement of such documents;

Relevant Banking Day has the meaning given to it on page 115;

Relevant Date has the meaning given to it in Condition 1.1 on page 108;

Relevant Financial Centre has the meaning given to it in Condition 1.1 on page 108;

Relevant Implementation Date has the meaning given to it in Schedule 1 of the Dealership Agreement;

Relevant Member State has the meaning given to it in Schedule 1 of the Dealership Agreement;

Relevant Screen Page has the meaning given to it in Condition 1.1 on page 108;

relevant Series of Covered Bonds has the meaning given to it on page 62;

Relevant Time has the meaning given to it in Condition 1.1 on page 109;

repay, **redeem** and **pay** shall each include both of the others and cognate expressions shall be construed accordingly;

Replacement Agent has the meaning given to it in Condition 12 on page 153;

Representations and Warranties means the representations and warranties set out in Schedule 1 to the Mortgage Sale Agreement. Each of **Representation** and **Warranty** shall be construed accordingly;

Request means a written request from, or on behalf of, the CB Guarantor to the Group Guarantor or the Subordinated Loan Provider (as the case may be) for an Advance or Advances or a Subordinated Advance or Subordinated Advances (as the case may be) to be made, and being (in the case of the request under the Intercompany Loan Agreement) in the form of Schedule 1 to the Intercompany Loan Agreement;

Required Outstanding Principal Balance has the meaning given to it in Clause 1.1 of the Participation Agreement;

Required Redemption Amount has the meaning given to it in Clause 1.1 of the Participation Agreement;

Reserve Bank Act means the Reserve Bank of New Zealand Act 1989 (NZ);

Reserve Bank Compliance Requirements means the requirements set out in the Reserve Bank Act from time to time in relation to:

(i) keeping and maintaining a register of the cover pool assets in respect of the CB Guarantor;

(ii) ensuring the cover pool assets in respect of the CB Guarantor comply with the requirements of any asset class designation specified by the RBNZ from time to time which is applicable to the Programme; and

(iii) testing whether the value of the cover pool assets in respect of the CB Guarantor is at least equal to the principal amount outstanding on covered bonds issued under the Programme,

together with any other requirements that may be set out in the Reserve Bank Act from time to time;

Reserve Fund means the reserve fund that the CB Guarantor will be required to establish on the GI Account which will be credited with (a) Available Revenue Receipts, or Advances made to the CB Guarantor by the Group Guarantor, up to an amount equal to the Reserve Fund Required Amount, (b) any Advances made to the CB Guarantor by the Group Guarantor which the Group Guarantor directs the CB Guarantor to credit thereto and (c) any Subordinated Advances made to the CB Guarantor by the Subordinated Loan Provider which the Subordinated Loan Provider directs the CB Guarantor to credit thereto;

Reserve Fund Required Amount means:

(a) if the Group Guarantor's short-term, unsecured, unsubordinated debt obligations are rated at least F1+ by Fitch Ratings and P-1 by Moody's and its long term, unsecured, unsubordinated debt obligations are rated at least A by Fitch Ratings or such lower rating that will not cause the then current ratings of the Covered Bonds to be adversely affected, nil or such other amount as the Group Guarantor shall direct the CB Guarantor from time to time; or

(b) otherwise, an amount determined by the Cash Manager to be equal to the sum of:

(i) the greater of the NZ Dollar Equivalent of:

(A) an amount equal to the interest accrued on each Series of outstanding Covered Bonds for three months; and

(B) in respect of each Series of Covered Bonds in respect of which an Interest Payment Date falls due in the next three months, an amount equal to the interest due for payment on each such Series of Covered Bonds; and

(ii) an amount equal to one-quarter of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (iii) to (vi) of the Pre-Acceleration Revenue Priority of Payments (being paragraphs (c) to (f) of the Pre-Acceleration Revenue Priority of Payments set out on page 237);

Reserve Ledger means the ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Available Revenue Receipts, Advances (if so directed by the Group Guarantor) and Subordinated Advances (if directed by the Subordinated Loan Provider) to the Reserve Fund and the debiting of such Reserve Fund in accordance with the terms of the Participation Agreement;

Reset Date has the meaning given to it in the ISDA Definitions;

Reset Determination Date has the meaning given on page 109;

Reset Period has the meaning given on page 109;

Reset Rate has the meaning given on page 109;

Reset Rate Time has the meaning given on page 109;

Reset Reference Rate has the meaning given on page 109;

Restrictive Legend has the meaning given to it in Condition 3.10 on page 115;

Revenue Ledger means the ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record credits and debits of Revenue Receipts in accordance with the terms of the Participation Agreement;

Revenue Receipts means any payment received in respect of any Loan comprised in the Portfolio, including any payment received from the Seller in respect of interest amounts on a Loan comprised in the Portfolio (otherwise than in respect of a Loan comprised in the Portfolio, that has been repurchased by the Seller), whether as all or part of a Mortgage Payment in respect of such Loan, on redemption (including partial redemption) of such Loan, on enforcement of such Loan (including the proceeds of sale of the relevant Property) or on the disposal of such Loan or otherwise, which in any such case is not a Principal Receipt in respect of such Loan and, for the avoidance of doubt, excludes all payments in respect of Trust Back Assets;

S&P Global Ratings has the meaning given to it on page 2;

Sale Advisor has the meaning given to it on page 219;

Scheduled Interest means, in relation to a Series of Covered Bonds, an amount equal to the amount in respect of interest which is or would have been due and payable under such Covered Bonds as specified in Condition 5 (*Interest*) of the Terms and Conditions (but excluding any Excluded Scheduled Interest Amounts payable by the Issuer following service of an Issuer Acceleration Notice):

(a) (where applicable) as if the Issuer Event of Default and the service of an Issuer Acceleration Notice had not occurred and the relevant Series of Covered Bonds had not become due and repayable prior to their Maturity Date by the Issuer; and

(b) (if the applicable Final Terms Document specifies that an Extended Due for Payment Date is applicable to the relevant Covered Bonds and the Maturity Date of the relevant Series of Covered Bonds is so extended) 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, in each case, any additional amounts the 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 8 (*Taxation*) of the Terms and Conditions;

Scheduled Payment Date means, in relation to payments under the Covered Bond Guarantee in respect of a Series of Covered Bonds, each Interest Payment Date or the Maturity Date or any other date in respect of which any principal or interest is payable by the Issuer in accordance with the Terms and Conditions (other than pursuant to Condition 9.2 (*CBG Events of Default*)) as if an Issuer Event of Default and the service of an Issuer Acceleration Notice had not occurred and the relevant Series of Covered Bonds had not become due and repayable prior to their Maturity Date by the Issuer;

Scheduled Principal means, in relation to a Series of Covered Bonds, an amount equal to the amount in respect of principal which is or would have been due and repayable under such Covered Bonds on each Interest Payment Date or the Maturity Date or any other date in respect of which any principal is payable by the Issuer (as the case may be) as specified in Condition 6.1 (*Scheduled redemption*) of the Terms and Conditions (but excluding any Excluded Scheduled Principal Amounts payable by the Issuer following service of an Issuer Acceleration Notice):

(a) (where applicable) as if the Issuer Event of Default and the service of an Issuer Acceleration Notice had not occurred and the relevant Series of Covered Bonds had not become due and repayable prior to their Maturity Date by the Issuer; and

(b) (if the applicable Final Terms Document specifies that an Extended Due for Payment Date is applicable to such relevant Covered Bonds and the Maturity Date of the relevant Series of Covered Bonds is so extended) as if the Maturity Date of such Covered Bonds had been the Extended Due for Payment Date (but taking into account any principal repaid in respect of such Covered Bonds or Guaranteed Amounts paid in respect of such principal prior to the Extended Due for Payment Date);

Screen Rate Determination means, if specified as applicable in the applicable Final Terms Document, the manner in which the Rate of Interest on Floating Rate Covered Bonds is to be determined in accordance with Condition 5.3(c) on page 120;

second Person has the meaning given to it in Condition 1.1 on page 109;

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 Couponholders, the Issuer, the Seller, the Servicer, the Account Bank, the Stand-by Account Bank, the Cash Manager, the Swap Providers, the Agents, the Administrative Agent, the Subordinated Loan Provider, the Group Guarantor and any other person which becomes a Secured Creditor pursuant to the Security Trust Deed;

Secured Obligations means the aggregate of all monies and liabilities, whether actual or contingent, from time to time due or owing by the CB Guarantor to the Secured Creditors under Covered Bonds and/or the Transaction Documents (and includes future advances and any amounts contemplated by section 87 of the PLA);

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

Security means the security granted by the CB Guarantor to the Security Trustee under and pursuant to the terms of the Security Trust Deed;

Security Interest means any mortgage, sub mortgage, charge, sub charge, pledge, security interest, or any other encumbrance or security interest howsoever created or arising (other than a lien or retention of title arising in the ordinary course of business or by operation of law);

Security Trust means the trust created under the Security Trust Deed;

Security Trust Deed means the Security Trust Deed entered into on the Signing Date between (*inter alia*) the CB Guarantor, the Bond Trustee and the Security Trustee (as the same may be amended, restated, supplemented, replaced or novated from time to time);

Security Trustee means NZGT (WNZCB) Security Trustee Limited, in its capacity as security trustee under the Trust Deed and the Security Trust Deed together with any successor security trustee appointed from time to time;

Securities and Futures Act has the meaning given to it on page 273;

Selected Loan Offer Notice means a notice in the form set out in Schedule 6 to the Mortgage Sale Agreement served in accordance with the terms of the Mortgage Sale Agreement;

Selected Loan Repurchase Notice means a notice in the form set out in Schedule 7 to the Mortgage Sale Agreement served in accordance with the terms of the Mortgage Sale Agreement;

Selected Loans means Loans and their Related Security comprised in the Portfolio to be sold by the CB Guarantor pursuant to the terms of Clause 3 of the Participation Agreement and Clause 11 of the Mortgage Sale Agreement;

Seller means the Group Guarantor in its capacity as Seller under the Mortgage Sale Agreement, and **Sellers** means, together, the Seller and any New Sellers;

Seller's Policy means the originating, underwriting, administration, management arrears and enforcement policies and procedures applied by the Seller, the Servicer or the Originator (as the case may be) in its ordinary course of business from time to time as those policies and procedures are amended from time to time;

Series means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue

Dates, Interest Commencement Dates and/or Issue Prices and the expressions **Covered Bonds of the relevant Series**, **holders of Covered Bonds of the relevant Series** and related expressions shall be construed accordingly;

Series Reserved Matter means each of the matters described in sub-paragraphs (a) to (f) of Paragraph 5 of Schedule 7 to the Trust Deed and includes any alterations to this definition;

Servicer means the Group Guarantor in its capacity as servicer under the Servicing Agreement together with any successor servicer appointed from time to time;

Servicer Termination Event has the meaning given to it in Clause 19.1 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 Signing Date between the CB Guarantor, the Servicer, the Seller, and the Security Trustee (as the same may be amended, restated, supplemented, replaced or novated from time to time);

Shareholder means the shareholder in the CB Guarantor from time to time, being at the date hereof Westpac NZ Covered Bond Holdings Limited;

Signing Date means 26 November 2010;

Solicitor's Certificate means the confirmatory certificate addressed to the Seller or the Originator issued by a solicitor or licensed conveyancer in respect of a Loan and its Related Security provided in accordance with a Solicitor's Instruction Letter;

Solicitor's Instruction Letter means a letter of instruction addressed to a solicitor or licensed conveyancer in connection with a Loan and its Related Security issued by the Seller or the Originator in accordance with the Seller's Policy;

Solvent Reconstruction has the meaning given to it in Condition 1.1 on page 109;

Specified Currency has the meaning given to it in Condition 1.1 on page 109;

Specified Denomination means, in respect of a Series of Covered Bonds, the denomination or denominations of such Covered Bonds specified in the applicable Final Terms Document;

Specified Interest Payment Date, in respect of Floating Rate Covered Bonds, has the meaning (if any) given to it in the applicable Final Terms Document;

Specified Period has the meaning given to it in Condition 1.1 on page 109;

Standard Documentation means the standard documentation or any update or replacement therefor as the Seller may from time to time introduce acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender;

Standardised Approach means the Reserve Bank of New Zealand Banking Supervision Handbook capital adequacy framework as adopted by the Group Guarantor from time to time, currently document BS2B;

Stand-by Account Bank means Westpac Banking Corporation, acting through its New Zealand Branch, in its capacity as stand-by account bank, or such other person for the time being acting as stand-by account bank in accordance with the Stand-by Bank Account Agreement;

Stand-by Accounts means the Stand-by GI Account or such additional or replacement account as may be put in place with the Stand-by Account Bank in accordance with the Stand-by Bank Account Agreement;

Stand-by Bank Account Agreement means the stand-by bank account agreement entered into on the Signing Date between the CB Guarantor, the Stand-by Account Bank, the Cash Manager and the Security Trustee (as the same may be amended, restated, supplemented, replaced or novated from time to time);

Stand-by GI Account means the account in the name of the CB Guarantor opened and maintained with the Stand-by Account Bank in accordance with and subject to the terms of the Stand-by Bank Account Agreement, the Security Trust Deed and the Participation Agreement or such additional or replacement account as may be for the time being in place in accordance with the Stand-by Bank Account Agreement;

Stock Exchange means the London 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 Advance means an amount advanced, or to be advanced, by the Subordinated Loan Provider to the CB Guarantor under the Subordinated Loan Agreement, including Deemed Subordinated Advances;

Subordinated Loan means the aggregate outstanding principal amount of the Subordinated Advances pursuant to the Subordinated Loan Agreement;

Subordinated Loan Agreement means the subordinated loan agreement entered into on the Signing Date between the CB Guarantor, the Subordinated Loan Provider, the Cash Manager and the Security Trustee (as the same may be amended, restated, supplemented, replaced or novated from time to time);

Subordinated Loan Facility has the meaning given to it on page 222;

Subordinated Loan Ledger means the ledger of the same name maintained by the Cash Manager pursuant to the Cash Management Agreement in respect of the Subordinated Loan to record the balance of the Subordinated Loan from time to time;

Subordinated Loan Provider means the Group Guarantor in its capacity as subordinated loan provider;

Subscription Agreement means an agreement supplemental to the Dealership Agreement (by whatever name called) in or substantially in the form set out in Schedule 7 of the Dealership Agreement or in such other form as may be agreed between the Issuer, the CB Guarantor and the Lead Manager or one or more Dealers (as the case may be);

Subsidiary means, for the purposes of any Transaction Document other than the Terms and Conditions, any company which is for the time being a subsidiary (within the meaning of Section 5 of the Companies Act 1993 (NZ)), and for the purposes of the Terms and Conditions has the meaning given to it in Condition 1.1 on page 109;

Substitution Assets means the classes of assets from time to time eligible to collateralise covered bonds which must be denominated in NZ$ and which, at the Programme Date, are the following:

(a) cash;

(b) exposures to or guaranteed by central governments, central banks or international organisations that are 0% risk weighted under the Standardised Approach;

(c) exposures to or guaranteed by public sector entities, regional governments or local authorities that qualify for 0% risk weighting under the Standardised Approach;

(d) exposures to institutions that qualify for a 10% risk weighting under the Standardised Approach; and

(e) exposures to institutions that qualify for a 20% risk weighting under the Standardised Approach, provided that the total exposure to such institutions shall not exceed 10% of the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds;

in each case (other than in the cause of clause (a) above), provided that:

(i) such exposures will have certain minimum long-term and short-term ratings, which will be at least: (A) so long as Moody's is rating the Covered Bonds: A2 or P-1 for exposures maturing within one month, Aa3 and P-1 for exposures maturing within one month to one year and Aaa and P-1 for exposures maturing over one year, and (B) so long as Fitch Ratings is rating the Covered Bonds: at least a long-term rating of AA- or at least a short-term rating of F1+ for exposures maturing within one year and a long-term rating of at least AAA (or the highest rating of the Covered Bonds on issue) for exposures maturing over one year;

(ii) (A) so long as Moody's is rating the Covered Bonds: the maximum aggregate total exposure to Substitution Assets shall not exceed 20% of the aggregate Principal Amount Outstanding of the Covered Bonds and (B) so long as Fitch Ratings is rating the Covered Bonds: the maximum aggregate total exposure to Substitution Assets shall not exceed 20% of the aggregate Principal Amount Outstanding of the Covered Bonds and such exposures will mature within 30 calendar days;

sub-unit has the meaning given to it in Condition 5.2(d) on page 118;

Surplus Revenue means, in respect of a Calculation Period, the sum of (a) any amount remaining after all payments have been made in accordance with Clause 4.2(b)(i) – (xv) or Clause 4.5(e)(i) – (xviii) of the Participation Agreement, as applicable, for that Calculation Period and (b) an amount equal to any amounts applied under Clause 4.2(b)(ii) or Clause 4.5(e)(ii) of the Participation Agreement, as applicable, in that Calculation Period;

Swap Agreements means the Covered Bond Swap Agreements together with the Interest Rate Swap Agreements and each a **Swap Agreement**;

Swap Collateral means, at any time, any asset (including, without limitation, cash and/or securities) which is paid or transferred by a Swap Provider to the CB Guarantor as collateral in respect of the performance by such Swap Provider of its obligations under the relevant Swap Agreement together with any interest, income or distribution, received in respect of such asset and any equivalent of such asset into which such asset is transformed;

Swap Collateral Accounts means any account in the name of the CB Guarantor into which Swap Collateral in respect of an Interest Rate Swap or a Covered Bond Swap may be deposited in accordance with the terms of any such Swap;

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 in satisfaction of the relevant Swap Provider's obligations to the CB Guarantor following termination of a 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 Excluded Amounts means, at any time, the amount of Swap Collateral which may not be applied at that time in satisfaction of the relevant Swap Provider's obligations to the CB Guarantor under the terms of the relevant Swap Agreement, including Swap Collateral which is to be returned to the relevant Swap Provider upon termination of the relevant Swap;

Swap Provider Default means the occurrence of an Event of Default (as defined in the relevant Swap Agreement) with respect to the relevant Swap Provider, where the relevant Swap Provider is the Defaulting Party (as defined in the relevant Swap Agreement);

Swap Provider Downgrade Event means the occurrence of an Additional Termination Event (as defined in the relevant Swap Agreement) following a failure by the Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the relevant Swap Agreement;

Swap Providers means the Covered Bond Swap Providers and the Interest Rate Swap Provider, and each a **Swap Provider**;

Swaps means the Covered Bond Swaps together with the Interest Rate Swap, and each a **Swap**;

Talon has the meaning given to it in Condition 1.1 on page 109;

TARGET2 has the meaning given to it in Condition 1.1 on page 109;

Tax Credit has the meaning given to it in the relevant Swap Agreement;

Taxes means all present and future taxes, levies (including any AIL), imposts, duties, fees, deductions, withholdings or charges of any nature whatsoever and wheresoever imposed, excluding stamp duty, but including, without limitation, income tax, company tax, corporation tax, goods and services tax or value added tax 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** and **Taxation** and cognate expressions shall be construed accordingly;

Temporary Global Covered Bond means a temporary global covered bond substantially in the form set out in Part 1 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) or Lead Manager (in the case of syndicated issues), together with the copy of the applicable Final Terms Document annexed thereto, comprising some or all of the Covered Bonds of the same Series, issued by the Issuer pursuant to the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the trust presents;

Terms and Conditions or **Conditions** means the terms and conditions of the Covered Bonds (as set out in Schedule 1 to the Trust Deed);

Test Date means the fifth NZ and Sydney Business Day following each Calculation Date;

Third Party Amounts means each of:

(a) all payments in respect of Trust Back Assets;

(b) payments of any deferred establishment fees, rates or insurance premiums paid by the Borrower to the Seller;

(c) amounts under a direct debit which are repaid to the bank making the payment if such a bank is unable to recoup that amount itself from the customer's account; or

(d) payments by Borrowers of Early Repayment Fees and other charges due to the Seller,

which amounts shall be paid by the CB Guarantor to the Seller on receipt and identification as Third Party Amounts;

Threshold Rate means, at any time, 15 basis points plus the minimum rate of interest (expressed as a percentage) that, if set on all variable rate Loans comprised in the Portfolio (where permitted under the terms of the relevant Loan and to the extent permitted by applicable Law), would, when calculated on an overall portfolio basis, be sufficient (assuming that all relevant parties comply with their obligations at all times under the Transaction Documents, the Loans and the Related Security comprised in the Portfolio), when aggregated with the income produced by the rate of interest on all other Loans comprised in the Portfolio and other Authorised Investments and Substitution Assets of the CB Guarantor, to ensure that the CB Guarantor will have available to it sufficient Revenue Receipts to enable it to comply with its obligations under the Transaction Documents as they fall due;

Title Deeds means, in relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds and documents (if any) which make up the title to the Property and the security for the Loan and all searches and enquiries (if any) undertaken in connection with the grant by the Borrower of the related Mortgage;

Title Perfection Ledger means the ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Available Revenue Receipts, Advances (if so directed by the Group Guarantor) and Subordinated Advances (if directed by the Subordinated Loan Provider) to the Title Perfection Reserve and the debiting of such Title Perfection Reserve in accordance with the terms of the Participation Agreement;

Title Perfection Required Amount means (a) if the Group Guarantor's short-term, unsecured, unsubordinated debt obligations are rated at least F1 by Fitch Ratings or P-1 by Moody's, nil or such other amount as the Group Guarantor shall advise the CB Guarantor from time to time and (b) otherwise, an amount equal to NZ$1,500,000 or such higher amount as the Group Guarantor shall advise the CB Guarantor from time to time;

Title Perfection Reserve means the reserve fund that the CB Guarantor will be required to establish on the GI Account which will be credited with (a) Available Revenue Receipts up to an amount equal to the Title Perfection Required Amount (b) any Advances made to the CB Guarantor by the Group Guarantor which the Group Guarantor directs the CB Guarantor to direct thereto, and (c) any Subordinated Advances made to the CB Guarantor by the Subordinated Loan Provider when the Subordinated Loan Provider directs to CB Guarantor to direct thereto;

Title Perfection Reserve Required Amount has the meaning given to it on page 234;

Title Trigger Event has the meaning given to it on page 189;

Tranche means an issue of Covered Bonds which are identical in all respects (including as to listing and admission to trading);

Transaction Documents means:

(a) the Mortgage Sale Agreement;

(b) the Servicing Agreement;

(c) the Administration Agreement;

(d) the Asset Monitor Agreement;

(e) the Intercompany Loan Agreement;

(f) the Subordinated Loan Agreement;

(g) the Participation Agreement;

(h) the Cash Management Agreement;

(i) the Interest Rate Swap Agreement;

(j) each Covered Bond Swap Agreement;

(k) the Bank Account Agreement;

(l) the Stand-by Bank Account Agreement;

(m) the Security Trust Deed (and each document entered into pursuant to the Security Trust Deed);

(n) the Trust Deed;

(o) the Agency Agreement;

(p) the Dealership Agreement;

(q) the Master Definitions and Construction Agreement;

(r) each of the Final Terms Documents (as applicable in the case of each issue of listed Covered Bonds subscribed for pursuant to a subscription agreement) entered into from time to time;

(s) each Subscription Agreement (as applicable in the case of each issue of listed Covered Bonds subscribed for pursuant to a subscription agreement) entered into from time to time;

(t) each Interest Rate Swap Collateral Bank Account Agreement entered into from time to time;

(u) each Covered Bond Swap Collateral Bank Account Agreement entered into from time to time; and

(v) each other agreement which is, at any time, treated as a CBG Agreement pursuant to any Accession Undertaking;

Transfer Agent means, in relation to all or any Series of Registered Covered Bonds, The Bank of New York Mellon, acting through its London branch at One Canada Square, London E14 5AL, United Kingdom, in its capacity as transfer agent or, if applicable, any successor transfer agent in relation to all or any Series of the Covered Bonds;

transfer date has the meaning given to it in Condition 3.8 on page 115;

Transfer Instrument means, in relation to a Mortgage, a memorandum, deed, agreement, instrument, authorisation or other document (whether paper or electronic) required by Land Information New Zealand (or any successor organisation thereof) pursuant to which the Seller transfers its interest in that Mortgage, which is in a satisfactory form to enable registration of that transfer under the New Zealand Real Property Legislation;

Trust Back means the trust (if any) referred to in Clauses 13 and 14 of the Mortgage Sale Agreement;

Trust Back Assets means any right, title, interest and benefit in and to:

(a) any Loans and any Related Security comprised in the Portfolio assigned to the CB Guarantor pursuant to the Mortgage Sale Agreement to the extent that such right, title, interest or benefit relates to (but only to the extent that it relates to) any Other Secured Liabilities (and, for the avoidance of doubt, includes any Other Secured Liabilities that come into existence after the relevant Loan and any Related Security comprised in the Portfolio is assigned to the CB Guarantor pursuant to the Mortgage Sale Agreement); and

(b) any Trust Back Loans and/or Trust Back Related Securities,

including any proceeds of or any amount received under, or as a consequence of the exercise of, such right, title, interest or benefit;

Trust Back Loans means any Other Secured Liabilities assigned by the Seller to the CB Guarantor pursuant to Clause 6.7 of the Mortgage Sale Agreement and any Other Secured Liabilities assigned to the CB Guarantor by operation of Law (including, but not limited to, pursuant to section 84 of the PLA);

Trust Back Related Securities means any Related Security which secures Other Secured Liabilities (but which are not Related Securities comprised in the Portfolio) assigned by the Seller to the CB Guarantor pursuant to Clause 6.7 of the Mortgage Sale Agreement or by operation of Law (including, but not limited to, pursuant to section 84 of the PLA);

Trust Deed means the trust deed entered into on the Signing Date between the Issuer, the CB Guarantor, the Group Guarantor and the Bond Trustee under which Covered Bonds will, on issue, be constituted and which sets out the terms and conditions on which the Bond Trustee has agreed to act as bond trustee (as the same may be amended, restated, supplemented, replaced or novated from time to time) and includes any trust deed or other document executed by the Issuer, the CB Guarantor, the Group Guarantor and the Bond Trustee in accordance with the provisions of the Trust Deed and expressed to be supplemental to the Trust Deed;

trust presents means the Trust Deed and the Schedules and any trust deed supplemental to the Trust Deed and the Schedules (if any) thereto and the Covered Bonds, the Coupons, the Talons, the Terms and Conditions and each of the Final Terms Documents, all as from time to time modified in accordance with the provisions therein contained;

Unrestricted Global Covered Bond means a Regulation S Global Covered Bond after the Restricted Period has ended;

U.S. means the United States of America;

U.S. Dollars has the meaning given to it on page 6;

USD-ISDA-Swap Rate has the meaning given to it in Condition 1.1 on page 99;

Valuation means, in relation to any Property, the value given to that Property by reference to either (a) the latest Valuation Report (if obtained) in respect of that Property; or (b) if no such Valuation Report has been obtained, such valuation of that Property as determined by the Seller or the Servicer in accordance with the Seller's Policy from time to time, or, if the Seller's Policy is no longer applicable, using a methodology which would be acceptable to a Reasonable, Prudent Mortgage Lender;

Valuation Report means the valuation report or reports for mortgage purposes obtained by the Seller or the Originator in respect of a Property whether obtained at the time the Loan in respect of the relevant Property was originated, or subsequently;

Variable Rate Loans means those Loans which are subject to a rate of interest which may at any time be varied in accordance with the relevant Mortgage Terms (and shall, for the avoidance of doubt, exclude Fixed Rate Loans and include Loans subject to a capped rate of interest);

VAT means, in relation to any jurisdiction in the European Community, the value added tax provided for in Directive 2006/112/EC and charged under the provisions of any national legislation implementing that directive or Directive 77/388/EEC, together with legislation supplemental thereto and, in relation to any other jurisdiction (other than New Zealand), the equivalent Tax, if any, in that jurisdiction;

WBC or **Westpac Banking Corporation** means Westpac Banking Corporation (ABN 33 007 457 141);

WBC Group means Westpac Banking Corporation and its controlled entities;

Westpac NZ Group has the meaning given to it on page 5;

Winding-Up has the meaning given to it in Condition 1.1 on page 110;

WNZGL has the meaning given to it on page 169;

WNZL means Westpac New Zealand Limited;

WNZL BAC has the meaning given to it on page 173;

WNZL BRCC has the meaning given to it on page 173;

WNZL Group has the meaning given to it on page 174;

WSM means Westpac Securitisation Management Pty Limited (ABN 73 081 709 211);

WSNZL means Westpac Securities NZ Limited; and

Zero Coupon Covered Bond has the meaning given to it in Condition 1.1 on page 110.

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Westpac Securities NZ Limited
Camomile Court
23 Camomile Street
London EC3A 7LL
United Kingdom

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Westpac on Takutai Square
16 Takutai Square
Auckland
New Zealand

CB GUARANTOR
Westpac NZ Covered Bond Limited
Westpac on Takutai Square
16 Takutai Square
Auckland
New Zealand

SECURITY TRUSTEE
NZGT (WNZCB) Security Trustee Limited
Level 6
191 Queen Street
Auckland
New Zealand

BOND TRUSTEE
BNY Mellon Corporate Trustee Services Limited
One Canada Square
40th Floor
London E14 5AL
United Kingdom

PRINCIPAL PAYING AGENT AND EXCHANGE AGENT
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