



Indicative Terms Sheet

For an issue of up to NZ\$250,000,000 Perpetual Preference Shares
(with the option to accept unlimited oversubscriptions)

26 May 2023

Joint Lead Managers





This indicative terms sheet (Terms Sheet) is a summary only. More details are contained in the limited disclosure document for the Offer dated 26 May 2023 (LDD). The LDD is available free of charge on the online Disclose Register maintained by the Companies Office at www.disclose-register.companiesoffice.govt.nz/ (offer number OFR13514) or can be obtained from the Joint Lead Managers or your usual financial advice provider.

These PPS do not have the same rights (including voting rights) or privileges, or the same opportunity to increase in value, as ordinary shares. Scheduled distributions may be cancelled and BNZ is under no obligation to pay cancelled distributions at a later date. The PPS are perpetual and have no fixed term. Holders have no right to require repayment for any reason.

Unless the context otherwise requires, capitalised terms used in this Terms Sheet have the same meanings given to them in the LDD.

Important dates for the Offer	
LDD lodgement	Friday, 26 May 2023
Opening Date	Monday, 29 May 2023
Closing Time	12.00pm on Friday, 2 June 2023
Rate Set Date	Friday, 2 June 2023
Issue Date	Wednesday, 14 June 2023
Expected date of quotation on the NZX Debt Market	Thursday, 15 June 2023

Important dates for the PPS	
Term	The PPS have no fixed maturity date and will remain on issue indefinitely if not redeemed by BNZ.
First Scheduled Distribution Payment Date	14 September 2023
First Optional Redemption Date	14 June 2029
Scheduled Distribution Payment Dates	14 March, 14 June, 14 September and 14 December in each year.
Optional Redemption Dates	The First Optional Redemption Date and each Scheduled Distribution Payment Date after that date. Any redemption of the PPS is at the option of BNZ, subject to conditions and may not occur.
Distribution Payment Dates	Distributions on the PPS are scheduled to be paid quarterly in arrear on each Scheduled Distribution Payment Date and, if the PPS are redeemed, on the date on which the PPS are redeemed. Distributions are expected to comprise a cash amount and imputation credits. Distributions are discretionary, subject to conditions and non-cumulative (see below).

Dates may change

The "Important dates for the Offer" (listed above) are indicative only and subject to change. BNZ may, in its absolute discretion and without notice, vary such dates (including by closing the Offer early and extending the Closing Time). If the Closing Time is extended, all subsequent dates may also change. Any such changes will not affect the validity of any applications received.

BNZ reserves the right to cancel the Offer and the issue of the PPS.

Perpetual Preference Shares	
Issuer	Bank of New Zealand (BNZ)
Description	Perpetual preference shares (PPS)
Purpose	The Offer will raise Additional Tier 1 Capital to help BNZ meet its regulatory capital requirements and manage its capital position. The proceeds of the Offer will be used for BNZ's general banking purposes.

Issue amount	Up to NZ\$250 million. BNZ reserves the right to accept unlimited oversubscriptions at its discretion.		
Regulatory treatment	Additional Tier 1 Capital.		
Credit Rating		Senior credit ratings of BNZ	Credit rating of the PPS
	S&P Global Ratings Australia Pty Limited	AA- (stable outlook)	BBB
	Moody's Investors Service Pty Limited	A1 (stable outlook)	Not rated
	Fitch Australia Pty Limited	A+ (stable outlook)	Not rated
	A credit rating is not a recommendation by any rating organisation to buy, sell or hold PPS. The above credit ratings and outlooks are current as at the date of this Terms Sheet and may be subject to suspension, revision or withdrawal at any time by the assigning rating organisation.		
Legal form	Equity		
Accounting form	Equity		
Ranking and rights in liquidation	<p>In a liquidation of BNZ, each PPS gives its Holder the right to payment of a maximum amount equal to the Issue Price, which ranks:</p> <ul style="list-style-type: none"> behind the claims of all depositors and other creditors of BNZ (including holders of Tier 2 Capital instruments of BNZ), except for the claims and rights described below; equally with the rights of other Holders and the rights and claims of holders of any other preference shares, securities or other obligations of BNZ that rank equally with the PPS; and ahead of the rights of holders of BNZ's ordinary shareholders. <p>In a liquidation of BNZ, it is highly unlikely there will be surplus assets available for the liquidator to pay any amount to Holders in respect of the PPS.</p>		
No guarantee	<p>The PPS:</p> <ul style="list-style-type: none"> are not guaranteed by NAB, any member of the NAB group or any other person; do not constitute deposit liabilities of BNZ, NAB or any other member of the NAB group; are not protected accounts for the purposes of the Banking Act 1959 of Australia; and are unsecured. 		
Issue Price	NZ\$1.00 per PPS.		
No fixed maturity date	The PPS have no fixed maturity date and will remain on issue indefinitely if not redeemed by BNZ.		
Redemption	<p>BNZ may redeem all of the PPS:</p> <ul style="list-style-type: none"> on an Optional Redemption Date; or at any time if a Tax Event or Regulatory Event occurs. <p>BNZ may only redeem the PPS if certain conditions are met, including:</p> <ul style="list-style-type: none"> the Reserve Bank having given its approval to the redemption. Approval is at the absolute discretion of the Reserve Bank; and BNZ satisfying the Solvency Condition. <p>Any redemption of the PPS is at the option of BNZ, subject to conditions and may not occur. Holders should not expect that the PPS will be redeemed, and have no right to require that the PPS be redeemed for any reason.</p>		
Amount that is payable to Holders if the PPS are redeemed	Holders will receive the Issue Price if the PPS are redeemed.		
Distributions	Distributions on the PPS are expected to comprise a cash amount and imputation credits. The cash amount and imputation credits together will be equal to the Distribution Rate.		
Distribution Rate	<p>The Distribution Rate will be a fixed rate until the First Optional Redemption Date, after which it will change to a floating rate that resets at quarterly intervals.</p> <p>The Distribution Rate until the First Optional Redemption Date will be the sum of the Swap Rate plus the Margin. The initial Distribution Rate will be announced by BNZ via NZX on or about the Rate Set Date.</p> <p>The Distribution Rate after the First Optional Redemption Date will be a floating rate which will be reset quarterly to be equal to the sum of the applicable 3 Month Bank Bill Rate plus the same Margin. If the sum of the 3 Month Bank Bill Rate plus the Margin is less than 0% per annum, the Distribution Rate will be 0% per annum. When the Distribution Rate is reset, the new Distribution Rate will be announced by BNZ via NZX on or about the date it is reset.</p>		

Indicative margin range	The indicative margin range will be announced by BNZ via NZX on or about the Opening Date.
Margin	The Margin (which may be above or below the indicative margin range) will be determined by BNZ as issuer in consultation with the Joint Lead Managers through the Bookbuild and announced by BNZ via NZX on or about the Rate Set Date. The Margin for the PPS will not change.
Swap Rate	The mid-market rate for an interest rate swap with a term of 6 years commencing on the Issue Date, as determined by BNZ, according to market convention, with reference to Bloomberg page 'ICNZ4' (or any successor page) on the Rate Set Date, expressed as a percentage per annum, adjusted for quarterly payments and rounded, if necessary, to the nearest 2 decimal places with 0.005% being rounded up.
3 Month Bank Bill Rate	<ul style="list-style-type: none"> The FRA rate administered by the New Zealand Financial Benchmark Facility (NZFBF) (or any person that takes over the administration of that rate) for bank bills having a term of, or of about, 3 months as displayed at or about 10.45am or such later time as BNZ may determine on the previous Scheduled Distribution Payment Date on Bloomberg BKBM page 'GDCO 2805' (or any successor page); or if that rate is not displayed by 10.45am (New Zealand time) or such later time as BNZ may determine on that date, the equivalent rate provided by the NZFBF (or any person that takes over the administration of that rate) at or around that time on that date, in each case expressed as a percentage per annum and rounded, if necessary, to the nearest 4 decimal places with 0.00005% being rounded up.
Alternative reference rate	BNZ is able to replace the 3 Month Bank Bill Rate with an alternative reference rate if the 3 Month Bank Bill Rate becomes unavailable.
Distribution payable	<p><i>Distributions made on or before the First Optional Redemption Date (Fixed Rate Period)</i></p> <p>The cash distribution payable on each PPS on each Scheduled Distribution Payment Date that is on or before the First Optional Redemption Date (14 June 2029) and on the date the PPS are redeemed (if it falls on a date on or before the First Optional Redemption Date that would otherwise be a Scheduled Distribution Payment Date) is calculated according to the following formula:</p> $\text{Cash distribution payable} = \frac{\text{Distribution Rate} \times (1 - \text{Tax Rate}) \times \text{Issue Price}}{4}$ <p>The cash distribution payable on each PPS on the date the PPS are redeemed (if it falls on a date before the First Optional Redemption Date that would not otherwise be a Scheduled Distribution Payment Date) is calculated according to the following formula:</p> $\text{Cash distribution payable} = \left(\frac{\text{Distribution Rate} \times (1 - \text{Tax Rate}) \times \text{Issue Price}}{4} \right) \times \frac{A}{B}$ <p><i>Distributions made after the First Optional Redemption Date (Floating Rate Period)</i></p> <p>The cash distribution payable on each PPS on each Distribution Payment Date after the First Optional Redemption Date and on the date the PPS are redeemed (if it falls on a date after the First Optional Redemption Date) is calculated in accordance with the following formula:</p> $\text{Cash distribution payable} = \frac{\text{Distribution Rate} \times (1 - \text{Tax Rate}) \times \text{Issue Price} \times A}{365}$ <p><i>Determining the cash amount</i></p> <p>For the purposes of determining the cash amount, the Distribution Rate will be expressed as a decimal. In addition:</p> <p>"A" means, in respect of a Distribution Payment Date, the number of days from (and including) the preceding Scheduled Distribution Payment Date (or the Issue Date in the case of the first Distribution Payment Date) to (but excluding) the Distribution Payment Date.</p> <p>"B" means, in respect of a Distribution Payment Date, the number of days from (and including) the preceding Scheduled Distribution Payment Date (or the Issue Date in the case of the first Distribution Payment Date) to (but excluding) the date that would have been the next Scheduled Distribution Payment Date had the PPS not been redeemed.</p> <p>"Tax Rate" means the New Zealand corporate tax rate on the relevant Distribution Payment Date (expressed as a decimal). As at the date of this Terms Sheet, the New Zealand corporate income tax rate is 28% (or 0.28 expressed as a decimal).</p>
Imputation credits	Distributions on the PPS are expected to be fully imputed. If any distribution is not fully imputed, the cash amount will be increased by an amount corresponding to the shortfall in imputation credits.
Distributions are discretionary and subject to conditions	BNZ has full discretion at all times to cancel distributions on the PPS. In addition, the payment of any distribution on any Distribution Payment Date is subject to: <ul style="list-style-type: none"> the payment of the distribution being permitted by BNZ's conditions of registration as at the time of the payment; and BNZ satisfying the Solvency Condition.
Solvency Condition	The payment of distributions and any redemption of the PPS is conditional on BNZ satisfying the Solvency Condition. The Solvency Condition will be satisfied if BNZ:

	<ul style="list-style-type: none"> is Solvent on the applicable payment date; and is able to pay the amount and remain Solvent immediately after paying the amount. <p>“Solvent” means satisfying the solvency test contained in section 4 of the Companies Act 1993, as modified by section 52 of that Act.</p>
Distributions are non-cumulative	Distributions are non-cumulative. If a distribution is not paid when scheduled, BNZ is under no obligation to pay that distribution at a later date. Non-payment will not constitute a default by BNZ, and Holders will have no right to take any action against BNZ in respect of that non-payment.
Distribution stopper	<p>If a distribution is not paid in full on the PPS within 3 Business Days of a Distribution Payment Date, BNZ must not authorise or pay a dividend on its ordinary shares, acquire its ordinary shares or otherwise undertake a capital reduction in respect of its ordinary shares, until:</p> <ul style="list-style-type: none"> BNZ pays a distribution on the PPS in full on a subsequent Scheduled Distribution Payment Date; or there are no PPS outstanding.
Limited enforcement rights	<p>The terms of the PPS do not include events of default or any other provisions entitling Holders to require that the PPS be redeemed.</p> <p>Holders have no right to apply for the liquidation or administration of BNZ, or to cause a receiver or receiver and manager to be appointed in respect of BNZ on the grounds of BNZ’s failure or potential failure to pay distributions on the PPS or for any other reason in connection with BNZ’s compliance with the terms of the PPS.</p>
No restrictions on other securities or liabilities	<p>There are no restrictions on BNZ issuing further securities or incurring further liabilities after the PPS have been issued that rank equally with, or in priority to, the PPS in a liquidation of BNZ.</p> <p>BNZ could therefore, at any time after the Issue Date, issue further securities or incur further liabilities that rank equally with or in priority to the PPS.</p>
No voting rights	Holders have no right to vote at any general meeting of BNZ or participate in any other decision or resolution of BNZ’s ordinary shareholders.
No other rights	Holders have no right to participate in the issue of any other securities in BNZ or to participate in any bonus issues of securities of BNZ. Holders have no rights to participate in the profits or property of BNZ, except by receiving distributions on the PPS (which are discretionary and subject to conditions).
Conversion, exchange or non-viability triggers	The PPS have no conversion or exchange options and no non-viability triggers.
Business Day (for distribution payment purposes)	A day that is not a Saturday or Sunday and on which banks are open for general business in Wellington and Auckland.
Business Day convention (for distribution payment purposes)	<p>If a Distribution Payment Date on or before the First Optional Redemption Date is not a Business Day, BNZ will make payment on the next Business Day, but no adjustment will be made to the amount of distribution payable.</p> <p>If a Distribution Payment Date after the First Optional Redemption Date is not a Business Day, the Distribution Payment Date will be the next Business Day unless that day falls in the next calendar month, in which case it will be the preceding Business Day, and, in either case, the amount of the distribution paid will be adjusted to reflect the actual payment date.</p>
Record Date	<p>In the case of:</p> <ul style="list-style-type: none"> distributions, the date which is 10 days before the relevant Distribution Payment Date; or any redemption, a date determined by BNZ and notified to Holders.
Brokerage	0.50% on firm allocations plus 0.50% brokerage, payable by BNZ as issuer.
No gross up	There will be no gross up for RWT, NRWT or any other form of withholding.
ISIN	NZBNZEP001C9
NZX Code	BNZ intends to quote the PPS on the NZX Debt Market. NZX ticker code BNZHA has been reserved for the PPS. NZX takes no responsibility for the content of this Terms Sheet. NZX is a licensed market operator and the NZX Debt Market is a licensed market under the Financial Markets Conduct Act 2013.
Documents	<p>LDD relating to the offer of PPS dated 26 May 2023.</p> <p>BNZ’s constitution.</p> <p>Terms of the PPS.</p>

	Other documents and information are available on the online Disclose Register maintained by the Companies Office at www.disclose-register.companiesoffice.govt.nz/ (offer number OFR13514).
Governing law	New Zealand
Minimum subscription amount	NZ\$5,000 and in multiples of NZ\$1,000 thereafter.
No public pool	There will be no public pool for the PPS. All PPS will be reserved for subscription by clients of the Joint Lead Managers, Primary Market Participants and other persons invited to participate in the Bookbuild.
Selling restrictions	<p>The LDD constitutes an offer of PPS to New Zealand investors.</p> <p>BNZ has not taken and will not take any action that would permit a public or regulated offering of the PPS, or possession or distribution of any offering material in respect of the PPS, in any country or jurisdiction other than New Zealand.</p> <p>Following their issue, the PPS may only be offered for sale or sold in compliance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered.</p>
No underwriting	The Offer is not underwritten.
Arranger	Bank of New Zealand
Joint Lead Managers	Bank of New Zealand, Craigs Investment Partners Limited, Forsyth Barr Limited, Hobson Wealth Partners Limited and Jarden Securities Limited.
Registry and paying agent	<p>Computershare Investor Services Limited</p> <p>The PPS will be accepted for settlement in the NZClear system.</p>



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