



# NZX Regulation Decision

Bank of New Zealand (BNZ)

Application for waiver from NZX Listing Rule 3.14.1(b)

29 January 2020



# Waiver from Rule 3.14.1(b) in the Event of Conversion due to Non-Viability Trigger Event

## Decision

1. Subject to the condition in paragraph 2 below, and on the basis that the information provided by BNZ is complete and accurate in all material respects, NZX Regulation (**NZXR**) grants BNZ a waiver from NZX Listing Rule 3.14.1(b) (**Rule**) so that, if Conversion of the BNZ Notes occurs on account of a non-viability trigger event, BNZ is not required to give notice for the purposes of the Rule in relation to the Conversion, at least five Business Days before the Conversion occurs.
2. The waiver above is granted on the condition that the notice required by the Rule must be given as soon as practicable and in any event before the NZDX opens for trading on the Business Day after Conversion occurs.

## Other matters

3. The information on which this decision is based is set out in Appendix One to this decision. This waiver will not apply if that information is not or ceases to be full and accurate in all material respects.
4. The Rule to which this decision relates is set out in Appendix Two to this decision.
5. Capitalised terms that are not defined in this decision have the meanings given to them in the Rules.

## Reasons

6. In coming to the decision to provide the waiver set out in paragraph 1 above, NZXR has considered that:
  - a. BNZ has submitted, and NZXR has no reason not to accept, that if Conversion is required on account of a non-viability trigger event, it will be unable to provide five Business Days' notice as required by the Rule as the RBNZ and APRA standards require Conversion to occur immediately;
  - b. At the time of the initial offer of the BNZ Notes, NZXR issued a waiver (dated 11 November 2015) from equivalent requirements of the previous NZX Debt Market Listing Rules. A condition of this waiver was that BNZ disclose the implications of the waiver in the Investment Statement for the BNZ Notes. This condition ensured that Noteholders were made aware of the possibility of a non-viability trigger event, and that the market will not be given advance notice;
  - c. The condition in paragraph 2(a) ensures that all other information that is required to be disclosed under the Rule is disclosed as soon as practicable; and
  - d. if a non-viability trigger event occurs, the terms of the Governing Document require BNZ to give notice to Noteholders as soon as practicable, that Conversion has occurred.



## Appendix One

1. Bank of New Zealand (“**BNZ**”) is a Listed Issuer with securities Quoted on the NZX Debt Market (“**NZDX**”), including \$550 million of subordinated unsecured notes with ticker BNZ090 (“**BNZ Notes**”).
2. The BNZ Notes are classified as Tier 2 capital, for BNZ under both the Reserve Bank of New Zealand’s (“**RBNZ**”) standards; and National Australia Bank Limited (“**NAB**”) under the Australian Prudential Regulation Authority’s (“**APRA**”) standards.
3. BNZ may elect to redeem all or some of the BNZ Notes on each interest payment date, after five years or thereafter from the BNZ Notes’ allotment date of 17 December 2015 (“**Optional Redemption Date**”), or if a specified tax or regulatory event occurs. Redemption is subject to certain conditions being satisfied, including BNZ obtaining the consent of the RBNZ and the APRA.
4. BNZ must redeem all of the BNZ Notes that have not previously been redeemed, converted, or written off, ten years after BNZ Notes’ allotment date (“**Maturity Date**”).
5. To qualify as Tier 2 capital, an instrument must fulfil certain criteria, including providing a permanent and unrestricted commitment of funds, and being freely available to absorb losses, if the bank is in financial stress. The terms of the BNZ Notes must meet these criteria, in particular:
  - a. **Subordination:** BNZ Notes are subordinated in right of repayment to all depositors and unsubordinated creditors of BNZ,
  - b. **Term:** BNZ Notes have a term of ten years, subject to BNZ’s right to redeem the BNZ Notes on the Optional Redemption Date, or if a specified tax or regulatory event occurs. Redemption prior to the Maturity Date is subject to certain conditions being satisfied, including BNZ obtaining the consent of the RBNZ and APRA,
  - c. **Interest Payments:** interest payments are scheduled to be paid quarterly in arrear, but are subject to the condition that BNZ is solvent at the time that the interest payment is due and BNZ will remain solvent immediately after the payment is made,
  - d. **Loss absorption:** all or some of the BNZ Notes may be required to be converted into ordinary shares in NAB if a non-viability trigger event occurs in respect of either BNZ or NAB. The point of non-viability is determined by either the RBNZ or the statutory manager (in the case of BNZ) or APRA (in the case of NAB). Loss absorption occurs as follows:
    - i. If BNZ is required to convert BNZ Notes because a non-viability trigger event has occurred:
      1. each BNZ Note that is to be converted will be transferred by the relevant holder to National Australia Group (NZ) Limited (BNZ’s immediate holding company); and
      2. NAB will issue to the relevant holder a number of ordinary shares in NAB, determined in accordance with a formula set out in the Governing Document for the BNZ Notes (“**Governing Document**”),  
  
(together, the “**Conversion**”);
    - ii. As a consequence of Conversion, holders will cease to hold the BNZ Notes that have been Converted, and they will cease to have any rights under the BNZ Notes; instead,

they will hold ordinary shares in NAB. If for any reason the BNZ Notes that are to be Converted are not able to be Converted when required following a non-viability trigger event, those BNZ Notes will be written off.

6. As a Registered Bank, BNZ is subject to the prudential supervision of the RBNZ. Among other requirements, BNZ must publish annual and semi-annual disclosure statements which contain financial information about BNZ.



## Appendix Two

### **Rule 3.14 Distributions, conversion and calls**

3.14.1 An Issuer must release through MAP, at least 5 Business Days before the Record Date, the details of a proposal to:

- (a) pay or distribute a benefit on Quoted Financial Products,
- (b) proceed with a Conversion of Quoted Financial Products, or a Conversion of any Financial Products into Quoted Financial Products, or
- (c) make a call on a Quoted Financial Product,

in the form prescribed by NZX from time to time.

