

RETAIL DEPOSIT GUARANTEE SCHEME – NOMINATION

Beneficiaries of Trusts – Crown Discretion

Date: 5 August 2010

Background

Under the Retail Deposit Guarantee Scheme announced by the Minister of Finance on or about 12 October 2008, the Crown entered into Crown deeds of guarantee with a number of banks, building societies, credit unions and finance companies (each a "Principal Debtor"). It is a term of those Crown deeds of guarantee (each an "Original Deed"), that the Crown may if it thinks it appropriate to do so, withdraw the guarantee of the Crown, so long as (amongst other things) the Crown first offers to enter into a new deed of guarantee with the Principal Debtor.

In December 2009, the Crown made an offer to each Principal Debtor, offering to withdraw the Crown guarantee under the Original Deed and to enter into a replacement deed of guarantee (the "Revised Deed"). The Revised Deed took effect from 1 January 2010, in respect of each Principal Debtor that accepted the Crown's offer.

It is a term of the Original Deed and the Revised Deed that any person that is acting (directly or indirectly) as a nominee of, or trustee for, (among other things) a Related Party of the Principal Debtor, a Financial Institution, or in the case of non bank Crown deeds of guarantee, a person who is neither a New Zealand Citizen nor a New Zealand tax resident (an "affected trustee or nominee"), is not (subject to certain exceptions) a Creditor for the purposes of that Crown deed of guarantee.

It is a term of the Revised Deed that the exclusion described in the preceding paragraph does not apply where:

- the affected trustee or nominee is not itself a Related Party, a person that is controlled by a Related Party or a Financial Institution; and
- the Crown, in the exercise of its sole and unfettered discretion, gives notice in writing to the affected trustee or nominee that it is a Creditor, despite one or more persons for whom it acts (directly or indirectly) being a Related Party of the Principal Debtor, a Financial Institution, or in the case of non bank Crown deeds of guarantee, a person who is neither a New Zealand Citizen nor a New Zealand tax resident.

Currently no similar or equivalent provision is contained in the Original Deed. This means that if the Crown becomes obliged to make payment to Creditors under the Crown's guarantee, the claims of affected trustees or nominees would be treated differently with respect to their beneficiaries, depending on whether the claim was made under the Original Deed or the Revised Deed.

The Crown now wishes to designate any trustee or nominee falling within the terms of this notice to be a Nominated Beneficiary for the purposes of each Original Deed executed on or before the date of this notice in respect of which no Default Event had occurred prior to 1 January 2010. To that end, this notice constitutes a Nomination for the purposes of each such Original Guarantee.

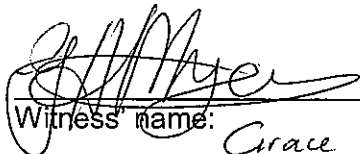
Notice

1. For the purposes of each Original Deed executed on or before the date of this notice in respect of which no Default Event had occurred prior to 1 January 2010, the Crown gives notice that each Person 'A' (as defined in paragraphs 2-4, below) is a Nominated Beneficiary.
2. The Crown gives notice that if a Person ('A') is acting (directly or indirectly) as a nominee of, or trustee for, one or more Persons (each a "Beneficiary") and that Beneficiary is:
 - (a) a Related Party of the Principal Debtor,
 - (b) a Financial Institution, or
 - (c) in the case of non bank Crown deeds of guarantee, a person who is neither a New Zealand Citizen nor a New Zealand tax resident,then Person 'A' is a Creditor (despite the terms of paragraph (d) of the definition of "Creditor"), but only to the extent specified in paragraph 3 below and only on the basis provided for in paragraph 4 below.
3. Subject to paragraph 4 below, Person 'A' is a Creditor if Person 'A':
 - (a) is not excluded by paragraphs (a) or (b) of the term "Creditor" as defined in clause 1.1 of the Original Deed; and
 - (b) the Crown (in its sole and unfettered discretion) gives notice in writing to Person 'A' (which may be by way of public notice and may or may not be subject to such conditions (if any) as the Crown may specify) that Person 'A' is a Creditor to the extent acting in its capacity of trustee or nominee.
4. The Crown has sole and unfettered discretion as to whether to give written notice under paragraph 3 above. Without limiting the foregoing, the Crown may, in exercising its discretion, have regard to (among other things):
 - (a) the identity and nature of the Beneficiaries (where known); and
 - (b) how many of the Beneficiaries (where known) would be Creditors if the Principal Debtor had a direct obligation to pay money (whether present or future) to each of them under a Debt Security.
5. For the avoidance of doubt, Nominated Beneficiaries under this Nomination shall be deemed to be Creditors to the extent provided in this notice at the time that the first Default Event occurred to the Principal Debtor in which the Nominated Beneficiary is holding Debt Securities under the relevant Crown Deed of Guarantee.
6. Subject to the terms of any notice issued by the Crown under paragraph 3 of this Nomination, and to any subsequent Nomination, the Crown's liability to each Nominated Beneficiary under this Nomination shall be limited to the amount specified in the relevant Original Deed.

7. Capitalised terms used in this Nomination that are not defined in this Nomination have the meaning given to them in the relevant Original Deed.

Her Majesty the Queen in right of)
New Zealand acting by and through)
Philip Combes, Deputy Secretary –)
Financial Operations acting under)
delegation from John Whitehead for)
and on behalf of the Minister of Finance)
in the presence of:)


Philip Combes, Deputy Secretary



Witness name: *Grace Hammersley-Myers*

Witness' occupation: *P.A.*

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