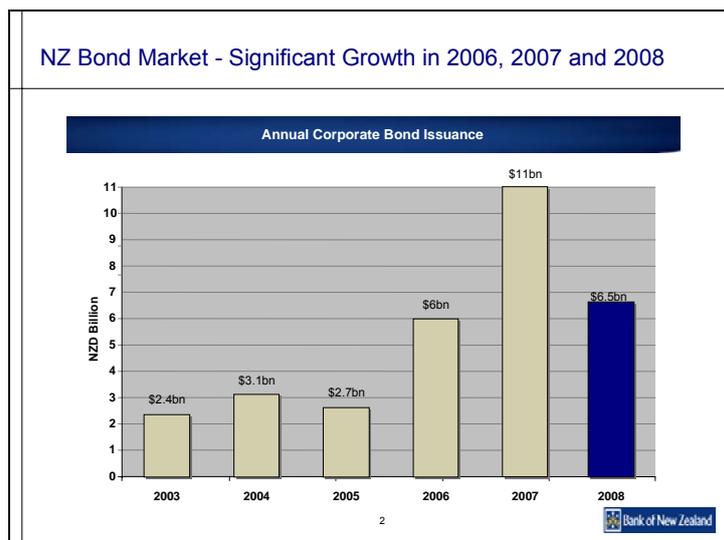


**Patrick Mullins, Head Capital Markets Origination,
Bank of New Zealand, Auckland**
NZ Bond Market - Significant Growth in 2006, 2007 and 2008

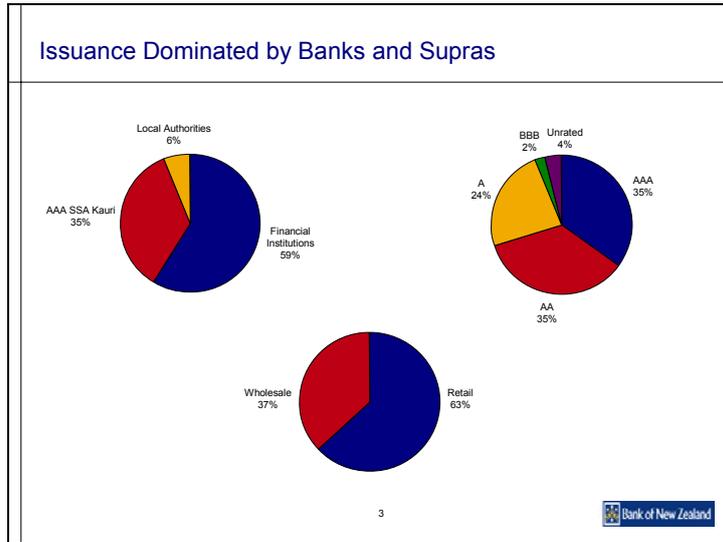
Slide 1



Slide 2



Slide 3



Slide 4

NZ\$ 6.5 billion domestic issuance year-to-date in 2008

Issue Date	Issuer	S&P Issue Rating	Volume (NZ\$ mio)	Tenor	Maturity	Credit Spread	Coupon	Retail Direct
Jun-08	Marac Finance Ltd	BBB-	125	5y	[15-Jun-13]	[swap + 275 bp]	10.5%	Y
Jun-08	EDC	AAA	200	3y	24-Jun-11	swap less 22 bp	7.54%	
Jun-08	Rentenbank	AAA	50	9y	15-Dec-17	swap less 12 bp	7.485%	Y
Jun-08	ANZ	AA	175	6y	09 Ju-14	swap + 117 bp	8.50%	Y
Jun-08	ANZ	AA	100	2y	09-Jun-10	swap + 68 bp	8.50%	Y
May-08	Municipality Finance	AAA	100	3y	10-Jun-11	swap less 10 bp	7.73%	
May-08	ANZ	AA	120	3y	27-May-11	bkbm + 90 bp	FRN	Y
May-08	BNZ	AA	250	5y	27-May-13	swap + 110 bp	8.56%	Y
May-08	BNZ	AA	110	3y	20-May-11	bkbm + 90 bp	FRN	Y
May-08	BNZ	AA	58	1y	22-May-09	swap + 28 bp	Zero cpn	Y
May-08	BNZ	AA	118	7y	27-May-15	swap + 125 bp	8.68%	Y
May-08	South Canterbury Finance	BBB-	[125]	3y	16-Jun-11	swap + 275 bp	[10.5%]	Y
May-08	BNZ	AA	97	1y	05-May-09	swap + 28 bp	Zero cpn	Y
May-08	ASB Bank	AA	325	3y	21-May-11	swap + 90 bp	8.42%	Y
May-08	ASB Bank	AA	143	3y	21-May-11	bkbm + 90 bp	FRN	Y
May-08	Eurofima	AAA	275	5y	22-May-13	swap less 20 bp	7.125%	
May-08	BNZ	AA	97	1y	22-Apr-09	swap + 28 bp	Zero cpn	Y
Apr-08	Auckland City	AA	50	4.5y	15-May-12	private placement		
Apr-08	Auckland City	AA	25	7y	15-Nov-12	private placement		

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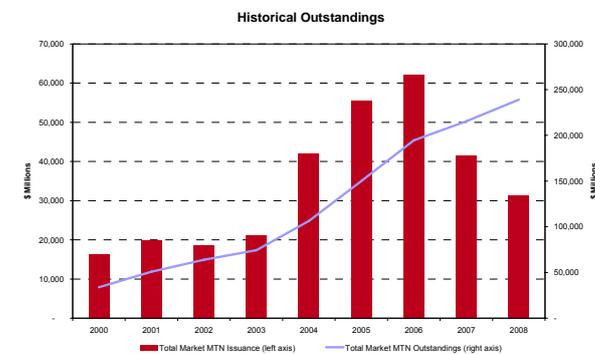
Slide 5

NZ\$ 6.5 billion domestic issuance year-to-date in 2008

Issue Date	Issuer	S&P Issue Rating	Volume (NZ\$ mio)	Tenor	Maturity	Credit Spread	Coupon	Retail Direct
Apr-08	Council of Europe (COE)	AAA	100	10y	30-Apr-18	swap less	7.50%	
Apr-08	BNG	AAA	125	1y	15-Jun-09	swap less	8.00%	
Apr-08	Westpac NZ	AA	90	3y	18-Apr-11	bkbm + 90 bp	FRN	Y
Apr-08	Westpac NZ	AA	200	3y	18-Apr-11	swap + 90 bp	8.87%	Y
Apr-08	Westpac NZ	AA	100	1y	09-Apr-09	bkbm + 28 bp	FRN	Y
Apr-08	Dunedin City Treasury	AA-	40	3y	15-Apr-11	swap + 75 bp	8.70%	
Apr-08	BNG	AAA	100	2y	27-Sep-10	swap less 13 bp	7.75%	
Mar-08	NIB	AAA	100	7y	15-Apr-15	swap less 22 bp	7.50%	
Mar-08	EIB	AAA	100	10y	15-Dec-17	swap less 28 bp	7.50%	
Mar-08	ANZ Upper Tier 2	A+	835	5y call	Perpetual	swap + 200 bp	9.66%	Y
Mar-08	BNZ Tier 1	A+	450	5y call	Perpetual	swap + 220 bp	9.89%	Y
Feb-08	BNZ	AA	200	2y	1-Mar-10	bkbm + 60 bp	FRN	Y
Feb-08	African Development Bank	AAA	200	5y	28-Feb-13	swap less 20 bp	7.75%	
Feb-08	Quayside (Bay of Plenty Regional Council)	NR	200	3y call	Perpetual	swap + 170 bp	10.00%	Y
Jan-08	EDC	AAA	100	3y	30-Nov-10	swap less 25 bp	8.13%	
Jan-08	Rentbank	AAA	175	5y	15-Apr-13	swap less 14 bp	7.76%	
Jan-08	Council of Europe (COE)	AAA	375	3y	15-Nov-11	swap less 18 bp	7.75%	
Jan-08	IADB	AAA	200	7y	15-Apr-15	swap less 26 bp	7.50%	
	TOTAL		6,185					

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A\$ Market – A\$ 40-60 billion per annum



Slide 7

What is a Kauri? - Tane Mahuta



Kauri are among the world's mightiest trees, growing to more than 50 metres tall, with trunk girths of up to 16 metres. They covered much of the top half of the North Island when the first people arrived around 1000 years ago.

The Waipoua forest is home to **Tane Mahuta**, king of the forest and the largest remaining kauri tree in the country. The 1500 year old Tane Mahuta is 51.5 metres tall, with a girth of 13.77 metres.



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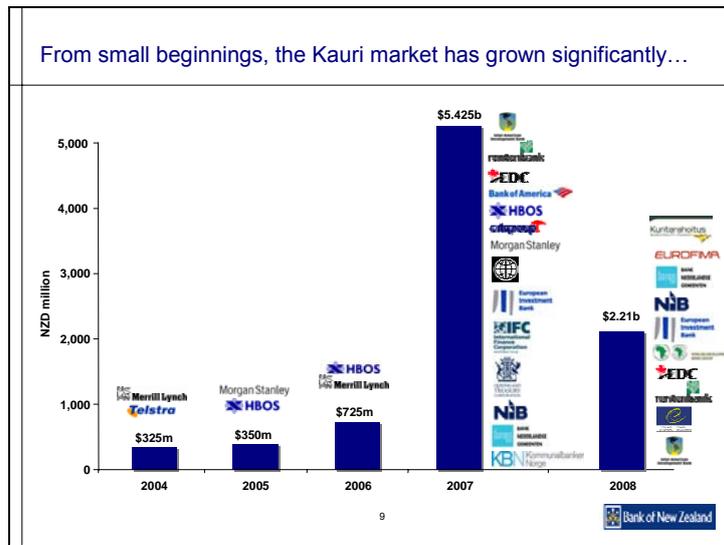
So.....What is a Kauri Bond?

- Foreign borrower issues a bond to domestic (and international) NZ\$ investors
- Like the Kangaroo (A\$), Samurai (Yen), Yankee (US\$), Bulldog (STG) and most recently the Maple Bond (CAD) markets
- Settled and cleared domestically through Austraclear New Zealand, with a domestic registrar (typically Computershare)
- Can also be settled and cleared internationally through Euroclear and ClearStream
- Similar to a EuroKiwi issue, but with Austraclear settlement
- Typically documented under a borrower's existing debt programme

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Slide 10

Driven by RBNZ Repo-eligibility changes

- From 20 August 2007, the RBNZ accepted a limited amount of Supranational, Foreign Sovereign, Agencies and Semi-Government issues as acceptable securities in the Overnight Reverse Repo Facility ("ORFF").
- Issues must:
 - have at least two AAA ratings
 - be domiciled in a set list of countries or be a Supranational
 - be "plain vanilla" with no optionality and no subordination
 - follow RBNZ pricing convention and be semi-annual
 - be denominated in NZ\$
 - be lodged in Austraclear NZ
 - have a NZ registrar and paying agent e.g. Computershare NZ
- RBNZ initially set repo limits for individual issues e.g. World Bank (IBRD), EIB, IFC, COE, IADB, AfDB and NIB limits of NZ\$2 billion, QTC of NZ\$ 1.3 billion and EDC, BNG, KNB and Rentenbank of NZ\$500 million
- This has now changed to a haircut of 3% for < 3 years and 5% for >= 3 years, from 3 June.**

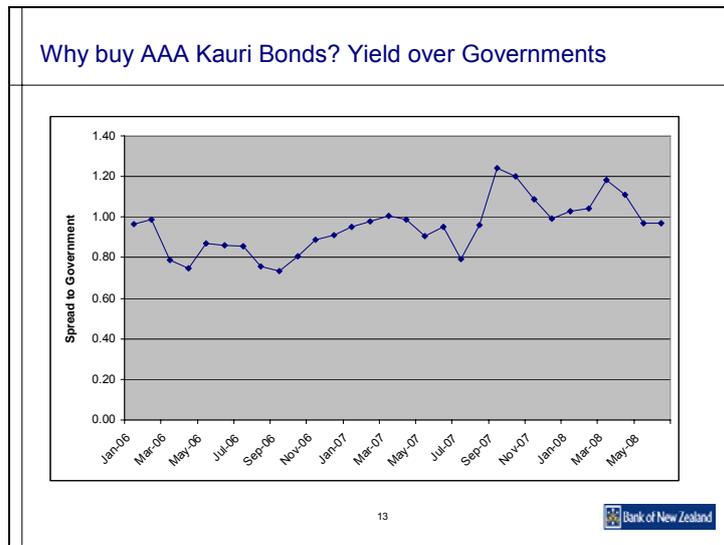
Slide 11

AAA issuers to date
<ul style="list-style-type: none">▪ World Bank – IBRD▪ European Investment Bank – EIB▪ International Finance Corporation – IFC▪ Nordic Investment Bank - NIB▪ Queensland Treasury Corporation - QTC▪ Bank Nederlandse Gemeenten – BNG▪ Kommunalbanken Norway - KBN▪ Rentenbank▪ Export Development Canada – EDC▪ Inter American Development Bank – IADB▪ Council of Europe – COE▪ African Development Bank – AfDB▪ Municipality Finance PLC▪ Eurofima
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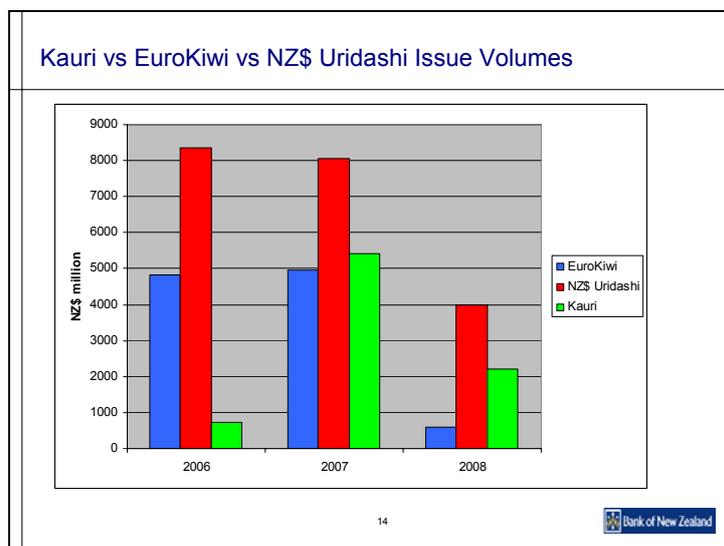
Slide 12

Highlights
<ul style="list-style-type: none">▪ NZ\$ 6 billion of AAA issuance in 6 months▪ Largest issue size – NZ\$ 400 million (EIB, NIB)▪ Largest outstanding – NZ\$ 800 million (EIB 2012 – 2 tranches)▪ Maturities: 3 years to 10 years▪ Accounted for 50% of all bond issuance in 2007
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Slide 14



Slide 15

Opportunities Going Forward

- Combine Kauri and EuroKiwi markets as the A\$ Kangaroo has?
- Develop retail market – World Bank the first retail Kauri issuer
- Replace NZGB market as core asset class
- NZX Kauri Bond Index
- Broader Mix of names
 - NZ registered banks
 - Local Authorities and SOEs
 - AAA corporates

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BNZ Kauri Forest



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