

Final Terms Sheet dated 23 April 2020



Inflation-Indexed Wellbeing Bonds

Issuer	Housing New Zealand Limited (“HNZ” or “Issuer”), a subsidiary of Kāinga Ora - Homes and Communities				
Sole Lead Manager	ANZ Bank New Zealand Limited (“ANZ”)				
Instrument	<p>Unsubordinated, Unsecured, Inflation- Indexed Wellbeing Bonds (“Notes”). The Notes are not guaranteed by Kāinga Ora – Homes and Communities or any other person.</p> <p>The Notes will be issued as Wellbeing Bonds under HNZ’s Sustainability Financing Programme, which is part of HNZ’s Debt Issuance Programme. Wellbeing Bonds are a type of Sustainability Bond that are also aligned with the New Zealand Treasury’s Living Standards Framework.</p>				
Status	The Notes are to be issued pursuant to the Note Deed Poll dated 21 December 2017 (“Note Deed Poll”). Principal amounts of, and interest on, the Notes will be direct, unsubordinated, unsecured and unconditional obligations of the Issuer, ranking equally among themselves and at least equally with all other present and unsubordinated and unsecured obligations of the Issuer, except for liabilities mandatorily preferred by law				
Negative Pledge	The Notes contain a negative pledge as described in Condition 14 of the Terms and Conditions contained in Schedule 1 of the Note Deed Poll				
Purpose	<p>HNZ intends to allocate the net proceeds of the issuance of the Notes in accordance with HNZ’s Sustainability Financing Framework (“Framework”) to financing (or refinancing) projects (“Eligible Projects”) that:</p> <ul style="list-style-type: none">• fall under the Eligible Categories for Green Bonds and/or Social Bonds set out in the Framework; and• are aligned with the Living Standards Framework; and• also support and contribute towards meeting the United Nations Sustainable Development Goals. <p>Eligible Projects will be identified by HNZ and will initially include projects that (in addition to meeting the wellbeing and other criteria described above) fall under one or more of the following Eligible Categories for Green Bonds and/or Social Bonds:</p> <table><tr><td>Eligible Categories - Green</td><td>Green Buildings Pollution Prevention and Control</td></tr><tr><td>Eligible Categories - Social</td><td>Affordable Housing Socioeconomic Advancement and Empowerment</td></tr></table> <p>The list of Eligible Categories may be expanded over time. Further details of the Eligible Categories, sample eligible projects and exclusionary criteria are set out in the Framework.</p>	Eligible Categories - Green	Green Buildings Pollution Prevention and Control	Eligible Categories - Social	Affordable Housing Socioeconomic Advancement and Empowerment
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Eligible Categories - Social	Affordable Housing Socioeconomic Advancement and Empowerment				

Pending allocation and earmarking, the net proceeds from the Notes will be invested according to the Housing New Zealand Group Treasury Policy, subject to the exclusionary criteria in the Framework.

Failure by HNZ to allocate the proceeds of the Notes as described in the Framework, undertake annual reviews as described below, or in any other way ensure that the Notes maintain sustainability or wellbeing attributes, is not an event of default under the Notes (or other default or breach under the Notes or the Note Deed Poll).

Classification and reporting

The Notes are issued in accordance with the Framework, and aligned with:

- the February 2018 Living Standards Framework prepared by the New Zealand Treasury; and
- the June 2018 Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines published by the International Capital Market Association.

At HNZ's request, Sustainalytics has provided an external review in the form of a Second Party Opinion on the Framework, and confirmed alignment of the Framework with the June 2018 Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. Sustainalytics has also confirmed it considers that Wellbeing Bonds can contribute to achieving the impacts intended by the Living Standards Framework. HNZ will retain a suitably qualified Second Party Opinion provider to conduct an annual review of the Notes.

The Framework, Second Party Opinion and each annual review will be made available on the Kāinga Ora – Homes and Communities website (currently at <https://kaingaora.govt.nz/investors>). Refer to the Framework for the Eligible Categories, additional ongoing reporting details and other relevant information

Credit Ratings

Credit Rating Agency	Issuer Credit Rating	Expected Issue Credit Ratings
S&P Global Ratings	AA+ (Positive)	AA+
Moody's	Aaa (Stable)	Aaa

A rating is not a recommendation by any rating organisation to buy, sell or hold Notes. The above ratings are current as at the date of this Terms Sheet and may be subject to suspension, revision or withdrawal at any time by the relevant credit rating agency

Issue Amount	NZ\$300 million
Opening Date	23 April 2020
Closing Date	23 April 2020
Rate Set Date	23 April 2020
Issue Date	1 May 2020
Maturity Date	20 September 2040

Interest Rate/Coupon	2.50% per annum paid quarterly in arrear on the Capital Value at the relevant Interest Payment Date
Issue Yield	The Issue Yield for the Notes is 2.413% per annum, being the sum of the applicable: <ul style="list-style-type: none"> • Base Rate; and • Issue Margin
Base Rate	0.663% per annum, being the yield (expressed as a percentage) of the New Zealand Government Inflation Indexed Bond (“NZIIB”) 2.50% coupon, maturing 20 September 2040, as calculated by the Lead Manager in conjunction with the Issuer on the Rate Set Date in accordance with market convention, by reference to Bloomberg page ICNG22 (or any successor page) and expressed on a quarterly basis, rounded to 3 decimal places if necessary, with 0.0005% being rounded up
Issue Margin	1.75% per annum
Initial Capital Value	NZ\$100
Issue Price	NZ\$101.951295, including 42 days accrued interest
Interest Payments	20 March, 20 June, 20 September and 20 December each year up to and including the Maturity Date, subject to adjustment in accordance with the Business Day Convention
Redemption Amount	The Capital Value at the date of redemption
Capital Value	The face value of the Note (\$100) adjusted for cumulative changes in the New Zealand All Groups Consumers Price Index (“CPI”) in accordance with the applicable formula set out in the Appendix.
Early redemption for non-publication of CPI	<p>If Statistics New Zealand ceases to publish the CPI without publishing a replacement index, or if a change is made to the way the index is produced which constitutes a change materially detrimental to the interests of Holders, the Issuer will notify Holders and offer them the right to redeem their Notes at market-related prices as determined by the Issuer. See the Appendix for further details.</p> <p>Repayment to Holders who exercise such a right will be on a date specified by the Issuer no later than six months from the date of publication of the last CPI made prior to such a change. In these circumstances, a notice setting out administrative arrangements for redemption and payment will be provided to Holders by or on behalf of the Issuer. In the event that Holders choose not to redeem their Bonds under this provision, the quarterly adjustments to the Capital Value and interest payments applying to Notes not redeemed will be calculated according to an index to be announced by the Issuer which will be deemed to be a replacement for the CPI.</p>
Business Day Convention	Following Business Day (unadjusted)

Day Count Convention	Actual/Actual (ICMA) for any broken period
ISIN	NZHNZD0940L6
Settlement Price Formula	In accordance with the applicable formula set out in the Appendix, consistent with RBNZ pricing formula
Record Date	5pm on the date that is 10 days before the due date for a payment or, if that day is not a Business Day, the immediately preceding Business Day
Business Days	A day (other than a Saturday or Sunday) on which registered banks are generally open for business in Wellington and Auckland
Minimum Holding	Minimum holding of NZ\$50,000 with multiples of NZ\$10,000 thereafter
Registrar and Paying Agent	Link Market Services Limited The Notes may be cleared, settled, held and transferred via NZClear and by way of sub-custodial cross-trading through Euroclear and Clearstream, Luxembourg
Offer Documentation	This Terms Sheet Final Terms for the Notes dated on or around 24 April 2020 Information Memorandum dated 15 August 2019 Sustainability Financing Framework dated March 2019 and amended September 2019 Note Deed Poll dated 21 December 2017 Registrar and Paying Agency Agreement dated 21 June 2017 By subscribing for or acquiring Notes, each Holder agrees to be bound by the terms of the above Offer Documentation
Withholding Tax	<p>If the Holder is a New Zealand tax resident or otherwise receives payments of interest on the Notes that are subject to the resident withholding tax (“RWT”) rules, RWT, in respect of both interest paid and any increase in the Capital Value of the Notes in each quarter, will be deducted from quarterly interest payments to the Holder, unless the Holder produces to the Issuer or Registrar a valid certificate of exemption or other acceptable evidence of RWT-exempt status on or before the record date for the relevant payment. If an interest payment to the Holder is less than the amount of RWT that would otherwise be deducted from that interest payment, then the Holder will be obliged to file a tax return in respect of the shortfall.</p> <p>If the Holder is not a NZ tax resident and receives payments of interest on the Notes that are subject to the non-resident withholding tax (“NRWT”) rules, the Issuer will pay approved issuer levy (AIL) in respect of both interest paid and any increase in the Capital Value of the Notes in each quarter on its own account in lieu of deducting NRWT, provided the Issuer is lawfully able to make such payment of AIL and unless otherwise directed by the relevant Holder in writing. AIL payable by the Issuer will not be deducted from the relevant interest payment. If AIL is not so paid, NRWT, in respect of both interest paid and any increase in the Capital Value of the Notes in the quarter, will be deducted from the quarterly interest payment to the Holder.</p>

	The Issuer may call the Notes for redemption (tax call) in the event it is required to pay additional AIL amounts as a result of changes to relevant New Zealand laws, regulations or rulings
Listing	Application will be made for NZX Wholesale Debt Listing
Repo Eligibility	The Issuer intends to confirm eligibility and apply to the Reserve Bank of New Zealand for the Notes to be included as eligible securities for Domestic Market Operations
Governing Law	New Zealand
Selling Restrictions	<p>The issue is a wholesale offer and no action has been taken by the Issuer to permit a public offering of Notes, or possession of offering material in respect of the Notes, in any country or jurisdiction where action for that purpose is required.</p> <p>The Notes may only be offered for sale or sold in conformity with all applicable laws and regulations in any jurisdiction in which they are sold, offered or delivered. By purchasing or subscribing for any Notes, each Holder:</p> <ul style="list-style-type: none"> • agrees to indemnify the Issuer, the Lead Manager and each of their respective directors, officers and employees (as applicable) for any loss, cost, liability or expense sustained or incurred by the Issuer or the Sole Lead Manager, as the case may be, as a result of the breach by that Holder of any of the selling restrictions described in this Terms Sheet; • represents, acknowledges and agrees that it is qualified to subscribe for Notes under the selling restrictions described in this Terms Sheet; and • represents, acknowledges and agrees it will not sell or offer the Notes for sale to any person, or publish, deliver or distribute any information memorandum, prospectus, advertisement or other material in respect of any Note, other than in compliance with all companies legislation and any other applicable laws and regulations in New Zealand or in any other relevant jurisdiction in which the Notes are sold or offered.

APPENDIX

Settlement price formula

The settlement price for each Note in relation to a date for transfer of ownership (“**Settlement Date**”) shall be calculated on a yield basis using the following formula (rounded to the nearest cent, with 0.01 to 0.49 of a cent being rounded down and 0.50 to 0.99 of a cent being rounded up):

$$\text{Settlement price} = \left(\frac{\frac{1}{(1+i)^n} + r \left[c + \frac{1 - \frac{1}{(1+i)^n}}{i} \right]}{(1+i)^{\frac{a}{b}}} \right) \left(\frac{K_r \left(1 + \frac{P}{100} \right)^{\frac{a}{b}}}{100} \right) \times N$$

where:

N = The face value of the Note (\$100).

- r*** = The annual Interest Rate of the Note divided by four hundred, i.e. the quarterly interest rate (%).
- l*** = The yield of the Note (being the rate of return expressed as a percentage) divided by four hundred, i.e. the quarterly yield (%).
- C*** = Where the Settlement Date is after the Record Date and up to, but not including, the next Interest Payment Date “*c*” has the value of 0, otherwise “*c*” has the value of 1.
- N*** = The number of full quarters between the next Interest Payment Date and the Maturity Date.
- A*** = The number of days from the Settlement Date to the next Interest Payment Date.
- B*** = The number of days in the quarter year ending on the next Interest Payment Date.
- K_t*** = The Capital Value of \$100 face value of Notes at the next Interest Payment Date (where, on an Interest Payment Date, “next” refers to the following Interest Payment Date), calculated in accordance with the following formula (rounded to two decimal places):

$$K_t = K_{t-1} \left[1 + \frac{p}{100} \right]$$

- K_{t-1}*** = The Capital Value of \$100 face value of Notes at the previous Interest Payment Date (rounded to two decimal places).
K_{t-1} is equal to \$100.00 at the Interest Payment Date on or prior to the first Issue Date of Notes.

- p*** = Half the semi-annual change in the CPI ending in the quarter which is two quarters prior to that in which the next Interest Payment Date falls (for example, if the next Interest Payment Date is in March, *p* is based on the average movement in the CPI over the two quarters ended in the September quarter preceding), calculated in accordance with the following formula (rounded to two decimal places):

$$p = \frac{100}{2} \left[\frac{CPI_t}{CPI_{t-2}} - 1 \right]$$

where:

CPI_t is the CPI for the second quarter of the relevant two quarter period.

CPI_{t-2} is the CPI for the quarter immediately prior to the relevant two quarter period.

Capital Value determination

The Capital Value of each Note on each Interest Payment Date (including the Maturity Date) shall be calculated as:

$$\text{Capital Value} = N \times \frac{K_t}{100}$$

where N and K_t have the meanings given to those terms in the settlement price formula set out above.

Adjustments to CPI

If there is a revision to the CPI used to calculate any amount or payment of interest on the Notes then the Registrar as Calculation Agent will recalculate such amount or payment and determine the difference between the amount calculated or payment made and the amount or payment that should have been calculated or paid under the revised CPI.

If a revision to the CPI results in a reduction to the CPI, the Issuer will recover from Bondholders the difference between the amount that was paid and the amount that should have been paid under the revised CPI. The Issuer will recover the difference from the payment of interest on the first Interest Payment Date following the announcement of such a revision from the Bondholders registered on the Record Date for that Interest Payment Date.

If a revision to the CPI results in an increase to the CPI, the Issuer will pay to Bondholders the difference between the amount that was paid and the amount that should have been paid under the revised CPI. The Issuer will pay the difference on the first Interest Payment Date following the announcement of such revision, to the Bondholder registered on the Record Date for that Coupon Interest Payment Date.

Non-publication of CPI

If Statistics New Zealand ceases to publish the CPI without publishing a replacement index, or if a change is made to the way the index is produced which constitutes a change materially detrimental to the interests of Holders as determined by the Issuer, the Issuer will notify Holders and offer them the right to redeem their Notes at market-related prices as determined by the Issuer.

Repayment to Holders who exercise such a right will be on a date specified by the Issuer no later than six months from the date of publication of the last CPI made prior to such a change. In these circumstances, a notice setting out administrative arrangements for redemption and payment will be provided to Holders by or on behalf of the Issuer. In the event that Holders choose not to redeem their Bonds under this provision, the quarterly adjustments to the Capital Value and interest payments applying to Notes not redeemed will be calculated according to an index to be announced by the Issuer which will be deemed to be a replacement for the CPI.

Change in CPI reference base

If the reference base of the CPI is changed after the first Issue Date of the Notes, the index used for the purposes of the Notes will be the CPI numbers expressed on the new base as published by Statistics New Zealand.

Important Information

This Terms Sheet is for distribution only in accordance with the selling restrictions set out in this Terms Sheet and should not be distributed to, and is not intended for, any other person.

This Terms Sheet has been prepared solely for informational purposes only and does not constitute advice nor a recommendation to buy any Notes. It should not be interpreted as an offer to sell or a solicitation of an offer to buy any Notes or other product, security, instrument or investment in New Zealand or any other jurisdiction.

The Lead Manager believes the information in this Terms Sheet to be correct at the time it was compiled by the Lead Manager but neither it nor or its directors, officers, employees or agents (**Related Parties**) make any representation, recommendation or warranty, express or implied regarding the origin, validity, accuracy, adequacy, reasonableness or completeness of, any errors or omissions in, any information, statement or opinion contained in this Terms Sheet.

Neither the Lead Manager or any of its Related Parties:

- accept any responsibility or liability whatsoever for any loss arising from this Terms Sheet or its contents or otherwise arising in connection with the offer of the Notes;
- authorised or caused the offer of the Notes or make any statement in any part of the Terms Sheet; and
- accept no liability whatsoever except to the extent such liability is found by a court to arise under the Financial Markets Conduct Act 2013 or cannot be disclaimed as a matter of law.

This Terms Sheet is subject to and must be read in conjunction with the terms and conditions of the Notes.