

New Zealand Mortgage Covered Bond Programmes – Peer Credit Analysis

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Rate Cuts’ Positive Impact: New Zealand’s cash rate fell to 3.25% from 5.5% between the first cut in August 2024 and the latest in May 2025. New Zealand’s mortgage rates are predominantly short-term fixed rates. The fixed-rate period ranges from one to five years before reverting to floating rate or fixed again at the direction of the borrower at the maturity of the initial fixed term.

Fitch Ratings expects New Zealand mortgage rate cuts to have a positive impact on mortgage performance, although any impact will be muted by the fixed-rate nature of the mortgage market. Fitch expects the fixed-rate terms of 67% of New Zealand’s cover pools in 1Q25 to expire within a year and 84% in two years before converting to floating rates. We therefore expect borrowers’ debt serviceability to improve gradually over 2025-2026.

Asset Quality to Improve: Rate cuts have helped New Zealand’s cover assets to navigate the global economic uncertainty caused by trade tension. The average 30+ day arrears rates were stable at 0.22% in 1Q25 (1Q24: 0.21%). New Zealand cover pools are also well-seasoned at an average of 61 months, which typically increases the propensity of continued debt servicing. The non-performing loan (NPL) rates of five major banks’ housing loans were steady at 0.56% in 4Q24 (1Q24: 0.42%).

Stable Rating Buffers: New Zealand covered bond (CVB) Issuer Default Ratings (IDRs) are rated at least ‘A+’. ‘AAA’ CVBs can withstand a downgrade of the New Zealand banks’ Long-Term IDRs by three notches, except for Kiwibank Limited’s (AA/Stable) five notches, all else being equal, and can maintain their CVB ratings. This is based on the issuing banks’ ‘A+’ to ‘AA’ IDRs, combined with a total rating uplift of seven notches, under Fitch’s methodology.

ASB’s Positive Outlook: The [Outlook revision](#) on ASB Bank Limited’s ‘A+’ Long-Term IDRs to Positive, from Stable, on 27 March 2025, followed the revision of the Outlook on the ‘AA-’ Long-Term IDR of the Australian parent, Commonwealth Bank of Australia, to Positive, from Stable, on 26 March 2025. This reflected the parent’s continued strong [earnings profile](#).

Credit Loss Driving Break-Even OC: The credit loss component is the largest contributor to Fitch’s break-even overcollateralisation (OC) for all New Zealand programmes. Both the credit loss and ALM loss component, which measures the asset and liability mismatches in the programme, inclusive of the modelled excess spread, reinvestment costs and pro rata sales clause, were maintained from the last rating review for all programmes due to a sufficient OC buffer.

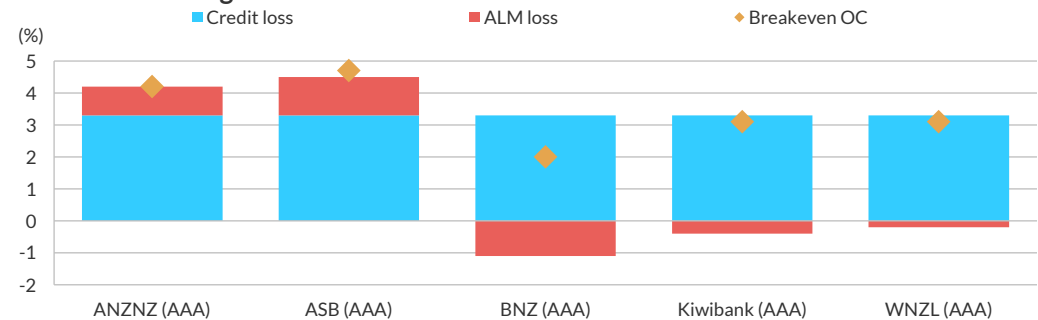
Low Credit Risk Composition: All the cover pools are composed of prime New Zealand residential mortgage loans. The weighted-average (WA) unindexed loan-to-value (LTV) ratios on the assets are around 49.0% and have limited adverse characteristics. Credit loss is driven by the minimum loss floor of 4.0% in a ‘AAA’ rating stress scenario in Fitch’s analysis to address idiosyncratic risks, which translates into a ‘AAA’ 4.2% loss on the CVBs. Nonetheless, AA+ credit loss (3.2%) at timely payment rating stress was used in analysis given one-notch recovery uplift to ‘AAA’ rating.

Key Rating Drivers (1Q25)

Programme	ANZNZ	ASB	BNZ	Kiwibank	WNZL
Long-Term IDR	A+	A+	A+	AA	A+
Resolution uplift (notches)	0	0	0	0	0
PCU (notches)	6	6	6	6	6
Timely payment rating level	AA+	AA+	AA+	AA+	AA+
Recovery uplift (notches)	1	1	1	1	1
CVB rating	AAA	AAA	AAA	AAA	AAA
CVB Outlook	Stable	Stable	Stable	Stable	Stable
Buffer against IDR downgrade	3	3	3	5	3
Breakeven AP for rating	96.0	95.5	98.0	97.0	97.0
Contractual AP in ACT (%)	90.0	90.0	96.6	90.0	90.0

Source: Fitch Ratings

New Zealand Programmes



Source: Fitch Ratings

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Cover Pool – Peer Analysis

Cover Assets Credit Analysis

	ANZ NZ	ASB	BNZ	Kiwibank	WNZL
CVB rating	AAA	AAA	AAA	AAA	AAA
Rating default rate (RDR) for rating (%)	13.7	12.6	8.6	8.6	8.6
Rating recovery rate (RRR) for rating (%)	70.8	68.3	53.6	53.7	53.4
Rating loss rate (RDR*(1-RRR) for rating (%)	4.0	4.0	4.0	4.0	4.0
'B' case loss rate (%)	0.4	0.4	0.4	0.4	0.4

Source: cover pool data for all programmes are as of end-March 2025, except for BNZ's and ASB's, which are as of end-February 2025 in accordance with its quarterly investor reporting cycle (1Q25).
Source: Fitch Ratings

All five cover pools consist of 100% first-ranking prime residential mortgage loans denominated in New Zealand dollars and backed by residential properties in New Zealand. Fitch's 'B' rating portfolio loss rate (PLR) for the five cover pools is 0.4%. Reported WA unindexed LTVs in New Zealand covered pools range between 44% and 51% and the indexed are between 42% and 49%. Regulations restricting the lending LTV cap at 80% for owner-occupied properties and 65% for existing investment properties have curtailed high-risk lending by the New Zealand banks.

New Zealand cover pools are highly seasoned portfolios that typically average seasoning of around five years. Buffer assets exceeding contractual obligations are usually held in the cover pool to provide issuers with flexibility in issuance timing and allow operational efficiency.

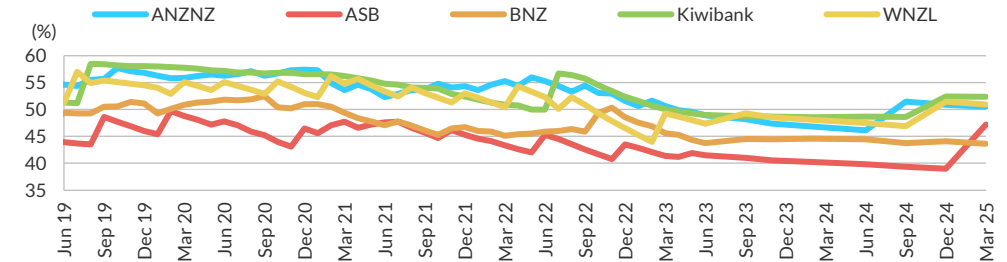
Both ANZ NZ and ASB have cover assets linked to an at-call secured credit line product, which, under Fitch's criteria, has an increased probability of default due to the at-call nature that may cause a cross default on the loans held in the cover pool. This was reflected in the refinancing spread level assumed for the asset sales scenario by 100bp add-ons to the portion of such linked loans.

New Zealand's cover pools have limited exposure to interest-only loans at around 7.6% of the mortgage balance on average in 1Q25, ranging from 2.8% to 10.9%.

We expect mortgage performance to be sustained for the remainder of 2025 amid global economic uncertainty, as around 67% of fixed-rate terms are expected to reset at more affordable fixed rates within a year. The current WA interest rate of the New Zealand cover pools, at 6.1%, is high relative to the cash rate (3.25% in June 2025), but the NPL rates at New Zealand's five major banks were sustained at 0.56% in 1Q25 from 0.42% in 1Q24. We think this is partly because New Zealand borrowers have maintained their ability to service the debt that is outside the cover pools, which indirectly supported the cover pools.

Weighted-Average Unindexed LVR of Covered Bond Collateral

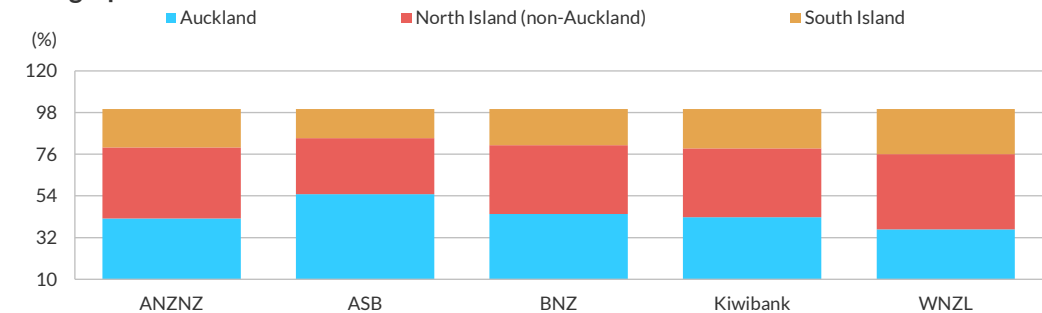
As of 31 March 2025



ASB and BNZ's latest Quarterly report in Feb 2025

Source: Fitch Ratings, banks

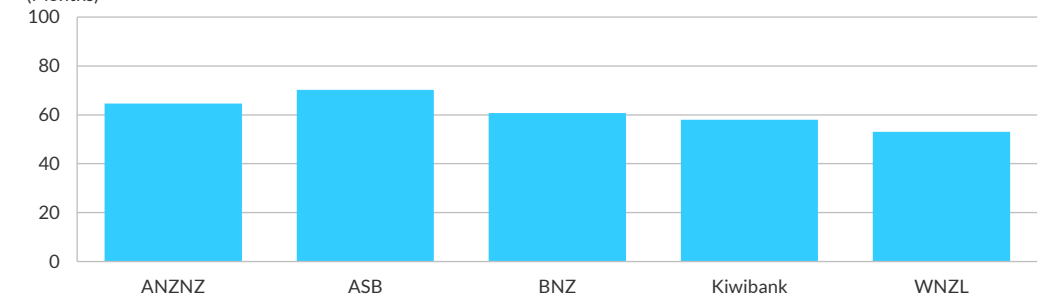
Geographical Distribution of Covered Bond Collateral



Source: Fitch Ratings, banks

WA Seasoning

(Months)



Source: Fitch Ratings, banks

Breakeven Overcollateralisation – Peer Analysis

Programme	ALM loss (%)	'AA+' credit loss (%)
ANZNZ	0.9	3.3
ASB	1.2	3.3
BNZ	-1.1	3.3
Kiwibank	-0.4	3.3
WNZL	-0.2	3.3

Negative value in ALM decreases breakeven OC value, driven by excess spread available. Source: Fitch Ratings

Credit Loss

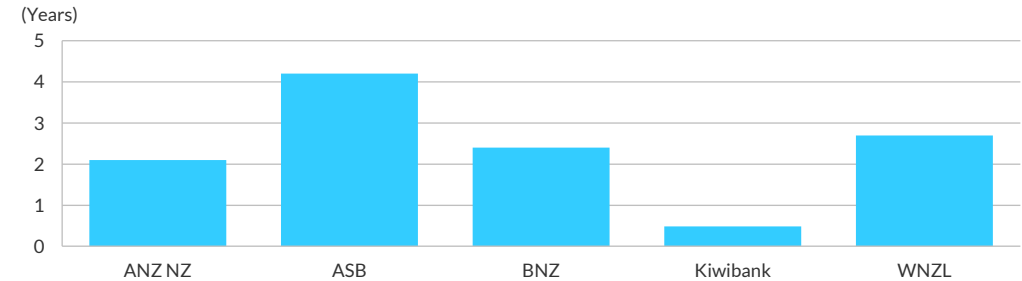
- The credit loss component is the driving component of Fitch's 'AAA' break-even OC. It reflects the stressed credit loss derived by Fitch under our analysis of each cover pool of the five programmes at the 'AA+' timely payment rating level, which is the driving rating scenario for the 'AAA' break-even asset percentage (AP).
- The credit loss for all pools is low, reflecting good credit quality and highly seasoned cover assets. ANZNZ's flexible loan product linked to the same security as the loans in the cover pool is 20.5% of the loan account as of 1Q25 versus around 24.3% modelled in a previous analysis. A proportion of ASB's cover assets is linked to a similar product, equated to 26.8% of the cover pool versus 44.3% of its portfolio in a previous analysis of the CVB rating.

ALM Loss

- The ALM loss component represents modelled asset and liability mismatches, inclusive of modelled excess spread. This considers the effect of the sales constraint that restricts the assets that can be sold to the pro rata proportion of the bond redemption and reinvestment costs if cash cumulation generates negative carry effects.
- All programmes' ALM loss components have been maintained in the past 12 months as the relied-upon AP of these programmes retained sufficient buffer AP against Fitch's last determined break-even AP. The applicable refinancing spread level (RSL) for New Zealand residential mortgages was 150bp at the 'AA+' timely payment rating stress level Fitch uses for 'AAA' break-even OC.
- ASB's ALM loss component of 1.2% is the highest of the five programmes, followed by ANZNZ with 0.9%, both driven by the modelled maturity mismatches and impact of the sales constraint that limits assets sold to the pro rata proportion of the maturing bonds. The RSL is adjusted for both due to the at-call secured credit line products linked to the cover assets. Fitch believes loans linked to these products will be less liquid in a fire sale scenario.
- CVB swaps are in place for all programmes to cover interest rate and foreign-exchange rate mismatches on the bonds until the extended due-for-payment date. The cover asset swaps are in place for all programmes to cover interest rate mismatches between the mortgage assets and the covered bonds.

Covered Bond Weighted-Average Maturity

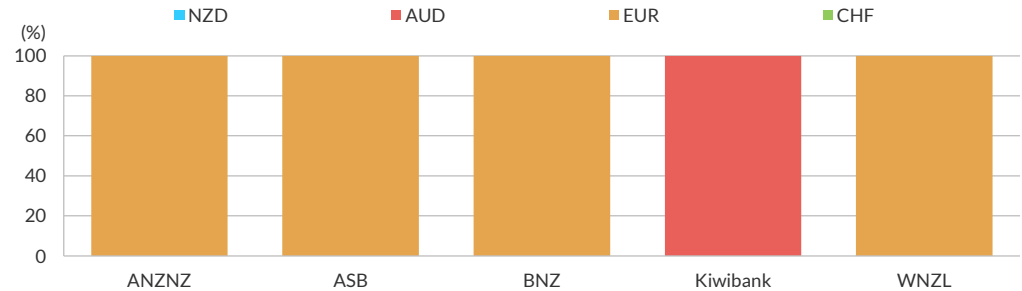
As of 31 March 2025



Source: Fitch Ratings, banks

Covered Bonds by Currency

As of 31 March 2025



Source: Fitch Ratings, banks

Cash Flow Analysis Driving Scenarios

Programme	Prepayment scenario	Interest-rate scenario	Default timing scenario
ANZNZ	High	Up	Front loaded
ASB	Low	Up	Front loaded
BNZ	High	Up	Front loaded
Kiwibank	High	Base	Front loaded
WNZL	High	Up	Front loaded

Source: Fitch Ratings

Resolution Uplift, PCU and Recovery Uplift – Peer Analysis

Continuity Uplift Assessment

Programme	Resolution uplift (notches)	PCU (notches)
ANZ NZ	0	6
ASB	0	6
BNZ	0	6
Kiwibank	0	6
WNZL	0	6

Source: Fitch Ratings

Resolution Uplift

- New Zealand's open bank resolution (OBR) framework contemplates the power to bail-in unsecured creditors. However, CVBs are not explicitly exempt under the OBR. The OBR recognises secured assets, and the resolution process should not affect legal claims. Therefore, upon the resolution of a CVB issuing bank, we expect that recourse will switch from the issuer to the cover pool to make repayments on the CVBs.
- This results in a resolution uplift of zero notches for New Zealand CVBs. The resolution reference point is the IDR, as there is no preferential treatment of CVBs compared with the banks' senior unsecured debt under the resolution scenario.

Payment Continuity Uplift

- The six-notch payment continuity uplift (PCU) granted to all the programmes is based on the 12-month protection for principal payments. This is in the form of a 12-month extension period for the soft-bullet bonds, which represent 100% of all issuance, under New Zealand CVB programmes.
- The PCU analysis also reflects the three-month protection of interest payments and other senior expenses due for payment in the form of a reserve that is funded upon a trigger event.
- The reserve fund amounts are held with eligible rated account banks that are subject to replacement language that is either in line (A- or F1) with or more conservative than Fitch's criteria for the timely payment rating level of 'AA+'.
- There are no other payment continuity risks that could undermine the liquidity protection considered in the PCU assessment on the New Zealand programmes.

Recovery Uplift

Programme	'AAA' credit loss (%)	OC relied-upon (%)	Pre-swap non-New Zealand dollar bond exposure (%)	Maximum achievable recovery uplift (notches)
ANZ NZ	4.2	312.9	100.0	1
ASB	4.2	30.7	100.0	1
BNZ	4.2	21.8	100.0	1
Kiwibank	4.2	28.7	100.0	1
WNZL	4.2	11.1	100.0	1

The 'AA+' credit loss rate is used in 'AAA' breakeven AP analysis after considering a one-notch recovery uplift.
 Source: Fitch Ratings

Recovery Uplift

- The recovery uplift is capped at one notch for all programmes due to the presence of material pre-swap currency mismatches between the cover assets and liabilities. The cover assets are denominated in New Zealand dollars, while the CVBs are denominated in other currencies, mainly euros (see currency chart on page 3).
- Swaps are in place to hedge the non-New Zealand dollar CVBs, although we expect the swaps to terminate upon a CVB default. This could expose non-New Zealand dollar bondholders to foreign-exchange risk, as recoveries come from the unhedged New Zealand dollar assets, which have a longer WA life than the CVBs. The recovery uplift is therefore capped at one notch, as this lowers our recovery expectation.

ESG Considerations

ESG Relevance Scores Recap

	ANZNZ	ASB	BNZ Kiwibank	WNZL	
Environmental (E)	GHG Emissions & Air Quality	1	1	1	1
	Energy Management	1	1	1	1
	Water & Wastewater Management	1	1	1	1
	Waste & Hazardous Materials Management; Ecological Impacts	2	2	2	2
	Exposure to Environmental Impacts	3	3	3	3
	Human Rights, Community Relations, Access & Affordability	2	2	2	2
Social (S)	Customer Welfare – Fair Messaging, Privacy & Data Security	3	3	3	3
	Labour Relations & Practices	1	1	1	1
	Employee Wellbeing	1	1	1	1
	Exposure to Social Impacts	3	3	3	3
Governance (G)	Rule of Law, Institutional and Regulatory Quality	3	3	3	3
	Transaction & Collateral Structure	3	3	3	3
	Transaction Parties & Operational Risk	3	3	3	3
	Data Transparency & Privacy	3	3	3	3

Source: Fitch Ratings

Credit-Relevant ESG Scale - Definitions

How relevant are E, S and G issues to the overall credit rating?

- 5 Highly relevant; a key transaction or program rating driver that has a significant impact on an individual basis
- 4 Relevant to transaction or program ratings; not a key rating driver but has an impact on the ratings in combination with other factors
- 3 Minimally relevant to ratings; either very low impact or actively mitigated in a way that results in no impact on the transaction or program ratings
- 2 Irrelevant to the transaction or program ratings; relevant to the sector
- 1 Irrelevant to the transaction or program ratings; irrelevant to the sector

Source: Fitch Ratings

ESG Considerations

The highest level of ESG credit relevance assigned to New Zealand covered bond programmes is a score of '3', which means ESG issues are credit neutral or have only a minimal credit impact on the programme, either due to their nature or the way in which they are being managed by the issuer/programme.

For more information on our ESG Relevance Scores, visit www.fitchratings.com/esg

Appendix 1A – Focus on ANZ Bank New Zealand Limited

Programme Structure

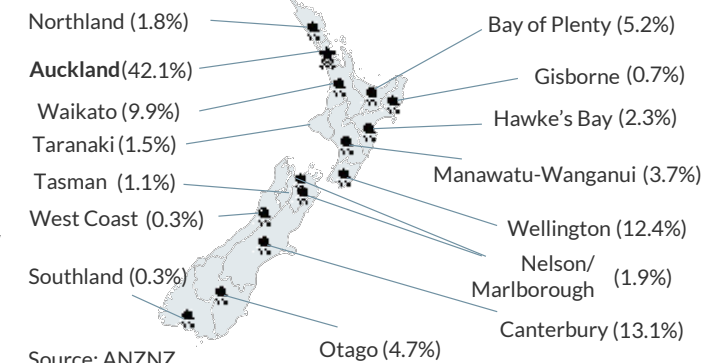
ANZ NZ can issue CVBs of up to EUR8 billion under its programme and issue soft-bullet CVBs with a 12-month extension period. The programme also provides for a 12-month pre-maturity test for hard bullet bond issuance.

The programme features a reserve fund to mitigate against payment interruptions. The reserve is funded upon the loss of an 'F1+' Short-Term IDR. This is at the higher of the next three months of interest payments due and three months accrued interest payments or one-quarter of senior expenses. This was updated from January 2024 to include rolling three-month swap payments and senior expenses due upon the loss of an 'F1' Short-Term IDR.

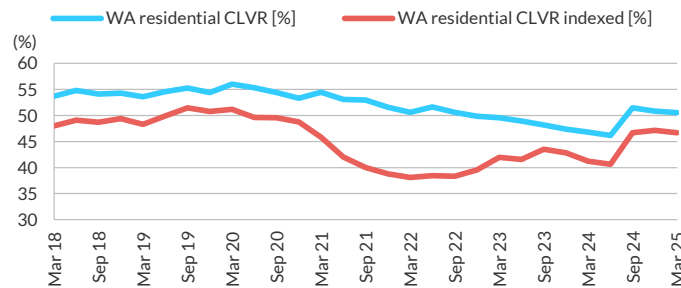
The CVB guarantor (CBG) has entered into a total return swap to swap the monthly interest paid on the mortgages to the bank bill reference rate (BKBM) plus a margin. Forward starting currency swaps are in place to hedge the currency mismatch between the New Zealand dollar-denominated loans and the non-New Zealand dollar denominated CVBs. The programme does not size for negative carry under the asset coverage test (ACT), as long as the interest rate swap is in place.

ANZ NZ's cover assets are linked to flexi loans that work as a revolving credit facility or large overdraft. The loans are outside of the cover pool, but are secured over the same security properties, with loan repayments subordinated to the cover assets. The bank had 20.5% by loan count linked in 1Q25 (22.5% in 1Q24), significantly lower than the around 48% at programme inception.

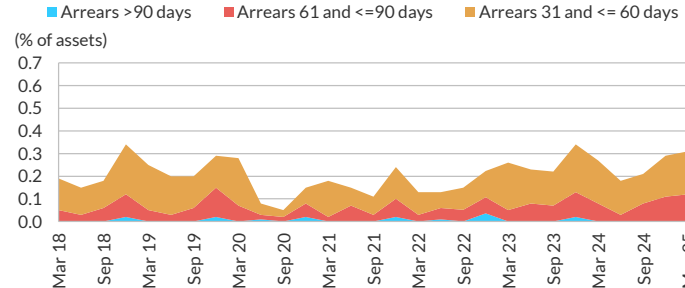
Geographical Distribution (% of Asset Pool)



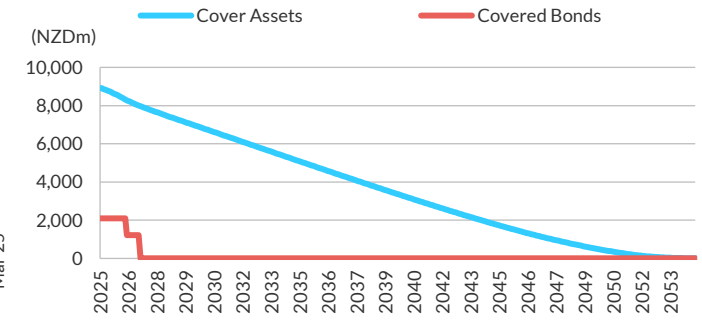
Historical Current Loan to Value Ratio (CLVR)



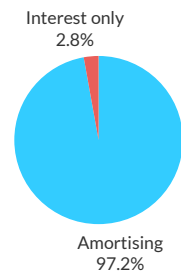
Historical Arrears Performance



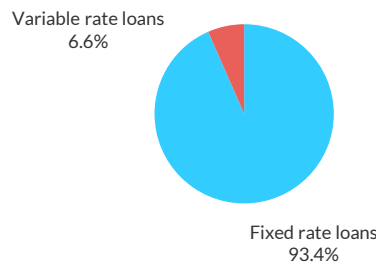
Programme Amortisation Schedule



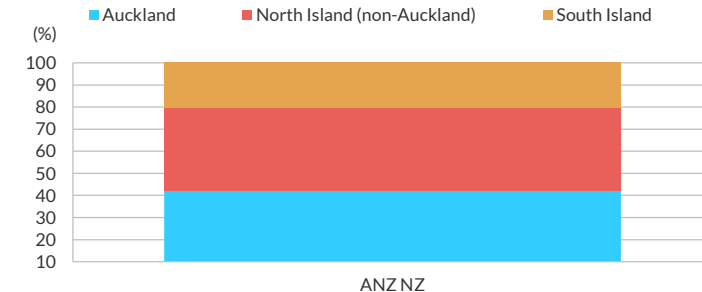
Loan Repayment Type (% of assets)



Loan Interest Type (% of assets)



Geographical Distribution of Covered Bond Collateral



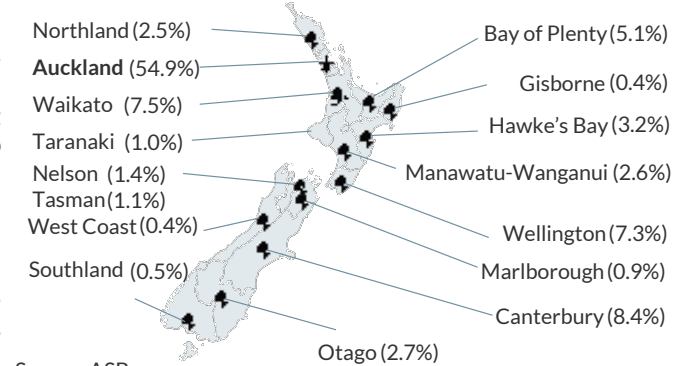
Appendix 1B – Focus on ASB Bank Limited

Programme Structure

ASB can issue CVBs of up to EUR7 billion under its programme and issue soft-bullet CVBs with a 12-month extension period. The programme also provides for a 12-month pre-maturity test for hard bullet bond issuance. The programme features a reserve to mitigate against payment interruption, which is funded upon the loss of an 'F1+' Short-Term IDR. This is at the higher of the next three months of interest payments due and three months of accrued interest payments or CVB swap payments and senior expenses due on a rolling three-month basis. This was updated in November 2024 - effective from the maturity of ASB's CVBs issued in November 2024 due up to 2031 - to include rolling three-month swap payments and senior expenses due upon the loss of an 'F1' Short-Term IDR.

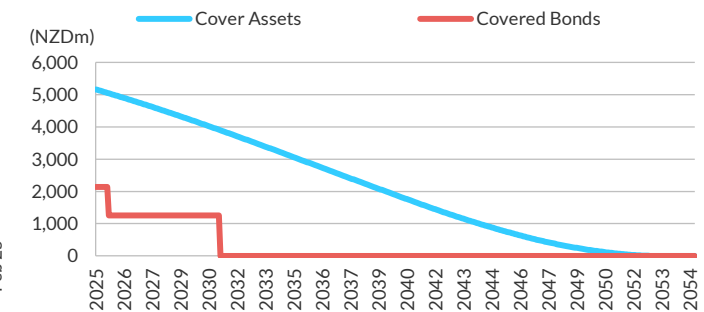
The CBG has entered into a total return swap to swap the monthly interest paid on the cover assets to the BKBM plus a margin. Forward starting currency swaps are in place to hedge the currency mismatch between the New Zealand dollar-denominated loans and the non-New Zealand dollar-denominated CVBs. The programme does not size for negative carry under the ACT, as long as the total return swap is in place. A proportion of ASB's cover assets are linked to an orbit loan product that works as a revolving credit facility or large overdraft. Orbit loans are not cover assets, but are secured over the same security properties, with repayments subordinated to loans within the cover pool. There were 26.8% of loans linked in 1Q25 (42.9% in 1Q24), lower than the 31% at programme inception.

Geographical Distribution (% of Asset Pool)



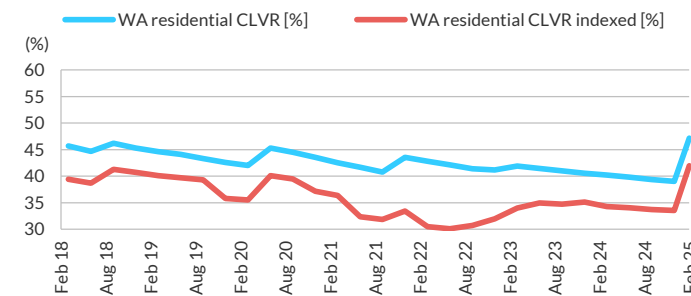
Source: ASB

Programme Amortisation Schedule



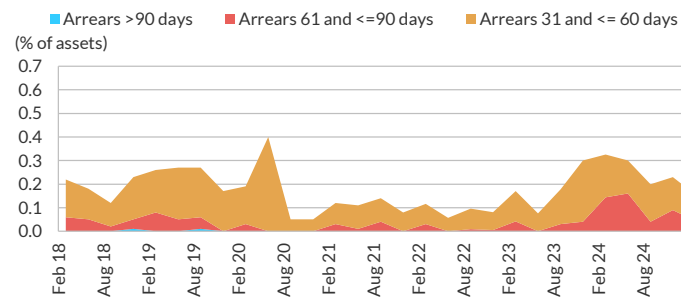
Source: Fitch Ratings, ASB

Historical Current Loan to Value Ratio (CLVR)



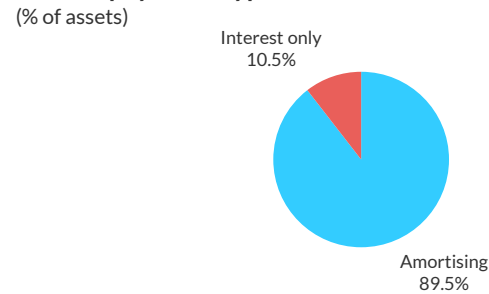
Source: Fitch Ratings, ASB

Historical Arrears Performance



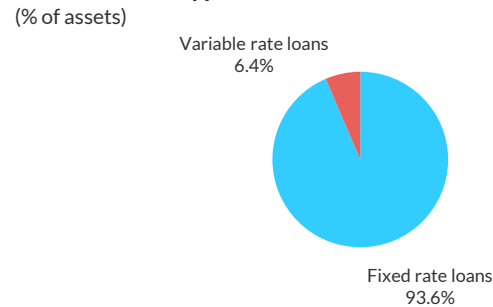
Source: Fitch Ratings, ASB

Loan Repayment Type



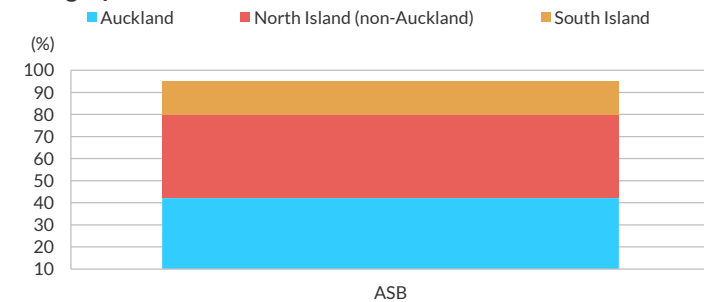
Source: Fitch Ratings, ASB

Loan Interest Type



Source: Fitch Ratings, ASB

Geographical Distribution of Covered Bond Collateral



Source: Fitch Ratings, banks

Appendix 1C – Focus on Bank of New Zealand

Programme Structure

BNZ can issue CVBs of up to NZD10 billion under its programme.

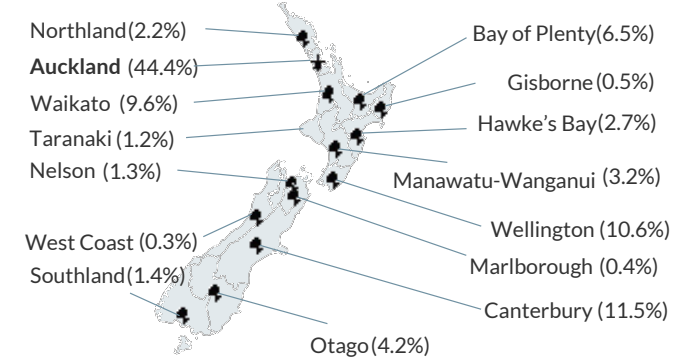
BNZ issues soft-bullet CVBs with a 12-month extension period. The programme also provides for a 12-month pre-maturity test for hard bullet bond issuance.

The programme features a reserve to mitigate against payment interruption, which is funded upon the loss of an 'F1+' Short-Term IDR. This is at the higher of the next three months of interest payments due and three months of accrued interest payments or one-quarter of senior expenses. This was updated from May 2024 to include rolling three-month swap payments and senior expenses due upon the loss of an 'F1' Short-Term IDR to apply the 'F1' Short-Term IDR for new bonds.

The CBG has entered into a total return swap to swap the monthly interest paid on the cover assets to the BKBM plus a margin. Currency swaps are in place to hedge the currency mismatch between the New Zealand dollar-denominated loans and the non-New Zealand dollar-denominated CVBs. For Series 12, 13 and 14 bonds, the currency swaps in place are forward starting.

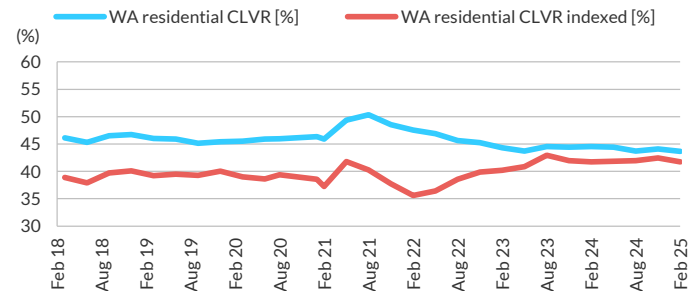
The programme does not size for negative carry under the ACT, as long as the interest-rate swap is in place.

Geographical Distribution (% of Asset Pool)



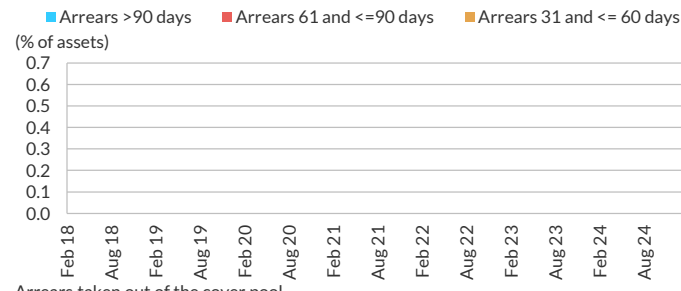
Source: BNZ

Historical Current Loan to Value Ratio (CLVR)



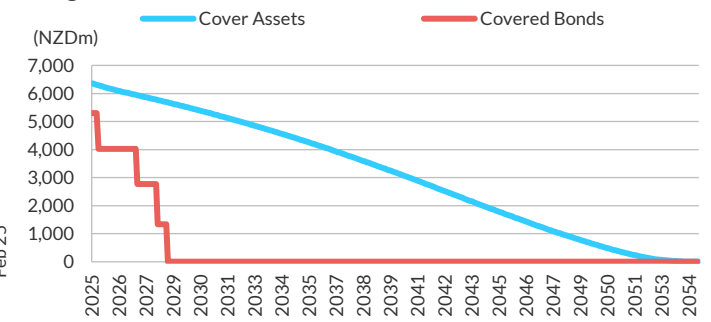
Source: Fitch Ratings, BNZ

Historical Arrears Performance



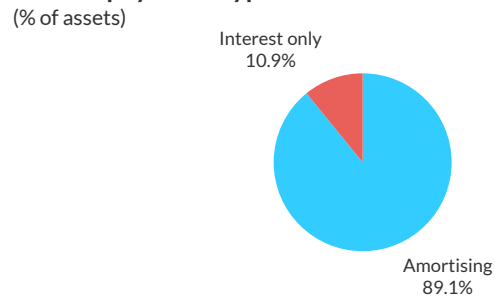
Arrears taken out of the cover pool
Source: Fitch Ratings, BNZ

Programme Amortisation Schedule



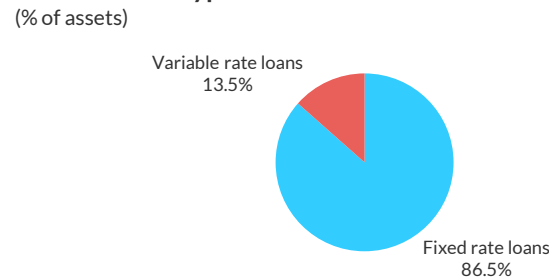
Source: Fitch Ratings, BNZ

Loan Repayment Type



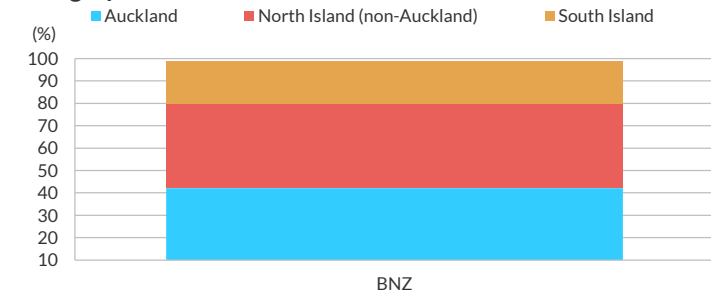
Source: Fitch Ratings, BNZ

Loan Interest Type



Source: Fitch Ratings, BNZ

Geographical Distribution of Covered Bond Collateral



Source: Fitch Ratings, banks

Appendix 1D- Focus on Kiwibank Limited

Programme Structure

Kiwibank can issue CVBs of up to NZD5 billion under its programme.

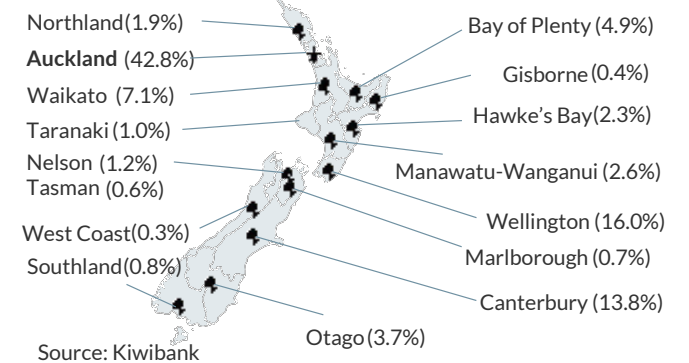
Kiwibank issues soft bullet CVBs with a 12-month extension period. The programme also provides for a 12-month pre-maturity test for hard bullet bond issuance.

The programme features a reserve to mitigate against payment interruption, which is funded upon the loss of an 'F1' Short-Term IDR. This is at the higher of the next three months of interest payments due and three months of accrued interest payments or CVB swap payments and senior expenses due on a rolling three-month basis.

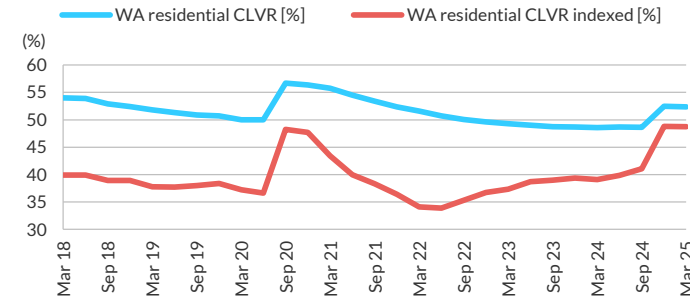
The CBG has entered into a total return swap to swap the monthly interest paid on the cover assets to the BKBM plus a margin. Currency swaps are in place to hedge the currency mismatch between the New Zealand dollar-denominated loans and the non-New Zealand dollar-denominated CVBs. The currency swap for the outstanding bonds is a non-forward swap but forward swaps for the 2025-1 and 2025-2 bonds were issued in April 2025.

The programme does not size for negative carry under the ACT, as long as the total return swap is in place.

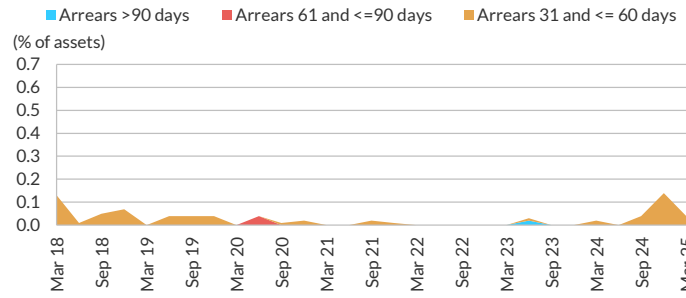
Geographical Distribution (% of Asset Pool)



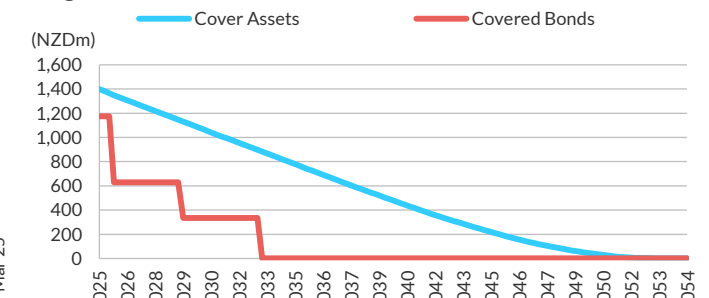
Historical Current Loan to Value Ratio (CLVR)



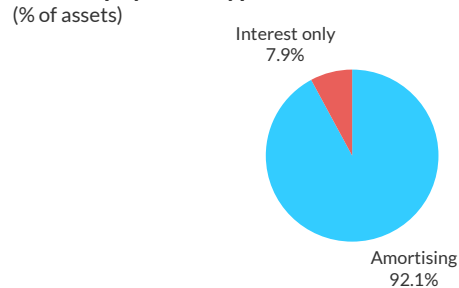
Historical Arrears Performance



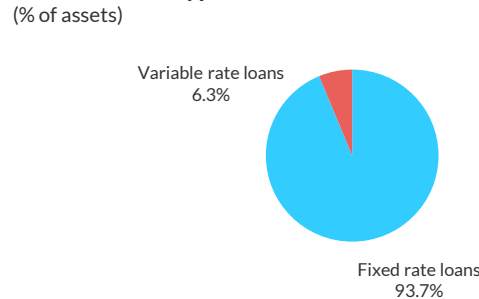
Programme Amortisation Schedule



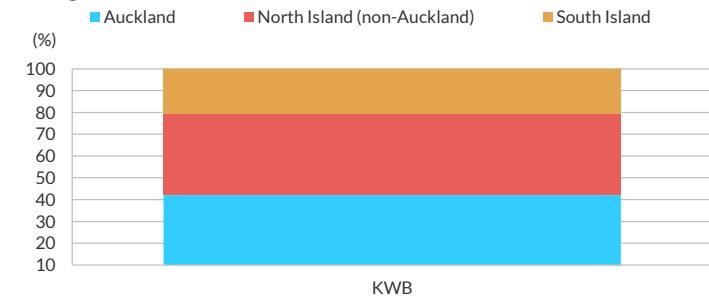
Loan Repayment Type



Loan Interest Type



Geographical Distribution of Covered Bond Collateral



Appendix 1E- Focus on Westpac Bank New Zealand

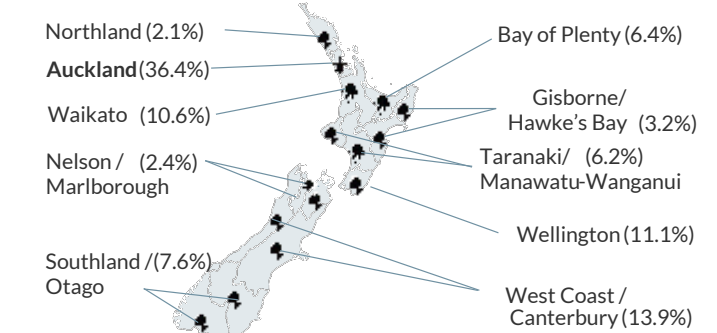
Programme Structure

WNZL can issue CVBs of up to EUR5 billion under its programme.

WNZL issues soft bullet CVBs with a 12-month extension period. The programme also provides for a 12-month pre-maturity test for hard bullet bond issuance. The programme features a reserve to mitigate against payment interruption, which is funded upon the loss of an 'F1' Short-Term IDR and 'A-' Long-Term IDR. This is at the higher of the next three months of interest payments due and three months of accrued interest payments or CVB swap payments and senior expenses due on a rolling three-month basis.

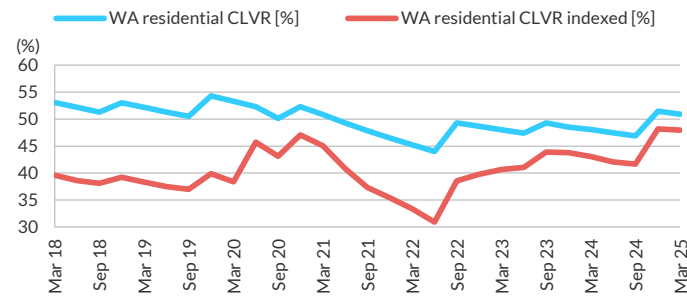
The CBG has entered into a total return swap to swap the monthly interest paid on the cover assets to the BKBM plus a margin. Forward starting currency swaps are in place to hedge the currency mismatch between the New Zealand dollar-denominated loans and the non-New Zealand dollar-denominated CVBs. The programme does not size for negative carry under the ACT, as long as the interest rate swap is in place. WNZL's programme features a demand loan whose repayment ranks in priority to covered bondholders upon issuer insolvency and thus, we take the contractual AP in the investor report as a relied-upon AP in Fitch's analysis.

Geographical Distribution (% of Asset Pool)



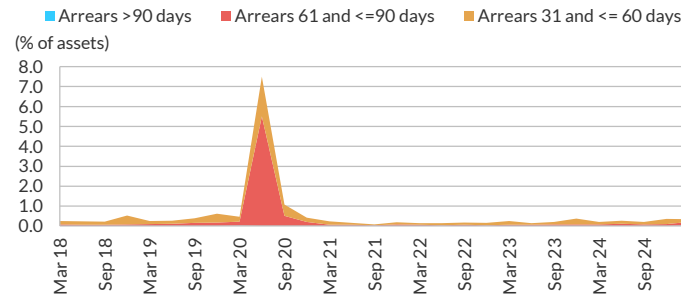
Source: WNZL

Historical Current Loan to Value Ratio (CLVR)



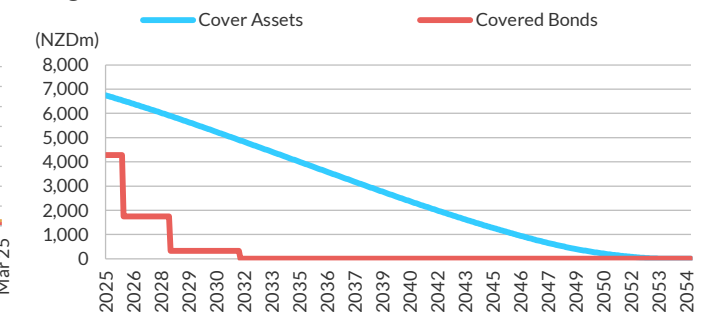
Source: Fitch Ratings, WNZL

Historical Arrears Performance



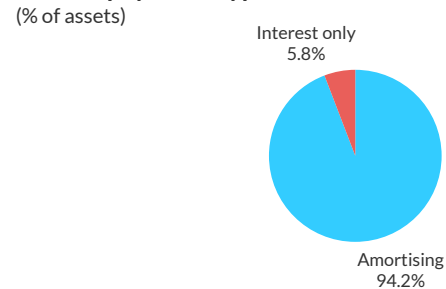
Source: Fitch Ratings, WNZL

Programme Amortisation Schedule



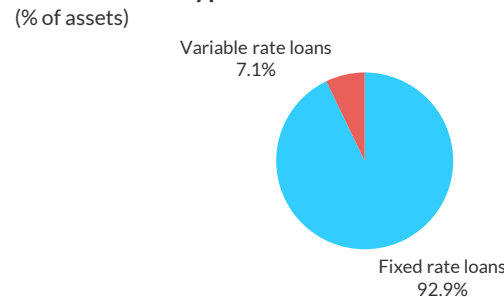
Source: Fitch Ratings, WNZL

Loan Repayment Type



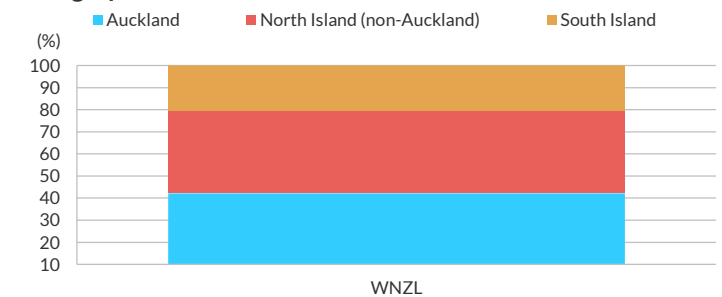
Source: Fitch Ratings, WNZL

Loan Interest Type



Source: Fitch Ratings, WNZL

Geographical Distribution of Covered Bond Collateral



Source: Fitch Ratings, banks

Appendix 2 – Summary of Applicable Covered Bonds Legislation

Items	Description
Basis of framework	The Reserve Bank of New Zealand Act 1989, which was amended in 2013, establishes a registration regime for CVB programmes.
Issuer type	Only a New Zealand-based registered domestic bank or a subsidiary that is guaranteed by such a bank.
Dual recourse	Covered bondholders have recourse to both the general estate of the issuing bank and the cover assets (exclusive right).
Segregation	<ul style="list-style-type: none"> The SPV model used contractually achieves asset segregation from the issuer's insolvency estate through the 'true sale' of the mortgage assets to the SPV by way of silent assignment to the CBG. Upon title perfection, full legal title to the underlying mortgages will be transferred. The asset pool is unavailable to any other creditor of the issuer until the claims of the preferred creditors are met. Preferred creditors to retain an unsecured claim against the issuer if claims are not fully satisfied from the pool.
Minimum OC	No legal minimum OC is specified in the legislation. Each programme is subject to a maximum AP. <ul style="list-style-type: none"> The contractual maximum AP for all other programmes is as follows: <ul style="list-style-type: none"> ANZNZ, ASB, Kiwibank and WNZL: 90.0% BNZ: 97.0%
Cover assets	<ul style="list-style-type: none"> Residential mortgage loans, with a maximum maturity not exceeding 30 years. Substitute assets in the form of New Zealand-dollar deposits, certificates of deposit, long-term debt obligations and short-term obligations of a maturity of one year or less, and New Zealand dollar-denominated government securities.
Maximum LTV limits	75% (ASB) or 80% indexed LTV for residential loans
Eligibility of loans with LTVs higher than the maximum thresholds	Yes, but they cannot be relied upon for OC calculation purposes.
Hedging	Interest-rate swaps are in place to hedge the interest-rate mismatches on the cover pool for all programmes in this report. CVB swaps are in place to hedge currency and interest-rate mismatches on the bonds until the extended due-for-payment date.
Demand loan	The demand loan funds all excess OC in the programme, any interest-rate shortfall, any ACT breach and pre-maturity test breach. At a demand-loan repayment date, a prepayment can occur in accordance with the priority of payments as long as the ACT will not be breached as a result of the repayment. The repayment of the demand loan in the guarantee priority of payments is subordinated to covered bondholders, except for WNZL, where its repayment ranks ahead of covered bondholders.
Asset coverage test	The ACT is designed to ensure a minimum level of OC on the CVBs to protect bondholders against specific credit and market risks. It is calculated monthly, prior to the service of a notice to pay on the CBG, so long as bonds are outstanding under the programme. The ratio between CVBs and cover assets may not exceed the contractual maximum AP at any time.
Amortisation test	After a service of a notice to pay on the CBG, an amortisation test verifies whether the value of the cover pool, including any cash held in the trust account and any substitute assets, adjusted to account for delinquencies and collateral value, is higher than the notional amount of the outstanding CVBs.
Cap on cover assets encumbered	No more than 10% of the issuer's banking-group assets can be secured as cover assets in New Zealand by value.
Supervision	The Reserve Bank of New Zealand serves as the regulator under the CVB framework. Responsibilities and authority include determining registration of the CVB programme, the publication and maintenance of the public register of CVB programmes and monitoring that reporting requirements are met.
Cover pool administrator	Once a notice to pay has been served on the CBG, it will appoint a portfolio manager responsible for advising on the sale of selected cover assets. In the event of a CBG default, the security trustee will enforce the assets for the benefit of covered bondholders and has the power to appoint a receiver, whose duties are prescribed by the specific programme documents.
Asset monitor compliant	Qualified and licenced audit firm of national standing in New Zealand to verify the accuracy of the ACT, the amortisation test and the register of cover assets

Source: Fitch Ratings, programme documentation

Appendix 3 – Related Research & Definitions of Terms Used

Related Research

Details of the programme structures can be found in the following publications:

[Australia and New Zealand Banking Group Limited - Mortgage Covered Bonds \(September 2019\)](#)

[ASB Bank Limited - Mortgage Covered Bonds \(August 2019\)](#)

[Bank of New Zealand - Mortgage Covered Bonds \(May 2019\)](#)

[Kiwibank Limited - Mortgage Covered Bonds \(January 2019\)](#)

[Westpac New Zealand Limited - Mortgage Covered Bonds \(April 2019\)](#)

Details of the latest rating action for the programmes and the applicable criteria can be found in the following publications:

[Fitch Affirms ANZ Bank NZ's Mortgage Covered Bonds at 'AAA'/Stable \(December 2024\)](#)

[Fitch Affirms ASB's Mortgage Covered Bonds at 'AAA'; Outlook Stable \(May 2025\)](#)

[Fitch Affirms BNZ's Mortgage Covered Bonds at 'AAA'; Outlook Stable \(October 2024\)](#)

[Fitch Affirms Kiwibank's Mortgage Covered Bonds at 'AAA'; Outlook Stable \(May 2025\)](#)

[Fitch Affirms Westpac NZ's Mortgage Covered Bonds at 'AAA'; Outlook Stable \(September 2024\)](#)

Related CVB-Specific Research

[APAC Covered Bonds Monitor: 1Q25 \(June 2025\)](#)

[Global Covered Bonds Monitor: 1Q25 \(April 2025\)](#)

[Global Covered Bonds Monitor: 1Q25 - Data File \(April 2025\)](#)

[Global Covered Bonds Outlook 2025 \(December 2024\)](#)

[Global Housing and Mortgage Outlook 2025 \(December 2024\)](#)

Definitions of Terms Used

CVB	Covered bonds
LT IDR	Long-Term Issuer Default Rating
RRP	Resolution reference point
PCU	Payment continuity uplift
PD	Probability of default
WA	Weighted average
WAL	Weighted-average life
OC	Overcollateralisation
AP	Asset percentage
LTV	Loan to value
DTI	Debt to income
IDR	Issuer Default Rating
PMT	Pre-maturity test
ANZ NZ	ANZ Bank New Zealand Limited
ASB	ASB Bank Limited
BNZ	Bank of New Zealand
WNZL	Westpac New Zealand Limited

Source: Fitch Ratings

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