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**Media Statement**

**New Zealand Superannuation Fund to take legal action over Oak Finance loan**

Auckland, New Zealand: The New Zealand Superannuation Fund (“the Fund”) confirmed today that it was one of a number of investors taking legal action against the Bank of Portugal in relation to thetransfer ofOak Finance loan obligations from Portugal’s Novo Banco toBancoEspírito Santo.

The Fund, whichhas a US$150 million exposure to the Oak Finance loan, is seeking to overturn a December 2014 decision by the Bank of Portugal to retrospectively return the loan to BancoEspírito Santo after having transferred it, along with other senior debt obligations,tothe ‘good bank’ known as Novo Banco.

Chief Executive Officer Adrian Orr said the Bank of Portugal’s decision, which was based on a view that investment bank Goldman Sachs, which arranged the loan, was both an associate of BancoEspírito Santo and had in fact made the loan, was wrong.

“As Goldman Sachs has said publicly and to the Bank of Portugal, Oak Finance was an independent entity from Goldman Sachs International. We understand that at no point did Goldman Sachs hold a participatory interest in more than two percent of BancoEspírito Santo’s shares.”

“Legally, the loan arranger’s shareholding in BancoEspírito Santo should not bethe basis for treating the Oak Finance loan as related party lending.”

Mr Orr said the Bank of Portugal’s decision was very disappointing given their prior written assurances that senior debts such as the Oak Finance loan had moved from BancoEspírito Santo to Novo Banco. Novo Banco also confirmed in writing that the Oak Finance loan had been transferred as one of its liabilities.

“We note that Novo Banco continues to have the benefit of the money that we lent.”

“It will also be of considerable concern to any investor that the Bank of Portugal hasnot treated all senior debt holders equally. We understand that holders of senior bonds arranged and underwritten by at least one other financial institution have remained with Novo Banco when, unlike the position with the Oak Finance loan, the bonds were subscribed by a related party of a substantial shareholder in BancoEspírito Santo.”

“In making this loan, the Fund was providing liquidity to the Portuguese banking system. The Fund was protected against the risk of BancoEspírito Santo defaulting through the purchase of credit insurance. This is a very standard, insured, investment activity globally that keeps the financial world liquid. The Bank of Portugal’s actions, however, in treating the Oak Finance loan differently to all other senior debt obligations, appear to have had the effect of negating this insurance.”

Mr Orr said the New Zealand Superannuation Fund had successfully undertaken the provision of liquidity, among other investment activities, over a long period. “This is a standard, low risk investment activity for institutions such as the Fund.”

“The Bank of Portugal’s retrospective decision puts our liquidity provision activities with respect to Portugal and potentially other jurisdictions at risk, given the apparent unreliability of debt provision and credit protection policies.”

“It is concerning for investors in Portuguese banks that senior debt can be treated on a similar basis to equity and subordinated debt, solely by virtue of the debt arranger’s – not lender’s - shareholding in the bank.”

Mr Orr said the matter was likely to take considerable time to resolve. “We are not entering into these legal proceedings lightly and have made the decisiononly after exhausting all other options.”

“While bond failures are not uncommon in the investment world, the circumstances of this case are highly unusual. First, we have been treated unequally and unlawfully. Second, our default insurance appears to have been inadvertently rendered ineffective due to the retrospective decision. We have a very strong legal case and a high level of confidence of success.”

Mr Orr said the Oak Finance investment waspart of a credit strategy that had been operating successfullyat the Fund for a number of years.

While the Oak Finance investment is significant in dollar terms, it represents a small proportion of the overall NZ$27 billion New Zealand Superannuation Fund, which was established by New Zealand Government to partially pre-fund universal retirement benefits.

“The Fund is well-diversified and continues to perform well,” Mr Orr said.

The New Zealand Superannuation Fund has returned 9.98% p.a. since inception in 2003, compared to a passive Reference Portfolio benchmark of 8.84% p.a. It returned 16.71% over the last 12 months (as at 31 January 2015, after costs, before NZ tax). These figures include a conservative full write-down on this loan.

ENDS

*Editors: please note that further comments will be limited due to legal proceedings.*

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