Bank of New Zealand

U.S. Debt Funding Information

For the year ended September 30, 2024

Contents

Presentation of Information

Basis of Presentation

Bank of New Zealand's financial reporting group consists of Bank of New Zealand ("BNZ"), all of its wholly owned entities and other entities consolidated for financial reporting purposes (together, the "Banking Group"). The consolidated financial statements of the Banking Group are prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP"), the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

Certain differences exist between accounting principles generally accepted in the United States of America ("US GAAP") and NZ GAAP, NZ IFRS, IFRS and interpretations adopted by the IASB which might be material to the financial information presented in this document. The Banking Group has not prepared a reconciliation of its consolidated financial statements and related notes to the financial statements between NZ GAAP, NZ IFRS and US GAAP. In making an investment decision, investors must rely upon their own examination of the Banking Group and the terms of the offering. Potential investors should consult their own professional advisors for an understanding of these differences, and whether or not they affect the financial information presented in this document.

Information disclosed in this document is based on the Banking Group. It is different from the information disclosed under the New Zealand Banking segment ("NZ Banking") in the Annual Report and Full Year Results of National Australia Bank Limited ("NAB") (as well as in disclosures that NAB makes in its U.S. funding documents), the Banking Group's ultimate parent. In those documents, NZ Banking results are presented on a cash earnings basis (a non-IFRS key performance measure).

The consolidated full year financial statements of the Banking Group are audited by an external auditor in accordance with International Standards on Auditing (New Zealand), which differ from those applicable in the United States.

Certain comparative balances in this document have been reclassified to align with the presentation used in the current financial year. These reclassifications have no material impact on the Banking Group's overall financial performance or financial position for the prior periods.

Forward-Looking Statements

This document contains certain forward-looking statements within the meaning of Section 21E of the United States Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this document are forward-looking statements.

The words "anticipate", "believe", "expect", "estimate", "likely", "should", "could", "may", "focus", "beyond", "aim" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

In this document, forward-looking statements may, without limitation, relate to statements regarding:

- economic and financial forecasts, including, but not limited to, statements in the business overview;
- anticipated implementation of certain control systems and programs, including, but not limited to, those described in the risk management section on page 16 herein; and
- certain plans, strategies and objectives of management.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Banking Group, which may cause actual results to differ materially from those expressed or implied in such statements contained in this document. For example:

- the economic and financial forecasts contained in this document will be affected by movements in interest and foreign currency exchange rates, which may vary significantly from current levels, as well as by general economic conditions in each of the Banking Group's major markets. Such variations may materially impact the Banking Group's financial condition and results of operations;
- the implementation of control systems and programs will be dependent on such factors as the Banking Group's ability to acquire or develop necessary technology or systems, its ability to attract and retain qualified personnel and the response of customers and third parties such as vendors; and
- the plans, strategies and objectives of management will be subject to, among other things, government regulation, which may change at any time and over which the Banking Group has no control. In addition, the Banking Group will continue to be affected by general economic conditions in New Zealand and worldwide, movements and conditions in capital markets, the competitive environment in each of its markets and political and regulatory policies.

There are a number of other important factors that could cause actual results to differ materially from those projected in such statements, including (without limitation) the risks and uncertainties associated with the New Zealand and global economic environment and capital market conditions, including the impact of rising interest rates and inflationary conditions, and other macro-economic, geopolitical, climate, other nature-related or social risks. Further information is contained under the caption "Risk Factors" in the offering circular, as supplemented by the offering circular supplement (including the documents incorporated by reference into the offering circular supplement), used in connection with an offer of notes under BNZ's Rule 144A sub-program which is associated with its US$100,000,000,000 Global Medium Term Note Program. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement made by any person (including BNZ or any of its advisors). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this presentation will actually occur.

BNZ expressly disclaims any obligation or undertaking to update or revise in any manner any forward-looking statements contained in this document to reflect any changes in the expectations of BNZ or the Banking Group with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

There can be no assurance that actual outcomes will not differ materially from the forward-looking statements contained in this document.

Presentation of Information

Certain Definitions

The Banking Group's financial year ends on September 30. The financial year ended September 30, 2024 is referred to as 2024 and other financial years are referred to in a corresponding manner.

Some information in this document has been derived from the consolidated financial statements of the Banking Group. Where certain items are not shown in the Banking Group's consolidated financial statements, they have been prepared for the purpose of this document. Accordingly, this information should be read in conjunction with, and is qualified in its entirety by reference to, the Banking Group's audited consolidated financial statements, which are included in the Disclosure Statement for the year ended September 30, 2024. In addition, in connection with an offer of notes by BNZ under BNZ's Rule 144A sub-program, which is associated with its US$100,000,000,000 Global Medium Term Note Program, this information should be read in conjunction with the offering circular supplement for such notes, including the consolidated financial statements of the Banking Group contained in the Disclosure Statements incorporated therein.

In this document, unless the context otherwise requires:

- references to "APRA" are to the Australian Prudential Regulation Authority;
- references to "Banking Group" are to Bank of New Zealand's financial reporting group, which consists of Bank of New Zealand, all of its wholly owned entities and other entities consolidated for financial reporting purposes;
- references to "BNZ" or the "Bank" are to Bank of New Zealand;
- references to "BNZ-IF" are to BNZ International Funding Limited, a wholly owned entity of BNZ, acting through its London Branch;
- references to "Disclosure Statements" are to the disclosure statements the Banking Group prepared for the relevant period in compliance with Reserve Bank of New Zealand requirements, which contain consolidated financial statements of BNZ for the periods specified and have been published and filed with the Commission de Surveillance du Secteur Financier (the "CSSF");
- references to "EUR" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Union as amended from time to time;
- references to "NAB" or "ultimate parent" are to National Australia Bank Limited, the Banking Group's ultimate parent;
- references to "NAB Group" are to NAB's financial reporting group, which consists of NAB, all of its wholly owned entities and other entities consolidated for financial reporting purposes;
- references to "RBNZ" are to the Reserve Bank of New Zealand;
- references to "US$" or "USD" or are to the lawful currency of the United States;
- references to "wholly owned" are to an entity when a parent company holds 100% of the voting securities of the entity; and
- references to "$", "New Zealand dollars", "NZD", "NZ$" or "NZ dollars" are to the lawful currency of New Zealand.

Uses of Internet Addresses

This document contains inactive textual addresses to internet websites. Reference to such websites is made for information purposes only, and information found at such websites is not incorporated by reference into this document.

Currency of Presentation

All currency amounts are expressed in New Zealand dollars unless otherwise stated. All amounts have been rounded to the nearest million dollars, except where otherwise indicated.

Selected Financial Information

The selected financial information as at and for the years ended September 30, 2024, September 30, 2023, September 30, 2022, September 30, 2021 and September 30, 2020 has been derived from, and should be read in conjunction with, the consolidated financial statements and the related notes which are included in the Disclosure Statements for the respective period. Where certain items are not shown in the consolidated financial statements contained therein, they have been prepared for the purpose of this document.

Further details on the Banking Group’s financial results for the year ended September 30, 2024 are provided in "Management’s Discussion and Analysis of Financial Condition and Results of Operations" herein and the Disclosure Statement for the year ended September 30, 2024.

The financial information in the Disclosure Statement for the year ended September 30, 2024 has been audited by the Banking Group's external auditor, Ernst & Young, whose report on the audited financial statements is included in the Disclosure Statement for the year ended September 30, 2024.

The Disclosure Statement for the year ended September 30, 2024 has been prepared in accordance with NZ GAAP, NZ IFRS, IFRS and interpretations adopted by the IASB. Certain differences exist between NZ GAAP, NZ IFRS, IFRS and interpretations adopted by the IASB, and US GAAP, which might be material to the financial information.

Income Statement

	Banking Group				
Dollars in Millions	**2024**	2023	2022	2021	2020
Interest income					
Effective interest income	**7,722**	6,759	3,800	2,891	3,440
Fair value through profit or loss	**458**	325	116	77	179
Interest expense	**5,271**	4,187	1,412	787	1,537
Net interest income	**2,909**	2,897	2,504	2,181	2,082
Gains less losses on financial instruments	**273**	245	251	277	88
Other operating income	**434**	355	376	401	350
Total operating income	**3,616**	3,497	3,131	2,859	2,520
Operating expenses	**1,392**	1,222	1,076	1,060	1,158
Total operating profit before credit impairment charge and income tax expense	**2,224**	2,275	2,055	1,799	1,362
Credit impairment charge/(write-back)	**146**	172	89	(37)	300
Total operating profit before income tax expense	**2,078**	2,103	1,966	1,836	1,062
Income tax expense on operating profit	**572**	594	552	514	300
Net profit for the year	**1,506**	1,509	1,414	1,322	762

Performance Indicators

	Banking Group				
	2024	2023	2022	2021	2020
Ordinary shares, fully paid (number of shares in millions)	**10,839**	10,076[1]	5,076	5,076	5,076
Dividend per ordinary share (cents per share)[2]	**12.09**	77.19[1]	11.03	-	-
Net profit per ordinary share (cents per share)[3]	**13.95**	19.85	27.86	26.04	15.01
Return on assets[4]	**1.15%**	1.16%	1.12%	1.13%	0.66%
Return on equity[5]	**11.79%**	13.61%	13.54%	13.64%	8.72%
Cost to income ratio[6]	**38.50%**	34.94%	34.37%	37.08%	45.95%

[1] Includes $5,000 million dividend on ordinary shares and equivalent share issue. Refer to Note 24 Contributed Equity in BNZ's Disclosure Statement for the year ended September 30, 2024 for further information.

[2] Dividend paid divided by the weighted average number of ordinary shares outstanding during the period.

[3] Net profit after tax divided by the weighted average number of ordinary shares outstanding during the period.

[4] Net profit after tax divided by total average assets.

[5] Net profit after tax divided by total average equity (total average equity calculated by total average assets minus total average liabilities).

[6] Operating expenses divided by total operating income.

Selected Financial Information

Balance Sheet

Dollars in Millions	Banking Group 2024	2023	2022	2021	2020
Assets					
Cash and liquid assets[1]	**5,711**	10,950	9,775	9,872	4,970
Due from central banks and other institutions	**72**	90	372	304	154
Collateral paid	**927**	1,107	2,814	535	1,259
Trading assets[1]	**11,103**	9,143	7,414	7,348	10,814
Derivative financial instruments	**3,744**	4,802	9,540	4,404	6,140
Investments in debt instruments	**9**	-	-	-	-
Loans and advances to customers[1]	**106,101**	101,778	99,358	94,713	87,526
Other assets[1]	**1,563**	777	1,017	904	500
Deferred tax	**345**	316	293	283	295
Property, plant and equipment	**622**	604	428	466	423
Goodwill and other intangible assets	**540**	498	409	293	229
Total assets	**130,737**	130,065	131,420	119,122	112,310
Financed by:					
Liabilities					
Due to central banks and other institutions[1]	**4,879**	6,080	6,240	5,955	3,616
Collateral received[1]	**1,057**	1,780	3,179	782	1,035
Trading liabilities[1]	**278**	868	302	537	54
Deposits and other borrowings	**84,254**	81,006	78,154	77,995	71,839
Derivative financial instruments	**3,914**	4,321	8,228	3,189	4,711
Current tax liabilities	**193**	40	333	156	39
Other liabilities[1]	**2,899**	1,874	1,792	1,159	898
Bonds and notes	**19,385**	20,786	20,181	17,518	19,512
Subordinated debt	**550**	1,450	1,950	1,950	1,949
Total liabilities	**117,409**	118,205	120,359	109,241	103,653
Net assets	**13,328**	11,860	11,061	9,881	8,657
Shareholders' equity					
Contributed equity – ordinary shares	**9,956**	9,056	4,056	4,056	4,056
Contributed equity – perpetual preference shares	**825**	375	-	-	-
Reserves	**27**	84	296	20	108
Retained profits	**2,520**	2,345	6,709	5,805	4,493
Total shareholders' equity	**13,328**	11,860	11,061	9,881	8,657

Performance Indicators

	Banking Group 2024	2023	2022	2021	2020
Loan to deposit ratio[2]	**1.29**	1.30	1.34	1.33	1.30

[1] Comparative balances have been restated to align with the presentation used in the current period. Refer to page 7 for further information.

[2] Loans and advances to customers divided by customer deposits (i.e., deposits and other borrowings minus short term debt securities (in "Active Funding Programs" on page 20)) for the year ended September 30, 2024.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Prospective investors should read the following discussion of the Banking Group's financial condition and results of operations together with the Banking Group's audited consolidated full year financial statements, and the notes to the respective financial statements which are included in the Disclosure Statement for the period specified. The presentation in this section contains forward-looking statements that involve risks, uncertainties and assumptions. The Banking Group's actual results may differ materially from those anticipated in such forward-looking statements as a result of a number of factors, including, but not limited to, those set forth under the caption "Risk Factors" in the offering circular, as supplemented by the offering circular supplement (including the documents incorporated by reference into the offering circular supplement), used in connection with an offer of notes under BNZ's Rule 144A sub-program which is associated with its US$100,000,000,000 Global Medium Term Note Program.

The following discussion is based on the audited consolidated full year financial statements of the Banking Group which have been prepared in accordance with NZ GAAP, NZ IFRS, IFRS and interpretations adopted by the IASB. There are certain differences between US GAAP and NZ GAAP, NZ IFRS, IFRS and interpretations adopted by the IASB which might be material to the financial information in this document. The following discussion is also prepared based on the Banking Group. It is different from the information disclosed under NZ Banking in the Annual Report and Full Year Results of the NAB Group. In those documents, NZ Banking results are presented on a cash earnings basis (a non-IFRS key performance measure).

Overview

BNZ was incorporated on July 29, 1861, and its ultimate parent bank is NAB. The businesses and affairs of BNZ are managed by, or under the direction or supervision of, the BNZ Board of Directors ("BNZ Board") and the BNZ Chief Executive Officer ("CEO") in compliance with the requirements and regulations of the Banking Group's primary regulator, the RBNZ. BNZ is a registered bank under the Banking (Prudential Supervision) Act 1989 (the "BPS Act"). Further details on the supervisory role of the RBNZ are provided in "Supervisory Role of the RBNZ" on page 27 herein.

The Banking Group is one of New Zealand's largest banking organizations and provides a broad range of banking and financial products and services to retail, business, private, corporate and institutional customers (including property and agribusiness).

The Banking Group's operations are affected by government actions, such as changes to taxation and government regulations, particularly those in New Zealand. The financial services sector in New Zealand is very competitive, which impacts the Banking Group's profitability in terms of interest rate spreads, lending and deposit volumes and overall operating income.

Significant Conditions Affecting the Banking Group's Capital Position

The Banking Group continues to maintain a strong capital position, with a balance sheet that is supported by diversified and stable funding sources. As at September 30, 2024, the Banking Group's Common Equity Tier 1, Tier 1 and Total qualifying capital ratios were 13.9%, 14.9% and 16.0%, respectively, well above the RBNZ's current minimum capital ratio requirements (including a 4.5% prudential capital buffer ratio) of 9.0%, 11.5% and 13.5%, respectively. The Banking Group's capital ratios may be influenced by future market developments, such as regulatory changes, rating agency expectations, economic conditions and peer bank capital trends.

As required by the RBNZ's Banking Prudential Requirements on regulatory capital, since July 1, 2022 the Banking Group has been in a six year transition period to increase Tier 1 capital to 16% of risk-weighted assets ("RWA") (including a prudential capital buffer of 9% of RWA), of which up to 2.5% can be in the form of Additional Tier 1 ("AT1") capital, and increase total capital to 18% of RWA, of which up to 2% can be in the form of Tier 2 capital.

The Banking Group's core funding ratio of 87.5% as at September 30, 2024, exceeded the RBNZ's current minimum requirement of 75%.

The Banking Group maintains wholesale funding diversity by remaining active in both domestic and offshore markets, supporting the refinancing of term debt maturities. During the year ended September 30, 2024, the Bank issued senior unsecured medium term notes in USD, NZD and EUR.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Accounting Policies and Estimates

Basis for preparation

The Banking Group's financial statements are prepared in accordance with the requirements of the New Zealand Financial Markets Conduct Act 2013, the New Zealand Registered Bank Disclosure Statement (New Zealand Incorporated Registered Banks) Order 2014 (as amended) and the Banking Group's accounting policies. Refer to Note 1 Principal Accounting Policies of the Disclosure Statement for the year ended September 30, 2024 for information on the Banking Group's accounting policies.

Assumptions and estimates

The preparation of the financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amount of assets, liabilities, revenues, expenses, and the disclosure of contingent liabilities. It also requires management to exercise judgement in the process of applying accounting policies. The notes to the financial statements explain areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the Banking Group. Refer to Note 11 Allowance for Expected Credit Losses and Note 26 Classification of Financial Instruments and Fair Value Measurement of the Disclosure Statement for the year ended September 30, 2024 for further information.

Assumptions made as at each reporting date (e.g. the calculation of the allowance for expected credit losses, fair value measurements and income tax), are based on best estimates at that date. Actual amounts may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the reporting period in which the estimates are revised and in any future periods affected.

Reclassification of financial information

Certain comparative balances have been reclassified to align with the presentation used in the current financial year. Refer below for further details. These reclassifications have no impact on the overall financial performance or financial position for the comparative periods.

Changes in accounting policies and disclosures

Presentation of amounts due from related entities and amounts due to related entities

During the year ended September 30, 2024, the Banking Group changed the balance sheet presentation of amounts due from related entities and amounts due to related entities. The revised presentation results in the removal of two balance sheet line items (Amounts due from related entities and Amounts due to related entities), the reclassification of related party balances to the relevant balance sheet line items, and a change in the layout of Note 25 Related Party Disclosures in the Disclosure Statement for the year ended September 30, 2024. The revised presentation enhances the Banking Group's disclosure of assets and liabilities by order of liquidity. To align with this presentation change, certain comparative balances as at September 30, 2023 have been restated.

Balances previously presented in Amounts due from related entities and Amounts due to related entities comprise:

	Banking Group			
Dollars in Millions	2023	2022	2021	2020
Cash and liquid assets	37	194	150	1,037
Trading assets	781	-	-	-
Loans and advances to customers	9	12	22	8
Other assets[1]	65	71	7	8
Total amounts due from related entities	892	277	179	1,053
Due to central banks and other institutions	116	1,080	1,024	1,448
Collateral received	309	1,045	212	381
Trading liabilities	420	-	-	-
Other liabilities[1]	157	88	70	74
Total amounts due to related entities	1,002	2,213	1,306	1,903

[1] Balances for 2023 and 2022 have been restated to align with the presentation used in the current period. Included in Other assets are securities sold not yet settled with NAB and included in Other liabilities are securities purchased not yet settled with NAB.

Investments in debt instruments at fair value through other comprehensive income

During the year ended September 30, 2024, the Banking Group commenced measuring certain debt instruments within its liquidity portfolio at fair value through other comprehensive income ("FVTOCI") in accordance with NZ IFRS 9 *Financial Instruments* ("NZ IFRS 9"). Historically, all debt instruments within the liquidity portfolio were classified as measured at fair value through profit or loss. The Banking Group now measures certain debt instruments at FVTOCI while maintaining a separate portfolio of debt instruments at fair value through profit or loss. Additionally, the Banking Group adopted hedge accounting for investments in debt instruments measured at FVTOCI to reflect its hedging strategy for managing interest rate risk.

International Tax Reform – Pillar Two Model Rules

In July 2023, the New Zealand External Reporting Board issued *International Tax Reform – Pillar Two Model Rules (Amendments to NZ IAS 12 Income Taxes)*, effective for annual reporting periods beginning on or after January 1, 2023. The Banking Group has adopted the amending standard from October 1, 2023 and applied the exemption from recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. The adoption of the amending standard did not have a material impact on the financial statements of the Banking Group. On March 28, 2024, New Zealand enacted tax legislation implementing the Pillar Two Model Rules published by the Organization for Economic Co-operation and Development, with effect from January 1, 2025. The Banking Group has assessed the impact of the new legislation and determined that it does not have any material exposure to Pillar Two income taxes.

Accounting Policies and Estimates *continued*

Future accounting developments

In May 2024, the New Zealand External Reporting Board issued NZ IFRS 18 *Presentation and Disclosure in Financial Statements* ("NZ IFRS 18"). NZ IFRS 18 replaces NZ IAS 1 *Presentation of Financial Statements* and will be effective for the Banking Group from October 1, 2027. NZ IFRS 18 introduces enhanced presentation requirements in the financial statements, including new categories and subtotals in the income statement, disclosures about management-defined performance measures, and enhanced guidance on the grouping of information. The Banking Group is currently assessing the impact of this new standard.

There are no other new accounting standards or amendments to existing accounting standards that are not yet effective which are expected to have a material impact on the Banking Group's financial statements.

Results of Operations

	Banking Group		
Dollars in Millions	**2024**	2023	2022
Net interest income			
Net interest income	**2,909**	2,897	2,504
Average interest earning assets	**122,730**	120,527	116,534
Net interest margin[1]	**2.37%**	2.40%	2.15%

[1] Net interest income divided by total average interest earning assets.

Net interest income 2024 vs 2023

Net interest income increased by $12 million or 0.4%, from $2,897 million in 2023 to $2,909 million in 2024. Net interest income growth was mainly due to higher returns on the capital replicating portfolio supported by higher capital volume and the higher interest rate environment.

Average volumes of gross loans and advances to customers grew by $3,300 million or 3.3%, from $101,363 million in 2023 to $104,663 million in 2024.[2] This was driven by growth in the housing and business lending portfolios.

Average volumes of deposits and other borrowings grew by $2,507 million or 3.1%, from $80,788 million in 2023 to $83,295 million in 2024. This was largely due to an increase in customer deposits driven by an increase in term deposits, partially offset by a decrease in short term funding instruments and deposits not bearing interest.

Overall, net interest margin reduced by 3 basis points, from 2.40% in 2023 to 2.37% in 2024. Key influences on the net interest margin result included:

- increased returns on the capital replicating portfolio, supported by higher capital volume and higher interest rate environment;
- average yield on interest earning loans and advances to customers increased by 82 basis points, from 6.17% in 2023 to 6.99% in 2024. The increase was driven by an increase in New Zealand swap rates over recent years, with customers on fixed rate loans repricing to current rates;
- average cost of interest bearing deposits and other borrowings increased by 118 basis points, from 3.88% in 2023 to 5.06% in 2024. This increase was due to higher average New Zealand swap rates with customers holding term deposits repricing to current rates, and changes to deposit mix with growth in term deposits, partially offset by volume reductions in short term funding instruments; and
- average cost of bonds and notes increased by 77 basis points, from 5.71% in 2023 to 6.48% in 2024. This increase was driven by higher average interest rates.

Net interest income 2023 vs 2022

Net interest income increased by $393 million or 15.7%, from $2,504 million in 2022 to $2,897 million in 2023. Net interest income growth was mainly due to lending growth and higher net interest margin supported by the higher interest rate environment increasing returns on replicating portfolios.

Average volumes of gross loans and advances to customers grew by $3,190 million or 3.2%, from $98,173 million in 2022 to $101,363 million in 2023.[2] This was driven by growth in the housing portfolio.

Average volumes of deposits and other borrowings grew by $525 million or 0.7%, from $80,263 million in 2022 to $80,788 million in 2023. This was largely driven by an increase in customer deposits driven by term deposits, partially offset by a decrease in short term funding instruments.

Overall, net interest margin increased by 25 basis points, from 2.15% in 2022 to 2.40% in 2023. Key influences on the net interest margin result included:

- increased returns on capital and non-interest bearing deposits replicating portfolios, supported by the higher interest rate environment;
- average yield on interest earning loans and advances to customers increased by 239 basis points, from 3.78% in 2022 to 6.17% in 2023. The increase was driven by an increase in New Zealand swap rates in line with official cash rate increases in the 2022 financial year and the 2023 financial year; and
- average cost of interest bearing deposits and other borrowings increased by 275 basis points, from 1.13% in 2022 to 3.88% in 2023. This increase was due to increasing New Zealand swap rates, and changes to deposit mix with growth in term deposits, partially offset by volume reductions in short term funding instruments.

[2] Comparative balances have been restated to align with the presentation used in the current period. Refer to page 7 for further information.

Results of Operations *continued*

	Banking Group		
Dollars in Millions	**2024**	2023	2022
Gains less losses on financial instruments	**273**	245	251

Gains less losses on financial instruments 2024 vs 2023
Gains less losses on financial instruments increased by $28 million or 11.4%, from a gain of $245 million in 2023 to a gain of $273 million in 2024. This was mainly driven by favorable movement in fair value of hedging derivatives not designated in hedge relationships and gains on the unwind of cross currency basis spreads and interest rate movements on derivatives used to economically hedge foreign currency term debt issuances, partially offset by movement in credit risk adjustments on financial assets held at fair value and unfavorable movement in hedge ineffectiveness from derivatives designated in hedge relationships.

Gains less losses on financial instruments 2023 vs 2022
Gains less losses on financial instruments decreased by $6 million or 2.4%, from a gain of $251 million in 2022 to a gain of $245 million in 2023. This was mainly driven by losses on cross currency basis spreads and interest rate movements on derivatives used to economically hedge foreign currency term debt issuances and unfavorable movement in fair value of hedging derivatives not designated in hedge relationships, partially offset by increases in trading gains on financial instruments and movement in credit risk adjustments on financial assets held at fair value.

	Banking Group		
Dollars in Millions	**2024**	2023	2022
Other operating income			
Money transfer fees	**67**	78	84
Fees earned on financial assets and liabilities	**216**	217	201
Other income and expenses	**151**	60	91
Total other operating income	**434**	355	376

Other operating income 2024 vs 2023
Total other operating income increased by $79 million or 22.3%, from $355 million in 2023 to $434 million in 2024. Other income and expenses increased by $91 million, mainly due to the $103 million gain on sale of BNZ Investment Services Limited ("BNZISL"), partially offset by a decrease in investment management income following the sale of BNZISL. Money transfer fees decreased by $11 million, due to a decrease in net card and merchant income. Fees earned on financial assets and liabilities remained flat across the two periods.

Other operating income 2023 vs 2022
Total other operating income reduced by $21 million or 5.6%, from $376 million in 2022 to $355 million in 2023. Money transfer fees decreased by $6 million, due to a decrease in net card interchange income. Fees earned on financial assets and liabilities increased by $16 million, driven by increase in line fees and service commitment fees on business lending products. Other income and expenses decreased by $31 million, due to the removal and reduction of certain account fees, combined with an increase in fees and commissions expense associated with BNZ Rewards.

	Banking Group		
Dollars in Millions	**2024**	2023	2022
Operating expenses			
Amortization and depreciation	**198**	172	142
Personnel expenses	**724**	707	663
Other operating expenses	**470**	343	271
Total operating expenses	**1,392**	1,222	1,076

Operating expenses 2024 vs 2023
Total operating expenses increased by $170 million or 13.9%, from $1,222 million in 2023 to $1,392 million in 2024. This was largely due to higher other operating expenses driven by expenditure related to the sale of BNZISL, and higher software as a service and technology costs. Personnel expenses increased by $17 million, driven by salary increases, partially offset by a reduction in contractor costs. Amortization and depreciation increased by $26 million driven by investment in regulatory initiatives and strategic priorities.

Operating expenses 2023 vs 2022
Total operating expenses increased by $146 million or 13.6%, from $1,076 million in 2022 to $1,222 million in 2023. This was largely due to higher other operating expenses driven by non-repeat of the release of historical holiday pay provisioning in 2022, combined with higher software as a service and technology costs. Personnel expenses increased by $44 million driven by salary increases and impact of additional colleagues hired throughout 2022 and 2023 to support service, compliance obligations and growth, partially offset by the non-repeat of separation costs associated with the sale of BNZ Life Insurance Limited in 2022. Amortization and depreciation increased by $30 million driven by investment in regulatory initiatives, strategic priorities, and fit out for new corporate offices.

Results of Operations *continued*

	Banking Group		
Dollars in Millions	2024	2023	2022
Credit impairment charge and credit risk adjustments on credit exposures			
Credit impairment charge	146	172	89
Credit risk adjustments on financial assets designated at fair value through profit or loss[1]	(6)	(19)	5
Total credit impairment charge and credit risk adjustments on credit exposures	140	153	94

[1] Disclosed within gains less losses on financial instruments in the income statement. During the year ended September 30, 2024, the Banking Group commenced the classification of certain loans and advances to customers as financial assets measured at amortized cost. These were previously measured at fair value through profit or loss.

The table above represents the Banking Group's total credit impairment charge and credit risk adjustments on credit exposures. Movements in credit impairment charge should be read in conjunction with movements in credit risk adjustments on financial assets designated at fair value through profit or loss.

Credit impairment charge and credit risk adjustments on credit exposures 2024 vs 2023
Total credit impairment charge and credit risk adjustments reduced by $13 million or 8.5%, from $153 million in 2023 to $140 million in 2024. The decrease in credit impairment charges was driven by a decrease in collectively assessed impairment charges, partially offset by an increase in individually assessed allowance. The decrease in collectively assessed impairment charge was mainly driven by reversal of charges for customers affected by severe weather events that occurred in New Zealand during January and February 2023, partially offset by an increase in collectively assessed allowance for other large corporate exposures. The increase in individually assessed allowance was largely driven by a small number of customers in the manufacturing, agribusiness and residential mortgage lending portfolios. The decrease in credit risk adjustments was driven by loans historically measured at fair value through profit and loss that have transitioned to amortized cost.

Credit impairment charge and credit risk adjustments on credit exposures 2023 vs 2022
Total credit impairment charge and credit risk adjustments increased by $59 million or 62.8%, from $94 million in 2022 to $153 million in 2023. The increase in credit impairment charges was driven by an increase in both collectively assessed impairment charges and individually assessed allowance. The increased collectively assessed impairment charge was mainly driven by the impact of customers affected by severe weather events that occurred in New Zealand during January and February 2023, along with an increase in forward looking adjustments for agricultural sector and residential mortgage lending, partially offset by a decrease in economic adjustment. The increase in individually assessed allowance was driven by a number of customers in the small and medium enterprise portfolio, partially offset by a write-back for a small number of corporate exposures. The decrease in credit risk adjustments was driven by write-backs for a small number of large customers.

Results of Operations *continued*

Dollars in Millions	Banking Group 2024	2023	2022
Assets			
Cash and liquid assets[1]	**5,711**	10,950	9,775
Due from central banks and other institutions	**72**	90	372
Collateral paid	**927**	1,107	2,814
Trading assets[1]	**11,103**	9,143	7,414
Derivative financial instruments	**3,744**	4,802	9,540
Investments in debt instruments	**9**	-	-
Loans and advances to customers[1]	**106,101**	101,778	99,358
Other assets[1]	**1,563**	777	1,017
Deferred tax	**345**	316	293
Property, plant and equipment	**622**	604	428
Goodwill and other intangible assets	**540**	498	409
Total assets	**130,737**	130,065	131,420

[1] Comparative balances have been restated to align with the presentation used in the current period. Refer to page 7 for further information.

Assets 2024 vs 2023

Total assets increased by $672 million or 0.5%, from $130,065 million in 2023 to $130,737 million in 2024, mainly due to an increase in loans and advances to customers of $4,323 million, an increase in trading assets of $1,960 million and an increase in other assets of $786 million, partially offset by a decrease in cash and liquid assets of $5,239 million and a decrease in derivative financial assets of $1,058 million.

Cash and liquid assets decreased by $5,239 million or 47.8%, from $10,950 million in 2023 to $5,711 million in 2024. This was primarily driven by a decrease in transaction balances with central banks of $5,228 million.

Collateral paid decreased by $180 million or 16.3%, from $1,107 million in 2023 to $927 million in 2024, to meet derivative trading obligations.

Trading assets increased by $1,960 million or 21.4%, from $9,143 million in 2023 to $11,103 million in 2024. This was primarily driven by increased investment in government securities of $1,404 million and an increase in reverse repurchase agreements with other institutions of $728 million.

Derivative financial assets decreased by $1,058 million or 22.0%, from $4,802 million in 2023 to $3,744 million in 2024. This was primarily due to decreases in NZD interest rates since September 2023.

Net loans and advances to customers increased by $4,323 million or 4.2%, from $101,778 million in 2023 to $106,101 million in 2024. This was primarily driven by an increase of $2,356 million in housing loans and an increase of $2,134 million in business term lending.

Other assets increased by $786 million or 101.2%, from $777 million in 2023 to $1,563 million in 2024. This was primarily driven by an increase in securities sold but not yet settled at the end of 2024.

Assets 2023 vs 2022

Total assets decreased by $1,355 million or 1.0%, from $131,420 million in 2022 to $130,065 million in 2023, mainly due to a decrease in derivative financial assets of $4,738 million and a decrease in collateral paid of $1,707 million, partially offset by an increase in loans and advances to customers of $2,420 million, an increase in cash and liquid assets of $1,175 million and an increase in trading assets of $1,729 million.

Cash and liquid assets increased by $1,175 million or 12.0%, from $9,775 million in 2022 to $10,950 million in 2023. This was primarily driven by an increase in transaction balances with central banks of $1,735 million, partially offset by a decrease in reverse repurchase agreements with other institutions of $487 million, as a result of commencing classification of certain reverse repurchase agreements as held for trading measured at fair value through profit or loss in trading assets during 2023.

Collateral paid decreased by $1,707 million or 60.7%, from $2,814 million in 2022 to $1,107 million in 2023, to meet derivative trading obligations.

Trading assets increased by $1,729 million or 23.3%, from $7,414 million in 2022 to $9,143 million in 2023. This was primarily driven by increased investment in corporate and other institutions securities and semi-government securities, and an increase in reverse repurchase agreements with other institutions of $847 million as a result of commencing classification of certain reverse repurchase agreements as held for trading measured at fair value through profit or loss in trading assets during 2023; partially offset by decreased investment in government securities.

Derivative financial assets decreased by $4,738 million or 49.7%, from $9,540 million in 2022 to $4,802 million in 2023. This was primarily driven by lower depreciation of the NZD against the USD in 2023 comparative to high market volatility in 2022 with sharp depreciation of the NZD against the USD in the month of September 2022.

Net loans and advances to customers increased by $2,420 million or 2.4%, from $99,358 million in 2022 to $101,778 million in 2023. This was primarily driven by an increase of $2,923 million in housing loans, partially offset by a decrease of $680 million in business term lending.

Results of Operations *continued*

Dollars in Millions	Banking Group 2024	2023	2022
Liabilities			
Due to central banks and other institutions[1]	**4,879**	6,080	6,240
Collateral received[1]	**1,057**	1,780	3,179
Trading liabilities[1]	**278**	868	302
Deposits and other borrowings	**84,254**	81,006	78,154
Derivative financial instruments	**3,914**	4,321	8,228
Current tax liabilities	**193**	40	333
Other liabilities[1]	**2,899**	1,874	1,792
Bonds and notes	**19,385**	20,786	20,181
Subordinated debt	**550**	1,450	1,950
Total liabilities	**117,409**	118,205	120,359
Shareholders' equity			
Contributed equity – ordinary shares	**9,956**	9,056	4,056
Contributed equity – perpetual preference shares	**825**	375	-
Reserves	**27**	84	296
Retained profits	**2,520**	2,345	6,709
Total shareholders' equity	**13,328**	11,860	11,061

[1] Comparative balances have been restated to align with the presentation used in the current period. Refer to page 7 for further information.

Liabilities and equity 2024 vs 2023

Total liabilities decreased by $796 million or 0.7%, from $118,205 million in 2023 to $117,409 million in 2024, primarily driven by a decrease in due to central banks and other institutions of $1,201 million, a decrease in bonds and notes of $1,401 million, a decrease in subordinated debt of $900 million, a decrease in collateral received of $723 million and a decrease in trading liabilities of $590 million, partially offset by an increase in deposits and other borrowings of $3,248 million and an increase in other liabilities of $1,025 million.

Due to central banks and other institutions decreased by $1,201 million or 19.8%, from $6,080 million in 2023 to $4,879 million in 2024. This was mainly due to a decrease in repurchase agreements held with central banks of $1,214 million. Repurchase agreements with central banks include borrowing from the RBNZ Funding for Lending ("FLP") and RBNZ Term Lending Facility ("TLF") programs. These facilities are closed for drawdowns. See "Additional RBNZ facilities" on page 21 below for further information.

Collateral received decreased by $723 million or 40.6%, from $1,780 million in 2023 to $1,057 million in 2024, to meet derivative trading obligations.

Trading liabilities decreased by $590 million or 68.0%, from $868 million in 2023 to $278 million in 2024. This was primarily driven by a decrease in repurchase agreements with other institutions of $504 million.

Deposits and other borrowings increased by $3,248 million or 4.0%, from $81,006 million in 2023 to $84,254 million in 2024. This was driven by an increase in term deposits of $3,707 million and an increase in on-demand and short-term deposits of $1,357 million, partially offset by a decrease in deposits not bearing interest of $1,282 million.

Other liabilities increased by $1,025 million or 54.7%, from $1,874 million in 2023 to $2,899 million in 2024. This was primarily driven by an increase in securities purchased but not yet settled at the end of 2024.

Bonds and notes decreased by $1,401 million or 6.7%, from $20,786 million in 2023 to $19,385 million in 2024. This was primarily due to a net decrease in term debt issuances of $1,979 million and foreign currency translation of $470 million as the NZD appreciated against major foreign currencies, partially offset by an increase in fair value of $1,048 million due to decreases in interest rates.

Subordinated debt decreased by $900 million or 62.1%, from $1,450 million in 2023 to $550 million in 2024. This was due to the conversion of all the Perpetual Notes of $900 million into 762,750,000 ordinary shares in the Bank on October 20, 2023.

Total shareholders' equity increased by $1,468 million or 12.4%, from $11,860 million in 2023 to $13,328 million in 2024. This was mainly driven by an increase in share capital and an increase in retained earnings due to net profits for the period, offset by dividends paid of $1,325 million in 2024. On October 20, 2023, all the Perpetual Notes were converted to ordinary shares, resulting in the Bank's ordinary share capital increasing by $900 million. On August 21, 2024, the Bank issued perpetual preference shares to external investors resulting in the Bank's perpetual preference share capital increasing by $450 million.

Liabilities and equity 2023 vs 2022

Total liabilities decreased by $2,154 million or 1.8%, from $120,359 million in 2022 to $118,205 million in 2023, primarily driven by a decrease in derivative financial liabilities of $3,907 million and a decrease in collateral received of $1,399 million, partially offset by an increase in deposits and other borrowings of $2,852 million.

Due to central banks and other institutions decreased by $160 million or 2.6%, from $6,240 million in 2022 to $6,080 million in 2023. This was mainly due to an increase in repurchase agreements held with central banks of $1,138 million, partially offset by a decrease in deposit from controlled entity of ultimate parent of $972 million. Repurchase agreements with central banks include borrowing from the FLP and TLF programs; however, as at September 30, 2023, those facilities are closed for drawdowns. See "Additional RBNZ facilities" on page 21 below for further information.

Collateral received decreased by $1,399 million or 44.0%, from $3,179 million in 2022 to $1,780 million in 2023, to meet derivative trading obligations.

Deposits and other borrowings increased by $2,852 million or 3.6%, from $78,154 million in 2022 to $81,006 million in 2023. This was driven by an increase in term deposits of $6,676 million and an increase in deposits not bearing interest of $902 million, partially offset by a decrease in on-demand and short-

Results of Operations *continued*

term deposits of $3,281 million and a decrease in commercial paper of $1,371 million. This includes the impact of a product change of $2,408 million of interest bearing deposits from on-demand and short-term deposits to deposits not bearing interest in 2023.

Derivative financial liabilities decreased by $3,907 million or 47.5%, from $8,228 million in 2022 to $4,321 million in 2023. This was primarily driven by lower depreciation of the NZD against the USD in 2023 comparative to high market volatility in 2022 with sharp depreciation of the NZD against the USD in the month of September 2022.

Bonds and notes increased by $605 million or 3.0%, from $20,181 million in 2022 to $20,786 million in 2023. This was primarily due to a net increase in term debt issuances of $690 million.

Subordinated debt decreased by $500 million, from $1,950 million in 2022 to $1,450 million in 2023. This was due to redemption of the 2028-Subordinated Notes on May 8, 2023, prior to the scheduled maturity date of May 8, 2028.

Total shareholders' equity increased by $799 million or 7.2%, from $11,061 million in 2022 to $11,860 million in 2023. This was mainly driven by an increase in retained earnings due to net profits for the period, offset by ordinary dividends paid of $869 million in 2023. On March 30, 2023, the Bank paid a dividend of $5,000 million and issued 5,000 million ordinary shares to National Australia Group (NZ) Limited ("NAGNZ") at a subscription price of $1.00 per share under a dividend reinvestment plan, resulting in the Bank's ordinary share capital increasing by $5,000 million. On June 14, 2023, the Bank issued perpetual preference shares to external investors resulting in the Bank's perpetual preference share capital increasing by $375 million.

Results of Operations by Segments

For segment reporting purposes, the Banking Group is organized into two major reportable and operating segments: Partnership Banking, and Corporate and Institutional Banking. Reportable segments are disclosed on the basis that is used by management to assess performance, with adjusting entries in the Other Segment to reconcile to the NZ IFRS accounting treatment. The results of operations by segments are presented consistently across all periods. The tables on pages 13 to 15 herein show the results of operations by each segment for 2024, 2023 and 2022.

Partnership Banking

Partnership Banking provides financial products and services to retail, small and medium businesses (including agribusiness) and private customers.

	Banking Group		
Dollars in Millions	**2024**	2023	2022
Net interest income	**2,089**	2,142	1,915
Other income	**212**	223	234
Total operating income	**2,301**	2,365	2,149
Operating expenses[1]	**262**	264	256
Total operating profit before credit impairment charge and income tax expense	**2,039**	2,101	1,893
Credit impairment charge	**15**	128	43
Total operating profit before income tax expense	**2,024**	1,973	1,850
Income tax expense[1]	**565**	554	519
Net profit for the year	**1,459**	1,419	1,331

[1] Comparative balances have been reclassified to be consistent with the 2024 segment measures, where fixed costs within Operating expenses are no longer allocated to Partnership Banking and Corporate and Institutional Banking and are now recognized in the Other segment. As a result, an Operating expense reclassification was made to the Other segment of $697 million for 2023 and $613 million for 2022, which caused subsequent adjustments to Income tax expense and Net profit.

Partnership Banking results of operations 2024 vs 2023

Partnership Banking net profit after tax increased by $40 million or 2.8%, from $1,419 million in 2023 to $1,459 million in 2024. This was largely due to a decrease in credit impairment charges partially offset by a decrease in operating income.

Total operating income reduced by $64 million or 2.7%, from $2,365 million in 2023 to $2,301 million in 2024. This reduction was due to both lower net interest income and lower other income. Net interest income reduced despite balance sheet growth as net interest margin reduced. The decrease in other income was driven by a decrease in net card interchange and merchant income.

Operating expenses reduced by $2 million or 0.8%, from $264 million in 2023 to $262 million in 2024.

Credit impairment charge reduced by $113 million or 88.3%, from $128 million in 2023 to $15 million in 2024. This was due to a decrease in collectively assessed impairment charge relating to customers affected by severe weather events that occurred in New Zealand during January and February 2023.

Partnership Banking results of operations 2023 vs 2022

Partnership Banking net profit after tax increased by $88 million or 6.6%, from $1,331 million in 2022 to $1,419 million in 2023. This was largely due to an increase in operating income partially offset by an increase in operating expenses and credit impairment charges.

Total operating income increased by $216 million or 10.1%, from $2,149 million in 2022 to $2,365 million in 2023. This increase was due to higher net interest income supported by balance sheet growth and higher net interest margin. The decrease in other income is due to the removal and reduction of certain account fees and a decrease in net card interchange income, partially offset by an increase in line fees and service commitment fees on business lending products.

Operating expenses increased by $8 million or 3.1%, from $256 million in 2022 to $264 million in 2023. This was driven by salary increases and the impact of additional colleagues hired throughout 2022 and 2023 to support service and growth.

Credit impairment charge increased by $85 million or 197.7%, from $43 million in 2022 to $128 million in 2023. This was due to an increase in collectively assessed impairment charge mainly driven by the impact of customers affected by severe weather events that occurred in New Zealand during January and February 2023, along with an increase in individually assessed charge that was driven by a number of customers in the small and medium enterprise portfolio.

Results of Operations by Segments *continued*

Corporate and Institutional Banking

Corporate and Institutional Banking provides financial products and services to large corporate and institutional customers (including property and agribusiness).

	Banking Group		
Dollars in Millions	**2024**	2023	2022
Net interest income	**715**	696	543
Other income	**250**	264	272
Total operating income	**965**	960	815
Operating expenses[1]	**59**	61	60
Total operating profit before credit impairment charge and income tax expense	**906**	899	755
Credit impairment charge/(write-back)	**73**	(31)	2
Total operating profit before income tax expense	**833**	930	753
Income tax expense[1]	**234**	260	209
Net profit for the year	**599**	670	544

[1] Comparative balances have been reclassified to be consistent with the 2024 segment measures, where fixed costs within Operating expenses are no longer allocated to Partnership Banking and Corporate and Institutional Banking and are now recognized in the Other segment. As a result, an Operating expense reclassification was made to the Other segment of $148 million for 2023 and $106 million for 2022, which caused subsequent adjustments to Income tax expense and Net profit.

Corporate and Institutional Banking results of operations 2024 vs 2023

Corporate and Institutional Banking net profit after tax reduced by $71 million or 10.6%, from $670 million in 2023 to $599 million in 2024. This was largely driven by an increase in credit impairment charges in 2024 compared to a write-back in 2023.

Total operating income increased by $5 million or 0.5%, from $960 million in 2023 to $965 million in 2024. This increase was due to higher net interest income, partially offset by lower other income. The decrease in other income is largely due to lower customer risk management income.

Operating expenses reduced by $2 million or 3.3%, from $61 million in 2023 to $59 million in 2024.

Credit impairment charge/(write-back) increased by $104 million, from a write-back of $31 million in 2023 to a charge of $73 million in 2024. This was due to an increase in both collectively assessed impairment charge and individually assessed allowance for a small number of larger customers.

Corporate and Institutional Banking results of operations 2023 vs 2022

Corporate and Institutional Banking net profit after tax increased by $126 million or 23.2%, from $544 million in 2022 to $670 million in 2023. This was largely due to an increase in operating income and a reduction in credit impairment charges.

Total operating income increased by $145 million or 17.8%, from $815 million in 2022 to $960 million in 2023. This increase was due to higher net interest income supported by balance sheet growth and higher net interest margin. The decrease in other income is due to the removal and reduction of certain fees, partially offset by an increase in line fees and service commitment fees on business lending products.

Operating expenses increased by $1 million or 1.7%, from $60 million in 2022 to $61 million in 2023.

Credit impairment charge/(write-back) reduced by $33 million, from a charge of $2 million in 2022 to a write-back of $31 million in 2023. This reduction was driven by a write-back in individually assessed impairment charges for a small number of larger customers.

Results of Operations by Segments *continued*

Other Segment

Included in "Other Segment" in the table below are business activities that are not separately reportable segments; accounting differences between management and statutory financial reporting; and elimination entries on consolidation of the results of the Banking Group's controlled entities in the preparation of the consolidated financial statements of the Banking Group.

	Banking Group		
Dollars in Millions	**2024**	2023	2022
Net interest income	**105**	59	46
Gains less losses on financial instruments	**273**	245	251
Other income/(expense)	**(28)**	(132)	(130)
Total operating income	**350**	172	167
Operating expenses[1]	**1,071**	897	760
Total operating loss before credit impairment charge and income tax expense	**(721)**	(725)	(593)
Credit impairment charge	**58**	75	44
Total operating loss before income tax expense	**(779)**	(800)	(637)
Income tax expense/(benefit)[1]	**(227)**	(220)	(176)
Net loss for the year	**(552)**	(580)	(461)

[1] Comparative balances have been reclassified to be consistent with the 2024 segment measures, where fixed costs within Operating expenses are no longer allocated to Partnership Banking and Corporate and Institutional Banking and are now recognized in the Other segment. As a result, an Operating expense reclassification was made from Partnership Banking and Corporate and Institutional Banking, of $845 million for 2023 and $719 million for 2022, which caused subsequent adjustments to Income tax expense/(benefit) and Net loss.

Other Segment results of operations 2024 vs 2023

Net loss after tax for the Other Segment reduced by $28 million or 4.8%, from $580 million in 2023 to $552 million in 2024. This was largely driven by higher operating income and lower credit impairment charges, partially offset by higher operating expenses.

Net interest income increased by $46 million or 78.0%, from $59 million in 2023 to $105 million in 2024. This was mainly driven by higher interest earned on trading assets, partially offset by higher interest paid on bonds and notes and lower interest earned on cash and liquid assets.

Gains less losses on financial instruments increased by $28 million or 11.4%, from a gain of $245 million in 2023 to a gain of $273 million in 2024. This was mainly driven by favorable movement in fair value of hedging derivatives not designated in hedge relationships and gains on the unwind of cross currency basis spreads and interest rate movements on derivatives used to economically hedge foreign currency term debt issuances, partially offset by movement in credit risk adjustments on financial assets held at fair value and unfavorable movement in hedge ineffectiveness from derivatives designated in hedge relationships.

Other income/(expense) reduced by $104 million or 78.8%, from an expense of $132 million in 2023 to an expense of $28 million in 2024. This was mainly due to the gain on sale of BNZISL on 30 April 2024.

Operating expenses increased by $174 million or 19.4%, from $897 million in 2023 to $1,071 million in 2024. This increase was mainly driven by expenses related to the sale of BNZISL, higher software as a service and technology costs, higher personnel expenses, and higher amortization and depreciation costs.

Credit impairment charge reduced by $17 million or 22.7%, from $75 million in 2023 to $58 million in 2024. This was primarily driven by a decrease in collectively assessed impairment charges reflecting forward looking economic adjustments, combined with the non-repeat of a classification adjustment impact of credit risk adjustments on financial assets at fair value through profit or loss for a small number of large customers presented in credit impairment charges for the Corporate and Institutional Banking segment.

Other Segment results of operations 2023 vs 2022

Net loss after tax for the Other Segment increased by $119 million or 25.8%, from $461 million in 2022 to $580 million in 2023. This was largely driven by higher credit impairment charges and higher operating expenses, partially offset by higher operating income.

Net interest income increased by $13 million or 28.3%, from $46 million in 2022 to $59 million in 2023. This was mainly driven by higher interest earned on cash, liquid assets, and trading assets, partially offset by higher interest paid on bonds and notes.

Gains less losses on financial instruments decreased by $6 million or 2.4%, from a gain of $251 million in 2022 to a gain of $245 million in 2023. This was mainly driven by losses on cross currency basis spreads and interest rate movements on derivatives used to economically hedge foreign currency term debt issuances and unfavorable movement in fair value of hedging derivatives not designated in hedge relationships, partially offset by increases in trading gains on financial instruments and movement in credit risk adjustments on financial assets held at fair value.

Other income/(expense) increased by $2 million or 1.5%, from an expense of $130 million in 2022 to an expense of $132 million in 2023.

Operating expenses increased by $137 million or 18.0%, from $760 million in 2022 to $897 million in 2023. This increase was driven by non-repeat of provisioning for historical holiday pay remediation released in 2022, partially offset by non-repeat of 2022 separation costs following the sale of BNZ Life Insurance Limited, NAB's former insurance operation in New Zealand.

Credit impairment charge increased by $31 million or 70.5%, from $44 million in 2022 to $75 million in 2023. This increase was driven by an increase in forward looking adjustments partially offset by a decrease in economic adjustment.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Risk Management

Risk exists in all aspects of the Banking Group and the environment in which it operates. Risk is managed through the Banking Group's risk management framework. Forming part of the Banking Group's risk management strategy, this starts with the BNZ Board approved Strategy, Risk Appetite and Financial Plans. Risk appetite is translated and cascaded to the businesses qualitatively (through risk policies, standards and operating procedures) and quantitatively (through the Banking Group's risk limits, settings and decision authorities).

Compliance with the risk management framework is non-negotiable. Risk management accountabilities are allocated for risk ownership and functionally independent oversight and assurance using the Three Lines of Accountability Model as follows:

- first line: Management (who own and manage the risks, obligations and controls within their business in line with risk appetite);
- second line: Risk (who establish risk management frameworks and provide insight, review and challenge and set appetite); and
- third line: Internal Audit (who provide independent assurance).

BNZ is primarily regulated by the RBNZ and the Banking Group is subject to the prudential reporting requirements of APRA as part of the NAB Group.

The key risks faced by the Banking Group include:

- strategic risk;
- credit risk;
- market risk - trading;
- market risk - non-trading/banking positions, including interest rate risk in the banking book;
- liquidity risk;
- operational risk (including technology and cybersecurity risk);
- compliance risk;
- conduct risk; and
- sustainability risk.

Further details regarding the nature and extent of key risks faced by the Banking Group, and how these risks are managed, are outlined as part of this note. In addition, in connection with an offer of notes, an investor should carefully consider the risks set forth in or incorporated by reference into the applicable offering circular supplement.

The key risks are managed and overseen as part of the Banking Group's broader corporate governance structure and risk management framework as follows:

Board governance

The Banking Group's corporate governance structure provides guidance for effective decision making in all areas of the Banking Group through:

- strategic and operational planning;
- risk management and compliance;
- financial management and external reporting; and
- succession planning and culture.

The BNZ Board has ultimate responsibility to monitor and review the adequacy of the Banking Group's corporate governance practices (including risk management) and is supported by a number of committees. The Board Risk and Compliance Committee ("BRCC") supports the framework for risk management across the Banking Group. Further details on the role of BRCC are on page 33 herein.

Executive governance

At an executive level, risk is overseen by the CEO through the Executive Risk and Compliance Committee ("ERCC"), which leads management in respect of risk matters relating to culture, integrated governance processes, risk strategy and performance. ERCC refers any matters of significant importance to BRCC for its consideration and attention.

Internal audit function

The independent internal audit function operates under the authority of the Board Audit Committee ("BAC"). BAC assists the BNZ Board to fulfil its statutory and fiduciary responsibilities relating to accounting and financial controls, reporting systems and processes of the Banking Group and to oversee the internal audit function. Internal audit is a functionally independent and objective assurance function that assists BAC in discharging its duties and responsibilities to the BNZ Board. Further details on the role of BAC are on page 33 herein. The work performed provides independent assurance on BNZ's compliance with, and effectiveness of, the risk management framework.

It is the policy of BNZ's Board to maintain and support internal audit as an assurance function operating independently of executive and business unit management and with separate functional reporting lines. The internal audit function is under the control of the General Manager Internal Audit who has an independent functional reporting line to the Chair of BAC and informational reporting lines to BNZ's Managing Director and CEO, and BNZ's Chief Financial Officer. The suitability of these reporting lines will be assessed and considered as part of the General Manager Internal Audit's annual independence declaration.

A risk-based audit plan is compiled and approved by BAC annually. Audits are conducted to assess key business risks and internal control systems across the Banking Group throughout the year. The internal audit function reports to BAC quarterly and provides an update on progress relating to the approved audit plan.

The Banking Group has adopted the NAB Group Whistleblower Protection Policy. The General Manager Internal Audit is the custodian of the policy and will also receive information from any employee or officer of the Banking Group who wishes to disclose a relevant matter and will act on the information as appropriate.

External auditor and credit rating agencies

As part of their work in issuing an independent auditor's review report on the Banking Group's six month Disclosure Statement or an independent auditor's audit report on the Banking Group's year end Disclosure Statement, the Banking Group's external auditor, Ernst & Young, may review parts of the Banking Group's risk management framework that impact significant aspects of the financial systems, to the extent necessary to form their independent review or audit opinion. Credit rating agencies also conduct periodic reviews of the Banking Group's risk management approach and risk profile.

Risk Management *continued*

Management of risk types

The management of certain categories of risk is described below, but there are other types of risk which may adversely impact the Banking Group's reputation or future prospects, including its financial performance or position. Other risks include, but are not limited to:

- a loss of accreditation or regulatory or other licensing for the Banking Group's operations causing the loss of contracts, customers or market share;
- a failure to address existing or new environmental, governance or social issues;
- the development of new services or technology in competition with the Banking Group; and
- new legislation or regulation which impacts the products and services being offered by the Banking Group or adds to compliance costs.

Strategic risk

Strategic risk is the risk to earnings, capital, liquidity, funding and reputation arising from an inadequate response to changes in the external environment and the risk of failing to properly consider downstream impacts and achieve effective outcomes when executing material change programs.

Risk is a key consideration in the Banking Group's annual strategic planning process. The Banking Group prioritises and invests significant resources in the execution of initiatives that are aligned to its chosen strategy, including transformation and change programs. These programs primarily focus on customers, technology, digital and data assets, infrastructure, business improvement, cultural transformation, regulatory compliance and changes to associated controls, and may have dependencies on external suppliers or partners. Strategic risk is monitored via performance against the Banking Group's Risk Appetite Statement and review and challenge of initiatives established to deliver the Banking Group's strategy.

Credit risk

Credit risk is the risk that a customer will fail to meet their obligations to the Banking Group in accordance with agreed terms. Credit risk arises from both the Banking Group's lending activities and markets and trading activities.

Bank lending activities account for most of the Banking Group's credit risk, however other sources of credit risk also exist throughout the Banking Group. These activities include the banking book, the trading book, and other financial instruments and loans, as well as in the extension of commitments and guarantees and the settlement of transactions.

The Banking Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to existing or potential counterparties or customers, groups of related counterparties or groups of related customers, and to geographical and industry segments. Such risks are monitored on an ongoing basis and are subject to an annual or more frequent review.

Administration of the Banking Group's credit policies and procedures is the responsibility of the Risk division of the Banking Group. All loans are subject to a customer rating which estimates the probability of default derived from historical default data. There are monitoring procedures and systems in place to control exposures to individual customers, geographical and industry segments to ensure diversification and asset quality are maintained. Exposure to any one customer is further restricted by sub-limits covering on and off-balance sheet exposures, and daily settlement risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored on a daily basis. Individual lending authorities are allocated according to demonstrated skills, accreditation and experience. Consequences are in place for any breaches of these authorities.

Exposure to credit risk is managed through regular analysis of the ability of existing or potential counterparties, customers, groups of related counterparties or groups of related customers to meet interest and capital repayment obligations and by changing limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The Banking Group continuously monitors its credit risk to counterparties through the examination of key risk indicators such as irregular or delinquent accounts and early warning signals. In addition, the Strategic Business Services unit has specific responsibility for the management of accounts that have deteriorated in credit quality. These processes enable credit impairments to be identified at the earliest possible time. Allowances are raised based on an expected credit loss model in line with the requirements of NZ IFRS 9 *Financial Instruments*. Recoverable amounts for impaired assets take into account the current market value of collateral held and the realizability of securities.

Market risk - traded

Traded market risk is the risk of loss to the trading book from unfavorable movements in market variables such as interest rates or foreign exchange rates. Financial instruments designated as traded market risk include those which:

- are held for short term resale;
- are taken on by the Banking Group with the intention of benefitting in the short term from actual and/or expected differences between their buying and selling prices, or from other price or interest rate variations;
- arose from broking and market making; and
- are hedging a derivative valuation adjustment.

The trading activities of the Banking Group are carried out by BNZ Markets.

The types of market risk arising from these activities include interest rate, credit spread, foreign exchange, commodity and volatility risk.

Interest rate risk is the risk of the Banking Group's market operations and trading activities being exposed to changes in the value of securities and derivatives as a result of changes in interest rates.

Independent oversight of the Banking Group's traded market risk, including compliance with limits, is undertaken by the Market risk team, which reports through to the Chief Risk Officer. At an executive level, governance is provided by the Banking Group's Market Risk Committee, which is a subcommittee of the Banking Group's ERCC.

The Banking Group has adopted the NAB Group Traded Market Risk Policy, which sets out disciplines for all trading activities. This policy is approved by the NAB Board of Directors ("NAB Board") and approved by the BNZ Board for adoption by the Banking Group (as appropriate).

Risk Management *continued*

Market risk – non-traded/banking positions

Non-traded market risk includes all market risks which are not designated as traded market risk. Non-traded market risk largely consists of structural interest rate risk in the balance sheet arising from loans and deposits and also holdings of high quality liquid assets within the prudential asset portfolio. Non-traded market risk also includes funding and liquidity risk. The Banking Group has adopted non-traded market risk policies, including the NAB Group Liquidity Risk Policy and the NAB Group Capital Risk Policy. These policies are approved by the NAB Board and approved by the BNZ Board for adoption by the Banking Group (as appropriate).

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates, mortgage prepayment speeds and credit spreads. The Banking Group has exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Exposure to interest rate risk arises in respect of the following activities: borrowing from and lending to customers; borrowing to fund the Banking Group in both domestic and international wholesale debt markets; transacting in money market instruments such as government stock, bank bills, and commercial paper; foreign exchange instruments such as foreign exchange contracts; and derivative financial instruments such as swaps, options and futures.

Interest rate risk for non-traded market risk is measured, managed and monitored using the Value at Risk ("VaR") methodology and Earnings at Risk ("EaR") limits, complemented by cash flow analysis, basis point sensitivity and stress testing limits.

Similar to the methodology applied for traded market risk provided in "Market Exposures" on page 25 herein, VaR is calculated using the historic simulation method. Due to the generally longer holding period for non-traded products, the parameters applied differ. The key parameters for measuring non-traded market risk are as follows:

- 99% confidence level;
- three-month holding period;
- six years of historical data; and
- rate changes are absolute rather than proportional.

EaR is the potential accrual income loss over the next 12 months (the forecast period). VaR exposures are measured and reported weekly while EaR exposures are measured and reported monthly.

Liquidity risk

Liquidity risk is the risk that the Banking Group is unable to meet its financial obligations as they fall due. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of wholesale borrowings and loan capital as they mature, the payment of interest on borrowings and the payment of operational expenses and taxes. The liquidity associated with financial markets can be reduced substantially as a result of external economic or market events, market size or the actions of individual participants.

Maintaining adequate liquidity to meet current and future payment obligations at a reasonable cost is a core objective of the Banking Group. The Banking Group must also comply with APRA prudential and regulatory liquidity obligations as part of the NAB Group.

The following are types of liquidity risks:

- Intra-Day: Ability of the Banking Group to meet its intra-day collateral requirements in relation to its clearing and settlement obligations;
- Operational: Ability of the Banking Group to meet its refinancing requirements for a predefined period, e.g. up to 30 days; and
- Structural: Liquidity risk profile of the balance sheet to accommodate the Banking Group's strategic plan and risk appetite.

The Banking Group manages liquidity risk through a combination of positive cash flow management, the maintenance of portfolios containing high quality liquid assets and maintenance of a prudent funding strategy. The Banking Group undertakes a conservative approach by imposing internal limits that are in addition to regulatory requirements, including engaging in regulatory and internal thematic liquidity stress tests.

The BNZ Board has the ultimate responsibility to monitor and review the adequacy of the Banking Group's liquidity compliance and management framework, with the guidance of the Banking Group's BRCC. To aid in the fulfilment of its guidance responsibilities, BRCC receives recommendations from ERCC and regular reports on the Banking Group's liquidity management activity, risk limits and sensitivity metrics. The Banking Group's Asset, Liability and Capital Committee ("ALCCO") is responsible for approval and providing overview of the execution of the liquidity strategy and escalation of issues to ERCC.

Independent oversight of the Banking Group's non-traded market risk, including compliance with limits, is undertaken by the Balance Sheet and Liquidity risk team, which reports through to the Chief Risk Officer. At an executive level, governance is provided by ALCCO.

Operational risk

Operational risk is the risk of loss resulting from inadequate, ineffective or failed internal processes, actions and systems or external events. This includes legal risk but excludes strategic risk.

There are inherent risks within the Banking Group's operations due to the range of customers, products and services that the Banking Group provides, the multiple markets and channels these products and services are delivered through, third party providers the Banking Group partners with, and the reliability and resilience of BNZ's technology, which may be impacted by the complex technology environment, failure to keep technology systems up-to-date, an inability to restore or recover systems and data in acceptable timeframes, or a physical or cyber-attack.

Operational risk can also arise from external events such as biological hazards, climate change, natural disasters, cyber-attacks or acts of terrorism.

The Banking Group has adopted the NAB Group Risk Management Practices Framework, which sets out the principles for managing operational risks across the Banking Group. The Banking Group takes a proactive risk-based approach to the identification, assessment, management, reporting, assurance, review and challenge of risks and controls reflecting the Banking Group's risk appetite, strategic objectives and values. This ensures that end-to-end risks and obligations are understood and managed, and that the control environment is fit for purpose. Timely and accurate information on risks, issues and events is provided to enable prompt reporting and sustainable remedial action.

Risk Management *continued*

The primary roles of the Banking Group's Risk division in relation to operational risk are risk appetite setting, policy making, advisory and support, including monitoring, review, and challenge. The team also provides subject matter expertise and additional assistance to business units and identifies systemic trends across the business.

For the Banking Group's approach to calculating operational risk capital for the purpose of capital adequacy, refer to "Capital Adequacy" on page 21 herein.

The operational risk calculations are performed on an aggregate bank-wide basis, and the resultant capital is allocated across major business lines.

Compliance risk

Compliance risk is the risk of failing to understand and comply with relevant laws, regulations, licence conditions, supervisory requirements, self-regulatory industry codes of conduct and voluntary initiatives as well as the internal policies, standards, procedures and frameworks that support fair and equitable treatment of customers.

Compliance risk is managed through the Banking Group's Compliance Risk Management Framework and Compliance Obligation Management Policy which sets out the principles for managing compliance risk across the Banking Group.

The Banking Group has a fundamental duty to obey the law when delivering banking and financial services, and is committed to the fair treatment of customers, and maintaining open, constructive and transparent relationships with the Banking Group's regulators. The Banking Group therefore strives to maintain effective practices for compliance risk management to ensure compliance obligations are met. Timely identification, investigation, escalation, reporting and remediation of any instances of non-compliance is emphasized by the Banking Group.

Conduct risk

Conduct risk is the risk that a behavior, or action (or inaction) by either the Banking Group, or those acting on behalf of the Banking Group, does not lead to the appropriate outcome for the Banking Group's employees, customers, communities and other stakeholders.

Conduct risk is inherent in the Banking Group's business activities. It may arise intentionally or unintentionally from decisions and actions made during the execution of the Banking Group's business activities.

Conduct Risk is managed by leveraging policies, frameworks, processes and tools used for other material risk types, such as operational risk, compliance risk and through the Banking Group's Enterprise Conduct Risk Framework. At an executive level, governance and oversight of conduct risk and the conduct strategy resides with the Customer and Conduct Committee, a sub-committee of the Banking Group's ERCC.

Sustainability risk

Sustainability risk is the risk that Environmental, Social or Governance ("ESG") events or conditions negatively impact the risk and return profile, value or reputation of BNZ or its customers and suppliers or its ultimate parent company.

In relation to climate change risk, extreme weather, increasing weather volatility, and longer-term changes in climatic conditions, as well as other environmental impacts such as biodiversity loss and ecosystem degradation, may affect property and asset values or cause customer losses. The impact of these extreme weather events can be widespread, extending beyond primary producers to customers of BNZ who are suppliers to the agricultural sector, and to those who reside in, and operate businesses within, impacted communities.

Climate-related transition risks are also increasing as economies, governments and companies seek to transition to low-carbon alternatives and adapt to climate change. Customer segments may be adversely impacted as the economy transitions to renewable and low-emissions technology.

Physical and transition risk impacts may increase current levels of customer defaults and increase the credit risk facing the Bank, and adversely impact financial performance and position.

The New Zealand Financial Markets Conduct Act 2013 requires mandatory climate-related reporting by large publicly listed companies, large licensed insurers, large investment managers, large banks, large building societies and large credit unions. It requires the Bank, as a "climate reporting entity", to annually prepare and make public climate statements with disclosures on how BNZ is considering the climate-related risks and opportunities that climate change presents for its activities, in accordance with climate-related disclosure standards, issued by the External Reporting Board in December 2022.

Sustainability risk is managed by implementing policies, frameworks, processes and tools, including the Banking Group's Sustainability Risk Management Framework, and those used for other material risk types such as operational risk. At an executive level, governance and oversight of sustainability risk resides with the ESG Executive Committee, a sub-committee of ERCC.

Further details of the Banking Group's risk management policies are provided in "Market Exposures" on page 25 herein and Note 36 Risk Management of the Disclosure Statement for the year ended September 30, 2024.

Liquidity, Funding and Capital Resources

Liquidity and Funding

The Banking Group complies with the liquidity requirements of the banking regulators in New Zealand and Australia (in the case of Australia, due to its status as a subsidiary of NAB). Liquidity within the Banking Group is also managed in accordance with internal policies approved by the BNZ Board, with oversight from ALCCO.

The Banking Group's liquidity policies are designed to ensure that sufficient cash balances and liquid asset holdings are maintained to meet the Bank's obligations as they fall due, in both ordinary market conditions and during periods of stress. These obligations include the repayment of deposits on demand or at their contractual maturity dates, the repayment of borrowings and loan capital as they mature, the payment of operating expenses and taxation, the payment of dividends to shareholders, and the ability to fund new and existing loan and contractual commitments.

Liquid assets are defined by the willingness of the RBNZ to accept them as collateral.

The Banking Group's principal sources of liquidity are:

- marketable securities;
- interest and principal repayments received from customer loans;
- customer deposits;
- proceeds from commercial paper, certificates of deposit, bonds and notes;
- fee income;
- interest income and dividends from investments;
- security repurchase agreements with the RBNZ; and
- lending facilities.

The Banking Group holds sizeable balances of marketable treasury and other eligible bills and debt securities which could be disposed of to provide additional funding should the need arise. As at September 30, 2024, the Banking Group held $11,103 million (September 30, 2023: $9,143 million; September 30, 2022: $7,414 million)[1] of trading assets and $9 million (September 30, 2023: nil; September 30, 2022: nil) of investments in debt instruments. In addition, the Banking Group held $106,101 million (September 30, 2023: $101,778 million; September 30, 2022: $99,358 million)[1] of net loans and advances to customers, of which $30,310 million (September 30, 2023: $25,588 million; September 30, 2022: $24,950 million) is due to mature within one year. A proportion of these maturing customer loans will be extended in the normal course of business.

The Banking Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity concentration, investor type, investor location, jurisdiction and currency, on a cost effective basis.

The Banking Group's sources of funding include deposits and other borrowings which contain on demand and short term deposits, term deposits, and bank issued certificates of deposit. Of total liabilities as at September 30, 2024 of $117,409 million (September 30, 2023: $118,205 million; September 30, 2022: $120,359 million), funding from customer deposits and certificates of deposit amounted to $83,784 million (September 30, 2023: $80,089 million; September 30, 2022: $75,866 million) or 71.4% (September 30, 2023: 67.8%; September 30, 2022: 63.0%). Although a substantial portion of customer accounts are contractually repayable within one year, on demand, or on short notice, such customer deposit balances have provided a stable source of core long term funding for the Banking Group.

Deposits taken from central banks and other financial institutions of $4,879 million as at September 30, 2024 (September 30, 2023: $6,080 million; September 30, 2022: $6,240 million)[1] supplement the Banking Group's customer deposits. The Banking Group also accesses the domestic and international debt capital markets under its various funding programs. As at September 30, 2024, the Banking Group had on issue $19,935 million (September 30, 2023: $22,236 million; September 30, 2022: $22,131 million) of term debt securities (bonds, notes and subordinated debt) and $470 million (September 30, 2023: $917 million; September 30, 2022: $2,288 million) of commercial paper.

The net cash flow from operating activities in 2024 was an outflow of $916 million (2023: inflow of $1,953 million; 2022: outflow of $2,364 million)[1]. The movements in net cash flow from operating activities are primarily attributable to the timing of transactions. The Banking Group maintains a liquid asset portfolio and has the ability to access wholesale money markets and issue debt securities should the need arise. Overall, liquidity is considered sufficient to meet current obligations to customers and debt holders.

The Banking Group's funding programs as at September 30, 2024 are summarized in the table below. In addition to these programs, from time to time the Banking Group may issue capital securities that are in compliance with the RBNZ's capital adequacy standards.

Active Funding Programs

	Banking Group (2024)			
Dollars in Millions	Program Size	Amount Outstanding NZD	Issuing Entity	Principal Market
U.S. Commercial Paper Program – short term debt securities	USD10,000	155	BNZ[2]	Offshore U.S.-based
U.S. Commercial Paper Program – short term debt securities	USD10,000	315	BNZ-IF[3]	Offshore U.S.-based
Global Commercial Paper Program – short term debt securities	USD10,000	-	BNZ-IF[3]	Offshore non U.S.-based
Debt Issuance Program (certificates of deposit) - short term debt securities	Unlimited	1,500	BNZ	Domestic
Global Medium Term Note Program	USD100,000	9,962	BNZ and BNZ-IF[3]	Offshore
BNZ Covered Bond Program	NZD10,000[4]	5,325	BNZ[5]	Offshore and Domestic
Debt Issuance Program (medium term notes)	Unlimited	4,097	BNZ	Domestic

[2] The BNZ U.S. Commercial Paper Program was established on July 1, 2024.
[3] Securities issued by BNZ-IF are guaranteed by BNZ.
[4] The BNZ Covered Bond Program size increased from NZD7,000 million to NZD10,000 million on June 1, 2023.
[5] On May 25, 2021, BNZ-IF ceased to be an issuer under the BNZ Covered Bond Program, but some covered bonds issued by BNZ-IF remain outstanding. Covered bonds issued by BNZ and BNZ-IF are guaranteed as to the payments of all interest and principal by CBG Trustee Company Limited as trustee of the BNZ Covered Bond Trust. In addition, the payment of all amounts owing by BNZ-IF in respect of covered bonds issued by BNZ-IF is guaranteed by BNZ.

[1] Comparative balances have been restated to align with the presentation used in the current period. Refer to page 7 for further information.

Liquidity, Funding and Capital Resources

Liquidity and Funding *continued*

Internal residential mortgage-backed securities program

The BNZ RMBS Trust Series 2008-1 (the "RMBS Trust") provides an internal residential mortgage-backed securities ("RMBS") program. As at September 30, 2024, included within the Banking Group's loans and advances to customers were housing loans held by the RMBS Trust with a carrying amount of $14,681 million (September 30, 2023: $14,678 million; September 30, 2022: $14,745 million). These housing loans have not been derecognized by the Bank for financial reporting purposes as the Bank retains substantially all of the risks and rewards of ownership.

As at September 30, 2024, the Banking Group held RMBS of $15,000 million (September 30, 2023: $15,000 million; September 30, 2022: $15,000 million) of which $14,160 million (September 30, 2023: $14,160 million; September 30, 2022: $14,160 million) is eligible to be sold to the RBNZ under agreements to repurchase.

In accordance with the RBNZ's Liquidity Policy (BS13/BS13A), there is a limit on the amount of RMBS that can be considered as qualifying liquid assets eligible to be sold to the RBNZ under agreements to repurchase, with a maximum allowance of 5% of the Banking Group's total assets, giving a net balance of $6,503 million (September 30, 2023: $6,506 million; September 30, 2022: $6,394 million).

Additional RBNZ facilities

On May 26, 2020, the RBNZ made available a TLF to offer loans for a fixed term of three years at the rate of the Official Cash Rate ("OCR"). On August 20, 2020, the RBNZ announced it would extend the term to five years. The TLF has been closed for drawdowns since July 29, 2021. As at September 30, 2024, the Banking Group had repurchase agreements with the RBNZ with a value of $928 million (September 30, 2023: $1,142 million; September 30, 2022: $1,353 million) under the TLF.

On December 7, 2020, the RBNZ made available its FLP aimed at lowering the cost of borrowing for New Zealand businesses and households. The FLP allowed eligible participants to access three-year floating interest rate funding at the prevailing OCR, using qualifying collateral. The FLP has been closed for drawdowns since December 7, 2022. As at September 30, 2024, the Banking Group had repurchase agreements with the RBNZ with a value of $2,449 million (September 30, 2023: $3,449 million; September 30, 2022: $2,100 million) under the FLP.

The underlying collateral accepted by the RBNZ in relation to the TLF and FLP facilities as at September 30, 2024, are RMBS to the value of $4,412 million (September 30, 2023: $5,768 million; September 30, 2022: $4,195 million).

BNZ Covered Bond Program

The BNZ Covered Bond Trust (the "Covered Bond Trust") holds certain BNZ housing loans and its trustee guarantees the payment of all interest and principal under the covered bonds issued by BNZ and BNZ-IF. The assets of the Covered Bond Trust are not available to the Bank unless and until all prior ranking creditors of the Covered Bond Trust have been satisfied. As at September 30, 2024, included within the Banking Group's loans and advances to customers were housing loans with a carrying amount of $6,209 million held by the Covered Bond Trust (September 30, 2023: $7,595 million; September 30, 2022: $6,359 million). These housing loans have not been derecognized by the Bank for financial reporting purposes as the Bank retains substantially all of the risks and rewards of ownership.

Capital Resources

Capital Adequacy

The RBNZ minimum regulatory capital requirements for banks have been established under the RBNZ Capital Adequacy Framework, outlined in the "Banking Prudential Requirements" ("BPR") documents based on the international framework developed by the Bank for International Settlements, Committee on Banking Supervision, commonly known as Basel III. These requirements outline how minimum regulatory capital is to be calculated and provide methods for measuring risks incurred by the banks in New Zealand.

Basel III consists of three pillars – Pillar One covers the capital requirements for banks for credit, operational, and market risks. Pillar Two covers all other material risks that are not already included in Pillar One. Pillar Three relates to market disclosure.

RBNZ Capital Adequacy Framework

The Banking Group has calculated its Risk Weighted Assets ("RWA") and minimum regulatory capital requirements based on the BPR documents.

The RBNZ Capital Adequacy Framework allows accredited banks to use their own models for calculating RWA for credit risk; this is the Internal Ratings Based ("IRB") approach. Subject to a condition of registration requiring the Banking Group to meet minimum systems and governance requirements on a continuing basis, the Bank has been accredited to use the IRB approach for certain credit risk exposures. Under the IRB approach for credit risk, the level of risk associated with customers' exposures is determined by way of the primary components of Probability of Default, Loss Given Default and Exposure at Default. For exposures in the Specialized Lending asset category (including Project Finance, Object Finance, Commodity Finance and Income Producing Real Estate) the Banking Group uses supervisory slotting estimates provided by the RBNZ. From January 1, 2022, the Banking Group has complied with the RBNZ requirement that IRB banks calculate exposures to Bank and Sovereign asset classes using the prescribed standardized methodology in BPR131 *Standardised Credit Risk RWAs* ("BPR131").

Credit risk for portfolios of relatively low materiality for which the Bank has not sought model approval, and non-lending assets, are also subject to the standardized treatment.

From January 1, 2022, IRB banks have also been required to use the standardized calculation methodology set out in BPR131 to calculate the standardized equivalent RWA for each credit exposure subject to the IRB calculation methodology and, after multiplying by the scalar of 1.2 for exposures subject to the IRB approach and 1 for exposures subject to the standardized approach, apply a floor on the IRB exposures equal to 85% of the value of those RWA recalculated using the standardized methodology.

Capital requirement for market risk has been calculated in accordance with the approach specified in BPR140 *Market Risk*.

Capital requirement for operational risk has been calculated in accordance with the approach specified in BPR150 *Standardised Operational Risk*, subject to a minimum value of $600 million.

Capital management policies

The Banking Group's primary objectives in relation to the management of capital adequacy are to comply with the requirements set out by the RBNZ, the Banking Group's primary prudential supervisor, to provide a sufficient capital base to cover risks faced by the Bank and to maintain a credit rating to support future business development.

Capital Resources *continued*

The Banking Group is required under its Conditions of Registration to maintain a minimum ratio of total eligible or qualifying capital to total RWA of 9%, of which a minimum of 4.5% must be held in Common Equity Tier 1 capital and a minimum of 7% must be held in Tier 1 capital. The Banking Group must maintain a minimum prudential capital buffer ratio of 4.5% above these minimum ratios or it will face restrictions on the distribution of earnings, be required to prepare a capital plan that restores the Banking Group's buffer ratio and have that capital plan approved by the RBNZ.

The Banking Group has an Internal Capital Adequacy Assessment Process ("ICAAP") in place which complies with the requirements set out in BPR100 *Capital Adequacy* as specified under the Bank's Conditions of Registration. The Banking Group's ICAAP outlines the approach to maintaining capital adequacy, risk appetite and stress testing. The ICAAP considers all material risks consistent with the Banking Group's risk appetite and outlines the capital requirements.

Capital requirements, as detailed in the Banking Group's ICAAP document, are managed by the Bank's ERCC and ALCCO under delegated authority from the Board of Directors.

The tables included below and on the following pages detail the capital calculation, capital ratios and capital requirements as at September 30, 2024, September 30, 2023 and September 30, 2022. During the financial year ended September 30, 2024 the Banking Group complied with all of the RBNZ's capital requirements as set out in the Bank's Conditions of Registration.

Regulatory capital

The following table shows the qualifying capital for the Banking Group.

	Banking Group		
Dollars in Millions	**Unaudited 2024**	Unaudited 2023	Unaudited 2022
Qualifying capital			
Common Equity Tier 1 capital			
Contributed equity - ordinary shares	**9,956**	9,056	4,056
Retained profits	**2,520**	2,345	6,709
Accumulated other comprehensive income and other disclosed reserves	**24**	81	293
Deductions from Common Equity Tier 1 capital:			
Goodwill and other intangible assets	**540**	498	409
Cash flow hedge reserve	**63**	103	282
Credit value adjustment on liabilities designated at fair value through profit or loss	**(31)**	(31)	(37)
Prepaid pension assets (net of deferred tax)	**6**	6	6
Deferred tax asset	**345**	316	293
Total expected loss less total eligible allowances for impairment	**-**	-	-
Total Common Equity Tier 1 capital	**11,577**	10,590	10,105
Additional Tier 1 capital			
Perpetual Notes[1]	**-**	675	788
Contributed equity - perpetual preference shares	**825**	375	-
Total Additional Tier 1 capital	**825**	1,050	788
Total Tier 1 capital	**12,402**	11,640	10,893
Tier 2 capital			
Revaluation reserves	**3**	3	3
Subordinated Notes[2]	**550**	550	988
Total eligible impairment allowance in excess of expected loss	**348**	317	268
Total Tier 2 capital	**901**	870	1,259
Total Tier 1 and Tier 2 qualifying capital	**13,303**	12,510	12,152

[1] On October 20, 2023, all the Perpetual Notes were converted into 762,750,000 ordinary shares in the Bank. The Perpetual Notes were subject to phase-out in accordance with BPR110 *Capital Definitions* ("BPR110"). The phase-out, which commenced on January 1, 2022, took place until the conversion, with the maximum eligible amount of AT1 capital for these instruments declining by 12.5% each year. The base amount for phase-out was fixed at the nominal amount outstanding as at September 30, 2021 and amounted to $900 million.

[2] The 2031-Subordinated Notes of $550 million are not subject to phase-out in accordance with BPR110.

Banking Group Basel III regulatory capital ratios

The table below shows the capital adequacy ratios for the Banking Group based on BPR, expressed as a percentage of total risk-weighted exposures.

	Banking Group			
	Regulatory Minima 2024	**Unaudited 2024**	Unaudited 2023	Unaudited 2022
Common Equity Tier 1 capital ratio	**4.5%**	**13.9%**	13.3%	12.8%
Tier 1 capital ratio	**7.0%**	**14.9%**	14.6%	13.8%
Total qualifying capital ratio	**9.0%**	**16.0%**	15.7%	15.4%
Prudential capital buffer ratio	**4.5%**	**7.0%**	7.7%	7.4%

Capital Resources *continued*

Total regulatory capital requirements

	Banking Group								
Dollars in Millions	**Total Exposure at Default after Credit Risk Mitigation Unaudited 2024**	**Risk-Weighted Exposure or Implied Risk-Weighted Exposure Unaudited 2024**	**Total Capital Require-ment Unaudited 2024**	Total Exposure at Default after Credit Risk Mitigation Unaudited 2023	Risk-Weighted Exposure or Implied Risk-Weighted Exposure Unaudited 2023	Total Capital Require-ment Unaudited 2023	Total Exposure at Default after Credit Risk Mitigation Unaudited 2022	Risk-Weighted Exposure or Implied Risk-Weighted Exposure Unaudited 2022	Total Capital Require-ment Unaudited 2022
Credit risk									
Exposures subject to the internal ratings based approach[1]	**110,283**	**50,439**	**4,540**	114,968	50,850	4,069	111,677	43,583	3,487
Specialized lending subject to the slotting approach[1]	**6,875**	**7,636**	**687**	6,995	7,746	620	7,883	7,303	584
Exposures subject to the standardized approach[1]	**21,050**	**3,152**	**284**	25,846	3,343	267	20,614	2,631	211
Equity exposures[1]	**1**	**6**	**1**	1	5	-	1	5	-
Credit value adjustment subject to BPR	**N/A**	**466**	**42**	N/A	472	38	N/A	1,346	108
Adjustment for standardized RWA floor[2]	**N/A**	**5,738**	**516**	N/A	2,697	216	N/A	10,704	856
Total credit risk	**138,209**	**67,437**	**6,070**	147,810	65,113	5,210	140,175	65,572	5,246
Operational risk	**N/A**	**11,738**	**939**	N/A	10,325	826	N/A	9,138	731
Market risk	**N/A**	**3,948**	**316**	N/A	4,308	345	N/A	4,212	337
Total	**138,209**	**83,123**	**7,325**	147,810	79,746	6,381	140,175	78,922	6,314

[1] In calculating the total capital requirement, a scalar has been applied to the RWA, as required by the RBNZ in accordance with the Bank's Conditions of Registration.

[2] The Banking Group's IRB RWA (after multiplying by the scalar) are subject to a floor equal to 85% of the value of those RWA recalculated using the standardized methodology.

Additional information on the capital adequacy of the Banking Group is detailed in the capital adequacy note of the Disclosure Statements for the periods specified.

Contractual Obligations by Maturity

The table below sets out the amounts and maturities of the Banking Group’s contractual obligations for bonds, notes and subordinated debt, and lease liabilities. It excludes deposits and other liabilities taken in the normal course of banking business and short term liabilities.

	Banking Group (2024)				
Dollars in Millions	Up to 1 Year	Over 1 Year and up to 3 Years	Over 3 Years and up to 5 Years	Over 5 Years	Total
Bonds, notes and subordinated debt[3]	**3,304**	**6,224**	**9,004**	**1,403**	**19,935**
Lease liabilities	**32**	**50**	**39**	**347**	**468**
Total contractual obligations	**3,336**	**6,274**	**9,043**	**1,750**	**20,403**

[3] For the purpose of this disclosure, the amounts show the contractual maturity distribution of the carrying value of the Banking Group’s bonds, notes and subordinated debt. Refer to Note 23 Subordinated Debt in BNZ's Disclosure Statement for the year ended September 30, 2024 for further information.

Capital Resources *continued*

Contingent Liabilities and Credit Related Commitments

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Where loss is probable and can be reliably measured, provisions have been made. Contingent liabilities are not recognized on the balance sheet, but are disclosed unless the likelihood of payment is remote.

The Banking Group is exposed to contingent risks and liabilities arising from conduct of its business, including:

- actual and potential disputes, claims and legal proceedings;
- investigations into past conduct, including actual and potential regulatory breaches, carried out by regulatory authorities;
- internal investigations and reviews into past conduct, including actual and potential regulatory breaches, carried out by or on behalf of the Banking Group; and
- contracts that involve giving contingent commitments such as warranties, indemnities or guarantees.

On April 30, 2024, the Bank completed the sale of BNZISL to FirstCape Limited (“FirstCape”). Refer to Note 25 Related Party Disclosures of the Disclosure Statement for the year ended September 30, 2024, for further information. Under the sale agreement, the Bank has provided certain warranties and indemnities in favour of FirstCape, under which BNZ may be liable to FirstCape. The potential outcome and total costs associated with such warranties and indemnities remain uncertain.

The Banking Group has received information requests from its regulators as part of both industry and bank-specific reviews being undertaken, and the Banking Group has also initiated contact with its regulators on compliance-related matters. The scope of reviews, inquiries and investigations can be wide-ranging and may relate to, or have related in recent years to, a range of matters, including anti-money laundering (“AML”) and countering financing of terrorism (“CFT”) compliance issues. These matters can result in enforcement proceedings, fines and other financial penalties, as well as customer remediation programs.

There are contingent liabilities in respect of all such matters. Such matters are often highly complex and uncertain. Where appropriate, provisions have been made. The aggregate potential liability of the Banking Group in relation to these matters cannot be accurately assessed.

Bank guarantees, letters of credit and credit related commitments arising in respect of the Banking Group’s operations were:

	Banking Group		
Dollars in Millions	**2024**	2023	2022
Bank guarantees and letters of credit			
Bank guarantees	**423**	414	473
Standby letters of credit	**278**	317	356
Documentary letters of credit	**150**	106	254
Performance related contingencies	**1,527**	1,417	1,167
Total bank guarantees and letters of credit	**2,378**	2,254	2,250
Credit related commitments			
Revocable commitments to extend credit	**6,242**	7,452	5,904
Irrevocable commitments to extend credit	**14,326**	14,217	14,433
Total credit related commitments	**20,568**	21,669	20,337
Total bank guarantees, letters of credit and credit related commitments	**22,946**	23,923	22,587

Derivatives and Market Exposures

All derivatives are recognized on the balance sheet at fair value on trade date and are classified as trading except where they are designated in a qualifying effective hedge relationship. The carrying value of a derivative is remeasured at fair value throughout the life of the contract. Derivatives are carried as assets when the fair value is positive and liabilities when the fair value is negative. The fair value of derivative financial instruments is obtained from quoted market prices, discounted cash flow models or option pricing models as appropriate.

Derivative financial instruments

Dollars in Millions	**Fair Value Assets 2024**	**Fair Value Liabilities 2024**	Fair Value Assets 2023	Fair Value Liabilities 2023	Fair Value Assets 2022	Fair Value Liabilities 2022
Trading derivatives (including economic hedges)	**3,544**	**3,198**	4,403	3,923	8,786	7,748
Hedging derivatives	**200**	**716**	399	398	754	480
Total derivative financial instruments	**3,744**	**3,914**	4,802	4,321	9,540	8,228

For details of trading and hedging derivative financial instruments, refer to Note 13 Derivative Financial Instruments of the Disclosure Statement for the year ended September 30, 2024.

Market Exposures

The Banking Group offers a range of financial products, including derivatives, in connection with which the Bank has deemed it has the expertise in the relevant market and infrastructure to support management processes. Executing this strategy may result in market risk for the Banking Group, which is the risk of financial loss from unfavorable movements in market variables such as interest or foreign exchange rates. The Banking Group's activities involve the use of financial instruments to mitigate market risk or selectively position for favorable movements.

Financial instruments designated as traded market risk include those which:

- are held for short term resale;
- are taken on by the Banking Group with the intention of benefiting in the short term from actual and/or expected differences between their buying and selling prices, or from other price or interest rate variations;
- arose from broking and market making; and
- are hedging a derivative valuation adjustment.

The trading activities of the Banking Group are carried out by BNZ Markets.

The types of market risk arising from these activities include interest rate, credit spread, foreign exchange, commodity and volatility risk.

Independent oversight of the Banking Group's traded market risk, including compliance with limits, is undertaken by the Market risk team, which reports through to the Chief Risk Officer. At an executive level, governance is provided by the Banking Group's Market Risk Committee, which is a subcommittee of the Banking Group's ERCC.

All trading activities are subject to the disciplines prescribed in the NAB Group Traded Market Risk Policy which is approved by the NAB Board, and approved by the BNZ Board for adoption by the Banking Group (as appropriate).

Objectives and limitations of the VaR methodology

VaR is an estimate of potential loss resulting from shifts in market variables such as interest rates, foreign exchange rates, traded credit spreads, option volatility and commodity prices. The estimate is calculated on an entire trading portfolio basis, which includes all financial instruments and derivatives.

VaR is calculated using the historical simulation method. This method involves multiple revaluations of the trading books using 550 days of historical pricing shifts. The pricing data is updated daily so as to have the most recent 550 day history of prices. The results are ranked and the loss at the 99th percentile confidence level identified. The calculation and rate shifts used assume a one-day holding period for all positions. This means there is a 99% chance that the loss will not exceed the VaR estimate on any given day.

The use of a VaR methodology has limitations, which include:

- the historical data used to calculate VaR is not always an appropriate proxy for current market conditions. If market volatility or correlation conditions change significantly, losses may occur more frequently and to a greater magnitude than the VaR measure suggests;
- the VaR methodology assumes that positions are held for one day and may underestimate losses on positions that cannot be hedged or reversed inside that timeframe;
- VaR is calculated on positions at the close of each trading day and does not measure risk on positions taken and closed before the end of each trading session; and
- VaR does not describe the directional bias or size of the positions generating the risk.

VaR estimates are checked against profit/loss via backtesting for reasonableness and to assess the continued relevance of the model assumptions.

Derivatives and Market Exposures

Market Exposures *continued*

The following table shows the Banking Group VaR for the trading portfolio, including both physical and derivative positions:

	Banking Group					
	As At			Average Value During Year		
Dollars in Millions	**2024**	2023	2022	**2024**	2023	2022
VaR at a 99% confidence level						
Foreign exchange risk	**0.13**	0.17	0.46	**0.28**	0.44	0.33
Interest rate risk	**1.75**	1.63	1.73	**1.96**	2.21	2.81
Volatility risk	**0.01**	0.01	0.03	**0.01**	0.01	0.03
Credit spread risk	**0.73**	0.86	0.85	**0.36**	0.58	0.46
Diversification benefit	**(0.75)**	(0.64)	(1.19)	**(0.57)**	(0.86)	(0.49)
Total VaR for physical and derivative positions	**1.87**	2.03	1.88	**2.04**	2.38	3.14

VaR is measured individually for foreign exchange risk, interest rate risk, volatility and credit spread risk.

Due to the limitations of the measure, VaR is supplemented with stress testing which is reported daily and also by other measures such as foreign exchange limits, basis point sensitivity limits, stop loss limits and profit/loss referral levels.

Industry and Regulation

Supervisory Role of the RBNZ

The BPS Act requires the RBNZ to exercise its powers of registration of banks and prudential supervision of registered banks for the purposes of:

- promoting the maintenance of a sound and efficient financial system; or
- avoiding significant damage to the financial system that could result from the failure of a registered bank.

The RBNZ's policy on the registration of banks aims to ensure that only financial institutions of appropriate standing and repute are able to become registered banks. Subject to this requirement, the RBNZ has stated that in order to encourage competition in the banking system it intends to keep to a minimum any impediments to the entry of new registered banks.

The RBNZ's supervisory functions are aimed at encouraging the soundness and efficiency of the financial system as a whole and are not aimed at preventing individual bank failures or at protecting creditors. The RBNZ encourages this by drawing on and enhancing disciplines that are naturally present in the market.

The RBNZ places considerable emphasis on a requirement that the banks disclose information about financial performance and risk positions, and on a requirement that directors regularly attest to certain key matters. These measures are intended to strengthen market disciplines and to ensure that responsibility for the prudent management of banks lies with those who the RBNZ considers are best placed to exercise that responsibility – the directors and management.

The main elements of the RBNZ's supervisory role include:

- requiring all banks to comply with certain minimum prudential requirements, which are applied through their conditions of registration. These include constraints on connected exposures, minimum capital adequacy requirements and minimum standards for liquidity risk management;
- monitoring each registered bank's financial condition and compliance with its conditions of registration, principally on the basis of published half-yearly disclosure statements and monthly reporting submitted privately to the RBNZ. This monitoring is intended to ensure that the RBNZ maintains familiarity with the financial condition of each bank and the banking system as a whole, and maintains a state of preparedness to invoke crisis management powers should this be necessary;
- engaging with the senior management and independent directors of registered banks;
- using crisis management powers available to it under the BPS Act to intervene where a bank distress or failure situation threatens the soundness of the financial system;
- assessing whether a bank is carrying on business prudently;
- issuing guidelines on overseeing banks' compliance with AML and CFT requirements;
- monitoring banks' outsourcing arrangements to determine whether a registered bank's management of risks associated with outsourcing is appropriately managed;
- issuing guidelines on banks' internal capital adequacy process and liquidity policy;
- issuing guidelines on corporate governance; and
- maintaining close working relationships with parent bank supervisors (such as APRA in Australia) on bank-specific issues, policy issues and general matters relating to the condition of the financial system in New Zealand and in the countries where parent banks are domiciled.

New Zealand registered banks are required to issue half-yearly disclosure statements that contain comprehensive corporate details, together with full financial statements at the full year, and unaudited interim financial statements at the half-year. The financial statements are subject to a full external audit at the end of each financial year and a limited scope review at the end of each financial half-year. The disclosure statements must be signed by each bank director or by each director's agent authorized in writing to do so. Each director must also make certain attestations. A bank and its directors may incur criminal and civil penalties if the bank's disclosure statement contains information that is held to be false or misleading.

The RBNZ publishes a quarterly "dashboard" of key information on New Zealand registered banks on the RBNZ's website. The dashboard aims to improve the ability of the public and market participants to understand and act on information about such banks' financial strength and risk profile. The information is sourced from private reporting that banks provide to the RBNZ.

The RBNZ also requires all registered banks to obtain and maintain a credit rating from an approved organization and publish that rating in their quarterly dashboard and half-yearly disclosure statements.

In addition, the RBNZ has wide-reaching powers to obtain further information, data and forecasts in connection with its supervisory functions, and to require that information, data, and forecasts be audited.

The RBNZ also possesses a number of crisis management powers. Those powers include recommending that a bank's registration be cancelled, investigating the affairs of a registered bank, requiring that a registered bank consult with the RBNZ, giving directions to a registered bank, removing, replacing or appointing a director of a registered bank or recommending that a registered bank be subject to statutory management. In addition, the RBNZ requires the bank to maintain processes for overnight operational separation from a parent bank on direction of the RBNZ under their crisis management powers.

If a registered bank is declared to be subject to statutory management, no person may, among other things:

- commence or continue any action or other proceedings including proceedings by way of counterclaim against that bank;
- issue any execution, attach any debt, or otherwise enforce or seek to enforce any judgment or order obtained in respect of that bank;
- take any steps to put that bank into liquidation; or
- exercise any right of set off against that bank.

As part of the RBNZ's supervisory powers, a person must obtain the written consent of the RBNZ before giving effect to a transaction resulting in that person acquiring or increasing a "significant influence" over a registered bank. "Significant influence" means the ability to appoint 25% or more of the board of directors of a registered bank or a qualifying interest (for example, legal or beneficial ownership) in 10% or more of the bank's voting securities.

In assessing applications for consent to acquire a significant influence over a registered bank, the RBNZ has stated that it will have regard to the same matters as are relevant in assessing an application for registration as a registered bank. In giving its consent, the RBNZ may impose such terms and conditions as it deems fit.

For the Banking Group's conditions of registration, refer to the Disclosure Statement for the year ended September 30, 2024. Subsequent changes to, and instances of material non-compliance with, the Banking Group's conditions of registration during a reporting period are set out in the Disclosure Statement for that period.

Industry and Regulation

Overview of the New Zealand Financial System

The RBNZ publishes a semi-annual Financial Stability Report, in which it assesses and reports on the soundness and efficiency of the New Zealand financial system. The following section is an excerpt from the most recent RBNZ Financial Stability Report ("RBNZ Report") that was released on November 5, 2024. The information in this section has been accurately reproduced from the summaries introducing a number of sections in the RBNZ Report and as far as the Banking Group is aware and is able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading. For more information, please see the full RBNZ Report, which is available from the RBNZ's website at https://www.rbnz.govt.nz/financial-stability/financial-stability-report.

"Chapter 1
Financial stability risk and policy assessment
Financial stability risks remain contained as we near the bottom of the economic cycle. In this chapter, we summarise global and domestic economic developments, noting a more severe economic downturn is a risk. Then we step through the impacts on households and businesses. We focus on the sectors banks have significant exposures to, like agriculture. We explain why banks are well placed to deal with potential losses. Finally, we note our policy priorities."

"Chapter 2
Special topics
This chapter covers topical issues relevant to financial stability in New Zealand. In this Report, we cover the following:

1. Exploring vulnerabilities through reverse stress testing
   - Stress testing assesses the resilience of banks and insurers to severe but plausible risks, including economic downturns. The results of stress tests help us monitor financial stability and inform our policy decisions. They also help entities manage risk, set capital and liquidity buffers, and improve recovery planning. In 2024 our solvency stress testing exercise for banks was a reverse stress test.
2. Update on the housing market
   - New Zealand house prices have seen rapid growth and decline in recent years. After a run-up in prices and sales over the first two years of the pandemic, the market experienced broad-based price declines followed by a period of stabilisation. The drivers of this volatility were large changes in monetary policy (interest rates), government policy changes, population growth trends and new housing supply.
   - Houses and land account for most of New Zealand households' wealth, and home loans make up over 60 percent of bank lending. The sustainability of house prices and the risk of correction therefore matter for financial stability.
   - When house prices are well above sustainable levels, this raises the risk of a sharp correction leading to significant losses on banks' mortgage lending. A stable financial system is critical for long-term economic growth and the well-being of New Zealanders.
3. Developments in financing channels outside the prudentially regulated sector
   Key points
   - Lessons from the Global Financial Crisis (GFC) led to a significant tightening in global banking regulation. This has supported a greater role for non-bank lenders and private capital (equity and credit) funds in providing financing internationally.
   - At the same time, the number of companies that source finance by listing on public equity markets has declined in many countries, including New Zealand.
   - Private capital markets provide benefits through broadening access to capital and enhancing competition and efficiency in funding markets. They also diversify the sources of credit available in the economy.
   - While private capital provides benefits, overseas regulators have highlighted some potential financial stability risks, including the low transparency of their activities and the complex lending exposures they create for the banking system.
   - In New Zealand, financial stability risks from the private capital sector are still low, due to its small size and limited exposure of the banking sector.
   - We will continue to monitor global developments in the private capital sector and the potential risks to financial stability in New Zealand."

"Chapter 3
Regulatory developments
Our work on implementing the Deposit Takers Act 2023 (DTA) is continuing at pace. This will ultimately strengthen New Zealand's financial system. Meanwhile, we continue to deliver prudential functions through ongoing regulatory stewardship, supervision and enforcement activity.

This chapter provides an update on recent policy and supervisory developments in the deposit-taking and insurance sectors."

"Chapter 4
Institutional resilience
New Zealand's financial system remains resilient to a range of shocks. Solvency is strong as banks continue to build capital buffers. Holdings of liquid assets remain high but are coming down as COVID-era funding winds down. Bank profitability has eased slightly, as funding costs have increased and banks have increased provisioning in anticipation of higher credit impairments. The resilience of non-bank deposit takers varies, and some will face challenges due to their lack of scale. General insurers' profitability has benefited from low claims relating to large catastrophes, but life and health insurers face weak premium growth as cost-of-living pressures reduce insurance demand. Financial market infrastructures continue to function effectively, and were resilient to recent IT disruptions."

Our Business

Overview

BNZ is a registered bank incorporated in New Zealand on July 29, 1861 and its address for service of process is Level 4, 80 Queen Street, Auckland 1010, New Zealand.

The Banking Group provides a broad range of banking and financial products and services to retail, business, private, corporate and institutional customers (including property and agribusiness). The New Zealand Government became a shareholder in BNZ in 1904, BNZ was nationalized in 1945 and BNZ returned to a private shareholding in 1987. In 1992, BNZ became a subsidiary of the NAB Group when the NAB Group purchased the ordinary shares and convertible preference shares of BNZ.

The Banking Group's business is organized into two major reportable and operating segments: Partnership Banking; and Corporate and Institutional Banking. Partnership Banking provides financial products and services to retail, small and medium businesses (including agribusiness) and private customers. Corporate and Institutional Banking provides financial products and services to large corporate and institutional customers (including property and agribusiness).

During the current and preceding financial year, there have been no public takeover offers by third parties in respect of the Banking Group's shares or by the Banking Group in respect of other companies' shares, and there have been no material contracts outside of the ordinary course of business.

Geographical Revenue Information

The Banking Group has operations primarily in New Zealand. BNZ and BNZ-IF issue debt securities outside of the New Zealand domestic market as part of BNZ's offshore funding program. Geographical revenue information is based on the location of the office in which the transactions were recorded. Geographical revenue information is available in the table below.

	Banking Group		
Dollars in Millions	**2024**	2023	2022
Revenue by geographic market			
New Zealand	**3,616**	3,497	3,131
Outside of New Zealand	**-**	-	-
Total revenue	**3,616**	3,497	3,131

Organizational Structure

BNZ is the holding company for the Banking Group, as well as the main operating company.

BNZ is wholly owned by NAGNZ, which is the immediate parent of BNZ. The ultimate parent bank of BNZ is NAB.

On April 30, 2024, the Bank completed the sale of BNZISL to FirstCape, at which point BNZISL ceased to be a wholly owned controlled entity of the Bank. The ultimate holding company of FirstCape is FirstCape Group Limited ("FirstCape Group"). FirstCape Group is jointly owned by NAGNZ, Jarden Wealth and Asset Management Holdings Limited, and funds advised by Pacific Equity Partners, and is a related entity of the Banking Group.

Number of Employees

	Banking Group				
	As at			Change	
	2024	2023	2022	2024 vs 2023	2023 vs 2022
Number of full-time equivalent employees	**5,286**	5,400	5,246	(114)	154

The number of full-time equivalent employees within the Banking Group has decreased by 114 or 2.1% from 2023 to 2024, primarily attributable to simplification of the business, partially offset by the continuation of the alignment of roles to the Bank's strategic initiatives.

BNZ and the New Zealand trade union which represents New Zealand finance industry workers ("FIRST Union") have a current collective agreement in place that applies to FIRST Union members for a period of two years (until October 31, 2025). There are presently no significant employment disputes between BNZ and any of its union-member employees or between BNZ and FIRST Union.

Related Party Disclosures

During the financial year ended September 30, 2024, there have been dealings between the Bank and its related entities (including its ultimate parent, NAB, other members of the NAB Group and controlled entities of the Bank) as well as other related parties (including key management personnel, their close family members and their controlled entities).

BNZ provides a range of services to related entities including the provision of banking facilities. These transactions are subject to commercial terms and conditions. BNZ provides some accounting administration and banking services to controlled entities for which fees may be charged.

Dealings with the NAB Group included on-balance sheet activities such as funding and accepting deposits and other activities such as foreign exchange and interest rate derivative transactions.

As at September 30, 2024, no provisions have been recognized in respect of loans provided to related entities (September 30, 2023: nil; September 30, 2022: nil). No debts with any of the related entities were written off or forgiven during the year ended September 30, 2024 (year ended September 30, 2023: nil; year ended September 30, 2022: nil).

Details of other transactions with related entities are outlined in Note 25 Related Party Disclosures of the Disclosure Statement for the year ended September 30, 2024.

	Banking Group		
Dollars in Millions	**2024**	2023	2022
Balances with related entities			
Cash and liquid assets	**27**	37	194
Collateral paid	**188**	-	-
Trading assets	**1,515**	781	-
Derivative financial instruments	**1,403**	1,879	3,997
Loans and advances to customers	**48**	9	12
Other assets[1]	**34**	65	71
Total due from related entities	**3,215**	2,771	4,274
Due to central banks and other institutions	**69**	116	1,080
Collateral received	**-**	309	1,045
Trading liabilities	**35**	420	-
Derivative financial instruments	**1,690**	1,647	3,112
Other liabilities[1]	**363**	157	88
Subordinated debt	**550**	1,450	1,950
Total due to related entities	**2,707**	4,099	7,275

[1] Included in Other assets and Other liabilities are securities sold not yet settled with NAB and securities purchased not yet settled with NAB. Comparative balances have been restated.

Management

BNZ Board

Composition of BNZ Board

As at September 30, 2024, the members of the BNZ Board were as follows:

Name	Position
Warwick Ean Hunt	Independent Non-Executive Director, Chair
Daniel James Huggins	Managing Director and Chief Executive Officer
Godfrey Lester Boyce	Independent Non-Executive Director
Barbara Joan Chapman	Independent Non-Executive Director
Emma Elaine Gray	Independent Non-Executive Director
Kevin John Kenrick	Independent Non-Executive Director
Linley Ann Wood	Independent Non-Executive Director
Nathan Laurence Goonan	Non-Executive Director

Douglas Alexander McKay retired as a Non-Executive Director of BNZ and Chair of the BNZ Board, effective May 31, 2024.

The BNZ Board appointed Warwick Ean Hunt as Chair of the BNZ Board, effective June 1, 2024. On October 25, 2024, NAB announced Mr. Hunt's appointment as an Independent Non-Executive Director of NAB, effective December 2, 2024.

Godfrey Lester Boyce was appointed as an Independent Non-Executive Director of BNZ, effective August 1, 2024.

As at September 30, 2024, except as detailed in the paragraph below, no conflicts of interest and no potential conflicts of interest existed between any duties owed to BNZ by the members of the BNZ Board listed above and their private interests or duties outside of the Banking Group.

Ms. Wood is a director of Chubb Life Insurance New Zealand Limited. As at September 30, 2024, BNZ contracted with Chubb Life Insurance New Zealand Limited for the provision of insurance products and services.

The BNZ Board receives regular management reports, both directly and through its committees, which may contain sensitive information. BNZ has a Board Operating Policy Standard which sets out the process for the management of any conflicts of interest that may arise. Further details are provided under "BNZ Constitution" on page 35.

The BNZ Board has adopted a Board Charter which sets out the BNZ Board's purpose, powers and responsibilities.

Warwick Hunt, MNZM, FKC
FCA, B.Acc (University of the Witwatersrand, Johannesburg)
Warwick Hunt was appointed as an independent non-executive director of BNZ in November 2022 and was appointed Chair of the BNZ Board on June 1, 2024.

Mr. Hunt is a chartered accountant and brings extensive experience in the leadership and governance of large professional services organizations. Mr. Hunt served as Territory Senior Partner of PricewaterhouseCoopers ("PwC") New Zealand from 2003 – 2009, PwC Middle East from 2009 – 2013, and then Managing Partner of PwC United Kingdom, Europe, Middle East and Africa until 2022.

Mr. Hunt has provided advisory services to market leading organizations in the United Kingdom, Europe, Middle East and Africa, and Australasia working in banking, aviation, oil and gas, sovereign wealth and agribusiness.

Directorships of listed entities: Genesis Energy Limited. Mr. Hunt's other directorships include: Connemara Black Trustees Limited.

Daniel Huggins
MBA (Northwestern University – Kellogg School of Management, Chicago), MEM (Northwestern University – McCormick School of Engineering, Chicago), B.Com (Hons) (University of Auckland)
Daniel Huggins was appointed Managing Director and CEO of BNZ in October 2021.

Mr. Huggins has extensive experience across a range of industries, including banking, retail, and manufacturing. He was appointed to the role of Executive, Customer, Products & Services at BNZ in March 2020. Prior to BNZ, Mr. Huggins was at the Commonwealth Bank of Australia ("CBA"), in Sydney, where he held the role of Executive General Manager of Home Buying and was accountable for CBA's home lending portfolio. Mr. Huggins has also held roles at McKinsey & Company, Fonterra and ASB Bank.

Mr. Huggins' other directorships and interests include: Trustee and Chair of the BNZ Foundation, Chair of the New Zealand Banking Association and Trustee of the Springboard Trust.

Godfrey Boyce
FCA, BCA., (Victoria University of Wellington)
Godfrey Boyce was appointed as an independent non-executive director of BNZ in August 2024.

Mr. Boyce is a chartered accountant who had a 39-year career with KPMG culminating in seven and a half years as Chief Executive of KPMG New Zealand. During his KPMG career, Mr. Boyce specialized in providing audit, risk management and advisory services to the banking industry in New Zealand, Australia, Canada and the United Kingdom. His executive and governance experience provides expertise in customer service, financial management and organizational change.

Barbara Chapman, CNZM, CMInstD
B.Com (University of Canterbury)
Barbara Chapman was appointed as an independent non-executive director of BNZ in October 2021.

Ms. Chapman has considerable bank governance and executive management experience, having previously been the Managing Director and CEO of ASB Bank for approximately seven years. In that time, and in a 30-year career in banking and insurance prior to that, Ms. Chapman has gained significant experience and skills in highly regulated and technology-disrupted industries where good customer outcomes are paramount, and society's (and regulator) expectations are ever-increasing.

Management

BNZ Board *continued*

Directorships of listed entities: Fletcher Building Limited (Acting Chair), Fletcher Building Industries Limited (Acting Chair), Genesis Energy Limited (Chair) and NZME Limited (Chair). Ms. Chapman's other directorships and interests include: The New Zealand Initiative (Deputy Chair).

Emma Gray
MBA (Harvard Business School, Boston), BA (Hons) (Dublin City University)
Emma Gray was appointed as an independent non-executive director of BNZ in November 2023.

Ms. Gray is an experienced international executive with significant experience in data and customer insights.

Ms. Gray was previously Group Executive Data and Automation at ANZ Banking Group where she worked from 2017 until 2022 and was responsible for leading ANZ's strategic use of data, driving automation to improve customer experience. Through operational improvements she also reduced the time to approval for residential home loans. Prior to joining ANZ, Ms. Gray spent three years at Woolworths where she served as Chief Loyalty and Data Officer, and head of Group Strategy. Before that she was a partner at Bain & Company, working across the United States, Europe and Australia for 15 years.

Directorships of listed entities: Beamtree Holdings Limited (Chair). Ms. Gray's other directorships and interests include: Sydney Dance Company.

Kevin Kenrick
BMS (University of Waikato)
Kevin Kenrick was appointed as an independent non-executive director of BNZ in July 2016.

Mr. Kenrick has considerable strategic transformation experience from executive leadership roles in the telecommunications, travel and media industry sectors. Mr. Kenrick was previously CEO of TVNZ for 10 years, CEO of House of Travel and Chief Operating Officer of Telecom NZ.

Directorships of listed entities: Kiwi Property Group Limited.

Linley Wood
MBA (Fin), LLB, BA (University of Auckland)
Linley Wood was appointed as an independent non-executive director of BNZ in April 2020.

Ms. Wood previously held executive leadership roles at ASB Bank Limited for 25 years, accumulating wide-ranging financial services leadership experience across strategy, governance, legal and regulatory compliance, people and culture, communications, community partnerships and end-to-end customer experience.

Ms. Wood's other directorships and interests include: Auckland City Mission Foundation, Chubb Life Insurance New Zealand Limited, Kings School Auckland Limited (Deputy Chair and Finance Governor) and Melanesian Mission Trust.

Nathan Goonan
BA Agricultural Science (Hons), BA Commerce (Finance) (University of Melbourne)
Nathan Goonan was appointed as a non-executive director of BNZ in November 2023.

Mr. Goonan was appointed to the role of NAB Group Chief Financial Officer in July 2023. Mr. Goonan joined NAB in 2004 before working in investment banking. Since rejoining NAB in 2013, Mr. Goonan has held several executive-level roles in corporate strategy and mergers and acquisitions, including Group Executive Strategy and Innovation.

Mr. Goonan's other directorships and interests include: 86 400 Holdings Limited, 86 400 Pty Limited, 86 400 Technology Pty Limited, Australia Japan Business Cooperation Committee Limited and Pollinate Networks Limited.

Dates of appointment/reappointment of BNZ's directors as at September 30, 2024

Director	Date of Appointment	Last Date of Reappointment	Next Date of Reappointment
W E Hunt	November 1, 2022	N/A	November 1, 2025
D J Huggins	October 1, 2021	N/A	N/A
G L Boyce	August 1, 2024	N/A	August 1, 2027
B J Chapman	October 1, 2021	October 1, 2024	October 1, 2027
E E Gray	November 1, 2023	N/A	November 1, 2026
K J Kenrick	July 1, 2016	July 1, 2022	July 1, 2025
L A Wood	April 14, 2020	April 14, 2023	April 14, 2026
N L Goonan	November 1, 2023	N/A	N/A

Douglas Alexander McKay retired as a Non-Executive Director of BNZ and Chair of the BNZ Board, effective May 31, 2024.

The BNZ Board appointed Warwick Ean Hunt as Chair of the BNZ Board, effective June 1, 2024.

Godfrey Lester Boyce was appointed as an Independent Non-Executive Director of BNZ, effective August 1, 2024.

Remuneration of BNZ directors
BNZ directors were paid aggregate directors' fees of $1,320,000, $1,323,303 and $1,335,834 for the years ended September 30, 2024, September 30, 2023 and September 30, 2022, respectively. Fees are set by NAB and BNZ directors have no voting power on their own compensation levels.

Directors' service contracts
BNZ has no service contracts in place providing for benefits for directors upon termination of employment.

Management

BNZ Executive Team

Composition of BNZ Executive Team (“BNZET”)

As at September 30, 2024, the members of the BNZET were:

Name	Position
Daniel James Huggins	Managing Director and Chief Executive Officer
Matthew Rowland Cullum	Executive, Chief People Officer - People & Culture
Anna Victoria Flower	Executive, Personal & Business Banking
Penelope Jane Ford	Executive, Corporate & Institutional Banking
Brigid Mary Gibson	Executive, Transformation & Delivery
Simon Douglas Kwan	Executive, Operational Excellence
Karna Deane Rangiteihinga Luke	Executive, Customer, Products & Services
Peter Shane MacGillivray	Executive, Chief Financial Officer
Paul Robert Norman	Executive, Chief Information Officer
Samuel John Perkins	Executive, Chief Risk Officer
Dean Campbell Schmidt	Executive, Commercial Services & Responsible Business
Katherine Frances Mary Skinner	Executive, Digital, Data & Analytics

Paul Barrie Littlefair resigned as Executive – Technology, effective August 2, 2024.

Paul Robert Norman was appointed as Executive, Chief Information Officer, effective September 2, 2024.

The BNZ Board delegates certain authority and responsibility for day-to-day management of BNZ to the Managing Director and CEO. The CEO then delegates certain authorities and responsibilities to senior executives and executive committees, being the ERCC and the People and Culture Executive Committee (“PCEC”) and their respective sub committees. Both the ERCC and the PCEC are comprised of members of the BNZET. ERCC meets at least six times per year and PCEC meets at least five times per year.

Remuneration of Management

BNZ’s performance is assessed on the achievement of financial and non-financial measures as set out in relevant BNZET scorecards. Scorecard measures are linked to BNZ’s key strategic priorities, including risk, performance and customer and colleague outcomes. BNZET performance metrics are reviewed and approved annually by the BNZ Board. The BNZ Board determines progress and performance outcomes against those metrics for each financial year, as part of BNZ’s performance review process, following receipt of a recommendation from the Board People and Remuneration Committee (“PRemCo”).

Diversity

As at September 30, 2024, the proportions of female directors on the BNZ Board and female members of the BNZET were 38% and 33%, respectively (September 30, 2023: 29% and 36%).

The Bank’s diversity strategy and agenda is owned by the CEO and the BNZET. The Bank also has a Diversity and Inclusion Council which informs the diversity agenda while owning, advocating and influencing performance at the business unit level.

Board Committees

To assist and support the BNZ Board in the execution of its responsibilities and carrying out its duties and obligations, the BNZ Board has established committees comprising BAC, BRCC, the Board Due Diligence Committee (“Board DDC”), the PRemCo and the Board Nomination and Governance Committee (“Nom&GovCo”), each with a committee charter. The BNZ Board and its committees approve an annual workplan which is designed to support the BNZ Board and its committees to discharge their responsibilities under their charters.

Board Audit Committee

BAC comprises three independent non-executive directors of BNZ. BAC assists the BNZ Board in fulfilling certain of its statutory, fiduciary and regulatory responsibilities and to provide an objective, non-executive review of the effectiveness of BNZ’s financial reporting, regulatory reporting and tax risk management frameworks. BAC meets at least six times a year, or more frequently if required. BAC is responsible for the oversight of:

- the integrity of the accounting and financial statements, and financial controls and reporting systems, and the adequacy of the financial and regulatory reporting processes of, BNZ, its subsidiaries, and National Australia Group (NZ) Limited (the “BAC Companies”);
- the BAC Companies’ external audit processes (including the appointment, evaluation, management and removal of the BAC Companies’ external auditor(s));
- the integrity of the BAC Companies’ internal audit standards and processes, including the appointment and removal of the General Manager for Internal Audit;
- compliance with applicable accounting standards and policies and statutory and regulatory accounting requirements to give a true and fair view of the financial position and performance of the BAC Companies;
- reviewing assurances together with BRCC which will enable the BNZ Board and BRCC to support the NAB Board and NAB Board Risk Committee to make declarations to APRA on risk management;
- assessing the adequacy of provisioning for remediation payments in relation to customer remediation;
- mandatory climate-related disclosure reporting of the BAC Companies; and
- tax risk and tax governance arrangements of the BAC Companies.

As at September 30, 2024, the members of BAC were Godfrey Boyce (Chair), Warwick Hunt and Linley Wood.

Board Risk and Compliance Committee

As at September 30, 2024, BRCC comprised all directors of BNZ. BRCC meets at least five times a year, or more frequently if required. BRCC assists the BNZ Board in fulfilling certain of its statutory, fiduciary and regulatory responsibilities.

Management

Board Committees *continued*

BRCC is responsible for:

- review and oversight of the risk profile and risk management of BNZ and its subsidiaries (together, the "BRCC Companies") within the context of the BNZ Board-determined risk appetite and in relation to financial and non-financial risks;
- making recommendations to the BNZ Board (and where applicable to the BRCC Companies) concerning current and emerging/future risk appetite, risk management strategy and particular risks or risk management practices (any significant breach of, or material deviation from the risk management framework), policies, frameworks, processes, risk-related limits, regulatory certifications and other matters requiring Board approval;
- reviewing management's plans to mitigate material risks faced by the BRCC Companies;
- oversight of the implementation and operation of the risk management framework and internal compliance and control frameworks throughout the BRCC Companies including ensuring that the risk management framework is reviewed at least annually to confirm that it continues to be sound and is operating effectively;
- oversight and review of the outcomes of stress testing of risk profiles including both scenario analysis and sensitivity analysis for BNZ's internal capital adequacy assessment process and internal liquidity adequacy assessment process;
- guiding management on establishing, promoting and maintaining a sound risk culture throughout the BRCC Companies;
- reviewing assurances which enable the BNZ Board and BRCC to support the NAB Board and NAB Board Risk Committee to make declarations to APRA on risk management;
- in relation to customer remediation, oversight and review progress on significant remediation projects and management reports on customer remediation to ensure adequate consideration of fairness, timeliness and good customer outcomes in accordance with BNZ's remediation principles;
- ensuring that the Chief Risk Officer has unfettered access to BRCC via the BRCC Secretary or Chair of BRCC; and
- referring any matters of significant importance to the BNZ Board for its consideration and attention.

As at September 30, 2024, the members of BRCC were Linley Wood (Chair), Godfrey Boyce, Barbara Chapman, Nathan Goonan, Emma Gray, Daniel Huggins, Warwick Hunt and Kevin Kenrick.

Board Due Diligence Committee

The Board DDC comprises three independent non-executive directors of BNZ. The Board DDC meets frequently enough to undertake its role effectively, as and when required. The purpose of the Board DDC is to undertake, coordinate and/or oversee due diligence reviews, investigations and procedures relating to information contained in:

- disclosure documents required for offers proposed or made by BNZ or related companies (including offers of regulatory capital) under the Financial Markets Conduct Act 2013 or any other regulatory regime; and/or
- applications for regulatory licenses required to be applied for and held by BNZ or related companies.

As at September 30, 2024, the members of the Board DDC were Linley Wood (Chair), Godfrey Boyce and Kevin Kenrick.

Board People and Remuneration Committee

The PRemCo comprises three independent non-executive directors of BNZ. The PRemCo assists the BNZ Board in fulfilling certain of its statutory, fiduciary and regulatory responsibilities.

The PRemCo is responsible for assisting the BNZ Board in discharging its responsibilities in relation to the people and remuneration priorities, frameworks, policies and practices of BNZ, with the objective that they:

- are reasonable, fair and in-line with current governance, legal and regulatory requirements;
- support BNZ's purpose, values, strategic objectives and risk appetite and do not reward conduct or behaviors that are contrary to this outcome;
- otherwise meet the needs of BNZ and the expectations and requirements of shareholders, customers and regulators; and
- responsibly reward individuals (including senior executives) for performance, ensuring a strong focus on creating a high-performance culture.

In respect of performance-based remuneration, the PRemCo encourages behavior that:

- is ethical, delivers sound customer outcomes and is aligned with BNZ's purpose, values and risk appetite, including the BNZ performance culture;
- supports BNZ's sustainable performance and long-term financial soundness; and
- is aligned with BNZ's risk management framework and encourages prudent risk-taking and the achievement of sound risk outcomes (including financial and non-financial risks).

The PRemCo oversees health, safety and wellbeing materials and policies, reviews materials relating to BNZ's critical hazards, risks and control processes and makes recommendations to the BNZ Board as appropriate in relation to health, safety and wellbeing.

As at September 30, 2024, the members of the PRemCo were Barbara Chapman (Chair), Emma Gray and Kevin Kenrick.

Board Nomination and Governance Committee

The Nom&GovCo comprises the Chair of the BNZ Board and other directors appointed depending on the required activity. The Nom&GovCo meets when required to undertake its role. The Nom&GovCo assists the BNZ Board in relation to Board composition matters and corporate governance policies and practices of BNZ, with the objective that these policies and practices are reasonable, fair and consistent with current governance, legal and regulatory requirements and meets the needs of BNZ.

Board Practices

As at September 30, 2024, the BNZ Board consisted of eight directors, six of whom were independent non-executive directors, one of whom was a non-executive director and one of whom was an executive director of BNZ. The BNZ Board's composition is reviewed when a vacancy arises or if it is considered that the BNZ Board would benefit from the services of a new director, given the existing mix of skills and experience of the BNZ Board.

Under the conditions of registration imposed by the RBNZ, no appointment of any director, the Chair of the BNZ Board, the CEO, or executive who reports to, or is accountable directly to, the CEO, shall be made unless a copy of the curriculum vitae of the proposed appointee has been provided to the RBNZ and the RBNZ has advised that it has no objection to the appointment. The conditions of registration require that at least half the directors of the BNZ Board be independent and be ordinarily resident in New Zealand and that the Chair must be independent.

Board Skills and Competencies

The BNZ Board monitors its skills and competencies to identify any areas where further training, knowledge, and/or expertise may be required to enable the BNZ Board to provide proper oversight of risks and opportunities relevant to BNZ. Directors are expected to maintain and develop their individual skills and knowledge as required to perform their role as directors on the BNZ Board.

Management

BNZ Constitution

BNZ’s constitution was most recently amended on February 3, 2023 and is publicly available online at https://companies-register.companiesoffice.govt.nz. Under BNZ’s constitution, the BNZ Board holds all necessary powers for the management of the business and the operation of BNZ. There are no restrictions in BNZ’s constitution on BNZ borrowing or providing a guarantee.

The BNZ Board has the power to issue shares in different classes and on different terms and conditions. Under the constitution, the BNZ Board is expressly authorized, subject to any special rights conferred on the holders of any shares or class of shares, to allot or otherwise dispose of shares with such preferred, deferred or other rights and subject to such restrictions on dividends, voting, return of capital, payment of calls or otherwise to such persons, on such terms and for such consideration as it thinks fit. However, before allotting or disposing of any shares (except any redeemable preference shares) to any person who is not an existing holder of any shares, the directors of BNZ must first offer the shares to NAB and if NAB does not accept the offer, the directors of BNZ may offer the shares to any person. There are no restrictions in BNZ’s constitution on changes in capital, rights to own securities or restrictions on foreign shareholders.

There is no shareholding qualification for directors of BNZ and no mandatory retirement age. NAB has the power to fix each director’s remuneration and BNZ may give such indemnities as the directors of BNZ deem appropriate. Directors of BNZ are appointed and removed by NAB.

BNZ’s constitution dictates that a director who is interested in a transaction to which BNZ is a party may attend a meeting of directors at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purposes of a quorum but, subject to certain exceptions set out in the constitution, will not vote on the matter nor be present while the matter is being considered at the meeting.

Under the Companies Act 1993, directors who are interested in a transaction of a company are required to disclose their interest. Failure to disclose this interest will not affect the validity of the transaction or the ability of the director to attend and vote at the relevant directors’ meeting. However, the director can be personally liable and if the company does not receive fair value under the transaction, the transaction may be voided within three months of its disclosure to all shareholders of the company.

In regard to shareholders, the power to:

- alter, revoke or adopt a new constitution,
- approve a major transaction, or
- approve an amalgamation, put BNZ into liquidation or apply for the removal of BNZ from the register of companies,

must be exercised by special resolution of the shareholders under the Companies Act 1993. All other powers reserved to shareholders may be exercised by an ordinary resolution of shareholders. Resolutions can be passed at a meeting of shareholders or pursuant to a written resolution in lieu of a meeting.