

BNZ INTERNATIONAL FUNDING LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 September 2023

Income Statement

For the year ended 30 September 2023

Dollars in Thousands	Note	30/9/23	30/9/22
Interest income	2, 11	140,386	113,882
Interest expense	2	140,088	113,873
Net interest income		298	9
Other operating income	3, 11	1,050	1,595
Total operating income		1,348	1,604
Operating expenses	4	995	1,490
Total operating profit before income tax expense		353	114
Income tax expense on operating profit	5	99	32
Net profit attributable to the shareholder of BNZ International Funding Limited		254	82

The accounting policies and other notes form part of, and should be read in conjunction with, these financial statements.

Statement of Comprehensive Income

For the year ended 30 September 2023

Dollars in Thousands	30/9/23	30/9/22
Net profit attributable to the shareholder of BNZ International Funding Limited	254	82
Other comprehensive income, net of taxation	-	-
Total comprehensive income attributable to the shareholder of BNZ International Funding Limited	254	82

The accounting policies and other notes form part of, and should be read in conjunction with, these financial statements.

Statement of Changes in Equity

For the year ended 30 September 2023

Dollars in Thousands	30/9/23		Total Shareholder's Equity
	Ordinary Capital	Retained Profits	
Balance at beginning of year	100	7,081	7,181
Comprehensive income			
Net profit attributable to the shareholder of BNZ International Funding Limited	-	254	254
Total comprehensive income	-	254	254
Balance at end of year	100	7,335	7,435
		30/9/22	
Balance at beginning of year	100	6,999	7,099
Comprehensive income			
Net profit attributable to the shareholder of BNZ International Funding Limited	-	82	82
Total comprehensive income	-	82	82
Balance at end of year	100	7,081	7,181

The accounting policies and other notes form part of, and should be read in conjunction with, these financial statements.

Balance Sheet

As at 30 September 2023


Dollars in Thousands	Note	30/9/23	30/9/22
Assets			
Call balances due from other financial institutions		78	81
Call balances due from related entity	11	6,238	9,253
Other amounts due from related entity	11	5,822,015	10,007,298
Current tax assets		944	1,465
Other assets	6	34	30
Total assets		5,829,309	10,018,127
Liabilities			
Short term debt securities	7	916,938	2,288,182
Bonds and notes	8	4,904,710	7,718,635
Amounts due to related entities	11	197	4,050
Other liabilities	9	29	78
Total liabilities		5,821,874	10,010,945
Net assets		7,435	7,181
Shareholder's equity			
Contributed equity - ordinary shares	12	100	100
Retained profits		7,335	7,081
Total shareholder's equity		7,435	7,181

The accounting policies and other notes form part of, and should be read in conjunction with, these financial statements.

For and on behalf of the Board, who authorised the issue of these financial statements on 16 November 2023.

DocuSigned by:

 70C1D27A11E542F...
 Director

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 B647A3ABFB394D5...
 Director

Cash Flow Statement

For the year ended 30 September 2023

Dollars in Thousands	30/9/23	30/9/22
Cash flows from operating activities		
Interest income	163,542	107,720
Interest expense	(163,278)	(107,764)
Other operating income	1,197	2,348
Operating expenses	(995)	(1,490)
Income tax	422	(1,738)
Net cash flows from operating activities before changes in operating assets and liabilities	888	(924)
Changes in operating assets and liabilities arising from cash flow movements		
Other assets	(4)	145,145
Other liabilities	(49)	(67)
Net change in operating assets and liabilities	(53)	145,078
Net cash flows from operating activities	835	144,154
Cash flows from financing activities		
Repayment of bonds and notes	(2,916,681)	(1,941,743)
Net movement in short term debt securities*	(1,313,697)	(2,731,087)
Net movement in other related entity funding*	4,226,525	4,531,269
Net cash flows from financing activities	(3,853)	(141,561)
Net movement in cash and cash equivalents	(3,018)	2,593
Cash and cash equivalents at beginning of period	9,334	6,741
Cash and cash equivalents at end of period	6,316	9,334
Cash and cash equivalents at end of year comprised:		
Call balances due from other financial institutions	78	81
Call balances due from related entity	6,238	9,253
Total cash and cash equivalents	6,316	9,334

The accounting policies and other notes form part of, and should be read in conjunction with, these financial statements.

Reconciliation of net profit attributable to the shareholder of BNZ International Funding Limited to net cash flows from operating activities

Net profit attributable to the shareholder of BNZ International Funding Limited	254	82
<i>Add back non-cash items in net profit:</i>		
Decrease / (increase) in accrued interest receivable	23,156	(6,161)
Decrease / (increase) in other operating income receivable	147	753
Increase / (decrease) in provision for tax	521	(1,706)
Increase / (decrease) in accrued interest payable	(23,190)	6,109
<i>Deduct operating cash flows not included in net profit:</i>		
Net change in operating assets and liabilities	(53)	145,077
Net cash flows from operating activities	835	144,154

Netting of cash flows

Certain cash flows (as indicated by *) are shown net as these cash flows are either received and disbursed on behalf of customers and counterparties and therefore reflect the activities of these parties rather than those of the BNZ International Funding Limited; or are received and disbursed in transactions where the turnover is quick, the amounts large and the maturities short.

Cash Flow Statement

For the year ended 30 September 2023

Dollars in Thousands	30/9/23				Total
	Bonds and Notes	Short Term Debt Securities	Amounts due to Related Entities	Amounts due from Related Entities	
Reconciliation of net debt					
Balance at beginning of year	7,718,635	2,288,182	4,050	(10,007,298)	3,569
Net cash flows	(2,916,681)	(1,313,697)	(3,853)	4,230,378	(3,853)
Non-cash changes					
Foreign exchange adjustments	42,826	(51,878)	-	9,052	-
Fair value adjustments and accrued interest movements	59,930	(5,669)	-	(54,261)	-
Other non-cash movements	-	-	-	114	114
Balance at end of year	4,904,710	916,938	197	(5,822,015)	(170)
			30/9/22		
Balance at beginning of year	9,635,351	4,429,314	145,611	(14,065,846)	144,430
Net cash flows	(1,941,743)	(2,731,087)	(141,561)	4,672,830	(141,561)
Non-cash changes					
Foreign exchange adjustments ¹	565,012	583,651	-	(1,148,663)	-
Fair value adjustments and accrued interest movements ¹	(539,985)	6,304	-	533,681	-
Other non-cash movements	-	-	-	700	700
Balance at end of year	7,718,635	2,288,182	4,050	(10,007,298)	3,569

¹ Certain comparative balances have been reclassified to align with the presentation used in the year ended 30 September 2023.

Notes to and Forming Part of the Financial Statements

For the year ended 30 September 2023

Note 1 Principal Accounting Policies

Reporting entity

BNZ International Funding Limited (the "Company") is a company with limited liability incorporated in New Zealand and is a wholly owned controlled entity of Bank of New Zealand. The Company has established a London branch, registered in England & Wales under branch number BR008377 and company number FC026206. The Company's Registered Office is Level 4, 80 Queen Street, Auckland 1010, New Zealand.

The Company is incorporated for the specific purpose of, through its London branch, raising offshore funding and undertaking other related activities for Bank of New Zealand's financial reporting group ("Bank of New Zealand Group").

Basis of preparation

The financial statements have been prepared under the historical cost convention, modified by the application of fair value measurements required or allowed by relevant accounting standards. Accounting policies have been consistently applied to all periods presented, unless otherwise stated, through these financial statements.

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 and expenses and the disclosed amount of contingent liabilities.

Assumptions made as at each reporting date (e.g., the calculation of fair value adjustments) are based on best estimates at that date. Although the Company has internal control systems in place to ensure reliable estimates, actual amounts may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period in which the estimates are revised and in any future periods affected.

Further information on specific judgements and assumptions made and estimates applied is contained within the notes to the financial statements

Reclassification of financial information

Certain comparative balances have been reclassified to align with the presentation used in the current financial year. In particular, comparative balances have been restated to reflect the reclassification of GST receivable from Other liabilities to Other assets. These reclassifications have no impact on the overall performance or financial position for the comparative year.

Statement of compliance

These financial statements are general purpose financial reports prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 2013.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRS").

Changes in accounting policies and disclosures

All mandatory standards, amendments and interpretations have been adopted in the current financial year. None had a material impact on these financial statements.

New and amendments to existing standards that are not yet effective are not expected to result in a material impact on the Company's reported results or financial position.

Currency of presentation

Unless stated otherwise, all amounts are expressed in New Zealand dollars which is the Company's functional and presentational currency.

Rounding of amounts

All amounts have been rounded to the nearest thousand dollars except where indicated.

Foreign currency translation

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Company recognises the difference between the transaction price and the fair value in profit or loss on initial recognition (i.e. on day one).

Where a financial asset or liability is subsequently measured at fair value, the best evidence is independently quoted market prices in an active market. Where such prices are unavailable, then depending on the circumstances, alternative evidence may be used, including the price of recent transactions, prices for similar instruments or prices obtained utilising component parts (which when aggregated form the price of the whole instrument).

Where no active market exists for a particular asset or liability, the Company uses standard market valuation techniques to arrive at the estimated fair value, utilising observable market sourced inputs wherever possible. Depending on the circumstances, the same alternative evidence (as described above) may be used in the valuation techniques. The valuation techniques address factors such as interest rates, liquidity and credit risk.

Fair value asset or liability prices defined above generally represent the present value of all future cash flows including those relating to interest, dividends or other cash flows as appropriate.

Notes to and Forming Part of the Financial Statements

Note 1 Principal Accounting Policies *continued*

Financial assets

Financial assets comprise items such as Call balances due from other financial institutions, Call balances due from related entity, Other amounts due from related entity and certain Other assets.

Financial assets are classified as measured at fair value through profit or loss, or at amortised cost. The classification depends on the Company's business model for managing financial assets and the contractual terms of the financial assets cash flows. Certain financial assets are designated at fair value through profit or loss to eliminate an accounting mismatch that would otherwise arise from measuring on a different basis. Refer to note 10 for further information.

i) Financial assets measured at fair value through profit or loss

Upon initial recognition, financial assets may be designated as measured at fair value through profit or loss if such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring items on a different basis.

Financial assets measured at fair value through profit or loss are initially recognised at fair value, with transaction costs being recognised in the income statement as incurred. Subsequently, they are measured at fair value with gains and losses recognised in the income statement as they arise.

ii) Financial assets measured at amortised cost

A financial asset is measured at amortised cost only if:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to contractual cash flows that are solely payments of principal and interest.

Financial assets measured at amortised cost are initially recognised at fair value plus direct attributable transaction costs and subsequently measured at amortised cost using the effective interest method less allowance for expected credit loss.

Call balances due from other financial institutions and Call balances due from related entity consist of cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments. Other assets include securities sold – not yet settled. All other financial assets are measured at amortised cost.

Financial liabilities

Financial liabilities comprise items such as Short term debt securities, Bonds and notes and Amounts due to related entities.

Financial liabilities may be held at fair value through profit or loss or at amortised cost. Certain financial liabilities are designated at fair value through profit or loss as their performance is evaluated on a fair value basis in accordance with the purpose of the Company. Refer to note 10 for further information.

i) Financial liabilities held at fair value through profit or loss

Upon initial recognition, liabilities may be designated as measured at fair value through profit or loss if:

- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring items on a different basis; or
- a group of financial liabilities or financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis in accordance with the documented risk management or investment strategy; or
- they contain one or more embedded derivatives, except if the embedded derivative does not modify significantly the associated cash flows or it is clear with little or no analysis that separation is prohibited.

Financial liabilities held at fair value through profit or loss are initially recognised at fair value with transaction costs recognised immediately in the income statement. Subsequently, they are measured at fair value and any gains or losses are recognised in the income statement as they arise.

Own credit risk provisions require an entity to present in other comprehensive income the fair value gains and losses attributable to changes in the entity's own credit risk for financial liabilities designated as measured at fair value through profit or loss unless this treatment would create or enlarge an accounting mismatch in the income statement. For the Company, this treatment would create an accounting mismatch, therefore all gains or losses on these financial liabilities (including the effects of changes in own credit risk) are presented in the profit and loss together with all gains and losses on financial assets designated at fair value through profit or loss.

ii) Financial liabilities held at amortised cost

All other financial liabilities and Amounts due to related entities (including securities purchased – not yet settled) are measured at amortised cost.

Financial liabilities held at amortised cost are initially recognised at fair value minus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Net Interest income

Net Interest income reflected in the income statement is calculated by reference to the contractual terms of the instrument and represents the interest received or receivable less interest paid or payable on amounts outstanding during the reporting period.

Net interest income on financial instruments measured at amortised cost is calculated using the effective interest method.

Fees and commissions

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to the effective interest rate are recognised on completion of the underlying transaction.

Gains and losses on financial instruments

Gains and losses on financial instruments recognised in the income statement (within Other operating income) comprises fair value gains and losses from financial instruments designated at fair value through profit or loss. These are the fair value movements excluding interest, which is reported within net interest income.

Income Tax

Income tax expense is the income tax charge or benefit incurred on the current reporting period's profit or loss and is the aggregate of the movements in deferred tax taken through the income statement and the amount of income taxes payable or recoverable in respect of taxable profit or loss for the period at the applicable tax rate.

Notes to and Forming Part of the Financial Statements

Note 2 Interest

Dollars in Thousands	30/9/23	30/9/22
Interest income		
Related entities	140,386	113,882
Total interest income	140,386	113,882
Interest expense		
Short term debt securities	90,524	23,716
Bonds and notes	49,565	90,157
Total interest expense	140,089	113,873

Note 3 Other Operating Income

Dollars in Thousands	30/9/23	30/9/22
Treasury services and funding fees	1,050	1,595
Gain/(loss) in the fair value of financial assets designated at fair value through profit or loss	140,139	(395,234)
Credit risk adjustments on financial assets designated at fair value through profit or loss	(3,713)	(59,527)
Gain/(loss) in the fair value of financial liabilities designated at fair value through profit or loss	(140,139)	395,234
Credit risk adjustments on financial liabilities designated at fair value through profit or loss	3,713	59,527
Total other operating income	1,050	1,595

Note 4 Operating Expenses

Dollars in Thousands	30/9/23	30/9/22
Fees paid to auditors		
Audit and review of financial statements	85	77
Other assurance and risk related services ¹	26	63
Other		
Legal expenses	233	243
Other professional and funding fees	56	93
Personnel expenses	138	186
Rating agency fees	188	309
Other	269	519
Total operating expenses	995	1,490

¹Fees paid to auditors were for other assurance services provided in relation to funding activities.

Notes to and Forming Part of the Financial Statements

Note 5 Income Tax

Dollars in Thousands	30/9/23	30/9/22
Income tax charged to income statement		
Current tax	99	32
Total income tax charged to income statement	99	32
Reconciliation of income tax expense shown in the income statement with prima facie tax payable on the pre-tax accounting profit		
Total operating profit before income tax expense	353	114
Prima facie income tax at 28%	99	32
Total tax expense on operating profit	99	32
Effective tax rate	28%	28%

Note 6 Other Assets

Dollars in Thousands	30/9/23	30/9/22
GST receivable	34	30
Total other Assets	34	30

Note 7 Short Term Debt Securities

Dollars in Thousands	30/9/23	30/9/22
Commercial paper	916,938	2,288,182
Total short term debt securities	916,938	2,288,182

All commercial paper has been raised through the Company's London branch, in the financial, investment and insurance industry sectors. Short term debt securities rank equally with the Company's unsecured liabilities. In the unlikely event that the Company was put into liquidation or ceased to trade, the claims of secured creditors and those creditors set out in Schedule 7 of the Companies Act of 1993 would rank ahead of the claims of unsecured creditors.

Note 8 Bonds and Notes

Dollars in Thousands	30/9/23	30/9/22
Offshore Covered Bonds	2,535,870	2,443,061
Offshore medium term notes	2,368,840	5,275,574
Total bonds and notes	4,904,710	7,718,635

As at 30 September 2023, the contractual amount to be paid at maturity of the Bonds and notes is \$5,153,118 (30 September 2022: \$8,026,972).

Dollars in Thousands	30/9/23	30/9/22
Bonds and notes by currency type		
US Dollar	-	2,056,814
Australian Dollar	129,058	135,833
Hong Kong Dollar	135,672	140,407
Euro	3,970,835	4,752,479
Swiss Franc	669,145	633,102
Total bonds and notes by currency type	4,904,710	7,718,635

Notes to and Forming Part of the Financial Statements

Note 9 Other Liabilities

Dollars in Thousands	30/9/23	30/9/22
Accrued expenses	29	78
Total other liabilities	29	78

Note 10 Categories of Financial Assets and Financial Liabilities

Dollars in Thousands	Fair Value Through Profit or Loss	30/9/23 At Amortised Cost	Total Carrying Amount
Financial assets			
Call balances due from other financial institutions	-	78	78
Call balances due from related entity	-	6,238	6,238
Other amounts due from related entity	5,821,648	367	5,822,015
Other assets	-	34	34
Total financial assets	5,821,648	6,717	5,828,365
Financial liabilities			
Short term debt securities	916,938	-	916,938
Bonds and notes	4,904,710	-	4,904,710
Amounts due to related entities	-	197	197
Other liabilities	-	29	29
Total financial liabilities	5,821,648	197	5,821,874
30/9/2022			
Financial assets			
Call balances due from other financial institutions	-	81	81
Call balances due from related entity	-	9,253	9,253
Other amounts due from related entity	10,006,817	481	10,007,298
Other assets	-	30	30
Total financial assets	10,006,817	9,845	10,016,662
Financial liabilities			
Short term debt securities	2,288,182	-	2,288,182
Bonds and notes	7,718,635	-	7,718,635
Amounts due to related entities	-	4,050	4,050
Other liabilities	-	78	78
Total financial liabilities	10,006,817	4,128	10,010,945

Movement in fair value of financial liabilities designated at fair value through profit or loss on initial recognition attributable to change in credit risk

Dollars in Thousands	30/9/23	30/9/22
Bonds and notes		
Balance at beginning of year	8,368	67,895
Movement during the year	(3,713)	(59,527)
Balance at end of year	4,655	8,368

The movement in fair value attributable to changes in the credit risk of financial liabilities designated at fair value through profit or loss is determined as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. The movement in fair value of these liabilities has resulted in an equal and opposite movement in the Amount due from related entities, which has an offsetting effect to the Company as a result of the on-lending agreement with Bank of New Zealand.

Notes to and Forming Part of the Financial Statements

Note 10 Categories of Financial Assets and Financial Liabilities *continued*

Hierarchy for fair value measurements

The following paragraphs present a three level fair value hierarchy of the Company's financial assets and financial liabilities which are measured at fair value.

The three levels in the hierarchy are based on the valuation methods and assumptions used in determining the fair values of financial assets and financial liabilities.

The levels are as follows:

Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities. The Company did not have any financial assets or financial liabilities measured at fair value that met the criteria of Level 1 classification.

Level 2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). As at 30 September 2023, all fair value assets and liabilities have been assessed as Level 2 using observable market data as inputs which are generally modified in some way such as averaging at source (e.g. multi-contributor page) or a valuation technique (e.g. interpolation or discounting) (30 September 2022: all).

Level 3. Inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company did not have any financial assets or financial liabilities measured at fair value that met the criteria of Level 3 classification.

Management uses its judgment in selecting an appropriate valuation technique for financial instruments which are not quoted in an active market.

Bonds and notes

Bonds and notes are recorded at fair value based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instruments. This is based on observable market prices as at the reporting date where available, otherwise alternative observable market source data is used. The fair value includes a calculation of the Company's own credit risk based on observable market data.

Other amounts due from related entity

Other amounts due from related entity are recorded at fair value based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instruments. This is based on observable market prices as at the reporting date where available, otherwise alternative observable market source data is used.

Notes to and Forming Part of the Financial Statements

Note 11 Related Entity Transactions

The Company is a wholly owned controlled entity of Bank of New Zealand whose ultimate parent company is National Australia Bank Limited. Bank of New Zealand has guaranteed all debt securities issued by the Company, acting through its London branch, for the amount and term of such securities. If the Company, acting through its London branch, issues any debt securities that are guaranteed by Bank of New Zealand, then the proceeds of that debt issue must be on-lent to Bank of New Zealand on terms and conditions that match the terms and conditions of the debt issue. Financial liabilities represented by Bonds and notes, Short term debt securities and accrued interest payable are guaranteed by Bank of New Zealand.

The Covered Bond Trust holds Bank of New Zealand housing loans and guarantees the payment of interest and principle of certain debt securities issued by the Company or Bank of New Zealand, the Company's parent company. Guarantees provided in relation to the covered bonds issued have a prior claim over the assets of the Covered Bond Trust. The underlying collateral for the guarantees provided by the Covered Bond Trust comprised housing loans, collections receivable and cash to the value of \$7,868 million as at 30 September 2023 (30 September 2022: \$6,550 million). From 25 May 2021, the Company ceased to be an Issuer of Covered Bonds.

Other principal intragroup transactions comprise: (1) the provision of treasury and funding services to Bank of New Zealand, which earn treasury service and funding fee income, (2) the supply, as required, of settlement, accounting, tax, regulatory compliance and legal services and seconded staff from Bank of New Zealand and/or National Australia Bank Limited, (3) a licence of London branch premises from National Australia Bank Limited, and (4) payment to Bank of New Zealand for the reimbursement of provisional tax paid on the Company's behalf.

Key management personnel are defined as being Directors of the Company. During the year ended 30 September 2023, there were no loans made to or deposits received from key management personnel, their close family members, or their controlled entities (30 September 2022: nil). Key management personnel did not receive any compensation for their services to the Company during the year ended 30 September 2023 (30 September 2022: nil).

The following table provides the total amount of balances and transactions with related entities for the relevant financial year.

Dollars in Thousands	30/9/23	30/9/22
Balances with related entities		
Amount due from related entity		
Bank of New Zealand	5,828,253	10,016,551
Amount due to related entities		
Bank of New Zealand	160	3,963
National Australia Bank Limited	37	87
Transactions with related entities		
Revenues from related entity		
Bank of New Zealand	141,436	115,477
Expenses to related entities		
Bank of New Zealand	330	255
National Australia Bank Limited	260	503

Dividends paid to the shareholders are disclosed in note 12.

During the year ended 30 September 2023, the Company made a payment of \$0 to Bank of New Zealand for the reimbursement of provisional tax paid on the Company's behalf (30 September 2022: \$425,864).

Number of shares in Thousands	30/9/23	30/9/22
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Note 12 Contributed Equity

Ordinary shares, fully paid	100	100
Total contributed equity	100	100

Each of the 100,000 (30 September 2022: 100,000) ordinary shares entitles the shareholder to one vote at any meeting of shareholders and shares equally in dividends and surpluses on winding up. Shares do not have a par value.

When managing capital, which includes contributed equity and retained profits, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to the shareholders.

No dividends were paid on ordinary shares during the year ended 30 September 2023 (year ended 30 September 2022: nil).

Notes to and Forming Part of the Financial Statements

Note 13 Interest Rate Repricing Schedule

The following tables represent a breakdown, by repricing dates or contractual maturity, whichever is the earlier, of the balance sheet.

Dollars in Thousands	Total	30/9/23				Non-Interest Bearing
		Up to 3 Months	Over 3 Months and up to 1 year	Over 1 Year and up to 2 Years	Over 2 Years	
Assets						
Call balances due from financial institutions	78	78	-	-	-	-
Call balances due from related entity	6,238	6,238	-	-	-	-
Other amounts due from related entity	5,822,015	916,938	2,700,555	1,554,592	649,563	367
All other assets	978	-	-	-	-	978
Total assets	5,829,309	923,254	2,700,555	1,554,592	649,563	1,345
Liabilities						
Short term debt securities	916,938	916,938	-	-	-	-
Bonds and notes	4,904,710	-	2,700,555	1,554,592	649,563	-
Amounts due to related entities	197	-	-	-	-	197
All other liabilities	29	-	-	-	-	29
Total liabilities	5,821,874	916,938	2,700,555	1,554,592	649,563	226

30/9/22

Dollars in Thousands	Total	30/9/22				Non-Interest Bearing
		Up to 3 Months	Over 3 Months and up to 1 year	Over 1 Year and up to 2 Years	Over 2 Years	
Assets						
Call balances due from financial institutions	81	81	-	-	-	-
Call balances due from related entity	9,253	9,253	-	-	-	-
Other amounts due from related entity	10,007,298	3,033,994	2,245,490	2,597,299	2,130,034	481
All other assets	1,465	-	-	-	-	1,465
Total assets	10,018,097	3,043,328	2,245,490	2,597,299	2,130,034	1,946
Liabilities						
Short term debt securities	2,288,182	1,850,836	437,346	-	-	-
Bonds and notes	7,718,635	1,183,158	1,808,144	2,597,299	2,130,034	-
Amounts due to related entities	4,050	-	-	-	-	4,050
All other liabilities	49	-	-	-	-	49
Total liabilities	10,010,916	3,033,994	2,245,490	2,597,299	2,130,034	4,099

Notes to and Forming Part of the Financial Statements

Note 14 Maturity Profile

The table below presents the Company's undiscounted cash flows by remaining contractual maturities as at balance sheet date.

The gross cash flows disclosed below are contractual undiscounted cash flows and include both principal and associated future interest payments and therefore will not agree to the carrying values on the balance sheet. Actual cash flows can differ significantly from contractual cash flows as a result of future actions of the Company and its counterparties. Information on the management of liquidity risk is included in note 18.

Dollars in Thousands	Total (Outflow)	On Demand	30/9/23			
			3 Months or less	3 to 12 Months	1 to 5 Years	Over 5 Years
Liabilities						
Short term debt securities	(929,351)	-	(838,784)	(90,567)	-	-
Bonds and notes	(5,243,517)	-	(14,479)	(2,817,857)	(2,255,104)	(156,077)
Amounts due to related entities	(197)	-	(197)	-	-	-
Other liabilities	(29)	-	(29)	-	-	-
Total	(6,173,094)	-	(853,489)	(2,908,424)	(2,255,104)	(156,077)
			30/9/22			
Liabilities						
Short term debt securities	(2,319,534)	-	(818,592)	(1,500,942)	-	-
Bonds and notes	(8,152,427)	-	(1,179,281)	(1,882,454)	(4,391,162)	(699,530)
Amounts due to related entities	(4,050)	-	(4,050)	-	-	-
Other liabilities	78	-	78	-	-	-
Total	(10,475,933)	-	(2,001,845)	(3,383,396)	(4,391,162)	(699,530)

Call balances due from financial institutions, Call balances due from related entity and Current tax assets are expected to be settled within 12 months. The expected maturity of Other amounts due from related entity matches the expected maturity of Short term debt securities and Bonds and notes.

Note 15 Impaired Assets

As at 30 September 2023, no provision has been made against the value of assets reported on the balance sheet (30 September 2022: nil). There is no expected loss on the Call balances due from other financial institutions, Call balances due from related entity, Other amounts due from related entity and Other Assets.

Note 16 Segment Information

The Company operates in New Zealand in one industry segment. Its primary business is funding. Financial information for the segment is available to the Board of Directors of the Company for the purpose of evaluating performance and resource allocation, and is the same information presented in these financial statements. All revenues of the Company are received from Bank of New Zealand.

Geographical revenue information is based on the location of the office in which the transactions were booked, and all revenues are derived in New Zealand.

Note 17 Contingent Liabilities and Other Commitments

As at 30 September 2023, the Company had no contingent liabilities and commitments (30 September 2022: nil).

Notes to and Forming Part of the Financial Statements

Note 18 Risk Management

The Board of Directors of the Company is committed to the management of risk and has identified the following risks:

Credit risk

Credit risk is the risk of financial loss resulting from the failure of a counterparty to settle its financial and contractual obligations to the Company as they fall due.

The maximum exposure to credit risk arising from Call balances due from other financial institutions, Call balances due from related entity, Other amounts due from related entity and Other assets is equal to the carrying amount of each class of receivable. The credit quality of these financial assets is deemed as excellent based on the counterparties' current credit rating. As at 30 September 2023, these balances represent 100% of the Company's credit exposures (30 September 2022: 100%). Bank of New Zealand represents a group of closely related counterparties to which the Company has a credit exposure which exceeds 10% of equity, with an exposure of 78,389% of equity as at 30 September 2023 (30 September 2022: 139,487%). Bank of New Zealand guarantees the obligations of the Company, acting through its London branch, in respect of all securities issued by the Company's London branch to investors.

As at 30 September 2023, there are no collateral held as security or other credit enhancements obtained in respect of amounts that represent the maximum exposure to credit risk.

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 and credit spreads. Exposure to interest rate risk arises in respect of funding through issuing commercial paper and medium term notes.

No sensitivity analysis has been performed as the interest rate risk has been mitigated by the on-lending agreement with Bank of New Zealand.

Foreign exchange risk

Foreign exchange risk results from exposures to changes in foreign exchange rates. Currency risk arises from foreign currency balances and the trading of any foreign currency denominated product, such as foreign currency bonds and notes.

No sensitivity analysis has been performed as the currency risk has been mitigated by the on-lending agreement with Bank of New Zealand.

Liquidity risk

Liquidity risk arises from the mismatch in the maturity of financial assets and liabilities, plus their settlement characteristics. Maintaining adequate liquidity to meet the current and future payment obligations at a reasonable cost is a core objective of the Company.

All proceeds from commercial paper and medium term notes issued by the Company are on-lent to Bank of New Zealand, the Company's parent company, on terms and conditions which match the terms and conditions of the debt issue, and all relevant risks, including interest rate, currency and liquidity risks, thereby mitigating these risks. Refer to note 11 for more information.



Independent auditor's report to the shareholder of BNZ International Funding Limited

Opinion

We have audited the financial statements of BNZ International Funding Limited ("the Company"), which comprise the balance sheet of the Company as at 30 September 2023, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended of the Company, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 September 2023 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the Company's shareholder. Our audit has been undertaken so that we might state to the Company's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ernst & Young provides other assurance services to the Company. Partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company. We have no other relationship with, or interest in, the Company.

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing on behalf of the entity the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>. This description forms part of our auditor's report.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

Chartered Accountants
Auckland
16 November 2023