Bank of New Zealand

Annual Report and Disclosure Statement

For the year ended 30 September 2025

No. 104

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Contents

Annual Report

For the year ended 30 September 2025

The ordinary shareholder of the Bank has agreed that this Annual Report of the Banking Group need not comply with any of paragraphs (a), and (e) to (j) of subsection (1), and subsection (2) pursuant to section 211(3) of the Companies Act 1993.

Accordingly, there is no information to be provided in this Annual Report other than the financial statements for the year ended 30 September 2025 and the Independent Auditor's Report on those financial statements.

The Bank is a climate reporting entity and will issue its mandatory climate statement for the financial year ended 30 September 2025. The climate statement will be published on or before the mandatory deadline of 31 January 2026 and will be available on the Bank's website (https://www.bnz.co.nz/about-us/sustainability/reports).

This Annual Report is dated 6th November 2025 and signed by Mr. Hunt and Mr. Huggins as Directors and as responsible persons on behalf of all the other Directors.

W E Hunt
Chair

D J Huggins
Managing Director and Chief Executive Officer

Disclosure Statement

For the year ended 30 September 2025

This Disclosure Statement has been issued by Bank of New Zealand for the year ended 30 September 2025 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement, unless the context otherwise requires:

a) The name of the Registered Bank is Bank of New Zealand (referred to either by its full name, "BNZ" or as the "Bank");

b) The "Banking Group" means 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;

c) The ultimate parent bank, and ultimate holding company, of Bank of New Zealand is National Australia Bank Limited. References in this document to "NAB" are references to National Australia Bank Limited's financial reporting group, which consists of National Australia Bank Limited, all of its wholly owned entities and other entities consolidated for financial reporting purposes; and

d) Words and phrases defined by the Order have the same meanings when used in this Disclosure Statement.

The Banking Group has changed how information is presented in the Disclosure Statement, in particular, disclosures required by New Zealand equivalents to International Financial Reporting Standards are now shown separately from disclosures required by the Order. The change had no impact on the financial performance or financial position of the Bank or the Banking Group.

Financial Statements

Index

Income Statement

For the year ended 30 September 2025

		Banking Group	
Dollars in Millions	Note	**30/9/25**	30/9/24
Interest income	2		
Effective interest income		**6,881**	7,722
Fair value through profit or loss		**427**	458
Interest expense	2	**(4,231)**	(5,271)
Net interest income		**3,077**	2,909
Gains less losses on financial instruments	3	**109**	273
Other operating income	4	**298**	434
Total operating income		**3,484**	3,616
Operating expenses	5	**(1,379)**	(1,392)
Total operating profit before credit impairment charge and income tax expense		**2,105**	2,224
Credit impairment charge	12	**(27)**	(146)
Total operating profit before income tax expense		**2,078**	2,078
Income tax expense on operating profit	6	**(579)**	(572)
Net profit for the year		**1,499**	1,506

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 2025

		Banking Group	
Dollars in Millions	Note	**30/9/25**	30/9/24
Net profit for the year		**1,499**	1,506
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Credit risk adjustments on financial liabilities designated at fair value through profit or loss	28	**(2)**	-
Tax on items transferred directly to equity		**1**	-
		(1)	-
Items that may be reclassified subsequently to profit or loss			
Movement in cash flow hedge reserve	9	**169**	(55)
Movement in cost of hedging reserve		**9**	(24)
Movement in fair value through other comprehensive income ("FVTOCI") reserve		**3**	-
Tax on items transferred directly to equity		**(51)**	22
		130	(57)
Total other comprehensive income/(expense)		**129**	(57)
Total comprehensive income for the year		**1,628**	1,449

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 2025

Dollars in Millions	Note	Ordinary Shares	Perpetual Preference Shares	Asset Revaluation Reserve	Cash Flow Hedge Reserve	Cost of Hedging Reserve	FVTOCI Reserve	Retained Profits	Total Share-holders' Equity
		Banking Group (30/9/25)							
Balance at beginning of year		**9,956**	**825**	**3**	**63**	**(40)**	**1**	**2,520**	**13,328**
Comprehensive income/(expense)									
Net profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**1,499**	**1,499**
Credit risk adjustments on financial liabilities designated at fair value through profit or loss		**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**
Reserve movement through other comprehensive income		**-**	**-**	**-**	**169**	**9**	**3**	**-**	**181**
Tax on items transferred directly to equity		**-**	**-**	**-**	**(47)**	**(3)**	**(1)**	**1**	**(50)**
Total comprehensive income		**-**	**-**	**-**	**122**	**6**	**2**	**1,498**	**1,628**
Ordinary dividends paid		**-**	**-**	**-**	**-**	**-**	**-**	**(1,060)**	**(1,060)**
Perpetual preference shares distributions		**-**	**-**	**-**	**-**	**-**	**-**	**(43)**	**(43)**
Balance at end of year		**9,956**	**825**	**3**	**185**	**(34)**	**3**	**2,915**	**13,853**
		Banking Group (30/9/24)							
Balance at beginning of year		9,056	375	3	103	(23)	1	2,345	11,860
Comprehensive income/(expense)									
Net profit for the year		-	-	-	-	-	-	1,506	1,506
Reserve movement through other comprehensive income		-	-	-	(55)	(24)	-	-	(79)
Tax on items transferred directly to equity		-	-	-	15	7	-	-	22
Total comprehensive income/(expense)		-	-	-	(40)	(17)	-	1,506	1,449
Issue of ordinary shares through conversion of Perpetual Notes	22	900	-	-	-	-	-	-	900
Ordinary dividends paid		-	-	-	-	-	-	(1,305)	(1,305)
Issue of perpetual preference shares/(issue costs)	22	-	450	-	-	-	-	(6)	444
Perpetual preference shares distributions		-	-	-	-	-	-	(20)	(20)
Balance at end of year		9,956	825	3	63	(40)	1	2,520	13,328

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 2025

		Banking Group	
Dollars in Millions	Note	30/9/25	30/9/24
Assets			
Cash and liquid assets	7	**5,987**	5,711
Due from central banks and other institutions		**160**	72
Collateral paid		**530**	927
Trading assets	8	**8,927**	11,103
Derivative financial instruments	9	**3,742**	3,744
Investments in debt instruments	10	**2,555**	9
Loans and advances to customers	11	**111,027**	106,101
Other assets	13	**1,036**	1,563
Deferred tax	14	**352**	345
Property, plant and equipment		**605**	622
Intangible assets	15	**682**	540
Total assets		**135,603**	130,737
Liabilities			
Due to central banks and other institutions	16	**3,642**	4,879
Collateral received		**1,015**	1,057
Trading liabilities	17	**255**	278
Deposits and other borrowings	18	**90,642**	84,254
Derivative financial instruments	9	**2,258**	3,914
Current tax liabilities		**230**	193
Other liabilities	19	**1,969**	2,899
Bonds and notes	20	**20,305**	19,385
Subordinated debt	21	**1,434**	550
Total liabilities		**121,750**	117,409
Net assets		**13,853**	13,328
Shareholders' equity			
Contributed equity – ordinary shares	22	**9,956**	9,956
Contributed equity – perpetual preference shares	22	**825**	825
Reserves		**157**	27
Retained profits		**2,915**	2,520
Total shareholders' equity		**13,853**	13,328

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

The financial statements are dated 6th November 2025 and signed by Mr. Hunt and Mr. Huggins as Directors and as responsible persons on behalf of all the other Directors.

W E Hunt
Chair

D J Huggins
Managing Director and Chief Executive Officer

Cash Flow Statement

For the year ended 30 September 2025

		Banking Group	
Dollars in Millions	Note	30/9/25	30/9/24
Cash flows from operating activities			
Interest received		**7,451**	8,247
Interest paid		**(4,407)**	(5,140)
Net trading income received		**294**	265
Other income received		**342**	360
Personnel expenses		**(731)**	(726)
Other operating expenses		**(645)**	(565)
Taxes and subvention payments		**(600)**	(425)
Net cash flows from operating activities before changes in operating assets and liabilities		**1,704**	2,016
Changes in operating assets and liabilities arising from cash flow movements			
Net (increase)/decrease in:			
Due from central banks and other institutions		**(88)**	18
Collateral paid		**634**	925
Loans and advances to customers		**(4,927)**	(4,435)
Other assets		**481**	(744)
Net increase/(decrease) in:			
Due to central banks and other institutions		**42**	24
Collateral received		**(49)**	(715)
Deposits and other borrowings		**6,395**	3,248
Other liabilities		**(686)**	886
Net movement in trading assets and trading liabilities		**2,008**	(2,213)
Net movement in derivative financial instruments		**335**	74
Net change in operating assets and liabilities		**4,145**	(2,932)
Net cash flows from operating activities	32	**5,849**	(916)
Cash flows from investing activities			
Proceeds from sale of controlled entity		**-**	108
Acquisition of controlled entities	24	**(29)**	-
Proceeds from sale or maturity of investments in debt instruments		**133**	-
Purchase of investments in debt instruments		**(2,598)**	(9)
Purchase of property, plant and equipment		**(47)**	(73)
Development and acquisition of intangible assets		**(246)**	(201)
Net cash flows from investing activities		**(2,787)**	(175)
Cash flows from financing activities			
Proceeds from issue of bonds and notes		**2,483**	3,399
Repayment of bonds and notes		**(3,711)**	(5,378)
Proceeds from issue of subordinated debt	21	**884**	-
Increase in contributed equity - perpetual preference shares (net of issuance costs)	22	**-**	444
Ordinary dividend		**(1,060)**	(1,305)
Perpetual preference shares distribution		**(43)**	(20)
Payment of lease liabilities		**(60)**	(63)
Proceeds from repurchase agreements under RBNZ funding facilities		**3,234**	1,856
Repayment of repurchase agreements under RBNZ funding facilities		**(4,573)**	(3,070)
Net cash flows from financing activities		**(2,846)**	(4,137)
Net movement in cash and cash equivalents		**216**	(5,228)
Cash and cash equivalents at beginning of year		**4,554**	9,782
Cash and cash equivalents at end of year		**4,770**	4,554
Cash and cash equivalents at end of year comprised:			
Cash and liquid assets	7	**5,987**	5,711
Due to central banks and other institutions classified as cash and cash equivalents	16	**(1,217)**	(1,157)
Total cash and cash equivalents		**4,770**	4,554

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

Notes to the Financial Statements

For the year ended 30 September 2025

Note 1 About the Financial Statements

Address for Service

The Bank's address for service is BNZ Place, Level 1, 80 Queen Street, Auckland 1010, New Zealand.

Nature of Business

The Bank is a company domiciled in New Zealand. It was incorporated in New Zealand on 29 July 1861. 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).

Basis of preparation

The financial statements are general purpose financial reports prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended).

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").

All amounts are expressed in New Zealand dollars, which is the Bank's functional and presentation currency, unless otherwise stated.

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

Certain comparative balances have been restated to align with the presentation used in the current financial year. These are footnoted in the relevant notes to the financial statements. These restatements have no impact on the overall financial performance or financial position for the comparative year.

Accounting policies

Accounting policies have been consistently applied to all periods presented, unless otherwise stated, throughout the Banking Group.

Critical accounting judgments and estimates

The preparation of the financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts 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.

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 recognised in the reporting period in which the estimates are revised and in any future periods affected.

Information on specific judgements and assumptions made and estimates applied, are contained within the notes to the financial statements.

Changes in accounting policies and disclosures

There were no new accounting standards or amendments to existing standards adopted during the year that had a material impact on the Banking Group.

Presentation of disclosures relating to leases

During the year ended 30 September 2025, the Banking Group revised the presentation of disclosures relating to leases. As a result, the separate leases note previously included has been removed. Instead, disclosures relating to leases have been incorporated into other notes to the financial statements. To align with this revised presentation, certain comparative balances have been restated.

Future accounting developments

In May 2024, the 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 1 October 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.

In June 2024, the External Reporting Board issued *Amendments to the Classification and Measurement of Financial Instruments* which amend NZ IFRS 9 *Financial Instruments* and NZ IFRS 7 *Financial Instruments: Disclosures* and will be effective for the Banking Group from 1 October 2026. The amendments provide clarification on the requirements for derecognition of financial liabilities settled through electronic payments systems, and guidance on assessing contractual cash flows of financial assets with environmental, social, governance and similar features. The Banking Group is currently assessing the impact of these amendments.

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.

Foreign currency translation

Foreign currency transactions are translated into the functional currency 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, except when recognised in other comprehensive income as qualifying cash flow hedges. Non-monetary items are translated using the exchange rate at the date of the initial recognition of the asset or liability.

Principles of consolidation

For the purpose of consolidation, the Bank controls another entity (including a structured entity) if the Bank is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. An assessment of control is performed on an ongoing basis. Entities are consolidated from the date on which control is obtained by the Bank. Entities are deconsolidated from the date that control ceases.

Inter-company balances and transactions, including income, expenses and dividends, are eliminated in full.

Notes to the Financial Statements

Note 1 About the Financial Statements *continued*

Basis of measurement

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.

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 Banking Group 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 of fair value is an independently quoted market price 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 Banking Group 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.

Where a financial instrument is measured at fair value, and its fair value is determined using a valuation technique, the movement in fair value attributable to changes in interest rates is calculated based on observable market interest rates. The movement in fair value of a financial asset attributable to changes in credit risk is established through a statistical-based calculation to estimate expected losses attributable to adverse movements in credit risk. The movement in fair value of a financial liability attributable to changes in the Bank's own credit risk is calculated by determining the changes in credit spreads above observable market interest rates.

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.

Financial assets

Financial assets comprise items such as Cash and liquid assets, Due from central banks and other institutions, Collateral paid, Trading assets, Derivative financial instruments, Investments in debt instruments and Loans and advances to customers.

Financial assets are classified as measured at fair value through profit or loss, at amortised cost or at fair value through other comprehensive income. The classification depends on the Banking Group's business model for managing financial assets and the contractual terms of the financial assets' cash flows.

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

Financial assets at fair value through profit or loss include instruments held for trading. In addition, the Banking Group may from time to time choose to designate a financial asset as measured at fair value through profit or loss.

Financial assets held for trading

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative (not in a qualifying hedge relationship). The Banking Group holds certain public and other debt securities as held for trading.

Financial assets designated as 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. This may be the case where derivative financial instruments have been transacted to hedge financial assets which would otherwise be measured at amortised cost.

Financial assets measured at fair value through profit or loss are initially recognised at fair value, with transaction costs 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 cash flows that are solely payments of principal and interest.

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

Note 1 About the Financial Statements *continued*

iii) Financial assets measured at fair value through other comprehensive income

An investment in a debt instrument is measured at fair value through other comprehensive income if:

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

Investments in debt instruments measured at fair value through other comprehensive income are initially recognised at fair value plus directly attributable transaction costs. Subsequently, they are measured at fair value with gains and losses recognised in other comprehensive income as they arise.

An investment in an equity instrument is measured at fair value through other comprehensive income if it is not held for trading and the Banking Group made the election to designate the instrument as measured at fair value through other comprehensive income.

Investments in equity instruments measured at fair value through other comprehensive income are initially recognised at fair value plus directly attributable transaction costs. Subsequently, they are measured at fair value with gains and losses recognised in other comprehensive income, except for dividends which are recognised in the income statement. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity directly to retained profits.

Refer to Note 28 *Classification of Financial Instruments and Fair Value Measurement* for further detail on classification and measurement of the Banking Group's financial assets.

Financial liabilities

Financial liabilities comprise items such as Due to central banks and other institutions, Collateral received, Trading liabilities, Deposits and other borrowings, Derivative financial instruments, Bonds and notes, and Subordinated debt.

Financial liabilities may be held at fair value through profit or loss or at amortised cost.

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

Financial liabilities held at fair value through profit or loss comprise instruments held for trading and instruments designated as measured at fair value through profit or loss.

Financial liabilities held for trading

A financial liability is classified as held for trading if it is incurred principally for the purpose of selling in the near term, it forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative (not in a qualifying hedge relationship). The Banking Group has classified short sales of securities as Trading liabilities.

Financial liabilities designated as measured at fair value through profit or loss

Upon initial recognition, financial 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; this may be the case where derivative financial instruments have been transacted to hedge financial liabilities which would otherwise be measured at amortised cost; 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 and losses are recognised in the income statement as they arise.

Where a financial liability is designated as measured at fair value through profit or loss the movement in fair value attributable to changes in the Banking Group's own credit risk is recognised in other comprehensive income.

The carrying amount disclosed is considered to approximate the contractual amount due on maturity of financial liabilities designated as measured at fair value through profit or loss, with the exception of Bonds and notes.

ii) Financial liabilities held at amortised cost

All Other financial liabilities, Due to central banks and other institutions, Subordinated debt and certain amounts within Bonds and notes and Deposits and other borrowings 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.

Refer to Note 28 *Classification of Financial Instruments and Fair Value Measurement* for further detail on classification and measurement of the Banking Group's financial liabilities.

Derecognition of financial instruments

The Banking Group derecognises a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Banking Group is recognised as a separate asset or liability.

A financial liability is derecognised from the balance sheet when the Banking Group has discharged its obligation or the contract is cancelled or expired.

Note 1 About the Financial Statements *continued*

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Banking Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received. The right-of-use asset is subsequently measured under the cost model and depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using an incremental borrowing rate which reflects the rate that the Banking Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The lease liability is subsequently measured at amortised cost using the effective interest method. The Banking Group does not include extension options in the measurement of its lease liability until such time that it is reasonably certain that the options will be exercised.

The Banking Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Banking Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

When the Banking Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Banking Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. Where this is the case, the lease is a finance lease. All other leases are classified as operating leases.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of value added tax such as goods and services tax, except where the tax incurred is not recoverable from Inland Revenue Department. In these circumstances, the tax is recognised as part of the expense or the acquisition of the asset.

Receivables and payables are stated at an amount with tax included. The net amount of tax recoverable from, or payable to, Inland Revenue Department is included within either Other assets or Other liabilities.

Cash flows are included in the cash flow statement on a net basis. The tax component of cash flows for all activities is classified within operating activities.

Reserves

Asset revaluation reserve
The asset revaluation reserve records revaluation adjustments on land and buildings. When an asset is sold or disposed of the related balance in the reserve is transferred directly to retained profits.

Cash flow hedge reserve
The cash flow hedge reserve records the effective portion of fair value changes of derivatives designated as cash flow hedging instruments.

Cost of hedging reserve
The cost of hedging reserve records changes in fair value of hedging instruments due to currency basis where the Banking Group excluded currency basis from the designation of a derivative as hedging instrument.

FVTOCI reserve
The FVTOCI reserve records changes in fair value of investments in debt instruments and investments in equity instruments that are measured at fair value through other comprehensive income. Upon derecognition of an investment, the cumulative amount recognised in the FVTOCI reserve is transferred to the income statement for debt instruments, and to retained profits for equity instruments.

Notes to the Financial Statements

Income Statement Notes

Note 2 Interest

Accounting policy

Net interest income is reflected in the income statement using the effective interest method or in the case of financial instruments measured at fair value through profit or loss by reference to contractual interest rates.

The effective interest method is a method of calculating amortisation using the effective interest rate of a financial asset or financial liability. The effective interest rate discounts the estimated stream of future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability.

When calculating the effective interest rate, the cash flows are estimated considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) excluding future credit losses.

The calculation of the effective interest rate includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Where it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments) are used.

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
Interest income		
Cash and liquid assets	**294**	489
Due from central banks and other institutions	**12**	12
Trading assets	**427**	458
Investments in debt instruments	**51**	-
Loans and advances to customers	**6,477**	7,137
Other	**47**	84
Total interest income	**7,308**	8,180
Total interest income was derived from financial assets:		
Amortised cost	**6,830**	7,722
At fair value through profit or loss	**427**	458
At fair value through other comprehensive income	**51**	-
	7,308	8,180
Interest expense		
Due to central banks and other institutions	**101**	180
Trading liabilities	**8**	30
Deposits and other borrowings	**3,042**	3,551
Bonds and notes	**936**	1,366
Subordinated debt	**61**	42
Lease liabilities[1]	**26**	24
Other[1]	**57**	78
Total interest expense	**4,231**	5,271
Total interest expense was incurred on financial liabilities:		
Amortised cost	**3,832**	4,568
At fair value through profit or loss	**399**	703
	4,231	5,271

[1] Comparative balances have been reclassified to align with the presentation used in the current period. Refer to Note 1 *About the Financial Statements* for further information.

Note 3 Gains Less Losses on Financial Instruments

Accounting policy

Gains less losses on financial instruments recognised in the income statement comprise fair value gains and losses from:

- trading financial instruments;
- instruments designated in hedge accounting relationships; and
- financial instruments designated as measured at fair value through profit or loss.

Trading financial instruments include trading derivatives and trading assets and liabilities. In general, gains less losses on trading derivatives recognises the full change in fair value of the derivatives inclusive of interest income and expense. However, in cases where the trading derivative is economically hedging an asset or liability designated as measured at fair value through profit or loss, the interest income and expense attributable to the derivative is recognised within net interest income and not part of the fair value movement of the trading derivative. Interest income and expenses on trading assets and liabilities are reported within net interest income.

Gains less losses on assets, liabilities and derivatives designated in hedge relationships recognise fair value movements on both the hedged item and hedging derivative in a fair value hedge relationship, and hedge ineffectiveness for both fair value and cash flow hedge relationships. Interest income and expenses on both hedging instruments and hedged items are recognised in net interest income.

Gains less losses on financial assets and liabilities designated at fair value through profit or loss recognise fair value movements excluding interest, which is reported within net interest income. Changes in the fair value of financial liabilities designated at fair value through profit or loss attributable to the Banking Group's own credit risk are recognised in other comprehensive income.

Gains less losses on financial instruments include gains and losses on the derecognition of financial instruments held at amortised cost.

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
Trading gains less losses on financial instruments	**126**	237
Net gain/(loss) attributable to assets, liabilities and derivatives designated in hedge relationships	**5**	(5)
Net gain/(loss) in the fair value of derivatives used for hedging purposes not designated in hedge relationships	**(32)**	13
Net gain/(loss) in the fair value of financial assets designated at fair value through profit or loss and related derivatives[1]	**-**	4
Net gain/(loss) in the fair value of financial liabilities designated at fair value through profit or loss and related derivatives (refer to table below)[1]	**10**	24
Total gains less losses on financial instruments	**109**	273
Net gain/(loss) in the fair value of financial liabilities designated at fair value through profit or loss and related derivatives includes:		
Gain/(loss) attributable to derivatives used for hedging of financial liabilities designated at fair value through profit or loss	**107**	411
Gain/(loss) in the fair value of financial liabilities designated at fair value through profit or loss	**(97)**	(387)

[1] All foreign currency gains/(losses) are excluded from this category. Due to the Banking Group's practice of managing all foreign exchange risk centrally, all foreign currency gains/(losses) are included within Trading gains less losses on financial instruments above.

Note 4 Other Operating Income

Accounting policy

Fees and commissions income

Unless included in the effective interest rate, fees and commissions income are recognised on an accruals basis as the services are provided or on completion of the underlying transaction. Fees charged for providing ongoing services (for example, maintaining and administering existing facilities) are recognised as income over the period the service is provided.

Investment management income

Investment management income is recognised on an accruals basis as the services are provided.

Fees and commissions expense

Unless included in the effective interest rate, fees and commissions expense are recognised on an accruals basis as the services are provided or on completion of the underlying transaction. Fees and commissions expense include incremental expenses that vary directly with the provision of goods or services to customers. An incremental expense is one which would not be incurred if a specific good or service had not been provided to a particular customer.

	Banking Group	
Dollars in Millions	30/9/25	30/9/24
Fees and commissions		
Money transfer fees	67	67
Fees earned on financial assets and liabilities	210	216
Investment management income	-	20
Other fees and commissions income	52	52
Total fees and commissions income	329	355
Fees and commissions expense[1]	(34)	(24)
Net fees and commissions income	295	331
Other income[2]	3	103
Total other operating income	298	434

[1] Expenses directly attributable and incremental to fees and commissions income.

[2] For the year ended 30 September 2024, Other income includes a gain on sale of $103 million that resulted from the sale of BNZ Investment Services Limited. Refer to Note 25 *Related Party Disclosures* for further information.

Note 5 Operating Expenses

Accounting policy

Operating expenses are recognised as the underlying services are provided or over the period in which an asset is consumed or once a liability is incurred.

Amounts received by the Banking Group as a reimbursement for costs incurred are recognised as a reduction of the related expense.

Employee entitlements

Wages and salaries, annual leave and other employee entitlements in relation to past service and expected to be paid or settled within 12 months of providing the service are measured at their nominal amounts using remuneration rates that the Banking Group expects to pay when the liabilities are settled.

Employee entitlements that are not expected to be paid or settled within 12 months of the reporting date are measured at the present value of net future cash flows.

Appropriate valuation methods are used for the measurement of long service leave, defined contribution pension entitlements, and share based payments.

	Banking Group	
Dollars in Millions	30/9/25	30/9/24
Personnel expenses		
Salaries and other staff expenses	697	701
Defined contribution pension expense	20	20
Share based payments	7	3
Total personnel expenses	724	724
Occupancy and depreciation expenses		
Rental expense[1]	12	12
Payments on short-term leases[1,2]	1	1
Depreciation on right-of-use-assets[1,2]	44	46
Depreciation on other property, plant and equipment[1]	26	22
Other expenses[1]	3	8
Total occupancy and depreciation expenses	86	89
Technology expenses		
Computer equipment and software[1]	172	160
Amortisation of software	133	111
Depreciation on right-of-use-assets[1,2]	2	2
Depreciation on other equipment[1]	10	17
Related entity expenses[1]	24	23
Other expenses[1]	24	21
Total technology expenses	365	334
Other		
Impairment losses and write offs	-	48
Related entity expenses[1]	28	22
Other expenses[1]	176	175
Total other operating expenses	204	245
Total operating expenses	1,379	1,392

[1]Comparative balances have been restated to align to the presentation in the current period.

[2]During the year ended 30 September 2025, the Banking Group revised the presentation of disclosures relating to leases. As a result, certain operating expenses are now shown separately. Refer to Note 1 *About the Financial Statements* for further information.

Notes to the Financial Statements

Note 5 Operating Expenses *continued*

Dollars in Thousands	Banking Group 30/9/25	Banking Group 30/9/24
Fees paid to auditors[1]		
Audit and review of the financial statements	2,313	2,090
Audit or review related services		
Capital adequacy and regulatory liquidity ratios (assurance engagement)	66	64
Review of RMBS mortgage loan custodian obligations (assurance engagement)	17	17
Report on compliance with Government Business Finance Guarantee Scheme instructions (assurance engagement)	80	77
Report on compliance of the Term PIE register with the requirements of section 217 of the Financial Markets Conduct Act 2013 (assurance engagement)	-	2
Asset monitor reporting role under covered bond programme (assurance engagement)	14	14
Comfort letters related to funding programmes (assurance engagement)	226	224
Supervisor reporting relating to management and administration of the funds (agreed-upon procedures engagement)	-	16
Total audit or review related services	403	414
Other assurance services and other agreed-upon procedures engagements		
Assessment of eligible transactions and framework for Sustainable Finance Transactions (assurance engagement)	76	59
Assurance over GHG emissions metrics (assurance engagement)	66	-
Total other assurance services and other agreed-upon procedures engagements	142	59
Other services		
Provision of remuneration benchmarking reports	14	14
Pre-assessment of the BNZ Climate Statement to the Aotearoa New Zealand Climate Statements	203	161
Total other services	217	175
Auditor remuneration related to off balance sheet entities managed by the Banking Group		
Audit and review of financial statements	-	235
Audit or review related services - Supervisor reporting relating to management and administration of the funds (agreed-upon procedures engagement)	-	35
Other services - Pre-assessment of fund climate statement to the Aotearoa New Zealand Climate Statements	-	88
Total auditor remuneration related to off balance sheet entities managed by the Banking Group	-	358
Total fees paid to auditors	3,075	3,096

[1]Certain comparative balances have been reclassified to align with the presentation used in the current period whereby fees are disaggregated into specified categories of services. This had no impact on the total fees paid to auditors.

Note 6 Income Tax

Accounting policy

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 tax payable or recoverable in respect of taxable profit or loss for the period at the applicable tax rate.

Income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in the income statement.

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
Income tax expense/ (benefit) on operating profit charged to income statement		
Current tax	**586**	601
Deferred tax	**(7)**	(29)
Total income tax expense/ (benefit) on operating profit charged to income statement	**579**	572
Reconciliation of income tax expense on operating profit shown in the income statement with prima facie tax payable on the pre-tax accounting profit		
Total operating profit before income tax expense	**2,078**	2,078
Prima facie income tax at 28%	**582**	582
Add/(deduct): Tax effect of amounts which are non-deductible or non-assessable:		
Non-assessable items	**-**	(29)
Non-deductible items	**-**	1
Prior year adjustment	**2**	(1)
Other accounting movements	**(5)**	19
Total income tax expense on operating profit	**579**	572
Effective tax rate	**27.9%**	27.5%
Income tax expense/ (benefit) charged to other comprehensive income		
Current tax	**50**	(22)
Total income tax expense/ (benefit) charged to other comprehensive income	**50**	(22)

Imputation Credit Account

The amount of imputation credits available to the Banking Group as at 30 September 2025 was $1,188 million (30 September 2024: $1,030 million).

Asset Notes

Note 7 Cash and Liquid Assets

Accounting policy

Cash and liquid assets are initially measured at fair value and subsequently at amortised cost.

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
Coins, notes and cash at bank	**104**	100
Transaction balances with central banks	**4,820**	4,868
Transaction balances with other institutions	**1,063**	743
Total cash and liquid assets	**5,987**	5,711

Note 8 Trading Assets

Accounting policy

Trading assets are measured at fair value through profit or loss. They are acquired principally for the purpose of selling in the near term or form part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit making.

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
Government bonds, notes and securities	**3,335**	4,141
Semi-government bonds, notes and securities	**2,892**	3,393
Corporate and other institutions bonds, notes and securities	**1,252**	1,994
Securities purchased under agreements to resell with other institutions	**1,448**	1,575
Total trading assets	**8,927**	11,103

Note 9 Derivative Financial Instruments

Accounting Policy

Derivative financial instruments are contracts whose value is dependent on an underlying price, index or other variable, such as interest rates, foreign exchange rates and commodity prices.

All derivatives are recognised in the balance sheet at fair value on trade date and are classified as trading except where they are designated in a qualifying 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.

The method of recognising the fair value gain or loss on a derivative depends on whether the derivative is a hedging instrument in a qualifying hedge relationship and, if so, the nature of the risk being hedged.

Derivatives used for risk management purposes which, for various reasons, do not meet the qualifying criteria for hedge accounting or for which the Banking Group chooses not to apply hedge accounting, are included in trading derivatives.

The Banking Group applies NZ IFRS 9 to account for designated hedge relationships. The Banking Group utilises the following types of hedge relationships in managing its exposure to risk. At inception of all hedge relationships the Banking Group documents the relationship between the hedging instrument and hedged item, the risk being hedged, the Banking Group's risk management objective and strategy and how effectiveness will be measured throughout the hedge relationship. The Banking Group measures hedge effectiveness on a prospective basis at inception, as well as retrospectively over the term of the hedge relationship.

	Cash flow hedge	Fair value hedge
Objective	To hedge changes to cash flows arising from interest rate and foreign currency risk.	To hedge fair value changes arising from interest rate risk.
Methods for testing hedge ineffectiveness	Critical terms matching, regression analysis or cumulative dollar offset. For portfolio hedges, capacity analysis to ensure interest cash flows arising from the portfolio of hedged items are in excess of those arising from the hedging instruments.	Critical terms matching or cumulative dollar offset.
Potential sources of ineffectiveness	Primarily mismatches in terms of the hedged item and the hedging instrument.	Primarily mismatches in terms of the hedged item and the hedging instrument
Recognition of effective hedge portion	Fair value changes of the hedging instrument associated with the hedged risk are recognised in the cash flow hedge reserve in equity and transferred to the income statement and recognised in net interest income when the hedged item affects profit or loss.	Fair value changes of the hedging instrument and those arising from the hedged risk on the hedged item are recognised in the income statement.
Recognition of ineffective hedge portion	Recognised in the income statement as ineffectiveness arises.	Recognised in the income statement as ineffectiveness arises.
Hedging instrument expires, is sold, or when hedging criteria are no longer met	Transferred to the income statement as/when the hedged item affects the income statement. If the hedged item is no longer expected to occur the effective portion accumulated in equity is transferred to the income statement immediately.	Cumulative hedge adjustment to the hedged item is amortised to the income statement on an effective yield basis.
Cost of hedging reserve	For qualifying hedging instruments, the Banking Group excludes foreign currency basis spreads from hedge designations. Any change in the fair value of these hedging instruments for changes in cross currency basis spreads is deferred to the cost of hedging reserve and released to profit or loss either when the hedged exposure affects profit or loss or on a systematic basis over the life of the hedge. The cumulative movements are expected to be nil by maturity of the hedging instruments.	

Derivative financial instruments

	Banking Group (30/9/25)		Banking Group (30/9/24)	
Dollars in Millions	**Fair Value Assets**	**Fair Value Liabilities**	Fair Value Assets	Fair Value Liabilities
Trading derivatives (including economic hedges)	**3,115**	**2,112**	3,544	3,198
Hedging derivatives	**627**	**146**	200	716
Total derivative financial instruments	**3,742**	**2,258**	3,744	3,914

Note 9 Derivative Financial Instruments *continued*

Trading derivatives

The Banking Group maintains trading positions in a variety of derivative financial instruments primarily to satisfy the needs of its customers through foreign exchange, interest rate related services and other market related contracts. In addition, the Banking Group takes positions on its own account within a prescribed limit framework, to manage its exposure to market and credit risks relating to trading activities. It satisfies customer needs and maintains access to market liquidity by quoting bid and offer prices on those instruments and trading with other market makers. All trading derivative positions are revalued on a daily basis to reflect market movements and any revaluation profit or loss is recognised immediately in the income statement.

The fair values of trading derivative assets and liabilities are outlined in the table below. The presented fair value reflects the effect of offsetting, as discussed in Note 29 *Offsetting Financial Assets and Financial Liabilities*.

	Banking Group (30/9/25)		Banking Group (30/9/24)	
Dollars in Millions	**Fair Value Assets**	**Fair Value Liabilities**	Fair Value Assets	Fair Value Liabilities
Foreign exchange rate-related contracts				
Spot and forward contracts	**974**	**677**	1,274	1,474
Cross-currency swaps	**788**	**820**	929	967
Options	**22**	**22**	39	39
	1,784	**1,519**	2,242	2,480
Interest rate-related contracts				
Swaps	**1,314**	**581**	1,278	696
Options	**3**	**1**	3	2
Swaptions	**2**	**-**	-	-
	1,319	**582**	1,281	698
Other market-related contracts				
Commodity derivatives	**12**	**11**	21	20
	12	**11**	21	20
Total trading derivatives (including economic hedges)	**3,115**	**2,112**	3,544	3,198

Hedging derivatives

The Banking Group's hedging strategy is to manage its exposure to interest rate risk on a net variable basis in New Zealand dollars. This requires the Banking Group to enter into interest rate swaps where the exposure is to a fixed interest rate. Alternatively, cash flow hedges of interest rate risk are used to arrive at a net variable rate position. In some instances, foreign currency exposures are swapped to New Zealand dollars using cross-currency interest rate swaps.

Not all exposures are automatically managed under the above strategy. Where a risk is within acceptable limits the Banking Group may decide not to apply hedge accounting to that risk. Instead, the Banking Group will manage its exposure under broader risk management processes.

The notional amount and fair value of hedging instruments are outlined in the table below by the type of hedge relationship in which they are designated. The presented fair value reflects the effect of offsetting, as discussed in Note 29 *Offsetting Financial Assets and Financial Liabilities*. The calculation of the notional amount reflects the gross volume of transactions outstanding at the reporting date and is not indicative of either the market risk or credit risk. The Banking Group may designate separate derivatives to hedge different risk components of one hedged item. In such scenario the notional amount of hedging derivatives will, in sum, exceed the notional amount of the hedged item. In the case of cross-currency swaps the Banking Group may designate a single instrument to hedge both interest rate risk in a fair value hedge and currency risk in a cash flow hedge.

			Banking Group (30/9/25)		Banking Group (30/9/24)	
Dollars in Millions	Hedging instrument	Risk	**Notional Amount**	**Fair Value Amount**	Notional Amount	Fair Value Amount
Derivative assets						
Cash flow hedges	Interest rate swaps	Interest	**15,487**	**-**	13,032	-
Cash flow hedges	Cross-currency swaps	Currency	**13,898**	**524**	2,807	150
Fair value hedges	Interest rate swaps	Interest	**8,078**	**-**	5,151	-
Fair value and cash flow hedges	Cross-currency swaps	Interest and currency	**649**	**103**	560	50
			38,112	**627**	21,550	200
Derivative liabilities						
Cash flow hedges	Interest rate swaps	Interest	**19,673**	**-**	20,212	-
Cash flow hedges	Cross-currency swaps	Currency	**8,644**	**145**	15,325	706
Fair value hedges	Interest rate swaps	Interest	**9,558**	**1**	7,260	10
			37,875	**146**	42,797	716

Notes to the Financial Statements

Note 9 Derivative Financial Instruments *continued*

The following table shows the maturity profile of hedging instruments based on their notional amounts.

	Banking Group (30/9/25)				Banking Group (30/9/24)			
Dollars in Millions	**0 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**	0 to 12 Months	1 to 5 Years	Over 5 Years	Total
Interest rate swaps	**11,898**	**38,668**	**2,230**	**52,796**	15,212	28,953	1,490	45,655
Cross-currency swaps	**2,024**	**20,613**	**554**	**23,191**	1,194	15,982	1,516	18,692
Total notional amount	**13,922**	**59,281**	**2,784**	**75,987**	16,406	44,935	3,006	64,347

The average rate for major currencies of the final exchange of cross-currency swaps designated in hedge accounting relationships is shown in the following table.

	Banking Group	
Currency	**30/9/25**	30/9/24
USD:NZD	**1.532**	1.508
EUR:NZD	**1.769**	1.724
CHF:NZD	**1.554**	1.554
AUD:NZD	**1.077**	1.077

The range of executed rates for interest rate swaps in hedge accounting relationships for major currencies is shown in the following table.

	Banking Group (30/9/25)		Banking Group (30/9/24)	
	Fair value hedges	**Cash flow hedges**	Fair value hedges	Cash flow hedges
Currency	**%**	**%**	%	%
NZD Interest Rate	**0.25 - 5.00**	**0.48 - 7.30**	0.25 - 2.88	0.04 - 7.30
USD Interest Rate	**1.00 - 5.70**	**-**	1.00 - 5.08	-
EUR Interest Rate	**0.01 - 3.71**	**-**	0.01 - 3.71	-
CHF Interest Rate	**0.37 - 0.37**	**-**	0.37 - 0.37	-

Hedged items

The balance of the cash flow hedge reserve, which represents the effective portion of the movements in the hedging instrument, is presented in the Banking Group's *Statement of Changes in Equity*. The movements in hedging instruments recognised in other comprehensive income are reported in the Banking Group's *Statement of Comprehensive Income*. There were $2 million of balances recognised in the cash flow hedge reserve for which hedge accounting is no longer applied (30 September 2024: $18 million). There were no transactions for which cash flow hedge accounting had to be ceased as a result of the hedged cash flows no longer being expected to occur (30 September 2024: nil).

The carrying amount of hedged items in fair value hedge relationships and the accumulated amount of fair value hedge adjustments included in the carrying amount are shown in the table below. The accumulated amount of fair value hedge adjustments included in the carrying amount of hedged items that have ceased to be adjusted for hedging gains and losses are nil (30 September 2024: $6 million). The Banking Group does not hedge its entire exposure of a class of financial instruments, therefore the carrying amounts below do not equal the total carrying amounts disclosed in other notes.

	Banking Group (30/9/25)		Banking Group (30/9/24)	
Dollars in Millions	**Carrying Amount**	**Fair value hedge adjustments**	Carrying Amount	Fair value hedge adjustments
Assets				
Loans and advances to customers (housing loans)	**-**	**-**	-	(6)
Investments in debt instruments[1]	**2,555**	**-**	9	-
Liabilities				
Bonds and notes	**15,504**	**(137)**	13,506	(201)
Subordinated debt	**884**	**25**	-	-

[1] The carrying amount of Investments in debt instruments at FVTOCI does not include a fair value hedge adjustment as the hedged asset is measured at fair value. The accounting for the hedge relationship results in a transfer from other comprehensive income to the income statement.

Note 9 Derivative Financial Instruments *continued*

Hedge ineffectiveness

Fair value and cash flow hedge relationships result in the following changes in value used as the basis for recognising hedge ineffectiveness for the period.

	Banking Group					
Dollars in Millions	**Change in fair value on hedging instruments 30/9/25**	Change in fair value on hedging instruments 30/9/24	**Change in fair value on hedged items 30/9/25**	Change in fair value on hedged items 30/9/24	**Hedge ineffectiveness recognised in income statement[1] 30/9/25**	Hedge ineffectiveness recognised in income statement 30/9/24
Fair value hedges (interest rate risk)	**28**	644	**(24)**	(645)	**4**	(1)
Cash flow hedges (interest rate risk)	**145**	(20)	**(143)**	21	**2**	1
Cash flow hedges (currency risk)	**1,691**	(479)	**(1,692)**	474	**(1)**	(5)
Fair value and cash flow hedges (interest rate and currency risk)	**100**	49	**(100)**	(49)	**-**	-
Total	**1,964**	194	**(1,959)**	(199)	**5**	(5)

[1] Hedge ineffectiveness recognised in income statement includes amounts reclassified from cost of hedging reserve to income statement. For the year ended 30 September 2025, $1 million was reclassified from cost of hedging reserve to income statement (30 September 2024: $5 million).

Movement in cash flow hedge reserve

The following tables show movements in the cash flow hedge reserve for each type of hedged risk.

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
Interest rate risk		
Gains or losses recognised in other comprehensive income	**127**	134
Amount reclassified from the cash flow hedge reserve to income statement	**12**	(162)
Movement due to interest rate risk	**139**	(28)
Currency risk		
Gains or losses recognised in other comprehensive income	**1,811**	(488)
Amount reclassified from the cash flow hedge reserve to income statement	**(1,781)**	461
Movement due to currency risk	**30**	(27)
Total movement in cash flow hedge reserve	**169**	(55)

Notes to the Financial Statements

Note 10 Investments in Debt Instruments

Accounting policy

Investments in debt instruments are measured at fair value through other comprehensive income. They are held within the Banking Group's liquidity portfolio with the objective of both collecting contractual cash flows and realising assets through sale, and they have contractual cash flows which are considered to be solely payments of principal and interest.

During the year ended 30 September 2024, the Banking Group commenced measuring certain debt instruments within its liquidity portfolio at FVTOCI.

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
Government bonds, notes and securities	**1,744**	4
Semi-government bonds, notes and securities	**811**	5
Total investments in debt instruments	**2,555**	9

Note 11 Loans and Advances to Customers

Accounting policy

Loans and advances are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Banking Group provides money directly to a customer and has no intention of trading the loan.

Loans and advances are measured at amortised cost using the effective interest method, net of any allowance for expected credit losses. Under the effective interest method, fee income and costs directly related to the origination of the loan are recognised over the expected life of the assets or, where appropriate, a shorter period. When calculating the effective interest rate, the Banking Group estimates cash flows considering all contractual terms of the financial instrument and excluding future credit losses.

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
Overdrafts	**2,229**	2,292
Credit card outstandings	**761**	785
Housing loans	**63,944**	60,102
Other term lending	**44,069**	42,883
Other lending	**630**	741
Total gross loans and advances to customers	**111,633**	106,803
Deduct:		
Allowance for expected credit losses	**998**	1,024
Deferred and other unearned future income and expenses	**(185)**	(134)
Capitalised brokerage costs	**(207)**	(194)
Fair value hedge adjustments on housing loans	**-**	6
Total deductions	**606**	702
Total net loans and advances to customers	**111,027**	106,101

Note 12 Allowance for Expected Credit Losses

Accounting policy

The Banking Group applies a three-stage approach to measuring expected credit losses ("ECL") for the following categories of financial assets:

- loans and advances to customers measured at amortised cost;
- investments in debt instruments measured at fair value through other comprehensive income;
- loan commitments; and
- financial guarantee contracts.

The calculation of ECL follows a three-stage approach:

- 12-month ECL ("Stage 1"): For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.
- Lifetime ECL ("Stage 2"): For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL associated with the probability of default events occurring throughout the life of an instrument is recognised.
  If credit risk were to improve in a subsequent period such that the exposure is no longer classified as Stage 2, the exposure returns to Stage 1 classification and a 12-month ECL is applied. The Banking Group considers reasonable and supportable information that is relevant and available without undue cost or effort, for this purpose. This includes quantitative and qualitative information and forward-looking analysis.
- Lifetime ECL credit impaired ("Stage 3"): Financial assets are assessed collectively or individually as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised, and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

Exposures are assessed on a collective basis in each stage unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows. Where such evidence exists, the exposure is assessed on an individual basis. For the purposes of a collective evaluation of impairment, financial assets are grouped based on shared credit risk characteristics, considering instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry and other relevant factors including economic data (such as levels of unemployment, real estate price indices, country risk and the performance of different individual groups).

Assessment of significant increase in credit risk

The Banking Group has an internally developed credit rating master-scale. The Banking Group assigns each customer a credit rating at initial recognition based on available information. ECL are either measured over 12 months (Stage 1) or the expected lifetime (Stage 2 or 3) of the exposure, depending on credit deterioration since origination. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date, relative to the credit rating at the date of initial recognition. The Banking Group considers that a significant increase in credit risk occurs in the following situations: a facility is more than 30 days past due, marked as Watch, or has deteriorated a certain number of rating grades since origination.

Calculation of expected credit losses

ECL are calculated using three main parameters being probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). These parameters are generally derived from internally developed statistical models combined with historical, current and forward-looking information, including macro-economic data.

- The 12-month and lifetime PD represent the expected point-in-time ("PiT") probability of a default over the next 12 months and remaining expected lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.
- The LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money.
- The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a facility.

The 12-month ECL is equal to the discounted sum over the next 12 months of monthly PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of monthly PD over the expected remaining life multiplied by LGD and EAD.

Judgement is required by management in the estimation of the amount and timing of future cash flows when determining an impairment loss. It includes judgements about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

Incorporation of forward-looking information

The Banking Group uses internal subject matter experts from Risk, Economics and Sector Heads to consider a range of relevant forward-looking data, including macro-economic forecasts and assumptions, for the determination of unbiased general economic adjustments and any idiosyncratic or targeted portfolio / industry adjustments, in order to support the calculation of ECL. Forward-looking adjustments for both general macro-economic adjustments and more targeted portfolio / industry adjustments, reflect reasonable and supportable forecasts of potential future conditions that are not captured within the base ECL calculations. Incorporating forward-looking information, including macro-economic forecasts, increases the degree of judgement required to assess how changes in these data points will affect ECL. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

Definition of Default

Default occurs when a loan obligation is contractually 90 days or more past due, or when it is considered unlikely that the credit obligation to the Banking Group will be paid in full without remedial action, such as realisation of security. When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of the Banking Group's internal processes and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written off are credited to credit impairment charge in the income statement.

Note 12 Allowance for Expected Credit Losses *continued*

Movement in allowance for expected credit losses

The total allowance for ECL decreased by $26 million compared to the balance at 30 September 2024. This is mainly due to reduction in collectively assessed allowance of $101 million partially offset by increases in individually assessed allowance of $75 million.

The decrease of $26 million in total allowance for ECL, is mainly due to reductions of $11 million in corporate lending allowance, $10 million in residential mortgages and $5 million in other retail. The decrease in corporate ECL reflects an $85 million decrease in collectively assessed ECL due to improved forecast macroeconomics, partially offset by $74 million increase in individually assessed allowance, attributable to customers in the manufacturing, transport, and construction sector. The decrease in residential mortgage lending ECL is due to a decrease in collectively assessed ECL reflecting improvements in forecast interest rates, partially offset by portfolio growth. The decrease in other retail ECL is due to a decrease in collectively assessed ECL reflecting improved forecast macroeconomics.

For a detailed movement breakdown of gross loans and advances to customers in Residential mortgage lending, Other retail exposures and Corporate exposures, refer to Schedule 7 *Asset Quality*.

The following tables provide a reconciliation from the opening balance to the closing balance of allowance for ECL and shows the movement in opening balance where loans and advances to customers have transferred between ECL stages and subsequent remeasurement of the allowance for ECL during the period. For a detailed movement breakdown of ECL in Residential mortgage lending, Other retail exposures and Corporate exposures, refer to Schedule 7 *Asset Quality*.

	Banking Group (30/9/25)				
	Collectively assessed allowance			**Individually assessed allowance**	
Dollars in Millions	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 3**	**Total**
Movement in Allowance for ECL					
Balance at beginning of period	**106**	**701**	**90**	**127**	**1,024**
Transfers	**91**	**(126)**	**1**	**34**	**-**
Charge/(credit) to income statement due to new and increased provisions (net of releases)[1]	**(45)**	**(30)**	**8**	**94**	**27**
Amounts written off	**-**	**-**	**-**	**(59)**	**(59)**
Recovery of amounts written off	**-**	**-**	**-**	**6**	**6**
Discount unwind[2]	**-**	**-**	**-**	**-**	**-**
Total balance at end of period[3]	**152**	**545**	**99**	**202**	**998**
	Banking Group (30/9/24)				
Balance at beginning of period	71	629	149	77	926
Transfers	39	(19)	(47)	27	-
Charge/(credit) to income statement due to new and increased provisions (net of releases)[1]	(4)	91	(12)	71	146
Amounts written off	-	-	-	(51)	(51)
Recovery of amounts written off	-	-	-	6	6
Discount unwind[2]	-	-	-	(3)	(3)
Total balance at end of period[3]	106	701	90	127	1,024

[1] Classified as credit impairment charge/(write-back) in the income statement.
[2] The impairment loss on an impaired asset is calculated as the difference between the asset's carrying amount and the estimated future cash flows discounted to its present value using the original effective interest rate for the asset. This discount unwinds through interest income over the period the asset is held.
[3] Included in the total allowance for ECL as at 30 September 2025 was $143 million (30 September 2024: $116 million) relating to off-balance sheet credit exposures.

Past due assets not individually impaired

As at 30 September 2025, loans and advances to customers that are contractually past due but adequate security is held was $1,233 million for the Banking Group (30 September 2024: $1,137 million).

Note 12 Allowance for Expected Credit Losses *continued*

ECL scenario analysis

The Banking Group's forecasts assume the following key macro-economic variables used in the upside, base case and downside scenario as at 30 September 2025.

	Upside (%)			Base case (%)			Downside (%)		
	FY 2026	FY 2027	FY 2028	FY 2026	FY 2027	FY 2028	FY 2026	FY 2027	FY 2028
Macro-economic indicators[1]									
Gross domestic product change year on year	3.9	2.6	2.8	3.0	2.3	2.7	(0.4)	2.4	3.3
Unemployment	4.8	4.5	4.5	5.0	4.8	4.8	10.2	10.3	9.5
House price change year on year	7.6	7.5	6.8	4.7	5.9	6.5	(14.5)	5.0	7.2

[1] Macro-economic indicators represent annual change from September to September.

The Banking Group continues to use the following macro-economic scenarios in estimating ECL.

Upside scenario: The upside scenario reflects lower than expected U.S. tariffs and uncertainty around future changes easing, boosting global growth, demand for New Zealand exports (including tourism), commodity prices and stock markets.

Base case scenario: The base case scenario represents current forecasting of future macro-economic conditions, improving economic growth, moderation of inflation and lower cash rates, with house price increase.

Downside scenario: The downside scenario was provided by recent portfolio solvency stress testing and reflects severe but plausible macro-economic conditions caused by policy driven disruption to international trade causing global growth reductions including New Zealand and high unemployment.

The probability weighted ECL is a blended outcome taking into consideration the respective scenarios applied across each of the Banking Group's major loan portfolios. The following table shows the probability weighting of scenarios.

	Upside (%)		Base case (%)		Downside (%)	
	FY 2025	FY 2024	FY 2025	FY 2024	FY 2025	FY 2024
Macro-economic scenario weightings						
Retail	2.5	2.5	52.5	52.5	45.0	45.0
Non-Retail	2.5	2.5	52.5	52.5	45.0	45.0

Sensitivity analysis

The following table shows the reported total allowance for ECL based on the probability weighting of scenarios, with the sensitivity range reflecting the ECL impacts assuming a 100% weighting is applied to the upside scenario, base case scenario or the downside scenario (with all other assumptions held constant).

	Banking Group	
Dollars in Millions	30/9/25	30/9/24
Reported probability weighted ECL	998	1,024
100% upside ECL	571	654
100% base case ECL	593	686
100% downside ECL	1,493	1,439

Gross carrying amounts written off during the year still subject to enforcement activity

As at 30 September 2025, the contractual amount outstanding on loans and advances to customers written off during the year and that are still subject to enforcement activity was $7 million for the Banking Group (30 September 2024: $1 million).

Note 13 Other Assets

	Banking Group	
Dollars in Millions	30/9/25	30/9/24
Accrued interest receivable	216	268
Prepaid pension assets	9	8
Securities sold – not yet settled	426	918
Other assets[2]	385	369
Total other assets	1,036	1,563

[2] Other assets include receivables, prepayments and settlement clearing balances.

Note 14 Deferred Tax

Accounting policy

Deferred tax assets are the amounts of income tax recoverable in future periods including unused tax losses and unused tax credits carried forward. Deferred tax liabilities are the amounts of income tax payable in future periods. Deferred tax assets and liabilities arise when there is a temporary difference between the tax bases (amount attributable to the asset or liability for tax purposes) of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax assets and liabilities are determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- for a deferred income tax liability arising from the initial recognition of goodwill;
- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in wholly owned entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in wholly owned entities, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amounts of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities are realised simultaneously.

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
Deferred tax assets		
Balance at beginning of year	**345**	316
Tax benefit recognised in income statement	**7**	29
Balance at end of year	**352**	345
Deferred tax assets were attributable to the following items:		
Employee entitlements	**9**	8
Credit risk adjustments on financial assets at fair value through profit or loss	**2**	2
Allowance for expected credit losses on credit exposures	**279**	287
Depreciation and amortisation	**46**	27
Operating expense provisions	**-**	3
Prepaid pension assets	**(2)**	(2)
NZ IFRS 16 leases	**10**	6
Other	**8**	14
Total deferred tax assets	**352**	345

Deferred tax assets have not been recognised for acquired tax losses of $9 million as the utilisation of those losses is not regarded as probable (30 September 2024: nil). The losses do not expire but the preservation of the losses remains subject to meeting legislative requirements.

The recognition of the deferred tax assets relies on management's judgements about the probability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences.

Note 15 Intangible Assets

Accounting policy

Software costs

External and internal costs that are incurred to acquire or develop software are capitalised and recognised as an intangible asset. Capitalised software costs and other intangible assets are amortised on a systematic basis once deployed, using the straight-line method over their expected useful lives which are between three and ten years.

Goodwill

Goodwill arises on the acquisition of an entity and represents the excess of the consideration paid over the fair value of the identifiable net assets acquired.

Impairment of intangible assets

Assets with an indefinite useful life, including goodwill, are not subject to amortisation and are tested on an annual basis for impairment, and additionally whenever an indication of impairment exists. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. For assets that do not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit ("CGU") to which that asset belongs. Goodwill impairment is assessed at the group of CGUs that represents the lowest level within the Banking Group at which goodwill is maintained for internal management purposes.

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
Internally generated software[1]	**647**	506
Acquired software	**20**	19
Goodwill	**15**	15
Total intangible assets	**682**	540
At cost	**1,508**	1,239
Deduct: Accumulated amortisation/impairment losses	**(826)**	(699)
Total intangible assets	**682**	540
Reconciliation of movements in internally generated software		
Balance at beginning of year	**506**	461
Additions from internal development	**272**	196
Disposals, impairments and write-offs	**-**	(42)
Amortisation	**(131)**	(109)
Balance at end of year	**647**	506

[1] Included in internally generated software was a work in progress balance of $335 million as at 30 September 2025 (30 September 2024: $188 million).

Notes to the Financial Statements

Liability Notes

Note 16 Due to Central Banks and Other Institutions

Accounting policy

Due to central banks and other institutions are measured at amortised cost.

	Banking Group	
Dollars in Millions	30/9/25	30/9/24
Transaction balances with other institutions[1]	**1,217**	1,157
Deposits from central banks	**132**	103
Deposits from other institutions	**255**	242
Securities sold under agreements to repurchase from central banks[2,3]	**2,038**	3,377
Total due to central banks and other institutions	**3,642**	4,879

[1] Classified as cash and cash equivalents in the cash flow statement.

[2] Included in securities sold under agreements to repurchase from central banks as at 30 September 2025 was $689 million (30 September 2024: $928 million) relating to the Term Lending Facility and $1,349 million (30 September 2024: $2,449 million) relating to the Funding for Lending Programme.

[3] The Bank's obligation to repurchase is disclosed in this note and in Note 17 *Trading Liabilities*.

Note 17 Trading Liabilities

Accounting policy

Trading liabilities are measured at fair value through profit or loss.

	Banking Group	
Dollars in Millions	30/9/25	30/9/24
Securities sold short	**136**	151
Securities sold under agreements to repurchase from other institutions[4]	**119**	127
Total trading liabilities	**255**	278

[4] The Bank's obligation to repurchase is disclosed in this note and in Note 16 *Due to Central Banks and Other Institutions*.

Note 18 Deposits and Other Borrowings

	Banking Group	
Dollars in Millions	30/9/25	30/9/24
Deposits not bearing interest[5]	**14,974**	14,231
On-demand and short-term deposits bearing interest[5]	**33,343**	29,544
Term deposits	**38,760**	38,509
Total customer deposits	**87,077**	82,284
Certificates of deposit	**909**	1,500
Commercial paper	**2,656**	470
Total deposits and other borrowings	**90,642**	84,254

[5] Comparative balances have been restated to reflect a change in classification for certain deposit products. The restatement of 30 September 2024 comparatives resulted in a $1,827 million increase in Deposits not bearing interest and a corresponding decrease in On-demand and short-term deposits bearing interest.

Notes to the Financial Statements

Note 19 Other Liabilities

Dollars in Millions	Banking Group 30/9/25	30/9/24
Accrued interest payable	**620**	796
Payables and accrued expenses	**331**	335
Securities purchased – not yet settled	**294**	1,011
Employee entitlements	**93**	100
Lease liabilities	**463**	468
Other liabilities	**168**	189
Total other liabilities	**1,969**	2,899

Note 20 Bonds and Notes

Dollars in Millions	Banking Group 30/9/25	30/9/24
Offshore Covered Bonds	**6,194**	5,325
Domestic medium-term notes	**4,650**	4,098
Offshore medium-term notes	**9,461**	9,962
Total bonds and notes	**20,305**	19,385

As at 30 September 2025, the contractual amount to be paid at maturity of the Bonds and notes is $20,275 million (30 September 2024: $19,523 million).

Dollars in Millions	Banking Group 30/9/25	30/9/24
Bonds and notes by currency		
US Dollar	**6,642**	7,174
New Zealand Dollar	**4,650**	4,098
Australian Dollar	**162**	184
Euro	**7,778**	6,838
Swiss Franc	**1,073**	1,091
Total bonds and notes by currency	**20,305**	19,385

Note 21 Subordinated Debt

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
Subordinated Notes due to external investors	**884**	-
Subordinated Notes due to related entity	**550**	550
Total subordinated debt	**1,434**	550

Subordinated Notes

The Bank has issued NZD 550 million subordinated unsecured notes to National Australia Bank Limited ("2031-Subordinated Notes") and USD 500 million subordinated unsecured notes to external investors ("2035-Subordinated Notes" and, together with the 2031-Subordinated Notes, "Subordinated Notes"). The Subordinated Notes are included in Tier 2 capital of the Banking Group and the Registered Bank.

Payments of interest, principal or any other amounts on the Subordinated Notes at any time prior to the applicable maturity date or the liquidation of the Bank are conditional on the Bank being solvent (by satisfying the solvency test in section 4 of the Companies Act 1993) on the relevant payment date and remaining solvent immediately after making the payment. If the Bank does not pay an amount on the Subordinated Notes because it has not satisfied the solvency test, the Bank must pay that amount on the first date on which it is able to make the payment and satisfy the solvency test. Interest will accrue daily (at the interest rate then applicable to the Subordinated Notes) on any interest that is not paid when scheduled as a result of the Bank not satisfying the solvency test on the relevant payment date.

Subject to certain conditions, including the approval by the Reserve Bank of New Zealand ("RBNZ"), the Bank has the option to redeem all or some of the 2031-Subordinated Notes and/or the 2035-Subordinated Notes on the relevant optional redemption date. In addition, subject to certain conditions, including the approval by the RBNZ, the Bank may redeem at any time all (but not some only) of the 2031-Subordinated Notes and/or all or some of the 2035-Subordinated Notes if a regulatory or tax event occurs.

The Subordinated Notes do not confer any right to vote in general meetings of the Bank or National Australia Bank Limited.

In a liquidation of the Bank, the claims of holders of the Subordinated Notes will rank:

- ahead of claims of holders of ordinary shares in the Bank and other subordinated securities that rank below the Subordinated Notes (such as the PPS issued to external investors);
- equally with claims of other holders of the Subordinated Notes and holders of other subordinated securities that rank equally with the Subordinated Notes; and
- behind all other claims (such as those of the Bank's secured creditors, depositors and holders of unsecured unsubordinated bonds issued by the Bank from time to time).

The key terms of the Subordinated Notes are as follows:

	2031-Subordinated Notes	2035-Subordinated Notes
Issue date	25 June 2021	28 January 2025
Issue amount	NZD 550 million	USD 500 million
Maturity date	25 June 2031	28 January 2035
Optional redemption	On any interest payment date on or after 25 June 2026 for face value together with accrued interest (if any).	On 28 January 2030 for face value together with accrued interest (if any) to (but excluding) 28 January 2030.
Interest	Resets every three months based on the prevailing three-month bank bill rate plus a margin of 1.36% per annum for the term. Interest is payable quarterly in arrear.	Fixed at 5.698% per annum up to (but excluding) 28 January 2030 ("Reset Date"). The interest rate from the Reset Date onwards will be fixed at the 5-year U.S. Treasury Rate on the second business day immediately preceding the Reset Date plus a margin of 1.300% per annum. Interest is payable semi-annually in arrear.

Shareholders' Equity Note

Note 22 Contributed Equity

Number of shares in Millions	Banking Group 30/9/25	Banking Group 30/9/24
Issued and fully paid shares		
Ordinary shares - balance at beginning of year	**10,839**	10,076
Ordinary shares - issued during the year	**-**	763
Ordinary shares - balance at end of year	**10,839**	10,839
Perpetual preference shares - balance at beginning of year	**825**	375
Perpetual preference shares - issued during the year	**-**	450
Perpetual preference shares - balance at end of year	**825**	825
Total issued and fully paid shares	**11,664**	11,664

The issued and fully paid ordinary shares are included in Common Equity Tier 1 capital of the Banking Group and the Registered Bank. The issued and fully paid perpetual preference shares are included in Additional Tier 1 capital of the Banking Group and the Registered Bank (refer to Schedule 11 *Capital Adequacy under the Internal Models Based Approach, and Regulatory Liquidity Ratios*).

Ordinary shares

The ordinary shares do not have a par value. All ordinary shares have equal voting rights and share equally in dividends and any distribution of the surplus assets of the Bank in the event of liquidation.

On 20 October 2016, the Bank issued $900 million of mandatorily convertible subordinated perpetual unsecured notes (“Perpetual Notes”) to National Australia Bank Limited. On 20 October 2023 the Perpetual Notes, all held by National Australia Group (NZ) Limited (“NAGNZ”) were converted into 762,750,000 BNZ Shares.

Dividends on ordinary shares for the year ended 30 September 2025 were a weighted average of 9.78 cents per share (year ended 30 September 2024: a weighted average of 12.09 cents per share).

Perpetual preference shares

The perpetual preference shares (“PPS”) do not create any direct or indirect contractual obligation to deliver cash or another financial instrument to holders, and as such are classified as equity instruments.

Distributions on the PPS are payable at the discretion of the Bank, are subject to conditions, and are non-cumulative. If a distribution on the PPS is not paid, there are certain restrictions on the ability of the Bank to pay a dividend on its ordinary shares.

The PPS confer no rights on a holder of a class of PPS to:

- vote at any general meeting of the Bank or participate in any other decision or resolution of the Bank’s ordinary shareholders;
- participate in the issue of any other securities in the Bank or to participate in any bonus issues of securities of the Bank; or
- participate in the profits or property of the Bank, except by receiving payments on the PPS.

In a liquidation of the Bank, the PPS will rank behind the claims of depositors and other general and subordinated creditors of the Bank (except for holders of equal ranking preference shares, securities and other obligations of the Bank) but ahead of the rights of holders of the Bank’s ordinary shares.

The Bank has issued two classes of PPS with an issue price of $1.00 that are quoted on the NZX Debt Market (“Quoted PPS”) on 14 June 2023 (“PPS 1”) and 21 August 2024 (“PPS 2”).

The key terms of the Quoted PPS are as follows:

	PPS 1	PPS 2
Issue date	14 June 2023	21 August 2024
Issue amount	$375 million	$450 million
First optional redemption date	14 June 2029	21 August 2030
Distribution rate	7.30% per annum until 14 June 2029, after which it will be a floating rate which will be reset quarterly to be equal to the sum of the applicable 3 month bank bill rate plus 3.00%, with PPS distributions scheduled to be paid on 14 March, 14 June, 14 September and 14 December each year.	7.28% per annum until 21 August 2030, after which it will be a floating rate which will be reset quarterly to be equal to the sum of the applicable 3 month bank bill rate plus 3.50%, with PPS distributions scheduled to be paid on 21 February, 21 May, 21 August and 21 November each year.

The PPS have no fixed maturity date and will remain on issue indefinitely if not redeemed by the Bank. The Bank may redeem a class of the PPS on the relevant optional redemption date (being each scheduled distribution payment date from the first optional redemption date) or at any time if a tax event or regulatory event occurs. Redemption is subject to certain conditions being met, including obtaining the RBNZ’s approval. Holders of PPS have no right to require that the PPS be redeemed.

Other Notes

Note 23 Segment Analysis

Operating segments

An operating segment is a component of an entity engaging in business activities and whose operating results are regularly reviewed by the entity's chief operating decision maker. For each operating segment identified by the Banking Group, financial information is regularly reported to the Bank's Executive Team for the purposes of performance assessment and resource allocation.

The Banking Group's business is organised 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), and it also includes the Banking Group's market trading, market sales and market activities providing risk management services to customers.

Revenues and expenses directly associated with each operating segment are included in determining their result. Transactions between operating segments are based on agreed recharges between segments. Segment revenue represents revenue directly attributable to a segment and a portion of the Banking Group's revenue that can be allocated to a segment on a reasonable basis. Segment revenue includes Net interest income and Other income, and includes transfer pricing adjustments to reflect inter-segment funding arrangements. Segment expenses represent expenses directly attributable to a segment, such as directly attributable personnel cost.

Included within the 'Other' category in the following table are business activities that are not separately reportable segments, including corporate functions enabling units that support all businesses, e.g. treasury, technology and operations, data, digital and analytics; 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.

The Banking Group primarily conducts business in New Zealand and has limited exposure to risks associated with different economic environments or political conditions in other countries. On this basis, no geographical segment information is provided.

	Banking Group (30/9/25)				
Dollars in Millions	**Partnership Banking[3,4]**	**Corporate and Institutional Banking[4]**	**Total Reportable Segments**	**Other[3,4]**	**Total Banking Group**
Net interest income	**2,165**	**722**	**2,887**	**190**	**3,077**
Other income/(expense)[1]	**128**	**326**	**454**	**(47)**	**407**
Total operating income[2]	**2,293**	**1,048**	**3,341**	**143**	**3,484**
Operating expenses	**(261)**	**(71)**	**(332)**	**(1,047)**	**(1,379)**
Total operating profit/(loss) before credit impairment charge and income tax expense	**2,032**	**977**	**3,009**	**(904)**	**2,105**
Credit impairment (charge)/write-back	**(99)**	**(85)**	**(184)**	**157**	**(27)**
Total operating profit/(loss) before income tax expense	**1,933**	**892**	**2,825**	**(747)**	**2,078**
Income tax (expense)/benefit on operating profit	**(542)**	**(250)**	**(792)**	**213**	**(579)**
Net profit/(loss) for the year	**1,391**	**642**	**2,033**	**(534)**	**1,499**
Lending assets	**86,068**	**24,668**	**110,736**	**291**	**111,027**
Deposit liabilities	**69,783**	**16,478**	**86,261**	**816**	**87,077**
	Banking Group (30/9/24)				
Net interest income	2,102	788	2,890	19	2,909
Other income[1]	126	298	424	283	707
Total operating income[2]	2,228	1,086	3,314	302	3,616
Operating expenses	(252)	(76)	(328)	(1,064)	(1,392)
Total operating profit/(loss) before credit impairment charge and income tax expense	1,976	1,010	2,986	(762)	2,224
Credit impairment charge	(15)	(73)	(88)	(58)	(146)
Total operating profit/(loss) before income tax expense	1,961	937	2,898	(820)	2,078
Income tax (expense)/benefit on operating profit	(549)	(262)	(811)	239	(572)
Net profit/(loss) for the year	1,412	675	2,087	(581)	1,506
Lending assets	81,602	24,451	106,053	48	106,101
Deposit liabilities	65,672	15,296	80,968	1,316	82,284

[1] Other income/(expense) includes Gains less losses on financial instruments and Other operating income.

[2] For the year ended 30 September 2025, there were no revenues deriving from transactions with a single external customer that amounted to 10% or more of the Banking Group's revenues (30 September 2024: nil).

[3] From 1 October 2024, certain deposit liabilities and the related net interest income were reallocated from Other segment and are now recognised in Partnership Banking. Comparative balances have been reclassified to align with the segment measures for the year ended 30 September 2025.

[4] From 1 October 2024, market trading, market sales, market risk management activities and market deposit liabilities are reported within Corporate and Institutional Banking. Previously market trading, market risk management activities and market deposit liabilities were reported in the Other Segment, and market sales were allocated to Partnership Banking and Corporate and Institutional Banking. Comparative balances have been reclassified to align with the segment measures for the year ended 30 September 2025.

Notes to the Financial Statements

Note 24 Interests in Other Entities

Investments in wholly owned entities

The following table presents the wholly owned entities of the Bank as at 30 September 2025. These entities have the same reporting date as the Bank except for Blink Pay Global Group Limited, Blink Pay NZ Limited and Centrapay Limited which have a 31 March reporting date.

Name	Country of Incorporation	Principal Activities
BNZ Equity Investments No.2 Limited	New Zealand	Investment company
BNZ Facilities Management Limited	New Zealand	Facilities management
BNZ International Funding Limited	New Zealand	Funding company
BNZ Investments Limited	New Zealand	Investment company
BNZ Property Investments Limited	New Zealand	Property company
BNZ Branch Properties Limited	New Zealand	Property company
Blink Pay Global Group Limited	New Zealand	Customised payments and data software services
Blink Pay NZ Limited	New Zealand	Customised payments and data software services
Centrapay Limited	New Zealand	Software development and payment processing

On 1 November 2024, the Bank acquired 100% of the voting equity interests in Blink Pay Global Group Limited and Blink Pay NZ Limited, and on 1 December 2024, the Bank acquired 100% of the voting equity interest in Centrapay Limited, at which point these entities became wholly owned controlled entities of the Bank. These transactions have not had any material impact on the financial performance or financial position of the Banking Group.

Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities generally have restricted activities and a narrow and well-defined objective which are both created through contractual arrangements.

Depending on the Banking Group's power over the relevant activities of the structured entity and its exposure to and ability to influence its own returns, it may or may not consolidate the entity.

The Banking Group's involvement in structured entities is subject to internal credit, compliance and legal approval processes to ensure that any difficulties arising from the structured entities do not impact adversely on the Banking Group, beyond that which is normal for commercial relationships.

Funds management

The Bank markets and distributes the BNZ KiwiSaver Scheme, the Private Wealth Series, the YouWealth Scheme and the BNZ Term PIE (collectively the "Managed Investment Schemes") that are managed and issued by BNZ Investment Services Limited ("BNZISL"), a related party of the Banking Group. Refer to Note 25 *Related Party Disclosures* for further information. The banking arrangements for these Managed Investment Schemes are provided by the Bank.

- BNZ Term PIE: The Bank controls, and BNZISL manages, BNZ Term PIE, a portfolio investment entity. BNZ Term PIE invests solely in debt securities issued by the Banking Group and on consolidation its assets are eliminated against liabilities recorded by the Bank. Unitholders' interests are included as part of the Banking Group's liabilities.
- Other Managed Investment Schemes: These do not represent deposits or other liabilities of the Bank or any other member of NAB, are not owned by the Banking Group and therefore their assets and liabilities are not included in the financial statements of the Banking Group.

Investments made in the Managed Investment Schemes are subject to investment risk, including possible delays in repayment and loss of income and principal invested. None of the Bank, or any other member of NAB, the Supervisor (The New Zealand Guardian Trust Company Limited), any Director of any of them, the New Zealand Government or any other person guarantees (either fully or in part) the performance or returns of the Managed Investment Schemes or the repayment of capital. During the reporting period, the Managed Investment Schemes were managed by BNZISL.

Consolidated structured entities

The Banking Group has interests in the following structured entities which are consolidated for financial reporting purposes:

Name	Country of Domicile	Principal Activities
BNZ RMBS Trust Series 2008-1 (the "RMBS Trust")	New Zealand	Securitisation entity
BNZ Covered Bond Trust	New Zealand	Securitisation entity
BNZ Term PIE	New Zealand	Portfolio investment entity

RMBS Trust and Covered Bond Trust

The RMBS Trust provides an internal residential mortgage-backed securities programme to issue securities as collateral for borrowing from the RBNZ. The Covered Bond Trust holds certain Bank of New Zealand housing loans and its trustee guarantees the payment of all interest and principal under the covered bonds issued by the Bank.

Further details on the transactions with the RMBS Trust and the Covered Bond Trust are provided in Note 30 *Transfers of Financial Assets*.

Term PIE Investment Entity

The Banking Group's interest in BNZ Term PIE, a consolidated investment entity, is noted in the funds management section above.

Note 24 Interests in Other Entities *continued*

Unconsolidated structured entities

Unconsolidated structured entities refer to structured entities that are not controlled by the Banking Group. The Banking Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities.

The Banking Group engages with third party (client) securitisations by providing funding, liquidity support and derivatives.

Interests in unconsolidated structured entities include, but are not limited to, debt investments, guarantees, liquidity arrangements, and commitments that expose the Banking Group to the risks of the unconsolidated structured entity. Interests exclude plain vanilla derivatives (e.g. interest rate swaps and currency swaps).

The table below shows the carrying amount and maximum exposure to loss and credit quality of the Banking Group's interests in unconsolidated securitisation entities as at 30 September 2025.

	Banking Group (30/9/25)				Banking Group (30/9/24)			
Dollars in Millions	**Senior Investment Grade**	**Investment Grade**	**Sub-Investment Grade**	**Total**	Senior Investment Grade	Investment Grade	Sub-Investment Grade	Total
Carrying amount of loans and advances	**1,950**	**-**	**-**	**1,950**	1,685	7	4	1,696
Commitments and guarantees	**611**	**-**	**-**	**611**	462	-	-	462
Total maximum exposure to credit loss	**2,561**	**-**	**-**	**2,561**	2,147	7	4	2,158

Exposure to loss is managed as part of the Banking Group-wide risk management framework. The Banking Group's maximum exposure to loss is the total of its on-balance sheet positions and its off-balance sheet arrangements, being loan commitments, financial guarantees, and liquidity support. Consequently, the Banking Group has presented these measures rather than the total assets of the unconsolidated structured entities. Refer to Note 27 *Financial Risk Management* for further information.

Income earned from interests in unconsolidated structured entities primarily resulted from interest income, fees and commission income.

Notes to the Financial Statements

Note 25 Related Party Disclosures

The Bank is a wholly owned controlled entity of NAGNZ (immediate parent of the Bank). The ultimate parent bank of Bank of New Zealand is National Australia Bank Limited. During the year ended 30 September 2025, there were dealings between the Bank and its related entities (including NAB) as well as other related parties (including key management personnel, their close family members and their controlled entities). Details of these transactions are outlined below.

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

		Banking Group	
Dollars in Millions	Note	**30/9/25**	30/9/24
Balances with related entities			
Ultimate parent			
Cash and liquid assets		**42**	27
Collateral paid		**-**	188
Trading assets		**1,213**	1,515
Derivative financial instruments		**1,262**	1,403
Other assets[1]		**33**	33
Joint ventures of immediate parent			
Loans and advances to customers		**84**	48
Other assets		**-**	1
Total due from related entities		**2,634**	3,215
Ultimate parent			
Due to central banks and other institutions		**26**	5
Collateral received		**188**	-
Trading liabilities		**-**	35
Derivative financial instruments		**1,093**	1,690
Other liabilities[1]		**292**	363
Subordinated debt	21	**550**	550
Joint ventures of immediate parent			
Due to central banks and other institutions		**13**	12
Controlled entities of ultimate parent			
Due to central banks and other institutions		**41**	52
Total due to related entities		**2,203**	2,707

[1] Included in Other assets and Other liabilities are securities sold not yet settled with NAB and securities purchased not yet settled with NAB.

As at 30 September 2025, no provisions have been recognised in respect of loans provided to related entities (30 September 2024: nil). There were no debts with any of the above parties written off or forgiven during the year ended 30 September 2025 (30 September 2024: nil).

Note 25 Related Party Disclosures *continued*

Transactions with related entities

During the financial year, there have been dealings between the Bank and its controlled entities, and the Banking Group and its related entities. The Bank provides a range of services to related entities including the provision of banking facilities.

Ordinary dividends paid to the shareholder are disclosed in the *Statement of Changes in Equity* and in Note 22 *Contributed Equity*.

On 30 April 2024, the Bank completed the sale of BNZISL to FirstCape Limited (“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. There is a referral agreement and a manufacturing and distribution agreement between the Bank and FirstCape. Under these agreements, fees are charged by FirstCape to the Bank for managing the Managed Investment Schemes, and fees are charged by the Bank to FirstCape for distributing the Managed Investment Schemes. The Bank provides banking services to certain subsidiaries of FirstCape Group; interest and fees are charged on these services.

During the prior year, JBWere (NZ) Pty Limited and JBWere (NZ) Nominees Limited were controlled entities of the ultimate parent up until 30 April 2024, at which point these entities were sold to FirstCape and ceased to be controlled entities of the ultimate parent.

The RMBS Trust provides an internal residential mortgage-backed securities programme to issue securities as collateral for borrowing from the RBNZ. The Covered Bond Trust holds certain Bank of New Zealand housing loans and its trustee guarantees covered bonds issued by the Bank. Refer to Note 30 *Transfers of Financial Assets* for further information.

The Bank guarantees the obligations of BNZ International Funding Limited (“BNZ-IF”) in respect of securities issued by BNZ-IF to investors.

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
Interest income		
Ultimate parent	**60**	57
Joint ventures of immediate parent	**2**	1
Total interest income due from related entities	**62**	58
Interest expense		
Ultimate parent	**43**	73
Joint ventures of immediate parent	**4**	-
Total interest expense due to related entities	**47**	73
Gains less losses on financial instruments and other operating income		
Net unrealised gain/(loss) on derivative contracts with ultimate parent	**456**	(519)
Other income received from controlled entities of ultimate parent	**1**	1
Gain on sale of investment in wholly owned entity received from joint ventures of immediate parent	**-**	103
Other fees and commissions received from joint ventures of immediate parent	**5**	2
Operating expenses		
Intercompany recharges paid to ultimate parent	**41**	32
Other service charges paid to ultimate parent	**11**	12
Other expenses paid to joint ventures of immediate parent	**-**	1

Note 25 Related Party Disclosures *continued*

Key management personnel

Key management personnel are defined as being Directors and the Executive Team of the Bank. The information relating to key management personnel disclosed below includes transactions with those individuals, their close family members and their controlled entities.

Loans and deposits with non-executive key management personnel of the Bank are made in the ordinary course of business on normal commercial terms and conditions. Loans and deposits with executive key management personnel and close family members of non-executive key management personnel who are employees of the Bank, are made either:

- on normal commercial terms and conditions; or
- on terms and conditions which apply to other employees of the Bank.

All other transactions with key management personnel, their related entities and other related parties are conducted in the ordinary course of business on normal commercial terms and conditions.

All loans made to key management personnel have been made in accordance with the Bank's lending policies. No individually assessed allowance has been recognised in respect of loans provided to key management personnel. There were no debts written off or forgiven during the year ended 30 September 2025 (year ended 30 September 2024: nil).

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
Transactions with key management personnel		
Short-term employee benefits	**14**	13
Other long-term benefits	**-**	2
Other[1]	**1**	1
Share-based payments	**5**	2
Total key management personnel benefits	**20**	18
Loans to key management personnel	**15**	13
Deposits from key management personnel	**3**	9
Interest income on amounts due from key management personnel	**1**	1
Interest expense on amounts due to key management personnel[2]	**-**	-

[1] Includes termination benefits.
[2] Interest expense amount shown as nil in the table above is a result of rounding to the nearest million.

The Banking Group engages in equity settled share-based payment transactions via its ultimate parent, National Australia Bank Limited, in respect of services received from its employees. The value of the services received is measured by reference to the grant date fair value of the shares or performance rights. The cost relating to the shares or performance rights granted is recognised in the income statement over the period in which the services are received, which is the vesting period. The Banking Group reimburses National Australia Bank Limited for the cost of shares or performance rights granted to its employees.

The following table shows performance rights and shares granted to the Banking Group employees:

	Banking Group (30/9/25)		Banking Group (30/9/24)	
	Number	**Weighted average grant date fair value**	Number	Weighted average grant date fair value
Performance rights granted during the year - Deferred Variable Reward	**9,708**	**A$38.11**	21,188	A$28.92
Performance rights granted during the year - Long-term Incentive (LTI):				
Long-term Variable Reward component	**21,948**	**A$15.12**	28,784	A$13.70
Long-term Equity Award component	**21,948**	**A$31.02**	28,784	A$23.01
Fully paid ordinary shares granted during the year:				
Discretionary Variable Reward Plan and Annual Equity Award	**90,324**	**A$38.11**	34,422	A$27.87
Commencement and Recognition Award	**102,312**	**A$38.64**	-	-

The number of performance rights outstanding as at 30 September 2025 was 238,920 (30 September 2024: 195,362).

For performance rights that do not have any market-based performance hurdles attached, the weighted average grant date fair value is adjusted for expected dividends over the vesting period.

Note 26 Capital Management

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.

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.

The Banking Group has calculated its RWA and minimum regulatory capital requirements based on the BPR documents.

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 approved and monitored by the BNZ Board, and managed by the Bank's Executive Risk and Compliance Committee ("ERCC") and the Asset, Liability and Capital Committee ("ALCCO") under delegated authority from the Bank's Board of Directors.

The Banking Group is required under its Conditions of Registration to maintain a minimum ratio of total eligible or qualifying capital to total Risk Weighted Assets ("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 5.5% 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. During the reporting period the Banking Group complied with all of the RBNZ's capital requirements as set out in the Bank's Conditions of Registration.

As required by the RBNZ's BPR on regulatory capital, since 1 July 2022 the Banking Group has been in a six year transition period to increase Tier 1 capital to 16% of 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 RBNZ is undertaking a review of key capital settings and intends to make final decisions by the end of calendar year 2025. The outcome of this review may have implications for the level and composition of capital the Banking Group is required to hold.

For more information on the capital structure of the Banking Group, refer to Note 21 *Subordinated Debt*, Note 22 *Contributed Equity* and Schedule 11 *Capital Adequacy under the Internal Models Based Approach, and Regulatory Liquidity Ratios*. Refer to Schedule 11 *Capital Adequacy under the Internal Models Based Approach, and Regulatory Liquidity Ratios* for further information on the Banking Group's capital calculation, capital ratios and capital requirements as at 30 September 2025.

Capital and ratios

The following tables show the qualifying capital and capital ratios for the Banking Group.

	Banking Group	
	Unaudited	Unaudited
Dollars in Millions	**30/9/25**	30/9/24
Qualifying capital		
Common Equity Tier 1 capital		
Contributed equity - ordinary shares	**9,956**	9,956
Retained profits	**2,915**	2,520
Accumulated other comprehensive income and other disclosed reserves	**154**	24
Deductions from Common Equity Tier 1 capital	**(1,213)**	(923)
Total Common Equity Tier 1 capital	**11,812**	11,577
Additional Tier 1 capital		
Contributed equity - perpetual preference shares	**825**	825
Total Tier 1 capital	**12,637**	12,402
Tier 2 capital		
Revaluation reserves	**3**	3
Subordinated Notes due to related entity	**550**	550
Subordinated Notes due to external investors	**862**	-
Total eligible impairment allowance in excess of expected loss	**275**	348
Total Tier 2 capital	**1,690**	901
Total capital	**14,327**	13,303
Capital Ratios		
Common Equity Tier 1 capital ratio	**13.6%**	13.9%
Tier 1 capital ratio	**14.5%**	14.9%
Total qualifying capital ratio	**16.5%**	16.0%
Prudential capital buffer ratio	**7.5%**	7.0%

Note 27 Financial Risk Management

By their nature, the Banking Group's activities involve the use of financial instruments. The core activity of the Banking Group is to accept deposits from customers at both fixed and floating rates for various periods, and seek to earn interest margins by lending these funds. The Banking Group also deals in a range of other financial products including derivatives where the Bank has deemed it has the expertise in the relevant market.

Overview of risk management framework

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).

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 NAB.

Key financial risks

The key financial risks faced by the Banking Group focus on the risks that arise from financial instruments and how they have been managed, and include:

- credit risk;
- market risk – trading;
- market risk – non-trading/banking positions, including interest rate risk in the banking book; and
- capital, funding and liquidity 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.

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 BNZ's lending activities and markets and trading activities.

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 other sources include the banking book, the trading book, and other financial instruments, as well as in the extension of commitments and guarantees and the settlement of transactions.

The Banking Group manages credit risk via 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 that aim to maintain diversification and asset quality. Exposure to any one customer is further restricted by limits covering on and off-balance sheet exposures, and daily settlement risk limits in relation to trading items such as interest rate swaps and 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 are intended to 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. Recoverable amounts for impaired assets take into account the current market value of collateral held and the realisability of securities.

Note 27 Financial Risk Management *continued*

Maximum credit risk exposure

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is, in most cases, the carrying amount. In certain circumstances, there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below.

For guarantees, the maximum exposure to credit risk is the notional amount that the Bank would have to pay if the guarantees are called upon. For irrevocable commitments, the maximum exposure to credit risk is the full amount of the commitment. Refer to Note 31 *Contingent Liabilities and Other Commitments* for further information.

The table below presents the maximum exposure to credit risk of financial assets before taking into account any collateral held or other credit enhancements.

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
Maximum exposure to credit risk		
Cash and liquid assets[1]	**5,883**	5,611
Due from central banks and other institutions	**160**	72
Collateral paid	**530**	927
Trading assets	**8,927**	11,103
Derivative financial instruments	**3,742**	3,744
Investments in debt instruments	**2,555**	9
Gross loans and advances to customers	**111,633**	106,803
Other financial assets[2]	**670**	1,280
Total on-balance sheet credit exposures	**134,100**	129,549
Off-balance sheet credit exposures[3]	**18,415**	16,704
Total maximum exposure to credit risk	**152,515**	146,253

[1] Cash and liquid assets exclude coins, notes and cash at bank.
[2] Other financial assets include securities sold but not yet settled, accrued interest receivable and due from customers on acceptances.
[3] Off-balance sheet credit exposures include bank guarantees, letters of credit and irrevocable commitments to extend credit.

The table below presents the Banking Group's concentrations of credit exposure by industry sector and geographical location. Except for derivative financial instruments, the majority of the overseas credit exposures relate to New Zealand based assets funded in New Zealand dollars for offshore customers. The concentrations of credit exposure by industry sector are based on Australian and New Zealand Standard Industrial Classification ("ANZSIC") codes. The concentrations of credit exposure by geographical location are based on the counterparty's tax residency.

	Banking Group (30/9/25)			Banking Group (30/9/24)		
Dollars in Millions	**On-balance sheet**	**Off-balance sheet**	**Total exposure**	On-balance sheet[1]	Off-balance sheet	Total exposure[1]
Concentration by industry						
Agriculture	**14,480**	**1,309**	**15,789**	14,661	1,049	15,710
Forestry and fishing	**1,116**	**314**	**1,430**	1,183	321	1,504
Mining	**172**	**98**	**270**	244	200	444
Manufacturing	**3,964**	**2,050**	**6,014**	3,671	2,065	5,736
Electricity, gas and water	**947**	**1,765**	**2,712**	768	1,001	1,769
Construction	**1,713**	**934**	**2,647**	1,620	878	2,498
Wholesale and retail trade	**4,939**	**1,593**	**6,532**	4,962	1,271	6,233
Accommodation, restaurants, culture and recreation	**1,930**	**414**	**2,344**	1,766	334	2,100
Transport and storage	**2,130**	**879**	**3,009**	2,103	1,450	3,553
Communications	**451**	**239**	**690**	542	233	775
Financial, investment and insurance	**16,257**	**1,903**	**18,160**	17,493	1,802	19,295
Property, business and personal services	**11,008**	**1,808**	**12,816**	10,516	1,662	12,178
Government, education, health and community services	**10,227**	**1,385**	**11,612**	9,064	1,239	10,303
Real estate - mortgage	**64,005**	**3,708**	**67,713**	60,166	3,193	63,359
Personal lending	**761**	**16**	**777**	790	6	796
Total credit exposures by industry	**134,100**	**18,415**	**152,515**	129,549	16,704	146,253
Concentration by geography						
New Zealand	**126,706**	**17,992**	**144,698**	121,992	16,261	138,253
Overseas	**7,394**	**423**	**7,817**	7,557	443	8,000
Total credit exposures by geography	**134,100**	**18,415**	**152,515**	129,549	16,704	146,253

[1] Comparative balances have been restated to align with the presentation used in the current year.

Notes to the Financial Statements

Note 27 Financial Risk Management *continued*

Credit risk exposures by risk grade

The tables below show the credit quality of credit risk exposures to which the expected credit loss model is applied, for recognised and unrecognised financial assets, based on the following risk grades:

- Senior investment grade: broadly corresponds with Standard & Poor's ratings of AAA to A- (internal rating 1 to 5);
- Investment grade: broadly corresponds with Standard & Poor's ratings of BBB+ to BBB- (internal rating 6 to 11);
- Sub-investment grade: broadly corresponds with Standard & Poor's ratings of BB+ (internal rating 12 to 23); and
- Default: broadly corresponds with Standard & Poor's rating of D (internal rating 98 to 99).

Notional stage allocations (Stage 1, Stage 2 and Stage 3) for credit risk exposures incorporate the impact of forward-looking information applied in the expected credit loss model. Refer to the accounting policy section of Note 12 *Allowance for Expected Credit Losses* for further information.

	Banking Group (30/9/25)			
Dollars in Millions	Stage 1	Stage 2	Stage 3	Total
Credit risk exposure by risk grade				
Gross loans and advances to customers				
Senior investment grade	**47,460**	**215**	**-**	**47,675**
Investment grade	**23,320**	**5,358**	**-**	**28,678**
Sub-investment grade	**13,676**	**20,317**	**-**	**33,993**
Default	**-**	**-**	**1,287**	**1,287**
Total gross loans and advances to customers	**84,456**	**25,890**	**1,287**	**111,633**
Loan commitments and guarantees				
Senior investment grade	**9,173**	**138**	**-**	**9,311**
Investment grade	**5,526**	**2,224**	**-**	**7,750**
Sub-investment grade	**2,814**	**4,763**	**-**	**7,577**
Default	**-**	**-**	**49**	**49**
Total loan commitments and guarantees	**17,513**	**7,125**	**49**	**24,687**
Total gross loans and advances, loan commitments and guarantees	**101,969**	**33,015**	**1,336**	**136,320**
Investments in debt instruments				
Senior investment grade	**2,555**	**-**	**-**	**2,555**
Investment grade	**-**	**-**	**-**	**-**
Sub-investment grade	**-**	**-**	**-**	**-**
Default	**-**	**-**	**-**	**-**
Total investments in debt instruments	**2,555**	**-**	**-**	**2,555**

	Banking Group (30/9/24)			
Credit risk exposure by risk grade				
Gross loans and advances to customers				
Senior investment grade	41,518	112	-	41,630
Investment grade	21,310	7,124	-	28,434
Sub-investment grade	9,757	25,890	-	35,647
Default	-	-	1,092	1,092
Total gross loans and advances to customers	72,585	33,126	1,092	106,803
Loan commitments and guarantees				
Senior investment grade	6,502	63	-	6,565
Investment grade	7,208	2,445	-	9,653
Sub-investment grade	2,162	4,542	-	6,704
Default	-	-	24	24
Total loan commitments and guarantees	15,872	7,050	24	22,946
Total gross loans and advances, loan commitments and guarantees	88,457	40,176	1,116	129,749
Investments in debt instruments				
Senior investment grade	9	-	-	9
Investment grade	-	-	-	-
Sub-investment grade	-	-	-	-
Default	-	-	-	-
Total investments in debt instruments	9	-	-	9

Note 27 Financial Risk Management *continued*

Collateral and other credit enhancements

In general, the Banking Group does not take possession of collateral it holds as security or call on other credit enhancements that would result in recognition of an asset on the balance sheet. The following section discloses the Bank's policies and procedures for use of collateral and credit enhancements.

Trading assets

The Banking Group may utilise credit derivatives, guarantees or other forms of credit enhancements or collateral in order to minimise the Banking Group's exposure to credit risk. Reverse repurchase agreements are collateralised with high quality liquid securities which are permitted to be sold or re-pledged. The fair values of this collateral are disclosed in Note 30 *Transfers of Financial Assets*.

Other financial assets

Other financial assets include securities sold but not yet settled, accrued interest and due from customers on acceptance. Accrued interest is subject to the same collateral as the underlying borrowings. Other receivables will mostly be unsecured.

Derivative financial instruments

The Banking Group uses documentation including International Swaps and Derivatives Association ("ISDA") Master Agreements to document derivative activities. Under the ISDA Master Agreements, if a counterparty defaults, all contracts with that counterparty are terminated. They are then settled on a net basis at market rates current at the time of settlement. The Banking Group also executes Credit Support Annexes ("CSA") in conjunction with ISDA Master Agreements.

Credit risk from over-the-counter derivatives is mitigated where possible through netting arrangements whereby derivative assets and liabilities with the same counterparty can be offset in certain circumstances. Derivatives that are cleared through a central clearing counterparty or an exchange have less credit risk than over-the-counter derivatives and are subject to relevant netting and collateral agreements. See Note 29 *Offsetting Financial Assets and Financial Liabilities* for further details.

The Banking Group maintains appropriate control limits on net open derivative positions (the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to risk is limited to the current fair value of instruments that are favourable to the Banking Group (assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements.

Gross loans and advances to customers

The majority of Gross loans and advances to customers comprise general lending and line of credit products. The distinction in classification is reflective of the type of lending product. These lending and line of credit products will generally have a level of collateralisation depending on the nature of the product.

Credit card outstandings are mostly unsecured.

Housing loans are secured by mortgages over residential properties. LVR thresholds range up to, or exceed 100% in limited circumstances, including remediation of damaged properties that are held by the Banking Group as security. Further details on LVR are provided in Schedule 11 *Capital Adequacy Under the Internal Models Based Approach, and Regulatory Liquidity Ratios*.

Overdrafts and Other term lending to non-retail customers are mostly secured by acceptable collateral (highly rated investment grade institutional clients may borrow on an unsecured basis). Collateral generally comprises commercial or agricultural properties, business assets, inventories, and in some cases personal assets of the borrower (e.g. residential properties). The Banking Group manages its exposure to these products by completing a credit evaluation to assess the customer's character, industry, business model and capacity to meet their commitments. Collateral provides a secondary source of repayment in the event that a customer cannot meet its contractual repayment obligations.

Undrawn credit commitments

Undrawn credit commitments represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. The Banking Group is potentially exposed to credit risk for undrawn credit commitments for an amount equal to the total amount undrawn. However, the level of credit risk is mitigated through most commitments to extend credit being contingent upon customers maintaining specific credit standards. In addition, credit risk from commitments to extend credit may be mitigated through security being provided. The Banking Group monitors the term to maturity of all credit commitments, drawn and undrawn, because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

Note 27 Financial Risk Management *continued*

Market risk

Executing the Banking Group's strategy in using financial instruments may result in market risk for the Banking Group, which is the risk of financial loss from unfavourable movements in market variables such as interest rates or foreign exchange rates. The Banking Group's activities involve the use of financial instruments to mitigate market risk or selectively position for favourable movements in these market variables. The Board places limits on the level of market risk exposure that can be taken from these activities while a comprehensive governance structure is in place to ensure compliance with the Banking Group's risk appetite. This includes independent risk oversight teams which provide oversight over the Banking Group's market risk exposures and escalate any limit breaches.

The Banking Group's activities are divided into traded market risk and non-traded market risk. The differences between the two, including the measures used to control the level of market risk exposure, are documented further in this note.

Market risk - traded

Traded market risk is the risk of loss to the trading book from unfavourable movements in market variables. The types of market risk arising from these activities include interest rate, credit spread, foreign exchange, commodity, equity price and volatility risk.

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.

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 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).

Objectives and limitations of the Value at Risk ("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 is identified. The calculation and rate shifts used assume a one day holding period for all positions. This means the model estimates 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.

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

Note 27 Financial Risk Management *continued*

The Banking Group VaR for the trading portfolio includes both physical and derivative positions. The diversification benefit reflects risks that offset across risk categories. The maximum and minimum VaR values reported for each risk category did not necessarily occur on the same day as the maximum and minimum VaR reported for the Banking Group as a whole. Consequently, a diversification benefit for maximum and minimum would not be meaningful and has been excluded.

The following table shows the Banking Group VaR for the trading portfolio:

	Banking Group							
	As At		Average Value During Year		Minimum Value During Year		Maximum Value During Year	
Dollars in Millions	**30/9/25**	30/9/24	**30/9/25**	30/9/24	**30/9/25**	30/9/24	**30/9/25**	30/9/24
VaR at a 99% confidence level								
Foreign exchange risk	**0.13**	0.13	**0.29**	0.28	**0.08**	0.08	**0.76**	0.94
Interest rate risk	**1.07**	1.75	**1.73**	1.96	**0.92**	0.89	**3.09**	4.94
Volatility risk	**0.03**	0.01	**0.01**	0.01	**0.01**	-	**0.05**	0.03
Credit spread risk	**0.32**	0.73	**0.45**	0.36	**0.22**	0.17	**0.82**	0.86
Diversification benefit	**(0.43)**	(0.75)	**(0.68)**	(0.57)	**N/A**	N/A	**N/A**	N/A
Total VaR for physical and derivative positions	**1.12**	1.87	**1.80**	2.04	**0.90**	0.97	**3.20**	4.94

Foreign exchange risk

Foreign exchange and translation risk arise from the impact of currency movements on the value of the Banking Group's cash flows, profits and losses, and assets and liabilities due to participation in global financial markets and international operations.

Foreign exchange limits are in place to control the level of foreign currency exposure run by the Banking Group. This exposure is measured by calculating the net present value position of the products the Banking Group deals in which are denominated in a non-New Zealand dollar currency. This includes foreign currency loans and deposits, foreign currency cash balances and the trading of foreign currency denominated products, such as spot and forward contracts, currency options, foreign currency interest rate derivatives and foreign currency securities.

An analysis of the net open position by currency is shown in the following table. The net open position in each currency represents the net of the non-derivative assets and liabilities in that currency aggregated with the net expected cash flows from derivative financial instrument purchases and sales from foreign exchange transactions in that currency including foreign currency options and futures and the principal on currency swaps. The amounts are stated in New Zealand dollar equivalents translated using the spot exchange rates as at the reporting date.

Net open position

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
US dollar	**(26)**	(14)
Australian dollar	**3**	2
Japanese yen	**4**	4
Pound sterling	**-**	(1)
Euro	**-**	(1)
Hong Kong dollar	**1**	-
Other	**-**	2

Interest rate 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.

Equity risk

Equity risk results from exposures to changes in the price of individual equities, equity baskets and equity indices. Management reviews the Banking Group's exposure to any equity risk on a monthly basis.

Note 27 Financial 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 Interest Rate Risk in the Banking Book policy, NAB Liquidity Risk Policy and the NAB 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; and derivative financial instruments such as foreign exchange contracts, swaps, options and futures.

Interest rate risk for non-traded market risk is measured, managed and monitored using VaR 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, VaR is calculated using the historical 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.

The table below shows the aggregate VaR figures for non-traded market risk:

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
VaR for physical and derivative positions at a 99% confidence level		
As at end of year	**74**	55
Average value during year ended	**64**	51
Minimum value during year ended	**55**	38
Maximum value during year ended	**74**	61

The table below shows the aggregate EaR figures for non-traded market risk:

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
EaR for physical and derivative positions at a 99% confidence level		
As at end of year	**14**	13
Average value during year ended	**11**	11
Minimum value during year ended	**8**	7
Maximum value during year ended	**15**	19

Note 27 Financial Risk Management *continued*

Capital, funding and 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 NAB.

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.

Funding risk is the risk that the Banking Group is unable to raise short and long-term funding to support its ongoing operations, regulatory requirements, strategic plans and objectives. The Banking Group accesses domestic and global capital markets to help fund its business, along with using customer deposits.

Capital risk is the risk that the Banking Group does not hold an adequate level or composition of capital and reserves to capitalise on strategic opportunities, to cover exposures, or protect against unexpected losses. Capital is the cornerstone of the Banking Group's financial strength. It supports the Banking group's operations by providing a buffer to absorb unanticipated losses from its activities.

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 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.

The Banking Group is subject to RBNZ's liquidity requirements (as set out in the RBNZ's Liquidity Policy (BS13/BS13A) ("BS13")). Consistent with the requirements of BS13, liquidity risk is measured and managed in the Banking Group on a cash flow mismatch and also core funding basis to ensure that the Banking Group exceeds RBNZ's specified minimum standards for these metrics. The Banking Group is required to monitor both 'one week' and 'one month' mismatches. Cash flow mismatch limits have been established to limit the Banking Group's exposure in these time buckets. The Banking Group maintains an Internal Liquidity Adequacy Assessment framework that meets the requirements set out in BS13, which is approved by the BNZ Board.

The Banking Group also complies with APRA's prudential liquidity standard APS 210 "Liquidity" ("APS 210") as a member of NAB. In accordance with the requirements of APS 210, the Banking Group also measures and manages its funding and liquidity risk based on the Liquidity Coverage Ratio ("LCR"), and Net Stable Funding ratio ("NSFR") methodologies.

LCR is a Basel III requirement, which requires a bank to hold sufficient high quality liquid assets to cover its total net cash outflows over a 30 day period. NSFR requires a bank to maintain a stable funding position to support the composition of its assets and off-balance sheet activities.

The ability to realise assets quickly is an important source of liquidity for the Banking Group. The Banking Group holds sizeable balances of high quality liquid assets such as cash and securities that are acceptable under repurchase agreements with the RBNZ to meet these needs.

A three-level contingency funding plan has been established for the management of an escalated liquidity event where the Banking Group experiences either restricted access to wholesale funding, or a large increase in the withdrawal of funds. The plan identifies triggers at each level, details the actions required, allocates the key tasks to individuals, provides timeframes and defines a management committee to oversee the action plan.

Liquidity portfolio management

The table below shows net financial assets held by the Banking Group for the purpose of managing liquidity risk.

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
Cash and balances immediately convertible to cash[1]	**6,026**	5,711
Securities purchased under agreements to resell	**1,329**	1,448
Government bonds, notes and securities	**4,943**	3,994
Semi-government bonds, notes and securities	**3,703**	3,398
Corporate and other institutions bonds, notes and securities	**1,252**	1,994
Total liquidity portfolio	**17,253**	16,545

[1] As at 30 September 2025, included within Cash and balances immediately convertible to cash is $39 million due from other institutions (30 September 2024: nil).

As at 30 September 2025, the Banking Group also held residential mortgage-backed securities ("RMBS") of $15,000 million (30 September 2024: $15,000 million) of which $14,160 million (30 September 2024: $14,160 million) is eligible to be sold to the RBNZ under agreements to repurchase. The amount of $14,160 million is subject to a 19% reduction in value in accordance with RBNZ's Operating Rules and Guidelines. These RMBS are secured by housing loans and other assets.

In accordance with BS13, 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 $6,692 million (30 September 2024: $6,503 million).

Note 27 Financial Risk Management *continued*

Additional RBNZ facilities

On 26 May 2020, the RBNZ made available a Term Lending Facility ("TLF") to offer loans for a fixed term of three years at the rate of the Official Cash Rate ("OCR"). On 20 August 2020, the RBNZ announced it would extend the term to five years. The TLF has been closed for drawdowns since 29 July 2021. As at 30 September 2025, the Banking Group had repurchase agreements with the RBNZ with a value of $689 million (30 September 2024: $928 million) under the TLF.

On 7 December 2020, the RBNZ made available its Funding for Lending Programme ("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 7 December 2022. As at 30 September 2025, Banking Group had repurchase agreements with the RBNZ with a value of $1,349 million (30 September 2024: $2,449 million) under the FLP.

Funding sources and concentrations

The Banking Group's funding is comprised of a mix of customer deposits and wholesale funding. The Banking Group manages this within risk appetite settings to ensure suitable funding of its asset base and to enable it to respond to changing market conditions and regulatory requirements.

The Banking Group's concentrations of funding are reported by industry sector and geographical location in the following table. The concentration of funding by industry sector is based on ANZSIC codes. The concentration of funding by geographical location is based on the principal market location of the funding programmes.

		Banking Group	
Dollars in Millions	Note	**30/9/25**	30/9/24
Total funding comprised:			
Customer deposits	18	**87,077**	82,284
Wholesale funding			
Due to central banks and other institutions		**3,642**	4,879
Other borrowings	18	**3,565**	1,970
Bonds and notes		**20,305**	19,385
Subordinated debt		**1,434**	550
Total wholesale funding		**28,946**	26,784
Total funding		**116,023**	109,068

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
Concentrations by industry		
Customer deposits		
Agriculture, forestry and fishing	**3,241**	3,228
Mining	**399**	442
Manufacturing	**1,958**	1,820
Electricity, gas and water	**753**	149
Construction	**1,713**	1,640
Wholesale and retail trade	**2,627**	2,501
Accommodation, restaurants, culture and recreation	**1,530**	1,469
Transport and storage	**1,180**	1,917
Communications	**290**	277
Financial, investment and insurance	**9,314**	8,832
Property, business and personal services	**13,675**	13,687
Government, education, health and community services	**4,575**	3,983
Personal deposits	**45,822**	42,339
Total customer deposits by industry	**87,077**	82,284
Concentrations by geography		
Wholesale funding		
New Zealand	**9,751**	11,027
Overseas[1]	**19,195**	15,757
Total wholesale funding by geography	**28,946**	26,784
Total funding	**116,023**	109,068

[1] This represents the wholesale funding programmes of BNZ-IF and the Bank from offshore markets.

Note 27 Financial Risk Management *continued*

Maturity analysis of financial assets and financial liabilities

The following tables present the Banking Group's cash flows by remaining contractual maturities as at the reporting date.

The gross cash flows disclosed hereafter are the 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 Banking Group and its counterparties. Off-balance sheet exposures are excluded from the tables below as contractual cash flows, if any, are contingent in nature. Irrevocable commitments to extend credit can be drawn down at any time before the commitments expire. Details of off-balance sheet exposures are included in Note 31 *Contingent Liabilities and Other Commitments*. Other financial assets and other financial liabilities only include balances which have contractual future cash flows.

	Banking Group (30/9/25)					
Dollars in Millions	On Demand	3 Months or less	3 to 12 Months	1 to 5 Years	Over 5 Years	Total Inflow/ (Outflow)
Assets						
Cash and liquid assets	5,987	-	-	-	-	5,987
Due from central banks and other institutions	-	125	36	-	-	161
Collateral paid	-	530	-	-	-	530
Trading assets	-	1,955	1,950	3,770	2,061	9,736
Investments in debt instruments	-	19	107	1,432	1,448	3,006
Loans and advances to customers	5,489	24,585	18,820	31,291	79,843	160,028
Other financial assets	-	670	2	13	60	745
Total	11,476	27,884	20,915	36,506	83,412	180,193
Derivative financial assets[1]						
Derivative financial assets inflow	-	42,826	17,733	40,999	5,766	107,324
Derivative financial assets (outflow)	-	(40,057)	(14,789)	(33,634)	(3,526)	(92,006)
Liabilities						
Due to central banks and other institutions	(1,217)	(1,536)	(822)	(81)	-	(3,656)
Collateral received	-	(1,015)	-	-	-	(1,015)
Trading liabilities	-	(120)	(2)	(24)	(145)	(291)
Deposits and other borrowings	(47,587)	(20,147)	(20,386)	(3,667)	(282)	(92,069)
Other financial liabilities	-	(805)	(226)	(174)	(10)	(1,215)
Lease Liabilities	-	(14)	(41)	(180)	(479)	(714)
Bonds and notes	-	(205)	(2,309)	(18,950)	(626)	(22,090)
Subordinated debt	-	(5)	(58)	(289)	(1,651)	(2,003)
Total	(48,804)	(23,847)	(23,844)	(23,365)	(3,193)	(123,053)
Derivative financial liabilities[1]						
Derivative financial liabilities inflow	-	33,989	13,980	28,606	4,015	80,590
Derivative financial liabilities (outflow)	-	(36,637)	(16,572)	(35,366)	(6,088)	(94,663)

[1] Derivatives financial assets and derivative financial liabilities include hedging and trading derivative cash flows.

Notes to the Financial Statements

Note 27 Financial Risk Management *continued*

	Banking Group (30/9/24)					
Dollars in Millions	On Demand	3 Months or less	3 to 12 Months	1 to 5 Years	Over 5 Years	Total Inflow/ (Outflow)
Assets						
Cash and liquid assets	5,711	-	-	-	-	5,711
Due from central banks and other institutions	-	72	1	-	-	73
Collateral paid	-	927	-	-	-	927
Trading assets	-	2,760	1,493	5,512	2,377	12,142
Investments in debt instruments	-	-	-	10	-	10
Loans and advances to customers	5,563	22,793	18,690	32,385	86,186	165,617
Other financial assets	-	1,280	2	9	44	1,335
Total	11,274	27,832	20,186	37,916	88,607	185,815
Derivative financial assets[1]						
Derivative financial assets inflow	-	38,839	12,916	24,827	6,624	83,206
Derivative financial assets (outflow)	-	(35,966)	(10,573)	(18,337)	(4,435)	(69,311)
Liabilities						
Due to central banks and other institutions	(1,157)	(150)	(2,135)	(1,492)	-	(4,934)
Collateral received	-	(1,057)	-	-	-	(1,057)
Trading liabilities	-	(128)	(3)	(16)	(205)	(352)
Deposits and other borrowings	(43,124)	(17,053)	(22,823)	(2,812)	(109)	(85,921)
Other financial liabilities[2]	-	(1,418)	(410)	(297)	(4)	(2,129)
Lease liabilities[2]	-	(15)	(42)	(178)	(503)	(738)
Bonds and notes	-	(185)	(3,755)	(16,554)	(960)	(21,454)
Subordinated debt	-	(8)	(26)	(138)	(611)	(783)
Total	(44,281)	(20,014)	(29,194)	(21,487)	(2,392)	(117,368)
Derivative financial liabilities[1]						
Derivative financial liabilities inflow	-	39,874	14,941	33,490	3,821	92,126
Derivative financial liabilities (outflow)	-	(43,302)	(17,416)	(40,272)	(6,071)	(107,061)

[1] Derivative financial assets and derivative financial liabilities include hedging and trading derivative cash flows.
[2] Lease liabilities have been reclassified to align with the presentation used in the current period.

Notes to the Financial Statements

Note 28 Classification of Financial Instruments and Fair Value Measurement

Categories of financial instruments

For the purposes of this note, carrying amount refers to amounts reflected on the balance sheet.

Dollars in Millions	Banking Group (30/9/25) At Fair Value	At Amortised Cost	Total Carrying Amount	Banking Group (30/9/24) At Fair Value	At Amortised Cost	Total Carrying Amount
Financial assets						
Cash and liquid assets	-	5,987	5,987	-	5,711	5,711
Due from central banks and other institutions	-	160	160	-	72	72
Collateral paid	-	530	530	-	927	927
Trading assets	8,927	-	8,927	11,103	-	11,103
Derivative financial instruments	3,742	-	3,742	3,744	-	3,744
Investments in debt instruments[1]	2,555	-	2,555	9	-	9
Loans and advances to customers	-	111,027	111,027	-	106,101	106,101
Other financial assets	-	670	670	-	1,280	1,280
Total financial assets	15,224	118,374	133,598	14,856	114,091	128,947
Financial liabilities						
Due to central banks and other institutions	-	3,642	3,642	-	4,879	4,879
Collateral received	-	1,015	1,015	-	1,057	1,057
Trading liabilities	255	-	255	278	-	278
Deposits and other borrowings	3,565	87,077	90,642	1,970	82,284	84,254
Derivative financial instruments	2,258	-	2,258	3,914	-	3,914
Other financial liabilities	-	1,659	1,659	-	2,576	2,576
Bonds and notes	4,801	15,504	20,305	5,879	13,506	19,385
Subordinated debt	-	1,434	1,434	-	550	550
Total financial liabilities	10,879	110,331	121,210	12,041	104,852	116,893

[1] During the year ended 30 September 2024, the Banking Group commenced the measurement of certain debt securities within its liquidity portfolio at fair value through other comprehensive income.

Movements in fair value of financial liabilities designated at fair value through profit or loss attributable to changes in credit risk

Dollars in Millions	Banking Group 30/9/25	30/9/24
Bonds and notes		
Balance at beginning of year	43	43
Movement during the year	2	-
Balance at end of year	45	43

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.

Hierarchy for fair value measurements

The following tables present a three-level fair value hierarchy of the Banking Group's financial instruments.

The three levels in the hierarchy are based on the valuation methods and assumptions used in determining the fair values of financial instruments. The levels are as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- 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).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Banking Group considers transfers between levels of the fair value hierarchy, if any, to have occurred at the beginning of the respective reporting period. There were no transfers between any of the levels for the year ended 30 September 2025 (year ended 30 September 2024: nil).

Note 28 Classification of Financial Instruments and Fair Value Measurement *continued*

Financial instruments at fair value

Dollars in Millions	Fair Value Total	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
	Banking Group (30/9/25)			
Financial assets				
Trading assets	8,927	3,213	5,714	-
Derivative financial instruments	3,742	-	3,742	-
Investments in debt instruments	2,555	1,744	811	-
Financial liabilities				
Trading liabilities	255	58	197	-
Deposits and other borrowings	3,565	-	3,565	-
Derivative financial instruments	2,258	-	2,258	-
Bonds and notes	4,801	-	4,801	-
	Banking Group (30/9/24)			
Financial assets				
Trading assets	11,103	3,288	7,815	-
Derivative financial instruments	3,744	-	3,744	-
Investments in debt instruments	9	4	5	-
Financial liabilities				
Trading liabilities	278	96	182	-
Deposits and other borrowings	1,970	-	1,970	-
Derivative financial instruments	3,914	-	3,914	-
Bonds and notes	5,879	-	5,879	-

Financial instruments at amortised cost[1]

Dollars in Millions	Carrying Amount	Fair Value Total	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
		Banking Group (30/9/25)			
Financial assets					
Loans and advances to customers	111,027	111,015	-	2,229	108,786
Financial liabilities					
Deposits and other borrowings	87,077	87,190	-	87,190	-
Bonds and notes	15,504	15,598	-	15,598	-
Subordinated debt	1,434	1,436	-	1,436	-
		Banking Group (30/9/24)			
Financial assets					
Loans and advances to customers	106,101	105,929	-	2,292	103,637
Financial liabilities					
Deposits and other borrowings	82,284	82,369	-	82,369	-
Bonds and notes	13,506	13,525	-	13,525	-
Subordinated debt	550	551	-	551	-

[1] Fair values for financial assets and liabilities at amortised cost, where the carrying amount is not considered a close approximation of fair value.

Note 28 Classification of Financial Instruments and Fair Value Measurement *continued*

The fair value estimates are based on the following methodologies and assumptions:

Due from central banks and other institutions/Due to central banks and other institutions and Collateral paid/Collateral received

These assets and liabilities are primarily short-term in nature or are receivable or payable on demand. In such cases the carrying amounts approximate their fair value or have been determined using discounted cash flow models based on observable market prices as appropriate.

Trading assets and Trading liabilities

Trading assets include treasury bills, bank bills and bonds, promissory notes, government and other securities, and reverse repurchase agreements. Trading liabilities include short sales of securities and repurchase agreements. The fair values are based on quoted closing market prices at the reporting date. Where quoted market prices are not available, the Banking Group obtains the fair value by means of discounted cash flows and other valuation techniques based on observable market prices. These techniques address factors such as interest rates, credit risk and liquidity.

Derivative financial instruments

The fair values of trading and hedging derivatives, including foreign exchange contracts, interest rate swaps, interest rate and currency option contracts, and currency swaps, are obtained from observable market prices as at the reporting date, discounted cash flow models or option pricing models as appropriate.

Investments in debt instruments

Investments in debt instruments include government and semi-government bonds. The fair values are based on quoted closing market prices at the reporting date. Where quoted market prices are not available, the Banking Group obtains the fair value by means of discounted cash flows and other valuation techniques based on observable market prices. These techniques address factors such as interest rates, credit risk and liquidity.

Loans and advances to customers

The carrying amount of loans and advances is net of allowance for expected credit losses, capitalised brokerage costs, and unearned and deferred income and expenses. Floating rate loans to customers generally reprice within six months, therefore, their fair value is assumed to equate to their carrying amount. For fixed rate loans, the fair value is estimated by discounting the expected future cash flows based on the maturity of the loans and advances, using current market interest rates. The fair value of loans and advances reflects the movement in observable market interest rates since origination.

Deposits and other borrowings

With respect to customer deposits, the carrying amounts of non-interest-bearing, call and variable rate deposits and fixed rate deposits maturing within six months approximate their fair value. For other fixed rate term deposits, the fair value is estimated by discounting the cash flows based on the maturity of the deposit, using current market interest rates.

With respect to certificates of deposit and commercial paper, these liabilities are primarily short-term in nature. The carrying amounts have been determined using discounted cash flow models based on observable market prices.

Bonds and notes/Subordinated debt

The fair values of bonds, notes and subordinated debt are calculated based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instruments. Where available, fair values are based on observable market prices as at the reporting date, otherwise alternative observable market data is used. The fair values include a calculation of the Banking Group’s own credit risk based on observable market data.

Other financial assets/liabilities

These include securities sold/purchased but not yet settled and accrued interest. Securities sold/purchased but not yet settled and the fair value of accrued interest is approximately equal to the carrying amounts on the balance sheet due to their short-term nature.

Note 29 Offsetting Financial Assets and Financial Liabilities

Accounting policy

Under NZ IAS 32 *Financial Instruments: Presentation* ("NZ IAS 32"), financial assets and financial liabilities shall be offset in the balance sheet only when two requirements are met: there is a legally enforceable right to offset the recognised amounts and an intention to either settle on a net basis or realise the asset and settle the liability simultaneously.

The table below illustrates the amounts of financial instruments that have been offset on the balance sheet and also those amounts that are subject to enforceable master netting arrangements or similar agreements (i.e. offsetting agreements and any related financial collateral). The table excludes financial instruments not subject to offset and that are only subject to collateral arrangements.

The 'Net amounts' presented in the table are not intended to represent the Banking Group's actual exposure to credit risk, as the Banking Group utilises a wide range of strategies to mitigate credit risk in addition to netting and collateral arrangements. The 'Carrying amount' is comprised of the sum of the 'Net amounts reported on balance sheet' and 'Amounts not subject to enforceable netting arrangements' included in the table below.

	Banking Group (30/9/25)								
	Amounts Subject to Enforceable Netting Arrangements								
	Effect of Offsetting on Balance Sheet			Related Amounts not Offset				Amounts not Subject to Enforceable Netting Arrange-ments	
Dollars in Millions	Gross Amounts	Amount Offset	Net Amounts Reported on Balance Sheet	Financial Instru-ments	Non-Cash Collateral	Cash Collateral	Net Amount		Carrying Amount
Financial assets									
Derivative financial instruments	**13,174**	**10,012**	**3,162**	**1,744**	**-**	**963**	**455**	**580**	**3,742**
Collateral paid	**750**	**220**	**530**	**-**	**-**	**140**	**390**	**-**	**530**
Reverse repurchase agreements[1]	**1,448**	**-**	**1,448**	**-**	**1,448**	**-**	**-**	**-**	**1,448**
Loans and advances	**735**	**621**	**114**	**-**	**-**	**-**	**114**	**110,913**	**111,027**
Financial liabilities									
Derivative financial instruments	**12,258**	**10,156**	**2,102**	**1,744**	**-**	**140**	**218**	**156**	**2,258**
Collateral received	**1,091**	**76**	**1,015**	**-**	**-**	**963**	**52**	**-**	**1,015**
Repurchase agreements[2]	**2,157**	**-**	**2,157**	**-**	**2,157**	**-**	**-**	**-**	**2,157**
Deposits and other borrowings	**2,830**	**621**	**2,209**	**-**	**-**	**-**	**2,209**	**88,433**	**90,642**
	Banking Group (30/9/24)								
Financial assets									
Derivative financial instruments	12,568	9,083	3,485	2,094	-	1,052	339	259	3,744
Collateral paid	1,383	456	927	-	-	562	365	-	927
Reverse repurchase agreements[1]	1,575	-	1,575	-	1,575	-	-	-	1,575
Loans and advances	613	516	97	-	-	-	97	106,004	106,101
Financial liabilities									
Derivative financial instruments	12,865	9,456	3,409	2,094	-	562	753	505	3,914
Collateral received	1,140	83	1,057	-	-	1,052	5	-	1,057
Repurchase agreements[2]	3,504	-	3,504	-	3,504	-	-	-	3,504
Deposits and other borrowings	2,852	516	2,336	-	-	-	2,336	81,918	84,254

[1] Reverse repurchase agreements are reported on the balance sheet within Trading assets.
[2] Repurchase agreements are reported on the balance sheet within Due to central banks and other institutions and Trading liabilities.

Derivative financial instruments

Derivative financial instrument contracts are typically subject to ISDA Master Agreements, as well as relevant CSAs around collateral arrangements attached to those ISDA agreements, or derivative exchange or clearing counterparty agreements if contracts are settled via an exchange or clearing house.

Derivative amounts will only be offset on the balance sheet where the Banking Group has a legally enforceable right of offset in all circumstances and there is an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously. Financial instruments refer to amounts that are subject to relevant close out netting arrangements under a relevant ISDA agreement. Cash collateral and Non-cash collateral include amounts of cash and non-cash collateral respectively, which are either obtained or pledged, to cover the net exposure between the counterparty in the event of default or insolvency.

Reverse repurchase and repurchase agreements

Reverse repurchase and repurchase agreements will typically be subject to Global Master Repurchase Agreements or similar agreements whereby all outstanding transactions with the same counterparty can be offset and closed out upon a default or insolvency event.

When, under the relevant agreement, the Banking Group has a legal right to offset both for payments and default netting, the Banking Group will offset amounts with that counterparty in the balance sheet. Where the Banking Group has a right of offset on default or insolvency only, the related financial instrument amounts represents highly liquid securities either obtained or pledged, which can be realised in the event of a default or insolvency by one of the counterparties. The value of such securities obtained or pledged must at least equate to the value of the exposure to the counterparty, therefore, the net exposure is considered to be nil.

Loans and advances, deposits and other borrowings

The amounts offset for loans and advances and deposits and other borrowings represent amounts subject to set-off agreements. The net amounts reported on balance sheet are included within overdrafts in Note 11 *Loans and Advances to Customer*s and deposits not bearing interest and on-demand and short-term deposits bearing interest in Note 18 *Deposits and Other Borrowings*. The amounts not subject to enforceable netting arrangement represent all other loans and advances and deposits and other borrowings of the Banking Group.

Note 30 Transfers of Financial Assets

A financial asset is considered to be transferred when the Bank transfers the contractual rights to receive the cash flows of the asset, or retains the contractual rights to receive the cash flows with a contractual obligation to pay the cash flows to another party. Transfers of financial assets do not always result in the derecognition of the transferred assets. The Banking Group engages in two types of transactions which do not result in the transferred assets being derecognised in their entirety, it issues covered bonds, and it sells securities under agreements to repurchase.

Covered bonds

The Bank transfers certain housing loans it originates to the Covered Bond Trust. The trustee of the Covered Bond Trust guarantees the payment of all interest and principal under the Covered Bonds issued by the Bank. The assets of the Covered Bond Trust are not available to the Banking Group unless and until all prior ranking creditors of the Covered Bond Trust have been satisfied. The housing loans held by the Covered Bond Trust have not been derecognised by the Banking Group for financial reporting purposes as it retains substantially all of the risks and rewards of ownership. Further details on the transactions with the Covered Bond Trust are provided in Notes 24 *Interests in Other Entities* and 27 *Financial Risk Management*.

Securities sold under agreements to repurchase

Where securities are sold under agreements to repurchase, the Banking Group continues to recognise the securities in the Balance Sheet when it retains substantially all of the risks and rewards of ownership.

The Banking Group's obligations under agreements to repurchase are classified in Notes 16 *Due to Central Banks and Other Institutions*, 17 *Trading Liabilities* and 25 *Related Party Disclosures*. Further details on securities sold under agreements to repurchase are provided in these notes.

The RMBS Trust provides an internal RMBS programme. Securities issued by the RMBS Trust are initially held by the Bank and are eligible to be sold to the RBNZ under agreements to repurchase for liquidity purposes. The Bank has transferred housing loans to the RMBS Trust which secure these securities. These housing loans have not been derecognised by the Bank for financial reporting purposes as the Banking Group retains substantially all of the risks and rewards of ownership. These housing loans, collections receivable and cash of the RMBS Trust secure these securities issued to the Bank as detailed in the Liquidity portfolio management section in Note 27 *Financial Risk Management*.

The table below presents the carrying amount of the transferred assets and the associated liabilities.

	Banking Group			
	Carrying Amount of Transferred Assets	Carrying Amount of Transferred Assets[2]	**Carrying Amount of Associated Liabilities**	Carrying Amount of Associated Liabilities[2]
Dollars in Millions	**30/9/25**	30/9/24	**30/9/25**	30/9/24
Covered bonds[1]	**6,581**	6,456	**6,194**	5,325
Securities sold under agreements to repurchase	**2,802**	4,534	**2,094**	3,500
Total carrying amount of transferred assets and associated liabilities	**9,383**	10,990	**8,288**	8,825

[1] Carrying amount of transferred assets include housing loans, collections receivable and cash held by the Trust.

[2] Comparative balances have been restated to align with the presentation used in the current period.

Financial assets pledged as collateral for liabilities

The following table shows a breakdown of financial assets pledged as collateral for:

- Securities sold under agreements to repurchase from other institutions;
- Securities sold under agreements to repurchase from central banks; and
- Covered bonds.

The table excludes collateral paid and received, as presented on the balance sheet, associated with derivative financial instruments. Derivative financial instruments are typically subject to ISDA Master Agreements, as well as relevant CSAs around collateral arrangements attached to those ISDA agreements, or derivative exchange or clearing counterparty agreements if contracts are settled via an exchange or clearing house.

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
Securities sold under agreements to repurchase from other institutions	**56**	122
Securities sold under agreements to repurchase from central banks	**2,746**	4,412
Covered bonds	**6,581**	6,456
Total financial assets pledged as collateral for liabilities	**9,383**	10,990

Financial assets received as collateral for assets

The following table below presents the fair value of securities received as collateral, as well as those that the Banking Group has sold or repledged.

The Banking Group receives collateral as security for assets and is permitted to sell or repledge this collateral under certain arrangements. These transactions are conducted under terms that are usual and customary for standard lending, securities borrowing and lending activities.

	Banking Group	
Dollars in Millions	**30/9/25**	30/9/24
Securities received as collateral which can be sold or repledged	**1,467**	1,563
Collateral sold or repledged	**186**	171

Notes to the Financial Statements

Note 31 Contingent Liabilities and Other Commitments

Accounting policy

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 recognised on the balance sheet, but are disclosed unless the likelihood of payment is remote.

Other contingent liabilities

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.

The Banking Group has provided warranties, indemnities and other commitments in favour of third parties in connection with acquisitions and divestments of businesses, assets and other transactions. The Banking Group is potentially exposed to claims under those warranties, indemnities and commitments, some of which are currently active. The potential outcome and total costs associated with these exposures remain uncertain.

The Banking Group has received information requests from regulators as part of both industry and bank-specific reviews being undertaken, and the Banking Group has also initiated contact with 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 and countering financing of terrorism compliance issues. These matters can result in enforcement proceedings, fines and other financial penalties, as well as customer remediation programmes.

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.

Clearing and settlement obligations

The Banking Group is a member of various central clearing houses, most notably the London Clearing House ("LCH") SwapClear platform, which enables the Banking Group to centrally clear derivative instruments. As a member of LCH, the Banking Group is required to make a default fund contribution. In the event of a default of another clearing member, the Banking Group could be required to commit additional funds to the default fund.

Guarantees to wholly owned controlled entities

The Bank guarantees the obligations of BNZ-IF in respect of securities issued by BNZ-IF to investors.

Bank guarantees and letters of credit

The Banking Group provides guarantees in its normal course of business on behalf of its customers. Guarantees written are conditional commitments issued by the Banking Group to guarantee the performance or financial obligations of a customer to a third party. The Banking Group has four principal types of guarantees:

- Bank guarantees;
- Standby letters of credit;
- Documentary letters of credit; and
- Performance related contingencies.

The Banking Group's maximum exposure to credit risk for contingent exposures is the notional amount which represents the amount that the Banking Group would have to pay if the contingent liability is called upon. The full notional amount of contingent liabilities is considered as "on-demand" because the Banking Group has no control when the holder might call upon the instrument. The Banking Group expects that not all of the contingent liabilities will be drawn before their contractual expiry.

The Bank typically has recourse to specific assets pledged as collateral in the event of a default by a party for which the Bank has guaranteed its obligations to a third party and therefore tend to carry the same credit risk as loans.

Credit related commitments

For commitments to extend credit, the maximum credit exposure to the Banking Group is the full amount of the commitment. Irrevocable commitments to extend credit are agreements to lend to a customer which can be drawn down at any time before the commitments expire as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiry dates or other termination clauses and may require payment of a fee by the customer. Since many of the commitments are expected to expire without being drawn down, the total commitment amounts do not necessarily represent future cash requirements.

Revocable commitments to extend credit represent those facilities which can be cancelled at any time at the Banking Group's discretion without the risk of incurring significant penalty or expense. These facilities are generally on-demand.

For information on the Banking Group's risk management policies, refer to Note 27 *Financial Risk Management*.

Note 31 Contingent Liabilities and Other Commitments *continued*

Dollars in Millions	Banking Group 30/9/25	Banking Group 30/9/24
Bank guarantees and letters of credit		
Bank guarantees	**517**	423
Standby letters of credit	**275**	278
Documentary letters of credit	**95**	150
Performance related contingencies	**894**	1,527
Total bank guarantees and letters of credit	**1,781**	2,378
Credit related commitments		
Revocable commitments to extend credit	**6,272**	6,242
Irrevocable commitments to extend credit	**16,634**	14,326
Total credit related commitments	**22,906**	20,568
Total bank guarantees, letters of credit and credit related commitments	**24,687**	22,946

Notes to the Financial Statements

Note 32 Notes to the Cash Flow Statement

	Banking Group	
Dollars in Millions	30/9/25	30/9/24
Reconciliation of net profit for the year to net cash flows from operating activities		
Net profit for the year	1,499	1,506
Add/(deduct) non-cash items included in net profit:		
Decrease/(increase) in accrued interest receivable	27	(18)
Depreciation and amortisation expense	215	198
Credit impairment charge	27	146
Impairment losses and write offs on non-financial assets	-	47
Increase/(decrease) in provision for tax	(21)	147
Unrealised gains less losses on financial instruments	185	(8)
Increase/(decrease) in accrued interest payable	(176)	131
Decrease in other assets	5	1
Decrease in other liabilities	(37)	(3)
Gain on disposal of property, plant and equipment	-	(1)
Other non-cash items	(20)	(27)
Deduct items classified as investing activities included in net profit:		
Gain on sale from disposal of controlled entity	-	(103)
Add/(deduct) operating cash flows not included in net profit:		
Net change in operating assets and liabilities	4,145	(2,932)
Net cash flows from operating activities	5,849	(916)

	Banking Group (30/9/25)			
Dollars in Millions	Bonds and Notes	Subordinated Debt	RBNZ Facilities	Total
Reconciliation of net debt				
Balance at beginning of year	19,385	550	3,377	23,312
Net cash flows	(1,228)	884	(1,339)	(1,683)
Non-cash changes				
Foreign exchange adjustments	1,981	(22)	-	1,959
Fair value adjustments	102	-	-	102
Hedge adjustments	64	25	-	89
Other non-cash movements	1	(3)	-	(2)
Balance at end of year	20,305	1,434	2,038	23,777
	Banking Group (30/9/24)			
Balance at beginning of year	20,786	1,450	4,591	26,827
Net cash flows	(1,979)	-	(1,214)	(3,193)
Non-cash changes				
Foreign exchange adjustments	(470)	-	-	(470)
Fair value adjustments	364	-	-	364
Hedge adjustments	681	-	-	681
Other non-cash movements	3	(900)	-	(897)
Balance at end of year	19,385	550	3,377	23,312

Registered Bank Disclosures

For the year ended 30 September 2025

Disclosure Requirements for Registered Banks

The following disclosures are in accordance with the Order as required for the full year accounting period. References to Schedules 2, 4, 7, 11, 13, 14, 15 and 17 are in relation to those in the Order.

Index

Schedule 2 Information to be Included in Disclosure Statement

Details of ultimate parent bank

Ultimate parent bank and address for service

The ultimate parent bank, and ultimate holding company, of Bank of New Zealand is National Australia Bank Limited ABN 12 004 044 937. National Australia Bank Limited's address for service is Level 28, 395 Bourke Street, Melbourne, Victoria 3000, Australia.

Legally enforceable restrictions that may materially inhibit National Australia Bank Limited's legal ability to provide material financial support to Bank of New Zealand

National Australia Bank Limited does not guarantee the obligations of Bank of New Zealand.

The Australian Prudential Regulation Authority ("APRA") Prudential Standard APS 222 *Associations with Related Entities* ("APS 222") restricts associations between an authorised deposit-taking institution ("ADI") (such as National Australia Bank Limited) and its related entities (such as the Bank). Any dealings with the Bank must be consistent with terms and conditions that would be entered into with an unrelated entity (unless prior National Australia Bank Limited Board approval is obtained).

National Australia Bank Limited may provide support to a related entity such as the Bank, provided it complies with the requirements of APS 222. These requirements include that National Australia Bank Limited:

1. should not undertake any third-party dealings with the purpose of supporting the business of the Bank.
2. must not provide support unless there are formal legal arrangements in place providing for such support, the support is fixed in time and amount and in accordance with National Australia Bank Limited's policies.
3. must not hold unlimited exposures to the Bank.
4. must not agree to cross-default provisions whereby a default by the Bank on an obligation (whether financial or otherwise) is deemed to trigger a default of National Australia Bank Limited on its obligations.
5. must ensure that its Board of Directors, in determining limits on acceptable levels of exposure to the Bank, have regard to the level of exposures which would be approved for unrelated entities of equivalent credit status, and the impact on National Australia Bank Limited's stand-alone capital and liquidity positions in the event of a failure of any related entity to which National Australia Bank Limited is exposed.
6. must not have an exposure to the Bank that exceeds 25% of National Australia Bank Limited's stand-alone Level One Tier 1 capital base, and its aggregate exposure to all related ADIs cannot exceed 75% of that Level One Tier 1 capital base.

APRA has confirmed that during ordinary times, National Australia Bank Limited's non-equity exposures to the Bank must be below 5% of National Australia Bank Limited's Level One Tier 1 capital. Exposures subject to this 5% limit include all committed, non-intraday, non-equity exposures, including derivatives and off-balance sheet exposures. As at 30 September 2025, National Australia Bank Limited's non-equity exposures to the Bank are below 5% of National Australia Bank Limited's Level One Tier 1 capital.

APRA has also confirmed the terms on which National Australia Bank Limited may provide contingent funding support to a New Zealand banking subsidiary (including the Bank) during times of financial stress. APRA has confirmed that, at this time, only the purchase by National Australia Bank Limited of Covered Bonds issued by the Bank would meet its criteria for contingent funding arrangements. Such contingent funding support is proposed to be captured within an aggregate exposure limit (including debt, equity and any exposures held through a branch) of 50% of National Australia Bank Limited's Level One Tier 1 capital.

Interests in 5% or more of voting securities of registered bank

NAGNZ, National Australia Bank Limited and National Equities Limited are the only holders of a direct or indirect qualifying interest in the 10,838,747,499 voting securities of the Bank. NAGNZ is the registered and beneficial holder of 10,838,747,499 voting securities and therefore holds 100% of the direct interest in the voting securities. Neither National Australia Bank Limited (the ultimate parent company) nor National Equities Limited (the immediate parent company of NAGNZ) is the registered or the beneficial holder of any of the voting securities of the Bank, but each has a relevant interest in all such securities by virtue of NAGNZ being related to them in terms of section 12(2) and 237(d) of the Financial Markets Conduct Act 2013 ("FMCA") due to the fact that National Equities Limited owns 100% of the voting securities in NAGNZ and National Australia Bank Limited owns 100% of the voting securities in National Equities Limited.

The ultimate parent company has the power under the Bank's constitution to appoint any person as Director of the Bank or to remove any person from the office of Director, from time to time, by giving written notice to the Bank. Any appointment of a Director is subject to the RBNZ confirming it has no objection to that appointment.

In the context of this document, an entity is wholly owned when a parent company holds 100% of the voting securities of the entity.

NAGNZ does not guarantee the obligations of Bank of New Zealand.

Priority of creditors' claims

In the unlikely event that the Bank 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 1993 would rank ahead of the claims of unsecured creditors. Deposits from central banks, Deposits from other institutions and Deposits and other borrowings are unsecured, rank equally with the Banking Group's other unsecured liabilities, and such liabilities rank ahead of the claims of holders of any subordinated instruments.

Depositor Compensation Scheme

Certain Bank products are protected deposits under the Depositor Compensation Scheme ("DCS"), which protects up to $100,000 per eligible depositor per deposit taker. For more information about BNZ products covered by the DCS, refer to the Bank's internet site at www.bnz.co.nz/about-us/governance/corporate-governance/depositor-compensation-scheme. The DCS is a government scheme that's funded by deposit takers and administered by the RBNZ, for more information about the scheme, please refer to RBNZ's internet site at www.rbnz.govt.nz/dcs.

Schedule 2 Information to be Included in Disclosure Statement *continued*

Guarantees

Covered bond guarantee

Certain debt securities ("Covered Bonds") issued by the Bank, are guaranteed by CBG Trustee Company Limited, as trustee of the BNZ Covered Bond Trust (the "Covered Bond Guarantor"). The Covered Bond Guarantor has guaranteed the payment of all interest and principal under the Covered Bonds pursuant to a guarantee which is secured over a pool of assets. The amount of the guarantee is limited to the assets of the BNZ Covered Bond Trust. The Covered Bond Guarantor's address for service is Level 16, SAP Tower, 151 Queen Street, Auckland 1010, New Zealand.

The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to any senior unsecured obligations payable in New Zealand dollars. The Covered Bonds have been assigned a long term credit rating of Aaa and AAA from Moody's Investors Service Pty Limited and Fitch Australia Pty Limited, respectively.

There are no material conditions applicable to the guarantee other than non-performance. There are no material legislative or regulatory restrictions in New Zealand which subordinate any claims under the guarantee of any creditors of the Bank on the assets of the Covered Bond Guarantor, to other claims on the Covered Bond Guarantor, in a winding up of the Covered Bond Guarantor.

Refer to Note 30 *Transfers of Financial Assets* for further information.

Other material obligations of the Bank are not guaranteed.

Directors

Communications addressed to the Directors and responsible persons, or any of them, may be sent to BNZ Place, Level 1, 80 Queen Street, Auckland 1010, New Zealand.

Directors' details

The name, occupation, technical or professional qualifications, country of residence, and other directorships of each Director of the Bank as at the date of this Disclosure Statement are as follows:

Independent Non-Executive Director, Chair

Warwick Ean Hunt, MNZM, FKC
Primary Occupation: Company Director
FCA, B.Acc (University of the Witwatersrand, Johannesburg)
New Zealand
Other Directorships:
Connemara Black Trustees Limited, Genesis Energy Limited, National Australia Bank Limited.

Managing Director

Daniel James Huggins
Primary Occupation: Chief Executive Officer
MBA (Northwestern University - Kellogg School of Management, Chicago), MEM (Northwestern University - McCormick School of Engineering, Chicago), B.Com. (Hons, University of Auckland)
New Zealand
Other Directorships:
Nil

Independent Non-Executive Directors

Godfrey Lester Boyce
Primary Occupation: Company Director
FCA, BCA., (Victoria University of Wellington)
New Zealand
Other Directorships:
Chair of Financial Statements of Government Audit Committee, KENI Investments Limited and Rangatira Limited.

Barbara Joan Chapman, CNZM, CMInstD
Primary Occupation: Company Director
B.Com. (University of Canterbury)
New Zealand
Other Directorships:
Chair of Genesis Energy Limited, Deputy-Chair of The New Zealand Initiative Limited.

Emma Elaine Gray
Primary Occupation: Company Director
MBA (Harvard Business School, Boston), BA (Hons, Dublin City University)
Australia
Other Directorships:
Chair of Beamtree Holdings Limited, Sydney Dance Company.

Kevin John Kenrick
Primary Occupation: Company Director
BMS (University of Waikato)
New Zealand
Other Directorships:
Kiwi Property Group Limited.

Schedule 2 Information to be Included in Disclosure Statement *continued*

Independent Non-Executive Directors *continued*

Linley Ann Wood
Primary Occupation: Company Director
MBA (Fin), LLB, BA (University of Auckland)
New Zealand
Other Directorships:
Chubb Life Insurance New Zealand Limited, Huia Private Reserve Limited, Kings School Auckland Limited, New Zealand Post Limited, The Sleeping Giant (Fiji) Limited.

Responsible persons

Mr. Warwick Ean Hunt, MNZM, Independent Non-Executive Director, Chair, and Mr. Daniel James Huggins, Executive Director, have been authorised in writing to sign this Disclosure Statement in accordance with section 82 of the Banking (Prudential Supervision) Act 1989 (the “BPS Act”), on behalf of the other Directors, being:

Godfrey Lester Boyce
Barbara Joan Chapman
Emma Elaine Gray
Kevin John Kenrick
Linley Ann Wood

Directors’ benefits

There is no transaction which any Director or immediate relative or close business associate of any Director has with the Bank or any member of the Banking Group which either has been entered into on terms other than those which would, in the ordinary course of business of the Bank or any member of the Banking Group, be given to any other person of like circumstances or means, or could otherwise be reasonably likely to influence materially the exercise of that Director’s duties.

Information pertaining to loans to and other transactions with Directors is disclosed in Note 25 *Related Party Disclosures* of this Disclosure Statement.

Board Audit Committee

Members of the Board Audit Committee as at the date of this Disclosure Statement were as follows:

Godfrey Lester Boyce (Chair)	Independent Non-Executive Director
Warwick Ean Hunt	Independent Non-Executive Director
Linley Ann Wood	Independent Non-Executive Director

Policy for avoiding and dealing with conflicts of interests

The policy and current practice of the Board of Directors of the Bank for avoiding or dealing with conflicts of interest which may arise from the personal, professional or business interests of the Directors, or any of them, are that, where a Director’s judgement could potentially be impaired because a conflict of interest exists between the Director’s business and personal affairs and the business affairs of the Bank, then that Director must declare that the conflict of interest exists and subject to certain exceptions set out in the constitution, will not vote on the matter nor be present while the matter is being considered in the meeting.

The Companies Act 1993 requires each Director to cause to be entered in the interests register and disclose to the Board of the Bank:

- the nature and monetary value of the Director’s interest in a transaction or proposed transaction if its monetary value is able to be quantified; or
- the nature and extent of the Director’s interest in a transaction or proposed transaction if its monetary value is not able to be quantified.

Auditors

The auditor whose report is referred to in this Disclosure Statement is Ernst & Young. Ernst & Young’s address for service is Level 9, EY Building, 2 Takutai Square, Britomart, Auckland 1010, New Zealand.

For information on assurance reports, refer to the Independent Auditor’s Report and Independent Assurance Report.

Schedule 2 Information to be Included in Disclosure Statement *continued*

Conditions of registration

The conditions of registration imposed on Bank of New Zealand by the Reserve Bank of New Zealand pursuant to section 74 of the BPS Act which were applicable as at the balance date of this Disclosure Statement are as follows:

Conditions of registration that apply on and after 1 July 2025 - Bank of New Zealand

The registration of Bank of New Zealand ("the bank") as a registered bank is subject to the following conditions:

1. That—
   (a) the Total capital ratio of the banking group is not less than 9%;
   (b) the Tier 1 capital ratio of the banking group is not less than 7%;
   (c) the Common Equity Tier 1 capital ratio of the banking group is not less than 4.5%;
   (d) the Total capital of the banking group is not less than $30 million.

   For the purposes of this condition of registration,—

   "Total capital ratio", "Tier 1 capital ratio", and "Common Equity Tier 1 capital ratio" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy, except that in the formulae for calculating the ratios, the term "total capital requirement for operational risk" included in "total RWA equivalents" has the same meaning as in BPR150: Standardised Operational Risk, subject to a minimum value of $600 million;

   "Total capital" has the same meaning as in BPR110: Capital Definitions.

1A. That—
   (a) the bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in Part D of BPR100: Capital Adequacy;
   (b) under its ICAAP the bank identifies and measures its "other material risks" defined in Part D of BPR100: Capital Adequacy; and
   (c) the bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That the bank must—
   (a) comply with the minimum requirements for using the IRB approach set out in BPR134: IRB Minimum System Requirements, except in the circumstances described in (i) below:
      (i) notwithstanding the above, the six month period stated in section E2.5(2) of BPR134 does not apply in circumstances where a modified item is covered by the North Island Weather Event Loan Guarantee Scheme, and the bank may, in this limited case, re-rate a modified item from a defaulted grade to a non-defaulted grade before the six month period is met;
   (b) comply with the minimum qualitative requirements for using the AMA approach for operational risk set out in subpart B1 of BPR151: AMA Operational Risk;
   (c) follow the process in Part E of BPR120: Capital Adequacy Process Requirements for obtaining Reserve Bank approval for any changes to any IRB credit risk model;
   (d) maintain a compendium of approved models in accordance with the requirements of section E1.5 of BPR120: Capital Adequacy Process requirements.

1C. That, if the Prudential Capital Buffer ("PCB") ratio of the banking group is 5.5% or less, the bank must—
   (a) according to the following table, limit the aggregate distributions of the bank's earnings, other than discretionary payments payable to holders of Additional Tier 1 capital instruments, to the percentage limit on distributions that corresponds to the banking group's PCB ratio; and

Banking group's PCB ratio	Percentage limit on distributions of the bank's earnings	Capital Buffer Response Framework stage
0% - 0.5%	0%	Stage 3
>0.5 – 3.5%	30%	Stage 2
>3.5 - 5%	60%	Stage 1
>5 - 5.5%	100%	None

   (b) comply with the Capital Buffer Response Framework requirements as set out in Part D of BPR120: Capital Adequacy Process Requirements.

   For the purposes of this condition of registration,—

   "prudential capital buffer ratio", "distributions", and "earnings" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy, except that in the formula for calculating the prudential capital buffer ratio, the term "total capital requirement for operational risk" included in "total RWA equivalents" has the same meaning as in BPR150: Standardised Operational Risk, subject to a minimum value of $600 million;

   an Additional Tier 1 capital instrument is an instrument that meets the requirements of B2.2(2)(a), (c) or (d) of BPR110: Capital Definitions.

Schedule 2 Information to be Included in Disclosure Statement *continued*

Conditions of registration *continued*

1D. That:

(a) the bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued on or after 17 June 2021 in the calculation of its capital ratios unless it has completed the notification requirements in Part B of BPR120: Capital Adequacy Process Requirements in respect of the instrument; and

(b) the bank meets the requirements of Part C of BPR120: Capital Adequacy Process Requirements in respect of regulatory capital instruments.

For the purposes of this condition of registration,—

an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection B2.2(2)(a) or (c) of BPR110: Capital Definitions;

a Tier 2 capital instrument is an instrument that meets the requirements of subsection B3.2(2)(a) or (c) of BPR110: Capital Definitions.

1E. That for the purposes of LGD estimates for farm lending exposures covered by a Deed of Indemnity from the Crown under the North Island Weather Events Loan Guarantee Scheme, the bank may choose to apply either the relevant minimum LGD in Table C3.2 of BPR133, or an LGD of 8.5%.

For the purposes of this condition of registration, “LGD” (loss given default) has the meaning given in BPR001: Glossary.

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

In this condition of registration, the meaning of “material” is based on generally accepted accounting practice.

3. That the banking group’s insurance business is not greater than 1% of its total consolidated assets.

For the purposes of this condition of registration, the banking group’s insurance business is the sum of the following amounts for entities in the banking group:

(a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

(b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity’s insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the banking group’s insurance business—

(a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and

(b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,—

“insurance business” means the undertaking or assumption of liability as an insurer under a contract of insurance:

“insurer” and “contract of insurance” have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

4. The bank must comply with all the requirements set out in the following document: BS8 Connected Exposures 1 October 2023.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the bank complies with the following corporate governance requirements:

(a) the board of the bank must have at least five directors;

(b) the majority of the board members must be non-executive directors;

(c) at least half of the board members must be independent directors;

(d) an alternate director,—

  (i) for a non-executive director must be non-executive; and

  (ii) for an independent director must be independent;

(e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;

(f) the chairperson of the board of the bank must be independent; and

(g) the bank’s constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the bank).

For the purposes of this condition of registration, “non-executive” and “independent” have the same meaning as in the Reserve Bank of New Zealand document entitled “Corporate Governance” (BS14) dated July 2014.

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the bank unless:

(a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

(b) the Reserve Bank has advised that it has no objection to that appointment.

Schedule 2 Information to be Included in Disclosure Statement *continued*

Conditions of registration *continued*

8. That a person must not be appointed as chairperson of the board of the bank unless:
   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   (b) the Reserve Bank has advised that it has no objection to that appointment.

9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:
   (a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;
   (b) the committee must have at least three members;
   (c) every member of the committee must be a non-executive director of the bank;
   (d) the majority of the members of the committee must be independent; and
   (e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

   For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

10. That a substantial proportion of the bank's business is conducted in and from New Zealand.

11. That the bank will not, without first obtaining the written approval of the Reserve Bank, revoke the constitution of BNZ International Funding Limited or alter the constitution of BNZ International Funding Limited if such alteration would delete or amend or negate the effect of clause 2.2 of the constitution.

12. That:
   (a) the business and affairs of the bank are managed by, or under the direction or supervision of, the board of the bank;
   (b) the employment contract of the chief executive officer of the bank or person in an equivalent position (together "CEO") is with the bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decisions relating to the employment or termination of employment of the CEO are made by, the board of the bank; and
   (c) all staff employed by the bank shall have their remuneration determined by (or under the delegated authority of) the board or the CEO of the bank and be accountable (directly or indirectly) to the CEO of the bank.

13. That the bank must comply with the Reserve Bank of New Zealand document "Outsourcing Policy" (BS11) dated September 2022.

14. That the banking group complies with the following quantitative requirements for liquidity-risk management:
   (a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
   (b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
   (c) the one-year core funding ratio of the banking group is not less than 75 per cent at the end of each business day.

   For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated July 2022 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated July 2022.

15. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the bank's liquidity risk at a prudent level, and that, in particular:
   (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
   (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
   (c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
   (d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.

16. That no more than 10% of total assets may be beneficially owned by a SPV.

   For the purposes of this condition,—

   "total assets" means all assets of the banking group plus any assets held by any SPV that are not included in the banking group's assets:

   "SPV" means a person—
   (a) to whom any member of the banking group has sold, assigned, or otherwise transferred any asset;
   (b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and
   (c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the banking group under a covered bond:

   "covered bond" means a debt security issued by any member of the banking group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

Schedule 2 Information to be Included in Disclosure Statement *continued*

Conditions of registration *continued*

17. That—
    (a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:
        (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and
        (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document “Significant Acquisitions Policy” (BS15) dated December 2011; and
    (b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:
        (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;
        (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document “Significant Acquisitions Policy” (BS15) dated December 2011; and
        (iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

    For the purposes of this condition of registration, “qualifying acquisition or business combination”, “notification threshold” and “non-objection threshold” have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document “Significant Acquisitions Policy” (BS15) dated December 2011.

18. That the bank is pre-positioned for Open Bank Resolution and in accordance with a direction from the Reserve Bank, the bank can—
    (a) close promptly at any time of the day and on any day of the week and that effective upon the appointment of the statutory manager—
        (i) all liabilities are frozen in full; and
        (ii) no further access by customers and counterparties to their accounts (deposits, liabilities or other obligations) is possible;
    (b) apply a *de minimis* to relevant customer liability accounts;
    (c) apply a partial freeze to the customer liability account balances;
    (d) reopen by no later than 9am the next business day following the appointment of a statutory manager and provide customers access to their unfrozen funds;
    (e) maintain a full freeze on liabilities not pre-positioned for open bank resolution; and
    (f) reinstate customers’ access to some or all of their residual frozen funds.

    For the purposes of this condition of registration, “de minimis”, “partial freeze”, “customer liability account”, and “frozen and unfrozen funds” have the same meaning as in the Reserve Bank of New Zealand document “Open Bank Resolution (OBR) Pre-positioning Requirements Policy” (BS17) dated June 2022.

19. That the bank has an Implementation Plan that—
    (a) is up-to-date; and
    (b) demonstrates that the bank’s prepositioning for Open Bank Resolution meets the requirements set out in the Reserve Bank document: “Open Bank Resolution Pre-positioning Requirements Policy” (BS17) dated June 2022.

    For the purposes of this condition of registration, “Implementation Plan” has the same meaning as in the Reserve Bank of New Zealand document “Open Bank Resolution (OBR) Pre-positioning Requirements Policy” (BS17) dated June 2022.

20. That the bank has a compendium of liabilities that—
    (a) at the product-class level lists all liabilities, indicating which are—
        (i) pre-positioned for Open Bank Resolution; and
        (ii) not pre-positioned for Open Bank Resolution;
    (b) is agreed to by the Reserve Bank; and
    (c) if the Reserve Bank's agreement is conditional, meets the Reserve Bank's conditions.

    For the purposes of this condition of registration, “compendium of liabilities”, and “pre-positioned and non pre-positioned liabilities” have the same meaning as in the Reserve Bank of New Zealand document “Open Bank Resolution (OBR) Pre-positioning Requirements Policy” (BS17) dated June 2022.

21. That on an annual basis the bank tests all the component parts of its Open Bank Resolution solution that demonstrates the bank's prepositioning for Open Bank Resolution as specified in the bank’s Implementation Plan.

    For the purposes of this condition of registration, “Implementation Plan” has the same meaning as in the Reserve Bank of New Zealand document “Open Bank Resolution (OBR) Pre-positioning Requirements Policy” (BS17) dated June 2022.

22. That, for a loan-to-valuation measurement period ending on or after 30 September 2024, the total of the bank’s qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 70%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

Schedule 2 Information to be Included in Disclosure Statement *continued*

Conditions of registration *continued*

23. That, for a loan-to-valuation measurement period ending on or after 30 September 2024, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

24. That, for a debt-to-income measurement period, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a debt-to-income ratio of more than 7, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the debt-to-income measurement period.

25. That, for a debt-to-income measurement period, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a debt-to-income ratio of more than 6, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the debt-to-income measurement period.

26. That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

In these conditions of registration,—

"banking group" means Bank of New Zealand (as reporting entity) and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of Part 7 of that Act.

"generally accepted accounting practice" has the same meaning as in section 8 of the Financial Reporting Act 2013.

In these conditions of registration, the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement (BPR) documents that are referred to in the capital adequacy conditions 1 to 1E, or are referred to in turn by those documents or by Banking Supervision Handbook (BS) documents, are—

BPR document	Version date
BPR100: Capital adequacy	1 July 2024
BPR110: Capital definitions	1 October 2023
BPR120: Capital adequacy process requirements	1 October 2023
BPR130: Credit risk RWAs overview	1 July 2024
BPR131: Standardised credit risk RWAs	1 July 2024
BPR132: Credit risk mitigation	1 July 2024
BPR133: IRB credit risk RWAs	1 July 2024
BPR134: IRB minimum system requirements	1 July 2024
BPR140: Market risk exposure	1 July 2024
BPR150: Standardised operational risk	1 July 2024
BPR151: AMA operational risk	1 July 2024
BPR160: Insurance, securitisation, and loan transfers	1 July 2024
BPR001: Glossary	1 October 2023

In conditions of registration 22 and 23,—

"loan-to-valuation ratio", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", and "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated October 2021:

"loan-to-valuation measurement period" means a rolling period of three calendar months ending on the last day of the third calendar month.

In conditions of registration 24 and 25, —

"debt-to-income ratio", "debt-to-income measurement period", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", and "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High Debt-To-Income Residential Mortgage lending" (BS20) dated 3 April 2023:

"debt-to-income measurement period" means—

(a) the initial period of six calendar months from the date of this conditions of registration (1 July 2024) ending on 31 December 2024; and
(b) thereafter, a rolling period of three calendar months ending on the last day of the third calendar month, the first of which ends on 31 January 2025 and covers the months of November and December 2024 and January 2025.

In condition of registration 26, —

"residential mortgage loan" has the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High Debt-To-Income Residential Mortgage lending" (BS20) dated 3 April 2023.

Schedule 2 Information to be Included in Disclosure Statement *continued*

Changes in Conditions of Registration

Between 30 September 2024 and 30 September 2025, the RBNZ made the following changes to the Bank's Conditions of Registration.

On 1 February 2025, the Bank's Conditions of Registration were updated to remove a condition relating to transitional Additional Tier 1 ("AT1") capital instruments as the Bank no longer holds any transitional AT1 capital instruments.

On 1 July 2025, the Bank's Conditions of Registration were updated to increase the prudential capital buffer by 1%, from 4.5% to 5.5% and update the buffer ratio bands.

Pending Proceedings or Arbitration

There are no pending proceedings or arbitrations concerning any member of the Banking Group, whether in New Zealand or elsewhere, that may have a material adverse effect on the Registered Bank or the Banking Group.

Credit rating

As at the date on which this Disclosure Statement is signed, the Bank has the following credit ratings applicable to its long term senior unsecured obligations payable in New Zealand, in New Zealand dollars.

Rating Agency	Current Credit Rating	Qualification
S&P Global Ratings Australia Pty Limited	AA-	Outlook Stable
Moody's Investors Service Pty Limited	A1	Outlook Stable
Fitch Australia Pty Limited	A+	Outlook Stable

During the two-year period ended immediately before the signing date:

- there was no change to the Bank's Moody's Investors Service Pty Limited ("Moody's Investors Service") issuer credit rating, S&P Global Ratings Australia Pty Limited ("Standard & Poor's") issuer credit rating or;
- Fitch Australia Pty Limited ("Fitch Ratings") issuer credit rating.

The following is a summary of the descriptions of the major rating categories for rating agencies for the rating of long term obligations.

Standard & Poor's	Moody's Investors Service	Fitch Ratings	Description of Grade
AAA	Aaa	AAA	Ability to repay principal and interest is extremely strong. This is the highest investment category.
AA	Aa	AA	Very strong ability to repay principal and interest.
A	A	A	Strong ability to repay principal and interest although somewhat susceptible to adverse changes in financial conditions.
BBB	Baa	BBB	Adequate ability to repay principal and interest. More vulnerable to adverse changes.
BB	Ba	BB	Significant uncertainties exist which could affect the payment of principal and interest on a timely basis.
B	B	B	Greater vulnerability and therefore greater likelihood of default.
CCC	Caa	CCC	Likelihood of default considered high. Timely repayment of principal and interest is dependent on favourable financial conditions.
CC to C	Ca to C	CC to C	Highest risk of default.
D	-	RD & D	Obligations currently in default.

Credit ratings by Standard & Poor's and Fitch Ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories. Moody's Investors Service applies numeric modifiers 1, 2 and 3 to show relative standing within the major rating categories with 1 indicating the higher end of that category and 3 indicating the lower end.

Schedule 2 Information to be Included in Disclosure Statement *continued*

Historical summary of financial statements

	Banking Group				
Dollars in Millions	**30/9/25**	30/9/24	30/9/23	30/9/22	30/9/21
Income statement					
Interest income	**7,308**	8,180	7,084	3,916	2,968
Interest expense	**(4,231)**	(5,271)	(4,187)	(1,412)	(787)
Net interest income	**3,077**	2,909	2,897	2,504	2,181
Gains less losses on financial instruments	**109**	273	245	251	277
Other operating income	**298**	434	355	376	401
Total operating income	**3,484**	3,616	3,497	3,131	2,859
Operating expenses	**(1,379)**	(1,392)	(1,222)	(1,076)	(1,060)
Total operating profit before credit impairment charge and income tax expense	**2,105**	2,224	2,275	2,055	1,799
Credit impairment (charge)/write-back	**(27)**	(146)	(172)	(89)	37
Total operating profit before income tax expense	**2,078**	2,078	2,103	1,966	1,836
Income tax expense on operating profit	**(579)**	(572)	(594)	(552)	(514)
Net profit for the year	**1,499**	1,506	1,509	1,414	1,322
Dividends					
Dividends paid on ordinary shares	**1,060**	1,305	869	560	-
Dividends reinvested as ordinary shares	**-**	-	5,000	-	-
Total dividends paid on ordinary shares	**1,060**	1,305	5,869	560	-
Perpetual preference shares distributions	**43**	20	5	-	-
Significant balance sheet items					
Total assets	**135,603**	130,737	130,065	131,420	119,122
Individually impaired assets	**452**	313	144	134	199
Total liabilities	**121,750**	117,409	118,205	120,359	109,241
Shareholders' equity	**13,853**	13,328	11,860	11,061	9,881

The information presented in the above table has been extracted from audited financial statements of the Banking Group that have been prepared in accordance with NZ IFRS.

Other Material Matters

There are no other matters relating to the business or affairs of the Registered Bank or the Banking Group which would, if disclosed in this Disclosure Statement, materially affect the decision of a person to subscribe for debt securities of which the Registered Bank or any member of the Banking Group is the issuer.

Directors' Statements

Refer to the Directors' Statements for information in accordance with the Order.

Schedule 4 Additional Financial Disclosures

Additional information on statement of financial position

	Banking Group	
Dollars in Millions	30/9/25	30/9/24
Total interest earning and discount bearing assets	126,865	121,860
Total interest and discount bearing liabilities[1]	102,252	96,116

[1] Comparative balances have been restated to reflect a change in classification for certain deposit products. Refer to Note 18 *Deposits and Other Borrowings* for further detail.

Additional information on concentrations of credit risk

Information disclosed on concentrations of credit exposure in terms of customer and industry sector including separate disclosure of credit risk exposure to the agricultural sector is disclosed in Note 27 *Financial Risk Management*. The concentrations of credit exposure by industry sector are based on ANZSIC codes.

Additional information on interest rate sensitivity

The following table represents a breakdown of the balance sheet by repricing dates or contractual maturity, whichever is the earlier. As interest rates and yield curves change over time, the Banking Group may be exposed to a loss in earnings due to the characteristics of the assets and their corresponding liability funding. These mismatches are actively managed as part of the overall interest rate risk management process. The management of the structural interest rate risk is set out in Note 27 *Financial Risk Management*.

	Banking Group (30/9/25)						
Dollars in Millions	Total	Up to 3 Months	Over 3 Months and up to 6 Months	Over 6 Months and up to 1 Year	Over 1 Year and up to 2 Years	Over 2 Years	Non-Interest Bearing
Assets							
Cash and liquid assets	5,987	5,780	-	-	-	-	207
Due from central banks and other institutions	160	124	36	-	-	-	-
Collateral paid	530	530	-	-	-	-	-
Trading assets	8,927	2,306	246	1,460	1,361	3,554	-
Derivative financial instruments	3,742	-	-	-	-	-	3,742
Investments in debt instruments	2,555	-	-	52	256	2,247	-
Loans and advances to customers	111,027	60,109	10,636	20,132	14,656	3,380	2,114
Other financial assets	670	-	-	-	-	-	670
Total financial assets	133,598	68,849	10,918	21,644	16,273	9,181	6,733
Liabilities							
Due to central banks and other institutions	3,642	2,682	247	572	26	48	67
Collateral received	1,015	1,015	-	-	-	-	-
Trading liabilities	255	120	-	-	-	135	-
Deposits and other borrowings	90,642	52,199	11,905	8,011	1,600	1,953	14,974
Derivative financial instruments	2,258	-	-	-	-	-	2,258
Other financial liabilities	1,659	-	-	-	-	-	1,659
Bonds and notes	20,305	1,976	1,274	550	3,436	13,069	-
Subordinated debt	1,434	550	-	-	-	884	-
Total financial liabilities	121,210	58,542	13,426	9,133	5,062	16,089	18,958
On-balance sheet sensitivity gap	12,388	10,307	(2,508)	12,511	11,211	(6,908)	(12,225)
Derivative financial instruments							
Net hedging derivative notionals	-	(6,404)	3,723	(9,978)	(4,573)	17,232	-
Interest sensitivity gap - net	12,388	3,903	1,215	2,533	6,638	10,324	(12,225)

Additional information on liquidity risk

Information disclosed on the maturity analysis of financial liabilities includes an "on demand" time band. Refer to Note 27 *Financial Risk Management* for further information.

Reconciliation of mortgage-related amounts

		Banking Group
		Exposures at Default
Dollars in Millions	Note	30/9/25
Loans and advances to customers - housing loans	11	63,944
Add: Partial write offs excluded under the internal ratings based approach		1
Add: Off-balance sheet residential mortgages subject to the internal ratings based approach		3,505
Total housing loan exposures secured by residential mortgages subject to the internal ratings based approach		67,450

Schedule 7 Asset Quality

Movement in allowance for expected credit losses

The following table is broken down between Residential mortgage lending, Other retail exposures and Corporate exposures. The table provides a reconciliation from the opening balance to the closing balance of allowance for ECL and shows the movement in opening balance where loans and advances have transferred between ECL stages and subsequent remeasurement of the allowance for ECL during the period.

	Banking Group (30/9/25)				
	Collectively assessed allowance			Individually assessed allowance	
Dollars in Millions	Stage 1	Stage 2	Stage 3	Stage 3	Total
Movement in Allowance for ECL					
Residential mortgage lending					
Balance at beginning of year	46	64	52	12	174
Changes to the opening balance due to transfer between ECL stages:					
Transferred to 12-months ECL - collectively assessed allowance	2	(1)	(1)	-	-
Transferred to Lifetime ECL not credit impaired - collectively assessed allowance	-	-	-	-	-
Transferred to Lifetime ECL credit impaired - collectively assessed allowance	-	-	-	-	-
Transferred to Lifetime ECL credit impaired - individually assessed allowance	-	-	-	-	-
Charge/(credit) to income statement due to new and increased provisions (net of releases)[1]	20	(33)	2	9	(2)
Amounts written off	-	-	-	(8)	(8)
Recovery of amounts written off	-	-	-	-	-
Balance at end of year - Residential mortgage lending	68	30	53	13	164
Other retail exposures					
Balance at beginning of year	17	19	7	4	47
Changes to the opening balance due to transfer between ECL stages:					
Transferred to 12-months ECL - collectively assessed allowance	4	(3)	(1)	-	-
Transferred to Lifetime ECL not credit impaired - collectively assessed allowance	(2)	3	(1)	-	-
Transferred to Lifetime ECL credit impaired - collectively assessed allowance	-	(2)	2	-	-
Transferred to Lifetime ECL credit impaired - individually assessed allowance	-	-	(2)	2	-
Charge/(credit) to income statement due to new and increased provisions (net of releases)[1]	-	(3)	-	18	15
Amounts written off	-	-	-	(26)	(26)
Recovery of amounts written off	-	-	-	6	6
Balance at end of year - Other retail exposures	19	14	5	4	42
Corporate exposures					
Balance at beginning of year	43	618	31	111	803
Changes to the opening balance due to transfer between ECL stages:					
Transferred to 12-months ECL - collectively assessed allowance	96	(95)	(1)	-	-
Transferred to Lifetime ECL not credit impaired - collectively assessed allowance	(9)	14	(5)	-	-
Transferred to Lifetime ECL credit impaired - collectively assessed allowance	-	(11)	11	-	-
Transferred to Lifetime ECL credit impaired - individually assessed allowance	-	(31)	(1)	32	-
Charge/(credit) to income statement due to new and increased provisions (net of releases)[1]	(65)	6	6	67	14
Amounts written off	-	-	-	(25)	(25)
Recovery of amounts written off	-	-	-	-	-
Balance at end of year - Corporate exposures	65	501	41	185	792
Total					
Balance at beginning of year	106	701	90	127	1,024
Changes to the opening balance due to transfer between ECL stages:					
Transferred to 12-months ECL - collectively assessed allowance	102	(99)	(3)	-	-
Transferred to Lifetime ECL not credit impaired - collectively assessed allowance	(11)	17	(6)	-	-
Transferred to Lifetime ECL credit impaired - collectively assessed allowance	-	(13)	13	-	-
Transferred to Lifetime ECL credit impaired - individually assessed allowance	-	(31)	(3)	34	-
Charge/(credit) to income statement due to new and increased provisions (net of releases)[1]	(45)	(30)	8	94	27
Amounts written off	-	-	-	(59)	(59)
Recovery of amounts written off	-	-	-	6	6
Discount unwind[2]	-	-	-	-	-
Total balance at end of year	152	545	99	202	998

[1] Classified as credit impairment charge/(write-back) in the income statement.

[2] The impairment loss on an impaired asset is calculated as the difference between the asset's carrying amount and the estimated future cash flows discounted to its present value using the original effective interest rate for the asset. This discount unwinds through interest income over the period the asset is held.

Schedule 7 Asset Quality *continued*

Movement in allowance for expected credit losses *continued*

Dollars in Millions	Stage 1	Stage 2	Stage 3	Stage 3	Total
	Banking Group (30/09/24)				
	Collectively assessed allowance			Individually assessed allowance	
Movement in Allowance for ECL					
Residential mortgage lending					
Balance at beginning of year	17	102	24	2	145
Changes to the opening balance due to transfer between ECL stages:					
Transferred to 12-months ECL - collectively assessed allowance	2	(1)	(1)	-	-
Transferred to Lifetime ECL not credit impaired - collectively assessed allowance	-	-	-	-	-
Transferred to Lifetime ECL credit impaired - collectively assessed allowance	-	(1)	1	-	-
Transferred to Lifetime ECL credit impaired - individually assessed allowance	-	-	-	-	-
Charge/(credit) to income statement due to new and increased provisions (net of releases)[1]	27	(36)	28	13	32
Amounts written off	-	-	-	(2)	(2)
Recovery of amounts written off	-	-	-	-	-
Discount unwind[2]	-	-	-	(1)	(1)
Balance at end of year - Residential mortgage lending	46	64	52	12	174
Other retail exposures					
Balance at beginning of year	11	21	9	4	45
Changes to the opening balance due to transfer between ECL stages:					
Transferred to 12-months ECL - collectively assessed allowance	4	(3)	(1)	-	-
Transferred to Lifetime ECL not credit impaired - collectively assessed allowance	(1)	1	-	-	-
Transferred to Lifetime ECL credit impaired - collectively assessed allowance	-	(1)	1	-	-
Transferred to Lifetime ECL credit impaired - individually assessed allowance	-	(1)	(2)	3	-
Charge/(credit) to income statement due to new and increased provisions (net of releases)[1]	3	2	-	11	16
Amounts written off	-	-	-	(20)	(20)
Recovery of amounts written off	-	-	-	6	6
Balance at end of year - Other retail exposures	17	19	7	4	47
Corporate exposures					
Balance at beginning of year	43	506	116	71	736
Changes to the opening balance due to transfer between ECL stages:					
Transferred to 12-months ECL - collectively assessed allowance	47	(35)	(12)	-	-
Transferred to Lifetime ECL not credit impaired - collectively assessed allowance	(13)	37	(24)	-	-
Transferred to Lifetime ECL credit impaired - collectively assessed allowance	-	(6)	6	-	-
Transferred to Lifetime ECL credit impaired - individually assessed allowance	-	(9)	(15)	24	-
Charge/(credit) to income statement due to new and increased provisions (net of releases)[1]	(34)	125	(40)	47	98
Amounts written off	-	-	-	(29)	(29)
Recovery of amounts written off	-	-	-	-	-
Discount unwind[2]	-	-	-	(2)	(2)
Balance at end of year - Corporate exposures	43	618	31	111	803
Total					
Balance at beginning of year	71	629	149	77	926
Changes to the opening balance due to transfer between ECL stages:					
Transferred to 12-months ECL - collectively assessed allowance	53	(39)	(14)	-	-
Transferred to Lifetime ECL not credit impaired - collectively assessed allowance	(14)	38	(24)	-	-
Transferred to Lifetime ECL credit impaired - collectively assessed allowance	-	(8)	8	-	-
Transferred to Lifetime ECL credit impaired - individually assessed allowance	-	(10)	(17)	27	-
Charge/(credit) to income statement due to new and increased provisions (net of releases)[1]	(4)	91	(12)	71	146
Amounts written off	-	-	-	(51)	(51)
Recovery of amounts written off	-	-	-	6	6
Discount unwind[2]	-	-	-	(3)	(3)
Total balance at end of year	106	701	90	127	1,024

[1] Classified as credit impairment charge in the income statement.

[2] The impairment loss on an impaired asset is calculated as the difference between the asset's carrying amount and the estimated future cash flows discounted to its present value using the original effective interest rate for the asset. This discount unwinds through interest income over the period the asset is held.

Schedule 7 Asset Quality *continued*

Movement in gross loans and advances to customers

The following table summarises the changes in the gross carrying amounts of loans and advances to customers at amortised cost and the changes in the Banking Group's allowance for ECL. Refer to Note 12 *Allowance for Expected Credit Losses* for further information.

	Banking Group (30/9/25)				
	Collectively assessed allowance			Individually assessed allowance	
Dollars in Millions	Stage 1	Stage 2	Stage 3	Stage 3	Total
Movement in gross loans and advances to customers					
Residential mortgage lending					
Gross carrying amount at beginning of year	56,826	2,696	508	72	60,102
Transfers					
Transferred to collectively assessed 12-months ECL	587	(429)	(154)	(4)	-
Transferred to collectively assessed lifetime ECL not credit impaired	(844)	847	-	(3)	-
Transferred to collectively assessed lifetime ECL credit impaired	(318)	(96)	452	(38)	-
Transferred to individually assessed lifetime ECL credit impaired	(25)	(22)	(47)	94	-
Net further lending/(repayment)	(2,593)	(75)	(11)	4	(2,675)
Additions	15,794	-	-	3	15,797
Deletions	(8,541)	(466)	(222)	(43)	(9,272)
Amounts written off	-	-	-	(8)	(8)
Total gross carrying amount at end of year	60,886	2,455	526	77	63,944
Allowance for ECL	68	30	53	13	164
Total net carrying amount at end of year - Residential mortgage lending	60,818	2,425	473	64	63,780
Other retail exposures					
Gross carrying amount at beginning of year	1,844	81	23	7	1,955
Transfers					
Transferred to collectively assessed 12-months ECL	46	(42)	(4)	-	-
Transferred to collectively assessed lifetime ECL not credit impaired	(266)	268	(2)	-	-
Transferred to collectively assessed lifetime ECL credit impaired	(20)	(7)	28	(1)	-
Transferred to individually assessed lifetime ECL credit impaired	(5)	(2)	(4)	11	-
Net further lending/(repayment)	(81)	(22)	-	24	(79)
Additions	594	-	-	-	594
Deletions	(395)	(52)	(17)	(10)	(474)
Amounts written off	-	-	-	(26)	(26)
Total gross carrying amount at end of year	1,717	224	24	5	1,970
Allowance for ECL	19	14	5	4	42
Total net carrying amount at end of year - Other retail exposures	1,698	210	19	1	1,928
Corporate exposures					
Gross carrying amount at beginning of year	13,915	30,349	248	234	44,746
Transfers					
Transferred to collectively assessed 12-months ECL	5,285	(5,272)	(5)	(8)	-
Transferred to collectively assessed lifetime ECL not credit impaired	(10,596)	10,654	(46)	(12)	-
Transferred to collectively assessed lifetime ECL credit impaired	(140)	(145)	285	-	-
Transferred to individually assessed lifetime ECL credit impaired	(90)	(91)	(10)	191	-
Net further lending/(repayment)	361	(1,987)	(16)	135	(1,507)
Additions	18,924	-	-	-	18,924
Deletions	(5,806)	(10,297)	(171)	(145)	(16,419)
Amounts written off	-	-	-	(25)	(25)
Total gross carrying amount at end of year	21,853	23,211	285	370	45,719
Allowance for ECL	65	501	41	185	792
Total net carrying amount at end of year - Corporate exposures	21,788	22,710	244	185	44,927
Total					
Gross carrying amount at beginning of year	72,585	33,126	779	313	106,803
Transfers					
Transferred to collectively assessed 12-months ECL	5,918	(5,743)	(163)	(12)	-
Transferred to collectively assessed lifetime ECL not credit impaired	(11,706)	11,769	(48)	(15)	-
Transferred to collectively assessed lifetime ECL credit impaired	(478)	(248)	765	(39)	-
Transferred to individually assessed lifetime ECL credit impaired	(120)	(115)	(61)	296	-
Net further lending/(repayment)	(2,313)	(2,084)	(27)	163	(4,261)
Additions	35,312	-	-	3	35,315
Deletions	(14,742)	(10,815)	(410)	(198)	(26,165)
Amounts written off	-	-	-	(59)	(59)
Total gross carrying amount at end of year	84,456	25,890	835	452	111,633
Allowance for ECL	152	545	99	202	998
Total net carrying amount at end of year	84,304	25,345	736	250	110,635

Schedule 7 Asset Quality *continued*

Movement in gross loans and advances to customers *continued*

	Banking Group (30/9/24)				
	Collectively assessed allowance			Individually assessed allowance	
Dollars in Millions	Stage 1	Stage 2	Stage 3	Stage 3	Total
Movement in gross loans and advances to customers					
Residential mortgage lending					
Gross carrying amount at beginning of year	53,639	3,615	480	12	57,746
Transfers					
Transferred to collectively assessed 12-months ECL	1,666	(1,391)	(274)	(1)	-
Transferred to collectively assessed lifetime ECL not credit impaired	(730)	756	(26)	-	-
Transferred to collectively assessed lifetime ECL credit impaired	(393)	(98)	491	-	-
Transferred to individually assessed lifetime ECL credit impaired	(11)	(47)	(18)	76	-
Net further lending/(repayment)	(2,398)	(19)	(10)	(2)	(2,429)
Additions	11,658	-	-	-	11,658
Deletions	(6,605)	(120)	(135)	(11)	(6,871)
Amounts written off	-	-	-	(2)	(2)
Total gross carrying amount at end of year	56,826	2,696	508	72	60,102
Allowance for ECL	46	64	52	12	174
Total net carrying amount at end of year - Residential mortgage lending	56,780	2,632	456	60	59,928
Other retail exposures					
Gross carrying amount at beginning of year	1,884	116	19	5	2,024
Transfers					
Transferred to collectively assessed 12-months ECL	70	(67)	(3)	-	-
Transferred to collectively assessed lifetime ECL not credit impaired	(136)	137	(1)	-	-
Transferred to collectively assessed lifetime ECL credit impaired	(17)	(9)	26	-	-
Transferred to individually assessed lifetime ECL credit impaired	(5)	(4)	(3)	12	-
Net further lending/(repayment)	(53)	(58)	-	18	(93)
Additions	485	-	-	-	485
Deletions	(384)	(34)	(15)	(8)	(441)
Amounts written off	-	-	-	(20)	(20)
Total gross carrying amount at end of year	1,844	81	23	7	1,955
Allowance for ECL	17	19	7	4	47
Total net carrying amount at end of year - Other retail exposures	1,827	62	16	3	1,908
Corporate exposures					
Gross carrying amount at beginning of year[1]	10,728	30,533	701	127	42,089
Transfers					
Transferred to collectively assessed 12-months ECL	3,621	(3,493)	(128)	-	-
Transferred to collectively assessed lifetime ECL not credit impaired	(12,558)	12,739	(174)	(7)	-
Transferred to collectively assessed lifetime ECL credit impaired	(103)	(186)	289	-	-
Transferred to individually assessed lifetime ECL credit impaired	(84)	(90)	(115)	289	-
Net further lending/(repayment)[1]	(70)	(281)	(24)	22	(353)
Additions	17,434	-	-	-	17,434
Deletions	(5,053)	(8,873)	(301)	(168)	(14,395)
Amounts written off	-	-	-	(29)	(29)
Total gross carrying amount at end of year	13,915	30,349	248	234	44,746
Allowance for ECL	43	618	31	111	803
Total net carrying amount at end of year - Corporate exposures	13,872	29,731	217	123	43,943
Total					
Gross carrying amount at beginning of year	66,251	34,264	1,200	144	101,859
Transfers					
Transferred to collectively assessed 12-months ECL	5,357	(4,951)	(405)	(1)	-
Transferred to collectively assessed lifetime ECL not credit impaired	(13,424)	13,632	(201)	(7)	-
Transferred to collectively assessed lifetime ECL credit impaired	(513)	(293)	806	-	-
Transferred to individually assessed lifetime ECL credit impaired	(100)	(141)	(136)	377	-
Net further lending/(repayment)	(2,521)	(358)	(34)	38	(2,875)
Additions	29,577	-	-	-	29,577
Deletions	(12,042)	(9,027)	(451)	(187)	(21,707)
Amounts written off	-	-	-	(51)	(51)
Total gross carrying amount at end of year	72,585	33,126	779	313	106,803
Allowance for ECL	106	701	90	127	1,024
Total net carrying amount at end of year	72,479	32,425	689	186	105,779

Schedule 7 Asset Quality *continued*

Impact of changes in gross carrying amount on ECL

Residential mortgage lending
Residential mortgage lending gross carrying amount increased by $3,842 million in the year ended 30 September 2025, with associated ECL decreasing by $10 million. The movement in ECL reflects a reduction in collectively assessed ECL due to improved macroeconomics offset by portfolio growth.

Other retail exposures
Other retail exposures gross carrying amount increased by $15 million in the year ended 30 September 2025, with associated ECL decreasing by $5 million. The movement in ECL reflects a reduction in collectively assessed ECL due to improved macroeconomics.

Corporate exposures
Corporate exposures gross carrying amount increased by $973 million in the year ended 30 September 2025, with associated ECL decreasing by $11 million. The movement in ECL is mainly due to a reduction in collectively assessed allowance of $85 million, which is partially offset by a $74 million increase in the individually assessed allowance. The increase in the individually assessed allowance is mainly attributed to customers in the manufacturing, transportation, and agribusiness sectors. The decrease in the collectively assessed allowance is due to improved baseline and forward-looking macroeconomic conditions.

Asset quality for financial assets designated at fair value

As at 30 September 2025 the Banking Group does not have any loans and advances to customers designated at fair value through profit or loss.

Past due assets

	Banking Group (30/9/25)			
Dollars in Millions	Residential Mortgage Lending	Other Retail Exposures	Corporate Exposures	Total
Past due assets not individually impaired				
Loans and advances to customers				
1 - 7 days past due	**286**	**28**	**95**	**409**
8 - 29 days past due	**237**	**12**	**31**	**280**
1 - 29 days past due	**523**	**40**	**126**	**689**
30 - 59 days past due	**107**	**7**	**38**	**152**
60 - 89 days past due	**83**	**6**	**13**	**102**
90+ days past due	**134**	**12**	**144**	**290**
Total past due assets not individually impaired	**847**	**65**	**321**	**1,233**
	Banking Group (30/9/24)			
Past due assets not individually impaired				
Loans and advances to customers				
1 - 7 days past due	196	25	205	426
8 - 29 days past due	189	9	42	240
1 - 29 days past due	385	34	247	666
30 - 59 days past due	119	6	11	136
60 - 89 days past due	56	3	24	83
90+ days past due	122	10	120	252
Total past due assets not individually impaired	682	53	402	1,137

Other asset quality information

	Banking Group (30/9/25)			
Dollars in Millions	Residential Mortgage Lending	Other Retail Exposures	Corporate Exposures	Total
Individually impaired assets - undrawn lending commitments	**-**	**-**	**6**	**6**
Other assets under administration	**8**	**3**	**1**	**12**
	Banking Group (30/9/24)			
Individually impaired assets - undrawn lending commitments	-	1	7	8
Other assets under administration	2	2	2	6

Schedule 11 Capital Adequacy Under the Internal Models Based Approach, and Regulatory Liquidity Ratios

Capital

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

Dollars in Millions	Banking Group Unaudited 30/9/25
Qualifying capital	
Common Equity Tier 1 capital	
Contributed equity - ordinary shares	9,956
Retained profits	2,915
Accumulated other comprehensive income and other disclosed reserves	154
Deductions from Common Equity Tier 1 capital:	
Goodwill and other intangible assets	(682)
Cash flow hedge reserve	(185)
Credit value adjustment on liabilities designated at fair value through profit or loss	32
Prepaid pension assets (net of deferred tax)	(6)
Deferred tax asset	(352)
Total expected loss less total eligible allowances for impairment	(20)
Total Common Equity Tier 1 capital	11,812
Additional Tier 1 capital	
Contributed equity - perpetual preference shares	825
Total Additional Tier 1 capital	825
Total Tier 1 capital	12,637
Tier 2 capital	
Revaluation reserves	3
Subordinated Notes due to related entity	550
Subordinated Notes due to external investors	862
Total eligible impairment allowance in excess of expected loss	275
Total Tier 2 capital	1,690
Total Tier 1 and Tier 2 qualifying capital	14,327

Capital structure

Subordinated debt

Refer to Note 21 *Subordinated Debt* for further information on Subordinated Notes.

Contributed equity

Refer to Note 22 *Contributed Equity* for further information on ordinary shares and perpetual preference shares.

Reserves

Accumulated other comprehensive income and other disclosed reserves in Tier 1 capital includes the cost of hedging reserve of $(34) million which captures changes in the fair value of hedging instruments due to currency basis and the FVTOCI reserve of $3 million which captures changes in the fair value of investments in debt instruments and investments in equity instruments that are measured at fair value through other comprehensive income.

The asset revaluation reserve of $3 million included in Tier 2 capital relates to increments and any subsequent decrements arising from the revaluation of property, plant and equipment.

Schedule 11 Capital Adequacy Under the Internal Models Based Approach, and Regulatory Liquidity Ratios

continued

The risk-weighted asset amounts calculated using the internal ratings based ("IRB") approach, presented in the following tables, include a scalar of 1.2 as required by the RBNZ in accordance with the Bank's Conditions of Registration, which is not in the risk weight percentages shown.

Credit risk subject to the IRB approach

The following tables analyse credit risk exposures by asset class split into PD bandings. The lower the PD banding the less the probability of default over the next 12 months.

	Banking Group				
	Unaudited (30/9/25)				
Dollars in Millions	Weighted Average PD (%)	Exposure at Default[1]	Exposure-Weighted LGD used for the Capital Calculation (%)	Exposure-Weighted Risk Weight (%)	Risk-Weighted Assets
Corporate					
Exposure-weighted PD grade >0 ≤ 0.1%	0.04	4,141	48	16	790
Exposure-weighted PD grade >0.1 ≤ 0.5%	0.33	17,019	32	35	7,146
Exposure-weighted PD grade >0.5 ≤ 1.5%	0.91	16,260	31	54	10,558
Exposure-weighted PD grade >1.5 ≤ 5.0%	2.45	6,602	34	77	6,140
Exposure-weighted PD grade >5.0 ≤ 99.99%	12.22	985	41	156	1,839
Default PD grade = 100%	100.00	656	43	183	1,440
Total corporate exposures	2.51	45,663	34	51	27,913
Residential mortgage					
Exposure-weighted PD grade >0 ≤ 0.1%	-	-	-	-	-
Exposure-weighted PD grade >0.1 ≤ 0.5%	0.40	1,243	20	15	219
Exposure-weighted PD grade >0.5 ≤ 1.5%	0.95	64,130	20	26	20,324
Exposure-weighted PD grade >1.5 ≤ 5.0%	4.92	1,460	19	67	1,177
Exposure-weighted PD grade >5.0 ≤ 99.99%	-	-	-	-	-
Default PD grade = 100%	100.00	617	22	160	1,184
Total residential mortgage exposures	1.93	67,450	20	28	22,904
Other retail[2]					
Exposure-weighted PD grade >0 ≤ 0.1%	0.05	706	87	12	103
Exposure-weighted PD grade >0.1 ≤ 0.5%	0.24	426	86	38	193
Exposure-weighted PD grade >0.5 ≤ 1.5%	0.90	176	86	82	173
Exposure-weighted PD grade >1.5 ≤ 5.0%	2.70	112	84	113	152
Exposure-weighted PD grade >5.0 ≤ 99.99%	12.01	33	81	142	56
Default PD grade = 100%	100.00	6	73	616	46
Total other retail exposures	1.10	1,459	86	41	723
Retail small to medium enterprises					
Exposure-weighted PD grade >0 ≤ 0.1%	-	-	-	-	-
Exposure-weighted PD grade >0.1 ≤ 0.5%	0.30	359	29	15	65
Exposure-weighted PD grade >0.5 ≤ 1.5%	1.00	411	35	35	174
Exposure-weighted PD grade >1.5 ≤ 5.0%	2.77	438	38	51	268
Exposure-weighted PD grade >5.0 ≤ 99.99%	8.73	81	42	70	68
Default PD grade = 100%	100.00	26	40	214	67
Total retail SME exposures	3.84	1,315	35	41	642
Total[3]					
Exposure-weighted PD grade >0 ≤ 0.1%	0.04	4,847	53	15	893
Exposure-weighted PD grade >0.1 ≤ 0.5%	0.33	19,047	32	33	7,623
Exposure-weighted PD grade >0.5 ≤ 1.5%	0.94	80,977	22	32	31,229
Exposure-weighted PD grade >1.5 ≤ 5.0%	2.88	8,612	33	75	7,737
Exposure-weighted PD grade >5.0 ≤ 99.99%	11.95	1,099	42	149	1,963
Default PD grade = 100%	100.00	1,305	33	175	2,737
Total exposures	2.17	115,887	26	38	52,182

[1] Exposure at default is pre-credit risk mitigation.
[2] Other retail includes credit cards, current accounts and personal overdrafts.
[3] The CVA and adjustment for RWA floor have not been included in the above exposures.

Schedule 11 Capital Adequacy Under the Internal Models Based Approach, and Regulatory Liquidity Ratios

continued

The following table analyses the value and exposure at default of on-balance sheet exposures, off-balance sheet exposures and market related contracts under the IRB approach by asset class.

Dollars in Millions	Banking Group Unaudited (30/9/25) Total Exposure	Exposure at Default[1]	Risk-Weighted Assets
On-balance sheet exposures			
Corporate	39,227	39,227	24,055
Residential mortgage	63,945	63,945	21,888
Other retail	754	754	487
Retail small to medium enterprises	1,217	1,217	595
Total on-balance sheet exposures	105,143	105,143	47,025
Off-balance sheet exposures			
Corporate	15,598	5,100	2,908
Residential mortgage	4,186	3,505	1,016
Other retail	2,157	705	236
Retail small to medium enterprises	498	98	47
Total off-balance sheet exposures	22,439	9,408	4,207
Derivatives and securities financing transactions[2]			
Corporate	1,336	1,336	950
Total derivatives and securities financing transactions	1,336	1,336	950
Summary[3]			
Corporate		45,663	27,913
Residential mortgage		67,450	22,904
Other retail		1,459	723
Retail small to medium enterprises		1,315	642
Total credit risk exposures subject to the IRB approach		115,887	52,182

[1] Exposure at default is pre-credit risk mitigation.
[2] Total exposure for derivatives and securities financing transactions represents exposure at default pre-credit risk mitigation.
[3] The CVA and adjustment for RWA floor have not been included in the above exposures.

Additional mortgage information

The table below sets out residential mortgages wholly or partly secured by mortgages over residential properties as used to calculate the Banking Group's Pillar One capital requirement.

The loan-to-valuation ratios ("LVR") are calculated as the greater of the customer's current home loan limit or balance, divided by the Banking Group's valuation of the security at the last credit event for the customer. Where no LVR is available, the exposure is included in the over 90% category.

Dollars in Millions	Banking Group Unaudited (30/9/25) On-balance Sheet Exposures at Default	Off-balance Sheet Exposures at Default[4]	Total Exposures at Default
LVR Range			
0-59%	27,738	1,482	29,220
60-69%	13,497	659	14,156
70-79%	18,654	1,069	19,723
80-89%	2,537	35	2,572
Over 90%	1,519	260	1,779
Total exposures at default secured by residential mortgages	63,945	3,505	67,450

[4] Off-balance sheet items include unutilised limits and loans approved, but not yet drawn.

Schedule 11 Capital Adequacy Under the Internal Models Based Approach, and Regulatory Liquidity Ratios

continued

Specialised lending subject to the slotting approach

The tables below show specialised lending exposures for which the supervisory slotting approach has been used and includes Project Finance, Object Finance, Commodity Finance and Income Producing Real Estate exposures.

	Banking Group		
	Unaudited (30/9/25)		
Dollars in Millions	Total Exposure at Default after Credit Risk Mitigation	Risk Weight (%)	Risk-Weighted Assets
On-balance sheet exposures subject to the slotting approach			
Strong	1,837	70	1,543
Good	4,410	90	4,762
Satisfactory	641	115	884
Weak	129	250	387
Default	20	-	-
Total on-balance sheet exposures subject to the slotting approach	7,037	90	7,576

The categories of specialised lending above are associated with the risk weight shown. These categories broadly correspond to external credit assessments from S&P Global Ratings Australia Pty Limited rating scale: BBB- or better (Strong); BB+ or BB (Good); BB- or B+ (Satisfactory); B to C- (Weak).

	Banking Group			
	Unaudited (30/9/25)			
Dollars in Millions	Total Exposure	Exposure at Default	Average Risk Weight (%)	Risk-Weighted Assets
Off-balance sheet exposures subject to the slotting approach				
Off-balance sheet exposures	12	10	78	9
Undrawn commitments	963	501	89	534
Market related contracts	2,192	49	76	45
Total off-balance sheet exposures subject to the slotting approach	3,167	560	87	588
Total exposures subject to the slotting approach		7,597	90	8,164

Schedule 11 Capital Adequacy Under the Internal Models Based Approach, and Regulatory Liquidity Ratios

continued

Credit risk exposures subject to the standardised approach

The tables below show credit risk exposures in respect of the Banking Group, for which the standardised approach has been used.

	Banking Group		
	Unaudited (30/9/25)		
Dollars in Millions	Total Exposure at Default after Credit Risk Mitigation	Risk Weight or Average Risk Weight (%)	Risk-Weighted Assets
On-balance sheet exposures subject to the standardised approach by separate risk weight			
Cash and gold bullion	104	0	-
Sovereigns and central banks	11,757	0	-
	-	20	-
	-	50	-
	-	100	-
	-	150	-
Multilateral development banks and other international organisations	1,323	0	-
	-	20	-
	-	50	-
	-	100	-
	-	150	-
Public sector entities	1,938	20	387
	-	50	-
	-	100	-
	-	150	-
Banks	1,693	20	339
	507	50	254
	-	100	-
	-	150	-
Other on-balance sheet exposures subject to the standardised approach by average risk weight			
Corporate	-	0	-
Residential mortgage	-	0	-
Past due assets	-	0	-
Other assets[1]	1,464	97	1,422
Total on-balance sheet exposures subject to the standardised approach	18,786	13	2,402

[1] Other assets relate to all other assets (including interest receivable and accounts receivable) that are not included in the other categories in the table.

	Banking Group				
	Unaudited (30/9/25)				
Dollars in Millions	Total Exposure or Principal Amount	Average Credit Conversion Factor (%)	Credit Equivalent Amount	Average Risk Weight (%)	Risk-Weighted Assets
Off-balance sheet exposures subject to the standardised approach					
Total off-balance sheet exposures subject to the standardised approach	521	100	521	28	148
Memo item: Undrawn commitment to the Business Growth Fund	-	-	-	-	-

	Banking Group			
	Unaudited (30/9/25)			
Dollars in Millions	Total Exposure or Principal Amount	Credit Equivalent Amount	Average Risk Weight (%)	Risk-Weighted Assets
Counterparty credit risk for counterparties subject to the standardised approach				
Foreign exchange contracts[2]	1,579	1,044	14	151
Interest rate contracts[2]	824	426	18	77
Other	12	9	20	2
Total counterparty credit risk for counterparties subject to the standardised approach	2,415	1,479	16	230

[2] The total exposure reflects the exposure at default pre-credit risk mitigation. The credit equivalent amount reflects the exposure at default after credit risk mitigation.

Schedule 11 Capital Adequacy Under the Internal Models Based Approach, and Regulatory Liquidity Ratios *continued*

Other counterparty credit risk exposures

Dollars in Millions	Banking Group Unaudited (30/9/25) Total Exposure or Collateral Amount	Average Risk Weight (%)	Risk-Weighted Assets
Exposures arising from trades settled on Qualifying Central Counterparties ("QCCP")			
Bank as QCCP clearing member, clearing own trades	455	2	9
Collateral posted for clearing own trades	360	41	147
Bank as client of QCCP member, clearing trades through that member	-	-	-
Collateral posted for clearing via member bank	-	-	-
Total exposures arising from trades settled on QCCP	815	19	156
Total exposures subject to the standardised approach	21,601	14	2,936

Credit risk mitigation

Dollars in Millions	Banking Group Unaudited (30/9/25) Bank	Sovereign	Corporate (Including Specialised Lending)	Residential Mortgage	Other
For portfolios subject to the standardised approach:					
Total value of exposures covered by eligible financial collateral (after haircutting)	1,810	3,132	-	-	-
For all portfolios:					
Total value of exposures covered by credit derivatives or guarantees	-	-	-	-	-

Equity exposures

The table below shows the Banking Group's equity holdings.

Dollars in Millions	Banking Group Unaudited (30/9/25) Exposure at Default	Risk Weight (%)	Risk-Weighted Exposures
Equity holdings in the Business Growth Fund that qualify for 250% risk weight	-	250	-
Equity holdings (not deducted from capital) included in the NZX 50 or overseas equivalent index	-	300	-
All other equity holdings (not deducted from capital)	2	400	8
Total equity exposures	2	400	8

Explanation of the standardised floor

BPR130 *Credit Risk RWAs Overview* requires IRB banks to calculate total credit risk RWA as the sum of:

- the greater of (i) total RWA calculated on all credit exposures subject to the IRB approach and the slotting approach, multiplied by a scalar of 1.2, and (ii) 85% of the total standardised-equivalent RWA for all credit exposures subject to the IRB approach and supervisory slotting approach (referred to as the standardised floor); and
- total RWA calculated on all credit and other exposures subject to the standardised approach.

The table below shows how the standardised floor applies to the calculation of total credit risk RWA.

Dollars in Millions	Banking Group Unaudited (30/9/25) Risk-Weighted Assets Calculated for Compliance Purposes	Recalculated using the Standardised Approach
Total IRB and supervisory slotting exposures	60,346	80,121
Standardised floor at 85% of standardised equivalents	N/A	68,103
IRB and slotting RWA with floor applied	68,103	N/A
RWA for standardised exposures	3,499	N/A
Total credit risk RWA	71,602	N/A

Schedule 11 Capital Adequacy Under the Internal Models Based Approach, and Regulatory Liquidity Ratios

continued

Operational risk

	Banking Group	
	Unaudited (30/9/25)	
Dollars in Millions	Implied Risk-Weighted Exposure	Total Operational Risk Capital Requirement
Operational risk	11,575	926

The Banking Group calculated operational risk capital using the standardised approach set out in BPR150 *Standardised Operational Risk*, subject to a minimum value of $600 million.

Market risk end-period capital charges and Market risk peak end-of-day capital charges

The table below shows market risk end of period and peak end-of-day capital charges.

	Banking Group			
	Unaudited (30/9/25)			
	Implied Risk-Weighted Exposure		Aggregate Capital Charge	
Dollars in Millions	End of Period	Peak End-of-Day	End of Period	Peak End-of-Day
Interest rate risk	3,777	4,696	302	376
Foreign exchange risk	22	70	2	5
Equity risk	2	2	-	-
Total market risk	3,801	4,768	304	381

Method for deriving peak end-of-day aggregate capital charge

The aggregate market risk exposure above is derived in accordance with BPR140 *Market Risk* and the Bank's Conditions of Registration.

For each category of market risk, the Banking Group’s end of period aggregate capital charge is the charge as at the end of period reported. The peak end-of-day aggregate capital charge is the maximum over the half year accounting period at the close of each business day.

Equity risk subject to a market risk capital charge as shown above relates to equities owned by the Bank.

Total capital requirements

	Banking Group			
	Unaudited (30/9/25)			
Dollars in Millions	Total Exposure at Default after Credit Risk Mitigation	Risk-Weighted Exposure or Implied Risk-Weighted Exposure	Total Capital Require-ment[1]	Minimum Capital Require-ment[2]
Credit risk				
Exposures subject to the IRB approach[3]	115,693	52,182	4,696	4,696
Specialised lending subject to the slotting approach[3]	7,597	8,164	735	735
Exposures subject to the standardised approach[3]	21,601	2,936	264	264
Equity exposures[3]	2	8	1	1
Credit Value Adjustment subject to BPR ("CVA")	N/A	555	50	50
Adjustment for standardised RWA floor[4]	N/A	7,757	698	698
Total credit risk	144,893	71,602	6,444	6,444
Operational risk	N/A	11,575	926	1,042
Market risk	N/A	3,801	304	342
Total	144,893	86,978	7,674	7,828

[1] The total capital requirement is calculated in accordance with the BPR as discussed in Note 26 *Capital Management*.
[2] The minimum capital requirement is calculated based on the minimum total capital ratio requirement of 9% effective from 1 July 2024.
[3] 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.
[4] 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 standardised methodology.

Schedule 11 Capital Adequacy Under the Internal Models Based Approach, and Regulatory Liquidity Ratios

continued

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			
	Unaudited (30/9/25)		Unaudited (30/9/24)	
	RBNZ Minimum	Ratio	RBNZ Minimum	Ratio
Common Equity Tier 1 capital ratio	**4.5%**	**13.6%**	4.5%	13.9%
Tier 1 capital ratio	**7.0%**	**14.5%**	7.0%	14.9%
Total qualifying capital ratio	**9.0%**	**16.5%**	9.0%	16.0%
Prudential capital buffer ratio	**5.5%**	**7.5%**	4.5%	7.0%

Solo capital adequacy

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

	The Registered Bank	
	Unaudited 30/9/25	Unaudited 30/9/24
Common Equity Tier 1 capital ratio	**13.6%**	13.9%
Tier 1 capital ratio	**14.5%**	14.9%
Total qualifying capital ratio	**16.5%**	16.0%

For the purpose of calculating capital adequacy ratios for the Registered Bank under BPR, subsidiaries are consolidated within the Registered Bank if they are either funded exclusively and wholly owned by the Registered Bank, or there is a full, unconditional and irrevocable cross guarantee between the subsidiaries and the Registered Bank.

Capital for other material risks

The Banking Group actively manages and measures all material risks affecting its operations. These risks go beyond the traditional banking risks of credit, operational and market risk. The measurement and management of all material risks is determined under the Banking Group's ICAAP and includes consideration of all other material risks, additional to those included in determining the minimum regulatory capital requirements under BPR. Other material risks assessed by the Banking Group include capital, funding and liquidity risk, strategic risk, technology and information security risk, financial crime and fraud risk, compliance risk, conduct risk, sustainability risk and reporting risk.

As at 30 September 2025, the Banking Group had an internal capital allocation for strategic risk of nil (30 September 2024: nil).

Dual reporting

The following tables set out additional information on the Banking Group's RWA and resulting capital ratios recalculated as if the Banking Group was subject to the standardised approach (standardised equivalents), alongside the actual RWA and capital ratios calculated for compliance purposes (disclosed in the preceding pages). The following standardised equivalent RWA, capital components, and capital ratios are presented for disclosure purposes only and do not affect the Banking Group's compliance with regulatory minima.

Standardised equivalents of IRB risk weighted assets

The table below summarises the Banking Group's credit risk exposures under the IRB approach and the standardised equivalents for all exposures falling within the respective IRB exposure class or supervisory slotting.

	Banking Group			
	Unaudited (30/9/25)			
Dollars in Millions	Exposure under the IRB Approach[1]	IRB Risk-Weighted Assets	Equivalent Exposure under the Standardised Approach[1]	Standardised Equivalents of Risk-Weighted Assets
Credit risk: standardised equivalents of IRB risk weighted assets				
Corporate	45,469	27,913	45,053	42,869
Residential mortgage	67,450	22,904	65,812	28,035
Other retail	1,459	723	767	765
Retail small to medium enterprises	1,315	642	1,309	1,073
Specialised lending subject to the slotting approach	7,597	8,164	7,597	7,379
Total	123,290	60,346	120,538	80,121

[1] Exposure represents exposure at default after credit risk mitigation.

Schedule 11 Capital Adequacy Under the Internal Models Based Approach, and Regulatory Liquidity Ratios
continued

Standardised equivalent capital ratios

The table below sets out the standardised equivalent RWA, capital amounts, and capital ratios after recalculating the Banking Group's IRB credit risk exposures using the standardised approach.

Dollars in Millions	Banking Group Unaudited (30/9/25) Common Equity Tier 1 capital	Tier 1 capital	Total capital
Standardised equivalent capital amount	11,832	12,657	14,072
Standardised equivalent total RWA	98,996	98,996	98,996
Ratio	12.0%	12.8%	14.2%

The standardised equivalent capital amount and the Banking Group's total capital values reported for compliance purposes differ due to the "expected loss less total eligible allowances for impairment" and "eligible impairment allowance in excess of expected loss" which only apply under the IRB approach for compliance purposes.

The standardised equivalent total RWA and the Banking Group's total RWA reported for compliance purposes differ due to the Banking Group being accredited to use, for compliance purposes, the IRB approach for certain credit exposures in accordance with BPR133 *IRB Credit Risk RWAs*, whereas for the purposes of dual reporting the RWA of those credit exposures have been recalculated using the standardised approach in accordance with BPR131 *Standardised Credit Risk RWAs* ("BPR131").

Historical comparison with standardised capital ratios and risk weights

The table below illustrates the difference between the total capital ratio and the total average risk weight for all modelled credit risk exposures, on an actual and standardised equivalent basis.

Dollars in Millions	Banking Group Unaudited 30/9/25	Unaudited 30/9/24
Total qualifying capital ratio[1]	16.5%	16.0%
Standardised equivalent total capital ratio[2]	14.2%	13.7%
Average risk weight for all modelled credit risk exposures[3,5]	48.9%	49.6%
Standardised equivalent average risk weight for all modelled credit risk exposures[4,5]	66.5%	65.8%

[1] Calculated by dividing the total qualifying capital amount by the total risk weighted exposures as required under the Banking Group's compliance obligations.

[2] Calculated by dividing the Banking Group's standardised equivalent capital amount by the standardised equivalent total RWA.

[3] Calculated by dividing the total RWA for all modelled credit risk exposures by the EAD of those exposures as required under the Banking Group's compliance obligations.

[4] Calculated by dividing the Banking Group's standardised equivalent total RWA for all modelled credit risk exposures by the standardised equivalent EAD of those exposures.

[5] Comparative balances have been restated to align with the presentation used in the current period whereby the calculation of average risk weight is based on exposure at default after credit risk mitigation.

Information about ultimate parent bank and ultimate parent banking group

The table below shows the National Australia Bank Limited capital adequacy ratios based on APRA capital adequacy standards, expressed as a percentage of total risk-weighted assets.

	Ultimate Parent Banking Group		Ultimate Parent Bank	
	Unaudited 30/9/25	Unaudited 30/9/24	Unaudited 30/9/25	Unaudited 30/9/24
Common Equity Tier 1 capital ratio	11.70%	12.35%	11.60%	12.08%
Tier 1 capital ratio	13.74%	14.67%	13.86%	14.65%
Total capital ratio	20.32%	20.92%	21.09%	21.49%

The ultimate parent bank of the Banking Group is National Australia Bank Limited which reports under the Advanced Internal Ratings-Based approach for credit risk (other than for regulatory prescribed portfolios and other portfolios where the standardised approach to credit risk is applied), and the Standardised Measurement Approach to operational risk.

The ultimate parent banking group data is the Level 2 capital ratios (as published in the National Australia Bank Limited Pillar 3 report) and represents the consolidation of NAB and its subsidiary entities, other than the non-consolidated subsidiaries as outlined in the Pillar 3 report.

The ultimate parent bank capital ratios are effectively represented by the Level 1 capital ratios, which comprises National Australia Bank Limited and its subsidiary entities approved by APRA as part of the Extended Licensed Entity.

Under prudential regulations, NAB is required to hold capital above the prudential capital ratio ("PCR") and capital conservation buffer as determined by APRA for both the Level 1 and Level 2 Groups. The PCR is prescribed on a bilateral basis, and is not publicly disclosed. National Australia Bank Limited met the minimum capital adequacy requirements set by APRA as at 30 September 2025.

National Australia Bank Limited is required to publicly disclose risk management and capital adequacy information specified in APRA's Prudential Standard APS 330: *Public Disclosure* ("APS 330"). Updates are provided on a quarterly basis in accordance with the APS 330 reporting requirements.

National Australia Bank Limited's Pillar 3 report, incorporating the requirements of APS 330, can be accessed at www.nab.com.au.

Schedule 11 Capital Adequacy Under the Internal Models Based Approach, and Regulatory Liquidity Ratios

continued

Regulatory liquidity ratios

The table below shows the three-month average of the respective daily ratio values in accordance with BS13 and the Bank's Conditions of Registration relating to liquidity-risk management.

The one-week mismatch ratio is a measure of the Bank's one-week mismatch amount over its total funding, where the one-week mismatch amount represents the Bank's portfolio of primary liquid assets plus expected cash inflows minus expected cash outflows during a one-week period of stress. The Bank is required to maintain this ratio above a minimum level of zero percent on a daily basis. The one-week mismatch ratio = 100 x (one-week mismatch dollar amount / total funding).

The one-month mismatch ratio is a measure of the Bank's one-month mismatch amount over its total funding, where the one-month mismatch amount represents the Bank's stock of primary and secondary liquid assets plus expected cash inflows minus expected cash outflows during a one-month period of stress. The Bank must maintain this ratio above a minimum level of zero percent on a daily basis. The one-month mismatch ratio = 100 x (one-month mismatch dollar amount / total funding).

The one-year core funding ratio measures the extent to which loans and advances are funded by funding that is considered stable. The one-year core funding ratio = 100 x (one-year core funding dollar amount / BS13 total loans and advances) and must currently remain above 75 percent on a daily basis.

The Banking Group has adopted the NAB Model Risk Policy, which requires a triennial review of BNZ's risk management systems that produce the BS13 regulatory liquidity ratios. For these models BNZ alternates between internal and external parties conducting the triennial review. The reviews assess BNZ's quantitative and qualitative compliance with BS13. The last external review was completed in September 2025.

	Banking Group	
	Unaudited For the 3 months ended 30/9/25	Unaudited For the 3 months ended 30/6/25
One-week mismatch ratio	**5.7%**	6.5%
One-month mismatch ratio	**6.5%**	6.7%
One-year core funding ratio	**88.7%**	88.1%

Schedule 13 Concentration of Credit Exposures to Individual Counterparties

The Banking Group's disclosure of concentrations of credit exposures to individual counterparties and groups of closely related counterparties is based on actual credit exposures and excludes credit exposures to connected persons, the central government or central bank of any country with a long term credit rating of A- or A3 or above, or its equivalent, and exclude any supranational or quasi-sovereign agency with a long term credit rating of A- or A3 or above, or its equivalent. Peak credit exposures to individual counterparties are calculated using the Banking Group's end of period Common Equity Tier 1 capital.

Credit exposures to individual counterparties and groups of closely related counterparties were:

	Banking Group (30/9/25)	
Number of bank counterparties	Peak End-of-Day A- or A3 or above or its equivalent	Balance Sheet Date A- or A3 or above or its equivalent
Percentage of Common Equity Tier 1 capital		
10-14%	2	-
15-19%	-	-
20-24%	-	-
Number of non-bank counterparties		
Percentage of Common Equity Tier 1 capital		
10-14%	-	-
15-19%	-	1
20-24%	1	-

The above has been compiled using gross exposures. No account is taken of collateral, security and/or netting agreements that do not qualify for offset in accordance with NZ IAS 32 which the Banking Group may hold in respect of the various counterparty exposures.

The Banking Group had no bank counterparties, supranational or quasi-sovereign agency with a long term credit rating below A- or A3, to whom their aggregate credit exposure, as at 30 September 2025, or peak end-of-day aggregate credit exposure, for the year ended 30 September 2025, equalled or exceeded 10% of the Banking Group's Common Equity Tier 1 capital.

The Banking Group had no non-bank counterparties with a long term credit rating below A- or A3, to whom their aggregate credit exposure, as at 30 September 2025, or peak end-of-day aggregate credit exposure, for the year ended 30 September 2025, equalled or exceeded 10% of the Banking Group's Common Equity Tier 1 Capital.

Schedule 14 Credit Exposures to Connected Persons

Credit exposures to connected persons have been derived in accordance with the Bank's Conditions of Registration and RBNZ's *Connected Exposures Policy* ("BS8"). The amounts are net of individual credit impairment allowances and exclude advances to connected persons of a capital nature.

Aggregate credit exposures to connected persons have been calculated on a partial bilateral net basis. The peak for the year ended credit exposure to connected persons and non-bank connected persons ratios are calculated by determining the maximum end-of-day aggregated amount of credit exposure during the year ended 30 September 2025 over the Banking Group's Tier 1 Capital as at 30 September 2025. The gross amount and amount netted off under a bilateral netting agreement are included in the table below.

	Banking Group (30/9/25)	
	Dollars in Millions	% of Tier One Capital As At
As at end of year		
Credit exposure to connected persons (on gross basis, before netting)	5,660	44.8%
Credit exposure to connected persons (amount netted)	3,794	30.0%
Credit exposure to connected persons (on partial bilateral net basis)	1,866	14.8%
Credit exposure to non-bank connected persons	142	1.1%
Peak for the year ended		
Credit exposure to connected persons (on gross basis, before netting)	6,815	53.9%
Credit exposure to connected persons (amount netted)	4,033	31.9%
Credit exposure to connected persons (on partial bilateral net basis)	2,782	22.0%
Credit exposure to non-bank connected persons	169	1.3%

As at 30 September 2025, the Banking Group's rating-contingent limit to connected persons was 60% of the Banking Group's Tier 1 capital. This limit has not changed during the year. Within the overall rating-contingent limit, there is a sublimit of 15% of Tier 1 capital that applies to aggregate credit exposures to non-bank connected persons. The rating-contingent limit on credit exposures to connected persons as set out in the Bank's Conditions of Registration has been complied with at all times during the year ended 30 September 2025.

As at 30 September 2025, the Banking Group had $79 million of contingent exposures to connected persons arising from unfunded contingent credit protection arrangements provided by the connected persons in respect of credit exposures to counterparties (excluding counterparties that are connected persons). There were no credit exposures to connected persons that were credit-impaired, and no allowance for impairment losses on credit exposures to connected persons as at 30 September 2025.

Schedule 15 Insurance Business, Securitisation, Funds Management, Other Fiduciary Activities, and Marketing and Distribution of Insurance Products

Insurance business

The Banking Group does not conduct any Insurance Business, as defined by condition 3 of the Bank's Conditions of Registration.

Banking group's involvement in securitisation, funds management, other fiduciary activities, and marketing and distribution of insurance products ("activities")

The Bank markets and distributes managed investment schemes that are issued and managed by BNZISL, a related party of the Banking Group. Refer to Note 25 *Related Party Disclosures* for further information. The Bank provides banking services to BNZISL for these products.

The Banking Group is involved in the marketing and distribution of insurance products for the following entities: IAG New Zealand Limited, AIG Insurance New Zealand Limited and Partners Life Limited. None of these entities are affiliated insurance entities or affiliated insurance groups.

The Banking Group originates securitised assets in the form of RMBS held for potential repurchase transactions with the RBNZ, and covered bonds. Refer to Note 24 *Interests in Other Entities* for further details on the RMBS and covered bond programmes, and the Banking Group's involvement in other securitisation schemes.

Arrangements to ensure no adverse impacts arising from the activities specified above

The Banking Group has in place policies and procedures to ensure that the activities above are conducted in an appropriate manner. Should adverse investment or liquidity conditions arise it is considered that the Banking Group's policies and procedures will minimise the possibility that those conditions will adversely impact the Banking Group. The policies and procedures referred to include comprehensive and prominent disclosure of information regarding products, formal and regular review of operations and policies by internal auditors and management, appropriate contractual agreements and compliance with contractual obligations and regulatory requirements.

Amounts represented by funds management and securitisation activities

The outstanding value of assets related to funds under management, funds under custodial arrangements and other funds held or managed subjected to fiduciary responsibilities was nil as at 30 September 2025 (30 September 2024: nil). Refer to Note 30 *Transfers of Financial Assets* for the amounts of outstanding securitised assets originated by the Banking Group in relation to the RMBS and covered bond programmes.

Transactions with entities

When transacting with entities which are involved in the establishment, marketing, or sponsorship of trust, custodial, funds management and other fiduciary activities, the origination of securitised assets, or the marketing or servicing of securitisation schemes, all financial services provided by, and asset purchases made by any member of the Banking Group have been provided or made on arm's length terms and conditions and at fair value.

Funding provided to entities in aggregate and individually

The Bank does not provide any funding to individual managed investment schemes which the Banking Group distributes on behalf of third parties.

During the year ended 30 September 2025, the Banking Group did not provide any funding to individual unconsolidated entities involved in securitisation activities, where the Banking Group is involved in the origination of securitised assets and the marketing of securitisation schemes.

Schedule 17 Risk Management Policies

Information about risk

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. Refer to note 27 *Financial Risk Management* for further information.

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.

Executive governance

At an executive level, risk is overseen by the Chief Executive Officer ("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.

Other key risks faced by the Banking Group include:

- strategic risk;
- operational execution risk;
- technology and information security risk;
- financial crime and fraud risk;
- compliance risk;
- conduct risk;
- sustainability risk; and
- reporting risk.

Further details regarding the nature and extent of other key risks faced by the Banking Group, and how these risks are managed, are outlined as part of this note. Other key risks are managed and overseen as part of the Banking Group's broader corporate governance structure and risk management framework as follows:

Strategic risk

Strategic risk is the risk to earnings, capital, liquidity, funding or 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 programmes.

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 programmes. These programmes 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.

Operational execution risk

Operational execution risk is the risk of loss or disruption to the Banking Group's ability to deliver business services resulting from vulnerabilities or failures in the operational ecosystem of processes, external service providers, models and people.

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 and third party providers the Banking Group partners with.

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

The Banking Group has adopted the NAB Operational Risk Management Policy, which sets out the principles for managing operational execution 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 is intended to ensure 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 support prompt reporting and sustainable remedial action.

The primary roles of the Banking Group's Risk division in relation to operational execution 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 execution risk capital for the purpose of capital adequacy, refer to Schedule 11 *Capital Adequacy Under the Internal Models Based Approach, and Regulatory Liquidity Ratios*.

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

Schedule 17 Risk Management Policies *continued*

Technology and information security risk

Technology and information security risk relates to the risks arising from the inappropriate use, management, and protection of technology and information assets. Collectively, these risks can impact the confidentiality, integrity, and availability of information and technology systems, and may result in operational disruption, financial loss, reputational damage, or regulatory penalties. Privacy, information security and data breaches may adversely impact the Banking Group's reputation and operations.

The Banking Group collects, processes, stores and transmits large amounts of personal and confidential information through its people, internal technology systems and networks, and through the technology systems and networks of its external service providers, including cloud service providers. This interconnected and complex environment heightens the Banking Group's exposure to information security risks. Threats to information security are constantly evolving, including through the use of emerging technologies such as advanced forms of artificial intelligence, quantum computing, and increasingly sophisticated techniques used to perpetrate fraud, scams and cyber-attacks. The number, nature, resources and capability of adverse actors that could pose a cyber threat to the Banking Group are growing, ranging from individual cybercriminals to organised syndicates and nation-state actors. Reliance on external service providers for technology services and cloud infrastructure introduces additional risks, as the Banking Group may have limited ability to monitor and control the security protocols implemented by these providers on a day-to-day basis. The Banking Group may also submit confidential information to its key regulators under a legal obligation or as part of regulatory reporting that is stored and processed by the regulators and is limited in its ability to monitor and control the security protocols implemented by the regulators.

Technology and information security risk extends across the Banking Group, influences and interacts with other major categories of risk and is regarded as a subtype of operational execution risk. The risk is managed through existing enterprise operational execution risk and compliance frameworks, policies, standards and tools, and the adopted NAB Information Risk Policy.

Financial crime and fraud risk

Financial crime risk, including fraud risk is the risk of deliberate or opportunistic acts intended to deceive, misappropriate assets, or circumvent legal, regulatory, and policy-based requirements designed to prevent, detect, and respond to criminal misuse of the financial system. This includes internal and external threats such as money laundering, terrorist financing, proliferation financing, bribery and corruption, sanctions violations, fraud (including scams) targeting the Banking Group, its customers, or its systems.

The Banking Group may be exposed to bribery, corruption or financial crime through its products, services or operations.

The Banking Group may experience significant loss and reputational harm as a result of criminal misuse of the financial system, and may also be subject to increased regulatory scrutiny, enforcement actions, and penalties where controls are ineffective.

Compliance risk

Compliance risk is the risk of events of failures to comply with relevant laws, regulations, licence conditions, supervisory requirements, self-regulatory industry codes of conduct or voluntary initiatives as well as the internal policies, standards, procedures or 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 meet compliance obligations. Timely identification, investigation, escalation, reporting and remediation of any instances of non-compliance is emphasised by the Banking Group.

Conduct risk

Conduct risk is the risk of failing to act in a customer's best interests, or in accordance with market integrity standards or codes of conduct.

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, processes, systems and controls used for other material risk types, such as operational risk and compliance risk. The Bank maintains a Fair Conduct Programme to manage fair customer outcomes, in compliance with the requirements of the conduct of financial institutions regime under the New Zealand Financial Markets Conduct Act 2013. 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.

Schedule 17 Risk Management Policies *continued*

Sustainability risk

Sustainability risk is the risk that Environmental, Social or Governance ("ESG") related events or conditions arise that could negatively impact the sustainability, resilience, risk and return profile, value or reputation of the Banking Group 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 the Banking Group 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 Banking Group, and adversely impact financial performance and financial position.

The Financial Markets Conduct Act 2013 requires mandatory climate-related reporting by certain "climate reporting entities", which includes large banks. It requires the Bank to annually prepare and make public climate statements with disclosures on how the Banking Group 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.

Sustainability risk is managed by implementing policies, frameworks, processes and tools, including the Banking Group's Climate-Related and Nature-Related Risks 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.

Reporting risk

Reporting Risk is the risk of failure to accurately and completely represent mandatory financial and non-financial disclosures in a timely manner as required by regulators, government agencies, and other stakeholders.

The Banking Group is subject to extensive and evolving regulatory reporting obligations. These obligations require accurate and timely submission of complex reports, often sourced from multiple systems and subject to interpretation under various regulatory frameworks. The Banking Group relies on its policies, processes and controls to ensure reporting outcomes are complete, accurate, and compliant with applicable standards.

Failure in submitting accurate and timely reports can lead to regulatory financial penalties, enforcement actions, or loss of customers', investors', and other stakeholders' trust. In addition, remediation efforts may require significant investment in systems, controls, and may divert resources from strategic initiatives.

Capital adequacy

Refer to Note 26 *Capital Management* for further information.

Reviews of banking group's risk management systems

Refer to Note 27 *Financial Risk Management* and information about risk above for details on the Banking Group's reviews of risk management systems.

Ernst & Young, the Banking Group's external auditor, may review parts of the Banking Group's risk management framework that impact significant aspects of the financial systems. This review may be undertaken in connection with Ernst & Young's issuance of an independent auditor's review report on the six month Disclosure Statement or an audit report on the year end Disclosure Statement, to the extent required to form their assurance opinion.

Credit rating agencies also conduct periodic reviews of the Banking Group's risk management approach and risk profile.

Internal audit function of banking group

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. 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. Audit assignments 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 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.

Measurement of impaired assets

Refer to Notes 12 *Allowance for Expected Credit Losses* and 27 *Financial Risk Management* for details on the Banking Group's approach to measurement of impaired assets. In addition, credit impairment is assessed monthly, with the individually assessed allowance updated monthly and the collectively assessed allowance updated quarterly.

Schedule 17 Risk Management Policies *continued*

Credit risk mitigation

Refer to Note 29 *Offsetting Financial Assets and Financial Liabilities* for the policies and processes for on-balance sheet netting. The same policies and processes apply to off-balance sheet contingent liabilities and credit related commitments. No off-balance sheet contingent liabilities and credit related commitments met the criteria for netting.

The Banking Group assesses the integrity and ability of counterparties to meet their contractual financial obligations for repayment. Credit risk mitigation, where applicable, is measured using the comprehensive method. Collateral security in the form of property or a security interest in personal property is generally taken for business credit except for major government, bank and corporate counterparties of strong financial standing. Longer term consumer finance (e.g. housing loans) is generally secured against residential real estate while short-term revolving consumer credit is generally unsecured.

The credit risk mitigation table in Schedule 11 *Capital Adequacy Under the Internal Models Based Approach, and Regulatory Liquidity Ratios* shows the total value of exposures covered by eligible financial collateral for portfolios subject to the standardised approach. For all portfolios, no exposures are covered by credit derivatives. Information on the total value of exposures covered by financial guarantees is not disclosed as the effect of these guarantees on the underlying credit risk exposures is considered immaterial.

Additional information about credit risk

The RBNZ Capital Adequacy Framework allows accredited banks to use their own models for calculating RWA for credit risk; this is the 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 Specialised Lending asset category the Banking Group uses supervisory slotting estimates provided by the RBNZ.

IRB approach

The Banking Group's quantitative credit risk measurement is based on the IRB approach (IRB for Retail Credit portfolios and Advanced IRB for Non-retail Credit portfolios) and uses a series of models or prescribed factors to calculate loss estimates for the credit portfolio. This includes consideration of:

- PD which estimates the probability that a customer will default over the next 12 months;
- LGD which estimates the expected loss in the event of default. It is the percentage of exposure which will be lost after all recovery efforts, including legal expenses, time value of money and recovery expenses; and
- EAD which estimates the amount of outstanding principal, fees and interest owed at the time of default.

The above three elements (PD, LGD and EAD) are important inputs in determining the risk-weighted exposure calculations for both on and off-balance sheet exposures, including undrawn portions of credit facilities, committed and contingent exposures. These ratings are also an important input into the credit approval, risk management, internal capital allocation and corporate governance functions of the Banking Group.

Methodologies used to calculate credit risk estimates (PD, LGD and EAD) are in accordance with the BPR and the Bank's Conditions of Registration. For credit risk estimates on some portfolios, the RBNZ has set prescribed risk estimates required to be used when calculating risk-weighted assets and capital under the BPR.

IRB Asset Class	Borrower Type	Approach
Corporate	Corporate agriculture	IRB Advanced
	Corporate small to medium enterprises ("SME") with turnover of less than $50 million	IRB Advanced
	Large corporate exposures and partnerships that do not fit any other asset classification	IRB Advanced
Residential mortgage	Lending against residential property	IRB Advanced
Other retail	Lending to individuals	IRB Advanced
	Retail business lending (retail SME)	IRB Advanced
Corporate sub-class – specialised lending	Income producing real estate	Slotting
	Project finance	Slotting

Standardised approach

Exposure Class	Exposure Type	Reason
Sovereign	Crown	Required by BPR
	RBNZ	Required by BPR
	Any other sovereign and its central bank	Required by BPR
Bank		Required by BPR
Equity		Required by BPR
Other	All other exposures not classified under the above categories	Required by BPR
Corporate	QCCP	Required by BPR
	Corporate exposures with unapproved models	Required by BPR

Controls surrounding credit risk rating systems

The credit risk rating systems cover all methods, processes, controls, data collection and technology that support the assessment of credit risk, the assignment of internal credit risk ratings and the quantification of associated default and loss estimates.

The credit risk rating systems and risk estimate processes are governed by the Banking Group's ERCC and are an integral part of reporting to senior management. Management and staff of the credit risk function regularly assess the performance of the rating systems, monitor progress on changes being made to systems and identify any areas for improvement. These systems are subject to rigorous internal review and approval and regular independent review. The annual validation of models is undertaken by specialists who are responsible for the independent review of the design, implementation and performance of all rating models across the Banking Group.

Directors' Statements

The Directors of Bank of New Zealand state that each Director of the Bank believes, after due enquiry, that:

1. as at the date on which this Disclosure Statement is signed:
   (a) the Disclosure Statement contains all the information that is required by the Order; and
   (b) the Disclosure Statement is not false or misleading; and
2. during the year ended 30 September 2025:
   (a) the Bank has complied in all material respects with its Conditions of Registration that applied during the period.
   (b) credit exposures to connected persons were not contrary to the interests of the Banking Group; and
   (c) the Bank had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated 6th November 2025 and signed by Mr. Hunt and Mr. Huggins as Directors and as responsible persons on behalf of all the other Directors.

W E Hunt
Chair

D J Huggins
Managing Director and Chief Executive Officer

Shape the future
with confidence

Assurance engagements performed by Ernst & Young

Our assurance engagements in relation to Bank of New Zealand (the "Bank") and the entities it controlled at 30 September 2025 or from time to time during the year (collectively the "Banking Group") consisted of the following:

- Audit of the consolidated financial statements (the "Financial Statements") of the Banking Group for the year ended 30 September 2025 that are required by Clause 24 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") included on pages 5 to 59 of the Annual Report and Disclosure Statement. These pages also include "Capital and ratios" information on page 40 which is not covered by the Financial Statement audit.

- Audit of the information required by Clause 21 of the Order to be disclosed in accordance with Schedules 4, 7, 13 to 15 and 17 of the Order (together the "Registered Bank Disclosures") included on pages 71 to 76 and 87 to 92 of the Annual Report and Disclosure Statement. The Registered Bank Disclosures are presented for the year ended 30 September 2025 or as at that date, as applicable.

- Limited assurance engagement in relation to the information required by Clause 21 to be disclosed in accordance with Schedule 11 of the Order which is disclosed on pages 77 to 86 of the Annual Report and Disclosure Statement (the "Capital Adequacy and Regulatory Liquidity Ratios Information"). The Capital Adequacy and Regulatory Liquidity Ratios Information is presented for the year ended 30 September 2025 or as at that date, as applicable.

Independent auditor's report to the Shareholders of Bank of New Zealand

Report on the audit of the Financial Statements and Registered Bank Disclosures

Opinion

We have audited the Financial Statements and the Registered Bank Disclosures (as defined above). The Financial Statements comprise the:

- balance sheet of the Banking Group as at 30 September 2025;

- income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended of the Banking Group; and

- notes to the Financial Statements including material accounting policy information.

In our opinion:

- the Financial Statements present fairly, in all material respects, the consolidated financial position of the Banking Group as at 30 September 2025 and its consolidated 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; and

- the Registered Bank Disclosures for the year ended 30 September 2025 or as at that date, as applicable:

  - present fairly the matters to which they relate; and

  - are disclosed in accordance with Schedules 4, 7, 13 to 15 and 17 of the Order.

Shape the future
with confidence

We have not audited the Capital Adequacy and Regulatory Liquidity Ratios Information (as defined above) and our opinion does not extend to this information.

This report is made solely to the Bank's shareholders, as a body. Our audit has been undertaken so that we might state to the Bank's shareholders 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 Bank and the Bank's shareholders, as a body, 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 and Registered Bank Disclosures* section of our report.

We are independent of the Banking Group 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 interim financial statement and registered bank disclosures review, other assurance and agreed-upon procedure services, and remuneration benchmarking reports to the Banking Group. We also audit the financial statements of entities controlled or managed by the Banking Group. Partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the business of the Banking Group. We have no other relationship with, or interest in, the Banking Group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current year. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the Financial Statements and Registered Bank Disclosures* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Statements.

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Allowance for Expected Credit Losses

Why significant	How our audit addressed the key audit matter
As at 30 September 2025 the Banking Group has an allowance for expected credit losses of $998 million as disclosed in Note 12 *Allowance for Expected Credit Losses*. The allowance for expected credit losses (ECL) is measured in accordance with the requirements of New Zealand Equivalent to International Financial Reporting Standard 9 *Financial Instruments* (NZ IFRS 9). Key areas of significant judgment included: ▸ the application of the impairment requirements of NZ IFRS 9 within the allowance for ECL methodology; ▸ the identification of exposures with a significant increase in credit risk; ▸ assumptions used in the allowance for ECL models (for both exposures assessed on an individual or collective basis); and ▸ forward-looking adjustments held to reflect the impact of current and anticipated external factors, including multiple economic scenarios and the weightings applied for each of those scenarios. This was a key audit matter due to the value of the allowance for ECL and the degree of judgment and estimation uncertainty associated with the allowance for ECL calculation.	Our audit procedures included the following: We assessed the alignment of the Banking Group's allowance for ECL model and its underlying methodology against the requirements of NZ IFRS 9. In conjunction with our actuarial specialists, we assessed the following for exposures evaluated on a collective basis: ▸ significant modelling and macroeconomic assumptions, including the reasonableness of forward-looking information and scenarios; ▸ the determination of a significant increase in credit risk; ▸ the appropriateness and sensitivity of collective provisions to changes in the allowance for ECL measurement methodology and modelling assumptions; ▸ the mathematical accuracy of management's model; and ▸ the basis for and data used to determine forward-looking adjustments. We assessed a sample of exposures on an individual basis by: ▸ assessing the reasonableness and timeliness of internal credit quality assessments based on the borrowers' particular circumstances; and ▸ evaluating the associated allowance for ECL by assessing the reasonableness of key inputs into the allowance for ECL calculation, focusing on high-risk industries, work out strategies, collateral values, and the value and timing of recoveries. In conjunction with our IT and actuarial specialists, we assessed the effectiveness of relevant controls relating to: ▸ capture of data, including loan origination and transactional data, ongoing internal credit quality assessments, storage of data in data warehouses, and interfaces with the provision calculation engine; ▸ ongoing monitoring and validation of allowance for ECL models; ▸ review and approval of economic scenarios assumptions, and weightings. We assessed the adequacy and appropriateness of the disclosures related to allowance for ECL within the Notes to the financial statements.

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Information Technology (IT) systems and controls over financial reporting

Why significant	How our audit addressed the key audit matter
A significant part of the Banking Group's financial reporting process is primarily reliant on IT systems with automated processes and controls relating to the capture, storage and extraction of a high volume of information. A fundamental component of these IT systems and controls is ensuring that risks relating to inappropriate user access management, unauthorised program changes and IT operating protocols are addressed. This was identified as a key audit matter as our audit approach is dependent on the effective operation of the IT controls.	Our audit procedures included the following: We focused on those IT systems and controls that are significant to the financial reporting process. We involved our IT specialists, as audit procedures over IT systems and controls require specific expertise. We assessed the design, implementation, and operating effectiveness of IT controls, including those related to: ▸ General security settings and authentication ▸ User access management and revalidation ▸ Change and release management ▸ IT operations Where we identified design and/or operating deficiencies in the IT control environment, our audit procedures included the following: ▸ we assessed the integrity and reliability of the systems and data related to financial reporting; and ▸ where automated procedures were supported by systems with identified deficiencies, we either 1) assessed compensating or mitigating controls that were not reliant on the IT control environment, 2) performed direct testing of IT application controls and/or IT dependent manual controls, or 3) varied the nature, timing and extent of substantive procedures performed.

Information other than the Financial Statements, Registered Bank Disclosures and auditor's report

The directors of the Bank are responsible for the other information. The other information comprises the annual report, which includes the Climate Statement, but does not include the Financial Statements or the Registered Bank Disclosures and our auditor's report thereon. We obtained the annual report other than the Climate Statement prior to the date of this auditor's report. The Climate Statement is expected to be made available to us after the date of this report.

Our opinion on the Financial Statements and Registered Bank Disclosures does not cover the other information and we do not express any form of assurance conclusion thereon except as otherwise stated. We have performed a limited assurance engagement on the Capital Adequacy and Regulatory Liquidity Ratios Information as explained below.

In connection with our audit of the Financial Statements and Registered Bank Disclosures, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or Registered Bank Disclosures or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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If, based upon the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the Climate Statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if uncorrected, to take appropriate action to bring the matter to the attention of users for whom our auditor's report was prepared.

Directors' responsibilities for the Financial Statements and Registered Bank Disclosures

The directors are responsible, on behalf of the Bank, for the preparation and fair presentation of the Financial Statements in accordance with Clause 24 of the Order, New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and the Registered Bank Disclosures in accordance with Clause 21 of the Order and Schedules 4, 7, 13 to 15 and 17 of the Order and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements and Registered Bank Disclosures 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 Bank, the Banking Group'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 Banking Group or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements and Registered Bank Disclosures

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole and Registered Bank Disclosures 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 and Registered Bank Disclosures.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/. This description forms part of our auditor's report.

The engagement partner on the engagement resulting in this independent auditor's report is Emma Winsloe.

Ernst + Young

Chartered Accountants
Auckland
6 November 2025

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Independent Assurance Report to the Shareholders of Bank of New Zealand

Limited assurance report on the Capital Adequacy and Regulatory Liquidity Ratios Information

Conclusion

We have undertaken a limited assurance engagement on the compliance, in all material respects, of the Bank's Capital Adequacy and Regulatory Liquidity Ratios Information (as defined above) for the year ended 30 September 2025 or as at that date, as applicable, with Schedule 11 of the Order.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Capital Adequacy and Regulatory Liquidity Ratios Information for the year ended 30 September 2025 or as at that date, as applicable, is not disclosed, in all material respects, in accordance with Schedule 11 of the Order.

Basis for Conclusion

We conducted our engagement in accordance with Standard on Assurance Engagements 3100 (Revised) *Compliance Engagements* (SAE 3100 (Revised)) issued by the New Zealand Auditing and Assurance Standards Board.

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

Directors' Responsibilities

The Directors are responsible on behalf of the Bank for:

- Compliance with the Order, including Clause 21 which requires the Capital Adequacy and Regulatory Liquidity Ratios Information to be included in the Disclosure Statement in accordance with Schedule 11 of the Order.
- Identification of risks that threaten compliance with Clause 21 and Schedule 11 of the Order being met, controls which will mitigate those risks, and monitoring ongoing compliance.

Our Independence and Quality Management

We have complied with the independence and other requirements of 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 which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Assurance Practitioner's Responsibilities

Our responsibility is to express a limited assurance conclusion on whether the Bank's Capital Adequacy and Regulatory Liquidity Ratios Information is not disclosed, in all material respects, in accordance with Schedule 11 of the Order. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Bank's Capital Adequacy and Regulatory Liquidity Ratios Information is not disclosed, in all material respects, in accordance with Schedule 11 of the Order.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with Schedule 11 of the Order is likely to arise.

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Given the circumstances of the engagement, in performing the procedures listed above we:

- Obtained an understanding of the Bank's compliance framework and internal control environment to meet the Capital Adequacy and Regulatory Liquidity Ratios Information requirements in accordance with the Reserve Bank of New Zealand's (RBNZ) prudential requirements for banks.
- Obtained an understanding of the processes, models, data and internal controls implemented over the preparation of the Capital Adequacy and Regulatory Liquidity Ratios Information.
- Agreed selected elements of the Capital Adequacy and Regulatory Liquidity Ratios Information to information extracted from the Bank's models, accounting records or other supporting documentation or, in relation to Clause 18 of Schedule 11 of the Order, publicly available information.
- Performed analytical and other procedures on the Capital Adequacy and Regulatory Liquidity Ratios Information disclosed in accordance with Schedule 11 and considered its consistency with the Financial Statements of the Banking Group.
- Obtained an understanding and assessed the impact of any matters of non-compliance, either advised to us or of which we otherwise became aware, with the RBNZ's prudential requirements for banks that relate to capital adequacy and regulatory liquidity ratios information and inspected relevant correspondence with RBNZ.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion on compliance with Schedule 11 of the Order.

Ernst & Young provides financial statement and registered bank disclosures audit and review, other assurance and agreed-upon procedures services, and remuneration benchmarking reports to the Bank. Partners and employees of our firm may deal with the Bank on normal terms within the ordinary course of trading activities of the business of the Bank. We have no other relationship with, or interest in, the Bank.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or non-compliance with compliance requirements may occur and not be detected. A limited assurance engagement on the Bank's disclosure of Capital Adequacy and Regulatory Liquidity Ratios Information in the Annual Report and Disclosure Statement for the year ended 30 September 2025 or as at that date, as applicable, does not provide assurance on whether compliance will continue in the future.

Restrictions on Use of Report

This report has been prepared for the Bank's shareholders for the purpose of providing limited assurance that the Bank's Capital Adequacy and Regulatory Liquidity Ratios Information has complied with Schedule 11 of the Order. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders for our limited assurance work, for this report, or for the conclusions we have formed. We acknowledge that our report will be included in the Bank's Annual Report and Disclosure Statement.

Ernst + Young

Chartered Accountants
Auckland
6 November 2025